

ANNUAL REPORT



2018

Investing in the future

KHMER NEW YEAR CELEBRATION



CO-BRANDED CASHCARD LAUNCH



NATIONAL CAREER AND PRODUCTIVITY FAIR



QR PAYMENT LAUNCH



ANNUAL TRIP TO VIETNAM



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VISION, MISSION AND VALUES



Vision

To be the preferred commercial bank in Cambodia.



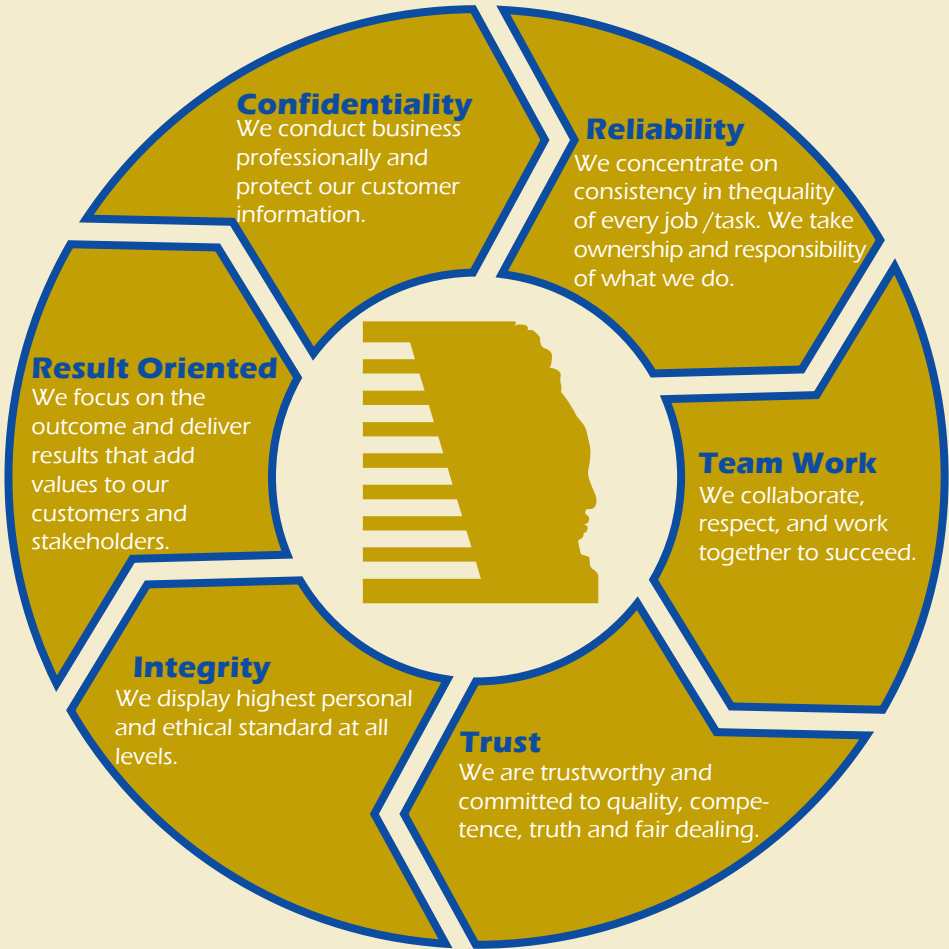
Mission

- To operate in a socially and environmentally responsible manner
- To provide innovative banking products and services.
- To deliver timely and convenient solutions which are responsive to our customers’ needs in order to grow together.



Values

Foreign Trade Bank of Cambodia’s values are the operating philosophies and principles that guide our staff’s internal conduct and relationship with our customers, partners and other stakeholders. Our Values are the guiding principles of our decision making.



// **FINANCIAL HIGHLIGHTS****2018****2017****2016****2015****SUMMARY BALANCE SHEET
(US DOLLARS)**

Total assets	1,278,452,209	1,004,345,026	861,812,504	760,365,844
Net loans and advances to customer	693,521,185	527,794,755	471,900,779	394,246,024
Other assets	584,931,024	476,550,271	389,911,725	366,119,820
Total liabilities	1,162,999,373	904,004,539	768,052,663	672,737,856
Deposits	1,130,888,591	872,992,734	743,970,228	658,245,735
Other liabilities	32,110,782	31,011,805	24,082,435	14,492,121
Total equity	115,452,836	100,340,487	93,759,841	87,627,988
Capital	75,000,000	75,000,000	38,500,000	38,500,000
Reserves and retained earnings	40,452,836	25,340,487	55,259,841	49,127,988

**SUMMARY INCOME STATEMENT
(US DOLLARS)**

Interest income	58,988,296	53,157,519	49,555,902	41,427,580
Interest expense	(32,508,351)	(25,012,816)	(20,508,060)	(16,325,556)
Net interest (income)	26,479,945	28,144,703	29,047,842	25,102,024
Fee and commission income	10,362,868	6,962,684	9,685,392	8,492,842
Other operating expense	(12,696,109)	(12,340,760)	(9,833,491)	(8,489,331)
Net recovery/provision on bad loan	(10,828,366)	(14,118,131)	(21,223,754)	(17,965,490)
Profit (before income tax)	13,318,338	8,648,496	7,675,989	7,140,045
Net profit for the year	10,612,349	6,580,645	6,131,853	5,661,783

KEY RATIOS

Return on capital	14.15%	8.77%	15.93%	14.71%
Return on assets	0.83%	0.66%	0.71%	0.74%
Return on shareholders' equity	9.19%	6.56%	6.54%	6.46%
Solvency ratio	16.64%	17.05%	16.08%	17.60%
Liquidity coverage ratio	123.11%	126.06%	74.95%	N/A
Interest income to total assets	4.61%	5.29%	5.75%	5.45%
Total loans (gross) to total deposits	60.50%	61.60%	64.68%	62.75%
Non-performing loans ratio	0.77%	1.07%	0.80%	0.96%
Growth in interest income	10.97%	7.27%	19.62%	27.82%
Growth in total deposits	29.54%	17.34%	13.02%	26.26%
Growth in total loans (gross)	30.84%	11.76%	19.03%	7.85%
Growth in shareholders' equity	15.06%	7.02%	7.00%	6.91%
Growth in total assets	27.29%	16.54%	13.34%	27.63%



FINANCIAL HIGHLIGHTS OF 2018

- Profit after tax amounted to **US\$ 10.61 million**
- Shareholders' equity grew by **15.06%** to **US\$ 115.45 million**
- Gross loans and advances to customers climbed by **30.84%** to **US\$ 703.62 million**
- Total deposits grew by **29.54%** to **US\$ 1,130.89 million**
- Total assets rose by **27.29%** to **US\$ 1,128.45 million**
- Asset Quality-Non performing loan ratio maintained at **0.77%**
- Liquidity coverage ratio improved to **123.11%**, NBC required at minimum of **80%**.
- Solvency ratio maintained at **16.64%**, NBC required at minimum of **15%**.

SUMMARY BALANCE SHEET (US DOLLARS)

Total assets

2018	1,278,452,209
2017	1,004,345,026
2016	861,812,504
2015	760,365,844

Loans (gross)

2018	703,615,740
2017	537,769,394
2016	481,196,918
2015	404,258,141

Shareholders' equity

2018	115,452,836
2017	100,340,487
2016	93,759,841
2015	87,627,988

Deposit

2018	1,130,888,591
2017	872,992,734
2016	743,970,228
2015	658,245,735

SUMMARY INCOME STATEMENT (US DOLLARS)

Interest income

2018	58,988,296
2017	53,157,519
2016	49,555,902
2015	41,427,580

Interest expense

2018	(32,508,351)
2017	(25,012,816)
2016	(20,508,060)
2015	(16,325,556)



Net interest (income)



Net profit for the year





// CORPORATE PROFILE

October 1979

The Foreign Trade Bank of Cambodia (FTB) had been established and operated as a department under the National Bank of Cambodia (NBC) until 1999. FTB developed active role both in the local and overseas markets and performed banking and business functions which contributed to the restoration of the Cambodia's economy. It operated as a separate legal entity from the Government.

1999

In order to allow the NBC to focus on its role as a central bank and monetary authority, and to provide FTB the opportunity to conduct autonomous business operations with equal status to other commercial banks, privatization was identified as a key reform and was implemented using the framework of the Royal Government's Program on Poverty Reduction.

August 2000

FTB's status had changed to that of a state-owned commercial bank.

August 2002

An 80% share of ownership in FTB was transferred to the Ministry of Economy and Finance, with NBC retaining the remaining 20% shares.

October 2005

FTB changed from state-owned to a commercial bank operating as a joint venture between the State and private enterprises. Under this new structure, the shareholders were Canadia Bank PLC with a 46% share, ING Holding Co., Ltd with 44% share and the Ministry of Economy and Finance holding the remaining 10% share.

July 2009

In accordance with the recommendations from the NBC, Canadia Bank PLC sold and reduced its share to 15.22% from 46%. Of the shares sold, 15.39% were purchased by Mrs. Kim Tiek, and the other 15.39% by Mrs. Chhay Kimbouy. The NBC recognized these new shareholders in letter No. B-7-09-154 dated 26th August 2009.

March 2011

Canadia Bank PLC sold its remaining share of 15.22% to Mrs. Kim Tiek 7.61% and Mrs. Chhay Kimbouy 7.61%. At the end of 2011, the shareholders were ING Holding Co., Ltd with a 44% share, Mrs. Kim Tiek with 23% share, Mrs. Chhay Kimbouy with 23% share and the Ministry of Economy and Finance holding the remaining 10% share.

October 2015

ING Holding Co., Ltd reduced its share to 11% from 44% by selling 33% to Lok Oknha Mak Kim Hong. The NBC recognized this new shareholder in letter No. Thor. 7-015-599 Thor. Kor dated 28th October 2015. Mrs. Kim Tiek keeps holding 23% share, Mrs. Chhay Kimbouy keeps holding 23% share and the Ministry of Economy and Finance holding the remaining 10% share.



Status: Commercial bank

Ownership Structure: Joint venture between the State (10%) and private enterprise and individual (90%)

Registered Capital: US\$ 38.5 million on 10th June 2011, increased to US\$ 75 million on 13th January 2017, and subsequently increased to US\$ 79.5 million on 7th February 2019

First Bank License: No. 16 , dated 4th January 2001

Latest Bank License: No. B11, dated 5th October 2015

Registered Amendment: An amendment to the Memorandum of the Articles of Association was registered at The National Bank of Cambodia on 12th April 2010 and a new one on 4th April 2018

Commercial Re-registration: No.Co.8835M/2006, dated 21st June, 2006

Head Office: Building No. 33 C-D, Street 169, Sangkat Veal Vong, Khan 7 Makara, Phnom Penh, Cambodia.

Tel : +855 (0)23 862 111

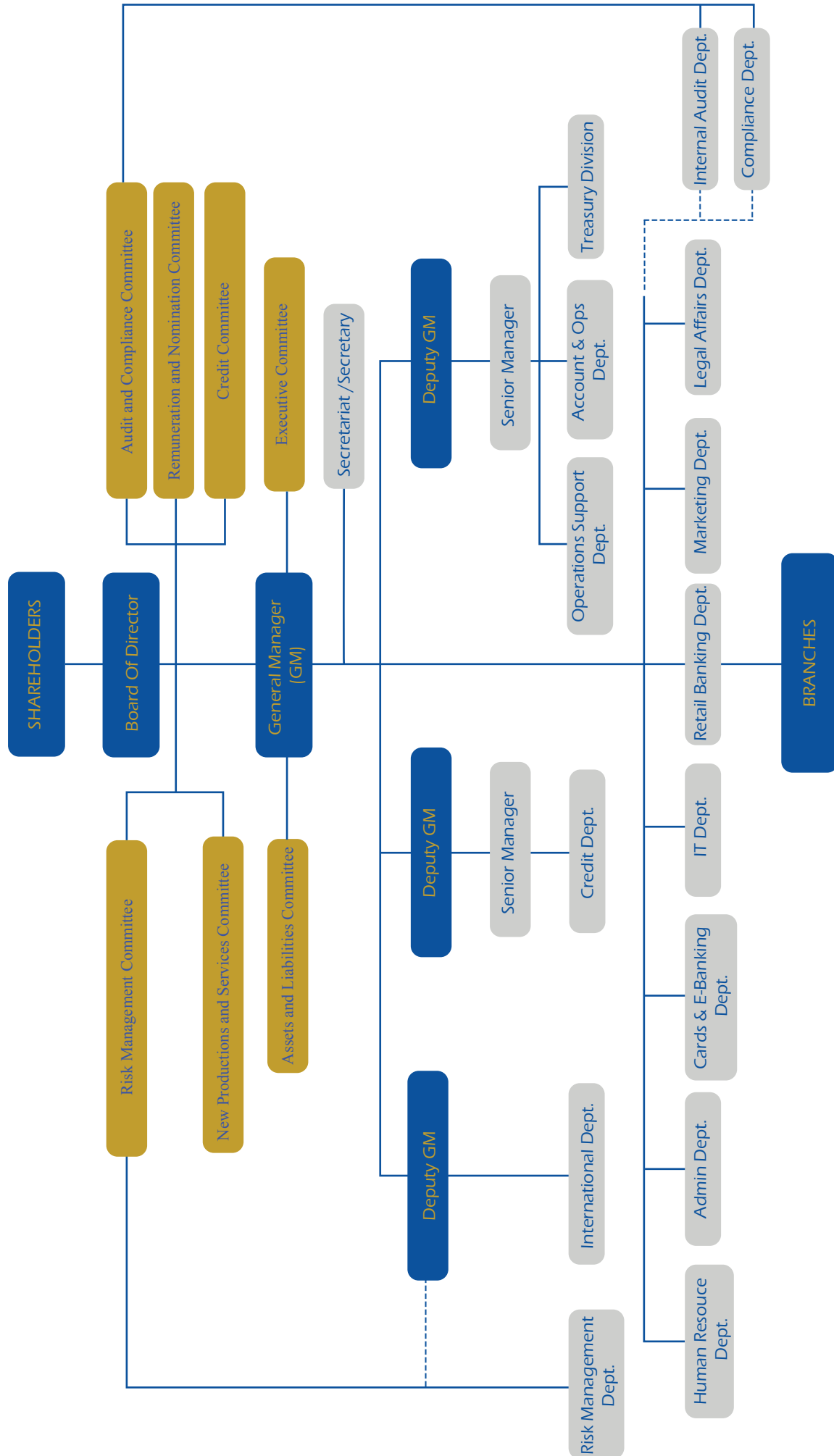
Fax : +855 (0)23 999 077

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Website : www.ftbbank.com

www.facebook.com/ftbcambodia

ORGANISATIONAL CHART



//CHAIRMAN'S MESSAGE



On behalf of shareholders and as the Chairman of the Board of Directors of the Foreign Trade Bank of Cambodia, I am pleased to present the 2018 annual report. We have made significant progresses during the year, and further enhanced our quality and capabilities in customer services. I would like to wholeheartedly thank the shareholders for their trusts and opportunities to allow me to work with our board members, management team, staff and our customers.

In 2018, the Bank decided to establish 3 more branches namely, Hengly Market Branch, Okide 2004 Branch, and Takhmao Branch, to increase our capacity to serve the customers. At the end of 2018, the Bank also prepared for its 40th anniversary and took part in celebrating the 7 January Victory Day and the 20th Commemoration of the end of Civil War in Cambodia, successfully brought by the Win-Win Policy of the Royal Government of Cambodia. To stay relevant with the rapid development of technology, and to further offer innovative products and services, the Bank has successfully upgraded its core banking system to T24.

Achieving the bank's strategic objectives by following its visions and missions remains the Bank's future commitments. While protecting the values for shareholders and maintaining the Bank's financial stability, we will continue to strengthen our corporate governance and risk appetite and take further necessary steps towards our social responsibilities and other relevant laws and regulations. Furthermore, human resources remain the focus of the Bank, and we have implemented various measures to attract, develop and retain resources with

multi-disciplinary capacities. We firmly believe that the resources are vital for FTB in its endeavors to offer the best products and services to its customers.

Lastly, I would like to extend my sincere appreciation towards members of the board, the management and all the staff for their strong efforts during the past year, and also express my deep gratitude towards our shareholders and board members for their supports and trusts on me. To our customers, thank you for choosing FTB as partners, we will remain committed into seeking continuous improvements and providing you with quality services.

Yours Sincerely,

Roth Savuth
Chairman

// GENERAL MANAGER'S MESSAGE



The fiscal year 2018 was another remarkable 12 months of further progress for Foreign Trade Bank of Cambodia (FTB) in line with the long term vision to be the “Preferred Commercial Bank in Cambodia”. On the back of the country’s strong economic growth and stable development of banking industry, FTB could successfully navigate to achieve strong growth in 2018 and to strengthen the balance sheet and funding position.

As the first and foremost commercial bank in Cambodia and given the solid improvement of financial position and performance in 2018, FTB has continued building strong foundation to continue delivering all business priorities as set out in the Bank’s long-term strategic direction. The Bank is well placed to continue supporting local customers to grow and to continue making crucial contribution to the country’s market and economic development.

In terms of financial performance and position, we have delivered strong growth across key indicators as highlighted in the following:

- Total assets increased by **27%** to **US\$ 1,278.5 million**
- Deposit grew by **30%** to reach new record level of **US\$ 1,130.9 million**
- Loan portfolio increased by **31%** to **US\$ 703.6 million**
- Achieved net profit after tax of **US\$ 10.6 million**, rising by **61%** from **US\$ 6.6 million** in 2017, which has helped enhanced shareholders’ equity to reach **US\$ 115.5 million**. Along with achieving strong growth of profitability, total assets, loan portfolio and deposit, FTB maintained healthy liquidity position throughout the year and has been in compliance with all regulatory ratios.

On top of significant financial and operational achievements in 2018, FTB successfully changed and upgraded the

After several months of preparation and testing, we were able to go live smoothly with the new core banking system in the second half of 2018 without operational interruption.

This was one of FTB’s major transformation projects that has been undertaken to modernise the infrastructure as we are striving to help our customers to grow and to continue offering them quality banking services and products. This infrastructure modernization will enable FTB to continue developing digital capabilities in the coming years.

The coming year of 2019 sets to be another year of growth for the country’s economy and banking industry. As the first and foremost commercial bank in Cambodia since 1979, we will mark 40th anniversary in 2019. This will give us the unique opportunity to commemorate and celebrate our past achievements and proud history. It will also be a significant moment of great motivation and pride for us to continue serving and doing more for our customers, and to continue making further contribution to help the country’s market and economy develop.

As we look forward to having another year of growth in 2019 and doing more for our customers and helping them to grow and succeed, I would like to express my gratitude to our shareholders, valued stakeholders, customers, board members, management, and staff for their valuable contribution and support in 2018.

Yours Sincerely,

Dith Sochal
General Manager and Board Member

// CORPORATE GOVERNANCE

The Board of Directors and management of FTB are committed to fulfill the responsibilities toward our shareholders and are devoted to leadership in corporate governance. To ensure the focus on creating long term shareholder value, we have designed the corporate governance policies and practices to meet the applicable legal requirement, and continuously monitor all proposed new rules to modify our policies and practices to meet any additional requirements. An overview of our corporate governance structure is set out below.

BOARD OF DIRECTORS

The FTB is led by the Board of Directors. The directors are appointed by the shareholders to act on their behalf. The Board of Directors is responsible for the supervision and management of business, affairs and situation of the bank on behalf of the shareholders in compliance with the Articles of Association and the Law on Commercial Enterprises. The Board of Directors consists of seven members as at 31st December 2018:



Mr. Roth Savuth
Chairman
(Since August 2014)



Mr. Gui Anvanith
Vice-Chairman
(Since 2005)



Mr. Dith Sochal
General Manager and Board Member
(Since December 2018)



Oknha Lim Bunsour
Board Member
(Since 2005)



H.E. Chou Vannak
Board Member
(Since 2015)



Mrs. Sok Chan Sona
Independent Board Member
(Since 2007)



Mr. Ly Tay Seng
Independent Board Member
(Since August 2014)

COMMITTEES UNDER BOARD LEVEL

Credit Committee

The Credit Committee has been established to oversee, direct, and review the management of credit risk of the loan portfolio of FTB. The committee is composed of seven members:

- | | |
|------------------------|------------|
| 1. Mrs. Sok Chan Sona | Chairwoman |
| 2. Mr. Gui Anvanith | Member |
| 3. Mr. Dith Sochal | Member |
| 4. Mrs. Lay Rachana | Member |
| 5. Mr. Mean Channarith | Member |
| 6. Mr. Ok Seiha | Member |
| 7. Mr. Chea San | Secretary |



Risk Management Committee

The purpose of the Committee is to assist the Board in its review of the risk management principles, policies, strategies, processes and controls in relation to business, market, operational, reputational risk management and make recommendation where appropriate. The Risk Committee is composed of seven members:

1. Mr. Ly Tay Seng	Chairman
2. Mr. Gui Anvanith	Member
3. Mr. Dith Sochal	Member
4. H.E . Chou Vannak	Member
5. Ms. Nuon Borany	Member
6. Mrs. Lay Rachana	Member
7. Head of Operational Risk	Secretary

Audit and Compliance Committee

The Audit Committee is responsible for ensuring the compliance with legal and regulatory requirements, it also makes sure that the information relating to the bank's financial performance provided to the public and to NBC is accurate and reliable. It assesses the relevance of the accounting methods used to prepare the individual and consolidated accounts, if any. It reviews and assess the quality of the internal control procedures, in particular whether the systems for measuring, monitoring and controlling risks are consistent, and recommends further action where appropriate. The Audit and Compliance Committee is composed of five members:

1. Mr. Roth Savuth	Chairman
2. Mr. Ok Seiha	Member
3. Mrs. Vicheth Dalina	Member
4. Mrs. Chea Samrach	Member
5. Mr. Leng Sovannarath	Member and Secretary

Remuneration and Nomination Committee

Remuneration and Nomination Committee has been established by the Board of Directors to provide independent advices on matters pertaining to the nomination and remuneration of Board members, members of key executive committee, and the Senior Management team of the Bank as well as the remuneration schemes for the staff of the Bank. The committee also ensures that the remuneration policy is aligned with the Bank's long term strategy and its core values. It is composed of the following members:

1. Mr. Roth Savuth	Chairman
2. Mr. Ly Tay Seng	Member
3. Mr. Mean Channarith	Member
4. Mrs. Vicheth Dalina	Member
5. Mr. Pich Rathpiseth	Member and Secretary

New Products and Services Committee

The New Products and Services Committee is responsible for making decisions regarding new products, extensions of existing products, and prioritization of approved ideas for the product launch. The decisions should include considerations around brand, thought leadership/innovation, market demand and available resources. In addition, the Committee is responsible for ensuring that an effective and efficient governance process of the new product is in place and functioning. The committee is composed of the following members:

1. Mr. Gui Anvanith	Chairman
2. Oknha Lim Bunsour	Member
3. Mr. Dith Sochal	Member
4. Ms. Nuon Borany	Member
5. Head of Retail Banking	Member
6. Head of Marketing	Member
7. Mr. Soi Sathya	Member and Secretary

COMMITTEES UNDER EXECUTIVE LEVEL

Executive Committee (EXCO)

The Executive Committee has been established to ensure that the Bank's operations are in accordance with its strategies, policies and regulations. The Committee is empowered to administer and manage the Bank's business, and perform tasks assigned by the Board of Directors, with an aim to accomplish the Bank's vision and be in alignment with the Bank's mission, as well as to promote management practices that are in compliance with the Bank's core values. It is composed of the following members:



- | | |
|---------------------------------|-----------|
| 1. Mr. Dith Sochal | Chairman |
| 2. Ms. Nuon Borany | Member |
| 3. Mrs. Lay Rachana | Member |
| 4. Mr. Mean Channarith | Member |
| 5. Mr. Ok Seiha | Member |
| 6. All Heads of Department | Members |
| 7. Secretary to General Manager | Secretary |

Assets & Liabilities Committee (ALCO)

The ALCO Committee has been established to provide the framework to strategically manage FTB's overall assets and liabilities for the long-term and short term. The ALCO Committee is composed of the following members:

- | | |
|------------------------------|----------------------|
| 1. Mr. Dith Sochal | Chairman |
| 2. Ms. Nuon Borany | Member |
| 3. Mrs. Lay Rachana | Member |
| 4. Mr. Mean Channarith | Member |
| 5. Mr. Ok Seiha | Member |
| 6. Mr. Chea San | Member |
| 7. Mr. Sann Men | Member |
| 8. Head of International | Member |
| 9. Head of Operation Support | Member |
| 10. Head of Retail Banking | Member |
| 11. Mrs. Sok Vuochlang | Member and Secretary |

//SIGNIFICANT ACHIEVEMENTS

CREDIT

Another critically important task for Foreign Trade Bank of Cambodia in 2018 was to further improve the competitiveness of banking products and services to satisfy our customers' needs. We have kept growing our loan portfolio to reach **US\$703.6 million**. Better loan portfolio quality has been achieved and gradual diversification to increase lending to individuals, especially owner-occupied housing loans, was successfully made, which is expected to continue trending in this direction in the coming years.

Various internal improvement was also made to improve and strengthen the process, one of which was the revision of Credit Risk Policy that was approved by board of director in order to keep updated with current market environment and new regulatory requirements, especially the compliance with NBC's Prakas on credit risk grading and impairment provisioning No.៥៧.០១៧.៣៤៤ ប្រ.ក and circularon implementation on Prakas on Credit Risk Grading and Impairment provisioning No.៥៧.០១៨.០០១.សវចណ៍.

In 2018, Credit Function was further strengthened through the expansion of staff numbers to cover most branches, and the capacity building by both internal and external training courses including Omega training courses, Compliance, Trade Finance, etc. In-house capacity training has been enhanced as the Bank aims to deliver more of internal courses in the coming years as part of the Bank's credit training curriculum.

TRADE FINANCE

Trade Finance business positively increased by **106%** in 2018 compared to 2017. The Bank had worked closely with both government and private sectors to provide our good services to meet their needs. We have participated in significant trade finance projects and chosen as leading guarantor of many corporate companies and other entities in Cambodia. The Bank has also been part of the infrastructure development by supporting the Royal Government of Cambodia and private entities in guarantee service.

Cambodia has been actively exporting rice and other agricultural products, and is also known as a leading country of agricultural production, especially rice. Our Bank is one of the leading banks involving with rice export activities where mostly the exporters receive Letters of Credit from their buyers in Asia and Europe.

To improve our customer service, the Bank has significantly invested in capacity building and innovation. In addition, the newly implemented core banking system put in place to enhance better products and services. To cope with the rapid changes, the Bank has also invested in capacity building of the trade finance team internally and externally.

INTERNATIONAL REMITTANCE AND FINANCIAL INSTITUTIONS

International remittance plays a very important role to the growth of the Bank. Our inward fund increased by **145%** and Outward remittance increased by **120%** in 2018 compared to 2017. The Bank has totally complied all AML and KYC standards. We have also implemented two filtering system to screen all transactions before processing.

To promote our remittance services, we have launched an exciting promotion offering monthly lucky draws from Pchum Ben to Khmer New Year season. This promotion had monthly offered a new iPhone XS the winner from thousand random selections of inward and outward transactions. Besides maintaining good relationship with customers, local partners and Correspondent Banks, FTB also continues exploring more opportunities to increase new Correspondent Banks in the region and outside the region.

CARD & E-BANKING

Improved Access to Resources of Fund

FTB has achieved a great milestone in migrating to a new and robust core banking system which is central to many interfacing applications. MohaBot is a card-based mobile banking application that requires to stay connected with core banking system allowing customers to have access their fund in real-time manner. In conjunction with the integration with Temenos 24 that was successfully completed in early September 2018, the Bank's internet banking service was also replaced to provide our clients with more variety of functions, smoothen performance and connectivity, and better control and security.





Visa Scan-to-Pay

The Bank mobile banking application carries trademark of “MohaBot” underwent a major enhancement to equip with Visa scan-to-pay capability giving its customers the ease of payment function at fingertip on a single application. The function was successfully tested and rolled out to customers on April 10th, 2018. FTB, Visa, together with 5 other Visa member banks officially launch Visa’s scan-to-pay products in December 2018. With this payment function, FTB customers can scan and pay merchants instantly while merchants enjoy payment from the customers by presenting its static or dynamic QR code to consumers.

Optimizing Proprietary ATM Card Portfolio

As scan-to-pay gains more adaptation, payment service providers, banking and financial institutions, and National Bank of Cambodia have defined their payment directions and strategies focusing on quick response [QR] payment introduction. To remain competitive, FTB had incorporate QR payment technology in MohaBot banking application and make it available to its proprietary ATM cards on September 4th, 2018. In addition to Visa scan-to-pay function, this function allows customers to scan and pay FTB’s merchants with ATM cards.

Partnership with Chevron

With growing demand for electronic payment and convenience, the Bank has partnered with Chevron to develop a proprietary prepaid card program that was officially rolled out to the customers on September 25th, 2018 to enable customers from across industries to top up and purchase fuel, goods and/or services at Chevron’s stations throughout Cambodia.



Through 2018, Card & eBanking Department had produced a number of documents significantly to standardize the bank operations, payment risk control, and dispute management, namely compliant procedure, card payment terms and conditions, terms and conditions for internet user, merchant agreement, and a number of forms and procedures.

2018 is also seen as a year of great achievement by which IDG awarded FTB for its MohaBot app as the most reliable and innovation 2018 and Visa awarded as leadership in average spending in 2018.

//SUSTAINABILITY STATEMENT

FTB manages Environmental and Social Risks associated with the provision of financial services to its customers and with the impacts from its day to day operations. We recognize that the Bank's major E&S exposures are within its lending and investment activities, however, our goal to lead by example will be demonstrated by commitment to reduce our direct environmental footprint and improve our social outreach within the communities in which we operate. We expect that integrating these considerations in our business will enable us to achieve our strategic objectives, developmental goals of the Cambodian government and respond to the needs of the Cambodian people while ensuring a sustainable return on investment for our shareholders.

ESMS – ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM

- Environmental and social risk management policies and procedure in place
- Integration of ESRM in credit process is undergoing
- E&S Coordinator functions under Risk management group
- E&S Reporting for accountability and transparency on annual report

ADOPTION OF CAMBODIAN SUSTAINABLE FINANCE PRINCIPLES

FTB has signed the voluntary adoption of the nine Cambodian Sustainable Finance Principles introduced by Association of Banks in Cambodia (ABC). FTB has also contributed to leadership of ABC Sustainable Finance Committee.



FINANCIAL INCLUSION AND DIGITAL BANKING

- Visa prepaid cards require no deposit, no waiting time, and no account opening.
- mBanking via Mohabot App to facilitate online payments on fund transfer, top-up mobile number, transfer to Wing, Virtual Visa card, scan to pay, bill payment, and Cash by code
- Access to Finance Project (AFD): FTB has been lending to small sized water entrepreneurs and rural electrification entrepreneurs with more than 45 operators at a concessional rate, long term up to 10years, and required almost non-properties collateral. The project had benefited the rural populations as they are able to access to reliable clean water and electricity to improve their basic needs of living. We have received a significant technical assistance grant from the European Union and a totla portfolio on credit facility of **US\$ 15 million** form Agence Francaise de Development.

E&S FOOTPRINTS REPORT

Our People



RESOURCE EFFICIENCY

FTB makes commitment to improve resource efficiency through various sustainable ways including saving and reducing the usage of utility, paper, toilet paper, and plastic.

CARBON EMISSION

FTB commits to avoid financing of activities that contribute significantly to the emission of greenhouse gases including:

- Electricity production by means of lignite, coals
- Natural gas in which the released heat is not utilized
- Extraction and production of lignite, coal, gas, oil
- Mining
- Basic chemicals and basic metals
- Deforestation
- Concrete production

SUPPLIERS AND CONTRACTORS

We integrate E&S value in dealing with vendors and suppliers/contractors by including in our procurement process the impact assessment criteria into the selection and pre-qualification process including health & safety concerns, waste management, environmental certificate (if required), information on human right abuses, workforce, and adverse media on past performance.

CORPORATE SOCIAL RESPONSIBILITY

We continuously pay back to communities via various event sponsorship, capacity building initiatives, and natural disaster grants such as:

International Women's Day Celebration

In commemoration of International Women's Day on 8th March, and celebration of women value recognition and appreciation for the gratitude of women's priceless contribution and irreplaceable role, FTB has provided gifts to all staff annually. In the current year, FTB gave away a voucher amount of up to **US\$250**.

Angkor Sankranta

Angkor Sankranta is a large family event of Cambodian people displaying religion ceremonies, folk games, traditional art, traditional and contemporary dance, and held in the vicinity of the historical and majestic compound of Angkor Wat in Siem Reap. FTB is proud to play a part by supporting this event for six consecutive years to preserve Cambodian culture, civilization and heritage.

Health

FTB has repeatedly supported Phnom Penh International Half Marathon through sponsorship and encourage all FTB staff to participate in the Marathon to keep awareness of the benefits of sports and health. In addition, FTB have created internal soccer tournament to promote team building and camaraderie among FTB staff.

Donation

Over the years, FTB has remain devoted into charity work by continue donating to the Cambodian Red Cross to help the poor, and in 2018 we have also donated 120 sacks of rice to help the victims of the flood disaster in Stung Treng and Kratie provinces.



// DIRECTORS' REPORT

The Board of Directors ("the Directors") hereby submitted their report together with the audited financial statements of Foreign Trade Bank of Cambodia ("the Bank") for the year ended 31 December 2018.

FOREIGN TRADE BANK OF CAMBODIA

The Bank was originally established following sub-decree No. 1213 dated 10 October 1979 under the former regime of the state of Cambodia. In 2000, the Bank was separated from the direct management of the National Bank of Cambodia ("the Central Bank"). The Bank is recognised as a public limited company by the Ministry of Commerce under the registration number Co.8835 M/2006 dated 21 June 2006.

The Bank holds a commercial banking license from the National Bank of Cambodia that was renewed for an indefinite period on 21 December 2006.

PRINCIPAL ACTIVITIES

The principal activities of the Bank consist of the provision of various types of banking and related financial services in Cambodia.

FINANCIAL RESULTS

The financial results of the Bank for the year ended 31 December 2018 were as follows:

	2018		2017	
	US\$	KHR'000	US\$	KHR'000
		(Note 4)		(Note 4)
Profit before income tax	13,318,338	53,513,081	8,648,497	34,913,983
Income tax expense	(2,705,989)	(10,872,664)	(2,067,851)	(8,347,914)
Net profit for the year	10,612,349	42,640,417	6,580,646	26,566,069

DIVIDENDS

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

CAPITAL

On 29 September 2018, the Board of Directors approved to increase share capital from to **US\$ 79.5 million**. On 26 December 2018, the shareholders injected cash amounting to **US\$ 4.5 million** to the Bank's account. The additional capital was approved by the National Bank of Cambodia on 7 February 2019.

At the date of this report, the amendment of the Memorandum and Articles of Association has not been endorsed with the Ministry of Commerce. Therefore, the amount was recorded as other capital.

RESERVES AND PROVISIONS

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

BAD AND DOUBTFUL LOANS AND ADVANCES

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

At the date of this report, the Directors are not aware of any circumstances, which would render the amount written off for bad loans and advances, or the amount of allowance for doubtful loans and advances 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 ensure that any current assets, other than debts, which were unlikely to be realised in the ordinary course of business at their value as shown in the accounting records of the Bank had been written down to an amount which they might be expected to realise.

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

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

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, there does not exist:

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

No contingent or other liability of the Bank has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Bank to meet its obligations as and when they fall due.

ITEMS OF UNUSUAL NATURE

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

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

EVENTS SINCE THE REPORTING DATE

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

THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

The members of the Board of Directors and Executive Management holding office during the year and at the date of this report are:

BOARD OF DIRECTORS

- | | |
|-----------------------|--|
| 1. Mr. Roth Savuth | Chairman, Independent and non-executive |
| 2. Mr. Gui Anvanith | Vice Chairman, Non-executive |
| 3. Mr. Dith Sochal | Executive member (Appointed on 25 December 2018) |
| 4. Oknha Lim Bunsour | Non-executive member |
| 5. H.E. Chou Vannak | Non-executive member |
| 6. Mrs. Sok Chan Sona | Independent and non-executive member |
| 7. Mr. Ly Tay Seng | Independent and non-executive member |



EXECUTIVE MANAGEMENT

- | | |
|-----------------------|---|
| 1. Mr. Dith Sochal | General Manager (Appointed on 25 December 2018) |
| 2. Ms. Nuon Borany | Deputy General Manager |
| 3. Mrs. Lay Rachana | Deputy General Manager |
| 4. Mr. Mean Chanarith | Deputy General Manager |

DIRECTORS' INTERESTS

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

DIRECTORS' BENEFITS

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

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

RESPONSIBILITIES OF THE BOARD OF DIRECTORS IN RESPECT OF THE FINANCIAL STATEMENTS

The 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 2018, and its financial performance and its cash flows for the year then ended. In preparing these financial statements, the Directors are required to:

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

(ii) comply with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial statements or, if there have been any departures in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the financial statements;

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

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

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

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

APPROVAL OF THE FINANCIAL STATEMENTS

We hereby approve the accompanying financial statements together with the notes thereto as set out which present fairly, in all material respects, the financial position of the Bank as at 31 December 2018, and its financial performance and its cash flows for the year then ended, in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial statements.



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



Mr. Dith Sochal
Executive Member and General Manager
Phnom Penh, Kingdom of Cambodia
18 April 2019

Ms. Nuon Borany
Deputy General Manager
Phnom Penh, Kingdom of Cambodia
18 April 2019



//INDEPENDENCE AUDITORS' REPORT

TO THE SHAREHOLDERS FOREIGN TRADE BANK OF CAMBODIA

OPINION

We have audited the financial statements of Foreign Trade Bank of Cambodia ("the Bank"), which comprise the balance sheet as at 31 December 2018, the income statement, the statements of changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information as set out (hereafter referred to as "the financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with Cambodian Accounting Standard ("CAS") and the guidelines of the National Bank of Cambodia ("NBC") relating to the preparation and presentation of financial statements.

BASIS FOR OPINION

We conducted our audit in accordance with Cambodian International Standards on Auditing ("CISAs"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the ethical requirements that are relevant to our audit of the financial statements in Cambodia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OTHER MATTER

The financial statements of the Bank as at and for the year ended 31 December 2017 were audited by another auditor who expressed unmodified opinion on those statements on 31 March 2018.

OTHER INFORMATION

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

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

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

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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

For KPMG Cambodia Ltd



Taing YoukFong
Partner
Phnom Penh, Kingdom of Cambodia
18 April 2019

// **BALANCE SHEET****AS AT 31 DECEMBER 2018**

		31 December 2018		31 December 2017	
	Note	US\$	KHR'000	US\$	KHR'000
ASSETS		(Note 4)		(Note 4)	
Cash on hand	5	32,685,269	131,329,411	29,329,452	118,402,998
Balances with the	6	451,970,668	1,816,018,144	369,030,415	1,489,775,785
National Bank of Cambodia	7	52,549,763	211,144,948	40,357,436	162,922,969
Balances with other banks					
Loans and advances to customers	8	693,521,185	2,786,568,121	527,794,755	2,130,707,426
Foreclosed properties	9	31,605,215	126,989,754	17,198,715	69,431,212
Intangible assets	10	2,177,103	8,747,600	1,469,676	5,933,082
Property and equipment	11	6,604,877	26,538,396	13,329,778	53,812,314
Deferred tax assets	12(a)	2,081,233	8,362,394	1,727,980	6,975,855
Other assets	13	5,256,896	21,122,208	4,106,819	16,579,228
TOTAL ASSETS		1,278,452,209	5,136,820,976	1,004,345,026	4,054,540,869
LIABILITIES AND SHAREHOLDERS' EQUITY					
LIABILITIES					
Deposits from other banks	14	56,432,939	226,747,549	59,269,493	239,270,943
Deposits from customers	15	1,074,455,652	4,317,162,810	813,723,241	3,285,000,723
Current income tax liabilities	12(b)	2,436,658	9,790,492	1,313,415	5,302,256
Borrowings	16	11,785,714	47,354,999	13,206,393	53,314,209
Provision for employee benefits	17	3,139,553	12,614,724	3,071,483	12,399,577
Other liabilities	18	14,748,857	59,260,907	13,420,514	54,178,615
TOTAL LIABILITIES	19	1,162,999,373	4,672,931,481	904,004,539	3,649,466,323
SHAREHOLDERS' EQUITY	19				
Share capital	20	75,000,000	301,350,000	75,000,000	302,775,000
Other capital		4,500,000	18,081,000	-	-
Reserves		195,588	785,873	195,588	789,589
Retained earnings		35,757,248	143,672,622	25,144,899	101,509,957
TOTAL SHAREHOLDERS' EQUITY		115,452,836	463,889,495	100,340,487	405,074,546
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,278,452,209	5,136,820,976	1,004,345,026	4,054,540,869

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

// INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

		31 December 2018		31 December 2017	
	Note	US\$	KHR'000	US\$	KHR'000
ASSETS		(Note 4)		(Note 4)	
Interest incomes		58,988,296	237,014,973	53,157,519	214,596,904
Interest expenses		(32,508,351)	(130,618,554)	(25,012,816)	(100,976,738)
Net interest income	21	26,479,945	106,396,419	28,144,703	113,620,166
Fee and commission income		5,819,841	23,384,121	6,410,673	25,879,887
Fee and commission expense		(646,599)	(2,598,035)	(597,227)	(2,411,005)
Net fee and commission income	22	5,173,242	20,786,086	5,813,446	23,468,882
Net provision for loan losses	8	(10,828,366)	(43,508,375)	(14,118,131)	(56,994,895)
Other income	23	4,543,027	18,253,882	552,011	2,228,468
Net interest income after provision for loan losses		25,367,848	101,928,012	20,392,029	82,322,621
Personnel expenses	24	(6,539,443)	(26,275,482)	(5,183,306)	(20,925,006)
Depreciation and amortisation		(1,627,352)	(6,538,700)	(1,536,970)	(6,204,748)
General and administrative expenses	25	(3,882,715)	(15,600,749)	(5,023,256)	(20,278,884)
Profit before income tax		(12,049,510)	(48,414,931)	(11,743,532)	(47,408,638)
		13,318,338	53,513,081	8,648,497	34,913,983
Income tax expense	12(c)	(2,705,989)	(10,872,664)	(2,067,851)	(8,347,914)
Profit for the year		10,612,349	42,640,417	6,580,646	26,566,069
Profit attributable to owners of the Bank		10,612,349	42,640,417	6,580,646	26,566,069

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



// STATEMENT OF CHANGE IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Attributable to owners of the Bank				
	Share capital	Other capital	Reserves	Retained earnings	Reserves
	US\$	US\$	US\$	US\$	US\$
31 December 2017	38,500,000	-	33,008,096	22,251,745	93,759,841
As at 1 January 2017	36,500,000	-	(32,812,508)	(3,687,492)	-
Transfer during the year	-	-	-	6,580,646	6,580,646
Net profit for the year	75,000,000	-	195,588	25,144,899	100,340,487
As at 31 December 2017		-			
(KHR'000 equivalents	302,775,000		789,589	101,509,957	405,074,546
- Note 4)					
31 December 2018	75,000,000	-	195,588	25,144,899	100,340,487
As at 1 January 2018	-	4,500,000	-	-	4,500,000
Capital injection	-	-	-	10,612,349	10,612,349
Net profit for the year	75,000,000	4,500,000	195,588	35,757,248	115,452,836
As at 31 December 2018	301,350,000	18,081,000	785,873	143,672,622	463,889,495
(KHR'000 equivalents					
- Note 4)					

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

// STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

		31 December 2018		31 December 2017	
	Note	US\$	KHR'000	US\$	KHR'000
Cash flows from operating activities		(Note 4)		(Note 4)	
Cash (used in)/generated from operations	26	(6,380,512)	(25,636,898)	32,456,413	131,026,539
Interest received		59,524,937	239,171,197	53,295,359	215,153,364
Interest paid		(33,112,347)	(133,045,410)	(21,587,136)	(87,147,268)
Provision for employee benefits paid	17	(882,764)	(3,546,945)	(170,285)	(687,441)
Income tax paid	12	(1,935,999)	(7,778,844)	(2,459,048)	(9,927,177)
Net cash generated from operating activities		17,213,315	69,163,100	61,535,303	248,418,017
Cash flows from investing activities					
Capital guarantee deposit with the National Bank of Cambodia	6	-	-	3,650,000	14,735,049
Purchases of property and equipment	11	(637,415)	(2,561,133)	(8,481,248)	(34,238,798)
Proceeds from sales of foreclosed property		-	-	2,120,859	8,561,908
Proceed from disposal of property and equipment		9,678,543	38,888,386	-	-
Purchases of intangible assets	10	(961,248)	(3,862,294)	(800,240)	(3,230,569)
Net cash generate from/(used in) investing activities		8,079,880	32,464,959	(3,510,629)	(14,172,410)
Cash flows from financing activities					
Additional capital		4,500,000	18,081,000	-	-
Payment from borrowings		(1,420,679)	(5,708,288)	-	-
Proceeds from borrowings		-	-	3,206,393	12,944,209
Net cash generated from financing activities		3,079,321	12,372,712	3,206,393	12,944,209
Net increase in cash and cash equivalents		28,372,516	114,000,771	61,231,067	247,189,816
Cash and cash equivalents at beginning of the year		319,361,356	1,289,261,793	258,130,289	1,042,071,977
Currency translation difference		-	(6,067,865)	-	-
Cash and cash equivalents at end of the year	27	347,733,872	1,397,194,699	319,361,356	1,289,261,793

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



// NOTE TO THE FINANCIAL STATEMENTS

1. BACKGROUND INFORMATION

The Bank was originally established following sub-decree No. 1213 dated 10 October 1979 under the former regime of the state of Cambodia. In 2000, the Bank was separated from the direct management of the National Bank of Cambodia ("the Central Bank"). The Bank is recognised as a public limited company by the Ministry of Commerce under the registration number Co.8835 M/2006 dated 21 June 2006.

The Bank holds a commercial banking license from the National Bank of Cambodia that was renewed for an indefinite period on 21 December 2006.

The principal activities of the Bank consist of the provision of various types of banking and related financial services in Cambodia.

The registered office of the Bank is located at No.33C-D Tchecoslovaquie Blvd., Sangkat Veal Vong, Khan Prampir Makkara, Phnom Penh, the Kingdom of Cambodia.

The Bank had 380 employees as at 31 December 2018 (2017: 338 employees).

2. BASIS OF PREPARATION

(a) Statement of compliance

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

The financial statements of the Bank were approved for issue by the Board of Directors on 18 April 2019.

(b) Basis of measurement

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

(c) Functional and presentation currency

The national currency of Cambodia is the Khmer Riel ("KHR"). However as the Bank transacts and maintains its accounting records primarily in United States Dollars ("US\$"), management has determined the US\$ to be the Bank's functional and presentation currency as it reflects the economic substance of the underlying events and circumstances of the Bank. Transactions in foreign currencies are translated into US\$ at the exchange rates 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. Exchange differences arising on translation are recognised in the income statement.

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

(d) Use of estimates and judgements

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

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

Key accounting estimates and judgements applied in the preparation of the financial statements include estimates of recoverable amount for loans and advances which have a separate accounting policy stated in Note 3(d).

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Financial instruments

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



(b) Cash and cash equivalents

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

(c) Loans and advances to customers

Loans and advances to customers are stated in the balance sheet at the amount of principal outstanding less any amounts written off and provision for losses on loans and advances.

Loans are written off when there is no realistic prospect of recovery. Recovery of loans and advances previously written off or provided for are recognized in the income statement.

(d) Provision for loan losses

In compliance with the NBC guidelines, all loans and advances to customers are classified according to the repayment capacity of the counterparty. This repayment capacity is assessed through past payment experience, financial condition of the borrower, business prospective and cash flow projections, borrowers' ability and willingness to repay, financial environment, and quality of documentation.

Prior to 1 January 2018

In addition, the Bank follows the mandatory credit classification and provisioning as required by Prakas B7-09-074 dated 25 February 2009 issued by the NBC. The Prakas requires commercial banks to classify their loans and advances and similar assets into five classes and the minimum mandatory level of specific provisioning is provided, depending on the classification concerned and regardless of the assets (except cash) pledged as collateral as follows:

Classification	Number of days past due	Allowance
Normal/standard	< 30 days	1% - General allowance
Special mention	≥ 30 days – 89 days	3% - Specific allowance
Sub-standard	≥ 90 days – 179 days	20% - Specific allowance
Doubtful	≥ 180 days – 359 days	50% - Specific allowance
Loss	≥ 360 days	100% - Specific allowance

From 1 January 2018

The NBC issued Prakas No. B7-017-344 dated 1 December 2017 on Credit Risk Grading and Provision on Impairment and Circular No. B7-018-001 dated 16 February 2018 on the Implementation of Prakas on Credit Risk Grading and Provision on Impairment, which require all banks and financial institutions ("Institution") to measure the impairment and provide sufficient allowance for bad and doubtful loans based on the new credit risk grading and provision as follows:

Classification	Number of days past due	Allowance
Short-term loans (less than or equal one year):		
Normal/standard	≤ 14 days	1%
Special mention	15 days – 30 days	3%
Substandard	31 days – 60 days	20%
Doubtful	61 days – 90 days	50%
Loss	≥ 91 days	100%

Long-term loans (more than one year):

Normal/standard	< 30 days	1%
Special mention	≥ 30 days – 89 days	3%
Substandard	≥ 90 days – 179 days	20%
Doubtful	≥ 180 days – 359 days	50%
Loss	More than 359 days	100%



The change in the credit risk grading and provisioning is applied prospectively and the effect of this change resulted in increase in provision for loan losses for the year ended 31 December 2018 of [US\\$851,292](#).

In determining the above allowance, any collateral value other than cash deposits which has been pledged is disregarded except that, in the case of a loan classified as "loss", all collateral may be utilised, at market values approved by the NBC.

The adequacy of the provision for loan losses is evaluated monthly by the management. Factors considered in evaluating the adequacy of the allowance include the size of the portfolio, previous loss experience, current economic conditions and their effect on clients, the financial situation of clients and the performance of loans in relation to contract terms.

Recoveries on loans previously written off and reversals of previous allowances are disclosed separately together with the net movement in the provision for loan losses in the income statement.

An uncollectible loan or portion of a loan classified as bad is written off after taking into consideration the realisable value of the collateral, if any, when in the judgement of the management there is no prospect of recovery.

[\(e\) Other credit related commitments](#)

In the normal course of business, the Bank enters into other credit related commitments including loan commitments. The accounting policy and regulatory provision followed the National Bank of Cambodia's Prakas No. B7-017-344 and Circular No. B7-018-001 Sor Ror Chor Nor in Note 3(d) above.

Provision for off balance sheet commitments are presented as a separate liability line item.

[\(f\) Balances with other banks](#)

Balances with other banks are carried at cost less any allowance for uncollectible amount.

[\(g\) Statutory deposits](#)

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

[\(h\) Other assets](#)

Other assets are stated at cost less allowance for losses.

[\(i\) Intangible assets](#)

Intangible assets comprise acquired computer software licenses and related costs for the core banking system and other systems. They are stated at cost less accumulated amortisation and impairment loss. Acquired computer software licenses are capitalised on the basis of the cost incurred to acquire the specific software and bring it into use. These costs are amortised over their estimated useful lives of three to five years using the straight-line method.

Work in progress is not amortised until such time as the items are completed and put into operational use.

[\(j\) Property and equipment](#)

(i) Items of property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Where an item of property and equipment comprises major components having different useful lives, the components are accounted for as separate items of property and equipment.

(ii) Land, booths and working in progress are not depreciated. Depreciation of property and equipment is charged to the income statement on a straight-line basis over the estimated useful lives of the individual assets at the following annual rates:

Buildings	20 years
Leasehold improvement	Shorter of lease period and its economic lives
Computer equipment	3 – 5 years
Furniture and office equipment	3 – 5 years
Motor vehicles	3 – 5 years

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



(iv) Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the assets and are recognised in the income statement on the date of retirement or disposal.

(v) Fully depreciated property and equipment are retained in the financial statements until disposed of or written off.

(k) Foreclosed properties

Foreclosed properties consist of immoveable properties which are carried at the estimate fair value of the property at the date of the foreclosure.

(l) Impairment of assets

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimate future cash flows of that asset. This does not apply to loans and advances which has a separate accounting policy stated in Note 3(d). Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the income statement.

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

(ii) Non-financial assets

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement.

(m) Deposits from other banks and customers

Deposits from other banks and customers are stated at cost.

(n) Other liabilities

Other liabilities are stated at their cost.

(o) Provisions

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

(p) Employee benefits

(i) Short-term employee benefits

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

(ii) Other long-term employee benefits

The Bank's net obligation in respect of long-term employee benefits is the amount of the benefit that employees have earned in return for their service in the current and prior periods. The Bank provides long-term employee benefits as below:



(a) Provident funds

The Bank provides its employees with benefits under the provident fund. The fund is sourced from the following:

- a) A monthly contribution which is based on the monthly salary of an employee and contributed by the Bank and its employees at a rate of 5% and 5%, respectively. The Bank's contribution is charged to the income statement.
- b) The Bank contributes interest on the cumulative balance of the provident fund computed at per annum. Interest is accrued on a monthly basis. The provident funds will be fully paid to the employee, who contributed to the fund, upon termination of employment with the Bank.

(b) Other post-employment benefits

In addition to the provident funds, an employee is also entitled to receive the benefits of a lump sum payment representing an employee's final monthly salary multiplied by the lower of number of years of service or 12 upon termination of employment with the Bank. This is entitled to employees who have worked for the Bank for more than 3 years. On 26 March 2019, the Board of Directors approved to utilise the other post-employment benefits to settle the requirement of Prakas No. 443 issued by the Ministry of Labour and Vocational Training ("MoLVT") on 21 September 2018 and the guidance on 22 March 2019 on back-pay seniority indemnity payment. The Board of Directors has assessed the adequacy of the provision to cover seniority indemnity requirement.

(q) Interest income and expense

Interest income on loans and advances to customers, balances with the National Bank of Cambodia and balances with other banks are recognised on an accrual basis, except where serious doubt exists as to the collectability of loans and advances to customers, in which case, no interest income is recognised. The policy on suspension of interest is in conformity with the NBC's guidelines on the suspension of interest on non-performing loans and provision for loan losses.

Interest expense on deposits from other banks, deposits from customers, and borrowings are recognised on an accrual basis.

(r) Fee and commission income and expense

Fee and commission income is recognised when the transaction occurs. Fee and commission income comprises income received from inward and outward bank transfers, letters of credit and bills for collection and others.

Loan processing and commitment fees are recognised as income when loan is disbursed.

Fee and commission expense are recognised on an accrual basis.

(s) Operating leases

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

(t) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantially enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset 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.

(u) Related parties

Parties are considered to be related if the Bank has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or vice-versa,



or where the Bank and the party are subject to common control or significant influence. Related parties may be individuals or corporate entities and include close family members of any individual considered to be a related party.

Under the Cambodian Law on Banking and Financial Institutions, related parties include individuals who hold, directly or indirectly a minimum of 10% of the capital of the Bank or voting rights therefore, or who participates in the administration, direction, management, or the design and implementation of the internal controls of the Bank.

(v) New financial reporting framework

On 28 August 2009, the National Accounting Council of the Ministry of Economy and Finance ("the National Accounting Council") announced the adoption of Cambodian International Financial Reporting Standards ("CIFRS") which are based on all standards published by the International Financial Reporting Standards Board ("IASB"), including the related interpretations and amendments. Public accountable entities are required to prepare their financial statements in accordance with CIFRS for accounting period beginning on or after 1 January 2012. Circular 058 MEF. NAC dated 24 March 2016 issued by the National Accounting Council of the Ministry of Economy and Finance allowed banks and financial institutions to further delay adoption of CIFRS until period beginning on or after 1 January 2019.

The Bank's management is evaluating the potential impact on the adoptions of this new accounting framework.

4. TRANSLATION OF UNITED STATES DOLLARS INTO KHMER RIEL

The financial statements are stated in United States Dollars. The translations of United States Dollars amounts into Khmer Riel are included solely for compliance with the guidelines issued by the NBC regarding the preparation and presentation of financial statements and have been made using the prescribed official exchange rate of **US\$1 to KHR4,018 (2017: KHR4,037)** published by the NBC on 31 December 2018. These convenience translations should not be construed as representations that the United States Dollars amounts have been, could have been, or could in the future be, converted into Khmer Riel at this or any other rate of exchange.

5. CASH ON HAND

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
		(Note 4)		(Note 4)
Cash on hand:				
US Dollar	26,911,769	108,131,488	23,854,187	96,299,354
Khmer Riel	5,773,500	23,197,923	5,475,265	22,103,644
	32,685,269	131,329,411	29,329,452	118,402,998

6. BALANCES WITH THE NATIONAL BANK OF CAMBODIA

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
		(Note 4)		(Note 4)
Reserve requirement (a)	127,767,098	513,368,200	101,371,637	409,237,299
Capital guarantee (b)	7,500,000	30,135,000	7,500,000	30,277,500
Current accounts	114,550,757	460,264,942	108,529,970	438,135,489
Negotiable certificate of deposits (c)	202,152,813	812,250,002	151,628,808	612,125,497
	451,970,668	1,816,018,144	369,030,415	1,489,775,785



(a) Reserve requirement

Under NBC Prakas No. B7-018-282 dated 29 August 2018, banks are required to maintain certain cash reserves with the NBC in the form of compulsory deposits, computed at 8% and 12.50% of customer deposits and borrowings in KHR and in foreign currencies, respectively. The 4.5% reserve requirement on customers' deposits in currencies other than KHR is interest bearing while the remaining 8% and the reserve requirement on customers' deposits in KHR bear no interest.

(b) Capital guarantee

Pursuant to Prakas No. B7-01-136 on the Bank's Capital Guarantee dated 15 October 2001 issued by the National Bank of Cambodia ("NBC"), the Bank is required to maintain 10% of its registered capital as a statutory deposit with the NBC. The deposit, which is not available for use in the Bank's day-to-day operations, is refundable should the Bank voluntarily cease its operations in Cambodia.

(c) Negotiable certificate of deposits

The negotiable certificate of deposits with the NBC have maturity of less than twelve months. The Bank pledged these negotiable certificate of deposits with the NBC as collateral for overdraft facility. As at 31 December 2018, the Bank had yet utilised the overdraft facility with the NBC.

(d) Interest rates (annual)

Current accounts are non-interest bearing. Annual interest rates on balances with the National Bank of Cambodia are summarised as follows:

	2018	2017
Reserve requirement	0.00%-1.04%	0.13% - 0.23%
Capital guarantee	0.46%-0.62%	0.32% - 0.36%
Negotiable certificate of deposits	0.28%-2.25%	0.30% - 1.86%

7. BALANCES WITH OTHER BANKS

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
		(Note 4)		(Note 4)
Current accounts	41,186,090	165,485,710	16,530,481	66,733,552
Savings deposits	39,499	158,707	153,311	618,916
Term deposits (maturity less than 3 months)	2,007,449	8,065,930	16,161,838	65,245,340
Term deposits (maturity more than 3 months)	9,847,531	39,567,380	7,511,806	30,325,161
Regulatory provision for balances with other banks (Note 8)	53,080,569 (530,806)	213,277,727 (2,132,779)	40,357,436 -	162,922,969 -
	<u>52,549,763</u>	<u>211,144,948</u>	<u>40,357,436</u>	<u>162,922,969</u>

The remaining term of the term deposits are less than twelve months.

Balances with other banks are analysed as follows:

31 December 2018		31 December 2017	
US\$	KHR'000	US\$	KHR'000
(Note 4)		(Note 4)	

(a) By currency:

US Dollar	44,541,989	178,969,712	30,231,071	122,042,834
Khmer Riel	7,618,023	30,609,216	7,627,677	30,792,932
EURO	873,468	3,509,594	2,324,188	9,382,747
British Pound-GBP	16,884	67,841	12,994	52,457
Singapore Dollar-SGD	16,452	66,104	2,657	10,726
Chinese Yuan -CNY	9,385	37,709	3,470	14,008
Japanese Yen-JPY	2,390	9,603	57,818	233,411
Thai Baht-THB	1,978	7,948	1,736	7,008
Australian Dollar-AUD	-	-	95,825	386,846
	<u>53,080,569</u>	<u>213,277,727</u>	<u>40,357,436</u>	<u>162,922,969</u>

(b) By relationship:

Non-related parties	53,080,569	213,277,727	40,357,436	162,922,969
Related parties	-	-	-	-
	<u>53,080,569</u>	<u>213,277,727</u>	<u>40,357,436</u>	<u>162,922,969</u>

Annual interest rates on the balances with other banks are summarised as follows:

	2018	2017
Savings deposits	0.50% - 1%	0.5% - 2.25%
Term deposits	1.50% - 6.50%	1% - 9%
Current accounts	<u>Nil</u>	<u>Nil</u>



8. LOANS AND ADVANCES TO CUSTOMERS

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
	(Note 4)		(Note 4)	
Commercial loans:				
Short term loans	26,301,999	105,681,432	30,213,431	121,971,621
Long term loans	256,692,344	1,031,389,838	204,732,790	826,506,273
Overdrafts	194,082,067	779,821,745	182,762,047	737,810,384
Loans to other banks and microfinance institutions	6,241,538	25,078,500	2,378,004	9,600,002
	483,317,948	1,941,971,515	420,086,272	1,695,888,280
Consumer loans:				
Staff loans	3,486,501	14,008,761	1,861,030	7,512,978
Housing loans	216,811,391	871,148,169	115,822,092	467,573,786
	220,297,892	885,156,930	117,683,122	475,086,764
Total loans and advances - gross	703,615,840	2,827,128,445	537,769,394	2,170,975,044
Provisions for loan losses:				
General provision	(6,946,595)	(27,911,419)	(5,715,043)	(23,071,629)
Specific provision	(3,148,060)	(12,648,905)	(4,259,596)	(17,195,989)
	(10,094,655)	(40,560,324)	(9,974,639)	(40,267,618)
	693,521,185	2,786,568,121	527,794,755	2,130,707,426

All loans were granted to individual Cambodian borrowers and entities incorporated in Cambodia.

(a) Provision for loan losses

(i) Movements in the provision for loan losses are as follows:

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
	(Note 4)		(Note 4)	
At 1 January	9,974,639	40,267,618	9,296,139	37,528,513
Provisions for the year	14,297,320	57,446,632	20,088,925	81,098,990
Recovery during the year	-	-	(1,718,294)	(6,936,752)
Impact to income statement	14,297,320	57,446,632	18,370,631	74,162,238
Written off during the year	(14,177,802)	(56,966,408)	(17,692,131)	(71,423,133)
Currency translation difference	498	(187,518)	-	-
At 31 December	10,094,655	40,560,324	9,974,639	40,267,618



(ii) Provision for loan losses recognised in the income statement:

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
		(Note 4)		(Note 4)
Provision on loan loss	14,297,320	57,446,632	18,370,631	74,162,238
Provision on off-balance sheet items (Note 18)	706,050	2,836,909	-	-
Regulatory provision for balances with other banks (Note 7)	530,806	2,132,779	-	-
	15,534,176	62,416,320	18,370,631	74,162,238
Recovery from loan losses previously written off	(4,705,810)	(18,907,945)	(4,252,500)	(17,167,343)
Net provision for loan losses	10,828,366	43,508,375	14,118,131	56,994,895

b) Analysis by classification

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
		(Note 4)		(Note 4)
Standard loans				
Secured	695,474,970	2,794,418,429	3509,880,586	2,058,387,926
Unsecured	-	-	-	-
Special mention loans				
Secured	2,756,412	11,075,263	22,153,059	89,431,899
Unsecured	-	-	-	-
Sub-standard loans				
Secured	2,728,811	10,964,363	1,677,076	6,770,356
Unsecured	-	-	-	-
Doubtful loans				
Secured	297,778	1,196,472	533,890	2,155,314
Unsecured	-	-	-	-
Loss loans				
Secured	2,357,869	9,473,918	3,524,783	14,229,549
Unsecured	-	-	-	-
	703,615,840	2,827,128,445	537,769,394	2,170,975,044



(c) Analysis by industry

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
	(Note 4)		(Note 4)	
Consumers	479,757,595	1,927,666,017	221,126,355	892,687,095
Services	101,086,157	406,164,179	123,420,005	498,246,561
Agriculture	15,750,637	63,286,059	58,214,300	235,011,129
Construction and real estate	52,894,695	212,530,885	52,906,520	213,583,621
Wholesales and retails	9,361,527	37,614,615	35,743,614	144,296,970
Import and export	31,203,731	125,376,591	33,537,246	135,389,862
Financial institutions	6,241,538	25,078,500	2,378,003	9,599,998
Chemical and medical supplies	3,804,207	15,285,304	3,962,155	15,995,220
Others	3,515,753	14,126,295	6,481,196	26,164,588
	<u>703,615,840</u>	<u>2,827,128,445</u>	<u>537,769,394</u>	<u>2,170,975,044</u>

(d) Analysis by maturity

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
	(Note 4)		(Note 4)	
Within 1 month	62,417,364	250,792,969	80,053,616	323,176,448
Later than 1 month and no later than 3 months	38,780,110	155,818,481	42,251,177	170,568,002
Later than 3 months and no later than 1 year	96,387,900	387,286,582	80,938,244	326,747,691
Later than 1 year and no later than 5 years	283,086,540	1,137,441,718	211,875,469	855,341,268
Later than 5 years	222,943,926	895,788,695	122,650,888	495,141,635
	<u>703,615,840</u>	<u>2,827,128,445</u>	<u>537,769,394</u>	<u>2,170,975,044</u>

(e) Analysis by currency

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
	(Note 4)		(Note 4)	
US Dollar	681,776,502	2,739,377,985	527,224,332	2,128,404,628
Khmer Riel	21,839,338	87,750,460	10,545,062	42,570,416
	<u>703,615,840</u>	<u>2,827,128,445</u>	<u>537,769,394</u>	<u>2,170,975,044</u>

(f) By relationship

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
	(Note 4)		(Note 4)	
Staff loans	3,486,501	14,008,761	1,861,029	7,512,974
Non-related parties	700,129,339	2,813,119,684	535,908,365	2,163,462,070
	<u>703,615,840</u>	<u>2,827,128,445</u>	<u>537,769,394</u>	<u>2,170,975,044</u>

(g) Analysis by exposure

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
	(Note 4)		(Note 4)	
Large exposures	203,742,218	818,636,232	202,486,322	817,437,282
Non-large exposures	499,873,622	2,008,492,213	335,283,072	1,353,537,762
	<u>703,615,840</u>	<u>2,827,128,445</u>	<u>537,769,394</u>	<u>2,170,975,044</u>

Large exposure is defined as overall credit exposure to any single beneficiary that exceeds 10% of the net worth. The exposure is higher of the outstanding loans or commitments and the authorised loans or commitments.

(h) Interest rate

These loans and advances to customers earn interest at annual rates ranging from:

	2018	2017
Loans and advances in KHR	7.5% - 12%	7.5% - 14.4%
Loans and advances in US\$	<u>6% - 15.6%</u>	<u>5% - 16.8%</u>

9. FORECLOSED PROPERTIES

Foreclosed properties consist of immovable properties acquired through foreclosure of collaterals from defaulting loans and advances to customers that have devolved to the Bank as part of settlement of debts.

These assets are not held for operational purposes and have to be disposed of in order to recover the outstanding amount within the maximum allowable period of twelve months as per the guidelines No. B-7-01-186 Prakas issued by the National Bank of Cambodia.

On 10 April 2018, the Bank submitted a request letter to the NBC to delay the period of holding the properties and haven't received approval yet.



	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
	(Note 4)		(Note 4)	
At 1 January	17,198,715	69,431,212	15,213,426	61,416,601
Additions during the year	14,406,500	57,885,317	4,106,019	16,575,998
Disposals during the year	-	-	(2,120,730)	(8,561,387)
Currency translation difference	-	(326,775)	-	-
At 31 December	31,605,215	126,989,754	17,198,715	69,431,212

10. INTANGIBLE ASSETS

Computer software	Work in progress	Total
US\$	US\$	US\$

2018

Cost

At 1 January 2018	1,510,320	875,655	2,385,975
Additions	35,006	926,242	961,248
Transfers	1,623,196	(1,623,196)	-
At 31 December 2018	3,168,522	178,701	3,347,223

Less: Accumulated amortisation

At 1 January 2018	916,299	-	916,299
Amortisation for the year	253,821	-	253,821
At 31 December 2018	1,170,120	-	1,170,120

Carrying amounts

At 31 December 2018	1,998,402	178,701	2,177,103
KHR'000 equivalents - (Note 4)	8,029,579	718,021	8,747,600



2017

Cost

	Computer software US\$	Work in progress US\$	Total US\$
At 1 January 2017	914,359	671,375	1,585,734
Additions	194,733	605,508	800,241
Transfers	401,228	(401,228)	-
At 31 December 2017	1,510,320	875,655	2,385,975

Less: Accumulated amortisation

At 1 January 2017	806,534	-	806,534
Amortisation for the year	109,765	-	109,765
At 31 December 2017	916,299	-	916,299

Carrying amounts

At 31 December 2017	594,021	875,655	1,469,676
KHR'000 equivalents - (Note 4)	2,398,063	3,535,019	5,933,082

11. PROPERTY AND EQUIPMENT

	Land	Booths (*)	Buildings	Leasehold improvement	Computer equipment	Furniture and office equipment	Motor vehicles	Work in progress	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
2018									
Cost									
At 1 January 2018	7,696,664	1,527,000	1,171,886	1,341,484	1,925,337	4,883,862	1,325,110	137,423	20,008,766
Additions	-	-	-	14,665	359,437	204,323	58,990	-	637,415
Disposals	(5,988,785)	-	-	-	-	-	-	-	(5,988,785)
Written off	-	-	-	-	(1,964)	(4,647)	(159,500)	-	(166,111)
At 31 December 2018	1,707,879	1,527,000	1,171,886	1,356,149	2,282,810	5,083,538	1,224,600	137,423	14,491,285
Less: Accumulated depreciation									
At 1 January 2018	-	-	338,713	825,604	970,456	3,701,489	842,726	-	6,678,988
Depreciation for the year	-	-	64,978	157,535	389,176	597,645	164,197	-	1,373,531
Written off	-	-	-	-	(1,964)	(4,647)	(159,500)	-	(166,111)
At 31 December 2018	-	-	403,691	983,139	1,357,668	4,294,487	847,423	-	7,886,408
Carrying amounts									
At 31 December 2018	1,707,879	1,527,000	768,195	373,010	925,142	789,051	377,177	137,423	6,604,877
KHR'000 equivalents - (Note 4)	6,862,258	6,135,486	3,086,608	1,498,754	3,717,221	3,170,407	1,515,497	552,165	26,538,396

(*) Booths represented the ownership of number of land space at the market.



	Land	Booths (*)	Buildings	Leasehold improvement	Computer equipment	Furniture and office equipment	Motor vehicles	Work in progress	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
2017									
Cost									
At 1 January 2017	572,994	1,527,000	900,291	894,789	1,347,910	4,034,765	1,180,254	1,070,799	11,528,802
Additions	7,123,670	-	271,595	32,476	252,563	594,580	131,956	74,408	8,481,248
Transfers	-	-	-	414,219	325,603	255,062	12,900	(1,007,784)	-
Written off	-	-	-	-	(739)	(545)	-	-	(1,284)
At 31 December 2017	7,696,664	1,527,000	1,171,886	1,341,484	1,925,337	4,883,862	1,325,110	137,423	20,008,766
Less: Accumulated depreciation									
At 1 January 2017	-	-	191,219	626,744	649,979	2,959,152	688,307	-	5,115,401
Depreciation for the year	-	-	147,494	198,860	320,477	742,337	154,419	-	1,563,587
At 31 December 2017	-	-	338,713	825,604	970,456	3,701,489	842,726	-	6,678,988
Carrying amounts									
At 31 December 2017	7,696,664	1,527,000	833,173	515,880	954,881	1,182,373	482,384	137,423	13,329,778
KHR'000 equivalents - Note 4	31,071,433	6,164,499	3,363,519	2,082,608	3,854,855	4,773,240	1,947,384	554,776	53,812,314

(*) Booths represented the ownership of number of land space at the market.



12. INCOME TAX

(a) Deferred tax assets

Deferred tax assets attributable from:

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
	(Note 4)		(Note 4)	
Deferred tax assets	2,126,973	8,546,178	1,747,478	7,054,568
Deferred tax liabilities	(45,740)	(183,784)	(19,498)	(78,713)
Deferred tax assets - net	2,081,233	8,362,394	1,727,980	6,975,855

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

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
	(Note 4)		(Note 4)	
As at 1 January	1,727,980	6,975,855	1,739,976	7,024,283
Credited/(charged) to income statement	353,253	1,419,370	(11,996)	(48,428)
Currency translation difference	-	(32,831)	-	-
As at 31 December	2,081,233	8,362,394	1,727,980	6,975,855

The net deferred tax assets are contributed from the following:

	Provision (*)	Unearned revenue	Accrued expense	Unrealised exchange	Accelerated depreciation	Total
	US\$	US\$	US\$	US\$	US\$	US\$

As at 1 January 2017	1,172,811	35,343	534,475	7,884	(10,537)	1,739,976
(Charged)/credited to income statement	(3,312)	(15,492)	10,394	5,375	(8,961)	(11,996)
As at 31 December 2017	1,169,499	19,851	544,869	13,259	(19,498)	1,727,980
KHR'000 equivalent – Note 4	4,721,266	80,138	2,199,637	53,527	(78,713)	6,975,855
As at 1 January 2018	1,169,499	19,851	544,869	13,259	(19,498)	1,727,980
Credited/(charged) to income statement	485,195	(8,621)	(83,820)	(38,351)	(1,150)	353,253
As at 31 December 2018	1,654,694	11,230	461,049	(25,092)	(20,648)	2,081,233
KHR'000 equivalent – Note 4	6,648,560	45,122	1,852,495	(100,820)	(82,963)	8,362,394

(*) This represents deferred tax assets arising from the general allowance on standards loans and advances to customers, off-balance sheet item and balances with other banks and the specific allowance for doubtful loans and advances to customers classified as special-mention. These allowances are not deductible for computation of corporate income tax expense under the new Prakas No.1535 MEF issued by the Ministry of Economy and Finance ("MEF") on 23 December 2016.

(b) Current income tax liabilities

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
	(Note 4)		(Note 4)	
At 1 January	1,313,415	5,302,256	1,716,608	6,929,946
Income tax expense	3,059,242	12,292,034	2,055,855	8,299,487
Income tax paid	(1,935,999)	(7,778,844)	(2,459,048)	(9,927,177)
Currency translation difference	-	(24,954)	-	-
At 31 December	2,436,658	9,790,492	1,313,415	5,302,256

(c) Income tax expense

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
	(Note 4)		(Note 4)	
Current income tax	3,059,242	12,292,034	2,055,855	8,299,486
Deferred (income)/expense tax	(353,253)	(1,419,370)	11,996	48,428
	2,705,989	10,872,664	2,067,851	8,347,914

In accordance with Cambodian Law on Taxation, the Bank has an obligation to pay corporate income tax of either the profit tax at the rate of 20% of taxable profits or the minimum tax at 1% of gross revenues, whichever is higher. The reconciliation of income tax expense computed at the statutory tax rate of 20% to the income tax expense shown in the income statement is as follows:

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
	(Note 4)		(Note 4)	
Profit before income tax	13,318,338	53,513,081	8,648,496	34,913,978
Tax calculated at 20%	2,663,668	10,702,618	1,729,699	6,982,794
Tax effect of reconciling items:				
Non-deductible expense	42,321	170,046	338,152	1,365,120
Income tax expenses	2,705,989	10,872,664	2,067,851	8,347,914

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



13. OTHER ASSETS

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
	(Note 4)		(Note 4)	
Advances and prepayments	1,806,037	7,256,657	1,513,481	6,109,923
Accrued interest receivable, net	3,219,200	12,934,746	2,568,338	10,368,380
Investment in Credit Bureau of Cambodia (CBC)	25,000	100,450	25,000	100,925
Others	206,659	830,355	-	-
	<u>5,256,896</u>	<u>21,122,208</u>	<u>4,106,819</u>	<u>16,579,228</u>

Advances and prepayments and investment in CBC of **US\$1,778,493 (2017: US\$537,719)** are expected to be realised more than 12 months after the reporting date while the other assets balance of **US\$3,478,403 (2017: US\$3,594,100)** is expected to be realised within 12 months.

14. DEPOSITS FROM OTHER BANKS

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
	(Note 4)		(Note 4)	
Current accounts	21,534,080	86,523,933	6,106,911	24,653,600
Savings deposits	516,778	2,076,415	1,099,243	4,437,643
Term deposits	34,382,081	138,147,201	52,063,339	210,179,700
	<u>56,432,939</u>	<u>226,747,549</u>	<u>59,269,493</u>	<u>239,270,943</u>

All deposits have maturity less than one year except term deposits balance of US\$11,382,081 (2017: US\$14,363,339) have maturity between one and five years.

Current accounts are non-interest bearing. Savings deposits and term deposits have annual interest at the following rates:

	2018	2017
Saving deposits	0.75% - 1.25%	0.75% - 1.50%
Term deposits	<u>3.50% - 5.50%</u>	<u>2.00% - 5.50%</u>



15. DEPOSITS FROM CUSTOMERS

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
	(Note 4)		(Note 4)	
Current accounts	164,560,606	661,204,515	163,857,294	661,491,896
Saving accounts	313,510,125	1,259,683,682	217,764,308	879,114,511
Fixed deposits	592,528,885	2,380,781,060	430,747,280	1,738,926,769
Margin deposits	3,809,956	15,308,403	1,335,475	5,391,313
Others	46,080	185,150	18,884	76,234
	<u>1,074,455,652</u>	<u>4,317,162,810</u>	<u>813,723,241</u>	<u>3,285,000,723</u>

All deposits have maturity less than one year except term deposits balance of US\$223,742,760 (2017: US\$106,168,964) have maturity more than one year.

Margin deposits represent the aggregate balance of required non-interest bearing cash deposits from customers for letters of credit and guarantees outstanding at the year-end (Note 29).

Others mainly comprise certified cheques for settlement guarantees and dormancy accounts.

Annual interest rates on deposits from customers as follows:

	2018	2017
Current accounts	0% - 0.75%	0% - 1.04%
Savings deposits:		
US\$	0.50% - 1.85%	0% - 7.31%
KHR	1% - 2.00%	0% - 2.00%
Term deposits in US\$ with a term of:		
1 month	1.50% - 5.50%	1.50% - 5.50%
3 months	2.25% - 3.25%	2.25% - 5.00%
6 months	3.50% - 6.00%	3.50% - 6.00%
12 months	4.25% - 6.00%	4.75% - 6.00%
More than 12 months	5.00% - 7.75%	5.00% - 7.75%
Term deposits in KHR with a term of:		
1 month	2.00% - 2.20%	3.00% - 4.00%
3 months	3.25% - 3.50%	4.50% - 5.00%
6 months	4.25%	6.00%
12 months	5.75% - 7.00%	6.50% - 7.50%
More than 12 months	6.25% - 7.50%	6% - 7.25%
Margin deposits	<u>Nil</u>	<u>Nil</u>

16. BORROWINGS

As at 28 April 2014, the Bank entered into an agreement with Agence Française de Développement ("AFD") for a total facility of **US\$15 million**. In accordance with the agreement, the Bank shall undertake to make long-term loans available to finance the Rural Electrification Enterprise and Small Water Enterprise Project.

The details of drawdown amounts are as follow:



No	Principles (US\$)	Interest per annum	Drawdown date	Maturity
1	5,000,000	2.46%	3 December 2014	17 October 2023
2	5,000,000	1.97%	6 April 2016	24 February 2024
3	5,000,000	2.41%	21 June 2017	15 May 2024
	<u>15,000,000</u>			

The movements of the borrowing are as follows:

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
	(Note 4)		(Note 4)	
At 1 January	13,206,393	53,314,209	10,000,000	40,370,000
Additions during the year:	-	-	3,206,393	12,944,209
Payments during the year	(1,420,679)	(5,708,288)	-	-
Currency translation difference	-	(250,922)	-	-
At 31 December	<u>11,785,714</u>	<u>47,354,999</u>	<u>13,206,393</u>	<u>53,314,209</u>

17. PROVISION FOR EMPLOYEE BENEFITS

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
	(Note 4)		(Note 4)	
Provident fund (i)	1,668,620	6,704,515	1,726,634	6,970,421
Other post-employment benefits (ii)	1,470,933	5,910,209	1,344,849	5,429,156
Total non-current	<u>3,139,553</u>	<u>12,614,724</u>	<u>3,071,483</u>	<u>12,399,577</u>

(i) The movements of the provident fund are as follows:

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
	(Note 4)		(Note 4)	
At 1 January	1,726,634	6,970,421	1,468,184	5,927,058
Additions during the year:				
Staff contribution	176,544	709,354	128,923	520,462
Bank's contribution (Note 24)	176,544	709,354	128,923	520,462
Interest expenses (Note 21)	97,746	392,743	93,423	377,149
Payments during the year	(508,848)	(2,044,551)	(92,819)	(374,710)
Currency translation difference	-	(32,806)	-	-
At 31 December	<u>1,668,620</u>	<u>6,704,515</u>	<u>1,726,634</u>	<u>6,970,421</u>



(ii) The movements of other post-employment benefits

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
	(Note 4)		(Note 4)	
At 1 January	1,344,849	5,429,156	1,422,315	5,741,886
Additions during the year	500,000	2,009,000	-	-
Payments during the year	(373,916)	(1,502,394)	(77,466)	(312,730)
Currency translation difference	-	(25,553)	-	-
At 31 December	1,470,933	5,910,209	1,344,849	5,429,156

On 26 March 2019, the Board of Directors approved to utilise the other post-employment benefits to settle the requirement of Prakas No. 443 issued by the Ministry of Labour and Vocational Training ("MoLVT") on 21 September 2018 and the guidance on 22 March 2019 on back-pay seniority indemnity payment. The Board of Directors has assessed the adequacy of the provision to cover seniority indemnity requirement.

18. OTHER LIABILITIES

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
	(Note 4)		(Note 4)	
Accrued interest payables	11,460,423	46,047,980	10,856,427	43,827,396
Provision on off-balance sheet items (Note 8 (a,ii))	706,050	2,836,909	-	-
Accrued expenses	676,808	2,719,415	596,287	2,407,211
Fund to be transferred (*)	614,889	2,470,624	60,384	243,770
Unearned income from letters of credit and bank guarantees	56,151	225,614	96,254	388,577
Other tax payables	263,456	1,058,566	153,689	620,442
Others	971,080	3,901,799	1,657,473	6,691,219
	14,748,857	59,260,907	13,420,514	54,178,615

(*) This represents customer deposits in cheques of which the clearance process has not completed as at 31 December 2018. The fund has been transferred to respective customer deposits balance subsequent to the year end.

All of the above liabilities are expected to be settled within 12 months after the reporting date except for balances of **US\$6,095,797 (2017: US\$3,737,190)** which are expected to be settled more than 12 months.

19. SHARE CAPITAL

On 29 September 2018, the Board of Directors approved to increase share capital from **US\$ 75 million** to **US\$ 79.5 million**. On 26 December 2018, the shareholders injected cash amounting to **US\$ 4.5 million** to the Bank's account. The additional capital was approved by the National Bank of Cambodia on 7 February 2019. At the date of this report, the amendment of the Memorandum and Articles of Association has not been endorsed with the Ministry of Commerce. Therefore, the amount was recorded as other capital.

The total authorised and fully paid number of shares are 75,000 shares (2017: 75,000 shares) with a par value of **US\$1,000** per share (2017: **US\$1,000** per share).

Analysis of shareholders as at 31 December 2018 is as follows:



31 December 2018

31 December 2017

	%	US\$	KHR'000	%	US\$	KHR'000
Oknha Mok Kimhong	33%	24,750,000	99,445,500	33%	24,750,000	99,915,750
Mrs. Kim Tiek	23%	17,250,000	69,310,500	23%	17,250,000	69,638,250
Mrs. Chhay Kimbouy	23%	17,250,000	69,310,500	23%	17,250,000	69,638,250
ING Holdings Company Ltd.	11%	8,250,000	33,148,500	11%	8,250,000	33,305,250
Ministry of Economy and Finance	10%	7,500,000	30,135,000	10%	7,500,000	30,775,000
Total	100%	75,000,000	301,350,000	100%	75,000,000	302,775,000

20. RESERVES

31 December 2018

31 December 2017

	US\$	KHR'000	US\$	KHR'000
	(Note 4)		(Note 4)	
General reserve	135,091	542,796	135,091	545,363
Reserve for banking risks	60,497	243,077	60,497	244,226
	195,588	785,873	195,588	789,589

General reserve

The general reserve was previously allocated from profit after tax with an amount equal to 6% of net profit after tax. The use of the general reserve is at the discretion of the Board of Directors. Allocations to the general reserve are no longer allowed under the Bank's Memorandum and Articles of Association dated 23 May 2006 and the amendment on 30 May 2007.

Reserve for banking risks

The reserve for banking risks was initially established based on a resolution by the Board of Directors dated 19 June 2000. This account represents a general purpose reserve established to cover the risks for banking operations in Cambodia, in particular the general risks on loan delinquency, losses not covered by the provision for bad and doubtful loans and currency risk.

21. NET INTEREST INCOME

31 December 2018

31 December 2017

	US\$	KHR'000	US\$	KHR'000
	(Note 4)		(Note 4)	

Interest income from:

Loans and advances to customers	56,378,293	226,527,981	51,032,077	206,016,495
Balances with the National Bank of Cambodia	1,780,486	7,153,993	1,149,821	4,641,827
Balances with other banks	829,517	3,332,999	975,621	3,938,582
Total interest income	58,988,296	237,014,973	53,157,519	214,596,904
Interest expense on:				
Term deposits	(29,541,835)	(118,699,093)	(22,552,266)	(91,043,497)
Savings deposits	(2,575,831)	(10,349,689)	(2,030,002)	(8,195,118)
Borrowings	(292,939)	(1,177,029)	(337,125)	(1,360,974)
Provident funds	(97,746)	(392,743)	(93,423)	(377,149)
Total interest expense	(32,508,351)	(130,618,554)	(25,012,816)	(100,976,738)
Net interest income	26,479,945	106,396,419	28,144,703	113,620,166



22. NET FEE AND COMMISSION INCOME

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
	(Note 4)		(Note 4)	
Fee and commission income:				
Loan processing fees	3,170,261	12,738,109	3,876,707	15,650,266
Fees on currency swap	120,884	485,712	407,214	1,643,923
Fund remittance fees	1,027,825	4,129,801	783,729	3,163,914
Commission from issuing letters of credit and guarantee	661,395	2,657,485	228,173	921,134
Loan commitment fees	-	-	214,073	864,213
Visa fees	422,272	1,696,689	156,472	631,677
Others	417,204	1,676,325	744,305	3,004,760
Total fee and commission income	5,819,841	23,384,121	6,410,673	25,879,887
Fee and commission expense	(646,599)	(2,598,035)	(597,227)	(2,411,005)
Net fee and commission income	5,173,242	20,786,086	5,813,446	23,468,882

23. OTHER INCOME

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
	(Note 4)		(Note 4)	
Gains on disposal of property and equipment	3,689,758	14,825,448	-	-
Foreign exchange gains/(losses)	705,062	2,832,939	(64,291)	(259,543)
Rental income	100,440	403,568	212,165	856,510
Gains on disposal of foreclosed property	-	-	129	521
Others	47,767	191,927	404,008	1,630,980
	4,543,027	18,253,882	552,011	2,228,468

23. OTHER INCOME

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
	(Note 4)		(Note 4)	
Salaries and wages	4,621,906	18,570,818	3,963,321	15,999,927
Bonuses and incentives	600,000	2,410,800	470,485	1,899,348
Board directors' fee (Note 28 (c))	163,028	655,047	169,741	685,244
Contributions to provident funds (Note 17 (i))	176,544	709,354	128,923	520,462
Other benefits	977,965	3,929,463	450,836	1,820,025
	6,539,443	26,275,482	5,183,306	20,925,006


25. GENERAL AND ADMINISTRATIVE EXPENSES

	2018		2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Rental	1,044,694	4,197,580	891,731	3,599,918
Repairs and maintenances	521,960	2,097,235	461,606	1,863,503
Marketing	304,940	1,225,249	309,069	1,247,712
Utilities	263,639	1,059,302	255,550	1,031,655
License fees	250,424	1,006,204	254,723	1,028,317
Professional fees	230,010	924,180	164,187	662,823
Travelling	229,067	920,391	182,860	738,206
Communication	223,377	897,529	194,815	786,468
Office supplies	177,326	712,496	194,276	784,292
Security	145,884	586,162	122,225	493,422
Insurance	68,325	274,530	93,202	376,256
Taxes	34,394	138,195	1,069,591	4,317,939
Others	388,675	1,561,696	829,421	3,348,373
	<u>3,882,715</u>	<u>15,600,749</u>	<u>5,023,256</u>	<u>20,278,884</u>

26. CASH (USED IN)/GENERATED FROM OPERATIONS

	Note	2018		2017	
		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Profit before income tax		13,318,338	53,513,081	8,648,497	34,913,983
Adjustments for:					
Provision on loan losses	8	14,297,320	57,446,632	18,370,631	74,162,237
Regulatory provision for balances with other banks	8	530,806	2,132,779	-	-
Provision on off-balance sheet items	8	706,050	2,836,909	-	-
Depreciation	11	1,373,531	5,518,848	1,563,587	6,312,201
Amortisation	10	253,821	1,019,853	109,765	443,121
Gain on disposal of property and equipment	23	(3,689,758)	(14,825,448)	-	-
Written off of property and equipment		-	-	1,284	5,184
Gain on disposal of foreclosed properties		-	-	(129)	(521)
Net interest income		(26,479,945)	(106,396,419)	(28,144,703)	(113,620,166)
		310,163	1,246,235	548,932	2,216,039
Changes in working capital					
Reserve requirement with the NBC		(26,395,461)	(106,056,962)	22,004,582	88,832,498
Term deposits with the NBC		(41,915,501)	(168,416,483)	(54,281,668)	(219,135,094)
Term deposits with other banks		(2,335,725)	(9,384,943)	9,483,857	38,286,331
Loans and advances to customers (*)		(194,430,250)	(781,220,745)	(78,370,627)	(316,382,222)
Other assets		(1,686,719)	(6,777,237)	3,178,056	12,829,812
Deposits from other banks		(2,836,554)	(11,397,274)	13,247,444	53,479,931
Deposits from customers		260,732,411	1,047,622,827	115,775,062	467,383,925
Other liabilities		1,226,290	4,927,233	519,506	2,097,246
Provision for employee benefits		950,834	3,820,451	351,269	1,418,073
Cash (used in)/generated from operations		(6,380,512)	(25,636,898)	32,456,413	131,026,539

(*) For the purpose of the cash flow statement, the foreclosed properties' additions during the year amounted to **US\$14,406,500 (2017: US\$4,106,019)** were netted off to loans and advances to customers. This results in non-cash items.



27. CASH AND CASH EQUIVALENTS

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
	(Note 4)		(Note 4)	
Cash on hand	32,685,269	131,329,411	29,329,452	118,402,998
Balances with the National Bank of Cambodia:				
Current accounts	114,550,757	460,264,942	108,529,970	438,135,489
NCD (maturity less than 3 months)	157,264,808	631,889,999	148,656,304	600,125,498
Balances with other banks:				
Current accounts	41,186,090	165,485,710	16,530,481	66,733,552
Savings deposits	39,499	158,707	153,311	618,916
Term deposits (maturity less than 3 months)	2,007,449	8,065,930	16,161,838	65,245,340
Cash and cash equivalents	<u>347,733,872</u>	<u>1,397,194,699</u>	<u>319,361,356</u>	<u>1,289,261,793</u>

28. RELATED PARTY BALANCES AND TRANSACTIONS

The Bank entered into a number of transactions with related parties in the normal course of business. The volumes of related party transactions, outstanding balance at the year end and relating expenses and income for the year are as follows:

RELATED PARTIES

Oknha Mok Kimhong – 33%
 Mrs. Kim Tiek – 23%
 Mrs. Chhay Kimbouy – 23%
 ING Holdings Company Ltd. – 11%
 Ministry of Economy and Finance – 10%

RELATIONSHIP

Shareholders

Entity under the same ultimate shareholders Related company

Key management personnel All directors of the bank who make critical decisions in relation to the strategic direction of the bank and senior management staff (including their close family members)

(b) Deposits from related parties

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
	(Note 4)		(Note 4)	
Shareholders	234,322	941,506	55,304	223,262
Key management personnel	589,626	2,369,116	79,109	319,363
	<u>823,948</u>	<u>3,310,622</u>	<u>134,413</u>	<u>542,625</u>

Deposits from shareholders and key management personnel are in current accounts which are non-interest bearing.



(c) Directors' fees and key management compensations

	2018		2017	
	US\$	KHR'000	US\$	KHR'000
		(Note 4)		(Note 4)
Directors' fees (Note 24)	163,028	655,047	169,741	685,244
Key management compensation	1,314,234	5,280,592	1,203,570	4,858,812
– salaries and other benefits	1,477,262	5,935,639	1,373,311	5,544,056

29. COMMITMENTS AND CONTINGENCIES

(a) Loan commitment, guarantee and other financial liabilities

The Bank had the contractual amounts of the Bank's off-balance sheet financial instruments that commit it to extend credit to customers, guarantee and other facilities as follows

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
		(Note 4)		(Note 4)
Unused portion of approved credit facilities	84,488,447	339,474,580	62,222,444	251,192,006
Letters of credit	6,472,471	26,006,389	11,401,585	46,028,199
Currency forward contracts	2,000,000	8,036,000	23,946,549	96,672,218
Letters of guarantees	43,886,403	176,335,565	10,545,773	42,573,286
Bills collections	674	2,708	674	2,720
	136,847,995	549,855,242	108,117,025	436,468,429

In accordance with the Circular No. B7-018-001 dated 16 February 2018 on the Implementation of Prakas on Credit Risk Grading and Provision on Impairment, banks and financial institutions ("Institution") are required to provide provision on lending commitment with which the institution cannot reject or cancel those commitment, and I will become future settlement obligation of the institution.

Including in the lending commitment of US\$ 136,847,995, there is a portion of commitment amounting to **US\$66,888,803** is secured by cash deposits. Therefore, the Bank has not made provision on this commitment portion.

(b) Capital commitments

At 31 December 2018, the Bank had capital commitments in respect of new core banking system software.

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
		(Note 4)		(Note 4)
Not later than 1 year	16,820	67,583	213,306	861,116
Later than 1 year but less than 5 years	-	-	-	-
	16,820	67,583	213,306	861,116



(c) Lease commitments

The Bank has non-cancellable lease commitment with respect to its head office and branches as follows:

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
	(Note 4)		(Note 4)	
Not later than 1 year	1,185,158	4,761,965	748,309	3,020,923
Later than 1 year and not later than 5 years	2,671,526	10,734,190	1,905,617	7,692,976
Later than 5 years	1,054,987	4,238,938	648,581	2,618,321
	<u>4,911,671</u>	<u>19,735,093</u>	<u>3,302,507</u>	<u>13,332,220</u>

(d) Taxation contingencies

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

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

30. FINANCIAL RISK MANAGEMENT

The Bank has exposure to the following risks:

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

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

(a) Operational risk

Operational risk is the risk of direct or indirect loss arising from inadequate or failed internal processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. The operational risk losses is managed through established operational risk management processes, proper monitoring and reporting of the business activities by control and support units which are independent of the business units and oversight provided by the senior management of the Bank.

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

(b) Credit risk

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

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

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

(i) Credit risk measurement

The Bank has established the Core Credit Risk Policy which is designed to govern the Bank's risk undertaking



activities. Extension of credit is governed by credit programmes that set out the plan for a particular product or portfolio, including the target market, terms and conditions, documentation and procedures under which a credit product will be offered and measured.

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

(ii) Risk limit control and mitigation policies

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

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

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

The principal collateral types to secure for loans to customers to customers are:

- Mortgages over residential properties (land, building and other properties);
- Charges over business assets such as land and buildings; and
- Cash in the form of margin deposits.

(iii) Impairment and provisioning policies

The Bank follows the mandatory loan classification and provisioning as required by the National Bank of Cambodia's Prakas No.B7-017-344 dated 1 December 2017 and Circular No. B7-018-001 Sor Ror Chor Nor dated 16 February 2018 on credit risk classification and provision on impairment for banks and financial institutions.

The table below shows loan classifications and minimum provisioning requirements:

Classifications	Minimum provisioning requirements
Normal	1%
Special mention	3%
Sub-standards	20%
Doubtful	50%
Loss	100%



(iv) Exposure to credit risk

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

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
		(Note 4)		(Note 4)
Credit risk exposures relating to on-balance sheet assets:				
Balances with the NBC	316,703,570	1,272,514,944	260,158,778	1,050,260,986
Balances with other banks	52,549,763	211,144,948	40,357,436	162,922,969
Net loans and advances to customers	693,521,185	2,786,568,121	527,794,755	2,130,707,426
Other assets	3,550,341	13,966,001	3,056,062	12,337,322
	1,066,324,859	4,284,194,014	831,367,031	3,356,228,703
Credit risk exposures relating to off-balance sheet items:				
Unused portion of approved credit facilities	84,488,447	339,474,580	62,222,444	251,192,006
Guarantees, acceptances and other financial facilities	52,359,548	210,380,662	45,894,581	185,276,424
	136,847,995	549,855,242	108,177,025	436,468,430
	1,203,172,854	4,834,049,256	939,484,056	3,792,697,133

The above table represents a worst case scenario for credit risk exposure to the Bank at 31 December 2018 and 2017, without taking into account any collateral held or other credit enhancement attached. For on-balance sheet assets, the exposure set out above is based on net carrying amounts.

As shown above, 58% of total maximum exposure is derived from loans and advances to customers (2017: 59%).

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Bank resulting from its loans and advances on the following:

- 99% of loans portfolios (2017: 99%) are collateralised and credit is given at 50% to 65% of estimated collateral value but the majority is below 50%, the Bank's policy.
- 99% of loan portfolios are considered neither past due nor impaired (2017: 99%).
- Provision for loan losses has been provided for those individually impaired loans in accordance with the NBC's requirement.



Loans and advances to customers

Loans and advances to customers are summarised as follows:

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
	(Note 4)		(Note 4)	
Loans and advances neither past due nor impaired	695,474,970	2,794,418,429	509,880,586	2,058,387,926
Loans and advances past due but not impaired	2,756,412	11,075,263	22,153,059	89,431,899
Loans and advances individually impaired	5,384,458	21,634,753	5,735,749	23,155,219
Gross loans and advances to customers	703,615,840	2,827,128,445	537,769,394	2,170,975,044
Less:				
Provision for loan losses	(10,094,655)	(40,560,324)	(9,974,639)	(40,267,618)
Net loans and advances to customers	693,521,185	2,786,568,121	527,794,755	2,130,707,426

For the purpose of loan provisioning, expected recovery from collateral (except cash) is not taken into consideration in accordance with the NBC's requirement. The total provision for loan losses is US\$10,094,655 (2017: US\$9,974,639) which represents general and specific provisions for loan losses.

In compliance with NBC Guidelines, an allowance for doubtful loans to customers is made for loans to customers with payment overdue more than 30 days for short-term loans and 90 days for long-term loans. A minimum level of specific allowance for impairment is made depending on the classification concerned, unless other information is available to substantiate the repayment capacity of the counterparty. Refer to separate accounting policy stated in Note 3(d).

Loans and advances neither past due nor impaired

Loans and advances neither past due nor impaired are good quality loans and advances for which no experience of default. These loans are supported by collaterals and management views that likelihood of default is relatively low. Past due but not impaired loans and advances Past due but not impaired loans to customers are those for which contractual interest or principal payments are past due more than 15 days for short-term loans and 30 days for long-term loans but less than 31 days for short-term loans and 90 days for long-term loans, unless other information is available to indicate otherwise. In compliance with NBC Guidelines such loans are classified as special mention with a specific allowance of 3%.

Individually impaired loans and advances

Individually impaired loans and advances are loans to customers for which the Bank determines that there is objective evidence of impairment and contractual principal or interest payments are past due or history of past due of more than 30 days for short-term loans and 90 days for long-term loans, unless other information is available to indicate or otherwise.

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

Loans with renegotiated terms/restructured loans

Loans with renegotiated terms are loans that have been rescheduled or refinanced in accordance with an agreement setting forth a new repayment schedule on a periodic basis occasioned by weaknesses in the borrower's financial condition and/or inability to repay the loan as originally agreed. Loans to be restructured are analysed on the basis of the business prospects and repayment capacity of the borrower according to new cash flow projections supported by updated business perspectives and overall market conditions being based on realistic and prudent assumptions.



Once the loan is restructured it remains in the same category independent of satisfactory performance after restructuring. The classification is not improved unless there are no arrears in repayment of principal and interest within 3 instalment years and within a year of not less than 3 months.

Write-off policy

In compliance with NBC Guidelines, the Bank shall remove a loan/advance or a portion of a loan from its balance sheet when the Bank loses control of the contractual rights over the loan or when all or part of a loan is deemed uncollectible; or there is no realistic prospect of recovery.

Collateral

Reposessed properties have to be sold within one year as required by the National Bank of Cambodia. Reposessed property is classifieds in the balance sheet as foreclosed properties, if any.

As at 31 December 2018, the Bank obtained assets by taking possession of collateral held as security of **US\$31,605,215 (2017: US\$17,198,715)** (Note 9).

As at 31 December 2018, the Bank possessed properties of six customers which were held for more than 12 months. The Bank has not obtained approval from the National Bank of Cambodia to extend the disposal of foreclosed properties as the management believes that they can get approval subsequently from the National Bank of Cambodia without any material impact to the financial statements.

Concentration of risks of financial assets with credit risk exposure

i. Geographical sector

The following table breaks down the Bank's main credit exposure at their carrying amount, as categorised by geographical region as at 31 December 2018. For this table, the Bank has allocated exposure to countries based on the country of domicile of our counterparties.

	Other ASEAN countries						Total	
	Cambodia	USA	France	Japan	US\$	US\$	Others	US\$
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
31 December 2018								
Balances with other banks	14,534,252	29,366,274	886,422	2,366	7,743,734	16,715	52,549,763	
Loans and advances to customers	693,521,185	-	-	-	-	-	693,521,185	
Other assets	3,550,341	-	-	-	-	-	3,550,341	
As at 31 December 2018	711,605,778	29,366,274	886,422	2,366	7,743,734	16,715	749,621,289	
KHR'000 equivalents – Note 4	2,859,232,016	117,993,689	3,561,644	9,507	31,114,323	67,161	3,011,978,340	
31 December 2017								
Balances with other banks	24,104,365	10,470,803	2,483,763	1,130,537	1,680,800	487,168	40,357,436	
Loans and advances to customers	527,794,755	-	-	-	-	-	527,794,755	
Other assets	3,056,062	-	-	-	-	-	3,056,062	
As at 31 December 2017	554,955,182	10,470,803	2,483,763	1,130,537	1,680,800	487,168	571,208,253	
KHR'000 equivalents – Note 4	2,240,354,070	42,270,632	10,026,951	4,563,978	6,785,390	1,966,697	2,305,967,718	

ii. Industry sector

	Financial institutions		Services		Commercial trading		Real estate		Other industries		Individuals		Total	
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
31 December 2018														
Balances with other banks	52,549,763	-	-	-	-	-	-	-	-	-	-	-	52,549,763	
Loans and advances to customers	6,241,538	101,086,157	9,361,527	52,894,695	54,274,328	479,757,595	703,615,840							
Other assets	3,525,341	25,000	-	-	-	-	3,550,341							
As at 31 December 2018	62,316,642	101,111,157	9,361,527	52,894,695	54,274,328	479,757,595	759,715,944							
KHR'000 equivalents – Note 4	250,388,268	406,264,629	37,614,615	212,530,885	218,074,250	1,927,666,017	3,052,538,664							
31 December 2017														
Balances with other banks	286,513,457	-	-	-	-	-	86,513,457							
Loans and advances to customers	5,291,058	110,971,225	29,532,762	37,537,175	207,962,626	-	481,196,918							
Other assets	2,706,178	25,000	-	-	-	-	3,317,943							
As at 31 December 2017	94,510,693	110,996,225	29,532,762	37,537,175	207,962,626	487,168	571,028,318							
KHR'000 equivalents – Note 4	381,539,668	448,091,760	119,223,760	151,537,575	839,545,121	1,966,697	2,305,241,319							



(v) Balance with other banks

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

(c) Market risk

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

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

(i) Foreign currency exchange risk

The Bank operates in the Kingdom of Cambodia and transacts in many currencies, and is exposed to various currency risks, primarily with respect to Khmer Riel and [US\\$](#).

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

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

As at 31 December 2018, balances in monetary assets and liabilities denominated in currencies other than US\$ are not significant. Therefore, no sensitivity analysis for foreign currency exchange risk was presented.

In US\$ equivalent

	US\$	KHR	GBP	JPY	EUR	Other	Total
31 December 2018							
Financial assets							
Cash on hand	26,911,769	5,773,500	-	-	-	-	32,685,269
Balances with the National Bank of Cambodia	207,485,379	109,218,191	-	-	-	-	316,703,570
Balances with other banks	44,096,569	t7,541,843	16,715	2,366	864,733	27,537	52,549,763
Loans and advances to customers	681,776,502	21,839,338	-	-	-	-	703,615,840
Other assets	3,089,990	460,351	-	-	-	-	3,550,341
Total financial assets	963,360,209	144,833,223	16,715	2,366	864,733	27,537	1,109,104,783
Financial liabilities							
Deposits from other banks	49,704,211	6,728,728	-	-	-	-	56,432,939
Deposits from non-bank customers	938,334,795	136,120,857	-	-	-	-	1,074,455,652
Borrowings	11,785,714	-	-	-	-	-	11,785,714
Other liabilities	7,931,296	5,791,904	-	-	-	-	13,723,200
Total financial liabilities	1,007,756,016	148,641,489	-	-	-	-	1,156,397,505
Net on-balance sheet position	(44,395,807)	(3,808,266)	16,715	2,366	864,733	27,537	(47,292,722)
KHR'000 equivalents – Note 4	(178,382,353)	(15,301,613)	67,161	9,507	3,474,497	110,644	(190,022,157)
Credit commitments	127,590,672	7,963,313	-	147,810	1,146,200	-	136,847,995
KHR'000 equivalents – Note 4	512,659,320	31,996,592	-	593,901	4,605,432	-	549,855,245

In US\$ equivalent

	US\$	KHR	GBP	JPY	EUR	Other	Total
31 December 2017							
Financial assets							
Cash on hand	23,854,187	5,475,265	-	-	-	-	29,329,452
Balances with the National Bank of Cambodia	195,914,204	64,244,574	-	-	-	-	260,158,778
Balances with other banks	30,231,073	7,627,677	12,994	2,366	2,324,188	103,686	40,357,436
Loans and advances to customers	517,354,740	10,440,015	-	-	-	-	527,794,755
Other assets	2,673,436	382,626	-	-	-	-	3,056,062
Total financial assets	770,027,640	88,170,157	12,994	2,366	2,324,188	103,686	860,696,483

Financial liabilities

Deposits from other banks	51,818,663	7,450,830	-	-	-	-	59,269,493
Deposits from non-bank customers	715,712,590	95,777,799	2,339	-	2,114,648	115,865	813,723,241
Borrowings	13,206,393	-	-	-	-	-	13,206,393
Other liabilities	(1,438,486)	13,158,512	-	-	-	-	11,720,026
Total financial liabilities	779,299,160	116,387,141	2,339	-	2,114,648	115,865	897,919,153
Net on-balance sheet position	(9,271,520)	(28,216,984)	10,655	57,818	209,540	(12,179)	(37,222,670)
KHR'000 equivalents – Note 4	(37,429,128)	(113,911,964)	43,014	233,411	845,913	(49,167)	(150,267,921)
Credit commitments	86,344,274	21,605,205	-	167,546	-	-	108,117,025
KHR'000 equivalents – Note 4	348,571,834	87,220,213	-	676,383	-	-	436,468,430



(ii) Price risk

The Bank is not exposed to securities price risk because it does not hold the investment and classified on the balance sheet either as available for sale or at fair value through profit and loss. The Bank currently does not have a policy to manage its price risk.

(iii) Interest rate risk

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

The table below summarises the Bank's exposure to fair value interest rate risks. It includes the Bank's financial instruments at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

Up to 1 month >1 to 3 months >3 to 12 months >1 to 5 years Over 5 years Non-interest bearing Total

	US\$	US\$	US\$	US\$	US\$	US\$	US\$
31 December 2018							
Financial assets							
Cash on hand	-	-	-	-	-	32,685,269	32,685,269
Balances with the National Bank of Cambodia	77,354,405	79,910,403	44,888,005	-	-	114,550,757	316,703,570
Balances with other banks	39,104	-	11,513,354	-	-	40,997,305	52,549,763
Loans and advances to customers	62,417,364	38,780,110	96,387,900	283,086,540	222,943,926	(10,094,655)	693,521,185
Other assets	-	-	-	-	-	3,550,341	3,550,341
Total financial assets	139,810,873	118,690,513	152,789,259	283,086,540	222,943,926	181,689,017	1,099,010,128

Financial liabilities

Deposits from other banks	516,779	-	23,000,000	11,382,080	-	21,534,080	56,432,939
Deposits from customers	316,697,121	57,939,477	307,659,652	171,346,278	52,396,482	168,416,642	1,074,455,652
Borrowings	-	-	-	-	11,785,714	-	11,785,714
Other liabilities	-	-	-	-	-	13,723,200	13,723,200
Total financial liabilities	317,213,900	57,939,477	330,659,652	182,728,358	64,182,196	203,673,922	1,156,397,505
Interest re-pricing gap	(177,403,027)	60,751,036	(177,870,393)	100,358,182	158,761,730	(21,984,905)	(57,387,377)
KHR'000 equivalents – Note 4t	(712,805,362)	244,097,663	(714,683,239)	403,239,175	637,904,631	(88,335,348)	(230,582,480)



	Up to 1 month	>1 to 3 months	>3 to 12 months	>1 to 5 years	Over 5 years	Non-interest bearing	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$

31 December 2017

Financial assets

Cash on hand	-	-	-	-	-	29,329,452	29,329,452
Balances with the National Bank of Cambodia	103,702,130	44,954,174	2,972,504	-	-	108,529,970	260,158,778
Balances with other banks	9,866,719	6,074,059	7,511,808	-	-	16,904,850	40,357,436
Loans and advances to customers	80,053,615	42,251,177	80,938,244	211,875,469	122,650,889	(9,974,639)	527,794,755
Other assets	-	-	-	-	-	3,056,062	3,056,062
Total financial assets	193,622,464	93,279,410	91,422,556	211,875,469	122,650,889	147,845,695	860,696,483

Financial liabilities

Deposits from other banks	25,546,110	5,500,000	12,200,000	14,363,339	-	1,660,044	59,269,493
Deposits from customers	274,859,826	88,816,832	183,993,564	89,940,229	10,901,153	165,211,637	813,723,241
Borrowings	-	349,250	1,071,429	8,571,429	3,214,285	-	13,206,393
Other liabilities	-	-	-	-	-	11,720,026	11,720,026
Total financial liabilities	300,405,936	94,666,082	197,264,993	112,874,997	14,115,438	178,591,707	897,919,153
Interest re-pricing gap	(106,783,472)	(1,386,672)	(105,842,437)	99,000,472	108,535,451	(30,746,012)	(37,222,670)
KHR'000 equivalents – Note 4t	(431,084,876)	(5,597,995)	(427,285,918)	399,664,905	438,157,616	(124,121,650)	(150,267,918)



Fair value sensitivity analysis for fixed-rate instruments

The Bank does not account for any fixed-rate financial assets or financial liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable-rate instruments

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

(d) Liquidity risk

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

(i) Liquidity risk management process

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

(ii) Funding approach

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

(iii) Non-derivative cash flows

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



31 December 2018

Financial liabilities

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	No fixed terms	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Deposits from other banks	22,050,859	-	23,000,000	11,382,080	-	-	56,432,939
Deposits from customers	483,073,374	57,939,477	307,659,652	171,346,278	54,436,871	-	1,074,455,652
Borrowings	-	-	-	-	11,785,714	-	11,785,714
Other liabilities	13,723,200	-	-	-	-	-	13,723,200
Total financial liabilities (contractual maturity dates)	518,847,433	57,939,477	330,659,652	182,728,358	66,222,585	-	1,156,397,505
KHR'000 equivalents – Note 4	2,084,728,986	232,800,819	1,328,590,482	734,202,542	266,082,347	-	4,646,405,176
Assets held for managing liquidity risk (contractual maturity dates)	705,845,050	58,776,839	689,780,982	87,773,911	3,344,908	-	1,545,521,690
KHR'000 equivalents – Note 4	2,836,085,411	236,165,339	2,771,539,986	352,675,574	13,439,840	-	6,209,906,150

31 December 2018

Financial liabilities

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	No fixed terms	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Deposits from other banks	27,265,332	5,518,055	12,359,077	15,900,012	-	-	61,042,476
Deposits from customers	440,152,084	89,558,827	189,323,210	107,104,709	17,416,418	-	843,555,248
Borrowings	-	353,746	1,221,258	9,314,668	3,288,453	-	14,178,125
Other liabilities	11,720,026	-	-	-	-	-	11,720,026
Total financial liabilities (contractual maturity dates)	479,137,442	95,430,628	202,903,545	132,319,389	20,704,871	-	930,495,875
KHR'000 equivalents – Note 4	1,934,277,853	385,253,445	819,121,611	534,173,373	83,585,564	-	3,756,411,846
Assets held for managing liquidity risk (contractual maturity dates)	352,200,857	94,071,079	97,265,679	275,463,453	409,915,669	-	1,228,916,737
KHR'000 equivalents – Note 4	1,421,834,860	379,764,946	392,661,546	1,112,045,960	1,654,829,556	-	4,961,136,868

(iv) Off-balance sheet items

The dates of the contractual amounts of the Bank's off-balance sheet financial instruments that commit it to extend credit to customers and other facilities (Note 29), are summarised in the table below.

	Not later than 1 year US\$	Total US\$
At 31 December 2018		
Unused portion of approved credit facilities	84,488,447	84,488,447
Guarantees, acceptances and other financial facilities	52,359,548	52,359,548
Total	136,847,995	136,847,995
KHR'000 equivalents – Note 4	549,855,242	549,855,242
At 31 December 2017		
Unused portion of approved credit facilities	62,222,444	62,222,444
Guarantees, acceptances and other financial facilities	45,894,581	45,894,581
Total	108,117,025	108,117,025
KHR'000 equivalents – Note 4	436,468,430	436,468,430

(e) Fair value of financial assets and liabilities

As at the balance sheet date, the fair values of financial instruments of the bank approximate their carrying amount.

The estimated fair values are based on the following methodologies and assumptions:

(i) Balances with other banks

Balances with other banks include non-interest-bearing current accounts, savings deposits, and short term deposits. The fair value of balances with other banks approximates to the carrying amount.

(ii) Loans and advances to customers

Loans and advances are net of provision for loan losses and its carrying amount approximates fair value. The provision of loan losses is made under the requirements of NBC's Prakas.

(iii) Deposits from other banks and customers

The fair value of deposits from other banks and customers approximates the carrying amount. The estimated fair value of deposits with no stated maturities, which includes non-interest bearing deposits, is the amount repayable on demand.

The fair value of fixed interest bearing deposits are not quoted in active market is based on discounted cash flows using interest rate of the debts. These deposits will be mature within one year.

(iv) Other financial assets and other financial liabilities

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

(f) Capital management

(i) Regulatory capital

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

- To comply with the capital requirements set by the NBC;



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

The NBC requires all licensed commercial banks to (i) fulfil the minimum capital requirements, and (ii) comply with solvency, liquidity and other requirements. The table below summarises the composition of regulatory capital:

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
	(Note 4)		(Note 4)	
Tier 1 Capital				
Statutory capital	75,000,000	301,350,000	75,000,000	302,775,000
Other capital	4,500,000	18,081,000	-	-
Reserves	195,588	785,873	195,588	789,589
Retained earnings	35,593,984	143,016,628	25,144,899	101,509,957
Less: intangible assets	(2,177,103)	(8,747,600)	(1,469,676)	(5,933,082)
	113,112,469	454,485,901	98,870,811	399,141,464
Tier 2 Complementary capital				
General provision	8,191,606	32,913,873	5,182,905	20,923,387
Equity participation in banking and financial institution	(25,000)	(100,450)	(25,000)	(100,925)
	8,166,606	32,813,423	5,157,905	20,822,462
Regulatory capital/net worth	121,442,339	487,955,318	104,028,716	419,963,926

(ii) Capital allocation

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

(g) Fair values

Fair value represents the amount at which an asset could be exchanged or a liability settled on an arms-length basis. As verifiable market prices are not available and market prices are not available for a significant proportion of the Bank's financial assets and liabilities fair values, therefore, were not presented.



// CORRESPONDENT BANKS

COUNTRY	CURRENCY	BANK	SWIFT/BIC
China	CNY	Bank of China (Shanghai RMB Trading Unit), Shanghai, China	BKCHCNBJS00
France	EUR	Natixis, Paris	NATXFRPP
	EUR	Société Générale, Paris	SOGEFRPP
	USD	Natixis, Paris	NATXFRPP
Japan	JPY	The Bank of Tokyo-Mitsubishi UFJ Ltd, Tokyo	BOTKJPJT
Korea	USD	KEB Hana Bank, Seoul KR	KOEXKRSE
	USD	KOOK MIN Bank, Seoul, Korea	CZNBKRSE
Singapore	USD	Standard Chartered Bank, Singapore	SCBLSGSG
	SGD	RHB BANK BERHAD, Singapore	RHBBSGSG
Thailand	THB	Thanachart Bank Public Company Limited, Lumpini	THBKTHBK
	THB	The Siam Commercial Bank PCL, Bangkok	SICOTHBK
	USD	Bangkok Bank Public Company Limited, Bangkok	BKKBTHBK
UK	GBP	Standard Chartered Bank, London	SCBLGB2L
USA	USD	Standard Chartered Bank, New York	SCBLUS33
Vietnam	USD	Joint Stock Commercial Bank for Foreign Trade of Vietnam, Hanoi	BFTVVNVX
	USD	Bank for Investment and Development of Vietnam (BIDV), Hanoi	BIDVVNVX



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