



PhillipBank

ANNUAL REPORT

2018

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Background

Phillip Bank Plc is a member of PhillipCapital which is headquartered in Singapore, and established since 1975. PhillipCapital, operates in financial hubs of over 15 countries, including Australia, Cambodia, China (including Hong Kong), France, India, Indonesia, Japan, Malaysia, Singapore, Sri Lanka, Thailand, Turkey, UK, UAE, USA and Vietnam. It offers a full range of quality innovative products and services to retail and high net worth individuals, corporate and institutional customers. These include securities broking, futures, foreign exchange, bonds, precious metals and commodities, unit trusts, contracts for difference, exchange traded funds, fund management, managed accounts, insurance planning, regular savings plan, investment research, equity financing and property consultancy.

Since 1975, the PhillipCapital network has grown into a global presence, an integrated Asian financial house with over 5,000 employees and more than one million clients worldwide, and assets under custody/management exceeding US\$35 Billion, and shareholders' funds in excess of US \$1.5 billion.

From its first foray into Cambodia in 2009 investing in First Finance MFI, and more visibly with Phillip Bank. Our status as a significant financial services provider in Cambodia has been enhanced with the addition of Phillip Life Assurance (Cambodia) Plc and Phillip General Insurance (Cambodia) Plc recently.

PhillipBank, currently has 6 branches in Phnom Penh and we are planning to expand our presence throughout the Kingdom of Cambodia.



Corporate Vision and Mission

Corporate Vision

- Growing people
- Delighting customers
- Benefiting communities


Corporate Mission

To build convenient, integrated, innovative, and trusted financial solutions by leveraging technology platforms and engaging our staff, business partners, and customers to sustainably improve the economic well-being of families in rural and urban communities.

Branch Network




Monivong Branch (Head Office):

-  #27DEF, Monivong Blvd., Sangkat Srah Chork, Khan Daun Penh, Phnom Penh, Cambodia
-  Telephone : (855) 23 862 777
-  Fax : (855) 23 862 727
-  Email : mnv@phillipbank.com.kh







Norodom Branch:

-  #61- 64 Norodom Blvd., Corner Street 306, Sangkat Boeung Keng Kang 1, Khan Chamkarmorn, Phnom Penh, Cambodia.
-  Telephone : (855) 23 218 866
-  Fax : (855) 23 220 108
-  Email : nrd@phillipbank.com.kh







Steung Meanchey Branch:

-  #6B – 7B, Street Preah Monireth, Sangkat Steung Meanchey, Khan Meanchey, Phnom Penh, Cambodia.
-  Telephone : (855) 23 900 464
-  Fax : (855) 23 900 463
-  Email : smc@phillipbank.com.kh



Kampuchea Krom Branch:

-  #640, Kampuchea Krom Blvd., Phsar Depo 2, Khan Toul Kork, Phnom Penh, Cambodia.
-  Telephone : (855) 23 901 457
-  Fax : (855) 23 901 459
-  Email : kpk@phillipbank.com.kh



Mao Tse Tung Branch:

-  #108AB, Mao Tse Tung Blvd, Sangkat Toul Tompong 2, Khan Chamkarmorn, Phnom Penh, Cambodia.
-  Telephone : (855) 23 901 659
-  Fax : (855) 23 901 658
-  Email : mtt@phillipbank.com.kh



Teuk Thla Branch:

-  #11A & 13A, Russian Confederation Blvd., Sangkat Teuk Thla, Khan Sen Sok, Phnom Penh, Cambodia
-  Telephone : (855) 23 888 828
-  Fax : (855) 23 888 838
-  Email : tta@phillipbank.com.kh



Contact Center Helpline **086 930 000 (24/7)**

Chairman's Statement

MR. LIM HUA MIN
CHAIRMAN



Overall Business Environment

According to the World Bank Report as at September 2018, following more than two decades of strong economic growth, Cambodia has attained lower middle-income status with gross national income (GNI) per capita reaching US\$1,230 in 2017. Driven by garment exports and tourism, Cambodia has sustained an average growth rate of 7.7% between 1995-2017, the sixth fastest-growing economy in the world. As global demand peaks in 2018, economic growth is expected to reach 7%, compared to 6.9% in 2017. Growth is expected to remain robust over the medium term.

International Monetary Fund (IMF) in its Country Report No. 18/369 dated December 2018 stated that Real GDP is projected to grow at 7¼ percent in 2018 due to strong external demand and expansionary fiscal policies, while inflation is expected to remain low. Strong economic performance is broad-based, with garment exports, tourism and the construction sectors growing at robust rates.

Higher imports are expected to contribute to a widening of the current account deficit to around 10 percent of GDP in 2018. Gross international reserves are expected to increase to around US\$9.6 billion (around 5 months of prospective imports) at end-2018.

Bank credit is expected to grow by around 20 percent in 2018, with MFI credit expanding at an even higher rate, resulting in a credit-to-GDP gap that is conservatively estimated at close to 10 percentage points.

Fiscal performance in 2017 was considerably stronger than anticipated with tax revenues growing 26 percent in nominal terms, partly due to one-off factors. The fiscal stance has turned expansionary this year. Both current and capital expenditure are expected to increase, while tax revenue is expected to remain broadly stable as a share of GDP, in part reflecting VAT exemptions and import tariff reductions for fuel and basic foods. As a result, the deficit is expected to widen to 2.2 percent of GDP, resulting in lower government deposits.

Looking ahead, the outlook is positive, although challenges remain. Economic activity is expected to remain strong, driven by construction, tourism and exports. GDP growth is projected at 7½ percent in 2018 and expected to decline towards its potential of 6 percent over the medium term. Inflation was stable at 2.9 percent in 2017 and is expected to decrease slightly to 2.5 percent in 2018, in part owing to measures to contain fuel and food price increases.

In line with the positive sentiment and on-going growth, the banking sector in Cambodia continues to display healthy and steady growth. The loans to the private sectors and deposits have increased in 2017. In the National Bank of Cambodia (NBC) Economic and Monetary Statistics Report dated October 2018, it is stated that the Total assets of commercial banks and specialized banks were KHR 139,970 billion, up by 1.6% in October 2018 compared to the previous month. In October 2018, the interest rate movement with a maturity of 12-month on deposits and loans showed that the weighted average deposit rate in Khmer Riel and US dollar increased by 0.02% to 6.14% and 0.01% to 4.45%, respectively. At the same time, the weighted average lending rate in Khmer Riel decreased to 11.3% down by 0.02% while lending rate in US dollar increased to 11.1% up by 0.02%.

Summary of the Bank's financial performance

In 2018, Phillip Bank Plc. ("the Bank") continued with its strategy and efforts to target specific groups. To be more specific, we have embarked on Retail banking in June with appointment of Head of Retail to diversify the income source in retail segment in addition to the corporate.

For the year ended 31st December 2018, the Bank recorded total operating revenue of USD13.34 million (compared to USD10.07 million as at 31 December 2017), an increase of 32.47%.

The Pre-tax Profit is USD3.12 million (as compared to Pre-tax Profit of USD2.5million as at 31 December 2017), an increase of 25%

The main reason for the profits are due to higher interest income from our increasing loan base. Our loan portfolio increased from USD123.1 million as at 31 December 2017 to USD165.8 million as at 31 December 2018, an increase of 35%.

At the same time, our non-interest income or fee income also increased from USD1.25 million as at 31 December 2017 to USD1.68 million as at 31 December 2018, an increase of 34.4%.

Similarly, non-FI deposits also grew significantly from USD101.6millions as at 31st December 2017 to USD142.3 million as at 31 December 2018, an increase of 40%.

The loan to Deposit (non-FI) ratio has been increased noticeably from 0.83 in 2017 to 1.165 in 2018. In overall, the total loan to deposit (including FI) ratio also dropped slightly from 0.879 in 2017 to 0.875 in 2018.

The Bank has a paid up capital of USD75million and this capital is in compliance with the regulatory requirement.

Compliance with regulations issued by the Central Bank

The Bank remains steadfast and maintains its strict compliance to the prakas and regulations set by the National Bank of Cambodia (NBC). We are determined to maintain good corporate governance and professionalism in the management and operation of the Bank's business. The Bank continues to strictly comply with all prakas, circulars, provisions and guidelines of the NBC.

Steps taken to strengthen the Bank's position and performance

The Bank aims to be a significant and important player in Cambodia financial sector in providing its clients with practical, useful, efficient and secure banking products and services. As such, the Bank is committed to constantly reviewing, improving and adding new products its products and services to provide the best customer experience.

The Retail Journey Begins For PhillipBank

In 2018, Phillip Bank launched a major strategic initiative to complement and supplement it's successful corporate banking business with the addition of a new business line: Retail Banking. A Retail Bank Head was recruited in June to lead this business.

Our entry into Retail Banking is against a backdrop of the rising affluence of the country and as a consequence a growing middle class with increasing financial investment and lifestyle needs.

We commenced the Retail journey with our six branches in Phnom Penh with the objective of transforming them into customer-friendly sales and service outlets. New branch external signage was installed in the second half of 2018. The transformation of our branches will continue in 2019 with improvements to branch layout and “look and feel”. We will concurrently be working to inspire our branch and counter staff to new heights in service excellence.

To widen our appeal as a consumer bank, we initiated a series of product promotions covering personal loans, Auto-save (interest bearing checking account) and Fixed Deposits/ Savings & Current accounts. The aim of these promotions is to expand our base of retail customers and augment our bottom line.

To support our fledging retail business, we developed a separate risk management structure to specifically support consumer loans. This support took the form of the development of a dedicated Retail Loan Center to process, approve and manage program consumer credit. With this central processing capability, we are now able to significantly reduce our loan approval/ disbursement turnaround times while improving productivity and work efficiency.

We are also investing in a new core banking system, and work on migrating our current legacy system commenced in 2018. The migration is scheduled to go live in mid-2019. Customers can expect more services, products and an enhanced customer experience including the introduction of Relationship Banking and loyalty programs.

Board focus and commitment

The Bank remains very focused and committed in our undertakings to deliver value to all stakeholders.

Phillip Capital is an integrated financial services group based in Singapore providing a wide range of products and services namely, stockbroking, corporate finance, factoring, futures, derivatives, insurance and wealth management with presence in over 15 Countries.

Presently, Phillip Capital has significant shareholdings in two microfinance institutions in Cambodia, namely, KREDIT Microfinance and First Finance. This is in addition to Phillip General Insurance which was incorporated in January 2017 and also Phillip Life Assurance. Both companies are wholly owned by Phillip Capital.

The Group has obtained the Approval-in-Principle from the National Bank of Cambodia in December 2015 to merge our Bank and KREDIT Microfinance into one entity and upon completion of the merger, the bank’s branch network will be expanded substantially from 6 branches in Phnom Penh City currently to about 90 branches throughout the country. In this regard, merger preparation work is progressing ahead and is expected to be completed by Q3 of Year 2019.

Acknowledgement

On behalf of the Board, I would like to take this opportunity to thank all the officials of NBC for their on-going guidance, support and advice.

To all our customers, thank you for your continuous confidence and support. We look forward to continue building a strong and mutually beneficial partnership in the coming years as we strive to improve our products and services.

Last but not least, our achievements are also contributed by the tireless efforts and commitment of our employees, our greatest asset, and they have our deep appreciation. Thank you for your commitment and dedication to the Bank and its customers.

Lim Hua Min
Chairman

BUSINESS PRIORITIES

FINANCIAL PERSPECTIVE

During the year ended 31st December 2018, the Bank recorded total operating revenue of USD13.34 million (compared to USD10.07 million as at 31 December 2017) and recorded a Pre-tax Profit of USD 3.12 million (as compared to Pre-tax Profit of USD2.5million as at 31 December 2017).

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At the same time, our non-interest income or fee income also increased from USD1.25 million as at 31 December 2017 to USD1.68 million as at 31 December 2018.

The Bank will continue with its strategies to focus on satisfying the financial needs of small and medium scale enterprises, and consumer products (such as personal, house and car loans). The Bank will also focus on increasing its loan base as well as growing its depositor base especially in the retail segment.

CUSTOMER PERSPECTIVE

The Bank offers the wide range of service and products for small and medium scale enterprise, retail and corporate financial needs whilst safeguarding the wealth of locals for future generations.

The Bank believes in going the extra mile and to meet with the customers at their convenience, great customer service, be it to ensure a transaction is completed or to help with their banking needs. This commitment with truly be a key differentiator for the bank and will bring a whole new meaning to being "Customer Service and Customer Relationship Excellent" and live up the corporate vision of "Growing people, Delighting customers and Benefiting Communities".

COMMUNITY PERSPECTIVE

The Bank also engages and implements various CSR programs to support the communities. In the past years, the Bank has sponsored many charity events. In 2018, the Bank has placed great emphasis on the Disabled community and Educations whereby we sponsored and co-run events to help promote Disabled community

through the Epic Art Organization. In addition, we have supported E2Stem program at Preah Yukuntor High School by giving scholarship to students there with the hope of helping the Science and Technical education in Cambodia. The Bank will continue to contribute back to the Cambodian Society via many other initiatives and projects in the upcoming years.

INTERNAL PROCESS PERSPECTIVE

The Bank's aim is to project and position itself as a "Growing people, Delighting customers and Benefiting communities" bank that place high importance on stringent risk management process for our client's benefit and as well as the community. The Bank has put in place policies and procedures of international standards and has invested substantially in technology and infrastructure security for customers' added peace of mind.

HUMAN RESOURCE PROSPECTIVE

Knowing that employee are an asset to the Bank, the Bank strives to attract and employ candidates with the right credential, attitudes and level of experiences that are needed for the Bank to succeed. The Bank believe that the human resource development framework, which can help employees in developing their personal and organizational skills, knowledge and abilities, is essential to developing a workforce which can accomplish the Bank's goals which aligns with our staff slogan of "To go further, go together".

Their right human resource development program at organization level prepares an individual to undertake a higher level of responsibility at work and maximize enterprise effectiveness. It also creates a state of employee engagement to ensure that our employees will be fully involved and enthusiastic about his or her work to further the Bank's interests. All front liners are trained to hone their soft skills while support staff attended trainings that are specifically related to enhancing their technical skills. Human resource development from a business perspective must be aligned with the organization's mission and vision mission, vision and our staff slogan. Bearing this in mind and the eventuality of the expansion of the Bank in terms of manpower, the Bank has spent a budget of USD70,000 in year 2018 for training and team building purposes.

SIGNIFICANT BUSINESS PLANS FOR FINANCIAL YEAR 2019

In order to reach out to more customers and to provide convenience to our existing customers, the Bank intend to introduce an E-Wallet payment product in 2019.

The Bank will introduce more retail products as well as enhancing the current one such as personal loan, micro loan, motorcycle loan, car loans and housing loans to increase its loans product to cater to the increasing need of customers especially in the retail segment.

Also, in order to provide the supreme customer experience and convenience, the bank is working to bring in new programs such as loyalty program and the expansion of branches and ATM networks throughout the country through the merger with Kredit MFI in Cambodia.

Finally, the Bank will continue to increase its core business activities especially to small and medium scale enterprise and to individuals and at the same time, strive to increase its customer base.



VOICE OF THE CUSTOMER



Mr. CHHAN PHEA

Customer of KPK branch, (Petrol Station, Coffee, Restaurant and Guesthouse)

At first I started to use the PhillipBank service due to the fact that it provides easy application for new start up. After having business relationship with Phillip Bank, my business has started to grow remarkably from a new start-up business to become the owner of multiple businesses such as Gasoline Store, Café Shop and Boutique Hotel. The staff at PhillipBank are friendly and responsible despite a few times of delay in the approval process. In overall, I am satisfied with the staff and the branch and I have always been recommended Phillip Bank's products and services to my friends and relatives.

Ms. KUNG SOPHEA

Customer of NRD branch

Honestly speaking, the new startup company like us is very hard to find the funds to get our business started. We have come into contact with Phillip Bank through our network and has since then come into business relationship with Phillip Bank. Phillip Bank is willing to support us to help us grow. I found the staff to be friendly and fast responding. In overall, Phillip Bank has been a one-stop service for me since I can just go and get what I want done in just a visit. I have recommended Phillip Bank to my friends and relatives.



Mr. SENG BONA

Customer of TTA Branch

I have realized that Phillip Bank is a great bank due to the international Brand of Phillip Capital Singapore. After linking with Phillip Bank, all of my businesses have grown rapidly and smoothly. As a client, I really appreciate all Phillip's management team who has always advised me financially in term of business growth. To me, I am completely satisfied with Phillip Bank's services, and friendly, professionally staff. I would like to frankly recommend the bank to all of you. Phillip Bank is more than the bank, personally, try and see. Thank you.

NEW PROJECTS

Phillip Bank has believed in their staff and management to make the bank become leading not only in brand image but the service to all their stakeholders. In 2018, the Bank has made a big move to visualize their vision and mission through many initiative as following.

Retail Loan Center Development: In order to serve and make customers happy with the fast approval loan process, the Bank has adopted and initiated the Loan Center to make loan turnaround faster and improve the service quality of the Bank in overall.

Entrepreneurship Cambodia: to maintain relationship with high net-worth customers and provide them a platform to network as well as to share about their business success story to each other in which we create a community

Retail Business Focus: The Bank has continuous to drive their Retail business where individual also have been given great importance. With that in mind, the Bank has launched various Campaigns to satisfy customers from Personal Loan product promotion to Fixed Deposit plus CASA to Auto Save Promotion.

PhillipBank's Day: This is to get customers to know about the Phillip Bank along with the promotional campaigns that the Bank has with the main purpose of getting people to know about Phillip Bank and its special offers.

Phillip Bank Town Hall: The Town Hall is the platform for internal customers to learn and voice their concern about the Bank as well as to communicate about the improvement of the bank in the past months or years.

Phillip Bank CSR Programs: Phillip Bank has placed more emphasis on the CSR programs by focusing on two main fields namely the Disability and Education in Cambodia.



PHILLIP BANK IN THE NEWS!

PhillipCapital now a growing insurance presence in Cambodia

P PhillipCapital
Your Partner in Finance

P PhillipBank

P Phillip General Insurance
Your Partner in Insurance
A Member of PhillipCapital Group, Singapore

P PhillipLife
Your Partner For Life

PhillipCapital, headquartered in Singapore, operates in financial hubs of over 15 countries, including Australia, Cambodia, China, France, Hong Kong, India, Indonesia, Japan, Malaysia, Singapore, Sri Lanka, Thailand, Turkey, UK, UAE, USA and Vietnam. It offers a full range of specialty and innovative products and services to retail and high net worth individuals, corporate and institutional customers. These include broking in securities, foreign exchange, bonds, mutual funds and commodities, trust services, contracts for difference, exchange traded funds, fund management, managed accounts, insurance planning, regular savings plans, investment research, equity financing and property consultancy.

It also offers institutional corporate finance and advisory services, and hedge fund services. Since 2015, the PhillipCapital network has grown into a global powerhouse, having been ranked twice with over 5,000 employees and more than one trillion dollars in assets under custody/management according to USASIF Global, and in 2015 it was ranked as the first in its industry in Cambodia. In 2009, PhillipCapital was awarded the Best Investment Firm in its first foray into Cambodia. In 2009, PhillipCapital was awarded the Best Investment Firm in Cambodia. It has a growing network of bank branches that will continue to serve customers across the country. And there will be a significant expansion of financial services in 2019 through PhillipLife Insurance (Cambodia) Pte Ltd and Phillip General Insurance (Cambodia) Pte Ltd.



From left to right: Andrew Lim (Head of Retail Banking) and Han Peng Kwan (GM - Phillip Bank), Violet Chia, GM - Phillip Bank, Ong Teong Hoon - Shareholders' representative - Phillip Capital Group. PHOTO SUPPLIED

Phillip General Insurance (Cambodia) Pte Ltd 18 months and growing stronger

On 10th June 2017 Phillip General Insurance (Cambodia) Pte Ltd became the first of Phillip Capital's two insurance companies to start its journey in Cambodia. Mr Victor Ki, its General Manager, shortly passed ahead in obtaining approval for its first two products. Over the next 18 months it has issued an increasing number of policies for both individuals and corporations.

Mr Ki added, "We aim to meet the insurance needs of the people and businesses of Cambodia who are exposed to risks, whether it is for the individual business owner who needs to protect his business and contents against fire, or a business owner who requires insurance cover to protect his factory, warehouse, equipment or any other commercial operation against exposure to various risks. We stand ready to help by providing risk management services whenever we can, such as identifying and highlighting fire protection improvements and how to

modify them and offer appropriate bespoke policies to suit the specific needs of each individual household or business."

A cornerstone of Phillip General Insurance (Cambodia)'s service culture is to offer a fair and prompt claims service, because the proof of service for an insurance firm is not just before it accepts risks but also later, when a claim is made.

Mr Ki also emphasized that being part of Phillip Capital's next of companies in Cambodia is also very important, stating that "the Phillip Capital Group, headquartered in Singapore, has invested a very sizable capital into the financial market here and is committed to contributing to the Kingdom's progression and prosperity. We at Phillip General Insurance (Cambodia) are proud to be associated with our banking, finance and life insurance partners in the Group. Together we are confident in the growth of the economy of Cambodia."

For more info, visit our Facebook page: PhillipGeneralInsuranceCambodia

Thinking (Cambodia)

We have a very technology person must also know so little about it we work and live. We radically remove and practices that are gone have also lost control. The life insurance is to drag itself to let customer service Phillip Life. Another company for better application products, Phillip made applying stand out in the And Phillip Life that improve it.

What about the chain technology is a huge barrier to insurance. Carefully held back by competitors technology platform, loss of customer confidence in banks' efficient practices, legal and political constraints, this transparent distributed ledger technology for supply chain is money industries. For example, glass shipping company Maersk is experimenting with a blockchain-based distributed ledger with 90 of its supply chain partners to speed up its



"We are cautiously optimistic about 2019 as the momentum of growth augurs well for our Group in spite of the uncertainty over the EBA. Nonetheless Phillip Capital Group's largest investment is in Cambodia with more than USD100M amongst the 17 countries where we operate. It exemplifies our Group's view on the long term prospects of the country."

Mr Ong Teong Hoon
Shareholders' Representative - Phillip Capital

Phillip C

P PhillipCapital
Your Partner in Finance

PHILLIP Capital which commenced its business in Cambodia almost a decade ago has grown by leaps and bounds, and offers a bouquet of financial services from personal loans, insurance to retail banking. Shareholders' Representative Ong Teong Hoon spells out the bank's expansion plans and growth prospects for the year ahead.

Given a cold economic growth in Cambodia, how was Phillip Group's performance in 2018 and what is the growth forecast for next year?

Ong Teong Hoon: We can provide some context here. Any revenue or profits generated by Phillip Capital Group in Cambodia in 2018 are derived from Phillip Bank and Koedit MFI. Our General Insurance subsidiary has received approval to

Capital ramps up services to bolster its position in the Kingdom



Qing We are struggling to provide the full suite of financial products to customers. 2019. We also have an associate company - First Fintech MF. Both Phillip Bank and Kredit MFI are on target for 2018. We will be focusing much of our attention and resources to their approaching merger next year, so our growth forecast for these two entities will be modest. Our presence in the knowledge...

Capital's overall 2019 performance in Cambodia. For General Insurance, we forecast fairly strong growth with more product approvals expected and for Life Assurance we expect that business to gain momentum in 2019 and beyond with product approvals.

Our target sectors are computers, SMEs and family owned businesses, the rising middle class and working class consumers. The growing economy provides the largest source of growth and the support needs of those targeted sectors offer us the promise of growth.

What is the main segment that is driving the group's business in Cambodia and

The group has started building its bank building and the public can expect to hear more about them. PHOTO SUPPLIED

what are the factors contributing to its growth?

In receive product approvals for our Life Company soon and this will enable us to support growing insurance needs.

We are cautiously optimistic for 2019 as we are all keenly watching the outcome of the FBA (Foreign Bank Access) discussions in Brussels.

The financial sector is becoming increasingly competitive with too many players. Do you think the market is oversaturated and what is your outlook for Cambodia's overall financial sector?

Could you brief us on the progress of the respective companies - Phillip Bank, Insurance and

grow insurance. It is also important to change mindset. Encouraging entrepreneurs and general assistance on the subject of death or any financial matter has to be dealt with in a positive manner.

And perhaps a consumer industry effect as well as the opportunity government support will be a very good start. Public sentiment and use of media will go a long way in this endeavor. Cambodia can perhaps have a shared learning curve and keeping its education effort, as it can learn from the experience of neighboring countries that now have a financial insurance market.

And, what is Phillip Group's plan for next year, any plans to launch new products for customers?

Bank opens INAUGURAL Entrepreneurship Cambodia

" is a new bank aimed at business commercial from industry res back of

Entrepreneurship Cambodia



The inaugural "Entrepreneurship Cambodia" seminar held at Rosewood on Friday December 2018 was attended by 30 guests featured two prominent speakers.

Dintha Chhem Serey Sopheap, Multi-Business Owner, Honorable Speaker.



CEO Chan Mach of KREDIT MFI presenting donations to flood victims on behalf of PhillipBank, KREDIT MFI and Singapore Club Cambodia.

CORPORATE SOCIAL RESPONSIBILITY

Phillip Bank believes CSR is not just a corporate responsibility: it is our DNA to do good and give back to the communities we operate in.

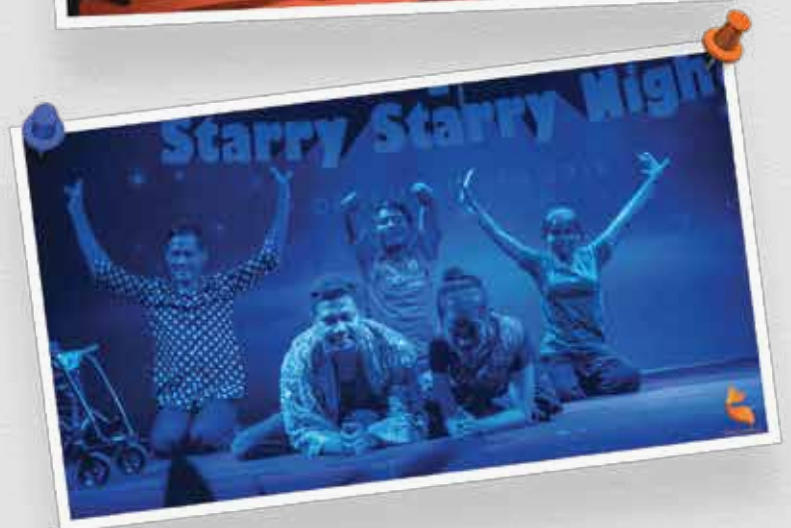
We divide our CSR activities into two:

- Strategic CSR: there are specific areas the bank has chosen to contribute over an extended period. For Phillip Bank Strategic CSR includes benefiting education and disabled arts.
- Tactical CSR: There are short term projects providing aid to specific segments of the community in response to events such as disasters, flood relief, school, and educational campaigns, children's enrichment programs, etc.

Flood Donation to Steung Treng during August 2018: In August 2018, there was a disastrous flood in Steung Treng Province. Phillip Bank along with Kredit MFI and Singapore Club Cambodia together with our customers raised USD 16K in aid in the form of relief supplies to the flood victims.



Epic Arts Cambodia: Phillip Bank is a sponsor of disabled arts in Cambodia and has proudly contributed to performances by Epic Arts, a social and educational enterprise based in Kampot.



E2STEM Cambodia: Phillip Bank is a proud sponsor of a major educational initiative called E2STEM. Under the program, scholarships are provided to needy students for their studies in science and mathematics. In 2018, Phillip Bank sponsored two students for 3 years in high school and 2 years in technical school under the E2STEM program at Preah Yukunthor high school supporting their learning of science and mathematics.

International Children’s Day: Phillip Bank donated school bags to students from elementary schools participating in an event organized by Kids City during International Children’s Day. The Bank also sponsored the “1st June My Generation” project through donations to school kids at Ou Key Primary School at JIPAT, Koh Kong province. The Bank has contributed for three consecutive years to his project and helped students enjoy the experience of outdoor activities.



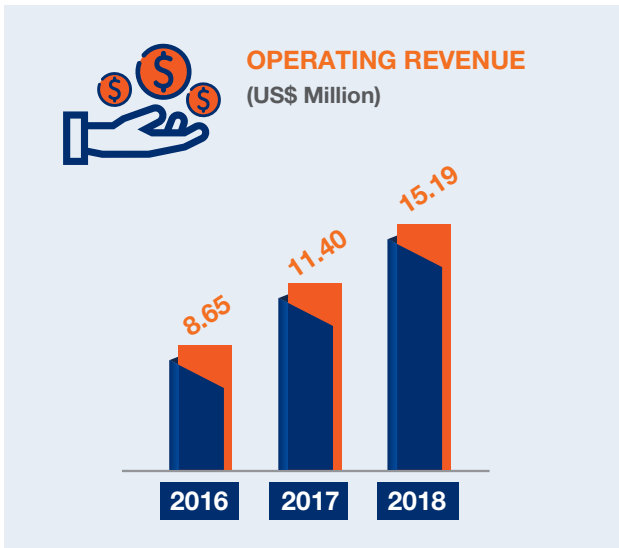
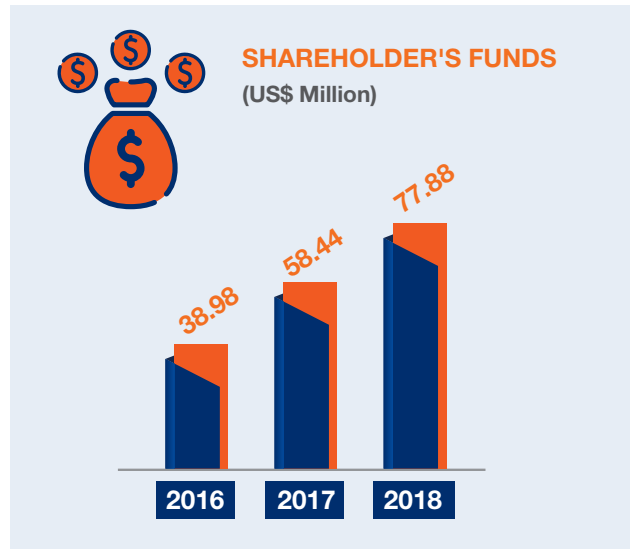
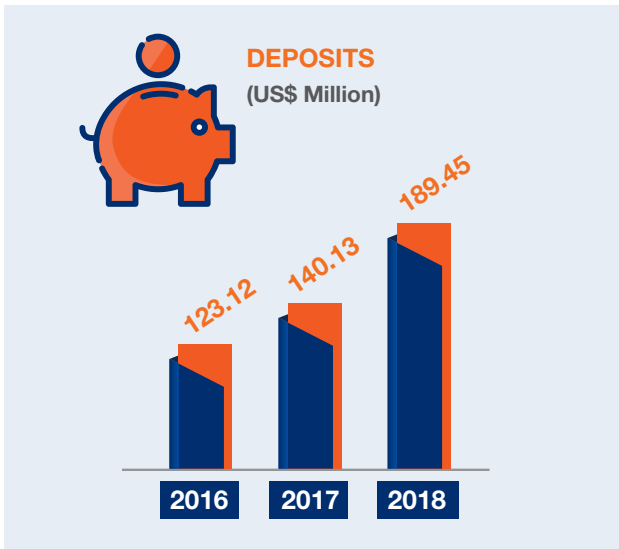
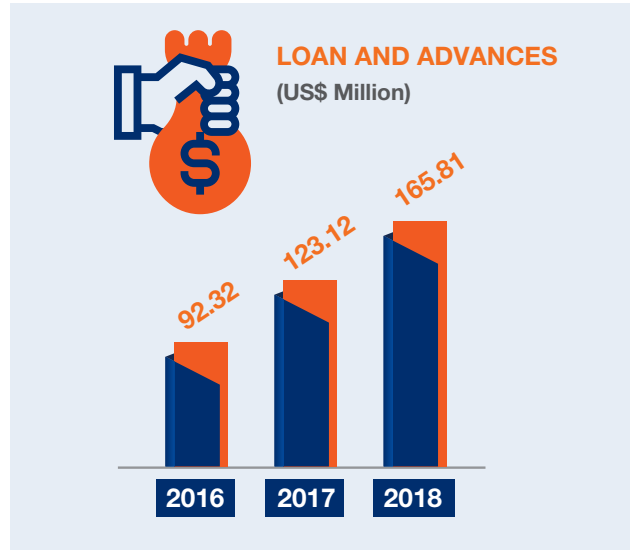
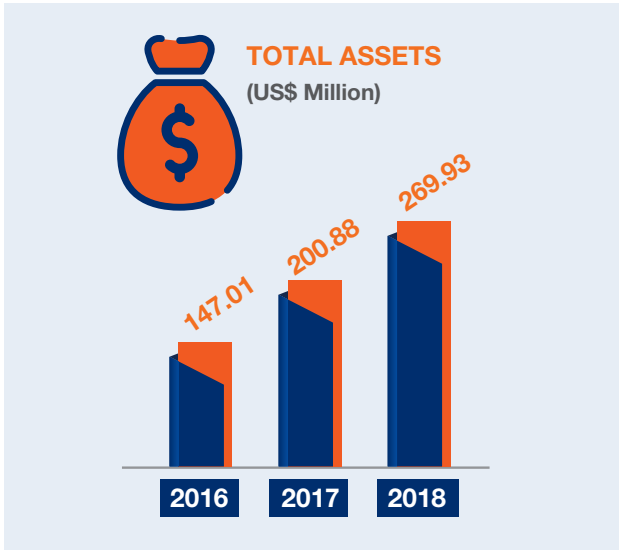
Airavata Cambodia Fund Raising Events: Phillip Bank has been a consistent supporter and donor to Airavata whose mission is to raise funds to protect Elephants in Cambodia.



FINANCIAL HIGHLIGHTS

	FY 2018	FY 2017	FY 2016
OPERATING RESULTS (USD\$'000)			
Operating revenue	15,190	11,404	8,654
Profit before taxation	3,116	2,502	477
Net profit for the year	2,446	1,959	499
KEY BALANCE SHEET DATE (USD\$'000)			
Total assets	269,929	200,881	147,007
Loan and advances	165,807	123,125	92,321
Total liabilities	192,045	142,443	107,528
Deposits	189,449	140,129	105,504
Statutory capital	75,000	58,000	41,000
Shareholder's funds	77,884	58,438	39,479
FINANCIAL RATIOS			
Earnings per share (US\$)	0.033	0.034	0.012
Net assets per share (US\$)	1.04	1.01	0.96
Return on shareholders' funds (%)	3.14	3.35	1.26
Return on assets (%)	0.91	0.97	0.34
Liquidity ratio (%)	114	122	175
Loan-to-deposit ratio (%)	89.05	89.55	89.49
Non-performing loans to total loans (%)	1.03	1.08	1.42
CAPITAL MANAGEMENT			
Net worth (US\$'000)	78,232	60,217	39,362
Solvency ratio (%)	41.61	42.15	34.09

3-YEAR FINANCIAL SUMMARY



ANALYSIS OF FINANCIAL STATEMENT

OPERATING REVENUE

Operating revenue of the Bank for the year ended 31 December 2018 is 33.20% higher at US\$ 15.19 million, compared to US\$ 11.40 million posted in the previous year ended 31 December 2017. Contributing to the higher operating revenue is primarily the significant increase in interest income from loans and advances to customers, on the back of significant growth in loan portfolio of the Bank as well as fee income. The key sources of operating revenue of the Bank for the year ended 31 December 2018 are loans and advances to customers (97.36%) and deposit placements with financial institutions (2.64%).

PROFIT BEFORE TAXATION AND EARNINGS PER SHARE

The Bank posted a marginally pre-tax profit of US\$ 3.12 million for the year ended 31 December 2018 against pre-tax profit of US\$ 2.50 million recorded in the preceding year 2017. Cost-to-income ratio for the Bank for the year 2018 is lower at 0.60:1 against 0.63:1 in the previous year. Components of operating expenses of the Bank for the current year under review are personnel expenses (55%), depreciation and amortization expenses (9%), establishment related costs (16%), promotion and marketing related expenses (3%) and administrative and other operating expenses (17%).

The Bank posted a net profit for the year of US\$ 2.45 million compared to a net profit of US\$ 1.96 million in the year ended 31 December 2017 mainly due to the higher interest and fee income earned. Profit per share of the Bank for year 2018 is US\$ 0.033 versus profit per share of US\$ 0.034 for the previous year.

TAXATION

Taxation consists of income tax and deferred tax. As the Bank incurred pre-tax profit during the current year, the income tax of the Bank is subjected to the 20% profit tax under the Cambodian tax laws. The bank is also recognizing the deferred tax assets of US\$ 0.49 million as of 31 December 2018.

TOTAL LIABILITIES

Total liabilities of the Bank have increased to US\$ 192.05 million as at 31 December 2018 from US\$ 142.44 million as at 31 December 2017 on the back of higher deposits from customers and banks which increased by US\$49.32 million as at 31 December 2018.

Deposit placements from financial institutions and customers remain the key components of the Bank's total liabilities as at 31 December 2018, i.e. accounted for 98.65% of the total liabilities of the Bank.

TOTAL ASSETS

Total assets of the Bank stood at US\$ 269.93 million as at 31 December 2018, representing a 34.37% increase from US\$ 200.88 million as at 31 December 2017. The assets base of the Bank is largely supported by loans and advances to customers (61%), deposit placements with financial institutions (6.83%) and balances with the Central Bank (29.07%). Increase in total assets of the Bank as at 31 December 2018 relative to the last year ended 31 December 2017 is mainly attributable to the increase in customers and banks' deposits of 33.94%.

DEPOSITS

Deposits from financial institutions and customers as at 31 December 2018 consist of term deposits (61%), current accounts (27%) and savings accounts (12%). As at 31 December 2017, the main component of deposits from financial institutions and customers was term deposit accounts, which comprised 66% of the total deposits. Increase in deposits from financial institutions and customers as at 31 December 2017 is primarily attributed to higher term deposits from customer.

LOANS AND ADVANCES

Loans and advances mainly comprise secured long term loans to customers. Gross loans and advances to customers of the Bank have grown by 34.44% to US\$ 168.70 million as at 31 December 2018 from US\$ 125.48 million as at 31 December 2017.

As at 31 December 2018, the loan portfolio of the Bank comprises loans and advances to various sectors in Cambodia, mainly wholesale and retail trade (22%), real estate and renting activities (23%), housing (13%), financial sector (4%), manufacturing (3%), and hotel and restaurants (3%) sectors, and other sector (32%).

STATUTORY CAPITAL

The paid-up statutory capital of the Bank as at 31 December 2018 amounted to US\$ 75 million.

SHAREHOLDER'S FUNDS AND NET ASSETS PER SHARE

As at 31 December 2018, shareholder's funds of the Bank is marginally higher at US\$ 77.88 million compared to US\$ 58.44 million as a result of net profit generated in 2018. Net assets per share of the Bank as at 31 December 2018 stood at US\$ 1.04 (2017: US\$ 1.01).

RETURN ON SHAREHOLDER'S FUNDS AND RETURN ON ASSETS

The Bank recorded positive returns on shareholder's funds and assets for the year ended 31 December 2018, i.e. the return on shareholder's funds is 3.14% (2017: 3.35%) and the return on assets is 0.91% (2017: 0.97%) respectively.

NON-PERFORMING LOANS TO TOTAL LOANS (%)

The non-performing loans to total loans ratio as at 31 December 2018 is slightly reduced to 1.03% compared to 1.08% as at 31 December 2017. Non-performing loans are mostly secured and the Bank is in the process of recovering the loans.

LIQUIDITY RATIO

The liquidity ratio of the Bank as at 31 December 2018 is lower at 114% compared to 122% as at 31 December 2017 mainly due to the increase in loan and advance to

customer. The Bank is in compliance with the Central Bank's Prakas No.B7-04-207 which requires a liquidity ratio of 80%. The liquidity ratio of the Bank indicates the Bank has the ability to honour withdrawals of deposits by its customers.

NET WORTH

As at 31 December 2018, the net worth of the Bank of US\$ 78.23 million (2017: US\$ 60.22 million) is in excess of the minimum regulatory capital requirement of US\$75 million. The increase is mainly due to additional share capital and the net profit generated in 2018.

LOAN-TO-DEPOSIT RATIO

The loan-to-deposit ratio of the Bank as at 31 December 2018 is stagnant at 89.05% as compared to 89.55% as at 31 December 2017 mainly attributed to the similar increment in deposit and loan portfolio.

SOLVENCY RATIO

Solvency ratio provides a measure of the Bank's net worth as a percentage of its risk-weighted credit exposures. As at 31 December 2018, the solvency ratio of the Bank of 41.61% (2017: 42.15%) is in compliance with Central Bank's Prakas No.B704-206 which requires a solvency ratio of at least 15%. The solvency ratio as at 31 December 2018 is relatively higher mainly due to the increase in net worth.



POLICIES AND PRACTICES

BOARD RESPONSIBILITIES AND OVERSIGHT

The Board of Directors (“Board”) is committed to the principles of corporate governance and oversees the overall corporate governance practices and performance of the Bank. The responsibilities of the Board include:

- oversees the conduct of the Bank’s business;
- establishes business directions, plans and annual budget of the Bank;
- reviews action plans that are implemented by the management to achieve business strategies and targets set by the Board;
- identifies principal risks and ensures the implementation of appropriate systems to manage those risks;
- reviews the adequacy and the integrity of the Bank’s internal control systems and management information systems, including systems for compliance with applicable laws, rules and guidelines issued by the National Bank of Cambodia from time to time.

COMPOSITION OF THE BOARD

The Bank is led and managed by an experienced Board comprising members with extensive experience in commercial and investment banking activities as well as audit background. As at 31 December 2018 the Board comprises 7 Non-Executive Directors, 4 of whom are independent.

Ms. Diana Seah Yen Goon (Independent Non-Executive Director) and Mr. Paul Gwee Choon Guan (Independent Non-Executive Director) were appointed to the Board with effect from 14 March 2014 while Mr Koh Yong Guan (Independent Non-Executive Director) was appointed with effect from 17 December 2014 and Mr. Ith Vichit (Independent Non-Executive Director) was appointed with effect from May 2016. All have extensive related experience. The current Board comprises 3 Non-Independent Non-Executive Directors and 4 Independent Non-Executive Directors.

The functions of Executive and Non-Executive Directors are separate and distinct. The Non-Executive Directors complement the skills and contribute to the formulation of strategies and policies of the Bank, whilst, the Independent Non-Executive Directors also provide checks and balances to ensure that the Bank operates within proper governance framework with the necessary internal control and systems in place. The Executive Director is responsible for making operational decisions and implementing strategic activities of the Bank with the assistance of the General Manager. The Non-Executive Directors on the Board who bring strong independent judgment and objective participation in the proceedings and decision-making process of the Board provides an effective check and balance on the powers of the management board.

The composition of the Board reflects the Board’s commitment to maintain an appropriate balance to ensure a sufficiently wide and relevant mix of backgrounds, skills and experience to provide strong and effective leadership and control of the Bank.

The Board has set up three (3) Board Committees to assist the Board in the management of the Bank’s businesses and discharge of its duties. The functions and terms of reference of the Committees as well as authority delegated by the Board to these Committees have been clearly defined by the Board. Three (3) Board Committees are:

Committee	Chaired By
Audit Committee	Independent Non-Executive Director
Risk Management Committee	Independent Non-Executive Director
Remuneration and Nomination Committee	Independent Non-Executive Director

The Audit Committee provides independent oversight of the Bank's financial reporting and internal control system and ensures checks and balances within the Bank.

The Audit Committee comprises 4 members from the Board as follows:

1. Ms. Diana Seah Yen Goon (Chairperson)
2. Mr. Paul Gwee
3. Mr. Ong Teong Hoon
4. Mr. Chan Mach

The duties of the Audit Committee include amongst others:

- (a) ensure financial and risk-related information provided to the public and the National Bank of Cambodia are clear, accurate and reliable;
- (b) assess the basis of preparation and accounting methodologies used for individual and consolidated financial statements;
- (c) review the adequacy of the scope, functions, competency and resources of the internal audit functions and ensure that the internal audit functions has the necessary authority to carry out its work;
- (d) review the scope of the internal audit programme and compliance programme;
- (e) review the effectiveness of internal control systems and processes;
- (f) ensure that there are proper checks and balances in place so that the provision of non-audit services does not interfere with the exercise of independent judgement of the external auditors;
- (g) review the scope of audit, the plans for carrying out the audit, the extent of planned reliance on the work of the external auditors and the internal auditors;
- (h) review audit reports as well as inspection reports issued by regulatory authorities and issue directives for necessary remedial actions to be taken;
- (i) review all related party transactions and keep the Board informed of such transactions; and

- (j) review reports prepared by Compliance Officer relating to compliance with statutory and regulatory requirements and issue directives for necessary remedial actions to be taken.

(II) Risk Management Committee

The Risk Management Committee oversees management's activities in managing credit, market, structural interest rate, liquidity, operational, legal and other risks to ensure that the risk management process is in place and functioning.

The Risk Management Committee comprises 4 members from the Board as follows:

1. Mr. Paul Gwee Choon Guan (Chairperson)
2. Mr. Ong Teong Hoon
3. Mr. Chan Mach
4. Mr. Ith Vichit

The Risk Management Committee is authorised by the Board to:

- (a) review and recommend risk management strategies, policies and risk tolerance for the Board's approval;
- (b) review and approve new products, after ensuring that the new products have undergone proper evaluation process;
- (c) review the asset and liability management and capital allocation functions including fund transfer pricing where relevant;
- (d) set risk appetite capital for delegation to the Asset and Liability Committee;
- (e) review and assess the adequacy of risk management policies and framework in identifying, measuring, monitoring and controlling risk and the extent to which these are operating effectively and independently;
- (f) ensure that the infrastructure, resources and systems are in place for risk management; and
- (g) review the management's periodic reports on risk exposure, risk portfolio composition and risk management activities.

(III) Remuneration And Nomination Committee

The Remuneration and Nomination Committee provides a formal and transparent procedure for the appointment of Directors, Board Committees members and key senior management officer(s) as well as assessment of the effectiveness of such individual Directors, the Board as a whole and the performance of the key senior management officer(s). The Committee also provides a formal and transparent procedure for developing remuneration policy for Directors and key senior management officer(s) and ensures that compensation is competitive and consistent with the Group's culture, objectives and strategy.

The Remuneration and Nomination Committee comprises 3 members from the Board as follows:

1. Ms. Diana Seah Yen Goon (Chairperson)
2. Mr. Lim Hua Min
3. Mr. Ong Teong Hoon

The Remuneration and Nomination Committee is authorised by the Board to:

- (a) review the composition and size of the Board and determine the appropriate Board balance between Executive Director(s), Non-Executive Directors and Independent Directors;
- (b) review and recommend to the Board the required mix of skills, experience, qualification and other core competencies required of a Director;
- (c) recommend and assess the nominees for directorship, Board committees as well as nominees for key senior management position(s);
- (d) recommend to the Board the removal of a Director or key senior management officer(s) if they are ineffective, errant and negligent in discharging their respective responsibilities;
- (e) establish a mechanism for the formal assessment of the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board, the contribution of the Board's various committees and the performance of the key senior management officer(s);

- (f) oversee the appointment, management succession planning and performance evaluation of the key senior management officer(s); and
- (g) recommend a framework for the remuneration of Directors and key senior management officer(s). Such framework should reflect the responsibility, experience and commitment of each Director and key senior management officer(s) concerned.

BOARD APPOINTMENT PROCESS

All nominees for appointment to the Board will in the first instance be assessed by the Remuneration and Nomination Committee which will make recommendations to the Board. The Board makes the final decision in respect of appointment to the Board. When assessing nominees for appointment to the Board, considerations will include the nominees' qualifications, expertise and experience, fit and properness, core competencies required of the position and the appropriate Board balance.

Policy and Practice Guidelines For Corporate Governance

BOARD MEETINGS

Board Meetings are held at least once every quarter. During the financial year ended 31 December 2018, the Board met four (4) times.

Directors are provided with notices of the Board Meetings and board papers for each agenda item in advance of each meeting to ensure that Directors have sufficient time to study them and be prepared for discussion. Any additional information requested by Directors is readily available. The Board also has a formal schedule of matters reserved for deliberation and decision. Minutes of Meetings are maintained.

The management of the Bank has adopted the Group's policy on information to be brought to the Board's attention. In accordance to the policy, all material information are to be tabled to the Board on a timely basis in order for the Board to be kept abreast with the performance and business activities of the Bank.

Directors have access to the advice and services of the Company Secretaries who are responsible for ensuring that Board procedures are followed and all necessary information are obtained from Directors both for the Bank's own records and for purposes of meeting statutory obligations.

Details of Directors' attendance at Board Meetings during the financial year ended 31 December 2018 are outlined in the table below:

Name of Director	No. of Board meetings attend in office
Mr. Lim Hua Min (Chairman)	4/4
Mr. Koh Yong Guan	4/4
Mr. Ong Teong Hoon	4/4
Ms. Diana Seah Yen Goon	4/4
Mr. Paul Gwee Choon Guan	4/4
Mr. Ith Vichit	4/4
Mr. Chan Mach	4/4

Responsibility

The Board recognises the importance of maintaining adequate accounting records and an effective system of internal controls to safeguard the shareholder's interest and the Bank's assets. The Board affirms its overall responsibility for the Bank's system of internal controls, which includes the establishment of appropriate control environment and risk management framework as well as review of its adequacy and integrity. In view of the inherent limitations in any system of internal controls, the system is designed to manage risks and ensure that the risks are identified and managed at acceptable levels, rather than eliminate these risks to achieve its business objectives. The system can only provide reasonable but not absolute assurance against the risk of material misstatement of management and financial information or financial losses and fraud.

Key internal control processes

The key processes that have been established in reviewing the adequacy and integrity of the system of internal controls are described below:

- **Organisational structure**

Organisation structure with delineated lines of responsibilities, reporting, delegation of authorities and accountability within the Bank will assist in ensuring that effective

communication of risk control objectives as well as establishment of authority and accountability is in accordance with management criteria.

- **Internal policies and procedures**

Detailed internal policies and procedures manuals of business and support units were established to serve as a guidance to ensure compliance with internal control and the applicable laws and regulations.

There are also documented Limits of Approving Authority for key aspects of the businesses, which have been approved by the Board. This provides a sound framework of authority and accountability as well as facilitates proper corporate decision-making at the appropriate level in the organisation's hierarchy. The delegation of limits is subject to periodic reviews as to its implementation and continuing suitability in meeting the Bank's business objectives and operational needs.

- **Financial performance review**

On a regular basis, management provides comprehensive financial information, key variances and analysis of financial data to the Board for review and decision-making purposes.

- **Compliance function**

Compliance performed regular assessment on various Bank's operations to ensure adherence to regulatory requirements as well as internal policies and procedures. Any deviation or breaches are reported to the Audit Committee and the Board is kept informed of the causes and the remedial measures taken.

- **Internal audit function**

Internal Audit provides a check and balance on the effectiveness of the Bank's system of internal controls and compliance with relevant regulatory requirements by the Bank. The internal auditors undertake regular reviews of the Bank's operations and systems of internal controls. Internal Audit reports to the Board of Directors via the Audit Committee.

During year 2018, the works of the internal auditors focus on areas of priority according to their annual risk assessment and in accordance with the annual audit plan approved by the Audit Committee of the Bank. The results of reviews together with recommendations for improvement are reported to the Audit Committee of the Bank. The Bank's Audit Committee convenes regular meetings to review the findings and recommendations for improvement by Internal Audit, actions taken to rectify the findings in a timely manner and to evaluate the effectiveness and adequacy of internal control system.

The Board confirms that there is an ongoing process that has been in place throughout the financial year ended 31 December 2018 for identifying, evaluating and managing significant risks which will provide reasonable assurance that the Bank's assets are safeguarded against losses from unauthorised use and all transactions of the Bank are properly authorised and recorded.

RISK MANAGEMENT

The Bank continues to take steps to strengthen its risk management practices by appointing a Head of Compliance and Risk, who continues to work on a more comprehensive risk management and compliance framework covering:

Operational risk

- Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events. This includes legal, compliance, accounting and fraud risk.

Strategic risk

- Strategic risk arises from an institution's inability to implement appropriate business plans, strategies, decision making, resource allocation and its inability to adapt to changes in its business environment.

Financial risks

The Bank's activities expose it to a variety of financial risks, including credit risk, liquidity risk, foreign exchange risk and interest rate risk.

- Credit risk is the risk of suffering financial loss should any of the Bank's customers, clients or market counterparties fail to fulfill their contractual obligations to the Bank. Credit risk is the single largest risk for the Bank's business.

- Liquidity risk is the risk that the Bank is unable to meet its obligations when they fall due as a result of customer deposits being withdrawn, cash requirements from contractual commitments, or other cash outflows.

- Foreign exchange risk is the potential impact of adverse currency rate movements on earnings and economic value.

- Interest rate risk is the adverse changes in future cash flows of a financial instrument arising from changes in market interest rates. Interest margins may increase or decrease due to unexpected movements in rates.

Compliance risk

- Compliance risk is the risk of legal or regulatory sanctions, material financial loss or damage to reputation that an institution may suffer as a result of failure to comply with laws, regulations, rules, self regulatory banking standards and codes of conduct applicable to its activities.

The Bank promotes risk awareness and visibility among its employees at all levels of the Bank. Training programs are continuously held by the Compliance and Risk Department to educate employees on how to identify risks, promote methods to improve controls, and remain compliant with both internal and external policies and regulations. The Bank has implemented a dynamic ongoing Control Self Assessment (CSA) process of which all departments will continue to identify, assess and mitigate operational risks. The Asset Liability Management Committee (ALCO) maintains an oversight on the Bank's financial performance, risk return positions, liquidity and capital management processes. The Board of Directors also has a standing Risk Management Committee to provide guidance on related issues and to ensure that the Bank's risk appetite is appropriate to deliver financial objectives of the Bank.

The Bank is continuing its risk management and compliance framework development in year 2018 and believes that a robust risk management and compliance framework will help to ensure its continued sustainability and ability to meet the needs of its target market.

Code of ethics

The Bank's code of ethics was put in place as a guideline to acceptable behaviours of employees, especially when they handle sensitive issues like investments, interaction with others and handling grievances, both from outside and within the organisation. The code of ethics also sets out specific behaviour standards for our employees to cover potential ethical issues such as confidentiality and/or misuse of information.

Having the code of ethics increases the confidence in the Bank as an organisation by showing potential customers and investors that the Bank is committed to maintaining the Bank's integrity by following basic ethical guidelines and acting in a responsible manner in the course of performing its business activities.

All new employees are briefed and expected to sign an acceptance of the code of ethics as a guide to his or her conduct upon commencement of employment.

Independency and transparency

The Bank is independently managed by an experienced management team with oversight by the Board. The Bank practices transparency in dealings with customers as well as in terms of financial accountability and reporting



PROFILE OF DIRECTORS



MR. LIM HUA MIN

Chairman

Mr. Lim Hua Min is the Executive Chairman of PhillipCapital Group of Companies and was also appointed Chairman of IFS Capital Limited on 20 May 2003. He began his career holding senior positions in the Stock Exchange of Singapore and the Securities Research Institute. He has served on a number of committees and sub-committees of the Stock Exchange of Singapore. In 1997, he was appointed Chairman of the Stock Exchange of Singapore (SES) Review Committee, which is responsible for devising a conceptual framework to make Singapore's capital markets more globalised, competitive and robust. For this service, he was awarded the Public Service Medal (PBM) in 1999 by the Singapore Government. He served as a board member in the Inland Revenue Authority Singapore

from 2004 to 2010. He served as a board member in the Inland Revenue Authority Singapore from 2004 to 2010.

Mr. Lim holds a Bachelor of Science Degree (Honours) in Chemical Engineering from the University of Surrey and obtained a Master's Degree in Operations Research and Management Studies from Imperial College, London University.

MR. ONG TEONG HOON

Director

Mr. Ong Teong Hoon started working in the financial sector in 1977, first as a Money Broker and then, after a year, with Standard Chartered Bank, as a Management Trainee. For 25 years with the Bank, he had been through all aspects of Commercial Banking, apart from Treasury function and ended his banking career as Country Manager for the Bank in Cambodia in 2002.

This was after being the Bank's Chief Representative in Myanmar and before that, Regional Manager, Asia Pacific Region covering Financial Institutions. Almost immediately after that, he joined Phillip Securities Pte Ltd and had covered various functions, including a stint in Phillip Securities Thailand PLC as its Ag CEO and last, the Director OTC Capital prior to being assigned to Kredit MFI PLC in 2012.

Mr. Ong is a graduate from the University of Singapore with a Bachelor of Business Administration and an Associate of the Chartered Institute of Bankers since 1978.





MR. CHAN MACH

Director

Mr. MARCH, the first local CEO of KREDIT, was promoted from his Operation Manager position in 2006. With a Bachelor of Mathematics and experience as a math teacher, Mach joined KREDIT initially in 1999 as Auditor and Trainer. His managerial potential was recognized and he became the Phnom Penh Branch Manager in 2001. The branch flourished and in 2003 he was appointed the Operations Director. Under his leadership, KREDIT became sustainable and tripled the portfolio. Mach completed 2 Master's Degrees: MBA and MFB. He attended numerous courses related to microfinance and banking locally and abroad.

MR. PAUL GWEE CHOON GUAN

Independent Director

Mr. Paul Gwee Choon Guan is in banking career over 25 years of experience in universal & treasury/investment banking with asset/fund & wealth management industry across Asia Pacific. His specialized skills include the fields of enterprise risk management (credit, market, liquidity and operational), control & compliance and back room operations with robust combination of strategic business finance and accounting reporting, mergers & acquisitions and capital management. He was the Head of Risk Management & Compliance in United Overseas Bank Group followed by as the Country CFO in Hong Kong & Shanghai Bank, Indonesia and as Chief Operating Officer in Bank of East Asia, Singapore. He is currently the Secretary General of the ASEAN Banker Association. Mr. Gwee holds an Master in Business Administration from University of Chicago, Graduate School of Business, majoring in finance and was awarded the Bachelor of Commerce degree from the University of Newcastle. He qualified as a Chartered Accountant in 1984 and is a Fellow of the Institute of Chartered Accountants in Australia and Institute of Singapore Chartered Accountants.





MS. DIANA SEAH YEN GOON

Independent Director

Ms. Diana Seah Yen Goon has more than 30 years of working experience in financial institutions including GE Commercial Finance, that specialize in financing small and medium sized enterprises. She held senior position in Finance, Operations, IT overseeing operation in Singapore, Thailand and Hong Kong. She was the Chief Financial Officer in charge of the finance and controllership, strategic and financial planning, funding and compliance.

She conducts training workshops at the Civil Service College and serves at the HR sub-committees of St. Luke's Hospital and the Singapore Christian Home.

Ms. Diana Seah is a Chartered Accountant (Singapore) who holds a Bachelor of Accountancy degree from the University of Singapore, now called the National University of Singapore and a MBA degree (Business Law) from the Nanyang Technological University.

MR. KOH YONG GUAN

Independent Director

Mr. Koh joined Singapore's Civil Service as a Biomedical Engineer in the Ministry of Health in 1972 and was absorbed into the Administrative Service in 1979. He served in the Ministries of Finance (Revenue Division), Education and Defence before being appointed Permanent Secretary in the Ministry of Defence in 1989. Mr. Koh was the Commissioner of Inland Revenue from 1991 to 1997. In 1998, he was appointed Managing Director, Monetary Authority of Singapore (Governor of the Central Bank). He had also held the appointments of Permanent Secretary, Ministries of Health and National Development, and Second Permanent Secretary, Ministry of Finance (Budget and Revenue) between 1998 and 2001. He retired as the Managing Director, Monetary Authority of Singapore (MAS), in June 2005, and remained a member of the MAS Board until April 2011.

He served as the Chairman of Central Provident Fund Board, the national pension fund for all employees in both the private and public sectors in Singapore, from 2005 to 2013. He was Singapore's Non-Resident High Commissioner to Canada from May 2008 to March 2013. Mr. Koh is currently the Chairman of the Board of SMRT Corporation Ltd, a publicly listed company that runs the underground train system, and buses and taxi services in Singapore. He is also Chairman of the Singapore Deposit Insurance Corporation, and Chairman of the Cancer Sciences Institute of Singapore. Mr. Koh is Singapore's Ambassador (Non-Resident) to Greece since May 2013.

He graduated with a Bachelor of Applied Science (Honours) degree in Mechanical Engineering in 1970 and a Master of Applied Science in Mechanical Engineering and Biomedical Engineering in 1972 from the University of Toronto on a Colombo Plan scholarship. He obtained a Master in Business Administration (with distinction) from the Catholic University of Leuven, Belgium in 1981. He was conferred an Honorary Doctorate by the University of Toronto in 2011.





MR. ITH VICHIT

Independent Director

Mr. Vichit possesses an extensive international experience focused on financial and economic advisory and senior corporate management with foreign and regional multinationals, in soft and hard commodity trading (France, Middle-East, Southeast Asia and Egypt), banking with two leading global Wall Street investment banks and private equity (New York, United Kingdom, Singapore, Indonesia), general management in manufacturing as Country Manager and Group CFO (Thailand), airline and aviation as Chairman and CEO, General Manager (Cambodia and Singapore). He had also headed foreign statutory boards in charge of foreign direct investments and private sector development and advised a number of foreign direct investments and private sector development and advised a number of foreign Presidents and Prime Ministers on rapid inclusive economic development and institutional restructuring.

His development advice was centered on economic strategy, policy design and policy implementation, including advice on privatization and corporate restructuring of the local airline industry, international airports, seaports and public utilities. His advice had led to the set up and/or reforms of key economic institutions and units with the host countries such as the Economic Development Board of Madagascar, the Economic Strategy Task Force of the Presidency (Madagascar), the Rwanda Development Board and the Cambodian Investment Board (CIB/CDC). He contributed to the strategic thinking and drafting of the Madagascar Action Plan (MAP) with Harvard University, an ambitious five-year strategic plan that aims at triggering a transformational development and a quantum leap in the economic and social development of the country between 2007-2012. He was the Chairman of the Strategy Task Force of the Presidency and the first CEO of the Madagascar Economic Development Board. He had set up and led the Cambodian Investment Board, from 1994 to 1997 where the first successful wave of economic liberalization had taken place. The strategies and policies that he had designed and implemented had paved the way for the rapid growth of the garment and tourism industries and helped move Cambodia from a command to a market economy.

He was one of the international recipients of the "Global Leader for tomorrow" award given by the World Economic Forum in Davos in 1996.

His more recent economic advisory work was with the governments of Nigeria, Rwanda, Sao Tome and Principe where he was tasked, among other things, to audit and restructure the Rwanda Development Board and provide an assessment on the efficiency of the government system.

Mr. Vichit was the Country Advisor of Axiata Group for Cambodia and independent director of its subsidiaries Hello and Smart. He is currently an independent director of GL Finance, a leading leasing company. He was the Southeast Asia Senior Advisor to Monitor Consulting, a Boston based strategy consulting firm founded by Professor Michael Porter of the Harvard Business School. Vichit graduated with a Master Degree from Harvard University with a double major in macroeconomic policies and capital markets. He had attended a senior management program at Stanford Business School, Stanford University. He has lived and worked in Asia, Europe, the United States, the Middle East and Africa. He speaks fluent English, French and Cambodian.

PROFILE OF MANAGEMENT



MR. HAN PENG KWANG

General Manager

Mr. Han graduated with a Bachelor Degree in Economics (Honor) from Universiti Utara Malaysia in 1995 and he is Chartered Banker and a Certified Credit Professional of the Asian Institute of Chartered Banker (AICB).

He has over 20 years of banking experience starting from 1995 when he joined Public Bank Berhad, a well known Malaysian listed commercial bank as Graduate Trainee and thereafter was gradually promoted until becoming a Branch Manager. His banking experience includes frontline operations, marketing, credit processing, loan securities and documentations, credit review, credit control and trade financing.

Mr. Han joined HwangDBS Commercial Bank Plc (now known as Phillip Bank Plc) from its beginning in 2009 to date as Senior Vice President and subsequently re-designated as General Manager in 2011. He is responsible to oversee the

entire operations of the bank and expanded the network of the bank from one branch in 2009 to 6 branches. He remains as the General Manager of Phillip Bank Plc upon the change of ownership in the beginning of 2014.

MR. SOEUNG PHYRY

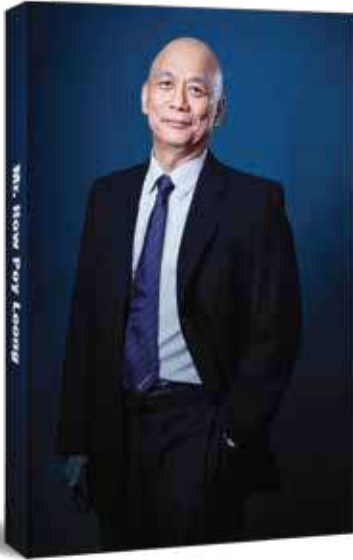
Risk & Compliance

Mr. Phyr holds a Bachelor degree in Accounting and Finance from National University of Management and an MBA from Charles Sturt University. He has gained the Certified Expert in Risk Management from Frankfurt School of Finance and Management. He has been awarded with numerous scholarships such as Strategic Leadership for Microfinance at Harvard Business School, Risk Management Excellent in Microfinance at Luxembourg, Advanced Bank Operation Risk Management Masterclass at Malaysia.

He has over 18 years of combined working experience in Commercial Bank, Microfinance Institution, Mobile Banking Service, International Non-Governmental Organization (INGO) and Non-Governmental Organization (NGO) both locally and overseas.

Mr. Phyr joined Phillip Bank Plc. in February 2013 as Head of Risk & Compliance.





MR. HOW POY LEONG

Credit Risk

Mr. How graduated with Bachelor of Commerce (Honor) Degree from University of Windsor, Canada (1984) and passed the Certified Credit Professional (CCP) of the Institute of Bankers Malaysia(2004).

He has more than 30 years of banking experience starting from 1985 when he joined Public Bank Berhad as a Graduate Trainee and thereafter was gradually promoted to be a Branch Manager in 1991. His banking experience include banking operations, marketing, credit processing, loans securities and documentation, credit administration, credit control and trade finance.

In 2001, he joined Maybank, Malaysia and covered credit lending for retail and commercial customers before his appointment as Head of Business Development for Maybank, Cambodia in 2008. Subsequently, he took the position as Associate Director, Corporate Banking, International with Maybank in 2010 which involved processing syndicated loans and corporate loans from the International branches. In January 2015, he has joined Phillip Bank Plc, Cambodia as Head of Credit with the objective to boost the loans growth for the bank and upgrade the overall standard of credit processing whilst achieving the Bank's profitability targets.

MR. TEO CHWEE BENG

Operations

Mr. Teo has a Diploma in Banking and Finance from the Institute of Banking and Finance, Singapore

Mr. Teo has over 30 years of banking experience in Consumer Banking Operations, Consumer Banking Risk Management as well as Group Audit department with Standard Chartered Bank, Singapore. He was also with DBS Group Audit for a short period doing audits relating to Consumer Banking and Group Technology and Operations (GTO). He started his career as a clerical staff before moving up to middle Management position in Standard Chartered Bank, Singapore.

Mr. Teo joined Phillip Bank Plc in August 2014 as Head of Operations.





MS. POV SOPHEAK

Human Resource

Ms. Sopheak graduated with a Bachelor Degree of Tourism and Hotel Management from National University of Management and an Associate Degree of Teaching from Phnom Penh Pedagogy Center.

Ms. Sopheak started her career in 1999 as a Teacher and became an HR Professional after 8 years with public sector. As an HR Practitioner, Sopheak has worked with various industries including F&B, ISP and banking.

Ms. Sopheak joined Phillip Bank Plc in January 2013 as Senior HR Executive then has been promoted to be HR Manager.

MR. YUN VETH

Administration

Mr. Veth graduated with Bachelor Degree of English literature from Phnom Penh International University (PPIU) in 2010 and he successfully completed Master of Business Administration (MBA) at Norton University in 2016.

Because of his commitment and enthusiasm, Mr. Veth has advanced his career from a Security Guard to Administration and Finance Assistant, Administrative Assistant at Phnom Penh Commercial Bank and then as Administration Executive within 7 years.

Mr. Veth joined Phillip Bank Plc in September 2012 as Admin Executive then has been promoted to be Admin Manager.





MS. SRON SREYNEANG

Finance

Ms. Sreyneang graduated with Bachelor Degree of Accounting from Royal University of Laws and Economics (RULE) in 2006 and she is currently pursuing her ACCA degree.

Ms. Sreyneang started her career in 2006 and has been worked as an Auditor for 6.5 years. She has been involved in many industrial like corporate, bank and NGOs. She also worked in PwC Malaysia for 14 months on the Secondment program.

Ms. Sreyneang joined Phillip Bank in April 2015 as Finance Manager, and has been promoted to Senior Manager, Finance and Treasury from January 2017.

MR. SRUN VANDOEUN

Internal Audit

Mr. Vandoeun holds a Bachelor Degree of Finance and Banking from National University of Management and MBA from Norton University.

He has 7 years experiences in the field of audit from two financial institutions i.e AMK MFI and Cambodian Public Bank. During his 10 years experiences in financial sector he worked in many positions such as Teller, Cashier, Accountant and Auditor and Audit Team Leader.

Mr. Vandoeun joined Phillip Bank Plc in December 2014 as Senior Internal Auditor, and has been promoted to Internal Audit Manager from January 2017.





MS. SOCHEAT KANIKA

Credit Admin

Ms. Kanika graduated two Bachelor Degrees in Marketing and Khmer Literature from National Institute of Management and Royal University of Phnom Penh. In 2006, she received her MBA of Management from Build Bright University.

She started her career in 2001 with domestic and international companies. After six-year career in insurance and telecommunication service, she decided it was time to change and move to Banking Industry, where she was offered by Korea and Malaysia Bank respectively.

With her eight years experience in Loans and Credit Administration, she joined Phillip Bank Plc in April 2015 as Credit Admin Manager.

MR. TAN CHAW

Corporate Lending

Mr. Tan has a Diploma in Management. He has more than 35 years of experience in banking industry. He joined Public Bank, Malaysia in 1980 as a clerical staff and stayed with the bank until 2008. During his job tenure with the bank, he was exposed to various aspects of banking including trade finance. He held the position as a Branch Manager for slightly more than 10 years and the last job position held was as a manager of Regional Credit Control and Securities Centre. In June, 2009, he joined RHB Indochina Bank Ltd, Cambodia as a Branch Manager until he retired on 31st December, 2015.

He joined Phillip Bank Plc in May, 2016 as a Senior Manager- Lending and in 2018 he has been appointed as Consumer Credit Cycle Manager under the retail banking department.





MR. CHEA VISAL

IT

Mr. Visal graduated Bachelor Degree of Computer Science and Engineering (Honor) from Royal University of Phnom Penh (RUPP) in 2003. He has 9 years of experience starting from 2004 with KREDIT MFI.

In 2010, after spending 3.5 years, he graduated AA Degree in Computer Programmer from Cerritos College, USA. He came back and joined KREDIT MFI again as MIS Unit Manager and later was promoted to Deputy Head of IT.

Visal joined Phillip Bank Plc in February 2018 as Head of IT Department. Before this, he worked at a mobile money company for 3 years.

MR. LIEW ANDREW

Retail Banking

Mr. Liew has 35 years of banking experience in Consumer and Corporate Banking in the Asia Pacific and Middle East working with Citibank, ABN Amro Bank, SGX (the Stock Exchange of Singapore), OCBC Bank among others. He started his career as a management trainee in Citibank Brunei in 1976 before becoming Branch Manager, Consumer Finance Head, Chief of Staff, Retail Bank Business Manager in Korea, and CitiPhone Banking Director for Asia Pacific, the Middle East and Eastern Europe. He has worked with start-up banks across the globe before becoming a senior banking and financial services consultant. His last assignment prior to joining Phillip Bank was Country Manager for Hong Leong Bank in Vietnam.

Mr. Andrew joined Phillip Bank Plc in June 2018 as Head of Retail Banking.



HR STRATEGIES

At PhillipBank, we are dedicated to building a culture in which our employees feel challenged and rewarded and have the opportunity to demonstrate their skills and abilities. We strongly believe that the success and durability of the bank is firstly due to the quality and efficiency of human resources. This belief is outlined through our programs which aim at building a harmony working environment.

WECARE

Without the strong support from customers, everything would be only a day dream. Our employees are trained to implement the customer service standard 'WECARE' to better serve our internal and external customers. We engaged the mystery shopping agent to do surprise check on service quality to ensure that our employees have good disciplines and dedicated to the service quality standard. We want to hear voices from customers because we believe that complaints can improve our performance.

RECREATIONAL EVENTS

We believe that healthy and happy employees will enable the company to achieve its goal.

We motivate employees through recreational events such as Half Marathon for Charity where employees can participate in social responsibility, Family Day where employees can have fun together with their family members and colleagues, Staff Retreat where employees can be off, building up the teamwork, and planning for the upcoming year, and the Annual Dinner Party where employees can celebrate the success together.

TALENT DEVELOPMENT

One of our primary focus is to create jobs for younger generations so that the talented nationals are able to

contribute to the fulfillment of personal and organizational goals. In 2018, we engaged five Graduate Trainees to join our team to learn the hand-on job practices and experiences. They have been provided opportunities to learn about credit evaluation, loan documentation, sales, branch operations and especially soft skills which are very important in daily communication and their future careers. Their journey do not stop there. They were provided an employment opportunity based on their suitability and performance after the program.

GENDER EQUITY

We value gender equity. Half of our employees are female and we provide equal career advancement opportunity to both gender.

We foster a working environment that respects women and is free from harassment.

CODE OF CONDUCT AND WHISTLE BLOWING

We want to have the transparency and integrity in our conducts. We want to protect the interest of customers and shareholders. We make it mandatory for all employees to attend E-Learning on Code of Conduct with the commitment to pass the assessment. Employees also make known the channel for whistle blowing to the incidents where they are aware that the transaction is not proper. We have adopted a zero tolerance policy against fraud.



Organizational Structure



Company Secretary

Risk Management Committee

Audit Committee

Asset & Liabilities Committee

Risk & Compliance Department
Head of Risk & Compliance

Internal Audit Department
Internal Audit Manager

Credit Committee

IT Steering Committee

Operations Department
Head of Operations

Credit Admin Department
Head of Credit Admin

Credit Risk Department
Head of Credit Risk Management

IT Department
Head of IT

Trade Service Department
Head of Trade Service

Senior Credit Admin Manager

Senior Credit Risk Manager

IT Manager(s)

Banking Operations Manager

MNV Branch
Senior Branch Manager

NRD Branch
Branch Manager

KPK Branch
Branch Manager

MTT Branch
Branch Manager

SMC Branch
Branch Manager

TTA Branch
Branch Manager

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CORPORATE INFORMATION

Bank

Phillip Bank Plc.

Registration No.

00000292

Registered office

No. 27 DEF, Monivong Blvd. Sangkat Srah Chork,
Khan Daun, Penh Phnom Penh, Kingdom of Cambodia.

Shareholder

Phillip MFIS PTE.LTD.

Board of Directors

Mr. Lim Hua Min	Chairman
Mr. Ong Teong Hoon	Director
Mr. Chan Mach	Director
Mr. Paul Gwee Choon Guan	Independent Director
Ms. Diana Seah Yen Goon	Independent Director
Mr. Koh Yong Guan	Independent Director
Mr. Ith Vichit	Independent Director
Mr. Michael Tan Teck Keong	Director <i>(Resigned on 1 June 2018)</i>

Management team

Mr. Han Peng Kwang	General Manager
Mr. How Poy Leong	Head of Credit Risk
Mr. Soeung Phyry	Risk & Compliance Department
Mr. Teo Dominic	Head of Operations
Mr. Yun Veth	Administration Manager
Mrs. Socheat Kanika	Credit Administration Manager
Mr. Chea Visal	Head of IT <i>(Appointed on 12 February 2018)</i>
Mrs. Sron Sreyneang	Head of Finance
Mr. Liew Andrew	Head of Retail Banking
	<i>(Appointed on 11 June 2018)</i>

Auditors

KPMG Cambodia Ltd

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors hereby submit their report together with the consolidated financial statements of Phillip Bank Plc. (“the Bank”) and its subsidiary (collectively referred to as “the Group”), and the separate financial statements of the Bank for the year ended 31 December 2018 (hereafter referred to as “the financial statements”).

THE GROUP

THE BANK

The Bank was incorporated on 26 June 2009 under the Cambodian Law on Commercial Enterprises and licensed under the regulations of the National Bank of Cambodia (“NBC”). The Bank received the renewed NBC license for an indefinite period on 4 March 2015.

The Bank is engaged in the provision of comprehensive banking and related financial services in the Kingdom of Cambodia in accordance with Registration No. Co. 5915/09E issued by the Ministry of Commerce. On 11 February 2016, the Bank obtained a new Registration No. 00000292 from the Ministry of Commerce.

The Bank’s registered office address is at No. 27DEF, Monivong Blvd. Sangkat Srah Chork, Khan Daun Penh, Phnom Penh, Kingdom of Cambodia.

There is no significant change in the principal activities of the Bank during the year.

The Subsidiary

HwangDBS Securities (Cambodia) Plc, a wholly owned Subsidiary, was incorporated on 22 February 2010. The subsidiary is a dormant company which has not commenced commercial operations at all. The Subsidiary was approved to be liquidated by the Ministry of Commerce on 9 August 2018.

FINANCIAL RESULTS

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

	Group		Bank	
	2018 US\$	2017 US\$	2018 US\$	2017 US\$
Profit before income tax	3,143,786	2,501,731	3,143,786	2,501,731
Income tax expense	(670,518)	(543,235)	(670,518)	(543,235)
Net profit for the year	2,473,268	1,958,496	2,445,899	1,958,516
Equivalent in KHR'000 (Note 4)	9,937,592	7,906,447	9,827,623	7,906,528
Attributable to:				
Equity holder of the Bank	2,473,268	1,958,496	2,445,899	1,958,516

DIVIDEND

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

SHARE CAPITAL

On 15 March 2018, the shareholder injected US\$17,000,000 to the Bank's account. On 20 March 2018, the Bank submitted a request letter to the NBC to increase this last instalment of share capital to meet the minimum capital requirement and was approved on 24 April 2018. The revised Memorandum and Articles of Association was endorsed by with the Ministry of Commerce on 19 July 2018.

RESERVES AND PROVISIONS

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

BAD AND DOUBTFUL LOANS

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

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

ASSETS

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

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

VALUATION METHODS

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

Contingent and other liabilities

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

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

No contingent or other liability of the Group and 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 Group and of the Bank to meet its obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the Board of Directors is not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and 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 Group and of the Bank for the financial year were not, in the opinion of the Board of Directors, substantially affected by any item, transaction or event of a material and unusual nature.

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

EVENTS SINCE THE BALANCE SHEET DATE

No significant events occurred after the balance sheet date requiring disclosure or adjustment other than those already disclosed in the accompanying notes to the financial statements.

THE BOARD OF DIRECTORS

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

Mr. Lim Hua Min	Chairman
Mr. Ong Teong Hoon	Director
Mr. Chan Mach	Director
Mr. Paul Gwee Choon Guan	Independent Director
Ms. Diana Seah Yen Goon	Independent Director
Mr. Koh Yong Guan	Independent Director
Mr. Ith Vichit	Independent Director
Mr. Michael Tan Teck Keong	Director (Resigned on 1 June 2018)

DIRECTORS' INTERESTS

Mr. Lim Hua Min who is the Chairman in the Board of Directors holds 85% share in Phillip MFIS PTE LTD.

DIRECTORS' BENEFITS

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

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

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

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

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

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

APPROVAL OF THE FINANCIAL STATEMENTS

I, the undersigned, on behalf of the Board of Directors, hereby approve the accompanying financial statements as set out on pages 9 to 70 which present fairly in all material respects, the financial position of the Group and of the Bank as at 31 December 2018, and their financial performance and their cash flows for the year then ended in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial statements.

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

A blue circular stamp with Khmer text at the top and "Phillip Bank Plc" and "KINGDOM OF CAMBODIA" at the bottom. A handwritten signature in blue ink is written over the stamp.

Ong Teong Hoon

Director

Phnom Penh, Kingdom of Cambodia

28 March 2019

REPORT OF THE INDEPENDENT AUDITORS

To the shareholder

Phillip Bank Plc.

OPINION

We have audited the consolidated financial statements of Phillip Bank Plc. and its subsidiary (“the Group”) and the separate financial statements of Phillip Bank Plc. (“the Bank”), which comprise the consolidated and separate balance sheets of the Group and the Bank as at 31 December 2018, and the consolidated and the separate income statements, the consolidated and the separate statements of changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information as set out on pages 9 to 70 (hereafter referred to as “the financial statements”).

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Group and of the Bank as at 31 December 2018, and of their financial performance and cash flows for the year then ended in accordance with Cambodian Accounting Standards and guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial statements.

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 Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group and 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 INFORMATION

Management is responsible for the other information. The other information obtained at the date of this auditors’ report is the information included in the Report of the Board of Directors as set out on pages 1 to 5, and the annual report which is expected to be made available to us after that date.

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 on the other information obtained prior to the date of this auditors’ report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial statements, 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 Group’s and 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 Group and the Bank or to cease operations, or has no realistic alternative but to do so.

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and 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 Group's and 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 auditors' 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 auditors' report. However, future events or conditions may cause the Group and the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

For KPMG Cambodia Ltd



Nge Huy

Partner

Phnom Penh, Kingdom of Cambodia

Date: 28 March 2019

CONSOLIDATED BALANCE SHEET

(as at 31 December 2018)

	Notes	31 December 2018		31 December 2017	
		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
ASSETS					
Cash on hand	5	4,102,284	16,482,977	2,420,292	9,770,719
Balances with the National Bank of Cambodia	6	78,477,966	315,324,467	53,557,213	216,210,469
Balances with other banks and financial institutions	7	18,447,050	74,120,247	14,444,747	58,313,444
Other investment	8	25,000	100,450	25,000	100,925
Loans and advances to customers	9	165,807,424	666,214,230	123,124,513	497,053,659
Property and equipment	11	1,608,970	6,464,841	1,157,378	4,672,335
Intangible assets	12	163,094	655,312	206,838	835,005
Other assets	13	807,773	3,245,633	642,343	2,593,138
Deferred tax assets	16	489,377	1,966,317	302,378	1,220,700
TOTAL ASSETS		269,928,938	1,084,574,474	195,880,702	790,770,394
LIABILITIES AND SHAREHOLDER'S EQUITY					
LIABILITIES					
Deposits from other financial institutions	14	47,146,807	189,435,871	38,512,098	155,473,340
Deposits from customers	15	142,302,425	571,771,144	96,644,450	390,153,644
Current income tax liabilities	16	718,250	2,885,929	535,017	2,159,864
Other liabilities	17	1,757,763	7,062,692	1,778,712	7,180,660
Provision for employee benefits	18	120,000	482,160	-	-
Total liabilities		192,045,245	771,637,796	137,470,277	554,967,508
SHAREHOLDERS' EQUITY					
Paid-up capital	19	75,000,000	301,350,000	58,000,000	234,146,000
Retained earnings		2,883,693	11,586,678	410,425	1,656,886
Total shareholder's equity		77,883,693	312,936,678	58,410,425	235,802,886
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		269,928,938	1,084,574,474	195,880,702	790,770,394

CONSOLIDATED INCOME STATEMENT

(for the year ended 31 December 2018)

	Notes	2018		2017	
		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Operating income					
Interest income	20	13,341,092	53,604,508	10,071,666	40,659,316
Interest expense	21	(5,354,258)	(21,513,409)	(3,916,467)	(15,810,777)
Net interest income		7,986,834	32,091,099	6,155,199	24,848,539
Fees and commissions income	22	1,676,174	6,734,867	1,250,270	5,047,340
Other operating income	23	172,754	694,126	82,175	331,740
Total operating profit		9,835,762	39,520,092	7,487,644	30,227,619
Personnel expenses	24	(3,249,180)	(13,055,205)	(2,362,234)	(9,536,339)
Establishment-related costs	25	(899,755)	(3,615,216)	(866,018)	(3,496,115)
Depreciation and amortisation	26	(551,345)	(2,215,304)	(568,185)	(2,293,763)
Promotion and marketing	27	(164,118)	(659,426)	(124,414)	(502,259)
General and administrative expenses	28	(977,016)	(3,925,650)	(802,882)	(3,241,235)
Allowance for losses on loans and advances to customers	9	(850,562)	(3,417,558)	(262,180)	(1,058,421)
Profit before income tax		3,143,786	12,631,733	2,501,731	10,099,487
Income tax expense	16	(670,518)	(2,694,141)	(543,235)	(2,193,040)
Net profit for the year		2,473,268	9,937,592	1,958,496	7,906,447

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(for the year ended 31 December 2018)

	Paid-up capital US\$	Retained earnings US\$	Total US\$
At 1 January 2017	41,000,000	(1,548,071)	39,451,929
Capital contribution	17,000,000	-	17,000,000
Net profit for the year	-	1,958,496	1,958,496
At 31 December 2017	58,000,000	410,425	58,410,425
Equivalent in KHR'000 (Note 4)	234,146,000	1,656,886	235,802,886
At 1 January 2018	58,000,000	410,425	58,410,425
Capital contribution	17,000,000	-	17,000,000
Net profit for the year	-	2,473,268	2,473,268
At 31 December 2018	75,000,000	2,883,693	77,883,693
Equivalent in KHR'000 (Note 4)	301,350,000	11,586,678	312,936,678

CONSOLIDATED STATEMENT OF CASH FLOWS

(for the year ended 31 December 2018)

	Notes	2018		2017	
		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Net cash generated from operating activities	29	12,053,989	48,432,929	7,084,768	28,601,208
Cash flows from investing activities					
Proceeds from other investment		-	-	1,007,836	4,068,634
Acquisition of property and equipment	11	(932,286)	(3,745,925)	(136,819)	(552,338)
Acquisition of software	12	(26,910)	(108,124)	(64,941)	(262,167)
Proceeds from disposal of property and equipment		13,059	52,471	-	-
Capital guarantee deposit		(1,700,000)	(6,830,600)	(1,700,000)	(6,862,900)
Net cash used in investing activities		(2,646,137)	(10,632,178)	(893,924)	(3,608,771)
Cash flows from financing activities					
Proceeds from capital contribution		17,000,000	68,306,000	17,000,000	68,629,000
Net cash generated from financing activities		17,000,000	68,306,000	17,000,000	68,629,000
Net increase in cash and cash equivalents		26,407,852	106,106,751	23,190,844	93,621,437
Cash and cash equivalents at 1 January		47,153,247	190,357,659	23,962,403	96,736,222
Currency translation difference		-	(895,916)	-	-
Cash and cash equivalents at 31 December	5	73,561,099	295,568,494	47,153,247	190,357,659

SEPARATE BALANCE SHEET

(as at 31 December 2018)

	Notes	31 December 2018		31 December 2017	
		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
ASSETS					
Cash on hand	5	4,102,284	16,482,977	2,420,292	9,770,719
Balances with the National Bank of Cambodia	6	78,477,966	315,324,467	53,557,213	216,210,469
Balances with other banks and financial institutions	7	18,447,050	74,120,247	14,444,747	58,313,444
Other investment	8	25,000	100,450	25,000	100,925
Loans and advances to customers	9	165,807,424	666,214,230	123,124,513	497,053,659
Investment in subsidiary	10	-	-	5,000,000	20,185,000
Property and equipment	11	1,608,970	6,464,841	1,157,378	4,672,335
Intangible assets	12	163,094	655,312	206,838	835,005
Other assets	13	807,773	3,245,633	642,343	2,593,138
Deferred tax assets	16	489,377	1,966,317	302,378	1,220,700
TOTAL ASSETS		269,928,938	1,084,574,474	200,880,702	810,955,394
LIABILITIES AND SHAREHOLDER'S EQUITY					
LIABILITIES					
Deposits from other financial institutions	14	47,146,807	189,435,871	38,512,098	155,473,340
Deposits from customers	15	142,302,425	571,771,144	101,617,081	410,228,156
Current income tax liabilities	16	718,250	2,885,929	535,017	2,159,864
Other liabilities	17	1,757,763	7,062,692	1,778,712	7,180,660
Provision for employee benefits	18	120,000	482,160	-	-
Total liabilities		192,045,245	771,637,796	142,442,908	575,042,020
SHAREHOLDERS' EQUITY					
Paid-up capital	19	75,000,000	301,350,000	58,000,000	234,146,000
Retained earnings		2,883,693	11,586,678	437,794	1,767,374
Total SHAREHOLDER'S EQUITY		77,883,693	312,936,678	58,437,794	235,913,374
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		269,928,938	1,084,574,474	200,880,702	810,955,394

SEPARATE INCOME STATEMENT

(for the year ended 31 December 2018)

	Notes	2018		2017	
		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Operating income					
Interest income	20	13,341,092	53,604,508	10,071,666	40,659,316
Interest expense	21	(5,354,258)	(21,513,409)	(3,916,467)	(15,810,777)
Net interest income		7,986,834	32,091,099	6,155,199	24,848,539
Fees and commissions income	22	1,676,174	6,734,867	1,250,270	5,047,340
Other operating income	23	172,754	694,126	82,195	331,821
Total operating profit		9,835,762	39,520,092	7,487,664	30,227,700
Personnel expenses	24	(3,249,180)	(13,055,205)	(2,362,234)	(9,536,339)
Establishment-related costs	25	(899,755)	(3,615,216)	(866,018)	(3,496,115)
Depreciation and amortisation	26	(551,345)	(2,215,304)	(568,185)	(2,293,763)
Promotion and marketing	27	(164,118)	(659,426)	(124,414)	(502,259)
General and administrative expenses	28	(1,004,385)	(4,035,619)	(802,882)	(3,241,235)
Allowance for losses on loans and advances to customers	9	(850,562)	(3,417,558)	(262,180)	(1,058,421)
Profit before income tax		3,116,417	12,521,764	2,501,751	10,099,568
Income tax expense	16	(670,518)	(2,694,141)	(543,235)	(2,193,040)
Net profit for the year		2,445,899	9,827,623	1,958,516	7,906,528

SEPARATE STATEMENT OF CHANGES IN EQUITY

(for the year ended 31 December 2018)

	Paid-up capital US\$	Retained earnings US\$	Total US\$
At 1 January 2017	41,000,000	(1,520,722)	39,479,278
Capital contribution	17,000,000	-	17,000,000
Net profit for the year	-	1,958,516	1,958,516
At 31 December 2017	58,000,000	437,794	58,437,794
Equivalent in KHR'000 (Note 4)	234,146,000	1,767,374	235,913,374
At 1 January 2018	58,000,000	437,794	58,437,794
Capital contribution	17,000,000	-	17,000,000
Net profit for the year	-	2,445,899	2,445,899
At 31 December 2018	75,000,000	2,883,693	77,883,693
Equivalent in KHR'000 (Note 4)	301,350,000	11,586,678	312,936,678

SEPARATE STATEMENT OF CASH FLOWS

(for the year ended 31 December 2018)

	Notes	2018		2017	
		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Net cash generated from operating activities	29	7,053,989	28,342,929	7,084,768	28,601,208
Cash flows from investing activities					
Proceeds from other investment		-	-	1,007,836	4,068,634
Investment in subsidiary		5,000,000	20,090,000	-	-
Acquisition of property and equipment	11	(932,286)	(3,745,925)	(136,819)	(552,338)
Acquisition of software	12	(26,910)	(108,124)	(64,941)	(262,167)
Proceeds from disposal of property and equipment		13,059	52,471	-	-
Capital guarantee deposit		(1,700,000)	(6,830,600)	(1,700,000)	(6,862,900)
Net cash used in investing activities		(2,353,863)	(9,457,822)	(893,924)	(3,608,771)
Cash flows from financing activities					
Proceeds from capital contribution		17,000,000	68,306,000	17,000,000	68,629,000
Net cash generated from financing activities		17,000,000	68,306,000	17,000,000	68,629,000
Net increase in cash and cash equivalents		26,407,852	106,106,751	23,190,844	93,621,437
Cash and cash equivalents at 1 January		47,153,247	190,357,659	23,962,403	96,736,222
Currency translation difference		-	(895,916)	-	-
Cash and cash equivalents at 31 December	5	73,561,099	295,568,494	47,153,247	190,357,659

(d) Use of estimates and judgments

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

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

Key accounting estimates and judgements applied in the preparation of financial statements include estimates of recoverable amounts for loans to customers which have a separate accounting policy stated in Note 3(g).

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

(i) Business combination

The consolidated financial statements comprise the financial statements of the Bank and its subsidiary as at the balance sheet date. The financial statements of the Subsidiary are prepared for the same reporting date as the Bank.

A subsidiary is consolidated from the date of acquisition, being the date on which the Bank obtains control and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intra-group balances, transactions and unrealized gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisition of a subsidiary is accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

(ii) Subsidiary

Subsidiary is an entity over which the Bank has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Bank has such power over another entity.

In the Bank's separate financial statements, investment in a subsidiary is stated at cost less impairment losses. On disposal of such investment, the difference between the net disposal proceeds and the carrying amount is included in the income statement.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Financial instruments

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

NOTES TO THE FINANCIAL STATEMENTS

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. REPORTING ENTITY

Establishment and operations

The Bank was incorporated on 26 June 2009 under the Cambodian Law on Commercial Enterprises and licensed under the regulations of the National Bank of Cambodia (“NBC”).

The Bank received the renewed NBC license for an indefinite period on 4 March 2015. The Bank is engaged in the provision of comprehensive banking and related financial services in the Kingdom of Cambodia in accordance with Registration No. Co. 5915/09E issued by the Ministry of Commerce. On 11 February 2016, the Bank obtained a new Registration No. 00000292 from the Ministry of Commerce.

During 2018, the Board of Directors and the shareholder approved to merge Kredit Microfinance Institution Plc. into Phillip Bank Plc. At the date of these financial statements, the merging process is on-going.

There is no significant change in the principal activities of the Bank during the year.

HwangDBS Securities (Cambodia) Plc, a wholly owned Subsidiary, was incorporated on 22 February 2010. The subsidiary is a dormant company which has not commenced commercial operations at all. The subsidiary was approved to be liquidated by the Ministry of Commerce on 9 August 2018.

Location

The registered office of the Bank is located at No. 27DEF, Monivong Blvd, Sangkat Srah Chork, Khan Daun Penh, Phnom Penh, Kingdom of Cambodia.

Employees

As at 31 December 2018, the Group and the Bank had 217 employees (31 December 2017: 182 employees).

2. BASIS OF PREPARATION

(a) Statement of compliance

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

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

(b) Basis of measurement

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

(c) Functional and presentation currency

The national currency of Cambodia is the Khmer Riel (“KHR”). However as the Group and the Bank transact and maintain its accounting records primarily in the United States Dollars (“US\$”), management have determined the US\$ to be the Group and the Bank’s functional and presentation currency as it reflects the economic substance of the underlying events and circumstances of the Group and 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 balance sheet date are translated into US\$ at the rates of exchange ruling at that date. Exchange differences arising on translation are recognised in the income statement.

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

(c) Cash and cash equivalents

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

(d) Balances with the National Bank of Cambodia

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

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

(e) Balances with other banks and financial institutions

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

(f) Loans and advances to customers

Loans and advances are stated in the balance sheet at the amount of principal less any amounts written off and allowance for losses on loans and advances.

Loans and advances are written off when there is no realistic prospect of recovery. Recoveries of loans and advances previously written off, or provided for, decrease the amount of the allowance for losses on loans and advances in the income statement.

Loans and advances classified as substandard, doubtful or loss are considered non-performing loans.

(g) Allowance for bad and doubtful loans

In compliance with NBC Guidelines, all loans and advances are classified according to the repayment capacity of the counterparty. This repayment capacity is assessed through past payment experience, financial condition of the borrower, business prospective and cash flow projections, borrowers' ability and

willingness to repay, financial environment, and quality of documentation.

In addition to the above qualitative information, number of days past due is taken into account as follows:

Prior to 1 January 2018

Classification	Number of days past due	Allowance
Normal/standard	< 30 days	1%
Special mention	≥ 30 days – 90 days	3%
Substandard	≥ 90 days – 180 days	20%
Doubtful	≥ 180 days – 360 days	50%
Loss	More than 360 days	100%

From 1 January 2018

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

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

<i>Long-term loans (more than one year):</i>		
Normal/standard	<30 days	1%
Special mention	≥ 30 days – 89 days	3%
Substandard	≥ 90 days – 179 days	20%
Doubtful	≥ 180 days – 359 days	50%
Loss	More than 359 days	100%

The change in the credit risk grading and provisioning is applied prospectively and the effect of this change resulted in an increase of allowance for bad and doubtful loans for the year ended 31 December 2018 of US\$ 4,112.

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

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

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

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

(h) Other credit-related commitments

In the normal course of business, the Group and the Bank enters into other credit-related commitments including loan commitments, letters of credit and guarantees. The accounting policy and regulatory provision followed the National Bank of Cambodia's Prakas No. B7-017-344 and Circular No. B7-018-001 Sor Ror Chor Nor in Note 3(g) above.

(i) Interest in suspense

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

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

(j) Other assets

Other assets are stated at cost less allowance for losses, if any.

(k) Property and equipment

- (i) Items of property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Where an item of property and equipment comprises major components having different useful lives, the components are accounted for as separate items of property and equipment.
- (ii) Depreciation of property and equipment is charged to the income statement on straight line basis over the useful lives of the individual assets as following:

	Years
Leasehold improvements	5
Office equipment	5
Furniture, fixtures and fittings	5 to 10
Computer equipment	3 to 5
Motor vehicles	5

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

- (iii) Subsequent expenditure relating to an item of property and equipment that has already been recognised is added to the carrying amounts of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group and the Bank. All other subsequent expenditure is recognised as an expense in the year in which it is incurred.
- (iv) Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amounts of the assets and are recognised in the income statement on the date of retirement or disposal.
- (v) Fully depreciated items of property and equipment are retained in the financial statements until disposed of or written off.

(l) Intangible assets

Intangible assets consist of computer software and Core Banking Licence and are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Acquired computer software is capitalised on the basis of the cost incurred to acquire the specific software and bring it into use. Intangible assets are amortised over their estimated useful lives of 5 years using the straight-line method.

(m) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimate future cash flows of that asset. This does not apply to loans to customers which has a separate accounting policy stated in Note 3(g).

An impairment loss in respect of a financial asset is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the income statement.

An impairment loss is reversed through the income statement if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

(ii) Non-financial assets

The carrying amounts of the non-financial 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.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value

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

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

If an impairment loss subsequently reverses, the carrying amount of the asset or group of assets is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset or group of assets in prior periods. A reversal of an impairment loss is recognised immediately in income statement.

(n) Deposits from customers and other financial institutions

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

(o) Provision

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

(p) Employee benefits

(i) Short-term 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.

(ii) Other long-term employee benefits

The Bank's net obligation in respect of long-term employee benefits is the amount of the benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

(q) Income recognition

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

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

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

(r) Interest expense

Interest expense on deposits is recognised on a daily accruals basis.

(s) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease commitments are not recognised as liabilities until the obligation to pay becomes due.

(t) Income tax

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

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

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

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

(u) Related parties

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

Under the Law on Banking and Financial Institutions, related parties include individuals who hold directly or indirectly a minimum of 10% of the capital of the

Group and/or the Bank or voting rights therefore, or who participates in the administration, direction, management or the design and implementation of the internal controls of the Group.

(v) New financial reporting framework

On 28 August 2009, the National Accounting Council of the Ministry of Economy and Finance (“the National Accounting Council”) announced the adoption of Cambodian International Financial Reporting Standards (“CIFRS”) which are based on all standards published by the International Financial Reporting Standards Board (“IASB”), including the related interpretations and amendments. Public accountable entities are required to prepare their financial statements in accordance with CIFRS for accounting period beginning on or after 1 January 2012.

Circular 058 MEF. NAC dated 24 March 2016 issued by the National Accounting Council of the Ministry of

Economy and Finance allowed banks and financial institutions to further delay adoption of CIFRS until period beginning on or after 1 January 2019.

4. Translation of United States Dollars into Khmer Riels

The financial statements are stated in United States Dollars. The translations of United States Dollars amounts into the Khmer Riels are included solely for the compliance with the guidelines of the NBC relating to the preparation and presentation of financial statements and have been made using the prescribed official exchange rate of US\$1 to KHR4,018 (31 December 2017: KHR4,037) published by the NBC on 31 December 2018. These convenience translations should not be construed as representations that the United States Dollars amounts have been, could have been, or could in the future be, converted into Khmer Riels at this or any other rate of exchange.

5. Cash and cash equivalents

	The Group/The Bank			
	31 December 2018		31 December 2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Cash on hand	4,102,284	16,482,977	2,420,292	9,770,719
Balance with the NBC (Note 6)				
Current and clearing accounts	48,317,964	194,141,579	29,502,897	119,103,196
Term deposit	3,306,122	13,283,998	6,065,172	24,485,099
Balances and placements with other banks and financial institutions (Note 7)				
Current accounts	12,623,576	50,721,528	5,541,806	22,372,271
Savings accounts	164,687	661,712	64,913	262,054
Term deposits	5,046,466	20,276,700	3,558,167	14,364,320
	73,561,099	295,568,494	47,153,247	190,357,659

6. Balances with the National Bank of Cambodia

	The Group/The Bank			
	31 December 2018		31 December 2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Current accounts	42,485,994	170,708,724	23,978,532	96,801,334
Clearing account	5,831,970	23,432,855	5,524,365	22,301,862
Short-term deposits (i)	3,306,122	13,283,998	6,065,172	24,485,099
Reserve requirement (ii)	19,353,880	77,763,890	12,189,144	49,207,574
Capital guarantee (iii)	7,500,000	30,135,000	5,800,000	23,414,600
	<u>78,477,966</u>	<u>315,324,467</u>	<u>53,557,213</u>	<u>216,210,469</u>

(i) Short-term deposits

This pertains to negotiable certificate of deposit ("NCD") with a term from one to three months. The Group and the Bank also has an overdraft line with the NBC secured by the NCD.

(ii) Reserve requirement

This is a reserve requirement which fluctuates depending on the level of the Group and the Bank's customers' deposits. It is maintained in compliance with the National Bank of Cambodia's Prakas No. B7-018-282 dated 29 August 2018 at the rates of 8% of customers' deposits in KHR and 12.5% in currency other than KHR. There is no interest earned from this reserve requirement.

(iii) Capital guarantee deposits

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

Interest rates

Annual interest rates on balances with the NBC are summarized as follows:

	2018	2017
Current and clearing accounts	Nil	Nil
Term deposit	0.73%-0.89%	0.75%-1.40%
Reserve deposits	Nil	0.26%
Capital guarantee deposit	0.62%	0.18%

7. BALANCES WITH OTHER BANKS AND FINANCIAL INSTITUTIONS

	The Group/The Bank			
	31 December 2018		31 December 2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Current accounts (i)	12,623,576	50,721,528	5,541,806	22,372,271
Savings accounts	164,687	661,712	64,913	262,054
Term deposits with original maturity less than or equal to 3 months (ii)	5,046,466	20,276,700	3,558,167	14,364,320
	17,834,729	71,659,940	9,164,886	36,998,645
Term deposits with original maturity more than 3 months (ii)	798,655	3,208,997	5,279,861	21,314,799
	18,633,384	74,868,937	14,444,747	58,313,444
Regulatory provision (Note 9 (a,i))	(186,334)	(748,690)	-	-
	18,447,050	74,120,247	14,444,747	58,313,444

The above balances with other banks and financial institutions are analysed as follows:

- (i) Current accounts are maintained with local banks and do not earn interest.
- (ii) Placements pertain to term deposits and earn interest at 1.50% to 7.00% per annum (2017: 2.96% per annum).
- (iii) By maturity

	The Group/The Bank			
	31 December 2018		31 December 2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Within one month	14,975,625	60,172,061	11,847,496	47,828,341
2 to 3 months	2,859,104	11,487,880	2,300,000	9,285,100
4 to 6 months	500,000	2,009,000	-	-
7 to 12 months	298,655	1,199,996	297,251	1,200,003
	18,633,384	74,868,937	14,444,747	58,313,444

(iv) By currency

	The Group/The Bank			
	31 December 2018		31 December 2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Khmer riels	532,987	2,141,542	1,023,129	4,130,372
US Dollars	18,030,769	72,447,630	13,359,552	53,932,512
Singapore Dollars	46,739	187,797	39,577	159,772
Japanese Yens	22,889	91,968	22,489	90,788
	<u>18,633,384</u>	<u>74,868,937</u>	<u>14,444,747</u>	<u>58,313,444</u>

8. Other investment

	The Group/The Bank			
	31 December 2018		31 December 2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Equity investment in Credit Bureau of Cambodia	25,000	100,450	25,000	100,925

9. LOANS AND ADVANCES TO CUSTOMERS

	The Group/The Bank			
	31 December 2018		31 December 2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Term loans	144,074,914	578,893,004	104,903,258	423,494,453
Overdraft loans	24,628,383	98,956,843	20,579,735	83,080,390
Loans and advances - gross	168,703,297	677,849,847	125,482,993	506,574,843
Allowance for losses on loans and advances				
General	(1,661,204)	(6,674,717)	(1,240,564)	(5,008,157)
Specific	(1,234,669)	(4,960,900)	(1,117,916)	(4,513,027)
	(2,895,873)	(11,635,617)	(2,358,480)	(9,521,184)
Loans and advances - net	165,807,424	666,214,230	123,124,513	497,053,659

Further analyses of loans and advances to customers are as follows:

(a) Allowance for losses on loans and advances

(i) The allowance for losses on loans and advances recognised in the income statements

	The Group/The Bank			
	31 December 2018		31 December 2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Allowance for loan losses	566,856	2,277,627	262,180	1,058,421
Regulatory allowance for balances with other banks and financial institutions (Note 7)	186,334	748,690	-	-
Allowance for off-balance sheet Items (Note 17)	97,372	391,241	-	-
	850,562	3,417,558	262,180	1,058,421

(ii) Movement of allowance for losses on loans and advances

	The Group/The Bank			
	31 December 2018		31 December 2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
At 1 January	2,358,480	9,521,184	2,096,300	8,462,763
Allowance during the year	566,856	2,277,627	262,180	1,058,421
Written off during the year	(29,463)	(118,382)	-	-
Currency translation difference	-	(44,812)	-	-
At 31 December	2,895,873	11,635,617	2,358,480	9,521,184

(b) Grading of loans and advances portfolio are as follows:

	The Group/The Bank			
	31 December 2018		31 December 2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Normal loan				
Secured	140,235,454	563,466,054	110,568,002	446,363,024
Unsecured	25,884,972	104,005,817	13,488,381	54,452,594
Special mention loans				
Secured	837,023	3,363,158	68,038	274,669
Unsecured	3,402	13,669	5,906	23,843
Substandard loans				
Secured	442,488	1,777,917	233,985	944,597
Unsecured	373	1,499	73	295
Doubtful loans				
Secured	219,207	880,774	99,451	401,484
Unsecured	138,194	555,263	-	-
Loss loans				
Secured	942,184	3,785,696	965,110	3,896,149
Unsecured	-	-	54,047	218,188
Total	168,703,297	677,849,847	125,482,993	506,574,843

(c) Analysis of loan portfolio by industrial sectors

	The Group/The Bank			
	31 December 2018		31 December 2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Financial sectors				
Financial institutions	5,882,563	23,636,138	6,113,097	24,678,572
Non-financial sectors				
Real estate and renting activities	38,863,627	156,154,053	22,619,073	91,313,198
Wholesale and retail trades	37,281,968	149,798,947	44,496,516	179,632,435
Housing	21,250,858	85,385,947	10,476,521	42,293,715
Manufacturing	5,497,148	22,087,541	6,103,875	24,641,343
Hotels and restaurants	5,656,388	22,727,367	5,918,744	23,893,970
Construction	4,387,913	17,630,634	1,816,185	7,331,939
Utilities	2,328,506	9,355,937	2,736,395	11,046,827
Transport, storage and communication	1,599,180	6,425,505	3,948,562	15,940,345
Agriculture	576,388	2,315,927	278,831	1,125,641
Mining	1,446,923	5,813,737	164,663	664,744
Others	43,931,835	176,518,114	20,810,531	84,012,114
Total	168,703,297	677,849,847	125,482,993	506,574,843

(d) For analysis of loan portfolio by maturity

	The Group/The Bank			
	31 December 2018		31 December 2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Within 1 month	998,546	4,012,158	20,581,454	83,087,330
1 to 3 months	10,353,194	41,599,133	5,574	22,502
3 to 6 months	2,354,271	9,459,461	1,054,443	4,256,786
6 to 12 months	14,534,759	58,400,662	1,219,911	4,924,781
1 to 5 years	25,521,775	102,546,492	24,090,403	97,252,957
Over 5 years	114,940,752	461,831,941	78,531,208	317,030,487
Total	168,703,297	677,849,847	125,482,993	506,574,843

e) Analyses of loan portfolio by residency, relationship, exposure and interest rates range

	The Group/The Bank			
	31 December 2018		31 December 2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Residency status				
Residents	168,703,297	677,849,847	125,482,993	506,574,843
Relationship				
Related parties	2,803,223	11,263,350	775,157	3,129,309
Non-related parties	165,900,074	666,586,497	124,707,836	503,445,534
Total	168,703,297	677,849,847	125,482,993	506,574,843
Exposure				
Non-large	159,830,058	642,197,173	112,579,012	454,481,471
Large	8,873,239	35,652,674	12,903,981	52,093,372
Total	168,703,297	677,849,847	125,482,993	506,574,843

(f) By interest rate (per annum):

	The Group/The Bank	
	31 December 2018	31 December 2017
	Loans to customers	7.00% - 24.00%
Staff loans	6.00% - 9.00%	6.00% - 18.00%

10. Investment in subsidiary

This represents the Bank's 100% equity interest in HwangDBS Securities (Cambodia) Plc which was incorporated on 22 February 2010. The subsidiary is a dormant company which has not commenced commercial operations at all. The subsidiary was approved to be liquidated by the Ministry of Commerce on 9 August 2018.

11. Property and equipment

2018

The Group/The Bank

	Leasehold	Office	Furniture	Computer	Motor	Construction	Total	
	improvements	equipment	fixtures and	equipment	vehicles	in progress	KHR'000	
	US\$	US\$	fittings	US\$	US\$	US\$	US\$	(Note 4)
Cost								
At 1 January 2018	937,662	1,220,208	822,876	764,533	93,806	37,968	3,877,053	15,651,663
Additions	24,483	7,323	3,472	64,765	1,300	844,388	945,731	3,799,947
Transfers	264	1,254	-	-	-	(14,963)	(13,445)	(54,022)
Disposals	-	(6,160)	-	-	(22,330)	-	(28,490)	(114,473)
Currency translation difference	-	-	-	-	-	-	-	(73,664)
At 31 December 2018	962,409	1,222,625	826,348	829,298	72,776	867,393	4,780,849	19,209,451
Less: Accumulated depreciation								
At 1 January 2018	635,076	919,725	554,281	563,860	46,733	-	2,719,675	10,979,328
Depreciation for the year	141,209	132,561	95,215	101,895	9,811	-	480,691	1,931,416
Disposals	-	(6,157)	-	-	(22,330)	-	(28,487)	(114,461)
Currency translation difference	-	-	-	-	-	-	-	(51,673)
At 31 December 2018	776,285	1,046,129	649,496	665,755	34,214	-	3,171,879	12,744,610
Carrying amounts								
At 31 December 2018	186,124	176,496	176,852	163,543	38,562	867,393	1,608,970	6,464,841

2017

The Group/The Bank

	Leasehold	Office	Furniture	Computer	Motor	Construction	Total	
	improvements	equipment	fixtures and	equipment	vehicles	in progress	KHR'000	
	US\$	US\$	fittings	US\$	US\$	US\$	US\$	(Note 4)
Cost								
At 1 January 2017	937,662	1,217,960	813,416	723,611	46,306	69,640	3,808,595	15,375,298
Additions	-	2,248	9,460	39,643	47,500	37,968	136,819	552,338
Transfers	-	-	-	1,279	-	(69,640)	(68,361)	(275,973)
At 31 December 2017	937,662	1,220,208	822,876	764,533	93,806	37,968	3,877,053	15,651,663
Less: Accumulated depreciation								
At 1 January 2017	485,026	759,171	450,958	461,061	45,652	-	2,201,868	8,888,941
Depreciation for the year	150,050	160,554	103,323	102,799	1,081	-	517,807	2,090,387
At 31 December 2017	635,076	919,725	554,281	563,860	46,733	-	2,719,675	10,979,328
Carrying amounts								
At 31 December 2017	302,586	300,483	268,595	200,673	47,073	37,968	1,157,378	4,672,335

12. Intangible assets

Computer software	The Group/The Bank			
	31 December 2018		31 December 2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Cost				
At 1 January	737,431	2,977,009	604,129	2,438,869
Additions	13,465	54,102	64,941	262,167
Transfers from construction in progress	13,445	54,022	68,361	275,973
Currency translation difference	-	(14,011)	-	-
At 31 December	764,341	3,071,122	737,431	2,977,009
Less: Accumulated amortisation				
At 1 January	530,593	2,142,004	480,215	1,938,628
Amortisation for the year	70,654	283,888	50,378	203,376
Currency translation difference	-	(10,082)	-	-
At 31 December	601,247	2,415,810	530,593	2,142,004
Carrying amounts				
At 31 December	163,094	655,312	206,838	835,005

13. Other assets

	The Group/The Bank			
	31 December 2018		31 December 2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Deposits	506,439	2,034,872	321,747	1,298,892
Prepayments	106,406	427,539	83,364	336,540
Interest receivables	66,818	268,475	143,726	580,222
Other receivables	128,110	514,747	93,506	377,484
	807,773	3,245,633	642,343	2,593,138

14. Deposits from other financial institutions

	The Group/The Bank			
	31 December 2018		31 December 2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Current accounts	10,353,536	41,600,508	1,974,042	7,969,208
Term deposits	36,793,271	147,835,363	36,538,056	147,504,132
	<u>47,146,807</u>	<u>189,435,871</u>	<u>38,512,098</u>	<u>155,473,340</u>

The above balances deposits from other financial institutions are analysed as follows:

(i) By currency:

	The Group/The Bank			
	31 December 2018		31 December 2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
US Dollars	39,153,904	157,320,386	38,419,258	155,098,545
Khmer riels	7,992,903	32,115,485	92,840	374,795
	<u>47,146,807</u>	<u>189,435,871</u>	<u>38,512,098</u>	<u>155,473,340</u>

(ii) By annual interest rates:

	The Group/The Bank	
	31 December 2018	31 December 2017
	Current accounts	0.00% - 2.00%
Term deposits	2.30% - 5.50%	1.80% - 4.85%

15. Deposits from customers

	The Group				The Bank			
	31 December 2018		31 December 2017		31 December 2018		31 December 2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Demand deposits	40,053,178	160,933,669	33,779,480	136,367,760	40,053,178	160,933,669	38,752,111	156,442,272
Savings accounts	23,153,967	93,032,639	6,703,100	27,060,415	23,153,967	93,032,639	6,703,100	27,060,415
Term deposits	79,095,280	317,804,836	56,161,870	226,725,469	79,095,280	317,804,836	56,161,870	226,725,469
	142,302,425	571,771,144	96,644,450	390,153,644	142,302,425	571,771,144	101,617,081	410,228,156

The above balances deposits from customers are analysed as follows:

(i) By currency:

	The Group				The Bank			
	31 December 2018		31 December 2017		31 December 2018		31 December 2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
US Dollars	126,781,163	509,406,713	79,034,869	319,063,766	126,781,163	509,406,713	84,007,500	339,138,278
Khmer riels	15,521,262	62,364,431	17,609,581	71,089,878	15,521,262	62,364,431	17,609,581	71,089,878
	142,302,425	571,771,144	96,644,450	390,153,644	142,302,425	571,771,144	101,617,081	410,228,156

(ii) Interest rates

Demand deposits does not bear any interest.

Savings deposits bear interest at rates ranging from 1.00% to 2.00% per annum (2017: 1.00% to 1.90%).

Term deposits include deposits with terms ranging from one to twelve months and more than twelve months. Customers can withdraw term deposits before the due date upon negotiation with the Group and the Bank. Term deposits in US\$ bear interest at rates ranging from 2.25% to 5.00% per annum (2017: 1.80% to 7.00%).

(iii) For deposits from related parties, refer to Note 31.

(iv) For maturity analysis, refer to Note 32 (d) on Liquidity risk.

16. Income tax

(a) Income tax expense

	The Group/The Bank			
	31 December 2018		31 December 2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Current income tax	857,517	3,445,503	639,948	2,583,470
Deferred tax income	(186,999)	(751,362)	(96,713)	(390,430)
Income tax expense	670,518	2,694,141	543,235	2,193,040

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

Details of estimated income tax expense are as follows:

	The Group				The Bank			
	31 December 2018		31 December 2017		31 December 2018		31 December 2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Profit before income tax	3,143,786	12,631,733	2,501,731	10,099,487	3,116,417	12,521,764	2,501,751	10,099,568
Income tax using statutory tax rate of 20%	628,757	2,526,346	500,346	2,019,897	623,283	2,504,351	500,350	2,019,913
Tax effect of non-deductible expenses	41,761	167,795	42,889	173,143	47,235	189,790	42,885	173,127
Income tax expense	670,518	2,694,141	543,235	2,193,040	670,518	2,694,141	543,235	2,193,040

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

(b) Current income tax liabilities

Details of movements of current income tax liabilities are as follows:

	The Group/The Bank			
	31 December 2018		31 December 2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Balance at beginning of year	535,017	2,159,864	105,391	425,463
Current income tax expense	857,517	3,445,503	639,948	2,583,470
Payments during the year	(674,284)	(2,709,273)	(210,322)	(849,069)
Currency translation difference	-	(10,165)	-	-
Balance at end of year	718,250	2,885,929	535,017	2,159,864

(c) Deferred tax, net

Details of deferred tax asset items of the Group and the Bank follow:

	The Group/The Bank			
	31 December 2018		31 December 2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Allowance for loan losses	371,463	1,492,538	248,556	1,003,421
Provision for employee benefits	24,000	96,432	-	-
Property and equipment	89,867	361,086	47,336	191,095
Unrealised loss on foreign exchange	4,047	16,261	6,486	26,184
Total	489,377	1,966,317	302,378	1,220,700

The movement of deferred tax assets during the year, without taken into consideration the offsetting of balances within the same jurisdiction is as follows:

	The Group/The Bank			
	31 December 2018		31 December 2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
As at 1 January	302,378	1,220,700	205,665	830,269
Credited to income statement	186,999	751,362	96,713	390,430
Currency translation difference	-	(5,745)	-	1
As at 31 December	489,377	1,966,317	302,378	1,220,700

17. Other liabilities

	The Group/The Bank			
	31 December 2018		31 December 2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Accrued interest payable	1,050,064	4,219,157	1,324,485	5,346,946
Accounts payable	508,704	2,043,973	348,992	1,408,880
Allowance for off-balance sheet items (Note 9(a,i))	97,372	391,241	-	-
Other taxes payable	80,270	322,525	102,265	412,844
Banker's cheques	21,353	85,796	2,970	11,990
	1,757,763	7,062,692	1,778,712	7,180,660

18. Provision for employee benefits

	The Group/The Bank			
	31 December 2018		31 December 2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Seniority indemnity Non-current	120,000	482,160	-	-

This represents provision for seniority indemnity payments required by Prakas No. 443 issued by the Ministry of Labour and Vocational Training (“MoLVT”) on 21 September 2018, and subsequently amended by the Instruction No. 042/19 dated 22 March 2019. It requires all employers to settle the seniority indemnity to their employee as follows:

- Current pay: starting from 2019 onwards at the amounts equal to 15 days of wages and other benefits per year. Payments will be made twice a year, in June and December at 7.5 days each.
- Retrospective (back-pay): starting from 2021 onwards at the amounts equal to 6 days of net wages per year. The provision of back-pay seniority indemnity is calculated at a maximum amount of 6 months net wages (depends on the length of the service employee served) to the employee who has seniority before 2019. Employee does not entitle to the remaining back-pay seniority indemnity which is not yet due, if he/she resigns from the Bank.

Assumptions:

The following are the principal assumptions at the reporting date.

Discount rate *	6.50%
Term of payments	3 days each in June and December
Turnover rate	25%

*As information on Cambodian corporate or government bonds are not readily available, the Bank has analysed the medium to long term deposit rates in denomination of US\$ of major banks in Cambodia.

Movement of provision for employee benefits is as follows:

	2018		2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
At 1 January	-	-	-	-
Recognised in income statement	120,000	482,160	-	-
At 31 December	120,000	482,160	-	-

19. Paid up capital

Details of shareholding are as follows:

	31 December 2018		31 December 2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Phillip MFIS PTE.LTD.	75,000,000	301,350,000	58,000,000	234,146,000

The total authorised number of shares is 75,000,000 (2017:58,000,000) shares with par value of US\$1 per share. All shares are issued and fully paid.

On 15 March 2018, the shareholder injected US\$17,000,000 to the Bank's account. On 20 March 2018, the Bank submitted a request letter to the NBC to increase this last instalment of share capital to meet the minimum capital requirement and was approved on 24 April 2018. The revised Memorandum and Articles of Association was endorsed by the Ministry of Commerce on 19 July 2018.

20. Interest income

	The Group/The Bank			
	2018		2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Lending	12,939,492	51,990,879	9,583,369	38,688,061
Deposits	401,600	1,613,629	488,297	1,971,255
	13,341,092	53,604,508	10,071,666	40,659,316

21. Interest expense

	The Group/The Bank			
	2018		2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Term deposits	4,014,332	16,129,586	3,572,745	14,423,172
Current accounts	726,861	2,920,527	275,506	1,112,218
Saving accounts	613,065	2,463,296	68,216	275,387
	5,354,258	21,513,409	3,916,467	15,810,777

22. Fees and commissions income

	The Group/The Bank			
	2018		2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Loan processing fees	993,150	3,990,477	720,150	2,907,245
Loan commitment fees	75,954	305,183	60,344	243,609
Others	607,070	2,439,207	469,776	1,896,486
	1,676,174	6,734,867	1,250,270	5,047,340

23. Other operating income

Other operating income comprises mainly recovery of loans previously written-off, gain on disposal of fixed assets and miscellaneous income.

24. Personnel expenses

	The Group/The Bank			
	2018		2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Salaries and wages	2,361,634	9,489,045	1,831,033	7,391,880
Seniority indemnity	120,000	482,160	-	-
Others	767,546	3,084,000	531,201	2,144,459
	3,249,180	13,055,205	2,362,234	9,536,339

25. Establishment-related costs

	The Group/The Bank			
	2018		2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Rental	473,869	1,904,006	430,431	1,737,650
Repairs and maintenance	203,489	817,619	215,457	869,800
Utilities	131,108	526,792	128,019	516,813
Others	91,289	366,799	92,111	371,852
	899,755	3,615,216	866,018	3,496,115

26. Depreciation and amortisation

	The Group/The Bank			
	2018		2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Depreciation (Note 11)	480,691	1,931,416	517,807	2,090,387
Amortisation (Note 12)	70,654	283,888	50,378	203,376
	551,345	2,215,304	568,185	2,293,763

27. Promotion and marketing

	The Group/The Bank			
	2018		2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Marketing	151,142	607,289	114,713	463,096
Advertising	68	273	1,332	5,377
Others	12,908	51,864	8,369	33,786
	<u>164,118</u>	<u>659,426</u>	<u>124,414</u>	<u>502,259</u>

28. General and administrative expenses

	The Group				The Bank			
	2018		2017		2018		2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
License fees	198,590	797,935	175,552	708,704	198,590	797,935	175,552	708,704
Duties and taxes	133,087	534,744	139,507	563,190	133,087	534,744	139,507	563,190
Insurance	41,305	165,963	38,728	156,345	41,305	165,963	38,728	156,345
Communication	34,104	137,030	33,225	134,129	34,104	137,030	33,225	134,129
Travelling and accommodation	61,882	248,642	47,999	193,772	61,882	248,642	47,999	193,772
Legal and professional fees	193,227	776,386	90,626	365,857	193,227	776,386	90,626	365,857
Stationeries and printing	44,971	180,693	36,219	146,216	44,971	180,693	36,219	146,216
Directors' fees and meeting allowances	32,000	128,576	32,000	129,184	32,000	128,576	32,000	129,184
Others	237,850	955,681	209,026	843,838	265,219	1,065,650	209,026	843,838
	<u>977,016</u>	<u>3,925,650</u>	<u>802,882</u>	<u>3,241,235</u>	<u>1,004,385</u>	<u>4,035,619</u>	<u>802,882</u>	<u>3,241,235</u>

29. Net cash generated from operating activities

	The Group				The Bank			
	2018		2017		2018		2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Operating activities								
Profit before income tax	3,143,786	12,631,733	2,501,731	10,099,487	3,116,417	12,521,764	2,501,751	10,099,568
<i>Adjustments for:</i>								
Depreciation and amortisation	551,345	2,215,304	568,185	2,293,763	551,345	2,215,304	568,185	2,293,763
Gain on disposals of property and equipment	(13,056)	(52,459)	-	-	(13,056)	(52,459)	-	-
Allowance for losses on loans and advances to customers	850,562	3,417,558	262,180	1,058,421	850,562	3,417,558	262,180	1,058,421
Provision for employee benefits	120,000	482,160	-	-	120,000	482,160	-	-
Income tax paid	(674,284)	(2,709,273)	(210,322)	(849,069)	(674,284)	(2,709,273)	(210,322)	(849,069)
	<u>3,978,353</u>	<u>15,985,023</u>	<u>3,121,774</u>	<u>12,602,602</u>	<u>3,950,984</u>	<u>15,875,054</u>	<u>3,121,794</u>	<u>12,602,683</u>
Changes in:								
Balances with the National Bank of Cambodia	(7,164,736)	(28,787,909)	(1,238,544)	(5,000,002)	(7,164,736)	(28,787,909)	(1,238,544)	(5,000,002)
Balances with other banks and financial institutions	4,481,206	18,005,486	1,798,952	7,262,369	4,481,206	18,005,486	1,798,952	7,262,369
Loans and advances to customers	(43,249,767)	(173,777,564)	(31,066,004)	(125,413,458)	(43,249,767)	(173,777,564)	(31,066,004)	(125,413,458)
Other assets	(165,430)	(664,698)	(17,149)	(69,231)	(165,430)	(664,698)	(17,149)	(69,231)
Deposits from other financial institutions	8,634,709	34,694,261	10,411,777	42,032,344	8,634,709	34,694,261	10,411,777	42,032,344
Deposits from customers	45,657,975	183,453,743	24,213,168	97,748,559	40,685,344	163,473,712	24,213,148	97,748,478
Other liabilities	(118,321)	(475,413)	(139,206)	(561,975)	(118,321)	(475,413)	(139,206)	(561,975)
Net cash generate from operating activities	<u>12,053,989</u>	<u>48,432,929</u>	<u>7,084,768</u>	<u>28,601,208</u>	<u>7,053,989</u>	<u>28,342,929</u>	<u>7,084,768</u>	<u>28,601,208</u>

30. Commitments and contingencies

(a) Lease commitments

The Group and the Bank lease office premises under an operating lease arrangement with minimum lease commitments as follows:

	The Group/The Bank			
	2018		2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Within one year	433,953	1,743,623	384,033	1,550,341
More than 1 year to 5 years	1,461,269	5,871,379	1,665,940	6,725,400
More than 5 years	1,780,063	7,152,293	1,285,800	5,190,775
	<u>3,675,285</u>	<u>14,767,295</u>	<u>3,335,773</u>	<u>13,466,516</u>

(b) Lending commitment

	The Group/The Bank			
	2018		2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Unused portion of overdrafts	6,281,112	25,237,508	7,773,211	31,380,453
Undrawn credit facilities	20,191,615	81,129,909	3,692,100	14,905,008
Bank guarantees	1,738,293	6,984,461	2,313,024	9,337,678
	<u>28,211,020</u>	<u>113,351,878</u>	<u>13,778,335</u>	<u>55,623,139</u>

In accordance with the Circular No. B7-018-001 dated 16 February 2018 on the Implementation of Prakas on Credit Risk Grading and Provision on Impairment, banks and financial institutions ("Institution") are required to provide provision on lending commitment with which the institution cannot reject or cancel those commitment, and it will become future settlement obligation of the institution.

Including in the lending commitment of US\$28,211,020, there is a portion of undrawn loan balance amounting US\$18,473,820 which is the progressive release-loans that the Bank will not drawdown the remaining balances unless the borrowers can meet certain conditions stated in the loan agreements; otherwise, the Bank has the right to cancel those loans. Therefore, the Bank has not made provision on this undrawn portion.

31. Related party transactions and balances

(a) Transaction with related parties

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

		31 December 2018		31 December 2017	
<i>Transactions</i>		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Subsidiary					
HwangDBS Securities (Cambodia) Plc	Bank charges	-	-	20	81
Related parties					
Phillip Finance (HK) Limited	Interest expense	51,741	207,895	238,437	962,570
Phillip Assets Management Limited	Interest expense	38,139	153,243	30,232	122,047
Phillip General Insurance (Cambodia) Plc	Interest expense	207,111	832,172	67,935	274,254
Phillip Life Assurance (Cambodia) Plc	Interest expense	122,388	491,755	-	-
Kredit Microfinance Institution Plc.	Interest expense	2,673	10,740	2,187	8,829
	Interest income	16,477	66,205	31,477	127,073
First Finance Plc	Interest expense	1,396	5,609	39	157
	Interest income	133,979	538,328	275,989	1,114,168
	Loan repayment	316,667	1,272,368	1,910,060	7,710,912
Directors, shareholder and key management personnels	Interest expense	11,336	45,548	3,701	14,943
Key management personnel	Remuneration and benefits	177,953	715,015	166,832	673,501

(b) Balance with related parties

Balances with related parties at the reporting year were as follows:

		31 December 2018		31 December 2017	
<i>Transactions</i>		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Subsidiary					
HwangDBS Securities (Cambodia) Plc	Deposits	-	-	4,972,631	20,074,511
Related parties					
Phillip Finance (HK) Limited	Deposits	171,666	689,754	8,738,416	35,276,985
	Accrued interest payable	-	-	204,160	824,194
Phillip Assets Management Limited	Deposits	1,549,996	6,227,884	7	28
	Accrual interest payable	38,139	153,243	-	-
Phillip General Insurance (Cambodia) Plc	Deposits	4,459,086	17,916,608	3,036,445	12,258,128
	Accrual interest payable	5,920	23,787	-	-
Phillip Life Assurance (Cambodia) Plc	Deposits	6,288,142	25,265,755	-	-
	Accrual interest payable	78,058	313,637	-	-
Kredit Microfinance Institution Plc.	Placement	99,997	401,788	32,251	130,196
	Deposits	799,361	3,211,832	-	-
	Accrual interest receivable	4,524	18,177	5,480	22,123
					42,798
First Finance Plc.	Deposits	577,597	2,320,785	10,601	
	Loan	1,433,333	5,759,132	775,157	3,129,309
Phillip MFIs Ptd Ltd.	Deposit	78,110	313,846	-	-
Directors, shareholder and key management personnel	Deposits	259,516	1,042,735	301,024	1,215,234

32. Financial risk management

The Group and the Bank have exposure to the following risks:

- operational risk;
- credit risk;
- market risk; and
- liquidity risk

The Group and the Bank do not use derivative financial instruments such as foreign exchange contract and interest rate swaps to manage their risk exposures.

(a) Operational risk

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

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

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

(b) Credit risk

Credit risk is the risk of potential of financial loss to the Group and the Bank if a borrower or counterparty fails to meet its contractual obligations, and arises principally from the extension of credit facilities to customers.

Credit risk is one of the most important risk for the Group's and the Bank's business. Credit exposure arises principally in lending activities that involves

providing loans to customers. There is also credit risk in off-balance sheet financial instruments, such as Bank Guarantee and Letter of Credit, loan commitments, and contingent liabilities. Credit risk is managed by the Bank's Credit Committee with overall oversight by the Group's and the Bank's Risk Management Committee.

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

(i) Credit risk measurement

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

(ii) Risk limit control and mitigation policies

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

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

The Group and the Bank employ a range of policies and practices to mitigate credit risk which covers types of collaterals accepted, their maximum loan to value ratio (LTV %), the approval levels under Delegation of Authority (DOA) depending on loan limit, borrowers' credit risk rating (CRR), amongst others. The most traditional of these is the taking of security in the form of collateral for loans, which is a common practice. The Group and the Bank implement guidelines on the acceptability of specific classes of collateral or credit risk mitigation.

The principal collateral types to secure for loans are:

- Hypothecation over collateral properties titles;
- Fixed and floating charges over business fixed and current assets under Secured Transaction Act (STA) registration and Registration with Secured Transaction Act (STA) under the Ministry of Commerce over movable assets such as Cars and other movable assets;
- Cash in the form of deposits pledged.

(iii) Impairment and allowance policies

The Group and the Bank is required to follow the mandatory credit classification and provisioning in accordance with Prakas B7-017-344 dated 1 December 2017 and Circular No. B7-018-001 on loan classification and provisioning. Refer to Notes 3(g) for detail.

(iv) Exposure to credit risk

Maximum exposure to credit risk before collateral held or other credit enhancements.

	The Group/The Bank			
	31 December 2018		31 December 2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Balances with the NB (excluding statutory deposits)	51,624,086	207,425,577	35,568,069	143,588,295
Balances with other banks and financial institutions	18,447,050	74,120,247	14,444,747	58,313,444
Loans and advances to customers	168,703,297	677,849,847	125,482,993	506,574,843
Other investment	25,000	100,450	25,000	100,925
Other assets	573,257	2,303,347	465,473	1,879,115
	<u>239,372,690</u>	<u>961,799,468</u>	<u>175,986,282</u>	<u>710,456,622</u>
Allowance for losses on loans and advances to customers	(2,993,245)	(12,026,858)	(2,358,480)	(9,521,184)
	<u>236,379,445</u>	<u>949,772,610</u>	<u>173,627,802</u>	<u>700,935,438</u>

- The above table represents a worst case scenario for credit risk exposure to the Group and the Bank at 31 December 2018 and 31 December 2017, without taking into account any collateral held or other credit enhancement attached. For on-balance sheet assets, the exposure set out above is based on net carrying amounts.
- The credit exposure amounts arising from off balance sheet items are disclosed in Note 30 on Commitments and Contingencies.

	The Group/The Bank			
	31 December 2018		31 December 2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Loans and advances neither past due nor impaired	166,120,426	667,471,871	124,056,383	500,815,618
Loans and advances past due but not impaired	840,425	3,376,827	73,944	298,512
Loans and advances individually impaired	1,742,446	7,001,149	1,352,666	5,460,713
	<u>168,703,297</u>	<u>677,849,847</u>	<u>125,482,993</u>	<u>506,574,843</u>

In compliance with NBC Guidelines, an allowance for doubtful loans to customers is made for loans to customers with payment overdue more than 14 days for short-term loans and 30 days for long-term loans. A minimum level of specific allowance for impairment is made depending on the classification concerned, unless other information is available to substantiate the repayment capacity of the counterparty. Refer to separate accounting policy stated in Note 3(g).

Loans to customers neither past due nor impaired

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

Past due but not impaired loans to customers

Past due but not impaired loans to customers are those for which contractual interest or principal payments are past due less than 15 days for short-term loans and 30 days for long-term loans, unless other information is available to indicate otherwise. Past due but not impaired loans and advances are those for which contractual interest or principal payments are past due more than 15 days but less than 31 days for short-term loans and 30 days but less than 90 days for long-term loans, unless other information is available to indicate otherwise. In compliance with NBC Guidelines such loans are classified as special mention with a specific allowance of 3%.

Individually impaired loans to customers for doubtful

Individually impaired loans to customers are loans to customers for which the Group and the Bank determine that there is objective evidence of impairment and contractual principal or interest payments are past due or history of past due of more than 30 days for short-term loans and 89 days for long-term loans, unless other information is available to indicate or otherwise.

Most of the collateral properties titles are in the form of "hard titles" which are official ownership documents issued by the Ministry of Land Management. The Group and the Bank's hypothecation on the title will signify the Group and the Bank's registered interest over the title with the Land Management Office and with priority of claim in the event of foreclosure on the property. A property title search can be conducted to ascertain if a particular property title is free from encumbrances and to determine the rightful owner.

Loans with renegotiated terms/restructured loans

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

business perspectives and overall market conditions being based on realistic and prudent assumptions.

Following the Debt Restructuring, the loan shall be classified as follows:

- Not better than Substandard for loan that was classified as doubtful or loss prior to Restructuring
- Unchanged for loan classified as normal, special mention or substandard prior to restructuring

The classification shall not be improved unless there are no arrears in repayment of principal and interest within 3 installments periods and within a period of not less than 3 months.

Write-off policy

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

Collateral

The Group and the Bank holds collateral against loans and advances in the form of hypothecation interests over property and/or guarantees. Estimates of value are based on the value of collateral assessed by the Bank's panel evaluators on an annual basis.

During the year, there are no collateral properties taken over by the Group and the Bank by taking possession of collateral held as security against loans and advances.

Concentration of risks of financial assets with credit risk exposure

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

activities to mitigate concentration risks, such as microfinance and construction sectors.

(v) Balance with other banks

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

(c) Market risk

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

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

(i) Foreign currency exchange risk

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

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

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

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

(ii) Interest rate risk

Interest rate risk refers to the volatility in net interest income as a result of changes in the levels of interest rate and shifts in the composition of the assets and

liabilities. Interest rate risk is managed through close monitoring of returns on investment, market pricing, cost of funds and through interest rate sensitivity gap analysis. The potential reduction in net interest income from an unfavourable interest rate movement is monitored against the risk tolerance limits set.

Loans and advances to customers are offered in the term of re-pricing on interest rate by the Group and the Bank with 1-month prior notice to the customers. Hence, the loans and advances to customers with maturity greater than 1 month are exposed to interest rate risk during 1 to 3 months.

An analysis of the interest rate risk pertaining to the Group's and the Bank's assets and liabilities are disclosed below:

	2018							
	The Group							
	Up to 1 month US\$	>1-3 months US\$	>3-6 months US\$	>6-12 months US\$	>1 to 5 years US\$	Over 5 years US\$	Non-interest sensitive US\$	Total US\$
Financial assets								
Cash on hand	-	-	-	-	-	-	4,102,284	4,102,284
Balances with the NBC (excluding statutory deposits)	51,624,086	-	-	-	-	-	-	51,624,086
Balances with other banks and financial institutions	14,975,625	2,859,104	500,000	298,655	-	-	-	18,633,384
Other investment	-	-	-	-	-	-	25,000	25,000
Loans and advances to customers	998,546	10,353,222	2,354,271	14,534,759	25,657,749	115,432,325	-	169,330,872
Other assets	-	-	-	-	-	-	573,257	573,257
Total financial assets	67,598,257	13,212,326	2,854,271	14,833,414	25,657,749	115,432,325	4,700,541	244,288,883
Financial liabilities								
Deposits from other financial institutions	12,365,536	8,867,829	5,239,268	18,291,960	2,667,506	-	-	47,432,099
Deposits from customers	70,262,981	27,676,447	13,123,131	25,740,563	6,264,075	-	-	143,067,197
Other liabilities	-	-	-	-	-	-	1,677,493	1,677,493
Total financial liabilities	82,628,517	36,544,276	18,362,399	44,032,523	8,931,581	-	1,677,493	192,176,789
Maturity gap – US\$	(15,030,260)	(23,331,950)	(15,508,128)	(29,199,109)	16,726,168	115,432,325	3,023,048	52,112,094
Maturity gap – KHR'000 (Note 4)	(60,391,585)	(93,747,775)	(62,311,658)	(117,322,020)	67,205,743	463,807,082	12,146,607	209,386,394

2018

The Bank

	Up to 1 month US\$	>1-3 months US\$	>3-6 months US\$	>6-12 months US\$	>1 to 5 years US\$	Over 5 years US\$	Non-interest sensitive US\$	Total US\$
Financial assets								
Cash on hand	-	-	-	-	-	-	4,102,284	4,102,284
Balances with the NBC (excluding statutory deposits)	51,624,086	-	-	-	-	-	-	51,624,086
Balances with other banks and financial institutions	14,975,625	2,859,104	500,000	298,655	-	-	-	18,633,384
Other investment	-	-	-	-	-	-	25,000	25,000
Loans and advances to customers	998,546	10,353,222	2,354,271	14,534,759	25,657,749	115,432,325	-	169,330,872
Other assets	-	-	-	-	-	-	573,257	573,257
Total financial assets	67,598,257	13,212,326	2,854,271	14,833,414	25,657,749	115,432,325	4,700,541	244,288,883
Financial liabilities								
Deposits from other financial institutions	12,365,536	8,867,829	5,239,268	18,291,960	2,667,506	-	-	47,432,099
Deposits from customers	70,262,981	27,676,447	13,123,131	25,740,563	6,264,075	-	-	143,067,197
Other liabilities	-	-	-	-	-	-	1,677,493	1,677,493
Total financial liabilities	82,628,517	36,544,276	18,362,399	44,032,523	8,931,581	-	1,677,493	192,176,789
Maturity gap – US\$	(15,030,260)	(23,331,950)	(15,508,128)	(29,199,109)	16,726,168	115,432,325	3,023,048	52,112,094
Maturity gap – KHR'000 (Note 4)	(60,391,585)	(93,747,775)	(62,311,658)	(117,322,020)	67,205,743	463,807,082	12,146,607	209,386,394

2017

The Group

	Up to 1 month US\$	>1-3 months US\$	>3-6 months US\$	>6-12 months US\$	>1 to 5 years US\$	Over 5 years US\$	Non-interest sensitive US\$	Total US\$
Financial assets								
Cash on hand	-	-	-	-	-	-	2,420,292	2,420,292
Balances with the NBC (excluding statutory deposits)	35,568,069	-	-	-	-	-	-	35,568,069
Balances with other banks and financial institutions	5,606,719	8,540,777	-	297,251	-	-	-	14,444,747
Other investment	-	-	-	-	-	-	25,000	25,000
Loans and advances to customers	21,795,437	105,791,877	-	-	-	-	-	127,587,314
Other assets	-	-	-	-	-	-	465,473	465,473
Total financial assets	62,970,225	114,332,654	-	297,251	-	-	2,910,765	180,510,895
Financial liabilities								
Deposits from other financial institutions	11,057,674	7,604,097	16,166,749	4,058,216	-	-	-	38,886,736
Deposits from customers	44,002,996	10,063,973	11,354,007	30,532,563	1,602,910	-	-	97,556,449
Other liabilities	-	-	-	-	-	-	366,877	366,877
Total financial liabilities	55,060,670	17,668,070	27,520,756	34,590,779	1,602,910	-	366,877	136,810,062
Maturity gap – US\$	7,909,555	96,664,584	(27,520,756)	(34,293,528)	(1,602,910)	-	2,543,888	43,700,833
Maturity gap – KHR'000 (Note 4)	31,930,874	390,234,926	(111,101,292)	(138,442,973)	(6,470,948)	-	10,269,676	176,420,263

2017

The Bank

	Up to 1 month US\$	>1-3 months US\$	>3-6 months US\$	>6-12 months US\$	>1 to 5 years US\$	Over 5 years US\$	Non-interest sensitive US\$	Total US\$
Financial assets								
Cash on hand	-	-	-	-	-	-	2,420,292	2,420,292
Balances with the NBC (excluding statutory deposits)	35,568,069	-	-	-	-	-	-	35,568,069
Balances with other banks and financial institutions	5,606,719	8,540,777	-	297,251	-	-	-	14,444,747
Other investment	-	-	-	-	-	-	25,000	25,000
Loans and advances to customers	21,795,437	105,791,877	-	-	-	-	-	127,587,314
Other assets	-	-	-	-	-	-	465,473	465,473
Total financial assets	62,970,225	114,332,654	-	297,251	-	-	2,910,765	180,510,895
Financial liabilities								
Deposits from other financial institutions	11,057,674	7,604,097	16,166,749	4,058,216	-	-	-	38,886,736
Deposits from customers	48,975,627	10,063,973	11,354,007	30,532,563	1,602,910	-	-	102,529,080
Other liabilities	-	-	-	-	-	-	366,877	366,877
Total financial liabilities	60,033,301	17,668,070	27,520,756	34,590,779	1,602,910	-	366,877	141,782,693
Maturity gap – US\$	2,936,924	96,664,584	(27,520,756)	(34,293,528)	(1,602,910)	-	2,543,888	38,728,202
Maturity gap – KHR'000 (Note 4)	11,856,362	390,234,926	(111,101,292)	(138,442,973)	(6,470,948)	-	10,269,676	156,345,751

Fair value sensitivity analysis for fixed-rate instruments

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

Cash flow sensitivity analysis for variable-rate instruments

The Group and the Bank do not have variable-rate instruments. Therefore, cash flow sensitivity analysis is not presented.

(d) Liquidity risk

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

(i) Liquidity risk management process

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

(ii) Funding approach

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

(iii) Non-derivative cash flows

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

2018

The Group

	Up to 1 month US\$	>1-3 months US\$	>3-6 months US\$	>6-12 months US\$	>1 to 5 years US\$	Over 5 years US\$	No fixed term US\$	Total US\$
Financial assets								
Cash on hand	4,102,284	-	-	-	-	-	-	4,102,284
Balances with the NBC (excluding statutory deposits)	51,624,086	-	-	-	-	-	-	51,624,086
Balances with other banks and financial institutions	14,975,625	2,859,104	500,000	298,655	-	-	-	18,633,384
Other investment	25,000	-	-	-	-	-	-	25,000
Loans and advances to customers	998,546	10,353,222	2,354,271	14,534,759	25,657,749	115,432,325	-	169,330,872
Other assets	66,818	-	-	-	-	-	506,439	573,257
Total financial assets	71,792,359	13,212,326	2,854,271	14,833,414	25,657,749	115,432,325	506,439	244,288,883
Financial liabilities								
Deposits from other financial institutions	12,365,536	8,867,829	5,239,268	18,291,960	2,667,506	-	-	47,432,099
Deposits from customers	70,262,981	27,676,447	13,123,131	25,740,563	6,264,075	-	-	143,067,197
Other liabilities	-	-	-	-	-	-	1,677,493	1,677,493
Total financial liabilities	82,628,517	36,544,276	18,362,399	44,032,523	8,931,581	-	1,677,493	192,176,789
Maturity gap – US\$	(10,836,158)	(23,331,950)	(15,508,128)	(29,199,109)	16,726,168	115,432,325	(1,171,054)	52,112,094
Maturity gap – KHR'000 (Note 4)	(43,539,683)	(93,747,775)	(62,311,658)	(117,322,020)	67,205,743	463,807,082	(4,705,295)	209,386,394

2018

The Bank

	Up to 1 month US\$	>1-3 months US\$	>3-6 months US\$	>6-12 months US\$	>1 to 5 years US\$	Over 5 years US\$	No fixed term US\$	Total US\$
Financial assets								
Cash on hand	4,102,284	-	-	-	-	-	-	4,102,284
Balances with the NBC (excluding statutory deposits)	51,624,086	-	-	-	-	-	-	51,624,086
Balances with other banks and financial institutions	14,975,625	2,859,104	500,000	298,655	-	-	-	18,633,384
Other investment	25,000	-	-	-	-	-	-	25,000
Loans and advances to customers	998,546	10,353,222	2,354,271	14,534,759	25,657,749	115,432,325	-	169,330,872
Other assets	66,818	-	-	-	-	-	506,439	573,257
Total financial assets	71,792,359	13,212,326	2,854,271	14,833,414	25,657,749	115,432,325	506,439	244,288,883
Financial liabilities								
Deposits from other financial institutions	12,365,536	8,867,829	5,239,268	18,291,960	2,667,506	-	-	47,432,099
Deposits from customers	70,262,981	27,676,447	13,123,131	25,740,563	6,264,075	-	-	143,067,197
Other liabilities	-	-	-	-	-	-	1,677,493	1,677,493
Total financial liabilities	82,628,517	36,544,276	18,362,399	44,032,523	8,931,581	-	1,677,493	192,176,789
Maturity gap – US\$	(10,836,158)	(23,331,950)	(15,508,128)	(29,199,109)	16,726,168	115,432,325	(1,171,054)	52,112,094
Maturity gap – KHR'000 (Note 4)	(43,539,683)	(93,747,775)	(62,311,658)	(117,322,020)	67,205,743	463,807,082	(4,705,295)	209,386,394

2017

The Group

	Up to 1 month US\$	>1-3 months US\$	>3-6 months US\$	>6-12 months US\$	>1 to 5 years US\$	Over 5 years US\$	No fixed term US\$	Total US\$
Financial assets								
Cash on hand	2,420,292	-	-	-	-	-	-	2,420,292
Balances with the NBC (excluding statutory deposits)	35,568,069	-	-	-	-	-	-	35,568,069
Balances with other banks and financial institutions	5,606,719	8,540,777	-	297,251	-	-	-	14,444,747
Other investment	25,000	-	-	-	-	-	-	25,000
Loans and advances to customers	21,795,437	3,056,925	3,289,326	9,819,615	51,990,612	36,282,738	1,352,661	127,587,314
Other assets	143,726	-	-	-	-	-	321,747	465,473
Total financial assets	65,559,243	11,597,702	3,289,326	10,116,866	51,990,612	36,282,738	1,674,408	180,510,895
Financial liabilities								
Deposits from other financial institutions	11,057,674	7,604,097	16,166,749	4,058,216	-	-	-	38,886,736
Deposits from customers	44,002,996	10,063,973	11,354,007	30,532,563	1,602,910	-	-	97,556,449
Other liabilities	365,965	-	-	-	-	-	912	366,877
Total financial liabilities	55,426,635	17,668,070	27,520,756	34,590,779	1,602,910	-	912	136,810,062
Maturity gap – US\$	10,132,608	(6,070,368)	(24,231,430)	(24,473,913)	50,387,702	36,282,738	1,673,496	43,700,833
Maturity gap – KHR'000 (Note 4)	40,905,338	(24,506,076)	(97,822,283)	(98,801,187)	203,415,153	146,473,414	6,755,904	176,420,263

2017

The Bank

	Up to 1 month US\$	>1-3 months US\$	>3-6 months US\$	>6-12 months US\$	>1 to 5 years US\$	Over 5 years US\$	No fixed term US\$	Total US\$
Financial assets								
Cash on hand	2,420,292	-	-	-	-	-	-	2,420,292
Balances with the NBC (excluding statutory deposits)	35,568,069	-	-	-	-	-	-	35,568,069
Balances with other banks and financial institutions	5,606,719	8,540,777	-	297,251	-	-	-	14,444,747
Other investment	25,000	-	-	-	-	-	-	25,000
Loans and advances to customers	21,795,437	3,056,925	3,289,326	9,819,615	51,990,612	36,282,738	1,352,661	127,587,314
Other assets	143,726	-	-	-	-	-	321,747	465,473
Total financial assets	65,559,243	11,597,702	3,289,326	10,116,866	51,990,612	36,282,738	1,674,408	180,510,895
Financial liabilities								
Deposits from other financial institutions	11,057,674	7,604,097	16,166,749	4,058,216	-	-	-	38,886,736
Deposits from customers	48,975,627	10,063,973	11,354,007	30,532,563	1,602,910	-	-	102,529,080
Other liabilities	365,965	-	-	-	-	-	912	366,877
Total financial liabilities	60,399,266	17,668,070	27,520,756	34,590,779	1,602,910	-	912	141,782,693
Maturity gap – US\$	5,159,977	(6,070,368)	(24,231,430)	(24,473,913)	50,387,702	36,282,738	1,673,496	38,728,202
Maturity gap – KHR'000 (Note 4)	20,830,827	(24,506,076)	(97,822,283)	(98,801,187)	203,415,153	146,473,414	6,755,904	156,345,752

(e) Capital management

(i) Regulatory capital

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

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

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

(ii) Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital.

(f) Fair values

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

33. Taxation contingencies

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

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



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