Sathapana Bank Plc.

Audited financial statements in accordance with
Cambodian International Financial Reporting Standards

as at 31 December 2019 and for the year then ended

Sathapana Bank Plc.

CONTENTS

REPORT OF THE BOARD OF DIRECTORS

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

THE BANK

SATHAPANA Limited, the micro-finance institution ("MFI"), was incorporated in the Kingdom of Cambodia by the Ministry of Commerce ("MoC") on 19 February 2003, based on the Memorandum and Articles of Association signed on 27 December 2002 between Cambodia Community Building ("CCB"), a local non-governmental organisation established in 1996 and the MFI's staff. The MFI obtained its license to operate as a micro-finance institution from the National Bank of Cambodia ("NBC") on 23 April 2003. Under the micro-finance license, the MFI is authorised to grant credit and offer saving services to poor and low-income households and small enterprise operating in the Kingdom of Cambodia.

The NBC granted SATHAPANA Limited micro-finance license with an indefinite life from 19 April 2006. On 22 January 2009, the MFI received a license from the NBC to conduct a deposit-taking business. On 11 February 2014, the MFI received another 3-year license to conduct money exchange business.

On 19 October 2012, MARUHAN Japan Bank ("MJB") entered into a sale and purchase agreement with Stichting Triodos-Doen ("ST"), Nederlandse Financierings-Maatschapij Voor Ontwikellingslanden N.V. ("NFVO"), DWM Funds S.C.A.-SICAV SIF ("DWM"), CCB, and SATHAPANA Employee Investment Limited ("SEI") to acquire 95.1% equity of SATHAPANA Limited. This was approved by the NBC on 5 December 2012 with the subject shares approved for the change in ownership by the MoC on 17 December 2012.

On 8 February 2016, the Board of Directors of the MFI, pursuant to the option agreement with CCB, the non-controlling interest of the MFI, passed a resolution to sell the remaining 4.9% of the MFI, representing all the non-controlling interest of the MFI for a total price of US$6.02 million. The transaction was completed on 17 March 2016.

In early 2015, MJB and SATHAPANA Limited agreed to merge the two institutions into one entity, under the name SATHAPANA Bank Plc.(" the Bank"), as approved by the NBC on 28 March 2016. On 29 March 2016, the NBC also granted an indefinite banking license to the Bank. All assets and liabilities of MJB were transferred to the Bank on 1 April 2016.

PRINCIPAL ACTIVITIES

The principal activities of the Bank are as follows:

- Provide micro, small, and medium loans;
- Offer deposit-taking services;
- Provide local and international money transfer services;
- Offer ATM, credit card and eBanking services; and
- Offer related banking and financial services in the Kingdom of Cambodia.

LOCATION

The registered office of the Bank is located at No. 83, Preah Norodom Blvd., Sangkat Phsar Thmey 3, Khan Daun Penh, Phnom Penh, Kingdom of Cambodia. The Bank operates its businesses in 25 provinces with a network of 171 branches.

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No. 83, Preah Norodom Boulevard, Sangkat Phsar Thmey 3, Khan Daun Penh, Phnom Penh, Cambodia

EMPLOYEES

As at 31 December 2019, the Bank had 4,397 employees (2018: 4,391 employees).

FINANCIAL RESULT

The financial performance of the Bank for the year ended 31 December 2019 is set out in the statement of comprehensive income.

PAID-UP CAPITAL

There was an increase in the paid-up capital of the Bank during the year, USD30 Millions.

RESERVES AND PROVISIONS

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

EXPECTED CREDIT LOSSES ON LOANS AND ADVANCES

Before the financial statements of the Bank were drawn up, the Directors took reasonable steps to ascertain that action had been taken in relation to writing off bad loans or in recognizing provision for expected credit losses, and satisfied themselves that all known bad loans and advances had been written off and that adequate provisions had been made for expected credit losses on 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 the provision for expected credit losses on loans and advances in the financial statements of the Bank inadequate in any material respect.

ASSETS

Before the financial statements of the Bank were drawn up, the Directors took reasonable steps to ensure that any assets which were unlikely to be realized in the ordinary course of business at their value as shown in the accounting records of the Bank and the Bank, have been written down to an amount which they might be expected to realize.

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there is:

- No charge on the assets of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; and
- No contingent liability in respect of the Bank that has arisen since the end of the financial year other than in the ordinary course of business.

No contingent liability 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 have a material effect on the ability of the Bank to meet its obligations when they become due.

SUBSEQUENT EVENTS

No significant events occurred after the 31 December 2019 requiring disclosure or adjustment other than those already disclosed in the accompanying notes to the financial statements.

THE BOARD OF DIRECTORS

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

Dr. Han Chang-Woo	Chairman (non-executive)
Mr. Han Yu	Non-executive director
Mr. Han Ken	Non-executive director
H.E. Shinohara Katsuhiro	Independent and non-executive director
H.E. Kim Vada	Independent and non-executive director
Mr. Hun Monivann	Independent and non-executive director

AUDITOR

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

DIRECTORS' INTERESTS

No members of the Board of Directors have an interest in the shares of the Bank.

DIRECTORS' BENEFITS

As at 31 December 2019 and for the year then ended, no arrangement existed, to which the Bank was a party, whose object was to enable the Directors of the Bank to acquire benefits by means of the acquisition of shares in or debentures of the Bank or any other corporate body.

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

STATEMENT OF THE BOARD OF DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Board of Directors is responsible for ensuring that the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2019, and its financial performance and cash flows for the year then ended. The Board of Directors oversees preparation of these financial statements by management who 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 the disclosure requirements and guidelines issued by Cambodian International Financial Reporting Standards or, if there have been any departures in the interest of fair presentation, these have been appropriately disclosed, explained and quantified in the financial statements;

iii) Maintain adequate accounting records and an effective system of internal controls;

iv) Prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Bank will continue operations in the foreseeable future; and

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

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

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

APPROVAL OF THE FINANCIAL STATEMENTS

We hereby approve the accompanying financial statements which give a true and fair view of the financial position of the Bank as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with Cambodian International Financial Reporting Standards.

On behalf of the Board of Directors:

SATHAPANA BANK PLC.

Mr. Lim Aun	Mr. Svoeuy Ponnakrath
Chief Executive Officer	Chief Financial Officer

Phnom Penh, Kingdom of Cambodia

31 March 2020

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INDEPENDENT AUDITOR'S REPORT

To: The Shareholder of Sathapana Bank Plc.

Opinion

We have audited the financial statements of Sathapana Bank Plc. ("the Bank"), which comprise the statement of financial position as at 31 December 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Information Other than the Financial Statements and Auditor's Report Thereon

The other information obtained at the date of the auditor's report is the Report of the Board of Directors. Management is responsible for the other information.

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

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

Responsibilities of Management and the Board of Directors for the Financial Statements

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

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

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

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

ERNST & YOUNG (CAMBODIA) LTD

Maria Cristina M. Calimbas
Partner

Ernst & Young (Cambodia) Ltd.
Certified Public Accountants
Registered Auditors

Phnom Penh, Kingdom of Cambodia

31 March 2020

Sathapana Bank Plc.

STATEMENT OF FINANCIAL POSITION
as at 31 December 2019

	Notes	31 December 2019		31 December 2018		1 January 2018	
		US$	KHR'000 equivalent (Note 2.1)	US$	KHR'000 equivalent (Note 2.1)	US$	KHR'000 equivalent (Note 2.1)
				(As restated – Note 2)		(As restated – Note 2)	
ASSETS							
Cash on hand	3	85,296,900	347,584,868	67,916,384	272,888,031	43,744,709	176,597,390
Balances with the National Bank of Cambodia	4	213,118,865	868,459,375	168,970,016	678,921,524	124,540,739	502,770,963
Balances with other banks	5	15,818,539	64,460,546	7,839,565	31,499,372	18,957,854	76,532,857
Loans to customers	6	1,293,005,023	5,268,995,469	1,018,760,047	4,093,377,869	804,078,360	3,246,064,339
Other assets	7	13,022,688	53,067,454	11,440,811	45,969,178	10,442,503	42,156,384
Property and equipment	8	14,787,841	60,260,452	10,238,649	41,138,892	8,090,634	32,661,889
Right-of-use assets	9	13,315,124	54,259,130	13,355,995	53,664,388	13,198,453	53,282,155
Software costs	10	2,369,838	9,657,090	1,463,686	5,881,090	869,396	3,509,752
Goodwill	11	17,380,030	70,823,622	17,380,030	69,832,961	17,380,030	70,163,181
Deferred tax assets	17(a)	6,467,838	26,356,440	4,603,593	18,497,237	3,208,974	12,954,628
TOTAL ASSETS		**1,674,582,686**	**6,823,924,446**	**1,321,968,776**	**5,311,670,542**	**1,044,511,652**	**4,216,693,538**

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

Sathapana Bank Plc.

STATEMENT OF FINANCIAL POSITION (continued)
as at 31 December 2019

	Notes	31 December 2019		31 December 2018		1 January 2018	
		US$	KHR'000 equivalent (Note 2.1)	US$	KHR'000 equivalent (Note 2.1)	US$	KHR'000 equivalent (Note 2.1)
				(As restated – Note 2)		(As restated – Note 2)	
LIABILITIES AND EQUITY							
LIABILITIES							
Deposits from customers and other financial institutions	12	947,411,222	3,860,700,730	804,699,381	3,233,282,113	618,172,252	2,495,561,381
Other liabilities	15	27,736,213	113,025,068	17,381,129	69,837,376	12,790,786	51,636,403
Income tax payable	17(b)	8,896,377	36,252,736	5,705,331	22,924,020	4,444,141	17,940,997
Borrowings	13	365,971,306	1,491,333,072	253,817,389	1,019,838,269	214,788,333	867,100,500
Subordinated debts	14	44,000,000	179,300,000	30,000,000	120,540,000	13,000,000	52,481,000
Employee benefits	16	20,596,063	83,928,957	17,566,763	70,583,254	14,092,858	56,892,868
Lease liabilities	18	11,971,106	48,782,257	11,952,215	48,024,000	11,676,901	47,139,649
Total liabilities		**1,426,582,287**	**5,813,322,820**	**1,141,122,208**	**4,585,029,032**	**888,965,271**	**3,588,752,798**
EQUITY							
Share capital	19	150,000,000	600,000,000	120,000,000	480,000,000	120,000,000	480,000,000
Retained earnings		85,429,935	345,822,065	48,576,109	196,490,361	27,065,589	109,480,308
Regulatory reserve	19	12,570,464	50,849,627	12,270,459	49,634,007	8,480,792	34,304,804
Cumulative translation adjustments		-	13,929,934	-	517,142	-	4,155,628
Total equity		**248,000,399**	**1,010,601,626**	**180,846,568**	**726,641,510**	**155,546,381**	**627,940,740**
TOTAL LIABILITIES AND EQUITY		**1,674,582,686**	**6,823,924,446**	**1,321,968,776**	**5,311,670,542**	**1,044,511,652**	**4,216,693,538**

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

Sathapana Bank Plc.

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2019

	Notes	*For the year ended 31 December 2019*		*For the year ended 31 December 2018*	
		US$	*KHR'000 equivalent (Note 2.1)*	*US$*	*KHR'000 equivalent (Note 2.1)*
				(As restated – Note 2)	
Operating income					
Interest income	20	166,965,257	676,543,221	136,641,313	552,714,111
Interest expense	21	(66,008,944)	(267,468,241)	(54,960,493)	(222,315,194)
Net interest income		**100,956,313**	**409,074,980**	**81,680,820**	**330,398,917**
Other income		4,019,426	16,286,714	1,486,694	6,013,677
Net fees and commissions	22	2,839,932	11,507,404	1,629,159	6,589,948
Total operating income		**107,815,671**	**436,869,098**	**84,796,673**	**343,002,542**
General and administrative expenses	23	(56,610,901)	(229,387,371)	(50,060,294)	(202,493,889)
Provisions for expected credit losses	5, 6	(5,372,451)	(21,769,171)	(3,836,746)	(15,519,638)
Income before income tax		**45,832,319**	**185,712,556**	**30,899,633**	**124,989,015**
Income tax expense	17(c)	(8,678,488)	(35,165,232)	(5,599,446)	(22,649,759)
Net income for the year		**37,153,831**	**150,547,324**	**25,300,187**	**102,339,256**
Other comprehensive loss item recognized directly in equity:					
Translation adjustment		-	(3,638,486)	-	(96,471)
Total comprehensive income		**37,153,831**	**146,908,838**	**25,300,187**	**102,242,785**

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

Sathapana Bank Plc.

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2019

	Share capital		*Regulatory reserve*		*Retained earnings*		*Cumulative translation adjustments*	*Total*	
	US$	*KHR'000 equivalent (Note 2.1)*	*US$*	*KHR'000 equivalent (Note 2.1)*	*US$*	*KHR'000 equivalent (Note 2.1)*	*KHR'000 equivalent (Note 2.1)*	*US$*	*KHR'000 equivalent (Note 2.1)*
Balance as at 31 December 2017, as previously reported	120,000,000	480,000,000	-	-	34,179,407	138,255,701	4,166,565	154,179,407	622,422,266
Effect of transitioning to CIFRSs:									
CIFRS 9	-	-	-	-	3,569,065	14,436,867	-	3,569,065	14,436,867
CIFRS 16	-	-	-	-	1,512,265	6,117,113	-	1,512,265	6,117,113
CIAS 19	-	-	-	-	(3,714,356)	(15,024,569)	-	(3,714,356)	(15,024,569)
Transfer to regulatory reserve	-		8,480,792	34,304,804	(8,480,792)	(34,304,804)	-	-	-
Translation adjustment	-	-	-	-	-	-	(10,937)	-	(10,937)
Balance as at 1 January 2018, as restated	**120,000,000**	**480,000,000**	**8,480,792**	**34,304,804**	**27,065,589**	**109,480,308**	**4,155,628**	**155,546,381**	**627,940,740**
Net income for the year, as restated	-	-	-	-	25,300,187	102,339,256	-	25,300,187	102,339,256
Transfer to regulatory reserve	-	-	3,789,667	15,329,203	(3,789,667)	(15,329,203)	-	-	-
Translation adjustment	-	-	-	-	-	-	(3,638,486)	-	(3,638,486)
Balance as at 31 December 2018, as restated	**120,000,000**	**480,000,000**	**12,270,459**	**49,634,007**	**48,576,109**	**196,490,361**	**517,142**	**180,846,568**	**726,641,510**

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

STATEMENT OF CHANGES IN EQUITY (continued)

for the year ended 31 December 2019

	Share capital		*Regulatory reserve*		*Retained earnings*		*Cumulative translation adjustments*	*Total*	
	US$	*KHR'000 equivalent (Note 2.1)*	*US$*	*KHR'000 equivalent (Note 2.1)*	*US$*	*KHR'000 equivalent (Note 2.1)*	*KHR'000 equivalent (Note 2.1)*	*US$*	*KHR'000 equivalent (Note 2.1)*
Balance as at 31 December 2019, as previously reported:	120,000,000	480,000,000	-	-	57,273,604	231,671,728	613,613	177,273,604	712,285,341
Effect of transitioning to CIFRSs:									
CIFRS 9	-	-	-	-	6,261,703	25,328,589	-	6,261,703	25,328,589
CIFRS 16	-	-	-	-	1,392,583	5,632,998	-	1,392,583	5,632,998
CIAS 19	-	-	-	-	(4,081,322)	(16,508,947)	-	(4,081,322)	(16,508,947)
Transfer to regulatory reserve	-	-	12,270,459	49,634,007	(12,270,459)	(49,634,007)	-	-	-
Translation adjustment	-	-	-	-	-	-	(96,471)	-	(96,471)
Balance as at 1 January 2019, as restated	**120,000,000**	**480,000,000**	**12,270,459**	**49,634,007**	**48,576,109**	**196,490,361**	**517,142**	**180,846,568**	**726,641,510**
Net income for the year	-	-	-	-	37,153,831	150,547,324	-	37,153,831	150,547,324
Additional capital contribution	30,000,000	120,000,000	-	-	-	-	-	30,000,000	120,000,000
Transfer to regulatory reserve	-	-	300,005	1,215,620	(300,005)	(1,215,620)	-	-	-
Translation adjustment	-	-	-	-	-	-	13,412,792	-	13,412,792
Balance as at 31 December 2019, as restated	**150,000,000**	**600,000,000**	**12,570,464**	**50,849,627**	**85,429,935**	**345,822,065**	**13,929,934**	**248,000,399**	**1,010,601,626**

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

STATEMENT OF CASH FLOWS
for the year ended 31 December 2019

	Notes	For the year ended 31 December 2019		For the year ended 31 December 2018 (As restated – Note 2)	
		US$	KHR'000 equivalent (Note 2.1)	US$	KHR'000 equivalent (Note 2.1)
Net cash used in operating activities	24(a)	**(109,495,322)**	**(443,675,046)**	**(27,831,000)**	**(112,576,396)**
INVESTING ACTIVITIES					
Acquisition of:					
Property and equipment	8	(8,173,772)	(33,120,124)	(5,214,073)	(21,090,925)
Software costs	10	(667,803)	(2,705,938)	(624,028)	(2,524,193)
Proceeds from disposals of property and equipment		-	-	33,416	135,168
Net cash used in investing activities		**(8,841,575)**	**(35,826,062)**	**(5,804,685)**	**(23,479,950)**
FINANCING ACTIVITIES					
Proceeds from:					
Borrowings	24(b)	249,801,942	1,012,197,469	134,213,539	542,893,765
Subordinated debts	24(b)	29,000,000	117,508,000	19,000,000	76,855,000
Additional capital contribution		20,000,000	81,040,000	-	-
Repayment of:					
Borrowings	24(b)	(137,108,931)	(555,565,388)	(95,184,484)	(385,021,238)
Subordinated debts	24(b)	(5,000,000)	(20,260,000)	(2,000,000)	(8,090,000)
Lease liabilities	24(b)	(4,699,573)	(19,042,670)	(4,332,815)	(17,526,237)
Net cash generated from financing activities		**151,993,438**	**615,877,411**	**51,696,240**	**209,111,290**
Net increase in cash and cash equivalents		**33,656,541**	**136,376,303**	**18,060,555**	**73,054,944**
Cash and cash equivalents at beginning of year		96,663,139	388,392,493	78,602,584	317,318,632
Translation adjustment		(539,094)	4,087,092	-	(1,981,083)
Cash and cash equivalents at end of year	3	**129,780,586**	**528,855,888**	**96,663,139**	**388,392,493**

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

1. CORPORATE INFORMATION

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

Establishment and operations

SATHAPANA Limited, the micro-finance institution ("MFI"), was incorporated in the Kingdom of Cambodia by the Ministry of Commerce ("MoC") on 19 February 2003, based on the Memorandum and Articles of Association signed on 27 December 2002 between Cambodia Community Building ("CCB"), a local non-governmental organisation established in 1996 and the MFI's staff. The MFI obtained its license to operate as a micro-finance institution from the National Bank of Cambodia ("NBC") on 23 April 2003. Under the micro-finance license, the MFI is authorised to grant credit and offer saving services to poor and low-income households and small enterprise operating in the Kingdom of Cambodia.

The NBC granted SATHAPANA Limited micro-finance license with an indefinite life from 19 April 2006. On 22 January 2009, the MFI received a license from the NBC to conduct a deposit-taking business. On 11 February 2014, the MFI received another 3-year license to conduct money exchange business.

On 19 October 2012, MARUHAN Japan Bank ("MJB") entered into a sale and purchase agreement with Stichting Triodos-Doen ("ST"), Nederlandse Financierings-Maatschapij Voor Ontwikellingslanden N.V. ("NFVO"), DWM Funds S.C.A.-SICAV SIF ("DWM"), CCB, and SATHAPANA Employee Investment Limited ("SEI") to acquire 95.1% equity of SATHAPANA Limited. This was approved by the NBC on 5 December 2012 with the subject shares approved for change in ownership by the MoC on 17 December 2012.

On 8 February 2016, the Board of Directors of the MFI, pursuant to the option agreement with CCB, the non-controlling interest of the MFI, passed a resolution to sell the remaining 4.9% of the MFI, representing all the non-controlling interest of the MFI for a total price of US$6.02 million. The transaction was completed on 17 March 2016.

In early 2015, MJB and SATHAPANA Limited agreed to merge the two institutions into one entity, under the name SATHAPANA Bank Plc. ("the Bank"), as approved by the NBC on 28 March 2016. On 29 March 2016, the NBC also granted an indefinite banking license to the Bank. All assets and liabilities of MJB were transferred to the Bank on 1 April 2016.

PRINCIPAL ACTIVITIES

The principal activities of the Bank are as follows:

- Provide micro, small, and medium loans;
- Offer deposit-taking services;
- Provide local and international money transfer services;
- Offer ATM, credit card and eBanking services; and
- Offer related banking and financial services in the Kingdom of Cambodia.

Paid-up capital

The paid-up capital of the Bank as at 31 December 2019 is US$150,000,000 (2018: US$120,000,000).

1. CORPORATE INFORMATION (continued)

THE BOARD OF DIRECTORS

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

Dr. Han Chang-Woo	Chairman (non-executive)
Mr. Han Yu	Non-executive director
Mr. Han Ken	Non-executive director
H.E. Shinohara Katsuhiro	Independent and non-executive director
H.E. Kim Vada	Independent and non-executive director
Mr. Hun Monivann	Independent and non-executive director

2. ACCOUNTING POLICIES

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

2.1 Basis of preparation

The financial statements of the Bank have been prepared in accordance with Cambodian International Financial Reporting Standards ("CIFRSs"), equivalent to International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB").

The financial statements are expressed in United States dollar ("US$"). The translation of the US$ amounts into Khmer Riel ("KHR") is included solely for meeting the presentation requirement pursuant to Law on Accounting and Auditing.

Assets and liabilities are translated at the closing rate as at the statement of financial position date, and share capital is translated at the historical rate of KHR4,000 per US$1. The items in the statements of comprehensive income and cash flows are translated into KHR using the average rate for the year. Exchange differences arising from the translation are recognized and accumulated in the cumulative translation adjustments presented under equity in the statement of financial position.

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

	2019	*2018*
Closing rate	4,075	4,018
Average rate	4,052	4,045

Fiscal year

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

2.2 Summary of 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-based statement of financial position at 1 January 2018 for the purposes of the transition to, unless otherwise indicated.

2.2.1 Basis of measurement

The financial statements have been prepared on a historical cost basis, except for financial assets at fair value through other comprehensive income ("FVOCI") which have been measured at fair value.

2. ACCOUNTING POLICIES (continued)

2.2 Summary of significant accounting policies (continued)

2.2.2 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 instruments are recognized on the date on which the Bank becomes a party to the contractual provisions of the instruments.

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

(ii) Classification

Financial assets

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

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

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

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

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

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

All other financial assets are classified as measured at FVTPL

In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized 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 realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank 's management;

2. ACCOUNTING POLICIES (continued)

2.2 Summary of significant accounting policies (continued)

2.2.2 Financial assets and financial liabilities (continued)

(ii) Classification (continued)

Business model assessment (continued)

- 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 realized.

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:

2. ACCOUNTING POLICIES (continued)

2.2 Summary of significant accounting policies (continued)

2.2.2 Financial assets and financial liabilities (continued)

(ii) Classification (continued)

Non-recourse loans (continued)

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

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 recognized in OCI is recognized in profit and loss.

Financial liabilities

The Bank derecognizes 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 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 derecognized (see (iii)) and a new financial asset is recognized at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

2. ACCOUNTING POLICIES (continued)

2.2 Summary of significant accounting policies (continued)

2.2.2 Financial assets and financial liabilities (continued)

(iv) Modifications of financial assets and financial liabilities (continued)

Financial assets (continued)

- 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 realize the asset and settle the liability simultaneously.

2. ACCOUNTING POLICIES (continued)

2.2 Summary of significant accounting policies (continued)

2.2.2 Financial assets and financial liabilities (continued)

(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 maximize the use of relevant observable inputs and minimize 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 recognized 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 recognizes 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 recognizes allowance for expected credit losses ("ECLs") on the following financial instruments that are not measured at FVTPL:

- Financial assets that are debt instruments; and
- Loan commitments issued.

2. ACCOUNTING POLICIES (continued)

2.2 Summary of significant accounting policies (continued)

2.2.2 Financial assets and financial liabilities (continued)

(vii) Impairment (continued)

No impairment loss is recognized on equity investments.

The Bank measures loss allowance 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 is the portion of ECL that results 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 recognized are referred to as 'Stage 1 financial instruments'.

Lifetime ECL is the ECL that results from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognized 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 its lifetime ECL.

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 90 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.

2. ACCOUNTING POLICIES (continued)

2.2 Summary of significant accounting policies (continued)

2.2.2 Financial assets and financial liabilities (continued)

(vii) Impairment (continued)

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 90 days past due
- When the account undergoes debt restructuring or rescheduling
- When account shows deterioration in its credit profile but its delinquency does not exceed 90 days past due (“DPD”) (forced accounts)
- When accounts are crossed default by obligor(s) of the same borrower type within the same loan listing source

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses, 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”)
- Economic factor adjustment (“EFA”)
- Discount factor (“DF”)

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

2. ACCOUNTING POLICIES (continued)

2.2 Summary of significant accounting policies (continued)

2.2.2 Financial assets and financial liabilities (continued)

(vii) Impairment (continued)

The Bank adopts the delinquency based transition matrix, historical loss rate model and proxy models to estimate its PD.

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. The LGD is computed based on a workout style method. The workout style method is based on a set of derived estimated cash flows (i.e. collection or sale of collateral) during the workout period and discounted by the effective interest rate to the date of default.

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 derecognized 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 amortized 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.

2. ACCOUNTING POLICIES (continued)

2.2 Summary of significant accounting policies (continued)

2.2.2 Financial assets and financial liabilities (continued)

(vii) Impairment (continued)

Credit-impaired financial assets (continued)

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 reorganization; 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.

Presentation of allowance for ECL in the statement of financial position

Allowance for ECL is presented in the statement of financial position for financial assets measured at amortised cost as contra-account 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 recognized in profit and loss in the statement of comprehensive income.

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.

2.2.3 Cash and cash equivalents

For statement of cash flow purposes, cash and cash equivalents consist of cash, deposits with other banks, and highly-liquid short-term investments with an original maturity of less than ninety days that are readily convertible to known amounts of cash.

2.2.4 Equity

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.

2. ACCOUNTING POLICIES (continued)

2.2 Summary of significant accounting policies (continued)

2.2.5 General and regulatory reserves

A general reserve is set up as necessary for any overall financial risk. The Board of Directors exercises its discretion for the use and maintenance of the general reserve. Any transfer from retained earnings to general reserve is subject to the approval of the Board of Directors.

Regulatory reserve is set up to account for the difference in provision between ECLs determined in accordance with CIFRS 9 and the regulatory provision computed in accordance with NBC Prakas No B7-017-344 dated 1 December 2017 and Circular No B7-018-001 dated 16 February 2018 on credit risk classification and provision on impairment for banks and financial institutions.

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

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

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

(i) In case the regulatory provision is lower than provision calculated under CIFRS 9, the Bank shall record the provision calculated in accordance with CIFRS 9; and

(ii) In case the regulatory provision is higher than provision calculated under CIFRS 9, the Bank shall record the provision calculated in accordance with CIFRS 9 and transfer the difference from retained earnings or accumulated loss account to the regulatory reserve.

2.2.6 Deposits and placements with banks

Deposits and placements with banks are stated at cost less ECL.

2. ACCOUNTING POLICIES (continued)

2.2 Summary of significant accounting policies (continued)

2.2.7 Loans to customers

'Loans to customers' caption in the statement of financial position includes loans to customers measured at amortized cost; they are initially measured at fair value plus adjustment on direct transaction costs, and subsequently at their amortized cost using the effective interest rate method.

2.2.8 Other assets

Other assets are carried at cost less impairment if any.

2.2.9 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 capitalized 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 capitalized 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.

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 recognized net within "other income" and "other expenses" in statement of income.

(ii) Subsequent costs

The cost of replacing a component of an item of property and equipment is recognized 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 derecognized to profit or loss. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

2. ACCOUNTING POLICIES (continued)

2.2 Summary of significant accounting policies (continued)

2.2.9 Property and equipment (continued)

(iii) Depreciation

The cost of replacing a component of an item of property and equipment is recognized 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 the Bank, and its cost can be measured reliably. The carrying amount of the replaced component is derecognized to profit or loss. The costs of the day-to-day servicing of property and equipment are recognized 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 recognized as an expense in profit or loss on a straight-line over the estimated useful lives of each component of an item of property and equipment.

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

Depreciation is recognized from the date that the property 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. Construction in progress is not depreciated. Already above confirm if below is useful life and not rates.

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

	No. of years
Office furniture and equipment	4 - 7
Computers	3 - 7
Motor vehicles	4 - 5
Leasehold improvements	5

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

2.2.10 Software costs

Software costs, comprising acquired computer software licenses and related costs, are stated at cost less accumulated amortisation and impairment loss. Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire the specific software and bring it to use.

Software costs are depreciated on a straight-line basis over an estimated 10-year useful life.

Costs associated with the development or maintenance of computer software are recognized as expense when incurred.

2. ACCOUNTING POLICIES (continued)

2.2 Summary of significant accounting policies (continued)

2.2.11 Leases

At inception of a contract, the Bank assesses whether 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 outstanding, 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.

2. ACCOUNTING POLICIES (continued)

2.2 *Summary of significant accounting policies* (continued)

2.2.11 *Leases* (continued)

Leases in which the Bank is a lessee (continued)

The Bank recognizes 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 of right-of-use assets comprising leases of head office, branch offices and ATM locations range between 3 to 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 amortized cost using the effective interest rate method. It is remeasured when there is a change in the lease term, a change in the assessment of the option to purchase the underlying asset, a change in future lease payments arising from a change in an index or rate, or if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee.

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

Short-term leases and leases of low-value assets

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

Transition

Upon adoption of CIFRSs, the Bank applied CIFRS 16 where the cumulative effect was recognized as an adjustment to the opening balance of retained earnings as at 1 January 2018, the opening statement of financial position date, with restatement of corresponding figures in 2018.

2. ACCOUNTING POLICIES (continued)

2.2 Summary of significant accounting policies (continued)

2.2.11 Leases (continued)

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

2.2.12 Employee benefits

This account consists of the Bank's liability to employees for provident fund and seniority indemnity payment which are considered as defined benefit obligations ("DBO").

Provident fund

The Bank provides its employees with benefits under the provident fund policy. Employees who complete their probation have an option to participate in the provident fund scheme. The fund is sourced from the following:

- Employees may contribute up to 5.0% of their monthly salary, and the Bank contributes twice that amount.
- The Bank contributes interest on the cumulative balance of the provident fund computed at 6.5% per annum.

The Bank's contributions are charged to profit or loss during the year the employees rendered services. The provident fund will be paid to employees (who have contributed to the fund) upon their retirement, resignation or termination of employment.

Upon retirement or resignation, the employee's contribution and related interest are paid in full while the Bank's contribution and related interest are paid in accordance with the following conditions:

Years of service	*Bank's % of contribution*
Equal to or less than 1 year	-
Worked for at least 1 year	20%
Worked for at least 2 years	40%
Worked for at least 3 years	60%
Worked for at least 4 years	80%
Worked for at least 5 years	100%

Those who have been terminated due to serious misconduct are only entitled to his/her contribution plus interest, regardless of how long they have been employed by the Bank.

Seniority indemnity payment

In 2018, the Ministry of Labour and Vocational Training's ("MoLVT") Prakas No 443 dated 21 September 2018 mandated the payment of seniority indemnity for unspecified duration contracted employees with implementation guidelines issued on 22 March 2019. The said Prakas requires retroactive seniority payment equal to fifteen days per year of employee service for a maximum not exceeding 6 months based on the average net wages for each year. Payment shall be spread over a period beginning December 2021 and every June and December thereafter as follows:

- Equal to three days payable every June, and
- Equal to three days payable every December.

2. ACCOUNTING POLICIES (continued)

2.2 Summary of significant accounting policies (continued)

2.2.12 Employee benefits (continued)

At the end of each reporting period, the provident fund and seniority indemnity payment were reassessed following actuarial valuation performed by the Bank's external specialist using projected unit credit method. The liability with respect to current provident fund and seniority indemnity payment is regarded as fully accrued, and, therefore, is not split between a past (or accrued) and future in-service element. The net defined benefit liability is recognized at the present value of the obligation.

2.2.13 Provisions

Provisions are recognized 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 recognized as finance cost.

2.2.14 Interest

Effective interest rate

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

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

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

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

Amortized cost and gross carrying amount

The 'amortized 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 rate 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 amortized cost of a financial asset before adjusting for any ECL allowance.

2. ACCOUNTING POLICIES (continued)

2.2 Summary of significant accounting policies (continued)

2.2.14 Interest (continued)

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 amortized 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 amortized 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 amortized 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 and interest expense determined using the effective interest rate method are presented under the profit or loss in the statement of comprehensive income.

2.2.15 Fee and commission

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

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

A contract with a customer that results in a recognized financial instrument in the Bank's financial statements may be partially in 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 scope of CIFRS 9 and then applies CIFRS 15 to the residual.

2.2.16 Dividend income

Dividend income is recognized when the Bank's right to receive the payment is established.

2.2.17 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.

2. ACCOUNTING POLICIES (continued)

2.2 Summary of significant accounting policies (continued)

2.2.17 Impairment of non-financial assets (continued)

An impairment loss is recognized 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 with 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 recognized in profit and loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGUs, and then to reduce the carrying amounts of the other assets in the CGUs on a pro rata basis.

Impairment losses recognized 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 recognized.

2.2.18 Income tax

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

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

Following the adoption of CIFRSs, the General Department of Taxation ("GDT") has not indicated the changes to tax bases for tax computations for the tax effects of transition to CIFRSs. The Bank has made assumptions that management assessed to be reasonable and prudent in its assessment of tax payable and deferred taxes. The use of different assumptions could lead to a material impact on the financial statements. The final tax liabilities and deferred taxes of the Bank are subject to the determination of and agreement with the GDT.

(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 recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

2. ACCOUNTING POLICIES (continued)

2.2 Summary of significant accounting policies (continued)

2.2.18 Income tax (continued)

(ii) Deferred tax (continued)

Deferred tax assets are recognized 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 realized; 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.

2.2.19 Contingent liabilities

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

2.2.20 Contingent assets

Where it is not possible that there is an inflow of economic benefits, or the amount cannot be estimated reliably, the asset is not recognized in the 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.

2.2.21 Rounding of amounts

Amounts in the financial statements have been rounded off to the nearest dollar and nearest thousand KHR for US$ and KHR amounts, respectively.

2.3 Significant accounting judgments and estimates

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

2. ACCOUNTING POLICIES (continued)

2.3 Significant accounting judgments and estimates (continued)

2.3.1 Judgments

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

a. Classification of financial assets

The Bank classifies its financial assets depending on the business model for managing those financial assets and whether the contractual terms of the financial asset are SPPI on the principal amount outstanding. The Bank performs the business model assessment based on observable factors such as:

- Performance of the business model and the financial assets held within that business model are evaluated and reported to the Bank's key management personnel
- Risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- Compensation of business units whether based on the fair value of the assets managed or on the contractual cash flows collected
- Expected frequency, value and timing of sales

In performing the SPPI test, the Bank applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, the period for which the interest rate is set, contingent events that would change the amount and timing of cash flows, leverage features, prepayment and extension terms and other features that may modify the consideration for the time value of money.

b. Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the statement of financial position or disclosed in the notes to financial statements cannot be derived from active markets, these are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

c. Leases

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

Extension and termination options

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

2. **ACCOUNTING POLICIES** (continued)

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

2.3.1 Judgments (continued)

c. Leases (continued)

Estimating the incremental borrowing rate ("IBR") for lease liabilities

The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR for lease liabilities is the rate of interest that the Bank would have to pay when borrowing using a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment. The Bank estimates the IBR for lease liabilities using observable inputs (by reference to prevailing risk-free rates) adjusted to take into account the entity's credit risk (i.e., credit spread).

2.3.2 Estimates

a. Expected credit losses on financial assets

The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgments and estimates include, among others:

- Segmentation of the portfolio, where the appropriate model or ECL approach is used
- Criteria for assessing if there has been a SICR and so allowances for debt financial assets should be measured on a lifetime ECL basis and the qualitative assessment
- Segmentation of debt financial assets when their ECL is assessed on a collective basis and an individual basis for significant customer as per defined by bank management.
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and economic inputs and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomics scenarios and their probability weightings, to derive the economic inputs into the ECL models

b. Recognition of deferred tax assets

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

c. Functional currency

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

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

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

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

2. ACCOUNTING POLICIES (continued)

2.3 *Significant accounting judgments and estimates* (continued)

2.3.2 *Estimates* (continued)

d. Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The Bank assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Bank considers important which could trigger an impairment review include the following:

(i) Significant underperformance relative to expected historical or projected future operating results;

(ii) Significant changes in the manner of use of the acquired assets or the strategy for overall business; and

(iii) Significant negative industry or economic trends.

e. Estimated useful lives of property and equipment, and software costs

The Bank estimates the useful lives of its property and equipment, and software costs. This estimate is reviewed periodically to ensure that the period of depreciation and amortisation are consistent with the expected pattern of economic benefits from the items of property and equipment and software costs.

2.4 *First-time adoption of CIFRSs*

The financial statements for the year ended 31 December 2019 are the first financial statements that the Bank has prepared in accordance with CIFRSs. For the periods up to and including the year ended 31 December 2018, the Bank prepared its financial statements in accordance with Cambodian Accounting Standards ("CASs") and relevant regulations and guidelines issued by the NBC, collectively referred to as previous generally accepted accounting principles ("previous GAAP").

Accordingly, the Bank has prepared financial statements that comply with CIFRSs applicable as at 31 December 2019, together with the corresponding figures information for the year ended 31 December 2018, as described in the summary of significant accounting policies. In preparing the financial statements, the Bank's opening statement of financial position was prepared as at 1 January 2018, the Bank's date of transitioning to CIFRSs.

Below explains the optional and mandatory exemptions, and principal adjustments made by the Bank in restating its financial statements prepared under the previous GAAP, which include the statement of financial position as at 1 January 2018 and the statement of financial position as at 31 December 2018 and the statement of comprehensive income for the year then ended.

2.4.1 *Optional exemptions applied*

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

2. ACCOUNTING POLICIES (continued)

2.4 First-time adoption of CIFRSs (continued)

2.4.1 Optional exemptions applied (continued)

Leases

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

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

2.4.2 Mandatory exemptions

Estimates

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

2. ACCOUNTING POLICIES (continued)

2.4 First-time adoption of CIFRSs (continued)

2.4.3 Reconciliation of statement of financial position

		31 December 2017			*1 January 2018*
		Previous GAAP	*Effect of transitioning to CIFRSs*		*CIFRSs*
		US$	*Reclassification US$*	*Remeasurement US$*	*US$*
ASSETS					
Cash on hand		43,744,709	-	-	43,744,709
Balances with the NBC		124,540,739	-	-	124,540,739
Balances with other banks	(a)	19,095,480	-	(137,626)	18,957,854
Loans to customers	(b)	794,085,113	6,455,893	3,496,476	804,078,360
Other assets	(c)	16,898,396	(6,455,893)	-	10,442,503
Property and equipment		8,090,634	-	-	8,090,634
Right-of-use assets	(d)	-		13,198,453	13,198,453
Software costs		869,396	-	-	869,396
Goodwill		17,380,030	-	-	17,380,030
Deferred tax assets	(g)	3,048,924	-	160,050	3,208,974
TOTAL ASSETS		**1,027,753,421**	**-**	**16,717,353**	**1,044,511,652**
KHR'000 equivalent *(Note 2.1)*		**4,149,040,561**	**-**	**67,487,953**	**4,216,693,538**

2. ACCOUNTING POLICIES (continued)

2.4 First-time adoption of CIFRSs (continued)

2.4.3 Reconciliation of statement of financial position (continued)

		31 December 2017			*1 January 2018*
		Previous GAAP	*Effect of transitioning to CIFRSs*		*CIFRSs*
		US$	*Reclassification US$*	*Remeasurement US$*	*US$*
LIABILITIES AND EQUITY					
Deposits from customers and other financial institutions		618,172,252	-	-	618,172,252
Other liabilities		12,790,786	-	-	12,790,786
Income tax payable		4,444,141	-	-	4,444,141
Borrowings		214,788,333	-	-	214,788,333
Subordinated debts		13,000,000	-	-	13,000,000
Employee benefits	(f)	10,378,502	-	3,714,356	14,092,858
Lease liabilities	(d)	-	-	11,676,901	11,676,901
Total liabilities		**873,574,014**	**-**	**15,391,257**	**888,965,271**
EQUITY					
Share capital		120,000,000	-	-	120,000,000
Retained earnings		34,179,407	(7,113,818)	-	27,065,589
Regulatory reserve	(e)	-	7,113,818	1,366,974	8,480,792
Total equity		**154,179,407**	**-**	**1,366,974**	**155,546,381**
TOTAL LIABILITIES AND EQUITY		**1,027,753,421**	**-**	**16,758,231**	**1,044,511,652**
KHR'000 equivalent *(Note 2.1)*		**4,149,040,561**	**-**	**67,652,978**	**4,216,693,538**

2. ACCOUNTING POLICIES (continued)

2.4 First-time adoption of CIFRSs (continued)

2.4.3 Reconciliation of statement of financial position (continued)

		31 December 2018			*1 January 2019*
		Previous GAAP	*Effect of transitioning to CIFRSs*		*CIFRSs*
		US$	*US$*	*US$*	*US$*
			Reclassification	*Remeasurement*	
ASSETS					
Cash on hand		67,916,384	-	-	67,916,384
Balances with the NBC		168,970,016	-	-	168,970,016
Balances with other banks	(a)	7,792,978	-	46,587	7,839,565
Loans to customers	(b)	1,007,139,509	7,381,177	4,239,361	1,018,760,047
Other assets	(c)	18,821,988	(7,381,177)	-	11,440,811
Property and equipment		10,238,649	-	-	10,238,649
Right-of-use assets	(d)	-	-	13,355,995	13,355,995
Software costs		1,463,686	-	-	1,463,686
Goodwill		17,380,030	-	-	17,380,030
Deferred tax assets	(g)	4,903,785	-	(300,192)	4,603,593
TOTAL ASSETS		**1,304,627,025**	**-**	**17,341,751**	**1,321,968,776**
KHR'000 equivalent *(Note 2.1)*		**5,241,991,386**	**-**	**69,679,156**	**5,311,670,542**

2. ACCOUNTING POLICIES (continued)

2.4 First-time adoption of CIFRSs (continued)

2.4.3 Reconciliation of statement of financial position (continued)

		31 December 2018			*1 January 2019*
		Previous GAAP	*Effect of transitioning to CIFRSs*		*CIFRSs*
		US$	*US$* *Reclassification*	*US$* *Remeasurement*	*US$*
LIABILITIES AND EQUITY					
LIABILITIES					
Deposits from customers and other financial institutions		804,699,381	-	-	804,699,381
Other liabilities	(f)	20,207,444	(2,826,315)	-	17,381,129
Income tax payable		5,705,331		-	5,705,331
Borrowings		253,817,389	-	-	253,817,389
Subordinated debts		30,000,000	-	-	30,000,000
Employee benefits	(f)	12,923,876	2,826,315	1,816,572	17,566,763
Lease liabilities	(d)	-	-	11,952,215	11,952,215
Total liabilities		**1,127,353,421**	**-**	**13,768,787**	**1,141,122,208**
EQUITY					
Share capital		120,000,000	-	-	120,000,000
Retained earnings		57,273,604	(8,697,495)	-	48,576,109
Regulatory reserve	(e)	-	8,697,495	3,572,964	12,270,459
Total equity		**177,273,604**	**-**	**3,572,964**	**180,846,568**
TOTAL LIABILITIES AND EQUITY		**1,304,627,025**	**-**	**17,341,751**	**1,321,968,776**
KHR'000 equivalent *(Note 2.1)*		**5,241,991,386**	**-**	**69,679,156**	**5,311,670,542**

2. ACCOUNTING POLICIES (continued)

2.4 First-time adoption of CIFRSs (continued)

2.4.3 Reconciliation of statement of financial position (continued)

2.4.3.1 Notes on the reconciliation of statement of financial position

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 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 as 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 as at 1 January 2018, the Bank assumed that the credit risk on the asset has not increased significantly since its initial recognition.

The adoption of CIFRS 9 had the following impact:

(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.

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

	Note	*1 January 2018*			
		Original classification under previous GAAP	*New classification under CIFRS 9*	*Original carrying amount under previous GAAP*	*New carrying amount under CIFRS 9*
				US$	*US$*
Financial assets					
Balances with other banks	(a)	Cost	Amortised cost	19,095,480	18,957,854
Loans to customers	(b)	Carrying amount	Amortised cost	794,125,991	804,078,360
Other assets	(c)	Carrying amount	Amortised cost	16,898,396	10,442,502
Financial liabilities					
Lease liabilities	(d)	Cost	Amortised cost	-	11,676,901

(ii) Impairment of financial assets

CIFRS 9 replaces the 'incurred loss' model in previous GAAP with 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 adoption of the new impairment model under CIFRS 1 does not affect the carrying amount of financial guarantee contracts at 1 January 2018, as the amount initially recognised less the cumulative amount of income recognised in accordance with CIFRS 15 is higher than the estimated ECL amount.

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

2. ACCOUNTING POLICIES (continued)

2.4 First-time adoption of CIFRSs (continued)

2.4.3 Reconciliation of statement of financial position (continued)

2.4.3.1 Notes on the reconciliation of statement of financial position (continued)

(iii) Interest

Under previous GAAP, fees integral to the financial assets and liabilities were not considered in the determination of effective interest rate and instead recognized as income on the occurrence of transactions.

Summary of impact on statement of financial position is as follows:

(a) As at 1 January 2018, balances with other banks decreased by US$137,626 (31 December 2018: US$ 46,587) to recognise allowance for ECLs on balances with other banks based on CIFRS 9.

(b) The total increase of US$ 9,952,369 (31 December 2018: US$ 11,620,538) in the loans to customers is due to the decrease in the allowance for ECLs amounting to US$9,435,001 (31 December 2018: US$ 13,646,424), recognition of additional accrued interest receivable of US$ 6,455,893 (31 December 2018: US$ 7,381,177), and recognition of unamortized loan processing fees of US$5,938,525 (31 December 2018: US$ 9,407,063) recognized as outright income under previous GAAP.

(c) Other assets decreased by US$ 6,405,894 (31 December 2018: US$ 7,381,177) due to reclassification of accrued interest receivable from other assets to loans to customers as explained in (b) above.

(d) As at 1 January 2018, based on CIFRS 16, right-of-use assets of US$13,198,453 (31 December 2018: US$ 13,355,995) and lease liabilities of US$11,676,901 (31 December 2018: US$ 11,952,215) were recognised.

(e) The transfer from retained earnings to regulatory reserve is based on NBC requirement *(Note 19)*.

(f) Under previous GAAP, the Bank recognised costs related to its provident fund and seniority indemnity on a cash basis. Under CIFRS, defined benefit plan obligations are recognised and are measured using the projected credit method. The provident fund and seniority indemnity liabilities have been recognised in full against retained earnings.

As at 31 December 2018, the Bank previously recognised the seniority indemnity under other liabilities account, as such the seniority indemnity was classified into employee benefits accounts under IAS 19.

(g) The various transitional adjustments resulted in various temporary differences. The Bank has to recognise the tax effect of such differences. Deferred tax adjustments are recognised in correlation to the underlying transaction either in retained earnings or a separate component of equity.

2. ACCOUNTING POLICIES (continued)

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

2.4.4 *Reconciliation of statement of comprehensive income*

		For the year ended 31 December 2018		
		Previous GAAP	*Remeasurement*	*CIFRSs*
		US$	*US$*	*US$*
Operating income				
Interest income	(a)	130,966,956	5,674,357	136,641,313
Interest expense	(b)	(51,616,010)	(3,344,483)	(54,960,493)
Net interest income		**79,350,946**	**2,329,874**	**81,680,820**
Other income		1,486,694	-	1,486,694
Net fees and commissions	(a)	7,444,028	(5,814,869)	1,629,159
Total operating income		**88,281,668**	**(3,484,995)**	**84,796,673**
General and administrative expenses	(c)	(52,421,853)	2,361,559	(50,060,294)
Provisions for ECLs	(d)	(7,626,415)	3,789,669	(3,836,746)
Income before income tax		**28,233,400**	**2,666,233**	**30,899,633**
Income tax expense	(e)	(5,139,203)	(460,243)	(5,599,446)
Net income for the year		**23,094,197**	**2,205,990**	**25,300,187**

2.4.4.1 Notes on reconciliation of statement of comprehensive income

For the year ended 31 December 2018:

(a) Interest income increased by US$5,674,357 due to amortisation of loan processing fees.

(b) Interest expense increased by US$3,344,483 to recognise accretion of interest on lease liabilities.

(c) General and administrative expenses increased by US$2,361,559 for the amortisation of right-of-use assets following the requirement of CIFRS 16.

(d) Provisions for ECLs decreased by US$3,789,669 due to the remeasurement based on the requirement of CIFRS 9.

(e) Income tax expense increased by US$460,243 for the remeasurement of temporary differences giving rise to deferred tax assets.

CIFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met. The adoption of CIFRS 15 has no significant impact to the Bank.

2. ACCOUNTING POLICIES (continued)

2.5 Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the financial statements of the Bank are disclosed below. The Bank intend to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 17: Insurance contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts, which was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. Certain scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Bank.

Amendments to IFRS 3: Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Bank will not be affected by these amendments on the date of transition.

Amendments to IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments to the definition of material is not expected to have a significant impact on the financial statements of the Bank.

3. CASH ON HAND

Cash on hand comprises the following currencies:

	31 December 2019		*31 December 2018*	
	US$	*KHR'000 equivalent (Note 2.1)*	*US$*	*KHR'000 equivalent (Note 2.1)*
US$	56,635,699	230,790,474	46,519,200	186,914,146
KHR	27,392,071	111,622,689	20,080,024	80,681,536
THB	1,222,650	4,982,299	1,250,892	5,026,084
EUR	3,586	14,613	49,105	197,304
GBP	1,516	6,178	7,395	29,713
AUD	380	1,549	7,048	28,319
JPY	40,122	163,497	1,785	7,172
CNY	153	623	825	3,315
SGD	723	2,946	110	442
	85,296,900	**347,584,868**	**67,916,384**	**272,888,031**

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

	31 December 2019		*31 December 2018*	
	US$	*KHR'000 equivalent (Note 2.1)*	*US$*	*KHR'000 equivalent (Note 2.1)*
Cash on hand	85,296,900	347,584,868	67,916,384	272,888,031
Balances with the NBC	28,658,987	116,785,372	20,875,343	83,877,128
Balances with other banks	15,824,699	64,485,648	7,871,412	31,627,334
	129,780,586	**528,855,888**	**96,663,139**	**388,392,493**

4. BALANCES WITH THE NATIONAL BANK OF CAMBODIA

Balances with the NBC comprise:

	31 December 2019		*31 December 2018*	
	US$	*KHR'000 equivalent (Note 2.1)*	*US$*	*KHR'000 equivalent (Note 2.1)*
Current accounts	28,658,987	116,785,372	20,875,342	83,877,124
Short-term deposits *(i)*	31,533,191	128,497,753	17,010,000	68,346,180
Capital guarantee *(ii)*	15,000,000	61,125,000	12,000,000	48,216,000
Reserve requirement *(iii)*	137,926,687	562,051,250	119,084,674	478,482,220
	213,118,865	**868,459,375**	**168,970,016**	**678,921,524**

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

(i) Short-term deposits

Short-term deposits maturing within 6 months and 12 months earn annual interest at rates ranging from 0.90% to 0.95% and from 1.11% to 1.25 (2018: 1.68% per annum), respectively.

(ii) Capital guarantee

Under NBC Prakas No B7-01-136 dated 15 October 2001, banks are required to maintain a statutory deposit of 10% of registered capital with the NBC. This deposit is not available for use in the Bank's day-to-day operations but is refundable when the Bank voluntarily ceases to operate the business in Cambodia.

(iii) Reserve requirement

Under NBC Prakas No B7-012-140 dated 13 September 2012, banks are required to maintain certain cash reserves with the NBC in the form of compulsory deposits, computed at 8.0% and 12.5% of customer deposits in KHR and in foreign currencies, respectively. The 4.5% reserve requirement in currencies other than KHR earns interest at 1/2 of one-month LIBOR while the remaining 8% and the reserve requirement in KHR do not earn interest.

On 29 August 2018, the NBC issued Prakas No B7-018-282 replacing Prakas No B7-012-140 which removed the interest on the 4.5% reserve requirement in currencies other than KHR earns interest.

5. BALANCES WITH OTHER BANKS

Balances with other banks are as follows:

	31 December 2019		*31 December 2018*	
	US$	*KHR'000 equivalent (Note 2.1)*	*US$*	*KHR'000 equivalent (Note 2.1)*
Savings accounts	59,100	240,832	57,259	230,067
Current accounts	15,765,599	64,244,816	7,814,153	31,397,267
Gross balances with other banks	15,824,699	64,485,648	7,871,412	31,627,334
Allowance for ECLs	(6,160)	(25,102)	(31,847)	(127,962)
NET	**15,818,539**	**64,460,546**	**7,839,565**	**31,499,372**

Savings accounts earn annual interest at rates ranging from 0.2% to 1.5% (2018: 0.5% to 1.50%) whereas current accounts earn interest at 1.5% (2018: 0%).

In 2019, the Bank recognized reversal of allowance for ECLs amounting to US$25,687 (2018: provision for ECLs of US$31,847).

6. LOANS TO CUSTOMERS

Details of loans to customers are as follows:

	31 December 2019		*31 December 2018*	
	US$	*KHR'000 equivalent (Note 2.1)*	*US$*	*KHR'000 equivalent (Note 2.1)*
			(As restated – Note 2)	
Retail business	522,813,453	2,130,464,821	410,164,965	1,648,042,829
Agriculture	194,275,204	791,671,456	173,850,630	698,531,831
Personal	452,662,153	1,844,598,273	345,334,517	1,387,554,089
Auto	151,419	617,032	-	-
Credit card	452,477	1,843,844	52,073	209,229
Housing	33,646,762	137,110,555	17,976,177	72,228,279
Commercial business	72,821,259	296,746,630	52,633,564	211,481,660
Staff loans	20,895,492	85,149,130	21,432,302	86,114,989
Overdraft	6,161,885	25,109,681	3,542,553	14,233,978
	1,303,880,104	**5,313,311,422**	**1,024,986,781**	**4,118,396,884**
Interest receivable	11,441,863	46,625,594	9,703,893	38,990,242
	1,315,321,967	**5,359,937,016**	**1,034,690,674**	**4,157,387,126**
Allowance for ECLs	(10,483,213)	(42,719,093)	(7,044,337)	(28,304,144)
Unamortized loan processing fees	(11,833,731)	(48,222,454)	(8,886,290)	(35,705,113)
NET	**1,293,005,023**	**5,268,995,469**	**1,018,760,047**	**4,093,377,869**

6. LOANS TO CUSTOMERS (continued)

Further analyses of loans to customers are as follows:

(i) Movements of allowance for ECLs

	2019			
	Stage 1 US$	*Stage 2 US$*	*Stage 3 US$*	*Total US$*
Balance as at 1 January	1,163,830	56,571	5,823,936	7,044,337
Newly-originated assets that remained in Stage 1 as at 31 December	1,440,700	-	-	1,440,700
Newly-originated assets that moved to Stage 2 and Stage 3 as at 31 December	-	45,962	147,599	193,561
Effect of collections and other movements in receivable balance	(88,763)	87,766	368,905	367,908
Impact on ECLs of exposures transferred between stages	-	499,014	3,054,946	3,553,960
Effect of loans closed during the year	(342,957)	(34,276)	219,242	(157,991)
Transfers to Stage 1	45,976	(991)	(44,985)	-
Transfers to Stage 2	(14,091)	19,333	(5,242)	-
Transfers to Stage 3	(73,063)	(112,619)	185,682	-
Amount recognized in profit or loss during the year	**967,802**	**504,189**	**3,926,147**	**5,398,138**
Loans written off	**-**	**-**	(1,959,262)	(1,959,262)
Balance as at 31 December	**2,131,632**	**560,760**	**7,790,821**	**10,483,213**

	2018			
	Stage 1 US$	*Stage 2 US$*	*Stage 3 US$*	*Total US$*
Balance as at 1 January	794,842	54,452	5,363,556	6,212,850
Newly- originated assets that remained in Stage 1 as at 31 December	748,090	-	-	748,090
Newly-originated assets that moved to Stage 2 and Stage 3 as at 31 December	-	32,908	111,061	143,969
Effect of collections and other movements in receivable balance	48,738	733,844	(1,240,904)	(458,322)
Impact on ECLs of exposures transferred between stages	-	104,038	2,989,441	3,093,479
Effect of loans closed during the year	(293,385)	(30,764)	740,993	416,844
Transfers to Stage 1	20,657	(13,770)	(6,887)	**-**
Transfers to Stage 2	(10,321)	10,825	(504)	**-**
Transfers to Stage 3	(144,791)	(834,962)	979,753	**-**
Amount recognized in profit or loss during the year	**368,988**	**2,119**	**3,572,953**	**3,944,060**
Loans written off	-	-	(3,112,573)	(3,112,573)
Balance at end of year	**1,163,830**	**56,571**	**5,823,936**	**7,044,337**

In 2019, provisions for ECLs amounted to US$5,372,451 (2018: US$3,836,756) which includes provision for ECLs on loans to customers of US$5,398,138 (2018: US$3,948,962) and reversal of provision for ECLs on balances with other banks of US$25,687 (2018: provision for ECLs of US$107,314).

6. LOANS TO CUSTOMERS (continued)

(ii) By industry sector

	31 December 2019		*31 December 2018*	
	US$	*KHR'000 equivalent (Note 2.1)*	*US$*	*KHR'000 equivalent (Note 2.1)*
Trade - wholesale and retail	443,925,500	1,808,996,413	344,328,476	1,383,511,814
Personal lending	295,501,938	1,204,170,397	221,777,666	891,102,662
Construction and real estate	49,514,306	201,770,797	31,093,919	124,935,367
Mortgage	-	-	422	1,696
Financial institutions	20,333,012	82,857,024	20,646,652	82,958,248
Agriculture	248,185,782	1,011,357,062	222,687,233	894,757,302
Services	257,860,374	1,050,781,024	194,151,506	780,100,751
Others	1,055	4,299	4,800	19,286
TOTAL	**1,315,321,967**	**5,359,937,016**	**1,034,690,674**	**4,157,387,126**

(iii) By maturity

Refer to Note 28 on Maturity profile of assets and liabilities.

(iv) By residency, relationship, exposure and interest rates range

	31 December 2019		*31 December 2018*	
	US$	*KHR'000 equivalent (Note 2.1)*	*US$*	*KHR'000 equivalent (Note 2.1)*
Residency				
Residents	1,315,321,967	5,359,937,016	1,034,690,674	4,157,387,126
Non-residents	-	-	-	-
	1,315,321,967	**5,359,937,016**	**1,034,690,674**	**4,157,387,126**
Relationship				
Related parties	2,388,280	9,732,241	2,538,820	10,200,983
Non-related parties	1,312,933,687	5,350,204,775	1,032,151,854	4,147,186,143
	1,315,321,967	**5,359,937,016**	**1,034,690,674**	**4,157,387,126**

6. LOANS TO CUSTOMERS (continued)

(iv) By residency, relationship, exposure and interest rates range (continued)

	31 December 2019		*31 December 2018*	
	US$	*KHR'000 equivalent (Note 2.1)*	*US$*	*KHR'000 equivalent (Note 2.1)*
Exposure				
Large	-	-	-	-
Non-large	1,315,321,967	5,359,937,016	1,034,690,674	4,157,387,126
	1,315,321,967	**5,359,937,016**	**1,034,690,674**	**4,157,387,126**

Annual interest rates are as follows:

	2019	*2018*
External customers	8.0% to 36.0%	8.0% to 36%
Staff loans	6.50%	6.50%

(v) Staging of the loan portfolio, including net interest receivable

	31 December 2019		*31 December 2018*	
	US$	*KHR'000 equivalent (Note 2.1)*	*US$*	*KHR'000 equivalent (Note 2.1)*
Stage 1	1,294,693,938	5,275,877,797	1,015,458,894	4,080,113,836
Stage 2	4,438,019	18,084,927	1,332,347	5,353,370
Stage 3	16,190,010	65,974,292	17,899,433	71,919,920
	1,315,321,967	**5,359,937,016**	**1,034,690,674**	**4,157,387,126**

7. OTHER ASSETS

	31 December 2019		*31 December 2018*	
	US$	*KHR'000 equivalent (Note 2.1)*	*US$*	*KHR'000 equivalent (Note 2.1)*
Prepayments	12,798,700	52,154,703	11,262,097	45,251,106
Interest receivable	173,988	709,001	128,714	517,172
Others	50,000	203,750	50,000	200,900
	13,022,688	**53,067,454**	**11,440,811**	**45,969,178**

8. PROPERTY AND EQUIPMENT

	Office furniture and equipment	*Computers*	*Motor vehicles*	*Leasehold improvements*	*Work in progress*	*Total*	
	US$	*US$*	*US$*	*US$*	*US$*	*US$*	*KHR'000 equivalent*
Cost							
As at 1 January 2019	5,443,658	10,510,928	7,678,050	1,597,029	634,954	25,864,619	103,924,039
Additions	1,411,869	5,698,938	262,280	364,503	436,182	8,173,772	33,120,124
Transfers	98,117	329,384	-	79,683	(507,184)	-	-
Disposals	(1,743)	(63,954)	(31,050)	-	-	(96,747)	(392,019)
Write-offs	(42,766)	(91,824)	-	(24,458)	-	(159,048)	(644,462)
As at 31 December 2019	6,909,135	16,383,472	7,909,280	2,016,757	563,952	33,782,596	136,007,682
Accumulated depreciation							
As at 1 January 2019	3,927,334	6,001,516	5,235,288	903,180	-	16,067,318	64,883,496
Depreciation for the year	626,007	1,359,053	921,420	260,680	-	3,167,160	12,833,332
Disposals	-	(62,885)	(27,579)	-	-	(90,464)	(366,560)
Write-offs	(38,858)	(88,970)	-	(21,431)	-	(149,259)	(604,797)
As at 31 December 2019	4,514,483	7,208,714	6,129,129	1,142,429	-	18,994,755	76,745,471
Translation adjustment	-	-	-	-	-	-	998,241
Net carrying amount							
As at 31 December 2019	**2,394,652**	**9,174,758**	**1,780,151**	**874,328**	**563,952**	**14,787,841**	**60,260,452**

8. **PROPERTY AND EQUIPMENT** (continued)

	Office furniture and equipment	*Computers*	*Motor vehicles*	*Leasehold improvements*	*Work in progress*	*Total*	
	US$	*US$*	*US$*	*US$*	*US$*	*US$*	*KHR'000 equivalent*
Cost							
As at 1 January 2018	4,884,048	6,958,823	7,563,150	1,485,201	727,136	21,618,358	87,273,311
Additions	726,969	3,151,656	171,000	145,170	1,019,278	5,214,073	21,090,925
Transfers	15,594	611,774	-	-	(670,112)	(42,744)	(172,899)
Disposals	(29,800)	-	(56,100)	(12,760)	-	(98,660)	(399,080)
Write-offs	(153,152)	(211,326)	-	(20,582)	-	(385,060)	(1,557,568)
As at 31 December 2018	5,443,659	10,510,927	7,678,050	1,597,029	1,076,302	26,305,967	106,234,689
Accumulated depreciation							
As at 1 January 2018	3,007,399	5,469,705	4,510,135	613,405	-	13,600,644	54,905,800
Depreciation	1,073,098	738,163	767,543	319,270	-	2,898,074	11,722,709
Disposals	(16,879)	-	(42,390)	(10,038)	-	(69,307)	(280,347)
Write-offs	(136,284)	(206,352)	-	(19,457)	-	(362,093)	(1,464,666)
As at 31 December 2018	3,927,334	6,001,516	5,235,288	903,180	-	16,067,318	64,883,496
Translation adjustment	-	-	-	-	-	-	(212,301)
Net carrying amount							
As at 31 December 2018	**1,516,325**	**4,509,411**	**2,442,762**	**693,849**	**1,076,302**	**10,238,649**	**41,138,892**

9. RIGHT-OF-USE ASSETS

The Bank leases office space for its head office and branches and ATM locations.

Information about leases for which the Bank is a lessee is presented below.

	Office space	*ATM locations*	*Total*	
	US$	*US$*	*US$*	*KHR'000 equivalent (Note 2.1)*
Cost				
As at 1 January 2019	21,962,983	489,987	22,452,970	90,599,804
Additions	3,193,657	288,596	3,482,253	14,190,181
Expirations	(1,258,719)	(77,702)	(1,336,421)	(5,445,916)
As at 31 December 2019	23,897,921	700,881	24,598,802	99,344,069
Less accumulated amortisation				
As at 1 January 2019	8,928,576	168,399	9,096,975	36,771,474
Depreciation	3,316,523	206,601	3,523,124	14,275,698
Expirations	(1,258,719)	(77,702)	(1,336,421)	(5,445,916)
As at 31 December 2019	10,986,380	297,298	11,283,678	45,601,256
Translation adjustment	-	-	-	516,317
Net carrying amount				
As at 31 December 2019	**12,911,541**	**403,583**	**13,315,124**	**54,259,130**

9. **RIGHT-OF-USE ASSETS** (continued)

	Office space	*ATM space*	*Total*	
	US$	*US$*	*US$*	*KHR'000 equivalent (Note 2.1)*
			(As restated – Note 2)	
Cost				
As at 1 January 2018	19,953,480	244,971	20,198,451	81,541,147
Additions	3,058,377	315,035	3,373,412	13,554,369
Expirations	(1,048,874)	(70,019)	(1,118,893)	(4,495,712)
As at 31 December 2018	21,962,983	489,987	22,452,970	90,599,804
Less accumulated amortisation				
As at 1 January 2018	6,908,450	91,548	6,999,998	28,258,992
Depreciation	3,069,000	146,870	3,215,870	13,008,194
Expirations	(1,048,874)	(70,019)	(1,118,893)	(4,495,712)
As at 31 December 2018	8,928,576	168,399	9,096,975	36,771,474
Translation adjustment	-	-	-	(163,942)
Net carrying amount				
As at 31 December 2018	**13,034,407**	**321,588**	**13,355,995**	**53,664,388**

10. SOFTWARE COSTS

Movements of the Bank's software costs are as follows:

	2019		*2018*	
	US$	*KHR'000 equivalent (Note 2.1)*	*US$*	*KHR'000 equivalent (Note 2.1)*
Cost				
As at 1 January	5,612,980	22,570,951	4,946,405	19,874,655
Additions	667,803	2,705,938	624,028	2,524,193
Transfers	441,348	1,788,342	42,746	172,908
Write-offs	(648)	(2,626)	(199)	(805)
As at 31 December	6,721,483	27,062,605	5,612,980	22,570,951
Accumulated amortisation				
As at 1 January	4,149,294	16,675,784	4,004,088	16,088,426
Amortisation	202,963	822,406	145,385	588,082
Write-offs	(612)	(2,480)	(179)	(724)
As at 31 December	4,351,645	17,495,710	4,149,294	16,675,784
Translation adjustment	-	90,195	-	(14,077)
Net carrying amount				
As at 31 December	**2,369,838**	**9,657,090**	**1,463,686**	**5,881,090**

11 GOODWILL

This goodwill pertains to the excess of cost over fair value of net assets from the legal merger between MJB and SATHAPANA Limited on 1 April 2016 and from MJB's initial acquisition of shares of SATHAPANA Limited on 17 December 2012.

12. DEPOSITS FROM CUSTOMERS AND OTHER FINANCIAL INSTITUTIONS

Deposits from customers and other financial institutions are analysed as follows:

(a) By type of customers

	31 December 2019		*31 December 2018*	
	US$	*KHR'000 equivalent (Note 2.1)*	*US$*	*KHR'000 equivalent (Note 2.1)*
Current accounts				
Individuals	3,626,680	14,778,721	2,183,804	8,774,524
Corporate	14,314,927	58,333,328	16,865,116	67,764,036
Other financial institutions	15,411,153	62,800,448	9,731,917	39,102,843
Savings deposits				
Individuals	112,645,704	459,031,244	92,005,780	369,679,224
Corporate	25,036,536	102,023,884	36,574,150	146,954,935
Other financial institutions	8,159,035	33,248,068	8,420,566	33,833,834
Term deposits				
Individuals	630,208,345	2,568,099,006	539,075,804	2,166,006,580
Corporate	108,046,266	440,288,534	77,558,820	311,631,339
Other financial institutions	29,962,576	122,097,497	22,283,424	89,534,798
	947,411,222	**3,860,700,730**	**804,699,381**	**3,233,282,113**

12. DEPOSITS FROM CUSTOMERS AND OTHER FINANCIAL INSTITUTIONS (continued)

(b) By residency status

	31 December 2019		*31 December 2018*	
	US$	*KHR'000 equivalent (Note 2.1)*	*US$*	*KHR'000 equivalent (Note 2.1)*
Residents	874,440,733	3,563,345,987	729,527,349	2,931,240,888
Non-residents	72,970,489	297,354,743	75,172,032	302,041,225
	947,411,222	**3,860,700,730**	**804,699,381**	**3,233,282,113**

(c) By currency

	31 December 2019		*31 December 2018*	
	US$	*KHR'000 equivalent (Note 2.1)*	*US$*	*KHR'000 equivalent (Note 2.1)*
US$	829,734,576	3,381,168,396	673,903,862	2,707,745,718
KHR	86,196,556	351,250,966	98,551,792	395,981,100
JPY	28,548,702	116,335,961	2,823,745	11,345,807
THB	2,930,928	11,943,532	29,419,512	118,207,599
Others	460	1,875	470	1,889
	947,411,222	**3,860,700,730**	**804,699,381**	**3,233,282,113**

(d) By relationship

	31 December 2019		*31 December 2018*	
	US$	*KHR'000 equivalent (Note 2.1)*	*US$*	*KHR'000 equivalent (Note 2.1)*
Related	184,009	749,837	387,213	1,555,822
Non-related	947,227,213	3,859,950,893	804,312,168	3,231,726,291
	947,411,222	**3,860,700,730**	**804,699,381**	**3,233,282,113**

(e) By maturity

	31 December 2019		*31 December 2018*	
	US$	*KHR'000 equivalent (Note 2.1)*	*US$*	*KHR'000 equivalent (Note 2.1)*
Within 1 month	196,598,977	801,140,832	184,023,331	739,405,744
Between 1 month to 3 months	29,548,924	120,411,865	14,912,953	59,920,245
More than 3 months	721,263,321	2,939,148,033	605,763,097	2,433,956,124
	947,411,222	**3,860,700,730**	**804,699,381**	**3,233,282,113**

12. DEPOSITS FROM CUSTOMERS AND OTHER FINANCIAL INSTITUTIONS (continued)

(f) By annual interest rates

	2019	*2018*
Banks and financial insitutions		
Term deposits	1.00% - 1.50%	1.25% - 3.25%
Individuals		
Saving deposits	0.50% - 1.00%	1.00% - 1.50%
Term deposits	1.00% - 8.00%	3.00% - 8.00%
Corporate		
Saving deposits	0.50% - 1.00%	1.00% - 1.50%
Term deposits	1.00% - 8.00%	3.00% - 8.00%

13. BORROWINGS

	31 December 2019		*31 December 2018*	
	US$	*KHR'000 equivalent (Note 2.1)*	*US$*	*KHR'000 equivalent (Note 2.1)*
Related party				
Maruhan Investment Asia ("MIA")	11,650,000	47,473,750	14,990,000	60,229,820
Non-related parties				
MIZUHO Bank Ltd	134,171,000	546,746,825	95,835,000	385,065,030
Aozora Bank Ltd	80,000,000	326,000,000	30,000,000	120,540,000
Nederlandse Financierings – Maatschappij voor Ontwikkelingslanden N.V ('FMO")	40,000,000	163,000,000	11,250,000	45,202,500
ICBC	37,904,908	154,462,500	37,000,000	148,666,000
NBC (LPCO)	24,539,877	99,999,999	10,950,722	44,000,001
First Commercial Bank	19,705,521	80,299,998	11,666,667	46,876,668
Norfund	8,000,000	32,600,000	10,000,000	40,180,000
DWM Funds S.C.A	4,500,000	18,337,500	15,000,000	60,270,000
Micro-Finance Enhancement	3,000,000	12,225,000	5,500,000	22,099,000
DEG	2,500,000	10,187,500	5,000,000	20,090,000
Symbiotics	-	-	4,500,000	18,081,000
ResponsAbility SICAV	-	-	1,500,000	6,027,000
Cathay United Bank (Cambodia) Corporation Limited	-	-	625,000	2,511,250
	365,971,306	**1,491,333,072**	**253,817,389**	**1,019,838,269**

13. BORROWINGS (continued)

Further analyses of unsecured borrowings are set out below:

(a) By currency

	31 December 2019		*31 December 2018*	
	US$	*KHR'000 equivalent (Note 2.1)*	*US$*	*KHR'000 equivalent (Note 2.1)*
US$	341,431,429	1,391,333,073	242,866,667	975,838,268
KHR	24,539,877	99,999,999	10,950,722	44,000,001
	365,971,306	**1,491,333,072**	**253,817,389**	**1,019,838,269**

(b) By maturity

	31 December 2019		*31 December 2018*	
	US$	*KHR'000 equivalent (Note 2.1)*	*US$*	*KHR'000 equivalent (Note 2.1)*
Within one month	1,500,000	6,112,500	3,611,561	14,511,252
Between 1 to 3 months	21,316,000	86,862,700	8,000,000	32,144,000
Between 3 to 12 months	90,420,245	368,462,498	51,880,828	208,457,167
More than 1 up to 5 years	252,735,061	1,029,895,374	190,325,000	764,725,850
	365,971,306	**1,491,333,072**	**253,817,389**	**1,019,838,269**

Annual interest rates are as follows:

	2019	*2018*
US$	3.268% to 10.65%	2.6% to 10.65%
KHR	3.01% to 7.50%	2.86% to 3.06%

14. SUBORDINATED DEBTS

	31 December 2019		*31 December 2018*	
	US$	*KHR'000 equivalent (Note 2.1)*	*US$*	*KHR'000 equivalent (Note 2.1)*
Finnish Fund for Industrial Cooperation Ltd	10,000,000	40,750,000	-	-
BlueOrchard Microfinance Initiative for Asia	9,000,000	36,675,000	9,000,000	36,162,000
NMI Fund IV KS	8,000,000	32,600,000	-	-
The Investment Fund for Developing Countries	6,000,000	24,450,000	-	-
Symbiotics GIIS (Sub-Debt)	5,000,000	20,375,000	-	-
DEG - Deutsche Investitions	4,000,000	16,300,000	6,000,000	24,108,000
Maruhan Investment Asia Pte. Ltd.	2,000,000	8,150,000	5,000,000	20,090,000
Maruhan Corporation	-	-	10,000,000	40,180,000
	44,000,000	**179,300,000**	**30,000,000**	**120,540,000**

14. SUBORDINATED DEBTS (continued)

Finnish Fund for Industrial Cooperation Ltd

On 7 August 2019, the NBC approved the Bank's subordinated debt from Finnish Fund for Industrial Cooperation Ltd for Developing Countries amounting to US$10,000,000. The Bank has drawn down the amount of US$10,000,000 on 6 September 2019. This subordinated debt has a seven-year term maturing on 6 September 2026 and bears gross interest at 10.465% per annum.

NMI Fund IV KS

On 24 June 2019, the NBC approved the Bank's subordinated debt from NMI Fund IV KS amounting to US$8,000,000. The Bank has drawn down the amount of US$8,000,000 on 14 June 2019. This subordinated debt has a seven-year term maturing on 14 June 2026 and bears gross interest rate at 10.465% per annum.

The Investment Fund for Developing Countries

On 24 June 2019, the NBC approved the Bank's subordinated debt from The Investment Fund for Developing Countries amounting to US$6,000,000. The Bank has drawn down the amount of US$6,000,000 on 12 July 2019. This subordinated debt has a seven-year term maturing on 30 June 2026 and bears gross interest at 10.47% per annum.

Maruhan Investment Asia Pte. Ltd.

On 10 October 2013, the NBC approved the Bank's subordinated debt from Maruhan Investment Asia ("MIA") amounting to US$5,000,000. The Bank has drawn down the amount of US$5,000,000 on 12 August 2013. On 7 May 2019, the Bank repaid partial principal amount of US$3,000,000. This subordinated debt has a seven-year term maturing on 12 August 2020 and bears gross interest at 10.4651% per annum.

Symbiotics GIIS (Sub-debt)

On 14 November 2019, the NBC approved the Bank's subordinated debt from Symbiotics SA amounting to US$5,000,000. The Bank has drawn down the amount of US$5,000,000 on 26 September 2019. This subordinated debt has a seven-year term maturing on 26 September 2026 and bears gross interest at 10.46% per annum.

BlueOrchard Microfinance Ltd

On 6 August 2018, the NBC approved the Bank's subordinated debt from BlueOrchard Microfinance Ltd amounting to US$9,000,000. The Bank has drawn down the amount of US$9,000,000 on 23 July 2018. This subordinated debt has a seven-year term maturing on 23 July 2025 and bears gross interest at 10.4651% per annum.

DEG – Deutsche Investitions

On 31 December 2015, the NBC approved the Bank's subordinated debt from DEG amounting to US$10,000,000. The Bank repaid the principal amount of US$2,000,000 each on 15 December 2017 and 15 December 2018. This subordinated debt has a seven-year term maturing on 15 December 2021 and bears interest at 10.65% per annum.

14. SUBORDINATED DEBTS (continued)

Maruhan Corporation

On 26 December 2018, the NBC approved the Bank's subordinated debt from Maruhan Corporation ("MC") amounting to US$10,000,000. The Bank has drawn down the amount of US$10,000,000 on 5 November 2018. This subordinated debt has a seven-year term maturing on 5 November 2025 and bears gross interest at 10.4651% per annum. On 15 March 2019, the NBC approved the Bank's conversion of this subordinated debt to share capital amounting to US$10,000,000.

15. OTHER LIABILITIES

	31 December 2019		*31 December 2018*	
	US$	*KHR'000 equivalent (Note 2.1)*	*US$*	*KHR'000 equivalent (Note 2.1)*
Interest payable	20,602,173	83,953,855	12,325,137	49,522,400
Personnel and other related costs	5,319,179	21,675,654	3,178,937	12,772,969
Accrued expenses	664,041	2,705,966	409,637	1,645,920
Accounts payable	547,731	2,232,004	393,323	1,580,372
Unearned income	506,716	2,064,868	520,773	2,092,467
Other taxes payable	96,373	392,721	553,322	2,223,248
	27,736,213	**113,025,068**	**17,381,129**	**69,837,376**

16. EMPLOYEE BENEFITS

Employee benefits presented in the statement of financial position are broken down as follows:

	31 December 2019		*31 December 2018*	
	US$	*KHR'000 equivalent (Note 2.1)*	*US$*	*KHR'000 equivalent (Note 2.1)*
			(As restated – Note 2)	
Provident fund contributed by employees *(i)*	4,997,133	20,193,055	4,145,436	16,741,979
Provident fund contributed by the Bank and seniority indemnity payment *(ii)*	15,598,930	63,735,902	13,421,327	53,841,275
As at 31 December	**20,596,063**	**83,928,957**	**17,566,763**	**70,583,254**

(i) Provident fund contributed by employees

	2019		*2018*	
	US$	*KHR'000 Equivalent (Note 2.1)*	*US$*	*KHR'000 Equivalent (Note 2.1)*
As at 1 January	4,145,436	16,741,979	3,288,579	13,275,993
Employees contribution during the year	1,234,773	5,003,300	1,192,322	4,822,942
Interest expense	250,626	1,015,537	204,076	825,487
Payments during the year	(633,702)	(2,567,761)	(539,541)	(2,182,443)
As at 31 December	**4,997,133**	**20,193,055**	**4,145,436**	**16,741,979**

16. EMPLOYEE BENEFITS (continued)

(ii) Provident fund contributed by the Bank and seniority indemnity payment

	2019		*2018*	
	US$	*KHR'000 equivalent (Note 2.1)*	*US$*	*KHR'000 equivalent (Note 2.1)*
As at 1 January	13,421,327	54,691,908	11,336,064	45,548,305
Changes in the present value of the defined benefits obligation				
Current service cost	2,524,323	10,228,557	2,390,444	9,669,346
Interest expense	724,387	2,935,216	609,556	2,465,654
Benefits paid directly by the Bank	(1,071,107)	(4,340,126)	(914,737)	(3,700,111)
Translation adjustment	-	220,347	-	(141,919)
As at 31 December	**15,598,930**	**63,735,902**	**13,421,327**	**53,841,275**
Expense recognized in profit or loss				
Current service cost	2,524,323	10,228,557	2,390,444	9,669,346
Interest expense	724,387	2,935,216	609,556	2,465,654
Expense recognized in profit or loss	**3,248,710**	**13,163,773**	**3,000,000**	**12,135,000**

16. EMPLOYEE BENEFITS (continued)

Sensitivity analyses:

The following summaries the DBO in US$, with different discount rate, salary growth rate, and withdrawal rate assumptions:

		DBO	
	Discount rate sensitivity	*Provident fund*	*Seniority pay*
Baseline assumption	5.6% per annum	12,859,762	561,565
+ 0.5% discount	6.1% per annum	12,108,452	546,126
- 0.5% discount	5.1% per annum	13,693,601	577,637
	Salary growth sensitivity	*Provident fund*	*Seniority pay*
Baseline assumption	6% per annum	12,859,762	561,565
+ 0.5% Salary growth	6.5% per annum	13,141,288	561,565
- 0.5% Salary growth	5.5% per annum	12,595,975	561,565
	Withdrawal rate sensitivity	*Provident fund*	*Seniority pay*
Baseline assumption	Range between 0% and 10%, depending on seniority	12,859,762	561,565
+ 0.5% withdrawal	Range between 0.5% and 10%, depending on seniority	13,788,109	545,353
- 0.5% withdrawal	Range between 0% and 9.5%, depending on seniority	12,924,969	577,566

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation from one another.

The following are the expected payments or contributions to the defined benefit plan in future years:

	US$
2020	1,159,618
2021	1,630,472
2022	1,738,327
2023	1,834,822
2024 to 2028	10,101,776

17. INCOME TAX

(a) Deferred tax assets - net

Deferred tax assets (liability) are attributable to:

	31 December 2019		*31 December 2018*	
	US$	*KHR'000 equivalent (Note 2.1)*	*US$*	*KHR'000 equivalent (Note 2.1)*
Deferred tax assets on:				
Employee benefits	3,171,166	12,922,501	2,684,265	10,785,377
Unamortized loan processing fees	2,453,831	9,999,362	1,777,259	7,141,026
Property and equipment	610,891	2,489,381	476,824	1,915,879
Allowance for ECLs	231,950	945,196	-	-
	6,467,838	**26,356,440**	**4,938,348**	**19,842,282**
Deferred tax liability on:				
Allowance for ECLs	**-**	**-**	(334,755)	(1,345,045)
Deferred tax assets – net	**6,467,838**	**26,356,440**	**4,603,593**	**18,497,237**

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

	2019		*2018*	
	US$	*KHR'000 equivalent (Note 2.1)*	*US$*	*KHR'000 equivalent (Note 2.1)*
As at 1 January	4,603,593	18,497,237	3,208,974	12,954,628
Additions during the year	1,864,245	7,553,922	1,394,619	5,641,234
Translation adjustment	-	305,281	-	(98,625)
As at 31 December	**6,467,838**	**26,356,440**	**4,603,593**	**18,497,237**

(b) Income tax payable

Details of movements of income tax payable are as follows:

	2019		*2018*	
	US$	*KHR'000 equivalent (Note 2.1)*	*US$*	*KHR'000 equivalent (Note 2.1)*
As at 1 January	5,705,331	22,924,020	4,444,141	17,940,997
Current tax expense	10,542,733	42,719,154	6,994,065	28,290,993
Income tax paid	(7,387,859)	(29,935,605)	(5,732,875)	(23,189,479)
Translation adjustment	36,172	545,167	-	(118,491)
As at 31 December	**8,896,377**	**36,252,736**	**5,705,331**	**22,924,020**

17. INCOME TAX (continued)

(c) Income tax expense

Major components of income tax expense are as follows:

	For the year ended 31 December 2019		*For the year ended 31 December 2018*	
	US$	*KHR'000 equivalent (Note 2.1)*	*US$*	*KHR'000 equivalent (Note 2.1)*
Current	10,542,733	42,719,154	6,994,065	28,290,993
Deferred	(1,864,245)	(7,553,922)	(1,394,619)	(5,641,234)
	8,678,488	**35,165,232**	**5,599,446**	**22,649,759**

(d) Effective income tax

Reconciliation of effective income tax is as follows:

	For the year ended 31 December 2019		*For the year ended 31 December 2018*	
	US$	*KHR'000 equivalent (Note 2.1)*	*US$*	*KHR'000 equivalent (Note 2.1)*
Accounting profit before income tax	**45,832,319**	**185,712,556**	**30,899,633**	**124,989,015**
Income tax expense at applicable tax rate of 20%	9,166,464	37,142,512	6,179,927	24,997,805
Permanent differences	(487,976)	(1,977,280)	(580,481)	(2,348,046)
Effective income tax	**8,678,488**	**35,165,232**	**5,599,446**	**22,649,759**

Banking-related activities

In accordance with the Cambodian tax regulations, current income tax is calculated at the higher of the taxable income for the year multiplied by the tax rate of 20% at the reporting date and 1% of turnover.

18. LEASE LIABILITIES

	31 December 2019		*31 December 2018*	
	US$	*KHR'000 equivalent (Note 2.1)*	*US$*	*KHR'000 equivalent (Note 2.1)*
Maturity analysis – contractual undiscounted cash flows				
Less than one year	205,181	836,113	89,730	360,535
One to five years	5,172,931	21,079,694	4,855,419	19,509,074
More than five years	11,058,321	45,062,658	10,853,529	43,609,480
Total undiscounted lease liabilities	**16,436,433**	**66,978,465**	**15,798,678**	**63,479,089**
Present value of lease liabilities				
Less: current	(1,173,363)	(4,781,454)	(1,084,236)	(4,356,460)
Non-current	(3,291,964)	(13,414,754)	(2,762,227)	(11,098,629)
	11,971,106	**48,782,257**	**11,952,215**	**48,024,000**

Amounts recognized in profit or loss are as follows:

	For the year ended 31 December 2019	*For the year ended 31 December 2018*
	US$	*US$*
Interest on lease liabilities	1,236,211	1,234,719
Expenses relating to short-term assets	2,000	-
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	1,200	800
Total	**1,239,411**	**1,235,519**
KHR'000 equivalent *(Note 2.1)*	**5,050,600**	**4,964,315**

19. SHARE CAPITAL AND REGULATORY RESERVE

Share capital

Details of shareholding of MARUHAN Investment Asia Pte. Ltd. are as follows:

	31 December 2019		*31 December 2018*	
	US$	*KHR'000 equivalent (Note 2.1)*	*US$*	*KHR'000 equivalent (Note 2.1)*
Capital stock	120,000,000	480,000,000	120,000,000	480,000,000
Deposit for future stock subscription	30,000,000	120,000,000	-	-
	150,000,000	**600,000,000**	**120,000,000**	**480,000,000**

19. SHARE CAPITAL AND REGULATORY RESERVE (continued)

Share capital (continued)

In 2019, the of Maruhan Investment Asia Pte.Ltd infused additional capital amounting to US$20,000,000 and converted its subordinated debt of US$10,000,000 to capital.

On 2 August 2019, the Bank received the NBC's approval for its amended Memorandum of Articles and Association ("MAA"). On 16 August 2019, the Bank submitted the amended MAA to the MoC for approval. The total authorised number of shares upon approval will be 1,466,050 shares (currently: 1,200,000 shares) with suggested par value of US$102.315746 (currently: US$100 per share). All shares are fully paid. The total additional capital of US$30,000,000 is accounted as deposit for future stock subscription pending the MoC's approval.

Regulatory reserve (Note 2.2.5)

The movements in regulatory reserve are as follows:

	2019		*2018*	
	US$	*KHR'000 equivalent (Note 2.1)*	*US$*	*KHR'000 equivalent (Note 2.1)*
Balance as at 1 January	12,270,459	49,634,007	8,480,792	34,304,804
Transfer to regulatory reserve	300,005	1,215,620	3,789,667	15,329,203
Balance as at 31 December	**12,570,464**	**50,849,627**	**12,270,459**	**49,634,007**

20. INTEREST INCOME

Interest income arises from:

	For the year ended 31 December 2019		*For the year ended 31 December 2018*	
	US$	*KHR'000 equivalent (Note 2.1)*	*US$*	*KHR'000 equivalent (Note 2.1)*
Loans to customers	166,829,205	675,991,939	136,558,110	552,377,555
Balances with other banks	134,583	545,330	64,879	262,436
Balances with the NBC	1,469	5,952	18,324	74,120
	166,965,257	**676,543,221**	**136,641,313**	**552,714,111**

21. INTEREST EXPENSE

Interest expense arises from:

	For the year ended 31 December 2019		*For the year ended 31 December 2018*	
	US$	*KHR'000 equivalent (Note 2.1)*	*US$*	*KHR'000 equivalent (Note 2.1)*
Deposits from customers	41,137,355	166,688,562	33,817,986	136,793,753
Borrowings	16,497,455	66,847,688	15,096,881	61,066,884
Subordinated debts	3,373,581	13,669,750	1,975,016	7,988,940
Loan fee cost	2,890,515	11,712,367	2,107,856	8,526,277
Lease liabilities	1,236,246	5,009,269	1,236,627	5,002,156
Provident fund	873,792	3,540,605	726,127	2,937,184
	66,008,944	**267,468,241**	**54,960,493**	**222,315,194**

22. NET FEES AND COMMISSIONS

Details of net fees and commission are as follows:

	For the year ended 31 December 2019		*For the year ended 31 December 2018*	
	US$	*KHR'000 equivalent (Note 2.1)*	*US$*	*KHR'000 equivalent (Note 2.1)*
Fees and commissions on loans	55,468	224,757	47,800	193,351
Remittance fees	334,693	1,356,176	113,990	461,090
Other fees and commissions	2,449,771	9,926,471	1,467,369	5,935,507
	2,839,932	**11,507,404**	**1,629,159**	**6,589,948**

23. GENERAL AND ADMINSTRATIVE EXPENSES

	For the year ended 31 December 2019		*For the year ended 31 December 2018*	
	US$	*KHR'000 equivalent (Note 2.1)*	*US$*	*KHR'000 equivalent (Note 2.1)*
Personnel and other related costs	37,179,851	150,652,756	32,161,438	130,093,017
Depreciation and amortisation	3,370,123	13,655,738	3,043,458	12,310,788
Securities	1,089,863	4,416,125	666,086	2,694,318
Utilities	1,086,784	4,403,649	1,003,892	4,060,743
Stationeries and printing	1,079,037	4,372,258	1,301,330	5,263,880
License fees	986,826	3,998,619	943,519	3,816,534
Professional fees	834,192	3,380,146	585,588	2,368,703
Communications	792,606	3,211,640	740,253	2,994,323
Bank charges	723,168	2,930,277	617,916	2,499,470
Motor vehicle expenses	669,686	2,713,568	686,658	2,777,532
Repairs and maintenance	526,014	2,131,409	1,055,552	4,269,708
Staff training and conference	477,655	1,935,458	373,213	1,509,647
Marketing and advertising	262,084	1,061,964	568,366	2,299,040
Transportation	253,821	1,028,483	350,455	1,417,590
Office rentals	45,189	183,106	22,734	91,959
Other expenses	7,234,002	29,312,175	5,939,836	24,026,637
	56,610,901	**229,387,371**	**50,060,294**	**202,493,889**

24. NET CASH USED IN OPERATING ACTIVITIES

(a) Net cash used in operating activities

	For the year ended 31 December 2019		*For the year ended 31 December 2018*	
	US$$	*KHR'000 equivalent (Note 2.1)*	*US$*	*KHR'000 equivalent (Note 2.1)*
Income before income tax	45,832,319	185,712,556	30,899,633	124,989,015
Adjustments for:				
Depreciation and amortisation of:				
Property and equipment and software costs	3,370,123	13,655,738	3,043,458	12,310,788
Right-of-use assets	3,523,124	14,275,698	3,215,870	13,008,194
Interest expense	66,008,944	267,468,241	54,960,493	222,315,194
Property and equipment and software costs written off	9,825	39,811	22,985	92,974
Loss (gain) on disposal of property and equipment	6,283	25,459	(4,063)	(16,435)
Employee benefits expense	3,499,336	14,179,309	3,735,861	15,111,558
Provisions for ECLs	5,372,451	21,769,171	3,836,746	15,519,638
Cash generated from operating activities before changes in operating assets and liabilities	**127,622,405**	**517,125,983**	**99,710,983**	**403,330,926**
Increase in operating assets				
Balances with the NBC	(36,365,205)	(147,351,811)	(39,316,327)	(159,034,543)
Loans to customers	(279,643,114)	(1,133,113,898)	(218,624,212)	(884,334,937)
Other assets	(1,581,877)	(6,409,764)	(998,311)	(4,038,168)
Increase in operating liabilities				
Deposits from customers and other financial institutions	142,711,841	578,268,380	186,527,129	754,502,237
Employee benefits	1,234,773	5,003,300	1,192,322	4,822,942
Other liabilities	10,355,084	41,958,800	4,590,343	18,567,937
	(163,288,498)	**(661,644,993)**	**(66,629,056)**	**(269,514,532)**
Interest received	(64,772,733)	(262,459,114)	(53,725,774)	(217,320,756)
Income tax paid	(7,351,687)	(29,789,036)	(5,732,875)	(23,189,479)
Provident fund paid	(1,704,809)	(6,907,886)	(1,454,278)	(5,882,555)
Net cash used in operating activities	**(109,495,322)**	**(443,675,046)**	**(27,831,000)**	**(112,576,396)**

24. NET CASH GENERATED FROM OPERATING ACTIVITIES (continued)

(b) Cash flows from financing activities

	31 December 2019						
		Cash flows		*Non-cash changes*			
	Beginning balance	*Proceeds*	*Repayment*	*Foreign exchange movement*	*Conversion of subordinated debt to share capital*	*Ending balance*	
	US$	*US$*	*US$*	*US$*	*US$*	*US$*	*KHR'000 equivalent (Note 2.1)*
Borrowings	253,817,389	249,801,942	(137,108,931)	(539,094)	-	365,971,306	1,491,333,072
Subordinated debts	30,000,000	29,000,000	(5,000,000)	-	(10,000,000)	44,000,000	179,300,000
Lease liabilities	11,952,215	4,718,464	(4,699,573)	-	-	11,971,106	48,782,257
Share capital	120,000,000	20,000,000	-	-	10,000,000	150,000,000	480,000,000
	415,769,604	**303,520,406**	**(146,808,504)**	**(539,094)**	**-**	**571,942,412**	**2,199,415,329**

	31 December 2018						
		Cash flows		*Non-cash changes*			
	Beginning balance	*Proceeds*	*Repayment*	*Foreign exchange movement*	*Conversion of subordinated debt to share capital*	*Ending balance*	
	US$	*US$*	*US$*	*US$*	*US$*	*US$*	*KHR'000 equivalent (Note 2.1)*
Borrowings	214,788,334	134,213,539	(95,184,484)	-	-	253,817,389	1,019,838,269
Subordinated debts	13,000,000	19,000,000	(2,000,000)	-	-	30,000,000	120,540,000
Lease liabilities	11,676,901	4,608,129	(4,332,815)	-	-	11,952,215	48,024,000
Share capital	120,000,000	-	-	-	-	120,000,000	480,000,000
	359,465,235	**157,821,668**	**(101,517,299)**	**-**	**-**	**415,769,604**	**1,668,402,269**

25. COMMITMENTS AND CONTINGENCIES

(a) Lending commitments

	31 December 2019		*31 December 2018*	
	US$	*KHR'000 equivalent (Note 2.1)*	*US$*	*KHR'000 equivalent (Note 2.1)*
Within one year	4,260,301	17,360,727	4,071,236	16,358,226
More than 1 year to 5 years	12,188,113	49,666,560	10,260,786	41,227,838
More than 5 years	2,233,158	9,100,119	4,157,888	16,706,394
Total	**18,681,572**	**76,127,406**	**18,489,910**	**74,292,458**

(b) Credit commitments

	31 December 2019		*31 December 2018*	
	US$	*KHR'000 equivalent (Note 2.1)*	*US$*	*KHR'000 equivalent (Note 2.1)*
Assets				
Foreign exchange contracts	30,490,589	124,249,150	28,411,613	114,157,861
Unused portion of overdraft	19,844,850	80,867,764	9,382,558	37,699,118
Bonds	3,520,080	14,344,326	689,000	2,768,402
Liabilities				
Undrawn down portion of borrowing	15,958,864	65,032,371	4,985,002	20,029,738
Letters of credit	4,252,226	17,327,821	1,179,477	4,739,139
Bank guarantees	130,976	533,727	129,125	518,824

(c) Legal claims recovery

During the year, the Bank pursued legal claims against borrowers in default. Majority of these claims are still being negotiated and/or disputed by borrowers, thus, neither the ultimate outcome of these claims, nor the amounts recoverable can be determined at this time.

(d) Tax contingency

The taxation system in Cambodia has undergone numerous changes and is characterized by either often unclear, contradictory and/or differing interpretations existing among numerous taxation authorities and jurisdictions. Taxes are subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges. These facts may create tax risks in Cambodia substantially more significant than in other countries.

Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have differing interpretations and the effects since the incorporation of the Bank could be significant.

26. RELATED PARTY DISCLOSURES

Significant transactions with related parties during the year, which were made at normal terms and conditions, and the resulting outstanding balances as at year end were as follows:

(a) Transactions with related parties

Related party	*Nature of transaction*	*For the year ended 31 December 2019*		*For the year ended 31 December 2018*	
		US$	*KHR'000 equivalent (Note 2.1)*	*US$*	*KHR'000 equivalent (Note 2.1)*
MC	Subordinated debt	-	-	10,000,000	40,180,000
	Repayment	10,000,000	40,520,000	-	-
	Interest expense	403,493	1,634,954	370,926	1,490,381
	Deposit	156,881	635,682	-	-
MCC	Interest expense	342,845	1,389,208	195,223	784,408
	Deposit	(10,362,755)	(41,989,883)	(9,840,145)	(39,537,701)
MIA	Borrowing	(3,340,000)	(13,533,680)	10,000,000	40,180,000
	Repayment	6,340,000	25,689,680	13,340,000	53,600,120
	Interest expense	1,303,963	5,283,658	1,645,758	6,612,654
	Deposit	(1,716,752)	(6,956,279)	438,676	1,762,601
MJBL	Deposit	4,902	19,863	(83)	(335)
Han Family	Deposit	1,116,890	4,525,638	1,540,914	6,191,392
Senior management	Deposit	(199,354)	(807,782)	(59,008)	(237,095)
	Loan	68,770	278,656	(181,551)	(729,472)
	Remuneration	45,465	184,224	67,184	269,943

26. RELATED PARTY DISCLOSURES (continued)

(b) Balances with related parties

Related party	*Financial statement account*	*31 December 2019*		*31 December 2018*	
		US$	*KHR'000 equivalent (Note 2.1)*	*US$*	*KHR'000 equivalent (Note 2.1)*
MC	Subordinated debt	-	-	10,000,000	40,180,000
	Deposit	20,747,366	84,545,516	20,590,484	82,732,566
MCC	Subordinated debt	-	-	-	-
	Deposit	643,456	2,622,083	11,006,210	44,222,953
MIA	Subordinated debt	2,000,000	8,150,000	5,000,000	20,090,000
	Borrowing	11,650,000	47,473,750	14,990,000	60,229,820
	Deposit	206,920	843,199	1,923,672	7,729,315
MJBL	Deposit	21,435	87,348	16,533	66,428
Han Family	Deposit	28,481,226	116,060,996	27,364,336	109,949,902
Senior management	Deposit	184,009	749,837	387,213	1,555,821
	Loan	589,581	2,402,543	520,811	2,092,618

27. FINANCIAL RISK MANAGEMENT

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

- Credit risk;
- Market risk;
- Liquidity risk; and
- Operational risk

Risk management functional and governance structure

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

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

A primary objective of the Bank in risk management is to comply with NBC's regulations. On the other hand, the Bank has recognized the importance of achieving international best practices on risk management. The Board of Directors has established a Credit Committee to formulate broad parameters of acceptable risk for the Bank and monitor the activities against these parameters.

The details of financial assets and liabilities are as follows:

	31 December 2019		*31 December 2018*	
	US$	*KHR'000 equivalent (Note 2.1)*	*US$*	*KHR'000 equivalent (Note 2.1)*
Financial assets				
Cash on hand	85,296,900	347,584,868	67,916,384	272,888,031
Balances with the NBC	213,118,865	868,459,375	168,970,016	678,921,524
Balances with other banks	15,824,699	64,485,648	7,871,412	31,627,334
Loans to customers	1,315,321,967	5,359,937,016	1,034,690,674	4,157,387,126
Other assets	223,988	912,751	178,714	718,073
Total financial assets	**1,629,786,419**	**6,641,379,658**	**1,279,627,200**	**5,141,542,088**
Financial liabilities				
Deposits from customers and other financial institutions	947,411,222	3,860,700,730	804,699,381	3,233,282,113
Borrowings				
NBC	24,539,877	99,999,999	10,950,722	44,000,001
Others	341,431,429	1,391,333,073	242,866,666	975,838,264
Subordinated debts	44,000,000	179,300,000	30,000,000	120,540,000
Other liabilities	27,133,124	110,567,480	16,307,034	65,521,662
Lease liabilities	11,971,106	48,782,257	11,952,215	48,024,000
Total financial liabilities	**1,396,486,758**	**5,690,683,539**	**1,116,776,018**	**4,487,206,040**

27. FINANCIAL RISK MANAGEMENT (continued)

27.1 Operational risk

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

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

The Bank's operational risk management entails the establishment of clear organizational structures, roles and control policies. Various internal control policies and measures have been implemented including the establishment of signing authorities, defining system parameters controls, streamlining procedures and documentation and compliance with regulatory and other legal requirements. These are continually reviewed to address the operational risks of the business unit as well as to assess the level of compliance with the Bank policies by a program of periodic reviews undertaken by the internal audit function. The results of internal audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Bank.

27.2 Credit risk

The Bank takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss to the Bank by failing to discharge an obligation. Credit risk is the most important risk for the Bank's business. Credit exposure arises principally in lending activities that lead to loans and advances. There is also credit risk in off-balance sheet financial instruments, such as loan commitments. The lending activities are guided by the Bank's credit policy to ensure that the overall objectives in the area of lending are achieved; i.e., that the loan portfolio is strong and credit risks are well diversified. The credit policy documents the lending policy, collateral policy and credit approval processes, including the Bank's own internal grading system, and procedures implemented to ensure compliance with the NBC's guidelines.

(a) Credit risk measurement

The Bank assesses the probability of default of individual counterparties using internal rating tool. Local credit committee is responsible for determining the risk rating policies.

Risk ratings are reviewed and updated regularly, and in events of (i) change of loan terms and conditions including extension; (ii) repayment irregularities or delinquencies and (iii) adverse information relating to the borrower or transaction.

(b) Risk limit control and mitigation policies

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

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

27. FINANCIAL RISK MANAGEMENT (continued)

27.2 Credit risk (continued)

(b) Risk limit control and mitigation policies (continued)

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

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

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

(c) Management of credit 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. The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security in the form of collateral for loans and advances to customers, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types to secure for loans and advances to customers are:
  - Mortgages over residential properties (land, building and other properties);
  - Charges over business assets such as land and buildings; and
  - Cash in the form of margin deposits.

Concentration of risk

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographic location.

The Bank monitors concentration of credit risk of counterparty by industry. An analysis of concentration of the credit risk as at the balance sheet date is shown below:

27. FINANCIAL RISK MANAGEMENT (continued)

27.2 Credit risk (continued)

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

Details of maximum exposure to credit risk before collateral held or other credit enhancements are as follows:

	31 December 2019		*31 December 2018*	
	US$	*KHR'000 equivalent (Note 2.1)*	*US$*	*KHR'000 equivalent (Note 2.1)*
Balances with the NBC	213,118,865	868,459,375	168,970,016	678,921,524
Balances with other banks	15,824,699	64,485,648	7,871,412	31,627,334
Loans to customers	1,315,321,967	5,359,937,016	1,034,690,674	4,157,387,126
Other assets	223,988	912,751	178,714	718,073
	1,544,489,519	**6,293,794,790**	**1,211,710,816**	**4,868,654,057**

The credit exposure amounts arising from off balance sheet items are disclosed in Note 25 on Commitments and contingencies.

(e) Concentration of risks of financial assets with credit risk exposure

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographic location.

27. FINANCIAL RISK MANAGEMENT (continued)

27.2 Credit risk (continued)

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

	31 December 2019				
	Balances with the NBC	*Balances with other banks*	*Loans to customers*	*Others*	*Total*
	US$	*US$*	*US$*	*US$*	*US$*
Financial intermediaries	213,118,865	15,824,699	-	-	228,943,564
Personal lending	-	-	295,501,938	-	295,501,938
Construction and real estate	-	-	49,514,306	-	49,514,306
Financial institutions	-	-	20,333,012	-	20,333,012
Agriculture	-	-	248,185,782	-	248,185,782
Services	-	-	257,860,374	-	257,860,374
Trade - wholesale and retail	-	-	443,925,500	-	443,925,500
Others	-	-	1,055	223,988	225,043
	213,118,865	**15,824,699**	**1,315,321,967**	**223,988**	**1,544,489,519**
Allowance for ECLs	-	(6,160)	(10,483,213)	-	(10,489,373)
Unamortized loan processing fees	-	-	(11,833,731)	-	(11,833,731)
	213,118,865	**15,818,539**	**1,293,005,023**	**223,988**	**1,522,166,415**
KHR'000 equivalent *(Note 2.1)*	**868,459,375**	**64,460,546**	**5,268,995,469**	**912,751**	**6,202,828,141**

27. FINANCIAL RISK MANAGEMENT (continued)

27.2 Credit risk (continued)

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

	31 December 2018				
	Balances with the NBC	*Balances with other banks*	*Loans to customers*	*Others*	*Total*
	US$	*US$*	*US$*	*US$*	*US$*
Financial intermediaries	168,970,016	7,871,412	-	-	176,841,428
Personal lending	-	-	221,777,666	-	221,777,666
Construction and real estate	-	-	31,093,919	-	31,093,919
Mortgage	-	-	422	-	422
Financial institutions	-	-	20,646,652	-	20,646,652
Agriculture	-	-	222,687,233	-	222,687,233
Services	-	-	194,151,506	-	194,151,506
Trade - wholesale and retail	-	-	344,328,476	-	344,328,476
Others	-	-	4,800	178,714	183,514
	168,970,016	**7,871,412**	**1,034,690,674**	**178,714**	**1,211,710,816**
Allowance for ECLs	-	(31,847)	(7,044,337)	-	(7,076,184)
Unamortized loan processing fees	-	-	(8,886,290)	-	(8,886,290)
	168,970,016	**7,839,565**	**1,018,760,047**	**178,714**	**1,195,748,342**
KHR'000 equivalent *(Note 2.1)*	**678,921,524**	**31,499,372**	**4,093,377,869**	**718,073**	**4,804,516,838**

27. FINANCIAL RISK MANAGEMENT (continued)

27.2 ***Credit risk*** (continued)

(f) Credit quality

	31 December 2019			
	Stage 1 US$	*Stage 2 US$*	*Stage 3 US$*	*Total US$*
Balances with the NBC	213,118,865	-	-	213,118,865
Balances with other banks	14,893,162	931,537	-	15,824,699
Loans to customers	1,294,693,938	4,438,019	16,190,010	1,315,321,967
Other assets	223,988	-	-	223,988
	1,522,929,953	**5,369,556**	**16,190,010**	**1,544,489,519**
Allowance for ECLs	(2,132,660)	(565,895)	(7,790,818)	(10,489,373)
Unamortized loan processing fees	(11,648,144)	(39,928)	(145,659)	(11,833,731)
	1,509,149,149	**4,763,733**	**8,253,533**	**1,522,166,415**
KHR'000 equivalent *(Note 2.1)*	**6,149,782,782**	**19,412,212**	**33,633,147**	**6,202,828,141**

	31 December 2018			
Balances with the NBC	168,970,016	-	-	168,970,016
Balances with other banks	2,180,532	5,690,880	-	7,871,412
Loans to customers	1,015,458,894	1,332,347	17,899,433	1,034,690,674
Other assets	178,714	-	-	178,714
	1,186,788,156	**7,023,227**	**17,899,433**	**1,211,710,816**
Allowance for ECLs	(1,164,011)	(88,239)	(5,823,935)	(7,076,186)
Unamortized loan processing fees	(8,721,121)	(11,443)	(153,726)	(8,886,290)
	1,176,903,024	**6,923,545**	**11,921,772**	**1,195,748,340**
KHR'000 equivalent *(Note 2.1)*	**4,728,796,350**	**27,818,804**	**47,901,680**	**4,804,516,830**

27. FINANCIAL RISK MANAGEMENT (continued)

27.2 Credit risk (continued)

(f) Credit quality (continued)

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

Allowance for impairment will be made based on the following three-stage approach which reflects the change in credit quality of the financial instrument since initial recognition:

(i) Stage 1: 12-month ECL – not credit-impaired

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired upon origination, the ECL associated with the probability of default events occurring within next 12 months will be recognized.

(ii) Stage 2: Lifetime ECL – not credit-impaired

For exposures where there has been a significant increase in credit risk since initial recognition but that are not credit-impaired, a lifetime ECL will be recognized.

(iii) Stage 3: Lifetime ECL – credit-impaired

Financial assets are assessed as credit-impaired when one or more events that have detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that are credit-impaired, a lifetime ECL will be recognized.

Stage	*Credit risk status*	*Default indicator*
1	12-month ECL – not credit-impaired	0 to 30 DPD
2	Lifetime ECL – not credit-impaired	31 to 90 DPD
3	Lifetime ECL – credit-impaired	More than 90 DPD Restructured and rescheduled Forced default Related default

The definition of default used for these purposes shall be applied consistently to all financial assets unless information becomes available that demonstrates that another default definition is more appropriate for a particular financial instrument.

Based on the Bank's definition of default, an account classified as default will be automatically tagged as "Yes" in the "Impairment indicator" field when the "Default reason" field shows one of the four default reasons below:

(a) *Normal turn*: The account's delinquency exceeds 90 DPD and is applicable to all products except Trade Finance product which has definition of default 31DPD due to the short-term nature of the product.

(b) *Restructured and rescheduled*: When the account undergoes debt restructuring or rescheduling;

(c) *Force*d: When account shows deterioration in its credit profile, but its delinquency does not exceed 90 DPD; and

(d) *Related*: Refers to cross default by obligor(s) of the same borrower type within the same loan listing source.

27. FINANCIAL RISK MANAGEMENT (continued)

27.2 Credit risk (continued)

(f) Credit quality (continued)

(iv) 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 Bank operates, supranational organizations such as the International Monetary Fund, and selected private-sector and academic forecasters.

The Bank 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.

(g) Repossessed collateral

During the year, the Bank did not repossess any collateral held as security.

27.3 Market risk

The Bank takes on exposure to market risk, which is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in market prices. Market risk arises from open positions in interest rates, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

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

(a) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the Bank's functional currency. The Bank maintains a policy of not exposing itself to large foreign exchange positions. Any foreign currency exchange open positions are monitored against the operating requirements, pre-determined position limits and cut-loss limits.

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

(b) Price risk

The Bank is not exposed to price risk of securities because it does not hold any investments classified in the statement of financial position as marketable securities.

(c) Interest rate risk

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

27. FINANCIAL RISK MANAGEMENT (continued)

27.3 Market risk (continued)

(c) *Interest rate risk* (continued)

The Bank has no significant financial assets and liabilities with floating interest rates. Balances with the NBC, balances with other banks, and loans to customers earn fixed interest rates and deposits from other banks and customers have fixed interest rates.

27.4 Liquidity risk

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

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

The table in Note 29 is an analysis of the assets and liabilities of the Bank by relevant maturity based on the remaining period at the statement of financial position date to the contractual or estimated maturity dates.

27.5 Fair value of financial assets and liabilities

Fair value represents the amount at which an asset could be exchanged or a liability settled on an arms-length basis. As verifiable market prices are not available, market prices are not available for a significant proportion of the Bank's financial assets and liabilities. 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. In making this assessment, the management assumes that loans to customers are mainly held to maturity with fair values equal to the book value of loans adjusted for allowance for loan losses, if any.

27.6 Capital management

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

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

28. MATURITY PROFILE OF ASSETS AND LIABILITIES

The following table presents an analysis of the maturity profile of the Bank's assets and liabilities as to whether they are expected to be recovered or settled within one year or beyond one year from the statement of financial position date:

	31 December 2019			*31 December 2018*		
	Within one year US$	*Beyond one year US$*	*Total US$*	*Within one year US$*	*Beyond one year US$*	*Total US$*
Financial assets						
Cash and cash equivalents	257,106,742	57,127,563	314,234,305	206,023,728	38,702,238	244,725,966
Loans to customers	382,163,240	933,158,727	1,315,321,967	318,055,397	716,635,277	1,034,690,674
Refundable deposits	10,030	63,587	73,617	-	99,195	99,195
Other assets	173,988	50,000	223,988	128,714	50,000	178,714
	639,454,000	**990,399,877**	**1,629,853,877**	**524,207,839**	**755,486,710**	**1,279,694,549**
Non-financial assets						
Other assets	12,725,084	-	12,725,084	11,162,902	-	11,162,902
Property and equipment	-	33,782,596	33,782,596	-	26,305,967	26,305,967
Right-of-use assets	-	24,598,802	24,598,802	-	22,452,970	22,452,970
Software costs	-	6,721,483	6,721,483	-	5,612,980	5,612,980
Goodwill	-	17,380,030	17,380,030	-	17,380,030	17,380,030
Deferred tax assets	-	6,467,838	6,467,838	-	4,603,593	4,603,593
	12,725,084	**88,950,749**	**101,675,833**	**11,162,902**	**76,355,540**	**87,518,442**
			1,731,529,710			**1,367,212,991**
Unamortized loan processing fees			(11,833,731)			(8,886,290)
Allowance for ECLs			(10,483,213)			(7,044,337)
Accumulated depreciation and amortisation			(34,630,080)			(29,313,588)
Total assets	**652,179,084**	**1,079,350,626**	**1,674,582,686**	**535,370,741**	**831,842,250**	**1,321,968,776**
KHR'000 equivalent *(Note 2.1)*	**2,657,629,767**	**4,398,353,801**	**6,823,924,446**	**2,151,119,637**	**3,342,342,161**	**5,311,670,542**

28. MATURITY PROFILE OF ASSETS AND LIABILITIES (continued)

	31 December 2019			*31 December 2018*		
	Within one year US$	*Beyond one year US$*	*Total US$*	*Within one year US$*	*Beyond one year US$*	*Total US$*
Financial liabilities						
Deposits from customers and other financial institutions	803,541,828	143,869,394	947,411,222	704,192,819	100,506,563	804,699,382
Borrowings						
NBC	24,539,877	-	24,539,877	10,950,721	-	10,950,721
Others	88,696,368	252,735,061	341,431,429	108,045,667	134,821,000	242,866,667
Subordinated debts	4,000,000	40,000,000	44,000,000	2,000,000	28,000,000	30,000,000
Other liabilities	27,133,124	-	27,133,124	16,307,034	-	16,307,034
Lease liabilities	153,463	11,817,643	11,971,106	87,498	11,864,717	11,952,215
	948,064,660	**448,422,098**	**1,396,486,758**	**841,583,739**	**275,192,280**	**1,116,776,019**
Non-financial liabilities						
Other liabilities	603,089	-	603,089	1,074,095	-	1,074,095
Employee benefits	-	20,596,063	20,596,063	-	17,566,763	17,566,763
Income tax payable	8,896,377	-	8,896,377	5,705,331	-	5,705,331
	9,499,466	**20,596,063**	**30,095,529**	**6,779,426**	**17,566,763**	**24,346,189**
Total liabilities	**957,564,126**	**469,018,161**	**1,426,582,287**	**848,363,165**	**292,759,043**	**1,141,122,208**
KHR'000 equivalent *(Note 2.1)*	**3,902,073,813**	**1,911,249,006**	**5,813,322,820**	**3,408,723,197**	**1,176,305,835**	**4,585,029,032**

29. LIQUIDITY RISK

Financial assets

Analysis of financial assets into maturity grouping is based on the expected date on which these assets will be realized. For other assets, the analysis into maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date or if earlier, the expected date the assets will be realized.

Financial liabilities

The maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date. When counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Bank can be required to pay.

Maturity profile of the financial assets and liabilities based on the remaining period to repayment date is as follows:

	31 December 2019						
	On demand and up to 1 month	*>1-3 months*	*>3-12 months*	*>1 to 5 years*	*Over 5 years*	*No fixed maturity date*	*Total*
	US$	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*
Financial assets							
Cash on hand	85,296,900	-	-	-	-	-	85,296,900
Balances with the NBC	55,347,554	14,129,681	86,514,068	42,127,562	-	15,000,000	213,118,865
Balances with other banks	15,818,539	-	-	-	-	-	15,818,539
Loans to customers	49,107,358	71,822,016	261,233,866	830,331,735	102,826,992	-	1,315,321,967
Other assets	173,988	-	-	-	50,000	-	223,988
Total financial assets	**205,744,339**	**85,951,697**	**347,747,934**	**872,459,297**	**102,876,992**	**15,000,000**	**1,629,780,259**
Financial liabilities							
Deposits from customers and other financial institutions	246,015,603	132,655,246	424,870,979	143,869,394	-	-	947,411,222
Borrowings						-	24,539,877
NBC	-	-	24,539,877	-	-		
Others	3,000,000	19,816,000	65,880,368	252,735,061	-	-	341,431,429
Subordinated debts	-	-	4,000,000	26,600,000	13,400,000	-	44,000,000
Other liabilities	2,621,260	9,959,663	9,192,915	5,359,286	-	-	27,133,124
Lease liabilities	-	-	153,463	-	11,817,643	-	11,971,106
Total financial liabilities	**251,636,863**	**162,430,909**	**528,637,602**	**428,563,741**	**25,217,643**	**-**	**1,396,486,758**
Net liquidity surplus (gap)	**(45,892,524)**	**(76,479,212)**	**(180,889,668)**	**443,895,556**	**77,659,349**	**15,000,000**	**233,293,501**
KHR'000 equivalent *(Note 2.1)*	**(187,012,035)**	**(311,652,789)**	**(737,125,397)**	**1,808,874,391**	**316,461,847**	**61,125,000**	**950,671,017**

29. LIQUIDITY RISK (continued)

	31 December 2018						
	On demand and up to 1 month	*>1-3 months*	*>3-12 months*	*>1 to 5 years*	*Over 5 years*	*No fixed maturity date*	*Total*
	US$	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*
Financial assets							
Cash on hand	67,916,384	-	-	-	-	-	67,916,384
Balances with the NBC	56,409,307	20,024,617	53,833,855	26,702,237	-	12,000,000	168,970,016
Balances with other banks	7,839,565	-	-	-	-	-	7,839,565
Loans to customers	37,711,614	56,883,759	223,460,024	662,176,487	54,458,790	-	1,034,690,674
Other assets	128,714	-	-	-	50,000	-	178,714
Total financial assets	**170,005,584**	**76,908,376**	**277,293,879**	**688,878,724**	**54,508,790**	**12,000,000**	**1,279,595,353**
Financial liabilities							
Deposits from customers and other					-	-	
financial institutions	235,728,483	134,403,530	334,060,806	100,506,562			804,699,381
Borrowings					-	-	
NBC	2,986,560		7,964,162	-			10,950,722
Others	625,000	37,794,333	69,626,334	134,821,000	-	-	242,866,667
Subordinated debts	-	-	2,000,000	20,400,000	7,600,000	-	30,000,000
Other liabilities	4,290,077	6,166,186	2,519,823	2,478,207	830,639	22,102	16,307,034
Lease liabilities	-	-	87,498	-	11,864,717	-	11,952,215
Total financial liabilities	**243,630,120**	**178,364,049**	**416,258,623**	**258,205,769**	**20,295,356**	**22,102**	**1,116,776,019**
Net liquidity surplus (gap)	**(73,624,536)**	**(101,455,673)**	**(138,964,744)**	**430,672,955**	**34,213,434**	**11,977,898**	**162,819,334**
KHR'000 equivalent *(Note 2.1)*	**(295,823,386)**	**(407,648,894)**	**(558,360,341)**	**1,730,443,933**	**137,469,578**	**48,127,194**	**654,208,084**

30. SUBSEQUENT EVENTS

With the recent and rapid development of the coronavirus outbreak, many countries have required entities to limit or suspend business operations and implemented travel restrictions and quarantine measures. These measures and policies have significantly disrupted (or are expected to disrupt) the activities of many entities. The coronavirus outbreak occurred at a time close to the reporting date and the condition has continued to evolve throughout the time line crossing 31 December 2019. Amid outbreak, Cambodia is among those affected countries that signifies economic slowdown due to global recession. On 9 March 2020, the NBC advised all banks and financial institutions to delay or suspend all loan and interest payments as part of measures to soften the economic blow of coronavirus on business and household borrowers.

Based on the management's assessment, the potential impact of the disease outbreak could be minimal due to availability of loan protection measures in controlling credit risks of the portfolio. Management will continuously pay close attention to the development of the COVID-19 in Cambodia, its impact to its customers, as well as their customers' ability to service the debts.

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

31. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

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

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

The fair value of the Bank's financial instruments such as cash and short-term funds, balances with Prakas, deposits and 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.

31. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (continued)

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

Cash on hand, balances with the NBC and other banks

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

Loans to customers

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

Deposits and borrowings

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

Other assets and liabilities

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

Fair value hierarchy

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

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

As at 31 December 2019, the carrying value of financial assets and liabilities approximates the fair value.