ធនាគារ ចិន (ហុងកុង) សាខាភ្នំពេញ
中國銀行(香港) 金边分行
BANK OF CHINA (HONG KONG) PHNOM PENH BRANCH

Bank of China (Hong Kong) Limited Phnom Penh Branch

Annual Report 2019

ABOUT BANK OF CHINA

Bank of China was formally established in February 1912 following the approval of Dr. Sun Yat-sen. As China's most internationalised and diversified bank, Bank of China provides a comprehensive range of financial services to customers across the Chinese mainland as well as 61 countries and regions. The Bank's core business is commercial banking, including corporate banking, personal banking and global markets services. BOC International Holdings Limited, a wholly owned subsidiary, is the Bank's investment banking arm. Bank of China Group Insurance Company Limited and Bank of China Insurance Company Limited, both wholly owned subsidiaries, run the Bank's insurance business. Bank of China Group Investment Limited, a wholly owned subsidiary, undertakes the Bank's direct investment and investment management business. Bank of China Investment Management Co., Ltd., a controlled subsidiary, operates the Bank's fund management business. BOC Aviation Limited, a controlled subsidiary, is in charge of the Bank's aircraft leasing business.

ABOUT BANK OF CHINA (HONG KONG) LIMITED PHNOM PENH BRANCH

Bank of China (Hong Kong) Limited Phnom Penh Branch was incorporated in Cambodia in November 2010 under the name Bank of China Limited, Phnom Penh Branch, becoming the first Chinese Bank to enter and launch operations in Cambodia. As part of the restructuring exercise of the Bank of China Group in the ASEAN Region, Bank of China Limited Phnom Penh Branch was acquired and operates as a Branch of Bank of China (Hong Kong) Holdings Limited in November 2017.

Bank of China (Hong Kong) Limited Phnom Penh Branch is principally engaged in Corporate Banking, Personal Banking, International Settlement, Trade Financing and Financial Services.

As the first Chinese Bank to have a presence in Cambodia, with the purpose to enhance financial and economic services whilst exploring new innovations and technology for our advancement to meet the needs of our clients, our objective is to provide a strong support to facilitate commercial and investment activities between Chinese and Cambodian enterprises and for the local community. We are the trusted partner of Chinese Going Global Enterprises and clients dealing with China because of our extensive and close banking relationships with leading local and international banks and comprehensive product range. As at 31 December 2019, the Branches have a total of 173 employees. We offer an efficient team of experts and well-trained workforce complement with multilingual ability,proficient in Cambodian, Chinese and English to effectively communicate and cater to the needs of a diverse set of clients.

In response to an increased demand for services, Bank of China (Hong Kong) Limited Phnom Penh Branch has expanded and set up branches in three big cities across Cambodia- Phnom Penh, Siem Reap and Sihanoukville. The five branches consist of Phnom Penh Main Branch, Intercon Sub-Branch, Olympic Sub-Branch, Siem Reap Sub-Branch and Sihanoukville Sub-Branch.

Corporate Services: Loan, Settlement, International Remittance, e-Banking, Working Capital Loan, Overdraft, Trade Financing, Project Financing, Syndicated Loan, etc.

personal Service: Deposit, Loan, Settlement, International Remitrance, Debit Card, Credit Card, Internet Banking, Mobile Banking, Acquire, Payroll , Online Payment.

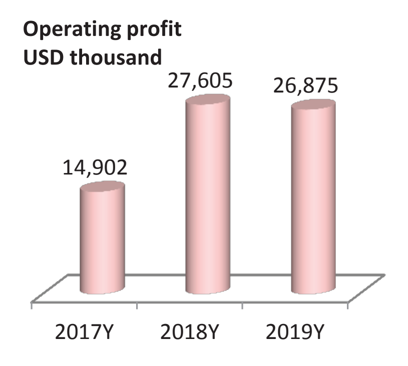
Web-Site: www.boc.cn/kh

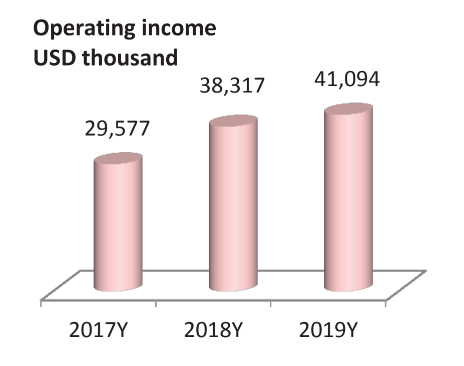
Address: Bank of China (Hong Kong) Limited Phnom Penh Branch

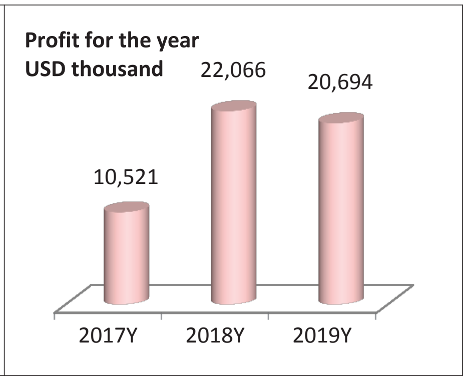
Canadia Tower, 1st &2nd Floor,

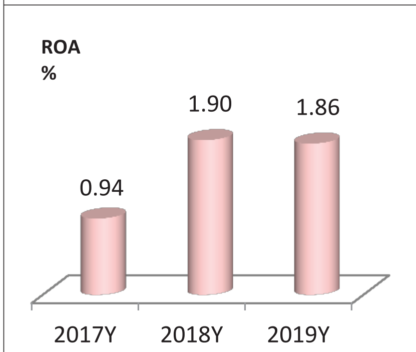
315 Ang Duong St., P.O.BOX 110

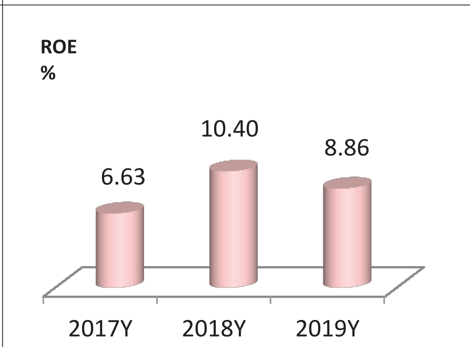
Phnom Penh, Cambodia

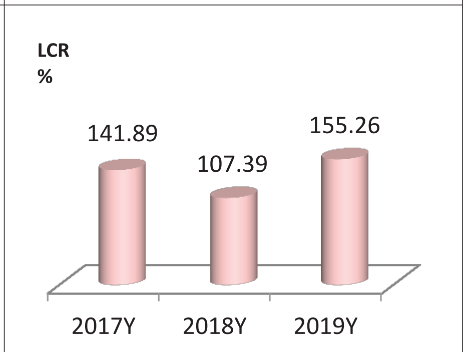


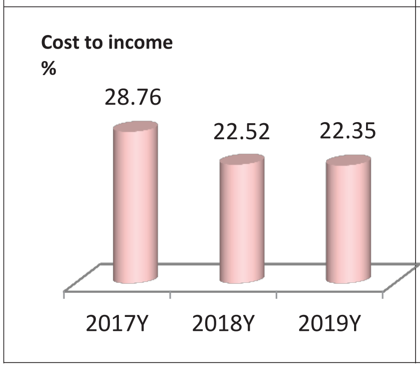


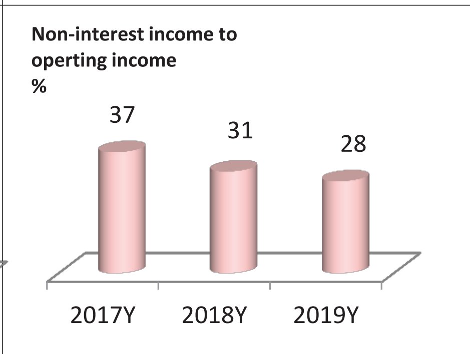


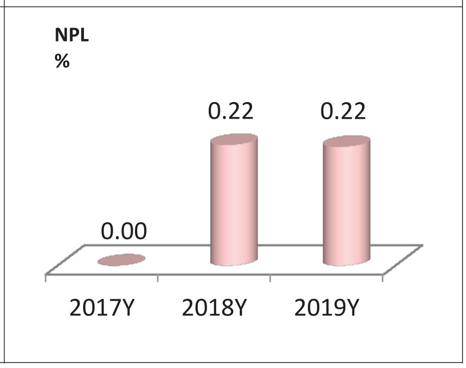












NOTES

1. **Non-interest income** = net fee and commision income + net trading gains/(losses) + net gains/losses on investment securities +other operating income
2. **Operating income** = net interest income + non-interest income
3. **Return on average total assets** = profit for the year ÷ average total assets.
   average total assets = (total assets at the beginning of the year + total assets at the year-end) ÷ 2
4. **Return on average equity** = profit attributable to equity holders of the bank ÷ weighted average capital and reserves attributable to equity holders of the bak
5. **net interest margin** = net interst income ÷ average balance of interest-earning assets.
   average balance is average daily balance derived from the bank's management accounts (unaudited).
6. **Non-interest ncome to operating income** = non-interest income ÷ operating income
7. **Provision Coverage** = impairment on loans ÷ balance of NPL.
   average balance of loans = (balance of loans at the beginning of the year + balance of loans at the year-end) ÷ 2

Corporate Information

Bank	Bank of China (Hong Kong) Limited Phnom Penh Branch
Registered No	00014630
Registration office	Canadia Tower, 1st & 2nd Floor, 312 Ang Doung St. (Corner of Monivong Blvd.) Phnom Penh, Kingdom of Cambodia
Head office	Bank of China (Hong Kong) Limited, Hong Kong SAR

Committee Composition

EXECUTIVE MANAGEMENT COMMITTEE

• Mr. Wang Huabin	Chairman
• Mr. Wang Hongsong	Member
• Mr. Liu Zheng	Member

RISK MANAGEMENT COMMITTEE

• Mr. Wang Hongsong	Chairman
• Mr. Wang Huabin	Member
• Mr. Liu Zheng	Member
• Mr. Liu Xiao Feng	Member
• Mr. Wang Wenzhe	Member
• Mr. Huang Limao	Member
• Mr. Ouyang Chang	Member
• Mr. Wang Huanhao	Member
• Ms Li Chunxiao	Member
• Mr. Wang Junwei	Member
• Mr. Cui Hongbo	Member
• Ms. Tan Sokim	Member

OPERATIONAL RISK MANAGEMENT AND INTERNAL CONTROL COMMITTEE

• Mr. Wang Hongsong	Chairman
• Mr. Wang Huabin	Observer
• Mr. Liu Zheng	Member
• Ms. Zhang Yuan	Member
• Mr. Ouyang Chang	Member
• Mr. Huang Limao	Member
• Mr. Wang Wenzhe	Member
• Mr. Wang Junwei	Member
• Mr. Liu Xiaofeng	Member
• Mr. Liu Jianwu	Member
• Mr. Si Zhengqiang	Member
• Mr. Cui Hongbo	Member
• Mr. Wang Huanhao	Member
• Ms. Chhor Chhun Vouch	Member
• Ms. Li Chunxiao	Observer

CREDIT EVALUATION COMMITTEE

• Mr. Wang Hongsong	Chairman
• Ms. Zhang Yuan	Member
• Mr. Wang Huanhao	Member
• Mr. Liu Xiao Feng	Member
• Mr. Wang Junwei	Member
• Mr. Wang Wenzhe	Member
• Mr. Liu Jianwu	Member
• Ms. Mao Yukha	Member
• Mr. Ouyang Chang	Member
• Mr. Si Zhengqiang	Member
• Ms. Lu Ying	Secretary
• Ms. Chen Xi	Secretary
• Ms. Liu Nian	Secretary
• Ms. Mey Heang	Secretary

AML COMMITTEE

• Mr. Wang Hongsong	Chairman
• Mr. Wang Huabin	Observer
• Mr. Liu Zheng	Member
• Ms. Zhang Yuan	Member
• Mr. Ouyang Chang	Member
• Mr. Huang Limao	Member
• Mr. Wang Wenzhe	Member
• Mr. Wang Junwei	Member
• Mr. Liu Xiaofeng	Member
• Mr. Liu Jianwu	Member
• Mr. Si Zhengqiang	Member
• Mr. Cui Hongbo	Member
• Mr. Wang Huanhao	Member
• Ms. Chhor Chhun Vouch	Observer
• Ms. Li Chunxiao	Oberser

PROCUREMENT COMMITTEE

• Mr. Wang Hongsong	Chairman
• Ms. Zhang Yuan	Member
• Mr. Liu Xiaofeng	Member
• Mr. Ouyang Chang	Member
• Mr. Huang Limao	Member
• Mr. Cui Hongbo	Member
• Mr. Wang Huanhao	Member
• Mr. Wang Wenzhe	Member
• Mr. Liu Jianwu	Member
• Mr. Si Zhengqiang	Member
• Mr. Wang Junwei	Secretary

ALCO

• Mr. Wang Huabin	Chairman
• Mr. Wang Hongsong	Member
• Mr. Liu Zheng	Member
• Mr. Liu Xiaofeng	Member
• Mr. Huang Limao	Member
• Mr. Cui Hongbo	Member
• Mr. Wang Huanhao	Member
• Mr. Wang Wenzhe	Member
• Mr. Liu Jianwu	Member
• Mr. Wang Junwei	Secretary

MESSAGE FROM THE COUNTRY MANAGER

2019年4月，我正式来到美丽的柬埔寨担任中银香港金边分行行长一职，开始了我在柬埔寨的工作生活之旅。感谢广大客户对我行一如既往的信任与支持，感谢我的前任陈长江行长为我行打下的良好基础，感谢全体员工一年来辛苦的工作和奉献，使得我很快融入和适应了新的工作环境。

2019年，全球政治经济日趋复杂，国际贸易摩擦不断升级，低利率乃至负利率成为常态，全球经济陷入“低增长、低通胀、低利率”的困局。然而，我们欣喜地看到，2019年柬埔寨经济继续保持强劲的增长态势，GDP增速达到7.1%，连续20年保持年均7%以上的较快增长。2019年，中银香港金边分行紧紧围绕中国银行总行“建设新时代全球一流银行”，依托中银香港区域一体化发展战略的实施，实现了各项业务的平稳健康发展和经营管理能力的持续提升。

In April 2019, I came to the Cambodia and took over the position as the Country Manager of BOCHK Phnom Penh Branch, starting a new journey in my career and life in this beautiful country. I would like to extend my sincere thanks to our customers for their persistent trust and support to the Bank, to my predecessor Mr. Chen Changjiang for laying a good foundation for the Branch, and to all the employees for their hard work and dedication over the past years, which has helped me adapt myself to the new work environment.

In 2019, the global political and economic situations become increasingly complicated, international trade frictions continued to escalate, and low or even negative interest rates became a normal. The global economy sank into the dilemma of “low growth, low inflation and low interest rates”. However, we are pleased to see Cambodia’s economy still in fast track in 2019, with GDP growing at 7.1%, annual average growth rate remaining above 7% for 20 consecutive years. In 2019, BOCHK Phnom Penh Branch managed to ensure stable and healthy development on all business fronts and continued to improve the management capabilty, upholding BOC Head Office’s vision of “Building A World-Class Bank In The New Era” and BOCHK’s integrated regional development strategy.

2019年，中银香港金边分行积极发挥中柬经贸发展金融桥梁的作用，协助洪森首相在第二届“一带一路”国际合作高峰论坛期间拜访中国银行总行，见证中国银行与柬埔寨政府部门及企业等签署一系列战略合作谅解备忘录。邀请柬埔寨国家银行谢占多行长参加中银香港在南宁举办的东南亚人民币论坛，配合人民银行有关领导访问柬埔寨国家银行洽谈双边金融合作，进一步推动人民币国际化和柬埔寨瑞尔的使用。

In 2019, BOCHK Phnom Penh Branch acted as a financial bridge for Sino-Cambodian economic and trade development. The Branch assisted Prime Minister Samdech Akka Moha Sena Padei Techo Hun Sen in visiting the Head Office of BOC during the second Belt and Road Forum for International Cooperation, and witnessed the signing of a series of memorandums of understanding on strategic partnership between BOC and the Cambodian government departments and business entities. The Branch invited H.E. Chea Chanto, Governor of the National Bank of Cambodia, to the Southeast Asia RMB Forum sponsored by BOCHK in Nanning, facilitated PBOC officials' visit to the National Bank of Cambodia to discuss bilateral financial cooperation and further promoted the internationalization of RMB and the use of Cambodian riel.

2019年，中银香港金边分行修订和完善了发展战略，明确了以公司金融为主、兼顾发展个人金融和金融市场业务的发展策略，梳理确定了战略客户和战略产品。经过努力，我行的客户基础得到进一部夯实，成功营销了一批重要项目，现金管理产品取得突破并赢得了一些跨国公司在柬埔寨的现金管理业务，金融市场产品线得到完善，个人金融产品数字化创新能力大大加强，为持续稳健发展夯实了的基础。

In 2019, BOCHK Phnom Penh Branch updated the development strategy to clarify its focus on corporate finance, supplemented by personal banking and financial market business, and developed the lists of strategic customers and products. Through hard work, we have cemented our customer base, successfully marketed a number of important projects, made breakthroughs in cash management products and became cash managers for some multinational companies in Cambodia. Our financial market product line has been improved, and our capability of digital innovation in personal banking products has been greatly enhanced, paving the way for a sustained and steady development.

2019年，中银香港金边分行狠抓精细化管理，完善了以专业委员会为主的公司治理机制，按照香港标准进一步完善了信用风险、合规反洗钱风险管理、科技风险管理体系，强化了底线思维的风险合规文化，大力推动运营集中化和运营效率提升，以全行人力资源改革为抓手实施了人才发展战略，专业人才队伍建设成效显著。

In 2019, BOCHK Phnom Penh Branch worked hard on fine-grained management, improved the corporategovernance mechanism composed principally of professioal comittees and three lines of defense mechanism, further improved the credit risk, compliance/anti-money laundering risk management and IT risk management systems in accordance with Hong Kong standards and strengthened the risk compliance culture by bearing worst-case scenarios in mind. We also vigorously promoted the centralization of operations and enhancement of operational efficiency, implemented the talent development strategy by reforming the human resources across the Branch, and achieved remarkable results in the professional staff development.

2019年，中银香港金边分行积极担当企业社会责任，品牌美誉度进一步提升。我行连续第四年获得柬埔寨国家税务总局颁发的金牌纳税人称号；我行积极落实柬埔寨劳工部有关企业资历金和解雇金的政策要求，保护员工利益；我行积极投身本地公益事业，先后向柬中友好协会年会、柬埔寨红十字会等多家机构捐款，为搭建中柬友谊桥梁做出应有贡献。

In 2019, BOCHK Phnom Penh Branch actively took on corporate social responsibility, and further enhanced its brand reputation. For the fourth consecutive year, the Branch was awarded the Gold Taxpayer Compliance Certificate by the General Department of Taxation Cambodia. We protected employees' interests in accordance with the policy requirements of Cambodia's Ministry of Labor and Vocational Training on seniority pay and severance pay. The Branch, devoted to local public welfare undertakings, made cash donations to the annual conference of the Cambodian - China Friendship Association, the Cambodian Red Cross Society and other organizations, thus contributing to the friendship between China and Cambodia.

2020年，由于新冠疫情在全球范围爆发，全球经济陷入衰退，国际政治经济形势更加复杂，国际金融市场更加动荡，挑战前所未有。但是，我们始终坚信，只要加强国际互信和合作，人类终将战胜疫情，全球经济和政治秩序终将恢复正常，而中柬两国经贸和金融合作也必将会在中柬命运共同体的框架下迸发更大活力和动力。因此，我们对柬埔寨经济和我行在柬埔寨的长期发展充满信心。

In 2020, the COVID-19 pandemic has sent the world economy into a recession, further complicated the international political and economic situations and rendered global financial market more volatile, posing the greatest ever challenges. However, we always believe that as long as international mutual trust and cooperation are strengthened, humans will eventually overcome the pandemic, the global economic and political order will be back on track, and the economic, trade and financial cooperation between Cambodia and China will surely move forward with greater vitality and momentum under the framework of the China-Cambodia community of a shared future. Therefore, we are fully confident in Cambodia's economy and the Branch's long-term development in Cambodia.

EXECUTIVE MANAGEMENT COMMITTEE

- Ensure the implementation of applicable human resource management policies and procedures of the head office.
- Research, discuss and formulate the Bank's development strategy, annual budget, performance appraisal plan.
- Review and approve the annual financial budget and business development plan of the Branch, including the allocation of budget and business plan.
- Review and approve other important human resource management related issues, such as the overall headcount and personal expense budget, salary increase plan and annual bonus allocation plan.
- Consider and approve projects involving expenses expenditure and investment in fixed asset, etc.
- Research and discuss other important issues of the Bank.

THE RISK MANAGEMENT COMMITTEE

- Undertaking all decisions given by Head Office and Management Team of the Branch
- According to the development strategy of Branch, research and prepare policy, strategy, working plans, annual working pinpoints, risk management.
- Ensure, implement and carry out the integral risk strategy and risk preference. Responsible for establishing and integrity management system in order to identify, measure, monitor and report the risks.
- Deliberating the important policies and system of risk management including revising the rules of the Committee.
- Researching important items of risk management, taking measurement and supervising on the implementation.
- Responsible for maintaining the overall operations of risk management , identifying the shortcomings and disadvantages of risk management , assessing the risk management system and effectiveness of the policies, monitoring the implementation of the relevant policies, reviewing the report of overall risk management and conditions of internal control regularly, propose measurement and implementation.
- Responsible for management of the whole bank's sudden significant risk event.
- Responsible for continuous management system and all kinds of contingency plans.
- Checking, assessing the validity of human resources and information technology support devices in risk management operating process and proposing adjustment demands.

THE OPERATION RISK AND INTERNAL CONTROL COMMITTEE

- Undertaking and implementing BOCHK and the Branch's GMO decisions. Examining internal control, compliance and operational risk management material policies and procedures, including the rules of this Committee.
- According to the development strategy of the branch, research and establish internal control, compliance and operational risk policy, strategy plan, working plan and working pinpoints, and ensure the regular review, and obtain GMO office approval for the implementation after the revision.
- Establish and refine the identification, measurement, monitor, control and report of the branch's BCP, compliance operation, fraud risk and reputation risk. Set up and revise the branch's KRI and assist the internal and operational risk implementation effectiveness of each department.
- Promulgating and maintaining the branch's internal control, compliance and operational risk policies and procedures, and monitoring the implementation effectiveness. Deliberating the major tasks of internal control and operational risk area, and setup the measurement and monitor the practicable, as well as the major incident management.
- Monitoring and discussing new requirement and development of internal control, compliance and operational risk relevant policies of local and Hong Kong regulators, international organizations and the local banking sector.
- Examining and assessing the human resource and information technology setup effectiveness of internal control, compliance and operational risk management, and raise up any remediation requirements.
- Deliberating the branch's BCP policy and other relevant emergency plans.
- Report to GMO regarding the branch's internal control, compliance and operational risk management status, and monitor the remediation progress of the related findings optimization.
- Providing sufficient internal control, compliance and operational risk training to staff.

CREDIT APPRAISAL COMMITTEE

- To perform the duty with full responsibility in relation to assess the credit application with the objectivity, honesty, carefully, thoroughly and follow the prudence principle of credit;
- To follow all the regulations and conditions stated in the Credit Risk Policy of Bank of China(Hong Kong) Phnom Penh Branch, Head Office Guidelines and National Bank of Cambodia Regulations.

THE ANTI-MONEY LAUNDRY COMMITTEE

- The Committee is to perform the following responsibilities and rights in Improve employees' awareness of AML/CFT compliance, establish an effective AML/CFT risk management mechanism, monitor AML/CFT matters in a proactive and timely manner and urge each unit to implement relevant policies and legal requirements.
- Formulate AML/CFT policies and systems, re-inspect from time to time, and propose a revision thereof when necessary, which shall take effective after approval by the General Management Office.
- Publish and maintain the Branch's AML/CTF policies and systems and supervise the effective implementation thereof. Provide guidelines for the Branch's business management and internal control system and framework in terms of AML/CFT; urge each unit to formulate appropriate AML/CFT processes and control procedures within the scope of its functions.
- Ensure that employee will receive sufficient AML/CFT training.
- Supervise and discuss the local industry's legal requirements and development for AML/CFT and the international community's important new legal requirements and development for AML/CFT in respect of Hong Kong & Cambodia.
- Establish an AML/CFT monitoring model; promote and improve the Branch's AML/CFT supervision information system and delegate the management work to each unit.
- Report the operation, risk position and key monitoring data of AML/CFT on a quarterly basis to the General Management Office and supervise the progress of each relevant rectification and optimization project.
- Review the audit reports of external auditors and the regulatory authority in respect of the Branch's AML/CFT work, ratify relevant responses and supervise the on-time completion of relevant rectification undertakings.

PROCUREMENT REVIEW COMMITTEE

- Responsible for monitoring and verifying executing Branch's procurement and ensuring that Branch's procurement procedures have been applied. Ensure consistent and correct application of procurement practices.
- Making decision to prequalify applicants for contracts estimated at $10,000 or more; approval on an evaluation report on technical proposals in case of two-stage or two envelope bidding procedures, if the estimated contract value is: $10,000 or more; making a decision to award or rebid a contract valued at $10,000 or more; making decision to cancel bidding for a contract valued at $10,000 or more.

ASSET AND LIABILITY MANAGEMENT COMMITTEE

- The Asset and Liability Management Committee was established and separated as the special committee from the routine management meeting. Members of the Committee are the head of the departments. The Committee may invite the person who is not member of the Committee Related to attend the Committee meetings if necessary. The Committee was held at quarterly basis and there were four meeting in 2019 to analysis the market trends and decide our strategy accordingly.

INTERNAL AUDIT

- Internal Audit: Audit Department (Phnom Penh), as the local audit team of BOCHK Group Audit ("Group Audit") stationed in Phnom Penh Branch, is under the line management, supervision and guidance of Group Audit and reports directly to Group Audit. The duties of Audit Department (Phnom Penh) includes: performing risk-based audit and special reviews to appraise the appropriateness of and adherence to the Group's internal policies, standards and procedures and compliance with external laws and regulations; making recommendations to improve control/procedures; monitoring and reporting progress in implementing agreed recommendations to the Management and Group Audit; examining bad-debt written-off; and conducting investigation on significant suspected fraudulent activities as requested by the Management and Group Audit.

BANK OF CHINA (HONG KONG) LIMITED - PHNOM PENH BRANCH

Report of the Executive Management
and
Audited financial statements in accordance with
Cambodian International Financial Reporting Standards

as at 31 December 2019 and for the year then ended

REPORT OF THE EXECUTIVE MANAGEMENT

CONTENTS

REPORT OF THE EXECUTIVE MANAGEMENT

The Executive Management of Bank of China (Hong Kong) Limited - Phnom Penh Branch ("the Branch") submits its report and the Branch's financial statements as at 31 December 2019 and for the year then ended.

THE BRANCH

The Branch was incorporated in Cambodia on 12 July 2010 originally named Bank of China Limited-Phnom Penh Branch, a branch of Bank of China Limited, under Registration No. Co. 0034Br/2010 and was granted a banking license from the National Bank of Cambodia ("NBC") on 11 November 2010 for an indefinite period. The Branch commenced its operations on 8 December 2010.

In 2017, the Branch was completely acquired by Bank of China (Hong Kong) Limited from Bank of China Limited. Subsequently, the Branch changed its name from Bank of China Limited - Phnom Penh Branch to Bank of China (Hong Kong) Limited - Phnom Penh Branch with new Registration No. 00014630 from the Ministry of Commerce. On 7 September 2017, the Branch obtained an updated banking license under the new name from the NBC to carry out banking operations for an indefinite period.

Its head office, Bank of China (Hong Kong) Limited ("BOCHK"), a bank incorporated and registered in Hong Kong, is listed on the Hong Kong Stock Exchange. BOCHK's core business is commercial banking, including corporate banking, personal banking and financial market services, providing a com prehensive range of financial services to customers across Hong Kong as well as in eight countries and regions.

The principal activities of the Branch are the operation of core banking business and the provision of related financial services in Cambodia.

The Branch's registered office address is at Canadia Tower, 1st and 2nd Floor, 315 Ang Doung Street (Corner of Monivong Blvd.), Phnom Penh, Cambodia.

There is no significant change in the principal activities of the Branch during the year.

FINANCIAL RESULTS

The Branch's financial performance for the year ended 31 December 2019 are set out in the statement of comprehensive income.

PAID-UP CAPITAL

There were no movements in the paid-up capital of the Branch during the year.

WRITTEN OFF AND ALLOWANCE ON FINANCIAL ASSETS

Before the financial statements of the Branch were drawn up, the Executive Management took reasonable steps to ensure that action had been taken in relation to the writing off of financial assets that have no reasonable expectations of recovering the contractual cash flows in their entirety or a portion thereof and making allowance for expected credit losses on financial assets, and satisfy themselves that all known financial assets that have no reasonable expectations of recovering the contractual cash flows were written off and that adequate allowance for expected credit losses on financial assets have been made.

WRITTEN OFF AND ALLOWANCE ON FINANCIAL ASSETS (continued)

At the date of this report and based on the best of knowledge, the Executive Management is not aware of any circumstances which would render the amount written off for bad loans or the amount of the allowance for expected credit losses in the financial statements of the Branch inadequate to any material extent.At the date of this report, the Executive Management is not aware of any circumstances, which would render the amount written off for bad loans and advances, or the amount of allowance for loan losses in the financial statements of the Branch, inadequate to any material extent.

ASSETS

Before the financial statements of the Branch were drawn up, the Executive Management took reason able 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 Branch, have been written down to an amount which they might be expected to realise.

At the date of this report and based on the best of knowledge, the Executive Management is not aware of any circumstances which would render the values attributed to the assets in the financial statements of the Branch misleading in any material respect.

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there is:

- No charge on the assets of the Branch which has arisen since the end of the financial year which secures the liabilities of any other person, and
- No contingent liability in respect of the Branch that has arisen since the end of the financial year other than in the ordinary course of banking business.

No contingent or other liability of the Branch 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 Executive Management, will or may have a material effect on the ability of the Branch to meet its obligations as and when they become due.

EVENTS AFTER THE REPORTING PERIOD

There have been no significant events occurring during the period between the end of the reporting period and the date of authorisation of these financial statements, which would require adjustments or disclosures to be made in the financial statements.

CHANGE OF CIRCUMSTANCES

At the date of this report, the Executive Management is not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Branch, which would render any amount stated in the financial statements misleading in any material respect.

ITEMS OF AN UNUSUAL NATURE

The Branch's financial performances for the year were not, in the opinion of the Executive Management, materially affected by any items, transactions or events of a material and unusual nature.

There has not arisen in the interval between the end of the year and the date of this report any items, transactions or events of a material and unusual nature likely, in the opinion of the Executive Management, to substantially affect the results of the operations of the Branch for the period in which this report is made.

THE EXECUTIVE MANAGEMENT

The members of the Executive Management of the Branch during the year and as at the date of this report are:

•	Mr. Wang Huabin	Chief Executive Officer (appointed on 28 March 2019)
•	Mr. Chen Chang Jiang	Chief Executive Officer (resigned on 10 April 2019)
•	Mr. Wong Hong Song	Assistant Chief Executive Officer
•	Mr. Liu Zheng	Assistant Chief Executive Officer
•	Mr. Wang Junwei	Head of Accounting and Finance Department
•	Mr. Cui Hongbo	Head of Financial Market Department
•	Mr. Ouyang Chang	Head of Internal Control Department
•	Mr. Huang Huan Hao	Head of Risk Management Department
•	Mr. Huang Limao	Head of Corporate Banking Department
•	Mr. Wang Wenzhe	Head of Personal Banking Department
•	Mr. Liu Xiao Feng	Head of Trade Finance Department
•	Mr. Si Zhengqiang	Head of General Management Department
•	Ms. Zhang Yuan	Head of Operation Department
•	Mr. Liu Jianwu	Head of Banking Department
•	Mr. Guo Huafeng	Head of Institution Relationship Department (appointed on 23 October 2019)

AUDITOR

Ernst & Young (Cambodia) Ltd. is the auditor of the Branch.

THE EXECUTIVE MANAGEMENT'S INTEREST

No management member held any interest in the equity of the Branch. No arrangement existed to which the Branch is a party with object of enabling the members to obtain an interest in the Branch or in any corporate body.

THE EXECUTIVE MANAGEMENT'S BENEFIT

As at 31 December 2019 and for the year then ended, no arrangement existed, to which the Branch is a party, whose object was to enable the Executive Management of the Branch to acquire benefits by means of the acquisition of shares in or debentures of the Branch or any other corporate body.

No Executive Management of the Branch has received or become entitled to receive any benefit by reason of a contract made by the Branch or with a firm of which the Director is a member, or with a company in which the Director has a material financial interest other than those disclosed in the financial statements.

STATEMENT OF THE EXECUTIVE MANAGEMENT'S RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Executive Management is responsible for ensuring that the financial statements give a true and fair view of the respective financial position of the Branch as at 31 December 2019, and its financial performance and its cash flows for the year then ended. The Executive Management oversees preparation of these financial statements by management who 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 the disclosure requirements and guidelines issued by Cambodian International Financial Reporting Standards ("CIFRSs") or, if there have been any departures in the interest of fair presentation, these have been appropriately disclosed, explained and quantified in the financial statements;

iii) maintain adequate accounting records and an effective system of internal controls;

iv) prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Branch will continue operations in the foreseeable future; and

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

Management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Branch and to ensure that the accounting records comply with the applicable accounting system. It is also responsible for safeguarding the assets of the Branch and for taking reasonable steps for the prevention and detection of fraud and other irregu larities.

The Executive Management confirms that the Branch have complied with the above requirements in preparing the financial statements.

APPROVAL OF THE FINANCIAL STATEMENTS

We hereby approve the accompanying financial statements which give a true and fair view of the respective financial position of the Branch as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with CIFRSs.

On behalf of the Executive Management:

BANK OF CHINA (HONG KONG) LIMITED
PHNOM PENH BRANCH

Wang Huabin
Chief Executive Officer

Phnom Penh, Kingdom of Cambodia

15 May 2020

Reference: 60100080/21559713

Ernst & Young (Cambodia) Ltd.
5th Floor, Emerald Building
#64 Norodom Boulevard corner Street 178
Sangkat Chey Chumneah, Khan Daun Penh
12206 Phnom Penh, Kingdom of Cambodia

Tel: +855 23 860 450/451
Fax: +855 23 217 805
ey.com

INDEPENDENT AUDITOR'S REPORT

TO: THE SHAREHOLDER OF BANK OF CHINA (HONG KONG) LIMITED - PHNOM PENH BRANCH

OPINION

We have audited the accompanying financial statements of Bank of China (Hong Kong) Limited – Phnom Penh Branch ("the Branch"), which comprise the statement of financial position as at 31 December 2019, and the statement of comprehensive income, the statement of changes in head office's 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.

In our opinion, the financial statements give a true and fair view of the financial position of the Branch as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with Cambodian International Financial Reporting Standards ("CIFRSs").

BASIS FOR OPINION

We conducted our audit in accordance with Cambodian International Standards on Auditing ("CISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Branch in accordance with the sub-decree on the Code of Ethics for Professional Accountants and Auditors promulgated by the Royal Government of Cambodia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

IINFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The other information obtained at the date of the auditor's report is the Report of the Executive Management. Management is responsible for the other information.

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.

RESPONSIBILITIES OF THE EXECUTIVE MANAGEMENT FOR THE FINANCIAL STATEMENTS

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

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

The Executive Management is responsible for overseeing the Branch'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 judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstate ment 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 Branch'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 Branch'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 Branch 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.

Sinratana Lan
Partner

Ernst & Young (Cambodia) Ltd.
Certified Public Accountants
Registered Auditors
Phnom Penh, Kingdom of Cambodia
15 May 2020

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Notes	As at 31 December 2019		As at 31 December 2018		As at 1 January 2018	
		US$	KHR'000	US$	KHR'000	US$	KHR'000
			equivalent (Note 2.3)		*equivalent* (Note 2.3)	*equivalent*	*equivalent* (Note 2.3)
				(As restated - Note 3)		(As restated - Note 3)	
ASSETS							
Cash and other cheque items	6	34,351,169	139,981,014	31,193,448	125,335,274	32,267,234	130,262,824
Balances with National Bank of Cambodia	7	283,151,695	1,153,843,157	284,886,898	1,144,675,556	334,737,431	1,351,335,009
Balances with other banks	8	216,450,288	882,034,924	276,209,296	1,109,808,951	409,231,273	1,652,066,649
Loans and advances	9	576,342,301	2,348,594,877	511,556,605	2,055,434,439	429,378,186	1,733,399,737
Other assets	10	1,515,807	6,176,911	1,695,464	6,812,374	977,513	3,946,220
Property and equipment	11	1,895,966	7,726,061	2,552,745	10,256,929	2,873,229	11,599,225
Right-of-use assets	12	2,039,905	8,312,613	2,781,919	11,177,751	3,133,137	12,648,474
Deferred tax assets	16.2	**2,321,543**	**9,460,288**	**1,854,153**	**7,449,987**	**1,172,978**	**4,735,312**
TOTAL ASSETS		**1,118,068,674**	**4,556,129,845**	**1,112,730,528**	**4,470,951,261**	**1,213,770,981**	**4,899,993,450**

STATEMENT OF FINANCIAL POSITION (continued)

AS AT 31 DECEMBER 2019

	Notes	As at 31 December 2019		As at 31 December 2018		As at 1 January 2018	
		US$	KHR'000	US$	KHR'000	US$	KHR'000
			equivalent		*equivalent*	*equivalent*	*equivalent*
			(Note 2.3)		(Note 2.3)		(Note 2.3)
LIABILITIES AND HEAD OFFICE'S EQUITY							
LIABILITIES							
Deposits from other banks	13	21,380,480	87,125,456	21,027,684	84,489,234	7,299,587	29,468,433
Deposits from customers	14	795,095,096	3,240,012,516	731,622,976	2,939,661,118	829,625,560	3,349,198,386
Borrowings	15	43,317,737	176,519,778	125,436,407	504,003,483	154,833,491	625,062,803
Income tax payable	16	6,035,651	24,595,278	5,487,117	22,047,236	4,236,696	17,103,542
Other liabilities	17	6,255,950	25,492,995	3,232,692	12,988,956	5,624,641	22,706,676
Lease liabilities	12	2,110,098	8,598,649	2,743,622	11,023,873	3,037,307	12,261,608
Subordinated debt		-	-	-	-	8,000,000	32,296,000
TOTAL LIABILITIES		**874,195,012**	**3,562,344,672**	**889,550,498**	**3,574,213,900**	**1,012,657,282**	**4,088,097,448**
HEAD OFFICE'S EQUITY							
Branch capital	18	150,000,000	600,000,000	150,000,000	600,000,000	150,000,000	600,000,000
Retained earnings		93,873,662	379,454,906	72,229,019	291,783,148	51,113,699	206,346,002
Regulatory reserve	19	-	-	951,011	3,821,162	-	-
Cumulative differences on exchange translation		-	14,330,267	-	1,133,051	-	5,550,000
TOTAL HEAD OFFICE'S EQUITY		243,873,662	993,785,173	223,180,030	896,737,361	201,113,699	811,896,002
TOTAL LIABILITIES AND HEAD OFFICE'S EQUITY		1,118,068,674	4,556,129,845	1,112,730,528	4,470,951,261	1,213,770,981	4,899,993,450

The attached notes 1 to 33 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019		2018	
		US$	KHR'000 equivalent	US$	KHR'000 equivalent
			(Note 2.3)		(Note 2.3)
					(As restated - Note 3)
Operating income					
Interest income	20	37,384,047	151,480,158	34,747,031	140,551,740
Interest expense	21	(7,734,805)	(31,341,430)	(8,238,994)	(33,326,731)
Net interest income		**29,649,242**	**120,138,728**	**26,508,037**	**107,225,009**
Net fees and commission income	22	9,361,986	37,934,767	9,858,355	39,877,046
Foreign exchange income	23	2,082,800	8,439,506	1,950,549	7,889,971
Total operating income		41,094,028	166,513,001	38,316,941	154,992,026
Personnel expenses	24	(5,021,160)	(20,345,740)	(5,043,203)	(20,399,756)
Depreciation expenses	25	(1,602,997)	(6,495,344)	(1,492,300)	(6,036,354)
Other operating expenses	26	(2,768,087)	(11,216,289)	(2,157,807)	(8,728,329)
Provisions for expected credit losses	27	(4,826,423)	(19,556,666)	(2,018,482)	(8,164,760)
Income before income tax		**26,875,361**	**108,898,962**	**27,605,149**	**111,662,827**
Income tax expense	16	(6,181,729)	(25,048,366)	(5,538,818)	(22,404,519)
Net income for the year		**20,693,632**	**83,850,596**	**22,066,331**	**89,258,308**
Other comprehensive income:					
Exchange difference on translation		-	13,197,216	-	(4,416,949)
Total comprehensive income		**20,693,632**	**97,047,812**	**22,066,331**	**84,841,359**

The attached notes 1 to 33 form part of these financial statements.

STATEMENT OF CHANGES IN HEAD OFFICE'S EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital		Retained earnings		Regulatory reserve		Cumulative differences on exchange translation	Total	
	US$	KHR'000 equivalent	US$	S KHR'000 equivalent $	KHR'000 equivalent	U US$	KHR'000 equivalent	U US$ S$	KHR'000 equivalent
		(Note 2.3)				(Note 2.3)	(Note 2.3)		(Note 2.3)
As at 1 January 2019									
(as restated - Note 3)	150,000,000	600,000,000	72,229,019	291,783,148	951,011	3,821,162	1,133,051	223,180,030	896,737,361
Net income for the year	-	-	20,693,632	83,850,596	-	-	-	20,693,632	83,850,596
Transfer from regulatory reserve to retained earnings	-	-	951,011	3,821,162	(951,011)	(3,821,162)	-	-	-
Difference on exchange translation	-	-	-	-	-	-	13,197,216	-	13,197,216
As at 31 December 2019	150,000,000	600,000,000	93,873,662	379,454,906	-	-	14,330,267	243,873,662	993,785,173
As at 1 January 2018, as previously reported	150,000,000	600,000,000	52,012,554	209,974,680	-	-	5,550,000	202,012,554	815,524,680
Effect of transition to CIFRS (Note 3)	-	-	(898,855)	(3,628,678)	-	-	-	(898,855)	(3,628,678)
As at 1 January 2018									
(as restated - Note 3)	150,000,000	600,000,000	51,113,699	206,346,002	-	-	5,550,000	201,113,699	811,896,002
Net income for the year									
(as restated - Note 3)	-	-	22,066,331	89,258,308	-	-	-	22,066,331	89,258,308
Transfer from retained earnings to regulatory reserve	-	-	(951,011)	(3,821,162)	951,011	3,821,162	-	-	-
Difference on exchange translation	-	-	-	-	-	-	(4,416,949)	-	(4,416,949)
As at 31 December 2018									
(as restated - Note 3)	150,000,000	600,000,000	72,229,019	291,783,148	951,011	3,821,162	1,133,051	223,180,030	896,737,361

The attached notes 1 to 33 form part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019		2018	
		US$	**KHR'000 equivalent**	**US$**	**KHR'000 equivalent**
			(Note 2.3)		(Note 2.3)
					(As restated - Note 3)
OPERATING ACTIVITIES					
Income before income tax		26,875,361	108,898,962	27,605,149	111,662,827
Adjustment for:					
Interest expense on lease liabilities	12	81,638	330,797	91,800	371,331
Provision for expected credit losses		4,826,423	19,556,666	2,018,482	8,164,760
Depreciations	25	1,602,997	6,495,344	1,492,300	6,036,354
Income tax paid	16	(6,100,584)	(24,859,880)	(4,969,572)	(19,967,740)
Cash flow from operations before changes in working capital		**27,285,835**	**110,421,889**	**26,238,159**	**106,267,532**
Changes in working capital:					
Balances with NBC		(17,671,999)	(72,013,396)	11,964,992	48,075,338
Balances with other banks		331	1,349	(8,480)	(34,073)
Loans and advances		(69,775,594)	(284,335,546)	(84,386,897)	(339,066,552)
Other assets		179,656	732,098	(717,951)	(2,884,727)
Deposits from other banks		352,796	1,437,644	13,728,097	55,159,494
Deposits from customers		63,472,120	258,648,889	(98,002,584)	(393,774,383)
Other liabilities		**2,762,262**	**11,256,218**	**(2,137,772)**	**(8,589,568)**
Net cash from (used in) operating activities		6,605,407	26,149,145	(133,322,436)	(534,846,939)
INVESTING ACTIVITIES					
Purchase of property and equipment	**10**	**(195,132)**	**(795,163)**	**(562,851)**	**(2,261,535)**
FINANCING ACTIVITIES					
Payment of lease liabilities	12	(724,234)	(2,951,254)	(643,232)	(2,584,506)
Proceeds from borrowings	15	17,881,330	72,866,420	-	-
Repayment of borrowings	15	(100,000,000)	(407,500,000)	(29,397,084)	(118,117,484)
Repayment of subordinated debt		-	-	(8,000,000)	(32,144,000)
Net cash used in financing activities		**(82,842,904)**	**(337,584,834)**	**(38,040,316)**	**(152,845,990)**
Net decrease in cash and cash equivalents		**(76,432,629)**	**(312,230,852)**	**(171,925,603)**	**(689,954,464)**
Cash and cash equivalents at beginning of the year		492,245,009	1,977,582,566	664,170,612	2,681,256,761
Difference on exchange translation		-	30,813,455	-	(13,719,731)
Cash and cash equivalents at end of the year	**6**	**415,812,380**	**1,696,165,169**	**492,245,009**	**1,977,582,566**

The attached notes 1 to 33 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2019 and for the year then ended

1. CORPORATE INFORMATION

The Branch was incorporated in Cambodia on 12 July 2010 originally named Bank of China Limited - Phnom Penh Branch, a branch of Bank of China Limited, under Registration No. Co. 0034Br/2010 and was granted a banking license from the National Bank of Cambodia ("NBC") on 11 November 2010 for an indefinite period. The Branch commenced its operations on

8 **December 2010.**

In 2017, the Branch was completely acquired by Bank of China (Hong Kong) Limited from Bank of China Limited. Subsequently, the Branch changed its name from Bank of China Limited Phnom Penh Branch to Bank of China (Hong Kong) Limited Phnom Penh Branch with new Registration No. 00014630 from the Ministry of Commerce. On 7 September 2017, the Branch obtained an updated banking license under the new name from the NBC to carry out banking operations for an indefinite period.

Its head office, Bank of China (Hong Kong) Limited ("BOCHK"), a bank incorporated and registered in Hong Kong, is listed on the Hong Kong Stock Exchange. BOCHK's core business is commercial bank ing, including corporate banking, personal banking and financial market services, providing a compre hensive range of financial services to customers across Hong Kong as well as in eight countries and regions. The principal activities of the Branch are the operation of core banking business and the provision of related financial services in Cambodia.

Location

The Branch's registered office address is at Canadia Tower, 1st and 2nd Floor, 315 Ang Doung Street Corner of Monivong Blvd., Phnom Penh, Cambodia. As at 31 December 2018, the Branch has two (4) sub-branches located in Phnom Penh, Siem Reap, and Preah Sihanouk province.

Employees

As at 31 December 2019, the Branch has a total of 174 employees (2018: 166 employees).

Approval of the Branch's financial statements

The financial statements were authorized for issue by Executive Management on

15 May 2020.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Branch, expressed in United States dollar ("US$), have been prepared on historical cost basis, except otherwise indicated.

2.1 Basis of preparation

This is the Branch's first financial statements prepared in accordance with Cambodian International Fi nancial Reporting Standards ("CIFRSs").

The Branch's date of transition to CIFRSs is 1 January 2018. The financial statements for the year end ed 31 December 2018 were prepared in accordance with Cambodian Accounting Standards and rele vant regulations and guidelines issued by the NBC, collectively referred to as the previous generally accepted accounting principles ("previous GAAP").

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

2.1 Basis of preparation (continued)

The transition to the CIFRSs has resulted to a number of changes in the Branch's accounting policies compared to those used when applying previous GAAP. Note 3 to the financial statements describe the differences between the equity and profit or loss presented under previous GAAP and the newly presented amounts under CIFRSs for the reporting year ended at 31 December 2018, as well asthe equity presented in the opening statement of financial position as at 1 January 2018. It also de scribes all the required changes in accounting policies made on first-time adoption of the CIFRSs.

2.2 Fiscal year

The Branch's fiscal year starts on 1 January and ends on 31 December.

2.3 Measurement and presentation currency

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

Presentation currency

The financial statements are presented in US$, which is the Branch's functional and presentation cur rency.

Transactions and balances

Transactions in currencies other than US$ are translated into US$ at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in currencies other than US$ which are outstanding at the reporting date are translated into US$ at the rate of exchange ruling at that date. Exchange differences arising on translation are recognized in profit or loss.

Translation of US$ in KHR

The translation of the US$ amounts into thousands KHR ("KHR'000") is presented in the financial state ments to comply with the Law on Accounting and Audit dated 11 April 2016 using the closing and aver agerates for the year then ended, as announced by the General Department of Taxation.

Assets and liabilities included in the statement of financial position are translated at the closing rate prevailing at the end of each reporting date, whereas income and expense items presented in the statem ent of comprehensive income are translated at the average rate for the year then ended. All resulting exchange differences are recognized in the statement of comprehensive income. Such transla tion should not be construed as a representation that the US$ amounts repre sent, or have been or could be, converted into KHR at that or any other rate. All values in KHR are rounded to the nearest thousand ("KHR'000"), except if otherwise indicated.

The financial statements are presented in KHR based on the applicable exchange rates per US$1 as follows:

	2019	2018	2017
Closing rate	4,075	4,018	4,037
Average rate	4,052	4,045	4,045

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2019 and for the year then ended

2.4 Standards issued but not yet effective

The standards and amendments that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. These standards and amendments to CIFRSs issued but not yet effective are not expected to have a significant impact on the financial position or performance of the Branch.

- CIFRS 17, Insurance
- Amendments to CIFRS 3: Definition of Business
- Amendments to CIAS 1 and CIAS 8: Definition of Material

3. RECONCILIATION BETWEEN PREVIOUS GAAP AND NEW PRESENTATATION UNDER CIFRSs

In the table below, equity determined in accordance with CIFRSs is reconciled with equity determined in accordance with previous GAAP at both 1 January 2018 (the date of transition to the CIFRSs) and 31 December 2018 (the end of the latest period presented in the most recent financial statements prepared in accordance with previous GAAP).

		1 January 2018				31 December 2018			
	Notes	Previous GAAP	Reclassification	Remeasurement	CIFRSs	Previous GAAP	Reclassification	Remeasurement	CIFRSs
		US$	US$	US$	US$	US$	US$	US$	US$
ASSETS									
Cash and other cheque items		32,267,234	-	-	32,267,234	31,193,448	-	-	31,193,448
Balances with NBC	a(i)	335,166,737	-	(429,306)	334,737,431	285,382,784	-	(495,886)	284,886,898
Balances with other banks	a(ii)	409,237,107	-	(5,834)	409,231,273	273,450,604	-	2,758,692	276,209,296
Loans and advances	a(iii), b(i)	427,026,276	2,562,695	(210,785)	429,378,186	508,805,083	4,034,230	(1,282,708)	511,556,605
Other assets	b(i)	3,540,208	(2,562,695)	-	977,513	5,579,648	(3,892,971)	8,787	1,695,464
Property and equipment		2,873,229	-	-	2,873,229	2,552,745	-	-	2,552,745
Right-of-use asset	c	-	-	3,133,137	3,133,137	-		2,781,919	2,781,919
Deferred tax assets		1,172,978	-	-	1,172,978	1,854,153	-	-	1,854,153
TOTAL ASSETS		**1,211,283,769**	**-**	**2,487,212**	**1,213,770,981**	**1,108,818,465**	**141,259**	**3,770,804**	**1,112,730,528**

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2019 and for the year then ended

3. RECONCILIATION BETWEEN PREVIOUS GAAP AND NEW PRESENTATATION UNDER CIFRSs (continued)

		1 January 2018				31 December 2018			
	Notes	Previous GAAP	Reclassification	Remeasurement	CIFRSs	Previous GAAP	Reclassification	Remeasurement	CIFRSs
		US$	US$	US$	US$	US$	US$	US$	US$
LIABILITIES AND HEAD OFFICE'S EQUITY									
LIABILITIES									
Deposits from other banks	b(ii)	7,286,837	12,750	-	7,299,587	21,021,017	6,667	-	21,027,684
Deposits from customers	b(ii)	828,061,708	1,563,852	-	829,625,560	729,834,608	1,788,368	-	731,622,976
Borrowings	b(ii)	153,500,000	1,333,491	-	154,833,491	123,500,000	1,936,407	-	125,436,407
Income tax payable		4,236,696	-	-	4,236,696	5,487,117	-	-	5,487,117
Other liabilities	b(ii), a(iv)	8,185,974	(2,910,093)	348,760	5,624,641	6,784,574	(3,590,183)	38,301	3,232,692
Lease liability	c	-	-	3,037,307	3,037,307	-	-	2,743,622	2,743,622
Subordinated debt	b(ii)	8,000,000	-	-	8,000,000	-	-	-	-
Total liabilities		1,009,271,215	-	3,386,067	1,012,657,282	886,627,316	141,259	2,781,923	889,550,498
HEAD OFFICE'S EQUITY									
Branch Capital		150,000,000	-	-	150,000,000	150,000,000	-	-	150,000,000
Retained earnings	d	52,012,554	-	(898,855)	51,113,699	72,191,149	(951,011)	988,881	72,229,019
Regulatory reserve	e	**-**	**-**	**-**	**-**	**-**	**951,011**	**-**	**951,011**
Total head office's equity		**202,012,554**	**-**	**(898,855)**	**201,113,699**	**222,191,149**	**-**	**988,881**	**223,180,030**
TOTAL LIABILITIES AND HEAD OFFICE'S EQUITY		**1,211,283,769**	**-**	**2,487,212**	**1,213,770,981**	**1,108,818,465**	**141,259**	**3,770,804**	**1,112,730,528**

3. RECONCILIATION BETWEEN PREVIOUS GAAP AND NEW PRESENTATATION UNDER CIFRSs (continued)

The table below summarises the differences between profit or loss presented under previous GAAP and the newly presented amounts under CIFRSs for the year ended 31 December 2018:

	Notes	Previous GAAP	Reclassification	Remeasurement	CIFRSs
		US$		US$	US$
Operating income					
Interest income		34,747,031	-	-	34,747,031
Interest expense	c	(8,147,194)	-	(91,800)	(8,238,994)
Net interest income		**26,599,837**	**-**	**(91,800)**	**26,508,037**
Net fee and commission income		9,858,355	-	-	9,858,355
Foreign exchange income		1,950,549	-	-	1,950,549
Total operating income		**38,408,741**	**-**	**(91,800)**	**38,316,941**
Personnel expenses		(5,043,203)	-	-	(5,043,203)
Depreciation	c	(883,335)	-	(608,965)	(1,492,300)
General and administrative expenses	c	(2,801,039)	-	643,232	(2,157,807)
Provision expenses for ECLs	a	(3,963,751)	-	1,945,269	(2,018,482)
Income before income tax		**25,717,413**	**-**	**1,887,736**	**27,605,149**
Income tax expense		(5,538,818)	-	-	(5,538,818)
Net income for the year		**20,178,595**	**-**	**1,887,736**	**22,066,331**

Explanatory notes to the reconciliations

The table below summarises the differences between profit or loss presented under previous GAAP and the newly pre sented amounts under CIFRSs for the year ended 31 December 201

a. *Impairment of financial assets and off-balance sheet financial instruments*

The branch provided allowance for losses on financial assets based on the NBC Prakas No. B7-017-344 dated 1 December 2017 and the NBC Circular no. B7-018-001 dated 16 February 2018 and recognised in the financial statements for the previous years and the year ended 31 December 2018. The effect on impairment based on ECLs following CIFRS 9 and regulatory provision resulted adjustments on financial assets measured at cost and amortised cost as follows:

(i) Cumulative transition adjustments decreased carrying amount of balances with NBC as at 1 January and 31 December 2018 by US$429,306 and US$495,886, respectively. These resulted to an increase amounting to US$66,580 in provision expenses for ECLs for the year ended 31 December 2018.

(ii) Cumulative transition adjustment decreased carrying amount of balances with other banks as at 1 January 2018 by US$5,834 but increased carrying amount of balances with other banks as at 31 December 2018 by US$2,758,692. The reversal of allowance for ECLs decreased provision expenses for ECLs for the year ended 31 December 2018 by US$ 2,764,526.

(iii) Cumulative transition adjustment decreased carrying amount of loans and advances as at 1 January and 31 December 2018 by US$210,785 and US$1,282,708, respectively. These resulted to additional provision expenses for ECLs for the year ended 31 December 2018 amounting US$1,071,923.

(iv) Other liabilities as at 1 January and 31 December 2018 increased by US$348,760 and US$38,301, respectively, to recognize cumulative transition adjustment for ECLs on off-balance sheet items. The reversal of allowance for ECLs decreased provision expenses for ECLs for the year ended 31 December 2018 by US$310,459.

3. RECONCILIATION BETWEEN PREVIOUS GAAP AND NEW PRESENTATATION UNDER CIFRSs (continued)

Explanatory notes to the reconciliation (continued)

a. *Impairment of financial assets and off-balance sheet financial instruments (continued)*

(v) Transition adjustment increased carrying amount of other assets as at 31 December 2018 and decreased provision expenses for ECLs for the year then ended by US$8,787 (1 January 2018: nil).

Net effect of (i), (ii), (iii), (iv) and (v) described above decreased provision expenses on ELCs for the year ended 31 December 2018 by US$1,945,269.

b. Reclassification of financial assets and financial liabilities
Financial assets measured at amortised costs required reclassification of certain accounts as follows:

(i) As at 1 January 2018, accrued interest receivable amounted to US$2,562,695 previously presented under other assets was reclassified to loans and advances (31 December 2018: US$3,892,971).

(ii) As at 1 January 2018, accrued interest payable amounting to US$2,910,093 (31 December 2018: US$3,731,442) was reclassified from other liabilities as follows:

- US$12,750 and US$6,667 to deposits from other banks as at 1 January and 31 December 2018, respectively;
- US$1,563,852 and US$1,788,368 to deposits from customers as at 1 January and 31 December 2018, respectively;
- US$1,333,491 and US$1,936,407 to borrowings as at 1 January and 31 December 2018, respectively.

(iii) As at 31 December 2018, unamortized processing fee related to loan commitments amounting to US$141,258 was previously presented under loans and advances was reclassified to other liabilities.

c. *Leases*

As at 1 January 2018, the Branch recognised right-of-use assets and lease liabilities amounting to US$3,133,137 (31 December 2018: US$2,781,919) and US$3,037,307 (31 December 2018: US$2,743,622), respectively, as cumulative transition adjustments in accordance with CIFRS16.Following requirement of CIFRS16, lease payment amounted to US$643,232 were adjusted to recognise depreciation expense of right-of-use assets and finance costs amounted to US$608,965 and US$91,800, respectively, for the year ended 31 December 2018.

d. *Retained earnings*

The effect of transition adjustments to CIFRSs decreased retained earnings as at 1 January 2018 by US$898,855 (31 December 2018: increased by US$988,881). These resulted to an increase amounting to US$1,887,736 in the net income for the year ended 31 December 2018.

e. *Regulatory provision*
The transfer from retained earnings to regulatory reserve is a regulatory requirement from the NBC (Note 19).

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Financial instruments

4.1.1 Initial recognition and measurement of financial instruments

Financial assets and liabilities, with the exception of loans and advances to customers, are initially recognised on the date on which the Branch become a party to the contractual provision of the instrument. Loans and advances to customers are recognised when funds are transferred to the customer's account.

The Branch classifies all its financial assets and financial liabilities based on its business model for managing the assets' contractual terms measured at amortised cost. Amortised cost is an amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

Financial assets and liabilities of the Branch include balances with the NBC (except statutory deposits), balances with other banks, loans and advances to customers, and other assets (except for non-refundable deposits and prepayments), deposits from banks, deposits from customers, borrowings, lease liabilities, and other liabilities (except for tax payable) which are measured at amortized cost.

4.1.2 Financial assets

The Branch measured financial assets at amortised cost only if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding

4.1.3 Business model assessment

The Branch makes an assessment of the objective of a business model in which an asset is held at a portfolio level that best reflects how the assets are managed. Factors considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Branch's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- How managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.1 Financial instruments (continued)

4.1.3 Business model assessment (continued)

- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Branch's stated objective for managing the financial assets is achieved and how cash flows are realized.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTOCI because they are either held to collect contractual cash flows or held both to collect contractual cash flows and to sell financial assets.

4.1.4 Solely payments of principal and interest ("SPPI") test

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

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

In making the assessment, the Branch considers:

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

Non-recourse loans

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

- whether the contractual arrangement specifically defines the amounts and dates of the cash payments of the loan;
- the fair value of the collateral relative to the amount of the secured financial asset;
- the ability and willingness of the borrower to make contractual payments, notwithstanding a decline in the value of collateral;
- whether the borrower is an individual or a substantive operating entity or is a special-purpose entity;
- the Branch's risk of loss on the asset relative to a full-recourse loan;
- the extent to which the collateral represents all or a substantial portion of the borrower's assets; and
- whether the Branch will benefit from any upside from the underlying assets.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.1 Financial instruments (continued)

4.1.4 Solely payments of principal and interest ("SPPI") test (continued)

Reclassification

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

4.1.5 Derecognition of financial assets and liabilities

Financial assets

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

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

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

4.1.6 Modifications and forbearance of financial assets (continued)

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

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

- Fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- Other fees are included in profit or loss as part of the gain or loss on derecognition.
- If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximize recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Branch plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.1 Financial instruments (continued)

4.1.6 Modifications and forbearance of financial assets (continued)

- If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the finan cial asset, then the Branch first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.
- If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

4.1.7 Offsetting

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

4.1.8 Fair value measurement

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.1 Financial instruments (continued)

4.1.8 Fair value measurement (continued)

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

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

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

4.1.9 Expected credit losses ("ECLs")

The Branch recognizes allowance for ECLs on the following financial instruments that are not measured at FVTPL:

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

The Branch measures loss allowance at an amount equal to lifetime ECL except for other financial instruments on which credit risk has not increased significantly since their initial recognition for which they are measured as 12-month ECL.

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.1 Financial instruments (continued)

4.1.9 Expected credit losses ("ECLs") (continued)

Determining whether credit risk has increased significantly

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

The Branch considers that a significant increase in credit risk occurs no later than when an asset is more than 90 days past due. Days past due is determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due date is determined without considering any grace period that might be available to the borrower.

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

Definition of default

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

- The borrower is unlikely to pay its credit obligations to the Branch in full, without recourse by the Branch to actions such as realising security (if any is held); or
- The Branch considers that a significant increase in credit risk occurs no later than when an asset is more than or equal to 90 days past due
- When the account undergoes debt restructuring or rescheduling
- When account shows deterioration in its credit profile but its delinquency does not exceed 90 days past due (forced accounts)
- When accounts are crossed default by obligor(s) of the same borrower type within the same loan listing source

Measurement of ECL

ECL is a probability-weighted estimate of credit loss measured as follows:

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

Inputs, assumptions and techniques used for estimating impairment

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.1 Financial instruments (continued)

4.1.9 Expected credit losses ("ECLs") (continued)

Inputs, assumptions and techniques used for estimating impairment (continued)

The Branch adopt the delinquency based transition matrix, historical loss rate model and proxy models to estimate its PD.

LGD is the magnitude of the likely loss if there is a default. The Branch estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. The LGD is computed based on a workout style method. The workout style method is based on a set of derived estimated cash flows (i.e. collection or sale of collateral) during the workout period and discounted by the effective interest rate to the date of default.

EAD represents the expected exposure in the event of a default. The Branch derives the EAD from the current expo sure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For some financial assets, EAD is determined by mod elling the range of possible exposure outcomes at various points in time using scenario and statistical techniques. As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Branch measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Branch considers a longer period. The maximum contractual period extends to the date at which the Branch has the right to require repayment of an advance or terminate a loan commitment or guarantee.

Restructured financial assets

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

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

Credit-impaired financial assets

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.1 Financial instruments (continued)

4.1.9 Expected credit losses ("ECLs") (continued)

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

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

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

Presentation of allowance for ECL in the statement of financial position

Allowance for ECL is presented in the statement of financial position for financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets.

Write-off

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

Recoveries resulting from the Branch's enforcement activities will result in impairment gains, which will be presented in 'net impairment loss on financial assets/other income' in profit or loss.

4.2 Cash and cash equivalents

For statement of cash flow purposes, cash and cash equivalents consist of cash, deposits with other banks, and high ly-liquid short-term investments with an original maturity of less than ninety days that are readily convertible to known amounts of cash.

4.3 Deposits and placements with banks

Deposits and placements with banks are stated at cost less allowance for ECLs.

4.4 Statutory deposits

Capital guarantee and reserve requirements are maintained with the NBC in compliance with the Cambodian Law on Banking and Financial Institutions determined at defined percentages of minimum share capital and total deposits from customers, respectively.

4.5 Loans and advances

'Loans and advances' in the statement of financial position include loans and advances measured at amortised cost less impairment based on ECL. They are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Regulatory provision

Regulatory reserve is set up to account for the difference in provision between loan impairment determined in accordance with CIFRS and the regulatory provision computed in accordance with NBC Prakas No B7-017-344 dated 1 December 2017 and Circular No B7-018-001 dated 16 February 2018 on credit risk classification and provision on impairment for banks and financial institutions.

The regulatory provision requires banks and financial institutions to classify their loan portfolio into five classes and provide general and specific allowance based on the loan classification as follows:

Classification	Number of days past due	Allowance rate
Standard	0 to 14 days (short-term) 0 to 29 days (long-term)	1%
Special mention	15 days to 30 days (short-term) 30 days to 89 days (long-term)	3%
Substandard	31 days to 60 days (short-term) 90 days to 179 days (long-term)	20%
Doubtful	61 days to 90 days (short-term) 180 days to 359 days (long-term)	50%
Loss	From 91 days (short-term) 360 days or more (long-term)	100%

The Branch shall compare the provision calculated in accordance with CIFRS 9 and the regulatory provision, and:

(i) In case that the regulatory provision calculated is lower than the provision calculated in accordance with CIFRS 9, the entity records the provision calculated in accordance with CIFRS 9; and

(ii) In case that the regulatory provision calculated is higher than the provision calculated in CIFRS 9, the entity records the provision calculated in accordance with CIFRS 9 and transfer the difference from the retained earnings (accumulated losses) to regulatory reserve in the shareholders' equity of the statement of the financial position.

4.7 Other assets

Other assets are carried at cost less impairment if any.

4.8 Property and equipment

(a) Property and equipment are stated at cost less accumulated depreciation and impairment, if any. The cost of an asset comprises its purchase price and any directly attributable cost of bringing the asset to its working condition and location for its intended use. The carrying amounts are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amount, and where carrying values exceed this recoverable amount, assets are written down to their recoverable amount.

(b) Depreciation is charged in the income statement using a straight-line basis over the estimated useful lives of the individual assets, at the following annual rates:

Leasehold improvements	**20%**
Furniture and equipment	**20%**
Computer equipment	**33%**
Motor vehicles	**17%**

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 Property and equipment (continued)

(c) Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Branch and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

(d) When assets are sold, their cost and accumulated depreciation are removed from the accounts. Any resulting gain or loss from their disposal is included in the income statement. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the income statement in operating income. When revalued assets are sold, the amounts included in the revaluation surplus are transferred to retained profits.

(e) Fully depreciated items of property and equipment are retained in the financial statements until they are disposed of or written off.

4.9 Leases

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

The Branch as a lessee

The Branch applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Branch recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Branch recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the Assets. The Branch's leased assets are office rental for all the branches. If ownership of the leased asset transfers to the Branch at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

Lease liabilities

At the commencement date of the lease, the Branch recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Branch uses its incremental borrowing rate ("IBR") at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Leases (continued)

Short-term leases and leases of low-value assets

The Branch applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and lease of low-value assets. The Branch only leased photocopiers that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognized as expense on a straight-line basis over the lease term.

4.10 Employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Branch.

On 21 September 2018, the Ministry of Labor and Vocational Training ("MoLVT") issued Prakas No. 443 on Seniority Payment to all enterprises, establishments and those who are covered by the provision of Article 89 (New) of the Labor Law. The said Prakas requires retroactive seniority payment. According to the clarification issued by MoLVT No. 042 dated 22 March 2019, the payment of retroactive seniority indemnity will be made from 2021 as follows:

- Equal to three days payable every June; and
- Equal to three days payable every December.

The retroactive seniority payment shall not exceed six months of employee's average wage of each retrospective year. Employees are not entitled to the payment if they resign before receiving it.

The estimated amount of retroactive seniority payment was recognized under other liabilities.

4.11 Provisions

Provisions are recognized in the statement of financial position when the Branch 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 obliga tion. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

4.12 Effective interest rate method

Effective interest rate ("EIR") is a rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortized cost of a financial liability.

When calculating the effective interest rate, the Branch estimates the expected cash flow by considering all the contrac tual terms of the financial instrument, but not considering the ECL. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.12 Effective interest rate method (continued)

Interest income

Interest income is recognised in profit or loss using the effective interest method for all financial assets measured at amortised cost. It is calculated by applying the effective interest rate to the gross carrying amount of financial asset except for:

- Purchased or originated credit-impaired financial assets. Credit-adjusted EIR is applied to the amortized cost of the

financial assets.

- Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. EIR to the amortised cost of the financial asset in subsequent reporting periods is applied. Credit-adjusted effective interest rate is a rate that exactly discounts the estimated future cash payment or receipts through the expected life of the financial asset to the amortised cost of a financial assets that is a purchased or originated credit-impaired

financial asset.

Interest income calculated using the EIR method presented in the statement of comprehensive income includes interest on financial assets measured at amortised cost.

Interest expense

Interest expense is also calculated using the EIR method for all financial liabilities held at amortised cost. Interest expense presented in the statement of comprehensive income includes financial liabilities measured at amortised cost.

4.13 Fee and commission

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

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

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

4.14 Impairment of non-financial assets

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.14 Impairment of non-financial assets (continued)

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

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

4.15 Income tax

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

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

Following the adoption of CIFRSs, the tax authority has not indicated the changes to tax bases for tax computations for the tax effects of transition to CIFRSs. The Branch has made assumptions that management assessed to be reasonable and prudent in its assessment of tax payable and deferred taxes. The use of different assumptions could lead to a material impact on the financial statement. The final tax liabilities and deferred taxes of the Branch are subject to the determination and agreement with the tax authority.

(i) *Current tax*

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

(ii) *Deferred tax*

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the end of the reporting period.

Deferred tax liabilities are recognised for all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that affects neither the accounting profit nor taxable profit or loss. Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that affects neither the accounting profit nor taxable profit or loss. The carrying amount of deferred tax assets is reviewed at the end of each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.15 Income tax (continued)

(ii) Deferred tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax assets and deferred tax liabilities are offset when there is a legal right to offset its current tax assets and liabilities and it is the Branch's intention to settle on a net basis.

4.16 Contingent liabilities

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

4.17 Contingent assets

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

4.18 Rounding of amounts

Amounts in the financial statements have been rounded off to the nearest dollar and nearest thousand KHR for US$ and KHR amounts, respectively.

5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the financial statements in accordance with CIFRSs requires the Branch to make estimates and assumptions that affect the reported amounts of resources, liabilities, income and expenses and the disclosures of contingent resources and contingent liabilities.

Future events may occur which can cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

The following are the critical judgments and key assumptions that have a significant risk of material adjustment to the carrying amounts of assets and liabilities within the next financial year:

5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

a. Classification of financial assets

The Branch classifies its financial assets depending on the business model for managing those financial assets and whether the contractual terms of the financial asset are SPPI on the principal amount outstanding. The Branch performs the business model assessment based on observable factors such as:

- Performance of the business model and the financial assets held within that business model are evaluated and reported to the Branch's key management personnel
- Risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- Compensation of business units whether based on the fair value of the assets managed or on the contractual cash flows collected
- Expected frequency, value and timing of sales

In performing the SPPI test, the Branch applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, the period for which the interest rate is set, contingent events that would change the amount and timing of cash flows, leverage features, prepayment and extension terms and other features that may modify the consideration for the time value of money.

b. Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the statement of financial position or disclosed in the notes to financial statements cannot be derived from active markets, these are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

c. Leases

The Branch determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.The Branch has several lease contracts that include extension and termination options. The Branch applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors such as leasehold improvements and location that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Branch reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

Estimating the IBR for lease liabilities

The Branch cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR for lease liabilities is the rate of interest that the Branch would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Branch estimates the IBR for lease liabilities using observable inputs (by reference to prevailing risk-free rates) adjusted to take into account the entity's credit risk (i.e., credit spread).

5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

d. *ECLs on financial assets*

The Branch's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judg ments and estimates include, among others:

- Segmentation of the portfolio, where the appropriate model or ECL approach is used
- Criteria for assessing if there has been a significant increase in credit risk and so allowances for debt financial assets should be measured on a lifetime ECL basis and the qualitative assessment
- Segmentation of debt financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and economic inputs and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomics scenarios and their probability weightings, to derive the economic inputs into the ECL models

e. *Recognition of deferred tax assets*

Deferred tax assets are recognised for all unused tax losses and temporary differences to the extent that it is probable that future taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable income together with future tax planning strategies.

f. *Functional currency*

CIAS 21 requires management to use its judgment to determine the entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity. In making this judgment, the Branch considers the following:

(i) The currency that mainly influences prices for financial instruments and services (this will often be the currency in which prices for its financial instruments and services are denominated and settled);

(ii) The currency in which funds from financing activities are generated; and

(iii) The currency in which receipts from operating activities are usually retained.

6. CASH AND OTHER CHEQUE ITEMS

	2019		2018	
	US$	**KHR'000 equivalent**	**US$**	**KHR'000 equivalent**
		(Note 2.3)		(Note 2.3)
Cash on hand and in vault	33,454,272	136,326,158	26,624,101	106,975,638
Cash in ATM	896,897	3,654,856	391,480	1,572,967
Unpresented cheques	-	-	4,177,867	16,786,669
	34,351,169	**139,981,014**	**31,193,448**	**125,335,274**

6. CASH AND OTHER CHEQUE ITEMS (continued)

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

	2019		2018	
	US$	KHR'000 equivalent	US$	KHR'000 equivalent
		(Note 2.3)		(Note 2.3)
Cash and other Cheque items	34,351,169	139,981,014	31,193,448	125,335,274
Balances with NBC				
Current accounts	128,524,027	523,735,410	181,204,649	728,080,280
Negotiable certificate of deposit ("NCDs")	36,487,597	150,408,250	3,636,580	14,344,260
Balances with other banks (Note 8)				
Current deposits	33,877,050	138,048,979	74,212,731	298,186,752
Term deposits	182,572,537	743,991,516	201,997,601	811,636,000
	415,812,380	1,696,165,169	492,245,009	1,977,582,566

7. BALANCES WITH NBC

Balances with NBC comprise:

	2019		2018	
	US$	KHR'000 equivalent	US$	KHR'000 equivalent
		(Note 2.3)		(Note 2.3)
			(As restated – Note 3)	
Current accounts	128,524,027	523,735,410	181,204,649	728,080,280
NCDs	36,910,000	150,408,250	3,570,000	14,344,260
Reserve requirements	102,791,152	418,873,944	85,608,135	343,973,486
Capital guarantee	15,000,000	61,125,000	15,000,000	60,270,000
	283,225,179	**1,154,142,604**	**285,382,784**	**1,146,668,026**
Allowance for ECLs on balances with NBC	(73,484)	(299,447)	(495,886)	(1,992,470)
	283,151,695	1,153,843,157	284,886,898	1,144,675,556

NCDs

NCDs have a term of three months and bear interest ranging between 0.71%-0.98% per annum (2018: 0.89%).

Reserve requirements

Under NBC Prakas No. B7-012-140 dated 13 September 2012, banks are required to maintain certain cash reserves with the NBC in the form of compulsory deposits, computed at 8.00% and 12.5% of customer deposits in KHR and in currencies other than KHR, respectively.

7. BALANCES WITH NBC (continued)

Capital guarantee

Under NBC Prakas No. B7-01-136 dated 15 October 2001, banks are required to maintain a capital guarantee of 10% of registered capital with the NBC. This deposit is not available for use in the Branch's day-to-day operations but is refundable when the Branch voluntarily ceases to operate the business in Cambodia.

Interest rates

Annual interest rates on balances with NBC are as follows:

	2019	2018
Current accounts	Nil	Nil
Reserve deposits (before September 2018)	Nil	0.78% - 1.05%
Reserve deposits (after September 2018)	Nil	Nil
Capital guarantee	0.54% - 0.72%	0.46% - 0.62%
NCD	0.71% - 0.98%	0.58% - 0.98%

8. BALANCES WITH OTHER BANKS

Balances with other banks are as follows:

	2019		2018	
	US$	KHR'000 equivalent	US$	KHR'000 equivalent
		(Note 2.3)		(Note 2.3)
			(As restated - Note 3)	
Local banks				
Current deposits	9,087,957	37,033,425	2,098,483	8,431,705
Term deposits	82,000,000	334,150,000	72,000,000	289,296,000
Overseas banks				
Current deposits	24,789,093	101,015,554	72,114,248	289,755,047
Term deposits	100,574,605	409,841,516	130,000,000	522,340,000
	216,451,655	882,040,495	276,212,731	1,109,822,752
Allowance for ECLs on balances with other banks	(1,367)	(5,571)	(3,435)	(13,801)
Balance with other banks – net	216,450,288	882,034,924	276,209,296	1,109,808,951

Current deposits with local banks do not earn interest while those maintained with overseas banks earn interest at rates ranging from 0.00% to 2.4% per annum (2018: 0.00 % to 2.39% per annum).

Term deposits earn interest at rates ranging from 2.10% to 2.40% per annum (2018: 0.40% to 1.85% per annum) for local banks and from 1.60% to 2.35% for overseas banks (2018: 1.51% to 3.85%).

Balances with overseas banks are maintained with related parties (Note 29).

9. LOANS AND ADVANCES

The Branch's loans and advances are as follows:

	2019		2018	
	US$	KHR'000 equivalent	US$	KHR'000 equivalent
		(Note 2.3)		(Note 2.3)
		(As restated - Note 3)		
Long-term loans	534,983,476	2,180,057,665	459,968,073	1,848,151,717
Short term loans				
Overdraft	48,431,734	197,359,316	53,336,346	214,305,438
Trade financing	928,677	3,784,359	1,384,174	5,561,611
Credit cards	146,389	596,535	165,045	663,151
	584,490,276	2,381,797,875	514,853,638	2,068,681,917
Accrued interest receivable	4,191,701	17,081,182	3,892,972	15,641,961
Unamortised loan processing fees	(670,069)	(2,730,531)	(510,296)	(2,050,369)
Loans and advances -gross	588,011,908	2,396,148,526	518,236,314	2,082,273,509
Allowance for ECLs on loans and advances and accrued interest receivable	(11,669,607)	(47,553,649)	(6,679,709)	(26,839,070)
Loans and advances - net	**576,342,301**	**2,348,594,877**	**511,556,605**	**2,055,434,439**

Further analyses of loans and advances are as follows:

(i) Allowance for ECLs on loans and advances and accrued interest receivable

	2019		2018	
	US$	KHR'000 equivalent	US$	KHR'000 equivalent
		(Note 2.3)		(Note 2.3)
Stage 1	11,187,371	45,588,537	5,473,185	21,991,257
Stage 2	7,970	32,478	57,120	229,508
Stage 3	474,266	1,932,634	1,149,404	4,618,305
Total	11,669,607	47,553,649	6,679,709	26,839,070

9. LOANS AND ADVANCES (continued)

(i) Allowance for ECLs on loans and advances and accrued interest receivable (continued)

Movement of ECLs on loans and advances and accrued interest receivable follows:

	Stage 1	Stage 2	Stage 3	Total
	US$	US$	US$	US$
As at 1 January 2019	5,473,185	57,120	1,149,404	6,679,709
Newly originated assets that remained in Stage 1 as at 31 December 2019	1,773,955	-	-	1,773,955
Newly originated assets that moved to Stage 2 and Stage 3 as at 31 December 2019	-	-	-	-
Effect of collections and other movements in loans and advances	(1,192,083)	(904)	(1,149,404)	(2,342,391)
Transfers to Stage 1	(4,560)	4,560	-	-
Transfers to Stage 2	7,841	(7,841)	-	-
Transfers to Stage 3	(474,224)	(3,410)	477,634	-
Impact on ECL of exposures transferred between stages	5,603,257	(41,555)	(3,368)	5,558,334
As at 31 December 2019	11,187,371	7,970	474,266	11,669,607

	Stage 1	Stage 2	Stage 3	Total
	US$	US$	US$	US$
As at 1 January 2018	4,527,209	6,983	-	4,534,192
Newly originated assets that remained in Stage 1 as at 31 December 2018	1,265,852	-	-	1,265,852
Newly originated assets that moved to Stage 2 and Stage 3 as at 31 December 2018	-	10,144	-	10,144
Effect of collections and other movements in receivable balance	(365,147)	(1,617)	-	(366,764)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(54,653)	54,653	-	-
Transfers to Stage 3	(1,149,404)	-	1,149,404	-
Impact on ECL of exposures transferred between stages	1,249,328	(13,043)	-	1,236,285
As at 31 December 2018	**5,473,185**	**57,120**	**1,149,404**	**6,679,709**

9. LOANS AND ADVANCES (continued)

(ii) Grading of the gross loan portfolio, including interest receivable

	2019		2018	
	US$	KHR'000 equivalent	US$	KHR'000 Equivalent
		(Note 2.3)		(Note 2.3)
Stage 1	587,521,981	2,394,152,073	515,663,705	2,071,936,767
Stage 2	15,661	63,819	1,423,205	5,718,438
Stage 3	474,266	1,932,634	1,149,404	4,618,304
Total	588,011,908	2,396,148,526	518,236,314	2,082,273,509

Refer to Note 30.2 on Credit risk for analysis of loans quality.

(iii) Analysis of gross loans and advances by industry sector

	2019		2018	
	US$	KHR'000 equivalent	US$	KHR'000 equivalent
		(Note 2.3)	(As restated - Note 3)	(Note 2.3)
Real estate	118,019,070	480,927,710	89,294,224	358,784,192
Construction	71,188,642	290,093,716	65,281,105	262,299,480
Manufacturing	65,563,788	267,172,436	114,592,263	460,431,713
Wholesale/retail	41,299,867	168,296,958	44,705,967	179,628,575
Depository institutions	38,266,181	155,934,688	30,989,028	124,513,915
Information and media	34,888,040	142,168,763	7,157,628	28,759,349
Hotel and restaurants	24,889,954	101,426,563	28,426,191	114,216,435
Agriculture, forestry and fishing	23,952,010	97,604,441	24,938,361	100,202,334
Rental	22,408,928	91,316,382	28,668,475	115,189,933
Other non-financial Services	10,491,317	42,752,117	13,542,242	54412728
Other financial institutions	6,632,356	27,026,851	-	-
Utilities	6,427,482	26,191,989	298,709	1,200,213
Transport and storage	2,289,332	9,329,028	6,691,963	26,888,307
Personal loan	1,608,278	6,553,733	1,745,277	7,012,523
Others lending	120,086,663	489,353,151	61,904,881	248,733,812
Total	588,011,908	2,396,148,526	518,236,314	2,082,273,509

(iv) Analysis by currency

	2019		2018	
	US$	KHR'000 equivalent	US$	KHR'000 equivalent
		(Note 2.3)		(Note 2.3)
US$	529,266,643	2,156,761,570	428,732,952	1,722,649,001
KHR	58,745,265	239,386,956	89,503,362	359,624,508
	588,011,908	2,396,148,526	518,236,314	2,082,273,509

(v) Analysis of loan portfolio by maturity
Refer to Note 32.

9. LOANS AND ADVANCES (continued)

(vi) Analysis of loan portfolio by residency, relationship, exposure and annual interest rates range

	2019		2018	
	US$	KHR'000 equivalent	US$	KHR'000 equivalent
		(Note 2.3)		(Note 2.3)
Residency				
Residents	527,621,692	2,150,058,395	428,345,346	1,721,091,600
Non-residents	60,390,216	246,090,131	89,890,968	361,181,909
	588,011,908	2,396,148,526	518,236,314	2,082,273,509
Relationship				
External customers	586,907,125	2,391,646,534	517,324,295	2,078,609,017
Staffs	1,104,783	4,501,992	912,019	3,664,492
	588,011,908	2,396,148,526	518,236,314	2,082,273,509
Exposure				
Large	261,479,122	1,065,527,422	261,132,300	1,049,229,581
Non-large	326,532,786	1,330,621,104	257,104,014	1,033,043,928
	588,011,908	2,396,148,526	518,236,314	2,082,273,509

Annual interest rates

	2019	2018
Overdraft	4.50% - 9.00%	4.50% - 9.00%
Trade financing	6.00% - 6.50%	6.00% - 6.50%
Short-term loans	4.25% - 7.00%	4.50% - 8.00%
Long-term loans	3.07% - 13.45%	3.13% - 13.45%

10. OTHER ASSETS

	2019		2018	
	US$	KHR'000 equivalent	US$	KHR'000 equivalent
		(Note 2.3)		(Note 2.3)
			(As restated - Note 3)	
Fee receivable	660,715	2,692,414	361,892	1,454,082
Prepayments and others	448,403	1,827,241	100,428	403,520
Security deposits	224,468	914,706	354,117	1,422,842
Interest receivable on balances with NBC and other banks	182,221	742,550	879,027	3,531,930
	1,515,807	**6,176,911**	**1,695,464**	**6,812,374**

11. PROPERTY AND EQUIPMENT

	Leasehold improvement	Furniture and equipment	Computer equipment	Motor vehicles	Total
	US$	US$	US$	US$	US$
Cost					
As at 1 January 2019	3,998,348	1,106,625	894,885	636,601	6,636,459
Additions	3,465	74,194	117,473	-	195,132
As at 31 December 2019	4,001,813	1,180,819	1,012,358	636,601	6,831,591
Less: accumulated depreciation					
As at 1 January 2019	2,353,044	621,681	671,553	437,436	4,083,714
Depreciation	499,540	179,941	125,505	46,925	851,911
As at 31 December 2019	2,852,584	801,622	797,058	484,361	4,935,625
Net book value As at 31 December 2019	1,149,229	379,197	215,300	152,240	1,895,966
KHR'000 equivalent (Note 2.3)	4,683,108	1,545,228	877,348	620,377	7,726,061

11. PROPERTY AND EQUIPMENT (continued)

	Construction in progress	Leasehold improvement	Furniture and equipment	Computer equipment	Motor vehicles	Total
	US$	US$	US$	US$	US$	US$
Cost						
As at 1 January 2018	20,711	3,847,735	981,965	746,596	536,601	6,133,608
Additions	-	129,902	124,660	148,289	160,000	562,851
Disposals	-	-	-	-	(60,000)	(60,000)
Transfers	(20,711)	20,711	-	-	-	-
As at 31 December 2018	-	3,998,348	1,106,625	894,885	636,601	6,636,459
Less: accumulated depreciation						
As at 1 January 2018	-	1,828,250	406,661	570,818	454,650	3,260,379
Depreciation	-	524,794	215,020	100,735	42,786	883,335
Disposals	-	-	-	-	(60,000)	(60,000)
As at 31 December 2018	-	2,353,044	621,681	671,553	437,436	4,083,714
Net book value As at 31 December 2018	-	1,645,304	484,944	223,332	199,165	2,552,745
KHR'000 equivalent (Note 2.3)	-	6,610,832	1,948,502	897,349	800,246	10,256,929

12. LEASES

The Branch as lessee

The Branch has lease contracts for office buildings, ATM spaces, rental for business outlets and rental of vehicles. The Branch applies the 'short-term lease assets' recognition exemption for leases of business outlets and vehicles.

Right-of-use assets and lease liabilities

Set out below are the carrying amounts of the right-of-use assets and lease liabilities recognized and their movements during the year:

	Right-of-use assets		
	Office building	**ATM**	**Total**
	US$	US$	US$
As at 1 January 2019 (as restated - Note 3)	2,752,228	29,691	2,781,919
Additions	-	9,072	9,072
Depreciation expense	(735,701)	(15,385)	(751,086)
As at 31 December 2019	2,016,527	23,378	2,039,905
KHR'000 equivalent (Note 2.3)	8,217,348	95,265	8,312,613
As at 1 January 2018 (as restated - Note 3)	3,108,440	24,697	3,133,137
Additions	228,429	29,318	257,747
Depreciation expense	(584,641)	(24,324)	(608,965)
As at 31 December 2018 (as restated - Note 3)	2,752,228	29,691	2,781,919
KHR'000 equivalent (Note 2.3)	11,058,452	119,299	11,177,751

	Lease liabilities			
	2019		**2018**	
		US$	US$	US$
		equivalent (Note 2.3)		equivalent (Note 2.3)
			(As restated - Note 3)	
As at 1 January	2,743,622	11,023,873	3,037,307	12,261,608
Additions	9,072	36,968	257,747	1,035,627
Accretion of interest	81,638	330,797	91,800	371,331
Payments	(724,234)	(2,951,254)	(643,232)	(2,584,506)
Exchange difference on translation	-	158,265	-	(60,187)
As at 31 December	**2,110,098**	**8,598,649**	**2,743,622**	**11,023,873**
Present value of lease liabilities				
Current	766,437	3,123,231	644,215	2,588,456
Non-current	1,343,661	5,475,418	2,099,407	8,435,417
	2,110,098	**8,598,649**	**2,743,622**	**11,023,873**

12. LEASES (continued)

The amounts recognized in the statement of comprehensive income are as follows:

	2019		2018	
	US$	**KHR'000**	**US$**	**KHR'000**
		equivalent (Note 2.3)		equivalent (Note 2.3)
			(As restated - Note 3)	
Depreciation of right-of-use assets (Note 25)	751,086	3,043,400	608,965	2,463,264
Finance cost on lease liabilities (Note 21)	81,638	330,794	91,800	371,332
Expense for lease of low-value assets (Note 26)	65,155	264,012	62,209	251,635
Total amount recognized in the statement of comprehensive income	**897,879**	**3,638,206**	**762,974**	**3,086,231**

13. DEPOSITS FROM OTHER BANKS

The amounts recognized in the statement of comprehensive income are as follows:

	2019		2018	
	US$	**KHR'000 equivalent**	**US$**	**KHR'000 equivalent**
		(Note 2.3)		(Note 2.3)
				(As restated - Note 3)
Current deposits	1,380,480	5,625,456	1,027,684	4,129,234
Term deposits	20,000,000	81,500,000	20,000,000	80,360,000
	21,380,480	**87,125,456**	**21,027,684**	**84,489,234**

Further analyses of deposits from customers are as follows:

(i) Interest rates

	2019	2018
Savings deposits	0.00% - 0.25%	0.00% - 0.25%
Term deposits	0.75%	1.00% - 3.50%

(ii) By currency

	2019		2018	
	US$	**KHR'000**	**US$**	**KHR'000**
		equivalent (Note 2.1.3)		equivalent (Note 2.1.3)
US$	21,264,182	86,651,542	20,893,208	83,948,910
KHR	107,884	439,627	125,919	505,943
Chinese Yuan	8,414	34,287	8,557	34,381
	21,380,480	87,125,456	21,027,684	84,489,234

13. DEPOSITS FROM OTHER BANKS (continued)

(iii) By relationship

	2019		2018	
	US$	KHR'000 equivalent	US$	KHR'000 equivalent
		(Note 2.3)		(Note 2.3)
Non-related parties	21,273,803	86,685,829	20,919,896	84,056,142
Related parties	106,677	439,627	107,788	433,092
	21,380,480	87,125,456	21,027,684	84,489,234

14. DEPOSITS FROM CUSTOMERS

Deposits from customers comprise:

	2019		2018	
	US$	**KHR'000 equivalent**	**US$**	**KHR'000 equivalent**
		(Note 2.3)		(Note 2.3)
				(As restated - Note 3)
Current deposits	488,708,770	1,991,488,238	418,402,506	1,681,141,269
Savings deposits	121,804,730	496,354,275	146,873,563	590,137,976
Term deposits	181,818,257	740,909,397	163,856,907	658,377,052
Margin deposits	2,763,339	11,260,606	2,490,000	10,004,821
	795,095,096	3,240,012,516	731,622,976	2,939,661,118

Further analyses of deposits from customers are as follows:

(i) Interest rates

Savings deposits and term deposits from other banks bear interest as follows:

	2019	2018
Current deposits	0,00% - 2.50%	0.00% - 1.75%
Savings deposits	0.00% - 0.35%	0.00% - 0.50%
Term deposits	0.50% - 3,50%	1.00% - 3.50%
Margin deposits	Nil	Nil

(ii) Maturity analysis

Refer to Note 32.

14. DEPOSITS FROM CUSTOMERS (continued)

(iii) By type of customer, residency, and currency

	2019		2018	
	US$	**KHR'000**	**US$**	**KHR'000**
		equivalent (Note 2.1.3)		equivalent (Note 2.1.3)
By type of customer				
Legal entities	551,997,014	2,249,387,832	454,673,708	1,826,878,959
Individuals	243,098,082	990,624,684	276,949,268	1,112,782,159
	795,095,096	**3,240,012,516**	**731,622,976**	**2,939,661,118**
By residency				
Residents	716,423,884	2,919,427,327	619,797,226	2,490,345,254
Non-residents	78,671,212	320,585,189	111,825,750	449,315,864
	795,095,096	**3,240,012,516**	**731,622,976**	**2,939,661,118**
By currency:				
US$	746,273,415	3,041,064,166	708,284,002	2,845,885,120
KHR	46,998,103	191,517,270	20,011,587	80,406,557
Chinese Yuan	1,820,752	7,419,564	3,283,573	13,193,396
Others	2,826	11,516	43,814	176,045
	795,095,096	**3,240,012,516**	**731,622,976**	**2,939,661,118**

15. BORROWINGS

Borrowings comprise of:

	2019		2018	
	US$	**KHR'000 equivalent**	**US$**	**KHR'000 equivalent**
		(Note 2.3)		(Note 2.3)
Interbank borrowing				
Bank of China - Beijing	23,626,670	96,278,680	23,676,824	95,133,479
Bank of China - Hong Kong	-	-	101,759,583	408,870,004
Borrowings from the NBC	19,691,067	80,241,098	-	-
	43,317,737	176,519,778	125,436,407	504,003,483

The unsecured borrowing from the Bank of China - Beijing bears interest at six-month LIBOR plus 110 basis points per annum and matures on 28 April 2022.

The borrowing from the NBC represents a so-called name as Liquidity-Providing Collateralized Operation (LPCO) in KHR for a three-month term from 21 November 2019 to
20 February 2020 with interest rate at 2.75% per annum. The LPCO is collateralized by NCD (Note 7).

16. INCOME TAX

Major components of income tax expense are as follows:

	2019		2018	
	US$	KHR'000 equivalent	US$	KHR'000 equivalent
		(Note 2.3)		(Note 2.3)
				(As restated - Note 3)
Current tax	6,649,118	26,942,226	6,219,993	25,159,872
Deferred tax	(467,389)	(1,893,860)	(681,175)	(2,755,353)
	6,181,729	25,048,366	5,538,818	22,404,519

16.1 Current income tax

In accordance with the Cambodian tax regulations, current income tax is calculated at the higher of the taxable income for the year multiplied by the tax rate of 20% at the reporting date and 1% of turnover.

Details of estimated current income tax expense are as follows:

	2019		2018	
	US$	KHR'000 equivalent	US$	KHR'000 equivalent
		(Note 2.3)		(Note 2.3)
			(As restated - Note 3)	
Accounting profit before income tax	**26,875,361**	**108,898,962**	**27,605,149**	**111,662,827**
Income tax expense at applicable tax rate of 20%	5,375,072	21,779,792	5,521,030	22,332,565
Non-deductible expenses	806,657	3,268,574	17,788	71,954
Effective income tax	**6,181,729**	**25,048,366**	**5,538,818**	**22,404,519**

Details of movements of income tax payable are as follows:

	2019		2018	
	US$	KHR'000 equivalent	US$	KHR'000 equivalent
		(Note 2.3)		(Note 2.3)
			(As restated - Note 3)	
As at 1 January	5,487,117	22,047,236	4,236,696	17,103,542
Current income tax	6,649,118	26,942,226	6,219,993	25,159,872
Payments during the year	(6,100,584)	(24,859,880)	(4,969,572)	(19,967,740)
Exchange difference on translation	-	465,696	-	(248,438)
As at 31 December	**6,035,651**	**24,595,278**	**5,487,117**	**22,047,236**

16. INCOME TAX (continued)

16.2 Deferred tax assets

Temporary differences recognized during the year giving rise to deferred tax assets and (liabilities) are as follows:

	2019		2018	
	US$	**KHR'000 equivalent**	**US$**	**KHR'000 equivalent**
		(Note 2.3)		(Note 2.3)
			(As restated - Note 3)	
Allowance for losses on credit facilities	2,177,816	8,874,600	1,611,150	6,473,601
Deferred income	198,665	809,560	130,311	523,590
Provisions on other bad debts	5,905	24,063	5,905	23,726
Provision for seniority indemnity and bonus	1,426	5,811	82,570	331,766
Property and equipment	(62,269)	(253,746)	24,716	99,309
Unrealized foreign exchange (gain) loss	-	-	(499)	(2,005)
Deferred tax asset - Net	**2,321,543**	**9,460,288**	**1,854,153**	**7,449,987**

17. OTHER LIABILITIES

	2019		2018	
	US$	**KHR'000 equivalent**	**US$**	**KHR'000 equivalent**
		(Note 2.3)		(Note 2.3)
			(As restated - Note 3)	
Outward remittances	3,820,597	15,568,933	307,543	1,235,708
Accrued bonus	949,476	3,869,115	1,559,379	6,265,585
Allowance for ECLs on off-balance sheet items	417,014	1,699,332	156,018	626,880
Unamortized loan processing fees on off-balance sheet items	323,254	1,317,260	141,258	567,574
Other taxes	302,873	1,234,207	273,485	1,098,863
Accruals and others	442,736	1,804,148	795,009	3,194,346
	6,255,950	25,492,995	3,232,692	12,988,956

18. BRANCH CAPITAL

Branch capital represents the equity invested by the head office.

	2019		2018	
	US$	**KHR'000 equivalent**	**US$**	**KHR'000 equivalent**
		(Note 2.3)		(Note 2.3)
Branch capital	150,000,000	600,000,000	150,000,000	600,000,000

19. REGULATORY RESERVE

Comparison between regulatory and CIFRS 9 provisioning is as follows:

	31 December 2019	31 December 2018	1 January 2018
	US$	US$	US$
Regulatory provision	11,632,404	8,285,632	4,321,881
Provision for ECLs under CIFRS 9	(12,158,726)	(7,334,621)	(5,316,139)
Regulatory reserve	Nil	951,011	Nil

20. INTEREST INCOME

Interest income were generated from:

	2019		2018	
	US$	KHR'000 equivalent	US$	KHR'000 equivalent
				(Note 2.3)
			(As restated - Note 3)	
Loans and advances	32,421,043	131,370,067	28,271,685	114,358,966
Balances with NBC and other banks	**4,963,004**	**20,110,091**	**6,475,346**	**26,192,774**
	37,384,047	**151,480,158**	**34,747,031**	**140,551,740**

21. INTEREST EXPENSE

	2019		2018	
	US$	KHR'000 equivalent	US$	KHR'000 equivalent
		(Note 2.3)		(Note 2.3)
Deposits from customers	6,231,654	25,250,662	6,197,740	25,069,858
Interbank borrowings	1,323,621	5,363,312	1,949,454	7,885,541
Borrowing from the NBC	97,892	396,658	-	-
Lease liability	81,638	330,798	91,800	371,332
	7,734,805	31,341,430	8,238,994	33,326,731

22. NET FEES AND COMMISSION INCOME

	2019		2018	
	US$	KHR'000 equivalent	US$	KHR'000 equivalent
		(Note 2.3)		(Note 2.3)
			(As restated - Note 3)	
Fees and commission income from:				
Loans and trade finance	5,830,809	23,626,438	6,498,097	26,284,802
Remittance	3,534,002	14,319,776	3,543,215	14,332,305
Card products	226,381	917,296	237,787	961,848
Others	803,744	3,256,770	478,064	1,933,769
	10,394,936	**42,120,280**	**10,757,163**	**43,512,724**
Fees and commission expense	(1,032,950)	(4,185,513)	(898,808)	(3,635,678)
Net fees and commission income	**9,361,986**	**37,934,767**	**9,858,355**	**39,877,046**

23. FOREIGN EXCHANGE INCOME

This represents gain on foreign exchange for transactions in other currencies.

24. PERSONNEL EXPENSES

	2019		2018	
	US$	KHR'000 equivalent	US$	KHR'000 equivalent
		(Note 2.3)		(Note 2.3)
Salaries and wages	3,334,532	13,511,524	3,500,392	14,159,086
Allowances	1,438,528	5,828,915	1,328,306	5,372,998
Other benefits	248,100	1,005,301	214,505	867,672
	5,021,160	**20,345,740**	**5,043,203**	**20,399,756**

25. DEPRECIATION EXPENSES

Depreciation expenses comprise of:

	2019		2018	
	US$	KHR'000 equivalent	US$	KHR'000 equivalent
Property and equipment (Note 11)	851,911	3,451,944	883,335	3,573,090
Right-of-use assets (Note 12)	751,086	3,043,400	608,965	2,463,264
	1,602,997	6,495,344	1,492,300	6,036,354

26. OTHER OPERATING EXPENSES

	2019		2018	
	US$	KHR'000 equivalent	US$	KHR'000 equivalent
		(Note 2.3)		(Note 2.3)
			(As restated - Note 3)	
Legal and professional fees	340,457	1,379,532	163,459	661,192
Social activities	256,098	1,037,709	262,993	1,063,807
Other taxes	260,092	1,053,893	308,715	1,248,752
Network and telecommunication	234,365	949,647	198,158	801,549
Travelling	205,200	831,470	156,254	632,047
License fees	203,582	824,914	170,436	689,414
Labour fees	172,353	698,374	116,612	471,696
Repairs and maintenance	140,260	568,334	72,936	295,026
Utilities	132,025	534,965	116,232	470,158
Insurances	101,986	413,247	116,930	472,982
Office supplies	114,835	465,311	81,220	328,535
Advertising and marketing	98,183	397,838	63,513	256,910
Management fees	90,981	368,655	75,650	306,004
Lease of low-value asset	65,155	264,012	62,209	251,635
Others	352,515	1,428,388	192,490	778,622
	2,768,087	11,216,289	2,157,807	8,728,329

27. PROVISIONS FOR EXPECTED CREDIT LOSSES

	2019		2018	
	US$	KHR'000 equivalent	US$	KHR'000 equivalent
		(Note 2.3)		(Note 2.3)
			(As restated - Note 3)	
(Reversal of) provisions for ECLs:				
Balance with NBC	(422,403)	(1,711,577)	66,580	269,316
Balances with other banks	(2,068)	(8,380)	(2,399)	(9,704)
Loans and advances	4,989,898	20,219,067	2,208,478	8,933,294
Provision for off-balance sheet items	260,996	1,057,556	(254,177)	(1,028,146)
Provisions for ELCs- net	4,826,423	19,556,666	2,018,482	8,164,760

28. COMMITMENTS AND CONTINGENCIES

28.1 Lending commitments

To meet the financial needs of customers, the Branch enters into various lending commitments. No material losses are anticipated from these transactions, as follows:

	2019		2018	
	US$	**KHR'000 equivalent**	**US$**	**KHR'000 equivalent**
		(Note 2.3)		(Note 2.3)
Loan commitments	43,664,308	177,932,055	43,305,167	175,169,401
Unutilized portion of overdraft	12,147,648	49,501,666	15,164,995	61,342,405
Letters of credit	16,768,531	68,331,764	18,465,216	74,691,799
Guarantees and others	102,228,146	416,579,695	62,861,479	254,274,683
Total	174,808,633	712,345,180	139,796,857	565,478,288

28.2 Branch as lessee

Future minimum lease payments under non-cancellable operating leases as at 31 December were as follows:

	2019		2018	
	US$	**KHR'000 equivalent**	**US$**	**KHR'000 equivalent**
		(Note 2.3)		(Note 2.3)
Within one year	814,296	3,318,256	696,773	2,818,447
After one year but no more than five years	1,408,325	5,738,924	2,051,335	8,297,650
More than five years	56,654	230,865	227,940	922,017
	2,279,275	**9,288,045**	**2,976,048**	**12,038,114**

28.3 Tax contingency

The taxation system in Cambodia has undergone numerous changes and is characterized by either often unclear, contradictory and/or differing interpretations existing among numerous taxation authorities and jurisdictions. Taxes are subject to review and investigation by a number of tax authorities, who are enabled by law to impose severe fines, penalties and interest charges.

Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have differing interpretations and the effects since the incorporation of the Branch and its subsidiaries could be significant.

29. RELATED PARTY TRANSACTIONS AND BALANCE

Significant related party transactions of the Branch during the year and the outstanding balances at balance sheet date are as follows:

Related party	Nature of transaction	2019		2018	
		US$	KHR'000 equivalent	US$	KHR'000 equivalent
			(Note 2.3)		(Note 2.3)
BOC Hong Kong (Head office)	Balances with other banks	93,984,075	382,985,104	135,490,631	544,401,355
	Interbank borrowings	-	-	100,000,000	401,800,000
	Accrued interest payable	-	-	1,777,083	7,140,319
	Interest expense	295,068	1,195,617	769,525	3,112,729
	Accrued interest receivable	20,768	84,629	23,333	93,752
BOC - Beijing (affiliate and former head office)	Interbank borrowings	23,500,000	95,762,500	23,500,000	94,423,000
	Balances with other banks	5,789,796	23,593,420	5,799,131	23,300,908
	Interest expense	868,680	3,519,893	940,502	3,804,331
	Accrued interest payable	126,670	516,180	176,824	640,164
BOC Cayman (affiliate)	Balances with other banks	20,000,000	81,500,000	60,000,000	241,080,000
	Interest income	1,531,078	6,203,927	1,607,443	6,502,107
	Accrued interest receivable	24,806	101,083	580,222	2,331,332
BOC - Shanghai (affiliate)	Balances with other banks	49,279	200,813	184,435	741,060
BOC - Frankfurt (affiliate)	Balances with other banks	47,357	192,982	81,343	326,836
Key management personnel (*)	Compensation	2,513,990	10,186,689	2,330,947	9,428,681

(*) Include the Executive Management.

30. FINANCIAL RISK MANAGEMENT

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

- Operational risk
- Credit risk;
- Market risk;
- Liquidity risk; and

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

(i) Risk management functional and governance structure

The Branch's activities expose it to a variety of financial risks: credit risk, market risk (including currency risk, interest rate risk and price risk), and liquidity risk. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business.

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

A primary objective of the Branch in risk management is to comply with NBC's regulations. On the other hand, the Branch has recognized the importance of achieving international best practices on risk management. The Board of Directors has established a Risk Management Committee to formulate broad parameters of acceptable risk for the Branch and monitor the activities against these parameters.

The details of financial assets and liabilities are as follows:

	2019		2018	
	US$	**KHR'000 equivalent**	**US$**	**KHR'000 equivalent**
		(Note 2.3)		(Note 2.3)
Financial assets				
Cash and other cheque items	34,351,169	139,981,014	31,193,448	125,335,274
Balances with the NBC	283,151,695	1,153,843,157	284,886,898	1,144,675,556
Balances with other banks	216,450,288	882,034,924	276,209,296	1,109,808,951
Loans and advances – Net	576,342,301	2,348,594,877	511,556,605	2,055,434,439
Other assets	1,067,404	4,349,671	1,586,249	6,373,548
Total financial assets	**1,111,362,857**	**4,528,803,643**	**1,105,432,496**	**4,441,627,768**
Financial liabilities				
Deposits from other banks	21,380,480	87,125,456	21,027,684	84,489,234
Deposits from customers	795,095,096	3,240,012,516	731,622,976	2,939,661,118
Borrowings	43,317,737	176,519,778	125,436,407	504,003,483
Lease liabilities	2,110,098	8,598,649	2,743,622	11,023,873
Other liabilities	5,212,809	21,242,197	2,661,931	10,695,639
Total financial liabilities	**867,116,220**	**3,533,498,596**	**883,492,620**	**3,549,873,347**
Net financial assets	**244,246,637**	**995,305,047**	**221,939,876**	**891,754,421**

30. FINANCIAL RISK MANAGEMENT (continued)

30.1 Operational risk

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

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

The Branch's operational risk management entails the establishment of clear organizational 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. These are continually reviewed to address the operational risks of the business unit as well as to assess the level of compliance with the Branch policies by a program of periodic reviews undertaken by the internal audit function. The results of internal audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Internal control and Operational Risk Committee and senior management of the Branch.

30.2 Credit risk

The Branch takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss to the Branch by failing to discharge an obligation. Credit risk is the most important risk for the Branch's business. Credit exposure arises principally in lending activities that lead to loans and advances. There is also credit risk in off-balance sheet financial instruments, such as loan commitments. The lending activities are guided by the Branch'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 credit risks are well diversified. The credit policy documents the lending policy, collateral policy and credit approval processes, including the Branch's own internal grading system, and procedures implemented to ensure compliance with the NBC's guidelines.

(a) Credit risk measurement

The Branch assesses the probability of default of individual counterparties using internal rating tool. Local credit committee is responsible for determining the risk rating policies.

Risk ratings are reviewed and updated regularly, 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.

(b) Risk limit control and mitigation policies

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

The Branch is required, under the conditions of NBC Prakas No. B7-06-226, to maintain at all times a maximum ratio of 20% between the Branch's overall credit exposure to any single beneficiary and the Branch's net worth. The aggregate of large credit exposure must not exceed 300% of the Branch's net worth. In case the ratio exceeded the 20% threshold, the Branch will secure approval from NBC before disbursing the loan.

30. FINANCIAL RISK MANAGEMENT (continued)

30.2 Credit risk

(b) Risk limit control and mitigation policies (continued)

The Branch 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 and advances to customers, which is common practice. The Branch implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types to secure for loans and advances to customers are:

- Mortgages over residential properties (land, building and other properties);
- Charges over business assets such as land and buildings; and
- Cash in the form of margin deposits.

(c) Management of credit risk

- Developing and maintaining the Branch's processes for measuring ECL: This includes processes for:
  - initial approval, regular validation and back-testing of the models used;
  - determining and monitoring significant increase in credit risk; and
  - incorporation of forward-looking information.
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports on the credit quality of local portfolios are provided to Bank Credit, which may require appropriate corrective action to be taken. These include reports containing estimates of ECL allowances.
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Branch in the management of credit risk.

(d) Concentration of risk

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Branch's performance to developments affecting a particular industry or geographic location.

The Branch monitors concentration of credit risk of counterparty by industry. An analysis of concentration of the credit risk as at the balance sheet date in the following tables.

(e) Maximum exposure to credit risk before collateral held or other credit enhancements

Details of maximum exposure to credit risk before collateral held or other credit enhancements are as follows:

	2019		2018	
	US$	KHR'000 equivalent	US$	KHR'000 equivalent
		(Note 2.3)		(Note 2.3)
Balances with the NBC	283,151,695	1,153,843,157	284,886,898	1,144,675,556
Balances with other banks	216,450,288	882,034,924	276,209,296	1,109,808,951
Loans and advances	576,342,301	2,348,594,877	511,556,605	2,055,434,439
Other assets	1,067,404	4,349,671	1,586,249	6,373,548
	1,077,011,688	4,388,822,629	1,074,239,048	4,316,292,494

30. FINANCIAL RISK MANAGEMENT (continued)

30.2 Credit risk (continued)

(f) Concentration of risks of financial assets with credit risk exposure

	2019				
	Balances with NBC	**Balances with other banks**	**Loans and advances**	**Other assets**	**Total**
	US$	US$	US$	US$	US$
Financial intermediaries	283,225,178	216,451,655	44,352,925	1,067,404	545,097,162
Manufacturing	-	-	65,226,236	-	65,226,236
Construction	-	-	70,958,007	-	70,958,007
Real estate	-	-	116,448,476	-	116,448,476
Others - community, social and personal activities	-		287,504,632	-	287,504,632
	283,225,178	216,451,655	584,490,276	1,067,404	1,085,234,513
Accrued interest receivable	-	-	4,191,701	-	4,191,701
Unrecognized processing fees	-	-	(670,069)	-	(670,069)
	283,225,178	**216,451,655**	**588,011,908**	**1,067,404**	**1,088,756,145**
Allowance for ECLs	(73,484)	(1,367)	(11,669,607)	-	(11,744,458)
	283,225,178	216,451,655	584,490,276	1,067,404	1,085,234,513
	283,151,694	216,450,288	576,342,301	1,067,404	1,077,011,687
KHR’000 equivalent (Note 2.3)	1,153,843,153	882,034,924	2,348,594,877	4,349,671	4,388,822,625

	2018				
	Balances with NBC	**Balances with other banks**	**Loans and advances**	**Other assets**	**Total**
	US$	US$	US$	US$	US$
Financial intermediaries	285,382,784	276,212,731	30,460,860	1,586,249	593,642,624
Manufacturing	-	-	114,068,618	-	114,068,618
Construction	-	-	65,111,413	-	65,111,413
Real estate	-	-	88,061,064	-	88,061,064
Others - community, social and personal activities	-	-	217,151,683		217,151,683
	285,382,784	276,212,731	514,853,638	1,586,249	1,078,035,402
Accrued interest receivable	-	-	3,892,972	-	3,892,972
Unrecognized processing fees	-	-	(510,296)	-	(510,296)
	285,382,784	276,212,731	518,236,314	1,586,249	1,081,418,078
Allowance for ECLs	(495,886)	(3,435)	(6,679,709)	-	(7,179,030)
	284,886,898	276,209,296	511,556,605	1,586,249	1,074,239,048
KHR'000 equivalent (Note 2.3)	**1,144,675,556**	**1,109,808,951**	**2,055,434,439**	**6,373,548**	**4,316,292,495**

30. FINANCIAL RISK MANAGEMENT (continued)

30.2 Credit risk (continued)

(f) Concentration of risks of financial assets with credit risk exposure (continued)

	2019			
	Stage 1	Stage 2	Stage 3	Total
	US$	US$	US$	US$
Balances with NBC	283,225,178	-	-	283,225,178
Balances with other banks	216,451,655	-	-	216,451,655
Loans and advances including receivables	587,521,981	15,661	474,266	588,011,908
Other assets	1,067,404	-	-	1,067,404
	1,088,266,218	15,661	474,266	1,088,756,145
Allowance for ECLs	(11,262,222)	(7,970)	(474,266)	(11,744,458)
	1,077,003,996	7,691	-	1,077,011,687
KHR'000 equivalent (Note 2.3)	4,388,791,284	31,341	-	4,388,822,625

	2018			
	Stage 1	Stage 2	Stage 3	Total
	US$	**US$**	**US$**	**US$**
Balances with NBC	285,382,784	-	-	285,382,784
Balances with other banks	276,212,731	-	-	276,212,731
Loans and advances	515,663,705	1,423,205	1,149,404	518,236,314
Other assets	1,586,249	-	-	1,586,249
	1,078,845,469	1,423,205	1,149,404	1,081,418,078
Allowance for ECLs	(5,972,506)	(57,120)	(1,149,404)	(7,179,030)
	1,072,872,963	**1,366,085**	**-**	**1,074,239,048**
KHR'000 equivalent (Note 2.3)	**4,310,803,565**	**5,488,930**	**-**	**4,316,292,495**

The Branch applies a three-stage approach based on the change in credit quality since initial recognition:

Allowance for ECLs will be made based on the following three-stage approach which reflects the change in credit quality of the financial instrument since initial recognition:

(i) Stage 1: 12-month ECL – not credit-impaired

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired upon origination, the ECL associated with the probability of default events occurring within next 12 months will be recognised.

(ii) Stage 2: Lifetime ECL – not credit-impaired

For exposures where there has been a significant increase in credit risk since initial recognition but that are not credit-impaired, a lifetime ECL will be recognised.

30. FINANCIAL RISK MANAGEMENT (continued)

30.2 Credit risk (continued)

(f) Concentration of risks of financial assets with credit risk exposure (continued)

(iii) Stage 3: Lifetime ECL – credit-impaired

Financial assets are assessed as credit-impaired when one or more events that have detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that are credit-impaired, a lifetime ECL will be recognized.

Stage	Credit risk status	Default indicator
1	12-month ECL – not credit-impaired	0 to 29 days past due ("DPD")
2	Lifetime ECL – not credit-impaired	30 to 89 DPD
		More than 90 DPD
		Restructured and Rescheduled ("R&R")
		Forced default
	Lifetime ECL – credit-impaired	Related default

The definition of default used for these purposes shall be applied consistently to all financial assets unless information becomes available that demonstrates that another default definition is more appropriate for a particular financial instrument.

Based on the Branch's definition of default, an account classified as default will be automatically tagged as "Yes" in the "Impairment Indicator" field when the "Default-Reason" field shows one of the four default reasons below:

(a) Normal Turn: The account's delinquency exceeds 90 DPD and is applicable to all products except Trade Finance product which has definition of default 31DPD due to the short-term nature of the product.

(b) R&R: When the account undergoes debt restructuring or rescheduling;

(c) Forced: When account shows deterioration in its credit profile, but its delinquency does not exceed 90 DPD; and

(d) Related: Refers to cross default by obligor(s) of the same borrower type within the same loan listing source.

(iv) Incorporation of forward-looking information

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

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

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

(g) Repossessed collateral

During the year, the Branch did not repossess any collateral held as security.

30. FINANCIAL RISK MANAGEMENT (continued)

30.3 Market risk

The Branch takes on exposure to market risk, which is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in market prices. Market risk arises from open positions in interestrates, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

The Branch does not use derivative financial instruments such as foreign exchange contract and interest rate swaps to hedge its risk exposure.

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the Branch's functional currency. The Branch maintains a policy of not exposing itself to large foreign exchange positions. Any foreign currency exchange open positions are monitored against the operating requirements, pre-determined position limits and cut-loss limits.

As at 31 December 2019, balances in monetary assets and liabilities denominated in currencies other than US$ are not significant. Therefore, no sensitivity analysis for foreign currency exchange risk was presented.

(ii) Price risk

The Branch is not exposed to price risk of securities because it does not hold any investments classified on the balance sheet as marketable securities.

(iii) Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest margins may increase as a result of changes and may reduce losses in the event that unexpected movements arise. The management of the Branch maintains a policy to set limits on the level of mismatch of interest rate re-pricing that may be undertaken; moreover, management regularly monitors the mismatch.

The Branch has no significant financial assets and liabilities excepting loans and advances with floating interest rates. Balances with the NBC, balances with other banks earn fixed interest rates and deposits from other banks and customers have fixed interest rates, but most of loans and advances based on floating rate.

30.4 Liquidity risk

Liquidity risk is the risk that the Branch is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence of this may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

The Branch's management monitors balance sheet liquidity and manages the concentration and profile of debt maturities. Monitoring and reporting take the form of the daily cash position and projection for the next day, week and month respectively, as these are key periods for liquidity management. Management monitors the movements of the main depositors and projection of their withdrawals.

The table in Note 31 is an analysis of the financial assets and liabilities of the Branch by relevant maturity based on the remaining period at the balance sheet date to the contractual or estimated maturity dates.

30. FINANCIAL RISK MANAGEMENT (continued)

30.5 Fair value of financial assets and liabilities

Fair value represents the amount at which an asset could be exchanged or a liability settled on an arms-length basis. As verifiable market prices are not available, market prices are not available for a significant proportion of the Branch'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. In making this assessment, the management assumes that loans and advances are mainly held to maturity with fair values equal to the book value of loans adjusted for allowance for ECLs, if any.

30.6 Capital management

Regulatory capital

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

The Branch's policy is to maintain a strong capital base so as to maintain market confidence and to sustain further development of the business.

The Branch has complied with all externally imposed capital requirement throughout the year.

Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimization 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. LIQUIDITY RISK

Financial assets

Analysis of financial assets into maturity groupings is based on the expected date on which these assets will be realized. For other assets, the analysis into maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date or if earlier the expected date the assets will be realized.

Financial liabilities

The maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date. When counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Branch can be required to pay.

31. LIQUIDITY RISK (continued)

	2019						
	On demand and up to 1 month	>1-3 months	>3-12 months	>1 to 5 years	Over 5 years	No fixed maturity date	Total
Financial assets							
Cash and other cheque items	34,351,169	-	-	-	-	-	34,351,169
Balances with the NBC	128,524,027	36,910,000	-	-	-	117,717,668	283,151,695
Balances with other banks	33,877,050	182,574,605	-	-	-	(1,367)	216,450,288
Loans and advances	20,869,527	11,790,732	95,912,317	297,933,965	161,505,367	(11,669,607)	576,342,301
Other assets	1,067,404	-	-	-	-	-	1,067,404
Total financial assets	**218,689,177**	**231,275,337**	**95,912,317**	**297,933,965**	**161,505,367**	**106,046,694**	**1,111,362,857**
Financial liabilities							
Deposits from other banks	21,380,480	-	-	-	-	-	21,380,480
Deposits from customers	675,112,603	54,171,298	58,058,614	7,752,581	-	-	795,095,096
Borrowings	-	19,817,737	-	23,500,000	-	-	43,317,737
Lease liabilities	170,733	74,642	521,062	1,081,130	262,531	-	2,110,098
Other liabilities	**5,212,809**	**-**	**-**	**-**	**-**	**-**	**5,212,809**
Total financial liabilities	**701,876,625**	**74,063,677**	**58,579,676**	**32,333,711**	**262,531**	**-**	**867,116,220**
Net liquidity surplus (gap)	**(483,187,448)**	**157,211,660**	**37,332,641**	**265,600,254**	**161,242,836**	**106,046,694**	**244,246,637**
KHR'000 equivalent (Note 2.3)	**(1,968,988,851)**	**640,637,515**	**152,130,512**	**1,082,321,035**	**657,064,557**	**432,140,278**	**995,305,046**

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2019 and for the year then ended

31. LIQUIDITY RISK (continued)

	2018						
	On demand and up to 1 month	>1-3 months	>3-12 months	>1 to 5 years	Over 5 years	No fixed maturity date	Total
Financial assets							
Cash and other cheque items	31,193,448	-	-	-	-	-	31,193,448
Balances with the NBC	181,204,649	3,570,000	-	-	-	100,112,249	284,886,898
Balances with other banks	74,212,731	202,000,000	-	-	-	(3,435)	276,209,296
Loans and advances	28,456,149	9,134,503	68,462,620	270,687,798	141,495,244	(6,679,709)	511,556,605
Other assets	1,595,036	-	-	-	-	(8,787)	1,586,249
Total financial assets	**316,662,013**	**214,704,503**	**68,462,620**	**270,687,798**	**141,495,244**	**93,420,318**	**1,105,432,496**
Financial liabilities							
Deposits from other banks	21,027,684	-	-	-	-	-	21,027,684
Deposits from customers	624,083,545	52,143,349	54,860,456	535,626	-	-	731,622,976
Borrowings	71,147,971	-	30,788,436	23,500,000	-	-	125,436,407
Lease liabilities	141,548	53,810	448,857	1,604,126	495,281	-	2,743,622
Other liabilities	2,661,931	-	-	-	-	-	2,661,931
Total financial liabilities	**719,062,679**	**52,197,159**	**86,097,749**	**25,639,752**	**495,281**	**-**	**883,492,620**
Net liquidity surplus (gap)	**(402,400,666)**	**162,507,344**	**(17,635,129)**	**245,048,046**	**140,999,963**	**93,420,318**	**221,939,876**
Equivalent in KHR'000 (Note 2.3)	**(1,616,845,876)**	**652,954,508**	**(70,857,948)**	**984,603,049**	**566,537,851**	**375,362,838**	**891,754,422**

32. MATURITY PROFILE OF ASSETS AND LIABILITIES

	2019			2018		
	Within One Year	Beyond One Year	Total	Within One Year	Beyond One Year	Total
Financial Assets						
Cash and other cheque items	34,351,169	-	34,351,169	31,193,448	-	31,193,448
Balances with the NBC	165,434,027	117,791,152	283,225,179	184,774,649	100,608,135	285,382,784
Balances with other banks	216,451,655	-	216,451,655	276,212,731	-	276,212,731
Loans and advances - gross	128,572,576	459,439,332	588,011,908	106,053,272	412,183,042	518,236,314
Other assets	1,067,404	-	1,067,404	1,595,036	-	1,595,036
	545,876,831	**577,230,484**	**1,123,107,315**	**599,829,136**	**512,791,177**	**1,112,620,313**
Nonfinancial Assets						
Property and equipment	-	6,831,591	6,831,591	-	6,636,459	6,636,459
Right-of-use asset	-	2,790,991	2,790,991	-	3,390,884	3,390,884
Deferred tax assets	-	2,321,543	2,321,543	-	1,854,153	1,854,153
Other assets	**448,403**	**-**	**448,403**	**100,428**	**-**	**100,428**
	448,403	**11,944,125**	**12,392,528**	**100,428**	**11,881,496**	**11,981,924**
	546,325,234	**589,174,609**	**1,135,499,843**	**599,929,564**	**524,672,673**	**1,124,602,237**
Less: Allowance for credit losses			(11,744,458)			(7,179,030)
Accumulated depreciations			(5,686,711)			(4,692,679)
Total Assets			**1,118,068,674**			**1,112,730,528**
Equivalent in KHR'000 (Note 2.3)			**4,556,129,845**			**4,470,951,261**

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2019 and for the year then ended

32. MATURITY PROFILE OF ASSETS AND LIABILITIES (continued)

	2019			2018		
	Within One Year	Beyond One Year	Total	Within One Year	Beyond One Year	Total
Financial Liabilities						
Deposits from other banks	21,380,480	-	21,380,480	21,027,684	-	21,027,684
Deposits from customers	787,342,515	7,752,581	795,095,096	731,087,350	535,626	731,622,976
Borrowings	19,817,737	23,500,000	43,317,737	101,936,407	23,500,000	125,436,407
Lease liabilities	766,437	1,343,661	2,110,098	644,215	2,099,407	2,743,622
Other liabilities	5,212,809	-	5,212,809	2,661,931	-	2,661,931
	834,519,978	**32,596,242**	**867,116,220**	**857,357,587**	**26,135,033**	**883,492,620**
Nonfinancial Liabilities						
Tax payable	6,035,651	-	6,035,651	5,487,117	-	5,487,117
Other liabilities	302,873	740,268	1,043,141	273,485	297,276	570,761
	6,338,524	**740,268**	**7,078,792**	**5,760,602**	**297,276**	**6,057,878**
Total Liabilities	**840,858,502**	**33,336,510**	**874,195,012**	**863,118,189**	**26,432,309**	**889,550,498**
Equivalent in KHR'000 (Note 2.3)	**3,426,498,396**	**135,846,278**	**3,562,344,672**	**3,468,008,883**	**106,205,018**	**3,574,213,900**

33. EVENTS AFTER REPORTING PEROID

With the recent and rapid development of the coronavirus (COVID-19) outbreak, several countries have limited or suspended business operations and implemented travel restrictions and other emergency measures which have significantly disrupted (or are expected to disrupt) the activities of various institutions. The out break occurred at a time close to the reporting date and the condition has continued to evolve. During the outbreak, Cambodia is among those affected. In March 2020, the NBC requested banks and financial institutions to delay or suspend all loan and interest collections to soften the economic blow to business and household borrowers. Management will continuously pay close attention to the development of the COVID-19 outbreak in Cambodia, its impact to the Branch's borrowers, as well as their ability to service the loans.

Other than as disclosed elsewhere in these financial statements, at the date of this report, there were no events which occurred subsequent to 31 December 2019 that had significant impact on the financial position of the Branch as at 31 December 2019 and its financial performance for the year then ended.

ធនាគារ ចិន (ហុងកុង) សាខាភ្នំពេញ

中國銀行(香港) 金边分行

BANK OF CHINA (HONG KONG) PHNOM PENH BRANCH

CSR