J Trust Royal Bank

ANNUAL REPORT 2019

CONTENTS

Your Financial Future Built on Japanese Quality and Trust

J TRUST ROYAL
BACKGROUND

J TRUST ROYAL BANK

J Trust Royal Bank commenced operations in Cambodia in August 2019 following acquisition of the majority stake by J Trust Co., Ltd in the Bank formerly known as ANZ Royal.
J Trust Royal is a joint venture between J Trust, a Japanese diversified financial holding company listed on the Tokyo Stock Exchange, and The Royal Group, one of Cambodia's largest conglomerates. J Trust holds 55% of J Trust Royal Bank; the remaining 45% is owned by Royal Group.

J Trust Royal is one of Cambodia's largest foreign banks with an ever-growing commitment to provide world-class financial services to Cambodian people and expatriates living in and working across the kingdom.

J TRUST

Headquartered in Tokyo, J Trust has operations in five countries including banking operations in South Korea and Indonesia. In recent years, J Trust has expanded rapidly in financial services through acquisitions. South East Asia, including Cambodia, is a key focus market for J Trust and in 2012 and 2014, J Trust announced the acquisition of banking businesses in South Korea and Indonesia respectively.

THE ROYAL GROUP

The Royal Group is the premier investment and development company in Cambodia with focusing on bringing quality investment to Cambodia and providing investors with the platform to run successful and profitable operations. The Royal Group has been at the heart of Cambodia's economic development for more than two decades, attracting international investors and building market leaders in a cross-section of industries.

The company is recognized as the country's most dynamic and diversified business conglomerate. Established as a strategic investment holding company, it maintains interests in a wide range of industries including telecommunication, media, banking, insurance, resorts, education, property, trading and agriculture.

Neak Oknha Kith Meng
Chairman
J Trust Royal Bank

CHAIRMAN'S MESSAGE

2019 was an exciting year for J Trust Royal Bank. We successfully transitioned the partnership in the bank from ANZ to J Trust Group. Whilst challenging, this gave us the opportunity to redesign our strategy, systems and organization to position the bank so that we can improve our service and products well into the future. We are very confident that J Trust Royal Bank is in a strong position to grow and prosper.

During 2019, the bank delivered notable growth in several areas. We achieved double digit loan portfolio growth driven by strong contributions from both Corporate Banking and Personal Banking. Our lending assets grew to $507.8 million, rising by 15% year on year. This helped us to deliver a 7.2% increase in our net interest income compared to the previous year.

Inevitably, the partnership transition to J Trust Royal Bank came with an increase in operating costs. Technology spend has increased as we transitioned systems in-house. We have increased headcount from 409 to 474 as we have brought some operations onshore as well as to increase our service capability to provide the engine for our fast growth strategy.

The Bank achieved a Net Profit After Tax of $13.5 million, a fall of 35.6% compared to 2018, as the cost of the transition took effect.

With the transition now behind us, I would like to thank all of the stakeholders involved in the process, most particularly our staff who have remained loyal and worked incredibly hard to make our change in partnership possible.

Our eyes are set firmly on the future. We will build upon the strong business and organization that we have today. We will continue to innovate, investing in enhancing our offerings to bring better products, better service and more convenience to our customers. Our focus on the development of our people, our most valuable assets, will be as sharp as ever.

Toru Myochin
CEO
J Trust Royal Bank

CEO'S MESSAGE

In the Beginning
In August 2019, Japan's J Trust Co., Ltd. completed their acquisition of the ANZ Group's shares in ANZ Royal Bank. This led to the birth of our bank, J Trust Royal Bank.

The transition process entailed complex restructuring work involving technology systems, internal processes, as well as the rebranding of our branches and ATMs. Thanks to the support and commitment of all our teams, we were able to start off as a new bank as scheduled.

While we exercised utmost care and caution to help avoid any disruptions to our customers, the scale of the transition meant that a small number of customers experienced inconvenience. To those customers I offer our sincerest apologies.

We will continue to invest significant resources in our business operations with the goal of providing superior-quality customer service.

2019 was another extremely competitive year in the banking sector. We wish to express our deepest gratitude to our customers who remained loyal and continued to trust in our bank.
We will continue to build on ANZ Royal's brand promise as customer's first choice bank and aim to be the bank that customers trust the most.

Looking back at 2019
At our bank, 2019 was a year filled with extraordinary amounts of both challenges and excitement. Our team faced barriers they've never experienced before; challenges that entailed the difficult balancing act of carrying out their complex tasks related to the transition while they continued to perform their responsibilities around managing customer relationships and delivering quality service to clients.

From a Financial Aspect
As part of the inevitable effect of our transition to a new bank, our top line numbers experienced a dip, driven mainly by the challenges of shifting to a new system which impacted our transaction fee earnings.

Furthermore, short-term and temporary rise in operating costs, particularly spends on technology migration and operations related to the transition resulted in a fall in our bottom-line profit.

As soon as the bank changed to J Trust Royal, we promptly carried out a strategic shift in our loan policy that enabled us to achieve a 15% year-on-year uplift in our lending assets within the short period of four months. We have every intention to keep this momentum going.

Looking Forward
With "Customer first" serving as the pillar of management policy, J Trust Royal Bank aims to expand its business by becoming the most trusted bank where customers first come to seek advice. To our customers who have remained loyal to us from the days of ANZ Royal, in order to demonstrate that we are worthy of your trust, we have carried out continuing improvements to our business and have been expanding our offerings in order to be able to provide you with higher quality service.

For instance, we established a business unit to service the needs of SME customers.

We aim to grow the number of customers who bank with us by launching a new marketing strategy for 2020, by opening new branches, developing our digital banking offerings, creating new deposit products and overall proactively expand the bandwidth of our business.

On the other hand, we intend to exert utmost effort in maintaining our current strong levels of asset health. In 2018 the bank saw a decrease in our NPL ratio. I am happy to report that in 2019 we were able to keep appropriate controls in place that allowed us to maintain our strong NPL numbers. As such our bank has been recognized as among the best banks in the country in terms of overall asset health and we intend to keep this position.

Within the Bank
As a bank, we believe that people development is of utmost importance to be able to meet the needs of customers, gain their trust and support, and ultimately deliver on their demands satisfactorily. We will be focusing our attention, more than ever, on the development of exemplary staff who demonstrate strong capabilities in decision making, who have excellent understanding of the dynamics of the economy and the market, who possess solid skills in grasping trends and the analytical ability that enable them to provide customers with accurate and useful advice and support.

We will continue to proactively take part in CSR activities, including volunteer programs. ANZ Royal Bank has actively carried out CSR programs including the donation of children's books. At J Trust Royal Bank, we will keep this going, further expanding our corporate social responsibility agenda.

Final Note
I would like to express a heartfelt thank you to all our customers who have put their trust in us and who continue to be confident in banking with J Trust Royal Bank. Thank you to our shareholders and NBC for their support. We will continue to strive to meet expectations and to contribute to the growth of the Cambodian economy.

CORPORATE BANKING

With the most talented banking team in the market and best in class product capability, J Trust Royal Bank is the most trusted, favoured partner in Cambodia for corporate customers who want to grow.

Our Corporate Banking is focused on the delivery of world-class banking solutions to businesses throughout Cambodia. J Trust Royal Bank offers comprehensive product solutions, including Trade Finance, Foreign Exchange, Loan Products and Cash Management. We support a wide range of domestic corporates across manufacturing, agriculture and wholesale trade, as well as multi-national companies who bring their international expertise to the Cambodian market. By helping these businesses succeed, we are promoting trade and capital flows within the region and across the globe, and supporting a dynamic, sustainable, and growing economy.

J Trust Royal Bank believes in fostering lasting partnerships with our customers. This approach requires an in-depth knowledge of the companies we serve and the industries in which they operate, so we are able to structure an appropriate solution for their business. Our best in class sector and industry specific knowledge helps our customers understand global and local trends in supply and demand, shaping their strategy for future success. Our Corporate customers each have dedicated relationship managers, and are supported by a team of product specialists with unrivalled expertise. All of our bankers believe in going above and beyond to satisfy client expectations, with this service ethic being embedded in the DNA of Japanese culture.

As one of the most sophisticated of Cambodia's banks we also provide an outstanding Cash Management and Trade Finance platform which enables our customers to gain detailed visibility into daily transaction patterns. Domestic and international payments are also made with the confidence, trust and security associated with the most advanced security protocol of any corporate banking platform in the Cambodian market.

2019 KEY HIGHLIGHTS

Some of the notable highlights of Corporate Banking in 2019 included:

- Continued strong loan growth in a highly competitive market, while improving the overall quality of the lending book (total net assets growth of $52 million during the year that bank is in transition).
- The bank is on track to meet the National Bank of Cambodia's regulation with 10% KHR denominated loan of total bank lending assets.
- Corporate Banking still maintains the position of contributing 60% of total Bank revenue.
- Quality portfolio management is of utmost importance, we continue to maintain very low percentage of Non Performing Loans in our book.
- Accelerated adoption of corporate internet banking platform (JTR Connect), with the vast majority of all corporate clients now actively using this channel.
- Continue to invest in learning & development to attract, develop and retain the best talent in Cambodia, for the benefit of offering best services quality to our corporate customers.

PERSONAL BANKING

Our Personal Banking business is at the heart of J Trust Royal Bank's strategy to become a simpler, better balanced and customer first oriented organization, helping our customers and our people respond to a challenging world.

To deliver those outcomes we have focused on fewer things but doing them well. For our Personal Banking team, 2019 had two clear goals; delivering the best customer service in the market, and to be Cambodia's leading home loan bank.

CUSTOMER FIRST

The J Trust Royal team knows that our customers are the reason we are here, and we strive to ensure that the needs of our customers drive our strategy and define the way we operate.

J Trust Royal Bank operates in a thriving and competitive market, and as technology continues to advance, so do the expectations of our customers. We understand that complacency has no place in our business, and we have revamped our Internet Banking to be both easier to use and safer through the usage of One-Time Passwords (OTP). In the first half of 2020, Mobile Banking will be launched to further improve customer convenience.

While we continue to invest and develop our digital capability, our focus in 2019 was on the learning and development of our team, recognizing that our people are the most important component of the customer experience. We launched a new framework to ensure that the J Trust Royal team remain the market leaders in capability and service, and we will see the benefits of this for many years to come.

HOME LOANS

We have been the recognized market expert for residential property for several years, and in 2019 J Trust Royal Bank did more than ever before to help Cambodians who want to buy a home.

We recognize that buying a house is likely the largest financial commitment anyone will make, and we focus on making that process as easy as possible. We have revised our lending policies to make it easier for our customers to access credit. We have also increased the number of mobile lending managers to better serve our customers.

Thanks to this, by December 2019, we saw the largest number of mortgages approved than at any time since the bank opened its doors, which drove the highest net growth in our history. At the same time, our loan default rate was also at historic lows, which means we are growing quickly but prudently, and doing all we can to ensure customers can meet their obligations now and in the future.

MOST TRUSTED PERSONAL BANK IN CAMBODIA

J Trust Royal is known to employ internationally recognized standards in our market, but more than this we have a new Japanese culture of integrity, honesty, and to keep our promises. Our goal is to protect our customers, especially during these difficult times.

Since our bank was founded in 2005, we have supported the development of the financial market in Cambodia, and played an active role in the community we live in. As we transition from ANZ, we continue to do so with greater fervor. As a result, our customers know that their money is safe with us, and we have earned the reputation as the most trusted bank in Cambodia.

BUSINESS BANKING

The Business Banking unit is a newly established segment within J Trust Royal Bank, with key focus on providing best-in-class banking solutions to our smaller businesses/SMEs throughout Cambodia. Our bank offers both basic and complex product solutions for Business/SME customers, such as Business Loans, SME Loans, Trade Finance, Foreign Exchange, Payroll Service and Cash Management.

Under Business Banking, we have also established a "Specialized Lending Unit" where our team will mainly focus on asset-backed lending. This Unit can provide very quick decision on loan request from our clients, with competitive conditions & arrangements.

FOCUS ON SME SECTOR

The SME Sector is playing an increasingly important role in Cambodia's economy with more than 50% contribution to our GDP & employment. At J Trust Royal Bank, our Business Banking unit is supporting a wide range of SME Sectors such as Agriculture; Manufacturing; Transport & Storage; Schools & Hospital; Food & Beverage; Hotel & Restaurants; as well as Real Estate & Property.

J Trust Royal in the Community

At J Trust Royal Bank, we recognise that we have a responsibility to actively support the communities in which we operate. We achieve this through our activities as a bank, helping customers large and small realise their ambitions. However, we also believe in active participation in other activities for the betterment of our community, and our country.

This has been true since the Bank was founded in 2005, and our staff have contributed tens of thousands of volunteer hours, and raised significant funds, all to enhance education and employment opportunities for marginalised and disadvantaged individuals.

J Trust Royal Bank commits to continue the corporate social responsibility legacy of **Uplifting literacy for the growth of Cambodia,** which has always been our mission as it is close to the hearts of our people and our customers. Thanks to the outstanding effort of all involved, everyone played a role in delivering some fantastic outcomes.

Financial Literacy – Since 2015, our Money Minded programme involves financial education workshops delivered by our staff in partnership with community educators to people across Cambodia. These workshops help people understand how to look after their money, and the importance of planning for the future.

Reading Literacy – We continue to support Kids Reading Corner at the National Library in Phnom Penh, and participating in Annual Book Fair events by the Minister of Culture and Fine Arts.

RISK MANAGEMENT

The success of JTRB's strategy is underpinned by sound management of its risks. As JTRB progresses on its strategic path to becoming the customer's trusted financial partner in Cambodia, the risks faced by JTRB will evolve.

The success of JTRB's strategy is dependent on its ability to manage the broad range of interrelated risks it is exposed to across our expanding business.

RISK APPETITE STATEMENT

JTRB's risk appetite statement is set out by the JTRB Board to define risk appetite for JTRB strategic objectives and priorities. The RAS takes holistic view of risks and seeks to understand the costs and benefits of particular risk choices.

Risk Management is integral to all aspects of JTRB activities and is the responsibility of all staff. Managers have a particular responsibility to evaluate their risk environment, to put in place appropriate controls and to monitor the effectiveness of those controls. The Risk Management Culture emphasizes careful analysis and management of risks in all business processes.

The RAS framework provides an enforceable risk statement on the amount of risk JTRB is willing to accept and it supports strategic and core business activities and customer relationships with the objective of ensuring that:

1. JTRB only engages in permitted activities;
2. The scale of permitted activities, and subsequent risk profile, does not lead to potential losses or earnings volatility that exceeds JTRB approved risk appetite;
3. Risk is expressed quantitatively via limits and tolerances;
4. Management focus is brought to bear on key and emerging risk issues and mitigating actions; and
5. Risk is linked to the business by informing, guiding and empowering the business in executing strategy.

JTRB's risk management is viewed as a core competency and to ensure that risks are identified, assessed and managed in an accurate and timely manner, JTRB has:

1. An independent risk management function together with embedded risk managers within the businesses
2. Developed frameworks to provide structured and disciplined processes for managing key risks. These frameworks include articulation of the appetite for these risks, portfolio direction, policies, structures, limits and discretions.

KEY MATERIAL RISKS

All JTRB activities involve, to varying degrees, the analysis, evaluation, acceptance and management of risks or combinations of risks. The material risks facing JTRB and its approach to the management of those risks are described as follows:

Strategic Risk – Strategic Risks are risks that affect or are created by the bank's business strategy and strategic objectives. JTRB aspires to be among Cambodia's leading banks, measured by customer outcomes, operational effectiveness, and returns to shareholders. This requires ongoing development and innovation in its operations through strategic initiatives which lead to an increase in Key Material Risks (e.g. Credit Risk, Market Risk, Operational Risk). JTRB has a low appetite for threats to the effective and efficient delivery of these initiatives. It recognizes that the actual or perceived inability to deliver strategic initiatives could have a significant impact on its ability to achieve its objectives as well as its reputation. However, risk management strategies associated with these risks form the primary controls.

- JTRB Board meeting are held regularly to discuss the major initiatives and identify and assess potential strategic risks
- In assessment of strategic risks, a framework is in place to ensure that these initiatives are prioritized appropriately, and that the associated risks are well managed and reported on a consistent basis.
- The Board will consider impacts, such as pricing and products; the systems and processes we need to deliver on the proposed strategy; and capital implications.

Credit Risk – Credit risk is the risk of default associated with a financial transaction resulting from a counterparty failing to fulfil its debt payments. JTRB has a robust risk management framework to manage credit risk based on:

- JTRB's defined credit principles that direct our behavior when managing credit risk to ethically achieve the best outcomes for our customers and shareholders.
- Risk Management Manual that monitor our credit activities in line with agreed business strategy, RAS and the NBC regulations

Market Risk – Market Risk stems from JTRB's trading and balance sheet activities and is the risk to JTRB's earnings arising from changes in interest rates, foreign exchange rates, credit spreads and volatility in other markets.

- The bank has a low risk appetite for Interest Rate Risk. JTRB objective is to match its assets and liabilities within an acceptable tolerance.
- For foreign exchange risk, the bank is willing to accept modest open positions with limits determined by RMC for each currency (relative to USD).

- The bank has a very low risk appetite for liquidity risk. JTRB objective is to ensure that an adequate liquidity position is maintained to allow desired lending growth to occur.

Operational Risk – is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. This definition includes legal risk and the risk of reputation loss, or damage arising from inadequate or failed internal processes, people and systems, but excludes strategic risk. The objective of operational risk management is to ensure that risks are identified, assessed, measured, evaluated, treated, monitored and reported in a structured environment with appropriate governance oversight. JTRB does not expect to eliminate all operational risks, but to ensure that the residual risk exposure is managed as low as reasonably practical – the benefit of the risk control measures exceeds the cost of these measures.

- Information Technology: JTRB has a low appetite for IT system-related incidents which are generated by poor change management practices.
- Internal fraud and Corruption: JTRB has no appetite for any fraud or corruption perpetrated by its staff. JTRB takes all allegations of suspected fraud or corruption very seriously and responds fully and fairly as set out in the Code of Conduct.
- Operational fraud: JTRB has a very low appetite for Operational Fraud. This includes lending, card, internet or any other forms of external based fraud. JTRB implements current industry base technologies and controls to mitigate fraud attempts.
- Information Management: JTRB is committed to ensuring that its information is relevant, accurate, timely, and, properly conserved and managed in accordance with legislative and business requirements. It has a very low appetite for the compromise of processes governing the use of information, its management and publication. JTRB has no appetite for the deliberate misuse of its information.

Compliance Risk – is the probability and impact of an event that results in a failure to act in accordance with laws, regulations, industry standards and codes, internal policies and procedures and principles of good governance as applicable to JTRB's businesses.

- Regulatory Risk: JTRB recognizes that failure to maintain a no appetite position for Regulatory Risk may result in outcomes which may create systemic risk and catastrophic outcomes. The Bank is committed to a high level of compliance with relevant legislation, regulation, industry codes and standards as well as internal policies and sound corporate governance principles. Identified breaches of compliance will be remedied as soon as practicable. The Bank has no appetite for deliberate or purposeful violations of legislative or regulatory requirements.
- Governance Risk: JTRB recognizes that failure to maintain a no appetite position for Governance Risk may result in behaviors which risk the JTRB reputation and stability, along with regulatory action.
- JTRB has a strong governance framework, policies, procedures, systems and effective audit to mitigate risk in relation to the oversight and management of prudential standards and laws affecting JTRB.
- JTRB has an appropriately qualified Board with key committees supporting their oversight. JTRB has a code of conduct, a fit and proper process, disclosure process, charters, and organizational values with compliance assurance.

People risk - People Risk refers to the costs that will arise as a consequence of things that happen to JTRB bank staff. JTRB's significant people and culture-related risks include:

- Caliber of People – JTRB relies on motivated, diverse and high-quality staff to perform its functions. It aims to create an environment where staff are empowered to the full extent of their abilities.
- Conduct of People – JTRB expects staff to conduct themselves with a high degree of integrity, to respectfully strive for excellence in the work they perform and the outcomes they achieve, and to promote the public interest. The appetite for behaviors which do not meet these standards is very low. JTRB takes any breaches of its Code of Conduct very seriously.
- Work Health & Safety (WHS) – JTRB is committed to creating a safe working environment for all of its staff, where people are protected from physical or psychological harm. It has a very low appetite for practices or behaviors that could be expected to lead to staff being harmed while at work.

OUR PEOPLE

2019 has been considered as one of our most challenging years as the bank has been going through major transition, a first in its history. Thanks to our people, we continued to deliver strong performance and successfully transformed to a new bank, J Trust Royal.

Our people are the greatest strength that make us different from our competitors. As a result, J Trust Royal continues a legacy of nurturing and developing our talents while ensuring that they are well engaged and satisfied with the organization.

2019 is all about setting the right foundation while constantly providing our people with the opportunities to be their best. Several key initiatives and programs below have been implemented with significant successes.

- **Digital HR Solution:** This is part of the organization's focus on providing innovative and technology-based solutions to our employees and creating great employee experiences. We successfully launched a cloud-based human capital management system called PeopleConnect. With PeopleConnect, our people can perform a wide range of HR related functionalities including but not limited to performing on-boarding tasks, updating personal information, applying and approving leaves, and searching for internal career opportunities through self-service anywhere and anytime.

- **Learning & Growth:** We also continue offering opportunities for our people to learn and grow to eventually realise their performance and career plan. As a result, about 50% of our people experienced internal movements comprising promotions, secondments and role changes.

  We also commenced building our digital learning platform called vLearn in addition to our existing learning channels and it is expected to be launched across the bank in early 2020.

- **Flexibility:** At J Trust Royal, we recognise that rigid working patterns do not always suit our customers and that we need to support our people in achieving results in the most productive way possible, while balancing their own personal commitments. Therefore, we offer flexible working options, a set of working practices and arrangements to facilitate productivity, agility, connectivity, career success and wellbeing of our people. Through flexibility, in 2019, many of our people had a chance to work on flex hours and career break due to personal circumstances including health, study and caring responsibilities.

With all the programs implemented, we are proud to say that we have received the highest engagement score with 97% of talent retention rate. Coherently, our attrition was the lowest since the bank started its operation.

BOARD OF DIRECTORS

Neak Okhna Kith Meng | Chairman

Neak Okhna Kith Meng is Chairman and Chief Executive Officer of the Royal Group of Companies. Neak Oknha has been the driving force behind bringing international business and investors into Cambodia. Through alliances with leading global players, he has brought international quality service to the telecoms, media, education, finance, banking, insurance, logistics, power generation and hospitality industries. He is a passionate entrepreneur who is committed to the development of the Cambodian economy through foreign direct investment.

Neak Oknha Kith Meng holds numerous significant roles in Cambodia, including President of the Cambodian Chamber of Commerce, the Phnom Penh Chamber of Commerce and holds the Cambodian seat at the ASEAN Business Advisory Council.

Mr. William Mark Hanna | Director

Mr. Mark Hanna is an experienced international senior finance and operations executive. Mr. Hanna joined the Royal Group in July 2007 and is responsible for the financial management and performance of the Group's diverse business interests. Prior to joining the Royal Group, Mr. Hanna held several CEO & CFO roles throughout Asia in the telecoms and manufacturing industries.

Mr. Hanna has a Bachelor's Degree in Accounting and is a member of the Chartered Institute of Management Accountants.

Mr. Christopher Donald Tiffin | Director

Mr. Chris Tiffin is the Group Chief Operating Officer of the Royal Group, and has held various senior CEO & CFO roles in multiple organisation across a multitude of countries (London, South Africa, Nigeria, Kenya, Malaysia & Cambodia) and regions, including extensive exposure to the UK, Africa & SE Asia. He is a seasoned professional, having held Senior Executive and Board positions over the last 20+ years in various organizations both within and outside the Telecommunications sector.

Mr. Tiffin is a qualified Chartered Accountant - CA(SA) and a member of SAICA (South African Institute of Chartered Accountants) as well as an FCA and a member of ICEAW (Institute of Chartered Accountants England and Wales).

Mr. Toru Myochin | Director

Mr. Toru Myochin joined J Trust in June 2015 as Managing Director in charge of domestic finance businesses, holding companies, and Group management operations. Concurrently, he was appointed as the President and Representative Director of the entertainment company and systems company within the Group.

In addition, he has had more than 15 years of experience in wholesale banking at Mizuho Bank, while at Shinsei Bank he had been in charge of the following departments as the Managing Executive Officer: domestic sales, real estate sales, healthcare finance, corporate reconstruction and structured finance.

Mr. Myochin has more than 20 years of banking experience and a wide range of knowledge in the business world. He holds a Bachelor's Degree in Mechanical Engineering from Sophia University in Tokyo, Japan.

Ms. Yuki Blair | Director

In addition to her role as a member of the Board of Directors, **Ms. Yuki Blair** was also appointed as the Chief of Staffs, opening the line of communication between the CEO and people internally and externally to get the work done. Ms. Blair has over 8 years of working experience in overseas prior to joining J Trust in 2015, and was responsible for sales operations and management, professional development, strategic implementation and company collaboration in markets and countries in South and South East Asia regions.

Ms. Blair spent her senior grade at Allegan High School at Michigan State in the United States, and holds a Bachelor of Business in Accounting from La Trobe University in Australia.

Mr. Makoto Kurokawa | Director

Makoto Kurokawa has over 40 years of experience in banking and corporate governance. After joining J Trust Co., Ltd. in 2011, he served the firm as Director, Executive Officer, Corporate Planning Department General Manager and Treasury Department General Manager.

Previously, he held leadership positions internationally at Salomon Brothers Asia, UBS, RBC and Japan's largest bank MUFJ.

He holds a bachelor's degree from University of Tokyo.

Makoto visited Cambodia for the first time in 2005 as part of the Support for Children program. He has since visited the Kingdom more than 30 times. The dynamic transformation taking place in Cambodia continues to dazzle him and makes him yarn to be of assistance to the Kingdom's further growth and development.

Mr. Ryuichi Atsuta | Director

Mr. Ryuichi Atsuta is an experienced senior finance executive. Mr. Atsuta has experience of working in banking industry over 30 years and held various important management positions at global financial institutions. His leadership quality and management expertise can bring exceptional value to board of directors of J Trust Royal Bank and guide further development of our organization.

Mr. Atsuta currently holds numerous significant roles in Jtrust group, including Managing Director, Executive Officer, General Manager of Finance Department of J Trust Co., Ltd., and President & CEO, NIHON HOSHOU Co., Ltd.

Ms. Ratana Phurik-Callebaut | Independent Director

Ms. Ratana Phurik-Callebaut is a Private Sector Development Senior Consultant. She is the founder and chairperson of the Cambodia Community of Investment professionals, created in 2018 with the support of the CFA institute. She is also actively involved in the startup, innovation and entrepreneurial local scene.

She has more than 15 years experience in the field of investment in Cambodia where she had filled different positions including General Manager of the French-Cambodian Chamber of Commerce (CCFC), Managing Partner of the private equity firm Cambodia Emerald, business consultant for the regional law firm DFDL and until recently Executive Director of EuroCham Cambodia, the European Chamber of Commerce. Her early career was in Geneva where she worked as portfolio manager in a private bank and as economist at the UNCTAD.

Ms. Ratana is a Chartered Finance Analyst (CFA) and she graduated both in Industrial economics and in International Trade and Finance at La Sorbonne University. She holds dual French and Cambodian citizenship.

Mr. Simon John Perkins | Independent Director

Mr. Simon Perkins was appointed as an Independent Director of the Bank in April 2015.

Simon has a long history with Cambodia, firstly as Head of Indochina Region for Millicom International Cellular and more recently as the Chief Executive Officer (CEO) of Hello Axiata Company Limited at Axiata Group Berhad. Simon serves as a Non-Executive Director and Chairman of the Board Risk and Compliance Committee for Smart Axiata. Simon has worked in Asia for over 25 years, with several stints as the CEO for major telecommunication network operators in the region including three years in Australia with Silk Telekom before returning to Indochina.

He holds a Master of Business Administration (MBA) from Warwick University in the UK and a Bachelor of Science (BSc) First Class Honours from Loughborough University of Technology, UK. He is a Chartered Engineer of the UK Engineering Council and the Chartered Professional Engineers Australia. He is a Graduate Member of the Australian Institute of Company Directors.

EXECUTIVE MANAGEMENT 2019

SEATED FROM LEFT TO RIGHT
• BOREN KORK • TORU MYOCHIN
• YUKO MIYAZAKI • SALY LOR

STANDING FROM LEFT TO RIGHT
• PHYRUN HENG • NARITA HANG CHUON
• SOPHY KEO • VIC SISOWATH • SADAT MATH
• PHEAKDEY POK • GLENN MILLER • SOPHINA KHIEV

EXECUTIVE MANAGEMENT 2019

TORU MYOCHIN
Chief Executive Officer

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MAKOTO KUROKAWA
Deputy Chief Executive Officer

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Previously, he held leadership positions internationally at Salomon Brothers Asia, UBS, RBC and Japan's largest bank MUFJ.

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YUKO MIYAZAKI
Chief Risk Officer

Yuko Miyazaki joined J Trust Royal Bank as Chief Risk Officer in September 2019 bringing in 20 years of international banking experiences from Japan and USA, primarily in Credit and Risk roles and in Business Development. Currently she is leading a team of Risk professionals specializing in Credit Risk including approving credit proposals and managing portfolio and Lending Services functions as well as Operational Risk. In her capacity as the chairman of Risk Management Committee (RMC), she has a leading role in the supervision and oversight of the credit, market and operational risks to ensure the alignment of business strategy with risk appetite statements. Yuko is also a member of the company's executive management team.

Prior to joining the bank, Yuko was Head of Credit Officer of Capital Markets at Tokyo Star Bank with key responsibilities including evaluating credit risks and approving proposals of loans and investments as well as ongoing monitoring and managing the credit quality of asset and portfolio.

Yuko holds a Master of Science in Finance from George Washington University, a Bachelor of Arts in Economics from Michigan State University, USA. She has held a number of senior positions in Tokyo Star Bank, Moody's Analytics, Aozara Bank, Bear Stearns, and Freddie Mac.

SALY LOR

Chief Operating Officer

Saly joined the bank since May 2005 and have held several senior management roles including Senior Business Development, Branch Manager, Regional Manager, Head of Mortgages, Head of Retail Operations, Acting Chief Operating Officer, and Chief Operating Officer.

In August 2019, he was appointed Chief Operating Officer. As Chief Operating Officer, Saly oversees the Bank's operations, which encompasses a diverse range of functions inclusive of Retail Operations, Institutional & Commercial Operations, Projects & Transformation, Property, Admin and Procurement.

Prior to joining the bank, Saly held a management role in the hospitality field and was a lecturer of a private university.

Saly was an AusAID scholarship winner and holds a Master of Education and Training from Victoria University, Australia.

VIC SISOWATH

Head of Personal Banking

Vic Sisowath joined ANZ Royal Bank in 2007 and stayed with the bank when it transitioned to J Trust Royal Bank last year. He currently leads Personal Banking covering 14 branches, our Premier banking segment, secured and unsecured lending businesses, Bancassurance, Analytic and Branch Assurance and our 24/7 Customer Care Centre.

With 13 years of Personal Banking experience including roles as Premier Banking manager, branch manager, regional manager, Head of Affluent Banking, and a secondment in Singapore Personal Banking, Vic joined the executive management team in February 2017 as the Head of Personal Banking. After more than 10 years in the Cambodian retail space, Vic has intimate knowledge of sales and services, and an understanding of our customers' financial needs.

Fluent in French, English and Khmer, Vic studied economics at the University of California Berkeley and has been overseas for many years. Through the bank training programs, he has become an accredited facilitator for sales and sales management.

NARITA HANG CHUON

Head of Corporate Banking

Narita Hang Chuon is the Head of Corporate Banking, responsible for the growth and profitability, as well as the good credit quality of the Corporate Banking Segment.
She leads and develops Relationship Teams and Relationship Credit Teams to grow up assets and deposits, and build up revenue through actively managing relationships with clients, new on-board clients, and cross sales products, and make sure the credit quality is ascertain.

Narita joined the Bank in September 2005 as Credit Operation Manager. Throughout her almost 15 years of service with the Bank, her career has advanced from Operations to Middle Office (as Head of Relationship Support and Head of Business Control) to Frontline Department (as Head of SME, Director of Local Corporates, Head of Local Corporates, and currently as Head of Corporate Banking).

Prior that, Narita worked with World Vision International Organization, Credit Agricole Indosuez Bank, and Nestle Dairy Cambodia Co., Ltd.

Narita holds a Master of Business Administration, major in Finance from Charles Sturt University, a Bachelor of Business Administration, Major in Finance & Banking from the National Institute of Management, and a degree from the Centre for Banking Studies.

On top of her role with J Trust Royal Bank, Narita actively involves in various business associations to support Women in Business, and other social works.

SOPHY KEO

Head of Business Banking

Sophy joined the bank since 2006 and was appointed as Head of Business Banking in 2019. This is a newly created division within J Trust Royal Bank; with key objective to work more closely with the SME sector in Cambodia. Sophy leads the Business Banking Relationship Teams who actively work with our clients to meet their needs on banking solutions of both loans and deposits.

Since joining the bank in 2006, Sophy is one of our experienced bankers in area of Lending & Payments Operations; Workflow & Automation; as well as major Project Management & Execution. He has also worked and trained in countries such as Singapore, India, Myanmar, and Laos; as part of the bank's international assignment. And prior to joining the bank, Sophy was leading the Training & Testing Department (including Special Projects) at the Australian Centre for Education (ACE).

Sophy holds a Master of Business Administration (MBA), a Bachelor of Accounting; and Bachelor of Education (TEFL).

BOREN KORK

Chief Legal and Compliance Officer

Boren leads Legal and Compliance team to manage legal risks and to ensure compliance with regulatory requirements, anti-money laundering (AML), counter-terrorist finance (CTF), and economic/trade sanctions frameworks, and also acts as the Company Secretary, coordinating corporate affairs in interaction with the Board of Directors of the Bank.

Boren was listed in the Legal 500's GC Powerlist 2019 as one of the most influential and innovative in-house lawyers in Southeast Asia.

Boren's career flourished in the Bank. First joining in June 2012 as a Manager of Commercial and Institutional Client Administration, Boren subsequently took on other key management roles before being appointed to lead the merged Legal and Compliance Department in November 2018. Before joining J Trust Royal Bank, Boren gained extensive experience in the fields of law and education.

Boren holds Doctor of Law and Master of Law degrees from Nagoya University (Japan), and Bachelor of Law degrees from the Royal University of Law and Economics (Cambodia), and Lumière Lyon II University (France).

SADAT MATH

Chief Human Resources Officer

Sadat joined the J Trust Royal (formerly ANZ Royal) in August 2008 in Human Resource Department. During his career with the bank, he was given opportunity to expand the job responsibilities and promoted to different roles which include the role as Learning and Development Manager, HR Business Partner, HR Delivery Lead and Chief Human Resource Officer in late 2016. He is one of the talented members of the bank's HR community and a proud product of the Bank's strong focus on developing its people.

Prior to joining the bank, he spent several years working at university and NGOs after completing his study. Sadat holds a Bachelor's degree in Management and a Master of Business Administration from Norton University in Cambodia.

Over the past years, Sadat has been very passionate in developing people by helping them perform better at their jobs, leading to a greater sense of fulfilment and opening up career opportunities.

PHEAKDEY POK

Chief Financial Officer

Pheakdey has over 12 years' experience in banking sector in Cambodia. Joining J Trust Royal, previously known as ANZ Royal, in May 2008 as Finance Manager, she was subsequently appointed as Chief Financial Officer in April 2010. She also worked for KPMG Cambodia as External Auditor and British Tobacco (Cambodia) as Management Accounting Manager prior joining J Trust Royal.

Pheakdey is overseeing J Trust Royal's overall financial performance, aligning financial and business metrics to support business-strategy and growth, and ensuring compliance with local regulatory, group financial governance, accounting policies, and requirements.

Pheakdey brings strong and solid financial accounting and audit experiences to J Trust Royal Bank. With her strong endurance, leadership and integrity, she has successfully led Finance team during transiting ANZ Royal Financial data to J Trust Royal and go live timely.

Pheakdey holds a Bachelor of Finance and Accounting from the National University of Management and is an Associate Member of CPA Australia.

PHYRUN HENG

Head of Transaction Banking

Phyrun joined the bank in February 2012, since which he has cultivated wide-ranging experiences in credit, capital and relationship management and transaction banking, looking after Corporation & Institutional Banking, and later expanding his horizon to Emerging Corporates.

He has provided advisory services/workshops to clients and community on financial literacy, trade and cash management products and driven bank's digitization agenda for local corporates & multinational corporations.
After transition, Phyrun, appointed as Head of Transaction Banking "TB", is leading and rebuilding bank's capabilities both in Trade & Supply Chain "TSC" and Payment & Cash Management "PCM".

Phyrun holds two bachelor's degrees in Economy Development and Education in English and won scholarship for Associate Association of Chartered Certified Accountants "ACCA". In specializing subjects, he successfully completed 2 courses in Hong Kong, "Advanced Working Capital Management" and "Certificate in International Cash Management" by Association of Corporate Treasurers (ACT), the chartered body for treasury, United Kingdom. He has also been assigned for 14-day program with TB Products Management and Wholesales Digital Team in Melbourne, Australia, for knowledge transfer and digitization pioneer.

SOPHINA KHIEV

Head of Markets

Sophina joined the bank since 2005 when it commenced its operation under the name of ANZ Royal Bank and currently leads Markets & FI to support bank's FI relationship & treasury function as well as FX services providing to Retail, Business and Corporate Banking clients.

With his 15 years of career with the bank that started with few roles within Retail Banking as priority banking manager, Branch manager, Senior manager of Mortgage and then moved to Corporate Banking and Markets & FI, Sophina brings with him a broad knowledge and experience of banking and financial market. He joined our executive management team of J Trust Royal Bank on day 1 after the transition in August 2019.

Fluent in English, Mandarin Chinese and Khmer, Sophina studied economics and finance at Guangxi University in China under Chinese Government Scholarship Program.

GLENN MILLER

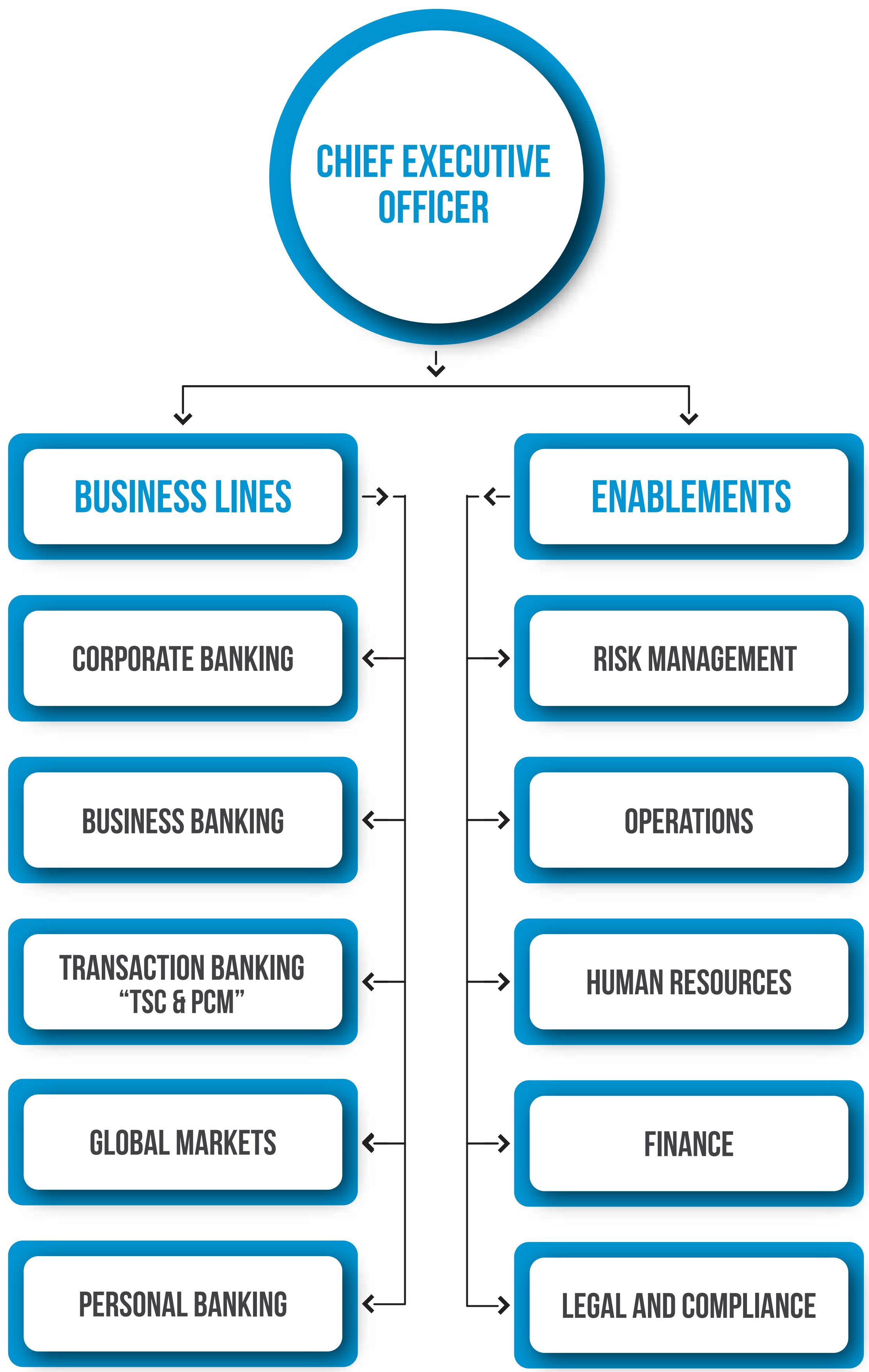
Chief Information Officer

Glenn, originally from Melbourne Australia, joined J Trust Royal Bank in August 2019 as the Chief Information Officer. Glenn leads an enthusiastic and customer focused team of technologists and is responsible for managing all information technology aspects for J Trust Royal.

Glenn has been working as a technologist in Banking, Payments and Telecommunications for almost 30 years. Glenn has been based in Cambodia for over 10 years and has worked for 5 different companies in Cambodia in the fields of Banking, Payments processing and Telecoms.

Prior to relocating to Cambodia, Glenn worked in a variety of roles across 20 years at ANZ Bank Australia and the Asia Pacific regions.

ORGANIZATIONAL CHART



FINANCE SUMMARY

SUMMARY OF SELECTED FINANCIAL DATA

In million of dollars, except ratios and direct staff	2019	2018
At December 31:		
Total assets	819	955
Deposits from customers	537	675
Long-term debt	-	-
Total equity	221	217
Equity to total assets	27.0%	22.7%
Direct staff	474	409
Performance metrics		
Return on Assets	1.7%	2.2%
Return on Equity	6.1%	9.7%
Efficiency ratio (total operating expenses/total revenues)	59.8%	46.3%
Liquidity coverage ratio	151.5%	163.7%

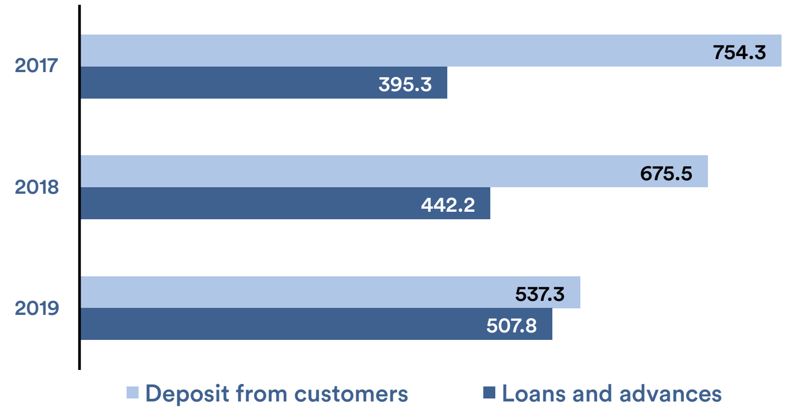
INCOME STATEMENT AT A GLANCE

Financial Performance ($M)	2019	2018	Movement %
Net interest income	33.4	31.1	7.2%
Other operating income	10.9	14.8	- 26.2%
Operating income	44.3	45.9	- 3.5%
Operating expenses	(26.5)	(21.3)	- 24.5%
Profit before credit impairment and income tax	17.8	24.6	- 27.7%
Provision for credit impairment	0.3	0.0	830.7%
Profit before income tax	18.1	24.7	- 26.5%
Income tax expense	(4.6)	(3.6)	- 25.8%
Net profit after tax	13.5	21.0	- 35.6%

- Net interest income uplifted 7.2% YOY to $33.4 million driven by our asset lending growth.
- With the impact of transition, other operating income fell 26.2% YOY to $10.9 millon, with 23.5% fall in Trade & Payment fees and 38.8% YOY fall in Other fees.
- Operating expense increased by 24.5% YOY to $26.5 million in response to the transition, driven by $2.6 million higher Personnel Costs, and $1.5 million driven by IT spend.
- FY19 has seen an improvement in Asset Quality resulting in the reduction in Credit Impairment Charge by $0.3 million.
- This has resulted in Net Profit After Tax falling 35.6% YOY to $13.5 million.

BALANCE SHEET AT A GLANCE

GROSS LOANS AND CUSTOMER DEPOSITS (USD MILLIONS)



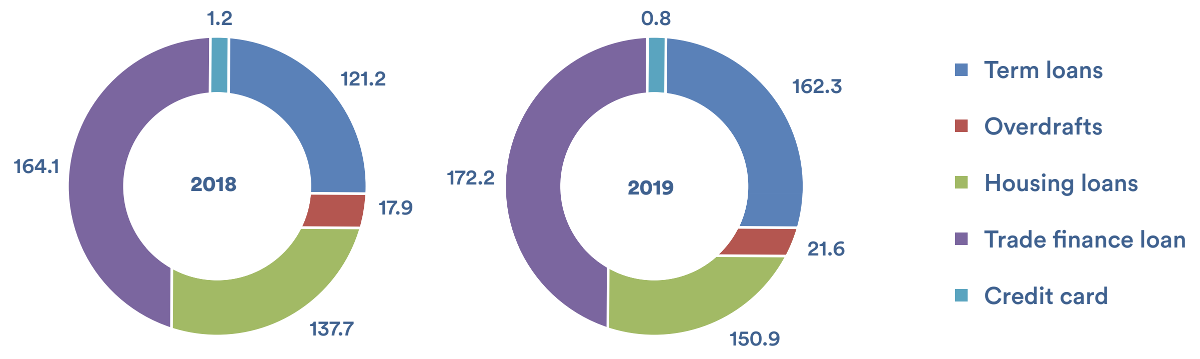
Despite the challenges of transition and change, J Trust Royal Bank still maintained double digit loan growth, with strong performance in both Corporate and Personal Banking. In responding to our growth, we have deliberately maintained strong liquidity and capital position with a capital ratio of 30.2% in FY19 (32.2% FY18).

The loan balance increased by 15% to US$507.8 million driven by our expansion strategy.

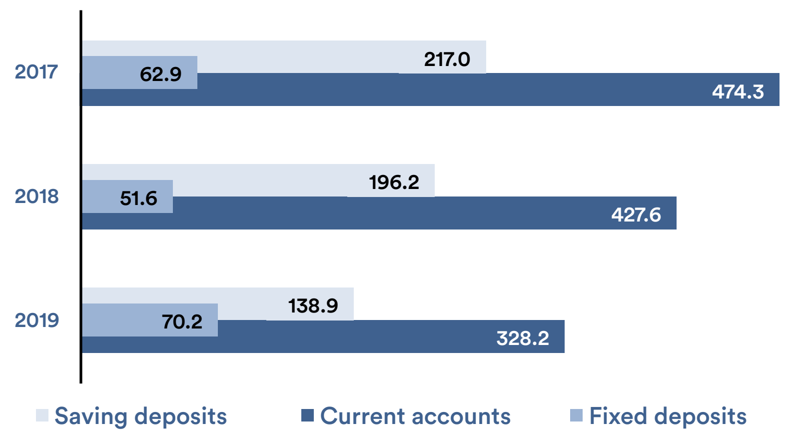
With the disruption from transition, our deposits stood at US$ 537.3 million (-20% YoY) while Term Deposit contribution to the portfolio doubled to 13% (5% FY18).

Regardless of the loan growth and full CIFRS adoption, J Trust Royal Bank still maintained strong credit quality with an NPL ratio of 0.6% (2018: 1.0%).

GROSS LOAN BY TYPE (USD MILLIONS)



CUSTOMER DEPOSITS BY TYPE (USD MILLIONS)



J TRUST ROYAL BANK LTD.
(formerly known as ANZ Royal Bank (Cambodia) Ltd)

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

AND REPORT OF THE INDEPENDENT AUDITORS

CORPORATE INFORMATION

Bank	J Trust Royal Bank Ltd. (formerly known as ANZ Royal Bank (Cambodia) Ltd)	
Registration No.	00015704	
Registered office	20 EF-E0 Corner Kramoun Sar and Street 67 Sangkat Phsar Thmey I, Khan Daun Penh Phnom Penh Kingdom of Cambodia	
Shareholders	Prior 19 August 2019 Royal Group Finance Co., Ltd. ANZ Funds Pty Ltd. After 19 August 2019 Royal Group Finance Co., Ltd. J Trust Co., Ltd.	
Board of Directors	Neak Oknha Kith Meng	Chairman
	William Mark Hanna	Member
	Simon John Perkins	Member
	Ratana Phurik-Callebaut	Member
	Toru Myochin	Member (Appointed on 31 May 2019)
	Makoto Kurokawa	Member (Appointed on 31 May 2019)
	Ryuichi Atsuta	Member (Appointed on 31 May 2019)
	Yuki Blair	Member (Appointed on 31 May 2019)
	Christopher Donald Tiffin	Member (Appointed on 10 March 2020)
	Alistair Marshall Bulloch	Member (Resigned on 28 June 2019)
	Felicity Rhiannon Mckinnon	Member (Resigned on 19 August 2019)
	Ong Guat Kee (Ong Tracy)	Member (Resigned on 19 August 2019)
	Grant Knuckey Patrick	Member (Appointed on 1 April 2019 and Resigned on 19 August 2019)
Management team	Mr. Toru Myochin	Chief Executive Officer (Appointed on 19 August 2019)
	Ms. Pok Pheakdey	Chief Financial Officer
	Ms. Kork Boren	Chief Legal & Compliance Officer
	Mr. Sisowath Veakchiravuddh	Head of Personal Banking
	Ms. Hang Chuon Narita	Head of Corporate Banking
	Mr. Math Sadat	Chief Human Resources Officer
	Mr. Khiev Sophina	Head of Markets (Appointed on 19 August 2019)
	Mr. Keo Sophy	Head of Business Banking (Appointed on 19 August 2019)
	Mr. Lor Saly	Chief Operating Officer (Appointed on 19 August 2019)
	Mr. Glenn Miller	Chief Information Officer (Appointed on 19 August 2019)
	Mr. Heng Phyrun	Head of Transaction Banking (Appointed on 19 August 2019)
	Ms. Yuko Miyazaki	Chief Risk Officer (Appointed on 18 September 2019)
	Ms. Yuki Blair	Chief of Staff (Appointed on 1 November 2019)
	Mr. Nicholas Anzman	Chief Risk Officer (Resigned on 11 August 2019)
	Mr. Andrew Eagle	Chief Operating Officer (Resigned on 18 August 2019)
	Mr. David Lin	Head of Research & Analysis (Resigned on 18 August 2019)
	Mr. Alisdair Creanor	Chief Executive Officer (Resigned on 18 August 2019)
Auditors	KPMG Cambodia Ltd	

The Board of Directors ("the Board" or "the Directors") hereby submit their report together with the audited financial statements of JTrust Royal Bank Ltd (formerly known as ANZ Royal Bank (Cambodia) Ltd) ("the Bank") for the year ended 31 December 2019.

Principal activities

The Bank is principally engaged in all aspects of banking business and the provision of related financial services.

There were no significant changes to these principal activities during the financial year.

Financial results

The financial results of the Bank for the year were as follows:

		2019	2018
Profit before income tax	US$	18,134,976	24,669,582
	KHR'000	73,482,922	99,788,460
Income tax expense	US$	(4,591,161)	(3,649,506)
	KHR'000	(18,603,384)	(14,762,252)
Net profit for the year	US$	13,543,815	21,020,076
	KHR'000	54,879,538	85,026,208

Dividends

During the year, the Bank declared and paid dividend amounting to US$10,000,000 to its shareholders.

Share capital

On 17 May 2018, ANZ Funds Pty Ltd entered into a share sale agreement to sell all of its 55% stake in ANZ Royal Bank (Cambodia) Ltd to J Trust Co., Ltd.. The share transfer of 412,500 shares with total value of US$41,250,000 from ANZ Funds Pty Ltd to J Trust Co., Ltd. and appointments of four J Trust Co., Ltd.'s nominated members of Board of Directors were approved by the National Bank of Cambodia ("NBC") on 3 July 2018.

The Bank changed its name from ANZ Royal Bank (Cambodia) Ltd. to J Trust Royal Bank Ltd. and the newly amended Memorandum and Articles of Association ("MAA") with the new composition of the Board of Directors was approved by NBC on 31 May 2019.

In August 2019, the sale and purchase of the Bank's shares transaction including the control transfer between ANZ Funds Pty Ltd and J Trust Co., Ltd was completed. J Trust Co., Ltd became the parent company of the Bank from 19 August 2019. The Bank notified the National Bank of Cambodia its new official name as J Trust Royal Bank Ltd. effective from 19 August 2019.

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.

Losses on loans and advances

Before the financial statements of the Bank were prepared, the Directors took reasonable steps to ascertain that actions had been taken in relation to the writing off of any bad loans and advances and the making of allowance for doubtful loans and advances, and satisfied themselves that all known bad loans and advances had been written off and adequate allowance had been made for losses loans and advances.
At the date of this report, the Directors are not aware of any circumstances, which would render the amount written off for bad loans and advances, or the amount of allowance for losses on loans and advances in the financial statements of the Bank, inadequate to any material extent.

Current assets

Before the financial statements of the Bank were prepared, the Directors took reasonable steps to ensure that any current 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 management is not aware of any circumstances, which would render the values attributed to the current assets in the financial statements of the Bank misleading.

Valuation methods

At the date of this report, the 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 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 Directors, will or may substantially affect the ability of the Bank to meet its obligations as and when they fall due.

Change of circumstances

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

Items of unusual nature

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

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

Events since the reporting date

At the date of this report, except as disclosed in the Note 36 to the financial statements, there have been no significant events occurring after the reporting date which would require adjustments or disclosures to be made in the financial statements.

The Board of Directors

The Directors who served during the year and at the date of this report are:

Neak Oknha Kith Meng Chairman
William Mark Hanna Member
Simon John Perkins Member
Ratana Phurik Callebaut Member
Toru Myochin Member and Chief Executive Officer (Appointed on 31 May 2019)
Makoto Kurokawa Member (Appointed on 31 May 2019)
Ryuichi Atsuta Member (Appointed on 31 May 2019)
Yuki Blair Member (Appointed on 31 May 2019)
Christopher Donald Tiffin Member (Appointed on 10 March 2020)
Alistair Marshall Bulloch Member (Resigned on 28 June 2019)
Felicity Rhiannon Mckinnon Member (Resigned on 19 August 2019)
Ong Guat Kee (Ong Tracy) Member (Resigned on 19 August 2019)
Grant Knuckey Patrick Member (Appointed on 01 April 2019 and Resigned on 19 August 2019)

Directors' interests

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

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.

During the 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 company in which the Director has a substantial financial interest other than as disclosed in the financial statements.

Directors' responsibility in respect of the financial statements

The Board of Directors 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 but to do so; 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

We hereby approve the accompanying financial statements together with the notes thereto as set out on pages 9 to 110 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,

William Mark Hanna
Director

Toru Myochin
Director and Chief Executive Officer

Phnom Penh, Kingdom of Cambodia
12 May 2020

Opinion

We have audited the financial statements of J Trust Royal Bank Ltd. (formerly known as ANZ Royal Bank (Cambodia) Ltd) ("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 9 to 110 (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 the Kingdom of 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 statements of profit or loss and other comprehensive income, changes in equity and cash flows 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 5, and the annual report, which is expected to be made available to us after that date. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance 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**

Taing YoukFong
Partner

Phnom Penh, Kingdom of Cambodia

12 May 2020

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	Note	31 December 2019 US$	31 December 2018 US$	31 December 2019 KHR'000 (Note 5)	31 December 2018 KHR'000 (Note 5)	1 January 2018 US$	1 January 2018 KHR'000 (Note 5)
ASSETS							
Cash and cash equivalents	6	173,535,482	393,849,593	707,157,089	1,582,487,665	417,380,317	1,684,964,340
Placements with other banks	7	44,090,299	6,383,032	179,667,968	25,647,023	106,679,368	430,664,609
Statutory deposits	8	80,837,424	100,312,344	329,412,503	403,054,998	110,670,688	446,777,567
Loans and advances to customers – net	9	502,726,904	437,734,979	2,048,612,134	1,758,819,146	387,418,253	1,564,007,487
Other assets	10	8,069,204	5,791,136	32,882,007	23,268,784	5,116,409	20,654,943
Intangible assets	11	-	26,464	-	106,332	54,503	220,029
Property and equipment	12	3,714,576	3,704,110	15,136,897	14,883,114	4,839,615	19,537,526
Right-of-use assets	13	3,311,519	4,474,444	13,494,440	17,978,316	5,637,369	22,758,059
Deferred tax asset, net	20A	2,818,191	2,921,738	11,484,128	11,739,543	1,182,368	4,773,220
Total assets		819,103,599	955,197,840	3,337,847,166	3,837,984,921	1,038,978,890	4,194,357,780
LIABILITIES AND SHAREHOLDER'S EQUITY							
Liabilities							
Deposits from customers	14	537,274,878	675,456,445	2,189,395,128	2,713,983,996	754,261,883	3,044,955,222
Deposits from other banks and financial institutions	15	32,596,349	45,510,373	132,830,122	182,860,679	38,279,307	154,533,562
Borrowings	16	18,654,968	-	76,018,995	-	-	-
Lease liabilities	17	3,651,878	4,748,173	14,881,403	19,078,159	5,637,369	22,758,059
Other liabilities	18	5,341,267	4,560,346	21,765,663	18,323,470	35,254,677	142,323,132
Provision for employee benefits	19	152,627	398,296	621,955	1,600,353	-	-
Current income tax liability	20B	351,400	6,351,559	1,431,955	25,520,564	8,251,772	33,312,404
Provision for off-balance sheet commitment	30	293,309	929,540	1,195,234	3,734,892	1,070,850	4,323,021
Total liabilities		598,316,676	737,954,732	2,438,140,455	2,965,102,113	842,755,858	3,402,205,400
Shareholder's equity							
Share capital	21	75,000,000	75,000,000	300,000,000	300,000,000	75,000,000	300,000,000
General reserves	22	73,000,000	57,000,000	293,507,000	228,675,000	42,000,000	168,000,000
Regulatory reserves	23	3,883,463	6,252,097	15,658,665	25,256,370	4,170,298	16,835,493
Retained earnings		68,903,460	78,991,011	278,043,461	318,918,218	75,052,734	302,987,887
Currency translation difference		-	-	12,497,585	33,220	-	4,329,000
Total shareholder's equity		220,786,923	217,243,108	899,706,711	872,882,808	196,223,032	792,152,380
Total liabilities and shareholder's equity		819,103,599	955,197,840	3,337,847,166	3,837,984,921	1,038,978,890	4,194,357,780

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

	Note	2019 US$	2018 US$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)
Operating income					
Interest income	24	36,119,323	33,397,790	146,355,497	135,094,061
Interest expense	25	(2,734,632)	(2,264,144)	(11,080,729)	(9,158,462)
Net interest income		33,384,691	31,133,646	135,274,768	125,935,599
Net fee and commission income	26	10,890,485	14,753,437	44,128,245	59,677,653
Total operating profit		44,275,176	45,887,083	179,403,013	185,613,252
Personnel expenses	27	(13,238,692)	(10,614,133)	(53,643,180)	(42,934,168)
Depreciation and amortisation	28	(2,382,304)	(2,472,904)	(9,653,096)	(10,002,897)
General and administrative expense	29	(10,844,529)	(8,165,419)	(43,942,032)	(33,029,120)
Total operating expenses		(26,465,525)	(21,252,456)	(107,238,308)	(85,966,185)
Operating profit before impairment		17,809,651	24,634,627	72,164,705	99,647,067
Reversal of impairment losses on financial instruments	9	325,325	34,955	1,318,217	141,393
Profit before income tax		18,134,976	24,669,582	73,482,922	99,788,460
Income tax expense	20C	(4,591,161)	(3,649,506)	(18,603,384)	(14,762,252)
Net profit for the year		13,543,815	21,020,076	54,879,538	85,026,208
Other comprehensive income/(loss)					
Currency translation difference		-	-	12,464,365	(4,295,780)
Total comprehensive income for the year		13,543,815	21,020,076	67,343,903	80,730,428

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

STATEMENT OF CHANGES IN EUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital		General reserve		Regulatory reserves		Retained earnings		Currency translation difference		Total	
	US$	KHR'000	US$	KHR'000	US$	KHR'000	US$	KHR'000			US$	KHR'000
2018		(Note 5)		(Note 5)		(Note 5)		(Note 5)				(Note 5)
Balance as at 1 January 2018	75,000,000	300,000,000	42,000,000	168,000,000	4,170,298	16,835,493	75,052,734	302,987,887	-	4,329,000	196,223,032	792,152,380
Transactions recognised directly in equity												
Transfers to regulatory reserves	-	-	-	-	2,081,799	8,420,877	(2,081,799)	(8,420,877)	-	-	-	-
Transfers to general reserve	-	-	15,000,000	60,675,000	-	-	(15,000,000)	(60,675,000)	-	-	-	-
Comprehensive income/(loss)												
Net profit for the year	-	-	-	-	-	-	21,020,076	85,026,208	-	-	21,020,076	85,026,208
Currency translation difference	-	-	-	-	-	-	-	-	-	(4,295,780)	-	(4,295,780)
Total comprehensive income	-	-	-	-	-	-	21,020,076	85,026,208	-	(4,295,780)	21,020,076	80,730,428
Balance as at 31 December 2018	75,000,000	300,000,000	57,000,000	228,675,000	6,252,097	25,256,370	78,991,011	318,918,218	-	33,220	217,243,108	872,882,808
2019												
Balance as at 1 January 2019	75,000,000	300,000,000	57,000,000	228,675,000	6,252,097	25,256,370	78,991,011	318,918,218	-	33,220	217,243,108	872,882,808
Transactions recognised directly in equity												
Dividend paid	-	-	-	-	-	-	(10,000,000)	(40,520,000)	-	-	(10,000,000)	(40,520,000)
Transfers to regulatory reserves	-	-	-	-	(2,368,634)	(9,597,705)	2,368,634	9,597,705	-	-	-	-
Transfers to general reserve	-	-	16,000,000	64,832,000	-	-	(16,000,000)	(64,832,000)	-	-	-	-
Comprehensive income												
Net profit for the year	-	-	-	-	-	-	13,543,815	54,879,538	-	-	13,543,815	54,879,538
Currency translation difference	-	-	-	-	-	-	-	-	-	12,464,365	-	12,464,365
Total comprehensive income	-	-	-	-	-	-	13,543,815	54,879,538	-	12,464,365	13,543,815	67,343,903
Balance as at 31 December 2019	75,000,000	300,000,000	73,000,000	293,507,000	3,883,463	15,658,665	68,903,460	278,043,461	-	12,497,585	220,786,923	899,706,711

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

	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		13,543,815	21,020,076	54,879,538	85,026,208
Adjustment for:					
Depreciation and amortisation		2,382,304	2,472,904	9,653,096	10,002,897
Net interest income		(33,384,691)	(31,133,646)	(135,274,768)	(125,935,598)
Income tax expense		4,591,161	3,649,506	18,603,384	14,762,252
Loss on intangible assets written off		17,585	-	71,254	-
Loss on property and equipment written off and disposal		260,728	31,787	1,056,470	128,578
Provision for employee benefits		(245,669)	398,296	(995,451)	1,611,107
Impairment loss on financial instruments	9	(325,352)	(34,955)	(1,318,217)	(141,393)
		(13,160,092)	(3,596,032)	(53,324,694)	(14,545,949)
Changes in:					
Loans and advances		(65,138,780)	(49,906,784)	(263,942,337)	(201,872,941)
Statutory deposits		19,474,920	10,358,344	78,912,376	41,899,501
Other assets		(2,420,420)	(674,727)	(9,807,542)	(2,729,271)
Deposits from customers, other banks and financial institutions		(151,095,591)	(71,574,372)	(612,239,335)	(289,518,335)
Other liabilities		780,921	(30,694,331)	3,164,292	(124,158,569)
Cash used in operations		(211,559,042)	(146,087,902)	(857,237,240)	(590,925,564)
Interest received		35,955,272	32,881,493	145,690,762	133,005,639
Interest paid		(2,500,250)	(1,974,832)	(10,131,013)	(7,988,195)
Income taxes paid	20B	(10,487,773)	(7,289,089)	(42,496,456)	(29,484,365)
Net cash used in operating activities		(188,591,793)	(122,470,330)	(764,173,947)	(495,392,485)
Cash flows from investing activities					
Placement with other banks		(37,707,267)	100,296,336	(152,789,846)	405,698,679
Purchase of property and equipment		(1,464,610)	(189,965)	(5,934,600)	(768,408)
Proceeds from disposal of property and equipment		125,268	11,743	507,586	47,500
Net cash used in investing activities		(39,046,609)	100,118,114	(158,216,860)	404,977,771
Cash flows from financing activities					
Lease payments		(1,330,677)	(1,178,508)	(5,391,903)	(4,767,065)
Proceeds from borrowings		18,654,968	-	75,589,930	-
Dividend paid		(10,000,000)	-	(40,520,000)	-
Net cash generated from/(used in) financing activities		7,324,291	(1,178,508)	29,678,027	(4,767,065)
Net decrease in cash and cash equivalents		(220,314,111)	(23,530,724)	(892,712,780)	(95,181,779)
Cash and cash equivalents at beginning of the year		393,849,593	417,380,317	1,582,487,665	1,684,964,340
Currency translation difference		-	-	17,382,204	(7,294,896)
Cash and cash equivalents at end of the year	6	173,535,482	393,849,593	707,157,089	1,582,487,665

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

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

1. Reporting entity

J Trust Royal Bank Ltd. formerly known as ANZ Royal Bank (Cambodia) Ltd ("the Bank") is domiciled in Cambodia. The Bank is originally a joint venture between Australia and New Zealand Banking Group Limited ("ANZ"), a public company incorporated in Australia, through its wholly owned subsidiary ANZ Funds Pty Ltd., with a 55% interest in the joint venture, and Royal Group Finance Co., Ltd., which is ultimately owned by two private individuals in Cambodia who are Directors of the Bank with a 45% interest in the joint venture.

On 17 May 2018, ANZ Funds Pty Ltd entered into a share sale agreement to sell all of its 55% stake in ANZ Royal Bank (Cambodia) Ltd to J Trust Co., Ltd. Refer to Note 21 for details.

In August 2019, the sale and purchase of the Bank's shares transaction including the control transfer between ANZ Funds Pty Ltd and J Trust Co., Ltd was completed. J Trust Co., Ltd became the parent company of the Bank from 19 August 2019. The Bank also notified the National Bank of Cambodia its new official name as J Trust Royal Bank Ltd. effective from 19 August 2019.

The principal activity of the Bank is the provision of comprehensive banking and related financial services in the Kingdome of Cambodia.

The registered office of the Bank is currently located at 20 EF-E0 Corner Kramoun Sar and Street 67, Sangkat Phsar Thmey I, Khan Daun Penh, Phnom Penh, the Kingdom of Cambodia.

As at 31 December 2019, the Bank had 474 employees (2018: 409 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 CIFRSs 1 First-time Adoption of 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 (collectively referred to as "Cambodia GAAP"). 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 of the Bank were authorised for issue by the Board of Directors on 12 May 2020.

3. Functional and presentation currency

The Bank transacts its business and maintains its accounting records in United States Dollars ("US$"). The Management has determined the US$ to be the Bank's functional and presentation currency as it reflects the economic substance of the underlying events and circumstances of the Bank.

These financial statements are presented in US$, which is the Bank's functional currency. All amounts have been rounded to the nearest dollar and thousand Khmer Riel "KHR'000" for US$ and KHR amounts respectively, except when 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 34B(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 'solely payment for principal and interest' ("SPPI") on the principal amount outstanding.
- Note 34B(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 'expected credit loss' ("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 34B(vii): impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information.
- Note 34B(vii): determination of the fair value of financial instruments with significant unobservable inputs.
- Note 34B(vii): impairment of financial instruments: key assumptions used in estimating recoverable cash flows.

5. Translation of United States Dollars into Khmer Riel

The financial statements are expressed in United States Dollars ("US$"). The translations of US$ amounts into Khmer Riel ("KHR") are included solely for purpose of 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 Difference" in the other comprehensive income.

The Bank uses the following exchange rates:

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

These convenience translations should not be construed as representations that the US$ amounts have been, could have been, or could in the future be, converted into KHR at this or any other rate of exchange.

6. Cash and cash equivalents

	31 December 2019 US$	31 December 2018 US$	31 December 2019 KHR'000 (Note 5)	31 December 2018 KHR'000 (Note 5)	1 January 2018 US$	1 January 2018 KHR'000 (Note 5)
Cash on hand	38,563,512	42,343,395	157,146,311	170,135,761	40,163,850	162,141,462
Cash in banks with original maturity less than 3 months:						
Cash in National Bank of Cambodia	76,016,126	59,795,467	309,765,713	240,258,186	78,667,862	317,582,159
Cash in other banks	59,131,301	292,145,206	240,960,052	1,173,839,439	298,947,110	1,206,849,483
	173,710,939	394,284,068	707,872,076	1,584,233,386	417,778,822	1,686,573,104
Less: Allowance for impairment loss	(175,457)	(434,475)	(714,987)	(1,745,721)	(398,505)	(1,608,764)
	173,535,482	393,849,593	707,157,089	1,582,487,665	417,380,317	1,684,964,340

The movements of impairment loss allowance on cash and cash equivalents were as follows:

	2019 US$	2018 US$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)
At 1 January	434,475	398,505	1,745,721	1,608,765
(Reversals of)/Allowance for the year (Note 9)	(259,018)	35,970	(1,049,541)	145,499
Currency translation difference	-	-	18,807	(8,543)
At 31 December	175,457	434,475	714,987	1,745,721

	31 December 2019 US$	31 December 2018 US$	31 December 2019 KHR'000 (Note 5)	31 December 2018 KHR'000 (Note 5)	1 January 2018 US$	1 January 2018 KHR'000 (Note 5)
A. By relationship:						
Third parties	173,710,939	210,501,058	707,872,076	845,793,252	267,608,598	1,080,335,910
Related parties	-	183,783,010	-	738,440,134	150,170,224	606,237,194
	173,710,939	394,284,068	707,872,076	1,584,233,386	417,778,822	1,686,573,104

7. Placements with other banks

	31 December 2019 US$	31 December 2018 US$	31 December 2019 KHR'000 (Note 5)	31 December 2018 KHR'000 (Note 5)	1 January 2018 US$	1 January 2018 KHR'000 (Note 5)
Cash in banks with original maturity more than 3 months:						
National Bank of Cambodia	21,077,160	6,383,032	85,889,427	25,647,023	46,566,557	187,989,191
Other banks (*)	23,067,549	-	94,000,262	-	60,203,182	243,040,246
	44,144,709	6,383,032	179,889,689	25,647,023	106,769,739	431,029,437
Less: Allowance for impairment loss (Note 9)	(54,410)	-	(221,721)	-	(90,371)	(364,828)
	44,090,299	6,383,032	179,667,968	25,647,023	106,679,368	430,664,609

The movements of impairment loss allowance on placements with other banks were as follows:

	2019 US$	2018 US$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)
At 1 January	-	90,371	-	364,828
Addition/(reversal) for the year	54,410	(90,371)	220,469	(365,551)
Currency translation difference	-	-	1,252	723
At 31 December	54,410	-	221,721	-

	31 December 2019 US$	31 December 2018 US$	31 December 2019 KHR'000 (Note 5)	31 December 2018 KHR'000 (Note 5)	1 January 2018 US$	1 January 2018 KHR'000 (Note 5)
A. By maturity:						
Within 1 month	23,067,549	-	94,000,262	-	-	-
> 1 to 3 months	1,795,558	6,383,032	7,316,899	25,647,023	3,420,304	13,807,768
> 3 to 6 months	19,281,602	-	78,572,528	-	103,349,435	417,221,669
	44,144,709	6,383,032	179,889,689	25,647,023	106,769,739	431,029,437
B. By currency:						
US Dollars	43,751,224	-	178,286,238	-	60,203,182	243,040,246
Other	393,485	6,383,032	1,603,451	25,647,023	46,566,557	187,989,191
	44,144,709	6,383,032	179,889,689	25,647,023	106,769,739	431,029,437

	2019	2018
C. By interest rate (per annum):		
National Bank of Cambodia	0.68% - 0.99%	0.93% - 1.00%
Other local banks	2.35% - 2.6%	1.80% - 3.10%

8. Statutory deposits

	Note	31 December 2019 US$	31 December 2018 US$	31 December 2019 KHR'000 (Note 5)	31 December 2018 KHR'000 (Note 5)	1 January 2018 US$	1 January 2018 KHR'000 (Note 5)
Statutory capital deposit	A	7,500,000	7,500,000	30,562,500	30,135,000	7,500,000	30,277,500
Reserve requirements on customers' and banks' deposits	B	73,337,424	92,812,344	298,850,003	372,919,998	103,170,688	416,500,067
		80,837,424	100,312,344	329,412,503	403,054,998	110,670,688	446,777,567

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 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 ceases its operations in the Kingdom of Cambodia. During the year, the interest earned at six month fixed rate of 0.48% per annum (2018: 0.62% per annum).

B. Reserve requirements on customers' and banks' 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 NBC'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 2019 US$	31 December 2018 US$	31 December 2019 KHR'000 (Note 5)	31 December 2018 KHR'000 (Note 5)	1 January 2018 US$	1 January 2018 KHR'000 (Note 5)
Term Loan	162,355,172	121,179,298	661,597,326	486,898,419	113,963,461	460,070,492
Overdrafts	21,555,507	17,903,881	87,838,691	71,937,794	22,140,634	89,381,739
Housing loans	150,872,412	137,748,299	614,805,079	553,472,665	119,825,151	483,734,135
Trade finance loans	172,218,786	164,164,589	701,791,553	659,613,319	137,934,993	556,843,567
Credit cards	805,708	1,187,094	3,283,260	4,769,744	1,414,353	5,709,743
Loans and advances - gross	507,807,585	442,183,161	2,069,315,909	1,776,691,941	395,278,592	1,595,739,676
Less: Impairment loss allowance	(5,080,681)	(4,448,182)	(20,703,775)	(17,872,795)	(7,860,339)	(31,732,189)
Loans and advances – net	502,726,904	437,734,979	2,048,612,134	1,758,819,146	387,418,253	1,564,007,487

(i) Impairment losses on financial instruments that recognised in profit or loss were summarised is as follows:

	2019 US$	2018 US$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)
Allowance for impairment loss on loans and advances	(632,499)	(160,756)	(2,562,886)	(650,258)
(Reversal of)/Allowance for impairment loss on cash and cash equivalents (Note 6)	259,018	(35,970)	1,049,541	(145,499)
Allowance for/(Reversal of) impairment loss on placements with other banks (Note 7)	(54,410)	90,371	(220,469)	365,551
Impairment loss on off balance sheet commitments (Note 30)	636,231	141,310	2,578,008	571,599
Loans and advances written off	(44,936)	-	(182,081)	-
Recovery of loans and advances written off	161,921	-	656,104	-
	325,325	34,955	1,318,217	141,393

(ii) The movements of impairment loss allowance on loans and advances to customers were as follows:

	2019 US$	2018 US$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)
At 1 January	4,448,182	7,860,339	17,872,795	31,732,189
Allowance for during the year	632,499	160,756	2,562,886	650,258
Write off for the year	-	(3,572,913)	-	(14,452,433)
Currency translation difference	-	-	268,094	(57,219)
At 31 December	5,080,681	4,448,182	20,703,775	17,872,795

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

	31 December 2019 US$	31 December 2018 US$	31 December 2019 KHR'000 (Note 5)	31 December 2018 KHR'000 (Note 5)	1 January 2018 US$	1 January 2018 KHR'000 (Note 5)
A. By maturity:						
Within 1 month	35,266,711	34,164,526	143,711,847	137,273,065	28,737,536	116,013,433
> 1 to 3 months	74,873,888	91,040,601	305,111,094	365,801,135	79,761,452	321,996,982
> 3 to 6 months	94,583,152	91,169,702	385,426,344	366,319,863	78,193,942	315,668,944
> 6 to 12 months	18,871,884	34,660,802	76,902,927	139,267,102	10,352,031	41,791,149
> 1 to 3 years	99,711,480	33,927,597	406,324,281	136,321,085	52,898,722	213,552,141
> 3 to 5 years	24,150,686	31,905,128	98,414,045	128,194,804	36,506,947	147,378,545
Over 5 years	160,349,784	125,314,805	653,425,371	503,514,887	108,827,962	439,338,482
	507,807,585	442,183,161	2,069,315,909	1,776,691,941	395,278,592	1,595,739,676
B. By relationship:						
Third parties	491,597,324	441,294,701	2,003,259,095	1,773,122,108	394,238,564	1,591,541,082
Related parties	16,210,261	888,460	66,056,814	3,569,833	1,040,028	4,198,594
	507,807,585	442,183,161	2,069,315,909	1,776,691,941	395,278,592	1,595,739,676

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

10. Other assets

	31 December 2019 US$	31 December 2018 US$	31 December 2019 KHR'000 (Note 5)	31 December 2018 KHR'000 (Note 5)	1 January 2018 US$	1 January 2018 KHR'000 (Note 5)
Prepayment for staff benefits (*)	4,578,047	3,771,105	18,655,542	15,152,300	2,260,481	9,125,562
Deposits and prepayments	2,530,661	1,321,424	10,312,444	5,309,482	1,094,121	4,416,966
Derivative financial instruments	12,033	510,746	49,034	2,052,177	1,680,278	6,783,282
Others	948,463	187,861	3,864,987	754,825	81,529	329,133
	8,069,204	5,791,136	32,882,007	23,268,784	5,116,409	20,654,943

(*): This represent the difference between fair value of staff loans and the market value of those loans. The Bank has recorded the difference as prepayment of staff benefit and amortised them on straight-line basis over contractual term of the loans.

11. Intangible assets

	2019 US$	2018 US$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)
Cost	163,796	907,684	658,132	3,664,320
At 1 January	(163,796)	(743,888)	(663,701)	(3,009,027)
Written off	-	-	5,569	2,839
Currency translation difference	-	163,796	-	658,132
At 31 December				
Less: Accumulated amortisation				
At 1 January	137,332	853,181	532,472	3,444,291
Amortisation	8,879	28,039	35,978	113,418
Written off	(146,211)	(743,888)	(592,447)	(3,009,027)
Currency translation difference	-	-	23,997	3,118
At 31 December	-	137,332	-	551,800
Carrying amounts				
At 31 December	-	26,464	-	106,332
At 1 January	-	54,503	-	220,029

12. Property and equipment

2019	Computers US$	Furniture and equipment US$	Motor vehicles US$	Leasehold improvements US$	Work in progress US$	Total US$	KHR'000 (Note 5)
Cost							
At 1 January 2019	4,150,705	2,002,175	428,088	8,909,796	166,821	15,657,585	62,912,177
Additions	2,062	36,415	-	4,370	1,421,763	1,464,610	5,934,600
Transfers	265,880	210,256	775,600	28,785	(1,280,521)	-	-
Written off	(1,211,338)	(385,298)	(1,300)	(97,031)	-	(1,694,967)	(6,868,006)
Disposal	-	-	(412,735)	-	-	(412,735)	(1,672,402)
Reclassification	-	-	-	(163,453)	-	(163,453)	(662,312)
Currency translation difference	-	-	-	-	-	-	873,931
At 31 December 2019	3,207,309	1,863,548	789,653	8,682,467	308,063	14,851,040	60,517,988
Less: Accumulated depreciation							
At 1 January 2019	2,181,815	1,588,761	428,088	7,754,811	-	11,953,475	48,029,063
Depreciation	606,373	145,666	25,924	432,537	-	1,210,500	4,904,946
Written off	(1,042,732)	(357,015)	(1,300)	(50,276)	-	(1,451,323)	(5,880,761)
Disposal	-	-	(412,735)	-	-	(412,735)	(1,672,402)
Reclassification	-	-	-	(163,453)	-	(163,453)	(662,312)
Currency translation difference	-	-	-	-	-	-	662,557
At 31 December 2019	1,745,456	1,377,412	39,977	7,973,619	-	11,136,464	45,381,091
Carrying amounts							
At 31 December 2019	1,461,853	486,136	749,676	708,848	308,063	3,714,576	15,136,897

As at 31 December 2019, fully depreciated property and equipment with an original costing of US$8,319,589 (2018: US$8,239,290) are still in active use. The written off amounts included the fully depreciated property and equipment with costs amounting to US$800,346 (Carrying amounts: US$950,844).

2018	Computers US$	Furniture and equipment US$	Motor vehicles US$	Leasehold improvements US$	Work in progress US$	Total US$	KHR'000 (Note 5)
Cost							
At 1 January 2018	4,013,845	2,500,061	596,968	9,242,608	455,235	16,808,717	67,537,425
Additions	-	-	-	-	189,965	189,965	768,408
Transfers	267,827	89,996	-	124,965	(482,788)	-	-
Written off	(116,556)	(558,105)	(1,300)	(274,883)	-	(950,844)	(3,846,164)
Disposal	(11,881)	(29,777)	(167,580)	(181,015)	-	(390,253)	(1,578,573)
Reclassification	(2,530)	-	-	(1,879)	4,409	-	-
Currency translation difference	-	-	-	-	-	-	31,081
At 31 December 2018	4,150,705	2,002,175	428,088	8,909,796	166,821	15,657,585	62,912,177
Less: Accumulated depreciation							
At 1 January 2018	1,654,395	1,966,032	596,968	7,751,707	-	11,969,102	48,091,852
Depreciation	642,310	198,989	-	440,641	-	1,281,940	5,185,447
Written off	(108,671)	(546,704)	(1,300)	(262,283)	-	(918,958)	(3,717,185)
Disposal	(6,219)	(29,556)	(167,580)	(175,254)	-	(378,609)	(1,531,473)
Currency translation difference	-	-	-	-	-	-	422
At 31 December 2018	2,181,815	1,588,761	428,088	7,754,811	-	11,953,475	48,029,063
Carrying amounts							
At 31 December 2018	1,968,890	413,414	-	1,154,985	166,821	3,704,110	14,883,114
At 1 January 2018	2,359,450	534,029	-	1,490,901	455,235	4,839,615	19,537,526

13. Right-of-use assets

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

	31 December 2019 US$	31 December 2018 US$	31 December 2019 KHR'000 (Note 5)	31 December 2018 KHR'000 (Note 5)	1 January 2018 US$	1 January 2018 KHR'000 (Note 5)
Right-of-use assets	3,311,519	4,474,444	1 13,494,440	17,978,316	5,637,369	22,758,059

The Bank leases the office for its operation. Information about leases for which the Bank is a lessee is presented below.

	2019 US$	2018 US$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)
Right-of-use assets				
At 1 January	4,474,444	5,637,369	17,978,316	22,758,059
Amortisation for the year	(1,162,925)	(1,162,925)	(4,712,172)	(4,704,032)
Currency translation difference	-	-	228,296	(75,711)
At 31 December	3,311,519	4,474,444	13,494,440	17,978,316

14. Deposits from customers

	31 December 2019 US$	31 December 2018 US$	31 December 2019 KHR'000 (Note 5)	31 December 2018 KHR'000 (Note 5)	1 January 2018 US$	1 January 2018 KHR'000 (Note 5)
Current accounts (*)	328,163,613	427,636,387	1,337,266,723	1,718,243,003	474,304,188	1,914,766,007
Savings deposits	138,870,092	196,210,935	565,895,625	788,375,537	217,005,511	876,051,248
Fixed deposits	70,241,173	51,609,123	286,232,780	207,365,456	62,952,184	254,137,967
	537,274,878	675,456,445	2,189,395,128	2,713,983,996	754,261,883	3,044,955,222

(*). Include margin deposit which are interest free and are encumbered for trade line and guarantee granted to customers.

Deposits from customers are analysed as follows:

	31 December 2019 US$	31 December 2018 US$	31 December 2019 KHR'000 (Note 5)	31 December 2018 KHR'000 (Note 5)	1 January 2018 US$	1 January 2018 KHR'000 (Note 5)
A. By maturity:						
Within 1 month	476,491,211	632,792,474	1,941,701,685	2,542,560,161	703,769,672	2,841,118,166
> 1 to 3 months	36,823,374	14,388,175	150,055,249	57,811,687	16,406,658	66,233,678
> 3 to 6 months	11,589,977	12,450,179	47,229,156	50,024,819	18,784,987	75,834,993
> 6 to 12 months	12,283,773	15,741,073	50,056,375	63,247,631	15,218,022	61,435,155
1 to 3 years	86,543	84,544	352,663	339,698	-	-
3 to 5 years	-	-	-	-	82,544	333,230
	537,274,878	675,456,445	2,189,395,128	2,713,983,996	754,261,883	3,044,955,222
B. By customer type:						
Corporations	277,245,397	365,938,170	1,129,774,993	1,470,339,567	750,127,269	3,028,263,785
Individuals	251,505,071	296,865,911	1,024,883,164	1,192,807,230	4,125,305	16,653,856
other	8,524,410	12,652,364	34,736,971	50,837,199	9,309	37,581
	537,274,878	675,456,445	2,189,395,128	2,713,983,996	754,261,883	3,044,955,222
C. By residency status:						
Residents	535,874,648	673,492,092	2,183,689,191	2,706,091,226	746,732,116	3,014,557,552
Non-residents	1,400,230	1,964,353	5,705,937	7,892,770	7,529,767	30,397,670
	537,274,878	675,456,445	2,189,395,128	2,713,983,996	754,261,883	3,044,955,222
D. By relationship:						
Third parties	509,601,250	652,181,235	2,076,625,094	2,620,464,202	734,971,478	2,967,079,857
Related parties	27,673,628	23,275,210	112,770,034	93,519,794	19,290,405	77,875,365
	537,274,878	675,456,445	2,189,395,128	2,713,983,996	754,261,883	3,044,955,222

	2019	2018
E. By interest rate (per annum):		
Current accounts	0.20% - 1.00%	0.20% - 1.00%
Saving accounts	0.00% - 0.50%	0.00% - 0.50%
Fixed deposits	0.30% - 5.50%	0.30% - 5.50%

15. Deposits from other banks and financial institutions

	31 December 2019 US$	31 December 2018 US$	31 December 2019 KHR'000 (Note 5)	31 December 2018 KHR'000 (Note 5)	1 January 2018 US$	1 January 2018 KHR'000 (Note 5)
Current accounts	32,563,297	45,510,373	132,695,435	182,860,679	38,279,307	154,533,562
Saving accounts	12,152	-	49,519	-	-	-
Fixed deposits	20,900	-	85,168	-	-	-
	32,596,349	45,510,373	132,830,122	182,860,679	38,279,307	154,533,562

Deposits from other banks and financial institutions are analysed as follows:

	31 December 2019 US$	31 December 2018 US$	31 December 2019 KHR'000 (Note 5)	31 December 2018 KHR'000 (Note 5)	1 January 2018 US$	1 January 2018 KHR'000 (Note 5)
A. By maturity:						
Within 1 month	32,575,449	45,510,373	132,744,955	182,860,679	38,279,307	154,533,562
> 3 to 6 months	20,900	-	85,167	-	-	-
	32,596,349	45,510,373	132,830,122	182,860,679	38,279,307	154,533,562
B. By relationship:						
Non-related parties	3,182,299	10,151,496	12,967,868	40,788,711	22,256,247	89,848,469
Related parties	29,414,050	35,358,877	119,862,254	142,071,968	16,023,060	64,685,093
	32,596,349	45,510,373	132,830,122	182,860,679	38,279,307	154,533,562
C. By residency status:						
Residents	32,596,349	45,510,373	132,830,122	182,860,679	38,279,307	154,533,562

Deposits from other banks and financial institutions are analysed as follows: (continued)

	2019	2018
D. By interest rate (per annum):		
Current accounts	0.20% - 1.00%	0.20% - 1.00%
Saving accounts	0.00% - 0.50%	0.00% - 0.50%
Fixed deposits	0.00% - 5.50%	0.30% - 5.50%

16. Borrowings

	31 December		31 December		1 January 2018	
	2019	2018	2019	2018		
	US$	US$	KHR'000	KHR'000	US$	KHR'000
			(Note 5)	(Note 5)		(Note 5)
Liquidity Providing Collateralised Operation ("LPCO")	18,654,968	-	76,018,995	-	-	-

These refer to borrowing from the National Bank of Cambodia in which the Negotiable Certificates of Deposit were collateralised. These borrowings bear interest at rates ranging from 2.86%% to 3.00% per annum (2018: Nil).

Further analysis by maturity period are as follows:

	31 December		31 December		1 January 2018	
	2019	2018	2019	2018		
	US$	US$	KHR'000	KHR'000	US$	KHR'000
			(Note 5)	(Note 5)		(Note 5)
Within 1 month	9,833,888	-	40,073,094	-	-	-
> 3 to 6 months	8,821,080	-	35,945,901	-	-	-
	18,654,968	-	76,018,995	-	-	-

17. Lease liabilities

	31 December		31 December		1 January 2018	
	2019	2018	2019	2018		
	US$	US$	KHR'000	KHR'000	US$	KHR'000
			(Note 5)	(Note 5)		(Note 5)
Present value of lease liabilities						
Current	1,158,807	1,096,295	4,722,139	4,404,913	889,196	3,589,684
Non-current	2,493,071	3,651,878	10,159,264	14,673,246	4,748,173	19,168,375
	3,651,878	4,748,173	14,881,403	19,078,159	5,637,369	22,758,059
Maturity analysis – contractual undiscounted cash flows						
Less than one year	151,400	-	616,955	-	-	-
One to five years	3,331,266	4,729,043	13,574,909	19,001,295	2,584,309	10,432,855
More than five years	530,075	614,375	2,160,056	2,468,559	3,950,950	15,949,985
Total undiscounted lease liabilities	4,012,741	5,343,418	16,351,920	21,469,854	6,535,259	26,382,840

The movements of lease liabilities during the year were as follows:

	2019	2018	2019	2018
	US$	US$	KHR'000	KHR'000
			(Note 5)	(Note 5)
At 1 January	4,748,173	5,637,369	19,078,159	22,758,059
Add: Interest expense	234,382	289,312	949,716	1,170,267
Less: Actual cash payment	(1,330,677)	(1,178,508)	(5,391,903)	(4,767,065)
Currency translation difference	-	-	245,431	(83,102)
At 31 December	3,651,878	4,748,173	14,881,403	19,078,159

Amounts recognised in profit or loss:

	2019	2018	2019	2018
	US$	US$	KHR'000	KHR'000
			(Note 5)	(Note 5)
Interest expense on lease liabilities	234,382	289,312	949,716	1,170,267
Expenses relating to leases of short-term and low-value assets	377,283	375,451	1,528,751	1,518,699
	611,665	664,763	2,478,467	2,688,966

Amounts recognised in the statement of cash flows:

	2019	2018	2019	2018
	US$	US$	KHR'000	KHR'000
			(Note 5)	(Note 5)
Total cash outflow for leases	1,707,960	1,553,959	6,920,654	6,285,764

18. Other liabilities

	31 December		31 December		1 January 2018	
	2019	2018	2019	2018		
	US$	US$	KHR'000	KHR'000	US$	KHR'000
			(Note 5)	(Note 5)		(Note 5)
Employee entitlements	1,100,764	1,137,362	4,485,613	4,569,921	946,775	3,822,131
Accrued expenses	2,527,047	531,402	10,297,717	2,135,173	56,079	226,391
Banker's cheques	354,340	698,197	1,443,936	2,805,356	304,307	1,228,487
Inter-branches payables	424,019	202,569	1,727,877	813,922	30,178,625	121,831,109
Other tax payable	563,760	1,014,970	2,297,322	4,078,149	2,679,302	10,816,342
Others	371,337	975,846	1,513,198	3,920,949	1,089,589	4,398,672
	5,341,267	4,560,346	21,765,663	18,323,470	35,254,677	142,323,132

19. Provision for employee benefits

This represents provision for back pay 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.

20. Income tax

A. Deferred tax assets – net

	31 December 2019 US$	2018 US$	31 December 2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)	1 January 2018 US$	1 January 2018 KHR'000 (Note 5)
Deferred tax assets	3,482,752	3,880,085	14,192,214	15,590,182	1,344,400	5,427,343
Deferred tax liabilities	(664,561)	(958,347)	(2,708,086)	(3,850,639)	(162,032)	(654,123)
Deferred tax assets – net	2,818,191	2,921,738	11,484,128	11,739,543	1,182,368	4,773,220

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

	31 December 2019 US$	2018 US$	31 December 2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)	1 January 2018 US$	1 January 2018 KHR'000 (Note 5)
Impairment loss allowance for financial assets and off balance sheet per NBC's regulations	1,415,718	1,726,344	5,769,051	6,936,450	775,377	3,130,197
Depreciation and amortisation	524,427	541,264	2,137,040	2,174,799	569,023	2,297,146
Right-of-use assets	(662,304)	(894,889)	(2,698,889)	(3,595,664)	-	-
Lease liabilities	730,376	949,635	2,976,282	3,815,633	-	-
Impairment loss allowance on financial instruments per CIFRSs	639,025	475,924	2,604,027	1,912,263	-	-
Other	170,949	123,460	696,617	496,062	(162,032)	(654,123)
	2,818,191	2,921,738	11,484,128	11,739,543	1,182,368	4,773,220

The movements of deferred tax during the year were as follows:

	2019 US$	2018 US$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)
At 1 January	2,921,738	1,182,368	11,739,543	4,773,220
Recognised in profit or loss	(103,547)	1,739,370	(419,572)	7,035,751
Currency translation differences	-	-	164,157	(69,428)
At 31 December	2,818,191	2,921,738	11,484,128	11,739,543

B. Current income tax liability

	2019 US$	2018 US$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)
At 1 January	6,351,559	8,251,772	25,520,564	33,312,404
Income tax expense	4,487,614	5,388,876	18,183,812	21,798,003
ATDD paid (*)	(2,897,898)	-	(11,742,283)	-
Income tax paid	(7,589,875)	(7,289,089)	(30,754,174)	(29,484,365)
Currency translation difference	-	-	224,036	(105,478)
At 31 December	351,400	6,351,559	1,431,955	25,520,564

(*): This represents Additional profit tax on dividend distribution (APTDD) being paid to GDT in respect of share transfer and dividend payments during the year.

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

C. Income tax expense

	2019 US$	2018 US$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)
Current tax	4,487,614	5,388,876	18,183,812	21,798,003
Deferred tax	103,547	(1,739,370)	419,572	(7,035,751)
	4,591,161	3,649,506	18,603,384	14,762,252

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

	2019 US$	2019 KHR'000 (Note 5)	2019 %	2018 US$	2018 KHR'000 (Note 5)	2018 %
Profit before income tax	18,134,976	73,482,922		24,669,582	99,788,460	
Income tax using statutory rate at 20%	3,626,995	14,696,584	20	4,933,916	19,957,692	20
Non-deductible expenses	449,628	1,821,893	2	167,227	676,431	1
Over/(under) provision in prior year	514,538	2,084,907	3	(1,508,794)	(6,103,071)	-6
Effect of tax reassessment	-	-	-	57,157	231,200	-
Income tax expense	4,591,161	18,603,384	25	3,649,506	14,762,252	15

The calculation of taxable income is subject to the final review and approval of the tax authorities.

21. Share capital

	31 December 2019 US$	2018 US$	31 December 2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)	1 January 2018 US$	1 January 2018 KHR'000 (Note 5)
Shares with par value of US$100 each:						
Issued and fully paid 750,000 shares (2018: 750,000 shares)	75,000,000	75,000,000	300,000,000	300,000,000	75,000,000	300,000,000

On 17 May 2018, ANZ Funds Pty Ltd entered into a share sale agreement to sell all of its 55% stake in ANZ Royal Bank (Cambodia) Ltd to J Trust Co., Ltd.. The share transfer of 412,500 shares with total value of US$41,250,000 from ANZ Funds Pty Ltd to J Trust Co., Ltd. and appointments of four J Trust Co., Ltd.'s nominated members of Board of Directors were approved by the National Bank of Cambodia ("NBC") on 3 July 2018.

The Bank changed its name from ANZ Royal Bank (Cambodia) Ltd to J Trust Royal Bank Ltd. and the newly amended Memorandum and Articles of Association ("M&A") with the new composition of the Board of Directors was approved by NBC on 31 May 2019.

In August 2019, the sale and purchase of the Bank's shares transaction including the control transfer between ANZ Funds Pty Ltd and J Trust Co., Ltd was completed. J Trust Co., Ltd became the parent company of the Bank from 19 August 2019. The Bank also notified the National Bank of Cambodia its new official name as J Trust Royal Bank Ltd. effective from 19 August 2019.

As at reporting date, the shareholding structure is as follows:

	Registered, issued and fully paid								
	As at 31 December 2019			As at 31 December 2018			As at 1 January 2018		
	Number of shares	Amount US$	%	Number of shares	Amount US$	%	Number of shares	Amount US$	%
Royal Group Finance Co., Ltd.	337,500	33,750,000	45	337,500	33,750,000	45	337,500	33,750,000	45
JTrust Co. Ltd.,	412,500	41,250,000	55	-	-	-	-	-	-
ANZ Funds Pty Ltd	-	-	-	412,500	41,250,000	55	412,500	41,250,000	55
Total	750,000	75,000,000	100	750,000	75,000,000	100	750,000	75,000,000	100

22. General reserves

During the year, the Bank has transferred its retained earnings amounting to US$16,000,000 (2018: US$15,000,000) to general reserves, which was approved by the NBC on 29 May 2019.

23. Regulatory reserves

These represent the reserves transferred from retained earnings by the Bank to comply with the Article 73 of NBC's Prakas No. B7-017-344 dated 1 December 2017.

As at 31 December 2019, the Bank transferred the retained earnings to regulatory reserves amounting to US$3,883,463 (2018: US$6,252,097).

24. Interest income

	2019 US$	2018 US$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)
Loans and advances to customers	32,228,144	26,599,384	130,588,439	107,594,508
Placements with other banks	2,614,420	2,353,413	10,593,630	9,519,556
Placements with the NBC	1,276,759	4,444,993	5,173,428	17,979,997
	36,119,323	33,397,790	146,355,497	135,094,061

25. Interest expense

	2019 US$	2018 US$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)
Fixed deposits	1,100,774	783,173	4,460,336	3,167,935
Savings deposits	466,993	594,317	1,892,256	2,404,012
Current deposits	405,483	597,342	1,643,017	2,416,248
Other banks and financial institutions	527,000	-	2,135,404	-
Lease liabilities	234,382	289,312	949,716	1,170,267
	2,734,632	2,264,144	11,080,729	9,158,462

26. Net fee and commission income

	2019 US$	2018 US$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)
Trade and payment income	6,583,192	8,607,021	26,675,094	34,815,400
Lending fees	260,799	290,969	1,056,758	1,176,970
Other fees	2,900,830	4,737,332	11,754,163	19,162,508
	9,744,821	13,635,322	39,486,015	55,154,878
Fee and commission expense	(212,511)	(435,864)	(861,095)	(1,763,070)
Bank charges	(1,248,957)	(1,976,297)	(5,060,774)	(7,994,121)
	(1,461,468)	(2,412,161)	(5,921,869)	(9,757,191)
Net fee and commission income	8,283,353	11,223,161	33,564,146	45,397,687
Foreign exchange earnings	2,607,132	3,530,276	10,564,099	14,279,966
	10,890,485	14,753,437	44,128,245	59,677,653

27. Personnel expenses

	2019 US$	2018 US$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)
Salaries and wages	8,949,043	7,912,776	36,261,522	32,007,179
Performance reward scheme	2,474,685	1,401,931	10,027,424	5,670,811
Seniority expense	901,294	444,125	3,652,043	1,796,486
Pension fund	341,171	320,850	1,382,425	1,297,838
Others	572,499	534,451	2,319,766	2,161,854
	13,238,692	10,614,133	53,643,180	42,934,168

28. Depreciation and amortisation

	2019 US$	2018 US$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)
Depreciation on property and equipment	1,210,500	1,281,940	4,904,946	5,185,447
Amortisation on intangible assets	8,879	28,039	35,978	113,418
Amortisation on right-of-use assets	1,162,925	1,162,925	4,712,172	4,704,032
	2,382,304	2,472,904	9,653,096	10,002,897

29. General and administrative expense

	2019 US$	2018 US$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)
Lease expense of low-value asses and short-term lease	377,283	375,451	1,528,751	1,518,699
Utilities and other outgoings	939,355	926,821	3,806,266	3,748,991
Data communication	517,494	728,037	2,096,886	2,944,910
IT support cost	2,156,608	-	8,738,576	-
Computer related expenses	143,641	588,710	582,033	2,381,332
Advertising	112,954	149,325	457,690	604,020
Inter-group expenses	728,250	1,202,278	2,950,869	4,863,215
Withholding tax	299,510	765,909	1,213,615	3,098,102
Travel expense	189,551	158,581	768,060	641,460
Postage and stationery	263,369	173,781	1,067,170	702,944
Professional fees	1,433,660	78,581	5,809,190	317,860
Telephone	95,185	91,293	385,690	369,280
Freight and cartage	72,972	77,055	295,683	311,687
Non-lending losses, frauds and forgeries	19,341	14,875	78,370	60,169
License and memberships fee	393,755	327,165	1,595,495	1,323,382
Moto vehicle lease and rental	151,706	162,300	614,713	656,504
ATM security expenses	19,519	18,100	79,091	73,215
Loss on property and equipment	260,728	31,787	1,056,470	128,578
Others	2,669,648	2,295,370	10,817,414	9,284,772
	10,844,529	8,165,419	43,942,032	33,029,120

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:

	31 December		31 December	
	2019 US$	2018 US$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)
Bank guarantees	3,770,735	11,657,868	15,365,745	46,841,314
Letters of credit	82,017,110	94,638,189	334,219,723	380,256,243
Unused portion of loans and advances	32,703,312	36,185,031	133,265,996	145,391,455
Foreign exchange commitments	43,812,748	52,735,569	178,536,948	211,891,516
	162,303,905	195,216,657	661,388,412	784,380,528

The impairment allowance for off balance sheet commitment following the National Bank of Cambodia's Prakas No. B7-017-344 and Circular No. B7-018-001 Sor Ror Chor Nor on credit risk classification and provision on impairment for banks as stated in Note 32B(iv) and its movements are analysed as follows:

	2019 US$	2018 US$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)
At 1 January	929,540	1,070,850	3,734,892	4,323,021
Allowance for impairment loss	(636,231)	(141,310)	(2,578,008)	(571,599)
Currency translation difference	-	-	38,350	(16,530)
At 31 December	293,309	929,540	1,195,234	3,734,892

B. Lease commitments

The Bank has operating lease commitments in respect of low-value assets and short-term lease of ATM, house rental as follows:

	31 December		31 December	
	2019 US$	2018 US$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)
Within 1 year	363,640	568,162	1,481,833	2,282,875
2 to 3 years	270,360	519,110	1,101,717	2,085,784
4 to 5 years	61,116	100,848	249,048	405,207
	695,116	1,188,120	2,832,598	4,773,866

C. Tax 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 parties

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 parent, 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 the 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

	2019 US$	2018 US$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)
Interest income	95,858	2,422,391	388,417	9,733,167
Interest expense	21,746	189,552	88,115	761,620
Rental expense	396,672	330,305	1,607,315	1,327,165
IT support cost from ANZ Banking Group Limited	728,250	1,202,278	2,950,869	4,863,215
IT support cost from JT Group Limited	2,156,608	-	8,738,576	-
Compensation of directors and key management				
Salary and short-term benefits	2,247,355	1,616,688	9,106,282	6,539,503
Board of Directors' fees	245,227	283,391	993,660	1,146,317
	2,492,582	1,900,079	10,099,942	7,685,820

C. Balances with related parties

Balance with related parties are disclosed in Notes 6(a), 9(b), 14(c) and 15 (b).

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.

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 Bank Asset and Liability Management Committee ("ALCO)", which is responsible for the oversight and strategic management of bank's balance sheet, activities including balance sheet structure, liquidity, funding, capital management, non-traded interest rate risk and non traded FX risks.

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 is established by the Board of Directors to provide independent oversight of the Bank's internal and external audit functions, internal control system, financial reporting and to ensure checks and balances within the Bank. The purpose of the Committee is to assist the Board in its review of:

a) the work of Bank's internal audit and oversight of external audit activity;
b) Bank's financial reporting principles and policies, controls and procedures; and
c) the integrity of Bank's financial statements and the independent audit thereof.

B. Credit risk

'Credit risk' is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers and other banks, and investment in debt securities. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure – e.g. individual obligor default risk, country and sector risk.

Credit risk is the potential loss of revenue and principal losses arising mainly from loans and advances and loan commitments as a result of default by the borrowers or counterparties through its lending activities.

(i). Management of credit risk

The Board of Directors created the Risk Management Committee for oversight and presides over Credit, Operational & Compliance and Market Risk and will be appraised of key risk related issues affecting the businesses., including the following.

- Endorsing credit and market risk appetite, risk metrics and tolerances for relevant metrics. Monitoring credit and markets risk metrics within the approved risk tolerances regularly in line with reporting frequency: Delegation of Credit Approval Discretions (CAD) to individuals and approving lending facilities in excess of the delegated CADs; Reviewing Risk Models and their performance and stress testing results;Approving remediation/ action plans in relation to breaches of risk tolerances and reporting significant risk issues to the Board; Identifying and providing early warnings on potential threats/risks to the stability of the bank's performance and instigating necessary actions to protect the bank from these threats/risks in both short term and long term;

- Ensuring systems are in place for early identification and appropriate management of all risks facing Cambodia, including Credit, Operational, Market, Reputational, Systems and Regulatory risks;

- Providing a robust risk framework covering all operational risks, governance and compliance issues, policies and processes within JTRB, so that it is able to support the bank's strategy. Investigating and reviewing policy breaches Credit, Operational & Compliance and Market Risk and approving remediation actions;

- Reviewing country internal audits and regulator review issues, and monitoring the remediation actions to ensure prompt closure.

- 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 Risk Management, 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 Credit Risk Committee. Each business unit has a Credit Risk Manager who reports on all credit-related matters to the Head of Risk Management and the 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

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

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

	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 %
31 December 2019					
On Balance sheet items					
Cash equivalents in banks – gross	135,147,427	550,725,765			100%
Placement with other banks	44,144,709	179,889,689			100%
Loans and advances to customers - gross	507,807,585	2,069,315,909	88%		12%
Other assets	960,496	3,914,021			100%
Total	688,060,217	2,803,845,384			
Off-Balance sheet items					
Contingent liabilities	85,787,845	349,585,468	100%		
Commitments	695,116	2,832,598			100%
Total	86,482,961	352,418,066			

	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 %
31 December 2018					
On Balance sheet items					
Cash equivalents in banks – gross	351,940,673	1,414,097,624			100%
Placement with other banks	6,383,032	25,647,023			100%
Loans and advances to customers - gross	442,183,161	1,776,691,941	94%		6%
Other assets	698,607	2,807,003			100%
Total	801,205,473	3,219,243,591			
Off-Balance sheet items					
Contingent liabilities	106,296,057	427,097,557	100%		
Commitments	1,188,120	4,773,866			100%
Total	107,484,177	431,871,423			

Concentration risk by industrial sectors

31 December 2019	Cash equivalents in banks – gross US$	Placements with other banks US$	Loans and advances to customers - gross US$	Other assets US$	Total US$
Financial institutions	135,147,427	44,144,709	54,202,782	-	233,494,918
Corporate business loans	-	-	296,842,758	-	296,842,758
Retail business loans	-	-	155,956,337	-	155,956,337
Credit cards	-	-	805,708	-	805,708
Others	-	-	-	960,496	960,496
Total	135,147,427	44,144,709	507,807,585	960,496	688,060,217
Total (KHR'000 – Note 5)	550,725,765	179,889,689	2,069,315,909	3,914,021	2,803,845,384

31 December 2018	Cash equivalents in banks – gross US$	Placements with other banks US$	Loans and advances to customers - gross US$	Other assets US$	Total US$
Financial institutions	351,940,673	6,383,032	-	-	358,323,705
Corporate business loans	-	-	297,828,769	-	297,828,769
Retail business loans	-	-	143,167,298	-	143,167,298
Credit cards	-	-	1,187,094	-	1,187,094
Others	-	-	-	698,607	698,607
Total	351,940,673	6,383,032	442,183,161	698,607	801,205,473
Total (KHR'000 – Note 5)	1,414,097,624	25,647,023	1,776,691,941	2,807,003	3,219,243,591

Concentration risk by residency and relationship, and large-exposures for loans and advances:

	31 December 2019 US$	31 December 2018 US$	31 December 2019 KHR'000 (Note 5)	31 December 2018 KHR'000 (Note 5)	1 January 2018 US$	1 January 2018 KHR'000 (Note 5)
By residency status:						
Residents	507,807,585	442,183,161	2,069,315,909	1,776,691,941	395,278,592	1,595,739,676
By relationship:						
Related parties	16,210,261	888,460	66,056,814	3,569,832	1,040,028	4,198,593
Non related parties	491,597,324	441,294,701	2,003,259,095	1,773,122,109	394,238,564	1,591,541,083
	507,807,585	442,183,161	2,069,315,909	1,776,691,941	395,278,592	1,595,739,676
By exposure:						
Large exposures (*)	78,435,604	94,642,452	319,625,086	380,273,372	77,657,700	313,504,135
Non-large exposures	429,371,981	347,540,709	1,749,690,823	1,396,418,569	317,620,892	1,282,235,541
	507,807,585	442,183,161	2,069,315,909	1,776,691,941	395,278,592	1,595,739,676

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

(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 banks, 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:

	Collateral/credit enhancement				Unsecured credit xposure		
31 December 2019	Properties	Floating assets	Fixed deposits	Others		Total	
	US$	US$	US$	US$	US$	US$	KHR'000 (Note 5)
Loans and advances to customers - gross	447,906,745	-	-	-	59,900,840	507,807,585	2,069,315,909
Contingent liabilities	79,515,449	-	6,272,396	-	-	85,787,845	349,585,468
Commitments	-	-	-	-	695,116	695,116	2,832,598
Others	-	-	-	-	960,496	960,496	3,914,021
	527,422,194	-	6,272,396	-	61,556,452	595,251,042	2,425,647,996
31 December 2018							
Loans and advances to customers - gross	415,833,368	-	-	-	26,349,793	442,183,161	1,776,691,941
Contingent liabilities	100,368,873	-	5,927,184	-	-	106,296,057	427,097,557
Commitments	-	-	-	-	1,188,120	1,188,120	4,773,866
Others	-	-	-	-	698,607	698,607	2,807,003
	516,202,241	-	5,927,184	-	28,236,520	550,365,945	2,211,370,367

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

Pursuant to the NBC guideline Prakas B7.017.344, it has defined the 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 weakness 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 Institution.

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 weakness 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 realization 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 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 measured 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.

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, if 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	500,984,938	-	-	500,984,938
Special Mention	3,744,602	-	-	3,744,602
Substandard	-	395,794	-	395,794
Doubtful	-	85,277	-	85,277
Loss	-	-	2,596,974	2,596,974
	504,729,540	481,071	2,596,974	507,807,585
Less: Impairment loss allowance	(3,434,697)	(51,652)	(1,594,332)	(5,080,681)
Carrying amount (US$)	501,294,843	429,419	1,002,642	502,726,904
Carrying amount (KHR'000)	2,042,776,485	1,749,882	4,085,766	2,048,612,134

	31 December 2018			
	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$
Loans and advances to customers at amortised cost				
Normal	437,702,015	-	-	437,702,015
Special Mention	142,093	-	-	142,093
Substandard	-	376,605	-	376,605
Doubtful	-	666,575	-	666,575
Loss	-	-	3,295,873	3,295,873
	437,844,108	1,043,180	3,295,873	442,183,161
Less: Impairment loss allowance	(1,984,248)	(126,337)	(2,337,597)	(4,448,182)
Carrying amount (US$)	435,859,860	916,843	958,276	437,734,979
Carrying amount (KHR'000)	1,751,284,917	3,683,875	3,850,353	1,758,819,146

Incorporation of forward-looking information

The Bank incorporates 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 Bank operates, supranational organisations such as the 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

Impairment losses allowance

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

	2019			
	Stage 1	Stage 2	Stage 3	Total
	US$	US$	US$	US$
Loans and advances to customers at amortised cost				
Balance at 1 January	1,984,248	126,337	2,337,597	4,448,182
- Transfer to Stage 1	55,775	(14)	(55,761)	-
- Transfer to Stage 2	(4,010)	4,010	-	-
- Transfer to Stage 3	(260)	(30,565)	30,825	-
Net remeasurement of loss allowance	698,326	6,528	(333,095)	371,759
New financial assets originated or purchased	1,654,403	-	-	1,654,403
Financial assets that been derecognised	(953,785)	(54,644)	(385,234)	(1,393,663)
Balance at 31 December (US$)	3,434,697	51,652	1,594,332	5,080,681
Balance at 31 December (KHR'000)	13,996,390	210,482	6,496,903	20,703,775

	2018			
	Stage 1	Stage 2	Stage 3	Total
	US$	US$	US$	US$
Loans and advances to customers at amortised cost				
Balance at 1 January	1,889,777	178,462	5,792,100	7,860,339
- Transfer to Stage 1	129	(45)	(84)	-
- Transfer to Stage 2	(15,100)	15,100	-	-
- Transfer to Stage 3	-	(72,819)	72,819	-
Net remeasurement of loss allowance	(259,352)	22,192	(1,464,793)	(1,701,953)
New financial assets originated or purchased	1,021,301	26	33	1,021,360
Financial assets that been derecognised	(652,507)	(16,579)	(2,062,478)	(2,731,564)
Balance at 31 December (US$)	1,984,248	126,337	2,337,597	4,448,182
Balance at 31 December (KHR'000)	7,972,708	507,622	9,392,465	17,872,795

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 investment, 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	> 1-3 months	> 3-6 months	> 6-12 months	> 1 to 5 years	Over 5 years	Non-interest bearing	Total	Interest rate
	US$	US$	US$	US$	US$	US$	US$	US$	%
Financial assets									
Cash equivalents in banks – gross	36,161,158	-	-	-	-	-	98,986,269	135,147,427	1.48%
Placements with other banks	23,067,549	1,795,558	19,281,602	-	-	-	-	44,144,709	1.98%
Loans and advances to customers – gross	35,266,711	74,873,888	94,583,152	18,871,884	123,862,166	160,349,784	-	507,807,585	10.48%
Other assets	-	-	-	-	-	-	960,496	960,496	
	94,495,418	76,669,446	113,864,754	18,871,884	123,862,166	160,349,784	99,946,765	688,060,217	
Financial liabilities									
Deposits from customers	476,491,211	36,823,374	11,589,977	12,283,773	86,543	-	-	537,274,878	1.25%
Deposits from banks and financial institutions	32,575,449	-	20,900	-	-	-	-	32,596,349	1.20%
Borrowings	9,833,888	-	8,821,080	-	-	-	-	18,654,968	2.93%
Lease liabilities	91,976	203,612	301,379	561,841	2,484,393	8,677	-	3,651,878	4.64%
Other liabilities	-	-	-	-	-	-	5,493,894	5,493,894	
	518,992,524	37,026,986	20,733,336	12,845,614	2,570,936	8,677	5,493,894	597,671,967	
Interest sensitivity gap	(424,497,106)	39,642,460	93,131,418	6,026,270	121,291,230	160,341,107	94,452,871	90,388,250	
KHR'000 equivalents - Note 5	(1,705,629,372)	159,283,404	374,202,038	24,213,553	487,348,162	644,250,568	379,511,636	363,179,989	

The table below summarises the Bank's exposure to interest rate risks which includes assets and liabilities at carrying amounts.

As at 31 December 2018	Up to 1 month	> 1-3 months	> 3-6 months	> 6-12 months	> 1 to 5 years	Over 5 years	Non-interest bearing	Total	Interest rate
	US$	US$	US$	US$	US$	US$	US$	US$	%
Financial assets									
Cash equivalents in banks – gross	184,367,043	-	-	-	-	-	167,573,630	351,940,673	0.55%
Placements with other banks	-	6,383,032	-	-	-	-	-	6,383,032	1.82%
Loans and advances to customers – gross	34,164,526	91,040,601	91,169,702	34,660,802	65,832,725	125,314,805	-	442,183,161	10.48%
Other assets	-	-	-	-	-	-	698,607	698,607	
	218,531,569	97,423,633	91,169,702	34,660,802	65,832,725	125,314,805	168,272,237	801,205,473	
Financial liabilities									
Deposits from customers	632,792,474	14,388,175	12,450,179	15,741,073	84,544	-	-	675,456,445	1.25%
Deposits from banks and financial institutions	45,510,373	-	-	-	-	-	-	45,510,373	1.25%
Lease liabilities	82,924	180,323	268,549	564,500	3,542,104	109,773	-	4,748,173	4.64%
Other liabilities	-	-	-	-	-	-	4,958,642	4,958,642	
	678,385,771	14,568,498	12,718,728	16,305,573	3,626,648	109,773	4,958,642	730,673,633	
Interest sensitivity gap	(459,854,202)	82,855,135	78,450,974	18,355,229	62,206,077	125,205,032	163,313,595	70,531,840	
KHR'000 equivalents - Note 5	(1,847,694,184)	332,911,932	315,216,014	73,751,310	249,944,017	503,073,819	656,194,025	283,396,933	

A change of 100 basis points in interest rates at the reporting date would have increased/ (decreased) equity and profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss		Equity	
	100 bp Increase	100 bp Decrease	100 bp Increase	100 bp Decrease
	US$	US$	US$	US$
31 December 2019				
Variable rate instruments	3,087,602	(3,087,602)	3,087,602	(3,087,602)
KHR'000 – Note 5	12,581,978	(12,581,978)	12,581,978	(12,581,978)
31 December 2018				
Variable rate instruments	2,273,844	(2,273,844)	2,273,844	(2,273,844)
KHR'000 – Note 5	9,136,305	(9,136,305)	9,136,305	(9,136,305)

(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.

The Bank has no material exposures to foreign currency exchange risk as it transacts essentially in US Dollars. Therefore, no sensitivity analysis for foreign currency exchange risk was presented.

Concentration of currency risk

The amounts of financial assets and liabilities, by currency denomination, are as follows:

	Denomination US$ equivalents			
31 December 2019	US$	KHR	Others	Total
Financial assets				
Cash equivalents in banks – gross	113,664,658	21,466,899	15,870	135,147,427
Placement with other banks	43,751,224	393,485	-	44,144,709
Loans and advances to customers - gross	453,604,803	54,202,782	-	507,807,585
Other assets	960,496	-	-	960,496
	611,981,181	76,063,166	15,870	688,060,217
Financial liabilities				
Deposits from customers	515,252,197	21,818,797	203,884	537,274,878
Deposits from banks and financial institutions	22,646,011	9,942,834	7,504	32,596,349
Borrowings	-	18,654,968	-	18,654,968
Lease liability	3,651,878	-	-	3,651,878
Other liabilities	5,493,894	-	-	5,493,894
	547,043,980	50,416,599	211,388	597,671,967
Net asset/(liability) position	64,937,201	25,646,567	(195,518)	90,388,250
KHR'000 – Note 5	264,619,094	104,509,761	(796,736)	368,332,119

	Denomination US$ equivalents			
31 December 2018	US$	KHR	Others	Total
Financial assets				
Cash equivalents in banks – gross	322,601,458	24,650,611	4,688,604	351,940,673
Placement with other banks	-	6,383,032	-	6,383,032
Loans and advances to customers - gross	442,183,161	-	-	442,183,161
Other assets	698,607	-	-	698,607
	765,483,226	31,033,643	4,688,604	801,205,473
Financial liabilities				
Deposits from customers	656,654,236	16,619,928	2,182,281	675,456,445
Deposits from banks and financial institutions	32,364,381	13,138,344	7,648	45,510,373
Lease liabilities	4,748,173	-	-	4,748,173
Other liabilities	4,958,642	-	-	4,958,642
	698,725,432	29,758,272	2,189,929	730,673,633
Net asset/(liability) position	66,757,794	1,275,371	2,498,675	70,531,840
KHR'000 – Note 5	268,232,816	5,124,441	10,039,676	283,396,933

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$
USD	649,372	(649,372)	667,578	(667,578)
KHR	256,466	(256,466)	12,754	(12,754)
Others	(1,955)	1,955	24,987	(24,987)
	903,883	(903,883)	705,319	(705,319)
KHR'000 – Note 5	3,683,323	(3,683,323)	2,833,972	(2,833,972)

D. Liquidity risk

'Liquidity risk' is the risk that the Bank will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises from mismatches in the timing and amounts of cash flows, which is inherent to the Bank's operations and investments.

Management of liquidity risk

The Bank manages its liquidity through its Asset Liability Management Committee which is responsible for establishing the liquidity policy as well as monitoring liquidity on an ongoing basis. A Minimum Liquid Asset requirement has been established to ensure that the ratio of liquid assets to qualifying liabilities is subject to a minimum threshold at all times.

The table below summarises the Bank's 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 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 Months US$	Over 5 years US$	Non-interest bearing US$	Total US$
Financial liabilities								
Deposits from customers	476,491,211	36,823,374	11,589,977	12,283,773	86,543	-	-	537,274,878
Deposits from banks and financial institutions	32,575,449	-	20,900	-	-	-	-	32,596,349
Borrowings	9,833,888	-	8,821,080	-	-	-	-	18,654,968
Lease liabilities	91,976	203,612	301,379	561,841	2,484,393	8,677	-	3,651,878
Other liabilities	-	-	-	-	-	-	5,493,894	5,493,894
	518,992,524	37,026,986	20,733,336	12,845,614	2,570,936	8,677	5,493,894	597,671,967
(KHR'000 equivalents – Note 5)	2,114,894,535	150,884,968	84,488,344	52,345,877	10,476,564	35,359	22,387,618	2,435,513,266
As at 31 December 2018								
Financial liabilities								
Deposits from customers	632,792,474	14,388,175	12,450,179	15,741,073	84,544	-	-	675,456,445
Deposits from banks and financial institutions	45,510,373	-	-	-	-	-	-	45,510,373
Lease liabilities	82,924	180,323	268,549	564,500	3,542,104	109,773	-	4,748,173
Other liabilities	-	-	-	-	-	-	4,958,642	4,958,642
	678,385,771	14,568,498	12,718,728	16,305,573	3,626,648	109,773	4,958,642	730,673,633
(KHR'000 equivalents – Note 5)	2,725,754,028	58,536,225	51,103,849	65,515,792	14,571,872	441,068	19,923,824	2,935,846,657

E. Operational risk

The operational risk is the risk of losses arising from inadequate or failed internal processes, people or systems or from external factors. This risk is managed through established operational risk management processes, proper monitoring and reporting of the business activities by control and oversight provided by the senior Management. This includes legal, compliance, accounting and fraud risk.

The operational risk management entails the establishment of clear organizational structures, roles and control policies. Various internal control policies and measures have been implemented. These include the establishment of signing authorities, defining system parameters controls, streaming procedures and documentation ensuring compliance with regulatory and legal requirements. These are reviewed continually to address the operational risks of its banking business.

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

The above regulated capital is calculated in accordance with the guidance issued by the NBC which may be different in some material aspects compared to generally accepted principles applied by financial institutions in other jurisdiction. The above regulated capital information is therefore not intended for users who are not informed about the guidance issued by the NBC.

(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 has 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.

The fair value of the Bank's financial instruments such as cash and short-term funds, placements with banks and other financial institutions, deposits from customers and banks, other assets, other liabilities and short-term borrowings 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:

Financing, loans and 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 statement of financial position 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 CIFRSs 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 basis.

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, borrowings and subordinated liabilities on the date on which they are originated. All other financial the date on which the Bank becomes 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 fair value through profit and loss ("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, 'fair value through other comprehensive income' ("FVOCI") or 'fair value through profit or loss' ("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 'other comprehensive income' ("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 considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making the assessment, the Bank considers:

- 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 applies judgment in assessing whether the non-recourse loans meet the SPPI criterion. The Bank typically considers 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 changes its business model for managing financial assets.

(iii). Derecognition

Financial assets

The Bank derecognises 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 transfers nor retains 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 or loss.

Financial liabilities

The Bank derecognises 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 plans 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 recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises 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 derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss. 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 or 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 has 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 has access at that date. The fair value of a liability reflects its non-performance risk.

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

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

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

If an asset or a liability measured at fair value has a bid price and an ask price, then the Bank measures 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 recognises 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 recognises 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 measures 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 assesses 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 considers 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 is exposed to credit risk.

Determining whether credit risk has increased significantly

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

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held); or
- the borrower is more than or equal to 30 days past due for long-term facilities or more than or equal to 14 days past due for short-term facilities on any material obligation to the Bank; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

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 expects 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 expects 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.

LGD is the magnitude of the likely loss if there is a default. The Bank estimates 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.

EAD represents the expected exposure in the event of a default. The Bank derives 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, the Bank measures 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 considers a longer period. The maximum contractual period extends to the date at which the Bank has 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 assesses 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 overdued 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 determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or 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 Board of Directors of the Bank.

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 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 calculation of the Institution net worth.

G. Placements with banks

Deposits and placements with banks are carried at amortised cost using the effective interest rate method in the statement of financial position.

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 rate method.

J. Other assets

Other assets are carried at amortised cost using the effective interest rate method in the statement of financial position.

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.

(ii) Subsequent costs

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.

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 over the estimated useful lives of each component of an item of property and equipment. Work in progress is not depreciated until such time as the items are completed and put into operational use.

Depreciation is recognised from the date that the property 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:

	Years
Computers	5 – 8 years
Furniture and equipment	10 years
Motor vehicles	5 years
Leasehold improvements	10 years

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

L. Intangible assets

Intangible assets comprise of software including costs incurred in acquiring and building software, which is not integral to the operation of hardware, and is carried at cost less accumulated amortisation and accumulated impairment losses, if any. Software costs are amortised on a straight-line basis over the expected useful lives of 5 years.

Costs incurred in planning or evaluating software proposals, or in maintaining systems after implementation, are not capitalised.

M. Leases

At inception of a contract, the Bank assesses 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 assesses 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 has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Bank has the right to direct the use of the asset. The Bank has 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 has the right to direct the use of the asset if either:
  - the Bank has 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 allocates 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 has 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 is a 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 3 – 10 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 uses its 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 is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest rate 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 has 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, including ATM Space. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

N. Borrowings

Borrowings are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at amortised cost using effective interest method.

O. Employee benefits

(i) Short-term employee benefits

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

(ii) Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate bank account. Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss in the periods during which services are rendered by employees at a rate of 5% on gross salary per month for those who has worked with the Bank for greater than or equal 3 years and 7% on gross salary per month for those who has worked with the Bank from 8 years of service.

The fund will be fully paid to the employee upon their resignation/termination of employment with the Bank.

(iii) 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.

P. Provisions

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

Q. 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 estimates 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. A contractual interest rate is used in replacement of the effective interest rate when management assesses that transaction costs and fees are not an integral part of the effective interest rate and that the impact is not material to the financial statements. 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 rate 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 rate method presented in the statement of profit or loss and OCI includes interest on financial assets and financial liabilities measured at amortised cost.

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

R. 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.

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 applies 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.

S. 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 or 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.

T. 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 is 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 expects, 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.

U. 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.

V. 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 CIFRSs Framework

The Bank has adopted the Cambodian 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 has 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 year ended 31 December 2018, as described in the significant accounting policies in Note 34.

In preparing these financial statements, the Bank's opening statement 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 its 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 ("Cambodian GAAP") are presented below.

Optional exemptions applied

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

Fair value or revaluation as deemed cost - property and equipment

The Bank has 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 applied the abovementioned exemption and maintained the conclusions achieved arising from assessments previously made under Cambodian Accounting Standards 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 and the guidelines of the National Bank of Cambodia ("NBC") relating to the preparation and presentation of financial statements ("Cambodia GAAP"). 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 has 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 Cambodian GAAP and CIFRSs results. The "reclassification" column includes reclassification and reanalysis of amounts from their Cambodian GAAP statement of financial position lines to the appropriate CIFRSs 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.

35.1 Reconciliation of statements of financial position

The following reconciliations summarise the impacts on initial application of CIFRSs on the Bank's financial positions 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			1 January 2018	31 December 2018			
	Note	Cambodia GAAP	Effect of transition to CIFRSs		CIFRSs	Cambodia GAAP	Effect of transition to CIFRSs		CIFRSs
			Reclassification	Remeasurement			Reclassification	Remeasurement	
		US$	US$	US$	US$	US$	US$	US$	US$
ASSETS									
Cash and cash equivalents	A(i)	-	417,778,822	(398,505)	417,380,317	-	391,368,849	2,480,744	393,849,593
Cash and bank balance	A(i)	130,172,537	(130,172,537)	-	-	113,660,766	(113,660,766)	-	-
Placements with other banks		393,400,215	(286,630,476)	(90,371)	106,679,368	283,456,109	(277,073,077)	-	6,383,032
Statutory deposits		110,670,688	-	-	110,670,688	100,312,344	-	-	100,312,344
Loans and advances to customers – net	A(i)	379,321,080	762,901	7,334,272	387,418,253	437,065,535	972,539	(303,095)	437,734,979
Other assets	A(i)	4,178,092	(1,322,164)	2,260,481	5,116,409	3,111,279	(1,091,248)	3,771,105	5,791,136
Intangible assets		54,503	-	-	54,503	26,464	-	-	26,464
Property and equipment		4,839,615	-	-	4,839,615	3,704,110	-	-	3,704,110
Right-of-use assets		-	-	5,637,369	5,637,369	-	-	4,474,444	4,474,444
Deferred tax assets – net		1,182,368	-	-	1,182,368	2,335,724	-	586,014	2,921,738
Total assets (US$)		1,023,819,098	416,546	14,743,246	1,038,978,890	943,672,331	516,297	11,009,212	955,197,840
Total assets (KHR'000)		4,133,157,699	(1,681,596)	62,881,677	4,194,357,779	3,791,675,426	(2,074,481)	48,383,977	3,837,984,921

	Note	31 December 2017 Cambodia GAAP	31 December 2017 Effect of transition to CIFRSs Reclassification	31 December 2017 Effect of transition to CIFRSs Remeasurement	1 January 2018 CIFRSs	31 December 2018 Cambodia GAAP	31 December 2018 Effect of transition to CIFRSs Reclassification	31 December 2018 Effect of transition to CIFRSs Remeasurement	31 December 2018 CIFRSs
		US$	US$	US$	US$	US$	US$	US$	US$
LIABILITIES AND EQUITY									
Deposits from customers	A(i)	753,830,593	431,290	-	754,261,883	675,210,460	245,985	-	675,456,445
Deposits from banks and other financial institutions	A(i)	38,275,619	3,688	-	38,279,307	45,506,685	3,688	-	45,510,373
Lease liabilities	B	-	-	5,637,369	5,637,369	-	-	4,748,173	4,748,173
Other liabilities		36,106,201	(851,524)	-	35,254,677	5,326,316	(765,970)	-	4,560,346
Provision for employee benefits		-	-	-	-	398,296	-	-	398,296
Current income tax liability		8,251,772	-	-	8,251,772	6,351,559	-	-	6,351,559
Provision for off-balance sheet commitments	A(ii)	-	-	1,070,850	1,070,850	1,298,527	-	(368,987)	929,540
Total liabilities		836,464,185	(416,546)	6,708,219	842,755,858	734,091,843	(516,297)	4,379,186	737,954,732
EQUITY									
Share capital		75,000,000	-	-	75,000,000	75,000,000	-	-	75,000,000
General reserves		42,000,000	-	-	42,000,000	57,000,000	-	-	57,000,000
Regulatory reserves		-	4,170,298	-	4,170,298	-	6,252,097	-	6,252,097
Retained earnings		70,354,913	(4,170,298)	8,868,119	75,052,734	77,580,488	(6,252,097)	7,662,620	78,991,011
Total equity	A(iv)	187,354,913	-	8,868,119	196,223,032	209,580,488	-	7,662,620	217,243,108
Total liabilities and equity (US$)		1,023,819,098	(416,546)	15,576,338	1,038,978,890	943,672,331	(516,297)	12,041,806	955,197,840
Total liabilities and equity (KHR'000)		4,133,157,699	(1,681,596)	62,881,677	4,194,357,779	3,791,675,426	(2,074,481)	48,383,977	3,837,984,921

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

	Note	Cambodia GAAP	Effect of transition to CIFRSs Reclassification	Effect of transition to CIFRSs Remeasurement	CIFRSs
		US$	US$	US$	US$
Operating income					
Interest income	A(iii)	36,808,200	-	(3,410,410)	33,397,790
Interest expense	B	(1,974,832)	-	(289,312)	(2,264,144)
Net interest income		34,833,368	-	(3,699,722)	31,133,646
Net fee and commission income	A(iii)	14,753,437	-	-	14,753,437
Total operating income		49,586,805	-	(3,699,722)	45,887,083
Personnel expenses		(10,424,960)	-	(189,173)	(10,614,133)
Depreciation and amortisation		(1,309,980)	-	(1,162,924)	(2,472,904)
Other operating expenses	B	(9,343,926)	-	1,178,507	(8,165,419)
Total operating expenses		(21,078,866)	-	(173,590)	(21,252,456)
Operating profit before impairment		28,507,939	-	(3,873,312)	24,634,627
Impairment losses on financial instruments	A(ii)	(2,046,844)	-	2,081,799	34,955
Profit before income tax		26,461,095	-	(1,791,513)	24,669,582
Income tax expense	C	(4,235,520)	-	586,014	(3,649,506)
Net profit for the year		22,225,575	-	(1,205,499)	21,020,076
Other comprehensive income					
Currency translation reserves		-	-	-	-
Total comprehensive income for the year		22,225,575	-	(1,205,499)	21,020,076

Summary of balance sheet reclassifications and key adjustments as a result of transition from Cambodia GAAP to CIFRSs is as follows:

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 Bank 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 as measured at amortised cost, FVOCI – debt instrument, FVOCI – equity instrument; or FVTPL. The classification of financial assets under CIFRSs 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 classifies and measures financial assets and related gains and losses under CIFRS 9, see Note 34B(ii).

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

	Note	Original classification under Cambodia GAAP	New classification under CIFRS 9	1 January 2018 Original carrying amount under Cambodia GAAP US$	1 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		Cost	Amortised cost	420,223,317	417,380,317	400,032,094	393,849,593
Placements with other banks		Cost	Amortised cost	393,400,215	106,679,368	283,456,109	6,383,032
Loans and advances to customers	(a)	Cost	Amortised cost	379,321,080	387,418,253	437,065,535	437,734,979
Other assets	(b)	Cost	Amortised cost	4,178,092	5,116,409	3,111,279	5,791,136
Total financial assets (US$)				1,197,122,704	916,594,347	1,123,665,017	843,758,740
Total financial assets (KHR'000-Note 5)				4,832,784,356	3,700,291,379	4,514,886,038	3,390,222,617

	Note	Original classification under Cambodia GAAP	New classification under CIFRS 9	1 January 2018 Original carrying amount under Cambodia GAAP US$	1 January 2018 New carrying amount under CIFRS 9 US$	31 December 2018 Original carrying amount under Cambodia GAAP	31 December 2018 New carrying amount under CIFRS 9
Financial liabilities							
Deposits from banks	(c)	Cost	Amortised cost	753,830,593	754,261,883	675,210,460	675,456,445
Deposits from customers	(c)	Cost	Amortised cost	38,275,619	38,279,307	45,506,685	45,510,373
Other liabilities	(c)	Carrying amount	Amortised cost	-	1,070,850	1,298,527	929,540
Total financial liability (US$)				792,106,212	793,612,040	722,015,672	721,896,358
Total financial liability (KHR'000-Note 5)				3,197,732,778	3,203,811,805	2,901,058,970	2,900,579,566

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

(b) Loans and advances to customers and other assets that were classified as loans and receivables under Cambodian GAAP are now classified at amortised cost. A decrease of US$ 4,170,298 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. However, there is no impact upon transition to CIFRS 9.

(ii) Impairment of financial assets

CIFRS 9 replaces the 'incurred loss' model in Cambodian GAAP with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets, debt investments at FVOCI and financial guarantee contracts, but not to equity investments.

The application of CIFRSs 9 impairment requirements results in additional allowances for impairment as follows:

	1 January 2018 US$	31 December 2018 US$
Loss allowance under Cambodia GAAP	13,590,363	12,064,385
Impairment recognised on:		
- Cash and cash equivalents	398,505	(2,480,744)
- Placement with other bank	90,371	-
- Loans and advance to customers	(5,730,024)	(3,402,366)
- Provision for off-balance sheet commitments	1,070,850	(368,987)
	(4,170,298)	(6,252,097)
Loss allowance under CIFRS 9	9,420,065	5,812,288
Loss allowance under CIFRS 9 (KHR'000 – Note 5)	38,028,801	23,353,773

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt investments at FVOCI, the loss allowance is recognised in OCI, instead of reducing the carrying amount of the asset.

Additional information about how the Bank measures the allowance for impairment is described in Note 34 B(vii).

(iii) Interest

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

Under CIFRSs, 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. Interest is still recognised on the non-performing loan.

The impact arising from the change is summarised as follows:

	1 January 2018 US$	31 December 2018 US$
Statement of financial position		
Increase in loans and advances	8,097,173	669,444
Related tax effect	1,619,435	133,889
Adjustment to retained earnings	9,716,608	803,333
Adjustment to retained earnings (KHR'000 – Note 5)	39,041,331	3,243,055

	2018 US$
Statement of profit or loss and other comprehensive income	
Decrease in interest income	(3,410,410)
Decrease in fees and commission income	-
Adjustment profit before income tax	(3,410,410)
Adjustment to profit before income tax (KHR'000 – Note 5)	(137,951,085)

(iv) Transition impact on equity

The following table summarises the impact, net of tax, of transition to CIFRS 9 on regulatory reserves and 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)	70,354,913	284,022,784
Remeasurement of amortised costs under CIFRS 9	10,176,727	41,083,447
Recognition of expected credit losses under CIFRS 9	(4,170,298)	(16,835,493)
Related tax	(1,308,608)	(5,282,850)
Opening balance under CIFRS 9 (1 January 2018)	75,052,734	302,987,888

B. Leases

The Bank previously classified leases as operating leases under CAS 17 based on its assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset to the Bank. Under CIFRS 16, the Bank recognises right-of-use assets and lease liabilities for leases of branch and office premises – i.e. these leases are on-balance sheet.

The Bank leases a number of offices under finance leases. These were classified as finance lease under CAS 17. The carrying amounts of right-of-used asset and liability at 1 January 2018 were determined at the carrying amounts of the lease asset and lease liability under CIFRS 17 immediately before date.

The impact arising from the change is summarised as follows:

	1 January 2018	31 December 2018
	US$	US$
Statement of financial position		
Right-of-used assets	5,637,369	4,474,444
Deferred tax assets	-	54,746
Lease liabilities	5,637,369	4,748,173
Adjustments to retained earnings	-	(218,983)
Adjustments to retained earnings (KHR'000-Note 5)	-	(879,874)

	2018
	US$
Statement of profit or loss and other comprehensive income	
Depreciation of right-of-used assets	1,162,925
Interest expense on lease liability	289,312
Rental expenses	(1,178,508)
Adjustments before income tax	273,729
Adjustments to befolre income (KHR'000-Note 5)	1,107,234

C. Income tax

The above changes decreased (increased) the deferred tax assets/liabilities as follows:

	1 January 2018	31 December 2018
	US$	US$
Impairment allowance	-	475,924
Right-of-used assets	-	(894,889)
Lease liabilities	-	949,635
Others	1,182,368	2,391,068
Increase in deferred tax assets – US$	1,182,368	2,921,738
Increase in deferred tax assets – KHR'000 – Note 5	4,773,220	11,818,430

D. Material adjustments to the Statement of Cash Flow for 2018

The statement of cash flows presented under CIFRSs is similar in all material respects to the statement of cash flows presented under Cambodia GAAP.

36. Subsequent event

Coronavirus and impact on ECL

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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20 Kramoun Sar & Street 67

Independence Monument Branch
100 Preah Sihanouk Boulevard

Olympic Branch
361-363 Preah Sihanouk Boulevard

Riverside Branch
265 Sisowath Quay

Phsar Derm Thkov Branch
616A+B, Street 271

Pet Lok Sang Branch
1A+1B, Street 271

Teuk Thla Branch
1E0 & 1E1, Street 110A

Stung Meanchey Branch
23-25A, Street 217

Chom Chao Branch
1B, 2B & 3B, National Road #4

Tuol Kork Branch
95C, Street 289

PROVINCIAL BRANCHES

Siem Reap Pshar Kandal Branch
566, 568 & 570, Street Tep Vong

Kampong Cham Branch
Preah Monivong & Neary Rath
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