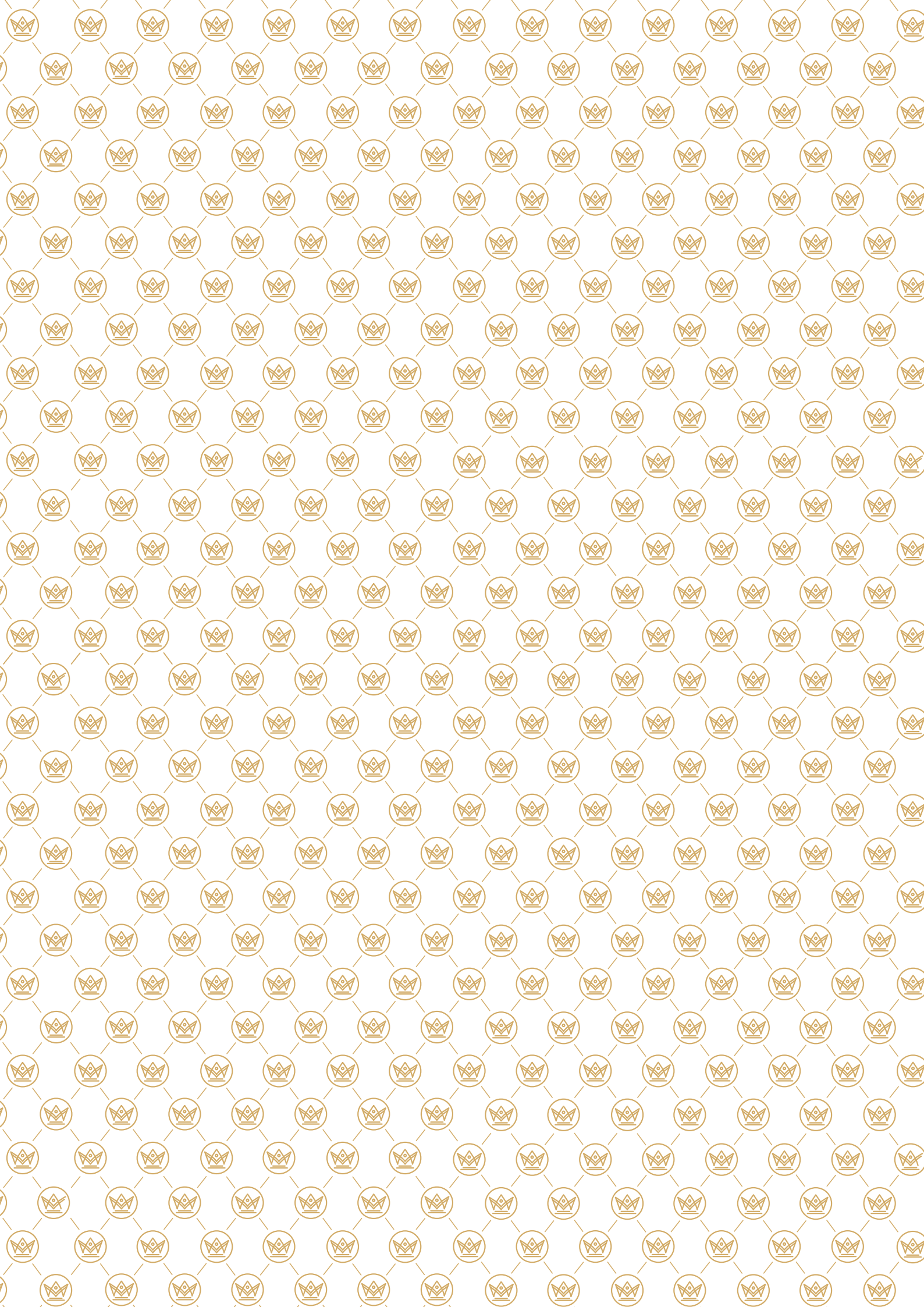


ANNUAL REPORT **2019**





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OVERVIEW



ABOUT US



Prince Bank Plc. (“the Bank”) started its operations in 2015 as a private microfinance institution under the name “Prince Finance Plc.” On 18 July 2018 a commercial banking license was granted by the National Bank of Cambodia. The Bank maintains a head office located at #175ABCD, Mao Tse Toung Blvd., Phum 5, Sangkat Tuol Svay Prey Ti Muoy, Khan Chamkar Mon, Phnom Penh.

The Bank is incorporated as a public limited company under business registration No. 00014627 at the Ministry of Commerce. With a strong capital base, robust technological capabilities, solid expertise and extensive knowledge of the local market, the Bank aspires to become the “Best Digital Bank in Cambodia” by offering differentiated financial solutions through a mix of channels including innovative digital platforms with great convenience for our customers. We are keen on contributing to the personal and business development of SMEs, professional employees, and are expanding and enhancing our banking services to capture a new market segment of the affluent through our Priority Banking services.

As of the reporting date, Prince Bank Plc. has a total of 28 branches, 8 located in Phnom Penh and 20 in other provinces. The locations in Phnom Penh are Mao Tse Toung (Head Office), Khan Pur Senchey—Sangkat Chaom Chau 3, Khan Chraoy Changvar Branch—Sangkat Preaek Liep, Khan Prampir Makara—Sangkat Veal Vong, Khan Chamkar Mon—Sangkat Tonle Basak, Khan Chbar Ampov—Sangkat Nirout, Khan Chamkar Mon—Sangkat Phsa Daeum Thkov, and Khan Russey Keo—Sangkat Toul Sangke 2. The provincial locations include Kandal (Krong Ta Khmao), Battambang, Siem Reap, Kampong Cham, Preah Sihanouk, Prey Veng, Svay Rieng, Kratie, Ratanak Kiri, Kampong Chhnang, Preah Vihear, Takeo, Kampong Speu, Kampot, Thbong Khmum, Stung Treng, Banteay Meanchey (Krong Paoy Paet and Banteay Meanchey), Pursat, and Kampong Thom.

2019 was a year that the Bank introduced to the public full-fledged products and services such as current and savings accounts, local funds transfers, term deposits, home loans, personal loans, business loans, and overdraft facilities.

Additionally, Prince Bank Plc. is firmly committed to corporate social responsibility activities in the areas of education, health and sports, and youth career and entrepreneurship.

THE CHAIRMAN'S MESSAGE

2019 marked the first full year we operated as a commercial bank. Over the past year we strived to establish ourselves on multiple fronts. Our key areas of focus were to enhance our corporate governance and expand our business operations.

As far as the Bank's governance is concerned, an additional board committee was established to better assist the Board in its oversight of the Bank's business operations. The board committees now comprise a Board Audit and Compliance Committee, a Board Risk and New Products Committee, and a Board Nomination and Remuneration Committee.

Regarding business operations, we introduced more products and services, expanded our branch network across the country, created digital banking channels, and launched self-service terminals all with the intention to offer more convenience and a better experience to our customers.

In terms of our financial performance, we continued to make progress in 2019. Net operating income and assets growth all exceeded the Board's expectations for the year. An increase in our paid-up capital to USD 250 million allowed us to significantly strengthen our financial position and resulted in Prince Bank becoming one of the most highly capitalized banks in our industry.

Moving forward, we have an optimistic outlook about the future, yet recognize that we must build upon what has been accomplished in order to continue executing our strategies for 2020.

On behalf of the Board of Directors, I would like to express my gratitude to the National Bank of Cambodia and other competent authorities for their guidance and support. I would also like to extend my sincere appreciation to the Bank's executive management team headed by our CEO for their leadership and hard work, to our clients and business partners for the continued trust and confidence in us, and lastly, to our entire staff for their dedicated service in achieving last year's goals as well as working towards the vision we set forth for the Bank's continued future growth.

Oknha Chen Zhi

Chairman

31 December 2019

THE CEO'S MESSAGE

The country's continued economic growth was influenced by rapid export expansion, an increase in local demand, and steady foreign direct investments which contributed to a growth rate of 7%. This positive trend allowed us to focus on executing our five-year plan.

In 2019 we made great progress; to begin, we more than tripled the number of branch locations—with just 9 branches at the start of the year—we expanded to 28 branches by the end of the year. Additionally, we launched 32 self-service terminals during the year. This increased physical presence aimed to provide convenience and availability across the nation and to better serve our customers who preferred to conduct their banking transactions directly with our bank.

We are also aware that the future of banking will be intertwined with digitalization. Thus, our priorities were to strategize, implement, and execute digital innovations in all aspects of our banking operations and services using technology as an invaluable platform to provide a better, faster, and more secure banking experience, especially for those who comprise the unbanked populations.

The launch of our mobile banking application allowed us to connect with more customers who now have access to a range of banking features with convenience.

In terms of customer service, we focused on training our front-line staff to build long-lasting relationships with customers. This required each staff member to be knowledgeable not only about our banking products and services, but for them to truly understand customers' needs in order to make the best recommendations. As a result, we more than quintupled our customer base from 2,263 to 11,526.

On the financial front, our total loan portfolio grew from USD 114.20 million in 2018 to USD 306.1 million at the end of 2019, and our total assets also increased

by approximately 140% from 170.70 million to 409.26 million.

Lastly, we are proud of the growth in human resources—the number of full-time employees increased from just over 600 in 2018 to over 1,000 at the end of 2019. Our aspiration to become the “Employer of Choice” led Prince Bank to be awarded “Asia's Top 100 Best Employer Brands for 2019” by the Employer Branding Institute, World HRD Congress, and Stars of the Industry Group in Singapore. We are honored to receive such recognition in just our first year of fully operating as a commercial bank.

With the above-mentioned foundations established, we are looking forward to solidifying our presence by striving to become the “Best Digital Bank” in route to fulfilling our vision to become the “Financial institution of choice for our target customers.”

For 2020 and beyond, we are confident that continuing the positive momentum from this past year will propel us toward achieving our business goals.

On behalf of the senior management team, I would like to thank our customers, employees, business partners, and shareholders for the on-going support, contribution, and dedication to a solid year of operations in 2019.

Mr. Honn Sorachna

Chief Executive Officer

31 December 2019

VISION, MISSION AND CORE VALUES

Our Vision

To be the financial institution of choice for our target customers.

Our Mission

To help our customers succeed through professional financial services.

Our Core Values

PROFESSIONALISM

We value professional attire, and we always speak respectfully with one another inside and outside our offices. Furthermore, we stress the importance of fulfilling our duties and responsibilities to the best of our abilities.

RESPONSIBILITY

We value commitment and are conscious of the weight of responsibility of our every action. We ensure our actions produce positive results to prevent any negative consequences that may impact our organization.

INTERGRITY

We value actions conducted in accordance with the codes of morality and ethics of our company. Fraud or deception in any form is absolutely prohibited.

NOBLE

We value good moral character and a strong sense of duty to the welfare of our company and our customers. In addition, we value initiative to share knowledge for the progress of our teams and to strengthen our position within the finance industry.

COMMITMENT

We value solution-oriented thinking in order to effectively and efficiently fulfill our duties. There is no room within our organization for excuses or false promises.

ESTEEM

We value self-confidence and sound decision-making to solve problems internally and externally. We also put great emphasis on a proactive attitude to provide correct, efficient and effective responses to issues within our organization or with our customers. We value humility and equality for the benefit of the organization at large.

A SUMMARY OF US





DIRECTOR PROFILES



Oknha Chen Zhi

Shareholder and Chairman of the Board of Directors

Oknha Chen Zhi is a shareholder and the Chairman of the Board of Directors of Prince Bank Plc. He participates in making core decisions for the Bank that include strategies on how to increase and expand business operations.

In addition to his investment in the banking industry, *Oknha* Chen Zhi has other business interests that encompass various sectors. He has investments across the real estate sector such as architectural decoration, hotel properties, property development, and property management.

In terms of media-related businesses, he invests in marketing agencies and internet service providers.

Oknha Chen Zhi also has interests in businesses that provide services in yacht management, retail chain, gardening, and equity investments.





Mr. Guy Chhay

Shareholder and Vice-Chairman of the Board of Directors

After years in the private sector, Mr. Guy Chhay decided to set up his own business with the collaboration of his business partners in early 2010. His focus at that time was on real estate development. With strong support from his investment partners, he was able to expand his investments across various sectors, especially within the finance sector. Mr. Chhay established Prince Finance Plc. with the goal of using it as a starting point for the current commercial bank that we know today.

Mr. Chhay is a businessman with great vision who understands the economic potential of any business endeavor and seizes every opportunity that arises. Additionally, he is very knowledgeable about Cambodia's domestic business environment, especially the potential opportunities within the trade sector.

Mr. Chhay has other businesses in marketing and printing services, internet service provisions, the distribution of fast-moving consumer goods, and real estate investment.



Mr. Honn Sorachna

Non-Independent Executive Director / Chief Executive Officer

Mr. Honn Sorachna is the Chief Executive Officer, the Managing Director, and one of the founding members of Prince Bank Plc. Mr. Sorachna has more than 10 years of experience in insurance, education and banking. He has great vision for Prince Bank Plc. and is focused on strategy and management to lead the Bank towards a bright future.

He holds an M.A. in International Management from the Audencia Nantes Business School of Management in Nantes, France.



Mr. Then Samvisoth

Independent Non-Executive Director

Mr. Then Samvisoth is an Independent Non-Executive Director. He was a lecturer of Accounting and Taxation for various universities here in Cambodia as well as in France.

In addition to being an educator, Mr. Samvisoth is also the successful Director-Owner of AT&B Consulting Co. Ltd., His company offers tax advisory and services, accounting services, and training. Prior to this, he was the financial director of Meas Development Holding Co. Ltd., a company that manages various food related establishments.

Mr. Samvisoth holds a B.A. in Business Administration from the Royal University of Law and Economics in Phnom Penh and an M.B.A. from the Asian Institute of Technology (AIT) in Bangkok, Thailand. He also holds an Master in Financial Management from the IAE at the Université Pierre Mendès-Grenoble 2 in France.



Mr. Sim Hoy Chhoung

Independent Non-Executive Director

Mr. Sim Hoy Chhoung is an Independent Non-Executive Director of Prince Bank Plc. He has over 20 years of work experience in the fields of accounting and finance, risk management, internal control, and banking from several financial institutions in Cambodia.

He holds both a B.A. and an M.A. in Economics from the Royal Academy of Cambodia. He earned an additional M.A. in Business Administration with a concentration on International Finance from the prestigious International Business School of Brandeis University in Massachusetts, USA.

Mr. Chhoung is also a certified public accountant who received his professional certificate from the Association of Chartered Certified Accountants (ACCA), based in the United Kingdom.

ADVISOR PROFILES



Datuk Michael Lor Chee Leng

Senior Advisor

Datuk Michael Lor is the Senior Advisor to the Board of Directors of Prince Bank Plc. He has built a distinguished track-record of over 30 years across the Southeast Asian region as a senior-level banker with extensive experience in strategic business transformation, risk management and corporate governance, organization and human capital development.

He is presently an Advisor to Cambodia's Ministry of Economy and Finance.

Datuk Michael Lor has held various professional appointments: he was previously the CEO of Canadia Bank Plc. in Cambodia, and prior to that, the Group CEO of EON Bank Group in Malaysia. He was also the Group Head of Consumer Banking for RHB Bank in Malaysia before joining Hewlett Packard as the Worldwide Director for Banking Solutions.

Datuk Michael Lor was a Managing Director with DBS Bank Singapore for 17 years, serving in various senior management capacities in both their Singapore and Thailand banking operations.

During his professional career, he has been involved in both the banking and technology industries, and has led businesses in Singapore, Thailand, Malaysia, Cambodia, Laos, Myanmar and China, respectively.

As a passionate advocate of digital transformation and innovation in the region's financial services industry, *Datuk Michael Lor* presently serves in various advisory functions and roles.



Mr. Dieter Billmeier

Advisor

Mr. Dieter Billmeier is the Advisor to the Board of Prince Bank Plc. He provides support, guidance, recommendations, and advice in order to drive the Bank toward better management and success.

Mr. Billmeier is also a board member of a prestigious international school in Cambodia, and a former Senior Vice President and Advisor to the Board of Directors of Canadia Bank Plc. Prior to that, he spent almost two decades as a well-known professional consultant in Hong Kong and here in Cambodia.

Mr. Billmeier had a 17-year career at Commerzbank, where he held various positions covering strategy, treasury, administration, foreign exchanges and money markets. His work led him to be based in different countries including Germany, the United States, France, and Hong Kong.

The last position Mr. Billmeier held for Commerzbank was as its Senior Vice President & Joint General Manager position in Hong Kong.

Originally from Germany, he studied at the Advanced Business School for Finance and Banking in Bamberg, and at the Academy of Banking and Finance in Nuremberg.

MANAGEMENT PROFILES



MR. HONN SORACHNA

Non-Independent Executive Director and Chief Executive Officer

Mr. Honn Sorachna is the Chief Executive Officer, the Managing Director, and one of the founding members of Prince Bank Plc. He has more than 10 years of experience in the insurance, education, and banking industries where he focused on sales, marketing strategies, establishing solid business-client relationships, credit appraisal and analysis, and strategic planning and implementation.

As the Managing Director, Mr. Sorachna has the overall responsibility to oversee and implement the Bank's policies and strategies, execute the Board's direction, manage the Bank's businesses, and drive performance within strategic goals and commercial objectives. He is accountable to the Board for the Bank's daily business operations and leads the executive management in carrying out the corporate strategy and vision of the Bank.

Mr. Sorachna spent over 7 years working for Canadia Bank Plc., where he started as a Loan Officer and was promoted to Deputy Branch Manager, and eventually to Branch Manager. His extensive experience managing branches at several provincial locations allowed him to gain insight into how to run a successful banking operation by increasing the market share, growing the customer base, and expanding the number of bank branches.

Mr. Sorachna continued his career in the finance industry by becoming the Managing Director of a newly created microfinancing institution, Prince Finance Plc. In just three years of operations, Mr. Sorachna was able to successfully transition Prince Finance Plc. into a full-service commercial bank in 2018. His vision for Prince Bank Plc. is to focus on strategy and management in order to lead the Bank towards becoming a top bank in Cambodia.

Mr. Sorachna holds an M.A. in International Management from the Audencia Nantes Business School of Management in Nantes, France.



MR. BIN DEVIN

Deputy Chief Executive Officer and Chief Business Officer

Mr. Bin Devin fulfills a dual role as Prince Bank's Deputy Chief Executive Officer ("DCEO") and Chief Business Officer (CBO). He has over 16 years of experience at the management level in both the development and private sectors. In banking, he has worked in branch network management, electronic banking services, operations, card business, compliance, and business development.

Prior to joining Prince Bank Plc., Mr. Devin held various positions at ANZ Royal and Hong Leong Bank (Cambodia) Plc.

Additionally, Mr. Devin has international experience having worked for the United Nations in Thailand and Switzerland.

He holds three master's degrees in management: two from France, and one from Thailand. He obtained a Master of Advanced Studies in Management Science from Pantheon-Assas University, and a specialized Master in International Project Management from the ESCP Europe Business School. In Thailand, Mr. Devin received his Master of Business Administration from the Asian Institute of Technology (AIT).



MR. KEO VUTHY

Chief Audit Officer

Mr. Keo Vuthy is Chief Audit Officer at Prince Bank Plc. He has over 20 years of experience in finance, banking, accounting, and other related sectors. His experience ranges from review and assurance on governance, risk management, internal control systems to fraud, misconduct, and wrong-doing investigation in financial institutions.

Before joining Prince Bank Plc., Mr. Vuthy was with Prince Finance Plc. as the Senior Head of Internal Audit Division. Prior to that, he worked as a Shipping Manager and a Finance and Accounting Manager before transitioning into the banking industry.

At Canadia Bank and Cambodia Post Bank, Mr. Vuthy developed his expertise in auditing. He held several positions: Senior Internal Auditor, Internal Audit Manager, Head of Internal Audit, and Senior Head of the Internal Audit Division.

Mr. Vuthy holds several M.A. degrees from local and international institutions. He earned two Master's in Accounting and Auditing in Cambodia, a Master of Business Administration from the University of Business & Finance in Switzerland, and a Postgraduate Diploma in Finance from the University of Wales in the United Kingdom. Additionally, Mr. Vuthy possesses numerous updated certificates from professional international institutions and associations.



MR. LENG SENGLAN

Chief Risk Officer

Mr. Leng Senglan is the Chief Risk Officer at Prince Bank Plc. He has more than 12 years of experience in banking, finance, insurance, and stocks and securities. He also has extensive expertise in system development and management such as in the areas of branch networks, risk management, financial management, and taxation.

Before joining Prince Bank Plc., Mr. Senglan worked in operations and corporate finance with Cana Securities Ltd. to help the company establish operational procedures and systems as a newly established financial institution. At Canadia Bank Plc. and Hong Leong Bank Plc. he worked specifically in risk management and compliance and contributed to creating monitoring systems that resulted in improved internal control and operational efficiency.

Mr. Senglan holds an M.A. in Finance from the ESCP-EAP European School of Management in France, and a M.A. in Business Administration from the Asian Institute of Technology (AIT) in Thailand.



MR. WINSTON TAN

Chief Financial Officer

Mr. Winston Tan is the Chief Finance Officer of Prince Bank Plc. Prior to joining the Bank, he was Head of Finance & Planning for OCBC Bank Malaysia's consumer banking business. He was also the Chief Financial Officer for Prudential Vietnam Finance Plc.

Mr. Tan has over 17 years of experience in the banking industry in areas such as finance management, strategy and business planning, decision management and product marketing. He also has audit experience working as an accountant with KPMG earlier in his career.

Mr. Tan holds a Bachelor of Accounting (Honors) from the National University of Malaysia.



MR. CHEONG KIM SOON SIMON

Chief Operating Officer

Mr. Simon Cheong is the Chief Operating Officer at Prince Bank Plc. He worked for RHB Indochina Bank as Head of Operations & Technology since its establishment in 2008. Prior to his posting in Cambodia, he was with Public Bank Berhad in Malaysia for well over 25 years. Mr. Cheong rose through the ranks and gained a wide-ranging exposure in banking operations and support services.

His focus has been on spearheading business and technical banking process improvement initiatives as well as research and development into new banking and financial ecosystems.

Mr. Simon Cheong attended York University in Ontario, Canada.



MS. JENNIFER LEE CHEAU LIN

Chief Digital and Technology Officer

Ms. Jennifer Lee is the Chief Digital and Technology Officer at Prince Bank Plc. She has extensive experience of over 24 years in different technology related industries. She worked as a digital service provider, a technopreneur, helped to set-up enforcement technology start-ups, and most recently she was involved with the telecommunications industry.

Her key competencies relate to project management, and digital strategy and implementation.

Ms. Lee holds a Bachelor of Arts in Mass Communications (Honors) from the University of Science in Malaysia.



MR. TEANG SRENG

Head of Human Resource Service

Mr. Teang Sreng is the Head of Human Resource Service at Prince Bank Plc. He is in charge of leading and implementing human resources strategies to improve employees' professional development, and to offer competitive benefits packages. He has over 12 years of experience in developing human resources departments within the finance sector.

Prior to finance, Mr. Sreng spent several years with private companies and NGOs as a trainer and training supervisor. He also worked for a microfinance institution, Amret where he developed a company-wide training plan and program.

Mr. Sreng holds an M.A. degree and two B.A. degrees. He received a Master of Business Administration from Build Bright University, a B.A. in Education from the Royal University of Phnom Penh's Institute of Foreign Languages (IFL), and a BBA from the National Institute of Management.



MRS. KEO ROSNISAY

Head of Legal and Company Secretary

Mrs. Keo Rosnisay is the Head of Legal and Company Secretary at Prince Bank Plc. She has extensive experience in handling corporate and commercial affairs, real estate transactions, and dispute resolution matters.

Mrs. Rosnisay has provided legal advice on market entry and exit strategies, company formation and corporate governance, real estate acquisition structures, and the negotiation, drafting and preparation of sales and purchase agreements related to land, land development, and condominiums. She has also reviewed real estate documents for short-term and long-term leases, and advised clients on civil and criminal litigation, arbitration, and other matters related to dispute resolutions.

Mrs. Rosnisay holds a B.A. in Law from the Royal University of Law and Economics (RULE), a M.A. from Lyon 2 University in France, and a JD (Juris Doctor) from Florida State University College of Law in Florida, USA.



MRS. SEA SOKLIN

Head of Compliance

Mrs. Sea Soklin is the Head of Compliance at Prince Bank Plc. She has more than 15 years of experience in the banking sector and has held management roles in several areas: internal audit, financial accounting, risk management and compliance.

Prior to joining Prince Bank Plc. Mrs. Soklin was the Deputy Head of Finance at the microfinance institution Amret. She has extensive experience at Cathay United Bank and Canadia Bank Plc. working in risk management, compliance, and AML and CFT system development.

Mrs. Soklin holds a B.A. in Accounting and Finance and is currently pursuing an ACCA qualification at CamED Business School.

2019 BUSINESS HIGHLIGHTS

As we strive towards our vision to become the “Financial institution of choice for our target customers,” Prince Bank Plc. has continued to execute its business expansion plan by growing our branch networks, introducing new products, and enhancing our access channels. The plan guides the Bank and enables it to focus on the development process considering the continued robust growth of the economy and financial sector.

In terms of distribution, our network expanded from 9 branches in 2018 to 28 branches covering Phnom Penh and 19 other provinces in 2019. To better serve our customers, Prince Bank Plc. has invested in digital solutions such as mobile banking, and ATM machines with a cash deposit function. These digital additions enabled customers to conduct their banking transactions in a faster, safer, and easier manner. For example, customers can open accounts or transfer funds remotely through mobile banking. The introduction of 32 ATM machines, including 3 offsite branch locations in Phnom Penh, have provided greater convenience for customers to access their accounts.

In 2019, the Bank’s loan portfolio reflected a strong growth of 170% of the previous year’s total. The total loan outstanding was at USD 306 million, while maintaining good asset quality. Total assets increased to USD 409.26 million, which is more than double last year’s figure. We continued to satisfy a significant lending growth thanks to a large increase in capital to USD 250 million and an exponential surge in deposits, sitting at USD 41.48 million which was up from 1 million in 2018.

Prince Bank Plc. exceeded the regulatory requirement for loans in Khmer Riels. In 2018, we had 3.94% of our total loan portfolio in the national currency, yet by the end of 2019 that amount reached 11.28%.

Aside from the Bank’s business objectives, community activities related to education, health and sports, and youth career and entrepreneurship continue to be an important part of the Bank’s overall agenda.

Within the next few years, Prince Bank Plc. aspires to be the best and largest bank in terms of superb customer service and by capturing a majority market share of professional employees and small and medium enterprise customers.

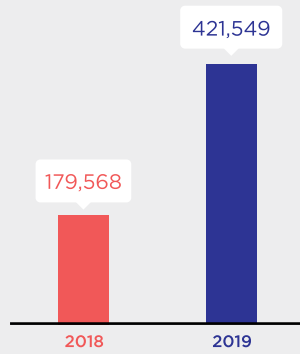
KEY FINANCIAL HIGHLIGHTS

Year End 31st December	2019	2018
KEY PERFORMANCE INDICATORS (%)		
Returns on Shareholders' Equity (ROE)	-0.61%	-2.35%
Returns on Assets (ROA)	-0.38%	-1.27%
Solvency Ratio	67%	56%
Liquidity Coverage Ratio (LCR)	256%	5258%

SIMPLIFIED FINANCIAL RESULTS

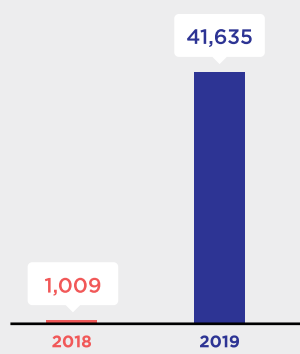
TOTAL ASSETS

(US\$ Thousands)



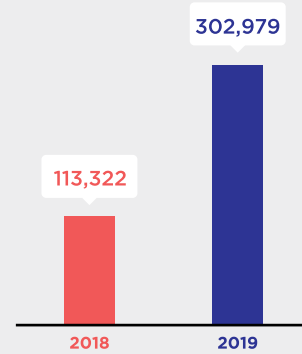
TOTAL DEPOSITS

(US\$ Thousands)



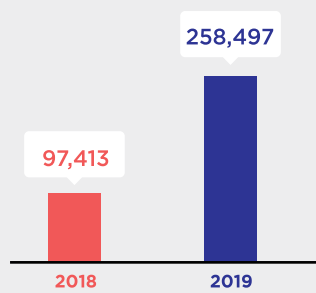
TOTAL LOANS (NET)

(US\$ Thousands)



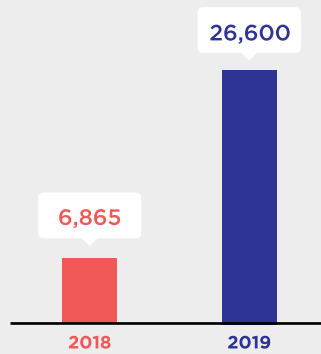
SHAREHOLDERS' EQUITY

(US\$ Thousands)



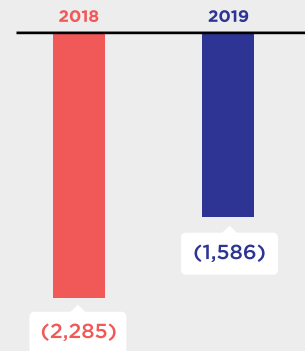
GROSS REVENUE

(US\$ Thousands)



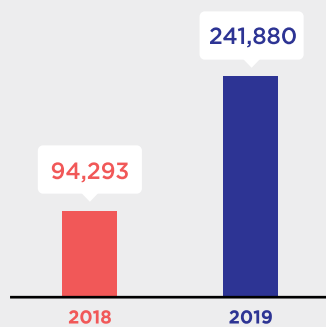
NET PROFIT/(LOSS)

(US\$ Thousands)



NET WORTH

(US\$ Thousands)



ACHIEVEMENTS IN 2019

Branch Network Expansion

Prince Bank Plc. increased the number of branches from 9 to 28 covering the capital Phnom Penh and 19 other provinces. This expansion strategy increased our reach and coverage so that we will be able to serve our customers with convenience as we transform our branches into modern, friendly, and technologically updated service points.



Introduction of ATMs/CDMs

32 ATMs have been rolled out, including 3 offsite ATMs in Phnom Penh. Customers are now able to make cash withdrawals and deposits as well as conduct other transactions 24/7 without having to visit any branch locations.



Launch of Prince Bank's Mobile App

Prince Bank's Mobile App enabled new customers to apply for new bank accounts, view their account balance and transactions on the go, create new savings and term deposit accounts, perform routine banking transactions, transfer funds, and remain up to date on their banking activities.



Payment Partnerships

Prince Bank Plc. partnered with major third-party agents such as Wing and Ly Hour to boost payments and facilitate financial inclusion enabling customers to conveniently conduct transactions such as loan payments.



Launch of FAST Payment

FAST is a payment system that allows Prince Bank customers to transfer funds across all member financial institutions. Transactions are performed in real-time, and funds are immediately accessible. FAST promotes interbank cooperation by facilitating money transfers in Khmer riels across the country. Additionally, customers benefit from a high transaction limit of up to 40 million riels.

 An advertisement for the FAST payment system. It features the Prince Bank logo and another logo in the top right. The main text in Khmer reads:

សេវាទូទាត់ហ្វេស ផ្ទេរប្រាក់ ភ័ក្តិភ័ក្តិ ធនាគារសម្រាប់សមាជិកគ្នា។ តាមរយៈ "ធនាគារ ព្រីនស៍"

 To the right is a circular diagram with gold coins and arrows indicating a flow between various bank logos, including Prince Bank.

Joining NBC's Bakong Digital App

Prince Bank Plc. joined NBC's Bakong digital platform to integrate a seamless banking experience for our customers. With Bakong, customers will find it convenient to perform local inter-bank transfers in a quick and safe manner. Non-Prince Bank customers can also visit any of our branches to perform cash-in and cash-out transactions. Bakong also helps streamline transactions to send, pay, deposit, and receive funds. These transactions are made from Bakong's wallet-to-wallet or wallet to CASA (Current and Savings Accounts) accounts of participating banks within the network.



New Shareholder Investments

Prince Bank Plc. secured an additional 150 -million-dollar investment from the shareholders, resulting in stock equity of USD 250 million which reflects a strong capital base. This capital infusion provided additional funds to maintain the Bank's further growth, support its branch expansion, and increase its lending capacity in Cambodia's rapidly developing private sector.

International Recognition

After transforming into a full-fledged commercial bank in July 2018, the Bank has focused on its "Employer of Choice" campaign. As a result, Prince Bank Plc. received recognition as one of "Asia's Top 100 Best Employer Brands for 2019."

MILESTONES

2015

Prince Finance Plc.

was established as a
microfinance institution

2016

109
staff
employed

3 operational
branches
in Phnom Penh

356
loan
customers served

USD 13.70
million
in Total Assets

2017

168
staff
employed

5 operational
branches in
Phnom Penh, Siem Reap,
and Battambang

688
loan
customers served

USD 26.93
million
in Total Assets

2018

661
staff
 employed

9 operational **branches**
 in Phnom Penh, Siem Reap,
 Battambang, Preah Sihanouk,
 and Kampong Cham

1,711
loan
 customers served

USD 170.70
million
 in Total Assets

2,263
customer
 base

July license granted to carry out
 operations as a **commercial bank**

Oracle Flexcube core banking
 system investment

2019

1,011
staff
 employed

28 operational **branches**
 in Phnom Penh and
19 provinces

3,214
loan
 customers served

USD 409.26
million
 in Total Assets

11,526
customer base

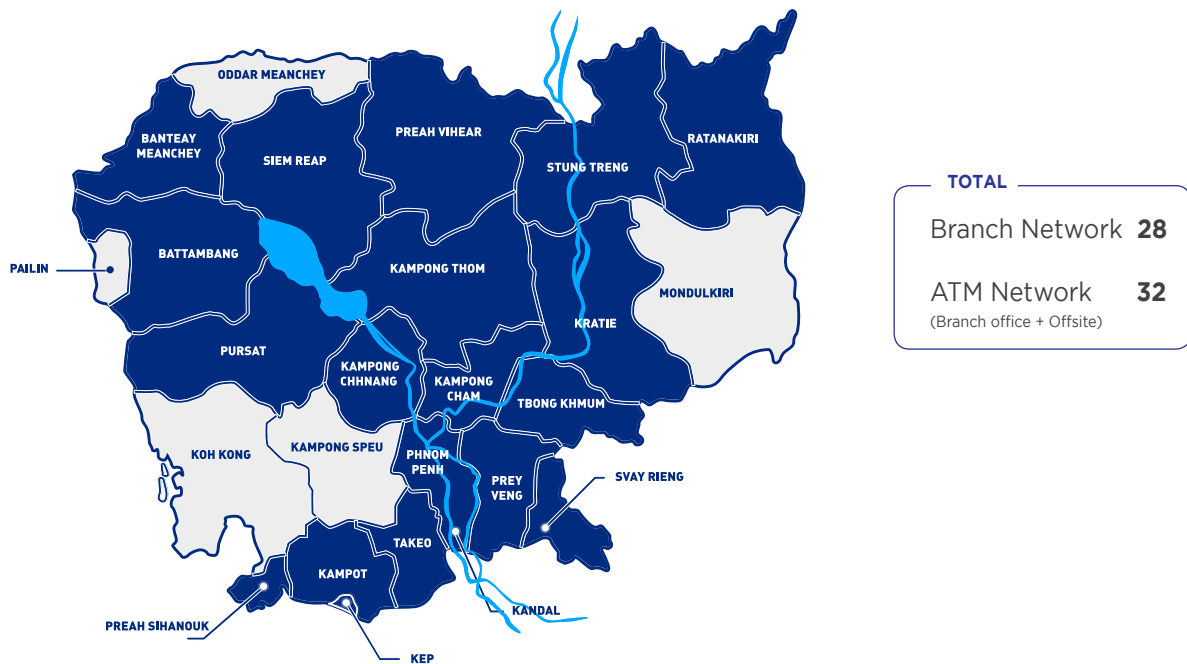
32 **ATMs/CDMs**
 deployed

Digital Banking
 launched

Completed integration with
FAST and Bakong

BRANCH NETWORK

As of December 31st 2019, Prince Bank Plc. had 28 operational branches and 32 ATM locations.



PHNOM PENH BRANCHES

- 1. HEAD OFFICE BRANCH**
#175ABCD, Mao Tse Toung Blvd., Phum 5, Sangkat Tuol Svay Prey Ti Muoy, Khan Chamkar Mon.
- 2. KHAN RUSSEY KEO—SANGKAT TOUL SANGKE 2 BRANCH**
#211 E0, Street. 598, Sangkat Toul Sangke, Khan Russey Keo.
- 3. KHAN PUR SENCHEY—SANGKAT CHAOM CHAU 3 BRANCH**
#2111, National Road 4, Phum Prey Pring Khang Cheung 1, Sangkat Chaom Chao, Khan Por Senchey.
- 4. KHAN CHRAOY CHANGVAR BRANCH—SANGKAT PREAEK LIEP BRANCH**
#8 & #10, National Road 6A, Phum Khtor, Sangkat Preaek Liep, Khan Chraoy Changvar.
- 5. KHAN PRAMPIR MAKARA—SANGKAT VEAL VONG BRANCH**
Building S2-01 The Olympia City, Preah Monireth Blvd. 217 and Tep Phan Street 182. Sangkat Veal Vong, Khan Prampi Makara.
- 6. KHAN CHAMKAR MON—SANGKAT TONLE BASAK BRANCH**
Lot No. 71, Norodom Blvd., Sangkat Tonle Basak Commue, Khan Chamkar Mon.
- 7. KHAN CHBAR AMPOV—SANGKAT NIROUTH BRANCH**
#218-218A, National Road No 1, Phum Russey Sras, Sangkat Nirouth, Khan Chbar Ampov

- 8. KHAN CHAMKAR MON—SANGKAT PHSA DAEUM THKOV BRANCH**

No. 363, St. 271, Phum 3, Sangkat Phsar Daeum Thkov, Khan Chamkar Mon.

PROVINCIAL BRANCHES

- 9. BATTAMBANG PROVINCIAL BRANCH**
National Road 5, Phum Prek Mohatep, Sangkat Svay Por, Krong Battambang, Battambang Province.
- 10. SIEM REAP PROVINCIAL BRANCH**
National Road 6, Phum Sala Kanseng, Sangkat Svay Dangcum, Krong Siem Reap, Siem Reap Province.
- 11. KAMPONG CHAM BRANCH**
National Road 7, Phum Ti Buon, Sangkat Veal Vong, Krong Kampong Cham, Kampong Cham Province.
- 12. PREAH SIHANOUK BRANCH**
Phum Muoy, Sangkat Pi, Krong Preah Sihanouk, Preah Sihanouk Province.
- 13. KRONG TA KHMAO BRANCH**
National Road 21, Phum Thmei, Sangkat Takhmao, Krong Takhmao, Kandal Province.

14. SVAY RIENG PROVINCIAL BRANCH

Phum Suon Thmei, Sangkat Prey Chhlak, Krong Svay Rieng, Svay Rieng Province.

15. PREY VENG PROVINCIAL BRANCH

Phum 7, Sangkat Kampong Leav, Krong Prey Veng, Prey Veng Province.

16. KRATIE PROVINCIAL BRANCH

Phum Doun Chroam, Sangkat Kratie, Krong Kratie, Kratie Province.

17. RATANAKIRI PROVINCIAL BRANCH

Phum Chey Chumnas, Sangkat Labansiek, Krong Ban Lung, Ratanakiri Province.

18. KAMPONG THOM PROVINCIAL BRANCH

Phum Kampong Thum, Sangkat Kampong Rotteh, Krong Stung Saen, Kampong Thom Province.

19. TAKEO PROVINCIAL BRANCH

Phum Louri, Sangkat Roka Knong, Krong Doun Kaev, Takeo Province.

20. KAMPONG SPEU PROVINCIAL BRANCH

Phum Peanicheakam, Sangkat Roka Thum, Krong Chbar Mon, Kampong Speu Province.

21. PREAH VIHEAR PROVINCIAL BRANCH

Phum Andoung Pou, Sangkat Kampong Pranak, Krong Preah Vihear, Preah Vihear Province.

22. KAMPONG CHHNANG PROVINCIAL BRANCH

Phum La Tuek Trei, Sangkat Kampong Chhnang, Krong Kampong Chhnang, Kampong Chhnang Province.

23. TBOUNG KHMUM PROVINCIAL BRANCH

Lot No 0819, National Road No 7, Phum Cheung Lang, Sangkat Suong, Krong Suong, Tboung Khmum Province.

24. BANTEAY MEANCHEY PROVINCIAL BRANCH

Lot No A1188, National Road No 6A, Phum Muoy, Sangkat Preah Ponlea, Krong Serey Sophorn, Banteay Meanchey Province.

25. KRONG PAOY PAET BRANCH

Phum Baliley 1, Sangkat Paoy Paet, Krong Paoy Paet, Banteay Meanchey Province.

26. PURSAT PROVINCIAL BRANCH

Lot No 0532, National Road No 5, Phum Sathani, Sangkat Svay Ath, Krong Pursat, Pursat Province.

27. KAMPOT PROVINCIAL BRANCH

Lot No A1 0687, Soun Chbar Krong Street, Phum Muoy Ousaphea, Sangkat Kampong Kandal, Krong Kampot, Kampot Province.

28. STUNG TRENG PROVINCIAL BRANCH

Lot No 45, Road No 63, Phum Preaek, Sangkat Stung Treng, Krong Stung Treng, Stung Treng Province.

ATM NETWORK

 Offsite

 Branch office

As of December 31st 2019, Prince Bank Plc. had 32 ATM locations.

PHNOM PENH

1. Head Office
2. Veal Vong (Olympia)
3. Toul Sangke 2
4. Chaom Chau
5. Chraoy Changvar
6. Tonle Basak (Prince Plaza)
7. Sangkat Nirouth (Chbar Ampov)
8. Phsa Daeum Thkov
9. AEON Sen Sok
10. TK Avenue
11. Eden Garden

SIEM REAP

12. Siem Reap
13. Siem Reap Phsar Chas

KAMPONG CHAM

14. Kampong Cham

SIHANOUKVILLE

15. Preah Sihanouk

TA KHMAO

16. Krong Ta Khmao

PREY VENG

17. Prey Veng

SVAY RIENG

18. Svay Rieng

KRATIE

19. Kratie

BATTAMBANG

20. Battambang

KAMPONG SPEU

21. Kampong Speu

TAKEO

22. Takeo

KAMPONG THOM

23. Kampong Thom

PREAH VIHEAR

24. Preah Vihear

KAMPONG CHHNANG

25. Kampong Chhnang

BANTEAY MEANCHEY

26. Paoy Paet
27. Banteay Meanchey

RATANAKIRI

28. Ratanakiri

PURSAT

29. Pursat

TBOUNG KHMUM

30. Tboung Khmum

STUNG TRENG

31. Stung Treng

KAMPOT

32. Kampot

PRODUCTS AND CHANNELS

Prince Bank introduced a variety of retail and corporate banking products in 2019. These products include Current and Savings Accounts (CASA), loans and term deposits. The Bank strives to offer customers a variety of options to match their banking and lifestyle needs.

Retail Products and Services

Our CASA account offerings include the following: Prince Savings Account, Prince Payroll, Prince Plus Account, Current Account, Prince Kids Account, Prince Seniors Account, and Priority Banking Account.

Our Term Deposits have competitive interest rates, varying tenor terms, and two options for earning interest: monthly or on maturity date.

We offer various types of loans for customers with differing needs: home loans, personal loans, and corporate employee loans.

We also offer a salary advance service for those seeking the flexibility of accessing their funds whenever they need it.

Business Banking Products and Services

For corporate customers we offer the following: Business Check Account, Business Plus Account, Term Deposits, SME Loans, Business Term Loans, Financial Institution Loans, Loans Against Cash Secured, Overdraft Service, Bank Guarantee, and a Funds Released Agreement Service.

ATM/CDM Machines

This year we installed a total of 32 ATM/CDM machines at each of our branch locations, and at several strategic high traffic areas. These new ATM/CDM machines provide our customers with easy, safe, and convenient access to banking services such as money transfers, cash withdrawals, balance inquiries, mini-statement requests, and PIN changes. Additionally, since each ATM is also a CDM (Cash Deposit Machine), customers will be able to make deposits in KHR or USD.

Our investment in these equipment and technology is a response to the growing expectations that customers prefer more convenient options than visiting branch offices. Our machines become a 24/7 self-service option for customers to perform key banking transactions with ease.

HUMAN RESOURCES

Prince Bank Receives Asia’s Best Employer Brands Award for 2019

Prince Bank Plc. is proud to be recognized as one of “Asia’s Top 100 Best Employer Brands for 2019” at the 10th Annual Asia’s Best Employer Brands Award Ceremony in Singapore. After transforming into a full-fledged commercial bank in July 2018, the Bank significantly increased the number of employees. During this relatively short period of time, Prince Bank had been focusing on its “Employer of Choice” campaign by establishing guidelines and procedures, streamlining the recruitment and on-boarding processes, investing in staff training and development, instilling a performance-based and values-driven culture, and providing opportunities for employees to speak up. Prince Bank is honored to have been selected for this award.



Fresh Graduate Program

As a response to the Bank's expansion plan to recruit branch office staff to meet the demands of growth, we launched the *Fresh Graduate Program* that provided fresh graduates and university students a four-month internship opportunity. Students participated in a fast-track curriculum while gaining real work experience as Client Consultant Trainees or Teller Trainees. To attract quality applicants, selected trainees were provided with monthly stipends and insurance. As a result, 25 fresh graduates were recruited and 5 were offered permanent staff positions.

Learning and People Development

With Prince Bank's rapid growth and expansion efforts, staff capacity development has become a key area of focus to ensure that both new and current employees have the knowledge and skills to perform their jobs successfully.

Learning and People Development introduced a wide range of programs such as the *Training Certification Program*, *Refreshment Training Program*, *Attachment Training Program*, *Performance Improvement Program*, and *Coaching Program*. Other local and overseas short courses have been coordinated to enhance employees' technical skills as well as to further develop their knowledge base. This year 835 employees received both internal and external training.

On the digital end, we launched the *Learning Management System (LMS)* that facilitated employee access to an online learning platform. This system will allow more flexibility for staff to select courses and learn at their own pace or complete compulsory training courses.

Company Internal Regulations and HR Policies

We have improved our internal regulations and HR policies and processes to align with dated national regulations, and to address the growing needs of managing a diverse, performance-driven workforce.

Employee Benefits

In addition to competitive salaries and other remunerations, the Bank offers employees and their dependents accident and hospitalization insurance coverage. Furthermore, employees receive outpatient medical benefits from the Bank.

DIGITALIZATION PROJECTS

Within less than 2 years, since the Bank's launch, we have digitally integrated our mobile banking app to satisfy all regulatory requirements with the National Bank of Cambodia.

Mobile Banking

2019 was a remarkable year towards digital transformation. Mobile banking was added to the existing banking channels providing customers with more efficient and convenient banking options. Customers could save a visit to a branch location by accessing useful features such as transferring funds between Prince Bank and non-Prince Bank accounts, view loan repayment details, and open new accounts.

Integration with NBC's Payment Systems

Prince Bank Plc. has joined NBC's payment systems such as FAST and Bakong. The Bank was excited to integrate these three NBC systems with its mobile app to make the money transfer experience more convenient while expanding the Bank's own digital ecosystem that will help customers transition from branch banking to become more savvy digital users.

HR Process Automation and Digitalization

Prince Bank Plc. has been leveraging the potential of digital technology to better serve its rapidly growing number of employees; the Bank hopes to roll out its own *HR in a Pocket* that will include the *Human Resource Information System*, *eForms* and the *Learning Management System*. With this *HR in a Pocket*, Prince Bank staff will conveniently be able to manage their leave, entitlement, divisional and departmental personnel information, and submit online forms to request for internal services. All these features could be performed from smart phones anytime, anywhere. This will result in a more streamlined, efficient process that reduces administrative response time, cuts down on paper use, and contributes to an environmentally friendly solution.

COMPLIANCE

Anti-Money Laundering & Combating the Financing of Terrorism (AML/CFT)

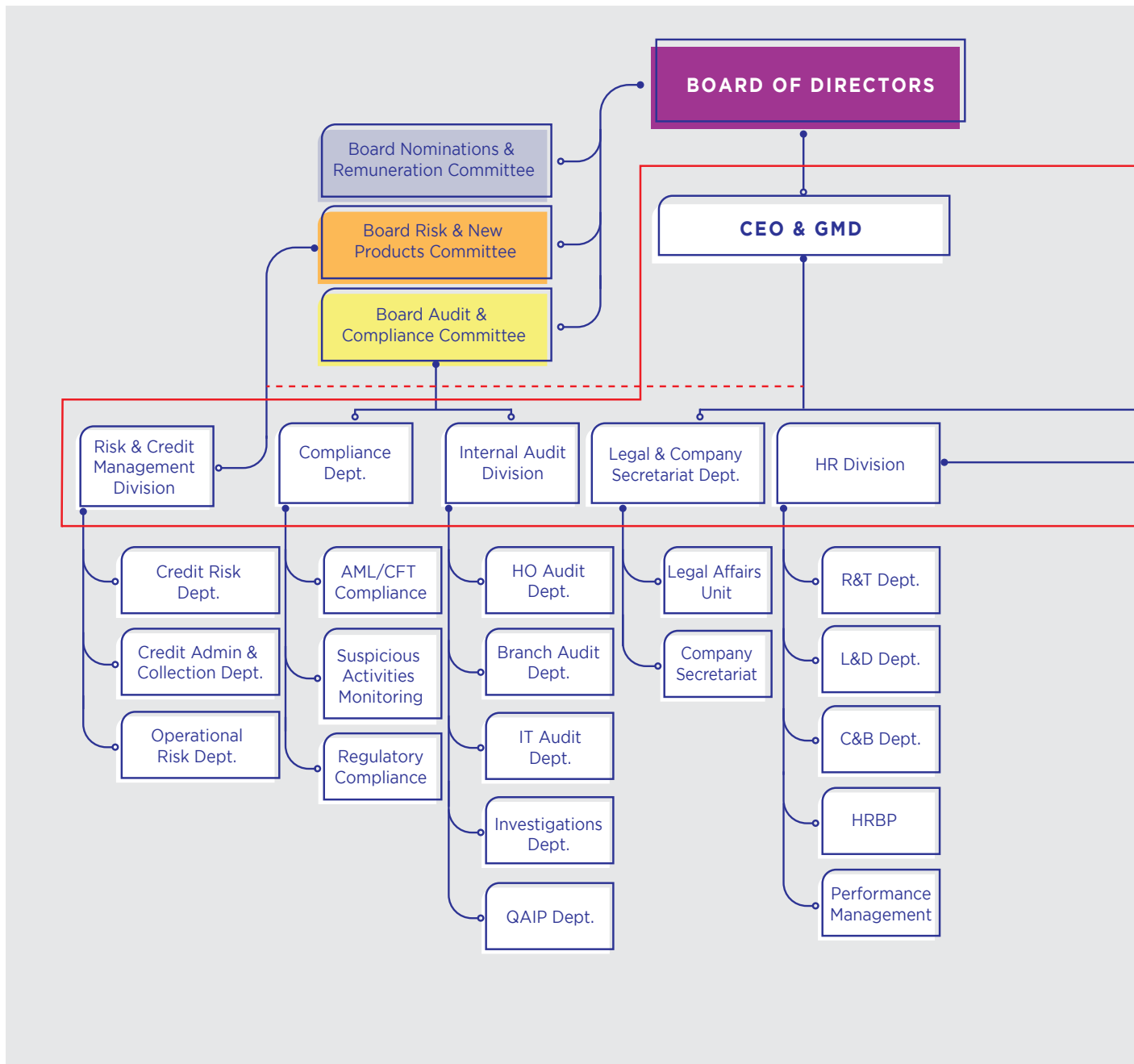
Prince Bank Plc. is strongly committed to anti-money laundering and the financing of terrorism “AML/CFT” measures. The Bank has developed a comprehensive policy and procedure in line with the applicable laws and Prakas on AML/CFT. Moreover, the Bank has invested in the “CORAL iSEM AML/CFT System” that automates the control work and ensures effectiveness and efficiency.

Whistle Blowing Policy

In accordance with the Prakas on Internal Control of Bank and Financial Institutions, Prince Bank Plc. developed a whistleblowing policy to create a work environment where employees will be able to report serious concerns related to practices, behaviors, and conduct that may lead to adverse effects on the Bank’s activities. This policy will help management take actions to address or prevent any misconduct in a timely manner. It is also crucial that implementation of the whistleblowing policy is transparent and accountable (so that employees trust the process), which ensures confidentiality of the reporter and the information reported.

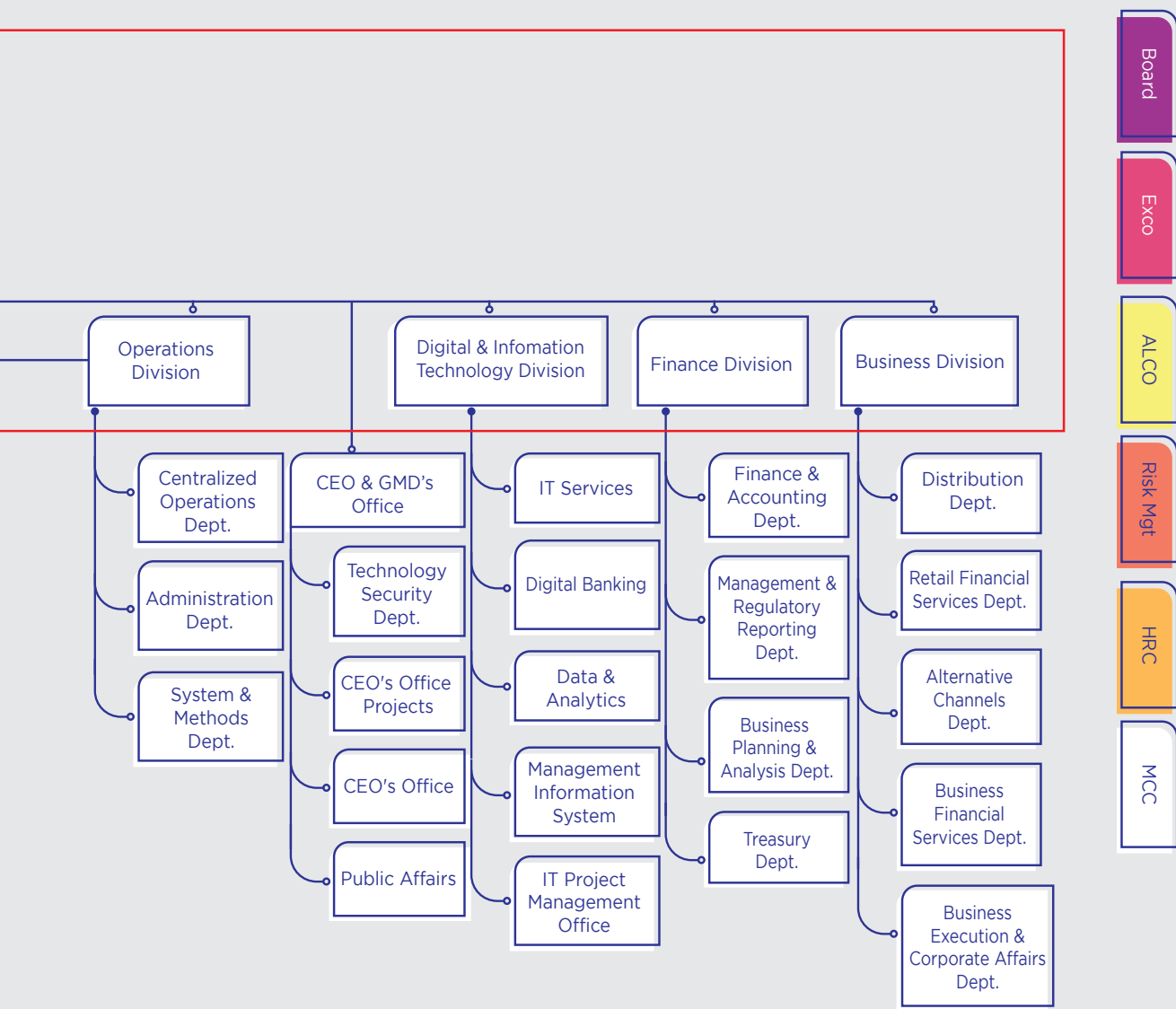
CORPORATE STRUCTURE

ORGANIZATIONAL STRUCTURE



BOARD

1. Board of Directors
2. Board Nominations & Remuneration Committee
3. Board Risk & New Products Committee
4. Board Audit & Compliance Committee

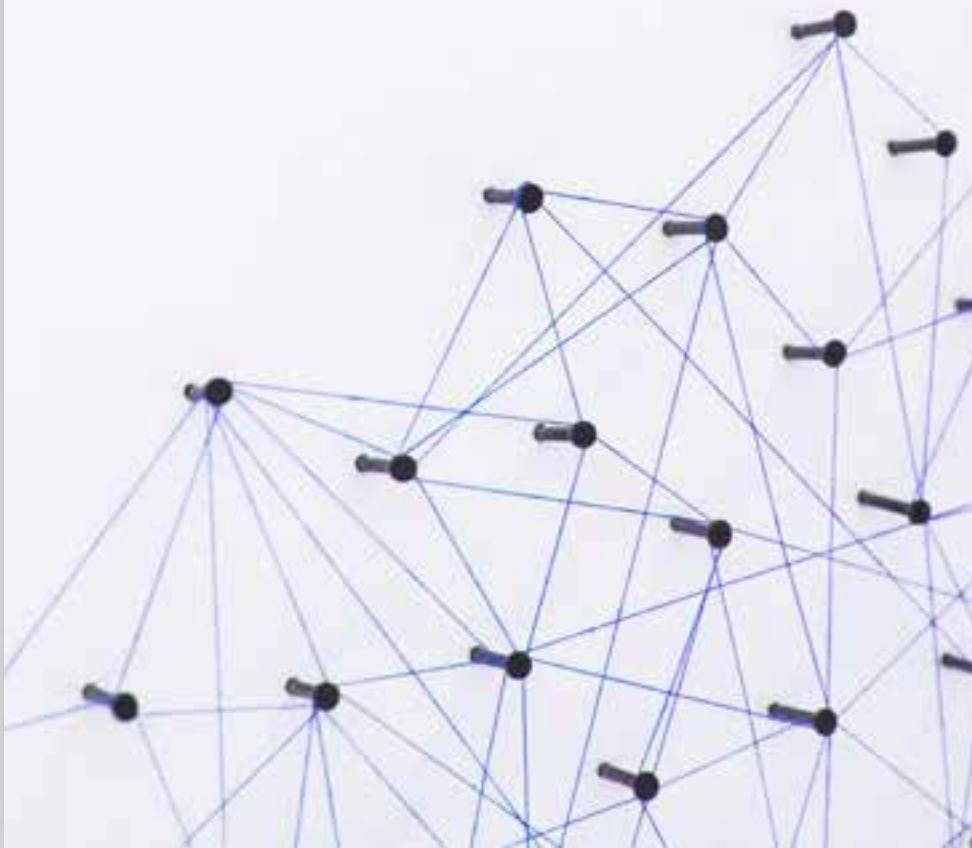


COMMITTEE

1. Executive Committee
2. Assets and Liabilities Committee
3. Risk Management Committee
4. Human Resources Committee
5. Management Credit Committee

CORPORATE GOVERNANCE

The Bank clearly understands that effective corporate governance is critical for the Bank to properly function. Therefore, the Bank has adopted the best corporate governance practice in the banking industry with a check and balance mechanism whereby the Board oversees business operations that are run by management.



The Bank is structured to ensure the separation of duties between business functions that directly control business operations and the oversight function comprising compliance and risk which independently challenge the business function by reporting directly to the Board Committee via the Board Risk and New Products Committee and the Board Audit and Compliance Committee. Furthermore, the internal audit function performs assurance on the controls of the business function and the oversight by compliance and risk, and reports directly to the Board Committee via the Board Audit and Compliance Committee.

CODE OF CONDUCT

The trust and confidence that customers and the public have in the Bank are crucial for its continued growth and success. Prince Bank Plc. actively seeks to conduct itself and abide by the Bank's code of conduct. The directors, staff, contractors, and suppliers are required to acknowledge and implement the Bank's code of conduct with which the Bank requires strict compliance.

SHAREHOLDERS

Currently, there are two Prince Bank Plc. shareholders. *Oknha* Chen Zhi, a Cambodian citizen, is the majority shareholder of Prince Bank Plc. He participates in the Bank's core decision-making process which includes increasing capital and expanding business operations.

Mr. Guy Chhay, a Cambodian citizen, is the second shareholder of Prince Bank Plc. He is a passionate entrepreneur with expertise and experience in a range of industries such as real estate, hotels, resorts, restaurant development and management, information technology, and transportation.



BOARD OF DIRECTORS

The Board of Directors (the “**Board**”) is composed of five members, two of whom are independent directors.

The Board is the ultimate decision-making body of the Bank apart from matters requiring the shareholders’ approval as provided in the Memorandum of Association and Law on Commercial Enterprise. The Board takes full responsibility for leading, governing, guiding, and monitoring the entire performance of the Bank, and enforces standards of accountability to enable management to execute its responsibilities effectively and efficiently.

The Board adopts a collective decision-making process in all aspects of its judgment. With this effort, the Board benefits from the in-depth knowledge and contribution of each of its Directors in all areas of the Bank’s businesses and operations. In addition to their wide range of skills and expertise, the Independent Directors bring independent judgment in the deliberations on key issues regarding strategy, audit, performance, and risk.

The Board has always ensured regulatory compliance as provided in the laws and regulations, particularly with respect to all the Prakas issued by the National Bank of Cambodia (“**NBC**”). In this regard, the

structure and composition of the Board is aligned with NBC requirements. This guarantees that the Bank benefits from the balance of authority which increases accountability and provides greater capacity for independent decision making.

The Board believes that strong corporate governance is vital and essential to successfully undertake the Bank’s mission. The corporate governance framework adopted by the Bank is developed on the basis of principles provided by the Prakas No.B7-08-211 on Governance in Banks and Financial Institutions dated 25-November-2008 (“**Prakas on Governance**”), the Prakas No. B7-08-212 on Fit and Proper Regulatory Requirement for Applying to Entities and Licensed Banks and Financial Institutions dated 25-November-2008 (“**Prakas on Fit and Proper**”), and Prakas No. B7-010-072 on the Internal Control of Bank and Financial Institutions dated 28-September-2010 (“**Prakas on Internal Control**”) issued by the NBC, together with other international and best practices in corporate governance, where applicable.

Three committees have been set up at the Board level:

Board Audit and Compliance Committee (“BACC”)

Composition:

- **Mr. THEN SAMVISOTH**, Chairman (Non-Executive, Independent Director)
- **Mr. GUY CHHAY**, Member
- **Mr. SIM HOY CHHOUNG**, Member (Non-Executive, Independent Director)

Key Duties and Responsibilities

a) *Internal Process and Controls*

1. Endorse for Board’s Approval on principles, policies, processes, and control frameworks for management of the Bank’s business operations.
2. Review adequacy of internal controls, including financial, operational, and compliance controls established by the management.
3. The BACC should ensure that a review of the effectiveness of internal control is conducted on a regular basis.
4. Review the compliance with laws, regulations, and the Bank’s code of conduct. Consider the major findings of any relevant internal investigations into control weakness, fraud or misconduct, and management’s response (in the absence of management where applicable).
5. Direct the relevant units to update the BACC and advise on implications of any possible or actual changes in the regulatory environment.
6. Recommend taking appropriate actions to address any adverse impact that the above may have on the Bank’s operations, or capitalize on opportunities provided.

b) *Financial Reporting*

To oversee the financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient, and credible. This could include, but is not limited to the following:

1. Review accounting policies.
2. Review significant financial reporting issues and judgements to ensure the integrity of the financial statements.
3. Report to the Board in a timely manner all issues that could significantly impact the financial condition.

4. Review the quarterly, half-yearly, and annual financial statements before submission to the Board focusing primarily on:
 - Any changes in accounting policies and practices.
 - Major accounting entries based on exercise of judgement by management.
 - Qualifications, if any, in draft audit report.
 - Significant adjustments arising out of audit.
 - Representation letter to the auditor.
 - Going concern assumption.
 - Compliance with the accounting standards.
 - Compliance with legal and regulatory requirements concerning financial statements.
 - Any related party transactions, i.e. transactions of material nature with promoters or the management, their related/associated companies or relatives, etc. that may have potential conflict with the interest of the institution at large.

c) External Audit

1. Review the scope of the audit and its cost effectiveness, and the independence and objectivity of external auditors. Where the auditors also supply a substantial volume of non-audit services. The BACC should keep the nature and extent of such services under review, seeking to balance the maintenance of objectivity, and value for money.
2. Make recommendations to the Board on the appointment, re-appointment and removal of external auditor and approve the remuneration and terms of engagement of external auditor.
3. Review the findings of the audit with the external auditor, considering the external auditor's management letter and management's response to the auditor's findings and recommendations.

d) Internal Audit

1. Review the scope, activities and effectiveness of internal audit function.
2. Review the annual internal audit plan and ensure that the internal audit function is adequately resourced and has appropriate access to information standing within the institution.
3. Review quarterly reports and recommendations from internal auditors and ensure that corrective actions are properly taken by the management within the deadlines.
4. Recommend to the Board the appointment of or removal of the executive in charge of Internal Audit Function.
5. Review the findings of any internal investigations by the internal auditor into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.

e) Compliance

1. Monitor and proactively review the Bank's adherence to both legal and regulatory compliance requirements applicable to the business and operations of the Bank including without limitation to the control over Anti-Money Laundering and Combating the Financing of Terrorism, and regularly report to the Board in a timely basis on any non-compliance issue with appropriate recommendation or corrective action.

2. Review any related party transaction and conflict of interest situation that may arise within the Bank including any transaction, procedure or course of conduct that arises questions of management integrity.

f) Others

1. Coordinate with the Board Risk and New Products Committee to ensure that the Business Continuity Plan is effectively implemented.
2. Perform other duties and activities that it or the Board considers appropriate in the context of these terms of reference.

BOARD RISK AND NEW PRODUCTS COMMITTEE (“BRNPC”)

Composition

- **Mr. SIM HOY CHHOUNG**, Chairman
(Non-Executive, Independent Director)
- **Mr. GUY CHHAY**, Member
- **Mr. THEN SAMVISOTH**, Member
(Non-Executive, Independent Director)

Key Duties and Responsibilities

a) Risk

1. Review management reports detailing the adequacy and overall effectiveness of the Bank’s risk management functions and its implementation by management, and reports on internal control, any recommendations, and confirm that appropriate action has been taken.
2. Review the risk philosophy, framework, strategy and policies as recommended by management, ensuring compliance with such policies, and with the overall risk profile of the Institution. Risk in the broadest sense includes market risk, credit risk, liquidity risk, operational risk and commercial risk.
3. Review adequacy of insurance coverage.
4. Review risk identification and measurement methodologies.
5. Have due regard for the principles of governance and codes of best practice.
6. Detailed items that should be published in the Bank’s Annual Report relating to the activities of the BRNPC, including the Risk Framework and Methodologies.
7. Obtain external independent advice, in writing or orally, as necessary.

8. Form sub-risk committees from its membership to address specific aspects of its duties.
9. Review and assess the adequacy of risk management policies and framework in identifying, measuring, monitoring and controlling risk and the extent to which these are operating effectively.
10. Ensure infrastructure, resources and systems are in place for risk management i.e. ensure that the staff responsible for implementing risk management systems perform those duties independently of the Bank's risk originating activities.
11. Review periodic reports from the Risk Management Department on risk exposures, risk portfolio composition and risk management activities.

b) New Products

1. Review and recommend new products including but not limited to features, terms and conditions, strategy and target segments as well as risk management strategies, policies and risk tolerance for BRNPC's endorsement and the Board's approval.
2. Monitor and review the performance of new products introduced to customers and ensure that the new products are consistent with the short and long-term strategic goals as set by the Board.
3. To monitor and evaluate business conditions and developments in the financial markets on an ongoing basis and evaluate the impact arising from changes in legislation and regulation.

BOARD REMUNERATION AND NOMINATION COMMITTEE ("BRNC")

Composition

- **Mr. SIM HOY CHHOUNG**, Chairman
(Non-Executive, Independent Director)
- **Mr. GUY CHHAY**, Member
- **Mr. HONN SORACHNA**, Member
(Executive Director)

Key Duties and Responsibilities

- a) To establish the minimum requirements for the Board i.e.) required mix of skills, experience, qualifications, and other core competencies required of a director;
- b) To establish minimum requirements for the CEO and Executive Committee members; and
- c) To establish a mechanism for the formal assessment on the effectiveness of the Board as a whole, each director's effective contribution to the Board, the various committees' contributions to the Board, the CEO, and Executive Committee members' performances; and

- d) To recommend and assess the nominees for directorship, board committee members, the CEO, and Executive Committee members;
- e) To assess directors for reappointment, before an application for approval is submitted to the National Bank of Cambodia (“NBC”);
- f) To oversee the overall composition of the Board, in terms of the appropriate size and experience, and the balance between Executive Directors, Non-Executive Directors and Independent Directors by conducting an annual review;
- g) To oversee the appointment, management, succession planning, and performance evaluation of key senior management officers; and
- h) To recommend a framework of remuneration for directors, the CEO, and key senior management officers for the Board’s full approval;
- i) To recommend specific remuneration packages for executive directors, the CEO, and Executive Committee members;

Executive Committee

The Executive Committee (EXCO) serves as the highest executive management-decision making of the Bank at the executive management level. In addition, there are Management Committees that are an extension of the EXCO, established to assist the EXCO in discharging its duties and responsibilities. Those committees include the Human Resources Committee (HRC), Risk Management Committee, Management Credit Committee (MCC), and the Assets and Liabilities Committee (ALCO).

At the executive management level, the committee is composed of:

1. **Mr. HONN SORACHNA**, Chief Executive Officer (CEO), as a Chairman of Executive Committee.
2. **Mr. BIN DEVIN**, Chief Business Officer (CBO), as Deputy CEO (DCEO).
3. **Mr. TEANG SRENG**, Head of Human Resource Service (HHR), as member.
4. **Mr. KEO VUTHY**, Chief Internal Audit Officer (CIA), as member.
5. **Ms. JENNIFER LEE CHAU LIN**, Chief Digital & Technology Officer (CDTO), as member.
6. **Mrs. KEO ROSNISAY**, Head of Legal and Company Secretary (HLCS), as member.
7. **Mr. WINSTON TAN**, Chief Finance Officer (CFO), as member.
8. **Mr. LENG SENGLAN**, Chief Risk Compliance Officer (CRO), as member.
9. **Mr. CHOENG KIM SOON SIMON**, Chief Operating Officer (COO), as member.
10. **Mrs. SEA SOKLIN**, Head of Compliance (HC), as member.

SOCIAL RESPONSIBILITY

SUSTAINABLE FINANCE IMPLEMENTATION

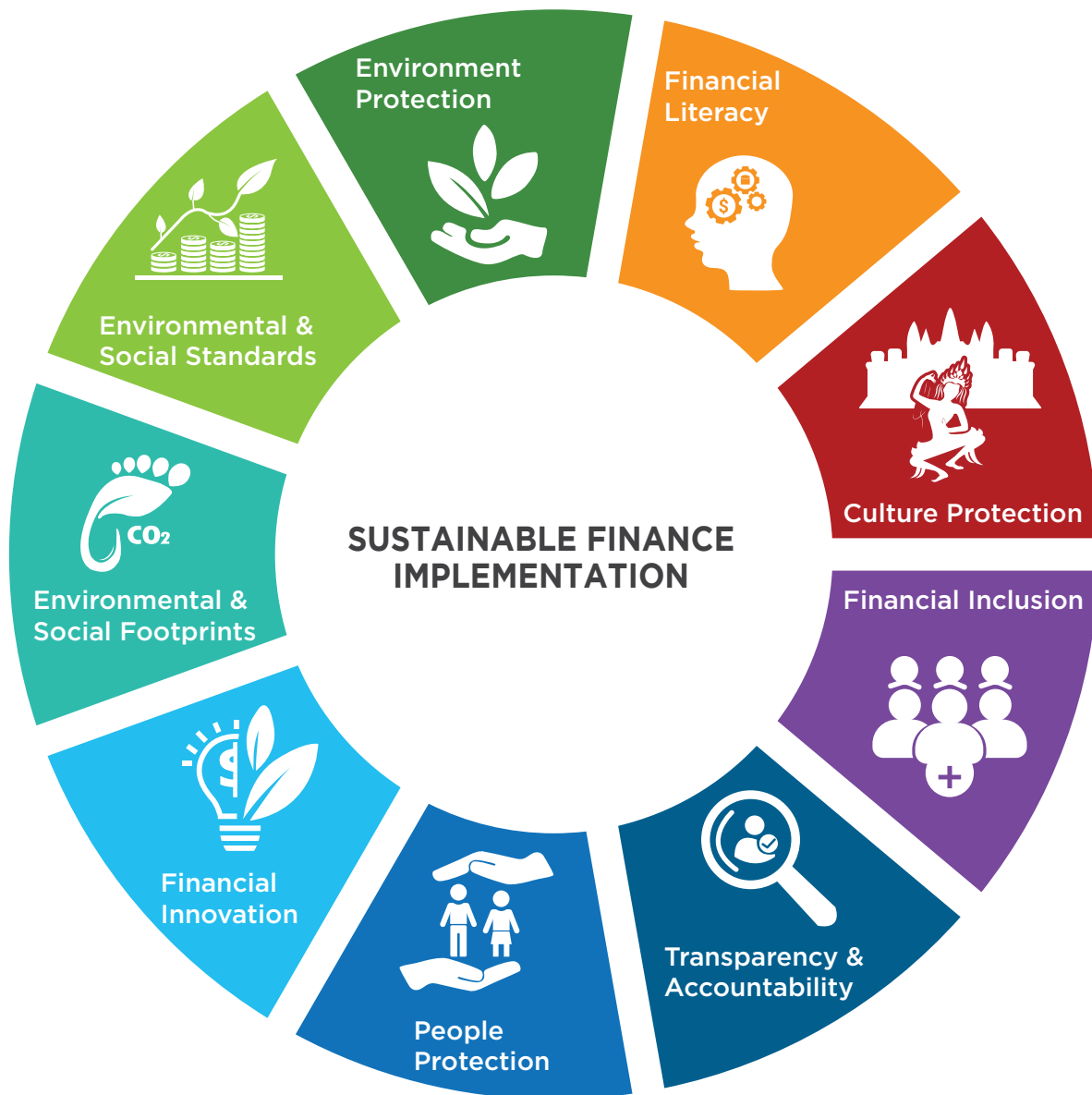
As a member of the Association of Banks in Cambodia (ABC), Prince Bank Plc. has adopted the Cambodia Sustainable Finance Principles. Adhering to these principles can help banks lower investment risks and find new business opportunities while preserving the environment and supporting local communities.

Throughout 2019, to support our business decision-making at all levels and provide a frame of reference for how to deal with business opportunities and risks in the context of direct and indirect sustainability impacts, we have developed a sustainable finance policy framework consisting of a general policy, four core policies, two theme policies, and nine sensitive sector policies. Each policy outlines the key environmental and social issues, our solution commitments, and what we expect our clients and business partners to do.

Environmental and social risk management procedures were also put into place to provide step-by-step guidance on identifying, assessing and managing environmental and social risks. In addition to incorporating environmental and social risks in our credit and procurement process, we are committed to promoting financial literacy and inclusion, developing capacity building and awareness related to sustainable finance, developing a green finance policy to provide affordable products and services for renewable energies and green innovation, and reducing our own environmental and social footprints.

To promote sustainable finance implementation awareness and capacity building, we have conducted a series of trainings (including e-learning) to all staff and established an environmental and social data collection mechanism to properly maintain periodic reports.

The nine sustainable finance principles include the following:



- Environment Protection
- People Protection
- Culture Protection
- Financial Literacy
- Financial Inclusion
- Financial Innovation
- Environmental and Social Standards
- Environmental and Social Footprints
- Transparency and Accountability

CORPORATE SOCIAL RESPONSIBILITY

2019 marked a successful year full of staff engagement initiatives and corporate social responsibility (CSR) projects. Our staff continued to participate in activities and events focused around the areas of education, health and sports, and youth career and entrepreneurship.

Giving backing to the communities where we serve is part of our responsibility as a locally operating financial institution. The Bank believes that informed citizens are good for business and sustainability resulting in beneficial outcomes for all.

EDUCATION

Riel Day at AEON Mall

As part of the 39th anniversary of the re-introduction of the Khmer riel, Prince Bank Plc. participated and jointly sponsored Riel Day—a public event that brought awareness and encouraged the use of Cambodia's currency. The Riel is more than just an issue of national identity and pride: promoting its use will contribute to a more promising outlook of the country's economic stability, which contributes to Cambodia's economic competitiveness. Additionally, an increase in the use of the riel will allow the National Bank of Cambodia to manage monetary policies more effectively.

During the event, an exhibition was organized to highlight the history and development of the riel to promote its importance and use.

Representatives from ministries, banking and financial institutions, enterprises, research institutes, and universities were present and an estimated attendance of approximately 350 participants was expected.



Financial Literacy Project

Promoting financial literacy has always been one of the Bank's important initiatives. As a member of the Association of Banks in Cambodia (ABC), the Bank is committed to the nine Cambodia Sustainable Finance Principles—to increase Cambodians' level of financial knowledge.

Incorporating financial awareness was not limited to the Bank's policy-making process; Prince Bank Plc. took part in supporting the National Bank of Cambodia (NBC) to further this important cause. School outreaches to provincial locations such as Kampong Cham were organized to distribute educational materials to primary and secondary school students.

The Bank hosted a public event at AEON II shopping mall to launch its campaign, "Me and My Money" aimed to educate Cambodians about financial management.

Social media was another channel the Bank leveraged in order to reach a wider audience. Through the company's Facebook page, a series of short, educational video clips were created to focus on four simple, yet not fully understood ideas: earning, saving, spending, and lending. These video clips were part of a greater effort to publicize the importance of financial literacy.





Sponsorship of the 7th Annual Smiles Sharing Project

Prince Bank staff participated in the 7th Annual Smiles Sharing Project organized by the Cambodian chapter of the Junior Chamber International (JCI). The Bank donated school supplies to the Peace Community School and supported its multi-arts exhibition that showcased the children's artistic talents. We are committed to adopting the nine sustainable finance principles by promoting the importance of education.

Sponsorship of Cambodian Medical Students Studying in France

Prince Bank Plc. believes that education is at the forefront of a thriving society—the Bank is proud to support local, young, and ambitious students who choose to further their education abroad. This year the Bank sponsored two medical students to pursue an internship in France.

Applications from students reflected a wide range of specialties including anesthesiology, cardiology, urology, pediatrics, and internal medicine. Sponsorships were organized and managed by FORICA, a French organization that supports education, research and technological innovations within Cambodia's higher education and research institutions.

The sponsorship awarded covered the cost of airfare and visa-related fees. Upon their return, students shared their experiences and knowledge with others.



Safe Driving Campaign with *Total Cambodge*

Prince Bank Plc. joined a traffic safety campaign led by *Total Cambodge* and participated by a number of other organizations to promote the importance of wearing a helmet while riding a motorbike. The campaign emphasized the importance of obeying traffic laws to promote road safety practices that will help reduce the number of traffic related accidents.



Maryknoll Deaf Development Program Donation

Prince Bank Plc. donated to the Maryknoll Deaf Development Program whose vision is for people to enjoy dignity, equal rights, and live in peace. The Bank sponsored the educational project, “Empowering Cambodian Deaf Youth Through Non-Formal Education.” This project served approximately 80 students annually and focused on three main activities: first, to empower deaf people by teaching them Cambodian Sign Language (CSL), Khmer, basic mathematics, and life skills; secondly, to improve the teaching capacity and quality of teachers; and lastly, to provide deaf youth with accommodation and food.

Prince Bank Plc. is optimistic that its contribution will enable deaf people to receive support and an opportunity to develop skills that will help them earn a living and have a chance to be self-reliant.

Orphaned, Disabled Children and Poor Women’s Organization Donation

To commemorate Children’s Literacy Day, Prince Bank Plc. made a monetary contribution and donated school supplies to children supported by the Orphaned, Disabled Children, and Poor Women’s Organization. These distributed school supplies included notebooks, pencils, pens, t-shirts, caps, and eco-bags. The Bank also donated dried foods such as rice, noodle packages, canned fish, and soda.





HEALTH AND SPORTS

Marathon Events

This was the second year that Prince Bank staff participated in three international marathons held in Phnom Penh and Siem Reap. A total of approximately 400 Prince Bank staff signed up for these events. Entry fees and other funds collected help to support various efforts and causes such as providing prosthetics for landmine victims, funding for educational and disease prevention programs, and supporting both children's hospitals--Angkor Children and Kantha Bopha Hospitals.

Blood Donation

Donating blood is a way to help our immediate families and fellow citizens as well—we are contributing to the country’s health sector when we donate a pint of blood that can help save lives.

This year Prince Bank sponsored an event at the Blood Donation Center located at Siem Reap’s Provincial Referral Hospital. Staff also volunteered to donate blood at the National Transfusion Center located near the Khmer Soviet Friendship Hospital in Phnom Penh.



Supporting the Work of Samdech Techo Voluntary Youth Doctor Association

Prince Bank Plc. is aware that healthy environments, especially in rural areas, are essential for creating healthy citizens who in turn contribute to the country’s economic development.

On a monthly basis, TYDA provides free medical services for those living in poor communities relieving needy families from the financial burdens of medical treatments.

Over the past year, Prince Bank staff participated in 7 TYDA missions organized in Pursat, Phnom Penh, Takeo, Kandal, Siem Reap, Kompong Cham, and Battambang. The Bank’s staff assisted elderly, disabled, and handicapped patients waiting to receive medical check-ups.



Sports Sponsorship

The benefits of participation in sporting activities extends beyond the pitch; it is a form of exercise that can lead to better health, fosters collaboration and unity, and teaches young people about sportsmanship. Strengthening the sports sector in Cambodia is an investment in the country's future—youth who are engaged in sports are more likely to contribute positively to society.



Visakha Football Club Sponsorship

Prince Bank Plc. renewed its sponsorship commitment with Visakha Football Club, which will allow the club to focus on developing players' skills to be internationally competitive when Cambodia hosts the 2023 SEA Games. This on-going sponsorship will also allow Visakha to organize community events such as football clinics that support the next generation of athletes. The "Share Love Through Football" event for example, brought together football players who demonstrated their skills and techniques with hundreds of youth. This was a great opportunity for the Bank's provincial staff to connect with the local communities where the Bank operates.





**YOUTH CAREER AND
ENTREPRENEURSHIP**

**National University of Management (NUM)
Business Day Sponsorship**

Prince Bank's recruitment team participated in the National University of Management's (NUM's) annual event to promote internship opportunities for students and to identify potential talent among upper-level students.



Young Entrepreneurs Association of Cambodia (YEAC) Annual Sponsorship

This year Prince Bank Plc. was both a member of the Young Entrepreneurs Association of Cambodia (YEAC) and its annual sponsor.

CEO Lunch at the Himawari Hotel

YEAC members and leaders from various businesses gathered to share their observations and discuss topics such as SME loans and digital marketing platforms that affect the current, local business climate. These CEO lunches occurred every two months and provided opportunities for young professionals to be updated on business-related themes.



YEAC Food and Agro-Processing Business Matching Forum Participation

The Food and Agro-Processing Business Matching Forum provided an opportunity for companies to display their products and services while connecting with potential business partners. Company representatives from various types of companies included those from banking and finance, packaging, equipment and machinery, and digital marketing.

Mr. Bin Devin, Prince Bank’s CBO, was invited as a guest speaker to join a panel about financial management and access to finance. Other panel discussion topics included success factors within agro-processing, export procedures, and financing.

The forum provided a platform for businesses and companies to exchange information and work toward improving quality within the food and agro-processing sectors in order to boost the country’s competitiveness by meeting demands on exports.



Supporting Junior Chamber International (JCI)

JCI is a member-based, international non-profit organization of young people who believe that solutions to community challenges are best addressed when citizens engage in collaborative efforts to improve their conditions. In Cambodia, young entrepreneurs aim to empower other young people with development opportunities so they can create positive changes in society.

In addition to having bank staff as JCI members, this year Prince Bank was a main sponsor of the Junior Chamber International’s (JCI) events related to business networking. These events were organized as part of JCI’s “Breakfast Talk” program that provided a platform for JCI members, business owners, and company employees to expand their professional network, exchange experiences in managing businesses, and discuss topics related to professional development.

A Journey to Entrepreneurship

JCI Cambodia organized another event on the topic, *“A Journey to Entrepreneurship.”* The aim of the talk was to discuss the process and the obstacles of becoming a successful entrepreneur.

Other topics from this year’s talks included *“Breakfast with Editors”* and *“The Secret Art of Speech.”*

Prince Bank Plc. supports and encourages activities that relate to entrepreneurship which help to identify, highlight, and provide a platform for Cambodians to network, build self-confidence, and develop their communication skills.

Supporting Cambodian Women Entrepreneur Association (CWEA)

Prince Bank Plc. is proud to sponsor the Cambodian Women Entrepreneur Association (CWEA), a group consisting of women entrepreneurs engaged in networking opportunities. The Bank acknowledges the importance of the role women play in the country’s economic development, and some of the Bank’s management staff are active members of CWEA as well.

Women in Business Initiative Sponsorship

Prince Bank Plc. encouraged women entrepreneurs to improve their networking skills by participating in a workshop on the topic, *“Create Your Personal Tagline”* co-presented by Women in Business Cambodia and The Capacity Specialists.

Our Head of Retail Banking, Ms. Peng Liya delivered a speech that highlighted the importance of supporting women in their pursuit to become successful entrepreneurs. Over canapés and drinks, approximately 50 participants learned how to create short personal statements used as both conversations starters, and a way to network more effectively.



អបអរសាទរាលើទិសម្ពោធជាផ្លូវការ ធនាគារ ព្រីនស៍ ម.ក

热烈祝贺太子银行盛大开幕
OFFICIAL GRAND OPENING

ESTABLISHING RECOGNITION



COMPANY NEWS

The Official Grand Opening of Prince Bank Plc.

At the start of 2019, Prince Bank Plc. held its official grand opening event that was presided over by H.E. Chea Chanto, Governor of the National Bank of Cambodia. This inaugural event was attended by representatives from the National Bank of Cambodia, the Chairman of the Association of Banks, and Prince Bank Plc.'s shareholders, *Oknha* Chen Zhi and Mr. Guy Chhay. The Bank welcomed over 500 guests to mark this special occasion.

It was just last year in July 2018 that Prince Bank Plc. received a license from the National Bank of Cambodia to operate as a full-fledged commercial bank.

This event provided an opportunity for the Bank to present some highlights of its business expansion plan which focused on enhancing customer touch points, introducing new products, and leveraging digital technology as a driving force in its transition.

2nd Annual Workshop

The workshop was organized to discuss the previous year's results and lay out the direction forward with a view to achieving the Bank's five-year strategic goals.

Those goals are:

1. To become the bank of choice for customers and employees alike
2. To become the leader in digital banking innovation
3. To become the fastest growing bank in total assets
4. To become the largest bank by capturing the greatest share of professional employees and SME customers

The event concluded with awards handed out to recognize outstanding staff, teams, and branches.



Efma Retail Banking Forum

On June 20, 2019, Prince Bank Plc. was honored with the opportunity to co-host an inaugural forum with Efma, a globally recognized European organization connecting key decision-makers within the retail banking, insurance and finance sectors. Well over 100 people participated in this special event.

The theme, "Banking the Next Generation: A Seamless Digital Experience," brought together financial leaders from the Asian-Pacific region as well as international speakers.

The forum covered the opportunities and challenges that local and international financial institutions encounter in the age of increasing digitalization, global technological developments, and changes in consumer expectations.

Some important topics discussed included digital transformation trends, digitalization of banking organizations, artificial intelligence, customer experience and distribution, preparing the work force to meet the demands in the digital age, and SME banking innovations.



H.E. Neav Chanthana, Deputy Governor of the National Bank of Cambodia presided over the event which included leading industry experts and panelists representing Efma, Siam Commercial Bank, Jibun Bank, DBS Bank Singapore, Kasikorn Bank, and Prince Bank Plc.

The forum also served as a business-networking opportunity for professionals within the Southeast Asian region.

Prince Bank’s Off-Site Management Meeting

Prince Bank Plc. held an annual off-site management meeting at the Rock Royal Hotel in Kep Province from October 4-6. Over 80 staff members representing senior management positions and the Bank’s management team collaborated on team-building activities, brainstormed project ideas, and identified strategies on how to improve communication throughout the Bank as a whole.

Overall, the workshops and activities helped to build and manage relationships among all participants who in turn shared what they learned with their respective departments and divisions throughout the Bank.



FINANCIAL STATEMENTS

BOARD OF DIRECTORS' REPORT

The Board of Directors (“the Directors”) hereby submits their report and the audited financial statements of Prince Bank Plc (“the Bank”) for the year ended 31 December 2019.

THE BANK

Prior to 18 July 2018, Prince Bank Plc. was named as Prince Finance PLC which was a private limited company formed under the Laws of the Kingdom of Cambodia to operate as a microfinance business in the Kingdom of Cambodia under registration number 00014627 dated 28 April 2015, issued by the Ministry of Commerce. On 18 July 2018, the National Bank of Cambodia issued a license for the Bank to become a private commercial bank with the name changed to Prince Bank Plc. The transaction was also acknowledged and endorsed by the Ministry of Commerce on 21 August 2018.

PRINCIPAL ACTIVITIES

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

RESULTS OF OPERATION AND DIVIDEND

The results of financial performance for the year ended 31 December 2019 are set out in the statement of profit or loss and other comprehensive income on page 69.

There were no dividends declared or paid during the year.

SHARE CAPITAL

During July 2019, additional share capital amounting to US\$150 million was injected by the shareholders to increase the share capital to US\$250 million via the issuance of 150,000 ordinary shares of US\$1,000 per share.

BAD AND DOUBTFUL LOANS AND ADVANCES

Before the financial statements of the Bank were drawn up, the Directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad loans and advances or making of allowance for impairment losses, and satisfied themselves that all known bad loans and advances had been written off and that adequate loss allowance has been made for bad and doubtful loans and advances.

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

ASSETS

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

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

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there is:

- (a) no charge on the assets of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person, or
- (b) no contingent liability in respect of the Bank that has arisen since the end of the financial year other than in the ordinary course of banking business.

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF UNUSUAL NATURE

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

The Board of Directors

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

- **Mr. CHEN ZHI**, Chairman
- **Mr. GUY CHHAY**, Director
- **Mr. HONN SORACHNA**, Director and Chief Executive Officer
- **Mr. THEN SAMVISOTH**, Independent Director
- **Mr. SIM HOY CHHOUNG**, Independent Director

Directors' Responsibility In Respect of The Financial Statements

The Directors are responsible for ascertaining that the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2019 and of its financial performance and its cash flows for the year then ended in accordance with the Cambodian International Financial Reporting Standards ("CIFRS").

In preparing these financial statements, the Directors are required to:

- i. adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- ii. comply with the disclosure requirements of CIFRS or, if there have been any departures in the interest of fair presentation, these have been appropriately disclosed, explained and quantified in the financial statements;
- iii. maintain adequate accounting records and an

effective system of internal controls;

- iv. prepare the financial statements on the going concern basis unless it is inappropriate to assume that the Bank will continue operations in the foreseeable future; and
- v. effectively control and direct the Bank in all material decisions affecting its operations and performance and ascertain that such have been properly reflected in the financial statements.

The Directors confirm that the Bank has complied with the above requirements in preparing the financial statements.

Approval of The Financial Statements

The accompanying financial statements, together with the notes thereto, which present fairly, in all material respects, the financial position of the Bank as at 31 December 2019 and the financial performance and cash flows of the Bank for the year then ended in accordance with the Cambodian International Financial Reporting Standards, were approved by the Board of Directors.

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

MR. HONN SORACHNA

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

Date: 30 March 2020

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Prince Bank Plc.

Our opinion

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

What we have audited

The Bank's financial statements comprise:

- the statement of financial position as at 31 December 2019;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") and the requirements of Kampuchea Institute of Certified Public Accountants and Auditors' Code of Ethics for Certified Public Accountants and Auditors ("KICPAA Code"). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and ethical requirements of KICPAA Code.

Other information

Management is responsible for the other information. The other information obtained at the date of this auditor's report are the directors' report and the supplementary financial information and other disclosures required by the National Bank of Cambodia but do not include the financial statements and our auditor's report thereon.

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

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

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

Responsibilities of management and those charged with governance for the financial statements

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

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

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

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 scepticism 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.

For PricewaterhouseCoopers (Cambodia) Ltd.



By **KUY LIM**

Partner

Phnom Penh, Kingdom of Cambodia

31 March 2020

AUDITED FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

Notes	As at 31 December 2019		31 December 2018		1 January 2018		
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	
ASSETS							
Cash on hand	5	8,311,993	33,871,371	1,064,975	4,279,070	67,064	270,737
Deposits and placements with the central bank	6	763,409	3,110,892	4,953,241	19,902,122	858	3,464
Deposits and placements with other banks	7	48,105,160	196,028,527	30,020,830	120,623,695	6,194,899	25,008,807
Loans and advances at amortised cost	8	302,978,610	1,234,637,836	113,322,247	455,328,788	18,829,852	76,016,113
Statutory deposits with the central bank	9	35,763,172	145,734,926	10,886,222	43,740,840	750,000	3,027,750
Property and equipment	10	6,486,393	26,432,051	4,568,769	18,357,314	832,519	3,360,879
Right-of-use assets	11	12,103,563	49,322,019	8,491,258	34,117,875	1,561,352	6,303,178
Intangible assets	12	3,541,957	14,433,475	2,915,469	11,714,354	56,605	228,514
Deferred tax assets	13	529,899	2,159,338	187,435	753,114	47,177	190,454
Other assets	14	2,964,609	12,080,782	3,157,165	12,685,489	203,469	821,405
TOTAL ASSETS		<u>421,548,765</u>	<u>1,717,811,217</u>	<u>179,567,611</u>	<u>721,502,661</u>	<u>28,543,795</u>	<u>115,231,301</u>
LIABILITIES AND EQUITY							
LIABILITIES							
Deposits from customers	15	41,634,841	169,661,977	1,009,079	4,054,479	-	-
Borrowings	16	93,519,447	381,091,747	66,000,000	265,188,000	11,000,000	44,407,000
Lease liabilities	11	12,842,836	52,334,557	8,756,038	35,181,761	1,561,352	6,303,178
Employee benefits		78,534	320,026	285,128	1,145,644	-	-
Other liabilities	17	14,976,127	61,027,718	6,104,398	24,527,473	1,284,032	5,183,638
TOTAL LIABILITIES		<u>163,051,785</u>	<u>664,436,025</u>	<u>82,154,643</u>	<u>330,097,357</u>	<u>13,845,384</u>	<u>55,893,816</u>

**STATEMENT OF FINANCIAL POSITION AS
AT 31 DECEMBER 2019 (CONTINUED)**

	Notes	As at 31 December 2019		31 December 2018		1 January 2018	
		US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
EQUITY							
Share capital	18	250,000,000	1,018,750,000	100,000,000	401,800,000	15,000,000	60,555,000
Capital contribution	16	12,669,783	51,337,961	-	-	-	-
Retained earnings		(7,109,751)	(28,766,248)	(3,889,831)	(15,730,571)	(474,525)	(1,915,658)
Regulatory reserves		2,936,948	11,878,572	1,302,799	5,268,439	172,936	698,143
Other reserves		-	174,907	-	67,436	-	-
TOTAL EQUITY		<u>258,496,980</u>	<u>1,053,375,192</u>	<u>97,412,968</u>	<u>391,405,304</u>	<u>14,698,411</u>	<u>59,337,485</u>
TOTAL LIABILITIES AND EQUITY		<u>421,548,765</u>	<u>1,717,811,217</u>	<u>179,567,611</u>	<u>721,502,661</u>	<u>28,543,795</u>	<u>115,231,301</u>

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

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Notes	For the year ended 31 December 2019		For the year ended 31 December 2018	
		US\$	KHR'000	US\$	KHR'000
Interest income	19	26,205,861	106,186,149	6,708,160	27,134,507
Interest expense	19	(3,899,999)	(15,802,796)	(879,289)	(3,556,724)
Net interest income	19	<u>22,305,862</u>	<u>90,383,353</u>	<u>5,828,871</u>	<u>23,577,783</u>
Fee and commission income	20	390,818	1,583,595	-	-
Fee and commission expense	20	(93,986)	(380,831)	-	-
Net fee and commission income	20	<u>296,832</u>	<u>1,202,764</u>	<u>-</u>	<u>-</u>
Other operating income		3,386	13,720	157,309	636,315
Other (losses)/gains - net	21	(647,034)	(2,621,782)	135,585	548,441
Total operating (losses)/income		<u>(643,648)</u>	<u>(2,608,062)</u>	<u>292,894</u>	<u>1,184,756</u>
Credit impairment losses	22	(1,818,540)	(7,368,724)	(467,364)	(1,890,487)
Net other operating loss		<u>(2,462,188)</u>	<u>(9,976,786)</u>	<u>(174,470)</u>	<u>(705,731)</u>
Personnel expenses	23	(10,186,282)	(41,274,815)	(4,194,579)	(16,967,072)
Depreciation and amortisation charges	24	(2,885,743)	(11,693,030)	(1,004,223)	(4,062,082)
Other operating expenses	25	(8,996,716)	(36,454,694)	(2,881,300)	(11,654,859)
Loss before income tax		<u>(1,928,235)</u>	<u>(7,813,208)</u>	<u>(2,425,701)</u>	<u>(9,811,961)</u>
Income tax expense	26	342,464	1,387,664	140,258	567,344
Loss for the year		<u>(1,585,771)</u>	<u>(6,425,544)</u>	<u>(2,285,443)</u>	<u>(9,244,617)</u>
Other comprehensive income: <i>Items that will not be reclassified to profit or loss</i>					
Currency translation differences		-	107,471	-	67,436
Other comprehensive income for the year, net of tax		-	107,471	-	67,436
Total comprehensive income for the year		<u>(1,585,771)</u>	<u>(6,318,073)</u>	<u>(2,285,443)</u>	<u>(9,177,181)</u>
Profit attributable to:					
Owners of the Bank		<u>(1,585,771)</u>	<u>(6,425,544)</u>	<u>(2,285,443)</u>	<u>(9,244,617)</u>
Total comprehensive income attributable to:					
Owners of the Bank		<u>(1,585,771)</u>	<u>(6,318,073)</u>	<u>(2,285,443)</u>	<u>(9,177,181)</u>

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

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

Attributable to owners of the Bank

	Share capital		Capital contribution		Retained earnings		Regulatory reserves		Other reserves		Total	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	US\$	US\$	KHR'000	US\$	KHR'000
Balance at 1 January 2018 as previously reported	15,000,000	60,555,000	-	-	(536,420)	(2,165,528)	-	-	-	-	14,463,580	58,389,472
Effects on application of the new accounting policy for first-time adopter (Note 4)	-	-	-	-	61,895	249,870	172,936	698,143	-	-	234,831	948,013
Restated balance at 1 January 2018	15,000,000	60,555,000	-	-	(474,525)	(1,915,658)	172,936	698,143	-	-	14,698,411	59,337,485
Loss for the year	-	-	-	-	(2,285,443)	(9,244,617)	-	-	-	-	(2,285,443)	(9,244,617)
Other comprehensive income	-	-	-	-	-	-	-	-	-	67,436	-	67,436
Total comprehensive income for the year	-	-	-	-	(2,285,443)	(9,244,617)	-	-	-	67,436	(2,285,443)	(9,177,181)
Transactions with owners in their capacity as owners:												
Issue of share capital	85,000,000	343,825,000	-	-	-	-	-	-	-	-	85,000,000	343,825,000
Transfer to regulatory reserves	-	-	-	-	(1,129,863)	(4,570,296)	1,129,863	4,570,296	-	-	-	-
Currency translation differences	-	(2,580,000)	-	-	-	-	-	-	-	-	-	(2,580,000)
Total transactions with owners	85,000,000	341,245,000	-	-	(1,129,863)	(4,570,296)	1,129,863	4,570,296	-	-	85,000,000	341,245,000
Balance at 31 December 2018	100,000,000	401,800,000	-	-	(3,889,831)	(15,730,571)	1,302,799	5,268,439	-	67,436	97,412,968	391,405,304

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

	Share capital		Capital contribution		Retained earnings		Regulatory reserves		Other reserves		Total	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	US\$	US\$	KHR'000	US\$	KHR'000
Restated balance at 1 January 2019	100,000,000	401,800,000	-	-	(3,889,831)	(15,730,571)	1,302,799	5,268,439	-	67,436	97,412,968	391,405,304
Loss for the year	-	-	-	-	(1,585,771)	(6,425,544)	-	-	-	-	(1,585,771)	(6,425,544)
Other comprehensive income	-	-	-	-	-	-	-	-	-	107,471	-	107,471
Total comprehensive income for the year	-	-	-	-	(1,585,771)	(6,425,544)	-	-	-	107,471	(1,585,771)	(6,318,073)
Transactions with owners in their capacity as owners:												
Issue of share capital	150,000,000	607,800,000	-	-	-	-	-	-	-	-	150,000,000	607,800,000
Capital contribution	-	-	12,669,783	51,337,961	-	-	-	-	-	-	12,669,783	51,337,961
Transfer to regulatory reserves	-	-	-	-	(1,634,149)	(6,610,133)	1,634,149	6,610,133	-	-	-	-
Currency translation differences	-	9,150,000	-	-	-	-	-	-	-	-	-	9,150,000
Total transactions with owners	<u>150,000,000</u>	<u>616,950,000</u>	<u>12,669,783</u>	<u>51,337,961</u>	<u>(1,634,149)</u>	<u>(6,610,133)</u>	<u>1,634,149</u>	<u>6,610,133</u>	<u>-</u>	<u>-</u>	<u>162,669,783</u>	<u>668,287,961</u>
Balance at 31 December 2019	<u>250,000,000</u>	<u>1,018,750,000</u>	<u>12,669,783</u>	<u>51,337,961</u>	<u>(7,109,751)</u>	<u>(28,766,248)</u>	<u>2,936,948</u>	<u>11,878,572</u>	<u>-</u>	<u>174,907</u>	<u>258,496,980</u>	<u>1,053,375,192</u>

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

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

Notes	For the year ended 31 December 2019		For the year ended 31 December 2018		
	US\$	KHR'000	US\$	KHR'000	
Cash flows from operating activities					
Cash used in operations	28	(171,084,403)	(693,234,002)	(99,788,857)	(403,645,926)
Employee benefits paid		(166,860)	(676,117)	-	-
Interest received		26,384,766	106,911,072	7,048,246	28,510,155
Interest paid		(2,565,523)	(10,395,499)	(879,289)	(3,556,724)
Cash used in operating activities		<u>(147,432,020)</u>	<u>(597,394,546)</u>	<u>(93,619,900)</u>	<u>(378,692,495)</u>
Cash flows from investing activities					
Capital guarantee deposits		(15,000,000)	(60,780,000)	(9,250,000)	(37,416,250)
Deposits and placements with the central bank - maturity more than three months		(99,098)	(403,824)	-	-
Purchases of property and equipment	10	(3,239,600)	(13,126,859)	(4,172,803)	(16,878,988)
Purchases of intangible assets	12	(1,275,397)	(5,167,909)	(2,887,619)	(11,680,419)
Proceeds from disposals of property and equipment		485	1,965	30,120	121,835
Cash used in investing activities		<u>(19,613,610)</u>	<u>(79,476,627)</u>	<u>(16,280,302)</u>	<u>(65,853,822)</u>
Cash flows from financing activities					
Proceeds from issues of share capital		-	-	85,000,000	343,825,000
Principal element of lease payments		(886,893)	(3,593,690)	(291,990)	(1,181,100)
Proceeds from borrowings		189,000,000	765,828,000	55,000,000	222,475,000
Cash generated from financing activities		<u>188,113,107</u>	<u>762,234,310</u>	<u>139,708,010</u>	<u>565,118,900</u>
Net increase in cash and cash equivalents					
		21,067,477	85,363,137	29,807,808	120,572,583
Cash and cash equivalents at beginning of year		36,076,654	144,955,996	6,268,846	25,307,331
Currency translation differences		-	2,543,201	-	(923,918)
Cash and cash equivalents at end of year	27	<u>57,144,131</u>	<u>232,862,334</u>	<u>36,076,654</u>	<u>144,955,996</u>

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

NOTES TO FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. GENERAL

Prior to 18 July 2018, Prince Bank Plc. was named as Prince Finance PLC, which was a private limited company formed under the Laws of the Kingdom of Cambodia to operate as a microfinance business in the Kingdom of Cambodia under registration number 00014627 dated 28 April 2015, issued by the Ministry of Commerce. On 18 July 2018, the National Bank of Cambodia issued a license for the Bank to become a private commercial bank with the name changed to Prince Bank Plc. The transaction was also acknowledged and endorsed by the Ministry of Commerce on 21 August 2018.

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

The registered office of the Bank is currently located at No. 175 ABCD, Mao Tse Tung Blvd, Sangkat Toul Svay Prey I, Khan Chamkarmon, Penh, Phnom Penh, Cambodia.

The financial statements were authorised for issue by the Board of Directors on 30 March 2020. The Board of Directors has the power to amend and reissue the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1. Basis of preparation

On 28 August 2009, the National Accounting Council of the Ministry of Economy and Finance announced the adoption of Cambodian International Financial Reporting Standards (“CIFRS”) which are based on all standards published by International Accounting Standard Board (“IASB”) including other interpretations and amendments to each standard that might arise in certain circumstances, by adding the word “Cambodian.” Publicly accountable entities shall prepare their financial statements in accordance with CIFRS for accounting periods beginning on or after 1 January 2012.

Circular 058 MoEF.NAC dated 24 March 2016 issued by the National Accounting Council of the Ministry of Economy and Finance allowed banks and financial institutions to further delay adoption of CIFRS until periods beginning on or after 1 January 2019.

The financial statements are prepared in accordance with Cambodian International Financial Reporting Standards (CIFRS) which are based on all standards published by the International Accounting Standard Board including other interpretations and amendments that may occur in any circumstances to each standard.

The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with CIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

The financial statements for the year ended 31 December 2019 are the first set of financial statements prepared in accordance with CIFRS. As a first-time adopter of CIFRS, the Bank prepares the explanation of transition from the guidelines issued by the National Bank of Cambodia and Cambodian Accounting Standards (“CAS”) to CIFRS in Note 4.

2.2 New and amended accounting standards and interpretations not yet adopted by the Bank

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting period and have not been early adopted by the Bank. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.3. Foreign currency translation

a) Functional and presentation currency

Items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the Bank operates (“the functional currency”). The US\$ reflects the economic substance of underlying events and circumstances of the Bank. The financial statements are therefore presented in US\$, which is the Bank’s functional and presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within interest expense. All other foreign exchange gains and losses are presented in the profit or loss on a net basis.

c) Presentation in Khmer Riel

In compliance with the Law on Accounting and Auditing, a translation of the financial statements from US\$ to Khmer Riel is required. The statements of profit or loss and other comprehensive income and cash flows are translated into Khmer Riel using the average rates for the years. Assets and liabilities for each statement of financial position presented and shareholders' capital are translated at the closing rates as of the reporting dates. Resulting exchange difference arising from the translation of shareholders' capital is recognised directly in equity; all other resulting exchange differences are recognised in the other comprehensive income.

The Bank has used the official rate of exchange published by the National Bank of Cambodia. As at the reporting date, the yearly average rate was US\$ 1 to Riel 4,052 (2018: US\$ 1 to Riel 4,045) and the closing rate was US\$1 to Riel 4,075 (2018: US\$ 1 to Riel 4,018).

For the purpose of presentation per CIFRS 1, as at 1 January 2018, the average rate was US\$ 1 to Riel 4,045 and the closing rate was US\$ 1 to Riel 4,037.

2.4. Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents comprises cash on hand, unrestricted deposits and placements with the central bank, deposits and placements with other banks, and other short-term highly liquid investments with original maturities of three months or less where the Bank has full ability to withdraw for general purpose whenever needed and subject to an insignificant risk of changes in value.

2.5. Financial assets

a) Classification

The Bank classifies its financial assets as measured at amortised cost which are cash on hand, deposits and placements with the central bank and other banks, loans and advances at amortised cost and other assets.

The classification depends on the Bank's model for managing financial assets and the contractual terms of the financial assets cash flows.

The Bank classifies its financial assets at amortised cost only if both of the following criteria are met:

- The asset is held within a business model with the objective of collecting the contractual cash flows, and
- The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

b) Recognition and derecognition

Financial assets are recognised when the Bank becomes a party to the contractual provision of the instruments. Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the Bank commits to purchase or sell the assets.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Bank has transferred substantially all the risks and rewards of ownership. A gain or loss on derecognition of a financial asset measured at amortised cost is recognised in profit or loss when the financial asset is derecognised.

c) Measurement

At initial recognition, the Bank measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Bank's business model for managing the assets and the cash flow characteristics of the assets. The Bank classifies its debt instruments as financial assets measured at amortised cost.

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows are solely payments of principal and interest (SPPI), are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised. Interest income from these financial assets is included in finance income using the effective interest rate method.

d) Reclassification of financial assets

The Bank reclassifies financial assets when and only when their business model for managing those assets changes.

e) *Impairment*

The Bank assesses on a forward-looking basis the expected credit losses (“ECL”) associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from credit commitments (including overdraft and revolving facilities) and financial guarantee contracts. The Bank recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Bank applies a three-stage approach to measuring expected credit losses (ECLs) for the following categories:

- Debt instruments measured at amortised cost; and
- Credit commitments (including undrawn overdraft and revolving facilities) and financial guarantee contract

The three-stage approach is based on the change in credit risk since initial recognition:

(a) Stage 1: 12-months ECL

Stage 1 includes financial assets which have not had a significant increase in credit risk since initial recognition or which have low credit risk at reporting date. 12-months ECL is recognised and interest income is calculated on the gross carrying amount of the financial assets.

(b) Stage 2: Lifetime ECL – not credit impaired

Stage 2 includes financial assets which have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but do not have objective evidence of impairment. Lifetime ECL is recognised and interest income is calculated on the gross carrying amount of the financial assets.

(c) Stage 3: Lifetime ECL – credit impaired

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. Lifetime ECL is recognised and interest income is calculated on the net carrying amount of the financial assets.

2.6. Financial liabilities

Financial liabilities are recognised when the Bank becomes a party to the contractual provision of the instruments. Financial liabilities of the Bank include deposits from customers, borrowings and other financial liabilities.

Financial liabilities are initially recognised at fair value less transaction costs for all financial liabilities not carried at fair value through profit or loss.

Financial liabilities that are not classified as fair value through profit or loss are measured at amortised cost. The financial liabilities measured at amortised cost are deposits from banks, deposits from customers, borrowings and other liabilities.

For borrowings from shareholders with interest rate below market rate, such borrowings are initially recognised at the present value of the future cash payments discounted at a market rate of interest for similar borrowings. Differences between the amount of cash received and the present value of the future cash payments are recognised as capital contribution in equity.

Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

2.7. Credit commitments and financial guarantee contracts

Credit commitments (including undrawn overdraft and revolving facilities) provided by the Bank are measured as the amount of the loss allowance. The Bank has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For credit commitments (including undrawn overdraft and revolving facilities), the expected credit losses are recognised as provisions (presented with other liabilities). However, for contracts that include both a loan and an undrawn commitment and that the Bank cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as a provision.

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. The guarantees are agreed on arm's length terms and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Financial guarantee contracts are subsequently measured at the higher of the amount determined in accordance with the expected credit loss model under CIFRS 9 'Financial Instruments' and the amount initially recognised less cumulative amount of income recognised in accordance with the principles of CIFRS 15 'Revenue from Contracts with Customers', where appropriate.

These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgement of management. The fee income earned is recognised on a straight-line basis over the life of the guarantee.

Any increase in the liability relating to guarantees is reported in profit or loss within operating expenses.

2.8. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.9. Property and equipment

Property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is possible that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Construction work-in-progress is not depreciated. Depreciation on other property and equipment are depreciated using the straight-line method to allocate their cost to their residual value over their estimated useful lives, as follows:

	Years
Leasehold improvement	Shorter of lease period and its economic lives of 10 years
Motor vehicles	4 - 8
Computer equipment	4
Office furniture and fixtures	4

Depreciation on construction work-in-progress commences when the assets are ready for their intended use. The assets' useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds within the carrying amount and are recognised in profit or loss.

2.10. Intangible assets

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

Costs associated with maintaining computer software are recognised as expenses when incurred.

2.11. Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Any impairment loss is charged to profit or loss in the period in which it arises. Reversal of impairment losses is recognised in profit or loss to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised.

2.12. Leases

The Bank as a lessee

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

Contracts may contain both lease and non-lease components. The Bank allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different term and conditions. The lease agreements do not impose any covenants other than the security interests in the lease assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use.

Assets and liabilities arising from a lease are initially measured on a present value basis.

i) Lease liabilities

Lease liabilities include the net present value of the lease payments from fixed payments (including in-substance fixed payments), less any lease incentives receivable.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Bank, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Bank where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

Lease payments are allocated between principal and interest expense. The interest expense was charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

ii) Right-of-use assets

Right-of-use assets are measured at cost comprising the following:

- the amount the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received, and
- any initial direct cost and
- restoration cost, if any

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Bank is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Subsequently the right-of-use asset is measured at cost less depreciation and any accumulated impairment losses.

iii) Recognition exemptions

Payments associated with all leases of short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

As first-time adopter of CIFRS, the Bank applied optional exemption on leases. Please refer to Note 4 for note on transition to CIFRS.

2.13. Income tax

The income tax expenses is the tax payables on the current's period taxable income, based on the applicable income tax rate, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax law enacted or substantively enacted at the reporting date in country where the Bank operates and generates taxable income.

Deferred tax is provided in full, using the liability method, providing for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates based on laws that have been enacted or substantively enacted by the reporting date.

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.14. Provision

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.15. Regulatory reserves

Banks and financial institutions are required to compute regulatory provisions, according to Prakas No. B7-017-344 dated 1 December 2017 and Circular No. B7-018-001 dated 16 February 2018 on credit risk classification and provisions on impairment. If the accumulated regulatory provision is higher than the accumulated impairment based on CIFRS 9, the 'topping up' will be recorded as regulatory reserves presented under equity. The reserve is subsequently reversed (up to zero) should the accumulated regulatory provision equal or be lower than accumulated impairment based on CIFRS 9. The regulatory reserve is set aside as a buffer, is non-distributable, is not allowed to be included in the net worth calculation.

2.16. Employee benefits

i) Short-term employee benefits

Short-term employee benefits are accrued in the year in which the associated services are rendered by the employees of the Bank.

ii) Other long-term employment benefits - seniority payments

In June 2018, the Cambodian government amended the Labour Law introducing the seniority pay scheme. Subsequently on 21 September 2018, Prakas No. 443 K.B/Br.K.Kh.L, was issued providing guidelines on the implementation of the law. In accordance with the law/Prakas, each entity is required to pay each employee with unspecified duration employment contract the following seniority scheme:

- Annual service - effective January 2019, 15 days of their average monthly salary and benefits each year payable every six month on 30 June and 31 December (7.5 days each payment).
- Past years of seniority service - employees are entitled to 15 days of their salary per year of service since the commencement of employment up to 31 December 2018 and still continue working with the Bank. The past seniority payment depends on each staff past services and shall not exceed six months of average gross salaries. On 22 March 2019, the Ministry of Labour and Vocational Training issued guideline number 042/29 K.B/S.N.N.Kh.L, to delay the payment of the past years of seniority service which will be payable three days each in June and in December starting December 2021.

The annual service pay is considered as short term employee benefits. These are accrued in the year in which the associated services are rendered by the employees of the Bank.

The past years of seniority service is classified as long-term employee benefits. Past seniority liability is recognised at the present value of defined obligations at the reporting period using the projected unit credit method to better estimate the ultimate cost to the Bank that employees have earned in return for their service in the current and prior period. That obligation arises as employees render the services that the Bank expected to pay in the future reporting periods. The present value of the past seniority payment is determined by discounting the estimate future payments by references to the high-quality corporate bond of the currency that the liability is denominated.

2.17. Interest income and expense

Interest income and expense from financial instruments at amortised cost are recognised within “interest income” and “interest expense” respectively in the statement of profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instruments or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

Interest income is calculated by applying effective interest rate to the gross carrying amount of a financial asset except for:

- Purchased or originated credit-impaired financial assets ('POCI'), for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial assets.
- Financial assets that are not 'POCI' but have subsequently become credit-impaired (or 'stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision).

2.18. Fee and commission income

Fees and commissions are recognised as income when all conditions precedent are fulfilled (performance obligations are satisfied and control is transferred over time or point in time).

Commitment fees for loans, advances and financing that are likely to be drawn down are deferred (together with related direct costs) and income which forms an integral part of the effective interest rate of a financial instrument is recognised as an adjustment to the effective interest rate on the financial instrument.

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

The Bank makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Bank's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are outlined below:

i) Expected credit loss allowance on financial assets at amortised cost

The expected credit loss allowance for financial assets measured at amortised cost requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk
- Choosing appropriate models and assumptions for the measurement of ECL
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL
- Establishing groups of similar financial assets for the purposes of measuring ECL

ii) Other long-term employee benefits - seniority payment

The present value of the seniority payment obligations depends on a number of factors that are determined on a basis using a number of assumptions. The assumptions used in determining the ultimate cost for seniority payment include the staff turnover and discount rate. Any changes in these assumptions will impact the carrying amount of seniority payment obligations.

iii) Lease terms

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

4. TRANSITION TO CIFRS

The Bank's financial statements for the year ended 31 December 2019 are the first financial statements prepared in accordance with CIFRS.

Up to 31 December 2018, the Bank prepared its financial statements in accordance with the guidelines issued by the National Bank of Cambodia ("NBC") and Cambodian Accounting Standards ("CAS"). In transition to CIFRS, the Bank has prepared and presented financial statements below in accordance with CIFRS:

1. Statement of financial position as at 31 December 2018
2. Opening statement of financial position as at 1 January 2018
3. Statement of profit or loss and other comprehensive income for the year ended 31 December 2018
4. Statement of changes in equity for the year ended 31 December 2018

This note provides reconciliation of equity as at 31 December 2018 and at 1 January 2018, and reconciliation of total comprehensive income for the year ended 31 December 2018.

As a first-time adopter of CIFRS, the Bank applied applicable mandatory exceptions and optional exemptions to the retrospective application below:

Mandatory exceptions applicable to the Bank are:

- The estimates as at 31 December 2018 and 1 January 2018 in accordance with CIFRS that are consistent with those made for the same date in accordance with the guidelines issued by the NBC and CAS, unless there is objective evidence that those estimates were in error.
- Derecognition of financial assets and financial liabilities: The Bank applied derecognition requirements in CIFRS 9 prospectively for transactions occurring on or after the date of transition to CIFRS (1 January 2018).
- Classification and measurement of financial assets: the financial assets of the Bank as at 1 January 2018 are assessed against the classification tests of business models and SPPI based on the facts and circumstances on 1 January 2018.
- Impairment of financial assets: the Bank applied the impairment requirements of CIFRS 9 retrospectively by using reasonable and supportable information that is available without undue cost or effort to determine the credit risk at the date that financial instruments were initially recognised and compared that to the credit risk at the date of transition to CIFRS (1 January 2018).

Optional exemptions elected by the Bank are:

- Leases: The Bank assessed whether a contract contains a lease on the basis of facts and circumstances existing at 1 January 2018. The Bank measured lease liabilities at 1 January 2018 at the present value of the remaining lease payments discounted using its incremental borrowing rate. The right-of-use assets were recognised at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payment relating to the leases recognised in the statement of financial position immediately before 1 January 2018. On a lease-by-lease basis, the Bank:
 - Used a single discount rate for a portfolio of leases with similar characteristics by considering the similar remaining terms, similar class of underlying assets and similar lease liabilities.
 - Applied short-term exemption to those leases with the remaining terms of 12 months or less at 1 January 2018;
 - Excluded the initial direct costs such as legal fees from the basis of the calculation of the right-of-use assets as at 1 January 2018; and
 - Used actual information happened after 1 January 2018 to support assessment of the lease term where the extension or termination option involved judgement at 1 January 2018.
- Fair value measurement of financial assets or financial liabilities at initial recognition: The Bank applied “day 1” gain or loss recognition requirement of CIFRS 9 prospectively to transactions entered into on or after 1 January 2018.
- As first-time adopter of CIFRS, the cumulative translation differences are deemed to be zero at 1 January 2018 (date of transition to CIFRS).

4.1. Reconciliation of equity

	As at 31 December 2018		As at 1 January 2018	
	US\$	KHR'000	US\$	KHR'000
Equity as reported under CAS and guidelines issued by the central bank	96,153,769	386,345,843	14,463,580	58,389,472
Effect of transition to CIFRS	<u>1,259,199</u>	<u>5,059,461</u>	<u>234,831</u>	<u>948,013</u>
Equity as reported under CIFRS	<u>97,412,968</u>	<u>391,405,304</u>	<u>14,698,411</u>	<u>59,337,485</u>

4.1. Reconciliation of equity (Continued)

i) RECONCILIATION OF EQUITY AS AT 31 DECEMBER 2018

Notes	CAS and NBC's guidelines As at 31 December 2018		Effect of transition to CIFRS As at 31 December 2018		CIFRS As at 31 December 2018	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
ASSETS						
Cash on hand	1,064,975	4,279,070	-	-	1,064,975	4,279,070
Deposits and placements with the central bank	a 15,839,463	63,642,962	(10,886,222)	(43,740,840)	4,953,241	19,902,122
Deposits and placements with other banks	b 29,757,854	119,567,057	262,976	1,056,638	30,020,830	120,623,695
Loans and advances at amortised cost	c 113,399,397	455,638,777	(77,150)	(309,989)	113,322,247	455,328,788
Statutory deposits with the central bank	a -	-	10,886,222	43,740,840	10,886,222	43,740,840
Property and equipment	4,568,769	18,357,314	-	-	4,568,769	18,357,314
Right-of-use assets	d -	-	8,491,258	34,117,875	8,491,258	34,117,875
Intangible assets	2,915,469	11,714,354	-	-	2,915,469	11,714,354
Deferred tax assets	g -	-	187,435	753,114	187,435	753,114
Other assets	e 3,152,869	12,668,228	4,296	17,261	3,157,165	12,685,489
TOTAL ASSETS	<u>170,698,796</u>	<u>685,867,762</u>	<u>8,868,815</u>	<u>35,634,899</u>	<u>179,567,611</u>	<u>721,502,661</u>
LIABILITIES AND EQUITY						
LIABILITIES						
Deposits from customers	1,009,079	4,054,479	-	-	1,009,079	4,054,479
Borrowings	66,000,000	265,188,000	-	-	66,000,000	265,188,000
Lease liabilities	d -	-	8,756,038	35,181,761	8,756,038	35,181,761
Minimum tax/current income tax liabilities	f 12,700	51,029	(12,700)	(51,029)	-	-
Employee benefits	285,128	1,145,644	-	-	285,128	1,145,644
Other liabilities	f 7,238,120	29,082,766	(1,133,722)	(4,555,294)	6,104,398	24,527,472
TOTAL LIABILITIES	<u>74,545,027</u>	<u>299,521,918</u>	<u>7,609,616</u>	<u>30,575,438</u>	<u>82,154,643</u>	<u>330,097,356</u>

i) RECONCILIATION OF EQUITY AS AT 31 DECEMBER 2018 (Continued)

Notes	CAS and NBC's guidelines As at 31 December 2018		Effect of transition to CIFRS As at 31 December 2018		CIFRS As at 31 December 2018	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
EQUITY						
Share capital	100,000,000	401,800,000	-	-	100,000,000	401,800,000
Retained earnings	h (3,846,231)	(15,454,156)	(43,600)	(176,362)	(3,889,831)	(15,630,518)
Regulatory reserves	i -	-	1,302,799	5,269,822	1,302,799	5,269,822
Other reserve	-	-	-	(33,999)	-	(33,999)
TOTAL EQUITY	<u>96,153,769</u>	<u>386,345,844</u>	<u>1,259,199</u>	<u>5,059,461</u>	<u>97,412,968</u>	<u>391,405,305</u>
TOTAL LIABILITIES AND EQUITY	<u>170,698,796</u>	<u>685,867,762</u>	<u>8,868,815</u>	<u>35,634,899</u>	<u>179,567,611</u>	<u>721,502,661</u>

i) RECONCILIATION OF EQUITY AS AT 1 JANUARY 2018

Notes	CAS and NBC's guidelines As at 1 January 2018		Effect of transition to CIFRS As at 1 January 2018		CIFRS As at 1 January 2018	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
ASSETS						
Cash on hand	67,064	270,737	-	-	67,064	270,737
Deposits and placements with the central bank	a 750,858	3,031,214	(750,000)	(3,027,750)	858	3,464
Deposits and placements with other banks	b 6,200,924	25,033,130	(6,025)	(24,323)	6,194,899	25,008,807
Loans and advances at amortised cost	c 18,833,156	76,029,451	(3,304)	(13,338)	18,829,852	76,016,113
Statutory deposits with the central bank	a -	-	750,000	3,027,750	750,000	3,027,750
Property and equipment	832,519	3,360,879	-	-	832,519	3,360,879
Right-of-use assets	d -	-	1,561,352	6,303,178	1,561,352	6,303,178
Intangible assets	56,605	228,514	-	-	56,605	228,514
Deferred tax assets	g -	-	47,177	190,454	47,177	190,454
Other assets	e 186,315	752,154	17,154	69,251	203,469	821,405
TOTAL ASSETS	<u>26,927,441</u>	<u>108,706,079</u>	<u>1,616,354</u>	<u>6,525,222</u>	<u>28,543,795</u>	<u>115,231,301</u>
LIABILITIES AND EQUITY						
LIABILITIES						
Borrowings	11,000,000	44,407,000	-	-	11,000,000	44,407,000
Lease liabilities	d -	-	1,561,352	6,303,178	1,561,352	6,303,178
Minimum tax/current income tax liabilities	f 3,402	13,734	(3,402)	(13,734)	-	-
Other liabilities	f <u>1,460,459</u>	<u>5,895,873</u>	<u>(176,427)</u>	<u>(712,235)</u>	<u>1,284,032</u>	<u>5,183,638</u>
TOTAL LIABILITIES	<u>12,463,861</u>	<u>50,316,607</u>	<u>1,381,523</u>	<u>5,577,209</u>	<u>13,845,384</u>	<u>55,893,816</u>
EQUITY						
Share capital	15,000,000	60,555,000	-	-	15,000,000	60,555,000
Retained earnings	h (536,420)	(2,165,528)	61,895	249,870	(474,525)	(1,915,658)
Regulatory reserves	i -	-	172,936	698,143	172,936	698,143
TOTAL EQUITY	<u>14,463,580</u>	<u>58,389,472</u>	<u>234,831</u>	<u>948,013</u>	<u>14,698,411</u>	<u>59,337,485</u>
TOTAL LIABILITIES AND EQUITY	<u>26,927,441</u>	<u>108,706,079</u>	<u>1,616,354</u>	<u>6,525,222</u>	<u>28,543,795</u>	<u>115,231,301</u>

ii) Notes to the reconciliation of equity as at 31 December 2018 and 1 January 2018

- (a) The capital guarantee and reserve requirement deposits do not meet financial assets definition under CIFRS 9, thus they are reclassified and presented separately as “statutory deposits with the central bank”.
- (b) Impairment loss based on expected credit loss (ECL) model of CIFRS 9 as at 31 December 2018 was lower than impairment loss recognised based on CAS and NBC’s guidelines of US\$262,976. The effect of adjustment as at 1 January 2018 represented impairment loss based on ECL model of CIFRS 9, but was not recognised based on CAS and NBC’s guidelines as at 1 January 2018 of US\$6,025.
- (c) The reclassification and adjustments to loans and advances at amortised costs are as follows:

	As at 31 December 2018		As at 1 January 2018	
	US\$	KHR’000	US\$	KHR’000
Loans and advances to employees (i)	(5,564)	(22,356)	(17,154)	(69,251)
Allowance on expected credit loss for loans and advances (ii)	997,029	4,006,063	182,249	735,739
Unwinding of discount on interest income (iii)	24,628	98,954	11,430	46,143
Reclassification of unamortised loan fees (iv)	<u>(1,093,243)</u>	<u>(4,392,650)</u>	<u>(179,829)</u>	<u>(725,969)</u>
	<u>(77,150)</u>	<u>(309,989)</u>	<u>(3,304)</u>	<u>(13,338)</u>

- (i) At initial recognition, loans and advances measure at its fair value plus, transaction costs that are directly attributable to the acquisition of the financial asset. Loans and advances provided to employees are not at market interest rate, and they are not recorded at fair value. The Bank measured the loans and advances to employees at present value of future cash inflows discounted at a market rate of interest for a similar loan and the differences is accounted for as employee benefits paid in advances which resulted for reclassification from “loans and advances” to “other assets”.
- (ii) Under CAS and NBC’s guidelines, loans and advances to customers are recognised and measured at cost less regulatory provision. Loans and advances to customers passed the BM and SPPI tests, are measured at amortised cost using effective interest method under CIFRS 9. Financial assets measured at amortised cost is subject to impairment loss based on ECL model, but was recognised based on CAS and NBC’s guidelines. These resulted in a decrease in impairment loss of US\$997,029 and US\$182,249 as at 31 December 2018 and 1 January 2018.
- (iii) Interest income from non-performing loans previously not qualified as interest income, have been reversed to interest income and unwinding of discount on interest income is recognised on the amortised cost (after deducting the ECL allowance) of US\$24,628 and US\$11,430 as at 31 December 2018 and 1 January 2018 respectively.

(iv) Under CIFRS 9, loan processing fees and costs that are directly attributable and integral to the transaction of the loans, should be capitalised as part of the loan balance, and amortised over the expected life of the loan on an effective interest rate basis (as part of interest income) which resulted to reclassification of unamortised loan fees from “other liabilities” to “loan and advances at amortised cost” of US\$1,093,243 and US\$179,829 as at 31 December 2018 and 1 January 2018.

(d) On adoption of CIFRS 16, the Bank measured lease liabilities at 1 January 2018 at the present value of the remaining lease payments discounted using its incremental borrowing rate. The right-of-use assets were recognised at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payment relating to the leases recognised in the statement of financial position immediately before 1 January 2018.

Interest expenses on lease liabilities and depreciation charges on right-of-use assets are recognised in profit of loss for the year ended 31 December 2018.

Previous rental expenses under operating lease was derecognised from the profit or loss which resulted in decrease in retained earnings of US\$264,780 for the year ended 31 December 2018.

(e) Note 4.1 ii) (c) (i), reclassification of employee benefits paid in advances from “loans and advances” to “other assets” of US\$5,564 and US\$17,154 as at 31 December 2018 and 1 January 2018. Other adjustment of US\$1,268 was adjusted in other assets as at 31 December 2018.

(f) The reclassification and adjustments in other liabilities as follows:

	As at 31 December 2018		As at 1 January 2018	
	US\$	KHR'000	US\$	KHR'000
Reclassification of unamortised loan fees (Note 4.1 ii) (c) (iv)	(1,093,243)	(4,392,650)	(179,829)	(725,969)
Reclassification of minimum tax	12,700	51,029	3,402	13,734
Allowance on expected credit loss for credit commitment and financial guarantee contracts	(53,179)	(213,673)	-	-
	<u>(1,133,722)</u>	<u>(4,555,294)</u>	<u>(176,427)</u>	<u>(712,235)</u>

Reclassification of minimum tax to present under “other liabilities” as it is not required to present separately.

Allowance on expected credit loss for credit commitments and financial guarantee contracts are based on ECL model, but was recognised based on CAS and NBC’s guidelines which resulted in a decrease of US\$53,179 as at 31 December 2018. There was no adjustment on credit commitments and financial guarantee contracts as at 1 January 2018.

(g) The above changes are required to recognise the deferred tax assets as follows:

	As at 31 December 2018		As at 1 January 2018	
	US\$	KHR'000	US\$	KHR'000
Leases	52,956	212,777	-	-
Credit impairment loss	42,143	169,331	2,815	11,364
Unamortised loan fees	182,683	734,020	35,966	145,195
Employee benefits	21,575	86,688	-	-
Accelerated depreciation	(111,922)	(449,702)	8,396	33,895
	<u>187,435</u>	<u>753,114</u>	<u>47,177</u>	<u>190,454</u>

(h) The adjustments to retained earnings are as follows:

	Notes	As at 31 December 2018		As at 1 January 2018	
		US\$	KHR'000	US\$	KHR'000
Impairment loss on deposits and placements with other banks	b	262,976	1,056,638	(6,025)	(24,323)
Impairment loss on loans and advances	c (ii)	997,029	4,006,063	182,249	735,739
Impairment loss on credit commitments and financial guarantee contracts	f	53,179	213,673	-	-
Unwinding of discount	c (iii)	24,628	98,954	11,430	46,143
Leases	d	(264,780)	(1,063,886)	-	-
Tax effect of the above	g	187,435	753,114	47,177	190,454
Others		(1,268)	(5,095)	-	-
Total adjustments to retained earnings		<u>1,259,199</u>	<u>5,059,461</u>	<u>234,831</u>	<u>948,013</u>
Transfer from retained earnings to regulatory reserves	i	(1,302,799)	(5,269,822)	(172,936)	(698,143)
Other reserves		-	33,999	-	-
Total effect of transition to CIFRS		<u>(43,600)</u>	<u>(176,362)</u>	<u>61,895</u>	<u>249,870</u>

(i) As in Note 2.15, the accumulated regulatory provision based on CAS and NBC's guidelines is higher than the accumulated impairment based on CIFRS 9, the 'topping up' are transferred from retained earnings to regulatory reserves presented under equity.

4.2. Reconciliation of total comprehensive income

	For the year ended 31 December 2018	
	US\$	KHR'000
Total comprehensive income as reported under CAS and guidelines issued by the central bank	(3,309,811)	(13,388,185)
Effect of transition to CIFRS	<u>1,024,368</u>	<u>4,143,569</u>
Total comprehensive income as reported under CIFRS	<u>(2,285,443)</u>	<u>(9,244,616)</u>

i) PRESENTATION CURRENCY

In accordance with NBC Prakas No. B7-07-164, dated 13 December 2007, the financial statements were translated to Khmer Riel (KHR) using one rate which is the closing rate (US\$1 to KHR4,018) as at 31 December 2018. Following CIAS 21, the statement of profit or loss and other comprehensive income for the year ended 31 December 2018 has been retranslated into Khmer Riel using the average rate for the year which was US\$1 to KHR 4,045. For practical reason, the Bank did not show reconciliation of each item of income and expenses in the statement of profit or loss for the year ended 31 December 2018. The impact of the retranslation from closing rate to average rate is not material and is reported as other comprehensive income and other reserves.

ii) RECONCILIATION OF TOTAL COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	CAS and NBC's guidelines		Effect of transition to CIFRS		CIFRS	
		For the year ended 31 December 2018		For the year ended 31 December 2018		For the year ended 31 December 2018	
		US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Interest income	a	6,380,555	25,809,345	327,605	1,325,162	6,708,160	27,134,507
Interest expense	b	(569,887)	(2,305,193)	(309,402)	(1,251,531)	(879,289)	(3,556,724)
Net interest income		<u>5,810,668</u>	<u>23,504,152</u>	<u>18,203</u>	<u>73,631</u>	<u>5,828,871</u>	<u>23,577,783</u>
Fee and commission income	a	250,017	1,011,319	(250,017)	(1,011,319)	-	-
Fee and commission expense		-	-	-	-	-	-
Net fee and commission income		<u>250,017</u>	<u>1,011,319</u>	<u>(250,017)</u>	<u>(1,011,319)</u>	<u>-</u>	<u>-</u>
Other operating income	c	349,991	1,415,714	(192,682)	(779,399)	157,309	636,315
Other gains/(losses) - net	c	-	-	135,585	548,441	135,585	548,441
Total other operating income		<u>349,991</u>	<u>1,415,714</u>	<u>(57,097)</u>	<u>(230,958)</u>	<u>292,894</u>	<u>1,184,756</u>
Credit impairment losses	d	(1,597,228)	(6,460,787)	1,129,864	4,570,300	(467,364)	(1,890,487)
Net other operating loss		<u>(1,247,237)</u>	<u>(5,045,073)</u>	<u>1,072,767</u>	<u>4,339,342</u>	<u>(174,470)</u>	<u>(705,731)</u>
Personnel expenses	e	(285,128)	(1,153,343)	(3,909,451)	(15,813,729)	(4,194,579)	(16,967,072)
Depreciation and amortisation charges	f	-	-	(1,004,223)	(4,062,082)	(1,004,223)	(4,062,082)
Other operating expenses	g	(7,838,131)	(31,705,240)	4,956,831	20,050,381	(2,881,300)	(11,654,859)
Loss before income tax		<u>(3,309,811)</u>	<u>(13,388,185)</u>	<u>884,110</u>	<u>3,576,224</u>	<u>(2,425,701)</u>	<u>(9,811,961)</u>
Income tax expenses	h	-	-	140,258	567,344	140,258	567,344
Net loss for the year		<u>(3,309,811)</u>	<u>(13,388,185)</u>	<u>1,024,368</u>	<u>4,143,568</u>	<u>(2,285,443)</u>	<u>(9,244,617)</u>

ii) **RECONCILIATION OF TOTAL COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018 (Continued)**

Notes	CAS and NBC's guidelines For the year ended 31 December 2018		Effect of transition to CIFRS For the year ended 31 December 2018		CIFRS For the year ended 31 December 2018	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Other comprehensive income: <i>Items that will not reclassified to profit or loss</i>						
Currency translation differences	-	-	-	67,435	-	67,435
Other comprehensive income for the year, net of tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>67,435</u>	<u>-</u>	<u>67,435</u>
Total comprehensive income for the year	<u>(3,309,811)</u>	<u>(13,388,185)</u>	<u>1,024,368</u>	<u>4,211,003</u>	<u>(2,285,443)</u>	<u>(9,177,182)</u>
Profit attributable to:						
Owners of the Bank	<u>(3,309,811)</u>	<u>(13,388,185)</u>	<u>1,024,368</u>	<u>4,143,568</u>	<u>(2,285,443)</u>	<u>(9,244,617)</u>
Total comprehensive income attributable to:						
Owners of the Bank	<u>(3,309,811)</u>	<u>(13,388,185)</u>	<u>1,024,368</u>	<u>4,211,003</u>	<u>(2,285,443)</u>	<u>(9,177,182)</u>

iii) **Notes to the reconciliation of total comprehensive income for the year ended 31 December 2018**

(a) Interest income recognised at effective interest rate instead of contractual rate resulted in reclassification of fees and commission incomes related to loan processing fees to interest income of US\$250,017.

Other fees are reclassified to interest income of US\$57,097.

Interest income from non-performing loans previously not recognised as interest income, have been recognised based on net carrying amount in profit or loss at the transition date. This increase in interest income of US\$20,294.

(b) Interest expenses on lease liabilities (Note 4.1 (ii)(d)) of US\$309,402.

(c) Reclassification from "other operating income" to "other gains/(losses) – net" as they were related to gain on foreign exchange currencies and disposal of property and equipment of US\$135,585. Other fees are reclassified to interest income of US\$57,097.

(d) The decrease in credit impairment loss are as follows:

	For the year ended 31 December 2018	
	US\$	KHR'000
Impairment loss on deposits and placements with other banks	269,001	1,088,109
Impairment loss on loans and advances	807,684	3,267,082
Impairment loss on credit commitments and financial guarantee contracts	53,179	215,109
	<u>1,129,864</u>	<u>4,570,300</u>

(e) Reclassification of personnel expenses of US\$3,907,986 from other operating expenses to present separately as personnel expenses. Other adjustment of US\$1,465 is related to unwinding interest of loans and advances to employees at fair value.

(f) Depreciation charges on right-of-use assets (Note 4.1 (ii)(d)) of US\$556,770 and reclassification of depreciation and amortisation charges of US\$447,453 from other operating expenses to present separately as depreciation and amortisation charges.

(g) Adjustment of rental expenses paid on property leases of US\$601,392.

Reclassification of personnel expenses of US\$3,907,986 from other operating expenses to present separately as personnel expenses.

Reclassification of depreciation and amortisation charges of US\$447,453 from other operating expenses to present separately as depreciation and amortisation charges.

(h) Refer to Note 4.1 (ii)(g) lead to an increase in deferred tax assets of US\$140,258.

5. CASH ON HAND

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
<i>Current</i>				
US Dollars	6,681,902	27,228,750	1,040,082	4,179,050
Khmer Riel	<u>1,630,091</u>	<u>6,642,621</u>	<u>24,893</u>	<u>100,020</u>
	<u>8,311,993</u>	<u>33,871,371</u>	<u>1,064,975</u>	<u>4,279,070</u>

6. DEPOSITS AND PLACEMENTS WITH THE CENTRAL BANK

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
<i>Current</i>				
Current accounts	341,300	1,390,798	4,953,241	19,902,122
Settlement accounts	323,011	1,316,270	-	-
Negotiable certificate of deposits	99,098	403,824	-	-
	<u>763,409</u>	<u>3,110,892</u>	<u>4,953,241</u>	<u>19,902,122</u>

Negotiable certificate of deposits

The Bank has pledged negotiable certificate of deposits (NCD) amounting to US\$99,098 with the central bank as collateral for settlement clearing facility. As at 31 December 2019, the Bank had yet utilised the overdraft on settlement clearing facility.

Annual interest rate of deposits and placements with the central bank is as follows:

	2019	2018
Current accounts	Nil	Nil
Settlement accounts	Nil	Nil
Negotiable certificate of deposits	0.06% - 0.77%	Nil

7. DEPOSITS AND PLACEMENTS WITH OTHER BANKS

(a) By residency status

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
Deposits and placements with local banks				
Current accounts	9,490,419	38,673,457	21,003,388	84,391,613
Savings accounts	708,466	2,886,999	9,055,050	36,383,191
Fixed deposits	37,968,942	154,723,439	-	-
	48,167,827	196,283,895	30,058,438	120,774,804
Less: allowance for expected credit loss (Note 31.1 (f) (iii))	<u>(62,667)</u>	<u>(255,368)</u>	<u>(37,608)</u>	<u>(151,109)</u>
	<u>48,105,160</u>	<u>196,028,527</u>	<u>30,020,830</u>	<u>120,623,695</u>

(b) By maturity

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
Current	48,105,160	196,028,527	30,020,830	120,623,695
Non-current	-	-	-	-
	<u>48,105,160</u>	<u>196,028,527</u>	<u>30,020,830</u>	<u>120,623,695</u>

Annual interest rates of deposits and placements with other banks are as follows:

	2019	2018
Current accounts	2%	Nil
Savings accounts	2%	0.25% - 0.50%
Fixed deposits	0.06% to 5.5%	Nil

8. LOANS AND ADVANCES

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
<i>At amortised cost</i>				
Commercial loans:				
Short-term	6,850,956	27,917,646	6,154,298	24,727,969
Overdrafts	652,623	2,659,439	-	-
Long-term loans	<u>191,643,984</u>	<u>780,949,235</u>	<u>48,439,131</u>	<u>194,628,428</u>
	<u>199,147,563</u>	<u>811,526,320</u>	<u>54,593,429</u>	<u>219,356,397</u>
Consumer loans:				
Real estate mortgages	60,028,689	244,616,908	18,918,893	76,016,112
Credit cards	429	1,748	-	-
Others	<u>46,069,586</u>	<u>187,733,562</u>	<u>40,321,803</u>	<u>162,013,005</u>
	<u>106,098,704</u>	<u>432,352,218</u>	<u>59,240,696</u>	<u>238,029,117</u>
Total gross loans	305,246,267	1,243,878,538	113,834,125	457,385,514
Less: Allowance for expected credit loss (Note 31.1 (f) (i))	<u>(2,267,657)</u>	<u>(9,240,702)</u>	<u>(511,878)</u>	<u>(2,056,726)</u>
Total net loans	<u>302,978,610</u>	<u>1,234,637,836</u>	<u>113,322,247</u>	<u>455,328,788</u>

(a) Allowance for expected credit loss

Movements for allowance for expected credit loss are as follows:

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
12-month ECL (Stage 1)	1,738,685	7,085,141	325,062	1,306,099
Lifetime ECL-not credit impaired (Stage 2)	40,984	167,010	5,466	21,962
Lifetime ECL-credit impaired (Stage 3)	487,988	1,988,551	181,350	728,665
	<u>2,267,657</u>	<u>9,240,702</u>	<u>511,878</u>	<u>2,056,726</u>

(b) Analysis by industry

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
Agriculture, forestry and fishing	7,702,314	31,386,930	2,658,863	10,683,312
Building and construction	23,898,647	97,386,987	14,804,930	59,486,209
Financial institutions	12,736,380	51,900,749	-	-
Import and exports	4,615,556	18,808,391	1,707,369	6,860,209
Manufacturing	9,833,296	40,070,681	3,706,185	14,891,451
Personal lending	43,934,732	179,034,033	22,595,722	90,789,611
Real estate and mortgages	51,689,123	210,633,176	24,628,266	98,956,373
Services	7,302,719	29,758,580	3,515,548	14,125,472
Wholesale and retail trade	88,295,514	359,804,218	30,919,181	124,233,267
Other lending	<u>52,970,329</u>	<u>215,854,091</u>	<u>8,786,183</u>	<u>35,302,884</u>
Total net loans	<u>302,978,610</u>	<u>1,234,637,836</u>	<u>113,322,247</u>	<u>455,328,788</u>

(c) Analysis by loan classification

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
<i>Performing</i>				
Gross amount	<u>300,033,504</u>	<u>1,222,636,529</u>	<u>112,568,911</u>	<u>452,301,884</u>
Exposure at default	<u>477,669,152</u>	<u>1,946,501,794</u>	<u>181,888,817</u>	<u>730,829,267</u>
Allowance for expected credit loss	<u>1,738,685</u>	<u>7,085,141</u>	<u>325,062</u>	<u>1,306,099</u>
<i>Under-performing</i>				
Gross amount	<u>2,877,463</u>	<u>11,725,662</u>	<u>510,703</u>	<u>2,052,005</u>
Exposure at default	<u>5,023,656</u>	<u>20,471,398</u>	<u>775,333</u>	<u>3,115,288</u>
Allowance for expected credit loss	<u>40,984</u>	<u>167,010</u>	<u>5,466</u>	<u>21,962</u>
<i>Non-performing</i>				
Gross amount	<u>2,335,300</u>	<u>9,516,347</u>	<u>754,511</u>	<u>3,031,625</u>
Exposure at default	<u>3,360,635</u>	<u>13,694,588</u>	<u>1,082,707</u>	<u>4,350,317</u>
Allowance for expected credit loss	<u>487,988</u>	<u>1,988,551</u>	<u>181,350</u>	<u>728,665</u>
Total				
Gross amount	<u>305,246,267</u>	<u>1,243,878,538</u>	<u>113,834,125</u>	<u>457,385,514</u>
Exposure at default	<u>486,053,443</u>	<u>1,980,667,780</u>	<u>183,746,857</u>	<u>738,294,872</u>
Allowance for expected credit loss	<u>2,267,657</u>	<u>9,240,702</u>	<u>511,878</u>	<u>2,056,726</u>

(d) Analysis by maturity

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
Not later than 1 year	19,113,769	77,888,609	6,463,091	25,968,700
Later than 1 year and no later than 3 years	8,393,431	34,203,231	3,551,887	14,271,482
Later than 3 years and no later than 5 years	30,059,320	122,491,729	12,553,214	50,438,814
Later than 5 years	<u>245,412,090</u>	<u>1,000,054,267</u>	<u>90,754,055</u>	<u>364,649,792</u>
Total net loans	<u>302,978,610</u>	<u>1,234,637,836</u>	<u>113,322,247</u>	<u>455,328,788</u>

(e) Analysis by exposure

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
Large exposure	-	-	-	-
Non-large exposure	<u>302,978,610</u>	<u>1,234,637,836</u>	<u>113,322,247</u>	<u>455,328,788</u>
Total net loans	<u>302,978,610</u>	<u>1,234,637,836</u>	<u>113,322,247</u>	<u>455,328,788</u>

Large exposure is defined by the central bank as overall credit exposure to any individual beneficiary which exceeds 10% of the Bank's net worth.

(f) Analysis by relationship

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
Related parties	1,099,508	4,480,495	398,802	1,602,386
Non-related parties	<u>301,879,102</u>	<u>1,230,157,341</u>	<u>112,923,445</u>	<u>453,726,402</u>
Total net loans	<u>302,978,610</u>	<u>1,234,637,836</u>	<u>113,322,247</u>	<u>455,328,788</u>

(g) Analysis by residency

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
Residents	302,978,610	1,234,637,836	113,322,247	455,328,788
Non-residents	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total net loans	<u>302,978,610</u>	<u>1,234,637,836</u>	<u>113,322,247</u>	<u>455,328,788</u>

(h) Interest rates

	2019	2018
Long-term loans	7% - 20.40%	7% - 22.80%
Overdrafts	7.50% - 11%	-
Short-term loans	10% - 18%	10% - 18%

9. STATUTORY DEPOSITS WITH THE CENTRAL BANK

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
<i>Current</i>				
Reserve requirement	10,763,172	43,859,926	886,222	3,560,840
<i>Non-current</i>				
Capital guarantee deposits	<u>25,000,000</u>	<u>101,875,000</u>	<u>10,000,000</u>	<u>40,180,000</u>
	<u>35,763,172</u>	<u>145,734,926</u>	<u>10,886,222</u>	<u>43,740,840</u>

(i) Reserve requirement

The reserve requirement represents the minimum reserve which is calculated at 8% and 12.50% of customers' deposits and borrowings in Khmer Riel (KHR) and other currencies respectively. The reserve requirement on customers' deposits and borrowings bear no interest.

(ii) Capital guarantee

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

(iii) Interest rate

	2019	2018
Reserve requirement	Nil	Nil
Capital guarantee	0.48%	0.46% - 0.62%

10. PROPERTY AND EQUIPMENT

	Leasehold improvement	Motor vehicles	Computer equipment	Office furniture and equipment	Construction in progress	Total
	US\$	US\$	US\$	US\$	US\$	US\$
As at 1 January 2018						
Cost	500,283	409,812	139,429	105,571	33,977	1,189,072
Accumulated depreciation	(168,358)	(86,722)	(59,398)	(42,075)	-	(356,553)
Net book value	<u>331,925</u>	<u>323,090</u>	<u>80,031</u>	<u>63,496</u>	<u>33,977</u>	<u>832,519</u>
<i>In KHR'000 equivalents</i>	<u>1,339,981</u>	<u>1,304,314</u>	<u>323,085</u>	<u>256,333</u>	<u>137,165</u>	<u>3,360,878</u>
For the year ended 31 December 2018						
Opening net book value	331,925	323,090	80,031	63,496	33,977	832,519
Additions	11,927	1,529,308	560,811	612,119	1,458,638	4,172,803
Disposals	-	(17,855)	-	-	-	(17,855)
Depreciation charge	(89,762)	(172,856)	(78,086)	(77,994)	-	(418,698)
Closing net book value	<u>254,090</u>	<u>1,661,687</u>	<u>562,756</u>	<u>597,621</u>	<u>1,492,615</u>	<u>4,568,769</u>
As at 31 December 2018						
Cost	512,210	1,921,265	700,240	717,690	1,492,615	5,344,020
Accumulated depreciation	(258,120)	(259,578)	(137,484)	(120,069)	-	(775,251)
Net book value	<u>254,090</u>	<u>1,661,687</u>	<u>562,756</u>	<u>597,621</u>	<u>1,492,615</u>	<u>4,568,769</u>
<i>In KHR'000 equivalents</i>	<u>1,020,934</u>	<u>6,676,658</u>	<u>2,261,154</u>	<u>2,401,241</u>	<u>5,997,327</u>	<u>18,357,314</u>
For the year ended 31 December 2019						
Opening net book value	254,090	1,661,687	562,756	597,621	1,492,615	4,568,769

10. PROPERTY AND EQUIPMENT (Continued)

	Leasehold improvement	Motor vehicles	Computer equipment	Office furniture and equipment	Construction in progress	Total
	US\$	US\$	US\$	US\$	US\$	US\$
Additions	71,876	609,645	607,598	1,264,783	685,698	3,239,600
Transfers	-	-	1,408,049	602,512	(2,010,561)	-
Disposals	-	-	(267)	-	(362)	(629)
Depreciation charge	(36,930)	(314,273)	(549,617)	(420,527)	-	(1,321,347)
Closing net book value	<u>289,036</u>	<u>1,957,059</u>	<u>2,028,519</u>	<u>2,044,389</u>	<u>167,390</u>	<u>6,486,393</u>
As at 31 December 2019						
Cost	584,086	2,530,910	2,715,620	2,584,986	167,390	8,582,992
Accumulated depreciation	(295,050)	(573,851)	(687,101)	(540,597)	-	(2,096,599)
Net book value	<u>289,036</u>	<u>1,957,059</u>	<u>2,028,519</u>	<u>2,044,389</u>	<u>167,390</u>	<u>6,486,393</u>
<i>In KHR'000 equivalents</i>	<u>1,177,822</u>	<u>7,975,015</u>	<u>8,266,215</u>	<u>8,330,885</u>	<u>682,114</u>	<u>26,432,051</u>

11. LEASES

This note provides information for leases where the Bank is a lessee.

The Bank leases various buildings for its head office and branch operations and equipment. Rental contracts are typically made for fixed periods of 2 to 10 years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

From 1 January 2018 (date of transition to CIFRS), the Bank has recognised right-of-use assets for these leases, except for short-term leases. Please see Note 4 on Explanation of Transition to CIFRS.

i) Amounts recognised in the statement of financial position

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
<i>Right-of-use assets (Non-current)</i>				
Buildings	11,890,623	48,454,289	8,377,410	33,660,433
Equipment	<u>212,940</u>	<u>867,730</u>	<u>113,848</u>	<u>457,442</u>
	<u>12,103,563</u>	<u>49,322,019</u>	<u>8,491,258</u>	<u>34,117,875</u>
<i>Lease liabilities</i>				
Current	1,069,385	4,357,744	887,005	3,563,986
Non-current	<u>11,773,451</u>	<u>47,976,813</u>	<u>7,869,033</u>	<u>31,617,775</u>
	<u>12,842,836</u>	<u>52,334,557</u>	<u>8,756,038</u>	<u>35,181,761</u>

Additions to the right-of-use assets during the year were US\$ US\$5,031,754 (2018: US\$7,486,676).

ii) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
<i>Depreciation charge of right-of-use assets</i>				
Buildings	1,333,315	5,402,592	538,958	2,180,085
Equipment	<u>85,306</u>	<u>345,660</u>	<u>17,812</u>	<u>72,050</u>
Depreciation charge (Note 24)	<u>1,418,621</u>	<u>5,748,252</u>	<u>556,770</u>	<u>2,252,135</u>
<i>Interest expense on lease liabilities</i>				
Buildings	821,043	3,326,866	306,315	1,239,044
Equipment	<u>13,056</u>	<u>52,903</u>	<u>3,087</u>	<u>12,487</u>
Interest expense (Note 19)	<u>834,099</u>	<u>3,379,769</u>	<u>309,402</u>	<u>1,251,531</u>
Expense relating to short-term leases (included in other operating expenses)	<u>125,678</u>	<u>509,247</u>	<u>69,022</u>	<u>279,194</u>

Total cash outflow for lease for 2019 was US\$1,720,992 (2018: US\$601,392)

12. INTANGIBLE ASSETS

	Computer software	Work-in-progress	Total
	US\$	US\$	US\$
As at 1 January 2018			
Cost	97,277	-	97,277
Accumulated amortisation	(40,672)	-	(40,672)
Net book value	56,605	-	56,605
<i>In KHR'000 equivalents</i>	228,514	-	228,514
For the year ended 31 December 2018			
Opening net book value	56,605	-	56,605
Additions	456,694	2,430,925	2,887,619
Amortisation charge	(28,755)	-	(28,755)
Closing net book value	484,544	2,430,925	2,915,469
As at 31 December 2018			
Cost	553,971	2,430,925	2,984,896
Accumulated amortisation	(69,427)	-	(69,427)
Net book value	484,544	2,430,925	2,915,469
<i>In KHR'000 equivalents</i>	1,946,898	9,767,456	11,714,354
For the year ended 31 December 2019			
Opening net book value	484,544	2,430,925	2,915,469
Additions	1,235	1,274,162	1,275,397
Transfers	1,480,007	(1,480,007)	-
Written off	-	(491,580)	(491,580)
Adjustments	-	(11,554)	(11,554)
Amortisation charge	(145,775)	-	(145,775)
Closing net book value	1,820,011	1,721,946	3,541,957
As at 31 December 2019			
Cost	2,035,213	1,721,946	3,757,159
Accumulated amortisation	(215,202)	-	(215,202)
Net book value	1,820,011	1,721,946	3,541,957
<i>In KHR'000 equivalents</i>	7,416,545	7,016,930	14,433,475

13. DEFERRED TAX ASSETS

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
Deferred tax assets	3,264,057	13,301,032	1,997,609	8,026,393
Deferred tax liabilities	(2,734,158)	(11,141,694)	(1,810,174)	(7,273,279)
Net deferred tax assets - non-current	<u>529,899</u>	<u>2,159,338</u>	<u>187,435</u>	<u>753,114</u>

The movement of net deferred tax assets during the year as follows:

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
As at 1 January	187,435	753,114	47,177	190,454
Charged/(credited) to profit or loss (Note 26 (a))	342,464	1,387,664	140,258	567,344
Currency translation differences	-	18,560	-	(4,684)
As at 31 December	<u>529,899</u>	<u>2,159,338</u>	<u>187,435</u>	<u>753,114</u>

Deferred tax assets are mainly from the temporary differences, and they are recognised as it is probable that the Bank will be able to utilise those temporary differences.

Deferred tax assets:

	Impairment loss	Unamortised loan fees	Lease liabilities	Seniority payment	Total
	US\$	US\$	US\$	US\$	US\$
As at 1 January 2018	2,815	35,966	312,270	-	351,051
Charged(credited) to profit or loss	<u>39,328</u>	<u>146,717</u>	<u>1,438,938</u>	<u>21,575</u>	<u>1,646,558</u>
As at 31 December 2018	<u>42,143</u>	<u>182,683</u>	<u>1,751,208</u>	<u>21,575</u>	<u>1,997,609</u>
<i>In KHR'000 equivalent</i>	<u>169,331</u>	<u>734,020</u>	<u>7,036,354</u>	<u>86,688</u>	<u>8,026,393</u>
As at 1 January 2019	42,143	182,683	1,751,208	21,575	1,997,609
Charged(credited) to profit or loss	<u>115,991</u>	<u>338,966</u>	<u>817,359</u>	<u>(5,868)</u>	<u>1,266,448</u>
As at 31 December 2019	<u>158,134</u>	<u>521,649</u>	<u>2,568,567</u>	<u>15,707</u>	<u>3,264,057</u>
<i>In KHR'000 equivalent</i>	<u>644,396</u>	<u>2,125,720</u>	<u>10,466,911</u>	<u>64,006</u>	<u>13,301,033</u>

Deferred tax liabilities

	Accelerated depreciation	Right-of-use assets	Total
	US\$	US\$	US\$
As at 1 January 2018	8,396	(312,270)	(303,874)
Charged/(Credited) to profit or loss	<u>(120,318)</u>	<u>(1,385,982)</u>	<u>(1,506,300)</u>
As at 31 December 2018	<u>(111,922)</u>	<u>(1,698,252)</u>	<u>(1,810,174)</u>
<i>In KHR'000 equivalent</i>	<u>(449,703)</u>	<u>(6,823,576)</u>	<u>(7,273,279)</u>
As at 1 January 2019	(111,922)	(1,698,252)	(1,810,174)
Charged/(Credited) to profit or loss	<u>(201,523)</u>	<u>(722,461)</u>	<u>(923,984)</u>
As at 31 December 2019	<u>(313,445)</u>	<u>(2,420,713)</u>	<u>(2,734,158)</u>
<i>In KHR'000 equivalent</i>	<u>(1,277,288)</u>	<u>(9,864,405)</u>	<u>(11,141,693)</u>

14. OTHER ASSETS

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
Prepayments	1,586,112	6,463,406	1,586,071	6,372,833
Deposits	1,061,531	4,325,739	1,502,866	6,038,516
Others	316,966	1,291,637	68,228	274,140
	<u>2,964,609</u>	<u>12,080,782</u>	<u>3,157,165</u>	<u>12,685,489</u>
Current	2,503,839	10,203,144	3,073,037	12,347,463
Non-current	<u>460,770</u>	<u>1,877,638</u>	<u>84,128</u>	<u>338,026</u>
	<u>2,964,609</u>	<u>12,080,782</u>	<u>3,157,165</u>	<u>12,685,489</u>

15. DEPOSITS FROM CUSTOMERS

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
Current accounts	14,504,863	59,107,317	771,329	3,099,200
Savings deposits	7,536,420	30,710,912	237,550	954,476
Fixed deposits	19,448,311	79,251,866	200	803
	<u>41,489,594</u>	<u>169,070,095</u>	<u>1,009,079</u>	<u>4,054,479</u>
Accrued interest payables	<u>145,247</u>	<u>591,882</u>	<u>-</u>	<u>-</u>
	<u>41,634,841</u>	<u>169,661,977</u>	<u>1,009,079</u>	<u>4,054,479</u>

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
Current	41,576,557	169,424,470	1,009,079	4,054,479
Non-current	<u>58,284</u>	<u>237,507</u>	<u>-</u>	<u>-</u>
	<u>41,634,841</u>	<u>169,661,977</u>	<u>1,009,079</u>	<u>4,054,479</u>

Annual interest rates for deposits from customers are as follows:

	2019	2018
Current accounts	Nil	Nil
Savings deposits	1% - 1.25%	1% - 1.25%
Fixed deposits	2.75% - 7%	2.75% - 3.25%

16. BORROWINGS

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
<i>Non-current:</i>				
Mr. Chen Zhi	58,432,504	238,112,454	66,000,000	265,188,000
Oceanic Opportunity Fund	<u>35,000,000</u>	<u>142,625,000</u>	<u>-</u>	<u>-</u>
	<u>93,432,504</u>	<u>380,737,454</u>	<u>66,000,000</u>	<u>265,188,000</u>

On 14 July 2016, the Bank entered into a loan agreement with Mr. Chen Zhi, the shareholder of the Bank with total amount of US\$6 million. During 2018, the Bank entered into other loan agreements with him for additional loans of US\$55 million.

On 5 June 2015 and 17 December 2015, the Bank entered into the loan agreements with Mr. Guy Chhay, another shareholder of the Bank, for facilities amounting to US\$2 million and US\$3 million respectively. On 8 February 2018, Mr. Guy Chhay entered into a settlement agreement with Mr. Chen Zhi to transfer these facilities to Mr. Chen Zhi. Therefore, the outstanding borrowings from Mr. Chen Zhi is US\$66 million as at 31 December 2018. The loans are unsecured and bear interest rate at 4% per annum.

On 12 February 2019, the Bank entered into a loan agreement with Mr. Chen Zhi, a shareholder of the Bank with the total amount of US\$78 million with interest rate of 4% per annum. The Bank has fully drawdown US\$78 million.

On 14 June 2019, the Bank entered into a loan agreement with Mr. Chen Zhi, a shareholder of the Bank with the total amount of US\$128 million at zero interest rate. As at 31 December 2019, the Bank has drawdown US\$76 million. The Bank is required to pay within 5 years from each drawdown date.

A borrowing of US\$150 million from above three facilities from Mr. Chen Zhi are converted to share capital during the year (Note 18).

On 29 October 2019, the Bank entered into a loan agreement with Oceanic Opportunity Fund Pcc, for facilities of US\$50 million available until January 2020 with the guarantee by Mr. Chen Zhi, a shareholder. The loan bears interest rate at 3% per annum. The outstanding loan as at 31 December 2019 is US\$35 million. The maturity of the loan is 5 years from each drawdown date.

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
Principal amount	93,432,504	380,737,454	66,000,000	265,188,000
Interest payables	86,943	354,293	-	-
	<u>93,519,447</u>	<u>381,091,747</u>	<u>66,000,000</u>	<u>265,188,000</u>

Changes in liabilities arising from financing activities – borrowings

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
<i>Principal amount</i>				
At 1 January	66,000,000	265,188,000	11,000,000	44,407,000
Additions	189,000,000	765,828,000	55,000,000	222,475,000
Conversion to share capital (Note 18)	(150,000,000)	(607,800,000)	-	-
Capital contribution (*)	(12,669,783)	(51,337,961)	-	-
Finance charges	1,189,230	4,818,760	-	-
Currency translation differences	-	4,394,948	-	(1,694,000)
	<u>93,519,447</u>	<u>381,091,747</u>	<u>66,000,000</u>	<u>265,188,000</u>
<i>Interest payables</i>				
At 1 January	-	-	-	-
Charge during the year (Note 19)	2,838,452	11,501,408	569,095	2,301,989
Finance charges	(1,102,287)	(4,466,467)	-	-
Interest payments	(1,649,222)	(6,682,648)	(569,095)	(2,301,989)
Currency translation differences	-	2,000	-	-
	<u>86,943</u>	<u>354,293</u>	<u>-</u>	<u>-</u>

(*) This represents the present value of future cash payments for borrowings obtained by the Bank from its shareholder with interest free discounted at a market rate of interest for a similar borrowing.

17. OTHER LIABILITIES

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
Amount due to related parties (Note 30(f))	13,371,806	54,490,109	4,870,658	19,570,304
Accrued bonus/incentive payable	1,016,098	4,140,600	321,530	1,291,908
Taxes payables	190,605	776,716	196,799	790,739
Impairment loss for ECL on credit commitment and financial guarantee contracts (Note 31.1 (f) (ii))	50,766	206,871	13,064	52,491
Others	346,852	1,413,422	702,347	2,822,031
	<u>14,976,127</u>	<u>61,027,718</u>	<u>6,104,398</u>	<u>24,527,473</u>

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
Current	14,946,119	60,905,435	6,091,698	24,476,444
Non-current	-	-	-	-
	<u>14,946,119</u>	<u>60,905,435</u>	<u>6,091,698</u>	<u>24,476,444</u>

18. SHARE CAPITAL

The total authorised numbers of shares of the Bank as at 31 December 2019 was 250,000,000 shares (2018: 100,000,000 shares) with a par value of US\$1 per share (2018: US\$1 per share). All authorised shares are issued and fully paid up.

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
At 1 January	100,000,000	401,800,000	15,000,000	60,555,000
Additions	150,000,000	607,800,000	85,000,000	343,825,000
Currency translation differences	-	9,150,000	-	(2,580,000)
At 31 December	<u>250,000,000</u>	<u>1,018,750,000</u>	<u>100,000,000</u>	<u>401,800,000</u>

Shareholders	2019			2018		
	Number of shares	%	US\$	Number of shares	%	US\$
Mr. Guy Chhay	1,100	0.44%	1,100,000	1,100	1.10%	1,100,000
Mr. Chen Zhi	<u>248,900</u>	<u>99.56%</u>	<u>248,900,000</u>	<u>98,900</u>	<u>98.90%</u>	<u>98,900,000</u>
	<u>250,000</u>	<u>100%</u>	<u>250,000,000</u>	<u>100,000</u>	<u>100%</u>	<u>100,000,000</u>
In KHR'000 equivalent			<u>1,018,750,000</u>			<u>401,800,000</u>

19. NET INTEREST INCOME

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
Interest income from financial assets at amortised cost				
Loans and advances	25,238,117	102,264,850	6,364,021	25,742,465
Deposits and placements with other banks	103,432	419,106	29,357	118,749
Deposits and placements with the central bank	106,323	430,821	7,668	31,017
Loan processing fees	757,989	3,071,372	307,114	1,242,276
	<u>26,205,861</u>	<u>106,186,149</u>	<u>6,708,160</u>	<u>27,134,507</u>
Interest expense on financial liabilities at amortised cost:				
Deposits from customers	227,448	921,619	792	3,204
Borrowings (Note 16)	2,838,452	11,501,408	569,095	2,301,989
Lease liabilities (Note 11 (ii))	834,099	3,379,769	309,402	1,251,531
	<u>3,899,999</u>	<u>15,802,796</u>	<u>879,289</u>	<u>3,556,724</u>
Net interest income	<u>22,305,862</u>	<u>90,383,353</u>	<u>5,828,871</u>	<u>23,577,783</u>

20. NET FEE AND COMMISSION INCOME

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
Fee and commission income:				
Processing fee for late payment	374,327	1,516,773	-	-
Miscellaneous loan charges	789	3,197	-	-
Other fees	15,702	63,625	-	-
	<u>390,818</u>	<u>1,583,595</u>	<u>-</u>	<u>-</u>
Fee and commission expense:	<u>(93,986)</u>	<u>(380,831)</u>	<u>-</u>	<u>-</u>
Net fee and commission income	<u>296,832</u>	<u>1,202,764</u>	<u>-</u>	<u>-</u>

21. OTHER (LOSSES)/GAINS - NET

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
Loss on disposal of assets	491,580	1,991,882	-	-
(Loss)/gain on foreign exchange	<u>155,454</u>	<u>629,900</u>	<u>(135,585)</u>	<u>(548,441)</u>
	<u>647,034</u>	<u>2,621,782</u>	<u>(135,585)</u>	<u>(548,441)</u>

22. CREDIT IMPAIRMENT LOSSES

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
<i>Expected Credit Loss (ECL):</i>				
Loans and advances	1,755,779	7,114,417	422,717	1,709,890
Credit commitment and financial guarantee	37,702	152,769	13,064	52,844
Deposits and placements with other banks	<u>25,059</u>	<u>101,538</u>	<u>31,583</u>	<u>127,753</u>
	<u>1,818,540</u>	<u>7,368,724</u>	<u>467,364</u>	<u>1,890,487</u>

23. PERSONNEL EXPENSES

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
Salaries and wages	7,694,739	31,179,082	3,369,745	13,630,619
Bonuses and incentive expenses	1,682,996	6,819,500	317,577	1,284,599
Employee training expenses	84,360	341,827	45,960	185,908
Seniority payments	377,414	1,529,282	107,875	436,354
Pension fund expense	-	-	177,253	716,988
Other employee benefits	346,773	1,405,124	176,169	712,604
	<u>10,186,282</u>	<u>41,274,815</u>	<u>4,194,579</u>	<u>16,967,072</u>

24. DEPRECIATION AND AMORTISATION CHARGE

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
Depreciation charge of property and equipment (Note 10)	1,321,347	5,354,098	418,698	1,693,633
Depreciation charge of right-of-use assets (Note 11)	1,418,621	5,748,252	556,770	2,252,135
Amortisation charge of intangible assets (Note 12)	145,775	590,680	28,755	116,314
	<u>2,885,743</u>	<u>11,693,030</u>	<u>1,004,223</u>	<u>4,062,082</u>

25. OTHER OPERATING EXPENSES

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
Marketing and advertising costs	4,502,418	18,243,798	1,073,316	4,341,563
Professional fees	686,921	2,783,404	213,358	863,033
License and patent fees	418,239	1,694,704	41,688	168,628
Traveling expenses	356,871	1,446,041	281,447	1,138,453
Utilities	326,333	1,322,301	110,156	445,581
Directors' fees	288,000	1,166,976	65,500	264,948
Office supplies expenses	283,728	1,149,666	182,148	736,789
Minimum tax expense	279,968	1,134,430	78,466	317,395
Motor vehicle and running costs	207,359	840,219	121,199	490,250
Insurance expenses	198,684	805,068	49,341	199,584
Business and public relation expenses	176,518	715,251	141,912	574,034
Repair and maintenances expenses	155,444	629,859	16,552	66,953
Communication expenses	144,819	586,807	71,899	290,831
Rental expenses	124,243	503,433	69,022	279,194
Security expenses	91,822	372,063	1,076	4,352
Printing expenses	77,881	315,574	17,214	69,631
Stamp and registration expense	36,901	149,523	1,025	4,146
Charitable donation	20,616	83,536	54,638	221,011
Others	619,951	2,512,041	291,343	1,178,483
	<u>8,996,716</u>	<u>36,454,694</u>	<u>2,881,300</u>	<u>11,654,859</u>

26. INCOME TAX EXPENSE

(a) Income tax expense

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
Current income tax	-	-	-	-
Deferred income tax (Note 13)	<u>(342,464)</u>	<u>(1,387,664)</u>	<u>(140,258)</u>	<u>(567,344)</u>
	<u>(342,464)</u>	<u>(1,387,664)</u>	<u>(140,258)</u>	<u>(567,344)</u>

(b) Reconciliation between income tax expenses and accounting profit

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
Loss before income tax	(1,928,235)	(7,813,208)	(2,425,701)	(9,811,961)
Tax calculated at 20%	(385,647)	(1,562,642)	(485,140)	(1,962,391)
Tax effect of reconciling items:				
Expenses not deductible for tax purposes	187,981	761,699	310,862	1,257,437
Temporary differences	342,464	1,387,664	140,258	567,344
Current income tax	<u>144,798</u>	<u>586,721</u>	<u>(34,020)</u>	<u>(137,610)</u>
Minimum tax	<u>279,968</u>	<u>1,134,430</u>	<u>78,466</u>	<u>317,395</u>

Minimum tax

Under the Cambodian tax regulations, the Bank has an obligation to pay Income Tax at 20% of taxable profit or Minimum Tax at 1% of total revenue exclusive of value added tax, whichever is higher.

The Bank has incurred current income tax of US\$144,798 which was lower than minimum tax paid during the year, so there was no income tax expense.

Effective 2017, the Bank may be exempted from Minimum Tax provided that they comply with the conditions governing the maintenance of proper accounting records. The tax regulations also defined five criteria of improper accounting records. The Bank does not claim the exemption on Minimum Tax. The prepayment of 1% of annual revenue amounting to US\$279,968 is written off to profit or loss and presented in other operating expense (Note 25).

Unused tax losses

The Bank has remaining unutilised tax losses carried forward. No deferred tax assets were recognised because of the uncertainties as to whether any future benefits can be derived from these losses as:

- tax losses can only be carried forward to offset against the taxable profits of subsequent years, for a maximum period of five years.
- the tax losses that can be carried forward is subject to review and approval by the tax authorities.

(c) Other matter

Taxes are calculated on the basis of current interpretation of the tax regulations enacted as at reporting date. The management periodically evaluates position taken in tax returns with respect to situations in which applicable tax regulation is subjected to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

However, these regulations are subject to periodic variation and the ultimate determination of tax liabilities will be made following inspection by the tax authorities. Where the final tax outcome of these matters is different from the amounts initially recorded, such differences will impact the taxes liabilities and balances in the period in which the determination is made.

27. CASH AND CASH EQUIVALENTS

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
Cash on hand (Note 5)	8,311,993	33,871,371	1,064,975	4,279,070
Deposits and placements with the central bank:				
Current accounts (Note 6)	341,300	1,390,798	4,953,241	19,902,122
Settlement accounts (Note 6)	323,011	1,316,270	-	-
Deposits and placements with other banks:				
Current accounts (Note 7)	9,490,419	38,673,457	21,003,388	84,391,613
Savings accounts (Note 7)	708,466	2,886,999	9,055,050	36,383,191
Term deposits (maturity of three months or less) (Note 7)	37,968,942	154,723,439	-	-
	<u>57,144,131</u>	<u>232,862,334</u>	<u>36,076,654</u>	<u>144,955,996</u>

28. CASH FLOW INFORMATION

(a) Cash used in operations

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
Profit before income tax	(1,928,235)	(7,813,208)	(2,425,701)	(9,811,961)
Adjustments for:				
Depreciation and amortisation charges (Note 24)	2,885,743	11,693,030	1,004,223	4,062,082
Credit impairment losses (Note 22)	1,818,540	7,368,724	467,364	1,890,487
Written off of intangible assets (Note 21)	491,580	1,991,882	-	-
Adjustments on intangible assets	11,554	46,817	-	-
Gain on disposals of property and equipment	144	583	(12,265)	(49,612)
Provision for employee benefits	39,734	161,002	285,128	1,153,343
Net interest income (Note 19)	(22,305,862)	(90,383,353)	(5,828,871)	(23,577,783)
Changes in working capital:				
Reserve requirement deposits	(9,876,950)	(40,021,401)	(886,222)	(3,584,768)
Loans and advances	(191,896,653)	(777,565,238)	(95,242,340)	(385,255,265)
Other assets	361,460	1,464,636	(2,966,554)	(11,999,711)
Deposits from customers	40,480,515	164,027,047	1,009,079	4,081,725
Other liabilities	8,834,027	35,795,477	4,807,302	19,445,537
Cash used in operations	<u>(171,084,403)</u>	<u>(693,234,002)</u>	<u>(99,788,857)</u>	<u>(403,645,926)</u>

(b) Non-cash investing and financing activities

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
Acquisition of property and equipment	29,700	121,028	-	-
Acquisition of intangible assets	159,349	649,347	-	-
	189,049	770,375	-	-

Non-cash investing and financing activities disclosed in other notes are:

- Acquisition of right-of-use assets (Note 11)
- Conversion of borrowings from shareholder to share capital (Note 16)

29. CONTINGENT LIABILITIES AND COMMITMENTS**(a) Loan commitments, guarantee and other financial facilities**

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

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
Credit commitment	13,048,645	53,173,228	7,076,902	28,434,993
Financial guarantee contracts	811,141	3,305,400	-	-
Total exposure	13,859,786	56,478,628	7,076,902	28,434,993

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
Credit commitments and financial guarantee contracts	13,859,786	56,478,628	7,076,902	28,434,993
Allowance for expected credit loss	(50,766)	(206,871)	(13,064)	(52,491)
Net exposure	13,809,020	56,271,757	7,063,838	28,382,502

(b) Capital commitment

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
Intangible assets	835,740	3,405,641	2,626,338	10,552,627

(c) Operating lease commitments

From 1 January 2018, the date of transition to CIFRS, the Bank recognised right-of-use assets and lease liabilities for lease contracts where the Bank is a lessee, except for short term leases, see Note 4 and Note 11 for further information. The lease commitments of short-term leases are insignificant.

30. RELATED PARTY TRANSACTIONS AND BALANCES

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

(a) Related parties and relationship

The related parties of and their relationship with the Bank are as follows:

Relationship	Related party
Mr. Chen Zhi	Shareholder
Mr. Guy Chhay	Shareholder
Related company	Entity under the same shareholders
Key management personnel	All directors of the Bank who make critical decisions in relation to the strategic direction of the Bank and senior management staff (including their close family members)

(b) Loans and advances to related parties

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
Related companies	<u>1,006,667</u>	<u>4,102,168</u>	<u>302,000</u>	<u>1,213,436</u>
Interest income	<u>84,667</u>	<u>343,071</u>	<u>2,500</u>	<u>10,113</u>

Loans and advances to companies under common control are secured and having interest rate of 10% per annum.

(c) Loans and advances to key management personnel

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
Loans to key management personnel	<u>92,841</u>	<u>378,327</u>	<u>96,802</u>	<u>388,950</u>
Interest income	<u>7,658</u>	<u>31,030</u>	<u>8,675</u>	<u>35,090</u>

Loans and advances to key management personnel are secured and having interest rate of 8% per annum.

(d) Deposits from related parties

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
Related companies	3,675,299	14,976,843	-	-
Directors and key management	564,421	2,300,016	4,536	18,226
	<u>4,239,720</u>	<u>17,276,859</u>	<u>4,536</u>	<u>18,226</u>
Interest expenses	3,867	15,670	-	-

Annual interest rates during the year are as follows:

	2019	2018
Related companies	0.04%	Nil
Directors and key management	0.42%	Nil

(e) Borrowing from shareholder

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
Borrowing from shareholder balance	<u>58,432,504</u>	<u>238,112,454</u>	<u>66,000,000</u>	<u>265,188,000</u>
Interest expense	<u>2,751,509</u>	<u>11,149,115</u>	<u>569,095</u>	<u>2,301,989</u>

Borrowing from shareholder is at zero percent for 2019 (2018: 4% per annum) (Note 16).

(f) Amount due to related parties

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
Related companies	<u>13,371,806</u>	<u>54,490,109</u>	<u>4,870,658</u>	<u>19,570,304</u>

Amount due to related parties are unsecured and are repayable in cash.

(g) Key management compensation

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
Salaries	1,043,438	4,228,011	453,493	1,834,379
Short term benefits	189,929	769,592	91,573	370,413
Other long-term benefits	-	-	41,847	169,271
	<u>1,233,367</u>	<u>4,997,603</u>	<u>586,913</u>	<u>2,374,063</u>

(h) Other transactions with related parties

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
Office rental	968,200	3,923,146	307,800	1,245,051
Purchasing services	75,219	304,787	13,551	54,814
	<u>1,043,419</u>	<u>4,227,933</u>	<u>321,351</u>	<u>1,299,865</u>

31. FINANCIAL RISK MANAGEMENT

The Bank embraces risk management as an integral part of the Bank's business, operations and decision-making process. In ensuring that the Bank achieves optimum returns whilst operating within a sound business environment, the risk management teams are involved at the early stage of the risk-taking process by providing independent inputs, including relevant valuations, credit evaluations, new product assessments and quantification of capital requirements. These inputs enable the business units to assess the risk-vs-reward of their propositions, thus enabling risk to be priced appropriately in relation to the return.

Generally, the objectives of the Bank's risk management activities are to:

- identify the various risk exposures and capital requirements;
- ensure risk-taking activities are consistent with risk policies and the aggregated risk position are within the risk appetite as approved by the Board; and
- create shareholders' value through sound risk management framework.

The Bank holds the following financial assets and financial liabilities:

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
Financial assets				
Financial assets at amortised costs				
Cash on hand	8,311,993	33,871,371	1,064,975	4,279,070
Deposits and placements with the central bank	695,354	2,833,568	4,953,241	19,902,122
Deposits and placements with other banks	48,105,160	196,028,527	30,020,830	120,623,695
Loans and advances	302,978,610	1,234,637,836	113,322,247	455,328,788
Other financial assets	1,378,497	5,617,375	1,571,094	6,312,656
Total financial assets	361,469,614	1,472,988,677	150,932,387	606,446,331
Financial liabilities				
Financial liabilities at amortised cost				
Deposits from customers	41,634,841	169,661,977	1,009,079	4,054,479
Borrowings	93,519,447	381,091,747	66,000,000	265,188,000
Lease liabilities	12,842,836	52,334,557	8,756,038	35,181,761
Other financial liabilities	13,769,424	56,110,402	5,573,005	22,392,334
Total financial liabilities	161,766,548	659,198,683	81,338,122	326,816,574

31.1. Credit risk

Credit risk is the risk of suffering financial loss, should any of the Bank's customers or market counterparties fail to fulfil their contractual obligations to the Bank. Credit risk arises from deposits and placements with the central bank and other banks, loans and advances, other financial assets, and credit commitments and financial guarantee contract. Credit exposure arises principally in lending activities.

(a) Credit risk measurement

Credit risk is managed on a group basis.

For loans and advances and credit commitments, the estimation of credit exposure for risk management purposes requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of default occurring, of the associated loss ratios and of default correlations between counterparties. The Bank measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) for the purposes of measuring Expected Credit Loss (ECL) under CIFRS 9.

Deposits and placements with the central bank and other banks are considered to be low credit risk. The credit ratings of these assets are monitored for credit deterioration. Measurement for impairment is limited to 12-month expected credit loss. Other financial assets at amortised cost are monitored for its credit rating deterioration, and the measurement of impairment follows three-stage approach in Note 31.1 (c).

(b) Risk limit control and mitigation policies

The Bank operates and provides loans and advances to individuals or enterprises within the Kingdom of Cambodia. The Bank manages limits and controls the concentration of credit risk whenever it is identified.

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 collaterals for loans and advances to customers, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collaterals or credit risk mitigation. The principal collateral types to secure for loans and advances to customers are:

- Mortgages over residential properties (land, building and other properties);
- Cash in the form of margin deposits, if any.

(c) Impairment (expected credit loss) policies

The measurement of expected credit loss allowance under the CIFRS9's three-stage approach is to recognise lifetime expected credit loss allowance for financial instrument for which there has been a significant increase in credit risk since initial origination or is credit-impaired as at the reporting date. The financial instrument which has not undergone any significant deterioration in credit risk shall be recognised with 12-month expected credit loss allowance.

Under the three-stage approach, the financial instrument is allocated into three stages based on the relative movement in the credit risk.

- Stage 1 includes financial instruments that neither have a significant increase in credit risk since initial recognition nor credit-impaired as at reporting date. For these assets, 12-month expected credit loss allowance are recognised.
- Stage 2 includes financial instruments that have had a significant increase in credit risk since initial recognition but do not have objective evidence of impairment. For these assets, lifetime expected credit loss allowance are recognised.
- Stage 3 includes financial instruments that have objective evidence of impairment at the reporting date. For these assets, lifetime expected credit loss allowance are recognised.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their expected credit loss allowance is always measured on a lifetime basis (Stage 3).

The key judgements and assumptions adopted by the Bank in addressing the requirements of the standard on the measurement of allowances are:

(i) Significant increase in credit risk ('SICR')

The assessment of SICR shall be a multifactor and holistic analysis and based on a mixture of quantitative and/or qualitative information. To determine whether the risk of default of a loan/financing has increased significantly since initial recognition, the current risk of default at the reporting date is compared with the risk of default at initial recognition. A borrower is considered to have credit risk increased significantly since initial recognition if any of the following criteria is met:

- Past due 30 days for short-term on its contractual payment, and
- Past due 90 days for long-term on its contractual payment;

(ii) Definition of default and credit impaired

In alignment with the Bank's internal credit risk management, which is consistent to NBC's definition of default in its Prakas No. B7-017-344 dated 1 December 2017 and Circular No. B7-018-001 dated 16 February 2018 on credit risk classification and provisions on impairment, the Bank defines a financial instrument as in default which is also credit-impaired when it meets one of the following criteria:

- The principal or interest or both of the loan is past due for more than 30 days and 90 days for short term and long term respectively. In the case of revolving facilities (e.g. overdraft), the facility shall be classified as impaired where the outstanding amount has remained in excess of the approved limit for a period of 90 days or more consecutive days. For the purpose of ascertaining the period in arrears:
 - (1) Repayment on each of the instalment amount must be made in full. A partial repayment made on an instalment amount shall be deemed to be in arrears.
 - (2) Where a moratorium on loan repayment is granted in relation to the rescheduling and restructuring, the determination of period in arrears shall exclude the moratorium period granted. The moratorium shall be for a period of not more than 6 months from the date of the obligor's/counterparty's application for the moratorium.
 - (3) Where repayments are scheduled on interval of 90 days or longer, the loan is classified as impaired as soon as a default occurs, unless it does not exhibit any weakness that would render it classified according to the credit risk grading policy.
- The loan is forced impaired due to various reasons, such as bankruptcy, significant financial difficulty, etc. In the event where a loan is not in default or past due but force impaired, the loan shall be classified as impaired upon approval by Credit Committee.
- Restructuring and rescheduling of a loan facility involves any modification made to the original repayment terms and conditions of the loan facility following an increase in the credit risk of a obligor/counterparty.
- When an obligor/counterparty has multiple loans with the Bank and cross default obligation applies, an assessment of provision is required under which default of one debt obligation triggers default on another debt obligation (cross default). Where there is no right to set off clause is available, assessment of provision needs to be performed on individual loan level instead of consolidated obligor/counterparty level.
- Write-off/charged-off accounts.

(iii) Measuring (ECL - inputs, assumptions and estimation techniques)

The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. The ECL is assessed and measured on collective basis.

For collective assessment, the ECL is determined by projecting the PD, LGD and EAD for each future month and for collective segment. The three components are multiplied together to calculate an ECL for each future year, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

Probability of Default

The PD represents the likelihood of a borrower will be unable to meet its financial obligation either over the next 12 months (12-month PD) or over the remaining lifetime (Lifetime PD) of the obligation.

The lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition through the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio. This is supported by historical analysis.

Exposure at Default

EAD is the total amount that the Bank is exposed to at the time the borrower defaults.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

- For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12-month or remaining maturity.
- For revolving products the exposure at default is predicted by taking current drawn balance and adding a “credit conversion factor” which allows for the expected drawdown of the remaining limit by the time of default.

Loss Given Default

LGD represents the Bank’s expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default. LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

Due to no sufficient historical data for LGD study and no market observable data in Cambodia, the Bank assesses that it is appropriate to assign 10% to secured hard title facilities and 20% to secured soft title facilities and 100% LGD to unsecured facilities.

The assumptions underlying the ECL calculation are monitored and reviewed periodically. There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

(iv) Forward-looking information incorporated into the ECL models

The calculation of ECL incorporate forward-looking information. The Bank has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

These economic variables and their associated impact on the PD vary by financial instrument. Expert judgement has also been applied in this process. The historical and forecasts of these economic variables (the “base economic scenario”) are sourced from external research house. The impact of these economic variables on the PD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates, while LGD is based on the bank’s assessment of haircut of collaterals and EAD is based on the expected payment profiles.

In addition to the based economic scenario, the Bank considers other possible scenarios along with scenario weightings. The number of other scenarios used is set based on the analysis of each major product type to ensure non-linearities are captured. The number of scenarios and their attributes are reassessed at each reporting date. At 1 January 2018, 31 December 2018, and 31 December 2019, the Bank concluded that three scenarios appropriately captured non-linearities. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of.

As with any economic forecasts, the projects and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Bank considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Bank’s different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

Macroeconomic variable assumptions

The most significant period-end assumptions used for the ECL estimate as at 1 January 2018, 31 January 2018 and 31 December 2019 are set out below. The scenario “base”, “best”, and “worst” were used for all portfolios.

		31 December 2018				
		2019	2020	2021	2022	2023
Gross fixed Investment						
	Base	8.20	8.10	8.30	8.40	8.40
	Best	9.84	9.72	9.96	10.08	10.08
	Worst	6.56	6.48	6.64	6.72	6.72

		31 December 2019				
		2020	2021	2022	2023	2024
Gross fixed Investment						
	Base	8.10	8.30	8.40	8.40	8.40
	Best	9.72	9.96	10.08	10.08	10.08
	Worst	6.48	6.64	6.72	6.72	6.72

The weightings assigned to each economic scenario as at 1 January 2018, 31 December 2018, and 31 December 2019 are as follows:

All portfolios weightings	
Base	50%
Best	49%
Worst	1%
	100%

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have also been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. This reviewed and monitored for appropriateness periodically.

Sensitivity analysis

The most significant assumptions affecting the ECL allowance is Gross Fixed Investment, given the significant impact on obligors' ability to meet contractual repayments, business performance, and collateral valuation.

Set out below are the changes to the ECL as at 31 December 2018 and 31 December 2019 that would result from reasonably possible changes in these parameters from the actual assumptions used in the Bank's economic variable assumptions:

	ECL US\$
GROSS FIX INVESTMENT	
Annual growth rate increase by 20%	1,780,932
No change	2,267,657
Annual growth rate decrease by 20%	2,753,180

(v) Grouping of exposure for ECL measured on collective basis

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

In performing this grouping, there must be sufficient information for the group to be statistically credible. Where sufficient information is not available internally, the Bank has considered benchmarking internal/external supplementary data to use for modelling purposes.

The appropriateness of groupings is monitored and reviewed on a periodic basis by the Credit Risk.

(vi) Write off policy

Write-off is usually taken when relevant recovery actions have been exhausted or further recovery is not economically feasible or justifiable. When a loan or debt instrument is deemed uncollectible, it is written off against the related allowance for impairment. Such loans are either written off in full or partially after taking into consideration the realisable value of collateral (if any) and when in the judgement of the management, there is no prospect of recovery. All write-offs must be approved by the Board or its delegated authorities.

(vii) Modification of loans

The Bank sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Bank assess whether or not the new terms are substantially different to the original terms. The Bank do this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significant affect the credit risk associated with the loan.

The risk of default of such loans after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original loans. The Bank monitors the subsequent performance of modified assets. The Bank may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL). This is only the case for assets which have performed in accordance with the new terms for six consecutive months or more.

(viii) Off-Balance Sheet Exposures

Off-Balance Sheet exposures are exposures such as trade facilities and undrawn commitments. The Bank applied Credit Conversion Factor (CCF) to estimate the EAD of off-balance sheet item. EAD is estimated at 100% of the off-balance sheet exposure using the CCF.

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

The maximum exposure to credit risk for financial assets recognised in the statements of financial position is their carrying amounts. For contingent liabilities, the maximum exposure to credit risk is the maximum amount that the Group and the Bank would have to pay if the obligations of the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers. The table below shows the maximum exposure to credit risk for the Bank on financial instruments subject to impairment:

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
Credit risk exposure related to on-balance sheet assets:				
Deposits and placements with other banks	48,167,827	196,283,895	30,058,438	120,774,804
Loans and advances	305,246,267	1,243,878,538	113,834,125	457,385,514
Other financial assets	1,378,497	5,617,375	1,571,094	6,312,656
Credit risk exposure related to off-balance sheet items:				
Credit related commitments	13,048,645	53,173,228	7,076,902	28,434,992
Financial guarantee contracts	811,141	3,305,400	-	-
Total gross credit exposure	368,652,377	1,502,258,436	152,540,559	612,907,966
Loss allowance (ECL)	(2,381,090)	(9,702,941)	(549,486)	(2,207,835)
Total net credit exposure	366,271,287	1,492,555,495	151,991,073	610,700,131

The above table represents a worst-case scenario of credit risk exposure to the Bank, since collateral held and/or other credit enhancement attached were not taken into account. For on-balance sheet assets, the exposures set out above are based on net carrying amounts. As shown above, 82% for the Bank (2018: 74%) of total maximum exposure is derived from loans and advances. Management is confident of its ability to continue to control and sustain minimal exposure on credit risk resulting from the Bank's loans and advances due to the following:

- Almost all loans and advances are collateralised and loan to collateral value range from 36.4% to 42.13%..
- The Bank has a proper credit evaluation process in place for granting of loans and advances to customers.
- Deposits and placements with other banks are were held with local banks and management has done proper risk assessment and believe there will be no material loss from these local banks.

(e) Credit quality of financial assets

The Bank assess credit quality of loans, advances and financing using internal rating techniques tailored to the various categories of products and counterparties. These techniques have been developed internally and combine statistical analysis with credit officers' judgement.

Credit quality description is summarised as follows:

Credit Quality	Description
Standard monitoring	Obligors in this category exhibit strong capacity to meet financial commitment. The Bank monitors obligors in this category by delinquency status. Obligors that are less than 30 days past due on its contractual payments for both short-term and long-term facilities are in standard monitoring.
Special monitoring	Obligors in this category have a fairly acceptable capacity to meet financial commitments. The Bank monitors obligors in this category by delinquency status. Obligors that are 30 days past due on its contractual payments for short-term facilities or are from 31 to 89 days past due on its contractual payments for long-term facilities are included in special monitoring.
Default/Credit impaired	Obligors are assessed to be impaired.

The credit quality of financial instruments other than loans, advances and financing are determined based on the ratings of counterparties as defined equivalent ratings of other international rating agencies as defined below:

Credit Quality	Description
Sovereign	Refer to financial asset issued by central banks/federal government or guarantee by central banks/federal government.
Investment grade	Refers to the credit quality of the financial asset that the issuer is able to meet payment obligation and exposure bondholder to low credit risk of default.
Non-investment grade	Refers to low credit quality of the financial asset that is highly expose to default risk.
Un-graded	Refers to financial asset which are currently not assigned with ratings due to unavailability of ratings models.
Credit impaired	Refers to the asset that is being impaired.

The following table shows an analysis of the credit exposure by stages, together with the ECL allowance provision:

	2019				2018			
	12-month ECL	Lifetime ECL not Credit-Impaired	Lifetime ECL Credit-Impaired	Total	12-month ECL	Lifetime ECL not Credit-Impaired	Lifetime ECL Credit-Impaired	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Deposits and placements with other banks								
Investment grade	13,466,227	-	-	13,466,227	30,058,022	-	-	30,058,022
Non-investment grade	-	-	-	-	-	-	-	-
No rating	34,701,600	-	-	34,701,600	416	-	-	416
Gross carrying amount	48,167,827	-	-	48,167,827	30,058,438	-	-	30,058,438
Loss allowance (ECL)	(62,667)	-	-	(62,667)	(37,608)	-	-	(37,608)
Net carrying amount	48,105,160	-	-	48,105,160	30,020,830	-	-	30,020,830
<i>In KHR'000 equivalent</i>	196,028,527	-	-	196,028,527	120,623,695	-	-	120,623,695
Loans and advances at amortised cost								
Standard monitoring	300,033,504	-	-	300,033,504	112,568,911	-	-	112,568,911
Special monitoring	-	2,877,463	-	2,877,463	-	510,703	-	510,703
Default	-	-	2,335,300	2,335,300	-	-	754,511	754,511
Gross carrying amount	300,033,504	2,877,463	2,335,300	305,246,267	112,568,911	510,703	754,511	113,834,125
Loss allowance (ECL)	(1,738,685)	(40,984)	(487,988)	(2,267,657)	(325,062)	(5,466)	(181,350)	(511,878)
Net carrying amount	298,294,819	2,836,479	1,847,312	302,978,610	112,243,849	505,237	573,161	113,322,247
<i>In KHR'000 equivalent</i>	1,215,551,387	11,558,652	7,527,797	1,234,637,836	450,995,785	2,030,042	2,302,961	455,328,788

	2019				2018			
	12-month ECL	Lifetime ECL not Credit-Impaired	Lifetime ECL Credit-Impaired	Total	12-month ECL	Lifetime ECL not Credit-Impaired	Lifetime ECL Credit-Impaired	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Credit commitments and financial guarantee contract								
Standard monitoring	13,859,786	-	-	13,859,786	7,076,902	-	-	7,076,902
Special monitoring	-	-	-	-	-	-	-	-
Default	-	-	-	-	-	-	-	-
Gross carrying amount	13,859,786	-	-	13,859,786	7,076,902	-	-	7,076,902
Loss allowance (ECL)	(50,766)	-	-	(50,766)	(13,064)	-	-	(13,064)
Net carrying amount	13,809,020	-	-	13,809,020	7,063,838	-	-	7,063,838
<i>In KHR'000 equivalent</i>	56,271,757	-	-	56,271,757	28,382,502	-	-	28,382,502

(f) Loss allowance

(i) Expected credit loss reconciliation – loans and advances

	2019				2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not Credit-Impaired	Lifetime ECL Credit-Impaired	Total	12-month ECL	Lifetime ECL not Credit-Impaired	Lifetime ECL Credit-Impaired	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Expected Credit Losses								
Loss allowance	325,062	5,466	181,350	511,878	42,350	281	46,530	89,161
Changes due to exposure as at 1 January:								
Transfer to stage 1	(4,983)	1,045	3,938	-	(1,813)	618	1,195	-
Transfer to stage 2	(3,326)	-	3,326	-	-	-	-	-
Transfer to stage 3	11,942	-	(11,942)	-	-	-	-	-

	2019				2018			
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not Credit-Impaired	Lifetime ECL Credit-Impaired	Total	12-month ECL	Lifetime ECL not Credit-Impaired	Lifetime ECL Credit-Impaired	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Net remeasurement of loss allowance (*)	492,229	3,753	(7,330)	488,652	116,468	-	(201)	116,267
New financial assets originated or purchased	993,393	32,860	474,892	1,501,145	186,680	4,848	174,850	366,378
Financial assets derecognised during the period other than write off	(75,632)	(2,140)	(117,451)	(195,223)	(18,623)	(281)	(24,661)	(43,565)
Unwinding of discount	-	-	(38,795)	(38,795)	-	-	(16,363)	(16,363)
Loss allowance as at 31 December	<u>1,738,685</u>	<u>40,984</u>	<u>487,988</u>	<u>2,267,657</u>	<u>325,062</u>	<u>5,466</u>	<u>181,350</u>	<u>511,878</u>
<i>In KHR'000 equivalent</i>	<u>7,085,141</u>	<u>167,011</u>	<u>1,988,550</u>	<u>9,240,702</u>	<u>1,306,099</u>	<u>21,962</u>	<u>728,665</u>	<u>2,056,726</u>
Gross carrying amount								
Gross carrying amount as at 1 January	112,568,911	510,703	754,511	113,834,125	18,830,378	104,106	184,182	19,118,666
Changes due to financial instruments recognised as at 1 January:								
Transfer to stage 1	(1,836,846)	270,318	1,566,528	-	(771,464)	277,549	493,915	-
Transfer to stage 2	(293,887)	-	293,887	-	-	-	-	-
Transfer to stage 3	49,090	-	(49,090)	-	(76,298)	-	76,298	-
New financial assets originated or purchased	221,828,949	2,619,864	294,316	224,743,129	104,023,148	265,505	68,763	104,357,416
Financial assets derecognised during the period other than write off	(32,282,713)	(523,422)	(505,454)	(33,311,589)	(9,436,853)	(136,457)	(68,647)	(9,641,957)
Written off	-	-	(19,398)	(19,398)	-	-	-	-
Gross carrying amount as at 31 December	<u>300,033,504</u>	<u>2,877,463</u>	<u>2,335,300</u>	<u>305,246,267</u>	<u>112,568,911</u>	<u>510,703</u>	<u>754,511</u>	<u>113,834,125</u>
<i>In KHR'000 equivalent</i>	<u>1,222,636,529</u>	<u>11,725,662</u>	<u>9,516,347</u>	<u>1,243,878,538</u>	<u>452,301,884</u>	<u>2,052,005</u>	<u>3,031,625</u>	<u>457,385,514</u>

(*) Impact of the measurement of ECL due to changes in EAD and PD during the year arising from regular refreshing of inputs to models.

(ii) Expected credit loss reconciliation – credit commitments and financial guarantee contracts

	2019				2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not Credit-Impaired	Lifetime ECL Credit-Impaired		12-month ECL	Lifetime ECL not Credit-Impaired	Lifetime ECL Credit-Impaired	
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Expected Credit Losses								
Loss allowance	13,064	-	-	13,064	-	-	-	-
<i>Changes due to exposure as at 1 January:</i>								
Transfer to stage 1	-	-	-	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-	-	-	-
New financial assets originated or purchased	37,702	-	-	37,702	13,064	-	-	13,064
Loss allowance as at 31 December	50,766	-	-	50,766	13,064	-	-	13,064
<i>In KHR'000 equivalent</i>	206,871	-	-	206,871	52,491	-	-	52,491
Gross carrying amount								
Gross carrying amount as at 1 January	6,843,902	-	-	6,843,902	-	-	-	-
<i>Changes due to financial instruments recognised as at 1 January:</i>								
Transfer to stage 1	-	-	-	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-	-	-	-
New exposure	7,015,884	-	-	7,015,884	7,076,902	-	-	7,076,902
Gross carrying amount as at 31 December	13,859,786	-	-	13,859,786	7,076,902	-	-	7,076,902
<i>In KHR'000 equivalent</i>	56,478,628	-	-	56,478,628	28,434,993	-	-	28,434,993

(iii) Expected credit loss reconciliation – deposits and placements with other banks

	2019				2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not Credit-Impaired	Lifetime ECL Credit-Impaired		12-month ECL	Lifetime ECL not Credit-Impaired	Lifetime ECL Credit-Impaired	
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Expected Credit Losses								
Loss allowance as at 1 January	37,608	-	-	37,608	6,025	-	-	6,025
<i>Changes due to exposure as at 1 January:</i>								
Transfer to stage 1	-	-	-	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-	-	-	-
New financial assets originated or purchased	25,059	-	-	25,059	31,583	-	-	31,583
Loss allowance as at 31 December	62,667	-	-	62,667	37,608	-	-	37,608
<i>In KHR'000 equivalent</i>	255,368	-	-	255,368	151,109	-	-	151,109
Gross carrying amount								
Gross carrying amount as at 1 January	30,058,438	-	-	30,058,438	6,200,924	-	-	6,200,924
<i>Changes due to financial instruments recognised as at 1 January:</i>								
Transfer to stage 1	-	-	-	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-	-	-	-
New exposure	18,109,389	-	-	18,109,389	23,857,514	-	-	23,857,514
Gross carrying amount as at 31 December	48,167,827	-	-	48,167,827	30,058,438	-	-	30,058,438
<i>In KHR'000 equivalent</i>	196,283,895	-	-	196,283,895	120,774,804	-	-	120,774,804

*(g) Concentration of financial assets with credit risk exposure**(i) Geographical sector*

The following table breaks down the Bank's main credit exposure at their carrying amount, as categorised by geographical region as at 31 December 2019. For this table, the Bank has allocated exposure to countries based on the country of domicile of its counterparties.

	Cambodia	Total
	US\$	US\$
31 December 2019		
Deposits and placements with other banks	48,105,160	48,105,160
Loans and advances	302,978,610	302,978,610
Other financial assets	1,378,497	1,378,497
Credit commitments	12,997,879	12,997,879
Financial guarantee contracts	811,141	811,141
	<u>366,271,287</u>	<u>366,271,287</u>
<i>In KHR'000 equivalents</i>	<u>1,492,555,495</u>	<u>1,492,555,495</u>
31 December 2018		
Deposits and placements with other banks	30,020,830	30,020,830
Loans and advances	113,322,247	113,322,247
Other financial assets	1,571,094	1,571,094
Credit commitments	7,063,838	7,063,838
Total credit exposure	<u>151,978,009</u>	<u>151,978,009</u>
<i>In KHR'000 equivalents</i>	<u>610,647,640</u>	<u>610,647,640</u>

(ii) Industry sector

The following table breaks down the Bank's main credit exposure at their gross carrying amounts less impairment if any, as categorised by the industry sectors of its counterparties.

	Agriculture, Forestry and Fishing	Building and Construction	Financial Institutions	Import and Exports	Manufacturing	Other Lending	Personal Lending	Real Estate and Mortgages	Services	Wholesale and Retail Trade	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
31 December 2019											
Deposits and placements with the central bank	-	-	48,105,160	-	-	-	-	-	-	-	48,105,160
Loans and advances	7,702,314	23,898,647	12,736,380	4,615,556	9,833,296	52,970,329	43,934,732	51,689,123	7,302,719	88,295,514	302,978,610
Other financial assets	-	-	-	-	-	-	-	-	1,378,497	-	1,378,497
Credit commitments	-	-	-	-	-	-	12,997,879	-	-	-	12,997,879
Financial guarantee contracts	-	-	-	-	-	-	811,141	-	-	-	811,141
Total credit exposure	<u>7,702,314</u>	<u>23,898,647</u>	<u>60,841,540</u>	<u>4,615,556</u>	<u>9,833,296</u>	<u>52,970,329</u>	<u>57,743,752</u>	<u>51,689,123</u>	<u>8,681,216</u>	<u>88,295,514</u>	<u>366,271,287</u>
<i>In KHR'000 equivalent</i>	<u>31,386,930</u>	<u>97,386,987</u>	<u>247,929,276</u>	<u>18,808,391</u>	<u>40,070,681</u>	<u>215,854,091</u>	<u>235,305,789</u>	<u>210,633,176</u>	<u>35,375,954</u>	<u>359,804,220</u>	<u>1,492,555,495</u>
31 December 2018											
Deposits and placements with the central bank	-	-	30,020,830	-	-	-	-	-	-	-	30,020,830
Loans and advances	2,658,863	14,804,930	-	1,707,369	3,706,185	8,786,183	22,595,722	24,628,266	3,515,548	30,919,181	113,322,247
Other financial assets	-	-	-	-	-	-	-	-	1,571,094	-	1,571,094
Credit commitments	-	-	-	-	-	-	7,063,838	-	-	-	7,063,838
Total credit exposure	<u>2,658,863</u>	<u>14,804,930</u>	<u>30,020,830</u>	<u>1,707,369</u>	<u>3,706,185</u>	<u>8,786,183</u>	<u>29,659,560</u>	<u>24,628,266</u>	<u>5,086,642</u>	<u>30,919,181</u>	<u>151,978,009</u>
<i>In KHR'000 equivalent</i>	<u>10,683,312</u>	<u>59,486,209</u>	<u>120,623,695</u>	<u>6,860,209</u>	<u>14,891,451</u>	<u>35,302,883</u>	<u>119,172,112</u>	<u>98,956,373</u>	<u>20,438,128</u>	<u>124,233,268</u>	<u>610,647,640</u>

(h) Repossessed collateral

Reposessed collaterals are sold as soon as practicable. The Bank does not utilise the reposessed collaterals for its business use.

The Bank did not obtain assets by taking possession of collateral held as security as at 31 December 2019 and 31 December 2018.

31.2. Market risk

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

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

(i) Foreign exchange risk

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.

The Bank operates in Cambodia and transacts in many currencies, and is exposed to various currency risks, primarily with respect to the Khmer Riel.

The management monitors their foreign exchange risk against functional currencies. However, the Bank does not hedge its foreign exchange risk exposure arising from future commercial transactions and recognised assets and liabilities using forward contracts.

The Bank's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines.

The table below summarises the Bank's exposure to foreign currency exchange rate risk. Included in the table are the Bank's financial instruments at their carrying amounts by currency in US\$ equivalent.

	In US\$ equivalent		
	US\$	KHR	Total
As at 31 December 2019			
Financial assets			
Cash on hand	6,681,902	1,630,091	8,311,993
Deposits and placements with the central bank	246,045	449,309	695,354
Deposits and placements with other banks	46,785,899	1,319,261	48,105,160
Loans and advances	268,989,944	33,988,666	302,978,610
Other financial assets	1,343,315	35,182	1,378,497
Total financial assets	324,047,105	37,422,509	361,469,614
Financial liabilities			
Deposits from customers	39,084,289	2,550,552	41,634,841
Borrowings	93,519,447	-	93,519,447
Lease liabilities	12,842,836	-	12,842,836
Other financial liabilities	14,678,866	267,253	14,946,119
Total financial liabilities	160,125,438	2,817,805	162,943,243
Net position	163,921,667	34,604,704	198,526,371
In KHR'000 equivalent	667,980,793	141,014,169	808,994,962
Off-balance sheet			
Credit commitments	12,917,703	80,175	12,997,878
Financial guarantee contracts	811,141	-	811,141
	13,728,844	80,175	13,809,019
In KHR'000 equivalent	55,945,039	326,713	56,271,752
As at 31 December 2018			
Financial assets			
Cash on hand	1,040,082	24,893	1,064,975
Deposits and placements with the central bank	4,889,527	63,714	4,953,241
Deposits and placements with other banks	28,573,896	1,446,934	30,020,830
Loans and advances	108,853,543	4,468,704	113,322,247
Other financial assets	1,538,562	32,532	1,571,094
Total financial assets	144,895,610	6,036,777	150,932,387
Financial liabilities			
Deposits from customers	1,001,457	7,622	1,009,079
Borrowings	66,000,000	-	66,000,000
Lease liabilities	8,756,038	-	8,756,038
Other financial liabilities	6,033,567	58,131	6,091,698
Total financial liabilities	81,791,062	65,753	81,856,815
Net position	63,104,548	5,971,024	69,075,572
In KHR'000 equivalent	253,554,074	23,991,574	277,545,648
Off-balance sheet			
Credit commitments	7,063,838	-	7,063,838
In KHR'000 equivalent	28,382,501	-	28,382,501

Sensitivity analysis

As shown in the table above, the group is primarily exposed to changes in USD/KHR exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from US-dollar denominated financial instruments.

	Impact on post tax profit		Impact on other component of equity	
	US\$	KHR'000	US\$	KHR'000
2019				
US\$/KHR exchange rate- increase by 5%	(1,210,929)	(4,934,536)	-	-
US\$/KHR exchange rate- decrease by 5%	1,338,396	5,453,964	-	-
2018				
US\$/KHR exchange rate- increase by 5%	(227,468)	(913,966)	-	-
US\$/KHR exchange rate- decrease by 5%	251,412	1,010,173	-	-

(ii) Price risk

The Bank is not exposed to a securities price risk because it does not have any investment held and classified on the statement of financial position at fair value.

(iii) Interest rate risk

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

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

	1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
As at 31 December 2019							
Financial assets							
Cash on hand	-	-	-	-	-	8,311,993	8,311,993
Deposits and placements with the central bank	-	99,080	-	-	-	596,274	695,354
Deposits and placements with other banks	-	38,623,736	-	-	-	9,481,424	48,105,160
Loan and advances	1,068,622	2,073,284	15,971,863	38,452,751	245,412,090	-	302,978,610
Other financial assets	-	-	-	-	-	1,378,497	1,378,497
Total financial assets	<u>1,068,622</u>	<u>40,796,100</u>	<u>15,971,863</u>	<u>38,452,751</u>	<u>245,412,090</u>	<u>19,768,188</u>	<u>361,469,614</u>
Financial liabilities							
Deposits from customers	23,753,459	8,874,995	2,774,341	-	-	6,232,046	41,634,841
Borrowing	-	-	-	35,086,943	-	58,432,504	93,519,447
Lease liabilities	75,763	268,380	816,672	5,286,723	6,395,298	-	12,842,836
Other financial liabilities	-	-	-	-	-	13,769,424	13,769,424
Total financial liabilities	<u>23,829,222</u>	<u>9,143,375</u>	<u>3,591,013</u>	<u>40,373,666</u>	<u>6,395,298</u>	<u>78,433,974</u>	<u>161,766,548</u>
Total interest repricing gap	<u>(22,760,600)</u>	<u>31,652,725</u>	<u>12,380,850</u>	<u>(1,920,915)</u>	<u>239,016,792</u>	<u>(58,665,786)</u>	<u>199,703,066</u>
In KHR'000 equivalent	<u>(92,749,445)</u>	<u>128,984,854</u>	<u>50,451,964</u>	<u>(7,827,729)</u>	<u>973,993,427</u>	<u>(239,063,078)</u>	<u>813,789,993</u>

	1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
As at 31 December 2018							
Financial assets							
Cash on hand	-	-	-	-	-	1,064,975	1,064,975
Deposits and placements with the Central bank	-	-	-	-	-	4,953,241	4,953,241
Deposits and placements with other banks	-	-	-	-	500	30,020,330	30,020,830
Loan and advances	1,136,163	3,531,829	1,630,013	14,942,264	92,081,978	-	113,322,247
Other financial assets	-	-	-	-	-	1,571,094	1,571,094
Total financial assets	<u>1,136,163</u>	<u>3,531,829</u>	<u>1,630,013</u>	<u>14,942,264</u>	<u>92,082,478</u>	<u>37,609,640</u>	<u>150,932,387</u>
Financial liabilities							
Deposits from customers	1,008,879	160	40	-	-	-	1,009,079
Borrowing	-	-	-	66,000,000	-	-	66,000,000
Lease liabilities	40,323	160,373	726,382	4,829,564	2,999,396	-	8,756,038
Other financial liabilities	-	-	-	-	-	5,573,005	5,573,005
Total financial liabilities	<u>1,049,202</u>	<u>160,533</u>	<u>726,422</u>	<u>70,829,564</u>	<u>2,999,396</u>	<u>5,573,005</u>	<u>81,338,122</u>
Total interest repricing gap	<u>86,961</u>	<u>3,371,296</u>	<u>903,591</u>	<u>(55,887,300)</u>	<u>89,083,082</u>	<u>32,036,635</u>	<u>69,594,265</u>
In KHR'000 equivalent	<u>349,409</u>	<u>13,545,867</u>	<u>3,630,629</u>	<u>(224,555,171)</u>	<u>357,935,823</u>	<u>128,723,199</u>	<u>279,629,756</u>

31.3. Liquidity risk

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

(a) *Liquidity risk management process*

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

(b) *Funding approach*

The Bank's main sources of liquidities arise from shareholder's paid-up capital, borrowing and customers' deposits. The sources of liquidity are regularly reviewed daily through management's review of maturity of term deposits and key depositors.

(c) *Non-derivative cash flows*

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

	1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	US\$	US\$	US\$	US\$	US\$	US\$
As at 31 December 2019						
Financial assets						
Cash on hand	8,311,993	-	-	-	-	8,311,993
Deposits and placements with the central bank	596,274	99,080	-	-	-	695,354
Deposits and placements with other banks	9,481,424	38,623,736	-	-	-	48,105,160
Loans and advances	1,091,795	2,130,147	16,727,487	48,151,227	417,952,786	486,053,442
Other financial assets	1,378,497	-	-	-	-	1,378,497
Total financial assets by remaining contractual maturities	20,859,983	40,852,963	16,727,487	48,151,227	417,952,786	544,544,446
Financial liabilities						
Deposits from customers	29,987,681	8,925,137	3,618,171	10,489	-	42,541,478
Borrowings	-	-	998,630	97,719,447	-	98,718,077
Lease liabilities	75,763	268,380	816,672	5,286,723	6,395,298	12,842,836
Other financial liabilities	13,769,424	-	-	-	-	13,769,424
Total financial liabilities by remaining contractual maturities	43,832,868	9,193,517	5,433,473	103,016,659	6,395,298	167,871,815
Net liquidity (gap)/surplus	(22,972,885)	31,659,446	11,294,014	(54,865,432)	411,557,488	376,672,631
In KHR'000 equivalent	(93,614,506)	129,012,242	46,023,107	(223,576,635)	1,677,096,764	1,534,940,972
Off-balance sheet						
Credit commitments	12,997,879	-	-	-	-	12,997,879
Financial guarantee contracts	-	-	811,141	-	-	811,141
Liquidity- off-balance sheet	12,997,879	-	811,141	-	-	13,809,020
In KHR'000 equivalent	52,966,357	-	3,305,400	-	-	56,271,757

	1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	US\$	US\$	US\$	US\$	US\$	US\$
As at 31 December 2019						
Financial assets						
Cash on hand	1,064,975	-	-	-	-	1,064,975
Deposits and placements with the central bank	4,953,241	-	-	-	-	4,953,241
Deposits and placements with other banks	30,020,830	-	-	-	-	30,020,830
Loans and advances	1,158,728	3,616,856	1,765,223	19,162,678	158,043,372	183,746,857
Other financial assets	1,571,094	-	-	-	-	1,571,094
Total financial assets by remaining contractual maturities	38,768,868	3,616,856	1,765,223	19,162,678	158,043,372	221,356,997
Financial liabilities						
Deposits from customers	1,008,879	160	40	-	-	1,009,079
Borrowings			68,640,000	-	-	68,640,000
Lease liabilities	40,323	160,373	726,382	4,829,564	2,999,396	8,756,038
Other financial liabilities	5,573,005	-	-	-	-	5,573,005
Total financial liabilities by remaining contractual maturities	6,622,207	160,533	69,366,422	4,829,564	2,999,396	83,978,122
Net liquidity (gap)/surplus	<u>32,146,661</u>	<u>3,456,323</u>	<u>(67,601,199)</u>	<u>14,333,114</u>	<u>155,043,976</u>	<u>137,378,875</u>
In KHR'000 equivalent	<u>129,165,284</u>	<u>13,887,506</u>	<u>(271,621,618)</u>	<u>57,590,452</u>	<u>622,966,696</u>	<u>551,988,320</u>
Off-balance sheet						
Credit commitments	7,063,838	-	-	-	-	7,063,838
Financial guarantee contracts	-	-	-	-	-	-
Liquidity- off-balance sheet	<u>7,063,838</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,063,838</u>
In KHR'000 equivalent	<u>28,382,501</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,382,501</u>

31.4. Fair value of financial assets and liabilities

(a) Financial instruments measured at fair value

The Bank did not have financial instruments measured at fair value.

(b) Financial instruments not measured at fair value

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

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

(i) Deposits and placements with the central bank and other banks

The carrying amounts of deposits and placements with the central bank and other banks approximate their fair values, since these accounts consist mostly of current, savings and short-term deposits.

(ii) Loans and advances to customers

For fixed rate loans with remaining period to maturity of less than one year, the carrying amounts are generally reasonable estimates of their fair values.

For fixed rate loans with remaining period to maturity of one year and above, fair values are estimated by discounting the estimated future cash flows using a current lending rate as the prevailing market rates of loans with similar credit risks and maturities have been assessed as insignificantly different to the contractual lending rates. As a result, the fair value of non-current loan and advances to customers might approximate to their carrying value as reporting date.

(iii) Deposits from customers

The fair value of deposits from customers with maturities of less than one year approximate their carrying amount due to the relatively short maturity of these instruments. The fair value of deposits from customers with remaining maturities of more than one year are expected to approximate their carrying amount due to the Bank offered similar interest rate of the instrument with similar maturities and terms.

The estimated fair value of deposits with no stated maturities, which includes non-interest bearing deposits, deposits payable on demand is the amount payable at the reporting date.

(iv) Other financial assets and other financial liabilities

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

(v) Borrowings

Borrowings are not quoted in active market and their fair value approximates their carrying amount.

31.5. Capital management

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

- To comply with the capital requirement set by the central bank;
- 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 business.

The central bank requires all commercial banks to i) hold minimum capital requirement, ii) maintain the Bank's net worth at least equal to minimum capital and iii) comply with solvency, liquidity and other prudential ratios.

The table below summarises the composition of regulatory capital:

	2019		2018	
	US\$	KHR'000	US\$	KHR'000
Tier 1 capital				
Share capital	250,000,000	1,018,750,000	100,000,000	401,800,000
Retained earnings	(7,109,751)	(28,766,248)	(2,759,968)	(11,160,275)
Less: Intangible assets	(3,541,957)	(14,433,475)	(2,915,469)	(11,714,354)
Less: Loans to related parties	(1,099,508)	(4,480,495)	(398,802)	(1,602,386)
	<u>238,248,784</u>	<u>971,069,782</u>	<u>93,925,761</u>	<u>377,322,985</u>
Tier 2 complementary capital				
General provision	3,631,616	14,798,835	1,496,038	6,011,081
Less: Equity participation in banking or financial institutions	-	-	-	-
	<u>3,631,616</u>	<u>14,798,835</u>	<u>1,496,038</u>	<u>6,011,081</u>
Total Capital Tier I + Tier II	<u>241,880,400</u>	<u>985,868,617</u>	<u>95,421,799</u>	<u>383,334,066</u>

32. EVENTS OCCURRING AFTER THE REPORTING PERIOD

The novel coronavirus (COVID-19) declared as a pandemic has spread into Cambodia since late January 2020. Since then, the country is facing sustained risk of further national spread causing disruption to business and economic activities. The Bank considers this pandemic to be a non-adjusting post balance sheet event. As the situation is fluid and rapidly evolving, management does not consider it practicable to provide a quantitative estimate of the potential impact of this pandemic on the Bank. The impact of this pandemic on the macroeconomic forecasts will be incorporated into the Bank's CIFRS9 estimates of expected credit loss provisions in 2020.



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