ក្រេឌីត KREDIT

Supporting you to grow

ANNUAL REPORT

2019

Year of Merging Bank

YEARLY PERFORMANCE HIGHLIGHTS

FINANCIAL

PERFORMANCE	2019	2018
Total Assets (in million USD)	303.85	265.35
Total Liabilities (in million USD)	264.57	230.53
Total Equity (in million USD)	39.28	34.83
Net Profit (in million USD)	4.65	4.90
ROA	1.64%	1.69%
ROE	12.56%	12.71%
Operational Self-Sufficiency	113%	114%

GENERAL

PERFORMANCE	2019	2018
Number of office	83	83
Number of District Covered	159	157
Number of Commune Covered	1,200	1,187
Number of Village Covered	7,126	7,123
Number of Staff	1,797	1,688
Number of ATM/CDM	20	15
ATM Cards Issued	3,464	4,951
Fast Payment	49,620	316,446
Loan Outstanding (in million USD)	262.48	221.94
Number of loan account	70,652	77,801
Number of Saving Account	81,372	68,265
Values of Deposit Collected (in million USD)	165.27	131.21

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Joint Message from the Chairman and CEO

On behalf of the Shareholders and Directors of KREDIT Microfinance Institution, we are pleased to present to you this final edition of KREDIT's Annual Report. The end of 2019 marks a significant milestone in the history of KREDIT MFI. It is the time that KREDIT's existence as a Microfinance and Deposit-Taking Institution comes to an end, and the year 2020 begins with KREDIT's full merger into Phillip Bank Plc. However, although the name and brand of KREDIT is now gone, its legacy of providing high quality and compassionate financial services to small-scale entrepreneurs now continues on within Phillip Bank Plc.

We are pleased that this merger provides our many thousands of valued customers with the best of both worlds: an expanded range of products and benefits that come with its stronger status as a commercial bank, while maintaining a seamless flow of support and services that KREDIT customers have come to expect. We are pleased to announce that leadership continuity will also be maintained as Mr. CHAN Mach, the CEO of KREDIT, has been appointed as the CEO of the merged Phillip Bank.

The customers of both KREDIT and Phillip Bank will benefit from this merger because KREDIT brings into Phillip Bank a new depth and scope of experience through its almost 1800 employees, as well as new breadth of services through its network of 83 branches in 20 of Cambodia's 25 provinces. Because of this merger, Phillip Bank now becomes the third largest bank in Cambodia in terms of its reach, with a combined network of 89 branches spread across the nation. It will soon have the capacity to offer the full range of financial services across every segment of the population with a much wider variety of products, ranging from small-scale micro-loans to large loans for corporate customers which will be more conveniently available to customers across new digital platforms.

It is difficult to imagine that such broad economic impact and benefits to Cambodian families and communities would have been possible when KREDIT was first established as a micro-enterprise project of World Relief, an international NGO, in 1992. KREDIT steadily grew, providing economic stability and growth to poor and vulnerable families across Cambodia as it was spun off as a separate limited liability company in 2003 and was formally licensed as a Microfinance institution (MFI) in 2007. In 2010, KREDIT became one of only six MFIs to be granted special status as a Micro Deposit-taking Institution (MDI).

As KREDIT now blends its history of growth and accomplishments into Phillip Bank, we are pleased to share with you in this Annual Report – for the last time – the highlights of KREDIT's work in 2019. Here are some of the notable results:

- Although KREDIT and Phillip Bank have spent the past two years laying the groundwork for this merger, KREDIT was still able to grow its loan portfolio by 18.25% in 2019, from US$ 221.94 million at the end of December 2018, to US$ 262.48 million by the end of December 2019.
- KREDIT has been able to maintain a high repayment rate on its loans, with an NPL rate of less than 1%, at 0.91%, by the end of 2019.
- We are proud that KREDIT has been able to maintain the confidence of its depositors by increasing savings deposits by nearly 26% in 2019, from US$ 131.2 million at the end of 2018 to US$165.27 million by the end of 2019. The number of deposit accounts increased by just over 19%, from 68,265 (end of 2018) to 81,372 (end of 2019).

Joint Message from the Chairman and CEO

- The Social Development Unit of KREDIT, with a mandate of improving the economic livelihoods of its most vulnerable customers through training and support, was spun off from KREDIT as a separate local NGO, and was registered with the Ministry of Interior in June 2019 with the name Koampia Phum Yoeung (KPY). In English this name means "Caring for Our Village". Going forward, KPY will continue to fulfill this mandate of serving vulnerable customers as the corporate social responsibility (CSR) arm of Phillip Bank.
- In 2019, KPY provided financial literacy training to 6,192 vulnerable customers and family members and provided agricultural training to 3,645 of its target customers. KREDIT also values the protection of the families and children of its customers. Therefore, we have provided child rights promotion and parenting training to 17,000 participants through KPY in 2019.

As KREDIT now becomes Phillip Bank Plc., we are eager to move forward into the new decade with many possibilities and opportunities to serve our customers better as a stronger financial institution, providing a wider array of products and services.

On behalf of the Shareholders, Directors, and Management of KREDIT MFI, we are deeply grateful for your faithful support over KREDIT's long history, and we look forward to serving you through Phillip Bank in 2020 and beyond.

With our heartfelt thanks and warm regards,

Mr. TIM AMSTUTZ
Board Chair

Mr. CHAN MACH
CEO

01 MACRO BUSINESS SCAN

- Cambodian Business Environment
- Bank and Microfinance Development

Cambodian Business Environment

Despite the stresses of the trade war, the Hong Kong unrest, and global financial instability that have plagued China, the United States, and others, the Cambodian economy continues to maintain strong economic growth in the short and medium-term. In 2019, Cambodia's economy achieved creditable results with a GDP growth of 7% as forecasted by the Asian Development Bank and World Bank, thanks to peace and political stability. Economic growth decelerated slightly to 7% in 2019 from 7.5% in 2018. However, the per capita GDP increased significantly from US$1,508 in 2018 to US$1,635 in 2019, mainly driven by the strong performance of garment and footweare exports and domestice consumption while inflation rate remains low at 2.5%.

Cambodia's trade performed better than expected due to the rapid expansion of exports, solid international demand and a surge in Foreign Direct Investment, a majority from Chinese investors. Based on the World Bank, exports increased to 14.9% in 2019, reaching US$14,526.43 million as compared to US$12,638.87 million in 2018. Garment and footwear export was the top export sector which accounted for approximately 70% of the total merchandise.

With the high and steady growth of construction on housing and industry in 2019, the total number of construction proposals saw an increase of 1,499 projects bringing the total value to 4,793 projects; the total area increased by 84.6% to 23.2million square meters; and the total value rose by 98.3% to US$11.45 billion. The huge inflow of FDI was accompanied by an increase of imports for construction materials in 2019, reaching a value of US$1.54 billion, an increase of approximately 62% from 2018.

In 2019, the visitor arrivals continued to increase in the Kingdom. The total number of tourists arriving in terms of growth in Cambodia decelerated to 6.60% from 10.70% in 2018. The growth in Chinese tourist experienced a sharp decline, with the year-on-year rate of increase dropping to 27.69% from 66.04% in 2018. However,, Chinese toursists continue to see an increase accounting for up to 39% of total tourist arrivals, up from 33% in 2018. Thai, Vietnamese, and Laotians were the next top three international arrivals which captured 12%, 6.1% and 5.2% accordingly. Moreover, while Cambodia considers the tourism sector to be a pillar for socio-economic development, the country was ranked low, at 98th in 2019 on the travel and tourism competitiveness index, compared to its neighbors, namely Lao PDR (97th), Vietnam (63rd) and Thailand (31st). This may indicate that the tourism sector needs boosting.

Rice production continued to play an important role in Cambodia's agricultural sector as it accounted for about half of agricultural GDP. The official statistics indicated that the cultivation in 2019 of rainy season rice and cultivation crop was slow due to unfavorable climate. The rainy season rice reached 2.1 million hectares by July which was less than 2018's cultivation area by 0.13 million hectares and which was just 81.8% of the authorities' target. Nevertheless, the authorities were committed to boosting agricultural production by providing agriculture extension services, training, seed production, research and development, contract farming, and the market for agricultural products. However, Cambodia has untapped potentials that could be exploited to diversify agricultural products as well as to expand livestock production, given increased market demand as household incomes rise.

There was a slight decline in garment and footwear exports in comparison to other principal exports, such as agricultural products and bicycles, which were estimated to be 72.7% in 2019 compared to 73.4% in 2018. However, the EU and the US still continued to be Cambodia's most important trading partners in the sector, accounting for a combined 69% of the sector's exports. Garment and footwear exports to the US saw a significant rise from US$2,483.2 million in 2018 to US$3,429.5 million while exports to both Japan and EU saw an increase of US$84.30 million and US$94 million respectively. Furthermore, both employment and average wage levels ended higher than in the previous year. The year-on-year increase in employment with conditions of workers in the sector relying heavily on the minimum wage rate. Continued monitoring of the impact of minimum wages remains a matter of priority.

The performance in logistics is uncompetitive compared to neighboring Thailand and Vietnam. Logistics costs remain high due to the poor quality of logistics services and the inadequate quality of the transport infrastructure. The cost and time to export a container from Sihanoukville, Cambodia's major seaport, is much higher than the global average, as reflected in the country's poor ranking in the Trading Across Borders indicators of Doing Business (108th out of 190 countries). Transport and warehousing costs in Cambodia are higher than in Thailand and Vietnam.

Bank and Microfinance Development

Due to the growth of GDP and political stability, Cambodian Banks and MFIs still continue to grow. As at December 2019, the sector consisted of 46 commercial banks, 15 specialized banks, 7 micro-deposit-taking institutions (MDI's), 75 microfinance institutions (MFI's), 248 credit rural operators, 15 leasing players, 20 payment service providers and 1 credit bureau.

Total assets of banking sector have grown by 22.8% reaching USD 41.8 billion which included USD 25.5 billion of deposit value, USD 5 billion of capital, and USD 4.1 billion funds for loan. There are 2,450 bank offices nationwide, and 2,520 ATMs and CDMs. The loan portfolio from the banking sector gained and contributed to various economic activities such as 16% of retail sales, 11% of wholesale trade, 10% in house purchasing, 10% of construction, 10% of agriculture, 9% of personal consumption, 8% of real estate, 7% of other financial services and manufacturing, 5% of hotel hospitality, and 12% of others.

Micro Finance Institutions collected deposit value of USD 3.9 billion. The loan portfolio of USD 7.2 billion was shared among families (about 34%), agriculture (20%), business (18%), services (14%), transportation (6%), construction (3%), and others (5%). Meanwhile, the credit rural operators disbursed total loans of USD 0.1 billion to 194,015 customers.

Even though the number of loan disbursement increased, there were concerns about the high risks to the sector. To try and moderate the risk, the Credit bureau office inserted loan disbursement data into the system and shared it among its own members (167 of Banks and MFIs).

National Bank of Cambodia indicated 4 elements to stabilize the sector including Sufficient Capital focus, Sufficient Liquid-Providing Collateralized Operation (LPCO), Low percentage of non-performing loans, and profit growth.

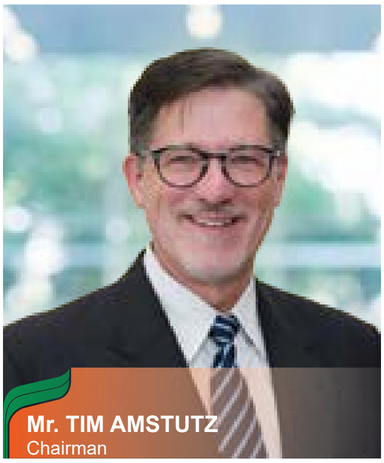
Currently, 5 million people in Cambodia are using Electronic Payment System with the total of 77 million transactions and a value of KHR 95 trillion. The Payments included (1) Fast Payment with the participation of 43 Banks, with MFIs participating as network members which a total transaction value increasing by 59.6%, reaching KHR 187.7 billion compared to 2018, (2) Cambodia Shared Switch (CSS) launched by and operating between 15 members, (3) Retail Pay which is an Online Banking System (OBS) with 7 financial players partnering with National Bank of Cambodia on transfer money and retail payment services (Retail Payment supported by KOICA), and (4) Bakong Payment, using blockchain system technology launched in July 2019, with 9 Banks and MFIs joining as network members. In the meantime, National Bank of Cambodia and related partners are developing a QR code-based payment system to improve payment security and integrate payment standards in the region. The online payment system will encourage more Cambodians to bank.

In 2019, the KHR continues to be stable. The exchange rate between local currency, KHR and USD averaged KHR 4,055 per USD1, with a variance of only 0.1%, compared to 2018 (KHR 4,051).

02 GOVERNANCE

- Board of Directors
- Executive Committee
- Committee at Board Level

Board of Directors



Mr. Amstutz has been KREDIT's Chairman since he joined the Board in 2003. He is an American citizen who was born and raised in India. He completed his university studies at Wheaton College in Illinois, USA. Mr. Amstutz worked for World Relief in a number of leadership roles from 1982 until 2015, both in the U.S. and overseas. He was responsible for launching and leading a number of groundbreaking programs for World Relief in Chicago and also served as Midwest Regional Director for World Relief's U.S. operations. Mr. Amstutz moved to Cambodia in 2001 to serve as World Relief Country Director, and in 2004 he was appointed as Asia Regional Director. Mr. Amstutz now serves as an independent consultant in organizational leadership and strategic development, serving business and NGO clients across Asia. Mr. Amstutz's broad management and leadership experience provides a platform for him to also lead training seminars, speak at various conferences and events on developments in microfinance and social entrepreneurship, provide mentoring and coaching in organizational management and leadership, and serve on the Boards of several organizations. Mr. Amstutz divides his time between the US and Cambodia.

Mr. Lim is the Executive Chairman of PhillipCapital Group of Companies and was also appointed Chairman of IFS Capital Limited on 20 May 2003. He began his career holding senior positions in the Stock Exchange of Singapore and the Securities Research Institute. He has served on a number of committees and sub-committees of the Stock Exchange of Singapore. In 1997, he was appointed Chairman of the Stock Exchange of Singapore (SES) Review Committee, which is responsible for devising a conceptual framework to make Singapore's capital markets more globalized, competitive and robust. For this service, he was awarded the Public Service Medal (PBM) in 1999 by the Singapore Government. In 2014, he was also awarded "IBF Distinguished Fellow", the highest certification mark bestowed by The Institute of Banking and Finance on industry captains who are the epitome of professional stature, integrity and achievement. Mr Lim had also served as a Board Member in the Inland Revenue Authority of Singapore from September 2004 to August 2010.

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

Mr. ONG TEONG HOON
Shareholder Representative and Director

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

This was after being the Bank's Chief Representative in Myanmar and before that, Regional Manager, Asia Pacific Region covering Financial Institutions. Almost immediately after that, he joined Phillip Securities Pte Ltd, and had covered various functions, including a stint in Phillip Securities Thailand PLC as its Ag CEO and was last, the Director OTC Capital prior to assign to KREDIT PLC in 2012. Currently, he is also serving on the Board of Phillip Bank PLC, Cambodia that is part of Phillip Capital Group and on the Board of First Finance PLC, which is a micro-mortgage firm in Cambodia in which Phillip Capital Group is also a minority shareholder. He currently volunteers as Chairman of Methodist School in Cambodia and board member of E2STEM EDUCATION, a Private Public Partnership with Ministry of Education Youth and Sports that introduces STEM Education to Yukhonthor High School.

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

Mrs. SREYHEM ROBERTS
Director

Mrs. Robert is a Cambodian/Canadian national with over 20 years of experience working and consulting with NGOs and businesses in Cambodia. Her professional activity in the non-profit and business worlds includes administration, human resources management, accounting, business development, and project management. She is working as a General Manager for First Trust Co; Ltd, a property holding company.

Ms. Ing is a Cambodian national holding a Master in Public Administration from the University of North Texas, Denton, USA and University of Cambodia in 2005. She has thirty years of experience working with NGOs/International organizations, especially the United States Agency for International Development (USAID) where microfinance institutions were her main responsibility. Prior to that, she worked in the Poverty Reduction and Economic Management Unit (PREM) a World Bank program where the financial reform program introduced to the Ministry of Economy and Finance, and Councils of Minister. She has six years of work experience with the Cambodian government, Ministry of Industry, Energy, and Mine where she helped in developing the manufacturing public sector. Varony has spent with Hagar International for five years as Programming Manager who managed two main programs including children and women. She has worked with The Harpswell Foundation (HF) for longer than six years as Senior Manager in Cambodia. Currently she does freelance consulting in monitoring and evaluation (M&E).

Mrs. Tea is a Cambodian national who has been involved in the Cambodian microfinance sector since its infancy more than 25 years ago. She has a broad wealth of experience, having worked for a number of institutions covering nearly every level of operations including training, human resource, finance and audit and various senior management positions. She also served as a board member for various institutions and as a shareholder representative.

Beside microfinance, Sotheary has served as finance manager for Hagar international; country manager for the Ratanak Foundation which is based in Vancouver, Canada.

She has done consulting work in Finance, Audit, Development and Microfinance both within Cambodia and internationally for organizations such as World Vision, Child fund, World Relief, PACT, JICA and UNDP.

Currently she resides in Yangon, Myanmar where she takes care of her family and does freelance consulting.

Tony Nash is the CEO and Founder of Complete Intelligence, the most comprehensive Artificial Intelligence solution for predictive analytics and intelligent decision-making. We utilize markets, trade, and economics data from public and private sources. Along with customized integration of client enterprise data to provide decision-makers with a platform to manage uncertainty and de-risk today's choices for a more secure and successful tomorrow. Previously, Tony built and led the global research business for The Economist (EIU) and the Asia consulting business for IHS (now IHS Markit). He has also been a social entrepreneur, media entrepreneur, writer and consultant.

Tony is a frequent public speaker and leader of closed-door dialogues with business and government leaders on markets, economics, risk and technology. He is a contributor to leading global media (BBC, CNBC, Bloomberg, etc) and has served as an advisor to government and think tanks in Tokyo, Singapore, Beijing, Washington DC and others.

Tony is an International Advisory Board member for Texas A&M University. He has a Master's Degree in International Relations from the Fletcher School of Law & Diplomacy at Tufts University and a BA in Business Management from Texas A&M University.

Mr. Philip Fong is the founder of JM Asia Cambodia Pte Ltd. He is the lead consultant and trainer who is a certified and accredited trainer under the Singapore Government Work Skills Qualification Initiatives. He is a C-suited executive with more than 30 years international business experience. He is well-known for his branding and marketing skills, having conceptualized and launched several small businesses into successful brands

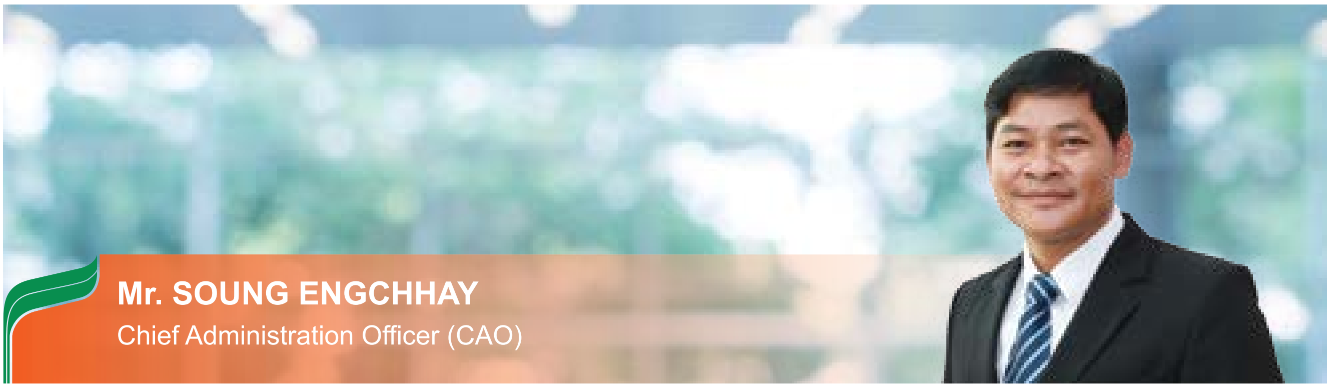
Mr. Philip is also the Master Trainer with Century 21 Cambodia, a member of Century 21 global real estate brand

Mr. CHAN MACH
Chief Executive Officer (CEO)

MACH, the first local CEO of KREDIT, was promoted from his Operations Manager position in 2006. With a Bachelor's degree in Mathematics and experience as a math teacher, Mach joined KREDIT initially in 1999 as an Auditor and Trainer. His managerial potential was recognized and he became the Phnom Penh Branch Manager in 2001. The branch flourished and in 2003 he was appointed the Operations Director. Under his leadership, KREDIT became sustainable, tripled its portfolio, and expanded its operations to nearly every province in Cambodia. Mach was certified Commercial Loan to Business, completed a Bachelor's Degree in Mathematics and a Master's Degree in Business Administration. He has attended numerous national and international courses related to microfinance and banking. Mach serves as board and committee member of Phillip Bank Plc and for the Cambodian Microfinance Association (CMA). He is recognized for his consensus-building leadership.

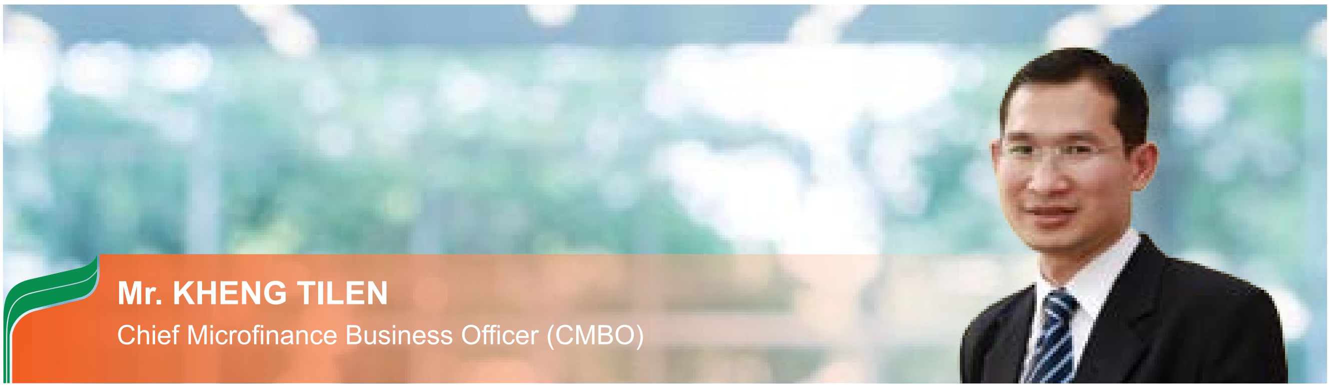
Mrs. SOK CHANTHEARA
Chief Finance Officer (CFO)

THEARA, Chief Financial Officer at KREDIT. She obtained two Bachelor Degrees in Accounting and English Teaching in 2006 from RULE and IFL respectively. In June 2013, she successfully completed the ACCA program from the UK and was accepted as an ACCA member in the same year. In September 2018, she became a fellow member (FCCA). Theara has obtained extensive experience as an external auditor with a big 4 firm. She was in charge of different types of clients, including financial services, corporate, garment factories, and local & international NGOs. She started working at KREDIT as Head of Finance in 2015. With the recognition of her contribution, she was promoted to be Chief Financial Officer in November 2018.



Mr. SOUNG ENGCHHAY
Chief Administration Officer (CAO)

ENGCHHAY joined KREDIT in 1996 through the Kampong Cham branch. He advanced quickly as a result of his hard work. He initially worked as the Translator, followed by the Branch Bookkeeper, the Deputy Branch Manager, Branch Manager, Deputy General Manager, Head of Internal Audit Department, COO, and lately he was appointed as CAO. He has attended numerous national and international courses related to microfinance and banking. He obtained a Bachelor's Degree in Business Administration, specializing in Management, a Master's Degree in Management (MBA) and a Master's Degree in Finance and Banking (MFB).



Mr. KHENG TILEN
Chief Microfinance Business Officer (CMBO)

TILEN joined KREDIT in 2014. He has experience in the banking and microfinance sectors since 2005 in Marketing, Sales, Product and Business Development, Branch Management and Consumer & Business Banking at ACLEDA Bank Plc., AEON Microfinance (Cambodia) Co., Ltd. and Cathay United Banking (Cambodia). He initially worked as a Marketing Officer, followed by the Research and Development Manager, Account Relationship Manager, Assistant Senior Vice President of Marketing Division, Business Development Manager, and Vice President of Consumer and Business Banking. He obtained a Bachelor's Degree of Business Administration, a Bachelor's degree of Arts (English for International Business) and a Master's Degree in Management at Thailand's Burapha University. He comes back to join KREDIT in 2019. In addition, he attended numerous nationally and internationally recognized courses and events in Singapore, Thailand, Indonesia, Hong Kong, Philippine, Malaysia, etc.

Executive Committee

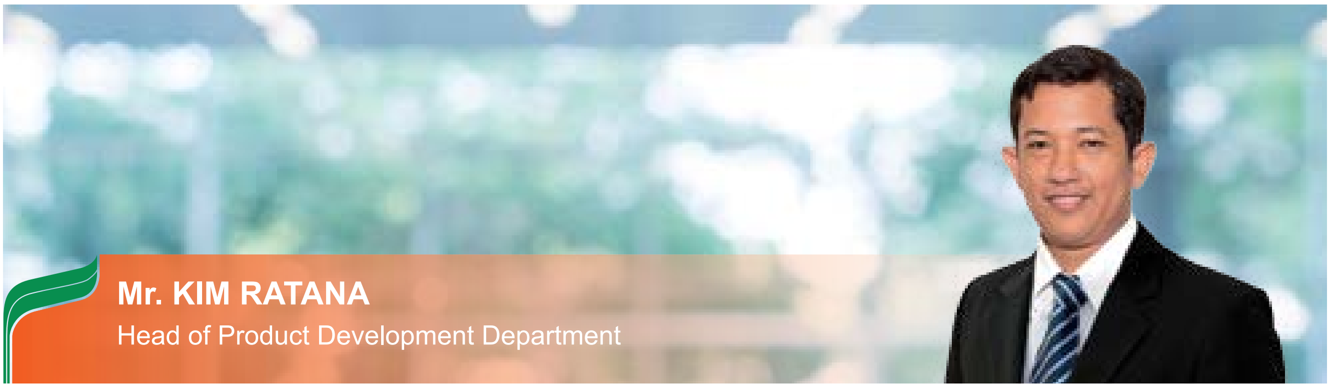
Mr. SOK KIMCHHAY
Chief Information Officer (CIO)

KIMCHHAY is currently Chief Information Officer, focusing on supporting the critical technology services mission in the organization. He oversees the organization security, data center, network infrastructure, core banking, Digital Banking Service, Mobile, and application development as well as successful technology utilization by leveraging the centralized system to automate the process and reduce the paperwork for cost efficiency. He holds the MSIT degree from Norton University and Bachelor of Computer Science from Royal University of Phnom Penh. Besides this, he also obtained other training and skills certificates from both national and international related to microfinance, banking, security, and compliance. He received an ASEAN CIO AWARD as one of the most outstanding Chief Information Officers in 2015 from IDG.

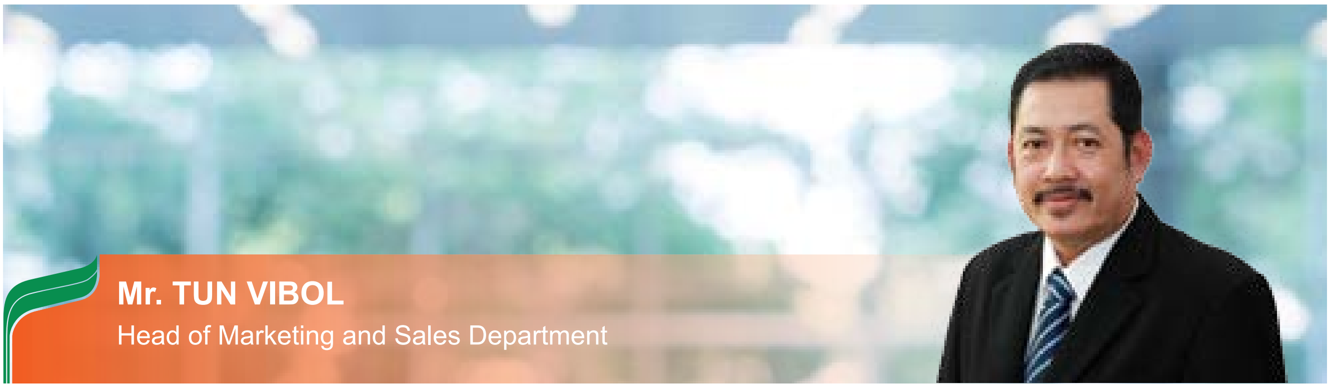
Mrs. KEO KALYAN
Head of Operation Department

KALYAN joined KREDIT in November of 2018 as the Head of Operations Department. She has over 17 years' experience of branch operations in The Microfinance and Banking Sector. She obtained a BBA degree in accounting in 2004 at NUM and an MBA in Finance Banking at IIC University in 2011. She started her career as Teller, Accountant, Regional Chief Accountant, Senior Deposit Officer and moving up to Management Level. She has attended numerous courses related to microfinance and banking, management and leadership skill, negotiation skill, communication skill, customer service skill, marketing and selling skill, motivation skill, and training of trainers.

Executive Committee



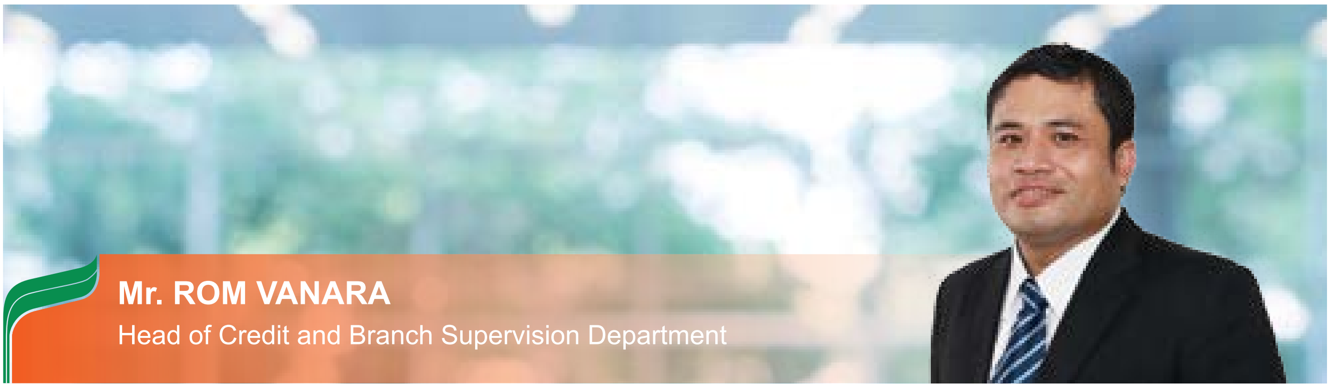
RATANA joined KREDIT in December 2005 and was promoted to many different positions, including Credit Officer, Field Coordinator of the Vulnerable Service Unit, Sub Branch Manager, Assistant to Branch Manager, and Branch Manager. In Dec 2012, he was promoted to Deputy of Operations Department and in August 2014, he was promoted to a Deputy of Product Development Department, and now serves as the Head of Product Development Department. He graduated with a Bachelor's Degree from the Royal University of Law and Economics in Economic Science specialized in Banking and Finance in 2005 and Master of Business Administration from Norton University in 2010.



VIBOL joined KREDIT in 2003 as a Branch Manager of one of KREDIT's largest branches. In recognition of his strong performance in attracting customers to KREDIT, he was promoted to be Head of Sales and Customer Service Department in 2016, then as Head of Marketing and Sales department at the beginning of 2018 . Prior to working for KREDIT, Vibol worked in senior positions with NGOs for more than five years. Vibol holds Bachelor's and Master's degrees in Business Administration and has attended numerous courses related to microfinance and banking, management and leadership, marketing and selling skill, motivation, and training of trainers.

Mr. EAR NHAR
Head of Administration Department

NHAR started working for KREDIT in 2009 as the Administration Unit Manager and later on because of his talent and commitment; he was promoted to Head of Administration Department in 2013. Nhar graduated with a Bachelor of Business Administration majoring in Accounting from Institute of Technology and Management (ITM) in 2006, and a Master of Business Administration in Finance from National University of Management (NUM) in 2010. Nhar was an administrative supervisor for a human rights organization for over 10 years. He continues to strengthen his skills through attending numerous trainings and workshops.



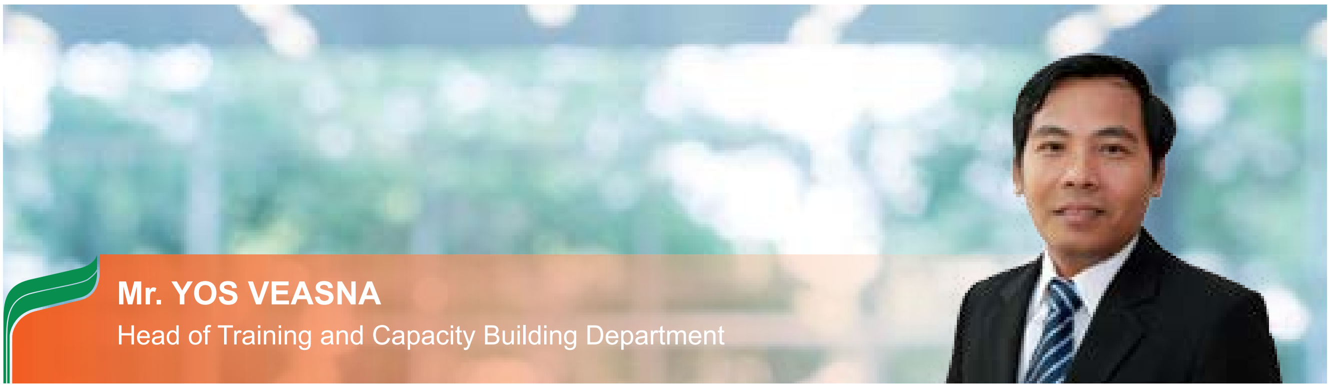
Mr. ROM VANARA
Head of Credit and Branch Supervision Department

VANARA is currently Head of Credit and Branch Supervision Department, responsible on Branch Performance Management, Credit approval, Credit Admin and Credit process management, and loan recovery management. He obtained the Diploma of Accounting and Finance at CIDH institution, and then a bachelor's degree in English Literature at Build Bright University. In 2010, he graduated with a master's degree in Finance and Banking from Build Bright University and last not least in 2019, he successfully completed the Commercial Loan to Business Program from Omega Performance US and received a Certificate from Moody's Analytics. Moreover, he also attended nationally, and internationally numerous courses related to microfinance and banking such as Managing MFI/Bank, Banking Products and Services, Advanced Risk Management, Operations Management, Credit Risk Management, Branch Management, Advanced Management and Leadership, Business Development Process, Business Law and Contract Law, Digital Banking, Fund Management and so on.

Executive Committee

Mr. MECH VANNAK
Head of Infrastructure

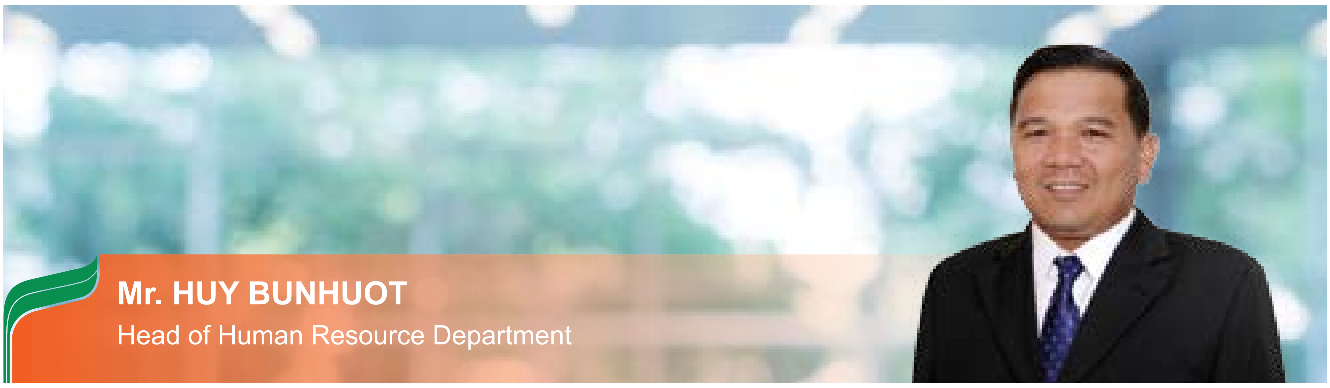
VANNAK joined KREDIT in January of 2013 as the Network and Infrastructure Unit Manager. Vannak was promoted to Deputy Head of IT in June 2018 and he was promoted to Head of Infrastructure in July 2019. Vannak obtained a BBA degree in Computer and Science in 2005 at Royal University of Phnom Penh and an MBA at National University of Management in 2012. Vannak was a System and Network Manager for one of Microfinance in Cambodia for over 6 years. He attended in many training courses such as IT Project Management, IT Risk Management, Oracle Solaris, Virtualization and Soft Skills: Time Management, Leadership skill, and He continues to strengthen his skills through attending many other computer courses, online trainings course and workshops.



Mr. YOS VEASNA
Head of Training and Capacity Building Department

VEASNA has more than 10 year's professional experience in Microfinance. He began his career in 2004 as an auditor with KREDIT Plc, and after three years was promoted to Vulnerable Service Unit Manager, responsible for developing community bank loans (microloan) to vulnerable people in rural areas. In 2009, he worked as a Senior Trainer and Training Unit Manager in the HR Department, and in 2014 he was appointed as Deputy Head of Training and Capacity Building Department. In 2015 he was promoted to the position of Head of Training and Capacity Building Department. He obtained a Bachelor's degree of Finance and Banking at Norton University and a Master's degree of Finance Management from Royal University of Law and Economics. He has attended numerous courses related to Microfinance and Banking operation, Auditing, Training, Facilitation skills, Leadership and Soft Skill in Cambodia and overseas.

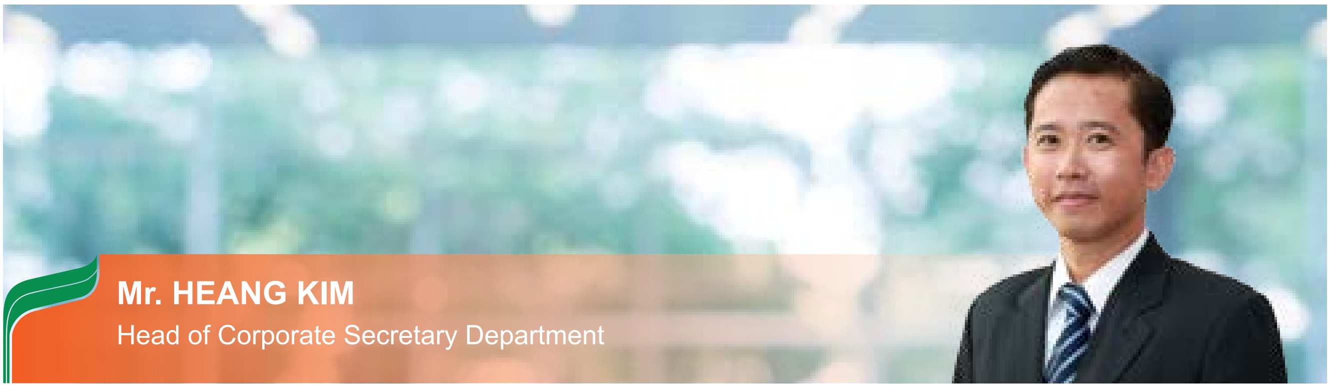
Executive Committee



Mr. HUY BUNHUOT

Head of Human Resource Department

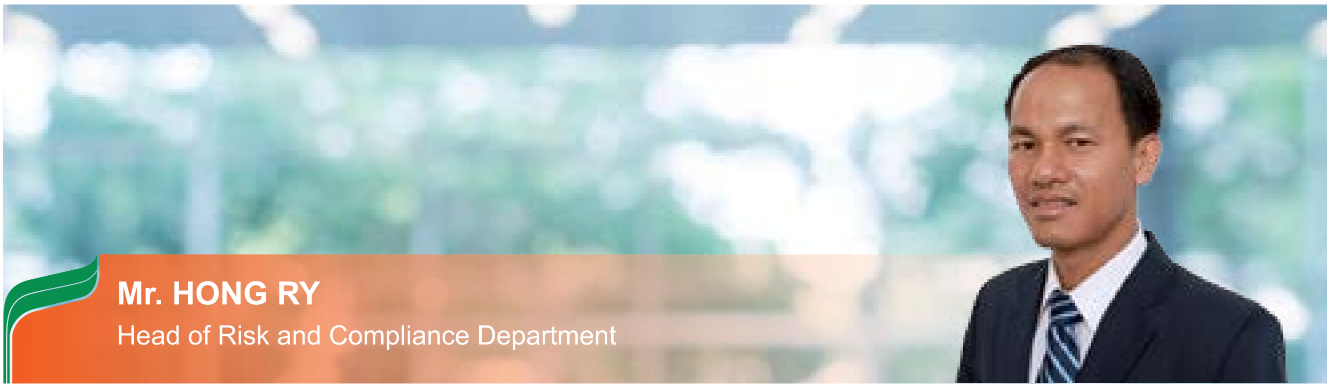
BUNHOUT holds Bachelor's Degrees of Law from Royal University of Law and Economics and a Bachelor's Degree in Education from Royal University of Phnom Penh. He attended numerous national and international courses related to microfinance and banking. He joined KREDIT in 2000 as Administrative Assistant and in October 2003, he was promoted to Administrator. After that, he was promoted to Human Resource Officer/Administrator. In Oct 2006, his substantial achievements were recognized, as he was appointed Head of the Human Resources Department.



Mr. HEANG KIM

Head of Corporate Secretary Department

KIM has devoted his working life within the microfinance industry since 2002 ranging from management of marketing and research, customer service, and donor relations. He set up and led the Marketing Department at KREDIT from 2008 to 2018, supervising 4 units/sections: research, customer service and field promotion, branding and communication, and social performance and donor relations. In 2018, Kim was promoted to a new role as Head of Corporate Secretary Department to provide daily assistance and management support to the CEO. The new roles cover business plan development and monitoring, reviewing, summarizing and discussing with the CEO on business proposals, dealing with company legal issues to related ministries, providing leadership and support to social performance and community development unit, ensuring quality of high-level company meetings, including board and annual general meetings (AGM) of shareholders, board risk committee, board audit committee, ALCO committee, credit committee, and executive committee. He is also serving as a member of KREDIT trustee board and used to serve as editorial board of a financial education progamme, called "life and finance" supported by Oikocredit. Kim holds a BBA in marketing, MBA in management, and a Cambodia Business Law (CBL) certificate from CamEd. Also, he attended numerous nationally and internationally recognized courses related microfinance and banking.



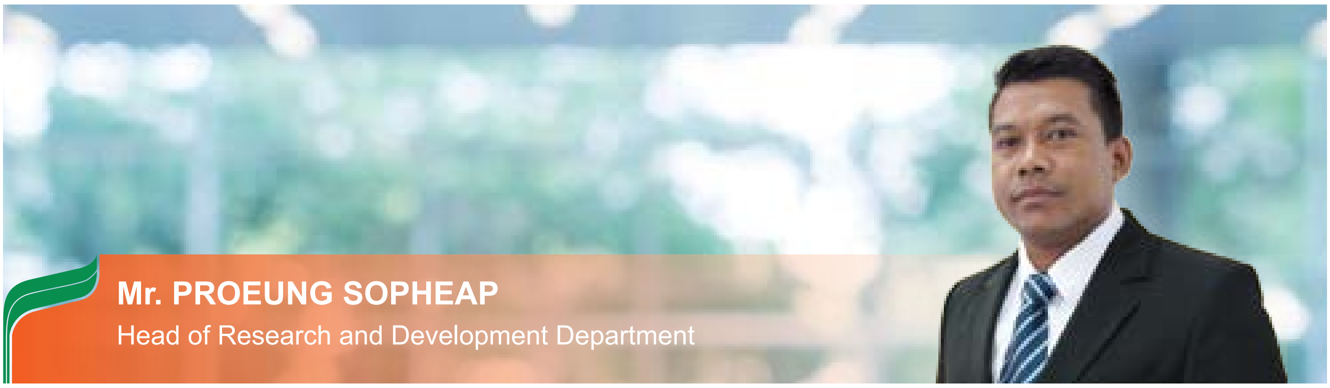
RY joined KREDIT in 2006, initially serving in the position of Internal Auditor and then Senior Internal Auditor. In 2011, he was promoted to Risk and Compliance Unit Manger and he became Head of Risk and Compliance Department in 2017. Ry obtained a BBA degree in accounting in 2004 at Institute of Technology and Management and an MBA at Norton University in 2011. He has attended Risk Management Excellence training in Luxembourg and Risk Management Framework training in Thailand. He also participated various training courses in Cambodia on Risk Management, Auditing, and Compliance. Previously he was an accountant for three years with two different companies.

SAMRIT was appointed as Head of Internal Audit in May 2017. He has earned experience in the Microfinance sector for more than 12 years in Auditing, Risk, and other areas. Samrit was quickly promoted to Audit Team Leader in 2009 and he was promoted to Deputy Head in 2012 with more than forty subordinates in AMK Microfinance. Samrit contributes a lot to the effective internal control and risk management in the company.

SAMRIT was an outstanding university student, obtaining both his BA and MBA degrees. He holds two Bachelor's Degrees in the same year: one in Accounting & Finance and another one in Physics in, 2002 from the National Institute of Management and Royal University of Phnom Penh respectively. Samrit obtained his Master's Degree in Management from Norton University in 2012. With more than 12-years working experiences in Microfinance and Banking sector, Samrit has gained a lot of leadership and management skills in a variety of areas, including Enterprise Risk Management, Risk Management Framework, Professional Leadership, Fraud control and Prevention, Audit Manager Tools and Techniques, Risk Base Audit Methodology, Professional Development, and Innovation, Fundamentals of IT audit, Creative problem-solving techniques for the auditor, Financial Management, and Corporate Governance. In addition to that, he attended numerous nationally and internationally recognized courses related to microfinance and banking.

Mr. HAY VANHOM
Head of Treasury Department

VANHOM joined KREDIT in 2002. He obtained a Bachelor's degree in Accounting and Finance, and a Master's Degree in Auditing. He has attended numerous national and international courses related to microfinance and banking. He initially worked as a Bookkeeper, then as Accountant, Internal Auditor, Accounting Manager, Deputy Finance Manager, Head of Finance Department and ultimately was promoted to be Head of Treasury Department.



Mr. PROEUNG SOPHEAP
Head of Research and Development Department

SOPHEAP was a former NGO's worker with various international and local agencies. His field of interest covers programme management, monitoring and evaluation, with an extensive experience of project design, developing monitoring tools, project evaluation, research and policy. One of the main records was developing a research paper on linkage education and child labour as well as Prakas on addressing child labours in the agricultural sector. He joined KREDIT, MFI, Plc in March 2014 as the research manager. As the research manager, he has performed all analyses in responding to the management decision in terms of product design, customers' market demand, and competitor landscape. In this role, he has worked with various consultants in undertaking the project evaluation and social assessment for the company. Additionally, he has also developed the credit scorecard model together with relevant departments in responding to the new requirement by the NBC. From time to time, he has enhanced his skill in Economic analysis by linking to the company business portfolio and identifying the emerging growth and risk that the company should consider. Sopheap was promoted to be the head of research and development department for the merged entity. The objective of the department is to provide all market information for the product design, informed decision for the management through economic analysis and monitor the evolution of competitors. Sopheap holds a BBA in Managerial Economics and a MBA in Finance and banking. Additionally, he has attended numerous training courses related microfinance and banking and analyst skill for different research methodologies, predictive modeling and economic analysis.

To Support the Board of Directors and Management, the KREDIT Board has established three committees at the Board level including the Audit Committee, Risk Committee, and Social Performance Committee.

Audit Committee, Chaired by the Independent Board Member Ms. Ing Varony

Roles of the Audit Committee

The Audit Committee performs the following general functions:

- Establishes and monitors compliance of all KREDIT operations according to operating policies, internal financial controls, and the corporate code of conduct.
- Reviews the findings of audits or examinations conducted by the Internal Audit department and other agencies.
- Discusses and resolves disagreements between internal or external auditors and management.
- Inquires about the external auditor's opinion on the competence of financial and accounting personnel and the internal auditors.
- Reviews the adequacy of internal control systems over financial reporting.
- Oversees the company's internal controls for safeguarding its assets.
- Evaluates the internal auditor's objectives.
- Reviews the internal auditor's work and assesses their performance and capacity.
- Ensures that the internal auditor's involvement in auditing the financial reporting process is well-coordinated with the work of external auditors.

Results of the Audit Committee in 2019

- The audit committee met four times in 2019, in March, June, September, and December.
- The internal audit department reported directly to the Audit Committee
- The audit committee approved the internal audit report of each business
- All key operations, business, and management were audited according to risk-based methodologies, which provide independent and objective assurance over the adequacy, sustainability, and effectiveness of the company's governance, internal control, and risk management process.
- The internal audit department examined the strategies of the company, the adequacy, and effectiveness of the relevant policies, procedures, and regulatory guidelines.
- The internal audit department discussed the result of all assessment with management and reported its observation/findings, recommendations, and opinions, via a structured process to the Audit Committee.
- Within the year 2019, the internal audit department conducted 126 audit missions in which 116 were on the operational scope (102 branches audit and 14 departments audit) and 10 special cases, based on a coordinated schedule and plan designed to ensure oversight of all aspects and geographical areas of the company's operations.

It is the opinion of the Audit Committee that the internal controls, audit procedures, and risk management processes are adequate to safeguard the company's assets and to provide sufficient assurance and integrity of the financial accounts.

Risk Committee, Chaired by Independent Board Member Ms. Tea Chansotheary

The Board of Directors established the Risk Committee in 2012 according to Board Bylaws Article V. Its mission is to assist the board and related departments of KREDIT to identify, measure, control, and mitigate risk at all levels of the organization. Its objective is to discharge the duty of the Board of Directors to protect the interests of the shareholders by overseeing the risk of the organization, and to make recommendations to management on any decision and/or activities needed to mitigate risk for the whole company.

Roles of the Risk Committee:

The Risk Committee performs the following general functions:

- Critically assesses KREDIT's business strategies, processes, and plans from the risk perspective.
- Analyzes future risks including trends and provide comments to management.
- Monitors procedures for compliance with government regulation.
- Reviews all policies and procedures for risk mitigation.
- Sets out the nature, role, responsibility and authority of the risk management function with the outline of the scope of risk management framework.
- Reviews critical risk management activities of KREDIT as reported by the management and ensures that all requirements of the policy complied.
- Suggests or recommends to management any pre-emptive action for any external factors influencing the company's operation such as political, economic, or regulatory factors.
- Reviews and estimates the integrity of the risk control system and ensures that the risk policy and strategies are managed effectively.
- Reviews and approves risk policies.
- Through reports generated by the Risk and Compliance Department or ALCO committee, it makes suggestions or recommendations to the management for any action to mitigate risk, risk acceptant or risk transfers

Achievements of the Risk Committee and the Risk and Compliance Department of KREDIT in 2019.

- The Risk Committee met four times in 2019, in March, June, September and November.
- During the year, there were significant steps taken as follows:
  - Enhancing risk culture and governance in KREDIT to ensure that our risk management is able to respond rapidly to current and future business operational risks.
  - Reviewing regular reports on risk and compliance and report high risk issues or concerns to the Board
  - Providing oversight of KREDIT's risk management framework and significant inputs for enhancing our internal risk management practices.
- Risk assessment has been conducted for 88% of new products and processes
- Conducted Disaster Recovery Plan testing completely
- Submitted Liquidity stress test Report to the National Bank of Cambodia
- Assisted in developing credit scorecard and IFRS 9 impairment
- Updated counterparty risk assessment result for 2019
- Implemented new search engine for blacklisted clients with audit trail tracking
- Credit Scorecard validation policies and procedures were approved
- Risk indicator/risk appetite policies and procedures were approved
- Compliance policy was drafted
- Completed annual update on compliance checklist and annual Anti Money Laudering/ Combating Financing to terrorist (AML/CFT) Report.

Social Performance Committee, Chaired by Independent Board Member Ms. Sreyhem Roberts

Roles of the Social Performance Committee:

The Social Performance Committee performs the following general functions:

- Sets clear goals and objectives and creates strategies to ensure that the Board of Directors, Management, and Employees are aware of the goals and objectives, and are committed to achieving them in line with the universal standards as established by the Social Performance Task Force (SPTF), a coalition of social lenders and socially conscious MFI's committed to researching and following best practices in principles of community development.
- Creates and reviews Social Performance Indicators to ensure they remain relevant to the strategic growth of KREDIT.
- Studies, initiates, proposes and implements relevant and impactful initiatives and programs to achieve both the short-term and long-term social performance goals of KREDIT.
- Comes up with measurements tools to measure and track the social performance activities of KREDIT approved by BoD.
- Establishes working groups with specific tasks and authorized to take any independent professional advice, as it considers necessary to assist the Committee.
- Manages the budget of KREDIT's Social Development Fund, current year and accumulated funds, approved by the Board and set aside by management of KREDIT to ensure the various strategic social programs and initiatives are carried out professionally and prudently; and to ensure the results and impacts of these fund disbursements are an integral part of KREDIT's overall social goals among its most vulnerable clients.
- Validates action plans and budgets related to social performance management, and monitors the implementation of the activities and programs to ensure quality and effectiveness.
- Monitors the trend of the endorsed indicators in the context of the market and country developments. In addition, report to the Board on any significant changes and analysis of the causes of key changes as well as recommend appropriate plans and actions to ensure KREDIT keeps to the core of these social performance expectations and achievements.

Social Performance cumulative result activities at the end 2019

- 48,985 participants joined Financial Training
- 16,589 participants joined Agriculture Training
- 172,412 participants joined Child Rights Promotion and Parenting
- 278 Communes impacted from Child Rights Promotion and Parenting programs
- 82 sets of hand-washing facilities built for 77 primary schools.
- 15 preschools built
- 247 Education Loan customers with totaling amount $313,839
- 389 of families' death clients have written off loans totaling $131,814

In the middle of 2019, Social Performance and Community Development Unit of KREDIT combined with the newly-registered NGO, Koampia Phum Yoeung (KPY) Organization to support and make a difference to children and their families in 2019. The registered NGO Koampia Phum Yoeung (KPY) stated its own Vision that KPY sees strong and financially stable families improving their lives and strengthening poor communities across Cambodia. It commits to achieving the Mission of improvement the lives of the vulnerable in Cambodia by providing training and consulting on financial management and community and family development.

03 KREDIT OVERVIEW

- About KREDIT
- Organization Chart
- Milestone of KREDIT 2019
- Vision and Mission
- Top Branches Performance
- Interactive Communication Channels
- Business Partners

About KREDIT

KREDIT is one of largest microfinance institutions (MFIs) in Cambodia established by World Relief US in 1993, an International NGO, with the Ministry of Foreign Affairs.

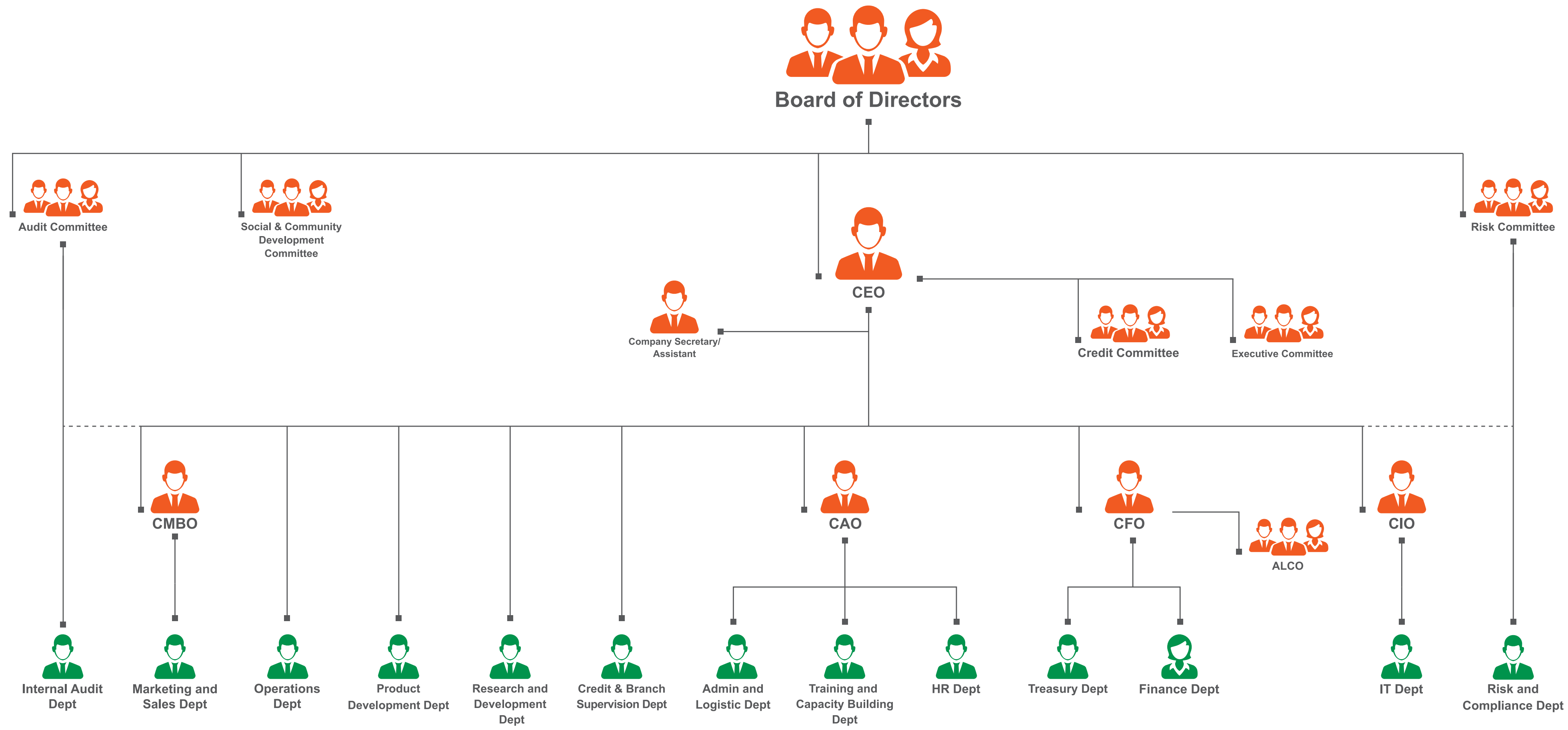
The organization became a Private Limited Liability Company in 2003 in response to the requirement of the Banking and Financial Institutions Act (2000) for organizations with a portfolio and clients above the stated threshold to become a licensed MFI in 2004. In 2010, KREDIT received another upgrade of license to Micro Deposit-Taking Institution (MDI) from the National Bank of Cambodia (NBC).

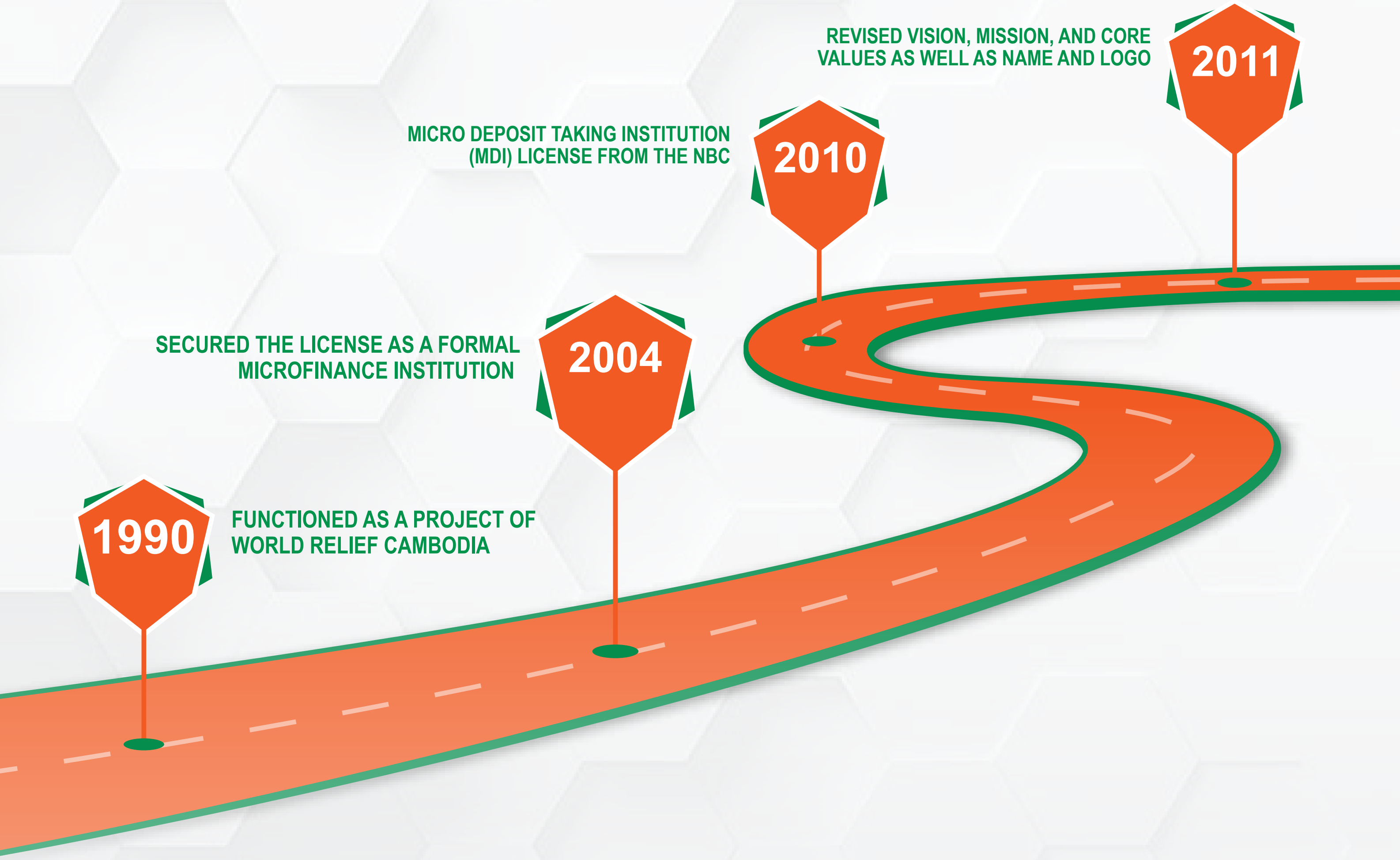
KREDIT is actively providing diverse and innovative financing and non-financing services to clients with the majority living in rural communities. Over its 25 years of experience, KREDIT has consistently focused on its vision and mission to help poor and vulnerable families with ready access to financial services to improve their lives.

2019, KREDIT is 100% owned by Phillip MFIs Pte Ltd, which is a member of the Phillip Capital Group based in Singapore, which is a holding company for the Group's long-term investments in Cambodia. Since 1975, the Phillip Capital network has grown into an integrated Asian financial house with a global presence that offers a full range of quality and innovative financial services. In Cambodia, in addition to wholly–owning KREDIT MFI PLC, it also owns Phillip Bank Cambodia, Phillip General Insurance PLC, and Phillip Life Assurance Cambodia PLC.

On 30 October 2019, KREDIT and Phillip Bank obtained the approval from the National Bank of Cambodia on the merger entity as Phillip Bank PLC. Then, on 15 January 2020, the Ministry of Commerce gave the approval to finalise the merger, effective from 1 January 2020.

Organization Chart




2011
REVISED VISION, MISSION, AND CORE VALUES AS WELL AS NAME AND LOGO
2010
MICRO DEPOSIT TAKING INSTITUTION (MDI) LICENSE FROM THE NBC
2004
SECURED THE LICENSE AS A FORMAL MICROFINANCE INSTITUTION
1990
FUNCTIONED AS A PROJECT OF WORLD RELIEF CAMBODIA

Milestone of KREDIT 2019

2012

PHILLIP CAPITAL OFFICIALLY BECOME THE MAJOR

2014

SUCCESSFULLY MERGED WITH CBIRD, ANOTHER MFI WHICH WAS ALSO OWNED BY PHILLIP CAPITAL GROUP

2015

NEW CORE BANKING SYSTEM "ORACLE FLEXCUBE" GOES LIVE

2016

LAUNCHED ATM, FAST PAYMENT, PAYROLL SERVICE

2017

LAUNCHED LOAN REPAYMENT PARTNERSHIP
LIFT INSURANCE PROGRAM PARTNERSHIP
QUALITY AWARD FROM CREDIT BUREAU CAMBODIA

2018

This major milestone recorded by KREDIT is an important reminder of KREDIT's growth and adaptation from a small NGO project to its current position as a stable and leading Microfinance Institution in Cambodia: In 2018, its 25th anniversary year …

PhillipCapital became the sole shareholder of KREDIT, owning 100% of it's share capital.

2019

2019 was the year of the merger between KREDIT and Phillip Bank. KREDIT reached the milestone of transforming from Micro Finance Institution to Commercial Bank. The following milestones showed the transformation;

- Upgraded Use: Core Banking System, Oracle FLEXCUBE to **FLEXCUBE Universal Banking Version 14.1**
- **5 New ATMs** were launched in Phnom Penh and Province.
- National Bank of Cambodia approved KREDIT to merge with Phillip Bank to be Phillip Bank Plc. After the merger, the new entity will operate 89 branches all over the country.

Vision, Mission and Core Values

VISION

To contribute to the social and economic development of communities by enabling the economically active poor to improve their lives.

MISSION

To be a reliable and well known financial institution That provides diverse and innovative financial solutions to communities, serving and protecting our clients while maintaining organizational sustainability with a commitment to the poor.

CORE VALUES

- **Commitment:** Working hard to achieve service excellence
- **Integrity:** Doing what is right
- **Team work:** Working together to achieve one goal
- **Responsibility:** Being accountable for our actions
- **Dignity:** Showing mutual respect for all
- **Transparency:** Working clearly and ethically
- **Communication:** Relating in an open and friendly way to all
- **Christian faith:** Acting in accordance with Christ's love

Top Branches Performance (Loans and Savings)

1st
HQ Operation Unit
Mr. VAN Vet
Branch Manager "A"

Secret Successful Keys:

- Encourage our staff to love work and have confidence in their capacity. Managers conducted Training, coaching on policies, and procedures regularly. Staff understand their responsibilities and high commitment to work.
- Well prepared for customer orientation, and clean environment.
- Classify target customers and understand them well.
- Prepare strategy before selling and communicate with customer. Strengthen customer relationship.
- Product orientation and benefits to customers during selling. Keep in touch and follow up with potential customers.
- Ethics and values practice and good performance

2nd
Krong Siem Reap
Mr. OU Dara
Branch Manager "A"

Secret Successful Keys:

- Work commitment and work hard.
- Sharing good experience with my subordinates
- Recognizing staff's achievements and productivity
- Sharing and reminding my staff about loan policy, procedures, guidelines, and memo
- Building staff contribution with full commitment and knowledge.
- Management skill: Following up and monitoring.
- Clear decision making with enough reason to support staff
- Strong commitment to get best results.

3rd
Toul Kouk
Mr. KAO Chhaorath
Branch Manager "A"

Secret Successful Keys:

- Honesty and high commitment to work
- Provide Service with care and quality.
- Good communication with customers, keep in touch and follow up.
- Good relationship with authorities.
- Good consultation and solution to customers.
- Strengthen network and relationship.

Interactive Communication Channels

WEBSITE
www.kredit.com.kh
Visitors: 290,429

CALL CENTER
+(855) 89 98 98 18

E-MAIL
info@kredit.com.kh

FACEBOOK
@kreditmfi
Like: 148,342
Follower: 148,844

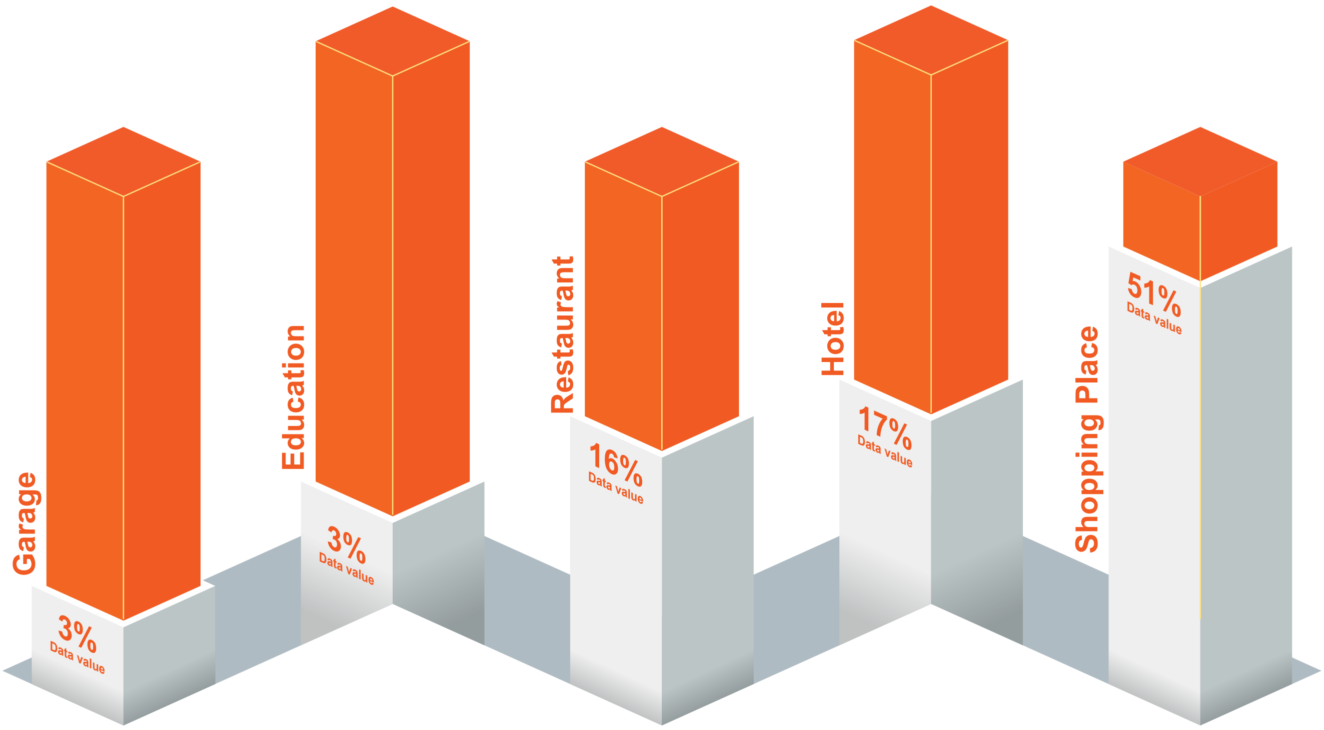
INSTAGRAM
@kreditmicrofinance
Follower: 116

LINKEDIN
kredit-microfinance-institution
Follower: 6,504

YOUTUBE
Subscribers: 182

TWITTER
@KreditMfi
Follower: 113

Branches: 83 | **CDM: 02 ATM: 18**


Garage
3%
Data value
Education
3%
Data value
Restaurant
16%
Data value
Hotel
17%
Data value
Shopping Place
51%
Data value


ក្រេឌីត
KREDIT
បញ្ចុះតម្លៃពិសេស
ដោយគ្រាន់តែបង្ហាញ
កាតអេធីអឹម សៀវភៅធនាគារ
ឬ ប័ណ្ណព័ត៌មានគណនី
24/7
089 98 98 18
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04 BUSINESS
Performance

- Operational Performance Report
- Risk Management Report
- Partner
- Lender and Networks
- Going Further, Going Together
- KREDIT's Board Director Farewell
- KREDIT Celebrate 25 Years Anniversary
- Upgrading Core Banking System, Oracle Flexcube
- Staff Capacity Building
- Social Performance Report

Operational Area and Office Outreach

During this year of the merger between KREDIT and Phillip Bank, KREDIT still managed to deliver a respectable performance at the end of 2019.

As a result, at the end of 2019, KREDIT operated through 83 branch offices in 20 provinces and cities throughout of the country.

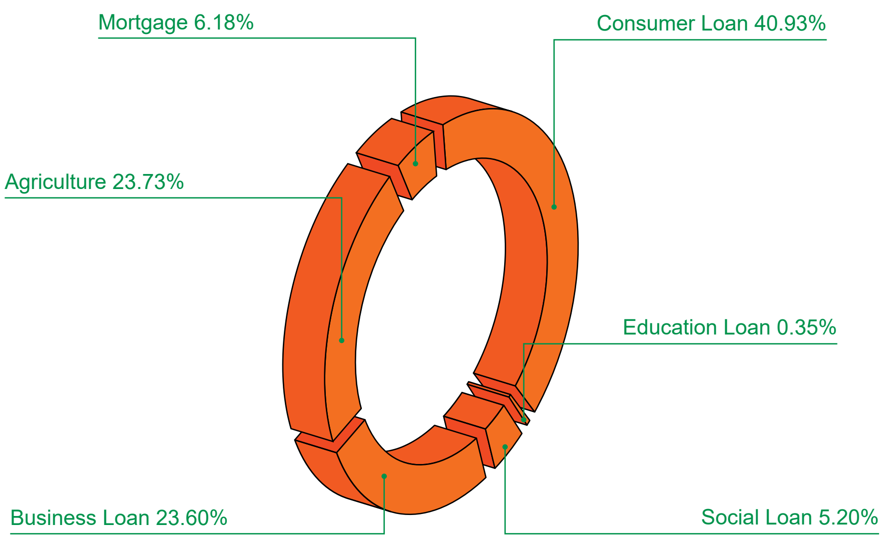
Number of Offices 2019	83
Number of Provinces 2019	20
Number of Districts 2019	159
Number of Communes 2019	1,200
Number of Villages 2019	7,126

Loan Performance

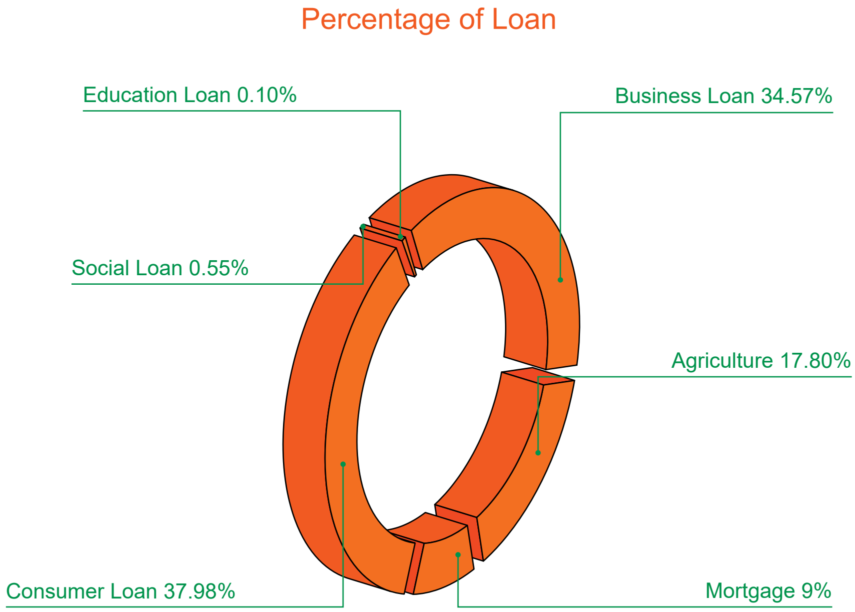
In 2019, KREDIT received loan outstanding of USD 262.48 million, up by 18.27% compared to the year 2018. The loan disbursement during the year 2019 included Business Loans, Consumption Loans, Home improvement Loans, Agriculture Loans, Working Capital Loans, SME Loans, Personal Loans, Education Loans, Solar Loans, and Community Bank Loans.

The following diagram provides details about the client percentage of loan disbursement by Loan product. Business and Agriculture loans are the most common.

Percentage of Client

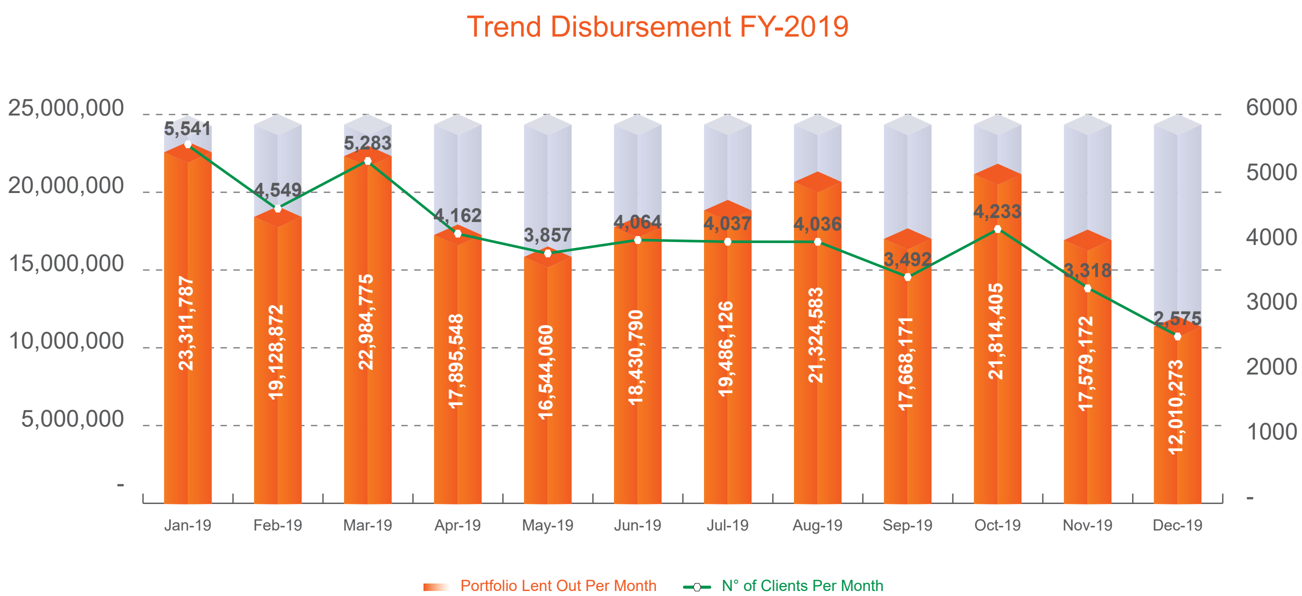


Operational Performance Report



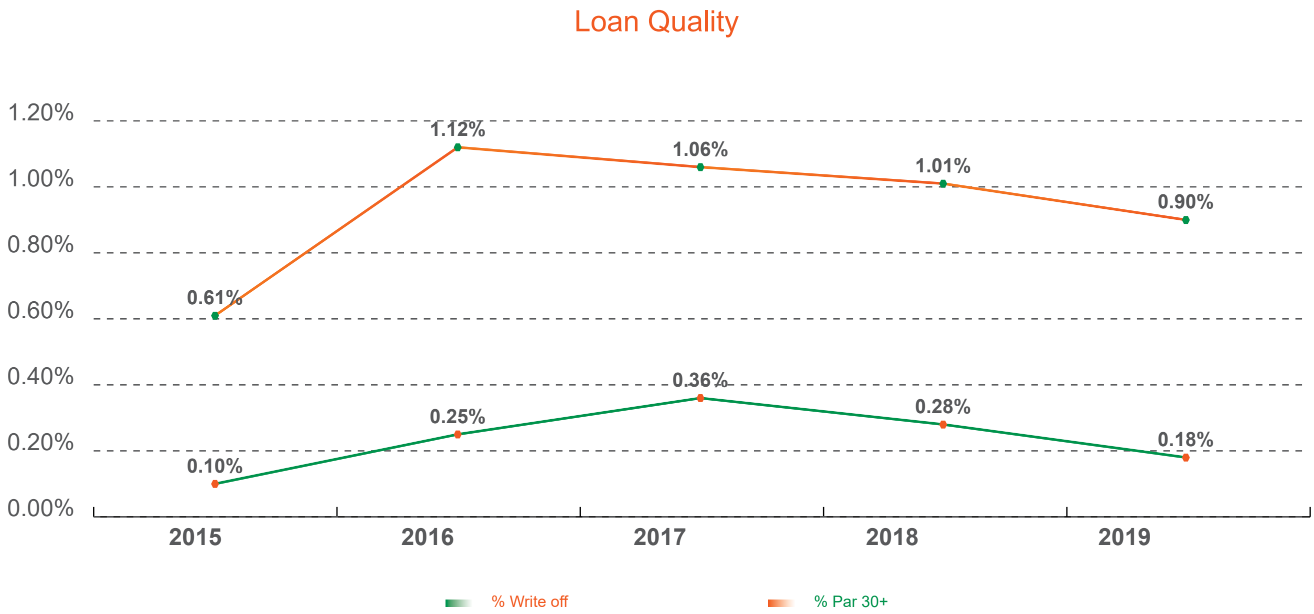
Monthly Disbursement of Year 2019

In 2019 KREDIT disbursed loans totalling USD 262,476,095 to 70,652 borrowing clients. Here is the monthly disbursement trend for the year:



Loan Quality Structure

KREDIT's loan quality was higher than the industry standard performance. As of December 2019, the portfolio at risk (PAR30+) ratio of KREDIT was 0.90% and the percentage of write–off was only 0.18%.



Staff Productivity and Workload

KREDIT has improved its staff productivity over the past years. On average, the loan outstanding per Credit Officer/Loan and Saving Officer (LSO) as well as per total staff has increased as shown below although the number of borrowers per staff has declined.

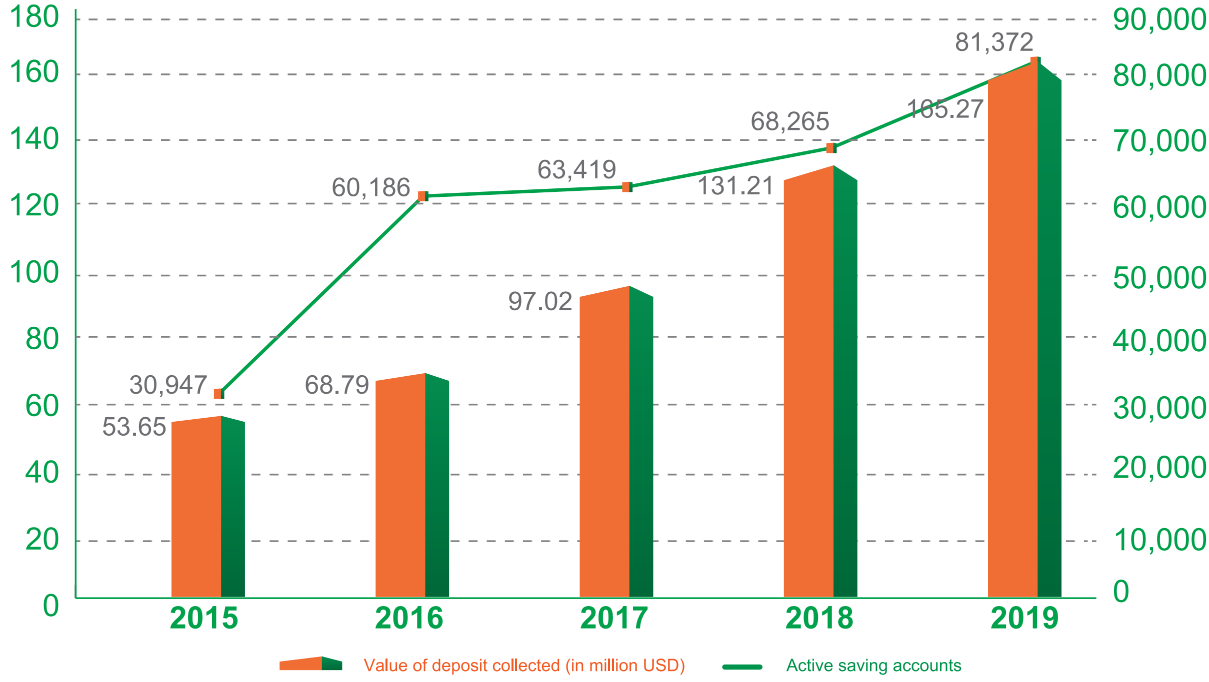
Number and Value of Loan	2015	2016	2017	2018	2019
Amount Outstanding/CO&LSO (in USD)	228,374	248,381	312,578	370,521	432,415
Borrowers or borrowing account/CO&LSO	156	137	126	130	116
Amount Outstanding /Front line staff (in USD)	144,142	158,136	200,497	235,858	281,627
Borrowers or borrowing account/Front line staff	99	88	81	83	76
Amount Outstanding /Total staff (in USD)	77,736	84,766	114,725	131,482	170,550
Borrowers or borrowing account/Total staff	56	56	50	46	46

Deposit

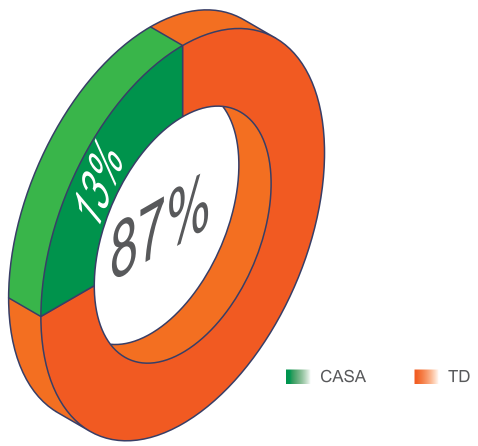
As of December 2019, KREDIT is managing 81,372 accounts, an increase of 19% from last year, with a total value of savings collected at USD 165.27 million, an increase of 26%.

Operational Performance Report

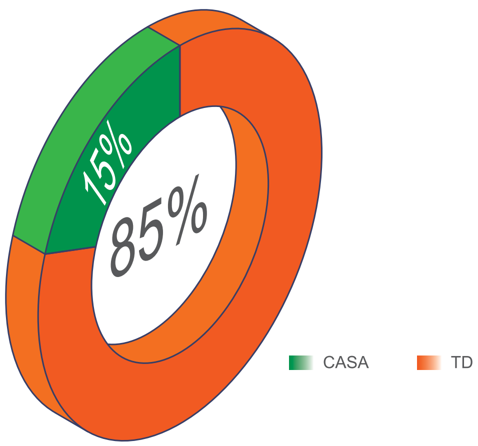
Deposit Performance



Percentage of
Money collected by products

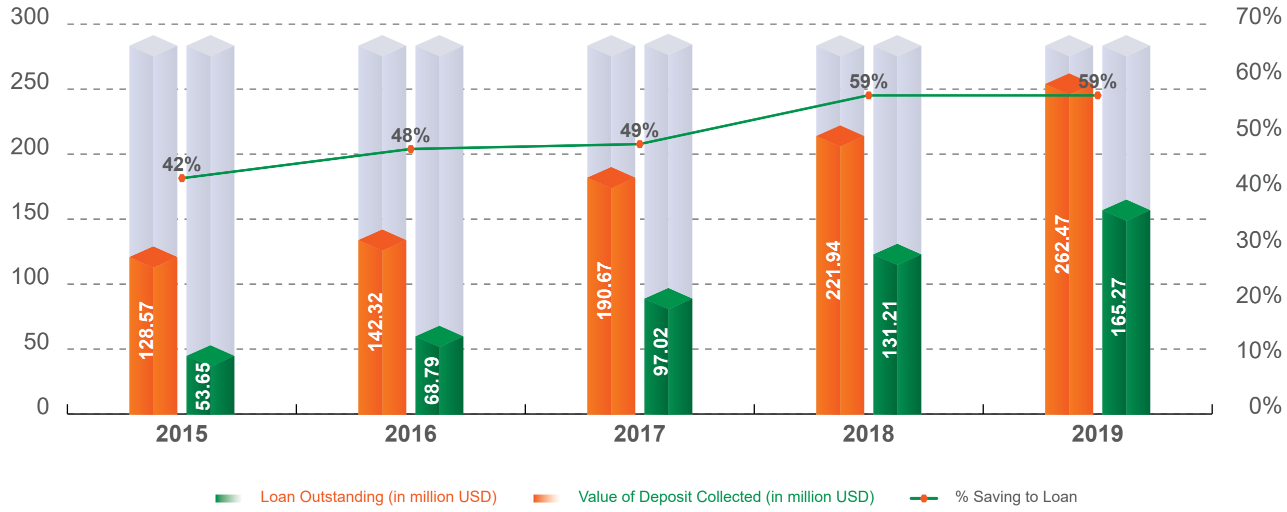


Percentage of
Saving account by products



The below chart shows the relationship between loan and savings performance from one year to another. Savings to Loan has increased by 59% in 2018, which is higher compared to 2017 when it was 49%.

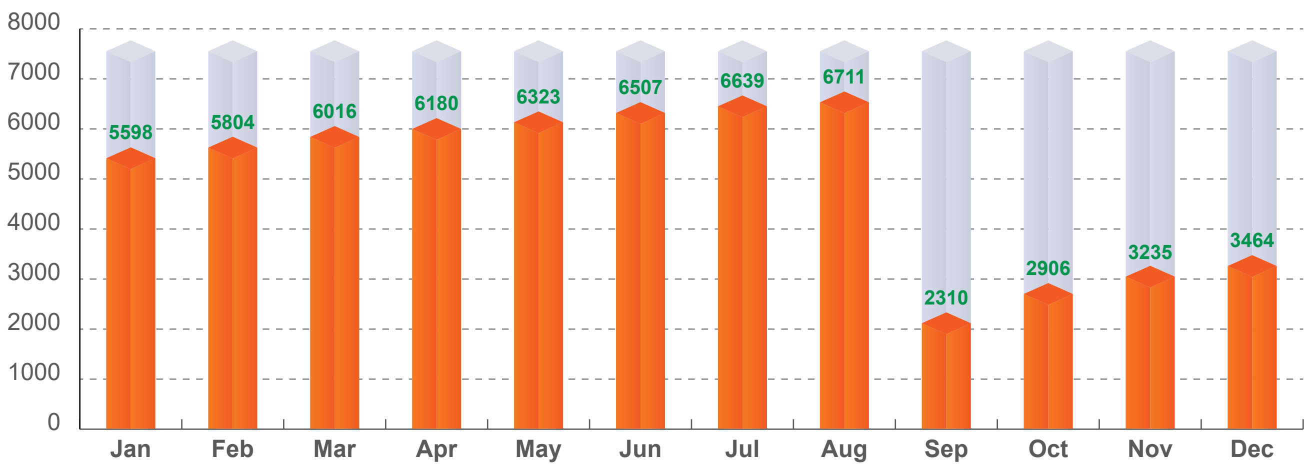
Percentage Saving to Loan Outstanding



ATM/CDM Service (K Card)

ATM/CDM service (K Card) had grown rapidly from January to August 2019 with the cumulative number of K cards of 6,711. After the system migration with Phillip Bank was completed at the end of August 2019, all card users were invited to switch to the new card (Phillip Bank ATM card) which led to a decreased number of cards issued at 3,464 at the end of December 2019. Card holders still continued to switch cards in 2020. Here is the trend of cards issued from January to December 2019.

Cumulative number of ATM Card issue in 2019

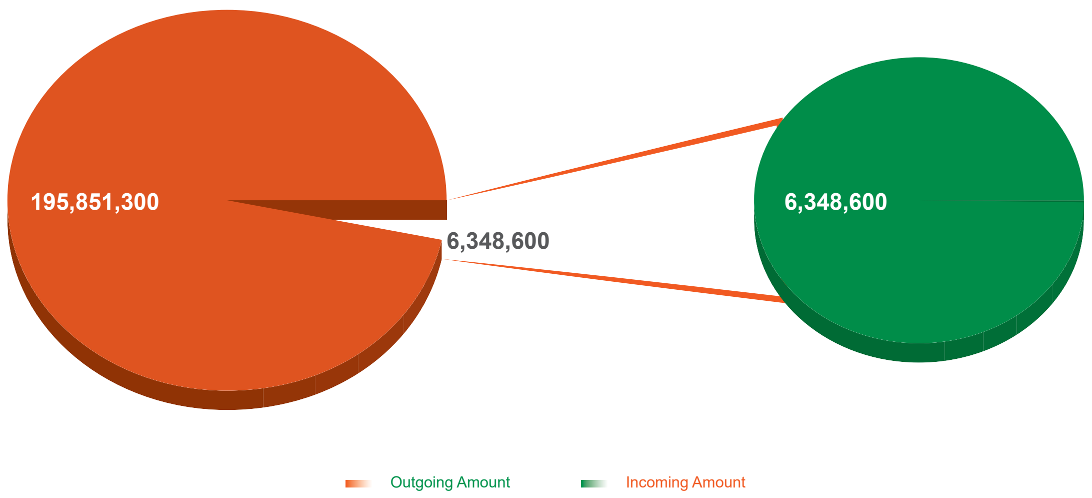


Operational Performance Report

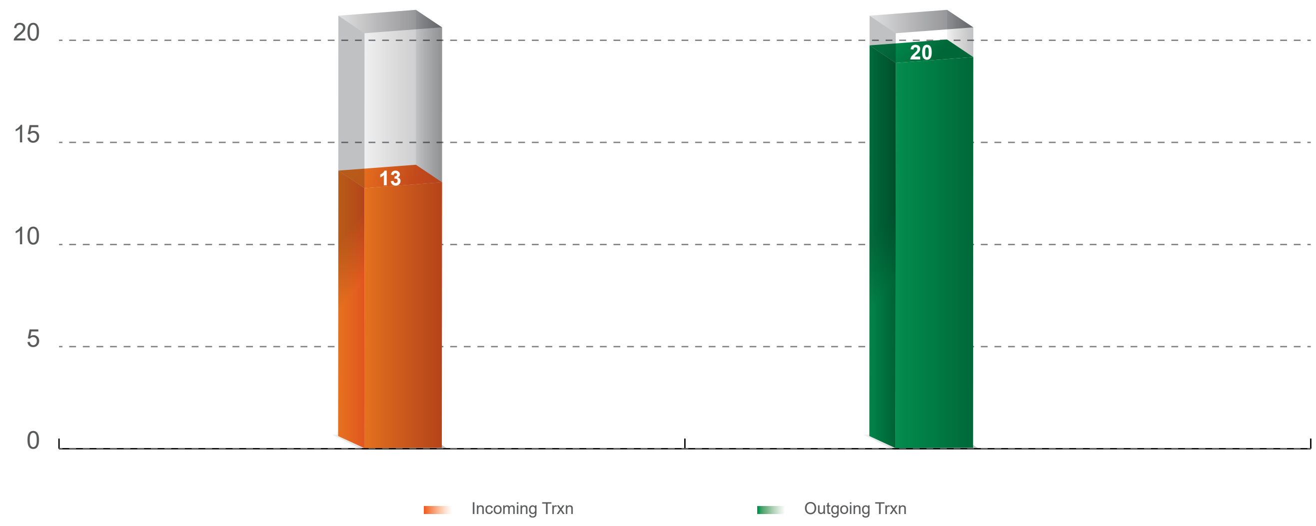
FAST Payment

By the end of 2019, we performed transactions through the FAST Payment service operated by the National Bank of Cambodia with total cash transactions of KHR 202,199,900 million or about USD 49,619.60 (NBC's exchange rate as at 31 Dec 2019).20 were outgoing and 13 were incoming transactions.

Value of Fast Payment Transaction



Fast Payment's Number transactions



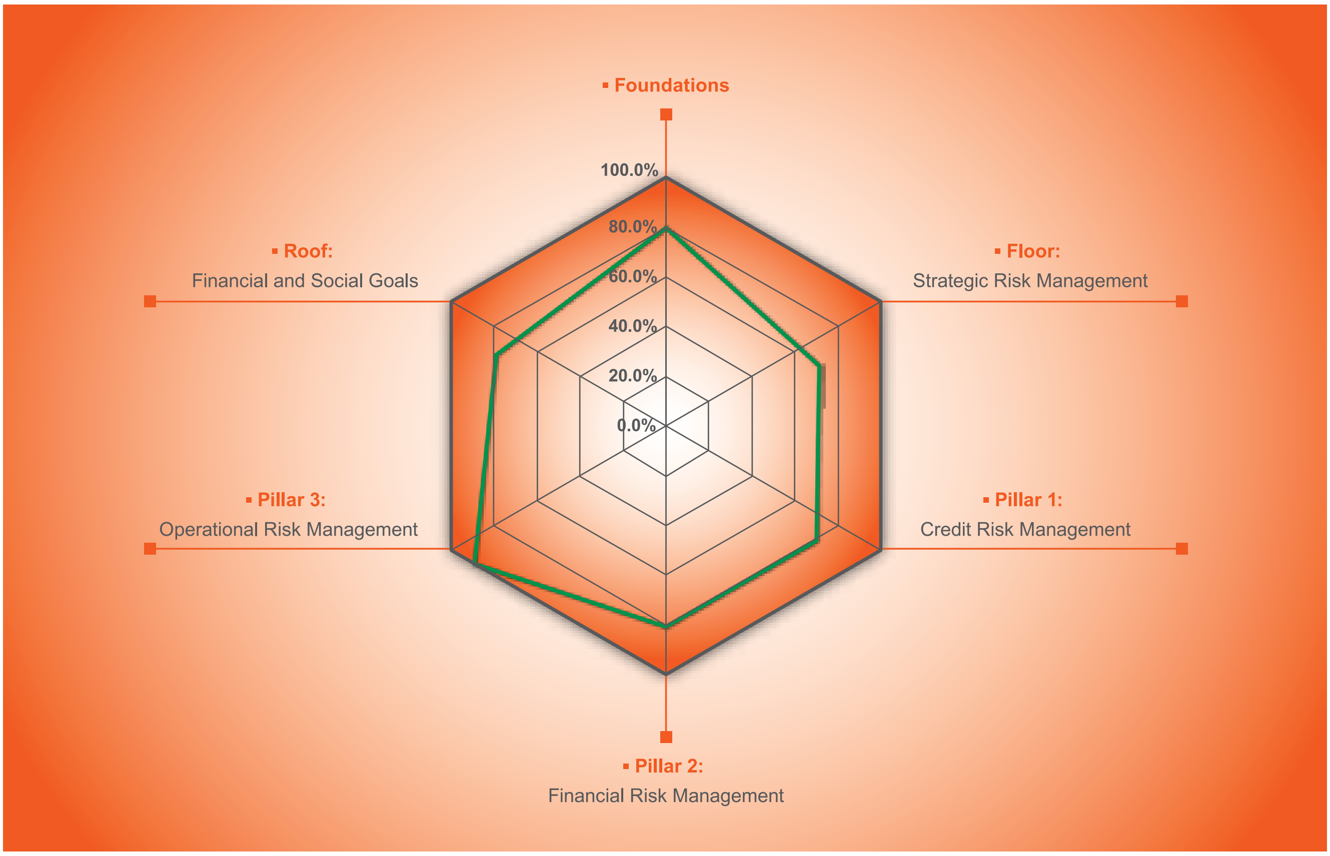
Payroll Service

KREDIT launched its Payroll Service to serve its business customers and help clients save time in preparing and managing payroll for staff, so that the company or organization can focus on their business operations. KREDIT's Payroll Service gives peace of mind and improves the operating efficiency for companies or organizations who wish to reduce the administrative and recordkeeping burden of payroll by out-sourcing this function to KREDIT's professional team.

The risk management function plays an important role in managing various risks within the company and in supporting the achievement of its business goals by considering risk into decision making. KREDIT has adapted the 3 lines of defense model to embed a strong risk culture into the day-to-day business operations and decision-making of the company with the purpose of establishing the proactive and robust risk management mechanisms to mitigate risks more effectively

From its overall risk assessment conducted by using Risk Management Graduation Model (RMGM) with an assessor from Risk management Initiative in Microfinance (RIM), it shows that KREDIT achieved a good score of adherence level in six categories measured–higher adherence level means lower risk level.

KREDIT MFI Score Summary



In this scoring, KREDIT did not see any significant risks in its operations, particularly in the area of financial risk, credit risk, and operational risk with few items to be improved.

Financial Risk Management

Financial risk is the risk of financial losses and negative social performance related to the maturity, currency, re-pricing, and concentration structure of an MFI's assets and liabilities. As MFIs face product differentiation among loan assets and more choices in funding sources, it becomes increasingly important to manage these risks effectively.

Liquidity Risk – Liquidity risk is the risk of financial losses and negative social performance related to the inability to meet current cash obligations in a timely and cost-efficient manner, to have adequate liquidity to fund planned growth and survive through a crisis.

KREDIT is continually complying with laws and regulations relating to liquidity management. It has been implementing a liquidity management framework by monitoring and managing its liquidity risk on the basis of cash flow projections.

Market Risk – Market risk is the risk of financial losses and negative social performance related to changes in the value of an MFI's assets and liabilities. These changes are determined by fluctuations in interest and foreign exchange rates in the market. Market risk is subdivided into interest rate risk and foreign exchange risk.

Interest rate rise – is currently measured by the interest sensitivity gap (or repricing gap) and maintained fixed rate for both borrowing and lending sides. While Currency risk is measured by foreign exchange mismatch and maintained foreign currency exposure within regulatory limits.

Credit Risk Management

Credit risk encompasses the risks related to an MFI's credit activities. It is the most frequently addressed risk by MFIs since it directly affects their main earning asset: the loan portfolio. It includes the risk of financial loss resulting from the inability to collect anticipated interest earnings, or on capital resulting from loan default, as well as the negative social performance resulting from credit activities which do not have the best interest of clients in mind (e.g., a lack of transparency toward the clients, continued lending to over-indebted clients).

Credit risk is mainly managed by comprehensive credit policies and procedures, credit approval, concentration limits, risk management tools, and risk-monitoring tools. The Credit Committee of KREDIT regularly tracks and monitors on the different credit risk limits and indicators, portfolio quality, PAR0+ for Loan disbursed within 3 months, trends of multiple debt clients, trends of early pay off clients, and risk by products, and lending guideline status. Due to our careful risk management, by the end of 2019, KREDIT's overall loan repayment rate was very high at 99.46%.

Operation Risk Management

Operational risk is the risk of financial losses and negative social performance related to failed people, processes, and systems in an MFI's daily operations. As MFIs decentralize and offer a wider range of financial products and alternative delivery channels, the operational risks multiply and it becomes increasingly important to manage them effectively.

Operational risks are monitored by Operational and Compliance Risk Committee. Operational risk policy and procedure has been approved and our operational risk is tracked and monitored on the operation risk indicators, the loss and incident cases, serous audit finding cases, new emerging risks, risk control self- assessment (RCSA) at departmental and branch management levels, and other operational and compliance risk issues. Also, KREDIT's Business Contingency Plan (BCP) and Disaster Recovery Plan (DRP) are the effective tools to manage the operational and compliance risk.

Partners

KREDIT believes our financial services and products alone are not enough to help our poor clients to move out of the poverty; the poor need much more than that. With this belief and to fill in the gaps, KREDIT has worked with partners whose visions are similar to bring holistic approaches to our poor clients.

Lenders and Networks

KREDIT believes in the power of partnership, and our financial services alone are not enough to move our poor and poorest clients out of poverty because they usually need support and services through many different specialized interventions. Because of this holistic approach to poverty and development, KREDIT works with many different development players to equip our poor clients with other complementary services. We collaborate together to provide many different services needed by our clients based on specializations of each individual organization.

Going Further, Going Together

The year 2019 was the year of merging KREDIT Microfinance and Phillip Bank to become a new merged bank entity. During the year, both institutions worked hard to integrate on systems, technical tasks, and legal tasks while following Cambodian laws and norms. “Going Further, Going Together” was assigned as the slogan for this journey.

After the merger, both entities (KREDIT and Phillip Bank) intend to communicate among publics and customers the message that the new Phillip Bank is a new, stronger bank with a wider branch network and embrace fintech. A new entity will offer an enhanced range of banking products and services and remain attentive to meet the needs of the community, both banking and MFI clients. Even as a Bank, social responsibility remains in focus.
The new entity will operate as Phillip Bank and will bring together a combined workforce of more than 2000 staff, honoring a commitment from Phillip Bank management that no staff from either Phillip Bank or KREDIT would be retrenched following the merger. The merged Phillip Bank has 89 branches across Cambodia - combining 83 legacy KREDIT branches with 6 legacy Phillip Bank branches.

The merger will mean that legacy KREDIT customers will have immediate access to Phillip Bank’s modern savings and loans products, as well as a revamped mobile banking app and a soon-to-be-launched online banking portal, while legacy Phillip Bank customers will be able to use existing KREDIT ATMs across the country with no additional fees.

The first phase of a major rebranding exercise will see the remodeling of 12 legacy KREDIT branches in Phnom Penh, Siem Reap, Battambang, Kampot, Takeo, Banteay Meanchey, Kampong Chhnang, Kampong Speu, Svay Rieng,Prey Veng, and Kratie. The remodeled branches will boast a sleek, modern look that was revealed last November at the grand opening of the new Phillip Bank branch on Kampuchea Krom Boulevard in Phnom Penh.

PhillipCapital was the sole shareholder in both KREDIT and Phillip Bank before the merger and retains its 100% stake in the merged entity. PhillipCapital’s investment in Cambodia has grown from a US$100,000 stake in First Finance back in 2009 to an investment of over US$110 million today.

That social program will continue to be run under the stewardship of Phillip Bank and will be renamed as Koam Pia Phum Yoeung - an NGO with a strong focus on childhood health, education and financial literacy.

On 15 January 2020, Phillip Bank Plc. obtained the approval from the Ministry of Commerce to effect the merger effective from 1 January 2020, following the approval from the National Bank of Cambodia on 30 October 2019.

អបអរសាទរ
CELEBRATE!
PhillipBank
ក្រេឌីត
KREDIT
PhillipBank
Your Partner In Finance
យើងនឹងរួមគ្នាតែមួយ
We're Merging !
ទៅជាមួយគ្នា វឌ្ឍនភាពជាមួយគ្នា
GOING FURTHER, GOING TOGETHER

KREDIT To Celebrate 25 Years Anniversary

GOING FURTHER, GOING TOGETHER

KREDIT MFI staff gather in Phnom Penh to celebrate 25 years of growth

To celebrate 25 years of growth and success, KREDIT, one of the leading microfinance institutions in the country, hosted 700 members of staff at an event in Phnom Penh.

As part of the celebration, more than 250 employees were honoured with trophies, certificates and cash bonuses for their long-service to the company.

KREDIT started as a small NGO project under World Relief USA in 1993 and has transformed itself over the intervening 25 years into one of the leading microfinance institutions in Cambodia with a core mission to support the development of the nation through its financial services and a strong social program to support the most disadvantaged.

"When I was promoted to be Operation Director in 2003, KREDIT had about 70 staff and $600,000 of loans outstanding. Now, we have become one of the big players in the country with about 1,700 staff, operating nearly everywhere in the country and serving hundreds of thousands of clients," KREDIT CEO Mr. Mach Chan said in a speech at the event.

KREDIT secured a license from the National Bank of Cambodia in 2004 to become a formal microfinance institution and in 2010, it became one of the first MFIs to be licensed by the National Bank as a Micro-Deposit Taking Institution (MDI).

PhillipCapital, a major regional and global financial services company based in Singapore, became a majority shareholder in KREDIT in 2012 and in 2018 it took over the remaining shares to become the sole shareholder.

PhillipCapital also owns Phillip Bank which currently operates six branches in Phnom Penh, offering a broad range of innovative retail and corporate banking products as well as Phillip General Insurance and Phillip Life Assurance coverage.

KREDIT To Celebrate 25 Years Anniversary

PhillipCapital has grown its interest in Cambodia from an initial US$100,000 investment in First Finance, then known as First Home, in 2009, to over US$110 million invested in Cambodia today in Phillip Bank, KREDIT and the insurance businesses.

As part of the PhillipCapital group, which is present in over 15 countries, KREDIT has been able to benefit from the international expertise and global standing of the group while still remaining true to its original mission of supporting Cambodia's development by making financial services available to traditionally underserved rural populations.

"KREDIT's reputation has not only been appreciated by our beneficiaries and clients, but also by our local and international partners and all levels of local authorities. They trust us and value us, especially for the additional non-financial services we provide to the community, which no other major microfinance player is providing: financial training, agriculture training, parenting training," said Mr. Mach Chan at the event.

KREDIT has been at the forefront of the rapid development in Cambodia's microfinance sector and has been quick to adopt new technologies and launch new products to ensure its customers benefit from the adoption of modern global banking practices.

Not content with resting on its past success, KREDIT is now looking to the future as it continues to strengthen its partnership with the PhillipCapital group.

"We will move up to another stage, as a commercial bank with bigger assets. We will get the chance to learn new knowledge and skills. We will provide many more financial products and services to the market, ranging from micro-lending to serving corporate clients," said Mr. Mach Chan in his speech.

As KREDIT embarks on its next 25 years, its customers can look forward to working with an institution that seamlessly combines a strong legacy of social and financial services focused on Cambodia's rural communities with innovative global banking products and practices from PhillipCapital, one of the region's major financial services companies.





KREDIT's Board Director Farewell

Upgrading Core Banking System, Oracle FLEXCUBE Universal Banking Version 14.1

Oracle FLEXCUBE is designed to modernize a bank's core systems efficiently and transform products and services to a digital, agile, connected and efficient banking tomorrow.

Since 2015, KREDIT has chosen the World-class core banking system, Oracle FLEXCUBE, which was able to develop, adapt, and justify our products and services with ease. The system allowed KREDIT to have an easy loan disbursement, tracking, and collection sheet for loan repayments and also comprehensive risk management and reporting. The system provides microfinance institutions with a flexible environment that improves distribution, offers faster product definition, and includes better risk insight and reporting capabilities.

To merge with Phillip Bank, on September 2019, KREDIT and Phillip Bank had been upgrading its own Core Banking existing to another version called FLEXCUBE Universal Banking Version 14.1. The new version allowed the merged entity to manage data, tracking operation process daily, using the latest technology.

After merge to new entity, the system will be used to manage all products and services daily transactions tracking, financial and non-financial data.

Customer can enjoy benefits such as cash deposit, cash withdrawal, local fund transfer, loan repayment through counter or agents, ATM and other services provided by the merged entity.

Staff Capacity Building

KREDIT provides different types of training to ensure its staff are sufficiently qualified to perform their roles and duties with efficiency and effectiveness. KREDIT's training program includes internal, external, overseas, and degree courses.

As of the end of 2019, the Training and Capacity Building Department provided 195 courses included internal courses, external courses, degree scholarship programs, and international training programs.

Course Title	Number of Courses	Number of Participants
Internal Course		
Induction & Orientation Program	23	472
Internal Specialized Course	23	469
Refresher Training Prgram	49	927
Migration Training Program (Bank product & Flex-cube System)	20	1150
External Training		
External Specialize Course	16	35
English Language Course		
English Language Course	54	165
Degree Scholarship Program		
Degree Scholarship Program	2	2
International Training Program		
International Training Program	1	1
Field Visit & Support Program		
Field Visit & Support Program	2	32
E-Learning Program		
E-Learning Program	5	2031
Grand Total	195	5284

Social Performance Report

Some Social Highlights on Accumulated Number as at December 2019

- **48,985** Participants Joined Financial Training
- **16,589** Participants Joined Agriculture Training
- **172,412** Participants Joined Child Rights Promotion and Parenting
- **15** Preschools Built
- **82** Sets of Hand-Washing Facilities Built for 77 Primary Schools
- **278** Communes Impacted from Child Rights Promotion and Parenting Programs

247 Education Loan Customer with Total Amount **USD 313,839**

389 Families' Death Clients have written off Loan Total **USD 131,814**

KREDIT allocates 5-10% of its annual profit to support its community development initiatives, which have provided huge benefits to the poor communities that KREDIT serves so that they can have better living conditions, and greater self-sufficiency both in knowledge and in practice.

អង្គការគាំពារភូមិយើង
Koampia Phum Yoeung Organization
ជួយឲ្យរីកចម្រើន | Supporting You to Grow

In the middle of 2019, the Social Performance and Community Development Unit of KREDIT combined with the newly-registered NGO, Koampia Phum Yoeung (KPY) Organization to support and make a difference to children and their families in 2019.

The registered NGO Koampia Phum Yoeung (KPY) stated its own Vision that KPY see strong and financially stable families improving their lives and strengthening poor communities across Cambodia. And we commit to achieving the Mission of improving the lives of the vulnerable in Cambodia by providing training and consulting on financial management and community and family development.

The Governance of Social Performance Management (SPM)

The top line of management of social performance is Social Performance Management Committee (SPMC) at the Board level. The committee is responsible for designing and monitoring the implementation of KREDIT's SPM work. In addition, the SPMC and KREDIT's Board of Directors offer strong expertise and are actively involved in monitoring and evaluating the community development programs that KREDIT has done. The Charter describes the nature of the social development fund; sets out the specific criteria for eligible projects or activities to be supported, and provides a general process for use of the funds.

- **Social Responsibility Toward Clients**

Financial Education (Consumer Awareness and Financial Empowerment- CAFÉ)

The Financial Education was conducted in 8 provinces, 22 districts, 34 communes and 110 villages. Based on the monitoring report, there were 4,200 learners including 3,360 females who joined in financial foundation and 90% applied what they learned in their daily practice, 10% increased saving for general purposes and for child education. The majority of the learners are adults, but the children were included so that they could learn the basics of saving.

Visa, *student, 14, said "I would like to thank KREDIT/KPY that afforded me to join with the training. We are very happy that we can learn the course. It helped me to understand about Financial Education."*

Kanika, *girl, 14, grade 6, is a youngest daughter in her family. She is a strongly committed and hard working student. Every morning, she helps her mother to clean the yard around home and feed the chickens after school. Every Monday afternoon, she has joined the Financial Education classes, and she said "since I was with Financial Education, I understand about financial education. I start to note weekly money tracker, and I save money to pay for my school materials and also school uniform. I saved from $0.125 to $0.25 per a day, sometimes more and sometimes I didn't have money to save." She added that "I, besides, understand about the financial education, I knew about scams and habits in wasting money too. I would like to thank KREDIT/KPY that allowed me to join training."*

Mrs. Saroeun, *36, said, "After I joined the Financial Education training, I can manage the expenses and income in my family. She stressed that "My husband stopped spending on unnecessary stuff. We are planning to save for our future. I would appreciate KREDIT/KPY for helping my family with the training. I would suggest KREDIT/KPY to help other families as well."*

Agriculture Training

In 2019, KREDIT/KPY partnered with the Departments of Agriculture and successful farmers to conduct the agriculture training focused on poultry and vegetable training to 142 villages attended by 3,645 farmers including 85% females, 60% adapted the best practice.

Mr. Run, *65, a subsistence farmer, started saving as soon as he finished financial education with KREDIT/KPY. He said "I try to have additional income in order to save for my future because, when I get older, I can use the saving." He continued that "I appreciate KREDIT/KPY for helping me with agriculture material for my home farming." He told that "I have my own home garden that I provide vegetation to my family and selling for extra income. Our family livelihood changed because of KREDIT/KPY that trained and supported our family as well as the families in the village."*

Mrs. Chanthou, *48, the participant from the Financial Education, said " We don't over-expend again since we joined the Financial Education training. I can take note weekly money tracker, reduced daily expense, and started saving. Moreover, KREDIT/KPY additionally supported the Agriculture training to the community for extra income generation. She added that "It has much helped our family to reduce daily expenses. We can get extra income and saving by growing vegetable". She continued that "I would appreciate and thanks KREDIT/KPY that provided this training to my village and always support."*

Child Rights Promotion and Parenting

KREDIT/KPY conducted Good Parents, Child Punishment, Child Need/Development, Child Right, and Child Protection to the Commune council for women and child (CCWC) so that they could go and teach to the parents and children in the community. There were 289 CCWCs including 137 females conducted the training to the community. Additionally, there were 17,400 parents including 11,900 females participated in the awareness training conducted by CCWCs among 95% applied from what they learnt. The monitoring system showed that 80% of parents have positive attitudes and practices toward child rights.

Child Rights Promotion and Parenting

Mr. Marin and Mrs. Tol, *said, "We have been invited and trained by KREDIT/KPY staff since 2018. After each training, we were encouraged to share their trained knowledge to their community." They continued that "We are happy to share the knowledge after the training to our villagers."*

Mrs. Eang, *65, lives with two granddaughters and an alcoholic husband. Her drunk husband often came home in a bad mood. His vocal violence did not harm anyone, but emotionally hurt his wife. It became a habit to do so, and this scared the granddaughters whenever he was drunk. Mrs. Eang thanked KREDIT/KPY for helping her husband to change his habit, and she continued that "After attending the awareness about being good parents, he slightly changed his habit because he understood better now how to make his family happy, particularly his granddaughters. She added that "He is a really good husband when he is not drunk. He helps me even with housework. He loves his granddaughters so much."*

Child Friendly School

KREDIT/KPY supported 7 primary schools in Prey Veng and 3 schools in Pailin. The evaluation report showed that the schools supported by KREDIT/KPY, CFS seemed to be more improved than other schools that have been not supported. KREDIT/KPY partnered with the Department of Education (DoE) to conduct School Management and School Principal's roles training to cover the School management and School Principal's roles, school Committees' roles and responsibilities, Review on Child Friendly School program by DoE and School Development plan. There were 11 principals including 3 women. Furthermore, KREDIT/KPY supported the Methodology and Material Producing Training to 33 schoolteachers including 17 women. The courses covered the Teaching Methodology, Positive Discipline, Teaching Practicum and Teaching and learning material producing.

Child Friendly School

Sokna, *14, girl, in grade 6, said "There are 23 CC leaders in my school, one leader with 9 members. With support from KREIDIT and my schoolteachers, I can teach my members about good hygiene and environment, especially rubbish management.*

Sokna is one of the outstanding students who made her impression during the International Children's Day and thanked KREDIT/KPY for the support so that more 400 hundred other children came and celebrated.

There were 5,067 students and 411 parents attended the International Children's Day. The event was fun and meaning for the children to follow with game and quiz. They most enjoyed with the gifts.

In order to teach the children about health and hygiene, KREDIT/KPY supported hand washing facilities to 24 primary schools in order to promote the three Clean, Clean living , clean eating and clean drinking . Sophy, 13, grade 5 said that "I am happy to have hand washing facilities. I can clean my hands before and after eating as my teacher said we had to live clean, eat clean and drink clean."

International Children's Day June 1, 2019

KREDIT/KPY also supported some school facilities to 24 primary school including benches, dustbins, story books and sport materials. The bench is not only used by students during their break time, but also for the teachers and principals to meet and discuss about school management and leadership as well.

In addition, KREDIT has developed the following customized social-related loan programs, which are designed to serve and empower our more vulnerable clients:

- Loan write off when clients died: For clients who are Community Bank Loan recipients and died, KREDIT will write off the balance of the loan. Over the past 6 years, 389 of clients and their families have been beneficiaries of this service, and we have written off loans totaling USD131,814.

- Education Loan: KREDIT is a market leader to provide education loans to Cambodian Youth to support them for higher skill education. The loan offers special terms and conditions customized to the needs of students and their families. As of Dec 2019, there are 247 active clients receiving education loans from KREDIT with the amount totaling USD 313,839 under this loan, student clients can use the loan to pay for their tuition and to buy study materials as needed.

- Loan for Differently Abled People: KREDIT is in a unique partnership with Handicap International (HI) to offer another type of social loan to differently abled people. KREDIT's staff received related training in order to have appropriate communication with differently abled clients when they come to get any services at KREDIT's office as well as in the field. Target KREDIT offices were renovated and equipped with new signs, toilet facilities, main pathway gate, ramp, etc. that are suitable for respective differently abled clients. Under this partnership, KREDIT is serving such clients in 2 provinces: Kampong Cham and Siem Reap.

Social Responsibity toward the Community

- Community Development Program: With the encouragement and support from the Board of Directors and shareholders, 5-10% of KREDIT's annual net income is allocated to implement this program. Potential funded activities are evaluated based on the real needs of vulnerable communities using concrete indicators and criteria. Over the past few years, KREDIT has supported small scale community infrastructure projects such as canal renovation, school fence construction, preschool construction, and washing hand construction. We have funded other short-term needs for clients suffering from natural disaster and house burning, as well as other community development activities from ministries, churches, LNGOs, and other associations that are working in same areas as KREDIT.

- Social and Environmental Policy: KREDIT recognizes the importance and relevance of social and environmental risk management in microfinance institutions. KREDIT is committed to identifying and addressing all short, medium, and long-term social and environmental risks associated with its activities by effective and sound social and environmental risk management at the microfinance level. This policy outlines the ways that KREDIT will use to put into practice its commitment to promote environmental and social sustainability.

- KREDIT's Exclusion List: The list clearly excludes prohibited activities or businesses in accordance with international conventions and national legislation and regulations pertaining to exploitative forms of forced or child labor, trade in weapons and munitions, gambling, sex trafficking, trade in wildlife or wildlife products as regulated under the Convention on International Trade in Endangered Species of Wildlife and Flora (CITES), production, trade, storage or transport of radioactive materials or significant volumes of hazardous chemicals, illegal fishing, illegal commercial logging, tobacco-related business, and other illegal activities.

05 EXTERNAL AUDIT REPORT

Report of the Board of Directors
Extracted from the Auditor's Report
Statement of Financial Position
Statement of Profit or Loss and Other Comprehensive Income
Statement of Changes in Equity
Statement of Cash Flows
Notes to the Financial Statements

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

Principal activities

The principal activity of the Company is to provide credit to local customers through its head office in Phnom Penh and its various provincial and district offices in the Kingdom of Cambodia.

The Company received a licence from the National Bank of Cambodia ("NBC") to conduct a deposit- taking business on 29 December 2010.

Financial results

The financial results of the Company were as follows:

	2019	2018	2019	2018
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
Profit before income tax	5,923,240	6,349,030	24,000,970	25,681,827
Income tax expense	(1,269,677)	(1,451,645)	(5,144,731)	(5,871,904)
Net profit for the year	4,653,563	4,897,385	18,856,239	19,809,923

Dividends

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

Share capital

The Company's share capital as at 31 December 2019 was US$18,395,200 by way of issuance of 367,904 ordinary shares of US$50 per share. All shares are issued and fully paid.

Reserves and provision

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

Loans to customers

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

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 Company, inadequate to any material extent.

Current assets

Before the financial statements of the Company 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 Company 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 Company misleading.

Valuation methods

At the date of this report, the Directors is not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets and liabilities in the financial statements of the Company 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 Company 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 Company 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 Company 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 Company 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 Company, which would render any amount stated in the financial statements misleading.

Items of unusual nature

The results of the operations of the Company 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 Company for the current period in which this report is made.

Events since the reporting date

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

The expected credit loss ("ECL") at 31 December 2019 was estimated based on a range of forecast economic conditions as at that date. Subsequently, the coronavirus outbreak has spread across mainland China, 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.

The Board of Directors

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

▪ Mr. Timothy Mark Amstutz	Chairman
▪ Mr. Ong Teong Hoon	Member
▪ Mrs. Ing Varony	Member
▪ Mrs. Srey Hem Roberts	Member
▪ Mrs. Tea Chansotheary	Member
▪ Mr. Fong Kum Choy	Member
▪ Mr. Anthony Nash	Member
▪ Mr. Lim Hua Min	Member

Directors' interests

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

Directors' benefits

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

During the financial year, no Director of the Company 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 Company 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 Company 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 Company's financial reporting process and maintain adequate accounting records and an effective system of internal controls;

(iv) assess the Company'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 Company or to cease operations, or has no realistic alternative but to do so. As discussed in Note 1 to the financial statements which presents the merger of the Company with Phillip Bank Plc., a related company under a common shareholder. All the Company's assets and liabilities were transferred to Phillip Bank Plc., the surviving entity, which will continue to fulfil all rights and obligation of the Company. Accordingly, these financial statements have been prepared on a going concern basis; and

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

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

Approval of the financial statements

I, the undersigned, on behalf of the Board of Directors, hereby approve the accompanying financial statements together with the notes thereto as set out on pages 9 to 109 which, in our opinion, present fairly, in all material respects, the financial position of the Company 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. Ong Teong Hoon
Director

Phnom Penh, Kingdom of Cambodia
10 April 2020

Extracted from the Auditor's report

Opinion

We have audited the financial statements of KREDIT Microfinance Institution Plc. ("the Company"), which comprise the statement of financial position as at 31 December 2019, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information as set out on pages 9 to 109 (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 Company 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 Company 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.

Emphasis of matter

We draw attention to Note 1 to the financial statements which presents the merger of the Company with Phillip Bank Plc., a related company under a common shareholder. All the Company's assets and liabilities were transferred to Phillip Bank Plc., the surviving entity, which will continue to fulfil all rights and obligation of the Company. Accordingly, these financial statements have been prepared on a going concern basis. Our opinion is not modified in respect of this matter.

Other matter

As stated in Note 33 to the financial statements, the Company adopted CIFRSs on 1 January 2019 with a transition date of 1 January 2018. These standards were applied retrospectively to the comparative information in these financial statements, including the statement of financial position as at 31 December 2018 and 1 January 2018, and the statement of profit or loss and other comprehensive income statement of changes in equity and statement of cash flows of the Company for the year ended 31 December 2018 and related explanatory notes. We were not engaged to audit on the restated comparative information and it is unaudited. Our responsibilities in respect of this comparative information is to determine whether the financial statements include the comparative information required by CIFRSs and whether such information is appropriately classified.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditors' report is the Report of the Board of Directors on pages 1 to 5, and the annual report, which is expected to be made available to us after that date. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

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

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

In preparing the financial statements, management is responsible for assessing the Company’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 or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’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 Company’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 Company’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 Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

For **KPMG Cambodia Ltd**

KPMG CAMBODIA LTD

Nge Huy
Partner
Phnom Penh, Kingdom of Cambodia
10 April 2020

Statement of Financial Position

as at 31 December 2019

		31 December		31 December		1 January 2018	
		2019	2018	2019	2018		
	Note	US$	US$	KHR'000	KHR'000	US$	KHR'000
				(Note 5)	(Note 5)		(Note 5)
ASSETS							
Cash and cash equivalents	6	20,736,577	25,977,221	84,501,551	104,376,474	15,885,210	64,128,593
Statutory deposits	7	14,545,290	12,072,667	59,272,057	48,507,976	9,455,355	38,171,268
Loans to customers – net	8	258,553,939	218,541,084	1,053,607,301	878,098,076	187,735,416	757,887,874
Other assets	9	414,150	282,829	1,687,661	1,136,407	750,867	3,031,250
Investment – equity instrument		17,500	17,500	71,313	70,315	17,500	70,648
Intangible assets	10	1,227,025	957,214	5,000,127	3,846,086	732,149	2,955,685
Property and equipment	11	1,802,377	1,511,702	7,344,686	6,074,019	1,913,274	7,723,887
Right-of-use assets	12	5,741,765	5,204,246	23,397,692	20,910,660	5,536,293	22,350,015
Deferred tax assets – net	19	809,982	788,754	3,300,677	3,169,214	696,322	2,811,052
Total Assets		**303,848,605**	**265,353,217**	**1,238,183,065**	**1,066,189,227**	**222,722,386**	**899,130,272**
LIABILITIES AND SHAREHOLDER'S EQUITY							
Liabilities							
Deposits from customers	13	160,718,390	130,632,494	654,927,439	524,881,361	95,930,182	387,270,145
Deposits from banks	14	9,792,205	4,614,639	39,903,235	18,541,620	4,131,117	16,677,319
Borrowings	15	86,301,275	87,849,369	351,677,696	352,978,765	84,558,461	341,362,507
Lease liabilities	16	5,279,038	4,571,781	21,512,080	18,369,416	4,735,905	19,118,848
Other liabilities	17	310,078	623,770	1,263,567	2,506,309	1,257,075	5,074,813
Provision for employee benefits	18	1,324,918	1,070,358	5,399,041	4,300,698	881,033	3,556,730
Current income tax liability	19	845,891	1,164,178	3,447,006	4,677,667	1,299,370	5,245,557
Total Liabilities		**264,571,795**	**230,526,589**	**1,078,130,064**	**926,255,836**	**192,793,143**	**778,305,919**

Statement of Financial Position (Continued)

as at 31 December 2019

		31 December		31 December			
		2019	2018	2019	2018	1 January 2018	
	Note	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
SHAREHOLDER'S EQUITY							
Share capital	20	18,395,200	18,395,200	73,580,800	73,580,800	18,395,200	73,580,800
Other reserve		6,470,362	2,239,231	26,186,630	9,042,087	1,950,318	7,873,434
Capital reserve		624,712	624,712	2,521,962	2,521,962	624,712	2,521,962
Regulatory reserves	21	1,361,444	1,004,468	5,509,540	4,063,073	-	-
Retained earnings		12,425,092	12,563,017	50,186,861	50,745,732	8,959,013	36,167,535
Currency transaction difference		-	-	2,067,208	(20,263)	-	680,622
Total shareholder's equity		**39,276,810**	**34,826,628**	**160,053,001**	**139,933,391**	**29,929,243**	**120,824,353**
Total Liabilities and Shareholder's Equity		**303,848,605**	**265,353,217**	**1,238,183,065**	**1,066,189,227**	**222,722,386**	**899,130,272**

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	22	41,175,589	35,673,692	166,843,487	144,300,084
Interest expense	23	(18,420,893)	(15,683,716)	(74,641,458)	(63,440,631)
Net interest income		**22,754,696**	**19,989,976**	**92,202,029**	**80,859,453**
Net fee and commission income	24	3,973,511	4,322,864	16,100,667	17,485,985
Other income	25	660,486	577,882	2,676,289	2,337,533
Total operating profit		**27,388,693**	**24,890,722**	**110,978,985**	**100,682,971**
Personnel expense	26	(13,912,834)	(11,712,126)	(56,374,803)	(47,375,550)
Other operating expenses	27	(6,847,093)	(6,199,140)	(27,744,421)	(25,075,521)
Total operating expenses		**(20,759,927)**	**(17,911,266)**	**(84,119,224)**	**(72,451,071)**
Operating profit before impairment		**6,628,766**	**6,979,456**	**26,859,761**	**28,231,900**
Impairment losses on financial instruments	6,8	(705,526)	(630,426)	(2,858,791)	(2,550,073)
Profit before income tax		**5,923,240**	**6,349,030**	**24,000,970**	**25,681,827**
Income tax expense	19	(1,269,677)	(1,451,645)	(5,144,731)	(5,871,904)
Net profit for the year		**4,653,563**	**4,897,385**	**18,856,239**	**19,809,923**
OTHER COMPREHENSIVE INCOME					
Currency translation difference		-	-	2,087,471	(700,885)
Total comprehensive income for the year		**4,653,563**	**4,897,385**	**20,943,710**	**19,109,038**

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		Other reserve		Capital reserve		Regulatory reserves		Currency translation reserves		Retained earnings		Total	
	US$	KHR'000	US$	KHR'000	US$	KHR'000	US$	KHR'000	US$	KHR'000	US$	KHR'000	US$	KHR'000
		(Note 5)		(Note 5)		(Note 5)		(Note 5)		(Note 5)		(Note 5)		(Note 5)
At 1 January 2018	**18,395,200**	**73,580,800**	**1,950,318**	**7,873,434**	**624,712**	**2,521,962**	**-**	**-**	**-**	**680,622**	**8,959,013**	**36,167,535**	**29,929,243**	**120,824,353**
TRANSACTIONS RECOGNISED DIRECTLY IN EQUITY														
Transfers to other reserve	-	-	288,913	1,168,653	-	-	-	-	-	-	(288,913)	(1,168,653)	-	-
Transfers to regulatory reserves	-	-	-	-	-	-	-	-	-	-	(1,004,468)	(4,063,073)	-	-
COMPREHENSIVE INCOME														
Net profit for the year	-	-	-	-	-	-	1,004,468	4,063,073	-	-	4,897,385	19,809,923	4,897,385	19,809,923
Currency translation reserves	-	-	-	-	-	-	-	-	-	(700,885)	-	-	-	(700,885)
At 31 December 2018	**18,395,200**	**73,580,800**	**2,239,231**	**9,042,087**	**624,712**	**2,521,962**	**1,004,468**	**4,063,073**	**-**	**(20,263)**	**12,563,017**	**50,745,732**	**34,826,628**	**139,933,391**
At 1 January 2019	**18,395,200**	**73,580,800**	**2,239,231**	**9,042,087**	**624,712**	**2,521,962**	**1,004,468**	**4,063,073**	**-**	**(20,263)**	**12,563,017**	**50,745,732**	**34,826,628**	**139,933,391**
TRANSACTIONS RECOGNISED DIRECTLY IN EQUITY														
Transfers to social fund	-	-	-	-	-	-	-	-	-	-	(203,381)	(824,100)	(203,381)	(824,100)
Transfers to other reserve	-	-	4,231,131	17,144,543	-	-	-	-	-	-	(4,231,131)	(17,144,543)	-	-
Transfers to regulatory reserves	-	-	-	-	-	-	356,976	1,446,467	-	-	(356,976)	(1,446,467)	-	-
COMPREHENSIVE INCOME														
Net profit for the year	-	-	-	-	-	-	-	-	-	-	4,653,563	18,856,239	4,653,563	18,856,239
Currency translation reserves	-	-	-	-	-	-	-	-	-	2,087,471	-	-	-	2,087,471
At 1 January 2019	**18,395,200**	**73,580,800**	**6,470,362**	**26,186,630**	**624,712**	**2,521,962**	**1,361,444**	**5,509,540**	**-**	**2,067,208**	**12,425,092**	**50,186,861**	**39,276,810**	**160,053,001**

The accompanying notes form an integral part of these financial statements

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		4,653,563	4,897,385	18,856,239	19,809,923
Adjustments for:					
Depreciation and amortisation		1,064,045	1,014,756	4,311,511	4,104,688
Depreciation – right of use assets		1,311,945	1,112,815	5,316,001	4,501,337
Impairment losses on loan to customers and balance with other banks		277,738	52,513	1,125,394	212,415
Interest income		(41,175,589)	(35,673,692)	(166,843,487)	(144,300,084)
Interest expense		18,085,970	15,361,685	73,284,350	62,138,016
Interest expense – lease liabilities		334,923	322,031	1,357,108	1,302,615
Property and equipment and intangible assets written-off		7,227	5,366	29,284	21,706
Provision for employee benefits		254,560	189,325	1,031,477	765,820
Income tax expense		1,269,677	1,451,645	5,144,731	5,871,904
		(13,915,941)	**(11,266,171)**	**(56,387,392)**	**(45,571,660)**
Changes in:					
Statutory deposits		(2,472,623)	(2,617,312)	(10,019,068)	(10,587,027)
Loans and advances		(37,784,813)	(28,335,047)	(153,104,062)	(114,615,265)
Other assets		(222,895)	301,274	(903,171)	1,218,653
Deposits from customers		24,846,562	30,661,951	100,678,269	124,027,592
Deposits from banks		5,177,566	483,522	20,979,497	1,955,846
Other liabilities		(495,845)	(540,873)	(2,009,164)	(2,187,831)
Cash used in operations		(24,867,989)	(11,312,656)	(100,765,091)	(45,759,692)
Interest received		38,642,505	33,222,493	156,579,430	134,384,984
Interest paid		(5,464,314)	(4,046,187)	(22,141,400)	(16,366,826)
Income tax paid	19	(1,609,192)	(1,679,269)	(6,520,446)	(6,792,643)
Net cash generated from operating activities		**6,701,010**	**16,184,381**	**27,152,493**	**65,465,823**
Cash flows from investing activities					
Purchase of property and equipment and intangible assets		(1,631,758)	(848,042)	(6,611,884)	(3,430,330)
Proceeds from disposal of property and equipment		-	4,427	-	17,907
Net cash used in investing activities		**(1,631,758)**	**(843,615)**	**(6,611,884)**	**(3,412,423)**

Statement of Cash Flows (Continued)

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 financing activities					
Proceeds from borrowings		(1,548,094)	35,602,740	(6,272,877)	144,013,083
Repayments of borrowings		(7,382,322)	(39,586,969)	(29,913,169)	(160,129,290)
Payment of lease liabilities		(1,406,785)	(1,192,591)	(5,700,293)	(4,824,031)
Net cash used in financing activities		**(10,337,201)**	**(5,176,820)**	**(41,886,339)**	**(20,940,238)**
Net (decrease)/increase in cash and cash equivalents		(5,267,949)	10,163,946	(21,345,730)	41,113,162
Cash and cash equivalents at beginning of the year		26,049,156	15,885,210	104,665,509	64,128,593
Currency translation difference		-	-	1,363,639	(576,246)
Cash and cash equivalents at end of the year	6	**20,781,207**	**26,049,156**	**84,683,418**	**104,665,509**

1. Reporting entity

KREDIT Microfinance Institution Plc., formerly known as CREDIT Limited ("the Company") was registered as a limited liability company on 13 June 2003 with the Ministry of Commerce, and the assets transfer was made from World Relief Cambodia – CREDIT Program to the Company on 1 January 2004. The National Bank of Cambodia ("the NBC") granted KREDIT Microfinance Institution Plc. a permanent licence to conduct business as a micro-finance institution on 17 April 2007.

On 29 December 2010, the Company received a licence from the NBC to conduct a deposit-taking business.

During 2018, the Board of Directors and the shareholder approved to merge Kredit Microfinance Institution Plc., into Phillip Bank Plc. On 5 July 2019, Kredit Microfinance Institution Plc. entered into a merger agreement with Phillip Bank Plc to supersede the earlier merger agreement entered in 2018.

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

The Company had 1,797 employees as at 31 December 2019 (31 December 2018: 1,688 employees).

2. Basis of accounting

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

In the previous financial years, the financial statements were prepared in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia ("NBC") relating to the preparation and presentation of financial statements. An explanation of how the transition to CIFRSs have affected the reported financial position, financial performance and cash flows is provided in Note 33.

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

Details of the Company's accounting policies are included in Note 32.

The financial statements were authorised for issue by the Board of Directors on 10 April 2020.

Going concern assumption

As disclosed in note 1, the Company was merged with Phillip Bank Plc., all assets and liabilities were transferred to Phillip Bank Plc., which continued to fulfil all rights and obligations of the Company. Accordingly, these financial statements have been prepared on a going concern basis.

3. Functional and presentation currency

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

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

4. Use of judgments and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Company'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 32C(ii): classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.
- Note 32C(vii): establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of models used to measure ECL.

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

- Note 32C(vii): impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information.
- Note 32C(vi): determination of the fair value of financial instruments with significant unobservable inputs.
- Note 32C(vii): impairment of financial instruments: key assumptions used in estimating recoverable cash flows.

5. Translation of United States Dollars into Khmer Riels

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

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

The Company uses the following exchange rates:

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

These convenience translations should not be construed as representations that the United States Dollars amounts have been, could have been, or could in the future be, converted into Khmer Riels at this or any other rate of exchange.

6. Cash and cash equivalents

	31 December		31 December		1 January 2018	
	2019	2018	2019	2018		
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
Cash on hand	12,310,784	12,986,369	50,166,445	52,179,231	7,286,765	29,416,670
Cash equivalents with other banks	4,463,050	7,202,976	18,186,928	28,941,557	5,337,570	21,547,772
Other cash equivalents	4,007,373	5,859,811	16,330,045	23,544,721	3,260,875	13,164,151
	20,781,207	**26,049,156**	**84,683,418**	**104,665,509**	**15,885,210**	**64,128,593**
Less: Allowance for expected credit losses	(44,630)	(71,935)	(181,867)	(289,035)	-	-
	20,736,577	**25,977,221**	**84,501,551**	**104,376,474**	**15,885,210**	**64,128,593**

The movement of impairment losses on cash and cash equivalents is as follows:

	2019	2018	2019	2018
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
At 1 January	71,935	-	289,035	-
Allowance for the year	(27,305)	71,935	(110,640)	290,977
Currency translation difference	-	-	3,472	(1,942)
At 31 December	**44,630**	**71,935**	**181,867**	**289,035**

7. Statutory deposits

	31 December		31 December			
	2019	2018	2019	2018	1 January 2018	
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
Capital guarantee deposit	1,839,520	1,839,520	7,496,044	7,391,191	1,839,520	7,426,142
Reserve requirements on customers' deposits	12,705,770	10,233,147	51,776,013	41,116,785	7,615,835	30,745,126
	14,545,290	**12,072,667**	**59,272,057**	**48,507,976**	**9,455,355**	**38,171,268**

A. Capital guarantee deposit

The capital guarantee deposit is maintained with the NBC in compliance with Prakas No. B7-07-163 on the Licensing of Micro-Finance Deposit taking Institutions, the amounts of which are determined at 10% of the Company's registered share capital. This deposit is not available for use in the Company's day-to-day operations and is refundable should the Company voluntarily cease its operations in Cambodia.

The deposit on registered capital placed with NBC earns interest at the rate of 0.48% per annum (2018: 0.62% per annum).

B. Reserve requirements on customers' deposits

The reserve requirement represents the minimum reserve requirement which is calculated at 8% of the total deposits from customers as required by Prakas B7-07-163 on Licensing of Micro-finance Deposit Taking Institutions. The reserve requirement on customers' deposits fluctuates depending on the level of the customers' deposits. The reserve requirement relating to customers' deposits does not earn interest.

8. Loans to customers – net

	31 December		31 December		1 January 2018	
	2019	2018	2019	2018		
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
Solidarity loans	1,081,528	4,675,328	4,407,227	18,785,468	7,889,405	31,849,528
Individual loans	260,266,339	216,354,641	1,060,585,331	869,312,948	182,354,319	736,164,385
Gross loans	**261,347,867**	**221,029,969**	**1,064,992,558**	**888,098,416**	**190,243,724**	**768,013,913**
Loans to customers – net	(2,793,928)	(2,488,885)	(11,385,257)	(10,000,340)	(2,508,308)	(10,126,039)
	258,553,939	**218,541,084**	**1,053,607,301**	**878,098,076**	**187,735,416**	**757,887,874**

Allowance for impairment losses on financial instruments recognised in profit or loss are summarised is as follows:

	2019	2018	2019	2018
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
Net impairment loss on loans	737,961	553,360	2,990,218	2,238,340
Net impairment loss on balances with other banks	(27,305)	71,935	(110,640)	290,977
Net impairment loss on off balance sheet items	(5,130)	5,131	(20,787)	20,755
At 31 December	**705,526**	**630,426**	**2,858,791**	**2,550,072**

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

	2019	2018	2019	2018
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
At 1 January	2,488,885	2,508,308	10,000,340	10,126,037
Allowance for the year	737,961	553,360	2,990,218	2,238,340
Written off for the year	(432,918)	(572,783)	(1,754,184)	(2,316,907)
Currency translation difference	-	-	148,883	(47,130)
At 31 December	**2,793,928**	**2,488,885**	**11,385,257**	**10,000,340**

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

	31 December		31 December		1 January 2018	
	2019	2018	2019	2018		
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
Within 1 month	884,547	1,051,701	3,604,529	4,225,735	1,344,488	5,427,698
> 1 to 3 months	1,321,448	1,581,173	5,384,901	6,353,153	2,425,495	9,791,723
> 3 to 6 months	3,146,176	4,136,860	12,820,667	16,621,903	4,996,194	20,169,635
> 6 to 12 months	10,034,158	11,679,379	40,889,194	46,927,745	14,825,138	59,849,082
> 1 to 3 years	96,320,460	99,884,982	392,505,875	401,337,858	91,401,279	368,986,963
> 3 to 5 years	104,625,973	76,500,626	426,350,840	307,379,515	60,985,533	246,198,597
Over 5 years	45,015,105	26,195,248	183,436,552	105,252,507	14,265,597	57,590,215
	261,347,867	**221,029,969**	**1,064,992,558**	**888,098,416**	**190,243,724**	**768,013,913**

For additional analysis of gross amount of loans to customers, refer to Note 30B.

9. Other assets

	31 December		31 December		1 January 2018	
	2019	2018	2019	2018		
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
Prepayments	127,509	178,011	519,599	715,248	199,069	803,642
Advances and receivables	285,635	85,354	1,163,963	342,952	494,395	1,995,873
Others	1,006	19,464	4,099	78,207	57,403	231,735
	414,150	**282,829**	**1,687,661**	**1,136,407**	**750,867**	**3,031,250**

10. Intangible assets

2019	Computer software	Work in progress	Total	
	US$	US$	US$	KHR'000
				(Note 5)
Cost				
At 1 January	1,175,672	335,974	1,511,646	6,073,794
Additions	410,695	15,168	425,863	1,725,596
Transfers	335,974	(335,974)	-	-
Currency translation difference	-	-	-	95,959
At 31 December	**1,922,341**	**15,168**	**1,937,509**	**7,895,349**
Less: Accumulated amortisation				
At 1 January	554,432	-	554,432	2,242,677
Amortisation	156,052	-	156,052	632,323
Currency translation difference	-	-	-	20,222
At 31 December	**710,484**	**-**	**710,484**	**2,895,222**
Carrying amounts				
At 31 December	**1,211,857**	**15,168**	**1,227,025**	**5,000,127**

10. Intangible assets(continued)

2018	Computer software	Work in progress	Total	
	US$	US$	US$	KHR'000
				(Note 5)
Cost				
At 1 January	1,156,004	-	1,156,004	4,666,788
Additions	19,668	335,974	355,642	1,438,572
Currency translation difference	-	-	-	(31,566)
At 31 December	**1,175,672**	**335,974**	**1,511,646**	**6,073,794**
Less: Accumulated amortisation				
At 1 January	423,855	-	423,855	1,711,103
Amortisation	130,577	-	130,577	528,184
Currency translation difference	-	-	-	(11,579)
At 31 December	**554,432**	**-**	**554,432**	**2,227,708**
Carrying amounts				
At 31 December	**621,240**	**335,974**	**957,214**	**3,846,086**
At 31 December	**732,149**	**-**	**732,149**	**2,955,685**

11. Property and equipment

2019	Computers	Motor vehicles	Office furniture and equipment	Leasehold mprovements	Work in progress	Total	
	US$	US$	US$	US$	US$	US$	KHR'000 (Note 5)
Cost							
At 1 January 2019	1,336,113	1,526,869	2,970,076	-	84,700	5,917,758	23,937,331
Additions	297,275	171,760	724,887	11,973	-	1,205,895	4,886,287
Transfers	-	-	84,700	-	(84,700)	-	-
Write-off	(39,983)	(34,020)	(30,644)	-	-	(104,647)	(424,030)
Disposal	-	(56,336)	(17,060)	-	-	(73,396)	(297,401)
Currency translation difference	-	-	-	-	-	-	201,174
At 31 December 2019	**1,593,405**	**1,608,273**	**3,731,959**	**11,973**	**-**	**6,945,610**	**28,303,361**
Less: Accumulated depreciation							
At 1 January 2019	1,024,983	1,419,821	1,961,252	-	-	4,406,056	17,822,497
Depreciation	233,585	88,370	586,038	-	-	907,993	3,679,188
Write-off	(39,279)	(34,020)	(24,121)	-	-	(97,420)	(394,746)
Disposal	-	(56,336)	(17,060)	-	-	(73,396)	(297,401)
Currency translation difference	-	-	-	-	-		149,137
At 31 December 2019	**1,219,289**	**1,417,835**	**2,506,109**	**-**	**-**	**5,143,233**	**20,958,675**
Carrying amounts							
At 31 December 2019	**374,116**	**190,438**	**1,225,850**	**11,973**	**-**	**1,802,377**	**7,344,686**

11. Property and equipment (continued)

2018	Computers	Motor vehicles	Office furniture and equipment	Work in progress	Total	
	US$	US$	US$	US$	US$	KHR'000 (Note 5)
Cost						
At 1 January 2018	1,236,550	1,522,084	2,767,834	-	5,526,468	22,310,351
Additions	140,433	6,640	260,627	84,700	492,400	1,991,758
Write-off	(40,870)	-	(35,010)	-	(75,880)	(306,935)
Disposal	-	(1,855)	(23,375)	-	(25,230)	(102,055)
Currency translation difference	-	-	-	-	-	(115,567)
At 31 December 2018	**1,336,113**	**1,526,869**	**2,970,076**	**84,700**	**5,917,758**	**23,777,552**
Cost						
At 1 January 2018	825,315	1,316,370	1,471,509	-	3,613,194	14,586,464
Depreciation	240,144	105,151	538,884	-	884,179	3,576,504
Write-off	(40,476)	-	(30,038)	-	(70,514)	(285,229)
Disposal	-	(1,700)	(19,103)	-	(20,803)	(84,148)
Currency translation difference	-	-	-	-	-	(90,058)
At 31 December 2018	**1,024,983**	**1,419,821**	**1,961,252**	**-**	**4,406,056**	**17,703,533**
Carrying amounts						
At 31 December 2018	**311,130**	**107,048**	**1,008,824**	**84,700**	**1,511,702**	**6,074,019**
At 1 January 2018	**411,235**	**205,714**	**1,296,325**	**-**	**1,913,274**	**7,723,887**

12. Right of use assets

	31 December		31 December		1 January 2018	
	2019	2018	2019	2018		
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
Right-of-use assets	**5,741,765**	**5,204,246**	**23,397,692**	**20,910,660**	**5,536,293**	**22,350,015**

The Company leases office spaces. Information about leases for which the Company is a lessee is presented below.

	31 December		31 December	
	2019	2018	2019	2018
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
Cost				
At 1 January	6,317,061	5,536,293	25,381,951	22,350,015
Additions to right-of-use assets	1,849,464	780,768	7,494,028	3,158,207
Currency translation difference	-	-	402,610	(126,271)
At 31 December	**8,166,525**	**6,317,061**	**33,278,589**	**25,381,951**
Less: Accumulated amortisation				
At 1 January	1,112,815	-	4,471,291	-
Depreciation	1,311,945	1,112,815	5,316,001	4,501,337
Currency translation difference	-	-	93,605	(30,046)
At 31 December	**2,424,760**	**1,112,815**	**9,880,897**	**4,471,291**
Carrying amounts				
At 31 December	**5,741,765**	**5,204,246**	**23,397,692**	**20,910,660**

13. Deposits from customers

	31 December		31 December		1 January 2018	
	2019	2018	2019	2018		
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
Saving accounts	15,580,192	14,043,395	63,489,282	56,426,361	12,453,938	50,276,548
Fixed deposits	145,138,198	116,589,099	591,438,157	468,455,000	83,476,244	336,993,597
	160,718,390	**130,632,494**	**654,927,439**	**524,881,361**	**95,930,182**	**387,270,145**

Deposits from customers are analysed as follows:

	31 December		31 December		1 January 2018	
	2019	2018	2019	2018		
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
A. By maturity:						
Within 1 month	39,963,041	25,483,647	162,849,392	102,393,294	21,321,998	86,076,906
2 to 3 months	21,621,743	19,086,132	88,108,603	76,688,078	15,615,968	63,041,663
4 to 6 months	28,303,450	20,650,458	115,336,558	82,973,540	18,357,233	74,108,150
7 to 12 months	47,993,978	39,218,412	195,575,460	157,579,579	23,815,121	96,141,643
> 1 year	22,836,178	26,193,845	93,057,426	105,246,870	16,819,862	67,901,783
	160,718,390	**130,632,494**	**654,927,439**	**524,881,361**	**95,930,182**	**387,270,145**

13. Deposits from customers (continued)

	31 December 2019	31 December 2018	31 December 2019	31 December 2018	1 January 2018	1 January 2018
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
B. By customer type:						
Individuals	153,477,232	123,860,133	625,419,720	497,670,015	91,726,538	370,300,034
Business enterprises	7,241,158	6,772,361	29,507,719	27,211,346	4,203,644	16,970,111
	160,718,390	**130,632,494**	**654,927,439**	**524,881,361**	**95,930,182**	**387,270,145**
C. By residency status:						
Residents	153,757,045	125,370,812	626,559,958	503,739,923	92,455,945	373,244,650
Non-residents	6,961,345	5,261,682	28,367,481	21,141,438	3,474,237	14,025,495
	160,718,390	**130,632,494**	**654,927,439**	**524,881,361**	**95,930,182**	**387,270,145**

	2019	2019
D. By interest rate (per annum):		
Saving accounts	**1.50% - 5.00%**	**1.50% -7.00%**
Fixed deposits	**2.50% - 12.10%**	**4.00% - 12.10%**

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

14. Deposits from banks

	31 December		31 December		1 January 2018	
	2019	2018	2019	2018		
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
Fixed deposits	4,055,540	241,421	16,526,325	970,030	375,112	1,514,327
Saving deposits	5,736,665	4,373,218	23,376,910	17,571,590	3,756,005	15,162,992
	9,792,205	**4,614,639**	**39,903,235**	**18,541,620**	**4,131,117**	**16,677,319**

Deposits from banks are analysed as follows:

	31 December		31 December		1 January 2018	
	2019	2018	2019	2018		
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
A. By maturity:						
Within 1 month	6,326,520	428,783	25,780,569	1,722,850	1,915,889	7,734,444
2 to 3 months	-	2,025,367	-	8,137,925	745,770	3,010,673
4 to 6 months	2,166,027	1,482,726	8,826,560	5,957,593	1,392,668	5,622,201
7 to 12 months	1,299,658	677,763	5,296,106	2,723,252	76,790	310,001
	9,792,205	**4,614,639**	**39,903,235**	**18,541,620**	**4,131,117**	**16,677,319**

14. Deposits from banks (continued)

	31 December		31 December			
	2019	2018	2019	2018	1 January 2018	
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
B. By relationship:						
Related parties	5,531,180	799361	22,539,559	3,211,832	751,797	3,035,004
Non-related parties	4,261,025	3815278	17,363,676	15,329,788	3,379,320	13,642,315
	9,792,205	**4,614,639**	**39,903,235**	**18,541,620**	**4,131,117**	**16,677,319**
C. By residency status:						
Residents	**9,792,205**	**4,614,639**	**39,903,235**	**18,541,620**	**4,131,117**	**16,677,319**

	2019	2019
D. By interest rate (per annum):		
Saving accounts	**0.50% - 3.25%**	**1.00% - 3.25%**
Fixed deposits	**2.75 % - 6.00%**	**1.50% - 6.00%**

15. Borrowings

	31 December		31 December		1 January 2018	
	2019	2018	2019	2018		
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
Related parties	16,624,556	6,581,779	67,745,066	26,445,588	2,500,000	10,092,500
Non-related parties	69,676,719	81,267,590	283,932,630	326,533,177	82,058,461	331,270,007
	86,301,275	**87,849,369**	**351,677,696**	**352,978,765**	**84,558,461**	**341,362,507**

These borrowings are unsecured and bear interest at rates ranging from 2.50% to 9.00% per annum (2018: 0% to 9.00% per annum).

Further analysis by maturity period are as follows:

	31 December		31 December		1 January 2018	
	2019	2018	2019	2018		
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
Within 1 month	11,695,778	-	47,660,295	-	3,368,200	13,597,423
2 to 3 months	4,000,000	1,283,859	16,300,000	5,158,546	6,405,985	25,860,962
4 to 6 months	4,037,035	6,680,618	16,450,918	26,842,723	2,697,764	10,890,873
7 to 12 months	14,363,333	10,558,463	58,530,582	42,423,904	7,261,726	29,315,588
> 1 year	52,205,129	69,326,429	212,735,901	278,553,592	64,824,786	261,697,661
	86,301,275	**87,849,369**	**351,677,696**	**352,978,765**	**84,558,461**	**341,362,507**

16. Lease liabilities

	31 December		31 December		1 January 2018	
	2019	2018	2019	2018		
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
Maturity analysis – contractual undiscounted cash flows						
Less than one year	113,311	152,955	461,742	614,573	33,278	134,343
One to five years	2,920,555	1,664,834	11,901,262	6,689,303	1,480,946	5,978,579
More than five years	3,377,109	3,684,569	13,761,719	14,804,598	4,350,993	17,564,959
Total undiscounted lease liabilities	**6,410,975**	**5,502,358**	**26,124,723**	**22,108,474**	**5,865,217**	**23,677,881**
Present value of lease liabilities						
Current	110,062	149,568	448,503	600,964	32,094	129,563
Non-current	5,168,976	4,422,213	21,063,577	17,768,452	4,703,811	18,989,285
	5,279,038	**4,571,781**	**21,512,080**	**18,369,416**	**4,735,905**	**19,118,848**

Amounts recognised in profit and loss

	2019	2018	2019	2018
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
Interest on lease liabilities	334,923	322,031	1,357,108	1,302,615
Expenses relating to short-term leases	105,263	193,421	426,526	782,388
	440,186	**515,452**	**1,783,634**	**2,085,003**

16. Lease liabilities (continued)

Amounts recognised in the statement of cash flows

	2019	2018	2019	2018
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
Total cash outflow for leases	**1,406,785**	**1,192,591**	**5,700,293**	**4,824,031**

17. Other liabilities

	31 December		31 December		1 January 2018	
	2019	2018	2019	2018		
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
Other tax payables	168,271	147,144	685,704	591,225	138,271	558,202
Accruals and other payables	141,807	476,626	577,863	1,915,084	1,118,804	4,516,611
	310,078	**623,770**	**1,263,567**	**2,506,309**	**1,257,075**	**5,074,813**

18. Provision for employee benefits

	31 December		31 December		1 January 2018	
	2019	2018	2019	2018		
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
Provision for seniority indemnity	97,349	-	396,697	-	-	-
Others	1,227,569	1,070,358	5,002,344	4,300,698	881,033	3,556,730
	1,324,918	**1,070,358**	**5,399,041**	**4,300,698**	**881,033**	**3,556,730**

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 Company.

19. Income tax

A. Deferred tax assets – net

	31 December		31 December		1 January 2018	
	2019	2018	2019	2018		
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
Deferred tax assets	2,191,003	1,946,821	8,928,337	7,822,327	873,475	3,526,219
Deferred tax liabilities	(1,381,021)	(1,158,067)	(5,627,660)	(4,653,113)	(177,153)	(715,167)
Deferred tax assets – net	**809,982**	**788,754**	**3,300,677**	**3,169,214**	**696,322**	**2,811,052**

Deferred tax are attributable to the following:

	31 December		31 December		1 January 2018	
	2019	2018	2019	2018		
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
Allowance for loan losses	356,738	325,358	1,453,707	1,307,288	368,024	1,485,713
Allowance for off balance sheet commitments and placement with banks	8,926	14,387	36,374	57,808	-	-
Deferred income – processing fee	732,655	682,899	2,985,569	2,743,888	505,323	2,039,989
Depreciation and amortisation	(122,369)	(103,988)	(498,654)	(417,824)	(177,153)	(715,167)
Right of use assets	(1,148,353)	(1,040,849)	(4,679,538)	(4,182,131)	-	-
Lease liabilities	1,055,808	914,356	4,302,418	3,673,882	-	-
Net unrealised exchange difference	(73,423)	(3,409)	(299,199)	(13,697)	128	517
	809,982	**788,754**	**3,300,677**	**3,169,214**	**696,322**	**2,811,052**

The movements of deferred tax are as follows:

	2019	2018	2019	2018
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
At 1 January	788,754	696,322	3,169,214	2,811,052
Recognised in profit or loss	21,228	92,432	86,016	373,887
Currency translation difference	-	-	45,447	(15,725)
	809,982	**788,754**	**3,300,677**	**3,169,214**

B. Current income tax liability

	2019	2018	2019	2018
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
At 1 January	1,164,178	1,299,370	4,677,667	5,245,557
Income tax expense	1,290,905	1,544,077	5,230,747	6,245,791
Income tax paid	(1,609,192)	(1,679,269)	(6,520,446)	(6,792,643)
Currency translation difference	-	-	59,038	(21,038)
At 31 December	**845,891**	**1,164,178**	**3,447,006**	**4,677,667**

In accordance with Cambodian Law on Taxation, the Company 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)
At 1 January	1,290,905	1,544,077	5,230,747	6,245,791
Currency translation difference	(21,228)	(92,432)	(86,016)	(373,887)
At 31 December	**1,269,677**	**1,451,645**	**5,144,731**	**5,871,904**

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	**5,923,240**	**24,000,970**		**6,349,030**	**25,681,827**	
Income tax using statutory rate at 20%	1,184,648	4,800,194	20.00%	1,269,806	5,136,365	20.00%
Effect of non-deductible expenses	54,337	220,174	0.90%	32,365	130,916	0.50%
Others	30,692	124,363	0.50%	149,474	604,623	2.40%
Income tax expense	**1,269,677**	**5,144,731**	**21.40%**	**1,451,645**	**5,871,904**	**22.90%**

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

20. Share capital

	31 December		31 December		1 January 2018	
	2019	2018	2019	2018		
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
Contributed capital	**18,395,200**	**18,395,200**	**73,580,800**	**73,580,800**	**18,395,200**	**73,580,800**

The total authorised number of shares is 367,904 (2018: 367,904) shares with par value of US$50 per share. All shares are issued and fully paid.

21. Regulatory reserves

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

22. Interest income

	2019	2018	2019	2018
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
Loans to customers	41,154,572	35,631,109	166,758,326	144,127,836
Placements with the NBC	14,232	9,946	57,668	40,232
Placements with other banks	6,785	32,637	27,493	132,016
	41,175,589	**35,673,692**	**166,843,487**	**144,300,084**

23. Interest expense

	2019	2018	2019	2018
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
Borrowings	7,382,321	7,275,137	29,913,165	29,427,929
Fixed deposits	10,078,187	7,627,511	40,836,814	30,853,282
Saving accounts	625,462	459,037	2,534,372	1,856,805
Interest expense on lease liabilities	334,923	322,031	1,357,107	1,302,615
	18,420,893	**15,683,716**	**74,641,458**	**63,440,631**

24. Net fee and commission

	2019	2018	2019	2018
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
Remittance	136,592	111,812	553,471	452,280
Processing fee	3,585,479	3,429,801	14,528,361	13,873,545
Other fees income	544,225	781,251	2,205,200	3,160,160
Other fee and commission expenses	(292,785)	-	(1,186,365)	-
Interest expense on lease liabilities	334,923	322,031	1,357,107	1,302,615
	3,973,511	**4,322,864**	**16,100,667**	**17,485,985**

25. Other income

	2019	2018	2019	2018
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
Recovery of loans written off	239,874	170,390	971,969	689,228
Other income	420,612	407,492	1,704,320	1,648,305
	660,486	**577,882**	**2,676,289**	**2,337,533**

26. Personnel expenses

	2019	2018	2019	2018
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
Salaries and wages	9,593,946	8,742,860	38,874,669	35,364,869
Bonus and Incentive	3,161,821	2,485,363	12,811,699	10,053,293
Seniority indemnity	786,375	-	3,186,392	-
Other benefits	370,692	483,903	1,502,043	1,957,388
	13,912,834	**11,712,126**	**56,374,803**	**47,375,550**

27. Other operating expenses

	2019	2018	2019	2018
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
Depreciation and amortisation	2,375,990	2,127,571	9,627,512	8,606,025
Travelling expense	1,119,434	964,499	4,535,947	3,901,398
Professional fees	842,078	756,457	3,412,100	3,059,869
Insurance expense	299,787	283,097	1,214,737	1,145,127
Utilities expenses	299,681	261,295	1,214,307	1,056,938
License fees	245,653	246,077	995,386	995,381
Office supplies	210,744	106,313	853,935	430,036
Communication	190,801	164,450	773,126	665,200
Other tax expenses	114,418	80,384	463,622	325,153
Office rental	105,263	193,421	426,526	782,388
Repairs and maintenance	40,944	24,676	165,905	99,814
Foreign exchange gain	(405,890)	(77,021)	(1,644,666)	(311,550)
Other expenses	1,408,190	1,067,921	5,705,984	4,319,742
	6,847,093	**6,199,140**	**27,744,421**	**25,075,521**

28. Commitments and contingencies

A. Operations

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

	31 December		31 December	
	2019	2018	2019	2018
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
Assets				
Unused portion of credit facilities	3,926	16,000	513,069	2,061,511
Liabilities				
Loan commitments received from banks	**3,500,000**	**14,262,500**	**3,861,642**	**15,516,078**

B. Taxation contingencies

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

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

29. Related parties

A. Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Company if the Company 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 Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Company have related party relationships with its substantial shareholders, related companies 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 Company either directly or indirectly. The key management personnel include all the Directors of the Company, and certain senior management members of the Company.

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

B. Transactions with related parties

	2019	2018	2019	2018
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
Interest income	3,878	2,673	15,715	10,811
Interest expense	136,111	551,250	704,009	2,828,709
Service charge	8,917	36,132	36,594	147,035
Key management personnel				
Salary and other benefits	**390,636**	**305,342**	**1,582,857**	**1,235,108**

C. Balances with related parties

	31 December		31 December			
	2019	2018	2019	2018	1 January 2018	
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
Key management personnel						
Loans	138,763	87,331	565,460	350,896	56,073	226,367
Deposits	199,598	228,761	4,043,728	919,162	1,430,394	5,774,501
Phillip Bank Plc.						
Borrowings	10,000,000	-	47,500,000	-	-	-
Placements	-	99,997	-	401,788	32,251	130,196
Current account	286,296	799,361	1,359,904	3,211,832	-	-
Shareholder						
Subordinated debts	6,500,000	6,500,000	26,487,500	26,117,000	2,500,000	10,092,500
Deposits	1,335,968	936,857	6,345,848	3,764,291	497,953	2,010,236
Board of Directors						
Borrowings	-	-	-	-	150,000	605,550
Deposits	1,619,383	1,401,848	7,608,458	5,632,625	-	-

30. Financial risk management

A. Introduction and overview

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

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

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

Risk management functional and governance structure

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management frameworkwhich is responsible for approving and monitoring Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, 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 Company's activities. The Company, 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 Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company'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 Company's Audit Committee.

B. Credit risk

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

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

(i). Management of credit risk

The Board of Directors created the Company Credit Committee for the oversight of credit risk. A separate credit department, reporting to the Credit Committee, is responsible for managing the Company'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 Credit Committee.
- Reviewing and assessing credit risk: Company's 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 Company's risk gradings to categorise exposures according to the degree of risk of default.

- Developing and maintaining the Company'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 Credit Committee, 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 Company in the management of credit risk.

Each business unit is required to implement the credit policies and procedures, with credit approval authorities delegated from the Credit Committee.

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

(ii). Concentration of risk

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

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

Type of credit exposure

Type of credit exposure	Maximum credit Exposure	Maximum credit Exposure	Partially subject to collateral/ credit enhancement	Partially subject to collateral/ 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 – gross	20,781,207	84,683,418	-	-	100%
Loans to customers - gross	261,347,867	1,064,992,558	99%	-	1%
Other assets	286,641	1,168,062	-	-	100%
Other investments	17,500	71,313	-	-	100%
	282,433,215	**1,150,915,351**			
Off-balance sheet items					
Contingent liabilities	3,500,000	14,262,500	-	-	100%
Commitments	3,926	16,000	-	-	100%
	3,503,926	**14,278,500**			

	Maximum credit Exposure	Maximum credit Exposure	Partially subject to collateral/ credit enhancement	Partially subject to collateral/ credit enhancement	Unsecured and not subject to collateral/ credit enhancement
	US$	**KHR'000**	**%**	**%**	**%**
31 December 2018		**(Note 5)**			
On-balance sheet items					
Cash and cash equivalents – gross	26,049,156	104,665,509	-	-	100%
Loans to customers - gross	221,029,969	888,098,416	97%	-	3%
Other assets	104,818	421,159	-	-	100%
Other investments	17,500	70,315	-	-	100%
Total	**247,201,443**	**993,255,399**			
Off-balance sheet items					
Contingent liabilities	3,861,642	15,516,076	-	-	100%
Commitments	513,069	2,061,512	-	-	100%
Total	**4,374,711**	**17,577,588**			

Concentration risk by industrial sectors

	Cash and cash equivalents - gross	Loans to customers - gross	Other assets	Maximum credit Other investments	Total
	US$	US$	US$	US$	%
31 December 2019					
Services	-	38,688,762	-	-	38,688,762
Textile industries	-	9,283	-	-	9,283
Hotel and restaurants	-	692,269	-	-	692,269
Import	-	44,603	-	-	44,603
Wholesale and retails	-	44,599,512	-	-	44,599,512
Construction	-	848,899	-	-	848,899
Real estate	-	25,892,559	-	-	25,892,559
Financial institutions	20,781,207	-	-	-	20,781,207
Manufacturing	-	2,405,332	-	-	2,405,332
Agriculture	-	49,667,738	-	-	49,667,738
Transport and storage	-	976,714	-	-	976,714
Export	-	12,424	-	-	12,424
Others	-	97,509,772	286,641	17,500	97,813,913
Total (US$)	**20,781,207**	**261,347,867**	**286,641**	**17,500**	**282,433,215**
Total (KHR'000 – Note 5)	**84,683,418**	**1,064,992,558**	**1,168,062**	**71,313**	**1,150,915,351**

	Cash and cash equivalents - gross	Loans to customers - gross	Other assets	Maximum credit Other investments	Total
	US$	US$	US$	US$	%
31 December 2018					
Services	-	30,285,502	-	-	30,285,502
Import and export	-	24,951,081	-	-	24,951,081
Wholesale and retails	-	35,881,630	-	-	35,881,630
Real estate	-	4,325,431	-	-	4,325,431
Financial institutions	26,049,156	-	-	-	26,049,156
Agriculture	-	44,565,115	-	-	44,565,115
Others	-	81,021,210	104,818	17,500	81,143,528
Total (US$)	**26,049,156**	**221,029,969**	**104,818**	**17,500**	**247,201,443**
Total (KHR'000 – Note 5)	**104,665,509**	**888,098,416**	**421,159**	**70,315**	**993,255,398**

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

	31 December		31 December	
	2019	**2018**	**2019**	**2018**
	US$	**US$**	**KHR'000 (Note 5)**	**KHR'000 (Note 5)**
By residency status:				
Residents	**261,347,867**	**221,029,969**	**1,064,992,558**	**888,098,416**
By relationship:				
External customers	257,415,377	217,066,980	1,048,967,661	872,175,126
Staff loans	3,932,490	3,962,989	16,024,897	15,923,290
	261,347,867	**221,029,969**	**1,064,992,558**	**888,098,416**
By exposure:				
Non-large exposures	**261,347,867**	**221,029,969**	**1,064,992,558**	**888,098,416**

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

(iii). Collateral

Whilst the Company’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 Company’s exposure.

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

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

Collateral is generally not sought for these assets.

Loans to customers, contingent liabilities and commitments

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

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

	Collateral/credit enhancement			
	Properties	Fixed deposits	Unsecured credit exposure	Total
	US$	US$	US$	US$
31 December 2019				
Cash and cash equivalent - gross	-	-	20,781,207	20,781,207
Loan to customers - gross	258,063,377	121,585	3,162,905	261,347,867
Other assets	-	-	286,641	286,641
Other investment	-	-	17,500	17,500
	258,063,377	**121,585**	**24,248,253**	**282,433,215**
31 December 2018				
Cash and cash equivalent - gross	-	-	26,049,156	26,049,156
Loan to customers - gross	215,409,485	57,610	5,562,874	221,029,969
Other assets	-	-	104,818	104,818
Other investment	-	-	17,500	17,500
	215,409,485	**57,610**	**31,734,348**	**247,201,443**

(iv). Credit quality of gross Loans to customers

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

Normal:

Outstanding facility is repaid on timely manner and is not in doubt for the future repayment. Repayment is steadily made according with the contractual terms and the facility does not exhibit any potential 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 Company apply a three-stage approach based on the change in credit quality since initial recognition:

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

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

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

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

	31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
	US$	**US$**	**US$**	**US$**
Loans to customers at amortised cost				
Normal	258,799,967	-	-	258,799,967
Special Mention	863	172,455	-	173,318
Substandard	19,813	58,636	353,721	432,170
Doubtful	-	3,307	703,176	706,483
Loss	-	-	1,235,929	1,235,929
	258,820,643	**234,398**	**2,292,826**	**261,347,867**
Loss allowance	(1,735,937)	(66,876)	(991,115)	(2,793,928)
Carrying amounts (US$)	**257,084,706**	**167,522**	**1,301,711**	**258,553,939**
Carrying amounts (KHR'000 - Note 5)	**1,047,620,177**	**682,652**	**5,304,472**	**1,053,607,301**

	31 December 2018			
	Stage 1	Stage 2	Stage 3	Total
	US$	**US$**	**US$**	**US$**
Loans to customers at amortised cost				
Normal	218,371,971	-	-	218,371,971
Special Mention	11,105	414,465	-	425,570
Substandard	-	33,205	356,196	389,401
Doubtful	-	1,220	668,039	669,259
Loss	-	-	1,173,768	1,173,768
	218,383,076	**448,890**	**2,198,003**	**221,029,969**
Loss allowance	(1,521,846)	(106,337)	(860,702)	(2,488,885)
Carrying amounts (US$)	**216,861,230**	**342,553**	**1,337,301**	**218,541,084**
Carrying amounts (KHR'000 - Note 5)	**871,348,423**	**1,376,378**	**5,373,275**	**878,098,076**

Incorporation of forward-looking information

The Company 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
Loans to customers at amortised cost	**US$**	**US$**	**US$**	**US$**
At 1 January	**1,521,846**	**106,337**	**860,702**	**2,488,885**
Transfer to Stage 1	8,852	(7,373)	(1,479)	-
Transfer to Stage 2	33,848	(33,848)	-	-
Transfer to Stage 3	(302,930)	-	302,930	-
Net remeasurement of loss allowance	5,765	9,059	564,548	579,372
New financial assets originated	1,134,055	20,396	55,972	1,210,423
Financial assets that been derecognised	(665,499)	(27,695)	(358,640)	(1,051,834)
Write-off	-	-	(432,918)	(432,918)
At 31 December (US$)	**1,735,937**	**66,876**	**991,115**	**2,793,928**
At 31 December (KHR'000 – Note 5)	**7,073,943**	**272,520**	**4,038,794**	**11,385,257**

	2018			
	Stage 1	Stage 2	Stage 3	Total
Loans to customers at amortised cost	**US$**	**US$**	**US$**	**US$**
Balance At 1 January	**1,567,933**	**121,473**	**818,902**	**2,508,308**
Transfer to Stage 1	10,708	(10,708)	-	-
Transfer to Stage 2	(53,307)	53,307	-	-
Transfer to Stage 3	(310,988)	-	310,988	-
Net remeasurement of loss allowance	(10,194)	(43,783)	201,809	147,832
New financial assets originated or purchased	1,033,358	33,910	53,924	1,121,192
Financial assets that been derecognised	(715,664)	-	-	(715,664)
Write-offs	-	(47,862)	(524,921)	(572,783)
Balance At 31 December (US$)	**1,521,846**	**106,337**	**860,702**	**2,488,885**
Balance At 31 December (KHR'000 – Note 5)	**6,114,777**	**427,262**	**3,458,301**	**10,000,340**

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

	Up to 1 month	> 1-3 months	> 3-6 months	> 6-12 months	> 1 to 5 years	Over 5 years	Non-interest bearing	Total	Interest rate
	US$	US$	US$	US$	US$	US$	US$	US$	%
As at 31 December 2019									
Financial assets									
Cash and cash equivalents - gross	-	-	-	-	-	-	20,781,207	20,781,207	-
Loans to customers – gross	929,443	1,321,448	3,146,176	10,034,158	200,946,433	44,970,209	-	261,347,867	1%-18%
Other assets	-	-	-	-	-	-	286,641	286,641	-
Investment – equity instrument	-	-	-	-	-	-	17,500	17,500	-
	929,443	**1,321,448**	**3,146,176**	**10,034,158**	**200,946,433**	**44,970,209**	**21,085,348**	**282,433,215**	
Financial liabilities									
Deposits from customers	39,791,784	21,620,252	28,303,449	47,993,978	22,302,972	529,066	176,889	160,718,390	1.5%-12.1%
Deposits from banks	6,326,521	-	2,166,026	1,299,658	-	-	-	9,792,205	0.5%-6%
Borrowings	11,820,836	4,043,177	4,046,626	14,403,681	50,884,338	1,102,617	-	86,301,275	0.0% - 9.0%
Lease liabilities	-	-	-	-	-	-	6,410,975	6,410,975	-
Other liabilities	-	-	-	-	-	-	141,807	141,807	-
	57,939,141	**25,663,429**	**34,516,101**	**63,697,317**	**73,187,310**	**1,631,683**	**6,729,671**	**263,364,652**	
Interest sensitivity gap	**(57,009,698)**	**(24,341,981)**	**(31,369,925)**	**(53,663,159)**	**127,759,123**	**43,338,526**	**14,355,677**	**19,068,563**	
(KHR'000 equivalents - Note 5)	**(232,314,519)**	**(99,193,573)**	**(127,832,444)**	**(218,677,373)**	**520,618,426**	**176,604,493**	**58,499,384**	**77,704,394**	

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

	Up to 1 month	> 1-3 months	> 3-6 months	> 6-12 months	> 1 to 5 years	Over 5 years	Non-interest bearing	Total	Interest rate
	US$	US$	US$	US$	US$	US$	US$	US$	%
As at 31 December 2018									
Financial assets									
Cash and cash equivalents - gross	-	-	-	-	-	-	26,049,156	26,049,156	-
Loans to customers – gross	1,051,701	1,581,173	4,136,860	11,679,379	176,385,608	26,195,248	-	221,029,969	1%-18%
Other assets	-	-	-	-	-	-	104,818	104,818	-
Investment – equity instrument	-	-	-	-	-	-	17,500	17,500	-
	1,051,701	**1,581,173**	**4,136,860**	**11,679,379**	**176,385,608**	**26,195,248**	**26,171,474**	**247,201,443**	
Financial liabilities									
Deposits from customers	25,483,647	19,086,132	20,650,458	39,218,412	26,193,845	-	-	130,632,494	1.5%-12.1%
Deposits from banks	428,783	2,025,367	1,482,726	677,763	-	-	-	4,614,639	0.5%-6%
Borrowings	-	1,283,859	6,680,618	10,558,463	69,326,429	-	-	87,849,369	0.0% - 9.0%
Lease liabilities	-	-	-	-	-	-	5,502,358	5,502,358	-
Other liabilities	-	-	-	-	-	-	476,626	476,626	-
	25,912,430	**22,395,358**	**28,813,802**	**50,454,638**	**95,520,274**	**-**	**5,978,984**	**229,075,486**	
Interest sensitivity gap	**(24,860,729)**	**(20,814,185)**	**(24,676,942)**	**(38,775,259)**	**80,865,334**	**26,195,248**	**20,192,490**	**18,125,957**	
(KHR'000 equivalents - Note 5)	**(99,890,409)**	**(83,631,395)**	**(99,151,953)**	**(155,798,991)**	**324,916,912**	**105,252,506**	**81,133,425**	**72,830,095**	

As of 31 December 2019, the Company did not have financial instruments carried at fair value. The Company does not use derivative financial instruments such as interest rate swaps to hold its risk exposures. Accordingly, no sensitivity analysis was prepared.

(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.

Concentration of currency risk

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

	Denomination US$ equivalents			
31 December 2019	**KHR**	**US$**	**Others**	**Total**
Financial assets				
Cash and cash equivalents - gross	10,028,999	9,704,666	1,047,542	20,781,207
Loans to customers - gross	34,066,508	220,203,675	7,077,684	261,347,867
Other assets	38,237	226,233	22,171	286,641
Investment – equity instrument	-	17,500	-	17,500
	44,133,744	**230,152,074**	**8,147,397**	**282,433,215**
Financial liabilities				
Deposits from customers	47,852,271	111,511,252	1,354,867	160,718,390
Deposits from banks	1,510,082	8,282,123	-	9,792,205
Borrowings	4,431,727	79,654,414	2,215,134	86,301,275
Lease liabilities	-	5,279,038	-	5,279,038
Other liabilities	-	141,807	-	141,807
	53,794,080	**204,868,634**	**3,570,001**	**262,232,715**
Net (liability)/asset position	**(9,660,336)**	**25,283,440**	**4,577,396**	**20,200,500**
KHR'000 equivalents (Note 5)	**(39,365,869)**	**103,030,018**	**18,652,889**	**82,317,038**

	Denomination US$ equivalents			
31 December 2018	**KHR**	**US$**	**Others**	**Total**
Financial assets				
Cash and cash equivalents - gross	14,965,259	9,733,216	1,350,681	26,049,156
Loans to customers - gross	28,864,463	187,111,932	5,053,574	221,029,969
Other assets	73,096	31,722	-	104,818
Investment – equity instrument	-	17,500	-	17,500
	43,902,818	**196,894,370**	**6,404,255**	**247,201,443**

31 December 2018	Denomination US$ equivalents KHR	US$	Others	Total
Financial liabilities				
Deposits from customers	39,268,297	90,350,176	1,014,021	130,632,494
Deposits from banks	821,592	3,359,504	433,543	4,614,639
Borrowings	4,479,841	78,862,654	4,506,874	87,849,369
Lease liabilities	-	4,571,781	-	4,571,781
Other liabilities	-	476,626	-	476,626
	44,569,730	**177,620,741**	**5,954,438**	**228,144,909**
Net (liability)/asset position	**(666,912)**	**19,273,629**	**449,817**	**19,056,534**
KHR'000 equivalents (Note 5)	**(2,679,652)**	**77,441,441**	**1,807,365**	**76,569,154**

Sensitivity analysis

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

	31 December 2019		31 December 2018	
	- 1% Depreciation US$	+ 1% Appreciation US$	- 1% Depreciation US$	+ 1% Appreciation US$
KHR	(96,603)	96,603	(283,347)	283,347
Others	45,774	(45,774)	8,426	(8,426)
	(50,829)	**50,829**	**(274,921)**	**274,921**

D. Liquidity risk

Liquidity risk' is the risk that the Company 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 Company's operations and investments.

Management of liquidity risk

The Company 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 Company'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.

	Up to 1 month	> 1-3 months	> 3-12 Months	> 1 to 5 years	Over 5 years	Total
As at 31 December 2019	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**
Financial assets						
Cash and cash equivalents - gross	20,781,207	-	-	-	-	20,781,207
Loans to customers – gross	13,111,221	23,451,293	93,666,178	200,231,045	7,795,620	338,255,357
Other assets	286,641	-	-	-	-	286,641
Investment – equity instrument	17,500	-	-	-	-	17,500
	34,196,569	**23,451,293**	**93,666,178**	**200,231,045**	**7,795,620**	**359,340,705**
Financial liabilities						
Deposits from customers	29,680,043	23,459,066	89,021,731	27,745,382	4,906	169,911,128
Deposits from banks	6,323,138	-	3,473,207	-	-	9,796,345
Borrowings	2,886,347	4,098,330	35,090,380	53,183,689	1,413,908	96,672,654
Lease liabilities	126,245	247,180	1,103,365	4,564,629	369,555	6,410,974
Other liabilities	141,807	-	-	-	-	141,807
	39,157,580	**27,804,576**	**128,688,683**	**85,493,700**	**1,788,369**	**282,932,908**
Liquidity sensitivity gap	**(4,961,011)**	**(4,353,282)**	**(35,022,506)**	**114,737,345**	**6,007,251**	**76,407,797**
(KHR'000 equivalents - Note 5)	**(20,216,120)**	**(17,739,624)**	**(142,716,712)**	**467,554,681**	**24,479,548**	**311,361,773**

	Up to 1 month	> 1-3 months	> 3-12 Months	> 1 to 5 years	Over 5 years	Total
As at 31 December 2018	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**
Financial assets						
Cash and cash equivalents - gross	26,049,156	-	-	-	-	26,049,156
Loans to customers – gross	11,978,721	21,686,781	86,701,357	157,292,226	4,600,959	282,260,044
Other assets	104,818	-	-	-	-	104,818
Investment – equity instrument	17,500	-	-	-	-	17,500
	38,150,195	**21,686,781**	**86,701,357**	**157,292,226**	**4,600,959**	**308,431,518**
Financial liabilities						
Deposits from customers	28,233,903	19,533,144	64,849,313	24,006,914	734	136,624,008
Deposits from banks	436,745	2,081,239	2,482,467	-	-	5,000,451
Borrowings	763,426	3,196,762	32,830,074	58,598,336	3,013,429	98,402,027
Lease liabilities	119,629	239,258	990,682	4,104,107	48,683	5,502,359
Other liabilities	476,626	-	-	-	-	476,626
	30,030,329	**25,050,403**	**101,152,536**	**86,709,357**	**3,062,846**	**246,005,471**
Liquidity sensitivity gap	**8,119,866**	**(3,363,622)**	**(14,451,179)**	**70,582,869**	**1,538,113**	**62,426,047**
(KHR’000 equivalents - Note 5)	**32,625,622**	**(13,515,033)**	**(58,064,837)**	**283,601,968**	**6,180,138**	**250,827,858**

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 Company'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 Company'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 Company'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 Company 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.

31. 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 Company 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. These include investment in subsidiaries and property and equipment.

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

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

Investments

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

Financing, advances and others

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

Fair value hierarchy

CIFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources and unobservable inputs reflect the Company'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 Company'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 Company'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.

32. Significant accounting policies

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

A. Basis of measurement

The financial statements have been prepared on a historical cost.

B. Foreign currency

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

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

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

C. Financial assets and financial liabilities

(i). Recognition and initial measurement

The Company 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 Company 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 Company 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 Company 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 Company 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 Company'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 Company'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 Company 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 Company considers:
- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Company'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 Company that are secured by collateral of the borrower limit the Company's claim to cash flows of the underlying collateral (non-recourse loans). The Company applies judgment in assessing whether the non-recourse loans meet the SPPI criterion. The Company 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 Company typically considers the following information when making this judgement:
- whether the borrower is an individual or a substantive operating entity or is a special-purpose entity;
- the Company'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 Company 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 Company changes its business model for managing financial assets.

(iii). Derecognition

Financial assets

The Company 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 Company 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 and loss.

Financial liabilities

The Company 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 Company evaluates whether the cash flows of the modified asset are substantially different.

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

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit and loss as part of the gain or loss on derecognition.
- If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Company 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 Company first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit and loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.
- If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

Financial liabilities

The Company 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 and loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

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

(v). Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company 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 Company has access at that date. The fair value of a liability reflects its non-performance risk. When one is available, the Company 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 Company 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 Company 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 and loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company 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 Company 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 Company 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 Company 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 Company 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 Company 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 Company 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 Company'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 Company is exposed to credit risk.

Determining whether credit risk has increased significantly

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

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- The Company considers that a significant increase in credit risk occurs no later than when an asset is more than or equal to 30 days past due for long-term facilities or more than or equal to 15 days past due for short-term facilities.

Measurement of ECL

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

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company 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 Company if the commitment is drawn down and the cash flows that the Company expects to receive.

Inputs, assumptions and techniques used for estimating impairment

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

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

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

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 Company 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 Company 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 Company 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 Company considers a longer period. The maximum contractual period extends to the date at which the Company 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 Company 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 Company on terms that the Company 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 Company 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 and loss and OCI.

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

D. Cash and cash equivalents

Cash and cash equivalents consist of cash and Company 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. Reserves

(i) Legal reserve

Reserve is calculated at 5% of the Company's net profit for the year through the retained earnings in accordance with the Memorandum and Articles of Association.

(ii) Reserve for capital strengthening

According to the loan agreement between Institution De Drédito Official ("ICO") of the Kingdom of Spain and the Company, the Company is required, during the term of the borrowing, to transfer annually the retained earnings to the reserve for capital strengthening at 3.5% of the outstanding principal of the borrowing from ICO, under the Spanish Microfinance Program.

(iii) Regulatory reserves

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

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

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

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

G. Placements with banks

Placements with banks are stated at cost less impairment for any uncollectable amounts.

H. Statutory deposits

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

I. Loans and advances

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

J. Other assets

Other assets are carried at cost less impairment if any.

K. Property and equipment

(i) Recognition and measurement

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

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

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

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

(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 Company, 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 Company, 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.

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

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

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

	Years
Leasehold improvements	1 - 3
Office equipment	3 - 6
Computer equipment	3
Motor vehicles	3 - 5

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

L. Intangible assets

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

Intangible assets are amortised over their estimated useful lives from 3 to 10 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 Company 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 Company 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 Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company 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 Company has the right to direct the use of the asset if either:
    - the Company has the right to operate the asset; or
    - the Company 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 Company 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 Company 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 Company 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 Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

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

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

- Building and office branches 2 – 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 Company 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;

Lease payments included in the measurement of the lease liability comprise: (continued)

- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company 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 Company's estimate of the amount expected to be payable under a residual value guarantee.

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

Short-term leases and leases of low-value assets

The Company 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 Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

N. Borrowings

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

O. Employee benefits

(i). Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company 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 Company's net obligation in respect of long-term employee benefits is the amount of the benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit and loss in the period in which they arise.

P. Provisions

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

Q. Interest

Effective interest rate

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

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

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Company/the Company 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 method presented in the statement of profit and loss and OCI includes interest on financial assets and financial liabilities measured at amortised cost.

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

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 Company's financial statements may be partially in the scope of CIFRS 9 and partially in the scope of CIFRSs 15. If this is the case, then the Company 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 Company's non-financial assets, other than inventories, contract assets and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

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

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

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

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

T. Income tax

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

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

(i). Current tax

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

(ii). Deferred tax

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

A deferred tax asset 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 Company 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.

33. Explanation of transition to CIFRSs

Adoption of CIFRSs Framework

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

Accordingly, the Company have prepared financial statements which comply with CIFRSs applicable for periods ending on or after 31 December 2019, together with the comparative period information as at and for the period ended 31 December 2018, as described in the significant accounting policies in Note 32.

In preparing these financial statements, the Company's opening statements of financial position were prepared as at 1 January 2018, being the Company's date of transition to CIFRSs. Principal adjustments made by the Company 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 NBC relating to the preparation and presentation of financial statements ("Cambodia GAAP") are presented in below.

Optional exemptions applied

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

Fair value or revaluation as deemed cost - property and equipment

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

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

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 GAAP. The estimates used by the Company 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 Company 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.

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

Reconciliation of equity

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

	Note	31 December 2017				31 December 2018			
		Cambodia	Effect of transition to CIFRS		1 January 2018	Cambodia	Effect of transition to CIFRSs		
		GAAP	Reclassification	Remeasurement	CIFRSs	GAAP	Reclassification	Remeasurement	CIFRSs
		US$	US$	US$	US$	US$	US$	US$	US$
ASSETS									
Cash and cash equivalents	A(i)	7,286,765	8,598,445	-	15,885,210	12,986,369	12,990,852	-	25,977,221
Placements with other banks	A(i)	5,223,301	(5,223,301)	-	-	7,121,974	(7,121,974)	-	-
Statutory deposits		12,829,363	(3,374,008)	-	9,455,355	17,932,478	(5,859,811)	-	12,072,667
Loans to customers – net	A(i)	188,659,327	(428,776)	(495,135)	187,735,416	221,942,586	-	(533,547)	218,541,084
Other assets	A(i)	3,808,778	(2,050,044)	(1,007,867)	750,867	3,761,763	-	(3,478,934)	282,829
Investment – equity instrument		17,500	-	-	17,500	17,500	-	-	17,500
Intangible assets		732,149	-	-	732,149	957,214	-	-	957,214
Property and equipment		1,913,274	-	-	1,913,274	1,511,702	-	-	1,511,702
Right-of-use assets	B	-	-	5,536,293	5,536,293	-	-	5,204,246	5,204,246
Deferred tax assets – net	C	552,404	-	143,918	696,322	1,032,777	-	(244,023)	788,754
Total assets (US$)		**221,022,861**	**(2,477,684)**	**4,177,209**	**222,722,386**	**263,329,314**	**9,067**	**2,014,836**	**265,353,217**
Total assets (KHR'000 – Note 5)		**892,269,290**	**(10,002,410)**	**16,863,392**	**899,130,272**	**1,058,057,184**	**36,431**	**8,095,611**	**1,066,189,226**
LIABILITIES AND EQUITY									
Deposits from customers	A(i)	97,024,955	(1,094,773)	-	95,930,182	131,206,772	(574,278)	-	130,632,494
Deposits from banks	A(i)	-	4,131,117	-	4,131,117	-	4,614,639	-	4,614,639
Borrowings		83,971,719	-	586,742	84,558,461	87,506,582	-	342,787	87,849,369
Lease liabilities	B	-	-	4,735,905	4,735,905	-	-	4,571,781	4,571,781
Deferred income		2,477,683	(2,477,683)	-	-	3,363,815	(3,363,815)	-	-

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

	Note	31 December 2017				31 December 2018			
		Cambodia	Effect of transition to CIFRS		1 January 2018	Cambodia	Effect of transition to CIFRSs		
		GAAP	Reclassification	Remeasurement	CIFRSs	GAAP	Reclassification	Remeasurement	CIFRSs
		US$	US$	US$	US$	US$	US$	US$	US$
LIABILITIES AND EQUITY(continued)									
Deferred grants		48,930	(48,930)	-	-	50,682	(50,682)	-	-
Other liabilities	A(i)	6,034,621	(3,868,446)	(909,100)	1,257,075	6,115,563	(4,801,093)	(690,700)	623,770
Provision for employee benefits		-	881,033	-	881,033	-	1,070,358	-	1,070,358
Current income tax liability		1,299,370	-	-	1,299,370	1,164,178	-	-	1,164,178
Total liabilities		**190,857,278**	**(2,477,682)**	**4,413,547**	**192,793,143**	**229,407,592**	**(3,104,871)**	**4,223,868**	**230,526,589**
EQUITY		**18,395,200**	**-**	**-**	**18,395,200**	**18,395,200**	**-**	**-**	**18,395,200**
Share capital		1,950,318	-	-	1,950,318	2,239,231	-	-	2,239,231
Additional capital contribution		624,712	-	-	624,712	624,712	-	-	624,712
Retained earnings		9,195,353	-	(236,340)	8,959,013	-	-	1,004,468	1,004,468
Total equity		**30,165,583**	**-**	**(236,340)**	**29,929,243**	**33,921,722**	**-**	**904,906**	**34,826,628**
Total liabilities and equity (US$)		**221,022,861**	**(2,477,682)**	**4,177,207**	**222,722,386**	**263,329,314**	**(3,104,871)**	**5,128,774**	**265,353,217**
Total liabilities and equity (KHR'000 – Note 5)		**892,269,290**	**(10,002,402)**	**16,863,385**	**899,130,272**	**1,063,060,441**	**(12,534,364)**	**20,704,861**	**1,071,230,937**

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

	Note	Cambodia	Effect of transition to CIFRSs		
		GAAP	Reclassification	Remeasurement	CIFRSs
OPERATING INCOME		US$	US$	US$	US$
Interest income	A(iii)	35,688,279	-	(14,587)	35,673,692
Interest expense	A(iii), B	(14,741,533)	-	(942,183)	(15,683,716)
Net interest income		**20,946,746**	**-**	**(956,770)**	**19,989,976**
Net fee and commission income	B	3,699,701	-	623,163	4,322,864
Other income		577,882	-	-	577,882
Total operating profit		**25,224,329**	**-**	**(333,607)**	**24,890,722**
Personnel expense	B	(11,712,126)	-	-	(11,712,126)
Other operating expenses		(6,278,916)	-	79,776	(6,199,140)
Total operating expenses		**(17,991,042)**	**-**	**79,776**	**(17,911,266)**
Operating profit before impairment		**7,233,287**	**-**	**(253,831)**	**6,979,456**
Impairment losses on financial instruments	A(ii)	(2,076,589)	-	1,446,163	(630,426)
Profit before income tax		**5,156,698**	**-**	**1,192,332**	**6,349,030**
Income tax expense		(1,063,704)	-	(387,941)	(1,451,645)
Net profit for the year		**4,092,994**	**-**	**804,391**	**4,897,385**
OTHER COMPREHENSIVE INCOME					
Currency translation difference		-	-	2,087,471	(700,885)
Total comprehensive income for the year		**4,092,994**	**-**	**804,391**	**4,897,385**

Notes to reconciliation:

A. Financial assets and liabilities

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

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

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

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

(i) Classification of financial assets and financial liabilities

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

For an explanation of how the Company classifies and measures financial assets and related gains and losses under CIFRS 9, see Note 32C.

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 Company's financial assets as at 1 January 2018 and 31 December 2018.

	Note	Original classification under Cambodia GAAP	New classification under CIFRS 9	1 January 2018		31 December 2018	
				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 (reclassified)	(a)	Cost	Amortised cost	7,286,765	15,885,210	12,986,369	25,977,221
Placements with other banks (reclassified)	(a)	Cost	Amortised cost	5,223,301	-	7,121,974	-
Loans to customers	(b)	Carrying amount	Amortised cost	188,659,327	187,735,416	221,942,586	218,541,084
Investment		Cost	Amortised cost	17,500	17,500	17,500	17,500
Other assets	(a)	Cost	Amortised cost	3,808,778	750,867	3,761,763	282,829
Total financial assets (US$)				**204,995,671**	**204,388,993**	**245,830,192**	**244,818,634**
Total financial assets (KHR'000 – Note 5)				**827,567,524**	**825,118,365**	**987,745,711**	**983,681,271**

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

	Note	Original classification under Cambodia GAAP	New classification under CIFRS 9	1 January 2018		31 December 2018	
				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 liabilities							
Deposits from customers	(c)	Cost	Amortised cost	97,024,955	95,930,182	131,206,772	130,632,494
Deposits from banks	(c)	Cost	Amortised cost	-	4,131,117	-	4,614,639
Borrowings	(c)	Cost	Amortised cost	83,971,719	84,558,461	87,506,582	87,849,369
Lease liabilities	(c)	Cost	Amortised cost	-	5,865,217	-	5,502,358
Other liabilities	(c)	Cost	Amortised cost	6,034,621	1,257,075	6,115,563	623,770
Total financial liability (US$)				**187,031,295**	**191,742,052**	**224,828,917**	**229,222,630**
Total financial liability (KHR'000 – Note 5)				**755,045,338**	**774,062,664**	**903,362,589**	**921,016,527**

(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 conform 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 liabilities that were classified at cost are now classified at amortised cost.

(ii) Impairment of financial assets

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

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

	1 January 2018	31 December 2018
	US$	US$
Loss allowance Cambodia GAAP	(2,013,173)	(3,935,048)
Additional impairment recognised at 1 January 2018 on:		
Loans and advances	(495,135)	1,446,163
Loss allowance under CIFRS 9 - US$	**(2,508,308)**	**(2,488,885)**
Loss allowance under CIFRS 9 – KHR'000 – Note 5	**(10,126,039)**	**(10,000,340)**

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

To comply with NBC regulations, the Company transferred from retained earnings to regulatory reserves amounting to US$1,004,468 at 31 December 2018. See note 32F(iii).

Additional information about how the Company measure the allowance for impairment is described in Note 32C(vii).

(iii) Interest

Under Cambodia GAAP, fees integral to the financial assets and liabilities were not considered as effective interest and recognised on occurrence of transactions.

Recognition of interest income was suspended when loan become non-performing.

A financial asset or financial liability is measured initially at fair value plus transaction costs that are directly attributable to its acquisition or issue.

The impact arising from the change is summarised as follows:

	1 January 2018	31 December 2018
	US$	US$
Statement of financial position		
Loans to customers	336,854	(1,094,722)
Other assets	365,761	(388,306)
Borrowings	(322,358)	(347,913)
Deferred tax assets – net	(143,917)	(387,941)
Adjustment to retained earnings	**236,340**	**(2,218,882)**
Adjustment to retained earnings (KHR'000 – Note 5)	**954,105**	**(8,915,468)**
Statement of profit or loss		
Interest income		(14,587)
Interest expense		(942,183)
Fees and commission expense		623,163
Adjustment before income tax – US$		**(333,607)**
Adjustment to before income tax (KHR000 – Note 5)		**(1,349,440)**

(iv) Transition impact on equity

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

	Impact of adopting CIFRS 9 at 1 January 2018	
	US$	KHR'000
Retained earnings		
Closing balance under Cambodia GAAP (31 December 2017)	9,195,354	37,121,644
Recognition of expected credit losses under CIFRS 9	(236,340)	(954,109)
Currency transaction difference	-	31,802
Opening balance under CIFRS 9 (1 January 2018)	**8,959,014**	**36,199,337**

B. Leases

The Company 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 and 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.

	1 January 2018	31 December 2018
	US$	**US$**
Statement of financial position		
Right-of-use assets	5,536,293	5,204,246
Deferred tax assets	160,078	126,493
Lease liabilities	(4,571,781)	(4,735,905)
Adjustment to retained earnings	**1,124,590**	**594,834**
Adjustment to retained earnings (KHR'000 – Note 5)	**4,539,968**	**2,390,043**
Statement of profit or loss		
Depreciation of right-of-use assets		(79,776)
Interest expense		(322,031)
Rental expenses		193,421
Adjustment before income tax – US$		**(208,386)**
Adjustment to before income tax (KHR000 – Note 5)		**(837,295)**

C. Income tax

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

	1 January 2018	31 December 2018
	US$	**US$**
Impairment allowance	143,918	444,807
Right-of-used assets	-	1,040,849
Lease liabilities	-	(914,356)
Adjustment to retained earnings	**(143,918)**	**571,300**
Adjustment to retained earnings (KHR'000 – Note 5)	**(580,997)**	**2,295,483**

34. Events since the reporting date

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

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

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