AMK អេ អឹម ខេ

ANNUAL REPORT 2019

149 OFFICES

6000 LOCATIONS

900K CUSTOMERS

FINANCE AT YOUR DOORSTEP

CONTENTS

KEY SUMMARY

AMK's long term vision is of a Cambodian society where citizens have equal and sufficient economic and social opportunities to improve their standards of living and where they can contribute productively towards the overall development of the country.

VISION

MISSION

AMK's mission is to help large numbers of poor people to improve their livelihood options through the delivery of appropriate and viable microfinance services.

AWARDS AND RECOGNITION

AMK Microfinance Institution Plc named "Best Microfinance Company Cambodia" in the Global Business Outlook Awards 2019. AMK continues its efforts and objectives to offer sound and viable One-Stop-Shop financial services to the unbanked low-income customers, especially those who live in a rural area.

AMK awarded the Leader Milestone Certificate by Truelift and is the first microfinance institution in Cambodia to achieve this. With this, AMK joins six other Financial Institutions globally as Truelift leaders in microfinance. The Truelift Certification signifies AMK's commitment to bring about positive and enduring change for people living in conditions of poverty.

2019

AMK awarded by UNCDF Shaping Inclusive Finance Transformation Programme as a microfinance institution that demonstrates a new and innovative business model, promoting the use of remittance to advance financial inclusion in Cambodia, Myanmar, Lao PDR, and/or Vietnam by the project of UNCDF funded by Australian Aid.

2017

AMK Microfinance Institution Plc recognized for fully implementing seven client protection principles. These principles can help the client to avoid over-indebtedness from Smart Campaign Organization.

AMK Microfinance Institution Plc recognized for the most use of Khmer Currency (RIEL) from the National Bank of Cambodia (NBC) and the Young Entrepreneurs Association of Cambodia (YEAC).

AMK MFI Plc acknowledged as the runner up candidate for the Financial Exclusive Challenge on the topic of expanding Health Insurance to the spouse who used AMK's loan from The Wall Street Journal - the US International Press.

2016

GUIDING PRINCIPLES AND CODE OF PRACTICE FOR CLIENT PROTECTION

GUIDING PRINCIPLES

- AMK provides microfinance services to poor people in Cambodia that are grounded in the sound financial discipline at all levels.
- AMK is committed to openness and transparency in all areas of management and operations.
- AMK is committed to developing processes and services and to adopting behaviors and standards that ensure optimum social performance, including client protection.
- AMK is a learning organization where appropriate exchange and sharing of information contribute to staff development, training, and improvements in policies and systems.

CODE OF PRACTICE FOR CLIENT PROTECTION

Inclusion

AMK will maximize the inclusion of the poor and other marginalized populations through its products and services.

Transparent Pricing

AMK will provide clients with complete information on product features, costs, and obligations and will ensure transparency in all products and transaction pricing.

Freedom of Choice

AMK will facilitate and promote freedom of choice to its clients.

Mechanisms for Redress of Grievances

AMK will provide clients with appropriate and accessible mechanisms for complaint and problem resolution.

Avoidance of Over-Indebtedness

AMK will limit client exposure to their capacity to repay and will seek to avoid client over-indebtedness.

Ethical Staff Behavior

AMK will ensure ethical and respectful behavior of staff towards clients.

Appropriate Collection Practices

AMK's debt collection practices will be reasonable and collaborative and never abusive or coercive.

Privacy of Client Data

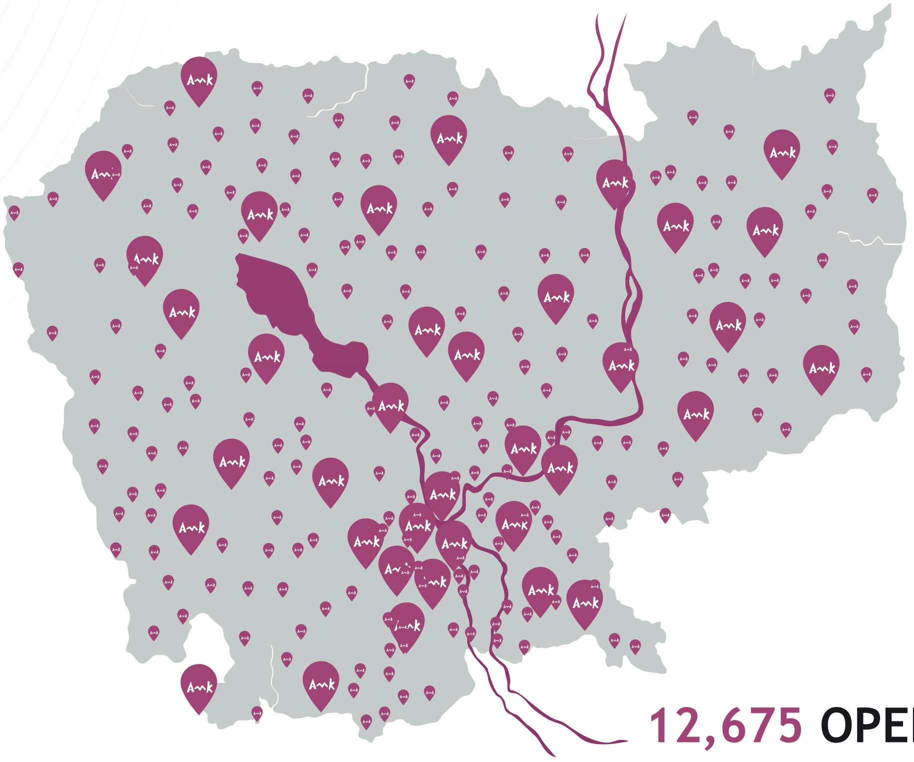
The privacy of client data will be respected unless disclosure is required by law.

This Code is enshrined in AMK's operating policies and procedures and is monitored through AMK's internal audit and social performance management functions.

KEY MILESTONES

DESCRIPTIONS	2005	2010	2015	2019
Number of Offices	5	22	146	149
Number of Villages	912	8,032	12,394	12,675
Coverage of Total Villages in Cambodia	7%	57%	88%	90%
Number of Staff	108	844	2,126	3,091
Number of Total Client Accounts	73,946	251,636	481,890	912,113
Number of Active Loan Accounts	73,073	250,930	335,837	398,465
Loan Portfolio (USD)	$10,174,859	$31,715,578	$128,318,669	$326,836,739
Number of Active Deposit Accounts	0	4,578	163,856	1,359,755
Deposit Balance (USD)	$0	$1,929,691	$64,660,634	$178,882,153
Number of ATMs / CDMs	0	0	54	56
Number of Active Micro Insurance	0	0	127,057	328,968
Net Profit (after tax, USD)	$13,980	$935,239	$5,016,174	$7,767,179
Operational Self Sufficiency (OSS)	103.4%	113.1%	119.6%	117.5%
Return on Assets (RoA)	0.5%	2.3%	3.7%	2.2%
Return on Equity (RoE)	0.6%	7.6%	19.2%	13.8%
Portfolio Yield	36.0%	35.3%	33.9%	21.7%
Operating Cost Ratio	36.9%	21.5%	19.5%	12.1%
Average Cost of Funds	12.6%	10.6%	9.4%	6.6%
Leverage Ratio (Debt to Equity)	0.3	2.1	4.3	4.3
PAR 30 Days	0.05%	1.57%	0.41%	0.86%
Write off Ratio	0.95%	1.14%	0.42%	0.56%
Percent of Loans ≤USD 500	99.0%	98.5%	88.1%	17.6%
Average Outstanding Loan Per Loan Account (USD)	$139.24	$126.39	$382.09	$820.24
Average Deposit Per Deposit Account (USD)	n/a	$421.51	$394.62	$131.55
Women Borrowers as Percentage of Total	86.0%	86.0%	82.1%	81.0%
Rural Borrowers as Percentage of Total	90.0%	92.0%	92.5%	95.0%
Drop-out Rate	15%	23%	24%	16.7%

AMK IS ONE OF CAMBODIA'S LEADING MFI IN TERMS OF OUTREACH



12,675 OPERATING IN VILLAGES 90% OF THE COUNTRY

AMK REACHES 100% OF ALL COMMUNES IN CAMBODIA

149 BRANCH OFFICES

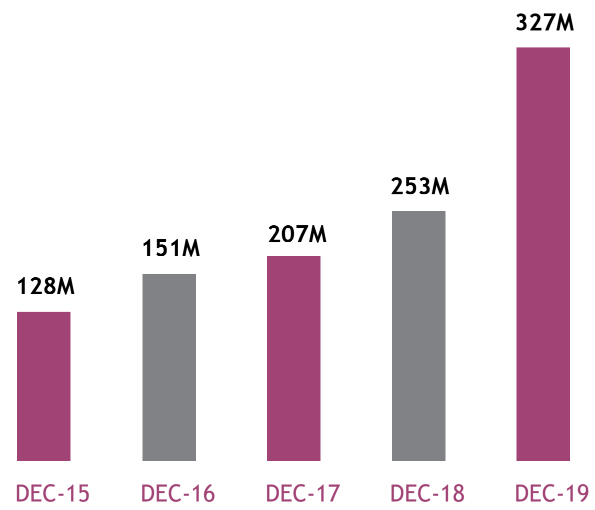
5,500 AMK AGENTS

398,465 LOAN ACCOUNTS

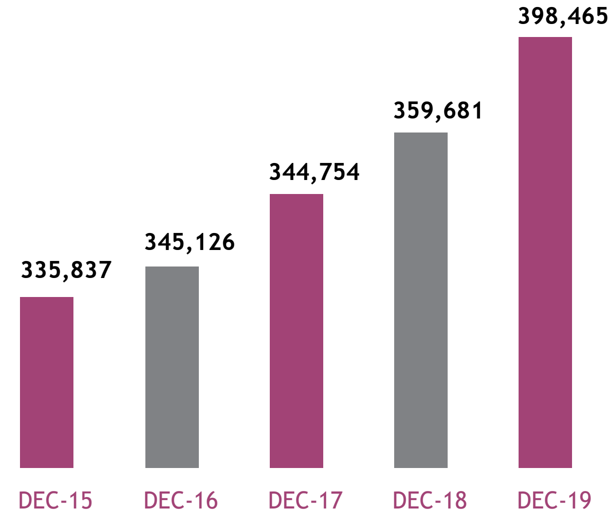
1,359,755 DEPOSIT ACCOUNTS

328,968 MICRO-INSURANCE

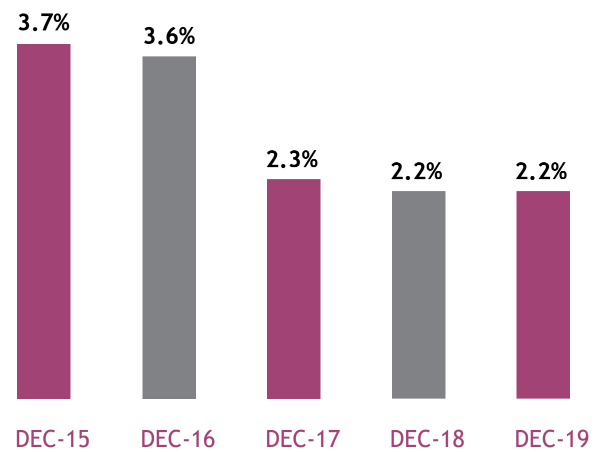
FIVE-YEAR PERFORMANCE HIGHTLIGHTS



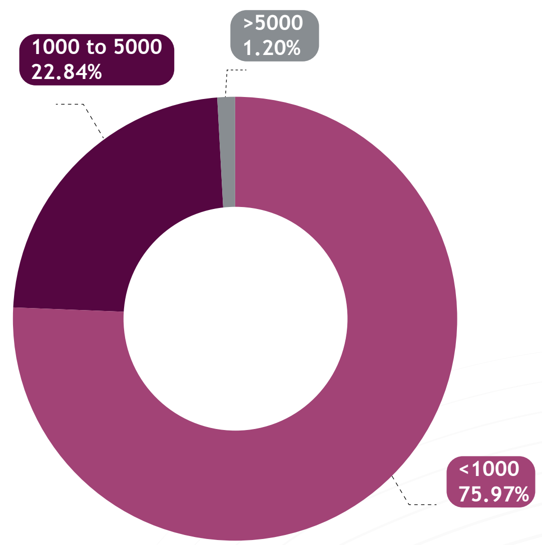
LOAN PORTFOLIO (USD)



NUMBER OF ACTIVE LOAN ACCOUNTS



RETURN ON AVERAGE ASSETS (ROA)



LOAN DISBURSEMENT BY SIZE, DEC-19

FIVE-YEAR PERFORMANCE HIGHTLIGHTS

DESCRIPTION	2015	2016	2017	2018	2019
I- Operational Highlights					
Number of Branches	31	33	34	34	34
Number of Sub-Branches	115	118	116	115	115
Number of Villages	12,394	12,513	12,560	12,614	12,675
• Coverage of total villages in Cambodia	88%	89%	89%	89%	90%
Number of Staff	2,126	2,349	2,494	2,811	3,091
• Client Officers over Total Staff	41%	39%	38%	35%	41%
Number of Total Client Accounts	481,890	616,271	683,354	765,058	912,113
Number of Active Loan Accounts	335,837	345,126	344,754	359,681	398,465
• Group Loan Account	81%	79%	76%	78%	74%
• Individual Loan Account	19%	21%	24%	22%	26%
Loan Portfolio (USD)	$128,318,669	$151,146,698	$207,280,282	$252,910,502	$326,836,739
• Group Loans	65%	62%	60%	52%	51%
• Individual Loans	35%	38%	40%	48%	49%
Active Loan Accounts/Avg. Client Officer	409	372	360	359	323
Loan Outstanding/Avg. Client Officer (USD)	$154,372	$161,008	$214,131	$248,204	$265,290
Number of Depositors with Outstanding Loan	17,803	28,633	236,871	388,149	380,872
Number of Active Deposit Accounts	163,856	271,077	575,471	793,526	1,359,755
Deposit Balance (USD)	$64,660,634	$87,789,295	$118,131,003	$158,786,976	$178,882,153
Number of ATM / CDM	54	58	61	61	56
Number of Micro-insurance Sold	127,057	182,309	284,957	285,646	328,968
II- Financial Highlights					
Net Profit (after tax, USD)	$5,016,174	$6,632,341	$5,277,866	$6,659,344	$7,767,179
Operational Self Sufficiency (OSS)	119.6%	119.4%	114.8%	115.8%	117.5%
Return on Assets (RoA)	3.7%	3.6%	2.3%	2.2%	2.2%
Return on Equity (RoE)	19.2%	20.9%	13.9%	15.3%	13.8%
Portfolio Yield	33.9%	33.8%	29.2%	25.2%	21.7%
Operating Cost Ratio	19.5%	18.4%	16.4%	13.9%	12.1%
Average Cost of Funds	9.4%	9.5%	7.8%	6.9%	6.6%
Leverage Ratio (Debt to Equity)	4.3	4.8	4.5	5.0	4.3
PAR 30 Days	0.41%	1.24%	1.48%	1.09%	0.86%
Write off Ratio	0.42%	0.57%	0.94%	1.14%	0.56%

DESCRIPTION	2015	2016	2017	2018	2019
III- Social Highlights					
Loan Highlights					
Average Loan Size/GNI per Capita (loan disbursed)	47.0%	54.6%	74.7%	91.7%	84.1%
Percent of Loans ≤ USD500	88.1%	84.6%	36.9%	21.5%	17.6%
Average Outstanding Loan Per Loan Account (USD)	$382.09	$437.95	$601.24	$703.15	$820.24
• Group Loan Account	$304	$344	$470	$518	$571
• Individual Loan Account	$718	$774	$1,005	$1,377	$1,514
Average Loan Disbursed (USD)	$475	$552	$755	$926	$1,206
• Group Loan Account	$367	$418	$570	$662	$798
• Individual Loan Account	$945	$1,046	$1,342	$1,926	$2,211
Deposit Highlights					
Average Deposit Balance/GNI per Capita	39.2%	32.0%	20.3%	19.8%	9.2%
Percentage of Deposits with Balance ≤ USD300	92.1%	94.0%	96.7%	97.4%	98.4%
Average Deposit Per Deposit Account (USD)	$394.62	$323.85	$205.28	$200.10	$131.55
Money Transfer Highlights					
Number of Money Transfer ≤ USD300	569,802	736,217	713,085	525,254	391,903
Average Transfer Balance/GNI per Capita	31.1%	27.8%	28.8%	30.5%	20.7%
Other Social Highlights					
Women Borrowers as Percentage of Total	82.1%	81.5%	81.5%	81.3%	81.0%
Rural Borrowers as Percentage of Total	92.5%	96.7%	96.7%	93.1%	95.0%
Drop-out Rate	23.9%	22.6%	26.1%	21.6%	16.7%
Depth of Outreach: New Clients (<1 year) Below Poverty Line					
• % of Poverty Likelihood among New VB Borrower - PPI (Government definition at 150%)	45%	36%	37%	44%	46%
• % of New Group Clients Identified as Poor (Base on ID poor1 and poor2)	34%	29%	23%	22%	36%
• New Group Clients Identified as Poor (Base on ID poor1 and poor2)	23,802	29,988	20,031	14,354	27,548

AMK HISTORY

1990s

The origins of AMK Microfinance Institution Plc. (AMK) trace back to Concern Worldwide's microcredit interventions in the 1990s. As operations grew, in 2002 Concern decided to create a separate microfinance company which became known as AMK. By 2003, AMK was functioning independently of Concern and subsequently received its license from the National Bank of Cambodia (NBC) in 2004.

2005

By 2005 AMK made its first operating profit, had its first external borrowing approved and created a social performance management mechanism. In the following years, AMK experienced rapid growth in its core credit business, extending its branch network to every province in the country.

2010

In 2010, strategy transformation was implemented, turning AMK from a rural credit-only business into a broader provider of microfinance services. This strategy was driven by a desire to provide a broader array of financial services to Cambodia's underserved poor population and thereby assist these people to improve their livelihoods.

2013

In 2013 AMK launched ATMs/CDMs as additional delivery channel to its customers. To give customer easier and more convenient access to AMK deposit services. The following year 2014, AMK has partnered with Forte Insurance Company to launch Micro Health and Accident Insurance to its loan clients. Until 2015 AMK official launched smart kid savings account to its clients who wants to save money for their kid's future to guarantee that even they are in trouble, their kids are still able to achieve their dream.

2011-2012

The granting of AMK's Microfinance Deposit Taking Institution (MDI) license in 2010 represented a key milestone in this journey. It allowed AMK to implement several new products and channels. Deposit products were rolled out to all branches by mid of 2011, and a domestic money transfer product was launched in July 2011. Both of these services were expanded to all 113 AMK branch and sub-branch outlets during 2012. AMK also introduced an agent-based mobile banking solution in 2011 and 2012.

2016

In 2016, AMK has certified for fully implementing Client Protection Principles by SMART CAMPAIGN which is the international body to push the full practice of 7 principles for client protection worldwide. At the same time, AMK also has launched "Fast Service" with the National Bank of Cambodia (NBC).

2018

In 2018, AMK reached 15-year milestones and opened a new chapter to welcome a new shareholder and become a member of the Shanghai Commercial & Savings Bank family. Besides, AMK has successfully migrated to the new core banking system and rolled out "One-Stop-Shop" financial services nationwide.

2019

AMK Microfinance Institution Plc named "Best Microfinance Company Cambodia" in the Global Business Outlook Awards 2019. AMK's continued its efforts and objectives to offer sound and viable One-Stop-Shop financial services to the unbanked low-income customers, especially those who live in a rural area.

AMK awarded the Leader Milestone Certificate by Truelift and is the first microfinance institution in Cambodia to achieve this. With this, AMK joins six other Financial Institutions globally as Truelift leaders in microfinance.
The Truelift Certification signifies AMK's commitment to bring about positive and enduring change for people living in conditions of poverty.

AMK officially launched the first mobile application called "Tonlesap" to provide agriculture knowledge and products in Cambodia. Tonlesap App designed to provide agricultural expertise to farmers includes technical, weather, market information, critical tactics in growing crops, types of equipment, and better technique to raise animals. This app allowed users to purchase agriculture products online, access to more diversify products and sellers. Tonlesap-Seller App explicitly designed for sellers and suppliers to sell their agriculture products and services on Tonlesap App.

In the same reporting year, AMK launched several new products and services includes:

- SME Loan started with loan size up to USD 100,000 to help Small and Medium enterprises access more capital expanding their businesses to increase profits.
- Financial Leasing to help our clients access to a motorbike, tricycle, and agri-equipment loans.
- AMK incorporated with Credit Bureau Cambodia to officially introduced Financial Health Check Service that allows all public consumers to check their creditworthiness and credit report at AMK Branches nationwide.

AMK MFI Plc is one of the leading microfinance in terms of outreach and customer we served. As of December 31, 2019, AMK operates in 90% of entire villages with 149 offices, over 3,000 experienced staff, 56 ATM/CDM, and over 5,000 Agents running in 25 provinces and cities across Cambodia. AMK served over 900,000 customers, with a loan portfolio of over USD 326 million, and a deposit with nearly USD 180 million. AMK also offered micro-insurance on health and accident to over 329,000 of its loan clients nationwide to cover them from undue financial stress.

AMK provides a variety of adequate financial services, including loans, deposit, leasing, money transfers, micro-insurance, Bill Payment, Payroll Service, Agent Banking, Mobile Banking, ATM/DCM, and other affordable financial services.

CHAIRMAN'S STATEMENT

The year 2019 was a year of transition for us at AMK. While the Cambodian economy continued to grow well at an estimated growth rate of 7%, some new pressure was felt on some sectors of the economy, owing to a weaker than regular agriculture season and some uncertainty in the garment and manufacturing sectors due to negotiations between the EU and Cambodian governments on its EBA status. Nevertheless, the overall economic outlook remained stable throughout the year.

The first major transition for us at AMK was in the form of a new significant shareholder, the Shanghai Commercial and Savings Bank (SCSB). SCSB began taking charge of its responsibilities as a shareholder and has already contributed substantially to the governance of AMK through the appointment of 4 of its senior management to the Board of AMK. This has considerably strengthened our governance in the areas of risk management, asset-liability and liquidity management, digital financial services, and the overall strategy. At the same time, new equity investment was made by SCSB in AMK, thereby strengthening its capital position even further. This has been a strong start to a wonderful coalition between the two institutions.

During the year, AMK also transitioned its information systems to a new, robust core banking system. This has been a long and demanding project, and I must congratulate the management for seeing it through with success. The new banking infrastructure enhances our KYC and risk management systems, and also provides a stronger and more nimble architecture for digital payments, mobile banking, and online transactions. We believe that the new system significantly enhances the user-friendliness of our services. On the operational front, there were many pluses in the year.

AMK successfully launched its motor-bike leasing product, a fast-growing market in Cambodia. We hope to extend this to agriculture equipment leasing in the coming years. Our reach amongst loan customers showed strong growth as well, and for the first time in a few years, our loan product outreach grew by more than 10% in the year. This signals that AMK remains a preferred option amongst rural Cambodians despite the competition that exists.

AMK also released its owned rural market-place app, called the TonleSap, this year. If the experiment succeeds, it can provide an interesting ecosystem for producers and buyers of farm produce. We will have more updates on this in the coming year. Our financial performance remained stable and strong during the year, with all the key numbers of efficiency, capital adequacy, asset quality, and profitability remains strong. We will continue to build on this during 2020.

In conclusion, my congratulations to the AMK management, led by our CEO, Kea Borann, for another successful year. We are well placed for the next decade and much strengthened by the presence of SCSB as the principal shareholder of AMK. I wish to express my gratitude to all my colleagues at SCSB, our independent Directors on the Board of AMK, and the staff of AMK for their continued passion for serving the financial sector of Cambodia for the betterment of its people.

Mr. Tanmay Chetan
Chairman, Board of Directors

CHIEF EXECUTIVE OFFICER'S REPORT

AMK continues to work hard and took yet another step to achieve its objective to offer sound and viable "One-Stop-Shop" financial services to the unbanked low-income customers, especially those who live in a rural area after it fully completed the migration to its new core banking system which went live on January 02, 2019. AMK further launched its financial leasing product in early 2019 and is now expanding its SME lending after successfully tested in 2018.

AMK remains a key player in rural areas where over 95% of our clients live. This is shown by our small average loan outstanding balance per client of US$820 (average loan outstanding for group loan is just US$571) against the industry's average of US$3,266. Moreover, approximately 39% of new clients in 2019 were classified as poor (using our adjusted definition of poverty), up from 33% in 2018.

AMK reached another milestone in 2019 on its mission to reach more unbanked customers by adding further 42,848 new loan clients (12.7% growth rate) and reaching a total loan clientele of 380,872 at the end of the year. The total loan outstanding balance also increased by US$73.9million (29% growth rate), ending at US$326.84million at the end of the year. The growth was contributed by our existing large base of microfinance clients as well as two relatively new additional businesses of financial leasing and MSME lending. Both Financial leasing and MSME accounted for about 9% of the total portfolio at the end of 2019. The loan quality remained in good condition, AMK's PAR30+ was at 0.86% while the loan written off rate was at 0.56%. In addition, the proportion of AMK's loan clients who hold insurance policies (health and personal accident) with AMK's insurance partner increased to 87.4% of total loan clients in 2019 from 80% in 2018. This provides a safety net to clients as well as their families when they face health and/or accident issues. The customer retention rate remains good at 86% for 2019 using standard industry definitions (MIX Market). Moreover, the overall client satisfaction rate also remains high in 2019 at 5.12 points over a total of 6 points on our internal metrics up from 5.02 in 2018.

AMK's deposit business continued to grow well, especially amongst low-income depositors; 98.4% of our depositors have balances below US$100. The overall average deposit balance per depositor was only US$196 as of year-end. The number of depositors grows by 34% ending with 912,113 clients in 2019 up from 683,169 ends of 2018. The deposit balance increased by 13%, reaching US$178.88million end of 2019 from US$158.79million in 2018. Moreover, AMK continues to expand its Savings Association Program (SAP) for deposits in 2019 by increasing the total SAP coverage to 1,770 from only 571 in 2018. The total accounts under SAP reached 55,869 with a balance of US$815,008 in 2019 from 21,967 with US$261,300 in 2018.

AMK's payment, payroll, money transfer services, and loan repayment at agents continue to improve in 2019 despite facing some challenges during the first half of 2019 due to system migration. The total number of transactions was 3.36million in 2019, up from 2.61 million in 2018. The growth is mainly contributed from bill payment and loan repayment through agents' network.

To achieve its objective of reaching deeper and deeper into the rural markets, AMK continues to expand its distribution networks with 3,091 full-time employees, over 5,500 agents, 61 ATM/CDMs, and 149 offices across Cambodia. AMK currently works in 12,675 villages (90% of a total village), 1,611 communes, and all of the 25 provinces and cities.

AMK also continues its efforts on client education toward the responsibility of using financial services, especially on credit. AMK produced six short financial education videos that reached more than 6.58 million people.

Our virtual agriculture marketplace, the Tonlesap App, is on track with a good attraction to its target audient with over 10,000 subscribers and over 40,000 Facebook followers. In November 2019, AMK launched its Tonlesap Seller App, which allows the shop to list their products for sale where the user who used Tonlesap App can make an order.

The financial performance in 2019 showed a Return on Equity and Return on Asset is at 13.82% and 2.17%, respectively (15.27% and 2.24% in 2018). The performance was impacted by slower growth in the first half of the year due to delays in the raining season, as well as launching financial leasing and MSME business. Furthermore, AMK also decided to lower its pricing on microloans during the year.
Cambodia's macro-economic outlook in 2020 does not seem as favorable as 2019, with a GDP growth forecast at about 6.1% and an inflation rate of 2.5%[1]. This expected slower growth is resulting from the slowdown in the real-estate sector, tourist industry, potential loss (fully or partially) of EBA, and impact from the Corona Virus (Covid-19) outbreak. AMK expects to continue to establish its multiple business lines to retain market leadership, with an even stronger focus on the strategic priorities below:

1. Continue to enhance risk culture and overall risk management
2. Leverage its large customer base with scoring application to improve its credit approval and processes
3. Continue to improve its digitization objective to enhance productivity as well as operational processes for greater control and efficiency
4. Further integrating its channels and services to improve the customer experiences along with national projects such as CSS (Cambodia Shared Switch), and Bakong
5. Enhance integration layer with the current core system and its partners in order to offer a better and wider range of services to its customers
6. Continue portfolio diversification and extension to other market segments

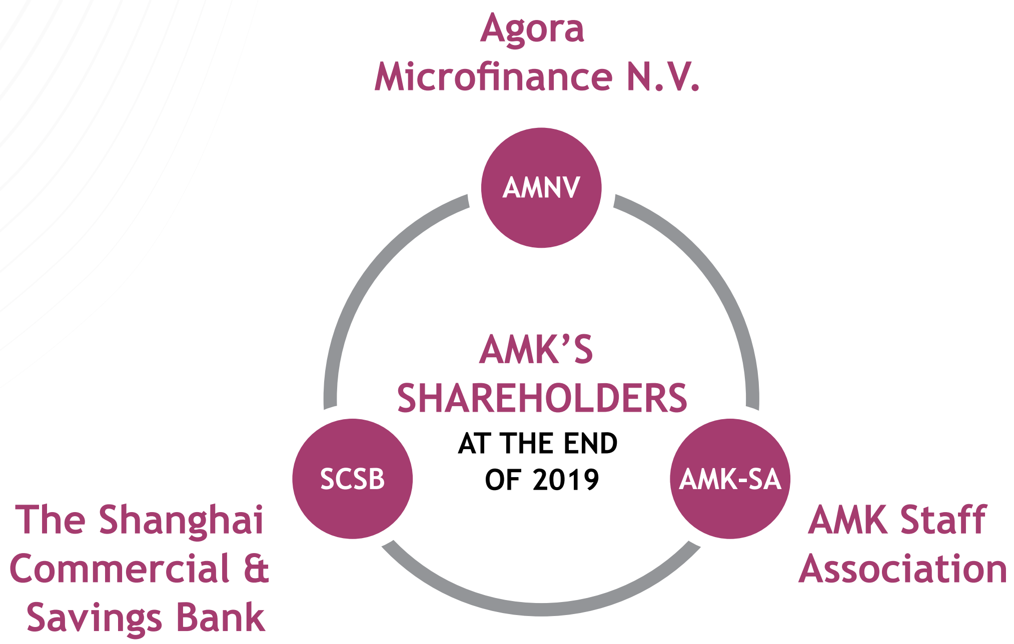
We would also like to express our thanks to our new shareholder, "The Shanghai Commercial & Savings Bank, Ltd. (SCSB)," who believes in AMK's mission and value and the commitment to support the future growth of AMK and as well as Cambodia in general. With additional capital injection by SCSB during 2019, it sets up AMK well with a stronger capital base and enables to grow its business much faster.

On behalf of AMK's management and staff, I would like to thank our Shareholders, the Chairman, Directors, and Committee Members for their leadership, supports, and guidance throughout the year. I would also like to thank my colleagues, both management and staff, especially our field staff, for their hard work, diligence, and commitment to providing the best services to our clients. Lastly, I would like to express my sincere appreciation to all stakeholders, especially the National Bank of Cambodia, for their continued supports to AMK and to building an inclusive financial sector.

Mr. Kea Borann
Chief Executive Officer

[1]According to announcement from the Ministry of Economic and Finance

CORPORATE GOVERNANCE



AMK's shareholders appoint the Board of Directors, which is responsible for the overall governance and strategic guidance of the institution. The nine-member Board (including the CEO) has broad expertise in areas such as finance, risk, treasury, audit, legal, and development, as well as extensive experience in microfinance, commercial bank, and investment banking.

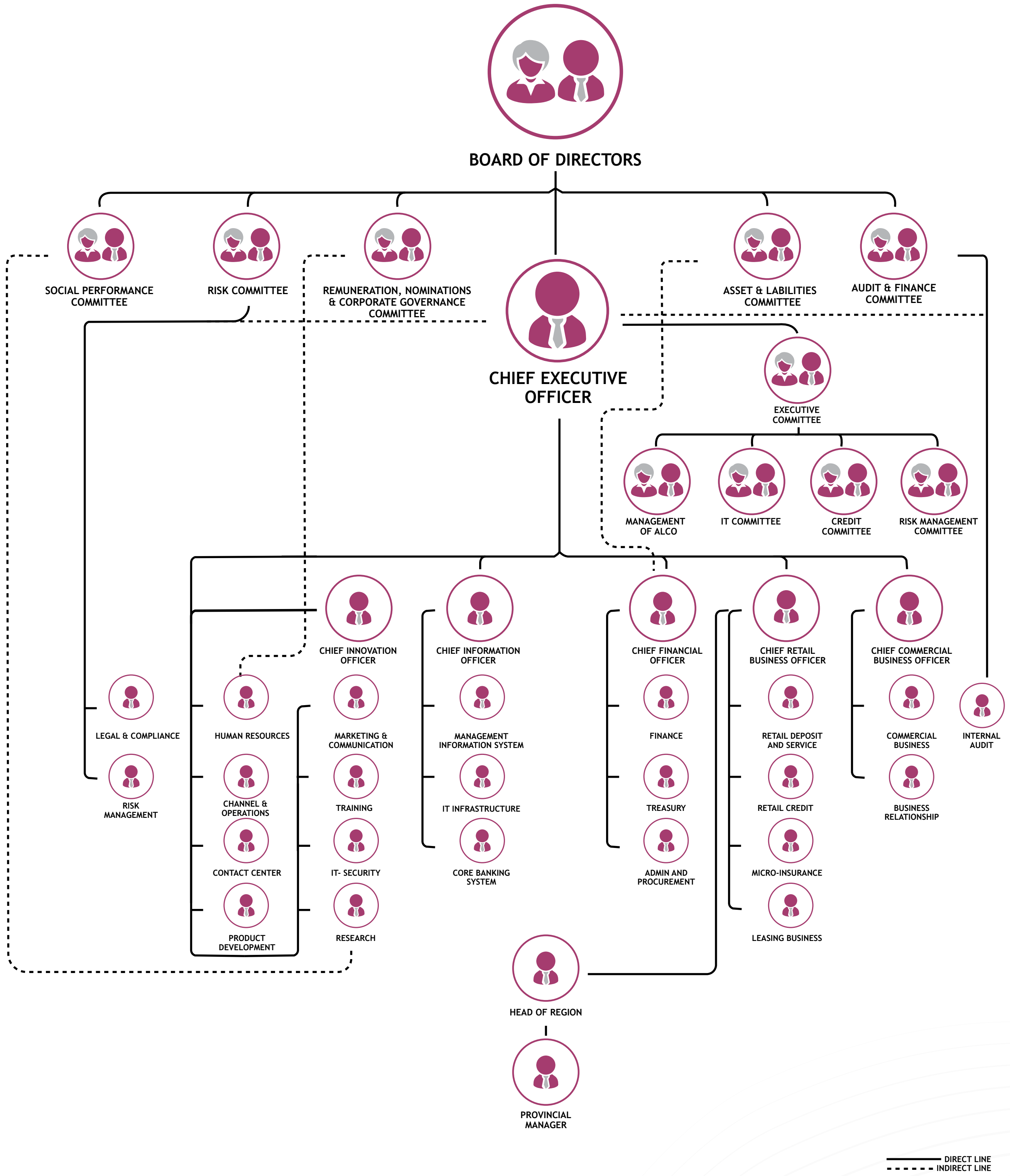
The board of Directors appoints the Chief of Executive Officer (CEO), who works with an executive committee that consists of C-Suit and other key departments. This committee, in turn, oversees the border Management Team composed of the Heads of Department and C-Suit.

THE BOARD OF DIRECTORS HAS STANDING COMMITTEES INCLUDING:

- **AFC** Audit and Finance Committee
- **BRC** Board Risk Committee
- **RNCG** Remuneration, Nominations and Corporate Governance Committee
- **B.ALCO** Board Asset and Liability Committee
- **SPC** Social Performance Committee

The first four committees perform traditional corporate governance functions. The Social Performance Committee advises the Board on AMK's performance in terms of poverty outreach, product suitability, client protection, and overall social responsibility.

CORPERATE STRUCTURE



BOARD OF DIRECTORS AND ADVISORY COMMITTEES

TANMAY CHETAN

Director, Chairman of the Board of Directors, Member of Remuneration, Nominations, and Corporate Governance Committee ("RNCG"), Member of Audit Finance Committee ("AFC") and Member of Board Asset and Liability Committee ("B.ALCO")

Tanmay Chetan is the co-founder of the Agora Group, wherein he managed the group's equity investments across Asia and Africa. Tanmay's previous experience includes microfinance ratings, consulting and operations, and as the Chief Executive Officer ("CEO") of AMK from 2003 to 2007. Tanmay holds an MBA from IIFM, India, and a Master's in Public Administration from the Harvard Kennedy School.

JOHN CON-SING YUNG

Director, Member of Social Performance Committee ("SPC") and Member of RNCG

JOHN CON-SING YUNG is currently Board member, Senior Executive Vice President and Chief Information Officer of the Shanghai Commercial and Savings Bank, Ltd, in charge of IT, Oversea expansion, Mainland China Business, and Three Shanghai Bank cooperation. He also holds several key positions on behalf of the Shanghai Commercial and Savings Bank subsidiaries and affiliated companies. John started his career at Chase Manhattan Bank in Hong Kong as a management trainee, ending his time there as a manager in the Credit Card Risk Management Department. After Chase, John spent time starting up Shenzhen Concord, a JV investment company between Canadian Eastern Finance and the Shenzhen Government. For the next decade, John focused on building IT and Telecommunication businesses in the Asia Pacific Region before joining the Shanghai Commercial and Savings Bank, Ltd. He received his AB and MBA degree from the University of Chicago.

KEA BORANN

Director and CEO

Borann appointed as Chief Executive Officer of AMK in 2012. He has been with AMK for over ten years since 2004 in different roles. He has held various leadership roles throughout the development of the organization, such as Finance Manager, Chief Finance Officer, and Deputy CEO. Before joining AMK, he worked for another MFI as Finance Director. Borann also holds a position as director in different institutions such as the Association of Banks in Cambodia, Cambodia Microfinance Association and Credit Bureau Cambodia. Borann holds a BBA in Finance and Accounting. He received ACCA (Association of Chartered Certified Accountants) Accreditation and accepted as an ACCA member in 2008.

TIP JANVIBOL

Director and Chairperson of RNCG

Dr. Tip Janvibol, founder and senior managing partner of Tip & Partner, brings over 20 years of legal experience to the Board of Directors of AMK. He is a licensed attorney and member of the Cambodian Bar Association. Dr. Tip effectively leads both small and large-scale transactions involving both individual and corporate clients while managing and overseeing the implementation of the law and related legal issues.

In prior years, Dr. Tip worked in both the public and private sector as a consultant and legal adviser for private enterprises, government institutions, international agencies including International Committee for the Red Cross (ICRC), UNICEF, World Bank, and United Nations.

He holds a Doctorate Degree (PhD) from California Coast University, Master's Degree from the University of Massachusetts, Lowell, Bachelor's degree from University of Maine, Presque Isle, and numerous legal training certificates, including ones from The Hague Academy of International Law, Legal and Judicial Cooperation of JICA, and United Nations.

HENG SEIDA

Director, Chairperson of AFC and Member of BRC

Seida is a certified public accountant, a fellow member of the Association of Certified Chartered Accountants (ACCA), UK, and a certified internal auditor from the USA. She also holds a Bachelor's Degree in Accounting. Seida has over ten years of experience in auditing and financial management. Her expertise is in the fields of accounting, auditing (both external & internal), review and setting up internal control structure, policies, and procedures. She is currently the Managing Partner of Fii & Associates, an accounting firm. Before this, Seida was a financial management specialist with the World Bank for five years and was Audit Manager with one of the big four auditing firms for six years in the audit and advisory services in Cambodia and Malaysia.

RU-HUNG WEI

Director, Member of BRC and Member of B.ALCO

RU-HUNG WEI is currently Deputy Executive Vice President, Overseas Regional Manager of the Shanghai Commercial and Savings Bank, Ltd, in charge of Overseas Branches, including Singapore, Vietnam, and Hong Kong. He served the Shanghai Commercial and Savings Bank, Ltd over 29 years with the various position including Import, Export, Foreign Exchange and Credit Investigation. He received his BBA degree from Soochow University and an MBA degree from the University of New Haven.

CHIN-KANG LIU

Director and Chairperson of BRC

CHIN-KANG LIU is currently Head of Risk Management Department and Executive Vice President of the Shanghai Commercial and Savings Bank, Ltd, mainly responsible for FATCA, CRS, Basel III, and whole bank risk management, including Credit, Market, Operational, Liquidity Country and Financial Derivatives. Before this, he also served the International Department, Auditing Department, Treasury Department, and Headquarter of the Shanghai Commercial and Savings Bank Ltd. He earned his Bachelor of Economics degree from National Taiwan University.

WEI-KUO YEN

Director, Chairperson of B.ALCO and Member of AFC

Mr. WEI-KUO YEN appointed as a member of the Board of Directors, a Chairperson of B.ALCO, and a member of AFC in AMK in August 2019. Mr. WEI-KUO YEN obtained a Bachelor's degree in Arts in Economics from Fu Jen Catholic University in 1984 and then pursuing his Master of Science in Business at the University of Wisconsin-Madison in the USA after the first few years in the banking business.

Mr. WEI-KUO YEN has served the Shanghai Commercial & Savings Bank, Ltd for over thirty years with several managerial positions including head of treasury department and head of trust department. He is currently serving as a First Deputy Executive Vice President of the Shanghai Commercial & Savings Bank, Ltd, in charge of strategic planning issues, overseeing overseas subsidiaries, and managing problems with other financial institutions.

BLANDINE CLAUDIA MARIE PONS

Director and Chairperson of SPC

Dina is Incofin East Asia Regional Director and Social Performance Manager, based in Phnom Penh Cambodia. She also sits at the BOD of the Social Performance Task Force (SPTF) and co-chairs the Social Investors Working group. Dina manages a portfolio of USD 80 million, serving more than a dozen financial service-providers across East Asia. Previous to joining Incofin, Dina lived in the Philippines, where she worked as a senior analyst for the microfinance specialized rating agency Planet Rating.

Dina also lived in China, and she was part of the team which set up MicroCred Nanchong in Sichuan. She also led capacity-building projects.

FRANCES SINHA

Member of SPC

Frances Sinha's career in development consultancy spans 30 years of hands-on engagement with financial inclusion. A graduate from Oxford University and the London School of Economics, UK, she has been based in India, where she co-founded M-CRIL as a specialist rating agency. She has been a lead consultant for the Social Performance Task Force and the MicroCredit Summit Campaign, contributing to standards for social reporting, social performance management, outcomes management, pro-poor financial inclusion, and client protection. Her work profile has also included program evaluations and impact assessments in India and throughout Asia.

BOARD COMMITTEE

BRC BOARD RISK COMMITTEE

AMK board and management strongly believe that sound risk management is crucial to the success of AMK's business activities as a Deposit Taking Microfinance Institution. Our philosophy is to ensure that the risks that we take are helping us to achieve our business strategy and corporate goals while remaining in line with risk appetite. The ultimate responsibility for setting the risk appetite and for the effective management of risk rests with the Board of Directors.

Acting within an authority delegated by the Board of Directors, the BRC has responsibility for oversight and review of overall enterprise risks including, but not limited to, business and strategy, credit portfolio quality and concentration, capital planning, liquidity and funding, technology, operational, reputational and compliance risks—regulatory compliance and AML/CFT. It reviews AMK's overall risk appetite and makes recommendations thereon to the Board. The responsibilities also include reviewing the appropriateness and effectiveness of the whole AMK's risk management systems and controls, considering the implications of material regulatory changes and the growth of AMK's business within the evolving competitive landscape.

In 2019, the BRC meeting was held four times and had taken significant steps to enhance the company's level risk management framework. Key achievements of BRC in 2019 include:

Reviewed and endorsed the following policies and compliances:

- the launch of Consumer Mobile Banking and Internet Banking

- the Annual Report on the Organization and Effectiveness of the Internal Control for 2018

- the Launch of Cross Border Service
- the Provision of Syndicated Loan
- the Customer's Suggestion and Complaint Policy
- the Revision of SME Loan Policy
- the Leasing Product on Agricultural Machinery Proposal

- the Revision of Agent Management Policy
- the Revision of Money Transfer Policy
- the Revision of Payroll Service Policy
- Cambodia Share Switch Policy

- Consumer Mobile Banking and Internet Banking Policies

- the Revision of ATM Policy
- the Revision of Saving Policy
- Merchant Management Policy
- Overdraft Policy
- Proprietary Credit Card Policy
- the Revision of Affordable Home Loan Proposal
- Policy on Related Party Transaction
- the Revision of Whistle Blowing Policy
- IT Policies and Standards
- the Revision of Contact Center Policy
- Swift Policy

Reviewed and approved the following policies and compliances:

- Compliance Operation Manual
- the Revision of Operational, Compliance, and Credit Key Risk Indicators

- ToR of Board Risk Committee
- the Revision of ToR of MRC & CRC
- IT KRI

B.ALCO BOARD ASSET AND LIABILITY COMMITTEE

The Board Asset and Liability Management Committee (B.ALCO) provides the Board with strategic input regarding the Company's balance sheet management and serves as the approving body for ALM policies. Board ALCO is responsible for the strategic management of interest and liquidity risk as well as the funding management of the Company to maintain sustainable growth and profitability and achieve optimal shareholder value.

The committee performs the following tasks regularly:

- Reviews the Company's liquidity and funds management

- Reviews and recommends funding strategy and contingency funding plan

- Evaluates the Company's interest rate, liquidity, and foreign exchange risk tolerance

- Reviews periodic stress testing on key market drivers and their impact on ALM strategies

- Recommends for approval of all policies relating to ALM

- Reviews new product offerings and changes and their impact on profitability, liquidity and FX position

- Reviews the annual budget and strategic plans with regards to balance sheet management.

In 2019, the Board ALCO meeting held four times to discuss the following key strategic issues concerning balance sheet risk management.

- Reviewed the impact of new regulations on balance sheet risk management and recommended to the Board the strategies to mitigate the balance sheet impact.

  - Continue to monitor PRAKAS on Minimum Registered Capital of Banking and Financial Institutions

  - Continue to monitor PRAKAS on Credit Risk Grading and Impairment Provision

  - Continue to monitor PRAKAS on Determination of Capital Buffer

  - Continue to monitor the implementation of CIFRS and new NBC chart of accounts

  - PRAKAS on Seniority Payment

- Reviewed 2019 financial projections, quantifying the financial risks and recommended to the Board the strategies to manage the risks.

Reviewed and monitored the financial Key Risk Indicators

- Reviewed and monitored the results of stress testing

- Reviewed and recommended new balance sheet products issued in 2019, assessing the features of the key product, which could impact the maturity mismatch, currency mismatch, and net interest margin.

- Reviewed and recommended to the Board for approval on pricing in consultation with the Risk Committee.

Reviewed the 2020 budget with respect to balance sheet management, liaised with other committees on other aspects of the budget, and proposed to the Board its approval alongside other committees.

AFC AUDIT AND FINANCE COMMITTEE

The committee is responsible for ensuring:

- The integrity of the Company's financial statements, reporting and disclosure practices and that information provided to the public and the National Bank of Cambodia (NBC) is clear, accurate and reliable,

- The relevance of accounting methods used to prepare the individual and consolidated accounts for the group company,

- The quality of the Company's internal control system (the internal audit department), and

- The independence and performance of the Company's external auditors

- Review and approved the implement of CIFRS

This committee also performs the following tasks regularly:

- Reviews and recommends the Company's accounting and finance policies and internal audit policy for the Board's approval.

- Reviews and monitors the integrity of the financial statements of the Company, and recommends audited financial statements for the Board's approval.

- Reviews and makes a recommendation for improvements in the efficiency and effectiveness of the Company's performance and internal control system.

- Makes recommendations to the Board for shareholders' approval on the appointment of the external auditors.

- Monitors and reviews the external auditor's independence, objectivity, and effectiveness.
- Monitor and support the internal audit function that the function has necessary resources and access to information to enable it to fulfill its mandate.

- Monitors, reviews and evaluates the effectiveness and independence of the Company's internal audit function.

- Reviews, discusses and approves the internal audit plans.

- Review and propose for Board's approval of the internal audit budget plan.

- Monitors and reviews the progress of the internal audit function of implementing the internal audit plan.

In 2019, the AFC held the meeting four times to discuss the following strategic issues:

- Reviewed and recommended the 2018 audited financial statement, June-2019 audited accounts to the Board for approval.

- Discussed 2019 and 2020 external audit plans with an external auditor.

- Reviewed and recommended 2020 external auditor to the Board for approval.

- Discussed business line performance, cost allocation logic, business line profitability, and efficiency.

- Reviewed progress against 2019 Internal Audit Plan and reviewed and approved proposed 2020 Internal Audit Plan and Internal audit budget plan.

- Discussed material audit findings and feedback for rectification and improvement.

- Reviewed and approved the proposed Risk-Based Audit Approach/Methodology for adoption by the Company's Internal Audit Department.

- Reviewed and discussed the impact on AMK's financial statements of the adoption and implementation of new Cambodian International Financial Reporting Standards (CIFRS).

- Discussed and recommended the 2020 Budget to the Board for approval.

RNCG REMUNERATION, NOMINATION, AND CORPORATE GOVERNANCE COMMITTEE

The committee is responsible for overseeing the remuneration of employees of the Company and making sure that they fairly rewarded for their contribution to the Company's performance, also nominated the new Directors, members of the Board's committees, and senior managers. This committee sets the compensation policies for Directors, Committee members, and senior management of the Company. It is entrusting to oversee the induction of new members, prepare briefings to keep the Board up-to-date on developments in corporate governance, update Board members their role and responsibilities related to legal obligations. Regarding corporate governance, the committee is expecting that the Board worked according to best practice, ensured the overall effectiveness, undertook or facilitated periodic self, and peer evaluations of the Board.

In 2019, RNCG held three meetings and provided the following oversights and resulting recommendations to the Board:

- Appointed new Directors and re-appointment of the existing Directors.

- Reviewed and recommended the new salary scales for AMK's staff and management.

- Reviewed and recommended performance incentive and other benefits.

- Reviewed and recommended revised human resource policies.

- Conduct board and board committee self evaluation

- Conduct CEO perform review for 2019

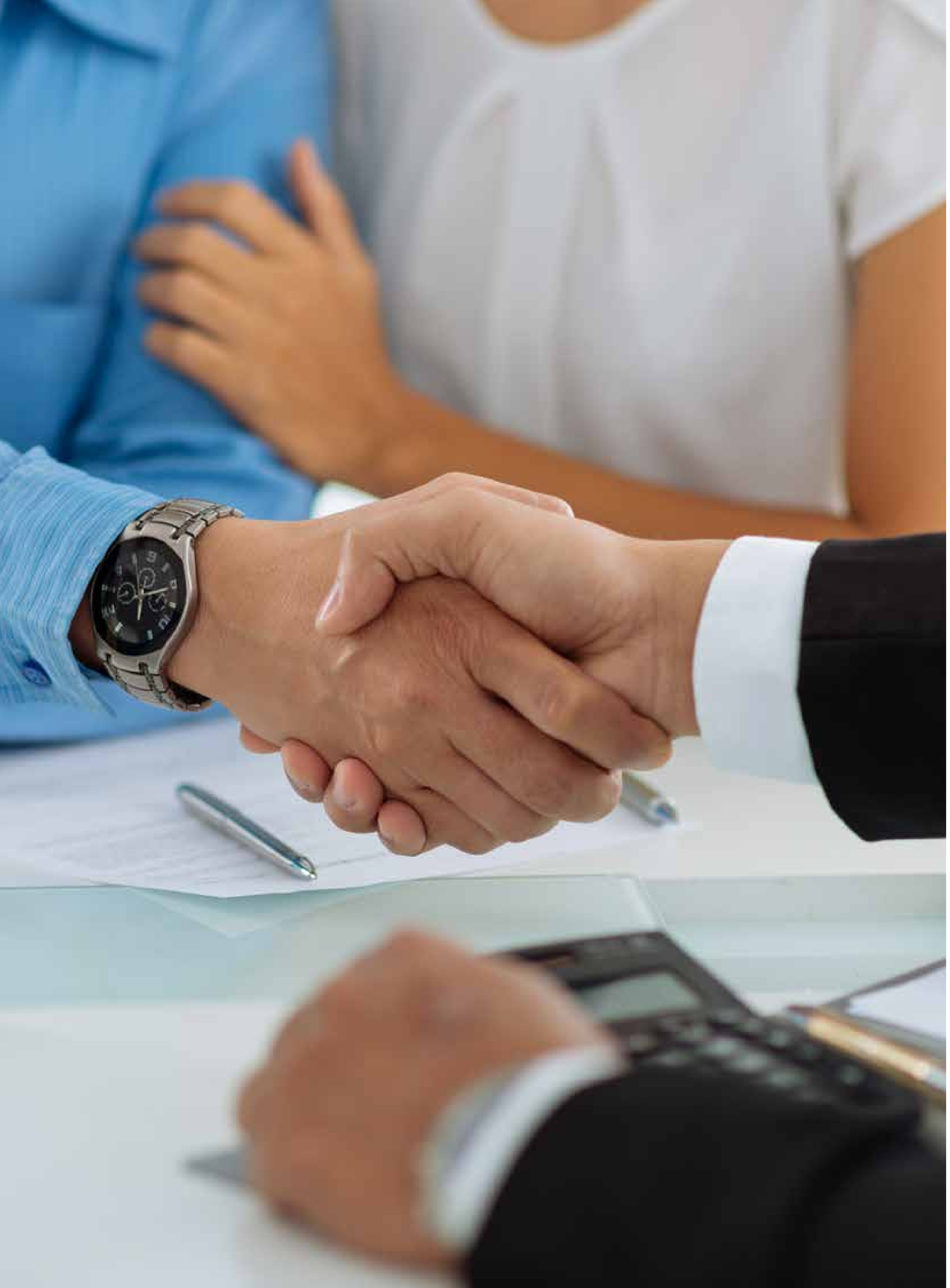
- Reviewed and recommended revised AMK's structure.

SPC SOCIAL PERFORMANCE COMMITTEE

This committee intended to assist the Board of Directors in its oversight of the social value of AMK's work. Its work includes assessing the implications of AMK's business strategy on the achievement of its social mission. The committee is also in charge of advising on the reliability of the analytical and reporting methods and frameworks concerning the main dimensions of social performance (depth of outreach, demand-driven products, client protection, staff responsibility, and contribution to positive change for client households).

In 2019, the SPC held two meetings sessions in which one of them had made through Webinar. The meetings are all about the discussion to grade on AMK's Social Performance Framework on the following items:

- Depth of outreach
- Adequacy of product
- Transparency and client protection
- Responsibility to staff
- Change effect



EXECUTIVE TEAM

KEA BORANN

Chief Executive Officer (CEO)

Borann appointed as Chief Executive Officer of AMK in 2012. He has been with AMK for over 15 years since 2004 in different roles. He has held various leadership posts throughout the development of the organization, including Finance Manager, Chief Financial Officer, and Deputy CEO. Before joining AMK, he worked for another MFI as the Finance Director for over four years. Borann also holds a position as director in different institutions such as the Association of Banks in Cambodia, Cambodia Microfinance Association, and Credit Bureau Cambodia.

Borann holds a BBA in Finance and Accounting. He received ACCA (Association of Chartered Certified Accountants) Accreditation and accepted as an ACCA member in 2008.

HUOT SOKHA

Chief Commercial Business Officer (CCBO)

Sokha joined AMK as Chief Commercial Business Officer in May 2012. He has more than 20-year of experience in an international trading company, microfinance, and banking industry. Previously, he worked for a Singaporean Company (MAYA Group), Amret Microfinance Institution, and CIMB Bank as Sales Manager, Head of Marketing & Communications, and Head of Product Development, respectively. Sokha also worked as a consultant and researcher for some projects on microfinance product development and savings mobilization in Cambodian rural areas for Asian Development Bank, and a microfinance project managed by GRET/CEDAC.

Sokha holds a Bachelor's Degree in Management and Marketing at MVU University in 1997 and graduated with an MBA from the Charles Stuart University of Australia in 2004. He also obtained a Postgraduate Study on Finance Development Program at NAROPA University, USA.

SUON PISEY

Chief Retail Business Officer (CRBO)

Pisey joined AMK in 2009 as Regional Manager, and he promoted to Head of Credit department in 2012. In 2017, he promoted to Chief Retail Business Officer, where he oversaw AMK's retail business operation, including credit operation, deposit, money transfer service, and micro-insurance business.

Pisey has over 15 years of experience in the microfinance sector with solid skills in business operation, audit, product development, and branch management. He has attended several training courses related to microfinance, both local and international programs.

He holds both Bachelor's and Master's degree in business management from a local university.

SOK KOSAL

Chief Information Officer (CIO)

Kosal joined AMK in April 2015 as Chief Information Officer. He has more than 15 years of experience in an IT career, moving from IT support level to a senior IT manager in many multinational companies. This had been a long journey where lots of challenges and changes have happened and have adapted successfully.

Kosal holds a Master's Degree in IT Management from INNOTECH-CBAM.

TAING HAVDY

Chief Financial Officer (CFO)

Havdy joined AMK as Chief Financial Officer in early 2018. He has over 14 years of professional experience within the microfinance and banking industry and various other sectors. He started his career at PriceWaterhouseCoopers (PwC), where he specialized in the financial services sector, working on financial assurance services, processes improvement, system process assurance, and internal audit within microfinance and banking organizations both in Cambodia and overseas. He also held various positions, including Deputy Head of Internal Audit, Division Internal Audit Manager, and other management roles.

He is a certified public accountant and a member of the Association of Chartered Certified Accountants (ACCA), UK. He also gained a Certified Accounting Technician certification from ACCA and held a Bachelor's Degree in Accounting.

PEAING PISAK

Head of Human Resource Department

Pisak appointed as Head of the Human Resource Department in 2013. She first joined AMK as Training Manager in 2011 and promoted to Head of Training Department in 2012. Pisak has over 20 years of experience in many different sectors, including private companies, microfinance institutions, international, and local NGOs in charge of Training and Human Resources Management. Currently, Pisak is also a member of the Board of Directors of AMK Staff Association(AMK-SA) and Chairwoman of HR CLUB of Cambodia Microfinance Association (CMA).

Pisak holds a Bachelor's Degree in Marketing and a Master's Degree in Management from the National University of Management (NUM).

CHEA ROATTANA

Head of Channel and Operations Department

Before serving as Head of Channel and Operations, Roattana joined AMK as Mobile Banking Manager in 2010. He also had various experiences with MNO and FMCG industry.

Roattana holds an MBA in International Business from IAE-Lyon Business School, Jean Moulin Lyon III University, France.

LONG CHANTHA

Head of Treasury Department

Chantha has more than ten years of experience in the Microfinance sector and a couple of years in regulatory authority. She has also held different positions within AMK. She first joined AMK in 2005 in the internal audit department for a few years. She moved to the Treasury Department, where her primary roles are to oversee the fundraising activity and manage the currency mismatch of AMK's banking book.

Before joining AMK, she worked for the National Bank of Cambodia in the Banking Supervision Department for three years. She holds a Bachelor's Degree in Accounting from the National University of Management.

HEAK THAVUTH

Head of Internal Audit Department

Thavuth joined AMK as an Internal Audit Officer in 2006 and promoted to Inspection Team Leader in 2008. He then promoted to Head of Internal Audit in 2012.

Thavuth holds a Bachelor's Degree in Finance and Accounting from the National University of Management and a Master's Degree in Accounting from the Vanda Accounting Institute.

Uk Kosal

Head of Legal & Compliance Department

Kosal joined AMK as Head of Legal and Compliance in April 2018. Prior to joining AMK, Kosal spent around eight years working for a microfinance institution, microfinance deposit-taking institution, specialized bank, and commercial bank.

Having earned through his work as a Senior Legal Officer and Company Secretary, Legal and Compliance Manager, and Senior Legal Manager, Kosal's professional experience includes management of the Company's legal affairs, corporate secretarial tasks, and compliance matters.

Kosal holds a Master of International Commercial Laws from Transnational Laws and Business University, South Korea. Kosal also holds a Bachelor of Laws from Royal University of Law and Economics and a Bachelor of English Literature from Phnom Penh International University.

Pen Vanndarong

Head of Risk Department

Vanndarong joined AMK as Head of Risk in August 2018. Having spanned across the industry, he brings along a wealth of experience in credit analysis & underwriting, deal structuring, credit scoring, portfolio management, and credit risk management. Prior to his current role, he used to work in a range of positions, including senior management, at various commercial banks and microfinance institutions in Cambodia.

Vanndarong graduated Master's Degree in International Business Economics from Oxford Brookes University (sponsored by British Chevening Scholarship) and a Bachelor of Business Management from the University of Cambodia.

MANAGEMENT TEAM

ROEUNG VIRINY

Head of Finance Department

Viriny joined AMK as an Accountant and Administrator in 2003 when AMK founded. She was promoted to Accounting Manager in 2008 and then to Head of Finance Department in 2010. Previously, she was an accountant for a private company. With her experience and qualification, she brings value to AMK by managing the Finance Department to ensure the high quality of accounting information in fulfilling AMK's requirements.

Viriny holds a BBA in Finance and Banking from the Royal University of Law and Economics (RULES) and the ACCA affiliate in 2015 from The Association of Chartered Certified Accountants (ACCA) from the UK, and she was also a member of KICPAA in 2017.

PREM CHANDRABOTH

Head of Management Information System Department

Chandraboth joined AMK in 2004 as an information Technology Officer working to develop research applications. He was promoted to Senior Technology Engineer in 2007 and became Technology Development Manager in 2008. In 2011, He promoted to Head of Management Information System Department.

Chandraboth holds a Bachelor's Degree in Management Information System, a Bachelor's Degree in English Education, and a Master's Degree in Information Technology from Sikkim Manipal University in India.

MUT CHAKRIYA

Head of Contact Center Department

Chakriya joined AMK in 2011 as Mobile Banking Operations Coordinator. She promoted to Contact Center Manager in 2013 and Head of Contact Center in 2015. Before joining AMK, she worked as an assistant Group IT Manager at a group of a garment factory for more than seven years.

Chakriya holds an Associate Degree in Accounting from the National Institute of Business, a Bachelor's Degree in Computer Science from the Royal University of Phnom Penh, and MSIT from the Norton University of Cambodia.

HEAN MENGHONG

Head of Commercial Business Department

Menghong joined AMK as Saving Manager in 2012. Before joining AMK, he had six years of experience in various companies and organizations, where he worked as a customer relationship officer, Micro-insurance Urban Market Manager, and Micro-insurance Business Specialist. He promoted to Head of Deposit and Services in January 2015, and in April 2018, he became Head of Commercial Business.

Menghong holds a Bachelor of Development Economics and a Masters of Business Administration from Norton University.

ANG LEAPHENG

Head of Core Banking System Department

Leapheng joined AMK in 2011 as a Senior Business System Analyst. He had over ten years of experience in the microfinance sector. Before joining AMK, he held various positions at other MFIs, including Teller, General Trainer, and Training Manager. He has attended several training courses related to microfinance. He promoted to Head of Core Banking System in 2015.

Leapheng holds both a Bachelor's and a Master's Degree in Banking and Finance from Build Bright University.

CHEANG VANNA

Head of Training Department

Vanna joined AMK in 2013 as a Training Manager. He has over 16 years of experience in the microfinance sector. Before joining AMK, he held various positions at other MFIs, including Credit Officer, Quality Assurance Officer, Provincial Branch Manager, Trainer, and Training & Development Manager. Vanna has attended several training courses related to microfinance both locally and overseas. He promoted to Head of Training in 2015.

Vanna holds both a Bachelor's Degree in Economics Development and a Master's Degree in General Management from the Royal University of Law and Economics.

REAM KERITHEA

Head of IT Infrastructure Department

Mr. Ream Kerithea joined AMK as Head of IT Infrastructure in 2017. Before joining AMK, Rithea worked for various positions at other Bank, Telecom, System Integration, and Media companies as Business Intelligence Engineer, Business Application Support Engineer, Senior Server Engineer, Senior Network Engineer, IT Deputy Manager, Server, and Network Supervisor, Acting IT Project Manager among others. He has ten years of experience with national and multinational companies. Rithea has attended several training courses related to IT infrastructure both locally and internationally.

Rithea holds a Bachelor's Degree in Management Information System from SETEC Institute.

LONG CHAMNAN

Head of Retail Credit Department

Chamnan joined AMK as a Credit Officer in 2006, and a year later, he promoted to Area Manager. With a successful career path and personal development, Chamnan appointed to Branch Manager in 2009 and Regional Manager in 2014. Following his upright success, he was promoted to Deputy Head of Credit in 2016 and designated as Head of Retail Credit Department in early 2018.

Chamnan holds a Bachelor's Degree in Rural Development from Prek Leap National School of Agriculture and a Master's Degree in Banking and Finance from the National University of Management.

TUM CHANDET

Head of Commercial Business Department

Chandet has joined AMK since 2016 as Deputy Head of Credit, who responsible for Small and Medium Enterprise Loan (SME). He has over ten years of financial experience within Microfinance Institution in Cambodia, in various positions as Credit Officer, Sub and Branch Manager, and Credit Control Manager. Throughout his successful career path, he appointed as Head of Commercial Business in early 2018.

Chandet holds the Bachelor's and Master's Degree in Finance and Banking from Build Bright University in Phnom Penh.

PUM SOPHY

Head of Product Development Department

Sophy possesses over ten years of experience in the microfinance sector focused on research, marketing, and product development. She served as the Head of Research from 2012-2016 to ensure the high quality of the market and social research to implement and fulfill AMK's short and long-term strategy.

She became Head of Product Development in mid-2016, within the current role, she oversees the overall management of Product Development and ensures that AMK is in the forefront of Cambodian microfinance market in terms of diversifying product offerings to meet customers' needs.

Sophy holds a Bachelor's Degree in Agricultural Science from the Royal University of Agriculture, Cambodia, and a Master's Degree in Rural Development Management from Khon Kean University, Thailand.

SORINCHAN SUZANA

Head of Marketing & Communications Department

Suzana joined AMK as Head of Marketing and Communications in June 2018. She has extensive experience, management skills, and works in the field of integrated marketing communications, public relations, media outreach, and social behavior change communication.

Suzana holds a Master of Communication from Victoria University, Australia, a Postgraduate Diploma in Business from EFI/CSU, and a Bachelor's Degree in Marketing from the National University of Management.

PRAV SOKMEI

Head of Leasing Department

Sokmei joined AMK as Head of Leasing Business in June 2018. Before joining AMK, he held various positions at MFIs, such as Head of Business Development responsible for leading and managing Product Development and Sales and Marketing at Mega Leasing Plc. He also used to work as a Research and Business Development Officer at VisionFund Cambodia. What is essential, Sokmei used to work with AMK as a Market Research Analyst and then Market Research Manager from 2012 to 2015.

Sokmei graduated Bachelor's Degree in Finance and Banking from Cambodian Mekong University (CMU) and a Bachelor of Education in English from the Institute of Foreign Languages (IFL).

MANAGEMENT COMMITTEES

AMK set up various committees at the management level to handle and manage multiple aspects of the Company operates according to the nature of its business and risk that AMK takes. Those committees are:

EXECUTIVE COMMITTEE (EXCO)

EXCO (chaired by the CEO and meets monthly) is responsible for ensuring that AMK operates efficiently. It oversees a wide range of topics, including strategy and execution, performance management, policy development, and any other types of risk that emerge during AMK's strategy execution include reputational risk.

MANAGEMENT RISK COMMITTEE (MRC)

MRC's role is to monitor the implementation of the Company's overall enterprise risk management. This includes operational risk, compliance management, and AML/CFT (anti-money laundering and combating terrorism) related policies and procedures.

MANAGEMENT ASSET AND LIABILITY COMMITTEE (MANAGEMENT ALCO)

Management ALCO's primary responsibility is to manage all on and off-balance sheet positions and overall financial health of AMK. The committee ensures that interest rate, maturity, currency, liquidity, and other financial risks inherent in the mismatches between the institution's assets and liabilities are adequately reported, analyzed, and managed. This allows for the continued and sustainable growth of AMK while managing associated risks.

CREDIT RISK COMMITTEE (CRC)

CRC is responsible for the monitoring and implementation of sound credit risk management in lending practices, including compliance with credit policies, sound lending practices, and the control of portfolio quality. The committee is responsible for setting portfolio exposure limits (via client portfolios, sector, or product) analyzing delinquency trends and reasons and taking remedial actions if needed.

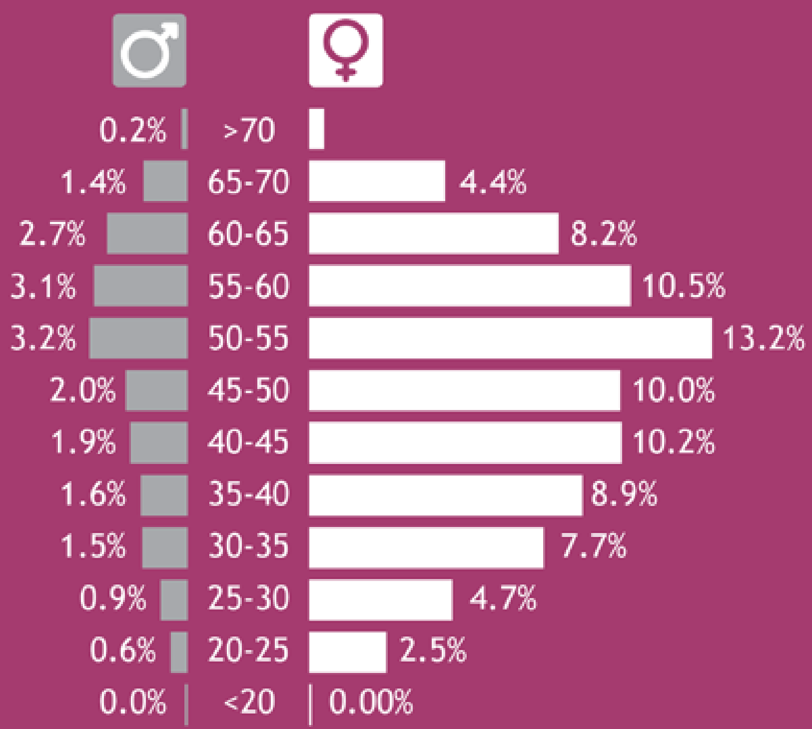
IT COMMITTEE (ITC)

ITC is responsible for providing strategic guidance for managing overall technology systems and IT risks within AMK. The investment in IT for both the short and long term must be in line with AMK's business strategy and account for the institution's increasing sophistication. The priority of system development and investment must meet the overall preferences of AMK's business and user requirements to ensure data reliability and safety.

AMK'S CLIENTS

As of December 31, 2019, AMK has 398,465 active loan accounts, and 81% are female borrowers. The average loan size is around 1,800 USD per loan for Individual Loan (ID), and about 700 USD per person for those who borrow through a group loan. Clients are loyal to AMK; on average, they stay with AMK more than three loan cycles. They are all from various age groups between 18 to 70 years old, yet the majority are among the middle age groups between 30 to 50 years old.

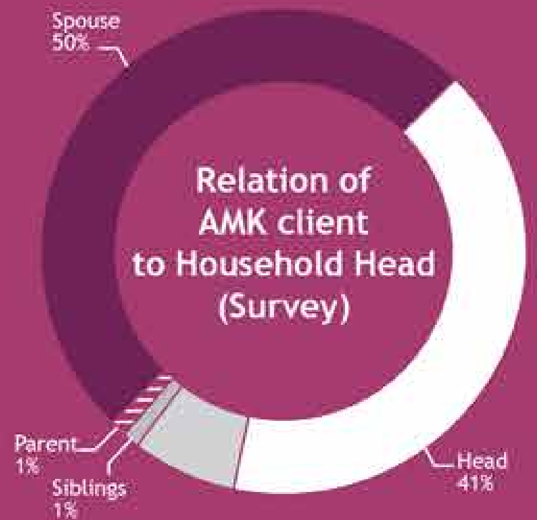
AMK Client's Age Distribution 2019 (MIS)

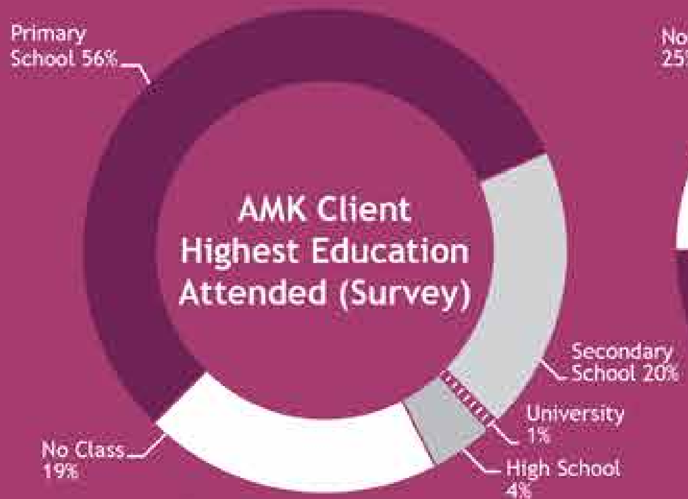


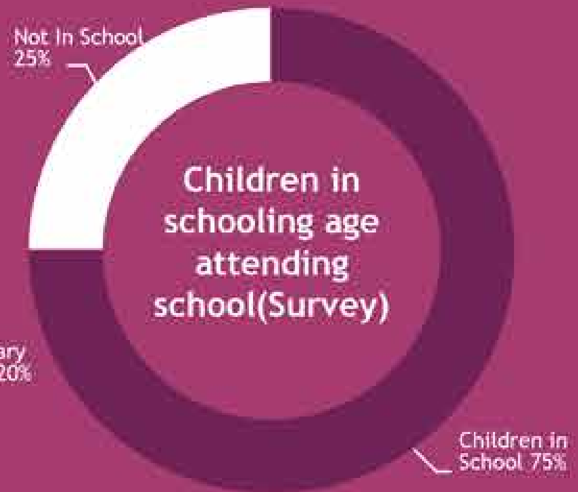
Source: List of loan 31 Dec 2019

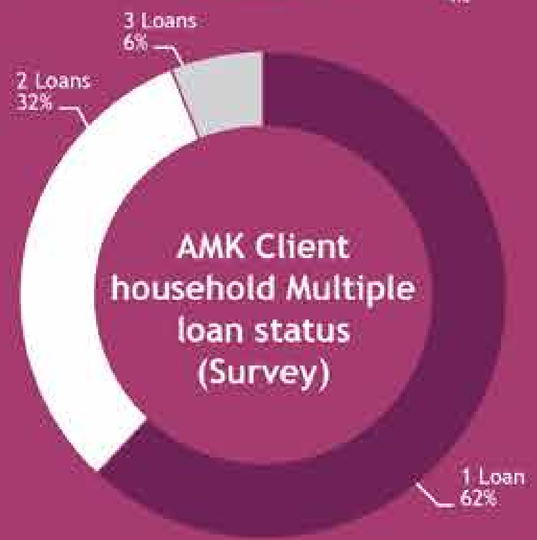
RURAL	URBAN
Proportion of client: 94%	Proportion of client: 6%
ID: 24% Vs VB: 76%	
Average loan cycle: 3	Average loan cycle: 3
Average age: 42 years old	Average age: 40 years old

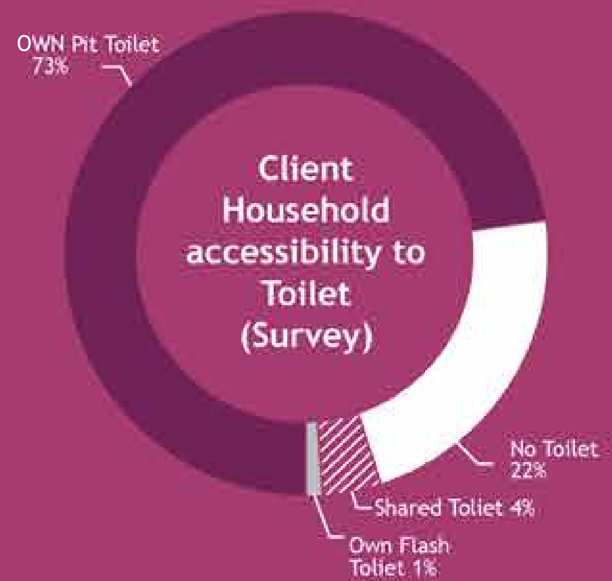
Even though most AMK borrowers reside in rural areas, the majority of them (81%) can read and write simple Khmer language (the majority of them had at least attended primary school). Moreover, almost all (98%) of them are active income earners (at least in the past six months of 2019). On average, there are five members in their household, of which 2 are children under 18 years old. Some new figures can also found below:







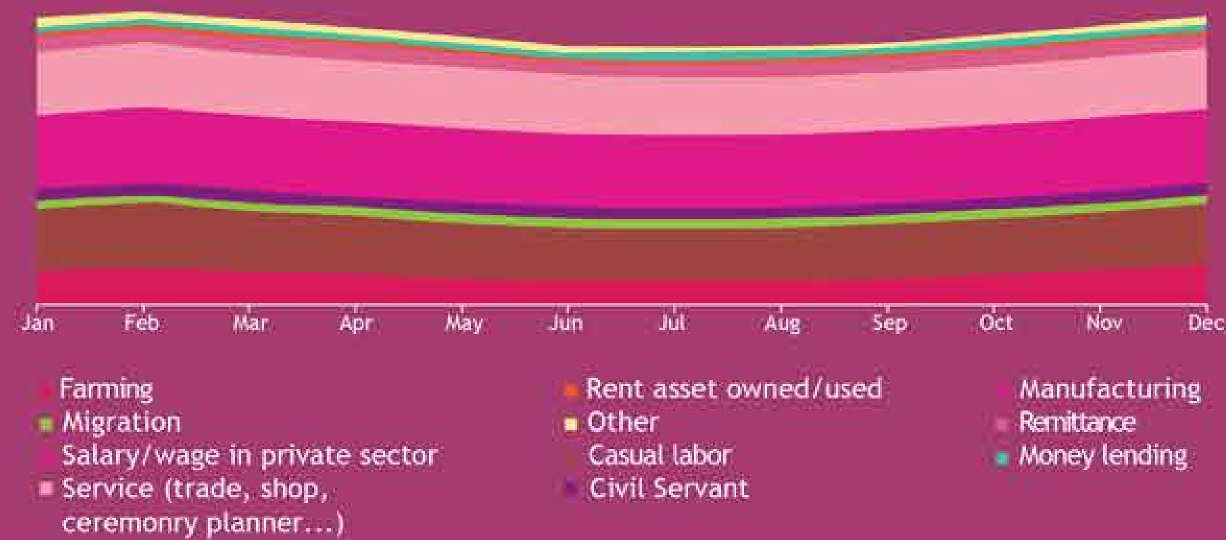




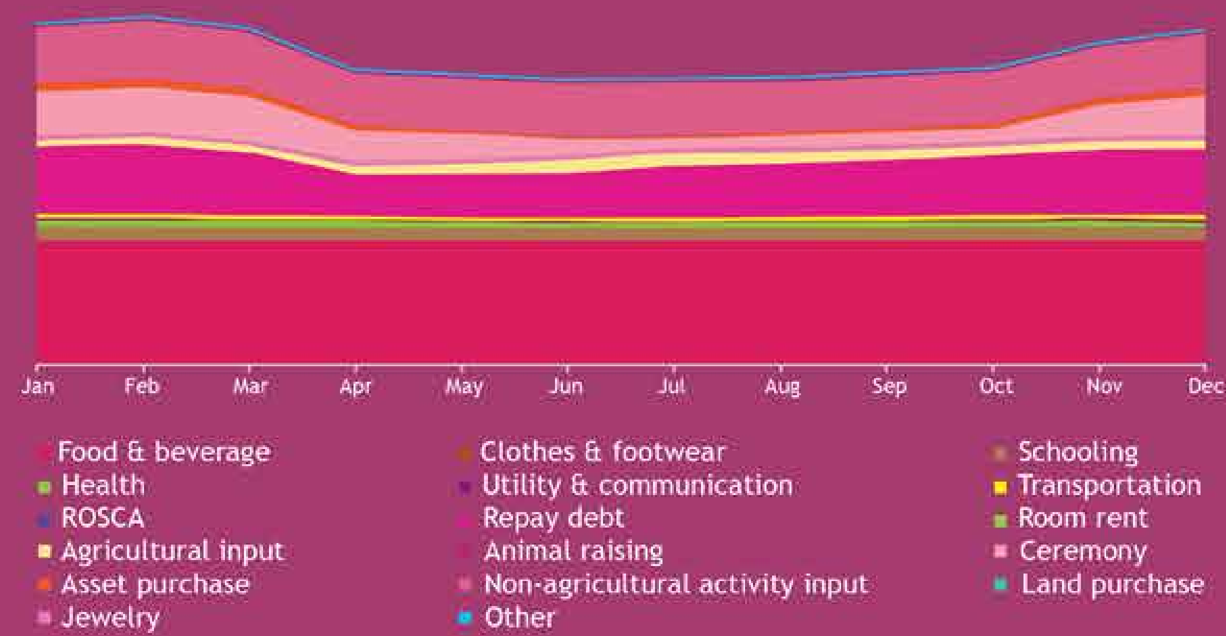
Figures below illustrate various income sources and expenditures of AMK clients over the past 12 months of 2019. On cash inflow, many of AMK clients tend to depend very much on non-farm income sources. As such, casual labor, salary/wage, and service (petty trade, etc.) are their three primary sources of income, and these are quite stable over the year. Farming is their fourth source of income, yet it is seasonal only. It picks up around October to February and drops from March of the year.

On outflow, the majority of borrowers' outflow goes to household consumption, mainly food, followed by loan repayment. Besides, capital investment in non-agricultural business activities was also noticeable. Like many others in Cambodia, cash outflow with regards to social events of AMK borrowers (e.g., contribution to the ceremonies) was also remarkable, especially during the first half of the year and toward the end of the year, a period of traditional ceremonies and wedding season.

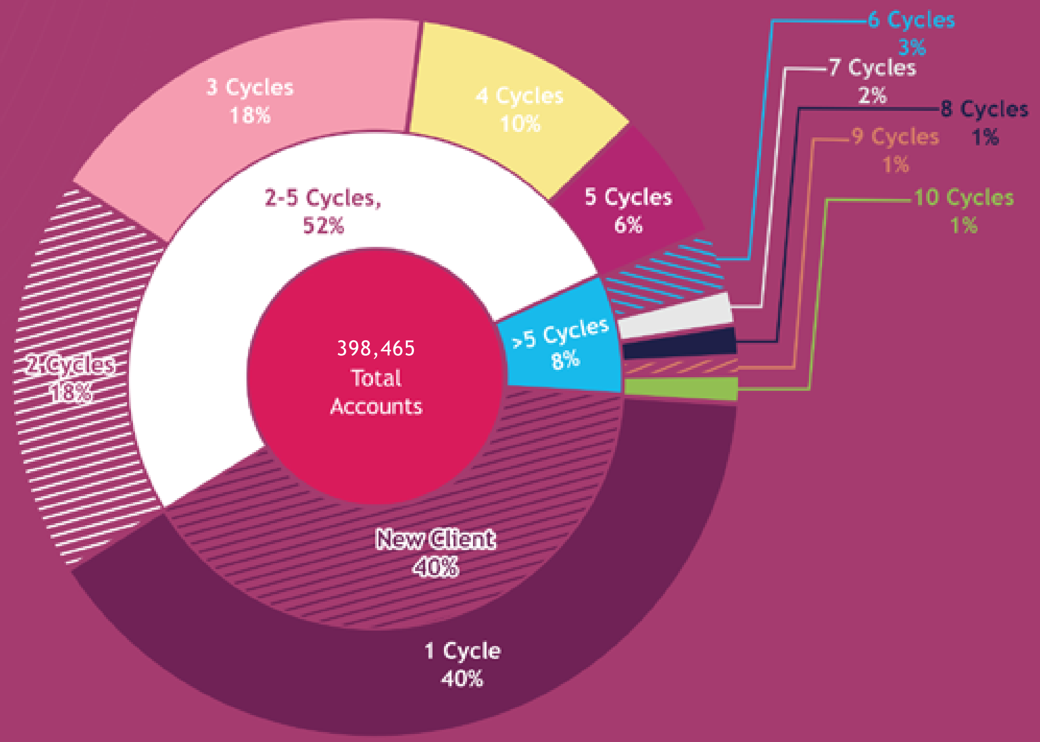
Panel A - Cash in flow of AMK clients (Survey)



Panel B - Cash outflow of AMK clients (Survey)

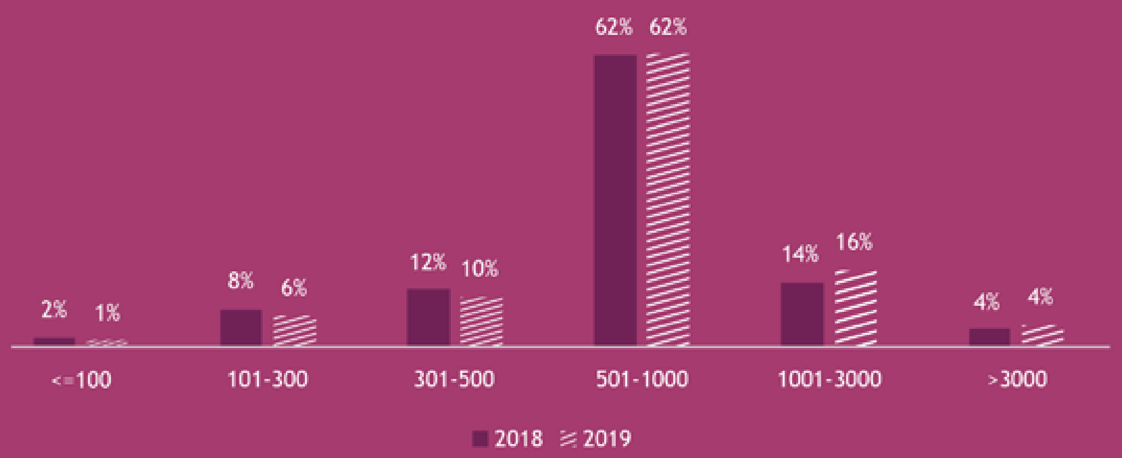


AMK Client by Loan Cycle



In 2019, 80% of the disbursed loan was less than or equal to USD 1,000 per borrower. This testifies that AMK is still committed to its vision and mission despite the fact that the operation in lending small loan size needs a high level of work efficiency and high operation cost. Furthermore, AMK could still manage to lend microloan even though the financial institutions as a whole have to challenge in refining its policies and procedures in response to the circulation restricting the annual interest rate charge issued by the National Bank of Cambodia (NBC).

AMK Loan Size 2018 vs 2019 (MIS)



CASE STUDY: AMK'S SAVING CLIENT

Mr. Pork Thai

Kampong Thmar District, Kompong Thom province, cambodia

BEHAVIOR CHANGE IN SAVINGS PRACTICES

Financial products and services such as loans, micro-insurance, savings, money transfer, bill payment, payroll, and more have been made available by AMK to address client needs. Savings, although the penetration remains somewhat low compared to loans, there has been a positive trend over the past years. The number of people who switch from traditional savings to save with formal financial institutions has seen increased, although the incremental rate is not quite significant. The change in savings behavior can be descriptively explained, through the case of Mr. Pork Thai. There are many other cases similar to his.

Mr. Pork Thai is a 56 years old local vet and farmer in Kompong Thom Province. He is married with five children, and among the four of them are married. Currently, Thai lives with his wife and his youngest daughter. His primary source of income is from his job as a Vet and rice farming (1.6 Ha of rice field). He earns approximately 370 USD per month from vet business and about 100 USD per month from selling paddy rice.

Currently, Thai saves with AMK. He has been saving with AMK for around four years. A credit officer from AMK introduced him to AMK products/services in 2016. He was interested in savings products, but he was not ready to save at that time. After he spent some time learning about saving with AMK, he decided to put his very first savings with AMK in that same year. He started his first savings through Future Account Deposit. It is a fix-term-deposit account that allows clients to deposit their savings every month, and they can withdraw their money with interest earned by the end of the term. Usually, Thai deposited regularly between 50,000 - 100,000 riels. After three years, in 2018, he withdrew his money to buy cattle and renovate his home. Seeing the benefit that he received through savings with AMK, he started his second term saving in 2019. “Unlike keeping money at home, saving with AMK, I feel safe. More importantly, I earn some interest from my savings. Now, I continue my second term.” - said Mr. Pork Thai.

Like many others in his village, Thai used to practice traditional saving before saving with AMK. Before 2014, he usually put his savings in Tong Tin, gold, invest in livestock, etc. He also knew that these traditional methods are risky, yet there was no other better option for him due to a lack of information and knowledge about formal saving. Frequently hearing about the cheated cases regarding Ton Tin and the benefit of saving with the formal institution are the key triggers that shift Thai’s saving practice. Nevertheless, he used his first term of saving with AMK as a test to see the benefit of engaging with the formal institution.

Thai also encouraged his relatives to save with AMK, but many are still reluctant. It is widely acceptable to say that getting people to save with formal institutions is not a simple job in the current context of Cambodia because it involves changing their behaviors. The issues like the perception of not having enough to save, do not see the benefit of keeping with the formal institution, and lack of trust are among the key barriers. For instance, it took Thai a long time to start saving with a legal institution like AMK.

CASE STUDY: AMK'S LOAN CLIENT

Mrs. Heang Saranh
47 years old, Siem Reap Province

AMK IS NOT JUST A FORMAL FINANCIAL PROVIDER BUT A TRUSTED BUSINESS PARTNER!

Making a positive impact on the lives of Cambodians is at the heart of AMK's operation as part of financial return for investors. With this in mind, AMK focuses heavily on giving out loans that can help improve its clients' businesses, livelihood, and their local economic ecosystem. Thus, a wide variety of products are made available to the poor, non-poor, businesses, and individuals. For instance, Mrs. Heang Saranh is one of many clients who experience positive changes in her businesses and livelihood due mainly to loans from AMK. Saranh has chosen AMK as her exclusive financial service provider.

"I started with a 30,000 riels' loan as part of a Group Loan from AMK, to invest in my micro business. Now, I take up to 15,000 USD Individual Loan to expand my business. AMK helped me when I was in a deplorable condition, that's why I only loyal and used AMK as my business partner." – said Mrs. Saranh, a 47 years old local micro trader and a farmer in Sonikum district, Siem Reap province. Currently, Saranh lives with her husband and kids in a small traditional raised house.

Saranh's story is not unique, but it reflects the story of thousands of AMK loan clients. Loans from AMK allowed Saranh to start, expand, and succeed in her business. Today, she is a very successful micro-business owner – mainly trading fermented-fish and running transportation business with her husband. All of these began with AMK loans.

Back in 2008, Saranh was just a micro village trader who sells cooking utensils for others. She made approximately 10,000 - 20,000 riels in sale commission per day. Her husband was a chef, who only earned a seasonal income of around 60,000 riels per month. At that time, supporting a family of five was a real challenge for both of them.

As a village trader, Saranh knew well about the business opportunities in her community. She wanted to stop selling utensils and started trading fermented fish.

However, investment capital was a significant barrier for her. Fortunately, in 2008, staff from AMK introduced Saranh to AMK's product. Yet, she was reluctant to take a loan from AMK with a thought that she might not able to repay the loan. After some time, she decided to consult with AMK's Village Bank President (VBP) for more information. Then, she decided to take her very first loan amount 30,000 riels (Group Loan without collateral) to start her fermented fish trading business.

With all her hard work and careful utilization of loans, she was successful and able to repay on time. With this pleasant experience, Saranh then took another loan – 50,000 riels to expand her business. Later, she took 100,000 riels and 500,000 riels, respectively, to put into her business. After nine loan cycles with AMK, in 2017, she took a much more significant step by taking a loan size up to 8,000 USD to buy a small truck for her husband to start a dirt transportation business. Given the success of this new business, she then sold that small truck in 2018 and paid off her loan to AMK. Then, she took another loan in 2019 for the amount of 15,000 USD to buy a bigger vehicle. "If this truck earns us a good income, we will buy one more in the future. We will need AMK again." – said Saranh.

For Saranh, AMK is not just a regular credit provider, but a right business partner. AMK loan has not only allowed her to succeed in her business but also improve her livelihood. Saranh's success also comes from her financial knowledge. She knows clearly about how to control her financial situation and how to better utilize loan from one stage to another. So far, she invested most of her money in her business rather than in household consumptions. She believes that as long as her businesses keep growing, she will have more money to keep improving her livelihood. So far, she has spared some portions of her profit to improve her house, building a new toilet, buying new motorbikes, etc. "I will build a new house in the next few years. For now, I want to keep pushing my business to go as far as I can." – said Saranh.

SOCIAL PERFORMANCE MANAGEMENT FRAMEWORK

SOCIAL PERFORMANCE MANAGEMENT

AMK is committed to balancing financial and social work by trying to transform its mission into practice accompanying with social value and overall acknowledgment. Social Performance Management is the process of transforming the mission of a microfinance institution to real practices. This means that AMK has indicated its hard work in creating social goals, designing monitoring mechanism toward those goals and the making use of information that acquired in order to strengthen Institution performance. AMK social aim is established through combining AMK's mission and guideline principle which produces five strong pillars such as Depth of outreach, Adequacy of products, Transparency and client protection, Responsibility to staff and Changes effect.

SOCIAL PERFORMANCE MANAGEMENT FRAMEWORK

To achieve the balance between financial purpose and social purpose, AMK has established Social Road Map as well as created specific and robust mechanisms to monitor and evaluate AMK's social performance by Social Performance Committee (SPC) through social performance management tool called Social Performance Management (SPM) Framework.

This Social Performance Management Framework is mainly divided into two parts, one for management level and one for Board level, and it will be filled in by SPC committee to send to Board of Director enclosing with the summarized reports of the SPC meeting.

1. AT MANAGEMENT LEVEL:

AMK's Research department leads and monitors the implementation of SPM within AMK. The department conducts social and market research to understand the issues facing AMK's clients and staff. Research works in cooperation with various other departments within AMK in order to ensure that effective social performance standards and controls are in place and are being successfully executed.

2. AT BOARD LEVEL:

Research results are reported to management and the Social Performance Committee. The SPC then advises the Board of Directors on the results and discusses implications for business strategy. The purpose of doing this is to give the Board a balanced view of AMK's overall institutional performance so that governance decisions are appropriately aligned with the institution's dual social and financial objectives.

The SPM framework reflects about the structures of reports from audit committee by practicing evaluation system through traffic light colors "Red-Yellow-Green" in which the Red means that there is are problems and the Green means that everything is better, while the Yellow means that immediate action should be taken. At first, the SPC committee evaluates whether all those necessary information has been given by RSD or not. Is it accurate? Are those results aligned with AMK's mission? Then, the descriptions of any issues highlighted in Yellow or Red are elaborated by SPC in the row "Issues to Report." The Board of Directors can make use of this framework for AMK strategic development.

The Social Performance Management Framework is reported to the Board of Directors by the Chairman of the SPC committee and the minute documentation during SPC meeting is taken in as well.

PERIOD EVALUATED: 1ST JAN TO 30TH SEP 2019	REGULAR MONITORING				
INFORMATION PRESENTED: NOVEMBER 2019	**DEPTH OF OUTREACH**	**ADEQUACY OF PRODUCTS**	**TRANSPARENCY & CLIENT PROTECTION**	**RESPONSIBILITY TO STAFF**	**CHANGE EFFECT**
SOURCES OF INFORMATION	- Depth of Outreach of Loan Client report - Client profile report	- Loan satisfaction - MI satisfaction - Exit client - Rejected client - Service quality measurement - Saving satisfaction	- Multiple loan - Loan use - Borrower awareness - MI client awareness - Saving Awareness report - Client grievance - CPP 2.0	- Staff Exit report - Staff Satisfaction report	- Change study Report Finalization
INDICATORS	- ID Poor - PPI	- Range of Services - Quality of Services - Accessibility of Services - Reasons for Having multiple product - Satisfaction on the services - Desertion rate - Rejection rate - Reason of Exit	- Multiple Loan Ratio - Loan Usage by Client - Awareness Score over products and services - Number of Tracking Issues - Percentage of refinance in AMK and industry	- Staff Turnover and Explanations on Reasons for resignation - Satisfaction Score by gender, position, branch. - Reason why staff considering to resign from AMK	- Livelihood and well-being score - Change on food consumption (food poverty line) - Change on other social indicators - Propensity score matching and Different in different methodology

	YEAR OF ASSESSMENT: 2018 SOCIAL PERFORMANCE ASSESSMENT - SUMMARY	DEPTH OF OUTREACH	ADEQUACY OF PRODUCTS	TRANSPARENCY & CLIENT PROTECTION	RESPONSIBILITY TO STAFF	CHANGE EFFECT
Methodology, Process and Reports / Sources of Info	Are you satisfied with the accuracy of the methodology and process applied?					
	Is this result/finding in line with the mission?					
	Based on these findings, are there foreseeable issues in the future?					
	Is data or Information Missing:					
Issues to report	Issues to Report					
Any Other	Other:.........................					

This Social Performance Reporting Framework is an integral part of SPC meeting minutes.

KEY SOCIAL PERFORMANCE FINDINGS

To measure its social mission, AMK conducted several social surveys and researches throughout the year, and the key findings illustrated in the Social Performance Framework Report. The report was discussed by the Social Performance Committee (SPC) and presented to the Board of Directors. This report analyzes the following four dimensions: Depth of Outreach, Adequacy of Products, Transparency and Client Protection, and Responsibility to Staff. The results of each aspect are shown using a Traffic-Light method (Red, Yellow, and Green) in which Red is signaling urgent action, Yellow representing which item needs further action, and Green indicating low urgency.

Depth of Outreach

The analysis conducted by the Research Department, to assess the poverty outreach, helps AMK to have greater insight about clients' characteristics, and it provides evidence whether the institution is targeting poor households as permission statements. AMK uses two primary methods to measure the poverty level of its clients, and those two tools are as follows:

IDPoor[1] (Identification of Poor Household Programs), a program developed by the Ministry of Planning (MOP), allows AMK to access information on household poverty levels across most regions in the country.

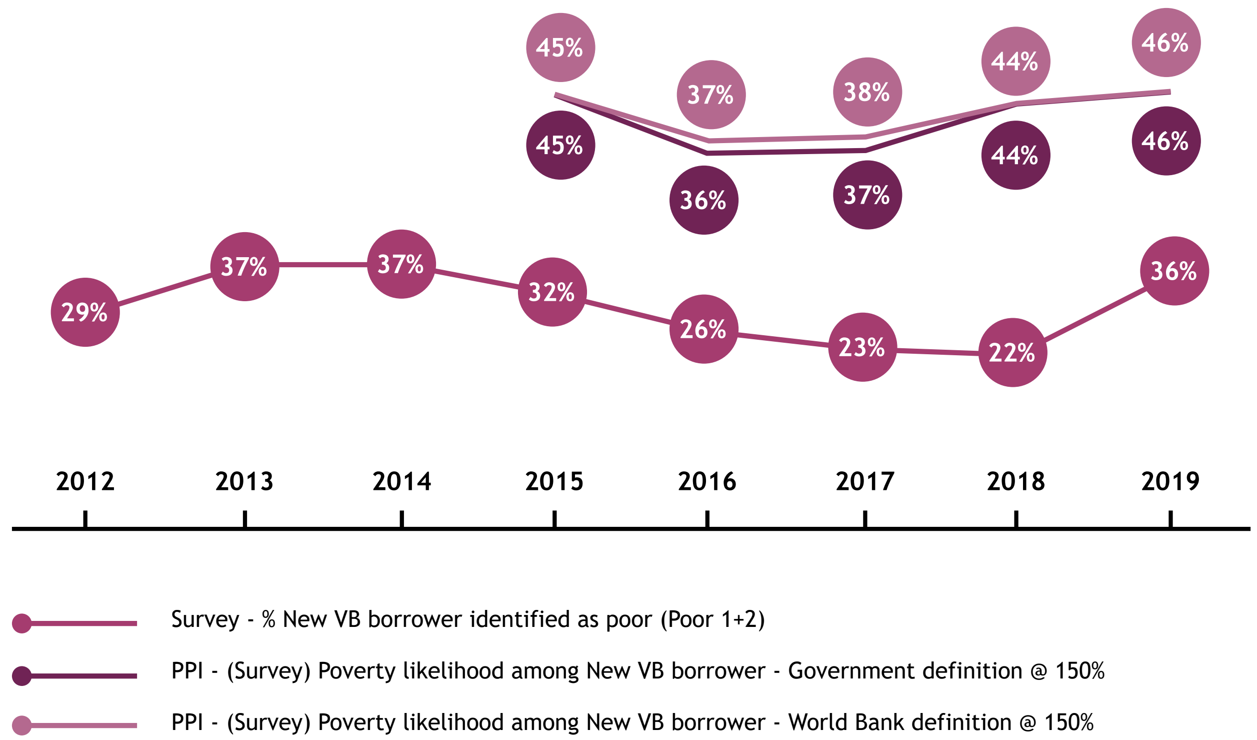
Poverty Probability Index (PPI)[2] is used to capture clients' poverty likelihood, and it helps measure the impacts of AMKs' products and services on clients' poverty levels throughout time.

The analysis of poverty outreach using the Cash Flow Project Dataset 2019 conducted to gauge the poverty outreach level. The analysis using ID Poor as an indicator to measure poverty indicated that the reach of credit products to the poor amongst new group loan (VB) clients, is at 36%. This dataset is also used to assess the poverty outreach employing PPI Government Definition at 150%, and PPI World Bank Definition at 150%. The result shows that AMK reached a poor group of around 46% and 46%, respectively. Although the percentage of the two tools is different (ID-Poor vs. PPI), the figures remain high, and they still prove that AMK is still on track committing to its social mission in serving the poor despite the effect of the regulation change to the financial sector as a whole.

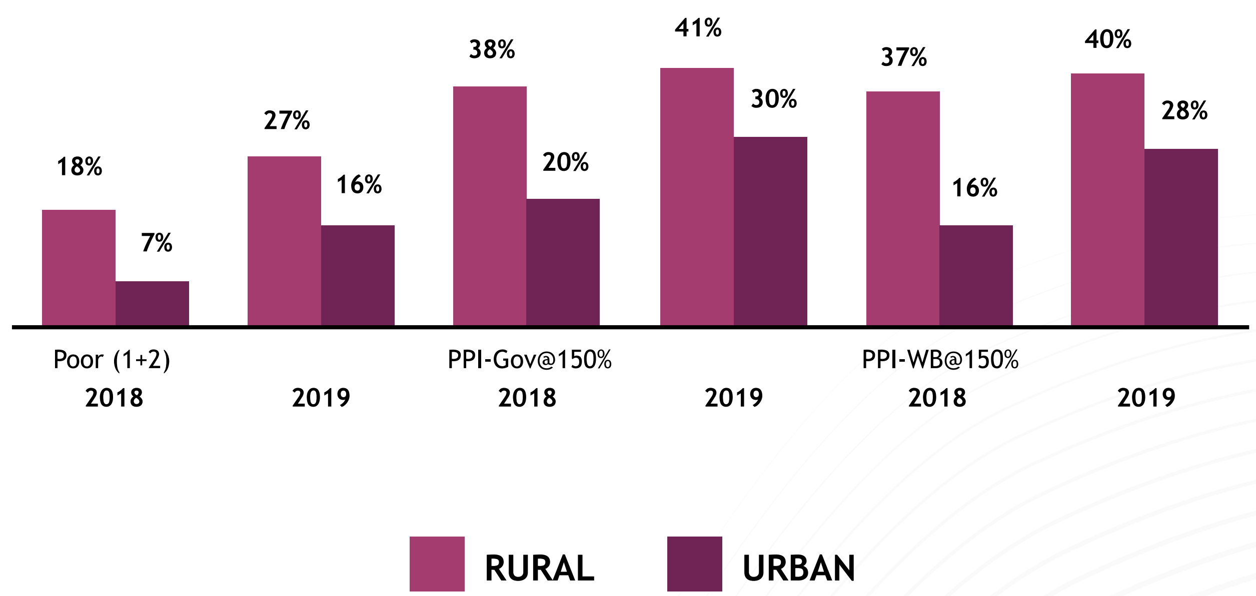
[1] The IDPoor Program, established in 2006 within the Ministry of Planning, is part of the Royal Government of Cambodia's ongoing efforts to reduce poverty and support socio-economic development throughout the country. The Program provides regularly updated information on poor households to a large number of Government and non-governmental agencies to help them target services and assistance to the poorest and most vulnerable households. The IDPoor Program's main objectives are to reduce duplication of effort and resources by different institutions and organizations to identify their target groups for various poverty reduction interventions and to ensure that assistance is provided to those households who most need it. http://www.idpoor.gov.kh

[2] Poverty Probability Index (PPI®) is a poverty measurement tool for organizations and businesses with a mission to serve the poor. The PPI is statistically sound, yet simple to use: the answers to 10 questions about a household's characteristics and asset ownership scored to compute the likelihood that the household is living below the poverty line – or above by only a narrow margin. https://www.povertyindex.org/about-us

% OF POOR HHS WHO ARE NEW CLIENTS OF AMK: THE COMPARISION YEAR-BY-YEAR (2012-2019)



% OF POOR HHS COVERED BY AMK IN URBAN VS. RURAL AREA (2018-2019)



ADEQUATE PRODUCTS

Within this competitive microfinance product provision environment, AMK puts great effort into delivering products and services that meet clients' needs and preferences. Thus AMK uses different tools to measure their overall adequacy. Research Department conducts Loan Client Satisfaction and Loan Client Exit Study annually to understand deeply on client perception toward AMK service delivery. In addition to the in-place Contact Center Department projects, which include Primary Saving and Micro-insurance Clients Satisfactions. These surveys assist AMK management to have a better understanding of clients' attitude and behavior to make the right decision for AMK business as a whole. Furthermore, actions can be taken to mitigate risks and improve the institution's performance.

The 2019 survey outputs have helped management to refine its current product policies to assure that clients are satisfied with the offering products and meet their needs. Although the interest cap could be a factor that impedes Financial Service Providers (FSPs) from lending small loan size to the rural poor, AMK still pursues its vision and mission to provide appropriate and viable products to all layers of the clients based on their needs, especially the poor.

TRANSPARENCY AND CLIENT PROTECTION

In late 2016, AMK received the award of Client Protection Certification (CPP) from Smart Campaign, which was a showcase of all efforts of every staff from the grass root to the top levels. In 2018, AMK recertified its CPP Certificate after auditing from an independent auditor. AMK practices a Code of Conduct to protect clients and serve them in a more transparent and accountable way. Research Department independently monitors the practice of all stakeholders to ensure that AMK treats clients fairly and equally.

AMK conducted Multiple Loan Client Study, employing both quantitative data collection and in-depth interview, to see clients' behaviors on their loan usages so that the strategy to avoid over-indebtedness of clients could be set. The Multiple Loan Report 2019 illustrates that 38% of AMK borrowers have a loan(s) with other financial service providers, in which this figure increased by 4% compared to the multiple loan ratio in 2018.

Besides, Loan Rejection Client Survey is also analyzed to reflect that AMK is committed to adequately study clients' repayment capacity to make sure that clients are not going to fall in debt trap due to over-indebtedness. In 2018, 18% of the loan application was rejected, and this reflects AMK's prudent screening mechanism. Besides, Deposit Client Awareness, Loan Client Awareness, and Micro-insurance Client Awareness are surveyed and analyzed to gauge their awareness level to oversee what things should be done to raise more awareness on the products that they are using too. AMK also puts in place suggestion boxes and a toll-free line that permits clients to raise any concern and grievance as a complaint mechanism.

RESPONSIBILITY TO STAFF

It is crucial to recruit and retain excellent staff to work for AMK, and this is always prioritized since employees are productive assets to determine the success of the company. AMK is highly aware of the importance of employees' satisfaction levels on the working environment, human resource policy, benefits provision, staff career development, and the root causes of staff exit. Human Resources Department and Research Department have closely collaborated in seeking probable issues which led to satisfaction and dissatisfaction by producing Staff Exit Report and Staff Satisfaction Report. Staff Satisfaction Report 2019 indicates that the overall satisfaction score is 4 out of the total score of 5, and this figure is similar to the previous year's satisfaction level. The results from these reports help AMK to improve staff incentive schemes to motivate and retain current staff and attract potential and talented candidates to work for AMK.

PRODUCTS AND WORKING METHODOLOGY

AMK currently offers a range of financial products and services, including different types of group and individual loans, deposits, money transfers, micro-insurance, payment, and other e-banking products and services.

A- GROUP LOANS

Village Bank (VB) Loans have been introduced by adopting the methodology of the solidarity group lending. The method begins with potential clients self-selecting themselves into joint-liability groups of three to six members that organized into Village Banks consisting of twenty groups or up to one hundred members. A Village Bank President (VBP) is elected by its members to serve as a representative of the Village Bank.

Clients are free to decide which product best suits them according to their income flow.

PRODUCT DESCRIPTION	END OF TERM - VILLAGE BANK	INSTALLMENT - VILLAGE BANK	CREDIT LINE - VILLAGE BANK
Target Clients	Group members with seasonal cash flow	Group members with regular cash flow	Group members with seasonal cash flow who have completed one cycle or 12 months
Currency	KHR & THB	KHR & THB	KHR & THB
Maximum Loan size	KHR 4,000,000 or equivalent currency		
Maximum Term	12 months	18 months	24 months
Interest Rate Monthly	1.50%		
	Note: Loan processing and administration fee charges will be applied.		
Repayment Condition	• Interest payments due monthly • Principal payment due at end of term	• Interest and principal payments due monthly	• Interest payments due monthly • Flexible and multiple drawing amount during the loan contract • No unutilized fee

B-INDIVIDUAL LOANS

Individual Loans are designed for both new and existing clients who wish to increase their capital or grow their business. The Individual Loan is available for both business and personal purposes, depending on the client's business requirements and cash flow. The client can choose one of the following products:

PRODUCT DESCRIPTION	General Loan	EMERGENCY LOAN
Target Clients	Individuals customer who need funds for consumption or business activities.	Individual or group clients in good standing who have completed at least 6 months with AMK.
Currency	KHR, THB and USD	KHR and THB
Maximum Loan Size (equivalent in USD)	USD 5,000	KHR 400,000 or equivalent currency
Maximum Term	Up to 36 months	10 months
Interest Rate (Monthly)	1.5%	1.5%
	Note: Loan processing and administration fee charges will be applied.	4-working hours from time of request
Repayment Conditions	1-Annuity Payment 2-Straight-line monthly amortization 3-Simi Balloon Repayment 4-Balloon Repayment	Balloon Repayment

Micro Small Medium Enterprise Loan

PRODUCT DESCRIPTION	MSME LOAN FOR INVESTMENT	MSME WORKING CAPITAl
Target Clients	This product is designed for individual or entity (micro, small or medium enterprise) who needs capital to expand their existing business service, production, and farming or create new business.	The product is designed for individual businessmen or entrepreneurs who need capital in supporting the business operation, both cost and material.
Currency	USD	
Maximum Loan Size	USD5,001 up to USD20,000	
Maximum Term	Up to 60 months	06 months
Interest Rate (Monthly)	1.1% - 1.4% Note: Loan processing and administration fee charges will be applied.	
Repayment Conditions	1-Annuity Payment 2-Straight-line monthly amortization 3-Simi Balloon Repayment	Balloon Repayment

Small Medium Enterprise Loan

PRODUCT DESCRIPTION	SME INVESTMENT LOAN	SME INVESTMENT WORKING CAPITAl
Target Clients	This product is designed for individual or entity (micro, small, or medium enterprise) who needs capital to expand and/or create their existing and/or new businesses.	This product is designed for any individual or any association, an entity that needs short term financing for specific business activity.
Currency	USD	
Maximum Loan Size	USD 20,001 up to USD100,000	USD 20,001 up to USD100,000
Maximum Term	Up to 72 months	06 months
Interest Rate (Monthly)	1% - 1.3% Note: Loan processing and administration fee charges will be applied.	
Repayment Conditions	1-Annuity Payment 2-Straight-line monthly amortization 3-Simi Balloon repayment	Balloon Repayment

D- DEPOSIT PRODUCTS

AMK has created a family of flexible deposit products to meet the savings needs of its customers. The products allow customers to deposit, make a withdrawal through various channels, including ATM/CDM, Office, and its agent network. AMK currently offers four distinct deposit products. These include the Easy Savings Account, Lucky Savings Account, Fixed Deposit Account, and Future Account:

PRODUCT DESCRIPTION	EASY SAVINGS ACCOUNT	LUCKY SAVINGS ACCOUNT	SMART KID ACCOUNT	HAPPY OLD AGE ACCOUNT	FUTURE ACCOUNT	FIXED DEPOSIT
Target Clients	Depositors who need the flexibility of deposits and withdrawals for day to day transactions	Depositors who need a better interest rate and the flexibility of deposits and withdrawals for day to day transactions	Depositors who wish to save for their child's future	Depositors who wish to save for their future when retired from work or business.	Depositors who wish to make regular deposits over a period of time	Depositors who wish to deposit for a specific period to gain a higher interest rate
Currency	KHR, THB, USD	KHR, THB, USD	KHR, THB, USD	KHR, THB, USD	KHR, THB, USD	KHR, THB, USD
Minimum Balance	N/A	KHR 2,000,000	KHR 4,000	KHR 10,000	KHR 20,000	KHR 100,000
Term	N/A	N/A	N/A	N/A	3 - 36 months	1 - 36 months
Interest Rate (annually)	Up to 4%, depending on the account balance and deposit currency	Up to 4.25%, depending on the account balance and deposit currency	• 3% • The account holder will get 300% insurance protection for Personal Accident (PA)	• 2% • A bonus of AMK's contribution 5% of the agreed amount per month. • The account holder will get 300% insurance protection for Personal Accident (PA)	• Up to 7%, depending on Term and Deposit currency	• Up to 8.25%, depending on Term, Deposit currency and Frequency of Interest Withdrawal

E- MONEY TRANSFER

AMK offers a money transfer service to its customers, both local and international transfer services. With its simple documentation process, customers can quickly transfer money to family members, relatives, business partners, and other beneficiaries through a branch office, ATM, and Agent wherever close to the customer. Customers can send or receive from/to account or cash at any AMK's channels.

AMK is also a member of "FAST Payment" service which initiated by National Bank of Cambodia where enables bank customers to transfer or receive funds to another MDI and commercial banks through its saving account in a safe, fast, efficient and reliable manner.

F- PAYMENT SERVICE

AMK provides the bill payment service to its customers in cash or between accounts throughout AMK's offices and Agent Channels across the country.

G- PAYROLL SERVICE

AMK offers a reliable and convenient corporate payroll service to its customers. This allows private companies and NGOs to facilitate payroll for their staff with more convenience. Moreover, they also get a lot of benefits such as high-interest rate, flexible and accessible to their money via AMK's ATM/CDMs, and AMK's Agent across Cambodia at no extra cost. Furthermore, they also enjoy great discounts with AMK's merchants nationwide by just presenting their ATM's card.

H- E-Banking Services

AMK has an extra delivery channel since 2011 for serving our customers both in an urban and rural area where the customer wishes to perform deposits, withdrawals, loan payment, money transfers, or other banking transactions via AMK agent nationwide. With this new channel, AMK can reach more target clients who may not already bank with a formal financial institution.

In addition to Agent's network, ATMs and CDMs also have been installed across Cambodia. The service includes Cash withdrawal, Fund transfer, Balance enquiry, Mini statement, PIN change, Cross-currency withdrawal, and Cash deposit.

I- MICRO-INSURANCE

AMK and Forte Insurance Company officially struck a deal for distributing the Micro-Insurance product in AMK's network. In 2019, 329,000 policies of micro-insurance on Health and Accident offered to AMK's customer. Our customers can purchase the micro-insurance products at AMK office or their village through our Client Officer.

We offer the following range of protection products to cover the financial needs of customers:

Health and Accident:

With a small premium of USD 7.5 per annum, our customers can purchase this product to protect themselves and their spouses.

Motor Insurance:

This product designed to ensure customer's property of Leasing Clients in terms of credit risk mitigation.

CAMBODIAN COMPETITIVE LANDSCAPE

In 2019, the Asian Development Bank (ADB) issued the Asian Development Outlook 2019, which stated that the Cambodia economy is expected to increase by 7% in 2019, while Cambodia's average inflation rate is 2.5%. The credit provision sector remains stable while the credit regulation over non-financial institution is strengthened. Based on the Cambodia Association for Microfinance 2019, there are 73 Microfinance Institutions, and 7 Microfinance Deposit-taking Institutions and 273 Credit Operators. These institutions are also the key actors in driving the Cambodian economy, primarily related financial leverage.

To reduce poverty and over-indebtedness aligning to government policy, the National Bank of Cambodia (NBC) has released a circulation stating the annual 18% interest cap, which has been in effect since April 2017. Since the distribution has come into effect, it has been a very challenging situation for all MFI stakeholders in modifying their products and services to adapt to this regulation.

However, that is not the case as the delivery of these financial products remains unchanged, and the loan portfolio has increased. Furthermore, the credit quality in the 73 MFIs (CMA Report as of 31 December 2019) is still at the controllable level in which the Portfolio at Risk over 30 days is at 0.8% while the Write-off Loan is at 0.48%. CMA Report 2019 has also illustrated sector summary of its members as of 31 December 2019 as follows:

Total number of borrower is
2,249,650

Loan portfolio expanded to over
USD 7,341.41 million

The number of savers is
2,809,218

Deposit balances are about
USD 3,781 million

Despite the fact of facing challenges on annual interest rate cap that might obstruct the operation of the MFI sector, AMK still plays an essential role in the clients' livelihood from all aspects, particularly to the poor which aligns with its vision and mission in the provision of appropriate and viable products. As a result, 94% of AMK operation areas are in rural areas. Besides, from the internal survey, there are 26% of clients from poor households (ID-Poor holders).

In addition to the ID Poor, AMK uses Poverty Probability Index (PPI) to assess the relative poverty of AMK's clients. Based on the PPI Gov't 150%, 39% of the overall clients are likely to be poorer. The figure is higher than in 2018. These two poverty measurement methods indicate clearly that AMK performance remains remarkable among all MFIs in serving the poor. The whole MFI sector growth trends for the past eleven years are outlined below:

Year[1]	Number of Borrowers	Loan Outstanding (Million USD)	Average Loan Size (USD)	Number of Depositors	Deposits	Average Deposit Size (USD)
2008	825,238	277.06	335.73	108,266	4.91	45.35
2009	878,559	299.30	340.67	126,099	9.70	76.96
2010	992,452	425.92	429.16	190,023	40.89	215.20
2011	1,151,340	644.64	559.91	280,538	114.61	408.52
2012	1,316,185	892.49	678.09	753,113	279.63	371.30
2013	1,565,526	1,325.20	846.49	899,829	444.98	442.00
2014	1,779,171	2,028.56	1,140.17	1,122,630	896.92	798.94
2015	2,022,235	2,951.72	1,459.63	1,418,732	1,317.82	928.87
2016	2,038,749	3,636.44	1,783.66	1,790,989	2,045.01	1,141.83
2017	1,849,246	4,256.51	2,301.75	1,955,575	1,999.01	1,022.21
2018	1,952,506	5,519.65	2,826.96	2,170,666	2,819.49	1,298.91
2019	2,249,650	7,341.41	3,263.35	2,809,218	3,781.00	1,345.92

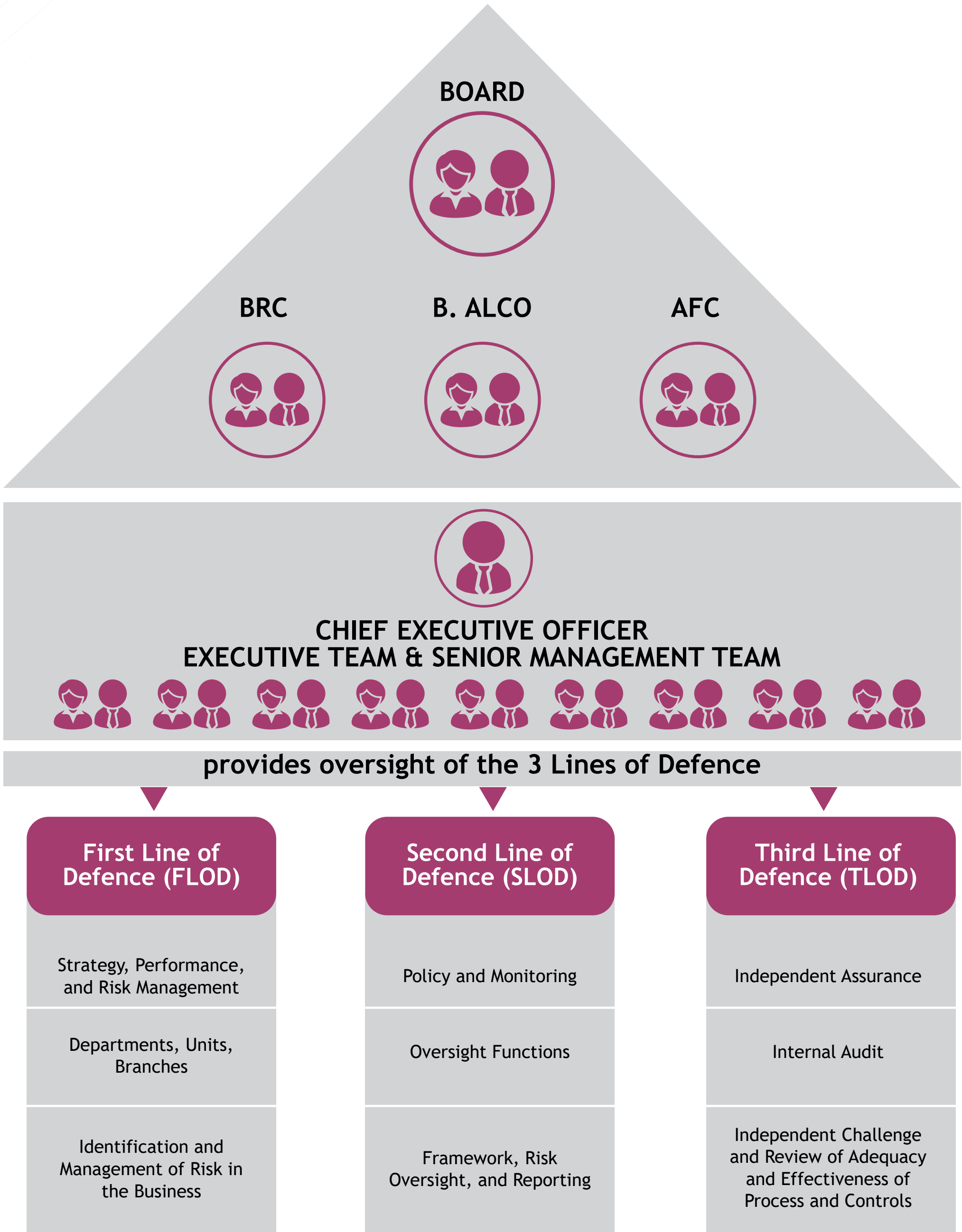
Source: NIX-Data from CMA (2008-2019)

[1] The figures in this table represent the information of only the Microfinance Institutions (MFIs) registered with CMA. The data in 2016 and before that includes SATHAPANA, but it is excluded from 2017 after SATHAPANA transformed itself to be a bank since 2016.

RISK MANAGEMENT

The pursuit of AMK's business strategy and operating model inherently carries risk; AMK thus recognizes that sound risk management is crucial to the success of its business activities.

In 2019, AMK continued to improve the risk awareness and culture through the implementation of the Enterprise Risk Management Framework (ERMF) across all business and enablement functions. The Framework is subject to constant evaluation to ensure that it meets the evolving challenges and requirements of the markets in which AMK operates, including regulatory standards and industry best practices. The Framework serves to continually disseminate a risk culture, defined by the 'tone from the top' approach, which aims to provide a coherent understanding of risk management across the institution. AMK's risk culture, which believes risk management is a responsibility shared by all AMK's staff, is embedded through the following risk governance structure[1]:



[1] BRC: Board Risk Committee, B.AlCO: Board Asset Liabilities Committee, AFC: Audit and Finance Committee

Working closely with the support functions, the First Line of Defence is the front office that has a clear responsibility for risk in terms of identifying them and reporting on any changes in the risk profile of its respective business.

As the Second Line of Defense, Risk and Compliance Function has its responsibilities to develop, oversee, and provide reporting on risk frameworks. In addition, Risk Function is also responsible for identifying individual and portfolio risk, approve transactions, ensure that they are within approved limits, monitor the reporting and portfolio, taking into account current and potential future developments of the business and evolving risk environment.

Finally, Internal Audit forms the Third Line of Defense as a completely independent check to ensure adherence to approved policies and procedures.

Amongst the risks identified in the overall ERMF, some are well-known to AMK; others are relatively newer due to changes in regulations, stakeholders' concerns, or the competitive landscape. All of them, whether old or emerging, are considered critical by AMK.

BOARD LEVEL	MANAGEMENT LEVEL	
BRC	Management Risk Committee	• Operational Risk • Compliance
	Credit Risk Committee	• Credit Risk • Counterparty Risk • Portfolio Risk
	Executive Committee	• Business Strategy Risk • Reputation Risk
B. ALCO	IT Committee	• Technology Risk • Information Security • Disaster Recovery Plan
	Management ALCO	• Interest Rate Risk • Liquidity and Funding Risk • Foreign Exchange Risk • Balance Sheet Structuring • Capital Management

Within the defined KRI and policies set, AMK's Risk Management function continues to use the bottom-up approach to get the structured feedback for constant improvement of the system and process in place with the clear objective to ensure AMK's business is operating within an acceptable and well-mitigated risk level. The structured-loop-feedback consists of periodical reviews of each business risk register, risk incidents that happened internally and externally to AMK, and audit finding reports. As a result, the enhancement of many policies and procedures conducted across the AMK.

Looking forward to 2020, AMK's key focus in Risk Management are the following:

Credit Risk: The credit market in Cambodia is becoming more mature and highly competitive. Over-indebtedness and overheated credit growth are still among the concern in the Cambodian financial sector. Cambodia's economic outlook is poised to continue to grow amidst the concerns unfavorable weather events, uncertainty in EBA withdrawal, and fast-growing real estate and construction sector. The global economic outlook is positive, with some challenges from the US-China trade war, the outbreak of Coronavirus, and some global political instability. AMK continues to serve rural people and Micro-Small & Medium Enterprises (MSME) while the latter is on the progressive rise. Therefore, the strengthening of the loan underwriting process and the application of forward-looking credit risk calculation/ monitoring continue to be the most crucial part of AMK's credit risk management.

Operational Risk: The key strategy in Operational Risk Management is Risk Management Uplift.The uplift plan is aimed to be held across functions, including Credit, Deposit, Channel Management, and Support Functions. The uplift's objective is to enhance further the effectiveness and efficiency of the existing vital controls to ensure that AMK's operations are well functioning.

Technology Risk and Information Security: With the broadening and increasing distribution channels, this is becoming an essential emerging risk. AMK takes this threat seriously and has implemented a broad range of controls to identify and mitigate risk to its customers and business. Top emerging risks and incidents of 2018 have already fed a discussion within the executive team and led to a clear Information Technology (IT) / Management Information System (MIS) security enhancement plan to be fully rolled out in 2020.

Regulatory Development: The evolving regulatory landscape requires continuous vigilance in tracking international and domestic regulatory developments to ensure that AMK stays on top of changes applicable to its business. New requirements are analyzed and disseminated to the respective action parties and, where applicable, embedded into the processes and systems.

Financial Risk: In line with the National Bank of Cambodia Liquidity Risk Coverage Framework, Liquidity Risk Management continues to be the key focus amongst other financial risks. AMK's strategy is to ensure that both short and long term commitment is met, and AMK is well prepared for any potential changes. Liquidity stress testing exercise and enhancement of cash management processes are the aims in 2020.

FINANCIAL REPORT

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors (the "Directors") is pleased to present its report and the audited financial statements of AMK Microfinance Institution Plc. (the "Company") for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is to provide loans, savings and other related financial services through its head office in Phnom Penh and its various offices in the Kingdom of Cambodia.

FINANCIAL RESULTS

The financial performance of the Company for the year ended 31 December 2019 is set out in the statement of comprehensive income on page 10.

RESERVES AND PROVISIONS

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

DIVIDENDS

There was no dividend declared or paid during the year (2018: nil).

SHARE CAPITAL

The paid up capital of the Company as at

31 December 2019	
KHR'000	US$
159,174,950	39,061,337
2018	
KHR'000	US$
120,327,300	29,947,063

BAD AND DOUBTFUL LOANS

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

ASSETS

Before the financial statements of the Company were prepared, the Directors took reasonable steps to ensure that any assets, which were unlikely to be realised in the ordinary course of business at their values as shown in the accounting records of the Company had been written down to amounts 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 attributable to the assets in the financial statements of the Company 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 Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

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

(a) any charge on the assets of the Company which has arisen since the end of the year which secures the liabilities of any other person except as disclosed in the financial statements; and

(b) any contingent liability in respect of the Company that has arisen since the end of the year other than in the ordinary course of its business operations.

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Company for the 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 year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the results of the operations of the Company for the current financial year in which this report is made.

EVENTS AFTER THE REPORTING DATE

No significant events occurred after the statement of financial position date requiring disclosures or adjustments other than those disclosed in the financial statements, if any.

THE BOARD OF DIRECTORS

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

Mr. Tanmay Chetan Chairman
Mr. Kea Borann Director
Mr. John Con-Sing Yung Director
Mr. Ru-Hung Wei Director
Mr. Chin-Kang Liu Director
Mr. Wei-Kuo Yen Director (Appointed on 16 July 2019)
Ms. Pi-Fen Hsieh Director (Resigned on 19 March 2019)
Mr. Tip Janvibol Independent Director
Ms. Heng Seida Independent Director
Mr. Blandine Claudia Marie Pons
Independent Director (Appointed on 16 July 2019)

DIRECTORS' INTERESTS

No directors held any interest in the equity of the Company. No arrangements existed to which the Company is a party with the object of enabling the directors to obtain an interest in the Company or in any corporate body.

DIRECTORS' BENEFITS

During and at the end of the year, no arrangement existed to which the Company is a party with the objective of enabling Directors of the Company to acquire benefits by means of the share purchase option.

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

RESPONSIBILITIES OF THE DIRECTORS IN RESPECT OF THE FINANCIAL STATEMENTS

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

- adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- comply with the requirements of Cambodian International Financial Reporting Standards ("CIFRSs"), or, if there have been any departures in the interests of fair presentation, these have been appropriately disclosed, explained and quantified in the financial statements;
- maintain adequate accounting records and an effective system of internal controls;
- prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Company will continue operations in the foreseeable future; and
- effectively control and direct the Company and is involved in all material decisions affecting the operations and performance and ascertain that such have been properly reflected in the financial statements.

The Directors confirm that the Company has complied with the above requirements in preparing the financial statements.

STATEMENT OF THE BOARD OF DIRECTORS

The accompanying financial statements present fairly, in all material respects, the financial position of AMK Microfinance Institution Plc. as at 31 December 2019, and its financial performance and cash flows for the year then ended in accordance with Cambodian International Financial Reporting Standards, and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors

Mr. Tanmay Chetan
Chairman

Phnom Penh, Kingdom of Cambodia
Date: 16 MAR 2020

INDEPENDENT AUDITOR'S REPORT

To the shareholders of AMK Microfinance Institution Plc.

OPINION

We have audited the financial statements of AMK Microfinance Institution Plc. (the "Company"), which comprise the statement of financial position as at 31 December 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 8 to 103.

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

BASIS FOR OPINION

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

OTHER MATTERS

The financial statements of the Company as at and for the year ended 31 December 2018 were prepared in accordance with Cambodian Accounting Standards and relevant accounting regulations and guidelines issued by the National Bank of Cambodia and were audited by another auditor who expressed an unmodified opinion on those statements on 14 March 2019.

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

Management is responsible for the other information. The other information comprises the Report of the Board of Directors as set out on pages 1 to 4, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND THE BOARD OF DIRECTORS FOR THE FINANCIAL STATEMENTS

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

For Deloitte (Cambodia) Co., Ltd.

Deloitte (Cambodia) Co., Ltd.
KINGDOM OF CAMBODIA

Khoy Kimleng
Partner

Phnom Penh, Kingdom of Cambodia
Date: 16 MAR 2020

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

		31 Dec 2019		31 Dec 2018		1 Jan 2018	
	Note	KHR'000	US$	KHR'000	US$	KHR'000	US$
ASSETS							
Cash on hand	4	75,272,199	18,471,705	79,801,749	19,861,062	69,444,503	17,202,007
Balances with the NBC	5	253,329,817	62,166,826	277,319,526	69,019,295	169,944,557	42,096,744
Balances with other banks	6	17,720,965	4,348,703	13,218,445	3,289,807	40,843,309	10,117,243
Loans to customers	7	1,291,295,261	316,882,273	989,762,833	246,332,213	819,298,151	202,947,275
Property and equipment	8	18,619,359	4,569,168	17,996,667	4,479,011	16,665,624	4,128,220
Software	9	12,061,266	2,959,820	11,749,238	2,924,151	10,097,155	2,501,153
Right-of-use assets	10	22,711,329	5,573,332	26,335,227	6,554,312	28,116,488	6,964,699
Deferred tax assets	13	10,919,476	2,679,626	6,373,303	1,586,188	6,272,959	1,553,866
Other assets	11	13,474,618	3,306,655	8,485,248	2,111,809	6,002,345	1,486,833
TOTAL ASSETS		1,715,404,290	420,958,108	1,431,042,236	356,157,848	1,166,685,091	288,998,040
LIABILITIES AND EQUITY							
LIABILITIES							
Deposits from customers	12	745,074,858	182,840,456	652,449,130	162,381,565	487,926,143	120,863,548
Current tax liabilities	13	9,570,336	2,348,549	6,365,457	1,584,235	7,341,834	1,818,636
Lease liabilities	14	23,525,054	5,773,019	25,482,554	6,342,099	26,188,518	6,487,124
Borrowings	15	602,027,292	147,736,759	480,541,581	119,597,208	430,164,186	106,555,409
Subordinated debts	16	26,557,835	6,517,260	35,461,497	8,825,659	20,421,710	5,058,635
Provision for employee benefits obligations	18	11,058,210	2,713,671	9,863,741	2,454,888	14,095,407	3,491,555
Other liabilities	19	15,819,490	3,882,084	29,813,817	7,420,064	19,202,884	4,756,720
TOTAL LIABILITIES		1,433,633,075	351,811,798	1,239,977,777	308,605,718	1,005,340,682	249,031,627
EQUITY							
Share capital	20	159,174,950	39,061,337	120,327,300	29,947,063	79,127,300	19,600,520
Share premium	21	22,425,355	5,503,155	149,505	37,209	149,505	37,034
Reserve	22	27,398,999	6,723,681	25,647,692	6,383,198	18,814,706	4,660,566
Retained earnings		72,771,911	17,858,137	44,939,962	11,184,660	63,252,898	15,668,293
TOTAL EQUITY		281,771,215	69,146,310	191,064,459	47,552,130	161,344,409	39,966,413
TOTAL LIABILITIES AND EQUITY		1,715,404,290	420,958,108	1,431,042,236	356,157,848	1,166,685,091	288,998,040

The accompanying notes from pages 71 to 120 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

		2019		2018	
	Note	KHR'000	US$	KHR'000	US$
Interest income	23	242,087,092	59,745,087	212,476,208	52,528,111
Interest expense	24	(84,985,114)	(20,973,621)	(74,030,728)	(18,301,787)
Net interest income		157,101,978	38,771,466	138,445,480	34,226,324
Fee and commission expense	25	(10,429,798)	(2,573,988)	(8,000,363)	(1,977,840)
Other income	26	27,541,545	6,797,025	37,271,920	9,214,319
Total operating income		174,213,725	42,994,503	167,717,037	41,462,803
Grant income	27	832,417	205,434	665,667	164,565
Personnel expenses	28	(81,892,682)	(20,210,435)	(77,561,520)	(19,174,665)
Depreciation and amortisation	29	(16,317,180)	(4,026,945)	(13,227,819)	(3,270,165)
Other operating expenses	30	(32,035,610)	(7,906,123)	(31,090,725)	(7,686,211)
Net impairment loss on financial instruments	31	(6,551,004)	(1,616,733)	(8,287,505)	(2,048,827)
Profit before income tax		38,249,666	9,439,701	38,215,135	9,447,500
Income tax expense	13	(8,666,410)	(2,138,798)	(8,495,085)	(2,100,145)
Net profit for the year		29,583,256	7,300,903	29,720,050	7,347,355

The accompanying notes from pages 71 to 120 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital	Share premium	Reserves	Retained earnings	Total	Total
	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	US$
Year ended 31 Dec 2019						
Balance as at 1 January 2019	120,327,300	149,505	25,647,692	44,939,962	191,064,459	47,552,130
Net profit for the year	-	-	-	29,583,256	29,583,256	7,259,695
Issuance of new share capital	38,847,650	22,275,850	-	-	61,123,500	14,999,632
Transfer to reserves	-		1,751,307	(1,751,307)	-	-
Exchange difference	-	-	-	-	-	(665,147)
Balance as at 31 Dec 2019	159,174,950	22,425,355	27,398,999	72,771,911	281,771,215	69,146,310
US$ equivalent	39,061,337	5,503,155	6,723,681	17,858,137	69,146,310	
Year ended 31 Dec 2018						
Balance as at 1 Jan 2018	79,127,300	149,505	18,814,706	63,252,898	161,344,409	40,155,403
Net profit for the year	-	-	-	29,720,050	29,720,050	7,347,355
Conversion to share capital	41,200,000	-	-	(41,200,000)	-	-
Transfer to reserves	-	-	6,832,986	(6,832,986)	-	-
Exchange difference	-	-	-	-	-	49,372
Balance as at 31 Dec 2018	120,327,300	149,505	25,647,692	44,939,962	191,064,459	47,552,130
US$ equivalent	29,947,063	37,209	6,383,198	11,184,660	47,552,130	

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

		2019		2018	
	Note	KHR'000	US$	KHR'000	US$
Cash flows from operating activities					
Profit before income tax		38,249,666	9,439,701	38,215,135	9,447,500
Adjustments for:					
Depreciation and amortisation	29	16,317,180	4,026,945	13,227,819	3,270,165
Net impairment loss on financial instruments	31	6,551,004	1,616,733	8,287,505	2,048,827
Increase/(decrease) in provisions for employee benefit obligations		740,804	182,824	(4,653,012)	(1,150,312)
Net (gain)/loss from other financial instruments at FVTPL		(1,343,738)	(331,623)	760,988	188,131
Loss/(gain) on disposal of property and equipment		3,432	847	(57,420)	(14,195)
Foreign exchange difference		(199,043)	(49,122)	-	-
Interest income	23	(242,087,092)	(59,745,087)	(212,476,208)	(52,528,111)
Interest expense	24	84,985,114	20,973,621	74,030,728	18,301,787
		(96,782,673)	(23,885,161)	(82,664,465)	(20,436,208)
Changes in working capital:					
Balances with the NBC		(72,177,455)	(17,812,797)	6,932,560	1,713,859
Loans to customers		(321,752,859)	(79,405,938)	(190,407,228)	(47,072,244)
Other assets		(4,989,370)	(1,231,335)	(2,482,903)	(613,820)
Deposits from customers		90,779,915	22,403,730	161,269,998	39,868,974
Other liabilities		(12,650,589)	(3,122,060)	9,849,945	2,435,091
Cash used in operations		(417,573,031)	(103,053,561)	(97,502,093)	(24,104,348)
Interest received		255,845,554	62,784,185	223,615,907	55,282,054
Interest paid		(81,658,256)	(20,038,836)	(70,412,697)	(17,407,342)
Income tax paid		(10,007,704)	(2,455,878)	(9,571,807)	(2,366,331)
Net cash used in operating activities		(253,393,437)	(62,764,090)	46,129,310	11,404,033
Cash flows from investing activities					
Purchases of property and equipment		(5,491,407)	(1,347,585)	(6,807,803)	(1,683,017)
Purchases of software		(4,361,198)	(1,070,233)	(2,286,123)	(565,173)
Proceeds from disposal of property and equipment		14,326	3,516	57,420	14,195
Net cash used in investing activities		(9,838,279)	(2,414,302)	(9,036,506)	(2,233,995)

	Note	2019 KHR'000	2019 US$	2018 KHR'000	2018 US$
Cash flows from financing activities					
Proceeds from borrowings		366,057,131	89,829,971	239,278,021	59,154,022
Repayments of borrowings		(245,653,170)	(60,282,987)	(189,049,135)	(46,736,498)
Proceeds from subordinated debts		-	-	20,090,000	4,966,625
Repayments of subordinated debts		(8,645,400)	(2,121,571)	(4,845,400)	(1,197,874)
Payments of leases		(5,755,503)	(1,412,393)	(6,041,721)	(1,493,627)
Proceed from issuance of new share capital		61,123,500	14,999,632	-	-
Net cash generated from financing activities		167,126,558	41,012,652	59,431,765	14,692,648
Net (decrease)/increase in cash and cash equivalents		(96,105,158)	(24,165,740)	96,524,569	23,862,686
Cash and cash equivalents at the beginning of the year		238,788,725	59,429,747	142,264,156	35,240,067
Currency translation differences		-	(249,635)	-	326,994
Cash and cash equivalents at the end of the year	32	142,683,567	35,014,372	238,788,725	59,429,747

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1. REPORTING ENTITY

AMK Microfinance Institution Plc. (the "Company") is a licensed micro-finance institution ("MFI") incorporated and registered in the Kingdom of Cambodia.

The Company was initially established in 1999 as Thanakea Ponleu Thmey ("TPT") Programme by Concern Worldwide Cambodia ("CWC"). All assets, liabilities and accumulated donations of TPT were transferred to the Company on 1 July 2003 against the issue of shares. The Company commenced to trade on the date of the asset transfer. On 29 January 2010, the Company obtained a Microfinance Deposit-Taking Institution ("MDI") license from the National Bank of Cambodia ("NBC") to conduct deposit-taking business. On 7 July 2014, the Ministry of Commerce approved the change in business name of the Company from Angkor Mikroheranhvatho (Kampuchea) Co., Ltd. to AMK Microfinance Institution Plc.

The registered office of the Company is currently located at #285, Yothapol Khemarak Phoumin Blvd. (St. 271), Sangkat Tomnub Teuk, Khan Chamkarmon, Phnom Penh, Kingdom of Cambodia. The Company operates its business in 149 offices (2018: 149 Offices).

The principal activity of the Company is to provide loans, savings and other related financial services through its head office in Phnom Penh and its various offices in the Kingdom of Cambodia.

The financial statements were authorised for issue by the Board of Directors on 16 March 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of accounting

The financial statements have been prepared in accordance with Cambodian International Financial Reporting Standards ("CIFRSs").

For all periods up to and including the year ended 31 December 2018, the financial statements were prepared in accordance with the previous framework, Cambodian Accounting Standards ("CAS") and relevant regulations and guidelines issued by the NBC. These financial statements for the year ended 31 December 2019 are the first set that the Company have prepared in accordance with CIFRSs. Details of first-time adoption of CIFRSs are included in Note 2.3.

The financial statements have been prepared on the historical cost basis, except for financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

2.2 Basis of aggregation

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

2.3 Adoption of a new financial reporting framework

The Company adopted the new financial reporting framework – Cambodian International Financial Reporting Standards ("CIFRSs") for the first time for financial year ended 31 December 2019 and CIFRS 1 First-time Adoption of Cambodian International Financial Reporting Standards has been applied in the first set of CIFRSs financial statements. CIFRSs is identical to International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB").

As a first-time adopter of CIFRSs, the Company has applied retrospectively, accounting policies based on each CIFRS effective as at end of the first CIFRSs reporting period (31 December 2019), except for areas of exceptions and optional exemptions set out in CIFRS 1. In the first set of CIFRSs financial statements for the financial year ended 31 December 2019, an additional opening statement of financial position as at date of transition (1 January 2018) is presented, together with related notes. Reconciliation statements from previously reported CAS amounts and explanatory notes on transition adjustments are presented for equity as at date of transition (1 January 2018) and as at end of last financial period under CAS (31 December 2018), and for total comprehensive income and cash flows reported for the last financial period under CAS (for the year ended 31 December 2017) and relevant accounting regulations and guidelines issued by the NBC. Additional disclosures are made for specific transition adjustments if applicable.

There is no change to the Company's previous accounting policies under CAS or material adjustments on the initial transition to the new framework, other than those arising from the application of CIFRS 9, CIFRS 15 and CIFRS 16 which are effective at the same time and the disclosure requirements relevant to accounting regulations and guidelines issued by the NBC.

Reconciliations of equity and total comprehensive income

i) Impact on the Statement of Financial Position as at 1 January 2018

	Notes	As previously reported KHR'000	Effect of transition to CIFRSs KHR'000	As adjusted KHR'000	As adjusted US$
Cash on hand		69,444,503	-	69,444,503	17,202,007
Balances with the NBC	a	169,383,997	560,560	169,944,557	42,096,744
Balances with other banks	a,d	41,603,644	(760,335)	40,843,309	10,117,243
Loans to customers	a,d	810,721,760	8,576,391	819,298,151	202,947,275
Property and equipment		16,665,624	-	16,665,624	4,128,220
Software		10,097,155	-	10,097,155	2,501,153
Right-of-use assets	e	-	28,116,488	28,116,488	6,964,699
Deferred tax assets	g	5,969,108	303,851	6,272,959	1,553,866
Other assets	a	17,775,994	(11,773,649)	6,002,345	1,486,833
Total assets		1,141,661,785	25,023,306	1,166,685,091	288,998,040
In US$ equivalent		282,799,550	6,198,490	288,998,040	
Deposits from customers	a	476,894,860	11,031,283	487,926,143	120,863,548
Current tax liabilities		7,341,834	-	7,341,834	1,818,636
Lease liabilities	e	-	26,188,518	26,188,518	6,487,124
Borrowings	a	425,530,473	4,633,713	430,164,186	106,555,409
Subordinated debts	a	19,401,600	1,020,110	20,421,710	5,058,635
Provision for employee benefits obligations		14,095,407	-	14,095,407	3,491,555
Other liabilities	a,h	35,837,798	(16,634,914)	19,202,884	4,756,720
Total liabilities		979,101,972	26,238,710	1,005,340,682	249,031,627
Shareholders' equity					
Share capital		79,127,300	-	79,127,300	19,600,520
Share premium		149,505	-	149,505	37,034
Reserves		18,814,706	-	18,814,706	4,660,566
Retained earnings		64,468,302	(1,215,404)	63,252,898	15,668,293
Total equity		162,559,813	(1,215,404)	161,344,409	39,966,413
Total liabilities and equity		1,141,661,785	25,023,306	1,166,685,091	288,998,040
In US$ equivalent		282,799,550	6,198,490	288,998,040	

ii) Impact on the Statement of Financial Position as at 31 December 2018

	Notes	As previously reported KHR'000	Effect of transition to CIFRSs KHR'000	As adjusted KHR'000	As adjusted US$
Cash on hand		79,801,749	-	79,801,749	19,861,062
Balances with the NBC	a	276,768,398	551,128	277,319,526	69,019,295
Balances with other banks	a,d	13,321,505	(103,060)	13,218,445	3,289,807
Loans to customers	a,d	975,318,202	14,444,631	989,762,833	246,332,213
Property and equipment		17,996,667	-	17,996,667	4,479,011
Software		11,749,238	-	11,749,238	2,924,151
Right-of-use assets	e	-	26,335,227	26,335,227	6,554,312
Deferred tax assets	g	7,137,972	(764,669)	6,373,303	1,586,188
Other assets	a	21,226,591	(12,741,343)	8,485,248	2,111,809
Total assets		1,403,320,322	27,721,914	1,431,042,236	356,157,848
In US$ equivalent		349,258,418	6,899,431	356,157,849	
Deposits from customers	a	638,164,858	14,284,272	652,449,130	162,381,565
Current tax liabilities		6,365,457	-	6,365,457	1,584,235
Lease liabilities	e	-	25,482,554	25,482,554	6,342,099
Borrowings	a	475,759,359	4,782,222	480,541,581	119,597,208
Subordinated debts	a	34,646,200	815,297	35,461,497	8,825,659
Provision for employee benefits obligations		9,863,741	-	9,863,741	2,454,888
Other liabilities	a,h	49,195,912	(19,382,095)	29,813,817	7,420,064
Total liabilities		1,213,995,527	25,982,250	1,239,977,777	308,605,718
Shareholders' equity					
Share capital		120,327,300	-	120,327,300	29,947,063
Share premium		149,505	-	149,505	37,209
Reserves	f	20,764,670	4,883,022	25,647,692	6,383,198
Retained earnings	f	48,083,320	(3,143,358)	44,939,962	11,184,660
Total equity		189,324,795	1,739,664	191,064,459	47,552,130
Total liabilities and equity		1,403,320,322	27,721,914	1,431,042,236	356,157,848
In US$ equivalent		349,258,418	6,899,431	356,157,848	

(iii) Impact on the statement of comprehensive income for the year ended 31 December 2018

	Notes	As previously reported	Effect of transition to CIFRSs	As adjusted	As adjusted
		KHR'000	KHR'000	KHR'000	US$
Interest income	b,c	178,117,459	34,358,749	212,476,208	52,528,111
Interest expense	b,c,e	(70,368,035)	(3,662,693)	(74,030,728)	(18,301,787)
Net interest income		107,749,424	30,696,056	138,445,480	34,226,324
Fee and commission expense	c	(9,392,173)	1,391,810	(8,000,363)	(1,977,840)
Other incomes	c	71,721,598	(34,449,678)	37,271,920	9,214,319
Total operating income		170,078,849	(2,361,812)	167,717,037	41,462,803
Grant income		665,667	-	665,667	164,565
Personnel and other related costs	h	(77,054,346)	(507,174)	(77,561,520)	(19,174,665)
Depreciation and amortisation	e	(6,110,800)	(7,117,019)	(13,227,819)	(3,270,165)
Other operating expenses	e	(39,159,616)	8,068,891	(31,090,725)	(7,686,211)
Allowance for credit facilities	d	(14,228,206)	5,940,701	(8,287,505)	(2,048,827)
Profit before income tax		34,191,548	4,023,587	38,215,135	9,447,500
Income tax expense	g	(7,426,566)	(1,068,519)	(8,495,085)	(2,100,145)
Profit for the year		26,764,982	2,955,068	29,720,050	7,347,355
In US$ equivalent		6,616,806	730,548	7,347,355	

(iv) Impact on the statement of cash flows for the year ended 31 December 2018

Certain reclassifications have been made to the presentation of the Company's statement of cash flows to conform to the current year's presentation following the adoption of CIFRSs.

Main impacts on the financial statements from the application of CIFRS were as follows:

a. Financial assets and liabilities measured at amortised cost

Under the previous accounting framework, CAS, financial assets including balances with the NBC and loans to customers and financial liabilities including deposits from customers, borrowings, and subordinated debts were stated at principal outstanding and the accrued interest receivables and accrued interest payables were presented in other assets and other liabilities, respectively. On the adoption of CIFRS 9, these financial assets and financial liabilities are measured at amortised cost, resulting in increase of financial assets and decrease of other assets, and increase of financial liabilities and decrease of other liabilities.

b. Interest income at amortised cost

Under CAS, interest income on loans to customers and balances with the NBC was recognised on an accrual basis based on declining balances of the principal amount outstanding, except for loans to customers that have been classified as substandard, doubtful or loss. Interest accruing to these loans was credited to an interest in suspense account. Subsequently, interest income from these loans is recognised on a cash receipt basis. On adoption of the CIFRS 9, interest income is recognised using the effective interest method by applying the effective interest rate ("EIR") to the gross carrying amount of non-credit impaired financial assets or by applying the EIR to the net carrying amount of the credit-impaired financial assets. This adoption results in additional interest income.

c. Loan processing fee at amortised cost

Under CAS, loan processing fee was recognised as income on a straight-line basis over the terms of the loan and was presented in other income. On adoption of the CIFRS 9, loan processing fee is considered to be directly attributable to the origination of the loans and an integral part of the effective interest rate of loans. Hence, it is included in the initial recognition of loans to customers and measured at amortised cost, resulting in other income from loan processing fees being reclassified to interest income as part of amortisation of loan.

d. Impairment of financial assets

Under CAS, allowances for bad and doubtful loans and balance with banks were measured based on the Prakas No. B7-017-344, dated on 1 December 2017, on Credit Risk Grading and Impairment Provisioning, and Circular No. B7-018-001, dated 16 February 2018 on the Implementation of Prakas on Credit Risk Grading and Impairment Provisioning issued by the NBC. On adoption of the CIFRS 9, the impairment of financial assets is measured through a loss allowance for expected credit loss ("ECL"), impacting loss allowance as at 1 January 2018 and as at and for the year ended 31 December 2018.

e. Leases

The application of CIFRS 16 to leases previously classified as operating leases under CAS 17 resulted in the recognition of right-of-use assets KHR'000 28,116,488 and leases liabilities KHR'000 26,188,518 as at 1 January 2018 and right-of-use assets KHR'000 26,335,227 and leases liabilities KHR'000 25,482,554 as at 31 December 2018. It also resulted in a decrease in other operating expenses KHR'000 8,068,891 and an increase in depreciation and amortisation KHR'000 7,117,019 and interest expense KHR'000 2,270,882 for the year ended 31 December 2018. Certain reclassification within the statement of cash flows were also made as a result of CIFRS 16 application.

f. Regulatory reserves

According to NBC's Prakas No. B7-017-344 on Credit Risk Grading and Impairment Provisioning, excess amount of impairment calculated in accordance with regulatory provision compared to the impairment calculated under CIFRSs has to be transferred from retained earnings to regulatory reserve within shareholder's equity. This requirement resulted in increase in reserve and decrease in retained earnings but no impact on the profit or loss of the Company.

g. Income tax

The application of CIFRSs resulted in changes in deferred tax arising from the temporary differences in respect of the impairment of financial assets and unused annual leave.

h. Unused annual leave

The application of CIFRSs resulted in recognition of other liability in respect of employees' unused annual leave in the period that related service is rendered.

2.4 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency). Management has determined the Khmer Riel ("KHR") to be the Company's functional currency owing to the significant influence of the KHR on its operations. The financial statements are presented in KHR, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Transactions in currencies other than KHR are translated into KHR at the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in currencies other than KHR at the year-end exchange rates, are recognised in profit or loss.

(iii) Presentation in United States dollar

Assets and liabilities for each statement of financial position presented are translated at the closing rate ruling at each reporting date whereas income and expense items for each statement of profit or loss and other comprehensive income and cash flow items presented are translated at the average rate for the year then ended. All resulting exchange differences are recognised in other comprehensive income.

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

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

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

2.5 Rounding of amounts

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

2.6 Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

(i) Financial assets

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of financial assets is under a contract whose terms require delivery of assets within the time frame established by the market concerned.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

a. Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI").

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

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

By default, all other financial assets are subsequently measured at fair value through profit or loss ("FVTPL").

Despite the foregoing, the Company may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Debt instruments at amortised cost or at FVTOCI

The Company assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Company's business model for managing the asset.

For an asset to be classified and measured at amortised cost or at FVTOCI, its contractual terms should give rise to cash flows that are SPPI.

For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Company determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Company's business model does not depend on management's intentions for an individual instrument, therefore the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

The Company considers all relevant information available when making the business model assessment. However this assessment is not performed on the basis of scenarios that the Company does not reasonably expect to occur, such as so-called 'worst case' or 'stress case' scenarios. The Company takes into account all relevant evidence available such as:

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and
- how managers of the business are compensated (e.g. whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

At initial recognition of a financial asset, the Company determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Company reassess its business models at each reporting period to determine whether the business models have changed since the preceding period. For the current and prior reporting period the Company has not identified a change in its business models.

When a debt instrument measured at FVTOCI is derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss but transferred within equity.

Debt instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment.

Equity instruments designated as at FVTOCI

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination to which CIFRS 3 applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve.

The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

The Company has designated all investments in equity instruments that are not held for trading as at FVTOCI on initial application of CIFRS 9.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with CIFRS 9 unless the dividends clearly represent a recovery of part of the cost of the investment.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Company designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Company has not designated any debt instruments as at FVTPL.

Reclassification

If the business model under which the Company holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Company's financial assets. During the current financial year and previous accounting period there was no change in the business model under which the Company holds financial assets and therefore no reclassifications were made.

b. Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate as at each reporting date. Specifically,

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the "other income" line item;

- for debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss in the "other gains and losses" line item;

- for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the "other gains and losses" line item; and

- for equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the investments revaluation reserve.

c. Impairment of financial assets

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

- loans to customers; and
- balances with other banks.

No impairment loss is required for equity investments measured at FVTOCI.
With the exception of purchased or originated credit-impaired (POCI) financial assets, ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or

- full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL. More details on the determination of a significant increase in credit risk are provided in Note 2.6.i.c.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Company under the contract and the cash flows that the Company expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

The Company measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR, regardless of whether it is measured on an individual basis or a collective basis.

Credit-impaired financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- significant financial difficulty of the borrower or issuer;

- a breach of contract such as a default or past due event;

- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

- the disappearance of an active market for a security because of financial difficulties; or

- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event—instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Company assesses whether debt instruments that are financial assets measured at amortised cost or FVTOCI are credit-impaired at each reporting date. To assess if corporate debt instruments are credit impaired, the Company considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default. The definition of default (see below) includes unlikeliness to pay indicators and a back-stop if amounts are overdue for 90 days or more.

Definition of default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk (see Note 2.6.i.c).

The Company considers the following as constituting an event of default:

- the borrower is past due equal to or more than 90 days on any material credit obligation to the Company; or

- the borrower is unlikely to pay its credit obligations to the Company in full.

This definition of default is used by the Company for accounting purposes as well as for internal credit risk management purposes and is broadly aligned to the regulatory definition of default. The definition of default is appropriately tailored to reflect different characteristics of different types of assets. Overdrafts are considered as being past due once the customer has breached an advised limit or has been advised of a limit smaller than the current amount outstanding.

When assessing if the borrower is unlikely to pay its credit obligation, the Company takes into account both qualitative and quantitative indicators. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis. The Company uses a variety of sources of information to assess default which are either developed internally or obtained from external sources. As noted in the definition of credit impaired financial assets above, default is evidence that an asset is credit impaired. Therefore credit impaired assets will include defaulted assets, but will also include other non-defaulted given the definition of credit impaired is broader than the definition of default.

Significant increase in credit risk

The Company monitors all financial assets and issued loan commitments that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Company will measure the loss allowance based on lifetime rather than 12-month ECL.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Company's historical experience and expert credit assessment including forward-looking information.

Multiple economic scenarios form the basis of determining the probability of default at initial recognition and at subsequent reporting dates. Different economic scenarios will lead to a different probability of default. It is the weighting of these different scenarios that forms the basis of a weighted average probability of default that is used to determine whether credit risk has significantly increased.

Forward-looking information includes the future prospects of the industries in which the Company's counterparties operate, obtained from economic expert reports, financial analysts, governmental bodies, and other similar organisations, as well as consideration of various internal and external sources of actual and forecast economic information, particularly for regions with a concentration to certain industries, as well as internally generated information of customer payment behaviour. The Company allocates its counterparties to a relevant internal credit risk grade depending on their credit quality. The quantitative information is a primary indicator of significant increase in credit risk and is based on the change in lifetime PD by comparing:

- the remaining lifetime PD at the reporting date; with

- the remaining lifetime PD for this point in time that was estimated based on facts and circumstances at the time of initial recognition of the exposure.

The PDs used are forward-looking and the Company uses the same methodologies and data used to measure the loss allowance for ECL.

The qualitative factors that indicate significant increase in credit risk are reflected in PD models on a timely basis. However the Company still considers separately some qualitative factors to assess if credit risk has increased significantly.

Given that a significant increase in credit risk since initial recognition is a relative measure, a change, in absolute terms, in the PD will be more significant for a financial instrument with a lower initial PD than compared to a financial instrument with a higher PD.

As a back-stop when an asset becomes 30 days past due, the Company considers that a significant increase in credit risk has occurred and the asset is in stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime ECL. In addition loans that are individually assessed and are included on a watch list are in stage 2 of the impairment model. As noted, if there is evidence of credit-impairment the assets are at stage 3 of the impairment model.

Modification and derecognition of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing loan would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

The Company derecognises a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognised in OCI and accumulated in equity is recognised in profit or loss, with the exception of equity investment designated as measured at FVTOCI, where the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Company retains an option to repurchase part of a transferred asset), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain/loss allocated to it that had been recognised in OCI is recognised in profit or loss. A cumulative gain/loss that had been recognised in OCI is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts. This does not apply for equity investments designated as measured at FVTOCI, as the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

Write-off

Loans and debt securities are written off when the Company has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Company may apply enforcement activities to financial assets written off. Recoveries resulting from the Company's enforcement activities will result in impairment gains, which will be presented in 'other income' in the statement of profit or loss.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- for financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets; and
- where a financial instrument includes both a drawn and an undrawn component, and the Company cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Company presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

(ii) Financial liabilities and equity

Debt and equity instruments that are issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Company or a contract that will or may be settled in the Company's own equity instruments and is a non-derivative contract for which the Company is or may be obliged to deliver a variable number of its own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Company's own equity instruments.

All financial liabilities are measured subsequently at amortised cost using the effective interest method. For all financial liabilities, the amount presented on the statement of financial position represent all amounts payable including interest element.

Other financial liabilities, including deposits and borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The EIR is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. For details on EIR see the "net interest income" in Note 2.15.

(iii) Offsetting arrangements

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Company has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

2.7 Regulatory reserves

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

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

Facilities under this Prakas is defined as all loans and other financial products, whether reported on the statement of financial position or off-the statement of financial position, provided by the Company to a counterparty, which give rise to credit risk exposure on the Company.

The Company calculates the impairment loss allowance for credit facilities in accordance with the regulatory provision simultaneously with the calculation in accordance with the CIFRSs. The impairment loss allowance calculated in accordance with CIFRSs is to be recognised and recorded in profit or loss and statement of financial position. When the impairment loss allowance calculated in accordance with regulatory provision is higher than that calculated under the CIFRSs, the excess amount is transferred from retained earnings to regulatory reserves as disclosed in Note 22.

Reversal of regulatory reserves

When the impairment loss allowance calculated in accordance with regulatory provision is subsequently less than that calculated under the CIFRSs, the regulatory reserve is reversed at the amount that does not exceed the amount that would have been determined had no regulatory reserve been recognised in prior years.

2.8 Leases

a. The Company as a lessee

Applying practical expedient in CIFRS 1, the Company does not assess whether a contract existing as at 1 January 2018, the date of transition to CIFRSs, contains a lease. For leases after the date of transition, the Company assesses whether a contract is or contains a lease at inception of the contract.
The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets, motorbikes, and small items of office furniture). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

For leases existing at the date of transition to CIFRSs, a lease liability is measured at the present value of the lease payments that are not paid at the date of transition, discounted using the its incremental borrowing rate at the date of transition. For leases after the date of transition, the lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.
Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under CIAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the period of lease term. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Company applies CIAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property and Equipment' policy.

2.9 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The cost of a property and equipment item comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Where an item of property and equipment comprises major components having different estimated useful lives, the components are accounted for as separate items of property and equipment.
Subsequent expenditure relating to an item of property and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Company. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Gain or loss arising from the retirement or disposal of an item of property and equipment is determined as the difference between the estimated net disposal proceeds and the carrying amount of the assets and is recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Leaseholdimprovements	4 years
Motor vehicles	8 years
Motorcycles	5 years
Computer and office equipment	3 to 4 years

Construction in progress is not depreciated until such time as the relevant assets are completed and put into operational use.

Fully depreciated assets are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets. If there is any indication that there has been a significant change in rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

2.10 Software

Software is stated at cost less accumulated amortisation and accumulated impairment losses, if any. It is amortised on a straight-line basis at the rate of 20% per annum. If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of software, the amortisation is revised prospectively to reflect the new expectations.

Work in progress is not depreciated until such time as the relevant assets are completed and put into operational use.

2.11 Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Any impairment loss is charged to income statement in the year in which it arises. Reversal of impairment loss is recognised in the income statement to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, had no impairment loss been recognised.

2.12 Investments in associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting.

Under the equity method, an investment in an associate is recognised initially in the statement of financial position at cost and adjusted thereafter to recognise the Company's share of the profit or loss and other comprehensive income of the associate. When the Company's share of losses of an associate exceeds the Company's interest in that associate (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Company's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

2.13 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) 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 and a reliable estimate can be made on the amount of the obligation.
When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.14 Employee benefits

Provision for staff pension fund

The Company provides its employees with benefits under the staff pension fund policy. Employees who complete three months of service with the Company have to participate in the staff pension fund scheme. The fund is sourced from the following:

Employees contribute 3% of their monthly salary, and the Company contributes 6% for employees who are working less than or equal to three years, and 7% for employees working in the Company for over three years. The Company's contribution is charged to the income statement on accrual basis.

The Company contributes interest on the cumulative balance of the staff pension fund in line with the market rates the Company provides to depositors. This interest is charged to the income statement on accrual basis.

The staff pension fund will be paid to employees (who have contributed to the fund) upon their retirement, resignation or termination of employment. The employee's contribution and interest are paid in full accordingly. Those who have been terminated due to serious misconduct are only entitled to their contribution plus interest, regardless of how long they have been employed by the Company.

Seniority payment

The Minister of Labour and Vocational Training (MoLVT) issued a Prakas No. 443 on Seniority Payment dated 21 September 2018 and Directive No. 042/19 on the Back Pay of Seniority Payment Before 2019 for the Enterprise and Institution Beside Textile, Garment and Footwear Sector dated 22 March 2019, requiring the Company to pay past seniority payment to employees with undetermined duration contract. All employees who have been working before 1 January 2019 and continue to work are entitled to a payment of six (6) days of their average wages of each year of service, totalling not exceeding 6 months, and shall be paid every year starting December 2021 as follows:

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

Employees are not entitled to the remaining past seniority payment upon resignation or termination due to serious misconduct.

The past seniority payment benefit is measured at the present value of the estimated future cash outflows expected to be made by the Company in respect of services provided by employees up to 31 December 2018. This benefit was recognised in full during the year 2018.

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

Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

2.15 Net interest income

Interest income and expense for all financial instruments except for those classified as held for trading or those measured or designated as at FVTPL are recognised in 'Net interest income' as 'Interest income' and 'Interest expense' in the profit or loss account using the effective interest method. Interest on financial instruments measured as at FVTPL is included within the fair value movement during the period.

The effective interest rate (EIR) is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated taking into account all the contractual terms of the instrument.

The calculation of the EIR includes all fees paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts. For financial assets at FVTPL transaction costs are recognised in profit or loss at initial recognition.

The interest income/interest expense is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortised cost of the financial asset before adjusting for any expected credit loss allowance), or to the amortised cost of financial liabilities. For credit-impaired financial assets, the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses (ECLs)).

2.16 Other income and expense

Other income and expense include fees other than those that are an integral part of EIR (see above). The fees included in this part of the Company's statement of profit or loss include a diverse range of services it provides to its customers such as fees charged for servicing a loan.

Fee and commission expenses with regards to services are accounted for as the services are received.

2.17 Grant income

Grants received from third parties to subsidise the Company's operating expenses are released to the statement of profit or loss on a systematic and rational basis, matching the related costs which they are intended to compensate.

Grants received from third parties for the purchase of property and equipment are amortised to the statement of profit or loss on a systematic and rational basis over the useful life of the assets. The unamortised grants are shown as deferred grant income.

2.18 Income tax

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In applying the Company's accounting policies, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3.1 Critical judgments in applying accounting policies

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

(i) Functional currency

Based on the economic substance of underlying circumstances relevant to the Company, Management determines the functional currency of the Company to be the KHR. The KHR is the currency of the primary economic environment in which the Company operates and it is the currency that mainly influences the loans to customers and interest income.

(ii) Significant influence over its associate, Forte Life Assurance (Cambodia) Plc.

Forte Life Assurance (Cambodia) Plc. is an associate of the Company although the Company only owns a 5.7% ownership interest in Forte Life Assurance (Cambodia)

Plc. (Note 11). The Company has significant influence over Forte Life Assurance (Cambodia) Plc. by virtue of its contractual right to appoint two out of six directors to the board of directors of that company.

(iii) Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance is measured, the risks that affect the performance of the assets and how these are managed. The Company monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

(iv) Significant increase in credit risk

As explained in Note 2, expected credit losses are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. CIFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Company takes into account qualitative and quantitative reasonable and supportable forward looking information.

(v) Establishing groups of assets with similar credit risk characteristics

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The Company monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets.
Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

(vi) Models and assumptions used

The Company uses various models and assumptions in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

3.2 Key sources of estimation uncertainty

(i) Calculation of loss allowance

When measuring expected credit losses, the Company uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

(ii) Income tax

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

These factors may create potential tax exposures for the Company. Directors believe that they have understood relevant tax regulations and adequately provided for tax liabilities based on their interpretation of the current tax legislation. However, where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(iii) Useful lives and residual value of property and equipment and software

The useful life and residual value of each item of property and equipment and software are estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of similar businesses, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life or change in residual value of any item of property and equipment would increase the recorded operating expenses and decrease the carrying value of these non-financial assets. There is no change in the estimated useful lives of property and equipment and software during the year.

(iv) Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

4. CASH ON HAND

	31 Dec 2019		31 Dec 2018		1 Jan 2018	
	KHR'000	US$	KHR'000	US$	KHR'000	US$
Khmer Riel ("KHR")	29,136,214	7,149,991	34,969,773	8,703,278	33,701,566	8,348,171
US Dollars ("US$")	39,838,724	9,776,374	41,322,510	10,284,348	33,893,992	8,395,837
Thai Baht ("THB")	6,297,261	1,545,340	3,509,466	873,436	1,848,945	457,999
	75,272,199	18,471,705	79,801,749	19,861,062	69,444,503	17,202,007

5. BALANCES WITH THE NBC

	31 Dec 2019		31 Dec 2018		1 Jan 2018	
	KHR'000	US$	KHR'000	US$	KHR'000	US$
Current accounts	49,221,345	12,078,858	81,224,909	20,215,259	31,216,009	7,732,477.00
Capital guarantee *(i)*	15,917,495	3,906,134	12,032,730	2,994,706	7,912,730	1,960,052.00
Negotiable Certificate of Deposit (NCD) *(ii)*	133,438,714	32,745,697	139,755,219	34,782,284	97,083,380	24,048,397.00
Reserve requirement *(iii)*	54,752,263	13,436,137	44,306,668	11,027,046	33,732,438	8,355,818.00
	253,329,817	62,166,826	277,319,526	69,019,295	169,944,557	42,096,744

(i) Under NBC Prakas No. B7-07-163 on Licensing of Microfinance Deposit Taking Institutions dated 13 December 2007, the Company is required to maintain a capital guarantee deposit equivalent to 10% of registered capital with the NBC. This deposit is not available for use in the Company's day-to-day operations but is refundable when the Company voluntarily ceases to operate the business in Cambodia.

The statutory deposit on registered capital placed with the NBC earns interest at the rate of 3% (2018: 3%) per annum.

(ii) The NCD amounting to KHR200 million is used as collateral against the overdraft facility with the NBC in connection with the Fast and Secure Transfer ("FAST") service. The FAST service provides instant Riel-denominated fund transfers between banking institutions. The overdraft line as at 31 December 2019 is unutilised. NCD amounting to KHR132.74 Billion (2018: KHR74.90 billion) is used as collateral (for currency hedge purpose) against the borrowing from the NBC.

The above NCD earned interest ranging from 0.60% to 1.08% per annum (2018: 0.72% -1% per annum).

(iii) The reserve requirement represents the minimum reserve requirement which is calculated at 8% of the total deposits from customers as required by NBC Prakas B7-07-163 on Licensing of MDIs. The reserve requirement fluctuates depending on the level of deposits from customers and does not earn interest.

No impairment loss allowance is created against the balance with the NBC as management determines that the credit risk on these facilities are minimal.

6. BALANCES WITH OTHER BANKS

	31 Dec 2019		31 Dec 2018		1 Jan 2018	
	KHR'000	US$	KHR'000	US$	KHR'000	US$
Current accounts	13,405,366	3,289,661	4,072,882	1,013,658	7,829,764	1,939,501
Saving accounts	4,584,657	1,125,069	9,381,124	2,334,775	33,773,880	8,366,084
	17,990,023	4,414,730	13,454,006	3,348,433	41,603,644	10,305,585
Less: impairment loss allowance	(269,058)	(66,027)	(235,561)	(58,626)	(760,335)	(188,342)
Balance with other banks, net	17,720,965	4,348,703	13,218,445	3,289,807	40,843,309	10,117,243

The current accounts do not earn interest. Savings accounts earn annual interest at 0.1% - 1.5% (2018: 0.05% - 1.50%).

7. LOANS TO CUSTOMERS

	31 Dec 2019		31 Dec 2018		1 Jan 2018	
	KHR'000	US$	KHR'000	US$	KHR'000	US$
Loans to customers at amortised costs	1,308,258,187	321,044,954	1,006,548,709	250,509,882	838,022,166	207,585,376
Less: impairment loss allowance	(16,962,926)	(4,162,681)	(16,785,876)	(4,177,669)	(18,724,015)	(4,638,101)
Loans to customers, net	1,291,295,261	316,882,273	989,762,833	246,332,213	819,298,151	202,947,275

Loans to customers at amortised cost

	31 Dec 2019			31 Dec 2018			1 Jan 2018		
	Gross carrying amount	ECL alloance	Carrying amount	Gross carrying amount	ECL allowance	Carrying amount	Gross carrying amount	ECL allowance	Carrying amount
	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000
Village ban loans	664,480,048	8,872,591	655,607,457	535,508,016	8,710,427	526,797,589	337,658,521	6,118,042	331,540,479
Individual loans	643,778,139	8,090,335	635,687,804	471,040,693	8,075,449	462,965,244	500,363,645	12,605,973	487,757,672
	1,308,258,187	16,962,926	1,291,295,261	1,006,548,709	16,785,876	989,762,833	838,022,166	18,724,015	819,298,151

8. PROPERTY AND EQUIPMENT

	Leasehold improvment	Motor Vehicles	Motorcycles	Computer and office equipment	Constrution in progress	Total
	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000
Cost						
At 1 Jan 2019	4,077,642	5,000,707	14,439,734	18,911,494	2,094,956	44,524,533
Additions	107,555	-	3,338,355	1,819,579	225,918	5,491,407
Disposals	(63,705)	-	(58,505)	(98,343)	-	(220,553)
Transfers	91,729	-	-	2,188,209	(2,279,938)	-
Adjustments	-	-	-	1,444,523	-	1,444,523
Currency translation difference	-	-	-	-	(2,091)	(2,091)
At 31 Dec 2019	4,213,221	5,000,707	17,719,584	24,265,462	38,845	51,237,819
Accumulated depreciation						
At 1 Jan 2019	3,013,339	2,376,104	7,380,069	13,758,354	-	26,527,866
Depreciation	578,070	355,391	1,741,866	3,618,063	-	6,293,390
Disposals	(63,546)	-	(43,730)	(95,520)	-	(202,796)
At 31 Dec 2019	3,527,863	2,731,495	9,078,205	17,280,897	-	32,618,460
Carrying amounts						
At 1 Jan 2019	1,064,303	2,624,603	7,059,665	5,153,140	2,094,956	17,996,667
At 31 Dec 2019	685,358	2,269,212	8,641,379	6,984,565	38,845	18,619,359
Carrying amounts in US$						
At 1 Jan 2019	264,884	653,211	1,757,009	1,282,514	521,393	4,479,011
At 31 Dec 2019	168,186	556,862	2,120,584	1,714,004	9,532	4,569,168

	Leasehold improvment	Motor vehicles	Motorcycles	Computer and office equipment	Constrution in progress	Total
	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000
Cost						
At 1 Jan 2018	3,677,325	4,551,754	12,518,247	15,312,175	2,077,963	38,137,464
Additions	328,550	848,299	1,921,487	1,157,821	2,551,646	6,807,803
Disposals	(3,995)	(399,346)	-	(17,393)	-	(420,734)
Transfers	75,762	-	-	2,458,891	(2,534,653)	-
At 31 Dec 2018	4,077,642	5,000,707	14,439,734	18,911,494	2,094,956	44,524,533
Accumulated depreciation						
At 1 Jan 2018	2,394,655	2,376,992	5,851,384	10,848,809	-	21,471,840
Depreciation	622,679	398,458	1,528,685	2,926,938	-	5,476,760
Disposals	(3,995)	(399,346)	-	(17,393)	-	(420,734)
At 31 Dec 2018	3,013,339	2,376,104	7,380,069	13,758,354	-	26,527,866
Carrying amounts						
At 1 Jan 2018	1,282,670	2,174,762	6,666,863	4,463,366	2,077,963	16,665,624
At 31 Dec 2018	1,064,303	2,624,603	7,059,665	5,153,140	2,094,956	17,996,667
Carrying amounts in US$						
At 1 Jan 2018	317,729	538,707	1,651,439	1,105,615	514,730	4,128,220
At 31 Dec 2018	264,884	653,211	1,757,009	1,282,514	521,393	4,479,011

9. SOFTWARE

	Software and licenses	Work in progress	Total
	KHR'000	KHR'000	KHR'000
Cost			
At 1 Jan 2019	9,220,432	9,008,568	18,229,000
Additions	787,673	3,573,525	4,361,198
Disposal	(5,315,809)	-	(5,315,809)
Transfers	9,849,164	(9,849,164)	-
Adjustments		(1,444,523)	(1,444,523)
Currency translation difference		(2,757)	(2,757)
At 31 Dec 2019	14,541,460	1,285,649	15,827,109
Accumulated amortisation			
At 1 Jan 2019	6,479,762	-	6,479,762
Amortisation	2,601,889	-	2,601,889
Disposal/Write-off	(5,315,808)	-	(5,315,808)
At 31 Dec 2019	3,765,843	-	3,765,843
Carrying amounts			
At 1 Jan 2019	2,740,670	9,008,568	11,749,238
At 31 Dec 2019	10,775,617	1,285,649	12,061,266
Carrying amounts in US$			
At 1 Jan 2019	682,098	2,242,053	2,924,151
At 31 Dec 2019	2,644,323	315,497	2,959,820

Cost			
At 1 Jan 2018	6,695,562	9,247,315	15,942,877
Additions	602,708	1,683,415	2,286,123
Transfers	1,922,162	(1,922,162)	-
	-	-	-
As at 31 Dec 2018	9,220,432	9,008,568	18,229,000
Accumulated amortisation			
At 1 Jan 2018	5,845,722	-	5,845,722
Amortisation	634,040	-	634,040
	-	-	-
At 31 Dec 2018	6,479,762	-	6,479,762
Carrying amounts			
At 1 Jan 2018	849,840	9,247,315	10,097,155
At 31 Dec 2018	2,740,670	9,008,568	11,749,238
Carrying amounts in US$			
At 1 Jan 2018	210,513	2,290,640	2,501,153
At 31 Dec 2018	682,098	2,242,053	2,924,151

10. LEASES (AS A LESSEE)

(i) Right-of-use assets ("ROUA")

	Building	ATM	Parking	Total
	KHR'000	KHR'000	KHR'000	KHR'000
Cost				
At 1 Jan 2019	28,089,254	4,920,538	103,681	33,113,473
Additions	3,017,242	-	780,761	3,798,003
Disposal	(693,717)	-	(104,657)	(798,374)
At 31 Dec 2019	30,412,779	4,920,538	779,785	36,113,102
Accumulated depreciation				
At 1 Jan 2019	5,305,452	1,399,799	72,995	6,778,246
Charge for the year	5,865,683	1,415,768	140,450	7,421,901
Disposal	(693,717)	-	(104,657)	(798,374)
At 31 Dec 2019	10,477,418	2,815,567	108,788	13,401,773
Carrying amounts				
At 1 Jan 2019	22,783,802	3,520,739	30,686	26,335,227
At 31 Dec 2019	19,935,361	2,104,971	670,997	22,711,329
Carrying amounts in US$				
At 1 Jan 2019	5,670,434	876,242	7,637	6,554,312
At 31 Dec 2019	4,892,113	516,557	164,662	5,573,332
Cost				
At 1 Jan 2018	23,092,269	4,920,538	103,681	28,116,488
Additions	5,335,758	-	-	5,335,758
Disposal	(338,773)	-	-	(338,773)
At 31 Dec 2018	28,089,254	4,920,538	103,681	33,113,473
Accumulated depreciation				
At 1 Jan 2018	-	-	-	-
Charge for the year	5,644,225	1,399,799	72,995	7,117,019
Disposal	(338,773)	-	-	(338,773)
At 31 Dec 2018	5,305,452	1,399,799	72,995	6,778,246
Carrying amounts				
At 1 Jan 2018	23,092,269	4,920,538	103,681	28,116,488
At 31 Dec 2018	22,783,802	3,520,739	30,686	26,335,227
Carrying amounts in US$				
At 1 Jan2018	5,720,156	1,218,860	25,683	6,964,699
At 31 Dec 2018	5,670,434	876,242	7,637	6,554,312

The Company leases several assets including buildings, automated teller machines (ATM), and parking lot. The average lease term is 5 years (2018: 5 years).

The Company has options to purchase ATM for a nominal amount at the end of the lease term.

Approximately one fifth of the leases for buildings expired in the current financial year. The expired contracts were replaced by new leases for identical underlying assets. This resulted in additions to right-of-use assets of KHR2,999,629 in 2019 (2018: KHR4,996,984).

The maturity analysis of lease liabilities is presented in Note 14.

When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate and the weighted-average rate applied is 7.81%.

(ii) Amounts recognised in profit or loss

	2019		2018	
	KHR'000	US$	KHR'000	US$
Depreciation expense on ROUA	7,421,901	1,831,664	7,117,019	1,759,461
Interest expense on lease liabilities	2,978,741	735,129	2,270,883	561,405
Expense relating to short-term leases	302,211	74,583	16,710	4,131
Expense relating to low value leases	670,241	165,410	826,458	204,316

The total cash outflows for leases excluding interest amounted to KHR'000 5,755,503 (2018: KHR'000 6,041,721).

11. OTHER ASSETS

	31 Dec2019		31 Dec 2018		1 Jan 2018	
	KHR'000	US$	KHR'000	US$	KHR'000	US$
Interest receivable	-	-	-	-	1,860	462
Prepayment	6,907,282	1,695,039	4,348,503	1,082,256	1,498,394	371,165
Investments (*)	1,772,625	435,000	1,746,589	434,691	1,746,589	432,645
Advance and deposits	1,272,046	312,159	1,234,612	307,270	1,349,175	334,202
Others	3,522,665	864,457	1,155,544	287,592	1,406,327	348,359
	13,474,618	3,306,655	8,485,248	2,111,809	6,002,345	1,486,833

* Included in the investments is an amount of KHR1,630,000,000 (2018: KHR1,626,400,000) representing 5.7% equity interest in Forte Life Assurance (Cambodia) Plc.

12. DEPOSITS FROM CUSTOMERS

	31 Dec 2019		31 Dec 2018		1 Jan 2018	
	KHR'000	US$	KHR'000	US$	KHR'000	US$
Retail customers						
Savings deposits	278,494,879	68,342,301	222,435,050	55,359,644	194,761,260	48,244,057
Term deposits	466,579,979	114,498,154	430,014,080	107,021,921	293,164,883	72,619,491
	745,074,858	182,840,456	652,449,130	162,381,565	487,926,143	120,863,548

13. INCOME TAX

The Company's tax returns are subject to examination by the General Department of Taxation ("GDT"). Because the application of tax laws and regulations to many types of transactions is susceptible to varying interpretations, the amounts reported in the financial statements could change at a later date upon final determination by the GDT.

13.1 Income tax expense

In accordance with Cambodian tax law, the Company has the obligation to pay tax on profit ("ToP") at the rate of 20% of taxable income or minimum tax at 1% of turnover inclusive of all taxes except value-added tax, whichever is higher.

Income tax expense comprises:

	2019		2018	
	KHR'000	US$	KHR'000	US$
Current income tax	12,276,847	3,029,824	8,595,430	2,124,952
Deferred tax income	(4,546,173)	(1,121,958)	(100,345)	(24,807)
Under provision of income tax in prior year(*)	935,736	230,932	-	-
	8,666,410	2,138,798	8,495,085	2,100,145

The General Department of Taxation (the "GDT") conducted and completed its tax comprehensive audit on the Company's accounts for the financial years 2009 to 2017 and the Company received the Certificates of Tax Audit Situation for these years. The tax liabilities resulting from such comprehensive tax audits was fully settled during the year.

The reconciliation of income tax expense shown in profit or loss is as follows:

	2019		2018	
	KHR'000	US$	KHR'000	US$
Profit before income tax	38,249,666	9,439,701	38,215,135	9,447,500
Income tax expense at applicable tax rate of 20%	7,649,933	1,887,940	7,643,027	1,889,500
Adjustments:				
Non-deductible expenses	560,830	138,408	986,537	243,890
(Over)/under provision of income tax in prior year	-	-	(398,281)	(98,463)
Unrecognised temporary differences	455,647	112,450	263,802	65,218
	8,666,410	2,138,798	8,495,085	2,100,145

13.2 Current tax liabilities

Movement of current tax liabilities is as follows:

	2019		2018	
	KHR'000	US$	KHR'000	US$
Balance at beginning of the year	6,365,457	1,584,235	7,341,834	1,818,636
Current income tax	13,212,583	3,260,756	8,595,430	2,139,231
Income tax paid	(10,007,704)	(2,469,818)	(9,571,807)	(2,382,232)
Currency translation difference	-	(26,624)	-	8,600
	9,570,336	2,348,549	6,365,457	1,584,235

13.3 Deferred tax

	31 Dec 2019		31 Dec 2018		1 Jan 2018	
	KHR'000	US$	KHR'000	US$	KHR'000	US$
Deferred tax assets	11,856,229	2,909,504	6,904,619	1,718,422	6,503,617	1,611,002
Deferred tax liabilities	(936,753)	(229,878)	(531,316)	(132,234)	(230,658)	(57,136)
	10,919,476	2,679,626	6,373,303	1,586,188	6,272,959	1,553,866

The movements of net deferred tax assets during the year was as follows:

	Allowance for loan losses	Provision for employee benefits obligations	Unamortised loan processing fees	Accruals	Property and equipment	Un realised exchange gain	Total
	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000
At 1 Jan 2019	1,346,700	622,322	3,871,430	1,064,166	(531,315)	-	6,373,303
Credited/(charged) to profit or loss	657,644	1,037,742	3,139,788	116,437	(92,326)	(313,112)	4,546,173
At 31 Dec 2019	2,004,344	1,660,064	7,011,218	1,180,603	(623,641)	(313,112)	10,919,476
At 31 Dec 2019 in US$	491,864	407,378	1,720,544	289,719	(153,041)	(76,838)	2,679,626

	Allowance for loan losses	Provision for employee benefits obligations	Unamortised loan processing fees	Accruals	Property and equipment	Total
	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000
At 1 Jan 2018	2,248,334	1,966,792	1,528,414	760,078	(230,659)	6,272,959
Credited/(charged) to profit or loss	(901,634)	(1,344,470)	2,343,016	304,088	(300,656)	100,344
At 31 Dec 2018	1,346,700	622,322	3,871,430	1,064,166	(531,315)	6,373,303
At 31 Dec 2018 in US$	335,167	154,884	963,522	264,849	(132,234)	1,586,188

14. LEASE LIABILITIES

Maturity analysis - contractual undiscounted cash flows

	31 Dec 2019		31 Dec 2018		1 Jan 2018	
	KHR'000	US$	KHR'000	US$	KHR'000	US$
Year 1	7,820,042	1,919,029	7,693,142	1,914,669	7,279,401	1,803,171
Year 2	6,022,801	1,477,988	6,765,809	1,683,875	6,628,367	1,641,904
Year 3	4,363,858	1,070,885	5,012,324	1,247,467	5,720,826	1,417,098
Year 4	3,547,096	870,453	3,570,429	888,609	4,107,207	1,017,391
Year 5	2,083,198	511,214	3,005,234	747,943	2,807,055	695,332
More than 5 years	3,103,535	761,604	4,556,263	1,133,963	5,244,809	1,299,185
	26,940,530	6,611,173	30,603,201	7,616,526	31,787,665	7,874,081
Less: unearned interest	3,415,476	838,154	5,120,647	1,274,427	5,599,147	1,386,957
Lease Liabilities	23,525,054	5,773,019	25,482,554	6,342,099	26,188,518	6,487,124
Analysed as:						
Current	7,820,042	1,919,029	7,693,142	1,914,669	7,279,401	1,803,171
Non-current	15,705,012	3,853,990	17,789,412	4,427,430	18,909,117	4,683,953

15. BORROWINGS

	31 Dec 2019		31 Dec 2018		1 Jan 2018	
	KHR'000	US$	KHR'000	US$	KHR'000	US$
Borrowings at amortised cost						
Secured (*)	128,000,000	31,411,043	71,840,000	17,879,542	92,000,000	22,789,200
Unsecured (**)	474,027,292	116,325,716	408,701,581	101,717,666	338,164,186	83,766,209
	602,027,292	147,736,759	480,541,581	119,597,208	430,164,186	106,555,409

(*) This represents currency purchase from NBC through its liquidity-providing collateralised operation ("LPCO") mechanism against the NCD.

(**) This represents bank loans obtained from various banks with terms from one to six years (2018: one to six years) and interest rate from 4.00% to 10.00% (2018: 6.40% to 13.72%).

16. SUBORDINATED DEBTS

	31 Dec 2019		31 Dec 2018		1 Jan 2018	
	KHR'000	US$	KHR'000	US$	KHR'000	US$
Subordinated debts at amortised cost						
BlueOrchard*	16,375,814	4,018,605	20,188,465	5,024,506	-	-
PROPACO**	10,182,021	2,498,655	15,273,032	3,801,153	20,421,710	5,058,635
	26,557,835	6,517,260	35,461,497	8,825,659	20,421,710	5,058,635

(*) This pertains to a subordinated debt from BlueOrchard Microfinance Fund which was signed on 15 June 2018 and approved by the NBC on 25 July 2018 as capital tier 2. The loan is repayable to the lender based on the agreed schedules stated in loan agreement. This subordinated debt has a five-year term maturing on 15 June 2023.

(**) This pertains to a subordinated debt from Société de Promotion et de Participation pour la Coopération Economique ("PROPARCO") approved by the NBC on 14 June 2016 as capital tier 2 and are repayable to the lender based on the agreed schedules stated in loan agreement. This subordinated debt has a five-year term maturing on 15 September 2021.

17. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

		Non-cash changes			
	1 Jan 2019	Financing cash flows (i)	Lease liabilities (ii)	Other changes (ii)	31 Dec 2019
	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000
Borrowings	480,541,581	120,403,961	-	1,081,750	602,027,292
Subordinated debt	35,461,497	(8,645,400)	-	(258,262)	26,557,835
Lease liabilities	25,482,554	(5,755,503)	3,798,003	-	23,525,054
Total liabilities from financing activities	541,485,632	106,003,058	3,798,003	823,488	652,110,181

		Non-cash changes			
	1 Jan 2018	Financing cash flows (i)	Lease liabilities (ii)	Other changes (ii)	31 Dec 2018
	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000
Borrowings	430,164,186	50,228,886	-	148,509	480,541,581
Subordinated debt	20,421,710	15,244,600	-	(204,813)	35,461,497
Lease liabilities	26,188,518	(6,041,721)	5,335,757	-	25,482,554
Total liabilities from financing activities	476,774,414	59,431,765	5,335,757	(56,304)	541,485,632

(i) The cash flows from borrowings, subordinated debts and lease liabilities make up the net amount of proceeds from and repayments of borrowings and subordinated debts and the payment of lease liabilities in the statement of cash flows.

(ii) Non-cash changes pertain to interest accruals and payments.

18. PROVISION FOR EMPLOYEE BENEFIT OBLIGATIONS

	2019		2018	
	KHR'000	US$	KHR'000	US$
Balance at beginning of year	9,863,741	2,454,888	14,095,407	3,491,555
Additions during the year				
Employer contribution	3,432,586	842,352	3,591,853	893,940
Employee contribution	1,624,776	398,718	1,323,307	329,345
Provision on seniority pay	1,824,593	447,753	5,534,875	1,377,520
Interest	453,665	111,329	421,346	104,371
Payments during the year	(2,785,804)	(683,633)	(14,304,905)	(3,560,205)
Reversal (*)	(3,355,347)	(823,398)	(798,142)	(198,642)
Foreign exchange difference	-	(34,338)	-	17,004
	11,058,210	2,713,671	9,863,741	2,454,888

(*) The reversal of provision resulted from the Directive No. 042/19 dated 22 March 2019 on the Back Pay of Seniority Payment before 2019 for the Enterprise and Institution Besides Textile, Garment and Footwear Sector issued by the Ministry of Labour and Vocational Training, which revised the settlement of back pay seniority from 7.5 days to 3 days in June and December of each year and the deferral of the payment (to start from December 2021 as opposed to the original requirement to start payment from June 2019).

19. OTHER LIABILITIES

	31 Dec 2019		31 Dec 2018		1 Jan 2018	
	KHR'000	US$	KHR'000	US$	KHR'000	US$
Accrual and other payables	5,663,651	1,389,853	14,841,853	3,693,841	4,787,272	1,185,849
Accrued other staff benefits	8,943,048	2,194,613	10,610,177	2,640,661	8,505,220	2,106,817
Taxes payable	1,032,828	253,455	2,917,179	726,028	5,349,907	1,325,218
Mark-to-market loss on derivative financial instruments	179,963	44,163	1,444,608	359,534	560,485	138,836
	15,819,490	3,882,084	29,813,817	7,420,064	19,202,884	4,756,720

20. SHARE CAPITAL

(i) Number of ordinary share was as follows:

	2019	2018
As at 1 Jan	4,813,092	3,165,092
Additional share issued	1,553,906	1,648,000
	6,366,998	4,813,092

(ii) All ordinary shares are registered, issued and paid up with par value of KHR25,000.

	2019		2018	
	KHR'000	US$	KHR'000	US$
Share capital	159,174,950	39,061,337	120,327,300	29,947,063

Details of shareholdings were as follows:

	2019			2018		
	KHR'000	US$	Holding %	KHR'000	US$	Holding %
SCSB	135,121,500	33,158,650	84.89%	96,273,850	23,960,640	80.01%
Agora Microfinance N.V	24,053,425	5,902,681	15.11%	24,053,425	5,986,417	19.99%
AMK-Staff Association	25	6	0.001%	25	6	0.001%
	159,174,950	39,061,337	100.00%	120,327,300	29,947,063	100.00%

On 9 May 2018, the NBC approved on the transaction of shares purchased by The Shanghai Commercial and Savings Bank Limited ("SCSB") of 80.01% of the total shares. Agora Microfinance N.V. and AMK-Staff Association continue to remain as other shareholders after the change to shareholding is completed. The Company's revised Memorandum and Article of Association was approved by NBC and endorsed by the Ministry of Commerce on 4 and 10 July 2018, respectively.

On 16 July 2019, the NBC approved to increase the registered share capital of the Company from KHR120,327,300,000 to KHR159,174,950,000 with 6,366,998 shares and par value per share of KHR25,000. On 30 July 2019, the Ministry of Commerce registered and approved the above-mentioned share capital increment and the Amendment to Memorandum and Articles of Association of the Company.

21. SHARE PREMIUM

	KHR'000	US$
As at 1 Jan 2019	149,505	37,209
Premium arising on issue of equity shares	22,275,850	5,497,495
Currency translation difference	-	(31,549)
31 Dec 2019	22,425,355	5,503,155

22. RESERVE

	31 Dec 2019		31 Dec 2018		1 Jan 2018	
	KHR'000	US$	KHR'000	US$	KHR'000	US$
Other reserves (i)	22,295,749	5,471,349	20,764,670	5,167,911	18,814,706	4,660,566
Regulatory reserves (ii)	5,103,250	1,252,332	4,883,022	1,215,287	-	-
	27,398,999	6,723,681	25,647,692	6,383,198	18,814,706	4,660,566

(i) Under the loan agreement with Instituto De Crédito Oficial of The Kingdom of Spain ("ICO"), the Company is required to transfer a reserve amount of 3.5% of the loan outstanding with ICO from net profit at the end of each year into a capital strengthening reserve account. ICO has no entitlement to this reserve.

(ii) Regulatory reserves:

	31 Dec 2019		31 Dec 2018		1 Jan 2018	
	KHR'000	US$	KHR'000	US$	KHR'000	US$
At the beginning of the year	4,883,022	1,215,287	-	-	-	-
Impairment on credit facilities required by the NBC						
- Balances with other banks	179,900	44,147	132,501	32,977	-	-
- Loans to customers	22,155,333	5,436,892	21,771,957	5,418,606	18,426,671	4,564,447
Impairment loss on financial assets under the NBC	22,335,233	5,481,039	21,904,458	5,451,583	18,426,671	4,564,447
Impairment loss on financial assets under CIFRSs (Note 6 and 7)	17,231,983	4,228,707	17,021,436	4,236,296	19,484,350	4,826,443
Transfer from retained earnings to reserve pertaining to impairment during the year	220,228	54,350	-	-	-	-
Impact on transition to CIFRSs	-	-	4,883,022	1,207,175		
Currency translation difference	-	(17,305)	-	8,112	-	-
At the end of the year	5,103,250	1,252,332	4,883,022	1,215,287	-	-

The Company recognised regulatory reserves from the year ended 31 December 2018.

23. INTEREST INCOME

	2019		2018	
	KHR'000	US$	KHR'000	US$
Loans to customers	240,158,280	59,269,072	210,939,704	52,148,258
Deposits with banks	1,928,812	476,015	1,536,504	379,853
	242,087,092	59,745,087	212,476,208	52,528,111

24. INTEREST EXPENSE

	2019		2018	
	KHR'000	US$	KHR'000	US$
Borrowings	39,831,565	9,830,100	40,170,406	9,930,879
Deposits from customers	41,721,143	10,296,431	31,168,093	7,705,338
Staff pension fund	453,665	111,961	421,346	104,165
Leases	2,978,741	735,129	2,270,883	561,405
	84,985,114	20,973,621	74,030,728	18,301,787

25. FEE AND COMMISSION EXPENSE

	2019		2018	
	KHR'000	US$	KHR'000	US$
Village fees and commission and mobile bank agents' fees	9,945,660	2,454,506	7,778,660	1,923,031
Fees and commissions on borrowings and swaps	484,138	119,482	221,703	54,809
	10,429,798	2,573,988	8,000,363	1,977,840

26. OTHER INCOME

	2019		2018	
	KHR'000	US$	KHR'000	US$
Loan servicing fees	11,394,753	2,812,131	25,769,949	6,370,816
Reimbursement from shareholders	3,407,301	840,894	1,379,335	340,998
Micro-insurance commissions	2,991,904	738,377	2,542,933	628,661
Mobile banking fees	2,313,942	571,062	3,383,510	836,467
Remittance fees	2,076,510	512,465	385,440	95,288
Payroll fees	1,409,678	347,897	1,053,364	260,411
Loan recoveries	917,058	226,322	69,436	17,166
Loan penalties	859,381	212,088	2,372,122	586,433
Foreign exchange gains - net	840,459	207,418	425	105
Gain on disposal of property and equipment	-	-	60,008	14,835
Others	1,330,559	328,371	255,398	63,139
	27,541,545	6,797,025	37,271,920	9,214,319

27. GRANT INCOME

This represents the grant received from Water.org for a program managed by the Company as set forth in the grant agreement.

28. PERSONNEL EXPENSES

	2019		2018	
	KHR'000	US$	KHR'000	US$
Salaries and wages	72,759,759	17,956,505	68,574,483	16,952,901
Pension fund benefits and seniority payment	3,432,586	847,134	2,857,508	706,430
Insurance	3,336,886	823,516	2,966,703	733,425
Other employee benefits	2,363,451	583,280	3,162,826	781,909
	81,892,682	20,210,435	77,561,520	19,174,665

29. DEPRECIATION AND AMORTISATION

	2019		2018	
	KHR'000	US$	KHR'000	US$
Depreciation of property and equipment	6,293,390	1,553,156	5,476,760	1,353,958
Amortisation of ROUA	7,421,901	1,831,664	7,117,019	1,759,461
Amortisation of software	2,601,889	642,125	634,040	156,746
	16,317,180	4,026,945	13,227,819	3,270,165

30. OTHER OPERATING EXPENSES

	2019		2018	
	KHR'000	US$	KHR'000	US$
Low value and short-term rental	972,452	239,993	843,168	208,447
Transportation	6,583,877	1,624,846	5,080,305	1,255,947
Professional fees	7,120,345	1,757,242	6,607,585	1,633,519
Security guard	2,636,349	650,629	2,555,259	631,708
Dispensable furniture and fixtures	3,808,435	939,890	2,773,711	685,713
Utilities	2,050,164	505,963	1,925,046	475,908
NBC license fees	1,478,177	364,802	1,492,333	368,933
Communication	1,368,421	337,715	1,659,185	410,182
Marketing expense	1,259,756	310,897	819,736	202,654
Stationeries and supplies	923,855	228,000	1,482,479	366,497
Repairs and maintenance	689,625	170,194	1,023,511	253,031
Bank charges	616,069	152,041	899,247	222,311
Printing	692,743	170,963	1,304,840	322,581
Loss on disposal of fixed assets	3,432	847	-	-
Others	1,831,910	452,101	2,624,320	648,780
	32,035,610	7,906,123	31,090,725	7,686,211

31. NET IMPAIRMENT LOSS ON FINANCIAL INSTRUMENTS

	2019		2018	
	KHR'000	US$	KHR'000	US$
Impairment loss on loans to customers	6,517,507	1,608,467	8,812,279	2,178,561
Impairment loss/(Write-back on impairment loss) on balances with other banks	33,497	8,266	(524,774)	(129,734)
	6,551,004	1,616,733	8,287,505	2,048,827

32. CASH AND CASH EQUIVALENTS

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

	2019		2018	
	KHR'000	US$	KHR'000	US$
			Restated (*)	
Cash on hand	75,272,199	18,471,705	79,801,749	19,861,062
Balances with the NBC	49,421,345	12,127,937	145,532,970	36,220,251
Balances with banks	17,990,023	4,414,730	13,454,006	3,348,434
	142,683,567	35,014,372	238,788,725	59,429,747

* The restatement was made to exclude NCD whose original maturities are more than three months amounted to KHR'000 74,896,030 from cash and cash equivalents.

33. COMMITMENTS

Capital expenditure commitments

The capital expenditure commitments in respect of the purchases of IT equipment and software and leasehold improvement were as follows:

	2019		2018	
	KHR'000	US$	KHR'000	US$
Within one year	2,204,160	540,898	10,147,218	2,525,440
More than 1 year to 5 years	-	-	927,290	230,784
More than 5 years	-	-	-	-
	2,204,160	540,898	11,074,508	2,756,224

34. RELATED PARTY TRANSACTIONS AND BALANCES

a) Significant transactions with related parties during the year were as follows:

Related party	Nature of transaction	2019		2018	
		KHR'000	US$	KHR'000	US$
Board of Directors	Remuneration	356,473	87,975	404,407	99,977
	Interest expense	1,219	301	31,440	7,773
Key management personnel	Remuneration	2,404,931	593,517	2,519,951	622,979
	Interest expense	80,098	19,767	160,862	39,768
	Interest income	5,362	1,323	3,779	934
Agora Microfinance N.V	Interest expense	188,203	46,447	33,587	8,359
	Reimbursement on tax reassessment	1,541,987	380,550	596,595	147,489
Moringaway	Interest expense	-	-	18,138	4,514
AMK-Staff Association	Interest expense	2,128	525	5,162	1,276
PROPARCO (previous shareholder)	Interest expense	-	-	837,190	206,969

b) Balances with related parties at the reporting year were as follows:

Related party	Transaction	2019		2018	
		KHR'000	US$	KHR'000	US$
Board of Directors	Deposit	1,368,878	335,921	67,891	16,897
Key management personnel	Deposit	2,541,418	623,661	2,194,602	546,193
	Loan	371,431	91,149	68,987	17,169
Agora Micro-finance N.V	Deposit	4,837,758	1,187,180	4,640,260	1,155,155
Moringaway	Deposit	408	100	2,921,869	10,856
AMK-Staff Association	Deposit	157,180	38,572	2,003,479	498,626

35. FINANCIAL RISK MANAGEMENT

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

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The policies and procedures adopted by the Company to manage the risks that arise in the conduct of their business activities are as follows:

35.1 Credit risk

Credit risk is the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company's main income generating activity is lending to customers and therefore credit risk is a principal risk. Credit risk mainly arises from loans to customers and other banks. The Company considers all elements of credit risk exposure such as counterparty default risk and sector risk for risk management purposes.

a. Credit risk management

The Company's credit committee is responsible for managing the Company's credit risk by:

- Ensuring that the Company has appropriate credit risk practices, including an effective system of internal control, to consistently determine adequate allowances in accordance with the Company's stated policies and procedures, CIFRS and relevant supervisory guidance.
- Identifying, assessing and measuring credit risk across the Company, from an individual instrument to a portfolio level.
- Creating credit policies to protect the Company against the identified risks including the requirements to obtain collateral from borrowers, to perform robust ongoing credit assessment of borrowers and to continually monitor exposures against internal risk limits.
- Limiting concentrations of exposure by type of asset, counterparties, industry, credit rating, geographic location.
- Establishing a robust control framework regarding the authorisation structure for the approval and renewal of credit facilities.
- Developing and maintaining the Company's risk grading to categorise exposures according to the degree of risk of default. Risk grades are subject to regular reviews.
- Developing and maintaining the Company's processes for measuring ECL including monitoring of credit risk, incorporation of forward-looking information and the method used to measure ECL.
- Ensuring that the Company has policies and procedures in place to appropriately maintain and validate models used to assess and measure ECL.
- Establishing a sound credit risk accounting assessment and measurement process that provides it with a strong basis for common systems, tools and data to assess credit risk and to account for ECL. Providing advice, guidance and specialist skills to business units to promote best practice throughout the Company in the management of credit risk.

The internal audit function performs regular audits making sure that the established controls and procedures are adequately designed and implemented.

b. Significant increase in credit risk

As explained in note 2 the Company monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Company will measure the loss allowance based on lifetime rather than 12-month ECL.

The Company uses credit risk grades as a primary input into the determination of the term structure of the PD for exposures. The Company collects performance and default information about its credit risk exposures analysed by type of product and borrower as well as by credit risk grading. The information used is both internal and external depending on the portfolio assessed. The table below provides a summary of the Company's internal credit risk grades.

No.	Groups rating	PD Range
1	Standard	0.20% - 60%
2	Special mention	0.20% - 60%
3	Substandard	10.90% - 77.80%
4	Doubtful	100%
5	Loss	100%

The Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due unless the Company has reasonable and supportable information that demonstrates otherwise.

The Company has monitoring procedures in place to make sure that the criteria used to identify significant increases in credit are effective, meaning that significant increase in credit risk is identified before the exposure is defaulted or when the asset becomes 30 days past due.

The Company has controls and procedures in place to identify when the credit risk of an asset improves and the definition of significant increase in credit risk is no longer met. When this is the case the asset may move back to stage 1 from stage 2, subject to payments being up to date and the ability of the borrower to make future payments on time.

c. Incorporation of forward-looking information

The Company analysed forward-looking information by using the statistical regression model for assessment to see whether the credit risk of an instrument has increased significantly to the measurement of ECL.

The Company formulates three economic scenarios: a base case, which is the median scenario assigned a 60% probability of occurring, and two less likely scenarios, one upside and one downside, each assigned 20% probability of occurring. The base case is aligned with information used by the Company for other purposes such as strategic planning and budgeting.

External information considered includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Company operates, supranational organisations such as International Monetary Fund and world bank.

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

The key drivers for credit risk on loan portfolios are: Cambodia GDP at Constant 2000 Price, Unemployment, and USD-KHR Exchange Rate.

Based on the forward-looking information analysis, the impact of macro-economic on ECL calculation is insignificant, so the Company decided to incorporate adjustment of forward-looking PD into ECL calculation.

c. Measurement of ECL

The key inputs used for measuring ECL are:

- probability of default ("PD");
- loss given default ("LGD"); and
- exposure at default ("EAD").

These figures are generally derived from internally developed statistical models and other historical data.

PD is an estimate of the likelihood of default over a given time horizon. It is estimated as at a point in time. The calculation is based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on market data (where available), as well as internal data comprising both quantitative and qualitative factors. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates. The estimation is based on current conditions, adjusted to take into account estimates of future conditions that will impact PD.

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from any collateral. LGD models for unsecured assets consider time of recovery, recovery rates and seniority of claims. The calculation is on a discounted cash flow basis, where the cash flows are discounted by the original EIR of the loan.
EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities. The Company's modelling approach for EAD reflects expected changes in the balance outstanding over the lifetime of the loan exposure that are permitted by the current contractual terms, such as amortisation profiles, early repayment or overpayment, changes in utilisation of undrawn commitments and credit mitigation actions taken before default. The Company uses EAD models that reflect the characteristics of the portfolios.

The Company measures ECL considering the risk of default over the maximum contractual period over which the entity is exposed to credit risk and not a longer period. However, for financial instruments such as revolving credit facilities that include both a loan and an irrevocable undrawn commitment component, the Company's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Company's exposure to credit losses to the contractual notice period. For such financial instruments, the Company measures ECL over the period that it is exposed to credit risk and ECL would not be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period. These financial instruments do not have a fixed term or repayment structure and have a short contractual cancellation period. However, the Company does not enforce in the normal day-to-day management of the contractual right to cancel these financial instruments. This is because these financial instruments are managed on a collective basis and are canceled only when the Company becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Company expects to take to mitigate ECL, e.g. reduction in limits or cancellation of the loan commitment.

The ECL calculation for accounting purposes is different to the ECL calculation for regulatory purposes, although many inputs used are similar. The Company has ensured that the appropriate methodology is used when calculating ECL for both accounting and regulatory purposes. The main differences between the methodologies used to measure ECL in accordance with CIFRS 9 versus the ones applied for regulatory purposes are:

- Percentage of provision by classification based on short/long term loan
- Number of day past due
- Forward looking of macro-economic factor
- Probability of default and historical recovery rate

The measurement of ECL is based on probability weighted average credit loss. As a result, the measurement of the loss allowance should be the same regardless of whether it is measured on an individual basis or a collective basis (although measurement on a collective basis is more practical for large portfolios of items). In relation to the assessment of whether there has been a significant increase in credit risk it can be necessary to perform the assessment on a collective basis as noted below.

d. Groupings based on shared risks characteristics

AMK has defined four main segments for PD calculation which have similar risk behaviours based on analysis of roll rates, as shown in the table below. These segments are:

Principal Repayment Method	Loan Type	Segment
End of Term	Group	EOT-Group Loan
End of Term	Individual	EOT-Individual Loan
Instalment	Group	Instalment-Group Loan
Instalment	Individual	Instalment-Individual Loan

The groupings are reviewed on a regular basis to ensure that each group is comprised of homogenous exposures.

e. Concentration of credit risk

An analysis of the Company's credit risk concentrations per class of financial asset is provided in the following tables. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

	31 Dec 2019		31 Dec 2018		1 Jan 2018	
	KHR'000	US$	KHR'000	US$	KHR'000	US$
Balances with banks at amortised cost						
Concentration by sector:						
Financial institution	17,720,965	4,348,703	13,218,445	3,289,807	40,843,309	10,117,243
Loans to customers at amortised cost						
Concentration by sector:						
Agriculture	361,564,415	88,727,464	304,911,705	75,886,437	338,222,391	83,780,627
Trade and commerce	245,427,707	60,227,658	176,907,152	44,028,659	219,839,862	54,456,245
Services	112,688,156	27,653,535	80,970,942	20,152,051	161,347,463	39,967,169
Construction	86,326,512	21,184,420	259,208,306	64,511,774	105,885,198	26,228,684
Household	476,386,667	116,904,704	144,830,376	36,045,390	11,559,629	2,863,421
Transportation	20,893,669	5,127,281	15,236,593	3,792,084	1,146,031	283,882
Others	4,971,061	1,219,892	24,483,635	6,093,487	21,592	5,348
	1,308,258,187	321,044,954	1,006,548,709	250,509,882	838,022,166	207,585,376

f. Credit quality analysis

An analysis of the Company's credit risk exposure per class of financial asset, internal rating and "stage" without taking into account the effects of any collateral or other credit enhancements is provided in the following tables. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

	31 Dec 2019				
	Stage 1	Stage 2	Stage 3	Total	
	KHR'000	KHR'000	KHR'000	KHR'000	US$
Balances with other banks:					
Normal	17,990,023	-	-	17,990,023	4,414,730
Loss allowance	(269,058)	-	-	(269,058)	(66,027)
Carrying amount	17,720,965	-	-	17,720,965	4,348,703
Loans to customers:					
Normal	1,287,054,870	-	-	1,287,054,870	315,841,686
Special mention	1,800,932	4,112,746	-	5,913,678	1,451,209
Substandard	-	3,310,145	1,986,375	5,296,520	1,299,760
Doubtful	-	236,934	2,731,163	2,968,097	728,367
Loss	-	-	7,025,022	7,025,022	1,723,932
	1,288,855,802	7,659,825	11,742,560	1,308,258,187	321,044,954
Loss allowance	(6,890,263)	(1,456,813)	(8,615,850)	(16,962,926)	(4,162,681)
Carrying amount	1,281,965,539	6,203,012	3,126,710	1,291,295,261	316,882,273

	31 Dec 2018				
	Stage 1	Stage 2	Stage 3	Total	
	KHR'000	KHR'000	KHR'000	KHR'000	US$
Balances with other banks:					
Normal	13,454,006	-	-	13,454,006	3,348,433
Loss allowance	(235,561)	-	-	(235,561)	(58,626)
Carrying amount	13,218,445	-	-	13,218,445	3,289,807
Loans to customers:					
Normal	990,501,307	-	-	990,501,307	246,516,005
Special mention	1,806,589	4,360,464	-	6,167,053	1,534,856
Substandard	-	555,055	1,394,379	1,949,434	485,175
Doubtful	-	264,612	2,839,434	3,104,046	772,535
Loss	-	-	4,826,869	4,826,869	1,201,311
	992,307,896	5,180,131	9,060,682	1,006,548,709	250,509,882
Loss allowance	(8,091,869)	(2,570,420)	(6,123,587)	(16,785,876)	(4,177,669)
Carrying amount	984,216,027	2,609,711	2,937,095	989,762,833	246,332,213

	1 Jan 2018				
	Stage 1	Stage 2	Stage 3	Total	
	KHR'000	KHR'000	KHR'000	KHR'000	US$
Balances with other banks:					
Normal	41,603,644	-	-	41,603,644	10,305,585
Loss allowance	(760,335)	-	-	(760,335)	(188,342)
Carrying amount	40,843,309	-	-	40,843,309	10,117,243
Loans to customers:					
Normal	820,476,250	-	-	820,476,250	203,239,100
Special mention	2,642,479	1,282,734	-	3,925,213	972,309
Substandard	-	320,198	2,173,684	2,493,882	617,756
Doubtful	-	330,492	2,642,644	2,973,136	736,472
Loss	-	-	8,153,685	8,153,685	2,019,739
	823,118,729	1,933,424	12,970,013	838,022,166	207,585,376
Loss allowance	(8,655,640)	(973,001)	(9,095,374)	(18,724,015)	(4,638,101)
Carrying amount	814,463,089	960,423	3,874,639	819,298,151	202,947,275

This table summarises the loss allowance as of the year end by class of exposure/asset.

	31 Dec 2019		31 Dec 2018		1 Jan 2018	
	KHR'000	US$	KHR'000	US$	KHR'000	US$
Loss allowance by classes						
Balances with other banks	269,058	66,027	235,561	58,626	760,335	188,342
Loans to customers at amortised cost	16,962,926	4,162,681	16,785,876	4,177,669	18,724,015	4,638,101
	17,231,984	4,228,708	17,021,437	4,236,295	19,484,350	4,826,443

The tables below analyse the movement of the loss allowance during the year per class of assets.

	31 Dec 2019				
	Stage 1	Stage 2	Stage 3	Total	
	KHR'000	KHR'000	KHR'000	KHR'000	US$
Loss allowance - balances with other banks					
Loss allowance as at 1 Jan 2019	235,561	-	-	235,561	58,626
Changes in loss allowance:					
- Increase due to change in credit risk	33,497	-	-	33,497	8,220
Foreign exchange and other movements	-	-	-	-	(819)
Loss allowance as at 31 Dec 2019	269,058	-	-	269,058	66,027
Loss allowance - Loans to customers at amortised cost					
Loss allowance as at 1 Jan 2019	8,091,869	2,570,420	6,123,587	16,785,876	4,177,669
Changes in loss allowance					
- Transfer to stage 1	15,620	(15,544)	(76)	-	-
- Transfer to stage 2	(500,763)	500,763	-	-	-
- Transfer to stage 3	(4,150,384)	(855,951)	5,006,335	-	-
- Increase due to change in credit risk	-	-	3,216,963	3,216,963	789,439
- Decrease due to change in credit risk	(923,670)	(1,163,916)	-	(2,087,586)	(512,291)
- Write offs	-	-	(6,538,350)	(6,538,350)	(1,604,503)
New financial assets originated or purchased	5,624,099	938,927	807,390	7,370,416	1,808,691
Financial assets which have been derecognised	(1,266,508)	(517,886)	-	(1,784,394)	(437,888)
Foreign exchange and other movements	-	-	-	-	(58,436)
Loss allowance as at 31 Dec 2019	6,890,263	1,456,813	8,615,849	16,962,925	4,162,681

	31 Dec 2018				
	Stage 1	Stage 2	Stage 3	Total	
	KHR'000	KHR'000	KHR'000	KHR'000	US$
Loss allowance - balances with other banks					
Loss allowance as at 1 Jan 2018	760,335	-	-	760,335	188,342
Changes in loss allowance:					
- Decrease due to change in credit risk	(524,774)	-	-	(524,774)	(130,606)
Foreign exchange and other movements	-	-	-	-	890
Loss allowance as at 31 Dec 2018	235,561	-	-	235,561	58,626
Loss allowance - Loans to customers at amortised cost					
Loss allowance as at 1 Jan 2018	8,655,640	973,001	9,095,374	18,724,015	4,638,101
Changes in loss allowance					
- Transfer to stage 1	42,327	(5,308)	(37,019)	-	-
- Transfer to stage 2	(503,818)	504,710	(892)	-	-
- Transfer to stage 3	(5,327,367)	(425,160)	5,752,527	-	-
- Increase due to change in credit risk	888,432	406,229	1,846,098	3,140,759	781,672
- Write offs	-	-	(10,882,920)	(10,882,920)	(2,708,542)
New financial assets originated or purchased	6,973,974	1,630,012	350,419	8,954,405	2,228,573
Financial assets which have been derecognised	(2,637,319)	(513,064)	-	(3,150,383)	(784,067)
Foreign exchange and other movements	-	-	-	-	21,932
Loss allowance as at 31 December 2018	8,091,869	2,570,420	6,123,587	16,785,876	4,177,669

More information about the significant changes in the gross carrying amount of financial assets during the year that contributed to changes in the loss allowance, is provided at the table below:

	31 Dec 2019				
	Stage 1	Stage 2	Stage 3	Total	
	KHR'000	KHR'000	KHR'000	KHR'000	US$
Loans to customers at amortised cost					
Gross carrying amount as at 1 Jan 2019	992,307,896	5,180,131	9,060,682	1,006,548,709	250,509,882
Changes in gross carrying amount					
- Transfer to stage 1	758,972	(746,376)	(12,596)	-	-
- Transfer to stage 2	(2,083,864)	2,083,864	-	-	-
- Transfer to stage 3	(5,814,736)	(1,154,715)	6,969,451	-	-
- Changes due to modification that did not result in derecognition	-	-	(1,654,621)	(1,654,621)	(406,042)
New financial assets originated or purchased	1,073,902,360	5,528,144	3,917,994	1,083,348,498	265,852,392
Financial assets which have been derecognised	(770,214,826)	(3,231,223)	-	(773,446,049)	(189,802,711)
Write-offs	-	-	(6,538,350)	(6,538,350)	(1,604,503)
Other changes	-	-	-	-	(3,504,064)
Gross carrying amount as at 31 Dec 2019	1,288,855,802	7,659,825	11,742,560	1,308,258,187	321,044,954
Loss allowance as at 31 Dec 2019	(6,890,263)	(1,456,813)	(8,615,850)	(16,962,926)	(4,162,681)

	31 Dec 2018				
	Stage 1	Stage 2	Stage 3	Total	
	KHR'000	KHR'000	KHR'000	KHR'000	US$
Loans to customers at amortised cost	823,118,729	1,933,424	12,970,013	838,022,166	207,585,376
Gross carrying amount as at 1 Jan 2018					
Changes in gross carrying amount					
- Transfer to stage 1	5,262,147	(585,336)	(4,676,811)	-	-
- Transfer to stage 2	(1,178,615)	1,180,645	(2,030)	-	-
- Transfer to stage 3	(7,909,968)	(609,568)	8,519,536	-	-
New financial assets originated or purchased	861,688,497	4,456,124	3,132,894	869,277,515	216,345,823
Financial assets which have been derecognised	(688,672,894)	(1,195,158)	-	(689,868,052)	(171,694,388)
Write-offs	-	-	(10,882,920)	(10,882,920)	(2,708,542)
Other changes	-	-	-	-	981,613
Gross carrying amount as at 31 Dec 2018	992,307,896	5,180,131	9,060,682	1,006,548,709	250,509,882
Loss allowance as at 31 Dec 2018	(8,091,869)	(2,570,420)	(6,123,587)	(16,785,876)	(4,177,669)

Under the Company's monitoring procedures, a significant increase in credit risk is identified before the exposure has defaulted, and at the latest when the exposure becomes 30 days past due. This is the case mainly for loans to customers. The table below provides an analysis of the gross carrying amount of loans to customers by past due status.

	31 Dec 2019		31 Dec 2018		1 Jan2018	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000
Loans to customers:						
0-29 days	1,288,855,802	6,890,263	992,307,897	8,091,870	823,118,728	8,655,640
30-59 days	6,418,657	1,065,434	4,147,069	2,119,691	1,054,577	549,272
60-89 days	1,241,168	391,380	1,033,062	450,728	878,847	423,729
90-180 days	2,612,045	1,896,363	2,141,024	1,436,006	3,244,673	2,294,843
More than 180 days	9,130,515	6,719,486	6,919,657	4,687,581	9,725,341	6,800,531
Total	1,308,258,187	16,962,926	1,006,548,709	16,785,876	838,022,166	18,724,015
In US$ equivalents	321,044,954	4,162,681	250,509,882	4,177,669	207,585,376	4,638,101

g. Collateral held as security and other credit enhancements

The Company holds residential properties as collaterals for majority of loans, and the collaterals include land, house, building and other immovable assets. The Company's policy is to fund up to 70% of the collateral value. There was no change in the Company's collateral policy during the year.

35.2 Market risk

The Company 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 and 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.

(i) Market risk management

The Company's market risk management objective is to manage and control market risk exposures in order to optimise return on risk while ensuring solvency.

As with liquidity risk, ALCO is responsible for ensuring the effective management of market risk throughout the Company. Specific levels of authority and responsibility in relation to market risk management have been assigned to appropriate market risk committees.

The core market risk management activities are:

- the identification of all key market risks and their drivers;
- the independent measurement and evaluation key market risks and their drivers;
- the use of results and estimates as the basis for the Company's risk/return-oriented management; and
- monitoring risks and reporting on them.

The Company uses a wide range of quantitative and qualitative tools to manage and monitor market risk. Quantitative limits for fair value and net income sensitivities, stress tests, scenario analyses and ratios on economic capital are used to enforce the Company's market risk appetite. The quantitative and qualitative factors limiting market price risk are determined by the Management ALCO by reference to the Company's management of economic capital. Based on qualitative analyses and quantitative ratios, the market risk function identifies potential future risks, anticipates, in collaboration with the finance function, potential financial losses, and defines proposals for further action, which are discussed with the market units. Risk concentrations are restricted directly with specific limits or are indirectly avoided using the limit structure described above. Market risk reports reflecting the Company's exposures, risk concentrations, stress test results are reviewed on a daily basis. Appropriate actions are taken when needed, including revisiting the market risk management policies and relative limits to ensure that the Company's market risk management objective is met.

The Company also enters into a number of currency swaps to manage its exposure to foreign currency risk.

The Company's exposure to market risk pertains to non-trading portfolios.

There has been no change to the Company's exposure to market risks or the manner in which these risks are managed and measured.

(ii) Foreign exchange risk

The Company operates in the Kingdom of Cambodia and transacts in US$, KHR and THB. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the Company's functional currency.

The balances in monetary assets and liabilities denominated in their respective currencies were as follows:

	31 Dec 2019				
	KHR	US$	THB	Total	Total
	KHR'000	KHR'000	KHR'000	KHR'000	US$
On-the balance sheet					
Financial assets					
Cash on hand	29,136,214	39,838,724	6,297,261	75,272,199	18,471,705
Balances with the NBC	66,453,350	186,876,467	-	253,329,817	62,166,826
Balances with other banks	8,299,680	9,421,285	-	17,720,965	4,348,703
Loans to customers	819,237,383	442,429,080	46,591,724	1,308,258,187	321,044,954
Other assets	-	1,772,625	-	1,772,625	435,000
Total financial assets	923,126,627	680,338,181	52,888,985	1,656,353,793	406,467,188
Financial liabilities					
Deposits from customers	297,647,62	433,011,744	14,415,489	745,074,858	182,840,456
Lease liabilities	-	23,525,054	-	23,525,054	5,773,019
Borrowings	359,964,933	187,338,144	54,724,215	602,027,292	147,736,759
Subordinated debts	10,182,021	16,375,814	-	26,557,835	6,517,260
Other liabilities	2,417,587	11,710,725	478,387	14,606,699	3,584,466
Total financial liabilities	670,212,166	671,961,481	69,618,091	1,411,791,738	346,451,960

	31 Dec 2018				
	KHR	US$	THB	Total	Total
	KHR'000	KHR'000	KHR'000	KHR'000	US$
On-the balance sheet					
Financial assets					
Cash on hand	34,969,773	41,322,510	3,509,466	79,801,749	19,861,062
Balances with the NBC	61,748,837	215,570,689	-	277,319,526	69,019,295
Balances with other banks	2,697,726	5,141,163	5,379,556	13,218,445	3,289,807
Loans to customers	669,764,098	286,796,613	49,987,998	1,006,548,709	250,509,882
Other assets	-	1,746,589	-	1,746,589	434,691
Total financial assets	769,180,434	550,577,564	58,877,020	1,378,635,018	343,114,737
Financial liabilities					
Deposits from customers	312,880,105	322,016,389	17,552,636	652,449,130	162,381,565
Lease liabilities	-	25,482,554	-	25,482,554	6,342,099
Borrowings	146,241,993	305,921,395	28,378,193	480,541,581	119,597,208
Subordinated debts	15,273,032	20,188,465	-	35,461,497	8,825,659
Other liabilities	1,004,717	24,278,084	169,228	25,452,030	6,334,502
Total financial liabilities	475,399,847	697,886,887	46,100,057	1,219,386,792	303,481,033

	1 Jan 2018				
	KHR	US$	THB	Total	Total
	KHR'000	KHR'000	KHR'000	KHR'000	US$
On-the balance sheet					
Financial assets					
Cash on hand	33,701,566	33,893,992	1,848,945	69,444,503	17,202,007
Balances with the NBC	46,176,656	123,767,901	-	169,944,557	42,096,744
Balances with other banks	10,164,933	26,245,164	4,433,212	40,843,309	10,117,243
Loans to customers	565,996,180	231,772,800	40,253,186	838,022,166	207,585,376
Other assets	-	1,746,589	-	1,746,589	432,645
Total financial assets	656,039,335	417,426,446	46,535,343	1,120,001,124	277,434,015
Financial liabilities					
Deposits from customers	250,955,864	222,973,658	13,996,621	487,926,143	120,863,548
Lease liabilities	-	26,188,518	-	26,188,518	6,487,124
Borrowings	163,269,331	239,220,655	27,674,200	430,164,186	106,555,409
Subordinated debts	20,421,710	-	-	20,421,710	5,058,635
Other liabilities	2,700,498	10,442,700	149,294	13,292,492	3,292,666
Total financial liabilities	437,347,403	498,825,531	41,820,115	977,993,049	242,257,382

Currency swap

The Company has 12 foreign exchange swap contracts (2018: 10 contracts) with certain commercial banks outstanding as at 31 December 2019 to exchange KHR currency with US$ currency in order to manage its foreign exchange risk. As management considers that exposure to foreign exchange risk is deemed minimal, no sensitivity analysis for foreign currency exchange risk was presented.

(iii) 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 Company, 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, management regularly monitors the mismatch.

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Company is exposed to interest rate risk as a result of mismatches of interest rate re-pricing of assets and liabilities. The Company manages this risk by matching the re-pricing of assets and liabilities through risk management strategies.

The Company has no significant financial assets and liabilities with floating interest rates. Balances with the NBC and with banks earn fixed interest for the period of the deposit and placement, and loans to customers earn fixed interest based on outstanding balance over the agreed term. Therefore, no sensitivity analysis for interest rate risk was presented.

The following is a summary of the Company's interest rate gap position on non-trading portfolios. The interest rate repricing gap table analyses the full-term structure of interest rate mismatches within the Company's statement of financial position based on the maturity date if fixed rate.

	Up to 1 month	> 1 - 3 months	> 3 - 12 months	1 - 5 years	Over 5 Years	Non-interest sensitive	Total
	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000
As at 31 Dec 2019							
Financial assets							
Cash on hand	-	-	-	-	-	75,272,199	75,272,199
Balances with the NBC	120,386,692	200,000	62,073,367	-	15,917,495	54,752,263	253,329,817
Balances with banks	17,990,023	-	-	-	-	-	17,990,023
Loans to customers	26,571,726	68,956,206	449,737,726	721,032,305	41,960,224	-	1,308,258,187
Other assets	-	-	-	-	-	1,772,625	1,772,625
	164,948,441	69,156,206	511,811,093	721,032,305	57,877,719	131,797,087	1,656,622,851
Financial liabilities							
Deposits from customers	306,840,559	78,874,981	285,647,526	73,711,792	-	-	745,074,858
Lease liabilities	-	-	-	-	-	23,525,054	23,525,054
Borrowings	16,498,405	35,227,429	284,782,846	265,518,612	-	-	602,027,292
Subordinated debts	-	-	9,482,435	17,075,400	-	-	26,557,835
Other liabilities	-	-	-	-	-	14,606,699	14,606,699
	323,338,964	114,102,410	579,912,807	356,305,804	-	38,131,753	1,411,791,738
Total interest re-pricing gap	(158,390,523)	(44,946,204)	(68,101,714)	364,726,501	57,877,719	93,665,334	244,831,113
US$ equivalent	(38,868,840)	(11,029,743)	(16,712,077)	89,503,436	14,203,121	22,985,358	60,081,255

	Up to 1 month	> 1 - 3 months	> 3 - 12 months	1 - 5 years	Over 5 Years	Non-interest sensitive	Total
	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000
As at 31 Dec 2018							
Financial assets							
Cash on hand	-	-	-	-	-	79,801,749	79,801,749
Balances with the NBC	81,224,909	58,530,310	81,224,909	-	12,032,730	44,306,668	277,319,526
Balances with banks	4,205,383	9,248,623	-	-	-	-	13,454,006
Loans to customers	20,362,832	60,104,605	390,888,400	522,792,514	12,400,358	-	1,006,548,709
Other assets	-	-	-	-	-	1,746,589	1,746,589
	105,793,124	127,883,538	472,113,309	522,792,514	24,433,088	125,855,006	1,378,870,579
Financial liabilities							
Deposits from customers	301,461,731	71,000,471	238,147,130	41,839,798	-	-	652,449,130
Lease liabilities	-	-	-	-	-	25,482,554	25,482,554
Borrowings	26,552,936	26,059,904	176,670,913	251,257,828	-	-	480,541,581
Subordinated debts	-	-	9,684,697	25,776,800	-	-	35,461,497
Other liabilities	-	-	-	-	-	25,452,030	25,452,030
	328,014,667	97,060,375	424,502,740	318,874,426	-	50,934,584	1,219,386,792
Total interest re-pricing gap	(222,221,543)	30,823,163	47,610,569	203,918,088	24,433,088	74,920,422	159,483,787
US$ equivalent	(55,306,506)	7,671,270	11,849,320	50,751,142	6,080,908	18,646,198	39,692,332

35.3 Liquidity risk

Liquidity risk is the risk that the Company 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.

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

The following tables present an analysis of the assets and liabilities of the Company by relevant maturity based on the remaining period at the statement of financial position date to the contractual or estimated maturity dates.

	Up to 1 month KHR'000	> 1 - 3 months KHR'000	> 3 - 12 months KHR'000	1 - 5 years KHR'000	Over 5 Years KHR'000	Total KHR'000
As at 31 Dec 2019						
Financial liabilities						
Deposits from customers	310,214,546	80,027,021	297,303,780	79,460,183	-	767,005,530
Lease liabilities	702,011	1,367,891	5,750,140	16,016,953	3,103,535	26,940,530
Borrowings	11,424,338	41,579,786	308,673,698	307,880,689	-	669,558,511
Subordinated debts	277,073	554,146	11,976,093	22,392,689	-	35,200,001
Other liabilities	3,573	11,363,631	1,225,866	2,013,629	-	14,606,699
Total financial liabilities	322,621,541	134,892,475	624,929,577	427,764,143	3,103,535	1,513,311,271
US$ equivalent	79,170,930	33,102,448	153,356,951	104,972,796	761,604	371,364,729
As at 31 Dec 2018						
Financial liabilities						
Deposits from customers	299,108,928	72,258,489	251,612,960	51,047,028	-	674,027,405
Lease liabilities	674,312	1,330,007	5,688,823	18,353,796	4,556,263	30,603,201
Borrowings	27,875,667	31,641,837	197,430,887	288,638,259	-	545,586,650
Subordinated debts	377,630	755,260	13,083,367	37,156,182	-	51,372,439
Other liabilities	12,555	14,148,898	9,556,268	1,734,309	-	25,452,030
Total financial liabilities	328,049,092	120,134,491	477,372,305	396,929,574	4,556,263	1,327,041,725
US$ equivalent	81,644,871	29,899,077	118,808,438	98,787,848	1,133,963	330,274,197

	Up to 1 month KHR'000	> 1 - 3 months KHR'000	> 3 - 12 months KHR'000	1 - 5 years KHR'000	Over 5 Years KHR'000	Total KHR'000
As at 1 Jan 2018						
Financial liabilities						
Deposits from customers	243,662,700	56,713,956	148,594,031	54,301,900	-	503,272,587
Lease liabilities	628,613	1,243,773	5,407,015	19,263,455	5,244,809	31,787,665
Borrowings	10,847,313	34,584,032	171,045,743	258,441,341	9,331,423	484,249,852
Subordinated debts	-	2,320,658	5,870,510	19,480,349	-	27,671,517
Other liabilities	9,373	11,482,559	573,425	1,227,135	-	13,292,492
Total financial liabilities	255,147,999	106,344,978	331,490,724	352,714,180	14,576,232	1,060,274,113
US$ equivalent	63,202,378	26,342,576	82,113,135	87,370,369	3,610,659	262,639,117

The Company performs maturity analysis for financial liabilities that shows the remaining contractual maturities. However, the Company monitors the assets held to manage liquidity risk on a continuous basis and it could obtain temporary fund from the overdraft facilities with other banks anytime it encounters liquidity problem.

Liquidity reserves

The Company maintains a pool of liquid assets which represents the primary source of liquidity in stress scenarios. Its composition is subject to limits designed to reduce concentration risks which are monitored on an ongoing basis. The Company's liquidity reserves are analysed below:

	31 Dec 2019		31 Dec 2018		1 Jan 2018	
	Carrying amount KHR'000	Fair value KHR'000	Carrying amount KHR'000	Fair value KHR'000	Carrying amount KHR'000	Fair value KHR'000
Cash on hand	75,272,199	75,272,199	79,801,749	79,801,749	69,444,503	69,444,503
Balances with other banks	17,990,023	17,990,023	13,454,006	13,454,006	41,603,644	41,603,644
Balances with NBC	253,329,817	253,329,817	277,319,526	277,319,526	169,944,557	169,944,557
Undrawn credit lines	7,366,058	7,366,058	37,463,250	37,463,250	29,390,410	29,390,410
	353,958,097	353,958,097	408,038,531	408,038,531	310,383,114	310,383,114
In US$ equivalent	86,860,883	86,860,883	101,552,646	101,552,646	76,884,596	76,884,596

Financial assets to support future funding

	Encumbered		Unencumbered			
	Pledged as collateral (i) KHR'000	Other(ii) KHR'000	Available as collateral (iii) KHR'000	Other(iv) KHR'000	Carrying amount KHR'000	Carrying amount US$
31 Dec 2019						
Cash on hand	-	-	-	75,272,199	75,272,199	18,471,705
Balances with NBC	132,943,125	70,669,758	-	49,221,345	252,834,228	62,045,209
Balances with other banks	-	-	-	17,810,123	17,810,123	4,370,582
Loans to customers	-	-	-	17,720,965	17,720,965	4,348,703
Other assets	-	-	-	1,772,625	1,772,625	435,000
	132,943,125	70,669,758	-	161,797,257	365,410,140	89,671,199
31 Dec 2018						
Cash on hand	-	-	-	79,801,749	79,801,749	19,861,062
Balances with NBC	72,713,597	56,339,398	-	147,715,403	276,768,398	68,882,130
Balances with other banks	-	-	-	13,321,505	13,321,505	3,315,457
Loans to customers	-	-	-	975,318,202	975,318,202	242,737,233
Other assets	-	-	-	1,746,589	1,746,589	434,691
	72,713,597	56,339,398	-	1,217,903,448	1,346,956,443	335,230,573

	Encumbered		Unencumbered			
	Pledged as collateral (i)	Other(ii)	Available as collateral (iii)	Other(iv)	Carrying amount	Carrying amount
	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	US$
1 Jan 2018						
Cash on hand	-	-	-	69,444,503	69,444,503	17,202,007
Balances with NBC	96,522,820	41,645,168	-	31,216,009	169,383,997	41,957,889
Balances with other banks	-	-	-	41,603,644	41,603,644	10,305,584
Loans to customers	-	-	-	810,721,760	810,721,760	200,822,829
Other assets	-	-	-	100,925	100,925	25,000
	96,522,820	41,645,168	-	953,086,841	1,091,254,829	270,313,309

(i) This represents currency purchase from NBC through its LPCO mechanism against the NCD.

(ii) This represents assets that are not pledged but that the Company believes it is restricted from using to secure funding, for legal or other reasons. This includes capital guarantee and reserve requirement.

(iii) This represents assets that can be used as collateral to access secure funding.

(iv) This represents assets that are not restricted for use as collateral, but that the Company would not consider readily available to secure funding in the normal course of business.

35.4 Capital risk

Capital risk is the risk that the Company has insufficient capital resources to meet the minimum regulatory requirements to support its credit rating and to support its growth and strategic options.

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

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

Capital risk management

As with liquidity and market risks, ALCO is responsible for ensuring the effective management of capital risk throughout the Company.

Capital risk is measured and monitored using limits set calculated in accordance with NBC's requirements.

On 22 February 2018, the NBC issued a Prakas on Capital Buffer in Banking and Financial Institutions. According to Article 22 of this Prakas, the institution shall comply with the provisions related to the capital conservation buffer at least 50% of the conservation buffer by 1 January 2019 and fully comply by 1 January 2020.

On 7 March 2018, the NBC issued a circular on the implementation of Prakas on Capital Buffer in Banking and Financial Institutions, which determines the countercyclical capital buffer at a level of 0% until a new announcement is released.

The Company has complied with all externally imposed capital requirements throughout the year.

35.5 Fair value of financial assets and liabilities

Fair value represents the amount at which an asset could be exchanged or a liability settled on an arms-length basis. As verifiable market prices are not available, market prices are not available for a significant proportion of the Company's financial assets and liabilities. Fair values, therefore, have been based on management assumptions according to the profile of the asset and liability base. Management believes that the carrying amounts of the financial assets and liabilities included in the statement of financial position are a reasonable estimation of their fair values. In making this assessment, management assumes that loans to customers are mainly held to maturity with fair values equal to the book value of loans to customers adjusted for provision for loan losses, if any.

36. CURRENT AND NON-CURRENT

Management presents the financial statements based on liquidity. Information about short-term and long-term of assets and liabilities are disclosed in the financial risk management section. Property and equipment, software, right-of-use assets and deferred tax assets are non-current assets. Current tax liability is current liability and provision for employee benefits are non-current liabilities.

37. NEW AND REVISED CIFRS STANDARDS IN ISSUE BUT NOT YET EFFECTIVE

At the date of authorisation of these financial statements, the Company has not applied the following new and revised CIFRS Standards that have been issued but are not yet effective:

CIFRS 17	Insurance Contracts
CIFRS 10 and CIAS 28 (amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to CIAS 1 and CIAS 8	Definition of material
Conceptual Framework	Amendments to References to the Conceptual Framework in CIFRS Standards

CIFRS 17 Insurance Contracts

CIFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes CIFRS 4 Insurance Contracts.

CIFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

The standard is effective for annual reporting periods beginning on or after 1 January 2021, with early application permitted. It is applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied. An exposure draft Amendments to CIFRS 17 addresses concerns and implementation challenges that were identified after CIFRS 17 was published. One of the main changes proposed is the deferral of the date of initial application of CIFRS 17 by one year to annual periods beginning on or after 1 January 2022.

For the purpose of the transition requirements, the date of initial application is the start if the annual reporting period in which the entity first applies the standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

The Directors do not expect that the adoption of this standard will have a material impact on the financial statements of the Company in future periods.

CIFRS 10 and CIAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to CIFRS 10 and CIAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted.

The Directors do not expect that the adoption of this standard will have a material impact on the financial statements of the Company in future periods.

Amendments to CIAS 1 and CIAS 8 Definition of material

The amendments are intended to make the definition of material in CIAS 1 easier to understand and are not intended to alter the underlying concept of materiality in CIFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

The definition of material in CIAS 8 has been replaced by a reference to the definition of material in CIAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency.

The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.

The Directors do not expect that the adoption of this standard will have a material impact on the financial statements of the Company in future periods.

Amendments to References to the Conceptual Framework in CIFRS Standards

Together with the revised Conceptual Framework, which became effective upon publication on 29 March 2018, the IASB has also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to CIFRS 2, CIFRS 3, CIFRS 6, CIFRS 14, CIAS 1, CIAS 8, CIAS 34, CIAS 37, CIAS 38, CIFRIC 12, CIFRIC 19, CIFRIC 20, CIFRIC 22, and SIC-32.

Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework.

The amendments, where there actually are updates, are effective for annual periods beginning on or after 1 January 2020, with early application permitted.

The Directors do not expect that the adoption of this standard will have a material impact on the financial statements of the Company in future periods.

38. EVENTS AFTER REPORTING PERIOD

With the Covid-19 outbreak and a potential partial suspension of everything but arms (EBA) tax relief by the European Union, the management has assessed the impact on the financial statements of the Company and concluded that these are non-adjusting events and there is minimal impact to the Company’s financial statements given the size of the related portfolios at the year end.

HEAD OFFICE:
Building 285, Yothapol Khemarak Phoumin Blvd. (St. 271), Sangkat Tumnobteuk, Khan Chamkarmorn, Phnom Penh, Cambodia

(855) 23 86 14 61 | (855) 23 99 30 62
info@amkcambodia.com
www.amkcambodia.com

Finance at your doorstep