



របាយការណ៍ប្រចាំឆ្នាំ ANNUAL REPORT

2018

២០១៨



Chief Bank received its license from the National Bank of Cambodia on 05 December 2013, permitting the Bank to carry out specialized bank businesses in Cambodia. Thanks to the constant expansion of demands for banking services, we are strongly encouraged to expand and diversify our services. On 11 July 2016, Chief Bank was granted an approval-in-principle letter from the National Bank of Cambodia, allowing Chief Bank to meet the necessary requirements for upgrading into a commercial bank. Because of the continued success of Chief (Cambodia) Specialized Bank operations over the past years, on 05 June 2018 it has successfully been upgraded under License To Carry Out Banking Operation N°: B43 to Chief (Cambodia) Commercial Bank Plc , which is founded by Mr. Chau Chung Kai, our respectful chairman, who is also founder of Chief Group, based in Hong Kong, one of the international financial center in the world.

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# CHAIRMAN'S MESSAGE



“ ‘The Chief Way’, our unique corporate philosophy, is a way to build the mutual trust and partnership with our customers, a way to the prosperity and a way that our business is conducted ethically and sincerely. ”

•  
•  
• Mr. CHAU Chung Kai Peter  
• Founder & Chairman

## Chairman's Report

2018 is a remarkable year for Chief Bank, we have successfully converted to the commercial bank, being the 40th commercial bank in Cambodia which is the greatest achievement and acknowledgement to our effort and heart since 2013 we commenced the business in Cambodia. Besides the loan business, we have been well positioned in preparing ourselves for operating commercial bank in every aspect. An attractive fixed saving interest rate has

been offered to the customers from the fourth quarter of the year 2018 and we believe that soon the mobile banking system and ATM system will be online, and forthcoming more features and more products.

We sincerely appreciate the officers from the regulator and all the supporters for helping us made this milestone step, also thanks to our customers' loyalty and diligent works by every staff. We are looking forward to contributing further to the economic growth of Cambodia.

Turning to a brand-new page this year, we are happy to announce that Chief Bank is happy to welcome all the customers from individual to corporate, from any sectors to doing an all-round banking business with us.

The economy growth keeps a robust pace in Cambodia, which can easily be told from the rapid change of the landscape in Phnom Penh, the performance of banking industry and improvement in the living standard of the residence. Standing on the new page we are extremely optimistic about the future of Cambodia, as well as the banking industry. Currently, our team comprising the local elite employee and assistance from the company in Hong Kong. The Chief Commercial Bank will always being a part of a corporate culture based on the principles of integrity, prudence and transparency.

Welcome to Chief Cambodia Bank!

Mr. CHAU Chung Kai Peter  
Founder & Chairman  
Chief Group

# MESSAGE FROM CHIEF EXECUTIVE OFFICER



• Oknha Dr. Soeung Morarith  
• Chief Executive Officer  
•

“ Chief (Cambodia) Commercial Bank Plc is young but dynamic, utilizing a business model which is customized and best suited to needs of clients in Cambodia. ”

## Message from Chief Executive Officer

Welcome to Chief (Cambodia) Commercial Bank Plc!

Managing a commercial banking institution is challenging. However, introducing an annual report which shows as much progress as this report does is one of the better moments. 2018 was a formidable challenging year for our bank. It was the year to execute our on-going upgraded plan from a specialized bank to a commercial bank, and was also a year in which we demonstrated our resilience and changed much for the better, despite a tougher competition environment in Cambodia's banking industry.

Our actively strategic implementations—our utmost priorities on customer satisfaction first, simplicity, efficiency, and talented staff—have ensured that the Chief bank continued to make the remarkable milestones. Our 2018 performance confirms that this has occurred. First, our customers are more satisfied and choose us more frequently to help them achieve their financial ambitions. Second, our continued progress on prioritized digital enablement has recently made the bank simpler and easier to operate for customers and colleagues. Third, our positive profitability, no impaired loans and full settlement of the main related party loans have strengthened our capital base and improved our bank risk profile. Finally, our employees are more engaged and positive about the bank they work for, and it is clearly demonstrated by the continuing improvements in our employee performance appraisal scores.

Our achievements during the year are made possible through the concerted efforts of staff and management who have demonstrated the strong dedication and commitment, through guidance by the Bank's clearly-defined vision and mission, and by the effective strategic leadership and oversight of the Bank's Chairman of Board of Directors, Members of Board of Directors and Independent Directors.

Thanks to the continued success of Chief Bank's operations over the past years, Chief (Cambodia) Specialized Bank Plc has recently been successfully upgraded to Chief (Cambodia) Commercial Bank Plc, which is the first commercial bank in Cambodia, owned by the Hong Kong-based Chief Financial Group (Cambodia) Limited. Chief Group, established in 1979, has dynamically evolved into a comprehensive financial institution with diversified products and services, making it one of the leaders in the sector in Hong Kong, proudly holding the biggest branch service networks.

Chief (Cambodia) Commercial Bank Plc has been well managed to meet all of the requirements from the National Bank of Cambodia, and has started to offer comprehensive commercial banking products, including various deposit accounts, individual loans, commercial loans, ATMs and trade finances, with attractive and innovative features. In addition, we are going to launch remittances, mobile banking, internet banking, and our own credit and debit card products and so on, in the very near future.

## Message from Chief Executive Officer (continued)

Chief (Cambodia) Commercial Bank Plc has been committed to fulfilling customers' needs and helping them succeed. The bank has also been committed to being the most innovative and efficient foreign bank that lends full support to Cambodia's four pillars of economic growth drivers: exports, tourism, agriculture and real estates. It provides world-rated services to its clients in Cambodia—a small Southeast Asian country that has enjoyed high economic growth rate of more than 7 percent per annum without overheating, thanks largely to both political and macroeconomic stability which is an indispensable foundation for development. According to recent forecast by the IMF, the country's economy will grow 7.25% in 2018, with low inflation. It is expected that Cambodia's financial or economic outlook for 2019 will remain strong and robust.

The Kingdom's banking sector has also expanded rapidly, as reflected in the substantial increase in assets, credits, deposits, demands for other bank services. The country's banking system has continued to develop and improve steadily since the early stage of its wider liberalization after the 1993 first-ever general elections under the auspices of the United Nations. This helps build stronger public confidence in the banking and related sectors, leading to the higher demands for financial and other banking services.

Chief Bank has been utilizing a business model which is localized, customized and best suited to the real needs of clients in Cambodia and the region who seek investment opportunities in the Kingdom. We have actively been working on the further refinements of our existing products and new products or services to meet our clients' highly growing needs.

The rapid economic expansion and improved business environment offer more opportunities for robust growth in the banking industry although competition is undoubtedly intensified. Yet, Chief Bank is really confident of having a solid ground and the right formula of working with clients for mutual benefits. By looking ahead to 2019 with much optimism and with our superior organizational realignment, we strongly believe that our sharpened strategy coupled with our client centric approach to business success will drive the bank's sustainable growth and competitive advantages.

On behalf of the top management of Chief (Cambodia) Commercial Bank Plc, I would like to sincerely express my thanks to all of our clients for selecting Chief (Cambodia) Commercial Bank Plc to be their long-term business partners. With this, I would also like to thank my dedicated colleagues, our Chairman, Board members, INED, the leadership teams and all officials of National Bank of Cambodia, for the on-going unwavering support given to me in fulfilling my position as CEO. I am really proud of the significant progress we have made. Together, we are confident that we are delivering a better, innovative bank, a bank of first choice, a bank that our employees, customers and stakeholders can genuinely trust.

Sincerely yours,

**Oknha Dr. Morarith SOEUNG**

Chief Executive Officer

Chief (Cambodia) Commercial Bank Plc.

# BOARD OF DIRECTORS



## **Mr. CHAU Chung Kai Peter**

### **Founder & Chairman, Chief Group**

Mr. Chau Chung Kai Peter, the founder and chairman of Chief Group, is a successful entrepreneur in Hong Kong who built his enterprise from scratch. Born in Chaozhou, China, Mr. Chau entered the Hong Kong banking industry in 1958, Mr. Chau was a senior banking executive in Chong Hing Bank (1959-1962) and Bangkok Bank (1962-1970). He has strong commercial banking experience, leading innovative product development and sound banking operations during the development of Hong Kong's banking industry. Mr. Chau founded his own company Chief Investment Co. in 1979. He gained valuable experiences, being exposed to the global capital markets and financial industry, in the past half century. The faith of integrity and sincerity is the vital spirit that Mr. Chau has pursued for over 30 years when he operates the company. Till present Chief Group is one of the largest securities broker in Hong Kong in terms of the number of branches and one of the leading companies in the industry for the diversified financial products and service. Mr. Chau also engages actively in charitable activities where he believes that education is the foundation of nation-building. Commencing from 2006, Mr. Chau has continuously donated as individual and founder of the company, school buildings in various deprived areas of Mainland China, including over 50 primary schools and 2 secondary schools.



## **Ms. NG Siu Mui, Fion**

### **Director**

**Chairwoman, Risk Management Committee**

**Member, Internal Audit Committee**

**Member, Human Resources Committee**

### **Education**

- Master of Business Administration, The University of Hong Kong, Hong Kong.
- Professional Diploma in Corporate Governance and Directorship, Hong Kong.

### **Working Experience**

- General Manager, Chief Group Ltd. Hong Kong (*current*).
- Director and Responsible Officer, Chief Securities Ltd. Hong Kong (*current*).
- Director and Responsible Officer, Chief Commodities Ltd. Hong Kong (*current*).
- Director, Chief Great China Assets Management Ltd. Hong Kong (*current*).
- Director, Chief Financial Services Ltd. Hong Kong (*current*).



### Mr. LAM Wai Chuen, Patrick

#### Director

Member, Internal Audit Committee

#### Education

- Certified Public Accountant, HKICPA, Hong Kong.
- Fellow Member, ACCA.

#### Working Experience

- Financial Controller, Chief Group Ltd (*current*).
  - Audit Manager, Chan And Chan Certified Public Accountants.
- .....



### Mr. YE Haiya, Michael

#### Director

Member, Risk Management Committee

Member, Internal Audit Committee

Member, Human Resources Committee

#### Education

- Bachelor of Science, The University of Hong Kong, Hong Kong.

#### Working Experience

- Director, Investment Sales Division, Chief Group Ltd (*current*).
  - Director and Responsible Officer, Chief Securities Limited (*current*).
  - Director, Chief Financial Services Limited (*current*).
  - Director and Responsible Officer, Chief Great China Assets Management Limited (*current*).
- .....



### Mr. CHAN Kwok Cheung

#### Independent Non-Executive Director

Chairman, Internal Audit Committee

#### Education

- Fellow Member, HKICPA, Hong Kong.
- Fellow Member, ACCA.

#### Working Experience

- Director, Kreston CAC CPA Limited (*current*).
- .....



## **Mr. CHEUNG Ka Wai**

**Independent Non-Executive Director**

**Chairman, Risk & Compliance Committee**

### *Education*

- LL.B (Hons) (HKU) 1991
- P.C.LL. (HKU) 1992
- LL.M. (HKU) 1994

### *Working Experience*

- Senior Partner of Messrs. Kelvin Cheung & Co.

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# CHIEF EXECUTIVE OFFICER



## **Oknha Dr. Soeung Morarith**

### **Chief Executive Officer (CEO)**

#### *Education*

- DBA (Finance), National University of Management, Phnom Penh  
Co-author of a technical report “E-commerce in Cambodia: Its Development and A Study of Internet Banking Adoption” for Economic Research Institute for ASEAN and East Asia (ERIA)  
Research Article “An Assessment of SERVQUAL’s Applicability in Cambodia’s Banking Sector”, Centre for ASEAN Studies, University of Antwerp, Belgium, 2012
- MBA (Management), National University of Management, Phnom Penh
- BBA (Accounting), National Institute of Management, Phnom Penh
- Certificate of Management Excellence, Harvard Business School, Boston, USA, 2019
- Professional Certificate in Strategy: Building and Sustaining Competitive Advantage, Harvard Business School, Boston, USA, 2019
- Professional Certificate in Disruptive Innovation, Harvard Business School, Boston, USA, 2018
- Professional Certificate in Authentic Leader Development, Harvard Business School, Boston, USA, 2017

#### *Working Experience*

- General Manager, Chief (Cambodia) Specialized Bank Plc
  - Representative of Specialized Banks, serving on the Executive Council of the Association of Banks in Cambodia (ABC), March 2017 – March 2018
  - Senior Manager, Kookmin (Cambodia) Bank Plc
  - Head of Credit, Kookmin (Cambodia) Bank Plc
  - Credit Manager (Head Office), Angkor Capital Bank Plc
  - Credit Officer ( Senior), Cambodian Public Bank
  - Loan Officer, Canadia Bank Plc
  - Junior Credit Officer, Acleda Bank Plc
  - Lecturer in Accounting, Finance and Management, Universities (current)
- .....

# ORGANIZATIONAL CHART

## Board of Directors



**Mr. CHAU Chung Kai Peter**  
**Chairman of the Board of Director**



**Ms. NG Siu Mui**  
**Director**  
Chairwoman, Risk Management Committee  
Chairwoman, Risk Management Committee  
Member, Human Resource Committee



**Mr. LAM Wai Chuen**  
**Director**  
Member, Internal Audit Committee



**Mr. YE Haiya**  
**Director**  
Member, Risk Management Committee  
Member, Internal Audit Committee  
Member, Human Resource Committee



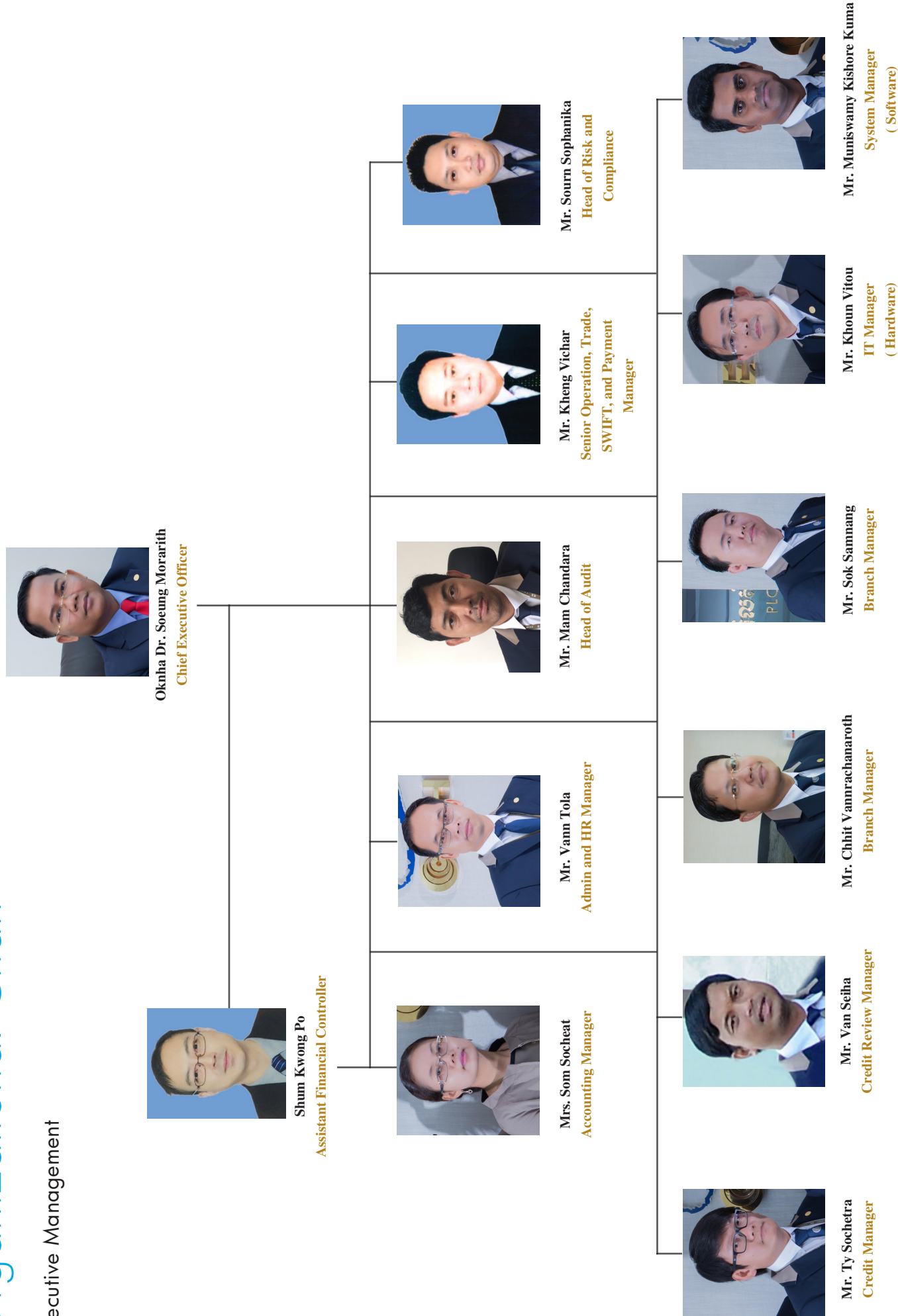
**Mr. CHAN Kwok Cheung**  
**Independent Non-Executive Director**  
Chairman, Internal Audit Committee



**Mr. CHEUNG Ka Wai**  
**Independent Non-Executive Director**  
Chairman, Risk & Compliance Committee

# Organizational Chart

## Executive Management



# CORPORATE INFORMATION



Bank Name	Chief (Cambodia) Commercial Bank Plc.
Date of Establishment	5th December 2013
Registration No	B-43
Head Office	C-01, St.R11 Corner St.70, Phum 1, Sangkat Sras Chork, Khan Daun Penh, Phnom Penh, Cambodia.
<b>As of December 31, 2018</b>	
Paid-Up Capital	US\$75 Million
Number of Employees	94

	Name	No of Shares Held (Shares)	Percentage of Total OutStanding Shares (%)
Principal Shareholders	Chief Financial Group (Cambodia) Limited.		100%
Auditor	Deloitte (Cambodia) Co., Ltd.		

# PRODUCTS AND SERVICE

To satisfy clients' growing needs, Chief (Cambodia) Commercial Bank Plc has actively been working on further refinements of our existing products and delivering the comprehensive Commercial banking products, with attractive and innovative features which are best suited for the personal banking, farming, small businesses and corporate banking customers and deposits various with beautiful interest rate and so on.

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## PERSONAL LOANS



**Housing Loan**



**Car Loan**



**Motorbike Loan**

## BUSINESS LOANS



**Micro and Small  
Business Loan**



**Medium Business  
Loan**



**Large Business  
Loan**

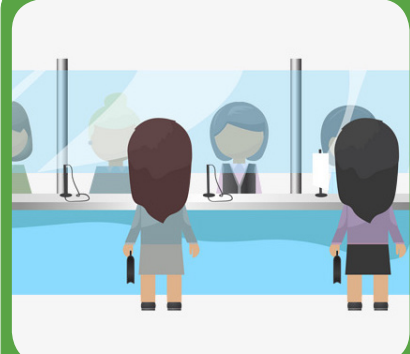
## DEPOSITS



**Fixed Deposit Account**



**Installment Deposit Account**



**Saving Account and  
Current Account**

# INTRODUCTION OF CHIEF GROUP



Mr. Chau Chung Kai Peter is the Chairman of Chief Group, which was established in 1979 in Hong Kong. Over the decades, Chief Group has evolved into a comprehensive financial institution with diversified products and services. We are one of

the leaders in Hong Kong's brokerage industry, proudly holding the biggest branch service network.

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## Our Mission

We are committed to serving our customers with integrity and quality performance. This is embodied in the corporate philosophy, "The Chief Way", a unique wealth enriching management approach. "The Chief Way" guides our business ideology of trust and client and partnership sincerity. We seek to prosper together with our clients and partners.

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## Our Philosophy

Having rooted firm foundation in Hong Kong, we expand our horizons in Asia-Pacific region. Located at the heart of Indo-China, fast-developing Cambodia is the first hub of our service network in Southeast Asia. We offer expertise to our clients and share achievements with our local staff of Cambodia.

As service excellence always our primary quest, we have given top priority to keep enhancing service through staff training, technology integration and product diversification. We aspire to be the paragon in finance industry.

# INTRODUCTION OF CHIEF (CAMBODIA) COMMERCIAL BANK PLC.



Chief Bank received its license from the National Bank of Cambodia on 05 December 2013, permitting the Bank to carry out specialized bank businesses in Cambodia. Thanks to the continued success of Chief (Cambodia) Specialized Bank

operations over the past years, on 05 June 2018 it has successfully been upgraded under License To Carry Out Banking Operation N°: B43 to Chief (Cambodia) Commercial Bank Plc. with registered capital until USD75 million.

Chief (Cambodia) Commercial Bank Plc has been committed to being the most innovative, conservative and efficient foreign bank which renders full support to Cambodia's four pillars of economic growth drivers: garment exports, tourism, agriculture and real estates. Chief Bank provides first-class loan products and services such as various Deposit account, Individual Loan, Commercial Loan and Trade Services and so on with attractive and innovative features which are best suited to its clients in Cambodia – a small Southeast Asian country that has enjoyed high economic growth rates over the longest period in the recorded history without overheating, thanks largely to both political and macroeconomic stability.

Chief (Cambodia) Commercial Bank Plc is young but dynamic, utilizing a business model which is customized and best suited to

needs of clients in Cambodia and the region who seek investment opportunities in the Kingdom.

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## Our Vision

We are committed to fulfilling customers' needs and help them succeed financially.

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## Our Mission

- Become a full-fledged and most respected bank, having the largest branch networks.
  - Be the "Bank of First Choice" by offering enjoyable experiences.
  - Be the most innovative and efficient foreign bank with a view to guaranteeing and enhancing service excellence.
  - Ensure good corporate governance and compliance in everything we perform.
- .....

## Our Goal

Our goal is to build broader, deeper and more enduring relationships with our customers, assisting customers at every step on their journeys to wealth, and to deliver long-term value for our shareholders.

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## Our Philosophy

- Maintain highest degree of corporate integrity and professionalism
- Be one step ahead of others via product innovation and creativity
- Engage and serve customers pro-actively and whole-heartedly
- Assume proactive corporate social responsibilities

# CORPORATE CULTURE

By building good team spirit among our staff, we encourage staff cultivating passion and vision towards their work. They are the key factors to their success in goal achievement and development of strong bonds to their jobs. On the other hand, we also emphasize on high level of professional ethics. Integrity, prudence and transparency are the core principles of our corporate cultures.

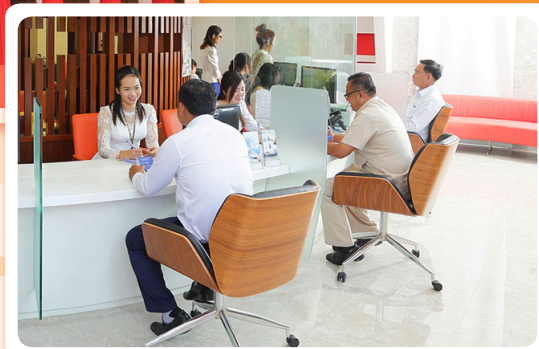
Technical sharing and training sessions are organized for all staff members of Chief (Cambodia) Commercial Bank Plc on a regular basis. They are conducted to enhance the quality and efficiency of our service. Our staff team are keen to keep stepping forward with times.



# CUSTOMER SATISFACTION



“ We aim to provide superior service quality and enhance customer satisfaction. ”



## Customer Satisfaction

We aim to provide superior service quality and enhance customer satisfaction. Superior service quality can further build up customer loyalty, bringing opportunities for cross-selling and words-of-mouth recommendations as well. Goodwill of an enterprise is originated from sustaining high-level satisfaction from customers.

Chief (Cambodia) Commercial Bank Plc emphasizes on business integrity and we work hard with our clients , our employees and our society for a better future ahead. Through professional and ethical service, we build mutual trust and long-term partnership with our customers.

We have dedicated professionals allotted for each and every customers to handle the commercial banking transactions at Chief. Whatever information provided by the Chief (Cambodia) Commercial Bank Plc was up to the mark and all customers' doubts were clarified. Another best part about Chief (Cambodia) Commercial Bank Plc is our constant follow up to our customers' requests for their needs and wants. Also, we regularly seek customer feedback to understand product and service development opportunities and to alert us to potential improvements. We have various approaches to gather information from customers by phone calls, customer satisfaction surveys and clients' written comments. We look into comments one by one and take appropriate action needed to resolve different situations.

# STRATEGY GOALS

Chief (Cambodia) Commercial Bank Plc is committed to fulfilling customers' needs, helping them succeed financially and being the most innovative, conservative and efficient foreign bank which is locally incorporated in Cambodia. The Bank renders full supports for Cambodia's four pillars of economic growth, including: (1) garment exports; (2) tourism; (3) agriculture; and (4) real estates.

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## A- Marketing Strategy

The first priority of Chief (Cambodia) Commercial Bank Plc's strategy is to satisfy its existing borrowers by providing the refined products with competitive pricing, adapted to the evolution of their needs, witnessed by growing customer bases and the daily increase of our quality loan portfolio ( zero NPL up to now).

The second priority is to promote new clients throughout popular media in order to increase more new clients into existing current cycles by expanding more branches to potential locations within Phnom Penh, while being committed to providing reliable, innovative, customer-friendly financial services, using cutting-edge technology and focusing continuously improvement whilst developing our staff and acquiring necessary expertise to take comparative advantages from our competitors.

Subsequently, we are planning to expand into new expected potential provinces of Sihanouk ville, Siem Reap, Kampong Cham, Kampong Speu and Battambang. Within ten years, we hope to expand further, with branch operations in Kandal, Pursat, Prey Veng and Takeo. It is also our intention to set up a representative office (and subsequently a branch) in Hong Kong when appropriate to better support the Bank's international business.

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## B- Target Market Identified

Chief (Cambodia) Commercial Bank Plc foresees a positive economic and social environment to expand its activities in the next three years. The bank has developed a formal capital management framework with a clearly defined objectives for maintaining an appropriate level of capital adequacy. This ensures sufficient leeway for future business expansion.

The Bank has identified locations as the most potential to be expanded from 2017 where the financial supply is lower and demand is higher.

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## C- Market Size and Trends

Growth of market demand of Chief (Cambodia) Commercial Bank Plc keeps increasing, evidenced by the daily increases in quality loan portfolio of the bank since establishment up to now. Growth in market and developing economies was projected to increase, supported by stronger domestic demand, as well as a recovery in external demand fuelled by faster growth in economies.

Cambodia's banking sector in light of high domestic investment demand, the sector and other financial institutions such as microfinance have been handsomely profitable, attracting new entry and leading to a rapid expansion of the sector. This is reflected in the substantial increase in assets, credits, deposits, demands for bank loans and other bank services. This success in the sector is undoubtedly attributed to the significant improvements in the Kingdom's financial and banking system that has continued to develop and improve steadily over time. This helps build stronger investors' trust and public confidence in the banking and related sectors, resulting in the higher demands for financial and other banking services and related services. Given the trend now evident in those cycles such as credit, deposit etc, growth of market demand of the Bank services remains sound.

The Bank has planned to build up good relationship with many companies, ranging from self-employed business to medium business in order to entrust them on the Bank services. By planning so, the Bank expects a number of businesses would have approached to access for banking services in the expansion of their business. This means that the market size and trend of the bank will be enlarged from time to time.

## D- Competitive Analysis

Chief (Cambodia) Commercial Bank Plc has a professional team consisting of various local expertise in the fields of banking, accounting, credit management, operation, marketing and human resources, plus top management with regional background of Asia-Pacific, such as Hong Kong, Mainland China, Cambodia etc. This empowers us to provide quality service to meet the most localized needs of people in Cambodia yet with broader horizons in the Bank's future development.

Chief (Cambodia) Commercial Bank Plc. intends to develop a full-service commercial bank with the following business areas:

- Farming and Small Business
- Corporate Banking
- Personal Banking
- Treasury

Chief (Cambodia) Commercial Bank Plc. will work closely with the National Bank of Cambodia and both the locally incorporated commercial banks and the foreign bank branches to maintain a significant role in Cambodia banking sector. We will also work closely to support the legally existing organizations/companies which are involved in rural credit activities.

The Board of Directors and Management team of Chief (Cambodia) Commercial Bank Plc. are sophisticated professional with passions. The management team is extremely familiar with Commercial Banks, Specialized Banks, Rural Specialized Banks, Credit Cooperatives, micro-finance companies and has affirmed understanding of the unique characteristics of each financial services business model as well as the demands and requirements of the respective customer groups.

Chief (Cambodia) Commercial Bank Plc. operates within a robust credit approval, monitoring system and risk management system to ensure the financial strength and stability of the Bank's operations. The Bank adopts a five category loan monitoring system, with risk-based interest rate pricing to ensure proper risk management.

# BUSINESS EXPANSION



In view of great favorable business climate, such as the favorable business, fast economic growth, stable political environment and great potential and so on, Chief Bank will open branches in the following years in Phnom Penh, in order to strengthen the local business of Chief (Cambodia) Commercial Bank Plc and to reap the benefits from the expansion of Cambodian economy and growing demand for banking services.

# BRANCH NETWORK



There are tremendous business potentials for opening branches in Phnom Penh, expected to enlarge market shares and reap the banking business potentials from our new expansion plan. Those locations would be well located at Toul Tom Pong/Olympic, Norodom Blvd, Steung Meanchey and so on, where demands would be undoubtedly high. To this end, we need to build Chief's

brand name awareness, and to gain network establishment in order to substantiate the Chief (Cambodia) Commercial Bank Plc development and differentiate Chief (Cambodia) Commercial Bank Plc from its competitors.



## Head Office

C-01, St.R11 Corner St.70, Phum 1,  
Sangkat Sras Chork, Khan Daun Penh,  
Phnom Penh, Cambodia.

Tel : 855-23-900 878  
Fax : 855-23-900 858  
Email : [info@chiefholdings.com.kh](mailto:info@chiefholdings.com.kh)  
Website : [www.chiefbank.com.kh](http://www.chiefbank.com.kh)

## Chhbar Ampov Branch

Vimean Keo Chhoranay Lot No. 105B,  
Phum Ta Ngov, Sangkat Nirouth,  
Khan Chhbar Ampov, Phnom Penh

Tel : 855-23-230 488  
Fax : 855-23-230 477

## Phsar Olympic Branch

N°20, 21 & 21C, Street 274,  
Sangkat Veal Vong, Khan Prampir  
Meakakra, Phnom Penh.

Tel : 855-23 212 878  
Fax : 855-23 212 879

# FINANCIAL STATEMENTS

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

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# REPORT OF THE BOARD OF DIRECTORS

The Board of Directors (the “Directors”) is pleased to present its report and the audited financial statements of Chief (Cambodia) Commercial Bank Plc. (the “Bank”) for the year ended 31 December 2018.

## PRINCIPAL ACTIVITIES

The principal activities of the Bank are providing commercial banking and related financial services in Cambodia.

## FINANCIAL PERFORMANCE

The financial performance for the year ended 31 December 2018 is set out in the income statement on page 9 of the financial statements.

## DIVIDENDS

No dividend was declared or paid during the year (2017: US\$1,000,000).

## SHARE CAPITAL

On 7 June 2018, the National Bank of Cambodia (the “NBC”) approved to increase additional capital of US\$36,200,000, thereby increasing the paid up capital to US\$75,000,000. The new authorised share capital of US\$75,000,000 with 75,000,000 shares and par value per share of US\$1 was approved by the Ministry of Commerce (“MOC”) on 27 June 2018.

## RESERVES AND PROVISIONS

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

## BAD AND DOUBTFUL LOANS

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

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

## ASSETS

Before the financial statements of the Bank were drawn up, 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.

## VALUATION METHODS

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

## CONTINGENT AND OTHER LIABILITIES

At the date of this report, there 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, and
- (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 have a material effect on the ability of the Bank to meet its obligations as and when they become 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 in any material respect.

## ITEMS OF UNUSUAL NATURE

The financial performance of the Bank for the 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 Board of Directors holding office during the year and as at the date of this report are:

Mr. Chau Chung Kai Peter	Chairman
Mr. Lam Wai Chuen	Director
Ms. Ng Siu Mui	Director
Mr. Ye Haiya	Director
Mr. Chan Kwok Cheung	Independent Director
Mr. Cheung Ka Wai	Independent Director

## DIRECTORS' INTERESTS

Mr. Chau Chung Kai Peter is the ultimate shareholder of the Bank

None of the other Directors held or dealt directly in the shares of the Bank during the year.

## DIRECTORS' BENEFITS

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

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

## DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Board of Directors are responsible to ascertain that the financial statements are properly drawn up so as to present fairly, in all material respects, the financial position of the Bank as at 31 December 2018 and its financial performance and its cash flows for the year then ended. In preparing these financial statements, the Directors are required to:

- i. adopt appropriate accounting policies which are supported by reasonable and prudent judgements and estimates and then apply them consistently;
- ii. comply with Cambodian Accounting Standards and relevant accounting regulations and guidelines issued by the National Bank of Cambodia ("NBC") or, if there have been any departures in the interests of fair presentation, these have been appropriately disclosed, explained and quantified in the financial statements;
- iii. maintain adequate accounting records and an effective system of internal controls;
- iv. prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Bank will continue operations in the foreseeable future; and
- v. effectively control and direct the Bank in all material decisions affecting the operations and performance and ascertain that such have been properly reflected in the financial statements.

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

## STATEMENT OF THE BOARD OF DIRECTORS

The accompanying financial statements are drawn up so as to present fairly, in all material respects, the financial position of the Bank as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with Cambodian Accounting Standards and relevant accounting regulations and guidelines issued by the National Bank of Cambodia, and at the date of this statement, there are reasonable grounds to believe that the Bank will be able to pay its debts as and when they fall due .

On behalf of the Board of Directors



Mr. Chau Chung Kai Peter

Chairman

Phnom Penh, Kingdom of Cambodia

Date:

# INDEPENDENT AUDITOR'S REPORT

## INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Chief (Cambodia) Commercial Bank Plc

### Our opinion

We have audited the financial statements of Chief (Cambodia) Commercial Bank Plc. (the "Bank"), which comprise the balance sheet as at 31 December 2018, and the income statement, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 8 to 48.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with Cambodian Accounting Standards and relevant accounting regulations and guidelines issued by the National Bank of Cambodia.

### BASIS FOR OPINION

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

### INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

Management is responsible for the other information. The other information comprises the Report of the Board of Directors set out on pages 1 to 4.

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

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

## RESPONSIBILITIES OF MANAGEMENT AND THE BOARD OF DIRECTORS FOR THE FINANCIAL STATEMENTS

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

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

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

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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 Deloitte (Cambodia) Co., Ltd.



.....  
Ung Kimsopheaktra

Director

Phnom Penh, Kingdom of Cambodia

Date: 28 March 2019

# BALANCE SHEET

AS AT 31 DECEMBER 2018

		31 December 2018		31 December 2017	
	Note	US\$	KHR' 000	US\$	KHR' 000
<b>ASSETS</b>					
Cash on hand	4	2,508,273	10,078,241	97,295	392,780
Balances with the NBC	5	14,270,993	57,340,850	40,093,505	161,857,480
Balances with other banks and financial institutions	6	15,439,534	62,036,048	125,234	505,570
Loans to customers	7	43,828,555	176,103,134	33,734,700	136,186,984
Other assets	8	1,039,215	4,175,565	292,162	1,179,458
Property and equipment	9	1,341,005	5,388,158	1,273,129	5,139,622
Intangible assets	10	364,926	1,466,273	395,059	1,594,852
Deferred tax assets	12(c)	130,945	526,137	51,888	209,472
<b>Total assets</b>		<b>78,923,446</b>	<b>317,114,406</b>	<b>76,062,972</b>	<b>307,066,218</b>
<b>LIABILITIES AND EQUITY</b>					
<b>LIABILITIES</b>					
<b>Deposits from customers</b>	11	2,432,052	9,771,985	-	-
Current income tax liabilities	12(a)	206,491	829,681	189,598	765,407
Other liabilities	13	115,579	464,396	84,254	340,133
<b>Total liabilities</b>		<b>2,754,122</b>	<b>11,066,062</b>	<b>273,852</b>	<b>1,105,540</b>
<b>EQUITY</b>					
Share capital	14	75,000,000	301,350,000	38,800,000	156,635,600
Advance for additional capital	14	-	-	36,200,000	146,139,400
<b>Retained earnings</b>		<b>1,169,324</b>	<b>4,698,344</b>	<b>789,120</b>	<b>3,185,678</b>
<b>Total equity</b>		<b>76,169,324</b>	<b>306,048,344</b>	<b>75,789,120</b>	<b>305,960,678</b>
<b>Total liabilities and equity</b>		<b>78,923,446</b>	<b>317,114,406</b>	<b>76,062,972</b>	<b>307,066,218</b>

The accompanying notes on pages 35 to 70 form an integral part of these financial statements.

# INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

		Year ended 31 December 2018		Year ended 31 December 2017	
	Note	US\$	KHR' 000	US\$	KHR' 000
<b>Interest income</b>	15	3,351,588	13,466,681	2,901,952	11,715,180
Interest expense		(7,793)	(31,312)	-	-
<b>Net interest income</b>		3,343,795	13,435,369	2,901,952	11,715,180
Other operating income	16	275,860	1,108,405	181,539	732,873
<b>Operating income</b>		3,619,655	14,543,774	3,083,491	12,448,053
Personnel expenses	17	(1,152,977)	(4,632,662)	(787,655)	(3,179,763)
Depreciation and amortisation	18	(377,612)	(1,517,245)	(263,495)	(1,063,729)
Other operating expenses	19	(1,289,682)	(5,181,942)	(996,717)	(4,023,747)
Allowance for credit facilities	20	(257,719)	(1,035,515)	(29,701)	(119,903)
<b>Profit before income tax</b>		541,665	2,176,410	1,005,923	4,060,911
Income tax expense	12(b)	(161,461)	(648,750)	(236,413)	(954,399)
<b>Profit for the year</b>		380,204	1,527,660	769,510	3,106,512

The accompanying notes on pages 35 to 70 form an integral part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital US\$	Advance for additional capital US\$	Retained earnings US\$	Total US\$
<b>For the year ended 31 December 2017</b>				
At 1 January 2017	31,000,000	7,800,000	1,019,610	39,819,610
Transfer to share capital	7,800,000	(7,800,000)	-	-
Capital contribution	-	36,200,000	-	36,200,000
Profit for the year	-	-	769,510	769,510
Dividend	-	-	(1,000,000)	(1,000,000)
At 31 December 2017	38,800,000	36,200,000	789,120	75,789,120
In KHR'000 equivalent	156,635,600	146,139,400	3,185,678	305,960,678
<b>For the year ended 31 December 2018</b>				
At 1 January 2018	38,800,000	36,200,000	789,120	75,789,120
Transfer to share capital	36,200,000	(36,200,000)	-	-
Profit for the year	-	-	380,204	380,204
At 31 December 2018	75,000,000	-	1,169,324	76,169,324
In KHR'000 equivalent	301,350,000	-	4,698,344	306,048,344

The accompanying notes on pages 35 to 70 form an integral part of these financial statements.

# STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 31 DECEMBER 2018

		Year ended 31 December 2018		Year ended 31 December 2017	
	Note	US\$	KHR '000	US\$	KHR '000
<b>Cash flows from operating activities</b>					
Profit before income tax		541,665	2,176,409	1,005,923	4,060,911
Adjustments for:					
Depreciation and amortisation	18	377,612	1,517,245	263,495	1,063,729
Interest income	15	(3,351,588)	(13,466,681)	(2,901,952)	(11,715,180)
Interest expense		7,793	31,312	-	-
Loss on write-off of property and equipment		-	-	50,218	202,730
Allowance for balances with other banks and financial institutions	6	155,954	626,623	-	-
Allowance for bad and doubtful loans	7	101,765	408,892	29,701	119,903
		(2,166,799)	(8,706,200)	(1,552,615)	(6,267,907)
Changes in working capital					
Balances with the NBC		(336,657)	(1,352,688)	(3,620,000)	(14,613,940)
Balances with other banks and financial institutions		(7,500,000)	(30,135,000)	-	-
Loans to customers		(10,195,620)	(40,966,001)	(2,970,008)	(11,989,922)
Other assets		(560,509)	(2,252,126)	(56,486)	(228,033)
Deposits from customers		2,432,052	9,771,985	-	-
Other liabilities		31,325	125,864	(70,793)	(285,791)
Cash used in operations		(18,296,208)	(73,514,165)	(8,269,902)	(33,385,593)
<b>Interest received</b>		3,165,044	12,717,147	2,879,456	11,624,364
Interest paid		(7,793)	(31,312)	-	-
Income tax paid	12(a)	(223,625)	(898,525)	(350,720)	(1,415,857)
<b>Net cash used in operating activities</b>		(15,362,582)	(61,726,855)	(5,741,166)	(23,177,086)
<b>Cash flows from investing activities</b>					
Purchases of property and equipment	9	(415,355)	(1,668,896)	(832,293)	(3,359,967)
Purchases of intangible assets	10	-	-	(238,129)	(961,327)
Proceeds from disposals of property and equipment		-	-	400	1,615
<b>Net cash used in investing activities</b>		(415,355)	(1,668,896)	(1,070,022)	(4,319,679)
<b>Cash flows from financing activities</b>					
Advance for additional capital (*)		-	-	36,200,000	146,139,400
Dividend paid		-	-	(1,000,000)	(4,037,000)
<b>Net cash from financing activities</b>		-	-	35,200,000	142,102,400
Net (decrease)/increase in cash and cash equivalents		(15,777,937)	(63,395,751)	28,388,812	114,605,635
Cash and cash equivalents at beginning of the year		32,816,034	132,478,330	4,427,222	17,872,695
Currency translation difference		-	(623,505)	-	-
<b>Cash and cash equivalents at end of the year</b>	21	17,038,097	68,459,074	32,816,034	132,478,330

(\*) During the year, the Bank transferred a non-cash transaction amounting to US\$7,800,000 from advance for additional capital to share capital upon receiving the approval from the NBC and the MoC.

The accompanying notes on pages 35 to 70 form an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 1. BACKGROUND AND PRINCIPAL ACTIVITY

Chief (Cambodia) Commercial Bank Plc. (the “Bank”) is incorporated and registered in the Kingdom of Cambodia. The Bank was registered with the Ministry of Commerce as a private limited liability company under the Registration No. 00005793 (former Co. 2255 E/2013), dated 12 May 2017. On 5 December 2013, the Bank received its specialized bank license from the National Bank of Cambodia (“NBC”).

On 7 June 2018, the Bank obtained its commercial bank license from the NBC to operate as a commercial bank. On 27 June 2018, the Bank obtained the approval from the Ministry of Commerce (“MoC”) on the changes in the Bank’s name from Chief (Cambodia) Specialized Bank Plc. to Chief (Cambodia) Commercial Bank Plc. The Bank is wholly owned by Chief Financial Group (Cambodia) Limited, a company incorporated in British Virgin Islands. The ultimate holding company of the Bank is Chief Cambodia Holdings Ltd., a company incorporated in British Virgin Islands.

The Bank’s main activities are providing commercial banking and related financial services in Cambodia.

The Bank’s registered office is located at No. C-01, St. R11 Corner St. 70, Phum 1, Sangkat Sras Chork, Khan Daun Penh, Phnom Penh, the Kingdom of Cambodia.

The financial statements were authorised for issue by the Board of Directors on 28 March 2019.

## 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

The financial statements of the Bank have been prepared in accordance with Cambodian Accounting Standards (“CAS”) and relevant accounting regulations and guidelines issued by the NBC. The accounting principles applied may differ from generally accepted accounting principles adopted in other countries and jurisdictions. The accompanying financial statements are therefore not intended to present the financial position and results of operations and cash flows in accordance with jurisdictions other than Cambodia. Consequently, these financial statements are addressed to only those who are informed about Cambodia accounting principles, procedures and practices.

The financial statements are prepared using the historical cost convention.

The preparation of financial statements in accordance with CAS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management’s best knowledge of current event and actions, actual results ultimately may differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3 to the financial statements.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Financial reporting framework

On 28 August 2009, the National Accounting Council ("NAC") 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 interpretation and amendment. Public accountable entities shall prepare their financial statements in accordance with the CIFRS for accounting period beginning on or after 1 January 2012.

The NAC, through Circular No. 086 MoEF.NAC dated 30 July 2012, approves banks and financial institutions to delay adoption of the CIFRS until the periods beginning on or after 1 January 2016. On 24 March 2016, the NAC issued a Notification No. 058 MoEF.NAC to banks and financial institutions on the delay in adoption of the CIFRS until the periods beginning on or after 1 January 2019, following the request of the NBC dated 16 November 2015.

The current accounting standard used is different to the CIFRS in many areas. Hence, the adoption of the CIFRS may have a significant impact on the financial statements of the Bank. Management is assessing the impact of the change to CIFRS framework but not fully completed at the date of this report.

### 2.3 Foreign currency transaction

#### i. *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). Management has determined the US\$ to be the Bank's functional currency owing to the significant influence of the US\$ on its operations. The financial statements are presented in United States dollars ("US\$"), which is the Bank's functional and presentation currency.

#### ii. *Transactions and balances*

Transactions in currencies other than US\$ are translated into US\$ at the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates from monetary assets and liabilities denominated in currencies other than US\$ are recognised in the income statement.

#### iii. *Presentation in Khmer Riel*

For the sole regulatory purpose of complying with the Prakas No. B7-07-164 dated 13 December 2007 of the NBC, a translation to Khmer Riel ("KHR") is provided for the balance sheet, the income statement, the statement of changes in equity, the statement of cash flow and the notes to the financial statements as of and for the year ended 31 December 2018 using the official rate of exchange regulated by the NBC as at the reporting date, which was US\$1 to KHR 4,018 (31 December 2017: US\$1 to KHR 4,037). Such translation amounts are unaudited and should not be construed as representations that the US\$ amounts represent, or have been or could be, converted into KHR at that or any other rate.

### 2.4 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.5 Loans to customers

All loans to customers are stated in the balance sheet at outstanding amount principal and interest, less any amounts written off and the allowance for bad and doubtful loans.

Loans are written off when there is no realistic prospect of recovery. Recoveries of loans previously written off, or provided for, decrease the amount of the allowance for bad and doubtful loans.

### 2.6 Allowance for credit facilities

The NBC issued a Prakas No. B7-017-344, dated on 1 December 2017, on Credit Risk Grading and Impairment Provisioning, and Circular No. B7-018-001, dated 16 February 2018 on the Implementation of Prakas on Credit Risk Grading and Impairment Provisioning, which requires banks and financial institutions to provide impairment provisioning for short-term and long-term facilities as follows:

Classification	Number of past due days		Allowance
	Short-term loans	Long-term loans	
	(one year or less)	(more than one year)	
Normal	14 days or less	29 days or less	1%
Special mention	15 days – 30 days	30 days – 89 days	3%
Substandard	31 days – 60 days	90 days – 179 days	20%
Doubtful	61 days – 90 days	180 days – 359 days	50%
Loss	91 days or more	360 days or more	100%

In addition, the Prakas also requires banks and financial institutions to provide allowance on other financial products, whether reported on balance sheet or off-balance sheet which give rise to credit risk exposure.

### 2.7 Other assets

Other assets are carried at cost. An estimate is made for doubtful receivables based on a review of outstanding amounts at the reporting date.

### 2.8 Property and equipment

Property and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating.

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

Depreciation of property and equipment is charged to the income statement over the estimated useful lives using straight-line method. The depreciation rates, based on estimated useful lives as follows:

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.8 Property and equipment (continued)

Items	Rate per annum
Leasehold improvements	20%
Office equipment	20%
Computers and IT equipment	20%
Vehicles	20%

The assets' residual values and useful lives are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

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 the income statement.

### 2.9 Intangible assets

An intangible asset represents computer software which is stated at cost less accumulated amortisation and impairment loss, if any. Acquired computer software licenses are capitalised on the basis of the cost incurred to acquire the specific software and bring it to use.

Amortisation is recognised in the income statement on a straight-line method at a rate of 20% per annum.

### 2.10 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 to sell and value in use.

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

### 2.11 Deposit from banks and customers

Deposits from banks and customers are stated at cost.

### 2.12 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.12 Provision (continued)

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.

### 2.13 Revenue recognition

#### **(i) Interest income**

Interest on loans to customers is recognised on an accruals basis, except where serious doubt exists as to the collectability, in which case, no interest income is recognised. Where a loan becomes non-performing, the recording of interest as income is suspended until it is realised on a cash basis.

#### **(ii) Loan processing fees**

Loan processing fees is recognised as income when the loan is disbursed

### 2.14 Interest expense

Interest expense on deposits is recognised on an accrual basis.

### 2.15 Employee benefits

#### **Seniority payment**

- On 21 September 2018, the Minister of Labour and Vocational Training ("MoLVT") issued a Prakas No. 443 MoLVT on Seniority Payment requiring the Bank to pay past seniority payment to employees with undetermined duration contract. All employees who have been working before 01 January 2019 and continue to work are entitled to a payment of fifteen (15) days of their average wages of each year of service, totalling not exceeding 6 months, and shall be paid every year starting 2019 as follows:
- 7.5 days shall be made in June; and
- 7.5 days shall be made in December of each year.

Employees are not entitled to the remaining past seniority payment upon resignation.

The past seniority payment is recognised in full during the year 2018.

This Prakas also requires the Bank to pay its employees the seniority for the employment service from 2019 amounting to 15 days per annum of their wages and other benefits, 7.5 days of which shall be paid in June and in December of each year. This seniority will be recognised during the employees' periods of service.

For employees with determined duration contract, they are entitled to the severance pay at least 5% of their On 22 March 2019, MoLVT issued a Directive No. 042/19 on the Back Pay of Seniority Payment Before 2019 for the Enterprise and Institution Beside Textile, Garment and Footwear Sector, which delays the payment of back pay until December 2021 and changes a payment of 15 days of their average wages of each year of service to 6 days although the entitlement to seniority remains 15 days:

### 2.16 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.17 Current and deferred income tax

Amounts in the financial statements have been rounded off to the nearest dollar and thousand Khmer Riel ( "KHR'000" ) for US\$ and KHR amounts, respectively.

#### **(i) Current income tax**

The current income tax, recognised in the income statement, is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the Kingdom of Cambodia where the Bank operates and generates taxable income.

#### **(ii) Deferred income tax**

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income taxes are calculated using a principal tax rate of 20%.

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

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences 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.

### 2.18 Rounding of amounts

Amounts in the financial statements have been rounded off to the nearest dollar and thousand Khmer Riel ( "KHR'000" ) for US\$ and KHR amounts, respectively.

## 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

### 3.1 Key sources of estimation uncertainty

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### **(i) Allowance for credit facilities**

The Bank follows the mandatory facilities classification and provisioning as required by Prakas No. B7-017-344 on Credit Risk Grading and Impairment Provisioning dated 1 December 2017 and Circular No. B7-018-001 on Implementation of Prakas on Credit on Credit Risk Grading and Impairment Provisioning dated 16 February 2018 issued by the NBC. The NBC requires banks to classify their short-term and long-term loans and similar assets into five classes and the minimum mandatory level of provisioning is provided, depending on the classification concerned and terms, regardless of the assets pledged as collateral. For the purpose of facilities classification, the Bank takes into account all relevant factors which may affect the counterparties' repayment abilities.

### 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

#### 3.1 Key sources of estimation uncertainty ( continued )

##### **(i) Allowance for credit facilities (continued)**

In addition, the Prakas also requires banks and financial institutions to provide allowance on other financial products, whether reported on balance sheet or off-balance sheet which give rise to credit risk exposure. The actual amount could be significantly different from the amount provided in the events that have not been anticipated or when the doubtful amount could be recovered through realisation of the collaterals.

##### **(ii) Income tax**

The taxation system in Cambodia is characterised by numerous taxes and frequently changing legislation, which is often unclear, contradictory and subject to interpretation. Often, different interpretations exist among the numerous taxation authorities and jurisdictions. Taxes are subject to review and investigation by a number of authorities, which are empowered by law to impose fines, penalties and interest charges.

These factors may create significant tax exposures for the Bank. Directors believe that they have understood relevant tax regulations and adequately provided for tax liabilities based on their interpretation of the current tax legislation. However, the relevant authorities may have different interpretations and the effects could be potential.

#### 3.2 Critical judgments in applying accounting policies

There are no critical judgements made by the Management in the process of applying the Bank's accounting policies that have the most significant effect on the amount recognised in these financial statements apart from those involving estimates, which are dealt with above.

### 4. CASH ON HAND

	31 December 2018		31 December 2017	
	US\$	KHR '000	US\$	KHR '000
Head office	2,357,492	9,472,403	69,434	280,305
Branches	150,781	605,838	27,861	112,475
	2,508,273	10,078,241	97,295	392,780

## 5. BALANCES WITH THE NBC

	31 December 2018		31 December 2017	
	US\$	KHR '000	US\$	KHR '000
Capital guarantee	7,500,000	30,135,000	7,500,000	30,277,500
Current accounts	6,434,336	25,853,162	32,593,505	131,579,980
Reserve requirement	236,657	950,888	-	-
Term deposits	100,000	401,800	-	-
	14,270,993	57,340,850	40,093,505	161,857,480

### a) Capital guarantee

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

### b) Reserve requirement

Reserve requirement represents the reserve which is required to maintain at the NBC at the minimum at 8% and 12.5% of daily average balances of deposits from non-bank customers in KHR and other currencies, respectively.

### c) Interest rate

The current accounts are non-interest bearing. Other deposits earn interest at the following annual rates:

	31 December 2018	31 December 2017
Capital guarantee	0.46%-0.62%	0.32% - 0.36%
Current accounts	Nil	Nil
Reserve requirement	Nil - 0.78%	-
Term deposits	3.00%-4.00%	-

## 6. BALANCES WITH OTHER BANKS AND FINANCIAL INSTITUTIONS

	31 December 2018		31 December 2017	
	US\$	KHR '000	US\$	KHR '000
Term deposits	15,500,000	62,279,000	-	-
Current accounts	94,873	381,200	125,234	505,570
Saving deposits	615	2,471	-	-
	15,595,488	62,662,671	125,234	505,570
Allowance for balances with other banks and financial institutions	(155,954)	(626,623)	-	-
Balances with other banks and financial institutions - net	15,439,534	62,036,048	125,234	505,570

*Movements of allowance for balances with other banks and financial institutions are as follows:*

	31 December 2018		31 December 2017	
	US\$	KHR '000	US\$	KHR '000
At beginning of the year	-	-	-	-
Charged during the year	(155,954)	(626,623)	-	-
At the end of the year	(155,954)	(626,623)	-	-

*Balances with other banks and financial institutions are analysed as follows:*

### a) By interest rate

Current accounts maintained with other banks are non-interest bearing. Term deposits earn interests during the year at rates ranging from 3% to 4% per annum.

### b) By maturity

	31 December 2018		31 December 2017	
	US\$	KHR '000	US\$	KHR '000
Within 1 month	95,488	383,671	125,234	505,570
1 to 3 months	8,000,000	32,144,000	-	-
3 to 6 months	4,500,000	18,081,000	-	-
6 to 12 months	3,000,000	12,054,000	-	-
	15,595,488	62,662,671	125,234	505,570

## 7. LOANS TO CUSTOMERS

	31 December 2018		31 December 2017	
	US\$	KHR '000	US\$	KHR '000
Individual	44,271,268	177,881,955	31,597,618	127,559,584
Corporate	-	-	2,477,837	10,003,028
Total loans – gross	44,271,268	177,881,955	34,075,455	137,562,612
Allowance for bad and doubtful loans				
General allowance	(442,713)	(1,778,821)	(340,755)	(1,375,628)
Net loans to customers	43,828,555	176,103,134	33,734,700	136,186,984

*Movements of allowance for loan losses are as follows:*

	31 December 2018		31 December 2017	
	US\$	KHR '000	US\$	KHR '000
At beginning of the year	340,755	1,375,628	311,054	1,255,725
Charged for the year	101,765	408,892	29,701	119,903
Currency translation difference	193	(5,699)	-	-
At end of the year	442,713	1,778,821	340,755	1,375,628

*The gross loans to customers are analysed as follows:*

### a) By classification

	31 December 2018		31 December 2017	
	US\$	KHR '000	US\$	KHR '000
Standard loans:				
Secured*	44,249,077	177,792,791	31,563,048	127,420,025
Unsecured**	22,191	89,164	2,512,407	10,142,587
	44,271,268	177,881,955	34,075,455	137,562,612

## 7. LOANS TO CUSTOMERS(CONTINUED)

### a) By classification ( continued )

\*Loans are secured when the Bank holds collateral against loans in the form of mortgage interests over property.

\* \* Unsecured loans are provided mainly to financial institutions and other borrowers which are secured by personal or corporate guarantees.

### b) By relationship

	31 December 2018		31 December 2017	
	US\$	KHR '000	US\$	KHR '000
External customers	42,772,166	171,858,563	30,067,060	121,380,721
Staff loans	985,375	3,959,237	1,335,379	5,390,925
Related parties (note 23 (b))	513,727	2,064,155	2,673,016	10,790,966
	44,271,268	177,881,955	34,075,455	137,562,612

### c) By exposure

	31 December 2018		31 December 2017	
	US\$	KHR '000	US\$	KHR '000
Non-large exposure	44,271,268	177,881,955	34,075,455	137,562,612

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

As at 31 December 2018, there is no loan to one single beneficiary which exceeds 10% of the Bank's net worth.

### d) By currency

	31 December 2018		31 December 2017	
	US\$	KHR '000	US\$	KHR '000
US Dollars	39,501,580	158,717,348	30,132,964	121,646,776
Khmer Riel	4,769,688	19,164,607	3,942,491	15,915,836
	44,271,268	177,881,955	34,075,455	137,562,612

## 7. LOANS TO CUSTOMERS(CONTINUED)

### d) By currency ( continued )

On 1 December 2016, the NBC issued a Prakas No. B7-016-334 on Provision of Credit in National Currency of Banking and Financial Institutions, required all institutions to have loans in national currency (KHR) at least 10% of the total loan portfolio. The Bank is required to fully implement this requirement by 31 December 2019.

### e) By industry

	31 December 2018		31 December 2017	
	US\$	KHR '000	US\$	KHR '000
Personal lending	26,292,699	105,644,065	21,606,775	87,226,550
Construction	7,138,075	28,680,785	3,268,749	13,195,940
Real estate activities	5,487,898	22,050,374	5,313,188	21,449,340
Retail trade	3,162,408	12,706,555	1,652,139	6,669,685
Hotels and restaurants	763,690	3,068,506	129,863	524,257
Wholesale trade	519,497	2,087,339	208,290	840,867
Transport and storage	336,209	1,350,888	94,674	382,199
Agriculture	266,935	1,072,545	1,332,266	5,378,358
Rental and operational leasing activities	189,418	761,082	206,348	833,027
Other non-financial services	114,439	459,816	225,354	909,754
Utilities	-	-	37,809	152,635
	44,271,268	177,881,955	34,075,455	137,562,612

### f) By maturity

	31 December 2018		31 December 2017	
	US\$	KHR '000	US\$	KHR '000
1 to 3 months	6,583	26,450	1,140,869	4,605,688
3 to 12 months	3,336,378	13,405,567	6,089,880	24,584,846
1 to 5 years	2,912,479	11,702,341	3,052,043	12,321,098
Over 5 years	38,015,828	152,747,597	23,792,663	96,050,980
	44,271,268	177,881,955	34,075,455	137,562,612

## 7. LOANS TO CUSTOMERS(CONTINUED)

### *g) By residency status*

	31 December 2018		31 December 2017	
	US\$	KHR '000	US\$	KHR '000
Residents	44,271,268	177,881,955	33,402,617	134,846,365
Non-residents	-	-	672,838	2,716,247
	44,271,268	177,881,955	34,075,455	137,562,612

### *h) By interest rate*

	31 December 2018	31 December 2017
Staff loans	6% - 9.25%	6% - 7.5%
Related parties	6% - 7%	6% - 8%
External customers	6% - 13.2%	7% - 15.6%

## 8. OTHER ASSETS

	31 December 2018		31 December 2017	
	US\$	KHR '000	US\$	KHR '000
Advances and deposits	527,539	2,119,652	24,127	97,401
Accrued interest receivable	343,681	1,380,910	157,137	634,362
Prepayments	89,915	361,278	36,435	147,088
Other receivables	78,080	313,725	74,463	300,607
	1,039,215	4,175,565	292,162	1,179,458

## 9. PROPERTY AND EQUIPMENT

	Leasehold improvements US\$	Office equipment US\$	Computers and IT equipment US\$	Vehicles US\$	Construction in progress US\$	Total US\$
<b>Year ended 31 December 2017</b>						
<b>Cost</b>						
At 1 January 2017	394,090	35,481	172,791	105,841	303,600	1,011,803
Additions	2,339	4,900	236,878	138,000	450,176	832,293
Transfers	753,776	-	-	-	(753,776)	-
Written off	(127,237)	(21,805)	-	-	-	(149,042)
At 31 December 2017	1,022,968	18,576	409,669	243,841	-	1,695,054
<b>Accumulated depreciation</b>						
At 1 January 2017	160,080	19,630	58,609	31,904	-	270,223
Depreciation charge	147,959	4,456	55,933	41,778	-	250,126
Written off	(83,973)	(14,451)	-	-	-	(98,424)
At 31 December 2017	224,066	9,635	114,542	73,682	-	421,925
<b>Carrying amount</b>						
At 1 January 2017	234,010	15,851	114,182	73,937	303,600	741,580
In KHR'000 equivalent	944,698	63,990	460,953	298,484	1,225,633	2,993,758
At 31 December 2017	798,902	8,941	295,127	170,159	-	1,273,129
In KHR'000 equivalent	3,225,167	36,095	1,191,428	686,932	-	5,139,622

## 9. PROPERTY AND EQUIPMENT (continued)

	Leasehold improvements US\$	Office equipment US\$	Computers and IT equipment US\$	Vehicles US\$	Construction in progress US\$	Total US\$
<b>Year ended 31 December 2018</b>						
<b>Cost</b>						
At 1 January 2018	1,022,968	18,576	409,669	243,841	-	1,695,054
Additions	20,148	2,785	52,252	10,170	330,000	415,355
At 31 December 2018	1,043,116	21,361	461,921	254,011	330,000	2,440,409
<b>Accumulated depreciation</b>						
At 1 January 2018	224,066	9,635	114,542	73,682	-	421,925
Depreciation charges	205,158	3,686	89,427	49,208	-	347,479
At 31 December 2018	429,224	13,321	203,969	122,890	-	769,404
<b>Carrying amount</b>						
As at 1 January 2018	798,902	8,941	295,127	170,159	-	1,273,129
In KHR'000 equivalent	3,225,167	36,095	1,191,428	686,932	-	5,139,622
As at 31 December 2018	613,892	8,040	257,952	131,121	330,000	1,341,005
In KHR'000 equivalent	2,466,618	32,305	1,036,451	526,844	1,325,940	5,388,158

## 10. INTANGIBLE ASSETS

	Computer Software US\$	Work in progress US\$	Total US\$
<b>Year ended 31 December 2017</b>			
<b>Cost</b>			
At 1 January 2017	20,386	159,987	180,373
Additions	131,471	106,658	238,129
At 31 December 2017	151,857	266,645	418,502
<b>Accumulated depreciation</b>			
At 1 January 2017	10,074	-	10,074
Amortisation charges	13,369	-	13,369
At 31 December 2017	23,443	-	23,443
<b>Carrying amount</b>			
At 1 January 2017	10,312	159,987	170,299
In KHR'000 equivalent	41,630	645,867	687,497
At 31 December 2017	128,414	266,645	395,059
In KHR'000 equivalent	518,407	1,076,445	1,594,852
<b>Year ended 31 December 2018</b>			
<b>Cost</b>			
At 1 January 2018	151,857	266,645	418,502
Additions	-	-	-
At 31 December 2018	151,857	266,645	418,502
<b>Accumulated depreciation</b>			
At 1 January 2018	23,443	-	23,443
Amortisation charges	30,133	-	30,133
At 31 December 2018	53,576	-	53,576
<b>Carrying amount</b>			
At 1 January 2018	128,414	266,645	395,059
In KHR'000 equivalent	518,407	1,076,445	1,594,852
At 31 December 2018	98,281	266,645	364,926
In KHR'000 equivalent	394,893	1,071,380	1,466,273

## 11. DEPOSITS FROM CUSTOMERS

	31 December 2018		31 December 2017	
	US\$	KHR '000	US\$	KHR '000
Savings accounts	1,670,770	6,713,154	-	-
Fixed deposits	754,877	3,033,096	-	-
Instalment deposits	6,405	25,735	-	-
	2,432,052	9,771,985	-	-

The above amounts are analysed as follows:

a) By maturity

	Year ended 31 December 2018		Year ended 31 December 2017	
	US\$	KHR '000	US\$	KHR '000
Within 1 month	1,895,516	7,616,183	-	-
1 to 3 months	254,221	1,021,460	-	-
3 to 6 months	125,000	502,250	-	-
6 to 12 months	152,315	612,002	-	-
More than 12 months	5,000	20,090	-	-
	2,432,052	9,771,985	-	-

b) By residency status

	Year ended 31 December 2018		Year ended 31 December 2017	
	US\$	KHR '000	US\$	KHR '000
Residents	2,387,155	9,591,589	-	-
Non-residents	44,897	180,396	-	-
	2,432,052	9,771,985	-	-

## 11. DEPOSITS FROM CUSTOMERS (CONTINUED)

### c) By relationship

	Year ended 31 December 2018		Year ended 31 December 2017	
	US\$	KHR '000	US\$	KHR '000
External customers	2,141,268	8,603,614	-	-
Staff	290,658	1,167,866	-	-
Related parties	126	506	-	-
	2,432,052	9,771,985	-	-

### d) By currency

	Year ended 31 December 2018		Year ended 31 December 2017	
	US\$	KHR '000	US\$	KHR '000
US Dollars	2,162,018	8,686,988	-	-
Khmer Riels	270,034	1,084,997	-	-
	2,432,052	9,771,985	-	-

### e) By interest rate (per annum)

	31 December 2018	31 December 2017
Savings accounts	0.75% - 1.50%	-
Fixed deposits	1.80% to 6.25%	-
Instalment deposits	5.00% to 6.50%	-

## 12. TAXATION

### a) Current income tax liabilities

	Year ended 31 December 2018		Year ended 31 December 2017	
	US\$	KHR '000	US\$	KHR '000
At beginning of the year	189,598	765,407	322,833	1,303,277
Current income tax expense	240,518	966,401	217,485	877,987
Income tax paid	(223,625)	(898,525)	(350,720)	(1,415,857)
Currency translation difference	-	(3,602)	-	-
At end of the year	206,491	829,681	189,598	765,407

### b) Income tax expense

	Year ended 31 December 2018		Year ended 31 December 2017	
	US\$	KHR '000	US\$	KHR '000
Current income tax	240,518	966,401	217,485	877,987
Deferred tax	(79,057)	(317,651)	18,928	76,412
Income tax expense	161,461	648,750	236,413	954,399

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

	Year ended 31 December 2018		Year ended 31 December 2017	
	US\$	KHR '000	US\$	KHR '000
Profit before income tax	541,664	2,176,409	1,005,923	4,060,911
Tax at 20%	108,333	435,282	201,185	812,184
Effect of expenses not deductible for tax purpose	53,128	213,468	35,228	142,215
	161,461	648,750	236,413	954,399

In accordance with the Cambodian Law on Taxation, the Bank has an obligation to pay corporate income tax of either the profit tax at the rate of 20% of taxable profit or the minimum tax at 1% of turnover, whichever is higher.

## 12. TAXATION (CONTINUED)

### c) *Deferred tax assets*

The movements of deferred tax assets during the year was as follows

	Allowance for credit facilities	Property and equipment	Provision	Unrealised exchange gain	Total
	US\$	US\$	US\$	US\$	US\$
At 1 January 2017	62,211	4,505	4,100	-	70,816
Credited to the income statement	5,940	(19,456)	(4,100)	(1,312)	(18,928)
At 31 December 2017	68,151	(14,951)	-	(1,312)	51,888
In KHR'000 equivalent	275,126	(60,357)	-	(5,297)	209,472
At 1 January 2018	68,151	(14,951)	-	(1,312)	51,888
Credited/(charged) to the income statement	51,583	29,544	-	(2,070)	79,057
At 31 December 2018	119,734	14,593	-	(3,382)	130,945
In KHR'000 equivalent	481,091	58,635	-	(13,589)	526,137

The Bank's tax returns are subject to periodic examination by the General Department of Taxation. As the application of tax laws and regulations to various types of transactions is susceptible to varying interpretations, amounts reported in the financial statements could be changed at a later date, upon final determination by the General Department of Taxation.

## 13. OTHER LIABILITIES

	31 December 2018		31 December 2017	
	US\$	KHR '000	US\$	KHR '000
Accrued expenses	83,271	334,583	19,892	80,304
Other tax payables	28,465	114,372	15,946	64,374
Accrued interest payable	3,655	14,686	-	-
Other payables	188	755	48,416	195,455
	115,579	464,396	84,254	340,133

## 14. SHARE CAPITAL

The Bank is a wholly owned subsidiary of Chief Financial Group (Cambodia) Limited, incorporated under the law of British Virgin Islands under the registration number 1771142 and registered address at Vickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.

On 4 December 2017, the Bank submitted a request to the NBC to increase its share capital from US\$38,800,000 to US\$75,000,000 to fulfil the minimum capital requirement of a commercial bank as the Bank intends to upgrade its license from a specialised bank to a full banking license.

On 7 June 2018, the NBC approved to increase additional capital of US\$36,200,000, thereby increasing the paid up capital to US\$75,000,000. The new authorised share capital of US\$75,000,000 with 75,000,000 shares and par value per share of US\$1 was approved by the MOC on 27 June 2018.

	31 December 2018			31 December 2017		
	Number of shares	%	US\$	Number of shares	%	US\$
Chief Financial Group (Cambodia) Limited	75,000,000	100	75,000,000	38,800,000	100	38,800,000
In KHR'000 equivalent			301,350,000			156,635,600

On 4 December 2017, the Bank submitted a request to the NBC to increase its share capital from US\$38,800,000 to US\$75,000,000 to fulfil the minimum capital requirement of a commercial bank as the Bank intends to upgrade its license from a specialised bank to a full banking license.

## 15. INTEREST INCOME

	Year ended 31 December 2018		Year ended 31 December 2017	
	US\$	KHR '000	US\$	KHR '000
Loans to customers	3,110,083	12,496,313	2,887,825	11,658,150
Balances with other banks and financial institutions	200,870	807,097	-	-
Balances with the NBC	40,635	163,271	14,127	57,030
	3,351,588	13,466,681	2,901,952	11,715,180

## 16. OTHER OPERATING INCOME

	Year ended 31 December 2018		Year ended 31 December 2017	
	US\$	KHR '000	US\$	KHR '000
Loan processing fees	266,399	1,070,391	177,715	717,435
Other miscellaneous income	9,461	38,014	3,824	15,438
	275,860	1,108,405	181,539	732,873

## 17. PERSONNEL EXPENSES

	Year ended 31 December 2018		Year ended 31 December 2017	
	US\$	KHR '000	US\$	KHR '000
Salaries and wages	828,010	3,326,944	634,716	2,562,348
Bonuses	113,731	456,971	88,334	356,604
Seniority payment expense (*)	131,283	527,495	-	-
Other employee benefits	79,953	321,252	64,605	260,811
	1,152,977	4,632,662	787,655	3,179,763

\* The amount pertains to the employee benefit expense as mandated by the Ministry of Labour and Vocational Training based on the provisions of Prakas 443 on Seniority Payment. This obligation amounting to US\$112,786 has been fully settled to all the entitled employees as approved by the BOD on 14 November 2018 and, thereby, the Bank has no further obligation regarding to the back pay of seniority prior to 2019.

## 18. DEPRECIATION AND AMORTISATION

	Year ended 31 December 2018		Year ended 31 December 2017	
	US\$	KHR '000	US\$	KHR '000
Depreciation	347,479	1,396,171	250,126	1,009,759
Amortisation	30,133	121,074	13,369	53,970
	377,612	1,517,245	263,495	1,063,729

## 19. OTHER OPERATING EXPENSES

	Year ended 31 December 2018		Year ended 31 December 2017	
	US\$	KHR '000	US\$	KHR '000
Professional fees	336,391	1,351,619	212,147	856,437
Rental	281,501	1,131,071	284,349	1,147,917
License fees	199,735	802,535	92,889	374,993
Business meal and entertainment	117,791	473,284	44,768	180,728
Travel expense	70,465	283,128	51,630	208,430
Management fees	66,000	265,188	66,000	266,442
Marketing and advertisement expenses	55,227	221,902	3,025	12,212
Utilities	35,385	142,177	39,255	158,472
Communication	30,547	122,738	26,448	106,771
Accommodation expenses	27,885	112,042	20,128	81,257
Vehicle expenses	23,434	94,158	14,543	58,710
Office supplies and stationery	15,659	62,918	39,734	160,406
Memberships expense	7,438	29,886	7,661	30,927
Repair and maintenance	7,374	29,629	3,528	14,243
Insurance expenses	5,852	23,513	3,407	13,754
Bank charges	3,066	12,319	4,895	19,761
Foreign exchange (gain)/loss	(16,543)	(66,470)	1,905	7,691
Other expenses	22,475	90,305	80,405	324,596
	1,289,682	5,181,942	996,717	4,023,747

## 20. ALLOWANCE FOR CREDIT FACILITIES

	31 December 2018		31 December 2017	
	US\$	KHR '000	US\$	KHR '000
Allowance for balances with other banks and financial institutions (Note 6)	155,954	626,623	-	-
Allowance for bad and doubtful loans (Note 7)	101,765	408,892	29,701	119,903
	257,719	1,035,515	29,701	119,903

## 21. CASH AND CASH EQUIVALENTS

	31 December 2018		31 December 2017	
	US\$	KHR '000	US\$	KHR '000
Cash on hand	2,508,273	10,078,241	97,295	392,780
Current account with the NBC	6,434,336	25,853,162	32,593,505	131,579,980
Deposits and placements with other banks (original maturities less than three months)	8,095,488	32,527,671	125,234	505,570
	17,038,097	68,459,074	32,816,034	132,478,330

## 22. COMMITMENTS

### a) Capital commitments

Capital expenditure in respect of the purchase of new banking system software contracted for at the reporting date but not yet incurred is as follows:

	31 December 2018		31 December 2017	
	US\$	KHR '000	US\$	KHR '000
Not later than one year	661,385	2,657,445	-	-
Later than one year and no later than five years	-	-	266,645	1,076,446
	661,385	2,657,445	266,645	1,076,446

## 22. COMMITMENTS (CONTINUED)

### b) Operating lease commitments – the Bank as lessee

Operating lease commitments represent contractual obligation for leasing of office. The future aggregate minimum lease payments are as follows:

	31 December 2018		31 December 2017	
	US\$	KHR '000	US\$	KHR '000
Not later than one year	380,486	1,528,793	131,652	531,479
Later than one year and no later than five years	1,292,530	5,193,386	48,595	196,178
Later than five years	550,000	2,209,900	-	-
	2,223,016	8,932,079	180,247	727,657

## 23. RELATED PARTY BALANCES AND TRANSACTIONS

The Bank is a wholly owned subsidiary of Chief Financial Group (Cambodia) Limited, parent company, incorporated under the law of British Virgin Islands.

Significant transactions and balances with related parties are as follows:

Relationship	Related party
Parent company	The company that has significant ownership and control over the Bank.
Fellow subsidiary/related company	The companies that are members of the same group or ultimate shareholder of the Bank.
Key management personnel	Persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly, including any director (whether executive or otherwise) of the Bank.

### a) Key management compensations

	31 December 2018		31 December 2017	
	US\$	KHR '000	US\$	KHR '000
Key management compensations	138,481	556,417	104,318	421,132

## 23. RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)

### b) Loans to related parties

	31 December 2018		31 December 2017	
	US\$	KHR '000	US\$	KHR '000
Key management	513,727	2,064,155	195,178	787,934
Fellow subsidiary	-	-	672,838	2,716,247
Related company	-	-	1,805,000	7,286,785
	513,727	2,064,155	2,673,016	10,790,966
Interest receivables from				
Key management	1,223	4,914	709	2,862
Fellow subsidiary	-	-	1,826	7,372
Related company	-	-	4,813	19,430
	1,223	4,914	7,348	29,664

### c) Transactions with related parties

	Year ended 31 December 2018		Year ended 31 December 2017	
	US\$	KHR '000	US\$	KHR '000
Expense reimbursements from parent company	324,307	1,303,066	545,893	2,203,770
Rental expense to related company	120,000	482,160	120,000	484,440
Licence fee to parent company	72,000	289,296	72,000	290,664
Management fees to Chief Securities Ltd.	66,000	265,188	66,000	266,442
Interest income from loan to key management	14,697	59,053	12,294	49,631
Interest income from loan to fellow subsidiary	50,562	203,158	56,989	230,065
Interest income from loan to related company	143,700	577,387	153,899	621,290
Loan processing fees	29,205	117,346	24,778	100,029
	820,471	3,296,654	1,051,853	4,246,331

## 24. FINANCIAL RISK MANAGEMENT

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

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

The Bank holds the following financial assets and liabilities:

	31 December 2018		31 December 2017	
	US\$	KHR '000	US\$	KHR '000
<b>Financial assets</b>				
Cash on hand	2,508,273	10,078,241	97,295	392,780
Balances with the NBC	14,270,993	57,340,850	40,093,505	161,857,480
Balances with other banks and financial institutions	15,439,534	62,036,048	125,234	505,570
Loans to customers	43,828,555	176,103,134	33,734,700	136,186,984
Other assets	343,681	1,380,910	157,137	634,362
<b>Total financial assets</b>	<b>76,391,036</b>	<b>306,939,183</b>	<b>74,207,871</b>	<b>299,577,176</b>
<b>Financial liabilities</b>				
Deposits from customers	2,432,052	9,771,985	-	-
Other liabilities	87,114	350,024	68,308	275,759
<b>Total financial liabilities</b>	<b>2,519,166</b>	<b>10,122,009</b>	<b>68,308</b>	<b>275,759</b>
<b>Net financial assets</b>	<b>73,871,870</b>	<b>296,817,174</b>	<b>74,139,563</b>	<b>299,301,417</b>

### 22.1 Credit risk

The Bank takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss to the Bank by failing to discharge an obligation. Credit risk is the most important risk for the Bank's business. Credit exposures arise principally in lending activities that lead to loans to customers.

#### a) Credit risk measurement

The Bank has established the Core Credit Risk Policy which is designed to govern the Bank's risk undertaking activities. Extension of credit is governed by credit programs which set out the plan for a particular product or portfolio, including the target market, terms and conditions, documentation and procedures under which a credit product will be offered and measured.

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

## 24. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 22.1 Credit risk ( continued )

#### b) Risk limit control and mitigation policies

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

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

The Bank employs a range of policies and practices to mitigate credit risk. The most tradition of these is the taking of security in the form of collateral for loans to customers, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types to secure for loans to customers is mortgage over residential properties (land, buildings and other properties).

#### c) Impairment and provisioning policies

The Bank is required to follow the mandatory credit classification and provisioning in accordance with the relevant Prakas, as stated in Note 2.6.

Loans less than 31 days and 90 days past due for short-term loans and long-term loans, respectively are not considered impaired, unless other information available indicates otherwise.

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

	31 December 2018		31 December 2017	
	US\$	KHR '000	US\$	KHR '000
Credit risks exposure relating to on-balance sheet assets:				
Balances with other banks and financial institutions	15,439,534	62,036,048	125,234	505,570
Loans to customers	43,828,555	176,103,134	33,734,700	136,186,984
Other assets	343,681	1,380,910	157,137	634,362
	59,611,770	239,520,092	34,017,071	137,326,916

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

As shown above, 73.52% (2017: 99%) of total maximum exposure is derived from loans to customers.

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

- Approximately 99.95% of the loans of the Bank are collateralised. Loans are granted to the customer not in excess 60% of their collateral value.
- The Bank maintains a strict credit evaluation process in place for granting of loans to customers.

## 24. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 24.1 Credit risk (continued)

#### e) Loans to customers

Loans to customers are summarised as follows:

	31 December 2018		31 December 2017	
	US\$	KHR '000	US\$	KHR '000
Loans to customers neither past due nor impaired	42,547,364	170,955,309	34,075,455	137,562,612
Loans to customers past due but not impaired	1,723,904	6,926,646	-	-
Less:				
Allowance for bad and doubtful loans	(442,713)	(1,778,821)	(340,755)	(1,375,628)
Loans to customers - net	43,828,555	176,103,134	33,734,700	136,186,984

#### i. Loans neither past due nor impaired

Loans to customers which are not past due are not considered impaired, unless other information is available to indicate the contrary.

#### ii. Loans past due but not impaired

Loans to customers which are past due for less than 31 days and 90 days for short-term loans and long-term loans, respectively are not considered impaired unless other information is available to indicate the contrary. As at 31 December 2018, US\$58,380 of loans to customers were past due but not impaired.

#### iii. Loans individually impaired

In accordance with Prakas No. B7-017-344 dated 1 December 2017 on the Credit Risk Grading and Impairment Provisioning, loans past due more than 30 days and 89 days for short-term loans and long-term loans respectively are considered impaired and a minimum level of specific provision for impairment is made depending on the classification concerned, unless other information is available to indicate the contrary.

As at 31 December 2018, there was no loan which is past due and impaired.

#### iv. Loans renegotiated

Restructuring activities include extended payment arrangements, modification and deferral of payments. Following restructuring, the loan is still kept in its current classification unless there is strong evidence of improvement in the customer's financial condition and repayment of principal and interest on time within six instalment periods (3 months for short-term facilities) for loans with monthly repayment and within one year for loan with quarterly and semi-annual repayment.

## 24. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 24.1 Credit risk (continued)

#### f) Repossessed collateral

During the year, the Bank did not obtain assets by taking possession of collateral held as security.

Reposessed properties have to be sold within one year as required by the NBC. Repossessed property is classified in the balance sheet as foreclosed properties, if any.

#### g) Concentration of financial assets with credit risk exposure

##### i) Geographical sector

The Bank only operates in Cambodia so it does not have credit exposure by geographical region as at 31 December 2018.

##### ii) Industry sector

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

	Balances with other banks and financial institutions	Loans to customers	Other assets	Total
	US\$	US\$	US\$	US\$
<b>As at 31 December 2018</b>				
Financial institutions	15,595,488	-	230,343	15,825,831
Personal lending	-	26,292,699	42,383	26,335,082
Construction	-	7,138,075	27,164	7,165,239
Real estate activities	-	5,487,898	18,665	5,506,563
Retail trade	-	3,162,408	16,023	3,178,431
Hotels and restaurants	-	763,690	2,420	766,110
Wholesale trade	-	519,497	1,995	521,492
Transport and storage	-	336,209	1,664	337,873
Agriculture	-	266,935	1,868	268,803
Rental and operational leasing activities	-	189,418	584	190,002
Other non-financial services	-	114,439	572	115,011
Less: Allowances	(155,954)	(442,713)	-	(598,667)
	15,439,534	43,828,555	343,681	59,611,770
In KHR'000 equivalent	62,036,048	176,103,134	1,380,912	239,520,094

## 24. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 24.1 Credit risk (continued)

g) Concentration of financial assets with credit risk exposure (continued)

ii) Industry sector (continued)

	Balances with other banks and financial institutions	Loans to customers	Other assets	Total
	US\$	US\$	US\$	US\$
<b>As at 31 December 2017</b>				
Financial institutions	125,234	-	7,970	133,204
Personal Lending	-	21,606,775	101,874	21,708,649
Real Estate Activities	-	5,313,188	15,775	5,328,963
Construction	-	3,268,749	13,511	3,282,260
Retail Trade	-	1,652,139	9,568	1,661,707
Agriculture	-	1,332,266	4,796	1,337,062
Other Non-Financial Services	-	225,354	1,352	226,706
Wholesale Trade	-	208,290	752	209,042
Rental and operational leasing activities	-	206,348	636	206,984
Hotels and Restaurants	-	129,863	400	130,263
Transport and Storage	-	94,674	341	95,015
Utilities	-	37,809	162	37,971
Less: Allowances	-	(340,755)	-	-
	125,234	33,734,700	157,137	34,357,826
In KHR'000 equivalent	505,570	136,186,984	634,362	138,702,544

## 24. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 24.2 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.

As of 31 December 2018, the Bank did not have financial instruments carried at fair value. The Bank does not use derivative financial instruments such as foreign exchange contract and interest rate swaps to hold its risk exposures.

#### a) Foreign exchange risk

The table below summarises the Bank's exposure to foreign currency exchange rate risk at 31 December 2018. Included in the table are the Bank's financial instruments at carrying amount by currency in US\$ equivalent. No sensitivity analysis is presented for foreign currencies (KHR) as the amounts are insignificant.

	US\$ Equivalent		
	US\$	KHR '000	US\$
<b>31 December 2018</b>			
<b>Financial assets</b>			
Cash on hand	2,396,242	112,031	2,508,273
Balances with the NBC	14,156,259	114,734	14,270,993
Balances with other banks and financial institutions	15,438,924	610	15,439,534
Loans to customers	39,106,564	4,721,991	43,828,555
Other assets	319,540	24,141	343,681
<b>Total financial assets</b>	<b>71,417,529</b>	<b>4,973,507</b>	<b>76,391,036</b>
<b>Financial liabilities</b>			
Deposits from customers	2,162,108	270,034	2,432,052
Other liabilities	86,599	515	87,114
<b>Total financial liabilities</b>	<b>2,248,707</b>	<b>270,549</b>	<b>2,519,166</b>

#### b) Price risk

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

#### c) 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 the 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 at this stage does not have a policy to set limits on the level of mismatch of interest rate re-pricing that may be undertaken, however, the management regularly monitors the mismatch.

## 24. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 24.2 Market risk (continued)

#### c) Interest rate risk (continued)

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 re-pricing or maturity dates.

	Up to 1 month US\$	1 to 3 months US\$	3 to 12 months US\$	1 to 5 years US\$	Over 5 years US\$	Non-interest bearing US\$	Total US\$
<b>31 December 2018</b>							
<b>Financial assets</b>							
Cash on hand	-	-	-	-	-	2,508,273	2,508,273
Balances with the NBC	-	6,434,336	100,000	-	7,500,000	236,657	14,270,993
Balances with other banks and financial institutions	-	12,375,000	2,970,000	-	-	94,534	15,439,534
Loans to customers	-	6,517	3,303,014	2,883,354	37,635,670	-	43,828,555
Other assets	-	-	-	-	-	343,681	343,681
<b>Total financial assets</b>	-	18,815,853	6,373,014	2,883,354	45,135,670	3,183,145	76,391,036
<b>Financial liabilities</b>							
Deposits from customers	1,845,125	299,611	227,316	60,000	-	-	2,432,052
Other liabilities	-	-	-	-	-	87,114	87,114
<b>Total financial liabilities</b>	1,845,125	299,611	227,316	60,000	-	87,114	2,519,166
<b>Total interest rate re-pricing gap</b>	(1,845,125)	18,516,242	6,145,698	2,823,354	45,135,670	3,096,031	73,871,870
<b>In KHR'000 equivalent</b>	(7,413,712)	74,398,260	24,693,415	11,344,236	181,355,122	12,439,853	296,817,174

## 24. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 24.2 Market risk (continued)

#### c) Interest rate risk (continued)

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 re-pricing or maturity dates.

	Up to 1 month US\$	1 to 3 months US\$	3 to 12 months US\$	1 to 5 years US\$	Over 5 years US\$	Non-interest bearing US\$	Total US\$
<b>31 December 2017</b>							
<b>Financial assets</b>							
Cash on hand	-	-	-	-	-	97,295	97,295
Balances with the NBC	32,593,505	-	-	-	-	7,500,000	40,093,505
Balances with other banks and financial institutions	125,234	-	-	-	-	-	125,234
Loans to customers	-	1,129,460	6,028,981	3,021,523	23,554,736	-	33,734,700
Other assets	-	-	-	-	-	157,137	157,137
<b>Total financial assets</b>	<b>32,718,739</b>	<b>1,129,460</b>	<b>6,028,981</b>	<b>3,021,523</b>	<b>23,554,736</b>	<b>7,754,432</b>	<b>74,207,871</b>
<b>Financial liabilities</b>							
Other liabilities	-	-	-	-	-	68,308	68,308
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>68,308</b>	<b>68,308</b>
<b>Total interest rate re-pricing gap</b>	<b>32,718,739</b>	<b>1,129,460</b>	<b>6,028,981</b>	<b>3,021,523</b>	<b>23,554,736</b>	<b>7,686,124</b>	<b>74,139,563</b>
In KHR'000 equivalent	132,085,549	4,559,630	24,338,996	12,197,888	95,090,469	31,028,883	299,301,415

## 24. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 24.3 Liquidity risk

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

#### *a) Liquidity risk management process*

The management monitors balance sheet liquidity and manage the concentration and profile of debt maturities. The Bank does not have borrowings. The Bank's operations rely on the contribution of capital from shareholders.

#### *b) Funding approach*

The Bank's main sources of liquidities arise from shareholder's paid-up capital. The sources of liquidity are regularly reviewed in the board of directors' meeting through management's review of lending limits where appropriate.

#### *c) Non-derivative cash flows*

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

## 24. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 24.3 Liquidity risk ( continued )

#### c) Non-derivative cash flows (continued)

	Up to 1 month US\$	1 to 3 months US\$	3 to 12 months US\$	1 to 5 years US\$	Over 5 years US\$	No fixed maturity Date US\$	Total US\$
<b>31 December 2018</b>							
Financial liabilities (contractual maturity dates)							
Deposits from customers	1,895,516	254,221	277,315	5,000	-	-	2,432,052
Other liabilities	87,114	-	-	-	-	-	87,114
<b>Total financial liabilities</b>	<b>1,982,630</b>	<b>254,221</b>	<b>277,315</b>	<b>5,000</b>	<b>-</b>	<b>-</b>	<b>2,519,166</b>
<b>In KHR'000 equivalent</b>	<b>7,966,207</b>	<b>1,021,460</b>	<b>1,114,252</b>	<b>20,090</b>	<b>-</b>	<b>-</b>	<b>10,122,009</b>
<b>31 December 2017</b>							
Financial liabilities (contractual maturity dates)							
Other liabilities	68,308	-	-	-	-	-	68,308
<b>Total financial liabilities</b>	<b>68,308</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>68,308</b>
<b>In KHR'000 equivalent</b>	<b>275,759</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>275,759</b>

#### d) Off-balance sheet items

##### i) Loan commitments

There was no loan commitment as at 31 December 2018.

##### ii) Operating lease commitments

Where the Bank is the lessee, the future minimum lease payments are under non-cancellable operating leases, as disclosed in Note 22.

##### ii) Other assets and other liabilities

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

## 24. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 24.4 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*

##### i) *Loans to customers*

Loans to customers are net of allowance for bad and doubtful loans. The allowance for bad and doubtful loans is made under the requirements of NBC's Prakas.

##### ii) *Other assets and other liabilities*

Where the Bank is the lessee, the future minimum lease payments are under non-cancellable operating leases, as disclosed in Note 22.

### 24.4 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

##### i) *Loans to customers*

Loans to customers are net of allowance for bad and doubtful loans. The allowance for bad and doubtful loans is made under the requirements of NBC's Prakas.

##### ii) *Other assets and other liabilities*

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

### 24.5 Capital management

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

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

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

## 25. CURRENT AND NON-CURRENT

Management presents the financial statements based on liquidity. Information about short-term and long-term of assets and liabilities are disclosed in the financial risk management section. Property and equipment, intangible assets and deferred tax assets are non-current assets. Income tax liability is current liability.



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