

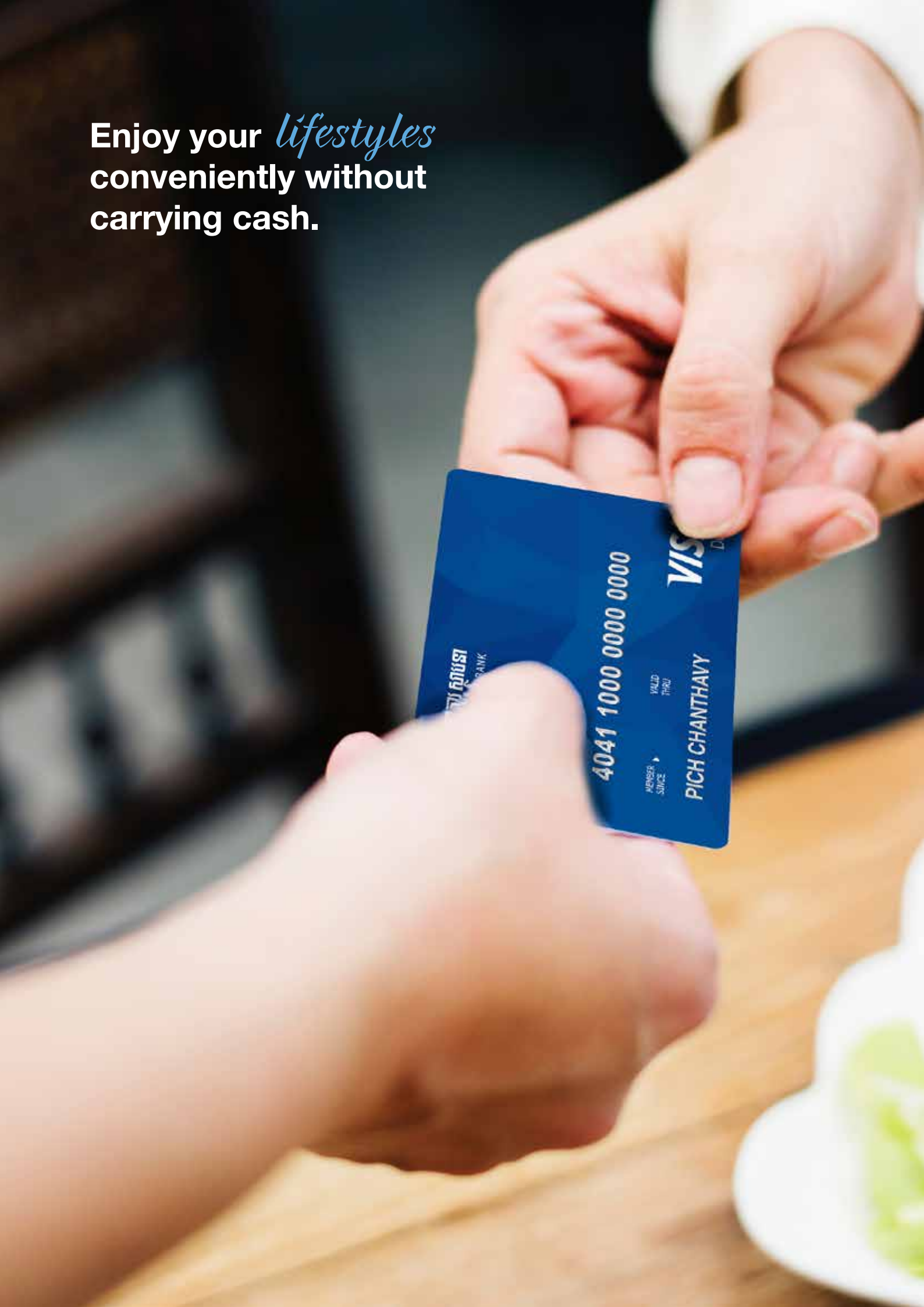


ធនាគារ ស្ថាបនា
SATHAPANA BANK



2018
ANNUAL REPORT

Enjoy your *lifestyles*
conveniently without
carrying cash.



“People’s Bank”

We will continue to raise customer satisfaction levels and expand our business with an innovative, pioneering spirit.

Contents

Who We Are	4
Our Milestones	6
Area of Operations	7
Sathapana Bank Branch Network	8
Vision and Mission	10
Message from the Chairman	12
CEO’s Message	13
Organizational Structure	14
Board of Directors	16
Executive Committee	20
Key Financial Highlights	24
2018 Business Highlights	26
2018 Performance	28
Employee Development	33
Risk Management and Corporate Governance	34
Environmental and Social Sustainability	36
Corporate Social Responsibility	37
Internal Audit and Internal Control Function	38
Financial Statements for the Year Ended 31 December 2018 and Report of the Independent Auditors	39



WHO WE ARE

Sathapana Bank is one of the leading commercial banks in Cambodia with total assets of over US\$ 1.3 billion and more than 4,000 employees.

We have the second largest branch network in the country with 171 branches and 151 ATMs with cash recycling capability. We provide full banking services such as loans, deposits, iBanking, Mobile Banking, debit & credit cards, domestic and foreign remittances, Western Union, trade finance, and other services.

We have partnered with mobile payment providers, WING and Pi Pay to give further convenience to our customers.



ASSETS
US\$1.3 Billion



NET PROFIT
US\$23.1 Million



DEPOSIT CUSTOMERS
Over 358,000



LOAN CUSTOMERS
Over 131,000



EMPLOYEES
Over 4,000

“TO BECOME A LEADING COMMERCIAL BANK IN CAMBODIA”

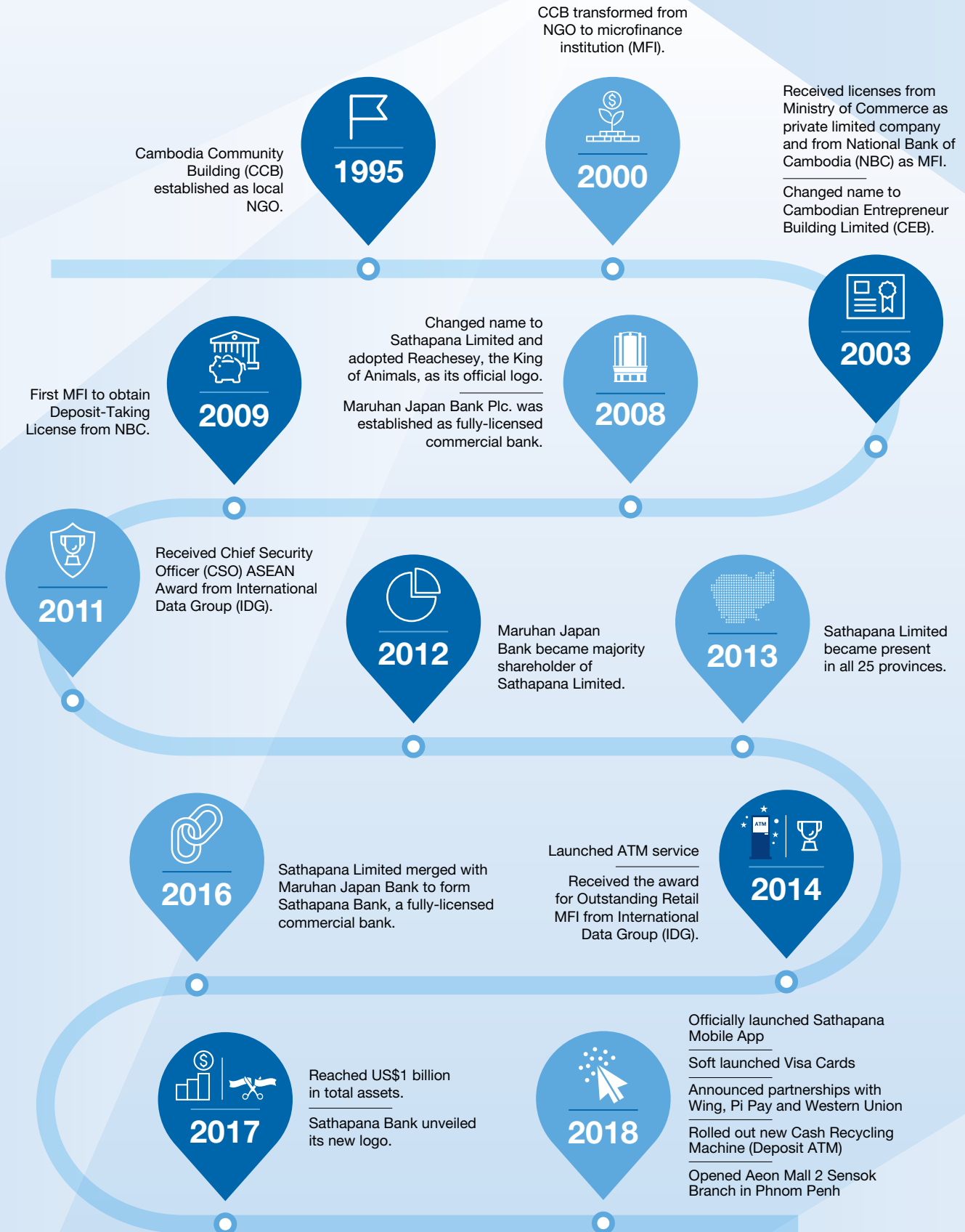


Access Sathapana Bank through our nationwide branch and ATM network, and digital banking channels.

Our full range of banking services open up opportunities for success and improved living standards.

**MAKES
YOUR LIFE
BETTER**

OUR MILESTONES



AREA OF OPERATIONS

As of April 2019

GEOGRAPHICAL COVERAGE



DISTRIBUTION NETWORK



171
TOTAL
BRANCHES



151
TOTAL
ATMs



MOBILE
BANKING



24/7
CALL
CENTER

PHNOM PENH CITY

1. Main Branch (A)
2. Chamkarmon Branch (A)
3. Phnom Penh Branch (A)
4. Pou Senchey Branch (A)
5. Russey Keo Branch (A)
6. Prek Pnov Branch (B)
7. Phsar Daeum Kor Branch (A)
8. Stueng Meanchey Branch (A)
9. Chamkar Doung Branch (A)
10. Tuol Kouk Branch (A)
11. Prampir Meakkakra Branch (A)
12. Chaom Chau Branch (A)
13. Chraoy Chongvar Branch (A)
14. Phsar Hengly Branch (A)
15. Aeon Mall II Branch (A)
16. Chbar Ampov Branch (A)
17. Riverside Branch (A)
18. Phnom Penh Thmei Branch (A)

KANDAL PROVINCE

1. Kandal Provincial Branch (A)
2. S'ang District Branch - Svay Rolum Commune (B)
3. Kaoh Thum District Branch - Preaek Thmei Commune (A)
4. Kaoh Thum District Branch - Sampeou Poun Commune (B)
5. Kien Svay District Branch - Kokir Commune (A)
6. Kien Svay District Branch - Samraong Thum Commune (B)
7. S'ang District Branch - Preaek Koy Commune (A)
8. S'ang District Branch - Traeuy Sla Commune (B)
9. Angk Snuol District Branch - Baek Chan Commune (A)
10. Kandal Stueng District Branch - Barku Commune (A)
11. Kandal Stueng District Branch - Boeng Khyang Commune (B)
12. Mukh Kampul District Branch - Preaek Anhchanh Commune (A)
13. Khsach Kandal District Branch - Vihear Suork Commune (A)
14. Mukh Kampul District Branch - Roka Kong Ti Muoy Commune (A)
15. Angk Snuol District Branch - Damnak Ampil Commune (A)
16. Ponhea Lueu District Branch - Tumnob Thum Commune (B)
17. S'ang District Branch - Preaek Ambel Commune (A)
18. Lvea Aem District Branch - Kaoh Reah Commune (A)
19. Ponhea Lueu District Branch - Vihear Luong Commune (A)

SIEM REAP PROVINCE

1. Krong Siem Reap Branch (A)
2. Banteay Srei District Branch - Khnar Sanday Commune (B)
3. Puok District Branch - Puok Commune (A)
4. Kralanh District Branch - Kampong Thkov Commune (A)
5. Angkor Chum District Branch - Char Chhuk Commune (A)
6. Soutr Nikom District Branch - Dam Daek Commune (A)
7. Svay Leu District Branch - Svay Leu Commune (B)
8. Chi Kraeng District Branch - Kampong Kdei Commune (A)
9. Prasat Bakong District Branch - Roluos Commune (A)
10. Siem Reap Provincial Branch (A)
11. Varin District Branch - Srae Nouy Commune (A)

KAMPONG CHAM PROVINCE

1. Kampong Cham Provincial Branch (A)
2. Chamkar Leu District Branch - Svay Teab Commune (A)
3. Stueng Trang District Branch - Me Sar Chrey Commune (A)
4. Chamkar Leu District Branch - Bos Khnor Commune (A)
5. Prey Chhor District Branch - Chrey Vien Commune (A)
6. Kang Meas District Branch - Peam Chi Kang Commune (B)
7. Prey Chhor District Branch - Krouch Commune (B)
8. Cheung Prey District Branch - Soutib Commune (A)
9. Cheung Prey District Branch - Sampong Chey Commune (B)
10. Batheay District Branch - Ph'av Commune (A)
11. Batheay District Branch - Tang Krang Commune (A)
12. Stueng Trang District Branch - Preak Kak Commune (A)
13. Stueng Trang District Branch - Areaks Tnot Commune (B)
14. Kaoh Sotin District Branch - Peam Pro Thnuoh Commune (B)
15. Kang Meas District Branch - Khchau Commune (B)
16. Srei Santhor District Branch - Preaek Pou Commune (A)

TBOUNG KHMUM PROVINCE

1. Krong Suong Branch (A)
2. Tboung Khmum District Branch - Roka Po Pram Commune (B)
3. Ou Reang Ov District Branch - Ampil Ta Pok Commune (A)
4. Memot District Branch - Memot Commune (A)
5. Memot District Branch - Kampoan Commune (B)
6. Dambae District Branch - Dambae Commune (B)
7. Krouch Chhmar District Branch - Krouch Chhmar Commune (B)
8. Ponhea Kraek District Branch - Kaong Kang Commune (A)
9. Ponhea Kraek District Branch - Kraek Commune (A)


KAMPONG THOM PROVINCE

1. Kampong Thom Provincial Branch (A)
2. Kampong Svay District Branch - San Kor Commune (A)
3. Santuk District Branch - Kampong Thma Commune (A)
4. Santuk District Branch - Tang Krasang Commune (A)
5. Baray District Branch - Krava Commune (A)
6. Baray District Branch - Triel Commune (A)
7. Baray District Branch - Sou Young Commune (A)
8. Stoung District Branch - Kampong Chen Cheung Commune (A)

SATHAPANA BANK BRANCH NETWORK



Branch A: Provides full commercial banking services in its specified operational area.



Branch B: Operates under supervision of Branch A. It delivers commercial banking services with some limitation and control by Branch A.

BATTAMBANG PROVINCE

1. Battambang Provincial Branch (A)
2. Thma Koul District Branch - Ta Pung Commune (A)
3. Bavel District Branch - Bavel Commune (A)
4. Moug Ruessei District Branch - Kear Commune (A)
5. Koas Krala District Branch - Koas Krala Commune (B)
6. Phnum Proek District Branch - Pech Chenda Commune (A)
7. Kamrieng District Branch - Boeng Reang Commune (A)
8. Sampov Lun District Branch - Santepheap Commune (A)
9. Rotonak Mondol District Branch - Sdau Commune (A)
10. Samlout District Branch - Ta Sanh Commune (A)
11. Krong Battambang Branch (A)

KAMPONG SPEU PROVINCE

1. Kampong Speu Provincial Branch (A)
2. Phnum Sruoch District Branch - Kiri Voan Commune (B)
3. Odongk District Branch - Krang Chek Commune (B)
4. Kong Pisei District Branch - Snam Krapeu Commune (A)
5. Kong Pisei District Branch - Srang Commune (B)
6. Basedth District Branch - Svay Rumpear Commune (A)
7. Phnum Sruoch District Branch - Traeng Trayueng Commune (A)

KAMPONG CHHNANG PROVINCE

1. Kampong Chhnang Provincial Branch (A)
2. Barlbour District Branch - Ponley Commune (B)
3. Tuek Phos District Branch - Akphivoadth Commune (A)
4. Kampong Tralach District Branch - Ou Ruessei Commune (A)
5. Sameakki Mean Chey District Branch - Svay Chuk Commune (B)

TAKEO PROVINCE

1. Takeo Provincial Branch (A)
2. Treang District Branch - Smaong Commune (B)
3. Tram Kak District Branch - Angk Ta Saom Commune (A)
4. Kiri Vong District Branch - Preah Bat Choan Chum Commune (A)
5. Bati District Branch - Trapeang Sab Commune (A)
6. Prey Kabbas District Branch - Prey Lvea Commune (A)

PREY VENG PROVINCE

1. Prey Veng Provincial Branch (A)
2. Svay Antor District Branch - Svay Antor Commune (B)
3. Peam Ro District Branch - Preaek Khsay Kha Commune (A)
4. Ba Phnum District Branch - Chheu Kach Commune (B)
5. Preah Sdach District Branch - Angkor Reach Commune (A)
6. Kampong Trabaek District Branch - Prasat Commune (A)
7. Me Sang District Branch - Chi Phoch Commune (A)
8. Kamchay Mear District Branch - Smaong Khang Cheung Commune (A)
9. Pea Reang District Branch - Roka Commune (A)
10. Kanhchriech District Branch - Thma Poun Commune (A)

SVAY RIENG PROVINCE

1. Svay Rieng Provincial Branch (A)
2. Krong Bavet Branch - Sangkat Chhak Mtes (B)
3. Kampong Rou District Branch - Nhor Commune (B)
4. Svay Chrum District Branch - Svay Chrum Commune (B)
5. Romeas Haek District Branch - Kampong Trach Commune (A)
6. Krong Bavet Branch (A)

KRATIE PROVINCE

1. Kratie Provincial Branch (A)
2. Chhloung District Branch - Chhloung Commune (A)
3. Snuol District Branch - Snuol Commune (A)

RATANAK KIRI PROVINCE

1. Ratanak Kiri Provincial Branch (A)
2. Veun Sai District Branch - Pong Commune (B)
3. Koun Mom District Branch - Trapeang Chres Commune (A)
4. Bar Kaev District Branch - La Minh Commune (A)
5. Ou Ya Dav District Branch - Lum Choar Commune (A)

KOH KONG PROVINCE

1. Koh Kong Provincial Branch (A)
2. Srae Ambel District Branch - Srae Ambel Commune (A)

PAILIN PROVINCE

1. Pailin Provincial Branch (A)

STUENG TRAENG PROVINCE

1. Stung Treng Provincial Branch (A)
2. Siem Bouk District Branch - Ou Ruessei Kandal Commune (B)

ODDAR MEANCHHEY PROVINCE

1. Oddar Meanchey Provincial Branch (A)
2. Banteay Ampil District Branch - Kouk Mon Commune (B)
3. Anlong Veang District Branch - Anlong Veang Commune (A)
4. Trapeang Prasat District Branch - Trapeang Prasat Commune (A)

MONDUL KIRI PROVINCE

1. Mondul Kiri Provincial Branch (A)
2. Kaev Seima District Branch - Srae Khtum Commune (A)

PREAH VIHEAR PROVINCE

1. Preah Vihear Provincial Branch (A)
2. Kuleaen District Branch - Kuleaen Tboung Commune (A)
3. Rovieng District Branch - Robieb Commune (A)

KAMPOT PROVINCE

1. Kampot Provincial Branch (A)
2. Chhuk District Branch - Chhuk Commune (A)
3. Chum Kiri District Branch - Trapeang Reang Commune (B)
4. Kampong Trach District Branch - Kampong Trach Khang Kaeut Commune (A)
5. Banteay Meas District Branch - Tuk Meas Khang Lech Commune (B)
6. Angkor Chey District Branch - Phnum Kong Commune (A)

PURSAT PROVINCE

1. Pursat Provincial Branch (A)
2. Krakor District Branch - Anlong Tnaot Commune (B)
3. Phnum Kravanh District Branch - Leach Commune (A)
4. Bakan District Branch - Boeng Khnar Commune (A)
5. Bakan District Branch - Trapeang Chornng Commune (B)

BANTEAY MEANCHHEY PROVINCE

1. Banteay Meanchey Provincial Branch (A)
2. Preah Netr Preah District Branch - Chob Vari Commune (B)
3. Mongkol Borei District Branch - Ruessei Kraok Commune (A)
4. Krong Paoy Paet Branch (A)
5. Krong Paoy Paet Branch - Sangkat Nimit (B)
6. Thma Puok District Branch - Thma Puok Commune (A)
7. Malai District Branch - Malai Commune (B)
8. Svay Chek District Branch - Roluos Commune (B)

PREAH SIHANOUK PROVINCE

1. Preah Sihanouk Provincial Branch (A)
2. Stueng Hav District Branch - Tumnob Rolok Commune (B)
3. Prey Nob District Branch - Veal Renh Commune (A)

KEP PROVINCE

1. Kep Provincial Branch (B)

VISION

“To be the most trusted leading bank in Cambodia that provides the best full banking services throughout the country.”





MISSION

“To improve people’s businesses and lives by providing the best full banking services with advanced technology throughout the country, while contributing to the sustainable development of Cambodia.”



MESSAGE FROM THE CHAIRMAN



In 2018, we continued our relentless commitment to create sustainable value for our customers, shareholders and communities. Our third year since the merger, we have delivered yet again a strong performance which resulted in profitability, financial strength and solid growth.

Robust domestic consumption and export drove the growth of the Cambodian economy despite the moderating global economy and rising risks. The growth rate is expected to be slightly higher at 7.1% in 2018, compared to 6.8% in 2017. In the financial sector, threats are evolving because of the large exposure to the construction and real estate sector.

But even with the external risks and business challenges in the country, Sathapana Bank ended the year with a record net profit of US\$23 million, a respectable increase of 24% from US\$18.6 million a year ago. Total assets reached a new high of US\$1.304 billion, while the Return on equity (ROE) was at 13.03%, which was marginally higher than last year's 12.05%.

Our financial results demonstrated the soundness of our strategy, attractiveness of our products and services offerings, and the great hard work and cooperation of the Sathapana team.

To continue delivering on our mission of improving Cambodian's businesses and lives - through best-in-class full banking services with advanced technology, we have embarked and focused our efforts in the rebranding and digital transformation of Sathapana Bank. We believe that to deliver a more efficient

and better service to our growing customers, we will continue to aggressively pursue our rebranding efforts and fully embrace our digital transformation in the years to come. Better customer experience and service means increased engagement and improved customer loyalty, which then results to higher revenue.

Going forward, we will never waiver on our "customer first" spirit and we vow to always regard our customers in a fair and transparent manner.

On behalf of the Board of Directors, I would like to thank our customers and shareholders for their solid loyalty and confidence. My heartfelt appreciation also goes to the more than 4,000 dedicated employees of Sathapana Bank for their significant contributions.

I believe that we are in great shape for 2019 and beyond.

Sincerely,

A handwritten signature in blue ink, appearing to read 'HAN Chang-Woo'.

Dr. HAN Chang-Woo
Chairman of the Board

CEO'S MESSAGE



The current global economy is continuously driven by rapid advances in new technologies, notably digitalization, with the financial sector as one of the industries that have faced the challenges of technological disruption. The challenges arising from fintech has made it imperative for institutions, such as banks, to engage with these different innovative financial platforms which can help direct a meaningful digital transformation. In addition, the fast-changing consumer behavior brought by widespread use of technology and the intensified competition among commercial banks have presented unique challenges --- and great opportunities, for a large financial institution with more than 20 year-presence in Cambodia like Sathapana Bank.

It has been more than a year since we embarked on a transformation to revamp our organizational foundation and business model to better equip us in meeting existing and future challenges.

In 2018, we focused on a significant infrastructure investment to boost our technology platform capabilities that will accommodate the entire spectrum of our ever-expanding business. A key highlight is the launch of our new mobile banking platform which aspires to be a lifestyle app that offers more than just convenient, easy and safe financial transactions but a differentiated and unique customer experience.

Besides mobile banking, Sathapana Bank has introduced cash recycling machines (CRM) which allow customers to make deposit, withdrawal, fund transfer, check balance, transfer to third party, mobile top up, among others, through an ATM.

Sathapana Bank is now in a better position to ride on the continued economic gains of the country. According to the Ministry of Economy and Finance, the Cambodian economy grew by 7.3% in 2018 and is expected to hit 7.1% in 2019 --- which will be largely supported by the industry and service sectors. Meanwhile, inflation was stable in 2018 at 2.5% and is predicted by the Central Bank to grow by 0.1% in 2019.

With everyone's dedication and hard work, and the soundness of our strategy, we are pleased to report that Sathapana Bank posted a 24% growth in net profit to US\$23.1 million in 2018 from US\$18.6 million in 2017. Total assets rose to US\$1.3 billion in 2018 compared to US\$1.02 billion in 2017. We attracted more

customers in 2018 which resulted to a 30% increase in customer deposits from US\$618.2 million in 2017 to US\$804.70 million in 2018. Loans expanded by 27% to US\$1.02 billion in 2018 from US\$808 million in 2017. We lifted our return on equity (ROE) to 13.03% in 2018 from 12.05% a year ago. Today, Sathapana Bank has a strong network of 171 branches, 151 ATMs and more than 4,000 employees.

As we continue our digital transformation, the expansion of our delivery channels and the growth of our partnership with other non-financial institutions, we are confident of meeting the financial needs of our customers through our outstanding client-centric service, innovative and value-oriented products and services, and conveniently located branches. We will also constantly strive to find better ways to serve, contribute, and make a difference in the communities that we serve.

It has always been our deep commitment to engage, nurture and equip our workforce to achieve their full potential and accomplish their career goals. We recognize that we must revolutionize our service model to prepare us in the immediate future; therefore, our employees must be adaptable, be proficient and be equipped with new skills and knowledge to able to thrive in the digital world.

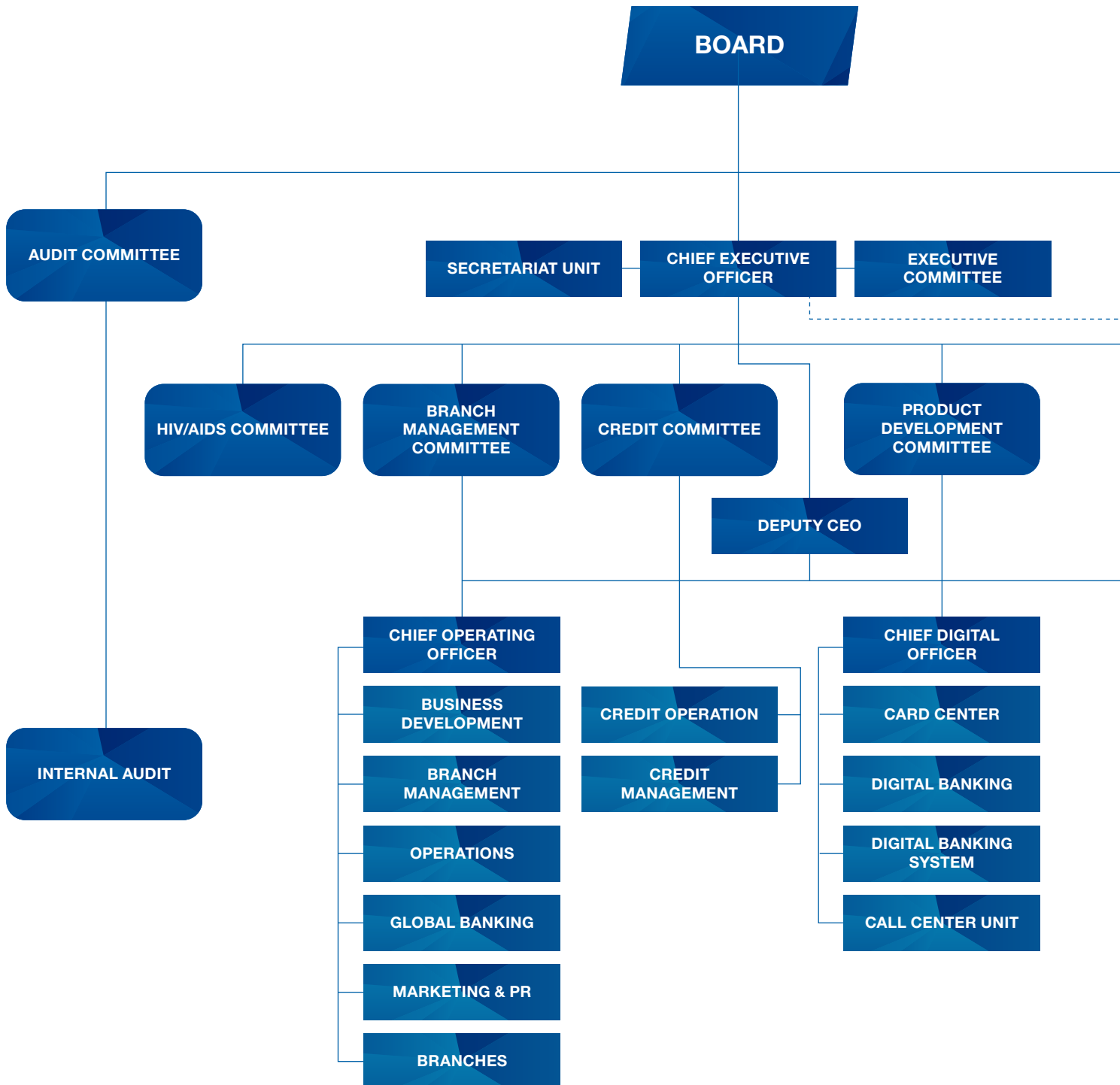
I would like to express my sincere thanks to the following: the National Bank of Cambodia for their leadership, support and wise counsel; our shareholders, business partners and customers for their continued trust, confidence and loyalty; and our staff for their hard work and invaluable contributions.

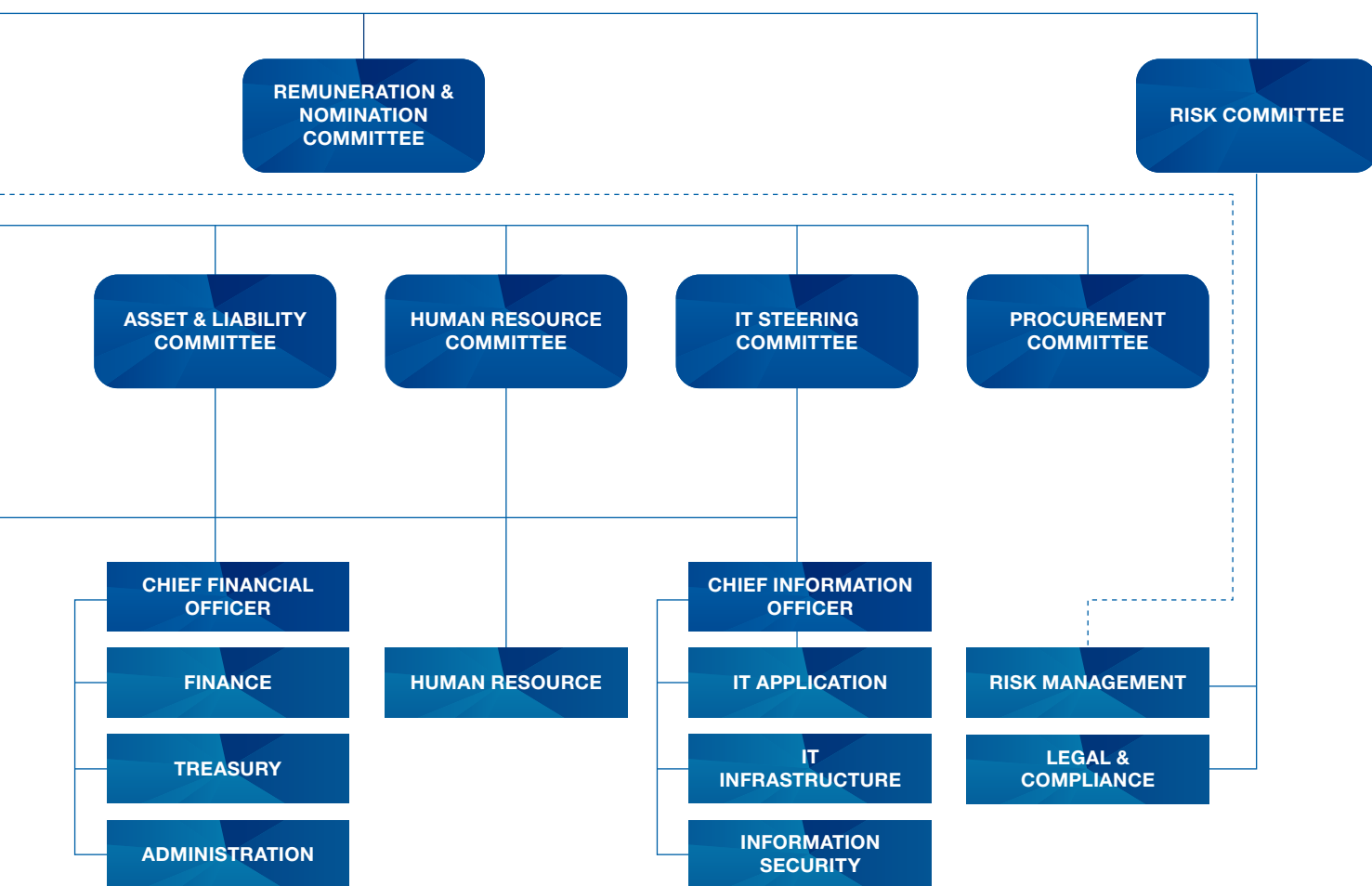
Sincerely,

Mr. LIM Aun
Chief Executive Officer

ORGANIZATIONAL STRUCTURE

As of February 2019







BOARD OF DIRECTORS



- 01 DR. HAN CHANG-WOO (CHAIRMAN OF THE BOARD)
- 02 MR. HAN YU (DIRECTOR)
- 03 MR. HAN KEN (DIRECTOR)
- 04 H.E. SHINOHARA KATSUHIRO (INDEPENDENT DIRECTOR)
- 05 H.E. KIM VADA (INDEPENDENT DIRECTOR)
- 06 MR. HUN MONIVANN (INDEPENDENT DIRECTOR)
- 07 MR. LIM AUN (CHIEF EXECUTIVE OFFICER)

BOARD OF DIRECTORS



Dr. HAN Chang-Woo is the Founder, Chairman and CEO of MARUHAN Corporation of Japan, which operates and manages a variety of entertainment/amusement facilities such as golf courses, driving ranges, bowling alleys, game centers, restaurants and pachinko parlors (Japanese pinball). He founded MARUHAN Corporation in 1957 and made its business grow rapidly to earn over US\$ 25 billion in annual sales. MARUHAN Corporation is known as the leading company in its industry in Japan. The success in the company's business growth comes from his strong energy towards pursuing customer satisfaction and high challenging spirit. Currently, he has been actively participating in several associations and working as Administrative Director of Han Chang-Woo Tetsu Cultural Foundation, Director of the Kyoto UNESCO Association, Administrative Officer of the Kyoto Chapter United Nations Association of Japan, and Director of Tokyo Philharmonic. He obtained his Bachelor of Political Economics degree from Hosei University in 1953.



Mr. HAN Yu is President/COO of MARUHAN Corporation, leading 15,000 employees, and keeps MARUHAN Corporation as the leading company in the entertainment industry in Japan, and sharing the vision of making MARUHAN Corporation as a world-class entertainment service company. He joined MARUHAN Corporation in 1990, working at several important posts such as Business Executive Chief and Managing Director. He was appointed as Vice President in 2006 and President in 2008. He obtained his Bachelor of Arts degree in English Literature from Hosei University in 1988.



Mr. HAN Ken joined MARUHAN Corporation in 2000. Since he was appointed as Director of MARUHAN Corporation in 2007 and then Managing Director in 2014, he has been responsible as Chief Finance Officer looking after Finance and Accounting of MARUHAN Corporation where its business is expanding globally. He also serves for the group's ASEAN business activities as Director and CEO/President of MARUHAN Investment Asia Pte. Ltd., which is a Singapore-based financial headquarters of MARUHAN Japan ASEAN Financial Group, Managing Director of Sathapana Limited Myanmar, and Director of MARUHAN Japan Bank Lao. He obtained his Bachelor of Law degree from DOSHISHA University in 1997.



H.E. SHINOHARA Katsuhiko has a history with Cambodia that spans for more than 40 years. He first arrived in Cambodia in 1967 as Japanese Diplomat and spent his first two years in Wat Ounalom Pagoda in Phnom Penh, seven months of which he spent as a monk, studying the Khmer language and culture, before taking up a position as Secretary Officer at the Japanese Embassy in Cambodia. After returning to Cambodia for two more 3-year postings as a Senior Consular Official at the Japanese Embassy in Cambodia (from 1991-1994 and 2001-2004 respectively), he eventually cemented his relationship with Cambodia by serving as the Japanese Ambassador to the Kingdom of Cambodia from 2007 to 2009. He served as an Independent Director and Committee Member at Sathapana Limited, and is currently the Deputy Chairman of the NGO Cambodia International Education Support Foundation (CIESF) of Japan and serves as the Chief Representative of its Cambodia Office in Phnom Penh.



H.E. KIM Vada has over 37 years of working experience at the National Bank of Cambodia (NBC), starting as the Head of NBC's Kandal Provincial Branch up to the Director General of Banking Supervision Directorate. During his time at NBC, Mr. Kim held several senior positions in various banking fields such as risk management (market, credit, liquidity, operational risks, etc.), corporate governance, and business strategy. He played a key role in successfully restructuring Cambodia's banking system during the 2000s - developing a competitive, safe and sound banking system which has been well regulated and supervised. He has also effectively mobilized savings for financing to stimulate the growth of the Cambodian economy. Mr. Kim has also been a lecturer and a guest speaker at some of the well-known universities in Cambodia. Moreover, for the last 10 years, he has been actively participating as a prominent speaker in various conferences and seminars, both locally and internationally, in subject matters pertaining to regulatory and supervisory framework, banking and microfinance supervision, mobile banking, as well as financial inclusion. At the international level, he held the position as the Chairman of Asia Pacific Rural and Agricultural Credit Association (APRACA) from July 2012 to June 2014, and as an executive member of Alliance for Financial Inclusion (AFI) from January 2015 to June 2017. Mr. Kim obtained a Bachelor of Law degree in 1975, a Bachelor's degree in Banking in 1985, and an MBA majoring in Finance from Charles Sturt University of Australia in 2003.



Mr. HUN Monivann currently serves as Independent Director and Chairman of the Audit Committee. He has over 20 years working experiences with various local and international companies, mostly serving as company director. Mr. Hun started his career as Auditor of E&Y Cambodia and then joined Sepakor Angkor Co., Ltd. as Finance Director and Board of Director. In 2006, he assumed the role of Independent Director and Chairman of Audit Committee of Sathapana Limited (which later transformed to Sathapana Bank). Aside from Mr. Hun's current responsibilities with Sathapana Bank, he holds the following positions: Independent Director and Head of Audit Committee of Sihanouk Ville Port Authority (PAS); Chairman of Mega Leasing Plc.; Chairman of Aplus Consulting Co., Ltd.; Chairman of MVU Investment Plc.; Vice Chairman of Cambodia Investor Club (CIC) Investment Plc.; and Vice President of Siem Reap Oddar Meanchey Chamber of Commerce (SOCC). Mr. Hun is also member of the Australian Institute of Company Director (AICD). He graduated in 1997 from Maharishi Vedic University (MVU) of Cambodia.



EXECUTIVE COMMITTEE

- 01 MR. LIM AUN
- 02 MR. KENJI KUROKI
- 03 MR. SVOEUY PONNAKRATH
- 04 MR. ROS SOKHA
- 05 MR. ITH BUNTHA

EXECUTIVE COMMITTEE

MR. LIM AUN

Chief Executive Officer



Mr. LIM Aun has over 20 years working experiences with leading financial institutions and an international audit firm. Prior to joining Sathapana Limited in 2012, he previously served as Senior Auditor at KPMG from 1997 to 2002 which gave him wide auditing exposure including a year's stint in Malaysia. In 2002, he joined Vattanac Bank, a local commercial bank, holding various managerial positions such as Senior Manager of Head Office Main Branch, Head of Finance, Head of Operations, and finally, as Deputy General Manager until his resignation from the bank in November 2012.

He joined Sathapana Limited as Chief Operating Officer (COO) in December 2012, and was promoted to Deputy Chief Executive Officer (DCEO) in August 2014, in addition to his COO role. After the merger of Sathapana Limited and MARUHAN Japan Bank in April 2016, he continued as DCEO and COO of Sathapana Bank until January 2019. In February 2019, Mr. Lim was appointed as the Chief Executive Officer of Sathapana Bank. He got his Bachelor Degree of Accounting from the National University of Management in 1998.

MR. KENJI KUROKI

Deputy Chief Executive Officer



Mr. KUROKI Kenji has almost 30 years of commercial banking experiences since he started his career in 1989 at The Sumitomo Bank, Limited (subsequently changed to Sumitomo Mitsui Banking Corporation, aka SMBC) in Japan. At SMBC, he served as the Planning Manager of its Indonesian subsidiary in Jakarta from 1996 until 2003, and also served as the Deputy General Director of its Vietnamese affiliate in Ho Chi Minh City from 2008 until 2015. Mr. Kuroki left SMBC in May 2018 and joined MARUHAN Corporation, the ultimate shareholder of Sathapana Bank, in June 2018. He assumed the position of Deputy Chief Executive Officer (DCEO) of Sathapana Bank in February 2019. He received a Bachelor of Arts degree in Indochinese Studies from Tokyo University of Foreign Studies in 1989.

EXECUTIVE COMMITTEE

MR. SVOEUY PONNAKRATH

Chief Financial Officer



Mr. SVOEUY Ponnakrath has more than 16 years of work experiences with international companies and financial institutions. Prior to joining Sathapana Bank, he was a General Manager in charge of the Finance and IT Division of Toyota (Cambodia). He was also a CFO of one MFI in Cambodia before being promoted to CEO at the same institution. Mr. Ponnakrath has an extensive practice in dealing with various international financial institutions and strong experiences in managing various projects such as ERP, IT, IFRS and Core Banking, he was certified as a Project Management Professional (PMP) by the US-based Project Management Institute in 2017. Mr. Ponnakrath has a Certified Professional Banker qualification from the Asian Institute of Chartered Bankers (AICB) based in Malaysia and he is also a member of the UK-based Association of Chartered Certified Accountants (ACCA) and. He obtained an International MBA degree from Audencia Business School (France) in 2011. Mr. Ponnakrath joined Sathapana Bank as Chief Financial Officer (CFO) in October 2017.

MR. ROS SOKHA

Chief Digital Officer



Mr. ROS Sokha has over 17 years of banking experiences before accepting his current role as Chief Digital Officer of Sathapana Bank. Prior to his current position, his initial post at the bank was Senior Head of Product Development. Mr. Sokha started his career at Phnom Penh Chamber of Commerce and later took a management position at Union Commercial Bank to run its Visa Card Center where he implemented the first EMV (Europay, MasterCard and Visa) Visa Platinum Card in the country, and drove UCB's card business. In 2005, he joined ANZ Royal where he worked with the regional project team to rollout its electronic banking regional agenda which helped transform and modernize the country's banking landscape. He was later seconded to ANZ Laos for its cards and electronic banking transformation. His banking experiences also extended to operational excellence, contact center management, and customer relationship management. Before joining Sathapana Bank, he led and drove the cards business and digital banking at Foreign Trade Bank of Cambodia as Senior Manager for Cards and eBanking. He was a speaker at various digital financial services forums and has received recognitions and awards from IDG for his contributions. He received his BBA degree from the Royal University of Laws and Economics (RULE) and an MBA from the Asian Institute of Technology in partnership with EcoleSupérieure De Commerce Nantes Atlantique (ESCNA).

A professional portrait of Mr. ITH BUNTHA, Chief Operating Officer of Sathapana Bank. He is a middle-aged man with short dark hair, wearing a dark suit jacket, a white shirt, and a red tie. He is smiling slightly and looking directly at the camera. The background is a blurred office interior with warm lighting.

MR. ITH BUNTHA

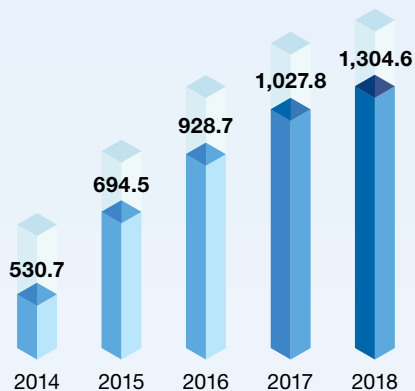
Chief Operating Officer

Mr. ITH Buntha has more than 15 years of banking experiences with several local and regional commercial banks in Cambodia, and has since gained expertise in the areas of sales, credit, and operations. Before his appointment as Chief Operating Officer (COO) of Sathapana Bank in February 2019, he served as its Head of Business Development from May 2016 to January 2019. Prior to joining Sathapana Bank, Mr. Buntha held various positions at CIMB Bank as Head of Preferred Banking, Head of Sales & Distribution, and Branch Manager from April 2010 to April 2016. In 2013, he was a Finalist for CIMB's Emerald Award as Best Middle Manager, aside from successfully completing CIMB's program for middle manager, namely, Accelerated Universal Banker (AUB) conducted at the Nanyang Business School of Nanyang Technological University in Singapore. In 2004, he joined Vattanac Bank as a Senior Officer working in various fields and in 2009 moved to ABA Bank as Branch Manager. Mr. Buntha has an MBA from Norton University, where he also received his Bachelor's degree in Economics, major in Banking and Finance in 2002.

KEY FINANCIAL HIGHLIGHTS

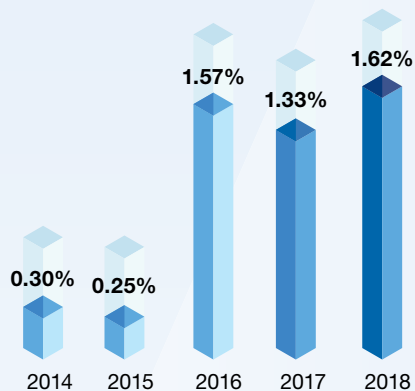
1. TOTAL ASSETS

US\$ MILLIONS



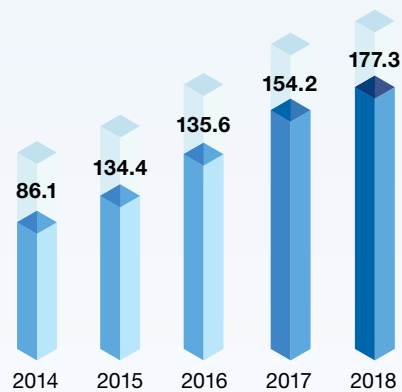
4. ASSET QUALITY

NPL ≥ 90 DAYS



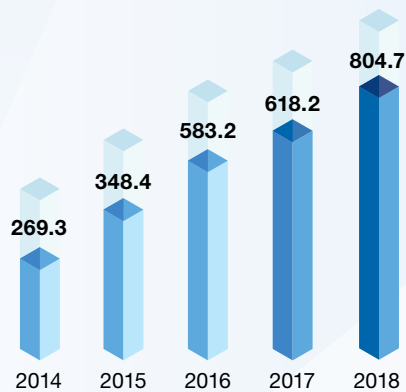
2. SHAREHOLDER'S EQUITY

US\$ MILLIONS



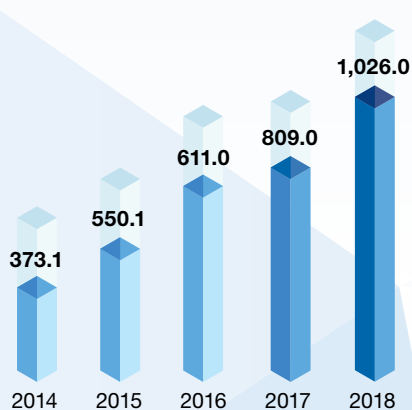
5. CUSTOMER DEPOSITS

US\$ MILLIONS



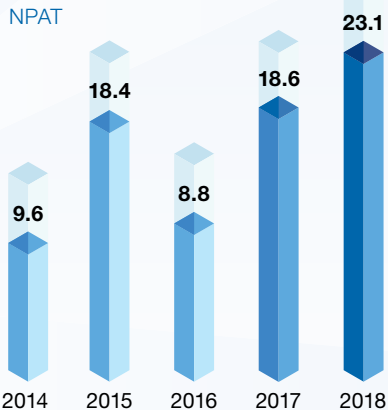
3. LOANS TO CUSTOMER

US\$ MILLIONS



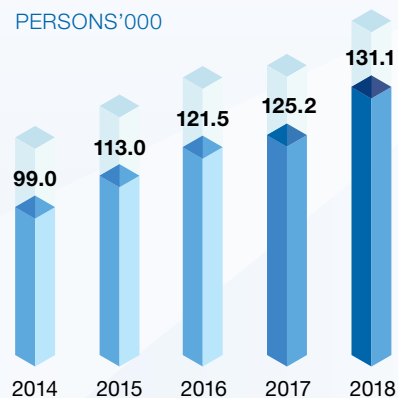
6. NET PROFIT

US\$ MILLIONS

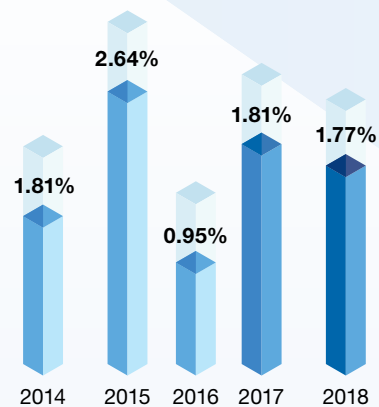


7. LOAN CUSTOMERS

TOTAL LOAN CUSTOMERS
PERSONS'000

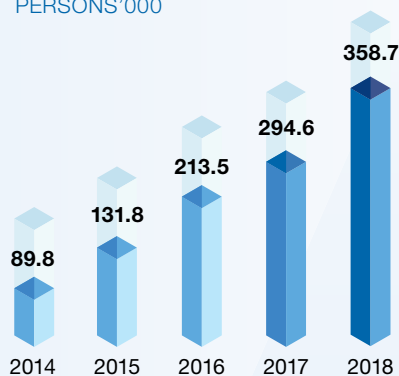


10. RETURN ON ASSET (ROA)

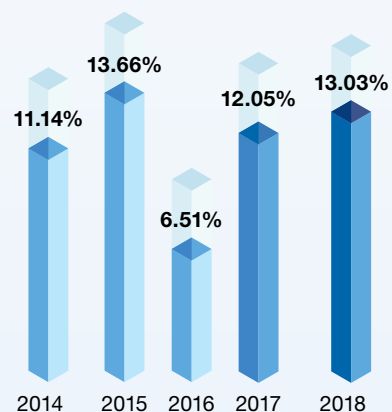


8. DEPOSIT CUSTOMERS

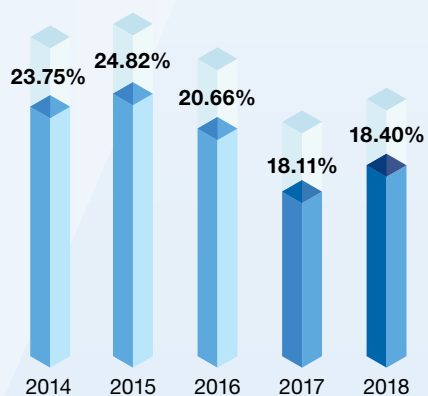
TOTAL LOAN CUSTOMERS
PERSONS'000



11. RETURN ON EQUITY (ROE)



9. CAPITAL ADEQUACY RATIO



2018 BUSINESS HIGHLIGHTS

Sathapana Bank aims to be the most trusted top commercial bank in Cambodia to contribute to the improvement of people's living standard and development of the country's economy by providing full banking services based on a strong financial base with good corporate governance, compliance and transparency.

The bank also aspires to develop fair, honest and transparent corporate culture where good communication throughout the bank is maintained and staff's proactive participation is encouraged.



CONVENIENCE

Convenience for our customers is to be able to access their money 24/7. As such, we have acquired a fleet of 50 new touchscreen ATMs with cash recycling capability. With a total of 151 ATMs/CRMs deployed nationwide, our customers can now access their funds quickly and securely. Also, we understand that our clients are at times very busy and unable to go to our branches to perform their banking needs. Thus, we launched Sathapana Mobile in September 2018 to enable our customers to access their accounts and perform many banking transactions at their fingertips anytime and anywhere.



CUSTOMER FIRST

Over the past three years after the merger, Sathapana Bank has implemented strategies aimed at delivering the best customer service experience at our branches. We believe we have come a long way but we know that we still have plenty of work to do in order to stay ahead of our competitors.



HELPING OUR CUSTOMERS GROW

We take great pride in helping our customers and they are the focus of everything we do. Our customers come first and it is our responsibility to help them grow. This growth can mean different things to different people depending on where they are in their life cycles.

Our Products And Services

Deposits

- Savings Account
- Current Account
- Foreign Currency Account
- Corporate Savings Account
- Term Deposit

Loans

- Business Loan
- Home Loan
- Personal Loan
- Auto Loan
- Overdraft Facilities
- Revolving Credit
- Trade Finance Loan

Services

- Domestic and International Transfers
- Foreign Exchange
- Cash Management
- Trade Finance

Channels

- Express Banking/ATMs
- Mobile Banking
- Internet Banking
- Branch Network
- 24/7 Call Center

2018 PERFORMANCE

2018 was a great year for Sathapana Bank. With our strong growth, we reached a new milestone by exceeding most of our financial targets for the year, particularly in loans and profitability. At the same time, we maintained a strong asset quality through prudent management of non performing loans.

LOAN



The year 2018 saw another strong growth for our bank's loan portfolio, registering total loan outstanding of US\$1.026 billion, a 27% growth from 2017.

Key factors contributed to our robust growth such as branch expansion to 169 offices nationwide, increased market demand due to better economic conditions, attractive and competitive terms and conditions of our products and services, and the rising public trust for our bank.

To further strengthen our corporate governance, we continue to apply prudent principles in evaluating and implementing proactive lending activities to attract new customers and help them use their money in a productive manner.

As our credit risk management is in excellent condition, we are confident to be able to continue to control and sustain minimal credit risk exposure as more than 98% of our loan portfolio are considered neither past due or impaired. In addition, we have strict selection and collection process in extending loan to customers.



DEPOSIT

Sathapana Bank's solid deposit growth resulted in a stable liquidity in 2018. With the shift in the growth of demand deposits versus term deposits, our total customer deposit rose by 30% to US\$804.70 million in 2018. Four key factors contributed to the increase in our deposit:

- 1 Everyone working in our bank - from tellers to managers, has personal interest in providing the best banking services and the highest level of professionalism and transparency. Every transaction comes with a commitment to provide the best products that meet the latest market demands, conveniently accessible services, and the best operational management assisted by the latest digital technology.
- 2 The concept of 'Customer First', which has been embedded in the mindset of all our staff, influences the fine customer service environment that permeates in all of our branches.
- 3 The philosophy of 'Customer First' has also helped keep our existing customers as well as attract new ones.
- 4 Being the second largest commercial bank in terms of branch network in Cambodia has helped broaden our reach and availability - especially to customers in remote communities who appreciate the concept of putting their money in a bank they can trust.

We expect that deposit will continue to grow in the years to come to be driven by the following: 1. Maturing customer perception and attitude towards deposits, thus seeing the great potential of placing their money in Sathapana Bank; 2. Introduction of new and enhanced products and services that meet the financial needs of customers.

BUSINESS DEVELOPMENT



A solid year of achievements for Sathapana Bank, we launched in 2018 major products and services aimed to provide convenience and compelling value proposition for our customers.



HITACHI Introducing Cash Recycling Machines

In May 2018, we brought a new level of express banking services to customers by rolling out new cash recycling ATMs across the country increasing our total number of ATMs to 150.

Our investment in latest technologies, such as cash recycling ATMs, provides our customers with fast, secure and convenient banking services and experiences across the country. Customers can deposit cash into their account anytime including before and after business hours, weekends and holidays.

Aside from the regular ATM services such as withdrawing cash, remittances and other transactions, the new machine accepts the largest number of cash notes to deposit with precise sensing technology.

Cash recycling ATMs reduce frequency of cash replenishment required, which improves our operational efficiency.

Partnership with Western Union

In June 2018, Sathapana Bank signed an agreement with Western Union to offer global money-transfer services to all its branches nationwide. The service enable customers to send and receive money quickly and safely across Cambodia.

The partnership with Western Union also allows Sathapana customers to connect to or from more than 200 countries and territories in the world with speed, convenience and reliability.



Partnership with Wing for Payment Ecosystem

Sathapana Bank and Wing (Cambodia) Limited Specialised Bank signed a partnership agreement to offer new financial services for customers of both banks.

With very easy and smooth fund transfer from Wing to Sathapana, our loan customers can make seamless loan repayment through Wing's Wallet by making money transfer to their Sathapana savings or current account which will be automatically applied for loan repayment.



ការពារអនាគតបញ្ឈប់ការបាត់បង់សេវាកម្ម
ជាមួយសេវាធានារ៉ាប់រងអាយុជីវិត
មេឡូឡាយហ្វី



Exclusive Partnership with Manulife

Sathapana Bank and Manulife Cambodia have entered into a 15-year bancassurance partnership which will see Manulife’s insurance products offered across Sathapana branches nationwide.

This new partnership combines Sathapana’s extensive branch network and Manulife’s insurance expertise to give customers one-stop financial centers for both banking and insurance solutions.

The long term partnership enables customers to enjoy the convenience of having access to Manulife’s world-class insurance solutions in addition to Sathapana’s full banking services - bringing greater benefit and peace of mind to customers.

Aeon Mall 2 Branch Opens

In July 2018, we opened a new branch located at Aeon Mall Sen Sok City - our very first located inside a shopping mall in Cambodia.

As another highlight for the year, we bring Sathapana brand and our competitive products and full-banking services at extended hours everyday not only to the many shoppers, visitors and business owners at Aeon Mall 2, but also to the residents around the neighborhood.



New Sathapana Mobile

To serve as the latest gateway to our growing digital ecosystem, we launched in September 2018 the Sathapana Mobile App which offers a secure, fast and easy mobile banking portal with practical functions.

Available in both App Store and Google Play, Sathapana Mobile allows users to view account balance and transactions, open deposit accounts, transfer funds, pay bills and top-up prepaid mobile number, among other useful features, anytime and anywhere in the world.

FREE TRANSFER between



Partnership with Pi Pay

In September 2018, we officially announced our partnership with Pi Pay, the country's premier cashless payment app. It offers both our customers a convenient instant money transfer between a Sathapana account and a Pi Pay mobile wallet using the Sathapana and Pi Pay mobile apps.

The agreement also allows our customers to take full advantage of Pi Pay while Pi Pay users can transfer money to any Sathapana account across the country.

It's an easy choice to partner with Pi Pay as they are really on the cutting edge of the digital revolution in financial services. Making Pi Pay available to our customers at the touch of a button, through our newly-launched Sathapana Mobile, will show them a more secure, faster and easier way of banking and moving money in today's digital world. This partnership also supports our mission to bring modern banking services to our customers wherever they are in Cambodia.

Enhancing digital banking, i.e. internet banking and mobile banking

Enhancing debit and credit card

Introducing Loan Origination System and Mobile Account Opening

Expanding and upgrading branches network

Deploying more ATMs and CRMs

Rolling out more loan and deposit products and other value added services

OUR GOALS
FOR **2019**

Digital Banking

Sathapana Mobile demonstrates very distinct competitive advantages to users. It leverages on an omni channel platform - for both internet and mobile banking, which share a single source code enabling users to log in seamlessly to both channels. Sathapana Mobile also lets users view loan repayment schedule, open/close term deposit account, access credit card services, perform intrabank, interbank, and overseas fund transfer, among many other useful features.



MOBILE APP SERVICES AND FEATURES

Banking Services	Balance Inquiry/Transaction History/ Account info	✓
	Transfer fund within Bank	✓
	Transfer fund between Banks	✓
	Transfer via FAST	✓
	Transfer funds to overseas	✓
	Transfer funds to PSP (Wing / Pi Pay)	✓
	Pay Bills	✓
	Credit Card Summary	✓
	Open Bank Account	✓
	Save Payment Templates	✓
	Mobile Top-Up	✓
	Checkbook Management	✓
Other Services	ATM/Branch Locator	✓
	Exchange Rate Calculator	✓
	Loan Calculator	✓
	Interest Rate Calculator	✓
	Location-Based Lifestyle Promotion	✓
Other Features	Available on Both iOS and Android	✓
	Free to Use	✓
	Self-registration	✓
	Fingerprint Log-in	✓

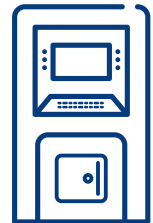
ATM / Cash Recycling Machine (Deposit ATM)

With our wide network of ATMs and Hitachi CRMs you can perform quick banking operations such as deposit, withdrawal, mobile top up, inter bank / intra bank / third party fund transfers, print mini-statement, change PIN, account balance inquiry, among others - anywhere and anytime of the day.

Also, you can conveniently deposit approximately a maximum of 200 notes per transaction.

Aside from the confidence of easy and quick transactions, our current Hitachi CRMs are equipped with high-tech note validation and handling features which protect you from the risk of counterfeit.

What's more, our ATM network allows transactions using Sathapana-issued and other globally-issued Visa cards, including ATM cards of CSS (Cambodian Shared Switch) member banks.



EMPLOYEE DEVELOPMENT



Sathapana Bank is focused on driving performance, quality and continuous improvement. We value the diversity within our workforce, and are developing the capabilities of our employees to enable us to better connect with customers and successfully deliver our banking products and services.

One of the keys to Sathapana Bank's success lies in its people. Accordingly, Sathapana Bank always selects and develops each individual in accordance to their potential and suitability to their work.

By the end of 2018, the number of employees had reached 4,473 (1,714 as female employees). The number of new employees we hired organically was around 780 people. The majority of positions recruited were still focused on sales force and front line positions, both to increase the number of existing employees or to replace employees who resigned or had stopped working from Sathapana Bank.

In 2018, the Human Resource Department focused on the process re-engineering and the resources planning and development to ensure that the resources management and development continuity process go smoothly. We invest in the growth and development of our employees. Our training programs and initiatives enable us to identify roles and individuals that are critical to support the achievement of our strategic objectives.

We provide learning and development opportunities to support every stage of the development journey for employees starting from junior to senior leaders of our business through our comprehensive training programs. Our approach to developing our employees combines on-the-job experiences, induction, learning through others and formal internal and external training programs. In 2018, we invested US\$200K in developing our employees.

We are conducting an induction training program for 520 new employees and other skill development programs as well as customized training courses including technical, Behavioral, leadership development for 7,907 employees.

We continue to grow our International Assignment program, which provides high potential employees with an opportunity to develop their career in future senior leadership roles such as Country CEO, CFO, COO, Head of Information Technology and Regional Manager. So far, 10 employees have been sent to take senior leadership roles at Sathapana MFI in Myanmar and Maruhan Japan Bank in Laos.

RISK MANAGEMENT AND CORPORATE GOVERNANCE

The success of the business strategy will be underpinned by prudent management of our risks and sound corporate governance.

Our Risk Management Strategy begins with our board of directors and the board committees which include Risk Committee, Audit Committee and Remuneration and Nomination Committee. The Board Risk Committee sets the Risk Appetite Framework for the bank which is integrated into all our operational, compliance and credit policies. The Risk Appetite Framework sets the overriding parameters on how we will do business and includes boundaries such as engaging in only permitted activities, sets portfolio thresholds in certain industries, manages risk levels and tolerances, and helps guide the business in achieving its goals in a sustainable manner.

In addition to the Board Committees, the bank also has monitoring and controlling management committees to oversee the risk strategy. These committees include the Assets and Liabilities Committee, the Credit Committee and various other operating committees which manage and measure operational and market risks.

INDEPENDENT RISK FUNCTION

Sathapana Bank has an independent risk function which seeks to embed a sound risk framework and policy structure into the business. This independent risk management function is a key component of the bank's second line of defense. This function is responsible for overseeing risk-taking activities across the enterprise. The independent risk management function has authority within the Bank to oversee the bank's risk management activities. The Risk Management Department reports directly to Board Risk Committee and works closely with the management team in developing structured and disciplined processes to manage and measure risk.

The bank has exposure to the following key risks:

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

1. OPERATIONAL RISK

This is the direct or indirect risk of losses resulting from inadequate or failed internal processes, people and systems, or from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

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

The objective of the operational risk management is not to eliminate all risks but to ensure that the controls put in place and the residual operating risk of the bank remains within acceptable levels.

2. MARKET RISK

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

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

The foreign exchange risk is monitored against functional currencies through monitoring the foreign exchange risk by using the absorbed risk of 20% of the net worth required by the NBC.

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



3. CREDIT RISK

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

Our lending activities are guided by the Risk Appetite Statement which puts high level portfolio thresholds in place based on an overall risk strategy. This includes measures such as having limits on industry concentration and portfolio performance metrics.

The bank has a comprehensive lending policy, which comprises of detailed product and credit underwriting standards. This policy is board approved and contains particular product parameters including target market, terms and conditions, documentation and procedures under which a credit product will be offered. This includes collateral and security parameters and a risk rating system which determines counterparty risk levels.

For larger loan approvals, the Bank's Credit Committee, which is comprised of six members both from credit and business with participation from independence risk function, approves loans and conditions for commercial and corporate lending. This ensures a balanced approach to credit decision making while containing our large exposure risks.

4. LIQUIDITY RISK

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

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

ENVIRONMENTAL AND SOCIAL SUSTAINABILITY

Sathapana Bank is committed to act as a responsible partner to create long-term value for our stakeholders in a sustainable manner. We recognize that our business decisions may have the potential to impact surrounding communities and the environment. The bank believes that balancing environmental and social issues with financial priorities is fundamental to sound risk management and a core part of corporate responsibility.

The Board of Directors has overall responsibility for sustainability at Sathapana Bank and considers environmental and social matters in the development of the bank's strategy. In November 2018, Board of Directors has approved the adoption of Cambodian Sustainable Finance Principles. We manage sustainability matters using the following dimensions:

RESPONSIBLE FINANCING

Our lending practices may have an impact on environment and society ("ES"). In response to this, we are committed to promoting sustainable development by assessing how our borrowing customers address material risks, including their exposure to environmental and social risks in our credit assessment tools. Our approach to manage ES risks is aligned with our Code of Conduct and Business Ethics ("the Code").

This commitment is outlined in our Credit Policy for managing ES risk in our lending practices. The policy is supplemented by a policy on Environmental and Social Sustainability which sets out the performance standards and prohibited transactions (exclusion list) to provide more structured and detailed guidance to identify and assess potential ES risks as part of the credit evaluation process.

Our ES risk assessment approach is centered under the Credit Assessment Unit of Credit Operation Department on the need to ensure that material ES issues are considered for all credit applications and periodic reviews. If any borrowing customer is suspected to have businesses involved in activities that may lead to ES issues or probably classified in the exclusion list, Credit Assessment team will promptly engage the ES responsible officer of the Risk Management Department for consultation. If the borrowing customer is not willing to take actions to adequately manage and mitigate the identified ES issues, we will not accept credit application and re-assess the banking relationship, if any.

ENVIRONMENTAL ENERGY

Energy consumption	2016	2017	2018
Electricity in kwh/FTE	1,033	1,095	1038
Gasoline and Diesel in L/FTE	102	110	116

Electricity consumption per full-time-employee was decreased at 5.2% in 2018 compared to 2017 because of the bank has set the cost control strategy by educating to employee to understand how to save the electrical consumption from day to day. The gasoline and diesel consumption were increased at 5.45% in last year 2018 because we provided some branches with cars for supporting banking business and operations and we purchased more motorbikes for our new credit agents and SME at branches too as well as we purchased generator to support to the branch during the blackout of electricity.

PAPER AND TISSUE USAGE

Paper consumption	2016	2017	2018
Paper in kg/FTE	20.4	29.9	13
Tissue in kg/FTE	4.5	5.4	4.47

The Bank had initiated a few paperless and the electronic data plan for contributing to the environmental preservation, which we had systemized certain requests for e-Appraisal, e-Leave, e-Pay slip, e-Provident Fund, e-Medical and Intranet as net information sharing between nationwide branches and head office.

WATER

Water consumption	2016	2017	2018
Water in m3/FTE	42	40	38

The water consumption was decreased slightly at 5% since the vehicles cleaning at the branch premises was disallowed in 2018 and some branches used well-water instead to clean motorbikes.

CORPORATE SOCIAL RESPONSIBILITY



Employee Blood Donation

Annual campaign to support Cambodia's health sector

Sathapana Bank's ambition has always been to contribute back to communities, which is under our corporate social responsibility strategy. In 2018 and supported by the National Blood Transfusion Center, we organized a Blood Donation drive. The aim of this annual campaign is to contribute to Cambodia's health sector through the spirit of volunteerism of our employees by way of blood donation.

This worthy project helps less fortunate Cambodians who urgently need blood to save their lives, in addition to contributing to the blood supply of the National Blood Transfusion Center for future needs.

On its 11th year and with the theme "Donate Blood to Save Lives", it was organized at four different places including Head Office, Siem Reap, Kampong Cham and Battambang provincial branches. According to studies, one unit of blood per person will help save three lives.

Besides our blood donation campaign, we also supported many events such as the 4th Global Alumni Convention, Kizuna Festival and Bon Odori.

Phnom Penh Clean City Challenge

In November 2018, Sathapana Bank participated in the Phnom Penh Clean City Challenge which was organized by the Ministry of Environment in cooperation with the Japanese Embassy and the City Hall.

Sathapana volunteers joined hundreds of Cambodian and Japanese volunteers at the event where they helped clean different parts of the city such as the long stretch of riverfront in front of the Royal Palace, Wat Botum Park and Samdech Hun Sen Park.

The objective of the Clean City Challenge was to embrace the beauty of Phnom Penh with having a clean air and living in a healthy environment. It also showed that everyone can contribute to make the city clean.

INTERNAL AUDIT AND INTERNAL CONTROL FUNCTION

The Internal Audit function independently serves the management of the Bank and assists the Board of Directors in fulfilling their governance responsibilities in risk management and internal controls. The Internal Audit function is responsible for auditing the Bank’s financial, operational, compliance, IT and internal control activities culminating to internal control issues/weaknesses; and for providing the Management and the Board with reports on the results of the audits.

Each audit focuses primarily on assessing whether processes and controls are adequate that:



Operations are efficient and effective;



Specific management objectives are achieved;



There is compliance with applicable laws and regulations;



Safeguards against waste, loss and misuse of assets are in place;

Internal Audit function is an independent function which is reporting directly to Audit Committee of the Board and its chairman.

In 2018, our internal audit team performed audits to 116 branches throughout the country and eight departments, including five IT audits. Individual audit report was prepared and sent to clients and audit committee.

For 2019, we will continue to focus on following actions:

<div style="font-size: 24px; margin-bottom: 10px;">1</div> <p>Continue to upgrade staff capability through internal mobilization and external training;</p>	<div style="font-size: 24px; margin-bottom: 10px;">2</div> <p>Continue to improve the efficiency of internal audit work through reviewing existing programs and improvement;</p>	<div style="font-size: 24px; margin-bottom: 10px;">3</div> <p>Continue to upgrade stakeholder’s awareness and embedded risk and control mindset;</p>	<div style="font-size: 24px; margin-bottom: 10px;">4</div> <p>Continue to ensure that internal audit works are inline with regulation and best practice.</p>
---	--	--	--

FINANCIAL STATEMENTS

For the Year Ended 31 December 2018
and Report of the Independent Auditors

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 and for the year ended 31 December 2018.

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-Maatschappij Voor Ontwikkelingslanden 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



PROVIDE MICRO, SMALL, AND MEDIUM LOANS;



OFFER DEPOSIT-TAKING SERVICES;



PROVIDE LOCAL AND INTERNATIONAL MONEY TRANSFER SERVICES;



OFFER ATM 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 169 branches.

EMPLOYEES

As at 31 December 2018, the Bank had 4,456 employees (2017: 4,339 employees).

FINANCIAL RESULTS

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

	2018	2017
	US\$	US\$
Profit before income tax	28,233,400	23,805,608
Income tax expense	(5,139,203)	(5,219,569)
Income after income tax	23,094,197	18,586,039
KHR'000 equivalent	92,792,484	75,031,840

DIVIDEND

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

RESERVES AND PROVISIONS

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

SHARE CAPITAL

There were no changes in the registered and issued share capital of the Bank during the year.

BAD AND DOUBTFUL LOANS

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

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

ASSETS

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

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

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

REPORT OF THE BOARD OF DIRECTORS (continued)

No contingent or other liability of the Bank has become enforceable, or is likely to become enforceable within the year of 12 months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Bank to meet its obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

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

ITEMS OF UNUSUAL NATURE

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

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

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 Katsuhiko	Independent and Non-Executive Director
H.E. Kim Vada	Independent and Non-executive Director
Mr. Hun Monivann	Independent and Non-executive Director
Mr. Norihiko Kato	Executive Director (resigned on 31 December 2018)

DIRECTORS' INTERESTS

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

DIRECTORS' BENEFITS

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

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

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

The Board of Directors is responsible for ascertaining that the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2018, and its financial performance and its cash flows for the year then ended. In preparing these financial statements, the Board of Directors is required to:

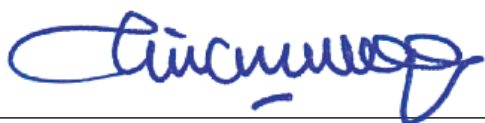
- (i) adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- (ii) comply with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial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

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

APPROVAL OF THE FINANCIAL STATEMENTS

We hereby approve the accompanying financial statements which give a true and fair view of the financial position of the Bank as at 31 December 2018, and its financial performance and its cash flows for the year ended in accordance with Cambodian Accounting Standards and relevant regulations and guidelines issued by the National Bank of Cambodia.

On behalf of the Board of Directors



Mr. Lim Aun
Chief Executive Officer



Mr. Svoeuy Ponnakrath
Chief Financial Officer

Phnom Penh, Kingdom of Cambodia
27 February 2019

INDEPENDENT AUDITORS' REPORT

TO: THE SHAREHOLDERS OF SATHAPANA BANK PLC.

OPINION

We have audited the financial statements of SATHAPANA Bank Plc. ("the Bank"), which comprise the balance sheet as at 31 December 2018, and the income statement, 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 financial statements give a true and fair view of the financial position of the Bank as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with Cambodian Accounting Standards and relevant regulations and guidelines issued by the National Bank of Cambodia.

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.

OTHER MATTER

The financial statements of the Bank for the year ended 31 December 2017 were audited by another auditor who expressed an unmodified opinion on those financial statements on 26 March 2018.

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

The other information obtained at the date of the auditor's report comprises the Report of the Board of Directors as set out in pages 40 to 43. 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 THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Cambodian Accounting Standards and relevant regulations and guidelines issued by the National Bank of Cambodia, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

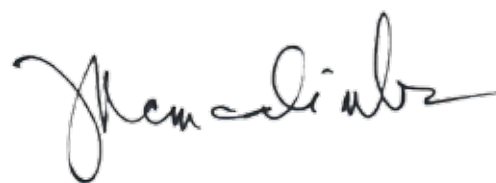
AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

As part of an audit in accordance with CISAs, we exercise professional 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.



Maria Cristina M. Calimbas

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

Phnom Penh, Kingdom of Cambodia
27 February 2019

BALANCE SHEET

AS AT 31 DECEMBER 2018

	Notes	2018		2017	
		US\$	KHR'000 equivalent (Note 3)	US\$	KHR'000 equivalent (Note 3)
ASSETS					
Cash on hand	4	67,916,384	272,888,031	43,744,709	176,597,390
Balances with the National Bank of Cambodia	5	168,970,016	678,921,524	124,540,739	502,770,963
Balances with other banks	6	7,792,978	31,312,186	19,095,480	77,088,453
Loans to customers	7	1,007,139,509	4,046,686,547	794,125,991	3,205,886,626
Property and equipment	10	10,238,649	41,138,892	8,016,784	32,363,757
Intangible assets	11	1,463,686	5,881,090	943,246	3,807,884
Other investment	12	50,000	200,900	50,000	201,850
Deferred tax asset	17(i)	4,903,785	19,703,408	3,048,924	12,308,506
Goodwill	9	17,380,030	69,832,961	17,380,030	70,163,181
Other assets	8	18,771,988	75,425,848	16,848,396	68,016,975
TOTAL ASSETS		1,304,627,025	5,241,991,387	1,027,794,299	4,149,205,585
LIABILITIES AND SHAREHOLDERS' EQUITY					
LIABILITIES					
Deposits from customers	13	804,699,381	3,233,282,113	618,172,252	2,495,561,381
Borrowings	14	253,817,389	1,019,838,269	214,788,333	867,100,500
Subordinated debts	15	30,000,000	120,540,000	13,000,000	52,481,000
Provident fund	16	12,923,876	51,928,134	10,378,502	41,898,013
Income tax payable	17(ii)	5,705,331	22,924,020	4,444,141	17,940,997
Other liabilities	18	20,207,444	81,193,510	12,831,664	51,801,428
Total liabilities		1,127,353,421	4,529,706,046	873,614,892	3,526,783,319
SHAREHOLDERS' EQUITY					
Share capital	19	120,000,000	482,160,000	120,000,000	484,440,000
Retained earnings		57,273,604	230,125,341	34,179,407	137,982,266
Total shareholders' equity		177,273,604	712,285,341	154,179,407	622,422,266
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,304,627,025	5,241,991,387	1,027,794,299	4,149,205,585

The attached notes 1 to 29 form part of these financial statements

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018		2017	
		US\$	KHR'000 (Note 3)	US\$	KHR'000 (Note 3)
OPERATING INCOME					
Interest income	20	130,966,956	526,225,229	115,992,555	468,261,945
Interest expense	21	(51,616,010)	(207,393,128)	(49,463,241)	(199,683,104)
Net interest income		79,350,946	318,832,101	66,529,314	268,578,841
Net fees and commissions	22	7,444,028	29,910,105	5,370,725	21,681,617
Other income		1,486,694	5,973,536	660,511	2,666,483
Total operating profit		88,281,668	354,715,742	72,560,550	292,926,941
Provision for losses on balances with other banks, loans and advances and loan/ financing commitments and financial guarantees	6, 7, 18	(7,626,415)	(30,642,935)	(4,871,366)	(19,665,705)
Other operating expenses	23	(52,421,853)	(210,631,005)	(43,883,576)	(177,157,996)
Profit before income tax		28,233,400	113,441,802	23,805,608	96,103,240
Income tax expense	17	(5,139,203)	(20,649,318)	(5,219,569)	(21,071,400)
Net profit for the year		23,094,197	92,792,484	18,586,039	75,031,840

The attached notes 1 to 29 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital US\$	Share premium US\$	Retained earnings US\$	Total US\$
As at 1 January 2018	120,000,000	-	34,179,407	154,179,407
Net profit for the year	-	-	23,094,197	23,094,197
As at 31 December 2018	120,000,000	-	57,273,604	177,273,604
KHR'000 equivalent (Note 3)	482,160,000	-	230,125,341	712,285,341
As at 1 January 2017	120,000,000	-	15,593,368	135,593,368
Net profit for the year	-	-	18,586,039	18,586,039
As at 31 December 2017	120,000,000	-	34,179,407	154,179,407
KHR'000 equivalent (Note 3)	484,440,000	-	137,982,266	622,422,266

The attached notes 1 to 29 form part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018		2017	
		US\$	KHR'000 (Note 3)	US\$	KHR'000 (Note 3)
Net cash used in operating activities	24	(32,163,814)	(129,234,206)	(152,091,243)	(613,992,348)
INVESTING ACTIVITIES					
Acquisition of property and equipment	10	(5,214,074)	(20,950,149)	(3,647,943)	(14,726,746)
Acquisition of intangible assets	11	(624,028)	(2,507,345)	(262,001)	(1,057,698)
Proceeds from disposal of property and equipment		33,416	134,265	454	1,833
Net cash used in investing activities		(5,804,686)	(23,323,229)	(3,909,490)	(15,782,611)
FINANCING ACTIVITIES					
Proceeds from borrowings		153,213,539	615,612,000	104,500,000	421,866,500
Repayment of borrowings		(95,184,484)	(382,451,257)	(60,433,015)	(243,968,082)
Repayment of subordinated debts		(2,000,000)	(8,036,000)	(3,313,217)	(13,375,456)
Net cash generated from financing activities		56,029,055	225,124,743	40,753,768	164,522,962
Net increase (decrease) in cash and cash equivalents		18,060,555	72,567,308	(115,246,965)	(465,251,997)
Cash and cash equivalents as at 1 January		78,602,584	315,825,183	193,849,549	782,570,629
Cash and cash equivalents as at 31 December	4	96,663,139	388,392,492	78,602,584	317,318,632

The attached notes 1 to 29 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1. BASIS OF PREPARATION

1.1 Statement of compliance

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

The financial statements were approved and authorised for issue by the Board of Directors on 27 February 2019.

1.2 Basis of measurement

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

1.3 Functional and presentation currency

The national currency of Cambodia is the Khmer Riel (“KHR”). However, as the Bank transacts and maintains its accounting records primarily in the United States Dollar (“US\$”), management has determined the US\$ to be the Bank’s functional and presentation currency as it reflects the economic substance of the underlying events and circumstances of the Bank.

Transactions in currencies other than US\$ are translated into US\$ at the exchange rate ruling at the respective dates of the transactions. Monetary assets and liabilities denominated in currencies other than US\$ at the balance sheet date are translated into US\$ at the rates of exchange ruling at that date. Exchange differences arising on translation are recognised in the income statement.

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

1.4 Use of estimates and judgments

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

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

Key accounting estimates and judgements applied in the preparation of the financial statements include estimates of recoverable amounts for loans to customers as stated in Note 2.7.

2. SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies have been adopted by the Bank in the preparation of these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of aggregation

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

2.2 Financial instruments

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

2.3 Cash and cash equivalents

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

2.4 Balances with the National Bank of Cambodia

Balances with the National Bank of Cambodia including statutory deposits are stated at cost.

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

2.5 Balances with other banks

Deposits and placements with other banks are stated at cost less impairment for any uncollectable amounts.

2.6 Loans to customers

Loans to customers are stated in the balance sheet at the amount of principal outstanding less any amounts written off and specific and general allowances.

2.7 Allowance for losses on balances with other banks, loans and advances and loan/ financing commitments and financial guarantees

In compliance with NBC guidelines, all facilities are classified according to the repayment capacity of the counterparty.

This repayment capacity is assessed through past payment experience, financial condition of the borrower, business prospective and cash flow projections, borrowers' ability and willingness to repay, financial environment, and quality of documentation.

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

Classification	Number of days past due	Allowance
Short-term loans (less than or equal one year):		
Normal/standard	≤14 days	1%
Special mention	15 days – 30 days	3%
Substandard	31 days – 60 days	20%
Doubtful	61 days – 90 days	50%
Loss	≥ 91 days	100%
Long-term loans (more than one year):		
Normal/standard	<30 days	1%
Special mention	≥ 30 days – 89 days	3%
Substandard	≥ 90 days – 179 days	20%
Doubtful	≥ 180 days – 359 days	50%
Loss	More than 359 days	100%

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

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

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

Recoveries on facilities previously written off and reversal of previous allowances are recognized as other income in the income statement.

2.8 Interest in suspense

Interest in suspense represents interest on non-performing loans to customers, that is recorded as an allowance rather than income until it is realised on a cash basis.

Interest in suspense is disclosed as a deduction from interest receivables.

2.9 Other assets

Other assets are stated at cost less allowance for losses.

2.10 Property and equipment, intangible assets, and goodwill

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- (ii) Subsequent expenditure relating to an item of property and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Bank. All other subsequent expenditure is recognised as an expense in the year in which it is incurred.
- (iii) Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amounts of the assets and are recognised in the income statement on the date of retirement or disposal.
- (iv) Fully depreciated items of property and equipment are retained in the financial statements until disposed of or written off.
- (v) Intangible assets comprising computer software and core banking licence are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Acquired computer software is capitalised on the basis of the costs incurred to acquire the specific software and bring it into use.
- (vi) Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost net of impairment losses (see accounting policy on impairment of non-financial assets).

2.11 Depreciation and amortisation

In 2018, the Bank changed its depreciation method for property and equipment from declining balance method to straight-line method. The change in the depreciation method was made to properly reflect the economic pattern of consumption of the property and equipment and intangible assets, as follows:

	2018	2017
	Useful life based on straight-line method	Rate based on declining balance method
Intangible assets	10	10%
Computer equipment and peripheral	3	50%
Computer and printer	5	50%
Computer server	7	50%
ATM	7	50%
Office equipment	4	25%
Office furniture and fixtures	6	25%
Cars	10	25%
Motorcycle	5	25%
Leasehold improvements	5	20%
Others	4	20%

The net effect of such change is not significant to the Bank.

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

2.12 Impairment of non-financial assets

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

For intangible assets with indefinite useful life, annual impairment testing is conducted.

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

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

2.13 Deposits from customers and other financial institutions

Deposits from customers and other financial institutions are stated at cost.

2.14 Borrowings

Borrowings are stated at the amount of the principal outstanding. Fees paid on the establishment of borrowing facilities are capitalised and amortised over the year of the borrowings using the straight-line method.

Borrowing costs (interest expense) shall be recognised as an expense in the year in which they are incurred, except to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset shall be capitalised as part of the cost of that asset.

2.15 Subordinated debts

Subordinated debts are treated as financial liabilities when there are contractual obligations to deliver cash or financial assets to the other entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity. The subordinated debts which are approved by the NBC are included as a Tier 2 line item in the calculation of the Bank's net worth in accordance with the guidelines of the NBC.

Subordinated debts are stated at cost.

2.16 Provision

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

2.17 Employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Company.

In 2018, the Company accrued for the mandatory seniority payment for 2018 and prior years following the requirement of the Ministry of Labour and Vocational Training's Prakas 443 dated 21 September 2018 on implementation of

payment of seniority indemnity. The said Prakas requires retroactive seniority payment equal to fifteen days per year of employees' wages which shall be paid to them every year for a maximum of 10 years (not exceed than 6 months of the average net wages of each year), equal to and commencing as follows:

- Seven and half days shall be made from June next year
- Seven and half days shall be made from December next year

Accordingly, the Company accrued US\$2,412,054 of seniority payment as part of personnel and other related costs presented under "Other operating expenses" in the income statement.

2.18 Provident fund

The Bank provides its employees with benefits under the provident fund policy. Employees who complete the probationary year 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. This contribution is charged to the income statement.
- The Bank contributes interest on the cumulative balance of the provident fund computed at 6.5% per annum. This contribution is charged to the income statement.

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.

Provident fund is stated at cost.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Income recognition

Interest income on performing loans to customers is recognised on a daily accrual basis. Interest on non-performing loans is recorded as interest in suspense rather than income until it is realised on a cash basis.

Income from the various activities of the Bank is accrued using the following bases:

- Loan arrangement fees and commissions on services and facilities extended to customers are recognised on the occurrence of such transactions;
- Commitment fees and guarantee fees on services and facilities extended to customers are recognised on the occurrence of such transactions; and
- Service charges and processing fees are recognised when the service is provided.

2.20 Interest expense

Interest expense on deposits is recognised on an accruals basis.

2.21 Operating leases

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

2.22 Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised as a component of shareholders' equity, in which case it is also disclosed as a component of shareholders' equity.

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

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

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available to permit the realisation of the asset. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.23 Related parties

Parties are considered to be related to the Bank if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or where the Bank and the other party are subject to common control or significant influence. Related parties may be individuals or corporate entities and include close family members of any individual considered to be a related party.

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

3. TRANSLATION OF UNITED STATES DOLLAR INTO KHMER RIEL

The financial statements are stated in US\$. The translation of US\$ amounts into KHR is included solely for compliance with the guidelines of the NBC relating to the preparation and presentation of financial statements and has been made using the prescribed official exchange rate of US\$1 to KHR4,018 published by the NBC as at 31 December 2018 (2017: KHR4,037) . This translation should not be construed as a representation that the US\$ amounts have been, could have been, or could in the future be, converted into KHR at this or any other rate of exchange.

4. CASH ON HAND

	2018		2017	
	US\$	KHR'000 equivalent (Note 3)	US\$	KHR'000 equivalent (Note 3)
Branches	67,916,377	272,888,003	43,744,709	176,597,390
Head office	7	28	-	-
	67,916,384	272,888,031	43,744,709	176,597,390

Cash on hand by currency comprises the following:

	2018		2017	
	US\$	KHR'000 equivalent (Note 3)	US\$	KHR'000 equivalent (Note 3)
US\$	46,519,200	186,914,146	29,261,852	118,130,096
KHR	20,080,024	80,681,536	13,650,000	55,105,050
THB	1,250,892	5,026,084	757,241	3,056,982
EUR	49,105	197,304	8,124	32,797
GBP	7,395	29,713	5,782	23,342
AUD	7,048	28,319	5,919	23,895
JPY	1,785	7,172	55,300	223,246
CNY	825	3,315	491	1,982
SGD	110	442	-	-
	67,916,384	272,888,031	43,744,709	176,597,390

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

	2018		2017	
	US\$	KHR'000 (Note 3)	US\$	KHR'000 (Note 3)
Cash on hand	67,916,384	272,888,031	43,744,709	176,597,390
Balances with the NBC	20,875,343	83,877,128	15,762,395	63,632,789
Balances with other banks	7,871,412	31,627,333	19,095,480	77,088,453
	96,663,139	388,392,492	78,602,584	317,318,632

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

5. BALANCES WITH THE NATIONAL BANK OF CAMBODIA

	2018		2017	
	US\$	KHR'000 (Note 3)	US\$	KHR'000 (Note 3)
Current accounts	20,875,342	83,877,124	15,762,393	63,632,781
Short-term deposits	17,010,000	68,346,180	3,839,485	15,500,001
Capital guarantee	12,000,000	48,216,000	12,000,000	48,444,000
Reserve requirement	119,084,674	478,482,220	92,938,861	375,194,181
	168,970,016	678,921,524	124,540,739	502,770,963

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 (2017: 1.68% per annum), respectively.

Capital guarantee deposits

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.

The capital guarantee deposit earns annual interest of 0.62% (2017: 0.36%).

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 LIBOR (one month) while the remaining 8% and the reserve requirement in KHR do not earn interest.

The NBC Prakas No. B7-018-282 dated 29 August 2018 replaced a previous NBC Prakas providing interest at 1/2 LIBOR (one month) on reserve requirement.

6. BALANCES WITH OTHER BANKS

	2018		2017	
	US\$	KHR'000 (Note 3)	US\$	KHR'000 (Note 3)
Savings accounts	57,259	230,066	199,131	803,892
Current accounts	7,814,153	31,397,267	8,896,349	35,914,561
Short-term deposits	-	-	10,000,000	40,370,000
Gross balances with other banks	7,871,412	31,627,333	19,095,480	77,088,453
Allowance for losses on balances with other banks	(78,434)	(315,147)	-	-
	7,792,978	31,312,186	19,095,480	77,088,453

Savings accounts earn annual interest at 1.5% (2017: 0.5% to 1.50%) whereas current accounts do not earn interest. In 2017, short-term deposits earned annual interest at rates ranging from 3.0% to 5.0%.

7. LOANS TO CUSTOMERS

	2018		2017	
	US\$	KHR'000 (Note 3)	US\$	KHR'000 (Note 3)
Individual loans	1,025,992,973	4,122,439,766	808,940,050	3,265,690,982
Group loans	16,097	64,678	18,743	75,665
Gross loans to customers	1,026,009,070	4,122,504,444	808,958,793	3,265,766,647
Allowance for losses on loans to customers				
Specific	(8,788,273)	(35,311,282)	(6,910,403)	(27,897,296)
General	(10,081,288)	(40,506,615)	(7,922,399)	(31,982,725)
	(18,869,561)	(75,817,897)	(14,832,802)	(59,880,021)
Loans to customers - net	1,007,139,509	4,046,686,547	794,125,991	3,205,886,626

Movements of allowance for losses on loans to customers were as follows:

	2018		2017	
	US\$	KHR'000 (Note 3)	US\$	KHR'000 (Note 3)
As at 1 January	14,832,802	59,598,198	11,234,730	45,354,605
Allowance for the year	7,149,332	28,726,016	4,871,366	19,665,705
Written-off	(3,117,475)	(12,526,015)	(1,273,294)	(5,140,289)
Foreign exchange difference	4,902	19,698	-	-
As at 31 December	18,869,561	75,817,897	14,832,802	59,880,021

Further analyses of loans to customers are set out below:

(a) By type of loans

	2018		2017	
	US\$	KHR'000 (Note 3)	US\$	KHR'000 (Note 3)
Commercial loans				
Short-term loans	11,954,919	48,034,865	8,804,917	35,545,450
Overdraft	3,542,553	14,233,979	1,789,228	7,223,113
Long-term loans	624,694,240	2,510,021,454	534,481,308	2,157,701,040
Consumer loans				
Personal loans	345,386,591	1,387,763,321	233,770,384	943,731,040
Housing loans	17,976,177	72,228,281	9,596,119	38,739,532
Staff loans	22,454,590	90,222,543	20,516,837	82,826,472
Total gross loans	1,026,009,070	4,122,504,443	808,958,793	3,265,766,647

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

7. LOANS TO CUSTOMERS (CONTINUED)

(b) By grading of loans

	2018		2017	
	US\$	KHR'000 (Note 3)	US\$	KHR'000 (Note 3)
Short-term loans				
Standard loans				
Secured	13,511,454	54,289,022	9,360,093	37,786,695
Unsecured	3,920,050	15,750,761	3,334,257	13,460,396
Special mention				
Secured	2,031	8,161	161	650
Substandard loans				
Secured	-	-	989	3,993
Doubtful loans				
Secured	332	1,334	98	396
Loss loans				
Secured	20,136	80,905	34,194	138,041
Sub-total	17,454,003	70,130,183	12,729,792	51,390,171
Long term loans				
Standard loans Secured	965,763,220	3,880,436,618	761,078,903	3,072,475,531
Unsecured	24,934,051	100,185,017	18,466,719	74,550,145
Special mention Secured	1,273,112	5,115,364	5,926,675	23,925,987
Unsecured	2,096	8,422	-	-
Substandard loans Secured	5,643,769	22,676,664	1,944,385	7,849,482
Doubtful loans Secured	6,675,734	26,823,099	5,006,079	20,209,540
Unsecured	103	414	-	-
Loss loans Secured	4,262,982	17,128,662	3,806,240	15,365,791
Sub-total	1,008,555,067	4,052,374,260	796,229,001	3,214,376,476
Grand total	1,026,009,070	4,122,504,443	808,958,793	3,265,766,647

(c) For an analysis of loan portfolio by maturity, refer to the table under Note 27(iv) on Liquidity risk.

(d) By residency status

	2018		2017	
	US\$	KHR'000 (Note 3)	US\$	KHR'000 (Note 3)
Residents	1,026,009,070	4,122,504,443	808,958,793	3,265,766,647
(e) By relationship				
Staff loans	652,377	2,621,252	702,362	2,835,435
Non-related parties	1,025,356,693	4,119,883,191	808,256,431	3,262,931,212
	1,026,009,070	4,122,504,443	808,958,793	3,265,766,647
(f) By currency				
US\$	939,301,141	3,774,111,981	753,605,245	3,042,304,374
KHR	78,942,127	317,189,468	48,576,279	196,102,438
Thai Baht ("THB")	7,765,802	31,202,994	6,777,269	27,359,835
	1,026,009,070	4,122,504,443	808,958,793	3,265,766,647

(g) By economic sector

	2018		2017	
	US\$	KHR'000 (Note 3)	US\$	KHR'000 (Note 3)
Household	319,052,775	1,281,954,051	205,943,616	831,394,378
Trade and commerce	298,037,921	1,197,516,367	241,772,177	976,034,279
Agriculture	185,593,418	745,714,355	166,483,930	672,095,625
Services	55,352,624	222,406,842	45,299,738	182,875,042
Construction	39,471,096	158,594,863	49,332,396	199,154,883
Others	128,501,236	516,317,965	100,126,936	404,212,440
	1,026,009,070	4,122,504,443	808,958,793	3,265,766,647

Annual interest rates are as follows:

	2018	2017
External customers	8.0% to 36.0%	8.0% to 36%
Staff loans	6.50%	6.50%

8. OTHER ASSETS

	2018		2017	
	US\$	KHR'000 (Note 3)	US\$	KHR'000 (Note 3)
Prepayments	10,329,304	41,503,143	9,431,818	38,076,249
Interest receivable	8,442,684	33,922,705	7,416,578	29,940,726
	18,771,988	75,425,848	16,848,396	68,016,975

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

9. GOODWILL

The goodwill originated from the legal merger between MJB and SATHAPANA Limited on 1 April 2016 resulting from MJB's initial acquisition of shares of SATHAPANA Limited on 17 December 2012.

10. PROPERTY AND EQUIPMENT

2018	Office furniture & equipment	Computers	Motor vehicles	Leasehold improvements	Work in progress	Total	
	US\$	US\$	US\$	US\$	US\$	US\$	KHR'000 (Note 3)
Cost							
As at 1 January 2018	4,884,048	6,958,823	7,563,150	1,485,201	727,136	21,618,358	86,862,562
Additions	726,969	3,151,657	171,000	145,170	1,019,278	5,214,074	20,950,149
Transfers	15,593	611,774	-	-	(670,112)	(42,745)	(171,749)
Disposals	(29,800)	-	(56,100)	(12,760)	-	(98,660)	(396,416)
Write-offs	(153,152)	(211,326)	-	(20,582)	-	(385,060)	(1,547,171)
As at 31 December 2018	5,443,658	10,510,928	7,678,050	1,597,029	1,076,302	26,305,967	105,697,375
Accumulated depreciation							
As at 1 January 2018	3,007,399	5,469,705	4,510,135	613,405	-	13,600,644	54,647,388
Depreciation for the year	1,073,098	738,163	767,543	319,270	-	2,898,074	11,644,461
Disposals	(16,879)	-	(42,390)	(10,038)	-	(69,307)	(278,476)
Write-offs	(136,285)	(206,352)	-	(19,457)	-	(362,093)	(1,454,890)
As at 31 December 2018	3,927,333	6,001,516	5,235,288	903,180	-	16,067,318	64,558,483
Net carrying amount							
As at 31 December 2018	1,516,325	4,509,412	2,442,762	693,849	1,076,302	10,238,649	41,138,892

2017	Office furniture & equipment	Computers	Motor vehicles	Leasehold improvements	Work in progress	Total	
	US\$	US\$	US\$	US\$	US\$	US\$	KHR'000 (Note 3)
Cost							
As at 1 January 2017	4,073,149	6,653,871	6,646,044	1,157,108	194,062	18,724,234	75,589,733
Additions	668,780	897,298	967,050	387,679	727,136	3,647,943	14,726,746
Transfers	23,144	35,988	-	125,000	(194,062)	(9,930)	(40,087)
Disposals	(1,250)	-	-	-	-	(1,250)	(5,046)
Write-offs	(240,918)	(292,139)	(49,944)	(159,811)	-	(742,812)	(2,998,732)
As at 31 December 2017	4,522,905	7,295,018	7,563,150	1,509,976	727,136	21,618,185	87,272,614
Accumulated depreciation							
As at 1 January 2017	2,360,713	4,882,369	3,668,106	604,308	-	11,515,496	46,488,057
Depreciation for the year	514,707	1,180,954	888,692	180,747	-	2,765,100	11,162,709
Disposals	(1,066)	-	-	-	-	(1,066)	(4,303)
Write-offs	(189,420)	(283,828)	(49,944)	(154,937)	-	(678,129)	(2,737,606)
As at 31 December 2017	2,684,934	5,779,495	4,506,854	630,118	-	13,601,401	54,908,857
Net carrying amount							
As at 31 December 2017	1,837,971	1,515,523	3,056,296	879,858	727,136	8,016,784	32,363,757

11. SOFTWARE INTANGIBLE ASSETS

	2018		2017	
	US\$	KHR'000 (Note 3)	US\$	KHR'000 (Note 3)
Cost				
As at 1 January	4,946,405	19,874,655	4,685,569	18,915,642
Additions	624,028	2,507,345	262,001	1,057,698
Transfers	42,746	171,753	9,930	40,087
Write-offs	(199)	(799)	(10,922)	(44,092)
As at 31 December	5,612,980	22,552,954	4,946,578	19,969,335
Accumulated amortisation				
As at 1 January	4,004,088	16,088,426	3,218,708	12,993,924
Amortisation for the year	145,385	584,157	795,546	3,211,619
Write-offs	(179)	(720)	(10,922)	(44,092)
As at 31 December	4,149,294	16,671,864	4,003,332	16,161,451
Net carrying amount				
As at 31 December	1,463,686	5,881,090	943,246	3,807,884

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

12. OTHER INVESTMENT

This comprises equity interest in Cambodian Microfinance Association amounting to US\$25,000 and equity interest in Association of Banks in Cambodia amounting to US\$25,000. Fair value could not be reliably determined due to the unpredictable nature of future cash flow and the lack of suitable methods of arriving at a reliable fair value. This investment is carried at original cost.

13. DEPOSITS FROM CUSTOMERS AND OTHER FINANCIAL INSTITUTIONS

	2018		2017	
	US\$	KHR'000 (Note 3)	US\$	KHR'000 (Note 3)
Savings accounts	137,000,496	550,467,993	119,404,226	482,034,860
Current accounts	28,780,837	115,641,403	16,829,167	67,939,347
Short-term deposits	638,918,048	2,567,172,717	481,938,859	1,945,587,174
	804,699,381	3,233,282,113	618,172,252	2,495,561,381

Further analyses of deposits from customers and other financial institutions are set out below:

(a) By type of customers

	2018		2017	
	US\$	KHR'000 (Note 3)	US\$	KHR'000 (Note 3)
Current accounts				
Individuals	2,183,804	8,774,524	2,902,268	11,716,456
Corporate	16,865,116	67,764,036	7,262,176	29,317,405
Other financial institutions	9,731,917	39,102,843	6,664,722	26,905,483
Savings deposits				
Individuals	92,005,780	369,679,224	74,357,580	300,181,550
Corporate	36,574,150	146,954,935	44,899,350	181,258,676
Other financial institutions	8,420,566	33,833,834	147,297	594,638
Term deposits				
Individuals	539,075,804	2,166,006,580	422,055,294	1,703,837,222
Corporate	77,558,820	311,631,339	35,845,480	144,708,203
Other financial institutions	22,283,424	89,534,798	24,038,085	97,041,748
	804,699,381	3,233,282,113	618,172,252	2,495,561,381

(b) By residency status

	2018		2017	
	US\$	KHR'000 (Note 3)	US\$	KHR'000 (Note 3)
Residents	729,527,349	2,931,240,888	540,913,759	2,183,668,845
Non-residents	75,172,032	302,041,225	77,258,493	311,892,536
	804,699,381	3,233,282,113	618,172,252	2,495,561,381

(c) By currency

	2018		2017	
	US\$	KHR'000 (Note 3)	US\$	KHR'000 (Note 3)
US\$	673,903,862	2,707,745,718	513,384,706	2,072,534,058
KHR	98,551,792	395,981,100	72,459,416	292,518,662
THB	2,823,745	11,345,807	3,696,288	14,921,915
Japanese Yen	29,419,512	118,207,599	28,631,351	115,584,764
Others	470	1,889	491	1,982
	804,699,381	3,233,282,113	618,172,252	2,495,561,381

(d) By relationship

	2018		2017	
	US\$	KHR'000 (Note 3)	US\$	KHR'000 (Note 3)
Related	387,213	1,555,822	446,221	1,801,394
Non-related	804,312,168	3,231,726,291	617,726,031	2,493,759,987
	804,699,381	3,233,282,113	618,172,252	2,495,561,381

(e) By maturity

	2018		2017	
	US\$	KHR'000 (Note 3)	US\$	KHR'000 (Note 3)
Within 1 month	184,023,331	739,405,745	149,854,939	604,964,389
Between 1 to 3 months	14,912,953	59,920,245	25,063,012	101,179,379
More than 3 months	605,763,097	2,433,956,123	443,254,301	1,789,417,613
	804,699,381	3,233,282,113	618,172,252	2,495,561,381

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

Annual interest rates are as follows:

	2018	2017
Banks and MFIs		
Term deposits	1.25% - 3.25%	1.00% to 3.50%
Individuals		
Savings deposits	1.00% - 1.50%	1.50% to 2.00%
Term deposits	3.00% - 8.00%	3.50% to 8.00%
Corporate		
Savings deposits	1.00% - 1.50%	1.00%
Term deposits	3.00% - 8.00%	3.00% to 8.00%

14. BORROWINGS

	2018		2017	
	US\$	KHR'000 (Note 3)	US\$	KHR'000 (Note 3)
<i>Related party</i>				
Maruhan Investment Asia ("MIA")	14,990,000	60,229,820	18,330,000	73,998,210
<i>Non-related parties</i>				
Nederlandse Financierings – Maatschappij voor Ontwik-kelingslanden N.V ("FMO")	11,250,000	45,202,500	22,500,000	90,832,500
Symbiotics	4,500,000	18,081,000	8,500,000	34,314,500
DEG	5,000,000	20,090,000	7,500,000	30,277,500
Micro-Finance Enhancement	5,500,000	22,099,000	13,500,000	54,499,500
ResponsAbility SICAV	1,500,000	6,027,000	3,000,000	12,111,000
ICBC	37,000,000	148,666,000	37,000,000	149,369,000
Norfund	10,000,000	40,180,000	10,000,000	40,370,000
Triodos – Doen	-	-	5,250,000	21,194,250
Cathay United Bank (Cambodia) Corporation Limited	625,000	2,511,250	875,000	3,532,375
First Commercial Bank	11,666,667	46,876,668	23,333,333	94,196,665
DWM Funds S.C.A	15,000,000	60,270,000	15,000,000	60,555,000
MIZUHO Bank Ltd	95,835,000	385,065,030	50,000,000	201,850,000
Aozora Bank Ltd	30,000,000	120,540,000	-	-
NBC (LPCO)	10,950,722	44,000,001	-	-
	253,817,389	1,019,838,269	214,788,333	867,100,500

The borrowings are unsecured.

Further analyses of borrowings are set out below:

(a) By currency

	2018		2017	
	US\$	KHR'000 (Note 3)	US\$	KHR'000 (Note 3)
US\$	242,866,667	975,838,268	214,788,333	867,100,500
KHR	10,950,722	44,000,001	-	-
	253,817,389	1,019,838,269	214,788,333	867,100,500

(b) By maturity

	2018		2017	
	US\$	KHR'000 (Note 3)	US\$	KHR'000 (Note 3)
Within one month	3,611,561	14,511,252	-	-
Between 1 to 3 months	8,000,000	32,144,000	3,000,000	12,111,000
Between 3 to 12 months	51,880,828	208,457,167	24,250,000	97,897,250
More than 1 up to 5 years	190,325,000	764,725,850	187,538,333	757,092,250
	253,817,389	1,019,838,269	214,788,333	867,100,500

Annual interest rates are as follows:

	2018	2017
US\$	2.6% to 10.65%	3.44% to 10.65%
KHR	2.86% to 3.06%	-

15. SUBORDINATED DEBTS

	2018		2017	
	US\$	KHR'000 (Note 3)	US\$	KHR'000 (Note 3)
DEG - Deutsche Investitions	6,000,000	24,108,000	8,000,000	32,296,000
Maruhan Investment Asia Pte. Ltd.	5,000,000	20,090,000	5,000,000	20,185,000
Maruhan Corporation	10,000,000	40,180,000	-	-
BlueOrchard Microfinance Ltd.	9,000,000	36,162,000	-	-
	30,000,000	120,540,000	13,000,000	52,481,000

DEG

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 on 15 December 2017. This subordinated debt has a seven-year term maturing on 15 December 2021 and bears fixed interest at 10.65% per annum.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

15. SUBORDINATED DEBTS (CONTINUED)

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. This subordinated debt has a seven-year term maturing on 12 August 2020 and bears gross interest at 10.4651% per annum.

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.

Blue Orchard 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 rate at 10.4651% per annum.

16. PROVIDENT FUND

	2018		2017	
	US\$	KHR'000 (Note 3)	US\$	KHR'000 (Note 3)
As at 1 January	10,378,502	41,700,821	7,645,507	30,864,912
Additions during the year				
Employer contribution	2,167,017	8,707,074	1,905,098	7,690,881
Employee contribution	1,192,322	4,790,750	1,005,252	4,058,203
Interest	640,313	2,572,778	501,524	2,024,652
Payments during the year	(1,454,278)	(5,843,289)	(678,879)	(2,740,635)
As at 31 December	12,923,876	51,928,134	10,378,502	41,898,013

17. INCOME TAX

(i) Deferred tax assets

Deferred tax assets are attributable to the following:

	2018		2017	
	US\$	KHR'000 (Note 3)	US\$	KHR'000 (Note 3)
Employee benefit contribution	2,238,099	8,992,682	1,417,985	5,724,405
Allowance for losses on loans to customers (*)	2,023,921	8,132,115	1,620,041	6,540,106
Property and equipment	476,824	1,915,879	(71,646)	(289,235)
Allowance for off-balance sheet commitments and cash at other banks	95,417	383,386	-	-
Unrealised loss on foreign exchange	66,402	266,802	74,368	300,223
Unearned income	3,122	12,544	8,176	33,007
	4,903,785	19,703,408	3,048,924	12,308,506

(*) This comprises deferred tax assets arising from the general and specific allowance for doubtful loans to customers classified as special mention but not deductible for purposes of computing the taxable income under Prakas No.1535 issued by the Ministry of Economy and Finance ("MEF") on 23 December 2016.

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

	2018		2017	
	US\$	KHR'000 (Note 3)	US\$	KHR'000 (Note 3)
As at 1 January	3,048,924	12,250,577	2,697,590	10,890,171
Additions during the year	1,854,861	7,452,831	351,334	1,418,335
As at 31 December	4,903,785	19,703,408	3,048,924	12,308,506

(ii) Income tax payable

	2018		2017	
	US\$	KHR'000 (Note 3)	US\$	KHR'000 (Note 3)
As at 1 January	4,444,141	17,856,559	2,783,651	11,237,599
Income tax expense	6,994,065	28,102,153	5,570,903	22,489,735
Income tax paid	(5,732,875)	(23,034,692)	(3,910,413)	(15,786,337)
As at 31 December	5,705,331	22,924,020	4,444,141	17,940,997

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

17. INCOME TAX (CONTINUED)

(iii) Income tax expense

	2018		2017	
	US\$	KHR'000 (Note 3)	US\$	KHR'000 (Note 3)
Current income tax	6,994,065	28,102,153	5,570,903	22,489,735
Deferred tax	(1,854,862)	(7,452,835)	(351,334)	(1,418,335)
	5,139,203	20,649,318	5,219,569	21,071,400

In accordance with the Cambodian Law on Taxation, the Bank has an obligation to pay corporate income tax at 20% of taxable profits.

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

		2018		2017	
		US\$	KHR'000 (Note 3)	US\$	KHR'000 (Note 3)
Profit before income tax		28,233,400	113,441,801	23,805,608	96,103,240
Income tax expense at applicable tax rate of 20%	20%	5,646,680	22,688,360	4,761,122	19,220,648
Non-deductible expenses	(1.8%)	(507,477)	(2,039,042)	458,447	1,850,752
Effective income tax expense	18.2%	5,139,203	20,649,318	5,219,569	21,071,400

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

18. OTHER LIABILITIES

	2018		2017	
	US\$	KHR'000 (Note 3)	US\$	KHR'000 (Note 3)
Interest payable	12,325,137	49,522,400	9,159,880	36,978,436
Personnel and other related costs	5,590,991	22,464,602	1,879,122	7,586,016
Other taxes payable	553,322	2,223,248	235,411	950,354
Unearned income	536,385	2,155,195	44,790	180,817
Provision on loan/financing commitments and financial guarantees	398,649	1,601,772	-	-
Accounts payable	393,323	1,580,372	264,280	1,066,898
Other payables	409,637	1,645,921	1,248,181	5,038,907
	20,207,444	81,193,510	12,831,664	51,801,428

Movements of provision on loan/financing commitments and financial guarantees are as follows:

	2018		2017	
	US\$	KHR'000 (Note 3)	US\$	KHR'000 (Note 3)
Balance at beginning of year	-	-	-	-
Provision during the year	398,649	1,601,773	-	-
Balance at end of year	398,649	1,601,773	-	-

Total provision for losses on balances with other banks, loans and advances and loan/ financing commitments and financial guarantees in 2018 amounted to US\$7,626,415 (2017: US\$4,871,366).

19. SHARE CAPITAL

Details of shareholding are as follows:

	2018		2017	
	US\$	KHR'000 (Note 3)	US\$	KHR'000 (Note 3)
MARUHAN Investment Asia Pte. Ltd.	120,000,000	482,160,000	120,000,000	484,440,000

The total authorised number of shares is 1,200,000 (2017: 1,200,000) shares with par value of US\$100 per share. All shares are issued and fully paid.

20. INTEREST INCOME

	2018		2017	
	US\$	KHR'000 (Note 3)	US\$	KHR'000 (Note 3)
Loans to customers	130,480,716	524,271,517	114,930,660	463,975,074
Balances with the NBC	467,916	1,880,086	401,237	1,619,795
Balances with other banks	18,324	73,626	660,658	2,667,076
	130,966,956	526,225,229	115,992,555	468,261,945

21. INTEREST EXPENSE

	2018		2017	
	US\$	KHR'000 (Note 3)	US\$	KHR'000 (Note 3)
Deposits from customers and other financial institutions	33,817,986	135,880,668	34,707,619	140,114,658
Borrowings	15,096,881	60,659,268	12,545,071	50,644,452
Subordinated debts	1,975,016	7,935,614	1,665,268	6,722,687
Provident fund	726,127	2,917,578	545,283	2,201,307
	51,616,010	207,393,128	49,463,241	199,683,104

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

22. NET FEES AND COMMISSIONS

	2018		2017	
	US\$	KHR'000 (Note 3)	US\$	KHR'000 (Note 3)
Fees and commissions on loans	7,970,525	32,025,569	6,652,013	26,854,176
Remittance fees	113,990	458,012	64,452	260,193
Other fees and commissions	1,467,369	5,895,889	85,163	343,803
	9,551,884	38,379,470	6,801,628	27,458,172
Fees and commissions on borrowings	(2,107,856)	(8,469,365)	(1,430,903)	(5,776,555)
	7,444,028	29,910,105	5,370,725	21,681,617

23. OTHER OPERATING EXPENSES

	2018		2017	
	US\$	KHR'000 (Note 3)	US\$	KHR'000 (Note 3)
Personnel and other related costs	33,406,052	134,225,517	27,205,183	109,827,324
Office rental	4,355,549	17,500,596	3,853,234	14,374,328
Depreciation and amortisation	3,043,458	12,228,614	3,560,646	15,555,506
Stationeries and printing	1,301,330	5,228,744	1,333,329	5,382,649
Repairs and maintenance	1,055,552	4,241,208	913,412	3,687,444
Utilities	1,003,892	4,033,638	953,394	3,848,852
License fees	943,519	3,791,059	964,753	3,994,707
Communication	740,253	2,974,337	693,786	3,687,444
Motor vehicle expenses	686,658	2,758,992	619,555	2,501,144
Security	666,086	2,676,334	442,360	1,785,807
Bank charges	617,916	2,482,786	431,313	1,741,211
Professional fees	585,588	2,352,893	245,179	989,788
Marketing and advertising	568,366	2,283,695	1,104,050	4,457,050
Penalties	541,907	2,177,382	315,186	1,272,406
Staff training and conference	373,213	1,499,570	525,614	2,121,903
Transportation	350,455	1,408,128	340,340	1,373,953
Charitable donation expenses	32,347	129,970	75,950	306,609
Other expenses	2,149,712	8,637,542	306,292	1,236,501
	52,421,853	210,631,005	43,883,576	177,157,996

24. NET CASH USED IN OPERATING ACTIVITIES

	2018		2017	
	US\$	KHR'000 (Note 3)	US\$	KHR'000 (Note 3)
OPERATING ACTIVITIES				
Profit before income tax	28,233,400	113,441,801	23,805,608	96,103,240
<i>Adjustments for:</i>				
Depreciation and amortisation	3,043,458	12,228,614	3,560,646	14,374,328
Provident fund expense	2,167,017	8,707,074	1,905,098	7,690,881
Property and equipment and intangible assets written off	22,985	92,354	64,683	261,125
Gain on disposals of property and equipment	(4,063)	(16,325)	(270)	(1,090)
Provision for losses on balances with other banks, loans and advances and loan/financing commitments and financial guarantees	7,626,415	30,642,935	4,871,366	19,665,705
<i>Changes in:</i>				
Balances with the National Bank of Cambodia	(39,316,328)	(157,973,006)	(11,494,524)	(46,403,393)
Balances with other banks	-	-	1,000,000	4,037,000
Loans to customers	(220,162,850)	(884,614,331)	(199,446,599)	(805,165,920)
Other assets	(1,923,591)	(7,728,987)	(8,629,104)	(34,835,693)
Deposits from customers and other financial institutions	186,527,129	749,466,004	34,951,254	141,098,212
Provident fund	1,832,635	7,363,527	1,506,776	6,082,854
Other liabilities	6,977,131	28,034,111	403,115	1,627,375
Net cash used in operations	(24,976,622)	(100,356,229)	(147,501,951)	(595,465,376)
Income tax paid	(5,732,874)	(23,034,688)	(3,910,413)	(15,786,337)
Provident fund paid	(1,454,278)	(5,843,289)	(678,879)	(2,740,635)
Net cash used in operating activities	(32,163,814)	(129,234,206)	(152,091,243)	(613,992,348)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

25. RELATED PARTY TRANSACTIONS AND BALANCES

(i) Transactions with related parties

Significant transactions with related parties during the year were as follows:

Related party	Transaction	2018		2017	
		US\$	KHR'000 (Note 3)	US\$	KHR'000 (Note 3)
MC	Subordinated debt	10,000,000	40,180,000	-	-
	Deposit	-	-	342,318	1,381,938
	Interest expense	370,926	1,490,381	-	-
	Interest expense	195,223	784,408	898,318	3,626,510
	Withdrawal	(9,840,145)	(39,537,701)	821,095	3,314,761
MIA	Borrowing	10,000,000	40,180,000	10,000,000	40,370,000
	Repayment	13,340,000	53,600,120	1,670,000	6,741,790
	Interest expense	1,645,758	6,612,654	1,591,377	6,424,389
	Deposit	438,676	1,762,601	442,334	1,785,702
MJBL	Deposit	(83)	(335)	5,389	21,755
Remuneration of management		67,184	269,943	538,308	2,173,149
Han Family	Deposit	1,540,914	6,191,392	1,888,491	7,623,838
Senior management	Deposit	(59,008)	(237,095)	301,781	1,218,290
	Loan	(181,551)	(729,472)	419,802	2,173,149

(ii) Balances with related parties

Outstanding balances with related parties as at balance sheet date were as follows:

Related party	Transaction	2018		2017	
		US\$	KHR'000 (Note 3)	US\$	KHR'000 (Note 3)
MC	Subordinated debt	10,000,000	40,180,000	-	-
	Deposit	20,590,484	82,732,566	20,414,046	82,411,504
MCC	Deposit	11,006,210	44,222,953	20,846,355	84,156,735
MIA	Subordinated debt	5,000,000	20,090,000	5,000,000	20,185,000
	Borrowing	14,990,000	60,229,820	18,330,000	73,998,210
	Deposit	1,923,672	7,729,315	1,484,996	5,994,929
MJBL	Deposit	16,533	66,428	16,616	67,079
Han Family	Deposit	27,364,336	109,949,902	25,823,422	104,249,155
Senior management	Deposit	387,213	1,555,821	446,221	1,801,394
	Loan	520,811	2,092,618	702,362	2,835,435

26. COMMITMENTS AND CONTINGENCIES

(i) Lease commitments

The Bank leases office premises under an operating lease arrangement, with minimum lease commitments as follows:

	2018		2017	
	US\$	KHR'000 (Note 3)	US\$	KHR'000 (Note 3)
Within one year	4,071,236	16,358,226	3,741,459	15,104,270
More than 1 year to 5 years	10,260,786	41,227,838	10,836,477	43,746,858
More than 5 years	4,157,888	16,706,394	5,099,023	20,584,756
	18,489,910	74,292,458	19,676,959	79,435,884

(ii) Credit commitments

	2018		2017	
	US\$	KHR'000 (Note 3)	US\$	KHR'000 (Note 3)
Assets				
Foreign exchange contracts	28,411,613	114,157,862	27,716,757	111,892,548
Unused portion of overdrafts	9,382,558	37,699,117	6,025,772	24,326,042
Bond	689,000	2,768,402	57,790	233,298
Liabilities				
Undrawn down portion of borrowings	4,985,002	20,029,740	-	-
Letter of credits	1,179,477	4,739,141	226,869	915,870
Bank guarantees	129,125	518,824	511,479	2,064,841

(iii) Taxation contingency

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

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

27. FINANCIAL RISK MANAGEMENT

Bank's exposure risks

The Bank has exposure to the following risks:

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Operational risk

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

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

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

(ii) Credit risk

Credit risk is the financial loss to the Bank if a borrower or counterparty fails to meet its contractual obligations, and arises principally from the loans to customers. Credit risk is the most important risk for the Bank's business. Credit exposure arises principally in lending activities that lead to loans to customers. There is also credit risk in off-balance sheet financial instruments, such as loan commitments. The credit risk management is carried out by the Bank's credit committee.

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

Credit risk measurement

The Bank has established the Core Credit Risk Policy which is designed to govern the Bank's risk undertaking activities. Extension of credit is governed by credit

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

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

Risk limit control and mitigation policies

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

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

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

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

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

Impairment and allowance policy

From 1 December 2017, the Bank is required to follow the mandatory credit classification and provisioning in accordance with NBC Prakas B7-017-344 Prokor dated 1 December 2017 on Credit Risk Grading and Provisioning and Circular No. B7-018-001 providing further implementation guidance on the said NBC Prakas (Note 2.7).

Exposure to credit risk

Maximum exposure to credit risk before collateral held or other credit enhancements is as follows:

	2018		2017	
	US\$	KHR'000 (Note 3)	US\$	KHR'000 (Note 3)
Balances with the NBC	37,885,342	152,223,304	19,601,878	79,132,782
Balances with other banks	7,871,412	31,627,333	19,095,480	77,088,453
Loans to customers	1,026,009,070	4,122,504,444	808,958,793	3,265,766,647
Other assets	8,442,684	33,922,705	7,416,578	29,940,726
	1,080,208,508	4,340,277,786	855,072,729	3,451,928,608
Provision for losses on balances with other banks, loans and advances and loan	(18,947,996)	(76,133,044)	(14,832,802)	(59,880,021)
	1,061,260,512	4,264,144,742	840,239,927	3,392,048,587

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

As shown above, 94.98% of total maximum exposure is derived from loans to customers (2017: 94.61%).

Management is confident in its ability to continue to control and sustain minimal credit risk exposure to the Bank relating to its loans to customers on the following basis:

- 98.26% of the loans in the portfolio are considered to be neither past due nor impaired (31 December 2017: 97.93%).
- The Bank has a stringent selection and collection process for granting loans to customers.

Loans to customers

For impairment purposes, loans to customers are further analysed as follows:

	2018		2017	
	US\$	KHR'000 (Note 3)	US\$	KHR'000 (Note 3)
Loans to customers neither past due nor impaired	1,005,909,446	4,041,744,154	790,105,856	3,189,657,341
Loans to customers past due but not impaired	9,140,337	36,725,874	10,006,325	40,395,534
Loans to customers individually impaired	10,959,287	44,034,416	8,846,612	35,713,772
	1,026,009,070	4,122,504,444	808,958,793	3,265,766,647

For the purpose of loan allowance, the expected recovery from collateral (except cash) is not taken into consideration in accordance with the NBC's requirements. The total allowance for bad and doubtful loans is US\$18,869,561 (2017: US\$14,832,802) which represents the specific allowance required by the NBC and additional general allowance for the loan losses.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Credit risk

Exposure to credit risk (continued)

Loans to customers (continued)

In compliance with NBC guidelines, an allowance for doubtful loans to customers is made for loans to customers with payment overdue more than 31 days (Short-term) or 90 days (Long-term). A minimum level of specific allowance for impairment is made depending on the classification concerned, unless other information is available to substantiate the repayment capacity of the counterparty (Note 2.7).

Loans to customers neither past due nor impaired

Loans to customers neither past due nor impaired are good quality loans to customers for which no experience of default. These loans are supported by collaterals and management views that likelihood of default is relatively low.

Past due but not impaired loans to customers

Past due but not impaired loans to customers are those for which contractual interest or principal payments are past due less than 31 days (Short-term) or 90 days (Long-term), unless other information is available to indicate otherwise. Past due but not impaired loans and advances are those for which contractual interest or principal payments are past due more than 30 days but less than 90 days, unless other information is available to indicate otherwise. In compliance with NBC guidelines such loans are classified as special mention with a specific allowance of 3%.

Individually impaired loans to customers

Individually impaired loans to customers are loans to customers for which the Bank determines that there is objective evidence of impairment and contractual principal or interest payments are past due or history of past due of more than 31 days (Short-term) or 90 days (Long-term), unless other information is available to indicate or otherwise.

Most of the customers' collateral is in the form of land or house title receipts (which are not official land title deeds), as the Bank generally issues loans to low income entrepreneurs in the provinces. The Bank does not perform, during the year of loan, a revaluation of collateral either internally or externally.

Since no legal official land title deeds have been obtained, no values have been ascribed to the collateral. Under the NBC's regulations, the value of collateral is not taken into account when determining the impairment of loans to customers.

Loans with renegotiated terms/restructured loans

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

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

Write-off policy

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

Collateral

The Bank holds collateral against loans and advances in the form of mortgage interests over property and/or guarantees. Estimates of value are based on the value of collateral assessed on an annual basis.

There are no non-financial assets obtained by the Bank during the year by taking possession of collateral held as security against loans and advances.

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.

Balances with other banks

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

(iii) Market risk

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

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

Foreign currency exchange risk

The Bank operates in the Kingdom of Cambodia and transacts in many currencies, and is exposed to various currency risks, primarily with respect to KHR, US\$, JPY, THB etc.

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

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

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

Interest rate risk

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

An analysis of the interest rate risk of the Bank's assets and liabilities is disclosed on the next page.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Market risk (continued)

Interest rate risk (continued)

	Up to 1 month	>1 to 3 months	>3 to 12 months	>1 to 5 years	Over 5 years	Non- interest Sensitive	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
As at 31 December 2018							
Financial assets							
Cash on hand	-	-	-	-	-	67,916,384	67,916,384
Balances with the NBC	6,950,000	1,900,000	20,160,000	-	-	139,960,016	168,970,016
Balances with other banks	127,759	-	-	-	-	7,743,653	7,871,412
Loans to customers	29,030,010	56,883,759	223,460,024	662,176,487	54,458,790	-	1,026,009,070
Other investments	-	-	-	-	-	50,000	50,000
Other assets	-	-	-	-	-	8,442,684	8,442,684
Total financial assets	36,107,769	58,783,759	243,620,024	662,176,487	54,458,790	224,112,737	1,279,259,566
Financial liabilities							
Deposits from customers	206,895,315	134,403,530	334,060,806	100,506,563	-	28,833,168	804,699,381
Borrowings	3,611,560	37,794,333	77,590,495	134,821,000	-	-	253,817,389
Subordinated debts	-	-	2,000,000	20,400,000	7,600,000	-	30,000,000
Provident fund	129,026	258,051	1,161,231	6,193,230	5,182,338	-	12,923,876
Other liabilities	-	-	-	-	-	20,207,444	20,207,444
Total financial liabilities	210,635,901	172,455,914	414,812,532	261,920,793	12,782,338	49,040,612	1,121,648,090
Net liquidity surplus (gap) - US\$	(174,528,132)	(113,672,155)	(171,192,508)	400,255,694	41,676,452	175,072,125	157,611,476
KHR'000 equivalent (Note 3)	(701,254,034)	(456,734,719)	(687,851,497)	1,608,227,378	167,455,984	703,439,798	633,282,911

	Up to 1 month	>1 to 3 months	>3 to 12 months	>1 to 5 years	Over 5 years	Non-in- terest Sensitive	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
As at 31 December 2017							
Financial assets							
Cash on hand	-	-	-	-	-	43,744,709	43,744,709
Balances with the NBC	-	-	3,839,485	-	-	15,762,393	19,601,878
Balances with other banks	9,571,457	700,000	-	-	-	8,824,023	19,095,480
Loans to customers	22,102,738	49,668,856	194,788,018	510,875,138	31,524,043	-	808,958,793
Other investments	-	-	-	-	-	50,000	50,000
Other assets	-	-	-	-	-	7,416,578	7,416,578
Total financial assets	31,674,195	50,368,856	198,627,503	510,875,138	31,524,043	75,797,703	898,867,438
Financial liabilities							
Deposits from customers	159,692,432	103,138,376	288,855,365	49,656,912	-	16,829,167	618,172,252
Borrowings	125,000	24,461,667	49,836,666	140,365,000	-	-	214,788,333
Subordinated debts	-	-	2,000,000	11,000,000	-	-	13,000,000
Provident fund	70,471	140,943	632,241	3,382,620	6,150,227	-	10,378,502
Other liabilities	-	-	-	-	-	12,831,664	12,831,664
Total financial liabilities	159,887,903	127,740,986	341,326,272	204,404,532	6,150,227	29,660,831	869,170,751
Net liquidity surplus (gap) - US\$	(128,213,708)	(77,372,130)	(142,698,769)	306,470,606	25,373,816	46,136,872	29,696,687
KHR'000 equivalent (Note 3)	(517,598,739)	(312,351,289)	(576,074,930)	1,237,221,836	102,434,095	186,254,552	119,885,525

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Market risk (continued)

Interest rate risk (continued)

Fair value sensitivity analysis for fixed-rate instruments

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

Cash flow sensitivity analysis for variable-rate instruments

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

(iv) Liquidity risk

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

Liquidity risk management process

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

Funding approach

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

Non-derivative cash flows

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

	Up to 1 month	>1 to 3 months	>3 to 12 months	>1 to 5 years	Over 5 years	No fixed maturity date	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
As at 31 December 2018							
Financial assets							
Cash on hand	67,916,384	-	-	-	-	-	67,916,384
Balances with the NBC	56,409,306	20,024,617	53,833,855	26,702,238	-	12,000,000	168,970,016
Balances with other banks	7,871,412	-	-	-	-	-	7,871,412
Loans to customers	29,030,010	56,883,759	223,460,024	662,176,487	54,458,790	-	1,026,009,070
Other investments	-	-	-	-	50,000	-	50,000
Other assets	8,442,684	-	-	-	-	-	8,442,684
Total financial assets	169,669,796	76,908,376	277,293,879	688,878,725	54,508,790	12,000,000	1,279,259,566
Financial liabilities							
Deposits from customers	235,728,483	134,403,530	334,060,806	100,506,563	-	-	804,699,381
Borrowings	3,611,560	37,794,333	77,590,495	134,821,000	-	-	253,817,388
Subordinated debts	-	-	2,000,000	20,400,000	7,600,000	-	30,000,000
Provident fund	129,026	258,051	1,161,231	6,193,230	5,182,338	-	12,923,876
Other liabilities	4,290,077	6,166,186	6,420,233	2,478,207	830,639	22,102	20,207,444
Total financial liabilities	243,759,146	178,622,100	421,232,765	264,399,000	13,612,977	22,102	1,121,648,089
Net liquidity surplus (gap) - US\$	(74,089,350)	(101,713,724)	(149,938,886)	424,479,725	40,895,813	11,977,898	157,611,477
KHR'000 equivalent (Note 3)	(297,691,008)	(408,685,743)	(578,346,444)	1,705,559,535	164,319,377	48,127,194	633,282,915

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iv) Liquidity risk (continued)

Non-derivative cash flows (continued)

	Up to 1 month	>1 to 3 months	>3 to 12 months	>1 to 5 years	Over 5 years	No fixed maturity date	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
As at 31 December 2017							
Financial assets							
Cash on hand	43,744,709	-	-	-	-	-	43,744,709
Balances with the NBC	15,762,393	-	3,839,485	-	-	-	19,601,878
Balances with other banks	18,395,480	700,000	-	-	-	-	19,095,480
Loans to customers	22,102,737	49,668,856	194,788,017	510,875,139	31,524,044	-	808,958,793
Other investments	-	-	-	-	50,000	-	50,000
Other assets	7,416,578	-	-	-	-	-	7,416,578
Total financial assets	107,421,897	50,368,856	198,627,502	510,875,139	31,574,044	-	898,867,438
Financial liabilities							
Deposits from customers	176,521,599	103,138,376	288,855,365	49,656,912	-	-	618,172,252
Borrowings	125,000	24,461,666	49,836,667	140,365,000	-	-	214,788,333
Subordinated debts	-	-	2,000,000	11,000,000	-	-	13,000,000
Provident fund	70,471	140,943	634,241	3,382,620	6,150,227	-	10,378,502
Other liabilities	7,933,844	3,991,374	35,021	46,695	824,730	-	12,831,664
Total financial liabilities	184,650,914	131,732,359	341,361,294	204,451,227	6,974,957	-	869,170,751
Net liquidity surplus (gap) - US\$	(77,229,017)	(81,363,503)	(142,733,792)	306,423,912	24,599,087	-	29,696,687
KHR'000 equivalent (Note 3)	(311,773,542)	(328,464,462)	(576,216,318)	1,237,033,333	99,306,514	-	119,885,525

Capital management

(i) Regulatory capital

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

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

The NBC requires all licensed commercial banks to (i) fulfil the minimum capital requirements, and (ii) comply with solvency, liquidity and other requirements.

(ii) Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the

return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital.

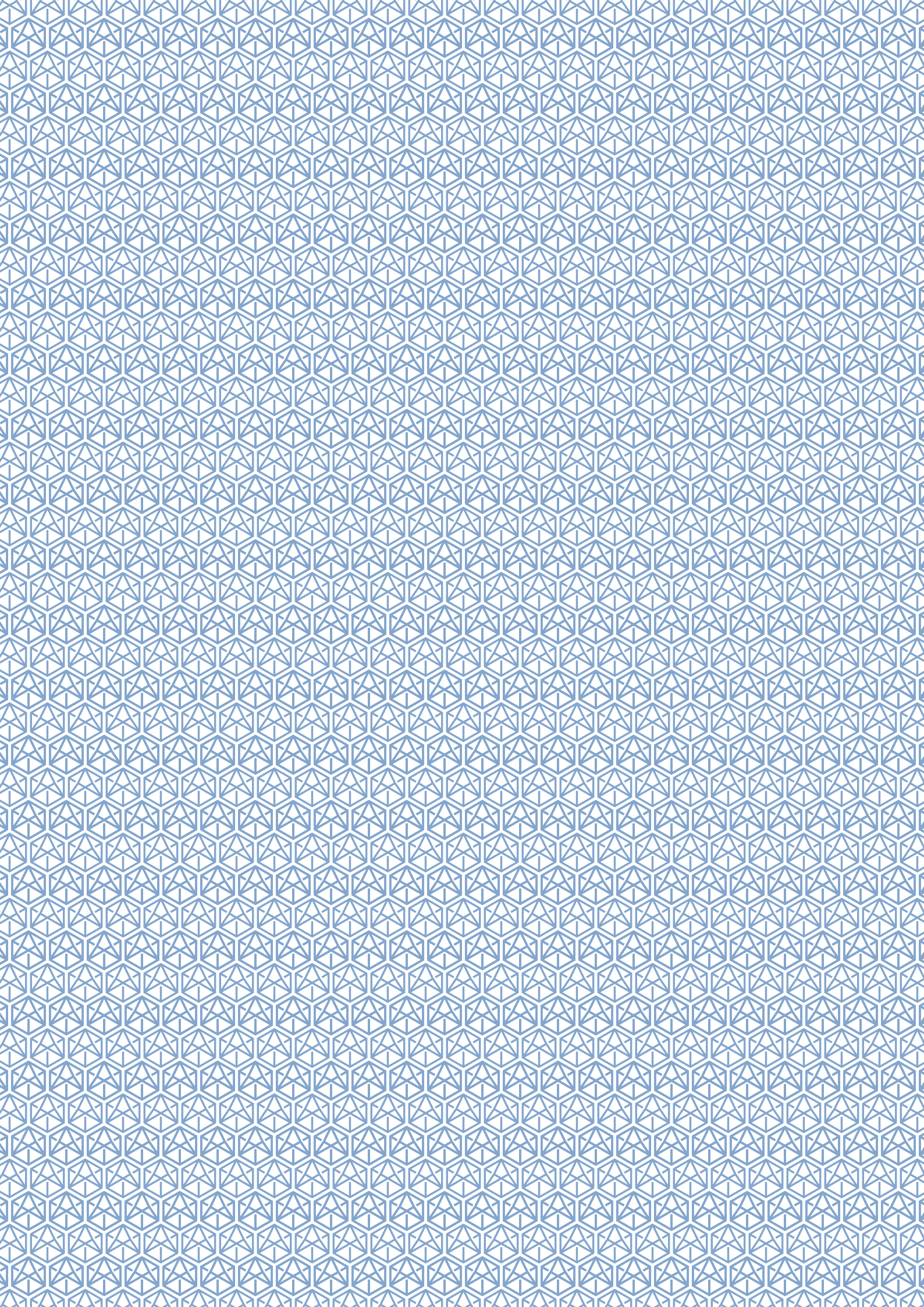
28. FAIR VALUES

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

29. SUBSEQUENT EVENTS

At the date of this report, there is no other matter or circumstance which occurred subsequent to the balance sheet date that requires adjustment or disclosure in the financial statements of the Bank.

FOR NOTES





ធនាគារ ស្ថាបនា
SATHAPANA BANK



#83, Preah Norodom Boulevard, Sangkat Phsar Thmey 3, Khan Daun Penh, Phnom Penh



023/081 999 010



@sathapanabank



customercare@sathapana.com.kh
www.sathapana.com.kh