



វត្តមាន វត្ស័រ
Vattanac Bank 安通銀行

ធនាគារផ្ទាល់ខ្លួនរបស់លោកអ្នក
YOUR PERSONAL BANK 您的个人銀行

Annual Report 2018



ផ្តល់ភាពងាយស្រួល

提供方便 PROVIDING CONVENIENCE

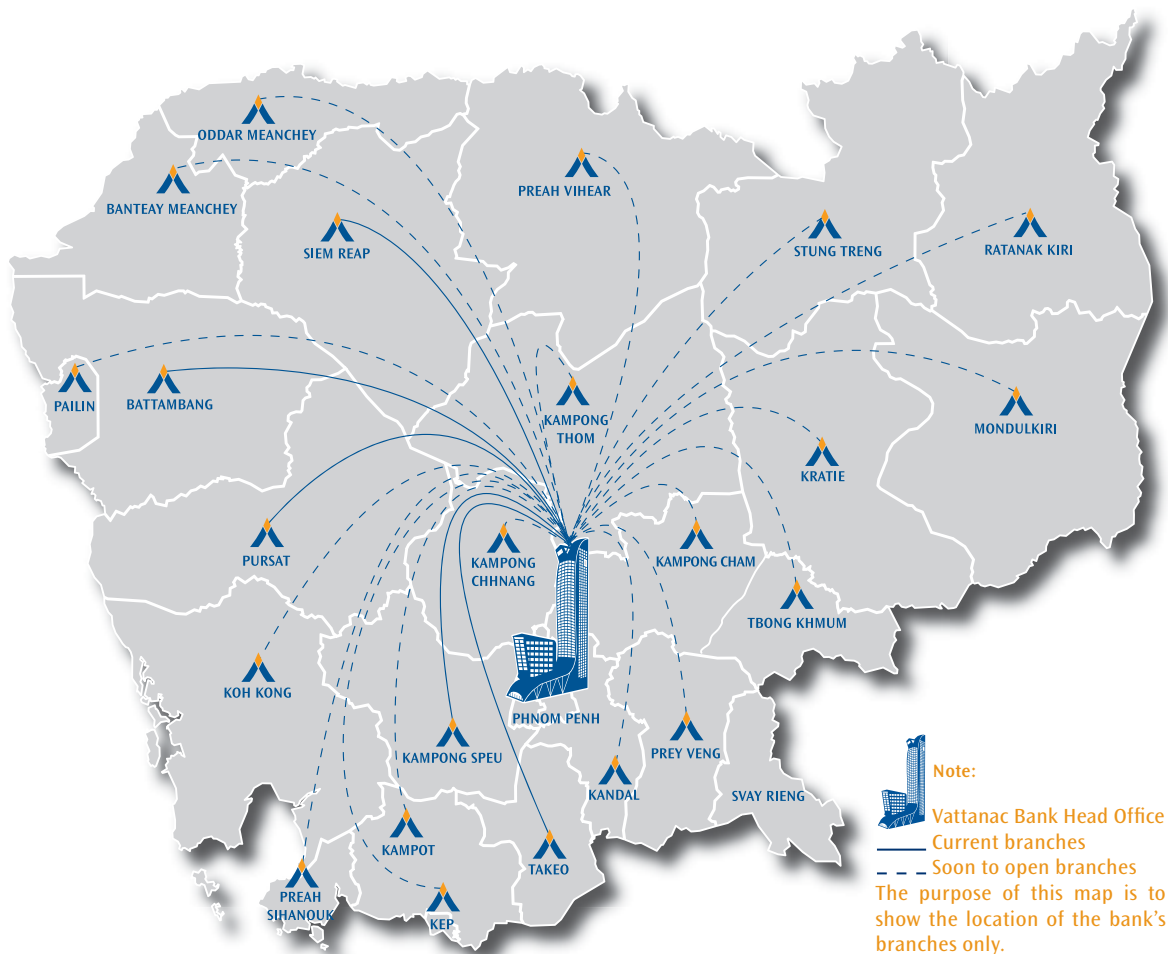
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Providing Convenience



The Annual Report 2018 highlights Vattanac Bank's efforts, achievements and progress in meeting the needs of its customers by providing convenience - building branches closer to customers and developing reliable products and services.

In 2018, Vattanac Bank focused on providing customers with convenient, effective and innovative banking experience. We continued to strengthen our systems with more advanced technology to be able to introduce new products, including the Merchant Wallet - a payment service through smart phones, and providing online tax payments.

More customers have performed banking transactions at the Bank's Main Office with its extended banking hours and seven-day banking services.

Efforts to provide convenience to our customers through the development of new products and services, expansion of branches, modernization of digital technology, implementation of good governance principles and compliance with relevant regulations serve as strong foundation for Vattanac Bank to gain the confidence of business partners, government institutions, and customers across the country, and to move forward.

Message from the Chairman

“Vattanac Bank will continue to grow in a sustainable and inclusive manner to contribute to economic growth and poverty reduction efforts in Cambodia.”

LOK OKNHA SAM ANG
CHAIRMAN



With peace, and political and macroeconomic stability, Cambodia has attracted local and foreign investors. In 2018, Cambodia achieved an economic growth of 7.5%, which is higher than the projected growth of 7.1%. This growth has been driven by key sectors, including construction, garment industry, tourism and agriculture. The banking sector has been making significant progress, playing an important role in economic growth and social development through efficient mobilization and distribution of financial resources for the establishment and expansion of business and investment.

As a local financial institution, Vattanac Bank has contributed to the development of the national economy through improving and expanding its services and developing new products and services. In its 16 years of operation, Vattanac Bank has gained the trust of its customers and business partners.

To complement the growth of Cambodia's economy and banking sector, Vattanac Bank has increased its investment to achieve sustainable growth and to contribute to the country's economic development and poverty reduction efforts.

2019 Target

Strong Growth

In order to contribute to Cambodia's economic growth, Vattanac Bank will continue to strengthen its ability to compete in the market through the expansion of the bank's branch network. The opening of new branches is a priority in the next few years and is a component of the long-term vision of Vattanac Bank's Board of Directors and Shareholders to build customers' trust, provide convenience and meet customers' needs.



Sustainable Growth

Vattanac Bank is recognized as a bank with good corporate governance and effective internal control system and has gained the public's trust as reflected in the growth of customers' deposits and loans.

In order to grow its business, the bank will continue investing in new services and products. The rapid technological development and changes in customers' needs and expectations require Vattanac Bank to diversify its products and services using modern technology.

Inclusive Growth

As a local bank, which has been operating for 16 years, Vattanac Bank has supported local small and medium enterprises to connect to regional and global production lines as well as innovation in the production of goods and services. The Bank will contribute further to community development by creating job opportunities as it extends its network in the provinces and in Phnom Penh, supporting charitable activities and initiating corporate responsibility projects.

Acknowledgements

Vattanac Bank would like to sincerely thank the Royal Government of Cambodia for its encouragement and the opportunity it has given to us to help develop the banking sector.

We would like to also express our deepest gratitude to the National Bank of Cambodia for its coordination and guidance as it strengthens the banking sector and enables Cambodian financial system to keep pace with developments in the global economy.

We highly appreciate Vattanac Bank staff and management for their discipline, honesty, commitment, hard work and dedication thus making it possible for us to achieve significant progress in 2018.

We would like to thank our shareholders, business partners and customers who always support and trust Vattanac Bank.

LOK OKNHA **SAM ANG**
CHAIRMAN

Message from the President

“Vattanac Bank’s development strategy focuses on providing for long-term and systematic infrastructure development, meeting competitive challenges by modernizing and diversifying products and services, and focusing on community welfare.... fostering the culture of sharing.”

LOK CHUMTEAV OKNHA
CHHUN LEANG
PRESIDENT



With its strong financial foundation and with the trust of its customers, Vattanac Bank continued to move forward with confidence. As at 31 December 2018, the bank’s total assets had increased by **32%** to US\$630 million, while total loans increased by **24%** to US\$261 million compared to 2017. Total customer deposits increased by **37%** to US\$542 million. Profit before tax increased by **21%** to US\$5.2 million. The Bank adopted prudent lending practices and maintained good credit quality - our NPL was **0%**. In 2018, Vattanac Bank fully complied with all the prudential requirements of the National Bank of Cambodia.

Our development strategy that will serve as the framework for Vattanac Bank’s growth for 2019, is set out as follows:

1. Developing infrastructure in accordance with the Bank’s long-term vision, having a clear systematic focus and ensuring efficiency and effectiveness in our implementation
2. Strengthening competitiveness by modernizing and diversifying services and products in line with the advances in information technology and communications
3. Promoting corporate social responsibility – supporting community projects, taking responsibility for others in need, and exhibiting the virtue of giving and culture of sharing.



Infrastructure Development

Vattanac Bank's goal of developing infrastructure includes expanding its network throughout the country. The factors contributing to Vattanac Bank's success in developing its infrastructure include opening of new branches at strategic locations, ownership of the properties investment and competent human resources.

Vattanac Bank is proud that since our establishment, we have been developing our own branch buildings. We always consider the convenience and safety of customers and staff in choosing our branch locations.

Another important factor that contributes to our success is our capable human resources. Vattanac Bank focuses on training of all staff to gain new knowledge and skills (including digital literacy) that will increase productivity and efficiency. The Bank organized a number of internal training courses and sent staff to attend local and overseas training. Vattanac Bank also provides opportunities for deserving staff to assume higher positions.

Competitive Edge

New technologies are driving economic productivity and creating competition in the banking sector. Vattanac Bank therefore considers the development of its IT infrastructure as an essential part of its strategy to compete with other banks.

Fast and secure electronic payments to facilitate business transactions are essential elements of the digital economy in this Fourth Industrial Revolution. In this regard, Vattanac Bank upgraded its IT infrastructure and system and was able to launch Vattanac Bank Merchant Wallet enabling merchants to accept WeChat Pay payments for goods and services on smart phones at the end of 2018. The Vattanac Bank Merchant Wallet will be able to accept Alipay payments early next year. With the upgrade, the Bank was able conduct tests this year and prepare to join the Cambodian Shared Switch in 2019. The Bank also plans to launch Contactless Visa, MasterCard and UPI.

The Bank continues to diversify its services and products. It has recently launched Micro Credit to meet the needs of low to middle income customers and is studying the feasibility of Car Loans.

Message from the President (Continued)

Corporate Social Responsibility

We care about our environment, as much as we care about the welfare of all stakeholders - including our staff and customers. We give back to the community that we serve. Our corporate culture of sharing is shown in our social work and participation in environmental protection and humanitarian activities.

Appreciation and Acknowledgement

We would like to thank the Board of Directors for setting goals and giving recommendations in order to manage the Bank's business for better results. Our achievements reflect the sense of responsibility and capability of management, and the involvement of staff who have worked hard as a team. We hope that management and staff will continue to perform their duties diligently to bring new success to Vattanac Bank.

In particular, we would like to express our deepest gratitude to the Royal Government of Cambodia, and to the officials of the National Bank of Cambodia who always support and provide good advice to Vattanac Bank. We would like to extend our deepest gratitude to all customers and business partners who always provide support and show their trust and confidence in Vattanac Bank.



LOK CHUMTEAV OKNHA **CHHUN LEANG**
PRESIDENT

Our Corporate Values



- ◆ We respect each individual regardless of race, culture and religion
- ◆ We care for the environment and the community that we serve
- ◆ We lead by example
- ◆ We are committed
- ◆ We pursue business opportunities
- ◆ We act with integrity
- ◆ We are honest and open in our communication
- ◆ We progress together

Executive Director/General Manager's Report



Providing Convenience

Vattanac Bank's mission is to provide every customer with excellent service based on the principles of professionalism, respect, integrity, efficiency and accountability; and to achieve sustainable and inclusive growth. In 2018, Vattanac Bank explored and developed new, modern and secure services and products in order to provide our customers with excellent service and the best banking experience in Cambodia. In addition, we continued our efforts to bring our services closer to our customers, expanding our infrastructure by opening new branches to help ensure convenience and to enable customers to do financial transactions with more flexibility and efficiency. Vattanac Bank strongly believes that providing convenience will build customers' trust and provide satisfaction - strong fundamentals for supporting our Bank's long-term growth.

Our Performance

2018 was generally a good year for Vattanac Bank. In 2018, we recorded a **37%** growth in deposits, reflecting customers' strong confidence and satisfaction with our service. With the Royal Government's support, Vattanac Bank contributed to the efficient and transparent tax collection efforts in collaboration with the General Department of Taxation (GDT) and the General Department of Customs and Excise of Cambodia (GDCE).

Our loans growth was **24%** despite our prudent lending policy. To ensure compliance with NBC's Prakas on Credit Risk Rating and Loan Provisioning, we took a stricter approach to lending. Our prudence in assessing loan applications is the main reason our NPL stands at **0%** as at 31 December 2018. Steps were taken to increase our lending in Riel, which stood at 83.3 Billion Riel (equivalent to US\$20.74 Million) or **7.93%** of total loans outstanding as at the end of 2018.

Profitability of the Bank has improved with a higher loans position, contributing to a **23%** increase in interest income compared to the previous year. Interest expenses increased by only **5%** although deposits increased by **37%**. Non-interest income increased by **25%** due to the increase in fees and commission income. Increase of non-interest expenses is mainly due to an increase in personnel expenses, and general and administrative expenses.



During the year, several new Prakas were issued by NBC, which necessitated the provision of 1% for contingent liabilities, nostro deposits and seniority payment amounting to US\$2 Million. Despite the general provision, profit after tax and general provision amounted to US\$4.15 Million, 21% higher compared to 2017.

The Bank is encouraged by its improved performance. It has also been recognized for its service quality and corporate governance by international magazines.

In 2018, Vattanac Bank received:

- **“Best in Customer Service Cambodia”** and **“Best in Premier Banking Cambodia”** from Global Banking and Finance Review Magazine.
- **“Best Corporate Governance Bank Cambodia”** in Cambodia and **“Best Customer Service Bank Cambodia 2018”** from International Business Magazine,
- **“Recognized Leader in Premier Banking Solutions”** from Global Business Insight Magazine.

The Bank also received **“Leadership for Average Spend Visa Affluent Credit 2018”** from Visa.

The Bank will continue to improve its services in order to maintain its competitive advantage and achieve better performance in the following years.

1. Network of Branches

Vattanac Bank, having a vision to quickly expand its network, invests in infrastructure development. In 2018, two new provincial branches were opened: Battambang Provincial Branch and Kampong Speu Provincial Branch, bringing the Bank’s total number of branches to 11.

In 2019, Vattanac Bank plans to open seven new branches in the provinces and Phnom Penh including Pursat, Takeo, Kampong Cham, Khan Toul Kork, Boeng Tumpun (Street 371), Sangkat Chroy Changvar and Suong. The opening of the branches is a positive step toward providing banking services throughout Cambodia in the near future, thus facilitating business activities and widening our customer base.

Executive Director/General Manager's Report (Continued)

2. Human Resources

To ensure efficient and effective banking operations, the Bank sets stricter criteria for staff recruitment and provides for local and overseas capacity building training. In 2018 the Human Resources Committee organized internal training courses for 584 staff and sent 49 staff to attend 36 external training courses.

Besides building staff capacity, the Bank takes great care to ensure the physical well-being of every staff member. The Bank also encourages them to participate in community projects to improve team spirit and make them responsible members of the community - corporate values promoted by Vattanac Bank. The Bank recognizes outstanding work performance and promotes deserving staff.

3. Modernization and Diversification

The fast evolution of today's technology requires the banking sector to modernize the infrastructure of its management information systems and services. In 2018 we upgraded the IT infrastructure to support the FAST system and Cambodian Shared Switch.

• Modernization of IT System

With the development of IT infrastructure and systems, we will fully launch Vattanac Merchant Wallet in early 2019, which will make Vattanac Bank the first commercial bank in Cambodia that provides 5 payment options to customers - by Visa Card, Union Pay International Card, MasterCard, Alipay and WeChat Pay. Meanwhile, we are also planning to launch Vattanac Consumer Wallet and Mobile Banking.

• Creating New Products and Services

Vattanac Bank considers customers as its first priority. The Bank's strong customer service culture is based on customers' needs. With the guidance of our Directors, we will continue to diversify our products and services – with plans to launch micro credit in some branches and to commence life insurance referrals for Dai-ichi Life Insurance (Cambodia) Co. Ltd. in the second quarter of 2019.



With the Royal Government's support, Vattanac Bank was able to launch tax and customs payment services. These services brought in new customers who now trust the Bank and come to us for their other banking needs. Vattanac Bank's extended working hours and 7-day banking service at the Main Office Branch as well as online tax payment provided more convenience to taxpayers. With new products and services such as e-Pay Tax, MasterCard and UPI Acquiring, the Bank provides more options to meet the needs of the customers. To cater to Chinese tourists and investors, the Bank is looking at promoting WeChat and Alipay Acquiring.

4. Corporate Social Responsibility

Vattanac Bank subscribes to the idiom, "when you drink water, honor its source". Vattanac Bank's achievements come from customers' support and trust. We are giving back with our donations to community service projects, environment protection efforts and participation in local community development activities.

In 2018, Vattanac Bank continued to support Smile Cambodia for free cleft-lip and palate surgeries to both young and adult patients in different provincial hospitals in the Kingdom and at the Smile Center in Khmer Soviet Hospital, Phnom Penh. The Bank also donated to Kantha Bopha Foundation and supported many charitable activities in Siem Reap.

In addition to the Bank's service mission to provide the best service to customers, Vattanac Bank also cares about customers' health. In 2018 the Bank organized two health talk sessions to provide the latest information about heart and dental care for selected customers and guests.

Executive Director/General Manager's Report (Continued)

Acknowledgements

To our customers, we thank you for your support and confidence. We will strive not only to meet but exceed your expectations. We are committed to providing excellent service to meet customers' needs and to honor our customers and business partners' trust.

To the loyal, committed, enthusiastic and hard working staff, I like to acknowledge your contribution to the Bank. We take this opportunity to thank the Board of Directors for their direction and support.

We would like to express our appreciation to the National Bank of Cambodia for being a good regulator in the banking sector and for its assistance and good advice.



MR. CHAN KOK CHOY
EXECUTIVE DIRECTOR/GENERAL MANAGER



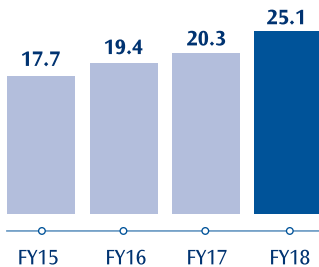
Mr. Chan Kok Choy delivering his presentation during the Customer Care Campaign 14 on 9 November 2018 at Tonle Bassac II Restaurant Conference Hall.

Key Financial Highlights

Gross Income US\$25.1 million

24%

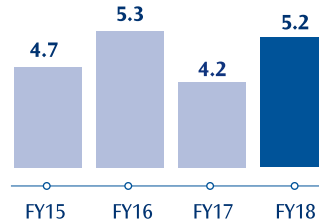
Gross Income was US\$25.1 million in year 2018 with growth of 24% compared to year 2017



Profit Before Tax US\$5.2 million

21%

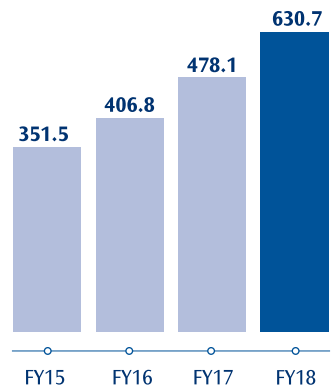
Profit Before Tax was US\$5.2 million in 2018, an increase of 21% compared to year 2017



Total Assets US\$630.7 million

32%

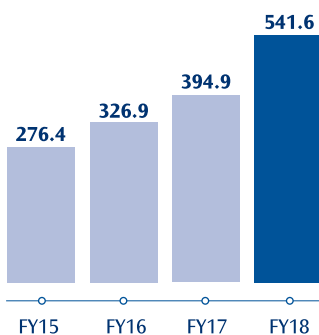
Total Assets grew by 32%



Deposits from Customers US\$541.62 million

37%

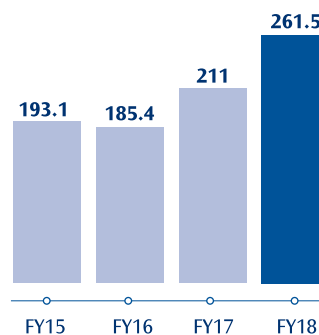
Deposits from customers grew by US\$146 million or 37% growth compared to year 2017



Gross Loans & Advances US\$261.52 million

24%

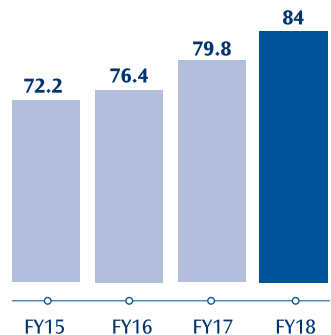
Gross Loans and Advances grew by 24% to US\$261.52 million compared to year 2017



Shareholders' Equity US\$84.37 million

5%

Shareholders' Equity grew 5% to US\$84 million



Business Review 2018

Opening of New Branches



Lok Oknha SAM ANG, Chairman and Lok Chumteav Oknha CHHUN LEANG, President (Center), were joined by directors, management and staff during the Buddhist blessing ceremony of Battambang Provincial Branch on 26 April 2018.



The Bank's Chairman Lok Oknha SAM ANG and President Lok Chumteav Oknha CHHUN LEANG led the ribbon cutting ceremony of Kampong Speu Provincial Branch.



Battambang Provincial Branch



Kampong Speu Provincial Branch

The Bank opened two new branches this year: Battambang Provincial Branch (left photo) on 26 April 2018 and Kampong Speu Provincial Branch (right photo) on 24 December 2018. The opening of provincial branches is a positive step towards the Bank's goal to provide a full range of banking services to customers throughout Cambodia in the near future.

We Care for Our Customers' Health



The Bank's Chairman Lok Oknha SAM ANG (standing-center), President Lok Chumteav Oknha CHHUN LEANG (seated third from the right), and Dr. Lim In Haan (seated-center) were joined by selected customers and guests during the "Heart Health" session on 26 October 2018 at Rosewood Phnom Penh.



The Bank's President Lok Chumteav Oknha CHHUN LEANG (8th from left), Madam Sam Ang Leakhena (4th from left), Director, Oknha Sam Ang Vattanac (1st from right), Director, and Dr. Christopher Sim (center) were joined by selected customers and guests during the "Dental Talk" session on 17 November 2018 at Rosewood Phnom Penh.



Selected Bank customers and guests listened to the talk of Dr. Lim In Haan during the "Heart Health" session on 26 October 2018 at Rosewood Phnom Penh.



Dr. Christopher Sim (standing-left) presented to selected Bank customers and guests during the "Dental Talk" session organized by the Bank on 17 November 2018 at Rosewood Phnom Penh.

The Bank organized two health talk sessions to provide the latest information about heart and dental care for its Premier Banking customers.

The "Heart Health" session was held on 26 October 2018 with Dr. Lim In Haan, an interventional cardiologist from Mount Elizabeth Hospital in Singapore as presenter.

The "Dental Talk" which was held on 17 November 2018 was a joint event with Vattanac Investment, a sister company of the Bank, and was presided by Dr. Christopher Sim, a Specialist Prosthodontist at Mount Elizabeth Dental Surgery in Singapore.

Business Review 2018 (Continued)

Upgrading Our IT System



Cards Management System Upgrade

With the upgrade of the Card Management System (iSuite) to version 4.0, the Bank was able to provide MasterCard and UPI cards acquiring services beginning April 2018. In addition, the upgrade will also enable Visa, Mastercard and UPI Cards' Contactless function.

WeChat Pay and Alipay

The Bank signed an agreement with Neurogine, a Malaysian fintech company, to launch Vattanac Merchant Wallet that will enable business outlets to receive payments from customers using their WeChat Pay and Alipay. Payment through WeChat Pay was launched in December 2018 and the payment through Alipay is expected to begin in the 1st quarter of 2019.

Upgrade on IT Infrastructure

The Bank's IT infrastructure was upgraded in order to support new products and services and the expansion of the branch network. Among the projects accomplished by the IT Department are Card Management System (iSuite) upgrade to version 4.0, upgrading of SOTP System (Axiom) to Version 3.0, hardware upgrade on Oracle Flexcube SUN System, and IT infrastructure setup for new branches. The Bank was able to connect with NBC's FAST System.

Customer Care Campaign 13 and 14



The Bank's directors Lok Oknha SAM ANG (center-seated), Chairman, Lok Chumteav Oknha CHHUN LEANG (center-seated), President, Oknha SAM ANG VATTANAC (seated 1st from left) Director, Madam TAL NAY IM (seated 2nd from left) Director, were joined by management and staff during the Customer Care Campaign 14 and 16th Anniversary Celebration held on 9 November 2018.



Customer Care Campaigns are held to ensure that the management and staff have a common understanding of and a shared commitment to the Bank's customer service focus. The Bank organized the Customer Care Campaigns 13 and 14 on 9 September and 9 November 2018 respectively, with the theme -

"We are Customer Service".

The 13th campaign was participated by all frontline staff and discussion was focused on having a service-centric attitude that will enable them to further improve the quality of service that they provide to the customers.

The 14th campaign was attended by all the Bank staff and was held in conjunction with the Bank's 16th anniversary celebration. During the event, management and staff were reminded that each one has an important role to play when it comes to providing service to both the internal and external customers of the Bank, and that everyone should work together to promote our service culture.

Business Review 2018 (Continued)



Award trophies received by the Bank in 2018.

International Awards and Recognition

The Bank was recognized by several international magazines for its achievements in customer service, Premier Banking, and corporate governance. The Bank received the following awards:

- “Best Customer Service Cambodia 2018” and “Best Bank for Premier Banking Cambodia 2018” from Global Banking and Finance Review,
- “Best Corporate Governance Cambodia 2018” and “Best Customer Service Bank Cambodia 2018” from International Business,
- “Recognized Leader in Premier Banking Solutions Cambodia 2018” from Global Business Insight.

Award from Visa

Vattanac Bank received the “Leadership for Average Spend Visa Affluent Credit 2018” award from Visa on 6 April 2018 during the Cambodia Client Appreciation Night hosted by Visa.



Tax Payment Service

The tax payment transactions for the GDT and GDCE increased significantly in 2018. The service is available at all branches, including at the Main Office branch where customers can pay their taxes after office hours, on weekends and public holidays. The introduction of E-Pay Tax provided convenience to the Bank customers as they can choose to debit their payment directly from their Vattanac Bank account in GDT's Tax Electronic System.

The Bank started its discussion with GDT on opening of counters at the tax offices. The Bank expects to provide this service from the second half of 2019.

Bancassurance

The Bank participated in initial discussions with Dai-ichi Life Insurance - Cambodia on a customer-referral scheme that benefits the Bank's customers and meets their life insurance needs.

Giving Back



A Certificate of Appreciation from the Cambodia Kantha Bopha Foundation for the Bank's donation to the children's hospital.



Staff at the Bank's booth during the Angkor Sankranta 2018 Festival in Siem Reap.

Donation to Cambodia Kantha Bopha Foundation

In 2018, Vattanac Bank donated US\$50,000.00 to Cambodia Kantha Bopha Foundation in support of Kantha Bopha Children's hospitals in the Kingdom. The Cambodia Kantha Bopha Foundation aims to support the long term financial needs of five children hospitals with funding coming from the Royal Government and local donors.

The establishment of the foundation was signed on 2 March 2018 by Prime Minister Samdech Akka Moha Sena Padei Decho Hun Sen, who is also the foundation's Honorary President, together with the First Lady Samdech Kittipribandit Bun Rany Hun Sen.

Angkor Sankranta Festival 2018

For the 6th consecutive year, the Bank was one of the main sponsors of the Angkor Sankranta, the biggest festival celebrated during the Khmer New Year on 14-16 April 2018 in Siem Reap. Thousands of people visited the festival area at the Angkor Archeological Park to join the traditional activities. Angkor Sankranta showcases the richness of Khmer culture and promotes an appreciation of Cambodian heritage.



Staff from Siem Reap Branch handed over the donation to the Cambodian Red Cross - Siem Reap on behalf of the branch.



Mr. Chan Kok Choy, Executive Director/General Manager of Vattanac Bank, with one of the young patients during Smile Cambodia's surgical mission supported by the Bank.

Other Bank Sponsorships and Staff Participation in Community Service

Our Preah Norodom Branch supported the Annual Christmas Charity Concert 2018 organized by ELT School. The concert raised funds for the underprivileged and disadvantaged children and students.

Our Siem Reap Branch staff participated in and supported various charity activities held in the province such as:

- the Walk for A Smile Angkor on 13 January 2018
- the “Cycling for Kantha Bopha Hospitals” charity event organized by Cycling Community Club in Siem Reap on 27 May 2018
- the Khmer Empire Full Marathon on 5 August 2018
- the Water Festival celebration in Siem Reap donation to Cambodian Red Cross - Siem Reap

Smile Cambodia

Vattanac Bank continued to support Smile Cambodia. In 2018, Smile Cambodia conducted 6 surgical missions with a total of 226 free cleft-lip and palate surgery to both young and adult patients in different provincial hospitals in the Kingdom and at the Smile Center in Khmer Soviet Hospital, Phnom Penh.

The Bank management and staff, led by Mr. Chan Kok Choy - Executive Director and General Manager who is also the Executive Director of Smile Cambodia, participated in the “Walk for A Smile - Angkor”, a 22 km. charity walk at the Angkor Archeological Park in Siem Reap on 13 January 2018. The participants walked and visited the famous temples of Angkor Wat, Bayon and Ta Prohm to raise funds.

The Bank staff gave in-kind donations to patients and their families during surgical missions of Smile Cambodia in Phnom Penh and at the provinces.

Corporate Information

Board of Directors

LOK OKNHA SAM ANG	Chairman	MADAM SAM ANG KANIKA	Non-Executive Director
LOK CHUMTEAV		OKNHA SAM ANG VATTANAC	Non-Executive Director
OKNHA CHHUN LEANG	President	MADAM SAM ANG LEAKHENA	Non-Executive Director
MR. CHAN KOK CHOY	Executive Director/General Manager	MR. TANG YUE KWONG	Independent, Non-Executive Director
MADAM TAL NAY IM	Non-Executive Director	MR. GEORGE TEO CHOA CHEE	Independent, Non-Executive Director

Executive Committee

LOK CHUMTEAV	
OKNHA CHHUN LEANG	Chairperson
MR. CHAN KOK CHOY	Executive Director/General Manager
MR. KANG SOPHEAK	Deputy General Manager
MR. LIM CHIN WAN	Deputy General Manager
MS. ROS DARA	Deputy General Manager
MR. TOM PISETH	Head, Banking Operations

Head Office Address

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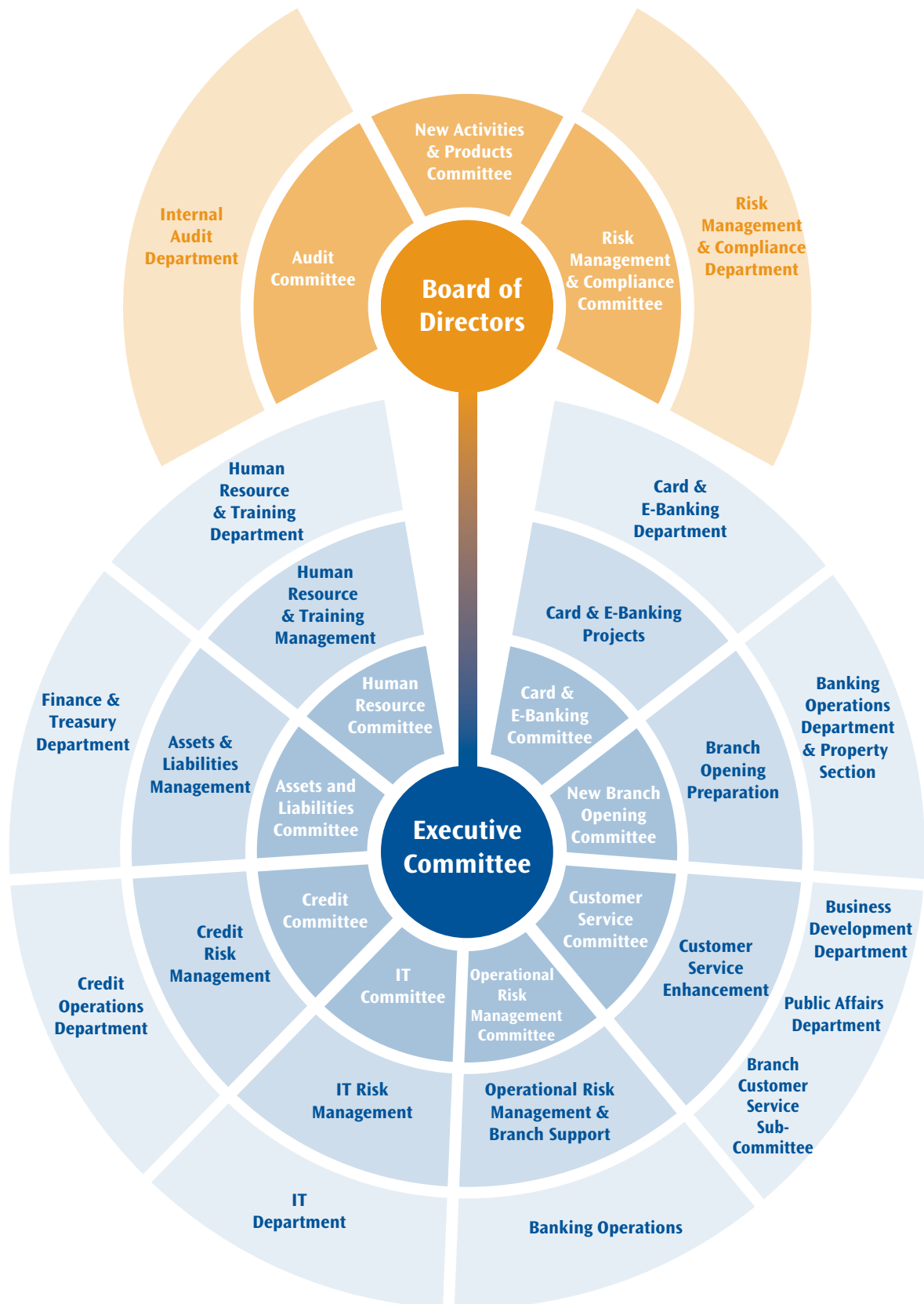
Overseas Correspondent Banks

Standard Chartered Bank, USA	Industrial & Commercial Bank of China Limited, Singapore
UniCredit Bank AG, Germany	Thanachart Bank Public Company Limited, Thailand
Bred Banque Populaire, France	Joint Stock Commercial Bank for Foreign Trade of Vietnam, Vietnam
United Overseas Bank Limited, Singapore	Joint Stock Commercial Bank for Investment and Development of Vietnam (BIDV), Vietnam
DBS BANK, Singapore	Vietnam Joint Stock Commercial Bank for Industry and Trade (Vietin), Vietnam
OCBC BANK, Singapore	

Branches

Main Office Level 1, Vattanac Capital Mall No. 66, Preah Monivong Blvd. Phnom Penh T (855) 023 963 888	Tumnob Tuek (St. 271) Branch No. 78, St. 271, Sangkat Tumnob Tuek Khan Chamkarmon, Phnom Penh T (855) 023 989 222	Siem Reap Branch No. 888, Sivatha Blvd., Siem Reap Cambodia T (855) 063 767 333	Takeo Provincial Branch National Road No. 2, Louri Village, Sangkat Roka Knong Krong Doun Kaev, Takeo Province T (855) 032 931 222
Preah Norodom Branch No. 89, Preah Norodom Blvd. Phnom Penh T (855) 023 212 727	Vattanac Industrial Park II Branch National Road No. 3, Krang Prongro Village Sangkat Krang Prongro, Khan Dangkao, Phnom Penh T (855) 023 231 188	Battambang Provincial Branch No. 778, Street No. 3, Sangkat Svay Por, Battambang, Cambodia T (855) 053 953 000	
Steung Meanchey Branch No. 88, Veng Sreng St. (in front of Vattanac Industrial Park) Sangkat Steung Meanchey Khan Meanchey, Phnom Penh T (855) 023 999 963	Russey Keo Branch No. 207, National Road No. 5, Sangkat Kilometer 6 Khan Russey Keo, Phnom Penh T (855) 023 981 222	Kampong Speu Provincial Branch No. 9, National Road No. 4, Mukh Khett Village, Sangkat Rokar Thum Krong Chbar Mon, Kampong Speu Province T (855) 025 987 111	
Olympic Branch No. 43, St. 286, Sangkat Olympic Khan Chamkarmon, Phnom Penh T (855) 023 217 683	Chaom Chau Branch No. 117, National Road No. 4, Sangkat Chaom Chau 3 Khan Por Sen Chey, Phnom Penh T (855) 023 900 555	Pursat Provincial Branch No. 333, National Road No. 5, Ra Village, Sangkat Phteah Prey Krong Pursat, Pursat Province T (855) 052 951 222	

Corporate Governance Structure



Board of Directors' Profile



LOK OKNHA **SAM ANG**
CHAIRMAN

- ◆ Co-founder, shareholder of Vattanac Bank since establishment in 2002
- ◆ Co-founder and Vice-Chairman of Progress Import-Export Co. Ltd. since 1994
- ◆ Chairman of Progress Jewellery Pte. Ltd. (Import and export of gold bullion) since 1996
- ◆ Chairman of Vattanac Properties Limited since 2005
- ◆ Co-owner of Vattanac Industrial Parks I and II since 2003
- ◆ Chairman of Vattanac Investment Limited since 2013
- ◆ Chairman of Vattanac F&B Limited since 2013



LOK CHUMTEAV OKNHA **CHHUN LEANG**
PRESIDENT

- ◆ Co-founder, shareholder of Vattanac Bank since establishment in 2002
- ◆ Co-founder and Chairperson of Progress Import-Export Co. Ltd. since 1994
- ◆ President of Progress Jewellery Pte. Ltd. (Import and export of gold bullion) since 1996
- ◆ President of Vattanac Properties Limited since 2005
- ◆ Co-owner of Vattanac Industrial Parks I and II since 2003
- ◆ President of Vattanac Investment Limited since 2013
- ◆ President of Vattanac F&B Limited since 2013

Board of Directors' Profile (Continued)



MR. CHAN KOK CHOY
EXECUTIVE DIRECTOR/GENERAL MANAGER

- ◆ Malaysian, joined Vattanac Bank as General Manager in 2002, and was appointed as Executive Director to the Board in June 2007
- ◆ B.Soc. Sc., Major in Management, Universiti Sains Malaysia, 1984
- ◆ Over 34 years of banking experience including as branch manager in various branches of Public Bank Berhad, Malaysia, 1988 to 1991; General Manager of VID Public Bank, Vietnam, 1992 to 1997; and General Manager of Cambodian Public Bank, 1999 to 2002



MADAM TAL NAY IM
NON-EXECUTIVE DIRECTOR

- ◆ Appointed as Independent Non-Executive Director of the Board in April 2011
- ◆ Appointed as Chairperson of New Activities and Products Committee in 2016
- ◆ Bachelor's Degree in Economics from the Royal University of Law and Economics, Cambodia, in 1974
- ◆ Over 30 years experience in commercial banks and the National Bank of Cambodia
- ◆ Previously served as General Manager of the Foreign Trade Bank of Cambodia from 1980 to 1991 and the Cambodian Commercial Bank from 1991 to 1995
- ◆ In 1995 joined the National Bank of Cambodia. From 1998 to 2010, held the position of Director General of four main departments; Banking Supervision Department, Banking Operations Department, Statistics and Economic Research Department, and Foreign Exchange Department



MADAM SAM ANG KANIKA
NON-EXECUTIVE DIRECTOR

- ◆ Founding Director and Director of Vattanac Bank since 2002
- ◆ BSc (Hons) in Accounting and Finance from London School of Economics in 2004
- ◆ Previously served as independent auditor in audit firms KPMG and Deloitte in Singapore from 2004 to 2007
- ◆ Served as accountant and member of risk management team in international banks, JP Morgan and Credit Suisse in Singapore from 2007 to 2008
- ◆ Completed a management program at Harvard Business School in the United States of America in 2010



OKNHA SAM ANG VATTANAC
NON-EXECUTIVE DIRECTOR

- ◆ Founding Director, Shareholder and Non-Executive Director of Vattanac Bank since 2002
- ◆ Master's Degree in Engineering, Economics and Management from Oxford University, United Kingdom in 2006
- ◆ Researcher in banking business at Allied Irish Banks, United Kingdom in 2005
- ◆ Executive Director of Vattanac Properties Limited since 2007 and manages Vattanac Capital, an award-winning and iconic landmark development located in the central business district of Phnom Penh, Kingdom of Cambodia
- ◆ Executive Director of Vattanac Investment Limited, a pioneer in international luxury retailing in the Kingdom of Cambodia, since 2012

Board of Directors' Profile (Continued)



MR. TANG YUE KWONG
INDEPENDENT, NON-EXECUTIVE DIRECTOR

- ◆ Singaporean, was appointed as an Independent Non-Executive Director of the Board of Directors and elected as Chairman of the Audit Committee in June 2007
- ◆ Bachelor of Accountancy Degree from the University of Singapore in 1970
- ◆ A Chartered Accountant of Singapore
- ◆ Held senior managerial positions at manufacturing and service industries from 1968 to 2005



MR. GEORGE TEO CHOA CHEE
INDEPENDENT, NON-EXECUTIVE DIRECTOR

- ◆ Singaporean, was appointed as Independent Non-Executive Director of the Board of Directors and was elected as Chairman of the Risk Management and Compliance Committee in November 2009. He was the Chairman of New Activities and Products Committee from December 2010 until October 2016.
- ◆ Over 30 years of banking and financial futures experiences in various local banks and financial futures companies in Singapore



MADAM **SAM ANG LEAKHENA**
NON-EXECUTIVE DIRECTOR

- ◆ Appointed as Non-Executive Director on 13 January 2014
- ◆ BSc (Hons) Economics from University of Nottingham, United Kingdom in 2010
- ◆ Business Development Director of Vattanac Properties Ltd. and Vattanac Investment Ltd.

CORPORATE MISSION

VATTANAC BANK's Corporate Mission is to conduct business operations with honesty, integrity, efficiency and accountability to its stakeholders.

VATTANAC BANK ensures sustainable, safe and healthy growth and aims to be regarded as a strong and secure financial institution.

Corporate Governance



The Members of the Board

Seated: Lok Oknha SAM ANG, Chairman (*center*), Lok Chumteav Oknha CHHUN LEANG, President (*second from right*)

(*from left to right*): Mr. George Teo Choa Chee, Mr. Tang Yue Kwong, Madam Tal Nay Im

Standing (*from left to right*): Mr. Chan Kok Choy, Madam Sam Ang Kanika, Madam Sam Ang Leakhena, Oknha Sam Ang Vattanac

Board of Directors (The Board)

Vattanac Bank is led and managed by the Board of Directors whose members are appointed by the Bank's shareholders general assembly and approved by the National Bank of Cambodia. The Board has the power to establish different committees under its control, including three Board Committees, an Executive Committee (EC) which is responsible for the overall operations of the Bank, and 8 other operational committees to assist the EC in carrying out its duties efficiently.

The Board also appoints the top Executive Management, such as President, General Manager, Head of Internal Audit Department, and Head of Risk Management and Compliance Department with NBC's approval. The Executive Management is accountable to the Board.



The Board leads and manages the Bank by establishing policies, providing strategic direction, setting long-term goals and ensuring high standards of corporate governance thus maintaining an effective Internal Control System. The Board also ensures that the Executive Management conducts the business affairs of the Bank with integrity and transparency, in compliance with laws and regulations, and with the ultimate aim of enhancing value and achieving sustainable growth for the Bank.

As at 31 December 2018, the composition of the Board was as follows:

LOK OKNHA SAM ANG	Chairman	Non-Executive Director
LOK CHUMTEAV OKNHA CHHUN LEANG	Member	President
MR. CHAN KOK CHOY	Member	Executive Director/General Manager
MADAM TAL NAY IM	Member	Non-Executive Director
MADAM SAM ANG KANIKA	Member	Non-Executive Director
OKNHA SAM ANG VATTANAC	Member	Non-Executive Director
MADAM SAM ANG LEAKHENA	Member	Non-Executive Director
MR. TANG YUE KWONG	Member	Independent Director
MR. GEORGE TEO CHOA CHEE	Member	Independent Director

Corporate Governance (Continue)

Meetings of the Board of Directors and Board Committees

The number of Board meetings for 2018 and the attendance of Directors in the meetings are as follows:

Date of Board Meeting:

47th Board Meeting - 18 March 2018

48th Board Meeting - 20 May 2018

49th Board Meeting - 30 October 2018

50th Board Meeting - 14 December 2018

	Board	Audit Committee	Risk Management & Compliance Committee	New Activities & Products Committee
<i>Number of Meetings</i>	4	4	4	4
LOK OKNHA SAM ANG	4			
LOK CHUMTEAV OKNHA CHHUN LEANG	4			
MR. CHAN KOK CHOY	4			4
MADAM TAL NAY IM	4	4	4	4
MADAM SAM ANG KANIKA	4	4	4	4
OKNHA SAM ANG VATTANAC	4	4	4	4
MADAM SAM ANG LEAKHENA	4	4	4	4
MR. TANG YUE KWONG	4	4	4	4
MR. GEORGE TEO CHOA CHEE	4	4	4	4

Note:  Chairperson  Member



In 2018, the Board approved the following key matters:

- ♦ the 2019 budget
- ♦ for GM to sign the Bancassurance Agreement with Dai-ichi
- ♦ the draft audited financial statements and auditor's report for the year ended 31 December 2017
- ♦ the proposal to engage Deloitte for CIFRS implementation project
- ♦ the proposal to establish a Micro Loan Division
- ♦ the proposal to invest 20 Billion Riel in the corporate bond of LOLC
- ♦ the Revised :
 - Auto Loan features
 - Credit Policy
 - Corporate Governance Policy
 - Risk Management Policy
 - Internal Audit Policy
- ♦ the new Micro Loan policy
- ♦ the opening of accounts with Industrial and Commercial Bank of China, Vietin Bank, United Overseas Bank, Bank for Foreign Trade of Vietnam, Bank for Investment and Development of Vietnam, SBI Royal Securities Plc, Bank of New York Mellon and NBC (Battambang Branch)
- ♦ operating/ performing insurance referral activities
- ♦ opening of branches in Takeo, Pursat, Kampong Cham, Kampong Speu, Tuol Kouk, Boeung Tumpun (St. 371), Pochentong, Suong, Pailin and Chrouy Changvar.

Corporate Governance (Continued)

Board Committees



Risk Management and Compliance Committee

Seated (from left to right): Mr. Tang Yue Kwong, Mr. George Teo Choa Chee (Chairman), Madam Tal Nay Im
Standing (from left to right): Madam Sam Ang Leakhena, Oknha Sam Ang Vattanac, Madam Sam Ang Kanika

1. Audit Committee

The Audit Committee was established to assist the Board in carrying out the internal audit responsibilities and to ensure the effectiveness and efficiency of the Bank's overall internal control system. The Committee is responsible for establishing policies, procedures and guidelines related to internal audit, updating them when necessary and submitting them to the Board for approval.

The Committee reviews the integrity of the financial statements, and also reviews the quarterly and annual financial statements of the Bank to ensure compliance with the guidelines issued by the National Bank of Cambodia and with Cambodian Accounting Standards. The Audit Committee also reviews internal financial controls and provide recommendations to the Board. The Committee also monitors and ensures that all policies, guidelines and procedures issued by the Board and by the Executive Management are implemented.



Additionally, the Audit Committee monitors and reviews the effectiveness of the Bank's internal audit function by preparing annual audit plans and submits to the Board for approval. The Audit Committee submits to the Board significant audit findings and provides solutions and recommendations. The Audit Committee conducts meetings four times a year prior to each BOD meeting.

The Audit Committee is composed of the following:

MR. TANG YUE KWONG	Chairman	Independent Director
MR. GEORGE TEO CHOA CHEE	Member	Independent Director
MADAM TAL NAY IM	Member	Non-Executive Director
OKNHA SAM ANG VATTANAC	Member	Non-Executive Director
MADAM SAM ANG KANIKA	Member	Non-Executive Director
MADAM SAM ANG LEAKHENA	Member	Non-executive Director

**The Head of Internal Audit Department serves as the Secretary of the Committee.*

In 2018, the internal audit activities consisted of full scale checks and spot checks of various banking operations at Head Office's departments and at the branches. Frequent surprise cash counts and checks of other transactions were conducted.

The committee reviewed internal and external audit reports and provided recommendations to Executive Management on actions to be taken on the findings. The Committee submitted the Audit Plan for 2019 to the Board and the latter approved the plan.

Corporate Governance (Continued)

Board Committees (Continued)

2. Risk Management and Compliance Committee

The Risk Management and Compliance Committee was established to assist the Board in monitoring key risks which may affect the Bank's business operations including credit risk, market risk, liquidity risk and operational risk. The Committee also assists the Board in monitoring the non-compliance risks of the Bank and in ensuring that the Bank always operates its business in compliance with all relevant laws and regulations, including regulations on Anti-Money Laundering and Combating the Financing of Terrorism. The chairperson of the RMCC is an independent Board member.

The Risk Management and Compliance Committee is composed of the following:

MR. GEORGE TEO CHOA CHEE	Chairman	Independent Director
MR. TANG YUE KWONG	Member	Independent Director
MADAM TAL NAY IM	Member	Non-Executive Director
MADAM SAM ANG KANIKA	Member	Non-Executive Director
OKNHA SAM ANG VATTANAC	Member	Non-Executive Director
MADAM SAM ANG LEAKHENA	Member	Non-executive Director

**The Head of Risk Management and Compliance Department serves as the Secretary for the Committee.*

Key AML & CFT compliance achievements in 2018 included the following:

- ◆ Regularly reviewed the AML & CFT matters from the AML/CFT system alerts;
- ◆ Conducted annual KYC and CDD on all correspondent banks;
- ◆ Was rated GOOD on compliance with anti-money laundering and terrorist financing by the CaFIU's inspection.
- ◆ Conducted seven AML & CFT awareness training sessions for 138 new staff members;
- ◆ Conducted four AML & CFT refresher training sessions for 76 staff members and managers; and
- ◆ Conducted AML & CFT test for 103 staff who were unable to attend the training within the year.



3. New Activities and Products Committee (NAP)

The New Activities and Products (NAP) Committee shall review any new transaction, service, equity participation, outsourcing, network extension or changes related to system or legal infrastructure or operational risks.

The New Activities and Products Committee is composed of the following:

MADAM TAL NAY IM	Chairman	Independent Director
MR. GEORGE TEO CHOA CHEE	Member	Independent Director
MR. TANG YUE KWONG	Member	Non-Executive Director
MADAM SAM ANG KANIKA	Member	Non-Executive Director
OKNHA SAM ANG VATTANAC	Member	Non-Executive Director
MADAM SAM ANG LEAKHENA	Member	Non-executive Director
MR. CHAN KOK CHOY	Member	Executive Director/General Manager

**The Head of Banking Operations Department serves as the Secretary for the Committee.*

In 2018, the Bank opened 2 Provincial branches: Battambang Province located at No. 778, Street 3, Preah Moha Tep Village, Sangkat Svay Por, Krong Battambang and Kampong Speu Province located along National Road No. 4, Mukh Khett Village, Sangkat Rokar Thum, Krong Chbar Mon.

The NAP Committee also reviewed and approved Micro Loan Product, Auto Loan features and Referrals for Life Insurance Products and monitored progress of iMobile Banking Solution, Vattanac Bank Wallet, and National Shared Switch.

Corporate Governance (Continued)

Executive Committee



The Executive Committee (EC)

Seated: Lok Chumteav Oknha **CHHUN LEANG**, Chairman (*center*); Mr. Chan Kok Choy (*left*) Ms. Ros Dara (*right*)
Standing (*left to right*): Mr. Tom Piseth, Mr. Kang Sopheak, Mr. Lim Chin Wan

The Executive Committee was created by the Board to oversee the general management of the Bank. The Committee is composed of the following:

LOK CHUMTEAV OKNHA CHHUN LEANG
MR. CHAN KOK CHOY
MR. KANG SOPHEAK
MR. LIM CHIN WAN
MR. TOM PISETH
MS. ROS DARA

Chairperson
Member
Member
Member
Member
Member

President
Executive Director/General Manager
Deputy General Manager
Deputy General Manager
Head, Banking Operations
Head, Credit Operations



The Executive Committee is responsible for planning, formulating and reviewing the Bank's strategies and annual budget. It develops necessary policies for Board approval, issues guidelines and procedures for implementing those policies, and ensures risk management and control in line with regulatory requirements.

The Committee is also responsible for the day-to-day operations of the Bank and promotes proper delegation of duties, authority and independent decision-making to the different levels of executive management.

In addition, the Committee has the responsibility to regularly report to the Board on new regulatory developments and financial reporting standards which are relevant to the Bank's business.

In 2018, the Executive Committee approved the following:

1. VC Customer Service Guidelines
2. Anti-corruption Guidelines
3. Revised Internal Audit Procedures
4. Micro Credit Guidelines
5. Guidelines for the use of NBC's Online Banking System
6. Guidelines for the use of NBC's Online Trading Platform
7. Revised Letter of Credit Procedures
8. Revised Bills Receivable Procedures
9. Revised Post-Shipment Financing-FBEP Procedures
10. Revised Banker Guarantee Procedures
11. Revised Documentary Collection Procedures
12. Revised Telegraphic Transfer Guidelines
13. Revised Credit Remittance Procedures
14. Revised Premier Banking Guideline
15. Revised Customer Feedback Procedure
16. Revised Committee Charters
17. Memo on project to implement CIFRS and to comply with NBC's Prakas on credit risk grading and impairment provisioning
18. Use of Zoom video conferencing system for our meetings
19. Bancassurance agreement to be signed on 29 November 2018
20. Membership of Management Committees

Corporate Governance (Continued)

Committees under the Executive Committee

To ensure the effective operations of the Bank, the Board established eight Management Committees: Credit, Assets and Liabilities, Human Resource, Information Technology, Operational Risk Management, Customer Service, Card and E-Banking and New Branch Opening. The management committees are tasked to assist the Executive Committee in the day-to-day running of the Bank and to maintain the highest levels of customers' trust and satisfaction in the Bank's services.

1. Credit Committee

The Credit Committee is responsible for reviewing and implementing policies and procedures of credit facilities as determined by the Board and in compliance with the NBC's guidelines and regulations. These duties and roles include credit identification, assessment, measurement, approval, review and recovery of loans to mitigate risks.

The Credit Committee provides oversight on the administration and effectiveness of the Bank's Credit Policy, and reviews the strategies to achieve the credit and lending goals of the Bank. The committee then makes appropriate recommendations to the Board through the Executive Committee.

This committee is composed of the following:

LOK CHUMTEAV OKNHA CHHUN LEANG	Chairperson	President
MR. CHAN KOK CHOY	Member	Executive Director/General Manager
MR. KANG SOPHEAK	Member	Deputy General Manager
MR. TOM PISETH	Member	Head, Banking Operations
MS. ROS DARA	Member	Head, Credit Operations

In 2018, the Credit Committee conducted monthly meetings to monitor the performance and quality of the Bank's credit portfolio. It reviewed loan applications and reassessed approved loans to ensure that the Bank is in compliance with lending regulations and the Bank's Credit Policy.



2. Assets and Liabilities Committee

The Assets and Liabilities Committee (ALCO) is responsible for managing the assets and liabilities of the Bank.

The Committee's main responsibility is to maximize the Bank's profitability, efficiency and effectiveness. Its activities include managing, reviewing and monitoring risks related to the Bank's day-to-day business and operations such as liquidity levels, interest rates, exchange rates and market development.

The Committee also has the responsibility to ensure that the Bank is always in compliance with NBC's prudential ratio requirements, such as liquidity, solvency and net worth.

In terms of liquidity management, the Committee prepares the contingency plan by identifying the source of liquidity that the Bank can access when necessary. The Committee focuses on the security and management of the treasury as it endeavors to develop relationships with local and international banks.

The committee is composed of the following:

MR. KANG SOPHEAK	Chairman	Deputy General Manager
MR. CHAN KOK CHOY	Member	Executive Director/General Manager
MR. TOM PISETH	Member	Head, Banking Operations
MS. ROS DARA	Member	Head, Credit Operations
MS. ENG SOKPHALLA	Member	Head, Financial and Treasury

Corporate Governance (Continued)

Committees under the Executive Committee (Continued)

2. Assets and Liabilities Committee (Continued)

Below are the NBC's key prudential requirements and Vattanac Bank's compliance status as at 31 December 2018:

No.	NBC's Key Prudential Requirement	NBC's Limit		Vattanac Bank as at 31 Dec 2018	Compliance Yes/No
1	Single large loan exposure	Max	20%	13.15%	Yes
2	Total large loan exposure	Max	300%	92.14%	Yes
3	Total fixed assets	Max	30%	15.54%	Yes
4	Net open position in one currency	Max	20%	3.20%	Yes
5	Local fund collected used locally	Min	100%	103%	Yes
6	Solvency ratio	Min	15%	24%	Yes
7	Liquidity ratio	Min	80%	244.98%	Yes
8	Net worth	Min	US\$75M	US\$87.77M	Yes

The committee met twelve times in 2018 to review the efficiency and effectiveness of the Bank's management of assets and liabilities, and to recommend ways to better administer them.

3. Human Resource Committee

The Human Resource Committee is responsible for managing the human resources of the Bank.

The main responsibility of the Human Resource Committee is to prepare transparent remuneration policies for the Bank's staff to be submitted to the Executive Committee for approval. The Human Resource Committee reviews and recommends approval by the Executive Committee, salary changes and performance bonuses for staff at all levels.

The Human Resource Committee recommends to the Executive Management on the recruitment, hiring, nominations, promotions and staff retention initiatives that are in compliance with Human Resource Management Policies. The Committee leads in making training and development plans, including providing for Code of Conduct and professional skills training for existing staff and newly-recruited staff to ensure that they can efficiently serve the Bank.



The committee is composed of the following:

LOK CHUMTEAV OKNHA CHHUN LEANG	Chairman	President
MR. CHAN KOK CHOY	Member	Executive Director/General Manager
MR. KANG SOPHEAK	Member	Deputy General Manager
MS. ROS DARA	Member	Head, Credit Operations
MR. HONG SOVANDARA	Member	Head, Human Resources/Training

In 2018, we conducted numerous internal training sessions for a total of 584 staff and sent 49 staff for 36 external training courses.

We recruited staff for four new provincial branches (Battambang and Kampong Speu which opened in 2018, and Pursat and Takeo which will open in early 2019) and for more branches to open in the coming year. For new branches that will be launched in the near future, the bank will recruit from external sources and from our internal pool of staff who have been trained to take on new and higher responsibilities and roles.

4. IT Committee

The IT Committee is responsible for managing the Bank's information technology ecosystem. The IT Committee develops and manages the Bank's information system, monitors and controls risks to ensure the effectiveness and security of the whole information technology ecosystem.

The committee is composed of the following:

MR. LIM CHIN WAN	Chairman	Deputy General Manager
MR. CHAN KOK CHOY	Member	Executive Director/General Manager
MR. KANG SOPHEAK	Member	Deputy General Manager
MR. TOM PISETH	Member	Head, Banking Operations
MR. KHUN PISETH	Member	Head, Information Technology
MR. OUK SOTHARITH	Member	Deputy Head, Information Technology

In 2018, the committee approved the purchase of a new FlexCube server hardware. This is in line with the expanding needs of the bank as many new branches have opened since the last hardware upgrade.

Corporate Governance (Continued)

Committees under the Executive Committee (Continued)

4. IT Committee (Continued)

The hardware upgrade activity coincided with the annual DR exercise that was initiated and coordinated by IT Committee. The DR site hardware was also upgraded following the same strategy as the production hardware upgrade.

The IT Committee also supported the upgrading of the bank's Card Management System to version 4.

As more and more branches opened, especially in the provinces, the IT Committee faced some challenges with connecting the faraway branches to the Data Centre and Head Office. The IT Committee approved the upgrade of the video-conferencing system to allow for better communication with remote branches.

5. Operational Risk Management Committee

The Operational Risk Management Committee is responsible for monitoring and assessing the Bank's operational risks and reports to the Executive Committee. The Committee has formulated strategies to manage the Bank's operational risks by developing management systems and procedures to ensure the effective dealing with any direct or indirect risks to the Bank's operations as well as any irregularities or mistakes that may occur in the operating system.

The Committee is composed of the following:

MR. TOM PISETH	Chairman	Head, Banking Operations
MR. CHAN KOK CHOY	Member	Executive Director/General Manager
MR. KANG SOPHEAK	Member	Deputy General Manager
MR. LIM CHIN WAN	Member	Deputy General Manager
MR. KHUN PISETH	Member	Head, Information Technology
MS. ENG SOKPHALLA	Member	Head, Finance and Treasury
MS. VANN THEANY	Member	Head, Trade Finance & Financial Institutions

In 2018, the Operational Risk Management Committee reviewed and endorsed Policy/Guideline for Banking operations. The Committee also reviewed and approved signing the Memorandum of Understanding between Vattanac Bank and Ministry of Economy and Finance on the use of Vattanac Bank's guarantee for government projects.



6. Customer Service Committee

The Customer Service Committee aims to promote excellence in delivery of services to Vattanac Bank's customers. The Committee's main responsibilities are to regularly monitor, assess, enhance and improve the quality of customer service. In addition, the Committee sets procedures and guidelines, and regularly trains the Bank's customer service providers - enabling them to have sufficient professional skills for serving customers, and motivating them to aspire for excellence.

The committee is composed of the following:

MR. CHAN KOK CHOY	Chairman	Executive Director/General Manager
MR. UCH SAMETH	Member	Representative of Banking Operations
MR. HONG SOVANDARA	Member	Head, Human Resources/Training
MR. FREDERICK ALMEIDA	Member	Representative of Public Affairs
MS. CYNTHIA MARIA REIMER	Member	Consultant
MS. NY SOPHY	Member	Head, Business Development
MR. HANG PHEAKDEY CHEAT	Secretary	Head, Secretariat

In 2018, the Customer Service Committee continued to monitor customer feedback and facilitated the 2nd Customer Service Survey of 8 Phnom Penh branches conducted by students from 2 universities. The Bank's feedback system and the survey provided insights on what customers think about the Bank's service.

The Committee organized the Customer Care Campaign 13 (CCC-13) held on 9 September 2018 with the theme "We are Customer Service" attended by the Bank's 100+ front liners. To ensure that everyone is on the same page for customer service and to set service standards for every branch and department, the Customer Care Campaign 14 (CCC-14) was held two months later for all staff of the Bank.

Corporate Governance (Continued)

Committees under the Executive Committee (Continued)

7. New Branch Opening Committee

The New Branch Opening Committee (NBOC), formalized in early 2015, ensures that issues pertaining to opening of new branches are addressed properly and in a timely manner. The Committee oversees the Bank's branch expansion projects and provides recommendations on the actions, timeframe and relevant arrangements for project implementation.

The Committee is composed of the following:

MR. CHAN KOK CHOY	Chairman	Executive Director/General Manager
MR. KANG SOPHEAK	Member	Deputy General Manager
MR. TOM PISETH	Member	Head, Banking Operations
MR. FREDERICK ALMEIDA	Member	Representative of Public Affairs
MS. NY SOPHY	Member	Head, Business Development

In 2018, the New Branch Opening Committee reviewed and approved the layout and design of Battambang Provincial Branch (opened in May), Kampong Speu Provincial Branch (opened in December) and other branches under construction and renovation. The Bank plans to open 7 branches in 2019 including Pursat, Takeo, Tuol Kouk, Kampong Cham, Boeng Tumpun (Street 371), Chroy Changvar and Suong.



8. Card and E-Banking Committee

The Card and E-Banking Committee is responsible for reviewing, developing and implementing policies, procedures and guidelines related to card and E-Banking in compliance with national/international card association guidelines, regulations and best practices.

The committee is composed of the following:

MR. LIM CHIN WAN	Chairman	Deputy General Manager
MR. CHAN KOK CHOY	Member	Executive Director/General Manager
MR. TOM PISETH	Member	Head, Banking Operations
MR. KHUN PISETH	Member	Head, Information Technology
MR. SAMARAWEERA RAVINDA CHINTHAKA	Member	Project Manager, Card/E-banking
MS. CHAN PHEAKTRA	Member	Head, Card/E-banking
MR. FREDERICK ALMEIDA	Member	Representative of Public Affairs
MS. NY SOPHY	Member	Head, Business Development
MR. CHENG SOTHEAVUTH	Member	Assistant Manager, Card/E-Banking

The Card and E-Banking Committee approved a major upgrade of the Card Management System to version 4. The upgrade was successfully completed on 1 April 2018. With this upgrade, Vattanac Bank's Card Department can now serve our customers more effectively and efficiently, and at the same time enhance security for all our cardholders.

The Card Committee also signed partnerships with WeChat Pay and Alipay to enable our merchants to accept payments from Chinese WeChat Pay and Alipay users by using the Vattanac Merchant Wallet downloaded from Google Play and Apple Store. As of today, all merchants in Vattanac Capital Mall and the Rosewood Phnom Penh can accept payment through WeChat Pay and Alipay.

The Bank's Internet Banking system, iBank, also implemented a new design. The new design has a modern slick look which gives its users a more pleasant experience while performing banking transactions online.

Vattanac Bank's VISA debit card was also given a new look. The new debit card design has a metallic feel with a colored core, giving it a more elegant feel.

Corporate Governance (Continued)

Risk Management

Vattanac Bank takes proactive and prudent measures to manage and control risks due to changes in the business environment, such as credit risks, liquidity risks, market risks and operational risks that could greatly affect the business operations of the Bank.

1. Credit Risk Management

The Bank consistently maintains its good loans quality and effectively manages any possible credit risks. The Bank's credit risks including settlement risk, collateral risk, concentration risk, credit risk assessment, counter-party risk and non-compliance risk are dealt with according to NBC's laws and regulations. The Bank also conducts periodic and regular reviews of its existing loans focusing on collateral, capacity for repayment, conditions and conduct of loan account. The Credit Committee plays a vital and primary role in reviewing and monitoring credit risks and recommending necessary actions to eliminate or mitigate the risk exposures, and ultimately to ensure the quality of the Bank's assets.

In 2018, all kinds of risk profiles related to credit were assessed carefully and the Bank took steps to provide loans prudently to ensure healthy loans growth and sustainable profit. As at 31 December 2018, the Bank's non-performing loan was 0.00%.

2. Liquidity Risk Management

The Bank's liquidity coverage ratio is regularly monitored to ensure that the ratio is maintained at more than 80% and gradually increase to 100% in 2020 as required by regulation. To further strengthen the Bank's liquidity control, the Board set the alert limits 10% higher as a buffer over the regulatory requirement. As at 31 December 2018, the Bank's liquidity coverage ratio was at 245%, which was higher than the limit set by NBC at 80%.

3. Market Risk Management

The market risks, including interest rate risks and foreign exchange risks, are thoroughly monitored and managed to avoid risks arising from any adverse events in the market.

Risk Management's functions consist of identifying potential market risks by using risk management tools.

**a. Interest Rate Risks**

The Bank uses interest rate gap analysis to monitor market trends and cost of funds, and to analyze changes in interest rates of the assets and liabilities.

b. Foreign Currency Exchange Risks

The Bank manages and maintains its foreign exchange position in accordance with its Assets and Liabilities Management Policy and in compliance with the NBC's laws and regulations.

4. Operational Risk Management

The Bank uses Risk and Control Self-Assessment (RCSA) as a key tool to identify and monitor changes in risks and the Key Risk Indicators (KRI) as a measurement to identify the effectiveness of the controls. Management is required to report any incident that occurs within their respective areas of responsibilities on a monthly basis and implement any remedial action if a number of incidents exceed the tolerance limit.

Each committee, under the Executive Committee, plays a significant role in reviewing and managing the operational risks to strengthen procedures and take corrective actions promptly.

Corporate Governance (Continued)

Policies

Internal Control

The Bank commits to consistently comply with the Prakas on Internal Control in Banks and Financial Institutions of the NBC and continues to strengthen its internal control mechanisms.

The Board ensures the effectiveness of the internal control system, with the assistance of the Audit Committee, to ensure security, accountability and transparency to all stakeholders in accordance with the Bank's corporate mission and objectives.

Internal Audit Policy

The Internal Audit Policy identifies the purpose, authority, and responsibility of the internal audit function. It plays the main role of overall internal control of the Bank and provides guidance for an independent audit function that complies with regulatory requirements and best practices.

The objective of internal audit policy is to set up guidelines to assist the Board of Directors and all members of management in the effective discharge of their responsibilities by clearly defining the duties of all parties involved in internal audit process and by providing analysis, assessments, recommendations and pertinent comments for remedies concerning the activities reviewed.

The mission of the internal audit function is to ensure that:

- ◆ Bank's policies and related procedures and guidelines are always in compliance with laws, regulations, and best practices;
- ◆ Adequate policies, procedures and guidelines including internal controls are put in place to mitigate risks;
- ◆ There are measures for regular monitoring and control, and that those policies, procedures and guidelines are observed at all times.



Risk Management Policy

The Risk Management Policy is a part of the Corporate Governance Policy of Vattanac Bank. The Bank's philosophy on risk management is that all risks faced must be identified, measured, monitored and managed within a risk management framework and that returns must be commensurate with the risks taken.

The Policy is formulated, revised and administered by the Risk Management and Compliance Committee as authorized by the Board of Directors, with the view to ensuring that the Bank's risks are effectively managed to achieve its long-term goals.

Compliance Policy

The adoption of the Compliance Policy reflects the Bank's commitment to abide by all relevant laws, regulations and standards in order to mitigate and eliminate the risk of violations of law, regulations and ethical behavior.

The policy is intended to present how the bank defines compliance and compliance function's roles and responsibilities for the management of non-compliance risk.

Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) Policy

The AML/CFT Policy seeks to protect Vattanac Bank from being used, intentionally or unintentionally, for money laundering or terrorist financing activities. The policy also aims at ensuring that the entire Bank's domestic and international financial transactions are not in any way used in money laundering or in financing of terrorism. More importantly, this policy protects the Bank from regulatory sanctions and safeguards its good reputation.

To support these objectives, the Bank takes a proactive approach to monitor and review the compliance program and control mechanisms such as customer acceptance policy, suspicious transaction reporting system and detection mechanism.

All operations staff are required to attend the AML/CFT refresher training once a year and pass the post-training test. This training requirement is one of the compliance strategies to strengthen staff's AML/CFT education and awareness that is a key deterrent to any attempt to improperly use the Bank's services and products.

Corporate Governance (Continued)

Policies (Continued)

Whistle Blowing Policy

As part of the Bank's corporate governance, the Whistle Blowing Policy, Procedure and Guidelines was established and implemented to make it fully and consistently compliant with NBC's Prakas on Internal Controls in Banking and Financial Institution.

The policy encourages the Bank's management and staff, customers, suppliers and other external parties to disclose or report any concern or misconduct committed by the Bank's staff. Disclosure in good faith, whistle blower protection and confidentiality are principles included in the policy.

Information Technology Policy

The Information Technology Policy sets the standard for performance and properly articulates the bank's IT objectives and its required Information Technology services in order to maintain financial soundness, ensure business continuity, and mitigate risk. It helps to deliver effectiveness, reliability, scalability and security through efficient use of Information Technology system.

The Information Technology Policy incorporates IT principles to control and safeguard IT assets that include the Business Continuity Plan and Disaster Recovery Plan, and to ensure the security of Data Center and the Back-up System Center.

New Activities and Products (NAP) Policy

The New Activities and Products (NAP) Policy was formulated in compliance with the Prakas on Corporate Governance and Prakas on Internal Control in Banks and Financial Institutions.

The Policy sets the objectives to assess and evaluate the strategies, procedures and operations related to new activities and products in order to ensure success and risks mitigation prior to any public launch.

Code of Ethics

The Bank's Code of Ethics requires all Vattanac Bank employees, including its directors, management and staff to possess high integrity, honesty, accountability and morality. The Code provides guidelines for Vattanac Bank's employees to:

- ◆ Avoid conflicts of interest,
- ◆ Avoid misuse of position,
- ◆ Prevent misuse of information received through the Bank's operations either for personal gain or for any purposes other than the fulfillment of his or her tasks for the Bank,
- ◆ Ensure completeness and accuracy of relevant records,



- ◆ Respect the privacy of customers and ensure the confidentiality of their transactions, and
- ◆ Provide fair and equitable treatment to all customers and others who have a relationship with the Bank.

Confidentiality Policy

Observing confidentiality of business relations and transactions between the Bank and customers is essential in upholding its reputation. All employees are required to ensure confidentiality of customers' information and transactions including the following:

- ◆ No staff or director shall, during or after termination of his/her employment with Vattanac Bank, divulge or make use of any information, copyrighted materials, correspondence, accounts or dealings of the Bank or its customers for his/her personal benefit.
- ◆ No business and financial information about any customer shall be used or disclosed to third parties without prior written consent of the customer, unless in accordance with the arrangements for the exchange of information between banks about credit risks, or when disclosure is required by law.

Report of the Board of Directors and Audited Financial Statements

For the year ended 31 December 2018

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Corporate Information

Bank	Vattanac Bank Limited	
Registration No.	00006065	
Registered Office	No. 66, Preah Monivong Boulevard, Sangkat Wat Phnom, Khan Daun Penh, Phnom Penh, Kingdom of Cambodia	
Shareholders	OKNHA SAM ANG MADAM CHHUN LEANG OKNHA SAM ANG VATTANAC	
Board of Directors	OKNHA SAM ANG	Chairman and Non-Executive Director
	MADAM CHHUN LEANG	Executive Director and President
	MR. CHAN KOK CHOY	Executive Director and General Manager
	MADAM TAL NAY IM	Non-Executive Director
	MADAM SAM ANG KANIKA	Non-Executive Director
	OKNHA SAM ANG VATTANAC	Non-Executive Director
	MADAM SAM ANG LEAKHENA	Non-Executive Director
	MR. TANG YUE KWONG	Independent and Non-Executive Director
	MR. GEORGE TEO CHOA CHEE	Independent and Non-Executive Director
Executive Committee	MADAM CHHUN LEANG	Chairperson
	MR. CHAN KOK CHOY	Member
	MR. KANG SOPHEAK	Member
	MR. LIM CHIN WAN	Member
	MR. TOM PISETH	Member
	MS. ROS DARA	Member
Auditors	Deloitte (Cambodia) Co., Ltd.	

Report of the Board of Directors

The Board of Directors (“BOD” or “Directors”) has pleasure in submitting this report together with the audited financial statements of Vattanac Bank Limited (the “Bank”) for the year ended 31 December 2018.

Principal Activities

The principal activities of the Bank are the provision of commercial banking and related financial services in the Kingdom of Cambodia.

There were no changes in nature of the principal activities during the year.

Financial Results

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

	For the year ended 31 December 2018		For the year ended 31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Profit before income tax	5,190,230	20,854,344	4,277,722	17,269,163
Income tax expense	(1,037,261)	(4,167,715)	(849,864)	(3,430,901)
Net profit for the year	4,152,969	16,686,629	3,427,858	13,838,262

Dividends

No dividend was declared or paid during the year (2017: nil).

Share Capital

No share capital movement during the year. In 2017, the Bank increased its paid-up share capital from US\$64,500,000 to US\$75,000,000 by way of capitalisation of retained earnings which was approved by the National Bank of Cambodia on 20 April 2017.

Reserves and Provisions

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



Bad and Doubtful Loans

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

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

Assets

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

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

Valuation Methods

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

Contingent and Other Liabilities

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

- (a) any charge on the assets of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person, or
- (b) any contingent liability in respect of the Bank that has arisen since the end of the financial year other than in the ordinary courses of banking business.

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

Report of the Board of Directors (Continued)

Change of Circumstances

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

Items of Unusual Nature

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

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

Events After The Reporting Date

At the date of this report, there have been no significant events occurred after balance sheet date which would require adjustments or disclosures to be made in the financial statements.

The Board of Directors

The members of the Board of Directors holding office during the year and as at the date of this report are:

Lok Oknha Sam Ang
Madam Chhun Leang
Mr. Chan Kok Choy
Madam Tal Nay Im
Madam Sam Ang Kanika
Oknha Sam Ang Vattanac
Madam Sam Ang Leakhena
Mr. Tang Yue Kwong
Mr. George Teo Choa Chee

Chairman and Non-Executive Director
Executive Director and President
Executive Director and General Manager
Non-Executive Director
Non-Executive Director
Non-Executive Director
Non-Executive Director
Independent and Non-Executive Director
Independent and Non-Executive Director



Directors' Interests

The Directors who held office at the end of the financial year and their interests in the shares of the Bank were as follows:

	31 December 2018		31 December 2017	
	Holding %	Number of shares of US\$100 each	Holding %	Number of shares of US\$100 each
Oknha Sam Ang	40%	300,000	40%	300,000
Madam Chhun Leang	40%	300,000	40%	300,000
Oknha Sam Ang Vattanac	20%	150,000	20%	150,000
	100%	750,000	100%	750,000

Directors' Benefits

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

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

Responsibilities of the Directors in Respect of the Financial Statements

The Board of Directors is responsible for ascertaining that the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2018, and its financial performance and its cash flows for the year then ended. In preparing these financial statements, the Board of Directors is required to:

- (i) adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- (ii) comply with Cambodian Accounting Standards and relevant accounting regulations and guidelines issued by the National Bank of Cambodia ("NBC"), or, if there have been any departures in the interests of fair presentation, these have been appropriately disclosed, explained and quantified in the financial statements;

Report of the Board of Directors (Continued)

Responsibilities of the Directors in Respect of the Financial Statements (Continued)

- (v) maintain adequate accounting records and an effective system of internal controls;
- (iv) prepare the financial statements on the going concern basis unless it is inappropriate to assume that the Bank will continue operations in the foreseeable future; and
- (v) effectively control and direct the Bank in all material decisions affecting the operations and performance and ascertain that such have been properly reflected in the financial statements.

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

Statement of the Board of Directors

The accompanying financial statements as set out on pages 56 to 113 present fairly, in all material respects, the financial position of Vattanac Bank Limited as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with Cambodian Accounting Standards and relevant accounting regulations and guidelines issued by the National Bank of Cambodia, and at the date of this statement, there are reasonable grounds to believe that the Bank will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors



Oknha Sam Ang
Chairman



Madam Chhun Leang
President

Phnom Penh, Kingdom of Cambodia
Date: 28 March 2019



Independent Auditor's Report

To the Shareholders of Vattanac Bank Limited

Opinion

We have audited the financial statements of Vattanac Bank Limited (the “Bank”), which comprise the balance sheet as at 31 December 2018, and the income statement, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 64 to 121.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with Cambodian Accounting Standards and relevant accounting regulations and guidelines issued by the National Bank of Cambodia.

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 Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the ethical requirements that are relevant to our audit of the financial statements in Cambodia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditor’s Report Thereon

Management is responsible for the other information. The other information comprises the Corporate Information and Report of the Board of Directors as set out on page 55 and pages 56 to 60 respectively, but does not include the financial statements and our auditor’s report thereon.

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, 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.

Independent Auditor's Report

To the Shareholders of Vattanac Bank Limited (Continued)

Responsibilities of Management and the Board of Directors for the Financial Statements

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

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

The Board of Directors is responsible for overseeing the Bank's financial reporting process.

Auditor's 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 auditor's 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 judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

For Deloitte (Cambodia) Co., Ltd.

Khoy Kimleng
Partner

Phnom Penh, Kingdom of Cambodia
Date: 28 March 2019

Balance Sheet

As at 31 December 2018

		31 December 2018		31 December 2017	
	Note	US\$	KHR'000	US\$	KHR'000
ASSETS					
Cash on hand	4	27,191,141	109,254,005	19,857,577	80,165,038
Balances with the NBC	5	207,040,617	831,889,199	127,094,426	513,080,198
Balances with other banks and financial institutions	6	115,387,919	463,628,659	105,471,842	425,789,826
Investment in debt securities	7	4,927,601	19,799,101	-	-
Loans to customers	8	259,523,876	1,042,766,934	209,740,163	846,721,038
Other assets	9	2,225,227	8,940,962	2,066,160	8,341,088
Property and equipment	10	13,643,575	54,819,884	13,724,199	55,404,591
Intangible assets	11	216,614	870,355	235,441	950,475
Deferred tax assets	15 (b)	565,915	2,273,846	46,471	187,603
Total assets		630,722,485	2,534,242,945	478,236,279	1,930,639,857
LIABILITIES AND EQUITY					
Liabilities					
Deposits from other banks	12	1,332,226	5,352,884	1,743,766	7,039,583
Deposits from non-bank customers	13	540,290,731	2,170,888,157	393,251,044	1,587,554,465
Other liabilities	14	2,920,940	11,736,337	2,669,628	10,777,287
Income tax liabilities	15 (a)	1,295,016	5,203,374	712,332	2,875,684
Provision for impairment	16	411,094	1,651,776	-	-
Employee benefit obligations	17	460,000	1,848,280	-	-
Total liabilities		546,710,007	2,196,680,808	398,376,770	1,608,247,019



Equity					
Share capital	18	75,000,000	301,350,000	75,000,000	302,775,000
Retained earnings		9,012,478	36,212,137	4,859,509	19,617,838
Total equity		84,012,478	337,562,137	79,859,509	322,392,838
Total liabilities and equity		630,722,485	2,534,242,945	478,236,279	1,930,639,857

The accompanying notes from pages 70 to 121 form an integral part of these financial statements.

Income Statement

For the Year Ended 31 December 2018

	Note	For the year ended 31 December 2018		For the year ended 31 December 2017	
		US\$	KHR'000	US\$	KHR'000
Interest income	19	20,303,350	81,578,860	16,499,858	66,609,927
Interest expense	20	(7,116,994)	(28,596,082)	(6,784,882)	(27,390,569)
Net interest income		13,186,356	52,982,778	9,714,976	39,219,358
Allowance for credit facilities	21	(2,140,765)	(8,601,594)	(149,575)	(603,834)
Net interest income after allowance for credit facilities		11,045,591	44,381,184	9,565,401	38,615,524
Fee and commission income		4,311,628	17,324,121	3,426,013	13,830,814
Fee and commission expense		(33,843)	(135,981)	(39,185)	(158,190)
Net fee and commission income	22	4,277,785	17,188,140	3,386,828	13,672,624
Other income - net	23	464,082	1,864,681	389,826	1,573,728
Personnel expenses	24	(5,475,972)	(22,002,455)	(4,707,575)	(19,004,480)
Depreciation and amortisation	25	(1,059,470)	(4,256,950)	(1,108,555)	(4,475,237)
Other operating expenses	26	(4,061,786)	(16,320,256)	(3,248,203)	(13,112,996)
Profit before income tax		5,190,230	20,854,344	4,277,722	17,269,163
Income tax expense	15 (a)	(1,037,261)	(4,167,715)	(849,864)	(3,430,901)
Net profit for the year		4,152,969	16,686,629	3,427,858	13,838,262

The accompanying notes from pages 62 to 113 form an integral part of these financial statements.



Statement of Changes in Equity

For the Year Ended 31 December 2018

	Share capital	Retained earnings	Total
	US\$	US\$	US\$
Balance as at 1 January 2017	64,500,000	11,931,651	76,431,651
Net profit for the year	-	3,427,858	3,427,858
Capitalization of retained earnings	10,500,000	(10,500,000)	-
Balance as at 31 December 2017	<u>75,000,000</u>	<u>4,859,509</u>	<u>79,859,509</u>
<i>In KHR'000 equivalents</i>	<u>302,775,000</u>	<u>19,617,838</u>	<u>322,392,838</u>
Balance as at 1 January 2018	75,000,000	4,859,509	79,859,509
Net profit for the year	-	4,152,969	4,152,969
Balance as at 31 December 2018	<u>75,000,000</u>	<u>9,012,478</u>	<u>84,012,478</u>
<i>In KHR'000 equivalents</i>	<u>301,350,000</u>	<u>36,212,137</u>	<u>337,562,137</u>

The accompanying notes from pages 70 to 121 form an integral part of these financial statements.

Statement of Cash Flows

For the Year Ended 31 December 2018

	Note	For the year ended 31 December 2018		For the year ended 31 December 2017	
		US\$	KHR'000	US\$	KHR'000
Cash flows from operating activities					
Profit before income tax		5,190,230	20,854,344	4,277,722	17,269,163
Adjustments for:					
Depreciation and amortisation	25	1,059,470	4,256,950	1,108,555	4,475,237
Allowance for credit facilities	21	2,140,765	8,601,594	149,575	603,834
Net interest income	19-20	(13,186,356)	(52,982,778)	(9,714,976)	(39,219,358)
Loss on disposal of properties and equipment		-	-	237	957
		(4,795,891)	(19,269,890)	(4,178,887)	(16,870,167)
Changes in working capital					
Balances with other banks and financial institutions		2,550,762	10,248,962	(41,872,649)	(169,039,884)
Statutory deposits		(12,796,869)	(51,417,820)	(10,384,605)	(41,922,650)
Loans to customers		(50,133,867)	(201,437,878)	(25,979,048)	(104,877,417)
Investment in debt securities		(4,977,601)	(20,000,001)	-	-
Other assets		(68,930)	(276,961)	(316,062)	(1,275,942)
Deposits from other banks		(411,540)	(1,653,568)	(1,130,572)	(4,564,119)
Deposits from non-bank customers		147,039,687	590,805,462	69,230,009	279,481,546
Employee benefit obligations		460,000	1,848,280	-	-
Other liabilities		64,641	259,728	70,070	282,874



Cash generated from/ (used in) operations		76,930,392	309,106,314	(14,561,744)	(58,785,759)
Interest received		20,053,696	80,575,751	15,864,441	64,044,748
Interest paid		(6,930,323)	(27,846,038)	(6,632,073)	(26,773,679)
Income tax paid	15 (a)	(974,021)	(3,913,616)	(1,230,453)	(4,967,339)
Net cash generated from/(used in) operating activities		89,079,744	357,922,411	(6,559,829)	(26,482,029)
Cash flows from in- vesting activities					
Purchases of property and equipment		(833,819)	(3,350,285)	(682,395)	(2,754,829)
Purchases of computer software		(126,200)	(507,072)	(86,589)	(349,560)
Net cash used in in- vesting activities		(960,019)	(3,857,357)	(768,984)	(3,104,389)
Cash flows from financing activities					
Net cash from financing activities		-	-	-	-
Net increase/(decrease) in cash and cash equivalents		88,119,725	354,065,054	(7,328,813)	(29,586,418)
Cash and cash equivalents at beginning of the year		140,661,129	567,848,977	147,989,942	597,435,395
Currency translation differences		-	(2,672,559)	-	-
Cash and cash equivalents at the end of the year	27	228,780,854	919,241,472	140,661,129	567,848,977

Significant non-cash transaction pertains to capitalisation of retained earnings to capital amounting to US\$10.5million during the year ended 31 December 2017

The accompanying notes from pages 70 to 121 form an integral part of these financial statement.

Notes to the Financial Statements

For the year ended 31 December 2018

1. Reporting entity

Vattanac Bank Limited (the “Bank”) was incorporated in Cambodia on 1 July 2002 under the Registration No. 00006065 (formerly Co. 6000/02P). The Bank obtained a license from the National Bank of Cambodia (“NBC”) to operate as a commercial bank with effect from 7 June 2002 and officially commenced its operations on 8 November 2002.

The principal activities of the Bank comprise the operations of core banking business and the provision of related financial services through its head office and other branches in Cambodia. There were no changes in the nature of these principal activities during the year.

The registered office of the Bank is currently located at No. 66, Preah Monivong Boulevard, Sangkat Wat Phnom, Khan Daun Penh, Phnom Penh, Kingdom of Cambodia.

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

2. Summary of significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the year presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements of the Bank, which are expressed in United States dollars (“US\$”), are prepared under the historical cost convention and drawn up in accordance with Cambodian Accounting Standards and relevant accounting regulations and guidelines issued by the National Bank of Cambodia.

The accounting principles applied may differ from generally accepted accounting principles adopted in other countries and jurisdictions. The accompanying financial statements are therefore not intended to present the financial position, financial performance and cash flows of the Bank in accordance with jurisdictions other than the Kingdom of Cambodia. Consequently, these financial statements are only addressed to those who are informed about Cambodian accounting principles, procedures and practices.

The preparation of financial statements in accordance with Cambodian Accounting Standards and relevant accounting regulations and guidelines issued by the National Bank of Cambodia requires



the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting year. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

2.2 Basis of aggregation

The financial statements include the financial statements of the head office and its branches after the elimination of all significant inter-branch balances and transactions.

2.3 Financial reporting framework

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

The NAC, through Circular No. 086 MoEF.NAC dated 30 July 2012, approved banks and financial institutions to delay adoption of the CIFRS until the periods beginning on or after 1 January 2016.

On 24 March 2016, the NAC issued a Circular No. 058 MoEF.NAC which allowed banks and financial institutions to delay adoption of the CIFRS until the periods beginning on or after 1 January 2019, following the request of the NBC dated 16 November 2015.

The first financial statements of the Bank which will be prepared under the CIFRSs is the year ending 31 December 2019. CAS, the current accounting standard used, is different from the CIFRSs in many areas. Hence, the adoption of CIFRSs will have significant impacts on the financial statements of the Bank.

The Bank is assessing the potential impact on its financial statements resulting from the application of CIFRS for the financial year end but is not ready at the date of these financial statements.

Notes to the financial statements (Continued)

For the year ended 31 December 2018

2. Summary of significant accounting policies (Continued)

2.4 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the Bank operates (the “functional currency”). Management has determined the US\$ to be the Bank’s functional currency owing to the significant influence of the US\$ on its operations. The financial statements are presented in US\$, which is the Bank’s functional and presentation currency.

(ii) Transactions and balances

Transactions in currencies other than US\$ are translated into US\$ at the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in currencies other than US\$ at the year-end exchange rates, are recognised in the income statement.

(iii) Presentation in Khmer Riel

In compliance with the Law on Accounting and Auditing dated 11 April 2016 and Prakas No. 643 MEF PRK dated 26 July 2007 of the Ministry of Economy and Finance, a translation of the financial statements from US\$ to Khmer Riel (“KHR”) is required.

Translations of US\$ into Riel are included in the financial statements solely for compliance with the Prakas No. B7-07-164 dated 13 December 2007 of the National Bank of Cambodia relating to the preparation and presentation of financial statements and have been made using the prescribed official exchange rate of US\$ 1 to Riel 4,018 (2017: US\$ 1 to Riel 4,037) published by the National Bank of Cambodia.

The financial statements expressed in Riel are unaudited and should not be construed as representation that the US\$ amounts have been, could have been, or could in the future be, converted into Riel at this or any other exchange rate.

2.5 Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances with the NBC, balances with other banks and financial institutions, and other short-term highly liquid investments with original maturities of three months or less where the Bank has full ability to withdraw for general purpose whenever needed and is subject to insignificant change in value.



2.6 Loans to customers

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

An uncollectible loan or portion of a loan classified as bad is written off after taking into consideration the realisable value of the collateral, if any, when in the judgement of the management there is no prospect of recovery. Recoveries of loans previously written off, or provided for, decrease the amount of the allowance for loan losses in the income statement.

2.7 Allowance for credit facilities

The NBC issued a Prakas No. B7-017-344, dated 1 December 2017, on Credit Risk Grading and Impairment Provisioning, and Circular No. B7-018-001, dated 16 February 2018 on the Implementation of Prakas on Credit Risk Grading and Impairment Provisioning, which requires banks and financial institutions to provide impairment provisioning for short-term and long-term facilities as follows:

Classification	Number of past due days		Allowance
	Short-term (one year or less)	Long-term (more than one year)	
General allowance:			
Normal	14 days or less	Less than 30 days	1%
Specific allowance:			
Special mention	15 days – 30 days	30 days – 89 days	3%
Substandard	31 days – 60 days	90 days – 179 days	20%
<i>Doubtful</i>	61 days – 90 days	180 days – 359 days	50%
Loss	91 days or more	360 days or more	100%

In determining the above allowance, any collateral value other than cash deposits which has been pledged is disregarded.

In addition, the Prakas also requires banks and financial institutions to provide allowance on other financial products, whether reported on balance sheet or off-balance sheet which give rise to credit risk exposure.

The minimum mandatory allowance for credit facilities is made depending on the classification concerned, unless other information is available to indicate worsening. Both past due and qualitative factors is taken into account for loan classification and provisioning.

Notes to the financial statements (Continued)

For the year ended 31 December 2018

2. Summary of significant accounting policies (Continued)

2.7 Allowance for credit facilities (Continued)

Recoveries on loans previously written off are recognised as other income in the income statement. Reversal of previous allowance is presented in the allowance for loan losses in the income statement.

2.8 Interest in suspense

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

Interest in suspense is presented as a deduction from loans to customers.

2.9 Other assets

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

2.10 Statutory deposits

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

2.11 Property and equipment

- (i) Items of property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.
- (ii) Land and work in progress are not depreciated. Depreciation of other property and equipment is charged to the income statement on a declining balance method, except for buildings which are depreciated on a straight-line method, over the useful lives of the individual assets at the following rates:

Buildings	5%
Leasehold improvement	20%
Furniture and fittings	25%
Computers and office equipment	25% - 50%
Motor vehicles	25%



- (iii) Subsequent expenditure relating to an item of property and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Bank. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.
- (iv) Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the assets and are recognised in the income statement on the date of retirement or disposal.
- (v) Fully depreciated property and equipment are retained in the financial statements until disposed of or written off.

2.12 Intangible assets

Intangible assets comprise of computer software licences including costs incurred in acquiring software, which is not integral part to the operation of hardware, and is carried at cost less accumulated amortisation and impairment losses, if any.

Amortisation is recognised in the income statement on a declining balance method at a rate of 50% per annum.

2.13 Impairment

(i) *Financial assets*

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimate future cash flows of that asset. This does not apply to loans and provisioning policies stated in Note 2.6 and 2.7.

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

All impairment losses are recognised in the income statement.

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

Notes to the financial statements (Continued)

For the year ended 31 December 2018

2. Summary of significant accounting policies (Continued)

2.13 Impairment (Continued)

(ii) *Non-financial assets*

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

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

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement. Reversal of impairment loss is recognised in the income statement to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, had no impairment loss been recognised.

2.14 Deposits from other banks and non-bank customers

Deposits from other banks and non-bank customers are stated at cost.

2.15 Other liabilities

Other liabilities are stated at cost.

2.16 Provisions

A provision is recognised in the balance sheet when the Bank has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation; and the amount has been reliably estimated. 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 increase in the provision due to passage of time is recognised as interest expense.



2.17 Income recognition

Interest income is recognised on an accrual basis. Where a loan becomes non-performing, the recording of interest as income is suspended until it is realised on a cash basis.

Income from the various activities of the Bank is accrued using the following basis:

- (i) Arrangement fees and commissions on services and facilities extended to customers are recognised as income when the service is provided.
- (ii) Commitment fees and guarantee fees on services and facilities extended to customers are recognised over the period of the guarantee of such transactions; and
- (iii) Service charges and loan processing fees are recognised when the service is provided.

2.18 Interest expense

Interest expense is recognised on an accrual basis.

2.19 Leases

Operating leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.20 Employee benefits

Past seniority payment

Prakas No. 443, issued on 21 September 2018 by the Minister of Labour and Vocational Training ("MoLVT"), requires the Bank to pay past seniority payment to employees with undetermined duration contract. All employees who have been working before 01 January 2019 and continue to work are entitled to a payment of fifteen (15) days of their average wages of each year of service, totalling not exceeding 6 months, and shall be paid every year starting 2019 as follows.

- 7.5 days shall be made in June; and
- 7.5 days shall be made in December of each year.

This Prakas also requires the Bank to pay its employees the seniority for the employment service from 2019 amounting to 15 days per annum of their wages and other benefits, 7.5 days of which shall be paid in June and in December of each year. This seniority will be recognised during the employees' periods of service.

Notes to the financial statements (Continued)

For the year ended 31 December 2018

2. Summary of significant accounting policies (Continued)

2.20 Employee benefits (Continued)

Past seniority payment (Continued)

For employees with determined duration contract, they are entitled to the severance pay at least 5% of their wages paid during the length of the contract.

On 22 March 2019, MoLVT issued a Directive No. 042/19 on the Back Pay of Seniority Payment before 2019 for the Enterprise and Institution Beside Textile, Garment and Footwear Sector, delaying the payment of back pay until December 2021 and changes each payment from fifteen (15) days of their average wages to six (6) days as follows:

- 3 days shall be made in June each year; and
- 3 days shall be made in December each year.

Employees are not entitled to the remaining past seniority payment upon resignation.

The past seniority payment is recognised in full during the year 2018.

2.21 Income tax and deferred tax

Income tax on profit or loss for the period comprises of current and deferred tax. Income tax is recognised in the income statement.

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

Deferred tax is provided using the balance sheet method, on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

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



2.22 Minimum tax

Minimum tax is calculated at the rate of 1% of the annual turnover inclusive of all taxes except VAT. It represents the minimum amount of tax that the Company is obliged to pay. Should the annual Tax on Profit exceeds the minimum tax liability, no minimum tax will be payable. The minimum tax is payable even if the Company is in a tax loss situation.

2.23 Rounding of amounts

Amounts in the financial statements have been rounded off to the nearest dollar and thousand Khmer Riel ("KHR'000") for US\$ and Riel amounts, respectively.

3. Critical accounting estimates and judgements

3.1 Key sources of estimation uncertainty

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Allowance for credit facilities

The Bank follows the mandatory facilities classification and provisioning as required by Prakas No. B7-017-344 on Credit Risk Grading and Impairment Provisioning dated 1 December 2017 and Circular No. B7-018-001 on Implementation of Prakas on Credit on Credit Risk Grading and Impairment Provisioning dated 16 February 2018 issued by the Central Bank. The Central Bank requires commercial banks to classify their short-term and long-term loans, advances and similar assets into five classes and the minimum mandatory level of provisioning is provided, depending on the classification concerned and terms, regardless of the assets pledged as collateral. For the purpose of facilities classification, the Bank takes into account all relevant factors which may affect the counterparties' repayment abilities. The actual amount could be significantly different from the amount provided in the events that have not been anticipated or when the doubtful amount could be recovered through realisation of the collaterals.

(ii) Income tax

The taxation system in Cambodia is characterised by numerous taxes and frequently changing legislation, which is often unclear, contradictory and subject to interpretation. Often, different interpretations exist among the numerous taxation authorities and jurisdictions. Taxes are subject to review and investigation by a number of authorities, which are empowered by law to impose fines, penalties and interest charges.

Notes to the financial statements (Continued)

For the year ended 31 December 2018

3. Critical accounting estimates and judgements (Continued)

3.1 Key sources of estimation uncertainty (Continued)

(ii) Income tax (Continued)

These factors may create significant tax exposures for the Bank. Directors believe that they have understood relevant tax regulations and adequately provided for tax liabilities based on their interpretation of the current tax legislation. However, the relevant authorities may have different interpretations and the effects could be significant.

3.2 Critical judgments in applying accounting policies

There are no critical judgements made by the Management in the process of applying the Bank's accounting policies that have the most significant effect on the amount recognized in these financial statements apart from those involving estimates, which are dealt with above.

4. Cash on hand

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
US Dollars	26,240,848	105,435,727	19,336,530	78,061,571
Khmer Riels	950,293	3,818,278	521,047	2,103,467
	<u>27,191,141</u>	<u>109,254,005</u>	<u>19,857,577</u>	<u>80,165,038</u>



5. Balances with the NBC

		31 December 2018		31 December 2017	
		US\$	KHR'000	US\$	KHR'000
Negotiable Certificate of Deposit	(a)	92,285,963	370,804,999	30,370,795	122,606,899
Current accounts		35,204,094	141,450,050	28,708,184	115,894,939
Settlement accounts		9,845,294	39,558,391	11,107,050	44,839,161
		137,335,351	551,813,440	70,186,029	283,340,999
Statutory deposits:					
Reserve requirement	(b)	62,205,266	249,940,759	49,408,397	199,461,699
Capital guarantee	(c)	7,500,000	30,135,000	7,500,000	30,277,500
		69,705,266	280,075,759	56,908,397	229,739,199
		207,040,617	831,889,199	127,094,426	513,080,198

(a) Negotiable Certificate of Deposit (“NCD”)

The Bank pledge NCD with Central Bank as collateral for settlement clearing facility. The term of NCD is for a period of three month and bears annual interest rate at 0.85% and 1.01% for US\$ and KHR, respectively. As at 31 December 2018, the Bank has yet utilised the overdraft facility of the settlement accounts.

(b) Reserve requirement

Reserve requirement represents the reserve which is required to be maintained at the NBC at the minimum at 8% and 12.5% of daily average balances of deposits from non-bank customers in KHR and other currencies, respectively.

(c) Capital guarantee

Under the NBC Prakas No. B7-01-136, dated 15 October 2001, banks are required to maintain a capital guarantee deposit of 10% of paid-up capital. This deposit is refundable should the Bank voluntarily cease its operations in Cambodia and it is not available for use in the Bank’s day-to-day operations. The capital guarantee deposits earn interest at 1/4 of six-month LIBOR rate.

Notes to the financial statements (Continued)

For the year ended 31 December 2018

5. Balances with the NBC (Continued)

(d) Interest rates

The current and settlement accounts are non-interest bearing. Other deposits earn interest at the following annual rates:

	2018	2017
NCD	0.25% - 1.62%	0.28% - 1.62%
Reserve requirement	0.77% - 1.04%	0.68% - 0.78%
Capital guarantee	0.46% - 0.62%	0.36%

6. Balances with other banks and financial institutions

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
<i>Local banks and financial institutions:</i>				
Current accounts	706,092	2,837,078	167,287	675,338
Fixed deposits	64,310,648	258,400,184	62,854,319	253,742,886
<i>Overseas banks:</i>				
Current accounts	49,581,494	199,218,443	3,214,548	12,977,130
Savings accounts	1,959,685	7,874,014	39,235,688	158,394,472
	116,557,919	468,329,719	105,471,842	425,789,826
Allowance for impairment	(1,170,000)	(4,701,060)	-	-
	115,387,919	463,628,659	105,471,842	425,789,826

Current accounts maintained at local banks and financial institutions are non-interest bearing. Saving accounts and fixed deposits earn interest rates as follows:

	2018	2017
Savings accounts	0.05% - 0.50%	0.05%
Fixed deposits	1.80% - 7.00%	1.80% - 7.00%

Balances with other banks and financial institutions are analysed as follows:



(a) By maturity

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Within 1 month	55,645,479	223,583,535	46,617,523	188,194,940
2 to 3 months	21,984,692	88,334,492	15,000,000	60,555,000
4 to 6 months	14,018,597	56,326,723	14,321,498	57,815,888
7 to 12 months	24,909,151	100,084,969	29,532,821	119,223,998
	<u>116,557,919</u>	<u>468,329,719</u>	<u>105,471,842</u>	<u>425,789,826</u>

(b) By currency

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
US Dollars	102,902,881	413,463,776	96,463,594	389,423,529
Khmer Riel	13,045,820	52,418,105	8,336,457	33,654,277
Euro	226,570	910,358	370,961	1,497,569
Thai Baht	54,517	219,049	60,987	246,205
Singapore Dollars	285,014	1,145,186	230,349	929,919
Chinese Yuan	43,117	173,245	9,494	38,327
	<u>116,557,919</u>	<u>468,329,719</u>	<u>105,471,842</u>	<u>425,789,826</u>

7. Investment in debt securities

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Corporate bonds	4,977,601	20,000,001	-	-
Allowance for impairment	(50,000)	(200,900)	-	-
	<u>4,927,601</u>	<u>19,799,101</u>	<u>-</u>	<u>-</u>

Notes to the financial statements (Continued)

For the year ended 31 December 2018

8. Loans to customers

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Term loans	198,251,249	796,573,518	142,203,802	574,076,749
Overdrafts	59,988,568	241,034,066	65,389,465	263,977,270
Trust receipts	1,009,027	4,054,270	1,605,872	6,482,905
Credit cards	1,271,724	5,109,787	1,042,724	4,209,477
Staff loans	1,005,235	4,039,035	1,166,385	4,708,696
	261,525,803	1,050,810,676	211,408,248	853,455,097
Interest receivable	629,453	2,529,143	469,952	1,897,196
Interest in suspense	-	-	(16)	(65)
	629,453	2,529,143	469,936	1,897,131
Allowance for loan losses:				
Specific	(3,319)	(13,336)	(13,765)	(55,569)
General	(2,628,061)	(10,559,549)	(2,124,256)	(8,575,621)
	(2,631,380)	(10,572,885)	(2,138,021)	(8,631,190)
Net loans to customers	259,523,876	1,042,766,934	209,740,163	846,721,038

Movements of allowance for loan losses were as follows:

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
At beginning of the year	2,138,021	8,590,568	1,988,446	8,027,356
Charges during the year	509,671	2,047,858	149,575	603,834
Written off during the year	(16,312)	(65,541)	-	-
	2,631,380	10,572,885	2,138,021	8,631,190



The gross loans to customers are analysed as follows:

(a) By classification

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Standard loans				
Secured	240,560,907	966,573,724	200,155,131	808,026,264
Unsecured	20,854,260	83,792,417	11,237,176	45,364,479
Special-mention loans				
Secured	110,636	444,535	-	-
Unsecured	-	-	-	-
Sub-standard loans				
Secured	-	-	-	-
Unsecured	-	-	2,720	10,981
Loss loans				
Secured	-	-	-	-
Unsecured	-	-	13,221	53,373
	<u>261,525,803</u>	<u>1,050,810,676</u>	<u>211,408,248</u>	<u>853,455,097</u>

Unsecured loans represent the uncollateralised loans which consist of loans to micro-finance institutions of US\$26,090,623 (2017: US\$12,933,097) and loans secured by soft title deeds.

Notes to the financial statements (Continued)

For the year ended 31 December 2018

8. Loans to customers (Continued)

(b) By industry

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Retails	22,749,120	91,405,964	26,557,261	107,211,662
Financial institutions	26,090,623	104,832,123	12,933,097	52,210,913
Services	74,489,492	299,298,779	61,724,492	249,181,774
Construction	26,424,958	106,175,481	13,191,771	53,255,180
Wholesale	30,288,381	121,698,715	35,352,642	142,718,616
Manufacturing	21,254,654	85,401,200	23,757,413	95,908,676
Real estate	44,998,031	180,802,088	27,494,956	110,997,137
Agriculture	1,978,480	7,949,533	2,284,828	9,223,851
Others	13,252,064	53,246,793	8,111,788	32,747,288
	<u>261,525,803</u>	<u>1,050,810,676</u>	<u>211,408,248</u>	<u>853,455,097</u>

(c) By exposure

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Large exposure	80,877,239	324,964,746	62,142,069	250,867,532
Non-large exposure	180,648,564	725,845,930	149,266,179	602,587,565
	<u>261,525,803</u>	<u>1,050,810,676</u>	<u>211,408,248</u>	<u>853,455,097</u>

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



(d) By maturity

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Within 1 month	63,163,451	253,790,746	69,337,171	279,914,159
1 to 3 months	429,125	1,724,224	677,049	2,733,247
4 to 6 months	685,618	2,754,813	1,655,114	6,681,695
7 to 12 months	765,776	3,076,888	669,103	2,701,169
1 to 5 years	75,867,149	304,834,205	46,306,814	186,940,608
Over 5 years	120,614,684	484,629,800	92,762,997	374,484,219
	<u>261,525,803</u>	<u>1,050,810,676</u>	<u>211,408,248</u>	<u>853,455,097</u>

(e) By currency

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
US dollars	240,785,711	967,476,987	207,484,319	837,614,196
Khmer Riels	20,740,092	83,333,689	3,923,929	15,840,901
	<u>261,525,803</u>	<u>1,050,810,676</u>	<u>211,408,248</u>	<u>853,455,097</u>

On 1 December 2016, the NBC issued a Prakas No. B7-016-334 on Provision of Credit in National Currency of Banking and Financial Institutions, required all institutions to have loans in national currency (KHR) at least 10% of the total loan portfolio. The Bank is required to fully implement this requirement by 31 December 2019.

Notes to the financial statements (Continued)

For the year ended 31 December 2018

8. Loans to customers (Continued)

(f) By residency status

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Residents	261,525,803	1,050,810,676	211,408,248	853,455,097

(g) By relationship

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
External customers	260,476,027	1,046,592,676	210,241,863	848,746,401
Staff	1,049,776	4,218,000	1,166,385	4,708,696
	261,525,803	1,050,810,676	211,408,248	853,455,097

(h) By interest rate (per annum)

	2018	2017
Term loans	7.00% - 12.00%	7.00% - 13.20%
Overdrafts	7.00% - 12.00%	7.00% - 13.20%
Trust receipts	7.00% - 8.00%	7.00% - 8.00%
Credit cards	18.00% - 24.00%	18.00% - 24.00%
Staff loans	4.00% - 5.00%	4.00% - 5.00%

9. Other assets

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Prepayments and deposits	1,225,178	4,922,765	1,146,075	4,626,705
Interest receivable from balances with the NBC and other banks	895,276	3,597,219	805,139	3,250,346
Others	104,773	420,978	114,946	464,037
	<u>2,225,227</u>	<u>8,940,962</u>	<u>2,066,160</u>	<u>8,341,088</u>

Notes to the financial statements (Continued)

For the year ended 31 December 2018

10. Property and equipment

For the year ended 31 December 2018									
Cost									
At 1 January 2018	9,894,789	2,607,676	1,711,694	1,237,211	4,138,584	965,193	8,526	20,563,673	
Additions	-	-	41,381	149,213	454,625	44,450	144,150	833,819	
Transfers	-	-	-	7,046	296	-	(7,342)	-	
At 31 December 2018	9,894,789	2,607,676	1,753,075	1,393,470	4,593,505	1,009,643	145,334	21,397,492	
Less: accumulated depreciation									
At 1 January 2018	-	1,238,240	850,203	893,876	3,145,809	711,346	-	6,839,474	
Depreciation for the year	-	130,383	174,419	97,147	442,011	70,483	-	914,443	
At 31 December 2018	-	1,368,623	1,024,622	991,023	3,587,820	781,829	-	7,753,917	
Carrying amounts									
At 31 December 2018	9,894,789	1,239,053	728,453	402,447	1,005,685	227,814	145,334	13,643,575	
In KHR'000 equivalents	39,757,262	4,978,515	2,926,924	1,617,032	4,040,842	915,357	583,952	54,819,884	



	Computers							
	Land US\$	Buildings US\$	Leasehold improvement US\$	Furniture and fitting US\$	Computers and office equipment US\$	Motor vehicles US\$	Work in progress US\$	Total US\$
For the year ended 31 December 2017								
Cost								
At 1 January 2017	9,894,789	2,607,676	1,703,885	1,135,563	3,772,157	828,703	-	19,942,773
Additions	-	-	7,809	101,648	427,922	136,490	8,526	682,395
Disposal	-	-	-	-	(61,495)	-	-	(61,495)
At 31 December 2017	9,894,789	2,607,676	1,711,694	1,237,211	4,138,584	965,193	8,526	20,563,673
Less: Accumulated depreciation								
At 1 January 2017	-	1,107,856	636,471	802,382	2,744,980	661,954	-	5,953,643
Depreciation for the year	-	130,384	213,732	91,494	462,087	49,392	-	947,089
Disposal	-	-	-	-	(61,258)	-	-	(61,258)
At 31 December 2017	-	1,238,240	850,203	893,876	3,145,809	711,346	-	6,839,474
Carrying amounts								
At 31 December 2017	9,894,789	1,369,436	861,491	343,335	992,775	253,847	8,526	13,724,199
In KHR'000 equivalents	39,945,263	5,528,413	3,477,839	1,386,044	4,007,833	1,024,780	34,419	55,404,591

Notes to the financial statements (Continued)

For the year ended 31 December 2018

11. Intangible assets

	Computer Software Licences			
	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Cost				
At 1 January	2,520,291	10,126,529	2,433,702	9,824,855
Additions	126,200	507,072	86,589	349,560
At 31 December	2,646,491	10,633,601	2,520,291	10,174,415
Less: accumulated amortisation				
At 1 January	2,284,850	9,180,527	2,123,384	8,572,101
Amortization for the year	145,027	582,718	161,466	651,839
At 31 December	2,429,877	9,763,245	2,284,850	9,223,940
Carrying Amounts				
At 31 December	216,614	870,356	235,441	950,475

12. Deposits from other banks

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Current accounts	1,332,226	5,352,884	1,743,766	7,039,583



The above amounts are analysed as follows:

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
(a) By maturity:				
Within 1 month	1,332,226	5,352,884	1,743,766	7,039,583
(b) By residency status				
Residents	1,332,226	5,352,884	1,743,766	7,039,583
(c) By relationship				
External customers	1,332,226	5,352,884	1,743,766	7,039,583
(d) By currency				
US dollars	922,483	3,706,537	1,037,965	4,190,265
Khmer Riels	409,743	1,646,347	705,801	2,849,318
	1,332,226	5,352,884	1,743,766	7,039,583

13. Deposits from non-bank customers

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Current accounts	239,871,252	963,802,691	155,939,511	629,527,806
Savings accounts	110,341,438	443,351,898	73,936,301	298,480,847
Fixed deposits	189,459,748	761,249,267	163,346,611	659,430,269
Margin deposits	618,293	2,484,301	28,621	115,543
	540,290,731	2,170,888,157	393,251,044	1,587,554,465

Notes to the financial statements (Continued)

For the year ended 31 December 2018

13. Deposits from non-bank customers (Continued)

Margin deposits represent the aggregate balance of required non-interest bearing cash deposits from customers for letters of credit and guarantee (Note 28).

The above amounts are analysed as follows:

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
(a) By maturity				
Within 1 month	389,102,005	1,563,411,856	261,100,437	1,054,062,464
2 to 3 months	45,394,982	182,397,037	35,423,273	143,003,753
4 to 6 months	37,281,881	149,798,598	21,187,315	85,533,191
7 to 12 months	68,511,863	275,280,666	75,540,019	304,955,057
	<u>540,290,731</u>	<u>2,170,888,157</u>	<u>393,251,044</u>	<u>1,587,554,465</u>
(b) By residency status				
Residents	540,260,808	2,170,767,926	393,094,540	1,586,922,658
Non-residents	29,923	120,231	156,504	631,807
	<u>540,290,731</u>	<u>2,170,888,157</u>	<u>393,251,044</u>	<u>1,587,554,465</u>
(c) By relationship				
External customers	529,822,628	2,128,827,319	385,326,323	1,555,562,366
Related parties	10,468,103	42,060,838	7,924,721	31,992,099
	<u>540,290,731</u>	<u>2,170,888,157</u>	<u>393,251,044</u>	<u>1,587,554,465</u>
(d) By currency				
US Dollars	467,600,164	1,878,817,459	352,889,566	1,424,615,178
Khmer Riel	72,690,567	292,070,698	40,361,478	162,939,287
	<u>540,290,731</u>	<u>2,170,888,157</u>	<u>393,251,044</u>	<u>1,587,554,465</u>



(e) By interest rate

The margin deposits are non-interest bearing. The current, savings and fixed deposits bear the following interest rates per annum:

	2018	2017
Current deposits	0.00% - 0.50%	0.00% - 0.50%
Savings accounts	0.50% - 1.00%	0.00% - 0.50%
Fixed deposits	1.50% - 5.00%	1.50% - 5.00%

14. Other liabilities

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Interest payable	2,171,940	8,726,855	1,985,269	8,014,531
Accrued bonuses	491,498	1,974,839	445,208	1,797,305
Others	257,502	1,034,643	239,151	965,451
	<u>2,920,940</u>	<u>11,736,337</u>	<u>2,669,628</u>	<u>10,777,287</u>

15. Taxation

(a) Income tax liabilities

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
At 1 January	712,332	2,875,684	1,019,527	4,115,830
Current income tax expense	1,556,705	6,254,841	923,259	3,727,196
Income tax paid	(974,021)	(3,913,616)	(1,230,453)	(4,967,342)
Currency translation differences	-	(13,535)	-	-
At 31 December	<u>1,295,016</u>	<u>5,203,374</u>	<u>712,332</u>	<u>2,875,684</u>

Based on the assessment of compliance with tax law and regulation, the Bank believes that the above provision for income tax is sufficient for all open tax years.

Notes to the financial statements (Continued)

For the year ended 31 December 2018

15. Taxation (Continued)

(b) Deferred tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Deferred income taxes are calculated on temporary differences under the liability method using a tax rate of 20% (2017: 20%).

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Deferred tax assets	705,007	2,832,718	185,363	748,310
Deferred tax liabilities	(139,092)	(558,872)	(138,892)	(560,707)
Net deferred tax assets	565,915	2,273,846	46,471	187,603

The movement of net deferred tax assets/(liabilities) during the year was as follows:

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
At 1 January	46,471	187,603	(26,924)	(108,692)
Charge to income statement	519,444	2,087,126	73,395	296,295
Currency translation differences	-	(883)	-	-
At 31 December	565,915	2,273,846	46,471	187,603



Deferred tax assets/(liabilities) were attributed to the following:

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Deferred tax assets				
Allowance for loan losses	613,007	2,463,062	185,363	748,310
Employee benefit obligations	92,000	369,656	-	-
Deferred tax liabilities				
Accelerated tax depreciation and amortisation	(139,092)	(558,872)	(138,892)	(560,707)
	<u>565,915</u>	<u>2,273,846</u>	<u>46,471</u>	<u>187,603</u>

(c) Income tax expense

	For the year ended 31 December 2018		For the year ended 31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Current income tax	1,556,705	6,254,841	923,259	3,727,196
Deferred tax	(519,444)	(2,087,126)	(73,395)	(296,295)
	<u>1,037,261</u>	<u>4,167,715</u>	<u>849,864</u>	<u>3,430,901</u>

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

Notes to the financial statements (Continued)

For the year ended 31 December 2018

15. Income tax (Continued)

(c) Income tax expense (Continued)

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

	For the year ended 31 December 2018		For the year ended 31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Profit before income tax	5,190,230	20,854,344	4,277,722	17,269,163
Tax at application income tax rate at 20%	1,038,046	4,170,869	855,544	3,453,831
Effect of non-taxable income	(785)	(3,154)	(1,980)	(7,993)
Effect on deferred tax not recognised in prior years	-	-	(3,700)	(14,937)
Income tax expenses	1,037,261	4,167,715	849,864	3,430,901

The tax returns of the Bank are subject to periodic examination by the General Department of Taxation. As the application of tax laws and regulations to various types of transactions is susceptible to varying interpretations, amounts reported in the financial statements of the Bank could be changed, upon final determination by the General Department of Taxation.

16. Provision for impairment

In accordance with the Prakas on Credit Risk Grading and Impairment Provisioning dated 1 December 2017 and Circular on Implementation of Prakas on Credit Risk Grading and Impairment Provisioning dated 16 February 2018 issued by the NBC, banks and financial institutions are required to provide provision on off-balance sheet items.

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
At the beginning of the year	-	-	-	-
Charge during the year	411,094	1,651,776	-	-
At the end of the year	411,094	1,651,776	-	-



17. Employee Benefit Obligations

This represents the seniority payments obliged by the Bank in accordance with the Prakas on Seniority Payment issued by the Ministry of Labour and Vocational Training on 21 September 2018.

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
At the beginning of the year	-	-	-	-
Additions during the year	460,000	1,848,280	-	-
Payments made during the year	-	-	-	-
At the end of the year	460,000	1,848,280	-	-

18. Share capital

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Registered, issued and fully paid ordinary share of US\$100 each	75,000,000	301,350,000	75,000,000	302,775,000

The details of shareholding were as follows:

	31 December 2018		31 December 2017	
	Holding %	Number of shares of	Holding %	Number of shares of
Oknha Sam Ang	40%	300,000	40%	300,000
Madam Chhun Leang	40%	300,000	40%	300,000
Oknha Sam Ang Vattanac	20%	150,000	20%	150,000
	100%	750,000	100%	750,000

The Bank increased its paid-up share capital from US\$64,500,000 to US\$75,000,000 by way of capitalization of its retained earnings which was approved by the National Bank of Cambodia on 20 April 2017.

Notes to the financial statements (Continued)

For the year ended 31 December 2018

18. Share capital (Continued)

The increase is in compliance with the NBC Prakas No. B7-016-117 Prokor on Minimum Registered Capital dated 22 March 2016, which requires a new minimum registered capital of KHR 300 billion (approximately US\$75 million), by 22 March 2018.

19. Interest income

	For the year ended 31 December 2018		For the year ended 31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Loans to customers	17,327,404	69,621,509	14,462,456	58,384,935
Balances with the NBC	365,218	1,467,446	367,364	1,483,049
Balances with other banks and financial institutions	2,610,728	10,489,905	1,670,038	6,741,943
	<u>20,303,350</u>	<u>81,578,860</u>	<u>16,499,858</u>	<u>66,609,927</u>

20. Interest expense

	For the year ended 31 December 2018		For the year ended 31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Fixed deposits	6,253,250	25,125,559	6,159,079	24,864,202
Savings deposits	569,864	2,289,714	445,874	1,799,993
Current deposits	293,880	1,180,809	179,929	726,374
	<u>7,116,994</u>	<u>28,596,082</u>	<u>6,784,882</u>	<u>27,390,569</u>



21. Allowance for credit facilities

	For the year ended 31 December 2018		For the year ended 31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Allowance for loan losses	509,671	2,047,858	149,575	603,834
Allowance for impairment on Deposits and placements with other banks and financial institutions	1,170,000	4,701,060	-	-
Allowance for corporate bonds	50,000	200,900	-	-
Allowance for off-balance sheet items	411,094	1,651,776	-	-
	<u>2,140,765</u>	<u>8,601,594</u>	<u>149,575</u>	<u>603,834</u>

22. Net fee and commission income

	For the year ended 31 December 2018		For the year ended 31 December 2017	
	US\$	KHR'000	US\$	KHR'000
<i>Fee and commission income:</i>				
Fund transfer fees	1,123,885	4,515,771	1,007,503	4,067,290
Loan processing and commitment fees	1,448,357	5,819,498	1,053,403	4,252,588
Visa card related fees	1,232,094	4,950,554	936,502	3,780,658
Trade finance	278,927	1,120,729	204,104	823,968
ATM fees	12,461	50,068	19,129	77,224
Other fees and commissions	215,904	867,501	205,372	829,086
	<u>4,311,628</u>	<u>17,324,121</u>	<u>3,426,013</u>	<u>13,830,814</u>
Fee and commission expense	<u>(33,843)</u>	<u>(135,981)</u>	<u>(39,185)</u>	<u>(158,190)</u>
Net fee and commission income	<u>4,277,785</u>	<u>17,188,140</u>	<u>3,386,828</u>	<u>13,672,624</u>

Notes to the financial statements (Continued)

For the year ended 31 December 2018

23. Other income - net

	For the year ended 31 December 2018		For the year ended 31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Net gains on foreign exchange	402,771	1,618,334	322,164	1,300,576
Recoveries from written-off loans	-	-	14,050	56,720
Other income	61,311	246,347	53,612	216,432
	<u>464,082</u>	<u>1,864,681</u>	<u>389,826</u>	<u>1,573,728</u>

24. Personnel expenses

The personnel expenses consist of the salaries and wages, bonuses, incentive and other short term and long-term benefits. Included in personnel expenses is an amount of US\$999,675 (2017: US\$939,736) representing the directors' fees and remuneration.

25. Depreciation and amortisation

	For the year ended 31 December 2018		For the year ended 31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Depreciation (Note 10)	914,443	3,674,232	947,089	3,823,398
Amortisation (Note 11)	145,027	582,718	161,466	651,839
	<u>1,059,470</u>	<u>4,256,950</u>	<u>1,108,555</u>	<u>4,475,237</u>



26. Other operating expenses

	For the year ended 31 December 2018		For the year ended 31 December 2017	
	US\$	KHR'000	US\$	KHR'000
IT and communication	1,253,733	5,037,499	847,140	3,419,904
Rental and utilities	1,221,673	4,908,682	1,106,414	4,466,593
Repairs and maintenance	780,270	3,135,125	663,479	2,678,465
Bank licence fees	230,819	927,431	198,416	801,005
Marketing and advertising	184,301	740,521	123,448	498,360
Office supplies	108,564	436,210	103,242	416,788
Insurance	68,468	275,104	73,916	298,399
Travelling expenses	37,657	151,306	25,106	101,353
Other expenses	176,301	708,378	107,042	432,129
	<u>4,061,786</u>	<u>16,320,256</u>	<u>3,248,203</u>	<u>13,112,996</u>

Notes to the financial statements (Continued)

For the year ended 31 December 2018

27. Cash and cash equivalents

For the purpose of statement of cash flows, the cash and cash equivalents comprise of:

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Cash on hand	27,191,141	109,254,005	19,857,577	80,165,038
<i>Balances with the NBC:</i>				
Current accounts	35,204,094	141,450,050	28,708,184	115,894,939
Settlement accounts	9,845,294	39,558,391	11,107,050	44,839,161
NCD	92,285,963	370,804,999	30,370,795	122,606,899
<i>Balances with other banks and financial institutions:</i>				
Savings accounts	1,959,685	7,874,014	3,214,548	12,977,130
Current accounts	50,287,586	202,055,521	39,402,975	159,069,810
Fixed deposits	12,007,091	48,244,492	8,000,000	32,296,000
	<u>228,780,854</u>	<u>919,241,472</u>	<u>140,661,129</u>	<u>567,848,977</u>

The above fixed deposits with NBC and other banks and financial institutions have the original maturities of three months or less.

28. Commitments and contingencies

(a) Loan commitments, guarantees and other financial liabilities

The Bank had the contractual amounts of the Bank's off-balance sheet financial instruments that commit it to extend credit to customers, guarantees and other facilities as follows:

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Unused overdrafts	30,546,126	122,734,335	24,681,595	99,639,599
Letters of credits	7,756,480	31,165,537	5,165,042	20,851,275
Bank guarantees and others	789,735	3,173,155	682,098	2,753,630
Acceptance	2,766,901	11,117,408	3,629,590	14,652,655
	<u>41,859,242</u>	<u>168,190,435</u>	<u>34,158,325</u>	<u>137,897,159</u>



(b) Operating lease commitments

The Bank leases some office buildings under non-cancellable operating lease agreements. The majority of lease agreements are from shareholders/directors and renewable at the end of the lease term.

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Not later than one year	784,967	3,153,997	1,097,318	4,429,873
Later than one year and no later than five years	1,790,000	7,192,220	1,693,567	6,836,930
Later than five years	641,000	2,575,538	554,000	2,236,498
	<u>3,215,967</u>	<u>12,921,755</u>	<u>3,344,885</u>	<u>13,503,301</u>

29. Related party balances and transactions

The volumes of related party transactions, outstanding balances at year end, and related expenses and income for the year were as follows:

(a) Deposits from related parties

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Shareholders/directors	8,229,491	33,066,095	7,054,714	28,479,880
Related companies*	2,238,612	8,994,743	870,007	3,512,218
	<u>10,468,103</u>	<u>42,060,838</u>	<u>7,924,721</u>	<u>31,992,098</u>

* Related companies include companies invested in by of the Bank's shareholders.

The deposits from shareholders/directors and related companies bear interest rate ranging from 0.50% to 5.00% per annum (2017: 0.50% to 5.00%).

Notes to the financial statements (Continued)

For the year ended 31 December 2018

29. Related party balances and transactions (Continued)

(b) Interest expense on deposits from related parties

	For the year ended 31 December 2018		For the year ended 31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Shareholders/directors	178,370	716,691	103,787	418,988
Related companies	14,030	56,373	9,506	38,376
	<u>192,400</u>	<u>773,064</u>	<u>113,293</u>	<u>457,364</u>

(c) Interest, fees and commission income from related parties

	For the year ended 31 December 2018		For the year ended 31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Shareholders/directors	8,632	34,683	2,777	11,211
Related companies	56,987	228,974	48,474	195,690
	<u>65,619</u>	<u>263,657</u>	<u>51,251</u>	<u>206,901</u>

(d) Compensation to shareholders/directors

	For the year ended 31 December 2018		For the year ended 31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Directors' fees and remuneration	999,675	4,016,694	939,736	3,793,714
Rental of land and buildings from shareholders/directors	380,000	1,526,840	315,000	1,271,655
	<u>1,379,675</u>	<u>5,543,534</u>	<u>1,254,736</u>	<u>5,065,369</u>



30. Financial risk management

(a) Overview

The Bank has exposures to the following risks:

- Operational risk
- Credit risk
- Market risk
- Liquidity risk

The Bank does not use derivative financial instruments such as foreign exchange contract and interest rate swaps to manage its risk exposures.

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

The Risk Management and Compliance Committee was established to assist the Board of Directors in its role and responsibilities over risk management and compliance of the Bank relating to risks in business operations and risk monitoring process. These include risk identification, risk management, risk monitoring and effective compliance with laws and regulations in accordance with the Bank's risk management policies approved by the Board of Directors. The Risk Management and Compliance Department plays an important role on a day-to-day basis in assisting the Risk Management and Compliance Committee to monitor the potential risks associated with the operations of the Bank and its branches and compliance controls of the Bank to meet the requirements of laws and regulations including laws and Prakas on Anti-Money Laundering and Combating the Financing of Terrorism set out by the NBC.

The Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee. In addition, the Audit Committee monitors and evaluates the efficiency of the management structure, policies and procedures, activities and operations of the Bank as well as compliance with laws and regulations.

The New Activities and Products Committee was established to assist the Board of Directors to ensure that policies, charters and guidelines are in place in order to assess, evaluate and mitigate the risks pertaining to new products/new activities to be introduced.

Notes to the financial statements (Continued)

For the year ended 31 December 2018

30. Financial risk management (Continued)

(b) Operational risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. This includes legal risk, but excludes reputational and strategic risk. Legal risk includes, but is not limited to, exposure to fines, penalties, or punitive damage resulting from supervisory actions, as well as private settlements.

The operational risk losses are managed through establishing operational risk management processes, proper monitoring and reporting of the business activities by the operational risk committee and oversight provided by the senior management of the Bank.

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

(c) Credit risk

Credit risk is the financial loss to the Bank if a borrower or counterparty fails to meet its contractual obligations, and arises principally from the loans to customers with other banks and financial institutions.

(i). Management of credit risk

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

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



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

(ii). Risk limit control and mitigation policies

The Bank operates and provides loans to individuals or enterprises within the Kingdom of Cambodia. The Bank manages limits and controls concentration of credit risk whenever they are identified. Large exposure is defined by the NBC as overall credit exposure to any individual beneficiary which exceeds 10% of the Bank's net worth.

The Bank is required, unless prior approval from the NBC is obtained, under the conditions of Prakas No. B7-06-226 of the NBC to maintain at all times a maximum ratio of 20% between the Bank's overall credit exposure to any individual beneficiary and the Bank's net worth. The aggregation of large credit exposure must not exceed 300% of the Bank's net worth.

To manage the exposure risk, the Bank has closely monitored on large credits, impaired credits and the overall level of provisioning on a regular basis and upon requested by the Credit Committee. To protect the Bank from the non-compliance on the large exposure, the Board of Directors adopted the alert limits of 15% for single borrower and 250% for the aggregation of the large credit exposure.

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security in the form of collateral for loans to customers, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral. The principal collateral types to secure for loans to customers are:

- Hypothec/mortgages over residential and business properties (land, buildings and other properties); and
- Cash in the form of fixed and margin deposits.

Notes to the financial statements (Continued)

For the year ended 31 December 2018

30. Financial risk management (Continued)

(c) Credit risk (Continued)

(iii). Exposure to credit risk

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
<i>Credit risks exposures relating to on-balance sheet assets:</i>				
Balances with other banks and financial institutions	115,387,919	463,628,659	105,471,842	425,789,826
Investment in debt securities	4,927,601	19,799,101	-	-
Loans to customers	259,523,876	1,042,766,934	209,740,163	846,721,038
Other assets	1,454,089	5,842,530	1,316,552	5,314,921
<i>Credit risk exposures relating to off-balance sheet items:</i>				
Unused portion of overdrafts	30,546,126	122,734,335	24,681,595	99,639,599
Guarantees, acceptances and other financial facilities	11,313,116	45,456,100	9,476,730	38,257,560
	<u>423,152,727</u>	<u>1,700,227,659</u>	<u>350,686,882</u>	<u>1,415,722,944</u>

The above table represents a worst case scenario of credit risk exposure to the Bank at 31 December 2018 and 2017, without taking account of any collateral held or other credit enhancement attached. For on-balance sheet assets, the exposures set out above are based on net carrying amounts.

As shown above, 61.33% of total maximum exposure is derived from loans to customers (2017: 59.81%).

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Bank resulting from its loans on the followings:

- Approximately 92% (2017: 95%) of the loans of the Bank are collateralised. Loans granted by the Bank are at approximately 30% to 60% of the collateral value.
- The Bank has a credit evaluation process in place for granting loans to customers.



	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Loans:				
Neither past due nor impaired	261,415,167	1,050,366,141	211,392,307	853,390,743
Past due but not impaired	110,636	444,535	-	-
Individually impaired	-	-	15,941	64,354
	261,525,803	1,050,810,676	211,408,248	853,455,097
Interest receivable	629,453	2,529,143	469,952	1,897,196
Interest in suspense	-	-	(16)	(65)
Allowance for loans losses	(2,631,380)	(10,572,885)	(2,138,021)	(8,631,190)
	259,523,876	1,042,766,934	209,740,163	846,721,038

Impaired loans

Individually impaired loans to customers are loans for which the Bank determines that there is objective evidence of impairment and it does not expect to collect all principal and interest due according to the contractual terms of the loans.

In accordance with Prakas No. B7-017-344 dated 1 December 2017 on the classification and provisioning for loan losses and Circular No. B7-018-001 dated on 16 February 2018 on the Implementation of Prakas on Credit Risk Grading and Impairment Provisioning, loans and advances more than 30 days and 89 days past due for short-term loans and long-term loans, respectively are considered impaired and a minimum level of specific provision for impairment is made depending on the classification concerned, unless other information is available to indicate the contrary. Refer to accounting policy stated in Note 2.7.

The credit exposure arising from off-balance sheet activities, i.e. commitments and contingencies, is disclosed in Note 28.

Past due but not impaired loans

Past due but not impaired loans are those for which contractual interest or principal payments are past due less than 31 days and 90 days for short-term and long-term loans, respectively, unless other information is available to indicate otherwise. Refer to accounting policy stated in Note 2.7.

Notes to the financial statements (Continued)

For the year ended 31 December 2018

30. Financial risk management (Continued)

(c) Credit risk (Continued)

(iii). Exposure to credit risk (Continued)

Loans with renegotiated terms/restructured loans

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

Once the loan is restructured it remains in the same category regardless of satisfactory performance after restructuring. The classification is not improved unless there are no arrears in repayment of principal and interest within six instalment periods for loans with monthly repayment and within one year for loan with quarterly and semi-annual repayment.

Write-off policy

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

Collateral

The Bank holds collateral against loans in the form of mortgage interests over property and/or guarantees. The value of collateral is based on the valuation performed internally and externally by the Bank and the external property appraisers, respectively. It is not practical to obtain fair value of all collaterals due to costs of obtaining such information outweigh the potential benefits. The Bank's policy is to fund approximately 30%-60% of the collateral value. Under NBC regulations, the value of collateral is not taken into account when determining the allowance for loan losses.

Concentration of credit risk

The analysis of concentrations of credit risk from loans to customers at the balance date are shown in Note 8 to the financial statements.



(d) Market risk

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

As of 31 December 2018, the Bank did not have financial instruments carried at fair value. The Bank does not use derivative financial instruments such as foreign exchange contract and interest rate swaps to hold its risk exposures.

(i) Foreign currency exchange risk

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

As of 31 December 2018, balances of the Bank's foreign currency denominated monetary assets and monetary liabilities in currencies other KHR are not significant.

Notes to the financial statements (Continued)

For the year ended 31 December 2018

30. Financial risk management (Continued)

(d) Market risk (Continued)

(i). Foreign currency exchange risk (Continued)

The carrying amounts of the Bank's KHR denominated monetary assets and monetary liabilities at the end of reporting period were as follows:

	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
Assets				
Cash on hand	950,293	3,818,278	521,047	2,103,467
Deposits with the National Bank of Cambodia	35,263,644	141,689,322	27,425,515	110,716,804
Deposits and placements with other banks and financial institutions	13,045,820	52,418,105	8,336,458	33,654,281
Investment in debt securities	4,977,601	20,000,001	-	-
Loans to customers	20,740,092	83,333,689	3,923,929	15,840,901
Liabilities				
Deposits from other banks	409,743	1,646,347	705,801	2,849,318
Deposits from customers	72,690,567	292,070,698	40,361,478	162,939,287
Currency sensitivity gap	1,877,140	7,542,350	(860,330)	(3,473,152)

The Bank is mainly exposed to KHR. The following table details the Bank's sensitivity to a 0.26% (the average fluctuation in currency translation from 2015 to 2018) increase and decrease in the functional currency against the relevant foreign currency. 0.26% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The following table demonstrates the sensitivity analysis of the Bank to a reasonable possible change in KHR exchange rate at 0.26% against functional currency of the Bank, with other variables held constant.



	31 December 2018		31 December 2017	
	US\$	KHR'000	US\$	KHR'000
US\$/KHR				
Strengthen by 0.26% (2017: 0.26%)				
- Profit or loss	3,915	15,730	(1,786)	(7,176)
- Equity	3,915	15,730	(1,786)	(7,176)
Weaken by 0.26% (2017: 0.26%)				
- Profit or loss	(3,915)	(15,730)	1,786	7,176
- Equity	(3,915)	(15,730)	1,786	7,176

(ii). Interest rate risk

Interest rate risk refers to the volatility in net interest income as a result of changes in the levels of interest rate and shifts in the composition of the assets and liabilities. Interest rate risk is managed through close monitoring of returns on investment, market pricing, cost of funds and through interest rate repricing gap. The potential reduction in net interest income from an unfavourable interest rate movement is monitored by Asset-Liability Committee.

No sensitivity analysis is presented for interest rate risk as the Bank has no financial instruments exposed to variable interest rate as of the reporting date.

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

Notes to the financial statements (Continued)

For the year ended 31 December 2018

30. Financial risk management (Continued)

(d) Market risk (Continued)

(ii). Interest rate risk (Continued)

	Up to 1 month US\$	1 – 3 months US\$	3 – 12 months US\$	1 – 5 years US\$	Over 5 years US\$	Non-interest sensitive US\$	Total US\$
At 31 December 2018							
Assets							
Cash on hand	-	-	-	-	-	27,191,141	27,191,141
Balances the NBC	88,417,123	3,868,840	7,500,000	-	-	107,254,654	207,040,617
Balances with other banks and financial institutions *	54,350,843	21,984,692	38,927,748	-	-	1,294,636	116,557,919
Investment in debt securities **	-	-	-	4,977,601	-	-	4,977,601
Loans to customers ***	63,163,451	429,125	1,451,394	75,867,149	120,614,684	-	261,525,803
Other assets	-	-	-	-	-	1,454,089	1,454,089
	205,931,417	26,282,657	47,879,142	80,844,750	120,614,684	137,194,520	618,747,170
Liabilities							
Deposits from other banks	-	-	-	-	-	1,332,226	1,332,226
Deposits from customers	223,143,860	45,394,982	105,793,744	-	-	165,958,145	540,290,731
Other liabilities	-	-	-	-	-	2,663,438	2,663,438
	223,143,860	45,394,982	105,793,744	-	-	169,953,809	544,286,395
Interest rate repricing gap							
	(17,212,443)	(19,112,325)	(57,914,602)	80,844,750	120,614,684	(32,759,289)	74,460,775
In KHR'000 equivalents							
	(69,159,594)	(76,793,322)	(232,700,871)	324,834,206	484,629,800	(131,626,825)	299,183,394



* Gross balances with other banks and financial institutions excluding allowance for impairment.

** Gross Investment in debt securities excluding allowance for impairment.

*** Gross loans to customers excluding interest receivables, interest in suspense and allowance for loan losses.

At 31 December 2017

Assets

	Up to 1 month US\$	1 – 3 months US\$	3 – 12 months US\$	1 – 5 years US\$	Over 5 years US\$	Non-interest sensitive US\$	Total US\$
Cash on hand	-	-	-	-	-	19,857,577	19,857,577
Balances the NBC	26,348,774	4,022,021	-	-	24,096,000	72,627,631	127,094,426
Balances with other banks and financial institutions	45,916,357	15,000,000	43,854,319	-	-	701,166	105,471,842
Loans to customers ***	69,337,171	677,049	2,324,217	46,306,814	92,762,997	-	211,408,248
Other assets	-	-	-	-	-	1,316,552	1,316,552
	141,602,302	19,699,070	46,178,536	46,306,814	116,858,997	94,502,926	465,148,645

Liabilities

Deposits from other banks	-	-	-	-	-	1,743,766	1,743,766
Deposits from customers	155,294,929	35,423,273	96,727,334	-	-	105,805,508	393,251,044
Other liabilities	-	-	-	-	-	2,430,477	2,430,477
	155,294,929	35,423,273	96,727,334	-	-	109,979,751	397,425,287

Interest rate repricing gap

	(13,692,627)	(15,724,203)	(50,548,798)	46,306,814	116,858,997	(15,476,825)	67,723,358
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In KHR'000 equivalents

	(55,277,135)	(63,478,608)	(204,065,498)	186,940,608	471,759,771	(62,479,942)	273,399,196
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*** Gross loans to customers excluding interest receivables, interest in suspense and allowance for loan losses.

Notes to the financial statements (Continued)

For the year ended 31 December 2018

30. Financial risk management (Continued)

(d) **Market risk** (Continued)

(ii). **Interest rate risk** (Continued)

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable-rate instruments

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

(e) **Liquidity risk**

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

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

Deposits from customers consisted mainly of current and saving accounts which are classified as short-term. Historically, the withdrawals are lower than deposits, that makes the balance increasing year on year. In the situation where large deposits are withdrawn, the Bank needs a pre-information from customers depending on the size of withdrawals, so that funds from other sources (such as balance with the NBC, other banks or even funds from shareholders) can be mobilised. Therefore, management believes that underlying liquidity risk is manageable.

The following table provides an analysis of the liquidity gap of the Bank into relevant maturity groupings based on the remaining contractual maturity (excluding future interest).

**At 31 December 2018****Assets**

	Up to 1 month US\$	>1 – 3 months US\$	>3 – 12 months US\$	>1 – 5 years US\$	Over 5 years US\$	Total US\$
Cash on hand	27,191,141	-	-	-	-	27,191,141
Balances the NBC	133,477,676	3,873,068	22,804	-	69,705,266	207,078,814
Balances with other banks and financial institutions *	55,650,848	22,114,949	39,931,396	-	-	117,697,193
Investment in debt securities **	-	-	-	6,193,568	-	6,193,568
Loans to customers ***	63,163,451	429,125	1,451,395	75,616,429	120,865,403	261,525,803
Other assets	1,454,089	-	-	-	-	1,454,089
	280,937,205	26,417,142	41,405,595	81,809,997	190,570,669	621,140,608

Liabilities

Deposits from other banks	1,332,226	-	-	-	-	1,332,226
Deposits from customers	389,239,645	45,697,797	108,708,595	-	-	543,646,037
Other liabilities	2,663,438	-	-	-	-	2,663,438
	393,235,309	45,697,797	108,708,595	-	-	547,641,701

Liquidity gap

	(112,298,104)	(19,280,655)	(67,303,000)	81,809,997	190,570,669	73,498,907
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In KHR'000 equivalents

	(451,213,782)	(77,469,672)	(270,423,454)	328,712,568	765,712,948	295,318,608
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* Gross balances with other banks and financial institutions excluding allowance for impairment.

** Gross Investment in debt securities excluding allowance for impairment.

*** Gross loans to customers excluding interest receivables, interest in suspense and allowance for loan losses.

Notes to the financial statements (Continued)

For the year ended 31 December 2018

30. Financial risk management (Continued)

(e) Liquidity risk (Continued)

	Up to 1 month US\$	>1 – 3 months US\$	>3 – 12 months US\$	>1 – 5 years US\$	Over 5 years US\$	Total US\$
At 31 December 2017						
Assets						
Cash on hand	19,857,577	-	-	-	-	19,857,577
Balances the NBC	66,169,054	4,030,517	13,315	-	56,908,397	127,121,283
Balances with other banks and financial institutions	46,622,726	15,083,786	45,043,455	-	-	106,749,967
Loans to customers ***	71,272,687	6,752,356	26,942,147	102,388,070	40,544,968	247,900,228
Other assets	74,510	180,106	550,523	391,413	120,000	1,316,552
	203,996,554	26,046,765	72,549,440	102,779,483	97,573,365	502,945,607
Liabilities						
Deposits from other banks	1,743,766	-	-	-	-	1,743,766
Deposits from customers	261,220,065	35,636,717	99,576,827	-	-	396,433,609
Other liabilities	2,430,477	-	-	-	-	2,430,477
	265,394,308	36,636,717	99,576,827	-	-	400,607,852
Liquidity gap	(61,397,754)	(9,589,952)	(27,027,387)	102,779,483	97,573,365	102,337,755
In KHR'000 equivalents	(247,862,733)	(38,714,636)	(109,109,561)	414,920,773	393,903,674	413,137,517

*** Gross loans to customers are expected cash inflows excluding interest receivables, interest in suspense and allowance for loan losses.



(f) Capital management

(i) Regulatory capital

The Bank's lead regulator, NBC, sets and monitors capital requirements for the Bank as a whole.

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

(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

The Bank did not have financial instruments measured at fair value.

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

Management presents the financial statements based on liquidity. Information about short-term and long-term of assets and liabilities are disclosed in the financial risk management section. Property and equipment, intangible assets and deferred tax assets are non-current assets. Income tax liability and provisions for impairment are current liability. Employee benefit obligations are non-current liabilities.

Our Existing Branches



Main Office

Level 1, Vattanac Capital Mall
No. 66, Preah Monivong Blvd.
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T (855) 023 963 888



Preah Norodom Branch

No. 89, Preah Norodom Blvd.,
Phnom Penh
T (855) 023 212 727



Steung Meanchey Branch

No. 88, Veng Sreng St.
(in front of Vattanac Industrial Park)
Sangkat Steung Meanchey,
Khan Meanchey, Phnom Penh
T (855) 023 999 963



Olympic Branch

No. 43, St. 286, Sangkat Olympic,
Khan Chamkarmon, Phnom Penh
T (855) 023 217 683



Tumnob Tuek (St. 271) Branch

No. 78, St. 271, Sangkat Tumnob Tuek
Khan Chamkarmon, Phnom Penh
T (855) 023 989 222



Vattanac Industrial Park II Branch

National Road No. 3,
Krang Prongro Village,
Sangkat Krang Prongro,
Khan Dangkao, Phnom Penh
T (855) 023 231 188



Russey Keo Branch

No. 207, National Road No. 5,
Sangkat Kilometer 6,
Khan Russey Keo, Phnom Penh
T (855) 023 981 222



Chaom Chau Branch

No. 117, National Road No. 4,
Sangkat Chaom Chau 3,
Khan Por Sen Chey, Phnom Penh
T (855) 023 900 555



Siem Reap Provincial Branch

No. 888, Sivatha Blvd.,
Siem Reap Province
T (855) 063 767 333



Battambang Provincial Branch

No. 778, Street No. 3,
Sangkat Svay Por,
Battambang Province
T (855) 053 953 000



Kampong Speu Provincial Branch

No. 9, National Road No. 4,
Mukh Khett Village, Sangkat Rokar
Thum, Krong Chbar Mon,
Kampong Speu Province
T (855) 025 987 111



Pursat Provincial Branch

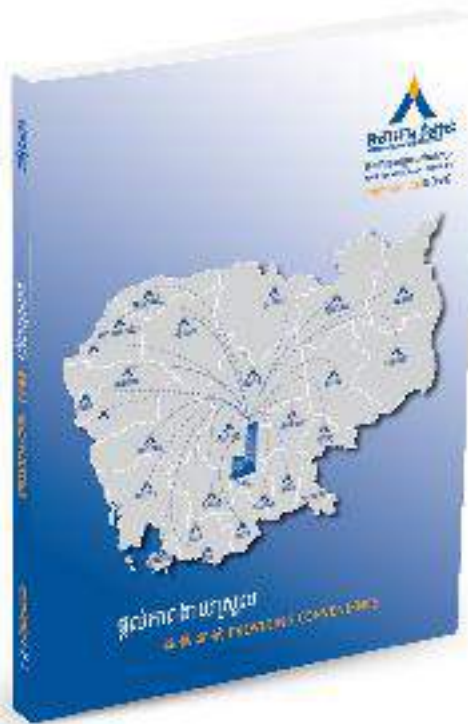
No. 333, National Road No. 5,
Ra Village, Sangkat Phteah Prey
Krong Pursat, Pursat Province
T (855) 052 951 222



Takeo Provincial Branch

National Road No. 2, Louri Village,
Sangkat Roka Knong, Krong Doun
Kae, Takeo Province
T (855) 032 931 222

Notes



2017



2016



2015



2014



2013



2012



2011



2010



2009



2008



2007



2006



2005



2004



2003

