ធនាគារពាណិជ្ជ ឈីហ្វ (ខេមបូឌា) ម.ក
CHIEF BANK

របាយការណ៍ប្រចាំឆ្នាំ ANNUAL REPORT

២០១៩
2019


PAYROLL SERVICES
CHILD ACCOUNT
INTEREST RATE UP TO
3.7
% p.a.
LOAN
CHIEF MOBILE
Accounts
Payments
Transfers
Notifications
CHIEF MOBILE
ATM
DEPOSIT ACCOUNT

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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

The economy growth keeps a robust pace in Cambodia during the year 2019, which can easily be told from the rapid change of the landscape, the performance of banking industry and improvement in the living standard of the residence. In this year Chief we have been busy in preparing ourselves for commercial bank in every aspect. An attractive fixed saving interest rate has been offered to the customers, and we believe that soon the mobile banking system and ATM system will be online, and forthcoming more features and more products. We are also better positioned on building our loan books, making new friends and serving new customers.

When expanding our business globally we have been integrating and evolving our customer-centric business model with modern information technology in order to provide a wide range of financial solution as well as processing a transaction in a most efficient manner. In addition we provide sufficient professional and up-to-date training course for our staff to take the lead of the industry at anytime. Our strategy is witnessed by the success of a rapid and consistent growth for the last decade.

Currently our team comprises the local elite employee and assistance from the parent company in Hong Kong. Chief Bank is a part of a corporate culture based on the principles of integrity, prudence and transparency.

I suggest you to visit our website and our branch and you will find a tailor-made exclusive service for you.

Welcome to Chief (Cambodia) Commercial Bank!

Mr. CHAU Chung Kai Peter
Founder & Chairman
Chief Group

MESSAGE FROM 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."

Oknha Dr. Soeung Morarith
Chief Executive Officer

Message from Chief Executive Officer (CEO)

Welcome to Chief (Cambodia) Commercial Bank Plc!

Last year´s performance was steady and meaningful for Chief Bank toward the overarching goal we laid out in our business and development plan in 2019, good improvements of the returns we generated on shareholders´ capital, customers´ placements and beyond. Also, we outlined our strategies to meet those commitments. We drove sustainable, client-led revenue growth by deepening our relationships with current clients and capturing new ones in target segments. We used our scale and enhanced existing technology to uplift our banking capabilities in order to lower our costs, and to serve clients much better. We optimized our capital base, prudently managed, operated and invested. Finally, we continue our focus on controls and risk management to ensure that Chief Bank is indisputably strong and stable in this growing industry.

Our achievements during the past year were 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, Mr Chau, all Members of Board of Directors, and Independent Directors.

Thanks to the continued success of Chief Bank´s operations over the past six years, 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 more comprehensive commercial banking products, including various deposit accounts such as current account, saving account, fixed deposit account as well as installment account, individual loans, commercial loans, ATMs, local remittances and trade finances, with attractive and innovative features. In addition, we are going to launch mobile banking, CSS (central share swift), internet banking, our own credit and debit card products and so on, in the very near future.

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. Cambodian economy grew 7.5% in 2018, with low inflation. The country´s financial or economic outlook for 2020 remains 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, which has helped 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 to further refine 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 2020 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 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 our dedicated colleagues, our respectful Chairman, Board members, INED, the leadership teams and all officials of the 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 so far. 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.

We look forward to welcoming and best serving you.

Sincerely yours,

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

Member of the Risk Management Committee
Member of the Internal Audit Committee
Member of the Human Resource Nomination and Remuneration Committee
Member of the Board of Director

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 of the Risk Management Committee
Member of the Internal Audit Committee
Member of the Human Resource Nomination and Remuneration Committee
Member of the Board of Director

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 of the Risk Management Committee
Member of the Internal Audit Committee
Member of the Human Resource Nomination and Remuneration Committee
Member of the Board of Director

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
Member of the Board of Director

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 of the Risk Management Committee
Chairman of the Human Resource Nomination and Remuneration Committee
Member of the Board of Director

Education

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

Working Experience

- Senior Partner of Messrs. Kelvin Cheung & Co.

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

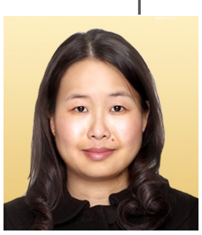
- General Manager, Chief (Cambodia) Specialized Bank Plc
- Representative of Specialized Banks, serving on the Executive Council of the Association of Banks in Cambodia (ABC), March 2017 – March 2018
- Senior Manager, Kookmin (Cambodia) Bank Plc
- Head of Credit, Kookmin (Cambodia) Bank Plc
- Credit 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

Member of the Risk Management Committee
Member of the Internal Audit Committee
Member of the Human Resource Nomination and Remuneration Committee
Member of the Board of Director

Mr. LAM Wai Chuen

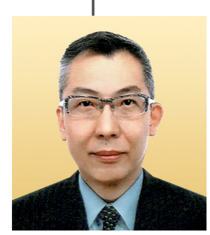
Director

Member of the Risk Management Committee
Member of the Internal Audit Committee
Member of the Human Resource Nomination and Remuneration Committee
Member of the Board of Director

Mr. YE Haiya

Director

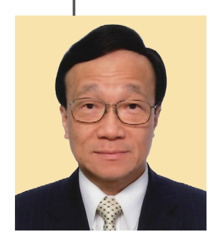
Member of the Risk Management Committee
Member of the Internal Audit Committee
Member of the Human Resource Nomination and Remuneration Committee
Member of the Board of Director



Mr. CHAN Kwok Cheung

Independent Non-Executive Director

Chairman, Internal Audit Committee
Member of the Board of Director



Mr. CHEUNG Ka Wai

Independent Non-Executive Director

Chairman of the Risk Management Committee
Chairman of the Human Resource Nomination and Remuneration Committee
Member of the Board of Director

Organizational Chart

Executive Management

Oknha Dr. Soeung Morarith
Chief Executive Officer

Shum Kwong Po
Assistant Financial Controller

Neang Sinarorth
Deputy General Manager

Sok Raksmey
Accounting Manager

Mr. Vann Tola
Admin and HR Manager

Mr. Mam Chandara
Head of Audit

Mr. Kheng Vichar
Senior Operation, Trade, SWIFT, and Payment Manager

Sim Ratanak Sophea
Risk and Compliance Manager

Sim Sarem
Senior Relationship Manager

Mr. Ty Sochetra
Credit Manager

Mr. Van Seiha
Credit Review Manager

Mr. Chhit Vannrachanaroth
Branch Manager

Mr. Sok Samnang
Branch Manager

Mr. Khoun Vitou
IT Manager
(Hardware)

Mr. Muniswamy Kishore Kuma
System Manager
(Software)

CORPORATE INFORMATION

Bank Name	Chief (Cambodia) Commercial Bank Plc.
Date of Establishment	5th December 2013
Registration No	00005793
Head Office	Phnom Penh City Center, No. C-01, St. R11 Corner St.70, Phum 1, Sangkat Sras Chork, Khan Daun Penh, Phnom Penh, Kingdom of Cambodia
As of December 31, 2018	
Paid-Up Capital	US$75 Million
Number of Employees	135

	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.

PERSONAL LOANS

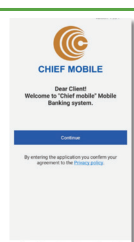
Housing Loan

Car Loan

Motorbike Loan

Unsecured Loan

CHIEF MOBILE BANKING AND PAYROLL SERVICES



Chief Mobile Banking

Payroll Sercice

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

Child 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.

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.

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.

Our Vision

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

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.

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.

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.

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.

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

No.C-01, St.R11 Corner St.70, Phum 1, Sangkat Sras Chork, Khan Daun Penh, Phnom Penh.

Tel : 855-23-900 878
Fax : 855-23-900 858

Email : info@chiefbank.com.kh
Website : www.chiefbank.com.kh

Chbar Ampov Branch

Building NH II 0046, National Road No.1,Deum Slaeng Village,Sangkat Chbar Ampov Ti Pir,Khan Chbar Ampov,Phnom Penh.

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

Phsar Olympic Branch

N°20,&21C,Street 271,Sangkat Veal Vong,Khan Prampir Meakkakra,Phnom Penh.

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

REPORT OF THE BOARD OF DIRECTORS AND AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2019 AND 31 DECEMBER 2018

CORPORATE INFORMATION

Bank	**Chief (Cambodia) Commercial Bank Plc.**	
Registration No	00005793	
Registered Office	Phnom Penh City Center, No. C-01, St. R11 Corner St.70, Phum 1, Sangkat Sras Chork, Khan Daun Penh Phnom Penh, Kingdom of Cambodia	
Shareholder	Chief Financial Group (Cambodia) Limited	
Board of Directors	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
Auditor	Deloitte (Cambodia) Co., Ltd.	

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors ("BOD" or "Directors") has pleasure in submitting their report together with the audited financial statements of Chief (Cambodia) Commercial Bank Plc. (the "Bank") for the years ended 31 December 2019 and 31 December 2018.

PRINCIPAL ACTIVITIES

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

FINANCIAL RESULTS

The financial results of the Bank for the years ended 31 December 2019 and 31 December 2018 were as follows:

	Year ended 31 December 2019		Year ended 31 December 2018		Year ended 31 December 2017	
	US$	KHR'000	US$	KHR'000	US$	KHR'000
Profit before tax	1,562,665	6,331,919	364,359	1,473,832	974,009	3,939,867
Income tax expense	(356,310)	(1,443,768)	(181,635)	(734,714)	(230,031)	(930,475)
Profit for the year	1,206,355	4,888,151	182,724	739,118	743,978	3,009,391

DIVIDENDS

There were no dividends declared or paid during the year (2018: nil; 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.

WRITTEN OFF OF AND ALLOWANCE FOR FINANCIAL ASSETS

Before the financial statements were prepared, the Directors took reasonable steps to ascertain that action had been taken in relation to write off of financial assets that have no reasonable expectations of recovering the contractual cash flows in their entirety or a portion thereof and making of allowance for expected credit losses on financial assets, and satisfied themselves that all known financial assets that have no reasonable expectations of recovering the contractual cash flows were written off and that adequate allowance for expected credit losses on financial assets have been made.

At the date of this report and on the best of knowledge, the BOD is not aware of any circumstances which would render the amount of the allowance for expected credit losses on financial assets in the financial statements of the Bank inadequate to any material extent.

ASSETS

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

At the date of this report, 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.

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

(a) any charge on the assets of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person, or

(b) any contingent liability in respect of the Bank that has arisen since the end of the financial year other than in the ordinary courses of banking business.

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF UNUSUAL NATURE

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

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

EVENTS AFTER THE REPORTING DATE

At the dates of this report, there have been no other significant events occurring after the reporting date which would require adjustments or disclosures other than those disclosed in the financial statements.

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 with a related corporation of which the Director is a member, or with a Bank in which the Director has a substantial financial interest other than as disclosed in the financial statements.

RESPONSIBILITIES OF THE DIRECTORS IN RESPECT OF THE FINANCIAL STATEMENTS

The Board of Directors is responsible for ascertaining that the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2019 and 31 December 2018, and its financial performance and its cash flows for the years then ended. In preparing these financial statements, the Board of Directors is required to:

i. adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;

ii. comply with Cambodian International Financial Reporting Standards ("CIFRSs"), or, if there have been any departures in the 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 the going concern basis unless it is inappropriate to assume that the Bank will continue operations in the foreseeable future; and

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

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

STATEMENT OF THE BOARD OF DIRECTORS

In the opinion of the Board of Directors, the accompanying financial statements present fairly, in all material respects, the financial position of Chief (Cambodia) Commercial Bank Plc. as at 31 December 2019 and 31 December 2018, and its financial performance and its cash flows for the years then ended in accordance with Cambodian International Financial Reporting Standards ("CIFRSs"), 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.

OPINION

We have audited the financial statements of Chief (Cambodia) Commercial Bank Plc. (the "Bank"), which comprise the statements of financial position as at 31 December 2019 and 31 December 2018, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 9 to 86.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2019 and 31 December 2018, and its financial performance and its cash flows for the years then ended in accordance with Cambodian International Financial Reporting Standards ("CIFRSs").

BASIS FOR OPINION

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

OTHER MATTER

The Bank has prepared a separate set of the financial statements for the year ended 31 December 2018 in accordance with Cambodian Accounting Standards and relevant accounting regulations and guidelines issued by the National Bank of Cambodia on which we issued a separate auditor's report to the shareholder of the Bank dated 28 March 2019.

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

Management is responsible for the other information. The other information comprises the Corporate Information and the Report of the Board of Directors as set out on page 1 and pages 2 to 5 respectively, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information 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 CIFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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: 15 May 2020

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019 AND 31 DECEMBER 2018

	Note	31 December 2019 US$	31 December 2019 KHR'000	31 December 2018 US$	31 December 2018 KHR'000	31 December 2017 US$	31 December 2017 KHR'000
ASSETS							
Cash on hand	6	2,844,371	11,590,812	2,508,273	10,078,241	97,295	392,780
Balances with the NBC	7	19,045,026	77,608,481	14,294,434	57,435,036	40,101,474	161,889,651
Balances with other banks	8	608,585	2,479,984	15,402,227	61,886,148	125,234	505,570
Loans to customers	9	77,745,040	316,811,038	44,011,194	176,836,977	33,608,083	135,675,831
Other assets	10	416,530	1,697,360	695,533	2,794,652	135,027	545,104
Property and equipment	11	2,515,117	10,249,102	1,341,005	5,388,158	1,273,129	5,139,622
Right-of-use assets	12	1,603,780	6,535,404	-	-	-	-
Intangible assets	13	614,743	2,505,078	364,926	1,466,273	395,059	1,594,853
Deferred tax assets	14	174,441	710,847	165,927	666,695	107,045	432,141
TOTAL ASSETS		105,567,633	430,188,104	78,783,519	316,552,179	75,842,346	306,175,551
LIABILITIES							
Deposits from customers	15	26,220,095	106,846,887	2,435,707	9,786,671	-	-
Lease liabilities	16	1,644,788	6,702,511	-	-	-	-
Current income tax liabilities	14	307,329	1,252,366	206,491	829,681	189,598	765,407
Other liabilities	17	159,666	650,640	111,921	449,699	84,254	340,134
TOTAL LIABILITIES		28,331,878	115,452,404	2,754,119	11,066,050	273,852	1,105,541
EQUITY							
Share capital	18	75,000,000	305,625,000	75,000,000	301,350,000	38,800,000	156,635,600
Advance for additional capital	18	-	-	-	-	36,200,000	146,139,400
Regulatory reserves		780,513	3,180,590	442,203	1,776,772	-	-
Retained earnings		1,455,242	5,883,709	587,197	2,366,389	568,494	2,292,962
Currency translation differences		-	46,402	-	(7,032)	-	2,048
TOTAL EQUITY		77,235,755	314,735,700	76,029,400	305,486,129	75,568,494	305,070,010
TOTAL LIABILITIES AND EQUITY		105,567,633	430,188,104	78,783,519	316,552,179	75,842,346	306,175,551

The accompanying notes on pages 38 to 101 form an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEARS ENDED 31 DECEMBER 2019 AND 31 DECEMBER 2018

		Year ended 31 December 2019		Year ended 31 December 2018		Year ended 31 December 2017	
	Note	US$	KHR'000	US$	KHR'000	US$	KHR'000
Interest income		5,888,435	23,859,939	3,441,935	13,922,627	3,047,753	12,328,161
Interest expense		(531,099)	(2,152,013)	(7,793)	(31,523)	-	-
Net interest income	20	5,357,336	21,707,926	3,434,142	13,891,104	3,047,753	12,328,161
Fee and commission income		785	3,181	3,972	16,067	3,824	15,468
Fee and commission expense		(1,915)	(7,760)	(3,066)	(12,402)	-	-
Net fee and commission income	21	(1,130)	(4,579)	906	3,665	3,824	15,468
Other (loss)/income	22	(90,338)	(366,050)	22,034	89,128	-	-
Net impairment gains/(losses) on financial instruments	23	308,050	1,248,219	(258,975)	(1,047,554)	(29,701)	(120,141)
Personnel expenses	24	(1,851,429)	(7,501,990)	(1,218,977)	(4,930,762)	(787,655)	(3,186,064)
Depreciation and amortisation	25	(849,304)	(3,441,380)	(377,612)	(1,527,441)	(263,495)	(1,065,837)
Other expenses	26	(1,310,520)	(5,310,227)	(1,237,159)	(5,004,308)	(996,717)	(4,031,720)
Profit before tax		1,562,665	6,331,919	364,359	1,473,832	974,009	3,939,867
Income tax expense	14	(356,310)	(1,443,768)	(181,635)	(734,714)	(230,031)	(930,475)
Profit for the year		1,206,355	4,888,151	182,724	739,118	743,978	3,009,391
Other comprehensive income		-	53,434	-	(9,080)	-	2,048
Total comprehensive income		1,206,355	4,941,585	182,724	730,038	743,978	3,011,439

The accompanying notes from pages 38 to 101 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019 AND 31 DECEMBER 2018

	Share capital		Advance for additional capital		Regulatory reserves		Retained earnings		Currency translation differences	Total	
	US$	KHR'000	US$	KHR'000	US$	KHR'000	US$	KHR'000	KHR'000	US$	KHR'000
Year ended 31 December 2017											
At 1 January 2017	31,000,000	125,147,000	7,800,000	31,488,600	-	-	824,516	3,328,571	-	39,624,516	159,964,171
Issue of share capital	7,800,000	31,551,000	(7,800,000)	(31,551,000)	-	-	-	-	-	-	-
Capital contribution	-	-	36,200,000	146,429,000	-	-	-	-	-	36,200,000	146,429,000
Profit for the year	-	-	-	-	-	-	743,978	3,009,391	-	743,978	3,009,391
Other comprehensive income	-	-	-	-	-	-	-	-	2,048	-	2,048
Total comprehensive income	-	-	-	-	-	-	743,978	3,009,391	2,048	743,978	3,011,439
Dividend paid	-	-	-	-	-	-	(1,000,000)	(4,045,000)	-	(1,000,000)	(4,045,000)
Currency translation differences	-	(62,400)	-	(227,200)	-	-	-	-	-	-	(289,600)
At 31 December 2017	38,800,000	156,635,600	36,200,000	146,139,400	-	-	568,494	2,292,962	2,048	75,568,494	305,070,010

	Share capital		Advance for additional capital		Regulatory reserves		Retained earnings		Currency translation differences	Total	
	US$	KHR'000	US$	KHR'000	US$	KHR'000	US$	KHR'000	KHR'000	US$	KHR'000
Year ended 31 December 2018											
31 Dec,17 At 1 January 2017	38,800,000	156,635,600	36,200,000	146,139,400	-	-	568,494	2,292,962	2,048	75,568,494	305,070,010
Adjustment on initial application of CIFRS 9	-	-	-	-	-	-	278,182	1,123,020	-	278,182	1,123,020
At 1 January 2018	38,800,000	156,635,600	36,200,000	146,139,400	-	-	846,676	3,415,982	2,048	75,846,676	306,193,030
Issue of share capital	36,200,000	146,429,000	(36,200,000)	(146,429,000)	-	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	-	182,724	739,118	-	182,724	739,118
Other comprehensive income	-	-	-	-	-	-	-	-	(9,080)	-	(9,080)
Total comprehensive income	-	-	-	-	-	-	182,724	739,118	(9,080)	182,724	730,038
Transfers from retained earnings to regulatory reserves	-	-	-	-	442,203	1,788,711	(442,203)	(1,788,711)	-	-	-
Currency translation differences	-	(1,714,600)	-	289,600	-	(11,939)	-	-	-	-	(1,436,939)
At 31 December 2018	75,000,000	301,350,000	-	-	442,203	1,776,772	587,197	2,366,389	(7,032)	76,029,400	305,486,129

	Share capital		Regulatory reserves		Retained earnings		Currency translation differences	Total	
	US$	KHR'000	US$	KHR'000	US$	KHR'000	KHR'000	US$	KHR'000
Year ended 31 December 2019									
At 1 January 2019	75,000,000	301,350,000	442,203	1,776,772	587,197	2,366,389	(7,032)	76,029,400	305,486,129
Profit for the year	-	-	-	-	1,206,355	4,888,151	-	1,206,355	4,888,151
Other comprehensive income	-	-	-	-	-	-	53,434	-	53,434
Total comprehensive income	-	-	-	-	1,206,355	4,888,151	53,434	1,206,355	4,941,585
Transfers from retained earnings to regulatory reserves	-	-	338,310	1,370,831	(338,310)	(1,370,831)	-	-	-
Currency translation differences	-	4,275,000	-	32,987	-	-	-	-	4,307,987
At 31 December 2019	75,000,000	305,625,000	780,513	3,180,590	1,455,242	5,883,709	46,402	77,235,755	314,735,700

The accompanying notes from pages 38 to 101 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED 31 DECEMBER 2019 AND 31 DECEMBER 2018

		Year ended 31 December 2019		Year ended 31 December 2018		Year ended 31 December 2017	
	Note	**US$**	**KHR'000**	**US$**	**KHR'000**	**US$**	**KHR'000**
Cash flows from operating activities							
Profit for the year		1,562,665	6,331,919	364,359	1,473,832	974,009	3,939,867
Adjustments for:							
Net interest income	20	(5,357,336)	(21,707,925)	(3,434,142)	(13,891,104)	(3,047,753)	(12,328,161)
Depreciation and amortisation	25	849,304	3,441,380	377,612	1,527,440	263,495	1,065,837
Losses on disposals of property and equipment		49,266	199,625	-	-	50,618	204,750
Net impairment gains/ (losses) on financial instruments	23	(308,050)	(1,248,219)	258,975	1,047,554	29,701	120,141
		(3,204,151)	(12,983,220)	(2,433,196)	(9,842,278)	(1,729,930)	(6,997,567)
Changes in:							
Loans to customers	9	(33,386,306)	(135,281,311)	(10,197,361)	(41,248,325)	(2,930,125)	(11,852,356)
Other assets	10	279,003	1,130,520	(560,505)	(2,267,243)	(56,485)	(228,482)
Deposits from customers	15	23,505,846	95,245,689	2,432,052	9,837,651	-	-
Other liabilities	17	47,745	193,463	27,667	111,913	(70,793)	(286,358)
Cash used in operations		(12,757,863)	(51,694,859)	(10,731,343)	(43,408,282)	(4,787,333)	(19,364,762)
Interest received		5,848,945	23,699,925	3,255,391	13,168,057	3,025,257	12,237,165
Interest paid		(252,557)	(1,023,362)	(4,138)	(16,738)	-	-
Income tax paid		(263,986)	(1,069,671)	(223,624)	(904,559)	(350,721)	(1,418,666)
Net cash used in operating activities		(7,425,461)	(30,087,968)	(7,703,714)	(31,161,523)	(2,112,797)	(8,546,264)

The accompanying notes from pages 38 to 101 form an integral part of these financial statements.

		Year ended 31 December 2019		Year ended 31 December 2018		Year ended 31 December 2017	
	Note	US$	KHR'000	US$	KHR'000	US$	KHR'000
Cash flows from investing activities							
Capital guarantee with the Central Bank		-	-	7,970	32,239	(3,627,970)	(14,675,139)
Purchases of property and equipment	11	(1,692,485)	(6,857,950)	(415,355)	(1,680,111)	(832,293)	(3,366,625)
Purchases of intangible assets	13	(279,662)	(1,133,190)	-	-	(238,129)	(963,232)
Cash used in investing activities		(1,972,147)	(7,991,140)	(407,385)	(1,647,872)	(4,698,392)	(19,004,996)
Cash flows from financing activities							
Additional capital contribution		-	-	-	-	36,200,000	146,429,000
Principal elements of lease payments	18	(309,344)	(1,253,462)	-	-	-	-
Dividends paid		-	-	-	-	(1,000,000)	(4,045,000)
Cash (used)/from financing activities		(309,344)	(1,253,462)	-	-	35,200,000	142,384,000
Net (decrease)/increase in cash and cash equivalents		(9,706,952)	(39,332,570)	(8,111,099)	(32,809,395)	28,388,811	114,832,740
Cash and cash equivalents at the beginning of year		24,704,934	99,264,425	32,816,033	132,478,325	4,427,222	17,872,695
Currency translation differences		-	1,184,922	-	(404,505)	-	(227,110)
Cash and cash equivalents at the end of year	19(a)	14,997,982	61,116,777	24,704,934	99,264,425	32,816,033	132,478,325

The accompanying notes from pages 38 to 101 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2019 AND 31 DECEMBER 2018

1. REPORTING ENTITY

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 Bank 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 statement were authorised for issue by the Board of Director ("BOD") on 15 May 2020.

2. BASIS OF ACCOUNTING

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 are prepared by the Bank in accordance with Cambodian International Financial Reporting Standards ("CIFRS") published by the Ministry of Economy and Finance (Prakas No. 068-MEF-Pr dated 8 January 2009) and the National Accounting Council of Cambodia (letter dated 24 March 2016).

2.2 Functional and presentation currency

The Bank transact its business and maintain its accounting records in two currencies, Khmer Riel ("KHR") and United States Dollars ("US$"). Management have determined the US$ to be the Bank's functional and presentation currency as it reflects the economic substance of the underlying events and circumstances of the Bank.

Transactions in currencies other than US$ are translated into US$ at the exchange rate ruling at the dates of the transactions. Monetary assets and liabilities denominated in currencies other than US$ at the reporting date are translated into US$ at the rates of exchange ruling at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on translation are recognised in profit or loss.

2.3 Presentation in Khmer Riel

The translation of the US$ amounts into Khmer Riel ("KHR") is presented in the financial statements to comply with the Law on Accounting and Auditing dated 11 April 2016 using the closing and average rates for the year, as announced by the National Bank of Cambodia.

Assets and liabilities for each statement of financial position presented are translated at the closing rate ruling at each reporting date whereas income and expense items for each statement of profit or loss and other comprehensive income and cash flow items presented are translated at the average rate for the year then ended. All resulting exchange differences are recognised in other comprehensive income ("OCI").

2. BASIS OF ACCOUNTING (CONTINUED)

2.3 Presentation in Khmer Riel (continued)

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

	Closing rate	Average rate
31 December 2019	4,075	4,052
31 December 2018	4,018	4,045
31 December 2017	4,037	4,045

2.4 Basis of aggregation

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

2.5 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 Riel amounts, respectively.

3. APPLICATIONS OF NEW AND REVISED CAMBODIAN INTERNATIONAL FINANCIAL REPORTING STANDARDS ("CIFRSs")

3.1 New CIFRSs effective during the year ended 31 December 2019

The followings are the new CIFRSs effective during the year:

CIFRS 16 Leases

CIFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. CIFRS 16 will supersede the current lease guidance including CIAS 17 Leases and the related interpretations when it becomes effective.

The right-of-use assets is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under CIAS 17 are presented as operating cash flows; whereas under the CIFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, CIFRS 16 substantially carries forward the lessor accounting requirements in CIAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by CIFRS 16.

In relation to adoption of CIFRS 16 "Leases" from January 2019, operating lease payments are previously recognised as expenses using the straight-line method over the lease term in "Rental" without recognising as assets and obligations in the statement of financial position. Operating lease payments will be recognised as right-of-use assets and lease liabilities in the statement of financial position. The amount of depreciation would be recognised in "Depreciation and amortisation" and the amount of interest cost would be recognised in "interest expense".

3. APPLICATIONS OF NEW AND REVISED CAMBODIAN INTERNATIONAL FINANCIAL REPORTING STANDARDS (“CIFRSs”)

3.1 New CIFRSs effective during the year ended 31 December 2019 (continued)

CIFRS 16 Leases (continued)

The date of initial application of CIFRS 16 for the Company is January 1, 2019. The Company has applied CIFRS 16 using the cumulative catch-up approach.

The change in definition of a lease mainly relates to the concept of control. CIFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. The Company applies the definition of a lease and related guidance set out in CIFRS 16 to all lease contracts entered into or modified on or after January 1, 2019 (whether it is a lessor or a lessee in the lease contract).

Impact on Lessee Accounting

CIFRS 16 changes how the Bank accounts for leases previously classified as operating leases under CIAS 17, which were off-balance-sheet.

Applying CIFRS 16, for all leases (except as noted below), the Bank:

a) Recognizes right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of future lease payments

b) Recognizes depreciation of right-of-use assets and interest on lease liabilities in the statement of profit or loss; and

c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the statement of cash flows.

Lease incentives (e.g. free rent period) are recognized as part of the measurement of the right-of-use assets and lease liabilities whereas under CIAS 17 they resulted in the recognition of a lease incentive liability, amortized as a reduction of rental expense on a straight-line basis.

Under CIFRS 16, right-of-use assets are tested for impairment in accordance with CIAS 36, Impairment of Assets.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (which includes office furniture, fixtures and equipment), the Bank has opted to recognize a lease expense on a straight-line basis as permitted by CIFRS 16. This expense is presented within ‵other expenses′ in profit or loss.

The Bank has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying IAS 17.

- The Bank has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Bank has adjusted the right-of-use asset at the date of initial application by the amount of provision for onerous leases recognized under CIAS 37 in the statement of financial position immediately before the date of initial application as an alternative to performing an impairment review.
- he Bank has elected not to recognize right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- he Bank has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- The Bank has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

3. APPLICATIONS OF NEW AND REVISED CAMBODIAN INTERNATIONAL FINANCIAL REPORTING STANDARDS ("CIFRSs")

3.1 New CIFRSs effective during the year ended 31 December 2019 (continued)

CIFRS 16 Leases (continued)

Financial impact of initial application of CIFRS 16

The weighted average lessees incremental borrowing rate applied to lease liabilities recognised in the statement of financial position on 1 January 2019 is 5.50%.

The following table shows the operating lease commitments disclosed applying CIAS 17 at 31 December 2018, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application.

	US$	KHR'000
Operating lease commitments at 31 December 2018	2,331,673	9,368,662
Effect of discounting the above amounts	(377,542)	(1,516,964)
Lease liabilities recognised at 1 January 2019	1,954,130	7,851,694

The Bank has recognised US$1,954,130 each of right-of-use assets and lease liabilities upon transition to CIFRS 16.

3.2 New CIFRS effective during the year ended 31 December 2018

CIFRS 9 — Financial Instruments

The Bank has applied CIFRS 9, Financial Instruments (as revised in July 2014) and the related consequential amendments to other CIFRS Standards.

The Bank has elected to apply the modified retrospective restatement. Consequently, The Bank did not restate comparatives in respect of the classification and measurement of financial instruments and impairment of financial assets.

CIFRS 9 introduced new requirements for:

a) classification and measurement of financial assets and financial liabilities; and

b) impairment of financial assets.

(a) Classification and measurement of financial assets and financial liabilities

All organized financial assets that are within the scope of CIFRS 9 required

3. APPLICATIONS OF NEW AND REVISED CAMBODIAN INTERNATIONAL FINANCIAL REPORTING STANDARDS ("CIFRSs")

3.2 New CIFRS effective during the year ended 31 December 2018 (continued)

CIFRS 9 — Financial Instruments (continued)

Impact on Lessee Accounting (continued)

(a) Classification and measurement of financial assets and financial liabilities (continued)

All recognized financial assets that are within the scope of CIFRS 9 are required to be measured subsequently at amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortized cost;
- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);
- all other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL).

Despite the aforegoing, the Bank may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Bank may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination in other comprehensive income; and
- the Bank may irrevocably designate a debt investment that meets the amortized cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

This standard also contains requirements for the classification and measurement of financial liabilities and derecognition requirements. Specifically, CIFRS 9 requires that changes in the fair value of the financial liability attributable to changes in the credit risk of that liability be presented in other comprehensive income (OCI), unless the recognition of the effects of changes in the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss, but are instead transferred to retained earnings when the financial liability is derecognized.

The impact of CIFRS 9 in the classification and measurement of financial instruments has been disclosed under Note 28.

3. APPLICATIONS OF NEW AND REVISED CAMBODIAN INTERNATIONAL FINANCIAL REPORTING STANDARDS ("CIFRSs")

3.2 New CIFRS effective during the year ended 31 December 2018 (continued)

CIFRS 9 — Financial Instruments (continued)

Impact on Lessee Accounting (continued)

(b) Impairment of financial assets

The impairment model under this standard reflects expected credit losses (ECL), as opposed to incurred credit losses under CIAS 39. Under the impairment approach of this standard, it is no longer necessary for a credit event to have occurred before credit losses are recognized. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses should be updated at each reporting date to reflect changes in credit risk since initial recognition.

In particular, CIFRS 9 requires the Bank to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Bank is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. CIFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables,contract assets and lease receivables in certain circumstances. The amounts arising from ECL of financial instruments have been disclosed under Note 28.

3.3 New and revised CIFRSs in issue but not yet effective

At the date of authorisation of these financial statements, the Bank has not applied the following new and revised CIFRS Standards that have been issued but are not yet effective:

a. Amendments to CIAS 1 and CIAS 8 Definition of material

b. Amendments to References to the Conceptual Framework in CIFRS Standards

The management does not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Bank in future periods.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Financial assets and financial liabilities

Accounting policy before 1 January 2018

Financial assets and financial liabilities are recognised when the Bank becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transactions costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transactions costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that from an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, were appropriate, a shorter period, to the net carrying amount on initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash, and others) are measured at amortized cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.1 Financial assets and financial liabilities (Continued)

Accounting policy before 1 January 2018 (continued)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial re-organisation and observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Bank's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the resent value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognised.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.1 Financial assets and financial liabilities (Continued)

Accounting policy before 1 January 2018 (continued)

Derecognition of financial assets

The Bank derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Bank neither transfers nor retains substantially all the risk and rewards of ownership and continues to control the transferred asset, the Bank recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

Financial liabilities are initially measured at fair value, net of transaction costs. Financial liabilities (including trade and other payables) are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Bank derecognises financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Accounting policy from 1 January 2018

Recognition and initial measurement

The Bank initially recognises balances with the NBC, balances with other banks, loans to customers and deposits from customers on the date on which they are originated.

A financial asset or financial liability is measured initially at fair value plus transaction costs that are directly attributable to its acquisition or issue.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.1 Financial assets and financial liabilities (Continued)

Accounting policy before 1 January 2018 (continued)

Classification and subsequent measurement (continued)

Business model assessment:

Financial assets

A financial asset is measured at amortized cost if it meets both of the following conditions:

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

However, the Bank may irrevocably elect to present subsequent changes in fair value in profit or loss.

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed; and
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected).

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

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin. In assessing whether the contractual cash flows that are SPPI, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Financial liabilities

The Bank classifies its financial liabilities as measured at amortized cost.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.1 Financial assets and financial liabilities (Continued)

Modification and derecognition

Financial assets

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire. On derecognition of a financial asset, the difference between the carrying amount of the asset and the consideration received is recognised in profit or loss.

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

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

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

If the modification of a financial asset measured at amortized cost does not result in derecognition of the financial asset; then the Bank first recalculates the gross carrying amount of the financial asset using the original EIR of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortized over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest method.

Financial liabilities

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

The Bank derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.1 Financial assets and financial liabilities (Continued)

Modification and derecognition (Continued)

Financial assets (Continued)

Offsetting

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

Income and expenses are presented on a net basis only when permitted under CIFRS, or for gains and losses arising from a Bank of similar transactions.

Fair value measurement

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

When one is available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as "active" if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted price in an active market, then the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

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

Impairment

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets; and
- loan commitments: generally, as a provision.

For more details of impairment, refer to Note 28.1.3.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.1 Financial assets and financial liabilities (Continued)

Modification and derecognition (Continued)

Financial assets (Continued)

Write-off

Loans are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in the `Net impairment losses on financial instruments´ in profit or loss.

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

4.2 Cash and cash equivalents

Cash and cash equivalents consist notes on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments.

Cash and cash equivalents are carried at amortized cost in the statement of financial position.

4.3 Loans to customers

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

4.4 Property and equipment

Recognition and measurement

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

Where an item of property and equipment comprises major components having different useful lives, the components are accounted for as separate items of property and equipment.

Subsequent costs

Subsequent expenditure is capitalised only when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Bank. Ongoing repairs and maintenance are expensed as incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.4 Property and equipment (Continued)

Depreciation (Continued)

	Rate Per annum
Buildings	5%
Leasehold improvement	20%
Motor vehicles	20%
Computer equipment	20%
Equipment	20%
Furniture and fixtures	20%

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

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Fully depreciated items of property and equipment are retained in the statements of financial position until disposed of or written off.

4.5 Intangible assets

Intangible assets consist of software and licenses and are stated at cost less accumulated amortisation and accumulated impairment losses, if any.

Subsequent expenditure on software and licenses is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Software and licenses are amortized on a straight-line basis in profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life of software for the current and comparative periods is five years.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.6 Leases

Accounting policy before 1 January 2019

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 statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

Accounting policy from 1 January 2019

The Bank assesses whether a contract is or contains a lease, at inception of a contract.

The Bank recognizes a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for leases of low value assets. For these leases, the Bank recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using its incremental borrowing rate which is interest that the Bank would have to pay to borrow over a similar term and with a similar security the funds necessary to obtain an asset of a similar value to the right-of-use-asset in a similar economic environment

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

- fixed lease payments, less any lease incentives;
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Bank remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever

- the lease term has changed in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Leases (continued)

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and initial direct costs if any. They are. Subsequently measured at cost less accamulated depeciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

4.7 Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets (other than deferred tax assets) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

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

An impairment loss is recognised if the carrying amount of an asset (or its cash-generating) unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit and loss.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

4.8 Deposits from customers

Deposits from customers are the Bank's sources of debt funding.

Deposits from customers are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortized cost using the effective interest method.

4.9 Provisions

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Reserves

Regulatory provisions and regulatory reserves

On 1 December 2017, NBC issued a Prakas No. B7-017-344 on Credit Risk Gradingand Impairment Provisioning for ensuring appropriate recognition, measurement, provisioning and reporting of impaired facilities of the institutions.

Facilities under this Prakas is defined as all loans and other financial products, whether reported on statement of financial position or off-statement of financial position, provided by an Institution to a counterparty, which give rise to credit risk exposure on the Institution.

According to the Prakas, the Bank is required to calculate the allowance for impaired facilities in accordance with the regulatory provision simultaneously with the calculation in accordance with CIFRS. The provision calculated in accordance with CIFRS is to be recognised and recorded. Excess amount of provision calculated in accordance with regulatory provision compared to the provision calculated under CIFRS has to be transferred from retained earnings to regulatory reserve of shareholder´s equity.

On 16 February 2018, NBC issued Circular No. B7-018-001 clarifying on Implementation of Prakas on Credit Risk Grading and Impairment Provisioning. According to the Circular, the Bank is required to calculate the allowance for impaired facilities in accordance with regulatory provision of which facilities are classified into five classes with provision rates as follows:

Classifications	Number of days past due	Provision
General allowance		
Short-term facilities (one year or less):		
Normal	0-14 days	1%
Long-term facilities (more than one year):		
Normal	0-29 days	1%
Specific allowance		
Short-term facilities (one year or less):		
Special mention	15-30 days	3%
Sub-standard	31-60 days	20%
Doubtful	61-90 days	50%
Loss	91 days & above	100%
Long-term facilities (more than one year):		
Special mention	30-89 days	3%
Sub-standard	90-179 days	20%
Doubtful	180-359 days	50%
Loss	360 days & above	100%

For facility with repayment as quarterly, semi-annually or longer, such facility shall be classified as substandard if their repayments are past due from five working days.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.11 Interest

Effective interest rate (EIR)

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

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

When calculating the EIR for financial instruments, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not the expected credit losses (ECL).

The calculation of the EIR includes all fees paid or received between parties to the contract that are an integral part of the EIR, and transactions costs. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortized cost and gross carrying amount

The "amortized cost" of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

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

Calculation of interest income and expense

The EIR of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the EIR is applied to the gross carrying amount of the asset before adjusting for any expected credit loss allowance or to the amortized cost of the liability. The EIR is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

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

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

Presentation

Interest income calculated using the effective interest method presented in profit or loss includes interest on financial assets measured at amortized cost.

Interest expense presented in profit or loss includes financial liabilities measured at amortized cost.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.12 Fee and commission

Fee and commission income and expense include fees other than those that are an integral to the EIR on a financial asset or financial liability (Please refer to Note 4.1).

Fee and commission income, including referral fees, remittance fees, service charges and fees on deposit accounts, other fees and commissions on loans, and other fee income are recognised as the related services are performed.

Fee and commission expenses relate mainly to transaction and service fees, and are accounted as the services received.

4.13 Employee benefits

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

4.14 Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in OCI.

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

Current tax

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

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognised for unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

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

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

5.1 Critical judgments in applying the accounting policies

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements included the followings:

Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test (please see Note 4.6).

The Bank determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Bank monitors financial assets measured at amortized cost that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Bank´s continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Significant increase of credit risk

As explained in Note 28.1.3, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased the Bank takes into account qualitative and quantitative reasonable and supportable forward-looking information. Please refer to Note 38 for more details.

Establishing groups of assets with similar credit risk characteristics

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The Bank monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

5.1 Critical judgments in applying the accounting policies (continued)

Models and assumptions used

The Bank uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

Information about key assumptions and estimation uncertainties that have the most significant effect on the amounts recognised in financial statements includes the followings:

5.2 Key sources of estimation uncertainty

Information about key assumptions and estimation uncertainties that have the most significant effect on the amounts recognised in financial statements includes the followings:

Establishing the number and relative weightings of forward-looking scenarios for each type of product and determining the forward-looking information relevant to each scenario:

When measuring ECL the Bank uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Probability of default (PD):

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Loss Given Default (LGD):

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Taxes

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 potential 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 significant

6. CASH ON HAND

	31 December 2019		31 December 2018		31 December 2017	
	US$	KHR'000	US$	KHR'000	US$	KHR'000
Cash on hand	2,769,561	11,285,961	2,506,613	10,071,571	97,295	392,780
Cash in ATM	74,810	304,851	1,660	6,670	-	-
	2,844,371	11,590,812	2,508,273	10,078,241	97,295	392,780

7. BALANCES WITH THE NBC

	31 December 2019		31 December 2018		31 December 2017	
	US$	KHR'000	US$	KHR'000	US$	KHR'000
Statutory deposits						
Reserve requirement	3,000,880	12,228,586	236,657	950,888	-	-
Capital guarantee deposit	7,520,417	30,645,699	7,523,441	30,229,186	7,507,970	30,309,675
	10,521,297	42,874,285	7,760,098	31,180,074	7,507,970	30,309,675
Current accounts	8,523,729	34,734,196	6,434,336	25,853,162	32,593,504	131,579,976
Negotiable Certificate of Deposit (NCD)	-	-	100,000	401,800	-	-
	19,045,026	77,608,481	14,294,434	57,435,036	40,101,474	161,889,651

8. BALANCES WITH OTHER BANKS

Balances with other banks are measured at amortized cost because these instruments meet the SPPI criterion and are held to collect the contractual cash flows.

	31 December 2019		31 December 2018		31 December 2017	
	US$	KHR'000	US$	KHR'000	US$	KHR'000
Balance with other banks at amortized cost	621,386	2,532,148	15,723,458	63,176,854	125,234	505,570
Impairment loss allowance	(12,801)	(52,164)	(321,231)	(1,290,706)	-	-
	608,585	2,479,984	15,402,227	61,886,148	125,234	505,570

8. BALANCES WITH OTHER BANKS (CONTINUED)

The above amounts are analysed as follows:

As at 31 December 2019

	Gross carrying amount	Impairment loss allowance	Carrying amount	
	US$	KHR'000	US$	KHR'000
Current accounts	621,275	(12,799)	608,477	2,479,543
Savings accounts	111	(2)	109	441
	621,386	(12,801)	608,585	2,479,984

As at 31 December 2018

	Gross carrying amount	Impairment loss allowance	Carrying amount	
	US$	US$	US$	KHR'000
Current accounts	94,873	(1,954)	92,919	373,347
Savings accounts	615	(13)	602	2,420
Term deposits	15,627,970	(319,264)	15,308,706	61,510,381
	15,723,458	(321,231)	15,402,227	61,886,148

As at 31 December 2017

	Gross carrying amount	Impairment loss allowance	Carrying amount	
	US$	US$	US$	KHR'000
Current accounts	125,234	-	125,234	505,570

9. LOANS TO CUSTOMERS

	31 December 2019		31 December 2018		31 December 2017	
	US$	KHR'000	US$	KHR'000	US$	KHR'000
Loans to customers at amortized cost	77,745,930	316,814,665	44,011,704	176,839,026	33,948,838	137,051,459
Impairment loss allowance	(890)	(3,627)	(510)	(2,049)	(340,755)	(1,375,628)
	77,745,040	316,811,038	44,011,194	176,836,977	33,608,083	135,675,831

The above amounts are analysed as follows:

As at 31 December 2019

	Gross carrying amount	Impairment loss allowance	Carrying amount	
	US$	US$	US$	KHR'000
Individual	76,867,540	(890)	76,866,650	313,231,599
Corporate	878,390	-	878,390	3,579,439
	77,745,930	(890)	77,745,040	316,811,038

As at 31 December 2018

	Gross carrying amount	Impairment loss allowance	Carrying amount	
	US$	US$	US$	KHR'000
Individual	44,011,704	(510)	44,011,194	176,836,977
Corporate	-	-	-	-
	44,011,704	(510)	44,011,194	176,836,977

As at 31 December 2017

	Gross carrying amount	Impairment loss allowance	Carrying amount	
	US$	US$	US$	KHR'000
Individual	31,321,833	(315,977)	31,005,856	125,170,641
Corporate	2,627,005	(24,778)	2,602,227	10,505,190
	33,948,838	(340,755)	33,608,083	135,675,831

9. LOANS TO CUSTOMERS (CONTINUED)

Movements in impairment loss allowance on loans and advances are as follows:

	2019		2018	
	US$	KHR ´000	US$	KHR ´000
Stage 1 Allowance				
At 1 January	510	2,049	340,755	1,375,628
Effect on remeasurement of CIFRS 9	-	-	(280,763)	(1,128,104)
At 1 January after effect on remeasurement on CIFRS 9	510	2,049	59,992	247,524
Impairment loss allowance during the year	380	1,540	(59,482)	(240,606)
Currency translation differences	-	38	-	(4,869)
At 31 December	890	3,627	510	2,049

10. OTHER ASSETS

Movements in impairment loss allowance on loans and advances are as follows:

	31 December 2019		31 December 2018		31 December 2017	
	US$	KHR´000	US$	KHR´000	US$	KHR´000
Office supplies	71,659	292,010	72,418	290,976	-	-
Deposits and advances	154,753	630,618	527,538	2,119,648	24,127	97,401
Other receivables	19,961	81,341	1,232	4,950	-	-
Prepayments	170,157	693,391	89,915	361,278	36,435	147,088
Others	-	-	4,430	17,800	74,465	300,615
	416,530	1,697,360	695,533	2,794,652	135,027	545,104

11. PROPERTY AND EQUIPMENT

	Building	Leasehold improvement	Motor Vehicles	Computer equipment	Equipment	Furniture and fixtures	Work in progress	Total	
	US$	US$	US$	US$	US$	US$	US$	US$	KHR'000
Cost									
At 1 January 2019	-	1,043,116	254,011	461,921	20,289	1,071	330,000	2,110,408	8,479,619
Additions	-	490,054	118,180	144,848	342,223	47,180	550,000	1,692,485	6,857,950
Disposals	-	(270,130)	(55,766)	-	-	-	-	(325,896)	(1,320,531)
Transfers	880,000		-	-	-	-	(880,000)	-	-
Currency translation differences	-	-	-	-	-	-	-	-	151,725
At 31 December 2019	880,000	1,263,040	316,425	606,769	362,512	48,251	-	3,476,997	14,168,763
Less: **Accumulated depreciation**									
At 1 January 2019	-	429,224	122,889	203,969	13,251	70	-	769,403	3,091,461
Depreciation	25,781	241,288	57,567	103,491	35,573	5,407	-	469,107	1,900,825
Disposals	-	(229,031)	(47,599)	-	-	-	-	(276,630)	(1,120,907)
Currency translation differences	-	-	-	-	-	-	-	-	48,280
At 31 December 2019	25,781	441,481	132,857	307,460	48,824	5,477	-	961,880	3,919,661
Carrying amount									
At 31 December 2019	854,219	821,559	183,568	299,308	313,688	42,774	-	2,515,117	10,249,102

11. PROPERTY AND EQUIPMENT (CONTINUED)

	Building	Leasehold improve-ment	Motor Vehicles	Computer equipment	Equipment	Furniture and fixtures	Work in progress	Total	
	US$	US$	US$	US$	US$	US$	US$	US$	KHR'000
Cost									
At 1 January 2018	-	1,022,968	243,841	409,669	18,575	-	-	1,695,053	6,842,929
Additions	-	20,148	10,170	52,252	2,785	-	330,000	415,355	1,680,111
Disposals	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	(1,071)	1,071	-	-	-
Currency translation differences	-	-	-	-	-	-	-	-	(43,421)
At 31 December 2018	-	1,043,116	254,011	461,921	20,289	1,071	330,000	2,110,408	8,479,619
Less: **Accumulated depreciation**	-								
At 1 January 2018	-	224,066	73,681	114,542	9,635	-	-	421,924	1,703,307
Depreciation	-	205,158	49,208	89,427	3,686	-	-	347,479	1,405,553
Disposals	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	(70)	70	-	-	-
Currency translation differences	-	-	-	-	-	-	-	-	(17,398)
At 31 December 2018	-	429,224	122,889	203,969	13,251	70	-	769,403	3,091,461
Carrying amount									
At 31 December 2018	-	613,892	131,122	257,952	7,038	1,001	330,000	1,341,005	5,388,158

11. PROPERTY AND EQUIPMENT (CONTINUED)

	Building	Leasehold improve-ment	Motor Vehicles	Computer equipment	Equipment	Furniture and fixtures	Work in progress	Total	
	US$	US$	US$	US$	US$	US$	US$	US$	KHR'000
Cost									
At 1 January 2017	-	394,090	105,841	172,791	35,480	-	303,600	1,011,802	4,084,645
Additions	-	2,339	138,000	236,878	4,900	-	450,176	832,293	3,366,625
Disposals	-	(127,237)	-	-	(21,805)	-	-	(149,042)	(602,875)
Transfers	-	753,776	-	-	-	-	(753,776)	-	-
Currency translation differences	-	-	-	-	-	-	-	-	(5,466)
At 31 December 2017	-	1,022,968	243,841	409,669	18,575	-	-	1,695,053	6,842,929
Less: **Accumulated depreciation**									
At 1 January 2017	-	160,080	31,903	58,609	19,630	-	-	270,222	1,090,886
Depreciation	-	147,959	41,778	55,933	4,456	-	-	250,126	1,011,760
Disposals	-	(83,973)	-	-	(14,451)	-	-	(98,424)	(398,125)
Currency translation differences	-	-	-	-	-	-	-	-	(1,214)
At 31 December 2017	-	224,066	73,681	114,542	9,635	-	-	421,924	1,703,307
Carrying amount									
At 31 December 2017	-	798,902	170,160	295,127	8,940	-	-	1,273,129	5,139,622

12. RIGHT-OF-USE-ASSETS

	Total	
	US$	KHR'000
Cost		
At 1 January 2019	1,954,131	7,851,698
Additions	-	-
Currency translation differences	-	111,385
At 31 December 2019	1,954,131	7,963,084
Less: **Accumulated amortisation**		
At 1 January 2019	-	-
Amortisation	350,351	1,419,622
Currency translation differences	-	8,058
At 31 December 2019	350,351	1,427,680
Carrying amount		
At 31 December 2019	1,603,780	6,535,404

13. INTANGIBLE ASSETS

31 December 2019

	Software and licenses	Work in progress	Total	
	US$	US$	US$	KHR'000
Cost				
At 1 January 2019	151,858	266,645	418,502	1,681,541
Additions	12,500	267,162	279,662	1,133,190
Currency translation differences	-	-	-	30,285
At 31 December 2019	164,358	533,807	698,164	2,845,016
Less: **Accumulated amortisation**				
At 1 January 2019	53,577	-	53,576	215,268
Amortisation	29,845	-	29,846	120,932
Currency translation differences	-	-	-	3,739
At 31 December 2019	83,421	-	83,421	339,939
Carrying amount				
At 31 December 2019	80,937	533,807	614,743	2,505,077

31 December 2018

	Software and licenses	Work in progress	Total	
	US$	US$	US$	KHR'000
Cost				
At 1 January 2018	151,858	266,645	418,502	1,689,493
Currency translation differences	-	-	-	(7,952)
At 31 December 2018	151,858	266,645	418,502	1,681,541
Less: **Accumulated amortisation**				
At 1 January 2018	23,443	-	23,443	94,827
Amortisation	30,134	-	30,133	121,888
Currency translation differences	-	-	-	(1,447)
At 31 December 2018	53,577	-	53,576	215,268
Carrying amount				
At 31 December 2018	98,281	266,645	364,926	1,466,273

13. INTANGIBLE ASSETS

31 December 2017

	Software and licenses	Work in progress	Total	
	US$	US$	US$	KHR'000
Cost				
At 1 January 2017	20,386	159,987	180,373	728,166
Additions	131,472	106,658	238,129	963,232
Currency translation differences				(1,905)
At 31 December 2017	151,858	266,645	418,502	1,689,493
Less: **Accumulated amortisation**				
At 1 January 2017	10,074	-	10,074	40,669
Amortisation	13,369	-	13,369	54,078
Disposal	-	-	-	-
Currency translation differences	-	-	-	81
At 31 December 2017	23,443	-	23,443	94,827
Carrying amount				
At 31 December 2017	128,415	266,645	395,059	1,594,853

14. INCOME TAX

(a).Current income tax liabilities

	31 December 2019		31 December 2018		31 December 2017	
	US$	KHR'000	US$	KHR'000	US$	KHR'000
Balance at beginning of year	206,491	841,451	189,598	761,805	322,833	1,303,277
Current income tax expense	364,824	1,478,267	240,517	972,893	217,486	879,731
Income tax paid	(263,986)	(1,075,741)	(223,624)	(898,521)	(350,721)	(1,415,861)
Currency translation differences	-	8,389	-	(6,496)	-	(1,739)
Balance at end of year	307,329	1,252,366	206,491	829,681	189,598	765,408

14. INCOME TAX (CONTINUED)

(b).Income tax expense

	Year ended 31 December 2019		Year ended 31 December 2018		Year ended 31 December 2017	
	US$	KHR'000	US$	KHR'000	US$	KHR'000
Current income tax	364,824	1,478,267	240,517	972,893	217,486	879,731
Deferred income tax	(8,514)	(34,499)	(58,882)	(238,179)	12,545	50,744
Income tax expense	356,310	1,443,768	181,635	734,714	230,031	930,475

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

	Year ended 31 December 2019		Year ended 31 December 2018		Year ended 31 December 2017	
	US$	KHR'000	US$	KHR'000	US$	KHR'000
Profit before income tax	1,562,665	6,331,919	364,359	1,473,832	974,009	3,939,867
Tax at 20%	312,533	1,266,384	72,872	294,766	194,802	787,973
Effect of:						
Expenses not deductible for tax purpose	43,777	177,384	108,763	439,948	35,229	142,502
	356,310	1,443,768	181,635	734,714	230,031	930,475

In accordance with Cambodian law on taxation, the Bank has an obligation to pay corporate income tax of either the profit tax at the rate of 20% of taxable profits or the minimum tax at 1% of gross revenue, whichever is higher.

14. INCOME TAX (CONTINUED)

(c) .Deferred tax assets/(liabilities)

The movements of deferred tax assets during the years were as follows:

	Impairment Loss Allowance	Property and Equipment	Right-of-use assets	Lease liabilities	Provision of restoration	Unrealised exchange gain	Unamortized processing fee	Total
	US$	US$	US$	US$	US$	US$	US$	US$
As at 1 January 2017	62,211	4,505	-	-	4,100	-	48,774	119,590
Charge/(Credit) to the income statement	5,940	(19,456)	-	-	(4,100)	(1,312)	6,383	(12,545)
As at 31 December 2017	68,151	(14,951)	-	-	-	(1,312)	55,157	107,045
In KHR'000 equivalents	275,126	(60,357)	-	-	-	(5,297)	222,669	432,141
As at 1 January 2018	68,151	(14,951)	-	-	-	(1,312)	55,157	107,045
Charge/(Credit) to the income statement	(3,803)	29,544	-	-	-	(2,069)	35,210	58,882
As at 31 December 2018	64,348	14,593	-	-	-	(3,381)	90,367	165,927
In KHR'000 equivalents	258,551	58,635	-	-	-	(13,585)	363,094	666,695
As at 1 January 2019	64,348	14,593	-	-	-	(3,381)	90,367	165,927
Charge/(Credit) to the income statement	(61,610)	(16,116)	(320,756)	328,958	-	17,087	60,951	8,514
As at 31 December 2019	2,738	(1,523)	(320,756)	328,958	-	13,706	151,318	174,441
In KHR'000 equivalents	11,158	(6,208)	(1,307,081)	1,340,502	-	55,853	616,622	710,847

15. DEPOSITS FROM CUSTOMERS

	31 December 2019		31 December 2018		31 December 2017	
	US$	KHR'000	US$	KHR'000	US$	KHR'000
At amortized cost:						
Current deposits	259,888	1,059,042	-	-	-	-
Savings deposits	2,241,413	9,133,760	1,671,433	6,715,818	-	-
Installment deposits	58,805	239,630	5,874	23,602	-	-
Term deposits	23,659,989	96,414,455	758,400	3,047,251	-	-
	26,220,095	106,846,887	2,435,707	9,786,671	-	-

16. LEASE LIABILITIES

Maturity analysis:

	31 December 2019	
	US$	KHR'000
No later than 1 year	406,668	1,657,172
Later than 1 year and no later than 5 years	1,088,337	4,434,973
Later than 5 years	430,000	1,752,250
	1,925,005	7,844,395
Less: unearned interest	(280,217)	(1,141,884)
	1,644,788	6,702,511

Analysed as:

	31 December 2019	
	US$	KHR'000
Current	326,357	1,329,905
Non-current	1,318,431	5,372,606
	1,644,788	6,702,511

17. OTHER LIABILITIES

	31 December 2019		31 December 2018		31 December 2017	
	US$	KHR'000	US$	KHR'000	US$	KHR'000
Other tax payables	46,930	191,240	28,465	114,372	15,945	64,370
Professional fees	-	-	-	-	19,892	80,304
Others	112,736	459,400	83,456	335,327	48,417	195,460
	159,666	650,640	111,921	449,699	84,254	340,134

18. 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.

18. SHARE CAPITAL (CONTINUED)

	31 December 2019			31 December 2018			31 December 2017		
	Number of shares	%	US$	Number of shares	%	US$	Number of shares	%	Number of shares
Chief Financial Group (Cambodia) Limited	75,000,000	100	75,000,000	75,000,000	100	75,000,000	38,800,000	100	38,800,000

In 2017, the Bank transferred a non-cash transaction amounting to US$7,800,000 from advance for additional capital to share capital upon the change of Memorandum and Article of Association.

19. NOTES TO CASH FLOW STATEMENT

(a) Cash and cash equivalents

	31 December 2019		31 December 2018		31 December 2017	
	US$	KHR'000	US$	KHR'000	US$	KHR'000
Cash on hand	2,844,371	11,590,812	2,508,273	10,078,241	97,295	392,780
Balances with the NBC	11,545,026	47,045,981	6,794,434	27,300,036	32,593,504	131,579,975
Balances with other banks	608,585	2,479,984	15,402,227	61,886,148	125,234	505,570
	14,997,982	61,116,777	24,704,934	99,264,425	32,816,033	132,478,325

Cash and cash equivalents comprise cash on hand and balances with the NBC and other banks with an original maturity of three months or less. The carrying amount of these assets is approximately equal to their fair value. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items shown above.

(b) Changes in liabilities arising from financing activities

The table below details changes in the Bank's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Bank's cash flow statement as cash flows from financing activities.

	1 January 2019	Repayments	Non-cash changes New leases	Currency translation differences	31 December 2019
Lease liabilities in USD		(309,343)	1,954,131	-	1,644,788
In KHR'000 equivalents	-	(1,253,458)	7,918,139	37,830	6,702,511

20. NET INTEREST INCOME

	Year ended 31 December 2019		Year ended 31 December 2018		Year ended 31 December 2017	
	US$	KHR'000	US$	KHR'000	US$	KHR'000
Interest income						
Balances with the NBC	48,362	195,963	40,635	164,369	14,127	57,144
Balances with other banks	122,386	495,908	200,870	812,519		-
Loans to customers	5,717,687	23,168,068	3,200,430	12,945,739	3,033,626	12,271,017
	5,888,435	23,859,939	3,441,935	13,922,627	3,047,753	12,328,161
Interest expense						
Deposits from customers	433,774	1,757,652	7,793	31,523	-	-
Lease liabilities	97,325	394,361	-	-	-	-
	531,099	2,152,013	7,793	31,523	-	-
Net interest income	5,357,336	21,707,926	3,434,142	13,891,104	3,047,753	12,328,161

The amounts reported above are interest income and interest expense calculated using the effective interest method that related to financial assets and financial liabilities measured at amortized cost.

21. NET FEE AND COMMISSION INCOME

	Year ended 31 December 2019		Year ended 31 December 2018		Year ended 31 December 2017	
	US$	KHR'000	US$	KHR'000	US$	KHR'000
Fee and commission income						
Service charges and fees	785	3,181	3,972	16,067	3,824	15,468
Fee and commission expense						
Bank charges	1,915	7,760	3,066	12,402	-	-
Net fee and commission income	(1,130)	(4,579)	906	3,665	3,824	15,468

22. OTHER INCOME/(LOSS)

	Year ended 31 December 2019		Year ended 31 December 2018		Year ended 31 December 2017	
	US$	KHR'000	US$	KHR'000	US$	KHR'000
Gain on disposal of property and equipment	5,935	24,049	-	-	-	-
Foreign exchange gains	(99,123)	(401,646)	16,543	66,916	-	-
Other income	2,850	11,547	5,491	22,212	-	-
Fee and commission expense						
	(90,338)	(366,050)	22,034	89,128	-	-

23. NET IMPAIRMENT GAINS/(LOSSES) ON FINANCIAL INSTRUMENTS

	Year ended 31 December 2019		Year ended 31 December 2018		Year ended 31 December 2017	
	US$	KHR'000	US$	KHR'000	US$	KHR'000
Balances with other banks	308,430	1,249,758	(318,651)	(1,288,943)	-	-
Loans to customers	(380)	(1,539)	59,676	241,389	(29,701)	(120,141)
	308,050	1,248,219	(258,975)	(1,047,554)	(29,701)	(120,141)

24. PERSONNEL EXPENSES

	Year ended 31 December 2019		Year ended 31 December 2018		Year ended 31 December 2017	
	US$	KHR'000	US$	KHR'000	US$	KHR'000
Salaries and bonuses	1,724,881	6,989,218	1,038,942	4,202,520	723,050	2,924,737
Seniority payments	48,119	194,978	113,400	458,703	-	-
Other personnel expenses	78,429	317,794	66,635	269,539	64,605	261,327
	1,851,429	7,501,990	1,218,977	4,930,762	787,655	3,186,064

25. DEPRECIATION AND AMORTISATION

	Year ended 31 December 2019		Year ended 31 December 2018		Year ended 31 December 2017	
	US$	KHR'000	US$	KHR'000	US$	KHR'000
Property and equipment	469,107	1,900,825	347,479	1,405,553	250,126	1,011,760
Right-of-use assets	350,351	1,419,622	-	-	-	-
Intangible assets	29,846	120,932	30,133	121,888	13,369	54,078
	849,304	3,441,380	377,612	1,527,440	263,495	1,065,837

26. OTHER EXPENSES

	Year ended 31 December 2019		Year ended 31 December 2018		Year ended 31 December 2017	
	US$	KHR'000	US$	KHR'000	US$	KHR'000
License fee, patent and other taxes	301,948	1,223,493	205,933	832,999	102,762	415,673
Professional services	289,882	1,174,602	340,871	1,378,823	212,562	859,814
Marketing and advertising	147,418	597,338	64,255	259,911	30,304	122,580
Utilities	139,382	564,776	58,818	237,919	102,764	415,682
Communication	83,889	339,918	25,253	102,148	23,195	93,823
Leases and rental	70,296	284,839	281,501	1,138,672	284,349	1,150,191
Office supplies and non-capitalised purchases	65,077	263,692	12,750	51,574	15,552	62,907
Repairs and maintenance	15,341	62,162	4,043	16,354	3,528	14,269
Security	7,137	28,919	1,815	7,342	-	-
Others	190,150	770,488	241,920	978,566	221,773	897,073
	1,310,520	5,310,227	1,237,159	5,004,308	996,789	4,032,012

27. RELATED PARTIES

The Bank is a wholly owned subsidiary of Chief Financial Group (Cambodia) Limited, parent Bank, 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 2019		31 December 2018		31 December 2017	
	US$	KHR'000	US$	KHR'000	US$	KHR'000
Key management compensations	116,401	474,334	138,481	556,417	104,318	421,132

27. RELATED PARTIES (CONTINUED)

b). Loans to related parties

	Year ended 31 December 2019		Year ended 31 December 2018		Year ended 31 December 2017	
	US$	KHR'000	US$	KHR'000	US$	KHR'000
Key management	473,857	1,930,967	513,727	2,064,155	195,178	787,934
Fellow subsidiary	-	-	-	-	672,838	2,716,247
Related company	500,000	2,037,500	-	-	1,805,000	7,286,785
	973,857	3,968,467	513,727	2,064,155	2,673,016	10,790,966
Interest receivables from						
Key management	620	2,527	1,223	4,914	709	2,862
Fellow subsidiary	-	-	-	-	1,826	7,372
Related company	2,333	9,507	-	-	4,813	19,430
	2,953	12,034	1,223	4,914	7,348	29,664

c) Balances payables with related parties

	31 December 2019		31 December 2018		31 December 2017	
	US$	KHR'000	US$	KHR'000	US$	KHR'000
Amount payable to parent company	23,484	95,697	-	-	-	-

d) Transactions with related parties

	31 December 2019		31 December 2018		31 December 2017	
	US$	KHR'000	US$	KHR'000	US$	KHR'000
Expense reimbursements from parent company	56,219	227,799	324,307	1,311,822	545,893	2,208,137
Lease payments to related company and director	210,000	850,920	120,000	485,400	120,000	485,400
Licence fee to parent company	72,000	291,744	72,000	291,240	72,000	291,240
Management fees to Chief Securities Ltd.	180,000	729,360	66,000	266,970	66,000	266,970
Interest income from loan to key management	34,279	138,899	14,697	59,449	12,294	49,729
Interest income from loan to fellow subsidiary	-	-	50,562	204,523	56,989	230,521
Interest income from loan to related company	27,111	109,854	143,700	581,267	153,899	622,521
	579,609	2,348,576	791,266	3,200,671	1,027,075	4,154,518

28. 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.

Categories of financial instruments

The Bank holds the following financial assets and liabilities at the end of the reporting periods:

	31 December 2019		31 December 2018		31 December 2017	
	US$	KHR'000	US$	KHR'000	US$	KHR'000
Financial assets						
Cash on hand	2,844,371	11,590,812	2,508,273	10,078,241	97,295	392,780
Balances with the NBC	19,045,026	77,608,481	14,294,434	57,435,036	40,101,474	161,889,651
Balances with other banks	608,585	2,479,984	15,402,227	61,886,148	125,234	505,570
Loans to customers	77,745,040	316,811,038	44,011,194	176,836,977	33,608,083	135,675,831
Other assets	174,714	711,959	528,770	2,124,598	24,127	97,401
Total financial assets	100,417,736	409,202,274	76,744,898	308,361,000	73,956,213	298,561,232
Financial liabilities						
Deposits from customers	26,220,095	106,846,887	2,435,707	9,786,671	-	-
Lease liabilities	1,644,788	6,702,511	-	-	-	-
Other liabilities	112,736	459,400	83,456	335,327	68,309	195,459
Total financial liabilities	27,977,619	114,008,798	2,519,163	10,121,998	68,309	195,459

Classification of financial assets and financial liabilities on the date of initial application of CIFRS 9

The following table shows the original measurement categories in accordance with CIAS 39 and the new measurement categories under CIFRS 9
for the Bank's financial assets and financial liabilities as at 1 January 2018.

	Original Classification under CIAS 39	New Classification under IFRS 9	Original Carrying Amount under CIAS 39	IFRS 9 remeasurement including EC	Note	New Carrying Amount under IFRS 9
Financial assets						
Cash on hand	Loans and receivables	Amortized Cost	97,295	-		97,295
Balances with the NBC	Loans and receivables	Amortized Cost	40,101,474	-		40,101,474
Balances with other banks	Loans and receivables	Amortized Cost	125,234	(2,580)	(a)	122,654
Loans to customers	Loans and receivables	Amortized Cost	33,608,083	280,762		33,888,845
Other Assets	Loans and receivables	Amortized Cost	24,127	-	(a)	24,127
Total financial assets			73,956,213	278,182		74,234,395
In KHR'000 equivalents			298,561,232	1,123,019		299,684,251

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

Classification of financial assets and financial liabilities on the date of initial application of CIFRS 9 (continued)

	Original Classification under CIAS 39	New Classification under IFRS 9	Original Carrying Amount under CIAS 39	IFRS 9 remeasurement including EC	New Carrying Amount under IFRS 9
Financial liabilities					
Other liabilities	Amortized cost	Amortized cost	68,309	-	68,309
Total financial liabilities			68,309	-	68,309
In KHR'000 equivalents			275,763	-	275,763

	Original Carrying Amount under CIAS 39	IFRS 9 remeasurement including EC	Note	New Carrying Amount under IFRS 9
Equity*				
Share capital	38,800,000	-		38,800,000
Advance for additional capital	36,200,000	-		36,200,000
Retained earnings	568,494	278,182	(a)	846,676
Total equity	75,568,494	278,182		75,846,676
In KHR'000 equivalents	305,070,010	1,123,020		306,193,030

* Not financial instruments

Notes to the reconciliation:

(a) The application of the CIFRS 9 impairment requirements has resulted in a loss allowance to be recognized for balances with other banks and a reduction in the loss allowance for loans to customers.

(b) The application of the CIFRS 9 impairment requirements has resulted in a net credit to retained earnings.

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

28.1 Credit risk

Credit risk refers to risk of financial loss to the Bank if a counterparty to a financial instrument fail to meet its obligations in accordance with the agreed terms and arises from deposits with other banks and loans to customers (including commitment to lend such loans). The Bank considers all elements of credit risk exposure such as counterparty default risk, geographical risk and sector risk, product risk and business type risk for risk management purposes.

28.1.1 Credit risk management

The Bank´s credit committee is responsible for managing the Bank´s credit risk by:

- Ensuring that the Bank has appropriate credit risk practices, including an effective system of internal control, to consistently determine adequate allowances in accordance with the Bank´s stated policies and procedures, CIFRSs and relevant supervisory guidance.
- Identifying, assessing and measuring credit risk across the Bank, from an individual instrument to a portfolio level.
- Creating credit policies to protect the Bank against the identified risks including the requirements to obtain collateral from borrowers, to perform robust ongoing credit assessment of borrowers and to continually monitor exposures against internal risk limits.
- Limiting concentrations of exposure by type of asset, counterparties, industry, credit rating, geographic location etc.
- Establishing a robust control framework regarding the authorisation structure for the approval and renewal of credit facilities.
- Developing and maintaining the Bank´s risk grading to categorise exposures according to the degree of risk of default. Risk grades are subject to regular reviews.
- Developing and maintaining the Bank´s processes for measuring ECL including monitoring of credit risk, incorporation of forward-looking information and the method used to measure ECL.
- Ensuring that the Bank has policies and procedures in place to appropriately maintain and validate models used to assess and measure ECL.
- Establishing a sound credit risk accounting assessment and measurement process that provides it with a strong basis for common systems, tools and data to assess credit risk and to account for ECL. Providing advice, guidance and specialist skills to business units to promote best practice throughout the Bank in the management of credit risk.
- The internal audit function performs regular audits making sure that the established controls and procedures are adequately designed and implemented.

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

28.1 Credit risk

28.1.2 Credit quality analysis

The following table sets out information about the credit quality of financial assets measured at amortized cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

31 December 2019

	Stage 1	Stage 2	Stage 3	Total	
	US$	US$	US$	US$	KHR'000
Balances with other banks:					
Normal	621,386	-		621,386	2,532,148
Loss allowance	(12,801)	-		(12,801)	(52,164)
Carrying amount	608,585	-	-	608,585	2,479,984
Loans to customers:					
Normal	77,745,930			77,745,930	316,814,665
Loss allowance	(890)			(890)	(3,627)
Carrying amount	77,745,040	-	-	77,745,040	316,811,038

31 December 2018

	Stage 1	Stage 2	Stage 3	Total	
	US$	US$	US$	US$	KHR'000
Balances with other banks:					
Normal	15,723,458	-	-	15,723,458	63,176,854
Loss allowance	(321,231)	-	-	(321,231)	(1,290,706)
Carrying amount	15,402,227	-	-	15,402,227	61,886,148
Loans to customers:					
Normal	44,011,704	-	-	44,011,704	176,839,026
Special mention	-	-	-	-	-
Substandard	-	-	-	-	-
Doubtful	-	-	-	-	-
Loss	-	-	-	-	-
	44,011,704	-	-	44,011,704	176,839,026
Loss allowance	(510)	-	-	(510)	(2,049)
Carrying amount	44,011,194	-	-	44,011,194	176,836,977

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

28.1 Credit risk

28.1.2 Credit quality analysis (continued)

The below table sets out information about the overdue status of loans to customers in Stage 1, 2 and 3.

31 December 2019

	Stage 1	Stage 2	Stage 3	Total	
	US$	US$	US$	US$	KHR'000
Loans to customers:					
Current	77,745,930	-	-	77,745,930	316,814,665

31 December 2018

	Stage 1	Stage 2	Stage 3	Total	
	US$	US$	US$	US$	KHR'000
Loans to customers:					
Current	44,011,704	-	-	44,011,704	176,839,026

The tables below analyse the movement of the loss allowance during the year for loans to customers carried at amortized cost:

31 December 2019

	Stage 1	Stage 2	Stage 3		
	12-month	Lifetime	Lifetime		
	ECL	ECL	ECL	Total	
	US$	US$	US$	US$	KHR'000
Expected credit loss as at 1 January 2019	510	-	-	510	2,078
Change in the expected credit loss					
- Transfer to stage 1	-	-	-	-	-
- Transfer to stage 2	-	-	-	-	-
- Transfer to stage 3	-	-	-	-	-
New financial assets originated	600	-	-	600	2,445
Net remeasurement of loss allowance and other movements	(220)	-	-	(220)	(897)
Expected credit loss as at 31 December 2019	890	-	-	890	3,626

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

28.1 Credit risk

28.1.2 Credit quality analysis (continued)

31 December 2018

	Stage 1	Stage 2	Stage 3		
	12-month	Lifetime	Lifetime		
	ECL	ECL	ECL	Total	
	US$	US$	US$	US$	KHR'000
Expected credit loss as at January 1, 2018	59,995	-	-	59,995	241,060
Change in the expected credit loss					
- Transfer to stage 1	-	-	-	-	-
- Transfer to stage 2	-	-	-	-	-
- Transfer to stage 3	-	-	-	-	-
New financial assets originated	360	-	-	360	1,446
Net remeasurement of loss allowance and other movements	(59,845)	-	-	(59,845)	(240,457)
Expected credit loss as at December 31, 2018	510	-	-	510	2,049

The tables below analyse the movement of the gross carrying amount of loans to customers carried at amortized cost during the year that contributed to changes in the loss allowance.

31 December 2019

	Stage 1	Stage 2	Stage 3		
	12-month	Lifetime	Lifetime		
	ECL	ECL	ECL	Total	
	US$	US$	US$	US$	KHR'000
Gross carrying amounts as at January 1, 2019	44,011,704	-	-	44,011,704	179,347,694
Change in gross carrying amount					
- Transfer to stage 1					
- Transfer to stage 2	-	-	-	-	-
- Transfer to stage 3	-	-	-	-	-
New financial assets originated	45,188,120	-	-	45,188,120	184,141,589
Net movements	(11,453,894)	-	-	(11,453,894)	(46,674,618)
Gross carrying amount as at December 31, 2019	77,745,930	-	-	77,745,930	316,814,665

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

28.1 Credit risk

28.1.2 Credit quality analysis (continued)

	31 December 2018				
	Stage 1	Stage 2	Stage 3		
	12-month	Lifetime	Lifetime		
	ECL	ECL	ECL	Total	
	US$	US$	US$	US$	KHR'000
Gross carrying amounts as at January 1, 2018	33,948,838	-	-	33,948,838	136,406,431
Change in gross carrying amount					
- Transfer to stage 1					
- Transfer to stage 2	-	-	-	-	-
- Transfer to stage 3	-	-	-	-	-
New financial assets originated	22,891,451	-	-	22,891,451	91,977,850
Net movements	(12,828,585)	-	-	(12,828,585)	(51,545,255)
Gross carrying amount as at December 31, 2018	44,011,704	-	-	44,011,704	176,839,026

28.1.3 Amounts arising from ECL

(a) Inputs, assumptions and techniques used for estimating impairment

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

- balances with other banks; and
- financial assets that are debt instruments

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

- balances with the NBC that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Bank does not apply the low credit risk exemption to any other financial instruments.

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

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

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

28.1 Credit risk

28.1.3 Amounts arising from ECL (continued)

Credit-impaired financial assets

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

Evidence that a financial asset is credit-impaired includes the following observable data:
- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan by the Bank on terms that the Bank would not consider otherwise; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

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

Credit-impaired loans to customers are graded as substandard, doubtful and loss in the Bank´s internal credit risk grading system.

Credit risk grades

The Bank allocates each exposure to a credit risk grade based on the prudential definition of NBC which applies the number of days past due as the grading criteria. The grades are:
1. Normal
2. Special mention
3. Substandard
4. Doubtful
5. Loss

Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves the use of following data.
- Past repayment history;
- Financial conditions of counterparty;
- Business prospective and cash projection;
- Ability and willingness to pay;
- Economic environment; and
- Quality of documentation.

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

28.1 Credit risk

28.1.3 Amounts arising from ECL (continued)

(i) Significant increase in credit risk

The Bank considers the significant increase in credit risk into two stages as below:

Significant increases in credit risk in Stage 2

The change in levels of credit risk over the expected life of a financial instrument is assessed by comparing credit risk at each reporting date with the associated instrument's credit risk at initial recognition. The Bank use 30 DPD as a backstop and applies the rebuttable assumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 DPD. Moreover, The Bank have also considered qualitative factors including:

- 30 DPD as backstop for long-term loans and 15 DPD for short-term loans (counting from 30 DPD upward for long-term and from 15 DPD for short-term loans),
- Use of quantitative indicators (change in PD at reporting date from the origination date),
- Change in cumulative residual unbiased PD,
- Change in unbiased 12-month PD comparing origination unbiased 12-month PD expected at the reporting date with the current 12-month PD at reporting use of qualitative indicators defined; or
- Restructured loans with special mentioned classification (loans which are restructured and classified as special mention will be changed from Stage 1 to Stage 2).

Significant increases in credit risk in Stage 3

A financial instrument that has been credit-impaired since origination or purchase is automatically classified as a Stage 3 financial instrument. Evidence that a financial asset is credit-impaired includes observable data related to the following events:

- Significant financial difficulty of the issuer or the borrower;

Significant increases in credit risk in Stage 3 (continued)

- A breach of contract, such as a default or past due event;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for the financial asset because of financial difficulties for example debtor's business status, debtor during litigation process, frequency of entering debt restructuring etc.
- Fraudulent debtors
- Partially NPL sales or partially write off
- Deceased
- Trouble debt restructuring (DTR) unsuccessful.

The Bank also applies 90 DPD as a backstop in moving a facility from Stage 2 to Stage 3 and consider a facility as credit-impaired. Moreover, loans which are restructured and classified as substandard, doubtful or loss will be changed from Stage 2 to Stage 3.

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

28.1 Credit risk

28.1.3 Amounts arising from ECL (continued)

(ii) Definition of default

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

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held);
- the borrower is more than 90 days past due on any material credit obligation to the Bank; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower´s inability to pay its credit obligations.

(iii) Incorporation of forward-looking information

The Bank analyses forward-looking information by using the statistical regression model to assess whether the credit risk of an instrument has increased significantly to measure ECL.

The Bank formulate three economic scenarios: a base case, which is the median scenario assigned a 35% probability of occurring, and two less likely scenarios, one upside 25% and one downside assigned a 40% probability of occurring. The base case is aligned with information used by the Bank for other purposes such as strategic planning and budgeting. External information considered includes economic data and forecasts published by governmental bodies (National Bank of Cambodia) and international bodies such as World Bank and Bloomberg.

Weightage scenario	Base	Bad	Good
	35%	40%	25%

Based on the forward-looking analysis, the Bank applied the forward-looking scalar for 12-month and lifetime ECL as follows:

2019	2020	2021
1.05	1.07	1.05

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

28.1 Credit risk

28.1.3 Amounts arising from ECL

(iv) Modified financial assets

The Bank renegotiates loans to customers in financial difficulties (referred to as restructure activities) to maximise collection opportunities and minimise the risk of default. Under the Bank's restructure policy, loan is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms. The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants.

For financial assets modified as part of the Bank's restructure policy, the estimate of PD reflects whether the modification has improved or restored the Bank's ability to collect interest and principal and the Bank's previous experience. As part of this process, the Bank evaluate the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.

Generally, restructure is a qualitative indicator of a significant increase in credit risk and an expectation of restructure may constitute evidence that an exposure is credit-impaired. A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to Stage 1.

(v) Measurement of ECL

ECL is a probability-weighted estimate of credit losses. It is measured as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Bank in accordance with the contract and the cash flows that the Bank expect to receive);

- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows

The Bank calculate the ECL by taking the gross carrying amount of financial assets multiplying by the consolidated probability of default (PD) ratio of each stage with risk adjustment factors.

- Expected credit loss, ECL is the present value of all cash shortfalls over the remaining life, discounted at the EIR. For each year throughout the financial instrument's life, a forward-looking PD, LGD and EAD are estimated. The estimates are multiplied with each other to estimate the losses for each of the years. Then the estimates are discounted back to the reporting date using the EIR as the discount rate.

- The Bank used the SME retail and mortgage loan as modelled portfolio to leverage on because they shared several characteristics in common. They all are term loans with predetermined maturity date and stipulated repayment schedule of both principle and interest.

- The Proxy ECL is calculated by using the formula below:

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

28.1 Credit risk (continued)

28.1.3 Amounts arising from ECL (continued)

(v) Measurement of ECL (continued)

Stage	ECL Calculation
1	Gross Carrying Amount_Stage1× Coverage Ratio_Stage1 × Risk Adjustment_Stage1
2	Gross Carrying Amount_Stage2× Coverage Ratio_Stage2 × Risk Adjustment_Stage2
3	Gross Carrying Amount_Stage3× Coverage Ratio_Stage3 × Risk Adjustment_Stage3

The coverage ratio which consists of PD and LGD, the implied PD is derived based on the %ECL back from parent Bank. It is computed by using the formula below:
Implied PD = ECL amount / (EAD x LGD%)
Where the ECL amount was computed by the parent Bank with consideration of time value of money.

(b) Loss allowance

This table summarises the loss allowance as of the year-end by class of exposure/assets.

	31 December 2019		31 December 2018	
	US$	KHR'000	US$	KHR'000
Loss allowance by classes				
Balances with other banks	12,801	52,164	321,231	1,290,706
Loans to customers	890	3,627	510	2,049
	13,691	55,791	321,741	1,292,755

Under the Bank's monitoring procedures, a significant increase in credit risk is identified before the exposure has defaulted, and at the latest when the exposure becomes 30 days past due. This is the case mainly for loans to customers. The table below provides an analysis of the gross carrying amount of loans to customers by past due status.

	31 December 2019		31 December 2018	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
	US$	US$	US$	US$
Loans to customers				
0 – 29 days	77,745,930	(890)	44,011,704	(510)
In KHR'000 equivalents	316,814,665	(3,627)	176,839,027	(2,049)

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

28.1 Credit risk (continued)

28.1.4.Concentration of credit risk

The Bank monitors concentrations of credit risk by sector. An analysis of concentrations of credit risk from loans to customers is shown below.

	31 December 2019		31 December 2018		31 December 2017	
	US$	KHR'000	US$	KHR'000	US$	KHR'000
Carrying amount	77,745,040	316,811,038	44,011,194	176,836,977	33,608,083	135,675,831
Concentration by sector						
Personal lending	11,104,226	45,249,719	26,138,241	105,023,453	21,310,421	86,030,169
Construction	19,826,455	80,792,806	7,096,142	28,512,298	3,223,916	13,014,947
Real estate activities	9,397,622	38,295,309	5,455,659	21,920,838	5,240,313	21,155,145
Retail trade	9,000,446	36,676,816	3,143,830	12,631,910	1,629,479	6,578,205
Hotels and restaurants	1,008,103	4,108,019	759,204	3,050,480	128,082	517,066
Wholesale trade	1,773,110	7,225,422	516,445	2,075,077	205,433	829,334
Transport and storage	693,723	2,826,923	334,234	1,342,952	93,375	376,957
Agriculture	577,021	2,351,361	265,367	1,066,244	1,313,993	5,304,589
Rental and operational leasing activities	1,731,463	7,055,710	188,305	756,611	203,518	821,602
Other non-financial services	22,587,195	92,042,820	113,767	457,114	222,263	897,276
Utilities	45,676	186,133	-	-	37,290	150,541
	77,745,040	316,811,038	44,011,194	176,836,977	33,608,083	135,675,831

28.1.5 Comparative as at 31 December 2017 under IAS 39

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.

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.

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

28.1 Credit risk (continued)

28.1.5 Comparative as at 31 December 2017 under IAS 39 (continued)

b) Risk limit control and mitigation policies

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's impairment methodology for assets carried at amortized costs comprises:
- Specific impairment losses for individually significant or specifically identified exposures
- Collective impairment of individually not significant exposures

Specific impairment losses for individually significant or specifically identified exposures

For financial assets carried at amortized cost (such as amounts due from banks and loans to customers), the Bank first assesses whether objective evidence of impairment exists for financial assets that are individually significant or are already under specific work out by management.

It is the Bank's policy to regularly monitor its loan portfolio. Impairment indicators include: internal rating of the borrower indicating default or near-default, the borrower requesting emergency funding from the Bank; the borrower having past due liabilities to public creditors or employees; a material decrease in the underlying collateral value where the sale of the financed asset is required to repay the loan; a material decrease in the borrower's turnover or the loss of a major customer; a material decrease in estimated future cash flows; any material facility at the debtor level falling beyond 90 past due; a covenant breach not waived by the Bank; the debtor (or any legal entity within the debtor's group) filing for bankruptcy application/protection and/or debtor's listed debt or equity suspended at the primary exchange because of rumours or facts about financial difficulties. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in credit loss expense in the statement of profit or loss and other comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of interest and similar income.

Loans together with the associated allowances are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Bank. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced (but only up to the extent of the carrying amount had the impairment not been recognised) by adjusting the allowance account. If a future write–off is later recovered, the recovery is credited to the "credit loss expense".

The present value of the estimated future cash flows is discounted by the financial asset's original EIR. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure, less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

28.1 Credit risk (continued)

28.1.5. Comparative as at 31 December 2017 under IAS 39 (continued)

c) Impairment and provisioning policies (continued)

Collective impairment model – Individually not significant exposures

These portfolios are reclassified into different segmentations with similar credit risk characteristics, using the source of income as key criteria and using the simple average of Probability of Default (PD) and Loss Given Default (LGD) for the latest period since October 2013 (date of incorporation). Generally, the impairment trigger used within these portfolios is when they reach a pre-defined delinquency level (e.g., the borrower falls 90 days past due with its contractual payments (capital or interest)).

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows reflect and are directionally consistent with changes in related observable data from period to period (such as changes in unemployment rates, personal indebtedness, collateral values including property prices for mortgages, commodity prices, payment status or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

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

	31 December 2017	
	US$	KHR'000
Credit risks exposure relating to on-balance sheet assets:		
Balances with other banks		
Loans to customers	125,234	505,570
In KHR'000 equivalents	33,608,083	135,675,831
	33,733,317	136,181,401

The above table represents a worst case scenario of credit risk exposure to the Bank at 31 December 2017, without taking account of any collateral held or other credit enhancement attached and excluding balances with NBC. For on-balance sheet asset, the exposures set out above are based on net carrying amounts.

As shown above, 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 93% of the loans of the Bank are collaterised. Loans are granted to the customer not in excess of 60% of their collateral value.
- The Bank maintains a strict credit evaluation process in place for granting of loans to customers.

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

28.1 Credit risk (continued)

28.1.5 Comparative as at 31 December 2017 under IAS 39 (continued)

e) Loans to customers

Loans to customers are summarised as follows:

	31 December 2017	
	US$	KHR'000
Loans to customers neither past due nor impaired	33,948,838	137,051,459
Total gross loans and interest receivable	33,948,838	137,051,459
Allowance for bad and doubtful loans	(340,755)	(1,375,628)
Net loans to customers	33,608,083	135,675,831

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 90 days are not considered impaired unless other information is available to indicate the contrary. As at 31 December 2017, there was no gross amount of loans to customers that were past due but not impaired.

iii. Loans individually impaired

Loans to customers which are past due for 90 days or more are determined as a cut-off point or point of no return based on percentages of the historical data of overdue loans and collections. This is when they are assigned 100% probability of default.

As at 31 December 2017, there was no loan which is pass due and impaired.

f) Repossessed collateral

During the year, the Bank did not obtain assets by taking possession of collateral held as security. Repossessed properties have to be sold within one year as required by the NBC. Repossessed property is classified in the statement of financial position as foreclosed properties, if any.

g) Concentration of financial assets with credit risk exposure

Geographical sector

The Bank only operates in Cambodia so it does not have credit exposure by geographical region as at 31 December 2017.

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

28.1 Credit risk (continued)

28.2. Liquidity risk

Liquidity risk refer to risk which the institution cannot meet the obligation or cannot settle debt obligation or settle position in the specific economic and financial situation and market situation. Liquidity risk arises from mismatches in the timing and amounts of cash flows, which is inherent to the Bank's operations and investments.

28.2.1 Liquidity risk management

The Bank established a comprehensive policy and control framework for managing liquidity risk. The Bank's Asset and Liability Management Committee (ALCO) is responsible for managing the Bank's liquidity risk via a combination of policy formation, review and governance, analysis, stress testing, limit setting and monitoring. In order to effectively manage liquidity risk the Bank:

- maintains a portfolio of highly liquid assets, in a variety of currencies and tenors;
- ensures that there is diversity in its funding base;
- monitors the behavioural characteristics of financial assets and liabilities;
- monitors liquidity reports analysing the expected maturity profile of assets and liabilities;
- establishes early warning indicators of potential liquidity stress events and ensures that there are assets available to be used as collateral if needed;
- performs regular stress tests; and
- maintains a contingency funding plan designed to provide a framework where a liquidity stress could be effectively managed.

The Bank Treasury function executes the Bank's liquidity and funding strategy in co-operation with other business units of the Bank. The Bank's liquidity and funding strategy is determined in accordance with relevant local regulatory requirements. The Bank's foreign operations determine a local liquidity strategy which needs to be in line with both local regulatory framework and the Bank's central policy.

There are daily controls in place to define and monitor compliance with the Bank's liquidity risk appetite. The principal metric used is the result of the Bank's liquidity stress testing, supplemented by the results of key regulatory ratios including the Liquidity Coverage Ratio (which measures the ratio of high quality liquid assets to outflows in an extreme 30 days stress scenario) and the Net Stable Funding Ratio (which seeks to promote a sustainable maturity structure of funding balances).

Regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. The scenarios are developed taking into account both Bank-specific events (e.g. a rating downgrade) and market-related events (e.g. prolonged market illiquidity, reduced fungibility of currencies, natural disasters or other catastrophes). Moreover, stress scenarios may be based on past events (historical scenario) observed within the own institution, or more commonly, on crisis situations witnessed by other institutions of similar size, business model and regional footprint. Often, the Bank also combines crisis elements from various historical situations to develop a hypothetical but plausible crisis scenario that might be more relevant to their current business model and exposure profile.

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

28.2. Liquidity risk (continued)

28.2.2 Maturity analysis for financial liabilities and financial assets

The following tables set out the remaining contractual maturities of the Bank's financial liabilities and financial assets.

	Carrying amount	Up to 1 month	> 1 – 3 months	> 3 – 12 months	> 1 – 5 years	Over 5 years	No maturity
	US$	US$	US$	US$	US$	US$	US$
31 December 2019							
Financial liabilities by type							
Non-derivative liabilities							
Deposits from customers	26,220,095	4,335,094	1,090,479	19,622,621	873	1,171,029	0
Lease liabilities	1,644,788	26,534	53,424	246,398	928,036	390,395	-
Other liabilities	112,737	112,737	-	-	-	-	-
Total financial liabilities	27,977,620	2,770,914	549,051	19,311,844	707,730	1,415,953	2,499,953
In KHR'000 equivalents	114,008,801	11,291,476	2,237,384	78,695,763	2,883,998	5,770,009	10,187,309
Financial assets by type							
Non-derivative assets							
Cash on hand	2,844,371	-	-	-	-	-	2,844,371
Balances with the NBC	19,045,026	8,523,729	-	-	3,000,880	7,520,417	-
Balances with other banks	608,585	608,585	-	-	-	-	-
Loans to customers	77,745,040	-	-	-	5,536,427	72,208,613	-
Other assets	174,714	-	-	-	-	-	174,714
	100,417,735	9,132,314	-	-	8,537,307	79,729,030	3,019,085
In KHR'000 equivalents	409,202,272	37,214,179	-	-	34,789,527	324,895,795	12,302,771

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

28.2. Liquidity risk (continued)

28.2.2 Maturity analysis for financial liabilities and financial assets (continued)

The following tables set out the remaining contractual maturities of the Bank's financial liabilities and financial assets.

	Carrying amount	Up to 1 month	> 1 – 3 months	> 3 – 12 months	> 1 – 5 years	Over 5 years	No maturity
	US$	US$	US$	US$	US$	US$	US$
31 December 18							
Financial liabilities by type							
Non-derivative liabilities							
Deposits from customers	2,435,707	1,749,015	255,062	279,673	5,105	146,851	-
Lease liabilities	-	-	-	-	-	-	-
Other liabilities	83,457	83,457	-	-	-	-	-
Total financial liabilities	2,519,164	1,832,472	255,062	279,673	5,105	146,851	-
In KHR'000 equivalents	10,122,001	7,362,873	1,024,840	1,123,725	20,514	590,048	-
Financial assets by type							
Non-derivative assets							
Cash on hand	2,508,273	-	-	-	-	-	2,508,273
Balances with the NBC	14,294,434	-	6,434,336	100,000	-	7,523,441	236,657
Balances with other banks	15,402,227	-	12,370,506	2,938,200	-	602	92,919
Loans to customers	44,011,193	-	6,423	3,315,476	2,897,891	37,791,402	-
Other assets	533,200	-	-	--	-	-	533,200
Total financial assets	76,749,327	-	18,811,265	6,353,676	2,897,891	45,315,446	3,371,049
In KHR'000 equivalents	308,378,798	-	75,583,663	25,529,072	11,643,727	182,077,461	13,544,875

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

28.2. Liquidity risk (continued)

28.2.2 Maturity analysis for financial liabilities and financial assets (continued)

Comparative as at 31 December 2017 under IAS 39

	Carrying amount US$	Up to 1 month US$	> 1 – 3 months US$	> 3 – 12 months US$	> 1 – 5 years US$	Over 5 years US$	No maturity US$
31 December 17							
Financial liabilities by type							
Non-derivative liabilities							
Other liabilities	68,307	-	-	-	-	-	68,307
In KHR'000 equivalents	275,755	-	-	-	-	-	275,755
Financial assets by type							
Non-derivative assets							
Cash on hand	97,295	-	-	-	-	-	97,295
Balances with the NBC	40,101,474	32,593,504	-	-	-	-	7,507,970
Balances with other banks	125,234	125,234	-	-	-	-	-
Loans to customers	33,608,083	-	1,125,221	6,006,352	3,010,182	23,466,328	-
Other assets	24,127	-	-	-	-	-	24,127
Total financial assets	73,956,213	32,718,738	1,125,221	6,006,352	3,010,182	23,466,328	7,629,392
In KHR'000 equivalents	298,561,232	132,085,545	4,542,516	24,247,644	12,152,106	94,733,565	30,799,856

The amounts in the table above have been compiled as follows.

Type of financial instrument	Basis on which amounts are compiled
Non-derivative financial liabilities and financial assets	Undiscounted cash flows, which include estimated interest payments.

As part of the management of liquidity risk arising from financial liabilities, the Bank holds liquid assets comprising cash and cash equivalents, which can be readily to meet liquidity requirements. In addition, the Bank maintains agreed lines of credit with other banks.

The following table sets out the carrying amounts of non-derivative financial assets and financial liabilities expected to be recovered or settled less than 12 months after the reporting date.

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

28.2. Liquidity risk (continued)

28.2.2 Maturity analysis for financial liabilities and financial assets (continued)

	31 December 2019		31 December 2018	
	US$	KHR'000	US$	KHR'000
Financial assets				
Cash on hand	2,844,371	11,590,812	2,508,273	10,078,241
Balances with the NBC	8,523,729	34,734,196	6,770,993	27,205,850
Balances with other banks	608,585	2,479,983	15,401,625	61,883,728
Loans to customers	-	-	3,321,900	13,347,394
Other assets	174,714	711,960	533,200	2,142,398
	12,151,399	49,516,951	28,535,991	114,657,611
Financial liabilities				
Deposits from customers	25,048,193	102,071,388	2,283,750	9,176,108
Lease liabilities	326,357	1,329,905	-	-
Other liabilities	112,737	459,403	83,457	335,330
	25,487,287	103,860,696	2,367,207	9,511,438

The following table sets out the carrying amounts of non-derivative financial assets and financial liabilities expected to be recovered or settled more than 12 months after the reporting date

	31 December 2019		31 December 2018	
	US$	KHR'000	US$	KHR'000
Financial assets				
Cash on hand	-	-	-	-
Balances with the NBC	10,521,297	42,874,285	7,523,441	30,229,186
Balances with other banks	-	-	602	2,420
Loans to customers	77,745,040	316,811,037	40,689,294	163,489,582
Other assets	-	-	-	-
	88,266,337	359,685,322	48,213,337	193,721,188
Financial liabilities				
Deposits from customers	1,171,902	4,775,501	151,957	610,562
Lease liabilities	1,318,431	5,372,606	-	-
Other liabilities	-	-	-	-
	2,490,333	10,148,107	151,957	610,562

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

28.2. Liquidity risk (continued)

28.2.3 Liquidity reserves

	31 December 2019		31 December 2018		31 December 2017	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	US$	US$	US$	US$	US$	US$
Cash on hand	2,844,371	2,844,371	2,508,273	2,508,273	97,295	97,295
Balances with the NBC	19,045,026	19,045,026	14,294,434	14,294,434	40,101,474	40,101,474
Balances with other banks	608,585	608,585	15,402,227	15,402,227	125,234	125,234
Total liquidity reserves	22,497,982	22,497,982	32,204,934	32,204,934	40,324,003	40,324,003
In KHR'000 equivalents	91,679,277	91,679,277	129,399,425	129,399,425	162,788,000	162,788,000

28.3. Market risk

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

28.3.1. Market risk management

Overall authority for market risk is vested in Risk Management Committee (RMC) at Board level and ALCO at management level. RMC sets up limits for each type of risk in aggregate and for portfolios (all portfolios are non-trading). The Risk and Compliance Department is responsible for the development of detailed risk management policies (subject to review by RMC and approval by Board of Directors). Treasury function implement and manage the day-to-day market risk in the daily operation.

(i) Interest rate risk

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments or economic value of equity of the Bank because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. ALCO is the monitoring body for compliance with these limits and is assisted by Treasury Department in its day-to-day monitoring activities. These day-to-day activities include monitoring changes in the Bank's interest rate exposures, which include the impact of the Bank's outstanding or forecast debt obligations.

RMC and ALCO is responsible for setting the overall hedging strategy of the Bank. Treasury is responsible for implementing that strategy by putting in place the individual hedge arrangements.

The following is a summary of the Bank's interest rate gap position. The interest rate repricing gap table analyses the full-term structure of interest rate mismatches within the Bank's statement of financial position based on either (i) the next repricing date or the maturity date if floating rate or (ii) the maturity date if fixed rate.

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

28.3. Market risk (continued)

28.3.2 Exposure to market risk (continued)

(i) Interest rate risk (continued)

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
	US$	US$	US$	US$	US$	US$	US$
As at 31 December 2019							
Financial assets							
Cash on hand	-	-	-	-	-	2,844,371	2,844,371
Balances with the Central Bank	8,523,729	-	-	3,000,880	7,520,417	-	19,045,026
Balances with other banks	608,585	-	-	-	-	-	608,585
Loans to customers	-	-	-	5,536,427	72,208,613	-	77,745,040
Total financial assets	9,132,314	-	-	8,537,307	79,729,030	2,844,371	100,243,022
Financial liabilities							
Deposits from customers	4,335,094	1,090,479	19,622,621	873	1,171,029	-	26,220,095
Lease liabilities	26,534	53,424	246,398	928,036	390,395	-	1,644,788
Other liabilities	-	-	-	-	-	112,737	112,737
Total financial liabilities	4,361,628	1,143,903	19,869,020	928,909	1,561,424	112,737	27,977,620
Total interest rate repricing gap	4,770,686	(1,143,903)	(19,869,020)	7,608,398	78,167,605	2,731,634	72,265,401
In KHR'000 equivalents	19,440,546	(4,661,405)	(80,966,255)	31,004,224	318,532,991	11,131,409	294,481,509

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
	US$	US$	US$	US$	US$	US$	US$
As at 31 December 2018							
Financial assets							
Cash on hand	-	-	-	-	-	2,508,273	2,508,273
Balances with the NBC	-	6,434,336	100,000	-	7,523,441	236,657	14,294,434
Balances with other banks	-	12,370,506	2,938,200	-	602	92,919	15,402,227
Loans to customers	-	6,423	3,315,476	2,897,891	37,791,402	-	44,011,194
Total financial assets	-	18,811,265	6,353,676	2,897,891	45,315,446	2,837,849	76,216,128
Financial liabilities							
Deposits from customers	1,749,015	255,062	279,673	5,105	146,851	-	2,435,707
Lease liabilities	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	83,459	83,459
Total financial liabilities	1,749,015	255,062	279,673	5,105	146,851	83,459	2,519,166
Total interest rate repricing gap	(1,749,015)	18,556,203	6,074,004	2,892,786	45,168,594	2,754,390	73,696,961
In KHR'000 equivalents	(7,027,543)	74,558,823	24,405,347	11,623,213	181,487,412	11,067,139	296,114,391

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

28.3. Market risk

28.3.2 Exposure to market risk

(i) Interest rate risk (continued)

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
	US$	US$	US$	US$	US$	US$	US$
As at 31 December 2017							
Financial assets							
Cash on hand	-	-	-	-	-	97,295	97,295
Balances with the Central Bank	32,593,504	-	-	-	-	7,507,970	40,101,474
Balances with other banks	125,234	-	-	-	-	-	125,234
Loans to customers	-	1,125,221	6,006,352	3,010,182	23,466,328	-	33,608,083
Other assets	-	-	-	-	-	24,127	24,127
Total financial assets	32,718,738	1,125,221	6,006,352	3,010,182	23,466,328	7,629,392	73,956,213
Financial liabilities							
Other liabilities	-	-	-	-	-	68,307	68,307
Total financial liabilities	-	-	-	-	-	68,307	68,307
Total interest rate repricing gap	32,718,738	1,129,460	6,028,981	3,021,523	23,554,736	7,536,958	73,990,396
In KHR'000 equivalents	132,085,545	4,559,630	24,338,996	12,197,888	95,090,469	30,426,699	298,699,229

(ii) Foreign exchange risk

The Bank operates in the Kingdom of Cambodia and transacts in many currencies, and is exposed to various currency risks, primarily with respect to Khmer Riel, United Stated Doller and Hong Kong Dollar.

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

As 31 December 2019 and 31 December 2018, balances in monetary assets and liabilities denominated in currencies other than US$ are not significant. Therefore, no sensitivity for foreign exchange risk was presented.

28.4 Operational risk management

'Operational risk' is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks – e.g. those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank's operations.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and innovation. In all cases, Bank's policy requires compliance with all applicable legal and regulatory requirements.

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

28.4 Operational risk management

Risk and Compliance Department is responsible for the development and implementation of controls to address operational risk. This responsibility is supported by the development of overall Bank standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- information technology and cyber risks; and
- risk mitigation, including insurance where this is cost-effective.

28.5 Capital risk

Capital risk is the risk that the Bank has insufficient capital resources to meet the minimum regulatory requirements to support its credit rating and to support its growth and strategic options.

The Bank's strategy is to maintain a strong capital base so as to maintain market confidence and to sustain further development of the business. The impact of the level of capital on shareholder' return is also recognised and the Bank recognised the need to maintain a balance between the higher returns that might be possible with greater gearing and advantages and security afforded by a sound capital position.

The Bank's lead regulator, the NBC, sets and monitors capital requirements for the Bank as a whole.

28.5.1 Capital risk management

As with liquidity and market risks, ARBC and ALRMC is responsible for ensuring the effective management of capital risk throughout the Bank.

Capital risk is measured and monitored using limits set calculated in accordance with NBC's requirements.

On 22 February 2018, the NBC issued a Prakas on Capital Buffer in Banking and Financial Institutions. According to Article 22 of this Prakas, the institution shall comply with the provisions related to the capital conservation buffer at least 50% of the conservation buffer by 1 January 2019 and fully comply by 1 January 2020.

On 7 March 2018, the NBC issued a circular on the implementation of Prakas on Capital Buffer in Banking and Financial Institutions, which determines the countercyclical capital buffer at a level of 0% until a new announcement is released.

The Bank has complied with all externally imposed capital requirements throughout the year.

29. CURRENT AND NON-CURRENT

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

30. EVENTS AFTER THE REPORTING DATE

On 30 January 2020 the World Health Organization (WHO) declared an international health emergency due to the outbreak of the COVID-19 virus. Since 11 March 2020, the WHO has characterised the spread of COVID-19 as a global pandemic. The financial impact of the COVID-19 virus on the Bank´s position and on its future performance and results cannot yet be reliably estimated as this will depend largely on future developments.

There were no other significant events after the reporting date that need to be reflected in the financial statements nor were required to be booked or should be disclosed at this point of time.

ធនាគារពាណិជ្ជ ឈីហ្វ (ខេមបូឌា) ម.ក
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