Sacombank (Cambodia) Plc.

ANNUAL REPORT 2019

Sacombank

SACOMBANK (CAMBODIA) PLC.

Financial statements in accordance with
Cambodian International Financial Reporting Standards

as at 31 December 2019 and for the year then ended

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EDITORIAL TEAM

Chief Editor

Mr. Nguyen Nhi Thanh
Vice Chairman
cum General Director

Deputy Chief Editor

Mr. Phung Thai Phung
Deputy General Director

Graphic Designer

Mr. Tang Chheng
Design Officer

Mr. Chhorm Rath
Design Officer

MISSION

To be the leading Vietnamese bank and top ten retail bank in Cambodia.

VISION

- Constantly maximize value for customers and shareholders
- Bring value to staff in terms of career development and wealth
- Contribute to the development of the community

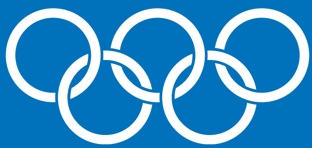
CORE VALUES

1. Pioneering to be an explorer and accept challenges to discover new horizons;
2. Novel, Dynamic and Innovative to turn difficulties and challenges into growth opportunities;
3. High Commitment with the highest professionalism, dedication and prestige towards customers and partners
4. Social Responsibility under its slogan: Sacombank and the Community - "Growing Together"
5. Making a Difference with innovative breakthroughs in Products, Business Methods and Corporate Governance Models.

SACOMBANK (CAMBODIA) PLC. MILESTONES

23 June 2009

Sacombank opened its Phnom Penh Branch, making it the 27th foreign bank to operate in Cambodia and the first Vietnamese bank to invest in the country. In pioneering the entry into the Cambodian banking sector, Sacombank Phnom Penh branch has contributed to an increase in cross-border trade between Cambodia and Vietnam. This event marks another miles in the bank's growth in Indochina region.



08 December 2010

Sacombank celebrated the grand opening of the first sub-branch in Phnom Penh - Olympic sub-branch, located at one of the busiest trading areas in the city. The sub-branch supports to fulfil a high demand of financial services in the Olympic Supermarket area by providing key products and services such as trade finance, business loan, and money transfer.

30 August 2011

Sacombank continued to expand branch network as a part of its expansion strategy in Phnom Penh by opening the second sub-branch, located at Vietnamese Supermarket. The new branch creates significant opportunities for individual and business customers in the surroundings (Supermarket) through diversified products and services and its convenient location particularly.

05 September 2011

Sacombank opened its third sub-branch in the western part of Phnom Penh city, located at Chbar Ampeou market area. As one of the crowded area in the city, where economic development is growing rapidly, Chbar Ampeou sub-branch has the opportunity to contribute to the improvement of the business conditions of market vendors.

01 October 2011

The Board of Directors announced to transform its Phnom Penh branch into wholly-owned subsidiary of Sacombank under the approval of National Bank of Cambodia and support of State Bank of Vietnam. This important event marked the transition to a new phase in the development and performance improvement strategy of Sacombank in Cambodia, thus further promoting the good trading relationship of the business communities between Vietnam and Cambodia.

22 March 2012

For the first time, Sacombank (Cambodia) Plc. (Sacombank Cambodia) started outreaching to one of the busiest trading hubs outside the capital city by opening a branch in Kampong Cham province. Besides the key products and services to meet the financial demands of local customers, the newest branch provides quick money transfer services between Kampong Cham and Phnom Penh, increasing the trading capacity between the country's two biggest economic hubs.

26 November 2012

In the response to strong demands from the bank's customers, Sacombank Cambodia moved its Vietnamese Supermarket Branch to a larger office located at 537 A-B Monivong Boulevard, Phnom Penh under the name of Preah Monivong branch. The creation of a new transaction office in the city centre is the right thing to support the continuous expansion of the bank. The new office has a perfect location where the economic development, strategy and growth potential exist.

06 December 2012

Sacombank Cambodia kicked-off cross-border trade payment service, aims to streamline the process for settling cross-border trade in the Vietnam Dong and enables Cambodian enterprises to conduct cross-border trade in Vietnam Dong electronically without holding an account in the currency. Vice versa, Cambodia suppliers can also receive their payment from Vietnam buyer directly in Khmer Riel.

17 January 2013

As a focal point for network expansion strategy, Sacombank Cambodia continued to expand its branch network in Phnom Penh by inaugurating Phsar Heng Ly branch, bringing its broad range of banking products & services to the surrounding community of the major market.

24 June 2013

Sacombank Cambodia announced the opening of Pochentong branch in the western part of Phnom Penh city. This branch is Sacombank Cambodia's 7th entity in the country, complementing Head Office and 5 branches: Olympic, Preah Monivong, Chbar Ampeou, Kampong Cham, Phsar Heng Ly.

23 April 2014

In order to support the business economy development of one of the most active city in the southern of Phnom Penh. Sacombank Cambodia announced the opening of Takhmao Branch. This is the eighth entity in the country and is the second entity outside Phnom Penh. Continued showing our commitment to expand in the country.

28 September 2017

In order to further expand network and banking services in Cambodia, Sacombank Cambodia organized the Grand Opening of Siem Reap Branch. Sacombank Cambodia now have 1 Head Office and 8 Branches, this will make customer easier in using our service and the daily trade payment of enterprises in Cambodia with Sacombank and therefore enhance their trading capacity.

22 June 2019

On June 22, 2019, Sacombank Cambodia successfully organized the "10th Anniversary of Sacombank Cambodia". It's been 10 years since Sacombank opened its first Phnom Penh branch on 23/06/2009, making it the first Vietnamese bank to expand its business in Cambodia. This pioneering step is a fundamental condition for Sacombank to build an impressive featured brand in this country and provide comprehensive financial solutions to clients and support the Cambodian - Vietnamese business community.

MESSAGE FROM CHAIRMAN OF THE BOARD OF DIRECTORS

Dear Esteemed clients and partners,

It's been over 10 years since Sacombank opened its first branch in Cambodia on 23/06/2009. Since then, along with the outstanding and impressive development of the country, Sacombank Cambodia has also gradually proved its position and brand of a modern and multi-functional Vietnamese Commercial Bank, contributing to the overall development of Cambodia. By the end of 2019, with network of 09 Branches and 01 Head Office in key areas, Sacombank Cambodia had achieved positive results in business activities. Specifically, compared to 2018, the Total Deposit reached 160.41 million USD, increased by 10.7%, Total Loan reached 157.39 million USD, increased by 12.1%, Profit before tax and after risk provision reached 4.09 million USD.

In 2020, continuing the development orientation to become a modern and multi-functional retail bank, Sacombank Cambodia continues to implement the policies of **"BREAKTHROUGH THINKING - VALUE ENHANCEMENT"** to:

- Increase business efficiency, expand scale and market share.
- Deploying many important projects on information technology to provide benefits to clients and ensure the safety of security for business activities such as Mobile Banking App, Intrusion Detection and Prevention Systems (IDPS), ...
- Upgrade and renovate IT infrastructure following the modern technology trend to meet the needs of business development as well as expand market share in the future.
- Drastically handling bad debts and strictly controlling credit quality.
- Restructuring organization, raising the quality of human resources, towards a professional work environment and dynamic.

With the belief of **"CLIENTS ARE CENTRIC - HUMAN RESOURCES ARE CORE"**, Sacombank Cambodia always strives to optimize the financial solution package, modern & multi-utility for clients. Maximize the added value for the Partner. Bring career value & prosperity to employees. Accompany with the development of community and society.

On behalf of the Board of Directors of Sacombank Cambodia, I would like to express my sincere appreciation to the leaders of Sacombank and all employees of Sacombank Cambodia for their efforts and dedication to the development of Sacombank Cambodia. In addition, I would like to express my deepest gratitude to our clients, partners who have always trusted and accompanied Sacombank Cambodia so far. We commit to make every effort and responsibility for the development of Sacombank Cambodia in particular as well as contribute to the overall success of the financial and monetary system of Cambodia.

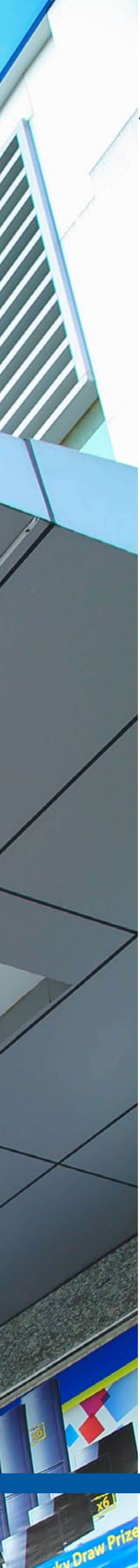
I wish you good health, happiness and success!

Respectfully !

TRINH VAN TY (Mr.)

Chairman of the Board of Directors of
Sacombank (Cambodia) Plc.


Sacombank
CAMBODIA Plc.



INTRODUCTION OF SACOMBANK (CAMBODIA) PLC.

Sacombank is a leading commercial banks in the Vietnam and continuously growing in Cambodia and Laos with more than 18,000 employees and 566 branches in the region.

The bank first established a presence in Cambodia on 23 June 2009 with the opening of its Phnom Penh branch, became the first Vietnamese bank to open its branch in Cambodia. In pioneering the entry into the Cambodian banking sector, Sacombank made a significant contribution in cross-border trade expansion between Cambodia and Vietnam.

After 2 years of operation, Sacombank (Cambodia) Plc. completed local incorporation on 1 October 2011. After the transformation, the bank continuously reforms its operation, cooperates with international strategic partners, develops new products and services to meet the characteristics of local financial market and become a more competitive banking service provider in the kingdom.

English name	:	Saigon Thuong Tin Bank (Cambodia) Plc.
Abbreviated name	:	Sacombank (Cambodia) Plc.
Head office	:	60 Preah Norodom Boulevard, Sangkat Chey Chumneas, Khan Daun Penh, Phnom Penh.
Telephone	:	(+855) 23 223 423
Email	:	ask-sc@sacombank.com.kh
Website	:	www.sacombank.com.kh
Date of establishment	:	23 June 2009
Chartered capital	:	USD 75,000,000
Number of business locations	:	10

Sacombank (Cambodia) Plc. provides a broad range of banking products and services to private individuals, self-employed customers as well as small and medium sized enterprises. These services include:

- Receipt of demand deposits, term deposits, savings deposits and other types of deposits.
- Issuance of certificates of deposit, bills of exchange, bills of credit.
- Grant of credit in the form of:
    - Lending;
    - Discount and rediscount of commercial instruments and other valuable papers;
    - Bank's guarantee;
    - Other forms of credit granting
- Opening of payment accounts for customers.
- Provision of payment facilities.
- Provision of the following payment services:
    - Rendering domestic payment services, including cheques, payment orders, banker's check, bank collection, letters of credit, entrusted collection and payment services;
    - International payment services and other payment services.

EVENT HIGHLIGHTS

10TH YEARS ANNIVERSARY

On June 22, 2019, Sacombank Cambodia successfully organized the "10th Anniversary of Sacombank Cambodia". It's been 10 years since Sacombank opened its first Phnom Penh branch on 23/06/2009, making it the first Vietnamese bank to expand its business in Cambodia. This pioneering step is a fundamental condition for Sacombank to build an impressive featured brand in this country and provide comprehensive financial solutions to clients and support the Cambodian - Vietnamese business community.



SIGNING CEREMONY OF PARTNERSHIP AGREEMENT BETWEEN SACOMBANK (CAMBODIA) PLC. AND LY HOUR VELUY

Phnom Penh, February 12, 2019, Sacombank (Cambodia) Plc. is the first Vietnamese bank to invest in Cambodia providing fund transfer and payment service with competitive fees and professional services. In order to meet demand as well as to facilitate clients, Sacombank (Cambodia) Plc. has celebrated the official partnership signing ceremony with Ly Hour Pay Pro Plc. Now, Sacombank Cambodia's clients can enjoy making a withdrawal, transfering money to business partners/relatives, paying the loan, credit cards, and especially making a deposit to their Sacombank Cambodia's account through more than 4,500 Ly Hour Veluy's agents nationwide.




TRAINING PROGRAM OF "MANAGEMENT AND LEADERSHIP SKILLS"

On April 06-07, 2019, SACOMBANK (CAMBODIA) Plc. has conducted a customized training program on "Management and Leadership Skills", which was specially designed for Senior Management Level, delivered by Cambodia Management Academy (CamMa). This training aims to improve the trainee's understanding of Management Skills, Leadership Development, Coaching and Mentoring, Communication Skills, Developing and Designing Work Plan, Problem Solving, and Decision Making Skills. Based on training evaluation, trainees were very active, able to share knowledge and skills in the training related to the Management and Leadership skills majority of trainees applied themselves very well in the improvement of their skills through the discussion questions, personal idea sharing, group discussion, presentation, and exchanging comments.




LAUNCHING MORE ATM AT SIEM REAP AND PHNOM PENH

In 2019, Sacombank Cambodia has set and launched more ATM machines in Phnom Penh and Siem Reap province for clients to easier withdraw and transfer money:

CIRCLE K-RULE
#789E0E1, Monivong Blvd, Sangkat Boeng Trabek, Khan Chamkarmorn, Phnom Penh.

NOODLE HOUSE-PHSAR KANDAL
#32AE0, St. 130 corner 5, Phum 13, Sangkat Phsar Kandal 1, Khan Daun Penh, Phnom Penh.

CIRCLE K-VANDA INSTITUTE
#212B E0E1-E2E3, Mao Tse Tong Blvd, Sangkat Boeng Tom Nob Toek, Khan Chamkarmorn, Phnom Penh.

4 RIVERS HOTEL
#337, Preah Sisowath Blvd, Sangkat Chey Chumneas, Khan Duan Penh, Phnom Penh.

CIRCLE K-RUPP (IFL)
#132E & 134A, Russian Federation Blvd. (110), Sangkat Teuk La Ork I, Khan Toul Kork, Phnom Penh.

PHARMACIE BEAUTE
Pokambor AVE, Mondol 1 village, Svay dangkom Commune, Siem Reap District, Siem Reap Province.

CIRCLE K-CALMETTE
#36, Street 93 (Monivong Street) Corner 84, Sangkat Srahchak, Khan DaunPenh, PhnomPenh.

CIRCLE K-PHSAR THMEI
No. 25, St. Preah MNV(93) corner Charles de Gaulle Blvd (217), Phnom Penh.

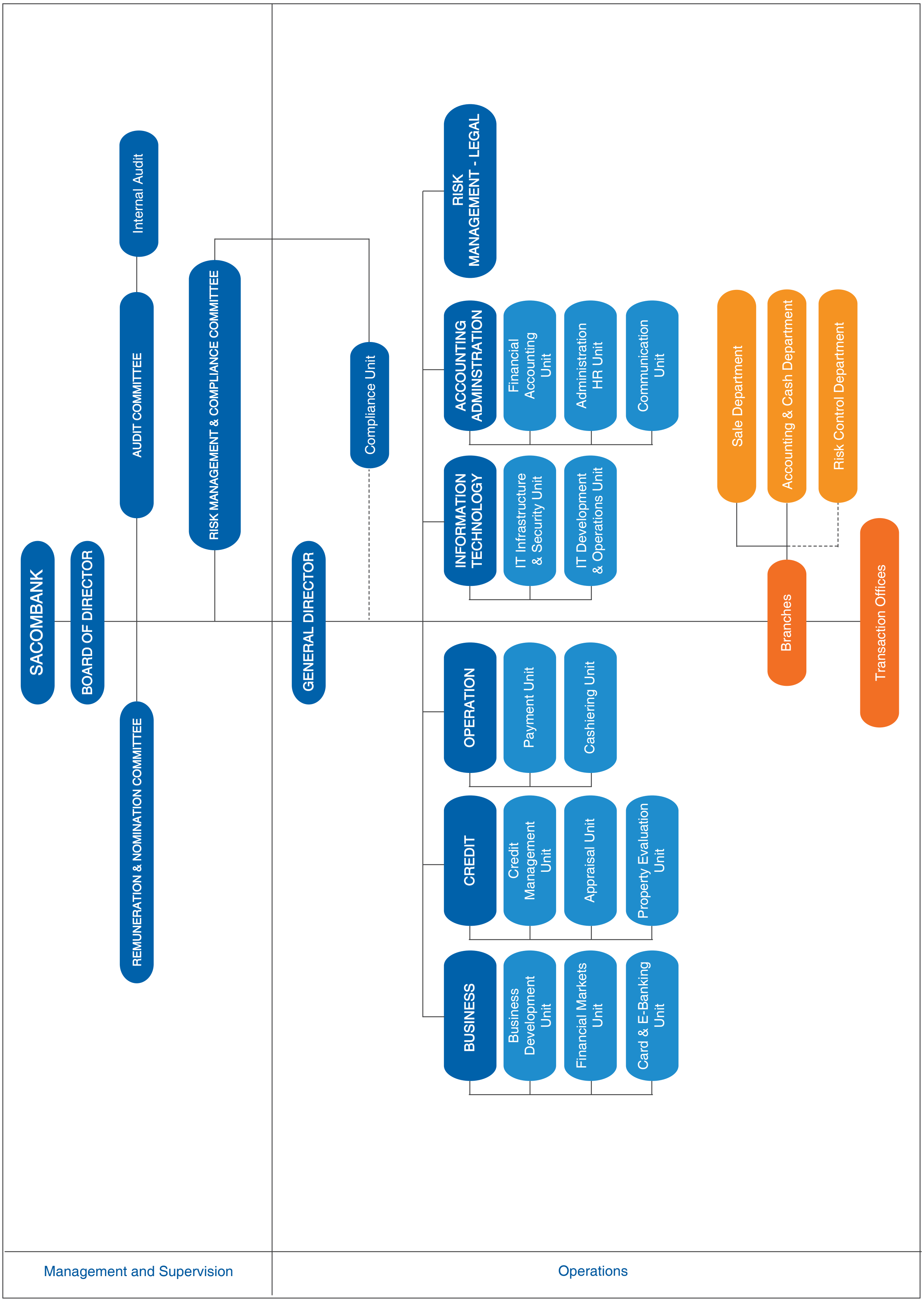
DEPOSIT PROMOTION FOR KHMER NEW YEAR AND 10TH YEAR ANNIVERSARY

From 25/02/2019 to 14/06/2019, Sacombank Cambodia has successfully organized a Special Deposit Promotion: "**Double Happiness Double Gifts**" On the occasion of Khmer New Year 2019 and 10th year anniversary. According to the promotion, when opening a Fixed Deposit at Sacombank Cambodia, the client could get instant gifts and stand a chance to win Taels of gold, iphone XS and Samsung TV 49".

SACOMBANK CAMBODIA'S IMPLEMENTATION OF THE PROGRAM "ẤM TÌNH MÙA XUÂN"

On January 8, 2020, at the headquarter of the Khmer-Vietnam Association in Cambodia, representative of Sacombank Cambodia presented gifts including cash, rice, and basic necessities to 100 families of Vietnamese people in difficult circumstances who currently live in Phnom Penh on the occasion of the Lunar New Year 2020. It is the 17th year of Sacombank's implementation of the program "Ấm tình mùa xuân" to share the difficulties, motivate, and bring the joyfulness to the disadvantaged circumstances on the occasion of Tet - Traditional holiday in Vietnam, meaningful gifts were sent to the people of Vietnamese descent living in Cambodia and Laos.

ORGANIZATION CHART



INTRODUCTION OF THE BOARD OF DIRECTORS

Mr. TRINH VAN TY
Chairman

Over 12 years' experience in Finance and Banking

Mr. NGUYEN THUC VINH
Independent member

Over 22 year's experience in Finance and Banking

Mr. NGUYEN NHI THANH
Vice Chairman cum General Director

Over 30 years' experience in Finance and Banking

Mr. NGUYEN VAN MINH
Member of BODs

Over 17 year's experience in Finance and Banking

Mr. PHAN HOANG ANH
Member of BODs cum Deputy General Director

Over 16 year's experience in Finance and Banking

Mr. CHHUON CHHEN
Member of BODs cum Deputy General Director

Over 17 year's experience in Finance and Banking

INTRODUCTION OF THE BOARD OF MANAGEMENTS

Mr. NGUYEN NHI THANH
Vice Chairman cum General Director

Over 30 years' experience in Finance and Banking
Master Degree of Economics

Mr. CHHUON CHHEN
Member of the BODs cum Deputy General Director

Over 17 years' experience in Finance and Banking.
Master Degree of Finance and Banking.

Mr. PHUNG THAI PHUNG
Deputy General Director

Over 17 years' experience in Finance and Banking.
Bachelor of Business Administration.

Mr. PHAN HOANG ANH
Member of the BODs cum Deputy General Director

Over 16 years' experience in Finance and Banking.
Bachelor Degree of Banking.

REPORT OF THE MANAGEMENT

Management of Sacombank (Cambodia) Plc. ("the Bank") is pleased to present its report and the Bank's financial statements as at 31 December 2019 and for the year then ended.

THE BANK

Sacombank (Cambodia) Plc. ("the Bank") is a private limited liability company which is wholly owned by Saigon Thuong Tin Commercial Joint Stock Bank ("Parent Bank"), a commercial bank incorporated and registered in Vietnam. The Bank was established and operates in the Kingdom of Cambodia under indefinite banking license No. 27 issued by the National Bank of Cambodia ("NBC") on 19 June 2009 and the latest registration number 00027054 dated 20 September 2011.

The Bank's registered office is located at No.60, Preah Norodom Blvd, Sangkat Chey Chumneas, Khan Daun Penh Pnom Penh, Kingdom of Cambodia.

PRINCIPAL ACTIVITIES

The Bank is established to conduct banking activities which include lending to individuals and organizations, acceptance of deposits from individuals and organizations, remittance, foreign currency transactions and other banking services as approved by the NBC.

There were no significant changes to these principal activities during the year.

FINANCIAL RESULTS

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

	2019 US$	2018 US$
Profit before tax	**4,099,201**	**4,150,152**
Income tax expense	(1,036,899)	(1,004,112)
Net profit for the year	**3,062,302**	**3,146,040**
KHR'000 equivalent	**12,408,447**	**12,725,732**

BANK CAPITAL

The capital of the Bank as at 31 December 2019 is US$75,000,000 or KHR305,625 million (2018: US$38,000,000 or KHR152,684 million).

On 28 March 2019, the Parent Bank injected additional capital amounting to US$32,765,157 and transferred from the Bank's retained earnings amounting to US$4,234,843 in order to increase paid-up capital of the Bank from US$38 million to US$75 million. The additional capital was approved by the NBC on 9 May 2019.

As at the date of these financial statements, the amendments of the Memorandum and Articles of Association has not been endorsed with the Ministry of Commerce.

RESERVES AND PROVISIONS

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

WRITTEN OFF AND ALLOWANCE FOR FINANCIAL ASSETS

Before the financial statements of the Bank were drawn up, the Management took reasonable steps to ascertain that action had been taken in relation to the writing off of financial assets that have no reasonable expectations of recovering the contractual cashflow in their entirety or a portion thereof and making of allowance for expected credit losses on financial assets, and satisfied themselves that all known financial assets that have no reasonable expectations of recovering the contractual cash flows were written off and that adequate allowance for expected credit losses on financial assets have been made.

At the date of this report and on the best knowledge, the Management is not aware of any circumstances which would render the amount the allowance for expected credit losses on financial assets in the financial statements of the Bank inadequate to any material extent.

ASSETS

Before the financial statements of the Bank were drawn up, the Management took reasonable steps to ensure that any assets which were unlikely to be realized 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 realize.

At the date of this report, the Management are not aware of any circumstances which would render the values attributed to the assets in the financial statements of the Bank.

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there is:

- No 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
- No contingent liability in respect of the Bank that has arisen since the end of the financial year other than in the ordinary course of business.

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 Management, will or may have a material effect on the ability of the Bank to meet its obligations as and when they become due.

CHANGE OF CIRCUMSTANCES

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

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

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

SUBSEQUENT EVENTS

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

THE BOARD OF DIRECTORS

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

Name	*Position*	*Date of appointment/resignation*
Mr. TRINH VAN TY	Chairman	Reappointed on 19 August 2019
Mr. NGUYEN NHI THANH	Vice Chairman	Reappointed on 19 August 2019
Mr. NGUYEN NGOC TUAN	Vice Chairman	Appointed on 2 August 2017 Resigned on 19 August 2019
Mr. NGUYEN VAN MINH	Member	Reappointed on 19 August 2019
Mr. CHHUON CHHEN	Member	Reappointed on 19 August 2019
Mr. PHAN HOANG ANH	Member	Appointed on 19 August 2019
Mr. DUONG THE NHUT XUAN	Independent Member	Appointed on 2 August 2017 Resigned on 19 August 2019
Mr. NGUYEN THUC VINH	Independent Member	Reappointed on 19 August 2019

MANAGEMENT

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

Name	*Position*
Mr. NGUYEN NHI THANH	General Director
Mr. CHHUON CHHEN	Deputy General Director
Mr. PHAN HOANG ANH	Deputy General Director
Mr. PHUNG THAI PHUNG	Deputy General Director

AUDITOR

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

MANAGEMENT'S INTEREST

No member of the Management holds a direct interest in the equity of the Bank.

MANAGEMENT'S BENEFITS

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

No member of the Management of the Bank has received or become entitled to receive any benefit by reason of a contract made by the Bank or with a firm in which the director is a member, or with a company which the Management has a material financial interest other than those disclosed in the financial statements.

STATEMENT OF THE MANAGEMENT'S RESPONSIBILITY IN RESPECT TO THE FINANCIAL STATEMENTS

The Management is responsible for ensuring that the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2019, and its financial performance and its cash flows for the year then ended. In preparing of these financial statements, the Management is required to:

- Adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- Comply with the disclosure requirements and guidelines issued by Cambodian International Financial Reporting Standards ("CIFRSs") or, if there has been any departure in the interest of fair presentation, ensure this has been appropriately disclosed, explained and quantified in the financial statements;
- Maintain adequate accounting records and an effective system of internal controls;
- Prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Bank will continue operations in the foreseeable future; and
- Effectively control and direct the Bank in all material decisions affecting the operations and performance and ascertain that these have been properly reflected in the financial statements.

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

The Management confirms that it has complied with the above requirements in preparing the accompanying financial statements.

APPROVAL OF THE FINANCIAL STATEMENTS

Management does hereby approve the accompanying financial statements which give a true and fair view in all material respects, of respective the financial position of the Bank as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with CIFRSs.

On behalf of the Management

Mr. NGUYEN NHI THANH
General Director

Phnom Penh, Kingdom of Cambodia
03 July 2020

INDEPENDENT AUDITOR'S REPORT

To: The Owner of Sacombank (Cambodia) Plc.

Opinion

We have audited the financial statements of Sacombank (Cambodia) Plc. ("the Bank"), which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year ended 31 December 2019, and notes to the financial statements, including a summary of significant accounting policies, set out on pages 8 to 75.

In our opinion, the accompanying financial statements give a true and fair view in all material respects, of the financial position of the Bank as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with the Cambodian International Financial Reporting Standards ("CIFRSs").

Basis for Opinion

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

Other matter

The financial statements of the Bank for the year ended 31 December 2018 accordance with Cambodia Accounting Standards were audited by another audit firm who expressed an unmodified opinion on those financial statements on 29 April 2019.

Other Information

The other information obtained at the date of the auditor's report comprises the Report of the Management as set out in pages 1 to 4. Management is responsible for the other information.

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, 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 the presentation of financial statements that give a true and fair view in accordance with CIFRSs, 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.

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the 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.

Saman Wijaya Bandara
Partner

Ernst & Young (Cambodia) Ltd.

Certified Public Accountants
Registered Auditors

Phnom Penh, Kingdom of Cambodia

06 July 2020

STATEMENT OF FINANCIAL POSITION

as at 31 December 2019

		31 December 2019		31 December 2018 (As restated - Note 2)		1 January 2018 (As restated - Note 2)	
	Notes	US$	KHR'000 equivalent	US$	KHR'000 equivalent	US$	KHR'000 equivalent
ASSETS							
Cash on hand	3	10,366,993	42,245,496	11,858,640	47,648,016	7,561,582	30,526,107
Balances with the National Bank of Cambodia ("NBC")	4	32,545,189	132,621,645	26,360,415	105,916,147	28,738,518	116,017,397
Balances with other financial institutions	5	35,093,917	143,007,712	8,687,828	34,907,693	11,481,660	46,351,461
Equity instruments at fair value through other comprehensive income ("FVOCI")	6	25,000	101,875	25,000	100,450	25,000	100,925
Loans to customers	7	138,110,118	562,798,731	118,717,722	477,007,807	94,486,292	381,441,161
Other assets	8	663,045	2,701,908	566,322	2,275,482	440,243	1,777,260
Property and equipment	9	1,248,602	5,088,053	1,367,120	5,493,088	1,447,853	5,844,983
Right-of-use assets	10	1,539,911	6,275,137	1,705,645	6,853,282	1,851,141	7,473,056
Intangible assets	11	435,252	1,773,652	595,413	2,392,369	452,879	1,828,273
Deferred tax assets	15.2	3,795,472	15,466,548	4,718,723	18,959,829	5,604,687	22,626,121
TOTAL ASSETS		**223,823,499**	**912,080,757**	**174,602,828**	**701,554,163**	**152,089,855**	**613,986,744**

The attached notes 1 to 31 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION *(continued)*

as at 31 December 2019

		31 December 2019		31 December 2018 (As restated - Note 2)		1 January 2018 (As restated - Note 2)	
	Notes	US$	KHR'000 equivalent	US$	KHR'000 equivalent	US$	KHR'000 equivalent
LIABILITIES AND OWNER'S EQUITY							
LIABILITIES							
Deposits from other financial institutions	12	12,323,387	50,217,802	34,016,640	136,678,860	35,092,871	141,669,920
Deposits from customers	13	148,091,740	603,473,841	112,704,321	452,845,962	91,795,782	370,579,572
Lease liabilities	14	1,640,783	6,686,191	1,775,870	7,135,446	1,851,141	7,473,056
Income tax payable	15.1	13,147	53,574	16,986	68,250	579,466	2,339,304
Other liabilities	16	1,494,585	6,090,434	452,873	1,819,644	280,497	1,132,366
TOTAL LIABILITIES		**163,563,642**	**666,521,842**	**148,966,690**	**598,548,162**	**129,599,757**	**523,194,218**
OWNER'S EQUITY							
Paid-up capital	17	75,000,000	305,625,000	38,000,000	152,684,000	38,000,000	153,406,000
Accumulated loss		(14,740,143)	(59,614,327)	(12,363,862)	(49,887,742)	(15,509,902)	(62,613,474)
Cumulative translation differences		-	(451,758)	-	209,743	-	-
TOTAL OWNER'S EQUITY		**60,259,857**	**245,558,915**	**25,636,138**	**103,006,001**	**22,490,098**	**90,792,526**
TOTAL LIABILITIES AND OWNER'S EQUITY		**223,823,499**	**912,080,757**	**174,602,828**	**701,554,163**	**152,089,855**	**613,986,744**

The attached notes 1 to 31 form part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2019

		2019		2018 (As restated - Note 2)	
	Notes	*US$*	*KHR'000 equivalent*	*US$*	*KHR'000 equivalent*
Interest income	18	9,114,653	36,932,574	8,932,886	36,133,524
Interest expense	19	(5,348,731)	(21,673,058)	(4,617,187)	(18,676,521)
Net interest income		**3,765,922**	**15,259,516**	**4,315,699**	**17,457,003**
Fees and commission income	20	2,113,399	8,563,493	2,070,014	8,373,207
Fees and commission expense	20	(350,980)	(1,422,171)	(109,644)	(443,510)
Net fees and commission income		**1,762,419**	**7,141,322**	**1,960,370**	**7,929,697**
Other operating income	21	121,524	492,415	256,796	1,038,740
Total operating income		**5,649,865**	**22,893,253**	**6,532,865**	**26,425,440**
Personnel expenses	22	(4,499,577)	(18,232,286)	(3,960,236)	(16,019,155)
General and administrative expenses	23	(1,719,702)	(6,968,233)	(1,515,864)	(6,131,670)
Depreciation and amortization	24	(1,025,003)	(4,153,312)	(856,533)	(3,464,676)
Operating profit		**(1,594,417)**	**(6,460,578)**	**200,232**	**809,939**
Reversal of credit loss expenses	25	5,693,618	23,070,540	3,949,920	15,977,426
Profit before income tax		**4,099,201**	**16,609,962**	**4,150,152**	**16,787,365**
Income tax expense	15.1	(1,036,899)	(4,201,515)	(1,004,112)	(4,061,633)
Net profit for the year		**3,062,302**	**12,408,447**	**3,146,040**	**12,725,732**
Other comprehensive (loss)/ income		-	(661,501)	-	209,743
Total comprehensive income for the year		**3,062,302**	**11,746,946**	**3,146,040**	**12,935,475**

The attached notes 1 to 31 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019

	Paid-up capital US$	Retained earnings US$	Cumulative translation differences US$	Total US$
Balance as at 1 January 2018, as previously reported	**38,000,000**	**5,438,583**	**-**	**43,438,583**
Effect of adopting CIFRS 9, *Financial Instruments (Note 2)*	-	(20,948,485)	-	(20,948,485)
Balance as at 1 January 2018, as adjusted	**38,000,000**	**(15,509,902)**	**-**	**22,490,098**
Net profit for the year, as restated	-	3,146,040	-	3,146,040
Balance as at 31 December 2018, as restated	**38,000,000**	(12,363,862)	**-**	**25,636,138**
KHR'000 equivalent	**152,684,000**	**(49,887,742)**	**209,743**	**103,006,001**
Balance as at 1 January 2019	**38,000,000**	**(12,363,862)**	**-**	**25,636,138**
Net profit for the year	-	3,062,302	-	3,062,302
Additional capital from Parent Bank	32,765,157	-	-	32,765,157
Profit contributed to capital	4,234,843	(4,234,843)	-	-
Transferred to Parent Bank	-	(1,203,740)	-	(1,203,740)
Balance as at 31 December 2019	**75,000,000**	**(14,740,143)**	**-**	**60,259,857**
KHR'000 equivalent	**305,625,000**	**(59,614,327)**	**(451,758)**	**245,558,915**

The attached notes 1 to 31 form part of these financial statements.

STATEMENT OF CASH FLOWS

for the year ended 31 December 2019

		2019		2018	
	Notes	US$	KHR'000 equivalent	US$	KHR'000 equivalent
OPERATING ACTIVITIES					
Net cash used in operating activities	**26**	**(8,501,801)**	**(34,449,298)**	**(7,901,295)**	**(31,960,737)**
INVESTING ACTIVITIES					
Dividend received	21	15,740	63,778	3,922	15,864
Acquisitions of:					
Property and equipment	9	(351,711)	(1,425,133)	(340,994)	(1,379,321)
Computer software	11	(4,793)	(19,421)	(262,392)	(1,061,376)
Proceeds from disposal property and equipment	21	14,600	59,159	-	-
Net cash used in investing activities		**(326,164)**	**(1,321,617)**	**(599,464)**	**(2,424,833)**
FINANCING ACTIVITIES					
Proceeds from additional capital	17	32,765,157	132,764,416	-	-
Profit transferred to Parent Bank		(1,203,740)	(4,877,554)	-	-
Repayment of principal portion of lease liabilities		(359,173)	(1,455,369)	(244,723)	(989,905)
Net cash from financing activities		**31,202,244**	**126,431,493**	**(244,723)**	**(989,905)**
Net increase/(decrease) in cash and cash equivalents		**22,374,279**	**90,660,578**	**(8,745,482)**	**(35,375,475)**
Cash and cash equivalents at beginning of year		23,311,029	93,663,715	32,056,511	129,412,135
Foreign currency difference		-	1,843,337	-	(372,945)
Cash and cash equivalents at end of year	**3**	**45,685,308**	**186,167,630**	**23,311,029**	**93,663,715**

The attached notes 1 to 31 form part of these financial statements.

1. BANK INFORMATION

Sacombank (Cambodia) Plc. ("the Bank") was incorporated and registered in the Kingdom of Cambodia

Establishment and operations

Sacombank (Cambodia) Plc. ("the Bank") is a private limited liability company which is wholly owned by Saigon Thuong Tin Commercial Joint Stock Bank ("Parent Bank"), a commercial bank incorporated and registered in Vietnam. The Bank was established and operates in the Kingdom of Cambodia under indefinite banking license No. 27 issued by the National Bank of Cambodia ("NBC") on 19 June 2009 and the latest registration number 00027054 dated 20 September 2011.

The Bank is established to conduct banking activities which include lending to individuals and organizations, acceptance of deposits from individuals and organizations, remittance, foreign currency transactions and other banking services as approved by the NBC.

There were no significant changes to these principal activities during the year.

Bank Capital

The capital of the Bank as at 31 December 2019 is US$75,000,000 or KHR305,625 million
(2018: US$38,000,000 or KHR152,684 million).

Location

The Bank's registered office is located at No.60, Preah Norodom Blvd, Sangkat Chey Chumneas, Khan Daun Penh Pnom Penh, Kingdom of Cambodia.

Employees

As at 31 December 2019, the Bank had 273 employees (2018: 263 employees).

Approval of the financial statements

The financial statements were authorized for issue by the Management on 3 July 2020.

2. ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

This is the first set of financial statements prepared by the Bank in accordance with CIFRSs published by the Ministry of Economy and Finance (Prakas No. 068-MEF-Pr dated 8 January 2009) and the National Accounting Council of Cambodia (letter dated 24 March 2016).

The Bank's date of transition to CIFRSs is 1 January 2018. The financial statements for the year ended 31 December 2018 were prepared in accordance with Cambodian Accounting Standards and relevant regulations and guidelines issued by the NBC, collectively referred to as the previous generally accepted accounting principles ("previous GAAP").

The transition to the CIFRSs has resulted to a number of changes in the Bank's accounting policies compared to those used when applying previous GAAP. Note 2.4 to the financial statements describe the differences between the equity and profit or loss presented under previous GAAP and the newly presented amounts under CIFRSs for the reporting year ended at 31 December 2018, as well as the equity presented in the opening statement of financial position as at 1 January 2018. It also describes all the required changes in accounting policies made on first-time adoption of the CIFRSs.

The Bank maintains records and prepares financial statements in Khmer Riel ("KHR") and United States Dollar ("US$"). Management has determined the US$ to be the Bank's measurement and presentation currency as it reflects the economic substance of the underlying events and circumstances of the Bank.

2. ACCOUNTING POLICIES (continued)

2.1.1 Functional and presentation currency

Transactions in foreign currencies other than US$ are initially recorded at the functional currency rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies other than US$ are translated at the functional currency rate of exchange at the reporting date. All differences arising on non-trading activities are taken to "Other operating income" in the statement of profit or loss and other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2.1.2 Translation of United States Dollar into Khmer Riel

The translation of US$ amount into KHR is included solely for compliance with the guidelines of the NBC relating to preparation and presentation of the financial statements and has been made using the prescribed official exchange rate published by the NBC. This translation should not be construed as a representation that the US$ amounts have been, could have been, or could in the future be, converted into KHR at this or any other rate of exchange.

Assets and liabilities for each statement of financial position presented are translated at the closing rate ruling at each reporting date whereas income and expense items for each statement of profit or loss and other comprehensive income and cash flow items presented are translated at the average rate for the year then ended. All resulting exchange differences are recognized in other comprehensive income ("OCI").

The financial statements are presented based on applicable exchange rates per US$1 as follows:

	Closing	*Average*
31 December 2019	4,075	4,052
31 December 2018	4,018	4,045
1 January 2018	4,037	Not applicable

2.1.3 Fiscal year

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

2.1.4 Presentation of financial statements

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

The accounting policies set out below have been consistently applied by the Bank during the year.

2. ACCOUNTING POLICIES (continued)

2.2 Significant accounting judgments and estimates

The preparation of the financial statements in compliance with CIFRSs requires the Bank to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosures of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following are the critical judgments and key assumptions that have a significant risk of material adjustment to the carrying amounts of assets and liabilities within the next financial year:

2.2.1 Judgements

2.2.1.1 Classification of financial assets

The Bank classifies its financial assets depending on the results of the `solely payments of principal and interest' ("SPPI") tests and on the business model used for managing those financial assets.

The business model assessment ("BMA") reflects how financial assets are managed in order to generate net cash inflows, the Bank performs BMA based on the following factors:

- Business objectives and strategies for holding financial assets;
- Performance measures and benchmarks being used to evaluate the Bank's key management personnel accountable to the financial assets;
- Attendant risks and the tools applied in managing them;
- Compensation structure, including whether based on fair value changes of the investments managed or on the generated cash flows from transaction; and
- Frequency and timing of sales.

The SPPI test is the one of two tests that determine the classification of a financial asset. When performing the SPPI test, the Bank assesses whether the contractual terms of these financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk) does not meet the amortized cost criteria.

2.2.1.2 Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recognized or disclosed in the statements of financial position cannot be derived from active markets, these are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. These judgments may include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

2. ACCOUNTING POLICIES (continued)

2.2 Significant accounting judgments and estimates (continued)

2.2.1.3 Leases

The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Extension and termination options

The Bank has several lease contracts that include extension and termination options. The Bank applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors such as leasehold improvements and location that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Bank reassess the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

Estimating the incremental borrowing rate (IBR) for lease liabilities

The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR for lease liabilities is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Bank estimates the IBR for lease liabilities using observable inputs by reference to interest rates of deposits from customers having term similar as lease term.

2.2.1.4 Functional currency

CIAS 21, The Effects of Changes in Foreign Exchange Rates, requires management to use its judgment to determine the entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity. In making this judgment, the Bank considers the following:

(i) The currency that mainly influences prices for financial instruments and services (this will often be the currency in which prices for its financial instruments and services are denominated and settled);

(ii) The currency in which funds from financing activities are generated; and

(iii) The currency in which receipts from operating activities are usually retained.

2.2.2 Estimates

2.2.2.1 Impairment of financial assets

The measurement of impairment losses under CIFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

2. ACCOUNTING POLICIES (continued)

2.2 Significant accounting judgments and estimates (continued)

2.2.2 Estimates (continued)

2.2.2.1 Impairment of financial assets (continued)

The Bank's expected credit loss ("ECL") calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- Criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios, economic inputs and the effect on probability of defaults ("PDs"), exposure at defaults ("EADs") and loss given defaults ("LGDs");
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

2.2.2.2 Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit ("CGU") exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget and do not include restructuring activities that the Bank is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

2.2.2.3 Estimated useful lives of property and equipment

The useful life of each item of property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of similar businesses, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any item of property and equipment would increase the recorded operating expenses and decrease the carrying value of these non-financial assets. There is no change in the estimated useful lives of property and equipment and intangible assets during the year.

2.2.2.4 Recognition of deferred tax assets

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

2. ACCOUNTING POLICIES (continued)

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

2.2.2.5 Contingent liabilities

The Bank operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, it is involved in various litigation, arbitration and regulatory investigations and proceedings, arising in the ordinary course of the Bank's business. When the Bank can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Bank records a provision against the case. Where the probability of outflow is considered to be remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed. However, when the Bank is of the opinion that disclosing these estimates on a case-by-case basis would prejudice their outcome, then the Bank do not include detailed, case-specific disclosures in its financial statements. Given the subjectivity and uncertainty of determining the probability and amount of losses, the Bank takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates.

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

2.3.1 Financial instruments

2.3.1.1 Recognition and initial measurement

(i) Date of recognition

Financial instruments are recognized in the statement of financial position when the Bank becomes a party to the contractual provisions of the instrument.

Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on trade date - the date on which the Bank commits to purchase or sell the assets.

(ii) Initial measurement

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described in Notes 2.3.1.2. Financial assets are measured at fair value through profit of loss ("FVTPL") unless these are measured at fair value through other comprehensive income ("FVOCI") or at amortized cost. When the fair value of financial instruments at initial recognition differs from the transaction price, the Bank accounts for the Day 1 profit or loss.

The Bank initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Bank's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both

(iii) Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Bank recognises the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

2. ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

2.3.1 Financial instruments (Continued)

2.3.1.2 Classification of financial assets

The Bank classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost, as explained in Note 2.3.1.2(i)
- FVOCI, as explained in Note 2.3.1.2(ii) and Note 2.3.1.2(iii)
- FVTPL, as explained in Note Note 2.3.1.2(iv)

Business model assessment

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective:

- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

The expected frequency, value and timing of sales are also important aspects of the Bank's assessment. The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test

As a step of its classification process, the Bank assesses the contractual terms of the financial asset to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

(i) Financial assets at amortized cost

This category is the most relevant to the Bank. The Bank measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2. ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

2.3.1 Financial instruments (Continued)

2.3.1.2 Classification of financial assets (Continued)

(i) Financial assets at amortized cost (Continued)

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

As of 31 December 2019 and 2018, the Bank's cash, balances with the National Bank of Cambodia, balances with other financial institutions, loans to customer and other financial assets are classified under this category (see *Notes 3, 4, 5, 7* and *8*).

(ii) Financial assets at fair value through OCI (debt instruments)

The Bank measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Bank has no debt instruments at FVOCI as of 31 December 2019 and 2018.

(iii) Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Bank can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under CAS 32, *Financial Instruments: Disclosure and Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

As of 31 December 2019 and 2018, the Bank's investment in securities is classified under this category *(see Note 6)*.

(iv) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

2. ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

2.3.1 Financial instruments (Continued)

2.3.1.2 Classification of financial assets (Continued)

(iv) Financial assets at fair value through profit or loss (Continued)

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognized in profit or loss.

This category includes derivative instruments and listed equity investments which the Bank had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognized as other income in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

The Bank has no financial assets designated at FVTPL as of 31 December 2019 and 2018.

2.3.1.3 Other financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

(i) Financial liabilities at fair value through profit or loss

The Bank classifies financial liabilities as held for trading when they have been issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading liabilities are recorded and measured in the statement of financial position at fair value. Changes in fair value are recognised in *"Net trading income"*. Interest and dividend income or expense is recorded in *"Net trading income"* according to the terms of the contract, or when the right to payment has been established.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria are satisfied. As of 31 December 2019 and 2018, the Bank has not designated any financial liability as at fair value through profit or loss.

(ii) Financial liabilities at amortized cost

This accounting policy relates to the statement of financial position captions deposits from other financial institutions, deposits from customers.

2. ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

2.3.1 Financial instruments (Continued)

2.3.1.3 Other financial liabilities (Continued)

(ii) Financial liabilities at amortized cost (Continued)

Financial liabilities at amortized cost pertain to issued financial instruments that are not classified or designated as financial liabilities at FVTPL and contain contractual obligations to deliver cash or other financial assets to the holder or to settle the obligation other than the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

2.3.1.4 Offsetting financial instruments

Financial assets and financial liabilities are offsetting and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

2.3.1.5 Impairment of financial instruments

The Bank records the allowance for expected credit losses ("ECL") for all loans and receivables and other debt financial assets not held at FVTPL all referred to as "financial instruments". Equity instruments are not subject to impairment under CIFRS 9.

ECL represents credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. ECL allowances are measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a significant increase in credit risk ("SICR") since initial recognition (General Approach). The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that results from all possible default events over the expected life of a financial instrument.

(i) Staging assessment

A three-stage approach for impairment of financial instruments is used, based on whether there has been a significant deterioration in the credit risk of a financial asset. These three stages then determine the amount of impairment to be recognized.

For non-credit impaired financial instruments:

- Stage 1 is comprised of all financial instruments which have not experienced a SICR since initial recognition or is considered of low credit risk as of the reporting date. The criteria for determining whether an account should be assessed under Stage 1 are as follow: (i) current or past due up to 10 days; instruments with credit risk improved and reclassified from stage 2; or (ii) no significant increase in the probability of default ("PD"). The Bank recognizes a 12-month ECL for Stage 1 financial instruments;
- Stage 2 is comprised of all financial instruments which have experienced a SICR as of reporting date compared to initial recognition. A SICR is generally deemed present in accounts with: (i) more than 10 days up to 60 days past due for short-term and up to 90 days past due for long-term; (ii) special mentioned or substandard for short-term and special mentioned for long-term instruments; instruments with credit risk improved and instruments reclassified from Stage 3. The Bank recognizes a lifetime ECL for Stage 2 financial instruments.

2. ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

2.3.1 Financial instruments (Continued)

2.3.1.5 Impairment of financial assets (Continued)

(i) Staging assessment (continued)

For credit-impaired financial instruments:

- Stage 3 is comprised of all financial instruments that have objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of an instrument or a portfolio of instruments. The Bank's criteria for Stage 3 accounts are generally aligned with the definition of "default" which is explained in the next paragraph. The Bank recognizes a lifetime ECL for Stage 3 financial instruments.

(ii) Definition of "default" and "restored"

The Bank classifies loans, receivables, or any financial asset as in default when it is credit impaired, becomes past due on its contractual payments for more than 60 days for short-term loans and 90 days for long-term loans, considered non-performing, refinanced or restructured payments term or is classified as substandard for long-term loans or doubtful or loss for both types. As part of a qualitative assessment of whether a customer is in default, the Bank considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Bank carefully considers whether the event should result in treating the customer as defaulted. An instrument is considered to be no longer in default (i.e. restored) if there is sufficient evidence to support that full collection is probable and payments are received for at least six months.

(iii) Significant increase in credit risk

The Bank continuously monitors all assets subject to ECL. In order to determine whether an instrument or a portfolio of instruments is subject to 12-month ECL or lifetime ECL, the Bank assesses whether there has been a significant increase in credit risk since initial recognition. As regard of the change in credit grades, if contractual payments are more than 10 days past due, the credit risk is deemed to have increased significantly since initial recognition.

(iv) ECL calculation

ECL is a function of the probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD"), with the timing of the loss also considered, and is estimated by incorporating forward-looking economic information and through the use of experienced credit judgment.

The PD is an estimate of the likelihood of default over a 12-month horizon for Stage 1 or lifetime horizon for Stages 2 and 3. The PD for each individual instrument is modelled based on historic data and is estimated based on current market conditions and reasonable and supportable information about future economic conditions. The Bank segments its credit exposures based on homogenous risk characteristics and developed a corresponding PD methodology for each portfolio. The PD methodology for each relevant portfolio is determined based on the underlying nature or characteristic of the portfolio, behavior of the accounts and materiality of the segment as compared to the total portfolio.

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It makes use of defaulted accounts that have either been identified as cured, restructured, or liquidated. The Bank segmented its LGD based on homogenous risk characteristics and calculated the corresponding segment-level averages. In term of the initial data on the recovery is insufficient, the Bank's LGD is estimated by judgement or leveraging LGD modelling of other sources as a reference.

2. ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

2.3.1 Financial instruments (Continued)

2.3.1.5 Impairment of financial assets (Continued)

(iv) ECL calculation (continued)

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities and accrued interest form missed payments

(v) Loan commitments and letters of credit

When estimating lifetime ECLs for undrawn loan commitments, the Bank estimate the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of the three scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.

For loan commitments and letters of credit, the ECL is recognised within Allowance for credit loss on off-balance sheet commitments under *"Other liabilities"*.

(vi) Financial guarantee contracts

The Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortization recognised in the income statement, and the ECL allowance. For this purpose, the Bank estimate ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The calculation is made using a probability-weighting of the three scenarios. The ECLs related to financial guarantee contracts are recognised within Allowance for credit loss on off-balance sheet commitments under *"Other liabilities"*.

(vii)Balance with other financial institutions

The Bank's treasury, trading and interbank relationship and counter parties comprise of financial service institutions, other banks. The Bank uses external rate (S&P) to findings PD, which is also taken into account of forward-looking information, to its counter parties. ECL related to balance with other financial institution are recognised in amortised cost of balance with other financial institutions.

(viii) Forward-looking information

The Bank incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. A broad range of forward-looking information are considered as economic inputs, such as GDP growth, exchange rate, interest rate, inflation rate and other economic indicators. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

The key forward-looking economic variables used in each of the economic scenarios for the ECL calculations are consumer price index and employment rate.

Refer to *Note 2.4.3* for the reconciliation of opening allowances for credit losses under CAS and the relevant guidelines of the National Bank of Cambodia to ECL allowances under CIFRS 9 on 1 January 2018.

2. ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

2.3.1 Financial instruments (Continued)

2.3.1.6 Reclassification of financial assets and liabilities

The Bank does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Bank acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

2.3.1.7 Derecognition of Financial Assets and Liabilities

(i) Financial assets

The Bank derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

(ii) Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of profit and loss as "Gain on extinguishment of debt".

2.3.1.8 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., an exit price). The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Bank.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

If the asset or liability measured at fair value has a bid and ask price, the price within the bid-ask spread that is most representative of fair value in the circumstances shall be used to measure fair value, regardless of where the input is categorized within the fair value hierarchy.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

2. ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

2.3.1 Financial instruments (Continued)

2.3.1.8 Fair value measurement (continued)

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy *(see Note 29.5)*.

2.3.2 Cash and cash equivalents

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

2.3.3 Balances with the National Bank of Cambodia ("NBC")

Capital guarantee deposit and reserve balances are maintained with the NBC in compliance with the Cambodian Law on Banking and Financial Institutions determined at defined percentages of minimum capital and total deposits from customers, respectively. This account also includes current account carried at cost and interest-bearing term deposit.

2.3.4 Balances with other financial institutions

Balances with other financial institutions are carried at amortised cost less impairment for any uncollectable amounts.

2.3.5 Loans to customers

Loans to customers are measured at amortized cost; they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortized cost using the effective interest method.

2. ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

2.3.6 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of a property and equipment item comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Where an item of property and equipment comprises major components having different estimated useful lives, the components are accounted for as separate items of property and equipment.

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

Gain or loss arising from the retirement or disposal of an item of property and equipment is determined as the difference between the estimated net disposal proceeds and the carrying amount of the assets and is recognized in statement of income on the date of retirement or disposal.

Depreciation is calculated on a straight-line basis over the respective estimated useful lives of these assets, which are as follows:

	Years
Leasehold buildings	15
Computer equipment	4
Furniture and equipment	4 - 5
Motor vehicles	4 - 5

Fully depreciated assets are retained in the financial statements until they are no longer in use or no further charge for depreciation is made in respect of these assets.

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

2.3.7 Intangible assets

Intangible assets consist of software and licenses and are stated at cost less accumulated amortisation and accumulated impairment losses, if any.

Subsequent expenditure on software and licenses is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Software and licenses are amortised on a straight-line basis in profit or loss over its estimated useful life, from the date on which it is available for use. Software cost are amortised over the expected useful lives of 4 to 5 years.

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

2.3.8 Leases

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for period of time in exchange for consideration.

2. ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

2.3.8 Leases (Continued)

To assess whether a contract conveys the right to control the use of an identified asset, the Bank assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right throughout the period of use, then the asset is not identified;
- the Bank has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Bank has the right to direct the use of the asset. The Bank has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In cases where all the decisions about how and for what purpose the asset is used are predetermined, the Bank has the right to direct the use of the asset if either the Bank has the right to operate the asset; or the Bank designed the asset in a way that predetermines how and for what purpose It will be used.

This policy is applied to contracts entered into, or changed, on or after 1 January 2018.

At inception or on reassessment of a contract that contains a lease and non-lease component, the Bank allocates the consideration in the contract to each lease component and aggregate of non-lease components on the basis of their relative stand-alone prices.

Leases in which the Bank is a lessee

An arrangement conveyed the right to use the asset if one of the following was met:

- the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
- the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
- facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

The Bank recognizes a right-of-use asset and a lease liability at the lease commencement date.

Right-of-use asset

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The estimated useful of building and office branches for the current period is 1 - 10 years and ATM space for the period is 2 - 4 years.

2. ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

2.3.8 Leases (Continued)

Lease liability

The lease liability is initially measured at the present value of the lease payments to be make over the lease term that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, to the lessee's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in the lease term, a change in the assessment of the option to purchase the underlying asset, a change in future lease payments arising from a change in an index or rate, or if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Bank applies the short-term lease recognition exemption to its short-term leases of apartments (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

2.3.9 Other assets

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

Impairment of non-financial assets

The Bank, at each reporting date, assesses whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

2. ACCOUNTING POLICIES (continued)

2.3 *Summary of significant accounting policies (continued)*

2.3.9 *Other assets (Continued)*

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. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For assets (excluding goodwill), an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Bank estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss.

2.3.10 *Deposits from other financial institutions and customers*

Deposits from other financial institutions and customers are stated at placement value.

2.3.11 *Employee benefits*

The Ministry of Labour and Vocational Training's Prakas 443 dated 21 September 2018 on implementation of payment of seniority indemnity, in accruing for the Bank's severance pay for the year 2018. The said Prakas requires retroactive seniority payment (equivalent to the Bank's severance payment prior to the release of the Prakas) equal to fifteen days per year of employees' wages which shall be paid to them as follows:

- Equal to seven and half days shall be made in June of the year
- Equal to seven and half days shall be made in December of the year.

2.3.12 *Regulatory reserve*

Regulatory reserve is set up to account for the difference in provision between loan impairment determined in accordance with CIFRS and the regulatory provision computed in accordance with NBC Prakas No B7-017-344 dated 1 December 2017 and Circular No B7-018-001 dated 16 February 2018 on credit risk classification and provision on impairment for banks and financial institutions.

The regulatory provision requires banks and financial institutions to classify their loan portfolio into five classes and provide general and specific allowance based on the loan classification as follows:

Classification	*Number of days past due*	*Allowance rate*
Standard	0 to 14 days (short-term) 0 to 29 days (long-term)	1%
Special mention	15 days to 30 days (short-term) 30 days to 89 days (long-term)	3%
Substandard	31 days to 60 days (short-term) 90 days to 179 days (long-term)	20%
Doubtful	61 days to 90 days (short-term) 180 days to 359 days (long-term)	50%
Loss	From 91 days (short-term) 360 days or more (long-term)	100%

2. ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

2.3.12 Regulatory reserves (continued)

The Bank shall compare the provision calculated in accordance with CIFRS 9 and the regulatory provision, and:

(i) In case that the regulatory provision calculated is lower than the provision calculated in accordance with CIFRS 9, the entity records the provision calculated in accordance with CIFRS 9; and

(ii) In case that the regulatory provision calculated is higher than the provision calculated in CIFRS 9, the entity records the provision calculated in accordance with CIFRS 9 and transfer the difference from the retained earnings (accumulated losses) to regulatory reserve in the owner's equity of the statement of the financial position.

2.3.13 Revenue recognition

Net interest income/expenses

(i) Effective interest rate method

Interest income is recorded using the EIR method for all financial assets measured at amortised cost. Interest expense is also calculated using the EIR method for all financial liabilities held at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or liability or, when appropriate, a shorter period, to the gross carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the financial asset) is calculated by taking into account transaction costs and any discount or premium on the acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR. The Bank recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, the EIR calculation also takes into account the effect of potentially different interest rates that may be charged at various stages of the financial asset's expected life, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

(ii) Interest and similar income/expenses

Net interest income comprises interest income and interest expense calculated using both the effective interest method and other methods. These are disclosed separately on the face of the statement of income for both interest income and interest expense to provide symmetrical and comparable information.

The Bank calculates interest income on financial assets, other than those considered credit-impaired, by applying the EIR to the gross carrying amount of the financial asset.

When a financial asset becomes credit-impaired (as set out in Note 2.3.1.5) and is therefore regarded as 'Stage 3', the Bank calculates interest income by applying the EIR to the net amortised cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

Fee and commission income

The Bank earns fee and commission income from a diverse range of services they provide to customers such as providing remittance services, interchange foreign currency transactions, other fees and commissions on loans, and other fee income are recognised as the related services are performed.

2. ACCOUNTING POLICIES (continued)

2.3 *Summary of significant accounting policies* (continued)

2.3.14 Expense recognition

Expenses are recognized when it is probable that decrease in future economic benefits related to a decrease in asset or increase in liability has occurred and that the decrease in economic benefits can be measured reliably. Expenses that may arise in the course of ordinary regular activities of the Bank include, among others, the operating expenses on the Bank's operations. Expenses are recognized as incurred:

(a) Fee and commission expenses are charged to the statement of profit or loss and other comprehensive income when the expense is incurred.

(b) Operating expenses are recognized on an accrual basis.

2.3.15 Related parties

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

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

(a) any person holding directly or indirectly at least ten percent (10%) of the capital or voting rights;

(b) any company of which the Bank directly or indirectly holds at least 10% of the capital or voting rights;

(c) any individual who participates in the administration, direction, management or internal control; and,

(d) the external auditors.

2.3.16 Income tax

Current tax

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

Deferred tax

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

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

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

2. ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

2.3.16 Income tax (continued)

Deferred tax (Continued)

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset when there is a legal right to offset its current tax assets and liabilities and it is the Bank's intention to settle on a net basis.

2.3.17 Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognized in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2.3.18 Contingent assets

Where it is not possible that there is an inflow of economic benefits, or the amount cannot be estimated reliably, the asset is not recognized in the statement of financial position and is disclosed as a contingent asset, unless the probability of inflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets unless the probability of inflow of economic benefits is remote.

2.4 First-time adoption of CIFRSs

These financial statements, for the year ended 31 December 2019, are the first time the Bank has prepared in accordance with CIFRSs. For periods up to and including the year ended 31 December 2018, the Bank prepared its financial statements in accordance with CAS.

Accordingly, the Bank has prepared financial statements which comply with CIFRS applicable as at and for the period ended 31 December 2019, together with the comparative period information as at and for the period ended 31 December 2018, as described in the significant accounting policies in *Note 2.3.*

In preparing these financial statements, the Bank's opening statement of financial position were prepared as at 1 January 2018, being the Bank's date of transition to CIFRS. Principal adjustments made by the Bank in restating its statements of financial position as at 1 January 2018, the Bank's date of transition to CIFRSs. This note explains the principal adjustments made by the Bank in restating its CAS financial statements, including the statement of financial position as at 1 January 2018 and the financial statements as of, and for, the year ended 31 December 2018.

2. ACCOUNTING POLICIES (continued)

2.4 *First-time adoption of CIFRSs (continued)*

2.4.1 *Optional exemptions applied*

CIFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under CIFRS. The Bank have applied the following exemptions:

Fair value or revaluation as deemed cost - property and equipment

The Bank has elected to measure individual items of property and equipment using previous GAAP that are broadly comparable to depreciated cost in accordance with CIFRS as at the date of transition to CIFRS.

Leases

CIFRS 16 introduces consequential amendments to CIFRS 1, which include an option for a first-time adopter to apply the new lease definition to contracts existing at the date of transition based on facts and circumstances at that date.

The Bank applied the abovementioned exemption and maintained the conclusions achieved arising from assessments previously made under Cambodia Accounting Standards for existing lease arrangements.

Other optional exemptions available under CIFRS 1, which are not discussed here, are not material to the Bank.

2.4.2 *Mandatory exemptions*

Estimates

The estimates at 1 January 2018 and at 31 December 2018 are consistent with those made for the same dates in accordance with CAS. The estimates used by the Bank to present these amounts in accordance with CIFRS reflect conditions at 1 January 2018, the date of transition to CIFRS, and as at 31 December 2018.

Derecognition of financial assets and financial liabilities

A first-time adopter shall apply the derecognition requirements of CIFRS prospectively for transactions occurring on or after 1 January 2018, the date of transition to CIFRS. However, an entity may apply the derecognition requirements of CIFRS from a retrospective date of the entity's choosing provided that the information required to do this was obtained at the time of initially accounting for those transactions.

The Bank have applied the derecognition requirements of CIFRS prospectively for transactions occurring on or after 1 January 2018.

The reconciliations contain two columns for each period as well as the CAS and CIFRSs results. The "reclassification" column includes reclassification and reanalysis of amounts from their CAS statement of financial position lines to the appropriate CIFRS statement of financial position lines. The "remeasurement" column sets out the effects of the recognition and measurement changes required by the transition to CIFRS.

An explanation of how the transition from previous CAS to CIFRSs and the adoption of CIFRS 9 and CIFRS 15 have affected the Bank's financial position, financial performance and cash flows, is set out under the summary of quantitative impact and the accompanying notes.

2.4.3 *Financial impact of first-time adoption of CIFRSs*

The following reconciliations summarise the impacts on initial application of CIFRS on the Bank's financial position as at 1 January 2018 and 31 December 2018 and the Bank's profit or loss and other comprehensive income for the year ended 31 December 2018.

2. ACCOUNTING POLICIES (continued)

2.4 First-time adoption of CIFRSs (continued)

2.4.3 Financial impact of first-time adoption of CIFRSs (Continued)

a) Impact on the statement of financial position as at 1 January 2018 (date of transition to CIFRSs)

	1 January 2018			
		Effect of transition to CIFRSs		
	CAS US$	**Re-classification US$**	**Re-measurement US$**	**CIFRSs US$**
ASSETS				
Cash on hand	7,561,582	-	-	7,561,582
Balances with the National Bank of Cambodia ("NBC")	28,738,440	78	-	28,738,518
Balances with other financial institutions	11,476,405	5,255	-	11,481,660
Equity instruments at FVOCI	25,000	-	-	25,000
Loans to customers	116,307,617	4,364,280	(26,185,605)	94,486,292
Other assets	4,809,856	(4,369,613)	-	440,243
Property and equipment	1,447,853	-	-	1,447,853
Right-of-use assets	-	-	1,851,141	1,851,141
Intangible assets	452,879	-	-	452,879
Deferred tax assets	367,567	-	5,237,120	5,604,687
TOTAL ASSETS	**171,187,199**	**-**	**(19,097,344)**	**152,089,855**
LIABILITIES AND OWNER'S EQUITY				
LIABILITIES				
Deposits from other financial institutions	34,954,124	138,747	-	35,092,871
Deposits from customers	90,310,945	1,484,837	-	91,795,782
Lease liabilities	-	-	1,851,141	1,851,141
Income tax payable	579,466	-	-	579,466
Other liabilities	1,904,081	(1,623,584)	-	280,497
TOTAL LIABILITIES	**127,748,616**	**-**	**1,851,141**	**129,599,757**
OWNER'S EQUITY				
Paid-up capital	38,000,000	-	-	38,000,000
Retained earnings	5,438,583	-	(20,948,485)	(15,509,902)
TOTAL OWNER'S EQUITY	**43,438,583**	**-**	**(20,948,485)**	**22,490,098**
LIABILITIES AND OWNER'S EQUITY	**171,187,199**	**-**	**(19,097,344)**	**152,089,855**

2. ACCOUNTING POLICIES (continued)

2.4 *First-time adoption of CIFRSs* (continued)

2.4.3 *Financial impact of first-time adoption of CIFRSs (Continued)*

b) Impact on the statement of financial position as at 31 December 2018 (end of last period reported under previous GAAP)

	31 December 2018			
		Effect of transition to CIFRSs		
	CAS US$	Re-classification US$	Re-measurement US$	CIFRSs US$
ASSETS				
Cash on hand	11,858,640	-	-	11,858,640
Balances with the National Bank of Cambodia ("NBC")	26,360,321	94	-	26,360,415
Balances with other financial institutions	8,531,165	77,616	79,047	8,687,828
Equity instruments at FVOCI	25,000	-	-	25,000
Loans to customers	122,784,690	3,733,136	(7,800,104)	118,717,722
Other assets	4,377,168	(3,810,846)	-	566,322
Property and equipment	1,367,120	-	-	1,367,120
Right-of-use assets	-	-	1,705,645	1,705,645
Intangible assets	595,413	-	-	595,413
Deferred tax assets	3,186,534	-	1,532,189	4,718,723
TOTAL ASSETS	**179,086,051**	**-**	**(4,483,223)**	**174,602,828**
LIABILITIES AND OWNER'S EQUITY				
LIABILITIES				
Deposits from other financial institutions	33,953,213	63,427	-	34,016,640
Deposits from customers	110,973,217	1,731,104	-	112,704,321
Lease liabilities	-	-	1,775,870	1,775,870
Income tax payable	16,986	-	-	16,986
Other liabilities	2,377,737	(1,794,531)	(130,333)	452,873
TOTAL LIABILITIES	**147,321,153**	**-**	**1,645,537**	**148,966,690**
OWNER'S EQUITY				
Paid-up capital	38,000,000	-	-	38,000,000
Retained earnings	(6,235,102)	-	(6,128,760)	(12,363,862)
TOTAL OWNER'S EQUITY	**31,764,898**	**-**	**(6,128,760)**	**25,636,138**
LIABILITIES AND OWNER'S EQUITY	**179,086,051**	**-**	**(4,483,223)**	**174,602,828**

2. ACCOUNTING POLICIES (continued)

2.4 First-time adoption of CIFRSs (continued)

2.4.3 Financial impact of first-time adoption of CIFRSs (continued)

b) Impact on the statement of financial position as at 31 December 2018 (end of last period reported under previous GAAP) (continued)

Summary of balance sheet reclassifications and key adjustments as a result of transition from CAS to CIFRSs.

Financial assets and liabilities

CIFRS 9 Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. It also introduces a new expected credit loss ("ECL") model and a new general hedge accounting model. The Bank adopted CIFRS 9 from 1 January 2018.

Changes in accounting policies resulting from the adoption of CIFRS 9 have been generally applied by the Bank retrospectively, except as described below.

The following assessments were made on the basis of facts and circumstances that existed at 1 January 2018:

- The determination of the business model within which a financial asset is held;
- The determination of whether the contractual terms of a financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding;

The impact upon adoption of CIFRS 9, including the corresponding tax effects, are described below.

(i) Classification of financial assets and liabilities

Under CIFRS 9, financial assets are classified in the following categories: measured at amortised cost, FVOCI-debt instruments, FVOCI-equity instruments; or FVTPL. The classification of financial assets under CIFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

For an explanation of how the Bank classifies and measures financial assets and related gains and losses under CIFRS 9, see Note 2.3.1.2.

The following table and the accompanying notes below explain the original measurement categories under CAS and the new measurement categories under CIFRS 9 for each class of the Bank's financial assets as at 1 January 2018.

2. ACCOUNTING POLICIES (continued)

2.4 First-time adoption of CIFRSs (continued)

2.4.3 Financial impact of first-time adoption of CIFRSs (Continued)

b) Impact on the statement of financial position as at 31 December 2018 (end of last period reported under previous GAAP) (continued)

				1 January 2018	
	Notes	**Original classification under CAS**	**New classification under CIFRS 9**	**Original carrying amount under CAS US$**	**New carrying amount under CIFRS 9 US$**
Financial assets					
Balances with the NBC		Cost	Amortised cost	28,738,440	28,738,518
Balances with other financial institutions		Cost	Amortised cost	11,476,405	11,481,660
Loans to customers	(a)	Carrying amount	Amortised cost	116,307,617	94,486,292
Investment in securities		Cost	FVTOCI	25,000	25,000
Other assets	(a)	Carrying amount	Amortised cost	4,809,856	440,243
Total financial assets				**161,357,318**	**135,171,713**
KHR'000 equivalent				**651,399,493**	**545,688,205**
Financial liabilities					
Deposits from other financial institutions	(b)	Cost	Amortised cost	34,954,124	35,092,871
Deposits from customers	(b)	Cost	Amortised cost	90,310,945	91,795,782
Other liabilities	(b)	Cost	Amortised cost	1,904,081	280,497
Total financial liabilities				**127,169,150**	**127,169,150**
KHR'000 equivalent				**513,381,859**	**513,381,859**

(a) CIFRS 9 resulted in recognition of financial assets measures at amortised cost. This resulted in decrease in other assets by amount of accrued interest receivables. Besides, applying new impairment model, loans to customers' carrying amount decrease due to additional allowance for impairment. Addition allowance for impairment was recognised in opening retained earnings of the Bank at 1 January 2018 on transition to CIFRS 9.

(b) Under CAS, these financial liabilities that were classified at cost are now classified at amortised cost. This resulted in decrease in other liabilities by amount of accrued interest payables.

2. ACCOUNTING POLICIES (continued)

2.4 First-time adoption of CIFRSs (continued)

2.4.3 Financial impact of first-time adoption of CIFRSs (Continued)

(ii) Impairment of financial assets

CIFRS 9 replaces the "incurred loss" model in CAS with an expected credit loss model. The new impairment model applies to financial assets measured at amortised cost, contract assets and intra-group financial guarantee contracts, but not to equity investments.

The application of CIFRS 9 impairment requirements at 1 January 2018 results in additional allowances for impairment as follows:

	US$	KHR'000 equivalent
Loss allowance at 1 January 2018 under CAS	3,050,941	12,316,649
Impairment recognised at 1 January 2018 on:		
Balances with other financial institutions	2,342	9,455
Loans to customers	25,939,105	104,716,167
Loss allowance at 1 January 2018 under CIFRS 9	**28,992,388**	**117,042,271**

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Leases

CIFRS 16 introduces new requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low-value assets.

The Bank applies CIFRS 16 initially on 1 January 2018, using the modified retrospective approach. Therefore, the cumulative effect of adopting CIFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at 1 January 2018, with no restatement of comparative information.

The Bank is not permitted to apply the practical expedient to grandfather the definition of a lease under the Cambodian Accounting Standards on transition. This means that it will apply CIFRS 16 to all contracts entered into before 1 January 2018 and assess whether the contracts are/contain leases. However, CIFRS 16 introduces consequential amendments to CIFRS 1, which include an option for a first-time adopter to apply the new lease definition to contracts existing at the date of transition based on facts and circumstances at that date.

The following table shows the operating lease commitments disclosed applying CAS 17 at 31 December 2017, discounted using incremental borrowing rate of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application.

2. ACCOUNTING POLICIES (continued)

2.4 First-time adoption of CIFRSs (continued)

2.4.3 Financial impact of first-time adoption of CIFRSs (Continued)

b) Impact on the statement of financial position as at 31 December 2018 (end of last period reported under previous GAAP) (continued)

Leases (Continued)

	US$	***KHR'000 equivalent***
Operating lease commitments at 1 January 2018	2,182,809	8,812,000
Short-term leases and leases of low-value assets	(19,300)	(77,914)
Effect of discounting lease payments amounts	(312,368)	(1,261,030)
Lease liabilities recognised at 1 January 2018	**1,851,141**	**7,473,056**

c) Impact on statement of profit or loss and other comprehensive income for year ended 31 December 2018 (last financial year reported under previous GAAP):

		Effect of transition to CIFRSs		
	CAS US$	***Re-classification US$***	***Re-measurement US$***	***CIFRSs US$***
Interest income	8,489,340	617,328	(173,782)	8,932,886
Interest expense	(4,506,379)	-	(110,808)	(4,617,187)
Net interest income	**3,982,961**	**617,328**	**(284,590)**	**4,315,699**
Fees and commission income	2,687,342	(617,328)	-	2,070,014
Fees and commission expense	(109,644)	-	-	(109,644)
Net fees and commission income	**2,577,698**	**(617,328)**	**-**	**1,960,370**
Other operating income	256,796	-	-	256,796
Total operating income	**6,817,455**	**-**	**(284,590)**	**6,532,865**
Personnel expenses	(3,960,236)	-	-	(3,960,236)
General and administrative expenses	(1,871,396)	-	355,532	(1,515,864)
Depreciation and amortization	(541,585)	-	(314,948)	(856,533)
Operating profit	**444,238**	**-**	**(244,006)**	**200,232**
Credit loss expense	(14,818,742)	-	18,768,662	3,949,920
Profit before income tax	**(14,374,504)**	**-**	**18,524,656**	**4,150,152**
Income tax expense	2,700,819	-	(3,704,931)	(1,004,112)
Net profit for the year	**(11,673,685)**	**-**	**14,819,725**	**3,146,040**

2. ACCOUNTING POLICIES (continued)

2.4 First-time adoption of CIFRSs (continued)

2.4.3 Financial impact of first-time adoption of CIFRSs (Continued)

c) Impact on statement of profit or loss and other comprehensive income for year ended 31 December 2018 (last financial year reported under previous GAAP) (continued)

Below is the summary of profit or loss reclassifications and key adjustments as a result of transition from CAS to CIFRSs.

(i) Interest

Under CAS, fees integral to the financial assets and liabilities were not considered as effective interest and recognized as income on occurrence of transactions. At the date of transition to CIFRSs (1 January 2018), the Bank applies effective interest rate ("EIR") retrospectively to financial assets and financial liabilities measured at amortised cost.

Besides, interest income was recorded in suspended account when loan become non-performing under CAS. CIFRS 9 allows to record interest revenue on the amortised cost (i.e., the gross carrying amount after deducting the impairment allowance) for financial assets under stage 3 and on the gross carrying amount for financial assets under stage 1 and stage 2.

(ii) Operation expenses

The application of CIFRS 16 to leases previously classified as operating leases under CAS 17 resulted in the recognition of right-of-use assets and leases liabilities. It resulted in a decrease in General and administrative expenses and an increase in Depreciation and amortisation charge and interest expense.

(iii) Provision for expected credit losses

The application of CIFRS 9 impairment requirements at 1 January 2018 results in additional allowances for impairment.

(iv) Income tax

Application of CIAS 12 resulted in an increase of deferred tax assets due to the temporary difference between tax base and accounting base which lead to a corresponding decrease in income tax expense.

d) Material adjustments to the Statement of cash flows for year ended 31 December 2018

Under CIFRS 16, lessee shall present:

- Short-term lease payments and payments for leases of low-value assets not included in the measurement of the lease liability as part of operating activities;
- Cash paid for the interest portion of lease liability as either operating activities or financing activities, as permitted by CIAS 7; and
- Cash payments for the principal portion for lease liability, as part of financing activities.

Under CAS 17, all lease payments on operating leases were presented as part of cash flows from operating activities. Consequently, the net cash used in operating activities has decreased and net cash from in financing activities decreased by the same amount.

The adoption of CIFRSs did not have an impact on net cash flows.

3. CASH ON HAND

Cash on hand by currency comprises the following:

	31 December 2019		31 December 2018	
	US$	KHR'000 equivalent	US$	KHR'000 equivalent
US$	9,955,114	40,567,089	10,091,415	40,547,306
KHR	315,832	1,287,015	220,628	886,483
Other currencies	96,047	391,392	1,546,597	6,214,227
	10,366,993	**42,245,496**	**11,858,640**	**47,648,016**

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

	31 December 2019		31 December 2018	
	US$	KHR'000 equivalent	US$	KHR'000 equivalent
Cash on hand	10,366,993	42,245,496	11,858,640	47,648,016
Balances with the NBC	6,687,213	27,250,393	5,828,058	23,417,137
Current accounts	*6,287,590*	*25,621,929*	*5,068,184*	*20,363,963*
Term deposits (up to three months)	*399,623*	*1,628,464*	*759,874*	*3,053,174*
Balances with other financial institutions	28,631,102	116,671,741	5,624,331	22,598,562
Current accounts	*25,123,239*	*102,377,199*	*5,624,331*	*22,598,562*
Term deposits (up to three months)	*3,507,863*	*14,294,542*	-	-
	45,685,308	**186,167,630**	**23,311,029**	**93,663,715**

4. BALANCES WITH THE NATIONAL BANK OF CAMBODIA ("NBC")

	31 December 2019		31 December 2018	
	US$	KHR'000 equivalent	US$	KHR'000 equivalent
Current accounts	6,287,590	25,621,929	5,068,184	20,363,963
Term deposits *(i)*	399,623	1,628,464	759,874	3,053,174
Capital guarantee *(ii)*	7,500,000	30,562,500	3,800,000	15,268,400
Reserve requirement *(iii)*	18,357,976	74,808,752	16,732,357	67,230,610
	32,545,189	**132,621,645**	**26,360,415**	**105,916,147**

(i) Term deposits

The balance represents deposits with the NBC for clearing cheques with original maturities of three months.

(ii) Capital guarantee

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

4. BALANCES WITH THE NATIONAL BANK OF CAMBODIA ("NBC") (continued)

(iii) Reserve requirement

Under NBC Prakas No. B7-018-282 dated 29 August 2018, banks are required to maintain certain cash reserve with the NBC in the form of compulsory deposits, computed at 8.00% and 12.50% of customers' deposits in KHR and in currencies, respectively. The reserve requirement on customers' deposits bear no interest.

Balances with the NBC by currency are as follows:

	31 December 2019		31 December 2018	
	US$	KHR'000 equivalent	US$	KHR'000 equivalent
US$	31,850,867	129,792,283	26,021,379	104,553,900
KHR	694,322	2,829,362	339,036	1,362,247
	32,545,189	**132,621,645**	**26,360,415**	**105,916,147**

Annual interest rates of balances with the NBC were summarized as follows:

	31 December 2019 % p.a.	31 December 2018 % p.a.
Capital guarantee deposits - US$	0.59	0.62
Reserve deposits - US$	0.00	0.00 - 1.05
Term deposits	0.65 - 0.68	0.89
Current deposits	0.00	0.00

5. BALANCES WITH OTHER FINANCIAL INSTITUTIONS

	31 December 2019		31 December 2018	
	US$	KHR'000 equivalent	US$	KHR'000 equivalent
Balance with other financial institutions	35,137,688	143,186,079	8,694,954	34,936,325
Allowance for credit losses	(43,771)	(178,367)	(7,126)	(28,632)
	35,093,917	**143,007,712**	**8,687,828**	**34,907,693**

Movements of allowance for credit losses on balance with other financial institutions as below:

	31 December 2019		31 December 2018	
	US$	KHR'000 equivalent	US$	KHR'000 equivalent
As at 1 January	7,126	28,632	2,342	9,455
Charged on allowance during the year	36,645	148,486	4,784	19,351
Foreign currency differences	-	1,249	-	(174)
As at 31 December	**43,771**	**178,367**	**7,126**	**28,632**

5. BALANCES WITH OTHER FINANCIAL INSTITUTIONS (continued)

Balances with other financial institutions by type were as follows:

	31 December 2019		31 December 2018	
	US$	**KHR'000 equivalent**	**US$**	**KHR'000 equivalent**
Current accounts	25,127,106	102,392,957	5,681,289	22,827,419
Term deposits	10,010,582	40,793,122	3,013,665	12,108,906
	35,137,688	**143,186,079**	**8,694,954**	**34,936,325**

Balances with other financial institutions by currency are as follows:

	31 December 2019		31 December 2018	
	US$	**KHR'000 equivalent**	**US$**	**KHR'000 equivalent**
US$	29,399,664	119,803,631	6,454,480	25,934,101
KHR	5,320,932	21,682,798	1,853,861	7,448,813
Other currencies	417,092	1,699,650	386,613	1,553,411
	35,137,688	**143,186,079**	**8,694,954**	**34,936,325**

Annual interest rates of balances with other financial institutions were as follows:

	31 December 2019 % p.a.	31 December 2018 % p.a.
Current deposits	0.00 - 0.50	0.00 - 0.50
Term deposits	3.50 - 6.50	3.00 - 7.00

6. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI")

Movements of allowance for credit losses on balance with other financial institutions as below:

	31 December 2019			31 December 2018		
	US$	**KHR'000 equivalent**	**% owned by the Bank**	**US$**	**KHR'000 equivalent**	**% owned by the Bank**
Unlisted equity securities - at cost (*)	**25,000**	**101,875**	**1%**	**25,000**	**100,450**	**1%**

(*) This includes equity securities of a local economic entity which the Bank has no intention to dispose as at 31 December 2019.

7. LOANS TO CUSTOMERS

Loans to customers are categorized as follows:

	31 December 2019		31 December 2018	
	US$	KHR'000 equivalent	US$	KHR'000 equivalent
Individual loans	119,521,257	487,049,123	86,234,478	346,490,132
Corporation loans	37,871,966	154,328,261	57,482,817	230,965,959
Total gross amount	**157,393,223**	**641,377,384**	**143,717,295**	**577,456,091**
Allowance for credit loss on loans to customers	(19,283,105)	(78,578,653)	(24,999,573)	(100,448,284)
Net loans to customers	**138,110,118**	**562,798,731**	**118,717,722**	**477,007,807**

An analysis of changes in the gross carrying amount and the corresponding ECL allowances follow:

	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$
Gross carrying amount as at 1 January 2019	112,371,011	15,037,870	16,308,414	143,717,295
New financial assets originated or purchased	78,798,832	63,082	3,036	78,864,950
Financial assets derecognized or repaid	(53,959,277)	(3,375,545)	(7,854,200)	(65,189,022)
Transfers to Stage 1	172,893	(86,984)	(85,909)	-
Transfers to Stage 2	(289,384)	289,384	-	-
Transfers to Stage 3	(396,029)	(11,230,435)	11,626,464	-
Balance at 31 December 2019	**136,698,046**	**697,372**	**19,997,805**	**157,393,223**
KHR'000 equivalent	**557,044,537**	**2,841,791**	**81,491,056**	**641,377,384**
CIFRS 9, ECL allowance as at 1 January 2019	448,098	14,132,298	10,419,177	24,999,573
New financial assets originated	215,901	2,168	764	218,833
Financial assets that have derecognised or repaid	(277,374)	(3,321,970)	(2,335,957)	(5,935,301)
Transfers to Stage 1	97	(62)	(35)	-
Transfers to Stage 2	(5,759)	5,759	-	-
Transfers to Stage 3	(61,675)	(10,799,164)	10,860,839	-
Balance at 31 December 2019	**319,288**	**19,029**	**18,944,788**	**19,283,105**
KHR'000 equivalent	**1,301,099**	**77,543**	**77,200,011**	**78,578,653**

7. LOANS TO CUSTOMERS (continued)

	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$
Gross carrying amount as at 1 January 2018	71,856,447	49,953,114	1,666,777	123,476,338
New assets originated or purchased	78,610,059	1,229,983	36,111	79,876,153
Assets derecognized or repaid	(40,346,565)	(18,562,185)	(726,446)	(59,635,196)
Transfers to Stage 1	2,894,671	(2,894,671)	-	-
Transfers to Stage 2	(534,141)	534,141	-	-
Transfers to Stage 3	(109,460)	(15,222,512)	15,331,972	-
Balance at 31 December 2018	**112,371,011**	**15,037,870**	**16,308,414**	**143,717,295**
KHR'000 equivalent	**451,506,722**	**60,422,162**	**65,527,207**	**577,456,091**
CIFRS 9, ECL allowance as at 1 January 2018	258,181	28,149,426	582,439	28,990,046
New financial assets originated	299,539	350,116	6,065	655,720
Financial assets that have derecognised or repaid	(83,783)	(4,244,027)	(318,383)	(4,646,193)
Transfers to Stage 1	42,768	(42,768)	-	-
Transfers to Stage 2	(50,721)	50,721	-	-
Transfers to Stage 3	(17,886)	(10,131,170)	10,149,056	-
Balance at 31 December 2018	**448,098**	**14,132,298**	**10,419,177**	**24,999,573**
KHR'000 equivalent	**1,800,458**	**56,783,573**	**41,864,253**	**100,448,284**

Further analyses of gross amount of loans to customers are set out below:

(a) By grading of loans to customers

	31 December 2019		31 December 2018	
	US$	KHR'000 equivalent	US$	KHR'000 equivalent
Stage 1	136,698,046	557,044,537	112,371,011	451,506,722
Stage 2	697,372	2,841,791	15,037,870	60,422,162
Stage 3	19,997,805	81,491,056	16,308,414	65,527,207
Total gross amount	**157,393,223**	**641,377,384**	**143,717,295**	**577,456,091**

7. LOANS TO CUSTOMERS (continued)

(b) By security

	31 December 2019		31 December 2018	
	US$	KHR'000 equivalent	US$	KHR'000 equivalent
Secured	155,485,378	633,602,916	141,881,347	570,079,252
Real estate	133,031,634	542,103,910	105,287,862	423,046,630
Machinery and Transport	13,079,083	53,297,263	14,825,682	59,569,590
License	5,684,004	23,162,316	14,255,832	57,279,933
Deposit hold-out	1,146,857	4,673,442	25,620	102,941
Others	2,543,800	10,365,985	7,486,351	30,080,158
Unsecured	1,907,845	7,774,468	1,835,948	7,376,839
	157,393,223	**641,377,384**	**143,717,295**	**577,456,091**

(c) By maturity

	31 December 2019		31 December 2018	
	US$	KHR'000 equivalent	US$	KHR'000 equivalent
Within one month	10,927,360	44,528,992	34,293,236	137,790,222
More than one month to three months	9,363,724	38,157,175	2,674,495	10,746,121
More than three months to twelve months	29,000,760	118,178,097	24,390,993	98,003,010
More than one year to five years	51,075,478	208,132,573	45,199,169	181,610,261
More than five years	57,025,901	232,380,547	37,159,402	149,306,477
	157,393,223	**641,377,384**	**143,717,295**	**577,456,091**

(d) By residency, relationship, currency and industry sector

	31 December 2019		31 December 2018	
	US$	KHR'000 equivalent	US$	KHR'000 equivalent
Residency				
Residents	**157,393,223**	**641,377,384**	**143,717,295**	**577,456,091**
Relationship				
Related parties	134,768	549,180	117,914	473,778
Non-related parties	157,258,455	640,828,204	143,599,381	576,982,313
	157,393,223	**641,377,384**	**143,717,295**	**577,456,091**
Currency				
US$	155,549,315	633,863,459	142,345,516	571,944,283
KHR	1,843,908	7,513,925	1,371,779	5,511,808
	157,393,223	**641,377,384**	**143,717,295**	**577,456,091**

7. LOANS TO CUSTOMERS (continued)

(d) By residency, relationship, currency and industry sector (continued)

	31 December 2019		31 December 2018	
	US$	KHR'000 equivalent	US$	KHR'000 equivalent
Industry sector				
Personal use	72,501,614	295,444,077	46,841,428	188,208,858
Wholesale and retail	29,937,490	121,995,272	26,617,644	106,949,694
Mining	18,506,853	75,415,426	29,081,513	116,849,519
Real estate & construction	16,910,258	68,909,301	12,461,447	50,070,094
Import & Export	1,694,422	6,904,770	1,769,745	7,110,835
Credit card	1,183,998	4,824,792	882,371	3,545,367
Services	717,194	2,922,566	632,292	2,540,549
Other industries	15,941,394	64,961,180	25,430,855	102,181,175
	157,393,223	**641,377,384**	**143,717,295**	**577,456,091**

(e) By location

	31 December 2019		31 December 2018	
	US$	KHR'000 equivalent	US$	KHR'000 equivalent
Head Office	691,217	2,816,709	730,828	2,936,467
Branches	156,702,006	638,560,675	142,986,467	574,519,624
	157,393,223	**641,377,384**	**143,717,295**	**577,456,091**

(f) Annual interest rates of loans to customers were as follows:

	31 December 2019 % p.a.	31 December 2018 % p.a.
Individual loans	5.10 - 16.80	5.00 - 16.80
Corporation loans	5.30 - 10.00	5.30 - 10.00

8. OTHER ASSETS

	31 December 2019		31 December 2018	
	US$	KHR'000 equivalent	US$	KHR'000 equivalent
Financial assets				
Rental deposits	**232,992**	**949,442**	**225,149**	**904,649**
Non-financial assets				
Prepaid for system maintenance	138,656	565,023	79,940	321,199
Advance for employees	115,158	469,269	149,880	602,218
Receivables on express and remittance	113,982	464,477	62,464	250,980
Prepaid insurance	12,429	50,648	14,629	58,779
Others	49,828	203,049	34,260	137,657
	430,053	**1,752,466**	**341,173**	**1,370,833**
	663,045	**2,701,908**	**566,322**	**2,275,482**

9. PROPERTY AND EQUIPMENT

	2019					
	Building and lease hold improvement	Computer equipment	Furniture and equipment	Motor vehicles	Total	
	US$	US$	US$	US$	US$	KHR'000 equivalent
Cost						
As at 1 January	1,060,964	1,711,277	883,972	650,665	4,306,878	17,305,036
Additions	120,539	147,478	49,474	34,220	351,711	1,425,133
Disposal	-	-	-	(25,785)	(25,785)	(104,481)
Foreign currency differences	-	-	-	-	-	252,988
As at 31 December	**1,181,503**	**1,858,755**	**933,446**	**659,100**	**4,632,804**	**18,878,676**
Accumulated depreciation						
As at 1 January	767,535	1,171,465	451,526	549,232	2,939,758	11,811,948
Depreciation	68,270	203,766	133,800	64,393	470,229	1,905,368
Disposal	-	-	-	(25,785)	(25,785)	(104,481)
Foreign currency differences	-	-	-	-	-	177,788
As at 31 December	**835,805**	**1,375,231**	**585,326**	**587,840**	**3,384,202**	**13,790,623**
Net book value	**345,698**	**483,524**	**348,120**	**71,260**	**1,248,602**	**5,088,053**

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

as at 31 December 2019 and for the year then ended

9. PROPERTY AND EQUIPMENT (continued)

	2018					
	Building and lease hold improvement	**Computer equipment**	**Furniture and equipment**	**Motor vehicles**	**Total**	
	US$	**US$**	**US$**	**US$**	**US$**	**KHR'000 equivalent**
Cost						
As at 1 January	1,029,511	1,688,991	596,717	650,665	3,965,884	16,010,274
Additions	31,453	22,286	287,255	-	340,994	1,379,321
Foreign currency differences	-	-	-	-	-	(84,559)
As at 31 December	**1,060,964**	**1,711,277**	**883,972**	**650,665**	**4,306,878**	**17,305,036**
Accumulated depreciation						
As at 1 January	682,423	982,828	371,437	481,343	2,518,031	10,165,291
Depreciation	85,112	188,637	80,089	67,889	421,727	1,705,885
Foreign currency differences	-	-	-	-	-	(59,228)
As at 31 December	**767,535**	**1,171,465**	**451,526**	**549,232**	**2,939,758**	**11,811,948**
Net book value	**293,429**	**539,812**	**432,446**	**101,433**	**1,367,120**	**5,493,088**

10. RIGHT-OF-USE ASSETS

Information about the Bank's leases are disclosed within this note and *Note 14.*

	31 December 2019		31 December 2018	
	US$	KHR'000 equivalent	US$	KHR'000 equivalent
Right-of-use assets	**1,539,911**	**6,275,137**	**1,705,645**	**6,853,282**

The Bank leases many assets including office and ATM space. Information about leases for which the Bank is a lessee is presented below:

	2019			
	Office space	ATM space	Total	
	US$	US$	US$	KHR'000 equivalent
Cost				
As at 1 January	1,972,072	48,521	2,020,593	8,118,743
Additions	124,017	100,069	224,086	907,996
Foreign currency differences	-	-	-	120,328
As at 31 December	**2,096,089**	**148,590**	**2,244,679**	**9,147,067**
Less accumulated amortization				
As at 1 January	298,618	16,330	314,948	1,265,461
Amortization	336,781	53,039	389,820	1,579,550
Foreign currency differences	-	-	-	26,919
As at 31 December	**635,399**	**69,369**	**704,768**	**2,871,930**
Net book value	**1,460,690**	**79,221**	**1,539,911**	**6,275,137**

	2018			
	Office space	ATM space	Total	
	US$	US$	US$	KHR'000 equivalent
Cost				
As at 1 January	1,812,943	38,198	1,851,141	7,473,056
Additions	159,129	10,323	169,452	685,433
Foreign currency differences	-	-	-	(39,746)
As at 31 December	**1,972,072**	**48,521**	**2,020,593**	**8,118,743**
Less accumulated amortization				
As at 1 January	-	-	-	-
Amortization	298,618	16,330	314,948	1,273,965
Foreign currency differences	-	-	-	(8,504)
As at 31 December	**298,618**	**16,330**	**314,948**	**1,265,461**
Net book value	**1,673,454**	**32,191**	**1,705,645**	**6,853,282**

11. INTANGIBLE ASSETS

	2019 Computer software		2018 Computer software	
	US$	KHR'000 equivalent	US$	KHR'000 equivalent
Cost				
As at 1 January	1,217,526	4,892,019	955,134	3,855,876
Additions	4,793	19,421	262,392	1,061,376
Foreign currency differences	-	69,510	-	(25,233)
As at 31 December	**1,222,319**	**4,980,950**	**1,217,526**	**4,892,019**
Less accumulated amortization				
As at 1 January	622,113	2,499,650	502,255	2,027,603
Amortization	164,954	668,394	119,858	484,826
Foreign currency differences	-	39,254	-	(12,779)
As at 31 December	**787,067**	**3,207,298**	**622,113**	**2,499,650**
Net book value	**435,252**	**1,773,652**	**595,413**	**2,392,369**

12. DEPOSITS FROM OTHER FINANCIAL INSTITUTIONS

	31 December 2019		31 December 2018	
	US$	KHR'000 equivalent	US$	KHR'000 equivalent
Current deposits	3,306,005	13,471,970	20,953,213	84,190,010
Term deposits	9,017,382	36,745,832	13,063,427	52,488,850
	12,323,387	**50,217,802**	**34,016,640**	**136,678,860**

Deposits from other financial institutions by currency are as follows:

	31 December 2019		31 December 2018	
	US$	KHR'000 equivalent	US$	KHR'000 equivalent
US$	11,948,786	48,691,303	33,528,764	134,718,574
Other currencies	374,601	1,526,499	487,876	1,960,286
	12,323,387	**50,217,802**	**34,016,640**	**136,678,860**

Annual interest rates of deposit from other financial institutions were as follows:

	31 December 2019 % p.a.	31 December 2018 % p.a.
Current deposits	0.00	0.00
Term deposits	2.00 - 2.50	1.90 - 3.00

13. DEPOSITS FROM CUSTOMERS

	2019 Computer software US$	2019 Computer software KHR'000 equivalent	2018 Computer software US$	2018 Computer software KHR'000 equivalent
Current accounts	9,483,319	38,644,525	4,514,655	18,139,884
Term deposits	114,040,457	464,714,863	80,102,429	321,851,560
Savings deposits	24,567,964	100,114,453	28,087,237	112,854,518
	148,091,740	**603,473,841**	**112,704,321**	**452,845,962**

Deposits from customers are further analysed as follows:

(a) By types of customer

	31 December 2019 US$	31 December 2019 KHR'000 equivalent	31 December 2018 US$	31 December 2018 KHR'000 equivalent
Resident individuals	124,878,275	508,878,972	95,659,527	384,359,979
Non-resident individuals	12,414,256	50,588,093	7,810,322	31,381,874
Domestic corporations	9,562,166	38,965,826	8,577,662	34,465,046
Foreign corporation	1,237,043	5,040,950	656,810	2,639,063
	148,091,740	**603,473,841**	**112,704,321**	**452,845,962**

(b) By currency

	31 December 2019 US$	31 December 2019 KHR'000 equivalent	31 December 2018 US$	31 December 2018 KHR'000 equivalent
US$	146,792,102	598,177,817	112,366,228	451,487,504
KHR	1,178,552	4,802,599	261,053	1,048,911
Other currencies	121,086	493,425	77,040	309,547
	148,091,740	**603,473,841**	**112,704,321**	**452,845,962**

(c) By relationship

	31 December 2019 US$	31 December 2019 KHR'000 equivalent	31 December 2018 US$	31 December 2018 KHR'000 equivalent
Non-related parties	147,986,541	603,045,155	112,661,864	452,675,370
Related parties	105,199	428,686	42,457	170,592
	148,091,740	**603,473,841**	**112,704,321**	**452,845,962**

(d) Annual interest rates of deposits from customers were as follows:

	31 December 2019 % p.a.	31 December 2018 % p.a.
Current accounts	0.00 - 0.50	0.00 - 0.50
Term deposits	2.00 - 5.85	4.00 - 5.85
Savings deposits	2.00 - 6.80	2.00 - 6.50

14. LEASE LIABILITIES

	31 December 2019		31 December 2018	
	US$	***KHR'000 equivalent***	***US$***	***KHR'000 equivalent***
Maturity analysis - contractual undiscounted cash flows				
Less than one year	462,536	1,884,834	466,684	1,901,737
One to five years	1,270,046	5,175,437	1,497,026	6,100,381
More than five years	157,333	641,132	392,889	1,601,023
Total undiscounted lease liabilities	**1,889,915**	**7,701,403**	**2,356,599**	**9,603,141**
Present value of lease liabilities				
As at 1 January	**1,775,870**	**7,135,446**	**1,851,141**	**7,473,056**
Additions	224,086	913,150	169,452	680,858
Accretion of interest	107,511	435,635	110,808	448,218
Payments	(466,684)	(1,891,004)	(355,531)	(1,438,123)
Foreign currency differences	-	92,964	-	(28,563)
As at 31 December	**1,640,783**	**6,686,191**	**1,775,870**	**7,135,446**
Current	14,699	59,898	5,312	21,646
Non-current	1,626,084	6,626,293	1,770,558	7,113,800

Amounts recognized in profit and loss on lease during year as below:

	2019 US$	***2018 US$***
Depreciation expense on right-of-use assets	389,820	314,948
Interest expense on lease liabilities	107,511	110,808
Expenses relating to short-term leases and leases of low-value assets	39,671	68,464
	537,002	**494,220**
KHR'000 equivalent	**2,188,283**	**1,985,776**

15. INCOME TAX

The Bank's tax returns are subject to examination by the General Department of Taxation ("GDT"). Because the application of tax laws and regulations to many types of transactions is susceptible to varying interpretations, the amounts reported in the financial statements could change at a later date upon final determination by the GDT.

Applicable tax rates

In accordance with Cambodian tax law, the Bank has the obligation to pay tax on profit ("TOP") at the rate of 20% of taxable income or minimum tax at 1% of turnover inclusive of all taxes except value-added tax, whichever is higher.

15. INCOME TAX (continued)

Income tax expense comprises:

	2019		2018	
	US$	KHR'000 equivalent	US$	KHR'000 equivalent
Current income tax expense	113,648	460,502	118,148	477,909
Deferred tax expense	923,251	3,741,013	885,964	3,583,724
	1,036,899	**4,201,515**	**1,004,112**	**4,061,633**

Movements of income tax payable follow:

	2019		2018	
	US$	KHR'000 equivalent	US$	KHR'000 equivalent
As at 1 January	16,986	68,250	579,466	2,339,304
Current income tax expense	113,648	460,502	118,148	477,909
Income tax paid	(117,487)	(476,057)	(680,628)	(2,753,140)
Foreign currency differences	-	879	-	4,177
As at 31 December	**13,147**	**53,574**	**16,986**	**68,250**

The reconciliation of income tax expense shown in profit or loss is as follows:

	2019		2018	
	US$	KHR'000 equivalent	US$	KHR'000 equivalent
Profit before income tax	4,099,201	16,609,962	4,150,152	16,787,365
Income tax expense at applicable tax rate of 20%	819,840	3,321,992	830,030	3,357,473
Add:				
Non-deductible expenses	95,623	387,464	119,530	483,499
Lease expenses	6,130	24,839	14,045	56,812
Property and equipment	18,325	74,253	2,732	11,051
Interest income on loan	27,165	110,073	34,757	140,592
Tax loss carried forward	363,070	1,471,160	2,871,473	11,615,108
Less:				
Dividend income and proceed from disposal assets	(6,068)	(24,588)	(784)	(3,171)
Allowance for credit loss	(1,337,941)	(5,421,337)	(3,800,982)	(15,374,971)
Unrealised exchange gains	-	-	(7,991)	(32,324)
Estimated income tax expense of the year	**(13,856)**	**(56,144)**	**62,810**	**254,069**
Minimum tax expense (1% of turnover)	**113,648**	**460,502**	**118,148**	**477,909**
Effective income tax expense	**113,648**	**460,502**	**118,148**	**477,909**

15. INCOME TAX (continued)

15.2 Deferred tax assets

Details of deferred income tax assets/(liabilities) recognized during the year follow:

	1 January 2019 US$	Recognised in profit and loss during the year US$	31 December 2019 US$
Deferred tax asset items			
Lease expense	14,045	6,130	20,175
Interest income loan	83,588	27,165	110,753
Tax carried forward	2,871,473	363,070	3,234,543
Allowance for impairment	1,776,251	(1,337,941)	438,310
	4,745,357	**(941,576)**	**3,803,781**
Deferred tax liability items			
Property and equipment	(26,634)	18,325	(8,309)
	(26,634)	**18,325**	**(8,309)**
Deferred tax assets - net	**4,718,723**	**(923,251)**	**3,795,472**
KHR'000 equivalent	**18,959,829**	**(3,493,281)**	**15,466,548**

16. OTHER LIABILITIES

	31 December 2019		31 December 2018	
	US$	KHR'000 equivalent	US$	KHR'000 equivalent
Payables on remittance	1,142,501	4,655,692	299,423	1,203,082
Other tax payables	171,679	699,592	93,850	377,089
Allowance for credit loss on commitments	21,974	89,544	35,769	143,720
Others	158,431	645,606	23,831	95,753
	1,494,585	**6,090,434**	**452,873**	**1,819,644**

Movements of allowance for credit loss on commitments:

	2019		2018	
	US$	KHR'000 equivalent	US$	KHR'000 equivalent
As at 1 January	35,769	143,720	-	-
(Reversed)/charged on allowance during the year	(13,795)	(55,897)	35,769	144,686
Foreign currency differences	-	1,721	-	(966)
As at 31 December	**21,974**	**89,544**	**35,769**	**143,720**

17. PAID-UP CAPITAL

On 22 March 2016, the NBC issued Prakas B7-016-117 on Minimum Register Capital of Banking and Financial Institutions ("the Prakas"). The Prakas requires the commercial banks incorporated as foreign subsidiary, whether or not their parent bank is rated with investment grade and/or their parent bank owns 100% share of the bank to have a minimum registered capital of KHR'000 300,000,000 (approximately US$75 million).

On 28 March 2019, the Parent Bank injected additional capital amounting to US$32,765,157 and transferred from the Bank's retained earnings amounting to US$4,234,843 in order to increase paid-up capital of the Bank from US$38 million to US$75 million. The additional capital was approved by the NBC on 9 May 2019.

As at the date of these financial statements, the amendments of the Memorandum and Articles of Association has not been endorsed with the Ministry of Commerce.

18. INTEREST INCOME

	2019		2018	
	US$	KHR'000 equivalent	US$	KHR'000 equivalent
Loans to customers	8,844,778	35,839,040	8,722,329	35,281,821
Balances with other financial institutions	218,955	887,206	178,606	722,461
Balances with NBC	50,920	206,328	31,951	129,242
	9,114,653	**36,932,574**	**8,932,886**	**36,133,524**

19. INTEREST EXPENSE

	2019		2018	
	US$	KHR'000 equivalent	US$	KHR'000 equivalent
Deposits from customers	4,945,758	20,040,211	3,937,218	15,926,047
Deposits from financial institutions	295,462	1,197,212	569,161	2,302,256
Lease liabilities	107,511	435,635	110,808	448,218
	5,348,731	**21,673,058**	**4,617,187**	**18,676,521**

20. NET FEES AND COMMISSION INCOME

	2019		2018	
	US$	KHR'000 equivalent	US$	KHR'000 equivalent
Commission received on remittances	1,871,915	7,585,000	1,895,094	7,665,655
Other fees and commission	241,484	978,493	174,920	707,552
Total fees and commission income	**2,113,399**	**8,563,493**	**2,070,014**	**8,373,207**
Fees and commission expenses	**(350,980)**	**(1,422,171)**	**(109,644)**	**(443,510)**
Net fees and commission income	**1,762,419**	**7,141,322**	**1,960,370**	**7,929,697**

21. OTHER OPERATING INCOME

	2019		2018	
	US$	KHR'000 equivalent	US$	KHR'000 equivalent
Net foreign exchange gain	90,275	365,794	252,874	1,022,876
Gain on disposal of property and equipment	14,600	59,159	-	-
Dividend income	15,740	63,778	3,922	15,864
Others	909	3,684	-	-
	121,524	**492,415**	**256,796**	**1,038,740**

22. PERSONNEL EXPENSES

	2019		2018	
	US$	KHR'000 equivalent	US$	KHR'000 equivalent
Salaries and wages	4,316,922	17,492,168	3,825,673	15,474,848
Other employee benefits	182,655	740,118	134,563	544,307
	4,499,577	**18,232,286**	**3,960,236**	**16,019,155**

23. GENERAL AND ADMINISTRATIVE EXPENSES

	2019		2018	
	US$	KHR'000 equivalent	US$	KHR'000 equivalent
License fees	246,448	998,607	241,988	978,841
Marketing and promotions	230,410	933,621	135,927	549,825
Other taxes	228,388	925,428	137,539	556,345
Repairs and maintenance	155,046	628,246	153,098	619,281
Communications	137,573	557,446	136,071	550,407
Utilities	133,224	539,824	122,529	495,630
Printing and stationery	91,489	370,713	97,909	396,042
Office supplies	75,226	304,816	77,849	314,899
Professional fees	65,977	267,339	37,370	151,162
Transportation	53,079	215,076	52,661	213,014
Travelling	28,570	115,766	24,363	98,548
Rental expenses	39,671	160,747	68,464	276,937
Other expenses	234,601	950,604	230,096	930,739
	1,719,702	**6,968,233**	**1,515,864**	**6,131,670**

24. DEPRECIATION AND AMORTIZATION

	2019		2018	
	US$	KHR'000 equivalent	US$	KHR'000 equivalent
Property and equipment	470,229	1,905,368	421,727	1,705,885
Intangible assets	164,954	668,394	119,858	484,826
Right-of-use assets	389,820	1,579,550	314,948	1,273,965
	1,025,003	**4,153,312**	**856,533**	**3,464,676**

25. CREDIT LOSS EXPENSE/(REVERSED)

	2019		2018	
	US$	KHR'000 equivalent	US$	KHR'000 equivalent
Loans to customers	(5,716,468)	(23,163,129)	(3,990,473)	(16,141,463)
Commitments	(13,795)	(55,897)	35,769	144,686
Others	36,645	148,486	4,784	19,351
	(5,693,618)	**(23,070,540)**	**(3,949,920)**	**(15,977,426)**

26. CASH FLOW IN OPERATING ACTIVITIES

Net cash provided by operating activities

	2019		2018	
	US$	KHR'000 equivalent	US$	KHR'000 equivalent
Cash flows from operating activities				
Profit before income tax	4,099,201	16,609,961	4,150,152	16,787,365
Adjustments for:				
Reversal of for credit loss	(5,693,618)	(23,070,540)	(3,949,920)	(15,977,426)
Reversal of interest income	4,950,254	20,058,429	2,115,661	8,557,849
Depreciation and amortisation	1,025,003	4,153,312	856,533	3,464,676
Interest expenses from lease liabilities	107,511	435,635	110,808	448,218
Dividend income	(15,740)	(63,778)	(3,922)	(15,864)
Gain on disposals of property and equipment	(14,600)	(59,159)	-	-
Adjusted profit before income tax	**4,458,011**	**18,063,860**	**3,279,312**	**13,264,818**
Income tax paid	(117,487)	(476,057)	(680,628)	(2,753,140)
Cash flows by operating activities before changes in net operating assets and liabilities	**4,340,524**	**17,587,803**	**2,598,684**	**10,511,678**
(Increase)/decrease in operating assets				
Balances with the NBC	(5,325,619)	(21,579,408)	(5,310,064)	(21,479,209)
Balances with other financial institutions	(3,399,318)	(13,774,037)	(2,560,542)	(10,357,392)
Loans to customers	(18,649,032)	(75,565,878)	(22,397,171)	(90,596,557)
Other assets	(320,809)	(1,299,918)	(295,530)	(1,195,419)
Increase/(decrease) in operating liabilities				
Deposits from other financial institutions	(21,693,253)	(87,901,061)	(1,076,231)	(4,353,354)
Deposits from customers	35,387,419	143,389,822	20,908,539	84,575,040
Other liabilities	1,158,287	4,693,379	231,020	934,476
Net cash used in operating activities	**(8,501,801)**	**(34,449,298)**	**(7,901,295)**	**(31,960,737)**

27. COMMITMENTS

	31 December 2019		31 December 2018	
	US$	KHR'000 equivalent	US$	KHR'000 equivalent
Undrawn credit facilities	14,435,526	58,824,768	15,638,866	62,836,964
Guarantees	-	-	1,129,837	4,539,685
Total gross amount	**14,435,526**	**58,824,768**	**16,768,703**	**67,376,649**
Allowance for credit loss on off-balance sheet commitments	(21,974)	(89,544)	(35,769)	(143,720)
	14,413,552	**58,735,224**	**16,732,934**	**67,232,929**

28. RELATED PARTY TRANSACTIONS AND BALANCES

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

Related party	Transaction	2019		2018	
		US$	KHR'000 equivalent	US$	KHR'000 equivalent
Parent Bank	Interest income	-	-	2,232	9,028
	Interest expense	-	-	(1,581)	(6,395)
Sacombank Remittance Express Co., Ltd	Fee and commission expenses	(2,511)	(10,175)	(1,829)	(7,398)
Key management personnel	Interest income on loans	6,097	24,705	6,980	28,234
	Interest expense on deposits	(2,894)	(11,726)	(1,339)	(5,416)
	Salaries and employee benefits	(480,351)	(1,957,430)	(439,321)	(1,777,053)

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

Related party	Account	31 December 2019		31 December 2018	
		US$	KHR'000 equivalent	US$	KHR'000 equivalent
Parent Bank	Due from	12,973,277	52,866,104	3,572,661	14,354,952
	Due to	(3,299,592)	(13,445,837)	(20,949,810)	(84,176,337)
	Other receivables	5,360	21,842	27,270	109,571
Sacombank Lao Co., Ltd.	Due from	(124)	(505)	(124)	(498)
Sacombank Remittance Express Co., Ltd.	Receivables on remittance	26,466	107,849	15,678	62,994
Key management personnel	Loans-gross	134,768	549,180	117,914	473,778
	Deposits	(105,199)	(428,686)	(42,457)	(170,592)

29. FINANCIAL RISK MANAGEMENT

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

The Bank intends to comply with the NBC's regulations for financial risk management purposes. The Bank however recognizes that international best practices on risk management are yet to be fully implemented. The Management has established an asset and liability management committee and risk management committee to formulate broad parameters of acceptable risk for the Bank and monitor the activities against these parameters.

The Bank holds the following financial assets and liabilities:

	31 December 2019		31 December 2018	
	US$	KHR'000 equivalent	US$	KHR'000 equivalent
Financial assets				
Cash on hand	10,366,993	42,245,496	11,858,640	47,648,016
Balances with the NBC	32,545,189	132,621,645	26,360,415	105,916,147
Balances with other financial institutions	35,093,917	143,007,712	8,687,828	34,907,693
Equity instruments at FVOCI	25,000	101,875	25,000	100,450
Loans to customers	138,110,118	562,798,731	118,717,722	477,007,807
Other financial assets	232,992	949,442	225,149	904,649
Total financial assets	**216,374,209**	**881,724,901**	**165,874,754**	**666,484,762**
Financial liabilities				
Deposits from other financial institutions	12,323,387	50,217,802	34,016,640	136,678,860
Deposits from customers	148,091,740	603,473,841	112,704,321	452,845,962
Lease liabilities	1,640,783	6,686,191	1,775,870	7,135,446
Total financial assets	**162,055,910**	**660,377,834**	**148,496,831**	**596,660,268**

Capital management

The primary objectives of the Bank's capital management are to ensure that it complies with externally imposed capital requirements and maintains strong financial position and healthy capital ratios to support its business and to maximize owner's value.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to owner or return on capital. No changes were made in the objectives, policies and processes from previous years.

Net worth and risk-weighted assets are computed based on NBC regulations. Management believes the Bank is compliant with the solvency ratio prescribed by the NBC and all externally imposed capital requirements.

29. FINANCIAL RISK MANAGEMENT (continued)

29.1 Credit risk

The Bank takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss to the Bank by failing to discharge an obligation. 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. The credit risk management is carried out by the credit committee.

(a) Credit risk measurement

The Bank assesses the probability of default of individual counterparties in accordance with its credit policy, procedures and practices. The credit committee is responsible for determining the appropriateness and sufficiency of its credit policies.

(b) Risk limit control and mitigation policy

The Bank operates and provides loans to individuals 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. 87-06-226, 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 also employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security in the form of collateral for loans to customers, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation.

The principal collateral types for loans to customers are:

- Mortgages over residential properties (land, building and other properties);
- Charges over business assets such as land and buildings;
- Customers' fixed deposits placed with the Bank; and
- Cash in the form of margin deposit.

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

The table below shows the Bank's maximum exposure to credit risk before taking into account any collateral held and other credit enhancement:

	31 December 2019		31 December 2018	
	US$	KHR'000 equivalent	US$	KHR'000 equivalent
Balances with the NBC - gross	32,545,189	132,621,645	26,360,415	105,916,147
Balance with other financial institutions - gross	35,137,688	143,186,079	8,694,954	34,936,325
Loans to customers - gross	157,393,223	641,377,384	143,717,295	577,456,091
Other financial assets	232,992	949,442	225,149	904,649
Off-balance sheet commitments	14,435,526	58,824,768	16,768,703	67,376,649
	239,744,618	**976,959,318**	**195,766,516**	**786,589,861**

The maximum exposure to credit risks for the other financial assets is limited to the carrying value as of 31 December 2019 and 2018.

29. FINANCIAL RISK MANAGEMENT (continued)

29.1 Credit risk (continued)

(c) *Maximum exposure to credit risk before collateral held or other credit enhancements* (continued)

The Bank holds collateral against loans to customer in the form of real estate mortgages, guarantees, and other registered securities over assets and other assets. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and are regularly updated according to internal lending policies and regulatory guidelines.

(d) *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.

The distribution of financial assets by industry sector of the Bank, before taking into account collateral held or other credit enhancements (maximum exposure) follows:

	Balances with the NBC US$	Balances with other financial institutions US$	Loans to customers US$	Other financial assets US$	Total US$
31 December 2019					
Financial intermediaries	32,545,189	35,137,688	-	232,992	67,915,869
Mining	-	-	18,506,853	-	18,506,853
Wholesale and retail	-	-	29,937,490	-	29,937,490
Personal use	-	-	72,501,614	-	72,501,614
Services	-	-	717,194	-	717,194
Import & Export	-	-	1,694,422	-	1,694,422
Real estate & Construction	-	-	16,910,258	-	16,910,258
Other industries	-	-	17,125,392	-	17,125,392
	32,545,189	**35,137,688**	**157,393,223**	**232,992**	**225,309,092**
Less: Allowance for credit loss of financial assets	-	(43,771)	(19,283,105)	-	(19,326,876)
	32,545,189	**35,093,917**	**138,110,118**	**232,992**	**205,982,216**
KHR'000 equivalent	**132,621,645**	**143,007,712**	**562,798,731**	**949,442**	**839,377,530**

29. FINANCIAL RISK MANAGEMENT (continued)

29.1 *Credit risk* (continued)

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

	Balances with the NBC US$	Balances with other financial institutions US$	Loans to customers US$	Other financial assets US$	Total US$
31 December 2018					
Financial intermediaries	26,360,415	8,694,954	-	225,149	35,280,518
Mining	-	-	29,081,513	-	29,081,513
Wholesale and retail	-	-	26,617,644	-	26,617,644
Personal use	-	-	46,841,428	-	46,841,428
Services	-	-	632,292	-	632,292
Import & Export	-	-	1,769,745	-	1,769,745
Real estate & Construction	-	-	12,461,447	-	12,461,447
Other industries	-	-	26,313,226	-	26,313,226
	26,360,415	**8,694,954**	**143,717,295**	**225,149**	**178,997,813**
Less: Allowance for credit loss of financial assets	-	(7,126)	(24,999,573)	-	(25,006,699)
	26,360,415	**8,687,828**	**118,717,722**	**225,149**	**153,991,114**
KHR'000 equivalent	**105,916,147**	**34,907,693**	**477,007,807**	**904,649**	**618,736,296**

29. FINANCIAL RISK MANAGEMENT (continued)

29.1 Credit risk (continued)

(e) Credit quality per class of financial assets

The table below shows the credit quality per class of financial assets based on staging transition policy of the Bank:

	31 December 2019			
	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$
Balances with the NBC - gross	32,545,189	-	-	32,545,189
Balances with other financial institutions - gross	35,137,688	-	-	35,137,688
Loans to customer - gross	136,698,046	697,372	19,997,805	157,393,223
Other financial assets	232,992	-	-	232,992
	204,613,915	**697,372**	**19,997,805**	**225,309,092**
Less: Allowance for credit loss of financial assets	(363,059)	(19,029)	(18,944,788)	(19,326,876)
	204,250,856	**678,343**	**1,053,017**	**205,982,216**
KHR'000 equivalent	**832,322,238**	**2,764,248**	**4,291,045**	**839,377,531**

	31 December 2018			
	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$
Balances with the NBC - gross	26,360,415	-	-	26,360,415
Balances with other financial institutions - gross	8,694,954	-	-	8,694,954
Loans to customer - gross	112,371,011	15,037,870	16,308,414	143,717,295
Other financial assets	225,149	-	-	225,149
	147,651,529	**15,037,870**	**16,308,414**	**178,997,813**
Less: Allowance for credit loss of financial assets	(455,224)	(14,132,298)	(10,419,177)	(25,006,699)
	147,196,305	**905,572**	**5,889,237**	**153,991,114**
KHR'000 equivalent	**591,434,753**	**3,638,589**	**23,662,954**	**618,736,296**

29. FINANCIAL RISK MANAGEMENT (continued)

29.2 Operational risk

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

The operational risk management entails the establishment of clear organizational 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 business.

29.3 Market risk

The Bank takes on exposure to market risk, which is the risk that the fair value or future cash flow of a financial instrument 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 exchange risk

The Bank operates in the Kingdom of Cambodia and transacts in US$, KHR and other currencies.

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

The balances in monetary assets and liabilities denominated in their respective currencies, expressed in US$, are as follows:

	31 December 2019			
	US$	KHR	Other currencies	Total
Financial assets				
Cash on hand	9,955,114	315,832	96,047	10,366,993
Balances with the NBC	31,850,867	694,322	-	32,545,189
Balances with other financial institutions	29,372,234	5,304,933	416,750	35,093,917
Equity instruments at FVOCI	25,000	-	-	25,000
Loans to customers	136,267,397	1,842,721	-	138,110,118
Other assets	232,992	-	-	232,992
Total financial assets	**207,703,604**	**8,157,808**	**512,797**	**216,374,209**
Financial liabilities				
Deposits from other financial institutions	11,948,786	-	374,601	12,323,387
Deposits from customers	146,792,102	1,178,552	121,086	148,091,740
Lease liabilities	1,640,783	-	-	1,640,783
Total financial liabilities	**160,381,671**	**1,178,552**	**495,687**	**162,055,910**
Net foreign exchange gap	**47,321,933**	**6,979,256**	**17,110**	**54,318,299**

29. FINANCIAL RISK MANAGEMENT (continued)

29.3 Market risk

(i) Foreign exchange risk (continued)

	31 December 2018			
	US$	KHR	Other currencies	Total
Financial assets				
Cash on hand	10,091,415	220,628	1,546,597	11,858,640
Balances with the NBC	26,021,379	339,036	-	26,360,415
Balances with other financial institutions	6,473,291	1,831,949	382,588	8,687,828
Equity instruments at FVTOCI	25,000	-	-	25,000
Loans to customers	117,346,818	1,370,904	-	118,717,722
Other assets	225,149	-	-	225,149
Total financial assets	**160,183,052**	**3,762,517**	**1,929,185**	**165,874,754**
Financial liabilities				
Deposits from other financial institutions	33,528,764	-	487,876	34,016,640
Deposits from customers	112,366,228	261,053	77,040	112,704,321
Lease liabilities	1,775,870	-	-	1,775,870
Total financial liabilities	**147,670,862**	**261,053**	**564,916**	**148,496,831**
Net foreign exchange gap	**12,512,190**	**3,501,464**	**1,364,269**	**17,377,923**

(ii) Price risk

The Bank is not exposed to securities price risk because it does not hold any investment classified in the statement of financial position either as available for sale or at fair value through profit or loss.

(iii) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Interest margins may increase as a result of changes and may reduce losses in the event that unexpected movements arise. The management of the Bank, at this stage, does not have a policy to set limits on the level of mismatch of interest rate re-pricing that may be undertaken; however, management regularly monitors the mismatch.

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Bank is exposed to interest rate risk as a result of mismatches of interest rate re-pricing of assets and liabilities. The Bank manages this risk by matching the re-pricing of assets and liabilities through risk management strategies.

The Bank has no significant financial assets and liabilities with floating interest rates. Balances with the NBC and balances with other credit institutions earn fixed interest for the period of the deposit while loans to customers earn fixed interest based on the outstanding balance over the agreed term.

29. FINANCIAL RISK MANAGEMENT (continued)

29.3 *Market risk* (continued)

(iii) Interest rate risk (continued)

	Overdue US$	Overdue US$	From 1 to 3 months US$	From 3 to 6 months US$	From 6 to 12 months US$	From 1 to 5 years US$	Over 5 years US$	Non-interest bearing US$	Total US$
31 December 2019									
Financial assets									
Cash on hand	-	-	-	-	-	-	-	10,366,993	10,366,993
Balances with the NBC	-	7,500,543	399,080	-	-	-	-	24,645,566	32,545,189
Balances with other financial institutions	-	-	7,458,349	2,512,330	-	-	-	25,123,238	35,093,917
Equity instruments at FVOCI	-	-	-	-	-	-	-	25,000	25,000
Loans to customers	2,356,857	5,504,860	9,331,708	7,785,341	20,481,784	35,658,789	56,990,779	-	138,110,118
Other assets	-	-	-	2,750	-	86,242	144,000	-	232,992
Total financial assets	**2,356,857**	**13,005,403**	**17,189,137**	**10,300,421**	**20,481,784**	**35,745,031**	**57,134,779**	**60,160,797**	**216,374,209**
Financial liabilities									
Deposits from other financial institutions	-	7,014,743	2,002,640	-	-	-	-	3,306,004	12,323,387
Deposits from customers	-	75,848,555	14,708,307	11,293,456	38,643,304	6,977,220	-	620,898	148,091,740
Lease liabilities	-	-	-	4,180	-	518,610	1,117,993	-	1,640,783
Total financial liabilities	**-**	**82,863,298**	**16,710,947**	**11,297,636**	**38,643,304**	**7,495,830**	**1,117,993**	**3,926,902**	**162,055,910**
Interest sensitive gap	**2,356,857**	**(69,857,895)**	**478,190**	**(997,215)**	**(18,161,520)**	**28,249,201**	**56,016,786**	**56,233,895**	**54,318,299**
KHR'000 equivalent	**9,549,985**	**(283,064,191)**	**1,937,626**	**(4,040,715)**	**(73,590,479)**	**114,465,762**	**226,980,017**	**227,859,743**	**220,097,748**

29. FINANCIAL RISK MANAGEMENT (continued)

29.3 Market risk (continued)

(iii) Interest rate risk (continued)

	Overdue US$	Overdue US$	From 1 to 3 months US$	From 3 to 6 months US$	From 6 to 12 months US$	From 1 to 5 years US$	Over 5 years US$	Non-interest bearing US$	Total US$
31 December 2018									
Financial assets									
Cash on hand	-	-	-	-	-	-	-	11,858,640	11,858,640
Balances with the NBC	-	3,800,094	759,780	-	-	-	-	21,800,541	26,360,415
Balances with other financial institutions	-	-	1,766,027	1,045,607	251,723	-	-	5,624,471	8,687,828
Equity instruments at FVOCI	-	-	-	-	-	-	-	25,000	25,000
Loans to customers	6,716,865	21,242,281	1,811,538	7,651,226	14,105,556	34,471,384	32,718,872	-	118,717,722
Other assets	-	1,500	-	-	-	70,649	153,000	-	225,149
Total financial assets	**6,716,865**	**25,043,875**	**4,337,345**	**8,696,833**	**14,357,279**	**34,542,033**	**32,871,872**	**39,308,652**	**165,874,754**
Financial liabilities									
Deposits from other financial institutions	-	5,045,394	8,018,033	-	-	-	-	20,953,213	34,016,640
Deposits from customers	-	46,330,745	15,136,377	12,034,224	30,458,377	8,743,213	-	1,385	112,704,321
Lease liabilities	-	-	-	-	-	496,667	1,279,203	-	1,775,870
Total financial liabilities	**-**	**51,376,139**	**23,154,410**	**12,034,224**	**30,458,377**	**9,239,880**	**1,279,203**	**20,954,598**	**148,496,831**
Interest sensitive gap	**6,716,865**	**(26,332,264)**	**(18,817,065)**	**(3,337,391)**	**(16,101,098)**	**25,302,153**	**31,592,669**	**18,354,054**	**17,377,923**
KHR'000 equivalent	**26,988,364**	**(105,803,037)**	**(75,606,967)**	**(13,409,637)**	**(64,694,212)**	**101,664,051**	**126,939,344**	**73,746,589**	**69,824,495**

29. FINANCIAL RISK MANAGEMENT (continued)

29.4 Liquidity risk

Liquidity risk is the risk that the Bank is 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.

Management monitors statement of financial position liquidity and manages the concentration and profile of debt maturities. Monitoring and reporting take the form of the daily cash position and projection for the next day, week and month, respectively, as these are key periods for liquidity management. Management monitors the movements of the main depositors and projection of their withdrawals.

The following tables present an analysis of the assets and liabilities of the Bank by relevant maturity based on the remaining period at the statement of financial position date to the contractual or estimated maturity dates.

	Overdue		Current					
	Above 3 months US$	Up to 3 months US$	Up to 1 month US$	From 1 to 3 months US$	From 3 to 12 months US$	From 1 to 5 years US$	Over 5 years US$	Total US$
31 December 2019								
Financial assets								
Cash on hand	-	-	10,366,993	-	-	-	-	10,366,993
Balances with the NBC	-	-	32,145,566	399,623	-	-	-	32,545,189
Balances with other financial institutions	-	-	25,123,239	7,458,348	2,512,330	-	-	35,093,917
Equity instruments at FVOCI	-	-	-	-	-	-	25,000	25,000
Loans to customers	736,149	1,620,708	5,912,960	9,329,348	28,224,247	35,503,814	56,782,892	138,110,118
Other assets	-	-	-	-	2,750	86,242	144,000	232,992
Total financial assets	**736,149**	**1,620,708**	**73,548,758**	**17,187,319**	**30,739,327**	**35,590,056**	**56,951,892**	**216,374,209**
Financial liabilities								
Deposits from other financial institutions	-	-	10,320,748	2,002,639	-	-	-	12,323,387
Deposits from customers	-	-	76,469,453	14,708,307	49,936,760	6,977,220	-	148,091,740
Lease liabilities	-	-	-	-	4,180	518,610	1,117,993	1,640,783
Total financial liabilities	**-**	**-**	**86,790,201**	**16,710,946**	**49,940,940**	**7,495,830**	**1,117,993**	**162,055,910**
Net liquidity gap	**736,149**	**1,620,708**	**(13,241,443)**	**476,373**	**(19,201,613)**	**28,094,226**	**55,833,899**	**54,318,299**
KHR'000 equivalent	**2,982,876**	**6,567,109**	**(53,654,327)**	**1,930,263**	**(77,804,936)**	**113,837,804**	**226,238,959**	**220,097,748**

29. FINANCIAL RISK MANAGEMENT (continued)

29.4 Liquidity risk (continued)

	Overdue		Current					
	Above 3 months US$	**Up to 3 months US$**	**Up to 1 month US$**	**From 1 to 3 months US$**	**From 3 to 12 months US$**	**From 1 to 5 years US$**	**Over 5 years US$**	**Total US$**
31 December 2018								
Financial assets								
Cash on hand	-	-	11,858,640	-	-	-	-	11,858,640
Balances with the NBC	-	-	25,600,541	759,874	-	-	-	26,360,415
Balances with other financial institutions	-	-	5,624,471	1,766,027	1,297,330	-	-	8,687,828
Equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	25,000	25,000
Loans to customers	5,542,019	1,174,846	21,636,188	2,669,279	24,030,599	32,994,185	30,670,606	118,717,722
Other assets	-	-	1,500	-	-	70,649	153,000	225,149
Total financial assets	**5,542,019**	**1,174,846**	**64,721,340**	**5,195,180**	**25,327,929**	**33,064,834**	**30,848,606**	**165,874,754**
Financial liabilities								
Deposits from other financial institutions	-	-	25,998,607	8,018,033	-	-	-	34,016,640
Deposits from customers	-	-	46,332,130	15,136,377	42,492,601	8,743,213	-	112,704,321
Lease liabilities	-	-	-	-	-	496,667	1,279,203	1,775,870
Total financial liabilities	-	-	72,330,737	23,154,410	42,492,601	9,239,880	1,279,203	148,496,831
Net liquidity gap	**5,542,019**	**1,174,846**	**(7,609,397)**	**(17,959,230)**	**(17,164,672)**	**23,824,954**	**29,569,403**	**17,377,923**
KHR'000 equivalent	**22,267,832**	**4,720,531**	**(30,574,557)**	**(72,160,186)**	**(68,967,652)**	**95,728,665**	**118,809,861**	**69,824,494**

29. FINANCIAL RISK MANAGEMENT (continued)

29.5 Fair value of financial assets and liabilities

Financial instruments comprise financial assets, financial liabilities and off-balance sheet instruments. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The information presented herein represents the estimates of fair values as at the financial position date.

Quoted and observable market prices, where available, are used as the measure of fair values of the financial instruments. Where such quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors.

Fair value information for non-financial assets and liabilities are excluded as they do not fall within the scope of CIFRS 7, Financial Instruments Disclosures which requires the fair value information to be disclosed. These include investment in subsidiaries and property and equipment.

The fair value of the Bank's financial instruments such as cash and short-term funds, balances with NBC, balances with other financial institutions, deposits from customers and financial institutions, other assets, other liabilities and short-term borrowings are not materially sensitive to shifts in market profit rate because of the limited term to maturity of these instruments. As such, the carrying value of these financial assets and liabilities at financial position date approximate their fair values.

The methods and assumptions used by the Bank in estimating the fair value of the financial instruments are:

- *Cash on hand, balances with the NBC and with other financial institutions*

  The carrying amounts approximate the fair values due to the short-term nature of these accounts.

- *Loans to customers*

  The fair value is estimated by discounting the estimated future cash flows using the prevailing market rates of financing with similar credit risks and maturities.

- *Due to other financial institutions and customer*

  The estimated fair value of demand deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. The estimated fair value of long-term fixed interest-bearing deposits from other financial institutions and customers without quoted market price is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

- *Other assets and liabilities*

  Due to their short duration, the carrying amounts of other liabilities in the statement of financial position are considered to be reasonable approximation of their fair values.

29. FINANCIAL RISK MANAGEMENT (continued)

29.5 Fair value of financial assets and liabilities (continued)

Fair value hierarchy

CIFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources and unobservable inputs reflect the Bank's market assumptions. The fair value hierarchy is as follows:

- Level 1 - Quoted price (unadjusted) in active markets for the identical assets or liabilities. This level includes listed equity securities and debt instruments.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 - Inputs for asset or liability that are not based on observable market data (unobservable inputs). This level includes equity instruments and debt instruments with significant unobservable components.

Financial instruments not recognised at fair value

Fair value of financial instruments not measured at fair value is as below:

> Financial assets being balances with the NBC, balances with other financial institutions with interest rates in line with the rates applied by other financial institutions and interbank rates. Therefore, their carrying amount approximates their fair value.

> Loans to customers: In the opinion of the Management, the carrying amounts of loans to customers included in the balance sheet are a reasonable estimation of their fair values. Hence, in making this assessment, the Management assumes that loans to customers are mainly held to maturity with fair values equal to the present value of contractual cashflows of loans adjusted for allowance for ECLs, if any.

> Due to customers, other borrowed funds: the majority of the deposits and other borrowed funds by the Bank bear interest at rates which are similar to prevailing market rates (which is the average interest rates of deposits issued in the current year). Hence, the carrying value of these financial liabilities shall be a reasonable approximation of the fair value.

29.6 Capital management

The main regulatory capital requirement of the Bank is for the banking operations to which the Bank's lead regulator, NBC, sets and monitors capital requirements for the banks as a whole.

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain further development of the business. The Bank recognizes the impact of the level of capital on owner's return and the need to maintain a balance between the possible higher return with greater gearing, advantages and security afforded by a sound capital position.

The Bank has complied with all externally imposed capital requirement throughout the year.

30. TAX CONTINGENCY

The taxation system in Cambodia is characterized by numerous taxes and frequently changing legislation, which is often unclear, contradictory and subject to interpretation. Often, differing interpretations exist among numerous taxation authorities and jurisdictions. Taxes are subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges. These facts may create tax risks in Cambodia substantially more significant than in other countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have differing interpretations and the effects since the incorporation of the Bank could be significant.

31. SUBSEQUENT EVENTS

With the recent and rapid development of the coronavirus (COVID-19) outbreak, several countries have limited or suspended business operations and implemented travel restrictions and other emergency measures which have significantly disrupted (or are expected to disrupt) the activities of various institutions. The outbreak occurred at a time close to the reporting date and the condition has continued to evolve. During the outbreak, Cambodia is among those affected. In March 2020, the NBC requested banks and financial institutions to delay or suspend all loan and interest collections to soften the economic blow to business and household borrowers. Management will continuously pay close attention to the development of the COVID-19 outbreak in Cambodia, its impact to the Bank's borrowers, as well as their ability to service the loans.

Other than as disclosed elsewhere in these financial statements, at the date of this report, there were no events which occurred subsequent to 31 December 2019 that had significant impact on the financial position of the Bank as at 31 December 2019 and its financial performance for the year then ended.

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