

Annual Report 2019



INVESTING IN THE FUTURE

Foreign Trade Bank Celebrates the 40th Anniversary of the Foreign Trade Bank of Cambodia (FTB)



Foreign Trade Bank of Cambodia (FTB)

First commercial bank in cambodia, a truly local bank trusted since 1979

CONTENT

01	VISION, MISSION AND CORE VALUES
02	FINANCIAL HIGHLIGHTS
04	CORPORATE PROFILE
06	ORGANIZATIONAL CHART
07	CHAIRMAN'S MESSAGE
08	CEO'S MESSAGE
09	CORPORATE GOVERNANCE
10	COMMITTEES UNDER BOARD LEVEL
13	SIGNIFICANT ACHIEVEMENTS
15	SUSTAINABILITY STATEMENT
17	REPORT OF THE DIRECTORS
21	REPORT OF THE INDEPENDANCE AUDITOR
92	PRODUCTS AND SERVICES
93	CORRESPONDENT BANKS

VISION, MISSION AND CORE VALUES



Value



FINANCIAL HIGHLIGHTS

Summary of the balance sheet (US Dollars)

	2019	2018
Total assets	1,489,038,860	1,281,841,658
Net loans and advances to customer	892,825,013	696,090,449
Other assets	596,213,847	585,751,209
Total liabilities	1,349,124,539	1,166,928,759
Deposits	1,296,550,764	1,142,257,952
Other liabilities	52,573,775	24,670,807
Total equity	139,914,321	114,912,899
Capital	79,500,000	79,500,000
Reserves and retained earnings	60,414,321	35,412,899

A Summary of the income statement (US Dollars)

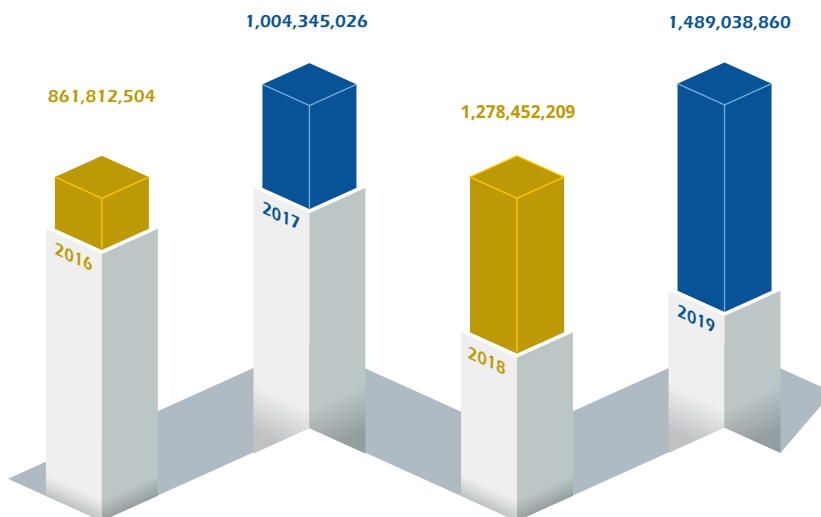
Interest income	75,575,011	60,147,699
Interest expense	-43,138,825	-32,781,737
Net interest income	32,436,186	27,365,962
Fee and commission income	5,742,666	8,086,335
Other operating expense	-14,924,831	-12,537,615
Net recovery/provision on bad loan	8,463,766	-10,291,409
Profit before income tax	31,717,787	12,623,273
Net profit for the year	25,001,422	9,251,996

Key Ratios

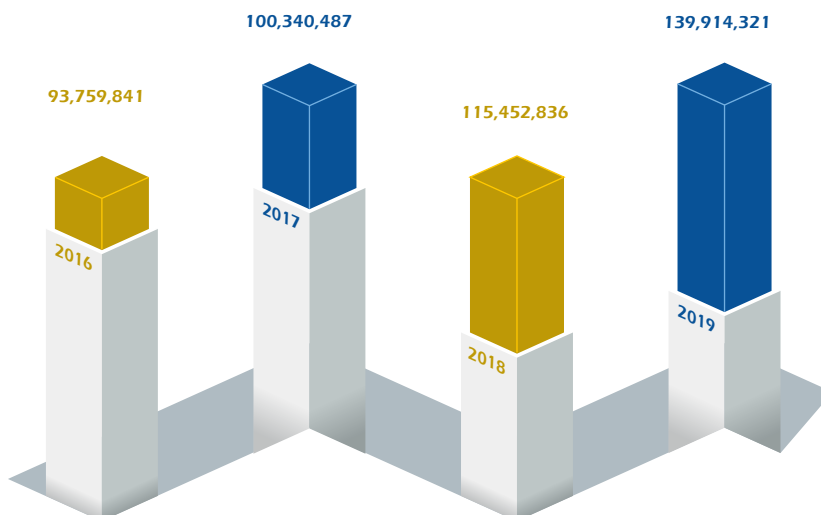
Return on capital	31.45%	11.64%
Return on assets	1.68%	0.72%
Return on shareholders' equity	17.87%	8.05%
Solvency ratio	17.69%	15.68%
Liquidity coverage ratio	138.55%	123.14%
Interest income to total assets	5.08%	4.69%
Total loans (gross) to total deposits	70.95%	64.60%
Non-performing loans ratio	1.62%	1.16%
Growth in interest income	25.65%	10.97%
Growth in total deposits	13.51%	29.54%
Growth in total loans (gross)	27.89%	30.84%
Growth in shareholders' equity	21.76%	15.06%
Growth in total assets	16.16%	27.29%

Annual financial results for 2019

Total assets (USD)



Equity (USD)



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 the opportunity for FTB to conduct autonomous business operations with equal status to other commercial banks, privatization of FTB 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 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 Kimbuoy. 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 Kimbuoy 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 Kimbuoy 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 Kimbuoy keeps holding 23% share and the Ministry of Economy and Finance holding the remaining 10% share.

Status: Commercial bank


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


Registered Capital: US\$ 38.5 million on 19th June 2011, increased to US\$ 75 million on 13th January 2017, and subsequently increased to US\$ 79.5 million 7th February 2019


First Bank License: No. 16, dated 5th October 2015


Registered Amendment: An amendment to the Memorandum of the Article of Association was registered at The National Bank of Cambodia on 12th April 2010 and a new one on 17th October 2019


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


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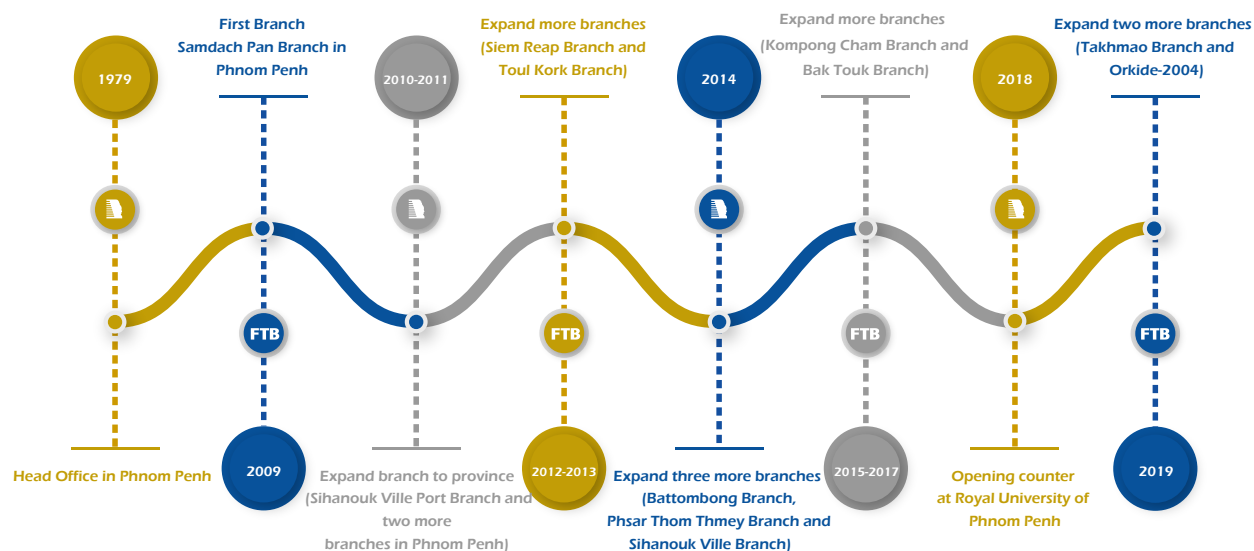
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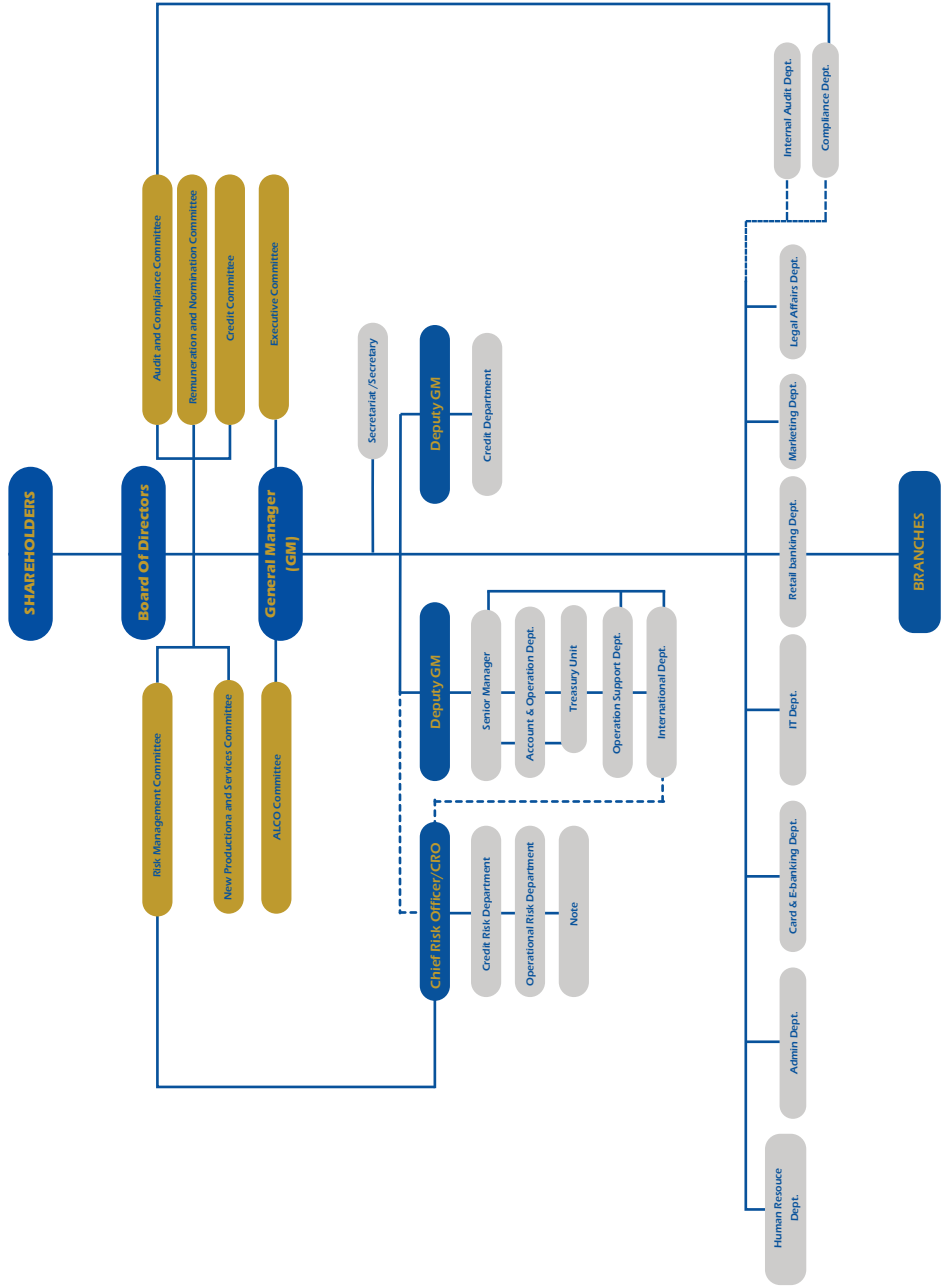
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 www.facebook.com/ftbcambodia

A brief history of FTB's progress



ORGANISATIONAL CHART



CHAIRMAN'S MESSAGE



2019 is the 40th anniversary of the establishment of the Foreign Trade Bank of Cambodia (FTB) (October 1979 – 2019). We celebrated the event in January to motivate the management and staff of all levels to further enhance our customer services and to gain more attentions from business sectors, and from both existing and potential customers, who have place great trusts on our bank. This year, we have improved our infrastructure to cope with the growing size of the bank by investing more in capital, human resources, core-banking system (T24) and modern digital payment solutions, etc., which have helped us achieve higher business performance compared to that of the years in prior. On behalf of Board of the Directors, I am pleased to present to you the Annual Report of 2019 and the directions of 2020 to ensure rewarding and assuring results for our customers and business partners, and to contribute to the economic and social development of

the country in the face of the sustained peace. Our aspiration is to attain our strategic objectives by pursuing the visions and missions of the Foreign Trade Bank of Cambodia. While upholding our values, and maintaining the financial stability of our bank, we also work to fulfill the expectations of our customers, shareholders, and employees. Human resources are our greatest assets, hence, we focus on continuing staff competency development to ensure that all of us have an equal chance to grow and succeed. In addition, we have also deployed state-of-the-art technology to modernize ourselves as a digital bank.

We also continue to strengthen our governance and risk appetite, while taking necessary steps to fulfil our social responsibilities and regulatory requirements. We firmly believe that these important measures will enable our bank to provide products and services of the best quality to our customers. Lastly, I would like to extend my profound thanks to our board members, management team and the employees for their tremendous efforts in the past years. I would like to also forward my sincere appreciation and gratitude to the shareholders and all members of the board for their supports and trusts. Last but not least, I would like express my deep gratefulness towards our customers who have chosen FTB as their partner.

Yours Sincerely,

A handwritten signature in blue ink, consisting of a stylized 'R' followed by a series of loops and a final downward stroke.

Roth Savuth

CEO'S MESSAGE



As the first and truly local bank trusted by customers and public since 1979, Foreign Trade Bank of Cambodia (FTB) celebrated the 40th Anniversary in 2019, a historic and proud moment for staff who are able to continue providing safe and quality services to all customers for continued growth and further progress in the coming years. In addition to marking the significant milestone of the 40-year long journey of operating successfully, FTB has continued to strengthen risk management framework and to expand business operation through modernizing the technology infrastructure, especially the enhancement of mobile banking, and the establishment of additional branches both in Phnom Penh and provinces in order to provide convenient access to all customers and to help promote financial inclusion. On the back of stability and growth of the domestic market and economy, FTB was able to achieve, as a result, satisfactory growth rate across all indicators and further strengthen the operating foundation in 2019.

In line with the Bank's long-term direction and vision to be the "Preferred Commercial Bank in Cambodia", various operational and strategic performances have been successfully implemented and achieved by the end of December 2019,

Some of the key highlights including: total assets reaching US\$1,489.0 Million, total deposit of US\$1,296.6 Million, total loan of US\$892.8 Million and net profit after tax (NPAT) of US\$25.0 Million. The NPAT of this level is a new record for FTB and has increased the total shareholders' equity to US\$139.9 Million, strengthening the Bank's capital base that will help sustain future growth.

All of the operational and strategic performances have been successfully implemented and achieved in 2019 through the trust and support provided by the Bank's valuable customers, partners, regulators, all members of the Board of Directors, shareholders, and the continued effort made by all staff. In order to advance such results and performances, the Bank has continued carrying on the implementation of several projects including the business continuity management with the establishment of disaster recovery center (DRC), the enhancement of the core banking system, the introduction of new products such as Visa Debit Card, Visa Contactless, and the review of products and services with the aim to provide modern and convenient access to all customers. In addition, the Bank has continued to increase the bank-wide activities on social corporate responsibility (CSR), to implement the initiatives of sustainable finance in line with the Sustainable Finance Principles, and to enhance staff capacity building through various technical and leadership training courses.

In closing the short summary on FTB's 2019 performances and results, I would like to express my sincere gratitude and thanks to our customers, business partners, stakeholders, regulators, shareholders, board members, management and staff for their continued support, significant contribution, and valuable guidance provided to me throughout 2019.

Yours Sincerely,

DITH Sochal

CORPORATE GOVERNMENT

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 values, we have designed the corporate governance policies and practices to meet the applicable legal requirements, and continuously monitor all proposed new rules to modify our policies and practices to meet 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 2019:



Mr. Roth Savuth
Chairman



Mr. Gui Anvanith
Vice-Chairman



Mr. Dith Sochal
General Manager and Board Member



Oknha Lim Bunsour
Board Member



H.E. Chou Vannak
Board Member



Mrs. Sok Chan Sona
Independent Board Member



Mr. Ly Tayseng
Independent Board Member

COMMITTEES UNDER BOARD LEVEL

Credit Committee

The Credit Committee is established to oversee, direct, and review the management of credit risk of the loan portfolio of FTB.

1.	Mrs. Sok Chan Sona	Chairman
2.	Mr. Gui Anvanith	Member
3.	Mr. Dith Sochal	Member
4.	Mrs. Lay Rachana	Member (resigned on 01 January 2020)
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 recommendations where appropriate. The Risk Committee is composed of 7 members:

1.	Mr. Ly Tayseng	Chairman
2.	Mr. Gui Anvanith	Member
3.	Mr. Dith Sochal	Member
4.	Mrs. Lay Rachana	Member (resigned on 01 January 2020)
5.	H.E. Chou Vannak	Member
6.	Ms. Nuon Borany	Member
7.	Head of Risk Management Department	Secretary

Audit and Compliance Committee

The Audit and compliance Committee is responsible for ensuring the compliance with legal and regulatory requirements, an accessing the relevance of the accounting methods used to prepare the individual and consolidated accounts, if any. It reviews and assesses the quality of the internal control procedures, in particular whether the systems for measuring, monitoring and controlling risks are consistent, and recommends further actions where appropriate. The Committee is composed of 5 members:

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

Remuneration and Nomination Committee

Remuneration and Nomination Committee is 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. The Committee is composed of 5 members:

- | | | |
|----|---------------------|--------------------|
| 1. | Mr. Roth Savuth | Chairman |
| 2. | Mr. Ly Tayseng | Member |
| 3. | Mr. Mean Channarith | Member |
| 4. | Mrs. Vicheth Dalina | Member |
| 5. | Mr. Pich Rathpiseth | Member & 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 branding, 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 7 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 Department | Member |
| 6. | Head of Marketing Department | Member |
| 7. | Mr. Soi Sathya | Member & Secretary |

COMMITTEES UNDER EXECUTIVE LEVEL

Executive Committee (EXCO)

The Executive Committee is 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 missions, as well as to promote management practices that are in compliance with the Bank's core values. The Committee is composed as following members:

- | | | |
|----|-------------------------|--------------------------------------|
| 1. | Mr. Dith Sochal | Chairman |
| 2. | Ms. Nuon Borany | Member |
| 3. | Mr. Mean Channarith | Member |
| 4. | Mrs. Lay Rachana | Member (resigned on 01 January 2020) |
| 5. | Mr. Ok Seiha | Member |
| 6. | All Head of Departments | Member |
| 7. | Secretary to CEO | Secretary |

Assets & Liabilities Committee (ALCO)

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

1.	Mr. Dith Sochal	Chairman
2.	Ms. Nuon Borany	Member
3.	Mr. Mean Channarith	Member
4.	Mrs. Lay Rachana	Member (resigned on 01 January 2020)
5.	Mr. Ok Seiha	Member
6.	Chea San	Member
7.	Sann Men	Member
8.	Head of International Department	Member
9.	Head of Operation Support Department	Member
10.	Head of Retail Banking Department	Member
11.	Mrs. Sok Vuochlang	Member & Secretary

Compliance with laws and regulations

- Governance in Banks and Financial Institutions, Prakas No. B7-08-211
- The Implementation of the new Chart of Account of the National Bank of Cambodia
- Liquidity Coverage Ratio- Prakas-B7-015-349 Pro. Kor
- New Capital requirement, Prakas No. B7-38-193
- Net Worth, Prakas No. B7-010-182 Pro. Kor
- The Banks' Solvency Ratio, Prakas No. B7-00-46, No. B7-04-206, B7-07-135, and B7-012-185
- Assets Classification and Provisioning, Prakas No. B7-09-074
- Fixed Assets, Prakas No. B7-01-186
- Net Open Position in Foreign Currency, Prakas No. B7-07-134
- Large Exposures, Prakas No. B7-06-226
- Loans to Related Parties, Prakas No. B7-01-137, B7-02-146 Pro. Kor
- Maintenance of Minimum Reserve Requirement. Prakas No. B7-09-075 Pro. Kor
- Prepaid Prepayments on Rental and Leases, Prakas No. B7-04-037
- Prakas on Reserve requirement fund for deposit and borrowing, Prakas No. B7-018-282 Prokor
- Prakas on Capital Buffer in Banking and Financial Institutions, Prakas No. B7-018-068 Prokor

SIGNIFICANT ACHIEVEMENTS

Credit

In 2019, Foreign Trade Bank of Cambodia has continued its significant contribution to Cambodia's economic development by providing loan to all sectors which make our loan portfolio grow 27.8% over the previous year. Especially, the bank has encourage lending to owner-occupied housing loan. With reference to Prakas of National Bank of Cambodia on Khmer Riel Loan, the bank has promoted Khmer Riel loan to customers who needs KHR to support business operation. The bank also strengthened the quality of loan portfolio and services to support the growth of the customers' business.

Trade Finance

Trade Finance service positively increased by 67% in 2019 compared to 2018. FTB 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. FTB has also been part of the economic development been FTB has supporting the Royal Government of Cambodia such as infrastructure, agriculture (Rice Export), tourism and private sectors in guarantee service.

International Remittance and Financial Institutions

International remittance plays a very important role to the growth of the Bank. Our inward-outward fees has increased 15% compared to 2018. The bank has complied with AML and KYC standards and implemented filtering system to screen all transactions with World Check. Besides International remittance services we also keep good relationship with customers, local partners and correspondent banks in the region and outside the region.

Digital Banking Services

Issuance of Visa debit card

After performing a pilot program amongst our employees and key customers since 3rd quarter of 2019, we believe that issuance of Visa debit card is much better than giving more features to our proprietary ATM cards. Visa debit card is directly linked with customer's account and automatically down the balance once financial transaction performed from related card. With Visa debit card, the customers enjoy a number of features such as in-store purchases, goods/services purchases on the internet, cash withdrawal at ATMs and bank branches. Apparently, transactions over the internet may



Integration with major partners

To grow its business as well as to increase the volume as long as transactions, the bank has relentlessly integrated its systems with partners' such as Telecommunication companies, major universities, and Bakong Switch. The integration has promoted financial inclusion amongst the banks and the customers of the participating partners. The exercise also includes integration with small, medium, and large scale ecommerce merchants. In addition, the bank has also developed Visa Micro-merchant program to enable the participation of small vendors in offering Visa scan-to-pay service to their customers.

Implementation of new and modern technology

Foreign Trade Bank of Cambodia has issued prepaid cards and offered card acceptance services for many years during which major corporation like Visa has introduced and deployed EMV contactless chip technology in many markets around the world to smoothen transaction of participants. In consideration of Visa member adaption and customer preferences in this technology as well as its standing risk mitigation features in similar ways of EMV contact chip, in July 2019, FTB has implemented this technology in its Visa card acceptance service, prepaid and debit card programs.

Enhancement of information security

To minimize the fraud risk arising from online transactions and virtual businesses. In quarter 2 of 2019, FTB has deployed fraud protection program namely 3D Secure Service (3DS) to protect e-commerce merchants and cardholders from internet frauds. The e-commerce merchants also require card issuing institutions to verify their cardholders using implemented measures and be liable for frauds that might eventually take place. Hence, for security purpose, FTB's cardholders are required to enter 6-digit OTP sent by the bank via their registered phone numbers or email address to complete transaction.

Branches Expansion /Network

To better serve our valuable customers across the sectors. In 2019, FTB has expanded our branches by opening two branches located in western city, Okide-2004 Branch and at the southern city, Takhmao Branch in Kandal province.



SUSTAINABILITY STATEMENT

FTB manages Environmental and Social Risks associated with the provision of financial services to its customers and with 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 communities in which we operate. We expect that integrating these consideration in our business will enable us to achieve our strategic objectives, developmental goal 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 Function under Risks management on annual report

ADOPTION OF CAMBODIAN SUSTAINABLE FINANCE PRINCIPLES

FTB has signed the voluntary of the nine Cambodian Sustainable Finance Principle 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 payment on fund transfer, mobile top-up, Wing transfer, 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 electrification entrepreneurs with more than 45 operators at a concessional rate, long term up to 10 years, and required almost non-property collaterals. 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 assistant grant from the European Union and a total portfolio on credit facility of UD\$ 15 million from Agence Francaise de Developmen.

E&S FOOTPRINT REPORT

Our People



435

Total Employees



57% 43%

Gender balance



24 H

Average hours of training per employee



People Leaders

RESOURCE EFFICIENCY

FTB has commitments 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.

SUPPLIERS AND CONTRACTORS

We integrate E&S value in dealing with vendors and supplier/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

Foreign Trade Bank of Cambodia (FTB) has actively participate in various corporate social responsibility activities (CSR) in its 40 years of banking operation. As a truly local bank, and the first commercial bank in Cambodia, established in 1979, FTB has implemented various CSR initiatives that have contributed to the sustainable development of the country. The initiatives have positive impact to our wider community and social at large. Over a long and proud journey of 40 years, FTB's consistent effort to drive key CSR activities cover a number of key aspects, which include donation to charitably organization, community volunteer work, and adopting sustainable financing principles and socially responsible business practices. These are embedded into one the Bank's missions, which is to operate in a socially and environmentally responsible manner.

As part of the implementation of its CSR activities, FTB has annually sponsored and funds, both in cash and in kind, to support various programs and entities across the country. The sponsor and donation, which has been made consistently over the years, include those to the Cambodia Red Cross, Royal University of Phnom Penh (RUPP)'s Charity Events, Hospitals (like Kuntha Bopha Children's Hospital), Cambodian Children's Funds, and Cambodia Hearing Day (via Raksa Koma Foundation), etc. Internally, as part of the FTB's established practice, it has championed to promote gender equity though yearly activities to mark and celebrate International Woman's Day.

In line with one of FTB's mission to operate in a socially and environmentally responsible manner, more CSR activities and initiatives are being and will be undertaken. And with that, FTB will continue playing crucial role as a truly local bank and active contributor to the sustainable development of the country in order to make positive impact to our community.

REPORT OF THE DIRECTORS

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 2019.

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 recognized 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 Kingdom of Cambodia.

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

Financial Results

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

	2019 US\$	2018 US\$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)
Profit before income tax	31,717,787	12,623,273	128,520,473	51,061,139
Income tax expense	(6,716,365)	(3,371,277)	(27,214,711)	(13,636,815)
Net profit for the year	25,001,422	9,251,996	101,305,762	37,424,324

Dividends

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

Share Capital

On 29 September 2018, the Board of Directors approved to increase share capital from to US\$75 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 ("NBC") on 7 February 2019.

On 17 October 2019, the amendment of the Memorandum and Articles of Association was endorsed with the Ministry of Commerce ("MOC").

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 loans and advances.

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

Current Assets

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

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

Valuation Methods

At the date of this report, the Directors 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.

Change of circumstances

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

Items of Unusual Nature

The results of the operations of the Bank for the financial year were not, in the opinion of the 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 period in which this report is made.

Events since the Reporting Date

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

Coronavirus and impact on ECL

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

The Board of Directors

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

Board of Directors

- | | | |
|----|-------------------|--|
| 1. | Mr. Roth Savuth | Chairman, Independent and non-executive director |
| 2. | H.E. Gui Anvanith | Vice Chairman, and Non-executive Director |
| 3. | Mr. Dith Sochal | Executive Director |
| 4. | Oknha Lim Bunsour | Non-executive Director |
| 5. | H.E. Chou Vannak | Non-executive Director |
| 6. | Ms. Sok Chan Sona | Independent and non-executive Director |
| 7. | Mr. Ly Tayseng | Independent and non-executive Director |

Executive Management

- | | | |
|----|--------------------|--|
| 1. | Mr. Dith Sochal | Chief Executive Officer (Appointed on 8 January 2020) |
| 2. | Ms. Nuon Borany | Chief Operation Officer (Appointed on 6 February 2020) |
| 3. | Mr. Mean Chanarith | Chief Business Officer (Appointed on 6 February 2020) |
| 4. | Mr. Ok Seiha | Chief Finance Officer (Appointed on 6 February 2020) |
| 5. | Mrs. Lay Rachana | Deputy General Manager (resigned on 1 January 2020) |

Directors' benefits

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

During the financial year, 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 company in which the Director has a substantial financial interest other than as disclosed in the financial statements.

Responsibility in Respect of the Financial Statements

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

- (i) adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- (ii) comply with Cambodian International Financial Reporting Standards ("CIFRSs") or, if there have been any departures in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the financial statements;
- (iii) oversee the Bank's financial reporting process and maintain adequate accounting records and an effective system of internal controls;
- (iv) assess the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so; and
- (v) effectively control and direct effectively the Bank in all material decisions affecting the operations and performance and ascertain that such have been properly reflected in the financial statements.

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

Approval of the Financial Statements

We hereby approve the accompanying financial statements together with the notes thereto as set out on pages 9 to 115 which, in our opinion, present fairly, in all material respects, the financial position of the Bank as at 31 December 2019, and its financial performance and its cash flows for the year then ended, in accordance with CIFRSs.

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



Mr. Dith Sochal

Executive Director and Chief Executive Officer
Phnom Penh, Kingdom of Cambodia

Date: 15 JUN 2020



Mr. Ok Seiha

Chief Finance Officer

REPORT OF THE INDEPENDANCE AUDITOR

Opinion

We have audited the financial statements of Foreign Trade Bank of Cambodia (“the Bank”), which comprise the statement of financial position as at 31 December 2019, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information as set out on pages 9 to 115 (hereafter referred to as “the financial statements”).

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

Basis for Opinion

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

Other Matter

As stated in Note 38 to the financial statements, the Bank adopted CIFRSs on 1 January 2019 with a transition date of 1 January 2018. These standards were applied retrospectively to the comparative information in these financial statements, including the statement of financial position as at 31 December 2018 and 1 January 2018, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year ended 31 December 2018 and related explanatory notes. We were not engaged to audit on the restated comparative information and it is unaudited.

Our responsibilities in respect of this comparative information is to determine whether the financial statements include the comparative information required by CIFRSs and whether such information is appropriately classified.

Other Information

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

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

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

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

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

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

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

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
15 June 2020

STATEMENT OF FINANCIAL POSITION

as at 31 December 2019

as at 31 December 2019

		31 December		31 December		1 January 2018	
	Note	2019	2018	2019	2018		
		US\$	US\$	KHR'000	KHR'000	US\$	KHR'000
				(Note 5)	(Note 5)		(Note 5)
ASSETS							
Cash and cash equivalents	6	354,218,718	345,724,389	1,443,441,276	1,389,120,595	288,354,954	1,164,088,949
Placements with banks and financial institutions	7	32,347,368	57,324,949	131,815,525	230,331,645	41,937,878	169,303,213
Statutory deposits	8	160,152,626	135,290,539	652,621,951	543,597,386	108,884,226	439,565,620
Loans and advances to customers – net	9	892,825,013	696,090,449	3,638,261,928	2,796,891,424	531,264,657	2,144,715,420
Other assets	10	2,459,349	1,873,108	10,021,846	7,526,149	1,538,481	6,210,849
Foreclosed properties	11	34,013,974	31,605,215	138,606,944	126,989,754	17,198,715	69,431,212
Intangible assets	12	1,885,244	2,177,103	7,682,369	8,747,600	1,469,676	5,933,082
Property and equipment	13	7,349,637	6,604,879	29,949,771	26,538,404	13,329,778	53,812,314
Right-of-use assets	14	2,874,415	3,735,082	11,713,241	15,007,559	3,113,929	12,570,931
Deferred tax assets – net	22(A)	912,516	1,415,945	3,718,503	5,689,267	1,727,980	6,975,855
Total assets		1,489,038,860	1,281,841,658	6,067,833,354	5,150,439,783	1,008,820,274	4,072,607,445
LIABILITIES AND SHAREHOLDERS' EQUITY							
Liabilities							
Deposits from customers	15	1,254,963,006	1,083,219,529	5,113,974,249	4,352,376,068	821,458,407	3,316,227,589
Deposits from banks and financial institutions	16	41,587,758	59,038,423	169,470,114	237,216,384	61,560,942	248,521,523
Borrowings	17	9,717,364	11,876,778	39,598,258	47,720,894	14,036,192	56,664,107
Subordinated debts	18	27,184,550	-	110,777,041	-	-	-
Lease liabilities	19	3,467,059	4,294,949	14,128,265	17,257,105	3,558,905	14,367,299
Other liabilities	20	3,180,706	2,417,791	12,961,377	9,714,685	2,564,098	10,351,264
Provision for employee benefits	21	2,590,580	3,139,553	10,556,614	12,614,724	3,071,483	12,399,577
Provision for off-balance sheet commitments		1,322,029	505,078	5,387,268	2,029,403	95,929	387,265
Current income tax liability	22(B)	5,111,487	2,436,658	20,829,310	9,790,492	1,313,415	5,302,256
Total liabilities		1,349,124,539	1,166,928,759	5,497,682,496	4,688,719,755	907,659,371	3,664,220,880
Shareholders' equity							
Share capital	23	79,500,000	75,000,000	318,000,000	300,000,000	75,000,000	300,000,000
Additional contribution from shareholders		-	4,500,000	-	18,081,000	-	-
General reserves	24	195,590	195,590	797,029	785,881	195,590	789,597
Regulatory reserves	25	13,485,783	6,538,474	54,638,887	26,328,603	3,000,759	12,114,064
Retained earnings		46,732,948	28,678,835	188,913,167	115,917,689	22,964,554	92,707,904
Currency translation difference		-	-	7,801,775	606,855	-	2,775,000
Total shareholder's equity		139,914,321	114,912,899	570,150,858	461,720,028	101,160,903	408,386,565
Total liabilities and shareholder's equity		1,489,038,860	1,281,841,658	6,067,833,354	5,150,439,783	1,008,820,274	4,072,607,445

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For Year Ended 31 December 2019

		2019	2018	2019	2018
	Note	US\$	US\$	KHR'000	KHR'000
				(Note 5)	(Note 5)
Operating income					
Interest income	26	75,575,011	60,147,699	306,229,945	243,297,442
Interest expense	27	(43,138,825)	(32,781,737)	(174,798,519)	(132,602,126)
Net interest income		32,436,186	27,365,962	131,431,426	110,695,316
Net fee and commission income	28	4,728,560	3,434,650	19,160,125	13,893,159
Other income	29	286,511	4,005,086	1,160,943	16,200,573
Total operating profit		37,451,257	34,805,698	151,752,494	140,789,048
Personnel expenses	30	(7,011,825)	(6,539,444)	(28,411,915)	(26,452,051)
Depreciation and amortisation	31	(2,638,068)	(2,431,529)	(10,689,452)	(9,835,535)
General and administrative expenses	32	(4,547,343)	(2,920,043)	(18,425,834)	(11,811,574)
Total operating expenses		(14,197,236)	(11,891,016)	(57,527,201)	(48,099,160)
Operating profit before impairment		23,254,021	22,914,682	94,225,293	92,689,888
Impairment losses on financial instruments	9(ii)	8,463,766	(10,291,409)	34,295,180	(41,628,749)
Profit before income tax		31,717,787	12,623,273	128,520,473	51,061,139
Income tax expense	22(C)	(6,716,365)	(3,371,277)	(27,214,711)	(13,636,815)
Net profit for the year		25,001,422	9,251,996	101,305,762	37,424,324
Other comprehensive income					
Currency translation difference		-	-	(2,168,145)	7,113,920
Total comprehensive income for the year		25,001,422	9,251,996	99,137,617	44,538,244

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

STATEMENT OF CHANGE IN EQUITY

For The Year Ended 31 December 2019

	Share capital		shareholders		General reserves		Regulatory reserves		Retained earnings		Currency translation difference		Total	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
	(Note 5)		(Note 5)		(Note 5)		(Note 5)		(Note 5)		(Note 5)		(Note 5)	
Balance as at 1 January 2018	75,000,000	300,000,000	-	-	195,590	789,597	3,000,759	12,114,064	22,964,554	92,707,904	-	2,775,000	101,160,903	408,386,565
Transactions recognised directly in equity														
Additional contribution from shareholders	-	-	4,500,000	18,081,000	-	-	-	-	-	-	-	-	4,500,000	18,081,000
Transfers to regulatory reserves	-	-	-	-	-	-	3,537,715	14,214,539	(3,537,715)	(14,214,539)	-	-	-	-
Comprehensive income														
Net profit for the year	-	-	-	-	-	-	-	-	9,251,996	37,424,324	-	-	9,251,996	37,424,324
Currency translation difference	-	-	-	-	-	(3,716)	-	-	-	-	-	(2,168,145)	-	(2,171,861)
Balance as at 31 December 2018	75,000,000	300,000,000	4,500,000	18,081,000	195,590	785,881	6,538,474	26,328,603	28,678,835	115,917,689	-	606,855	114,912,899	461,720,028
Balance as at 1 January 2019	75,000,000	300,000,000	4,500,000	18,081,000	195,590	785,881	6,538,474	26,328,603	28,678,835	115,917,689	-	606,855	114,912,899	461,720,028
Transactions recognised directly in equity														
Transfers to share capital	4,500,000	18,000,000	(4,500,000)	(18,081,000)	-	-	-	-	-	-	-	81,000	-	-
Transfers to regulatory reserves	-	-	-	-	-	-	6,947,309	28,310,284	(6,947,309)	(28,310,284)	-	-	-	-
Comprehensive income														
Net profit for the year	-	-	-	-	-	-	-	-	25,001,422	101,305,762	-	-	25,001,422	101,305,762
Currency translation difference	-	-	-	-	-	11,148	-	-	-	-	-	7,113,920	-	7,125,068
Balance as at 31 December 2019	79,500,000	318,000,000	-	-	195,590	797,029	13,485,783	54,638,887	46,732,948	188,913,167	-	7,801,775	139,914,321	570,150,858

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

STATEMENT OF CASH FLOW

For The Year Ended 31 December 2019

	Note	2019 US\$	2018 US\$	2019 KHR'000	2018 KHR'000
Cash flows from operating activities				(Note 5)	(Note 5)
Net profit for the year		25,001,422	9,251,996	101,305,762	37,424,324
Adjustments for:					
Depreciation and amortisation		2,638,068	2,431,529	10,689,452	9,835,535
Income tax expense		6,716,365	3,371,277	27,214,711	13,636,815
Impairment losses on financial instruments	9	198,441	819,916	804,083	3,316,561
Loss/(gain) on property and equipment written off and disposals		87,883	(3,689,758)	356,102	(14,925,071)
Net interest income		(32,436,186)	(27,365,962)	(131,431,426)	(110,695,316)
		2,205,993	(15,181,002)	8,938,684	(61,407,152)
Changes in:					
Deposits and placements with banks and financial institutions		25,001,376	(15,369,933)	101,305,576	(62,171,379)
Loans and advances		(198,533,245)	(179,663,956)	(804,456,709)	(726,740,702)
Statutory deposits		(24,862,087)	(26,406,313)	(100,741,177)	(106,813,536)
Other assets		(673,700)	(334,627)	(2,729,832)	(1,353,566)
Deposits from customers		171,743,477	261,761,122	695,904,569	1,058,823,738
Deposits from other banks and financial institutions		(17,450,665)	(2,522,519)	(70,710,095)	(10,203,589)
Provision for employee benefits		(548,973)	68,070	(2,224,439)	275,343
Other liabilities		762,915	(146,307)	3,091,332	(591,812)
Cash (used in)/generated from operations		(42,354,909)	22,204,535	(171,622,091)	89,817,345
Interest received		75,575,011	60,147,699	306,229,945	243,297,442
Interest paid		(42,873,791)	(32,508,352)	(173,724,601)	(131,496,284)
Income tax paid	22(B)	(3,538,107)	(1,935,999)	(14,336,410)	(7,831,116)
Net cash (used in)/generated from operating activities		(13,191,796)	47,907,883	(53,454,157)	193,787,387
Cash flows from investing activities					
Purchase of property and equipment		(2,035,328)	(637,417)	(8,247,149)	(2,578,352)
Proceeds from disposal of property and equipment		-	9,678,543	-	39,149,706
Purchase of intangible assets		(186,004)	(961,248)	(753,688)	(3,888,248)
Net cash (used in)/generated from investing activities		(2,221,332)	8,079,878	(9,000,837)	32,683,106
Cash flows from financing activities					
Additional contribution from shareholders		-	4,500,000	-	18,202,500
Lease payments		(1,102,316)	(962,671)	(4,466,584)	(3,894,004)
Repayments of borrowings		(2,159,414)	(2,159,414)	(8,749,946)	(8,734,830)
Proceeds from subordinated debts		27,184,550	-	110,151,797	-
Net cash generated from financing activities		23,922,820	1,377,915	96,935,267	5,573,666
Net increase in cash and cash equivalents		8,509,692	57,365,676	34,481,273	232,044,159
Cash and cash equivalents at beginning of the year		345,726,424	288,360,748	1,389,128,772	1,164,112,340
Currency translation difference		-	-	19,902,127	(7,027,727)
Cash and cash equivalents at end of the year	6	354,236,116	345,726,424	1,443,512,172	1,389,128,772

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

1. Reporting entity

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 (“NBC” or “the Central Bank”). The Bank is recognised as a public limited company by the Ministry of Commerce (“MOC”) under the registration number Co.8835 M/2006 dated 21 June 2006.

The Bank holds a commercial banking license from NBC 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 the Kingdom of Cambodia.

The registered office of the Bank is located at No.33C-D Tchecoslovaquie Blvd., Sangkat Veal Vong, Khan 7 Makara, Phnom Penh, Kingdom of Cambodia.

As at 31 December 2019, the Bank had 435 employees (2018: 380 employees).

2. Basis of accounting

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

In the previous financial years, the financial statements were prepared in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia (“NBC”) relating to the preparation and presentation of financial statements (collectively referred to as “Cambodia GAAP”). An explanation of how the transition to CIFRS have affected the reported financial position, financial performance and cash flows is provided in Note 38.

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

Details of the Bank’s accounting policies are included in Note 37.

The financial statements of the Bank were authorised for issue by the Board of Directors on 15 June 2020.

3. Functional and presentation currency

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

These financial statements are presented in US\$, which is the Bank’s functional currency. All amounts have been rounded to the nearest dollar and thousand Khmer Riel “KHR’000” for US\$ and KHR amounts respectively, except when otherwise indicated.

4. Use of judgments and estimates

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

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

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

- Note 37C(ii): classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.

- Note 37C(vii): establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of models used to measure ECL.

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

- Note 37C(vii): impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information.

- Note 37C(vi): determination of the fair value of financial instruments with significant unobservable inputs.

- Note 37C(vii): impairment of financial instruments: key assumptions used in estimating recoverable cash flows.

5. Translation of United States Dollars into Khmer Riel

The financial statements are expressed in United States Dollars ("US\$"). The translations of US\$ amounts into Khmer Riel ("KHR") are included solely for compliance with purpose of the preparation of financial statements.

Assets and liabilities are translated at the closing rate as at the reporting date. The statements of profit or loss comprehensive income and cash flows are translated into KHR using the average rate for the year. Exchange differences arising from the translation are recognised as "Currency Translation Difference" in the other comprehensive income.

The Bank uses the following exchange rates:

			Closing rate	Average rate
31 December 2019	US\$ 1	=	KHR 4,075	KHR 4,052
31 December 2018	US\$ 1	=	KHR 4,018	KHR 4,045
1 January 2018	US\$ 1	=	KHR 4,037	N/A

These convenience translations should not be construed as representations that the US\$ amounts have been, could have been, or could in the future be, converted into KHR at this or any other rate of exchange.

6. Cash and cash equivalents

	31 December		31 December		1 January 2018	
	2019	2018	2019	2018	US\$	KHR'000
	US\$	US\$	KHR'000	KHR'000		(Note 5)
			(Note 5)	(Note 5)		
Cash on hands	22,999,966	32,685,269	93,724,861	131,329,411	29,329,452	118,402,998
Cash in banks with original maturity less than 3 months	259,707,244	271,815,565	1,058,307,019	1,092,154,940	241,273,448	974,020,910
Cash in National Bank of Cambodia	71,528,906	41,225,590	291,480,292	165,644,421	17,757,848	71,688,432
Cash in other banks and financial institutions	354,236,116	345,726,424	1,443,512,172	1,389,128,772	288,360,748	1,164,112,340
	(17,398)	(2,035)	(70,896)	(8,177)	(5,794)	(23,391)
Less: Allowance for impairment loss	354,218,718	345,724,389	1,443,441,276	1,389,120,595	288,354,954	1,164,088,949

The movements of impairment loss allowance on cash and cash equivalents were as follows:

	2019	2018	2019	2018
	US\$	US\$	KHR'000	KHR'000
			(Note 5)	(Note 5)
At 1 January	2,035	5,794	8,177	23,391
Allowance for/(reversals of) impairment for the year (Note 9(ii))	15,363	(3,759)	62,251	(15,205)
Currency translation difference	-	-	468	(9)
At 31 December	17,398	2,035	70,896	8,177

7. Placements with banks and financial institutions

	31 December		31 December		1 January 2018	
	2019	2018	2019	2018	US\$	KHR'000
	US\$	KHR'000	US\$	KHR'000		(Note 5)
		(Note 5)	(Note 5)			
Cash on hands	21,187,165	45,229,170	86,337,697	181,730,805	19,094,274	77,083,584
Cash in banks with original maturity less than 3 months	11,224,317	12,183,688	45,739,092	48,954,058	22,948,651	92,643,704
Cash in National Bank of Cambodia	32,411,482	57,412,858	132,076,789	230,684,863	42,042,925	169,727,288
Cash in other banks and financial institutions	(64,114)	(87,909)	(261,264)	(353,218)	(105,047)	(424,075)
Less: Allowance for impairment loss	32,347,368	57,324,949	131,815,525	230,331,645	41,937,878	169,303,213

The movements of impairment loss allowance on placements with banks and financial institution were as follow:

	2019	2018	2019	2018
	US\$	US\$	KHR'000	KHR'000
			(Note 5)	(Note 5)
At 1 January	87,909	105,047	353,218	424,075
Allowance for/(reversals of) impairment for the year (Note 9(ii))	(23,795)	(17,138)	(96,417)	(69,323)
Currency translation difference	-	-	4,463	(1,534)
At 31 December	64,114	87,909	261,264	353,218

Gross amount of placements with banks and financial institutions are analysed as follow:

	31 December 2019		31 December 2018		1 January 2018	
	US\$	US\$	KHR'000	KHR'000	US\$	KHR'000
			(Note 5)	(Note 5)		(Note 5)
A. By maturity:						
Within 1 month	99,696	1,514,199	406,261	6,084,052	28,244,344	114,022,417
> 1 to 3 months	22,971,779	1,163,125	93,609,999	4,673,436	6,065,712	24,487,279
> 3 to 12 months	9,109,513	54,510,204	37,121,265	219,022,000	7,511,808	30,325,169
Over 5 years	230,494	225,330	939,264	905,375	221,061	892,423
	<u>32,411,482</u>	<u>57,412,858</u>	<u>132,076,789</u>	<u>230,684,863</u>	<u>42,042,925</u>	<u>169,727,288</u>
B. By currency:						
US Dollars	28,124,723	27,380,232	114,608,246	110,013,772	15,398,812	62,165,004
Khmer Riel	4,286,759	30,032,626	17,468,543	120,671,091	26,644,113	107,562,284
	<u>32,411,482</u>	<u>57,412,858</u>	<u>132,076,789</u>	<u>230,684,863</u>	<u>42,042,925</u>	<u>169,727,288</u>
C. By interest rate (per annum):		2019			2018	
Term deposit		0.70% - 5.75%			1.24% - 6.50%	

8. Statutory deposits

	31 December 2019		31 December 2018		1 January 2018	
	US\$	US\$	KHR'000	KHR'000	US\$	KHR'000
			(Note 5)	(Note 5)		(Note 5)
Statutory capital deposit	7,970,417	7,523,441	32,479,449	30,229,186	7,512,589	30,328,322
Reserve requirements on customers' and banks' deposits	152,182,209	127,767,098	620,142,502	513,368,200	101,371,637	409,237,298
	<u>160,152,626</u>	<u>135,290,539</u>	<u>652,621,951</u>	<u>543,597,386</u>	<u>108,884,226</u>	<u>439,565,620</u>

A. Statutory capital deposit

Under the NBC's Prakas No. B7-01-136 dated 15 October 2001, the Bank is required to maintain a statutory deposit 10% of its capital. This deposit is not available for use in the Bank's day-to-day operations and is refundable should the Bank voluntarily cease its operations in Cambodia. During the year, the interest earned at six months fixed rate of 0.48% per annum (2018: 0.62% per annum).

B. Reserve requirements on customers' and banks' deposits

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

9. Loans and advances to customers – net

	31 December		31 December		1 January 2018	
	2019	2018	2019	2018	2018	2018
	US\$	US\$	KHR'000	KHR'000	US\$	KHR'000
			(Note 5)	(Note 5)		(Note 5)
Commercial loans:						
Overdrafts	43,119,012	28,563,071	175,709,974	114,766,419	182,908,269	738,400,682
Short term loans	289,473,003	253,306,562	1,179,602,487	1,017,785,766	30,918,465	124,817,843
Long term loans	227,920,012	194,680,081	928,774,049	782,224,565	207,474,386	837,574,096
Loans to other banks and micro-finance institutions	32,437,538	6,222,850	132,182,967	25,003,411	985,644	3,979,045
	<u>592,949,565</u>	<u>482,772,564</u>	<u>2,416,269,477</u>	<u>1,939,780,161</u>	<u>422,286,764</u>	<u>1,704,771,666</u>
Consumer loans:						
Staff loans	5,477,354	3,489,257	22,320,218	14,019,835	1,850,915	7,472,144
Housing loans	300,986,790	217,027,402	1,226,521,169	872,016,102	113,894,088	459,790,433
	<u>306,464,144</u>	<u>220,516,659</u>	<u>1,248,841,387</u>	<u>886,035,937</u>	<u>115,745,003</u>	<u>467,262,577</u>
Loans and advances – gross	899,413,709	703,289,223	3,665,110,864	2,825,816,098	538,031,767	2,172,034,243
Less: Impairment loss allowance	(6,588,696)	(7,198,774)	(26,848,936)	(28,924,674)	(6,767,110)	(27,318,823)
Loans and advances – net	<u>892,825,013</u>	<u>696,090,449</u>	<u>3,638,261,928</u>	<u>2,796,891,424</u>	<u>531,264,657</u>	<u>2,144,715,420</u>

(i) The movements of allowance for impairment loss on loans and advances to customers were as follows:

	2019	2018	2019	2018
	US\$	US\$	KHR'000	KHR'000
			(Note 5)	(Note 5)
At 1 January	7,198,774	6,767,110	28,924,674	27,318,823
Allowance for/(reversals of) impairment for the year (Note 9(ii))	(610,078)	431,664	(2,472,036)	1,746,081
	-	-	396,298	(140,230)
Currency translation difference	<u>6,588,696</u>	<u>7,198,774</u>	<u>26,848,936</u>	<u>28,924,674</u>
At 31 December				

(ii) Impairment losses on financial instruments recognised in profit or loss are summarised as follows:

	2019	2018	2019	2018
	US\$	US\$	KHR'000	KHR'000
			(Note 5)	(Note 5)
Allowance for impairment loss on loans and advances	610,078	(431,664)	2,472,036	(1,746,081)
(Reversal of)/allowance for impairment loss on cash and cash equivalents (Note 6)	(15,363)	3,759	(62,251)	15,205
Allowance for impairment loss on placements with banks and financial institutions (Note 7)	23,795	17,138	96,417	69,323
Reversal of impairment loss on off- balance sheet commitments (Note 33)	(816,951)	(409,149)	(3,310,285)	(1,655,008)
	-	(14,177,802)	-	(57,349,208)
Loans and advances written off	8,662,207	4,705,810	35,099,263	19,035,002
Recovery of loans and advances written off	-	499	-	2,018
Currency translation difference	<u>8,463,766</u>	<u>(10,291,409)</u>	<u>34,295,180</u>	<u>(41,628,749)</u>

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

	31 December		31 December		1 January 2018	
	2019	2018	2019	2018		
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
	(Note 5)		(Note 5)		(Note 5)	
A. By maturity:						
Within 1 month	81,192,625	62,769,867	330,859,947	252,209,326	80,092,673	323,334,121
> 1 to 3 months	75,463,653	38,882,433	307,514,386	156,229,616	42,271,791	170,651,220
> 3 to 12 months	153,279,735	96,805,433	624,614,920	388,964,230	80,977,733	326,907,108
> 1 to 5 years	276,776,227	281,827,199	1,127,863,125	1,132,381,686	211,978,841	855,758,581
Over 5 years	312,701,469	223,004,291	1,274,258,486	896,031,240	122,710,729	495,383,213
	<u>899,413,709</u>	<u>703,289,223</u>	<u>3,665,110,864</u>	<u>2,825,816,098</u>	<u>538,031,767</u>	<u>2,172,034,243</u>
B. By relationship:						
Staff loans	4,680,836	3,435,290	19,074,407	13,802,995	2,753,628	11,116,396
Related parties	796,518	53,967	3,245,811	216,839	77,613	313,324
Non-related parties	893,936,355	699,799,966	3,642,790,646	2,811,796,264	535,200,526	2,160,604,523
	<u>899,413,709</u>	<u>703,289,223</u>	<u>3,665,110,864</u>	<u>2,825,816,098</u>	<u>538,031,767</u>	<u>2,172,034,243</u>

For additional analysis of gross amount of loans and advances to customers, refer to Note 35B.

10. Other assets

	31 December		31 December		1 January 2018	
	2019	2018	2019	2018		
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
	(Note 5)		(Note 5)		(Note 5)	
Advances and prepayments	1,823,236	1,706,554	7,429,687	6,856,934	1,071,896	4,327,244
Investment in Credit Bureau of Cambodia ("CBC")	25,000	25,000	101,875	100,450	25,000	100,925
Others	611,113	141,554	2,490,284	568,765	441,585	1,782,680
	<u>2,459,349</u>	<u>1,873,108</u>	<u>10,021,846</u>	<u>7,526,149</u>	<u>1,538,481</u>	<u>6,210,849</u>

11. 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 19 September 2019, the Bank submitted a request letter to the NBC to delay the period of holding the properties and has not received approval yet.

	2019	2018	2019	2018
	US\$	US\$	KHR'000	KHR'000
			(Note 5)	(Note 5)
At 1 January	31,605,215	17,198,715	126,989,754	69,431,212
Allowance for/(reversals of) impairment for the year (Note 9(ii))	2,408,759	14,406,500	9,760,291	58,274,293
	-	-	1,856,899	(715,751)
Currency translation difference	34,013,974	31,605,215	138,606,944	126,989,754
At 31 December				

As at 31 December 2019, these foreclosed properties have the estimated fair value of US\$ 58,409,242.

12. Intangible assets

	2019	2018	2019	2018
	US\$	US\$	KHR'000	KHR'000
			(Note 5)	(Note 5)
Cost				
At 1 January	3,347,223	2,385,975	13,449,142	9,632,181
Additions	186,004	961,248	753,688	3,888,248
Currency translation difference	-	-	195,070	(71,287)
At 31 December	3,533,227	3,347,223	14,397,900	13,449,142
Less: Accumulated amortisation				
At 1 January	1,170,120	916,299	4,701,542	3,699,099
Amortisation	506,928	253,821	2,054,072	1,026,706
Other adjustments	(29,065)	-	(117,771)	(24,263)
Currency translation difference	-	-	77,688	4,701,542
At 31 December	1,647,983	1,170,120	6,715,531	3,699,099
Carrying amounts				
At 31 December	1,885,244	2,177,103	7,682,369	8,747,600
At 1 January		1,469,676		5,933,082

13. 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\$	KHR'000
2019										(Note 5)
Cost										
At 1 January 2019	1,707,879	1,527,000	1,171,886	1,356,150	2,282,811	5,083,538	1,224,600	137,423	14,491,287	58,225,991
Additions	-	-	-	-	635,391	337,105	380,535	682,297	2,035,328	8,247,149
Transfers	-	-	289,494	-	-	-	-	(289,494)	-	-
Written off	-	-	-	-	-	-	-	(87,883)	(87,883)	(356,102)
Currency translation difference	-	-	-	-	-	-	-	-	-	870,795
At 31 December 2019	1,707,879	1,527,000	1,461,380	1,356,150	2,918,202	5,420,643	1,605,135	442,343	16,438,732	66,987,833
Less: Accumulated depreciation										
At 1 January 2019	-	-	403,691	983,139	1,357,668	4,294,487	847,423	-	7,886,408	31,687,587
Depreciation	-	-	197,486	-	423,960	448,398	191,237	-	1,261,081	5,109,900
Other adjustments	-	-	-	-	-	(58,394)	-	-	(58,394)	(236,612)
Currency translation difference	-	-	-	-	-	-	-	-	-	477,187
At 31 December 2019	-	-	601,177	983,139	1,781,628	4,684,491	1,038,660	-	9,089,095	37,038,062
Carrying amounts										
At 31 December 2019	1,707,879	1,527,000	860,203	373,011	1,136,574	736,152	566,475	442,343	7,349,637	29,949,771
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	80,775,388
Additions	-	-	-	14,666	359,438	204,323	58,990	-	637,417	2,578,352
Written off	-	-	-	-	(1,964)	(4,647)	(159,500)	-	(166,111)	(671,919)
Disposals	(5,988,785)	-	-	-	-	-	-	-	(5,988,785)	(24,224,635)
Currency translation difference	-	-	-	-	-	-	-	-	-	(231,195)
At 31 December 2018	1,707,879	1,527,000	1,171,886	1,356,150	2,282,811	5,083,538	1,224,600	137,423	14,491,287	58,225,991
Less: Accumulated depreciation										
At 1 January 2018	-	-	338,713	825,604	970,456	3,701,489	842,726	-	6,678,988	26,963,075
Depreciation	-	-	64,978	157,535	389,176	597,645	164,197	-	1,373,531	5,555,933
Written off	-	-	-	-	(1,964)	(4,647)	(159,500)	-	(166,111)	(671,919)
Currency translation difference	-	-	-	-	-	-	-	-	-	(159,502)
At 31 December 2018	-	-	403,691	983,139	1,357,668	4,294,487	847,423	-	7,886,408	31,687,587
Carrying amounts										
At 31 December 2018	1,707,879	1,527,000	768,195	373,011	925,143	789,051	377,177	137,423	6,604,879	26,538,404

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

14. Right-of-use assets

Information about the Bank's leases is disclosed within this note and Note 19.

31 December 2019		31 December 2018		1 January 2018	
US\$	KHR'000	KHR'000	US\$	US\$	KHR'000
(Note 5)		(Note 5)			(Note 5)
2,874,415	3,735,082	11,713,241	15,007,559	3,113,929	12,570,931

Right-of-use assets

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

	Office space US\$	ATM space US\$	Total US\$	KHR'000 (Note 5)
Right-of-use assets				
At 1 January 2019	2,288,615	1,446,467	3,735,082	15,007,559
Additions	-	9,392	9,392	38,056
Depreciation for the year	(554,733)	(315,326)	(870,059)	(3,525,479)
Currency translation difference	-	-	-	193,105
At 31 December 2019	1,733,882	1,140,533	2,874,415	11,713,241
Right-of-use assets				
At 1 January 2018	1,421,430	1,692,500	3,113,929	12,570,931
Additions	1,356,958	68,371	1,425,330	5,765,460
Depreciation for the year	(489,773)	(314,404)	(804,177)	(3,252,896)
Currency translation difference	-	-	-	(75,936)
At 31 December 2018	2,288,615	1,446,467	3,735,082	15,007,559

15. Deposits from customers

	31 December 2019	31 December 2018	31 December 2019	31 December 2018	1 January 2018	
	US\$	US\$	KHR'000	KHR'000	US\$	KHR'000
			(Note 5)	(Note 5)		(Note 5)
Current accounts	209,233,951	164,560,607	852,628,350	661,204,519	163,857,281	661,491,843
Saving accounts	220,488,327	313,586,481	898,489,933	1,259,990,481	217,829,590	879,378,055
Fixed deposits	823,633,877	601,216,404	3,356,308,049	2,415,687,511	438,417,177	1,769,890,144
Margin deposits	1,522,147	3,809,957	6,202,749	15,308,407	1,335,475	5,391,313
Others deposit	84,704	46,080	345,168	185,150	18,884	76,234
	<u>1,254,963,006</u>	<u>1,083,219,529</u>	<u>5,113,974,249</u>	<u>4,352,376,068</u>	<u>821,458,407</u>	<u>3,316,227,589</u>

Deposits from customers are analysed as follows:

	31 December 2019	31 December 2018	31 December 2019	31 December 2018	1 January 2018	
	US\$	US\$	KHR'000	KHR'000	US\$	KHR'000
			(Note 5)	(Note 5)		(Note 5)
A. By maturity:						
Within 1 month	551,025,580	544,088,612	2,245,429,238	2,186,148,044	458,936,595	1,852,727,034
> 1 to 3 months	109,101,897	113,475,200	444,590,230	455,943,354	85,887,692	346,728,613
> 3 to 6 months	113,599,706	120,517,190	462,918,802	484,238,069	101,384,107	409,287,640
> 6 to 12 months	161,145,386	107,048,617	656,667,448	430,121,343	74,420,223	300,434,440
> 1 to 5 years	251,390,918	147,310,073	1,024,417,991	591,891,873	89,823,955	362,619,306
Over 5 years	68,699,519	50,779,837	279,950,540	204,033,385	11,005,835	44,430,556
	<u>1,254,963,006</u>	<u>1,083,219,529</u>	<u>5,113,974,249</u>	<u>4,352,376,068</u>	<u>821,458,407</u>	<u>3,316,227,589</u>
B. By customer type:						
Domestic corporations	439,887,032	486,627,867	1,792,539,655	1,955,270,770	213,832,680	863,242,529
Foreign corporations	179,182	510	730,167	2,049	569,691	2,299,843
Individuals	813,249,958	592,735,115	3,313,993,579	2,381,609,692	415,212,325	1,676,212,156
Other	1,646,834	3,856,037	6,710,848	15,493,557	191,843,711	774,473,061
	<u>1,254,963,006</u>	<u>1,083,219,529</u>	<u>5,113,974,249</u>	<u>4,352,376,068</u>	<u>821,458,407</u>	<u>3,316,227,589</u>
C. By residency status:						
Residents	1,250,458,381	1,083,202,651	5,095,617,903	4,352,308,252	817,122,508	3,298,723,565
Non-residents	4,504,625	16,878	18,356,346	67,816	4,335,899	17,504,024
	<u>1,254,963,006</u>	<u>1,083,219,529</u>	<u>5,113,974,249</u>	<u>4,352,376,068</u>	<u>821,458,407</u>	<u>3,316,227,589</u>
D. By relationship:						
Third parties	1,254,546,460	1,082,395,581	5,112,276,825	4,349,065,444	821,323,994	3,315,684,964
Related parties	416,546	823,948	1,697,424	3,310,624	134,413	542,625
	<u>1,254,963,006</u>	<u>1,083,219,529</u>	<u>5,113,974,249</u>	<u>4,352,376,068</u>	<u>821,458,407</u>	<u>3,316,227,589</u>
E. By currency:						
US Dollars	1,071,339,430	929,709,162	4,365,708,177	3,735,571,413	723,085,422	2,919,095,849
Khmer Riel	181,009,996	152,997,102	737,615,734	614,742,355	96,124,903	388,056,233
Other	2,613,580	513,265	10,650,338	2,062,300	2,248,082	9,075,507
	<u>1,254,963,006</u>	<u>1,083,219,529</u>	<u>5,113,974,249</u>	<u>4,352,376,068</u>	<u>821,458,407</u>	<u>3,316,227,589</u>
F. By interest rate (per annum):						
Current accounts (*)		2019 0% - 0.75%			2018 0% - 0.75%	
Saving accounts		0.75% - 2.00%			0.75% - 2.00%	
Fixed deposits		1.50% - 7.75%			1.50% - 7.75%	

16. Deposits from other banks and financial institutions

	31 December		31 December		1 January 2018	
	2019	2018	2019	2018	2018	2018
	US\$	US\$	KHR'000	KHR'000	US\$	KHR'000
			(Note 5)	(Note 5)		(Note 5)
Current accounts	27,253,114	21,583,125	111,056,440	86,720,996	6,106,911	24,653,600
Savings accounts	716,130	516,790	2,918,230	2,076,462	1,099,243	4,437,644
Term deposits	13,618,514	36,938,508	55,495,444	148,418,926	54,354,788	219,430,279
	41,587,758	59,038,423	169,470,114	237,216,384	61,560,942	248,521,523

Deposits from banks and financial institutions are analysed as follows:

	31 December		31 December		1 January 2018	
	2019	2018	2019	2018	2018	2018
	US\$	US\$	KHR'000	KHR'000	US\$	KHR'000
			(Note 5)	(Note 5)		(Note 5)
A. By maturity:						
Within 1 month	29,172,040	42,831,910	118,876,063	172,098,614	29,494,655	119,069,922
> 1 to 3 months	-	3,080,260	-	12,376,485	5,500,000	22,203,500
> 3 to 6 months	-	502,135	-	2,017,578	11,000,000	44,407,000
> 6 to 12 months	12,415,718	635,370	50,594,051	2,552,917	4,200,000	16,955,400
> 1 to 5 years	-	11,988,748	-	48,170,790	11,366,287	45,885,701
	41,587,758	59,038,423	169,470,114	237,216,384	61,560,942	248,521,523
B. By maturity						
Domestic corporations	41,587,758	59,038,423	169,470,114	237,216,384	61,560,942	248,521,523
C. By residency status:						
Residents	41,587,758	59,038,423	169,470,114	237,216,384	61,560,942	248,521,523
D. By currency:						
US Dollars	26,282,055	9,334,212	107,099,374	37,504,864	53,389,964	215,535,285
Khmer Riel	15,217,528	49,615,716	62,011,427	199,355,947	8,170,978	32,986,238
Other	88,175	88,495	359,313	355,573	-	-
	41,587,758	59,038,423	169,470,114	237,216,384	61,560,942	248,521,523
E. By interest rate (per annum):						
Current accounts (*)		2019			2018	
Saving accounts		0% - 1.25%			0% - 0.75%	
Fixed deposits		0.75% - 1.00%			0.75% - 1.00%	
		3.50% - 5.50%			1.25% - 5.00%	

(*) This rate is applied to only Cash Management accounts.

17. Borrowings

As at 28 April 2014, the Bank entered into an agreement with Agence Francaise de Developpement ("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. The details of drawdown amounts are as follow:

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

The movements of the borrowing were as follows:

	2019	2018	2019	2018
	US\$	US\$	KHR'000	KHR'000
			(Note 5)	(Note 5)
At 1 January	11,876,778	14,036,192	47,720,894	56,664,107
Accrued interest payable	(16,557)	(738,735)	(67,089)	(2,988,183)
Payments during the year	(2,142,857)	(1,420,679)	(8,682,857)	(5,746,647)
Currency translation difference	-	-	627,310	(208,383)
At 31 December	<u>9,717,364</u>	<u>11,876,778</u>	<u>39,598,258</u>	<u>47,720,894</u>

Borrowings are analysed by maturity as follows:

	31 December 2019	2018	31 December 2019	2018
	US\$	US\$	KHR'000	KHR'000
			(Note 5)	(Note 5)
> 1 to 3 months	1,145,935	1,162,492	4,669,685	4,670,893
> 6 to 12 months	1,071,429	1,071,429	4,366,073	4,305,002
> 1 to 5 years	7,500,000	9,642,857	30,562,500	38,744,999
	<u>9,717,364</u>	<u>11,876,778</u>	<u>39,598,258</u>	<u>47,720,894</u>

18. Subordinated debts

This represents a long-term and unsecured borrowings from shareholders based on subordinated loan agreements dated 10 April 2019 and 9 August 2019 with the following terms and conditions.

Total credit facilities	US\$27,184,550
Maturity	5 years starting from the date of signed of each contract.
Principal repayment	At maturity date and the amount is only repaid after all other secured and unsecured creditors are repaid in full.
Interest repayment	Interest will be paid every end of month and calculated on the basis of actual of days in a year of 360 days.
Interest rate	12% per annum.

The Bank obtained an approval from the NBC allowing to include the above subordinated debts in Tier II capital for the purpose of Net Worth calculation.

19. Lease liabilities

	31 December		31 December		1 January 2018	
	2019	2018	2019	2018	US\$	KHR'000
	US\$	US\$	KHR'000	KHR'000		
			(Note 5)	(Note 5)		(Note 5)
Present value of lease liabilities						
Current	19,750	3,336	80,481	13,404	12,664	51,125
Non-current	3,447,309	4,291,613	14,047,784	17,243,701	3,546,241	14,316,174
	<u>3,467,059</u>	<u>4,294,949</u>	<u>14,128,265</u>	<u>17,257,105</u>	<u>3,558,905</u>	<u>14,367,299</u>
Maturity analysis – contractual undiscounted cash flows						
Less than one year	19,855	3,386	80,909	13,605	13,000	52,481
One to five years	3,080,265	2,204,979	12,552,080	8,859,606	1,619,384	6,537,453
More than five years	999,900	2,983,772	4,074,593	11,988,796	2,666,869	10,766,150
Total undiscounted lease liabilities	<u>4,100,020</u>	<u>5,192,137</u>	<u>16,707,582</u>	<u>20,862,007</u>	<u>4,299,253</u>	<u>17,356,084</u>

The movements of lease liabilities during the year were as follows:

	2019	2018	2019	2018
	US\$	US\$	KHR'000	KHR'000
			(Note 5)	(Note 5)
At 1 January	4,294,949	3,558,905	17,257,105	14,367,299
Addition during the year	9,392	1,425,330	38,272	5,726,976
Interest expense	265,034	273,385	1,080,014	1,098,461
Payments during the year	(1,102,316)	(962,671)	(4,491,938)	(3,868,012)
Currency translation difference	-	-	244,812	(67,619)
At 31 December	<u>3,467,059</u>	<u>4,294,949</u>	<u>14,128,265</u>	<u>17,257,105</u>
Amounts recognised in profit or loss:				
Interest expense on lease liabilities	265,034	273,385	1,073,918	1,105,842
Expenses relating to leases of short term and low-value assets	133,192	82,023	539,694	331,783
	<u>398,226</u>	<u>355,408</u>	<u>1,613,612</u>	<u>1,437,625</u>
Amounts recognised in the statement of cash flows				
Total cash outflow for leases	<u>1,235,508</u>	<u>1,044,694</u>	<u>5,006,278</u>	<u>4,225,787</u>

20. Other liabilities

	31 December		31 December		1 January 2018	
	2019	2018	2019	2018	US\$	KHR'000
	US\$	US\$	KHR'000	KHR'000		(Note 5)
			(Note 5)	(Note 5)		
Accrued expenses	1,922,537	874,253	7,834,338	3,512,749	779,024	3,144,920
Tax payables	328,429	263,455	1,338,348	1,058,562	153,689	620,442
Unearned income	63,737	56,151	259,728	225,615	96,254	388,577
Fund transfer payables	-	614,889	-	2,470,624	54,025	218,099
Others	866,003	609,043	3,528,963	2,447,135	1,481,106	5,979,226
	<u>3,180,706</u>	<u>2,417,791</u>	<u>12,961,377</u>	<u>9,714,685</u>	<u>2,564,098</u>	<u>10,351,264</u>

21. Provision for employee benefits

	31 December		31 December		1 January 2018	
	2019	2018	2019	2018	US\$	KHR'000
	US\$	US\$	KHR'000	KHR'000		(Note 5)
			(Note 5)	(Note 5)		
Provident fund (i)	2,021,745	1,668,620	8,238,611	6,704,515	1,726,634	6,970,422
Other post-employment benefits (ii)	568,835	1,470,933	2,318,003	5,910,209	1,344,849	5,429,155
	<u>2,590,580</u>	<u>3,139,553</u>	<u>10,556,614</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:

	2019	2018	2019	2018
	US\$	US\$	KHR'000	KHR'000
			(Note 5)	(Note 5)
At 1 January	1,668,620	1,726,634	6,704,515	6,970,422
Additions during the year:				
Staffs' contribution	178,276	176,544	722,374	714,120
Bank's contribution (Note 30)	178,276	176,544	722,374	714,120
Interest expenses (Note 27)	125,009	97,746	506,536	395,383
Payments during the year	(128,436)	(508,848)	(520,423)	(2,058,290)
Currency translation difference	-	-	103,235	(31,240)
At 31 December	<u>2,021,745</u>	<u>1,668,620</u>	<u>8,238,611</u>	<u>6,704,515</u>

(ii) The movements of other post-employment benefits are as follows:

	2019	2018	2019	2018
	US\$	US\$	KHR'000	KHR'000
			(Note 5)	(Note 5)
At 1 January	1,470,933	1,344,849	5,910,209	5,429,155
Additions during the year	-	500,000	-	2,022,500
Payments during the year	(902,098)	(373,916)	(3,655,301)	(1,512,490)
Currency translation difference	-	-	63,095	(28,956)
At 31 December	<u>568,835</u>	<u>1,470,933</u>	<u>2,318,003</u>	<u>5,910,209</u>

This represents provision for seniority indemnity payments required by Prakas No. 443 issued by the Ministry of Labour and Vocational Training ("MoLVT") on 21 September 2018, and subsequently amended by the Instruction No. 042/19 dated 22 March 2019. It requires all employers to settle the seniority indemnity to their employee as follows:

- Current pay: starting from 2019 onwards at the amounts equal to 15 days of wages and other benefits per year.
- Retrospective (back-pay): starting from 2021 onwards at the amounts equal to 6 days of net wages per year. The provision of back-pay seniority indemnity is calculated at a maximum amount of 6 months net wages (depends on the length of the service employee served) to the employee who has seniority before 2019.

Payments will be made twice a year, in June and December respectively. Employee does not entitle to the remaining back-pay seniority indemnity which is not yet due, if he/she resigns from the Bank.

Subsequently, on 2 June 2020, MoLTV issued a Notification to delay the implementation of current pay of the seniority indemnity until 2021.

22. Income tax

A. Deferred tax assets – net

	31 December 2019	31 December 2018	31 December 2019	31 December 2018	1 January 2018	
	US\$	US\$	KHR'000	KHR'000	US\$	KHR'000
			(Note 5)	(Note 5)		(Note 5)
Deferred tax assets	2,121,342	2,278,420	8,644,469	9,154,692	1,747,478	7,054,568
Deferred tax liabilities	(1,208,826)	(862,475)	(4,925,966)	(3,465,425)	(19,498)	(78,713)
Deferred tax assets – net	912,516	1,415,945	3,718,503	5,689,267	1,727,980	6,975,855

Deferred tax assets/(liabilities) are attributable to the following:

	31 December 2019	31 December 2018	31 December 2019	31 December 2018	1 January 2018	
	US\$	US\$	KHR'000	KHR'000	US\$	KHR'000
			(Note 5)	(Note 5)		(Note 5)
Allowance for Impairment loss	757,066	947,151	3,085,044	3,805,653	1,169,499	4,721,267
Depreciation and amortisation	(420,087)	(20,648)	(1,711,855)	(82,963)	(19,498)	(78,713)
Right-of-use assets	(574,883)	(747,016)	(2,342,648)	(3,001,510)	-	-
Lease liabilities	693,412	858,990	2,825,654	3,451,422	-	-
Others	457,008	377,468	1,862,308	1,516,665	577,979	2,333,301
	912,516	1,415,945	3,718,503	5,689,267	1,727,980	6,975,855

The movements of deferred tax during the year were as follows:

	2019	2018	2019	2018
	US\$	US\$	KHR'000	KHR'000
			(Note 5)	(Note 5)
At 1 January	1,415,945	1,727,980	5,689,267	6,975,855
Charged to in profit or loss	(503,429)	(312,035)	(2,039,894)	(1,262,181)
Currency translation difference	-	-	69,130	(24,405)
At 31 December	912,516	1,415,945	3,718,503	5,689,267

B. Current income tax liability

	2019	2018	2019	2018
	US\$	US\$	KHR'000	KHR'000
	(Note 5)		(Note 5)	
At 1 January	2,436,658	1,313,415	9,790,492	5,302,256
Income tax expense	6,212,936	3,059,242	25,174,817	12,374,634
Income tax paid	(3,538,107)	(1,935,999)	(14,336,410)	(7,831,116)
Currency translation difference	-	-	200,411	(55,282)
At 31 December	5,111,487	2,436,658	20,829,310	9,790,492

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.

C. Income tax expense

	2019	2018	2019	2018
	US\$	US\$	KHR'000	KHR'000
	(Note 5)		(Note 5)	
Current tax	6,212,936	3,059,242	25,174,817	12,374,634
Deferred tax	503,429	312,035	2,039,894	1,262,181
	6,716,365	3,371,277	27,214,711	13,636,815

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

	2019			2018		
	US\$	KHR'000	%	US\$	KHR'000	%
	(Note 5)			(Note 5)		
Profit before income tax	31,717,787	128,520,473		12,623,273	51,061,139	
Income tax using statutory rate at 20%	6,343,557	25,704,093	20	2,524,655	10,212,229	20
Over provision in prior year	163,264	661,546	1	-	-	-
Non-deductible expenses	209,544	849,072	1	846,622	3,424,586	7
Income tax expense	6,716,365	27,214,711	22	3,371,277	13,636,815	27

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

23. Share capital

31 December 2019		31 December 2018		1 January 2018	
US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
(Note 5)		(Note 5)		(Note 5)	
79,500,000	75,000,000	318,000,000	300,000,000	75,000,000	300,000,000

Authorised and fully paid:

79,500 shares of US\$ 1,000 each
(2018: 75,000 shares of US\$ 1,000 each)

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.

On 17 October 2019, the amendment of the Memorandum and Articles of Association was endorsed with the Ministry of Commerce ("MOC").

Analysis of shareholders as at 31 December 2019 is as follows:

	As at 31 December 2019			Registered, issued and fully paid As at 31 December 2018			1 January 2018		
	Number of shares	Amount US\$	%	Number of shares	Amount US\$	%	Number of shares	Amount US\$	%
Oknha Mok Kimhong	26,235	26,235,000	33	24,750	24,750,000	33	24,750	24,750,000	33
Mrs. Kim Tiek	18,285	18,285,000	23	17,250	17,250,000	23	17,250	17,250,000	23
Mrs. Chhay Kimbouy	18,285	18,285,000	23	17,250	17,250,000	23	17,250	17,250,000	23
ING Holdings Company Ltd.	8,745	8,745,000	11	8,250	8,250,000	11	8,250	8,250,000	11
Ministry of Economy and Finance	7,950	7,950,000	10	7,500	7,500,000	10	7,500	7,500,000	10
	79,500	79,500,000	100	75,000	75,000,000	100	75,000	75,000,000	100

24. General reserves

	31 December 2019		31 December 2018	
	US\$	US\$	KHR'000	KHR'000
		(Note 5)		(Note 5)
General reserves	135,092	135,092	550,500	542,800
Reserves for banking risks	60,498	60,498	246,529	243,081
	195,590	195,590	797,029	785,881

General reserves

The general reserves were previously allocated from profit after tax with an amount equal to 6% of net profit after tax. The use of the general reserves are at the discretion of the Board of Directors. The general reserves are set up for any overall financial risk. The Board of Directors exercises its discretion for the use and maintenance of the general reserves. The transfer from retained earnings to general reserves is subject to the approval of Board of Directors of the Bank. Allocations to the general reserves are no longer allowed under the Bank's Memorandum and Articles of Association dated 23 May 2006 and the amendment on 30 May 2007.

Reserves for banking risks

The reserves 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.

25. Regulatory reserves

These represent the reserves transferred from retained earnings by the Bank to comply with the Article 73 of NBC's Prakas No. B7-017-344 dated 1 December 2017.

As at 31 December 2019, the Bank transferred the retained earnings to regulatory reserves amounting to US\$13,485,783 (2018: US\$6,538,474).

26. Interest income

	2019	2018	2019	2018
	US\$	US\$	KHR'000	KHR'000
			(Note 5)	(Note 5)
Loans and advances to customer	73,266,442	57,537,696	296,875,623	232,739,980
Placements with the NBC	755,316	1,780,486	3,060,540	7,202,066
Placements with other banks	1,553,253	829,517	6,293,782	3,355,396
	<u>75,575,011</u>	<u>60,147,699</u>	<u>306,229,945</u>	<u>243,297,442</u>

27. Interest expense

	2019	2018	2019	2018
	US\$	US\$	KHR'000	KHR'000
			(Note 5)	(Note 5)
Term deposits	37,776,075	29,541,835	153,068,656	119,496,723
Savings deposits	2,816,137	2,575,832	11,410,987	10,419,277
Borrowings	2,156,570	292,939	8,738,422	1,184,938
Provident funds	125,009	97,746	506,536	395,346
Lease liabilities	265,034	273,385	1,073,918	1,105,842
	<u>43,138,825</u>	<u>32,781,737</u>	<u>174,798,519</u>	<u>132,602,126</u>

28. Net fee and commission income

	2019	2018	2019	2018
	US\$	US\$	KHR'000	KHR'000
			(Note 5)	(Note 5)
Fee and commission income:	1,239,873	893,725	5,023,965	3,615,118
Commission fees	1,160,167	658,827	4,700,997	2,664,955
Fees on currency swap	1,185,411	1,030,991	4,803,285	4,170,359
Fund remittance fees	1,102,145	661,395	4,465,892	2,675,343
Commission from issuing letters of credit and guarantee	438,396	422,272	1,776,381	1,708,090
Visa fees	330,163	414,039	1,337,820	1,674,788
Others service charge	5,456,155	4,081,249	22,108,340	16,508,653
Total fee and commission income	<u>(727,595)</u>	<u>(646,599)</u>	<u>(2,948,215)</u>	<u>(2,615,494)</u>
Fee and commission expense	4,728,560	3,434,650	19,160,125	13,893,159
Net fee and commission income				

29. Other income

	2019	2018	2019	2018
	US\$	US\$	KHR'000	KHR'000
			(Note 5)	(Note 5)
Foreign exchange gains	89,479	167,120	362,569	676,000
Gains on disposal of property and equipment	-	3,689,758	-	14,925,071
Rental income	-	100,440	-	406,280
Other income	197,032	47,768	798,374	193,222
	<u>286,511</u>	<u>4,005,086</u>	<u>1,160,943</u>	<u>16,200,573</u>

30. Personnel expenses

	2019	2018	2019	2018
	US\$	US\$	KHR'000	KHR'000
			(Note 5)	(Note 5)
Salaries and wages	5,235,358	4,621,905	21,213,671	18,695,606
Bonuses and incentives	666,029	600,000	2,698,750	2,427,000
Board directors' fee	179,671	163,028	728,027	659,448
Contributions to provident funds (Note 21)	178,276	176,544	722,374	714,120
Other benefits	752,491	977,967	3,049,093	3,955,877
	<u>7,011,825</u>	<u>6,539,444</u>	<u>28,411,915</u>	<u>26,452,051</u>

31. Depreciation and amortisation

	2019	2018	2019	2018
	US\$	US\$	KHR'000	KHR'000
			(Note 5)	(Note 5)
Depreciation on property and equipment	1,261,081	1,373,531	5,109,900	5,555,933
Amortisation on intangible assets	506,928	253,821	2,054,073	1,026,706
Depreciation on right-of-use assets	870,059	804,177	3,525,479	3,252,896
	<u>2,638,068</u>	<u>2,431,529</u>	<u>10,689,452</u>	<u>9,835,535</u>

32. General and administrative expenses

	2019	2018	2019	2018
	US\$	US\$	KHR'000	KHR'000
			(Note 5)	(Note 5)
Rental	133,192	82,023	539,694	331,783
Repairs and maintenances	895,514	521,961	3,628,623	2,111,332
License fees	254,164	250,424	1,029,873	1,012,965
Utilities	266,219	263,639	1,078,719	1,066,420
Marketing	209,344	304,941	848,262	1,233,486
Professional fees	667,839	230,010	2,706,084	930,390
Communication	234,063	223,378	948,423	903,564
Office supplies	207,047	177,326	838,954	717,284
Travelling	221,349	229,066	896,906	926,572
Security	181,007	145,884	733,440	590,101
Insurance	114,903	68,325	465,587	276,375
Taxes	465,409	34,393	1,885,837	139,120
Others expense	697,293	388,673	2,825,432	1,572,182
	4,547,343	2,920,043	18,425,834	11,811,574

33. Commitments and contingencies**A. Operations**

In the normal course of business, the Bank makes various commitments and incurs certain contingencies with legal recourse to its customers. No material losses are anticipated from these transactions, which consist of:

	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	US\$	US\$	KHR'000	KHR'000
			(Note 5)	(Note 5)
Unused portion of approved credit facilities	123,252,964	83,683,181	502,255,828	336,239,021
Letters of guarantees	77,745,682	43,886,403	53,937,698	26,006,389
Letters of credits	13,236,245	6,472,471	8,150,000	8,036,000
Currency forward contracts	2,000,000	2,000,000	316,813,654	176,335,565
Bills collections	-	674	-	2,708
	216,234,891	136,042,729	881,157,180	546,619,683

The impairment allowance for off balance sheet commitment following the National Bank of Cambodia's Prakas No. B7-017-344 and Circular No. B7-018-001 Sor Ror Chor Nor on credit risk classification and provision on impairment for banks as stated in Note 35B(iv) and its movements are analysed as follows:

	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	US\$	US\$	KHR'000	KHR'000
			(Note 5)	(Note 5)
At 1 January	505,078	95,929	2,029,403	387,265
Allowance for impairment loss	816,951	409,149	3,310,285	1,655,008
Currency translation difference	-	-	47,580	(12,870)
At 31 December	1,322,029	505,078	5,387,268	2,029,403

B. Lease commitments

The Bank has operating lease commitments in respect of low-value assets and short-term lease of ATM, software, Head office and branches as follows:

	31 December		31 December	
	2019	2018	2019	2018
	US\$	US\$	KHR'000	KHR'000
			(Note 5)	(Note 5)
Within 1 year	177,738	20,206	724,282	81,188
2 to 5 years	3,080,265	2,204,979	12,552,080	8,859,606
More than 5 years	999,900	2,983,772	4,074,593	11,988,796
	<u>4,257,903</u>	<u>5,208,957</u>	<u>17,350,955</u>	<u>20,929,590</u>

C. Taxation contingencies

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

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

34. Related parties

A. Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Bank if the Bank has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Bank and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Bank have related party relationships with its subsidiaries, substantial shareholders, associates and key management personnel.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Bank either directly or indirectly. The key management personnel include all the Directors of the Bank, and certain senior management members of the Bank.

Key management have banking relationships with Bank entities which are entered into in the normal course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with other persons of a similar standing or, where applicable, with other employees. These transactions did not involve more than the normal risk of repayment or present other unfavourable features.

B. Balance with related parties

	31 December		31 December	
	2019	2018	2019	2018
	US\$	US\$	KHR'000	KHR'000
			(Note 5)	(Note 5)
Deposits from related parties	75,455	234,322	307,479	941,506
Shareholders	341,091	589,626	1,389,945	2,369,118
Key management personnel	416,546	823,948	1,697,424	3,310,624
Loans and advances to related parties				
Key management personnel	796,518	53,967	3,245,811	216,839

C. Transaction with related parties

	31 December		31 December	
	2019	2018	2019	2018
	US\$	US\$	KHR'000	KHR'000
			(Note 5)	(Note 5)
Interest income	40,592	6,288	164,479	25,435
Interest expense	2,852	933	11,556	3,774
Compensations of directors' fees and key management	179,671	163,028	728,027	659,448
Directors' fees (Note 30)	1,811,779	1,314,234	7,341,329	5,316,077
Key management compensation – salaries and other benefits	1,991,450	1,477,262	8,069,356	5,975,525

35. Financial risk management**A. Introduction and overview**

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

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

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

Risk management functional and governance structure

The Bank's Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board of Directors has established the Bank Asset and Liability Management Committee ("ALCO"), which is responsible for approving and monitoring Bank's risk management policies. The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

The risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Bank's activities. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Bank's Audit Committee oversees how management monitors compliance with the Bank's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Bank. The Bank's Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Bank's Audit Committee.

B. Credit risk

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

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

(i). Management of credit risk

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

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to business unit Credit Officers. Larger facilities require approval by Bank Credit, the Head of Bank Credit, the Bank Credit Committee or the Board of Directors, as appropriate.
- Reviewing and assessing credit risk: Bank Credit assesses all credit exposures in excess of designated limits, before facilities are committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.
- Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances, financial guarantees and similar exposures), and by issuer, credit rating band, market liquidity and country (for investment securities).

- Developing and maintaining the Bank's risk gradings to categories exposures according to the degree of risk of default. The current risk grading framework consists of 12 grades reflecting varying degrees of risk of default. The responsibility for setting risk grades lies with the final approving executive or committee, as appropriate. Risk grades are subject to regular reviews by Bank Risk.
- Developing and maintaining the Bank's processes for measuring ECL: This includes processes for:
 - initial approval, regular validation and back-testing of the models used;
 - determining and monitoring significant increase in credit risk; and
 - incorporation of forward-looking information.
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports on the credit quality of local portfolios are provided to Bank Credit, which may require appropriate corrective action to be taken. These include reports containing estimates of ECL allowances.
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Bank in the management of credit risk.

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

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

(ii). Concentration of risk

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

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

Type of credit exposure

31 December 2019**On Balance sheet items**

Cash and cash equivalents - gross	354,236,116	1,443,512,172	0%	0%	100%
Placements with banks and financial institutions - gross	32,411,482	132,076,789	66%	0%	34%
Loans and advances to customers - gross	899,413,709	3,665,110,864	100%	0%	0%
Other assets	636,113	10,021,846	0%	0%	100%
Total	1,286,697,420	5,250,721,671			

Off-Balance sheet items

Contingent liabilities	216,234,891	881,157,180	58%	1%	41%
Commitments	4,257,903	17,350,955	0%	0%	100%
Total	1,507,190,214	6,149,229,806			

31 December 2018**On Balance sheet items**

Cash and cash equivalents - gross	345,726,424	1,389,128,772	0%	0%	100%
Placements with banks and financial institutions - gross	57,412,858	230,684,863	18%	0%	82%
Loans and advances to customers - gross	703,289,223	2,825,816,098	100%	0%	0%
Other assets	166,554	7,526,149	0%	0%	100%
Total	1,106,595,059	4,453,155,882			

Off-Balance sheet items

Contingent liabilities	136,042,729	546,619,683	88%	1%	12%
Commitments	5,208,957	20,929,590	0%	0%	100%
Total	1,247,846,745	5,020,705,155			

	Maximum credit exposure US\$	Maximum credit exposure KHR'000 (Note 5)	Fully subject to collateral/credit enhancement %	Partially subject to collateral/ credit e nhancement %	Unsecured and not subject to collateral/credit enhancement %
31 December 2019					
On Balance sheet items					
Cash and cash equivalents - gross	354,236,116	1,443,512,172	0%	0%	100%
Placements with banks and financial institutions - gross	32,411,482	132,076,789	66%	0%	34%
Loans and advances to customers - gross	899,413,709	3,665,110,864	100%	0%	0%
Other assets	636,113	10,021,846	0%	0%	100%
Total	1,286,697,420	5,250,721,671			
Off-Balance sheet items					
Contingent liabilities	216,234,891	881,157,180	58%	1%	41%
Commitments	4,257,903	17,350,955	0%	0%	100%
Total	1,507,190,214	6,149,229,806			
31 December 2018					
On Balance sheet items					
Cash and cash equivalents - gross	345,726,424	1,389,128,772	0%	0%	100%
Placements with banks and financial institutions - gross	57,412,858	230,684,863	18%	0%	82%
Loans and advances to customers - gross	703,289,223	2,825,816,098	100%	0%	0%
Other assets	166,554	7,526,149	0%	0%	100%
Total	1,106,595,059	4,453,155,882			
Off-Balance sheet items					
Contingent liabilities	136,042,729	546,619,683	88%	1%	12%
Commitments	5,208,957	20,929,590	0%	0%	100%
Total	1,247,846,745	5,020,705,155			

Concentration risk by industrial sectors

31 December 2019

	Cash and cash equivalents - gross US\$	Placement with banks and financial institutions - gross US\$	Loans and advances to customers - gross US\$	Other assets US\$	Total US\$
Financial institutions	354,236,116	32,411,482	9,065,800	-	395,713,398
Consumer items	-	-	646,246,346	-	646,246,346
Services	-	-	95,899,456	-	95,899,456
Agriculture	-	-	65,949,541	-	65,949,541
Construction	-	-	32,437,538	-	32,437,538
Wholesale and retail	-	-	26,462,691	-	26,462,691
Import/export	-	-	13,621,412	-	13,621,412
Chemical and medical supply	-	-	6,942,259	-	6,942,259
Others	-	-	2,788,666	636,113	3,424,779
Total (US\$)	354,236,116	32,411,482	899,413,709	636,113	1,286,697,420
Total (KHR'000 – Note 5)	1,443,512,172	132,076,789	3,665,110,864	10,021,846	5,250,721,671

31 December 2018

Financial institutions	345,726,424	57,412,858	3,504,861	-	406,644,143
Consumer items	-	-	479,640,149	-	479,640,149
Services	-	-	101,281,526	-	101,281,526
Agriculture	-	-	52,663,935	-	52,663,935
Construction	-	-	6,222,851	-	6,222,851
Wholesale and retail	-	-	31,045,033	-	31,045,033
Import/export	-	-	15,800,864	-	15,800,864
Chemical and medical supply	-	-	9,358,215	-	9,358,215
Others	-	-	3,771,789	166,554	3,938,343
Total (US\$)	345,726,424	57,412,858	703,289,223	166,554	1,106,595,059
Total (KHR'000 – Note 5)	1,389,128,772	230,684,863	2,825,816,098	7,526,149	4,453,155,882

Concentration risk by residency and relationship, and large-exposures for loans and advances:

	31 December 2019		31 December 2018		1 January 2018	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
By residency status:						
Residents	899,413,709	703,289,223	3,665,110,864	2,825,816,098	538,031,767	2,172,034,243
By relationship:						
Related parties	796,518	53,967	3,245,811	216,839	77,613	313,324
Non-related parties	898,617,191	703,235,256	3,661,865,053	2,825,599,259	537,954,154	2,171,720,919
	899,413,709	703,289,223	3,665,110,864	2,825,816,098	538,031,767	2,172,034,243
By exposure:						
Large exposures (*)	189,994,155	180,686,799	774,226,182	725,999,558	154,498,841	623,711,821
Non-large exposures	709,419,554	522,602,424	2,890,884,682	2,099,816,540	383,532,926	1,548,322,422
	899,413,709	703,289,223	3,665,110,864	2,825,816,098	538,031,767	2,172,034,243

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

(iii). Collateral

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

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

Cash and cash equivalents, balances with NBC, placements with banks, investments and other assets

Collateral is generally not sought for these assets.

Loans and advances to customers, contingent liabilities and commitments

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

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

	Collateral/credit enhancement			Unsecured credit	
	Properties US\$	Floating assets US\$	Fixed deposits US\$	exposure US\$	Total US\$
31 December 2019					
Loan and advances to customers - gross	800,002,301	4,155,141	79,777,794	19,633,614	899,413,709
Contingent liabilities	80,151,216	-	43,034,363	88,894,171	216,234,891
Commitments	-	-	-	4,257,903	4,257,903
Others	-	4,155,141	-	636,113	636,113
	<u>880,153,517</u>		<u>122,812,157</u>	<u>113,421,801</u>	<u>1,120,542,616</u>
31 December 2018					
Loan and advances to customers - gross	673,126,397	-	30,146,625	16,201	703,289,223
Contingent liabilities	39,018,209	2,340,813	44,646,628	50,037,079	136,042,729
Commitments	-	-	-	5,208,957	5,208,957
Others	-	-	-	166,554	166,554
	<u>712,144,606</u>	<u>2,340,813</u>	<u>74,793,253</u>	<u>55,428,791</u>	<u>844,707,463</u>

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

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

Normal

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

Special mention

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

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

Substandard

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

Factors leading to a substandard classification include:

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

Doubtful

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

Loss

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

Recognition of ECL

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

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

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

Long-term facilities (more than one year)

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

Short-term facilities (one year or less)

Stages	Credit Risk Status	Grades	DPD	Default Indicator
1	No significant increase in credit risk	Normal	$0 \leq \text{DPD} \leq 14$	Performing
2	Credit risk increased significantly	Special Mention	$15 \leq \text{DPD} \leq 30$	Underperforming
3	Credit impaired assets	Substandard	$31 \leq \text{DPD} \leq 60$	Nonperforming
		Doubtful	$61 \leq \text{DPD} \leq 90$	
		Loss	$\text{DPD} \geq 91$	

The Bank will use the day past due (DPD) information and NBC's classification for staging criteria. Also, the Bank will incorporate credit scoring or more forward looking elements in the future when information is more readily available. Upon the implementation of credit scoring system, if the risk level drops by two or more notches as compared to the risk level at origination, the accounts have to be classified under stage 2. As for financial assets that are short term in nature, simplified approach will be adopted where no staging criteria is required. In this case, it will be either performing (stage 1) or non-performing.

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

	31 December 2019			
Loans and advances to customers at amortised cost	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$
Normal	883,835,817	-	-	883,835,817
Special Mention	-	1,461,415	-	1,461,415
Substandard	-	134,447	10,558,125	10,692,572
Doubtful	-	-	1,396,822	1,396,822
Loss	-	-	2,027,083	2,027,083
Less: Impairment loss allowance	883,835,817	1,595,862	13,982,030	899,413,709
Carrying amount (US\$)	(5,560,242)	(17,831)	(1,010,623)	(6,588,696)
Carrying amount (KHR'000) – Note 5	878,275,575	1,578,031	12,971,407	892,825,013
	<u>3,578,972,968</u>	<u>6,430,476</u>	<u>52,858,484</u>	<u>3,638,261,928</u>
Loans and advances to customers at amortised cost				
Normal	694,273,571	-	154,420	694,427,991
Special Mention	1,569,146	1,163,007	-	2,732,153
Substandard	898,191	881,348	1,037,187	2,816,726
Doubtful	-	-	325,220	325,220
Loss	312,878	360,600	2,313,655	2,987,133
Less: Impairment loss allowance	697,053,786	2,404,955	3,830,482	703,289,223
Carrying amount (US\$)	(6,655,012)	(24,094)	(519,668)	(7,198,774)
Carrying amount (KHR'000) – Note 5	690,398,774	2,380,861	3,310,814	696,090,449
	<u>2,774,022,274</u>	<u>9,566,299</u>	<u>13,302,851</u>	<u>2,796,891,424</u>

Incorporation of forward-looking information

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

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

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

(v). Amounts arising from ECL**Impairment loss allowance**

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

2019				
Loans and advances to customers at amortised cost	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$
Balance at 1 January	6,655,012	24,094	519,669	7,198,775
- Transfer to Stage 1	(239,814)	(135)	239,949	-
- Transfer to Stage 2	(62)	14,409	(14,347)	-
- Transfer to Stage 3	(136)	(6,832)	6,968	-
Net remeasurement of loss allowance	(2,375,022)	3,391	411,431	(1,960,200)
New financial assets originated or purchased	1,922,716	13	-	1,922,729
Financial assets that been derecognised	(402,452)	(17,109)	(153,047)	(572,608)
Balance at 31 December (US\$)	5,560,242	17,831	1,010,623	6,588,696
Balance at 31 December (KHR'000) note 5	22,657,986	72,661	4,118,289	26,848,936

2018				
Loans and advances to customers at amortised cost	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$
Balance at 1 January	4,445,391	532,231	1,789,487	6,767,109
- Transfer to Stage 1	89,825	(13,101)	(76,724)	-
- Transfer to Stage 2	(1,161)	1,161	-	-
- Transfer to Stage 3	(24,021)	(23)	24,044	-
Net remeasurement of loss allowance	(924,335)	22,913	217,596	(683,826)
New financial assets originated or purchased	4,050,085	6	37,967	4,088,058
Financial assets that been derecognised	(980,772)	(519,093)	(1,472,702)	(2,972,567)
Balance at 31 December (US\$)	6,655,012	24,094	519,668	7,198,774
Balance at 31 December (KHR'000)	26,739,838	96,810	2,088,026	28,924,674

C. Market risk

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

(i). Interest rate risk

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

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

As at 31 December 2019

	Up to 1 month US\$	> 1-3 months US\$	> 3-6 months US\$	> 6-12 months US\$	> 1 to 5 years US\$	Over 5 years US\$	Non-interest bearing US\$	Total US\$	Interest rate %
Financial assets									
Cash and cash equivalents - gross	136,565,032	22,502,578	-	-	-	-	195,168,506	354,236,116	1.95%
Placements with banks and financial institutions - gross	17,099,696	4,171,779	8,800,000	2,109,513	-	-	230,494	32,411,482	3.26%
Loans and advances to customers - gross	1,980,628	33,606,137	12,993,034	165,365,035	368,828,046	316,640,829	-	899,413,709	9.69%
Other assets	-	-	-	-	-	-	636,113	636,113	-
	155,645,356	60,280,494	21,793,034	167,474,548	368,828,046	316,640,829	196,035,113	1,286,697,420	
Financial liabilities									
Deposits from customers									
Deposits from banks and financial institution	249,038,617	67,534,797	59,780,246	301,563,126	286,928,956	75,581,995	214,535,269	1,254,963,006	1.42%
Borrowings	2,237,660	1,202,795	-	-	12,415,720	-	25,731,583	41,587,758	1.68%
Subordinated debts	-	-	-	-	-	9,717,364	-	9,717,364	2.28%
Lease liabilities	-	-	-	-	27,184,550	-	-	27,184,550	12.00%
Other liabilities	-	-	-	-	881,350	2,585,709	-	3,467,059	6.32%
	-	-	-	-	-	-	2,788,540	2,788,540	-
Interest sensitivity gap	251,276,277	68,737,592	59,780,246	301,563,126	327,410,576	87,885,068	243,055,392	1,339,708,277	
	(95,630,921)	(8,457,098)	(37,987,212)	(134,088,578)	41,417,470	228,755,761	(47,020,279)	(53,010,857)	
(KHR'000 equivalents - Note 5)	(384,245,041)	(33,980,620)	(152,632,618)	(538,767,906)	166,415,394	919,140,648	(188,927,481)	(212,997,623)	

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

As at 31 December 2018

	Up to 1 month US\$	> 1-3 months US\$	> 3-6 months US\$	> 6-12 months US\$	> 1 to 5 years US\$	Over 5 years US\$	Non-interest bearing US\$	Total US\$	Interest rate %
Financial assets									
Cash and cash equivalents - gross	115,566,592	79,910,403	-	-	-	-	150,249,429	345,726,424	0.78%
Placements with banks and financial institutions - gross	669,874	-	1,687,360	54,830,294	-	-	225,330	57,412,858	4.21%
Loans and advances to customers - gross	-	7,824,212	8,096,615	138,795,338	321,746,102	226,826,956	-	703,289,223	9.91%
Other assets	-	-	-	-	-	-	166,554	166,554	-
	116,236,466	87,734,615	9,783,975	193,625,632	321,746,102	226,826,956	150,641,313	1,106,595,059	
Financial liabilities									
Deposits from customers	314,388,462	58,315,379	75,639,541	239,238,740	175,341,950	53,421,860	166,873,597	1,083,219,529	1.40%
Deposits from banks and financial institutions	3,403,281	-	-	23,812,255	13,126,253	-	18,696,634	59,038,423	2.29%
Borrowings	-	-	-	-	-	11,876,778	-	11,876,778	2.28%
Lease liabilities	-	-	-	-	1,275,089	3,019,860	-	4,294,949	6.32%
Other liabilities	-	-	-	-	-	-	2,098,185	2,098,185	-
	317,791,743	58,315,379	75,639,541	263,050,995	189,743,292	68,318,498	187,668,416	1,160,527,864	
Interest sensitivity gap	(201,555,277)	29,419,236	(65,855,566)	(69,425,363)	132,002,810	158,508,458	(37,027,103)	(53,932,805)	
(KHR'000 equivalents - Note 5)	(809,849,103)	118,206,490	(264,607,664)	(278,951,109)	530,387,291	636,886,984	(148,774,900)	(216,702,010)	

A change of 100 basis points in interest rates at the reporting date would have increased/ (decreased) equity and profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss		Equity	
	100 bp Increase US\$	100 bp Decrease US\$	100 bp Increase US\$	100 bp Decrease US\$
31 December 2019				
Variable rate instruments	1,070,075	(1,070,075)	1,070,075	(1,070,075)
KHR'000 – Note 5	4,360,556	(4,360,556)	4,360,556	(4,360,556)
31 December 2018				
Variable rate instruments	1,787,167	(1,787,167)	1,787,167	(1,787,167)
KHR'000 – Note 5	7,180,837	(7,180,837)	7,180,837	(7,180,837)

(ii). Foreign currency exchange risk

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

The Bank has no material exposures to foreign currency exchange risk as it transacts essentially in US Dollars. Therefore, no sensitivity analysis for foreign currency exchange risk was presented.

Concentration of currency risk

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

	Denomination US\$ equivalents		
	US\$	KHM	Other
31 December 2019			
Financial assets			
Cash and cash equivalents - gross	222,726,325	128,549,780	2,960,011
Placements with banks and financial institutions - gross	28,124,723	4,286,759	-
Loans and advances to customers - gross	842,548,093	56,865,616	-
Other assets	636,113	-	-
	1,094,035,254	189,702,155	2,960,011
Financial liabilities			
Deposits from customers	1,071,339,430	181,009,996	261,3580
Deposits from banks and financial institutions	26,282,055	15,217,528	88,175
Borrowings	9,717,364	-	-
Subordinated debts	27,184,550	-	-
Lease liabilities	3,467,059	-	-
Other liabilities	2,788,540	-	-
	1,140,778,998	196,227,524	2,701,755
Net asset/(liability) position	(46,743,744)	(6,525,369)	258,256
KHR'000 (Note 5)	(190,480,757)	(26,590,879)	1,052,393

A change of 100 basis points in interest rates at the reporting date would have increased/ (decreased) equity and profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular foreign currency rates, remain constant.

		Denomination US\$ equivalents			
31 December 2018		US\$	KHM	Other	Total
Financial assets					
Cash and cash equivalents - gross	251,836,832	92,969,036	920,556	345,726,424	
Placements with banks and financial institutions - gross	27,380,232	30,032,626	-	57,412,858	
Loans and advances to customers - gross	681,553,263	21,735,960	-	703,289,223	
Other assets	166,554	-	-	166,554	
	960,936,881	144,737,622	920,556	1,106,595,059	
Financial liabilities					
Deposits from customers	929,709,162	152,997,102	513,265	1,083,219,529	
Deposits from banks and financial institutions	9,334,212	49,615,716	88,495	59,038,423	
Borrowings	11,876,778	-	-	11,876,778	
Lease liabilities	4,294,949	-	-	4,294,949	
Other liabilities	2,098,185	-	-	2,098,185	
	957,313,286	202,612,818	601,760	1,160,527,864	
Net asset/(liability) position	3,623,595	(57,875,196)	318,796	(53,932,805)	
KHR'000 (Note 5)	14,559,605	(232,542,537)	1,280,922	(216,702,010)	

Sensitivity analysis

Considering that other risk variables remain constant, the foreign currency revaluation sensitivity for the Bank as at reporting date is summarised as follows (only exposures in currencies that accounts for more than 1 percent of the net open positions are shown in its specific currency in the table below. For other

	31 December 2019		31 December 2018	
	- 1% Depreciation US\$	+ 1% Appreciation US\$	- 1% Depreciation US\$	+ 1% Appreciation US\$
USD	(467,437)	467,437	36,236	(36,236)
KHR	(65,254)	65,254	(578,752)	578,752
Others	2,582	(2,582)	3,188	(3,188)
	<u>(530,109)</u>	<u>530,109</u>	<u>(539,328)</u>	<u>539,328</u>
KHR'000 – Note 5	<u>(2,160,194)</u>	<u>2,160,194</u>	<u>(2,167,020)</u>	<u>2,167,020</u>

D. Liquidity risk

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

Management of liquidity risk

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

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

	Up to 1 month US\$	> 1-3 months US\$	> 3-6 months US\$	> 6-12 months US\$	> 1 to 5 years US\$	Over 5 years US\$	Non-interest bearing US\$	Total US\$
As at 31 December 2019								
Financial liabilities								
Deposits from customers	119,696,451	109,101,897	113,599,706	161,145,386	251,390,918	68,699,519	431,329,129	1,254,963,006
Deposits from banks and financial institutions	1,202,796	-	-	12,415,718	-	-	27,969,244	41,587,758
Borrowings	-	1,145,935	-	1,071,429	7,500,000	-	-	9,717,364
Subordinated debts	-	-	-	-	27,184,550	-	-	27,184,550
Lease liabilities	995	3,581	5,440	29,055	2,666,770	761,218	-	3,467,059
Other liabilities	-	-	-	-	-	-	2,788,540	2,788,540
	120,900,242	110,251,413	113,605,146	174,661,588	288,742,238	69,460,737	462,086,913	1,339,708,277
(KHR'000 equivalents - Note 5)	492,668,486	449,274,508	462,940,970	711,745,971	1,176,624,620	283,052,503	1,883,004,170	5,459,311,229
As at 31 December 2018								
Financial liabilities								
Deposits from customers	62,085,487	113,475,200	120,517,190	107,048,617	147,310,073	50,779,837	482,003,125	1,083,219,529
Deposits from banks	20,731,995	3,080,260	502,135	635,370	11,988,748	-	22,099,915	59,038,423
Borrowings	-	1,162,492	-	1,071,429	9,642,857	-	-	11,876,778
Lease liabilities	348	-	1,462	1,526	1,927,803	2,363,810	-	4,294,949
Other liabilities	-	-	-	-	-	-	2,098,185	2,098,185
	82,817,830	117,717,952	121,020,787	108,756,942	170,869,481	53,143,647	506,201,225	1,160,527,864
(KHR'000 equivalents - Note 5)	332,762,041	472,990,731	486,261,522	436,985,393	686,553,575	213,531,174	2,033,916,522	4,663,000,958

E. Operational risk

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

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

F. Capital management

(i). Regulatory capital

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

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

The Bank's policy is to maintain a strong capital base so as to maintain market confidence and to sustain further development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognised the need to maintain a balance between the higher returns that might be possible with greater gearing and advantages and security afforded by a sound capital position. The above regulated capital is calculated in accordance with the guidance issued by the NBC which may be different in some material respects compared to generally accepted principles applied by financial institutions in other jurisdiction. The above regulated capital information is therefore not intended for users who are not informed about the guidance issued by the NBC.

(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.

36. Fair values of financial assets and liabilities

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

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

Fair value information for non-financial assets and liabilities are excluded as they do not fall within the scope of CIFRS 7: Financial Instruments Disclosures which requires the fair value information to be disclosed.

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

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

Financing, advances and others

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

Fair value hierarchy

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

- Level 1 – Quoted price (unadjusted) in active markets for the identical assets or liabilities.

This level includes listed equity securities and debt instruments.

- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

- Level 3 – Inputs for asset or liability that are not based on observable market data (unobservable inputs). This level includes equity instruments and debt instruments with significant unobservable components.

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

37. Significant accounting policies

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

A. Basis of measurement

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

B. Foreign currency

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

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

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

C. Financial assets and financial liabilities

(i). Recognition and initial measurement

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

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

(ii). Classification

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, 'fair value through other comprehensive income' ("FVOCI") or 'fair value through profit or loss' ("FVTPL").

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

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

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

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

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

All other financial assets are classified as measured at FVTPL

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

Business model assessment

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

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

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

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition.

‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

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

In making the assessment, the Bank considers:

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

Non-recourse loans

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

- whether the contractual arrangement specifically defines the amounts and dates of the cash payments of the loan;
- the fair value of the collateral relative to the amount of the secured financial asset;
- the ability and willingness of the borrower to make contractual payments, notwithstanding a decline in the value of collateral;

The Bank typically considers the following information when making this judgement: (continued)

- whether the borrower is an individual or a substantive operating entity or is a special-purpose entity;
- the Bank’s risk of loss on the asset relative to a full-recourse loan;
- the extent to which the collateral represents all or a substantial portion of the borrower’s assets; and
- whether the Bank will benefit from any upside from the underlying assets.

Reclassifications

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

(iii). Derecognition**Financial assets**

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

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

Financial liabilities

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

(iv). Modifications of financial assets and financial liabilities**Financial assets**

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

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

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit and loss as part of the gain or loss on derecognition.
- If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximize recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

- If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit and loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.
- If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

Financial liabilities

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

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

(v). Offsetting

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

(vi). Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

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

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

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

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

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

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

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

(vii). Impairment

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

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

No impairment loss is recognised on equity investments.

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

- debt investment securities that are determined to have low credit risk at the reporting date;

and

- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

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

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

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

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

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

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

Determining whether credit risk has increased significantly

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

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

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

Definition of default

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

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held); or
- The Bank considers that a significant increase in credit risk occurs no later than when an asset is

more than or equal to 30 days past due for long-term facilities or more than or equal to 15 days past due for short-term facilities.

Measurement of ECL

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

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

Inputs, assumptions and techniques used for estimating impairment

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

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

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

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

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

Restructured financial assets

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

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

Credit-impaired financial assets

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

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

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

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

Presentation of allowance for ECL in the statement of financial position

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

Write-off

Loans and advances are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash

flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

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

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

D. Cash and cash equivalents

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

E. Share capital

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

F. General reserves and regulatory reserves

The general reserves are set up for any overall financial risk. The Board of Directors exercises its discretion for the use and maintenance of the general reserves. The transfer from retained earnings to general reserves is subject to the approval of Board of Directors of the Bank. 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.

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

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

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

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

G. Placements with banks and financial institutions

Deposits and placements with banks are carried at amortised cost using the effective interest rate method in the statement of financial position.

H. Statutory deposits

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

I. Loans and advances

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

J. Other assets

Other assets are carried at amortised cost using the effective interest rate method in the statement of financial position.

K. Property and equipment

(i) Recognition and measurement

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

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

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

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

(ii). Subsequent costs

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

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

(iii). Depreciation

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

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

Depreciation is recognised as an expense in profit or loss on a [straight-line/declining basis] over the estimated useful lives of each component of an item of property and equipment. Work in progress is not depreciated until such time as the items are completed and put into operational use.

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

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

	Years
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	5 years

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

L. 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. Costs incurred in planning or evaluating software proposals, or in maintaining systems after implementation, are not capitalized.

M. Leases

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

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

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

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

At inception or on reassessment of a contract that contains a lease and non-lease component, the Bank allocates the consideration in the contract to each lease component and aggregate of non-lease components on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Bank has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Leases in which the Bank is a lessee

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

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

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

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

The estimated useful lives are as follows:

- Building and office branches 3 – 10 years
- ATM spaces 2 – 10 years

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

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

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

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

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

Short-term leases and leases of low-value assets

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

N. Borrowings

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

O. Subordinated Debt

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

P. Foreclosed properties

Foreclosed properties consisting of immoveable properties are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Q. Employee benefits

(i). Short-term employee benefits

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

(ii). Other long-term employee benefits

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

(iii). 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 6% 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.

R. Provisions

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

S. Interest

Effective interest rate

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

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

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

The calculation of the effective interest rate includes transaction costs and fees and points paid or received. A contractual interest rate is used in replacement of the effective interest rate when management assesses that transaction costs and fees are not an integral part of the effective interest rate and that the impact is not material to the financial statements. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount

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

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

Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date amortisation of the hedge adjustment begins.

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

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

Presentation

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

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

T. Fee and commission

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

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

U. Impairment of non-financial assets

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

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

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

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

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

V. Income tax

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

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

(i). Current tax

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

(ii). Deferred tax

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

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

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

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

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

W. Contingent liabilities

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

X. Contingent assets

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

38. Explanation of transition to CIFRSs**Adoption of CIFRSs Framework**

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

Accordingly, the Bank has prepared financial statements which comply with CIFRSs applicable for periods ending on or after 31 December 2019, together with the comparative period information as at and for the period ended 31 December 2018, as described in the significant accounting policies in Note 37.

In preparing these financial statements, the Bank's opening statement of financial position were prepared as at 1 January 2018, being the Bank's date of transition to CIFRSs. Principal adjustments made by the Bank in restating its statements of financial position as at 1 January 2018 and its previously published financial statements for the year ended 31 December 2018, both of which was prepared in accordance with the Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia ("NBC") relating to the preparation and presentation of financial statements ("Cambodian GAAP") are presented below.

Optional exemptions applied

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

Fair value or revaluation as deemed cost - property and equipment

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

Leases

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

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

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

Mandatory exemptions

Estimates

The estimates at 1 January 2018 and at 31 December 2018 are consistent with those made for the same dates in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia (“NBC”) relating to the preparation and presentation of financial statements (“Cambodia GAAP”). The estimates used by the Bank to present these amounts in accordance with CIFRSs reflect conditions at 1 January 2018, the date of transition to CIFRSs, and as at 31 December 2018.

Derecognition of financial assets and financial liabilities

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

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

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

38.1 Reconciliation of statements of financial position

The following reconciliations summarise the impacts on initial application of CIFRSs on the Bank's financial position as at 31 December 2017 and 1 January 2018 and the Bank's profit or loss and other comprehensive income for the year ended 31 December 2018.

	Note	31 December 2017				1 January 2018				31 December 2018			
		Effect of transition to CIFRSs				Effect of transition to CIFRSs				Effect of transition to CIFRSs			
		Cambodia GAAP US\$	Reclassification US\$	Remeasurement US\$	CIFRSs US\$	Cambodia GAAP US\$	Reclassification US\$	Remeasurement US\$	CIFRSs US\$	Cambodia GAAP US\$	Reclassification US\$	Remeasurement US\$	CIFRSs US\$
ASSETS													
Cash and cash equivalents	A(i)	29,329,452	259,031,296	(5,794)	288,354,954	32,685,269	313,041,155	(2,035)	345,724,389				
Balance with central bank	A(ii)	369,030,415	(369,030,415)	-	-	451,970,668	(451,970,668)	-	-				
Placements with banks and financial institutions		40,357,436	1,685,489	(105,047)	41,937,878	52,549,763	4,863,095	(87,909)	57,324,949				
Statutory deposits		-	108,884,226	-	108,884,226	-	135,290,539	-	135,290,539				
Loans and advances to customers – net	A(i)	527,794,755	10,237,012	(6,767,110)	531,264,657	693,521,185	9,768,038	(7,198,774)	696,090,449				
Other assets	A(ii)	4,106,819	(2,568,338)	-	1,538,481	5,256,896	(3,383,788)	-	1,873,108				
Foreclosed properties		17,198,715	-	-	17,198,715	31,605,215	-	-	31,605,215				
Intangible assets		1,469,676	-	-	1,469,676	2,177,103	-	-	2,177,103				
Property and equipment		13,329,778	-	-	13,329,778	6,604,879	-	-	6,604,879				
Right-of-use assets		-	-	3,113,929	3,113,929	-	-	3,735,082	3,735,082				
Deferred tax assets – net	B	1,727,980	-	-	1,727,980	2,081,233	-	(665,288)	1,415,945				
Total assets (US\$)		<u>1,004,345,026</u>	<u>8,239,270</u>	<u>(3,764,022)</u>	<u>1,008,820,274</u>	<u>1,278,452,211</u>	<u>7,608,371</u>	<u>(4,218,924)</u>	<u>1,281,841,658</u>				
Total assets (KHR'000)		<u>4,054,540,870</u>	<u>33,261,933</u>	<u>(15,195,357)</u>	<u>4,072,607,445</u>	<u>5,136,820,984</u>	<u>30,570,435</u>	<u>(16,951,637)</u>	<u>5,150,439,783</u>				
LIABILITIES AND EQUITY													
Deposits from customers		813,723,241	7,735,166	-	821,458,407	1,074,455,652	8,763,877	-	1,083,219,529				
Deposits from other banks and financial institutions	A(ii)	59,269,493	2,291,449	-	61,560,942	56,432,939	2,605,484	-	59,038,423				
Borrowings	A(ii)	13,206,393	829,799	-	14,036,192	11,785,714	91,064	-	11,876,778				
Subordinated debts		-	-	-	-	-	-	-	-				
Lease liabilities		-	-	3,558,905	3,558,905	-	-	4,294,949	4,294,949				
Other liabilities	B	13,420,512	(10,856,414)	-	2,564,098	14,748,857	(12,331,066)	-	2,417,791				
Provision for employee benefits	A(ii)	3,071,483	-	-	3,071,483	3,139,553	-	-	3,139,553				
Provision for off-balance sheet commitment		-	-	95,929	95,929	-	-	505,078	505,078				
Current income tax liability	A(iii)	1,313,415	-	-	1,313,415	2,436,658	-	-	2,436,658				
Total liabilities		<u>904,004,537</u>	<u>-</u>	<u>3,654,834</u>	<u>907,659,371</u>	<u>1,162,999,373</u>	<u>(870,641)</u>	<u>4,800,027</u>	<u>1,166,928,759</u>				
EQUITY													
Share capital		75,000,000	-	-	75,000,000	75,000,000	-	-	75,000,000				
Other capital		-	-	-	-	4,500,000	-	-	4,500,000				
Regulatory Reserve		-	3,000,759	-	3,000,759	-	6,538,474	-	6,538,474				
General Reserves	A(iv)	195,590	-	-	195,590	195,590	-	-	195,590				
Retained earnings	A(iv)	25,144,899	(3,000,759)	820,414	22,964,554	35,757,248	(6,538,474)	(539,939)	28,678,835				
Total equity		<u>100,340,489</u>	<u>-</u>	<u>820,414</u>	<u>101,160,903</u>	<u>115,452,838</u>	<u>-</u>	<u>(539,939)</u>	<u>114,912,899</u>				
Total liabilities and equity (US\$)		<u>1,004,345,026</u>	<u>-</u>	<u>4,475,248</u>	<u>1,008,820,274</u>	<u>1,278,452,211</u>	<u>(870,641)</u>	<u>4,260,088</u>	<u>1,281,841,658</u>				
Total liabilities and equity (KHR'000)		<u>4,054,540,870</u>	<u>-</u>	<u>18,066,576</u>	<u>4,072,607,445</u>	<u>5,136,820,984</u>	<u>(3,498,236)</u>	<u>17,117,034</u>	<u>5,150,439,783</u>				

38.2 Reconciliation of statement of profit or loss for the year ended 31 December 2018

		Effect of transition to CIFRSs			
	Note	Cambodia GAAP US\$	Reclassification US\$	Remeasurement US\$	CIFRSs US\$
Operating income					
Interest income	A(iii)	58,988,296	-	1,159,403	60,147,699
Interest expense	B	(32,508,351)	-	(273,386)	(32,781,737)
Net interest income		<u>26,479,945</u>	<u>-</u>	<u>886,017</u>	<u>27,365,962</u>
Net fee and commission income	A(iii)	5,173,242	537,944	(2,276,536)	3,434,650
Other income		4,543,027	(537,941)	-	4,005,086
Total operating income		<u>36,196,214</u>	<u>3</u>	<u>(1,390,519)</u>	<u>34,805,698</u>
Personnel expenses		<u>(6,539,444)</u>	<u>-</u>	<u>-</u>	<u>(6,539,444)</u>
Depreciation and amortisation		(1,627,351)	-	(804,178)	(2,431,529)
General and administrative expenses	B	(3,882,715)	-	962,672	(2,920,043)
Total operating expenses		<u>(12,049,510)</u>	<u>-</u>	<u>158,494</u>	<u>(11,891,016)</u>
Operating profit before impairment		<u>24,146,704</u>	<u>3</u>	<u>(1,232,025)</u>	<u>22,914,682</u>
Impairment losses on financial instruments	A(ii)	(10,828,366)	-	536,957	(10,291,409)
Profit before income tax		<u>13,318,338</u>	<u>3</u>	<u>(695,068)</u>	<u>12,623,273</u>
Income tax expense	C	(2,705,989)	-	(665,288)	(3,371,277)
Net profit for the year		<u>10,612,349</u>	<u>3</u>	<u>(1,360,356)</u>	<u>9,251,996</u>
Other comprehensive income					
Currency translation reserves		-	-	-	-
Total comprehensive income for the year		<u>10,612,349</u>	<u>3</u>	<u>(1,360,356)</u>	<u>9,251,996</u>

Summary of balance sheet reclassifications and key adjustments as a result of transition from Cambodia GAAP to CIFRSs is as follows:

A. Financial assets and liabilities

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

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

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

- The determination of the business model within which a financial asset is held;
- The determination of whether the contractual terms of a financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding;
- The designation of an equity investment that is not held-for-trading as at FVOCI; and
- If a debt investment has low credit risk at 1 January 2018, the Company had assumed that the credit risk on the asset has not increased significantly since its initial recognition.

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

(i) Classification of financial assets and financial liabilities

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

For an explanation of how the Bank classifies and measures financial assets and related gains and losses under CIFRS 9, see Note 37C(ii).

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

		31 December 2018		1 January 2018			
Note	Original classification under Cambodia GAAP	New classification under CIFRS 9	Original carrying amount under Cambodia GAAP US\$	New carrying amount under CIFRS 9 US\$	Original carrying amount under Cambodia GAAP US\$	New carrying amount under CIFRS 9 US\$	
Financial assets							
	Cost	Amortised cost	29,329,452	288,354,954	32,685,269	345,724,389	
Cash and cash equivalents			369,030,415	-	451,970,668	-	
Balance with central bank	Cost	Amortised cost	40,357,436	41,937,878	52,549,763	57,324,949	
Placements with banks and financial institutions	Cost	Amortised cost	527,794,755	531,264,657	693,521,185	696,090,449	
Loans and advances to customers	(a)	Cost	Amortised cost	4,106,819	1,538,481	5,256,896	1,873,108
Other assets	(b)		970,618,877	863,095,970	1,235,983,781	1,101,012,895	
Total financial assets (US\$)			3,918,388,406	3,484,318,431	4,989,666,524	4,444,789,057	
Total financial assets							
(KHR'000 - Note 5)							
Financial liabilities							
Deposits from customers	(c)	Cost	Amortised cost	813,723,241	821,458,407	1,074,455,652	1,083,219,529
Deposits from banks and financial institutions	(c)	Cost	Amortised cost	59,269,493	61,560,942	56,432,939	59,038,423
Other liabilities	(c)	Carrying amount	Amortised cost	13,420,512	2,564,098	14,748,857	2,417,791
Total financial liability (US\$)			886,413,246	885,583,447	1,145,637,448	1,144,675,743	
Total financial liability			3,578,450,274	3,575,100,376	4,624,938,378	4,621,055,974	
(KHR'000 - Note 5)							

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

(i) Classification of financial assets and financial liabilities (continued)

(b) Loans and advances to customers and other assets that were classified as loans and receivables under Cambodian GAAP are now classified at amortised cost. A decrease of US\$3,000,759 in the allowance for impairment was recognised in opening retained earnings of the Bank at 1 January 2018 respectively on transition to CIFRS 9.

(c) Under Cambodia GAAP, these financial liabilities that were classified at cost are now classified at amortised cost. However, there is no impact upon transition to CIFRS 9.

(ii) Impairment of financial assets

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

The application of CIFRSs 9 impairment requirements results in additional allowances for impairment as follows:

	1 January 2018	31 December 2018
	US\$	US\$
Loss allowance under Cambodia GAAP	9,974,639	11,331,511
Impairment recognised on:		
- Cash and cash equivalents	5,794	(7,829)
- Placements with banks and financial institutions	105,047	(433,033)
- Loans and advance to customers	(3,207,529)	(2,895,881)
- Provision for off-balance sheet commitments	95,929	(200,972)
	(3,000,759)	(3,537,715)
Loss allowance under CIFRS 9	6,973,880	7,793,796
Loss allowance under CIFRS 9 (KHR'000 – Note 5)	28,153,554	31,315,472

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt investments at FVOCI, the loss allowance is recognised in OCI, instead of reducing the carrying amount of the asset.

Additional information about how the Bank measure the allowance for impairment is described in Note 37C(vii).

(iii) Interest

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

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

The impact arising from the change is summarised as follows:

	1 January 2018	31 December 2018
	US\$	US\$
Statement of financial position		
Loans and advances to customers	3,469,902	2,569,264
Related tax effect	693,980	513,853
Adjustment to retained earnings	4,163,882	3,083,117
Adjustment to retained earnings (KHR'000 – Note 5)	16,809,592	12,387,964
Statement of comprehensive income		
Interest income		1,159,403
Interest expense		(273,386)
Fees and commission income		(2,276,536)
Adjustment before income tax		(1,390,519)
Adjustment to before income tax (KHR'000 – Note 5)		(5,624,649)

(iv) Transition impact on equity

The following table summarises the impact, net of tax, of transition to CIFRS 9 on reserves, retained earnings at 1 January 2018.

	Impact of adopting CIFRS 9 at 1 January 2018	
	US\$	KHR'000 (Note 5)
Regulatory reserves		
Closing balance under Cambodia GAAP (31 December 2017)	-	-
Transfer from retained earnings	3,000,759	12,114,064
Opening balance under CIFRS 9 (1 January 2018)	3,000,759	12,114,064
Retained earnings		
Closing balance under Cambodia GAAP (31 December 2017)	25,144,899	101,509,957
Remeasurement of amortised costs under CIFRS 9	155,126	626,243
Recognition of expected credit losses under CIFRS 9	(3,000,759)	(12,114,064)
Related tax	665,288	2,685,768
Opening balance under CIFRS 9 (1 January 2018)	22,964,554	92,707,904

B. Leases

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

The Bank leases a number of offices under finance leases. These were classified as finance lease under CAS 17. The carrying amounts of right-of-used asset and liability at 1 January 2018 were determined at the carrying amounts of the lease asset and lease liability under CIFRS 17 immediately before date.

	1 January 2018	31 December 2018
	US\$	US\$
Statement of financial position		
Right-of-used assets	3,113,929	3,735,082
Deferred tax assets	-	111,974
Lease liabilities	3,558,905	4,294,949
Adjustments to retained earnings	(444,976)	(447,893)
Adjustments to retained earnings (KHR'000-Note 5)	(1,796,368)	(1,799,634)
Statement of profit or loss and other comprehensive income		
Amortisation of right-of-used assets		804,177
Interest expense on lease liability		273,385
Rental expenses		(962,671)
Adjustments before income tax		114,891
Adjustments to before income (KHR'000 - Note 5)		464,734

C. Income tax

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

	1 January 2018	31 December 2018
	US\$	US\$
Impairment allowance	-	947,151
Right-of-used assets	-	(747,016)
Lease liabilities	-	858,990
Others	1,727,980	356,820
Increase in deferred tax assets	1,727,980	1,415,945
Increase in deferred tax assets – KHR'000 – Note 5	6,975,855	5,689,267

D. Material adjustments to the Statement of Cash Flow for 2018

The statement of cash flows presented under CIFRSs is similar in all material respects to the statement of cash flows presented under Cambodia GAAP.

39.Subsequent event

Coronavirus and impact on ECL

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

PRODUCTS AND SERVICES



គណនីចរន្ត
Current Account





គណនីសំចៃ
Savings Account





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Housing Loan





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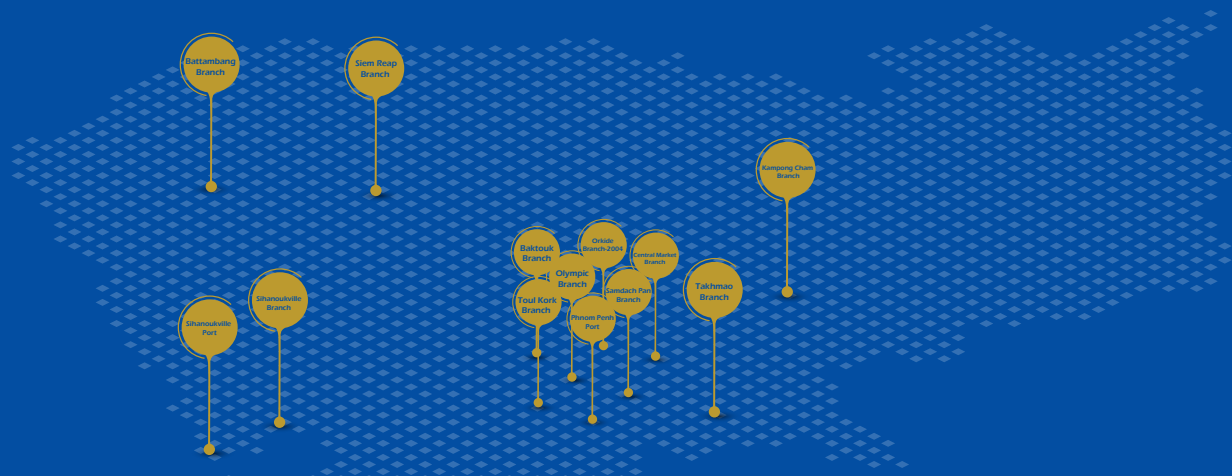
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CORRESPONDENT BANKS

No.	Country of Correspondent Bank	Name and Address Bank	Currency
01	CHINA	BANK OF CHINA (SHANGHAI RMB TRADING UNIT) SHANGHAI, CHINA Swift Code: BKCHCNBJ500 A/C No. 433861149292	CNY
02	UNITED KINGDOM	STANDARD CHARTERED BANK 37 Gracechurch St., LONDON EC3V, UNITED KINGDOM Swift Code: SCBLGB2L A/C No. 01-7022166-01	POUND-GBP
03	FRANCE	SOCIETE GENERALE SHANGHAI, CHINA Swift Code: SOGEFRPP A/C No. 002016480210	EUR
04	FRANCE	NATIXIS 221 Bld. Haussmann 75427-PARIS Cedex-09 FRANCE Swift Code: NATXFRPPXXX A/C No. 300079999906126068000	USD/EUR
05	JAPAN	BANK OF TOKYO-MITSUBISHI UF J, LTD SHANGHAI, CHINA Swift Code: BOTKJPJT A/C No. 654.0700.932	JPY
06	REPUBLIC OF KOREA	KOOKMIN BANK, HEAD OFFICE SEOUL KOREA Swift Code: CZNBRKSE A/C No. 836-8-USD-01-0	USD
07	REPUBLIC OF KOREA	KEB HANA BANK (FORMERLY KOREA EXCHANGE BANK) Swift Code: KOEXKRSE A/C No. 0963THR051230019	USD
08	REPUBLIC OF KOREA	WOORI BANK SEOUL KOREA Swift Code: HVBKRRSE A/C No. 300009886811	USD
09	SINGAPORE	STANDARD CHARTERED BANK SINGAPORE Swift Code: SCBLSGSG A/C No. 77.0.001775.2	USD
10	THAILAND	BANGKOK BANK PUBLIC COMPANY LIMITED BANGKOK, THAILAND Swift Code: BKKBTHBK A/C No. 555-293-008-0	USD
11	THAILAND	THANACHART BANK PUBLIC COMPANY LIMITED BANGKOK, THAILAND Swift Code: THBKTHBK A/C No. 0016045357/001	THB
12	THAILAND	SIAM COMMERCIAL BANK PLC BANGKOK, THAILAND Swift Code: SICOTHBK A/C No. 111-3-00231-1	THB
13	USA	STANDARD CHARTERED BANK NEW YORK, USA Swift Code: SCBLUS33 A/C No. 3582.062596.001	USD
14	VIETNAM	JOINT STOCK COMMERCIAL BANK FOR FOREIGN TRADE OF VIETNAM HANOI, VIETNAM Swift Code: BFTVNVXX A/C No. 0681370007155	USD
15	VIETNAM	BANK FOR INVESTMENT AND DEVELOPMENT OF VIETNAM (BIDV) 18th FL BIDV Tower, 35 Hang Voi Street, HANOI, VIETNAM Swift Code: BIDVNVXXXX A/C No. 990103700001199	USD



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