

2018 ANNUAL REPORT



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OUR VALUES

INTEGRITY

Do what is right

COLLABORATION

Connect and work as one for
our customers and shareholders

ACCOUNTABILITY

Own your actions, make it happen

RESPECT

Value every voice, bring
the customer's view to ANZ Royal

EXCELLENCE

Be your best, help people progress,
be business-minded

ANZ ROYAL (CAMBODIA)

ANZ Royal has operated in Cambodia since September 2005. The Bank is a joint venture between Australia and New Zealand Banking Group Limited (ANZ), one of the largest banks in the world, and the Royal Group of Companies (RGC), one of Cambodia's largest conglomerates. ANZ holds 55% of ANZ Royal; the remaining 45% is owned by RGC.

ANZ Royal has revolutionised the Cambodian financial market since its opening, providing a wide range of functionality for Cambodians' banking experience.

ANZ GROUP

ANZ's history dates back over 180 years. We are committed to building lasting partnerships with our customers, shareholders and communities in 34 markets in Australia, New Zealand, Asia Pacific, Europe, America and the Middle East.

ANZ provides a range of institutional, commercial, retail, wealth management and private banking solutions to around 10 million customers and employs 50,000 people worldwide. ANZ's global connections and deep local insights provide customers with access to Asia Pacific's expanding trade and investment flows, supporting their domestic requirements and connecting them with ANZ's global expertise.

KEY AWARDS AND RECOGNITION

 (2006, 2011 & 2013) Bank of the Year	The Financial Times, The Banker Magazine
 (2007) Financial Insights Innovation Award (FIIA)	The Financial Insights Asia Pacific Group
 (2009) Asia Deal of the Year (CamGSM)	TelecomFinance
 (2013) Home Lender of the Year	Cambodian Banker
 (2013) Runner-up for the Top Ranking Performers in the Contact Centre World - Best Small Call Centre in Asia Pacific (2014) Bronze for the Top Ranking Performers in the Contact Centre World - Best Small Call Centre in Asia Pacific	Contact Centre World – The Global Association for Contact Centre Best Practice & Networking
 (2013 & 2014) Most Outstanding Performing Foreign Bank	IDG - The Cambodian Banking & MFI Awards
 (2014 & 2015) Best Trade Finance Bank in Cambodia	Global Finance Magazine
 (2015) Fastest Growing Bank (Retail), Cambodia (2016) Best Foreign Retail Bank, Cambodia	International Finance Magazine
 (2017, 2016, & 2015) Leadership in Debit Payment Volume, Average Spend Visa Mass Debit, Payment Volume, and Credit Payment Volume	Visa Cambodia



2018 was an eventful year for ANZ Royal in a number of ways, all of them positive. As you will read in this report, we delivered another strong financial performance, successfully executed on our growth strategy, and in May ANZ Group announced it was selling its interest in ANZ Royal Bank to J Trust Corporation of Japan.

The Cambodian banking sector is a competitive one, with more than one hundred banks and MFIs operating here. However, ANZ Royal remains the first choice for customers who value our unrivalled service and partnership. ANZ Royal's strategy is to be the best bank in Cambodia for corporates who want to thrive, and Cambodians who want to buy a home. 2018 saw the benefits of that clear focus, with strong growth in both our Retail and Institutional businesses, while maintaining a disciplined approach to risk, capital and cost.

Loans grew by 12%, and just as pleasingly the credit quality of the book continued to improve, with non-performing loans down 50% year on year to 1.2%. Net profit after tax was \$22.2m, which is another record. This result includes the additional credit provisions required under the National Bank of Cambodia's new regulation, which apply to all banks in Cambodia and implemented to ensure a stronger, better capitalised banking system.

There were many significant achievements in 2018, too many to mention them all, so let me highlight three in particular.

First, despite the changing environment the ANZ Royal team kept their focus on our customers. As a result, we have expanded and deepened our relationship with many of our corporate customers, and helped more Cambodians buy their homes than at any time in our history.

Second, we launched a new approach to developing our people, cementing our position as the only bank for those who want to learn and grow their careers. ANZ Royal is already known as the market leader in this area, but we are not complacent and the new learning agenda sets an even higher standard. The number of staff leaving for other opportunities has never been lower since ANZ Royal was formed in 2005, and this is one key reason why.

Third, we made great progress on our community agenda of uplifting literacy for the benefit of Cambodia. The team and our customers donated hundreds of books, raised funds, and opened the ANZ Royal Reading Corner at the National Library, all to encourage a love of reading in kids. I am grateful for our customers' kind generosity for and the team's hard work in achieving so much this year.

At the same time, we have been working closely with our partners at J Trust to prepare our bank for the future. This is a significant project, from the development of a new technology platform through to the re-branding of all our branches. Already much has been achieved, and we will transition in the second half of 2019 while ensuring minimal disruption to our customers throughout.

IN CLOSING

I could not have asked for more from my team in 2018, and I want to take this opportunity to say thank you to all of them, you should be proud of what you have achieved. I also want to thank the ANZ Royal Board, our shareholders, and the NBC for their ongoing support and leadership.

Most importantly, I want to thank our customers for their loyalty and partnership. Be assured we never take that for granted, you are why we are here and we will work tirelessly every day to justify your decision to bank with us.

With the most talented banking team in the market and best in class product capability, ANZ Royal is the favoured partner for Corporates that value strategic insights and who want to grow.



The ANZ Royal Institutional Banking team is focussed on the delivery of world-class banking solutions to businesses throughout Cambodia. ANZ Royal 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.

ANZ Royal 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 ANZ Royal.

As 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.

Our Institutional Banking team is widely recognised by clients and peers as being the best in the market, backed by ANZ's world-class product offering. For customers who want to grow and thrive, there is no better partner in Cambodia than ANZ Royal.

2018 KEY HIGHLIGHTS

Some of the notable highlights of Institutional Banking in 2018 included:

- Continued strong loan growth in a highly competitive market, while improving the overall quality of the lending book.
- Success in closing our first material KHR denominated loan transaction, with the bank on track to meet the National Bank of Cambodia's target of 10% of total bank lending assets to be denominated in Khmer Riel by 31 December 2019.
- Continued to be the leading provider of exchange and hedging solutions to Corporates and Financial Institutions.
- Accelerated adoption of Transactive; our market-leading corporate internet banking platform, with the vast majority of all corporate clients now actively using this channel.
- Increased investment in learning & development to attract, develop and retain the best talent in Cambodia, for the benefit of our customers.



Our Retail business is at the heart of ANZ Royal's strategy to become a simpler, better balanced and service-oriented organisation, helping our customers and our people respond to a challenging world.

To deliver those outcomes we have focussed on fewer things, but doing them really well. For our Retail team, 2018 had two clear goals; delivering superior customer service, and to be Cambodia's leading home loan bank.

SUPERIOR CUSTOMER SERVICE

The ANZ Royal team know 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.

ANZ Royal 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 are constantly seeking and listening to feedback from our customers in order to improve our service.

While we continue to invest and develop our digital capability, our main focus in 2018 was on the learning and development of our team, recognising that our people are the most important component of the customer experience. We launched a new framework to ensure that the ANZ 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 recognised market expert for residential property for a number of years, and in 2018 ANZ Royal did more than ever before to help Cambodians who want to buy a home.

We recognise that buying a house is likely the largest financial commitment anyone will make, and we are focussed on making that process as easy as possible. Our Home Loan Centre is a specialised, in-branch environment which provides our



customers with dedicated assistance in both obtaining a mortgage and buying a home.

Thanks to this, 2018 saw the largest number of mortgages approved than at any time since ANZ Royal was founded, 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 BANK IN CAMBODIA

ANZ Royal is known to employ internationally-recognised standards in our market, but more than this we have a team culture which demands an understanding of why those standards are important, namely to protect our customers from harm.

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 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. This is something we never take for granted, and work every day to continue to earn our customers' trust.



The success of ANZ Royal's strategy is underpinned by sound management of its risks. As ANZ Royal progresses on its strategic path to becoming the best connected and most respected bank across the region, the risks faced by ANZ Royal will evolve.

The success of ANZ Royal'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

ANZ Royal's risk appetite is set by the ANZ Board and integrated within ANZ Royal and ANZ Group's strategic objectives and priorities. The risk appetite framework underpins fundamental principles of strong capitalisation, robust balance sheet and sound earnings, which protects ANZ Royal's franchise and supports the development of an enterprise-wide risk culture. The framework provides an enforceable risk statement on the amount of risk ANZ Royal is willing to accept and it supports strategic and core business activities and customer relationships with the objective of ensuring that:

1. ANZ Royal 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 ANZ Royal 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.

ANZ Royal'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, ANZ Royal 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.

MATERIAL RISKS

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

Credit Risk – is the risk of financial loss resulting from a counterparty failing to fulfill its obligations, or from a decrease in credit quality of a counterparty resulting in a loss in value. ANZ Royal has a comprehensive framework to manage credit risk. The framework is top down, being defined by credit principles and policies. The effectiveness of the credit risk management framework is assessed through various compliance and monitoring processes. These, together with portfolio selection, define and guide the credit process, organisation and staff.

Market Risk – Market Risk stems from ANZ Royal's trading and

balance sheet activities and is the risk to ANZ Royal's earnings arising from changes in interest rates, foreign exchange rates, credit spreads and volatility in other markets.

The key market risk factors for ANZ Royal include:

1. Interest rate risk: the potential loss arising from the change in the value of a financial instrument due to changes in market interest rates or their implied volatilities;
2. Currency rate risk: the potential loss arising from the decline in the value of a financial instrument due to changes in foreign exchange rates or their implied volatilities.

Liquidity and Funding Risk – is the risk that the Group is unable to meet its payment obligations as they fall due, including repaying depositors or maturing wholesale debt, or that the Group has insufficient capacity to fund increases in assets. The global financial crisis highlighted the importance of differentiating between stressed and normal market conditions in a name-specific crisis and the different behaviour that offshore and domestic wholesale funding markets can exhibit during market stress events.

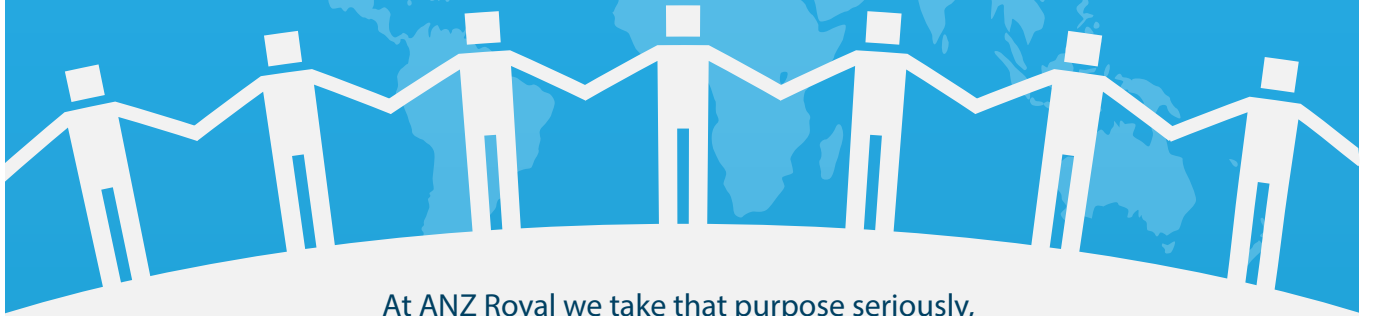
Operational Risk – is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. This definition includes legal risk and the risk of reputation loss, or damage arising from inadequate or failed internal processes, people and systems, but excludes 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. ANZ Royal does not expect to eliminate all operational risks, but to ensure that the residual risk exposure is managed as low as reasonably practical based on a sound risk/reward analysis in the context of an international financial institution.

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 ANZ Royal's businesses. ANZ Royal's Compliance Framework is aligned to key industry and global standards and benchmarks. It utilises the concept of a 'risk-based' approach to manage compliance. This allows the Compliance function to support divisions and businesses by taking a standardised approach to compliance management tasks. This enables ANZ Royal to be consistent in proactively identifying, assessing, managing, reporting and escalating compliance-related risk exposures while respecting the specific obligations of each jurisdiction in which we operate.

Reputation Risk – the risk of loss caused by adverse perceptions of ANZ Royal held by the public, the media, depositors, shareholders, investors, regulators, or rating agencies that directly or indirectly impact earnings, capital adequacy or value. ANZ Royal manages reputation risk through a robust governance process and controls. The ANZ Management Board is the most senior management committee for consideration of potential harm to ANZ Royal's reputation and measures to protect ANZ Royal's reputation. However, some matters are delegated to the ANZ Reputation Risk Committee.

Strategic Risk – Strategic Risks are risks that affect or are created by an organisation’s business strategy and strategic objectives. Where the strategy leads to an increase in other Key Material Risks (e.g. Credit Risk, Market Risk, Operational Risk), the risk management strategies associated with these risks form the primary controls. ANZ Royal Management Board members will identify and assess potential strategic risks in the course of making decisions about the future of ANZ Royal. In assessment of strategic risks, the Management Board will consider impacts, such as pricing and products; the systems and processes we need to deliver on the proposed strategy; and capital implications.

OUR PURPOSE IS TO SHAPE A WORLD WHERE PEOPLE AND COMMUNITIES THRIVE.



At ANZ Royal we take that purpose seriously, and 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.



2018 COMMUNITY ACTIVITIES



Last year saw us continue our mission of **Uplifting Literacy for the Growth of Cambodia**.

This is a subject that is close to the hearts of our people, and our customers, and our particular focus for 2018 was children's literacy. Thanks to the outstanding effort of all involved, everyone played a role in delivering some fantastic outcomes.

Professional Literacy – ANZ Royal partnered with Royal University of Phnom Penh and delivered career advice under the theme of "My Dream Career", with hundreds of university students and young professionals participating. Many of our senior leaders and staff are now mentors to students, supporting the next generation as they enter the workforce.

Financial Literacy - 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. Since the program began in 2015, we have helped almost 1,500 Cambodians better manage their finances.

Reading Literacy – as part of our Kids Library project, our staff and customers held a series of book drives and fund-raising efforts in 2018, raising thousands of dollars and collecting hundreds of books. This culminated in the creation of the Kids Reading Corner at the National Library in Phnom Penh, which was opened at the Annual Book Fair event by the Minister of Culture and Fine Arts.



Our expertise, products and services make us a bank. Our people, values and culture make us ANZ Royal.

At ANZ Royal, we take pride in our growing customer satisfaction and deliver results which are strongly driven by our team of dedicated bankers. We know that in a competitive market, what differentiates us is our people. This is why we continue to invest and take proactive measures to ensure we are the first choice for talented people who want to develop and grow their careers.



2018 HIGHLIGHTS

We believe in the inherent strength of a vibrant, diverse and inclusive workforce. Throughout the year, we have continued building the best workplace culture by providing learning and development opportunities and enabling our people to realise their career ambitions. These have been done in alignment with our employment brand promise based on the four core propositions of:

1. International career opportunities
2. Competitive remuneration and benefit packages
3. Performance-based culture using balanced scorecards that supports our core values in helping people and communities thrive in Cambodia.
4. Investment in our people through ongoing learning and development 2018 was a record year for us. We have achieved the highest employee engagement survey score and highest talent retention rate. We develop talent from within by providing them with internal opportunities. We were delighted to see our people progress their careers within the Bank, with 60% of our people experiencing an internal job movement or promotion.



Our leaders lead by example, creating an organisation where learning happens every day, through experience on the job; exposure through others; environment and infrastructure; and education and training via formal program or workshop. In support of developing world-class bankers, our approach to learning and development has been transformed. We rolled out the 'Learning Path' Accreditation Framework by introducing tools to help our people understand what are the core skills required to be successful in every role across the Bank, identifying where our staff is today on that journey, and most importantly, provide them with a learning path to realise their career and personal development plans.

Alistair Marshall Bulloch

Chairman

Alistair Bulloch joined ANZ in 2008 as CEO North East Asia and CEO Hong Kong. In 2010, he was appointed as Managing Director/Senior Advisor, Asia Pacific, Europe & America, and currently holds the position of Managing Director, Partnerships. Alistair is responsible for developing critical government and other relationships, taking a lead role in management across Asia Pacific, Europe and America on behalf of the Group.

Alistair has more than 30 years banking experience and was previously Head of Wholesale Banking in Korea and Head of Client Relationships in both China and Taiwan for Standard Chartered Bank. He spent his childhood and a considerable part of his earlier career in Hong Kong and has also worked in the Middle East and Ireland.

Neak Oknha Kith Meng

Director

Neak Oknha Kith Meng is Chairman and Chief Executive Officer of the Royal Group of Companies. Meng has been the driving force behind bringing international business and investors into Cambodia. Through alliances with leading global players, he has brought international quality services 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.

He holds numerous significant positions in Cambodia, including President of the Cambodian Chamber of Commerce and the Phnom Penh Chamber of Commerce. He also holds the Cambodian seat at the ASEAN Business Advisory Council.

Felicity Rhiannon McKinnon

Director

Felicity has spent over 15 years in the Bank across roles in Transaction Banking, Corporate Relationship Management and, for more than 10 years, in Risk. A large part of her career has been spent managing client relationships in the Bank's high risk wholesale loan portfolio, in industries as diverse as financial institutions, infrastructure and mining. In 2015 she was appointed to build and lead the workout and restructuring team in North Asia. Currently, as Head of Strategic Enablement for Institutional Risk, her role covers a range of business management and governance activities across the Risk Organization in Institutional Banking.

She holds a Bachelor of Commerce/ Science (Hons) from University of Melbourne.

William Mark Hanna

Director

Mark Hanna is an experienced international senior finance and operations executive. Mark 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, Mark held several CEO & CFO roles throughout Asia in the telecoms and manufacturing industries.

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

Ong Guat Kee (Tracy)

Director

Tracy Ong joined ANZ in November 2014 as Chief Representative of the ANZ Malaysia Representative Office. She was appointed to the board of ANZ Royal Cambodia in December 2017. Tracy has more than 30 years of experience in banking and financial services where she held several senior positions in Bank of America Malaysia, Danajamin and Maybank. She is currently an executive member of the Malaysia Australia Business Council and she chairs the sub-committee for Women in Business.

Tracy holds a Bachelor of Economics (Hons) from University of Malaya and Masters in Business Administration from University of Strathclyde, United Kingdom.

Ratana Phurik-Callebaut

Director

Until May 2018, Ratana Phurik-Callebaut was the Executive Director of EuroCham Cambodia, the European Chamber of Commerce.

She grew up in France, where she graduated in both Industrial Economics and International Trade & Finance at La Sorbonne University. After several years working in Geneva in the private banking sector as a portfolio manager and an economist, she moved back to Cambodia in 2003. Since then, she has filled different positions including General Manager of the French-Cambodian Chamber of Commerce (CCFC), Managing Partner of the private equity fund Cambodia Emerald, and as a business consultant for DFDL, a regional law firm. For more than 10 years, she developed her expertise in investment and market entry issues in Cambodia. She is a Chartered Finance Analyst (CFA).

Simon John Perkins

Director

Simon was appointed as an Independent Director of ANZ Royal in April 2015.

He was Chief Executive Officer (CEO) of Hello Axiata Company Limited at Axiata Group Berhad and has worked in the telecommunications industry for over 30 years. He spent 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.



SEATED FROM LEFT TO RIGHT:

- NICHOLAS ANZMAN • ALISDAIR CREANOR
- GARETH COLEMAN



STANDING FROM LEFT TO RIGHT:
• VYOMESH CHANDAN • SADAT MATH • ANDREW EAGLE • PHEAKDEY POK
• VIC SISOWATH • NARITA HANG CHUON • SALY LOR • BOREN KORK
• DAVID LIN • CARL GARRETT



Alisdair Creanor

Chief Executive Officer

Alisdair Creanor is Chief Executive Officer of ANZ Royal, responsible for leading execution of strategy, providing valued insights and financial services to clients in Cambodia, across the Mekong and the broader ANZ network.

Alisdair has deep experience in the International banking sector, having worked in London, New York, Paris and Melbourne. Alisdair was previously a member of the ANZ Institutional Leadership Team, responsible for leading the Institutional transformation agenda, the development and delivery of the divisional strategy, as well as running a number of central functions across ANZ's global Institutional business.

Alisdair has been at ANZ since early 2015, prior to which he held a number of roles at Lloyds Banking Group, including in Equity Capital Markets, Wholesale Banking, and Strategy and Performance. Earlier in his career, Alisdair set up and ran a digital logistics business in the UK, before joining Bouygues group, the French conglomerate.



Andrew Eagle

Chief Operating Officer

Andrew joined ANZ Royal in April 2015 as the Chief Operating Officer. Andrew is responsible for managing all operational aspects for ANZ Royal, in particular operations teams supporting International Banking and Retail Banking. He is also responsible for managing the in-country Property and Sourcing functions, as well as IT. He also acts as a Project Director for the transition of ANZ's shares to J Trust.

Prior to Cambodia, Andrew worked in ANZ's India Hub, where he managed Home Loan operations for the Australia Division. During this time, Andrew was heavily involved in implementing market-leading automation technologies. He also delivered projects that resulted in significant improvements in customer service while mitigating risk.

Prior to moving offshore, Andrew headed Pricing and Funding for the Australian Home Loan and Deposit businesses.

Andrew holds a Bachelor of Science from Monash University, a Post-graduate degree in Finance and an MBA from the Australian Graduate School of Management from the University of New South Wales.



Gareth Coleman

Head of MNC Coverage and
Transaction Banking

Gareth joined ANZ Royal in September 2014 as the Head of Transaction Banking, and in June 2016 also took responsibility for leading our MNC and Large Corporate Coverage team. In this role Gareth leads frontline sales and relationship management teams and is responsible for execution of ANZ's institutional client strategy.

Prior to joining ANZ Royal, Gareth worked for ANZ Bank in Papua New Guinea (PNG) as the Head of Trade & Supply Chain. Prior to relocating to PNG, Gareth held senior Trade and Supply Chain roles with ANZ and National Australia Bank. Gareth has spent nearly 20 years in the banking and finance industry, principally in customer-facing and sales leadership roles.

Gareth holds a Bachelor of International Business, a Graduate Diploma in Applied Finance from the Securities Institute of Australia, and a Masters of Business Administration majoring in International Business from Monash University.



Narita Hang Chuon

Head of Local Corporates

Narita is the Head of Local Corporates, responsible for the growth and profitability of the Local Corporates segment. She leads and develops Relationship Teams to support our Local Corporate clients, delivering ANZ Royal's Local Corporate strategy.

Narita joined ANZ Royal in September 2005 as Credit Operation Manager. Throughout her service with the Bank, Narita has held roles from end-to-end in delivery of products and services to our clients, including Operations, Relationship Support & Business Control, and most recently in the frontline as Head of Small Medium Enterprise and Local Corporates banking. Prior ANZ Royal, 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 ANZ Royal Bank, Narita is actively involved in various associations to support Women in Business, and other social work.



Boren Kork

Head of Legal and Compliance

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

In ANZ Royal, Boren has enjoyed professional growth and rise, first joining in June 2012 as a Manager of Commercial and Institutional Client Administration, promoted to Lending Operations Manager in January 2013, moving to the Legal Department as a Legal Affairs Manager in April 2016, being made Head of Legal and Company Secretary in August of the same year, and being entrusted to lead the merged Legal and Compliance Department in November 2018.

Before joining ANZ Royal, Boren gained extensive experience in the legal and educational fields with such roles as General Manager of a law firm, Professor of Law at Royal University of Law and Economics (RULE) and Pannasastra University of Cambodia (PUC), Foreign Researcher at Nagoya University Graduate School of Law in Japan, and Assistant/Consultant to legal projects run by UNDP, UNICEF, JICA, and PLAN Cambodia.

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).



David Lin

Head of Research & Analysis

David joined ANZ Royal in 2017 and prior to joining ANZ Royal, he was the Head of Commercial Banking, Timor Leste responsible for ANZ's entire commercial banking portfolio from 2014. Currently, he leads a team of credit risk specialists primarily focused on credit assessment and portfolio management of our Institutional Banking customers. His key responsibilities include making sound credit decisions, continuing to train and develop the team and ensuring the quality of assets written conforms to the Risk Appetite and Transaction Guidelines of the Bank.

With 15 years of banking and finance experience, David has held a number of relationship management and credit analysis roles across Australia, UK and Asia since joining ANZ in 2005. Prior to ANZ, he worked for Toyota Finance Australia in the assessment of consumer automobile loans.

David holds a Bachelor of Commerce from the University of Sydney, Australia.



Pheakdey Pok

Chief Financial Officer

Pheakdey has led the Finance unit of ANZ Royal since her appointment as Chief Financial Officer in April 2010. Pheakdey is responsible for managing ANZ Royal's finances, incorporating strategic direction in business performance projections, as well as ensuring the Bank's compliance with local regulatory and group financial governance, accounting policies, and requirements.

Pheakdey joined ANZ Royal in May 2008 as Finance Manager, bringing to the Bank strong professional experience in Audit and Finance through her work with KPMG Cambodia and British American Tobacco (Cambodia) over the course of more than 7 years. She holds a Bachelor of Finance and Accounting from the National Institute of Management Cambodia and is an Associate Member of CPA Australia.



Nicholas Anzman

Chief Risk Officer

Nick joined ANZ Royal as Chief Risk Officer in May 2017. He has 13 years of experience in banking including leading debt and capital raises for US Global Multinational Corporations both domestically and throughout Asia and Australia, managing the Risk strategy for ANZ's global Institutional Business, and full end-to-end oversight of the credit, market and operational risks in Cambodia.

He has worked with ANZ Group across New York, Hong Kong and Phnom Penh and has held positions in Relationship Banking, Trade Finance and Risk Management. Nick started his career with Siemens Financial Services, managing their North American Supply Chain Finance and Receivables Securitization programs.

At ANZ Royal, Nick holds responsibility for chairing the various risk committees and aligning business growth with risk appetite.

Nick has also been appointed as Chair and Acting Chair, respectively, for the Association of Banks in Cambodia's Risk Management and Compliance Committees.



Sadat Math

Head of Human Resources

Sadat joined ANZ Royal in August 2008 in the Human Resources department. During his career with the Bank, he has been given the opportunity to expand job responsibilities and promoted to different roles including Learning and Development Manager, HR Business Partner, HR Delivery Lead, and most recently appointed as Head of Human Resources in late 2016. He is one of the talented members of the Bank's HR community and a proud product of ANZ Royal's strong focus on developing its people.

Prior to joining ANZ Royal, he spent several years working in the university and NGO sectors after completing his studies. Sadat holds both 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.



Vic Sisowath

Head of Retail Banking

Vic Sisowath joined ANZ Royal in April 2007 and currently leads Retail Banking covering 14 branches, our Priority Banking segment, secured and unsecured lending businesses, Bancassurance, Analytic and Branch Assurance, and our 24/7 Contact Centre.

With 12 years of Retail Banking experience including roles as Priority Banking manager, branch manager, regional manager, Head of Affluent Banking, and a secondment to ANZ Singapore Retail Banking, Vic joined the executive management team in February 2017 as the Head of Retail Banking. After 12 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 our ANZ training programs, he has become an accredited facilitator for sales and sales management.



Carl Garrett

Head of Strategic Delivery

Carl joined ANZ Royal in April 2015 as the Head of Operational Risk & Assurance. During his time with ANZ Royal, Carl has held roles in Operational Risk, Credit, and most recently as Head of Strategic Delivery where he is responsible for co-ordinating the formulation and execution of strategy for the Bank.

Prior to this, Carl worked in ANZ's New Zealand Division where he was responsible for their AML/CFT & Sanctions compliance programmes. During this time, Carl led the development of ANZ's AML/CFT & Sanctions compliance capabilities, including design of the ANZ AML/CFT Risk Assessment which was later implemented across ANZ Group.

Carl holds an Honours Degree (1st class) in Science, majoring in Mathematics, from Victoria University of Wellington, New Zealand.



Saly Lor

Head of Retail Operations

Saly joined ANZ Royal in May 2005 and has held several senior management roles including Senior Business Development, Branch Manager, Regional Manager, Head of Mortgages and Head of Retail Operations.

As Acting Chief Operating Officer, Saly oversaw the Bank's operations, which encompasses a diverse range of functions inclusive of Retail Operations, Institutional & Commercial Operations, Projects & Transformation, Information Technology, Operational Risk Management and Governance, and Property and Procurement. Saly resumed his role as Head of Retail Operations in March 2015 where he is responsible for managing Retail Operations aspects including Retail client onboarding, ATM service delivery and Internet banking, Retail Lending Operations and Branch operations.

Prior to joining ANZ Royal, 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.



Vyomesh Chandan

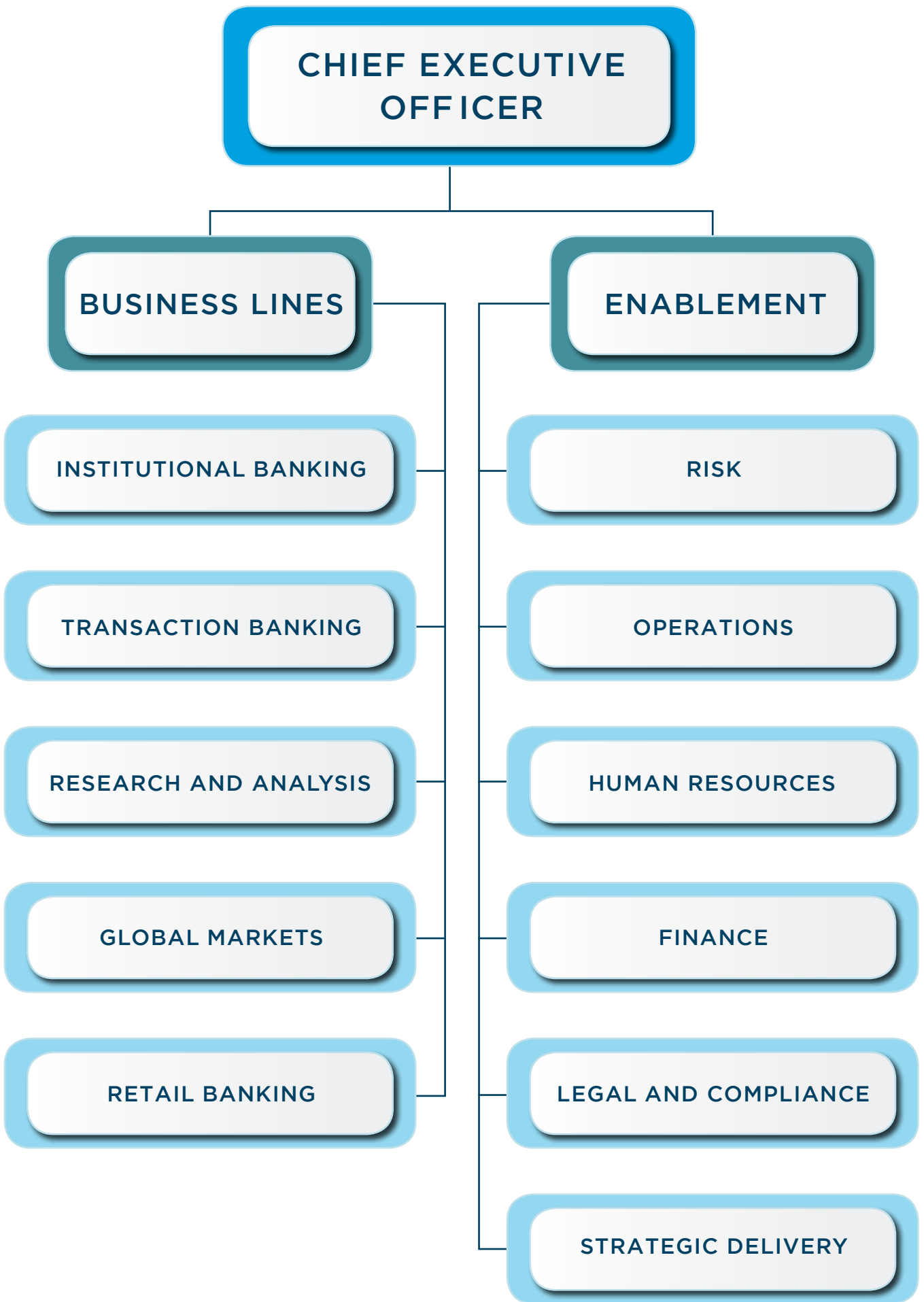
Head of Markets

Vyomesh joined ANZ Royal in May 2015 as the Head of Markets for Cambodia with additional oversight of the Laos and Myanmar Markets Business. In this role, he is responsible for the growth of the Markets Sales and Balance sheet business while maintaining ANZ Global Best Practices and Risk Culture.

ANZ Royal's Markets team is a part of the ANZ Regional Markets Network. Vyomesh leads the team to deliver innovative product solutions across Foreign Exchange, Capital Markets, Fixed Income, and Commodities as well as Specialist Research and Risk Management expertise. Markets has more than 1,200 professionals working in dealing rooms located in the major financial hubs of London, New York, Hong Kong, Tokyo, Singapore, Wellington, Auckland, Sydney and Melbourne, as well as Beijing, Taipei, Jakarta, Manila, Hanoi and Seoul, with access to a global network of 33 countries.

Prior to joining ANZ Royal, Vyomesh was the Head of Trading and Balance Sheet at ANZ in India. Including his time at ANZ, Vyomesh has worked in the Markets Business for nearly 20 years in Trading and Managerial Roles.

He holds a Post Graduate Diploma in Management in Finance from the Institute of Management Development and Research in Pune, India and a Bachelor's Degree in Commerce from Symbiosis College of Commerce in Pune, India.

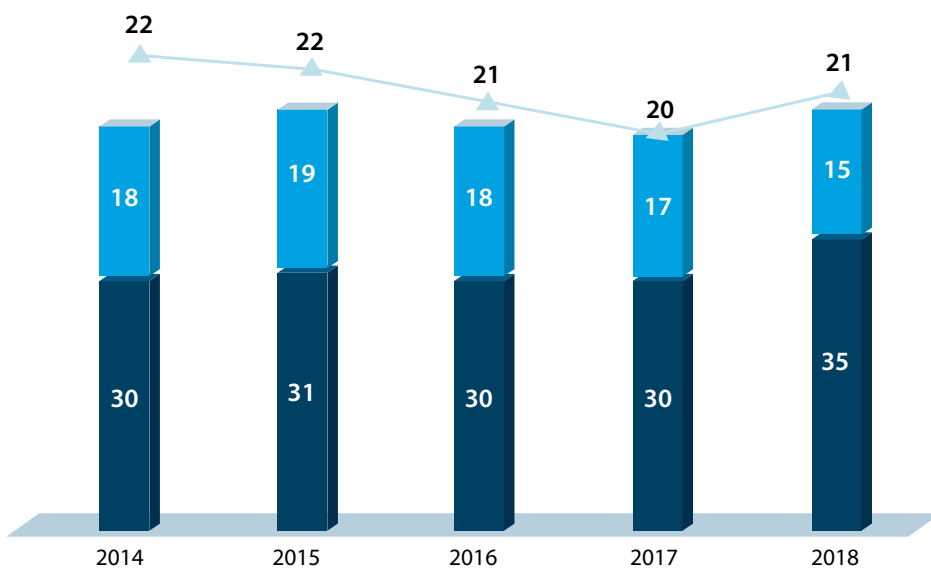


FINANCIAL HIGHLIGHTS

2018 saw another strong performance with net profit after tax of US\$ 22.2mil, up 1% on last year, despite the increase in provisions due to the new credit grading regulation, as well as a number of one-off items.

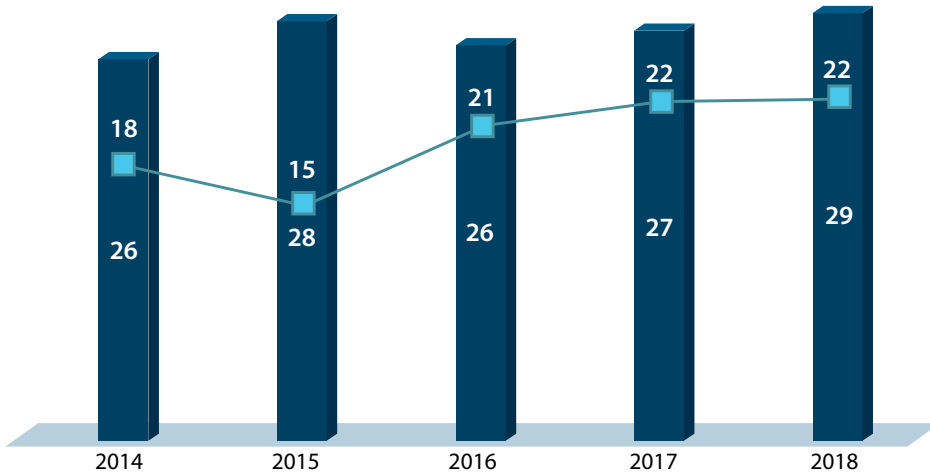
FINANCIAL PERFORMANCE (\$M)	2018	2017	MOVT %
Net interest income	34.8	30.3	15%
Other operating income	14.8	17.1	-14%
Operating income	49.6	47.4	5%
Operating expenses	(21.1)	(20.1)	-5%
Profit before credit impairment and income tax	28.5	27.3	4%
Provision for credit impairment	(2.0)	2.9	171%
Profit before income tax	26.5	30.2	-12%
Income tax expense	(4.2)	(8.2)	49%
Net profit after tax	22.2	22.0	1%

OPERATING INCOME & EXPENSES (USD MILLIONS)



Net interest income Other income Operating expense

PROFITABILITY (USD MILLIONS)



Profit before provision and tax Profit after tax

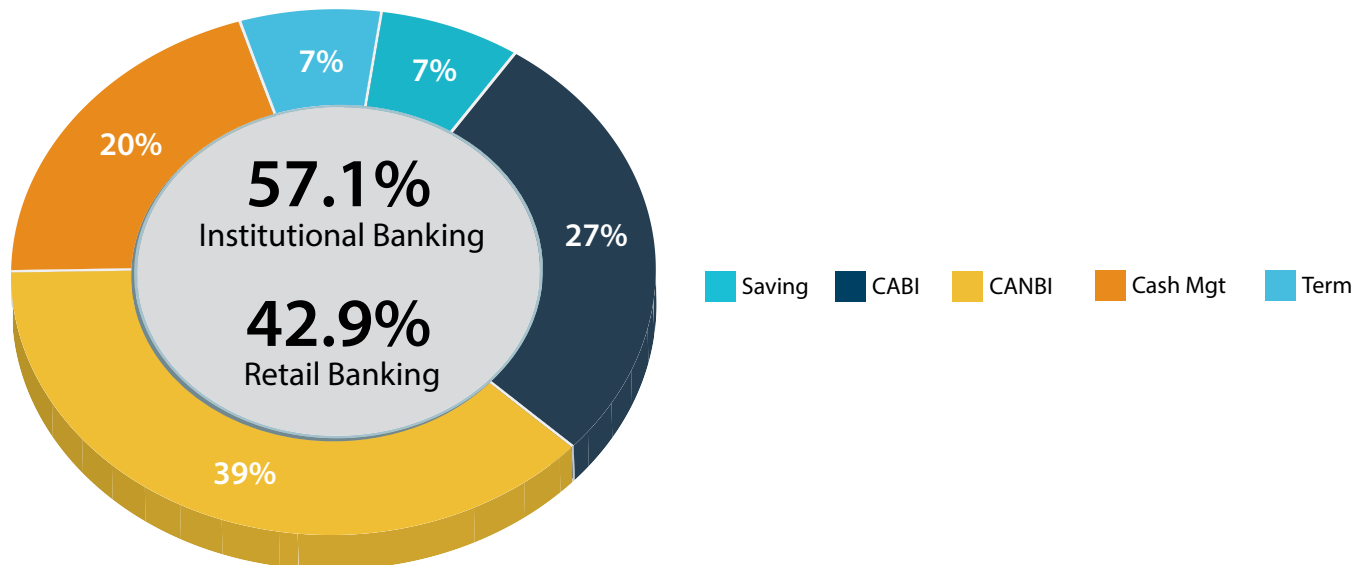
BALANCE SHEET

2018 was a positive year for ANZ Royal despite increasing market competition, as demonstrated by double-digit loan growth and strong performances in both Retail and Institutional banking. In addition, ANZ Royal maintained a healthy liquidity and capital position with a capital ratio of 32.7% in FY18 (26.7% FY17).

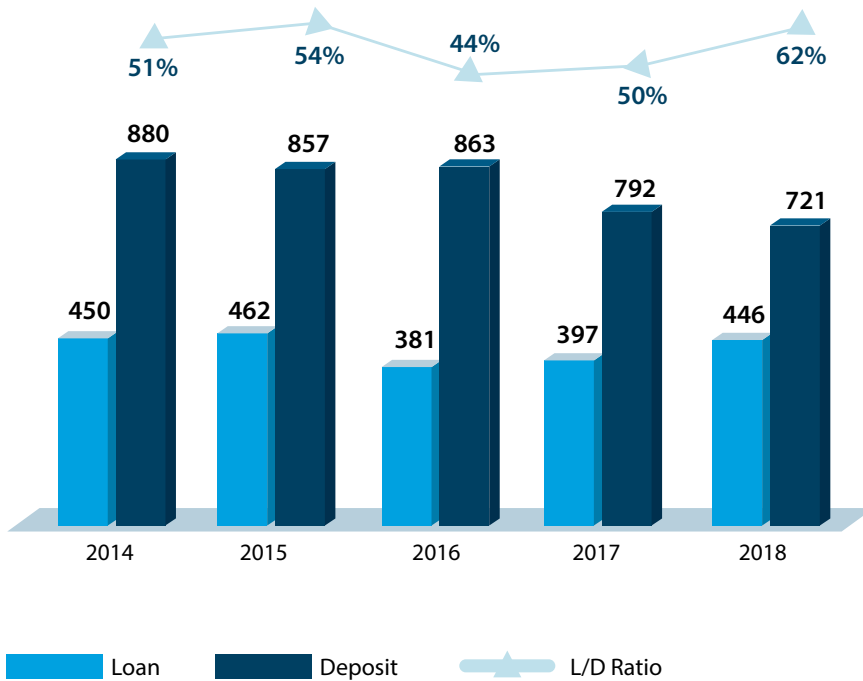
Loans grew 12% to US\$446mil, driven primarily by successful execution of ANZ Royal’s strategy to be the bank of choice for Cambodians who want to buy a home, and to be the insightful bank, deepening and expanding relationships with business customers.

Deposits stood at US\$ 721mil (-9% YoY), with split between Retail Banking (42.9%) and Institutional Banking (57.1%). Term Deposit still contributed 7% of total deposit balance, and loan-deposit ratio still remains sound at 62% (50% FY17).

CUSTOMER DEPOSITS BY LOBS AND PRODUCTS



GROSS LOANS AND DEPOSITS (USD MILLIONS)

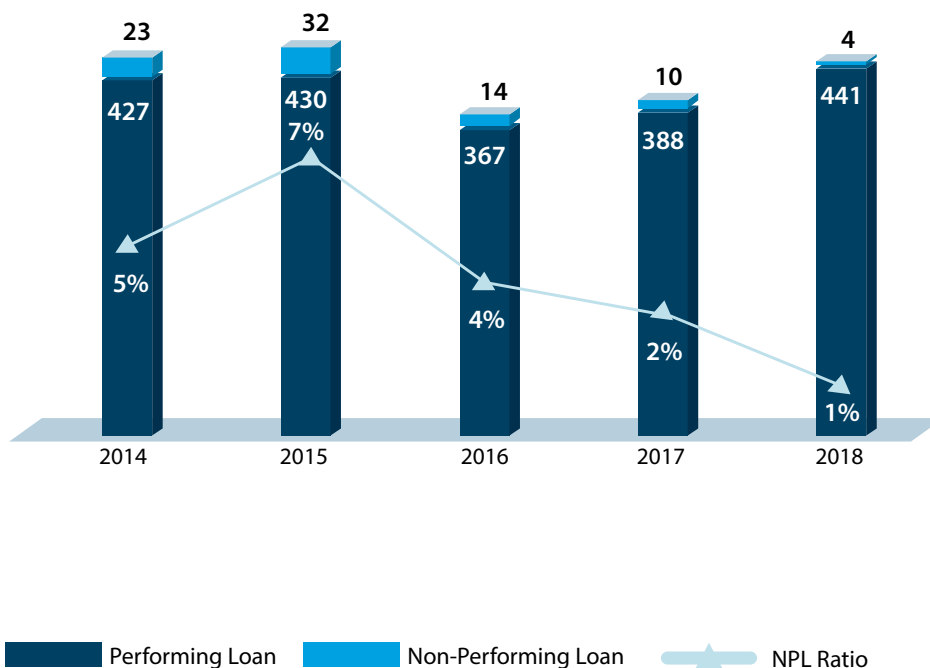


CREDIT QUALITY

Despite significant loan growth, 2018 saw ANZ Royal continue to improve the credit quality of the portfolio, with non-performing loans ratio of 1.2% (2017:2.4%).

This was the first period whereby all banks were required to comply with the 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 (Credit Risk Classification and Provision on Impairment for Banks and Financial Institutions). As a result, new allowances were required for the year ended 31 December 2018 of US\$4.2mil on deposits and placements with other banks and off-balance sheet commitments.

LOAN QUALITY (USD MILLIONS)



FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2018

AND REPORT OF

THE INDEPENDENT

AUDITORS

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BANK	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, Cambodia
SHAREHOLDERS	ANZ Funds Pty Ltd. Royal Group Finance Co., Ltd.
DIRECTORS	Neak Oknha Kith Meng Alistair Marshall Bulloch William Mark Hanna Ratana Phurik-Callebaut Simon John Perkins Ong Guat Kee (Tracy) Felicity Rhiannon McKinnon (appointed on 2 May 2018) Oknha Kith Thieng (resigned on 13 March 2019)
MANAGEMENT TEAM	Alisdair Creanor , Chief Executive Officer Andrew Eagle , Chief Operating Officer Pheakdey Pok , Chief Financial Officer Nicholas Anzman , Chief Risk Officer Boren Kork , Head of Legal Sadat Math , Head of Human Resources Gareth Coleman , Head of Multinational Corporation and Transactional Banking Vyomesh Chandan , Head of Global Markets Vic Sisowath , Head of Retail Banking Narita Hang Chuon , Head of Local Corporates David Lin , Head of Research & Analysis (appointed on 18 September 2017 and rotated to Head of Credit on 30 November 2018) Tivea Touch , Head of Compliance (appointed on 27 February 2018 and resigned on 31 December 2018)
AUDITOR	KPMG Cambodia Ltd.

The Board of Directors (“the Board” or “the Directors”) have pleasure in submitting their report together with the audited financial statements of ANZ Royal Bank (Cambodia) Ltd (“the Bank”) for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

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

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

FINANCIAL RESULTS

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

	2018		2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Profit before				
income tax	26,461,095	106,320,680	30,203,634	121,932,071
Income tax				
expense	(4,235,520)	(17,018,319)	(8,240,275)	(33,265,990)
Net profit for				
the year	22,225,575	89,302,361	21,963,359	88,666,081

DIVIDENDS

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

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 subject to certain documents including the revised Memorandum and Articles of Association (“MAA”) to be submitted as advised by the NBC.

As at the date of these financial statements, the revised MAA to reflect the completed share sale transaction as well as the new composition of the Board of Directors above have not been submitted to NBC for final approval yet.

RESERVES AND PROVISIONS

The Bank has transferred its retained earnings amounting to US\$15,000,000 to general reserves, which was approved by the NBC on 5 October 2018.

BAD AND DOUBTFUL 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 bad and doubtful 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 doubtful 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 loans and advances, 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 Directors are 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 are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets and liabilities in the financial statements of the Bank misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

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

- 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
- 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 Directors, substantially affected by any item, transaction or event of a material and unusual nature.

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

EVENTS SINCE THE REPORTING DATE

At the date of this report, except as disclosed in 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.

DIRECTORS

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

Neak Oknha Kith Meng

Alistair Marshall Bulloch

William Mark Hanna

Ratana Phurik-Callebaut

Simon John Perkins

Ong Guat Kee (Tracy)

Felicity Rhiannon McKinnon (appointed on 2 May 2018)

Oknha Kith Thieng (resigned on 13 March 2019)

DIRECTORS' INTERESTS

None of the Directors held or dealt directly or indirectly in the shares of the Bank during the financial year, except for the information disclosed in Note 1 to the financial statements.

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 the 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 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 2018, 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 judgements and estimates and then apply them consistently;
- (ii) comply with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial statements or, if there have been any departures in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the financial statements;
- (iii) oversee the 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

APPROVAL OF THE FINANCIAL STATEMENTS

We hereby approve the accompanying financial statements together with the notes thereto as set out on pages 33 to 71 which present fairly, in all material respects, the financial position of the Bank as at 31 December 2018, and its financial performance and its cash flows for the year then ended, in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial statements.

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



William Mark Hanna
Director



Felicity Rhiannon McKinnon
Director

Phnom Penh, Kingdom of Cambodia
Date: 28 March 2019

TO THE SHAREHOLDERS OF ANZ ROYAL BANK (CAMBODIA) LTD

OPINION

We have audited the financial statements of ANZ Royal Bank (Cambodia) Ltd (“the Bank”), which comprise the balance sheet as at 31 December 2018, the income statement, the statements of changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information as set out on pages 33 to 71 (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 2018, and its financial performance and its cash flows for the year then ended in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial statements.

BASIS FOR OPINION

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

OTHER INFORMATION

Management is responsible for the other information. The other information comprises the Report of the Directors on pages 29 to 30, 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 auditor’s report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

In preparing the financial statements, management is responsible for assessing the 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.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

- 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



Nge Huy
Partner

Phnom Penh, Kingdom of Cambodia
28 March 2019

	Note	2018		2017	
		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Assets					
Cash and bank balances	5	113,660,766	456,688,958	130,172,537	525,506,532
Deposits and placements					
with other banks-net	6	283,456,109	1,138,926,646	393,400,215	1,588,156,668
Net loans and advances	7	437,065,535	1,756,129,320	379,321,080	1,531,319,200
Statutory deposits	8	100,312,344	403,054,998	110,670,688	446,777,567
Other assets	9	3,111,279	12,501,119	4,178,092	16,866,957
Intangible assets	10	26,464	106,332	54,503	220,029
Premises and equipment	11	3,704,110	14,883,114	4,839,615	19,537,526
Deferred tax assets, net	12	2,335,724	9,384,939	1,182,368	4,773,220
Total assets		943,672,331	3,791,675,426	1,023,819,098	4,133,157,699
Liabilities and shareholders' funds					
Liabilities					
Deposits from other banks		45,506,685	182,845,860	38,275,619	154,518,674
Deposits from customers	13	675,210,460	2,712,995,628	753,830,593	3,043,214,104
Provision for off-balance sheet					
commitments	22	1,298,527	5,217,482	-	-
Income tax liability	12	6,351,559	25,520,564	8,251,772	33,312,404
Provision for employee benefits	14	398,296	1,600,353	-	-
Payables and other liabilities	15	5,326,316	21,401,138	36,106,201	145,760,733
Total liabilities		734,091,843	2,949,581,025	836,464,185	3,376,805,915
Shareholders' funds					
Share capital	16	75,000,000	301,350,000	75,000,000	302,775,000
General reserves		57,000,000	229,026,000	42,000,000	169,554,000
Retained earnings		77,580,488	311,718,401	70,354,913	284,022,784
Total shareholders' funds		209,580,488	842,094,401	187,354,913	756,351,784
Total liabilities and shareholders' funds		943,672,331	3,791,675,426	1,023,819,098	4,133,157,699

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

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018		2017	
		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Interest income	17	36,808,200	147,895,348	33,231,912	134,157,229
Interest expense	18	(1,974,832)	(7,934,875)	(2,916,250)	(11,772,901)
Net interest income		34,833,368	139,960,473	30,315,662	122,384,328
Net fee, commission income and foreign exchange earnings	19	14,753,437	59,279,310	17,126,139	69,138,223
Operating income		49,586,805	199,239,783	47,441,801	191,522,551
Operating expenses	20	(21,078,866)	(84,694,883)	(20,109,011)	(81,180,077)
Regulatory allowances for deposits and placements with other banks	6	(2,915,219)	(11,713,350)	-	-
Reversal of allowance for bad and doubtful loans and advances	7	2,166,902	8,706,612	2,870,844	11,589,597
Provision for off-balance sheet commitments	22	(1,298,527)	(5,217,482)	-	-
Profit before income tax		26,461,095	106,320,680	30,203,634	121,932,071
Income tax expense	12	(4,235,520)	(17,018,319)	(8,240,275)	(33,265,990)
Net profit for the year		22,225,575	89,302,361	21,963,359	88,666,081

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

FOR THE YEAR ENDED 31 DECEMBER 2018

	Share Capital	General Reserves	Retained Earnings	Total
	US\$	US\$	US\$	US\$
Balance as at 1 January 2017	71,000,000	42,000,000	52,391,554	165,391,554
Net profit for the year	-	-	21,963,359	21,963,359
Transfer to share capital	4,000,000	-	(4,000,000)	-
Balance as at 31 December 2017	75,000,000	42,000,000	70,354,913	187,354,913
Balance as at 31 December 2017 (KHR'000 equivalents – Note 4)	302,775,000	169,554,000	284,022,784	756,351,784
Balance as at 1 January 2018	75,000,000	42,000,000	70,354,913	187,354,913
Net profit for the year	-	-	22,225,575	22,225,575
Transfer to general reserves	-	15,000,000	(15,000,000)	-
Balance as at 31 December 2018	75,000,000	57,000,000	77,580,488	209,580,488
Balance as at 31 December 2018 (KHR'000 equivalents – Note 4)	301,350,000	229,026,000	311,718,401	842,094,401

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

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018		2017	
		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Cash flows from operating activities					
Profit before income tax		26,461,095	106,320,680	30,203,634	121,932,071
Adjustments for:					
Amortisation		28,039	112,661	28,549	115,252
Depreciation		1,281,940	5,150,835	1,292,529	5,217,940
(Gain)/loss on disposal of premises and equipment		(99)	(398)	14,301	57,733
Written off of premises and equipment		31,886	128,118	-	-
Provision for off-balance sheet commitments		1,298,527	5,217,482	-	-
Provision for employees benefits		398,296	1,600,353	-	-
Regulatory allowance for deposits and placements with other banks		2,915,219	11,713,350	-	-
Reversal of allowance for bad and doubtful loans and advances		(2,166,902)	(8,706,612)	(2,870,844)	(11,589,597)
		30,248,001	121,536,469	28,668,169	115,733,399
Changes in:					
Deposits and placements with other banks		103,349,435	415,258,030	(63,349,435)	(255,741,669)
Loans and advances		(55,577,553)	(223,310,608)	(14,086,407)	(56,866,825)
Statutory deposits		10,358,344	41,619,826	8,644,962	34,899,712
Other assets		1,066,813	4,286,455	(509,756)	(2,057,885)
Deposits from customers		(71,389,067)	(286,841,271)	(71,229,635)	(287,554,036)
Payables and other liabilities		(30,779,885)	(123,673,579)	29,801,631	120,309,184
Cash used in from operations		(12,723,912)	(51,124,678)	(82,060,471)	(331,278,120)
Income taxes paid		(7,289,089)	(29,287,560)	(5,226,450)	(21,099,178)
Net cash used in operating activities		(20,013,001)	(80,412,238)	(87,286,921)	(352,377,298)
Cash flows from investing activities					
Purchase of premises and equipment		(189,965)	(763,279)	(870,236)	(3,513,143)
Proceeds from disposal of premises and equipment		11,743	47,183	7,304	29,485
Net cash used in investing activities		(178,222)	(716,096)	(862,932)	(3,483,658)

	Note	2018		2017	
		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Net decrease in cash and cash equivalents		(20,191,223)	(81,128,334)	(88,149,853)	(355,860,956)
Cash and cash equivalents at beginning of the year		420,223,317	1,696,441,531	508,373,170	2,052,302,487
Currency translation difference		-	(7,984,243)	-	-
Cash and cash equivalents at end of the year	21	400,032,094	1,607,328,954	420,223,317	1,696,441,531

Significant non-cash transactions

During the year, there was the following significant non-cash transaction:

	Note	2018		2017	
		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Conversion of the retained earnings to the general reserves		15,000,000	60,270,000	-	-
Conversion of the retained earnings to the share capital		-	-	4,000,000	16,148,000

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

FOR THE YEAR ENDED 31 DECEMBER 2018

1. ORGANISATION AND PRINCIPAL ACTIVITIES

ANZ Royal Bank (Cambodia) Ltd ("the Bank") is domiciled in Cambodia. The Bank is 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 Fund Pty Ltd entered into a share sale agreement with J Trust Co., Ltd. Refer to Note 16 for details.

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

The Bank had 409 employees as at 31 December 2018 (2017: 416 employees).

2. BASIS OF PREPARATION**(a) Statement of compliance**

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

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

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency

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

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

The financial statements are presented in US\$, which is the

Bank's functional currency. All amounts have been rounded to the nearest dollars, unless otherwise indicated.

(d) Use of estimates and judgements

The preparation of financial statements in accordance with CAS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of incomes and expenses during the reporting year. It also requires management to exercise its judgement in the process of applying the Bank's accounting policies. Although these estimates and judgements are based on the management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below.

(i) Impairment losses on loans and advances to customers and deposits and placements with other banks

The Bank followed the mandatory loan classification and provisioning as required by the 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. Loans and advances, other financial products and off-balance sheet financial commitments are classified into five classifications and the regulatory allowance is made depending on the classification concerned, regardless of the assets (except cash) pledged as collateral. The Directors believe that the loan aging (by past due days) as a basis to determine the loan classification is appropriate to determine the adequacy of its impairment losses on loans and advances so as to follow this Prakas.

(ii) Taxes

Taxes are calculated on the basis of current interpretation of the tax regulations. However, these regulations are subject to periodic variation and the ultimate determination of tax expenses will be made following inspection by tax authorities.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will have an impact on the income tax and deferred tax provisions in the period in which such determination is made.

(iii) Seniority indemnity

The present value of back pay seniority indemnity obligation depends on a number of factors that are determined by management using a number of assumptions such as turnover rates and discounted rate. The management used the average fixed deposit interest rate from other banks and MFIs as a discount rate to determine the present value of the estimated future cash outflows expected to be required to settle the back pay seniority indemnity obligation.

(e) New financial reporting frameworks

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

Circular 058 MoEF.NAC dated 24 March 2016 issued by the National Accounting Council of the Ministry of Economy and Finance allowed banks and financial institutions to further delay adoption of CIFRS until period beginning on or after 1 January 2019.

The Bank has not early adopted the new financial reporting frameworks in preparing these financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Financial instruments

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

(b) 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.

(c) Deposits and placements with other banks

Deposits and placements with other banks are carried at cost. The Bank provides regulatory allowance for impairment losses for deposits and placements with other banks at 1% (2017: Nil).

(d) Loans and advances

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

Loans are written off when there is no realistic prospect of recovery. Recoveries on loans previously written off and reversals of previous provisions are disclosed separately together with the net movement in the provision for bad and doubtful loans and advances in the income statement.

(e) Allowance for bad and doubtful loans and advances

Prior to 1 January 2018, the allowance for bad and doubtful loans and advances were calculated as follows:

Classification	Number of days past due	Allowance
Normal/standard	<30 days	1%
Special mention	30 days – 89 days	3%
Substandard	90 days – 179 days	20%
Doubtful	180 days – 359 days	50%
Loss	More than 359 days	100%

From 1 January 2018, the Bank followed the loan classification and provision as required by NBC's Prakas No. B7-017-344 dated 1 December 2017 on Credit Risk Grading and Provision on Impairment and Circular No. B7-018-001 dated 16 February 2018 on the Implementation of Prakas on Credit Risk Grading and Provision on Impairment, which require all banks and financial institutions ("Institution") to measure the impairment and provide sufficient allowance for bad and doubtful loans, deposits and placements with other banks and off-balance sheet items based on the new credit risk grading and provision.

All loans and advances are classified according to the repayment capacity of the counterparty. This repayment capacity is assessed through past payment experience, financial condition of the borrower, business prospective and cash flow projections, borrowers' ability and willingness to repay, financial environment, and quality of documentation.

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

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

Long-term loans (more than one year):

Normal/standard	<30 days	1%
Special mention	30 days – 89 days	3%
Substandard	90 days – 179 days	20%
Doubtful	180 days – 359 days	50%
Loss	More than 359 days	100%

The change in the credit risk grading and provisioning is applied prospectively and the effect of this change resulted in an increase in allowance for bad and doubtful loans for the year ended 31 December 2018 of US\$1,298,527.

In determining the above allowance, any collateral value other than cash deposits which has been pledged is disregarded except that, in the case of a loan classified as

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Allowance for bad and doubtful loans and advances (continued)

“loss”, all collateral may be utilised, at market values approved by the NBC.

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

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

Recoveries on loans previously written off are disclosed as other income in the income statement.

(f) Other credit-related commitments

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

Provision for off-balance sheet commitments are presented as a separate liability line item.

(g) Interest in suspense

Interest in suspense represents interest on non-performing loans and advances, that is recorded as a provision rather than income until it is realised on a cash basis.

Interest in suspense is presented as a deduction from loans and advances.

(h) Deposits and placements with the NBC

Deposits and placements with the NBC, including statutory deposit, are stated at cost.

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

(i) Other assets

Other assets are stated at the lower of cost and estimated realisable value. An estimate is made for doubtful receivables based on a review of outstanding amounts at the reporting date.

(j) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. Upon initial recognition, the leased assets are measured at an amount equal to the lower of its fair value and present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

All other leases are classified as operating leases. Operating leases are recognised as an expense on a straight-line basis over the lease term.

(k) 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.

(l) Premises and equipment

(i) Items of premises and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Where an item of premises and equipment comprises major components having different useful lives, they are accounted for as separate items of premises and equipment.

(ii) Depreciation of premises and equipment is charged to the income statement on a straight-line basis over the useful lives of the individual assets as follows:

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

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

(iii) Work in progress is not depreciated until such time as the items are completed and put into operational use.

(iv) Subsequent expenditure relating to an item of premises and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Bank. All other subsequent expenditure is recognised as an expense in the year in which it is incurred.

(v) Gains or losses arising from the retirement or disposal of an item of premises and equipment are determined as the difference between the estimated net disposal proceeds

and the carrying amount of the assets and are recognised in the income statement on the date of retirement or disposal.

- (vi) Fully depreciated premises and equipment are retained in the financial statements until disposed of or written off.

(m) Impairment of assets

(i) Financial assets

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

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

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

All impairment losses are recognised in the income statement.

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

(ii) Non-financial assets

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

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

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

(n) Deposits from customers and banks

Deposits from customers and banks are stated at cost.

(o) Payables and other liabilities

Payables and other liabilities are stated at their costs.

(p) General reserves

General reserves are set up for any overall financial risk of the Bank. The Board of Directors exercises its discretion for the use and maintenance of the general reserves.

(q) Provisions

Provisions are recognised in the balance sheet 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.

(r) Income recognition

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

Fee and commission received that are integral to the effective interest rate of a financial assets are recognised using the effective interest method. For example, loan commitment fees (together with related direct costs) are deferred and recognised as an adjustment to the effective interest rate on a loan once drawn.

Non yield-related application and activation lending fees received are recognised as income no later than when the loan is disbursed or the commitment to lend expires.

Fees charged for providing ongoing services that represent the recoupment of the costs of providing service (for example, maintaining and administering existing facilities) are recognised as income when service is provided.

(s) Interest expense

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

(t) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

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

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Income tax (continued)

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(u) Derivative financial instruments

Derivative financial instruments are contracts whose value is derived from one or more underlying price, index or other variable. They include swaps, forward rate agreements, futures, options and combinations of these instruments.

Derivative financial instruments are recognised initially at fair value with gains or losses from subsequent measurement at fair value being recognised in the income statement.

(v) Employee benefits

(i) Unutilised annual leave

The amounts expected to be paid in respect of employees' entitlements to annual leave are accrued at expected salary rates.

(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 have worked with the Bank for more than or equal 3 years and 7% on gross salary per month for those who have 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 other long-term employee benefits is the amount of the benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

(w) Related parties

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

Related companies refer to the parent companies, their ultimate parent companies and their subsidiaries and associates.

Under the Law on Banking and Financial Institutions, related parties include individuals who hold directly or indirectly a minimum of 10% of the capital of the Bank or voting rights therefore, or who participate in the administration, direction, management or the design and implementation of the internal controls of the Bank.

4. TRANSLATION OF UNITED STATES DOLLARS INTO KHMER RIEL

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

5. CASH AND BANK BALANCES

	2018		2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
<i>In Cambodia:</i>				
Cash on hand	42,343,395	170,135,761	40,163,850	162,141,462
Cash at banks				
National Bank of Cambodia	59,795,467	240,258,186	64,028,279	258,482,162
Other banks (*)	1,910,981	7,678,322	593,556	2,396,186
	104,049,843	418,072,269	104,785,685	423,019,810
<i>Outside Cambodia:</i>				
Cash at banks				
Related parties (*)	9,026,890	36,270,044	25,134,865	101,469,450
Others (*)	584,033	2,346,645	251,987	1,017,272
	9,610,923	38,616,689	25,386,852	102,486,722
	113,660,766	456,688,958	130,172,537	525,506,532

(*): As at 31 December 2018, the regulatory allowance at 1% amounting to US\$115,219 (2017: Nil) was included in Note 6.

The above amounts are analysed as follows:

	2018		2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
(a) By currency:				
US Dollars	81,241,276	326,427,447	110,251,047	445,083,477
Khmer Riel	27,386,012	110,036,996	13,906,999	56,142,555
Other	5,033,478	20,224,515	6,014,491	24,280,500
	113,660,766	456,688,958	130,172,537	525,506,532

(b) By interest rates (per annum):

	2018	2017
Related parties	0% - 2.14%	0% - 2.14%
Others	0% - 1.10%	0% - 1.10%

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

6. DEPOSITS AND PLACEMENTS WITH OTHER BANKS-NET

	2018		2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
<i>In Cambodia:</i>				
National Bank of Cambodia	6,371,328	25,599,996	60,467,050	244,105,481
Other local banks	105,000,000	421,890,000	207,933,165	839,426,187
	111,371,328	447,489,996	268,400,215	1,083,531,668
<i>Outside Cambodia (related parties):</i>				
ANZ Singapore	175,000,000	703,150,000	125,000,000	504,625,000
	286,371,328	1,150,639,996	393,400,215	1,588,156,668
Regulatory allowances	(2,915,219)	(11,713,350)	-	-
	283,456,109	1,138,926,646	393,400,215	1,588,156,668

The gross amounts are analysed as follows:

	2018		2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
(a) By maturity:				
Within 1 month	146,371,328	588,119,996	132,802,824	536,125,000
2 to 3 months	140,000,000	562,520,000	197,247,956	796,289,999
4 to 6 months	-	-	63,349,435	255,741,669
	286,371,328	1,150,639,996	393,400,215	1,588,156,668
(b) By currency:				
US Dollars	280,000,000	1,125,040,000	315,000,000	1,271,655,000
KHR	6,371,328	25,599,996	78,400,215	316,501,668
	286,371,328	1,150,639,996	393,400,215	1,588,156,668
(c) By interest rates (per annum):				
National Bank of Cambodia	0.93% - 1.00%		0.66% - 1.76%	
Other local banks	1.80% - 3.10%		1.35% - 2.00%	
ANZ Singapore	1.41% - 2.69%		0.89% - 1.60%	

7. NET LOANS AND ADVANCES

	2018		2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Term loans	121,358,434	487,618,188	114,032,746	460,350,196
Overdrafts	17,903,881	71,937,794	22,140,711	89,382,050
Housing loans	141,239,908	567,501,950	121,931,054	492,235,665
Trade finance loans	164,164,315	659,612,218	137,934,993	556,843,566
Credit cards	1,187,094	4,769,743	1,414,353	5,709,743
	445,853,632	1,791,439,893	397,453,857	1,604,521,220
Allowance for bad and doubtful loans and advances	(7,850,548)	(31,543,502)	(13,590,363)	(54,864,296)
Interest in-suspense	(937,549)	(3,767,071)	(4,542,414)	(18,337,724)
	437,065,535	1,756,129,320	379,321,080	1,531,319,200

The gross amounts are analysed as follows:

	2018		2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
(a) By maturity:				
Within 1 month	32,236,713	129,527,113	30,944,379	124,922,458
2 to 3 months	91,893,149	369,226,673	78,347,082	316,287,170
4 to 6 months	90,864,631	365,094,087	77,998,019	314,878,003
7 to 12 months	34,727,727	139,536,007	9,760,487	39,403,086
1 to 3 years	32,214,805	129,439,086	53,085,406	214,305,784
4 to 5 years	33,717,875	135,478,422	36,607,986	147,786,439
More than 5 years	130,198,732	523,138,505	110,710,498	446,938,280
	445,853,632	1,791,439,893	397,453,857	1,604,521,220
(b) By performance:				
Standard loans				
Secured	416,360,561	1,672,936,734	357,830,309	1,444,560,957
Unsecured	25,012,961	100,502,077	24,980,209	100,845,104
Special mention loans				
Secured	43,708	175,619	368,797	1,488,833
Unsecured	97,843	393,133	53,857	217,421
Sub-standard loans				
Secured	286,310	1,150,394	37,255	150,398
Unsecured	90,101	362,026	828,424	3,344,348
Doubtful loans				
Secured	643,840	2,586,949	21,730	87,724
Unsecured	22,476	90,309	387,015	1,562,380
Loss loans				
Secured	3,268,827	13,134,146	12,946,261	52,264,055
Unsecured	27,005	108,506	-	-
	445,853,632	1,791,439,893	397,453,857	1,604,521,220

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

7. NET LOANS AND ADVANCES (CONTINUED)

The gross amounts are analysed as follows: (continued)

	2018		2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
(c) By types:				
Commercial				
Overdrafts	17,903,881	71,937,794	22,140,711	89,382,050
Loans	121,358,434	487,618,188	114,032,746	460,350,196
Trade finance loans	164,164,315	659,612,218	137,934,993	556,843,566
Consumer				
Loans	141,239,908	567,501,950	121,931,054	492,235,665
Credit cards	1,187,094	4,769,743	1,414,353	5,709,743
	445,853,632	1,791,439,893	397,453,857	1,604,521,220
(d) By industry:				
Services	37,263,957	149,726,579	33,108,574	133,659,313
Wholesale and retail	153,325,235	616,060,794	127,198,370	513,499,820
Consumer items	133,819,576	537,687,056	118,603,612	478,802,782
Construction	550,000	2,209,900	-	-
Food industries	62,408,781	250,758,482	65,381,899	263,946,726
Manufacturing	25,325,586	101,758,205	23,396,638	94,452,228
Staff loans	12,604,789	50,646,042	8,295,601	33,489,341
Others	20,555,708	82,592,835	21,469,163	86,671,010
	445,853,632	1,791,439,893	397,453,857	1,604,521,220
(e) By currency:				
US Dollars	445,853,632	1,791,439,893	397,453,857	1,604,521,220
(f) By residency status:				
Residents	445,853,632	1,791,439,893	397,453,857	1,604,521,220
(g) By relationship:				
Third parties	432,123,347	1,736,271,608	387,884,843	1,565,891,110
Staff loans	12,604,789	50,646,042	8,295,601	33,489,341
Related parties	1,125,496	4,522,243	1,273,413	5,140,769
	445,853,632	1,791,439,893	397,453,857	1,604,521,220
(h) By exposure:				
Large exposures	94,643,600	380,277,985	77,683,464	313,608,144
Non-large exposures	351,210,032	1,411,161,908	319,770,393	1,290,913,076
	445,853,632	1,791,439,893	397,453,857	1,604,521,220

7. NET LOANS AND ADVANCES (CONTINUED)

The gross amounts are analysed as follows: (continued)

A "large exposure" is defined under NBC 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 gross exposure is the higher of the outstanding loans or commitments and the authorised loans or commitments.

	2018	2017
(i) By interest rates (per annum):		
Overdrafts	5.00% - 9.00%	4.77% - 9.00%
Commercial loans	1.25% - 15.40%	1.25% - 15.00%
Consumer loans		
Housing loans	3.25% - 12.50%	3.50% - 12.50%
Personal loans	8.00% - 29.40%	8.00% - 29.40%

The movement of the allowance for bad and doubtful loans and advances were as follows:

	2018		2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
At beginning of the year	13,590,363	54,864,296	16,728,666	67,533,625
Reversal of bad and doubtful loans and advances	(2,166,902)	(8,706,612)	(2,870,844)	(11,589,597)
Written off	(3,879,988)	(15,589,793)	(404,470)	(1,632,845)
Recovery from loans and advances written off	307,075	1,233,827	137,011	553,113
Currency translation difference	-	(258,216)	-	-
At end of the year	7,850,548	31,543,502	13,590,363	54,864,296

All loans and advances have been reviewed at the year end in accordance with the NBC guidelines, and in the opinion of the Directors and management, net balances are considered recoverable.

8. STATUTORY DEPOSITS

	2018		2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Statutory deposits on:				
Minimum share capital (a)	7,500,000	30,135,000	7,500,000	30,277,500
Customers' deposits (b)	92,812,344	372,919,998	103,170,688	416,500,067
	100,312,344	403,054,998	110,670,688	446,777,567

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

8. STATUTORY DEPOSITS (CONTINUED)

(a) Statutory deposits on minimum share capital

This is a capital guarantee deposit of 10% of the registered capital under the Article 1 of the Prakas No. B7-01-136 on banks' capital guarantee, dated 15 October 2001. This capital guarantee which is placed with the National Bank of Cambodia in US\$, is refundable only when the Bank ceases its operations in Cambodia. During the year, the interest earned at six month fixed rate of 0.62% per annum (2017: 0.18% per annum).

(b) Statutory deposit on customers' deposits

This is a reserve requirement which fluctuates depending on the level of the Bank's customers' deposits. It is maintained in compliance with the National Bank of Cambodia's Prakas No. B7-012-140 dated 13 September 2012 at the rates of 8% of customers' deposits in KHR and 12.5% in currency other than KHR. Pursuant to the National Bank of Cambodia's Prakas No. B7-018-282 on the maintenance of reserve requirements against commercial banks' deposits and borrowings, reserve requirements both in KHR and in other currencies bear no interest effective on 29 August 2018.

9. OTHER ASSETS

	2018		2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Interest receivable				
- Related parties	508,360	2,042,590	287,346	1,160,016
- Other	751,096	3,017,904	1,089,128	4,396,810
Deposits and prepayments	1,321,424	5,309,482	1,094,121	4,416,966
Derivative financial instruments	510,746	2,052,177	1,680,278	6,783,282
Others	19,653	78,966	27,219	109,883
	3,111,279	12,501,119	4,178,092	16,866,957

10. INTANGIBLE ASSETS

2018

	Computer and banking software	
	US\$	KHR'000 (Note 4)
Cost		
At 1 January 2018	907,684	3,664,320
Written off	(743,888)	(2,988,942)
Currency translation difference	-	(17,246)
At 31 December 2018	163,796	658,132
Less: Accumulated amortisation		
At 1 January 2018	853,181	3,444,291
Amortisation	28,039	112,661
Written off	(743,888)	(2,988,942)
Currency translation difference	-	(16,210)
At 31 December 2018	137,332	551,800
Carrying amounts		
At 31 December 2018	26,464	106,332

10. INTANGIBLE ASSETS (CONTINUED)

2017

	Computer and banking software	
	US\$	KHR'000 (Note 4)
Cost		
At 1 January 2017/31 December 2017	907,684	3,664,320
Less: Accumulated amortisation		
At 1 January 2017	824,632	3,329,039
Amortisation	28,549	115,252
At 31 December 2017	853,181	3,444,291
Carrying amounts		
At 31 December 2017	54,503	220,029

11. PREMISES AND EQUIPMENT

2018

	Computers	Furniture & equipment	Motor vehicles	Leasehold improvements	Work in progress	Total	
	US\$	US\$	US\$	US\$	US\$	US\$	KHR'000 (Note 4)
Cost							
At 1 January 2018	4,013,845	2,500,061	596,968	9,242,608	455,235	16,808,717	67,856,791
Additions	-	-	-	-	189,965	189,965	763,279
Transfers	267,827	89,996	-	124,965	(482,788)	-	-
Written off	(116,556)	(558,105)	(1,300)	(274,883)	-	(950,844)	(3,820,491)
Disposals	(11,881)	(29,777)	(167,580)	(181,015)	-	(390,253)	(1,568,037)
Reclassification	(2,530)	-	-	(1,879)	4,409	-	-
Currency translation difference	-	-	-	-	-	-	(319,366)
At 31 December 2018	4,150,705	2,002,175	428,088	8,909,796	166,821	15,657,585	62,912,176
Less: Accumulated depreciation							
At 1 January 2018	1,654,395	1,966,032	596,968	7,751,707	-	11,969,102	48,319,265
Depreciation	642,310	198,989	-	440,641	-	1,281,940	5,150,835
Written off	(108,671)	(546,704)	(1,300)	(262,283)	-	(918,958)	(3,692,373)
Disposals	(6,219)	(29,556)	(167,580)	(175,254)	-	(378,609)	(1,521,251)
Currency translation difference	-	-	-	-	-	-	(227,414)
At 31 December 2018	2,181,815	1,588,761	428,088	7,754,811	-	11,953,475	48,029,062
Carrying amounts							
At 31 December 2018	1,968,890	413,414	-	1,154,985	166,821	3,704,110	14,883,114

As at 31 December 2018, fully depreciated property and equipment with an original costing of US\$678,243 (2017: US\$40,686) are still in use. The written off amounts included the fully depreciated property and equipment with costs amounting to US\$950,844 (NBV: US\$31,886).

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

11. PREMISES AND EQUIPMENT (CONTINUED)

2017	Computers	Furniture & equipment	Motor vehicles	Leasehold improvements	Work in progress	Total	
	US\$	US\$	US\$	US\$	US\$	US\$	KHR'000 (Note 4)
Cost							
At 1 January 2017	3,837,182	3,584,924	596,968	8,886,465	1,465,508	18,371,047	74,163,917
Additions	-	-	-	-	870,236	870,236	3,513,143
Transfers	1,419,022	103,091	-	358,396	(1,880,509)	-	-
Disposals	(1,243,954)	(1,188,612)	-	-	-	(2,432,566)	(9,820,269)
Reclassification	1,595	658	-	(2,253)	-	-	-
At 31 December 2017	4,013,845	2,500,061	596,968	9,242,608	455,235	16,808,717	67,856,791
Less: Accumulated depreciation							
At 1 January 2017	2,361,745	2,978,739	596,968	7,150,082	-	13,087,534	52,834,375
Depreciation	526,201	164,626	-	601,702	-	1,292,529	5,217,940
Disposals	(1,233,597)	(1,177,364)	-	-	-	(2,410,961)	(9,733,050)
Reclassification	46	31	-	(77)	-	-	-
At 31 December 2017	1,654,395	1,966,032	596,968	7,751,707	-	11,969,102	48,319,265
Carrying amounts							
At 31 December 2017	2,359,450	534,029	-	1,490,901	455,235	4,839,615	19,537,526

12. INCOME TAX

(a) Deferred tax assets/(liabilities), net

Deferred tax assets/(liabilities) comprise:

	2018		2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Allowance for general and special mention loans and advances	1,143,300	4,593,779	775,377	3,130,197
Allowance for deposits and placements with other banks	583,044	2,342,671	-	-
Depreciation	569,579	2,288,568	569,023	2,297,146
Other	39,801	159,921	(162,032)	(654,123)
	2,335,724	9,384,939	1,182,368	4,773,220

12. INCOME TAX (CONTINUED)

(a) Deferred tax assets/(liabilities), net (continued)

The movement of net deferred tax assets and liabilities during the year is as follows:

	2018		2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Balance at beginning of year	1,182,368	4,773,220	1,275,496	5,149,177
Charged to/(credited from)				
income statement	1,153,356	4,634,185	(93,128)	(375,957)
Currency translation difference	-	(22,466)	-	-
Balance at end of year	2,335,724	9,384,939	1,182,368	4,773,220

(b) Income tax liability

	2018		2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Balance at beginning of the year	8,251,772	33,312,404	5,331,075	21,521,549
Income tax expense	5,388,876	21,652,504	8,147,147	32,890,033
Income tax paid	(7,289,089)	(29,287,560)	(5,226,450)	(21,099,178)
Currency translation difference	-	(156,784)	-	-
Balance at end of the year	6,351,559	25,520,564	8,251,772	33,312,404

(c) Income tax expense

	2018		2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Income tax expense	5,388,876	21,652,504	8,147,147	32,890,033
Deferred tax	(1,153,356)	(4,634,185)	93,128	375,957
	4,235,520	17,018,319	8,240,275	33,265,990

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

The reconciliation of income taxes computed at the statutory tax rate to the income tax shown in the income statement is as follows:

	2018		2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Profit before income tax	26,461,095	106,320,680	30,203,634	121,932,071
Income tax using statutory rate	5,292,219	21,264,136	6,040,727	24,386,415
Effect of non-deductible expense	394,938	1,586,861	420,763	1,698,620
Effect of tax reassessment	(1,451,637)	(5,832,678)	1,778,785	7,180,955
	4,235,520	17,018,319	8,240,275	33,265,990

The calculation of income tax expense is subject to the review and assessment of the tax authorities.

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

13. DEPOSITS FROM CUSTOMERS

	2018		2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Current accounts	427,640,075	1,718,257,821	474,307,876	1,914,780,895
Savings deposits	196,210,935	788,375,537	217,005,511	876,051,248
Fixed deposits	51,359,450	206,362,270	62,517,206	252,381,961
	675,210,460	2,712,995,628	753,830,593	3,043,214,104

The above amounts are analysed as follows:

	2018		2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
(a) By maturity:				
Within 1 month	632,771,793	2,542,477,064	703,691,291	2,840,801,742
2 to 3 months	14,307,437	57,487,282	16,246,706	65,587,952
4 to 6 months	12,372,662	49,713,356	18,656,333	75,315,616
7 to 12 months	15,679,690	63,000,994	15,157,385	61,190,363
1 to 5 years	78,878	316,932	78,878	318,431
	675,210,460	2,712,995,628	753,830,593	3,043,214,104
(b) By type of customer:				
Domestic corporations	370,876,812	1,490,183,031	376,259,286	1,518,958,738
Foreign corporations	1,799,269	7,229,463	7,725,209	31,186,669
Individuals	300,212,423	1,206,253,515	368,623,376	1,488,132,569
Other	2,321,956	9,329,619	1,222,722	4,936,128
	675,210,460	2,712,995,628	753,830,593	3,043,214,104
(c) By residency status:				
Residents	673,194,374	2,704,894,995	738,142,955	2,979,883,109
Non-residents	2,016,086	8,100,633	15,687,638	63,330,995
	675,210,460	2,712,995,628	753,830,593	3,043,214,104
(d) By relationship:				
Third parties	617,088,180	2,479,460,307	727,571,134	2,937,204,668
Related parties	58,122,280	233,535,321	26,259,459	106,009,436
	675,210,460	2,712,995,628	753,830,593	3,043,214,104
(e) By currency:				
US Dollars	656,415,812	2,637,478,733	733,762,779	2,962,200,339
Khmer Riel	16,613,087	66,751,384	16,209,494	65,437,727
Other	2,181,561	8,765,511	3,858,320	15,576,038
	675,210,460	2,712,995,628	753,830,593	3,043,214,104

13. DEPOSITS FROM CUSTOMERS (CONTINUED)

The above amounts are analysed as follows (continued):

	2018	2017
(f) By interest rates (per annum):		
Current accounts*	0.20% - 1.00%	0.20% - 1.00%
Savings deposits	0.00% - 0.50%	0.00% - 0.50%
Fixed deposits	0.30% - 5.50%	0.30% - 5.50%

*: This rate is applied to only Cash Management accounts.

14. PROVISION FOR EMPLOYEE BENEFITS

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

- Current pay: starting from 2019 onwards at the amounts equal to 15 days of wages and other benefits per year.
- Retrospective (back-pay): starting from 2021 onwards at the amounts equal to 6 days of net wages per year. The provision of back-pay seniority indemnity is calculated at a maximum amount of 6 months net wages (depends on the length of the service that the employee served) to the employee who has seniority before 2019.

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

Assumptions:

The following are the principal assumptions at the reporting date:

Discount rate: 7.00%(*)

Turnover rate: 10.37% - 20.96%

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

Movement of provision for employee benefits was as follows:

	2018		2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
At 1 January	-	-	-	-
Recognised in income statement	398,296	1,600,353	-	-
As at 31 December	398,296	1,600,353	-	-

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

15. PAYABLES AND OTHER LIABILITIES

	2018		2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Employee entitlements	1,137,362	4,569,921	946,775	3,822,131
Unearned revenue	516,297	2,074,481	470,856	1,900,846
Accruals	531,402	2,135,173	56,079	226,391
Interest payable	249,673	1,003,186	434,978	1,756,006
Banker's cheques	698,197	2,805,356	304,307	1,228,487
Due to related parties	202,569	813,922	30,194,625	121,895,701
Other tax payables	1,014,970	4,078,149	2,679,302	10,816,341
Derivative financial instruments	193,453	777,294	399,260	1,611,813
Others	782,393	3,143,656	620,019	2,503,017
	5,326,316	21,401,138	36,106,201	145,760,733

16. SHARE CAPITAL

	2018		2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Shares of US\$100 each:				
Issued and				
fully paid 750,000 shares				
(2017: 750,000 shares)	75,000,000	301,350,000	75,000,000	302,775,000

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 subject to certain documents including the revised Memorandum and Articles of Association ("MAA") to be submitted as advised by the NBC.

As at the date of these financial statements, the revised MAA to reflect the completed share sale transaction as well as the new composition of the Board of Directors above have not been submitted to the NBC for final approval yet.

17. INTEREST INCOME

	2018		2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Loans and advances	30,009,794	120,579,352	26,660,708	107,629,278
Placements with banks				
outside Cambodia	2,353,413	9,456,013	2,658,263	10,731,408
Placements with banks				
in Cambodia	4,444,993	17,859,983	3,912,941	15,796,543
	36,808,200	147,895,348	33,231,912	134,157,229

18. INTEREST EXPENSE

	2018		2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Fixed deposits	783,173	3,146,789	1,379,428	5,568,751
Savings deposits	594,317	2,387,966	712,008	2,874,376
Current deposits	597,342	2,400,120	824,814	3,329,774
	1,974,832	7,934,875	2,916,250	11,772,901

19. NET FEE, COMMISSION INCOME AND FOREIGN EXCHANGE EARNINGS

	2018		2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Fee and commission income:				
Trade and payment income	8,607,021	34,583,010	8,147,611	32,891,906
Lending fees	290,969	1,169,113	346,379	1,398,332
Other fees	4,737,332	19,034,600	4,796,242	19,362,429
	13,635,322	54,786,723	13,290,232	53,652,667
Fee and commission expense	(2,412,161)	(9,692,062)	(1,180,386)	(4,765,218)
Net fee and commission income	11,223,161	45,094,661	12,109,846	48,887,449
Foreign exchange earnings	3,530,276	14,184,649	5,016,293	20,250,774
	14,753,437	59,279,310	17,126,139	69,138,223

20. OPERATING EXPENSES

	2018		2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
(a) Personnel				
Salaries and wages	7,723,603	31,033,437	7,546,263	30,464,264
Performance reward scheme	1,401,931	5,632,959	1,223,523	4,939,362
Pension fund	320,850	1,289,175	313,636	1,266,149
Others	978,576	3,931,918	676,218	2,729,892
	10,424,960	41,887,489	9,759,640	39,399,667

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

20. OPERATING EXPENSES (CONTINUED)

	2018		2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
(b) Premises				
Rental	1,553,959	6,243,807	1,371,935	5,538,502
Utilities and other outgoings	926,821	3,723,967	1,021,516	4,123,860
Depreciation of leasehold improvements	440,641	1,770,496	601,702	2,429,071
Others	216,582	870,226	363,445	1,467,227
	3,138,003	12,608,496	3,358,598	13,558,660
(c) Computer				
Data communication	728,037	2,925,253	708,151	2,858,806
Depreciation and amortisation	670,349	2,693,462	554,750	2,239,526
Computer related expenses	588,710	2,365,437	753,920	3,043,575
	1,987,096	7,984,152	2,016,821	8,141,907
(d) Other operating expenses				
Inter-group expenses	1,202,278	4,830,753	1,338,038	5,401,659
Other tax penalty and interest	765,909	3,077,422	878,154	3,545,108
License and memberships fee	327,165	1,314,549	323,201	1,304,762
Depreciation of motor vehicles, furniture and equipment	198,989	799,538	164,626	664,595
Postage and stationery	173,781	698,252	173,537	700,569
Motor vehicles lease and rental	162,300	652,122	156,400	631,387
Travel	158,581	637,179	189,164	763,655
Advertising	149,325	599,988	173,167	699,075
Telephone	91,293	366,815	98,137	396,179
Professional fees	78,581	315,738	223,197	901,046
Freight and cartage	77,055	309,607	69,245	279,542
Written off of premises and equipment	31,886	128,118	-	-
(Gain)/loss on disposal of premises and equipment	(99)	(398)	14,301	57,733
ATM security expenses	18,100	72,726	18,915	76,360
Non-lending losses, frauds and forgeries	14,875	59,768	34,103	137,674
Others	2,078,788	8,352,569	1,119,767	4,520,499
	5,528,807	22,214,746	4,973,952	20,079,843
	21,078,866	84,694,883	20,109,011	81,180,077

21. CASH AND CASH EQUIVALENTS

	Note	2018		2017	
		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Cash and bank balances	5	113,660,766	456,688,958	130,172,537	525,506,532
Deposits and placements with banks	6	286,371,328	1,150,639,996	393,400,215	1,588,156,668
		400,032,094	1,607,328,954	523,572,752	2,113,663,200
Less: Balances with original maturity of 3 months or more					
Deposits and placements with banks		-	-	103,349,435	417,221,669
		400,032,094	1,607,328,954	420,223,317	1,696,441,531

22. 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:

	2018		2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Bank guarantees	11,657,868	46,841,314	15,213,460	61,416,738
Letters of credit	94,638,189	380,256,243	113,437,975	457,949,105
Unused portion of loans and advances	36,185,031	145,391,455	29,520,968	119,176,148
Foreign exchange commitments	5,960,742	23,950,261	66,587,276	268,812,833
	148,441,830	596,439,273	224,759,679	907,354,824

The Bank has made provision of US\$1,298,527 as at 31 December 2018 (2017: Nil) for off-balance sheet financial instruments following the National Bank of Cambodia's Prakas No. B7-017-344 dated 1 December 2017 and Circular No. B7-018-001 dated 16 February 2018 as stated in Note 3(f).

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

22. COMMITMENTS AND CONTINGENCIES (CONTINUED)

(b) Lease commitments

The Bank has operating lease commitments in respect of office and house rentals as follows:

	2018		2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Within 1 year	1,878,275	7,546,909	1,268,630	5,121,460
2 to 3 years	3,505,292	14,084,263	1,897,087	7,658,540
4 to 5 years	539,379	2,167,225	103,715	418,696
	5,922,946	23,798,397	3,269,432	13,198,696

(c) Taxation contingencies

The taxation system in Cambodia is relatively new and is characterised by numerous taxes and frequently changing legislation, which is subject to interpretation. Often, differing interpretations can arise. 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.

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.

The Enterprise Tax Audit Bureau of the General Department of Taxation ("GDT") has conducted a comprehensive tax audit from 1 January 2015 to 31 December 2017. As at the date of this report, the Bank is still waiting results awaiting from the GDT.

23. RELATED PARTY BALANCES AND TRANSACTIONS

(a) Identity of related parties

The Bank has a related party relationship with its direct and ultimate shareholders (Note 1), with entities owned and controlled by direct and ultimate shareholders, with its other Directors and with senior officers.

(b) Balances with related parties

Balances with related parties are disclosed in Notes 5, 6, 7(g), 9, 13(d) and 15.

23. RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)

(c) Transactions with related parties

During the year, there were the following significant transactions with related parties:

	2018		2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Related companies:				
Interest income	2,422,391	9,733,167	2,696,996	10,877,773
Interest expense	189,552	761,620	33,893	136,826
Rental expense	330,305	1,327,165	137,462	554,934
Purchase/transfer technology from				
ANZ Banking Group Limited	1,932,608	7,765,219	2,188,668	8,835,653

24. FINANCIAL RISK MANAGEMENT

Introduction and overview

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

- operational risk
- credit risk
- market risk
- liquidity 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 framework

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established the Asset and Liability (ALCO), Risk Management and Audit and Risk committees, which are responsible for developing and monitoring the Bank's risk management policies in their specified areas. All committees have both executive and non-executive members and report regularly to the Board of Directors on their activities.

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 Audit and Risk Committee is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank.

The Audit and Risk Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Committee.

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Operational risk

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

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

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

(b) Credit risk

Credit risk is risk of the financial loss to the Bank if a borrower or counterparty fails to meet its contractual obligations, and arises principally from the loans and advances.

(i) Management of credit risk

The lending activities are guided by the Bank's credit policy to ensure that the overall objectives in the area of lending are achieved; i.e., that the loan portfolio is strong and healthy and credit risks are well diversified. The credit policy documents the lending policy, collateral policy and credit approval processes, including the Bank's own internal grading system, and procedures implemented to ensure compliance with NBC Guidelines.

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

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

(ii) Exposure to credit risk

	2018		2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Loans and advances				
Individually impaired	4,338,559	17,432,330	14,220,685	57,408,905
Past due but not impaired	141,551	568,752	422,654	1,706,254
Neither past due nor impaired	441,373,522	1,773,438,811	382,810,518	1,545,406,061
	445,853,632	1,791,439,893	397,453,857	1,604,521,220
Allowance for bad and doubtful loans and advances	(7,850,548)	(31,543,502)	(13,590,363)	(54,864,296)
Interest in-suspense	(937,549)	(3,767,071)	(4,542,414)	(18,337,724)
	437,065,535	1,756,129,320	379,321,080	1,531,319,200

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(ii) Exposure to credit risk (continued)

Impaired loans and advances

Individually impaired loans and advances are loans and advances for which the Bank determines that there is objective evidence of impairment and it does not expect to collect all principal and interest due according to the contractual terms of the loans and advances. In compliance with NBC Guidelines, an allowance for doubtful loans and advances is made for loans and advances with payment overdue more than 31 days for short-term loans and advances and more than 90 days for long-term loans and advances. A minimum level of specific provision for impairment is made depending on the classification concerned, unless other information is available to substantiate the repayment capacity of the counterparty.

Past due but not impaired loans and advances

Past due but not impaired loans and advances are those for which contractual interest or principal payments are past due from 15 days to 30 days for short-term loans and advances and from 30 days to 89 days for long-term loans and advances, unless other information is available to indicate otherwise. In compliance with NBC Guidelines, such loans are classified as special mention with a specific provision of 3%.

Loans with renegotiated terms/restructured loans

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

Once the loan is restructured, it remains in the same category independent of satisfactory performance after restructuring. The classification is not improved unless there are no arrears in repayment of principal and interest within three instalments periods and within a period of not less than 3 months.

Write-off policy

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

Collateral

The Bank holds collateral against loans and advances in the form of mortgage interests over property and/or guarantees. Estimates of value are based on the value of collateral assessed on an annual basis.

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(ii) Exposure to credit risk (continued)

An estimate of the value of collateral held against loans and advances is shown below:

	2018		2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Against individually impaired:				
Land	6,117,689	24,580,874	19,281,423	77,839,105
Buildings	1,768,928	7,107,553	6,983,589	28,192,749
Past due but not impaired:				
Land	143,850	577,989	675,745	2,727,983
Buildings	127,720	513,179	278,550	1,124,506
	8,158,187	32,779,595	27,219,307	109,884,343

There are no non-financial assets obtained by the Bank during the year by taking possession of collateral held as security against loans and advances.

Concentration of credit risk

The analysis of concentrations of credit risk from loans and advances are shown in Note 7 to the financial statements.

(c) Market risk

Market risk is the risk of loss arising from adverse movement in the level of market prices or rates, the two key components being foreign currency exchange risk and interest rate risk.

Market risk arising from the trading activities is controlled by marking to market the trading positions against their predetermined market risk limits.

(i) Foreign currency exchange risk

Foreign currency exchange risk refers to the adverse exchange rate movements on foreign currency exchange positions taken from time to time. The Bank maintains a policy of not exposing itself to large foreign exchange positions. Any foreign currency exchange open positions are monitored against the operating requirements, predetermined position limits and cut-loss limits.

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

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(i) Foreign currency exchange risk (continued)

Concentration of currency risk

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

As at 31 December 2018	US\$'000 equivalent			Total
	US\$	KHR	Others	US\$'000
Financial assets				
Cash and bank balances	81,241	27,386	5,033	113,660
Deposits and placements with other banks – net	277,085	6,371	-	283,456
Net loans and advances	437,066	-	-	437,066
Other assets	1,770	-	-	1,770
Total financial assets	797,162	33,757	5,033	835,952
Financial liabilities				
Deposits from other banks	32,361	13,138	8	45,507
Deposits from customers	656,416	16,613	2,182	675,211
Provision for off-balance sheet commitments	1,299	-	-	1,299
Provision for employee benefits	398	-	-	398
Payables and other liabilities	3,797	-	-	3,797
Total financial liabilities	694,271	29,751	2,190	726,212
Net financial asset position	102,891	4,006	2,843	109,740
(KHR million equivalents – Note 4)	413,416	16,096	11,423	440,935

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(i) Foreign currency exchange risk (continued)

Concentration of currency risk (continued)

As at 31 December 2017	US\$'000 equivalent			Total
	US\$	KHR	Others	US\$'000
Financial assets				
Cash and bank balances	110,251	13,908	6,014	130,173
Deposits and placements with banks	315,000	78,400	-	393,400
Net loans and advances				
to customers	379,321	-	-	379,321
Other assets	3,057	-	-	3,057
Total financial assets	807,629	92,308	6,014	905,951
Financial liabilities				
Deposits from other banks	26,180	12,096	-	38,276
Deposits from customers	733,763	16,209	3,859	753,831
Payables and other liabilities	32,956	-	-	32,956
Total financial liabilities	792,899	28,305	3,859	825,063
Net financial asset position	14,730	64,003	2,155	80,888
(KHR million equivalents –Note 4)	59,465	258,380	8,700	326,545

(ii) Interest rate risk

Interest rate risk refers to the volatility in net interest income as a result of changes in the levels of interest rate and shifts in the composition of the assets and liabilities. Interest rate risk is managed through close monitoring of returns on investment, market pricing, cost of funds and through interest rate sensitivity gap analysis. The potential reduction in net interest income from an unfavourable interest rate movement is monitored against the risk tolerance limits set.

An analysis of the interest rate risk pertaining to the Bank's assets and liabilities is disclosed below.

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

2018	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	Non- interest sensitive	Weighted average interest Total	
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	%
Assets									
Cash and bank balances	113,660	-	-	-	-	-	-	113,660	1.07%
Deposits and placements with other banks-net	143,456	140,000	-	-	-	-	-	283,456	1.82%
Loans and advances	32,237	91,893	90,865	34,728	65,933	130,198	-	445,854	10.48%
- Allowance for bad and doubtful loans and advances	-	-	-	-	-	-	(7,850)	(7,850)	
- Interest in-suspense	-	-	-	-	-	-	(938)	(938)	
Other assets	-	-	-	-	-	-	1,770	1,770	
	289,353	231,893	90,865	34,728	65,933	130,198	(7,018)	835,952	
Liabilities									
Deposits from other banks	-	-	-	-	-	-	45,507	45,507	0%
Deposits from customers	632,771	14,307	12,373	15,681	79	-	-	675,211	1.25%
Provision for off-balance sheet commitments	-	-	-	-	-	-	1,299	1,299	
Provision for employee benefits	-	-	-	-	-	-	398	398	
Payables and other liabilities	-	-	-	-	-	-	3,797	3,797	
	632,771	14,307	12,373	15,681	79	-	51,001	726,212	
Maturity gap	(343,418)	217,586	78,492	19,047	65,854	130,198	(58,019)	109,740	
(KHR'million equivalents - Note 4)	(1,379,855)	874,261	315,381	76,531	264,601	523,136	(233,120)	440,935	

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

2017	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	Non- interest sensitive	Total	Weighted average interest
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	%
Assets									
Cash and bank balances	130,173	-	-	-	-	-	-	130,173	1.62%
Deposits and placements									
with other banks	132,803	197,248	63,349	-	-	-	-	393,400	1.33%
Loans and advances	30,944	78,347	77,998	9,761	89,693	110,711	-	397,454	7.32%
- Allowance for bad and doubtful loans and advances	-	-	-	-	-	-	(13,590)	(13,590)	
- Interest in-suspense	-	-	-	-	-	-	(4,543)	(4,543)	
Other assets	-	-	-	-	-	-	3,057	3,057	
	293,920	275,595	141,347	9,761	89,693	110,711	(15,076)	905,951	
Liabilities									
Deposits from other banks	-	-	-	-	-	-	38,276	38,276	
Deposits from customers	703,691	16,247	18,656	15,158	-	79	-	753,831	1.25%
Payables and other liabilities	30,000	-	-	-	-	-	2,956	32,956	1.60%
	733,691	16,247	18,656	15,158	-	79	41,232	825,063	
Maturity gap	(439,771)	259,348	122,691	(5,397)	89,693	110,632	(56,308)	80,888	
(KHR'million equivalents - Note 4)	(1,775,356)	1,046,988	495,304	(21,788)	362,091	446,621	(227,315)	326,545	

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Market risk (continued)

Fair value sensitivity analysis for fixed rate instruments

The Bank does not account for any fixed rate liabilities at fair value through profit or loss, and the derivatives as at the year-end are not significant. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable-rate instruments

The Bank does not have significant variable-rate instruments. Therefore, no cash flow sensitivity analysis for variable-rate instruments was presented.

(d) Liquidity risk

Liquidity risk relates to the ability to maintain sufficient liquid assets to meet its financial commitments and obligations when they fall due at a reasonable cost.

In addition to full compliance of all liquidity requirements, the management of the Bank closely monitors all inflows and outflows and the maturity gaps through periodical reporting. Movements in loans and customers' deposits are monitored and liquidity requirements adjusted to ensure sufficient liquid assets to meet its financial commitments and obligations as and when they fall due.

The following table provides an analysis of the financial liabilities of the Bank into relevant maturity groupings based on the remaining periods to repayment.

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

2018	Less than 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 year and 5 years	Over 5 years	No fixed terms	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Financial liabilities							
Deposits from other banks	-	-	-	-	-	45,507	45,507
Deposits from customers	632,771	14,307	28,133	-	-	-	675,211
Provision for off-balance sheet commitments	-	-	-	-	-	1,299	1,299
Provision for employee benefits	-	-	-	-	-	398	398
Payables and other liabilities	-	-	-	-	-	3,797	3,797
Total	632,771	14,307	28,133	-	-	51,001	726,212
(KHR' million equivalents - Note 4)	2,542,474	57,486	113,038	-	-	204,922	2,917,920
2017							
	Less than 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 year and 5 years	Over 5 years	No fixed terms	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Financial liabilities							
Deposits from other banks	-	-	-	-	-	38,276	38,276
Deposits from customers	703,691	16,247	33,893	-	-	-	753,831
Payables and other liabilities	30,000	-	-	-	-	2,956	32,956
Total	733,691	16,247	33,893	-	-	41,232	825,063
(KHR' million equivalents - Note 4)	2,961,911	65,589	136,826	-	-	166,453	3,330,779

(e) Capital management

(i) Regulatory capital

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

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

The NBC requires all the Banks to (i) fulfill the minimum capital requirements, and (ii) comply with solvency, liquidity and other requirements.

(ii) Capital allocation

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

25. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

The following calculations of other ratios are based on the audited financial statements of the Bank and are presented as required by the NBC in their Prakas No. B7-04-204 dated 29 December 2004.

No.	Other Ratios	Formula by NBC		2018			2017
				Calculation (in figure)		Ratio	Ratio
		Numerator	Denominator	Numerator (A)	Denominator (B)	A/B	A/B
		A	B	US\$	US\$	%	%
CAPITAL							
1	Equity to total assets	Equity	Total assets	209,580,488	943,672,331	22.21%	18.15%
2	Capital tier 1 to total assets	Capital tier 1	Total assets	191,630,009	943,672,331	20.31%	16.70%
3	Capital tier 1 to risk weighted assets	Capital tier 1	Risk weighted assets	191,630,009	611,790,728	31.32%	26.13%
4	Capital tier 1 + tier 2 to risk weighted assets	Capital tier 1 + tier 2	Risk weighted assets	200,257,491	611,790,728	32.73%	26.72%
5	Net worth to total assets	Net worth	Total assets	200,257,491	943,672,331	21.22%	17.07%
6	Solvency ratio	Net worth	Risk weighted assets	200,257,491	611,790,728	32.73%	26.72%
7	Debts to total assets	Total liabilities	Total assets	734,091,843	943,672,331	77.79%	81.85%
8	Debt to equity	Total liabilities	Equity	734,091,843	209,580,488	350.27%	450.95%
9	Dividend to net profit	Dividend	Net profit	-	22,225,575	-	-
ASSET QUALITY							
10	Banking reserve to total loans	Banking reserves	Total loans (gross)	57,000,000	445,853,632	12.78%	0.98%
11	Banking reserve to total assets	Banking reserves	Total assets	57,000,000	943,672,331	6.04%	0.38%
12	NPL to total loans	NPL	Total loans (gross)	4,480,111	445,853,632	1.00%	2.44%
13	NPL to total assets	NPL	Total assets	4,480,111	943,672,331	0.47%	0.94%
14	Classified assets to total loans	Classified assets	Total loans (gross)	4,480,111	445,853,632	1.00%	2.44%
15	Classified assets to total assets	Classified assets	Total assets	4,480,111	943,672,331	0.47%	0.94%
16	Classified assets to equity	Classified assets	Equity	4,480,111	209,580,488	2.14%	5.18%
17	Loan to related parties to total loans	Loan to related parties	Total loans (gross)	1,125,496	445,853,632	0.25%	0.32%
18	Large exposure to total loans	Large exposure	Total loans (gross)	145,943,673	445,853,632	32.73%	34.66%
19	Loan to related parties to net worth	Loan to related parties	Net worth	1,125,496	200,257,491	0.56%	0.72%
20	Large exposure to net worth	Large exposure	Net worth	145,943,673	200,257,491	72.88%	78.17%
21	General provision to total loans	General provision	Total loans (gross)	4,413,736	445,853,632	0.99%	0.98%
22	Specific provision to total loans	Specific provision	Total loans (gross)	3,436,905	445,853,632	0.77%	2.45%
23	Specific provision to NPL	Specific provision	NPL	3,436,905	4,480,111	76.71%	100.13%
24	All allowances to total assets	Total all allowances	Total assets	7,850,641	943,672,331	0.83%	1.32%
25	Loans to deposits	Total loans to non-bank customers (gross)	Customers' deposits	445,853,632	675,210,460	66.03%	52.72%

No.	Other Ratios	Formula by NBC		2018			2017
				Calculation (in figure)		Ratio	Ratio
		Numerator	Denominator	Numerator (A)	Denominator (B)	A/B	A/B
		A	B	US\$	US\$	%	%
EARNINGS							
26	Return on assets	Net profit	Total assets	22,225,575	943,672,331	2.36%	2.13%
27	Return on equity	Net profit	Equity	22,225,575	209,580,488	10.60%	11.72%
28	Gross yield	Interest income	Total assets	36,808,200	943,672,331	3.90%	3.22%
29	Net interest margin to total assets	Interest income-interest expense	Total assets	34,833,368	943,672,331	3.69%	2.94%
30	Other income to total assets	Other incomes	Total assets	14,753,437	943,672,331	1.56%	1.66%
31	Provision to total assets	Provisions	Total assets	(2,166,902)	943,672,331	-0.23%	-0.28%
32	Overhead to total assets	Non-interest expenses	Total assets	25,292,612	943,672,331	2.68%	1.95%
33	Net income before tax to total assets	Net income before tax	Total assets	26,461,095	943,672,331	2.80%	2.93%
34	Taxes to total assets	Taxes	Total assets	4,235,520	943,672,331	0.45%	0.80%
35	Interest margin to gross income	Interest income – Interest expense	Gross income	34,833,368	51,561,637	67.56%	60.20%
36	Non-interest income to gross income	Non-interest income	Gross income	14,753,437	51,561,637	28.61%	34.01%
37	Non-interest expense to gross income	Non-interest expense	Gross income	25,292,612	51,561,637	49.05%	39.93%
38	Times interest earned	Profit before tax + interest expense	Interest expense	28,435,927	1,974,832	14.40 times	11.36 times
LIQUIDITY							
39	Liquid asset	Liquid asset	Total assets	400,032,094	943,672,331	42.39%	50.72%
40	Short-term liabilities	Short-term liabilities (less than one year)	Total assets	720,717,145	943,672,331	76.37%	81.85%
41	Net liquid assets	Liquid assets – short-term liabilities	Total liabilities	(320,685,051)	734,091,843	-43.68%	-38.03%
42	Quick ratio	Quick assets*	Current liabilities	400,032,094	720,717,145	55.50%	61.97%
43	Deposits to total loans	Total customers' deposit	Total loans to non-bank customers (gross)	720,717,145	445,853,632	161.65%	189.66%

(*): Quick assets = cash + gold + deposits with the NBC (excluding capital guarantee and reserve requirement) + deposits with other banks.



PHNOM PENH BRANCHES

- **Kramoun Sar Branch (Head Office)**
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

Or by phone on:
 Local: 023 999 000
 International: +855 23 999 000
 Email: ccc@anz.com
 SWIFT: ANZBKHPP

PROVINCIAL BRANCHES

- **Siem Reap Phsar Kandal Branch**
566, 568 & 570, Street Tep Vong
- **Sihanoukville Branch**
219, Vithey Ekreach
- **Battambang Branch**
2, 4 & 6, Street 1
- **Kampong Cham Branch**
Preah Monivong & Neary Rath Kosamak Street

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