BIC Bank

BIC Bank

Annual Report 2019

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I have faith in the resilience of a **youthful** demographic, a mindset of **innovation** and a constant striving to expand capabilities and competitiveness

# Message From the Chairman

## A Year In Review, And Looking Ahead

This year 2019 brought on another milestone for the global banking industry, led by technology-driven disruptors, changes in consumer behavior and macroeconomic trends. Against the backdrop of an industry influx, however, the Cambodian economy and banking sector continued to power ahead, with real GDP growth recorded at 7% for 2019 according to the IMF's World Economic Outlook, April 2020 report.

Of course, this same report first coined the phrase "The Great Lockdown", which is expected to be the dominant theme in shaping the challenges we face in the year ahead, and beyond. Whilst there is no doubt that the economic impact already is, and will continue to be, significant, I have faith in the resilience of a youthful demographic, a mindset of innovation and a constant striving to expand capabilities and competitiveness - traits that I find BIC Bank and the Kingdom of Cambodia both have in common and which fill me with hope for the future.

## Economic Outlook

According to the IMF's World Economic Outlook preliminary report issued in April 2020, projected real GDP growth is at -1.6% for 2020, with a recovery to 6% growth for 2021. Marking a significant decline from previous years where Cambodia has recorded annual real GDP growth rates of between 7% to 7.5% since 2017, forward looking guidance and projections will be tested during the first half of 2020 in particular. Whilst global supply chains and systems are being put under strain and pressure, a more direct impact is expected to be felt from the disruption to the tourism sector, now making up a fifth of gross domestic product. With the prospects for the traditional economic growth drivers of rapid export sector expansion and robust internal demand uncertain, a continuation of the recent financial and banking sector stability will be a key component to a broad recovery across all sectors.

## Business Review

BIC Bank has had an exciting 2019, not only in terms of its financial and operating performance but also highlighted by improved services and capacity to serve our customers. End of 2019 saw the launch of BIC Bank's online banking service. The Bank also rolled out its Bank ATM cards and is looking forward to the upcoming launch of more services and solutions, both in the digital space, as well as in-branch and at physical service points. On the back-end operational side, we have implemented the gradual roll-out of a new core banking system throughout 2019 which will see continual upgrades and improvements in order to expand our capabilities whilst focusing on our digital infrastructure investments and ensuring the highest, best-in-class security and features.

During early 2020, we were pleased to have our second bank branch launch under soft opening of our Sihanoukville branch, and we look forward to expanding our physical branch footprint to be closer to customers.

## Bank's Financial Performance

In its first full fiscal year of operations, during the 12 months ended 31 December 2019, the Bank made

a net profit of

**USD 1.14 million**

(2018: net loss of USD 874,000), with its gross profit before tax at USD 1.47 million (2018: gross loss of USD 1.05 million).

During the reporting period, BIC Bank has grown its operating revenues to

**USD 5.55 million**

(2018: USD 562,000) and has managed to grow its loan portfolio and total deposits to USD 67.77 million (2018: USD36.11 million) and USD 120.24 million (2018: 17.97 million), respectively.

Total assets stood at

**USD 197.91 million**

(2018: USD 92.56 million), with shareholder equity increasing to USD 75.27 million (2018: 74.13 million) as of 31 December 2019. Non-performing loans to total loans remains at 0% (2018: 0%).

## Bank's Financial Performance

## Board Changes

During the period, Dr. Sathit Limpongpan stepped down from his role as Chairman of the Board, to be replaced by Mr. Yim Leak, but continues to serve on the Board of Directors. We extend our deepest gratitude for his diligent commitment and efforts to help the Bank during his tenure as Board Chair, and we are all looking forward to working together with him in his continued role on the Board of Directors.

## Bank's Future Focus

BIC Bank is part of the BIC Group which is an investment group active in South East Asia across the sectors of banking, real estate, energy and financial services.

With Cambodia being amongst the most active markets the group operates in, we look forward to continuing our Bank's existing efforts to improve our operations, services and competitiveness. Key areas which will continue to dominate our business focus are in areas of overall infrastructure, with particular focus on digital, security and synergy-building. This will in particular significantly improve our service offering to our customers and clients.

Another key area to highlight will be in the capital markets space, drawing from our Bank team's experience in the capital markets space overseas, using our Group businesses as well as those of strategic and technology partners to offer innovative solutions in bancassurance, corporate, M&A and private banking.

## Acknowledgement

On behalf of BIC Bank, I would like to take this opportunity to give our gratitude to the Board of Directors, the officers and the entire staff of the National Bank of Cambodia for their guidance, support and last but not least, the monetary stability that Cambodia has enjoyed under their guidance, something that is now more important than ever during this time.

I would like to express our sincere gratitude to our valued customers, clients and partners for their support and trust, and we wish to build an even stronger and deeper relationship through this challenging year as we strive to expand our service offerings and continue to offer new products.

Finally, I would take this opportunity to give thanks for all the hard work from our Board of Director's, the Bank's entire team and all of our staff, our advisers and last but not least, our shareholders. I sincerely hope that the Bank will continue to enjoy such unwavering support in the years to come.

Sincerely,

**Yim Leak**
Chairman of the Board of Directors

# Cambodia Outlook 2020

Cambodia is an attractive investment destination for businesses looking to expand in Asia. The country aims to now secure a place on the global economic playing field.

Economic activity likely remained buoyant in Q4 2019, with booming credit lending bolstering domestic demand and an influx of Chinese capital supporting an active construction sector. However, the picture appears bleak in 2020, with the fallout from the coronavirus outbreak set to severely curtail activity. A precipitous fall in tourist arrivals is set to weigh heavily on an economy that derives nearly a fifth of its GDP from the tourism sector, adding further pressure to an already-surging current account deficit. The government announced a raft of measures, totaling USD 2.0 billion, that aim to ameliorate the pernicious economic effects posed by the virus. In other news, plans to develop new hydropower dams on the Mekong river have been placed on hold for the next 10 years, placing a higher dependence on energy imports from neighboring Laos.

## Investment Climate

The Cambodian investment climate is driven by the country's attractiveness for FDI. The country has very open investment laws and offers a range of incentives to investors. In combination with its close proximity to production facilities in Thailand and Vietnam as well as the Chinese market, the country represents a perfect investment opportunity.

The country's Special Economic Zones (SEZ) offer a perfect setting for foreign investments especially in border areas and for the export-based manufacturing industry. Corporate tax exemption of up to eight years and further exemption on profits, if reinvested in the country, are among attractive incentives for investors. Complete duty and tax exemption on imports and exports for most industries are also available.

100 percent foreign ownership of companies is allowed in most sectors. The country's investment law also provides regulations governing the protection of investments from regulated prices and nationalization.

At the beginning of 2018, an agreement with the European Patent Organization came into force providing validation of EU patents in Cambodia. This allows with one single patent registration the coverage of the EU, Cambodia and other signatory states. With this agreement, EU companies can easily protect their innovations while producing in Cambodia for the Asian market.

## Cambodia Economic Outlook 2020

In 2020, growth is set to slow in line with major trading partner China and reflecting reduced access to important EU markets. The coronavirus outbreak is the key downside risk to the outlook, through lost tourism revenues and slowing trade, while budget reallocations toward fighting the virus look set to strip momentum from domestic investment. The economy is expected to grow 6.6% in 2020.

With challenges such as energy supply and the potential exclusion of the country from the "Everything but Arms" policy of the EU not with standing, the garment sector will remain an important driver of the economy in 2020. Other manufacturing industries might also find the attractiveness of Cambodia for their supply chains. Tourism, agriculture and the resources sector offer major potential but are in the need of further investments to become competitive on the global market.

## Investing in Cambodia in 2020?

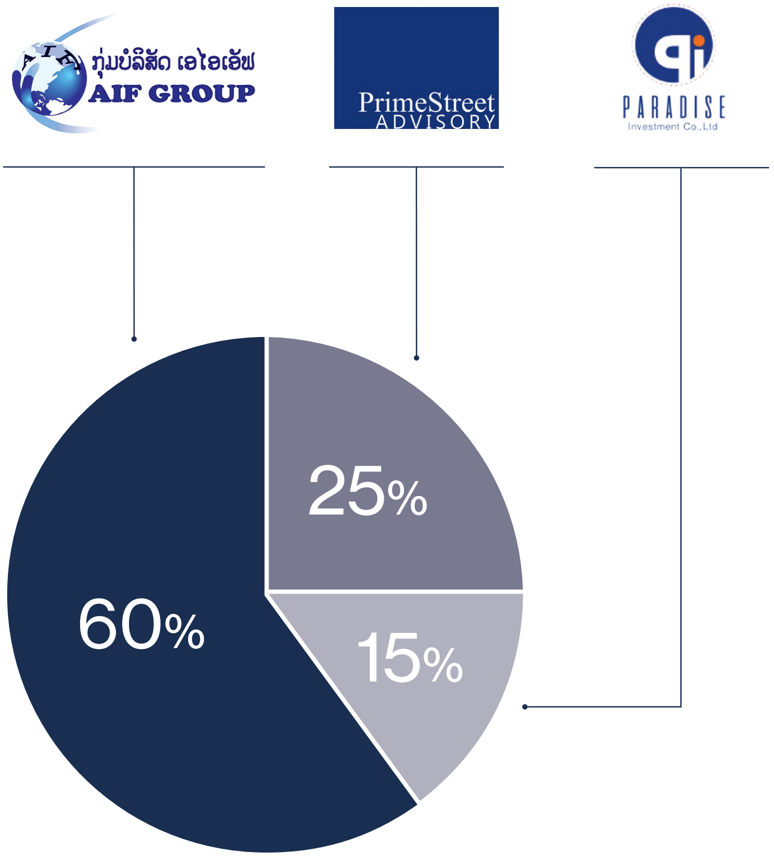
Cambodia offers several opportunities to get involved for investors. An open investment environment, cheap labor and the close location to the largest markets in the world support the investment incentives. EU patent protection and increasing reliability of the country's infrastructure – especially in SEZ's – make Cambodia interesting for manufacturing going beyond garment industry. Lowering production costs by self-exploitation of resources will support resource-based industries in the country in the near future as well.

# Corporate Profile

BIC Bank ("the Bank") is a commercial bank incorporated and registered in the Kingdom of Cambodia. The Bank was incorporated on 14 November 2017 under the Cambodian Law on Commercial Enterprises and licensed under the regulation of the National Bank of Cambodia ("NBC"). The Bank obtained the NBC license on 18 July 2018 and commenced operations on 8 August 2018.

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

## Shareholder Structure




## The Bank's Head Office and Main Branch is located at

No. 462, Monivong Boulevard, Sangkat Tonle Bassac, Khan Chamkarmorn, Phnom Penh, Cambodia.

## The Bank is jointly established by

Asia Investment and Financial Services Sole Co., Ltd of Lao PDR, Paradise Investment Co., Ltd of Kingdom of Cambodia and Prime Street Advisory Co., Ltd of Thailand. Asia Investment and Financial Services Sole Co., Ltd of Lao P.D.R is also the major shareholder of BIC Bank Lao Co., Ltd.

## Mission

**To become the best local financial partner, we must be smarter and quicker to produce more benefits to our customers, by providing innovative and practical solutions to meet their needs. We are committed to maximize the benefit for our customers and stakeholders. We will constantly improve our business services, by continuously investing in our people, innovative ideas and technology. Our partnership with our customers will be built on mutual respect, openness, honesty and awareness of their needs.**

## Vision

**To be the preferred bank by offering the best personalized service to our customers and offering innovative products and solutions that are technologically advanced and meet our customer's needs and expectations.**

## Philosophy

**Customer Perspective:**

- Provide our customers with best services and secure banking
- To meet our customers banking and financial needs

**Employee Perspective:**

- Our people are our greatest asset. As such, we place great importance in developing them. A dynamic human capital development process will drive our competitive edge.

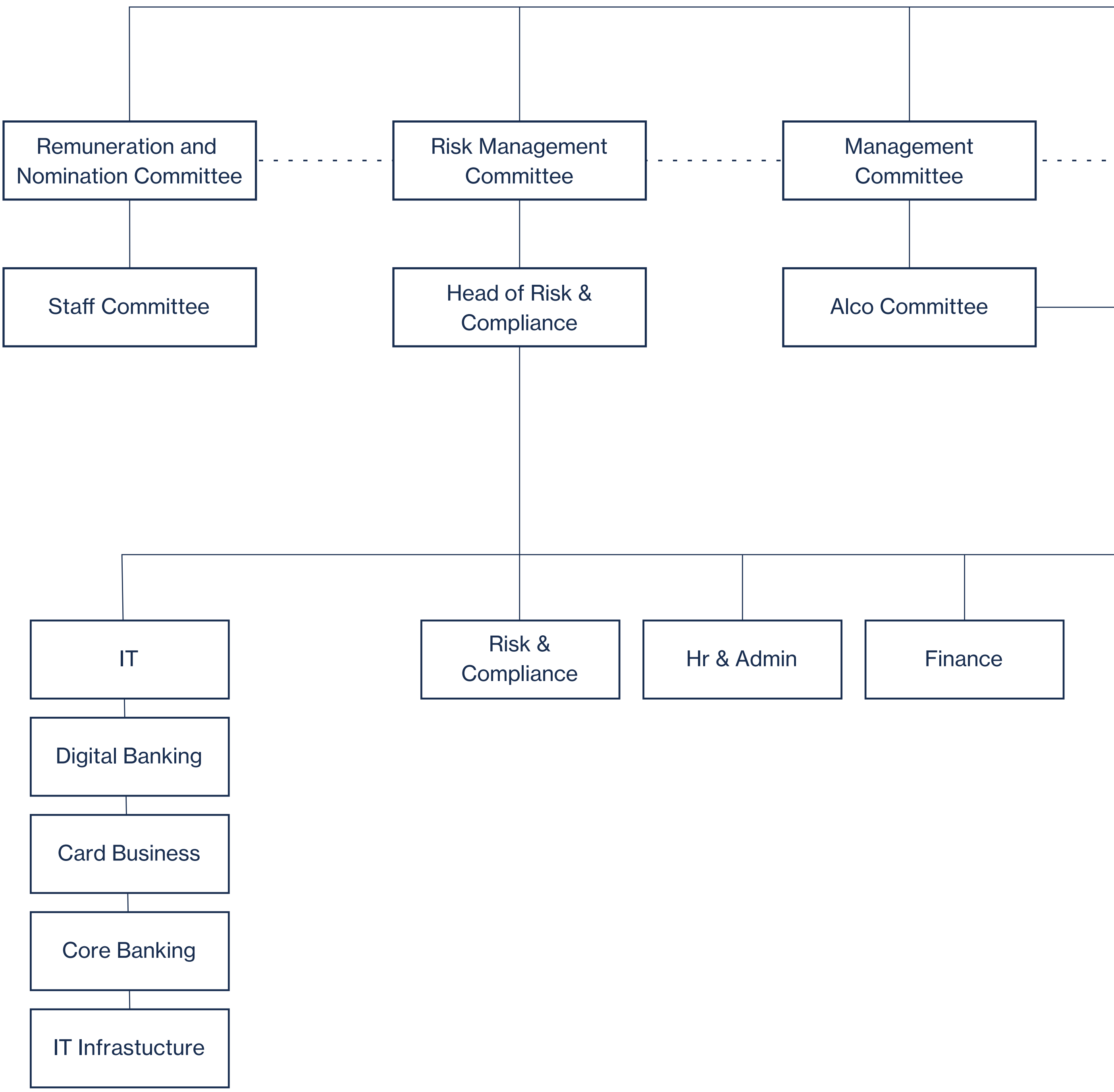
**Community Perspective:**

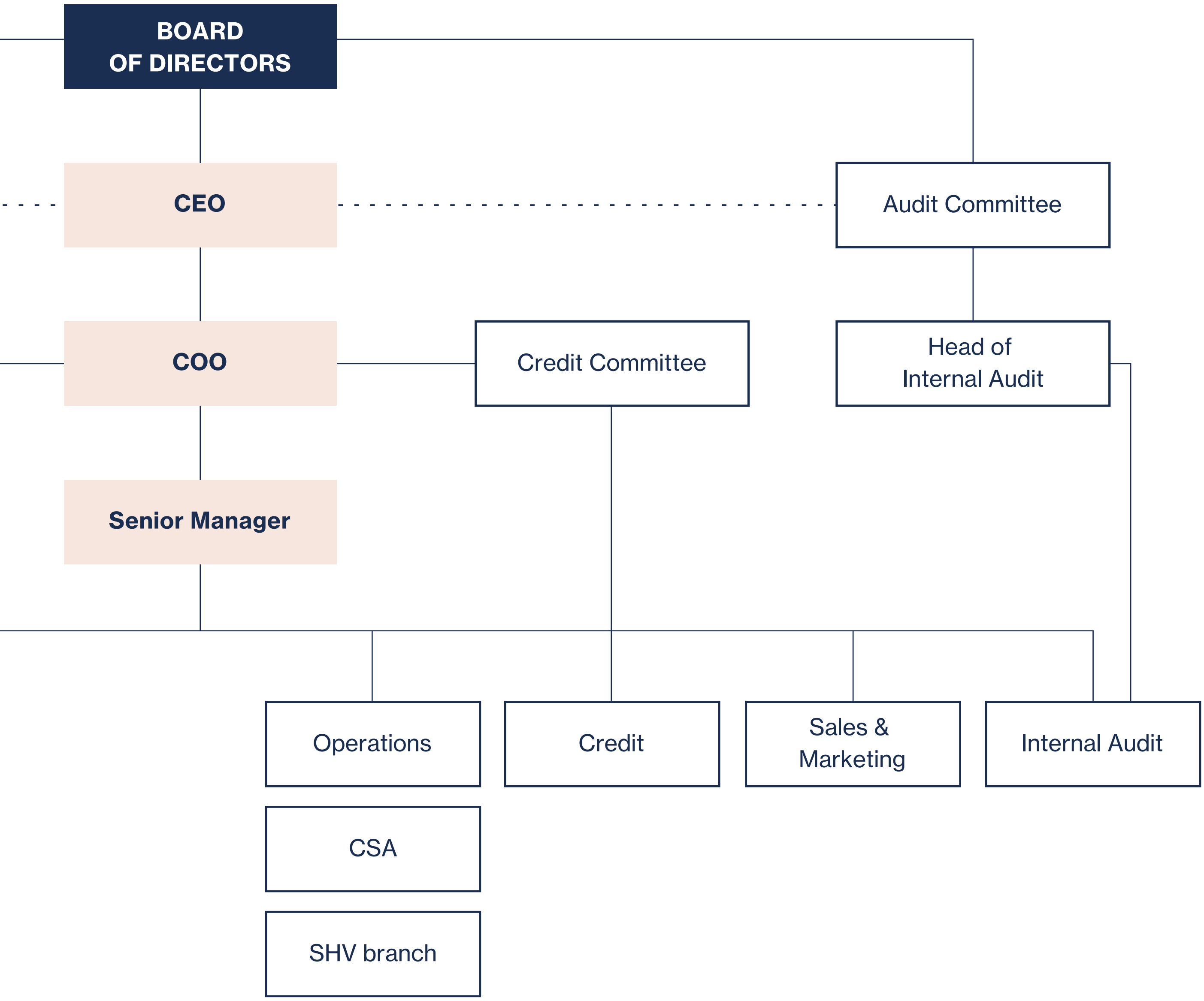
- To support the Government policies and objectives, and to contribute to the betterment of the community, and ultimately, the country.

**Shareholder Perspective:**

- To create a superior shareholder value and sustainable returns on assets.

# Organizational Structure





BOARD OF DIRECTORS
CEO
Audit Committee
COO
Credit Committee
Head of Internal Audit
Senior Manager
Operations
Credit
Sales & Marketing
Internal Audit
CSA
SHV branch

# Financial and Operating Highlights

| | FY 2019 |
|---|---|
| **OPERATING RESULTS (US$'000)** | |
| Operating Revenue | 5,548 |
| Profit / (Loss) before taxation | 1,466 |
| Net profit / (Loss) for the year | 1,139 |
| **KEY BALANCE SHEET DATA(US$'000)** | |
| Total Assets | 197,913 |
| Loan and Advance to Customer | 67,771 |
| Total Liabilities | 122,648 |
| Deposit from banks and customers | 120,237 |
| Statutory share capital | 75,000 |
| Shareholder's equity | 75,265 |
| **FINANCIAL RATIOS(%)** | |
| Return on assets(ROA) | 1.00% |
| Return on equity(ROE) | 2.00% |
| Liquidity ratio | 1113% |
| Loan to deposit ratio | 57% |
| Non-performing loans to total loans | 0% |
| **CAPITAL MANAGEMENT** | |
| Solvency ratio(%) | 46% |

# 2019 Business Highlights

BIC Bank is a commercial bank in Cambodia providing innovation and practical solution to meet our customer needs. The Bank contributes to the improvement of people's living standard and development of the country's economy by providing full banking service based on a strong financial base with good corporate governance, compliance and transparency.

Our partnership with our customers will be built on mutual respect, openness, honesty and awareness of their needs.

## Customer Service

We provide our customers with best services and secure banking to meet their financial needs.

## Products and Services

### Deposits:

Savings Account
Current Account
Current Active
Fixed Deposit
High Growth Fixed Deposit

### Loans:

Business Loan
Housing Loan
Personal Loan
Overdraft

### Services:

Domestic and International Fund Transfer
Foreign Exchange
Trade Finance
Cash Settlement Agent

### Channels:

ATMs
Internet Banking


2018
2019

# 2019 Performance

BIC Bank has made a significant performance in terms of deposits, loans and account openings. As a new Bank in Cambodia, given the existence of many commercial banks and the strong empowerment of these banks in terms of Digital Banking, BIC has shown its potentials by having its market share whilst Digitalization and other IT infrastructures are underway.

## Loans

2019 growth in loan portfolio for the Bank, registering total loan outstanding of

**USD 67.77 million**

as at 31 December 2019.

The higher than expected loan growth is due to key factors such as increasing demand in the market due to better economic condition in 2019, attractive and competitive terms and conditions of our products and services.

## Deposits

In 2019 growth in deposit from customers reached

**USD 120.24 million**

as at 31 December 2019

Mainly from Savings, Current and Fixed Deposit accounts.
Our customer service, attractive interest rates, competitive terms and conditions, management and staff are the main factors of this year's growth.

# Board of Directors

## Mr. Yim Leak
Chairman

MR. YIM LEAK, having steadfastly served his country and motherland during his early adult years, began to shape a grand vision for Cambodia and its rapid ascent in the global economic and business stage. This vision is one that is held close to heart and shared by his family, manifesting itself not only in Cambodia's banking and finance sector development with BIC Bank, BIC Markets and BIC Insurance, but also in the visionary Beong Snor project, a landmark, community-driven, neighbourhood lifestyle multi-use property development.

MR. YIM LEAK is also the CEO of Paradise Investment Co., Ltd., and Chairman of Kampot Foods and SEA Fintech. He is also a Director of BIC Markets.

## Mr. Zulkiflee Kuan Shun Bin Abdullah
Director / Chief Executive Officer

MR. ZULKIFLEE has over 30 years of banking operations and management experience starting from Affin Bank (M) Bhd and later joined one of the largest banks in Malaysia, Public Bank Berhad. Apart from Malaysia, MR. ZULKIFLEE was posted to VID Public Bank in Vietnam in 1996 until 2000. During his posting in Vietnam, he was in Hanoi Capital City, Ho Chi Minh City and Danang City offices. In 2003, MR. ZULKIFLEE was posted to Public Bank Berhad, Vientiane Branch and later in 2008 he set up International Commercial Bank Lao Limited for ICB Financial Group Holdings AG now known as BIC Bank Lao Co., Ltd.

MR. ZULKIFLEE holds a Master Degree from Multimedia University, Malaysia and Diploma in Management from Institute of Supervisory Management, United Kingdom.

## Mr. Rewin Pataibunlue
Director

MR. REWIN is a founding partner at PrimeStreet Advisory where he leads investment banking department and over all company's operation. His prior experience includes working as senior investment banker at The Quant Group, a regional investment bank specialized in M&A, as well as working as CFO and head of business development at one of the biggest luxurious products company in SEA. His expertise covers corporate finance, mergers & acquisitions and financing. He has experience across a broad spectrum of sectors; namely telecom, infrastructure, power & utilities, mining, real estate, and financial institution group. His practice extends to cross-border M&A and advising private equity fund as well as hedge fund.

MR. REWIN most recently lead the team to advise the authority on THB 2.7 trn mega infrastructure project – including the MRTA and SRT high speed train project. He also advised TOT and CAT in its potential JV partnership as well as infrastructure sharing projects (a THB 40bn Tower Co and THB 30bnFiber Co project).

MR. REWIN is a frequent guest speaker at several private companies and government agencies.

MR. REWIN graduated with a bachelor degree in Civil Engineering from Chulalongkorn University and MBA from Sloan School of Management at MIT.

## Mr. Rutsaran Moonsan
Director

MR. RUTSARAN is Vice President of AIF Group in charge of Precious Metal Trading, General Trading, Food and Beverage Subsidiaries of the Group, MR. RUTSARAN holds a Bachelor Degree in Agricultural Industry from Kasetsart University, Thailand along with a Master Degree in International Business from the University of Greenwich, London with Second Class honor.

Prior to joining AIF Group, MR. RUTSARAN has more than 8 years working experience in Trading and Banking. During his time in the Bank, he had been assigned as a Relationship Manager for the number of important clients of the Bank with the accumulated account transaction valued of more than THB1 Billion and was able to double the account transaction values within a year. After that, MR. RUTSARAN jointed YLG Bullion International and was assigned to set up the Singapore Branch of the Company, and recruit new international clients. With his talents in communication and trading skills, he had contributed in assisting YLG to be the largest Bullion Trading company in Thailand. When Joining AIF Group, MR. RUTSARAN has helped to develop AIF Gold Trading to be the largest and only active Gold Importer in Laos.

He has also helped in setting up the Asia Loyal to be a successful distributor of many specialized construction vehicles and equipment. In supporting the Property Development Business of the Group, he has initiated and setting up the food and beverage business subsidiaries for the AIF Group.

Currently, MR. RUTSARAN MOONSAN is holding the position of Board Of Directors on both BIC Bank Lao Co., Ltd and B.I.C Bank (Cambodia) Plc.

# Profile of Management

# Profile of Management

## Mrs. Adel Leilanie G. Legarta

Chief Operating Officer

MRS. ADEL graduated from the Pontifical University of Santo Tomas, Manila, Philippines, major in Business Management.

She started her career in Rizal Commercial Banking, Makati, Philippines in 1991.

In 2001, she came to Cambodia and has worked in Canadia Bank as Planning Manager, Card Center Assistant, Marketing Manager and International Business Relationship Manager. She also joined Sciaroni and Associates Law and Investment Firm in May 2006.

Then in April 2008, she worked with ABA Bank for various senior managerial positions such as Chief Marketing Officer, Chief Client Relationship Officer and Flagship Branch Manager.

MRS. LEGARTA is currently working with BIC Bank Cambodia as Chief Operating Officer.

## Mr. Khim Chandara

Senior Manager

MR. DARA joined BIC Bank Plc as the Senior Manager. He has more than 14 years experience with two commercial banks i.e. Canadia Bank Plc and Phnom Penh Commercial Bank. He has experience in credit assessment management, commercial-SME loan customer relationship, senior branch management and VIP branch management.

He graduated with a Bachelor Degree in Accounting in 2005 and acquired a Master Degree in Finance in 2007 from National University of Management.

## Mr. Ban Mara

Finance Manager

MR. MARA joined BIC Bank in September 2018 as the Finance Manager. He has more than 8 years of experience in the finance field with two commercial banks i.e. Phnom Penh Commercial Bank and Phillip Bank Plc. He has experience in financial reporting, taxation, fund management, budgeting, business planning and also experience in managing various projects including CIFRS and Core Banking System.

He graduated with a Bachelor Degree in Finance and Banking from National University of Management in 2010 and he is currently pursuing his ACCA Degree at CamED Business School, Phnom Penh, Cambodia.

## Mr. Seng Vesalo

IT Manager (MIS & Core Banking)

MR. VESALO graduated with a Bachelor Degree in Computer Science and Engineering in 2008 at the Royal University of Phnom Penh, Bachelor Degree in Public Administration in 2009 at Royal University of Law and Economics, and Higher Education Degree of Pedagogy in Informatics, Management and Leadership in 2011 at National Institute of Education.

He has been working in the banking industry for more than 7 years with experience of Core Banking System, MIS, Report Development, Database Administration, System Integration, In-House Development, and IT Business Analysis.
MR. VESALO joined BIC Bank in December 2018 as IT Manager.

## Mr. Smae Menglim

Digital Banking Manager

MR. MENGLIM graduated with a Bachelor Degree in Computer Science from Royal University of Phnom Penh in 2006 and Master Degree in Computer Engineering from Lucian Blaga University of Sibiu, Romania in 2013, both with scholarship.

MR. MENGLIM has 8 years of experience with private company and banking industry combined in IT support, solution provider, software development, Digital System implementation, FAST NBC System, ATM Management, APIs integration, and project management.

MR. MENGLIM has joined BIC Bank as Digital Banking Manager since 02-May-2019.

## Mr. Yun Veth

HR & Admin Manager

MR. VETH graduated with a Bachelor Degree in English Literature from Phnom Penh International University (PPIU) in 2010 and he successfully completed Master Degree in Business Administration at Norton University in 2016.

Because of his commitment and enthusiasm, MR. VETH has advanced his career from an Administration Assistant at his university to be an Administration Officer, at Phnom Penh Commercial Bank, as Senior Administration Executive at Phillip Bank Plc then promoted to Administration Manager within 7 years. He has experience of more than 10 years with commercial bank in his field.

MR. VETH joined BIC Bank as HR & Admin Manager.

## Mr. Thongsavath Pranyvong

Operations Manager

MR. THONGSAVATH graduated with a Master Degree from the London School of Commerce (London Campus) which is an associate college of the Cardiff Metropolitan University, London, the United Kingdom, major in Master of Business Management and Administration.

MR. THONGSAVATH started his career with BIC Bank Lao Co., Ltd since late 2010 as the CSR and Teller. From then, he has been promoted to be a Credit Officer and Senior Credit Officer respectively for over 4 years in the Credit Department. In 2017, MR. THONGSAVATH has changed his position to Head of Treasury cum Relationship Manager. With all his experience, he has been chosen to work as the Operations Manager in BIC Bank in 2019 until present.

## Mr. Duch Kimhak

Card Business Manager

MR. KIMHAK has over 11 years of working experience with digital payment technology comprising of products and services such as Point of Sale (POS), Automated Teller Machine (ATM), International Cards Payment Scheme both Debit and Credit Cards. He started his career in 2007 as Marketing Executive at A.C.G Real Estate Group. In April 2008, he has started his banking career at Canadia Bank as Credit Card Authorizer and promoted to be a Senior Data Entry Officer and later as Senior Card Operations Officer. In June 2015, he worked for Shinhan Bank Cambodia in various positions such as Senior Card Officer, Deputy Manager at Card Business Department, also appointed as Call Center Deputy Manager. He handled all card operation process, card business, card strategy and planning, card data analysis, marketing promotion, and customer complaints management.

MR. KIMHAK graduated with a Bachelor Degree Major in Banking and Finance from Royal University of Law and Economics. He has attended critical training programs on Trend of Card Payment Technology Transformation provided by International Card Companies like Visa, Master, UPI both local and oversea.

Currently, MR. KIMHAK joined BIC Bank as Card Business Manager.

## Mr. Hong Bunchhay

Internal Audit Manager

Mr. BUNCHHAY joined BIC Bank as Internal Audit Manager in September 2019. He has over 6 years of experience in internal and external audit within the microfinance and banking industry, NGOs, and local and international companies. His expertise is related to review, evaluate, and recommend on the internal control system, risk management, corporate governance and fraud/misconduct investigation in the institutions. Before joining BIC Bank Plc, he held various positions including Audit Assistant at KPMG Cambodia Ltd, Internal Audit Supervisor at ABA Bank, and other management roles.

MR. BUNCHHAY held the degree of Bachelor of Accountancy from National University of Management (NUM), and the degree of Bachelor of Arts in International Studies (International Economics) from Institute of Foreign Languages (IFL). He is currently pursuing his Master Degree of Business in Finance from Royal University of Law and Economics (RULE) and ACCA Degree from CamEd Business School. Moreover, he held many professional certificates from local and international professional institutions/associations.

# Growth and Development

# Customer Care Enhancement

## "Customer First"

is one of the Bank's priorities. We aim to look after customers by ensuring their satisfaction and delightful interaction with the Bank brand, products and services.

As the customer behavior in terms of banking is changing, we created products and services which will suit to their growing banking needs.

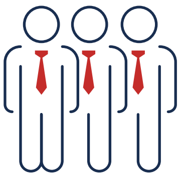
In 2019, we introduced Current Active Account, a type of checking account which earns interest and with special features appropriate for customer day to day business transactions.

Fund investment is created for both retail and corporate customers, High Growth Fixed Deposit provides the customers competitive interest rate for money worth. This investment account is flexible allowing customer to choose options between interest credit to account or interest on maturity. Overdraft facility is also available incase of need, in a very low margin.

More products are underway. We make sure that customer needs are met in a manner that reflects positively to both Bank and customers. We commit to provide good customer experience, this inspired us to create BIC Value, the Bank's loyalty program, in partnership with various merchants from F&B, hotels, wellness clinic and many more. They offer great deals to all our cardholders to enjoy.

Satisfied customers won't look at your competitors offer – they will happily interact and stay loyal with your brand, and recommend the product further. If you meet all of their requirements and answer their needs while delivering the best quality of your services, they will be fully satisfied.

# Employee Development



BIC Bank has commenced its operation in August 2018 with a number of

26 staff

2019 increased to

50 staff

As a new bank, we provide both inhouse and outside learning, training and development opportunities to support every stage of the developing journey for both new and existing employee.

Staff rotation program is the one among our method to develop and unlock the potential of each employee who is willing to grow with their talent and destiny.

Providing the trusted and convenient financial products and services to our customers is only possible when we have resourceful people working with us. We are welcome and encourage the young and talent people who wish to grow and keep learning new thing with us for reading and fulfilling customer need as well as support and assist each other.

Continuing our efforts in providing many opportunities for career progression, knowing that employees are an asset to the Bank's perspective, the Bank strives to attract and employ candidates with the right credential, attitudes and level of experiences that are needed for the Bank to succeed. The Bank believes that the human resource development framework, which can help employees in developing their personal and organizational skills, knowledge and abilities, is essential to developing a workforce which can accomplish the Bank's goals.

# Risk Management and Corporate Governance

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.
The Bank has exposure to the following risks from financial instruments:

- Operational Risk
- Credit Risk
- Market Risk
- Liquidity risk

## Operation Risk

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

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

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

## Credit Risk

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

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

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

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

## Market Risk

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

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

Foreign currency exchange risk is the risk of losses due from the decline in the value of a financial statement as a result of changes in foreign exchange rates or foreign exchange trading activities.

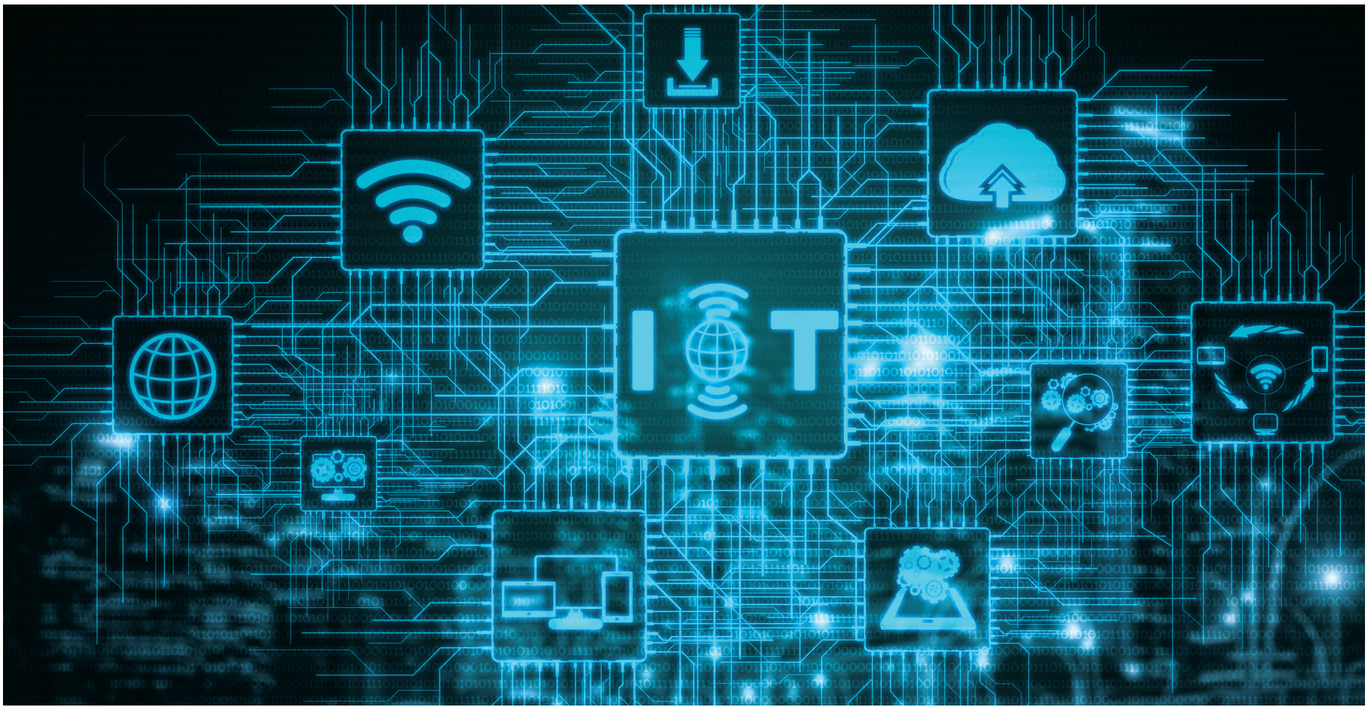
Interest rate risk is the potential of loss of earning due from the change in the value of our assets because of changes in the market interest rate.

## Liquidity Risk

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

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

# IT Infrastructure Upgrade




BIC Bank is committed to build sustainable IT infrastructure to address current and future challenges.

IT infrastructure is the foundation for BIC Bank digital and conventional services. To maintain the highest level of service, BIC Bank constantly invests to its IT infrastructure.

In 2019, BIC Bank made significant steps to implement the virtualized environment using solution from the best on the market CISCO HyperFlex brand. BIC Bank services are running in high availability environment, using clustering on hardware, operating systems, databases and applications.

Considering the use of Internet-based services, the Bank improved its connections to Internet, implementing numerous ISPs which allows the Bank to have redundancy of its connections.

We constantly develop our IT management tools to address challenges of rapidly growing business and, as result, IT infrastructure.

# Digital Banking

In April 2019 launched the Digital Retail Banking

To serve as the latest gateway to our growing digital ecosystem, we launched in April 2019 the Digital Retail Banking which offers a secure, fast and easy digital banking portal with practical functions which allows customers to access their account information anytime and anywhere in the world.

BIC Bank ATMs demonstrate very distinct competitive advantages to customers. It leverages on a SMS notification platform to activate the user ATM card without the need of first PIN to be printed on the paper, instead of sending it to customers mobile number to activate the ATM Card, it will be at the ATM terminal instantly.

The bank put priority in introducing and enhancing digital banking products with strategic importance. Mobile banking, Internet banking, ATM/CDM, MasterCard, POS terminals to be introduced are the starting stage of each services. The bank continues to build on additional functionalities and enhance each product further. We need to remain competitive. We will offer a wide range of products which would appeal to our customers and general public.

# Bank Card Products

Will launch its cards under Mastercard, consisting of Debit and Credit cards

BIC BANK will launch its card products under Mastercard, consisting of Debit and Credit cards: Classic, Gold and Platinum. These cards are finely designed to adapt to the fast-changing world of banking. As one of our top propositions, our aim is to design a feature-rich product that offers industry-first benefits to customers. These cards will be curated with the best-in class, seamless and comfortable experiences, deals and features across travel, wellness and lifestyle. It offers unmatched experiences and indulgences for everyday purchases and beyond. While these cards are providing global spending in their hands, our customers will enjoy worldwide services and great savings on life's essentials wherever they go. As added value, these cards are linked with the Bank's loyalty program, BIC Value, partnered with various merchants as well as with Mastercard's offers and benefits program, Priceless Specials.

# Branch Network Expansion


BIC Bank optimizing the distribution of branch network is critically important and a "must do".

2 locations underway in Sihanoukville and Toul Kork

In an effort to increase growth potential, branches – current and future – have to be in prime locations. Selection of branch location is of strategic importance for a bank. A good branch location with rapid growth ensures strong brand awareness, more profitable customers and increases the possibility of potential sales as branches have moved from being a transaction channel to a physical point of interaction.

The Bank currently has 2 locations underway in Sihanoukville and Toul Kork which will serve as the flagship branch. Increase the number of branches is in the plan, the Bank highly considers expansion to locations where there is fast, steady growth and highest potentials. The presence of a branch acts as a contingency device as, when having trouble, customers prefer physicality and want to talk to bank staff. Adhering to our philosophy to meet customers banking and financial needs, branches play a primary role of strengthening relationship between customers and bank.

# Bank Rebranding

ប៊ី.អាយ.ស៊ី ( ខេមបូឌា ) ប៊ែង ម.ក
B.I.C (CAMBODIA) BANK PLC.

IS NOW

BIC Bank

Business environments are constantly evolving, with new competitors in the market and shifting consumer needs, that push us to adapt in order to stay relevant.

In conjunction with BIC Bank's ambitious expansion plans across Cambodia and the region, there presented a need to create a stronger identity in an already saturated banking sector. By enhancing and refining our branding, we would position ourselves in the forefront of banking not only in Cambodia but Southeast Asia alike.

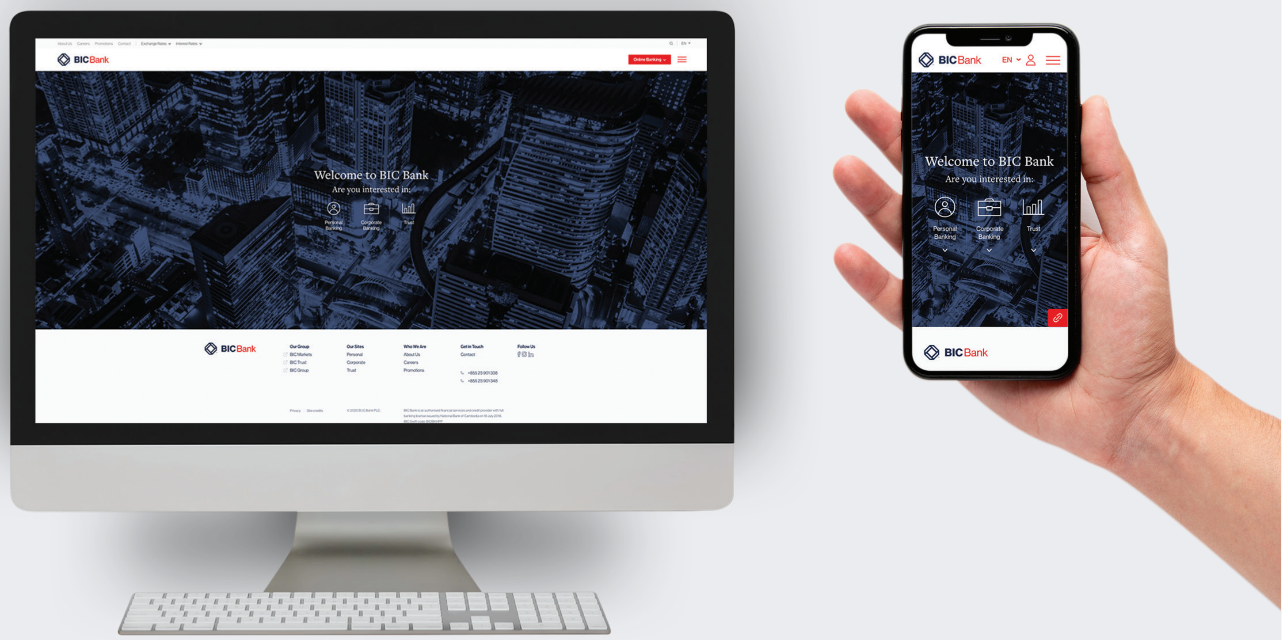
The branding vision was to modernize the original logo to project a more global, innovative brand, yet keeping elements of its origins inherited from BIC Laos.

The purpose of the rebranding was to evolve the company's corporate image inline with our growth objectives, digital transformation and geographic expansion.

The idea was to improve on the existing symbolism within the logo itself, as it already had significant meaning. The geometric closed shape symbolizes the meaning of unity, wholeness and infinity. The shape resembles a Chinese coin in Feng Shui, which symbolizes money, wealth, good luck and security. This has a positive connotation for BIC Bank, and hence one that should be enhanced. Similarly, for the colour, rich navy blue has long been associated with wisdom, trust and integrity, thus making it a suitable corporate colour. Red invokes energy and passion, which we strive to cultivate within our bank. The rebranding process would not be complete without a formal Brand Guideline in place that will help our sales and marketing teams navigate their design and communication efforts with customers. This includes specific and fixed set of colours, fonts and interpretations of the logo that can be used. With this in place, it will ensure that all communication with be consistent and complimentary to the new branding.

Last but definitely not least, the BIC Bank website, mobile and internet banking UI/UX all had to change to keep in line with our new corporate image.

With a focus on providing our customers with leading financial products and services we want to ensure our message reflects the modern, forward thinking bank we are becoming.



# Corporate Social Responsibility

We believe in “Banking Business with a Heart”. Giving back to the community is also our responsibility, having the sense of corporate social responsibility, and commitment to sustainability and community welfare.

The Bank has taken part in two significant CSR for social welfare and environmental protection.

1. BIC Bank has contributed

**$50,000**

to a tragic incident of the collapsed seven-storey building, construction in Sihanoukville

2. BIC Bank contributed

**$100,000**

to the development of water supply system in Prey Veng province.

# Financial Statements

For The Year Ended 31 December 2019
And Report Of The Independent Auditors

# Corporate information

| | | |
|---|---|---|
| **Bank** | B.I.C (Cambodia) Bank Plc. | |
| **Registration No.** | 00029200 | |
| **Registered office** | No. 462, Street 93, Sangkat Tonle Bassac<br>Khan Chamkarmorn, Phnom Penh<br>Kingdom of Cambodia | |
| **Shareholders** | Asia Investment and Financial Services Sole Co., Ltd.<br>Paradise Investment Co., Ltd.<br>PrimeStreet Advisory Co., Ltd. | |
| **Board of Directors** | Mr. Yim Leak | Chairman (appointed on 28 August 2019) |
| | Dr. Sathit Limpongpan | Chairman (resigned on 5 April 2019) |
| | Mr. Rewin Patailbunlue | Director (resigned on 31 March 2020) |
| | Mr. Zulkiflee Kuan Shun Bin Abdullah | Director |
| | Mr. Rutsaran Moonsan | Director |
| **Management team** | Mr. Zulkiflee Kuan Shun Bin Abdullah | Chief Executive Officer |
| | Ms. Legarta Adel Leilanie Gaba | Chief Operation Officer |
| | Mr. Khim Chandara | Senior Manager |
| | Mr. Ban Mara | Finance Manager |
| | Mr. Thongsavath Pranyvong | Operation Manager |
| | Mr. Yun Veth | HR & Admin. Manager |
| | Mr. Hong Bunchhay | Internal Audit Manager |
| | Mr. Seng Vesalo | IT Manager |
| **Auditors** | KPMG Cambodia Ltd | |

# Report of the Board of Directors

The Board of Directors has pleasure in submitting their report together with the audited financial statements of B.I.C (Cambodia) Bank Plc. (“the Bank”) for the year ended 31 December 2019.

## Principal activities

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

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

## Financial results

The financial results of the Bank were as follows:

| | 2019 | 2018 | 2019 | 2018 |
|---|---|---|---|---|
| | US$ | US$ | KHR’000 (Note 5) | KHR’000 (Note 5) |
| Profit/(Loss) before income tax | 1,465,845 | (1,049,459) | 5,939,604 | (4,245,062) |
| Income tax expense/(credit) | (326,638) | 175,160 | (1,323,537) | 708,522 |
| Net profit/(loss) for the year | **1,139,207** | **(874,299)** | **4,616,067** | **(3,536,540)** |

## Dividends

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

## Share capital

The share capital of the Bank as at 31 December 2019 was US$75,000,000 (2018: US$75,000,000).

## Reserves and provisions

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

## Loans and advances

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

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

## Current assets

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

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

## Valuation methods

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

## Contingent and other liabilities

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

(a) any charge on the assets of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person, or

(b) any contingent liability in respect of the Bank that has arisen since the end of the financial year other than in the ordinary course of banking 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 Directors, will or may substantially affect the ability of the Bank to meet its obligations as and when they fall due.

## Change of circumstances

At the date of this report, the Directors 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.

## Items of unusual nature

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

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

## Events since the reporting date

At the date of this report, except as disclosed in Note 34 to the financial statements, there have been no significant events occurring after the reporting date which would require adjustments or disclosures to be made in the financial statements.

## Board of Directors

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

| | |
|---|---|
| **Mr. Yim Leak** | **Chairman** (appointed on 28 August 2019) |
| **Dr. Sathit Limpongpan** | **Chairman** (resigned on 5 April 2019) |
| **Mr. Rewin Patailbunlue** | **Director** (resigned on 31 March 2020) |
| **Mr. Zulkiflee Kuan Shun Bin Abdullah** | **Director** |
| **Mr. Rutsaran Moonsan** | **Director** |

## Directors' interests

None of the Directors held or dealt directly or indirectly in the shares of the Bank during the financial year.

## Directors' benefits

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

During the financial year, none of the Directors of the Bank has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments receivable by the Directors as disclosed in the financial statements) by reason of a contract made by the Bank or a related corporation with a firm of which the Director is a member, or with a bank in which the Director has a substantial financial interest other than as disclosed in the financial statements.

## Directors' responsibility in respect of the financial statements

The Board of Directors is responsible for ascertaining that the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2019, and its financial performance and its cash flows for the year then ended. In preparing these financial statements, the Board of Directors is required to:

(i) adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;

(ii) comply with Cambodian International Financial Reporting Standards ("CIFRSs") or, if there have been any departures in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the financial statements;

(iii) oversee the Bank's financial reporting process and maintain adequate accounting records and an effective system of internal controls;

(iv) assess the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so; and

(v) control and direct effectively the Bank in all material decisions affecting the operations and performance and ascertain that such have been properly reflected in the financial statements.

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

## Approval of the financial statements

We hereby approve the accompanying financial statements together with the notes thereto as set out on pages 9 to 97 which, in our opinion, present fairly, in all material respects, 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.

Signed in accordance with a resolution of the Board of Directors,

Mr. Zulkiflee Kuan Shun Bin Abdullah
*Director*

Phnom Penh, Kingdom of Cambodia
Date: 15 MAY 2020

# Report of the Independent Auditors

To the shareholders
B.I.C (Cambodia) Bank Plc.

## Opinion

We have audited the financial statements of B.I.C (Cambodia) Bank Plc. ("the Bank"), which comprise the statement of financial position as at 31 December 2019, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information as set out on pages 9 to 97 (hereafter referred to as "the financial statements"). In our opinion, the accompanying financial statements present fairly, in all material respects, 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 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the ethical requirements that are relevant to our audit of the financial statements in Cambodia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Other matter

As stated in Note 33 to the financial statements, the Bank adopted CIFRSs on 1 January 2019 with a transition date of 1 January 2018. These standards were applied retrospectively to the comparative information in these financial statements, including the statements of financial position as at 31 December 2018 and 1 January 2018, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Bank for the year ended 31 December 2018 and related explanatory notes. We were not engaged to audit on the restated comparative information and it is unaudited. Our responsibilities in respect of this comparative information is to determine whether the financial statements include the comparative information required by CIFRSs and whether such information is appropriately classified.

## Other Information

Management is responsible for the other information. The other information obtained at the date of this auditors' report is the Report of the Board of Directors on pages 1 to 5, and the annual report, which is expected to be made available to us after that date. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance 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.

## Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

For KPMG Cambodia Ltd

KPMG CAMBODIA LTD

Lim Chew Teng
*Partner*

Phnom Penh, Kingdom of Cambodia
15 May 2020

# Statement of financial position

## as at 31 December 2019

| | Note | 31 December 2019 US$ | 31 December 2018 US$ | 31 December 2019 KHR'000 (Note 5) | 31 December 2018 KHR'000 (Note 5) |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Cash and cash equivalents | 6 | 61,254,513 | 22,200,650 | 249,612,140 | 89,202,212 |
| Placements with other banks | 7 | 18,058,081 | - | 73,586,680 | - |
| Statutory deposits | 8 | 23,771,135 | 9,901,244 | 96,867,375 | 39,783,198 |
| Loans and advances to customers – net | 9 | 67,711,026 | 36,072,557 | 275,922,431 | 144,939,534 |
| Other investment | 10 | 22,392,269 | 22,443,254 | 91,248,496 | 90,176,995 |
| Intangible assets | 11 | 856,157 | 119,352 | 3,488,840 | 479,556 |
| Property and equipment | 12 | 1,230,441 | 612,119 | 5,014,047 | 2,459,494 |
| Right-of-use assets | 13 | 1,748,854 | 341,686 | 7,126,580 | 1,372,894 |
| Other assets | 14 | 813,899 | 697,385 | 3,316,638 | 2,802,093 |
| Deferred tax assets – net | 19 | 76,439 | 175,160 | 311,489 | 703,793 |
| **Total assets** | | **197,912,814** | **92,563,407** | **806,494,716** | **371,919,769** |
| **LIABILITIES AND EQUITY** | | | | | |
| **Liabilities** | | | | | |
| Deposits from customers | 15 | 119,914,870 | 16,749,654 | 488,653,095 | 67,300,110 |
| Deposits from other banks | 16 | 321,843 | 1,224,100 | 1,311,510 | 4,918,434 |
| Lease liabilities | 17 | 1,721,470 | 348,277 | 7,014,990 | 1,399,377 |
| Other liabilities | 18 | 513,885 | 112,017 | 2,094,081 | 450,083 |
| Minimum tax payable | | - | 3,658 | - | 14,698 |
| Current income tax liability | 19 | 175,838 | - | 716,540 | - |
| **Total liabilities** | | 122,647,906 | 18,437,706 | 499,790,216 | 74,082,702 |
| **Shareholders' equity** | | | | | |
| Share capital | 20 | 75,000,000 | 75,000,000 | 300,000,000 | 300,000,000 |
| Regulatory reserves | | 1,410,468 | 420,139 | 5,723,710 | 1,688,119 |
| Accumulated losses | | (1,145,560) | (1,294,438) | (4,644,183) | (5,224,659) |
| Currency translation reserves | | - | - | 5,624,973 | 1,373,607 |
| **Total shareholders' equity** | | 75,264,908 | 74,125,701 | 306,704,500 | 297,837,067 |
| **Total liabilities and shareholders' equity** | | **197,912,814** | **92,563,407** | **806,494,716** | **371,919,769** |

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

# Statement of profit or loss and other comprehensive income

## for the year ended 31 December 2019

| | Note | 2019<br>US$ | 2018<br>US$ | 2019<br>KHR'000<br>(Note 5) | 2018<br>KHR'000<br>(Note 5) |
|---|---|---|---|---|---|
| Interest income | 21 | 5,239,468 | 558,409 | 21,230,324 | 2,258,764 |
| Interest expense | 22 | (819,985) | (24,424) | (3,322,579) | (98,795) |
| **Net interest income** | | 4,419,483 | 533,985 | 17,907,745 | 2,159,969 |
| Net fee and commission income | 23 | 267,844 | 2,782 | 1,085,304 | 11,253 |
| Other income | 24 | 40,876 | 836 | 165,630 | 3,382 |
| **Total operating income** | | 4,728,203 | 537,603 | 19,158,679 | 2,174,604 |
| Personnel expenses | 25 | (793,155) | (282,835) | (3,213,864) | (1,144,068) |
| Depreciation and amortisation | 26 | (656,886) | (137,111) | (2,661,702) | (554,614) |
| Other operating expenses | 27 | (1,727,881) | (989,052) | (7,001,374) | (4,000,715) |
| Impairment losses on financial instruments | 9 | (84,436) | (172,534) | (342,135) | (697,900) |
| Minimum tax expense | 19 | - | (5,530) | - | (22,369) |
| **Total operating expenses** | | (3,262,358) | (1,587,062) | (13,219,075) | (6,419,666) |
| **Profit/(Loss) before income tax** | | 1,465,845 | (1,049,459) | 5,939,604 | (4,245,062) |
| Income tax (expense)/credit | 19 | (326,638) | 175,160 | (1,323,537) | 708,522 |
| **Net profit/(loss) for the year** | | **1,139,207** | **(874,299)** | **4,616,067** | **(3,536,540)** |
| **Other comprehensive income** | | | | | |
| Currency translation difference | | - | - | 4,251,366 | 1,373,607 |
| **Total comprehensive income/ (loss) for the year** | | **1,139,207** | **(874,299)** | **8,867,433** | **(2,162,933)** |

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

# Statement of changes in equity

## for the year ended 31 December 2019

| | Share capital | | Regulatory reserves | | Accumulated losses | | Currency translation reserves | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | US$ | KHR'000 | US$ | KHR'000 | US$ | KHR'000 | US$ | KHR'000 | US$ | KHR'000 |
| | | (Note 5) | | (Note 5) | | (Note 5) | | (Note 5) | | (Note 5) |
| **For the year ended 31 December 2019** | | | | | | | | | | |
| At 1 January 2019 | 75,000,000 | 300,000,000 | 420,139 | 1,688,119 | (1,294,438) | (5,224,659) | - | 1,373,607 | 74,125,701 | 297,837,067 |
| Transfer | - | - | 990,329 | 4,035,591 | (990,329) | (4,035,591) | - | - | - | - |
| Net profit for the year | - | - | - | - | 1,139,207 | 4,616,067 | - | - | 1,139,207 | 4,616,067 |
| Currency translation difference | - | - | - | - | - | - | - | 4,251,366 | - | 4,251,366 |
| **At 31 December 2019** | **75,000,000** | **300,000,000** | **1,410,468** | **5,723,710** | **(1,145,560)** | **(4,644,183)** | **-** | **5,624,973** | **75,264,908** | **306,704,500** |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **For the year ended 31 December 2018** | | | | | | | | | | |
| At 1 January 2018 | - | - | - | - | - | - | - | - | - | - |
| Issuance of share capital | 75,000,000 | 300,000,000 | - | - | - | - | - | - | 75,000,000 | 300,000,000 |
| Transfer | - | - | 420,139 | 1,688,119 | (420,139) | (1,688,119) | - | - | - | - |
| Net loss for the year | - | - | - | - | (874,299) | (3,536,540) | - | - | (874,299) | (3,536,540) |
| Currency translation difference | - | - | - | - | - | - | - | 1,373,607 | - | 1,373,607 |
| **At 31 December 2018** | **75,000,000** | **300,000,000** | **420,139** | **1,688,119** | **(1,294,438)** | **(5,224,659)** | **-** | **1,373,607** | **74,125,701** | **297,837,067** |

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

# Statement of cash flows

## for the year ended 31 December 2019

| | 2019 | 2018 | 2019 | 2018 |
|---|---|---|---|---|
| | US$ | US$ | KHR'000 (Note 5) | KHR'000 (Note 5) |
| **Cash flows from operating activities** | | | | |
| Net profit/(loss) for the year | 1,139,207 | (874,299) | 4,616,067 | (3,536,540) |
| *Adjustments for:* | | | | |
| Depreciation and amortisation | 656,886 | 137,111 | 2,661,702 | 554,614 |
| Net interest income | (4,419,483) | (533,985) | (17,907,745) | (2,159,969) |
| Net impairment losses on financial instruments | 84,436 | 172,534 | 342,135 | 697,900 |
| Income tax expense/(credit) | 326,638 | (175,160) | 1,323,537 | (708,522) |
| Minimum tax expense | - | 5,530 | - | 22,369 |
| Property and equipment written off | 952 | - | 3,858 | - |
| | (2,211,364) | (1,268,269) | (8,960,446) | (5,130,148) |
| *Changes in:* | | | | |
| Placements with other banks | (18,058,081) | - | (73,171,344) | - |
| Loans and advances to customers | (31,624,137) | (36,050,057) | (128,141,003) | (145,822,481) |
| Statutory deposits | (13,869,891) | (9,901,244) | (56,200,798) | (40,050,532) |
| Other assets | (116,514) | (697,385) | (472,115) | (2,820,922) |
| Deposits from customers | 102,750,408 | 16,779,260 | 416,344,654 | 67,872,107 |
| Deposits from other banks | (902,257) | 1,224,100 | (3,655,945) | 4,951,485 |
| Other investment | 50,467 | (22,578,250) | 204,492 | (91,329,021) |
| Other liabilities | 401,868 | 112,017 | 1,628,369 | 453,109 |
| Cash generated from/(used in) operations | 36,420,499 | (52,379,828) | 147,575,864 | (211,876,403) |

| | 2019 | 2018 | 2019 | 2018 |
|---|---|---|---|---|
| | US$ | US$ | KHR'000 (Note 5) | KHR'000 (Note 5) |
| Interest received | 5,201,395 | 500,067 | 21,076,053 | 2,022,771 |
| Interest paid | (356,969) | (38,932) | (1,446,439) | (157,480) |
| Income tax paid | (52,079) | - | (211,024) | - |
| Minimum tax paid | (3,658) | (1,872) | (14,822) | (7,572) |
| Net cash generated from/ (used in) operating activities | 41,209,188 | (51,920,565) | 166,979,632 | (210,018,684) |
| **Cash flows from investing activities** | | | | |
| Purchase of property and equipment and intangible assets | (1,882,030) | (810,423) | (7,625,986) | (3,278,161) |
| Net cash used in investing activities | (1,882,030) | (810,423) | (7,625,986) | (3,278,161) |
| **Cash flows from financing activities** | | | | |
| Issuance of share capital | - | 75,000,000 | - | 303,375,000 |
| Payment of lease liabilities | (213,118) | (66,666) | (868,456) | (267,864) |
| **Net cash (used in)/generated from financing activities** | (213,118) | 74,933,334 | (868,456) | 303,107,136 |
| **Net increase in cash and cash equivalents** | 39,114,040 | 22,202,346 | 158,485,190 | 89,810,291 |
| **Cash and cash equivalents at beginning of the year** | 22,202,346 | - | 89,209,026 | - |
| Currency translation difference | - | - | 2,170,057 | (601,265) |
| **Cash and cash equivalents at end of the year (Note 6)** | **61,316,386** | **22,202,346** | **249,864,273** | **89,209,026** |

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

# Notes to the financial statements

for the year ended 31 December 2019

## 1. Reporting entity

B.I.C (Cambodia) Bank Plc. ("the Bank") was incorporated in the Kingdom of Cambodia on 14 November 2017 under the Registration No. 00029200 and commenced operations after obtaining the license from the National Bank of Cambodia ("NBC") on 18 July 2018.

The principal activities of the Bank comprise the operations of core banking business and the provision of related financial services in the Kingdom of Cambodia.

The registered office of the Bank is currently located at No. 462, Street 93, Sangkat Tonle Bassac, Khan Chamkarmorn, Phnom Penh, Kingdom of Cambodia.

As at 31 December 2019, the Bank had 50 employees (31 December 2018: 24 employees).

## 2. Basis of accounting

The financial statements of the Bank have been prepared in accordance with the Cambodian International Financial Reporting Standards ("CIFRSs"). These are the Bank's first set of financial statements prepared in accordance with CIFRSs and CIFRS 1 First-time Adoption of Cambodian International Financial Reporting Standards has been applied.

In the previous financial years, the financial statements were prepared in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia ("NBC") relating to the preparation and presentation of financial statements. An explanation of how the transition to CIFRSs have affected the reported financial position, financial performance and cash flows is provided in Note 33.

The accounting policies and methods of computation have been applied consistently to all periods presented in these financial statements.

Details of the Bank's accounting policies are included in Note 32.

The financial statements were approved by the Board of Directors for issue on 15 May 2020.

## 3. Functional and presentation currency

The Bank transacts its business and maintains its accounting records in United States Dollars ("US$"). Management has determined the US$ to be the Bank's functional and presentation currency as it reflects the economic substance of the underlying events and circumstances of the Bank.

These financial statements are presented in US$, which is the Bank's functional currency. All amounts have been rounded to the nearest dollar or thousand riels, except when otherwise indicated.

## 4. Use of judgments and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Bank's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes.

- Note 32C(ii): classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.
- Note 32C(vii): establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of models used to measure ECL.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are included in the following notes:

- Note 32C(vi): determination of the fair value of financial instruments with significant unobservable inputs.
- Note 32C(vii): impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information.
- Note 32C(vii): impairment of financial instruments: key assumptions used in estimating recoverable cash flows.

## 5. Translation of United States Dollars into Khmer Riel

The financial statements are expressed in United States Dollars. The translations of United States Dollars amounts into Khmer Riel are included solely for compliance with the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial statements.

Assets and liabilities are translated at the closing rate as at the reporting date, and the capital accounts are translated at the historical rate. The statements of profit or loss and other comprehensive income and cash flows are translated into KHR using the average rate for the year. Exchange differences arising from the translation are recognised as “Currency translation reserves” in the other comprehensive income.

The Bank uses the following exchange rates:

| | | | **Closing rate** | **Average rate** |
|---|---|---|---|---|
| 31 December 2019 | US$1 | = | KHR4,075 | KHR4,052 |
| 31 December 2018 | US$1 | = | KHR4,018 | KHR4,045 |
| 1 January 2018 | US$1 | = | KHR4,037 | N/A |

These convenience translations should not be construed as representations that the United States Dollars amounts have been, could have been, or could in the future be, converted into Khmer Riels at this or any other rate of exchange.

## 6. Cash and cash equivalents

| | 31 December | | 31 December | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | US$ | US$ | KHR'000 (Note 5) | KHR'000 (Note 5) |
| Cash on hand | 4,155,506 | 4,518,232 | 16,933,687 | 18,154,256 |
| Cash equivalents with other banks | 57,160,880 | 17,684,114 | 232,930,586 | 71,054,770 |
| | 61,316,386 | 22,202,346 | 249,864,273 | 89,209,026 |
| Less: Impairment loss allowance | (61,873) | (1,696) | (252,133) | (6,814) |
| | **61,254,513** | **22,200,650** | **249,612,140** | **89,202,212** |

The movements of impairment losses were as follows:

| | 2019 | 2018 | 2019 | 2018 |
|---|---|---|---|---|
| | US$ | US$ | KHR'000 (Note 5) | KHR'000 (Note 5) |
| At 1 January | 1,696 | - | 6,814 | - |
| Additions | 60,177 | 1,696 | 243,837 | 6,860 |
| Currency translation difference | - | - | 1,482 | (46) |
| **At 31 December** | **61,873** | **1,696** | **252,133** | **6,814** |

## 7. Placements with other banks

| | 31 December | | 31 December | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | US$ | US$ | KHR'000 (Note 5) | KHR'000 (Note 5) |
| Term deposit (non-cash equivalents) | 18,058,081 | - | 73,586,680 | - |

Placements with other banks are maturing from 3 to 6 months and earned interest ranging from 2% to 4% per annum.

## 8. Statutory deposits

| | | 31 December | | 31 December | |
|---|---|---|---|---|---|
| | | 2019 | 2018 | 2019 | 2018 |
| | | US$ | US$ | KHR'000 (Note 5) | KHR'000 (Note 5) |
| Capital guarantee deposit | A | 7,500,000 | 7,500,000 | 30,562,500 | 30,135,000 |
| Reserve requirements on customers' deposits | B | 16,271,135 | 2,401,244 | 66,304,875 | 9,648,198 |
| | | 23,771,135 | 9,901,244 | 96,867,375 | 39,783,198 |

### A. Capital guarantee deposit

Under the NBC's Prakas No. B7-01-136 dated 15 October 2001, the Bank is required to maintain a statutory deposit 10% of its capital. This deposit is not available for use in the Bank's day-to-day operations and is refundable should the Bank voluntarily cease its operations in Cambodia. Capital guarantee deposit earned interest at rates of 0% - 0.48% (2018: 0% - 0.73%).

### B. Reserve requirements on customers' deposits

The reserve requirement represents the minimum reserve which is calculated at 8% for KHR and 12.50% for other currencies of the total amount of deposits from customers, non-residential banks and financial institution deposits, and non-residential borrowings.  Pursuant to the National Bank of Cambodia's Prakas No. B7-018-282 on the maintenance of reserve requirement against commercial banks' deposits and borrowings, reserve requirements both in KHR and in other currencies bear no interest effective from 29 August 2018.

## 9. Loans and advances to customers – net

| | 2019 | 2018 | 2019 | 2018 |
|---|---|---|---|---|
| | US$ | US$ | KHR'000 (Note 5) | KHR'000 (Note 5) |
| Commercial loans: | | | | |
| Overdrafts | 8,220,144 | 7,021,662 | 33,497,087 | 28,213,038 |
| Short term loans | - | - | - | - |
| Long term loans | 7,056,409 | 7,022,167 | 28,754,867 | 28,215,067 |
| Consumer loans | | | | |
| Overdrafts | 12,879,818 | 8,055,237 | 52,363,008 | 32,365,942 |
| Short term loans | 9,544,131 | - | 39,014,584 | - |
| Long term loans | 14,637,690 | 14,009,333 | 59,648,587 | 56,289,500 |
| Related parties loans | 15,432,417 | - | 62,887,099 | - |
| | 67,770,609 | 36,108,399 | 276,165,232 | 145,083,547 |
| Less: Impairment loss allowance | (59,583) | (35,842) | (242,801) | (144,013) |
| | **67,711,026** | **36,072,557** | **275,922,431** | **144,939,534** |

## A. Allowance for impairment losses

(i) Allowance for impairment losses recognised in profit or loss are summarised is as follows:

| | 2019 | 2018 | 2019 | 2018 |
|---|---|---|---|---|
| | US$ | US$ | KHR'000 (Note 5) | KHR'000 (Note 5) |
| Net impairment loss on loans | 23,741 | 35,842 | 96,199 | 144,981 |
| Net impairment loss on balances with other banks | 60,177 | 1,696 | 243,837 | 6,860 |
| Net impairment loss on other investment | 518 | 134,996 | 2,099 | 546,059 |
| | **84,436** | **172,534** | **342,135** | **697,900** |

(ii) The movement of impairment allowance on loans is analysed as follows:

| | 2019 | 2018 | 2019 | 2018 |
|---|---|---|---|---|
| | US$ | US$ | KHR'000 (Note 5) | KHR'000 (Note 5) |
| At 1 January | 35,842 | - | 144,013 | - |
| Allowance for the year | 23,741 | 35,842 | 96,199 | 144,981 |
| Currency translation difference | - | - | 2,589 | (968) |
| **At 31 December** | **59,583** | **35,842** | **242,801** | **144,013** |

## B. Loans analysis by maturity

Gross amounts of loans and advances to customers by maturity are as follows:

| | 31 December | | 31 December | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | US$ | US$ | KHR'000 (Note 5) | KHR'000 (Note 5) |
| Within 1 month | 7,000,000 | - | 28,525,000 | - |
| >1 to 3 months | 1,009,806 | - | 4,114,959 | - |
| >3 to 6 months | 3,088,733 | - | 12,586,587 | - |
| > 6 to 12 months | 34,977,971 | 15,076,899 | 142,535,232 | 60,578,980 |
| > 1 to 3 years | 31,303 | - | 127,560 | - |
| > 3 to 5 years | 21,163,591 | 21,031,500 | 86,241,634 | 84,504,567 |
| Over 5 years | 499,205 | - | 2,034,260 | - |
| | **67,770,609** | **36,108,399** | **276,165,232** | **145,083,547** |

For additional analysis of gross amount of loans and advances to customers, refer to Note 30B.

## 10. Other investment

| | 31 December | | 31 December | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | US$ | US$ | KHR'000 (Note 5) | KHR'000 (Note 5) |
| Other investment at amortised cost | 22,527,783 | 22,578,250 | 91,800,716 | 90,719,409 |
| Less: Impairment loss allowance | (135,514) | (134,996) | (552,220) | (542,414) |
| | **22,392,269** | **22,443,254** | **91,248,496** | **90,176,995** |

This represents deposits to buy gold from with Asia Investment and Financial Services Sole Co., Ltd., a shareholder whereby Asia Investment and Financial Services Sole Co., Ltd. agreed to provide a guaranteed return of 6% per annum.

The movements of impairment losses were as follows:

| | 2019 | 2018 | 2019 | 2018 |
|---|---|---|---|---|
| | US$ | US$ | KHR'000 (Note 5) | KHR'000 (Note 5) |
| At 1 January | 134,996 | - | 542,414 | - |
| Additions | 518 | 134,996 | 2,099 | 546,059 |
| Currency translation difference | - | - | 7,707 | (3,645) |
| **At 31 December** | **135,514** | **134,996** | **552,220** | **542,414** |

## 11. Intangible assets

| | 2019 | 2018 | 2019 | 2018 |
|---|---|---|---|---|
| | US$ | US$ | KHR'000 (Note 5) | KHR'000 (Note 5) |
| **Software** | | | | |
| **Cost** | | | | |
| At 1 January | 138,577 | - | 556,802 | - |
| Additions | 1,046,578 | 138,577 | 4,240,734 | 560,544 |
| Currency translation difference | - | - | 31,971 | (3,742) |
| At 31 December | 1,185,155 | 138,577 | 4,829,507 | 556,802 |
| **Less: Accumulated amortisation** | | | | |
| At 1 January | 19,225 | - | 77,246 | - |
| Amortisation during the year | 309,773 | 19,225 | 1,255,200 | 77,765 |
| Currency translation difference | - | - | 8,221 | (519) |
| At 31 December | 328,998 | 19,225 | 1,340,667 | 77,246 |
| **Carrying amounts** | | | | |
| **At 31 December** | **856,157** | **119,352** | **3,488,840** | **479,556** |

## 12. Property and equipment

| 2019 | Leasehold improvements | Furniture and Fixtures | Office equipment | Computer and IT equipment | Motor vehicles | Construction in progress | Total | |
|---|---|---|---|---|---|---|---|---|
| | US$ | US$ | US$ | US$ | US$ | US$ | US$ | KHR'000 |
| | | | | | | | | (Note 5) |
| **Cost** | | | | | | | | |
| At 1 January 2019 | 420,138 | 5,175 | 126,921 | 70,612 | 49,000 | - | 671,846 | 2,699,477 |
| Additions | 2,288 | 3,347 | 146,371 | 235,463 | 1,350 | 446,633 | 835,452 | 3,385,252 |
| Written off | - | - | - | (1,556) | - | - | (1,556) | (6,305) |
| Currency translation difference | - | - | - | - | - | - | - | 57,475 |
| At 31 December 2019 | 422,426 | 8,522 | 273,292 | 304,519 | 50,350 | 446,633 | 1,505,742 | 6,135,899 |
| **Less: Accumulated depreciation** | | | | | | | | |
| At 1 January 2019 | 34,932 | 431 | 10,522 | 9,759 | 4,083 | - | 59,727 | 239,983 |
| Depreciation during the year | 84,407 | 1,423 | 46,170 | 74,176 | 10,002 | - | 216,178 | 875,953 |
| Written off | - | - | - | (604) | - | - | (604) | (2,447) |
| Currency translation difference | - | - | - | - | - | - | - | 8,363 |
| At 31 December 2019 | 119,339 | 1,854 | 56,692 | 83,331 | 14,085 | - | 275,301 | 1,121,852 |
| **Carrying amounts** | | | | | | | | |
| **At 31 December 2019** | **303,087** | **6,668** | **216,600** | **221,188** | **36,265** | **446,633** | **1,230,441** | **5,014,047** |

| 2018 | Leasehold improvements | Furniture and Fixtures | Office equipment | Computer and IT equipment | Motor vehicles | Total | |
|---|---|---|---|---|---|---|---|
| | US$ | US$ | US$ | US$ | US$ | US$ | KHR'000 |
| | | | | | | | (Note 5) |
| **Cost** | | | | | | | |
| At 1 January 2018 | - | - | - | - | - | - | - |
| Additions | 420,138 | 5,175 | 126,921 | 70,612 | 49,000 | 671,846 | 2,717,617 |
| Currency translation difference | - | - | - | - | - | - | (18,140) |
| At 31 December 2018 | 420,138 | 5,175 | 126,921 | 70,612 | 49,000 | 671,846 | 2,699,477 |

| 2018 | Leasehold improvements | Furniture and Fixtures | Office equipment | Computer and IT equipment | Motor vehicles | Total | |
|---|---|---|---|---|---|---|---|
| | US$ | US$ | US$ | US$ | US$ | US$ | KHR'000 |
| | | | | | | | (Note 5) |
| **Less: Accumulated depreciation** | | | | | | | |
| At 1 January 2018 | - | - | - | - | - | - | - |
| Depreciation during the year | 34,932 | 431 | 10,522 | 9,759 | 4,083 | 59,727 | 241,596 |
| Currency translation difference | - | - | - | - | - | - | (1,613) |
| At 31 December 2018 | 34,932 | 431 | 10,522 | 9,759 | 4,083 | 59,727 | 239,983 |
| **Carrying amounts** | | | | | | | |
| **At 31 December 2018** | **385,206** | **4,744** | **116,399** | **60,853** | **44,917** | **612,119** | **2,459,494** |

## 13. Right-of-use assets

| | 31 December | | 31 December | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | US$ | US$ | KHR'000 (Note 5) | KHR'000 (Note 5) |
| **Right-of-use assets** | **1,748,854** | **341,686** | **7,126,580** | **1,372,894** |

The Bank leases the office building. Information about lease for which the Bank is a lessee is presented below and Note 33(B). Information relating to lease liabilities is disclosed in Note 17.

| | 2019 | 2018 | 2019 | 2018 |
|---|---|---|---|---|
| | US$ | US$ | KHR'000 (Note 5) | KHR'000 (Note 5) |
| Office building | | | | |
| Cost | | | | |
| At 1 January | 399,845 | - | 1,606,577 | - |
| Additions | 1,538,103 | 399,845 | 6,232,393 | 1,617,373 |
| Currency translation difference | - | - | 58,168 | (10,796) |
| At 31 December | 1,937,948 | 399,845 | 7,897,138 | 1,606,577 |
| Less: Accumulated depreciation | | | | |
| At 1 January | 58,159 | - | 233,683 | - |
| Depreciation during the year | 130,935 | 58,159 | 530,549 | 235,253 |
| Currency translation difference | - | - | 6,326 | (1,570) |
| At 31 December | 189,094 | 58,159 | 770,558 | 233,683 |
| Carrying amounts | | | | |
| **At 31 December** | **1,748,854** | **341,686** | **7,126,580** | **1,372,894** |

## 14. Other assets

| | 31 December | | 31 December | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | US$ | US$ | KHR'000 (Note 5) | KHR'000 (Note 5) |
| **Prepaid expenses** | **813,899** | **697,385** | **3,316,638** | **2,802,093** |

## 15. Deposits from customers

| | 31 December | | 31 December | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | US$ | US$ | KHR'000 (Note 5) | KHR'000 (Note 5) |
| Saving accounts | 42,363,119 | 14,699,610 | 172,629,710 | 59,063,033 |
| Fixed deposits | 30,313,654 | 486,090 | 123,528,140 | 1,953,110 |
| Demand deposits | 47,188,097 | 1,513,954 | 192,291,495 | 6,083,067 |
| Margin deposits | 50,000 | 50,000 | 203,750 | 200,900 |
| | **119,914,870** | **16,749,654** | **488,653,095** | **67,300,110** |

Deposits from customers are analysed as follows:

| | 31 December | | 31 December | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | US$ | US$ | KHR'000 (Note 5) | KHR'000 (Note 5) |
| **A. By maturity:** | | | | |
| Within 1 month | 89,561,262 | 16,213,564 | 364,962,143 | 65,146,100 |
| > 1 to 3 months | 15,862,964 | 90,180 | 64,641,578 | 362,343 |
| > 3 to 6 months | 731,068 | 245,138 | 2,979,102 | 984,965 |
| > 6 to 12 months | 12,073,953 | 150,772 | 49,201,358 | 605,802 |
| > More than 12 months | 1,685,623 | 50,000 | 6,868,914 | 200,900 |
| | **119,914,870** | **16,749,654** | **488,653,095** | **67,300,110** |
| **B. By residency status:** | | | | |
| Residents | 40,522,389 | 1,505,260 | 165,128,735 | 6,048,135 |
| Non-residents | 79,392,481 | 15,244,394 | 323,524,360 | 61,251,975 |
| | **119,914,870** | **16,749,654** | **488,653,095** | **67,300,110** |

| | 31 December | | 31 December | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | US$ | US$ | KHR'000 (Note 5) | KHR'000 (Note 5) |
| **C. By relationship:** | | | | |
| **Non-related parties** | **119,914,870** | **16,749,654** | **488,653,095** | **67,300,110** |

**D. Interest rates:**

These deposits from customers earn interest at annual rates as follows:

| | 2019 | 2018 |
|---|---|---|
| Saving accounts | 1% | 1% |
| Fixed deposits | 2.00% - 6.00% | 2.00% - 6.00% |
| **Margin deposits** | **Nil** | **Nil** |

## 16. Deposits from other banks

| | 31 December | | 31 December | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | US$ | US$ | KHR'000 (Note 5) | KHR'000 (Note 5) |
| **Demand deposits, non-interest bearing** | **321,843** | **1,224,100** | **1,311,510** | **4,918,434** |

Deposits from other banks are analysed as follows:

| | 31 December | | 31 December | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | US$ | US$ | KHR'000 (Note 5) | KHR'000 (Note 5) |
| **A. By maturity:** | | | | |
| **Within 1 month** | **321,843** | **1,224,100** | **1,311,510** | **4,918,434** |
| | | | | |
| **B. By relationship:** | | | | |
| Related parties | 311,923 | 1,224,100 | 1,271,086 | 4,918,434 |
| Non-related parties | 9,920 | - | 40,424 | - |
| | **321,843** | **1,224,100** | **1,311,510** | **4,918,434** |
| | | | | |
| **C. By residency status:** | | | | |
| **Non-residents** | **321,843** | **1,224,100** | **1,311,510** | **4,918,434** |

## 17. Lease liabilities

| | 31 December | | 31 December | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | US$ | US$ | KHR'000 | KHR'000 |
| | | | (Note 5) | (Note 5) |
| **Maturity analysis – contractual undiscounted cash flows** | | | | |
| Less than one year | 254,293 | 100,000 | 1,036,244 | 401,800 |
| One to five years | 2,218,545 | 291,667 | 9,040,571 | 1,171,918 |
| **Total undiscounted lease liabilities** | **2,472,838** | **391,667** | **10,076,815** | **1,573,718** |
| **Present value of lease liabilities** | | | | |
| Current | 155,138 | 81,315 | 632,187 | 326,724 |
| Non-current | 1,566,332 | 266,962 | 6,382,803 | 1,072,653 |
| | **1,721,470** | **348,277** | **7,014,990** | **1,399,377** |
| **Amounts recognised in profit and loss** | | | | |
| Interest on lease liabilities | 48,208 | 15,098 | 195,339 | 61,071 |
| Expenses relating to short-term leases | 13,522 | 19,397 | 54,791 | 78,461 |
| | **61,730** | **34,495** | **250,130** | **139,532** |
| **Amounts recognised in the statement of cash flows** | | | | |
| Total cash outflow for leases | 213,118 | 66,666 | 868,456 | 267,864 |

## 18. Other liabilities

| | 31 December | | 31 December | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | US$ | US$ | KHR'000 (Note 5) | KHR'000 (Note 5) |
| Other tax payables | 68,558 | 88,017 | 279,373 | 353,652 |
| Accruals and other payables | 445,327 | 24,000 | 1,814,708 | 96,431 |
| | **513,885** | **112,017** | **2,094,081** | **450,083** |

# 19. Income tax

## A. Deferred tax assets – net

| | 31 December | | 31 December | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | US$ | US$ | KHR'000 (Note 5) | KHR'000 (Note 5) |
| Deferred tax assets | 426,210 | 263,168 | 1,736,806 | 1,057,409 |
| Deferred tax liabilities | (349,771) | (88,008) | (1,425,317) | (353,616) |
| **Deferred tax assets – net** | **76,439** | **175,160** | **311,489** | **703,793** |

Deferred tax are attributable to the following:

| | 31 December | | 31 December | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | US$ | US$ | KHR'000 (Note 5) | KHR'000 (Note 5) |
| Impairment loss allowance | 51,394 | 34,507 | 209,431 | 138,649 |
| Depreciation and amortisation | 6,055 | (19,671) | 24,674 | (79,038) |
| Provision for employee benefits | 360 | 2,310 | 1,467 | 9,282 |
| Right-of-use assets | (349,771) | (68,337) | (1,425,317) | (274,578) |
| Lease liabilities | 344,294 | 69,655 | 1,402,998 | 279,873 |
| Unearned income | 24,107 | - | 98,236 | - |
| Unutilised tax losses | - | 156,696 | - | 629,605 |
| | **76,439** | **175,160** | **311,489** | **703,793** |

The movements of deferred tax assets – net are as follows:

| | 2019 | 2018 | 2019 | 2018 |
|---|---|---|---|---|
| | US$ | US$ | KHR'000 (Note 5) | KHR'000 (Note 5) |
| At 1 January | 175,160 | - | 703,793 | - |
| Recognised in profit or loss | (98,721) | 175,160 | (400,017) | 708,522 |
| Currency translation difference | - | - | 7,713 | (4,729) |
| **At 31 December** | **76,439** | **175,160** | **311,489** | **703,793** |

## B. Current income tax liability

| | 2019 US$ | 2018 US$ | 2019 KHR'000 (Note 5) | 2018 KHR'000 (Note 5) |
|---|---|---|---|---|
| At 1 January | - | - | - | - |
| Current income tax expense | 227,917 | - | 923,520 | - |
| Current income tax paid | (52,079) | - | (211,024) | - |
| Currency translation difference | - | - | 4,044 | - |
| **At 31 December** | **175,838** | **-** | **716,540** | **-** |

## C. Income tax expense/(credit)

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

| | 2019 US$ | 2018 US$ | 2019 KHR'000 (Note 5) | 2018 KHR'000 (Note 5) |
|---|---|---|---|---|
| **Income tax expense/(credit)** | | | | |
| Current income tax expense | 227,917 | - | 923,520 | - |
| Deferred tax expense/(income) | 98,721 | (175,160) | 400,017 | (708,522) |
| | 326,638 | (175,160) | 1,323,537 | (708,522) |
| **Minimum tax expense** | **-** | **5,530** | **-** | **22,369** |

The reconciliation of income tax computed at the statutory tax rate of 20% to the income tax expense/(credit) shown in profit or loss is as follows:

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | US$ | KHR'000 (Note 5) | % | US$ | KHR'000 (Note 5) | % |
| Profit/(Loss) before income tax | 1,465,845 | 5,939,604 | | (1,049,459) | (4,245,062) | |
| Income tax using statutory rate at 20% | 293,169 | 1,187,921 | 20% | (209,892) | (849,013) | 20% |
| Non-deductible expenses | 33,469 | 135,616 | 2% | 34,732 | 140,491 | -3% |
| **Income tax expense/(credit)** | **326,638** | **1,323,537** | **22%** | **(175,160)** | **(708,522)** | **17%** |

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

## 20. Share capital

| | 31 December 2019 | | | 31 December 2018 | | |
|---|---|---|---|---|---|---|
| | % of ownership | Number of shares | Amount US$ | % of ownership | Number of shares | Amount US$ |
| Asia Investment and Financial Services Sole Co., Ltd. | 60% | 45,000,000 | 45,000,000 | 60% | 45,000,000 | 45,000,000 |
| Paradise Investment Co., Ltd. | 15% | 11,250,000 | 11,250,000 | 15% | 11,250,000 | 11,250,000 |
| PrimeStreet Advisory Co., Ltd. | 25% | 18,750,000 | 18,750,000 | 25% | 18,750,000 | 18,750,000 |
| | 100% | 75,000,000 | 75,000,000 | 100% | 75,000,000 | 75,000,000 |
| **(KHR'000 equivalents - Note 5)** | | | **300,000,000** | | | **300,000,000** |

The total authorised number of shares is 75,000,000 (2018: 75,000,000) shares with par value of US$1 per share. All shares are issued and fully paid.

## 21. Interest income

| | 2019 | 2018 | 2019 | 2018 |
|---|---|---|---|---|
| | US$ | US$ | KHR'000 (Note 5) | KHR'000 (Note 5) |
| Loans and advances | 3,546,167 | 273,984 | 14,369,069 | 1,108,265 |
| Other investment | 1,368,750 | 258,250 | 5,546,175 | 1,044,621 |
| Placements with the NBC | 47,195 | 23,628 | 191,234 | 95,575 |
| Placements with other banks | 277,356 | 2,547 | 1,123,846 | 10,303 |
| | **5,239,468** | **558,409** | **21,230,324** | **2,258,764** |

## 22. Interest expense

| | 2019 | 2018 | 2019 | 2018 |
|---|---|---|---|---|
| | US$ | US$ | KHR'000 (Note 5) | KHR'000 (Note 5) |
| Saving deposits | 214,966 | 8,730 | 871,042 | 35,313 |
| Fixed and demand deposits | 556,811 | 596 | 2,256,198 | 2,411 |
| Lease liabilities | 48,208 | 15,098 | 195,339 | 61,071 |
| | **819,985** | **24,424** | **3,322,579** | **98,795** |

## 23. Net fee and commission income

| | 2019 | 2018 | 2019 | 2018 |
|---|---|---|---|---|
| | US$ | US$ | KHR'000 (Note 5) | KHR'000 (Note 5) |
| Inward and outward remittance | 54,662 | 515 | 221,490 | 2,083 |
| Other fees | 213,182 | 2,267 | 863,814 | 9,170 |
| | **267,844** | **2,782** | **1,085,304** | **11,253** |

## 24. Other income

| | 2019 | 2018 | 2019 | 2018 |
|---|---|---|---|---|
| | US$ | US$ | KHR'000 (Note 5) | KHR'000 (Note 5) |
| **Foreign exchange currency gain** | **40,876** | **836** | **165,630** | **3,382** |

## 25. Personnel expenses

| | 2019 | 2018 | 2019 | 2018 |
|---|---|---|---|---|
| | US$ | US$ | KHR'000 (Note 5) | KHR'000 (Note 5) |
| Salaries and wages | 784,278 | 277,208 | 3,177,894 | 1,121,306 |
| Fringe benefits | 1,733 | - | 7,022 | - |
| Other benefits | 7,144 | 5,627 | 28,948 | 22,762 |
| | **793,155** | **282,835** | **3,213,864** | **1,144,068** |

## 26. Depreciation and amortisation

| | 2019 | 2018 | 2019 | 2018 |
|---|---|---|---|---|
| | US$ | US$ | KHR'000 (Note 5) | KHR'000 (Note 5) |
| Depreciation | 216,178 | 59,727 | 875,953 | 241,596 |
| Amortisation | 309,773 | 19,225 | 1,255,200 | 77,765 |
| Depreciation – right-of-used assets | 130,935 | 58,159 | 530,549 | 235,253 |
| | **656,886** | **137,111** | **2,661,702** | **554,614** |

# 27. Other operating expenses

| | 2019 | 2018 | 2019 | 2018 |
|---|---|---|---|---|
| | US$ | US$ | KHR'000 (Note 5) | KHR'000 (Note 5) |
| Professional fees | 1,047,361 | 522,850 | 4,243,907 | 2,114,928 |
| Other tax expenses | 196,649 | 169,877 | 796,822 | 687,152 |
| Repairs and maintenance | 56,970 | 11,039 | 230,842 | 44,653 |
| License fees | 48,383 | 19,043 | 196,048 | 77,029 |
| Utilities expenses | 30,379 | 15,656 | 123,096 | 63,329 |
| Office supplies | 18,288 | 17,506 | 74,103 | 70,812 |
| Office rental | 13,522 | 19,397 | 54,791 | 78,461 |
| Public relations, marketing and advertising | 13,206 | 77,519 | 53,511 | 313,564 |
| Insurance expense | 12,022 | 4,230 | 48,713 | 17,110 |
| Travelling and entertainment | 8,940 | - | 36,225 | - |
| Communication | 10,452 | 1,158 | 42,352 | 4,684 |
| Other expenses | 271,709 | 130,777 | 1,100,964 | 528,993 |
| | **1,727,881** | **989,052** | **7,001,374** | **4,000,715** |

# 28. Taxation contingencies

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

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

# 29. Related parties

## A. Identity of related parties

The related parties of, and their relationship with the Bank are as follows:

| Relationship | Related party |
|---|---|
| Immediate parent entity | Refer to Note 20 |
| Related entities | Entities under common ultimate parent company |
| Key management personnel | All directors of the Bank who make critical decisions in relation to the strategic direction of the Bank and senior management staff (including their close family members) |

### B. Loans and advances to related parties

| | 31 December | | 31 December | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | US$ | US$ | KHR'000 (Note 5) | KHR'000 (Note 5) |
| **Loans** | **15,432,417** | **-** | **62,887,099** | **-** |

### C. Deposits from other banks

| | 31 December | | 31 December | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | US$ | US$ | KHR'000 (Note 5) | KHR'000 (Note 5) |
| **Deposits** | **311,923** | **1,224,100** | **1,271,086** | **4,918,434** |

### D. Key management remuneration

| | 31 December | | 31 December | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | US$ | US$ | KHR'000 (Note 5) | KHR'000 (Note 5) |
| **Salaries and benefits** | **226,086** | **153,791** | **916,102** | **622,085** |

## 30. Financial risk management

### A. Introduction and overview

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

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

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

### *Risk management functional and governance structure*

The Bank's Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework and responsible for approving and monitoring Bank's risk management policies.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Bank's activities. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

## B. Credit risk

'Credit risk' is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers and other banks, and investment debt securities. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure – e.g. individual obligor default risk, country and sector risk.

Credit risk is the potential loss of revenue and principal losses arising mainly from loans and advances and loan commitments as a result of default by the borrowers or counterparties through its lending activities.

#### (i). Management of credit risk

The Board of Directors created the Bank Credit Committee for the oversight of credit risk. A separate Bank Credit department, reporting to the Bank Credit Committee, is responsible for managing the Bank's credit risk, including the following.

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to business unit Credit Officers. Larger facilities require approval by Bank Credit, the Head of Bank Credit, the Bank Credit Committee or the Board of Directors, as appropriate.
- Reviewing and assessing credit risk: Bank Credit assesses all credit exposures in excess of designated limits, before facilities are committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.
- Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances, financial guarantees and similar exposures), and by issuer, credit rating band, market liquidity and country (for investment securities).
- Developing and maintaining the Bank's risk gradings to categorise exposures according to the degree of risk of default. The current risk grading framework consists of 5 grades reflecting varying degrees of risk of default. The responsibility for setting risk grades lies with the final approving executive or committee, as appropriate. Risk grades are subject to regular reviews by Bank Risk.
- Developing and maintaining the Bank's processes for measuring ECL: This includes processes for:
  - initial approval, regular validation and back-testing of the models used;
  - determining and monitoring significant increase in credit risk; and incorporation of forward-looking information.
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports on the credit quality of local portfolios are provided to Bank Credit, which may require appropriate corrective action to be taken. These include reports containing estimates of ECL allowances.
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Bank in the management of credit risk.

Each business unit is required to implement Bank credit policies and procedures, with credit approval authorities delegated from the Bank Credit Committee. Each business unit has a Head of Credit who reports on all credit-related matters to local management and the Bank Credit Committee. Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to central approval.

Regular audits of business units and Bank Credit processes are undertaken by Internal Audit.

### (ii). Concentration of risk

The Board of Directors created the Bank Credit Committee for the oversight of credit risk. A separate Bank Credit department, reporting to the Bank Credit Committee, is responsible for managing the Bank's credit risk, including the following.

The following table presents the Bank's maximum exposure to credit risk of on-balance sheet and off-balance sheet financial instruments, without taking into account of any collateral held or other credit enhancements. For on-balance sheet assets, the exposure to credit risk equals their carrying amount. For contingent liabilities, the maximum exposure to credit risk is the maximum amount that the Bank would have to pay if the obligations of the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers.

**Type of credit exposure**

| | Maximum credit exposure | Maximum credit exposure | Fully subject to collateral/credit enhancement | Partially subject to collateral/ credit enhancement | Unsecured and not subject to collateral/credit enhancement |
|---|---|---|---|---|---|
| | US$ | KHR'000 (Note 5) | % | % | % |
| **31 December 2019** | | | | | |
| **On-statement of financial position items** | | | | | |
| Cash and cash equivalents – gross | 61,316,386 | 249,864,273 | - | - | 100% |
| Placements with other banks – gross | 18,058,081 | 73,586,680 | - | - | 100% |
| Loans and advances to customers – gross | 67,770,609 | 276,165,232 | 74% | - | 26% |
| Other investments – gross | 22,527,783 | 91,800,716 | - | - | 100% |
| **Total** | **169,672,859** | **691,416,901** | | | |
| **Off-statement of financial position items** | | | | | |
| Contingent liabilities | 901,775 | 3,674,733 | 69% | - | 31% |
| Commitments | 2,606,046 | 10,619,637 | 62% | - | 38% |
| **Total** | **3,507,821** | **14,294,370** | | | |

| | Maximum credit exposure | Maximum credit exposure | Fully subject to collateral/credit enhancement | Partially subject to collateral/ credit enhancement | Unsecured and not subject to collateral/credit enhancement |
|---|---|---|---|---|---|
| | US$ | KHR'000 (Note 5) | % | % | % |
| **31 December 2018** | | | | | |
| **On statement of financial position items** | | | | | |
| Cash and cash equivalents – gross | 22,202,346 | 89,209,026 | - | - | 100% |
| Loans and advances to customers – gross | 36,108,399 | 145,083,547 | 99.9% | - | 0.01% |
| Other investments – gross | 22,578,250 | 90,719,409 | - | - | 100% |
| **Total** | **80,888,995** | **325,011,982** | | | |
| **Off statement of financial position items** | | | | | |
| Contingent liabilities | 17,096 | 68,692 | - | - | 100% |
| **Total** | **17,096** | **68,692** | | | |

**Concentration risk by industrial sectors**

| **31 December 2019** | Cash and cash equivalents – gross | Placements with other banks - gross | Loans and advances to customers-gross | Other investments –gross | Total |
|---|---|---|---|---|---|
| | US$ | US$ | US$ | US$ | US$ |
| Information media and telecommunications | - | - | 14,006,189 | - | 14,006,189 |
| Trading | - | - | 46,260 | - | 46,260 |
| Real estate | - | - | 31,397,481 | - | 31,397,481 |
| Financial institutions | 61,316,386 | 18,058,081 | - | - | 79,374,467 |
| Staff loans | - | - | 550,601 | - | 550,601 |
| Others | - | - | 21,770,078 | 22,527,783 | 44,297,861 |
| Total | 61,316,386 | 18,058,081 | 67,770,609 | 22,527,783 | 169,672,859 |
| **Total (KHR'000 – Note 5)** | **249,864,273** | **73,586,680** | **276,165,232** | **91,800,716** | **691,416,901** |
| **31 December 2018** | | | | | |
| Information media and telecommunications | - | - | 14,043,828 | - | 14,043,828 |
| Trading | - | - | 49,999 | - | 49,999 |
| Real estate | - | - | 22,014,572 | - | 22,014,572 |
| Financial institutions | 22,202,346 | - | - | - | 22,202,346 |
| Others | - | - | - | 22,578,250 | 22,578,250 |
| Total | 22,202,346 | - | 36,108,399 | 22,578,250 | 80,888,995 |
| **Total (KHR'000 – Note 5)** | **89,209,026** | **-** | **145,083,547** | **90,719,409** | **325,011,982** |

Concentration risk of gross loans and advances to customers by residency and relationship, and large-exposures:

| | 31 December | | 31 December | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | US$ | US$ | KHR'000 (Note 5) | KHR'000 (Note 5) |
| **By residency status:** | | | | |
| Residents | **67,770,609** | **36,108,399** | **276,165,232** | **145,083,547** |
| **By relationship:** | | | | |
| External customers | 51,787,591 | 36,108,399 | 211,034,434 | 145,083,547 |
| Staff loans | 550,601 | - | 2,243,699 | - |
| Related Parties | 15,432,417 | - | 62,887,099 | - |
| | **67,770,609** | **36,108,399** | **276,165,232** | **145,083,547** |
| **By exposure:** | | | | |
| Large exposures (*) | 49,088,877 | 28,053,162 | 200,037,174 | 112,717,605 |
| Non-large exposures | 18,681,732 | 8,055,237 | 76,128,058 | 32,365,942 |
| | **67,770,609** | **36,108,399** | **276,165,232** | **145,083,547** |

(*) A "large exposure" is defined under the NBC's Prakas as the overall gross exposure of the aggregate balance of loans and advances with one single beneficiary, which exceeds 10% of the Bank's net worth. The exposure is the higher of the outstanding loans or commitments and the authorised loans or commitments.

### (iii). Collateral

Whilst the Bank's maximum exposure to credit risk is the carrying amount of the assets or, in the case of off-balance sheet instruments, the amount guaranteed, committed, accepted or endorsed, the likely exposure may be lower due to offsetting collateral, credit guarantees and other actions taken to mitigate the Bank's exposure.

The description of collateral for each class of financial asset is set out below.

#### Cash and cash equivalents, placements with other banks and other investment

Collateral is generally not sought for these assets.

#### Loans and advances to customers, contingent liabilities and commitments

Certain loans and advances to customers, contingent liabilities and commitments are typically collateralised to a substantial extent. In particular, residential mortgage exposures are generally fully secured by residential properties.

The table below summarises the Bank's security coverage of its financial assets:

| | Collateral/Credit enhancement | | | | | |
|---|---|---|---|---|---|---|
| | Properties | Floating assets | Fixed deposits | Others | Unsecured credit exposure | Total |
| | US$ | US$ | US$ | US$ | US$ | US$ |
| **31 December 2019** | | | | | | |
| Loan and advances to customers - gross | 50,435,194 | - | - | - | 17,335,415 | 67,770,609 |
| Contingent liabilities | 620,000 | - | - | - | 281,775 | 901,775 |
| Commitments | 1,606,046 | - | - | - | 1,000,000 | 2,606,046 |
| | 52,661,240 | - | - | - | 18,617,190 | 71,278,430 |
| **KHR'000 (Note 5)** | **214,594,553** | **-** | **-** | **-** | **75,865,049** | **290,459,602** |
| **31 December 2018** | | | | | | |
| Loan and advances to customers - gross | 36,058,400 | - | - | - | 49,999 | 36,108,399 |
| Contingent liabilities | - | - | - | - | 17,096 | 17,096 |
| | 36,058,400 | - | - | - | 67,095 | 36,125,495 |
| **KHR'000 (Note 5)** | **144,882,651** | **-** | **-** | **-** | **269,588** | **145,152,239** |

### (iv). Credit quality of gross loans and advances to customers

Pursuant to the NBC guideline Prakas B7-017-344, it has defined each credit grading according to its credit quality as follows:

**Normal:**

Outstanding facility is repaid on timely manner and is not in doubt for the future repayment. Repayment is steadily made according with the contractual terms and the facility does not exhibit any potential weakness in repayment capability, business, cash flow and financial position of the counterparty.

**Special mention:**

A facility in this class is currently protected and may not be past due but it exhibits potential weaknesses that may adversely affect repayment of the counterparty at the future date, if not corrected in a timely manner, and close attention by the Institution.

Weaknesses include but are not limited to a declining trend in the business operations of the counterparty or in its financial position, and adverse economic and market conditions that all might affect its profitability and its future repayment capacity, or deteriorating conditions on the collateral. This class has clearly its own rational and should not be used as a compromise between Normal and Substandard.

**Substandard:**

A facility ranked in this class exhibits noticeable weakness and is not adequately protected by the current business or financial position and repayment capacity of the counterparty. In essence, the primary source of repayment is not sufficient to service the debt, not taking into account the income from secondary sources such as the realization of the collateral.

Factors leading to a substandard classification include:

- Inability of the counterparty to meet the contractual repayments' terms,
- Unfavourable economic and market conditions that would adversely affect the business and profitability of the counterparty in the future,
- Weakened financial condition and/or inability of the counterparty to generate enough cash flow to service the payments,
- Difficulties experienced by the counterparty in repaying other facilities granted by the Institution or by other institutions when the information is available, and
- Breach of financial covenants by the counterparty.

***Doubtful:***

A facility classified in this category exhibits more severe weaknesses than one classified Substandard such that its full collection on the basis of existing facts, conditions or collateral value is highly questionable or improbable. The prospect of loss is high, even if the exact amount remains undetermined for now.

**Loss:**

A facility is classified Loss when it is not collectable, and little or nothing can be done to recover the outstanding amount from the counterparty.

**Recognition of ECL**

The Bank apply a three-stage approach based on the change in credit quality since initial recognition:

| | **Stage 1** | **Stage 2** | **Stage 3** |
|---|---|---|---|
| **3-Stage approach** | **Performing** | **Underperforming** | **Nonperforming** |
| Recognition of expected credit losses | 12 months expected credit losses | Lifetime expected credit losses | Lifetime expected credit losses |
| Criterion | No significant increase in credit risk | Credit risk increased significantly | Credit impaired assets |
| Basic of calculation of profit revenue | On gross carrying amount | On gross carrying amount | On net carrying amount |

The Bank will measure ECL by using the general approach. The general approach consists of segregating the customers into three different stages according to the staging criteria by assessing the credit risk. 12-month ECL will be computed for stage 1, while lifetime ECL will be computed for stage 2 and stage 3. At each reporting date, the Bank will assess credit risk of each account as compared to the risk level at origination date.

**Long-term facilities (more than one year)**

| Stages | Credit Risk Status | Grades | DPD | Default Indicator |
|---|---|---|---|---|
| 1 | No significant increase in credit risk | Normal | $0 \leq DPD < 30$ | Performing |
| 2 | Credit risk increased significantly | Special Mention | $30 \leq DPD < 90$ | Underperforming |
| 3 | Credit impaired assets | Substandard | $90 \leq DPD < 180$ | Nonperforming |
| | | Doubtful | $180 \leq DPD < 360$ | |
| | | Loss | $DPD \geq 360$ | |

**Short-term facilities (one year or less)**

| Stages | Credit Risk Status | Grades | DPD | Default Indicator |
|---|---|---|---|---|
| 1 | No significant increase in credit risk | Normal | 0 ≤ DPD ≤ 14 | Performing |
| 2 | Credit risk increased significantly | Special Mention | 15 ≤ DPD ≤ 30 | Underperforming |
| 3 | Credit impaired assets | Substandard | 31 ≤ DPD ≤ 60 | Nonperforming |
| | | Doubtful | 61 ≤ DPD ≤ 90 | |
| | | Loss | DPD ≥ 91 | |

The Bank will use the day past due (DPD) information and NBC's classification for staging criteria. Also, the Bank will incorporate credit scoring or more forward looking elements in the future when information is more readily available. Upon the implementation of credit scoring system, it the risk level drops by two or more notches as compared to the risk level at origination, the accounts have to be classified under stage 2.

As for financial assets that are short term in nature, simplified approach will be adopted where no staging criteria is required. In this case, it will be either performing (stage1) or non-performing.

The table below summarises the credit quality of the Bank's gross financing according to the above classifications.

| | 31 December 2019 | | | |
|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| | US$ | US$ | US$ | US$ |
| **Loans and advances to customers at amortised cost** | | | | |
| Normal | 67,770,609 | - | - | 67,770,609 |
| Special Mention | - | - | - | - |
| Substandard | - | - | - | - |
| Doubtful | - | - | - | - |
| | 67,770,609 | - | - | 67,770,609 |
| Impairment allowance | (59,583) | | | (59,583) |
| **Carrying amount** | **67,711,026** | **-** | **-** | **67,711,026** |
| **Carrying amount (KHR'000 – Note 5)** | **275,922,431** | **-** | **-** | **275,922,431** |

| | 31 December 2018 | | | |
|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| | US$ | US$ | US$ | US$ |
| **Loans and advances to customers at amortised cost** | | | | |
| Normal | 36,108,399 | - | - | 36,108,399 |
| Special Mention | - | - | - | - |
| Substandard | - | - | - | - |
| Doubtful | - | - | - | - |
| | 36,108,399 | - | - | 36,108,399 |
| Loss allowance | (35,842) | | | (35,842) |
| **Carrying amount** | **36,072,557** | **-** | **-** | **36,072,557** |
| **Carrying amount (KHR'000 – Note 5)** | **144,939,534** | **-** | **-** | **144,939,534** |

**Incorporation of forward-looking information**

The Bank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

External information considered includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Company operates, supranational organisations such as the World Bank, International Monetary Fund, and selected private-sector and academic forecasters.

The Company has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments in accordance with each country and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

### (v). Amounts arising from ECL

**Loss allowance**

The following tables show reconciliation from the opening to the closing balance of the loss allowance by class of financial instrument.

| | 2019 | | | |
|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| | US$ | US$ | US$ | US$ |
| **Loans and advances to customers at amortised cost** | | | | |
| At 1 January | 35,842 | - | - | 35,842 |
| New financial assets originated | 23,741 | - | - | 23,741 |
| At 31 December | 59,583 | - | - | 59,583 |
| At 31 December (KHR'000 – Note 5) | 242,801 | - | - | 242,801 |

| | 2018 | | | |
|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| | US$ | US$ | US$ | US$ |
| **Loans and advances to customers at amortised cost** | | | | |
| At 1 January | - | - | - | - |
| New financial assets originated | 35,842 | - | - | 35,842 |
| At 31 December | 35,842 | - | - | 35,842 |
| At 31 December (KHR'000 – Note 5) | 144,013 | - | - | 144,013 |

## C. Market risk

Market risk is the risk that changes in market prices – e.g. interest rates, foreign exchange rates and equity prices – will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

### (i). Interest rate risk

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

The table below summarises the Bank's exposure to interest rate risk. The table indicates the periods in which the financial instruments reprice or mature, whichever is earlier.

| As at 31 December 2019 | Up to 1 month | > 1-3 months | > 3-6 months | > 6-12 months | > 1 to 5 years | Over 5 years | Non-interest bearing | Total | Interest rate |
|---|---|---|---|---|---|---|---|---|---|
| | US$ | US$ | US$ | US$ | US$ | US$ | US$ | US$ | % |
| **Financial assets** | | | | | | | | | |
| Cash and cash equivalents – gross | 61,316,386 | - | - | - | - | - | - | 61,316,386 | 1% |
| Placements with other banks – gross | - | - | 18,058,081 | - | - | - | - | 18,058,081 | 2%-4% |
| Loans and advances to customers – gross | 7,000,000 | 1,009,806 | 3,088,733 | 17,642,556 | 21,194,894 | 499,205 | 17,335,415 | 67,770,609 | 6%-12% |
| Other investment - gross | - | - | - | 22,527,783 | - | - | - | 22,527,783 | 6% |
| | 68,316,386 | 1,009,806 | 21,146,814 | 40,170,339 | 21,194,894 | 499,205 | 17,335,415 | 169,672,859 | |
| **Financial liabilities** | | | | | | | | | |
| Deposits from customers | 42,323,165 | 15,862,964 | 731,068 | 12,073,953 | 1,685,623 | - | 47,238,097 | 119,914,870 | 2%-5.75% |
| Deposits from other banks | - | - | - | - | - | - | 321,843 | 321,843 | - |

| As at 31 December 2019 | Up to 1 month | > 1-3 months | > 3-6 months | > 6-12 months | > 1 to 5 years | Over 5 years | Non-interest bearing | Total | Interest rate |
|---|---|---|---|---|---|---|---|---|---|
| | US$ | US$ | US$ | US$ | US$ | US$ | US$ | US$ | % |
| Lease liabilities | - | - | - | 155,138 | 1,566,332 | - | - | 1,721,470 | 6% |
| Other liabilities | 513,885 | - | - | - | - | - | - | 513,885 | - |
| | 42,837,050 | 15,862,964 | 731,068 | 12,229,091 | 3,251,955 | - | 47,559,940 | 122,472,068 | |
| **Interest sensitivity gap** | **25,479,336** | **(14,853,158)** | **20,415,746** | **27,941,248** | **17,942,939** | **499,205** | **(30,224,525)** | **47,200,791** | |
| **(KHR'000 equivalents -Note 5)** | **103,828,294** | **(60,526,619)** | **83,194,165** | **113,860,586** | **73,117,476** | **2,034,260** | **(123,164,939)** | **192,343,223** | |

The table below summarises the Bank's exposure to interest rate risks which includes assets and liabilities at carrying amounts.

| As at 31 December 2018 | Up to 1 month | > 1-3 months | > 3-6 months | > 6-12 months | > 1 to 5 years | Over 5 years | Non-interest bearing | Total | Interest rate |
|---|---|---|---|---|---|---|---|---|---|
| | US$ | US$ | US$ | US$ | US$ | US$ | US$ | US$ | % |
| **Financial assets** | | | | | | | | | |
| Cash and cash equivalents – gross | 22,202,346 | - | - | - | - | - | - | 22,202,346 | 1% |
| Loans and advances to customers – gross | - | - | - | 15,076,899 | 21,031,500 | - | - | 36,108,399 | 6%-8% |
| Other investment - gross | 22,578,250 | - | - | - | - | - | - | 22,578,250 | 6% |
| | 44,780,596 | - | - | 15,076,899 | 21,031,500 | - | - | 80,888,995 | |
| **Financial liabilities** | | | | | | | | | |
| Deposits from customers | 14,649,610 | 90,180 | 245,138 | 150,772 | 50,000 | - | 1,563,954 | 16,749,654 | 1%-6.5% |
| Deposits from other banks | - | - | - | - | - | - | 1,224,100 | 1,224,100 | - |
| Lease liabilities | - | - | - | 81,315 | 266,962 | - | - | 348,277 | 6% |
| Other liabilities | 112,017 | - | - | - | - | - | - | 112,017 | - |
| | 14,761,627 | 90,180 | 245,138 | 232,087 | 316,962 | - | 2,788,054 | 18,434,048 | |
| **Interest sensitivity gap** | **30,018,969** | **(90,180)** | **(245,138)** | **14,844,812** | **20,714,538** | **-** | **(2,788,054)** | **62,454,947** | |
| **(KHR'000 equivalents - Note 5)** | **120,616,217** | **(362,343)** | **(984,964)** | **59,646,454** | **83,231,014** | **-** | **(11,202,401)** | **250,943,977** | |

### (ii). Foreign currency exchange risk

Foreign currency exchange risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

**Concentration of currency risk**

The amounts of financial assets and liabilities, by currency denomination, are as follows:

| | Denomination US$ equivalents | | | |
|---|---|---|---|---|
| **31 December 2019** | KHR | US$ | Others | Total |
| **Financial assets** | | | | |
| Cash and cash equivalents – gross | 80,801 | 61,102,037 | 133,548 | 61,316,386 |
| Placements with other banks – gross | - | 18,058,081 | - | 18,058,081 |
| Loans and advances to customers – gross | - | 67,770,609 | - | 67,770,609 |
| Other Investment – gross | - | 22,527,783 | - | 22,527,783 |
| | 80,801 | 169,458,510 | 133,548 | 169,672,859 |
| **Financial liabilities** | | | | |
| Deposits from customers | 37,488 | 119,877,382 | - | 119,914,870 |
| Deposits from other banks | - | 321,843 | - | 321,843 |
| Lease liabilities | - | 1,721,470 | - | 1,721,470 |
| Other liabilities | - | 513,885 | - | 513,885 |
| | 37,488 | 122,434,580 | - | 122,472,068 |
| **Net asset position** | 43,313 | 47,023,930 | 133,548 | 47,200,791 |
| **KHR'000 equivalents (Note 5)** | **176,500** | **191,622,515** | **544,208** | **192,343,223** |

| | Denomination US$ equivalents | | |
|---|---|---|---|
| **31 December 2018** | KHR | US$ | Total |
| **Financial assets** | | | |
| Cash and cash equivalents – gross | 16,978,098 | 5,224,248 | 22,202,346 |
| Loans and advances to customers – gross | - | 36,108,399 | 36,108,399 |
| Other investments – gross | - | 22,578,250 | 22,578,250 |
| | 16,978,098 | 63,910,897 | 80,888,995 |
| **Financial liabilities** | | | |
| Deposits from customers | 291 | 16,749,363 | 16,749,654 |
| Deposits from other banks | - | 1,224,100 | 1,224,100 |
| Lease liabilities | - | 348,277 | 348,277 |
| Other liabilities | - | 112,017 | 112,017 |
| | 291 | 18,433,757 | 18,434,048 |
| **Net asset position** | 16,977,807 | 45,477,140 | 62,454,947 |
| **KHR'000 equivalents (Note 5)** | 68,216,829 | 182,727,148 | 250,943,977 |

**Sensitivity analysis**

Considering that other risk variables remain constant, the foreign currency revaluation sensitivity for the Bank as at reporting date is summarised as follows (only exposures in currencies that accounts for more than 5 percent of the net open positions are shown in its specific currency in the table below. For other currencies, these exposures are grouped as 'Others'):

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | - 1% Depreciation | + 1% Appreciation | - 1% Depreciation | + 1% Appreciation |
| | US$ | US$ | US$ | US$ |
| KHR | (449) | 449 | (169,778) | 169,778 |
| Others | (1,335) | 1,335 | - | - |
| | (1,784) | 1,784 | (169,778) | 169,778 |
| **KHR'000 – Note 5** | **(7,270)** | **7,270** | **(682,168)** | **682,168** |

## D. Liquidity risk

'Liquidity risk' is the risk that the Bank will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises from mismatches in the timing and amounts of cash flows, which is inherent to the Bank's operations and investments.

### Management of liquidity risk

The Bank manages its liquidity through its Asset Liability Management Committee which is responsible for establishing the liquidity policy as well as monitoring liquidity on an ongoing basis. A Minimum Liquid Asset requirement has been established to ensure that the ratio of liquid assets to qualifying liabilities is subject to a minimum threshold at all times.

The table below summarises the Bank's assets and liabilities based on remaining contractual maturities. The expected cash flows of these assets and liabilities could vary significantly from what is shown in the table. For example, deposits from customers are not all expected to be withdrawn immediately.

| **As at 31 December 2019** | **Up to 1 month** | **> 1-3 months** | **> 3-6 months** | **> 6-12 months** | **> 1 to 5 months** | **Over 5 years** | **Non-interest bearing** | **Total** |
|---|---|---|---|---|---|---|---|---|
| | US$ | US$ | US$ | US$ | US$ | US$ | US$ | US$ |
| **Financial liabilities** | | | | | | | | |
| Deposits from customers | 42,323,165 | 15,862,964 | 731,068 | 12,073,953 | 1,685,623 | - | 47,238,097 | 119,914,870 |
| Deposits from other banks | - | - | - | - | - | - | 321,843 | 321,843 |
| Lease liabilities - undiscounted | 18,333 | 42,902 | 64,353 | 128,705 | 2,218,545 | - | - | 2,472,838 |
| Other liabilities | - | - | - | - | - | - | 513,885 | 513,885 |
| | 42,341,498 | 15,905,866 | 795,421 | 12,202,658 | 3,904,168 | - | 48,073,825 | 123,223,436 |
| **(KHR'000 equivalents - Note 5)** | **172,541,604** | **64,816,404** | **3,241,341** | **49,725,831** | **15,909,485** | **-** | **195,900,837** | **502,135,502** |

| As at 31 December 2018 | Up to 1 month | > 1-3 months | > 3-6 months | > 6-12 months | > 1 to 5 months | Over 5 years | Non-interest bearing | Total |
|---|---|---|---|---|---|---|---|---|
| | US$ | US$ | US$ | US$ | US$ | US$ | US$ | US$ |
| **Financial liabilities** | | | | | | | | |
| Deposits from customers | 14,649,610 | 90,180 | 245,138 | 150,772 | 50,000 | - | 1,563,954 | 16,749,654 |
| Deposits from other banks | - | - | - | - | - | - | 1,224,100 | 1,224,100 |
| Lease liabilities - undiscounted | 8,333 | 16,667 | 25,000 | 50,000 | 291,667 | - | - | 391,667 |
| Other liabilities | - | - | - | - | - | - | 112,017 | 112,017 |
| | 14,657,943 | 106,847 | 270,138 | 200,772 | 341,667 | - | 2,900,071 | 18,577,438 |
| **(KHR'000 equivalents - Note 5)** | **58,895,616** | **429,311** | **1,085,414** | **806,702** | **1,372,818** | **-** | **11,652,485** | **74,242,346** |

## E. Operational risk

The operational risk is the risk of losses arising from inadequate or failed internal processes, people or systems or from external factors. This risk is managed through established operational risk management processes, proper monitoring and reporting of the business activities by control and oversight provided by the senior Management. This includes legal, compliance, accounting and fraud risk.

The operational risk management entails the establishment of clear organizational structures, roles and control policies. Various internal control policies and measures have been implemented. These include the establishment of signing authorities, defining system parameters controls, streaming procedures and documentation ensuring compliance with regulatory and legal requirements. These are reviewed continually to address the operational risks of its banking business.

## F. Capital management

### (i). Regulatory capital

The Bank's objectives when managing capital, which is a broader concept than the "equity" on the face of the statement of financial position, are:

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

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

### (ii). Capital allocation

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

## 31. Fair values 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 Group's and the Bank's financial instruments such as cash and short-term funds, balances with Prakash, deposits and placements with other banks, deposits from customers and banks, 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 fair values are based on the following methodologies and assumptions::

### (i). Cash at banks

The fair values of balances with other banks with maturity of less than one year approximate their carrying amounts.

### (ii). Loans and advances to customers and other investment

For fixed rate loans with remaining period to maturity of less than one year, the carrying amounts are generally reasonable estimates of their fair values.

For fixed rate loans and other investment with remaining period to maturity of one year and above, fair values are estimated by discounting the estimated future cash flows using the prevailing market rates of loans with similar credit risks and maturities.

### (iii). Deposits from other banks and customers

The fair values of deposits payable on demand (current and savings accounts), or deposits with remaining maturity of less than one year are estimated to approximate their carrying amounts. The fair values of deposits with remaining maturity of more than one year are estimated based on discounted cash flows using prevailing market rates for similar deposits from other banks and customers.

### (iv). Other financial assets and liabilities

The carrying amounts of other financial assets and liabilities are assumed to approximate their fair values as these items are not materially sensitive to the shift in market interest rates.

### 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.

The Bank's financial assets and liability classified as fair value level 3 are not measured at fair value. As verifiable market prices are not available, market prices are not available for a significant proportion of the Bank's financial assets and liabilities, the fair values, therefore, have been based on management assumptions according to the profile of the asset and liability base. In the opinion of the management, the carrying amounts of the financial assets and liabilities included in the balance sheet are a reasonable estimation of their fair values.

# 32. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening CIFRSs statement of financial position at 1 January 2018 for the purposes of the transition to, unless otherwise indicated.

## A. Basis of measurement

The financial statements have been prepared on a historical cost.

## B. Foreign currency

Transactions in foreign currencies are translated into the functional currency which is US$ at the spot exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into US$ at the spot exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in US$ at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into US$ at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

## C. Financial assets and financial liabilities

### (i). Recognition and initial measurement

The Bank initially recognises loans and advances, borrowings and subordinated liabilities on the date on which they are originated. All other financial the date on which the Bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

### (ii). Classification and subsequent measurement

**Financial assets - classification**

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

*All other financial assets are classified as measured at FVTPL*

In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

**Financial assets - business model assessment**

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

**Financial assets - assessment of whether contractual cash flows are solely payments of principal and interest**

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making the assessment, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

**Financial assets - non-recourse loans**

In some cases, loans made by the Bank that are secured by collateral of the borrower limit the Bank's claim to cash flows of the underlying collateral (non-recourse loans). The Bank applies judgment in assessing whether the non-recourse loans meet the SPPI criterion. The Bank typically considers the following information when making this judgement:

- whether the contractual arrangement specifically defines the amounts and dates of the cash payments of the loan;
- the fair value of the collateral relative to the amount of the secured financial asset;
- the ability and willingness of the borrower to make contractual payments, notwithstanding a decline in the value of collateral;
- whether the borrower is an individual or a substantive operating entity or is a special-purpose entity;
- the Bank's risk of loss on the asset relative to a full-recourse loan;
- the extent to which the collateral represents all or a substantial portion of the borrower's assets; and
- whether the Bank will benefit from any upside from the underlying assets.

**Financial assets - reclassifications**

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets.

**Financial liabilities – classification, subsequent measurement and gain and losses**

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

### (iii). Derecognition

#### Financial assets

The Bank derecognises 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 derecognised) 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 and loss.

#### Financial liabilities

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

### (iv). Modifications of financial assets and financial liabilities

#### Financial assets

If the terms of a financial asset are modified, then the Bank evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised (see (iii)) and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- Fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- Other fees are included in profit and loss as part of the gain or loss on derecognition.
- If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.
- If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit and loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.
- If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

### Financial liabilities

The Bank derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit and loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit and loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

### (v). Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank has a legal right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

### (vi). 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 in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Bank determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit and loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for the particular risk exposure. Portfolio-level adjustments – e.g. bid-ask adjustment or credit risk adjustments that reflect the measurement on the basis of the net exposure – are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

### (vii). Impairment

The Bank recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments; and
- loan commitments issued.

No impairment loss is recognised on equity investments.

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'.

Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'.

At each reporting date, the Bank assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Bank is exposed to credit risk.

**Determining whether credit risk has increased significantly**

The Bank assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower, and the geographical region.

The Bank considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL.

**Definition of default**

The Bank considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held); or
- the borrower is more than or equal to 90 days past due for long-term facilities or more than or equal to 31 days past due for short-term facilities on any material obligation to the Bank; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

**Measurement of ECL**

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows; and
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive.

**Inputs, assumptions and techniques used for estimating impairment**

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default ("PD");
- Loss given default ("LGD"); and
- Exposure at default ("EAD").

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

The statistical model has been employed to analyse data collected and generate estimate of remaining lifetime PD of exposure and how these are expected to change as result of passage of time.

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, LTV ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor. EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

**Restructured financial assets**

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

**Credit-impaired financial assets**

At each reporting date, the Bank assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is overdue for 90 days or more is considered credit-impaired even when the regulatory definition of default is different.

**Presentation of allowance for ECL in the statement of financial position**

Loss allowances for ECL are presented in the statement of financial position for financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets.

**Write-off**

Loans and advances are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit and loss and OCI.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

## D. Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of the ordinary share are recognised as a deduction from equity, net of any tax effects. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument. Distributions to holders of a financial instrument classified as an equity instrument are charged directly to equity.

## E. Regulatory reserves

Regulatory reserves are set up for the variance of provision between loan impairment in accordance with CIFRSs and regulatory provision in accordance with National Bank of Cambodia's Prakas No. B7-017-344 dated 1 December 2017 and Circular No. B7-018-001 Sor Ror Chor Nor dated 16 February 2018 on credit risk classification and provision on impairment for banks and financial institutions. In accordance with Article 73, the entity is shall compare the provision calculated in accordance with Article 49 to 71 and the provision calculated in accordance with Article 72, and the record:

(i) In case that the regulatory provision calculated in accordance with Article 72 is lower than provision calculated in accordance with Article 49 to 71, the entity records the provision calculated in accordance with CIFRSs; and

(ii) In case that the regulatory provision calculated in accordance with Article 72 is higher than provision calculated in accordance with Article 49 to 71, the entity records the provision calculated in accordance with CIFRSs and transfer the difference from retained earnings or accumulated losses account into regulatory reserve in shareholders' equity.

The regulatory reserves are not an item to be included in the calculated of the Bank's net worth.

## F. Cash and cash equivalents

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.

## G. Placements with other banks

Placements with other banks are stated at amortised cost less impairment for any uncollectable amounts.

## H. Statutory deposits

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

## I. Loans and advances

'Loans and advances' captions in the statement of financial position include loans and advances measured at amortised cost; they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

## J. Other investment

Other investment are stated at amortised cost less impairment for any uncollectable amounts.

## K. Other assets

Other assets are carried at amortised cost less impairment if any.

## L. Intangible assets

Intangible assets, which comprise acquired computer software licenses and related costs, are stated at cost less accumulated amortisation and impairment loss. Acquired computer software licenses are capitalised on the basis of the cost incurred to acquire the specific software and bring it to use.

Intangible assets are amortised over their estimated useful lives 3 years using the straight-line method.

Costs associated with the development or maintenance of computer software are recognised as expenses when incurred.

## M. Property and equipment

### (i). Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

### (ii). Subsequent costs

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of property and equipment and is recognised net within “other income” and “other expenses” respectively in profit or loss.

The cost of replacing a component of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Bank, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

### (iii). Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property and equipment.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Bank will obtain ownership by the end of the lease term. Freehold land is not depreciated.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for the current period are as follows:

| | Years |
|---|---|
| Leasehold improvements | 5 - 20 |
| Furniture and fixtures | 5 |
| Office equipment | 5 |
| Computer and IT equipment | 3 |
| Motor vehicles | 5 |

Depreciation methods, useful lives and residual values are reassessed at end of the reporting period and adjusted if appropriate.

## N. 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.

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.  However, for the leases of land and buildings in which it is a lessee, the Bank has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

**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 recognises a right-of-use asset and a lease liability at the lease commencement date. 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 lives for the current period are as follows:

- Building and office branches 5 – 15 years

The lease liability is initially measured at the present value of the lease payments 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 amortised 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 Group'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 has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

## O. Borrowings

Borrowings are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at amortised cost using effective interest method.

## P. Employee benefits

### (i). Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

### (ii). Other long-term employee benefits

The Bank's net obligation in respect of long-term employee benefits is the amount of the benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit and loss in the period in which they arise.

## Q. Provisions

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

## R. Interest

### Effective interest rate

Interest income and expense are recognised in profit and loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

### Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance (or impairment allowance before 1 January 2018).

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

### Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit- impaired) or to the amortised cost of the liability.

The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date amortisation of the hedge adjustment begins.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

#### Presentation

Interest income calculated using the effective interest method presented in the statement of profit and loss and OCI includes interest on financial assets measured at amortised cost.

Interest expense presented in the statement of profit and loss and OCI includes financial liabilities measured at amortised cost.

## S. Fee and commission

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate.

Other fee and commission income – including account servicing fees is recognised as the related services are performed.

A contract with a customer that results in a recognised financial instrument in the Bank's financial statements may be partially in the scope of CIFRS 9 and partially in the scope of CIFRS 15. If this is the case, then the Bank first applies CIFRS 9 to separate and measure the part of the contract that is in the scope of CIFRS 9 and then applies CIFRS 15 to the residual.

## T. Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets, other than contract assets and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses are recognised in profit and loss.  Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.  An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.  An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## U. Income tax

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

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore has accounted for them under CIAS 37 Provisions, Contingent Liabilities and Contingent Assets and has recognised the related expenses in 'other expenses'.

### (i). Current tax

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

### (ii). Deferred tax

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

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

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Bank expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Differed tax assets and liabilities are offset only if certain criteria are met.

## V. 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 recognised 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.

### W. 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 recognised in the statements 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.

## 33. Explanation of transition to CIFRSs

### Adoption of CIFRS Framework

The Bank has adopted the Cambodian International Financial Reporting Standards ("CIFRSs") from 1 January 2019, which is consistent with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB"). These financial statements of the Bank for the year ended 31 December 2019 are the first set of financial statements prepared in accordance with CIFRSs including the application of CIFRS 1 *First-time Adoption of Cambodian International Financial Reporting Standards.*

Accordingly, the Bank have prepared financial statements which comply with CIFRSs applicable for periods ending on or after 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 32.

In preparing these financial statements, the Bank's opening statements of financial position were prepared as at 1 January 2018, being the Bank's date of transition to CIFRSs. However, as of 1 January 2018, the Bank has no any transactions yet.  Accordingly, the following explanation and principal adjustments made by the Bank in restating its statement of financial position and its previously published financial statements which were prepared in accordance with Cambodian Accounting Standards ("Cambodia GAAP") are presented for the year ended 31 December 2018.

### Optional exemptions applied

CIFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under CIFRSs. 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 CIFRSs as at the date of transition to CIFRSs.

#### 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.

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

### Mandatory exemptions

#### Estimates

The estimates at 31 December 2018 are consistent with those made for the same dates in accordance with Cambodia GAAP.  The estimates used by the Bank to present these amounts in accordance with CIFRSs reflect conditions at 31 December 2018.

### Derecognition of financial assets and financial liabilities

A first-time adopter shall apply the derecognition requirements of CIFRSs prospectively for transactions occurring on or after 1 January 2018, the date of transition to CIFRSs. However, an entity may apply the derecognition requirements of CIFRSs 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 CIFRSs prospectively for transactions occurring on or after 1 January 2018.

## Reconciliations

The reconciliations contain two columns for each period as well as the Cambodia GAAP and CIFRSs results. The "reclassification" column includes reclassification and reanalysis of amounts from their Cambodia GAAP statement of financial position lines to the appropriate CIFRSs statement of financial position lines. The "effect of transition to CIFRSs" column sets out the effects of the recognition and measurement changes required by the transition to CIFRSs. The "effect of transition to CIFRSs" columns are further analysed into the type of adjustment.

An explanation of how the transition from previous Cambodia GAAP 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.

## Reconciliation of equity

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

| | 31 December 2018 | | | | |
|---|---|---|---|---|---|
| | Note | Cambodia GAAP | Effect of transition to CIFRSs | | |
| | | | Reclassification | Remeasurement | CIFRSs |
| | | US$ | US$ | US$ | US$ |
| **ASSETS** | | | | | |
| Cash on hand | A(i) | 4,518,232 | (4,518,232) | - | - |
| Balances with the NBC | A(i) | 26,920,658 | (26,920,658) | - | - |
| Placements with other banks | A(i) | 658,056 | (658,056) | - | - |
| Cash and cash equivalents | A(i) | - | 22,195,702 | 4,948 | 22,200,650 |
| Statutory deposits | | - | 9,901,244 | - | 9,901,244 |
| Loans and advances to customers – net | A(i) | 35,689,496 | 58,402 | 324,659 | 36,072,557 |
| Other investments | | 22,275,000 | 78,248 | 90,006 | 22,443,254 |
| Intangible assets | | 119,352 | - | - | 119,352 |
| Property and equipment | | 612,119 | - | - | 612,119 |
| Right-of-use assets | B | - | - | 341,686 | 341,686 |
| Deferred tax assets – net | C | - | - | 175,160 | 175,160 |
| Other assets | | 834,035 | (136,650) | - | 697,385 |
| **Total assets** | | 91,626,948 | - | 936,459 | 92,563,407 |
| **Total assets (KHR'000 – Note 5)** | | **368,157,077** | **-** | **3,762,692** | **371,919,769** |

| | Note | Cambodia GAAP | Effect of transition to CIFRSs Reclassification | Remeasurement | CIFRSs |
|---|---|---|---|---|---|
| | | 31 December 2018 | | | |
| | | US$ | US$ | US$ | US$ |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | | | |
| **Liabilities** | | | | | |
| Deposits from customers | A(i) | 16,749,064 | - | 590 | 16,749,654 |
| Deposits from other banks | A(i) | 1,224,100 | - | - | 1,224,100 |
| Lease liabilities | B | - | - | 348,277 | 348,277 |
| Other liabilities | A(i) | 112,607 | - | (590) | 112,017 |
| Minimum tax payable | | 3,658 | - | - | 3,658 |
| Total liabilities | | 18,089,429 | - | 348,277 | 18,437,706 |
| **SHAREHOLDERS' EQUITY** | | | | | |
| Share capital | | 75,000,000 | - | - | 75,000,000 |
| Regulatory reserves | | - | - | 420,139 | 420,139 |
| Accumulated losses | | (1,462,481) | - | 168,043 | (1,294,438) |
| Total shareholders' equity | | 73,537,519 | - | 588,182 | 74,125,701 |
| **Total liabilities and total shareholders' equity** | | 91,626,948 | - | 936,459 | 92,563,407 |
| **Total liabilities and equity (KHR'000 – Note 5)** | | **368,157,077** | **-** | **3,762,692** | **371,919,769** |

**Reconciliation of statement of profit or loss and other comprehensive income for the year ended 31 December 2018**

| | Note | Cambodia GAAP | Effect of transition to CIFRSs Re-classification | Re-measurement | CIFRSs |
|---|---|---|---|---|---|
| | | US$ | US$ | US$ | US$ |
| Interest income | A(iii) | 555,862 | - | 2,547 | 558,409 |
| Interest expense | B | (9,326) | - | (15,098) | (24,424) |
| **Net interest income** | | 546,536 | - | (12,551) | 533,985 |
| Net fee and commission income | A(iii) | - | 2,782 | - | 2,782 |
| Other income | | 3,618 | (2,782) | - | 836 |
| **Total operating income** | | 550,154 | - | (12,551) | 537,603 |
| Personnel expenses | | - | (282,835) | - | (282,835) |
| Depreciation and amortisation | | - | (78,952) | (58,159) | (137,111) |
| Other operating expenses | B | (1,414,958) | 361,787 | 64,119 | (989,052) |
| Impairment losses on financial instruments | A(ii) | - | (592,147) | 419,613 | (172,534) |
| Minimum tax expense | | (5,530) | - | - | (5,530) |
| **Total operating expenses** | | (1,420,488) | (592,147) | 425,573 | (1,587,062) |

| | | Effect of transition to CIFRSs | | | |
|---|---|---|---|---|---|
| | | Cambodia GAAP | Re-classification | Re-measurement | CIFRSs |
| | Note | US$ | US$ | US$ | US$ |
| **Operating profit before impairment** | | (870,334) | (592,147) | 413,022 | (1,049,459) |
| Impairment losses on financial instruments | A(ii) | (592,147) | 592,147 | - | - |
| **Profit before income tax** | | (1,462,481) | - | 413,022 | (1,049,459) |
| Income tax expense | C | - | | 175,160 | 175,160 |
| **Net profit for the year** | | (1,462,481) | - | 588,182 | (874,299) |
| **Total comprehensive income for the year** | | **(1,462,481)** | **-** | **588,182** | **(874,299)** |

**Notes to the reconciliation**

## A. Financial assets and liabilities

CIFRS 9 Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities. 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 designation of an equity investment that is not held-for-trading as at FVOCI; and
- If a debt investment has low credit risk at 1 January 2018, the Bank had assumed that the credit risk on the asset has not increased significantly since its initial recognition.

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

### (i). Classification of financial assets and financial liabilities

Under CIFRS 9, financial assets are classified in the following categories: measured at amortised cost, FVOCI – debt instrument, FVOCI – equity instrument; 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.

The following table and the accompanying notes below explain the original measurement categories under Cambodia GAAP and the new measurement categories under CIFRS 9 for each class of the Bank's financial assets as at 31 December 2018.

| | 31 December 2018 | | | | |
|---|---|---|---|---|---|
| | Note | Original classification under Cambodia GAAP | New classification under CIFRS 9 | Original carrying amount under Cambodia GAAP | New carrying amount under CIFRS 9 |
| | | | | US$ | US$ |
| **Financial assets** | | | | | |
| Cash and cash equivalents (reclassified) | (a) | Cost | Amortised cost | 22,202,346 | 22,200,650 |
| Other investments | | Cost | Amortised cost | 22,275,000 | 22,443,254 |
| Loans and advances to customers | (b) | Carrying amount | Amortised cost | 35,689,496 | 36,072,557 |
| **Total financial assets** | | | | 80,166,842 | 80,716,461 |
| **Total financial assets (KHR'000 – Note 5)** | | | | **322,110,371** | **324,407,213** |
| **Financial liabilities** | | | | | |
| Deposits from customers | (c) | Cost | Amortised cost | 16,749,064 | 16,749,654 |
| Deposits from other banks | (c) | Cost | Amortised cost | 1,224,100 | 1,224,100 |
| Other liabilities | (c) | Cost | Amortised cost | 112,607 | 112,017 |
| **Total financial liabilities** | | | | 18,085,771 | 18,085,771 |
| **Total financial liabilities (KHR'000 – Note 5)** | | | | **72,668,628** | **72,668,628** |

(a) Cash on hand, balances with the NBC and placements with other banks which are reclassified to cash and cash equivalents, and statutory deposits to conform to the current presentation, which were previously measured at cost are now measured at amortised cost

(b) Loans and advances to customers that were classified as loans and receivables under Cambodia GAAP are now classified at amortised cost. Refer to adjustments in A(ii) and A(iii) below.

(c) Under Cambodia GAAP, these financial assets liabilities that were classified at cost are now classified at amortised cost. Refer to adjustments in A(iii) below.

### (ii). Impairment of financial assets

CIFRS 9 replaces the 'incurred loss' model in Cambodia GAAP with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, debt investments at FVOCI but not to equity investments.

The application of CIFRS 9 impairment requirements at 31 December 2018 results in additional allowances for impairment as follows:

| | 31 December 2018 |
|---|---|
| | US$ |
| Loss allowance Cambodia GAAP | 360,500 |
| Reversal of impairment recognised at 31 December 2018 on: | |
| Loans and advances | (324,658) |
| Loss allowance under CIFRSs | 35,842 |
| **Loss allowance under CIFRSs (KHR'000 – Note 5)** | **144,013** |

To comply with NBC regulations, the Bank transferred from the accumulated losses to regulatory reserves amounting to US$420,139 at 31 December 2018. See Note 32 (E).

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

Additional information about how the Bank measure the allowance for impairment is described in Note 30(B).

### (iii). Interest

Under Cambodia GAAP, fees integral to the financial assets and liabilities were not considered as effective interest and recognised on occurrence of transactions. In addition, recognition of interest income was suspended when loan become non-performing.

Under CIFRSs, a financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. Interest is still recognised on the non-performing loan.

The impact arising from the change is summarised as follows:

| | 31 December 2018 |
|---|---|
| | US$ |
| **Statement of financial position** | |
| Increase in loans and advances | 58,402 |
| Related tax effect | 11,680 |
| **Adjustment to accumulated losses** | 70,082 |
| **Adjustment to accumulated losses (KHR'000 – Note 5)** | 281,589 |
| | |
| **Statement of profit or loss and other comprehensive income** | |
| Increase in interest income | 2,547 |
| Decrease in fees and commission income | - |
| **Adjustment to accumulated losses** | 2,547 |
| **Adjustment to accumulated losses (KHR'000 – Note 5)** | **10,234** |

### (iv). Transition impact on equity

The following table summarises the impact, net of tax, of transition to CIFRS 9 on reserves, accumulated losses at 1 January 2019.

| | Impact of adopting CIFRS 9 at 1 January 2019 | |
|---|---|---|
| | US$ | KHR'000 |
| | | (Note 5) |
| **Accumulated losses** | | |
| Closing balance under Cambodia GAAP (31 December 2018) | (1,462,481) | (5,876,249) |
| Remeasurement of amortised costs under CIFRS 9 | (427,256) | (1,716,715) |
| Recognition of expected credit losses under CIFRS 9 | 420,139 | 1,688,119 |
| Related tax | 175,160 | 703,793 |
| **Opening balance under CIFRS 9 (1 January 2019)** | **(1,294,438)** | **(5,201,052)** |

## B. Leases

The Bank previously classified leases as operating leases under CAS 17 based on its assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset to the Bank. Under CIFRS 16, the Bank recognises right-of-use assets and lease liabilities for leases of branch and office premises – i.e. these leases are on-balance sheet.

The impact arising from the change is summarised as follows:

| | 31 December 2018 |
|---|---|
| | US$ |
| **Statement of financial position** | |
| Right-of-used assets | 341,686 |
| Deferred tax assets | 1,318 |
| Lease liabilities | (348,277) |
| Adjustment to accumulated losses | (5,273) |
| **Adjustment to accumulated losses (KHR'000 – Note 5)** | **(21,187)** |
| | |
| **Statement of profit or loss and other comprehensive income** | |
| Depreciation of right-of-used assets | 58,159 |
| Interest expense on lease liabilities | 15,098 |
| Rental expensess | (66,666) |
| Adjustment before income tax | 6,591 |
| **Adjustment to before income tax (KHR'000 – Note 5)** | **26,483** |

### C. Income tax

The above changes (decreased)/increased the deferred tax assets as follows:

| | 31 December 2018 |
|---|---|
| | US$ |
| Impairment loss allowance | 34,507 |
| Right-of-used assets | (68,337) |
| Lease liabilities | 69,655 |
| Others | 139,335 |
| **Increase in deferred tax assets** | 175,160 |
| **Increase in deferred tax assets (KHR'000 – Note 5)** | **703,793** |

## 34. Event after reporting date

The ECL at 31 December 2019 was estimated based on a range of forecast economic conditions as at that date. Subsequently, the coronavirus outbreak has spread across mainland China, Cambodia and beyond, causing disruption to business and economic activities. The impact on Gross Domestic Product ("GDP") and other key indicators will be considered when determining the severity and likelihood of downside economic scenarios that will be used to estimate ECL under CIFRS 9 in 2020.

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