

Sacombank

ធនាគារ សាខមប៉ែង (ខេមបូឌា) ភីអិលស៊ី



ANNUAL REPORT
2018

SACOMBANK (CAMBODIA) PLC.

**Financial Statements
for the year ended 31 December 2018
and
Report of the Independent Auditors**



CORPORATE INFORMATION

Bank	Sacombank (Cambodia) Plc.	
Registration No	00002054 (Former registration No. Co. 2510/2011)	
Registered Office	No. 60, Preah Norodom Blvd. Sangkat Chey Chumneas, Khan Daun Penh Phnom Penh, Kingdom of Cambodia	
Shareholder	Saigon Thuong Tin Commercial Joint Stock Bank ("Sacombank")	
Board of Directors	Mr. Trinh Van Ty Mr. Nguyen Nhi Thanh Mr. Nguyen Ngoc Tuan Mr. Nguyen Van Minh Mr. Chhuon Chhen Mr. Duong The Nhut Xuan Mr. Nguyen Thuc Vinh	<i>Chairman</i> <i>Vice Chairman</i> <i>Vice Chairman</i> <i>Member</i> <i>Member</i> <i>Independent Member</i> <i>Independent Member</i>
Management team	Mr. Nguyen Nhi Thanh Mr. Phung Thai Phung Mr. Chhuon Chhen Mr. Phan Hoang Anh	<i>General Director</i> <i>Deputy General Director</i> <i>Deputy General Director</i> <i>Deputy General Director</i>
Auditors	KPMG Cambodia Ltd	

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EDITORIAL TEAM

CHIEF EDITOR

Mr. Nguyen Nhi Thanh

Member of the BOD cum General Director

DEPUTY CHIEF EDITOR

Mr. Phung Thai Phung

Deputy General Director

GRAPHIC DESIGNER

Mr. Cheng Sambo

Design Manager

Mr. Tang Chheng

Design Officer

Mr. Chhorm Rath

Design Officer

MISSION

To be the leading Vietnamese bank and top ten bank in Cambodia.

VISION

- Constantly maximize value for customers and shareholders
- Bring value to staff in terms of career development and wealth
- Contribute to the development of the community

CORE VALUES

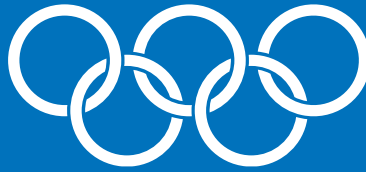
1. Pioneering to be an explorer and accept challenges to discover new horizons;
2. Novel, Dynamic and Innovative to turn difficulties and challenges into growth opportunities;
3. High Commitment with the highest professionalism, dedication and prestige towards customers and partners
4. Social Responsibility under its slogan: Sacombank and the Community - "Growing Together"
5. Making a Difference with innovative breakthroughs in Products, Business Methods and Corporate Governance Models.

SACOMBANK (CAMBODIA) PLC. - MILESTONES



23 June 2009

Sacombank opened its Phnom Penh Branch, making it the 27th foreign bank to operate in Cambodia and the first Vietnamese bank to invest in the country. In pioneering the entry into the Cambodian banking sector, Sacombank Phnom Penh branch has contributed to an increase in cross-border trade between Cambodia and Vietnam. This event marks another mile in the bank's growth in Indochina region.



08 December 2010

Sacombank celebrated the grand opening of the first sub-branch in Phnom Penh Olympic sub-branch, located at one of the busiest trading areas in the city. The sub-branch supports to fulfil a high demand of financial services in the Olympic market area by providing key products and services such as trade finance, business loan, and money transfer.



30 August 2011

Sacombank continued to expand branch network as a part of its expansion strategy in Phnom Penh by opening the second sub-branch, located at Vietnamese Supermarket. The new branch creates significant opportunities for individual and business customers in the surroundings through diversified products and services and its convenient location particularly.



05 September 2011

Sacombank opened its third sub-branch in the western part of Phnom Penh city, located at Chbar Ampeou market area. As one of the crowded area in the city, where economic development is growing rapidly, Chbar Ampeou sub-branch has the opportunity to contribute to the improvement of the business conditions of market vendors.



01 October 2011

The Board of Directors announced to transform its Phnom Penh branch into wholly-owned subsidiary of Sacombank under the approval of National Bank of Cambodia and support of State Bank of Vietnam. This important event marked the transition to a new phase in the development and performance improvement strategy of Sacombank in Cambodia, thus further promoting the good trading relationship of the business communities between Vietnam and Cambodia.



22 March 2012

For the first time, Sacombank (Cambodia) Plc. (Sacombank Cambodia) started outreaching to one of the busiest trading hubs outside the capital city by opening a branch in Kampong Cham province. Besides the key products and services to meet the financial demands of local customers, the newest branch provides quick money transfer services between Kampong Cham and Phnom Penh, increasing the trading capacity between the country's two biggest economic hubs.



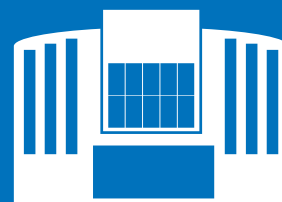
26 November 2012

In the response to strong demands from the bank's customers, Sacombank Cambodia moved its Vietnamese Supermarket Branch to a larger office located at 537 A-B Monivong Boulevard, Phnom Penh under the name of Preah Monivong branch. The creation of a new transaction office in the city centre is the right thing to support the continuous expansion of the bank. The new office has a perfect location where the economic development, strategy and growth potential exist.



17 January 2013

As a focal point for network expansion strategy, Sacombank Cambodia continued to expand its branch network in Phnom Penh by inaugurating Phsar Heng Ly branch, bringing its broad range of banking products & services to the surrounding community of the major market.



24 June 2013

Sacombank Cambodia announced the opening of Pochentong branch in the western part of Phnom Penh city. This branch is Sacombank Cambodia's 7th entity in the country, complementing Head Office and 5 branches: Olympic, Preah Monivong, Chbar Ampeou, Kampong Cham, Phsar Heng Ly.



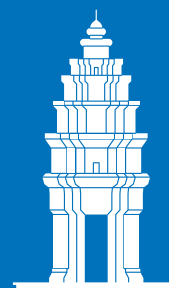
23 April 2014

In order to support the business economy development of one of the most active city in the southern of Phnom Penh. Sacombank Cambodia announced the opening of Takhmao Branch. This is the eighth entity in the country and is the second entity outside Phnom Penh. Continued showing our commitment to expand in the country.



28 September 2017

In order to further expand network and banking services in Cambodia, Sacombank Cambodia organized the Grand Opening of Siem Reap Branch. Sacombank Cambodia now have 1 Head Office and 8 Branches, this will make customer easier in using our service and the daily trade payment of enterprises in Cambodia with Sacombank and therefore enhance their trading capacity.



25 October 2018

Approved by National Bank of Cambodia, Sacombank Vietnam Board of Management and Board of Management SC, on October 25, 2018, SC has celebrated the opening of Preah Norodom branch, located at SC Headquarters, separated from the professional offices of SC Head Office, to professionalize customer care and service, meeting the diversified financial banking demands of customers.

Messages from Chairman of Sacombank (Cambodia) Plc



MR. TRINH VAN TY

Chairman of the Board of Directors of Sacombank (Cambodia) Plc.

In 2018, Cambodia's economy has achieved many impressive outcomes, one of them was stabilizing the 7.2% GDP, which is a good condition for economic sectors to increase investment and cooperation in order to continuously increase operational efficiency in 2019.

For Banking and Financial sector, the effective implementation of Monetary Policy and management solutions of National Bank of Cambodia have made a significant contribution to stabilizing Macroeconomy, supporting economic growth, ensuring that commercial banks and financial institutions operate safely and sustainably in Cambodian market.

In this situation, Managements and employees of Sacombank Cambodia has made an effort throughout the year to accomplish Business outcome such as: the bank's total asset reached 179 million USD increased by 5% compared to the beginning of the year, Total deposit reached 145 million USD increased by 15.2%, Total Loan reached 140.4 million USD increased by 5.6%, service income continued to have a significant growth which reached 2.69 million USD increased by 58.3%. These had shown the right orientation of Sacombank Cambodia in stabilizing operating capital, restructuring the loan portfolio in a safe and sustainable manner while focusing on providing additional services for customers.

Over 10 years of contributing in Cambodian Banking System, Sacombank Cambodia also built its own reputation with a team of 270 professional, young, and active employees, promoting the effectiveness of 9 branches in key economic areas attracting individual and corporate customers to become loyalty by professional service and

modern banking products and services. These achievements not only reflect the spirit of creativity, solidarity, commitment in innovation, and constant efforts of all Sacombank Cambodia employees in business activities as well as in social activities; but also be the evidence of mutual trust among customers and partners for the Bank over the time.

With the motto of "Customer is the center, Human Resource is the core" associate with operating strategies "Strengthen" "Stablize" in order to "Accelerate". In 2019, Managements and employees of Sacombank Cambodia continue to promote existing strengthness and traditional values of Sacombank, build up business culture in order to successfully accomplish the business plan in 2019 as well as focus on enhancing the develop in safe and sustainable manner in consecutive years. We will also try our best to accomplish the mission in connecting, expanding investment cooperation and economic development between Vietnam and Cambodia. At the same time, we commit to transform Sacombank Cambodia to become one of the leading modern multifunction retail banks in Cambodian financial market in the near future while maximizing value for customer, employee and community.

To achieve these targets, Sacombank Cambodia continues to thoroughly implement the following strategies:

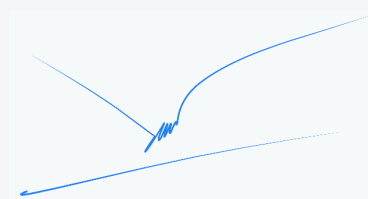
- Diversify products to assist every customers in finding suitable financial solutions. Enhance communication and cooperation with potential partners to provide premium service package for the customers.
- Expand digital teachnology investment, E-banking base on customers' trend to reduce bank branch visits. Enhance card products and services to gradually reduce cash use in payment.

- Promote Khmer Riel usage in financial services in order to encourage and increase the proportion of customers using Khmer Riel in the whole system.
- Creating a professional working environment, competitive welfare, advanced training in order to develop good loyalty staffs.
- Strengthening risk management, monitoring, and supervising, building a sense of self-monitoring in each employee.
- Business complies with Law of Cambodia and associates with social responsibility.

On behalf of the Board of Directors of Sacombank Cambodia, I would like to take this opportunity to express my sincere appreciation to the dedicated Managements of Sacombank, Board of Management, and all employees of Sacombank Cambodia for their efforts to contribute to the development of the bank. I am also grateful to the Governments, the National Bank of Cambodia for its continued guidance and support. Lastly, I would like to thank the customers and partners for their support and trust and accompany Sacombank Cambodia in our development journey.

I wish you good health, happiness and success!

Respectfully!



TRINH VAN TY (Mr.)

Messages from Chairman of
Sacombank (Cambodia) Plc.

ធនាគារ សាខាប៊ែន (ខេមបូឌា) ភីអិលស៊ី
SACOMBANK (CAMBODIA) Plc.
(គ្រឹះស្ថានឯកជន)

Sacombank

Sacombank
www.sacombank.com

កម្រិតប្រាក់បញ្ញើ ប្រាក់ប្រចាំថ្ងៃ ប្រាក់ប្រចាំខែ ប្រាក់ប្រចាំត្រីមាស ប្រាក់ប្រចាំឆ្នាំ

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INTRODUCTION OF SACOMBANK (CAMBODIA) PLC.

Sacombank is a leading commercial banks in the Vietnam and continuously growing in Cambodia and Laos with more than 18,000 employees and 566 branches in the region.

The bank first established a presence in Cambodia on 23 June 2009 with the opening of its Phnom Penh branch, became the first Vietnamese bank to open its branch in Cambodia. In pioneering the entry into the Cambodian banking sector, Sacombank made a significant contribution in cross-border trade expansion between Cambodia and Vietnam.

After 2 years of operation, Sacombank (Cambodia) Plc. completed local incorporation on 1 October 2011. After the transformation, the bank continuously reforms its operation, cooperates with international strategic partners, develops new products and services to meet the characteristics of local financial market and become a more competitive banking service provider in the kingdom.

English name	:	Saigon Thuong Tin Bank (Cambodia) Plc.
Abbreviated name	:	Sacombank (Cambodia) Plc.
Head office	:	60 Preah Norodom Boulevard, Sangkat Chey Chumneas, Khan Daun Penh, Phnom Penh.
Telephone	:	(855) 23 223 423
Fax	:	(855) 23 223 433
Email	:	ask-sc@sacombank.com.kh
Website	:	www.sacombank.com.kh
Date of establishment	:	23 June 2009
Chartered capital	:	USD 38,000,000
Number of business locations	:	10

Sacombank (Cambodia) Plc. provides a broad range of banking products and services to private individuals, self-employed customers as well as small and medium sized enterprises. These services include:

- Receipt of demand deposits, term deposits, savings deposits and other types of deposits.
- Issuance of certificates of deposit, bills of exchange, bills of credit.
- Grant of credit in the form of:
 - Lending;
 - Discount and rediscount of commercial instruments and other valuable papers;
 - Bank's guarantee;
 - Other forms of credit granting
- Opening of payment accounts for customers.
- Provision of payment facilities.
- Provision of the following payment services:
 - Rendering domestic payment services, including cheques, payment orders, banker's check, bank collection, letters of credit, entrusted collection and payment services;
 - International payment services and other payment services.

EVENT HIGHLIGHTS

GRAND OPENING NORODOM BRANCH



Approved by National Bank of Cambodia, Sacombank Vietnam Board of Management and Board of Management Sacombank Cambodia, on October 25, 2018, Sacombank Cambodia has celebrated the opening of Preah Norodom branch, located at SC Headquarters, separated from the professional offices of SC Head Office, to professionalize customer care and service, meeting the diversified financial banking demands of customers.



9TH YEAR ANNIVERSARY

Over the past 9 years of operation and development, on June 23, 2018, SC has celebrated the 9th anniversary of its operation 23/06/2009 – 23/06/2018 with the honor presence of Board Of Director and SC employees. SC is proud to be the first Vietnamese bank to expand its business network in Cambodia. For 9 years in Cambodia from a branch, now SC has a head office and 5 branches located in the capital Phnom Penh such as: Olympic Branch, Preah Monivong Branch, Chbar Ampeou Branch, Phsar Hengly Branch, Pochentong Branch, with other 3 branches located at the provinces: Kampong Cham province (Kampong Cham Branch), Kandal



province (Takhmao Branch) and Siem Reap Province (Siem Reap Branch). SC has growth from having only around 40 employees at the time of establishment to having 273 employees (29 employees are Vietnamese) accounting for 90% of local staff accordance with the policy of using local resource of the Cambodian Government.

LAUNCHING MORE ATM AT SIEM REAP AND PHNOM PENH

In 2018, Sacombank Cambodia has set and launched more ATM machines in Phnom Penh and Siem Reap province for customer to easier withdraw and transfer money.



ATM at MO-MO Paradise restaurant

No. 219, Street 51 Corner of Street 306, Sangkat Beoung Kangkong I, Khan Chamkamon, Phnom Penh

V-Silk Travel ATM

No. 221, Street Sisovath, Sangkat Phsar Kandal I, Khan Daun Penh, Phnom Penh

Domino Pizza ATM

No. 101A1 & No. 101A2, Street 516 Corner of Street 315, Sangkat Beoung Kok I, Khan Toul Kok, Phnom Penh

ATM CIRCLE K PHSAR THMEY

No. 194EOE1, Street 142 Corner 93, Sangkat Phsar Thmey 2, Khan Duan, Penh Phnom Penh

Reaksmeay Chanras Hotel ATM

No. 330, St. Syvutha, Ph. Stoeng Thmei, Sangkat Svay Dankum, Kr. Siem Reap, Siem Reap

Rachana Book Store ATM

St. Syvutha, Mondol Muoy, Sangkat Svay Dankum, Kr. Siem Reap, Siem Reap



AMAZING PROMOTION WITH VISA CREDIT CARD

In 2018, Sacombank Cambodia had created a special promotion "Amazing Promotion with VISA Credit Card" for valued customers to participate from 12/11/2018 to 06/01/2019. The customers who spend the most for payment through VISA Credit Card of Sacombank Cambodia will win a lot of value prize such as: \$500 overseas traveling coupon, trolley bags and cash back up to \$15.



SACOMBANK CAMBODIA MINI FOOTBALL CUP

To celebrate Khmer New Year of Cambodian people and to strengthen the relationship between staff and staff, staff and management, Sacombank Cambodia organized a mini football program starting from March 26, 2018 to April 5, 2018 every Monday and Thursday at 6 pm. Through these matches, the Sacombankers have created a fun, friendly, and entertaining playground. In the future, Sacombank Cambodia commits to create and organize more events and sports in order for staffs to relax and enjoy after stressful working hours.



ANNUAL TRIP TO VUNG TAU

Annual trip is an outdoor activity created by BOMs of Sacombank Cambodia for team building purpose in order to gather SC employees from all branches nationwide, and also a chance for everybody to relax after long time working. BOMs of Sacombank Cambodia held a trip to Vung Tau - one of the most beautiful beach in Vietnam.

The trip was well planned and prepared by BOMs to bring the most joyful and relaxing moment to all staffs such as: Team building games, BBQ party, game shows... which created unforgettable memories for all SC employees.

Through the trip, BOMs of Sacombank Cambodia has succeeded in creating motivation for Sacombank Cambodia staffs to constantly working, and striving to achieve the goal.



SACOMBANK CAMBODIA DONATE TO PSE

Sacombank Cambodia, apart from providing business support to individuals and corporate customers in financial services, contributes to the growth of the regional economy, Sacombank Cambodia has never neglected about social contribution activities. This year, Sacombank Cambodia donates to PSE - a French non-profit organization dedicated to providing food, medical care, general education and vocational training to maltreated, destitute and uneducated children in Phnom Penh to be involved in various humanitarian.



BRANCH NETWORK

★ HEAD OFFICE

60, Preah Norodom Boulevard, Sangkat Chey Chumneas,
Khan Daun Penh, Phnom Penh.

Call Center: (855) 23 223 423

★ Olympic Branch

319-321, Sihanouk, Phnom Penh

Tel: (855) 23 223 420 | Fax: (855) 23 223 402

★ Preah Monivong Branch

537A-B, Preah Monivong, Phnom Penh

Tel: (855) 23 223 421 | Fax: (855) 23 214 734

★ Chbar Ampeou Branch

577A-578B, National Road 1, Phnom Penh

Tel: (855) 23 223 418 | Fax: (855) 23 721 571

★ Kampong Cham Branch

43, National Road No 7, Sangkat Veal Vong,
Kampong Cham

Tel: (855) 42 942 800 | Fax: (855) 42 942 801

★ Phsar Heng Ly Branch

25-27A Street 271, Phnom Penh

Tel: (855) 23 881 468 | Fax: (855) 23 881 665

★ Pochentong Branch

378-379, Russian Federation Blvd., Phnom Penh

Tel: (855) 23 890 146 | Fax: (855) 23 890 246

★ Takhmao Branch

539, Street 21B, Sangkat Takhmao, Kandal

Tel: (855) 23 425 835 | Fax: (855) 23 425 586

★ Siem Reap Branch

0665, National Road 6, Siem Reap

Tel: (855) 63 766 463

★ Preah Norodom Branch

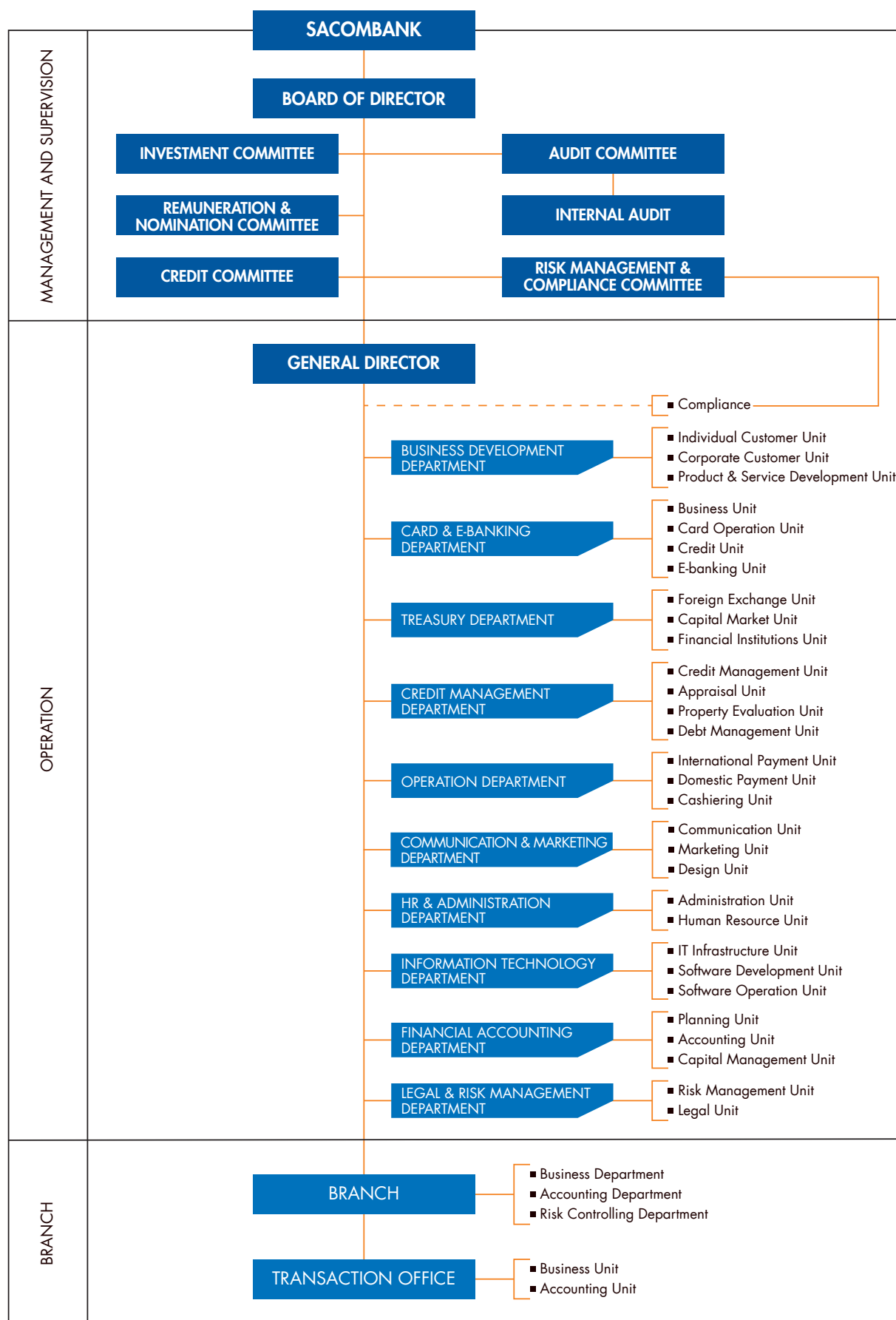
60, Preah Norodom Blvd, Phnom Penh

Tel: (855) 23 223 422 | Fax: (855) 23 223 423

Email: ask-sc@sacombank.com

Website: www.sacombank.com.kh

ORGANIZATION CHART



INTRODUCTION OF THE BOARD OF DIRECTORS



Mr. TRINH VAN TY
Chairman

Over 11 years's experience in
Finance and Banking



Mr. NGUYEN NGOC TUAN
Vice Chairman

Over 11 years's experience in
Finance and Banking



Mr. NGUYEN NHI THANH
Vice Chairman

Over 29 years's experience in
Finance and Banking



Mr. NGUYEN VAN MINH
Member

Over 16 years's experience in
Finance and Banking



Mr. CHUON CHHEN
Member

Over 16 years's experience in
Finance and Banking



Mr. NGUYEN THUC VINH
Independent member

Over 21 years's experience in
Finance and Banking



Mr. DUONG THE NHUT XUAN
Independent member

Over 10 years's experience in
Finance and Banking

INTRODUCTION OF THE BOARD OF MANAGEMENT



Mr. NGUYEN NHI THANH

Vice Chairman cum General Director

Over 29 years's experience in Finance and Banking
Master Degree of Economics



Mr. CHHUON CHHEN

Member of the BOD cum Deputy General Director

Over 16 years's experience in Finance and Banking
Master Degree of Finance and Banking



Mr. PHUNG THAI PHUNG

Deputy General Director

Over 16 years's experience in Finance and Banking
Bachelor of Business Administration



Mr. PHAN HOANG ANH

Deputy General Director

Over 15 years's experience in Finance and Banking
Bachelor Degree of Banking

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors ("the Board" or "the Directors") hereby submit their report together with the audited financial statements of Sacombank (Cambodia) Plc. ("the Bank") for the year ended 31 December 2018.

PRINCIPAL ACTIVITY

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

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

FINANCIAL RESULTS

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

	2018		2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
(Loss)/profit before income tax	(14,374,504)	(57,756,757)	1,740,313	7,025,888
Income tax credit/(expense)	2,700,819	10,851,891	(536,573)	(2,166,221)
Net (loss)/profit for the year	(11,673,685)	(46,904,866)	1,203,740	4,859,667

DIVIDENDS

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

SHARE CAPITAL

The authorised share capital of the Bank is US\$38,000,000 divided into 38,000,000 shares with a par value of US\$ 1 per share. Refer to Note 16 for further detail.

RESERVES AND PROVISIONS

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

REPORT OF THE BOARD OF MANAGEMENT (continued)

BAD AND DOUBTFUL LOANS AND ADVANCES

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

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

CURRENT ASSETS

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

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

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

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

CHANGE OF CIRCUMSTANCES

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

REPORT OF THE BOARD OF MANAGEMENT (continued)

ITEMS OF UNUSUAL NATURE

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

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

EVENTS SINCE THE REPORTING DATE

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

BOARD OF DIRECTORS

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

MR. TRINH VAN TY	<i>Chairman</i>
MR. NGUYEN NHI THANH	<i>Vice Chairman</i>
MR. NGUYEN NGOC TUAN	<i>Vice Chairman</i>
MR. NGUYEN VAN MINH	<i>Member</i>
MR. CHHUON CHHEN	<i>Member</i>
MR. DUONG THE NHUT XUAN	<i>Independent Member</i>
MR. NGUYEN THUC VINH	<i>Independent Member</i>

BOARD OF DIRECTORS' INTERESTS

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

BOARD OF DIRECTORS' BENEFITS

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

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

REPORT OF THE BOARD OF MANAGEMENT (continued)

RESPONSIBILITIES OF THE BOARD OF DIRECTORS IN RESPECT OF THE FINANCIAL STATEMENTS

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

- (i) Adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- (ii) Comply with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of the financial statements or, if there have been any departures in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the financial statements;
- (iii) Oversee the Bank's financial reporting process and maintain adequate accounting records and an effective system of internal control;
- (iv) assess the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Directors either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so; and
- (v) control and direct the Bank effectively in all material decisions affecting the operations and performance and ascertain that such have been properly reflected in the financial statements.

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

APPROVAL OF THE FINANCIAL STATEMENTS

I, the undersigned, do hereby approve the accompanying financial statements as set out on pages 8 to 57 which present fairly, in all material respects, the financial position of Sacombank (Cambodia) Plc. as at 31 December 2018, and its financial performance and its cash flows for the year then ended, in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial statements.

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



Mr. Nguyen Nhi Thanh

General Director

Phnom Penh, Kingdom of Cambodia

Date: 09/04/2019

REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDER

To: The Owner of Sacombank (Cambodia) Plc.

Opinion

We have audited the financial statements of Sacombank (Cambodia) Plc. ("the Bank"), which comprise the balance sheet as at 31 December 2018, the income statement, the statements of changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information as set out on pages 8 to 57 (hereafter referred to as "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with Cambodian Accounting Standards ("CAS") and the guidelines of the National Bank of Cambodia ("NBC") relating to the preparation and presentation of financial statements.

Basis for Opinion

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

Other Matter

The financial statements of the Bank as at and for the year ended 31 December 2017 were audited by another firm of auditors who expressed an unmodified opinion on those statements on 30 March 2018.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditors' report is the report of the Board of Directors on pages 1 to 4, and the annual report, which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, we 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 Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

For **KPMG Cambodia Ltd**



Nge Huy

Partner

Phnom Penh, Kingdom of Cambodia

9 April 2019

BALANCE SHEET

as at 31 December 2018

		As at 31 December 2018		As at 31 December 2017	
	Notes	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
ASSETS					
Cash and gold	5	11,858,640	47,648,016	7,561,582	30,527,165
Balances with the National Bank of Cambodia	6	26,360,321	105,915,770	28,738,440	116,021,106
Due from other financial institutions	7	8,531,165	34,278,221	11,476,405	46,331,854
Loans and advances to customers	8	122,784,690	493,348,884	116,307,617	469,550,133
Investment in securities		25,000	100,450	25,000	100,929
Property and equipment	9	1,367,120	5,493,088	1,447,853	5,845,185
Intangible assets	10	595,413	2,392,369	452,879	1,828,336
Deferred tax assets	14(c)	3,186,534	12,803,494	367,567	1,483,919
Other assets	11	4,377,168	17,587,461	4,809,856	19,418,061
TOTAL ASSETS		179,086,051	719,567,753	171,187,199	691,106,688
LIABILITIES AND OWNER'S EQUITY					
LIABILITIES					
Deposits from other financial institutions	12	33,953,213	136,424,010	34,954,124	141,114,692
Deposits from customers	13	110,973,217	445,890,386	90,310,945	364,597,928
Current income tax liability	14(b)	16,986	68,250	579,466	2,339,385
Other liabilities	15	2,211,635	8,886,349	1,904,081	7,687,042
Provision for off-balance sheet items	24	166,102	667,398	-	-
TOTAL LIABILITIES		147,321,153	591,936,393	127,748,616	515,739,047
SHAREHOLDERS' EQUITY					
Share capital (Accumulated loss)/ retained earnings	16	38,000,000	152,684,000	38,000,000	153,411,320
		(6,235,102)	(25,052,640)	5,438,583	21,956,321
TOTAL SHAREHOLDERS' EQUITY		31,764,898	127,631,360	43,438,583	175,367,641
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		179,086,051	719,567,753	171,187,199	691,106,688

The accompanying notes form part of these financial statements.

INCOME STATEMENT

for the year ended 31 December 2018

		2018		2017	
		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Interest income	17	8,489,340	34,110,168	9,573,513	38,649,612
Interest expense	18	(4,506,379)	(18,106,631)	(3,717,451)	(15,007,870)
Net interest income		3,982,961	16,003,537	5,856,062	23,641,742
Fee and commission income	19	2,687,342	10,797,740	1,696,757	6,850,046
Fee and commission expenses	20	(109,644)	(440,550)	(175,520)	(708,599)
Net fee and commission income		2,577,698	10,357,190	1,521,237	6,141,447
Income from investment in securities		3,922	15,759	9,900	39,968
Other operating income	21	252,874	1,016,048	56,211	226,932
TOTAL OPERATING INCOME		6,817,455	27,392,534	7,443,410	30,050,089
General and administrative expenses	22	(6,373,217)	(25,607,586)	(5,889,323)	(23,776,021)
Provision for financial instruments and off-balance sheet	8(A)	(14,818,742)	(59,541,705)	186,226	751,820
(Loss)/profit before income tax		(14,374,504)	(57,756,757)	1,740,313	7,025,888
Income tax credit/(expense)	14(a)	2,700,819	10,851,891	(536,573)	(2,166,221)
Net (loss)/profit for the year		(11,673,685)	(46,904,866)	1,203,740	4,859,667

The attached notes 1 to 27 form part of these financial statements

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2018

	Share capital US\$	Retained earnings/ (accumulated losses) US\$	Total US\$
For the year ended 31 December 2017			
Balance as at 1 January 2017	38,000,000	4,234,843	42,234,843
Net profit for the year	-	1,203,740	1,203,740
Balance as at 31 December 2017	38,000,000	5,438,583	43,438,583
KHR'000 equivalent (Note 4)	153,411,320	21,956,321	175,367,641
For the year ended 31 December 2018			
Balance as at 1 January 2018	38,000,000	5,438,583	43,438,583
Net profit for the year	-	(11,673,685)	(11,673,685)
Balance as at 31 December 2018	38,000,000	(6,235,102)	31,764,898
KHR'000 equivalent (Note 4)	152,684,000	(25,052,640)	127,631,360

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

for the year ended 31 December 2018

		2018		2017	
		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
	Notes				
Net cash used in operating activities	23	(8,141,406)	(32,712,169)	(5,460,567)	(22,045,073)
Cash flows from investing activities					
Acquisition of property and equipment	8	(340,994)	(1,370,114)	(589,960)	(2,381,751)
Acquisition of computer software	9	(262,392)	(1,054,291)	(267,426)	(1,079,636)
Proceeds from disposal of property and equipment		-	-	7,300	29,471
Net cash used in investing activities		(603,386)	(2,424,405)	(850,086)	(3,431,916)
Net decrease in cash and cash equivalents		(8,744,792)	(35,136,574)	(6,310,653)	(25,476,989)
Cash and cash equivalents at beginning of year		32,056,434	129,416,312	38,367,087	154,887,930
Currency translation difference		-	(613,560)	-	5,371
Cash and cash equivalents at end of year	6	23,311,642	93,666,178	32,056,434	129,416,312

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2018

1. REPORTING ENTITY

Sacombank (Cambodia) Plc. ("the Bank") was incorporated and registered in the Kingdom of Cambodia.

Establishment and operations

The Bank is a wholly-owned subsidiary of Saigon Thuong Tin Commercial Joint Stock Bank ("Sacombank"), a bank incorporated in Vietnam. The Bank operates in the Kingdom of Cambodia under indefinite banking license No. 27 dated 19 June 2009 issued by the National Bank of Cambodia ("NBC") and the registration No. 2510/2011 from the Ministry of Commerce dated 18 March 2009. On 26 February 2016, the Bank obtained a new Registration No. 00002054 from the Ministry of Commerce.

The principal activities of the Bank are to provide banking and related financial services in Cambodia.

Paid-up capital

The total share capital of the Bank as at 31 December 2018 is US\$38,000,000 or KHR152.68 billion (31 December 2017: US\$38,000,000 or KHR153.41 billion).

Location

The head office of the Bank is located at No. 60, Preah Norodom Boulevard, Sangkat Chey Chumneas, Khan Daun Penh, Phnom Penh, Kingdom of Cambodia.

Employees

As at 31 December 2018, the Bank had 263 employees (2017: 243 employees).

2. BASIS OF PREPARATION

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

(a). Statement of compliance

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

The financial statements of the Bank were approved for issue by the Board of Directors on 9 April 2019.

(b). Basis of measurement

The financial statements have been prepared on the historical cost basis, except as disclosed in the accounting policies below.

(c). Functional and presentation currency

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

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

The financial statements are presented in US\$, which is the Bank's functional currency. All amounts have been rounded to the nearest dollars, unless otherwise indicated.

(d). Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, and income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future periods affected.

Key accounting estimates and judgements applied in the preparation of the financial statements include estimates of recoverable amount for loans and advances which have a separate accounting policy stated in Note 3(e).

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a). Financial instruments

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

(b). Cash and cash equivalents

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

(c). Balances with the NBC and other financial institutions

Balances with the NBC and other financial institutions are stated at cost less impairment for any uncollectable amounts.

(d). Loans and advances

Loans and advances are stated in the balance sheet at the amount of principal outstanding less any amounts written off and specific and general provisions.

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

In compliance with the NBC Guidelines, all loan are classified according to the repayment capacity of the counterparty. This repayment capacity is assessed through past payment experience, financial condition of the borrower, business prospective and cash flow projections, borrowers' ability and willingness to repay, financial environment, and quality of documentation.

The NBC issued Prakas No. B7-017-344 dated 1 December 2017 on Credit Risk Grading and Provision on Impairment and Circular No. B7-018-001 dated 16 February 2018 on the Implementation of Prakas on Credit Risk Grading and Provision on Impairment, which require all banks and financial institutions to measure the impairment and provide sufficient allowance for bad and doubtful loan based on the new credit risk grading and allowance, accordingly, the Bank has adopted the new credit risk grading and provisioning for the loan as follows:

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Classification	Number of days past due	Allowance
Short-term loans (less than or equal one year):		
Normal/standard	≤ 14 days	1%
Special mention	15 days – 30 days	3%
Substandard	31 days – 60 days	20%
Doubtful	61 days – 90 days	50%
Loss	≥ 91 days	100%
Long-term loans (more than one year):		
Normal/standard	< 30 days	1%
Special mention	≥ 30 days – 89 days	3%
Substandard	≥ 90 days – 179 days	20%
Doubtful	≥ 180 days – 359 days	50%
Loss	More than 359 days	100%

In determining the above allowance, any collateral value other than cash deposits which has been pledged is disregarded except that, in the case of a loan classified as “loss”, all collateral may be utilised, at market values approved by the NBC.

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

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

Recoveries on loans previously written off and reversal of previous allowances are disclosed as other income in the income statement.

(f). Provision for off-balance sheet items

In the normal course of business, the Bank enter into other credit related commitments including loan commitments, letters of credit and guarantees. The accounting policy and regulatory provision followed the National Bank of Cambodia’s Prakas No. B7-017-344 and Circular No. B7-018-001 above.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g). Statutory deposits

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

(h). Other assets

Other assets are carried at cost. An estimate is made for doubtful receivable based on a review of outstanding amount at the reporting date.

(i). Intangible assets

Intangible assets represents computer software and related costs are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is recognised in the income statement on a straight-line basis over 5 years. If there is an indication that there has been a significant change in amortisation rate or useful life of an intangible asset, the amortisation is revised prospectively to reflect the new expectations.

(j). Property and equipment

i. Recognition and measurement

Items of property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

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

Any gains or losses on disposal of an item of property and equipment is recognise in profit or loss.

ii. Subsequent expenditure

Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Bank. Ongoing repairs and maintenance are expensed as incurred.

iii. Depreciation

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in income statement.

The estimated useful lives of items of property and equipment are as follows:

Leasehold building	2 - 15 years
Furniture and equipment	4 - 15 years
Computer equipment	4 - 5 years
Motor vehicles	4 - 5 years

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k). Impairment of assets

i. Financial assets

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

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

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

All impairment losses are recognised in the income statement.

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

ii. Non-financial assets

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

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

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

(l). Provisions

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

(m). Deposits from customers and other financial institutions

Deposits from customers and other financial institutions are stated at cost.

(n). Other liabilities

Other liabilities are stated at their cost.

(o). Operating leases

Payments made under operating leases are recognised in the income statement on a straight-line basis over the period of the lease. Lease commitments are not recognised as liabilities until the obligation to pay becomes due.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p). Income recognition

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

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

- Loan arrangement fees and commissions on services and facilities extended to customers are recognised on the occurrence of such transactions;
- Commitment fees and guarantee fees on services and facilities extended to customers are recognised on the occurrence of such transactions; and
- Service charges and processing fees are recognised when the service is provided.

(q). Interest expense

Interest expense on borrowings are recognised on accruals basis.

(r). Income tax

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

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

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

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

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

(s) Related parties

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2018

4. TRANSLATION OF UNITED STATES DOLLARS INTO KHMER RIELS

The financial statements are stated in United States Dollars. The translations of United States Dollars ("US\$") amounts into Khmer Riels ("KHR") are included solely for the compliance with the guidelines issued by the NBC regarding the preparation and presentation of financial statements and have been made using the prescribed official exchange rate of US\$1 to KHR4,018 (2017: US\$1 to KHR4,037) published by the NBC on 31 December 2018 and share capital account is translated at historical rate.

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

5. CASH AND GOLD

	As at 31 December 2018		As at 31 December 2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Cash				
US\$	10,091,416	40,547,310	6,813,222	27,505,931
KHR	220,627	886,479	228,829	923,815
Other foreign currencies	1,546,597	6,214,227	155,637	628,328
	11,858,640	47,648,016	7,197,688	29,058,074
Gold				
Gold XBJ	-	-	303	1,223
Gold XAU	-	-	363,591	1,467,868
	-	-	363,894	1,469,091
	11,858,640	47,648,016	7,561,582	30,527,165

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

	As at 31 December 2018		As at 31 December 2017	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
Cash and gold	11,858,640	47,648,016	7,561,582	30,527,165
Balances with the NBC				
Current and settlement accounts	5,068,184	20,363,963	13,116,147	52,951,721
Negotiable certificate of deposits ("NCD")	759,780	3,052,796	400,000	1,614,857
Balances with other banks - current deposits and term deposits less than 3 months maturity	5,625,038	22,601,403	10,978,705	44,322,569
	23,311,642	93,666,178	32,056,434	129,416,312

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2018

6. BALANCES WITH THE NATIONAL BANK OF CAMBODIA

	As at 31 December 2018		As at 31 December 2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Current and settlement accounts	5,068,184	20,363,964	13,116,147	52,951,721
Current account - US\$	1,225,844	4,925,441	10,944,757	44,185,516
Current account - KHR	205,942	831,417	536,966	2,167,732
Settlement account - US\$	3,585,448	14,406,330	1,926,800	7,778,761
Settlement account - KHR	48,754	195,894	38,648	156,027
Negotiable certificate of Deposits ("NCD")	759,780	3,052,796	400,000	1,614,857
Statutory deposits	20,532,357	82,499,010	15,222,293	61,454,528
Capital guarantee deposit - US\$ (i)	3,800,000	15,268,400	3,800,000	15,341,132
Reserve deposit - US\$ (ii)	16,700,000	67,100,600	11,400,000	46,023,396
Reserve deposit - KHR (ii)	32,357	130,010	22,293	90,000
	26,360,321	105,915,770	28,738,440	116,021,106

(i). Capital guarantee deposit

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

(ii). Reserve deposits

The reserve requirement represents the minimum reserve which is calculated at 8% for KHR and 12.50% for other currencies of the total amount of deposits from customers, non-residential banks and financial institution deposits, and non-residential borrowings. Pursuant to the National Bank of Cambodia's Prakas No. B7-018-282 on the maintenance of reserve requirement against commercial banks' deposits and borrowings, reserve requirements both in KHR and in other currencies bear no interest effect from the signing date 29 August 2018.

Annual interest rates of deposits and placements with the NBC were summarised as follows:

	31 December 2018	31 December 2017
Capital guarantee deposit - US\$	0.62%	0.36%
Reserve deposit - US\$	0.00% - 1.05%	0.21% - 0.38%
Reserve deposit - KHR	0.00%	0.00%
Term deposits	0.89%	0.64%
Current accounts	0.00%	0.00%
Settlement accounts	0.00%	0.00%

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2018

7. BALANCES WITH OTHER FINANCIAL INSTITUTIONS

	As at 31 December 2018		As at 31 December 2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Current deposits at				
Local financial institutions	1,980,724	7,958,549	9,701,408	39,165,942
Overseas financial institutions	3,644,314	14,642,854	1,277,297	5,156,627
In which:				
Demand deposit with parent bank (Note 25)	3,574,760	14,363,386	1,211,743	4,891,976
Term deposit at				
Local financial institution	2,992,300	12,023,061	497,700	2,009,285
	8,617,338	34,624,464	11,476,405	46,331,854
Regulatory allowance (8(A))	(86,173)	(346,243)	-	-
	8,531,165	34,278,221	11,476,405	46,331,854

Annual interest rates of due from other financial institutions at the year-end were as follows:

	31 December 2018	31 December 2017
Current deposits	0.00% - 0.50%	0.00% - 0.50%
Term deposit	3.00% - 7.00%	3.00% - 6.00%

8. LOANS AND ADVANCES TO CUSTOMERS

	At as 31 December 2018		At as 31 December 2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Loans				
Term loans	114,596,671	460,449,424	100,133,911	404,254,617
Overdrafts	24,923,056	100,140,839	18,801,424	75,903,981
Credit card facilities	882,371	3,545,367	423,223	1,708,611
	140,402,098	564,135,630	119,358,558	481,867,209
Allowance for loan losses				
Specific provision	(16,482,084)	(66,225,014)	(2,257,924)	(9,115,555)
General provision	(1,135,324)	(4,561,732)	(793,017)	(3,201,521)
	(17,617,408)	(70,786,746)	(3,050,941)	(12,317,076)
Loans and advances - net	122,784,690	493,348,884	116,307,617	469,550,133

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2018

8. LOANS AND ADVANCES TO CUSTOMERS (continued)

Changes in the allowance for losses on loans and advances were summarised follows:

	2018		2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Specific allowance				
Beginning balance	2,257,924	9,115,555	2,130,702	8,601,644
Provision during the year	14,224,160	57,152,675	127,222	513,613
Currency translation difference	-	(43,216)	-	298
Ending balance	16,482,084	66,225,014	2,257,924	9,115,555
General allowance				
Beginning balance	793,017	3,201,521	1,106,465	4,466,799
Provision during the year	342,307	1,375,389	(313,448)	(1,265,433)
Currency translation difference	-	(15,178)	-	155
Ending balance	1,135,324	4,561,732	793,017	3,201,521
Total allowance at the end of year	17,617,408	70,786,746	3,050,941	12,317,076

(A) Allowance for financial instruments in the income statement are as follows:

	2018		2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Allowance for loan losses	14,566,467	58,528,064	(186,226)	(751,820)
Regulatory allowance for balance with other financial institutions (Note 7)	86,173	346,243	-	-
Provision for off-balance sheet	166,102	667,398	-	-
	14,818,742	59,541,705	(186,226)	(751,820)

(a). The loan portfolio was graded as follows:

	As at 31 December 2018		As at 31 December 2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Normal loans				
Secured	112,054,921	450,236,673	78,356,619	316,336,641
Unsecured	1,477,534	5,936,732	945,199	3,815,901
	113,532,455	456,173,405	79,301,818	320,152,542
Special mention loans				
Secured	10,680,045	42,912,421	38,386,690	154,972,442
Unsecured	15,803	63,496	3,095	12,495
	10,695,848	42,975,917	38,389,785	154,984,937
Substandard loans				
Secured	4,635	18,623	-	-
Unsecured	3,182	12,785	499,971	2,018,453
	7,817	31,408	499,971	2,018,453
Doubtful loans				
Secured	12,666	50,892	321,495	1,297,920
Unsecured	-	-	-	-
	12,666	50,892	321,495	1,297,920

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2018

8. Loans and advances to customers (continued) (continued)

(a). The loan portfolio was graded as follows: (continued)

	As at 31 December 2018		As at 31 December 2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Less loans				
Secured	15,817,902	63,556,330	845,489	3,413,357
Unsecured	335,410	1,347,678	-	-
	16,153,312	64,904,008	845,489	3,413,357
Total	140,402,098	564,135,630	119,358,558	481,867,209

(b). Refer to Note 26(e) on Credit risk for analysis of loan quality.

(c). For an analysis of loans and advances by maturity, refer to Note 26(f) on Financial Risk Management.

(d). Analysis of loans and advances by type of loans was as follows:

	As at 31 December 2018		As at 31 December 2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Commercial loans	54,068,364	217,246,687	61,965,953	250,165,228
Consumer loans	86,333,734	346,888,943	57,392,605	231,701,981
	140,402,098	564,135,630	119,358,558	481,867,209

(e). Analysis of loans and advances by type of loans was as follows:

	As at 31 December 2018		As at 31 December 2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Mining	25,839,403	103,822,721	38,371,578	154,911,432
Wholesale and retail	26,589,461	106,836,454	41,243,708	166,506,623
Personal use	46,933,910	188,580,450	20,700,815	83,572,088
Services	631,190	2,536,122	7,450,433	30,078,441
Import & Export	1,771,364	7,117,341	5,038,376	20,340,629
Real estate & Construction	12,486,562	50,171,006	1,143,664	4,617,132
Other industries	25,267,837	101,526,169	4,983,689	20,119,851
Credit card	882,371	3,545,367	426,295	1,721,013
	140,402,098	564,135,630	119,358,558	481,867,209

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2018

8. Loans and advances to customers (continued) (continued)

(f). Further analyses of loans and advances by residency, relationship, and exposure were as follows:

	As at 31 December 2018		As at 31 December 2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Residence status				
Residents	140,402,098	564,135,630	119,358,558	481,867,209
Non-residents	-	-	-	-
	140,402,098	564,135,630	119,358,558	481,867,209
Relationship				
Related parties	118,424	475,828	159,353	643,332
Non-related parties	140,283,674	563,659,802	119,199,205	481,223,877
	140,402,098	564,135,630	119,358,558	481,867,209
Exposure				
Large	45,218,060	181,686,165	37,786,666	152,550,060
Non-large	95,184,038	382,449,465	81,571,892	329,317,149
	140,402,098	564,135,630	119,358,558	481,867,209

Based on Prakas No. B7-06-226 issued by the NBC, large exposure is defined as the overall gross exposure resulting from banking operations with one single beneficiary, where such exposure exceeds 10% of the Bank's net worth. Exposure means the higher of two items: (a) the outstanding loans or commitments, and (b) the authorised loans or commitments.

Annual interest rates of loans and advances to customers at the year-end were as follows:

	31 December 2018	31 December 2017
Short-term loans	5.30% - 14.40%	5.30% - 16.80%
Medium and long-term loans	5.00% - 16.80%	5.25% - 16.80%

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2018

9. PROPERTY AND EQUIPMENT

	Leasehold building US\$	Computer equipment US\$	Furniture and equipment US\$	Motor vehicles US\$	Total US\$	KHR'000 (Note 4)
Cost						
At 1 January 2018	1,029,511	1,688,991	596,717	650,665	3,965,884	16,010,274
Additions	31,453	22,286	287,255	-	340,994	1,370,114
Currency translation difference	-	-	-	-	-	(75,352)
At 31 December 2018	1,060,964	1,711,277	883,972	650,665	4,306,878	17,305,036
Accumulated depreciation						
At 1 January 2018	682,423	982,828	371,437	481,343	2,518,031	10,165,291
Depreciation during the year	85,112	188,637	80,089	67,889	421,727	1,694,499
Currency translation difference	-	-	-	-	-	(47,842)
At 31 December 2018	767,535	1,171,465	451,526	549,232	2,939,758	11,811,948
Net book value						
At 1 January 2018	293,429	539,812	432,446	101,433	1,367,120	5,493,088

	Leasehold building US\$	Computer equipment US\$	Furniture and equipment US\$	Motor vehicles US\$	Total US\$	KHR'000 (Note 4)
Cost						
At 1 January 2017	854,058	1,495,007	474,694	564,515	3,388,274	13,678,462
Additions	175,453	193,984	122,023	98,500	589,960	2,386,388
Disposals	-	-	-	(12,350)	(12,350)	(49,956)
Currency translation difference	-	-	-	-	-	(4,620)
At 31 December 2017	1,029,511	1,688,991	596,717	650,665	3,965,884	16,010,274
Accumulated depreciation						
At 1 January 2017	544,210	810,677	315,867	407,384	2,078,138	8,389,443
Depreciation during the year	138,213	172,151	55,570	80,871	446,805	1,803,752
Disposals	-	-	-	(6,912)	(6,912)	(27,904)
Currency translation difference	-	-	-	-	-	(202)
At 31 December 2017	682,423	982,828	371,437	481,343	2,518,031	10,165,089
Net book value						
At 1 January 2017	347,088	706,163	225,280	169,322	1,447,853	5,845,185

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2018

10. INTANGIBLE ASSETS

	2018		2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Cost				
At 1 January	955,134	3,855,876	687,708	2,776,277
Additions	262,392	1,054,291	267,426	1,079,599
Currency translation difference	-	(18,148)	-	-
At 31 December	1,217,526	4,892,019	955,134	3,855,876
Accumulated amortisation				
At 1 January	502,255	2,027,540	428,290	1,729,007
Amortisation during the year	119,858	481,589	73,965	298,597
Currency translation difference	-	(9,479)	-	(64)
At 31 December	622,113	2,499,650	502,255	2,027,540
Net book value				
At 31 December	595,413	2,392,369	452,879	1,828,336

11. OTHER ASSETS

	As at 31 December 2018		As at 31 December 2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Accrued interest receivables	6,277,705	25,223,819	4,724,985	19,075,426
Interest in suspense	(2,466,861)	(9,911,847)	(355,375)	(1,434,700)
Net interest receivables	3,810,844	15,311,972	4,369,610	17,640,726
Rental deposits	220,500	885,969	224,090	904,683
Advances for employees	45,237	181,762	56,534	228,236
Advances for T24 and IBM system maintenance	-	-	63,582	256,689
Prepaid rental and insurance	14,629	58,779	24,187	97,646
Advances for express and remittance	272,434	1,094,640	50,499	203,872
Others	13,524	54,339	21,354	86,209
	4,377,168	17,587,461	4,809,856	19,418,061

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2018

12. DEPOSITS FROM OTHER FINANCIAL INSTITUTIONS

	At as 31 December 2018		At as 31 December 2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Demand deposits	20,953,213	84,190,010	3,901,735	15,751,850
<i>In which:</i>				
Parent bank (Note 25)	20,949,810	84,176,337	3,898,322	15,738,071
Term deposits and loans	13,000,000	52,234,000	31,052,389	125,362,842
	33,953,213	136,424,010	34,954,124	141,114,692

Annual interest rates of due to other financial institutions at the year-end were as follows:

	31 December 2018	31 December 2017
Demand deposits	0.00%	0.00%
Term deposits	1.90%-3.00%	2.25%-3.75%

13. DEPOSITS FROM CUSTOMERS

	As at 31 December 2018		As at 31 December 2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Current accounts	4,514,612	18,139,711	3,698,034	14,929,481
Fixed deposits	78,371,367	314,896,153	68,156,141	275,155,883
Savings deposits	28,087,238	112,854,522	18,456,770	74,512,564
	110,973,217	445,890,386	90,310,945	364,597,928

Further analyses of deposits from customers were as follows:

(a). Types of customers

	As at 31 December 2018		As at 31 December 2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Domestic corporations	9,072,481	36,453,229	10,361,879	41,832,355
Foreign corporations	51,969	208,811	79,772	322,051
Resident individuals	96,837,239	389,092,026	75,354,245	304,215,637
Non-residents individuals	5,011,528	20,136,320	4,515,049	18,227,885
	110,973,217	445,890,386	90,310,945	364,597,928

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2018

13. DEPOSITS FROM CUSTOMERS (continued)

(b). For maturity analysis, refer to Note 26(f) on financial risk management.

(c). For deposits from related parties, refer to Note 25 on Related party transactions and balances.

(d). The annual interest rates of deposits from customers at the year-end were as follows:

	31 December 2018	31 December 2017
Fixed deposits	2.00% - 6.50%	2.40% - 6.50%
Saving deposits	0.00% - 1.00%	0.00% - 1.00%
Current accounts	0.00% - 1.00%	0.00% - 1.00%

14. INCOME TAX

(a). Income tax (credit)/expense

Major components of income tax expense for the year were as follows:

	2018		2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Current tax	118,148	474,719	681,791	2,752,486
Deferred tax	(2,818,967)	(11,326,610)	(145,218)	(586,265)
Income tax (credit)/expense	(2,700,819)	(10,851,891)	536,573	2,166,221

The Bank's tax returns are subject to examination by the tax authorities. Because the application of tax laws and regulations to many types of transactions is susceptible to varying interpretations, amounts reported in the financial statements could be changed at a later date upon final determination by the tax authorities.

In accordance with the Cambodian tax regulations, current income tax expense 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 income tax expense is as follows:

	2018		2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Accounting (loss)/profit before income tax	(14,374,504)	(57,756,757)	1,740,313	7,025,888
Statutory income tax rate of 20%	(2,874,901)	(11,551,352)	348,063	1,405,178
Adjustments:				
Non-deductible expenses	119,530	480,271	190,491	769,041
Dividend income	(784)	(3,150)	(1,981)	(7,998)
Effect of minimum tax	55,336	222,340	-	-
Income tax expense	(2,700,819)	(10,851,891)	536,573	2,166,221

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2018

14. TAXATION (continued)

(b). Current income tax liability

	2018		2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Balance at beginning of year	579,466	2,339,385	484,079	1,954,227
Current income tax	118,148	474,719	681,791	2,752,486
Payment of tax during the year	(579,466)	(2,328,294)	(484,079)	(1,954,295)
Tax prepayment	(101,162)	(406,469)	(102,325)	(413,100)
Currency translation difference	-	(11,091)	-	67
Balance at end of year	16,986	68,250	579,466	2,339,385

(c). Deferred income tax

	Balance sheet		Charged/(credited) to the income statement	
	2018 US\$	2017 US\$	2018 US\$	2017 US\$
Deferred tax assets				
Unrealised exchange loss	-	7,991	(7,991)	2,623
Regulatory provision	341,695	388,942	(47,247)	153,971
Tax loss carried forward	2,871,473	-	2,871,473	-
	3,213,168	396,933	2,816,235	156,594
Deferred tax liabilities				
Accelerated tax depreciation	(26,634)	(29,366)	2,732	(11,376)
Net deferred tax assets	3,186,534	367,567	2,818,967	145,218
KHR'000 equivalent (Note 4)	12,803,494	1,483,919	11,326,610	583,486

15. OTHER LIABILITIES

	As at 31 December 2018		As at 31 December 2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Interest payables	1,794,531	7,210,426	1,623,582	6,554,628
Payables on remittance	299,463	1,203,242	162,460	655,874
Other tax payables	93,819	376,965	69,633	281,118
Others	23,822	95,716	48,406	195,422
	2,211,635	8,886,349	1,904,081	7,687,042

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2018

16. SHARE CAPITAL

The share capital amounting to US\$38,000,000 or KHR152,684,000 thousand was fully contributed by Saigon Thuong Tin Commercial Joint Stock Bank, incorporated in Vietnam.

On 22 March 2016, the NBC issued Prakas No. B7-016-117 on Minimum Registered Capital of Banking and Financial Institutions ("the Prakas"). The Prakas requires commercial bank locally incorporated as foreign subsidiary shall be minimum registered capital of at least KHR'000 300,000,000 (approximately US\$75 million). Duration of implementation is within 2 years from the date of the Prakas.

On 2 October 2017, Parent Bank issued Resolution No. 195/2017/NQ-HĐQT regarding to the approval of capital contribution to the Bank in compliance with the Prakas. The parent bank is preparing the necessary documentations relating to regulatory requirements of the Ministry of Planning and Investment of Vietnam and the State Bank of Vietnam. In addition, on 8 Mar 2018, Parent Bank sent the Official Letter No. 646/2018/CV-NHSGTT to the NBC requesting an extension for the deadline to increase the Bank's capital up to 30 June 2018. On 21 March 2019, the Bank submitted a request letter to the NBC to increase the share capital by US\$37 million, in which US\$4,234,843 will be transferred from the retained earnings and US\$32,765,157 will be injected by the parent bank.

17. INTEREST INCOME

	2018		2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Interest income from lending	8,269,050	33,225,043	9,499,243	38,349,774
Interest income from deposits	220,290	885,125	74,270	299,838
- The NBC	41,684	167,486	48,233	194,723
- The other financial institutions	178,606	717,639	26,037	105,115
	8,489,340	34,110,168	9,573,513	38,649,612

18. INTEREST EXPENSE

	2018		2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Other financial institutions	569,161	2,286,889	564,607	2,279,397
Deposits from customers	3,937,218	15,819,742	3,152,844	12,728,473
	4,506,379	18,106,631	3,717,451	15,007,870

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2018

19. FEE AND COMMISSION INCOME

	2018		2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Commission received on remittances	1,843,834	7,408,525	1,091,281	4,405,655
Loan processing fee	641,448	2,577,338	440,291	1,777,516
Other commission and fee	202,060	811,877	165,185	666,875
	2,687,342	10,797,740	1,696,757	6,850,046

20. FEE AND COMMISSION EXPENSES

	2018		2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Fee and commission paid to banks and other financial organizations	109,644	440,550	175,520	708,599
	109,644	440,550	175,520	708,599

21. OTHER OPERATING INCOME

	2018		2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Foreign exchange gains	252,874	1,016,048	54,349	219,415
Gain on asset disposals	-	-	1,862	7,517
	252,874	1,016,048	56,211	226,932

22. GENERAL AND ADMINISTRATIVE EXPENSES

	2018		2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Salaries and wages	3,825,673	15,371,554	2,784,272	11,240,496
Rental, repairs and maintenances	654,942	2,631,557	579,048	2,337,698
Depreciation and amortisation	541,585	2,176,088	520,770	2,102,421
License fees	241,988	972,308	257,685	1,040,310
Marketing	145,421	584,301	170,290	687,485
Other taxes	137,539	552,632	775,772	3,131,900
Staff benefits	134,563	540,674	101,960	411,627
Telecommunication	134,067	538,681	124,261	501,659
Electricity and utilities	122,529	492,322	121,709	491,356
Travelling and communication	77,025	309,486	65,531	264,558
Office supplies	62,596	251,511	83,342	336,463
BOD's remuneration	23,955	96,251	85,588	345,531
Others	271,334	1,090,221	219,095	884,517
	6,373,217	25,607,586	5,889,323	23,776,021

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2018

23. NET CASH USED IN OPERATING ACTIVITIES

	2018		2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Operating activities				
(Loss)/profit before income tax	(14,374,504)	(57,756,757)	1,740,313	7,025,888
Adjustments for:				
Depreciation and amortisation	541,585	2,176,088	520,770	2,102,421
Allowance for losses on loans and advances	14,818,742	59,541,705	(186,226)	(751,820)
Regulatory allowance for placement with other financial institutions and off-balance sheet	252,275	1,013,641	-	-
Gain from disposal of property and equipment	-	-	(1,862)	(7,517)
	1,238,098	4,974,677	2,072,995	8,368,972
Income tax paid	(680,628)	(2,734,763)	(586,404)	(2,367,395)
Cash generated from operations	557,470	2,239,914	1,486,591	6,001,577
Changes in:				
Capital guarantee and deposits with the NBC	(5,310,064)	(21,335,837)	1,300,000	5,248,282
Placements with other financial institutions	(2,494,600)	(10,023,303)	(497,700)	(2,009,285)
Loans and advances to customers	(21,295,815)	(85,566,585)	(4,238,971)	(17,113,319)
Other assets	432,688	1,738,540	(1,144,475)	(4,620,406)
Deposit from other financial Institutions	(1,000,911)	(4,021,660)	(25,291,748)	(102,106,328)
Deposit from customers	20,662,272	83,021,009	22,574,792	91,137,596
Other liabilities	307,554	1,235,753	350,944	1,416,810
Net cash used in operating activities	(8,141,406)	(32,712,169)	(5,460,567)	(22,045,073)

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2018

24. COMMITMENTS AND CONTINGENCIES

Lending commitments

To meet the financial needs of customers, the Bank enters into various commitments and contingent liabilities, as follows:

	As at 31 December 2018		As at 31 December 2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Undrawn credit facilities	6,796,944	27,310,121	13,869,305	55,992,325
Letter of guarantee	9,813,212	39,429,486	272,533	1,100,254
	16,610,156	66,739,607	14,141,838	57,092,579

The Bank made a provision of US\$166,102 as at 31 December 2018 (2017: nil) for these off-balance sheet items in compliance with the NBC Prakas No. B7-017-344 and Circular No. B7-018-001.

Operating lease commitments

The Bank, as lessee, has entered into commercial leases on premises. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum lease payments as at 31 December are as follows:

	As at 31 December 2018		As at 31 December 2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Up to 1 year	380,381	1,528,371	381,685	1,540,917
From 2 year to 5 years	1,196,571	4,807,822	1,313,680	5,303,509
Over 5 years	266,985	1,072,746	487,444	1,967,880
	1,843,937	7,408,939	2,182,809	8,812,306

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2018

25. RELATED PARTY TRANSACTIONS AND BALANCES

(a). Significant transactions with related parties:

	2018		2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Interest income on deposits	2,232	8,968	-	-
Interest income on loans to employees	6,980	28,046	8,751	35,331
Interest expense on deposits	1,581	6,352	-	-
Interest expense on deposits from employees	1,339	5,380	610	2,463

(b). Outstanding amounts due from/to related parties:

	As at 31 December 2018		As at 31 December 2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Due from related parties				
Saigon Thuong Tin Commercial Joint Stock Bank				
Demand deposits	3,574,760	14,363,385	1,211,743	4,891,976
Receivable from card Transactions	27,270	109,571	10,380	41,906
Fellow subsidiaries and employees	-	-	209,845	847,174
	3,602,030	14,472,956	1,431,968	5,781,056
Due to related parties				
Saigon Thuong Tin Commercial Joint Stock Bank				
Placements	20,949,810	84,176,337	3,898,322	15,738,071
Payable for card transactions	-	-	1,640	6,621
Fellow subsidiaries and employees	-	-	25,961	104,808
Sacombank Lao Plc.				
Placements	124	498	-	-
	20,949,934	84,176,835	3,925,923	15,849,500

(c). Key management personnel compensation

Remuneration of directors and other members of key management of the Bank were as follows:

	2018		2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Salaries and other short-term benefits of key management	439,321	1,765,192	517,170	2,087,888

26. FINANCIAL RISK MANAGEMENT

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

The Bank uses derivative financial instruments such as forward contracts to manage its risk exposure.

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

The Bank holds the following financial assets and liabilities:

	As at 31 December 2018		As at 31 December 2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Financial assets				
Cash and gold	11,858,640	47,648,016	7,561,582	30,527,165
Balances with the NBC	5,827,964	23,416,760	13,516,147	54,566,578
Balances with other financial Institution – gross	8,617,338	34,624,464	11,476,405	46,331,854
Loans and advances to customers – gross	140,402,098	564,135,630	119,358,558	481,867,209
Investment in securities	25,000	100,450	25,000	100,929
Other assets	4,317,302	17,346,920	4,665,553	18,835,490
Total financial assets	171,048,342	687,272,240	156,603,245	632,229,225
Financial liabilities				
Deposits from other financial institutions	33,953,213	136,424,010	34,954,124	141,114,692
Deposits from customers	110,973,217	445,890,386	90,310,945	364,597,928
Other liabilities	2,117,816	8,509,384	1,834,448	7,405,924
Total financial liabilities	147,044,246	590,823,780	127,099,517	513,118,544
Net financial assets	24,004,096	96,448,460	29,503,728	119,110,681

26. FINANCIAL RISK MANAGEMENT (continued)

CAPITAL MANAGEMENT

The primary objectives of the Bank's capital management are to ensure that it complies with externally imposed capital requirements and it maintains strong financial position and healthy capital ratios to support its business and to maximize shareholders' value.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. To maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return the capital, or issue capital securities. No changes were made in the objectives, policies and processes from previous years.

As at balance sheet date, management believes the Bank is compliant with the solvency ratio prescribed by the NBC at 15%.

CREDIT RISK

The Bank takes on exposure to credit risk, which is the risk that a counter party will cause a financial loss to the Bank by failing to discharge an obligation. Credit risk is the most important risk for the Bank'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.

(a). Credit risk measurement, mitigation and concentration control

The Bank assesses the probability of default of individual counterparties in accordance with its credit policy, procedures and practices. Credit Risk Department 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 Bank operates and provides loans and advances to individuals or enterprises within the Kingdom of Cambodia. The Bank 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 single beneficiary which exceeds 10% of the Bank's net worth.

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

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

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security in the form of collateral for loans and advances to customers, which is common practice. The Bank 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;
- Customers' fixed deposits placed with the Bank;
- Cash in the form of margin deposits; and
- Debenture over fixed and floating assets of borrowers.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2018

26. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

(c). Impairment and provisioning policies

The Bank is required to follow the mandatory credit classification and provisioning in accordance with the relevant Prakas, as disclosed in Note 3(e).

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

Maximum exposure to credit risk before collateral held or other credit enhancements the Bank follows:

	As at 31 December 2018		As at 31 December 2017	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Balances with the NBC	5,827,964	23,416,760	13,516,147	54,566,578
Balances with other financial institutions – gross	8,617,338	34,624,464	11,476,405	46,331,854
Loans and advances to customers – gross	140,402,098	564,135,630	119,358,558	481,867,209
Other assets	4,317,302	17,346,920	4,665,553	18,835,490
	159,164,702	639,523,774	149,016,663	601,601,131

The details of credit risk exposure relating to off-balance-sheet items are disclose in Note 24 on Credit-related commitments.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2018

26. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

(e). Credit quality by class of financial assets

The Bank manages the credit quality of financial assets using internal credit ratings. The table below shows the credit quality by class of asset for all financial assets exposed to credit risk, based on the Bank's internal credit rating system. The amounts presented are gross of impairment allowance.

	Neither past due nor impaired (i) US\$	Past due but not impaired (ii) US\$	Individually impaired (iii) US\$	Total US\$
31 December 2018				
Balances with the NBC	5,827,964	-	-	5,827,964
Due from other financial institutions – gross	8,617,338	-	-	8,617,338
Loans and advances to customers - gross	113,532,455	10,695,848	16,173,795	140,402,098
Other assets	4,317,302	-	-	4,317,302
	132,295,059	10,695,848	16,173,795	159,164,702
Equivalents in KHR'000 (Note 4)	531,561,547	42,975,917	64,986,308	639,523,773
31 December 2017				
Balances with the NBC	13,516,147	-	-	13,516,147
Balances from other financial institutions - gross	11,476,405	-	-	11,476,405
Loans and advances to customers – gross	79,301,818	38,389,785	1,666,955	119,358,558
Other assets	4,665,553	-	-	4,665,553
	108,959,923	38,389,785	1,666,955	149,016,663
Equivalents in KHR'000 (Note 4)	439,871,209	154,250,156	6,697,825	598,748,952

The details of credit risk exposure relating to off-balance-sheet items are disclosed in Note 24 on credit-related commitments.

26. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

(e). Credit quality by class of financial assets (continued)

(i) Loans and advances neither past due nor impaired

Loans and advances that are not past due are not considered impaired, unless other information is available to indicate the contrary.

(ii) Loans and advances past due but not impaired

Loans and advances less than 30 days (short-term) or 90 days (long-term) past due are not considered impaired, unless other information is available to indicate the contrary.

(iii) Loans and advances individually impaired

In accordance with Prakas No. B7-17-344 dated 1 December 2017 on Credit Risk Grading and Impairment Provisioning, loans and advances past due more than 60 days (short-term) and 90 days (long-term) are considered impaired and a minimum level of specific provision for impairment is made depending on the classification concerned, unless other information is available to indicate the contrary.

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

Concentration arises 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. Concentration indicates the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographic location.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2018

26. FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

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

The Bank monitors concentration of credit risk of counterparty by industry. An analysis of the Bank's concentration of credit risk as at 31 December was shown below:

	Financial intermediaries US\$	Mining US\$	Wholesale and retail US\$	Personal use US\$	Import & Export US\$	Real estate US\$	Services US\$	Other industries US\$	Total US\$
31 December 2018									
Balances with the NBC	5,827,964	-	-	-	-	-	-	-	5,827,964
Balances with other financial institutions - gross	8,617,338	-	-	-	-	-	-	-	8,617,338
Loans and advances to customers – gross	-	25,839,403	26,589,461	47,816,281	631,190	1,771,364	12,486,562	25,267,837	140,402,098
Other assets	77,709	3,242,110	72,933	163,925	1,103	3,110	47,786	708,626	4,317,302
	14,523,011	29,081,513	26,662,394	47,980,206	632,293	1,774,474	12,534,348	25,976,463	159,164,702
Equivalents in KHR'000 (Note 4)	58,353,458	116,849,519	107,129,499	192,784,468	2,540,554	7,129,838	50,363,010	104,373,428	639,523,774
31 December 2018									
Balances with the NBC	13,516,147	-	-	-	-	-	-	-	13,516,147
Balances with other financial institutions – gross	11,476,405	-	-	-	-	-	-	-	11,476,405
Loans and advances to customers – gross	-	38,371,578	41,243,708	21,127,110	7,450,433	5,038,376	1,143,664	4,983,689	119,358,558
Other assets	7,675	3,704,637	454,157	91,649	27,085	1,313	29,376	349,661	4,665,553
	25,000,227	42,076,215	41,697,865	21,218,759	7,477,518	5,039,689	1,173,040	5,333,350	149,016,663
Equivalents in KHR'000 (Note 4)	162,383,944	169,867,571	168,340,118	85,663,102	20,449,977	4,622,434	30,197,036	21,523,730	663,047,912

26. FINANCIAL RISK MANAGEMENT (continued)

LIQUIDITY RISK

Liquidity risk is the risk that the Bank 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 Bank'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.

Analysis of financial assets and liabilities by remaining contractual maturities

An analysis of the assets and liabilities of the Bank by relevant maturity based on the remaining period as at 31 December to the contractual or estimated maturity dates is set out on the next page.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2018

26. FINANCIAL RISK MANAGEMENT (continued)

LIQUIDITY RISK (continued)

	Overdue		Not overdue					Total US\$
	Above 3 months US\$	Up to 3 months US\$	Up to 1 month US\$	From 1 to 3 months US\$	From 3 to 12 months US\$	From 1 to 5 years US\$	Over 5 years US\$	
31 December 2018								
Financial assets								
Cash and gold	-	-	11,858,640	-	-	-	-	11,858,640
Balances with the NBC	-	-	5,068,184	759,780	-	-	-	5,827,964
Balances from other financial Institutions – gross	-	-	5,625,038	1,743,400	1,248,900	-	-	8,617,338
Loans and advances to customers –gross	16,173,796	10,695,848	21,370,344	1,787,105	22,041,400	36,101,935	32,231,670	140,402,098
Investment in securities	-	-	-	-	-	-	25,000	25,000
Other assets	-	3,243,547	300,292	30,610	228,747	200,769	313,337	4,317,302
Total financial assets	16,173,796	13,939,395	44,222,498	4,320,895	23,519,047	36,302,704	32,570,007	171,048,342
Financial liabilities								
Deposits from other financial institutions	-	-	22,953,213	8,000,000	3,000,000	-	-	33,953,213
Deposits from customers	-	-	43,632,787	2,329,940	38,741,788	26,268,702	-	110,973,217
Other liabilities	-	-	798,781	383,560	769,745	165,730	-	2,117,816
Total financial liabilities	-	-	67,384,781	10,713,500	42,511,533	26,434,432	-	147,044,246
Net liquidity surplus (gap)	16,173,796	13,939,395	(23,162,283)	(6,392,605)	(18,992,486)	9,868,272	32,570,007	24,004,096
Equivalents in KHR'000 (Note 4)	64,986,312	56,008,489	(93,066,053)	(25,685,486)	(76,311,809)	39,650,717	130,866,288	96,448,458

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2018

26. FINANCIAL RISK MANAGEMENT (continued)

LIQUIDITY RISK (continued)

	Overdue		Current					Total US\$
	Above 3 months US\$	Up to 3 months US\$	Up to 1 month US\$	From 1 to 3 months US\$	From 3 to 12 months US\$	From 1 to 5 years US\$	Over 5 years US\$	
31 December 2017								
Financial assets								
Cash and gold	-	-	7,561,582	-	-	-	-	7,561,582
Balances with the NBC	-	-	13,116,147	400,000	-	-	-	13,516,147
Balances from other financial Institutions – gross	-	-	10,978,705	250,000	247,700	-	-	11,476,405
Loans and advances to customers –gross	1,666,955	38,389,785	16,123,779	4,282,634	16,252,721	33,989,003	8,653,681	119,358,558
Investment in securities	-	-	-	-	-	-	25,000	25,000
Other assets	-	3,704,849	350,318	3,737	326,357	146,373	132,000	4,663,634
Total financial assets	1,666,955	42,094,634	48,130,531	4,936,371	16,826,778	34,135,376	8,810,681	156,601,326
Financial liabilities								
Deposits from other financial institutions	-	-	16,924,735	13,029,389	5,000,000	-	-	34,954,124
Deposits from customers	-	-	36,568,646	12,948,698	35,830,922	4,957,392	5,287	90,310,945
Other liabilities	-	-	744,754	294,121	706,459	89,107	7	1,834,448
Total financial liabilities	-	-	54,238,135	26,272,208	41,537,381	5,046,499	5,294	127,099,517
Net liquidity surplus (gap)	1,666,955	42,094,634	(6,107,604)	(21,335,837)	(24,710,603)	29,088,877	8,805,387	29,501,809
Equivalents in KHR'000 (Note 4)	6,729,731	169,941,931	(24,657,252)	(86,135,761)	(99,760,164)	117,435,869	35,548,580	119,102,934

26. FINANCIAL RISK MANAGEMENT (continued)

MARKET RISK

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

PRICE RISK

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

INTEREST RATE RISK

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value 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 Bank at this stage does not have a policy to set limits on the level of mismatch of interest rate re-pricing that may be undertaken; however, the management regularly monitors the mismatch.

The table below analyses the Bank's interest rate risk exposure on non-trading financial assets and liabilities as at 31 December. The Bank's assets and liabilities are included at carrying amount and categorised by the earlier of contractual re-pricing or maturity dates.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2018

26. FINANCIAL RISK MANAGEMENT (continued)

MARKET RISK (continued)

Interest rate risk (continued)

	Overdue US\$	Non-interest bearing US\$	Interest re-pricing period					Total US\$
			Up to 1 month US\$	From 1 to 3 months US\$	From 3 to 12 months US\$	From 1 to 5 years US\$	Over 5 years US\$	
31 December 2018								
Financial assets								
Cash and gold	-	11,858,640	-	-	-	-	-	11,858,640
Balances with the NBC	-	5,068,184	-	759,780	-	-	-	5,827,964
Balances from other financial Institutions – gross	-	5,625,038	-	1,743,400	1,000,000	248,900	-	8,617,338
Loans and advances to customers –gross	26,869,644	-	21,370,344	1,787,105	22,041,400	36,101,935	32,231,670	140,402,098
Investment in securities	-	25,000	-	-	-	-	-	25,000
Other assets	3,243,547	506,458	14,334	30,610	228,747	200,769	92,837	4,317,302
Total financial assets	30,113,191	23,083,320	21,384,678	4,320,895	23,270,147	36,551,604	32,324,507	171,048,342
Financial liabilities								
Deposit from other financial institutions	-	20,953,213	5,000,000	8,000,000	-	-	-	33,953,213
Deposit to customers	-	469,761	45,473,294	14,729,813	41,726,000	8,574,349	-	110,973,217
Other liabilities	-	323,285	475,496	383,560	769,745	165,730	-	2,117,816
Total financial liabilities	-	21,746,259	50,948,790	23,113,373	42,495,745	8,740,079	-	147,044,246
Interest sensitivity gap	30,113,191	1,337,061	(29,564,112)	(18,792,478)	(19,225,598)	27,811,525	32,324,507	24,004,096
Equivalents in KHR'000 (Note 4)	120,994,801	5,372,311	(118,788,602)	(75,508,177)	(77,248,453)	111,746,707	129,879,869	96,448,456

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2018

26. FINANCIAL RISK MANAGEMENT (continued)

MARKET RISK (continued)

Interest rate risk (continued)

	Overdue US\$	Non-interest bearing US\$	Interest re-pricing period					Total US\$
			Up to 1 month US\$	From 1 to 3 months US\$	From 3 to 12 months US\$	From 1 to 5 years US\$	Over 5 years US\$	
31 December 2017								
Financial assets								
Cash and gold	-	-	7,561,582	-	-	-	-	7,561,582
Balances with the NBC	-	13,116,147	400,000	-	-	-	-	13,516,147
Balances from other financial Institutions – gross	-	1,979,639	8,999,066	250,000	247,700	-	-	11,476,405
Loans and advances to customers –gross	40,056,740	-	16,123,779	4,222,634	16,301,903	33,999,821	8,653,681	119,358,558
Investment in securities	-	25,000	-	-	-	-	-	25,000
Other assets	-	4,665,553	-	-	-	-	-	4,665,553
Total financial assets	40,056,740	19,786,339	33,084,427	4,472,634	16,549,603	33,999,821	8,653,681	156,603,245
Financial liabilities								
Deposit from other financial institutions	-	3,901,735	13,023,000	13,029,389	5,000,000	-	-	34,954,124
Deposit to customers	-	-	36,568,646	12,948,698	35,830,922	4,962,679	-	90,310,945
Other liabilities	-	1,834,448	-	-	-	-	-	1,834,448
Total financial liabilities	-	5,736,183	49,591,646	25,978,087	40,830,922	4,962,679	-	127,099,517
Interest sensitivity gap	40,056,740	14,050,156	(16,507,219)	(21,505,453)	(24,281,319)	29,037,142	8,653,681	29,503,728
Equivalents in KHR'000 (Note 4)	161,714,667	56,722,447	(66,641,954)	(86,820,525)	(98,027,084)	117,227,007	34,936,122	119,110,680

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2018

26. FINANCIAL RISK MANAGEMENT (continued)

MARKET RISK (continued)

Foreign exchange risk

The Bank operates in the Kingdom of Cambodia and transacts in many currencies, and is exposed to various currency risks, primarily with respect to Khmer Riel, Taiwanese dollar, Chinese Yuan, Euro, and Singapore dollar.

The Bank's management has set limits to control the positions of the currencies. Positions are monitored on a daily basis and hedging strategies are used to ensure positions of the currencies are maintained within established limits.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the Bank's functional currency.

Assets and liabilities denominated in other currencies which were translated into US\$ were as follows:

	KHR equivalent to US\$	EUR equivalent to US\$	Other foreign currencies equivalent to US\$	Total US\$
2018				
Financial assets				
Cash and gold	220,628	24,705	1,521,892	1,767,225
Balances with the NBC	339,029	-	-	339,029
Balances with other financial institutions – gross	1,816,498	48,288	334,498	2,199,284
Loans and advances to customers – gross	1,371,091	-	-	1,371,091
Other assets	26,991	-	-	26,991
Total financial assets	3,774,237	72,993	1,856,390	5,703,620
Financial liabilities				
Deposits from other financial institutions	-	64,337	423,539	487,876
Deposits from customers	258,195	1,963	75,077	335,235
Other liabilities	2,933	-	-	2,933
Total financial liabilities	261,128	66,300	498,616	826,044
Foreign exchange position on-balance-sheet	3,513,109	6,693	1,357,774	4,877,576
KHR'000 equivalent (Note 4)	14,115,672	26,892	5,455,536	19,598,100

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2018

26. FINANCIAL RISK MANAGEMENT (continued)

MARKET RISK (continued)

Foreign exchange risk (continued)

	KHR equivalent to US\$	EUR equivalent to US\$	Other foreign currencies equivalent to US\$	Total US\$
2017				
Financial assets				
Cash and gold	228,829	110,924	408,607	748,360
Balances with the NBC	266,883	-	-	266,883
Balances with other financial institutions – gross	1,406,205	81,097	346,856	1,834,158
Loans and advances to customers – gross	393,736	-	-	393,736
Other assets	6,860	-	-	6,860
Total financial assets	2,302,513	192,021	755,463	3,249,997
Financial liabilities				
Deposits from other financial institutions	-	96,515	289,707	386,222
Deposits from customers	214,196	382	287,496	502,074
Other liabilities	2,678	-	1	2,679
Total financial liabilities	216,874	96,897	577,204	890,975
Foreign exchange position on-balance-sheet	2,085,639	95,124	178,259	2,359,022
KHR'000 equivalent (Note 4)	8,420,017	384,029	719,657	9,523,703

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 Bank's financial assets and liabilities. Fair values, therefore, have been based on management assumptions according to the profile of the asset and liability base. In the opinion of the management, the carrying amounts of the financial assets and liabilities included in the balance sheet are a reasonable estimation of their fair values. 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 loan losses, if any.

27. TAX CONTINGENCY

The taxation system in Cambodia is relatively new and is characterized by numerous taxes and frequently changing legislation, which is often unclear, contradictory and subject to interpretation. Often, differing interpretations exist among numerous taxation authorities and jurisdictions. Taxes are subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges. These facts may create tax risks in Cambodia substantially more significant than in other countries.

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

Sacombank

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