DGB Financial Group, Korea

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DGB Specialized Bank

ANNUAL REPORT 2019

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VISION

TO BE A LEADING FINANCIAL INSTITUTION IN SOUTH EAST ASIA.

MISSION

TO BECOME A LEADING COMMERCIAL BANK WITH QUALITY ASSETS, EXCELLENT RISK MANAGEMENT PRACTICES, AND TO BE LISTED ON THE PHNOM PENH STOCK EXCHANGE.

DYNAMIC BANK WITH HIGHLY MOTIVATED STAFF

MESSAGE FROM CEO

The year 2019 has been an eventful one and I take pleasure to share with all our stakeholders the progress achieved by DGB Specialized Bank Plc. In this report, I will touch on the key highlights arising from more than a decade of growth for our bank, Cambodia and the global economy.

The Bank has once again chalked up a spectacular net income growth of 57.9% from USD6,426,258 (in FY 2018) to USD10,149,393 (in FY 2019) on the back of the Bank's total assets of USD142 million (in FY 2018) to USD205 million (in FY2019) a 44.3% annual asset growth. This is remarkable and in line with the Bank's business plan and targets.

The business strategies and plans of our Bank have been made possible from the contribution of its dedicated, well trained and committed human resources. The quality of human resource is very important to achieve the desired outcome of any financial institution and more so in the light of continuing intense competition in the banking industry where service quality and standards are paramount. In this respect, DGB Specialized Bank remains focused in building its growing human resource asset by providing them with a solid foundation based on high value training programs and workshops. This will enable every individual in the Bank to be equipped with the necessary skills and experience to do their job and meet their daily challenges. It is not surprising therefore that the quality of the employees of the Bank is already well recognized by the market.

In 2019, the following activities and training were conducted:

- All new staff undergo a mandatory minimum 5 days training;
- Various in house training courses at a branch level;
- External banking courses;
- Local workshop in Siem Reap Province for managers;
- Overseas workshop in Taiwan in May 2019 which was attended by 103 staff and 14 Family members.

We enter 2020 with strength and momentum after a decade of transformative change. Our capital, liquidity and capacity to serve clients are excellent, and we are delivering strong earnings. Our services are best in class, and we continue to improve them. Our team gets stronger every day, as we continue to invest heavily to make sure we are the best place to work.

However, the start of the year 2020 is also marred by the advent of the COVID 19 pandemic that has shocked the world and many economies will experience economic recession this year for certain. Cambodia will also have its fair share of economic pain like many other ASEAN countries. The current circumstances therefore require our Bank to be more prudent and take necessary steps to strengthen our risk management activities to avoid spiking of problem loans but also to help customers genuinely affected by this pandemic through appropriate debt restructuring exercise.

Notwithstanding the current COVID pandemic, to support Bank's future business growth, management of the Bank has also decided to change our Core Banking System which is expected to be completed in February 2021. A Task Force Team was set up to look into the implementation of the new Core Banking System, which will provide a more stable and efficient platform for the Bank to improve its delivery channels, provide new products and services including mobile banking and credit cards.

For and on behalf of DGB management, I would like to express my sincere thanks to our customers for their continued to support and confidence in the Bank. Concurrently, I would like to take this opportunity to express my deep appreciation to our dedicated Board of Directors, management and staff for their invaluable contribution and hard work which has led to the good performance of the Bank.

Finally, I am also grateful to the National Bank of Cambodia for their continuous guidance and support.

Sincerely yours,

Lee Yong Man, CEO

OUR PRODUCTS

GENERAL LOAN

These loans are generally provided for working capital purposes and current business expansion. The repayment of principal and interest is based on the borrowers' regular income stream and collateral secured by property.

CAR LOAN

These loans are provided to borrowers who want to buy a car for personal use.

HOUSING LOAN

These loans are provided to borrowers who want to buy or construct houses for their own needs.

TRAINING

CSR

ទិចាត់ការ

ពួកយើងគាំទ្រ ក្តីសុបិន្ត និង ក្តីសង្ឃឹមរបស់កុមារកម្ពុជា
캄보디아 학생 여러분들의 꿈과 희망을 응원합니다.

KEY MILESTONES

2009
Issuance of the approval in principal from NBC

2010
Issuance of the main license from NBC (Microfinance Institution)

Total Assets: USD 5,468,927
Interest Income: USD 462,625
NIAT: USD 13,260

2011
New Branch Opening (PDT Branch)

Registration of trade mark at MOC

Total Assets: USD 11,933,949
Interest Income: USD1,505,050
NIAT: USD229,865

2012
Total Assets: USD 20,930,852
Interest Income: USD 2,872,392
NIAT: USD 516,641

2013
Issuance of the main license from NBC as Cam Capital Specialized Bank Plc

Total Assets: USD 32,146,123
Interest Income: USD 4,409,025
NIAT: USD 814,632

2014
New Branch (CHC Branch)

Total Assets: USD 44,073,316
Interest Income: USD 6,018,180
NIAT: USD 1,785,172

2015
New Branches Opening
(RSK and BKK Branch)

Total Assets: USD 63,851,888
Interest Income:USD 8,497,007
NIAT: USD 1,927,835

2016
Total Assets: USD 86,019,889
Interest Income: USD 11,473,996
NIAT: USD 3,395,256

2017
Total Assets: USD 106,565,345
Interest Income: USD 14,087,148
NIAT: USD 4,281,433

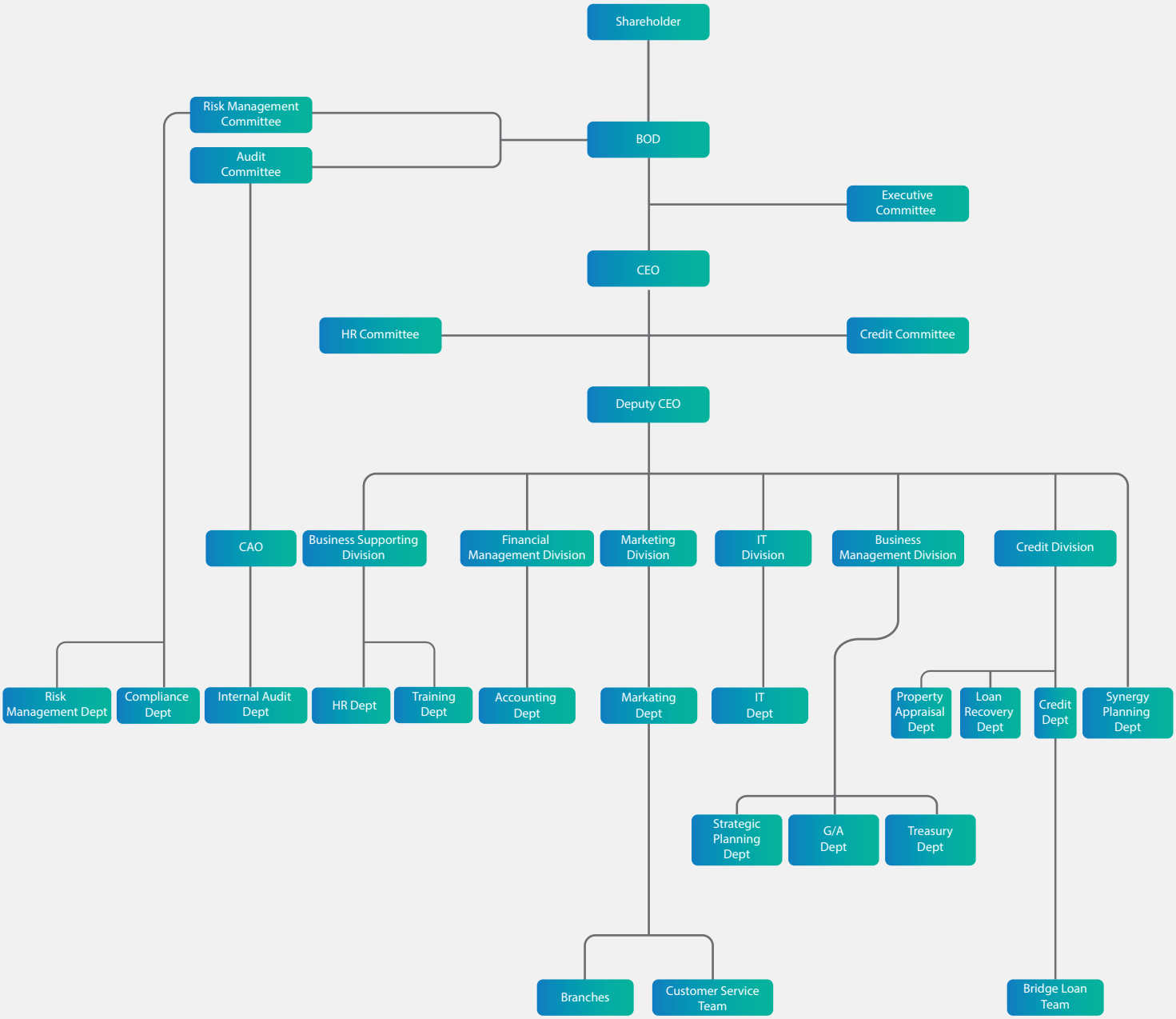
2018
New shareholder: Daegu Bank,
South Korea
New Branches Opening (OLP
and SMC Branch)

Total Assets: USD 142,487,676
Interest Income: USD 18,049,627
NIAT: USD 6,426,258

2019
New Branch Opening
(SKK Branch)

Total Assets: USD 204,761,118
Interest Income:USD 23,201,471
NIAT: USD 10,149,393

ORGANIZATION CHART



SHAREHOLDERS

The share capital structure and details of authorized and registered shareholding are as follows:

	% of Ownership	2019 Number of shares	Amount US$	% of Ownership	2018 Number of shares	Amount US$
Daegu Bank	100%	75,000,000	75,000,00	100%	75,000,000	75,000,000
	100%	75,000,000	75,000,000	100%	75,000,000	75,000,000

BOARD OF DIRECTORS

OH SUNG HO

Education:

Master of Management at Daegu Catholic University

Work Experience:

Head of Global Business Division at DGB Korea (Current)

KOH BOCK SWI

Education:

- Bachelor of Business Administration, National University of Singapore
- Executive Program (Investment Strategy & Management Program), Kellogg, Northwestern University, Chicago, USA

Work Experience:

- Independent Commissioner, PT Malido Feedmill, Indonesia (Current)
- Independent Director, TT International Limited, Singapore (Current)
- Regional Credit Manager & Vice President, Arab Bank Plc, Singapore

LEE DONG YOUL

Education:

- Master of Business Administration, Kyungpook National University, South Korea
- Bachelor of Business Administration, Yeungnam University, South Korea

Work Experience:

- Chief Operating Officer, J&COCEU Co., Ltd, (Current)
- General Manager, Daegu Bank, South Korea

LEE YONG MAN

Education:

- Master of Arts in Economics, Yonsei University, South Korea
- Accelerate Development Program, The University of Chicago Booth School of Business, Chicago, USA

Work Experience:

- CEO, DGB Specialized Bank Plc (Current)
- Deputy CEO, Phnom Penh Commercial Bank
- Chief Representative, Arab Bank Plc, Hong Kong
- Vice President, Arab Bank Plc, Singapore
- Assistant Vice President, Arab Bank Plc, Singapore

LEE SANG RAE

Education:

- Master of Financial Engineering, Korean Advance Institute of Science and Technology (KAIST) , South Korea
- Bachelor of Business Administrator, Kyungpook National University, South Korea

Work Experience:

- Deputy Chief Executive Officer, DGB Specialized Bank Plc (Current)
- General Manager, Daegu Bank, South Korea

LEE JOON SANG

Education:

Master of Business Administration, Korea Advance Institute of Science and Technology (KAIST), South Korea

Work Experience:

General Manager of Global Business Department at DGB Korea (Current)

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MANAGEMENT TEAM

LEE YONG MAN
Chief Executive Officer

Education

- Master of Trade Economics, Yonsei University, South Korea
- Accelerate Development Program, The University of Chicago Booth School of Business, Chicago, USA

Work Experience

- Deputy CEO, Phnom Penh Commercial Bank, Cambodia
- Chief Representative, Arab Bank Plc, Hong Kong
- Vice President, Arab Bank Plc, Seoul
- Vice President, Arab Bank Plc, Singapore
- Assistant Vice President, Arab Bank Plc, Singapore

LEE SANG RAE
Deputy Chief Executive Officer

Education

- Master of Financial Engineering, Korean Advance Institute of Science and Technology (KAIST), South Korea
- Bachelor of Business Administrator, Kyungpook National University, South Korea

Work Experience

- General Manager, Daegu Bank, South Korea

PET RAVY
Chief Credit Officer/
Vice President

Education

- Master of Business Administration, Financial Management, Royal University of Law and Economics

Work Experience

- Head of Credit, Credit for Poor Resident Development Organization
- Chief of Credit Officer, Acleda Bank Plc.

MAO NIMOL
Chief Human Resources Officer/ Vice President

Education

Master of Business Administration, General Management, National University of Management

Work Experience

CEO Executive Secretary & Loan Admin Officer, Phnom Penh Commercial Bank

NGET BUNTHOEUN
Chief Operating Officer/ Vice President

Education

Master of Business Administration, General Management, National University of Management

Work Experience

Medium Credit Officer, Acleda Bank Plc.

YUN SOPHAL
Chief Financial Officer/ Vice President

Education

- Master of Business Administration, Enterprise Management, Huazhong University of Science and Technology, China
- Bachelor of Economic, Finance and Banking, Royal University of Law and Economics.

Work Experience

- Head of Finance Department, LOLC (Cambodia)
- Finance Manager, ANZ Royal Bank
- Assistant Manager of Budgeting and Control Unit, Acleda Bank Plc.

SIN SOK
Chief Audit Officer/
Vice President

Education

- Pursuing CPA, ACCA through CamEd Business School
- Master of Business Administration, Financial Management, Royal University of Law and Economics

Work Experience

- Internal Audit Manager, Seilanithih Microfinance Institution

KIM JOON YOUNG
Chief Strategic Planning Officer/
Vice President

Education

Master of Finance, Korea Advance Institute of Science and Technology (KAIST)

Work Experience

Manager of Investment Banking Department, Daegu Bank, South Korea

MOUK MARDETH
Compliance Manager

Education

Master of Business Administration, Business Management, Norton University

Work Experience

Assistant Vice President and Manager of Report and Compliance Audit Unit, Acleda Bank Plc.

MEY VANNAK
Credit Manager

Education

Bachelor of Business Administration, Finance and Banking, National University of Management

Work Experience

Credit Officer, Acleda Bank Plc.

YOUK SOTHUN
Branch General Manager

Education

Master of Business Administration, Financial Management, National University of Management

Work Experience

Chief of Credit Officer, Acleda Bank Plc.

PEN SAMROUL
Branch General Manager

Education

Master of Business Administration, General Management, National University of Management

Work Experience

Medium Credit Officer, Acleda Bank Plc.

SARA KUNTHEARITH
Branch General Manager

Education

Bachelor of Business Administration, Finance and Banking, Royal University of Law and Economics

Work Experience

Trade Finance Credit Officer, Acleda Bank Plc.

TE VUTHEA
Branch General Manager

Education

Bachelor of Business Administration, Finance and Banking, Royal University of Law and Economics

Work Experience

Medium Credit Officer, Acleda Bank Plc.

CHAN ROTHA
Branch General Manager

Education

Master of Business Administration, Business Management, Cambodia University of Specialties

Work Experience

Credit Officer, Thaneakea Phum Cambodia Ltd.

PHANG SOKOUEN
Branch General Manager

Education

Bachelor of Business Administration, Finance and Banking, Human Resources University

Work Experience

Client Officer, AMK Microfinance Plc.

NHEK VISAL
Branch General Manager

Education

Bachelor of Business Administration, Management, Human Resource University

Work Experience

Credit Agent, Sathapana Bank Plc.

DY CHANTHY
Branch General Manager

Education

Bachelor of Business Administration, Rubber Plantation, Kompong Cham National School of Agriculture.

Work Experience

Credit Officer, Kredit Microfinance Plc.

FINANCIAL HIGHLIGHT

	2019	2018
OPERATING RESULT (USD)		
Net income before income tax	12,442,263	8,138,074
Net income for the year	10,149,393	6,426,258
Total assets	204,761,118	142,487,676
Loan to customers	191,283,277	135,064,102
Total liabilities	100,108,200	47,984,151
Paid-up capital	75,000,000	75,000,000
Shareholder's equity	104,652,918	94,503,525
Return on asset (ROA)	5.5%	5.2%
Return on equity (ROE)	9.8%	10.0%
Return on investment (ROI)	7.4%	7.9%
Non-performing loan (NPL)	0.2%	0.2%

REPORT OF THE BOARD DIRECTORS

The Board of Directors ("the Directors" or "the Board") hereby submit their report together with the audited financial statements of DGB Specialized Bank Plc. ("the Bank") for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Bank is principally engaged in all aspects of specialised banking business and the provision of related financial services in the Kingdom of 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 2019 were as follows

	2019	2018	2019	2018
	US$	US$	KHR'000	KHR'000
			(Note 5)	(Note 5)
Profit before income tax	12,442,263	8,138,074	50,416,050	32,918,509
Income tax expense	(2,292,870)	(1,711,816)	(9,290,709)	(6,924,296)
Net profit for the year	10,149,393	6,426,258	41,125,341	25,994,213

DIVIDENDS

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

SHARE CAPITAL

There was no change in the registered and issued share capital during the year under audit.

RESERVES AND PROVISIONS

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

LOSSES ON LOANS TO CUSTOMERS

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 to customers and the making of allowance for doubtful loans to customers, and satisfied themselves that all known bad loans to customershad been written off and adequate allowance had been made for losses loans and advances.

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

CURRENT ASSETS

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

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

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

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

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF UNUSUAL NATURE

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

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

EVENTS SINCE THE REPORTING DATE

At the date of this report, except as disclosed in Note 32 to the financial statements, there have been no significant events occurring after the reporting date which would require adjustments or disclosures to be made in the financial statements.

THE BOARD OF DIRECTORS

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

MR. OH SUNG HO	Chairman
MR. LEE YONG MAN	Director
MR. LEE SANG RAE	Director
MR. LEE JOON SANG	Director
MR. LEE DONG YOUL	Independent Director
MR. KOH BOCK SWI	Independent Director

DIRECTORS' INTERESTS

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

DIRECTORS' BENEFITS

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

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

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

APPROVAL OF THE FINANCIAL STATEMENTS

We, the undersigned, do hereby approve the accompanying financial statements together with the notes thereto, in our opinion, present fairly, in all material respects, the financial position of the Bank as at 31 December 2019, and its financial performance and its cash flows for the year then ended, in accordance with CIFRSs.

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

Mr. Lee Yong Man
Chief Executive Officer

Phnom Penh, Kingdom of Cambodia

Date: 21 APR 2020

REPORT OF THE INDEPENDENT AUDITORS

To The Shareholder Of DGB Specialized Bank Plc.

OPINION

We have audited the financial statements of DGB Specialized Bank Plc. ("the Bank"), which comprise the statement of financial position as at 31 December 2019, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information as set out on pages 34 to 91 (hereafter referred to as "the financial statements").

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

BASIS FOR OPINION

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

OTHER MATTER

As stated in Note 31 to the financial statements, the Bank adopted CIFRSs on 1 January 2019 with a transition date of 1 January 2018. These standards were applied retrospectively to the comparative information in these financial statements, including the statement of financial position as at 31 December 2018 and 1 January 2018, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year ended 31 December 2018 and related explanatory notes disclosures. We were not engaged to audit on the restated comparative information and it is unaudited. Our responsibilities in respect of this comparative information are to determine whether the financial statements include the comparative information required by CIFRSs and whether such information is appropriately classified.

OTHER INFORMATION

Management is responsible for the other information. The other information obtained at the date of this auditors' report is the Report of the Board of Directors on pages 27 to 29, and the annual report, which is expected to be made available to us after that date. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance CIFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

For KPMG Cambodia Ltd.

Taing YoukFong
Partner

Phnom Penh, Kingdom of Cambodia

21 April 2020

FINANCIAL REPORT

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STATEMENT OF FINANCIAL POSITION

As At 31 December 2019

		31 December		31 December			1 January
		2019	**2018**	**2019**	**2018**		**2018**
	Note	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
Assets							
Cash and cash equivalents	6	4,847,194	370,086	19,752,316	1,487,006	590,763	2,384,910
Statutory deposits	7	3,750,000	3,750,000	15,281,250	15,067,500	1,000,000	4,037,000
Loans to customers– net	8	191,283,277	135,064,102	779,479,354	542,687,562	104,258,334	420,890,894
Other assets	9	571,330	466,884	2,328,170	1,875,940	376,604	1,520,351
Intangible assets	10	178,079	186,068	725,672	747,621	99,497	401,669
Property and equipment	11	1,934,337	956,011	7,882,423	3,841,252	534,371	2,157,256
Right-of-use assets	12	1,875,328	1,694,525	7,641,962	6,808,601	1,125,647	4,544,237
Deferred tax assets – net	17A	321,573	-	1,310,410	-	-	-
Total assets		204,761,118	142,487,676	834,401,557	572,515,482	107,985,216	435,936,317
Liabilities And Shareholder's Equity							
Liabilities							
Borrowings	13	95,157,313	44,059,782	387,766,050	177,032,204	72,502,778	292,693,715
Lease liabilities	14	1,972,815	1,744,106	8,039,221	7,007,818	1,125,647	4,544,237
Other liabilities	15	316,819	303,572	1,291,039	1,219,753	201,636	814,004
Provisions for employee benefits	16	330,000	330,000	1,344,750	1,325,940	-	-
Current income tax liability	17B	2,331,253	1,546,691	9,499,856	6,214,604	1,077,888	4,351,434
Total liabilities		100,108,200	47,984,151	407,940,916	192,800,319	74,907,949	302,403,390
Shareholder's equity							
Share capital	18	75,000,000	75,000,000	300,000,000	300,000,000	20,000,000	80,000,000
Reserves	19	3,000,000	3,000,000	12,000,000	12,000,000	3,000,000	12,000,000
Regulatory reserves	20	1,759,082	1,250,422	7,110,806	5,049,716	1,030,153	4,158,728
Retained earnings		24,893,836	15,253,103	100,690,675	61,626,424	9,047,114	36,523,199
Currency translation reserves		-	-	6,659,160	1,039,023	-	851,000
Total shareholder's equity		104,652,918	94,503,525	426,460,641	379,715,163	33,077,267	133,532,927
Total liabilities and shareholder's equity		204,761,118	142,487,676	834,401,557	572,515,482	107,985,216	435,936,317

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Note	2019 US$	2018 US$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)
Operating income					
Interest income	21	23,201,471	18,049,627	94,012,360	73,010,741
Interest expense	22	(3,273,854)	(3,511,866)	(13,265,656)	(14,205,498)
Net interest income		19,927,617	14,537,761	80,746,704	58,805,243
Other operating income	23	875,489	691,594	3,547,481	2,797,498
Total operating profit		20,803,106	15,229,355	84,294,185	61,602,741
Personnel expenses	24	(5,024,316)	(4,372,197)	(20,358,528)	(17,685,537)
Depreciation and amortisation		(963,189)	(714,456)	(3,902,842)	(2,889,975)
General and administrative expenses	25	(2,113,504)	(1,828,593)	(8,563,918)	(7,396,659)
Total operating expenses		(8,101,009)	(6,915,246)	(32,825,288)	(27,972,170)
Operating profit before impairment		12,702,097	8,314,109	51,468,897	33,630,571
Impairment losses on financial instruments	8	(259,834)	(176,035)	(1,052,847)	(712,062)
Profit before income tax		12,442,263	8,138,074	50,416,050	32,918,509
Income tax expense	17C	(2,292,870)	(1,711,816)	(9,290,709)	(6,924,296)
Net profit for the year		10,149,393	6,426,258	41,125,341	25,994,213
Other comprehensive income					
Currency translation reserves		-	-	5,620,137	188,023
Total comprehensive income for the year		10,149,393	6,426,258	46,745,478	26,182,236

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Share capital		Reserves	
	US$	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
Balance as at 1 January 2018	20,000,000	80,000,000	3,000,000	12,000,000
Transactions recognised directly in equity				
Share capital issuance	55,000,000	220,000,000	-	-
Transfers from retained earnings to regulatory reserves	-	-	-	-
Comprehensive income				
Net profit for the year	-	-	-	-
Currency translation differences	-	-	-	-
	-	-	-	-
Balance as at 31 December 2018	75,000,000	300,000,000	3,000,000	12,000,000
Balance as at 1 January 2019	75,000,000	300,000,000	3,000,000	12,000,000
Transactions recognised directly in equity				
Transfers from retained earnings to regulatory reserves		-	-	-
Comprehensive income				
Net profit for the year	-	-	-	-
Currency translation differences	-	-	-	-
	-	-	-	-
Balance as at 31 December 2019	75,000,000	300,000,000	3,000,000	12,000,000

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

Regulatory reserves		Retained earnings		Currency translation differences		Total	
US$	KHR'000 (Note 5)	US$	KHR'000 (Note 5)	US$	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
1,030,153	4,158,728	9,047,114	36,523,199		851,000	33,077,267	133,532,927
-	-	-	-	-	-	55,000,000	220,000,000
220,269	890,988	(220,269)	(890,988)	-	-	-	
-	-	6,426,258	25,994,213	-	-	6,426,258	25,994,213
-	-	-	-	-	188,023	-	188,023
-	-	6,426,258	25,994,213	-	188,023	6,426,258	26,182,236
1,250,422	5,049,716	15,253,103	61,626,424	-	1,039,023	94,503,525	379,715,163
1,250,422	5,049,716	15,253,103	61,626,424	-	1,039,023	94,503,525	379,715,163
508,660	2,061,090	(508,660)	(2,061,090)	-	-	-	-
-	-	10,149,393	41,125,341	-	-	10,149,393	41,125,341
-	-	-	-	-	5,620,137	-	5,620,137
-	-	10,149,393	41,125,341	-	5,620,137	10,149,393	46,745,478
1,759,082	7,110,806	24,893,836	100,690,675	-	6,659,160	104,652,918	426,460,641

STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Note	2019 US$	2018 US$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)
Cash flows from operating activities					
Net profit for the year		10,149,393	6,426,258	41,125,341	25,994,213
Adjustments for:					
Net interest income		(19,927,617)	(14,537,761)	(80,746,704)	(58,805,243)
Depreciation and amortisation		492,618	345,795	1,996,088	1,398,741
Depreciation right-of-use assets		470,572	368,661	1,906,758	1,491,234
Income tax expense		2,292,870	1,711,816	9,290,709	6,924,296
Loss on disposals of property and equipment		702	84	2,845	340
Allowance for impairment losses		213,966	179,711	866,990	726,931
Provision for employee benefits		-	330,000	-	1,334,850
		(6,307,496)	(5,175,436)	(25,557,973)	(20,934,638)
Changes in:					
Loans to customers		(56,131,378)	(30,800,595)	(227,444,344)	(124,588,407)
Other assets		(104,446)	(90,280)	(423,215)	(365,183)
Other liabilities		13,247	101,936	53,677	412,331
Cash used in operations		(62,530,073)	(35,964,375)	(253,371,855)	(145,475,897)
Interest received		22,899,708	17,864,743	92,789,617	72,262,885
Interest paid		(3,176,323)	(3,654,862)	(12,870,461)	(14,783,917)
Income tax paid		(1,829,881)	(1,243,013)	(7,414,678)	(5,027,988)
Net cash used in operating activities		(44,636,569)	(22,997,507)	(180,867,377)	(93,024,917)
Cash flows from investing activities					
Purchase of property and equipment		(1,426,002)	(743,060)	(5,778,160)	(3,005,678)
Purchase of intangible assets		(37,655)	(111,030)	(152,578)	(449,116)
Net cash used in investing activities		(1,463,657)	(854,090)	(5,930,738)	(3,454,794)

	Note	2019 US$	2018 US$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)
Cash flows from financing activities					
Proceeds from share issue		-	55,000,000	-	222,475,000
Statutory deposits		-	(2,750,000)	-	(11,123,750)
Proceeds from borrowings		51,000,000	59,300,000	206,652,000	239,868,500
Repayments of borrowings		-	(87,600,000)	-	(354,342,000)
Repayment of lease liabilities		(422,666)	(319,080)	(1,712,643)	(1,290,679)
Net cash generated from financing activities		50,577,334	23,630,920	204,939,357	95,587,071
Net increase/(decrease) in cash and cash equivalents		4,477,108	(220,677)	18,141,242	(892,640)
Cash and cash equivalents at beginning of the year		370,086	590,763	1,499,588	2,389,636
Currency translation difference		-	-	111,486	(9,990)
Cash and cash equivalents at end of the year	6	4,847,194	370,086	19,752,316	1,487,006

Significant non-cash transactions:

During the year, the significant non-cash transaction is as follows:

	Note	2019 US$	2018 US$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)
Transfer from retained earnings to regulatory reserves	20	508,660	220,269	2,061,090	890,988

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. REPORTING ENTITY

DGB Specialized Bank ("the Bank"), formerly known as Cam Capital Plc ("the Bank"), was incorporated in Cambodia and registered with the Ministry of Commerce as a public limited company under the registration number Co. 6364/09E, dated 22 December 2009. On 19 March 2012, the Bank received a new registration number Co. 6364E/2009 from the Ministry of Commerce.

On 17 February 2010, the Bank received an indefinite license from the National Bank of Cambodia ("NBC") to conduct business as a Micro-Finance Institution. On 28 February 2012, the Bank obtained approval from NBC to change its legal name from the Cam Capital Co., Ltd to be Cam Capital Plc and the revised Memorandum and Articles of Association ("MoAA") was approved by the Ministry of Commerce ("MoC") on 19 March 2012.

On 1 August 2013, the Bank received approval from NBC to upgrade to a specialized banking institution and changed its legal name to Cam Capital Specialized Bank Plc. and the revised its MoAA reflecting the changes was endorsed by MoC on 16 August 2013.

On 19 October 2017, the shareholders of the Bank entered into Share Sale and Purchase Agreement to sell 100% of shareholding to Daegu Bank, a bank incorporated in Daegu, the Republic of Korea. On 28 December 2017, the Bank received approval from NBC to change its operating name from Cam Capital Specialized Bank Plc. to DGB Specialized Bank Plc.

On 27 December 2017, the NBC also granted the specialized banking license to DGB Specialized Bank Plc.

On 18 January 2018, the Bank registered with NBC with its new operating name with the registration no. 00016509. The Bank subsequently received an endorsement of its new MoAA from MoC on 25 January 2018. Since 1 August 2013, the principal activities are in the specialized banking businesses and the provision of related financial services.

The registered office of the Bank is located at No. 689B, Kampuchea Krom Blvd, Sangkat Teuk Laak 1, Khan Toul Kork, Phnom Penh, the Kingdom of Cambodia.

As at 31 December 2019, the Bank had 509 employees (2018: 401 employees).

2. BASIS OF ACCOUNTING

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

In the previous financial years, the financial statements were 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. An explanation of how the transition to CIFRS have affected the reported financial position, financial performance and cash flows is provided in Note 31.

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

Details of the Bank's accounting policies are included in Note 30.

The financial statements of the Bank were authorised for issued by the Board of Directors on 21 April 2020.

3. FUNCTIONAL AND PRESENTATION CURRENCY

The Bank transacts its business and maintains its accounting records in United States Dollars ("US$"). Management has determined the US$ to be the Bank's functional and presentation currency as it reflects the economic substance of the underlying events and circumstances of the Bank. These financial statements are presented in US$, which is the Bank's functional currency. All amounts have been rounded to the nearest dollars, unless otherwise indicated.

4. USE OF JUDGMENTS AND ESTIMATES

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

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

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

- Note 30B(vii): classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments for principal and interest' ("SPPI") on the principal amount outstanding.
- Note 30C(vii): establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of 'expected credit loss' ("ECL") and selection and approval of models used to measure ECL.

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

- Note 30C(vii): impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information.
- Note 30C(vi): determination of the fair value of financial instruments with significant unobservable inputs.
- Note 30B(vii): impairment of financial instruments: key assumptions used in estimating recoverable cash flows.

5. TRANSLATION OF UNITED STATES DOLLARS INTO KHMER RIEL

The financial statements are expressed in US$. The translations of US$ amounts into Khmer Riel ("KHR") are included solely for presentation purpose of the financial statements.

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

The Bank uses the following exchange rates:

	Closing rate	Average rate
31 December 2019	US$1= KHR4,075	KHR4,052
31 December 2018	US$1 = KHR4,018	KHR4,045
1 January 2018	US$1 = KHR4,037	N/A

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

6. CASH AND CASH EQUIVALENTS

	31 December			31 December		1 January
	2019	**2018**	**2019**	**2018**		**2018**
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
Cash on hand	506,440	252,160	2,063,743	1,013,179	142,058	573,488
Balances with other banks	4,340,754	117,926	17,688,573	473,827	448,705	1,811,422
	4,847,194	370,086	19,752,316	1,487,006	590,763	2,384,910

7. STATUTORY DEPOSITS

	31 December			31 December		1 January
	2019	**2018**	**2019**	**2018**		**2018**
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
Statutory capital deposit	3,750,000	3,750,000	15,281,250	15,067,500	1,000,000	4,037,000

Under Prakas No. B7-00-05 on the Licensing of Specialized Banks dated 11 January 2000, the Specialized bank is required to maintain a capital guarantee deposit equivalent to 5% of registered capital with the National Bank of Cambodia. This deposit is not available for use in the Bank's day-to-day operations but is refundable when the Bank voluntarily ceases to operate the business in Cambodia.

The capital guarantee deposit bears interest at 0.60% per annum (2018: 0.62% per annum).

8. LOANS TO CUSTOMERS – NET

	31 December			31 December		1 January
	2019	**2018**	**2019**	**2018**		**2018**
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
Short-term loans	1,770,112	2,968,926	7,213,206	11,929,145	17,413,601	70,298,707
Long-term loans	189,741,657	132,392,401	773,197,252	531,952,668	86,905,510	350,837,545
Gross loans to customers	191,511,769	135,361,327	780,410,458	543,881,813	104,319,111	421,136,252
Interest receivables	1,223,069	921,306	4,984,006	3,701,807	736,422	2,972,936
Unamortised loan fees	(991,767)	(972,703)	(4,041,449)	(3,908,321)	(731,082)	(2,951,380)
	191,743,071	135,309,930	781,353,015	543,675,299	104,324,451	421,157,808
Allowance for impairment losses	(459,794)	(245,828)	(1,873,661)	(987,737)	(66,117)	(266,914)
Loans to customers – net	191,283,277	135,064,102	779,479,354	542,687,562	104,258,334	420,890,894

The movements of allowance for impairment losses on loans to customers were as follows:

	2019	2018	2019	2018
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
At 1 January	245,828	66,117	987,737	266,914
Allowance for impairment loss for the year	214,260	176,036	868,182	712,066
(Losses)/gains on foreign exchange	(294)	3,675	(1,191)	(290)
Currency translation difference	-	-	18,933	9,047
At 31 December	459,794	245,828	1,873,661	987,737

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

	31 December		31 December			1 January
	2019	2018	2019	2018		2018
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
Not later than 1 year	5,633,852	5,654,912	22,957,947	22,721,437	17,949,145	72,460,699
> 1 to 3 years	18,941,021	32,353,267	77,184,661	129,995,427	24,928,008	100,634,369
> 3 to 5 years	166,093,862	96,520,996	676,832,488	387,821,362	61,332,958	247,601,151
Over 5 years	843,034	832,152	3,435,362	3,343,587	109,000	440,033
	191,511,769	135,361,327	780,410,458	543,881,813	104,319,111	421,136,252

Gross amounts of loans to customers by industry are as follows:

	31 December		31 December			1 January
	2019	2018	2019	2018		2018
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
Agriculture	914,347	926,228	3,725,964	3,721,584	409,193	1,651,912
Construction	902,630	4,570,945	3,678,217	18,366,057	3,157,569	12,747,106
Services	61,690,702	31,858,221	251,389,611	128,006,332	23,835,476	96,223,817
Trade and commerce	112,000,861	69,157,618	456,403,509	277,875,309	57,234,648	231,056,274
Transportation	12,175,348	5,020,837	49,614,543	20,173,723	3,056,630	12,339,615
Other categories	3,827,881	23,827,478	15,598,614	95,738,808	16,625,595	67,117,528
	191,511,769	135,361,327	780,410,458	543,881,813	104,319,111	421,136,252

Gross amounts of loans to customers by currency are as follows:

	31 December			31 December		1 January
	2019	**2018**	**2019**	**2018**		**2018**
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
KHR Riel	11,624,309	1,744,182	47,369,058	7,008,124	-	-
US Dollars	179,887,460	133,617,145	733,041,400	536,873,689	104,319,111	421,136,252
	191,511,769	135,361,327	780,410,458	543,881,813	104,319,111	421,136,252

Gross amounts of loans to customers by resident status are as follows:

	31 December			31 December		1 January
	2019	**2018**	**2019**	**2018**		**2018**
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
Residents	191,511,769	135,361,327	780,410,458	543,881,813	104,319,111	421,136,252

Gross amounts of loans to customers by relationship are as follows:

	31 December			31 December		1 January
	2019	**2018**	**2019**	**2018**		**2018**
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
External customers	191,029,675	135,052,594	778,445,926	542,641,324	104,019,114	419,925,164
Staff loans	482,094	308,733	1,964,532	1,240,489	299,997	1,211,088
	191,511,769	135,361,327	780,410,458	543,881,813	104,319,111	421,136,252

Gross amounts of loans to customers by performance are as follows:

	31 December			31 December		1 January
	2019	**2018**	**2019**	**2018**		**2018**
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
Standard loan						
Secured	190,666,619	134,758,822	776,966,472	541,460,947	103,944,382	419,623,470
Unsecured	482,094	308,733	1,964,533	1,240,489	299,997	1,211,088
Special mentioned						
Secured	54,059	3,832	220,290	15,397	-	-
Substandard loans						
Secured	17,891	160,914	72,906	646,552	26,132	105,495
Doubtful loans						
Secured	64,781	33,826	263,983	135,913	-	-
Loss loans:						
Secured	226,325	95,200	922,274	382,515	48,600	196,199
	191,511,769	135,361,327	780,410,458	543,881,813	104,319,111	421,136,252

Gross amounts of loans to customers by large exposure status are as follows:

	31 December			31 December		1 January
	2019	**2018**	**2019**	**2018**		**2018**
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
Non-large exposure	191,511,769	135,361,327	780,410,458	543,881,813	104,319,111	421,136,252

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

Gross amounts of loans to customersto customers by interest rate are as follows:

	31 December			31 December		1 January
	2019	**2018**	**2019**	**2018**		**2018**
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
Staff loans	8%	8%	8%	8%	8%	8%
External loans	10% - 19%	13.2% - 21.6%	10% - 19%	13.2% - 1.6%	13.2% - 24%	13.2% - 24.0%

9. OTHER ASSETS

	31 December		31 December		1 January	
	2019	2018	2019	2018		2018
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
Prepayments	113,314	100,303	461,755	403,017	203,211	820,363
Deposits	405,285	351,634	1,651,536	1,412,865	168,402	679,839
Other receivables	52,731	14,947	214,879	60,058	4,991	20,149
	571,330	466,884	2,328,170	1,875,940	376,604	1,520,351

10. INTANGIBLE ASSETS

	2019	2018	2019	2018
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
Cost				
At 1 January	387,362	276,332	1,556,421	1,115,552
Additions	37,655	111,030	152,578	446,116
Currency translation difference	-	-	22,945	(5,248)
At 31 December	425,017	387,362	1,731,944	1,556,420
Less: Accumulated amortisation				
At 1 January	201,294	176,835	808,799	713,883
Amortisation	45,644	24,459	184,949	98,276
Currency translation difference	-	-	12,524	(3,360)
At 31 December	246,938	201,294	1,006,272	808,799
Carrying amounts				
At 31 December	178,079	186,068	725,672	747,621
At 1 January 2018		99,497		401,669

11. PROPERTY AND EQUIPMENT

2019	Leasehold improvement	Furniture and equipment	Computer and IT equipment	Motor vehicles	Asset under construction		Total
	US$	US$	US$	US$	US$	US$	KHR'000 (Note 5)
Cost							
At 1 January 2019	1,145,457	398,558	740,124	410,895	-	2,695,034	10,828,647
Additions	67,215	81,705	114,067	183,130	979,885	1,426,002	5,778,160
Disposals	-	(6,285)	(3,468)	(10,800)	-	(20,553)	(83,281)
Transfer	248,544	-	-	-	(248,544)	-	-
Currency translation difference	-	-	-	-	-	-	185,942
At 31 December 2019	1,461,216	473,978	850,723	583,225	731,341	4,100,483	16,709,468
Less: Accumulated depreciation							
At 1 January 2019	590,799	269,758	639,173	239,293	-	1,739,023	6,987,394
Depreciation	209,728	58,354	99,267	79,625	-	446,974	1,811,139
Disposals	-	(6,285)	(2,766)	(10,800)	-	(19,851)	(80,436)
Currency translation difference	-	-	-	-	-	-	108,948
At 31 December 2019	800,527	321,827	735,674	308,118	-	2,166,146	8,827,045
Carrying amounts							
At 31 December 2019	660,689	152,151	115,049	275,107	731,341	1,934,337	7,882,423

2018	Leasehold improvement	Furniture and equipment	Computer and IT equipment	Motor vehicles		Total
	US$	US$	US$	US$	US$	KHR'000 (Note 5)
Cost						
At 1 January 2018	707,911	299,573	614,094	347,115	1,968,693	7,947,613
Additions	437,546	103,274	126,030	76,210	743,060	3,005,678
Write-off	-	(4,289)	-	(12,430)	(16,719)	(67,628)
Currency translation difference	-	-	-	-	-	(57,016)
At 31 December 2018	1,145,457	398,558	740,124	410,895	2,695,034	10,828,647
Less: Accumulated depreciation						
At 1 January 2018	442,974	218,710	578,727	193,911	1,434,322	5,790,357
Depreciation	147,825	55,253	60,446	57,812	321,336	1,299,804
Write-off	-	(4,205)	-	(12,430)	(16,635)	(67,289)
Currency translation difference	-	-	-	-	-	(35,477)
At 31 December 2018	590,799	269,758	639,173	239,293	1,739,023	6,987,395
Carrying amounts						
At 31 December 2018	554,658	128,800	100,951	171,602	956,011	3,841,252
At 1 January 2018	264,937	80,863	35,367	153,204	534,371	2,157,256

12. RIGHT-OF-USE ASSETS

Information about the Bank's leases is disclosed within this note and Note 14.

	31 December		31 December		1 January	
	2019	**2018**	**2019**	**2018**		**2018**
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
Right-of-use assets	1,875,328	1,694,525	7,641,962	6,808,601	1,125,647	4,544,237

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

	31 December		31 December	
	2019	**2018**	**2019**	**2018**
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
Right-of-use assets				
At 1 January	1,694,525	1,125,647	6,808,601	4,544,237
Additions	651,375	937,539	2,639,372	3,792,345
Amortisation for the year	(470,572)	(368,661)	(1,906,758)	(1,491,234)
Currency translation difference	-	-	100,747	(36,747)
At 31 December	1,875,328	1,694,525	7,641,962	6,808,601

13. BORROWINGS

	31 December		31 December		1 January	
	2019	**2018**	**2019**	**2018**		**2018**
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
Borrowings from a shareholder	95,000,000	44,000,000	387,125,000	176,792,000	-	-
Interest payables	157,313	59,782	641,050	240,204	202,778	818,615
Revolving loan	-	-	-	-	72,300,000	291,875,100
	95,157,313	44,059,782	387,766,050	177,032,204	72,502,778	292,693,715

Movements of the borrowing during the year were as follows:

	2019	**2018**	**2019**	**2018**
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
At 1 January	44,059,782	72,502,778	177,032,204	292,693,715
Addition during the year	51,000,000	59,300,000	206,652,000	239,868,500
Principal repayments	-	(87,600,000)	-	(354,342,000)
Accrued interest expense	3,181,484	3,432,310	12,891,373	13,883,694
Interest payment	(3,083,953)	(3,575,306)	(12,496,178)	(14,462,113)
Currency translation difference	-	-	3,686,651	(609,592)
At 31 December	95,157,313	44,059,782	387,766,050	177,032,204

14. LEASE LIABILITIES

	31 December		31 December		1 January	
	2019	**2018**	**2019**	**2018**		**2018**
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
Present value of lease liabilities						
Current	441,164	388,731	1,797,743	1,561,921	278,675	1,125,011
Non-current	1,531,651	1,355,375	6,241,478	5,445,897	846,972	3,419,226
	1,972,815	1,744,106	8,039,221	7,007,818	1,125,647	4,544,237
Maturity analysis – contractual undiscounted cash flows						
Less than one year	517,235	455,983	2,107,733	1,832,140	322,080	1,300,237
One to five years	1,388,661	1,264,254	5,658,794	5,079,773	826,760	3,337,630
More than five years	343,611	269,500	1,400,215	1,082,851	112,200	452,951
Total undiscounted lease liabilities	2,249,507	1,989,737	9,166,742	7,994,764	1,261,040	5,090,818

Amounts recognised in profit or loss during the year were as follows:

	2019	**2018**	**2019**	**2018**
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
Interest on lease liabilities	92,370	79,556	374,283	321,804
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	86,402	64,773	350,099	262,009
	178,772	144,329	724,382	583,813

Amounts recognised in the statement of cash flows during the year were as follows:

	2019	**2018**	**2019**	**2018**
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
Total cash outflow for leases	601,438	463,409	2,437,026	1,874,492

15. OTHER LIABILITIES

	31 December			31 December		1 January
	2019	2018	2019	2018		2018
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
Salary and withholding tax payables	98,677	53,665	402,109	215,626	67,943	274,286
Accrued expense	35,740	125,132	145,641	502,780	31,029	125,264
Accrued professional fee	40,700	18,700	165,853	75,137	8,250	33,305
Others	141,702	106,075	577,436	426,210	94,414	381,149
	316,819	303,572	1,291,039	1,219,753	201,636	814,004

16. PROVISIONS FOR EMPLOYEE BENEFITS

	31 December			31 December		1 January
	2019	2018	2019	2018		2018
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
Provisions for seniority indemnity	330,000	330,000	1,344,750	1,325,940	-	-

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

- Current pay: starting from 2019 onwards at the amounts equal to 15 days of wages and other benefits per year.
- Retrospective (back-pay): starting from 2021 onwards at the amounts equal to 6 days of net wages per year.

The provision of back-pay seniority indemnity is calculated at a maximum amount of 6 months net wages (depends on the length of the service employee served) to the employee who has seniority before 2019.

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

17. INCOME TAX

A. DEFERRED TAX ASSETS – NET

	31 December			31 December		1 January
	2019	2018	2019	2018		2018
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
Deferred tax assets	372,778	-	1,519,070	-	-	-
Deferred tax liabilities	(51,205)	-	(208,660)	-	-	-
Deferred tax assets – net	321,573	-	1,310,410	-	-	-

Deferred taxes are attributable to the following:

	31 December		31 December		1 January	
	2019	**2018**	**2019**	**2018**		**2018**
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
Provisions for employee benefits	359,143	-	1,463,508	-	-	-
Deferred income	13,635	-	55,562	-	-	-
Depreciation	(51,205)	-	(208,660)	-	-	-
	321,573	-	1,310,410	-	-	-

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

	2019	**2018**	**2019**	**2018**
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
At 1 January	-	-	-	-
Recognised in profit or loss	321,573	-	1,303,014	-
Currency translation difference	-	-	7,396	-
At 31 December	321,573	-	1,310,410	-

B. CURRENT INCOME TAX LIABILITY

	2019	**2018**	**2019**	**2018**
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
At 1 January	1,546,691	1,077,888	6,214,604	4,351,434
Income tax expense	2,614,443	1,711,816	10,593,723	6,924,296
Income tax paid	(1,829,881)	(1,243,013)	(7,414,678)	(5,027,988)
Currency translation difference	-	-	106,207	(33,138)
At 31 December	2,331,253	1,546,691	9,499,856	6,214,604

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

C. INCOME TAX EXPENSE

	2019	**2018**	**2019**	**2018**
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
Current income tax	2,614,443	1,711,816	10,593,723	6,924,296
Deferred tax income	(321,573)	-	(1,303,014)	-
	2,292,870	1,711,816	9,290,709	6,924,296

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

	2019			2018		
	US$	KHR'000 (Note 5)	%	US$	KHR'000 (Note 5)	%
Profit before income tax	12,442,263	50,416,050		8,138,078	32,918,509	
Income tax using statutory rate at 20%	2,488,453	10,083,212	20%	1,627,616	6,583,702	20%
Effect of non-taxable income	-	-	-	(11,435)	(46,255)	-
Non-deductible expenses	2,597	10,523	-	89,292	361,187	1%
Deferred tax not recognised in previous years	(321,573)	(1,303,014)	-3%	-	-	-
Under provision in respect of prior year	66,000	267,432	1%	(7,128)	(28,833)	-
Others	57,393	232,556	-	13,471	54,495	-
Income tax expense	2,292,870	9,290,709	18%	1,711,816	6,924,296	21%

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

18. SHARE CAPITAL

	31 December		31 December			1 January
	2019	2018	2019	2018		2018
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
Registerred, issued and fully paid (ordinary share of US$1 each)	75,000,000	75,000,000	300,000,000	300,000,000	20,000,000	80,000,000

There was no change in shareholder and shareholding structure during the year. The share capital structure and the details of authorised and registered shareholding are as follows:

	Registered, issued and fully paid								
	As at 31 December 2019			As at 31 December 2018			1 January 2018		
	Number of shares	Amount US$	%	Number of shares	Amount US$	%	Number of shares	Amount US$	%
Daegu Bank	75,000,000	75,000,000	100%	75,000,000	75,000,000	100%	-	-	-
OKS-CAM Investments Limited	-	-	-	-	-	-	18,400,000	18,400,000	92%
Mr. Lee Yong Man	-	-	-	-	-	-	800,000	800,000	4%
OKS-CAM Limited	-	-	-	-	-	-	800,000	800,000	4%
	75,000,000	75,000,000	100%	75,000,000	75,000,000	100%	20,000,000	20,000,000	100%
(KHR'000 equivalents) – (Note 5)		300,000,000			300,000,000			80,000,000	

On 19 October 2017, the Bank entered into share sale and purchase agreement to sell 100% of shareholding to Daegu Bank, a bank incorporated in Daegu, the Republic of Korea.

On 28 December 2017, the Bank obtained an approval from the National Bank of Cambodia ("NBC") to change the Bank's shareholder to Daegu Bank and to change the operating name from Cam Capital Specialized Bank Pie. to DGB Specialized Bank Plc..

The amendment of the Memorandum and Articles of Association was endorsed by the Ministry of Commerce ("MOC") on 25 January 2018.

On 30 January 2018, the Board of Directors of the Bank approved to increase share capital from US$20,000,000 to US$ 75,000,000. On 14 March 2018, the Bank sent a letter to the NBC to request for the increase of share capital amounting to US$55,000,000. The share capital of the Bank was increased from US$20,000,000 to US$ 75,000,000 following the approval from the NBC on 4 July 2018. The amendments of the Memorandum and Articles of Association was acknowledged by the Ministry of Commerce ("MoC") on 1 August 2018.

The amendment of the Articles of Incorporation was acknowledged by NBC and MoC on 14 December 2017 and 21 December 2017, respectively.

19. RESERVES

The Bank transferred its retained earnings amounting to US$3,000,000 to reserves which was approved by the NBC on 27 July 2016.

20. REGULATORY RESERVES

Regulatory reserves represented the variance of provision between loan impairment loss under CIFRSs and regulatory provision in accordance with NBC's guidelines.

During the year, the Bank transferred retained earnings to regulatory reserves amounting to US$508,660 (2018: US$220,269).

21. INTEREST INCOME

	2019	2018	2019	2018
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
Loans to customers	22,941,500	18,004,240	92,958,958	72,827,151
Placements with the NBC	23,597	-	95,615	-
Placements with other banks	236,374	45,387	957,787	183,590
	23,201,471	18,049,627	94,012,360	73,010,741

22. INTEREST EXPENSE

	2019	2018	2019	2018
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
Borrowings	3,181,484	3,432,310	12,891,373	13,883,694
Lease liabilities	92,370	79,556	374,283	321,804
	3,273,854	3,511,866	13,265,656	14,205,498

23. OTHER OPERATING INCOME

	2019	2018	2019	2018
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
Penalty fees	827,010	612,322	3,351,045	2,476,842
Other fees	48,479	79,272	196,436	320,656
	875,489	691,594	3,547,481	2,797,498

24. PERSONNEL EXPENSES

	2019	2018	2019	2018
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
Salaries and wages	2,937,572	2,235,318	11,903,042	9,041,861
Other employee benefits	2,086,744	2,136,879	8,455,486	8,643,676
	5,024,316	4,372,197	20,358,528	17,685,537

25. GENERAL AND ADMINISTRATIVE EXPENSES

	2019	2018	2019	2018
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
Rental of low-value items and short-term lease	86,402	64,773	350,101	262,007
Professional fees	539,674	494,276	2,186,759	1,999,346
Advertisement expenses	298,933	298,066	1,211,277	1,205,677
Office supplies and stationery	174,217	168,338	705,927	680,927
Utilities	144,351	106,340	584,910	430,145
Vehicle expenses	158,280	125,342	641,351	507,008
Communication	138,036	108,094	559,322	437,240
Repairs and maintenance	151,035	115,311	611,994	466,433
BOD expenses	53,554	43,253	217,001	174,958
Business meal and entertainment	94,143	64,661	381,467	261,554
Security guard	66,304	48,142	268,664	194,734
Insurance	53,468	38,156	216,652	154,341
Charitable contributions	6,456	500	26,160	2,023
Others	148,651	153,341	602,333	620,266
	2,113,504	1,828,593	8,563,918	7,396,659

26. TAXATION CONTINGENCIES

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

These facts may create tax risks in the Kingdome of 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.

27. RELATED PARTIES

A. IDENTITY OF RELATED PARTIES

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

The Bank have related party relationships with its shareholder and key management personnel.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Bank either directly or indirectly.

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

B. TRANSACTIONS WITH RELATED PARTIES

	2019	2018	2019	2018
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
Daegu Bank (Note 22)				
Proceeds from borrowings	51,000,000	59,300,000	206,652,000	239,868,500
Interest expense	3,181,484	-	12,891,373	-
Share capital subscription	-	55,000,000	-	220,000,000
OKS-CAM Limited (Note 22)				
Repayments of borrowings	-	87,600,000	-	354,342,000
Interest expense	-	3,432,310	-	13,883,694
Management remuneration				
Board of Directors' fees and expense (Note 25)	53,554	43,253	217,001	174,958
Key management compensation	354,097	504,700	1,446,957	63,233

C. BALANCES WITH RELATED PARTIES

	31 December		31 December		1 January	
	2019	2018	2019	2018		2018
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
Daegu Bank (Note 13)						
Borrowings (including accrued interest payables)	95,157,313	44,059,782	387,766,050	177,032,204	72,502,778	292,693,715

28. FINANCIAL RISK MANAGEMENT

A. INTRODUCTION AND OVERVIEW

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

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

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

Risk management functional and governance structure

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

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

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

B. CREDIT RISK

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

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

(i). Management of credit risk

The Board of Directors created the Bank Credit Committee for the oversight of credit risk. A separate Bank Credit department, reporting to the Bank Credit Committee, is responsible for managing the Bank's credit risk, including the following.

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to business unit Credit Officers. Larger facilities require approval by Bank Credit, the Head of Bank Credit, the Bank Credit Committee or the Board of Directors, as appropriate.
- Reviewing and assessing credit risk: Bank Credit assesses all credit exposures in excess of designated limits, before facilities are committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.
- Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances, financial guarantees and similar exposures), and by issuer, credit rating band, market liquidity and country (for investment securities).
- Developing and maintaining the Bank's risk gradings to categorise exposures according to the degree of risk of default. The current risk grading framework consists of 12 grades reflecting varying degrees of risk of default. The responsibility for setting risk grades lies with the final approving executive or committee, as appropriate. Risk grades are subject to regular reviews by Bank Risk.
- Developing and maintaining the Bank's processes for measuring ECL: This includes processes for:
  - initial approval, regular validation and back-testing of the models used;
  - determining and monitoring significant increase in credit risk; and
  - incorporation of forward-looking information.
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports on the credit quality of local portfolios are provided to Bank Credit, which may require appropriate corrective action to be taken. These include reports containing estimates of ECL allowances.
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Bank in the management of credit risk.

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

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

(ii). Concentration of risk

The Board of Directors created the Bank Credit Committee for the oversight of credit risk. A separate Bank Credit department, reporting to the Bank Credit Committee, is responsible for managing the Bank's credit risk, including the following.

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

Type of credit exposure

	Maximum credit exposure	Maximum credit exposure	Fully subject to collateral / credit enhancement	Partially subject to collaeral/ credit enhancement	Unsecured and not subject to collateral/ credit enhancement
	US$	KHR'000 (Note 5)	%	%	%
31 December 2019					
On-balance sheet items					
Cash and cash equivalents	4,847,194	19,752,316	100.00%	-	-
Loans to customers	191,283,277	779,479,354	-	99.75%	0.25%
Other assets	458,016	1,866,415	-	-	100.00%
Total	196,588,487	801,098,085	0.26%	97.06%	2.68%
31 December 2018					
On-balance sheet items					
Cash and cash equivalents	370,086	1,487,006	68.14%	0.00%	31.86%
Loans to customers	135,064,102	543,881,813	0.00%	99.75%	0.25%
Other assets	218,142	876,495	0.00%	0.00%	100.00%
Total	135,652,330	545,051,063	0.19%	99.31%	0.50%

Concentration risk by industrial sectors

	Cash and cash equivalents	Loans to customers (*)	Other assets	Total
	US$	US$	US$	US$
31 December 2019				
Agriculture	-	914,347	-	914,347
Construction	-	902,630	-	902,630
Services	-	61,690,702	-	61,690,702
Financial institution	4,340,754	-	-	4,340,754
Trade and commerce	-	112,000,861	-	112,000,861
Transportation	-	12,175,348	-	12,175,348
Others	506,440	3,827,881	458,016	4,792,337
Total (US$)	4,847,194	191,511,769	458,016	196,816,979
Total (KHR'000 – Note 5)	19,752,316	780,410,459	1,866,415	802,029,190

	Cash and cash equivalents	Loans to customers (*)	Other assets	Total
	US$	US$	US$	US$
31 December 2018				
Agriculture	-	926,228	-	926,228
Construction	-	4,570,945	-	4,570,945
Services	-	31,858,221	-	31,858,221
Financial institution	117,926	-	-	117,926
Trade and commerce	-	69,157,618	-	69,157,618
Transportation	-	5,020,837	-	5,020,837
Others	252,160	23,827,478	366,581	24,446,219
Total (US$)	370,086	135,361,327	366,581	136,097,994
Total (KHR'000 – Note 5)	1,487,006	543,881,812	1,472,922	546,841,740

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

	31 December		31 December			1 January
	2019	**2018**	**2019**	**2018**		**2018**
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
By residency status:						
Residents	191,511,769	135,361,327	780,410,458	543,881,813	104,319,111	421,136,252
By relationship:						
External customers	191,029,675	135,052,594	778,445,925	542,641,324	104,019,114	419,925,164
Staff loans	482,094	308,733	1,964,533	1,240,489	299,997	1,211,088
	191,511,769	135,361,327	780,410,458	543,881,813	104,319,111	421,136,252
By exposure:						
Large exposures	-	-	-	-	-	-
Non-large exposures	191,511,769	135,361,327	780,410,458	543,881,813	104,319,111	421,136,252
	191,511,769	135,361,327	780,410,458	543,881,813	104,319,111	421,136,252

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

(iii). Collateral

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

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

Cash and cash equivalents, balances with NBC and other banks, and other assets

Collateral is generally not sought for these assets.

Loans to customers

Certain customers are typically collateralised to a substantial extent. In particular, residential mortgage exposures are generally fully secured by residential properties.

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

	Collateral/credit enhancement					
	Properties	**Floating assets**	**Fixed deposits**	**Others**	**Unsecured credit exposure**	**Total**
	US$	US$	US$	US$	US$	US$
31 December 2019						
Cash and cash equivalents	-	-	-	-	4,847,194	4,847,194
Loans to customers – Gross	191,029,675	-	-	-	482,094	191,511,769
Others	-	-	-	-	52,731	52,731
Total (US$)	191,029,675	-	-	-	5,382,019	196,411,694
Total (KHR'000 – Note 5)	778,445,926	-	-	-	21,931,727	800,377,653
31 December 2018						
Cash and cash equivalents	-	-	-	-	370,086	370,086
Loans to customers – Gross	135,052,594	-	-	-	308,733	135,361,327
Others	-	-	-	-	14,947	14,947
Total (US$)	135,052,594	-	-	-	693,766	135,746,360
Total (KHR'000 – Note 5)	542,641,323	-	-	-	2,787,552	545,428,875

(iv). Credit quality of gross loans to customers

Pursuant to the NBC guideline Prakas B7.017.344, it has defined the each credit grading according to its credit quality as follows:

Normal

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

Special mention

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

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

Substandard

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

Factors leading to a substandard classification include:

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

Doubtful

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

Loss

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

Recognition of ECL

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

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

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

Long-term facilities (more than one year)

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

Short-term facilities (one year or less)

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

The Bank will use the day past due ("DPD") information and NBC's classification for staging criteria. Also, the Bank will incorporate credit scoring or more forward looking elements in the future when information is more readily available.

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

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

	31 December 2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	US$	US$	US$	US$
Loans to customers at amortised cost				
Normal	166,087,488	25,061,225	-	191,148,713
Special Mention	-	54,059	-	54,059
Substandard	-	-	17,891	17,891
Doubtful	-	-	64,781	64,781
Loss	-	-	226,325	226,325
Carrying amounts (US$)	166,087,488	25,115,284	308,997	191,511,769
Carrying amounts (KHR'000)	676,806,514	102,344,782	1,259,162	780,410,458

	31 December 2018			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	US$	US$	US$	US$
Loans to customers at amortised cost				
Normal	112,445,696	22,621,859	-	135,067,555
Special Mention	-	3,832	-	3,832
Substandard	-	-	160,914	160,914
Doubtful	-	-	33,826	33,826
Loss	-	-	95,200	95,200
Carrying amounts (US$)	112,445,696	22,625,691	289,940	135,361,327
Carrying amounts (KHR'000)	451,806,807	90,910,027	1,164,979	543,881,813

Incorporation of forward-looking information

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

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

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

(v). Amounts arising from ECL

Loss allowance

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

	2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	US$	US$	US$	US$
Loans to customers at amortised cost				
At 1 January	47,025	77,641	121,161	245,827
-Transfer to Stage 1	(7,191)	7,191	-	-
-Transfer to Stage 2	-	-	-	-
-Transfer to Stage 3	-	(2,332)	2,332	-
Net remeasurement of loss allowance	(4,245)	88,045	106,996	190,796
New financial assets originated or purchased	65,672	68,542	-	134,214
Financial assets that been derecognised	(16,804)	(30,144)	(64,095)	(111,043)
At 31 December (US$)	84,457	208,943	166,394	459,794
At 31 December (KHR'000)	344,162	851,443	678,056	1,873,661

	2018			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	US$	US$	US$	US$
Loans to customers at amortised cost				
At 1 January	13,002	35,514	17,601	66,117
-Transfer to Stage 1	(2,028)	1,794	234	-
-Transfer to Stage 2	390	(1,002)	612	-
-Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	2,305	31,098	90,219	123,622
New financial assets originated or purchased	41,044	24,999	12,495	78,538
Financial assets that been derecognised	(7,687)	(14,762)	-	(22,449)
At 31 December (US$)	47,026	77,641	121,161	245,828
At 31 December (KHR'000)	188,950	311,962	486,825	987,737

C. MARKET RISK

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

(i). Interest rate risk

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

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

As at 31 December 2019	Up to 1 month	> 1-3 months	> 3-6 months	> 6-12 months	> 1 to 5 years	Over5 years	Non-interest bearing	Total	Interest rate
	US$	US$	US$	US$	US$	US$	US$	US$	%
Financial assets									
Cash and cash equivalents	-	-	-	-	-	-	4,847,194	4,847,194	0.49%
Loans to customers	1,158,751	1,371,762	1,568,294	3,545,093	183,867,869	-	-	191,511,769	11.98%
Interest receivables	-	-		-	-	-	1,223,069	1,223,069	-
Unamortised loan fee	-	-		-	-	-	(991,767)	(991,767)	-
Allowance for loans loss	-	-		-	-	-	(459,794)	(459,794)	-
Other assets	-	-		-	-	-	458,016	458,016	-
	1,158,751	1,371,762	1,568,294	3,545,093	183,867,869	-	5,076,718	196,588,487	
Financial liabilities									
Borrowings	-	-	-	-	95,157,313	-	-	95,157,313	3.34%
Other liabilities	-	-	-	-	-	-	218,142	218,142	-
	-	-	-	-	95,157,313	-	218,142	95,375,455	
Interest sensitivity gap	1,158,751	1,371,762	1,568,294	3,545,093	88,710,556	-	4,858,576	101,213,032	
(KHR'000 equivalents - Note 5)	4,721,910	5,589,930	6,390,797	14,446,254	361,495,516	-	19,798,697	412,443,104	

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

As at 31 December 2018	Up to 1 month	> 1-3 months	> 3-6 months	> 6-12 months	> 1 to 5 years	Over5 years	Non-interest bearing	Total	Interest rate
	US$	US$	US$	US$	US$	US$	US$	US$	%
Financial assets									
Cash and cash equivalents	-	-		-	-	-	370,086	370,086	-
Loans to customers	925,809	1,358,050	2,094,144	4,127,077	126,856,247	-	-	135,361,327	13.30%
Interest receivables	-	-	-	-	-	-	921,306	921,306	-
Unamortised loan fee			-				(972,703)	(972,703)	-
Allowance for loans loss	-	-	-	-	-	-	(245,828)	(245,828)	-
Other assets	-	-	-	-	-	-	366,581	366,581	-
	925,809	1,358,050	2,094,144	4,127,077	126,856,247	-	439,442	135,800,769	
Financial liabilities									
Borrowings	-	-	-	-	44,059,782	-	-	44,059,782	7.79%
Other liabilities	-	-	-	-	-	-	249,907	249,907	-
	-	-	-	-	44,059,782	-	249,907	44,309,689	
Interest sensitivity gap	925,809	1,358,050	2,094,144	4,127,077	82,796,465	-	189,535	91,491,080	
(KHR'000 equivalents - Note 5)	3,772,672	5,534,054	8,533,637	16,817,839	337,395,595	-	772,355	372,826,152	

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.

(ii). Foreign currency exchange risk

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

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

Concentration of currency risk

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

	Denomination			
	US$ equivalents			
31 December 2019	KHR'000	US$	Others	Total
Financial assets				
Cash and cash equivalents	274,404	4,572,790	-	4,847,194
Loans to customers	11,698,544	179,584,733	-	191,283,277
Other assets	-	458,016	-	458,016
	11,972,948	184,615,539	-	196,588,487
Financial liabilities				
Borrowings	-	95,157,313	-	95,157,313
Other liabilities	10,655	207,487	-	218,142
	10,655	95,364,800	-	95,375,455
Net asset position	11,962,293	89,250,739	-	101,213,032
KHR'000 equivalents (Note 5)	48,746,344	363,696,761	-	412,443,105

	Denomination			
	US$ equivalents			
31 December 2018	KHR'000	US$	Others	Total
Financial assets				
Cash and cash equivalents	99,792	270,294	-	370,086
Loans to customers	1,758,732	133,305,370	-	135,064,102
Other assets	-	366,581	-	366,581
	1,858,524	133,942,245	-	135,800,769
Financial liabilities				
Borrowings	-	44,059,782	-	44,059,782
Other liabilities	2,944	246,963	-	249,907
	2,944	44,306,745	-	44,309,689
Net asset position	1,855,580	89,635,500	-	91,491,080
KHR'000 equivalents (Note 5)	7,455,720	360,155,439	-	367,611,159

(ii). Foreign currency exchange risk

Sensitivity analysis

Considering that other risk variables remain constant, the foreign currency revaluation sensitivity for the Bank as at reporting date is summarised as follows (only exposures in currencies that accounts for more than 1 percent of the net open positions are shown in its specific currency in the table below. For other currencies, these exposures are grouped as 'Others'):

	31 December 2019		31 December 2018	
	- 1% Depreciation	**+ 1% Appreciation**	**- 1% Depreciation**	**+ 1% Appreciation**
	US$	US$	US$	US$
KHR	(120,831)	120,831	(18,743)	18,743
KHR'000 – Note 5	(492,386)	492,386	(75,309)	75,309

D. LIQUIDITY RISK

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

Management of liquidity risk

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

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

As at 31 December 2019	**Up to 1 month**	**> 1-3 months**	**> 3-6 months**	**> 6-12 months**	**> 1 to 5 months**	**Over 5 years**	**Total**
	US$	US$	US$	US$	US$	US$	US$
Financial liabilities							
Borrowings	-	-	-	2,747,400	97,370,904	-	100,118,304
Lease liabilities	43,103	86,206	129,309	258,618	1,388,661	343,610	2,249,507
Other liabilities	218,142	-	-	-	-	-	218,142
	261,245	86,206	129,309	3,006,018	98,759,565	343,610	102,585,953
(KHR'000 equivalents - Note 5)	1,064,573	351,289	526,934	12,249,523	402,445,227	1,400,211	418,037,757

As at 31 December 2019	Up to 1 month	> 1-3 months	> 3-6 months	> 6-12 months	> 1 to 5 months	Over 5 years	Total
	US$	US$	US$	US$	US$	US$	US$
Financial liabilities							
Borrowings	-	-	-	1,272,480	46,818,308	-	48,090,788
Lease liabilities	37,999	75,997	113,996	227,992	1,264,253	269,500	1,989,737
Other liabilities	249,907	-	-	-	-	-	249,907
	287,906	75,997	113,996	1,500,472	48,082,561	269,500	50,330,432
(KHR'000 equivalents - Note 5)	1,156,806	305,356	458,036	6,028,896	193,195,728	1,082,851	202,227,673

E. OPERATIONAL RISK

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

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

F. CAPITAL MANAGEMENT

(i). Regulatory capital

The Bank's objectives when managing capital, which is a broader concept than the "equity" on the face of the statement of financial position, are:

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

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

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

(ii). Capital allocation

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

29. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

Fair value hierarchy

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

- Level 1 – Quoted price (unadjusted) in active markets for the identical assets or liabilities. This level includes listed equity securities and debt instruments.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 – Inputs for asset or liability that are not based on observable market data (unobservable inputs). This level includes equity instruments and debt instruments with significant unobservable components.

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

30. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening CIFRS statement of financial position at 1 January 2019 for the purposes of the transition to, unless otherwise indicated.

A. BASIS OF MEASUREMENT

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

B. FOREIGN CURRENCY TRANSACTIONS

Transactions in currencies other than US$ are translated into US$ at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in currencies other than US$ are translated into US$ at the exchange rates at the reporting date. Foreign currency differences are generally recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in other currency are translated using the exchange rate as at the respective dates of the initial transactions.

C. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(i). Recognition and initial measurement

The Bank initially recognises loans and advances, borrowings and subordinated liabilities on the date on which they are originated. All other financial the date on which the Bank becomes a party to the contractual provisions of the instrument.

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

(ii). Classification

Financial assets

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

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

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

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

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

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

All other financial assets are classified as measured at FVTPL

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

Business model assessment

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

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

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

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

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

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

In making the assessment, the Bank considers:

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

Non-recourse loans

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

- whether the contractual arrangement specifically defines the amounts and dates of the cash payments of the loan;
- the fair value of the collateral relative to the amount of the secured financial asset;
- the ability and willingness of the borrower to make contractual payments, notwithstanding a decline in the value of collateral;

The Bank typically considers the following information when making this judgement: (continued)

- whether the borrower is an individual or a substantive operating entity or is a special-purpose entity;
- the Bank's risk of loss on the asset relative to a full-recourse loan;
- the extent to which the collateral represents all or a substantial portion of the borrower's assets; and
- whether the Bank will benefit from any upside from the underlying assets.

Reclassifications

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

(iii). Derecognition

Financial assets

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

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

Financial liabilities

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

(iv). Modifications of financial assets and financial liabilities

Financial assets

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

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

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and

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

Financial liabilities

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

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

(v). Offsetting

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

(vi). Fair value measurement

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

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

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

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Bank determines that the fair value on initial recognition differs from the transaction

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

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

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

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

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

(vii). Impairment

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

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

No impairment loss is recognised on equity investments.

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

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

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

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

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

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

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

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

Determining whether credit risk has increased significantly

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

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

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

Definition of default

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

- The borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held); or
- The borrower is more than equal to 30 days past due for long-term facilities or more than or equal to 34 days past due for short-term facilities on any material obligation to the bank; or
- It's becoming probable that the borrower will restrc-ture the assets as at result of bankrupcy due to the borrower's inablity to pays its credit obligation

Measurement of ECL

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

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows; and
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive.

Inputs, assumptions and techniques used for esti-mating impairment

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

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

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

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

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

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and

forward-looking forecasts. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

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

Restructured financial assets

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

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

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

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

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

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

Presentation of allowance for ECL in the statement of financial position

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

Write-off

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

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

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

D. CASH AND CASH EQUIVALENTS

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

E. SHARE CAPITAL

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

F. GENERAL RESERVES AND REGULATORY RESERVES

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

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

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

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

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

G. DEPOSITS AND PLACEMENTS WITH BANKS

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

H. STATUTORY DEPOSITS

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

I. LOANS TO CUSTOMERS

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

J. OTHER ASSETS

Other assets are carried at cost less impairment if any.

K. PROPERTY AND EQUIPMENT

(i) Recognition and measurement

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

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

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

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

(ii). Subsequent costs

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

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

(iii). Depreciation

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

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

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

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

The estimated useful lives for the current period are as follows:
Depreciation methods, useful lives and residual values are reassessed at end of the reporting period and adjusted if appropriate.

	Years
Land improvement	5
Building and improvement	5
Leasehold improvements	5
Office equipment	4
Computer equipment	4
Motor vehicles	4

L. INTANGIBLE ASSETS

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

Intangible assets are amortised over their estimated useful lives from 5 to 20 years using the straight-line method.

Costs associated with the development or maintenance of computer software are recognised as expenses when incurred.

M. LEASES

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

To assess whether a contract conveys the right to control the use of an identified asset, the Bank assesses whether:

- The contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent

substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right throughout the period of use, then the asset is not identified;

- The Bank has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Bank has the right to direct the use of the asset. The Bank has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In cases where all the decisions about how and for what purpose the asset is used are predetermined, the Bank has the right to direct the use of the asset if either:
    - The Bank has the right to operate the asset; or
    - The Bank designed the asset in a way that predetermines how and for what purpose It will be used.

This policy is applied to contracts entered into, or changed, on or after 1 January 2018.

At inception or on reassessment of a contract that contains a lease and non-lease component, the Bank allocates the consideration in the contract to each lease component and aggregate of non-lease components on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Bank has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Leases in which the Bank is a lessee

An arrangement conveyed the right to use the asset if one of the following was met:

- The purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
- The purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
- Facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

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

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

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

- Building and office branches 3 – 10 years

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

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

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

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

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

Short-term leases and leases of low-value assets

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

N. BORROWINGS

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

O. EMPLOYEE BENEFITS

(i). Short-term employee benefits

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

(ii). Other long-term employee benefits

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

P. PROVISIONS

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

Q. INTEREST

Effective interest rate

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

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

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

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

Amortised cost and gross carrying amount

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

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

Calculation of interest income and expense

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

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

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

Presentation

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

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

R. FEE AND COMMISSION

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

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

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

S. IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

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

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change

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

T. INCOME TAX

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

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

(i). Current tax

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

(ii). Deferred tax

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

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

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

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

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

U. CONTINGENT LIABILITIES

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

V. CONTINGENT ASSETS

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

31. EXPLANATION OF TRANSITION TO CIFRSS

Adoption of CIFRS Framework

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

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

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

Optional exemptions applied

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

Fair value or revaluation as deemed cost - property and equipment

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

Leases

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

The Bank applied the abovementioned exemption and maintained the conclusions achieved arising from assessments previously made under Cambodia Accounting Standards for existing lease arrangements.

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

Mandatory exemptions

Estimates

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

Derecognition of financial assets and financial liabilities

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

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

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

31.1 Reconciliation of equity

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

31 December 2017

	Note	Cambodia GAAP	Effect of transition to CIFRSs	
			Reclassification	Remeasurement
		US$	US$	US$
Assets				
Cash on hand	31A(i)	142,058	(142,058)	-
Cash and cash equivalents	31A(i)	-	590,763	-
Balances with National Bank of Cambodia	31A(i)	-	(1,004,875)	-
Balances with other banks - net	31A(i)	448,677	(443,830)	(4,847)
Statutory deposits		1,004,875	1,000,000	-
Loans to customers – net	31A(ii)	103,222,841	736,422	299,071
Other assets	31A(i)	1,113,026	(736,422)	-
Intangible assets		99,497	-	-
Property and equipment		534,371	-	-
Right-of-use assets	31B	-	-	1,125,647
Deferred tax assets – net		-	-	
Total assets (US$)		106,565,345	-	1,419,871
Total assets (KHR'000 – Note 5)		430,204,298	-	5,732,019

31 December 2017

	Note	Cambodia GAAP	Effect of transition to CIFRSs	
			Reclassification	Remeasurement
		US$	US$	US$
Liabilities And Equity				
Borrowings	31A(i)	72,300,000	202,778	-
Lease liabilities	31B	-	-	1,125,647
Other liabilities	31A(i)	404,414	(202,778)	-
Provision for employee benefits		-	-	-
Current income tax liability		1,077,888	-	-
Total liabilities		73,782,302	-	1,125,647
Equity				
Share capital		20,000,000	-	-
Reserves		3,000,000	-	-
Regulatory reserves	31A(iv)	-	1,030,153	-
Retained earnings	31A(iv)	9,783,043	(1,030,153)	294,224
Total equity		32,783,043	-	294,224
Total liabilities and equity (US$)		106,565,345	-	1,419,871
Total liabilities and equity (KHR'000 – Note 5)		430,204,298	-	5,732,019

1 January 2018				31 December 2018
	Cambodia GAAP	Effect of transition to CIFRSs		
CIFRSs		Reclassification	Remeasurement	CIFRSs
US$	US$	US$	US$	US$
-	252,160	(252,160)	-	-
590,763	-	370,086	-	370,086
-	3,752,820	(3,752,820)	-	-
-	115,215	(119,953)	4,738	-
1,000,000	-	3,750,000	-	3,750,000
104,258,334	133,866,241	362,354	835,507	135,064,102
376,604	1,388,190	(921,306)	-	466,884
99,497	186,068	-	-	186,068
534,371	956,011	-	-	956,011
1,125,647	-	-	1,694,525	1,694,525
-	-	-	-	-
107,985,216	140,516,705	(563,799)	2,534,770	142,487,676
435,936,317	564,596,121	(2,265,344)	10,184,705	572,515,482

1 January 2018				31 December 2018
	Cambodia GAAP	Effect of transition to CIFRSs		
CIFRSs		Reclassification	Remeasurement	CIFRSs
US$	US$	US$	US$	US$
72,502,778	44,000,000	59,782	-	44,059,782
1,125,647	-	-	1,744,106	1,744,106
201,636	363,354	(59,782)	-	303,572
-	330,000	-	-	330,000
1,077,888	1,546,691	-	-	1,546,691
74,907,949	46,240,045	-	1,744,106	47,984,151
20,000,000	75,000,000	-	-	75,000,000
3,000,000	3,000,000	-	-	3,000,000
1,030,153		1,250,422	-	1,250,422
9,047,114	16,276,660	(1,814,221)	790,664	15,253,103
33,077,267	94,276,660	(563,799)	790,664	94,503,525
107,985,216	140,516,705	(563,799)	2,534,770	142,487,676
435,936,317	567,265,938	(2,276,057)	10,232,866	575,222,748

31.2 RECONCILIATION OF STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Cambodia GAAP	Effect of transition to CIFRSs		CIFRSs
			Reclassification	Remeasurement	
		US$	US$	US$	US$
Operating income					
Interest income	31A(iii)	17,433,225	-	616,402	18,049,627
Interest expense	31B	(3,432,310)	-	(79,556)	(3,511,866)
Net interest income		14,000,915	-	536,846	14,537,761
Allowances for bad and doubtful loans to customers		(398,714)	-	222,679	(176,035)
Allowances for regulatory provision		(1,164)	-	1,164	-
		13,601,037	-	760,689	14,361,726
Other operating income		1,549,617	-	(858,023)	691,594
Total operating profit		15,150,654	-	(97,334)	15,053,320
Personnel expenses		(4,372,197)	-	-	(4,372,197)
Depreciation and amortisation		(345,795)	-	-	(345,795)
General and administrative expenses	31B	(2,227,229)	-	29,975	(2,197,254)
Total operating expenses		(6,945,221)	-	29,975	(6,915,246)

	Note	Cambodia GAAP	Effect of transition to CIFRSs		CIFRSs
			Reclassification	Remeasurement	
		US$	US$	US$	US$
Operating profit before impairment		8,605,311	-	(291,202)	8,314,109
Impairment losses on financial instruments	31A(iii)	(399,878)	-	223,843	(176,035)
Profit before income tax		8,205,433	-	(67,359)	8,138,074
Income tax expense		(1,711,816)	-	-	(1,711,816)
Net profit for the year		6,493,617	-	(67,359)	6,426,258
Other comprehensive income					
Currency translation difference		-	-	-	-
Total comprehensive income for the year		6,493,617	-	(67,359)	6,426,258

Summary of profit or loss and other comprehensive income reclassifications and key adjustments as a result of transition from Cambodia GAAP to CIFRSs are set out below.

Summary of reclassifications and key adjustments as a result of transition from Cambodia GAAP to CIFRSs sets out below.

A. FINANCIAL ASSETS AND LIABILITIES

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

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

- The following assessments were made on the basis of facts and circumstances that existed at 1 January 2018.
  - The determination of the business model within which a financial asset is held;
  - The determination of whether the contractual terms of a financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding; and

- If a debt investment has low credit risk at 1 January 2018, the Bank had assumed that the credit risk on the asset has not increased significantly since its initial recognition.

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

(i) Classification of financial assets and financial liabilities

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

For an explanation of how the Bank classifies and measures financial assets and related gains and losses under CIFRS 9, see Note 30C(iii) .

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

				1 January 2018		31 December 2018	
	Note	Original classification under Cambodia GAAP	New classification under CIFRS 9	Original carrying amount under Cambodia GAAP	New carrying amount under CIFRS 9	Original carrying amount under Cambodia GAAP	New carrying amount under CIFRS 9
				US$	US$	US$	US$
Financial assets							
Cash and cash equivalents		Cost	Amortised cost	590,735	590,735	367,375	367,375
Loans to customers	(b)	Carrying amount	Amortised cost	103,222,841	104,258,334	133,866,241	135,064,102
Other assets	(a)	Carrying amount	Amortised cost	1,113,026	376,604	1,388,190	466,884
Total financial assets (US$)				104,926,602	105,225,673	135,621,806	135,898,361
Total financial assets (KHR'000 – Note 5)				423,588,692	424,796,042	544,928,417	546,039,614

	Note	Original classification under Cambodia GAAP	New classification under CIFRS 9	1 January 2018 Original carrying amount under Cambodia GAAP	1 January 2018 New carrying amount under CIFRS 9	31 December 2018 Original carrying amount under Cambodia GAAP	31 December 2018 New carrying amount under CIFRS 9
				US$	US$	US$	US$
Financial liabilities							
Borrowings	(c)	Cost	Amortised cost	72,300,000	72,502,778	44,000,000	44,059,782
Other liabilities	(c)	Carrying amount	Amortised cost	404,414	201,636	363,354	303,572
Total financial liability (US$)				72,704,414	72,704,414	44,363,354	44,363,354
Total financial liability (KHR'000 – Note 5)				293,507,719	293,507,719	178,251,956	178,251,956

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

(b) Loans to customers that were classified as loans and receivables under Cambodia GAAP are now classified at amortised cost. Refer to adjustments in A(ii) and A(iii) below .

(c) Under Cambodia GAAP, these financial assets liabilities that were classified at cost are now classified at amortised cost. Refer to adjustments in A(iii) below.

(ii) Impairment of financial assets

CIFRS 9 replaces the 'incurred loss' model in Cambodia GAAP with ECL model. The new impairment model applies to financial assets measured at amortised cost.

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

	1 January 2018	31 December 2018
	US$	US$
Loans to custommers		
Loss allowance under Cambodia GAAP	1,096,270	1,495,086
Reversal of impairment recognised at on:		
Loans to customers – amortised costs	(1,030,153)	(1,249,258)
Loss allowance under CIFRS 9	66,117	245,828
(KHR'000 Equivalents – Note 5)	266,914	994,374
Cash and cash equivalents		
Loss allowance under Cambodia GAAP	-	1,164
Additional/(reversal of) impairment recognised on:		
Cash and equivalents – amortised costs	4,847	(21,985)
Other adjustement	-	22,094
Loss allowance under CIFRS 9	4,847	1,273
(KHR'000 Equivalents – Note 5)	19,567	5,149

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. Additional information about how the Bank measures the allowance for impairment is described in Note 30B(viii).

To comply with NBC's regulations, the Bank transferred from retained earnings to regulatory reserves amounting to US$1,030,153 and US$1,250,103 at 1 January 2018 and 31 December 2018, respectively. See Note 30F.

(iii) Interest

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

The impact arising from the change is summarised as follows:

	1 January 2018	31 December 2018
	US$	US$
Statement of financial position		
Cash and cash equivalents	(4,847)	4,738
Loans to customers	299,071	835,507
Adjustments to retained earnings	294,224	840,245
(KHR'000 Equivalents – Note 5)	1,187,782	3,398,791
Statement of profit or loss and other comprehensive income		
Increase in interest income		616,402
Reversal of allowance for impairment losses		223,843
Adjustment before/after income tax - US$		840,245
(KHR'000 Equivalents – Note 5)		3,398,791

(iv) Transition impact on equity

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

	Impact of adopting CIFRS 9	
	1 January 2018	31 December 2018
	US$	US$
Regulatory reserves		
Closing balance under Cambodia GAAP (31 December 2017)	-	-
Transferred from retained earnings	1,030,153	1,250,422
Opening balance under CIFRS 9 (1 January 2018)	1,030,153	1,250,422
(KHR'000 Equivalents – Note 5)	4,158,728	5,024,196
Retained earnings		
Closing balance under Cambodia GAAP (31 December 2017)	9,783,043	39,494,145
Remeasurement of amortised costs under CIFRS 9	223,260	901,301
Recognition of expected credit losses under CIFRS 9	70,964	286,482
Transferred to regulatory reserves	(1,030,153)	(4,158,728)
Opening balance under CIFRS 9 (1 January 2018)	9,047,114	36,523,200
(KHR'000 Equivalents – Note 5)	36,523,199	146,750,217

B. INCOME TAX

The above changes decreased/(increased) does not result in significant deferred tax assets/liabilities.

C. LEASES

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

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

The impact arising from the change is summarised as follows:

	1 January 2018	31 December 2018
	US$	US$
Statement of financial position		
Right-of-used assets	1,125,647	1,694,525
Lease liabilities	(1,125,647)	(1,744,106)
Adjustments to retained earnings	-	(49,581)
(KHR'000 Equivalents – Note 5)	-	(200,555)
		2018
Statement of profit or loss and other comprehensive income		
Depreciation of right-of-used assets		368,661
Interest expense on lease liability		79,556
Rental expenses		(398,636)
Adjustment to profit before/after income tax – US$		49,581
(KHR'000 Equivalents – Note 5)		200,555

31.3 RECONCILIATION OF PROFIT AFTER TAX

	31 December 2018	
	US$	KHR'000
		(Note 5)
Profit after tax under Cambodia GAAP	6,493,617	26,266,681
Increase in interest income from loans to customers	616,402	2,493,346
Increase in interest expense on lease liabilities	(79,556)	(321,804)
Decrease in fees and commission incomes	(858,023)	(3,470,703)
Reversal of allowance under ELC	223,843	905,445
Depreciation of right-of-use assets	398,636	1,612,483
Reversal of rental expense under Cambodia GAAP	(368,661)	(1,491,234)
Profit after tax under CIFRS	6,426,258	25,994,214

Material adjustments to the statement of cash flows for 2018

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

32. SUBSEQUENT EVENTS

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