PhillipBank

ANNUAL REPORT 2019

CONTENTS

Overview

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 (as well as Hong Kong), France, India, Indonesia, Japan, Malaysia, Singapore, 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 Microfinance, then in 2012 into Kredit Microfinance; and then in 2014, when we bought into Hwang DBS Bank and changed its name to 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.

Phillip Bank currently has 89 branches in Cambodia 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.

CHAIRMAN'S STATEMENT

2019 has been a satisfactory year for the Bank. Our minds were set in focus on the full merger with KREDIT Microfinance. Whilst the economy was growing at a phenomenal rate of about 7% for 2019, we have chosen to grow at a measured pace in line with the economy. As a consequence, we are pleased on achieving an operating revenue of US$19.68 million and a pretax profit of US$5.48 million for year ending 31 December 2019 as compared with US$14.82 million and US$3.00 million respectively for year ending 31 December 2018.

Total loans by the banking industry in Cambodia increased by 21.3% over the previous year. Our bank loans increased by 35.79% from US$166.87 million to US$226.59 million. Non-FI deposits also grew significantly from US$150.68 million as at 31 December 2018 to US$208.98 million as at 31 December 2019, an increase of 38.69%. Our profit increase was primarily due to our increase in gross loan from US$167.86 million to US$227.35 million. We consider our approach as responsible banking in partnering with our clients towards long term prosperity.

We are cognisant of the need to grow our non-interest or fee-based income. Our fee-based income has increased from US$1.24 million to US$1.5 million. It would be our strategic thrust to grow depth and sophistication in the banking industry to provide our clients with new products and services. There are many avenues to grow in financial intermediation where clients could be better served. We will explore the possibilities.

Since last year, we have focused on the retail banking business expansion and we received enormous support from middle-class customers residing in urban areas. The first Model branch for all Phillip Bank branches was completed and will be replicated nationwide. We initiated a series of product promotions covering Personal Loans and Fixed Deposits accounts. Also, we partnered with many real-estate project developers to offer a project-based affordable housing loan product to the customers.

CHAIRMAN'S STATEMENT

With paid-up capital of US$75 million which is in compliance with regulatory requirements, the Bank remains steadfast in maintaining its strict compliance with 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.

The Bank aims to be an important player in Cambodia's financial sector by providing its clients with practical, useful, efficient and secured banking products and services. As such, the Bank is committed to constantly reviewing, improving and adding new products and services to provide the best customer experience. Moving towards digitisation has been our paramount strategy. The plans for IT architecture and IT infrastructure strategy have been set. We are now engaging in building better platforms and products to provide seamless connectivity 24/7 for our clients. We expect this process to be continuous. The search for client satisfaction will be our pursuit.

Our merger with KREDIT Microfinance had been realised given the approval by the NBC and the Ministry of Commerce (Moc). This unity extends our reach nationwide with 89 branches. The possibilities are tremendous in organisational synergy and in the creation of network effects.

The COVID-19 pandemic unfolding during this first quarter of 2020 is expected to create a new world order. What we understand of the past may no longer apply in the future. The old has to be reset for the new. We cannot operate business as usual. The developed countries can get away with budget deficits and quantitative easing. The emerging markets would have to be more disciplined. The nature of macro economics will baffle many of us when interest rates can be moving towards zero or negative without evident inflation.

Under such trying times in the world scene, it pays for us to focus on regional development. ASEAN will likely be the most promising regional cluster for economic growth. Our desire as a bank is to be a significant player in this region.

Beyond profitability, we have our vision, "Growing People, Delighting Customers and Benefiting Communities". People are our most precious asset. We are to grow them by training and by taking responsibilities with accountability. More than creating jobs, leadership is all about growing others and creating opportunities for our people. Our challenge is the inculcation of empathy with our customers. Where there is empathy, we will feel like our customers and understand their needs.

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 continuing to build 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 Review

BUSINESS PRIORITIES

FINANCIAL PERSPECTIVE

For the year ended 31 December 2019, the Bank recorded a total operating revenue of US$19.68 million (compared to US$14.82 million as at 31 December 2018) and recorded a Pre-tax Profit of US$5.48 million (as compared to Pre-tax Profit of US$3 million as at 31 December 2018).

The profit increase is due to higher interest income from our increasing loan base. Our loan portfolio increased from US$167.86 million as at 31 December 2018 to US$227.35 million as at 31 December 2019.

At the same time, our non-interest income or fee income also increased from US$1.24 million as at 31 December 2018 to US$1.5 million as at 31 December 2019.

The Bank will continue to pursue its strategies of focus on satisfying the financial needs of small and medium scale enterprises and offering 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, micro and SME segment.

CUSTOMER PERSPECTIVE

The Bank offers a wide range of products and services for small and medium scale enterprises to meet retail and corporate financial needs while safeguarding the wealth of locals for future generations.

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

COMMUNITY PERSPECTIVE

The Bank also engages in and implements various CSR programmes to support the communities. In the past years, the Bank has sponsored many charity events. From 2018 until now, the Bank has placed great emphasis on the disabled community and education by sponsoring and co-running events to help support the disabled community through the Epic Arts Organisation. In addition,

we have supported the E2STEM programme at Preah Yukuntor High School by providing scholarships to students to help foster science and technical education in Cambodia. The Bank will continue to give back to the Cambodian society through many other initiatives and projects in the upcoming years.

INTERNAL PROCESS PERSPECTIVE

The Bank aims to project and position itself as a "Growing People, Delighting Customers and Benefiting Communities" bank that places a high degree of importance on stringent risk management processes for the benefit of our clients and the community. The Bank has put in place policies and procedures of international standards and has invested substantially in technology and infrastructure security for our customers' added peace of mind.

HUMAN RESOURCE PROSPECTIVE

Recognising that employees are an important asset to the Bank, the Bank strives to attract and employ candidates with the right credentials, attitudes and levels of experience. The Bank believes that a human resource development framework, which can help employees to develop their personal and organisational skills, knowledge and abilities, is essential to the development of a workforce that will help the Bank accomplish its goals.

The appropriate human resource development programme at an organisational level prepares an individual for a higher level of responsibility at the workplace and maximises enterprise effectiveness. It also leads to a high level of employee engagement to help ensure that our employees are fully involved and enthusiastic about their work. All front liners are trained to hone their soft skills while support staff attend training that is specifically designed to enhance their technical skills.

Human resource development from a business perspective must be aligned with the organisation's mission and vision. Bearing this in mind and given the eventuality of the expansion of the Bank, in terms of manpower, the Bank has spent a budget of almost US$40,000 in the year 2019 on training and team building.

SIGNIFICANT BUSINESS PLANS FOR FINANCIAL YEAR 2020

To provide customers with a more convenient way of banking, the Bank plans to introduce many new products in 2020. In early 2020, we will relaunch our new mobile app, namely "Phillip Mobile", equipped with many new functions including bill payment, account opening, loan application, and many others.

To keep up with the lifestyle of modern Millennials in Cambodia, we are planning to launch our virtual MasterCard. Phillip Bank customers can apply for this card anytime, anywhere, at the touch of their finger, using the Phillip Mobile application. In addition, we will be providing Internet Banking to our retail and corporate customers to help them with their day to day business transactions. To provide best-in-class customer experience, we also plan to launch our priority programme namely "Phillip Priority", with its first lounge at our Kampuchea Krom branch, followed by Monivong and Boeung Keng Kang branches.

Having seen the increasing need of funds for investment among small and medium scale enterprises in Cambodia, the Bank also aims to introduce new products catering to this segment. Meanwhile, the Bank will also enhance its retail products, including personal loans, micro loans, motorcycle loans, car loans and housing loans to increase our customer base in retail segment.

Furthermore, to provide superior customer experience and convenience, the Bank is working to capitalise on its expanded branches and ATM networks throughout the country, following the merger with KREDIT Microfinance in Cambodia.

THE CUSTOMER'S VOICE

With Phillip Bank support, I have been able to expand many of my businesses to all the provinces in Cambodia in response to the market demand. Phillip Bank puts great trust in my business and has helped provide solutions to the business issues I was facing. Thanks to this, my business has now grown bigger and bigger.

Phillip Bank has created a culture of nurturing a good relationship with the customers. In my case, Phillip Bank staff was quick in responding to my requests together with flexible conditions on the loan term. As a customer, this is the standard we want from a bank.

THE CUSTOMER'S VOICE

What is unique about Phillip Bank is that they do not just provide loans to customers as other banks do. They also provide advice on the right products and the right way to expand the business in the future, especially for SME owners like me.

I was introduced to Phillip Bank when I joined a business networking event. With Phillip Bank's support, my business has grown in between 50%-70%. You can expect good service, great care from staff, a professional working style, and free consultations on growing your businesses from Phillip Bank. Phillip Bank is not just a normal bank, but a bank that cares about your business.

THE CUSTOMER'S VOICE

I firstly requested Phillip Bank for a financial solution to expand my gasoline station business. Since then, my business keeps growing and the Bank keeps supporting me in expanding those businesses. Phillip Bank always listens and provides a financial solution to its customers rather than focusing too much on the policy and procedure.

Phillip Bank provided funds in support for the expansion of my educational business. Thanks to this, my business has grown twice its size and I am now looking to expand more. Phillip Bank has professional and supportive staff who put all the efforts into providing financial solutions to business owners in Cambodia.

PHILLIP BANK
IN THE NEWS

CORPORATE
SOCIAL RESPONSIBILITY

Phillip Bank believes CSR (Corporate Social Responsibility) is not just a corporate responsibility. It is in our DNA to do good and give back to the communities we operate in.

We divide our CSR activities into two:

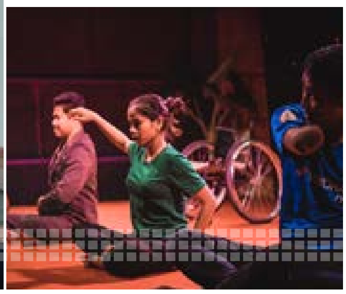
- Strategic CSR: these are specific areas in which the Bank has chosen to contribute over an extended period of time. For Phillip Bank, Strategic CSR includes benefiting education and disabled arts.

- Tactical CSR: These 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 programmes, etc.

In 2019, Phillip Bank supported communities and local charities through activities below:

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 province.





E2STEM Cambodia:
Phillip Bank is a proud sponsor of a major educational initiative called E2STEM. Under the programme, scholarships are provided to needy students for their studies in science and mathematics. In 2019, Phillip Bank sponsored two students for 3 years in high school and 2 years in technical school under the E2STEM programme at Preah Yukunthor High School, supporting their learning of Science, Technology, Engineering and Mathematics.



CORPORATE
SOCIAL RESPONSIBILITY

Phillip Bank Charity Day:

Every year, Phillip Bank staff come together on at least two charity missions to the rural communities in Cambodia, donating study materials to hundreds of school children, coming from poor and disadvantaged families. Besides providing donations, the staff also engage with those children on some fun activities including quizzes and games as a way to inspire them to study hard and become valuable human resources in Cambodia.



Walk for Smile – Angkor

As part of Smile Cambodia's surgical mission in the Siem Reap province, Phillip Bank is a sponsor for the Walk for Smile - Angkor held on 12 January 2019 with international and national volunteers participating in the marathon around the Angkor Complex. The Walk for A Smile - Angkor was organised with the purpose of raising funds to support the surgery and treatment of Cambodian patients with cleft-lip, cleft-palate and other facial deformities.

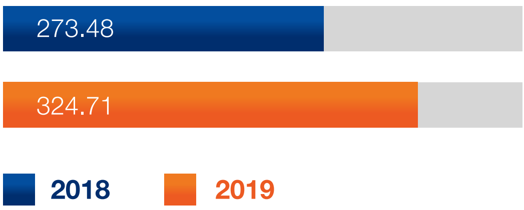


FINANCIAL HIGHLIGHTS

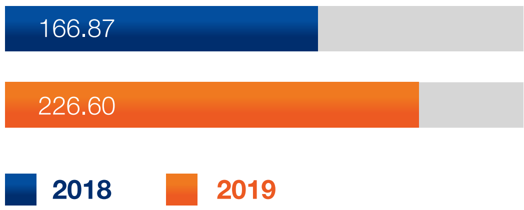
	FY2018	FY2019
OPERATING RESULTS (USD$'000)		
Operating revenue	14,821	19,677
Profit before taxation	3,001	5,483
Net profit for the year	2,311	4,325
KEY BALANCE SHEET DATE (USD$'000)		
Total assets	273,475	324,712
Loan and advances	166,873	226,597
Total liabilities	194,767	241,679
Deposits	190,368	236,389
Statutory capital	75,000	75,000
Shareholder's funds	78,708	83,033
FINANCIAL RATIOS		
Earnings per share (US$)	0.031	0.058
Net assets per share (US$)	1.05	1.11
Return on shareholders' funds (%)	2.94	5.21
Return on assets (%)	0.84	1.33
Liquidity ratio (%)	114	109
Loan-to-deposit ratio (%)	88.18	96.18
Non-performing loans to total loans (%)	1.23	0.63
CAPITAL MANAGEMENT		
Net worth (US$'000)	76,723	79,908
Solvency ratio (%)	36.63	29.08

YEAR TO YEAR
FINANCIAL SUMMARY

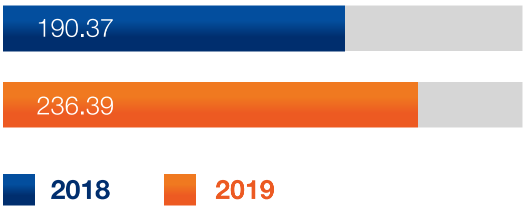
TOTAL ASSETS (US$ Million)



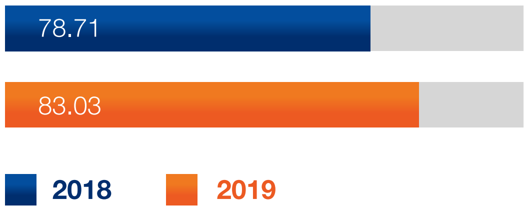
LOAN AND ADVANCES (US$ Million)



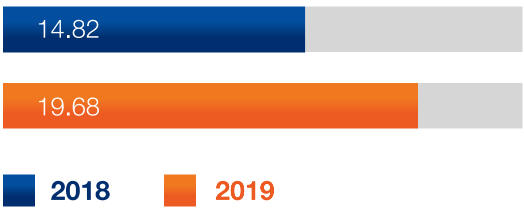
DEPOSITS (US$ Million)



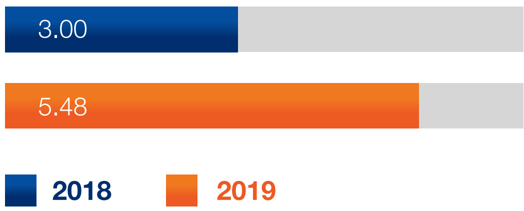
SHAREHOLDER'S FUNDS (US$ Million)



OPERATING REVENUE (US$ Million)



PROFIT BEFORE TAX (US$ Million)



ANALYSIS
OF FINANCIAL STATEMENTS

OPERATING REVENUE

Operating revenue of the Bank for the year ended 31 December 2019 is 32.76% higher at US$19.68 million, compared to US$14.82 million in the previous year ended 31 December 2018. 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 2019 are loans and advances to customers (92%) and deposit placements with financial institutions, and other fee (8%).

PROFIT BEFORE TAXATION AND EARNINGS PER SHARE

The Bank posted a significantly higher pre-tax profit of US$5.48 million for the year ended 31 December 2019 against pre-tax profit of US$3.00 million recorded in the preceding year 2018. Cost-to-income ratio for the Bank for the year 2019 is lower at 0.58:1 against 0.62:1 in the previous year. Components of operating expenses of the Bank for the current year under review are personnel expenses (55%), depreciation and amortisation expenses (15%), promotion and marketing related expenses (5%) and administrative and other operating expenses (25%).

The Bank posted a net profit for the year of US$4.33 million compared to a net profit of US$2.31 million in the year ended 31 December 2018, mainly due to the higher interest and fee income earned. Profit per share of the Bank for year 2019 is US$0.058 versus profit per share of US$0.031 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 recognising the deferred tax assets of US$0.34 million as of 31 December 2019.

TOTAL LIABILITIES

Total liabilities of the Bank have increased to US$241.68 million as at 31 December 2019 from US$194.77 million as at 31 December 2018 on the back of higher deposits from customers and banks which increased by US$46.91 million as at 31 December 2019.

Deposit placements from financial institutions and customers remain the key components of the Bank's total liabilities as at 31 December 2019, i.e. accounted for 97.81% of the total liabilities of the Bank.

TOTAL ASSETS

Total assets of the Bank stood at US$324.71 million as at 31 December 2019, representing a 18.74% increase from US$273.47 million as at 31 December 2018. The assets base of the Bank is largely supported by loans and advances to customers (69.78%), deposit placements with financial institutions (8.36%) and balances with the Central Bank (17.97%) and other assets (3.89%). The increase in total assets of the Bank as at 31 December 2019, relative to the last year ended 31 December 2018 is mainly attributable to the increase in loans and advances to customers 35.79%.

DEPOSITS

Deposits from financial institutions and customers as at 31 December 2019 consist of term deposits (56.86%) and current accounts (43.14%). As at 31 December 2019, the main component of deposits from financial institutions and customers was term deposit accounts, which comprised 56.86% of the total deposits. The increase in deposits from financial institutions and customers as at 31 December 2019 is primarily attributed to higher term deposits from customers.

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 35.44% to US$ 227.35 million as at 31 December 2019 from US$ 167.86 million as at 31 December 2018.

ANALYSIS
OF FINANCIAL STATEMENT

STATUTORY CAPITAL
The paid-up statutory capital of the Bank as at 31 December 2019 amounted to US$75 million.

SHAREHOLDERS' FUNDS AND NET ASSETS PER SHARE
As at 31 December 2019, shareholders' funds of the Bank are marginally higher at US$83.03 million compared to US$78.71 million as a result of net profit generated in 2019. Net asset, per share of the Bank as at 31 December 2019, stood at US$1.11 (2018: US$1.05).

RETURN ON SHAREHOLDERS' FUNDS AND RETURN ON ASSETS
The Bank recorded positive returns on shareholders' funds and assets for the year ended 31 December 2019, i.e. the return on shareholders' funds is 5.21% (2018: 2.94%) and the return on assets is 1.33% (2018: 0.84%) respectively.

NON-PERFORMING LOANS TO TOTAL LOANS (%)
The non-performing loans to total loans ratio as at 31 December 2019 are slightly reduced to 0.63%, compared to 1.23% as at 31 December 2018. 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 2019 is lower at 109% compared to 114% as at 31 December 2018, mainly due to the increase in loans and advances to customer. The Bank is in compliance with the Central Bank's Prakas No.B7-04-207 which requires a liquidity ratio of 100%. The liquidity ratio of the Bank indicates that the Bank has the ability to honour withdrawals of deposits by its customers.

NET WORTH
As at 31 December 2019, the net worth of the Bank of US$79.91 million (2018:US$76.72 million) is in excess of the minimum regulatory capital requirement of US$75million. The increase is mainly due to the net profit generated in 2019.

LOAN-TO-DEPOSIT RATIO
The loan-to-deposit ratio of the Bank as at 31 December 2019 is stagnant at 96.18% as compared to 88.18% as at 31 December 2018, 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 2019, the solvency ratio of the Bank of 29.08% (2018:36.63%) is in compliance with Central Bank's Prakas No.B704-206 which requires a solvency ratio of at least 15%.

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:

- overseeing the conduct of the Bank's business;
- establishing business directions, plans and annual budget of the Bank;
- reviewing action plans that are implemented by the management to achieve business strategies and targets set by the Board;
- identifying principal risks and ensures the implementation of appropriate systems to manage those risks;
- reviewing 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 seven (7) Non-Executive Directors, four (4) of whom are independent.

Ms. 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 (resigned on 30 August 2019). All have extensive related experience. The current Board comprises three (3) Non-Independent Non-Executive Directors, and four (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 a proper governance framework, with the necessary internal controls 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 provide effective checks and balances on the powers of the management board.

The composition of the Board reflects the Board's commitment to maintaining 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. The 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

(I) Audit Management Committee

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 four (4) members from the Board as follows:

1. Ms. Seah Yen Goon (Chairperson)
2. Mr. Paul Gwee Choon Guan
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 have 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 four (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 (resigned on 30 August 2019)

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 three (3) members from the Board as follows:

1. Ms. 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 2019, 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 the purposes of meeting statutory obligations.

Details of Directors' attendance at Board Meetings during the financial year ended 31 December 2019 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. Seah Yen Goon	4/4
Mr. Paul Gwee Choon Guan	4/4
Mr. Ith Vichit	3/4
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 shareholders' 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

Organisational 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, especially AML and CFT regulations 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 2019, 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 2019 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 Risk and Compliance, 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.

Credit 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.

Market / Financial risk

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

- 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 programmes are continuously held by the Risk and Compliance 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 2019 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 has been 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.

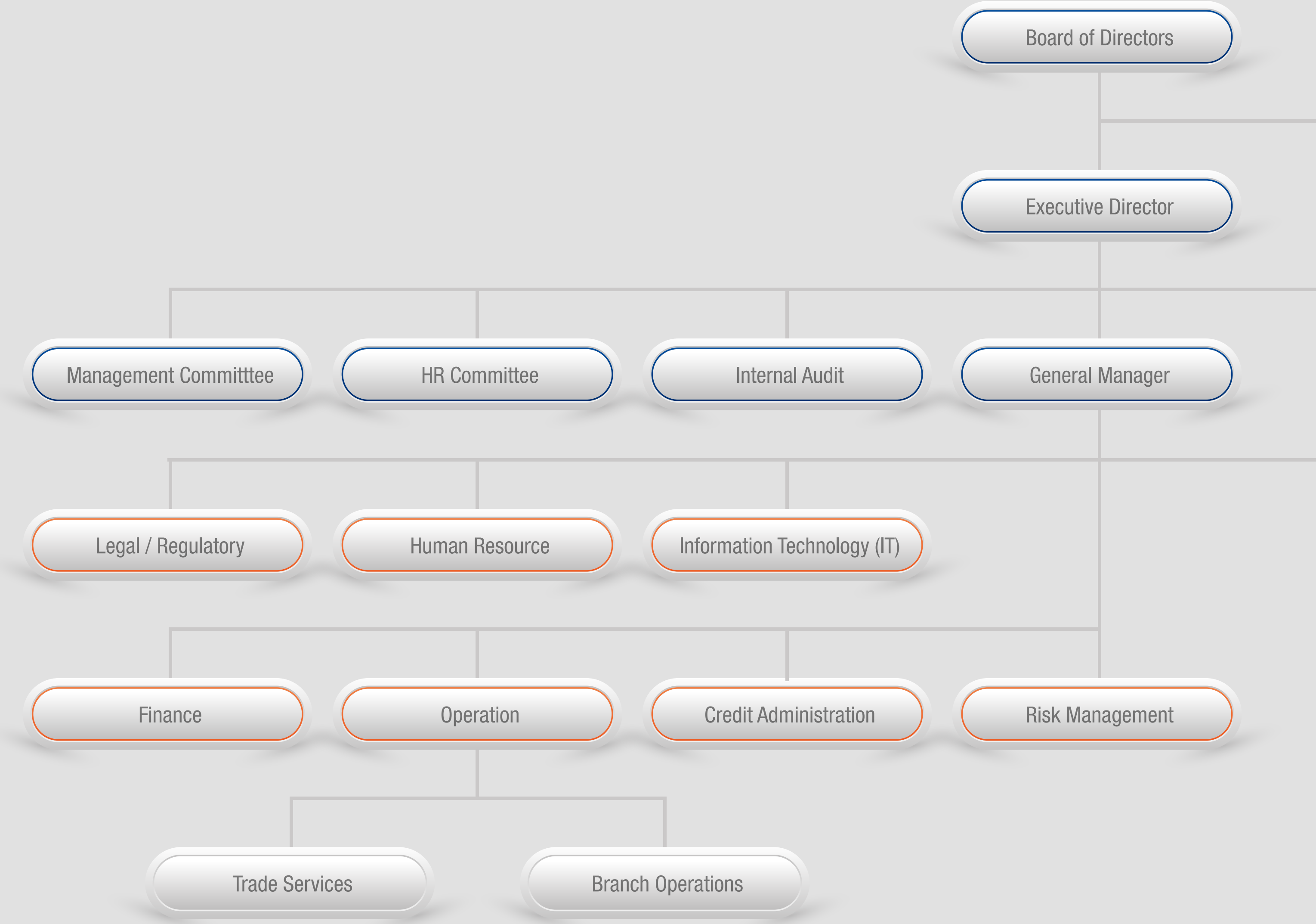
All new employees are briefed and expected to sign an acceptance of the code of ethics as a guide to his or her conduct upon commencement of employment.

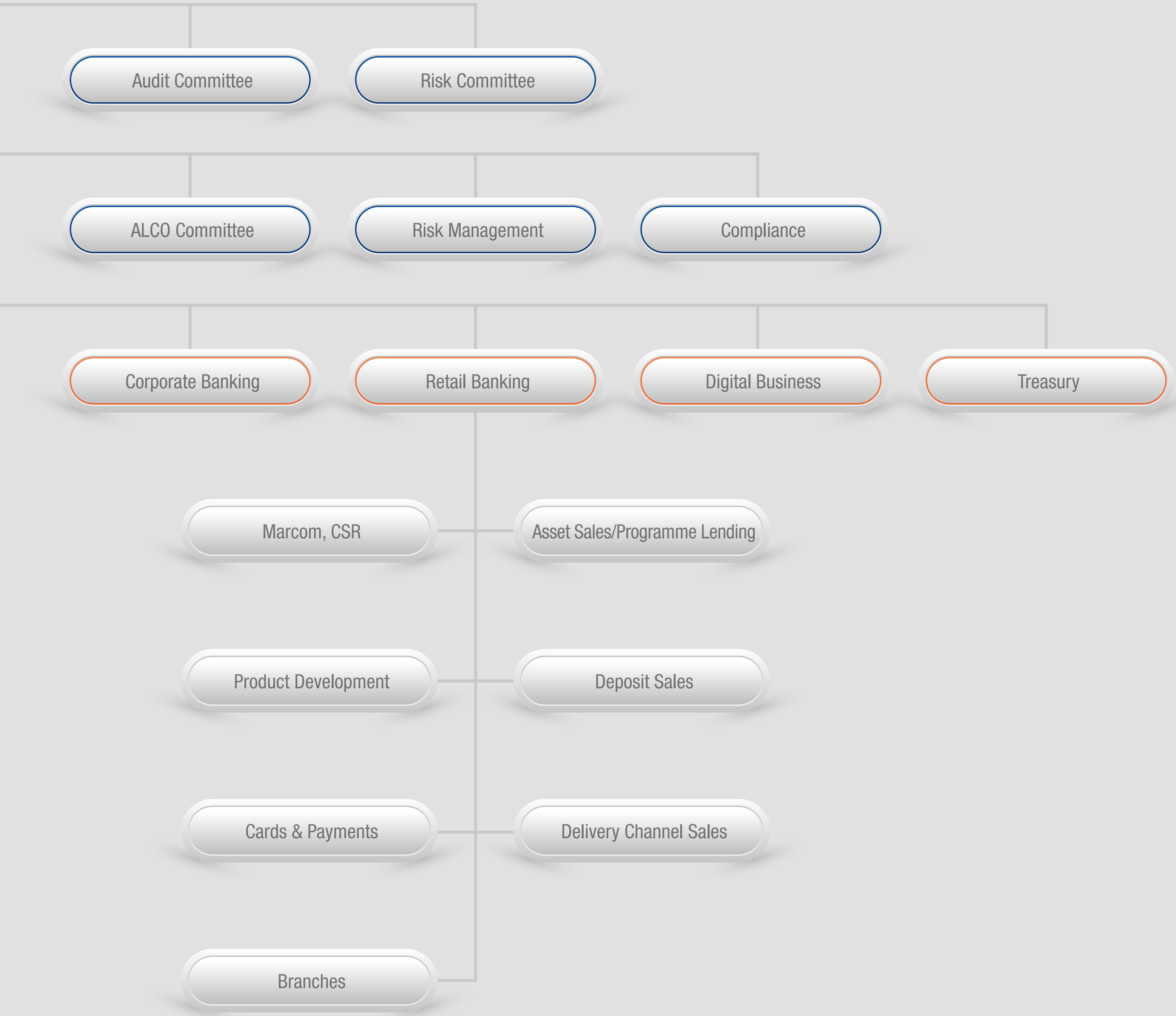
Independency and transparency

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.

Corporate Governance

ORGANISATIONAL STRUCTURE




Audit Committee
Risk Committee
ALCO Committee
Risk Management
Compliance
Corporate Banking
Retail Banking
Digital Business
Treasury
Marcom, CSR
Asset Sales/Programme Lending
Product Development
Deposit Sales
Cards & Payments
Delivery Channel Sales
Branches

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 ("SES") and the Securities Research Institute. He has served on a number of committees and sub-committees of SES. In 1997, he was appointed Chairman of SES Review Committee, which was 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 in 1999 by the Singapore Government. In 2014, he was also awarded "IBF Distinguished Fellow", the highest certification mark bestowed by The Institute of Banking and Finance on industry captains who are the epitome of professional stature, integrity and achievement. In 2018, he was named Businessman of the Year 2017 at the annual Singapore Business Awards, which is Singapore's most prestigious business accolade. Mr. Lim had also served as a Board Member in the Inland Revenue Authority of 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.

Mr. Ong 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 he 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 was last, the Director OTC Capital prior to being assigned to KREDIT Microfinance 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. ONG TEONG HOON

Director

PROFILE
OF DIRECTORS

MR. CHAN MACH

Director

Mr. Mach, the first local CEO of KREDIT Microfinance, was promoted from his Operations Manager position in 2006. With a Bachelor of Mathematics and experience as a math teacher, Mr. Mach joined KREDIT Microfinance initially in 1999 as the Auditor and Trainer. His managerial potential was recognised and he became the Phnom Penh Branch Manager in 2001. The branch flourished and in 2003 he was appointed Operational Director. Under his leadership, KREDIT Microfinance became sustainable and tripled the portfolio. Mr. Mach received a certificate of Commercial Loan to Business from OMAGA Performance, USA. He completed two Master's Degrees: MBA and MFB. He attended nationally and internationally numerous courses related to microfinance and banking.

Mr. Paul Gwee Choon Guan is in banking career spans over 25 years of experience in the universal and treasury/investment banking with asset/fund and wealth management industry across the Asia Pacific. His specialised skills include the fields of enterprise risk management (credit, market, liquidity and operational), control and compliance and back-room operations with a robust combination of strategic business finance and accounting reporting, mergers and acquisitions and capital management. He was the Head of Risk Management and Compliance in United Overseas Bank Group followed by as the Country CFO in Hong Kong and Shanghai Bank, Indonesia and as Chief Operating Officer in Bank of East Asia, Singapore. He is currently the Secretary-General of the ASEAN Bankers Association.

Mr. Gwee holds a Master of Business Administration from the 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.

MR. PAUL GWEE CHOON GUAN

Independent Director

PROFILE
OF DIRECTORS

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 Ministry 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, Ministry 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's Degree 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.

PROFILE
OF DIRECTORS

MS. SEAH YEN GOON

Independent Director

Ms. Seah Yen Goon has more than 30 years of working experience in financial institutions including GE Commercial Finance, which specialises in financing small and medium-sized enterprises. She held senior position in Finance, Operations, IT, overseeing operations 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. 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 an MBA degree (Business Law) from the Nanyang Technological University.

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.

MR. ITH VICHIT

Independent Director

His development advice was centered on economic strategy, policy design and policy implementation, including advice on privatisation and corporate restructuring of the local airline industry, international airports, seaports and public utilities. His advice had let 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 and 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 liberalisation 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. Mr. Vichit graduated with a Master's Degree from Harvard University with a double major in macroeconomic policies and capital markets. He had attended a senior management programme 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.

Mr. Vichit resigned from his position on 30 August 2019.

PROFILE
OF MANAGEMENT

MR. HAN PENG KWANG

General Manager

Mr. Han graduated with a Bachelor's Degree in Economics (Honors) 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 is also a Certified ScrumMaster (CSM) and a Certified Scrum Product Owner (CSPO).

He has over 25 years of banking experience starting from 1995 when he joined Public Bank Berhad, a well-known Malaysian Public listed Commercial Bank as a 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 for overseeing the entire operations of the Bank and expanded the Bank's network from one branch in 2009 to six branches. He remains as the General Manager of Phillip Bank Plc upon the change of ownership at the beginning of 2014.

Mr. Phyry has gained the Certified Expert status accredited by Frankfurt School of Finance and Management in three areas: Risk Management Expert, SME Finance Expert and Micro Insurance Expert. He has over 19 years of combined working experiences in Commercial Banks, Microfinance Institutions, Mobile Payment Services, NGO/INGO as well as Media Channels.

He holds a Bachelor's degree in Accounting and Finance from the National University of Management and an MBA from Charles Sturt University.

Mr. Phyry joined Phillip Bank Plc. in February 2013 as Head of Risk and Compliance.

MR. SOEUNG PHYRY

Risk & Compliance

PROFILE
OF MANAGEMENT

MR. HOW POY LEONG

Credit Risk

Mr. How graduated with a Bachelor of Commerce (Honors) Degree from the 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 includes 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 of 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 joined Phillip Bank as Head of Credit 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 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 the 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 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.

MR. TEO CHWEE BENG

Operations

PROFILE
OF MANAGEMENT

MR. LAWRENCE YOUNG

Human Resource

Mr. Young has experience and expertise in General Management; Business Management and Development, Organisational Development, Change Management, Restructuring, Talent and Performance Management, Human Resources, Strategy and Operations (Asia Pacific).

He has been working in senior management teams of large multinational organisations around the world such as Nike Inc. (Nike SEA); Computer Science Corp (CSC Asia), The Walt Disney Company (TWDC DF Asia Pacific), Asia Pacific Breweries (APB Asia), Singapore Island Country Club (SICC), Housing Development Board (HDB Secretariat), and Asia Pacific Golf Group (Editor - New Equipment and Golf Courses).

Mr. Young joined Phillip Bank in March 2019 as Chief of Human Resources and Strategy. He resigned from his position at the end of October, 2019.

Ms. Sreyneang graduated with a Bachelor's Degree in 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 worked as an Auditor for 6.5 years. She has been involved in many industrials including corporate, bank and NGOs. She also worked in PwC Malaysia for 14 months on the Secondment programme.

Ms. Sreyneang joined Phillip Bank in April 2015 as Finance Manager and was promoted to Head of Finance and Treasury, in January 2017.

MS. SRON SREYNEANG

Finance and Treasury

PROFILE
OF MANAGEMENT

MR. YATH SOVANN

Internal Audit

Mr. Sovann holds a Bachelor's Degree in Accounting and a Master of Finance from the National University of Management. He has 7 years of experience in the field of audit from the financial institution, Amret Microfinance.

During his 11 years experience in Amret Microfinance, he worked in many positions such as Credit Officer, Branch Accountant, Internal Auditor and Senior Internal Auditor.

Mr. Sovann joined Phillip Bank Plc in March 2015 as Internal Auditor, and was later promoted to Senior Internal Auditor and Deputy Internal Audit Manager. In 2019, he was appointed as Acting Internal Audit Manager.

Ms. Kanika obtained two Bachelor's Degrees in Marketing and Khmer Literature from National University of Management and Royal University of Phnom Penh in 2001 and a Master's Degree in Management from a local university in 2006.

Ms. Kanika started her carrier in 2001 with multinational companies. She gained experience from various skills, including communications, customer service, insurance and administration.

In 2007, she has joined banking sector with Korea and Malaysia Banks, serving different roles in Commercial Banking including executive secretary, credit processing, credit administration, credit operation, credit supervision and recovery.

Ms. Kanika joined Phillip Bank in April 2015 as Credit Admin Manager and and was promoted to Head of Credit Administration in 2019.

MS. SOCHEAT KANIKA

Credit Administration

PROFILE
OF MANAGEMENT

MR. LIEW ANDREW

Retail Banking

Mr. Liew has 35 years of banking experience in Consumer and Corporate Banking in the Asia Pacific and the 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 before joining Phillip Bank was Country Manager for Hong Leong Bank in Vietnam.

Mr. Liew joined Phillip Bank Plc in June 2018 as Head of Retail Banking and was later promoted as Deputy CEO of the Bank. He resigned from his position at the end of November, 2019.

Mr. Visal graduated with a Bachelor's Degree in Computer Science and Engineering (Honors) from Royal University of Phnom Penh (RUPP) in 2003. He has 10 years of experience starting from 2004 with KREDIT Microfinance.

In 2010, after spending 3.5 years in the US, he graduated with an Associate Degree in Computer Programming from Cerritos College, USA. He came back to Cambodia and rejoined KREDIT Microfinance as MIS Unit Manager and later was promoted to Deputy Head of IT.

Mr. 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. CHEA VISAL

IT

PROFILE
OF MANAGEMENT

MR. THAY CHANTHA

Corporate Banking

Mr. Chantha obtained a Bachelor's degree in English Communications from Norton University in 2007 and a Master's Degree in Business Management from the National University of Management in 2010.

Mr. Chantha started his career in 2004 as a sales executive in various industries such as trading and service accommodation. In 2009, he joined the banking industry with Malaysian and Korean banks, serving different roles in commercial banking including sales, credit processing, credit risk management and recovery.

Mr. Chantha joined Phillip Bank in 2016 as Branch Manager and thereafter, was promoted to Senior Branch Manager. Currently, he is serving as Head of the Corporate Banking Department.

Ms. Bopha obtained a Bachelor's degree in Finance and Banking in 2004 and a Master's Degree in Business Administration in 2007, both from Build Bright University.

Ms. Bopha started her career in the banking sector in 2002. She has more than 18 years of experience with local and international commercial banks serving various roles such as operations, international payment, bill payment, correspondent bank, credit & debit card, loan and marketing and sales.

Ms. Bopha joined Phillip Bank in March 2019 as Head of Retail Sales.

MS. KONG BOPHA

Retail Sales

PROFILE
OF MANAGEMENT

MR. HONG CHANNPHEAKTRA

Marketing Communications

Mr. Pheaktra graduated with a Bachelor's Degree in Media Management from the Royal University of Phnom Penh. After three years working in an International NGO, in 2015, he pursued his Master's Degree in Media, Campaign and Social Change at the University of Westminster, as part of the UK Government's International Awards Programme namely Chevening Scholarship.

Mr. Pheaktra started his career in 2012 as a Communications Officer. Thereafter, he has been involved in many fields, including public relations, integrated marketing, campaign management, product development, brand and strategic communications. He has more than six years of experience across various industries including INGO, FMCG, real estate properties and mobile payment.

Mr. Pheaktra joined Phillip Bank in July 2019 as Head of Marketing and Corporate Communications.

Mr. Vang holds a bachelor's degree in Project and Program Development Management from Build Bright University in 2004. He has over 19 years of experience in the field of Management and Training at KREDIT Microfinance.

During his 19 years experience with KREDIT Microfinance, he has held many positions such as Credit Officer, Assistant to Branch Manager, Branch Manager, Deputy Head of Training and Capacity Development Department.

Mr. Vang joined Phillip Bank in May 2019 as Deputy Head of the Administration Department.

MR. EL VANG

Administration

PROFILE
OF MANAGEMENT

MR. VINCENT YAP TONG YIN

E-Channels

Mr. Yap graduated with a Bachelor of Economics (Honours) from the University of York, United Kingdom (1982). His deep knowledge ranges from supply chain finance to structured trade finance, syndication, IPO, M&A, E-Banking, treasury solutions, cash management, relationship management and private-public equity funding.

Mr. Yap is an accomplished banker and has held senior positions at leading financial institutions such as Bank of America Merrill Lynch, Standard Chartered Bank, Bank of Tokyo Mitsubishi-UFJ, Fleet Boston Bank, and Malayan Banking in his 30 years in banking. He has led and managed sales teams, relationship management, retail and corporate product development, virtual banking, branch banking and executed in-country business strategies under his portfolios.

Mr. Yap's significant triumph was in spearheading the setting up of the E-Banking Division and Maybank Call Center Department for Maybank Group across its footprint in the late 1990s. His previous stint with Bank of Tokyo Mitsubishi-UFJ, was as AGM and Regional Head of Financial Institutions for Asia-Oceania covering 11 countries (2010-2015).

Mr. Yap was also the Trade Finance Consultant to the Singapore-based VCargo Cloud Pte. Ltd. ("VCC"), a global integrated e-trade, e-freight and logistics cloud solutions provider. He provided trade advisory in the designing and development of the CamelONE™ Trade Finance, the first unified multi-bank trade finance portal launched in Singapore to be supported by nine leading trade finance banks (2018-2019). Mr. Yap was also the Director and Independent Consultant for APAC to MITIGRAM AB, a Swedish company that provides a web-based digital marketplace for risk coverage and financing of global trade (the "MITIGRAM Platform") until November 2019, before he released himself from his independent consultancy obligations to join Phillip Bank.

Mr. Yap joined Phillip Bank in November 2019 as Chief of E-Channels Banking Officer, to help drive the growth of the E-Channels revolution strategies to bring new desires, recognising that users today are demanding robust services in the digital and e-realms to maximise users' satisfaction.

Financial Statements

For the year ended 31 December 2019 and Report of The Independent Auditors

CORPORATE INFORMATION

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
	Mr. Koh Yong Guan	Independent Director
	Ms. Seah Yen Goon	Independent Director
	Mr. Ith Vichit	Independent Director *(Resigned on 30 August 2019)*
Management team	Mr. Han Peng Kwang	General Manager
	Mr. Soeung Phyry	Head of Risk and Compliance
	Mr. How Poy Leong	Head of Credit Risk
	Mr. Teo Chwee Beng	Head of Operations
	Mr. Lawrence Young	Chief of Human Resources and Strategy *(Resigned on 31 October 2019)*
	Mrs. Sron Sreyneang	Head of Finance and Treasury
	Mr. Yath Sovann	Acting Internal Audit Manager
	Mrs. Socheat Kanika	Head of Credit Administration
	Mr. Liew Andrew	Head of Retail Banking *(Resigned on 30 November 2019)*
	Mr. Kheng Tilen	Acting Head of Retail Banking *(Appointed on 1 December 2019)*
	Mr. Chea Visal	Head of IT
	Mr. Thay Chantha	Head of Corporate Banking
	Mrs. Kong Bopha	Head of Retail Sales *(Appointed on 18 March 2019)*
	Mr. Hong Channpheaktra	Head of Marketing and Corporate Communications *(Appointed on 22 July 2019)*
	Mr. EL Vang	Deputy Head of Administration *(Appointed on 1 May 2019*
	Mr. Vincent Yap Tong Yin	Chief of E-Channels Banking Officer *(Appointed on 1 November 2019)*
Auditors	KPMG Cambodia Ltd	

REPORT
OF THE BOARD OF DIRECTORS

The Board of Directors has the pleasure in submitting their report together with the audited financial statements of Phillip Bank Plc. ("the Bank") for the year ended 31 December 2019 ("the year" or "the financial year").

Principal activities

The Bank is engaged in the provision of comprehensive banking and related financial services in the Kingdom of Cambodia.

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

Financial results

The financial results of the Bank were as follows:

	2019 US$	2018 US$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)
Profit before income tax	5,482,838	3,001,119	22,216,459	12,139,527
Income tax expense	(1,157,955)	(690,388)	(4,692,034)	(2,792,619)
Net profit for the year	4,324,883	2,310,731	17,524,425	9,346,908

Dividends

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

Share capital

The Bank's share capital as at 31 December 2019 was US$75,000,000 (2018: US$75,000,000) by way of issuance of shares with par value of US$1 per share. All shares are issued and fully paid.

Reserves and provisions

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

Loans and advances

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

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

Assets

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

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

Valuation methods

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

Contingent and other liabilities

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

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

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

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

Change of circumstances

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

Items of unusual nature

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

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

Events after the reporting date

On 15 January 2020, the Bank obtained the approval from the Ministry of Commerce to finalise the merger with Kredit Microfinance Institution Plc. effective from 1 January 2020 upon approval from the National Bank of Cambodia on 30 October 2019.

The expected credit loss ("ECL") at 31 December 2019 was estimated based on a range of forecast economic conditions as at that date. Subsequently, the coronavirus outbreak has spread across mainland China and beyond, causing disruption to business and economic activity. The impact on GDP and other key indicators will be considered when determining the severity and likelihood of downside economic scenarios that will be used to estimate ECL under CIFRS 9 in 2020.

The Board of Directors

The Management who served 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. Seah Yen Goon	Independent Director
Mr. Koh Yong Guan	Independent Director
Mr. Ith Vichit	Independent Director (resigned on 30 August 2019)

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 Bank is a party with the object of enabling Directors of the Bank to acquire benefits by means of the acquisition of shares in or debentures of the Bank or any other body corporate.

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

Responsibilities of the Board of Directors in respect of the financial statements

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

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

(ii) comply with Cambodian International Financial Reporting Standards ("CIFRSs") or, if there have been any departures in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the financial statements;

(iii) oversee the Bank's financial reporting process and maintain adequate accounting records and an effective system of internal controls;

(iv) assess the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative; and

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

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

Approval of the financial statements

I, the undersigned, on behalf of the Board of Directors, hereby approve the accompanying financial statements together with the notes thereto as set out on pages 43 to 113 which, in our opinion, present fairly, in all material respects, the financial position of the Bank as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with CIFRSs.

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

ONG TEONG HOON
Director
Phnom Penh, Kingdom of Cambodia
30 March 2020

REPORT
OF THE INDEPENDENT AUDITORS

To the shareholder of Phillip Bank Plc.

Opinion

We have audited the financial statements of Phillip Bank Plc. ("the Bank"), which comprise the statement of financial position as at 31 December 2019, the statements of profit or loss and other comprehensive income, 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 43 to 113 (hereafter referred to as "the financial statements").

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

Basis for Opinion

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

Other matter

As stated in Note 35 to the financial statements, the Bank adopted CIFRSs on 1 January 2019 with a transition date of 1 January 2018. These standards were applied retrospectively to the comparative information in these financial statements, including the statement of financial position as at 31 December 2018 and 1 January 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Bank for the year ended 31 December 2018 and related explanatory notes.

We were not engaged to audit on the restated comparative information and it is unaudited. Our responsibilities in respect of this comparative information is to determine whether the financial statements include the comparative information required by CIFRSs and whether such information is appropriately classified.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditors' report is the Report of the Board of Directors on pages 1 to 4, 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 CIFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing 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 misstatement, 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 Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 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

KPMG CAMBODIA LTD

Nge Huy
Partner
Phnom Penh, Kingdom of Cambodia
30 March 2020

STATEMENT
OF FINANCIAL POSITION *(as at 31 December 2019)*

		31 December				01 January 2018	
	Note	2019 US$	2018 US$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)	US$	KHR'000 (Note 5)
ASSETS							
Cash and cash equivalents	6	57,468,468	73,437,995	234,184,007	295,073,864	52,130,794	210,452,015
Placements with other banks	7	-	801,627	-	3,220,937	300,202	1,211,915
Statutory deposits	8	34,417,839	26,853,880	140,252,694	107,898,890	17,989,144	72,622,174
Loans and advances to customers – net	9	226,596,859	166,872,570	923,382,200	670,493,986	124,458,676	502,439,675
Other assets	10	390,546	465,718	1,591,475	1,871,257	253,986	1,025,341
Investment – equity instrument	11	25,000	25,000	101,875	100,450	25,000	100,925
Investment in subsidiary		-	-	-	-	5,000,000	20,185,000
Intangible assets	12	755,895	163,094	3,080,272	655,312	206,838	835,005
Property and equipment	13	1,906,037	1,608,970	7,767,101	6,464,841	1,157,379	4,672,339
Right-of-use assets	14	2,814,014	3,005,364	11,467,107	12,075,553	2,377,267	9,597,027
Deferred tax assets – net	20	337,117	240,593	1,373,752	966,703	73,463	296,570
Total assets		324,711,775	273,474,811	1,323,200,483	1,098,821,793	203,972,749	823,437,986
LIABILITIES AND SHAREHOLDER'S EQUITY							
Liabilities							
Deposits from other financial institutions	15	27,407,389	39,685,547	111,685,110	159,456,528	38,890,163	156,999,588
Deposits from customers	16	208,981,939	150,682,749	851,601,401	605,443,285	102,562,430	414,044,530
Lease liabilities	17	2,683,885	2,819,003	10,936,831	11,326,754	2,132,637	8,609,456
Other liabilities	18	1,504,145	741,327	6,129,392	2,978,654	455,298	1,838,035
Provision for employee benefits	19	29,407	120,000	119,834	482,160	-	-
Current income tax liability	20	1,072,192	718,250	4,369,182	2,885,929	535,017	2,159,864
Total liabilities		241,678,957	194,766,876	984,841,750	782,573,310	144,575,545	583,651,473
SHAREHOLDERS' EQUITY							
Share capital	21	75,000,000	75,000,000	300,765,000	300,765,000	58,000,000	232,000,000
Regulatory reserves	22	2,636,159	2,001,001	10,659,930	8,071,661	1,665,206	6,722,437
Retained earnings		5,396,659	1,706,934	21,849,772	6,913,616	(268,002)	(1,084,068)
Currency translation reserves		-	-	5,084,031	498,206	-	2,148,144
Total shareholder's equity		83,032,818	78,707,935	338,358,733	316,248,483	59,397,204	239,786,513
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		324,711,775	273,474,811	1,323,200,483	1,098,821,793	203,972,749	823,437,986

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

STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME

(for the year ended 31 December 2019)

				31 December	
	Note	2019 US$	2018 US$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)
Operating income					
Interest income	23	18,181,485	13,576,488	73,671,377	54,916,894
Interest expense	24	(7,060,593)	(5,521,454)	(28,609,523)	(22,334,281)
Net interest income		11,120,892	8,055,034	45,061,854	32,582,613
Net fee and commission income	25	1,235,061	1,097,933	5,004,467	4,441,139
Other income		260,288	147,019	1,054,687	594,692
Total operating profit		12,616,241	9,299,986	51,121,008	37,618,444
Personnel expenses	26	(4,007,962)	(3,249,180)	(16,240,262)	(13,142,933)
Depreciation and amortisation	27	(1,120,371)	(909,336)	(4,539,743)	(3,678,264)
Promotion and marketing	28	(375,141)	(164,118)	(1,520,071)	(663,857)
General and administrative expenses	29	(1,781,629)	(1,461,461)	(7,219,161)	(5,911,610)
Total operating expenses		(7,285,103)	(5,784,095)	(29,519,237)	(23,396,664)
Operating profit before impairment		5,331,138	3,515,891	21,601,771	14,221,780
Impairment losses	9	151,700	(514,772)	614,688	(2,082,253)
Profit before income tax		5,482,838	3,001,119	22,216,459	12,139,527
Income tax expense	20	(1,157,955)	(690,388)	(4,692,034)	(2,792,619)
Net profit for the year		4,324,883	2,310,731	17,524,425	9,346,908
Other comprehensive income					
Currency translation reserves		-	-	4,585,825	(1,649,938)
Total comprehensive income for the year		4,324,883	2,310,731	22,110,250	7,696,970

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

STATEMENT
OF CHANGES IN EQUITY *(for the year ended 31 December 2019)*

	Share capital		Regulatory reserves		Retained earnings		Currency translation reserves		Total	
	US$	KHR'000 (Note 5)	US$	KHR'000 (Note 5)	US$	KHR'000 (Note 5)	US$	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
At 1 January 2018	58,000,000	232,000,000	1,665,206	6,722,437	(268,002)	(1,084,068)	-	2,148,144	59,397,204	239,786,513
Transactions recognised directly in equity										
Capital contribution	17,000,000	68,765,000	-	-	-	-	-	-	17,000,000	68,765,000
Transfers from retained earnings to regulatory reserves	-	-	335,795	1,349,224	(335,795)	(1,349,224)	-	-	-	-
Comprehensive income										
Net profit for the year	-	-	-	-	2,310,731	9,346,908	-	-	2,310,731	9,346,908
Currency translation reserves	-	-	-	-	-	-	-	(1,649,938)	-	(1,649,938)
At 31 December 2018	75,000,000	300,765,000	2,001,001	8,071,661	1,706,934	6,913,616	-	498,206	78,707,935	316,248,483
At 1 January 2019	75,000,000	300,765,000	2,001,001	8,071,661	1,706,934	6,913,616	-	498,206	78,707,935	316,248,483
Transactions recognised directly in equity										
Transfers from retained earnings to regulatory reserves	-	-	635,158	2,588,269	(635,158)	(2,588,269)	-	-	-	-
Comprehensive income										
Net profit for the year	-	-	-	-	4,324,883	17,524,425	-	-	4,324,883	17,524,425
Currency translation reserves	-	-	-	-	-	-	-	4,585,825	-	4,585,825
At 31 December 2019	75,000,000	300,765,000	2,636,159	10,659,930	5,396,659	21,849,772	-	5,084,031	83,032,818	338,358,733

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

STATEMENT
OF CASH FLOWS *(for the year ended 31 December 2019)*

				31 December	
	Note	2019 US$	2018 US$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)
Cash flows from operating activities					
Net profit for the year		4,324,883	2,310,731	17,524,426	9,346,907
Adjustment for:					
Depreciation and amortisation		1,120,370	909,336	4,539,739	3,678,264
Allowances for losses on loans and advances	9	(238,799)	444,196	(967,614)	1,796,773
Allowances for losses on placement with banks		(8,097)	5,064	(32,809)	20,484
Interest income		(17,992,824)	(13,348,442)	(72,906,923)	(53,994,448)
Interest expense		7,060,593	5,521,454	28,609,523	22,334,281
Gains on disposals of property and equipment		(3,361)	(13,056)	(13,619)	(52,812)
Property and equipment and intangible asset written off		19,105	-	77,413	-
Withholding tax credit		(737)	-	(2,986)	-
Income tax expense		1,157,955	690,387	4,692,034	2,792,615
		(4,560,912)	(3,480,330)	(18,480,816)	(14,077,936)
Changes in:					
Placements with other banks		809,724	(506,489)	3,281,002	(2,048,748)
Loans and advances to customers		(59,274,894)	(42,604,979)	(240,181,870)	(172,337,140)
Statutory deposits		(7,563,959)	(8,864,736)	(30,649,162)	(35,857,857)
Other assets		48,923	(242,335)	198,236	(980,245)
Deposits from other financial institutions		(12,131,603)	888,158	(49,157,255)	3,592,599
Deposits from customers		57,557,262	48,301,966	233,222,026	195,381,452
Other liabilities		762,818	286,029	3,090,939	1,156,987
Employee benefits		(90,593)	120,000	(367,083)	485,400
Cash used in operations		(24,443,234)	(6,102,716)	(99,043,983)	(24,685,488)
Interest received		17,782,227	13,095,331	72,053,584	52,970,614
Interest paid		(6,265,983)	(5,628,679)	(25,389,763)	(22,768,007)
Income tax paid	20	(899,800)	(674,284)	(3,645,990)	(2,727,479)
Net cash (used in)/generated from operating activities		(13,826,790)	689,652	(56,026,152)	2,789,640

STATEMENT
OF CASH FLOWS *(for the year ended 31 December 2019)*

	Note	2019 US$	2018 US$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)
				31 December	
Cash flows from investing activities					
Acquisition of property, plant and equipment		(892,130)	(932,286)	(3,614,911)	(3,771,097)
Acquisition of intangible asset		(705,579)	(26,910)	(2,859,006)	(108,851)
Proceeds from disposals of property, plant and equipment		3,364	13,059	13,631	52,824
Investment in subsidiary		-	5,000,000	-	20,225,000
Net cash (used in)/generated from investing activities		(1,594,345)	4,053,863	(6,460,286)	16,397,876
Cash flows from financing activities					
Payment of lease liabilities		(548,392)	(436,314)	(2,222,084)	(1,764,890)
Capital guarantee deposit		-	17,000,000	-	68,765,000
Net cash (used in)/generated from financing activities		(548,392)	16,563,686	(2,222,084)	67,000,110
Net (decrease)/increase in cash and cash equivalents		(15,969,527)	21,307,201	(64,708,522)	86,187,626
Cash and cash equivalents at beginning of the year		73,437,995	52,130,794	295,073,864	210,452,015
Currency translation difference		-	-	3,818,665	(1,565,777)
Cash and cash equivalents at end of the year	6	57,468,468	73,437,995	234,184,007	295,073,864

The accompanying notes form an integral part of these 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., a company under common shareholder, into the Bank. On 5 July 2019, Phillip Bank Plc. entered into a merger agreement with Kredit Microfinance Institution Plc. to supersede the earlier merger agreement entered in 2018.

On 15 January 2020, the Bank obtained the approval from the Ministry of Commerce to finalise the merger with Kredit Microfinance Institution Plc. effective from 1 January 2020 upon approval from the National Bank of Cambodia on 30 October 2019.

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

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 2019, the Bank had 237 employees (31 December 2018: 217 employees).

2. Basis of accounting

The financial statements of the Bank have been prepared in accordance with the Cambodian International Financial Reporting Standards ("CIFRSs"). These are the Bank's first financial statements prepared in accordance with CIFRSs and CIFRS 1 First-time Adoption of Cambodian International Financial Reporting Standards has been applied.

In the previous financial years, the financial statements were 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. An explanation of how the transition to CIFRSs have affected the reported financial position, financial performance and cash flows is provided in Note 35.

The accounting policies and methods of computation have been applied consistently to all periods presented in these financial statements.

Details of the Bank's accounting policies are included in Note 34.

The financial statements were authorised for issue by the Board of Directors on 30 March 2020.

3. Functional and presentation currency

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

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

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

4. Use of judgments and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Bank's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

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

- Note 34C(ii): classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.

- Note 34C(vii): establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of models used to measure ECL.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are included in the following notes:

- Note 34C(vii): impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information.

- Note 34C(vi): determination of the fair value of financial instruments with significant unobservable inputs.

- Note 34C(vii): impairment of financial instruments: key assumptions used in estimating recoverable cash flows.

5. Translation of United States Dollars into Khmer Riels

The financial statements are expressed in United States Dollars. The translations of United States Dollars amount into Khmer Riel are included solely for compliance with the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial statements.

Assets and liabilities are translated at the closing rate as at the reporting date. The statements of profit or loss and other comprehensive income and cash flows are translated into KHR using the average rate for the year. Exchange differences arising from the translation are recognised as "Currency translation reserves" in the other comprehensive income.

The Bank uses the following exchange rates:

			Closing Rate	Average Rate
31 December 2019	US$	=	KHR 4,075	KHR 4,052
31 December 2018	US$	=	KHR 4,018	KHR 4,045
1 January 2018	US$	=	KHR 4,037	N/A

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.

6. Cash and cash equivalents

	31 December				01 January 2018	
	2019 US$	2018 US$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)	US$	KHR'000 (Note 5)
Cash on hand	6,406,059	4,102,284	26,104,690	16,482,977	2,420,292	9,770,719
Cash equivalents with the NBC	23,931,375	51,629,146	97,520,353	207,445,908	35,572,766	143,607,256
Cash equivalents with other banks	27,405,085	17,885,419	111,675,721	71,863,613	14,280,541	57,650,544
Gross cash and cash equivalents	57,742,519	73,616,849	235,300,764	295,792,498	52,273,599	211,028,519
Provision for expected credit losses	(274,051)	(178,854)	(1,116,757)	(718,634)	(142,805)	(576,504)
	57,468,468	73,437,995	234,184,007	295,073,864	52,130,794	210,452,015

7. Placements with other banks

Term deposit (non-cash equivalents)	-	809,724	-	3,253,471	303,235	1,224,159
Provision on Term deposit (non-cash equivalents)	-	(8,097)	-	(32,534)	(3,033)	(12,244)
	-	801,627	-	3,220,937	300,202	1,211,915

Placement with other banks are maturing from 6 to 12 months and earned interest ranging from 4.5% to 7.0%.

8. Statutory deposits

	31 December				01 January 2018	
	2019 US$	2018 US$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)	US$	KHR'000 (Note 5)
Capital guarantee deposits	7,500,000	7,500,000	30,562,500	30,135,000	5,800,000	23,414,600
Reserve requirements on customers' deposits	26,917,839	19,353,880	109,690,194	77,763,890	12,189,144	49,207,574
	34,417,839	26,853,880	140,252,694	107,898,890	17,989,144	72,622,174

A. Statutory capital deposit

Under the NBC's Prakas No. B7-01-136 dated 15 October 2001, the Bank is required to maintain a statutory deposit at 10% of its capital. This deposit is not available for use in the Bank's day-to-day operations and is refundable should the Bank voluntarily cease its operations in Cambodia. This deposit earned interest rate at 0.48% per annum (2018: 0.62%)

B. Reserve requirements on customers' deposits

The reserve requirement represents the minimum reserve which is calculated at 8% for KHR and 12.50% for other currencies of the total amount of deposits from customers, non-residential banks and financial institution deposits, and non-residential borrowings. Pursuant to the National Bank of Cambodia's Prakas No. B7-018-282 on the maintenance of reserve requirement against commercial banks' deposits and borrowings, reserve requirements both in KHR and in other currencies bear no interest effective from 29 August 2018.

9. Loans and advances to customers – net

	31 December				01 January 2018	
	2019 US$	2018 US$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)	US$	KHR'000 (Note 5)
Term loans	200,062,564	143,235,814	815,254,948	575,521,501	104,426,378	421,569,288
Overdrafts	27,287,123	24,628,383	111,195,026	98,956,842	20,579,729	83,080,366
Gross loans and advances	227,349,687	167,864,197	926,449,974	674,478,343	125,006,107	504,649,654
Impairment allowance	(752,828)	(991,627)	(3,067,774)	(3,984,357)	(547,431)	(2,209,979)
Loans and advances – net	226,596,859	166,872,570	923,382,200	670,493,986	124,458,676	502,439,675

Allowance for impairment losses recognised in profit or are summarised is as follows:

Net impairment (loss)/ write back on loans	238,799	(473,659)	967,614	(1,915,951)
Net impairment (loss) on balances with other banks and financial institutions	(87,099)	(41,113)	(352,926)	(166,302)
	151,700	(514,772)	614,688	(2,082,253)

The movement of allowance for losses on loans and advances is as follows:

	31 December				01 January 2018	
	2019 US$	2018 US$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)	US$	KHR'000 (Note 5)
At 1 January	991,627	547,431	3,984,357	2,209,979		
Allowance for the year	-	473,659	-	1,915,951		
Reversal for the year	(238,799)	-	(967,614)	-		
Written off for the year	-	(29,463)	-	(119,178)		
Currency translation difference	-	-	51,031	(22,395)		
At 31 December	752,828	991,627	3,067,774	3,984,357		

Gross amounts of loans and advances to customers by maturity are as follows:

	2019 US$	2018 US$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)	01 January 2018 US$	01 January 2018 KHR'000 (Note 5)
Within 1 month	13,246,580	1,188,665	53,979,814	4,776,056	272,496	1,100,066
> 1 to 3 months	13,033,457	7,644,309	53,111,337	30,714,834	5,125,897	20,693,246
> 3 to 6 months	8,629,303	7,392,248	35,164,410	29,702,052	8,408,338	33,944,461
> 6 to 12 months	14,450,295	8,129,684	58,884,952	32,665,070	9,226,974	37,249,294
> 1 to 3 years	11,674,611	13,233,206	47,574,040	53,171,022	8,218,336	33,177,422
> 3 to 5 years	14,403,400	16,024,888	58,693,855	64,388,000	16,333,214	65,937,185
Over 5 years	151,912,041	114,251,197	619,041,566	459,061,309	77,420,852	312,547,980
	227,349,687	167,864,197	926,449,974	674,478,343	125,006,107	504,649,654

For additional analysis of gross amount of loans and advances to customers, refer to Note 32B.

10. Other assets

	2019 US$	2018 US$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)	01 January 2018 US$	01 January 2018 KHR'000 (Note 5)
Guarantee deposits	189,525	231,204	772,314	928,978	77,117	311,321
Prepayments	131,104	106,406	534,249	427,539	83,364	336,540
Others	69,917	128,108	284,912	514,738	93,505	377,480
	390,546	465,718	1,591,475	1,871,255	253,986	1,025,341

11. Investment – equity instrument

	2019 US$	2018 US$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)	01 January 2018 US$	01 January 2018 KHR'000 (Note 5)
Equity investment in Credit Bureau of Cambodia	25,000	25,000	101,875	100,450	25,000	100,925

12. Intangible assets

	31 December			
	2019 US$	2018 US$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)
Cost				
At 1 January	764,341	737,431	3,071,122	2,977,009
Additions	221,960	13,465	899,382	54,466
Transfers from construction in progress	483,619	13,445	1,959,624	54,385
Write off	(319,133)	-	(1,293,127)	-
Currency translation difference	-	-	52,456	(14,738)
At 31 December	1,150,787	764,341	4,689,457	3,071,122
Less: **Accumulated amortisation**				
At 1 January	601,247	530,593	2,415,810	2,142,004
Amortisation	100,847	70,654	408,632	285,795
Write off	(307,202)	-	(1,244,783)	-
Currency translation difference	-	-	29,526	(11,989)
At 31 December	394,892	601,247	1,609,185	2,415,810
Carrying amounts				
At 31 December	755,895	163,094	3,080,272	655,312
At 1 January		206,838		835,005

13. Property and equipment

2019

	Leasehold improvements US$	Office equipment US$	Furniture fixtures and fittings US$	Computer equipment US$	Motor vehicles US$	Construction in progress US$	Total US$	Total KHR'000 (Note 5)
Cost								
At 1 January 2019	962,409	1,222,625	826,348	829,298	72,776	867,393	4,780,849	19,209,451
Additions	610,135	127,654	30,951	181,686	-	425,324	1,375,749	5,574,535
Transfers	277,690	-	-	627	-	(761,936)	(483,619)	(1,959,624)
Write off	(63,602)	-	(16,154)	(790)	-	-	(80,546)	(326,372)
Disposals	-	(31,481)	-	-	-	-	(31,481)	(127,561)
Currency translation difference	-	-	-	-	-	-	-	290,450
At 31 December 2019	1,786,632	1,318,798	841,145	1,010,821	72,776	530,781	5,560,953	22,660,883
Less: **Accumulated depreciation**								
At 1 January 2019	776,285	1,046,129	649,496	665,755	34,214	-	3,171,879	12,744,610
Depreciation	232,051	136,935	84,406	124,662	9,833	-	587,886	2,382,114
Write off	(57,217)	-	(16,133)	(22)	-	-	(73,372)	(297,303)
Disposals	-	(31,478)	-	-	-	-	(31,478)	(127,549)
Currency translation difference	-	-	-	-	-	-	-	191,906
At 31 December 2019	951,119	1,151,586	717,769	790,395	44,047	-	3,654,916	14,893,782
Carrying amounts								
At 31 December 2019	835,513	167,212	123,376	220,426	28,729	530,781	1,906,037	7,767,101

2018

	Leasehold improvements US$	Office equipment US$	Furniture fixtures and fittings US$	Computer equipment US$	Motor vehicles US$	Construction in progress US$	Total US$	Total KHR'000 (Note 5)
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	3,825,482
Transfers	264	1,254	-	-	-	(14,963)	(13,445)	(54,385)
Disposals	-	(6,160)	-	-	(22,330)	-	(28,490)	(115,242)
Currency translation difference	-	-	-	-	-	-	-	(98,067)
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	141,209	132,561	95,215	101,895	9,811	-	480,691	1,944,395
Disposals	-	(6,157)	-	-	(22,330)	-	(28,487)	(115,230)
Currency translation difference	-	-	-	-	-	-	-	(63,883)
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
At 1 January 2018	302,586	300,483	268,595	200,673	47,073	37,968	1,157,378	4,672,339

14. Right of use assets

Information about the Bank's leases is disclosed within this note and Note 17.

The Bank lease many assets including ATM spaces, motor vehicles, generators and office spaces. Information about leases for which the Bank are lessee is presented below.

	US$	KHR'000 (Note 5)
Right-of-use assets		
At 1 January 2018	2,377,267	9,597,027
Additions	986,088	3,988,726
Depreciation for the year	(357,991)	(1,448,074)
Currency translation difference	-	(62,126)
At 31 December 2018	3,005,364	12,075,553
Addition	240,288	973,647
Depreciation for the year	(431,638)	(1,748,997)
Currency translation difference	-	166,904
At 31 December 2019	2,814,014	11,467,107

15. Deposits from other financial institutions

	31 December				01 January 2018	
	2019 US$	2018 US$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)	US$	KHR'000 (Note 5)
Current accounts	8,638,843	2,606,984	35,203,285	10,474,862	1,974,042	7,969,208
Fixed deposits	18,768,546	37,078,563	76,481,825	148,981,666	36,916,121	149,030,380
	27,407,389	39,685,547	111,685,110	159,456,528	38,890,163	156,999,588

Deposits from other financial institutions are analysed as follows:

A. By maturity:

	2019 US$	2018 US$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)	01 January 2018 US$	01 January 2018 KHR'000 (Note 5)
Within 1 month	10,748,855	4,618,984	43,801,584	18,559,078	11,058,240	44,642,114
> 1 to 3 months	4,528,950	8,867,829	18,455,471	35,630,937	23,773,313	95,972,865
> 3 to 6 months	480,176	5,239,268	1,956,717	21,051,379	-	-
> 6 to 12 months	6,629,661	18,291,960	27,015,869	73,497,095	4,046,109	16,334,142
> 1 Year	5,019,747	2,667,506	20,455,469	10,718,039	12,501	50,467
	27,407,389	39,685,547	111,685,110	159,456,528	38,890,163	156,999,588

	As at 31 December 2019	As at 31 January 2018	As at 01 January 2018
B. By interest rate (per annum):			
Current accounts	0.00% - 2.00%	0.00% - 2.00%	0.00% - 0.50%
Fixed deposits	2.20% - 6.00%	2.30% - 5.50%	1.80% - 4.85%

16. Deposits from customers

	31 December				01 January 2018	
	2019 US$	2018 US$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)	US$	KHR'000 (Note 5)
Fixed deposits	83,220,439	47,799,730	339,123,289	192,059,315	38,752,111	156,442,272
Demand deposits	11,316,143	23,022,967	46,113,283	92,506,281	6,702,030	27,056,095
Saving accounts	114,445,357	79,860,052	466,364,829	320,877,689	57,108,289	230,546,163
	208,981,939	150,682,749	851,601,401	605,443,285	102,562,430	414,044,530

Deposits from customers are analysed as follows:

A. By maturity:						
Within 1 month	102,888,564	77,878,537	419,270,898	312,915,962	48,954,536	197,629,462
> 1 to 3 months	30,845,973	27,676,447	125,697,340	111,203,964	10,088,609	40,727,715
> 3 to 6 months	18,804,486	13,123,131	76,628,280	52,728,740	11,377,802	45,932,187
> 6 to 12 months	46,051,934	25,752,280	187,661,631	103,472,661	30,526,251	123,234,475
> 1 Year	10,390,982	6,252,354	42,343,252	25,121,958	1,615,232	6,520,691
	208,981,939	150,682,749	851,601,401	605,443,285	102,562,430	414,044,530

	As at 31 December 2019	As at 31 January 2018	As at 01 January 2018
B. By interest rate (per annum):			
Current accounts	0.00% - 3.50%	1.00% - 2.00%	1.00% - 1.90%
Fixed deposits	2.25% - 7.00%	2.25% - 5.00%	1.80% - 7.00%

The margin deposits are interest free and are encumbered for trade line and guarantee granted to customers.

17. Lease liabilities

	31 December				01 January 2018	
	2019 US$	2018 US$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)	US$	KHR'000 (Note 5)
Maturity analysis – contractual undiscounted cash flows						
Less than one year	545,660	562,055	2,223,565	2,258,337	387,420	1,564,015
One to five years	1,725,492	1,955,885	7,031,380	7,858,746	1,519,753	6,135,243
More than five years	1,686,952	2,002,219	6,874,329	8,044,916	1,271,378	5,132,553
Total undiscounted lease liabilities	3,958,104	4,520,159	16,129,274	18,161,999	3,178,551	12,831,811
Present value of lease liabilities						
Current	362,489	336,268	1,477,143	1,351,125	239,872	968,363
Non-current	2,321,396	2,482,735	9,459,688	9,975,629	1,892,765	7,641,093
	2,683,885	2,819,003	10,936,831	11,326,754	2,132,637	8,609,456

Amounts recognised in profit and loss

Interest on lease liabilities	199,237	167,196	807,308	676,308

Amounts recognised in the statement of cash flows

Total cash outflow for leases	548,392	436,314	2,222,084	1,764,890

18. Other liabilities

Other tax payables	863,845	639,704	3,520,168	2,570,331	318,104	1,284,186
Banker's cheques	106,202	80,270	432,773	322,525	134,223	541,858
Accruals and other payables	534,098	21,354	2,176,451	85,798	2,971	11,991
	1,504,145	741,328	6,129,392	2,978,654	455,298	1,838,035

19. Provision for employee benefits

Provision for seniority indemnity	29,407	120,000	119,834	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.
- 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.

Payments will be made twice a year, in June and December respectively. Employee is not entitled to the remaining back-pay seniority indemnity which is not yet due, if he/she resigns from the Bank.

20. Income tax

A. Deferred tax assets/(liabilities) – net

	31 December				01 January 2018	
	2019 US$	2018 US$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)	US$	KHR'000 (Note 5)
Deferred tax assets	1,007,966	985,913	4,107,461	3,961,398	265,245	1,070,794
Deferred tax liabilities	(670,849)	(745,320)	(2,733,709)	(2,994,695)	(191,782)	(774,224)
Deferred tax assets – net	337,117	240,593	1,373,752	966,703	73,463	296,570

Deferred tax assets/(liabilities) are attributable to the following:

Depreciation and amortisation	112,821	89,867	459,746	361,086	47,336	191,095
Right-of-use assets	(562,802)	(601,073)	(2,293,418)	(2,415,111)	-	-
Provision for employee benefits	5,881	24,000	23,965	96,432	-	-
Provision for accrual tax reassessment	-	-	-	-	17,519	70,724
Allowance for off financial guarantee and placement with other banks	(17,957)	(19,351)	(73,175)	(77,752)	29,167	117,747
Allowance for ECL	(69,069)	(124,897)	(281,456)	(501,836)	(185,297)	(748,043)
Unrealised exchange gain/loss	(21,022)	4,048	(85,665)	16,265	(6,485)	(26,180)
Deferred income-processing fees	292,190	249,151	1,190,674	1,001,089	171,223	691,227
Lease liabilities	597,075	618,848	2,433,081	2,486,530	-	-
	337,117	240,593	1,373,752	966,703	73,463	296,570

The movements of deferred tax are as follows:

At 1 January	240,593	73,463	966,703	296,570
Recognised in profit or loss	96,524	167,130	391,115	676,041
Currency translation difference	-	-	15,934	(5,908)
At 31 December	337,117	240,593	1,373,752	966,703

B. Current income tax liability

At 1 January	718,250	535,017	2,885,929	2,159,864
Income tax expense	1,254,479	857,518	5,083,149	3,468,656
Income tax paid	(899,800)	(674,285)	(3,645,990)	(2,727,479)
Withholding tax credit	(737)	-	(2,986)	-
Currency translation difference	-	-	49,080	(15,112)
At 31 December	1,072,192	718,250	4,369,182	2,885,929

C. Income tax expense

	31 December				01 January 2018	
	2019 US$	2018 US$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)	US$	KHR'000 (Note 5)
Current income tax	1,254,479	857,518	5,083,149	3,468,660		
Deferred tax	(96,524)	(167,130)	(391,115)	(676,041)		
	1,157,955	690,388	4,692,034	2,792,619		

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

Profit before income tax	5,482,838	3,001,119	22,216,459	12,139,527
Income tax rate of 20%	1,096,568	600,224	4,443,292	2,427,905
Effect of non-deductible expenses	43,113	50,022	174,695	202,339
Others	18,274	40,142	74,047	162,375
	1,157,955	690,388	4,692,034	2,792,619

21. Share capital

Phillip MFIS PTE. LTD.	75,000,000	75,000,000	300,765,000	300,765,000	58,000,000	232,000,000

The Bank's share capital as at 31 December 2019 was US$75,000,000 (2018: US$75,000,000) by way of issuance of shares with par value of US$1 per share. All shares are issued and fully paid.

22. Regulatory reserves

Regulatory reserves represented the variance of provision between loan impairment in accordance with CIFRSs and regulatory provision in accordance with the National Bank of Cambodia.

23. Interest income

Loans and advances	17,992,824	13,348,442	72,906,923	53,994,448
Placements with other banks	114,882	59,925	465,501	242,397
Placements with the NBC	73,779	168,121	298,953	680,049
	18,181,485	13,576,488	73,671,377	54,916,894

24. Interest expense

Fixed deposits	5,530,885	4,108,972	22,411,146	16,620,792
Current deposits	807,442	632,221	3,271,755	2,557,334
Saving accounts	523,029	613,065	2,119,314	2,479,848
Rights-of-use assets	199,237	167,196	807,308	676,307
	7,060,593	5,521,454	28,609,523	22,334,281

25. Fee and commission income

	31 December			
	2019 US$	**2018 US$**	**2019 KHR'000 (Note 5)**	**2018 KHR'000 (Note 5)**
Loan commitment fees	466,224	471,486	1,889,140	1,907,161
Other fees	768,837	626,447	3,115,327	2,533,978
	1,235,061	1,097,933	5,004,467	4,441,139

26. Personnel expenses

Salaries and wages	2,865,169	2,361,634	11,609,665	9,552,810
Senority payment	71,294	120,000	288,883	485,400
Other benefits	1,071,229	767,546	4,341,714	3,104,723
	4,007,692	3,249,180	16,240,262	13,142,933

27. Depreciation and amortisation

Depreciation	1,019,524	838,682	4,131,111	3,392,469
Amortisation	100,847	70,654	408,632	285,795
	1,120,371	909,336	4,539,743	3,678,264

28. Promotion and marketing

Marketing	361,737	151,142	1,465,758	611,369
Advertising	-	68	-	275
Others	13,404	12,908	54,313	52,213
	375,141	164,118	1,520,071	663,857

29. General and administrative expenses

	31 December			
	2019 US$	2018 US$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)
Legal and professional fees	303,057	193,227	1,227,987	781,603
License fees	201,530	198,590	816,600	803,297
Duties and taxes	188,952	133,632	765,634	540,541
Repairs and maintenance	184,981	203,489	749,543	823,113
Stationeries and printing	149,697	55,817	606,572	225,780
Utilities	136,318	131,108	552,361	530,331
Security expense	135,755	107,338	550,079	434,182
Insurance	59,177	41,305	239,785	167,079
Travelling and accommodation	38,931	31,576	157,748	127,725
Rental	30,338	37,556	122,930	151,914
Directors' fees and meeting allowances	30,000	32,000	121,560	129,440
Communication	28,113	34,104	113,914	137,951
Others	294,780	261,719	1,194,448	1,058,654
	1,781,629	1,461,461	7,219,161	5,911,610

30. Commitments and contingencies

A. Operations

In the normal course of business, the Bank makes various commitments and incurs certain contingencies with legal recourse to its customers. No material losses are anticipated from these transactions, which consist of:

Unused portion of overdrafts	5,064,985	6,281,112	20,523,319	25,407,098
Undrawn credit facilities	10,480,831	20,191,615	42,468,327	81,675,083
Bank guarantees	2,267,269	1,738,293	9,186,974	7,031,395
	17,813,085	28,211,020	72,178,620	114,113,576

Including in the lending commitment of 17,813,085 and US$28,211,020, there is a portion of undrawn loan balance amounting US$8,873,093 and US$18,473,820 in 2019 and 2018 respectively 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.

B. 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 differing interpretations and the effects could be significant.

31. Related party balances and transactions

A. Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Bank if the Bank has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Bank and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Bank have related party relationships with its subsidiaries, substantial shareholders, associates and key management personnel.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Bank either directly or indirectly. The key management personnel include all the Directors of the Bank, and certain senior management members of the Bank.

Key management have banking relationships with Bank entities which are entered into in the normal course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with other persons of a similar standing or, where applicable, with other employees. These transactions did not involve more than the normal risk of repayment or present other unfavourable features.

B. Transactions with related parties

	31 December			
	2019 US$	**2018 US$**	**2019 KHR'000 (Note 5)**	**2018 KHR'000 (Note 5)**
Related parties				
Interest expense	788,399	601,401	3,194,591	2,432,666
Interest income	303,825	150,456	1,231,099	608,594
Loan repayment	257,873	316,667	1,044,901	1,280,917
Key management personnel				
Salary and benefits	203,741	177,953	825,557	719,820

C. Balances with related parties

	31 December				01 January 2018	
	2019 US$	2018 US$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)	US$	KHR'000 (Note 5)
Subsidiary						
Deposits	-	-	-	-	4,972,631	20,074,511
Related parties						
Deposits	16,482,827	13,224,594	67,167,520	53,136,420	11,817,720	47,708,136
Accrual interest payable on deposits	60,977	122,117	248,481	490,667	204,160	824,193
Bank and placements	-	799,361	-	3,211,832	-	-
Accrual interest receivable on placements	-	4,524	-	18,177	5,480	22,123
Loans	12,306,748	1,433,333	50,149,998	5,759,132	775,157	3,129,309
Accrual interest receivable on Loans	42,778	-	174,320	-	-	-
Key management personnel						
Deposits from customers	327,720	259,516	1,335,459	1,042,735	301,024	1,215,234

32. Financial risk management

A. Introduction and overview

The Bank has exposure to the following risks from financial instruments:

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

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital.

(i). Risk management functional and governance structure

The Bank's Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board of Directors has established the Risk Management Committee (RMC), which is responsible for approving and monitoring Bank's risk management policies.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Bank's activities. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Bank's Audit Committee oversees how management monitors compliance with the Bank's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Bank. The Bank's Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Bank's Audit Committee.

B. Credit risk

'Credit risk is the risk of potential of financial loss to 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 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 Bank's Risk Management Committee.

(i). Management of credit risk

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

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.

- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to business unit Credit Officers. Larger facilities require approval by Bank Credit, the Head of Bank Credit, or the Bank Credit Committee as appropriate.

- Reviewing and assessing credit risk: Bank Credit assesses all credit exposures in excess of designated limits, before facilities are committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.

- Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances, financial guarantees and similar exposures), and by issuer, credit rating band, market liquidity and country (for investment securities).

- Developing and maintaining the Bank's risk gradings to categorise exposures according to the degree of risk of default. The responsibility for setting risk grades lies with the final approving executive or committee, as appropriate. Risk grades are subject to regular reviews by Bank Risk.

- Developing and maintaining the Bank's processes for measuring ECL: This includes processes for:

    - initial approval, regular validation and back-testing of the models used;
    - determining and monitoring significant increase in credit risk; and
    - incorporation of forward-looking information.

- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports on the credit quality of local portfolios are provided to Bank Credit, which may require appropriate corrective action to be taken. These include reports containing estimates of ECL allowances.

- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Bank in the management of credit risk.

Each business unit is required to implement Bank credit policies and procedures, with credit approval authorities delegated from the Bank's Risk Management Committee. Each business unit has a Head of Credit who reports on all credit-related matters to local management and the Bank's Risk Management Committee. Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to central approval.

Regular audits of business units and Bank Credit processes are undertaken by Internal Audit.

(ii). Concentration of risk

Credit risk is managed by the Bank's Credit Committee with overall oversight by the Bank's Risk Management Committee.

The following table presents the Bank's maximum exposure to credit risk of on-balance sheet and off-balance sheet financial instruments, without taking into account of any collateral held or other credit enhancements. For on-balance sheet assets, the exposure to credit risk equals their carrying amount. For contingent liabilities, the maximum exposure to credit risk is the maximum amount that the Bank would have to pay if the obligations of the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers.

Type of credit exposure

31 December 2019	Maximum credit exposure US$	Maximum credit exposure KHR'000 (Note 5)	Fully subject to collateral/credit enhancement %	Partially subject to collateral/ credit enhancement %	Unsecured and not subject to collateral/ credit enhancement %
On-balance sheet items					
Cash and cash equivalents	57,468,468	234,184,007	-	-	100%
Investment in equity	25,000	101,875	-	-	100%
Loans and advances to customers – Gross	227,349,687	926,449,974	86%	-	14%
Other assets	259,442	1,057,226	-	-	100%
Total	285,102,597	1,161,793,082			
Off-balance sheet items					
Commitments	17,813,085	72,588,321	93%	0%	7%

31 December 2018	Maximum credit exposure US$	Maximum credit exposure KHR'000 (Note 5)	Fully subject to collateral/credit enhancement %	Partially subject to collateral/ credit enhancement %	Unsecured and not subject to collateral/ credit enhancement %
On-balance sheet items					
Cash and cash equivalents	73,437,995	295,073,864	-	-	100%
Placements with other banks	801,627	3,220,937	-	-	100%
Investment in equity	25,000	100,450	-	-	100%
Loans and advances to customers – gross	167,864,197	674,478,343	95%	-	5%
Other assets	359,312	1,443,716	-	-	100%
Total	242,488,131	974,317,310			
Off-balance sheet items					
Commitments	28,211,020	113,351,878	98%	0%	2%

(iii). Collateral

Whilst the Bank's maximum exposure to credit risk is the carrying amount of the assets or, in the case of off-balance sheet instruments, the amount guaranteed, committed, accepted or endorsed, the likely exposure may be lower due to offsetting collateral, credit guarantees and other actions taken to mitigate the Bank's exposure.

The description of collateral for each class of financial asset is set out below.

Cash and cash equivalents, balances with NBC, placement with other banks, investments and other assets
Collateral is generally not sought for these assets.

Loans and advances to customers, contingent liabilities and commitments
Certain Loans and advances to customers, contingent liabilities and commitments are typically collateralised to a substantial extent. In particular, residential mortgage exposures are generally fully secured by residential properties.

The table below summarises the Bank's security coverage of its financial assets:

				31 December 2019
	Collateral/credit enhancement			
	Properties US$	Fixed deposits US$	Unsecured credit exposure US$	Total US$
Loan to customers - gross	195,423,881	-	31,925,806	227,349,687
Cash and cash equivalent - gross	-	-	57,468,468	57,468,468
Placements with other banks	-	-	-	-
Other assets	-	-	259,442	259,442
Other investment	-	-	25,000	25,000
	195,423,881	-	89,678,716	285,102,597

				31 December 2018
Loan and advances to customers - gross	159,048,142	-	8,816,053	167,864,195
Cash and cash equivalent - gross	-	-	73,437,995	73,437,995
Placements with other banks	-	-	801,627	801,627
Other assets	-	-	359,312	359,312
Other investment	-	-	25,000	25,000
	159,048,142	-	83,439,987	242,488,129

(iv). Credit quality of gross Loans and advances to customers

Pursuant to the NBC guideline Prakas B7-017-344, the Bank have defined each credit grading according to its credit quality as follows:

Normal:
Outstanding facility is repaid on timely manner and is not in doubt for the future repayment. Repayment is steadily made according with the contractual terms and the facility does not exhibit any potential weaknesses in repayment capability, business, cash flow and financial position of the counterparty.

Special mention:
A facility in this class is currently protected and may not be past due but it exhibits potential weaknesses that may adversely affect repayment of the counterparty at the future date, if not corrected in a timely manner, and close attention by the Bank.

Weaknesses include but are not limited to a declining trend in the business operations of the counterparty or in its financial position, and adverse economic and market conditions that all might affect its profitability and its future repayment capacity, or deteriorating conditions on the collateral. This class has clearly its own rational and should not be used as a compromise between Normal and Substandard.

Substandard

A facility ranked in this class exhibits noticeable weaknesses and is not adequately protected by the current business or financial position and repayment capacity of the counterparty. In essence, the primary source of repayment is not sufficient to service the debt, not taking into account the income from secondary sources such as the realisation of the collateral.

Factors leading to a substandard classification include:

- Inability of the counterparty to meet the contractual repayments' terms,
- Unfavourable economic and market conditions that would adversely affect the business and profitability of the counterparty in the future,
- Weakened financial condition and/or inability of the counterparty to generate enough cash flow to service the payments,
- Difficulties experienced by the counterparty in repaying other facilities granted by the Institution or by other institutions when the information is available, and
- Breach of financial covenants by the counterparty.

Doubtful

A facility classified in this category exhibits more severe weaknesses than one classified Substandard such that its full collection on the basis of existing facts, conditions or collateral value is highly questionable or improbable. The prospect of loss is high, even if the exact amount remains undetermined for now.

Loss

A facility is classified as Loss when it is not collectable, and little or nothing can be done to recover the outstanding amount from the counterparty.

Recognition of ECL

The Bank apply a three-stage approach based on the change in credit quality since initial recognition:

3-Stage approach	Stage 1	Stage 2	Stage 3
	Performing	Underperforming	Nonperforming
Recognition of expected credit losses	12 months expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses
Criterion	No significant increase in credit risk	Credit risk increased significantly	Credit impaired assets
Basic of calculation of profit revenue	On gross carrying amount	On gross carrying amount	On net carrying amount

The Bank will measure ECL by using the general approach. The general approach consists of segregating the customers into three different stages according to the staging criteria by assessing the credit risk. 12-month ECL will be computed for stage 1, while lifetime ECL will be computed for stage 2 and stage 3. At each reporting date, the Bank will assess credit risk of each account as compared to the risk level at origination date.

Below is a table showing a summary of credit risk status and period for ECL calculation by stages:

Long-term facilities (more than one year)

Stages	Credit Risk Status	Grades	DPD	Default Indicator
1	No significant increase in credit risk	Normal	0 ≤ DPD < 30	Performing
2	Credit risk increased significantly	Special Mention	30 ≤ DPD < 90	Underperforming
3	Credit impaired assets	Substandard	90 ≤ DPD < 180	Nonperforming
		Doubtful	180 ≤ DPD <360	
		Loss	DPD ≥ 360	

Short-term facilities (one year or less)

Stages	Credit Risk Status	Grades	DPD	Default Indicator
1	No significant increase in credit risk	Normal	0 ≤ DPD ≤ 14	Performing
2	Credit risk increased significantly	Special Mention	15 ≤ DPD ≤ 30	Underperforming
3	Credit impaired assets	Substandard	31 ≤ DPD ≤ 60	Nonperforming
		Doubtful	61 ≤ DPD ≤ 90	
		Loss	DPD ≥ 91	

The Bank will use the day past due (DPD) information and NBC's classification for staging criteria. Also, the Bank will incorporate credit scoring or more forward looking elements in the future when information is more readily available. Upon the implementation of credit scoring system, it the risk level drops by two or more notches as compared to the risk level at origination, the accounts have to be classified under stage 2.

As for financial assets that are short term in nature, simplified approach will be adopted where no staging criteria is required. In this case, it will be either performing (stage1) or non-performing.

The table below summarises the credit quality of the Bank's gross financing according to the above classifications.

	31 December 2019			
	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$
Loans and advances to customers at amortised cost				
Normal	222,439,184	-	-	222,439,184
Special Mention	309,417	2,465,978	-	2,775,395
Substandard	135,118	206,632	1,007,128	1,348,878
Doubtful	-	-	-	-
Loss	358,802	-	427,428	786,230
	223,242,521	2,672,610	1,434,556	227,349,687
Loss allowance	(538,785)	(126,617)	(87,426)	(752,828)
Carrying amount (US$)	222,703,736	2,545,993	1,347,130	226,596,859
Carrying amount (KHR'000)	907,517,724	10,374,921	5,489,555	923,382,200

	31 December 2018			
Loans and advances to customers at amortised cost				
Normal	164,867,874	92,413	-	164,960,287
Special Mention	194,319	640,949	-	835,268
Substandard	-	378	450,588	450,966
Doubtful	-	-	229,792	229,792
Loss	-	-	1,387,884	1,387,884
	165,062,193	733,740	2,068,264	167,864,197
Loss allowance	(721,746)	(40,332)	(229,549)	(991,627)
Carrying amount (US$)	164,340,447	693,408	1,838,715	166,872,570
Carrying amount (KHR'000)	660,319,916	2,786,114	7,387,957	670,493,986

Incorporation of forward-looking information

The Bank incorporate forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

External information considered includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Company operates, supranational organisations such as the World Bank, International Monetary Fund, and selected private-sector and academic forecasters.

The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments in accordance with each country and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

(v). Amounts arising from ECL

Loss allowance

The following tables show reconciliation from the opening to the closing balance of the loss allowance by class of financial instrument.

				31 December 2019
	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$
Loans and advances to customers at amortised cost				
At 1 January	721,746	40,332	229,548	991,626
- Transfer to Stage 1	(34,431)	29,393	5,038	-
- Transfer to Stage 2	5,161	(25,222)	20,061	-
- Transfer to Stage 3	17,180	-	(17,180)	-
Net remeasurement of loss allowance	(250,967)	65,500	(426)	(185,893)
New financial assets originated or purchased	192,709	19,135	12,958	224,802
Financial assets that has been derecognised	(112,613)	(2,521)	(162,574)	(277,708)
At 31 December (US$)	538,785	126,617	87,425	752,827
At 31 December (KHR'000)	2,195,549	515,964	356,257	3,067,770

				31 December 2018
Loans and advances to customers at amortised cost				
At 1 January	397,664	69	145,112	542,845
- Transfer to Stage 1	-	-	-	-
- Transfer to Stage 2	(7,796)	7,796	-	-
- Transfer to Stage 3	(6,115)	-	6,115	-
Net remeasurement of loss allowance	136,756	32,534	101,560	270,850
New financial assets originated or purchased	250,509	2	13,249	263,760
Financial assets that has been derecognised	(49,272)	(69)	(36,488)	(85,829)
At 31 December (US$)	721,746	40,332	229,548	991,626
At 31 December (KHR'000)	2,899,975	162,054	922,324	3,984,353

C. Market risk

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

(i). 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 nvestment, market pricing and cost of funds. The potential reduction in net interest income from an unfavourable interest rate movement is regularly monitored against the risk tolerance limits set.

The table below summarises the Bank's exposure to interest rate risk. The table indicates the periods in which the financial instruments reprice or mature, whichever is earlier.

As at 31 December 2019									
	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 bearing US$	Total US$	Interest rate %
Financial assets									
Cash and cash equivalents	5,293,721	9,419,447	-	-	-	-	42,755,300	57,468,468	1.60%-4.25%
Investment in equity	-	-	-	-	-	-	25,000	25,000	-
Loans and advances to customers	13,246,580	13,033,457	8,629,303	14,450,295	26,078,011	151,912,041	-	227,349,687	4.50%-24.00%
Other assets	-	-	-	-	-	-	259,442	259,442	-
Total financial asset	18,540,301	22,452,904	8,629,303	14,450,295	26,078,011	151,912,041	43,039,742	285,102,597	
Financial liabilities									
Deposits from other financial institutions	10,748,855	4,528,950	480,176	6,629,661	5,019,747	-	-	27,407,389	0.00%-6.00%
Deposits from customers	102,888,564	30,845,973	18,804,486	46,051,934	10,390,982	-	-	208,981,939	0.00%-7.00%
Lease liabilities	30,760	62,118	90,382	179,385	1,086,349	1,234,891	-	2,683,885	6.50%
Other liabilities	-	-	-	-	-	-	640,300	640,300	-
Total financial liabilities	113,668,179	35,437,041	19,375,044	52,860,980	16,497,078	1,234,891	640,300	239,713,513	
Interest sensitivity gap	(95,127,878)	(12,984,137)	(10,745,741)	(38,410,685)	9,580,933	150,677,150	42,399,442	45,389,084	
(KHR'000 equivalents - Note 5)	(387,646,103)	(52,910,358)	(43,788,895)	(156,523,541)	39,042,302	614,009,386	172,777,726	184,960,517	

As at 31 December 2018

	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 bearing US$	Total US$	Interest rate %
Financial assets									
Cash and cash equivalents	163,041	8,357,366	-	-	-	-	64,917,588	73,437,995	1.50%-4.25%
Placements with other banks	-	301,622	-	500,005	-	-	-	801,627	4.50%-7.00%
Investment in equity	-	-	-	-	-	-	25,000	25,000	-
Loans and advances to customers	1,188,665	7,644,309	7,392,248	8,129,684	29,258,094	114,251,197	-	167,864,197	6.00%-24.00%
Other assets	-	-	-	-	-	-	359,312	359,312	-
Total financial asset	1,351,706	16,303,297	7,392,248	8,629,689	29,258,094	114,251,197	65,301,900	242,488,131	
Financial liabilities									
Deposits from other financial institutions	4,618,984	8,867,829	5,239,268	18,291,960	2,667,506	-	-	39,685,547	0.00%-5.50%
Deposits from customers	77,878,537	27,676,447	13,123,131	25,752,280	6,252,354	-	-	150,682,749	1.00%-5.00%
Lease liabilities	26,844	53,795	82,994	177,795	1,197,011	1,280,564	-	2,819,003	6.50%
Other liabilities	-	-	-	-	-	-	101,624	101,624	-
Total financial liabilities	82,524,365	36,598,071	18,445,393	44,222,035	10,116,871	1,280,564	101,624	193,288,923	
Interest sensitivity gap	(81,172,659)	(20,294,774)	(11,053,145)	(35,592,346)	19,141,223	112,970,633	65,200,276	49,199,208	
(KHR'000 equivalents - Note 5)	(326,151,744)	(81,544,402)	(44,411,537)	(143,010,046)	76,909,434	453,916,003	261,974,709	197,682,418	

(ii). Foreign currency exchange risk

Foreign currency exchange risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

31 December 2019

	Denomination US$ equivalents			
	KHR	US$	Others	Total
Financial assets				
Cash and cash equivalents	9,172,666	48,295,802	-	57,468,468
Loans and advances to customers	15,495,215	211,101,644	-	226,596,859
Other assets	8,331	251,111	-	259,442
Investment – equity instrument	-	25,000	-	25,000
	24,676,212	259,673,557	-	284,349,769

	Denomination US$ equivalents			
	KHR	US$	Others	Total
Financial liabilities				
Deposits from customers	1,608,704	25,798,685	-	27,407,389
Deposits from banks	30,252,911	178,729,028	-	208,981,939
Lease liabilities	2,683,885	-	-	2,683,885
Other liabilities	640,300	-	-	640,300
	35,185,800	204,527,713	-	239,713,513
Net asset/(liability) position	(10,509,588)	55,145,844	-	44,636,256
(KHR'000 equivalents - Note 5)	(42,826,571)	224,719,314	-	181,892,743

				31 December 2018
Financial assets				
Cash and cash equivalents	11,589,148	61,848,847	-	73,437,995
Placement with banks	301,623	500,004	-	801,627
Loans and advances to customers	2,916,687	163,955,883	-	166,872,570
Other assets	3,465	355,847	-	359,312
Investment – equity instrument	-	25,000	-	25,000
	14,810,923	226,685,581	-	241,496,504
Financial liabilities				
Deposits from customers	246,351	39,439,196	-	39,685,547
Deposits from banks	23,267,814	127,414,935	-	150,682,749
Lease liabilities	2,819,003	-	-	2,819,003
Other liabilities	12,158	89,465	-	101,623
	26,345,326	166,943,596	-	193,288,922
Net asset/(liability) position	(11,534,403)	59,741,985	-	48,207,582
(KHR'000 equivalents - Note 5)	(46,345,231)	240,043,296	-	193,698,064

Sensitivity analysis

Considering that other risk variables remain constant, the foreign currency revaluation sensitivity for the Bank as at reporting date is summarised as follows (only exposures in currencies that accounts for more than 5 percent of the net open positions are shown in its specific currency in the table below. For other currencies, these exposures are grouped as 'Others'):

	31 December 2019		31 December 2018	
	- 1% Depreciation US$	+ 1% Appreciation US$	- 1% Depreciation US$	+ 1% Appreciation US$
KHR	105,096	(105,096)	115,344	(115,344)
KHR'000 – Note 5	428,266	(428,266)	463,452	(463,452)

D. Liquidity risk

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

(i) Liquidity risk management process

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

(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.

The table below summarises the Bank's assets and liabilities based on remaining contractual maturities. The expected cash flows of these assets and liabilities could vary significantly from what is shown in the table. For example, deposits from other financial institutions and deposits from customers are not all expected to be withdrawn immediately.

As at 31 December 2019

	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 bearing US$	Total US$
Financial assets								
Cash and cash equivalents	57,468,468	-	-	-	-	-	-	57,468,468
Investment – equity instrument	-	-	-	-	-	-	25,000	25,000
Loans and advances to customers	13,246,580	13,033,457	8,629,303	14,450,295	26,078,011	151,912,041	-	227,349,687
Other assets	69,917	-	-	-	189,525	-	-	259,442
Total financial asset	70,784,965	13,033,457	8,629,303	14,450,295	26,267,536	151,912,041	25,000	285,102,597
Financial liabilities								
Deposits from other financial institutions	10,748,855	4,528,950	480,176	6,629,661	5,019,747	-	-	27,407,389
Deposits from customers	102,888,564	30,845,973	18,804,486	46,051,934	10,390,982	-	-	208,981,939
Lease liabilities	30,760	62,118	90,382	179,385	1,086,349	1,234,891	-	2,683,885
Other liabilities	-	-	-	-	-	-	640,300	640,300
Total financial liabilities	113,668,179	35,437,041	19,375,044	52,860,980	16,497,078	1,234,891	640,300	239,713,513
Maturity gap – US$	(42,883,214)	(22,403,584)	(10,745,741)	(38,410,685)	9,770,458	150,677,150	(615,300)	45,389,084
(KHR'000 equivalents - Note 5)	(172,304,754)	(90,017,601)	(43,176,387)	(154,334,132)	39,257,700	605,420,789	(2,472,275)	182,373,340

As at 31 December 2018

	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 bearing US$	Total US$
Financial assets								
Cash and cash equivalents	73,437,995	-	-	-	-	-	-	73,437,995
Placements with other banks	-	801,627	-	-	-	-	-	801,627
Investment – equity instrument	-	-	-	-	-	-	25,000	25,000
Loans and advances to customers	1,188,665	7,644,309	7,392,248	8,129,684	29,258,094	114,251,197	-	167,864,197
Other assets	128,108	-	-	-	231,204	-	-	359,312
Total financial asset	74,754,768	8,445,936	7,392,248	8,129,684	29,489,298	114,251,197	25,000	242,463,131
Financial liabilities								
Deposits from other financial institutions	4,618,984	8,867,829	5,239,268	18,291,960	2,667,506	-	-	39,685,547
Deposits from customers	77,878,537	27,676,447	13,123,131	25,752,280	6,252,354	-	-	150,682,749
Lease liabilities	26,844	53,795	82,994	177,795	1,197,011	1,280,564	-	2,819,003
Other liabilities	-	-	-	-	-	-	101,624	101,624
Total financial liabilities	82,524,365	36,598,071	18,445,393	44,222,035	10,116,871	1,280,564	101,624	193,288,923
Maturity gap – US$	(7,769,597)	(28,152,135)	(11,053,145)	(36,092,351)	19,372,427	112,970,633	(101,624)	49,174,208
(KHR'000 equivalents - Note 5)	(31,661,108)	(114,719,950)	(45,041,566)	(147,076,330)	78,942,640	460,355,329	(414,118)	200,384,898

E. 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 Bank.

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

F. Capital management

(i). Regulatory capital

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

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

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

(ii). Capital allocation

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

33. Fair values of financial assets and liabilities

Financial instruments comprise financial assets, financial liabilities and off-balance sheet instruments. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank have access at that date. The information presented herein represents the estimates of fair values as at the financial position date.

Quoted and observable market prices, where available, are used as the measure of fair values of the financial instruments. Where such quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors.

Fair value information for non-financial assets and liabilities are excluded as they do not fall within the scope of CIFRS 7: Financial Instruments Disclosures which requires the fair value information to be disclosed. These include investment in subsidiaries and property and equipment.

The fair value of the Bank's financial instruments such as cash and short-term funds, balances with the NBC, deposits and placements with banks and other financial institutions, deposits from customers and banks, other assets and other liabilities are not materially sensitive to shifts in market profit rate because of the limited term to maturity of these instruments. As such, the carrying value of these financial assets and liabilities at financial position date approximate their fair values.

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

Investments

The estimated fair values are generally based on quoted and observable market prices. Where there is no ready market in certain securities, fair values have been estimated by reference to market indicative yields or net tangible asset backing of the investee.

Financing, advances and others

The fair value is estimated by discounting the estimated future cash flows using the prevailing market rates of financing with similar credit risks and maturities.

Fair value hierarchy

CIFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources and unobservable inputs reflect the Bank's market assumptions. The fair value hierarchy is as follows:

- Level 1 – Quoted price (unadjusted) in active markets for the identical assets or liabilities. This level includes listed equity securities and debt instruments.

- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

- Level 3 – Inputs for asset or liability that are not based on observable market data (unobservable inputs). This level includes equity instruments and debt instruments with significant unobservable components.

The Bank's financial assets and liability are not measured at fair value. As verifiable market prices are not available, market prices are not available for a significant proportion of the Bank's financial assets and liabilities, the fair values, therefore, have been based on management assumptions according to the profile of the asset and liability base. In the opinion of the management, the carrying amounts of the financial assets and liabilities included in the balance sheet are a reasonable estimation of their fair values.

34. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening CIFRS statement of financial position at 1 January 2018 for the purposes of the transition to, unless otherwise indicated.

A. Basis of measurement

The financial statements have been prepared on a historical cost.

B. Foreign currency

Transactions in foreign currencies are translated into the functional currency of at the spot exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the spot exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

C. Financial assets and financial liabilities

(i). Recognition and initial measurement

The Bank initially recognises loans and advances on the date on which they are originated. All other financial assets are recognised on the date on which the Bank become a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

(ii). Classification

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL
In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

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

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Bank consider the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making the assessment, the Bank consider:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

Non-recourse loans

In some cases, loans made by the Bank that are secured by collateral of the borrower limit the Bank's claim to cash flows of the underlying collateral (non-recourse loans). The Bank apply judgment in assessing whether the non-recourse loans meet the SPPI criterion. The Bank typically consider the following information when making this judgement:

- whether the contractual arrangement specifically defines the amounts and dates of the cash payments of the loan;
- the fair value of the collateral relative to the amount of the secured financial asset;
- the ability and willingness of the borrower to make contractual payments, notwithstanding a decline in the value of collateral;
- whether the borrower is an individual or a substantive operating entity or is a special-purpose entity;
- the Bank's risk of loss on the asset relative to a full-recourse loan;
- the extent to which the collateral represents all or a substantial portion of the borrower's assets; and
- whether the Bank will benefit from any upside from the underlying assets.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank change its business model for managing financial assets.

(iii). Derecognition

Financial assets

The Bank derecognise a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfer nor retain substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit and loss.

Financial liabilities

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

(iv). Modifications of financial assets and financial liabilities

Financial assets

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

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

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit and loss as part of the gain or loss on derecognition.
- If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plan to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.
- If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculate the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognise the resulting adjustment as a modification gain or loss in profit and loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

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

Financial liabilities

The Bank derecognise a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit and loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

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

(v). Offsetting

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

(vi). Fair value measurement

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

When one is available, the Bank measure the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as ‘active’ if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank use valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

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

If an asset or a liability measured at fair value has a bid price and an ask price, then the Bank measure assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for the particular risk exposure. Portfolio-level adjustments – e.g. bid-ask adjustment or credit risk adjustments that reflect the measurement on the basis of the net exposure – are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Bank recognise transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(vii). Impairment

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

- financial assets that are debt instruments; and
- loan commitments issued.

No impairment loss is recognised on equity investments.

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

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

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

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

At each reporting date, the Bank assess whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Bank consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Bank are exposed to credit risk.

Determining whether credit risk has increased significantly

The Bank assess whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower, and the geographical region.

The Bank consider that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL.

Definition of default

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

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held); or

- the Bank consider that a significant increase in credit risk occurs no later than when an asset is more than or equal to 30 days past due for long-term facilities or more than or equal to 15 days past due for short-term facilities.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

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

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

- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expect to receive.

Inputs, assumptions and techniques used for estimating impairment

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default ("PD");
- Loss given default ("LGD"); and
- Exposure at default ("EAD").

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

The statistical model has been employed to analyse data collected and generate estimate of remaining lifetime PD of exposure and how these are expected to change as result of passage of time.

LGD is the magnitude of the likely loss if there is a default. The Bank estimate LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, LTV ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Bank derive the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, he Bank measure ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Bank consider a longer period. The maximum contractual period extends to the date at which the Bank have the right to require repayment of an advance or terminate a loan commitment or guarantee.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

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

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

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

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position for financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets.

Write-off

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

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit and loss and OCI.

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

D. Cash and cash equivalents

Cash and cash equivalents consist of cash and Bank balances, demand deposits 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.

E. Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of the ordinary share are recognised as a deduction from equity, net of any tax effects. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument. Distributions to holders of a financial instrument classified as an equity instrument are charged directly to equity.

F. General reserves and regulatory reserves

The general reserves are set up for any overall financial risk. The Board of Directors exercises its discretion for the use and maintenance of the general reserves. The transfer from retained earnings to general reserves is subject to the approval of the Board of Directors.

Regulatory reserves are set up for the variance of provision between loan impairment in accordance with CIFRSs and regulatory provision in accordance with National Bank of Cambodia's Prakas No. B7-017-344 dated 1 December 2017 and Circular No. B7-018-001 Sor Ror Chor Nor dated 16 February 2018 on credit risk classification and provision on impairment for banks and financial institutions. In accordance with Article 73, the entity is shall compare the provision calculated in accordance with Article 49 to 71 and the provision calculated in accordance with Article 72, and the record:

(i) In case that the regulatory provision calculated in accordance with Article 72 is lower than provision calculated in accordance with Article 49 to 71, the entity records the provision calculated in accordance with CIFRSs; and

(ii) In case that the regulatory provision calculated in accordance with Article 72 is higher than provision calculated in accordance with Article 49 to 71, the entity records the provision calculated in accordance with CIFRSs and transfer the difference from retained earnings or accumulated loss account into regulatory reserve in shareholders' equity of the statement of the financial position.

The regulatory reserves are not an item to be included in the calculated of the Institution net worth.

G. Deposits and placements with banks

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

H. Statutory deposits

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

I. Loans and advances

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

J. Other assets

Other assets are carried at cost less impairment if any.

K. Property and equipment

(i) Recognition and measurement

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

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of property and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.

(ii). Subsequent costs

The cost of replacing a component of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Bank, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

(iii). Depreciation

The cost of replacing a component of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Bank, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a [straight-line/declining basis] over the estimated useful lives of each component of an item of property and equipment.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Bank will obtain ownership by the end of the lease term. Freehold land is not depreciated.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for the current period are as follows:

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

Depreciation methods, useful lives and residual values are reassessed at end of the reporting period and adjusted if appropriate.

L. Intangible assets

Intangible assets, which comprise acquired computer software licenses and related costs, are stated at cost less accumulated amortisation and impairment loss. Acquired computer software licenses are capitalised on the basis of the cost incurred to acquire the specific software and bring it to use.

Intangible assets are amortised over their estimated useful lives from 5 to 20 years using the straight-line method. Costs associated with the development or maintenance of computer software are recognised as expenses when incurred.

M. Leases

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

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right throughout the period of use, then the asset is not identified;

- the Bank have the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

- The Bank have the right to direct the use of the asset. The Bank have this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In cases where all the decisions about how and for what purpose the asset is used are predetermined, the Bank have the right to direct the use of the asset if either:

  - the Bank have the right to operate the asset; or
  - the Bank designed the asset in a way that predetermines how and for what purpose It will be used.

This policy is applied to contracts entered into, or changed, on or after 1 January 2018.
At inception or on reassessment of a contract that contains a lease and non-lease component, the Bank allocate the consideration in the contract to each lease component and aggregate of non-lease components on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Bank have elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Leases in which the Bank are lessee
An arrangement conveyed the right to use the asset if one of the following was met:

- the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;

- the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or

- facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

The Bank recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The estimated useful lives for the current period are as follows:

- Building and office branches 2 – 15 years

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, to the lessee's incremental borrowing rate. Generally, the Bank use their incremental borrowing rate as the discount rate.

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Bank are reasonably certain to exercise, lease payments in an optional renewal period if the Bank are reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank are reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in the lease term, a change in the assessment of the option to purchase the underlying asset, a change in future lease payments arising from a change in an index or rate, or if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Bank have elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Transition

The Bank applies CIFRS 16 initially on 1 January 2018, using the modified retrospective approach. Therefore, the cumulative effect of adopting CIFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2018, with no restatement of comparative information.

The Bank is not permitted to apply the practical expedient to grandfather the definition of a lease under the Cambodian Accounting Standards on transition. This means that it will apply CIFRS 16 to all contracts entered into before 1 January 2018 and assess whether the contracts are/contain leases. However, CIFRS 16 introduces consequential amendments to CIFRS 1, which include an option for a first-time adopter to apply the new lease definition to contracts existing at the date of transition based on facts and circumstances at that date.

N. 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 have 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 and loss in the period in which they arise.

O. Provisions

Provisions are recognised in the statement of financial position when the Bank have 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. The unwinding of the discount is recognised as finance cost.

P. Interest

Effective interest rate

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

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

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Bank estimate future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance (or impairment allowance before 1 January 2018).

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

Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit- impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date amortisation of the hedge adjustment begins.

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

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

Presentation

Interest income calculated using the effective interest method presented in the statement of profit and loss and OCI includes interest on financial assets and financial liabilities measured at amortised cost.

Interest expense presented in the statement of profit and loss and OCI includes financial liabilities measured at amortised cost.

Q. Fee and commission

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate.

Other fee and commission income – including account servicing fees is recognised as the related services are performed.

A contract with a customer that results in a recognised financial instrument in the Bank's financial statements may be partially in the scope of CIFRS 9 and partially in the scope of CIFRS 15. If this is the case, then the Bank first apply CIFRS 9 to separate and measure the part of the contract that is in the scope of CIFRS 9 and then applies CIFRS 15 to the residual.

R. Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets, other than inventories, contract assets and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs 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 or CGU.

For the purpose of impairment testing, assets that cannot be tested individually 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 CGUs.

Impairment losses are recognised in profit and loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

S. Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit and loss except items recognised directly in equity or in other comprehensive income.

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

(i). Current tax

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

(ii). Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax asset are recognised for unused tax losses and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

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

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

T. Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

U. Contingent assets

Where it is not possible that there is an inflow of economic benefits, or the amount cannot be estimated reliably, the asset is not recognised in the statements of financial position and is disclosed as a contingent asset, unless the probability of inflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets unless the probability of inflow of economic benefits is remote.

35. Explanation of transition to CIFRSs

Adoption of CIFRS Framework

The Bank have adopted the Cambodia International Financial Reporting Standards ("CIFRSs") which is consistent with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") as at 1

January 2019. These financial statements of the Bank for the year ended 31 December 2019 are the first set of financial statements prepared in accordance with CIFRSs including the application of CIFRS 1 First-time Adoption of Cambodian International Financial Reporting Standards.

The Bank have adopted the Cambodia International Financial Reporting Standards ("CIFRSs") which is consistent with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") as at 1 January 2019. These financial statements of the Bank for the year ended 31 December 2019 are the first set of financial statements prepared in accordance with CIFRSs including the application of CIFRS 1 *First-time Adoption of Cambodian International Financial Reporting Standards.*

Accordingly, the Bank have prepared financial statements which comply with CIFRSs applicable for periods ending on or after 31 December 2019, together with the comparative period information as at and for the period ended 31 December 2018, as described in the significant accounting policies in Note 34.

In preparing these financial statements, the Bank's opening statements of financial position were prepared as at 1 January 2018, being the Bank's date of transition to CIFRSs. Principal adjustments made by the Bank in restating their statements of financial position as at 1 January 2018 and its previously published financial statements for the year ended 31 December 2018, both of which was prepared in accordance with the Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia ("NBC") relating to the preparation and presentation of financial statements ("Cambodia GAAP") are presented in below.

Optional exemptions applied

CIFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under CIFRSs. The Bank have applied the following exemptions:

Fair value or revaluation as deemed cost - property and equipment

The Bank have elected to measure individual items of property and equipment using previous GAAP that are broadly comparable to depreciated cost in accordance with CIFRSs as at the date of transition to CIFRSs.

Leases

CIFRS 16 introduces consequential amendments to CIFRS 1, which include an option for a first-time adopter to apply the new lease definition to contracts existing at the date of transition based on facts and circumstances at that date.

The Bank apply the above-mentioned exemption and maintained the conclusions achieved arising from assessments previously made under Cambodian GAAP for existing lease arrangements.

Other optional exemptions available under CIFRS 1, which are not discussed here, are not material to the Bank.

Mandatory exemptions

Estimates

The estimates at 1 January 2018 and at 31 December 2018 are consistent with those made for the same dates in accordance with Cambodian Accounting Standards. The estimates used by the Bank to present these amounts in accordance with CIFRSs reflect conditions at 1 January 2018, the date of transition to CIFRSs, and as at 31 December 2018.

Derecognition of financial assets and financial liabilities

A first-time adopter shall apply the derecognition requirements of CIFRSs prospectively for transactions occurring on or after 1 January 2018, the date of transition to CIFRSs. However, an entity may apply the derecognition requirements of CIFRSs from a retrospective date of the entity's choosing provided that the information required to do this was obtained at the time of initially accounting for those transactions.

The Bank have applied the derecognition requirements of CIFRSs prospectively for transactions occurring on or after 1 January 2018.

The reconciliations contain two columns for each period as well as the Cambodia GAAP and CIFRS results. The "reclassification" column includes reclassification and reanalysis of amounts from their Cambodia GAAP statement of financial position lines to the appropriate CIFRS statement of financial position lines. The "effect of transition to CIFRSs" column sets out the effects of the recognition and measurement changes required by the transition to CIFRSs. The "effect of transition to CIFRSs" columns are further analysed into the type of adjustment.

An explanation of how the transition from previous Cambodia GAAP to CIFRSs and the adoption of CIFRS 9 and CIFRS 15 have affected the Bank's financial position, financial performance and cash flows, is set out under the summary of quantitative impact and the accompanying notes.

Reconciliation of equity

The following reconciliations summarise the impacts on initial application of CIFRSs on the Bank's financial position as at 31 December 2017 and 1 January 2018 and the Bank's profit or loss and other comprehensive income for the year ended 31 December 2018.

		31 December 2017			01 Jan 18	31 December 2018			
		Cambodia	Effect of transition to CIFRSs			Cambodia	Effect of transition to CIFRSs		
	Note	GAAP	Reclassification	Remeasurement	CIFRSs	GAAP	Reclassification	Remeasurement	CIFRSs
		US$	US$	US$	US$	US$	US$	US$	US$
ASSETS									
Cash on hand	A(i)	2,420,292	(2,420,292)	-	-	4,102,284	(4,102,284)	-	-
Cash and cash equivalents	A(i)	-	52,273,599	(142,805)	52,130,794	-	73,438,501	(506)	73,437,995
Balances with the National Bank of Cambodia	A(i)	53,557,213	(53,557,213)	-	-	78,477,966	(78,477,966)	-	-
Balances with other banks and financial institutions	A(i)	14,444,747	(14,141,512)	(3,033)	300,202	18,447,050	(17,645,312)	(111)	801,627
Statutory deposits	A(i)	-	17,989,144	-	17,989,144	-	26,853,880	-	26,853,880
Loans and advances to customers – net	A	123,124,513	-	1,334,163	124,458,676	165,807,424	-	1,065,146	166,872,570
Other assets	A(i)	642,343	(143,726)	(244,631)	253,986	807,773	(66,819)	(275,236)	465,718
Investment in subsidiary		5,000,000	-	-	5,000,000	-	-	-	-
Investment – equity instrument		25,000	-	-	25,000	25,000	-	-	25,000
Intangible assets		206,838	-	-	206,838	163,094	-	-	163,094
Property and equipment		1,157,378	-	-	1,157,378	1,608,970	-	-	1,608,970
Right-of-use assets	B	-	-	2,377,267	2,377,267	-	-	3,005,364	3,005,364
Deferred tax assets – net	C	302,378	-	(228,915)	73,463	489,377	-	(248,784)	240,593
Total assets (US$)		200,880,703	-	3,092,046	203,972,749	269,928,938	-	3,545,873	273,474,811
Total assets (KHR'000 – Note 5)		810,955,398	-	12,482,588	823,437,986	1,084,574,473	-	14,247,320	1,098,821,793
LIABILITIES AND EQUITY									
Deposits from customers	A(i)	101,617,081	945,349	-	102,562,430	47,146,807	(7,461,260)	-	39,685,547
Deposits from banks	A(i)	38,512,098	378,065	-	38,890,163	142,302,425	8,380,324	-	150,682,749
Lease liabilities	B	-	-	2,132,637	2,132,637	-	-	2,819,003	2,819,003
Other liabilities		1,778,713	(1,323,414)	(1)	455,298	1,757,763	(919,064)	(97,372)	741,327
Provision for employee benefits		-	-	-	-	120,000	-	-	120,000
Current income tax liability		535,017	-	-	535,017	718,250	-	-	718,250
Total liabilities		142,442,909	-	2,132,636	144,575,545	192,045,245	-	2,721,631	194,766,876
EQUITY									
Share capital		58,000,000	-	-	58,000,000	75,000,000	-	-	75,000,000
Regulatory reserves		-	-	1,665,206	1,665,206	-	-	2,001,001	2,001,001
Retained earnings		437,794	-	(705,796)	(268,002)	2,883,693	-	(1,176,759)	1,706,934
Total equity		58,437,794	-	959,410	59,397,204	77,883,693	-	824,242	78,707,935
Total liabilities and equity (US$)		200,880,703	-	3,092,046	203,972,749	269,928,938	-	3,545,873	273,474,811
Total liabilities and equity (KHR'000 – Note 5)		810,955,398	-	12,482,588	823,437,986	1,084,574,473	-	14,247,320	1,098,821,793

Reconciliation of statement of profit or loss for the year ended 31 December 2018

	Note	Cambodia GAAP US$	Effect of transition to CIFRSs Reclassification US$	Effect of transition to CIFRSs Remeasurement US$	CIFRSs US$
Operating income					
Interest income	A(iii)	13,341,092	-	235,396	13,576,488
Interest expense	B	(5,354,258)	-	(167,196)	(5,521,454)
Net interest income		7,986,834	-	68,200	8,055,034
Net fee and commission income	A(iii)	1,676,174	19,374	(597,615)	1,097,933
Other income		172,754	(25,735)	-	147,019
Total operating profit		9,835,762	(6,361)	(529,415)	9,299,986
Personnel expenses		(3,249,180)	-	-	(3,249,180)
Depreciation and amortisation		(551,345)	-	(357,991)	(909,336)
Promotion and marketing		(164,118)	-	-	(164,118)
Other operating expenses	B	(1,904,140)	6,361	436,318	(1,461,461)
Total operating expenses		(5,868,783)	6,361	78,327	(5,784,095)
Operating profit before impairment		3,966,979	-	(451,088)	3,515,891
Impairment losses	A(ii)	(850,562)	-	335,790	(514,772)
Profit before income tax		3,116,417	-	(115,298)	3,001,119
Income tax expense		(670,518)	-	(19,870)	(690,388)
Net profit for the year		2,445,899		(135,168)	2,310,731
Currency translation difference		-	-	-	-
Total comprehensive income for the year		2,445,899	-	(135,168)	2,310,731

Notes to reconciliation:

A. Financial assets and liabilities

CIFRS 9 Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. It also introduces a new 'expected credit loss' (ECL) model and a new general hedge accounting model. The Bank adopted CIFRS 9 from 1 January 2018.

Changes in accounting policies resulting from the adoption of CIFRS 9 have been generally applied by the Bank retrospectively, except as described below.

- The following assessments were made on the basis of facts and circumstances that existed at 1 January 2018.
  - The determination of the business model within which a financial asset is held;
  - The determination of whether the contractual terms of a financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding;
  - The designation of an equity investment that is not held-for-trading as at FVOCI; and
- If a debt investment has low credit risk at 1 January 2018, the Company had assumed that the credit risk on the asset has not increased significantly since its initial recognition.

The impact upon adoption of CIFRS 9, including the corresponding tax effects, are described below.

(i) Classification of financial assets and financial liabilities

Under CIFRS 9, financial assets are classified in the following categories: measured at amortised cost, FVOCI – debt instrument, FVOCI – equity instrument; or FVTPL. The classification of financial assets under CIFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

For an explanation of how the Bank classify and measures financial assets and related gains and losses under CIFRS 9, see Note 34C.

The following table and the accompanying notes below explain the original measurement categories under Cambodia GAAP and the new measurement categories under CIFRS 9 for each class of the Bank's financial assets as at 1 January 2018 and 31 December 2018.

	Note	Original classification under Cambodia GAAP	New classification under CIFRS 9	01 January 2018 Original carrying amount under Cambodia GAAP US$	01 January 2018 New carrying amount under CIFRS 9 US$	31 December 2018 Original carrying amount under Cambodia GAAP US$	31 December 2018 New carrying amount under CIFRS 9 US$
Financial assets							
Cash and cash equivalents (reclassified)	(a)	Cost	Amortised cost	2,420,292	52,130,794	4,102,284	73,437,995
Balances with other banks and financial institutions (reclassified)	(a)	Cost	Amortised cost	14,444,747	300,202	18,447,050	801,627
Investment	(a)	Cost	FVOCI	5,025,000	5,025,000	25,000	25,000
Loans and advances to customers	(b)	Carrying amount	Amortised cost	123,124,513	124,458,676	165,807,424	166,872,570
Other assets	(a)	Cost	Amortised cost	465,473	253,986	573,257	359,312
Total financial assets (US$)				145,480,025	182,168,658	188,955,015	241,496,504
Total financial assets (KHR'000)				587,302,861	735,414,872	759,221,250	970,332,953
Financial liabilities	(c)	Cost	Amortised cost	101,617,081	102,562,430	142,302,425	150,682,749
Deposits from customers	(c)	Cost	Amortised cost	38,512,098	38,890,163	47,146,807	39,685,547
Deposits from banks	(c)	Cost	Amortised cost	1,778,712	455,298	1,677,493	101,623
Other liabilities							
Total financial liability (US$)				141,907,891	141,907,891	191,126,725	190,469,919
Total financial liability (KHR'000)				572,882,156	572,882,156	767,947,181	765,308,135

(a) Cash on hand, balances with the NBC and placements with other banks which are reclassified to cash and cash equivalents, and other assets to conform to the current presentation, which were previously measured at cost are now measured at amortised cost.

(b) Loans and advances to customers that were classified as loans and receivables under Cambodia GAAP are now classified at amortised cost. A decrease of US$1,811,049 in the allowance for impairment was recognised in opening retained earnings of the Bank at 1 January 2018 respectively on transition to CIFRS 9.

(c) Under Cambodia GAAP, these financial liabilities that were classified at cost are now classified at amortised cost.

(iii) Impairment of financial assets

CIFRS 9 replaces the ‘incurred loss’ model in Cambodia GAAP with an ‘expected credit loss’ (ECL) model. The new impairment model applies to financial assets measured at amortised cost.

The application of CIFRS 9 impairment requirements at 1 January 2018 results in additional allowances for impairment as follows:

	01 January 2018	31 December 2018
	US$	**US$**
Loss allowance under Cambodia GAAP	2,358,480	2,895,873
Decrease in impairment recognised on:		
Loans and advances to customers – amortised costs	(1,811,049)	(1,904,246)
Loss allowance under CIFRS 9	547,431	991,627
Loss allowance under CIFRS 9 (KHR’000 – Note 5)	2,209,979	3,984,357

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.
To comply with NBC regulations, the Bank transferred from retained earnings to regulatory reserves amounting to US$1,665,206 and US$ 2,001,001 at 1 January 2018 and 31 December 2018. See Note 34F.

Additional information about how the Bank measure the allowance for impairment is described in Note 34C.

(iv) Interest

Under Cambodia GAAP, fees integral to the financial assets and liabilities were not considered as effective interest and recognised as income on occurrence of transactions. Recognition of interest income was suspended when loan become non-performing.

The impact arising from the change is summarised as follows:

	01 January 2018	31 December 2018
	US$	**US$**
Statement of financial position		
Decrease in loans and advances	(476,881)	(362,220)
Related tax effect	(95,376)	(72,444)
Adjustment to retained earnings	(572,257)	(434,664)
Adjustment to retained earnings (KHR000 – Note 5)	(2,310,202)	(1,746,480)

	31 December 2018
	US$
Statement of comprehensive income	
Increase in interest income	235,656
Decrease in fees and commission income	(597,876)
Adjustment before income tax – US$	(362,220)
Adjustment to before income tax (KHR000 – Note 5)	(1,465,180)

(v) Transition impact on equity

The following table summarises the impact, net of tax, of transition to CIFRS 9 on reserves, retained earnings at 1 January 2018.

	Impact of adopting CIFRS 9 at 1 January 2018	
	US$	KHR'000
Retained earnings		
Closing balance under Cambodia GAAP (31 December 2017)	437,794	1,767,374
Remeasurement of amortised costs under CIFRS 9	(466,814)	(1,884,528)
Recognition of expected credit losses under CIFRS 9	1,655,139	6,681,796
Impact with regulatory reserves	(1,665,206)	(6,722,437)
Related tax	(228,915)	(924,130)
Opening balance under CIFRS 9 (1 January 2018)	(268,002)	(1,081,925)

B. Leases

On transition to CIFRS 16, the Bank recognised additional right-of-use assets and additional lease liabilities. The impact on transition is summarised as below.

	01 January 2018	31 December 2018
	US$	**US$**
Statement of financial position		
Right-of-used assets	2,377,267	3,005,364
Other asset	(244,630)	(275,233)
Lease liabilities	-	(2,819,003)
Adjustment to retained earnings	(2,132,637)	(88,872)
Adjustment to retained earnings (KHR000 – Note 5)	(8,609,456)	(357,088)
Statement of comprehensive income		
Depreciation of right-of-used assets		(357,990)
Interest expense on lease liability		(167,196)
Rental expenses		436,314
Adjustment before income tax – US$		(88,872)
Adjustment to before income tax (KHR000 – Note 5)		(359,487)

C. Income tax

The above changes decreased the deferred tax assets as follows:

	01 January 2018	31 December 2018
	US$	**US$**
Impairment allowance	(80,282)	(62,917)
Rights of use	-	(601,073)
Lease liabilities	-	618,848
Loan processing fees	95,376	167,820
Others	58,369	117,915
	73,463	240,593
(KHR000 – Note 5)	296,570	966,703

36. Events since the reporting date

On 15 January 2020, Phillip Bank Plc. obtained the approval from the Ministry of Commerce to finalise the merger with Kredit Microfinance Institution Plc. effective from 1 January 2020 upon approval from the National Bank of Cambodia on 30 October 2019.

The ECL at 31 December 2019 was estimated based on a range of forecast economic conditions as at that date. Subsequently, the coronavirus outbreak has spread across mainland China, Cambodia and beyond, causing disruption to business and economic activity. The impact on GDP and other key indicators will be considered when determining the severity and likelihood of downside economic scenarios that will be used to estimate ECL under CIFRS 9 in 2020.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