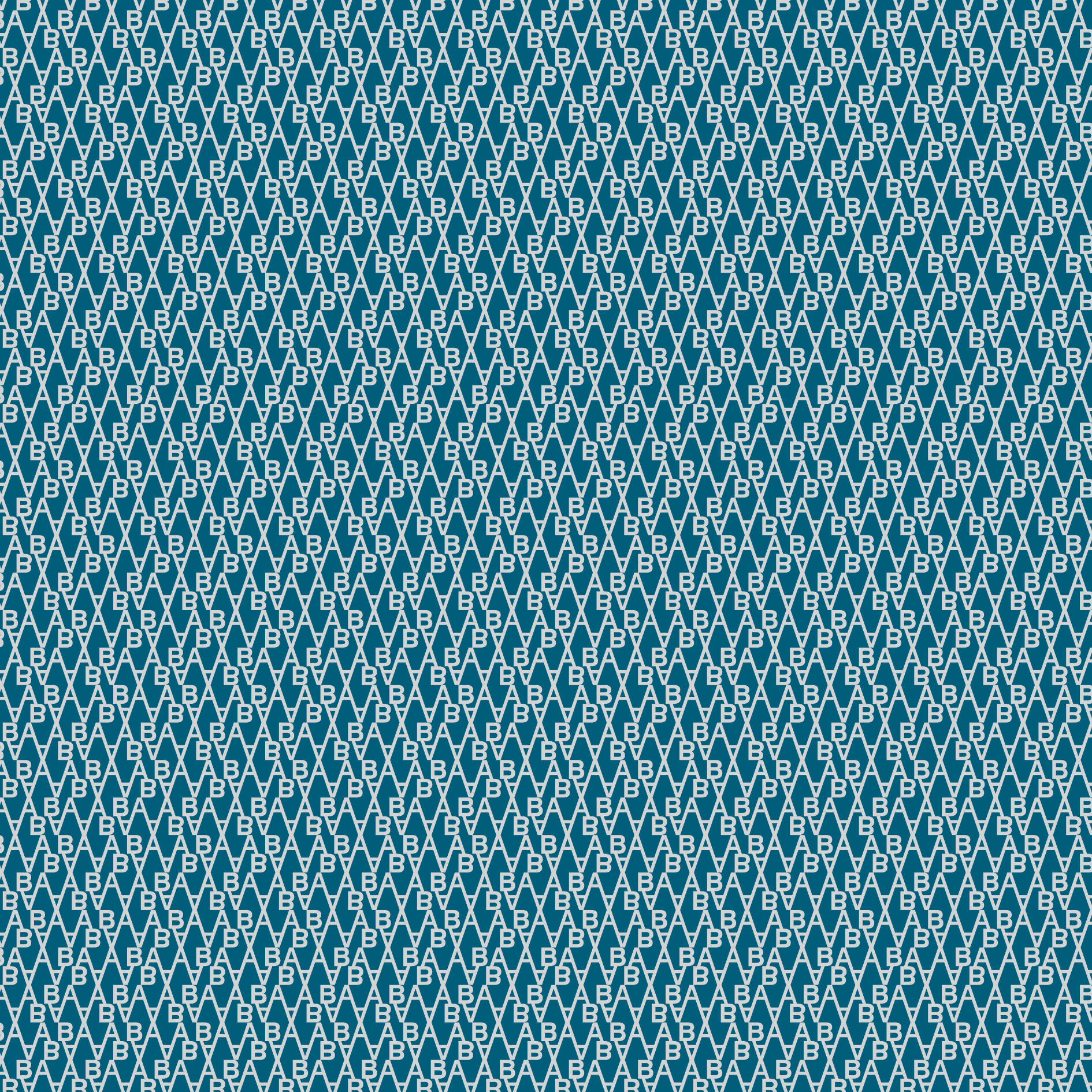


ANNUAL REPORT 2019





**ANNUAL
REPORT
2019**

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1

Message from the CEO



ABA's solid performance in 2019 reflects our adherence to the long-term business strategy of constant development of modern digital finance solutions and hard work of our staff in supporting valued customers.

It gives me pleasure to deliver you the results of ABA Bank performance in 2019. It was another solid year filled with milestones and significant achievements that positively changed the Cambodian financial sector. ABA has demonstrated strong growth in all main areas, including total assets, deposits and loans, as well as the customer base.

ABA successfully continues to implement its business strategy with the focus on modern digital finance products and services as well as on productive loans to businesses in real sectors of the economy. The Bank executes strong risk management strengthened by audit and compliance functions across its businesses.

MAJOR MILESTONES

Let me briefly highlight the most significant achievements ABA experienced in 2019.

I start with National Bank of Canada acquiring the remaining 10% stake in ABA Bank. As a result of this additional investment, its ownership in ABA increased to nearly 100%. The final transaction displayed the highest level of confidence in ABA Bank and the Cambodian financial sector. This capital injection helps us boost geographical expansion and introduce best-in-class products to a broader clientele.

Our branch network has expanded by getting 11 new branches, with nine of them on the provincial/district level. Of course, we continued to renovate and expand our existing premises where the traffic has increased and where we needed more space and self-banking facilities to keep serving our valued customers with the highest level of service. Here, six existing branches received extended working hours and joined the list of the other seven offices working seven days a week and 12 hours a day.

At the same time, our expansion was not limited to the branches, as we created a more extensive network of our services by partnering with TrueMoney, leading payment service provider with the largest agent network in Cambodia.

Under this partnership, the loan repayment becomes more comfortable for our borrowers who live or work closer to a TrueMoney agent than to the ABA branch. Additionally, our customers can transfer money between TrueMoney and ABA using mobile applications anytime and from anywhere.

Now, let's see what we achieved in the digitalization of our services. Here, we continue bringing innovative solutions and reliable self-banking facilities to customers to make their life easier.

Our flagship product in the retail segment, the ABA Mobile application, has grown in terms of its user base to 551,000 at the end of 2019 compared to just 241,000 a year before. We also see that our customers use the app actively: in a year, the number of transactions has increased more than three-fold.

To achieve that, ABA Mobile was significantly enhanced, and several new useful features were introduced. We launched international SWIFT money transfers and DBP transfers, introduced Savings Accounts, Fixed Accounts, and E-Cash service in Khmer Riels to support the use of the local currency. We also enhanced our QR-code cashless payment, ABA PAY, by enabling static QR payments, and added new merchants in the Payments section.

Hence, our customers enjoy greater flexibility and comfort in managing their finances with ABA Mobile.

PayWay, our successful e-commerce platform, gained more popularity in the market thanks to its seamless integration, convenience, and extensive support. PayWay now helps hundreds of businesses to enhance their online sales and boost revenue.

What is more, state agencies and public service providers also trust this service: PayWay is now used to pay for Cambodian eVisa, to purchase e-tickets to magnificent Angkor Wat, and is expected to be utilized by Security Exchange Commission of Cambodia and the Ministry of Land Management. It is our distinct contribution to the transformation of Cambodia towards a cashless society.

These efforts were highly praised by Asia Marketing magazine, who awarded PayWay with the "Best eCommerce brand" and the "Best eCommerce platform in Cambodia" titles in November.

At the same time, our customers still need cash for everyday transactions, which means that we need to keep our self-banking facilities modern and up-to-date. This year, we reinforced our branches with more ATMs and Cash-in Machines. We also launched a new facility – Cash Recycling Machine that allows to deposit and withdraw money. The number of such facilities will only grow with the plan to build modern self-banking spots in high-traffic areas.

ABA also has made significant steps in enhancing its anti-money laundering and sanction programs via the implementation

of Coral and Temenos software solutions. Here, the Compliance Division and IT Division demonstrated a high level of commitment, collaboration, and agility to deliver exceptional value for the Bank.

In the corporate segment, ABA became a frontrunner by launching a dedicated Business Banking Center to provide quality banking services to the growing SME segment, large companies, and multinational and emerging local corporations.

With the help of professional business advisors as well as comprehensive business banking solutions we provide, many large companies like Coca-Cola Cambodia and Honda Cambodia choose ABA as their primary banking partner.

In August, we successfully issued Corporate Bonds for the total amount of around USD 21 million and listed it on Cambodia Securities Exchange. Here, ABA again demonstrated its pioneer spirit, because ABA Bond became the first corporate bond available for retail investors in addition to corporates. It also became the first offer of debt securities from a commercial bank in the country and the first Cambodian bond with the international rating from S&P.

We truly believe that ABA Bond issuance is important for the Cambodian capital market development and will bring even more trust in this sector.

Our international recognition this year goes far beyond the two awards mentioned earlier, as *The Banker*, *Euromoney*, and *Global Finance* magazines named ABA the "Best Bank in Cambodia 2019"! This full acknowledgment of our excellence is based on the strategic focus on technologies, robust growth, and innovation in digital banking and eCommerce.

There is another significant milestone in the international appraisal of ABA. In December, S&P Global Ratings Agency upgraded our long-term credit rating to "B+" from "B". The researchers noted as the competitive advantage ABA's digital platform and management capabilities supported by oversight from National Bank of Canada.

FINANCIAL HIGHLIGHTS

Our financial performance in 2019 is remarkable as we continued to show strong growth in all main areas:

- Total assets grew 60% compared to the end of 2018 and reached USD 4.4 billion.
- We increased our deposit portfolio by 55%, and it equaled USD 3.4 billion at the end of 2019.
- Our loan portfolio reached USD 2.8 billion, representing 51% growth from 2018.
- The net profit for the year reached \$127.41 million, that is 72% higher than a year ago.
- The number of accounts of valued customers almost doubled within the year and reached 829,000 compared to just 426,000 we had in 2018.
- This rapid development is rested upon the 55% growth of our equity to USD 496 million as of 2019 end. At the same time, ABA still has the best ROAE in the market of 31.3%, which makes us the most effective Bank in the sector.

These results became possible thanks to the continuous dedication of our staff, coupled with the prudent risk approach and elaborate strategy.

AS WE MOVE INTO 2020

ABA is securely settled to continue its exciting journey. The Bank experiences sound growth with good credit quality and healthy capital ratios.

In 2020, we will intensify our work on delivering reliable and unique digital solutions. ABA has been recognized as the market leader in introducing modern user-centric products, and we will continue to do so with our full dedication.

On the lending side, we stick to our strategy of providing productive loans, but with a strong focus on transactional lending based on the advanced analytics and business intelligence models. At the same time, the uncertainty with

“Everything but Arms” (EBA) agreement coupled with the outbreak of Coronavirus disease, overall economic slowdown, and adverse weather conditions may impact the business activity of our customers. Therefore, we will dedicate more efforts to the balanced growth of our loan portfolio in line with prudent risk appetite as we continue to support local MSMEs and entrepreneurs, contributing to their development.

All in all, we are set to use the opportunities our current successes open for us, and we are confident that ABA is well-positioned to bring further value to the stakeholders.

In conclusion, I wish to thank the management team of ABA for shaping our future and more than 6,000 employees for their hard work to achieve it. I also sincerely thank our shareholders for their confidence in our strategy and full support for our development.

Ultimately, I thank all the customers for their trust in ABA and contribution to our development.

Askhat Azhikhanov

Chief Executive Officer

2

About ABA



ABA Bank is Cambodia's leading private financial institution with more than 20 years of steady development and unique expertise in the market.

1996

Advanced Bank of Asia Ltd. was founded

24

Years of development and growth

3

ABA enters top 3 commercial banks in Cambodia

WHO WE ARE

ABA Bank is one of Cambodia's leading private financial institutions founded in 1996 as the Advanced Bank of Asia Limited.

For more than two decades of growth and development, ABA has significantly strengthened its position in the market and entered the Top 3 commercial banks of the country. With more than 75 branches, 200 self-banking kiosks, and 400 ATMs across the country, ABA reaches out to a large number of SMEs, microbusinesses, and individuals with a wide array of modern financial services and digital banking solutions.

ABA Bank has an effective and well-synchronized professional team that is committed to maintaining and improving our performance. Our international management team brings invaluable expertise and allows ABA Bank to comply with international standards of service and security.

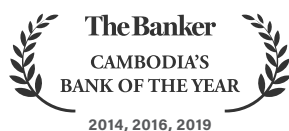
In 2017, Standard & Poor's international credit rating agency (S&P) assigned its "B" long-term and short-term credit ratings to ABA. The agency reaffirmed ABA's credit rating with a "Positive" outlook in 2018, reflecting the significant growth in ABA's market share. In 2019, the rating was upgraded from "B" to "B+" with "Stable" outlook.

STANDARD & POOR'S

'B+' credit rating from Standard & Poor's (S&P) Global Ratings Agency
Outlook: **Stable**

The most renowned financial publications of the globe recognized ABA's efforts to bring the very best to its clients:

- *The Banker* magazine granted ABA the title "Cambodia's Bank of The Year" in 2014, 2016, 2019.
- *Euromoney* magazine awarded the "Best Bank in Cambodia" title to ABA in 2014 – 2019.
- *Global Finance* magazine named ABA "The Best Bank in Cambodia" in 2015 – 2019.



ABA Bank is a full subsidiary of National Bank of Canada. Founded in 1859, National Bank of Canada offers financial services to individuals, businesses, and government institutions across Canada. It is one of Canada's six systemically important banks and among the most profitable banks on a global basis by return on equity. The total assets of the Bank equaled USD 219 billion as of January 31, 2020.

The Bank is headquartered in Montreal, and its securities are listed on the Toronto Stock Exchange (TSX: NA).

VISION, MISSION, VALUES

OUR VISION

The vision of our Bank is to be the country's number one supplier of dependable, easy-to-use, technologically advanced, and easily accessible banking services. We want to be the bank that Cambodians trust to take care of all their personal and business banking needs.

OUR MISSION

Our mission is to help Cambodia, Cambodian businesses, and people to build a bigger and brighter future by providing highly professional, technologically-advanced banking services for all.

We see ourselves as working in partnership with the Cambodian community as well as with private businesses and individuals. We are here to serve Cambodia.

OUR VALUES

Our values form the cornerstone of our business. We believe in the importance of:

Honesty & Respect

At ABA, we make it our responsibility to treat each and every customer with honesty and respect. Strictly following this value, we earn respect and trust from our valued customers.

Service Quality

At ABA, we strive to find solutions to all banking needs of our customers. We aim to provide the most technologically advanced and reliable banking services to all our customers – be they personal or business account holders.

Trust & Partnership

At ABA, we are always there to offer help and assistance. We see ourselves as a dependable partner that our customers can always trust and rely on with their financial needs.

Contribution

At ABA, we aim to make a positive contribution to Cambodia. We want to play a beneficial role in the lives of our customers as well as for the future of the country as a whole.

Ethics & Morals

At ABA, we apply the highest ethical and moral standards to each and everything that we do – inside and outside the Bank. It is these homegrown principles that form the basis of every relationship, with the customers and communities we serve, as well as with our staff.

Sustainability & Growth

At ABA, we are always thinking about the future of our Bank, the Cambodian people, and the country. We show the same level of commitment to our staff as we do to our customers. It is with this approach that we ensure the sustainable growth of the Bank.

FINANCIAL HIGHLIGHTS

FINANCIAL YEAR ENDED
31 DECEMBER

2019
(audited)

2018
(restated)*

Balance Sheet (US\$ million)

Total Deposits	3,395.3	2,187.0
Total Gross Loans	2,764.4	1,835.2
Equity	496.4	319.0
Total Assets	4,394.9	2,742.8

P&L Account (US\$ million)

Net Interest Income	212.4	136.0
Net Fee, Commission and other Income	29.4	20.1
Net Profit	127.4	74.2

Key Performance Indicators (%)

ROAE	31.3	28.3
ROAA	3.6	3.4
Cost/Income	40.3	38.7
Liquidity Ratio	162.3	132.5
Credit Deposit Ratio	81.6	84.4
Solvency Ratio	19.9	20.0

General Information

Operating Branches	77	66
Staff	6,410	4,213
ATMs	418	274
POS Terminals	1,214	777
Depositors	828,651	426,089
Borrowers	66,513	49,295
Internet Banking Users	122,481	88,875
Mobile App Users	551,185	241,481

* Figures updated in accordance with the Cambodian International Financial Reporting Standards

SIMPLIFIED FINANCIAL RESULTS

ASSETS

in USD Millions

60%
▲
INCREASE FROM 2018

4,395
2019

2,743
2018

SHAREHOLDERS' EQUITY

in USD Millions

55%
▲
INCREASE FROM 2018

496
2019

319
2018

DEPOSITS

in USD Millions

55%
▲
INCREASE FROM 2018

3,395
2019

2,187
2018

LOANS

in USD Millions

51%
▲
INCREASE FROM 2018

2,764
2019

1,835
2018

NET PROFIT

in USD Millions

72%
▲
INCREASE FROM 2018

127
2019

74
2018

NUMBER OF DEPOSITORS

in Thousands

94%
▲
INCREASE FROM 2018

829
2019

426
2018

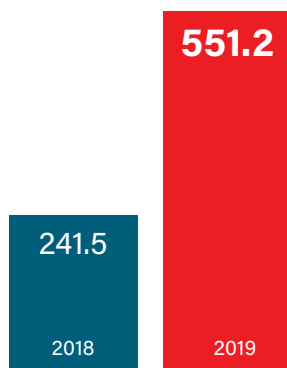
GENERAL INFORMATION

NUMBER OF MOBILE APP USERS

in Thousands

128%▲

INCREASE FROM 2018

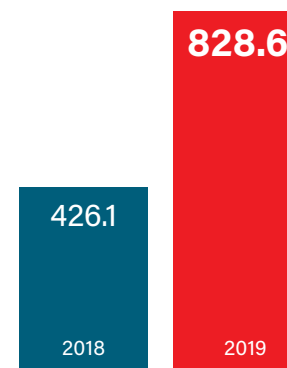


NUMBER OF DEPOSITORS

in Thousands

95%▲

INCREASE FROM 2018

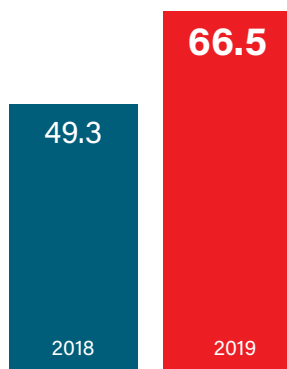


NUMBER OF BORROWERS

in Thousands

35%▲

INCREASE FROM 2018

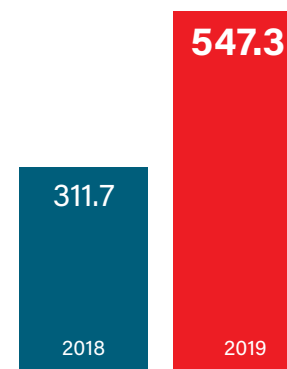


NUMBER OF ISSUED CARDS

in Thousands

76%▲

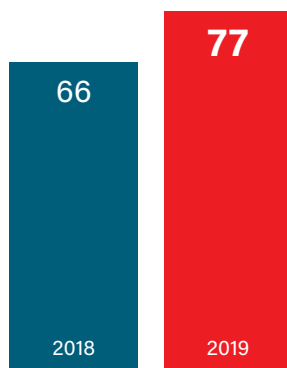
INCREASE FROM 2018



NUMBER OF OPERATING
BRANCHES

17%▲

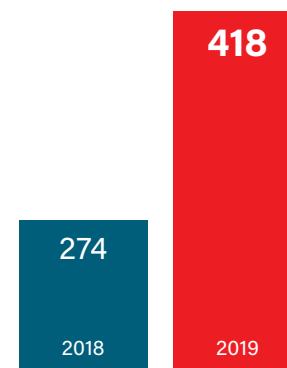
INCREASE FROM 2018



NUMBER OF
ATM MACHINES

53%▲

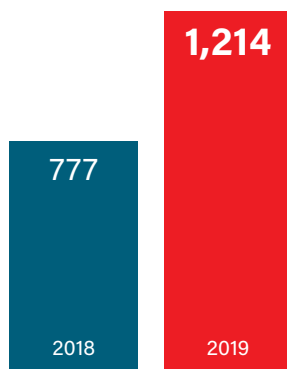
INCREASE FROM 2018



NUMBER OF
POS TERMINALS

56%▲

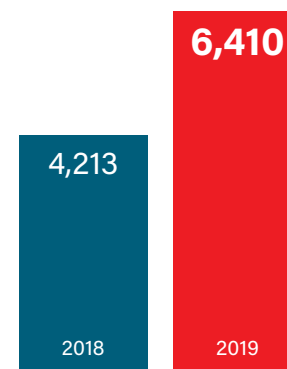
INCREASE FROM 2018



NUMBER OF
EMPLOYEES

52%▲

INCREASE FROM 2018



MILESTONES

Since its incorporation in 1996, ABA Bank has gone through numerous considerable stages of its development.

Enlisted here are the major milestones of the Bank from the recent years.

2015

ABA successfully launched ABA Mobile, the first full-scale mobile banking app in Cambodia

ABA joined Easy Cash, the largest ATM network in Cambodia. This initiative gives ABA VISA cardholders access to their ABA accounts through ATMs shared by partnering banks

ABA started issuing UnionPay International (UPI) cards and became the largest issuer of UPI cards in Cambodia

Euromoney Magazine awarded ABA as "The Best Bank in Cambodia 2015"

Global Finance Magazine named ABA "Best Emerging Markets Bank in Cambodia 2015"

Cooperation with Booking.com offered an exclusive 6% discount to ABA card holders

Eight new branches opened with five of them on the district level in rural areas

National Bank of Canada increased its share in ABA up to 42%

2016

National Bank of Canada increased its share in ABA to 90%

Issuance of ABA Platinum cards started

Nine new branches opened with five of them on the district level in rural areas

ABA Bank was named as "The Best Bank in Cambodia" by the world's top financial magazines – The Banker, Euromoney and Global Finance

ABA Bank received "Fastest Growing Trade Finance Bank in Cambodia" award from Global Banking and Finance Review magazine

ABA became one of the founding institutions of "FAST" Payment System that enables customers to immediately send / receive funds between the participants

Cooperation with Manulife for distributing life insurance products in the Bank's branches

Cooperation with Agoda.com to offer special booking rates to ABA cardholders

2017

Logo of ABA updated to denote membership in National Bank of Canada Group

ABA Mobile app ranked #1 free financial app on iOS in Cambodia

Global Finance magazine recognized ABA as "Best Trade Finance Provider 2017"

Nine new branches entered ABA's branch network

PayWay e-commerce gateway launched to boost online businesses in Cambodia

Online Account Opening web service introduced to ease client onboarding process

ABA named "The Best Bank in Cambodia 2017" by Euromoney and Global Finance magazines

ABA became the first bank in Cambodia with two credit ratings

ABA joined IFC's Global Trade Finance Program to enhance support of Cambodian businesses

Long-term exclusive partnership agreement signed with Manulife Cambodia

2018

ABA opened 15 new branches and extended operation hours at 6 branches

ABA officially introduced Customer Acquisition Officers for off-site account opening

ABA received "The Best Bank in Cambodia 2018" award by Global Finance magazine

The Bank relaunched Head Office building and opened its Operation Hall

The Bank extended its loan repayment facilities via cooperation with TrueMoney, Speed Pay and SmartLuy

Standard & Poor's reaffirmed 'B' long-term and short-term issuer credit ratings of ABA with "Positive" outlook

Global Finance named ABA Bank "Best Trade Finance Provider 2018"

ABA received Euromoney's Best Bank title for the fifth time in a row

UnionPay (UPI) Platinum extended the lineup of privileged cards offered by ABA Bank

ABA partnered with Visa and other Cambodian commercial banks to officially introduce QR payments in Cambodia

2019

National Bank of Canada increased ownership in ABA Bank to 100% minus one share

ABA issued corporate bonds for KHR 84.8 billion (approx. USD 21 million) and listed it on the Cambodia Securities Exchange

S&P Global Ratings Agency upgraded the credit rating of ABA to 'B+' with "Stable" outlook

ABA opened 11 new branches and extended operation hours of 7 offices to 12/7 mode

The Bank added Cash Recycling Machines to its nationwide network of self-banking spots

ABA was named "The Best Bank in Cambodia 2019" by The Banker, Euromoney, and Global Finance magazines

ABA's PayWay online payment gateway received two eCommerce awards from Asia's Marketing magazine

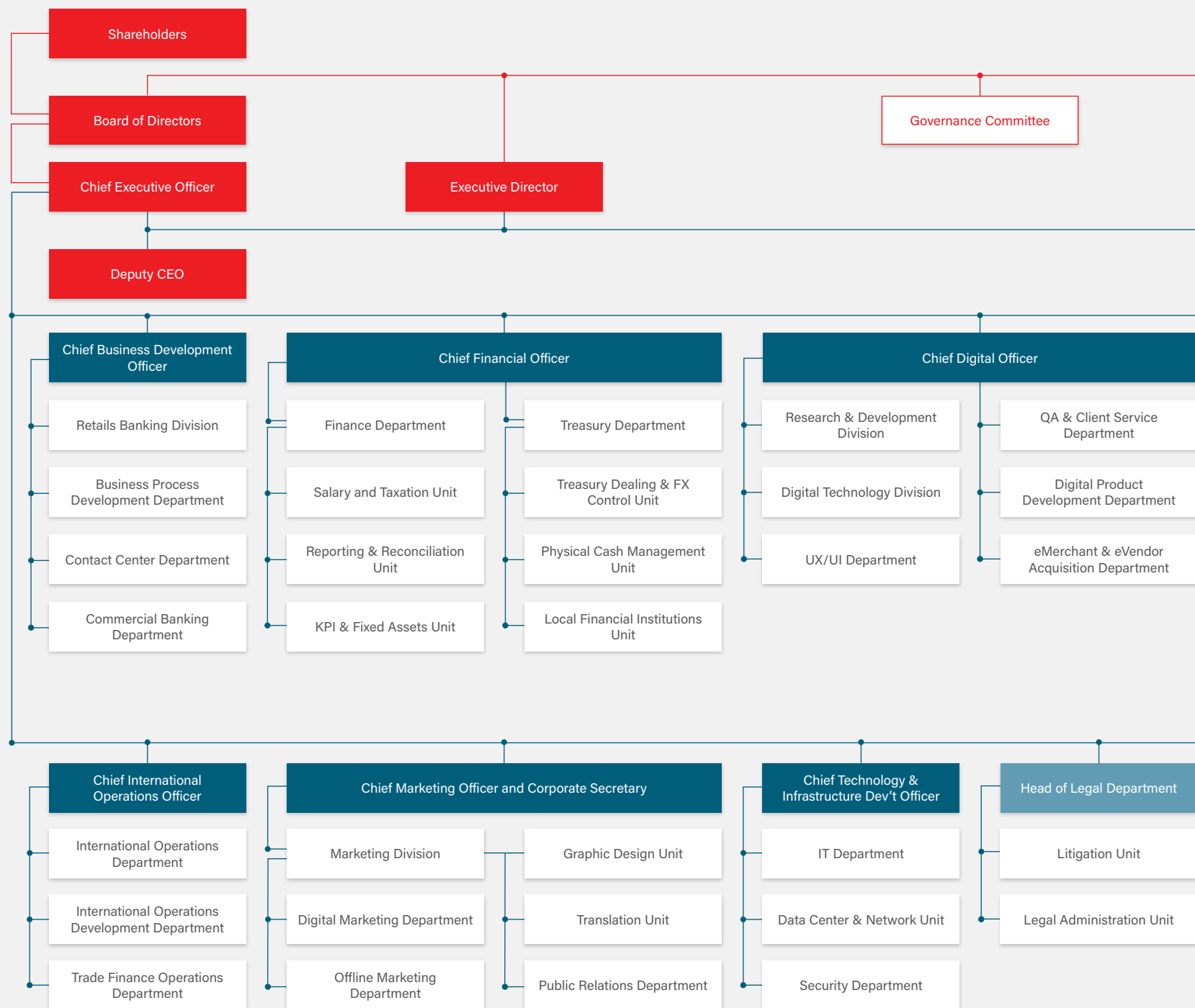
ABA together with National Bank of Canada and the UN Association in Canada launched the Financial Literacy Internship Program for Cambodian students

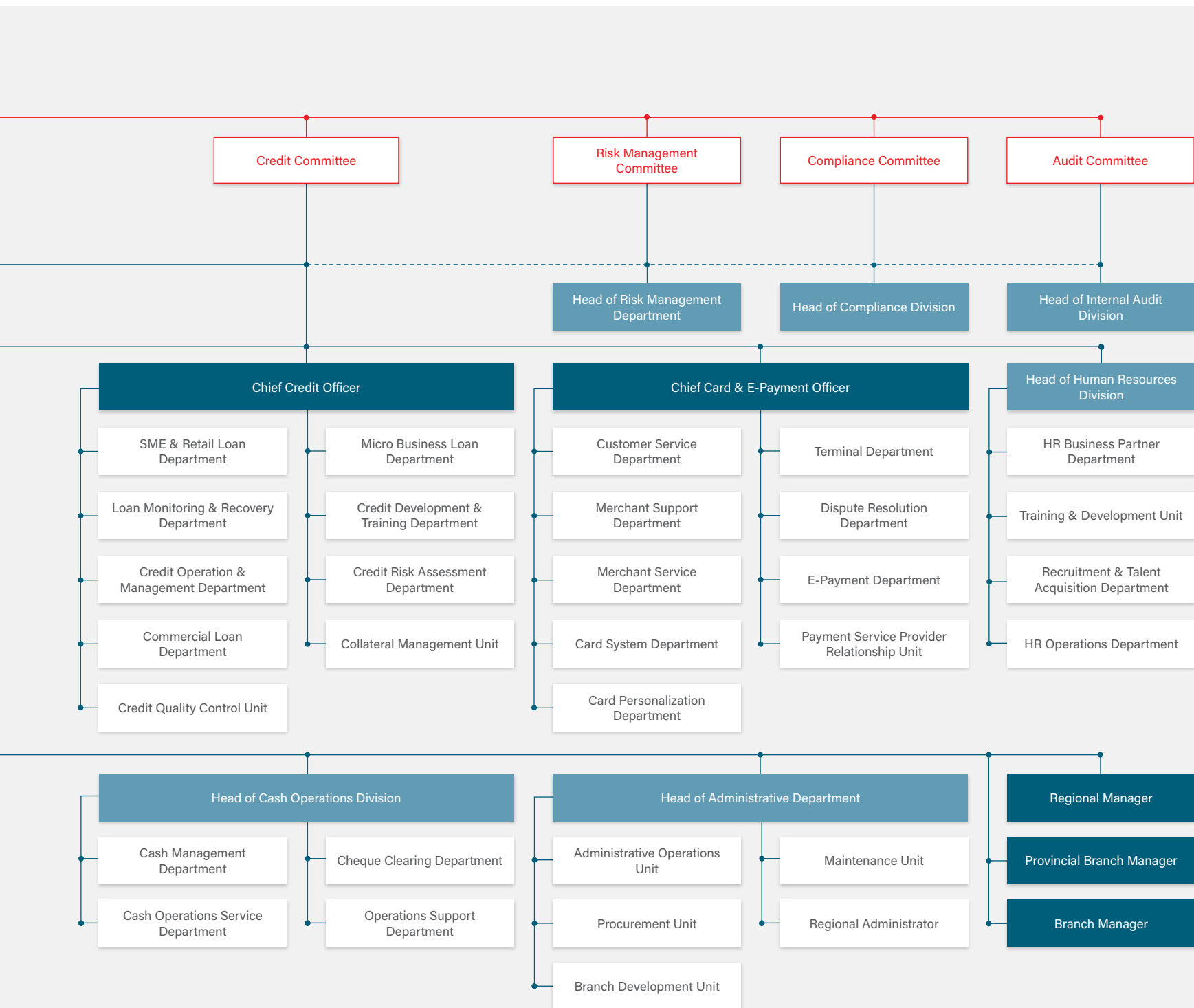
Four new products in Khmer Riels were launched in the ABA Mobile app to promote the use of national currency

The Bank opened a dedicated Business Banking Center for SMEs, multinational, and emerging local corporations

The Bank donated USD 300,000 to Cambodia Kantha Bopha Foundation for further enhancement of medical care of children

ORGANIZATION CHART (AS AT DECEMBER 31, 2019)





BOARD OF DIRECTORS (AS AT JANUARY 31, 2020)



YVES JACQUOT

Chairman

Yves Jacquot graduated from ESSEC in France. Between 1980 and 1993, he occupied different positions, including the position of CEO in different banks and financial institutions in France, as well as in retail banking sector, investment and financial markets sectors and asset management sector.

He entered BRED Banque Populaire in 1993 and then became the deputy CEO of the Bank and CEO of COFIBRED, the holding company owning the subsidiaries of the group.

Mr. Jacquot is currently holding the position of the Head of International Development for the National Bank of Canada Group.

He joined the Board of Directors of ABA Bank in 2014.



DOMINIC JACQUES

Director

Dominic Jacques is a graduate of HEC in Canada, Chartered Accountant (CPA, CA) and CFA Charterholder.

Mr. Jacques holds the position of Deputy Vice-President, International Development at National Bank of Canada. He is responsible for managing the Bank's portfolio of international investments as well as developing ancillary business opportunities.

Mr. Jacques started his career at PriceWaterhouseCoopers. He joined National Bank of Canada in 2010 in the Strategy and Corporate Development team. He was advising the Bank's senior management on strategic initiatives, partnerships and M&A activities.

Mr. Jacques has a sound knowledge of the banking industry and has been based in Montreal, London, Paris, as well as in USA.

In 2016, he was appointed to the Board of Directors of ABA Bank.



MADI AKMAMBET

Executive Director

Madi Akmambet holds an MBA with distinction from Cass Business School, City University London and a degree in Economics from Kazakh State Academy of Management.

Mr. Akmambet started his career in 1997 in Treasury Department of the Ministry of Finance of the Republic of Kazakhstan and then Banking Supervision Department of the National Bank of Kazakhstan.

Between 2000 and 2007, he held top management positions at several national companies and JSC "Tsesnabank" in Kazakhstan.

His international working experience started in 2007 with a private equity business projects in Uzbekistan.

In 2009, Mr. Akmambet was appointed the CEO of ABA Bank in Cambodia, where he had led a major turnaround of the Bank.

Since 2012, he has been serving as the Executive Director of the Board of Directors of ABA.



MARTIN OUELLET

Director

Having graduated from the École des Hautes Études Commerciales in Montreal, Martin Ouellet is a treasury management specialist, actively involved in the management of liquidity and funding, as well as financial risks related to interest rates and foreign exchange. Started his career in 1977 with Crédit Foncier Franco-Canadien and worked for more than 30 years at National Bank of Canada, where he raised to the position of Senior Vice-President and Corporate Treasurer.

Mr. Ouellet now acts as a corporate director. In that capacity, he served on the board or advisory board of various institutions, of which the Auditing and Assurance Standards Oversight Council (Canada), and Assurance-vie Banque Nationale. He is a member of the Institute of Corporate Directors (Canada).

He joined the Board of Directors of ABA Bank in 2019.



CHRISTIAN ST-ARNAUD

Director

Christian St-Arnaud graduated from the École des Hautes Études Commerciales in Montréal, Canada. Between 1983 and 2009, he occupied different positions in international and Canadian financial institutions in Canada, with a focus on credit capital market.

Joined National Bank of Canada in 2009 as Vice-President – Credit capital market and real estate and was appointed Senior Vice-President – Credit in 2012, overseeing all retail, commercial, and financial market credit activities of the Bank, including adjudication, portfolio management, and credit model development. He was also a member of numerous senior committees of the Bank, including the Global risk committee, the Risk management committee and the Model oversight committee.

Mr. St-Arnaud joined the Board of Directors of ABA Bank in 2019.



HENRI CALVET

Independent Director

Qualifications: Graduate of Ecole Normale Supérieure de Cachan and University degree (Economics, Paris-I Panthéon-Sorbonne).

Mr. Calvet is the founder of H2C CONSEIL, a company offering advisory and training services to credit institutions and securities firms, in the main following fields: banking accounting, prudential rules, internal control (including risk management and compliance control).

Prior to setting up his own business, Mr. Calvet had spent 10 years with the French Banking Commission and had later worked for numerous banks, namely, Compagnie Financière Edmond de Rothschild Banque and Compagnie Parisienne de Reescompte, inter-alia.

Mr. Calvet joined the Board of Directors of ABA Bank in 2016.



ETIENNE CHENEVIER

Independent Director

A graduate from Ecole Polytechnique and Ecole des Ponts et Chaussées in France, Etienne started his career at the French Ministry of Industry. He then joined the Air Liquide Group where he created in 1993 the first operations in China before being given responsibility of large supply contracts of industrial gases to the steel sector in Asia. After that, Etienne joined Rio Tinto where he developed a number of operations in Singapore, Australia, China and Japan.

He then partnered with the French private equity firm CityStar to create their Asian Division in 2005, of which he is Partner and Director.

In 2014, Mr. Chenevier was appointed as the member of the Board of Directors in ABA Bank.



GUY QUADEN

Independent Director

Guy Quaden graduated in economic and social sciences from the University of Liège (Belgium) and La Sorbonne (France). He obtained a PhD in economics at the University of Liège in 1973.

Between 1988 and 1996, he was a member of the Board of the National Bank of Belgium and later appointed as General Commissioner for the Euro of the Belgian government. After successfully accomplishing this role, Quaden became the Governor of the National Bank of Belgium from 1999 until 2011. During the same period, he was a member of the Governing Council of the European Central Bank, IMF Governor for Belgium, and member of the Board of the Bank of International Settlements.

Mr. Quaden joined the Board of Directors of ABA Bank in 2019.

BRANCH NETWORK

HEAD OFFICE

No. 141, 146, 148, and 148 ABCD, Preah Sihanouk Blvd,
and No. 15 and 153 ABC, Street 278, Sangkat Boeung Keng Kang I,
Khan Boeung Keng Kang, Phnom Penh, Kingdom of Cambodia

Tel: (+855) 23 225 333 (24/7)
Fax: (+855) 23 216 333

info@ababank.com
www.ababank.com

P.O. Box 2277
SWIFT: ABAKHPP

AEON Mall 2	098 203 149	Kampong Speu	098 203 949	Ou Baek K'am	098 203 799	Snuol District	098 203 099
Angk Snuol District	098 203 489	Kampot	098 203 959	Paoy Paet	098 203 019	Soutr Nikom District	081 204 283
Bakan District	081 204 209	Kampong Tralach District	081 204 149	Pea Reang District	081 204 292	Stade Chas	098 203 819
Bati District	098 203 649	Kandal Stueng District	098 203 619	Peam Ro District	098 203 629	Stoung District	081 204 355
Battambang	098 203 839	Kampong Cham	098 203 879	Phsar Derm Thkov	098 203 689	Stung Mean Chey	098 203 889
Baray District	098 203 739	Kampong Chhnang	098 203 039	Phsar Leu (Siem Reap)	098 203 679	Stung Treng	081 204 090
Banteay Meanchey	098 203 759	Kampong Thom	098 203 429	Preah Netr Preah District	081 204 262	Svay Chrum District	098 203 349
Bavet	098 203 389	Kien Svay District	098 203 479	Prey Chhor District	081 204 189	Svay Rieng	098 203 029
Borei Keyla	098 203 869	Koh Kong	081 204 123	Prey Veng	098 203 059	Takeo	098 203 909
Central	098 203 199	Kaoh Thum District	081 204 186	Pursat	098 203 969	Takhmao	098 203 919
Central Market	098 203 979	Kratie	098 203 049	Rattanakiri	098 203 499	Tboung Khmum	098 203 769
Chamkar Doung	098 203 579	Krong Siem Reap (Angkor)	098 203 089	Russey Keo	098 203 659	Tmar Kol District	098 203 789
Chamkar Leu District	081 204 053	Mao Tse Tong	098 203 809	Saensokh	098 203 779	Tram Kak District	098 203 709
Chbar Ampov	098 203 929	Memot District	098 203 639	Santhormok	098 203 469	Toek Thla	098 203 849
Chhuk District	098 203 729	Mongkol Borei District	081 204 029	Samdech Monireth	081 204 019	Toul Kork	098 203 859
Chraoy Chongvar	098 203 189	Mittapheap	081 204 307	Samdech Sothearos	098 203 983	Toul Kork 2	098 203 637
Cheung Prey District	098 203 749	Moung Ruessei District	098 203 459	Samraong Tong District	098 203 719	Tuol Tumpung Money Exchange	098 203 299
Chaom Chau	098 203 939	Mukh Kampul District	098 203 159	Siem Reap	098 203 829		
Chaom Chau 2	081 204 420	Odongk District	098 203 379	Sihanoukville	098 203 899		
Independence Monument	098 203 001	Operational Hall of Head Office	098 203 179	S'ang District	098 203 369		



3

Our Accomplishments

CUSTOMER ONBOARDING AND SERVICE DEVELOPMENT

Customer satisfaction and convenience have always been ABA Bank's top priority. As such, we want to ensure our customers have the best experience with our services, be it a branch visit, self-banking, or an off-site acquisition.

To ensure an excellent branch visit for customers, we did a largescale renovation at many of our branches, with more seating arrangements, parking spaces, and self-banking facilities to accommodate our increasing clientele.

In 2019, we opened eleven new branches in Phnom Penh and provinces of the country, bringing the total to 77 offices. The new branches adopt the customer-centric design to offer high standard services with comfort and privacy. Additionally, we enhanced our self-banking facilities where more branches are equipped with ATMs, Cash-in Machines, and Cash Recycling Machines (CRM) so that our customers can enjoy the round-the-clock access to their accounts and do more transactions without tellers.

Our Client Acquisition Officer (CAO) program introduced in 2018 continued to thrive through our 170+ officers out and about to offer the off-site account opening service. It had successfully acquired three times the number achieved in 2018 with more than 100,000 accounts opened outside of ABA branches.

Finally, we believe that customer service is vital for sustainable business growth, and we take feedback and complaints seriously to ensure our customers always receive exemplary service across different touchpoints of the Bank.

Thus, our Complaint Resolution Unit (CRU) has continuously improved its procedures and standard of service to cope with the new demand of the customers.

All the approaches taken made us a pioneer in the market in terms of providing innovative ways to serve our customers better.

ABA MOBILE APP ENHANCEMENT

We keep building an environment where customers can get easy access to their finances while enjoying digital solutions that help to interact with their bank faster, safer, and more accessible. And our full-scale mobile banking app, ABA Mobile, is the core of this ecosystem.

This year, we introduced international SWIFT money transfers and DBP transfers in the app, allowing cross-border fund transfers right from smartphones without visiting the branch and available 24/7.

We launched and upgraded the Mobile Savings Account, Mobile Fixed Account, Mobile Flexi Account, and E-Cash service in Khmer Riels to support the use of local currency. Our popular E-Cash service that allows cardless cash withdrawals at ABA ATMs without a bank card was used more than 1.6 million times in 2019.

We enhanced our QR-code cashless payment, ABA PAY, by adding static QR payments in USD and KHR. As for the acceptance of QR payments, we extended the service to micro-merchants, and by doing so, we ended the year with more than 4,000 micro merchants across the country who now accept cashless QR payments made through ABA Mobile.

As a result of these enhancements and upgrades, the reporting year witnessed tremendous growth of the customer base of the ABA Mobile app, with more than 551,000 users across iOS and Android platforms.

In total, the app users performed over 39 million transactions for the total amount of almost 31 billion USD.

PAYWAY PLATFORM EXPANSION

Our PayWay online payment gateway witnessed a significant boost within the year thanks to the introduction of new functions and comprehensive user support. In 2019 alone, online merchants connected to PayWay processed more than 288,000 transactions, representing a six-fold growth from 2018.

In the reporting year, we brought the deeper integration of PayWay service to the needs of local businesses and designed plug-ins for the most popular eCommerce platforms - WooCommerce, Magento, and Prestashop. It allows our customers to easily activate PayWay on their favorite platform and start accepting payments via cards or ABA PAY feature.

As many businesses in Cambodia still struggle to expand to the online segment due to lack of knowledge and high costs of maintenance, we made sure the PayWay platform helps them with it by introducing the Invoicing Tool.

It enables merchant to collect funds by sending an electronic invoice to the customer via email or messenger. Upon receiving the invoice, customers can scan the QR code on it and finish the payment on the secure PayWay website.

We understand that different companies need various levels of control and authorization while running a business online. For that, we implemented the User Management Tool that helps merchants assign multiple levels of user access according to their function in business.

In 2019, PayWay started accepting payments from UPI cards, enabling local merchants to instantly accept more online payments in addition to Mastercard, Visa, and ABA PAY.

As a result, Asia's Marketing magazine (Singapore) awarded the PayWay platform across *Best in eCommerce (Brands) - Banking* and *Best eCommerce Payment Solutions* categories in November 2019.

IT & CYBERSECURITY

Every year, ABA Bank takes extra steps and commitments in strengthening its cybersecurity further to mitigate potential threats.

In 2019, we upgraded our data centers in making sure that all IT services are as fast and as reliable as possible. We implemented a new IT Management System (ITSM) that brings our IT services to the next quality level in support of our business departments' operations.

We also onboarded a few new compliance systems that are capable of real-time data screening and sanctioning millions of records in our database.

Additionally, we continued to invest in top-notch security measurements and implemented the following security features in our systems:

- Web Application Firewall that helps to prevent attacks stemming from web application security flaws;
- Endpoint Detection and Response (EDR) designed to detect and remove any malware or any other form of malicious activity on a network to ensure network security; and
- CyberArk's Privileged Account Security, a multi-layered security solution to help the Bank defend against advanced persistent threats and insider threats.

These upgrades were part of our continuous plan to monitor transactions, prevent and detect fraud, and maintain the security of our customers' assets while ensuring the best banking experience through constant protection measures and security improvements.

INTERNATIONAL OPERATIONS AND TRADE FINANCE GROWTH

Continuing our International Operations efforts by further strengthening existing relationships with correspondent banks while establishing new ones are the keys to provide the best solutions for cross-border transactions for our customers.

In 2019, we enhanced customer experience for SWIFT transfers by enabling it in the ABA Mobile app. We also opened new correspondent accounts, adding Canadian Dollars and South Korean Wons to the list of available currencies.

The convenience and speed of ABA money transfers are well known in the market. More people and companies use our service to send or receive money locally and/or internationally.

In 2019, the number of money transfer transactions increased by 30%, while the volume almost doubled compared to the year before.

We kept strengthening our position in providing clients with secure and reliable Trade Finance solutions for their businesses. The Bank successfully introduced Trade Finance Loan (TFL) to support customer's working capital requirement and signing of the MoU with the Ministry of Economy and Finance so that the guarantees issued by ABA will be accepted by all ministries in Cambodia.

Additionally, we issued many international guarantees, allowing overseas entities to participate in Cambodian infrastructure projects, important for economic and social development.

With access to global networks and support from National Bank of Canada, ABA is well-equipped and positioned in helping Cambodian entrepreneurs to expand and introduce their business to regional and global markets.

RISK MANAGEMENT IMPROVEMENTS

As National Bank of Canada became the shareholder of ABA Bank, we continue to implement and improve our risk management system following the group's standards as well as regulatory requirements from the National Bank of Cambodia, recommendations from Basel Committee, and the international best practices.

In 2019, we implemented risk management activities in the following areas:

- Significantly updated the Risk Appetite Metrics system to mitigate changing risks adequately;
- Updated models for liquidity risk and stress testing of interest rate risk to make scenarios and assumptions actual for the new reality of local and global economies;

- Updated Business Continuity and Disaster Recovery Planning according to the new arising threats and risks;
- Continued Risk Self-Assessment in the Bank departments with relevant optimization of business process and mitigation of operational risks; and
- Launched regular independent penetration testing of all IT and Digital systems of the Bank.

The continuous development and modernization of the risk management system enable ABA Bank to reach sustainable growth while balancing all risks.

INTERNAL AUDIT STANDARDS

In the reported year, ABA Internal Audit Department's main goal was to follow the existing footpaths of procedures and standards, ensuring that the compliance obligations were met.

The department conducted 39 planned audits along with 72 surprise auditing activities at the Bank's Head Office and in branches this year. The high-standard Internal Audit Procedure we adopted from National Bank of Canada ensures that the integrity of the Bank's operations is high on the institutional level and on the staff level.

To maintain the high quality of auditing compliance, the Bank regularly updates the procedures to accustom to the change in the institution.

It also provides ongoing training programs to internal audit team members and develops guidelines as follows: detailed assessment of business process description, flow-chart, risk analysis, and control design evaluation to ensure proper determining of audit objectives and scope relative to the risk level.

Various audit techniques, trend analysis, and data mining were also used in the preparation of the audit planning phase.

As we have been moving towards digitally-driven banking products, information technology and digital-related issues occur. Thus, we have also considered the risks in these segments into our ongoing auditing activities in the years ahead.

COMPLIANCE DEVELOPMENT

As a leading Cambodian bank, one of our priorities is to ensure sound business and financial practices. Therefore, we at ABA always take serious steps to comply with regulatory requirements, including the regulation on the Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT), as well as applicable laws and other prescribed practices.

In addition to the risk of reputation damage and administrative penalties resulted from non-compliance with the requirements in this matter, money laundering and financing of the terrorism have impacts on the soundness of both Cambodian and international financial sectors.

Therefore, ABA invested further in human resources and technology for the Compliance Division to proactively develop, implement, and maintain appropriate policies, frameworks, and procedures to be on track with evolving regulatory obligations.

We also maintained the expectations from all employees and an AML/CFT policy to detect and deter individuals and criminal organizations from using our products and services to recycle funds. At present, ABA's Compliance Policy and practices are in line with that of the National Bank of Cambodia, National Bank of Canada, and conform to the international standard.

Last year's achievements are remarkable by the successful launch of automated compliance systems, doubling the number of compliance employees, the development of risk dashboards by using technology, and enlarging the scope of responsibilities and work. All those investments enable ABA to manage regulatory risk better.

HR & TRAINING MANAGEMENT

ABA Bank perceives staff as its most valuable asset and puts strong effort and investment into the development of its employees.

We grow our team through various platforms to ensure they continue to improve knowledge and their expertise on our products is up-to-date. By the end of 2019, the total number of ABA staff reached 6,309, indicating a 52% increase compared to the previous year.

This year, we successfully launched our Training Center. It consists of training rooms, lab training rooms, and a conference room to cope with the ongoing staff growth.

We conducted more than 900 in-house training courses for new and existing staff. For further exposure, we assign our team from various departments to receive external training programs both locally and internationally. Since our branch network proliferates, we

implemented mechanisms to ensure the demand for competent and ambitious human resources is met adequately. For that, we organized a series of Career Talk events with more than 2,700 participants in provinces, universities, and at ABA Training Center. More importantly, our Trainee Program and Internship Program was a great success, with 80% of trainees and 40% of interns successfully hired by the Bank.

Our commitment is to retain and nurture talents to align with their career goals. We championed our transparency culture and a healthy working environment. To ensure our staff shares the team spirit with our core values, we hosted Annual Gala Dinner, organized team activities, football cup, yoga classes, and other initiatives.

The Bank's remuneration system remains attractive as we practice performance assessment driven by KPIs that are strategically aligned with our business strategies' direction.

CORPORATE SOCIAL RESPONSIBILITY

The reporting year saw the continuation of ABA Bank's Corporate Social Responsibility (CSR) commitment in financial literacy improvements, young entrepreneurs' support, and contributing to the development projects related to protecting the environment, women empowerment, children's welfare, and sports support.

ABA Bank took part in the Clean Water Project to provide clean water to rural communities of Kampong Cham and Tboung Khmum provinces by constructing ten water wells. The year was marked with a drought in these two provinces, and ABA contributed to providing villagers with the access to a reliable source of clean, safe water for their daily consumption. Additionally, the villagers received training on hygiene to protect themselves from diseases in everyday life.

In financial literacy improvement field, we initiated the Financial Literacy Internship

Program (FLIP) together with National Bank of Canada, the UNAC office in Canada, and the UNDP office in Cambodia.

The Program consists of the series of workshops where interns from Canada with financial background together with ABA staff discuss with students on crucial points in establishing and running own business. The students participating in workshops get entrepreneurial knowledge along with the basics of financial literacy for their future endeavors.

Considering charity activities, it is worth mentioning ABA's commitment to a charitable contribution of USD 300,000 to Cambodia Kantha Bopha Foundation (CKBF). The donation will be used to enhance further medical care of Cambodian children treated in the five hospitals under CKBF management, which is in line with the Bank's Mission and Corporate Values.

The Bank also extended its contribution to the country's sports and athletes' improvements by taking the mantle as the Title Sponsor of the 2019 International Tennis Federation (ITF) tournament named "ABA Bank ITF Junior Series 2019". It showed the Bank's commitment to the development of young Cambodian athletes and their courage and respect for the opponent on their path to a professional career.

Additionally, ABA Bank signed an agreement with the Football Federation of Cambodia (FFC) to become the Official Supporter of the Cambodian National Football Team. The sponsorship funds were assigned to support the national football team's training, operations, and general expenditures to compete in the international football tournaments in 2019-2020.

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Audited Financial Statements

CORPORATE INFORMATION

BANK	Advanced Bank of Asia Limited	
REGISTRATION NO.	00010593	
REGISTERED OFFICE	No. 141, 146, 148, and 148 ABCD Preah Sihanouk Blvd, and No. 15 and 153 ABC, Street 278, Phum 4, Sangkat Boeung Keng Kang Ti Muoy, Khan Boeung Keng Kang, Phnom Penh, Kingdom of Cambodia	
SHAREHOLDERS	National Bank of Canada Mr. Damir Karassayev	
BOARD OF DIRECTORS	Mr. Yves Jacquot Mr. Dominic Jacques Mr. Madi Akmambet Mr. Christian St-Arnaud Mr. Lionel Pimpin Mr. Martin Ouellet Mr. Etienne Chenevier Mr. Henri Calvet Mr. Guy Quaden	Chairman Director Executive Director Director Director Director Independent Director Independent Director Independent Director
KEY MANAGEMENT TEAM	Mr. Askhat Azhikhanov Mr. Madi Akmambet Mr. Lee Young Ho Mr. Babu Ram Gyawali Mr. Bibhu Pandey Mr. Rasulov Zokhir Mr. Galymzhan Temirov Mr. Sanzhar Abdullayev Mr. Mey Polin Mr. Zhiger Atchabarov Mr. Igor Zimarev	Chief Executive Officer Executive Director Deputy Chief Executive Officer Chief Financial Officer Chief Credit Officer Chief Digital Banking Officer Chief Technology and Infrastructure Development Officer Chief Card and E-banking Officer Chief Business Development Officer Chief International Operations Officer Chief Marketing Officer and Company Secretary
AUDITORS	Deloitte (Cambodia) Co., Ltd	

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors ("BOD" or "Directors") has pleasure in submitting its report together with the audited financial statements of Advanced Bank of Asia Limited ("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 year.

FINANCIAL RESULTS

The financial results of the Bank for the year ended 31 December 2019 were as follows:

	For the year ended 31 December 2019		For the year ended 31 December 2018	
	US\$	KHR'000	US\$	KHR'000
Profit before income tax	142,292,740	576,997,061	93,156,230	376,723,794
Income tax expense	(14,881,364)	(60,343,931)	(18,965,343)	(76,695,845)
Net profit for the year	127,411,376	516,653,130	74,190,887	300,027,949

RESERVES AND PROVISIONS

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

DIVIDENDS

No dividends were declared or paid during the year (2018: nil).

SHARE CAPITAL

The Bank issued additional shares as follows during the year:

	31 December 2019		31 December 2018	
	US\$	KHR'000	US\$	KHR'000
Balance at beginning of year	165,000,000	662,970,000	125,000,000	504,625,000
Issued share capital (*)	50,000,000	203,750,000	40,000,000	160,720,000
Currency translation differences	-	9,405,000	-	(2,375,000)
	215,000,000	876,125,000	165,000,000	662,970,000

(*) On 28 August 2019, National Bank of Cambodia issued an approval letter allowing the Bank to increase its registered capital by US\$50,000,000 by issuing additional 50,000 shares to National Bank of Canada with a par value of US\$1,000 per share.

On 11 September 2019, the Bank had obtained an approval from National Bank of Cambodia to transfer 16,499 shares of Mr. Damir Karassayev to National Bank of Canada. The detail of new shareholdings was as follows:

	31 December 2019			31 December 2018		
	% of ownership	Number of shares	Amount US\$	% of ownership	Number of shares	Amount US\$
National Bank of Canada	99.99%	214,999	214,999,000	90%	148,500	148,500,000
Mr. Damir Karassayev	0.01%	1	1,000	10%	16,500	16,500,000
	100%	215,000	215,000,000	100%	165,000	165,000,000

On 21 November 2019, ABA Bank has requested to the NBC to inject additional capital of US\$ 120 million (equivalent to KHR 480 billion). On 2 January 2020, the Bank received the approval letter dated 31 December 2019 from the NBC. Having received the approval letter, National Bank of Canada injected the capital on the same day resulted in a total share capital of US\$ 335 million (equivalent to KHR 1,365 billion). The Bank's Memorandum and Article of Association was amended and registered with the Ministry of Commerce on 15 January 2020.

WRITTEN OFF OF AND ALLOWANCE FOR FINANCIAL ASSETS

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

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

ASSETS

Before the financial statements of the Bank were prepared, the Directors took reasonable steps to ascertain that management took appropriate actions so that any assets, which were unlikely to be realised in the ordinary course of business at their values as shown in the accounting records of the Bank had been written down to amounts which they might be expected to realise.

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

At the date of this report, the Directors are not aware of:

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

At the date of this report, the Directors are not aware that any 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 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 AN UNUSUAL NATURE

To the best knowledge of Directors:

- The results of the operations of the Bank for the year were not 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 year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Bank for the current year in which this report is made.

EVENTS AFTER THE REPORTING DATE

At the date of this report, to the best knowledge of the Directors, there have been no significant events occurring after balance sheet date which would require adjustments or disclosures other than those disclosed in the financial statements.

THE BOARD OF DIRECTORS

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

- | | |
|---------------------------|----------------------|
| ▪ Mr. Yves Jacquot | Chairman |
| ▪ Mr. Dominic Jacques | Director |
| ▪ Mr. Madi Akmambet | Executive Director |
| ▪ Mr. Christian St-Arnaud | Director |
| ▪ Mr. Lionel Pimpin | Director |
| ▪ Mr. Martin Ouellet | Director |
| ▪ Mr. Etienne Chenevier | Independent Director |
| ▪ Mr. Henri Calvet | Independent Director |
| ▪ Mr. Guy Quaden | Independent Director |

DIRECTORS' INTERESTS

There were no Directors who held office at the end of the year and their interests in the shares of the Bank.

DIRECTORS' BENEFITS

During and at the end of the year, no arrangement existed to which the Bank is a party with the objective of enabling Directors of the Bank to acquire benefits by means of the share purchase option.

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive any benefit by reason of a contract made by the Bank other than as disclosed in the financial statements.

THE BOARD OF DIRECTOR'S RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Board of Directors are responsible for ascertaining that the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2019, and its financial performance and its cash flows for the year ended 31 December 2019. The Board of Directors oversees the preparation of these financial statements by management who are required to:

- adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- comply with the disclosure requirements of Cambodian International Financial Reporting Standards (CIFRSs), or if there have been any departures in the interests of fair presentation, these have been appropriately disclosed, explained and quantified in the financial statements;
- maintain adequate accounting records and an effective system of internal controls;
- prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Bank will continue operations in the foreseeable future; and
- effectively control and direct the Bank and is involved in all material decisions affecting the operations and performance and ascertain that such have been properly reflected in the financial statements.

Management is responsible for ensuring that the above requirements have been fulfilled and is also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

STATEMENT OF THE BOARD OF DIRECTORS

The accompanying financial statements as set out on pages 39 to 120 present fairly, in all material respects, the financial position of Advanced Bank of Asia Limited (the "Bank") as at 31 December 2019, and its financial performance and its cash flows for the year ended in accordance with Cambodian International Financial Reporting Standards (CIFRSs), and at the date of this statement, there are reasonable grounds to believe that the Bank will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors

Mr. Askhat Azhikhanov

Chief Executive Officer

Phnom Penh, Kingdom of Cambodia

Date: 25 March 2020

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ADVANCED BANK OF ASIA LIMITED



OPINION

We have audited the financial statements of Advanced Bank of Asia Limited ("the Bank"), which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 39 to 120.

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 *Auditor's 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.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Allowance for impairment losses on loans to customers Loans to customers constitute approximately 63% of the Bank's total assets. The Bank's gross loan portfolio is mainly real estate, wholesale and retail trade. The customers comprise of both corporates and individuals. The Bank adopted CIFRS 9 – "Financial Instruments", with a date of transition of 1 January 2018. CIFRS 9 introduces an expected credit loss ("ECL") impairment model, which requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. This is a new and complex accounting standard which has required considerable judgement and interpretation in its implementation.	<p>Our audit procedures include understanding and testing of the design and implementation and operating effectiveness of the key controls over the following:</p> <ul style="list-style-type: none">■ Loan applications and credit reviews■ Identification of significant increase in credit risk■ Subsequent annual review of the credit worthiness of the borrower■ Accuracy of data input <p>Our audit procedures to assess management's allowance for expected credit loss included the following:</p> <ul style="list-style-type: none">■ We obtained an understanding of the Bank's credit policy and expected credit loss model and evaluated the processes for identifying significant increase in credit risk and loan grading;■ We assessed the classification and credit worthiness of the samples with references from the relevant industries, including macroeconomic factor, customers' financial circumstances and valuation of collaterals; and■ We selected and tested loan samples according to its total credit exposure to the Bank and assessed the Bank's credit review process. The sample selection covers loan classified as Stage 1, Stage 2, and Stage 3.

Key audit matter

How our audit addressed the key audit matter

The significant judgements in applying the accounting requirements for measuring ECL include the following:

- Building the appropriate collective assessment models used to calculate ECL. The models are inherently complex and judgement is applied in determining the appropriate construct of the model;
- Identification of loans to customers and financing that have experienced a significant increase in credit risk; and
- Assumptions used in the ECL models such as expected future cash flows, forward-looking macroeconomic factors and data sets.

With respect to the Bank's loans classified as Stage 1, Stage 2, and Stage 3, we assessed:

- The Bank's expected credit loss model, in particular focusing on the following areas:
 - (i) Alignment of the expected credit loss model and its underlying methodology with the requirements of CIFRS 9; and
 - (ii) Approach to incorporation of forward-looking macroeconomic factors
- Effectiveness of relevant controls relating to the data used to determine the provision for credit impairment, including internal credit quality assessments and inputs to the expected credit loss model.
- Computation of expected credit loss.

We involved our specialists in the performance of these procedures where their specific expertise was required.

We have also assessed and challenged the adequacy of the Bank's disclosure on the allowance for impairment of loans to customers and the related credit risk in the notes to the financial statements.

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

Management is responsible for the other information. The other information comprises the Corporate Information and the Report of the Board of Directors set out on page 31 and pages 32 to 35, respectively but does not include the financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF MANAGEMENT AND THE BOARD OF DIRECTORS FOR THE FINANCIAL STATEMENTS

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

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

The Board of Directors are responsible for overseeing the Bank's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

For Deloitte (Cambodia) Co., Ltd.

Ung Kimsopheaktra

Director

Phnom Penh, Kingdom of Cambodia

Date: 25 March 2020

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

		31 December 2019		31 December 2018		1 January 2018	
	Note	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Assets							
Cash on hand	6	251,750,205	1,025,882,085	148,504,229	596,689,992	68,849,172	277,944,107
Balances with the NBC	7	1,151,654,239	4,692,991,024	436,157,370	1,752,480,312	207,311,283	836,915,649
Balances with other banks	8	93,411,689	380,652,633	207,402,121	833,341,722	86,009,443	347,220,121
Loans to customers	9	2,758,070,913	11,239,138,970	1,830,334,169	7,354,282,691	1,233,682,610	4,980,376,697
Investment securities	10	33,285,434	135,638,144	33,169,815	133,276,317	16,713,890	67,473,974
Property and equipment	11	40,448,758	164,828,689	28,440,671	114,274,616	12,903,247	52,090,408
Right-of-use assets	12	34,537,031	140,738,401	30,494,283	122,526,029	18,549,420	74,884,009
Intangible assets	13	7,174,737	29,237,053	2,647,070	10,635,927	1,765,748	7,128,325
Deferred tax assets, net	14(b)	2,191,391	8,929,918	1,371,558	5,510,920	938,150	3,787,311
Other assets	15	22,363,972	91,133,185	24,262,038	97,484,869	15,904,058	64,204,683
Total Assets		4,394,888,369	17,909,170,102	2,742,783,324	11,020,503,395	1,662,627,021	6,712,025,284
Liabilities							
Deposits from customers	16	3,395,343,449	13,836,024,555	2,186,982,607	8,787,296,115	1,275,778,673	5,150,318,503
Debt securities in issue	17	20,939,337	85,327,798	-	-	-	-
Borrowings	18	279,856,458	1,140,415,066	80,532,015	323,577,636	87,370,740	352,715,677
Subordinated debts	19	128,000,000	521,600,000	93,000,000	373,674,000	55,000,000	222,035,000
Current tax liabilities	14(a)	12,231,453	49,843,171	17,278,566	69,425,278	10,904,799	44,022,674
Lease liabilities	20	36,513,407	148,792,134	31,359,400	126,002,069	18,549,420	74,884,009
Other liabilities	21	25,624,103	104,418,220	14,661,950	58,911,715	10,245,490	41,361,044
Total Liabilities		3,898,508,207	15,886,420,944	2,423,814,538	9,738,886,813	1,457,849,122	5,885,336,907
Equity							
Share capital	22	215,000,000	876,125,000	165,000,000	662,970,000	125,000,000	504,625,000
Regulatory reserves	23	33,661,778	137,171,744	21,321,874	85,671,290	14,491,982	58,504,131
Retained earnings		247,718,384	1,009,452,414	132,646,912	532,975,292	65,285,917	263,559,246
Total Equity		496,380,162	2,022,749,158	318,968,786	1,281,616,582	204,777,899	826,688,377
Total Liabilities and Equity		4,394,888,369	17,909,170,102	2,742,783,324	11,020,503,395	1,662,627,021	6,712,025,284

The accompanying notes from pages 44 to 120 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	For the year ended 31 December 2019		For the year ended 31 December 2018	
		US\$	KHR'000	US\$	KHR'000
Interest income	24	263,354,789	1,067,903,669	184,204,806	744,924,235
Interest expense	24	(50,986,374)	(206,749,747)	(48,230,811)	(195,045,400)
Net interest income		212,368,415	861,153,922	135,973,995	549,878,835
Fee and commission income	25	41,609,877	168,728,051	26,931,311	108,910,222
Fee and commission expense	25	(13,905,227)	(56,385,695)	(8,356,322)	(33,792,966)
Net fee and commission income		27,704,650	112,342,356	18,574,989	75,117,256
Other operating income	26	1,702,893	6,905,231	1,471,050	5,948,926
Personnel expenses	27	(57,847,295)	(234,570,781)	(35,302,253)	(142,762,311)
Operating expenses	28	(24,801,512)	(100,570,131)	(16,002,256)	(64,713,123)
Depreciation and amortisation	29	(14,714,186)	(59,666,024)	(9,079,002)	(36,715,484)
Operating profit		144,412,965	585,594,573	95,636,523	386,754,099
Net impairment losses on financial assets	30	(2,120,225)	(8,597,512)	(2,480,293)	(10,030,305)
Profit before tax		142,292,740	576,997,061	93,156,230	376,723,794
Income tax expense	14(c)	(14,881,364)	(60,343,931)	(18,965,343)	(76,695,845)
Profit for the year		127,411,376	516,653,130	74,190,887	300,027,949
Other comprehensive income/(loss)		-	10,114,435	-	(3,169,395)
Total comprehensive income for the year		127,411,376	526,767,565	74,190,887	296,858,554
Profit attributable to shareholder		127,411,376	516,653,130	74,190,887	300,027,949
Total comprehensive income attributable to shareholder		127,411,376	526,767,565	74,190,887	296,858,554

The accompanying notes from pages 44 to 120 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital	Regulatory reserves	Retained earnings	Total
	US\$	US\$	US\$	US\$
For year ended 31 December 2018				
At 1 January 2018	125,000,000	14,491,982	65,285,917	204,777,899
Issuance of share capital	40,000,000	-	-	40,000,000
Profit for the year	-	-	74,190,887	74,190,887
	165,000,000	14,491,982	139,476,804	318,968,786
Transfers from retained earnings to regulatory reserves	-	6,829,892	(6,829,892)	-
At 31 December 2018	165,000,000	21,321,874	132,646,912	318,968,786
In KHR'000 equivalents	662,970,000	85,671,290	532,975,292	1,281,616,582
For the year ended 31 December 2019				
At 1 January 2019	165,000,000	21,321,874	132,646,912	318,968,786
Issuance of share capital	50,000,000	-	-	50,000,000
Profit for the year	-	-	127,411,376	127,411,376
	215,000,000	21,321,874	260,058,288	496,380,162
Transfers from retained earnings to regulatory reserves	-	12,339,904	(12,339,904)	-
At 31 December 2019	215,000,000	33,661,778	247,718,384	496,380,162
In KHR'000 equivalents	876,125,000	137,171,744	1,009,452,414	2,022,749,158

The accompanying notes from pages 44 to 120 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	For the year ended 31 December 2019		For the year ended 31 December 2018	
		US\$	KHR'000	US\$	KHR'000
Cash flows from operating activities					
Profit before income tax		142,292,740	576,997,061	93,156,230	376,723,794
Adjustments for:					
Depreciation and amortisation	29	14,714,186	59,666,024	9,079,002	36,715,484
Net impairment losses on financial assets	30	2,120,225	8,597,512	2,480,293	10,030,305
Losses/(gains) on disposals of property and equipment		79,128	320,864	(9,639)	(38,980)
Net interest income	24	(212,368,415)	(861,153,923)	(135,973,995)	(549,878,836)
		(53,162,136)	(215,572,462)	(31,268,109)	(126,448,233)
Changes in:					
Balances with the NBC		(572,508,230)	(2,321,520,873)	(120,025,944)	(485,384,918)
Balances with other banks		(18,090,704)	(73,357,805)	(29,901,831)	(120,923,005)
Loans to customers		(924,310,219)	(3,748,077,938)	(595,802,268)	(2,409,424,372)
Other assets		1,894,883	7,683,751	(8,371,910)	(33,856,004)
Deposits from customers		1,207,115,589	4,894,853,713	910,608,912	3,682,502,440
Other liabilities		10,953,327	44,415,741	4,411,017	17,838,153
Cash (used in)/generated from operations		(348,107,490)	(1,411,575,873)	129,649,867	524,304,061
Interest received		256,321,885	1,039,385,244	181,023,738	732,059,996
Interest paid		(45,792,636)	(185,689,139)	(46,903,939)	(189,679,529)
Income tax paid		(20,748,310)	(84,134,397)	(13,024,984)	(52,673,035)
Net cash (used in)/from operating activities		(158,326,551)	(642,014,165)	250,744,682	1,014,011,493

	Note	For the year ended 31 December 2019		For the year ended 31 December 2018	
		US\$	KHR'000	US\$	KHR'000
Cash flows from investing activities					
Purchase of investment securities		(252,599,231)	(1,024,289,882)	(29,719,104)	(120,184,057)
Sale proceeds from investment securities		252,611,049	1,024,337,804	13,737,094	55,552,808
Purchases of property and equipment		(20,384,963)	(82,661,025)	(20,231,276)	(81,815,280)
Purchases of intangible assets		(5,374,833)	(21,794,948)	(1,289,293)	(5,213,901)
Proceeds from disposals of property and equipment		57,355	232,575	13,025	52,673
Net cash used in investing activities		(25,690,623)	(104,175,476)	(37,489,554)	(151,607,757)
Cash flows from financing activities					
Issuance of share capital		50,000,000	202,750,000	40,000,000	161,760,000
Issuance of debt securities in issue		20,326,748	82,424,963	–	–
Proceeds from borrowings		498,527,607	2,021,529,446	128,724,739	520,562,845
Repayments of borrowings		(300,873,417)	(1,220,041,706)	(135,069,000)	(546,219,036)
Proceeds from subordinated debts		40,000,000	162,200,000	40,000,000	161,760,000
Repayments of subordinated debts		(5,000,000)	(20,275,000)	(2,000,000)	(8,088,000)
Principal elements of lease payments		(6,181,011)	(25,064,000)	(4,341,762)	(17,558,086)
Net cash from financing activities		296,799,927	1,203,523,703	67,313,977	272,217,723
Net increase in cash and cash equivalents		112,782,753	457,334,063	280,569,105	1,134,621,459
Cash and cash equivalents at the beginning of year		441,757,411	1,774,981,277	161,188,306	650,717,191
Currency translation differences		–	27,435,828	–	(10,357,373)
Cash and cash equivalents at the end of year	31	554,540,164	2,259,751,168	441,757,411	1,774,981,277

The accompanying notes from pages 44 to 120 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1. REPORTING ENTITY

Advanced Bank of Asia Limited ("the Bank") was incorporated in Cambodia on 25 October 1996 under Registration No. Co. 322/97E (renewed to No. 00010593) dated 25 October 1996 granted by the Ministry of Commerce and commenced operations on 25 October 1996. On 28 November 2006, the Bank was granted a permanent banking licence No. 14 from the National Bank of Cambodia ("NBC").

The Bank is principally engaged in all aspects of banking business and the provision of related financial services in the Kingdom of Cambodia. There have been no significant changes in the nature of these principal activities during the year.

The registered office of the Bank is located at No. 141, 146, 148, and 148 ABCD Preah Sihanouk Blvd., and No. 15 and 153 ABC, Street 278, Phum 4, Sangkat Boeng Keng Kang Ti Muoy, Khan Boeng Keng Kang, Phnom Penh, Kingdom of Cambodia.

The financial statements of the Bank were authorised for issue by the Board of Directors on 19 March 2020.

2. ADOPTION OF A NEW FINANCIAL REPORTING FRAMEWORK

The Bank adopted the new financial reporting framework – Cambodian International Reporting Standards ("CIFRSs") for the first time for financial year ended 31 December 2019 and CIFRS 1 *First-time Adoption of Cambodia Financial Reporting Standards* has been applied in the first set of CIFRSs financial statements. CIFRSs is identical to the International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board (IASB).

As a first-time adopter of CIFRSs, the Bank has applied retrospectively, accounting policies based on each CIFRS effective as at end of the first CIFRSs reporting period (31 December 2019), except for areas of exceptions and optional exemptions set out in CIFRS 1. In the first set of CIFRSs financial statements for the financial year ended 31 December 2019, an additional opening statement of financial position as at date of transition (1 January 2018) is presented, together with related notes. Reconciliation statements from previously reported amounts and explanatory notes on transition adjustments are presented for equity as at date of transition (1 January 2018) and as at end of last financial period (31 December 2018) under Cambodian Accounting Standards and relevant accounting regulations and guidelines issued by the NBC (previous GAAP), and for total comprehensive income and cash flows reported for the last financial period under previous GAAP (for the year ended 31 December 2018). Additional disclosures are made for specific transition adjustments if applicable.

CIFRSs introduce new accounting standards of which two new standards (CIFRS 9 and CIFRS 16) have a significant impact on the Bank's financial statements. A number of other new standards are also applicable; however, they do not have a material effect on the Bank financial statements.

2.1 CIFRS 9 Financial Instruments

CIFRS 9 sets out requirements for recognising and measuring financial assets and financial liabilities. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities. The key changes to the Bank's accounting policies resulting from its adoption of CIFRS 9 are summarised below.

Classification of financial assets and financial liabilities

CIFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). CIFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the previous GAAP categories of held-to-maturity, loans and receivables and available-for-sale.

CIFRS 9 largely retains the existing requirements for the classification of financial liabilities except for changes in the fair value of financial liabilities designated at FVTPL that are attributable to changes in the instrument's credit risk are presented in other comprehensive income.

Impairment of financial assets

CIFRS 9 replaces the "incurred loss" model in previous GAAP with an expected credit loss ("ECL") model. The new impairment model also applies to certain loan commitments and financial guarantee contracts but not to equity investments. Under CIFRS 9, credit losses are recognised earlier than that under previous GAAP.

Transition

At the date of transition to CIFRSs (1 January 2018), the Bank:

- Classifies financial assets measured at amortised cost as the following conditions are met based on the facts and circumstances that exist at the date of transition:
 - (i) The assets are held within a business model whose objective is to hold assets to collect contractual cash flow; and
 - (ii) The contractual terms of the financial asset give rise on specified date to cash flow that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.
- Classifies investment in equity instruments at FVOCI as it is not held for trading.
- Classifies financial liabilities measured at amortised cost as those liabilities do not fall into the FVTPL category.
- Applies effective interest rate ("EIR") retrospectively to financial assets and financial liabilities measured at amortised cost.
- Applies impairment requirement retrospectively by using reasonable and supportable information that is available without undue cost or effort to determine the credit risk at the date the financial instrument was initially recognised (for loan commitments, the date the Bank became a party to the irrevocable commitment and for financial guarantees when there is default of the debtor in accordance to the term of the debt instrument that is guarantee) and comparing that with the credit risk at the date of transition to CIFRSs to assess whether there has been a significant increase in credit risk since initial recognition. In determining whether there has been a significant increase in credit risk since initial recognition, the Bank applies (1) low credit risk exception, and (2) the rebuttable presumption for the contractual payments that are more than 29 days past due for long term loan and more than 14 days past due for short term loan, or (3) credit risk rating movement based on internal credit rating and days past due. See Note 35.1 for more details about credit risk rating.

2.2 CIFRS 16 Leases

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

The key changes to the Bank's accounting policies resulting from its adoption of CIFRS 16 are summarised below.

Accounting for leases

CIFRS 16 changes how the Bank accounts for leases previously classified as operating leases under CAS 17, which were off-balance-sheet.

Applying CIFRS 16, the Bank:

- Recognises right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of future lease payments;
- Recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss; and
- Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in profit or loss.

Under CIFRS 16, right-of-use assets are tested for impairment in accordance with CIAS 36 *Impairment of Assets*.

For leases of low-value assets (such as Automatic Machine Teller (ATM) space rental, vehicle parking space rental, rental on furniture fixture equipment, and motorbike rental), the Bank has opted to recognise a lease expense on a straight-line basis over the lease term as permitted by CIFRS 16. This expense is presented within operating expenses in profit or loss.

Transition

At the date of transition to CIFRSs (1 January 2018), the Bank has elected optional exemptions as follows:

- Reassess whether a contract is or contains a lease for contracts existing at the date of transition based on the facts and circumstances at that date.
- Measure the lease liabilities at the present value of the remaining lease payments, discounted using incremental borrowing rate available at the date of transition.
- Measure right-of-use assets at amount equal to the lease liabilities adjusted by the amount of any prepaid or accrued lease payments related to that lease recognised in the statement of financial position immediately before the date of transition to CIFRSs.
- Apply CIAS 36 to the right-of-use assets at the date of transition to CIFRSs.

- Apply a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Elect not to apply measurement requirements to leases for which the lease term ends within 12 months of the date of transition nor to the leases for which the underlying asset is of low value. Instead, the Bank recognises the lease payments associated with those leases as an expense on the straight-line basis over the lease term.

Reconciliation between lease commitments and financial liabilities

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

	US\$	KHR'000
Operating lease commitments at 1 January 2018	21,899,901	88,409,900
Short-term leases	(84,556)	(341,353)
Effect of discounting the above amounts	(3,265,925)	(13,184,538)
Lease liabilities recognised at 1 January 2018	18,549,420	74,884,009

2.3 Financial impact of first-time adoption of CIFRSs

The effects of transition to CIFRSs are presented and explained below.

(i) Impact on the Statement of Financial Position as at 1 January 2018 (date of transition to CIFRSs)

	As reported under previous GAAP	Application of CIFRS 1	As adjusted under CIFRSs	
	US\$	US\$	US\$	KHR'000
Assets				
Cash on hand	68,849,172	-	68,849,172	277,944,107
Balances with the NBC	207,311,283	-	207,311,283	836,915,649
Balances with other banks (a)	86,020,612	(11,169)	86,009,443	347,220,121
Loans to customers (a)	1,227,372,821	6,309,789	1,233,682,610	4,980,376,697
Foreclosed properties (g)	601,375	(601,375)	-	-
Investment securities (a)	17,224,311	(510,421)	16,713,890	67,473,974
Property and equipment	12,903,247	-	12,903,247	52,090,408
Right-of-use assets (b)	-	18,549,420	18,549,420	74,884,009
Intangible assets	1,765,748	-	1,765,748	7,128,325
Deferred tax assets (e)	1,835,659	(897,509)	938,150	3,787,311
Other assets (a, b, g)	15,194,967	709,091	15,904,058	64,204,683
Net impact on total assets		23,547,826		

	As reported under previous GAAP	Application of CIFRS 1	As adjusted under CIFRSs	
	US\$	US\$	US\$	KHR'000
Liability				
Deposits from customers (c)	1,264,493,344	11,285,329	1,275,778,673	5,150,318,503
Borrowings (c)	86,500,001	870,739	87,370,740	352,715,677
Subordinated debts (c)	55,000,000	-	55,000,000	222,035,000
Current income tax payables	10,904,799	-	10,904,799	44,022,674
Lease liabilities (b, c)	-	18,549,420	18,549,420	74,884,009
Other liabilities (c, d)	21,977,285	(11,731,795)	10,245,490	41,361,044
Net impact on total liabilities		18,973,693		
Equity				
Share capital	125,000,000	-	125,000,000	504,625,000
Regulatory reserves (f)	-	14,491,982	14,491,982	58,504,131
Retained earnings (f)	75,203,766	(9,917,849)	65,285,917	263,559,246
Net impact on equity		4,574,133		
Net impact on total liabilities and equity		23,547,826		

(ii) Impact on the Statement of Financial Position as at 31 December 2018 (end of last period reported under previous GAAP)

	As reported under previous GAAP	Application of CIFRS 1	As adjusted under CIFRSs	
	US\$	US\$	US\$	KHR'000
Asset				
Cash on hand	148,504,229	-	148,504,229	596,689,992
Balances with the NBC	436,157,370	-	436,157,370	1,752,480,312
Balances with other banks (a)	207,488,948	(86,827)	207,402,121	833,341,722
Loans to customers (a)	1,820,441,489	9,892,680	1,830,334,169	7,354,282,691
Investment securities (a)	33,253,348	(83,533)	33,169,815	133,276,317
Property and equipment	28,440,671	-	28,440,671	114,274,616
Right-of-use assets (b)	-	30,494,283	30,494,283	122,526,029
Intangible assets	2,647,070	-	2,647,070	10,635,927
Deferred tax assets (e)	2,775,214	(1,403,656)	1,371,558	5,510,920
Other assets (a, b)	24,089,688	172,350	24,262,038	97,484,869
Net impact on total assets		38,985,297		

	As reported under previous GAAP	Application of CIFRS 1	As adjusted under CIFRSs	
	US\$	US\$	US\$	KHR'000
Liability				
Deposits from customers (c)	2,175,102,256	11,880,351	2,186,982,607	8,787,296,115
Borrowings (c)	80,155,740	376,275	80,532,015	323,577,636
Subordinated debts (c)	93,000,000	-	93,000,000	373,674,000
Current income tax payables	17,278,566	-	17,278,566	69,425,278
Lease liabilities (b, c)	-	31,359,400	31,359,400	126,002,069
Other liabilities (c, d)	26,240,184	(11,578,234)	14,661,950	58,911,715
Net impact on total liabilities		32,037,792		
Equity				
Share capital	165,000,000	-	165,000,000	662,970,000
Regulatory reserves (f)	-	21,321,874	21,321,874	85,671,290
Retained earnings (f)	147,021,281	(14,374,369)	132,646,912	532,975,292
Net impact on equity		6,947,505		
Net impact on total liabilities and equity		38,985,297		

(iii) Impact on Statement of Profit or Loss and Other Comprehensive Income for year ended 31 December 2018 (last financial year reported under previous GAAP)

	As reported under previous GAAP	Application of CIFRS 1	As adjusted under CIFRSs	
	US\$	US\$	US\$	KHR'000
Interest income (a)	183,476,436	728,370	184,204,806	744,924,235
Interest expense (b)	(47,004,497)	(1,226,314)	(48,230,811)	(195,045,400)
Fee and commission income (a)	31,072,165	(4,140,854)	26,931,311	108,910,222
Fee and commission expense	(8,356,322)	-	(8,356,322)	(33,792,966)
Other income	1,471,050	-	1,471,050	5,948,926
Personnel expenses (a)	(35,287,536)	(14,717)	(35,302,253)	(142,762,311)
Operating expenses (b)	(20,344,017)	4,341,761	(16,002,256)	(64,713,123)
Depreciation and amortisation expenses (b)	(5,098,437)	(3,980,565)	(9,079,002)	(36,715,484)
Net impact on operating profit		(4,292,319)		
Net impairment losses on financial assets (a, d)	(9,652,132)	7,171,839	(2,480,293)	(10,030,305)
Net impact on profit before tax		2,879,520		

	As reported under previous GAAP	Application of CIFRS 1	As adjusted under CIFRSs	
	US\$	US\$	US\$	KHR'000
Income tax expense (e)	(18,459,196)	(506,147)	(18,965,343)	(76,695,845)
Net impact on profit for the year		2,373,373		

Notes to the reconciliations:

- (a) CIFRS 9 resulted in recognition of financial assets measured at amortised cost. This resulted in decrease in other assets and impairment losses on financial assets. Loans to customers measured at amortised cost resulted in increase in interest income (loan fees which were fully recognised as fees and commission income under previous GAAP). Loans provided to staff at below market rate resulted in increase in other assets, interest income and personnel expenses.
- (b) The application of CIFRS 16 to leases previously classified as operating leases under CAS 17 resulted in the recognition of right-of-use assets and leases liabilities. It resulted in a decrease in other expense and an increase in depreciation and amortisation expense and in interest expense.
- (c) CIFRS 9 resulted in recognition of financial liabilities measured at amortised cost. This resulted in decrease in other liabilities.
- (d) CIFRS 9 resulted in recognition of expected credit loss for loan commitments and financial guarantees. It resulted in decrease in Impairment losses on financial assets.
- (e) Application of CIAS 12 resulted in a decrease of deferred tax assets and an increase in income tax expense.
- (f) According to NBC's Prakas No. B7-017-344 on Credit Risk Grading and Impairment Provisioning, excess amount of impairment calculated in accordance with regulatory provision compared to the impairment calculated under CIFRSs has to be transferred from retained earnings to regulatory reserve of shareholder's equity. This requirement resulted in increase in reserve and decrease in retained earnings.
- (g) Being derecognition of foreclosed properties as not allowable under CIFRSs.

(iv) Impact on the Statement of Cash Flows for the year ended 31 December 2018 (last financial year reported under previous GAAP)

Under CIFRS 16, lessee shall present:

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

Under CAS 17, all lease payments on operating leases were presented as part of cash flows from operating activities. Consequently, the net cash used in operating activities has decreased by US\$4,341,762 and net cash from in financing activities decreased by the same amount.

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

3. NEW AND REVISED STANDARDS ISSUE BUT NOT EFFECTIVE

At the date of authorisation of these financial statements, the Bank has not applied the following new and revised CIFRSs that have been issued but not are yet effective.

Amendments to CIFRS 3	<i>Definition of a business</i>
Amendment to CIAS 1 and CIAS 8	<i>Definition of material</i>
Conceptual Framework	<i>Amendments to References to the Conceptual Framework in CIFRS standards</i>

Managements do not expect that the adoption of standards listed above will have a material impact on the financial statements of the Bank.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of accounting

Basis of preparation

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

The financial statements have been prepared on a historical cost basis. Historical cost is generally based on fair value of the consideration given in exchange for goods and services.

“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.

Functional and presentation currency

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

Transactions in currencies other than US\$ are translated into US\$ at the exchange rate ruling at the dates of the transactions. Monetary assets and liabilities denominated in currencies other than US\$ at the reporting date are translated into US\$ at the rates of exchange ruling at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on translation are recognised in profit or loss.

Presentation in Khmer Riel

The translation of the US\$ amounts into Khmer Riel (“KHR”) is presented in the financial statements to comply with the Law on Accounting and Auditing dated 11 April 2016 using the closing and average rates for the year, as announced by the National Bank of Cambodia.

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

The financial statements presented in KHR are based on the following applicable exchange rates per US\$1:

	Closing rate	Average rate
31 December 2019	4,075	4,055
31 December 2018	4,018	4,044
1 January 2018	4,037	N/A

Basis of aggregation

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

Rounding of amounts

Amounts in the financial statements have been rounded off to the nearest dollar and thousand Khmer Riel (“KHR’000”) for US\$ and Riel amounts, respectively.

4.2 Financial instruments

Financial assets and financial liabilities are recognised in the Bank's statement of financial position when the Bank becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs. For all financial assets the amount presented on the statement of financial position represent all amounts receivable including interest accruals.

Classification and subsequent measurement

A financial asset is measured at amortised cost if it meets both of the following conditions:

- 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 solely payments of principal and interest on the principal amount outstanding ("SPPI").

Impairment of financial assets

The Bank recognises loss allowances for ECLs on the following financial instruments:

- Balances with other banks;
- Balances with the NBC;
- Loans to customers;
- Debt investment securities;
- Rental deposits;
- Loan commitments issued; and
- Financial guarantee contracts issued.

No impairment loss is recognised on equity investments.

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL. More details on the determination of a significant increase in credit risk are provided in Note 35.1.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Bank under the contract and the cash flows that the Bank expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

- For undrawn loan commitments, the ECL is the difference between the present value of the difference between the contractual cash flows that are due to the Bank if the holder of the commitment draws down the loan and the cash flows that the Bank expects to receive if the loan is drawn down; and
- For financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Bank expects to receive from the holder, the debtor or any other party.

The Bank measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR, regardless of whether it is measured on an individual basis or a collective basis.

More information on measurement of ECL is provided in Note 35.1, including details on how instruments are grouped when they are assessed on a collective basis.

Credit impaired 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. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as default or past due event;

- The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider; or
- The disappearance of an active market for a security because of financial difficulties.

It may not be possible to identify a single discrete event — instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Bank assesses whether debt instruments that are financial assets measured at amortised cost are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Bank considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default. Please see below for definition of default.

Definition of default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk (see Note 35.1).

The Bank considers the following as constituting an event of default:

- the borrower is past due more than 90 days on any material credit obligation to the Bank; or
- the borrower is unlikely to pay its credit obligations to the Bank in full.

This definition of default is used by the Bank for accounting purposes as well as for internal credit risk management purposes and is broadly aligned to the regulatory definition of default.

When assessing if the borrower is unlikely to pay its credit obligation, the Bank takes into account both qualitative and quantitative indicators. The information assessed depends on the type of the asset, for example in corporate lending a qualitative indicator used is the breach of covenants, which is not relevant for retail lending. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis. The Bank uses a variety of sources of information to assess default which are either developed internally or obtained from external sources. More details are provided in Note 35.1. As noted in the definition of credit impaired financial assets above, default is evidence that an asset is credit impaired. Therefore, credit impaired assets will include defaulted assets, but will also include other non-defaulted given the definition of credit impaired is broader than the definition of default.

Significant increase in credit risk

The Bank monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Bank will measure the loss allowance based on lifetime rather than 12-month ECL. The Bank's accounting policy is not to use the practical expedient that financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk. As a result the Bank monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to impairment for significant increase in credit risk.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Bank compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the Bank considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Bank's historical experience and expert credit assessment including forward-looking information. See Note 35.1 for more details about forward-looking information.

Forward-looking information includes the future prospects of the industries in which the Bank's counterparties operate, obtained from International Monetary Funds, the World Bank and other similar organisations, as well as consideration of various internal and external sources of actual and forecast economic information. The Bank allocates its counterparties to a relevant internal credit risk grade depending on their credit quality. The quantitative information is a primary indicator of significant increase in credit risk and is based on the change in lifetime PD by comparing:

- the remaining lifetime PD at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated based on facts and circumstances at the time of initial recognition of the exposure.

The PDs used are forward-looking and the Bank uses the same methodologies and data used to measure the loss allowance for ECL (please refer to Note 35.1).

Given that a significant increase in credit risk since initial recognition is a relative measure, a given change, in absolute terms, in the PD will be more significant for a financial instrument with a lower initial PD than compared to a financial instrument with a higher PD.

More information about significant increase in credit risk is provided in Note 35.1.

Modification and derecognition of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing terms of contract of an existing loan would constitute a modification even if these new or adjusted terms of contract do not yet affect the cash flows immediately but may affect the cash flows depending on whether the term of contracts is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

The Bank renegotiates loans to customers in financial difficulty to maximise collection and minimise the risk of default. A loan forbearance is granted in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the borrower is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness) and amendments to terms of contracts.

When a financial asset is modified the Bank assesses whether this modification results in derecognition. In accordance with the Bank's policy a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms the Bank considers the following:

- Qualitative factors, such as contractual cash flows after modification are no longer SPPI, change in currency or when rights to cash flows between the original counterparties expire because a new debtor replaces the original debtor (unless both debtors are under common control), the extent of change in interest rates, and maturity. If these do not clearly indicate a substantial modification, then;
- A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective interest. If the Bank notes a substantial difference based on the type of financial assets, it will be derecognised. When performing a quantitative assessment of a modification or renegotiation of a credit-impaired financial asset or a purchased or originated credit-impaired financial asset that was subject to a write-off, the Bank considers the expected (rather than the contractual) cash flows before modification or renegotiation and compares those with the contractual cash flows after modification or renegotiation.

In the case where the financial asset is derecognised the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new loan is considered to be originated credit-impaired. This applies only in the case where the fair value of the new loan is recognised at a significant discount to its revised par amount because there remains a high risk of default which has not been reduced by the modification. The Bank monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms.

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Bank determines if the financial asset's credit risk has increased significantly since initial recognition by comparing:

- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms; with
- the remaining lifetime PD at the reporting date based on the modified terms.

For financial assets modified as part of the Bank's forbearance policy, where modification did not result in derecognition, the estimate of PD reflects the Bank's ability to collect the modified cash flows taking into account the Bank's previous experience of similar forbearance action, as well as various behavioural indicators, including the borrower's payment performance against the modified contractual terms. If the credit risk remains significantly higher than what was expected at initial recognition the loss allowance will continue to be measured at an amount equal to lifetime ECL. If a forborne loan is credit impaired due to the existence of evidence of credit impairment (see above), the Bank performs an ongoing assessment to ascertain if the problems of the exposure are cured, to determine if the loan is no longer credit-impaired. The loss allowance on forborne loans will generally only be measured based on 12-month ECL when there is evidence of the borrower's improved repayment behaviour following modification leading to a reversal of the previous significant increase in credit risk.

Where a modification does not lead to derecognition the Bank calculates the modification loss by comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Then the Bank measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.

The Bank derecognises a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the

risks and rewards of ownership of a transferred financial asset, the Bank continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Write-off

Loans and debt securities are written off in full when the Bank has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is 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. A write-off constitutes a derecognition event. The Bank may apply enforcement activities to financial assets written off. Recoveries resulting from the Bank's enforcement activities will result in impairment gains, which will be presented in "net impairment losses on financial assets" in the statement of profit or loss.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- for financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets; and
- for loan commitments and financial guarantee contracts: as a provision in other liabilities.

Financial liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Bank.

Financial liabilities, including deposits from customers, borrowings, subordinated debts, debt securities in issue, and lease liabilities, are initially measured at fair value, net of transaction costs. These financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The EIR is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Modification and derecognition financial liabilities

The Bank derecognises financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss that incurs because specified debtor fails to make payments when due in accordance with the term of the debt instrument.

Financial guarantee contracts issued by the Bank are initially measured at their fair values and, if not designated at fair value through profit or loss, are subsequently measured at the higher of:

- amount of loss allowance determined with CIFRS 9; and
- the amount initially recognized less, where appropriate, cumulative amount of income recognized in accordance with the Bank's revenue recognition policies.

The Bank has not designated any financial guarantee contracts at fair value through profit or loss.

Leases

The Bank assesses whether a contract is or contains a lease, at inception of a contract. The Bank recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Bank recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using its incremental borrowing rate which is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use-asset in a similar economic environment.

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

- fixed lease payments, less any lease incentives;
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Bank re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

4.3 Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

4.4 Property and equipment

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

Where an item of property and equipment comprises major components having different useful lives, the components are accounted for as separate items of property and equipment.

Subsequent expenditure is capitalised only when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Bank. Ongoing repairs and maintenance are expensed as incurred.

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives of significant items of property and equipment are as follows:

	Useful lives
Leasehold improvements	1-10 years
Office equipment, furniture and fixture	5 years
Motor vehicles	5 years
Computer and IT equipment	3-6 years

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

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

Fully depreciated items of property and equipment are retained in the statements of financial position until disposed of or written off.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

4.5 Intangible assets

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

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

Software and licenses are amortised on a straight-line basis in profit or loss over its estimated useful life, from the date on which it is available for use. Software cost are amortised over the expected useful lives of 3 to 20 years.

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

4.6 Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets (other than deferred tax assets) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

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

An impairment loss is recognised if the carrying amount of an asset (or its cash-generating) unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit and loss.

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.

4.7 Provisions

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event, it is probable that the Bank will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

4.8 Regulatory provisions and regulatory reserves

On 1 December 2017, NBC issued a Prakas No. B7-017-344 on Credit Risk Grading and Impairment Provisioning for ensuring appropriate recognition, measurement, provisioning and reporting of impaired facilities of the institutions.

Facilities under this Prakas is defined as all loans and other financial products, whether reported on balance sheet or off-balance sheet, provided by an Institution to a counterparty, which give rise to credit risk exposure on the Institution.

According to the Prakas, the Bank is required to calculate the allowance for impaired facilities in accordance with the regulatory provision simultaneously with the calculation in accordance with CIFRSs. The provision calculated in accordance with CIFRSs is to be recognised and recorded. Excess amount of provision calculated in accordance with regulatory provision compared to the provision calculated under CIFRSs has to be transferred from retained earnings to regulatory reserve of shareholder's equity.

On 16 February 2018, NBC issued Circular No. B7-018-001 clarifying on Implementation of Prakas on Credit Risk Grading and Impairment Provisioning. According to the Circular, the Bank is required to calculate the allowance for impaired facilities in accordance with regulatory provision of which facilities are classified into five classes with provision rates as follows:

Classifications	Number of days past due	Allowance
General allowance		
<i>Short-term facilities (one year or less):</i>		
Normal	0-15 days	1%
<i>Long-term facilities (more than one year):</i>		
Normal	0-30 days	1%

Classifications	Number of days past due	Allowance
Specific allowance		
<i>Short-term facilities (one year or less):</i>		
Special mention	15–30 days	3%
Sub-standard	31–60 days	20%
Doubtful	61–90 days	50%
Loss	91 days & above	100%
<i>Long-term facilities (more than one year):</i>		
Special mention	30–89 days	3%
Sub-standard	90–179 days	20%
Doubtful	180–359 days	50%
Loss	360 days & above	100%

For facility with repayment as quarterly, semi-annually or longer, such facility shall be classified as substandard if their repayments are past due from five working days.

The allowance is calculated as a percentage of the facility amount outstanding at the time the facility is classified, excluding accrued interest.

4.9 Net interest income

Interest income and expense for financial instruments are recognised in “Net interest income” as “Interest income” and “Interest expense” in the profit or loss account using effective interest method.

The effective interest rate (EIR) is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated taking into account all the contractual terms of the instrument.

The calculation of EIR include all fees paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premium or discounts.

The interest income/interest expense is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortised cost of the financial asset before adjusting for any expected credit loss allowance), or to the amortised cost of financial liabilities. For the credit-impaired financial assets, the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for ECLs).

4.10 Net fee and commission income

Fee and commission income and expense include fees other than those that are an integral part of EIR (Please refer to Note 4.9).

Fee and commission income, including referral fees, renewal fees, commitment fees, remittance fees, service charges, other fees and commissions on loans, and other fee income are recognised as the related services are performed.

Fee and commission expense relates mainly to transaction and service fees, and are accounted as the services received.

4.11 Short-term and other long-term employee benefits

Short-term employee benefits are recognised in respect of wages and salaries in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service. 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.

Long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Bank in respect of the service provided by the employee up to the reporting date.

The Ministry of Labour and Vocational Training ("MoLVT") issued a Prakas No. 443 on Seniority Payments dated 21 September 2018 and Directive No. 042/19 on the Back Pay of Seniority Payment Before 2019 for the Enterprise and Institution Beside Textile, Garment and Footwear Sector dated 22 March 2019, requiring the Bank to pay past seniority payments to employees with undetermined duration contracts. All employees who have been working before 1 January 2019 and continue to work are entitled to a compensation of fifteen (15) days of their average wages of each year of service, totalling not exceeding 6 months, and shall be paid every year starting from December 2021 as follows:

- 3 days shall be made in June; and
- 3 days shall be made in December of each year.

Employees are not entitled to the remaining past seniority payment upon resignation.

The past seniority payment is recognised in full during the year 2018.

For employees with determined duration contract, they are entitled to the severance pay at least 5% of their wages paid during the length of the contract.

4.12 Income tax

Income tax expense comprises current and deferred tax.

The Bank 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 "operating expenses".

Current tax

Current tax is the expected tax payable 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 periods.

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.

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority and the Banks intends to settle its current tax assets and current tax liabilities on a net basis.

4.13 Cash and cash equivalents

Cash and cash equivalents comprise cash balances, unrestricted balances held with the NBC, bank deposits and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in fair value.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

5.1 Critical judgments in applying the accounting policies

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements included the followings:

Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test (please see Note 4.2). The Bank determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Bank monitors financial assets measured at amortised cost that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Bank's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Significant increase of credit risk

As explained in Note 35.1, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased the Bank takes into account qualitative and quantitative reasonable and supportable forward-looking information.

Establishing groups of assets with similar credit risk characteristics

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The Bank monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

Models and assumptions used

The Bank uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

Determination of life of revolving credit facilities

The Bank measures ECL considering the risk of default over the maximum contractual period. However, for financial instruments such as credit cards and overdraft facilities that include both a loan and an undrawn commitment component, the Bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Bank's exposure to credit losses to the contractual notice period. For such financial instruments the Bank measures ECL over the period that it is exposed to credit risk and ECL would be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period.

5.2 Key sources of estimation uncertainty

Information about key assumptions and estimation uncertainties that have the most significant effect on the amounts recognised in financial statements includes the followings:

Forward-looking information

The Bank establishes the number and relative weightings of forward-looking scenarios for each type of product and determines the forward-looking information relevant to each scenario. When measuring ECL the Bank uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Probability of default (PD)

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Loss Given Default (LGD)

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Taxes

The taxation system in Cambodia is characterised by numerous taxes and frequently changing legislation, which is often unclear, contradictory and subject to interpretation. Often, different interpretations exist among the numerous taxation authorities and jurisdictions. Taxes are subject to review and investigation by a number of authorities, which are empowered by law to impose fines, penalties and interest charges.

These factors may create potential tax exposures for the Bank. Management believes that they have understood relevant tax regulations and adequately provided for tax liabilities based on their interpretation of the current tax legislation. However, the relevant authorities may have different interpretations and the effects could be significant.

6. CASH ON HAND

	31 December 2019		31 December 2018		1 January 2018	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Cash on hand	237,592,862	968,190,913	142,130,217	571,079,212	60,670,037	244,924,939
Cash items in process of collection	14,157,343	57,691,172	6,374,012	25,610,780	8,179,135	33,019,168
	251,750,205	1,025,882,085	148,504,229	596,689,992	68,849,172	277,944,107

7. BALANCES WITH THE NBC

	31 December 2019		31 December 2018		1 January 2018	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Statutory deposits:						
Capital guarantee deposit (i)	21,553,770	87,831,613	12,539,068	50,381,975	12,516,787	50,530,269
Reserve requirement (ii)	413,991,945	1,687,017,176	266,545,601	1,070,980,225	156,519,657	631,869,855
Current accounts	235,691,886	960,444,435	87,819,958	352,860,591	32,745,828	132,194,908
Negotiable Certificate of Deposit (NCD)	480,416,638	1,957,697,800	69,252,743	278,257,521	5,529,011	22,320,617
	1,151,654,239	4,692,991,024	436,157,370	1,752,480,312	207,311,283	836,915,649

(i) Capital guarantee deposits

Under the NBC's Prakas No. B7-01-136 dated 15 October 2001, the Bank is required to maintain a statutory deposit of 10% of its capital. This deposit is not available for use in the Bank's day-to-day operations and is only refundable should the Bank voluntarily cease its operations in Cambodia.

During the year, interest was earned at rates ranging from 0.54% to 0.72% per annum (2018: 0.46% to 0.62% and 2017: 0.32% and 0.36% per annum).

(ii) Reserve requirement

This is a reserve requirement which fluctuates depending on the level of the Bank's customers' deposits. It is maintained in compliance with the National Bank of Cambodia's Prakas No. B7-018-282 dated 29 August 2018 at the rates of 8.00% of customers' deposits in KHR and 12.50% in currency other than KHR.

8. BALANCES WITH OTHER BANKS

Balances with other banks are measured at amortised cost because these instruments meet the SPPI criterion and are held to collect the contractual cash flows.

	31 December 2019		31 December 2018		1 January 2018	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Balances with other banks at amortised cost	93,472,431	380,900,156	207,488,948	833,690,593	86,020,612	347,265,210
Impairment loss allowance	(60,742)	(247,523)	(86,827)	(348,871)	(11,169)	(45,089)
	93,411,689	380,652,633	207,402,121	833,341,722	86,009,443	347,220,121

The above amounts are analysed as follows:

	31 December 2019		31 December 2018		1 January 2018	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
(a) By type						
Current accounts	23,708,339	96,611,481	25,230,444	101,375,924	12,199,052	49,247,573
Savings deposits	173,265	706,055	1,909,958	7,674,211	1,022,808	4,129,076
Term deposits	69,590,827	283,582,620	180,348,546	724,640,458	72,798,752	293,888,561
	93,472,431	380,900,156	207,488,948	833,690,593	86,020,612	347,265,210

	31 December 2019		31 December 2018		1 January 2018	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
(b) By currency						
US Dollars	86,824,134	353,808,346	204,742,881	822,656,896	83,949,243	338,903,094
Khmer Riel	6,498,442	26,481,151	2,523,750	10,140,428	1,764,237	7,122,225
Euro	88,537	360,788	157,423	632,526	78,331	316,222
Thai Baht	13,451	54,813	11,736	47,155	13,927	56,223
British Pound	9,078	36,993	25,007	100,478	40,608	163,934
Singapore Dollars	37,479	152,727	24,335	97,778	168,177	678,931
Chinese Yuan	1,310	5,338	3,816	15,332	6,089	24,581
	93,472,431	380,900,156	207,488,948	833,690,593	86,020,612	347,265,210

	31 December 2019		31 December 2018		1 January 2018	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
(c) By maturity						
Within 1 month	24,822,317	101,150,942	53,798,936	216,164,125	54,889,815	221,590,183
>1 to 3 months	12,627,763	51,458,134	87,362,866	351,023,996	26,001,352	104,967,458
>3 to 12 months	56,022,351	228,291,080	58,748,078	236,049,777	5,129,445	20,707,569
More than 12 months	-	-	7,579,068	30,452,695	-	-
	93,472,431	380,900,156	207,488,948	833,690,593	86,020,612	347,265,210

	31 December 2019		31 December 2018		1 January 2018	
(d) By interest rate (per annum)						
Current accounts		0%		0%		0%
Savings deposits		0%		0%		0% - 0.75%
Term deposits		2.08% - 5.75%		2.05% - 6.50%		1.56% - 6.10%

9. LOANS TO CUSTOMERS

	31 December 2019		31 December 2018		1 January 2018	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
At amortised cost						
Commercial loans:						
Short-term loans	8,642,654	35,218,815	12,737,559	51,179,512	9,432,142	38,077,557
Long-term loans	2,631,621,350	10,723,857,001	1,764,753,011	7,090,777,598	1,177,043,891	4,751,726,188
Overdrafts	95,217,125	388,009,784	35,186,242	141,378,320	28,201,401	113,849,056
Consumer loans:						
Housing loans	14,295,649	58,254,770	11,353,913	45,620,022	12,400,339	50,060,169
Vehicle loans	16,060	65,445	6,231	25,036	27,570	111,300
Staff loans	12,605,152	51,365,994	9,840,524	39,539,225	8,150,971	32,905,470
Credit cards	2,028,375	8,265,628	1,315,775	5,286,784	616,596	2,489,198
Total gross carrying amount	2,764,426,365	11,265,037,437	1,835,193,255	7,373,806,497	1,235,872,910	4,989,218,938

	31 December 2019		31 December 2018		1 January 2018	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Impairment loss allowance						
Commercial loans:						
Short-term loans	(10,605)	(43,215)	(3,637)	(14,613)	(63,239)	(255,296)
Long-term loans	(6,246,761)	(25,455,551)	(4,760,717)	(19,128,561)	(2,085,914)	(8,420,835)
Overdrafts	(26,728)	(108,917)	(9,571)	(38,456)	(7,661)	(30,927)
Consumer loans:						
Housing loans	(60,170)	(245,193)	(75,915)	(305,026)	(27,533)	(111,151)
Vehicle loans	(298)	(1,214)	(211)	(848)	(466)	(1,881)
Staff loans	(10,183)	(41,496)	(8,522)	(34,241)	(5,213)	(21,045)
Credit cards	(707)	(2,881)	(513)	(2,061)	(274)	(1,106)
Total impairment loss allowance	(6,355,452)	(25,898,467)	(4,859,086)	(19,523,806)	(2,190,300)	(8,842,241)
Net carrying amount	2,758,070,913	11,239,138,970	1,830,334,169	7,354,282,691	1,233,682,610	4,980,376,697

Loans to customers are analysed as follows:

	31 December 2019		31 December 2018		1 January 2018	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
(a) By maturity						
Within 1 month	98,857,128	402,842,797	35,994,967	144,627,777	29,764,067	120,157,538
>1 to 3 months	1,700,060	6,927,745	5,041,473	20,256,639	3,707,373	14,966,665
>3 to 12 months	10,857,371	44,243,787	11,729,952	47,130,947	12,145,945	49,033,180
More than 12 months	2,653,011,806	10,811,023,108	1,782,426,863	7,161,791,134	1,190,255,525	4,805,061,555
	2,764,426,365	11,265,037,437	1,835,193,255	7,373,806,497	1,235,872,910	4,989,218,938

	31 December 2019		31 December 2018		1 January 2018	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
(b) By currency						
US Dollars	2,441,949,205	9,950,943,010	1,809,848,829	7,271,972,595	1,233,909,358	4,981,292,078
Khmer Riels	322,477,160	1,314,094,427	25,344,426	101,833,902	1,963,552	7,926,860
	2,764,426,365	11,265,037,437	1,835,193,255	7,373,806,497	1,235,872,910	4,989,218,938

	31 December 2019		31 December 2018		1 January 2018	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
(c) By performance						
Stage 1						
Secured	2,665,400,178	10,861,505,725	1,784,295,281	7,169,298,438	1,214,388,810	4,902,487,626
Unsecured	66,972,502	272,912,946	19,572,037	78,640,445	6,939,690	28,015,529
	2,732,372,680	11,134,418,671	1,803,867,318	7,247,938,883	1,221,328,500	4,930,503,155
Stage 2						
Secured	10,667,510	43,470,103	15,775,912	63,387,614	4,183,099	16,887,171
Unsecured	-	-	-	-	-	-
	10,667,510	43,470,103	15,775,912	63,387,614	4,183,099	16,887,171
Stage 3						
Secured	21,382,810	87,134,951	15,544,515	62,457,861	10,351,921	41,790,705
Unsecured	3,365	13,712	5,510	22,139	9,390	37,907
	21,386,175	87,148,663	15,550,025	62,480,000	10,361,311	41,828,612
	2,764,426,365	11,265,037,437	1,835,193,255	7,373,806,497	1,235,872,910	4,989,218,938

	31 December 2019		31 December 2018		1 January 2018	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
(d) By residency status						
Residents	2,763,872,075	11,262,778,706	1,834,445,439	7,370,801,772	1,235,184,636	4,986,440,376
Non-residents	554,290	2,258,731	747,816	3,004,725	688,274	2,778,562
	2,764,426,365	11,265,037,437	1,835,193,255	7,373,806,497	1,235,872,910	4,989,218,938

	31 December 2019		31 December 2018		1 January 2018	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
(e) By economic sector						
Financial institution	66,763,800	272,062,485	16,357,728	65,725,351	4,207,270	16,984,749
Agriculture	126,918,387	517,192,427	88,817,765	356,869,780	62,941,305	254,094,048
Manufacturing	124,231,402	506,242,963	94,275,752	378,799,972	56,217,315	226,949,301
Utilities	16,390,618	66,791,768	10,224,392	41,081,607	6,306,595	25,459,724
Construction	125,185,629	510,131,438	68,787,910	276,389,822	38,551,331	155,631,723
Wholesale and trade	228,025,969	929,205,824	141,678,422	569,263,900	70,405,406	284,226,624
Retail trade	726,395,131	2,960,060,159	495,337,710	1,990,266,919	341,664,327	1,379,298,888
Hotel and restaurants	134,802,515	549,320,249	100,505,025	403,829,190	67,924,398	274,210,795
Transportation and storage	154,427,894	629,293,668	116,499,141	468,093,549	76,799,469	310,039,456
Information media and telecommunication	4,024,585	16,400,184	2,699,984	10,848,536	738,021	2,979,391
Rental and lease excluding real estate	128,017,871	521,672,824	69,451,194	279,054,897	34,355,582	138,693,485
Real estate operation (residential)	501,155,463	2,042,208,512	268,640,704	1,079,398,349	144,142,101	581,901,662
Real estate and public utilities	66,219,860	269,845,930	27,803,472	111,714,350	14,140,297	57,084,379
Other non-financial services	258,912,511	1,055,068,482	185,679,402	746,059,837	121,705,093	491,323,460
Credit cards	2,028,375	8,265,628	1,315,775	5,286,784	616,596	2,489,198
Personal consumption						
Staff loans	12,605,152	51,365,994	9,836,716	39,523,925	7,993,991	32,271,742
House loans	13,083,578	53,315,580	10,983,891	44,133,274	12,301,978	49,663,085
Vehicle loans	16,060	65,445	6,231	25,036	27,570	111,300
Loan provided for personal goods	2,572,491	10,482,901	5,859,832	23,544,805	3,662,017	14,783,563
Loan for house renovations and purchases (SME/MICRO)	56,400,428	229,831,744	87,998,119	353,576,442	120,232,914	485,380,274
Loan for vehicle purchases (SME/MICRO)	16,248,646	66,213,232	32,434,090	130,320,172	50,939,334	205,642,091
	2,764,426,365	11,265,037,437	1,835,193,255	7,373,806,497	1,235,872,910	4,989,218,938

	31 December 2019		31 December 2018		1 January 2018	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
(f) By relationship						
External customers	2,751,821,213	11,213,671,443	1,825,352,731	7,334,267,272	1,227,721,939	4,956,313,468
Staff loans	12,605,152	51,365,994	9,840,524	39,539,225	8,150,971	32,905,470
	2,764,426,365	11,265,037,437	1,835,193,255	7,373,806,497	1,235,872,910	4,989,218,938

	31 December 2019		31 December 2018		1 January 2018	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
(g) By exposure						
Non-large exposure	2,764,426,365	11,265,037,437	1,835,193,255	7,373,806,497	1,235,872,910	4,989,218,938

	31 December 2019		31 December 2018		1 January 2018	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
(h) By interest rate (per annum)						
Overdrafts	5.00% - 18.00%		4.50% - 18.00%		5.75% - 18.00%	
Loans	5.00% - 20.40%		5.00% - 20.40%		5.25% - 24.00%	
Trade finance	7.00% - 8.50%		7.00% - 9.50%		8.00% - 9.50%	
Staff loans	5.00% - 13.60%		5.00% - 14.40%		5.00% - 12.00%	

10. INVESTMENT SECURITIES

	31 December 2019		31 December 2018		1 January 2018	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Investment securities at amortised cost	33,307,014	135,726,083	33,253,348	133,611,953	17,224,311	69,534,544
Impairment loss allowance	(21,580)	(87,939)	(83,533)	(335,636)	(510,421)	(2,060,570)
	33,285,434	135,638,144	33,169,815	133,276,317	16,713,890	67,473,974

The above amounts are analysed as follows:

	31 December 2019		31 December 2018		1 January 2018	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
(a) By type						
Debt securities held to collect	3,435,134	13,998,171	3,483,723	13,997,599	17,224,311	69,534,544
Foreign treasury bills held to collect	29,871,880	121,727,912	29,769,625	119,614,354	-	-
	33,307,014	135,726,083	33,253,348	133,611,953	17,224,311	69,534,544

	31 December 2019		31 December 2018		1 January 2018	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
(b) By currency						
US Dollars	33,307,014	135,726,083	33,253,348	133,611,953	17,224,311	69,534,544

	31 December 2019		31 December 2018		1 January 2018	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
(c) By maturity						
Within 1 month	-	-	-	-	-	-
>1 to 3 months	-	-	-	-	-	-
>3 to 12 months	29,871,880	121,727,911	29,769,625	119,614,353	5,818,524	23,489,381
More than 12 months	3,435,134	13,998,172	3,483,723	13,997,600	11,405,787	46,045,163
	33,307,014	135,726,083	33,253,348	133,611,953	17,224,311	69,534,544

	31 December 2019		31 December 2018		1 January 2018	
(d) By coupon rate (per annum)						
Debt securities		14.00%		14.00%	6.38% - 14.00%	
Treasury bills		1.62% to 1.68%		2.48%	-	

11. PROPERTY AND EQUIPMENT

31 December 2019	Leasehold improvement	Office equipment, furniture and fixture	Motor vehicles	Computers and IT equipment	Construction in progress	Total	
	US\$	US\$	US\$	US\$	US\$	US\$	KHR'000
Cost							
At 1 January 2019	15,410,887	8,444,666	1,401,522	11,533,661	3,047,766	39,838,502	160,071,101
Additions	99,359	3,251,731	235,655	11,606,766	5,191,452	20,384,963	82,661,025
Transfers	7,347,928	611,382	-	-	(7,959,310)	-	-
Disposals	-	(3,836)	(4,342)	(184,369)	-	(192,547)	(780,778)
Written off	(319,407)	(124,901)	-	(23,391)	-	(467,699)	(1,896,519)
Currency translation differences	-	-	-	-	-	-	2,665,288
At 31 December 2019	22,538,767	12,179,042	1,632,835	22,932,667	279,908	59,563,219	242,720,117
Accumulated depreciation							
At 1 January 2019	3,189,128	2,984,633	760,764	4,463,306	-	11,397,831	45,796,485
Depreciation for the year	2,592,342	1,887,473	236,039	3,524,539	-	8,240,393	33,414,794
Disposals	-	(2,741)	(4,342)	(184,352)	-	(191,435)	(776,269)
Written off	(191,737)	(117,383)	-	(23,208)	-	(332,328)	(1,347,590)
Currency translation differences	-	-	-	-	-	-	804,008
At 31 December 2019	5,589,733	4,751,982	992,461	7,780,285	-	19,114,461	77,891,428
Carrying amounts							
At 31 December 2019	16,949,034	7,427,060	640,374	15,152,382	279,908	40,448,758	164,828,689

31 December 2018	Leasehold improvement	Office equipment, furniture and fixture	Motor vehicles	Computers and IT equipment	Construction in progress	Total	
	US\$	US\$	US\$	US\$	US\$	US\$	KHR'000
Cost							
At 1 January 2018	5,982,836	4,617,930	935,534	6,594,091	1,508,931	19,639,322	79,283,944
Additions	362,449	2,793,667	496,740	4,939,570	11,638,850	20,231,276	81,815,280
Transfers	9,065,602	1,034,413	-	-	(10,100,015)	-	-
Disposals	-	-	(30,752)	-	-	(30,752)	(124,361)
Written off	-	(1,344)	-	-	-	(1,344)	(5,435)
Currency translation differences	-	-	-	-	-	-	(898,327)
At 31 December 2018	15,410,887	8,444,666	1,401,522	11,533,661	3,047,766	39,838,502	160,071,101
Accumulated depreciation							
At 1 January 2018	1,789,314	1,765,213	569,432	2,612,116	-	6,736,075	27,193,536
Depreciation for the year	1,399,814	1,220,563	218,899	1,851,190	-	4,690,466	18,968,245
Disposals	-	-	(27,567)	-	-	(27,567)	(111,481)
Written off	-	(1,143)	-	-	-	(1,143)	(4,622)
Currency translation differences	-	-	-	-	-	-	(249,193)
At 31 December 2018	3,189,128	2,984,633	760,764	4,463,306	-	11,397,831	45,796,485
Carrying amounts							
At 31 December 2018	12,221,759	5,460,033	640,758	7,070,355	3,047,766	28,440,671	114,274,616

12. RIGHT-OF-USE ASSETS

The Bank leases assets including office buildings and motor vehicles. Information about leases for which the Bank is a lessee is presented below.

31 December 2019	Buildings	Motor Vehicles	Total	
	US\$	US\$	US\$	KHR'000
Cost				
At 1 January 2019	33,457,912	1,016,936	34,474,848	138,519,939
Additions	9,102,355	567,020	9,669,375	39,209,316
Currency translation differences	-	-	-	2,158,454
At 31 December 2019	42,560,267	1,583,956	44,144,223	179,887,709
Less: Accumulated depreciation				
At 1 January 2019	3,550,166	430,399	3,980,565	15,993,910
Depreciation	5,008,216	618,411	5,626,627	22,815,972
Currency translation differences	-	-	-	339,426
At 31 December 2019	8,558,382	1,048,810	9,607,192	39,149,308
Carrying amount				
At 31 December 2019	34,001,885	535,146	34,537,031	140,738,401

31 December 2018	Buildings	Motor Vehicles	Total	
	US\$	US\$	US\$	KHR'000
Cost				
At 1 January 2018	18,054,246	495,174	18,549,420	74,884,009
Additions	15,403,666	521,762	15,925,428	64,402,431
Currency translation differences	-	-	-	(766,501)
At 31 December 2018	33,457,912	1,016,936	34,474,848	138,519,939
Less: Accumulated depreciation				
At 1 January 2018	-	-	-	-
Depreciation	3,550,166	430,399	3,980,565	16,097,405
Currency translation differences	-	-	-	(103,495)
At 31 December 2018	3,550,166	430,399	3,980,565	15,993,910
Carrying amount				
At 31 December 2018	29,907,746	586,537	30,494,283	122,526,029

The average lease term is 8 years (2018: 8 years, 2017: 8 years) for office buildings and 2 years for motor vehicles (2018: 2 years, 2017: 2 years). Approximately 19% of the leases expired in the current financial year. The expired contracts were replaced by new leases for identical underlying assets. This resulted in additions to right-of-use asset of US\$ 9.7 million in 2019 (2018: US\$ 15.4 million). The maturity analysis of lease liabilities is presented in Note 20.

Amount recognised in profit and loss

	31 December 2019		31 December 2018	
	US\$	KHR'000	US\$	KHR'000
Depreciation expense on right-of-use assets	5,626,627	22,815,972	3,980,565	16,097,405
Interest expense on lease liabilities	1,665,643	6,754,183	1,226,314	4,959,214
Expense relating to leases of low value assets	2,834,392	11,493,460	2,323,197	9,395,009
	10,126,662	41,063,615	7,530,076	30,451,628

13. INTANGIBLE ASSETS

	31 December 2019		31 December 2018		1 January 2018	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Software cost						
At 1 January	4,541,426	18,247,449	3,252,133	13,128,861	3,098,898	12,510,251
Additions	5,374,833	21,902,444	1,289,293	5,180,379	220,561	890,405
Disposals	-	-	-	-	(67,326)	(271,795)
Currency translation differences	-	258,862	-	(61,791)	-	-
At 31 December	9,916,259	40,408,755	4,541,426	18,247,449	3,252,133	13,128,861
Accumulated amortisation						
At 1 January	1,894,356	7,611,522	1,486,385	6,000,536	1,207,579	4,874,996
Amortisation	847,166	3,452,202	407,971	1,639,227	346,132	1,397,335
Disposals	-	-	-	-	(67,326)	(271,795)
Currency translation differences	-	107,977	-	(28,241)	-	-
At 31 December	2,741,522	11,171,701	1,894,356	7,611,522	1,486,385	6,000,536
Carrying amounts						
At 31 December	7,174,737	29,237,054	2,647,070	10,635,927	1,765,748	7,128,325

14. INCOME TAX

(a) Current income tax liabilities

	31 December 2019		31 December 2018		1 January 2018	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
At the beginning of year	17,278,566	69,425,278	10,904,799	44,022,674	7,819,758	31,568,363
Current income tax expense	15,701,197	63,668,354	19,398,751	78,448,549	12,273,136	49,546,651
Current income tax paid	(20,748,310)	(84,134,397)	(13,024,984)	(52,673,035)	(9,188,095)	(37,092,340)
Currency translation differences	-	883,936	-	(372,910)	-	-
At the end of year	12,231,453	49,843,171	17,278,566	69,425,278	10,904,799	44,022,674

(b) Deferred tax assets, net

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when deferred taxes relate to the same fiscal authority. The offset amounts were as follows:

	31 December 2019		31 December 2018		1 January 2018	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Deferred tax assets	4,792,722	19,530,342	2,654,810	10,667,027	1,824,020	7,363,569
Deferred tax liabilities	(2,601,331)	(10,600,424)	(1,283,252)	(5,156,107)	(885,870)	(3,576,258)
Net deferred tax assets	2,191,391	8,929,918	1,371,558	5,510,920	938,150	3,787,311

Deferred tax assets	1 January 2018	Recognised in profit or loss during the year	31 December 2018	Recognised in profit or loss during the year	31 December 2019
	US\$	US\$	US\$	US\$	US\$
Provisions	(411,286)	(40,914)	(452,200)	(414,998)	(867,198)
Deferred revenue from processing fees recognised	1,738,093	710,651	2,448,744	542,088	2,990,832
Deferred card fees	83,927	117,519	201,446	242,202	443,649
Management bonus	-	-	-	1,349,561	1,349,561
Depreciable assets	(338,684)	(276,482)	(615,166)	(644,623)	(1,259,789)
Unrealised exchange gain or loss	(9,156)	(87,105)	(96,261)	(204,819)	(301,080)
Interest in suspense	(126,744)	7,119	(119,625)	(53,638)	(173,264)
Unearned pinless	2,000	2,620	4,620	4,060	8,680
	938,150	433,408	1,371,558	819,833	2,191,391
In KHR'000 equivalents	3,787,311	1,752,702	5,510,920	3,324,423	8,929,918

(c) Income tax expense

	For the year ended 31 December 2019		For the year ended 31 December 2018	
	US\$	KHR'000	US\$	KHR'000
Current income tax	15,701,197	63,668,354	19,398,751	78,448,549
Deferred tax	(819,833)	(3,324,423)	(433,408)	(1,752,704)
Income tax expense	14,881,364	60,343,931	18,965,343	76,695,845

The reconciliation of income tax expense computed at the statutory tax rate of 20% to the income tax expense shown in the statement of profit or loss and other comprehensive income is as follows:

	For the year ended 31 December 2019		For the year ended 31 December 2018	
	US\$	KHR'000	US\$	KHR'000
Profit before tax	142,292,740	576,997,061	93,156,230	376,723,794
Income tax using statutory rate 20%	28,458,548	115,399,412	18,631,246	75,344,759
Non-deductible expenses	2,445,405	9,916,117	1,774,242	7,175,032
Unrecorded deductible expense	(1,711,602)	(6,940,546)	(1,617,120)	(6,539,633)
Under provision in prior year	695,106	2,818,655	176,975	715,687
Tax incentive *	(15,006,093)	(60,849,707)	-	-
Income tax expense	14,881,364	60,343,931	18,965,343	76,695,845

(*) On 11 March 2020, General Department of Taxation ("GDT") issued a letter (No. 6848 GDT), in accordance to Anukret 01 ANKR.BK dated 4 January 2019 on Tax Incentives in Securities Sector, to grant tax incentives to the Bank by reducing 50% of tax on income for the fiscal year 2019 as the Bank has been listed on Cambodian Stock Exchange for corporate bond issuance on 14 August 2019. For fiscal years 2020 and 2021, the Bank shall implement new Prakas No. 183 on Implementation Guidelines on Tax Incentives on Tax on Income to New Securities Issuing Enterprises issued by the Ministry of Economy and Finance, please see Note 38.

15. OTHER ASSETS

	31 December 2019		31 December 2018		1 January 2018	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Deposits and advance payments	12,199,827	49,714,295	14,871,388	59,753,237	8,153,157	32,914,295
Prepayment	4,347,116	17,714,498	3,039,689	12,213,470	2,380,324	9,609,368
Master/Visa Card and MoneyGram and receivable	3,240,124	13,203,504	5,555,084	22,320,328	4,219,158	17,032,741
Investment – Credit Bureau	25,588	104,271	25,588	102,813	25,588	103,299
Card supplies	1,872,971	7,632,357	-	-	-	-
Account receivable on defaulted loan	-	-	-	-	601,375	2,427,751
Others	678,346	2,764,260	770,289	3,095,021	524,456	2,117,229
	22,363,972	91,133,185	24,262,038	97,484,869	15,904,058	64,204,683

16. DEPOSITS FROM CUSTOMERS

	31 December 2019		31 December 2018		1 January 2018	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Demand deposits	613,709,129	2,500,864,701	366,561,989	1,472,846,072	161,624,131	652,476,617
Savings deposits	2,036,708,869	8,299,588,641	1,158,573,566	4,655,148,588	584,063,358	2,357,863,776
Fixed deposits	744,922,130	3,035,557,680	650,638,582	2,614,265,822	521,698,186	2,106,095,577
Margin deposits	3,321	13,533	11,208,470	45,035,633	8,392,998	33,882,533
	3,395,343,449	13,836,024,555	2,186,982,607	8,787,296,115	1,275,778,673	5,150,318,503

The above amounts are analysed as follows:

	31 December 2019		31 December 2018		1 January 2018	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
(a) By currency						
US Dollars	3,316,903,782	13,516,382,912	2,156,932,575	8,666,555,086	1,265,247,720	5,107,805,046
Khmer Riels	78,438,379	319,636,394	30,047,294	120,730,027	10,331,249	41,707,252
Euro	1,288	5,249	2,738	11,002	199,704	806,205
	3,395,343,449	13,836,024,555	2,186,982,607	8,787,296,115	1,275,778,673	5,150,318,503

	31 December 2019		31 December 2018		1 January 2018	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
(b) By maturity						
Within 1 month	2,760,103,560	11,247,422,007	1,621,461,089	6,515,030,656	849,001,431	3,427,418,777
>1 to 3 months	155,708,049	634,510,300	126,096,515	506,655,797	95,998,072	387,544,217
>3 to 12 months	431,719,517	1,759,257,032	376,416,789	1,512,442,658	277,794,054	1,121,454,596
More than 12 months	47,812,323	194,835,216	63,008,214	253,167,004	52,985,116	213,900,913
	3,395,343,449	13,836,024,555	2,186,982,607	8,787,296,115	1,275,778,673	5,150,318,503

	31 December 2019		31 December 2018		1 January 2018	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
(c) By relationship						
Non-related parties	3,391,540,247	13,820,526,506	2,183,225,753	8,772,201,076	1,272,725,666	5,137,993,514
Related parties	3,803,202	15,498,049	3,756,854	15,095,039	3,053,007	12,324,989
	3,395,343,449	13,836,024,555	2,186,982,607	8,787,296,115	1,275,778,673	5,150,318,503

	31 December 2019	31 December 2018	1 January 2018
(d) By interest rate (per annum)			
Demand deposits	0.00% to 1.25%	0.00% to 1.00%	0.00% to 1.00%
Savings deposits	0.00% to 3.00%	0.00% to 3.15%	0.00% to 3.40%
Fixed deposits	0.50% to 7.50%	0.50% to 7.50%	1.00% to 7.50%

17. DEBT SECURITIES IN ISSUE

	31 December 2019		31 December 2018		1 January 2018	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Corporate bonds	20,939,337	85,327,798	-	-	-	-

On 31 May 2019, the Bank obtained an approval letter from the NBC on the corporate bond issuance.

On 7 August 2019, the Bank received a final approval and registration from the Securities and Exchange Commission of Cambodia ("SECC") on the Single Submission Form and the Disclosure Document for its Public Offering of the Bank's Corporate Bond. The Bond was issued to 65 investors on 14 August 2019 in aggregate principal amount KHR 84,821 billion with tenor 3 years and coupon rate 7.75% per annum.

The Bank did not have any defaults of principal or interest or other breaches with respect to its debt securities during the year.

18. BORROWINGS

		31 December 2019		31 December 2018		1 January 2018	
		US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
National Bank of Cambodia (LPCO)	(i)	270,631,743	1,102,824,352	14,533,334	58,394,935	-	-
DEG	(ii)	5,642,116	22,991,623	11,908,878	47,849,872	12,540,435	50,625,735
International Finance Corporation	(iii)	3,582,599	14,599,091	5,014,661	20,148,908	-	-
Industrial and Commercial Bank of China Limited	(iv)	-	-	34,053,889	136,828,526	34,053,889	137,475,550
First Commercial Bank	(v)	-	-	10,006,975	40,208,026	-	-
AfrAsia Bank Limited	(vi)	-	-	5,014,278	20,147,369	15,355,938	61,991,922
Taiwan Cooperative Bank	(vii)	-	-	-	-	25,420,478	102,622,470
		279,856,458	1,140,415,066	80,532,015	323,577,636	87,370,740	352,715,677

(i) Represents thirty-four Liquidity-Providing Collateralised Operation (LPCO) facilities from National Bank of Cambodia. Two LPCOs with aggregated amount of KHR 54 billion were obtained in the first quarter, four LPCOs with aggregated amount of KHR 157 billion were obtained in the second quarter, two LPCOs with aggregated amount of KHR 60 billion were obtained in the third quarter and the remaining twenty-six LPCOs with aggregated amount of KHR 823.6 billion were obtained in the last quarter of the year. The principal and interest are payable on maturities with term ranging from three to twelve months.

(ii) Represents three separate long-term loans obtained from DEG-Deutsche Investitions und Entwicklungsgesellschaft MbH. The first loan amounting to US\$10,000,000 was obtained on 23 June 2015, the second loan amounting to US\$5,000,000 was obtained on 3 February 2016, and the third loan amounting to US\$5,000,000 was obtained on 16 January 2018. The principal amounts are repayable by semi-annual installments starting from 15 December 2017 for the first and second loans, and from 15 December 2018 for the third loan. The interest is payable semi-annually from the date of each drawdown.

(iii) Represents a loan from International Finance Corporation amounting US\$5,000,000 obtained on 29 December 2017. The principal amounts are repayable by semi-annual installments starting from 15 June 2019. The interest is payable semi-annually and the final principal is repayable on maturity which is five years from the disbursement date.

(iv) Represents four loans from Industrial and Commercial Bank of China Limited, Phnom Penh Branch. The first loan amounting to \$6,000,000 was obtained on 29 July 2016, the second loan amounting to \$5,000,000 was obtained on 29 August 2016, the third loan amounting to \$9,000,000 was obtained on 29 November 2016 and the fourth loan amounting to US\$14,000,000 was obtained on 30 June 2017. The interest is payable quarterly and the principal is repayable on maturities which are three years from the disbursement dates.

On 2 January 2019, all four loans were repaid before maturities.

(v) Represents a syndicated loan arranged by First Commercial Bank. The first disbursement amounting US\$10,000,000 was received on 29 December 2017. The interest is payable semi-annually and the principal is repayable on maturities which are three years from the disbursement dates.

On 28 June 2019, the loan were repaid before maturities.

(vi) Represents a money placement from AfrAsia Bank Limited, Mauritius, received on 28 December 2018 with one-week term.

(vii) Represents a 3-year syndicated loan arranged by Taiwan Cooperative Bank, Phnom Penh Branch, with the first loan drawdown for amount of US\$5,000,000 received on 26 January 2017, and the second drawdown for amounting of US\$20,000,000 received on 15 March 2017. The interest is payable semi-annually and the principal is repayable at maturity on 26 January 2020.

On 31 August 2018, both loans were repaid before maturities.

The above borrowings are unsecured and bear fixed interest rates ranging from 2.60% to 7.04% per annum (2018: 2.60% to 7.11% and 2017: 2.96% and 6.99%).

19. SUBORDINATED DEBTS

	31 December 2019		31 December 2018		1 January 2018	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
National Bank of Canada	128,000,000	521,600,000	93,000,000	373,674,000	55,000,000	222,035,000

This represents ten subordinated debts obtained from National Bank of Canada. The first subordinated loan amounting to US\$10,000,000. The second subordinated loan amounting to US\$15,000,000 were approved by the National Bank of Cambodia on 6th January 2016. The third subordinated loan amounting to US\$10,000,000 was approved by National Bank of Cambodia on 26 October 2016. The fourth subordinated loan amounting to US\$20,000,000 was approved on 3 August 2017. The fifth, sixth and seventh subordinated loan amounting to US\$6,000,000, US\$20,000,000 and US\$14,000,000 were approved on 14 March 2018. The eighth, ninth and tenth subordinated loan amounting to US\$10,000,000, US\$10,000,000 and US\$20,000,000 were approved on 11 September 2019. The interest is repayable semi-annually and the principal is repayable in five equal consecutive instalments with the balance payable in full at maturities.

The principal amounting to US\$2,000,000 of the first subordinated loan was repaid to the National Bank of Canada on 31 December 2018 and another US\$2,000,000 of the same subordinated loan was repaid on 31 December 2019 with approval from National Bank of Cambodia.

The principal amounting to US\$1,500,000, US\$1,000,000, US\$500,000 of the second subordinated loan was repaid to the National Bank of Canada on 30 May 2019, 31 July 2019 and 30 August 2019 respectively with approval from National Bank of Cambodia.

The above subordinated debts are unsecured and bear fixed interest rates ranging from 7.56% to 9.40% per annum (2018: 7.56% to 9.40% and 2017: 7.56% to 8.15% per annum).

20. LEASE LIABILITIES

	31 December 2019		31 December 2018		1 January 2018	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Maturity Analysis						
Year 1	212,559	866,178	842,285	3,384,301	943,488	3,808,861
Year 2	1,133,181	4,617,713	563,285	2,263,279	638,100	2,576,010
Year 3	1,263,585	5,149,109	1,770,837	7,115,223	2,229,356	8,999,910
Year 4	745,657	3,038,552	751,381	3,019,049	453,915	1,832,455
Year 5	3,484,059	14,197,540	2,071,855	8,324,713	2,397,221	9,677,581
Onwards	37,251,232	151,798,771	32,648,331	131,180,994	16,465,141	66,469,774
	44,090,273	179,667,863	38,647,974	155,287,559	23,127,221	93,364,591
Less: Discounted value using IBR	(7,576,866)	(30,875,729)	(7,288,574)	(29,285,490)	(4,577,801)	(18,480,582)
	36,513,407	148,792,134	31,359,400	126,002,069	18,549,420	74,884,009

The Bank does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Bank's treasury function.

21. OTHER LIABILITIES

	31 December 2019		31 December 2018		1 January 2018	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Accrued expenses	18,023,504	73,445,779	9,532,835	38,302,931	4,710,051	19,014,476
Unearned income	2,218,243	9,039,341	1,007,227	4,047,038	419,627	1,694,034
Other tax payable	857,246	3,493,277	706,245	2,837,692	506,525	2,044,841
Loss allowance for loan commitments and financial guarantors	18,916	77,083	10,089	40,538	4,646	18,756
Others	4,506,194	18,362,740	3,405,554	13,683,516	4,604,641	18,588,937
	25,624,103	104,418,220	14,661,950	58,911,715	10,245,490	41,361,044

22. SHARE CAPITAL

	31 December 2019		31 December 2018		1 January 2018	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Shares of US\$1,000 each issued and fully paid	215,000,000	876,125,000	165,000,000	662,970,000	125,000,000	504,625,000

The details of shareholdings were as follows:

	31 December 2019		31 December 2018		1 January 2018	
	Number of shares	Amount US\$	Number of shares	Amount US\$	Number of shares	Amount US\$
National Bank of Canada	214,999	214,999,000	148,500	148,500,000	112,500	112,500,000
Mr. Damir Karassayev	1	1,000	16,500	16,500,000	12,500	12,500,000
	215,000	215,000,000	165,000	165,000,000	125,000	125,000,000

On 11 September 2019, the Bank had obtained an approval from National Bank of Cambodia to transfer 16,499 shares of Mr. Damir Karassayev to National Bank of Canada.

	31 December 2019		31 December 2018	
	US\$	KHR'000	US\$	KHR'000
Balance at beginning of year	165,000,000	662,970,000	125,000,000	504,625,000
Issued share capital (*)	50,000,000	203,750,000	40,000,000	160,720,000
Currency translation difference	-	9,405,000	-	(2,375,000)
	215,000,000	876,125,000	165,000,000	662,970,000

(*) On 28 August 2019, National Bank of Cambodia issued an approval letter allowing the Bank to increase its registered capital by US\$50,000,000 by issuing additional 50,000 shares to National Bank of Canada with a par value of US\$1,000 per share.

23. REGULATORY RESERVES

	31 December 2019		31 December 2018		1 January 2018	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Balance at beginning of the year	21,321,874	85,671,290	14,491,982	58,504,131	-	-
Transfer to regulatory reserves	12,339,904	50,285,109	6,829,892	27,442,506	14,491,982	58,504,131
Currency translation differences	-	1,215,345	-	(275,347)	-	-
	33,661,778	137,171,744	21,321,874	85,671,290	14,491,982	58,504,131

24. NET INTEREST INCOME

	For the year ended 31 December 2019		For the year ended 31 December 2018	
	US\$	KHR'000	US\$	KHR'000
Interest income:				
Loans to customers	252,973,149	1,025,806,119	180,363,072	729,388,263
Balances with banks	8,539,276	34,626,764	3,146,267	12,723,504
Investment securities	1,842,364	7,470,786	695,467	2,812,468
	263,354,789	1,067,903,669	184,204,806	744,924,235

	For the year ended 31 December 2019		For the year ended 31 December 2018	
	US\$	KHR'000	US\$	KHR'000
Interest expense:				
Deposits from customers	34,750,213	140,912,114	35,585,900	143,909,380
Subordinated debts	8,016,020	32,504,961	5,431,692	21,965,762
Borrowings	5,940,602	24,089,141	5,986,905	24,211,044
Lease liabilities	1,665,643	6,754,183	1,226,314	4,959,214
Debt securities in issue	613,896	2,489,348	-	-
	50,986,374	206,749,747	48,230,811	195,045,400
Net interest income	212,368,415	861,153,922	135,973,995	549,878,835

25. NET FEE AND COMMISSION INCOME

	For the year ended 31 December 2019		For the year ended 31 December 2018	
	US\$	KHR'000	US\$	KHR'000
Fee and commission income				
Loan commitment fees	12,212,416	49,521,347	9,675,982	39,129,671
Inward and outward remittances	5,934,114	24,062,832	2,844,714	11,504,023
Mastercard, Visa and UPI cards	17,451,688	70,766,595	10,378,295	41,969,825
Cable charges	570,977	2,315,312	217,276	878,664
Pin-less top up	1,581,200	6,411,766	363,194	1,468,757
Commission fee from insurance	1,600,455	6,489,845	1,275,592	5,158,494
Other fees	2,259,027	9,160,354	2,176,258	8,800,788
	41,609,877	168,728,051	26,931,311	108,910,222
Fee and commission expense				
Mastercard	4,924,688	19,969,610	3,666,093	14,825,680
Visa card	7,389,895	29,966,024	3,937,929	15,924,985
Fees and commission paid to other banks and FIs	1,520,394	6,165,198	678,973	2,745,767
UnionPay (UPI) card	70,229	284,779	59,892	242,203
Others	21	84	13,435	54,331
	13,905,227	56,385,695	8,356,322	33,792,966
Net fee and commission income	27,704,650	112,342,356	18,574,989	75,117,256

26. OTHER OPERATING INCOME

	For the year ended 31 December 2019		For the year ended 31 December 2018	
	US\$	KHR'000	US\$	KHR'000
Gains on sales of investment securities	-	-	326,257	1,319,383
Foreign exchange gains, net	1,556,422	6,311,291	796,902	3,222,672
Other income	146,471	593,940	347,891	1,406,871
	1,702,893	6,905,231	1,471,050	5,948,926

27. PERSONNEL EXPENSES

	For the year ended 31 December 2019		For the year ended 31 December 2018	
	US\$	KHR'000	US\$	KHR'000
Salaries and bonuses	54,716,214	221,874,248	32,244,868	130,398,246
Seniority payments	889,080	3,605,219	1,726,702	6,982,783
Other personnel expenses	2,242,001	9,091,314	1,330,683	5,381,282
	57,847,295	234,570,781	35,302,253	142,762,311

28. OPERATING EXPENSES

	For the year ended 31 December 2019		For the year ended 31 December 2018	
	US\$	KHR'000	US\$	KHR'000
Office rental	1,091,193	4,424,788	1,044,562	4,224,209
Repairs and maintenance	4,685,679	19,000,428	2,579,028	10,429,589
Office supplies	3,882,125	15,742,017	2,034,419	8,227,190
Vehicle rental expenses	1,743,200	7,068,676	1,266,487	5,121,673
Marketing and advertising	1,907,638	7,735,472	1,578,316	6,382,710
Utilities expenses	1,863,387	7,556,034	1,249,851	5,054,397
Security expenses	1,940,035	7,866,842	1,226,065	4,958,207
Communication	1,153,731	4,678,379	868,825	3,513,528
Professional fees	1,581,463	6,412,832	632,766	2,558,906
License fees	676,041	2,741,346	619,201	2,504,049
Motor vehicle operation expenses	716,177	2,904,098	532,200	2,152,217
Travelling	468,605	1,900,193	485,890	1,964,939
Insurance expenses	526,527	2,135,067	375,311	1,517,758
Credit report (CBC) expenses	315,735	1,280,305	244,558	988,993
Board of Director fees	191,385	776,066	182,503	738,042

	For the year ended 31 December 2019		For the year ended 31 December 2018	
	US\$	KHR'000	US\$	KHR'000
Business meal and entertainment	423,125	1,715,772	99,683	403,118
Membership fees	201,611	817,533	14,559	58,877
Foreclosed properties written off	-	-	421,552	1,704,756
Other expenses	1,433,855	5,814,283	546,480	2,209,965
	24,801,512	100,570,131	16,002,256	64,713,123

29. DEPRECIATION AND AMORTISATION

	For the year ended 31 December 2019		For the year ended 31 December 2018	
	US\$	KHR'000	US\$	KHR'000
Property and equipment	8,240,393	33,414,794	4,690,466	18,968,245
Right-of-use assets	5,626,627	22,815,972	3,980,565	16,097,405
Intangible assets	847,166	3,435,258	407,971	1,649,834
	14,714,186	59,666,024	9,079,002	36,715,484

30. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	For the year ended 31 December 2019		For the year ended 31 December 2018	
	US\$	KHR'000	US\$	KHR'000
Loans to customers	2,196,254	8,905,810	2,812,150	11,372,335
Balances with other banks	(26,085)	(105,775)	75,658	305,961
Investment securities	(61,953)	(251,219)	(426,888)	(1,726,335)
Rental deposit	3,183	12,907	13,930	56,333
Loan commitments and financial guarantee contracts	8,826	35,789	5,443	22,011
	2,120,225	8,597,512	2,480,293	10,030,305

31. NOTES TO THE CASH FLOW STATEMENT

Cash and cash equivalents

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

	31 December 2019		31 December 2018		1 January 2018	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Cash on hand	251,750,205	1,025,882,085	148,504,229	596,689,992	68,849,172	277,944,107
Balances with the NBC	289,221,482	1,178,577,539	147,059,438	590,884,822	38,274,838	154,515,521
Balances with other banks	13,568,477	55,291,544	146,193,744	587,406,463	54,064,296	218,257,563
	554,540,164	2,259,751,168	441,757,411	1,774,981,277	161,188,306	650,717,191

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the reporting position as shown above.

Changes in liabilities arising from financing activities

The table below details change in the Bank's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flow will be, classified in the Bank's consolidated cash flow statement as cash flow from financing activities.

	1 January 2018	Financing cash flow (i)	New leases	Other changes (ii)	31 December 2018
	US\$	US\$	US\$	US\$	US\$
Borrowing	87,370,740	(6,344,261)	-	(494,464)	80,532,015
Subordinated debts	55,000,000	38,000,000	-	-	93,000,000
Lease liabilities	18,549,420	(4,341,762)	15,925,428	1,226,314	31,359,400

	1 January 2019	Financing cash flow (i)	New leases	Other changes (ii)	31 December 2019
	US\$	US\$	US\$	US\$	US\$
Borrowing	80,532,015	197,654,190	-	1,670,253	279,856,458
Subordinated debts	93,000,000	35,000,000	-	-	128,000,000
Debt securities in issue	-	20,326,748	-	612,589	20,939,337
Lease liabilities	31,359,400	(6,181,011)	9,669,375	1,665,643	36,513,407

(i) The cash flow from financial liabilities makes up the net amount of proceeds from borrowing and repayment from borrowing in the cash flow statements.

(ii) Other changes include interest accrual and repayment of interest.

32. RELATED PARTIES

(a) Related party balances

	31 December 2019		31 December 2018		1 January 2018	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Borrowings from National Bank of Canada	128,000,000	521,600,000	93,000,000	373,674,000	55,000,000	222,035,000
Deposits and placements by shareholders, directors and key management	3,803,202	15,498,048	3,756,854	15,095,039	3,053,007	12,324,989

(b) Other related party transactions

	For the year ended 31 December 2019		For the year ended 31 December 2018	
	US\$	KHR'000	US\$	KHR'000
Interest expenses to National Bank of Canada	8,016,021	32,504,965	5,431,692	21,965,762
Interest expenses to shareholders, directors and key management	96,128	389,799	147,991	598,476

(c) Shareholders, directors, and key management personnel remuneration

	For the year ended 31 December 2019		For the year ended 31 December 2018	
	US\$	KHR'000	US\$	KHR'000
Salaries and benefits	14,415,907	58,456,503	7,260,529	29,361,579

33. LOAN COMMITMENTS AND FINANCIAL GUARANTEE CONTRACTS

	31 December 2019		31 December 2018		1 January 2018	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Unused portion of overdrafts	50,342,438	205,145,435	24,289,131	97,593,728	17,305,614	69,862,764
Performance bonds	15,367,603	62,622,982	10,933,517	43,930,871	7,498,846	30,272,841
Letter of credits	8,724,349	35,551,722	7,415,280	29,794,595	5,419,972	21,880,427
Unused portion of credit cards	9,430,316	38,428,538	8,599,498	34,552,783	7,409,432	29,911,877
Securities	4,400,000	17,930,000	4,400,000	17,679,200	4,775,000	19,276,675
Payment guarantees	5,897,103	24,030,695	746,744	3,000,417	-	-
Bid bonds	5,213,899	21,246,638	71,000	285,278	683,000	2,757,271
Warranty bonds	15,201	61,944	5,466	21,962	-	-
Other guarantees	330,402	1,346,388	2,314,679	9,300,380	3,361,246	13,569,350
	99,721,311	406,364,342	58,775,315	236,159,214	46,453,110	187,531,205

34. SEGMENT REPORTING

Segment reporting is not required for the Bank as the majority of the income is from the same business segment, which is credit and lending. All activities are carried out in the Kingdom of Cambodia.

35. FINANCIAL RISK MANAGEMENT

The Bank's Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board of Directors has established the Credit, Governance, Compliance, Audit and Risk Committees, which are responsible for developing and monitoring the Bank's risk management policies in their specific areas. All committees have non-executive members and report regularly to the Board of Directors on their activities.

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 Audit, Compliance and Risk Committees are responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank.

Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee for Board of Directors' meeting.

The policies and procedures adopted by the Bank to manage the risks that arise in the conduct of their business activities are as follows.

35.1 Credit risk management

Credit risk refers to risk of financial loss to the Bank if a counterparty to a financial instrument fails to meet its obligations in accordance with the agreed terms and arises from balances with other banks, investment securities, rental deposits, loans to customers, loan commitments, and financial guarantee contracts. The Bank considers all elements of credit risk exposure such as counterparty default risk, geographical risk and sector risk, product risk and business type risk for risk management purposes.

Credit Division is responsible for managing the Bank's credit risk by:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, in accordance with CIFRSs and relevant NBC's guidance.
- Establishing the authorisation structure for the approval and renewal of credit facilities. The holders of credit approval discretion, i.e. Board Credit Committee, Management Credit Committee, Credit Committees in Head Office, and Branch Credit Committees are responsible for approving loans to customers.
- Reviewing and assessing credit risk by setting the limit and monitoring all credit exposures in excess of designated.
- Limiting concentrations of exposure to counterparties, geographies, industries, purposes, sectors (for loans to customers and similar exposures).
- Developing and maintaining the Bank's processes for measuring ECL that includes the 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 branches with agreed exposure limits, including those for selected industries and product types. Regular reports on the credit quality of portfolios may require appropriate corrective action to be taken. These include reports containing estimates of ECL allowances.
- Providing advice, guidance and specialist skills to branches to promote best practice throughout the Bank in the management of credit risk.

Each Branch is required to implement credit policies and procedures, with credit approval authorities delegated from the Management Credit Committee. Branch Managers and Lending Managers in branches report all risk-related matters to Head Office. Each branch 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 Head Office's approval.

The internal audit function performs regular audits making sure that the established controls and procedures are adequately designed and implemented.

35.1.1 Collateral held

The Bank holds collateral against loans to customers. The main type of collateral obtained by the Bank are:

- Residential properties such as lands and houses for hard and soft titles
- Cash deposits
- Other movable assets
- Financial guarantee contracts

The Bank set Loan to Collateral Value (LTV) < 80% as the maximum eligible ratio for loan disbursement to customers.

All financial instruments in the Banks subjected to the impairment requirements and recognition of loss allowance have been covered under the Bank's expected credit loss model with no exception to the types of collateral held as at 31 December 2019.

35.1.2 Amounts arising from ECL

(a) Inputs, assumptions and techniques used for estimating impairment

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

- balances with other banks;
- financial assets that are debt instruments;
- rental deposits;
- loan commitments; and
- financial guarantee contracts.

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:

- balances with the NBC that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Bank does not apply the low credit risk exemption to any other financial instruments.

12-month ECL is the portion of the lifetime ECL representing the expected credit losses that result from default events on a financial instrument that are possible within 12 months after the reporting date.

Life-time ECL is the ECL that results 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'.

Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost 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:

- credit facility with internal credit risk rating of "E" or contractual payment is equal to or more than 90 days for long term loans and equal or more than 30 days for short term ones;
- where the borrower are declared disappeared, dead or suffering from a loss of capacity for civil conduct;
- significant financial difficulty of the borrower or issuer;
- the restructuring of a loan by the Bank on terms that the Bank would not consider otherwise; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

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 more than 89 days (long-term) and more than 30 days (short-term) per CIFRSs rebuttable assumption is considered credit-impaired even when the regulatory definition of default is different.

Credit-impaired loans to customers are graded as substandard, doubtful and loss in the Bank's internal credit risk grading.

Credit risk grades

The Bank allocates each exposure to a credit risk grade based on the prudential definition of NBC which applies the number of days past due as the grading criteria. The grades are:

1. Normal
2. Special mention
3. Substandard
4. Doubtful
5. Loss

The Bank uses internal credit risk rating and past due information as the staging transfer criteria as below:

Classifications	Type of loans	Internal Credit rating	Credit worthiness	Days past due	Staging
Normal	Long term	A, B, C	A: Very Good B: Good	0 – 30 days	Stage 1
	Short term	A, B, C	C: Satisfactory	0 – 15 days	
Special mentions	Long term	D	D: Watch list	31 – 89 days	Stage 2
	Short term	D		15 days – 30 days	
Non - performing loans	Long term	E	E: Default	> 89 days	Stage 3
	Short term	E		> 30 days	

Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves the use of following data:

- Past repayment history;
- Financial conditions of counterparty;
- Business prospective and cash projection;
- Ability and willingness to pay;
- Economic environment; and
- Quality of documentation.

(i) Significant increase in credit risk

The Bank considers the significant increase in credit risk into two stages as below:

Significant increases in credit risk to Stage 2

The change in levels of credit risk over the expected life of a financial instrument is assessed by comparing credit risk at each reporting date with the associated instrument's credit risk at initial recognition. The qualitative and quantitative measures to determine whether a significant increase in credit risk has occurred are outlined below.

- ≥ 30 days, ≤ 89 days for long term and ≥ 15 , ≤ 30 days for short term days past due as backstop
- Use of quantitative indicators (change in PD at reporting date from the origination date)

The Bank uses between ≥ 30 days and ≤ 89 days for long-term and between ≥ 15 days and ≤ 30 days for short-term past due as backstop and applies the rebuttable assumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are between ≥ 30 days and ≤ 89 days for long-term and between ≥ 15 days and ≤ 30 days for short-term past due. In addition to this, all loans where credit rating is moved to "D" is classified under Stage 2. Moreover, loans which are restructured with credit rating "D" will be changed from Stage 1 to Stage 2.

Significant increases in credit risk to Stage 3

A financial instrument that has been credit-impaired since origination or purchase is automatically classified as a Stage 3 financial instrument. Evidence that a financial asset is credit-impaired includes observable data related to the following events:

- Significant financial difficulty of the issuer or the borrower;
- A breach of contract, such as a default or past due event;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for the financial asset because of financial difficulties for example debtor's business status, debtor during litigation process, frequency of entering debt restructuring etc.;
- Fraudulent debtor;
- Partially NPL sales or partially write off;
- Deceased;
- Trouble debt restructuring (DTR) unsuccessful.

The Bank also applies ≥ 89 days for long term and ≥ 30 for short term days past due as a backstop in moving a facility from Stage 2 to Stage 3 and consider a facility as credit-impaired. In addition to this, all loans where credit rating is moved to "E" is classified from Stage 2 to Stage 3. Moreover, loans which are restructured and classified as substandard, doubtful or loss will be changed from Stage 2 to Stage 3.

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);
- the borrower is ≥ 89 days past due on any material credit 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.

(ii) Incorporation of forward-looking information

The Bank analysed forward-looking information by using the statistical regression model for assessment to see whether the credit risk of an instrument has increased significantly to the measurement of ECL.

The Bank uses this model to incorporate macroeconomic variables ("MEVs") and price indices as forward-looking adjustments into probability of defaults.

Based on the results from the statistical regression model carried out by the Bank, as at the transition date, the Bank has not identified any reasonable correlation between the MEVs and its historical losses. As a result, forward-looking information is not incorporated in the statistical regression model on transition date for the Bank. In accordance with the standards, certain cases may exist where the best reasonable and supportable information could be the unadjusted historical information.

The Bank will continue to assess on an annual basis for applicable MEVs or price indices to be incorporated as forward-looking adjustments.

(iii) Modified financial assets

The Bank renegotiates loans to customers in financial difficulties (referred to as restructure activities) to maximise collection opportunities and minimise the risk of default. Under the Bank's restructure policy, loan is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms. The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants.

For financial assets modified as part of the Bank's restructure policy, the estimate of PD reflects whether the modification has improved or restored the Bank's ability to collect interest and principal and the Bank's previous experience. As part of this process, the Bank evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.

Generally, restructure is a qualitative indicator of a significant increase in credit risk and an expectation of restructure may constitute evidence that an exposure is credit-impaired. A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to Stage 1.

(iv) Measurement of ECL

ECL is a probability-weighted estimate of credit losses. It is 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 Bank 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;
- Undrawn loan commitments a credit loss is the present value of the difference between the contractual cash flows that are due to the Bank if the holder of the loan commitment draws down the loan and the cash flows that the entity expects to receive if the loan is drawn down; and
- For financial guarantee contracts payment only arise in the event of default of the debtor in accordance with the terms of the debt instrument that is guaranteed. Accordingly, cash shortfalls are the expected payments to reimburse the holder of the debt instruments for a credit loss that incurs less any amount that the Bank expects to receive from the holder, the debtor or any party.

The Bank calculates the ECL by taking the gross carrying amount of financial assets multiplying by the consolidated probability of default (PD) ratio and loss given default (LGD).

- ECL is the present value of all cash shortfalls over the remaining life, discounted at the EIR. For each year throughout the financial instrument's life, a forward-looking PD, LGD and EAD are estimated. The estimates are multiplied with each other to estimate the losses for each of the years. Then the estimates are discounted back to the reporting date using the EIR. Without having material effect, the Bank considered contractual rate as EIR.

- The Bank used the industry sector of the loan as modelled portfolio to leverage on because they shared several characteristics in common. They all are in the same industry sector classification which share common risk based on economic environment.
- The ECL is calculated by using the formula below:

$$\text{Expected Credit Loss} = \sum_{t=1}^T \text{MPD}_t \times \text{LGD}_t \times \text{EAD}_t \times D_t$$

Where:

MPD_t = Marginal Probability of Default at time t;

LGD_t = Loss Given Default at time t;

EAD_t = Exposure at Default at time t; and

D_t = Discount factor at time t.

(b) Loss allowance

This table summarises the loss allowance as of the year-end by class of exposure/assets.

	31 December 2019		31 December 2018		1 January 2018	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Loss allowance by classes:						
Loans to customers (*)	6,355,452	25,898,467	4,859,086	19,523,806	2,190,300	8,842,241
Balances with other banks	60,742	247,523	86,827	348,871	11,169	45,089
Investment securities	21,580	87,939	83,533	335,636	510,421	2,060,570
Rental deposit	36,150	147,311	32,967	132,461	19,037	76,852
Loan commitments and financial guarantee contracts	18,916	77,083	10,089	40,538	4,646	18,756
	6,492,840	26,458,323	5,072,502	20,381,312	2,735,573	11,043,508

(*) The contractual amount outstanding on financial assets that were written off during the reporting period was US\$ 696,335 at 31 December 2019 (31 December 2018: US\$ 143,457) and the currency translation on loss allowance during the reporting period was US\$ 3,552 at 31 Dec 2019 (31 December 2018: US\$ -93).

Under the Bank's monitoring procedures, a significant increase in credit risk is identified before the exposure has defaulted, and at the latest when the exposure becomes 30 days past due. This is the case mainly for loans to customers. The table below provides an analysis of the gross carrying amount of loans to customers by past due status.

	31 December 2019		31 December 2018		1 January 2018	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
	US\$	US\$	US\$	US\$	US\$	US\$
Loans to customers:						
0–29 days	2,743,616,098	2,624,706	1,821,375,758	2,366,632	1,227,626,494	1,040,528
30–59 days	1,915,917	133,655	1,464,887	110,321	1,323,652	99,113
60–89 days	1,446,216	91,339	1,269,353	132,497	637,338	43,183
90–180 days	4,786,471	849,469	3,039,910	645,099	1,720,850	325,890
More than 180 days	12,661,663	2,656,283	8,043,347	1,604,537	4,564,576	681,586
Total	2,764,426,365	6,355,452	1,835,193,255	4,859,086	1,235,872,910	2,190,300
In KHR'000 equivalents	11,265,037,437	25,898,467	7,373,806,497	19,523,806	4,989,218,938	8,842,241

35.1.3 Credit quality analysis

The following table sets out information about the credit quality of financial assets measured at amortised cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantees, the amounts in the table represent the amounts committed.

	31 December 2019				
	Stage 1	Stage 2	Stage 3	Total	
	US\$	US\$	US\$	US\$	KHR'000
Balances with other banks:					
Normal	93,472,431	–	–	93,472,431	380,900,156
Loss allowance	(60,742)	–	–	(60,742)	(247,523)
Carrying amount	93,411,689	–	–	93,411,689	380,652,633
Loans to customers:					
Normal	2,732,372,680	–	–	2,732,372,680	11,134,418,671
Special mention	–	10,667,510	–	10,667,510	43,470,103
Substandard	–	–	7,860,360	7,860,360	32,030,967
Doubtful	–	–	5,051,708	5,051,708	20,585,710
Loss	–	–	8,474,107	8,474,107	34,531,987
	2,732,372,680	10,667,510	21,386,175	2,764,426,365	11,265,037,437
Loss allowance	(1,573,881)	(566,317)	(4,215,254)	(6,355,452)	(25,898,467)
Carrying amount	2,730,798,799	10,101,193	17,170,921	2,758,070,913	11,239,138,970

31 December 2019

	Stage 1	Stage 2	Stage 3	Total	
	US\$	US\$	US\$	US\$	KHR'000
Investment securities:					
Normal	33,307,014	-	-	33,307,014	135,726,083
Loss allowance	(21,580)	-	-	(21,580)	(87,939)
Carrying amount	33,285,434	-	-	33,285,434	135,638,144
Rental deposits:					
Normal	3,615,041	-	-	3,615,041	14,731,292
Loss allowance	(36,150)	-	-	(36,150)	(147,311)
Carrying amount	3,578,891	-	-	3,578,891	14,583,981
Loan commitments and financial guarantee contracts:					
Normal	68,497,103	-	-	68,497,103	279,125,695
Loss allowance	(18,916)	-	-	(18,916)	(77,083)
Total amount	68,478,187	-	-	68,478,187	279,048,612

31 December 2018

	Stage 1	Stage 2	Stage 3	Total	
	US\$	US\$	US\$	US\$	KHR'000
Balances with other banks:					
Normal	207,488,948	-	-	207,488,948	833,690,593
Loss allowance	(86,827)	-	-	(86,827)	(348,871)
Carrying amount	207,402,121	-	-	207,402,121	833,341,722
Loans to customers:					
Normal	1,803,867,318	-	-	1,803,867,318	7,247,938,883
Special mention	-	15,775,912	-	15,775,912	63,387,614
Substandard	-	-	6,637,911	6,637,911	26,671,126
Doubtful	-	-	3,870,001	3,870,001	15,549,664
Loss	-	-	5,042,113	5,042,113	20,259,210
	1,803,867,318	15,775,912	15,550,025	1,835,193,255	7,373,806,497
Loss allowance	(1,100,909)	(782,334)	(2,975,843)	(4,859,086)	(19,523,806)
Carrying amount	1,802,766,409	14,993,578	12,574,182	1,830,334,169	7,354,282,691

31 December 2018					
	Stage 1	Stage 2	Stage 3	Total	
	US\$	US\$	US\$	US\$	KHR'000
Investment securities:					
Normal	33,253,348	-	-	33,253,348	133,611,953
Loss allowance	(83,533)	-	-	(83,533)	(335,636)
Carrying amount	33,169,815	-	-	33,169,815	133,276,317
Rental deposits:					
Normal	3,296,675	-	-	3,296,675	13,246,040
Loss allowance	(32,967)	-	-	(32,967)	(132,461)
Carrying amount	3,263,708	-	-	3,263,708	13,113,579
Loan commitments and financial guarantee contracts:					
Normal	40,303,909	-	-	40,303,909	161,941,106
Loss allowance	(10,089)	-	-	(10,089)	(40,538)
Total amount	40,293,820	-	-	40,293,820	161,900,568

1 January 2018					
	Stage 1	Stage 2	Stage 3	Total	
	US\$	US\$	US\$	US\$	KHR'000
Balances with other banks:					
Normal	86,020,612	-	-	86,020,612	347,265,210
Loss allowance	(11,169)	-	-	(11,169)	(45,089)
Carrying amount	86,009,443	-	-	86,009,443	347,220,121
Loans to customers:					
Normal	1,221,328,500	-	-	1,221,328,500	4,930,503,155
Special mention	-	4,183,099	-	4,183,099	16,887,171
Substandard	-	-	5,739,389	5,739,389	23,169,913
Doubtful	-	-	1,919,506	1,919,506	7,749,046
Loss	-	-	2,702,416	2,702,416	10,909,653
	1,221,328,500	4,183,099	10,361,311	1,235,872,910	4,989,218,938
Loss allowance	(609,610)	(164,131)	(1,416,559)	(2,190,300)	(8,842,241)
Carrying amount	1,220,718,890	4,018,968	8,944,752	1,233,682,610	4,980,376,697

1 January 2018					
	Stage 1	Stage 2	Stage 3	Total	
	US\$	US\$	US\$	US\$	KHR'000
Investment securities:					
Normal	17,224,311	-	-	17,224,311	69,534,544
Loss allowance	(510,421)	-	-	(510,421)	(2,060,570)
Carrying amount	16,713,890	-	-	16,713,890	67,473,974
Rental deposits:					
Normal	1,903,734	-	-	1,903,734	7,685,374
Loss allowance	(19,037)	-	-	(19,037)	(76,852)
Carrying amount	1,884,697	-	-	1,884,697	7,608,522
Loan commitments and financial guarantee contracts:					
Normal	30,135,018	-	-	30,135,018	
Loss allowance	(4,646)	-	-	(4,646)	
Total amount	30,130,372	-	-	30,130,372	

The below table sets out information about the overdue status of loans to customers in Stage 1, 2 and 3.

31 December 2019					
	Stage 1	Stage 2	Stage 3	Total	
	US\$	US\$	US\$	US\$	KHR'000
Loans to customers:					
Not overdue	2,722,823,988	6,081,668	3,064,323	2,731,969,979	11,132,777,664
Overdue ≤ 30 days	9,548,692	1,728,240	444,318	11,721,250	47,764,094
Overdue > 30 days	-	2,857,602	17,877,534	20,735,136	84,495,679
Total	2,732,372,680	10,667,510	21,386,175	2,764,426,365	11,265,037,437

31 December 2018					
	Stage 1	Stage 2	Stage 3	Total	
	US\$	US\$	US\$	US\$	KHR'000
Loans to customers:					
Not overdue	1,800,104,728	10,586,863	3,552,860	1,814,244,451	7,289,634,203
Overdue ≤ 30 days	3,762,590	3,006,418	453,716	7,222,724	29,020,905
Overdue > 30 days	-	2,182,631	11,543,449	13,726,080	55,151,389
Total	1,803,867,318	15,775,912	15,550,025	1,835,193,255	7,373,806,497

1 January 2018

	Stage 1	Stage 2	Stage 3	Total	
	US\$	US\$	US\$	US\$	KHR'000
Loans to customers:					
Not overdue	1,215,311,021	2,040,873	3,527,060	1,220,878,954	4,928,688,338
Overdue ≤ 30 days	6,017,479	567,404	254,310	6,839,193	27,609,822
Overdue > 30 days	-	1,574,822	6,579,941	8,154,763	32,920,778
Total	1,221,328,500	4,183,099	10,361,311	1,235,872,910	4,989,218,938

The table below shows the changes in the gross carrying amount of financial assets during the period that contributed to changes in the loss allowance.

Balances with other banks at amortised cost

31 December 2019

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR'000
Gross carrying amounts as at 1 January 2019	207,488,945	-	-	207,488,945	835,324,984
New financial assets originated	73,771,448	-	-	73,771,448	300,618,651
Financial assets that have been derecognised	(172,769,476)	-	-	(172,769,476)	(704,035,615)
Other changes	(14,981,939)	-	-	(14,981,939)	(61,051,401)
Currency translation differences	(36,547)	-	-	(36,547)	10,043,537
Gross carrying amount as at 31 December 2019	93,472,431	-	-	93,472,431	380,900,156
Loss allowance as at 31 December 2019	(60,742)	-	-	(60,742)	(247,523)

31 December 2018

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR'000
Gross carrying amounts as at 1 January 2018	86,020,612	-	-	86,020,612	347,265,210
New financial assets originated	112,462,809	-	-	112,462,809	451,875,567
Financial assets that have been derecognised	(67,938,370)	-	-	(67,938,370)	(272,976,371)
Other changes	76,944,759	-	-	76,944,759	309,164,042
Currency translation differences	(862)	-	-	(862)	(3,464)
Gross carrying amount as at 31 December 2018	207,488,948	-	-	207,488,948	835,324,984
Loss allowance as at 31 December 2018	(86,827)	-	-	(86,827)	(348,871)

Loans to customers at amortised cost

31 December 2019

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR'000
Gross carrying amount as at 1 January 2019	1,803,867,318	15,775,912	15,550,025	1,835,193,255	7,373,806,497
Changes in gross carrying amount					
Transfer to stage 1	2,186,840	(2,162,359)	(24,481)	-	-
Transfer to stage 2	(6,925,252)	7,105,443	(180,191)	-	-
Transfer to stage 3	(5,181,373)	(4,728,852)	9,910,225	-	-
New financial assets originated	1,777,012,428	1,487,031	1,949,721	1,780,449,180	7,255,330,409
Financial assets that have been derecognised	(838,483,478)	(6,695,857)	(5,340,402)	(850,519,737)	(3,465,867,928)
Other changes	(103,803)	(113,808)	(478,722)	(696,333)	(2,837,557)
Currency translation differences	-	-	-	-	104,606,018
Gross carrying amount as at 31 December 2019	2,732,372,680	10,667,510	21,386,175	2,764,426,365	11,265,037,437
Loss allowance as at 31 December 2019	(1,573,881)	(566,317)	(4,215,254)	(6,355,452)	(25,898,467)

31 December 2018

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR'000
Gross carrying amount as at 1 January 2018	1,221,328,500	4,183,099	10,361,311	1,235,872,910	4,989,218,938
Changes in gross carrying amount					
Transfer to stage 1	336,935	(336,935)	-	-	-
Transfer to stage 2	(10,687,318)	10,823,361	(136,043)	-	-
Transfer to stage 3	(6,836,954)	(960,399)	7,797,353	-	-
New financial assets originated	1,231,354,764	5,952,559	3,712,836	1,241,020,159	4,986,418,999
Financial assets that have been derecognised	(631,623,459)	(3,885,773)	(6,047,524)	(641,556,756)	(2,577,775,046)
Other changes	(5,150)	-	(137,908)	(143,058)	(574,807)
Currency translation differences	-	-	-	-	(23,481,587)
Gross carrying amount as at 31 December 2018	1,803,867,318	15,775,912	15,550,025	1,835,193,255	7,373,806,497
Loss allowance as at 31 December 2018	(1,100,909)	(782,334)	(2,975,843)	(4,859,086)	(19,523,806)

Investment securities at amortised cost

31 December 2019					
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR'000
Gross carrying amount as at 1 January 2019	33,253,348	-	-	33,253,348	133,611,952
New financial assets originated	252,710,753	-	-	252,710,753	1,029,796,319
Financial assets that have been derecognised	(252,557,977)	-	-	(252,557,977)	(1,029,173,756)
Other changes	(99,110)	-	-	(99,110)	(403,873)
Currency translation differences	-	-	-	-	1,895,441
Gross carrying amount as at 31 December 2019	33,307,014	-	-	33,307,014	135,726,083
Loss allowance as at 31 December 2019	(21,580)	-	-	(21,580)	(87,939)

31 December 2018					
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR'000
Gross carrying amounts as at 1 January 2018	17,224,311	-	-	17,224,311	69,534,544
New financial assets originated	29,769,625	-	-	29,769,625	119,614,354
Financial assets that have been derecognised	(13,476,247)	-	-	(13,476,247)	(54,147,560)
Other changes	(264,341)	-	-	(264,341)	(1,062,122)
Currency translation differences	-	-	-	-	(327,263)
Gross carrying amount as at 31 December 2018	33,253,348	-	-	33,253,348	133,611,953
Loss allowance as at 31 December 2018	(83,533)	-	-	(83,533)	(335,636)

Rental deposits at amortised cost

31 December 2019					
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR'000
Gross carrying amount as at 1 January 2019	3,296,675	-	-	3,296,675	13,246,040
New financial assets originated	366,202	-	-	366,202	1,492,273
Financial assets that have been derecognised	(47,836)	-	-	(47,836)	(194,932)
Currency translation differences	-	-	-	-	187,911
Gross carrying amount as at 31 December 2019	3,615,041	-	-	3,615,041	14,731,292
Loss allowance as at 31 December 2019	(36,150)	-	-	(36,150)	(147,311)

31 December 2018

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR'000
Gross carrying amount as at 1 January 2018	1,903,734	-	-	1,903,734	7,685,374
New financial assets originated	1,451,092	-	-	1,451,092	5,830,488
Financial assets that have been derecognised	(58,151)	-	-	(58,151)	(233,651)
Currency translation differences	-	-	-	-	(36,171)
Gross carrying amount as at 31 December 2018	3,296,675	-	-	3,296,675	13,246,040
Loss allowance as at 31 December 2018	(32,967)	-	-	(32,967)	(132,461)

Loan commitments and financial guarantee contracts

31 December 2019

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR'000
Gross carrying amounts as at 1 January 2019	40,303,909	-	-	40,303,909	161,941,106
New financial assets originated	33,648,030	-	-	33,648,030	137,115,722
Financial assets that have been derecognised	(5,454,836)	-	-	(5,454,836)	(22,228,457)
Currency translation differences	-	-	-	-	2,297,324
Gross carrying amount as at 31 December 2019	68,497,103	-	-	68,497,103	279,125,695
Loss allowance as at 31 December 2019	(18,916)	-	-	(18,916)	(77,083)

31 December 2018

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR'000
Gross carrying amounts as at 1 January 2018	30,135,018	-	-	30,135,018	121,655,068
New financial assets originated	17,583,417	-	-	17,583,417	70,650,170
Financial assets that have been derecognised	(7,414,526)	-	-	(7,414,526)	(29,791,565)
Currency translation differences	-	-	-	-	(572,566)
Gross carrying amount as at 31 December 2018	40,303,909	-	-	40,303,909	161,941,107
Loss allowance as at 31 December 2018	(10,089)	-	-	(10,089)	(40,538)

The table below summarises the loss allowance as of the year end by class of exposure.

	31 December 2019		31 December 2018		1 January 2018	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Balances with other banks at amortised cost	(60,742)	(247,523)	(86,827)	(348,871)	(11,169)	(45,089)
Loans to customers at amortised cost	(6,355,452)	(25,898,467)	(4,859,086)	(19,523,806)	(2,190,300)	(8,842,241)
Investment securities at amortised cost	(21,580)	(87,939)	(83,533)	(335,636)	(510,421)	(2,060,570)
Rental deposits at amortised cost	(36,150)	(147,311)	(32,967)	(132,461)	(19,037)	(76,852)
Loan commitments and financial guarantee contracts	(18,916)	(77,083)	(10,089)	(40,538)	(4,646)	(18,756)
	(6,492,840)	(26,458,323)	(5,072,502)	(20,381,312)	(2,735,573)	(11,043,508)

The tables below analyse the movement of the loss allowance during the year per class of assets.

Loss allowance – balances with other banks at amortised cost

	31 December 2019				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR'000
Loss allowance as at 1 January 2019	86,827	-	-	86,827	348,871
New financial assets originated	21,935	-	-	21,935	89,385
Financial assets that have been derecognised	(38,996)	-	-	(38,996)	(158,908)
Other changes	(9,024)	-	-	(9,024)	(36,773)
Currency translation differences	-	-	-	-	4,948
Loss allowance as at 31 December 2019	60,742	-	-	60,742	247,523

	31 December 2018				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR'000
Loss allowance as at 1 January 2018	11,169	-	-	11,169	45,089
New financial assets originated	72,534	-	-	72,534	291,442
Financial assets that have been derecognised	(5,893)	-	-	(5,893)	(23,678)
Other changes	9,017	-	-	9,017	36,230
Currency translation differences	-	-	-	-	(212)
Loss allowance as at 31 December 2018	86,827	-	-	86,827	348,871

Loss allowance – loans to customers at amortised cost

31 December 2019					
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR'000
Loss allowance as at 1 January 2019	1,100,909	782,334	2,975,843	4,859,086	19,523,806
Changes in the loss allowance					
Transfer to stage 1	108,612	(106,432)	(2,180)	-	-
Transfer to stage 2	(5,453)	53,203	(47,750)	-	-
Transfer to stage 3	(5,042)	(229,260)	234,302	-	-
Net remeasurement of loss allowances(*)	(209,800)	224,626	1,639,063	1,653,889	6,739,597
New financial assets originated	1,026,318	47,638	471,676	1,545,632	6,298,450
Financial assets that have derecognised	(440,742)	(137,412)	(291,528)	(869,682)	(3,543,954)
Other changes	(921)	(68,380)	(764,172)	(833,473)	(3,396,402)
Currency translation differences	-	-	-	-	276,969
Loss allowance as at 31 December 2019	1,573,881	566,317	4,215,254	6,355,452	25,898,467

31 December 2018					
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR'000
Loss allowance as at 1 January 2018	609,610	164,131	1,416,559	2,190,300	8,842,241
Change in loss allowance					
Transfer to stage 1	5,440	(5,440)	-	-	-
Transfer to stage 2	(5,862)	18,010	(12,148)	-	-
Transfer to stage 3	(5,409)	(95,318)	100,727	-	-
Net remeasurement of loss allowance(*)	11,810	496,703	1,646,354	2,154,867	8,658,256
New financial assets originated	757,791	242,639	649,434	1,649,864	6,629,154
Financial assets that have been derecognised	(272,147)	(35,808)	(417,631)	(725,586)	(2,915,405)
Other changes	(324)	(2,583)	(407,452)	(410,359)	(1,648,822)
Currency translation differences	-	-	-	-	(41,618)
Loss allowance as at 31 December 2018	1,100,909	782,334	2,975,843	4,859,086	19,523,806

(*) Includes the net remeasurement of loss allowance (after transfers) attributable mainly to changes in volume and in the credit quality of existing loans.

Loss allowance – investment in securities at amortised cost

31 December 2019					
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR'000
Loss allowance as at 1 January 2019	83,533	-	-	83,533	335,636
Net remeasurement of loss allowance	(61,953)	-	-	(61,953)	(252,458)
Currency translation differences	-	-	-	-	4,761
Loss allowance as at 31 December 2019	21,580	-	-	21,580	87,939

31 December 2018					
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR'000
Loss allowance as at 1 January 2018	510,421	-	-	510,421	2,060,570
New financial assets originated	-	-	-	-	-
Financial assets that have been derecognised	(425,615)	-	-	(425,615)	(1,710,121)
Other changes	(1,273)	-	-	(1,273)	(5,115)
Currency translation differences	-	-	-	-	(9,698)
Loss allowance as at 31 December 2018	83,533	-	-	83,533	335,636

Loss allowance – rental deposit at amortised cost

31 December 2019					
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR'000
Loss allowance as at 1 January 2019	32,967	-	-	32,967	132,461
New financial assets originated	3,661	-	-	3,661	14,919
Financial assets that have been derecognised	(478)	-	-	(478)	(1,948)
Currency translation differences	-	-	-	-	1,879
Loss allowance as at 31 December 2019	36,150	-	-	36,150	147,311

31 December 2018

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR'000
Loss allowance as at 1 January 2018	19,037	-	-	19,037	76,852
New financial assets originated	14,512	-	-	14,512	58,309
Financial assets that have been derecognised	(582)	-	-	(582)	(2,338)
Currency translation differences	-	-	-	-	(362)
Loss allowance as at 31 December 2018	32,967	-	-	32,967	132,461

Loss allowance – loan commitments and financial guarantee contracts

31 December 2019

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR'000
Loss allowance as at 1 January 2019	10,089	-	-	10,089	40,538
Net remeasurement of loss allowance	646	-	-	646	2,632
New financial assets originated	10,323	-	-	10,323	42,066
Financial assets that have been derecognised	(2,142)	-	-	(2,142)	(8,729)
Currency translation differences	-	-	-	-	4,761
Loss allowance as at 31 December 2019	18,916	-	-	18,916	77,083

31 December 2018

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR'000
Loss allowance as at 1 January 2018	4,646	-	-	4,646	18,756
Increase due to change in credit risk	2,498	-	-	2,498	10,037
New financial assets originated	3,946	-	-	3,946	15,855
Financial assets that have been derecognised	(1,001)	-	-	(1,001)	(4,022)
Currency translation differences	-	-	-	-	(88)
Loss allowance as at 31 December 2018	10,089	-	-	10,089	40,538

35.1.4 Concentration of credit risk

The Bank monitors concentrations of credit risk by sector. An analysis of concentrations of credit risk from balances with other banks, loans to customers, investment securities, rental deposits and loan commitments and financial guarantee contracts are shown below.

31 December 2019	Balances with other banks	Loans to customers	Investment securities	Rental deposits	Loan commitments and financial guarantee contracts	Total	
	US\$	US\$	US\$	US\$	US\$	US\$	KHR'000
Carrying amount	93,411,689	2,758,070,913	33,285,434	3,611,858	(18,916)	2,888,360,978	11,770,070,985
Amount committed	-	-	-	-	68,497,103	68,497,103	279,125,695
Concentration by sector:							
Financial institution	-	66,763,800	-	-	3,632,493	70,396,293	286,864,894
Agriculture	-	125,398,794	-	-	13,359	125,412,153	511,054,523
Construction and Real Estate Operation	-	191,140,055	-	-	8,421,561	199,561,616	813,213,585
Real Estate Rental	-	500,653,307	-	-	1,651,526	502,304,833	2,046,892,194
Manufacturing	-	124,038,051	-	-	7,680,802	131,718,853	536,754,326
Wholesale and Retail Trade	-	1,087,154,852	-	-	27,755,419	1,114,910,271	4,543,259,354
Services	-	560,458,155	-	-	9,156,550	569,614,705	2,321,179,923
Personal Loans	-	102,463,899	-	-	10,185,393	112,649,292	459,045,865
	-	2,758,070,913	-	-	68,497,103	2,826,568,016	11,518,264,664

31 December 2018	Balances with other banks	Loans to customers	Investment securities	Rental deposits	Loan commitments and financial guarantee contracts	Total	
	US\$	US\$	US\$	US\$	US\$	US\$	KHR'000
Carrying amount	207,402,121	1,830,334,169	33,169,815	3,282,745	(10,089)	2,074,178,761	8,334,050,262
Amount committed	-	-	-	-	40,303,909	40,303,909	161,941,106
Concentration by sector:							
Financial institution	-	16,357,728	-	-	1,000,000	17,357,728	69,743,351
Agriculture	-	87,621,187	-	-	20,519	87,641,706	352,144,375
Construction and Real Estate Operation	-	96,373,185	-	-	4,952,866	101,326,051	407,128,073
Real Estate Rental	-	268,310,540	-	-	52,544	268,363,084	1,078,282,872
Manufacturing	-	94,103,723	-	-	3,800,110	97,903,833	393,377,601
Wholesale and Retail Trade	-	735,963,433	-	-	17,353,298	753,316,731	3,026,826,625
Services	-	383,748,405	-	-	4,015,388	387,763,793	1,558,034,920
Personal Loans	-	147,855,968	-	-	9,109,184	156,965,152	630,685,981
	-	1,830,334,169	-	-	40,303,909	1,870,638,078	7,516,223,798

1 January 2018	Balances with other banks	Loans to customers	Investment securities	Rental deposits	Loan commitments and financial guarantee contracts	Total	
	US\$	US\$	US\$	US\$	US\$	US\$	KHR'000
Carrying amount	86,009,443	1,233,682,610	16,713,890	3,694,804	(4,646)	1,340,096,101	5,409,967,960
Amount committed	-	-	-	-	30,135,018	30,135,018	121,655,068
Concentration by sector:							
Financial institution	-	4,207,270	-	-	1,058,391	5,265,661	21,257,473
Agriculture	-	62,459,289	-	-	203,981	62,663,270	252,971,621
Construction and Real Estate Operation	-	52,650,436	-	-	4,732,233	57,382,669	231,653,835
Real Estate Rental	-	144,010,461	-	-	124,083	144,134,544	581,871,154
Manufacturing	-	56,180,548	-	-	3,672,881	59,853,429	241,628,293
Wholesale and Retail Trade	-	479,261,142	-	-	11,364,845	490,625,987	1,980,657,110
Services	-	239,364,584	-	-	1,257,434	240,622,018	971,391,087
Personal Loans	-	195,548,880	-	-	7,721,170	203,270,050	820,601,192
	-	1,233,682,610	-	-	30,135,018	1,263,817,628	5,102,031,765

35.2 Liquidity risk

Liquidity risk is the risk that the Bank does not have sufficient financial resources to meet its obligations as they fall due, or will have to do so at an excessive cost. This risk arises from mismatches in the timing of cash flows which is inherent in all banking operations and can be affected by a range of Bank-specific and market-wide events.

35.2.1 Liquidity risk management

The Bank's Board of Directors sets the Bank's strategy for managing liquidity risk and oversight of the implementation is administered by Board Risk Management Committee (BRMC). BRMC approves the Bank's liquidity policies created by the Risk division and acknowledged by Asset-Liability Committee (ALCO). Treasury department manages the Bank's liquidity position on a day-to-day basis and reviews daily reports covering the liquidity position of Head office and branches. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation. The key elements of the Bank's liquidity strategy are as follows.

- Maintaining a diversified funding base consisting of customer deposits (both individual and corporate) and maintaining contingency facilities.
- Carrying a portfolio of highly liquid assets, diversified by currency and maturity.
- Monitoring maturity mismatches, behavioral characteristics of the Bank's financial assets and financial liabilities, and the extent to which the Bank's assets are encumbered and so not available as potential collateral for obtaining funding.
- Stress testing of the Bank's liquidity position against various exposures and country-specific events.
- Minimise cost of foregone earnings on idle liquidity.

Treasury department receives information from other business units regarding the liquidity profile of their financial assets and financial liabilities and details of other projected cash flows arising from projected future business. Treasury department then maintains a portfolio of short-term liquid assets, largely made up of inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank as a whole. The liquidity requirements of branches are met through funds from Treasury department to cover any short-term fluctuations and longer-term funding to address any structural liquidity requirements.

Finance department monitors compliance with local regulatory limits on a monthly basis.

Regular liquidity stress testing is conducted by Risk Management Department under a variety of scenarios covering global liquidity crisis, local (Cambodian) liquidity crisis and idiosyncratic (internal) liquidity crisis. Risk Management Department presented results of stress testing and relevant recommendations to BRMC on quarterly basis.

35.2.2 Exposure to liquidity risk

The key measure used by the Bank for managing liquidity risk is Liquidity Risk Coverage Ratio. This ratio reflects the available cash inflows (including loans to be collected and balances with other banks); cash outflows matured within 30 days (including amount to be paid to lenders, deposits from financial institutions and corporates); and adjusted retail saving deposit as well as stock of eligible liquid assets (cash on hand, all current accounts and reserve requirements with the NBC).

	31 December 2019	31 December 2018	1 January 2018
At end of year	162.32%	132.51%	91.65%
Average for the year	154.90%	105.63%	87.85%
Maximum for the year	234.64%	132.51%	98.40%
Minimum for the year	148.97%	91.33%	73.18%

35.2.3 Maturity analysis for financial assets and financial liabilities

The following tables set out the remaining contractual maturities of the Bank's financial assets and financial liabilities. The sum of the balances depicted in the maturity analysis do not reconcile with the carrying amount of the assets/liabilities as disclosed in the statement of financial position. This is because maturity analysis incorporates, on an undiscounted basis, all cash flow relating to principal. The amount for issued loan commitments and financial guarantees contract is the maximum amount that may be drawn down under the loan commitment, or called under the financial guarantees contract, both included in the earliest possible period under these could be paid. The undiscounted cash flows potentially payable under financial guarantees and similar contracts are classified on the basis of the earliest date they can be called.

31 December 2019	Carrying amount	Gross nominal inflow/(outflow)	Up to 1 month	> 1 – 3 months	> 3 – 12 months	> 1 – 5 years	Over 5 years	No Maturity
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Financial assets by type								
Non-derivative assets								
Cash on hand	251,750,205	251,750,205	251,750,205	-	-	-	-	-
Balances with the NBC	1,151,654,239	1,152,756,349	357,106,106	168,088,439	192,016,089	-	-	435,545,715
Balances with other banks	93,411,689	94,817,433	24,823,416	12,699,983	57,294,034	-	-	-
Loans to customers	2,758,070,913	3,816,133,311	158,021,288	114,181,632	497,415,434	2,151,563,340	894,951,617	-
Investment securities	33,285,434	36,581,217	-	-	30,000,000	6,581,217	-	-
Other assets	9,432,070	9,432,070	5,915,499	10,340	47,247	651,599	2,807,385	-
	4,297,604,550	5,361,470,585	797,616,514	294,980,394	776,772,804	2,158,796,156	897,759,002	435,545,715
In US\$ equivalents	4,297,604,550	5,361,470,585	797,616,514	294,980,394	776,772,804	2,158,796,156	897,759,002	435,545,715
In KHR'000 equivalents	17,512,738,541	21,847,992,634	3,250,287,295	1,202,045,106	3,165,349,176	8,797,094,336	3,658,367,933	1,774,848,789

31 December 2019	Carrying amount	Gross nominal inflow/(outflow)	Up to 1 month	> 1 – 3 months	> 3 – 12 months	> 1 – 5 years	Over 5 years	No Maturity
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Financial liabilities by type								
Non-derivative liabilities								
Deposits from customers	3,395,343,449	(3,427,173,497)	(2,763,070,848)	(161,020,729)	(449,267,093)	(53,814,827)	-	-
Debt securities in issue	20,939,337	(25,654,450)	-	(806,580)	(806,580)	(24,041,290)	-	-
Borrowings	279,856,458	(285,744,023)	(42,962,054)	(88,606,830)	(148,206,410)	(5,968,729)	-	-
Subordinated debts	128,000,000	(178,440,382)	-	-	(20,126,904)	(70,708,880)	(87,604,598)	-
Lease liabilities	36,513,407	(44,090,273)	(559,558)	(1,066,053)	(4,999,773)	(22,954,837)	(14,510,052)	-
Other liabilities	23,386,944	(23,386,944)	(5,363,440)	(10,707,112)	-	(6,784,819)	(531,573)	-
	3,884,039,595	(3,984,489,569)	(2,811,955,900)	(262,207,304)	(623,406,760)	(184,273,382)	(102,646,223)	-
Loan commitments and financial guarantee contracts	-	(68,497,103)	(55,463,748)	(2,773,524)	(1,535,595)	(8,724,236)	-	-
In US\$ equivalents	3,884,039,595	(4,052,986,672)	(2,867,419,648)	(264,980,828)	(624,942,355)	(192,997,618)	(102,646,223)	-
In KHR'000 equivalents	15,827,461,350	(16,515,920,688)	(11,684,735,066)	(1,079,796,874)	(2,546,640,097)	(786,465,293)	(418,283,359)	-

31 December 2018	Carrying amount	Gross nominal inflow/(outflow)	Up to 1 month	> 1 – 3 months	> 3 – 12 months	> 1 – 5 years	Over 5 years	No Maturity
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Financial assets by type								
Non-derivative assets								
Cash on hand	148,504,229	148,504,229	148,504,229	-	-	-	-	-
Balances with the NBC	436,157,370	436,256,683	108,996,786	38,123,868	10,051,359	-	-	279,084,670
Balances with other banks	207,402,121	209,749,064	53,810,810	87,727,012	59,930,174	8,281,068	-	-
Loans to customers	1,830,334,169	2,589,169,161	77,105,495	81,733,039	345,208,079	1,479,630,506	605,492,042	-
Investment securities	33,169,815	36,689,721	-	-	30,000,000	6,689,721	-	-
Other assets	9,647,636	9,647,636	6,370,576	29,400	105,179	408,216	2,734,265	-
	2,665,215,340	3,430,016,494	394,787,896	207,613,319	445,294,791	1,495,009,511	608,226,307	279,084,670
In US\$ equivalents	2,665,215,340	3,430,016,494	394,787,896	207,613,319	445,294,791	1,495,009,511	608,226,307	279,084,670
In KHR'000 equivalents	10,708,835,236	13,781,806,273	1,586,257,766	834,190,316	1,789,194,470	6,006,948,215	2,443,853,302	1,121,362,204

31 December 2018	Carrying amount	Gross nominal inflow/(outflow)	Up to 1 month	> 1 – 3 months	> 3 – 12 months	> 1 – 5 years	Over 5 years	No Maturity
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Financial liabilities by type								
Non-derivative liabilities								
Deposits from customers	2,186,982,607	(2,221,356,750)	(1,623,640,514)	(130,464,294)	(394,672,676)	(72,579,266)	-	-
Debt securities in issue	-	-	-	-	-	-	-	-
Borrowings	80,532,015	(86,300,914)	(7,006,558)	(12,605,159)	(29,658,825)	(37,030,372)	-	-
Subordinated debts	93,000,000	(133,261,102)	-	-	(11,744,534)	(44,135,894)	(77,380,674)	-
Lease liabilities	31,359,400	(38,647,974)	(457,487)	(901,508)	(3,904,949)	(18,654,870)	(14,729,160)	-
Other liabilities	13,644,634	(13,644,634)	(4,130,725)	(7,806,133)	(27,919)	(223,269)	(1,456,588)	-
	2,405,518,656	(2,493,211,374)	(1,635,235,284)	(151,777,094)	(440,008,903)	(172,623,671)	(93,566,422)	-
Loan commitments and financial guarantee contracts	-	(40,303,910)	(29,361,629)	(1,672,766)	(1,580,727)	(7,688,788)	-	-
In US\$ equivalents	2,405,518,656	(2,533,515,284)	(1,664,596,913)	(153,449,860)	(441,589,630)	(180,312,459)	(93,566,422)	-
In KHR'000 equivalents	9,665,373,960	(10,179,664,411)	(6,688,350,396)	(616,561,537)	(1,774,307,133)	(724,495,460)	(375,949,884)	-

1 January 2018	Carrying amount	Gross nominal inflow/(outflow)	Up to 1 month	> 1 – 3 months	> 3 – 12 months	> 1 – 5 years	Over 5 years	No Maturity
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Financial assets by type								
Non-derivative assets								
Cash on hand	68,849,172	68,849,172	68,849,172	-	-	-	-	-
Balances with the NBC	207,311,283	207,319,973	35,223,757	3,059,772	-	-	-	169,036,444
Balances with other banks	86,009,443	87,459,439	55,351,370	26,500,964	5,607,105	-	-	-
Loans to customers	1,233,682,610	1,750,465,062	57,931,679	57,152,166	244,879,632	1,013,456,114	377,045,471	-
Investment securities	16,713,890	24,634,292	-	-	7,568,046	17,066,246	-	-
Other assets	7,274,311	7,274,311	5,391,777	22,100	70,153	449,201	1,341,080	-
	1,619,840,709	2,146,002,249	222,747,755	86,735,002	258,124,936	1,030,971,561	378,386,551	169,036,444
In US\$ equivalents	1,619,840,709	2,146,002,249	222,747,755	86,735,002	258,124,936	1,030,971,561	378,386,551	169,036,444
In KHR'000 equivalents	6,539,296,942	8,663,411,079	899,232,687	350,149,203	1,042,050,367	4,162,032,192	1,527,546,506	682,400,124

1 January 2018	Carrying amount	Gross nominal inflow/(outflow)	Up to 1 month	> 1 – 3 months	> 3 – 12 months	> 1 – 5 years	Over 5 years	No Maturity
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Financial liabilities by type								
Non-derivative liabilities								
Deposits from customers	1,275,778,673	(1,304,589,443)	(851,421,672)	(100,211,370)	(292,075,245)	(60,881,156)	-	-
Debt securities in issue	-	-	-	-	-	-	-	-
Borrowings	87,370,740	(95,431,813)	(15,387,813)	-	(8,587,662)	(71,456,338)	-	-
Subordinated debts	55,000,000	(77,704,752)	-	-	(3,741,664)	(24,993,740)	(48,969,348)	-
Lease liabilities	18,549,420	(23,127,221)	(264,800)	(572,846)	(2,441,818)	(11,258,483)	(8,589,274)	-
Other liabilities	9,821,217	(9,821,217)	(5,111,166)	(4,710,051)	-	-	-	-
	1,446,520,050	(1,510,674,446)	(872,185,451)	(105,494,267)	(306,846,389)	(168,589,717)	(57,558,622)	-
Loan commitments and financial guarantee contracts	-	(30,135,019)	(21,378,767)	(885,183)	(461,637)	(4,551,098)	(2,858,334)	-
In US\$ equivalents	1,446,520,050	(1,540,809,465)	(893,564,218)	(106,379,450)	(307,308,026)	(173,140,815)	(60,416,956)	-
In KHR'000 equivalents	5,839,601,442	(6,220,247,810)	(3,607,318,748)	(429,453,840)	(1,240,602,501)	(698,969,470)	(243,903,251)	-

The amounts in the table above have been compiled as follows.

Type of financial instrument	Basis on which amounts are compiled
Financial assets	Undiscounted cash flows, which include estimated interest collections.
Financial liabilities	Undiscounted cash flows, which include estimated interest payments.
Loan commitments and financial guarantee contracts	Earliest possible contractual maturity

As part of the management of liquidity risk arising from financial liabilities, the Bank holds liquid assets comprising cash and cash equivalents, which can be readily to meet liquidity requirements. In addition, the Bank maintains agreed lines of credit with other banks.

The following table sets out the contractual amounts of non-derivative financial assets and financial liabilities expected to be recovered or settled less than 12 months after the reporting date.

	31 December 2019		31 December 2018		1 January 2018	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Financial assets						
Cash on hand	251,750,205	1,025,882,085	148,504,229	596,689,992	68,849,172	277,944,107
Balances with the NBC	717,210,634	2,922,633,334	157,172,013	631,517,148	38,283,529	154,550,607
Balances with other banks	94,817,433	386,381,039	201,467,996	809,498,408	87,459,439	353,073,755
Loans to customers	769,618,354	3,136,194,793	504,046,613	2,025,259,291	359,963,477	1,453,172,557
Investment securities	30,000,000	122,250,000	30,000,000	120,540,000	7,568,046	30,552,202
Other assets	5,973,086	24,340,325	6,505,155	26,137,713	5,484,030	22,139,029
	1,869,369,712	7,617,681,576	1,047,696,006	4,209,642,552	567,607,693	2,291,432,257
Financial liabilities						
Deposits from customers	3,373,358,670	13,746,436,580	2,148,777,484	8,633,787,931	1,243,708,287	5,020,850,355
Debt securities in issue	1,613,160	6,573,627	-	-	-	-
Borrowings	279,775,294	1,140,084,323	49,270,542	197,969,038	23,975,475	96,788,993
Subordinated debts	20,126,904	82,017,134	11,744,534	47,189,538	3,741,664	15,105,098
Lease liabilities	6,625,384	26,998,440	5,263,944	21,150,527	3,279,464	13,239,196
Other liabilities	16,070,552	65,487,499	11,964,777	48,074,474	9,821,217	39,648,253
	3,697,569,964	15,067,597,603	2,227,021,281	8,948,171,508	1,284,526,107	5,185,631,895
Loan commitments	59,772,866	243,574,429	32,615,122	131,047,560	22,725,587	91,743,195
	3,757,342,830	15,311,172,032	2,259,636,403	9,079,219,068	1,307,251,694	5,277,375,090

The following table sets out the contractual amounts of non-derivative financial assets and financial liabilities expected to be recovered or settled more than 12 months after the reporting date

	31 December 2019		31 December 2018		1 January 2018	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Financial assets						
Balances with other banks	-	-	8,281,068	33,273,331	-	-
Loans to customers	3,046,514,957	12,414,548,450	2,085,122,548	8,378,022,398	1,390,501,585	5,613,454,899
Investment securities	6,581,217	26,818,459	6,689,721	26,879,299	17,066,246	68,896,435
Other assets	3,458,984	14,095,360	3,142,481	12,626,489	1,790,281	7,227,364
	3,056,555,158	12,455,462,269	2,103,235,818	8,450,801,517	1,409,358,112	5,689,578,698
Financial liabilities						
Deposits from customers	53,814,827	219,295,419	72,579,266	291,623,490	60,881,156	245,777,225
Debt securities in issue	24,041,290	97,968,257	-	-	-	-
Borrowings	5,968,729	24,322,571	37,030,372	148,788,035	71,456,338	288,469,237
Subordinated debts	158,313,478	645,127,423	121,516,568	488,253,570	73,963,088	298,588,986
Lease liabilities	37,464,889	152,669,423	33,384,030	134,137,033	19,847,757	80,125,395
Other liabilities	7,316,392	29,814,297	1,679,857	6,749,665	-	-
	286,919,605	1,169,197,390	266,190,093	1,069,551,793	226,148,339	912,960,843
Loan commitments	8,724,236	35,551,262	7,688,788	30,893,550	7,409,432	29,911,877
	295,643,841	1,204,748,652	273,878,881	1,100,445,343	233,557,771	942,872,720

35.2.4 Liquidity reserves

The Bank maintains a pool of liquid assets which represents the primary source of liquidity in stress scenarios. Its composition is subject to limits designed to reduce concentration risks which are monitored on an ongoing basis. The Bank's liquidity reserves are analysed below.

	31 December 2019		31 December 2018		1 January 2018	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	US\$	US\$	US\$	US\$	US\$	US\$
Cash on hand	251,750,205	251,750,205	148,504,229	148,504,229	68,849,172	68,849,172
Balances with the NBC	716,108,524	716,108,524	157,072,701	157,072,701	38,274,839	38,274,839
Balances with other banks	93,411,689	93,411,689	207,402,121	207,402,121	86,009,443	86,009,443
Investment securities	33,285,434	33,285,434	33,169,815	33,169,815	16,713,890	16,713,890
Total liquidity reserves	1,094,555,852	1,094,555,852	546,148,866	546,148,866	209,847,344	209,847,344
In KHR'000 equivalents	4,460,315,097	4,460,315,097	2,194,426,144	2,194,426,144	847,153,728	847,153,728

35.2.5 Financial assets available to support future funding

The following table sets out the availability of the Bank's financial assets to support future funding.

	Encumbered		Unencumbered		Total	
	Pledged as collateral	Other*	Available as collateral	Other**		
	US\$	US\$	US\$	US\$	US\$	KHR'000
31 December 2019						
Cash on hand	-	-	-	251,750,205	251,750,205	1,025,882,085
Balances with the NBC	280,842,000	869,682,604	-	1,129,635	1,151,654,239	4,692,991,024
Balances with other banks	-	-	-	93,411,689	93,411,689	380,652,633
Loans to customers	-	-	-	2,758,070,913	2,758,070,913	11,239,138,970
Investment securities	-	-	-	33,285,434	33,285,434	135,638,144
Other assets	-	-	-	9,432,070	9,432,070	38,435,685
	280,842,000	869,682,604	-	3,147,079,946	4,297,604,550	17,512,738,541
31 December 2018						
Cash on hand	-	-	-	148,504,229	148,504,229	596,689,992
Balances with the NBC	14,974,500	420,987,311	-	195,559	436,157,370	1,752,480,312
Balances with other banks	-	-	-	207,402,121	207,402,121	833,341,722
Loans to customers	-	-	-	1,830,334,169	1,830,334,169	7,354,282,691
Investment securities	-	-	-	33,169,815	33,169,815	133,276,317
Other assets	-	-	-	9,647,636	9,647,636	38,764,201
	14,974,500	420,987,311	-	2,229,253,529	2,665,215,340	10,708,835,235
1 January 2018						
Cash on hand	-	-	-	68,849,172	68,849,172	277,944,107
Balances with the NBC	-	207,289,364	-	21,919	207,311,283	836,915,649
Balances with other banks	-	-	-	86,009,443	86,009,443	347,220,121
Loans to customers	-	-	-	1,233,682,610	1,233,682,610	4,980,376,697
Investment securities	-	-	-	16,713,890	16,713,890	67,473,974
Other assets	-	-	-	7,274,311	7,274,311	29,366,394
	-	207,289,364	-	1,412,551,345	1,619,840,709	6,539,296,942

* Represents assets that are not pledged but that the Bank believes it is restricted from using to secure funding, for legal or other reasons.

** Represents assets that are not restricted for use as collateral, but that the Bank would not consider readily available to secure funding in the normal course of business.

35.3 Market risk

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

35.3.1 Market risk management

Overall authority for market risk is vested in BRMC at Board level and ALCO at management level. BRMC sets up limits for each type of risk in aggregate and for portfolios (all portfolios are non-trading). The Risk Management Department is responsible for the development of detailed risk management policies (subject to review by BRMC and approval by Board of Directors). Treasury function implement and manage the day-to-day market risk in the daily operation.

The Bank employs a range of tools to monitor and limit market risk exposures.

The following table sets out the allocation of assets and liabilities subject to market risk.

	31 December 2019		31 December 2018		1 January 2018	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Assets subject to market risk:						
Cash on hand	251,750,205	1,025,882,085	148,504,229	596,689,992	68,849,172	277,944,107
Balances with the NBC	1,151,654,239	4,692,991,024	436,157,370	1,752,480,312	207,311,283	836,915,649
Balances with other banks	93,411,689	380,652,633	207,402,121	833,341,722	86,009,443	347,220,121
Loans to customers	2,758,070,913	11,239,138,970	1,830,334,169	7,354,282,691	1,233,682,610	4,980,376,697
Investment securities	33,285,434	135,638,144	33,169,815	133,276,317	16,713,890	67,473,974
Other assets	9,432,070	38,435,685	9,647,636	38,764,201	7,274,311	29,366,394
	4,297,604,550	17,512,738,541	2,665,215,340	10,708,835,235	1,619,840,709	6,539,296,942
Liabilities subject to market risk:						
Deposits from customers	3,395,343,449	13,836,024,555	2,186,982,607	8,787,296,115	1,275,778,673	5,150,318,503
Debt securities in issue	20,939,337	85,327,798	–	–	–	–
Borrowings	279,856,458	1,140,415,066	80,532,015	323,577,636	87,370,740	352,715,677
Subordinated debts	128,000,000	521,600,000	93,000,000	373,674,000	55,000,000	222,035,000
Lease liabilities	36,513,407	148,792,134	31,359,400	126,002,069	18,549,420	74,884,009
Other liabilities	23,386,944	95,301,797	13,644,634	54,824,139	9,821,217	39,648,253
	3,884,039,595	15,827,461,350	2,405,518,656	9,665,373,959	1,446,520,050	5,839,601,442

35.3.2 Exposure to market risk

(i) Interest rate risk

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments or economic value of equity of the Bank because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands.

Risk Management Department conducts stress testing of interest rate risk and present its results and relevant recommendations to BRMC on quarterly basis.

The following is a summary of the Bank's interest rate gap position. The interest rate repricing gap table analyses the full-term structure of interest rate mismatches within the Bank's balance sheet based on the maturity date.

	Carrying amount	Up to 1 month	> 1 – 3 months	> 3 – 12 months	> 1 – 5 years	Over 5 years	Non-interest sensitive
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
31 December 2019							
Financial assets							
Cash on hand	251,750,205	-	-	-	-	-	251,750,205
Balances with the NBC	1,151,654,239	121,396,519	167,824,964	191,195,156	-	-	671,237,600
Balances with other banks	93,411,689	926,874	12,626,032	55,977,178	-	-	23,881,605
Loans to customers	2,758,070,913	98,729,866	1,691,895	10,747,186	604,680,301	2,042,221,665	-
Investment securities	33,285,434	-	-	29,871,880	3,413,554	-	-
Other assets	9,432,070	-	-	-	-	-	9,432,070
	4,297,604,550	221,053,259	182,142,891	287,791,400	608,093,855	2,042,221,665	956,301,480
Financial liabilities							
Deposits from customers	3,395,343,449	2,540,056,177	155,708,049	431,719,517	47,812,323	-	220,047,383
Debt securities in issue	20,939,337	-	-	-	20,939,337	-	-
Borrowings	279,856,458	42,630,231	87,620,858	142,888,270	6,717,099	-	-
Subordinated debts	128,000,000	-	-	-	48,000,000	80,000,000	-
Lease liabilities	36,513,407	-	-	-	-	-	36,513,407
Other liabilities	25,624,103	-	-	-	-	-	25,624,103
	3,886,276,754	2,582,686,408	243,328,907	574,607,787	123,468,759	80,000,000	282,184,893
Total	411,327,796	(2,361,633,149)	(61,186,016)	(286,816,387)	484,625,096	1,962,221,665	674,116,587
In KHR'000 equivalents	1,676,160,769	(9,623,655,082)	(249,333,015)	(1,168,776,777)	1,974,847,266	7,996,053,285	2,747,025,092

	Carrying amount	Up to 1 month	> 1 – 3 months	> 3 – 12 months	> 1 – 5 years	Over 5 years	Non-interest sensitive
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
31 December 2018							
Financial assets							
Cash on hand	148,504,229	–	–	–	–	–	148,504,229
Balances with the NBC	436,157,370	21,169,154	38,070,325	10,013,263	–	–	366,904,628
Balances with other banks	207,402,119	28,520,381	87,362,036	58,727,850	7,561,409	–	25,230,443
Loans to customers	1,830,334,167	35,968,258	5,038,752	11,642,253	404,799,910	1,372,884,994	–
Investment securities	33,169,815	–	–	29,769,625	3,400,190	–	–
Other assets	9,647,636	–	–	–	–	–	9,647,636
	2,665,215,336	85,657,793	130,471,113	110,152,991	415,761,509	1,372,884,994	550,286,936
Financial liabilities							
Deposits from customers	2,186,982,607	1,476,840,041	126,096,515	376,416,789	63,008,214	–	144,621,048
Debt securities in issue	–	–	–	–	–	–	–
Borrowings	80,532,015	7,015,997	12,531,614	20,030,556	40,953,848	–	–
Subordinated debts	93,000,000	–	–	–	23,000,000	70,000,000	–
Lease liabilities	31,359,400	–	–	–	–	–	31,359,400
Other liabilities	14,661,950	–	–	–	–	–	14,661,950
	2,406,535,972	1,483,856,038	138,628,129	396,447,345	126,962,062	70,000,000	190,642,398
Total	258,679,364	(1,398,198,245)	(8,157,016)	(286,294,354)	288,799,447	1,302,884,994	359,644,538
In KHR'000 equivalents	1,039,373,685	(5,617,960,548)	(32,774,890)	(1,150,330,714)	1,160,396,178	5,234,991,906	1,445,051,754

	Carrying amount	Up to 1 month	> 1 – 3 months	> 3 – 12 months	> 1 – 5 years	Over 5 years	Non-interest sensitive
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
1 January 2018							
Financial assets							
Cash on hand	68,849,172	-	-	-	-	-	68,849,172
Balances with the NBC	207,311,283	2,477,274	3,051,737	-	-	-	201,782,272
Balances with other banks	85,998,272	40,941,065	27,741,007	5,128,319	-	-	12,187,881
Loans to customers	1,233,682,610	29,680,366	3,703,242	12,012,605	287,645,744	900,640,653	-
Investment securities	16,713,890	-	-	5,767,019	10,946,871	-	-
Other assets	7,274,311	-	-	-	-	-	7,274,311
	1,619,829,538	73,098,705	34,495,986	22,907,943	298,592,615	900,640,653	290,093,636
Financial liabilities							
Deposits from customers	1,275,778,673	782,427,225	95,998,072	277,794,054	52,985,116	-	66,574,206
Debt securities in issue	-	-	-	-	-	-	-
Borrowings	87,370,740	15,355,938	-	-	72,014,802	-	-
Subordinated debts	55,000,000	-	-	-	10,000,000	45,000,000	-
Lease liabilities	18,549,420	-	-	-	-	-	18,549,420
Other liabilities	10,245,490	-	-	-	-	-	10,245,490
	1,446,944,323	797,783,163	95,998,072	277,794,054	134,999,918	45,000,000	95,369,116
Total	172,885,215	(724,684,458)	(61,502,086)	(254,886,111)	163,592,697	855,640,653	194,724,520
In KHR'000 equivalents	697,937,613	(2,925,551,157)	(248,283,921)	(1,028,975,230)	660,423,718	3,454,221,316	786,102,887

(ii) Foreign exchange risk

The Bank transacts business in various foreign currencies and therefore is exposed to foreign exchange risk.

As at each reporting date, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the Bank's functional currency are as follows.

	US\$ equivalent		Total	
	KHR	Others	US\$	KHR'000
31 December 2019				
Financial assets				
Cash on hand	16,067,796	205,010	16,272,806	66,311,684
Balances with the NBC	45,351,513	-	45,351,513	184,807,415
Balances with other banks	6,562,352	151,307	6,713,659	27,358,160
Loans to customers	319,050,435	-	319,050,435	1,300,130,523
Other assets	35,796	-	35,796	145,869
	387,067,892	356,317	387,424,209	1,578,753,651
Financial liabilities				
Deposits from customers	78,438,379	1,287	78,439,666	319,641,639
Debt securities in issue	20,939,337	-	20,939,337	85,327,798
Borrowings	270,631,743	-	270,631,743	1,102,824,353
Other liabilities	164,701	386,572	551,273	2,246,437
	370,174,160	387,859	370,562,019	1,510,040,227
Net foreign exchange gap	16,893,732	(31,542)	16,862,190	68,713,424

	US\$ equivalent		Total	
	KHR	Others	US\$	KHR'000
31 December 2018				
Financial assets				
Cash on hand	6,118,443	123,621	6,242,064	25,080,613
Balances with the NBC	11,255,835	-	11,255,835	45,225,945
Balances with other banks	2,522,979	222,270	2,745,249	11,030,410
Loans to customers	25,079,027	-	25,079,027	100,767,530
Other assets	49,044	204	49,248	197,878
	45,025,328	346,095	45,371,423	182,302,376
Financial liabilities				
Deposits from customers	30,047,294	2,738	30,050,032	120,741,029
Borrowings	14,533,333	-	14,533,333	58,394,932
Other liabilities	131,670	92	131,762	529,420
	44,712,297	2,830	44,715,127	179,665,381
Net foreign exchange gap	313,031	343,265	656,296	2,636,995

	US\$ equivalent		Total	
	KHR	Others	US\$	KHR'000
1 January 2018				
Financial assets				
Cash on hand	2,935,396	49,924	2,985,320	12,051,737
Balances with the NBC	4,606,878	-	4,606,878	18,597,966
Balances with other banks	1,763,875	307,005	2,071,369	8,360,143
Loans to customers	1,943,156	-	1,943,156	7,844,521
Other assets	28,952	212	29,164	117,735
	11,278,257	357,141	11,635,887	46,972,102
Financial liabilities				
Deposits from customers	10,331,249	199,705	10,530,954	42,513,461
Other liabilities	101,222	15,392	116,614	470,771
	10,432,471	215,097	10,647,568	42,984,232
Net foreign exchange gap	845,786	142,044	988,319	3,987,870

Foreign currency sensitivity

The following table details the sensitivity to a 5% increase and decrease in the relevant foreign currencies against the functional currency of the Bank. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjust their translation at the period end for a 5% change in foreign currency rates.

If the relevant foreign currency strengthens by 5% against the functional currency of the Bank, profit or loss and other equity will increase (decrease) by:

	KHR impact			Other currency impact		
	31 December 2019	31 December 2018	1 January 2018	31 December 2019	31 December 2018	1 January 2018
Profit or loss	844,687	15,652	42,289	(1,577)	17,163	7,102

If the relevant foreign currency weakens by 5% against the functional currency of the Bank, profit or loss and other equity will increase (decrease) by:

	KHR impact			Other currency impact		
	31 December 2019	31 December 2018	1 January 2018	31 December 2019	31 December 2018	1 January 2018
Profit or loss	(844,687)	(15,652)	(42,289)	1,577	(17,163)	(7,102)

35.4 Operational risk

35.4.1 Operational risk management

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks – e.g. those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank's operations.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and innovation. In all cases, Bank's policy requires compliance with all applicable legal and regulatory requirements.

Risk Management Department is responsible for the development and implementation of controls to address operational risk. This responsibility is supported by the development of overall Bank standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- information technology and cyber risks; and
- risk mitigation, including insurance where this is cost-effective.

35.5 Capital risk

Capital risk is the risk that the Bank has insufficient capital resources to meet the minimum regulatory requirements to support its credit rating and to support its growth and strategic options.

The Bank's strategy 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 shareholder's 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.

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

35.5.1 Capital risk management

As with liquidity and market risks, BRMC and ALCO is responsible for ensuring the effective management of capital risk throughout the Bank.

Capital risk is measured and monitored using limits set calculated in accordance with NBC's requirements.

On 22 February 2018, the NBC issued a Prakas on Capital Buffer in Banking and Financial Institutions. According to Article 22 of this Prakas, the institution shall comply with the provisions related to the capital conservation buffer at least 50% of the conservation buffer by 1 January 2019 and fully comply by 1 January 2020.

On 7 March 2018, the NBC issued a circular on the implementation of Prakas on Capital Buffer in Banking and Financial Institutions, which determines the countercyclical capital buffer at a level of 0% until a new announcement is released.

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

36. CURRENT AND NON CURRENT

Management presents the financial statements based on liquidity. Information about short-term and long-term of financial assets and financial liabilities are disclosed in the financial risk management section. Property and equipment, right-of-use assets, intangible assets and deferred tax assets are non-current assets. Provisions are non-current liability.

37. COMPARATIVE INFORMATION

Certain corresponding figures have been reclassified to conform to the current year's presentation and disclosure.

38. EVENTS AFTER THE REPORTING PERIOD

Capital injection

On 21 November 2019, ABA Bank has requested to the NBC to inject additional capital of US\$ 120 million (equivalent to KHR 480 billion). On 2 January 2020, the Bank received the approval letter dated 31 December 2019 from the NBC. Having received the approval letter, National Bank of Cambodia injected the capital on the same day resulted in a total share capital of US\$ 335 million (equivalent to KHR 1,365 billion). The Bank's Memorandum and Article of Association was amended and registered with the Ministry of Commerce on 15 January 2020.

Tax incentives

On 25 February 2020, the Ministry of Economy and Finance issued a Prakas No. 183 on Implementation Guidelines on Tax Incentives on Tax on Income to New Public Securities Issuing Enterprises.

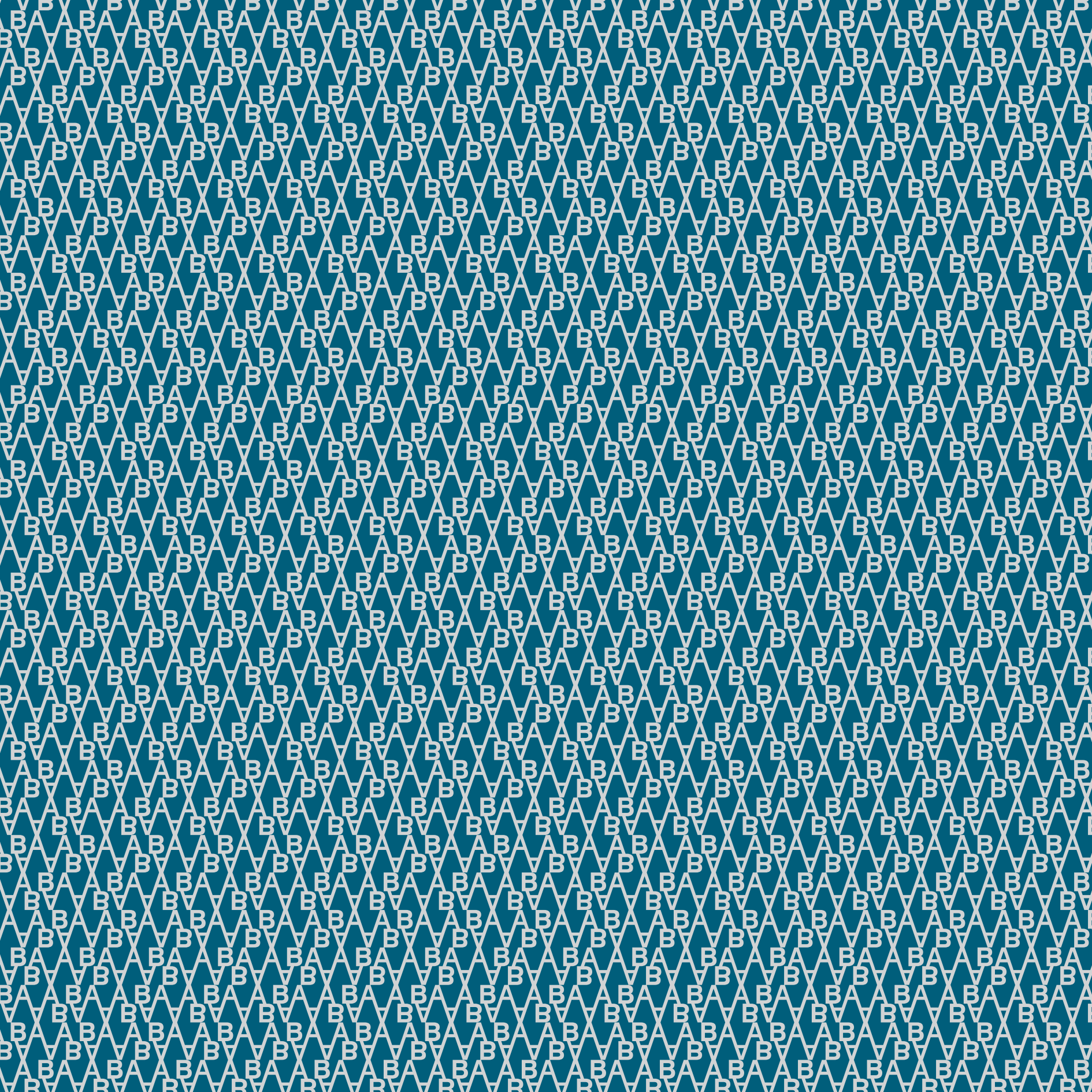
- The enterprise issuing debt securities more than 20% of its total assets with the maturity of at least 7 years is granted tax incentives by reducing 50% of tax on income over 3 years upon being granted approval from the Securities and Exchange Commission of Cambodia ("SECC") and listed on permitted Securities Market.
- The enterprise issuing debt securities equal to or less more than 20% of its total assets is granted tax incentives on tax on income over 3 years by reducing the amount of tax on income based on the pro-rata percentage of value of debt securities over total assets, dividing by base 20.001% and multiplying by 50%. In addition, the granted tax incentives shall not exceed approximately US\$2,000,000 (equivalent to KHR 8 billion).

Covid-19 outbreak and EBA

With the Covid-19 outbreak and a potential partial suspension of everything but arms (EBA) tax relief by the European Union, the management has assessed the impact on the financial statements of the Bank and concluded that these are non-adjusting events and there is minimal impact to the Bank's financial statements given the size of the related portfolios at the year end.

Reserve Requirement

On 18 March 2020, as part of the Government's policy, among others, to mitigate the impact of Covid-19 on Cambodia's economy and to increase liquidity of banks and financial institutions, the NBC issued a new Prakas No. B7-020-230 on the Maintenance of Reserve Requirement against Banks and Financial Institutions' Deposits and Borrowings which requires banks and financial institutions to maintain reserve requirements against their deposits and borrowings at an average daily balance equal to 7% in both local and foreign currencies with the NBC.





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