



ACLEDA Bank Plc.

The bank you can trust, the bank for the people

Banking Self Service

Large amount deposit/ withdrawal

Open fixed deposit account and print certificate

Account opening and ATM card printing

ACLEDA ATMs

ACLEDA InteBanknet

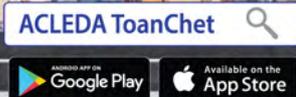
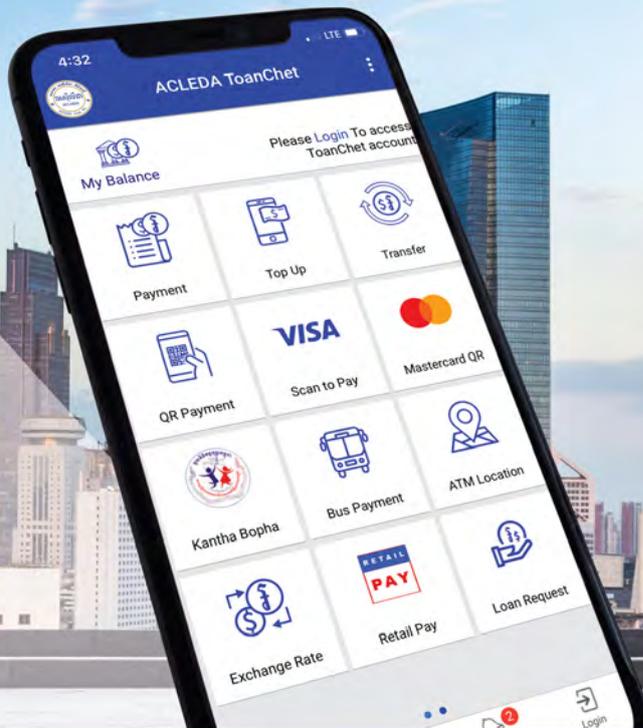


Annual Report 2019

អេស៊ីលីដា ឧបសគ្គទាន់ចិត្ត

ACLEDA Unity ToanChet

You can pay in Thailand
via ACLEDA ToanChet conveniently.

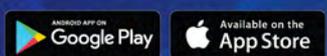


អេស៊ីលីដា ឧបសគ្គទាន់ចិត្ត

ACLEDA Unity ToanChet

Login authentication
(Facial Recognition & Fingerprint)
for more secure and convenient access your daily banking.

1. Log in to ACLEDA ToanChet app
 2. Select menu ☰ at the top right corner
 3. Select "Security & Privacy"
 4. Choose "Default Authentication"
 5. Enter your current password
 6. Then select type of authentication (Fingerprint or Facial ID).
- * Facial ID is now available on iOS only.



Our Vision

ACLEDA Bank's vision is to be Cambodia's leading commercial bank providing superior financial services to all segments of the community.

Our Mission

Our mission is to provide micro, small and medium entrepreneurs with the wherewithal to manage their financial resources efficiently and by doing so to improve the quality of their lives. By achieving these goals we will ensure a sustainable and growing benefit to our shareholders, our staff and the community at large. We will at all times observe the highest principles of ethical behaviour, respect for society, the law and the environment.

This report has been prepared and issued by the Marketing Division of ACLEDA Bank Plc., to whom any comments or requests for further information should be sent.

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FINANCIAL HIGHLIGHTS

Units in US\$ '000	31/12/19 Audited	31/12/18 Audited	31/12/17 Audited	31/12/16 Audited	31/12/15 Audited	Change (%) ¹
Consolidated Financial Highlights (CIFRS)						
Assets	6,175,162	5,683,574	5,247,094	4,673,975	3,902,297	8.65%
Loans and Advances (net)	3,846,021	3,594,359	3,118,577	2,884,712	2,555,583	7.00%
Liabilities	5,210,700	4,830,734	4,496,871	3,996,657	3,332,079	7.87%
Deposits	4,367,898	3,864,455	3,358,968	3,155,516	2,719,554	13.03%
Share Capital	428,818	395,224	358,545	307,764	265,726	8.50%
Shareholders' Equity ²	964,462	852,840	745,661	673,641	566,891	13.09%
Gross Income	550,128	510,655	493,879	471,330	406,302	7.73%
Profit Before Income Tax	153,523	150,832	108,924	151,965	138,804	1.78%
Net Profit After Tax	120,860	119,314	85,144	117,651	110,091	1.30%
Earnings Per Share	\$0.2818	\$0.3019	\$0.2375	\$0.3823	\$0.4143	-6.66%
Dividend ³	\$0.0763	\$0.1063	\$0.1278	\$0.2062	\$0.1977	-28.22%

Financial Highlights (CIFRS)

Assets	6,017,303	5,567,595	5,123,428	4,569,928	3,818,872	8.08%
Loans and Advances (net)	3,686,579	3,459,566	2,970,967	2,755,666	2,452,046	6.56%
Liabilities	5,045,025	4,704,649	4,370,604	3,883,699	3,235,426	7.23%
Deposits	4,256,424	3,780,278	3,277,577	3,079,358	2,638,396	12.60%
Share Capital ⁴	428,818	395,224	358,545	307,764	265,726	8.50%
Shareholders' Equity ⁵	972,279	862,946	752,824	686,228	583,445	12.67%
Gross Income	514,933	482,317	462,465	443,919	382,612	6.76%
Profit Before Income Tax	148,226	146,565	99,784	146,172	142,166	1.13%
Net Profit After Tax	117,887	116,991	79,928	117,913	113,537	0.77%
Earnings Per Share	\$0.2749	\$0.2960	\$0.2229	\$0.3831	\$0.4273	-7.13%

HIGHLIGHTS OF 2019

- Assets rose 8.65% to US\$6,175.16 million.
- Loans (net) grew 7.00% to US\$3,846.02 million.
- Non Performing Loans to Total Loans were contained at 1.24%.
- Deposits increased by 13.03% to US\$4,367.90 million.
- Shareholders' Equity 13.09% from US\$852.84 million to US\$964.46 million.
- Net profit after tax was US\$120.86 million.
- Return on Equity (ROE) was 12.53%.
- The Group had 316 offices operating in Cambodia, Lao PDR, and Republic of the Union of Myanmar.

1 Change from 2018 to 2019.

2 Exclude Minority interest of the subsidiaries.

3 From 2015 - 2018 was distributed 10% and 40% (paid out as share) of NPAT.

4 Share capital of ACLEDA Financial Trust and ASA, Plc. are shown:

Description	2019	2018	2017	2016	2015
AFT share (%)	26.0000%	26.0000%	26.0000%	25.1061%	25.1061%
AFT Number of Shares	102,758,267	102,758,267	93,221,689	77,267,575	66,713,499
ASA share (%)	25.0000%	25.0000%	25.0000%	25.8939%	25.8939%
ASA Number of Shares	98,806,034	98,806,034	89,636,246	79,692,026	68,806,792

5 Excluded Subordinated Debt.

TAX PAID REPORT

In the interests of fiscal transparency, we are pleased to publish our consolidated tax paid report in the table below:

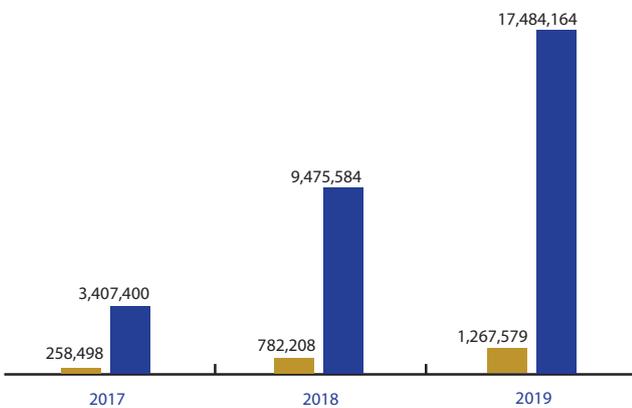
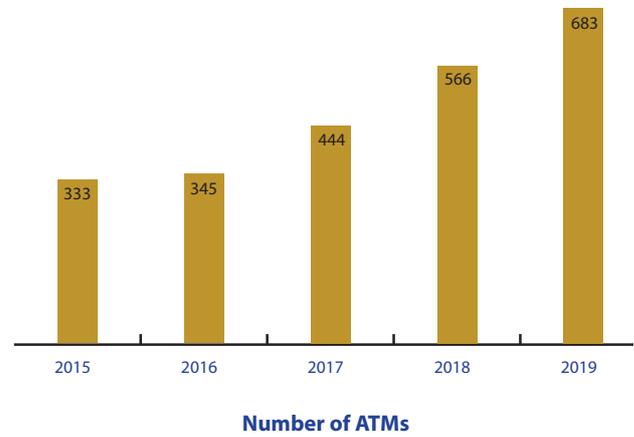
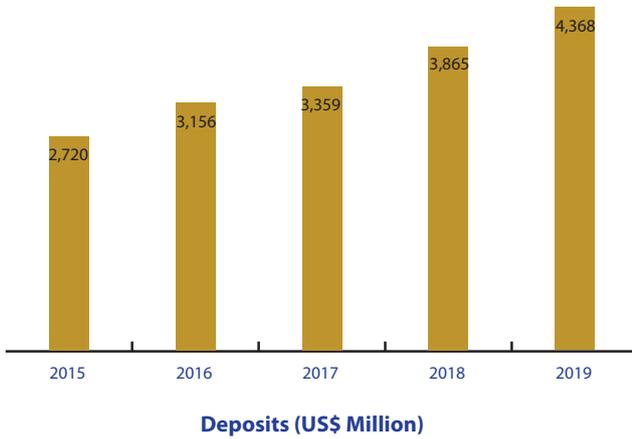
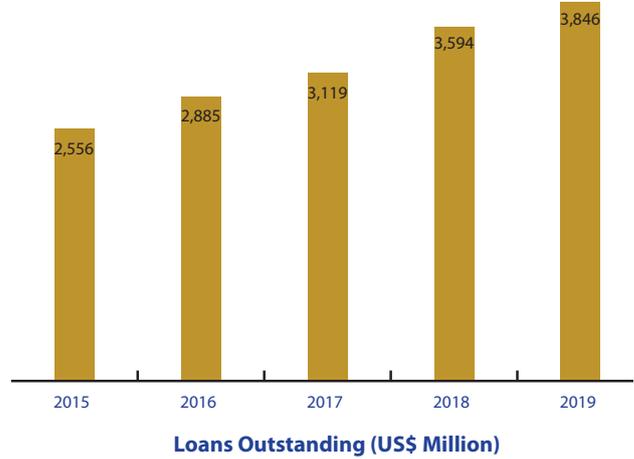
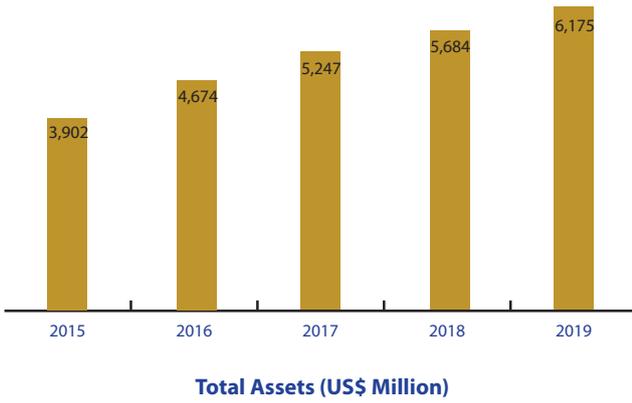
Units in US\$	2015	2016	2017	2018	2019	Total*
Patent tax	7,025	19,036	19,309	20,936	19,130	171,547
Signboard tax	73,931	75,826	36,983	57,695	64,096	716,088
Transportation tax	40,779	41,864	39,269	37,242	33,643	331,200
Property tax	23,390	7,651	22,964	23,094	7,673	112,091
Value Added Tax	7,042	-	-	1,266	5,749	15,305
Prepayment of profit tax	3,747,908	4,396,660	4,681,733	4,682,423	5,122,833	36,970,563
Profit tax	20,844,134	25,993,217	35,120,547	22,340,330	11,923,464	180,120,170
WHT-Salary	3,735,966	5,033,557	4,092,969	9,394,655	5,163,212	46,430,949
WHT-Saving Deposit	209,625	224,284	256,367	225,451	169,667	2,175,075
WHT-Fixed Deposit	4,686,889	3,904,865	4,410,819	4,208,320	4,758,442	30,769,569
WHT-Asset Rental	785,964	856,400	933,996	976,719	1,049,504	9,267,016
WHT-Local Services	246,665	288,159	344,495	327,390	335,193	3,780,280
WHT-Oversea Services	3,015,299	4,724,542	6,049,713	6,391,363	5,865,202	38,825,699
Total paid	37,424,618	45,566,061	56,009,164	48,686,885	34,517,809	349,685,554
Accumulated amount* (year to date)	164,905,634	210,471,696	266,480,860	315,167,745	349,685,554	

* Total and Accumulated Amount from year 2000.



ACLEDA Bank Plc. senior management and Vice President & Branch Managers meeting on October 25, 2019.

PERFORMANCE



ACLEDA ToanChet (Mobile Banking)

- Registration Number
- Account Balance (US\$)

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CAMBODIA'S KEY ECONOMIC INDICATORS

	2015	2016	2017	2018	2019e	2020f
1. GDP						
GDP % Change	7	7	7	7	7.1	6.1
Per Capita GDP (in U.S. Dollars)	1,215	1,302	1,427	1,563	1,679	1,816
2. Inflation						
Inflation (Annual Average)	1.2	3	2.9	2.5	1.9	2.9
(End Year)	2.8	3.9	2.2	1.6	3.1	-
3. Government Budget (as a percent of GDP)						
Revenue	17.3	18.9	20.2	22.3	19.5	22.1
Expenditure	20.9	22	23.5	24.6	25	28
4. Money and Credit (12 months percentage change)						
M2	14.7	17.9	23.8	24.2	18	-
Total Deposits in the Banking System	17.4	21.8	25.1	27.9	15.1	-
Total Outstanding Loans in the Banking System	25.7	20.5	17.2	24.3	23.7	-
Loans as % of Deposits	102.6	100.6	95.3	99.6	99	-
Private Sector Credit	27.1	22.5	18.5	20.1	26.3	-
Deposits to GDP	61.9	68.4	85.6	91.1	94.9	-
Loans to GDP	63.5	68.8	80.7	83.5	93.9	-
5. Balance of Payments (US\$ Million)						
Exports	8,970	9,595	10,777	11,214	14,530	-
Imports	11,544	12,070	13,019	13,771	22,190	-
Trade Balance	-2,574	-2,475	-2,242	-2,557	-7,660	-
Current Account (excluding official transfers)	-2,007	-2,312.5	-2,332.9	-2,289.2	-2,624.3	-
Nominal GDP (Billions of U.S Dollars)	18.08	19.86	22.16	24.61	26.79	29.36
Exchange Rate (Riel per Dollar end period)	4,062	4,056	4,045	4,037	4,054	4,054

Source: ABC, NBC, World Bank, and MoEF.

e: estimate, f: forecast

CHAIRMAN'S REPORT



Mr. Chhay Soeun,

Chairman

On behalf of ACLEDA Bank Plc.'s Board of Directors, I am pleased to present the 2019 Annual Report to the Shareholders of ACLEDA Bank Plc.

The Cambodian Economy

The World Bank and the Asian Development Bank delivered the same projection on Cambodian economic growth of 7% for 2019. This expansive growth was propelled by export diversification, strong construction and real estate, tourism activities, better weather conditions, and a supportive fiscal policy.

Financial Sector

Because of peace, stability and sustained economic growth, there has been a significant expansion in the number of financial institutions in 2019, which now includes 46 commercial banks, 16 specialized banks and 82 microfinance institutions.

We are grateful for the new regulations issued by the National Bank of Cambodia, which enable us to focus on and address the need to mitigate risks, protect the interests of stakeholders, and especially to strengthen customer protection amongst many other mechanisms, with the optimal goal to guarantee sustainable growth in the financial sector.

ACLEDA Bank Plc.

In 2019, the Bank continued to implement its foremost goal, outlined in its five-year strategy 2019-2023, to be a regional commercial bank, "the Bank You Can Trust, the Bank for the People", with a competitive edge in relevant banking markets. Transparency provides the Bank's stakeholders with confidence in the long-term returns available as we can sustainably benefit from the economic growth agenda and the Rectangular Development Strategy of the Royal Government of the Kingdom of Cambodia.

The Bank continues to strengthen its business model and facilitate the delivery of enhanced banking services to its clients in the public and private sectors that enables sustainable revenue streams into the future and ultimately benefits its shareholders.

This year and in the years to come, the Bank will continue to enhance its e-banking services to provide outstanding services and banking convenience to its customers and to be ready to serve its expanding customer base with a digital bank strategy of which FinTech products are included.

An enabling business environment in Cambodia lent strong support to the business community including ACLEDA Bank Plc. The Bank was able to achieve its business plan, while the rating agency Standard & Poor's has elevated ACLEDA Bank Plc.'s rating by one mark from "B" to "B+" with an outlook "stable". This rate is a testament to the success in strengthening the Bank's governance, capital, franchise operations, and the ability to deliver a consistent performance.

Board Composition

The Board consists of ten Directors, three of whom are independent, five are non-executive and two members are executive directors.

Corporate Governance

The Bank holds its Annual General Meeting of Shareholders in compliance with the law, the Articles of Association and other relevant regulations. The 2019 Annual General Meeting of Shareholders was held on April 25, 2019 and the Shareholders' Extraordinary General Meeting were held on August 8, 2019 respectively at the Bank's Headquarters.

The Board and management have the responsibility to ensure that the Bank's operations are conducted in accordance with all applicable laws and regulations, and as a credible going concern for years to come.

In accordance with its terms of reference, the Board of Directors meets regularly four times per year. The meetings reviewed the executive management's performance, while the Board retains effective control over the Bank. The Board is assisted by Board Committees, which are responsible for different aspects of governance. They are the Audit Committee, the Remuneration and Nomination Committee, the Risk Management Committee, and the Information and Technology Committee.

The Outlook for 2020

According to the National Bank of Cambodia, Cambodia's economic growth was projected to reach around 7% in 2020 due to growth in exports, foreign investment inflows, tourism, and construction and real estate, sectors which are expected to enjoy continued growth.

However, there are some potential risks for economic growth in 2020. External risks include a faster-than-expected slowdown in China's economy, which could have a negative impact on Cambodia's economy as it has a close relationship with that of China. Moreover, the implementation of protectionist policies could affect the country's exports. Finally, the COVID-19 virus is spreading globally and will impact short-term economic growth due to a drop in tourism, a reduction in the supply of raw materials to the garment sector, and contractions in the service and hospitality industries. At this stage, it is difficult to predict the ultimate impact on short and long-term growth.

Acknowledgement

On behalf of the Board of Directors, I would like to thank our customers, shareholders, directors, executive management, and all staff of the ACLEDA Group for their support and efforts in implementing the Bank's strategy and in achieving its goals and objectives.

We also express our sincerest gratitude to the Royal Government of Cambodia, the National Bank of Cambodia, regulators, and all relevant authorities for their constant support and dedicated efforts to develop Cambodia's financial industry, especially the banking sector.

We reaffirm our commitment to all our customers and shareholders that in 2020 we will continue to focus on areas that represent the best opportunities for ACLEDA Bank Plc., to dedicate all our efforts to achieving a strong and sustainable growth rate, and to deliver on our strategic goals to enhance future returns as well as strengthening the position of ACLEDA Bank Plc. in the Kingdom of Cambodia and within the region.

Mr. Chhay Soeun

*Chairman, Board of Directors,
ACLEDA Bank Plc.*

February 28, 2020



ACLEDA Bank Plc. cooperates with Siam Commercial Bank to launch Cross Border QR Payment on February 18, 2020. Presided over the Governor of the National Bank of Cambodia and the Governor of the Bank of Thailand and their delegation.

PRESIDENT & GROUP MANAGING DIRECTOR'S REPORT



Dr. In Channy,

President & Group Managing Director

Enriching customer experience and strengthening cyber security are at the heart of ACLEDA Bank Plc's focus at present. To achieve solid progress in pursuing these objectives, we will continue to enhance our robust information technology infrastructure by investing in advanced technologies, fortify the Bank's human resource capacities, and expand and improve business processes. Strategically, we are developing a platform to enable licensed partners of all sizes, locally as well as internationally, to join forces in servicing our customers mutually and beyond borders. I believe this will not only benefit our valued customers directly but their own business partners as well, recognizing that they are an important link for extending the Bank's outreach.

Performance in 2019

Competitive Environment

Banks and financial institutions reach out to their customers by means of a substantial branch and office network, while expanding to electronic infrastructure such as ATMs, POSs, and Internet banking facilities. Gradually infrastructure is digitalized with the launch of FinTech products via mobile applications so that businesses can reach their customers more robustly 24 hours a day and from anywhere. ACLEDA Bank has successfully continued to pursue this model aggressively. To remain competitive, it is worth noting that the Bank continues to support its customers' ability to grow together beyond Cambodia via QR Code Cross border payments.

Operational Highlights in 2019

- Total loans outstanding in 2019 were US\$3,881.10 million of which US\$735.23 million or 18.94% was lent to agriculture, among many other sectors. In 2018 loans to agricultural were pegged at US\$ 646.66 million. By the end of December 2019, the Bank had 438,650 small business loans.
- Non-performing loans were 1.11%.
- Savings and deposits were US\$4,332.87 million with total accounts numbering 2,620,778.
- ACLEDA Bank posted a Net Profit after Tax of US\$130.86 million.
- The Bank continued its cost minimizing and risk control efforts to maximize income.
- FinTech Products integrated ACLEDA Bank Plc.'s electronic banking infrastructure, offering the Bank's customers a range of choices to manage their financial resources.

Retail, Small Business

Small Loans increased by 15.47% over the previous year, with the portfolio expanding by US\$269.27 million. Personal Loans increased by 21.93%, or by US\$19.90 million. Housing Loans were US\$184.10 million of total loans outstanding. This was a decrease of 9.98%, reflecting the long-term loan tenure of up to 10 years, and the Bank's shift in focus to SMEs. Total loans outstanding were US\$3,881.10 million at year end.

Deposits grew by 12.96%, an increase of US\$497.04 million from the previous year. The retail sector was by far the largest segment of the growth in total deposits, with a significant amount deriving from first time depositors such as employees paid through the Bank's Payroll Service and customers in rural areas where they used ACLEDA Unity ToanChet. Financial products and Services via FinTech solutions contributed to this strong growth. It is encouraging to note that retail savings and deposits totally cover loans outstanding. The total balance of retail savings and deposits is US\$4,049.69 million of the total balance of savings and deposits.

The Bank maintains a diversified infrastructure of choices with 313 traditional branches and offices gradually transforming to self-service centers, 683 ATMs and 4,289 POS terminals. Moreover, the digitized ACLEDA Unity ToanChet proved very popular, registering more than 1.3 million active users. ACLEDA Bank savings and deposits balance was US\$ 4,332.87 million with total accounts over 2.6 million, and with around 1.3 million debit cards in circulation.

Medium and Corporate Business

In 2019 the amount of loans outstanding in this sector grew by 1.34%, and accounted for 30.92% of total loans outstanding. Cash Management performance has increased strongly through our arrangement with the public sector, in particular the Social Security Fund, government payroll

direct deposits, and vehicle stamp tax collections in addition to private sector business entities, especially garment factories. As the custodian of the Social Security Fund, ACLEDA Bank now receives deposits from all provinces and towns. In addition, several new accounts were acquired, the most significant of which were from the expansion of the Bank's ATM network and the ACLEDA Unity ToanChet bill payments for public utilities, as well as via ACLEDA Internet Banking Service. This has had a positive impact on the Bank's local currency cash flow and has enabled ACLEDA Bank to entirely fund its local Khmer Riel currency loan portfolio from deposits. Demand for Payroll Service was particularly strong in 2019 with a number of public sector organizations, and a number of local and international companies and official institutions signing up, which provided excellent opportunities for cross selling of other products.

ACLEDA Bank and its subsidiaries continued to collaborate with long term experienced strategic partners including SMBC, Prudential, and Forte. Representing hundreds of years of combined experience in banking and financial services, these companies assist our mutual customers to manage their financial resources effectively and efficiently, while at the same time these collaborations helped boost revenues and enhance a long-term source of funding for the Bank. These partnerships contributed significantly to the Bank's long term funding, and these joint efforts also provided a useful source of off-balance sheet revenues. Moreover, shared international expertise well serves the Bank's management and staff human resource capacity development.

International Exchange and Partners

Foreign exchange earnings continued to grow and made a valuable contribution to our non-interest income. Based on its risk management policy, the Bank does not trade speculatively or take positions as its FX business is to support our customers' businesses only. This is a low risk and stable source of income, which has grown consistently over time, produced good margins, and built up long-standing relationships with customers.

The Bank's balance sheet has been further strengthened by robust inflows of customer deposits resulting in a healthy Loan-to-Deposit ratio, which provides a solid platform to support the Bank's business growth in selected market operations.

The Bank has contributed to the promotion of the use of Khmer Riel (KHR) by providing local currency loans to customers amounting to more than 13% of its total loan portfolio, exceeding the regulatory requirement of 10%. The Bank has also actively participated in the Liquidity Providing Collateralized Operation (LPCO) to seek further funding support in the local currency.

To support its long-term sources of funding, the Bank has diversified its funding options by maintaining and gradually expanding good relationships with its strategic partners globally, especially in Europe, USA, and Asia.

The Bank has continued to strengthen its relationships with other Financial Institutions, and reviewed its substantial international correspondent's network during the year. At the end of 2019, the Bank had 292 correspondents covering 45 countries. In addition, the Bank has a dominant share in the market for local banks' and microfinance institutions' domestic accounts and provides fund transfer services for them throughout the country.

The Bank has managed to comply with all its internal risk policies, regulatory requirements and other lenders' covenants.

Strategic Priorities for 2020

1. Continue to develop financial technology (FinTech), Digital Banking-Mobile App to cover regional financial services network to enrich customer self-service.
2. Develop banking self-service areas infrastructure to serve the public and customers 24/7.



ACLEDA Bank organized a public seminar (Roadshow) on "ACLEDA Bank Plc. is going IPO" on March 3, 2020.

3. Enhance the capacity of both local and foreign subsidiaries by providing them with a competitive edge.
4. Digitalize administrative processes and documentation to support digital banking.
5. Enrich IT System and Security for robust digital functions.
6. Partner with additional reputable institutions for business growth.
7. Act as a Custodian and diversify funding from the Cambodia Securities Exchange (CSX).
8. Center ACLEDA Unity ToanChet as the common means of broader payment in all markets.

The Challenges for 2020

ACLEDA Bank will become a listed company on the Cambodia Securities Exchange. As such, it needs to deal with more regulators and the public at large. However, The Bank's management team, which has an in-depth and established track record, combined with the Banks's long-standing commitment to a culture of transparency, means that these challenges will be dealt with successfully.

Competition is no longer limited to service quality and pricing, but also to more advanced FinTech technology, which has a short-term life cycle requiring individual banks and financial institutions to make regular upgrades and investments. The financial industry is involved with the PSIs since they are licensed by the NBC, and they are actively providing payment services to the banks' as well as MFIs' customers.

The spread of the COVID-19 virus and related fears globally will impact economic growth. While the exact impact on the economy is difficult to predict, this will no doubt prove to be an on-going challenge for the economy over the short term.

The Financial report required to comply with CIFRS effectively applies to the 2019 audited financial report onward. This is the first time that the Bank has not included this in the annual report.

I would like to highlight that ACLEDA Unity ToanChet broadly expands business connections via its module of Public Access Interface to the Bank, licensed MFIs, and Payment service Providers licensed by National Bank of Cambodia. These will directly serve our corporate and individual customers. This concurrently helps the Bank best serve its mutual customers 24-hours a day, 7-days a week. With ToanChet, all application users can manage their businesses efficiently and execute banking transactions from anywhere at any time with reliable built-in security.

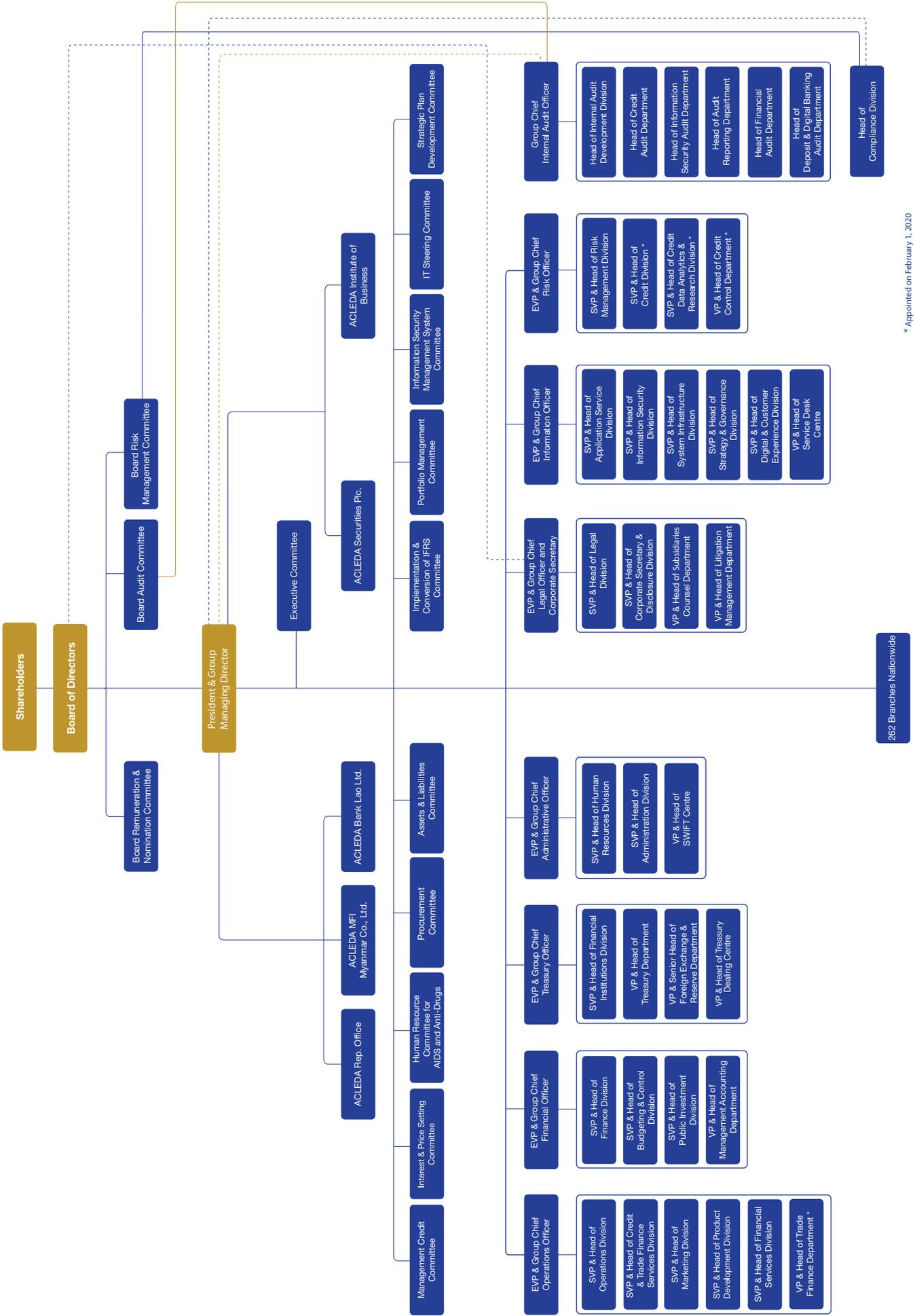
To all our customers, my colleagues on the Board of Directors, management and staff, and not least the Royal Government and the National Bank of Cambodia, I offer my sincerest thanks—both for your support in 2019 and in anticipation of a happy and prosperous 2020.

Dr. In Channy
President & Group Managing Director
 February 28, 2020



Transfer to Ly Hour Veluy & Wing Account via ACLEDA ToanChet.

ORGANISATIONAL CHART

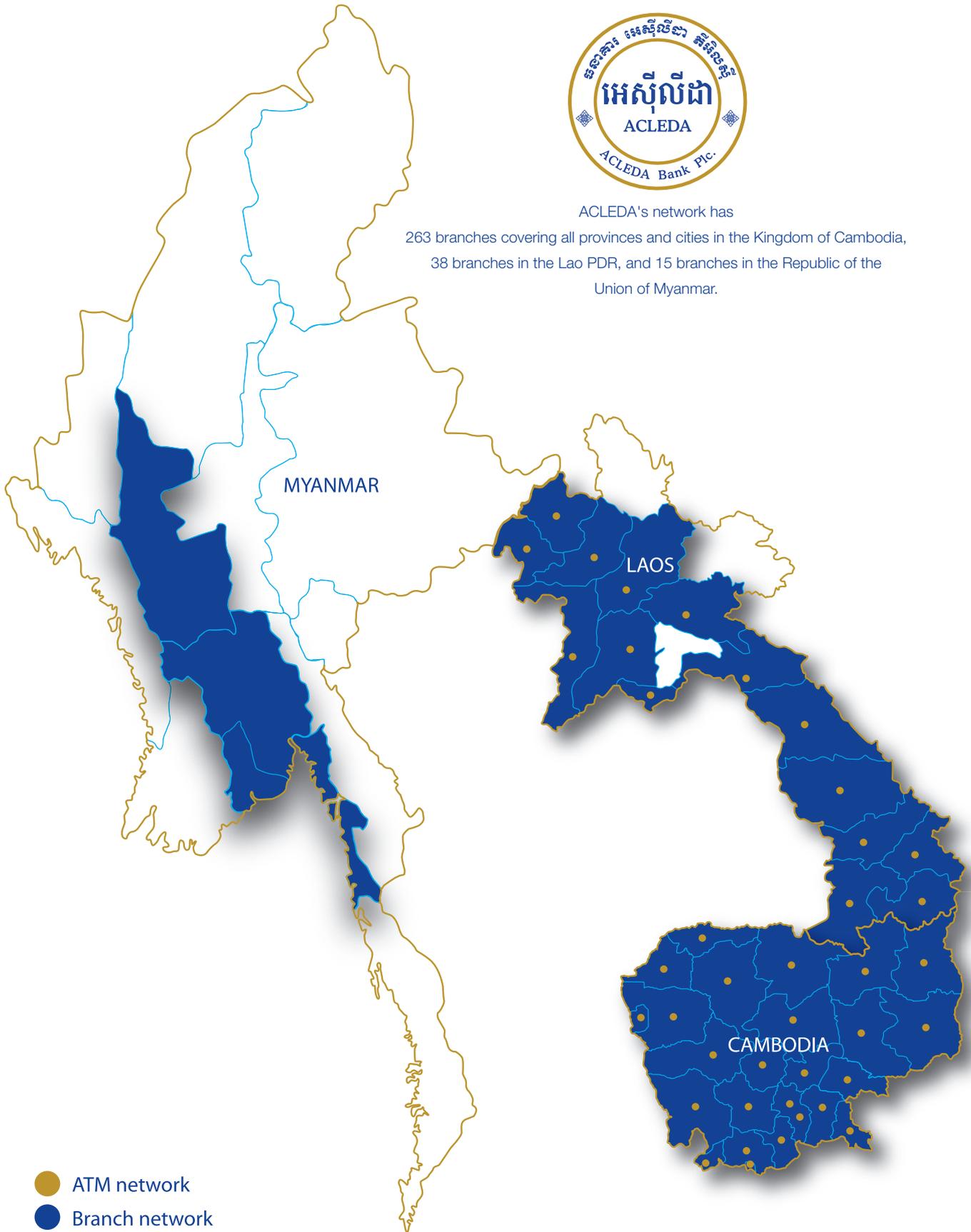


* Appointed on February 1, 2020

BRANCH NETWORK



ACLEDA's network has
263 branches covering all provinces and cities in the Kingdom of Cambodia,
38 branches in the Lao PDR, and 15 branches in the Republic of the
Union of Myanmar.



- ATM network
- Branch network

CORPORATE GOVERNANCE

ACLEDA Bank Plc. recognizes the critical importance of corporate governance in supporting the Bank's sustainable growth, enhancing the efficiency of the Bank, creating shareholder value, and securing trust for all stakeholders including shareholders, customers, staff and the general public. The Board of Directors supports and encourages the adoption and implementation of good corporate governance policies, together with a Code of Conduct and business ethics.

Shareholders' Meeting

The Bank holds its Annual General Meeting of Shareholders in compliance with the law, the Articles of Association and other relevant regulations. The 2019 Annual General Meeting of Shareholders was held on April 25, 2019 and the Shareholders' Extraordinary General Meeting was held on August 8, 2019 respectively at the Bank's Headquarters, and an additional four resolutions were passed by e-mail during the year. The Bank took the following actions:

Prior to the Meeting

The Meeting Notice contains detailed agendas, factual details, rationale and Board recommendations for each agenda item as well as accompanying documents, the 2018 Annual Report and the Report of Financial Statements produced by the external auditor. The Meeting Notice and accompanying documents were prepared in English and were delivered to all Shareholders in advance of the Annual General Meeting and Extraordinary General Meeting.

During the Meeting

The 2019 Annual General Meeting of Shareholders was chaired by the Chairman of the Board. The Chairman of the Meeting allowed Shareholders full opportunity to ask questions and make recommendations and provided comprehensive clarification when requested. Management also clarified and answered related issues. The Corporate Secretary recorded the Minutes and details of votes for each agenda item.

The decisions made in 2019 were:

- Approval of the Bank's IPO and/or Listing its shares up to 20% of total Bank's shares on the Cambodia Securities Exchange (CSX) at which the first tranche shall be up to 2% of total Bank's shares and the second tranche will be decided by the Shareholders thereafter.
- Approval of the IPO price range.
- The approval of the Consolidated and Separated Financial Statements, and Management letter for the year ended December 31, 2018, which have been audited by the external auditor, PwC.
- The approval of dividend distribution of 2018 net profit after tax and the transfer of the remaining net profit after tax to the Bank's general reserves.
- Approval of the consolidated and separate Interim Financial Statements and Management Letter of ACLEDA Bank Plc. for the first, second and third quarters of 2019.

- The approval of a capital increase of ACLEDA Bank Plc. and its subsidiary.
- The approval of acknowledgement and recognition of Board and Shareholder representatives.
- The approval of amendments to MAOA and SSA.
- The approval of the annual report 2018 of the Bank and its Group.
- The approval of the Revised Dividend Policy.
- Approval of the dissolution of ACLEDA Properties Ltd. (ACP).

Following the Meeting

The Minutes of the 2019 Annual General Meeting and Extraordinary General Meeting of the Shareholders were circulated to all Shareholders for their perusal prior to confirmation at the next Annual General Meeting.

Shareholders

The Shareholders are the owners of the Bank. However, except for approving certain critical strategic matters the Shareholders have no direct powers to manage the Bank in any way but delegate this responsibility to the Board of Directors through the Articles of Association.

ACLEDA Financial Trust

ACLEDA Financial Trust (AFT) succeeded ACLEDA NGO under the "Sub-Decree No: 476 Or Nor Kror Bor Kor, dated August 26, 2013 on Financial Trusts" of the Royal Government of Cambodia, and the "Prakas No: 1041 Sar Hor Vor Bror Kor, dated September 26, 2014 on the Management and Monitoring of Financial Trusts" of the Ministry of Economy and Finance. The certificate No: 269 Sar Hor Vor Or Ouk Hor, dated August 19, 2015 was also obtained from the Ministry of Economy and Finance with its registered office at #61, Preah Monivong Blvd., Sangkat Srah Chork, Khan Daun Penh, Phnom Penh, Kingdom of Cambodia.

The purpose and role of AFT are to:

- Create opportunities for employment and income sources to contribute to Cambodian economic development;
- Promote and support the advancement of the sciences related to economic development including finance and banking, and with a focus on financial inclusion and financial literacy;
- Promote economic and educational opportunities for youth and low-income populations;
- Contribute to improved financial services through ACLEDA Bank Plc. and associated entities, in order to stimulate the local economy.

AFT acts as one of the shareholders of ACLEDA Bank Plc. that is established under the laws of the Royal Government of Cambodia, in order to encourage adherence of ACLEDA Bank Plc. to the original objective to support Cambodian micro, small and medium entrepreneurs and to maintain Cambodian nationality of ACLEDA

Bank Plc. AFT shall pursue directly and exclusively the aforementioned objectives. It shall act altruistically and shall not primarily pursue objectives for its own private commercial interests. AFT is non-political and not affiliated with any political party. It may use its financial means only for the purposes set out in these statutes. No individual may benefit from any disproportionately high remuneration or from an expense, which is not consistent with the AFT's purposes.

ASA, Plc.

The ACLEDA Staff Association, (ASA, Plc.) was formed to serve as a holding company and vehicle through which the staff of ACLEDA Bank Plc. and relevant investor(s) can participate in the long-term growth and increase in value of the stock in ACLEDA Bank Plc. by owning a beneficial interest in the shares of ACLEDA Bank Plc. and to engage in all other activities reasonably incident, in the judgment of the Board of Directors and executive management, to the accomplishment of the aforesaid objectives.

Sumitomo Mitsui Banking Corporation (SMBC)

SMBC is a top-tier Japanese bank operating globally. Through its domestic branches (excluding sub-branches and banking agencies) in Japan and overseas branches (including subsidiaries, sub-branches and representative offices) worldwide, SMBC provides a broad range of financial services including deposit taking, corporate finance, structured finance, securities investment, money transfers, foreign currency exchange, corporate bond trustee services and custody services, financial futures underwriting, and investment trust sales.

SMBC is committed to working towards our goal of "Accelerating our Asia-centric Strategy". SMBC has proactively invested its resources in Asian countries with a high growth potential. In order to provide ACLEDA Bank's clients with better-integrated financial services, SMBC has been seconding a senior consultant to the Foreign Corporate Unit (FCU) of ACLEDA Bank since 2013.

SMBC's holding company, Sumitomo Mitsui Financial Group, Inc. (SMFG), is listed on the Tokyo, Nagoya and New York Stock Exchanges. For more information on SMBC, please visit SMFG's website at www.smfg.co.jp/english

COFIBRED — Compagnie Financière de la BRED (BRED's financial company)

COFIBRED is a BRED BanquePopulaire's fully owned subsidiary. Given the development of BRED's international activities, it was decided in 2008 to regroup all subsidiaries and participations within a single entity, Cofibred. Cofibred's portfolio is made up of more than 45 subsidiaries and participations in bank, insurance, e-commerce and/or financial companies. These subsidiaries and participations are located worldwide on the five continents.

ORIX Corporation

ORIX Corporation (TSE: 8591; NYSE: IX) provides financial services, makes investments and operates businesses in six segments, which consist of corporate financial services, maintenance leasing, real estate, investment and operation, retail, and overseas business. Established in 1964 as a leasing company, ORIX has advanced into neighbouring fields and regions to evolve its business and expand globally. Through its business activities, ORIX has been constantly anticipating market needs and works to contribute to society by developing leading financial services on a global scale and striving to offer innovative products that create new value for customers. For more details, please visit ORIX's website: www.orix.co.jp/grp/en

Triodos Sustainable Finance Foundation, Triodos Fair Share Fund and Triodos Microfinance Fund

Triodos Sustainable Finance Foundation (formerly Triodos-Doen Foundation), Triodos Fair Share Fund and Triodos Microfinance Fund are three investment funds managed by Triodos Investment Management. Triodos Investment Management is a 100% owned subsidiary of Triodos Bank, one of the world's leading sustainable banks. The funds' focus is on providing access to financial services for low-income groups and SMEs in developing countries in order to contribute to a sustainable inclusive financial sector.

Triodos Microfinance Fund

Triodos Microfinance Fund was launched in 2009 and is an open-end fund with share classes available for institutional investors, high net worth individuals and private banking clients across Europe. The main focus of this fund is on established microfinance institutions and SME banks with a proven track records.

Triodos Fair Share Fund

Triodos Fair Share Fund, established in 2002 in the Netherlands, is one of the first and few funds worldwide that offers the opportunity to invest in microfinance institutions and SME banks to the general public.

Triodos Sustainable Finance Foundation

Triodos Sustainable Finance Foundation aims to finance initiatives that accelerate sustainable development worldwide, with a focus on inclusive finance.

BOARD OF DIRECTORS

The Directors are appointed by the Shareholders for three-year terms to act on their behalf. The Articles provide that the Board shall consist of ten Directors and that:

- The Board of Directors is responsible for determining the strategy of the Bank and for conducting or supervising the conduct of its business and affairs. Its members shall act in the best interests of the Bank.
- The powers of the Board of Directors are to be exercised collectively and no individual Director shall have any power to give directions to the officers or employees of the Bank, to sign any contracts, or to otherwise direct the operations of the Bank unless specifically empowered to do so by a resolution of the Board of Directors.
- Each Director shall have unlimited access to the books and records of the Bank during ordinary business hours.

The Board of Directors shall elect, by majority vote, one of its members to serve as Chairman who shall preside over meetings of the Board of Directors as well as the Annual General Meeting.

The Board of Directors assumes responsibility for corporate governance and for promoting the success of the Bank by directing and supervising its business operations and affairs. It appoints and may remove the

President & Group Managing Director, Group Chief Internal Audit Officer, and Head of Compliance Division. It also ensures that the necessary human resources are in place, establishes with management the strategies and financial objectives to be implemented by management, and monitors the performance of management both directly and through the Board Committees.

The Board of Directors established three Committees: Audit, Remuneration and Nomination, and Risk Management, and may establish such other committees as it deems necessary or desirable to carry on the business and operations of the Bank. These Board Committees shall exist at the pleasure of the Board of Directors and the Board shall approve all members of such Committees. The Committees themselves will not exercise any of the powers of the Board, except insofar as the Board may formally delegate such powers, but may make recommendations to the Board for their collective action. Whilst membership on Board Committees is restricted to Directors themselves, they may invite members of management and others so as to provide operational information and explanation when considered necessary. All Board Committees are chaired by Independent Directors.

A complete list of existing Board Committees, their membership and their activities during 2019 appears on pages 33-35 of this report.



(L to R) Drs. Pieter Kooi, Mr. Marc Robert, Ms. Mirjam Janssen, Mr. Rath Yumeng, Mr. Chhay Soeun, Dr. In Channy, Mr. Kenichiro Mori, Mr. Ryoji Nishimura, Mr. Cornelius Obert, Mr. Ian S. Lydall



Mr. Chhay Soeun, Chairman

Board Committees: Audit

Cambodian. Born April 10, 1954. Mr. Soeun joined the ACLEDA Bank Plc. Board in September 2014. He obtained an Executive Master's of Business Administration in Finance and Accounting from Preston University, California, USA. He is a Graduate of the Australian Institute of Company Directors (GAICD). He joined ACLEDA in January 1993 until his retirement on April 10, 2014. His last job in ACLEDA Bank Plc. was as Executive Vice President & Group Chief Financial Officer. From 1980 to 1992, he was an accountant and deputy chief accountant at the Kampot Provincial Department of Commerce.

At present, he is Chairman of the Board of Directors of ACLEDA Bank Plc., Cambodia, a Board member of ACLEDA Bank Lao Ltd., and a Board member of ACLEDA MFI Myanmar Co., Ltd.

Dr. In Channy, Director

Cambodian. Born June 1960. Dr. In Channy is President & Group Managing Director of ACLEDA Bank Plc., a position he has held since it was established as a bank in 2000. He became a member of the Board of Directors of ACLEDA Bank Plc. in August 2014. He was one of the founders of the Association of Cambodian Local Economic Development Agencies (ACLEDA) in January 1993. As President of the Executive Committee he leads the Executive Management Team which is responsible for overall strategic planning and running the day-to-day business of ACLEDA Bank Plc. and its group as well as implementation of its business plan. He is directly accountable to the Board of Directors. His other responsibilities within the group include Chairman of ACLEDA Bank Lao Ltd. and ACLEDA MFI Myanmar Co. Ltd., Shareholder Representative for ACLEDA Bank Lao Ltd., ACLEDA Securities Plc., the ACLEDA Institute of Business, and ACLEDA MFI Myanmar Co., Ltd. He is also the Chairman of ACLEDA Financial Trust.

Outside ACLEDA Bank, he is one the board members of the Entrepreneurship Development Fund (EDF), a Royal Cambodian Government established Trust. He is the Chairman of the Association of Banks in Cambodia. He also represents ACLEDA Bank Plc. as one of the members of the World Economic Forum.

He completed an Executive Course on Financial Institutions for Private Enterprise Development (FIPED) at Harvard University, USA in 1998. He holds a Doctorate of Business Administration and is also a Graduate of the Australian Institute of Company Directors (GAICD).



Mr. Rath Yumeng, Director



Cambodian. Born in 1962. Mr. Rath Yumeng joined ACLEDA Bank Plc. in January 1999. From January 1999 to August 2008 he held various positions in the Bank including as Chief Accountant/Deputy Head of Finance (January 1999 - May 2007), Head of Finance Division (June 2007 - August 2008), Head of Treasury Division (September 2008 - May 2015) and Executive Vice President and Group Chief Treasury Officer (June 2015 till the present).

He is responsible for leading a group of treasury management and control functions, which consists of the Financial Institution Division, Foreign Exchange and Reserve Department, Treasury Department and Treasury Dealing Centre. He also provides technical support to the Bank's subsidiaries in terms of fund management.

In addition, he holds positions as chair and member of the Bank's various management committees: Assets and Liabilities Committee (ALM), Interest & Price Setting Committee (IPSC), Public Bond Issuance Committee (BICO), and is a member of Management Credit Committee (MCC).

From 2001 until September 2014, he was the Shareholder Representative of ASA, Plc., one of the local shareholders of the Bank. In August 2014, he became a member of the Board of Directors of the Bank.

He holds a Master's Degree in Finance and Banking from Western University, Phnom Penh, Cambodia, and is also a Graduate of the Australian Institute of Company Directors (GAICD).

Drs. Pieter Kooi, Director

Board Committees: Remuneration and Nomination (Chair), Risk Management, Audit.

Dutch. Born in 1958. Drs. Kooi joined the Board in October 2000. He obtained his Master's Degree with distinction in Corporate Finance and Sociology from Erasmus University in Rotterdam, the Netherlands. Starting in 1993, he advised ACLEDA as a microfinance consultant over a period of seven years in its evolution from a development program into a commercial bank. From 1999, he worked as a short-term microfinance consultant on projects in 15 countries located mainly in Africa and Asia. From September 2002 until December 2005, he was Director of the Microfinance Unit of UNCDF in New York. From March 2006 till May 2011, Drs. Kooi supported ACLEDA Bank Plc. as a part-time consultant in the establishment of ACLEDA Bank Lao Ltd., ACLEDA Training Center Ltd. (currently ACLEDA Institute of Business) and ACLEDA Securities Plc. At present Drs. Kooi serves on several boards within the ACLEDA Bank Group. He is a Graduate of the Australian Institute of Company Directors.





Mr. Cornelius Obert, Director

Board Committees: Risk Management (Chair), Audit, Remuneration and Nomination.

German. Born in 1950. Mr. Obert joined the Board in August 2015. He graduated in 1976 with a Degree in Economics and Management from the University of Hamburg. He previously worked as Managing Director/Executive Member of the Board of Directors for Commerzbank International SA Luxembourg and before that as General Manager of Commerzbank AG, Johannesburg Branch. His areas of responsibility included Corporate Business, Treasury Activities, Precious Metal Business and Trade Finance.

Mr. Ian S. Lydall, Director

Board Committees: Audit (Chair), Remuneration and Nomination, Risk Management.

British. Born in 1955. Mr. Lydall joined the Board in August 2015. He was the CEO and then Chairman of PwC Vietnam, retiring from the firm on June 30, 2015. He contributes to the Bank by drawing on his experience of financial reporting, corporate governance, risk management, strategy and related areas. Mr. Lydall has extensive and in-depth experience in financial services.



Mr. Marc Robert, Director

French. Born in 1973. Mr. Robert joined the Board in August 2015. He graduated from ESSEC and Science Po Paris and obtained a PhD in Economics from the University of California Davis and the University of Toulouse in 2003. He started his career with the International Monetary Fund and then held positions on the boards of several European banks. Currently, he works for BRED Banque Populaire as a member of the Management board, head of the international section, in charge of monitoring a dozen subsidiaries around the world.

Mr. Ryoji Nishimura, Director

Board Committees: Remuneration and Nomination

Japanese. Born on February 26, 1974. Mr. Nishimura joined the Board in April 2018.

He is currently Managing Director, Global Business Development and Investment Group Investment and Operation Headquarters with the ORIX Corporation. He is Director and IC member of United Orient Capital fund and a director of the DI Asian Industrial Fund which acts as a private equity investment fund in Singapore and Vietnam, engaged in managing investment projects in Europe, Africa, and Southeast Asia. He is also a Non-Executive Director of TenGer Financial Group, a Mongolian financial services group providing a range of banking and financial services.

He graduated with a Bachelor's Degree in Business Administration from the Ritsumeikan University, Japan. He joined the ORIX Corporation in April 1996, starting his career in the firm's Nagoya Branch. From 2005 to 2008, he was the project leader for the establishment of a reinsurance company in Ireland, conducting written and verbal negotiations with the local government and law offices. From 2009 to 2014, he worked at ORIX Taiwan Corporation in Taiwan engaged in NPL investment business.



Mr. Kenichiro Mori, Director

Board Committees: Risk Management

Japanese. Born in 1973. Mr. Kenichiro Mori joined the Board in October 2019. He graduated from Tokyo University with a Bachelor's Degree in Engineering in April 1996. He began his career with Sumitomo Bank (currently Sumitomo Mitsui Banking Corporation (SMBC) as a Marketing Officer at the Ikebukuro Branch in Tokyo and later held various positions in credit portfolio management and corporate planning at the Bank. In December 2009, Mr. Mori was appointed to the Office of Special Staff to the Chairman at the Japanese Bankers Association, where he led efforts to expand sound practices in the Japanese banking sector, through the adoption of international standards and best practices. In April 2014, Mr. Mori was assigned as Senior Vice President of Planning Dept., International Banking Unit. In April 2016, he was promoted to Head of Strategic Planning Group. Mr. Mori is currently the Joint General Manager of Planning Department, Asia Pacific Division at SMBC, a position he has held since April 2019.



Ms. Mirjam Janssen, Director

Dutch. Born on December 1970. Ms. Mirjam joined the board in January 2020. She obtained her Master's Degree in Business Communication Studies from the University of Nijmegen, the Netherlands. She is currently a member of the Board of Directors in Early Dawn Microfinance Myanmar and Regional Manager Asia of Triodos Investment Management.



EXECUTIVE MANAGEMENT

The President & Group Managing Director is appointed by the Board of Directors with full responsibility and authority to manage the day-to-day affairs of the Bank within the framework of the policies and strategic guidelines approved by the Board. However, certain powers may be retained by the Board and shall be formally recorded in a 'Letter of Reserved Matters'.

The President & Group Managing Director appoints and chairs an Executive Committee comprising members of senior management as he deems appropriate (subject to any changes being notified to the Board in a timely manner). The Terms of Reference and proceedings of the Executive Committee shall be determined by the President & Group Managing Director at his discretion under the general headings of:

- Strategic direction — develop policies, goals, strategies and targets for Board approval.
- Performance — assemble and mobilise resources to implement agreed strategies and performance targets.
- Risk — identify and evaluate risk in the Bank's strategies and manage exposures.
- Compliance — ensure that the Bank conforms to all corporate, legal and regulatory requirements.



Dr. In Channy

President & Group Managing Director

Cambodian. Born June 1960. Dr. In Channy is President & Group Managing Director of ACLEDA Bank Plc., a position he has held since it was established as a bank in 2000. He became a member of the Board of Directors of ACLEDA Bank Plc. in August 2014. He was one of the founders of the Association of Cambodian Local Economic Development Agencies (ACLEDA) in January 1993. As President of the Executive Committee he leads the Executive Management Team which is responsible for overall strategic planning and running the day-to-day business of ACLEDA Bank Plc. and its group as well as implementation of its business plan. He is directly accountable to the Board of Directors.

His other responsibilities within the group include Chairman of ACLEDA Bank Lao Ltd. and ACLEDA MFI Myanmar Co. Ltd., Shareholder Representative for ACLEDA Bank Lao Ltd., ACLEDA Securities Plc.,

ACLEDA Institute of Business, and ACLEDA MFI Myanmar Co., Ltd. He is also the Chairman of ACLEDA Financial Trust.

Outside ACLEDA Bank, he is one the board members of the Entrepreneurship Development Fund (EDF), the Royal Government established Trust. He is the Chairman of the Association of Banks in Cambodia. He also represents ACLEDA Bank Plc. as one of the members of the World Economic Forum.

He completed an Executive Course on Financial Institutions for Private Enterprise Development (FIPED) at Harvard University, USA in 1998. He holds a Doctorate of Business Administration and is also a Graduate of the Australian Institute of Company Directors (GAICD).



- Mrs. Buth Bunsayha
EVP & Group Chief
Legal Officer and
Corporate Secretary
- Mr. Ly Thay
EVP & Group Chief
Administrative Officer
- Dr. So Phonnary
EVP & Group Chief
Operations Officer
- Mr. Rath Yumeng
EVP & Group Chief
Treasury Officer
- Dr. In Channy
President & Group
Managing Director
- Dr. Loeung Sopheap
EVP & Group Chief
Risk Officer
- Mrs. Mar Amara
EVP & Group Chief
Financial Officer
- Mr. Mach Theary
EVP & Group Chief
Information Officer



Dr. So Phonnary

Executive Vice President & Group Chief Operations Officer

Cambodian. Born November 1963. Dr. Phonnary has worked with ACLEDA since August 18, 1993.

As Executive Vice President & Group Chief Operations Officer, she is a member of the Bank's Executive Committee and is responsible for leading a group of operations, which consists of five heads of divisions and one department including Operations Division, Marketing Division, Product Development Division, Corporate Division, Financial Services Division, and Trade Finance Department. She is responsible for strategic planning and day-to-day business of the Bank, development and research for new Bank products/services, and products/services sales growth planning and implementation. She is responsible for leading, monitoring, controlling and evaluating the Bank's daily business operations.

Dr. Phonnary is Chairwoman of the Portfolio Management Committee. She is a member of management's Assets & Liabilities Committee, Interest & Price Setting Committee, and Management Credit Committee.

She is directly accountable to the President & Group Managing Director.

She holds a Doctorate of Business Administration and is also a Graduate of the Australian Institute of Company Directors (GAICD).



- Mrs. Om Sophea
VP & Head of Trade
Finance Department
- Mrs. Sok Sophea
SVP & Head of
Marketing Division
- Dr. So Phonnary
EVP & Group Chief
Operations Officer
- Mr. Soth Saran
SVP & Head of
Corporate Division
- Sok Sovady
SVP & Head of
Operation Division
- Mr. Char Sopheap
SVP & Head of Product
Development Division
- Mr. Neth Piseth
SVP & Head of Financial
Services Division



Mrs. Mar Amara

Executive Vice President & Group Chief Financial Officer

Cambodian. Born September 1967. Mrs. Amara joined ACLEDA in June 1993. As Executive Vice President & Group Chief Financial Officer, she is a member of the Bank's Executive Committee, which is responsible for the overall strategic planning and running the day-to-day business of the Bank as well as the implementation of the business plan. She is a member of the Interest & Price Setting Committee, and the Management Credit Committee of the Bank. She also leads the work of the Basel Team. She is responsible for the Finance Division, Budgeting & Control Division, Public Investment Division, and Management Accounting Department. She is directly accountable to the President & Group Managing Director.

Her other responsibilities within the group include being Board chairwoman of ACLEDA Securities Plc. and vice chair of the ACLEDA Financial Trust.

She is a Graduate of the Australian Institute of Company Directors (GAICD) in 2018, and also graduated from the National University of Management in Phnom Penh in 2006 with a Master's Degree in Finance, having previously obtained a Bachelor's Degree in Management in 2003. She attended courses on Management Accounting, Financial Accounting and Auditing among others at Regent College from 1996 to 1998 in Phnom Penh.



- Tek Peuochanthala
SVP & Head of Budgeting
& Control Division

- Mr. Kuoy Veasna
SVP & Head of Public
Investment Division

- Mrs. Mar Amara
EVP & Group Chief
Financial Officer

- Mrs. Meng Mariane
SVP & Head of
Finance Division

- Mrs. Tauch Chansophea
VP & Head of Management
Accounting Department



Mr. Rath Yumeng

Executive Vice President & Group Chief Treasury Officer

Cambodian. Born in 1962. Mr. Rath Yumeng joined ACLEDA Bank Plc. in January 1999. From January 1999 to August 2008 he held various positions in the Bank including as Chief Accountant/Deputy Head of Finance (January 1999 - May 2007), Head of Finance Division (June 2007 - August 2008), Head of Treasury Division (September 2008 - May 2015) and Executive Vice President and Group Chief Treasury Officer (June 2015 till the present).

He is responsible for leading a group of treasury management and control functions, which consists of the Financial Institution Division, Foreign Exchange and Reserve Department, Treasury Department and Treasury Dealing Centre. He also provides technical support to the Bank's subsidiaries in terms of fund management.

In addition, he holds positions as chair and member of the Bank's various management committees: Assets and Liabilities Committee (ALM), Interest & Price Setting Committee (IPSC), and is a member of Management Credit Committee (MCC).

From 2001 until September 2014, he was the Shareholder Representative of ASA, Plc., one of the local shareholders of the Bank. In August 2014, he became a member of the Board of Directors of the Bank.

He holds a Master's Degree in Finance and Banking from Western University, Phnom Penh, Cambodia, and is also a Graduate of the Australian Institute of Company Directors (GAICD).



- Mr. Prak Chanveasna
VP & Head of Treasury
Dealing Centre

- Mrs. Sovan Bopha
SVP & Head of Financial
Institutions Division

- Mr. Rath Yumeng
EVP & Group Chief
Treasury Officer

- Mr. Vuth Heng
VP & Senior Head of Foreign
Exchange & Reserve Department

- Mr. Than Sarun
VP & Head of
Treasury Department



Mr. Ly Thay

Executive Vice President & Group Chief Administrative Officer

Cambodian. Born October 1975. Mr. Thay joined ACLEDA in December 1997. He worked for ACLEDA Bank Plc. as Accountant (1997-1999); Internal Auditor (1999-2000); Cashier, Branch Manager, and Office Operations Manager (2000-2004); Operations Department Manager (2004-2006), and Senior Vice President & Head of Operations Division (2006-2016).

As Executive Vice President & Group Chief Administrative Officer, he is a member of the Bank's Executive Committee and responsible for overall strategic planning as well as the implementation of the business plan

focused on the day-to-day operations of the Bank. He is responsible for the Human Resources Division, Administration Division, and the SWIFT Centre. He is directly accountable to the President & Group Managing Director.

His other responsibilities within the group include currently serving as Board Chairperson of the ACLEDA Institute of Business.

He obtained a Master's Degree in Finance from Pannasastra University of Cambodia in 2008.



- Mrs. Khat Phanin
VP & Head of
SWIFT Centre

- Mr. Ly Thay
EVP & Group Chief
Administrative Officer

- Mr. Nay Sok Samnang
SVP & Head of
Administration Division

- Mr. Ho Rattanak
SVP & Head of Human
Resources Division



Mrs. Buth Bunsayha

Executive Vice President & Group Chief Legal Officer and
Corporate Secretary

Cambodian. Born August 1980. Mrs. Bunsayha joined ACLEDA in October 2007.

As Executive Vice President & Group Chief Legal Officer and Company Secretary, she is a member of the Bank's Executive Committee which is responsible for the overall strategic planning and running the day-to-day business of the Bank as well as the implementation of the regulatory compliance plan and correspondence with shareholders and the

Board of Directors. She is responsible for the Legal Division, Litigation Management Department, Subsidiaries Counsel Department, and Corporate Secretary & Disclosure Division. She is directly accountable to the President & Group Managing Director.

She obtained Bachelor's Degree in Law in 2006. Currently, she is studying for a Bachelor's Degree in English at Western University and a Master's Degree in Law at the Royal University of Law and Economics.



- Mr. Keo Chhorpornpisey
VP & Head of Subsidiaries
Counsel Department
- Mr. Yin Virak
SVP & Head of Corporate
Secretary & Disclosure Division
- Mrs. Buth Bunsayha
EVP & Group Chief Legal Officer
and Corporate Secretary
- Mr. Suos Ousaphea
SVP & Head of Legal Division
- Mr. Savan Malyka
VP & Head of Litigation
Management Department



Mr. Mach Theary

Executive Vice President & Group Chief Information Officer

Cambodian. Born November 1965. Mr. Theary worked for several different organizations, including the ANZ Bank in Australia, Monash University, UNHCR, World Vision Cambodia, and the International Labor Organization, before joining ACLEDA NGO as a consultant. He joined ACLEDA Bank full time in July 2000. Mr. Theary was Senior Vice President & Head of Information Technology Division of ACLEDA Bank from July 2006 to December 2017. He was then promoted to be EVP &

Group Chief Information Officer. He also chairs the IT Steering Committee and reports to the Board IT Committee.

He was awarded a Bachelor's Degree in Science in 1989 from Monash University in Australia, majoring in Computer Science and Statistics. He then proceeded to do a Graduate Diploma in Business Systems and was awarded a diploma in 1990 by the same university.



- Ms. Som Chendamony
VP & Head of Service Desk Centre
- Mr. Seng Sokneang
SVP & Head of Digital & Customer Experience Division
- Mr. Meang Tay
SVP & Head of Information Technology Division
- Mr. Mach Theary
EVP & Group Chief Information Officer
- Mr. Kong Danny
SVP & Head of System Infrastructure Division
- Mr. Chhay Yaroth
SVP & Head of Information Security Division
- Mr. Ouk Sras
SVP & Head of Strategy & Governance Division



Dr. Loeung Sopheap

Executive Vice President & Group Chief Risk Officer

Cambodian. Born March 1967. Dr. Sopheap started working for ACLEDA in December 1997 as an accountant. Since then he has held several positions, and currently is Executive Vice President & Group Chief Risk Officer. He is responsible for credit risk and other risks for the

entire ACLEDA Group. He was appointed as a member of the Board of Directors of ACLEDA Securities Plc. in July 2017. Dr. Sopheap obtained his Doctorate of Business Administration (DBA) from Preston University, Phnom Penh, Cambodia in 2012.



- Mr. Ou Dyna
VP & Head of Credit Control Department
- Mr. Soeng Phon
SVP & Head of Credit Division
- Dr. Loeung Sopheap
EVP & Group Chief Risk Officer
- Mr. Tep Bunthoeun
SVP & Head of Risk Management Division
- Mr. Chheng Vathana
SVP & Head of Credit Data Analytics & Research Division

COMPLIANCE DIVISION



Mr. Hok Leangkry

Head of Compliance Division

Cambodian. Born December 1977. Mr. Leangkry has been working with ACLEDA since February 2002. As Head of Compliance Division, he is responsible for overall strategic planning and running the day-to-day compliance activities of the Bank and its subsidiaries. To assure the independence of the compliance function of the Bank, he is required to report directly to the Board Audit and Compliance Committee. He is invited to attend Board Risk Management Committee meetings from time to time to provide information and explanation on compliance findings and issues pertaining to the scope and purpose of the Committee.

He is responsible for leading the compliance group, which consists of four units including Compliance Unit, Compliance Report Unit, Transaction Analysis Unit, and Legal Compliance Unit.

He holds two postgraduate degrees, a Master's Degree in Law specializing in Private Law from the Royal University of Law and Economics in 2016, Cambodia, and a Master's Degree in Business Administration from Preston University, USA (Cambodia Campus), in 2012. He also obtained two Bachelor's Degrees, a Bachelor's of Art in Teaching English-TESOL (English Based, International Program) from Paññasatra University of Cambodia (PUC) in 2010, and a Bachelor's of Business Administration in Accounting from Norton University in 2001, Cambodia.

INTERNAL AUDITOR



Mrs. Kim Sotheavy

Group Chief Internal Audit Officer

Cambodian. Born October 1965. Mrs. Sotheavy joined ACLEDA in September 1994. As Group Chief Internal Audit Officer, she is responsible for overall strategic planning and running the day-to-day internal audit activities of the Bank as well as implementation of the internal audit plan. To guarantee the independence of the internal audit function, she is required to report directly to the Board Audit Committee. She is invited to attend Board Audit Committee meetings as secretary of the Committee and from time to time to provide information and explanation on various matters pertaining to the scope and purpose of the Committee.

She is responsible for leading the Internal Audit Group, which consists of one division and five departments including Internal Audit Development Division, Audit Reporting Department, Information Security Audit Department, Credit Audit Department, Financial Audit Department, and Deposit & Digital Banking Audit Department.

She holds a Master's Degree in Finance and Banking and is also a Graduate of the Australian Institute of Company Directors (GAICD).



- Mr. Tum Sokchamreoun
Head of Financial Audit Department
- Mr. Chan Boreydolla
Head of Credit Audit Department
- Mrs. Nget Nary
Head of Deposit & Digital Banking Audit Department
- Mrs. Kim Sotheavy
Group Chief Internal Audit Officer
- Mr. Thath Dynoth
Head of Internal Audit Development Division
- Mr. Sok Hay
Head of Audit Reporting Department
- Mr. Sok Piseth
Head of Information Security Audit Department

CODE OF CONDUCT

Whilst Directors' conduct is governed by i) the Articles of Association, ii) the Shareholders' Agreement, and, iii) the relevant laws and regulations of the Kingdom of Cambodia, the continuing evolution of the Bank requires constant attention to ensure that its internal standards of corporate behaviour are maintained at the highest levels. In March 2005, therefore, the Board commenced a comprehensive examination of the whole issue of corporate governance to determine the needs of the Bank going forward. Amongst other things, Directors' Service Agreements, a Directors' Induction Program and Due Diligence Checklist, and a Directors' Code of Conduct have all been put in place and rules regarding Directors' remuneration and expenses have been formalised. From time to time members of the Board and senior management attend external training workshops and courses such as the International Directors Course provided by the Australian Institute of Company Directors as part of our commitment to the continual upgrading of our professional skills and competencies.

All employees of the Bank are governed by a strict Code of Ethics which is incorporated into the Collective Labour Agreement and which covers such matters as: personal behaviour; relationships with colleagues, customers and regulators; confidentiality; conflicts of interest; acceptance of gifts; money laundering and "whistle blowing". This document is regularly reviewed by the Audit and Compliance, and Risk Committees to ensure that it remains relevant and up-to-date.

REPORT OF THE BOARD OF DIRECTORS

The Board met face-to-face in Phnom Penh three times in March, October, and December and held one meeting in Vientiane, Laos in June. In addition, 21 resolutions were passed by e-mail. Each meeting normally lasts three days including Committee meetings.

Principal Activities in 2019

- Approval of the Board policies.
- Approval of overseas account opening to facilitate ACLEDA Bank's operations locally and overseas.
- Approval of Board Committee structures to be in line with best practices.
- Approval of the Bank's IPO and/or listing with offering of new and existing shares up to 20% of total Bank shares on the Cambodia Securities Exchange (CSX).
- Approval of the IPO price range.
- Approval of the appointment of the Corporate Secretary, Disclosure Officer and Investor Relations Officer.
- Approval of the business plan for 2020-2024.
- Approval of the consolidated and separate Financial Statements and Management Letter of ACLEDA Bank Plc. for the year ended December 31, 2018.
- Approval of the consolidated and separate Interim Financial Statements and Management Letter of ACLEDA Bank Plc. for first, second and third quarters of 2019.
- Approval of dividend distribution of 2018 net profit after tax and the transfer of the remaining net profit after tax to the Bank's general reserves.
- Approval of the annual report 2018 of the Bank and its Group.
- Approval of a capital increase for ACLEDA Bank Plc. and its subsidiaries.
- Approval of amendments to MAOA and SSA.
- Review and approval of the TORs of the Board Committees.
- Approval of strategic plans for ACLEDA Bank Group.
- Approval of a loan from international lenders.
- Approval of acknowledgement and recognition of Board and Shareholder representatives.
- Approval of the dissolution of ACLEDA Properties Ltd. (ACP).

Reports of the Board Committees

- Board Audit Committee (BACO)
- Board Ad Hoc for Information Technology Committee (BITCO)
- Board Remuneration and Nomination Committee (BRESCO)
- Board Risk Management Committee (BRMC)

Board Audit Committee (BACO)

Scope & Purpose

The BACO is established by the Board of Directors of ACLEDA Bank Plc. to monitor and review the integrity of the financial statements, the internal financial control system, the internal audit and the services provided by external auditors.

The Committee consists of four non-executive directors, three of whom are independent, of which one is appointed as Chair. On request of the Committee, the Group Chief Internal Audit Officer as Secretary of the Committee and EVP & Group Chief Finance Officer and any such other members of the executive management of the Bank can be invited to attend meetings from time to time to provide information and explanations on various matters pertaining to the scope and purpose of the Committee.

Members

1. **Mr. Ian S. Lydall (Chair)** Independent Director (Appointed as Chairman on 26 June 2019)
2. **Mr. Chhay Soeun** Non-executive Director
3. **Drs. Pieter Kooi** Independent Director (Chairman until 23 June 2019)
4. **Mr. Cornelius Obert** Independent Director (Appointed on 26 June 2019)

Meetings

The Committee met 13 times during the fiscal year 2019; five meetings were in person and eight meetings by E-mail.

Significant Issues and Activities in 2019:

- Reviewed, approved and endorsed to the Board of Directors for final approval, the financial audited statements of 2018.
- Reviewed and monitored management's process of IFRS implementation and development.
- Reviewed and approved the internal control report 2018 for submission to the National Bank of Cambodia.
- Reviewed the internal audit reports and analyses of any unusual trends or incidents.
- Reviewed and approved the job description for Group Chief Internal Audit Officer.
- Reviewed the Compliance Division report and received analyses of any suspicious transactions.
- Reviewed and approved the incentive scheme targets for Group Chief Internal Audit Officer and Head of Compliance Division and endorsed to the Board for final approval.
- Reviewed and approved the internal audit plan for fiscal year 2019 and 2020.
- Reviewed and approved TOR of BACO and recommended to the

Board for final approval.

- Reviewed and discussed customer complaints and resolutions.
- Reviewed the following policies: Audit Policy, Dividend Policy and Internal Control Policy.
- Reviewed and approved 2019 interim financial statement for March, June and September and endorsed to the Board of Directors for final approval.

Report and Recommendations

The Committee considers that the internal controls and audit procedures are adequate to safeguard the Bank and to provide sufficient reassurance as to the integrity of the financial statements.

The Committee is satisfied that KPMG has demonstrated independence and professional expertise in auditing the financial statements of fiscal year 2019 of ACLEDA Bank Plc. and the ACLEDA Group.

Board Ad Hoc for Information Technology Committee (BITCO)

This has been the second full year of operation of the Committee and will be the last. The original purposes of the Committee have been furthered, which were, in part, to continue the work started by the Board Ad Hoc Committee for Information Technology set up earlier in 2017. The Board saw a need to be better informed on IT developments and security issues and the Committee has continued to be an important channel through which to achieve this.

The Committee oversees the work of the Information Technology Steering Committee, chaired by the Chief Information Officer. In 2019, work focused on the considerable progress being made to implement the recommendations of a report on IT governance and cybersecurity by an IT specialist team from an independent consulting firm. Many projects were worked on, and progress has been made to the point where almost all tasks were completed by the end of December 2019. The Board is encouraged by the energy and enthusiasm of management and staff in both the Information Technology Department and the rest of the Bank to drive the quality, reliability and innovation of the Bank's information technology. Achievements are many and include enhancing internal procedures to improve the customer experience and the security of systems and data and to continue to expand the ToanChet facility.

In order to remain at the forefront of technological developments ACLEDA Bank decided to upgrade its core Banking system to the newest version. The project will take 15 months to finish and is undertaken with the active support of the software vendor. The Committee followed this project closely, and so far it is within budget and time limit. The Committee oversaw the start of the process for management to quickly work towards compliance with the NBC's draft Prakas released in 2019 to further enhance the Bank's technology, governance and security structures and processes. The Committee oversaw developments and reported accordingly to the full Board.

Given that the original purposes of the Committee have been delivered, the

Committee returned to "ad hoc" status in the second half of the year and was terminated at the end of 2019. The Committee has recommended to the Board that it receive comprehensive updates from the President & CEO and the GCIO at future Board meetings.

Members

- | | |
|------------------------------|--|
| 1. Mr. Ian S. Lydall (Chair) | Independent Director |
| 2. Ms Heng Su Yin | Non-executive Director
(until September 2019) |
| 3. Mr. Cornelius Obert | Independent Director |

Board Remuneration and Nomination Committee (BRESCO)

Scope & Purpose

The Committee is established by the Board of Directors of ACLEDA Bank Plc. to provide an independent opinion on advising the Board in the matters of:

- Remuneration of Directors, President & Group Managing Director, Group Chief Internal Audit Officer, and Head of Compliance Division of the Bank, and Directors of subsidiaries and,
- The selection of suitable candidates for the Board of Directors of the Bank and the President & Group Managing Director, Group Chief Internal Audit Officer, and Head of Compliance.

Members

- | | |
|------------------------------|------------------------|
| 1. Drs. Pieter Kooi (Chair) | Independent Director |
| 2. Mr. Cornelius R. G. Obert | Independent Director |
| 3. Mr. Ian S. Lydall | Independent Director |
| 4. Mr. Ryoji Nishimura | Non-executive Director |

The Committee from time to time may ask members of management and outside professional advisers to attend all or part of any meeting to provide additional information and explanations as they consider necessary.

Significant Issues and Activities in 2019

BRESCO met four times in 2019 in March, June, September and December. The main proceedings were:

- Reviewed management's proposal for an inflation adjustment and base salary increase for 2019.
- Evaluated the President & Group Managing Director's performance and bonus for 2019 and submitted to the Board a proposal for his Incentive Scheme targets for 2020.
- Reviewed the succession plans for the President & Group Managing Director and Executive VP's of the Bank. Also reviewed plans for the managing directors of the subsidiary companies.
- A paper was prepared to further restructure the Board Committees in line with international best practices in governance for commercial banks which was approved by the Board in September 2019.
- A detailed policy was prepared on Nomination of Directors in light

of the upcoming IPO and SECC regulations.

- Reviewed and updated the Corporate Governance Policy.
- Completed questionnaires as a basis for an annual self-assessment of the performance of the Committee.
- Prepared a questionnaire for all Board members to complete as a basis for the annual self-assessment of the Board and summarised the results together with recommendations to the full Board going forward.

Board Risk Management Committee (BRMC)

Scope & purpose

The Board Risk Management Committee is established by the Board of Directors of ACLEDA Bank Plc. to assist the Board in the effective discharge of its responsibilities for risk management and compliance and to regularly review management's ability to assess and manage the Bank's risks.

Members

- | | |
|--------------------------------|------------------------|
| 1. Mr. Cornelius Obert (Chair) | Independent Director |
| 2. Mr. Kenichiro Mori | Non-Executive Director |
| 3. Mr. Ian S. Lydall | Independent Director |
| 4. Drs. Peter Kooi | Independent Director |

Significant Issues and Activities for 2019

In July 2019, the Board Committee has been restructured in accordance with the international best practices and the job effectiveness. The duties of BRMC extended to absorb Compliance duties previously under BACO and duties of the Board Credit Committee (BCC) that has ceased to exist.

The Board Risk Management Committee met face-to-face four times in 2019, in March, June, October, and December.

- At each meeting the Group's overall risk profile was presented by the EVP & Group CRO and discussed with members and participants to ensure that key risk indicators were fully in compliance with the internal targets as approved by the Board.
- Assessed and discussed potential future risks for ACLEDA Bank and its subsidiaries.
- Further refined the risk analysis process and undertook a series of stress test scenarios and reverse stress tests allowing for simultaneous occurrence of risks including potential contagion effects.
- Assessed the development of the credit portfolio by various criteria

and in particular the credit quality. The Committee ensured that the provisioning was in line with NBC rules and CAS.

- Oversight of the IFRS 9 implementation project which implemented by Deloitte and management team to ensure the compliance with regulations and the project running in timely manner and effectiveness.
- Monitored and discussed about the restructuring credit, refinancing credit, and write-off credit.
- Analysed the impacts of possible risk scenarios on the balance sheet, income statement and prudential ratios.
- Reviewed potential risks that could negatively impact the high standard of business conduct towards the community and the environment.
- Reviewed and analysed the development of the banking industry in Cambodia to assess competitive risks.
- Reviewed and discussed the development of the market in small and medium business credit and real estate & construction credit, which has been growing fast while becoming increasingly competitive.
- Discussed strategies to optimally manage these potential risk events in the long-term interest of ACLEDA Bank and its customers.
- Reviewed the liquidity stress testing results and the contingency funding plan for 2020 from management before they were submitted to the NBC at the end of the year 2019.
- Reviewed and approved management's funding proposals to support funding needs.
- Reviewed the compliance division report and received analyses of any suspicious transactions.
- Reviewed and approved the incentive scheme targets for Compliance Division and endorsed to the Board for final approval.
- Reviewed and approved the Compliance Division budget plan for fiscal year 2020.
- Reviewed and approved TOR of BRMC and recommended to the Board for final approval.
- Reviewed and endorsed the following policies: Risk Management Policy, Credit Policy, Liquidity Risk Management Framework, Internal Control Policy, Compliance Policy, Whistle Blower's Protection Policy, Anti-Money Laundering and Combating the Financing of Terrorism Policy, Know Your Customer (KYC)/Customer Due Diligence (CDD) Policy.
- Conducted an annual self-assessment of its performance relative to the Board Risk Management Committee's purpose, duties, and responsibilities in order to ensure the effective discharge of its responsibility.

ENVIRONMENTAL AND SOCIAL DATA AT A GLANCE

Absolute amounts/FTE (Full Time Equivalent)¹

	2019	2018	2017	2016	2015
Environmental Performance Indicators					
Materials					
Paper in kg/FTE	10.60	10.64	10.42	10.65	11.45
Waste					
Waste paper in kg/FTE	1.03	1.79	2.15	1.92	1.80
Energy					
Electricity in kWh/FTE	1,679.09	1,646.15	1,673.46	1,660.19	1,390.51
Gasoline in l/FTE	36.65	38.23	39.76	40.08	40.87
Diesel in l/FTE	43.70	44.97	49.04	51.70	49.11
Lubricant in l/FTE	1.12	1.13	1.27	1.75	1.31
Emission of CO₂ (Equivalents – in thousands of kg)²					
Electricity	11,067	11,142	11,430	11,138	8,929
Gasoline	1,046	1,121	1,176	1,165	1,137
Diesel	1,438	1,519	1,672	1,732	1,574
Water					
Water in m ³ /FTE	28.21	15.54	15.87	16.14	15.84
Business Travel					
By car in km/FTE	514.54	481.82	295.98	230.35	223.96
By motorcycle in km/FTE	1,838.73	1,894.90	1,941.86	1,824.89	1,791.87
Social Performance Indicators					
Employment					
Number of staff	11,948	12,177	12,456	12,325	11,926
Male	7,132	7,270	7,370	7,236	7,059
Female	4,816	4,907	5,086	5,089	4,867
Number of staff (FTE)	11,984	12,307	12,419	12,197	11,675
Training and Education					
Training – career development and refresher programs	5,077	3,801	6,517	4,687	5,621
Training new recruits – induction program	947	549	1,179	1,374	1,717
Internships for local students	768	610	1,025	1,433	1,241
Internships for international students	-	0	5	1	5

¹ FTE (Full Time Equivalent): average number of full-time co-workers during the year.

² * CO₂ equivalent is referred to the Greenhouse Gas Protocol calculation principles.

ENVIRONMENTAL AND SOCIAL SUSTAINABILITY REPORT

Environmental and social sustainability (ESS) mission statement

ACLEDA Bank is committed to achieving strong, sustainable financial returns, while respecting the environment and community within which we live. We subscribe to the concept of triple bottom line ('people, planet, profit') reporting and are constantly developing indicators for measuring and reporting on our performance and impacts on the society and the environment, and to implement a reporting structure based on the guidelines of the Global Reporting Initiative. (see 'GRI Content Index' on page 42).

The key elements of ACLEDA Bank's ESS mission are:

1. To provide a framework of guidelines within which ACLEDA Bank can operate in a sustainable manner so that our impact on the environment, society and the community in which we operate is managed in a responsible way.
2. To continue to introduce energy efficient systems into our buildings and to manage sensibly our energy requirements wherever we operate.
3. To honour the society in which we live and actively work to promote an inclusive culture embracing not just shareholders and staff, customers, and business partners but respect for the individual within our community.
4. To recognise that supporting the community is not just morally sound but good business as well — our 'good health' and prosperity are mutually interdependent.

Environment

ACLEDA Bank fully subscribes to international conventions, which prohibit the provision of credit to, or otherwise support, any activities that might harm the environment, be morally repugnant or jeopardise human rights. In particular the Bank has in place policies which forbid involvement with exploitative forms of forced or child labour, trade in weapons and munitions, gambling, casinos, brothels, regulated wildlife or wildlife products (CITES rules) and production or trade in radioactive materials or significant volumes of hazardous chemicals. Strict monitoring processes are in place, which require customer contact staff to certify that any business we write conforms to these principles.

The Bank employs five full time Environmental Officers who regularly undertake training and refresher courses to coordinate ACLEDA's environmental activities and monitor performance.

In addition, ACLEDA Bank supports renewable energy by providing loans to customers related to biogas and solar energy.

Environmental Performance Indicators

In order to establish baselines for the measurement of our efforts to reduce our environmental impact, during 2005 we introduced a tracking system for resource usage. The results are given under their respective headings below and will be used to benchmark our future performance.

Paper Usage

In 2019, paper usage decreased by 0.38% per co-worker compared to 2018. Moreover, the Bank is continuing increased use of electronic data by using our system developed by the Bank's IT Division to send/receive internal information.

Waste paper decreased by 73.79% per co-worker compared to 2018.

	2019	2018	2017	2016	2015
Materials					
Paper in kg/FTE	10.60	10.64	10.42	10.65	11.45
Waste					
Waste paper in kg/FTE	1.03	1.79	2.15	1.92	1.80

Energy Consumption

Electricity consumption per co-worker increased slightly by 1.96% in 2019 compared to 2018. Gasoline, diesel, and lubricant consumption decreased by 4.31%, 2.91% and 0.89% per co-worker compared to 2018.

	2019	2018	2017	2016	2015
Energy					
Electricity in kWh/FTE	1,679.09	1,646.15	1,673.46	1,660.19	1,390.51
Gasoline in l/FTE	36.65	38.23	39.76	40.08	40.87
Diesel in l/FTE	43.70	44.97	49.04	51.70	49.11
Lubricant in l/FTE	1.12	1.13	1.27	1.75	1.31
Emission of CO₂ (Equivalents - in thousands of kg)					
Electricity	11,067	11,142	11,430	11,138	8,929
Gasoline	1,046	1,121	1,176	1,165	1,137
Diesel	1,438	1,519	1,672	1,732	1,574

Water

Water consumption per co-worker increased by 44.91% in 2019 compared to 2018.

	2019	2018	2017	2016	2015
Water					
Water in m ³ /FTE	28.21	15.54	15.87	16.14	15.84

Business Travel

In 2019, the total distance travelled by car increased by 6.36 % and by motorcycle decreased by 3.05% compared to 2018.

	2019	2018	2017	2016	2015
Business Travel					
by car in km/FTE	514.54	481.82	295.98	230.35	223.96
by motorcycle in km/FTE	1,838.73	1,894.90	1,941.86	1,824.89	1,791.87

Social Sustainability

ACLEDA Bank's corporate culture is built on respect for the society in which we operate and an inclusive perspective on our stakeholders embracing not just shareholders and staff, customers and business partners but the community at large. In addition to the environmental programs mentioned above the Bank observes a policy of equality in all dealings with the public in general and customers and staff alike. Above all, ACLEDA Bank has practiced from the very beginning 'zero tolerance' of corruption both internally and externally and transgressions are dealt with summarily.

The following are key principles in ACLEDA's corporate social responsibility policy:

Staff

- ACLEDA is an 'equal opportunity' employer. Apart from those jobs which involve a higher physical risk (e.g. guards and messengers) appointment to all positions at every level is based entirely on merit regardless of gender or physical disability.
- ACLEDA Bank aims to be the most progressive employer in Cambodia providing medical, provident fund and other benefits such as personal and housing loan schemes and an employee share ownership program for all staff who have completed probation. It provides comprehensive training both for new recruits as well as experienced staff and encourages those who wish to further develop themselves through external programs.
- The Audit and Compliance Committee under the chairmanship of the Board of Directors has been specifically tasked with the responsibility of setting and monitoring the Bank's moral and ethical standards and respect for human rights.
- In consultation with its staff the Bank has drawn up social policies covering i) Code of Conduct, ii) Human Resources Management, iii) Health & Safety, iv) External Relations, v) Freedom of Association and the Right to Collective Bargaining. These are now published on Lotus Notes so that every member of the staff has free (and paperless) access to the most up-to-date versions.
- The staff is represented by a self elected Staff Representative Committee, which excludes management, and a Staff Sports Committee, to

promote healthy recreation and good fellowship. At its headquarters, the Bank provides a clinic under the care of a full time doctor and two full time nurses. Healthy and safe work practices are part of the training provided to all employees under the doctor's supervision. A Health and Safety Policy under the direct responsibility of the Executive Vice President & Group Chief Administrative Officer is in place, which includes a policy supervised by a dedicated committee for the support of our staff who are suffering from HIV/AIDS.

	2019	2018	2017	2016	2015
Employment					
Number of staff	11,948	12,177	12,456	12,325	11,926
Male	7,132	7,270	7,370	7,236	7,059
Female	4,816	4,907	5,086	5,089	4,867
Number of staff (FTE)	11,984	12,307	12,419	12,197	11,675
Training and Education					
Training – career development and refresher programs	5,077	3,801	6,517	4,687	5,621
Training of new recruits – induction program	947	549	1,179	1,374	1,717
Internships for local students	768	610	1,025	1,433	1,241
Internships for international students	-	-	5	1	5

Community

ACLEDA recognises that playing our part as good citizens in the community in which we abide is vital to our mutual interests and prosperity. Major initiatives we are taking are:

- Developing and offering appropriate products and services carefully selected and developed for the particular needs of Cambodian society. In 2006 the Bank launched a housing loan scheme, with interest rates fixed for up to 10 years to enable Cambodians, especially in the lower wealth segment, to purchase their own homes.
- Expanding outreach: opening up banking services to new communities in new locations by expanding our network in the provinces and extending online banking services to mobilise savings. The expansion of our 24 hours a day/7 days a week ATM network to all provinces in 2010 has enabled our customers to access their funds at their own convenience, irrespective of the normal opening hours of the Bank or national holidays. In April 2017 we launched 'ACLEDA Unity ToanChet' – a FinTech Application running on Smart Phone, enabling customers to do all ACLEDA Bank services at anytime, which extends access to financial services in the Khmer language as well as English to every village and commune in Cambodia. In 2014 and 2015 we launched 'ACLEDA Internet Bank' and 'ACLEDA E-Commerce Payment Gateway' which enable our customers' access to financial services and online payments anywhere anytime.
- From November to December 2019, we conducted an annual survey on our small-sized enterprise loan and medium-sized enterprise and corporate loan customers' living standards that get loans at least twice from our branches to test the impact of our credit services. This involved 1,961 respondents (female: 53.34%) randomly selected from our 316,758 active borrowers of whom 66.95% were traders, 21.32% were farmers/workers and 11.73% were private companies/NGOs/civil servants. The responses indicated that across all sectors there were 92.40% who considered that their wealth had increased as a result of credit provided by ACLEDA Bank, 3.57% who did not detect any noticeable change while only 4.03% had the perception that they were worse off than before.

	2019	2018	2017	2016	2015
Income Situation					
Growth	92.40%	90.90%	88.13%	94.13%	91.96%
Stability	3.57%	6.23%	7.46%	3.27%	5.44%
Reduction	4.03%	2.87%	4.41%	2.60%	2.60%

- Incorporated into our policies are strictures against overselling or encouraging customers to over commit themselves or buy inappropriate products or services. As a matter of principle, ACLEDA does not impose mandatory savings requirements on its customers.
- Transparency and 'truth in advertising' are strictly enforced when developing, advertising and selling our products and services and full and detailed information is provided through brochures, our website and other promotional materials.
- ACLEDA practices equality in its lending irrespective of gender or race: 55.10% of our borrowing customers are female.
- Customer confidentiality is inculcated in all our staff during induction training and transgressions are treated as a serious offence.

- Recognising the particular problem of disability in Cambodia, ACLEDA takes into account the special needs of the disabled when constructing new, or renovating old offices.
- As a commercial organisation ACLEDA does not receive subsidies but may on occasion, and where appropriate, receive financial support to provide non-commercial services such as workshops for external trainees.
- ACLEDA does not ally itself to any particular political parties or creeds but seeks to cooperate and work in harmony with the elected government of the day. To this end the Bank regularly participates in meetings with senior officials through industry associations, business forums, chambers of commerce and other group activities. Individual meetings with officials are conducted with transparency and important matters are minuted. ACLEDA has strict rules governing 'undue entertainment' or other activities which might be open to question on the grounds of probity, including the provision of banking services at non-commercial rates ('policy lending').
- In 2019 ACLEDA Bank Plc. provided 768 internships for local students.
- In 2019, ACLEDA Bank Plc. took part in important social and humanitarian activities through the following donations:

Education

- Donation to the ACLEDA-Jardines Education Foundation (AJF) to support the construction of two concrete primary school buildings (Kampong Preah Ent and Pu Cha) in Preah Vihea and Monduliri provinces.
- Donation to the Ministry of Education, Youth and Sport to support their program "Our Business".
- Donation of study materials to the Ministry of Education, Youth and Sport for distribution to students.
- Donation to the Chea Sim Boeung Keng Kang High School to support their program "Vealea Dor Osja".
- Contribution to the Ministry of Information to support the Music Festival for Children.
- Donation to the Royal University of Fine Arts to support their program "The 5th Talent and Achievement".
- Donation to the Sisowath High School for their program in Siem Reap province.
- Donation to the National University of Management to support their program "Business & Sankranta".
- Donation to the Ministry of Education, Youth and Sport to support their program "Cambodia Entrepreneurship Day".
- Donation to the Ministry of Education, Youth and Sport to support their program "Financial literacy".

Health

- Voluntary blood donations by ACLEDA Bank staff to the National Blood Transfusion Center to help patients in emergency situations.
- Donation to the Cambodia Kantha Bopha Foundation.
- Donation to the Cambodia Kantha Bopha Foundation to support their program "White Night Party".
- Donation to the Khmer Sight Foundation for treatment of Cambodians with eye disease.
- Donation to the Angkor Hospital for Children.

Charity

- Donation to the Cambodian Red Cross on their 156th anniversary of World Red Cross Day on May 8.
- Donation to the Raksa Koma Foundation.

Sponsored Events

- Diamond sponsor of the Cambodia Women Entrepreneurs Association (CWEA) to support their program "Cambodia Women Entrepreneurship Day" under the title: "Women Business Growth during Digital Era".
- Donation to the Association of Banks in Cambodia to support the Financial Literacy Day 2019.
- Donation to the British Embassy to support their Queen's birthday party.
- Donation to the National Bank of Cambodia to support the 39th Anniversary of the Reintroduction of the Riel.
- Contribution to the Airavata Khmer Elephant Foundation to support the protection of Khmer elephants, their forests and the related cultural heritage.
- Donation to the Cambodian Women Entrepreneurs Association on their Gala 7th Anniversary.
- Donation to the Sabay Digital Corporation to support their program "Digital Cambodia 2019".
- Donation to the BritCham Burns Night 2019.
- Donation to the Association of Banks in Cambodia on their event "22nd ASEAN Banking Conference".
- Donation to the Ministry of Economy and Finance for their event "Role of Accountancy in Digital Economy".

Sport

- Donation to the Petanque Cambodia Association for their event "17th Juniors & Women Petanque World Championships 2019".
- Donation to the Cambodian Dance Sport Federation to support their program "Championship Competition 2019".

CREDIT RATINGS

ACLEDA Bank is the first bank in Cambodia to have been assigned ratings by the top international ratings agencies — **Standard & Poor's and GIIRS**.

Ratings as of Dec 13, 2019

2018 Impact Rating Report

S&P Global
Ratings

Issuer Credit Rating
B+/Stable/B



Impact Business Models Rating

SILVER

Operations Rating



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N/R = Not Relevant

N/A = Not Available

PRINCIPAL BRANCHES

Please scan the QR codes below for ACLEDA Bank's Principal Branches.

Kindom of Cambodia
ACLEDA Bank Plc.



Lao PDR
ACLEDA Bank Lao Ltd.



The Republic of the Union of Myanmar
ACLEDA MFI Myanmar Co., Ltd.



CORRESPONDENT BANKS

Principal Correspondents

Currency	Name of Bank	Location	SWIFT/BIC
CNY	INDUSTRIAL AND COMMERCIAL BANK OF CHINA (HEAD OFFICE)	BEIJING	ICBKCNBJ
	INDUSTRIAL AND COMMERCIAL BANK OF CHINA (BRANCH)	SHENZHEN	ICBKCNBJSZN
EUR	SOCIETE GENERALE	PARIS	SOGEFRPP
	STANDARD CHARTERED BANK AG	FRANKFURT	SCBLDEFX
GBP	STANDARD CHARTERED BANK	LONDON	SCBLGB2L
JPY	SUMITOMO MITSUI BANKING CORPORATION	TOKYO, JAPAN	SMBCJPJT
SGD	UNITED OVERSEAS BANK LIMITED	SINGAPORE	UOVBSGSG
THB	BANGKOK BANK PUBLIC COMPANY LIMITED	BANGKOK	BKKBTHBK
	KRUNG THAI BANK PUBLIC COMPANY LIMITED	BANGKOK	KRTHTHBK
	THANACHART BANK PUBLIC COMPANY LIMITED	BANGKOK	THBKTHBK
	UNITED OVERSEAS BANK (THAI) PUBLIC COMPANY LIMITED	BANGKOK	UOVBTHBK
THB	BANGKOK BANK PUBLIC COMPANY LIMITED	BANGKOK	BKKBTHBK
USD	BANK OF AMERICA, N.A.	NEW YORK-NY	BOFAUS3N
	KEB HANA BANK	SEOUL	KOEXKRSE
	KOOKMIN BANK	SEOUL	CZNBKRSE
	STANDARD CHARTERED BANK	NEW YORK-NY	SCBLUS33
	THE BANK OF NEW YORK MELLON	NEW YORK-NY	IRVTUS3N
	UNITED OVERSEAS BANK LIMITED	SINGAPORE	UOVBSGSG
	WELLS FARGO BANK, N.A. (NEW YORK INTERNATIONAL BRANCH)	NEW YORK-NY	PNBPUS3NNYC
	WOORI BANK	SEOUL	HVBKCRSE
VND	VIETNAM BANK FOR AGRICULTURE AND RURAL DEVELOPMENT	HANOI	VBAAVNVX

Correspondent Banks

Please scan the QR code below for our Correspondent Banks



**ACLEDA BANK PLC.
AND ITS SUBSIDIARIES**

**Consolidated and Separate
Financial Statements
for the year ended 31 December 2019
and
Report of the Independent Auditors**

Report of The Board of Directors

The Board of Directors (“the Directors”) hereby submits their report together with the consolidated financial statements of ACLEDA Bank Plc. (“the Bank”) and its subsidiaries (collectively referred to as “the Group”) and the separate financial statements of the Bank for the year ended 31 December 2019 (hereafter collectively referred to as (“the financial statements”).

The Bank

Prior to 1 December 2003, the Bank was a public limited company formed under the laws of the Kingdom of Cambodia to operate as a specialised bank with its Head Office located in Phnom Penh and 14 branches in the Kingdom of Cambodia. On 1 December 2003, the National Bank of Cambodia (“NBC”) issued a license for the Bank to become a private commercial bank for a period of three years commencing 1 December 2003. The Bank’s license was renewed for an indefinite period on 28 November 2006. The registered office of the Bank is located at No 61, Preah Monivong Boulevard, Sangkat Srah Chork, Khan Daun Penh, Phnom Penh, the Kingdom of Cambodia. The Bank may open additional offices in Cambodia and in other countries, and may change the location of its main registered office upon registering the change with the Ministry of Commerce (“MoC”) and receiving approval from NBC.

Principal activities

The Bank operates under regulations by NBC with special focus on providing lending and other financial services to the citizenry and small and medium size enterprises, and to engage in all other activities which the Directors believe support these objectives.

Significant event

During 2019, the Directors proposed the Bank to undertake an initial public offering (“IPO”). On 26 November 2019, the Bank obtained a no-objection letter from the National Bank of Cambodia on its IPO. The public announcement on the IPO was made by the Bank on 2 December 2019.

On 25 December 2019, the Bank obtained consent in principle on equity securities listing from Cambodia Securities Exchange (“CSX”) to list its shares on the exchange and obtained approval in principle from the Securities and Exchange Commission of Cambodia (“SECC”) on 26 February 2020 on the registration of the IPO disclosure documents. At the issuance date of these financial statements, the Bank is in the process of arrangement of the shares subscription to the investors.

Financial performance

The audited financial performance of the Group and the Bank for the year ended 31 December 2019 are set out in the consolidated statement of profit or loss and other comprehensive income and separate statement of profit or loss and other comprehensive income on pages 56 – 57 and 63, respectively.

ACLEDA BANK PLC.

Share capital

On 25 April 2019, the shareholders of the Bank approved to increase the registered capital from US\$395,224,105 to US\$428,818,154 through stock dividends amounting to US\$33,594,049, and obtained approval from NBC on 19 June 2019. The revised Memorandum and Articles of Association ("MoAA") was endorsed by MoC on 7 September 2019.

Reserves and provisions

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

Bad and doubtful loans

Before the financial statements of the Group and the Bank were drawn up, the Directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad loans and advances or making of provisions for doubtful loans and advances, and satisfied themselves that all known bad loans and advances had been written off and that adequate provisions have been made for bad and doubtful loans and advances.

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

Assets

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

At the date of this report and based on the best of knowledge, the Directors are not aware of any circumstances which would render the values attributed to the assets in the financial statements of the Group and the Bank misleading in any material respect.

Valuation methods

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

ACLEDA BANK PLC.

Contingent and other liabilities

At the date of this report, there is:

- (a) no charge on the assets of the Group and the Bank which has arisen since the end of the financial year which secures the liabilities of any other person, and
- (b) no contingent liability in respect of the Group and the Bank that has arisen since the end of the financial year other than in the ordinary course of banking business.

No contingent or other liability of the Group and the Bank has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may have a material effect on the ability of the Group and the Bank to meet its obligations as and when they become 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 Group and the Bank, 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 Group and the Bank for the financial year were not, in the opinion of the Directors, materially affected by any items, transactions or events of a material and unusual nature. There has not arisen in the interval between the end of the financial year and the date of this report any items, transactions or events of a material and unusual nature likely, in the opinion of the Directors, to substantially affect the results of the operations of the Group and the Bank for the year in which this report is made.

The Board of Directors and the Executive Committee

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

- | | |
|---------------------------------------|---|
| • Mr. Chhay Soeun | Chairman (Non-executive Director) |
| • Dr. In Channy | Member (Executive Director) |
| • Mr. Rath Yumeng | Member (Executive Director) |
| • Drs. Pieter Kooi | Member (Independent Director) |
| • Mr. Cornelius Reinhart Gunter Obert | Member (Independent Director) |
| • Mr. Ian Samuel Lydall | Member (Independent Director) |
| • Mr. Marc Robert | Member (Non-executive Director) |
| • Mr. Kenichiro Mori | Member (Non-executive Director)
(appointed on 24 October 2019) |
| • Mr. Ryoji Nishimura | Member (Non-executive Director) |
| • Ms. Mirjam Janssen | Member (Non-executive Director)
(appointed on 14 January 2020) |
| • Mrs. Femke Bos | Member (Non-executive Director)
(resigned on 13 August 2019) |
| • Ms. Heng Su Yin | Member (Non-executive Director)
(resigned on 24 October 2019) |

ACLEDA BANK PLC.

The Board of Directors and the Executive Committee (continued)

The members of the Executive Committee during the year and at the date of this report are:

- | | |
|----------------------|--|
| ▪ Dr. In Channy | President & Group Managing Director |
| ▪ Dr. So Phonnary | EVP & Group Chief Operations Officer |
| ▪ Mrs. Mar Amara | EVP & Group Chief Financial Officer |
| ▪ Mr. Rath Yumeng | EVP & Group Chief Treasury Officer |
| ▪ Mr. Ly Thay | EVP & Group Chief Administrative Officer |
| ▪ Mrs. Buth Bunsayha | EVP & Group Chief Legal Officer and
Corporate Secretary |
| ▪ Mr. Mach Theary | EVP & Group Chief Information Officer |
| ▪ Dr. Loeung Sopheap | EVP & Group Risk Officer |

The President & Group Managing Director's responsibilities in respect of the financial statements

The President & Group Managing Director, with the advice of the Executive Committee, is responsible for ensuring that the financial statements are properly drawn up so as to present fairly, in all material respects, the financial position of the Group and the Bank as at 31 December 2019 and the financial performance and cash flows for the year then ended in accordance with Cambodian International Financial Reporting Standards ("CIFRSs").

In preparing these financial statements, the President & Group Managing Director with the advice of the Executive Committee is required to:

- i) adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- ii) comply with the disclosure requirements of CIFRSs or if there have been any departures in the interest of true and fair presentation, this has been appropriately disclosed, explained and quantified in the financial statements;
- iii) maintain adequate accounting records and an effective system of internal controls;
- iv) prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Group and the Bank will continue operations in the foreseeable future; and
- v) effectively control and direct the Group and the Bank in all material decisions affecting the operations and performance and ascertain that such have been properly reflected in the financial statements.

ACLEDA BANK PLC.

The President & Group Managing Director confirms that the Group and the Bank have complied with the above requirements in preparing the financial statements.



Mrs. Mar Amara
Executive Vice President & Group Chief Financial Officer



Dash Channy
President & Group Managing Director

Phnom Penh, Kingdom of Cambodia

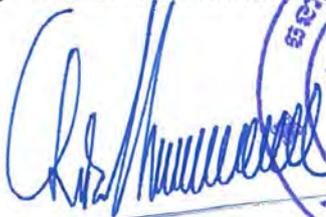
Date: 27 MAR 2020

ACLEDA BANK PLC.

Approval of the financial statements

The accompanying financial statements, together with the notes thereto, which present fairly, in all material respects, the financial positions of the Group and of the Bank as at 31 December 2019 and the financial performance and cash flows of the Group and of the Bank for the year then ended in accordance with CIFRSs, were approved by the Board of Directors.

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



Mr. Chhay Soeun
Chairman

Phnom Penh, Kingdom of Cambodia

Date: 27 MAR 2020

REPORT OF THE INDEPENDENT AUDITORS
To the shareholders
ACLEDA Bank Plc.

Opinion

We have audited the consolidated financial statements of ACLEDA Bank Plc. and its subsidiaries (“the Group”) and the separate financial statements of the ACLEDA Bank Plc. (“the Bank”), which comprise the consolidated and separate statements of financial position of the Group and the Bank as at 31 December 2019, and the consolidated and the separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information as set out on pages 55 to 215 (hereafter referred to as “the financial statements”).

In our opinion, the financial statements present fairly, in all material respects, the financial positions of the Group and of the Bank as at 31 December 2019, and of their financial performance and cash flows for the year then ended in accordance with Cambodian International Financial Reporting Standards (“CIFRSs”).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current year. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter	How the matter was addressed in our audit
<p>Expected Credit Loss:</p> <p>At 31 December 2019, the Group's and Bank's loans to customers comprised 62% of Total Assets.</p> <p>CIFRS 9 "Financial Instruments", introduces the expected credit loss (ECL) impairment model. ECL applies to financial assets measured at amortised cost.</p> <p>The Group and the Bank had developed quantitative models to determine the ECL allowances for credit exposures. Significant judgement is applied in developing the models and in determining the relevant inputs and applicable assumptions.</p> <p>In respect of non-credit impaired exposures, significant judgement and assumptions are required in areas including:</p> <ul style="list-style-type: none"> • Development of ECL model parameters, including the probability of default (PD), loss given default (LGD) and exposure at default (EAD) for each portfolio; • Selection of criteria to determine whether a credit exposure has exhibited "significant increase in credit risk", thus requiring lifetime ECL allowance; and • Determination of relevant macroeconomic factors to incorporate into the models. <p>In respect of credit-impaired exposures, management judgement and estimation are applied in (i) identifying impaired exposures; (ii) estimating the related recoverable amounts; and (iii) where applicable, determining collateral values and timing of expected cash flows.</p> <p>As a result of the significance of loans to customers and the related estimation uncertainty over ECL allowances, the impairment of loans to customers is considered a key audit matter.</p>	<p>We tested the design, implementation and operating effectiveness of key controls surrounding the determination of ECL allowances.</p> <p>We involved our Information Technology (IT) specialists to test the (i) general and specific IT controls over loan overdue report, including access rights and change management controls.</p> <p>In order to ascertain the accuracy of key inputs to the loan overdue report, we checked a sample of loan against source documentation.</p> <p>We assessed the reasonableness of the criteria used for determining a "significant increase in credit risk".</p> <p>We involved our valuation specialists in the following areas:</p> <ul style="list-style-type: none"> • Assess the Group and Bank's ECL modelling methodology for a sample of key portfolios against the requirements of CIFRS 9; and • Review the computation of ECL for selected loans. <p>We also assessed the reasonableness of the probability weighting of the economic scenarios applied.</p> <p>For a sample of loans, we independently re-calculated the ECL allowance to test the mathematical accuracy of the modelled calculations produced by the Group and the Bank.</p>

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditors' report is the information included in the Report of the Board of Directors as set out on pages 45 to 50.

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

For KPMG Cambodia Ltd



Nge Huy
Partner

Phnom Penh, Kingdom of Cambodia

27 March 2020

ACLEDA BANK PLC.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	Note	2019 US\$	2018 US\$	2019 KHR'000 (Note 2(e))	2018 KHR'000 (Note 2(e))
ASSETS					
Cash on hand	5	421,527,238	407,864,702	1,717,723,495	1,638,800,373
Deposits and placements with other banks	6	587,730,531	337,736,707	2,395,001,914	1,357,026,089
Financial investments	7	527,474,976	619,899,551	2,149,460,527	2,490,756,396
Loans and advances, net	8	3,846,020,519	3,594,358,641	15,672,533,615	14,442,133,020
Other assets	9	17,529,833	22,462,952	71,434,070	90,256,141
Statutory deposits	10	587,336,099	540,574,973	2,393,394,603	2,172,030,242
Property and equipment	12	131,159,792	137,862,097	534,476,153	553,929,906
Intangible assets	13	8,998,993	11,197,887	36,670,896	44,993,110
Right-of-use assets	14	32,569,457	-	132,720,537	-
Deferred tax assets, net	15	14,814,354	11,616,105	60,368,494	46,673,510
TOTAL ASSETS		6,175,161,792	5,683,573,615	25,163,784,304	22,836,598,787
LIABILITIES AND EQUITY					
LIABILITIES					
Deposits and placements of other banks and financial institutions	16	285,175,145	288,363,251	1,162,088,716	1,158,643,543
Deposits from customers	17	4,082,722,853	3,576,092,142	16,637,095,626	14,368,738,227
Other liabilities	18	58,810,875	64,620,311	239,654,316	259,644,414
Borrowings	19	564,971,701	790,260,392	2,302,259,682	3,175,266,255
Subordinated debts	20	139,302,580	77,468,913	567,658,014	311,270,092
Current income tax liabilities	29(a)	30,459,303	13,810,997	124,121,660	55,492,586
Lease liabilities	21	30,915,939	-	125,982,451	-
Employee benefits	22	18,341,796	20,117,927	74,742,819	80,833,831
TOTAL LIABILITIES		5,210,700,192	4,830,733,933	21,233,603,284	19,409,888,948
EQUITY					
Share capital	23	428,818,154	395,224,105	1,747,433,978	1,588,010,454
Reserves	32	414,748,726	377,798,286	1,708,085,266	1,529,226,903
Retained earnings		120,894,720	79,817,291	474,661,776	309,472,482
TOTAL EQUITY		964,461,600	852,839,682	3,930,181,020	3,426,709,839
Non-controlling interests		-	-	-	-
TOTAL LIABILITIES AND EQUITY		6,175,161,792	5,683,573,615	25,163,784,304	22,836,598,787

The accompanying notes form an integral part of these financial statements.

ACLEDA BANK PLC.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 December 2019

	Note	2019 US\$	2018 US\$	2019 KHR'000 (Note4)	2018 KHR'000 (Note 2(e))
Interest income calculated using the effective interest method	24	483,543,466	453,550,641	1,959,318,124	1,834,612,343
Interest expense	25	(156,872,680)	(153,225,979)	(635,648,099)	(619,799,085)
Net interest income		<u>326,670,786</u>	<u>300,324,662</u>	<u>1,323,670,025</u>	<u>1,214,813,258</u>
Fee and commission income	26	48,734,619	42,840,593	197,472,676	173,290,199
Fee and commission expense		(996,897)	(172,297)	(4,039,427)	(696,941)
Net fee and commission income		<u>47,737,722</u>	<u>42,668,296</u>	<u>193,433,249</u>	<u>172,593,258</u>
Allowances for impairment losses on loans and advances, deposits and placements with other banks and other receivables	34.1(g)	(23,411,205)	(511,542)	(94,862,203)	(2,069,187)
Allowance for impairment losses on off-balance sheet commitments	34.1(g)	87,989	(187,550)	356,531	(758,640)
Net impairment losses		<u>(23,323,216)</u>	<u>(699,092)</u>	<u>(94,505,672)</u>	<u>(2,827,827)</u>
Net income after allowance for impairment		<u>351,085,292</u>	<u>342,293,866</u>	<u>1,422,597,602</u>	<u>1,384,578,689</u>
Other incomes	27	17,849,723	14,264,218	72,327,078	57,698,762
General and administrative expenses	28	(215,412,394)	(205,726,173)	(872,851,020)	(832,162,370)
Profit before income tax		<u>153,522,621</u>	<u>150,831,911</u>	<u>622,073,660</u>	<u>610,115,081</u>
Income tax expense	29(b)	(32,662,809)	(31,518,284)	(132,349,702)	(127,491,460)
Profit for the year		<u><u>120,859,812</u></u>	<u><u>119,313,627</u></u>	<u><u>489,723,958</u></u>	<u><u>482,623,621</u></u>

ACLEDA BANK PLC.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

Note	2019 US\$	2018 US\$	2019 KHR'000 (Note 2(e))	2018 KHR'000 (Note 2(e))
Profit for the year	120,859,812	119,313,627	489,723,958	482,623,621
Other comprehensive income:				
<i>Items that will not be reclassified to profit or loss:</i>				
Remeasurement of employee benefit obligations	34,908	3,085,161	141,447	12,479,476
<i>Items that are or may be reclassified subsequently to profit or loss:</i>				
Currency translation differences	-	-	7,330,165	(5,031,560)
Other comprehensive income for the year	<u>34,908</u>	<u>3,085,161</u>	<u>7,471,612</u>	<u>7,447,916</u>
Total comprehensive income for the year	<u>120,894,720</u>	<u>122,398,788</u>	<u>497,195,570</u>	<u>490,071,537</u>
Profit for the year attributable to:				
Owners of the Bank	120,859,812	119,313,627	489,723,958	482,623,621
Non-controlling interests	-	-	-	-
	<u>120,859,812</u>	<u>119,313,627</u>	<u>489,723,958</u>	<u>482,623,621</u>
Total comprehensive income attributable to:				
Owners of the Bank	120,894,720	122,398,788	497,195,570	490,071,537
Non-controlling interests	-	-	-	-
	<u>120,894,720</u>	<u>122,398,788</u>	<u>497,195,570</u>	<u>490,071,537</u>

The accompanying notes form an integral part of these financial statements.

ACLEDA BANK PLC.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

	Attributable to equity holders of the Parent											
	Share capital		Reserves		Retained earnings		Total		Non-controlling interest		Total equity	
	US\$	KHR'000 (Note 2(e))	US\$	KHR'000 (Note 2(e))	US\$	KHR'000 (Note 2(e))	US\$	KHR'000 (Note 2(e))	US\$	KHR'000 (Note 2(e))	US\$	KHR'000 (Note 2(e))
As at 1 January 2019	395,224,105	1,588,010,454	377,798,286	1,529,226,903	79,817,291	309,472,482	852,839,682	3,426,709,839	-	-	852,839,682	3,426,709,839
Adjustment on initial application of CIFRS 16, net of tax (Note 4)	-	-	-	-	-	-	-	-	-	-	-	-
Restated balance at 1 January 2019	395,224,105	1,588,010,454	377,798,286	1,529,226,903	79,817,291	309,472,482	852,839,682	3,426,709,839	-	-	852,839,682	3,426,709,839
Profit for the year	-	-	-	-	120,859,812	489,723,958	120,859,812	489,723,958	-	-	120,859,812	489,723,958
<i>Other comprehensive income:</i>												
Remeasurement of employee benefit obligations	-	-	-	-	34,908	141,447	34,908	141,447	-	-	34,908	141,447
Currency translation differences	-	-	-	7,330,165	-	-	-	7,330,165	-	-	-	7,330,165
Total comprehensive income for the year	-	-	-	7,330,165	120,894,720	489,865,405	120,894,720	497,195,570	-	-	120,894,720	497,195,570
Transaction with owners:												
Conversion of dividends to share capital	33,594,049	136,761,373	-	-	(33,594,049)	(136,761,373)	-	-	-	-	-	-
Dividend paid	-	-	-	-	(8,418,273)	(34,060,333)	(8,418,273)	(34,060,333)	-	-	(8,418,273)	(34,060,333)
Transfers from retained earnings to general reserves	-	-	50,210,960	204,408,818	(50,210,960)	(204,408,818)	-	-	-	-	-	-
Transfer from regulatory reserves to retained earnings	-	-	(12,405,991)	(50,554,413)	12,405,991	50,554,413	-	-	-	-	-	-
Acquisition of non-controlling interest in AMM subsidiaries	-	-	14,279,344	58,188,327	-	-	14,279,344	58,188,327	-	-	14,279,344	58,188,327
Currency translation differences - foreign subsidiaries	-	-	(15,133,873)	(61,670,532)	-	-	(15,133,873)	(61,670,532)	-	-	(15,133,873)	(61,670,532)
Currency translation differences	-	22,662,151	-	21,155,998	-	-	-	43,818,149	-	-	-	43,818,149
Total transactions with owners:	33,594,049	159,423,524	36,950,440	171,528,198	(79,817,291)	(324,676,111)	(9,272,802)	6,275,611	-	-	(9,272,802)	6,275,611
As at 31 December 2019	428,818,154	1,747,433,978	414,748,726	1,708,085,266	120,894,720	474,661,776	964,461,600	3,930,181,020	-	-	964,461,600	3,930,181,020

The accompanying notes form an integral part of these financial statements.

ACLEDA BANK PLC.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

	Attributable to equity holders of the Parent											
	Share capital		Reserves		Retained earnings		Total					
	US\$	KHR'000 (Note 2(e))	US\$	KHR'000 (Note 2(e))	US\$	KHR'000 (Note 2(e))	US\$	KHR'000 (Note 2(e))				
As at 1 January 2018	358,544,956	1,447,445,987	294,267,077	1,200,103,976	92,849,181	362,684,361	745,661,214	3,010,234,324	4,561,784	18,415,922	750,222,998	3,028,650,246
Adjustment on initial application of CIFRS 9, net of tax	-	-	(492,664)	(1,992,827)	(1,382,967)	(5,594,101)	(1,875,631)	(7,586,928)	-	-	(1,875,631)	(7,586,928)
Restated balance at 1 January 2018	358,544,956	1,447,445,987	293,774,413	1,198,111,149	91,466,214	357,090,260	743,785,583	3,002,647,396	4,561,784	18,415,922	748,347,367	3,021,063,318
Profit for the year	-	-	-	-	119,313,627	482,623,621	119,313,627	482,623,621	-	-	119,313,627	482,623,621
<i>Other comprehensive income:</i>												
Remeasurement of employee benefit obligations	-	-	-	-	3,085,161	12,479,476	3,085,161	12,479,476	-	-	3,085,161	12,479,476
Currency translation differences	-	-	-	(5,031,560)	-	-	-	(5,031,560)	-	-	-	(5,031,560)
Total comprehensive income for the year	-	-	-	(5,031,560)	122,398,788	495,103,097	122,398,788	490,071,537	-	-	122,398,788	490,071,537
Transaction with owners:												
Conversion of dividends to share capital	36,679,149	149,100,741	-	-	(36,679,149)	(149,100,741)	(9,142,896)	(36,973,871)	-	-	(9,142,896)	(36,973,871)
Dividend paid	-	-	-	-	(9,142,896)	(36,973,871)	(9,142,896)	(36,973,871)	-	-	(9,142,896)	(36,973,871)
Transfers from retained earnings to general reserves	-	-	45,862,459	186,430,896	(45,862,459)	(186,430,896)	-	-	-	-	-	-
Transfer from retained earnings to regulatory reserves	-	-	42,410,064	170,403,638	(42,410,064)	(170,403,638)	-	-	-	-	-	-
Acquisition of non-controlling interest in AMMI	-	-	4,601	18,487	46,857	188,271	51,458	206,758	(4,481,958)	(18,008,507)	(4,430,500)	(17,801,749)
Currency translation differences - foreign subsidiaries	-	(8,536,274)	(4,253,251)	(17,089,563)	-	-	(4,253,251)	(17,089,563)	(79,826)	(407,415)	(4,333,077)	(17,496,978)
Currency translation differences	36,679,149	140,564,467	84,023,873	336,147,314	(134,047,711)	(542,720,875)	(13,344,689)	(66,009,094)	(4,561,784)	(18,415,922)	(17,906,473)	(84,425,016)
As at 31 December 2018	395,224,105	1,588,010,454	377,798,286	1,529,226,903	79,817,291	309,472,482	852,839,682	3,426,709,839	-	-	852,839,682	3,426,709,839

The accompanying notes form an integral part of these financial statements.

ACLEDA BANK PLC.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 US\$	2018 US\$	2019 KHR'000 (Note 2(e))	2018 KHR'000 (Note 2(e))
Cash flows from operating activities					
Profit before income tax		153,522,621	150,831,911	622,073,660	610,115,081
<i>Adjustments for:</i>					
Depreciation charge	28	11,320,056	21,934,848	45,868,867	88,726,460
Amortisation charge	28	3,537,457	3,550,054	14,333,776	14,359,968
Adjustments of property and equipment		47,552	427,816	192,681	1,730,516
Adjustments of intangible assets		405,017	(133,023)	1,641,129	(538,078)
Provident fund expenses		229,211	239,585	928,763	969,121
Allowances for impairment losses	8	23,323,216	699,092	94,505,671	2,827,827
Retirement benefits		1,522,746	1,550,871	6,170,169	6,273,275
Seniority benefits	22(d)	3,233,915	9,519,900	13,103,825	38,507,997
Currency translation reserves		(854,529)	(8,763,577)	(3,462,552)	(35,448,669)
Net interest income		(326,670,786)	(300,324,662)	(1,323,670,025)	(1,214,813,258)
Gains on disposals of property and equipment, and intangible assets		(76,481)	(114,571)	(309,901)	(463,440)
Unrealised exchange gains		(1,063,371)	(26,950)	(4,308,779)	(109,013)
		<u>(131,523,376)</u>	<u>(120,608,706)</u>	<u>(532,932,716)</u>	<u>(487,862,213)</u>
<i>Change in working capital:</i>					
Loans and advances		(274,262,158)	(498,176,973)	(1,111,310,264)	(2,015,125,856)
Deposits and placements with other banks		(1,127,269)	5,000,000	(4,567,694)	20,225,000
Other assets		4,933,119	(2,204,356)	19,988,998	(8,916,620)
Deposits from customers		500,799,381	431,664,827	2,029,239,092	1,746,084,225
Deposits and placements of other banks and financial institutions		(3,627,445)	75,143,301	(14,698,407)	303,954,653
Provident fund		210,110	326,189	851,366	1,319,435
Career development		1,385,493	1,231,811	5,614,018	4,982,675
Other liabilities		(5,809,436)	20,350,384	(23,539,835)	82,317,303
Net cash generated from/ (used in) operations		<u>90,978,419</u>	<u>(87,273,523)</u>	<u>368,644,558</u>	<u>(353,021,398)</u>
Interest received		481,469,555	473,621,595	1,950,914,637	1,915,799,352
Interest paid		(147,723,120)	(156,279,290)	(598,574,082)	(632,149,728)
Income tax paid		(19,216,756)	(29,917,925)	(77,866,295)	(121,018,007)
Provident fund paid	22(a)	(430,973)	(38,026,117)	(1,746,303)	(153,815,643)
Retirement benefits paid		(195,444)	(90,073)	(791,939)	(364,345)
Career development paid		(1,465,393)	(1,403,912)	(5,937,772)	(5,678,824)
Seniority benefits paid		(6,225,869)	-	(25,227,221)	-
Net cash generated from operating activities		<u>397,190,419</u>	<u>160,630,755</u>	<u>1,609,415,583</u>	<u>649,751,407</u>
Cash flows from investing activities					
Financial investments		22,407,441	(51,090,891)	90,794,951	(206,662,654)
Statutory deposits		(46,761,126)	(44,781,624)	(189,476,083)	(181,141,669)
Purchases of property and equipment	12	5,034,215	(26,955,397)	20,398,639	(109,034,581)
Purchases of intangible assets	13	(2,027,251)	(3,329,526)	(8,214,421)	(13,467,933)
Proceeds from disposals of property and equipment		361,117	229,162	1,463,246	926,960
Net cash used in investing activities		<u>(20,985,604)</u>	<u>(125,928,276)</u>	<u>(85,033,668)</u>	<u>(509,379,877)</u>

ACLEDA BANK PLC.

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

Note	2019 US\$	2018 US\$	2019 KHR'000 (Note 2(e))	2018 KHR'000 (Note 2(e))
Cash flows from financing activities				
Payments of dividends	(8,418,273)	(9,142,896)	(34,110,842)	(36,983,014)
Repayments of borrowings	(454,555,076)	(262,622,732)	(1,841,857,168)	(1,062,308,951)
Proceeds from borrowings	229,266,385	143,695,399	928,987,392	581,247,889
Repayments of subordinated debts	(32,000,000)	(43,000,000)	(129,664,000)	(173,935,000)
Proceeds from subordinated debts	93,833,667	11,608,493	380,214,019	46,956,354
Payments of lease liabilities	(11,282,470)	-	(45,716,568)	-
Net cash used in financing activities	<u>(183,155,767)</u>	<u>(159,461,736)</u>	<u>(742,147,167)</u>	<u>(645,022,722)</u>
Net increase/(decrease) in cash and cash equivalents				
	193,049,048	(124,759,257)	782,234,748	(504,651,192)
Cash and cash equivalents at the beginning of the year	1,305,671,409	1,430,430,666	5,246,187,721	5,774,648,599
Exchange difference	-	-	78,863,393	(23,809,686)
Cash and cash equivalents at the end of the year	<u>30 1,498,720,457</u>	<u>1,305,671,409</u>	<u>6,107,285,862</u>	<u>5,246,187,721</u>

The accompanying notes form an integral part of these financial statements.

ACLEDA BANK PLC.

SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	Note	2019 US\$	2018 US\$	2019 KHR'000 (Note 2(e))	2018 KHR'000 (Note 2(e))
ASSETS					
Cash on hand	5	410,955,867	398,012,184	1,674,645,158	1,599,212,955
Deposits and placements with other banks	6	558,612,340	328,892,729	2,276,345,286	1,321,490,985
Financial investments	7	527,474,976	619,899,551	2,149,460,527	2,490,756,396
Loans and advances, net	8	3,686,578,943	3,459,566,381	15,022,809,193	13,900,537,719
Other assets	9	15,667,540	20,141,149	63,845,226	80,927,137
Statutory deposits	10	583,195,741	537,953,272	2,376,522,645	2,161,496,247
Investments in subsidiaries	11	91,135,571	83,170,281	371,377,452	334,178,189
Property and equipment	12	92,911,344	99,040,122	378,613,728	397,943,210
Intangible assets	13	7,915,362	9,986,536	32,255,100	40,125,902
Right-of-use assets	14	28,847,850	-	117,554,989	-
Deferred tax assets, net	15	14,007,743	10,933,258	57,081,553	43,929,831
TOTAL ASSETS		6,017,303,277	5,567,595,463	24,520,510,857	22,370,598,571
LIABILITIES AND EQUITY					
LIABILITIES					
Deposits and placements of other banks and financial institutions	16	274,277,721	284,361,364	1,117,681,713	1,142,563,961
Deposits from customers	17	3,982,146,559	3,495,916,838	16,227,247,228	14,046,593,855
Other liabilities	18	56,597,551	61,095,689	230,635,020	245,482,480
Borrowings	19	518,068,128	753,592,462	2,111,127,622	3,027,934,512
Subordinated debts	20	139,302,580	77,468,913	567,658,014	311,270,092
Current income tax liabilities	29(a)	29,175,560	12,901,983	118,890,407	51,840,168
Lease liabilities	21	27,789,168	-	113,240,860	-
Employee benefits	22	17,667,477	19,312,175	71,994,969	77,596,319
TOTAL LIABILITIES		5,045,024,744	4,704,649,424	20,558,475,833	18,903,281,387
EQUITY					
Share capital	23	428,818,154	395,224,105	1,747,433,979	1,588,010,454
Reserves	32	425,709,612	389,730,923	1,752,368,656	1,576,960,188
Retained earnings		117,750,767	77,991,011	462,232,389	302,346,542
TOTAL EQUITY		972,278,533	862,946,039	3,962,035,024	3,467,317,184
TOTAL LIABILITIES AND EQUITY		6,017,303,277	5,567,595,463	24,520,510,857	22,370,598,571

The accompanying notes form an integral part of these financial statements.

ACLEDA BANK PLC.

SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 US\$	2018 US\$	2019 KHR'000 (Note 2(e))	2018 KHR'000 (Note 2(e))
Interest income calculated using the effective interest method	24	452,651,289	428,414,450	1,834,143,023	1,732,936,450
Interest expense	25	(146,483,987)	(145,425,264)	(593,553,115)	(588,245,193)
Net interest income		<u>306,167,302</u>	<u>282,989,186</u>	<u>1,240,589,908</u>	<u>1,144,691,257</u>
Fee and commission income	26	46,048,224	40,570,410	186,587,404	164,107,308
Fee and commission expense		(667,992)	146,272	(2,706,704)	591,670
Net fee and commission income		<u>45,380,232</u>	<u>40,716,682</u>	<u>183,880,700</u>	<u>164,698,978</u>
Allowances for impairment losses for loans and advances, deposits and placements with other banks and other receivables	34.1(g)	(21,780,632)	(961,499)	(88,255,121)	(3,889,263)
Allowances for impairment losses on off-balance sheet commitments	34.1(g)	(360,354)	(187,967)	(1,460,154)	(760,327)
Net impairment losses		<u>(22,140,986)</u>	<u>(1,149,466)</u>	<u>(89,715,275)</u>	<u>(4,649,590)</u>
Net income after allowance for impairment		<u>329,406,548</u>	<u>322,556,402</u>	<u>1,334,755,333</u>	<u>1,304,740,645</u>
Other incomes	27	16,233,764	13,332,542	65,779,212	53,930,132
General and administrative expenses	28	(197,413,910)	(189,324,078)	(799,921,163)	(765,815,896)
Profit before income tax		<u>148,226,402</u>	<u>146,564,866</u>	<u>600,613,382</u>	<u>592,854,881</u>
Income tax expenses	29(b)	(30,339,623)	(29,574,164)	(122,936,153)	(119,627,491)
Profit for the year		<u>117,886,779</u>	<u>116,990,702</u>	<u>477,677,229</u>	<u>473,227,390</u>
Other comprehensive income: <i>Items that will not be reclassified to profit or loss:</i>					
Remeasurement of employee benefit obligations		(136,012)	3,085,218	(551,121)	12,479,707
Currency translation differences		-	-	7,153,755	(4,870,697)
Other comprehensive income during the year		<u>(136,012)</u>	<u>3,085,218</u>	<u>6,602,634</u>	<u>7,609,010</u>
Total comprehensive income for the year		<u>117,750,767</u>	<u>120,075,920</u>	<u>484,279,863</u>	<u>480,836,400</u>
Profit attributable to:					
Equity holders of the Bank		<u>117,886,779</u>	<u>116,990,702</u>	<u>477,677,229</u>	<u>473,227,390</u>
Total comprehensive income attributable to:					
Equity holders of the Bank		<u>117,750,767</u>	<u>120,075,920</u>	<u>484,279,863</u>	<u>480,836,400</u>

The accompanying notes form an integral part of these financial statements.

ACLEDA BANK PLC.

SEPARATE STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

	Attributable to equity holders of the Bank							
	Share capital		Reserves		Retained earnings		Total equity	
	US\$	KHR'000 (Note 2(e))	US\$	KHR'000 (Note 2(e))	US\$	KHR'000 (Note 2(e))	US\$	KHR'000 (Note 2(e))
As at 1 January 2019	395,224,105	1,588,010,454	389,730,923	1,576,960,188	77,991,011	302,346,542	862,946,039	3,467,317,184
Adjustment on initial application of CIFRS 16, net of tax (Note 4)	-	-	-	-	-	-	-	-
Restated balance as at 1 January 2019	395,224,105	1,588,010,454	389,730,923	1,576,960,188	77,991,011	302,346,542	862,946,039	3,467,317,184
Profit for the year	-	-	-	-	117,886,779	477,677,229	117,886,779	477,677,229
<i>Other comprehensive income:</i>								
Remeasurement of employee benefit obligations	-	-	-	-	(136,012)	(551,121)	(136,012)	(551,121)
Currency translation difference	-	-	-	7,153,755	-	-	-	7,153,755
Total comprehensive income for the year	-	-	-	7,153,755	117,750,767	477,126,108	117,750,767	484,279,863
Transaction with owners:								
Conversion of dividends to share capital	33,594,049	136,761,373	-	-	(33,594,049)	(136,761,373)	-	-
Dividend paid	-	-	-	-	(8,418,273)	(34,060,333)	(8,418,273)	(34,060,333)
Transfer from retained earnings to general reserves	-	-	48,650,597	198,056,580	(48,650,597)	(198,056,580)	-	-
Transfer from regulatory reserves to retained earnings	-	-	(12,671,908)	(51,638,025)	12,671,908	51,638,025	-	-
Currency translation difference	-	22,662,152	-	21,836,158	-	-	-	44,498,310
Total transactions with owners:	33,594,049	159,423,525	35,978,689	168,254,713	(77,991,011)	(317,240,261)	(8,418,273)	10,437,977
As at 31 December 2019	428,818,154	1,747,433,979	425,709,612	1,752,368,656	117,750,767	462,232,389	972,278,533	3,962,035,024

The accompanying notes form an integral part of these financial statements.

ACLEDA BANK PLC.

SEPARATE STATEMENT OF CHANGES IN EQUITY (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

	Attributable to equity holders of the Bank							
	Share capital		Reserves		Retained earnings		Total equity	
	US\$	KHR'000 (Note 2(e))	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 2(e))	US\$	KHR'000 (Note 2(e))
As at 1 January 2018	358,544,956	1,447,445,987	308,049,788	1,255,616,154	86,229,548	336,089,527	752,824,292	3,039,151,668
Adjustment on initial application of CIFRS 9, net of tax	-	-	(451,453)	(1,826,129)	(359,824)	(1,455,486)	(811,277)	(3,281,615)
Restated balance as at 1 January 2018	358,544,956	1,447,445,987	307,598,335	1,253,790,025	85,869,724	334,634,041	752,013,015	3,035,870,053
Profit for the year	-	-	-	-	116,990,702	473,227,390	116,990,702	473,227,390
<i>Other comprehensive income:</i>								
Remeasurement of employee benefit obligations	-	-	-	-	3,085,218	12,479,707	3,085,218	12,479,707
Currency translation difference	-	-	-	(4,870,697)	-	-	-	(4,870,697)
Total comprehensive income for the year	-	-	-	(4,870,697)	120,075,920	485,707,097	120,075,920	480,836,400
Transaction with owners:								
Conversion of dividends to share capital	36,679,149	149,100,741	-	-	(36,679,149)	(149,100,741)	-	-
Dividend paid	-	-	-	-	(9,142,896)	(36,973,871)	(9,142,896)	(36,973,871)
Transfers from retained earnings to general reserves	-	-	40,664,752	165,302,217	(40,664,752)	(165,302,217)	-	-
Transfer from retained earnings to regulatory reserves	-	-	41,467,836	166,617,767	(41,467,836)	(166,617,767)	-	-
Currency translation difference	-	(8,536,274)	-	(3,879,124)	-	-	-	(12,415,398)
Total transaction with owners	36,679,149	140,564,467	82,132,588	328,040,860	(127,954,633)	(517,994,596)	(9,142,896)	(49,389,269)
As at 31 December 2018	395,224,105	1,588,010,454	389,730,923	1,576,960,188	77,991,011	302,346,542	862,946,039	3,467,317,184

The accompanying notes form an integral part of these financial statements.

ACLEDA BANK PLC.

SEPARATE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 US\$	2018 US\$	2019 KHR'000 (Note 2(e))	2018 KHR'000 (Note 2(e))
Cash flows from operating activities					
Profit before income tax		148,226,402	146,564,866	600,613,382	592,854,881
<i>Adjustments for:</i>					
Depreciation charge	28	9,990,183	20,786,031	40,480,222	84,079,495
Amortisation charge	28	3,182,821	3,203,977	12,896,791	12,960,087
Adjustments of property and equipment		42,797	427,816	173,413	1,730,516
Adjustments of intangible assets		391,150	(133,023)	1,584,940	(538,078)
Provident fund expenses		-	-	-	-
Allowances for impairment losses	8	22,140,986	1,149,466	89,715,275	4,649,590
Retirement benefits		1,538,089	1,420,282	6,232,337	5,745,041
Seniority benefits	22(d)	3,171,116	9,410,798	12,849,362	38,066,678
Net interest income		(306,167,302)	(282,989,186)	(1,240,589,908)	(1,144,691,257)
Gain on disposals of property and equipment, and intangible assets		(92,548)	(132,639)	(375,004)	(536,525)
Unrealised exchange gain		(1,147,491)	(60,481)	(4,649,634)	(244,646)
		<u>(118,723,797)</u>	<u>(100,352,093)</u>	<u>(481,068,824)</u>	<u>(405,924,218)</u>
<i>Changes in working capital</i>					
Loans and advances		(248,474,859)	(508,951,217)	(1,006,820,129)	(2,058,707,673)
Deposits and placements with other banks		-	8,000,000	-	32,360,000
Other assets		4,473,609	(1,552,889)	18,127,064	(6,281,436)
Deposits from customers		480,664,056	425,902,394	1,947,650,755	1,722,775,184
Deposits and placements of other banks and financial institutions		(10,286,581)	77,548,550	(41,681,226)	313,683,885
Provident fund		-	121,499	-	491,463
Career development		1,385,493	1,231,811	5,614,018	4,982,675
Other liabilities		(4,498,138)	19,272,172	(18,226,455)	77,955,936
Net cash generated from/(used in) operations		<u>104,539,783</u>	<u>(78,779,773)</u>	<u>423,595,203</u>	<u>(318,664,184)</u>
Interest received		452,668,423	446,999,569	1,834,212,450	1,808,113,257
Interest paid		(138,672,994)	(147,667,824)	(561,902,972)	(597,316,348)
Income tax paid		(17,140,531)	(27,320,085)	(69,453,432)	(110,509,744)
Provident fund paid	22(a)	-	(37,574,101)	-	(151,987,239)
Retirement benefits paid		(148,350)	(81,402)	(601,114)	(329,271)
Career development paid		(1,465,393)	(1,403,912)	(5,937,772)	(5,678,824)
Seniority benefits paid		(6,112,312)	-	(24,767,088)	-
Net cash generated from operating activities		<u>393,668,626</u>	<u>154,172,472</u>	<u>1,595,145,275</u>	<u>623,627,647</u>
Cash flows from investing activities					
Financial investments		22,407,441	(51,090,891)	90,794,951	(206,662,654)
Statutory deposits		(45,242,469)	(44,645,110)	(183,322,484)	(180,589,470)
Purchases of property and equipment	12	3,798,510	(11,957,500)	15,391,563	(48,368,088)
Purchases of intangible assets	13	(1,750,656)	(2,363,009)	(7,093,658)	(9,558,371)
Investments in subsidiaries		(7,965,290)	(8,208,321)	(32,275,355)	(33,202,658)
Proceeds from disposals of property and equipment		339,449	188,289	1,375,447	761,629
Net cash used in investing activities		<u>(28,413,015)</u>	<u>(118,076,542)</u>	<u>(115,129,536)</u>	<u>(477,619,612)</u>

ACLEDA BANK PLC.

SEPARATE STATEMENT OF CASH FLOWS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

Note	2019 US\$	2018 US\$	2019 KHR'000 (Note 2(e))	2018 KHR'000 (Note 2(e))
Cash flows from financing activities				
Payments of dividends	(8,418,273)	(9,142,896)	(34,110,842)	(36,983,014)
Repayments of borrowings	(429,912,785)	(239,675,498)	(1,742,006,605)	(969,487,389)
Proceeds from borrowings	194,388,451	124,423,147	787,662,003	503,291,630
Repayments of subordinated debt	(32,000,000)	(43,000,000)	(129,664,000)	(173,935,000)
Proceeds from subordinated debt	93,833,667	11,608,493	380,214,019	46,956,354
Payment of lease liabilities	(10,452,195)	-	(42,352,294)	-
Net cash used in financing activities	<u>(192,561,135)</u>	<u>(155,786,754)</u>	<u>(780,257,719)</u>	<u>(630,157,419)</u>
Net increase/(decrease) in cash and cash equivalents				
	172,694,476	(119,690,824)	699,758,020	(484,149,384)
Cash and cash equivalents at the beginning of the year	1,286,918,972	1,406,609,796	5,170,840,429	5,678,483,746
Exchange difference	-	-	77,326,352	(23,493,933)
Cash and cash equivalents at the end of the year	<u>30 1,459,613,448</u>	<u>1,286,918,972</u>	<u>5,947,924,801</u>	<u>5,170,840,429</u>

The accompanying notes form an integral part of these financial statements.

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. Background information

Prior to 1 December 2003, ACLEDA Bank Plc. (“the Bank”) was a public limited company formed under the Laws of the Kingdom of Cambodia to operate as a specialised bank with a Head Office located in Phnom Penh and 14 branches in the Kingdom of Cambodia. On 1 December 2003, the National Bank of Cambodia (“NBC”) issued a license for the Bank to become a private commercial bank for a period of three years commencing 1 December 2003. The Bank’s license was renewed for an indefinite period on 28 November 2006.

The registered office of the Bank is located at No 61, Preah Monivong Boulevard, Sangkat Srah Chork, Khan Daun Penh, Phnom Penh, the Kingdom of Cambodia.

The Bank operates under the supervision of the National Bank of Cambodia (“NBC”) with special focus on providing lending and other financial services to the citizenry and small and medium enterprises and to engage in all other activities which the Board believes support these objectives.

The principal activities of the subsidiaries are disclosed in Note 11 to the financial statements.

As at 31 December 2019, the Bank and its subsidiaries had 13,655 employees (2018: 13,728 employees).

The financial statements were authorised for issue by the Board of Directors on 27 March 2020.

2. Summary of significant accounting policies

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

(a) Basis of preparation

The financial statements of the Group and the Bank have been prepared in accordance with Cambodian International Financial Reporting Standards (“CIFRS”). The consolidated financial statements have been prepared on a historical cost basis.

This is the first set of the Group’s and the Bank’s annual financial statements in which CIFRS 16 Lease has been applied. Changes to significant accounting policies are described in Note 4.

The preparation of financial statements in conformity with CIFRS requires the use of certain critical accounting estimates. It also requires the Directors to exercise judgment in the process of applying the Group’s and the Bank’s accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimations are significant to the financial statements are disclosed in Note 3.

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (continued)

(b) Standards issued but not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Group and the Bank have not early adopted them in preparing these financial statements.

The following amended standards are not expected to have a significant impact on the Group's and the Bank's financial statements.

- *Definition of a Business (Amendments to CIFRS 3)*
- *Amendments to References to Conceptual Framework in CIFRS Standards*
- *CIFRS 17 Insurance Contracts.*

(c) Consolidation

(i) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct relevant activities of the entity.

The consolidated financial statements include the financial statements of the Bank and all its subsidiaries made up to the end of the financial year.

Subsidiaries are consolidated from the date on which control is transferred to the Group and deconsolidated from the date that control ceases.

All material transactions and balances between group companies are eliminated and the consolidated financial statements reflect external transactions only. Where necessary, the accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss in control are accounted for as equity transactions that is, as transactions with the owners in their capacity as owners. For purchases from non-controlling interest, the difference between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary acquired is deducted from equity. For disposals to non-controlling interests, differences between any proceeds received and the relevant share of non-controlling interest are also recognised in equity.

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (continued)

(c) Consolidation (continued)

(iii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in statement of profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for retained interest as an associate, joint venture or financial assets. In addition, any amount previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to statement of profit or loss.

(iv) Investments in subsidiaries

In the Bank's separate financial statements, investments in subsidiaries are carried at cost less any accumulated impairment losses. On disposal of investments in subsidiaries, the difference between disposal proceeds and the carrying amounts of investments are recognised in the statement of profit or loss.

The amounts due from subsidiaries of which the Bank does not expect repayment in foreseeable future are considered as part of the Bank's investments in subsidiaries.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in United States Dollars ("US\$"), which is the Group's and the Bank's functional and presentation currency.

(ii) Transactions and balances

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

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (continued)

(d) Foreign currency translation (continued)

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the Bank's presentation currency are translated into the presentation currency as follows:

- a) assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of reporting period,
- b) income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- c) all resulting exchange differences are recognised as separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign operations are recognised in other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences are reclassified to the statement of profit or loss as part of gain or loss on sale.

(e) Presentation in Khmer Riel

In compliance with the Law on Accounting and Auditing, a translation of the financial statements from US\$ to Khmer Riel ("KHR") is required. The statements of profit or loss and other comprehensive income and cash flows are translated into KHR using the average rate for the year. Assets and liabilities for each statement of financial position presented and shareholders' capital are translated at the closing rate as of the reporting date. Resulting exchange difference arising from the translation of shareholders' capital is recognised directly in equity; all other resulting exchange differences are recognised in the other comprehensive income.

The Group and the Bank have used the official rates of exchange published by NBC, and as at the reporting date the average rate was US\$1 to Riel 4,052 (2018: Riel 4,045) and the closing rate was US\$1 to Riel 4,075 (2018: Riel 4,018).

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (continued)

(f) Financial assets and financial liabilities

(i). *Recognition and initial measurement*

The Group/the Bank initially recognises loans and advances, deposits, borrowings and subordinated liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Group or the Bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit and loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue.

(ii). *Classification*

On initial recognition, a financial asset is classified as measured at: amortised cost, fair value through other comprehensive income ("FVOCI") or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are 'solely payment for principles and interests' ("SPPI").

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

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

On initial recognition of an equity investment that is not held for trading, the Group or the Bank may irrevocably elect to present subsequent changes in fair value in other comprehensive income ("OCI"). This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL

In addition, on initial recognition, the Group or the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (continued)

(f) Financial assets and financial liabilities (continued)

(ii). *Classification (continued)*

Business model assessment

The Group or the Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's or the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's or the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are solely payments of principal and interest

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

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

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (continued)

(f) Financial assets and financial liabilities (continued)

(ii). *Classification (continued)*

Assessment of whether contractual cash flows are solely payments of principal and interest (continued)

In making the assessment, the Group/the Bank considers:

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

The Group or the Bank holds a portfolio of long-term fixed-rate loans for which the Group or the Bank has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Group or the Bank has determined that the contractual cash flows of these loans are SPPI because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Non-recourse loans

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

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

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (continued)

(f) Financial assets and financial liabilities (continued)

(ii). *Classification (continued)*

Financial assets

Assessment of whether contractual cash flows are solely payments of principal and interest (continued)

Contractually linked instruments

The Group or the Bank has some investments in securitisations that are considered contractually linked instruments. Contractually linked instruments each have a specified subordination ranking that determines the order in which any cash flows generated by the pool of underlying investments are allocated to the instruments. Such an instrument meets the SPPI criterion only if all of the following conditions are met:

- the contractual terms of the instrument itself give rise to cash flows that are SPPI without looking through to the underlying pool of financial instruments;
- the underlying pool of financial instruments (i) contains one or more instruments that give rise to cash flows that are SPPI; and (ii) may also contain instruments, such as derivatives, that reduce the cash flow variability of the instruments under (i) and the combined cash flows (of the instruments under (i) and (ii)) give rise to cash flows that are SPPI; or align the cash flows of the
- contractually linked instruments with the cash flows of the pool of underlying instruments under
- arising as a result of differences in whether interest rates are fixed or floating or the currency or timing of cash flows; and
- the exposure to credit risk inherent in the contractually linked instruments is equal to or less than the exposure to credit risk of the underlying pool of financial instruments.

Reclassifications

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

Financial liabilities

The Group/the Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or FVTPL.

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (continued)

(f) Financial assets and financial liabilities (continued)

(iii). *Derecognition*

Financial assets

The Group or the Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire (see also (iv)), or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group or the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

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

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities, as explained in statement of profit or loss and other comprehensive income. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group or the Bank is recognised as a separate asset or liability.

The Group or the Bank enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-and-repurchase transactions, because the Group or the Bank retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the Group or the Bank neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group or the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the Group or the Bank retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (continued)

(f) Financial assets and financial liabilities (continued)

(iii). *Derecognition (continued)*

Financial assets (continued)

The Group or the Bank securitises various loans and advances to customers and investment securities, which generally result in the sale of these assets to unconsolidated securitisation vehicles and in the Group or the Bank transferring substantially all of the risks and rewards of ownership. The securitisation vehicles in turn issue securities to investors. Interests in the securitised financial assets are generally retained in the form of senior or subordinated tranches, or other residual interests (retained interests). Retained interests are recognised as investment securities and measured as explained Note 2(i).

Financial liabilities

The Group or the Bank derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

(iv). *Modifications of financial assets and financial liabilities*

Financial assets

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

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

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Group or the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (continued)

(f) Financial assets and financial liabilities (continued)

(iv). *Modifications of financial assets and financial liabilities (continued)*

Financial assets (continued)

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Group or the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower (see (vii)), then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method (see (2 (r))).

Financial liabilities

The Group or the Bank derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

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

(v). *Offsetting*

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

Income and expenses are presented on a net basis only when permitted under CIFRS, or for gains and losses arising from a group of similar transactions such as in the Group or the Bank's trading activity.

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (continued)

(f) Financial assets and financial liabilities (continued)

(vi). *Fair value measurement*

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

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

The Group or the Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(vii). *Impairment*

The Group or the Bank recognises loss allowances for the expected credit loss ("ECL") on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- lease receivables;
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognised on equity investments.

The Group or the Bank measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

Loss allowances for lease receivables are always measured at an amount equal to lifetime ECL.

The Group or the Bank considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Group or the Bank does not apply the low credit risk exemption to any other financial instruments.

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

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (continued)

(f) Financial assets and financial liabilities (continued)

(vii). *Impairment (continued)*

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

Measurement of ECL

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

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group or the Bank expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group or the Bank if the commitment is drawn down and the cash flows that the Group or the Bank expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group or the Bank expects to recover.

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

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

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

Probability of Default ("PD") provides an estimate of the likelihood that a customer will be unable to meet its debt obligation or default over a particular time horizon. Financial assets under the general approach, which required staging will require both 12-month PD and lifetime PD estimation according to historical data using the migration approach or external credit rating approach.

LGD is the magnitude of the likely loss if there is a default. Loss Given Default ("LGD") is defined as the percentage of exposure the Bank might lose in case the customer defaults. These losses are usually shown as a percentage of Exposure at Default ("EAD"), and depend, amongst others, on the type and amount of collateral as well as the type of customer and the expected recovery from the customers.

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (continued)

(f) Financial assets and financial liabilities (continued)

(vii). *Impairment (continued)*

Measurement of ECL (continued)

With accurate collateral value, which is updated from time to time, the Bank can consider to take collateral into LGD calculation for ECL computation. In the event of over-collateralised, a floor LGD shall be applied for ECL calculation.

EAD is simply the amount outstanding at the point of default. However, EAD is different following the natures of products:

- Amortised facilities: the current amount allowed under the contract and arising from amortisation
- Revolving facilities: utilisation rate
- Off-Balance Sheet: credit conversion factors (“CCF”)

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Group or the Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower’s extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Group or the Bank considers a longer period. The maximum contractual period extends to the date at which the Group or the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

However, for credit card facilities that include both a loan and an undrawn commitment component, the Group or the Bank measures ECL over a period longer than the maximum contractual period if the Group or the Bank’s contractual ability to demand repayment and cancel the undrawn commitment does not limit the Group or the Bank’s exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Group or the Bank can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management, but only when the Group or the Bank 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 Group or the Bank expects to take, and that serve to mitigate ECL. These include a reduction in limits, cancellation of the facility and/or turning the outstanding balance into a loan with fixed repayment terms.

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (continued)

(f) Financial assets and financial liabilities (continued)

(vii). *Impairment (continued)*

Restructured financial assets

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

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

Credit-impaired financial assets

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

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

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

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

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (continued)

(f) Financial assets and financial liabilities (continued)

(vii). *Impairment (continued)*

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:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the Group or the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Group or the Bank 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; and
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write-off

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

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI.

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

Non-integral financial guarantee contracts

The Group or the Bank assesses whether a financial guarantee contract held is an integral element of a financial asset that is accounted for as a component of that instrument or is a contract that is accounted for separately. The factors that the Group or the Bank considers when making this assessment include whether:

- the guarantee is implicitly part of the contractual terms of the debt instrument;
- the guarantee is required by laws and regulations that govern the contract of the debt instrument;
- the guarantee is entered into at the same time as and in contemplation of the debt instrument; and
- the guarantee is given by the parent of the borrower or another company within the borrower's group.

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (continued)

(f) Financial assets and financial liabilities (continued)

(vii). *Impairment (continued)*

Presentation of allowance for ECL in the statement of financial position (continued)

Non-integral financial guarantee contracts (continued)

If the Group or the Bank determines that the guarantee is an integral element of the financial asset, then any premium payable in connection with the initial recognition of the financial asset is treated as a transaction cost of acquiring it. The Group or the Bank considers the effect of the protection when measuring the fair value of the debt instrument and when measuring ECL.

If the Group or the Bank determines that the guarantee is not an integral element of the debt instrument, then it recognises an asset representing any prepayment of guarantee premium and a right to compensation for credit losses. A prepaid premium asset is recognised only if the guaranteed exposure neither is credit-impaired nor has undergone a significant increase in credit risk when the guarantee is acquired. These assets are recognised in 'other assets'. The Group or the Bank presents gains or losses on a compensation right in profit or loss in the line item 'impairment losses on financial instruments'.

(g) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances and deposit placements with original maturities of three months or less when purchased, and that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(h) Loans and advances

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

(i) Financial investments

The 'financial securities' caption in the statement of financial position includes:

- debt investment securities measured at amortised cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- debt securities measured at FVOCI; and
- equity investment securities designated as at FVOCI.

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (continued)

(i) Financial investments (continued)

For debt securities measured at FVOCI, gains and losses are recognised in OCI, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- interest revenue using the effective interest method;
- ECL and reversals; and
- foreign exchange gains and losses.

When debt security measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

The Group or the Bank elects to present in OCI changes in the fair value of certain investments in equity instruments that are not held for trading. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment.

(j) Share capital

Ordinary shares are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument. Distributions to holders of a financial instrument classified as an equity instrument are charged directly to equity.

(k) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group or the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All repairs and maintenance are charged to the statements of profit or loss during the financial period in which they are incurred.

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (continued)

(k) Property and equipment (continued)

Land is not depreciated. Other property and equipment are depreciated on a straight-line basis to write off the cost of the assets to their residual values over their estimated useful lives, summarised as follows:

	Years
Land improvement	3 - 20
Building and improvement	3 - 30
Leasehold improvements	1 - 3
Office equipment	1 - 10
Computer equipment	1 - 10
Motor vehicles	3 - 5

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Depreciation on assets under construction commences when the assets are ready for their intended use.

Property and equipment are reviewed for indication of impairment at each statements of financial position date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in other income.

(l) Intangible asset

Intangible assets include acquired computer software licenses and related costs. An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Group and the Bank.

Intangible assets are stated at historical cost less accumulated amortisation and accumulated impairment losses, if any. Intangible assets are amortised using the straight-line method based on estimated useful lives over the life of the assets. Useful life of computer software are five years except for license of core banking system which has useful lives of ten years.

Costs associated with maintaining computer software are recognised as expenses when incurred.

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (continued)

(m) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. Impairment losses are recognised in the statement of profit or loss.

(n) Reserves

Reserves comprises of general reserves, regulatory reserves and other reserves.

The general reserves are set up for any overall financial risk. The Board of Directors exercises its discretion for the use and maintenance of the general reserves. The transfer from retained earnings to general reserves is subject to the approval of Board of Directors of each entity within the Group.

Regulatory reserves are set up for the variance of provision between loan impairment in accordance with CIFRSs and regulatory provision. It is transferred between retained earnings and regulatory reserves.

Other reserves are for currency translation difference of the net investment in foreign operations.

(o) Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and generates taxable income and includes all taxes based upon the taxable profits.

Deferred income tax is recognised in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences and unused tax losses or unused tax credits can be utilised.

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (continued)

(p) Employee benefits

(i) Short-term employee benefits

The Group and the Bank recognise a liability and an expense for bonuses. The Group and the Bank recognise a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Wages, salaries, bonuses, and other short-term benefits are recognised as an expense in the year in which the associated services are rendered by employees of the Group and the Bank.

(ii) Post-employment benefits

The Group and the Bank have various post-employment benefit schemes. These benefit plans are below.

Employee provident fund

In January 2018, the Group paid the provident fund and interest on the provident fund of the employees that are held up to 31 December 2017 to employees and ceased the fund.

Seniority benefits

In accordance with Prakas No. 443 MoLVT dated 21 September 2018 and Notification Letter No. 042 MoLVT dated 22 March 2019 issued by the Ministry of Labour and Vocational Training (“MoLVT”), the Bank and its subsidiaries, except for ACLEDA Bank Lao Ltd. and ACLEDA MFI Myanmar Co., Ltd, are required seniority indemnity to its employees as follows:

- Current Seniority Indemnity: Employees who have worked from 1 month to 6 months (not including probation period) by June 30, or December 31, will receive seniority indemnity equal to 7.5 days.
- Back Pay Seniority Indemnity: Employees who have worked under permanent contract from 1 month to 6 months in fiscal year will receive payment of seniority indemnity equal to 3 days, in case over 3 months will receive seniority indemnity equal to 15 days. The maximum seniority to be paid shall not exceed 6 days of the average base salary of each year that shall be compensated from 2008 to 2018 but shall not exceed 156 days. The payment will be made from December 2021.

The liability was recognised at the present value of defined obligation at the reporting period using the projected unit credit method to better estimate the ultimate cost to the Group and the Bank of the benefit that employees have earned in return for their service in the periods from 2008 to 2018. The Group and the Bank attributes benefit to periods in which the obligation to provide back pay seniority indemnity. That obligation arises as employees render services in return for back pay seniority indemnity that the Group and the Bank expects to pay in future reporting periods.

The present value of the back pay seniority indemnity is determined by discounting the estimated future payments by reference to the Bank’s sixty-months fixed deposit interest rate.

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (continued)

(p) Employee benefits (continued)

(ii) *Post-employment benefits (continued)*

Retirement benefits

The Bank and its subsidiaries, except ACLEDA MFI Myanmar Co., Ltd, provide an unfunded retirement benefit plan, which is a defined benefit plan for eligible employees, upon reaching the retirement age, as follows:

- When employees, who have worked for the Group or the Bank for 15 years or more, reach a retirement age of 58 years and 60 years for unskilled and skilled respectively, are entitled to the retirement benefits equivalent to 12 months of last salary; or
- When employees, who have worked for the Group or the Bank for 15 years or more, reach the early retirement age of 55 years and 57 years for unskilled and skilled respectively, are entitled to the retirement benefits equivalent to 6 months of last salary.

No separate fund is maintained and interest contributed for the retirement benefits.

The liability is recognised in the statement of financial position at the present value of defined obligation at the reporting period using the projected unit credit method to estimate the ultimate cost to the Group and the Bank of the benefit that employees have earned in return for their service in the current and prior periods. The Group and the Bank attributes benefit to periods in which the obligation to provide retirement benefit arises. That obligation arises as employees render services in return for retirement benefits that the Group and the Bank expect to pay in future reporting periods.

The present value of the retirement benefit obligations is determined by discounting the estimated future payments by reference to the Bank's six years fixed deposit interest rate, as there is no deep high-quality corporate bond market nor government bonds.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income and directly in the retained earnings in the period in which they arise. The cost associated with providing these benefits is recognised in other comprehensive income so as to spread the cost over the period of employment in which the entitlement to the benefit is earned. Past-service costs are recognised immediately in the statement of profit or loss.

Career development benefits

The Bank provides career development benefits to employees as they reach management position as below.

Management position level	Benefits
Level 6	US\$1,250
Level 7	US\$2,500
Level 8	US\$3,375 to US\$3,750

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (continued)

(p) Employee benefits (continued)

(ii) *Post-employment benefits (continued)*

Career development benefits (continued)

They are eligible to receive membership unless they have been working since their date of appointment in a management position for two years continuously and their performance evaluation has been high (i.e. evaluation score equal to or higher than 700 and no warning letter). They will automatically be entitled to membership on the first day of their third year.

The liability is recognised in the statement of financial position at the present value of benefits obligation at the end of each reporting period using the projected unit credit method. The present value is determined by discounting the estimated future payments by reference to three years fixed deposit interest rate, as the period of benefit entitlement is three years.

(q) Provisions

Provisions are recognised when the Group and the Bank have a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of obligation can be reliably estimated.

Where 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 provisions due to the passage of time is recognised as interest expense.

(r) Interest

Effective interest rate

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

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

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (continued)

(r) Interest (continued)

Effective interest rate (continued)

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Group/the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss.

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date amortisation of the hedge adjustment begins.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (continued)

(r) Interest (continued)

Presentation

Interest income calculated using the effective interest method presented in the statement of profit or loss and OCI includes:

- interest on financial assets and financial liabilities measured at amortised cost;
- interest on debt instruments measured at FVOCI;
- the effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows, in the same period as the hedged cash flows affect interest income/expense; and
- the effective portion of fair value changes in qualifying hedging derivatives designated in fair value hedges of interest rate risk.

Interest expense presented in the statement of profit or loss and OCI includes:

- financial liabilities measured at amortised cost; and
- the effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows, in the same period as the hedged cash flows affect interest income/expense.

Interest income and expense on other financial assets and financial liabilities at FVTPL are presented in net income from other financial instruments at FVTPL.

(s) Fee and commission

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

Other fee and commission income – including account servicing fees, investment management fees, sales commission, placement fees and syndication fees – is recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (continued)

(t) Recognition of fee and other income

(i) *Dividends*

Dividends are recognised when the right to receive payment is established. Usually, this is the ex-dividend date for quoted equity securities.

The dividends on equity instruments designated as at FVOCI that clearly represent a recovery of part of the cost of the investment are presented in OCI.

(ii) *Training and consultancy services*

The Group and the Bank recognise service revenue when it is probable that economic benefits will flow to the Group or the Bank and the amount of revenue can be reliably measured. Revenue from training services and consultancy services are recognised when services are delivered.

(u) Leases

The Group and the Bank have applied CIFRS 16 Leases using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under CIAS 17 Leases and IFRIC 4 Determining whether an Arrangement contains a Lease. The details of accounting policies under CIAS 17 and IFRIC 4 are disclosed separately.

Policy applicable from 1 January 2019

At inception of a contract, the Group and the Bank assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group and the Bank use the definition of a lease in CIFRS 16.

This policy is applied to contracts entered into, on or after 1 January 2019.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Group and the Bank allocate the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (continued)

(u) Leases (continued)

Policy applicable from 1 January 2019 (continued)

As a lessee (continued)

The Group and the Bank recognise a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group and the Bank by the end of the lease term or the cost of the right-of-use asset reflects that the Group and the Bank will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's and the Bank's incremental borrowing rate. Generally, the Group and the Bank use its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise of the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group and the Bank are reasonably certain to exercise, lease payments in an optional renewal period if the Group and the Bank are reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group and the Bank are reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's and the Bank's estimate of the amount expected to be payable under a residual value guarantee, if the Group and the Bank change its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (continued)

(u) Leases (continued)

Policy applicable from 1 January 2019 (continued)

As a lessee (continued)

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

The Group and the Bank present right-of-use assets and lease liabilities separately in the statement of financial position.

Short-term leases and leases of low-value assets

The Group and the Bank have elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group and the Bank recognise the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Policy applicable before 1 January 2019

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

(v) Contingent assets and contingent liabilities

Contingent assets arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the Group and the Bank. As this may result in the recognition of income that may never be realised, contingent assets are not recognised in the Group's and the Bank's financial statements.

Contingent liabilities, which include certain guarantees and letters of credit pledged as collateral security, are possible obligations that arise from past events whose existence will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future events not wholly within the control of the Group and the Bank; or are present obligations that have arisen from past events but are not recognised because it is not probable that settlement will require the outflow of economic benefits, or because the amount of the obligations cannot be reliably measured.

Contingent liabilities are not recognised in the financial statements but are disclosed unless the probability of settlement is remote.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

3. Critical accounting estimates and judgements in applying accounting policies

The Group and the Bank make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Group's and the Bank's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are outlined below:

(a) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is included in the following notes.

- Note 2(f)(ii): classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.
- Note 34.1(g): establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of models used to measure ECL.

(b) Assumptions and estimation uncertainties

- Note 34.1(g): impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information.
- Note 34.4: determination of the fair value of financial instruments with significant unobservable inputs.
- Note 22(b)(iv): measurement of defined benefit obligations: key actuarial assumptions.
- Note 31: recognition and measurement of contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.
- Note 2(f)(vii): impairment of financial instruments: key assumptions used in estimating recoverable cash flows.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

3. Critical accounting estimates and judgements in applying accounting policies

(b) Assumptions and estimation uncertainties (continued)

Retirement benefits

The present value of the retirement benefit obligation depends on a number of factors that are determined by management using a number of assumptions such as salary growth rates, turnover rates and mortality rates. The assumptions used in determining the net cost for retirement benefits include discount rate. Any changes in these assumptions will impact the value of retirement benefit obligation.

In the absence of a bond market and government bonds, the management used their six year fixed deposit interest rate as a discount rate to determine the present value of the estimated future cash outflows expected to be required to settle the retirement benefit obligation.

Provident fund

The Bank and some entities within the Group provide their employees with a provident fund as described in note 2(p)(ii). The liability is required to recognise the present value of defined obligations at the reporting date using the projected unit credit method. It is recognised as the current obligation at the reporting date and management believes that the calculation of the liability is not significantly different from the calculation required by the Standard. An employee is entitled to the benefit upon termination of employment and is allowed to utilise it for additional paid up capital with the Bank via ASA Plc., subject to the Directors' approval.

Taxes

Taxes are calculated on the basis of current interpretation of the tax regulations enacted as at reporting date. The management periodically evaluates position taken in tax returns with respect to situations in which applicable tax regulation is subjected to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

However, these regulations are subject to periodic variation and the ultimate determination of tax liabilities will be made following inspection by the tax authorities. Where the final tax outcome of these matters is different from the amounts initially recorded, such differences will impact the taxes liabilities and balances in the period in which the determination is made.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

4. Changes in accounting policies

Except for the changes below, the Group and the Bank have consistently applied the accounting policies to all periods presented in these financial statements.

The Group and the Bank applied CIFRS 16 with a date of initial application of 1 January 2019. As a result, the Group and the Bank have changed its accounting policy for lease contracts as detailed below.

The Group and the Bank applied CIFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under CIAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in CIFRS 16 have not generally been applied to comparative information.

Definition of a lease

Previously, the Group and the Bank determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under CIFRS 16, the Group and the Bank assess whether a contract is or contains a lease based on the definition of a lease, as explained in Note 2(u).

On transition to CIFRS 16, the Group and the Bank elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied CIFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under CIAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under CIFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee

As a lessee, the Group and the Bank previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group or the Bank. Under CIFRS 16, the Group and the Bank recognise right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

For leases of other assets, which were classified as operating under CIAS 17, the Group and the Bank recognised right-of-use assets and lease liabilities.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

4. Changes in accounting policies (continued)

As a lessee (continued)

Leases classified as operating leases under CIAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's and the Bank's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at either:

- their carrying amount as if CIFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application – the Group and the Bank applied this approach to its largest property leases; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Group and the Bank applied this approach to all other leases.

The Group and the Bank used the following practical expedients when applying CIFRS 16 to leases previously classified as operating leases under CIAS 17.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Adjusted the right-of-use assets by the amount of CIAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

As a lessor

The Group or the Bank is not required to make any adjustments on transition to CIFRS 16 for leases in which it acts as a lessor, except for a sub-lease. The Group and the Bank accounted for its leases in accordance with CIFRS 16 from the date of initial application.

The Group and the Bank and the Bank applied CIFRS 15 Revenue from Contracts with Customers to allocate consideration in the contract to each lease and non-lease component.

Impact on financial statements

On transition to CIFRS 16, the Group and the Bank recognised additional right-of-use assets amounting to US\$30,621,838 and US\$26,889,967, respectively and additional lease liabilities of US\$27,917,230 and US\$ 25,012,583, respectively.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

4. Changes in accounting policies (continued)

Impact on financial statements (continued)

When measuring lease liabilities, the Group and the Bank discounted lease payments using their respective incremental borrowing rates at 1 January 2019. The weighted-average rates applied for the Group are between 7.10% to 12.40% and for the Bank is at 7%.

	1 January 2019	
	The Group US\$	The Bank US\$
Operating lease commitment at 31 December 2018 as disclosed in the Group's and the Bank's financial statements	45,650,930	39,467,373
Discounted using the incremental borrowing rates at 1 January 2019	27,917,230	25,012,583
Lease liabilities recognised at 1 January 2019	<u>27,917,230</u>	<u>25,012,583</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

5. Cash on hand

	The Group			The Bank		
	2019 US\$	2018 US\$	2019 KHR'000 (Note 2(e))	2018 KHR'000 (Note 2(e))	2019 US\$	2018 US\$
By currency:						
In US\$	328,112,584	307,627,846	1,337,058,780	1,236,048,685	326,481,164	305,580,467
In KHR	73,832,938	74,046,163	300,869,222	297,517,483	73,824,417	74,041,753
In Thai Baht	9,820,413	16,180,115	40,018,183	66,011,702	7,846,913	14,514,523
In Euro	1,697,804	1,919,631	6,918,551	7,713,077	1,640,057	1,804,002
In other currencies	8,063,499	8,090,947	32,858,759	32,509,426	1,163,316	2,071,439
	421,527,238	407,864,702	1,717,723,495	1,638,800,373	410,955,867	398,012,184
						1,674,645,158
						1,599,212,955

6. Deposits and placements with other banks

	The Group			The Bank		
	2019 US\$	2018 US\$	2019 KHR'000 (Note 2(e))	2018 KHR'000 (Note 2(e))	2019 US\$	2018 US\$
Balances with local banks:						
The National Bank of Cambodia	448,591,990	304,321,257	1,828,012,359	1,222,762,811	448,591,990	304,321,257
Other banks	1,579,492	614,303	6,436,430	2,468,269	452,223	303,398
	450,171,482	304,935,560	1,834,448,789	1,225,231,080	449,044,213	304,624,655
Balances with overseas banks:						
Bank of Laos	19,037,298	6,638,643	77,576,989	26,674,068	-	-
Other banks	119,111,707	26,232,503	485,380,206	105,402,197	109,613,368	24,282,133
	138,149,005	32,871,146	562,957,195	132,076,265	109,613,368	24,282,133
	588,320,487	337,806,706	2,397,405,984	1,357,307,345	558,657,581	328,906,788
	(589,956)	(69,999)	(2,404,070)	(281,256)	(45,241)	(14,059)
Allowance for impairment losses	587,730,531	337,736,707	2,395,001,914	1,357,026,089	558,612,340	328,892,729
						2,276,345,286
						1,321,490,985

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

6. Deposits and placements with other banks (continued)

	The Group			The Bank		
	2019 US\$	2018 US\$	2019 KHR'000 (Note 2(e))	2018 US\$	2019 KHR'000 (Note 2(e))	2018 KHR'000 (Note 2(e))
Current	587,730,531	337,736,707	2,395,001,914	558,612,340	2,276,345,286	1,321,490,985
Non-current	-	-	-	-	-	-
	587,730,531	337,736,707	2,395,001,914	558,612,340	2,276,345,286	1,321,490,985

a) By account types

	The Group			The Bank		
	2019 US\$	2018 US\$	2019 KHR'000 (Note 2(e))	2019 US\$	2018 US\$	2018 KHR'000 (Note 2(e))
Balances with local banks:						
Current accounts	449,044,213	304,624,655	1,829,855,168	449,044,213	304,624,655	1,829,855,168
Fixed deposits	1,127,269	310,905	4,593,621	-	-	-
	450,171,482	304,935,560	1,834,448,789	449,044,213	304,624,655	1,829,855,168
Balances with overseas banks:						
Current accounts	137,313,244	31,958,459	559,551,469	108,777,608	23,991,593	443,268,753
Savings accounts	835,761	290,876	3,405,726	835,760	290,540	3,405,722
Fixed deposits	-	621,811	-	-	-	-
	138,149,005	32,871,146	562,957,195	109,613,368	24,282,133	446,674,475
Allowance for impairment loss	588,320,487	337,806,706	2,397,405,984	558,657,581	328,906,788	1,321,547,474
	(589,956)	(69,999)	(2,404,070)	(45,241)	(14,059)	(56,489)
	587,730,531	337,736,707	2,395,001,914	558,612,340	328,892,729	1,321,490,985

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

6. Deposits and placements with other banks (continued)

b) By interest rate (per annum)

	The Group		The Bank	
	2019	2018	2019	2018
Current accounts	Nil	Nil	Nil	Nil
Savings accounts	0.00% - 0.50%	0.00% - 5.00%	0.00% - 0.50%	0.00% - 0.50%
Fixed deposits	1.00% - 8.25%	1.00% - 8.25%	1.00% - 8.25%	1.00% - 4.20%

7. Financial investments

Note	The Group		The Bank	
	2019 US\$	2018 US\$	2019 KHR'000 (Note 2(e))	2018 KHR'000 (Note 2(e))
(a)	153,529	153,529	153,529	153,529
	153,529	153,529	153,529	153,529
(b)	527,321,447	619,746,022	2,148,834,896	2,490,139,516
	527,321,447	619,746,022	2,148,834,896	2,490,139,516
	527,474,976	619,899,551	2,149,460,527	2,490,756,396

Unlisted equity securities – at cost:

Credit Bureau Holding (Cambodia) Ltd

Total financial investments at FVOCI

Unquoted:

Negotiable Certificate of Deposit with NBC

Total financial investments at amortised cost

(a) This represents the Bank's equity investment in Credit Bureau Holding (Cambodia) Ltd. ("CBC"), directly at 5% and indirectly at 1% through the Association of Banks in Cambodia ("ABC").

(b) The Bank has pledged negotiable certificate of deposit ("NCD") amounting to US\$36,899,080 (31 December 2018: US\$59,306,521) with the National Bank of Cambodia ("NBC") as collateral for settlement clearing facility. The other NCD amounting to US\$490,422,367 (31 December 2018: US\$560,439,501) with NBC is for the purpose of earning interest. The terms of the NCD are for a period of less than or equal to three months. As at 31 December 2019, the Bank had yet to utilise the overdraft on settlement clearing facility.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

8. Loans and advances, net

	The Group															
	2019				2018				2019				2018			
	Gross carrying amount US\$	ECL allowance (*) US\$	Carrying amount US\$	Gross amount US\$	ECL allowance (*) US\$	Carrying amount US\$	Gross carrying amount KHR'000	ECL allowance (*) KHR'000	Carrying amount KHR'000	Gross carrying amount KHR'000	ECL allowance (*) KHR'000	Carrying amount KHR'000				
Small Loan	2,008,369,258	9,463,573	1,998,905,685	1,742,648,004	11,392,376	1,731,255,628	8,184,104,726	38,564,060	8,145,540,666	45,774,567	7,001,959,680	6,956,185,113				
Staff Housing Loan	33,180,111	916,490	32,263,621	33,883,043	204,521	33,678,522	135,208,952	3,734,697	131,474,255	821,765	136,142,067	135,320,302				
Public Housing Loan	150,111,757	264,862	149,846,895	169,629,354	496,115	169,133,239	611,705,410	1,079,313	610,626,097	1,993,390	681,570,744	679,577,354				
Staff Loan	169,349,467	870,973	168,478,494	136,981,455	1,118,460	135,862,995	690,099,078	3,549,215	686,549,863	4,493,972	550,391,486	545,897,514				
Overdraft Loan	47,931,865	847,009	47,084,856	60,256,411	697,520	59,588,891	195,322,350	3,451,562	191,870,788	2,802,635	242,110,259	239,307,624				
Home Improvement Loan	74,837,579	219,986	74,617,593	100,730,638	323,289	100,407,349	304,963,134	896,443	304,066,691	1,298,975	404,735,703	403,436,728				
Personal & Others Loan	119,745,790	356,437	119,389,352	99,718,716	527,188	99,191,528	487,964,094	1,452,480	486,511,612	2,118,241	400,669,801	398,551,560				
Credit Card Loan	16,891,237	767,318	16,123,919	17,485,026	507,913	16,957,113	68,831,791	3,126,821	65,704,970	2,040,794	70,174,474	68,133,680				
Trade Loan	12,462,385	72,255	12,390,130	11,456,639	754,022	10,702,617	50,784,219	294,439	50,489,780	3,029,660	46,032,776	43,003,116				
Revolving Loan	38,731,317	3,825,256	34,906,061	64,207,339	5,384,149	58,823,190	157,830,117	15,587,918	142,242,199	21,633,511	257,985,088	236,351,577				
Medium Loan	1,207,852,809	15,838,896	1,192,013,913	1,191,570,346	12,782,777	1,178,787,569	4,922,000,197	64,543,501	4,857,456,694	51,361,200	4,787,729,652	4,736,368,452				
	3,879,463,575	33,443,055	3,846,020,519	3,628,546,971	34,188,330	3,594,358,641	15,808,814,068	136,280,449	15,672,533,615	137,368,710	14,579,501,730	14,442,133,020				

(**): Included allowance for impairment loss on off-balance sheet commitments amounting to US\$207,479 (2018: US\$288,498). See Note 34.1(g) for the detail movements of ECL allowance during the year.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

8. Loans and advances, net (continued)

	The Bank											
	2019						2018					
	Gross carrying amount US\$	ECL allowance (*) US\$	Carrying amount US\$	Gross amount US\$	ECL allowance (*) US\$	Carrying amount US\$	Gross carrying amount KHR'000	ECL allowance KHR'000	Carrying amount KHR'000	Gross amount KHR'000	ECL allowance (*) KHR'000	Carrying amount KHR'000
Small Loan	1,864,513,590	8,357,249	1,856,156,341	1,621,434,242	10,237,997	1,611,196,245	7,597,892,879	34,055,790	7,563,837,089	6,514,922,784	41,136,272	6,473,786,512
Staff Housing Loan	32,995,773	916,314	32,079,459	33,584,546	187,119	33,397,427	134,457,775	3,733,980	130,723,795	134,942,706	751,844	134,190,862
Public Housing Loan	149,985,838	264,595	149,721,243	169,629,354	496,115	169,133,239	611,192,290	1,078,225	610,114,065	681,570,744	1,993,390	679,577,354
Staff Loan	163,227,924	848,346	162,379,578	132,534,519	1,094,969	131,439,550	665,153,790	3,457,010	661,696,780	532,523,697	4,399,595	528,124,112
Overdraft Loan	47,931,865	847,009	47,084,856	60,256,411	697,520	59,558,891	195,322,350	3,451,562	191,870,788	242,110,259	2,802,635	239,307,624
Home Improvement Loan	73,114,585	213,423	72,901,162	100,310,613	320,877	99,989,736	297,941,934	869,699	297,072,235	403,048,043	1,289,284	401,758,759
Personal & Others Loan	118,408,444	481,072	117,927,372	94,608,414	476,498	94,131,916	482,514,409	1,960,366	480,554,042	380,136,607	1,914,569	378,222,038
Credit Card Loan	16,891,237	767,318	16,123,919	17,465,026	507,913	16,957,113	68,831,791	3,126,821	65,704,970	70,174,474	2,040,794	68,133,680
Trade Loan	12,462,385	72,255	12,390,130	11,456,639	754,022	10,702,617	50,784,219	294,439	50,489,780	46,032,776	3,029,660	43,003,117
Revolving Loan	38,731,317	3,825,256	34,906,061	64,207,339	5,384,149	58,823,190	157,830,117	15,587,918	142,242,199	257,985,088	21,633,511	236,351,577
Medium Loan	1,201,161,387	16,252,565	1,184,908,822	1,186,924,951	12,688,494	1,174,236,457	4,894,732,652	66,229,202	4,828,503,450	4,769,064,453	50,982,369	4,718,082,084
	3,719,424,345	32,845,402	3,686,578,943	3,492,412,054	32,845,673	3,459,566,381	15,156,654,206	133,845,012	15,022,809,193	14,032,511,631	131,973,913	13,900,537,719

(*) Included allowance for impairment loss on off-balance sheet commitments amounting to US\$655,822 (2018: US\$288,498). See Note 34.1(g) for the detail movements of ECL allowance during the year.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

8. Loans and advances, net (continued)

(a) Loans and advances in gross amount by maturity

	The Group			The Bank		
	2019 US\$	2018 US\$	2019 KHR'000 (Note 2(e))	2018 US\$	2019 KHR'000 (Note 2(e))	2018 KHR'000 (Note 2(e))
Within one year	1,109,302,434	1,037,084,596	4,520,407,419	971,234,679	4,190,120,951	3,902,420,940
Later than one year but not later than three years	1,485,415,071	1,320,423,697	6,053,066,414	1,268,165,264	5,814,229,813	5,095,488,031
Later than three years but not later than five years	933,058,442	767,853,721	3,802,213,151	753,241,123	3,720,830,915	3,026,522,832
Later than five years	351,687,628	503,184,957	1,433,127,084	499,770,988	1,431,472,527	2,008,079,828
	<u>3,879,463,575</u>	<u>3,628,546,971</u>	<u>15,808,814,068</u>	<u>3,492,412,054</u>	<u>15,156,654,206</u>	<u>14,032,511,631</u>

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

9. Other assets

	The Group			The Bank		
	2019 US\$	2018 US\$	2019 KHR'000 (Note 2(e))	2018 US\$	2019 US\$	2018 KHR'000 (Note 2(e))
Prepayments and advances	11,368,223	16,052,302	46,325,509	14,027,786	40,396,094	56,363,644
Stationary supplies	1,855,397	2,117,621	7,560,743	8,508,601	1,651,725	6,730,779
Receivable from Western Union	922,302	1,409,906	3,758,381	1,409,906	904,263	3,684,872
Others	3,383,911	2,883,123	13,789,437	2,692,853	3,198,400	10,819,884
	<u>17,529,833</u>	<u>22,462,952</u>	<u>71,434,070</u>	<u>20,141,149</u>	<u>15,667,540</u>	<u>80,927,137</u>

	The Group			The Bank		
	2019 US\$	2018 US\$	2019 KHR'000 (Note 2(e))	2018 US\$	2019 US\$	2018 KHR'000 (Note 2(e))
Current	17,178,153	21,071,159	70,000,973	18,958,589	15,441,828	76,175,611
Non-current	351,680	1,391,793	1,433,097	1,182,560	225,712	4,751,526
	<u>17,529,833</u>	<u>22,462,952</u>	<u>71,434,070</u>	<u>20,141,149</u>	<u>15,667,540</u>	<u>80,927,137</u>

10. Statutory deposits

	The Group			The Bank		
	2019 US\$	2018 US\$	2019 KHR'000 (Note 2(e))	2018 US\$	2019 US\$	2018 KHR'000 (Note 2(e))
(a) With the central bank	583,195,741	537,953,272	2,376,522,645	537,953,272	2,376,522,645	2,161,496,247
(b) With other central bank	3,894,959	2,372,821	15,871,968	-	-	-
(c) Others	245,399	248,880	1,000,000	-	-	-
	<u>587,336,099</u>	<u>540,574,973</u>	<u>2,393,394,603</u>	<u>537,953,272</u>	<u>2,376,522,645</u>	<u>2,161,496,247</u>

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

10. Statutory deposits (continued)

(a) With the Central Bank

(i) Reserve requirement

The reserve requirement represents the minimum reserve which is calculated at 8% for KHR and 12.50% for other currencies of the total amount of deposits from customers, non-residential bank and financial institution deposits, and non-residential borrowings. The 4.50% reserve requirement in currencies other than KHR is interest bearing while the remaining 8% of the reserve requirement in KHR and other currencies bear no interest.

(ii) Capital guarantee

Pursuant to the National Bank of Cambodia's Prakas No. B7-01-136 on Bank's Capital Guarantee dated 15 October 2001; the banks are required to maintain 10% of its registered capital as a statutory deposit with the Central Bank. The deposit, which is not available for use in the Bank's day-to-day operations, is refundable should the Bank voluntarily cease its operations in Cambodia.

(b) With other central bank

These are the statutory deposits of ACLEDA Bank Lao Ltd maintained with the Bank of Lao ("BOL") in compliance with BOL's regulations. These statutory deposits comprise of reserve requirement calculated at 5% of customers' deposits in local currency and 10% of foreign currency deposits and capital guarantee of the share capital. These statutory deposits do not bear interest.

(c) Others

- In compliance with Securities and Exchange Commission of Cambodia ("SECC")'s Prakas No. 009 on the licensing of securities firms and securities representatives, ACLEDA Securities Plc. is required to place a security deposit into SECC's bank account maintained with the National Bank of Cambodia amounting to KHR1,000,000,000 (equivalent to US\$247,709) for operating as a securities broker in Cambodia.
- In compliance with the MOEYS's Prakas No. 295 on the licensing of a private higher education institution, ACLEDA Institute of Business is required to place a minimum deposit into bank account of the General Department of National Treasury maintained with the National Bank of Cambodia amounting to KHR240,000,000 (equivalent to US\$59,450) for operating as a private higher education institution in Cambodia.

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

11. Investments in subsidiaries

		The Bank			
		2019 US\$	2018 US\$	2019 KHR'000 (Note 2(e))	2018 KHR'000 (Note 2(e))
Unquoted ordinary shares, at cost					
ACLEDA Bank Lao Ltd.	(a)	49,389,566	49,389,566	201,262,481	198,447,276
ACLEDA Securities Plc.	(b)	2,010,000	2,010,000	8,190,750	8,076,180
ACLEDA Institute of Business	(c)	19,805,000	19,805,000	80,705,375	79,576,490
ACLEDA MFI Myanmar Co., Ltd.	(d)	19,911,005	11,945,715	81,137,346	47,997,883
ACLEDA Properties Ltd.	(e)	20,000	20,000	81,500	80,360
Total investments in subsidiaries - Non-current		91,135,571	83,170,281	371,377,452	334,178,189

(a) ACLEDA Bank Lao Ltd.

ACLEDA Bank Lao Ltd. ("ACLEDA Lao") was established in Lao PDR on 13 December 2007 under a preliminary license from the Bank of Lao PDR ("BOL"). The Bank owned 99.90% of ACLEDA Lao's shares.

ACLEDA Lao's principal business is providing banking and related financial services in Lao PDR.

(b) ACLEDA Securities Plc.

On 1 March 2010, ACLEDA Securities Plc. ("ACLEDA Securities") was established in the Kingdom of Cambodia and registered with the Ministry of Commerce ("MoC") under the Registration No. Co.0448KH/2010. On 20 October 2010, the Securities and Exchange Commission of Cambodia ("SECC") granted a brokerage license to ACLEDA Securities. The registered share capital of ACLEDA Securities is US\$2,010,000 which is divided to 2,010,000 shares with par value of US\$1 each. ACLEDA Securities is wholly owned by ACLEDA Bank Plc.

ACLEDA Securities' principal business is providing securities brokerage and other services approved by SECC.

(c) ACLEDA Institute of Business

ACLEDA Institute of Business ("AIB") (previously known as ACLEDA Training Center Ltd.) was established in the Kingdom of Cambodia under a primary license from MoC under the Registration No. Co.1332KH/2011 dated 8 June 2011. The registered share capital of AIB is US\$17,805,000 which is divided to 17,805,000 shares with par value of US\$1 each. AIB is wholly owned by ACLEDA Bank Plc. In 2018, AIB increased its share capital by US\$2,000,000 to US\$19,805,000. The revised Memorandum of Articles and Association was endorsed by Ministry of Commerce ("MoC") on 14 December 2018.

AIB is recognised as the establishment of a private higher education institution under the sub-decree No. 13 ANKr. BK dated 25 January 2016 from the Royal Government of Cambodia ("RGC"). AIB provides training and education for Associate's degree, Bachelor's degree, and Master's degree on Department of Business Administration, majoring in Banking and Finance. AIB can open branches, new colleges, new departments, new specialties, new levels or classes, new types of education and training, change to a new name and location by sending relevant documents to request for approval from the Ministry of Education, Youth and Sport ("MoEYS").

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

11. Investments in subsidiaries (continued)

(d) ACLEDA MFI Myanmar Co., Ltd.

ACLEDA MFI Myanmar Co., Ltd. ("ACLEDA MFI") was incorporated in the Republic of Union of Myanmar under the Republic of the Union of Myanmar Companies Law on 6 September 2012 to provide services per the Registration No. 143715094. The financial year of the statutory financial statements of ACLEDA MFI is from 1 October to 30 September.

ACLEDA MFI is permitted to operate as a deposit-taking microfinance institution providing microfinance services to lower income segments of the Myanmar market and other activities allowed by the Microfinance Supervisory Authority at 45 townships in Yangon Region, 28 townships in Bago Region, 3 townships in Mon State and 25 townships in Magway Region.

ACLEDA Bank Plc. acquired 3,600,000 ordinary shares (45%) of ACLEDA MFI from KFW, COFIBRED S.A, and IFC for a consideration of US\$6,193,321 as approved by the Board of Directors of ACLEDA MFI on 25 April 2018. The approval on the share transfers, appointment of representative of shareholders, and changing the Board Members are obtained on 27 September 2018 by secretary of Microfinance Business Supervisory Committee, The Republic of the Union of Myanmar Government.

ACLEDA MFI started its operations on 18 February 2013. The Bank owns 99.99% of common stock MMK20,140,000,000 of ACLEDA MFI shares (2018: 99.99% of MMK8,000,000,000).

On 23 September 2019, ACLEDA Bank Plc. injected cash capital amounting to US\$3,969,923.20, equivalent MMK6,099,390,000 and on 3 December 2019, injected additional cash capital of US\$3,995,366.50 equivalent MMK6,039,396,000.

(e) ACLEDA Properties Ltd.

ACLEDA Properties Ltd. ("ACLEDA Properties") was established in the Kingdom of Cambodia with MoC under the Registration No. Co.0651KH/2015 dated 16 February 2015 with the registered capital of KHR20 million (equivalent to US\$5,000) by issuing 5,000 shares at KHR4,000 each. ACLEDA Properties is wholly owned by ACLEDA Bank Plc. In 2018, ACLEDA Properties increased its share capital by US\$15,000 to US\$20,000. The revised Memorandum and Articles of Association was endorsed by MoC on 4 May 2018.

ACLEDA Properties's principal business is purchasing, selling, renting of movable and immovable assets, purchasing, selling and supplying office supplies; other businesses permitted by laws aiming to improve the progress of the ACLEDA Properties, and all other activities reasonably incident to that objective in the judgment of the Board of Directors.

On 26 April 2019, the Board of Directors of ACLEDA Properties approved to liquidate the Company, and the Company obtained approval from National Bank of Cambodia and General Department of Taxation ("GDT") on 19 June 2019 and 2 December 2019, respectively. The Company filed for the liquidation and is awaiting the final approval from MoC.

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

11. Investments in subsidiaries (continued)

(f) ACLEDA Bank Plc. (Representative Office)

On 7 April 2016, ACLEDA Bank Plc. received the foreign bank representative office registration certificate FB/R.O-1/(04)2016 from the central bank of Myanmar and received certificate of incorporation as representative office from the Ministry of Planning and Finance in the Republic of the Union of Myanmar on 6 May 2016 with permit N° 58FC/2016-2017 (YGN), the validity of certificate is until 5 May 2021. The representation office is permit on the following activities:

- a. Marketing, promotion, negotiation and documentation for business purposes for customers of ACLEDA Bank Plc;
- b. Referring customer of ACLEDA Bank Plc. to banks operating in Myanmar; and monitoring and supervising offshore loans granted by ACLEDA Bank Plc.

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

12. Property and equipment

2019	The Group									
	Land US\$	Land improvement US\$	Building and improvement US\$	Leasehold improvement US\$	Office equipment US\$	Computer equipment US\$	Motor vehicles US\$	Capital in progress US\$	Total	
Cost										
As at 1 January	14,542,280	1,685,934	98,763,743	4,768,777	57,239,460	64,615,575	18,254,256	776,023	260,646,048	
Additions	-	66,000	23,742	242,783	5,032,595	7,359,632	669,261	1,436,484	14,830,497	
Disposals/written off	-	-	-	(219,500)	(1,137,585)	(1,087,781)	(680,729)	-	(3,125,595)	
Reclassifications	-	-	-	205,033	39,119	265,532	9,697	(519,381)	-	
Currency translation difference	-	-	-	(25,334)	(53,860)	(229,066)	(47,222)	-	(355,482)	
Adjustments	-	(4,755)	-	(7,872)	-	-	-	(34,932)	(47,559)	
As at 31 December	14,542,280	1,747,179	98,787,485	4,963,887	61,119,729	70,923,892	18,205,263	1,658,194	271,947,909	
Less: Accumulated depreciation										
As at 1 January	-	206,737	12,899,157	4,141,969	39,623,449	50,414,594	15,498,045	-	122,783,951	
Charge for the year	-	220,858	4,634,160	359,384	7,000,991	8,062,194	1,148,883	-	21,426,470	
Disposals	-	-	-	(208,623)	(1,123,100)	(1,081,929)	(673,012)	-	(3,086,664)	
Currency translation difference	-	(60)	(5,549)	(24,782)	(64,342)	(183,986)	(56,914)	-	(335,633)	
Adjustments	-	-	-	(7)	-	-	-	-	(7)	
As at 31 December	-	427,535	17,527,768	4,267,941	45,436,998	57,210,873	15,917,002	-	140,788,117	
Carrying value	14,542,280	1,319,644	81,259,717	695,946	15,682,731	13,713,019	2,288,261	1,658,194	131,159,792	
In KHR '000 equivalent (Note 2(e))	59,259,791	5,377,549	331,133,347	2,835,980	63,907,129	55,880,552	9,324,664	6,757,141	534,476,153	

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

12. Property and equipment (continued)

2018	The Group									
	Land US\$	Land improvement US\$	Building and improvement US\$	Leasehold improvement US\$	Office equipment US\$	Computer equipment US\$	Motor vehicles US\$	Capital in progress US\$	Total US\$	
Cost										
As at 1 January	14,542,280	1,363,927	76,801,355	4,774,926	53,316,294	56,990,050	17,512,997	11,515,729	236,817,558	
Additions	-	26,524	1,903,006	332,951	4,054,824	6,783,206	1,488,336	12,366,550	26,955,397	
Disposals/written off	-	-	-	(303,130)	(586,681)	(760,090)	(698,977)	-	(2,348,878)	
Reclassifications	-	295,483	20,059,382	6,113	526,767	1,785,452	3,800	(22,676,997)	-	
Currency translation difference	-	-	-	(42,083)	(71,744)	(184,539)	(51,900)	-	(350,266)	
Adjustments	-	-	-	-	-	1,496	-	(429,259)	(427,763)	
As at 31 December	14,542,280	1,685,934	98,763,743	4,768,777	57,239,460	64,615,575	18,254,256	776,023	260,646,048	
Less: Accumulated depreciation										
As at 1 January	-	93,218	8,826,451	4,067,389	33,052,407	42,571,460	14,878,346	-	103,489,271	
Charge for the year	-	113,586	4,078,946	472,264	7,149,477	8,750,353	1,370,222	-	21,934,848	
Disposals/written off	-	-	-	(284,124)	(567,780)	(756,244)	(675,290)	-	(2,283,438)	
Currency translation difference	-	(67)	(6,240)	(113,560)	(10,655)	(151,028)	(75,233)	-	(356,783)	
Adjustments	-	-	-	-	-	53	-	-	53	
As at 31 December	-	206,737	12,899,157	4,141,969	39,623,449	50,414,594	15,498,045	-	122,783,951	
Carrying value	14,542,280	1,479,197	85,864,586	626,808	17,616,011	14,200,981	2,756,211	776,023	137,862,097	
In KHR' 000 equivalent (Note 2(e))	58,430,881	5,943,414	345,003,906	2,518,515	70,781,132	57,059,542	11,074,456	3,118,060	553,929,906	

As at 31 December 2019, the fully depreciated property and equipment with historical costs amounting to US\$91,082,789 (2018: US\$77,339,278) are still in active use.

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

12. Property and equipment (continued)

2019	The Bank										Total US\$	
	Land US\$	Land improvement US\$	Building and improvement US\$	Leasehold improvement US\$	Office equipment US\$	Computer equipment US\$	Motor vehicles US\$	Capital in progress US\$				
Cost												
As at 1 January	2,328,344	282,726	76,858,608	3,825,002	54,612,838	57,668,077	16,783,184	570,488				212,929,267
Additions	-	-	15,718	188,157	4,750,129	5,991,671	645,569	1,581,191				13,172,435
Disposals/written off	-	-	-	(134,631)	(1,044,391)	(915,136)	(641,453)	-				(2,735,611)
Reclassifications	-	-	-	205,033	39,119	265,532	9,697	(519,381)				-
Currency translation difference	-	-	-	-	-	-	-	-				-
Adjustments	-	-	-	(7,872)	-	-	-	(34,932)				(42,804)
As at 31 December	2,328,344	282,726	76,874,326	4,075,689	58,357,695	63,010,144	16,796,997	1,597,366				223,323,287
Less: Accumulated depreciation												
As at 1 January	-	66,393	12,775,218	3,388,187	37,782,563	45,767,306	14,109,478	-				113,889,145
Charge for the year	-	42,059	3,902,623	308,834	6,721,394	7,197,424	1,103,453	-				19,275,787
Disposals	-	-	-	(131,306)	(1,039,411)	(913,051)	(641,453)	-				(2,725,221)
Currency translation difference	-	(60)	(5,549)	(443)	(9,909)	(10,229)	(1,571)	-				(27,761)
Adjustments	-	-	-	(7)	-	-	-	-				(7)
As at 31 December	-	108,392	16,672,292	3,565,265	43,454,637	52,041,450	14,569,907	-				130,411,943
Carrying value												
	2,328,344	174,334	60,202,034	510,424	14,903,058	10,968,694	2,227,090	1,597,366				92,911,344
In KHR' 000 equivalent (Note 2(e))												
	9,488,002	710,411	245,323,289	2,079,979	60,729,961	44,697,428	9,075,392	6,509,266				378,613,728

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

12. Property and equipment (continued)

2018	The Bank										Total US\$	
	Land US\$	Land improvement US\$	Building and improvement US\$	Leasehold improvement US\$	Office equipment US\$	Computer equipment US\$	Motor vehicles US\$	Capital in progress US\$				
Cost												
As at 1 January	2,328,344	282,726	76,801,355	3,673,274	51,153,591	50,793,158	15,719,000	2,333,143				203,084,591
Additions	-	-	42,932	223,196	3,834,000	5,873,713	1,466,011	517,648				11,957,500
Disposals/written off	-	-	-	(77,581)	(464,955)	(736,898)	(405,627)	-				(1,685,061)
Reclassifications	-	-	14,321	6,113	90,202	1,736,608	3,800	(1,851,044)				-
Adjustments	-	-	-	-	-	1,496	-	(429,259)				(427,763)
As at 31 December	2,328,344	282,726	76,858,608	3,825,002	54,612,838	57,668,077	16,783,184	570,488				212,929,267
Less: Accumulated depreciation												
As at 1 January	-	24,394	8,826,451	3,133,019	31,204,039	38,378,743	13,246,357	-				94,813,003
Charge for the year	-	42,066	3,955,007	333,070	7,047,786	8,137,280	1,270,823	-				20,786,032
Disposals	-	-	-	(77,391)	(458,083)	(736,513)	(405,627)	-				(1,677,614)
Currency translation difference	-	(67)	(6,240)	(511)	(11,179)	(12,257)	(2,075)	-				(32,329)
Adjustments	-	-	-	-	-	53	-	-				53
As at 31 December	-	66,393	12,775,218	3,388,187	37,782,563	45,767,306	14,109,478	-				113,889,145
Carrying value												
	2,328,344	216,333	64,083,390	436,815	16,830,275	11,900,771	2,673,706	570,488				99,040,122
In KHR' 000 equivalent (Note 2(e))	9,355,286	869,226	257,487,061	1,755,123	67,624,045	47,817,298	10,742,951	2,292,220				397,943,210

As at 31 December 2019, the fully depreciated property and equipment with historical costs amounting to US\$85,190,502 (2018: US\$72,494,750) are still in active use.

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

13. Intangible assets

2019	The Group		The Bank		Total US\$
	Computer software US\$	Work in progress US\$	Computer software US\$	Work in progress US\$	
Cost					
As at 1 January	32,596,750	1,518,857	29,200,608	1,438,832	30,639,440
Additions	558,382	1,468,869	303,948	1,446,708	1,750,656
Disposals	(2,854,263)	-	(2,852,689)	-	(2,852,689)
Reclassifications	921,494	(921,494)	921,494	(921,494)	-
Currency translation difference	(126,427)	-	-	-	-
Adjustments	(15,431)	(406,591)	-	(391,150)	(391,150)
As at 31 December	31,080,505	1,659,641	27,573,361	1,572,896	29,146,257
Less: Accumulated amortisation					
As at 1 January	22,917,720	-	20,652,904	-	20,652,904
Charge for the year	3,537,457	-	3,182,821	-	3,182,821
Disposals	(2,600,357)	-	(2,600,357)	-	(2,600,357)
Currency translation difference	(96,662)	-	(4,473)	-	(4,473)
Adjustments	(17,005)	(17,005)	-	-	-
As at 31 December	23,741,153	-	21,230,895	-	21,230,895
Carrying value	7,339,352	1,659,641	6,342,466	1,572,896	7,915,362
In KHR' 000 equivalent (Note 2 (e))	29,907,859	6,763,037	25,845,549	6,409,551	32,255,100

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

13. Intangible assets (continued)

2018	The Group		The Bank		Total US\$
	Computer software US\$	Work in progress US\$	Computer software US\$	Work in progress US\$	
Cost					
As at 1 January	31,221,080	1,518,926	28,635,807	1,518,926	30,154,733
Additions	2,263,263	1,066,263	1,376,771	986,238	2,363,009
Disposals	(2,012,524)	-	(2,011,325)	-	(2,011,325)
Reclassifications	1,199,355	(1,199,355)	1,199,355	(1,199,355)	-
Currency translation difference	(74,424)	-	-	-	-
Adjustments	-	133,023	-	133,023	133,023
As at 31 December	32,596,750	1,518,857	29,200,608	1,438,832	30,639,440
Less: Accumulated amortisation					
As at 1 January	21,399,661	-	19,417,238	-	19,417,238
Charge for the year	3,550,055	-	3,203,977	-	3,203,977
Disposals	(1,963,373)	-	(1,963,122)	-	(1,963,122)
Currency translation difference	(68,623)	-	(5,189)	-	(5,189)
Adjustments	-	-	-	-	-
As at 31 December	22,917,720	-	20,652,904	-	20,652,904
Carrying value					
	9,679,030	1,518,857	8,547,704	1,438,832	9,986,536
In KHR' 000 equivalent (Note 2(e))	38,890,343	6,102,767	34,344,675	5,781,227	40,125,902

As at 31 December 2019, the fully amortised intangible assets with historical costs amounting to US\$13,596,110 and US\$12,348,410 (2018: US\$13,019,817 and US\$12,154,016) are still in active use by the Group and the Bank, respectively.

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NOTES TO THE FINANCIAL STATEMENTS (CONITNUED) FOR THE YEAR ENDED 31 DECEMBER 2019

14. Right-of-use assets

	31 December 2019			
	The Group		The Bank	
	US\$	KHR'000 (Note 2(e))	US\$	KHR'000 (Note 2(e))
Right-of-use assets	32,569,457	132,720,537	28,847,850	117,554,989

The Group and the Bank lease office building for its operations. Information about leases for which the Group or the Bank is a lessee is presented below:

	2019			
	The Group		The Bank	
	US\$	KHR'000 (Note 2(e))	US\$	KHR'000 (Note 2(e))
At the beginning of the year/Adjustment of initial application of CIFRS 16	30,621,838	123,038,545	26,889,967	108,043,887
Additions during the year	13,068,149	52,952,140	12,239,172	49,593,125
Amortisation for the year	(10,469,819)	(42,423,707)	(9,647,871)	(39,093,173)
Lease termination during the year	(678,486)	(2,749,225)	(665,335)	(2,695,937)
Exchange differences	27,775	112,544	31,917	129,328
Currency translation difference	-	1,790,240	-	1,577,759
At the end of the year	32,569,457	132,720,537	28,847,850	117,554,989

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

15. Deferred tax assets, net

	The Group			The Bank				
	2019 US\$	2018 US\$	2019 KHR'000 (Note 2(e))	2018 KHR'000 (Note 2(e))	2019 US\$	2018 US\$	2019 KHR'000 (Note 2(e))	2018 KHR'000 (Note 2(e))
Deferred tax assets	28,701,473	22,504,362	116,958,502	90,422,525	27,538,165	21,059,516	112,218,023	84,617,136
Deferred tax liabilities	(13,887,119)	(10,888,257)	(56,590,008)	(43,749,015)	(13,530,422)	(10,126,258)	(55,136,470)	(40,687,305)
	14,814,354	11,616,105	60,368,494	46,673,510	14,007,743	10,933,258	57,081,553	43,929,831

The movements in net deferred tax assets during the year were as follows:

	The Group			The Bank				
	2019 US\$	2018 US\$	2019 KHR'000 (Note 2(e))	2018 KHR'000 (Note 2(e))	2019 US\$	2018 US\$	2019 KHR'000 (Note 2(e))	2018 KHR'000 (Note 2(e))
At the beginning of the year	11,616,105	23,377,072	46,673,510	94,373,240	10,933,258	22,995,471	43,929,831	92,832,716
Charged/(credited) to profit or loss	3,198,249	(11,760,967)	12,959,305	(47,573,112)	3,074,485	(12,062,213)	12,457,813	(48,791,649)
Exchange differences	-	-	735,679	(126,618)	-	-	693,909	(111,236)
At the end of the year	14,814,354	11,616,105	60,368,494	46,673,510	14,007,743	10,933,258	57,081,553	43,929,831

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 the deferred taxes relate to the same fiscal authority.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

15. Deferred tax assets, net (continued)

The components and movements of deferred tax assets and liabilities during the year were as follows:

Deferred tax assets of the Group:

	Unamortised loan fees US\$	Unearned revenue US\$	Provision for loan loss US\$	Other provision US\$	Staff bonus US\$	Unrealised exchange loss US\$	Accelerated depreciation US\$	Lease US\$	Others US\$	Total US\$
As at 31 December 2019										
As at 1 January 2019	5,806,687	56,087	7,222,846	6,853,483	433,084	594,279	1,213,116	-	324,780	22,504,362
Credited/(charged) to profit or loss	834,937	(56,087)	643,408	(99,445)	(6,556)	62,603	(24,179)	190,389	4,652,041	6,197,111
As at 31 December 2019	6,641,624	-	7,866,254	6,754,038	426,528	656,882	1,188,937	190,389	4,976,821	28,701,473
In KfR000 equivalent (Note 2(e))	27,064,618	-	32,054,985	27,522,706	1,738,102	2,676,794	4,844,919	775,835	20,280,543	116,958,502
As at 31 December 2018										
As at 1 January 2018	4,827,284	46,555	6,317,227	12,442,559	1,202,497	498,145	9,354	-	6,762,988	32,106,609
Credited/(charged) to profit or loss	979,403	9,532	905,619	(5,589,076)	(769,413)	96,134	1,203,762	-	(6,438,208)	(9,602,247)
As at 31 December 2018	5,806,687	56,087	7,222,846	6,853,483	433,084	594,279	1,213,116	-	324,780	22,504,362
In KfR000 equivalent (Note 2(e))	23,331,268	225,358	29,021,395	27,537,294	1,740,132	2,387,815	4,874,300	-	1,304,963	90,422,525

Deferred tax assets of the Bank:

	Unamortised loan fees US\$	Provision for loan loss US\$	Other provision US\$	Staff bonus US\$	Unrealised exchange loss US\$	Accelerated depreciation US\$	Lease US\$	Others US\$	Total US\$
As at 31 December 2019									
As at 1 January 2019	5,806,687	7,222,846	6,713,298	433,084	593,813	1,203,762	-	(913,974)	21,059,516
Credited/(charged) to profit or loss	834,937	643,408	(66,889)	(16,339)	15,851	(21,127)	161,750	4,927,058	6,478,649
As at 31 December 2019	6,641,624	7,866,254	6,646,409	416,745	609,664	1,182,635	161,750	4,013,084	27,538,165
In KfR000 equivalent (Note 2(e))	27,064,618	32,054,985	27,084,117	1,698,236	2,484,381	4,819,238	659,131	16,353,317	112,218,023
As at 31 December 2018									
As at 1 January 2018	4,827,284	6,317,227	12,343,447	1,191,719	497,813	-	-	6,276,213	31,453,703
Credited/(charged) to profit or loss	979,403	905,619	(5,630,149)	(758,635)	96,000	1,203,762	-	(7,190,187)	(10,394,187)
As at 31 December 2018	5,806,687	7,222,846	6,713,298	433,084	593,813	1,203,762	-	(913,974)	21,059,516
In KfR000 equivalent (Note 2(e))	23,331,268	29,021,395	26,974,031	1,740,132	2,385,942	4,836,716	-	(3,672,348)	84,617,136

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

15. Deferred tax assets, net (continued)

Deferred tax liabilities of the Group:

	Accelerated depreciation US\$	Unrealised exchange US\$	Others US\$	Total US\$
As at 31 December 2019				
As at 1 January 2019	239,665	-	10,648,592	10,888,257
Credited to profit or loss	(239,665)	640,179	2,598,348	2,998,862
As at 31 December 2019	<u>-</u>	<u>640,179</u>	<u>13,246,940</u>	<u>13,887,119</u>
<i>In KHR'000 equivalent (Note 2(e))</i>	<u>-</u>	<u>2,608,729</u>	<u>53,981,279</u>	<u>56,590,008</u>
As at 31 December 2018				
As at 1 January 2018	22,597	-	8,706,940	8,729,537
Credited to profit or loss	217,068	-	1,941,652	2,158,720
As at 31 December 2018	<u>239,665</u>	<u>-</u>	<u>10,648,592</u>	<u>10,888,257</u>
<i>In KHR'000 equivalent (Note 2(e))</i>	<u>962,974</u>	<u>-</u>	<u>42,786,041</u>	<u>43,749,015</u>

Deferred tax liabilities of the Bank:

	Accelerated depreciation US\$	Unrealised exchange US\$	Others US\$	Total US\$
As at 31 December 2019				
As at 1 January 2019	21,127	-	10,105,131	10,126,258
Charged to profit or loss	(21,127)	639,392	2,785,899	3,404,164
As at 31 December 2019	<u>-</u>	<u>639,392</u>	<u>12,891,030</u>	<u>13,530,422</u>
<i>In KHR'000 equivalent (Note 2(e))</i>	<u>-</u>	<u>2,605,522</u>	<u>52,530,948</u>	<u>55,136,470</u>
As at 31 December 2018				
As at 1 January 2018	21,127	-	8,437,105	8,458,232
Credited to profit or loss	-	-	1,668,026	1,668,026
As at 31 December 2018	<u>21,127</u>	<u>-</u>	<u>10,105,131</u>	<u>10,126,258</u>
<i>In KHR'000 equivalent (Note 2(e))</i>	<u>84,888</u>	<u>-</u>	<u>40,602,417</u>	<u>40,687,305</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

16. Deposits and placements of other banks and financial institutions

	The Group			The Bank				
	2019 US\$	2018 US\$	2019 KHR'000 (Note 2(e))	2018 KHR'000 (Note 2(e))	2019 US\$	2018 US\$	2019 KHR'000 (Note 2(e))	2018 KHR'000 (Note 2(e))
Current accounts	103,433,585	116,025,523	421,491,859	466,190,552	108,664,584	117,089,170	442,808,180	470,464,286
Savings deposits	47,739,916	64,336,994	194,540,158	258,506,042	46,465,723	63,952,355	189,347,821	256,960,562
Fixed deposits	134,001,644	108,000,734	546,056,699	433,946,949	119,147,414	103,319,839	485,525,712	415,139,113
	285,175,145	288,363,251	1,162,088,716	1,158,643,543	274,277,721	284,361,364	1,117,681,713	1,142,563,961

The deposits and placements of other banks and financial institutions can be analysed as follows:

a) By maturity

	The Group			The Bank				
	2019 US\$	2018 US\$	2019 KHR'000 (Note 2(e))	2018 KHR'000 (Note 2(e))	2019 US\$	2018 US\$	2019 KHR'000 (Note 2(e))	2018 KHR'000 (Note 2(e))
Within six months	192,616,757	214,959,840	784,913,285	863,708,637	187,268,370	211,647,191	763,118,608	850,398,413
Later than six months but not later than one year	6,614,117	4,131,601	26,952,527	16,600,773	2,809,351	3,442,363	11,448,105	13,831,415
Later than one year but not later than three years	6,194,271	3,621,810	25,241,654	14,552,433	4,450,000	3,621,810	18,133,750	14,552,433
Later than three years	79,750,000	65,650,000	324,981,250	263,781,700	79,750,000	65,650,000	324,981,250	263,781,700
	285,175,145	288,363,251	1,162,088,716	1,158,643,543	274,277,721	284,361,364	1,117,681,713	1,142,563,961

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

16. Deposits and placements of other banks and financial institutions (continued)

The deposits and placements of other banks and financial institutions can be analysed as follows: (continued)

b) By relationship

	The Group			The Bank		
	2019	2018	2019	2018	2019	2018
	US\$	US\$	KHR'000 (Note 2(e))	US\$	KHR'000 (Note 2(e))	KHR'000 (Note 2(e))
Related parties	-	-	-	-	-	-
Non-related parties	285,175,145	288,363,251	1,162,088,716	283,296,758	1,096,069,335	1,138,286,374
	285,175,145	288,363,251	1,162,088,716	284,361,364	1,117,681,713	1,142,563,961

c) By interest (per annum)

	The Group		The Bank	
	2019	2018	2019	2018
Current accounts	Nil	Nil	Nil	Nil
Savings deposits	0.00% - 1.90%	0.00% - 4.00%	0.00% - 0.50%	0.00% - 4.00%
Fixed deposits	0.75% - 7.95%	0.75% - 9.00%	0.75% - 7.95%	0.75% - 7.50%

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

17. Deposits from customers

	The Group			The Bank		
	2019 US\$	2018 US\$	2019 KHR'000 (Note 2(e))	2018 US\$	2019 KHR'000 (Note 2(e))	2018 KHR'000 (Note 2(e))
Current accounts	489,596,024	385,081,898	1,995,103,798	380,014,425	1,955,697,289	1,526,897,960
Savings deposits	1,766,834,632	1,581,049,031	7,199,851,125	1,550,267,264	7,058,534,229	6,228,973,867
Margin deposits	16,434,050	16,484,669	66,968,754	16,407,246	66,859,527	66,130,268
Fixed deposits	1,809,858,147	1,593,476,544	7,375,171,949	1,549,176,645	7,146,156,183	6,224,591,760
	4,082,722,853	3,576,092,142	16,637,095,626	3,495,916,838	16,227,247,228	14,046,593,855

The deposits from customers can be analysed as follows:

a) By maturity

	The Group			The Bank		
	2019 US\$	2018 US\$	2019 KHR'000 (Note 2(e))	2018 US\$	2019 KHR'000 (Note 2(e))	2018 KHR'000 (Note 2(e))
Within six months	3,023,328,814	2,691,831,881	12,320,064,917	2,639,115,927	12,085,096,448	10,603,967,795
Later than six months but not later than one year	642,364,991	521,611,867	2,617,637,338	512,435,913	2,555,510,956	2,058,967,498
Later than one year but not later than three years	259,821,698	194,987,191	1,058,773,419	182,118,995	975,984,436	731,754,122
Later than three years	157,207,350	167,661,203	640,619,952	162,246,003	610,655,388	651,904,440
	4,082,722,853	3,576,092,142	16,637,095,626	3,495,916,838	16,227,247,228	14,046,593,855

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

17. Deposits from customers (continued)

The deposits from customers can be analysed as follows: (continued)

b) By relationship

	The Group			The Bank		
	2019 US\$	2018 US\$	2019 KHR'000 (Note 2(e))	2018 US\$	2019 KHR'000 (Note 2(e))	2018 KHR'000 (Note 2(e))
Related parties including staff	6,663,367	1,624,452	27,153,221	4,664,734	41,475,093	18,742,901
Non-related parties	4,076,059,486	3,574,467,690	16,609,942,405	3,491,252,104	16,185,772,135	14,027,850,954
	4,082,722,853	3,576,092,142	16,637,095,626	3,495,916,838	16,227,247,228	14,046,593,855

c) By interest

	The Group		The Bank	
	2019	2018	2019	2018
Current accounts	Nil	Nil	Nil	Nil
Margin deposits	Nil	Nil	Nil	Nil
Savings deposits	0.00% - 15.00%	0.00% - 15.00%	0.00% - 0.50%	0.00% - 1.25%
Fixed deposits	0.05% - 13.25%	0.05% - 14.00%	0.05% - 8.25%	0.05% - 9.50%

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

20. Subordinated debts

These are subordinated debts from non-related parties. The subordinated debts are approved by the National Bank of Cambodia to be included as a Tier II line item in the calculation of the Bank's net worth in accordance with the Prakas No. B7-010-182 of the National Bank of Cambodia. The Group and the Bank did not pledge any collaterals for subordinated debts.

	The Group			The Bank		
	2019 US\$	2018 US\$	2019 KHR'000 (Note 2(e))	2018 US\$	2019 US\$	2018 KHR'000 (Note 2(e))
Current	7,374,945	32,468,394	30,052,901	32,468,394	7,374,945	30,052,901
Non-current	131,927,635	45,000,519	537,605,113	45,000,519	131,927,635	537,605,113
	139,302,580	77,468,913	567,658,014	77,468,913	139,302,580	567,658,014

The subordinated debts can be analysed as follows:

a) By relationship

	The Group			The Bank		
	2019 US\$	2018 US\$	2019 KHR'000 (Note 2(e))	2018 US\$	2019 US\$	2018 KHR'000 (Note 2(e))
Related parties	-	-	-	-	-	-
Non-related parties	139,302,580	77,468,913	567,658,014	77,468,913	139,302,580	311,270,092
	139,302,580	77,468,913	567,658,014	77,468,913	139,302,580	311,270,092

b) By interest rate

	The Group		The Bank	
	2019	2018	2019	2018
Annual interest rates	7.00% - 8.48%	7.00% - 8.48%	7.00% - 8.48%	7.00% - 8.48%

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NOTES TO THE FINANCIAL STATEMENTS (CONITNUED) FOR THE YEAR ENDED 31 DECEMBER 2019

21. Lease liabilities

	2019			
	The Group		The Bank	
	US\$	KHR'000 (Note 2(e))	US\$	KHR'000 (Note 2(e))
Less than one year	10,448,435	42,577,373	9,633,657	39,257,152
One to five years	31,789,119	129,540,660	29,436,767	119,954,826
More than five years	6,161,013	25,106,128	2,681,949	10,928,942
Total undiscounted lease liabilities	48,398,567	197,224,161	41,752,373	170,140,920
Present value of lease liabilities				
Current	9,729,574	39,648,014	8,998,726	36,669,808
Non-current	21,186,365	86,334,437	18,790,442	76,571,052
	30,915,939	125,982,451	27,789,168	113,240,860

Amounts recognised in profit or loss

	2019			
	The Group		The Bank	
	US\$	KHR'000 (Note 2(e))	US\$	KHR'000 (Note 2(e))
Interest on lease liabilities	2,091,045	8,521,008	1,858,700	7,574,203

Amounts recognised in the statement of cash flows

	2019			
	The Group		The Bank	
	US\$	KHR'000 (Note 2(e))	US\$	KHR'000 (Note 2(e))
Total cash outflow for leases	11,282,470	45,976,065	10,452,195	42,592,695

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

22. Employee benefits

Note	The Group			The Bank		
	2019 US\$	2018 US\$	2019 KHR'000 (Note 2(e))	2018 US\$	2019 KHR'000 (Note 2(e))	2018 KHR'000 (Note 2(e))
Provident fund	35,903	37,464	146,305	-	-	-
Retirement benefits	9,723,367	8,415,302	39,622,721	7,756,116	37,258,926	31,164,074
Career development benefits	2,083,726	2,165,423	8,491,183	2,165,423	8,491,185	8,700,670
Seniority indemnity benefits	6,498,800	9,499,738	26,482,610	9,390,636	26,244,858	37,731,575
	18,341,796	20,117,927	74,742,819	19,312,175	71,994,969	77,596,319

	The Group			The Bank		
	2019 US\$	2018 US\$	2019 KHR'000 (Note 2(e))	2018 US\$	2019 KHR'000 (Note 2(e))	2018 KHR'000 (Note 2(e))
Current	2,083,726	2,822,840	8,491,183	2,776,073	8,491,183	11,154,261
Non-current	16,258,070	17,295,087	66,251,636	16,536,102	63,503,786	66,442,058
	18,341,796	20,117,927	74,742,819	19,312,175	71,994,969	77,596,319

(a) Provident fund

Gross movements in provident fund during the year are as follows:

	The Group			The Bank		
	2019 US\$	2018 US\$	2019 KHR'000 (Note 2(e))	2019 US\$	2018 US\$	2018 KHR'000 (Note 2(e))
At the beginning of the year	37,464	37,491,644	150,530	-	37,452,814	151,197,010
Additions during the year:						
- The Group's/Bank's contribution (Note 28)	229,211	239,585	928,763	-	-	-
- Employees' contribution	210,110	227,085	851,366	-	-	-
- Interest	-	121,499	-	-	121,499	491,463
Provident fund paid	(430,973)	(38,026,117)	(1,746,303)	-	(37,574,101)	(151,987,239)
Balance of subsidiaries	-	(22,395)	-	-	(212)	-
Currency translation difference	(9,909)	6,163	(40,151)	-	-	(858)
Exchange differences	-	-	2,100	-	-	299,624
At the end of the year	35,903	37,464	146,305	-	-	-

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

22. Employee benefits (continued)

(b) Retirement benefits

(i) The amounts recognised in the statement of financial position are determined as follows:

	The Group			The Bank			
	2019 US\$	2018 US\$	2019 KHR'000 (Note 2(e))	2018 KHR'000 (Note 2(e))	2019 US\$	2018 US\$	2019 KHR'000 (Note 2(e))
Present value of defined benefit obligation	9,723,367	8,415,302	39,622,721	33,812,684	9,143,295	7,756,116	31,164,074
Fair value of plan assets	-	-	-	-	-	-	-
Net liability recognised in statement of financial position	9,723,367	8,415,302	39,622,721	33,812,684	9,143,295	7,756,116	31,164,074

(ii) The movements in the defined benefit obligation over the year were as follows:

	The Group			The Bank			
	2019 US\$	2018 US\$	2019 KHR'000 (Note 2(e))	2018 KHR'000 (Note 2(e))	2019 US\$	2018 US\$	2019 KHR'000 (Note 2(e))
At 1 January	8,415,302	10,049,640	33,812,684	40,570,397	7,756,116	9,502,780	38,362,723
Current service cost	800,914	758,044	3,245,304	3,066,288	729,554	672,962	2,722,131
Interest cost	584,396	702,754	2,367,973	2,842,640	541,818	665,918	2,693,638
Benefits paid	(195,444)	(90,073)	(791,939)	(364,345)	(148,350)	(81,402)	(329,271)
Settlement loss	172,344	90,073	698,338	364,345	130,705	81,402	329,271
Remeasurement loss arising during the year	(34,908)	(3,085,161)	(141,447)	(12,479,476)	136,012	(3,085,218)	(12,479,707)
Currency translation difference	(19,237)	(9,975)	(77,948)	(40,349)	(2,560)	(326)	(1,319)
Exchange differences	-	-	509,756	(146,816)	-	-	(133,392)
At 31 December	9,723,367	8,415,302	39,622,721	33,812,684	9,143,295	7,756,116	31,164,074

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

22. Employee benefits (continued)

(b) Retirement benefits (continued)

(iii) The amounts recognised in the statement of profit or loss are as follows:

	The Group			The Bank		
	2019 US\$	2018 US\$	2019 KHR'000 (Note 2(e))	2018 US\$	2019 KHR'000 (Note 2(e))	2018 KHR'000 (Note 2(e))
Current service cost	800,914	758,044	3,245,304	672,962	729,554	2,722,131
Interest cost	584,396	702,754	2,367,973	665,918	541,818	2,693,638
Settlement loss	172,344	90,073	698,338	81,402	130,705	329,272
	1,557,654	1,550,871	6,311,615	1,420,282	1,402,077	5,745,041

(iv) The principal assumptions used to determine estimated costs and obligations are as follows:

	2019	2018
Salary growth rate	3.44%	3.87%
Inflation rate	1.20%	1.20%
Discount rates	7.00%	7.00%
Mortality rate (*) and staff turnover rate (**)		

(*) Mortality rate table is as follows:

Age	2019		2018	
	Mortality rate (% per annum)		Mortality rate (% per annum)	
	Females	Males	Females	Males
18-29	0 - 0.22	0 - 0.42	0 - 0.22	0 - 0.40
30-39	0 - 0.10	0 - 0.58	0	0 - 0.26
40-49	0	0	0	0
50-59	0	0	0	0
60	0	0	0	0

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

22. Employee benefits (continued)

(b) Retirement benefits (continued)

(**) Staff turnover rate table is as follows:

Age	2019		2018	
	Staff turnover rate (% per annum)		Staff turnover rate (% per annum)	
	Females	Males	Females	Males
18-29	0 - 7.39	4.42 - 7.38	0 - 4.34	2.50 - 4.53
30-39	2.31 - 5.26	2.82 - 5.40	1.73 - 4.63	2.98 - 5.21
40-49	0 - 14.07	0 - 5.02	0 - 14.07	0 - 3.82
50-59	0	0 - 6.06	0 - 13.33	0 - 11.43
60	0	0	0	0

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Change in assumption		Impact on defined benefit obligation	
	2019	2018	2019	2018
Salary growth rate	1%	1%	Increase by	Decrease by
Discount rate	1%	1%	Decrease by	Increase by
Inflation rate	1%	1%	Increase by	Decrease by
Mortality rate	0.10%	0.10%	Decrease by	Increase by
Staff turnover rate	1%	1%	Increase by	Increase by
			20.79%	21.74%
			16.54%	17.19%
			20.83%	21.79%
			1.91%	1.99%
			12.79%	1.89%
			16.59%	20.74%
			20.74%	16.62%
			0.06%	0.07%
			7.85%	22.34%

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

22. Employee benefits (continued)

(c) Career development benefits

Movements in career development benefits were as follows:

	The Group			The Bank		
	2019 US\$	2018 US\$	2019 KHR'000 (Note 2(e))	2018 US\$	2019 KHR'000 (Note 2(e))	2018 KHR'000 (Note 2(e))
At 1 January	2,165,423	2,339,788	8,700,670	2,165,423	8,700,670	9,445,724
Additions (Note 28)	1,385,493	1,231,811	5,614,018	1,385,493	5,614,018	4,982,675
Benefits paid	(1,465,393)	(1,403,912)	(5,937,772)	(1,465,393)	(5,937,772)	(5,678,824)
Currency translation difference	(1,797)	(2,264)	(7,281)	(1,797)	(7,281)	(9,158)
Exchange differences	-	-	121,548	-	121,550	(39,747)
At 31 December	2,083,726	2,165,423	8,491,183	2,083,726	8,491,185	8,700,670

(d) Seniority indemnity benefits

Movements in Seniority indemnity benefits were as follows:

	The Group			The Bank		
	2019 US\$	2018 US\$	2019 KHR'000 (Note 2(e))	2018 US\$	2019 KHR'000 (Note 2(e))	2018 KHR'000 (Note 2(e))
At 1 January	9,499,738	-	38,169,947	-	37,731,575	-
Additions (Note 28)	3,233,915	9,519,900	13,103,824	9,410,798	12,849,362	37,812,586
Benefits paid	(6,225,869)	-	(25,227,221)	-	(24,767,088)	-
Currency translation difference	(8,984)	(20,162)	(36,403)	(20,162)	(36,403)	(81,011)
Exchange differences	-	-	472,463	-	467,412	-
At 31 December	6,498,800	9,499,738	26,482,610	9,390,636	26,244,858	37,731,575

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

23. Share capital

As at 31 December 2019, the authorised share capital comprised 428,818,154 ordinary shares (2018: 395,224,105) at par value of US\$1 each. All issued shares are fully paid by the following shareholders and their respective interest in the Bank are:

	As at 31 December 2019			As at 31 December 2018		
	Number of shares	US\$	% of shareholding	Number of shares	US\$	% of shareholding
ACLEDA Financial Trust	111,492,719	111,492,719	26.0000%	102,758,267	102,758,267	26.0000%
ASA Plc.	107,204,547	107,204,547	25.0000%	98,806,034	98,806,034	25.0000%
SMBC	78,259,310	78,259,310	18.2500%	72,128,396	72,128,396	18.2500%
COFIBRED S.A	52,530,223	52,530,223	12.2500%	48,414,952	48,414,952	12.2500%
ORIX Corporation	52,530,223	52,530,223	12.2500%	48,414,952	48,414,952	12.2500%
Triodos Microfinance Fund	10,938,339	10,938,339	2.5508%	10,081,418	10,081,418	2.5508%
Triodos Fair Share Fund	9,354,157	9,354,157	2.1814%	8,621,343	8,621,343	2.1814%
Triodos Sustainable Finance Foundation	6,508,636	6,508,636	1.5178%	5,998,743	5,998,743	1.5178%
	<u>428,818,154</u>	<u>428,818,154</u>	<u>100%</u>	<u>395,224,105</u>	<u>395,224,105</u>	<u>100%</u>
		<u>1,747,433,978</u>			<u>1,588,010,454</u>	

In KHR'000 equivalent (Note 2(e))

The shareholders of the Bank approved to increase the registered share capital from US\$395,224,105 to US\$428,818,154 through the conversion of retained earnings of US\$33,594,049 on 25 April 2019 with approval from NBC on 19 June 2019.

The revised Memorandum and Articles of Association ("MAoA") was endorsed by the Ministry of Commerce ("MoC") on 7 September 2019.

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

25. Interest expense

	The Group			The Bank		
	2019 US\$	2018 US\$	2019 KHR'000 (Note 2(e))	2018 US\$	2019 US\$	2018 KHR'000 (Note 2(e))
Deposits and placements of other banks and financial institutions:						
Fixed deposits	7,490,473	4,744,565	30,351,397	4,437,938	6,781,482	17,951,459
Savings deposits	37,923	75,240	153,664	75,578	21,970	305,713
Current accounts	-	305	-	305	-	1,234
Deposits from customers:						
Fixed deposits	82,093,075	73,897,848	332,641,140	70,570,870	78,679,634	285,459,169
Savings deposits	5,862,572	6,441,435	23,755,142	5,770,156	4,809,851	23,340,281
Current accounts	48,178	246,198	195,217	246,198	48,178	995,871
Subordinated debts	7,526,693	8,166,147	30,498,160	8,166,147	7,526,693	33,032,065
Borrowings	51,722,720	59,532,742	209,580,461	56,036,573	46,757,479	226,667,938
Provident fund (Note 22(a))	-	121,499	-	121,499	-	491,463
Interest expenses on lease	2,091,046	-	8,472,918	-	1,858,700	-
	156,872,680	153,225,979	635,648,099	145,425,264	146,483,987	588,245,193

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

26. Fee and commission income

	The Group			The Bank		
	2019 US\$	2018 US\$	2019 KHR'000 (Note 2(e))	2018 US\$	2019 KHR'000 (Note 2(e))	2018 KHR'000 (Note 2(e))
Commission fees	17,728,899	17,273,135	71,837,499	17,074,621	70,867,458	69,066,842
Commission fee collected for assurance agency	7,807,088	7,446,184	31,634,321	7,246,591	30,906,026	29,312,461
ATM Fee	7,254,974	6,247,262	29,397,155	6,208,219	28,998,486	25,112,246
Early loan redemption fees	6,482,079	4,409,134	26,265,384	3,497,826	22,080,090	14,148,706
Deposit fee charged	1,552,286	1,265,065	6,289,863	1,248,544	6,127,434	5,050,360
Fee income from guarantee	633,402	552,481	2,566,545	551,676	2,562,866	2,231,529
Training fees	1,053,824	768,222	4,270,095	24,931	103,520	100,846
Others	6,222,067	4,879,110	25,211,814	4,718,002	24,941,524	19,084,318
	48,734,619	42,840,593	197,472,676	40,570,410	186,587,404	164,107,308

27. Other incomes

	The Group			The Bank		
	2019 US\$	2018 US\$	2019 KHR'000 (Note 2(e))	2018 US\$	2019 KHR'000 (Note 2(e))	2018 KHR'000 (Note 2(e))
Foreign exchange gain	9,383,469	7,975,352	38,021,816	7,909,262	37,841,689	31,992,965
Recovery from loans and advances written off	6,938,680	5,388,315	28,115,531	4,868,062	26,045,049	19,691,311
Gain on disposals of property and equipment	76,481	114,571	309,901	132,639	342,949	536,525
Dividends on financial investments	-	23,597	-	23,597	-	95,450
Others	1,451,093	762,383	5,879,830	398,982	1,549,525	1,613,881
	17,849,723	14,284,218	72,327,078	13,332,542	65,779,212	53,930,132

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

28. General and administrative expenses

	The Group			The Bank		
	2019 US\$	2018 US\$	2019 KHR'000 (Note 2(e))	2018 US\$	2019 KHR'000 (Note 2(e))	2018 KHR'000 (Note 2(e))
Salaries and wages	99,255,909	94,718,392	402,184,943	86,536,371	90,560,200	350,039,621
Bonuses and incentives	22,395,563	11,648,109	90,746,821	10,579,176	21,084,423	42,792,767
Contribution to provident fund (Note 22(a))	229,211	239,585	928,763	-	-	-
Other employee benefits	7,505,809	7,279,923	30,413,538	8,373,825	8,445,335	34,220,497
Seniority indemnity	3,233,915	9,519,900	13,103,824	9,410,798	3,171,116	12,849,362
Retirement benefits	1,558,012	1,550,871	6,313,065	1,420,282	5,682,452	5,745,041
Annual leaves	2,110,365	2,204,198	8,551,199	2,076,014	8,213,214	8,397,477
Career development expense (Note 22(c))	1,385,493	1,231,811	5,614,018	1,231,811	5,614,018	4,982,675
Amortisation of right-of-use assets	10,471,192	-	42,429,270	-	9,647,871	-
Depreciation charges	21,426,470	21,934,848	86,820,056	20,786,031	19,275,787	84,079,495
Rental expenses	1,046	11,136,500	4,238	9,885,503	755	39,986,860
Repairs and maintenance	11,538,393	10,059,279	46,753,568	9,635,695	10,730,382	38,976,386
Utilities	5,345,689	4,943,164	21,660,732	4,552,688	4,875,541	18,415,623
Amortisation charges	3,537,457	3,550,054	14,333,776	3,203,977	3,182,821	12,960,087
Communication	4,573,061	4,439,011	18,530,043	3,671,941	3,745,992	14,853,001
Office supplies	2,726,066	2,893,651	11,046,019	2,463,225	2,319,594	9,963,745
Furniture and fixtures	2,479,980	2,551,190	10,048,879	2,004,573	2,214,374	8,108,498
Travelling expenses	2,438,327	2,159,575	9,880,101	1,765,929	2,015,788	7,143,183
License fees	1,132,371	1,107,533	4,588,367	1,083,853	1,106,699	4,384,185
Legal and professional fees	1,918,007	3,184,588	7,771,764	2,690,595	1,431,697	10,883,457
Marketing expenses	1,598,820	1,073,026	6,478,419	890,657	1,462,611	3,602,708
Others	8,551,238	8,300,965	34,649,617	7,061,134	7,326,096	28,562,287
	215,412,394	205,726,173	872,851,020	189,324,078	197,413,910	765,815,896

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

29. Taxation

(a) Current income tax liabilities

	The Group			The Bank		
	2019	2018	2019	2018	2019	2018
	US\$	US\$	KHR'000 (Note 2(e))	US\$	US\$	KHR'000 (Note 2(e))
At 1 January	13,810,997	23,971,605	55,492,586	12,901,983	22,710,117	51,840,168
Income tax expense	35,861,058	19,757,317	145,309,007	33,414,108	17,511,951	135,393,966
Income tax paid	(19,216,756)	(29,917,925)	(77,866,295)	(17,140,531)	(27,320,085)	(69,453,432)
Currency translation difference	4,004	-	16,224	-	-	-
Exchange difference	-	-	1,170,138	-	-	1,109,705
At 31 December	30,459,303	13,810,997	124,121,660	29,175,560	12,901,983	118,890,407
			55,492,586			(166,672)
						51,840,168

(b) Income tax expense

	The Group			The Bank		
	2019	2018	2019	2018	2019	2018
	US\$	US\$	KHR'000 (Note 2(e))	US\$	US\$	KHR'000 (Note 2(e))
Current income tax	35,861,058	19,757,317	145,309,007	33,414,108	17,511,951	135,393,966
Deferred tax expense/(benefit)	(3,198,249)	11,760,967	(12,959,305)	(3,074,485)	12,062,213	(12,457,813)
	32,662,809	31,518,284	132,349,702	30,339,623	29,574,164	122,936,153
			127,491,460			119,627,491

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

29. Income tax (continued)

c) Reconciliation between income tax expense and accounting profit

	The Group			The Bank		
	2019 US\$	2018 US\$	2019 KHR'000 (Note 2(e))	2018 US\$	2019 US\$	2018 KHR'000 (Note 2(e))
Profit before income tax	153,522,621	150,831,911	622,073,660	146,564,866	600,613,382	592,854,881
Tax calculated at domestic tax rates applicable to profits in the respective countries	30,886,544	30,424,588	125,152,276	29,312,971	120,122,675	118,570,968
Effect of non-deductible expense	1,447,340	1,015,050	5,864,622	261,193	2,813,478	1,056,523
Utilisation of tax losses	328,925	78,646	1,332,804	-	-	-
	32,662,809	31,518,284	132,349,702	29,574,164	122,936,153	119,627,491

d) Other tax matters

The Bank's and its subsidiaries' tax returns are subject to periodic examination by the respective tax authorities. Some areas of tax laws and regulations may be open to different interpretation; therefore tax amounts reported in the financial statements could be changed at a later date, upon final determination by the respective tax authorities.

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

30. Cash and cash equivalents

	The Group			The Bank				
	2019 US\$	2018 US\$	2019 KHR'000 (Note 2(e))	2018 US\$	2019 US\$	2018 KHR'000 (Note 2(e))	2019 KHR'000 (Note 2(e))	2018 KHR'000 (Note 2(e))
Cash on hand (Note 5)	421,527,238	407,864,702	1,717,723,495	398,012,184	410,955,867	1,638,800,373	1,674,645,158	1,599,212,955
<i>Deposits and placements with other banks:</i>								
Balances with the National Bank of Cambodia:								
- Current accounts	467,629,288	310,315,306	1,905,589,349	304,321,257	448,591,990	1,246,846,900	1,828,012,359	1,222,762,811
- Fixed deposits, maturities of three months or less	-	621,811	-	-	-	2,498,437	-	-
- Negotiable certificate of deposits, maturities of three months or less	490,000,000	560,000,000	1,996,750,000	560,000,000	490,000,000	2,250,080,000	1,996,750,000	2,250,080,000
<i>Balances with other banks:</i>								
- Current accounts	118,728,169	26,268,100	483,817,288	24,295,281	109,229,831	105,545,226	445,111,562	97,618,438
- Savings accounts	835,762	290,585	3,405,730	290,250	835,760	1,167,571	3,405,722	1,166,225
- Fixed deposits, maturities of three months or less	-	310,905	-	-	-	1,249,214	-	-
	<u>1,498,720,457</u>	<u>1,305,671,409</u>	<u>6,107,285,862</u>	<u>1,286,918,972</u>	<u>1,459,613,448</u>	<u>5,246,187,721</u>	<u>5,947,924,801</u>	<u>5,170,840,429</u>

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

31. Commitment and contingencies

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

(a) Loan commitment, guarantee and other financial liabilities

	The Group			The Bank		
	2019 US\$	2018 US\$	2019 KHR'000 (Note 2(e))	2018 US\$	2019 KHR'000 (Note 2(e))	2018 KHR'000 (Note 2(e))
Unused portion of overdrafts	93,060,063	101,627,728	379,219,757	101,627,728	379,219,757	408,340,211
Bank guarantees	38,432,397	37,130,875	156,612,018	37,104,710	156,502,791	149,086,725
Letters of credit	8,948,350	9,336,354	36,464,526	9,336,354	36,464,526	37,513,470
	140,440,810	148,094,957	572,296,301	148,068,792	572,187,074	594,940,406

No material losses are anticipated as a result of these transactions.

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

31. Commitments and contingencies (continued)

(b) Capital expenditure commitments

	The Group			The Bank			
	2019 US\$	2018 US\$	2019 KHR'000 (Note 2(e))	2018 US\$	2019 US\$	2018 KHR'000 (Note 2(e))	2019 KHR'000 (Note 2(e))
Not later than 1 year	2,700,631	2,693,331	11,005,071	940,320	2,182,187	10,821,804	8,892,412
Later than 1 but not later than 5 years	-	778,623	-	-	-	3,128,507	-
	2,700,631	3,471,954	11,005,071	940,320	2,182,187	13,950,311	8,892,412

The significant balances of these commitment are related to construction contract to build AIB's building and purchases of other equipment.

(c) Other commitments

On 30 May 2016, the Bank guaranteed to IFC to secure the borrowing obtained by its subsidiary, AIB, amounting to US\$13,000,000 maturing on 15 June 2026. The Bank has made allowance for impairment loss of US\$448,343 (2018: US\$217,876) with respect to this guarantee.

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

32. Reserves

	The Group										
	General reserves		Regulatory reserves		Currency translation reserves		Transactions with non-controlling interest		Other reserves		Total
	US\$	KHR'000 (Note 2(e))	US\$	KHR'000 (Note 2(e))	US\$	KHR'000 (Note 2(e))	US\$	KHR'000 (Note 2(e))	KHR'000 (Note 2(e))	US\$	
Balance at 1 January 2019	348,162,807	1,398,918,155	51,036,569	205,064,934	(7,121,746)	(28,615,175)	(14,279,344)	(57,374,404)	11,233,393	377,798,286	1,529,226,903
Comprehensive income:											
Other comprehensive income-currency translation difference	-	-	-	-	-	-	-	-	7,330,165	-	7,330,165
Total comprehensive income for the year	-	-	-	-	-	-	-	-	7,330,165	-	7,330,165
Transaction with owners:											
Transfers from retained earnings to general reserves	50,210,960	204,408,818	-	-	-	-	-	-	-	50,210,960	204,408,818
Transfer from regulatory reserves to retained earnings	-	-	(12,405,991)	(50,554,413)	-	-	-	-	-	(12,405,991)	(50,554,413)
Acquisition of non-controlling interest in AMM	-	-	-	-	-	-	14,279,344	58,188,327	-	14,279,344	58,188,327
Currency translation difference - foreign subsidiaries	-	-	-	-	(15,133,873)	(61,670,532)	-	-	-	(15,133,873)	(61,670,532)
Currency translation differences	-	20,046,126	-	2,909,085	-	(405,940)	-	(813,923)	(579,350)	-	21,155,998
Total transactions with owners:	50,210,960	224,454,944	(12,405,991)	(47,645,328)	(15,133,873)	(62,076,472)	14,279,344	57,374,404	(579,350)	36,950,440	171,528,198
As at 31 December 2019	398,373,767	1,623,373,099	38,630,578	157,419,606	(22,255,619)	(90,691,647)	-	-	17,984,208	414,748,726	1,708,085,266

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

32. Reserves (continued)

	The Group										
	General reserves		Regulatory reserves		Currency translation reserves		Transactions with non-controlling interest		Other reserves		Total
	US\$	KHR'000 (Note 2(e))	US\$	KHR'000 (Note 2(e))	US\$	KHR'000 (Note 2(e))	US\$	KHR'000 (Note 2(e))	US\$	KHR'000 (Note 2(e))	
As at 1 January 2018	302,148,410	1,219,773,127	9,119,169	36,814,086	(2,868,495)	(11,580,107)	(14,132,007)	(57,050,912)	12,147,782	294,267,077	1,200,103,976
Adjustment on initial application of CIFRS 9, net of tax	-	-	(492,664)	(1,992,827)	-	-	-	-	-	(492,664)	(1,992,827)
Comprehensive income:											
Other comprehensive income- currency translation differences	-	-	-	-	-	-	-	-	(5,031,560)	-	(5,031,560)
Total comprehensive income for the year	-	-	-	-	-	-	-	-	(5,031,560)	-	(5,031,560)
Transaction with owners:											
Transfers from retained earnings to general reserves	45,862,459	186,430,896	-	-	-	-	-	-	-	45,862,459	186,430,896
Transfer of regulatory reserves to retained earnings	-	-	42,410,064	170,403,638	-	-	-	-	-	42,410,064	170,403,638
Acquisition of non-controlling interest in AMM	151,938	610,487	-	-	-	-	(147,337)	(592,000)	-	4,601	18,487
Currency translation differences - foreign subsidiaries	-	(7,896,355)	-	-	(4,253,251)	(17,089,563)	-	-	-	(4,253,251)	(17,089,563)
Currency translation differences	-	-	-	(159,963)	-	54,495	-	268,508	4,117,171	-	(3,616,144)
Total transactions with owners:	46,014,397	179,145,028	42,410,064	170,243,675	(4,253,251)	(17,035,068)	(147,337)	(323,492)	4,117,171	84,023,873	336,147,314
As at 31 December 2018	348,162,807	1,398,918,155	51,036,569	205,064,934	(7,121,746)	(28,615,175)	(14,279,344)	(57,374,404)	11,233,393	377,798,286	1,529,226,903

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

32. Reserves (continued)

	The Bank						
	General reserves		Regulatory reserves		Other reserves		Total
	US\$	KHR'000 (Note 2(e))	US\$	KHR'000 (Note 2(e))	KHR'000 (Note 2(e))	US\$	
Balance at 1 January 2019	339,813,727	1,365,371,554	49,917,196	200,567,294	11,021,340	389,730,923	1,576,960,188
Comprehensive income:							
Other comprehensive income-currency translation difference	-	-	-	-	7,153,755	-	7,153,755
Total comprehensive income for the year	-	-	-	-	7,153,755	-	7,153,755
Transaction with owners:							
Transfers from retained earnings to general reserves	48,650,597	198,056,580	-	-	-	48,650,597	198,056,580
Transfer of regulatory to reserves retained earnings	-	-	(12,671,908)	(51,638,025)	-	(12,671,908)	(51,638,025)
Currency translation differences	-	19,563,986	-	2,845,280	(573,108)	-	21,836,158
Total transactions with owners:	48,650,597	217,620,566	(12,671,908)	(48,792,745)	(573,108)	35,978,689	168,254,713
As at 31 December 2019	388,464,324	1,582,992,120	37,245,288	151,774,549	17,601,987	425,709,612	1,752,368,656
As at 1 January 2018	299,148,975	1,207,664,414	8,900,813	35,932,582	12,019,158	308,049,788	1,255,616,154
Adjustment on initial application of CIFRS 9, net of tax	-	-	(451,453)	(1,826,129)	-	(451,453)	(1,826,129)
Restated balance at 1 January 2018	299,148,975	1,207,664,414	8,449,360	34,106,453	12,019,158	307,598,335	1,253,790,025
Comprehensive income:							
Other comprehensive income-currency translation difference	-	-	-	-	(4,870,697)	-	(4,870,697)
Total comprehensive income for the year	-	-	-	-	(4,870,697)	-	(4,870,697)
Transaction with owners:							
Transfers from retained earnings to general reserves	40,664,752	165,302,217	-	-	-	40,664,752	165,302,217
Transfer of regulatory reserves to retained earnings	-	-	41,467,836	166,617,767	-	41,467,836	166,617,767
Currency translation differences	-	(7,595,077)	-	(156,926)	3,872,879	-	(3,879,124)
Total transactions with owners:	40,664,752	157,707,140	41,467,836	166,460,841	3,872,879	82,132,588	328,040,860
As at 31 December 2018	339,813,727	1,365,371,554	49,917,196	200,567,294	11,021,340	389,730,923	1,576,960,188

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

33. Related party transactions and balances

(a) Related parties and relationships

The related parties of and their relationships with the Bank are as follows:

Related parties	Relationship
ACLEDA Bank Plc.	Holding company
Subsidiaries of the Bank as disclosed in Note 11	Subsidiaries
Shareholders as disclosed in Note 23	Shareholders
Key management personnel	The key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group and the Bank either directly or indirectly. The key management personnel of the Group and the Bank include all Directors of the Group and the Bank and members of senior management of the Group and the Bank.

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

33. Related party transactions and balances (continued)

(b) Related parties balances

	The Group			The Bank		
	2019 US\$	2018 US\$	2019 KHR'000 (Note 2(e))	2018 US\$	2019 KHR'000 (Note 2(e))	2018 KHR'000 (Note 2(e))
i). Loans and advances						
Key management personnel	5,835,258	6,138,400	23,778,676	5,167,265	21,462,687	20,762,071
Subsidiaries	-	-	-	-	20,273,944	-
	<u>5,835,258</u>	<u>6,138,400</u>	<u>23,778,676</u>	<u>5,167,265</u>	<u>41,736,631</u>	<u>20,762,071</u>
ii). Balances with related parties						
Shareholder	487,356	261,728	1,985,976	261,728	1,985,976	1,051,623
iii). Receivables from/payables to related parties						
Key management loan						
Interest receivables	12,329	4,249	50,241	4,136	44,450	16,618
Key management deposit						
Interest payables	16,830	17,286	68,582	16,728	68,574	67,213
Shareholders						
Other Payables	1,474	907	6,007	907	6,007	3,644
Subsidiaries						
Other receivables	-	-	-	171,708	665,064	689,923
Other Payables	-	-	-	39,730	157,153	159,635
	<u>30,633</u>	<u>22,442</u>	<u>124,830</u>	<u>233,209</u>	<u>941,248</u>	<u>937,033</u>

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

33. Related party transactions and balances (continued)

(c) Related parties transactions

	The Group			The Bank		
	2019 US\$	2018 US\$	2019 KHR'000 (Note 2(e))	2018 US\$	2019 KHR'000 (Note 2(e))	2018 KHR'000 (Note 2(e))
i). Interest income from related parties						
Loans and advances to key management	188,530	529,617	768,260	430,102	539,852	1,728,150
Shareholders	-	112,178	-	112,178	-	450,731
Deposits with subsidiary	-	-	-	112,932	97,710	453,761
Loan to subsidiary	-	-	-	-	933,856	-
	<u>188,530</u>	<u>641,795</u>	<u>768,260</u>	<u>655,212</u>	<u>1,571,418</u>	<u>2,632,642</u>
ii). Fee and commission income from related parties						
Shareholders	28,063	28,063	114,357	28,063	114,357	112,757.00
Subsidiaries	-	-	-	1,096	30,848	4,403
	<u>28,063</u>	<u>28,063</u>	<u>114,357</u>	<u>29,159</u>	<u>145,205</u>	<u>117,160</u>
iii). Interest expenses to related parties						
Deposits of key management	136,889	161,071	557,823	153,328	543,214	616,072
Borrowing from shareholders	219,350	338,774	893,851	-	-	-
Deposits of shareholder	15,501	15,164	63,167	15,164	63,167	60,929
Deposits of subsidiaries	-	-	-	108,347	426,098	435,338
	<u>371,740</u>	<u>515,009</u>	<u>1,514,841</u>	<u>276,839</u>	<u>1,032,479</u>	<u>1,112,339</u>
iv). Fee and remuneration expenses to related parties						
Board of Directors	1,022,611	1,126,408	4,167,140	778,382	2,352,432	3,127,539
Key management	4,160,403	4,369,329	16,953,642	2,086,011	9,784,646	8,381,592
Subsidiary	-	-	-	1,393,358	5,749,854	5,598,512
	<u>5,183,014</u>	<u>5,495,737</u>	<u>21,120,782</u>	<u>4,257,751</u>	<u>17,886,932</u>	<u>17,107,643</u>
v). Other commitments						
ECL on financial guarantee on AIB's debt from IFC	448,343	217,876	1,826,998	217,876	1,826,998	875,426

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

34. Financial risk management

(a) Introduction and overview

For the purpose of the risk management policy, risk is defined as the possibility that the outcome of an action or event could adversely affect the ability to meet business objectives or capital of the Bank.

The Bank's approach to the identification and assessment of key risk and controls is undertaken across all business areas of the Bank. This risk management process is effected by the Group's and the Bank's Board of Directors, management, and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within the risk appetite, provide reasonable assurance regarding the achievement of objectives. In the policy, risk appetite is defined as the amount of risk, on a broad level; an organisation is willing to accept in pursuit of long-term shareholder value.

Changes in certain macro-economic variables represent environmental stresses which may reveal systemic credit, market risk sensitivities and risk contagion. These stress tests do include worst case scenarios to test the (combined) risks that could break the Bank and to test what combined set of events would be needed to break the Bank (reverse stress test).

(b) Objective and principles

The objective of the risk management policy is to set standards for the Bank's enterprise-wide risk management in a way that optimally balances managing risk while adding value to the Bank, and this policy is applicable to all levels of the Bank.

Risk appetite is defined as the amount and type of risk, on a broad level, an organization is willing to accept in pursuit of long-term shareholder value. Risk tolerance refers to the variation amount of maximum of risk which can be accepted, taking into account the appropriate measure to reduce the risk.

The Bank's risk appetite and tolerance statement is prepared in according with its business strategy and the role of the Bank in the financial system.

The Board approves the Bank's risk appetite and tolerance statement with considering the most significant risk which the Bank is exposed and provides an outline of the approach to managing these risks.

The risk management policy distinguishes different risk categories in line with the categories identified by the Basel Accords as issued by the Basel Committee on Banking Supervision. The policy sets risk tolerance/internal targets per individual risk category.

At all times the Bank shall adhere to the prudential ratios and requirements as stipulated by the superintendent.

At all times, unless specifically mentioned otherwise, the Bank shall adhere to the risk tolerance/internal targets, as set by the Board in the risk management policy, in order to limit potential loss.

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 December 2019

34. Financial risk management (continued)

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

The Group and the Bank hold the following financial assets and liabilities:

	The Group			The Bank				
	2019 US\$	2018 US\$	2019 KHR'000 (Note 2(e))	2018 KHR'000 (Note 2(e))	2019 US\$	2018 US\$	2019 KHR'000 (Note 2(e))	2018 KHR'000 (Note 2(e))
Financial assets								
Cash on hand	421,527,238	407,864,702	1,717,723,495	1,638,800,373	410,955,867	398,012,184	1,674,645,158	1,599,212,955
Deposits and placements with other banks	587,730,531	337,736,707	2,395,001,914	1,357,026,089	558,612,340	328,892,729	2,276,345,286	1,321,490,985
Financial investments	527,474,976	619,899,551	2,149,460,527	2,490,756,396	527,474,976	619,899,551	2,149,460,527	2,490,756,396
Loans and advances	3,846,020,519	3,594,358,641	15,672,533,615	14,442,133,020	3,686,578,943	3,459,566,381	15,022,809,193	13,900,537,719
Other assets	5,918,866	8,973,702	24,119,379	36,056,335	5,935,692	9,086,699	24,187,945	36,510,357
Total financial assets	5,388,672,130	4,968,833,303	21,958,838,930	19,964,772,213	5,189,557,818	4,815,457,544	21,147,448,109	19,348,508,412
Financial liabilities								
Deposits and placements of other banks and financial institutions	285,175,145	288,363,251	1,162,088,716	1,158,643,543	274,277,721	284,361,364	1,117,681,713	1,142,563,961
Deposits from customers	4,082,722,853	3,576,092,142	16,637,095,626	14,368,738,227	3,982,146,559	3,495,916,838	16,227,247,228	14,046,593,855
Other liabilities	27,251,397	37,985,849	111,049,443	152,627,141	26,115,905	35,719,344	106,422,313	143,520,324
Borrowings	564,971,701	790,260,392	2,302,259,682	3,175,266,255	518,068,128	753,592,462	2,111,127,622	3,027,934,512
Subordinated debts	139,302,580	77,468,913	567,658,014	311,270,092	139,302,580	77,468,913	567,658,014	311,270,092
Total financial liabilities	5,099,423,676	4,770,170,547	20,780,151,481	19,166,545,258	4,939,910,893	4,647,058,921	20,130,136,890	18,671,882,744
Net financial assets	289,248,454	198,662,756	1,178,687,449	798,226,955	249,646,925	168,398,623	1,017,311,219	676,625,668

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

34. Financial risk management (continued)

34.1 Credit risk

Credit risk is the risk that a counterparty would fail to meet its obligations in accordance with agreed terms. While loans are the most obvious source of credit risk, other sources of credit risk exist throughout the activities of an institution, including in the banking book and the trading book, in both on and off-balance sheets. Institutions are facing credit risks in various financial instruments other than loans, including acceptance, trade financing, the commitment and guarantee, interbank transaction, the settlement of transactions, foreign exchange transactions, bonds, equities and financial derivative instruments.

Principles of the credit risk:

- The Board recognises that the loan book is the main sources of income for the Bank and, conversely, also constitutes the greatest risk of losses.
- The Board considers that lending to the lower segments of the market of small business loans, provided the existing policies are implemented properly, carries a credit risk which is smaller than for larger loans as history has shown that losses due to default on these loans have been minimal. The Board considers the risk return equation favourable for loans provided to the lower segments in the market and considers this the core product of the Bank.
- The Board considers that management has freedom to adjust, adapt or develop existing products and product lines but requires that new product lines need to be approved by the Board.
- The day-to-day responsibility for the credit risk lies with the senior management of the Credit Division and with branch management and branch credit officers.
- The credit risk is regularly measured by calculating the expected loss taking probability of customer defaults, exposure in the event of default and severity of loss given default of the customer base where credit scoring is applied for.
- The Board requires that credit risk is spread across different sectors (like trade, agriculture, services, industrial, infrastructure etc.) and products to avoid undue over exposure to one particular sector or industry.
- Systemic risk is the risk of system wide breakdown of the financial sector. The Board requires that credit risk on counterparty financial institutions should be subject to the same principles of the prudential assessment and controls as with other forms of lending and prudential position limits should be set to sufficiently protect the Bank for a systemic risk.

Internal targets of the credit risk:

The internal targets on credit products should be set by the Board Risk Management Committee and approved by the Board. The internal targets will be in line with the risk appetite of the Board.

The Risk Management Division regularly reviews all internal targets as set and approved by the Board and advises on any change deemed appropriate.

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

34. Financial risk management (continued)

34.1 Credit risk (continued)

In order to maintain the credit growth with a prudent and reasonable way and to ensure the maintenance of portfolio quality, various control limits have been imposed to credit products, which must be strictly complied with:

- Loan exposure ratio: the Loan exposure ratio, defined as the aggregate amount of loan assets in arrears > 30 days minus loan loss reserves divided by the Bank's net worth will be less than 25%.
- Ceilings on lending to sectors and by product to put limits on concentration risk.
- The maximum exposure to a single client or group of clients is up to 5% of the Bank's net worth.
- Counterparty financial institutions.

(a) Credit risk management

The Boards of Directors has delegated responsibility for oversight of credit risk to its Board of Risk Management Committee ("BRMC"). Credit Division is responsible for management of the credit risk based on the following:

- Separation of roles between the persons involved in dealing with the clients that are responsible for the credit application and the persons involved in the authorisation of the credits.
- Separation of roles between the persons involved in dealing directly with clients and the credit administration.
- Principle of double authorisation to ensure a good balance of the interests of the clients and objectivity in the risk assessment process.
- Timely and full documentation of the agreements made with the client together with all needed information, which is relevant in the assessment and control phase of the credit process.
- Careful credit control systems, with periodical reviews, through which timely signals can be derived, for relevant information regarding risk management.
- Independent control to ensure conformity with approved procedures and regulations in the credit process (formal control) but also monitoring the quality of risk aspects and credit control (material control).
- The Bank will maintain a diversified loan assets portfolio in terms of industry sector, geographical area, and currency and loan size.
- Loan analysis will focus strongly on the client's ability and willingness to repay the loan through character and cash flow based on assessment and in applying green-lining methodology.
- The Bank's total exposure to a single client or group of clients (one obligor principle) acting in concert shall not exceed 5% of the Bank's net worth. "Exposure" includes the aggregate of (i) the face amount of the assets of the Borrower with respect to which such Person is the obligor and (ii) any claim of such

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

34. Financial risk management (continued)

34.1 Credit risk (continued)

(a) Credit risk management (continued)

Person against the Borrower comprising any commitment to provide funds or credit to, or on behalf of such Person including, but not limited to, loan guarantees, letters of credit and derivatives.

(b) Internal targets and mitigation policies

The Group and the Bank operates and provides loans and advances to individuals or enterprises within the Kingdom of Cambodia, Lao PDR, and the Republic of the Union of Myanmar. The Group and the Bank manages limits and controls concentration of credit risk whenever they are identified. Large exposure is defined by the National Bank of Cambodia as overall exposure to any individual beneficiary which exceeds 10% of the net worth.

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

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

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

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

For financial assets reflected in the balance sheet, the exposure to credit risk equals their carrying amount. For financial guarantees and similar contract granted, it is the maximum amount that the Group and the Bank would have to pay if the guarantees were called upon. For credit related commitments and contingents that are irrevocable over the life of the respective facilities, it is generally the full amount of the committed facilities.

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONITNUED) FOR THE YEAR ENDED 31 DECEMBER 2019

34. Financial risk management (continued)

34.1 Credit risk (continued)

- (c) Maximum exposure to credit risk before collateral held or other credit enhancements (continued)

As shown above, 69.56% for the Group and 69.17% for the Bank of total maximum exposure is derived from loans and advances to customers (2018: 70.24% and 69.70% for the Group and for the Bank).

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Group resulting from its loans and advances on the followings. Approximately 98.59% of loans and advances of the Bank are collateralised. According to Credit Operating Manual, loan size must not exceed 75% of estimated saleable value of the pledged collateral.

- (d) Concentration of financial assets with credit risk exposure

A concentration of credit risk exists when a number of counterparties are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The Group and the Bank analysed the concentration of credit risk by geographic purpose and industry sector as follows:

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

34. Financial risk management (continued)

34.1 Credit risk (continued)

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

(i) *Geographical sector*

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty as at 31 December 2019 and 31 December 2018 are as follows:

	The Group								Total US\$
	Cambodia US\$	France US\$	Germany US\$	Lao US\$	Singapore US\$	USA US\$	Myanmar US\$	Other US\$	
As at 31 December 2019									
Credit exposure for on-balance sheet financial assets:									
Cash on hand	410,967,945	-	-	9,921,052	-	-	638,241	-	421,527,238
Deposits and placements with other banks	448,941,957	2,151,232	706,870	20,994,697	1,234,919	96,971,492	6,636,667	10,092,697	587,730,531
Financial investments	527,474,976	-	-	-	-	-	-	-	527,474,976
Loans and advances	3,682,243,140	-	-	127,268,578	-	-	36,508,801	-	3,846,020,519
Other assets	5,869,891	-	-	48,975	-	-	-	-	5,918,866
	5,075,497,909	2,151,232	706,870	158,233,302	1,234,919	96,971,492	43,783,709	10,092,697	5,388,672,130
Credit exposure for off-balance sheet items:									
Unused portion of loan commitment	93,060,063	-	-	-	-	-	-	-	93,060,063
Bank guarantees	38,405,593	-	-	26,804	-	-	-	-	38,432,397
Letters of credit	8,948,350	-	-	-	-	-	-	-	8,948,350
	140,414,006	-	-	26,804	-	-	-	-	140,440,810
Total maximum credit risk exposure	5,215,911,915	2,151,232	706,870	158,260,106	1,234,919	96,971,492	43,783,709	10,092,697	5,529,112,940
In KHR'000 equivalent (Note 2(e))	21,254,841,054	8,766,270	2,880,495	644,909,932	5,032,295	395,158,830	178,418,614	41,127,740	22,531,135,230

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

34. Financial risk management (continued)

34.1 Credit risk (continued)

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

(i) *Geographical sector (continued)*

	The Group							Total US\$	
	Cambodia US\$	France US\$	Germany US\$	Lao US\$	Singapore US\$	USA US\$	Myanmar US\$		Other US\$
As at 31 December 2018									
Credit exposure for on-balance sheet financial assets:									
Cash on hand	398,033,654	-	-	9,290,797	-	-	540,251	-	407,864,702
Deposits and placements with other banks	304,624,370	844,701	139,683	6,896,365	533,262	17,780,784	89,076	6,828,466	337,736,707
Financial investments	619,899,551	-	-	-	-	-	-	-	619,899,551
Loans and advances	3,459,566,381	-	-	111,126,771	-	-	23,665,489	-	3,594,358,641
Other assets	8,953,249	-	-	16,894	-	-	3,559	-	8,973,702
	4,791,077,205	844,701	139,683	127,330,827	533,262	17,780,784	24,298,375	6,828,466	4,988,833,303
Credit exposure for off-balance sheet items:									
Unused portion of loan commitment	101,627,728	-	-	-	-	-	-	-	101,627,728
Bank guarantees	37,104,710	-	-	26,165	-	-	-	-	37,130,875
Letters of credit	9,336,354	-	-	-	-	-	-	-	9,336,354
	148,068,792	-	-	26,165	-	-	-	-	148,094,957
	4,939,145,997	844,701	139,683	127,356,992	533,262	17,780,784	24,298,375	6,828,466	5,116,928,260
Total maximum credit risk exposure									
In KHR'000 equivalent (Note 2(e))	19,845,488,616	3,394,009	561,246	511,720,394	2,142,647	71,443,190	97,630,871	27,436,776	20,559,817,749

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

34. Financial risk management (continued)

34.1 Credit risk (continued)

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

(i) *Geographical sector (continued)*

	The Bank										Total US\$	
	Cambodia US\$	France US\$	Germany US\$	Lao US\$	Singapore US\$	USA US\$	Myanmar US\$	Other US\$				
As at 31 December 2019												
Credit exposure for on-balance sheet financial assets:												
Cash on hand	410,955,867	-	-	-	-	-	-	-	-	-	-	410,955,867
Deposits and placements with other banks	448,876,239	2,151,232	706,870	-	1,234,919	96,971,492	46,944	8,624,644	-	-	-	558,612,340
Financial investments	527,474,976	-	-	-	-	-	-	-	-	-	-	527,474,976
Loans and advances	3,686,578,943	-	-	-	-	-	-	-	-	-	-	3,686,578,943
Other assets	5,772,701	-	-	798	-	-	162,193	-	-	-	-	5,935,692
	<u>5,079,658,726</u>	<u>2,151,232</u>	<u>706,870</u>	<u>798</u>	<u>1,234,919</u>	<u>96,971,492</u>	<u>209,137</u>	<u>8,624,644</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,189,557,818</u>
Credit exposure for off-balance sheet items:												
Unused portion of loan commitment	93,060,063	-	-	-	-	-	-	-	-	-	-	93,060,063
Bank guarantees	38,405,593	-	-	-	-	-	-	-	-	-	-	38,405,593
Letters of credit	8,948,350	-	-	-	-	-	-	-	-	-	-	8,948,350
	<u>140,414,006</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>140,414,006</u>
Total maximum credit risk exposure	<u>5,220,072,732</u>	<u>2,151,232</u>	<u>706,870</u>	<u>798</u>	<u>1,234,919</u>	<u>96,971,492</u>	<u>209,137</u>	<u>8,624,644</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,329,971,824</u>
In KHR'000 equivalent (Note 2(e))	<u>21,271,796,363</u>	<u>8,766,270</u>	<u>2,880,495</u>	<u>3,252</u>	<u>5,032,295</u>	<u>395,158,830</u>	<u>852,233</u>	<u>35,145,424</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,719,635,182</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

34. Financial risk management (continued)

34.1 Credit risk (continued)

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

(ii) *Industry sectors*

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) at carrying amount as at 31 December 2019 and 31 December 2018 based on the industry sectors of the counterparty are as follows:

	The Group							Total US\$
	Financial institutions US\$	Wholesale and retail US\$	Services US\$	Housing US\$	Manufacturing US\$	Agriculture US\$	Other US\$	
As at 31 December 2019								
Credit exposure for on-balance sheet financial assets								
Cash on hand	421,527,238	-	-	-	-	-	-	421,527,238
Deposits and placements with other banks	587,730,531	-	-	-	-	-	-	587,730,531
Financial investments	527,321,447	-	-	-	-	153,529	-	527,474,976
Loans and advances	7,892,238	1,348,508,445	1,042,121,138	183,308,546	103,528,643	751,254,104	409,407,405	3,846,020,519
Other assets	3,996,131	-	-	-	-	-	1,922,735	5,918,866
	1,548,467,585	1,348,508,445	1,042,121,138	183,308,546	103,528,643	751,254,104	411,483,669	5,388,672,130
Credit exposure for off-balance sheet items:								
Unused portion of loan commitment	-	-	-	-	-	-	93,060,063	93,060,063
Bank guarantees	-	-	-	-	-	-	38,432,397	38,432,397
Letters of credit	-	-	-	-	-	-	8,948,350	8,948,350
	-	-	-	-	-	-	140,440,810	140,440,810
Total maximum credit risk exposure	1,548,467,585	1,348,508,445	1,042,121,138	183,308,546	103,528,643	751,254,104	551,924,479	5,529,112,940
In KHR 000 equivalent (Note 2(e))	6,310,005,409	5,495,171,913	4,246,643,637	746,982,325	421,879,220	3,061,360,474	2,249,092,252	22,531,135,230

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

34. Financial risk management (continued)

34.1 Credit risk (continued)

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

(ii) *Industry sectors (continued)*

	The Group							Total US\$
	Financial institutions US\$	Wholesale and retail US\$	Services US\$	Housing US\$	Manufacturing US\$	Agriculture US\$	Other US\$	
As at 31 December 2018								
Credit exposure for on-balance sheet financial assets:								
Cash on hand	407,864,702	-	-	-	-	-	-	407,864,702
Deposits and placements with other banks	337,736,707	-	-	-	-	-	-	337,736,707
Financial investments	619,746,022	-	-	-	-	153,529	-	619,899,551
Loans and advances	8,822,219	1,336,886,042	841,335,019	203,149,995	99,892,108	653,865,274	450,407,984	3,594,368,641
Other assets	5,890,561	-	-	-	-	-	3,083,141	8,973,702
	<u>1,380,060,211</u>	<u>1,336,886,042</u>	<u>841,335,019</u>	<u>203,149,995</u>	<u>99,892,108</u>	<u>653,865,274</u>	<u>453,644,654</u>	<u>4,968,833,303</u>
Credit exposure for off-balance sheet items:								
Unused portion of loan commitment	-	-	-	-	-	-	101,627,728	101,627,728
Bank guarantees	-	-	-	-	-	-	37,130,875	37,130,875
Letters of credit	-	-	-	-	-	-	9,336,354	9,336,354
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>148,094,957</u>	<u>148,094,957</u>
Total maximum credit risk exposure	<u>1,380,060,211</u>	<u>1,336,886,042</u>	<u>841,335,019</u>	<u>203,149,995</u>	<u>99,892,108</u>	<u>653,865,274</u>	<u>601,739,611</u>	<u>5,116,928,260</u>
In KHR'000 equivalent (Note 2(e))	<u>5,545,081,928</u>	<u>5,371,608,117</u>	<u>3,380,484,106</u>	<u>816,256,680</u>	<u>401,366,490</u>	<u>2,627,230,671</u>	<u>2,417,789,757</u>	<u>20,559,817,749</u>

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

34. Financial risk management (continued)

34.1 Credit risk (continued)

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

(ii) *Industry sectors (continued)*

	The Bank							Total US\$
	Financial institutions US\$	Wholesale and retail US\$	Services US\$	Housing US\$	Manufacturing US\$	Agriculture US\$	Other US\$	
As at 31 December 2019								
Credit exposure for on-balance sheet financial assets:								
Cash on hand	410,955,867	-	-	-	-	-	-	410,955,867
Deposits and placements with other banks	568,612,340	-	-	-	-	-	-	568,612,340
Financial investments	527,321,447	-	-	-	-	153,529	153,529	527,474,976
Loans and advances	7,892,238	1,277,549,332	1,014,175,262	181,800,701	97,393,627	715,961,507	391,806,276	3,686,578,943
Other assets	4,127,246	-	-	-	-	-	1,808,446	5,935,692
	<u>1,508,909,138</u>	<u>1,277,549,332</u>	<u>1,014,175,262</u>	<u>181,800,701</u>	<u>97,393,627</u>	<u>715,961,507</u>	<u>393,768,251</u>	<u>5,189,557,818</u>
Credit exposure for off-balance sheet items:								
Unused portion of loan commitment	-	-	-	-	-	-	93,060,063	93,060,063
Bank guarantees	-	-	-	-	-	-	38,405,593	38,405,593
Letters of credit	-	-	-	-	-	-	8,948,350	8,948,350
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>140,414,006</u>	<u>140,414,006</u>
Total maximum credit risk exposure	<u>1,508,909,138</u>	<u>1,277,549,332</u>	<u>1,014,175,262</u>	<u>181,800,701</u>	<u>97,393,627</u>	<u>715,961,507</u>	<u>534,182,257</u>	<u>5,329,971,824</u>
In KHR 000 equivalent (Note 2(e))	<u>6,148,804,737</u>	<u>5,206,013,528</u>	<u>4,132,764,193</u>	<u>740,837,857</u>	<u>396,879,030</u>	<u>2,917,543,141</u>	<u>2,176,792,697</u>	<u>21,719,635,183</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

34. Financial risk management (continued)

34.1 Credit risk (continued)

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

(ii) *Industry sectors (continued)*

	The Bank							Total US\$
	Financial institutions US\$	Wholesale and retail US\$	Services US\$	Housing US\$	Manufacturing US\$	Agriculture US\$	Other US\$	
As at 31 December 2018								
Credit exposure for on-balance sheet financial assets:								
Cash on hand	398,012,184	-	-	-	-	-	-	398,012,184
Deposits and placements with other banks	328,892,729	-	-	-	-	-	-	328,892,729
Financial investments	619,746,022	-	-	-	-	153,529	-	619,899,551
Loans and advances	8,822,219	1,296,855,753	839,783,440	202,530,666	96,183,871	635,247,574	380,142,858	3,459,566,381
Other assets	6,019,036	-	-	-	-	-	3,067,663	9,086,699
	<u>1,361,492,190</u>	<u>1,296,855,753</u>	<u>839,783,440</u>	<u>202,530,666</u>	<u>96,183,871</u>	<u>635,247,574</u>	<u>383,364,050</u>	<u>4,815,457,544</u>
Credit exposure for off-balance sheet items:								
Unused portion of loan commitment	-	-	-	-	-	-	101,627,728	101,627,728
Bank guarantees	-	-	-	-	-	-	37,104,710	37,104,710
Letters of credit	-	-	-	-	-	-	9,336,354	9,336,354
	-	-	-	-	-	-	<u>148,068,792</u>	<u>148,068,792</u>
Total maximum credit risk exposure	<u>1,361,492,190</u>	<u>1,296,855,753</u>	<u>839,783,440</u>	<u>202,530,666</u>	<u>96,183,871</u>	<u>635,247,574</u>	<u>531,432,842</u>	<u>4,963,526,336</u>
In KHR 000 equivalent (Note 2(e))	<u>5,470,475,619</u>	<u>5,210,766,416</u>	<u>3,374,249,862</u>	<u>813,768,216</u>	<u>386,466,794</u>	<u>2,552,424,752</u>	<u>2,135,297,159</u>	<u>19,943,448,818</u>

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

34. Financial risk management (continued)

34.1 Credit risk (continued)

(e) Write-off policy

1. Facilities that have already been identified as a Loss (100% provisioning), will automatically be written off after 360 days past final repayment due date.
2. It can be written off under the judgment in case when the Bank loses control on its contractual rights over that facility or when all or part of the facility is deemed uncollectable; this is particularly the case when there is no realistic prospect of recovery for the counterparty or when the Bank has lost control over its contractual rights on the facility due to any decision of a court of law. Circumstances where a facility should be written off also include, but are not limited to:
 - a) All forms of securities or collateral have been called and realized but proceeds failed to cover the entire outstanding amount of the facility;
 - b) The Bank is unable to collect, or there is no longer reasonable assurance that the Bank will collect all amounts due according to the contractual terms of the facility's agreement;
 - c) The counterparty has become bankrupt or is undergoing other forms of financial restructuring the consequence of which it is unlikely that it may service the facility;
 - d) The facility has been classified under loss category.

(f) Credit quality of financial assets

CIFRS 9 introduces the concept of ECL of which the Bank expects to experience on an account over either a 12-month horizon (Stage 1) or a lifetime horizon (Stage 2 & 3). The change in approach to provisioning introduced by CIFRS 9 is designed to:

- Ensure a timely recognition of credit losses, which is more reflective than the existing CIAS 39 Incurred Loss Model;
- Distinguish between financial instruments that have significantly deteriorated in credit quality and those that have not; and
- Provide a better estimate of ECLs given the macroeconomic environment.

The Group and the Bank apply a three-stage approach based on the change in credit quality since initial recognition:

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

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

34. Financial risk management (continued)

34.1 Credit risk (continued)

- (f) Credit quality of financial assets (continued)

Recognition of ECL

Financial assets will be classified and recognised into three different categories which are:

- Financial assets measured at amortised cost;
- Financial assets measured at fair value through other comprehensive income;
- Financial assets measured at fair value through profit and loss.

Financial assets and debts that are measured at amortised cost or through other comprehensive income will be subjected to impairment assessment.

The Bank measured ECL by using the general approach and the simplified approach.

The general approach consists of segregating the customers into three different stages according to the staging criteria by assessing the credit risk. 12-month ECL will be computed for stage 1, while lifetime ECL will be computed for stage 2 and stage 3. At each reporting date, the Bank will assess credit risk of each account as compared to the risk level at origination date.

Below is a table showing a summary of credit risk status and period for ECL calculation by stages:

Long-term facilities (more than one year)

Stages	Credit Risk Status	Grades	DPD	Default Indicator
1	No significant increase in credit risk	Normal	$0 \leq \text{DPD} < 30$	Performing
2	Credit risk increased significantly	Special Mention	$30 \leq \text{DPD} < 90$	Underperforming
3	Credit impaired assets	Substandard	$90 \leq \text{DPD} < 180$	Nonperforming
		Doubtful	$180 \leq \text{DPD} < 360$	
		Loss	$\text{DPD} \geq 360$	

Short-term facilities (one year or less)

Stages	Credit Risk Status	Grades	DPD	Default Indicator
1	No significant increase in credit risk	Normal	$0 \leq \text{DPD} \leq 14$	Performing
2	Credit risk increased significantly	Special Mention	$15 \leq \text{DPD} \leq 30$	Underperforming
3	Credit impaired assets	Substandard	$31 \leq \text{DPD} \leq 60$	Nonperforming
		Doubtful	$61 \leq \text{DPD} \leq 90$	
		Loss	$\text{DPD} \geq 91$	

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

34. Financial risk management (continued)

34.1 Credit risk (continued)

- (f) Credit quality of financial assets (continued)

Recognition of ECL (continued)

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

As for financial assets that are short term in nature, simplified approach will be adopted where no staging criteria is required. In this case, it will be either performing (stage1) or non-performing (stage 3).

Credit classification for financial assets

The Bank followed the mandatory loan classification and provisioning as required by the National Bank of Cambodia’s Prakas No.B7-017-344 dated 1 December 2017 and Circular No. B7-018-001 Sor Ror Chor Nor dated 16 February 2018 on Credit Risk Grading and Impairment Provisioning. Loans and advances, other financial assets are classified into five classifications as described below:

CLASSES/CRITERIA	PAYMENT EXPERIENCED	
	As for facilities, which have an original term of more than one year	As for facilities that have an original term of one year or less
1- NORMAL Timely repayment of an outstanding facility classified in this class is not in doubt. Repayment is steadily made according with the contractual terms and the facility does not exhibit any potential weakness in repayment capacity, business, cash flow and financial position of the counterparty.	- Punctual	- Punctual

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

34. Financial risk management (continued)

34.1 Credit risk (continued)

- (f) Credit quality of financial assets (continued)

Credit classification for financial assets (continued)

CLASSES/ CRITERIA	PAYMENT EXPERIENCED	
	As for facilities, which have an original term of more than one year	As for facilities that have an original term of one year or less
<p>2- SPECIAL MENTION A facility in this class is currently protected and may not be past due but it exhibits potential weaknesses that, if not corrected in a timely manner, may adversely affect repayment by the counterparty at a future date, and warrant close attention by the Bank. Examples of such weaknesses include, but are not limited to a declining trend in the operations of the counterparty or in its financial position, adverse economic and market conditions that all might affect its profitability and its future repayment capacity, or deteriorating conditions on the collateral. This class has clearly its own rational and should not be used as a compromise between Normal and Substandard.</p>	<ul style="list-style-type: none"> - When any facility is past due from 30 days to 89 days. - When interest payments for 30 to 89 days have been capitalized, refinanced, or rolled over into a new facility. 	<ul style="list-style-type: none"> - When any facility is past due for maximum 30 days. - When interest payments for maximum 30 days have been capitalized, refinanced, or rolled over into a new facility. - In case of overdrafts, excess of the approval limit is for maximum 30 days, or the current account has been inactive for maximum 30 days, or the net inflows on the current account have not been enough to cover capitalized interests for maximum 30 days.

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

34. Financial risk management (continued)

34.1 Credit risk (continued)

- (f) Credit quality of financial assets (continued)

Credit classification for financial assets (continued)

CLASSES/CRITERIA	PAYMENT EXPERIENCED	
	As for facilities, which have an original term of more than one year	As for facilities that have an original term of one year or less
<p>3- SUB-STANDARD</p> <p>A facility in this class exhibits noticeable weakness and is not adequately protected by the current business or financial position of the counterparty and his repayment capacity. In essence, the primary source of repayment is not sufficient to service the debt and the Bank must look to secondary sources such as the realization of the collateral, in relation with the counterparty. Factors leading to a Substandard classification include:</p> <ul style="list-style-type: none"> ▪ Inability of the counterparty to meet the contractual repayments' terms, ▪ Unfavourable economic and market conditions that would affect the business and profitability of the counterparty in the future, ▪ Weakened financial condition and/or inability of the counterparty to generate enough cash flow to service the payments. ▪ Difficulties experienced by the counterparty in repaying other facilities granted by the bank or by other institutions when the information is available. ▪ Breach of financial covenants by the counterparty. 	<ul style="list-style-type: none"> - When any facility is past due from 90 days to 179 days. - When interest payments for 90 to 179 days have been capitalized, refinanced, or rolled over into a new facility. 	<ul style="list-style-type: none"> - When any facility is past due for maximum 60 days. - When interest payments for maximum 60 days have been capitalized, refinanced, or rolled over into a new facility. - In case of overdrafts, excess of the approval limit is for maximum 60 days, or the current account has been inactive for maximum 60 days. - The overdraft that has had no net inflow for 60 days must be modified into a term loan.

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

34. Financial risk management (continued)

34.1 Credit risk (continued)

- (f) Credit quality of financial assets (continued)

Credit classification for financial assets (continued)

CLASSES/ CRITERIA	PAYMENT EXPERIENCED	
	As for facilities, which have an original term of more than one year	As for facilities that have an original term of one year or less
<p>4- DOUBTFUL A facility classified in this category faces similar but more severe weaknesses than one classified as Substandard such that its full collection on the basis of existing facts, conditions or collateral value is highly questionable or improbable. The prospect of loss is high, even if the exact amount remains undetermined for now.</p>	<ul style="list-style-type: none"> - When any facility is past due from 180 days to 359 days. - When interest payment for 180 to 359 days have been capitalized or rolled over into a new facility. 	<ul style="list-style-type: none"> - When any facility is past due for maximum 90 days. - When interest payment for maximum 90 days have been capitalized or rolled over into a new facility. - In case of overdrafts, excess of the approval limit is for maximum 90 days, or the current account has been inactive for maximum 90 days.
<p>5- LOSS A facility is classified Loss when it is not collectable, and little or nothing can be done to recover the outstanding amount from the counterparty.</p>	<ul style="list-style-type: none"> - When any facility is past due from 360 days. - When interest payment for 360 days or more have been capitalized or rolled over into a new facility. 	<ul style="list-style-type: none"> - When any facility is past due for maximum 180 days. - When interest payment for maximum 180 days have been capitalized or rolled over into a new facility. - In case of overdrafts, excess of the approval limit is for maximum 180 days, or the current account has been inactive for maximum 180 days.

With regard to facilities with repayments on a quarterly, semi-annual or longer basis, facilities must be classified as Substandard or worse depending on the situation of the counterparty as soon as a default occurs. For the purpose of the Table above, the default will be considered as having occurred 5 working days after the payment due date. The classification as substandard will be allowed only in case where the counterparty has clearly demonstrated that its inability to pay in due time is only temporary.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

34. Financial risk management (continued)

34.1 Credit risk (continued)

- (f) Credit quality of financial assets (continued)

Credit classification for financial assets (continued)

Facilities that are classified Substandard, Doubtful or Loss will be considered as "non-performing" facilities. Other facilities will be considered as "performing".

The following table sets out information about the credit quality of financial assets measured at amortised cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

Loans and advances at amortised cost	2019			2018	
	Stage 1: 12-month ECL	Stage 2: Lifetime ECL not credit impaired	Stage 3: Lifetime ECL credit impaired	Total	Total
	US\$	US\$	US\$	US\$	US\$
The Group					
Normal	3,828,588,642	-	392,897	3,828,981,539	3,556,503,385
Special mention	30,302	2,768,970	15,948	2,815,220	4,238,159
Substandard	-	-	8,860,402	8,860,402	10,330,983
Doubtful	-	-	9,084,696	9,084,696	14,905,123
Loss	-	-	29,721,718	29,721,718	42,569,321
	<u>3,828,618,944</u>	<u>2,768,970</u>	<u>48,075,661</u>	<u>3,879,463,575</u>	<u>3,628,546,971</u>
ECL allowance (*)	(24,627,422)	(344,453)	(8,263,702)	(33,235,577)	(33,899,832)
Carrying amount	<u>3,803,991,522</u>	<u>2,424,517</u>	<u>39,811,959</u>	<u>3,846,227,998</u>	<u>3,594,647,138</u>
<i>In KHR'000 equivalent (Note 2(e))</i>	<u>15,501,265,452</u>	<u>9,879,907</u>	<u>162,233,733</u>	<u>15,673,379,092</u>	<u>14,443,292,200</u>
The Bank					
Normal	3,671,545,155	-	392,408	3,671,937,563	3,423,410,506
Special mention	30,302	2,119,198	14,141	2,163,641	3,555,640
Substandard	-	-	8,241,134	8,241,134	9,550,228
Doubtful	-	-	8,004,588	8,004,588	13,984,646
Loss	-	-	29,077,419	29,077,419	41,911,034
	<u>3,671,575,457</u>	<u>2,119,198</u>	<u>45,729,690</u>	<u>3,719,424,345</u>	<u>3,492,412,054</u>
ECL allowance (*)	(24,066,137)	(286,202)	(7,837,241)	(32,189,580)	(32,557,175)
Carrying amount	<u>3,647,509,320</u>	<u>1,832,996</u>	<u>37,892,449</u>	<u>3,687,234,765</u>	<u>3,459,854,879</u>
<i>In KHR'000 equivalent (Note 2(e))</i>	<u>14,863,600,479</u>	<u>7,469,459</u>	<u>154,411,730</u>	<u>15,025,481,666</u>	<u>13,901,696,904</u>

(*) Excluded provision for off-balance sheet commitments amounting to US\$207,479 and US\$655,822 for the Group and the Bank, respectively (2018: US\$288,498 and US\$288,498, respectively).

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

34. Financial risk management (continued)

34.1 Credit risk (continued)

(f) Credit quality of financial assets (continued)

Credit classification for financial assets (continued)

Financial investments at amortised cost	2019			Total US\$	2018 Total US\$
	Stage 1: 12-month ECL	Stage 2: Lifetime ECL not credit impaired	Stage 3: Lifetime ECL credit impaired		
	US\$	US\$	US\$		
The Group					
Normal	527,321,447	-	-	527,321,447	619,746,022
Special mention	-	-	-	-	-
Substandard	-	-	-	-	-
Doubtful	-	-	-	-	-
Loss	-	-	-	-	-
Total gross carrying amount	527,321,447	-	-	527,321,447	619,746,022
ECL allowance	-	-	-	-	-
Carrying amount – fair value	527,321,447	-	-	527,321,447	619,746,022
<i>In KHR'000 equivalent (Note 2(e))</i>	<u>2,148,834,897</u>	<u>-</u>	<u>-</u>	<u>2,148,834,896</u>	<u>2,490,139,516</u>
The Bank					
Normal	527,321,447	-	-	527,321,447	619,746,022
Special mention	-	-	-	-	-
Substandard	-	-	-	-	-
Doubtful	-	-	-	-	-
Loss	-	-	-	-	-
Total gross carrying amount	527,321,447	-	-	527,321,447	619,746,022
ECL allowance	-	-	-	-	-
Carrying amount – fair value	527,321,447	-	-	527,321,447	619,746,022
<i>In KHR'000 equivalent (Note 2(e))</i>	<u>2,148,834,897</u>	<u>-</u>	<u>-</u>	<u>2,148,834,896</u>	<u>2,490,139,516</u>

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

34. Financial risk management (continued)

34.1 Credit risk (continued)

(f) Credit quality of financial assets (continued)

Credit classification for financial assets (continued)

Cash and deposit and placement with other banks	2019			2018	
	Stage 1: 12-month ECL	Stage 2: Lifetime ECL not credit impaired	Stage 3: Lifetime ECL credit impaired	Total	Total
	US\$	US\$	US\$	US\$	US\$
The Group					
Normal	1,597,183,824	-	-	1,597,183,824	1,286,246,383
Special Mention	-	-	-	-	-
Substandard	-	-	-	-	-
Doubtful	-	-	-	-	-
Loss	-	-	-	-	-
	1,597,183,824	-	-	1,597,183,824	1,286,246,383
ECL allowance	(589,956)	-	-	(589,956)	(69,999)
Carrying amount	1,596,593,868	-	-	1,596,593,868	1,286,176,384
<i>In KHR'000 equivalent (Note 2(e))</i>	<u>6,506,120,012</u>	<u>-</u>	<u>-</u>	<u>6,506,120,012</u>	<u>5,167,856,711</u>
The Bank					
Normal	1,552,809,189	-	-	1,552,809,189	1,264,872,244
Special Mention	-	-	-	-	-
Substandard	-	-	-	-	-
Doubtful	-	-	-	-	-
Loss	-	-	-	-	-
	1,552,809,189	-	-	1,552,809,189	1,264,872,244
ECL allowance	(45,241)	-	-	(45,241)	(14,059)
Carrying amount	1,552,763,948	-	-	1,552,763,948	1,264,858,185
<i>In KHR'000 equivalent (Note 2(e))</i>	<u>6,327,513,088</u>	<u>-</u>	<u>-</u>	<u>6,327,513,088</u>	<u>5,082,200,187</u>

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

34. Financial risk management (continued)

34.1 Credit risk (continued)

(f) Credit quality of financial assets (continued)

Credit classification for financial assets (continued)

Other Receivables	2019			2018	
	Stage 1: 12-month ECL	Stage 2: Lifetime ECL not credit impaired	Stage 3: Lifetime ECL credit impaired	Total	Total
	US\$	US\$	US\$	US\$	US\$
The Group					
Normal	5,918,866	-	-	5,918,866	8,973,702
Special mention	-	-	-	-	-
Substandard	-	-	-	-	-
Doubtful	-	-	-	-	-
Loss	-	-	-	-	-
	<u>5,918,866</u>	<u>-</u>	<u>-</u>	<u>5,918,866</u>	<u>8,973,702</u>
ECL allowance	(295,027)	-	-	(295,027)	(7,858)
Carrying amount	<u>5,623,839</u>	<u>-</u>	<u>-</u>	<u>5,623,839</u>	<u>8,965,844</u>
<i>In KHR'000 equivalent (Note 2(e))</i>	<u>22,917,144</u>	<u>-</u>	<u>-</u>	<u>22,917,144</u>	<u>36,024,761</u>
The Bank					
Normal	5,935,692	-	-	5,935,692	9,086,699
Special mention	-	-	-	-	-
Substandard	-	-	-	-	-
Doubtful	-	-	-	-	-
Loss	-	-	-	-	-
	<u>5,935,692</u>	<u>-</u>	<u>-</u>	<u>5,935,692</u>	<u>9,086,699</u>
ECL allowance	(295,009)	-	-	(295,009)	(7,830)
Carrying amount	<u>5,640,683</u>	<u>-</u>	<u>-</u>	<u>5,640,683</u>	<u>9,078,869</u>
<i>In KHR'000 equivalent (Note 2(e))</i>	<u>22,985,783</u>	<u>-</u>	<u>-</u>	<u>22,985,783</u>	<u>36,478,896</u>

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

34. Financial risk management (continued)

34.1 Credit risk (continued)

(f) Credit quality of financial assets (continued)

Credit classification for financial assets (continued)

Financial guarantee contracts	2019			Total US\$	2018 Total US\$
	Stage 1: 12-month ECL US\$	Stage 2: Lifetime ECL not credit impaired US\$	Stage 3: Lifetime ECL credit impaired US\$		
The Group					
Normal	38,788,330	-	-	38,788,330	40,568,663
Special mention	-	-	-	-	-
Substandard	-	-	-	-	-
Doubtful	-	-	-	-	-
Loss	-	-	-	-	-
Total gross carrying amount	38,788,330	-	-	38,788,330	40,568,663
ELC allowance	(207,479)	-	-	(207,479)	(288,498)
Carrying amount – fair value	38,580,851	-	-	38,580,851	40,280,165
<i>In KHR'000 equivalent (Note 2(e))</i>	<u>157,216,968</u>	<u>-</u>	<u>-</u>	<u>157,216,968</u>	<u>161,845,703</u>
The Bank					
Normal	51,788,330	-	-	51,788,330	53,568,663
Special mention	-	-	-	-	-
Substandard	-	-	-	-	-
Doubtful	-	-	-	-	-
Loss	-	-	-	-	-
Total gross carrying amount	51,788,330	-	-	51,788,330	53,568,663
ECL allowance	(655,822)	-	-	(655,822)	(288,498)
Carrying amount – fair value	51,132,508	-	-	51,132,508	53,280,165
<i>In KHR'000 equivalent (Note 2(e))</i>	<u>208,364,970</u>	<u>-</u>	<u>-</u>	<u>208,364,970</u>	<u>214,079,703</u>

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

34. Financial risk management (continued)

34.1 Credit risk (continued)

- (g) Amounts arising from ECL

Significant increase in credit risk

The Bank considers that a significant increase in credit risk occurs no later than when an asset is more than or equal to 30 days past due for long-term facilities or more than or equal to 15 days past due for short-term facilities. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Bank determines a probation period during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

The Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 or 15 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD (Stage 2).

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

34. Financial risk management (continued)

34.1 Credit risk (continued)

- (g) Amounts arising from ECL (continued)

Definition of default

The Bank considers a financial asset to be in default, aligning the NBC Prakas on Credit Risk Grading & Impairment Provisioning as stated in Article 17 and Article 19, when:

- 1) The default definition / NPL definition for long-term facilities where original tenure is more than a year as follow:

Day Past Due	Classification	Default Indicator
$0 \leq \text{DPD} < 30$	Normal	Not Default / Performing
$30 \leq \text{DPD} < 90$	Special Mention	
$90 \leq \text{DPD} < 180$	Substandard	
$180 \leq \text{DPD} < 360$	Doubtful	Default / Non-performing
$\text{DPD} \geq 360$	Loss	

- 2) The default definition / NPL definition for short-term facilities where original tenure is less than or equal to a year as follow:

Day Past Due	Classification	Default Indicator
$0 \leq \text{DPD} \leq 14$	Normal	Not Default / Performing
$15 \leq \text{DPD} \leq 30$	Special Mention	
$31 \leq \text{DPD} \leq 60$	Substandard	
$61 \leq \text{DPD} \leq 90$	Doubtful	Default / Non-performing
$\text{DPD} \geq 91$	Loss	

- 3) In addition to the classification according to day past due information, the Bank also perform manual classification when there is a sign of deterioration in the credit profile, the Bank might classify the loan into substandard, doubtful or loss even though the DPD is less than 90 days for long term and less than 30 days for short term.

Incorporation of forward-looking information

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

The Group 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 a 20% probability of occurring. The base case is aligned with information used by the Group for other purposes such as strategic planning and budgeting.

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

34. Financial risk management (continued)

34.1 Credit risk (continued)

(g) Amounts arising from ECL (continued)

Incorporation of forward-looking information (continued)

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

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

The economic scenarios of the Bank's portfolio used as at 31 December 2018 included the following key indicators for Cambodia for the years ending 31 December 2019 to 2022:

Exposure	2018	2019	2020	2021	2022
1- Small Loan					
- Domestic Private Sector Credit to GDP (%)					
Base	62.08%	63.76%	64.37%	50.87%	50.87%
Upside	35.79%	37.46%	38.07%	24.57%	24.57%
Downside	88.38%	90.06%	90.67%	77.17%	77.17%
- FDI (% of GDP)					
Base	10.69%	10.62%	10.68%	11.20%	11.20%
Upside	13.35%	13.28%	13.34%	13.86%	13.86%
Downside	8.03%	7.96%	8.02%	8.54%	8.54%
2- Medium Loan					
- Cambodia Commodity Imports Total Imports (in KHR billion)					
Base	4,311	4,337	4,337	3,263	3,263
Upside	2,835	2,862	2,862	1,788	1,788
Downside	5,787	5,813	5,813	4,739	4,739
- Nominal GDP (in KHR billions)					
Base	9.45%	9.40%	9.40%	9.52%	9.52%
Upside	12.97%	12.92%	12.91%	13.04%	13.04%
Downside	5.94%	5.89%	5.88%	6.01%	6.01%
3- Revolving					
- US 1 Year Treasury Yield Curve Rates					
Base	0.96743				
Upside	(0.37254)				
Downside	2.30741				
- Current account balance/GDP					
Base	0.17000				
Upside	14.24917				
Downside	(13.90917)				

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

34. Financial risk management (continued)

34.1 Credit risk (continued)

(g) Amounts arising from ECL (continued)

Incorporation of forward-looking information (continued)

Exposure	2018	2019	2020	2021	2022
4- Trade Loan					
- FDI Net Inflow (USD)					
Base	1,956,347,705				
Upside	2,435,773,490				
Downside	1,476,921,919				
- Nominal GDP (in KHR billions)					
Base	74,100				
Upside	92,739				
Downside	55,460				
5- Credit Card					
- Interest rate fixed deposit 12 months (%)					
Base	-11.92%	-11.90%	-11.79%	1.20%	1.20%
Upside	4.55%	4.57%	4.67%	17.66%	17.66%
Downside	-28.38%	-28.36%	-28.25%	-15.26%	-15.26%
- Domestic Private Sector Credit to GDP (%)					
Base	62.08%	63.76%	64.37%	48.90%	48.90%
Upside	35.50%	37.17%	37.78%	22.31%	22.31%
Downside	88.67%	90.35%	90.96%	75.49%	75.49%
6- Personal Loan & Other					
- GDP at Current Price, Industry (YOY,%)					
Base	17.12%	17.40%	17.41%	15.88%	15.88%
Upside	21.42%	21.69%	21.70%	20.18%	20.18%
Downside	12.82%	13.10%	13.11%	11.59%	11.59%
- Interest rate fixed deposit 12 months (%)					
Base	1.39%	1.53%	1.40%	0.79%	0.79%
Upside	8.98%	9.13%	8.99%	8.39%	8.39%
Downside	-6.21%	-6.07%	-6.20%	-6.81%	-6.81%
- Total Unemployment Cambodia (ILO Est)					
Base	5.19%	1.41%	4.35%	9.18%	9.18%
Upside	-85.63%	-89.41%	-86.47%	-81.64%	-81.64%
Downside	96.01%	92.23%	95.16%	100.00%	100.00%
7- Home Improvement Loan					
- Current account balance/GDP					
Base	-8.01%	-8.00%	-7.97%	-1.05%	-1.05%
Upside	12.23%	12.24%	12.28%	19.19%	19.19%
Downside	-28.26%	-28.24%	-28.21%	-21.30%	-21.30%
- Nominal GDP (in KHR billions)					
Base	9.45%	9.40%	9.40%	9.82%	9.82%
Upside	13.75%	13.70%	13.69%	14.11%	14.11%
Downside	5.16%	5.11%	5.10%	5.53%	5.53%

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

34. Financial risk management (continued)

34.1 Credit risk (continued)

(g) Amounts arising from ECL (continued)

Incorporation of forward-looking information (continued)

Exposure	2018	2019	2020	2021	2022
8- Overdraft					
- Crude Oil Brent (USD)					
Base	21.61%				
Upside	-31.67%				
Downside	74.90%				
- Interest rate fixed deposit 12 months (%)					
Base	-0.60%				
Upside	7.21%				
Downside	-8.41%				
- Interest rate loans 12 months (%)					
Base	-19.87%				
Upside	-67.51%				
Downside	27.76%				
9- Staff Loan					
- US 1 Year Treasury Yield Curve Rates					
Base	1.448000	1.493200	1.514680	0.231905	0.231905
Upside	1.138767	1.183967	1.205447	(0.077328)	(0.077328)
Downside	1.757233	1.802433	1.823913	0.541137	0.541137
10- Public Housing Loan					
- GDP at Current Price, Industry (YOY,%)					
Base	16.59%	16.48%	16.36%	15.88%	15.88%
Upside	20.89%	20.77%	20.65%	20.18%	20.18%
Downside	12.29%	12.18%	12.06%	11.59%	11.59%
- Crude Oil Brent (USD)					
Base	21.61%	23.81%	24.38%	-12.39%	-12.39%
Upside	-30.02%	-27.82%	-27.25%	-64.02%	-64.02%
Downside	73.24%	75.45%	76.01%	39.24%	39.24%
- Total Unemployment Cambodia (ILO Est)					
Base	3.33%	6.56%	6.73%	9.18%	9.18%
Upside	-87.49%	-84.26%	-84.09%	-81.64%	-81.64%
Downside	94.15%	97.38%	97.55%	100.00%	100.00%
11- Staff Housing Loan					
- USDKHR BGN Currency					
Base	4,072.57036	4,079.59914	4,085.50377	4,050.81903	4,050.81903
Upside	3,995.78516	4,002.81395	4,008.71857	3,974.03384	3,974.03384
Downside	4,149.35556	4,156.38434	4,162.28896	4,127.60423	4,127.60423
- FDI (% of GDP)					
Base	10.69%	10.62%	10.68%	11.24%	11.24%
Upside	13.34%	13.27%	13.33%	13.89%	13.89%
Downside	8.04%	7.97%	8.03%	8.59%	8.59%

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

34. Financial risk management (continued)

34.1 Credit risk (continued)

(g) Amounts arising from ECL (continued)

Incorporation of forward-looking information (continued)

Exposure	2018	2019	2020	2021	2022
12- Guarantee					
- Domestic Private Sector Credit to GDP (%)					
Base	62.08%				
Upside	35.79%				
Downside	88.38%				
- FDI (% of GDP)					
Base	10.69%				
Upside	13.35%				
Downside	8.03%				
13- Import Loan					
- FDI Net Inflow (USD)					
Base	1,956,347,704.70				
Upside	2,435,773,490.17				
Downside	1,476,921,919.23				
- Nominal GDP (in KHR billions)					
Base	74,099.53				
Upside	92,739.47				
Downside	55,459.58				

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analysing available historical data over the past 7 years.

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out in Note 2(f)(iv).

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data on initial recognition and the original contractual terms.

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

34. Financial risk management (continued)

34.1 Credit risk (continued)

(g) Amounts arising from ECL (continued)

Modified financial assets (continued)

When modification results in derecognition, a new loan is recognised and allocated to Stage 1 (assuming it is not credit-impaired at that time).

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants.

Loss allowance

During the year, the allowance for/(reversal of) impairment loss recognised on the profit or loss were as follows:

Type	The Group			The Bank		
	2019 US\$	2018 US\$	2019 KHR'000 (Note 2(e))	2018 US\$	2019 KHR'000 (Note 2(e))	2018 KHR'000 (Note 2(e))
Deposit and placements with banks	523,753	(596,857)	2,122,247	(433,075)	126,232	(1,751,788)
Loans and advances to customers	22,600,278	1,109,332	91,576,326	1,395,498	86,965,219	5,644,789
Other assets	287,174	(933)	1,163,630	(924)	1,163,670	(3,738)
	23,411,205	511,542	94,862,203	961,499	88,255,121	3,889,263
Financial guarantee contracts	(87,989)	187,550	(356,531)	187,967	1,460,154	760,327
Total	23,323,216	699,092	94,505,672	1,149,466	89,715,275	4,649,590

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

34. Financial risk management (continued)

34.1 Credit risk (continued)

(g) Amounts arising from ECL (continued)

Loss allowance (continued)

The following tables show balance of the loss allowance by class of financial instrument:

Loans and advances at amortised cost	2019				2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
The Group								
As at 1 January	14,976,248	862,530	18,061,054	33,899,832	16,151,081	5,070,333	31,380,433	52,601,847
Allowance for impairment loss during the year	9,651,174	(518,077)	13,467,181	22,600,278	(1,174,833)	(4,207,803)	6,491,968	1,109,332
Written off during the year	-	-	(23,994,329)	(23,994,329)	-	-	(20,185,670)	(20,185,670)
Currency translation difference	-	-	729,796	729,796	-	-	374,323	374,323
At 31 December	24,627,422	344,453	8,263,702	33,235,577	14,976,248	862,530	18,061,054	33,899,832
<i>In KHR000 equivalent (Note 2(e))</i>	<u>100,356,745</u>	<u>1,403,646</u>	<u>33,674,586</u>	<u>135,434,977</u>	<u>61,028,211</u>	<u>3,514,810</u>	<u>73,598,795</u>	<u>138,141,816</u>

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

34. Financial risk management (continued)

34.1 Credit risk (continued)

(g) Amounts arising from ECL (continued)

Loss allowance (continued)

The following tables show balance of the loss allowance by class of financial instrument: (continued)

Loans and advances at amortised cost	2019			2018			Total
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	
The Bank							
As at 1 January	14,137,285	818,920	17,600,970	14,585,807	4,828,590	30,694,704	50,109,101
Allowance for impairment loss during the year	9,928,852	(532,718)	12,066,161	(448,522)	(4,009,670)	5,853,690	1,395,498
Written off during the year	-	-	(22,436,319)	-	-	(19,501,526)	(19,501,526)
Currency translation difference	-	-	606,429	-	-	554,102	554,102
At 31 December	24,066,137	286,202	7,837,241	14,137,285	818,920	17,600,970	32,557,175
<i>In KHR000 equivalent (Note 2(e))</i>	98,069,508	1,166,273	31,936,757	57,609,436	3,337,099	71,723,953	132,670,488

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

34. Financial risk management (continued)

34.1 Credit risk (continued)

(g) Amounts arising from ECL (continued)

Measurement of ECL (continued)

Loss allowance (continued)

Financial guarantee contracts	2019			Total US\$	2018 Total US\$
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$		
The Group					
At 1 January	288,498	-	-	288,498	107,172
Reversal of allowance for impairment loss during the year	(87,989)	-	-	(87,989)	187,550
Currency translation difference	6,970	-	-	6,970	(6,224)
At 31 December	<u>207,479</u>	<u>-</u>	<u>-</u>	<u>207,479</u>	<u>288,498</u>
<i>In KHR'000 equivalent (Note 2(e))</i>	<u>845,476</u>	<u>-</u>	<u>-</u>	<u>845,476</u>	<u>1,159,185</u>
The Bank					
At 1 January	288,498	-	-	288,498	106,755
Loss allowance during the year	360,354	-	-	360,354	187,967
Currency translation difference	6,970	-	-	6,970	(6,224)
At 31 December	<u>655,822</u>	<u>-</u>	<u>-</u>	<u>655,822</u>	<u>288,498</u>
<i>In KHR'000 equivalent (Note 2(e))</i>	<u>2,672,474</u>	<u>-</u>	<u>-</u>	<u>2,672,474</u>	<u>1,159,185</u>

34.2 Market risk

The Group and the Bank take on exposure to market risk, which is the risk of changes in the level or volatility of market rates or prices such as interest rates, credit spreads, foreign currency exchange rates, commodity prices and equity prices that could adversely affect the Group's and the Bank's future earnings, capital, or ability to meet business objectives.

The primary categories of market risk for the Group and the Bank are:

- (i) Interest rate risk: can lead to losses when there is an imbalance between assets and liabilities on which interest rates change periodically or at different intervals.
- (ii) Foreign exchange rate risk: can lead to losses when there is an imbalance between assets and liabilities in any particular currency.

The Board Risk Management Committee ("BRMC") is established by the board of directors to assist the Board in the effective discharge of its responsibilities for risk management and to regularly review management's ability to assess and manage the Bank's risks. The market risk is managed based on the following principles and internal targets.

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

34. Financial risk management (continued)

34.2 Market risk (continued)

Principles of the market risk:

- In line with sound banking principles the Group and the Bank will actively manage currencies and interest rate risk positions to hedge positions by matching assets and liabilities.
- The Group and the Bank shall not engage in activities to derive income from proprietary trading or speculation on the movements of exchange rates, interest rates or value of securities.
- The position limits as set by the central banks are meant to limit the adverse impact of market risk and are not meant to create an opportunity for proprietary trading.
- The day to day responsibility for market risk lies with the senior management of the treasury group.

Internal targets of the market risk:

- The regulatory limits on foreign exchange currency mismatch per currency and cumulative should be observed at all times.
- The Bank will have, at all times, internal targets that are stricter than the regulatory limits to allow for a safety margin to ensure permanent full compliance with regulatory limits.
- Setting the level of the internal targets is at the discretion of the Assets and Liabilities Committee ("ALCO") and needs to be both 1) stated and motivated in the ALCO minutes and 2) formally approved by the President & Group Managing Director.

Internal targets of the market risk: (continued)

- Relevant divisions and departments should regularly assess and monitor the perceived risks of non-compliance to the targets. Any breaches of internal targets should be reported to the ALCO and President & Group Managing Directors.
- Any change in level of internal targets will need to be reported by e-mail to the Chair of the Board Risk Management Committee ("BRMC") on the same day the change has been made.
- At all time, the Bank will have a contingency plan to be executed when it is perceived by the President & Group Managing Director that the safety margin may not be sufficient and there is a risk that the regulatory limit on foreign exchange currency mismatch could be reached. Such contingency plan should be sufficient to ensure that the regulatory limits on foreign exchange currency mismatch will not be breached.

As of 31 December 2019 and 31 December 2018, the Group and the Bank did not have financial instruments carried at fair value. The Group uses derivative financial instruments such as foreign exchange contract and interest rate swaps to hold its risk exposures.

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

34. Financial risk management (continued)

34.2 Market risk (continued)

(i) *Interest rate risk*

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of the changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of the changes in the market interest rates. Interest margins may increase as a result of changes but may reduce losses in the event that unexpected movements arise.

The management of the Group and the Bank at this stage does not have a policy to set limits on the level of mismatch of interest rate repricing that may be undertaken; however, the management regularly monitors the mismatch.

The Group's and the Bank's interest rate risk arise from borrowings. Borrowings issued at variable rates expose the Group and the Bank to cash flow interest rate risk. The Group and the Bank manage cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates and recognising the interest expense based on that fixed interest rate. The Group and the Bank raise borrowings at floating rates and swaps them into fixed rate that are lower than those available if the Group and the Bank borrowed at fixed rates directly. Under the interest rate swaps, the Group agreed with other parties to exchange, at specified intervals (primarily semi-annually), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional amounts.

The table below summarises the Group's and the Bank's exposure to interest rate risks. It includes the financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

34. Financial risk management (continued)

34.2 Market risk (continued)

(i) Interest rate risk (continued)

	The Group							Total US\$
	Up to 1 month US\$	1 - 3 months US\$	3 - 12 months US\$	1 - 5 years US\$	Over 5 years US\$	Non-interest bearing US\$		
As at 31 December 2019								
Financial assets								
Cash on hand	-	-	-	-	-	-	421,527,238	421,527,238
Deposits and placements with other banks	101,015,402	1,127,269	-	-	-	-	485,587,860	587,730,531
Financial investments	177,298,469	330,089,942	19,933,035	-	-	-	153,530	527,474,976
Loans and advances								
- Performing	113,123,281	228,380,504	767,798,648	2,417,544,191	305,180,685	-	-	3,832,027,309
- Non performing	-	-	-	-	-	48,075,664	48,075,664	48,075,664
- Loss allowance (*)	-	-	-	-	-	(34,082,454)	(34,082,454)	(34,082,454)
Other assets	-	-	-	-	-	5,918,866	5,918,866	5,918,866
Total financial assets	391,437,152	559,597,715	787,731,683	2,417,544,191	305,180,685	927,180,704	5,388,672,130	
Financial liabilities								
Deposits and placements of other banks and financial institutions	69,219,725	9,732,929	16,835,620	15,794,271	70,150,000	103,442,600	285,175,145	285,175,145
Deposits from customers	1,906,967,793	270,961,829	983,609,388	400,528,294	15,795,722	504,859,827	4,082,722,853	4,082,722,853
Other liabilities	-	-	-	-	-	27,251,397	27,251,397	27,251,397
Borrowings	26,053,241	33,059,455	134,562,903	367,062,751	4,233,351	-	564,971,701	564,971,701
Subordinated debts	-	-	81,243,447	25,964,271	32,094,862	-	-	139,302,580
Total financial liabilities	2,002,240,759	313,754,213	1,216,251,358	809,349,587	122,273,935	635,553,824	5,099,423,676	
Net interest sensitivity gap	(1,610,803,607)	245,843,502	(428,519,675)	1,608,194,604	182,906,750	291,626,880	289,248,454	
In KHR'000 equivalent (Note 2(e))	(6,564,024,699)	1,001,812,271	(1,746,217,676)	6,553,393,011	745,345,006	1,188,379,536	1,178,687,449	
Unused portion of overdrafts	-	-	-	-	-	93,060,063	93,060,063	93,060,063
Guarantees, acceptances and other financial facilities	-	-	-	-	-	47,380,747	47,380,747	47,380,747
Net interest sensitivity gap	-	-	-	-	-	140,440,810	140,440,810	
In KHR'000 equivalent (Note 2(e))	-	-	-	-	-	572,296,301	572,296,301	

(*) Included provision for off balance sheet commitment

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

34. Financial risk management (continued)

34.2 Market risk (continued)

(i) Interest rate risk (continued)

	The Group						Total US\$
	Up to 1 month US\$	1 - 3 months US\$	3 - 12 months US\$	1 - 5 years US\$	Over 5 years US\$	Non-interest bearing US\$	
As at 31 December 2018							
Financial assets							
Cash on hand	-	-	-	-	-	-	407,864,702
Deposits and placements with other banks	19,589,108	932,716	-	-	-	-	337,736,707
Financial investments	329,955,057	258,301,905	31,489,060	-	-	153,529	619,899,551
Loans and advances							
- Performing	109,747,264	226,802,784	700,571,381	2,087,765,297	435,659,845	-	3,560,546,571
- Non performing	-	-	-	-	-	68,000,400	68,000,400
- Loss allowance ⁽¹⁾	-	-	-	-	-	(34,188,330)	(34,188,330)
Other assets	-	-	-	-	-	8,973,702	8,973,702
Total financial assets	459,291,429	486,037,405	732,060,441	2,087,765,297	435,659,845	768,018,886	4,968,833,303
Financial liabilities							
Deposits and placements of other banks and financial institutions							
Deposits from customers	79,787,765	10,094,818	6,235,432	7,621,810	61,650,000	122,973,426	288,363,251
Other liabilities	1,697,089,407	270,167,373	847,737,421	349,004,138	12,402,769	399,691,034	3,576,092,142
Borrowings	-	-	-	-	-	37,985,849	37,985,849
Subordinated debts	29,550,580	33,019,043	371,341,575	345,583,118	10,766,076	-	790,260,392
Total financial liabilities	1,806,427,752	313,281,234	1,257,782,821	719,115,167	112,913,264	560,650,309	4,770,170,547
Net interest sensitivity gap	(1,347,136,323)	172,756,171	(525,722,380)	1,368,650,130	322,746,581	207,368,577	198,662,756
In KHR'000 equivalent (Note 2(e))	(5,412,793,746)	694,134,295	(2,112,352,523)	5,499,236,222	1,296,795,762	833,206,945	798,226,955
Unused portion of overdrafts	-	-	-	-	-	101,627,728	101,627,728
Guarantees, acceptances and other financial facilities	-	-	-	-	-	46,467,229	46,467,229
Net interest sensitivity gap	-	-	-	-	-	148,094,957	148,094,957
In KHR'000 equivalent (Note 2(e))	-	-	-	-	-	595,045,537	595,045,537

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

34. Financial risk management (continued) 34.2 Market risk (continued)

(i) Interest rate risk (continued)

	The Bank						Total US\$
	Up to 1 month US\$	1 - 3 months US\$	3 - 12 months US\$	1 - 5 years US\$	Over 5 years US\$	Non-interest bearing US\$	
As at 31 December 2019							
Financial assets							
Cash on hand	-	-	-	-	-	-	410,955,867
Deposits and placements with other banks	100,430,774	-	-	-	-	-	458,181,566
Financial investments	177,298,469	330,089,942	19,933,035	-	-	-	153,530
Loans and advances							
- Performing	104,137,506	210,501,398	713,611,636	2,339,892,203	305,551,912	-	3,673,694,655
- Non performing	-	-	-	-	-	-	45,729,690
- Loss allowance (1)	-	-	-	-	-	-	(32,845,402)
Other assets	-	-	-	-	-	-	5,935,692
Total financial assets	381,866,749	540,591,340	733,544,671	2,339,892,203	305,551,912	888,110,943	5,189,557,818
Financial liabilities							
Deposits and placements of other banks and financial institutions	67,367,305	7,631,767	6,405,050	14,050,000	70,150,000	108,673,599	274,277,721
Deposits from customers	1,875,484,798	265,335,713	960,119,470	376,717,663	11,928,271	492,560,644	3,982,146,559
Other liabilities	-	-	-	-	-	-	26,115,905
Borrowings	25,698,680	28,185,890	122,807,911	341,375,647	-	-	518,068,128
Subordinated debts	-	-	81,243,447	25,964,271	32,094,862	-	139,302,580
Total financial liabilities	1,968,550,783	301,153,370	1,170,575,878	768,107,581	114,173,133	627,350,148	4,939,910,893
Net interest sensitivity gap	(1,586,684,034)	239,437,970	(437,031,207)	1,581,784,622	191,378,779	260,760,795	249,646,925
<i>In KHR000 equivalent (Note 2(e))</i>	(6,465,737,439)	975,709,728	(1,780,902,169)	6,445,772,335	779,868,524	1,062,600,240	1,017,311,219
Unused portion of overdrafts	-	-	-	-	-	-	93,060,063
Guarantees, acceptances and other financial facilities	-	-	-	-	-	-	47,353,943
Net interest sensitivity gap	-	-	-	-	-	-	140,414,006
<i>In KHR000 equivalent (Note 2(e))</i>	-	-	-	-	-	-	572,187,074

(*) Included provision for off balance sheet commitment

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

34. Financial risk management (continued)

34.2 Market risk (continued)

(i) Interest rate risk (continued)

	The Bank						Total US\$
	Up to 1 month US\$	1-3 months US\$	3-12 months US\$	1-5 years US\$	Over 5 years US\$	Non-interest bearing US\$	
As at 31 December 2018							
Financial assets							
Cash on hand	-	-	-	-	-	-	398,012,184
Deposits and placements with other banks	19,311,377	-	-	-	-	-	328,892,729
Financial investments	329,955,057	258,301,905	31,489,060	-	-	153,529	619,899,551
Loans and advances							
- Performing	102,861,822	212,138,377	656,234,480	2,021,406,387	434,136,131	-	3,426,777,197
- Non performing	-	-	-	-	-	65,634,857	65,634,857
- Loss allowance ⁽ⁱ⁾	-	-	-	-	-	(32,845,673)	(32,845,673)
Other assets	-	-	-	-	-	9,086,699	9,086,699
Total financial assets	452,128,256	470,440,282	687,723,540	2,021,406,387	434,136,131	749,622,948	4,815,457,544
Financial liabilities							
Deposits and placements of other banks and financial institutions							
Deposits from customers	78,457,826	7,048,461	5,546,194	7,621,810	61,650,000	124,037,073	284,361,364
Other liabilities	1,666,809,555	264,215,242	828,594,684	332,001,554	10,991,576	393,304,227	3,485,916,838
Borrowings	29,527,248	27,895,560	361,069,805	328,928,937	6,170,912	35,719,344	35,719,344
Subordinated debts	-	-	32,468,393	16,906,101	28,094,419	-	753,592,462
Total financial liabilities	1,774,794,629	299,159,263	1,227,679,076	685,458,402	106,906,907	553,060,644	4,647,058,921
Net interest sensitivity gap	(1,322,666,373)	171,281,019	(539,955,536)	1,335,947,985	327,229,224	196,562,304	166,398,623
In KHR'000 equivalent (Note 2(e))	(5,314,473,487)	688,207,134	(2,169,541,344)	5,367,839,004	1,314,807,022	789,787,339	676,625,668
Unused portion of overdrafts	-	-	-	-	-	101,627,728	101,627,728
Guarantees, acceptances and other financial facilities	-	-	-	-	-	46,441,064	46,441,064
Net interest sensitivity gap	-	-	-	-	-	148,068,792	148,068,792
In KHR'000 equivalent (Note 2(e))	-	-	-	-	-	594,940,406	594,940,406

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

34. Financial risk management (continued)

34.2 Market risk (continued)

(i) *Interest rate risk (continued)*

Fair value sensitivity analysis for fixed-rate instruments

The Group and the Bank do not account for any fixed-rate financial assets or financial liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect statement of profit or loss.

Cash flow sensitivity analysis for variable-rate instruments

Statement of profit or loss is sensitive to higher/lower interest expenses from borrowings as a result of changes in interest rates. The change of 25 basis points ("bp") in interest rates of borrowings at the reporting date would not have material effect on statement of profit or loss of the Group and the Bank.

(ii) *Foreign exchange risk*

The Group operates in Cambodia, Lao PDR, and Republic of the Union of Myanmar and transacts in many currencies. It is exposed to various currency risks, primarily with respect to Khmer Riel, Euro, Thai Baht, LAK, JPY, AUD, VND, CAD, Kyat and others.

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

Management monitors their foreign exchange risk against functional currencies. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, the Group use forward contracts.

The table below summarises the Group's and the Bank's exposure to foreign currency exchange rate risk at 31 December 2019 and 31 December 2018. Included in the table are the financial instruments at carrying amount by currency in US\$ equivalent.

ACLEDA BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

34. Financial risk management (continued)

34.2 Market risk (continued)

(ii) *Foreign exchange risk (continued)*

	The Group							
	In US\$ equivalent							
	KHR	USD	THB	EUR	AUD	LAK	Others	Total
As at 31 December 2019								
Financial assets								
Cash on hand	73,832,938	328,112,584	9,820,413	1,697,804	259,264	6,253,302	1,550,933	421,527,238
Deposits and placements with other banks	134,547,685	425,145,989	9,133,078	2,857,189	-	14,830,882	1,215,708	587,730,531
Financial investments	49,132	527,425,844	-	-	-	-	-	527,474,976
Loans and advances	490,616,838	3,163,835,145	27,858,301	-	-	127,201,433	36,508,802	3,846,020,519
Other assets	137,705	5,729,950	2,418	-	-	48,793	-	5,918,866
Total financial assets	699,184,298	4,450,249,512	46,814,210	4,554,993	259,264	148,334,410	39,275,443	5,388,672,130
Financial liabilities								
Deposits and placements of other banks and financial institutions	28,342,365	240,639,132	371,838	-	-	15,821,810	-	285,175,145
Deposits from customers	592,801,497	3,358,536,818	41,962,783	4,009,451	96	79,724,173	5,688,035	4,082,722,853
Other liabilities	3,647,241	21,854,120	609,168	1,022,705	-	104,186	13,977	27,251,397
Borrowings	65,414,272	464,694,714	-	-	-	17,950,971	16,911,744	564,971,701
Subordinated debts	-	139,302,580	-	-	-	-	-	139,302,580
Total financial liabilities	690,205,375	4,225,027,364	42,943,789	5,032,156	96	113,601,140	22,613,756	5,099,423,676
Net on-balance sheet position	8,978,923	225,222,148	3,870,421	(477,163)	259,168	34,733,270	16,661,687	289,248,454
<i>In KHR000 equivalent (Note 2(e))</i>	36,589,111	917,780,253	15,771,966	(1,944,439)	1,056,110	141,538,075	67,896,373	1,178,687,449
Unused portion of overdrafts	1,498,045	91,495,024	66,994	-	-	-	-	93,060,063
Guarantees, acceptances and other financial facilities	4,229,904	42,756,751	43,550	70,000	-	-	280,542	47,380,747
Credit commitment	5,727,949	134,251,775	110,544	70,000	-	-	280,542	140,440,810
<i>In KHR000 equivalent (Note 2(e))</i>	23,341,392	547,075,983	450,467	285,250	-	-	1,143,209	572,296,301

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

34. Financial risk management (continued)

34.2 Market risk (continued)

(ii) *Foreign exchange risk (continued)*

	The Group							
	In US\$ equivalent							
	KHR	USD	THB	EUR	AUD	LAK	Others	Total
As at 31 December 2018								
Financial assets								
Cash on hand	74,046,163	307,627,846	16,180,115	1,919,631	297,112	5,457,692	2,336,143	407,864,702
Deposits and placements with other banks	69,043,659	258,601,320	4,239,189	1,888,508	-	3,201,979	702,052	337,736,707
Financial investments	4,107,980	615,791,571	-	-	-	-	-	619,899,551
Loans and advances	418,012,770	3,025,762,740	26,104,343	-	-	100,812,849	23,665,939	3,594,358,641
Other assets	147,260	8,803,736	2,627	-	-	16,520	3,559	8,973,702
Total financial assets	565,357,832	4,216,587,213	46,586,274	3,808,139	297,112	109,489,040	26,707,693	4,968,833,303
Financial liabilities								
Deposits and placements of other banks and financial institutions	28,517,884	246,601,947	8,177,802	-	-	5,065,618	-	288,363,251
Deposits from customers	467,373,070	2,998,407,405	36,097,647	3,419,749	226	67,476,302	3,317,743	3,576,092,142
Other liabilities	2,828,363	34,733,127	10,052	221,604	-	103,391	89,312	37,985,849
Borrowings	44,583,860	721,916,329	-	-	-	13,519,208	10,240,995	790,260,392
Subordinated debts	-	77,468,913	-	-	-	-	-	77,468,913
Total financial liabilities	543,303,177	4,079,127,721	44,285,501	3,641,353	226	86,164,519	13,648,050	4,770,170,547
Net on-balance sheet position	22,054,655	137,459,492	2,300,773	166,786	296,886	23,324,521	13,059,643	198,662,756
<i>In KHR'000 equivalent (Note 2(e))</i>	88,615,604	552,312,239	9,244,506	670,146	1,192,888	93,717,925	52,473,647	798,226,955
Unused portion of overdrafts	2,152,563	99,229,205	245,940	-	-	-	-	101,627,728
Forward foreign exchange	-	-	-	-	-	-	-	-
Guarantees, acceptances and other financial facilities	2,488,158	43,548,457	48,973	183,938	-	-	197,703	46,467,229
Credit commitment	4,640,741	142,777,662	294,913	183,938	-	-	197,703	148,094,957
<i>In KHR'000 equivalent (Note 2(e))</i>	18,646,497	573,680,646	1,184,960	739,063	-	-	794,371	595,045,537

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

34. Financial risk management (continued)

34.2 Market risk (continued)

(ii) Foreign exchange risk (continued)

	The Bank							
	In US\$ equivalent							
	KHR	USD	THB	EUR	AUD	LAK	Others	Total
As at 31 December 2019								
Financial assets								
Cash on hand	73,824,417	326,481,164	7,846,913	1,640,057	255,318	1,533	906,465	410,955,867
Deposits and placements with other banks	134,547,685	416,769,673	3,254,084	2,857,189	-	-	1,183,709	558,612,340
Financial investments	49,132	527,425,844	-	-	-	-	-	527,474,976
Loans and advances	490,616,838	3,168,103,804	27,858,301	-	-	-	-	3,686,578,943
Other assets	110,416	5,822,858	2,418	-	-	-	-	5,935,692
Total financial assets	699,148,488	4,444,603,343	38,961,716	4,497,246	255,318	1,533	2,090,174	5,189,557,818
Financial liabilities								
Deposits and placements of other banks and financial institutions	28,342,365	242,258,492	3,676,864	-	-	-	-	274,277,721
Deposits from customers	592,856,864	3,365,015,800	30,264,348	4,009,451	96	-	-	3,982,146,559
Other liabilities	3,646,652	21,433,839	11,342	1,022,705	-	181	1,186	26,115,905
Borrowings	65,414,272	452,653,856	-	-	-	-	-	518,068,128
Subordinated debts	-	139,302,580	-	-	-	-	-	139,302,580
Total financial liabilities	690,260,153	4,210,664,567	33,952,554	5,032,156	96	181	1,186	4,939,910,893
Net on-balance sheet position	8,888,335	233,938,776	5,009,162	(534,910)	255,222	1,352	2,088,988	249,646,925
<i>In KHR'000 equivalent (Note 2(e))</i>	36,219,965	953,300,512	20,412,335	(2,179,758)	1,040,030	5,509	8,512,626	1,017,311,219
Unused portion of overdrafts	1,498,045	91,495,024	66,994	-	-	-	-	93,060,063
Guarantees, acceptances and other financial facilities	4,229,904	42,729,947	43,550	70,000	-	-	280,542	47,353,943
Credit commitment	5,727,949	134,224,971	110,544	70,000	-	-	280,542	140,414,006
<i>In KHR'000 equivalent (Note 2(e))</i>	23,341,392	546,966,757	450,467	285,250	-	-	1,143,208	572,187,074

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

34. Financial risk management (continued)

34.2 Market risk (continued)

(ii) Foreign exchange risk (continued)

	The Bank							
	KHR	USD	THB	EUR	AUD	LAK	Others	Total
As at 31 December 2018								
Financial assets								
Cash on hand	74,041,753	305,580,467	14,514,523	1,804,002	280,258	915	1,790,266	398,012,184
Deposits and placements with other banks	69,043,659	256,898,112	393,513	1,888,508	-	-	668,937	328,892,729
Financial investments	4,107,980	615,791,571	-	-	-	-	-	619,899,551
Loans and advances	418,012,770	3,015,570,834	25,982,777	-	-	-	-	3,459,566,381
Other assets	119,552	8,964,894	2,253	-	-	-	-	9,086,699
Total financial assets	565,325,714	4,202,805,878	40,893,066	3,692,510	280,258	915	2,459,203	4,815,457,544
Financial liabilities								
Deposits and placements of other banks and financial institutions	28,517,884	247,657,126	8,186,354	-	-	-	-	284,361,364
Deposits from customers	467,383,963	2,995,349,623	29,761,996	3,419,749	226	-	1,281	3,495,916,838
Other liabilities	2,827,200	32,587,124	10,052	221,604	-	-	73,364	35,719,344
Borrowings	44,583,860	709,008,602	-	-	-	-	-	753,592,462
Subordinated debts	-	77,468,913	-	-	-	-	-	77,468,913
Total financial liabilities	543,312,907	4,062,071,388	37,958,402	3,641,353	226	-	74,645	4,647,058,921
Net on-balance sheet position	22,012,807	140,734,490	2,934,664	51,157	280,032	915	2,384,558	168,398,623
<i>In KHR000 equivalent (Note 2(e))</i>	88,447,459	565,471,181	11,791,480	205,549	1,125,169	3,676	9,581,154	676,625,668
Unused portion of overtrafts	2,152,583	99,229,205	245,940	-	-	-	-	101,627,728
Guarantees, acceptances and other financial facilities	2,488,158	43,522,292	48,973	183,938	-	-	197,703	46,441,064
Credit commitment	4,640,741	142,751,497	294,913	183,938	-	-	197,703	148,068,792
<i>In KHR000 equivalent (Note 2(e))</i>	18,646,497	573,575,515	1,184,960	739,063	-	-	794,371	594,940,406

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

34. FINANCIAL RISK MANAGEMENT (continued)

34.2 Market risk (continued)

(ii) *Foreign exchange risk (continued)*

Sensitivity analysis

The Group and the Bank is exposed to changes in US dollar and other foreign currencies exchange rate. Due to a reasonably possible strengthening (weakening) of the US dollar against foreign currencies, the Group and the Bank's exposure to other foreign exchange movement is not material.

(iii) *Price risk*

The Group and the Bank is not exposed to securities price risk because it does not hold any investment held and classified on the statement of financial position at fair value.

34.3 Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its obligations or payment or offset positions in a given economic and financial context and specific market situation. Typically, it is the risk of loss arising from situation where 1) the Bank has not enough cash and/or cash equivalents to meet the needs of depositors, borrowers, and contingent liabilities, 2) the sale of illiquid assets lower than market price, and 3) illiquid assets would not be sold at the desired time due to a lack of buyers.

The objective of the Group's liquidity risk management is to ensure that the Group can meet its cash obligations in a timely and cost-effective manner. To this end, the Group's liquidity and funding management policy is to maintain high quality and well diversified portfolios of liquid assets and sources of funds under both normal business and stress conditions. Due to its large distribution network and strategic marketing focus, the Group is able to maintain a diversified core deposit base comprising savings, demand, and fixed deposits. This provides the Group a large stable funding base.

(a) *Liquidity risk management process*

The day-to-day responsibility for liquidity risk management and control is delegated to the ALCO which monthly report to executive committee.

For day-to-day liquidity management, the treasury operations will ensure sufficient funding to meet its intraday payment and settlement obligations on a timely basis. Besides, the process of managing liquidity risk also includes:

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

34. Financial risk management (continued)

34.3 Liquidity risk (continued)

a) Liquidity risk management process (continued)

Principles of the liquidity risk:

- At all times the related senior management of the treasury group shall ensure that the Bank's operations can meet its current and future funding needs. The Treasury Department shall stress-test its liquidity position on a daily basis
- The related senior management of treasury group has established a risk control framework and procedures to ensure it maintains sufficient liquidity at all time, including the holding of unencumbered eligible assets, to withstand a range of stress events, including the loss of funding sources such as deposits, borrowings, capital raising that liquidity risk is managed in accordance with the requirements of the Board.
- Stress testing is performed regularly to assess various scenarios includes short, medium and long-term, institution-specific and market-wide stress which may put the Bank's liquidity at risk.
- The Treasury Department identifies, monitors, manages and controls the risk associated intraday liquidity as well as short, medium and long-term liquidity as these are key periods for liquidity management. The Treasury Department develops and implements stress tests on the projected cash flows. The outputs are used to inform the Bank's contingency funding plan.
- The Bank incorporates liquidity cost, benefits and risks in the internal pricing, performance measurement, and new products/services approval process for all significant business activities (both on and off balance sheet) in order to align with the benefits from accepting risks of each business unit and liquidity risks affecting the business activities of the Bank.

Internal targets of the liquidity risk:

- The regulatory limit on the Liquidity Coverage Ratio (LCR) should be observed at all times.
- The Bank will have, at all times, an internal targets that is higher than the regulatory limit to allow for a safety margin to ensure permanent full compliance with regulatory limit.
- Setting the level of the internal targets is at the discretion of the ALCO and needs to be both 1) stated and motivated in the ALCO minutes and 2) formally approved by the President & Group Managing Director.
- Relevant divisions and departments should regularly assess and monitor the perceived risks of non-compliance to the targets. Any breaches of internal targets should be reported to the ALCO for remedial actions and President & Group Managing Director for approval.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

34. Financial risk management (continued)

34.3 Liquidity risk (continued)

a) Liquidity risk management process (continued)

Internal targets of the liquidity risk: (continued)

- Any change level of internal targets will need to be reported by e-mail to the Chair of the BRMC on the same day the change has been made.
- At all time, the Bank will have a contingency plan to be executed when it is perceived by the President & Group Managing Director that the safety margin may not be sufficient and there is a risk that the regulatory limit on liquidity could be breached. Such contingency plan should be sufficient to ensure that the regulatory limits on liquidity will not be breached.

The Bank has put in place a robust and comprehensive liquidity risk management framework in accordance with National Bank of Cambodia's Prakas No. B7-017-301 dated on 27 September 2017 on Liquidity Risk Management Framework (LRMF), which consists of risk appetite, risk tolerance, policies, early warning indicators, and monitoring mechanism which are reviewed and endorsed by BRMC and approved by the Board. The key elements of the framework are to ensure that the Bank maintains sufficient liquidity at all times, including the holding of unencumbered eligible assets, to withstand a range of stress events, including the loss of funding sources, either internally (as with deposits) or externally (as with borrowings or raising additional capital), and other issues. The Bank ensures that the business activities are mainly funded with stable sources of funding on an ongoing basis.

The management designs a set of early warning indicators to aid its daily liquidity risk management processes in identifying the emergence of increased risk or vulnerabilities in its liquidity risk position or potential funding needs.

The Bank's contingency liquidity plan (CLP) is in place to alert and to enable the management to act effectively and efficiently during a liquidity crisis and under adverse market conditions. The objective of contingency liquidity plan is to ensure that the bank has a framework for managing the liquidity sufficiently and robustly in the event of liquidity crisis based on the result of liquidity stress testing.

The Group is measuring, monitoring and managing its liquidity positions to comply with the regulatory Liquidity Coverage Ratio (LCR). The Bank shall calculate Liquidity Coverage Ratio (LCR) using new reporting template from 1 January 2016 via a phase-in period until fully comply by 1 January 2020. The Bank shall, at all time, maintain an adequate stock of eligible liquid assets to fulfil the LCR limits as determined in accordance with the following timeline:

With effect from	1 September 2016	1 September 2017	1 September 2018	1 June 2019	1 January 2020
Minimum LCR	60%	70%	80%	90%	100%

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

34. Financial risk management (continued)

34.3 Liquidity risk (continued)

a) Liquidity risk management process (continued)

The purpose of the LCR aims at promoting short-term resilience of each institution's liquidity risk profile, ensuring that each institution has an adequate stock of unencumbered liquid assets that can be converted into cash at no or little loss of value in markets, to meet its liquidity needs for a 30-day liquidity stress scenario, and ensuring that prompt corrective actions are taken by the institution's management when the LCR potentially falls below the minimum requirement.

The Bank also uses a range of tools such as liquidity ratio, liquidity gap analysis, safety margin, and monthly cash flow projection to measure, monitor and manage its liquidity positions. In addition, The Bank also performs daily and monthly liquidity stress test in order to identify and quantify its exposures to possible future liquidity stresses, analysing possible impacts on the Bank's cash flows, liquidity position, profitability and solvency.

(b) Funding approach

The Group's main sources of liquidities arise from shareholder's paid-up capital, borrowings, subordinated debts, due to other banks and financial institutions and deposits from customers. The sources of liquidity are regularly reviewed daily through management's review of maturity of fixed deposits and key depositors. For borrowings and subordinated debts are also regularly reviewed daily via management's review of interest and principal repayments and maturity.

(c) Non-derivative cash flows

The table below presents the cash flows payable under non-derivative financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Group manages the inherent liquidity risk based on contractual undiscounted cash flows.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

34. Financial risk management (continued)

34.3 Liquidity risk (continued)

c) Non-derivative cash flows (continued)

	The Group						Total US\$
	Up to 1 month US\$	1 to 3 months US\$	3 to 6 months US\$	6 to 12 months US\$	1 to 5 years US\$	Over 5 years US\$	
As at 31 December 2019							
Financial liabilities							
Deposits and placements of other banks and financial institutions	172,835,944	10,288,815	11,750,142	9,602,863	36,520,215	105,936,955	346,934,934
Deposits from customers	2,402,381,760	279,218,632	359,057,249	673,746,233	448,897,971	19,882,611	4,183,184,456
Other liabilities	26,675,519	236,497	339,381	-	-	-	27,251,397
Borrowings	26,184,654	27,992,072	75,895,128	80,685,179	423,525,392	5,318,536	639,600,961
Subordinated debts	-	-	4,325,282	12,555,044	101,690,664	79,406,271	197,977,261
Total financial liabilities (contractual maturity dates)	2,628,077,877	317,736,016	451,367,182	776,589,319	1,010,634,242	210,544,373	5,394,949,009
<i>In KHR'000 equivalent (Note 2(e))</i>	10,709,417,349	1,294,774,265	1,839,321,267	3,164,601,475	4,118,334,536	857,968,320	21,984,417,212
Assets held for managing liquidity risk (contractual maturity dates)	1,343,277,244	632,545,967	404,176,750	663,729,352	3,005,271,271	369,127,493	6,418,128,077
<i>In KHR'000 equivalent (Note 2(e))</i>	5,473,854,769	2,577,624,816	1,647,020,256	2,704,697,109	12,246,480,429	1,504,194,534	26,153,871,913
As at 31 December 2018							
Financial liabilities							
Deposits and placements of other banks and financial institutions	202,785,861	10,113,639	2,104,737	4,186,155	7,621,810	61,650,000	288,462,202
Deposits from customers	2,087,468,909	278,201,504	342,554,918	553,035,148	414,516,214	50,694,150	3,726,470,843
Other liabilities	35,823,121	2,138,196	24,532	-	-	-	37,965,849
Borrowings	29,712,122	27,179,716	87,510,560	316,672,928	405,442,240	11,534,563	878,052,129
Subordinated debts	-	-	15,492,681	21,971,329	27,943,024	41,132,767	106,539,801
Total financial liabilities (contractual maturity dates)	2,355,790,013	317,633,055	447,687,428	895,865,560	855,523,286	165,011,480	5,037,510,824
<i>In KHR'000 equivalent (Note 2(e))</i>	9,465,564,272	1,276,249,615	1,798,808,086	3,599,587,820	3,437,492,571	663,016,127	20,240,718,491
Assets held for managing liquidity risk (contractual maturity dates)	1,226,974,104	550,382,811	365,086,642	618,768,350	2,638,726,509	538,034,385	5,937,972,801
<i>In KHR'000 equivalent (Note 2(e))</i>	4,929,981,950	2,211,438,135	1,466,918,128	2,486,211,230	10,602,403,113	2,161,822,159	23,858,774,715

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

34. Financial risk management (continued)

34.3 Liquidity risk (continued)

c) Non-derivative cash flows (continued)

	The Bank						Total US\$
	Up to 1 month US\$	1 to 3 months US\$	3 to 6 months US\$	6 to 12 months US\$	1 to 5 years US\$	Over 5 years US\$	
As at 31 December 2019							
Financial liabilities							
Deposits and placements of other banks and financial institutions	176,209,427	8,164,348	5,010,927	5,657,352	34,612,283	105,936,955	335,591,292
Deposits from customers	2,358,491,961	273,218,232	350,178,997	657,013,977	421,325,292	14,204,400	4,074,432,859
Other liabilities	26,115,905	-	-	-	-	-	26,115,905
Borrowings	25,752,724	22,647,953	69,429,074	72,502,200	391,929,778	-	582,261,729
Subordinated debts	-	-	4,325,282	12,555,044	101,690,664	79,406,271	197,977,261
Total financial liabilities (contractual maturity dates)	2,586,570,017	304,030,533	428,944,280	747,728,573	949,558,017	199,547,626	5,216,379,046
<i>In KHR'000 equivalent (Note 2(e))</i>	10,540,272,819	1,238,924,422	1,747,947,941	3,046,993,935	3,869,448,919	813,156,576	21,256,744,612
Assets held for managing liquidity risk (contractual maturity dates)							
<i>In KHR'000 equivalent (Note 2(e))</i>	1,293,027,835	608,704,366	374,962,240	624,041,709	2,909,086,466	367,983,735	6,177,806,351
	5,269,088,428	2,480,470,291	1,527,971,128	2,542,969,964	11,854,527,349	1,499,533,720	25,174,560,880
As at 31 December 2018							
Financial liabilities							
Deposits and placements of other banks and financial institutions	202,512,052	7,048,599	2,104,737	3,468,677	7,621,810	61,650,000	284,405,875
Deposits from customers	2,050,741,823	271,963,891	333,113,363	541,971,716	394,769,677	48,546,708	3,641,107,178
Other liabilities	35,549,344	170,000	-	-	-	-	35,719,344
Borrowings	29,679,245	21,769,086	81,313,940	310,340,776	384,650,390	6,318,227	834,071,664
Subordinated debts	-	-	15,492,681	21,971,329	27,943,024	41,132,767	106,539,801
Total financial liabilities (contractual maturity dates)	2,318,482,464	300,951,576	432,024,721	877,752,498	814,984,901	157,647,702	4,901,843,862
<i>In KHR'000 equivalent (Note 2(e))</i>	9,315,662,540	1,209,223,432	1,735,875,329	3,526,809,537	3,274,609,332	633,428,467	19,695,608,637
Assets held for managing liquidity risk (contractual maturity dates)							
<i>In KHR'000 equivalent (Note 2(e))</i>	1,200,370,637	531,087,038	341,790,614	586,112,328	2,557,914,436	535,228,362	5,752,503,415
	4,823,089,219	2,133,907,719	1,373,314,687	2,354,999,334	10,277,700,204	2,150,547,559	23,113,558,722

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

34. Financial risk management (continued)

34.3 Liquidity risk (continued)

(d) Off-balance sheet items

i. Loan commitments and guarantee

The dates of the contractual amounts of the Group's and the Bank's off-balance sheet financial instruments that commit it to extend credit to customers and other facilities (Note 31) are summarised in table below:

	The Group					Total US\$
	Up to 1 month US\$	1 to 3 months US\$	3 to 12 months US\$	1 to 5 years US\$	Over 5 years US\$	
At 31 December 2019						
Unused portion of overdrafts	93,060,063	-	-	-	-	93,060,063
Bank guarantees	4,160,581	8,694,805	21,218,165	4,358,846	-	38,432,397
Letters of credit	1,596,300	3,982,916	3,369,134	-	-	8,948,350
Gross settled (interest rate swap - cash flow hedges)	(207,366)	(51,621)	(1,805,889)	(1,197,379)	-	(3,262,255)
- (inflow)	150,582	39,248	2,100,484	1,702,899	-	3,993,213
- outflow	(56,784)	(12,373)	294,595	505,520	-	730,958
Net						
Total	98,760,160	12,665,348	24,881,894	4,864,366	-	141,171,768

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

34. Financial risk management (continued)

34.3 Liquidity risk (continued)

- (d) Off-balance sheet items (continued)
- i. *Loan commitments and guarantee (continued)*

	The Group					
	Up to 1 month US\$	1 to 3 months US\$	3 to 12 months US\$	1 to 5 years US\$	Over 5 years US\$	Total US\$
At 31 December 2018						
Unused portion of overdrafts	101,627,728	-	-	-	-	101,627,728
Bank guarantees	4,047,484	7,744,244	19,104,023	6,234,783	341	37,130,875
Letters of credit	2,461,481	5,256,610	1,618,263	-	-	9,336,354
Gross settled (interest rate swap - cash flow hedges)	(57,750)	(631,714)	(7,376,418)	(4,506,391)	(48,166)	(12,620,439)
- (inflow)	36,827	525,358	5,584,691	4,243,269	58,190	10,448,335
- outflow	(20,923)	(106,356)	(1,791,727)	(263,122)	10,024	(2,172,104)
Net						
Total	108,115,770	12,894,498	18,930,559	5,971,661	10,365	145,922,853

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

34. Financial risk management (continued)

34.3 Liquidity risk (continued)

(d) Off-balance sheet items (continued)

i. *Loan commitments and guarantee (continued)*

	The Bank					Total US\$
	Up to 1 month US\$	1 to 3 months US\$	3 to 12 months US\$	1 to 5 years US\$	Over 5 years US\$	
At 31 December 2019						
Unused portion of overdrafts	93,060,063	-	-	-	-	93,060,063
Bank guarantees	4,160,581	8,670,727	21,215,439	4,358,846	-	38,405,593
Letters of credit	1,596,300	3,982,916	3,369,134	-	-	8,948,350
Gross settled (interest rate swap - cash flow hedges)	(207,366)	(51,621)	(1,805,889)	(1,197,379)	-	(3,262,255)
- (inflow)	150,582	39,248	2,100,484	1,702,899	-	3,993,213
- Outflow	(56,784)	(12,373)	294,595	505,520	-	730,958
Net						
Total	98,760,160	12,641,270	24,879,168	4,864,366	-	141,144,964

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

34. Financial risk management (continued)

34.3 Liquidity risk (continued)

- (d) Off-balance sheet items (continued)
- i. *Loan commitments and guarantee (continued)*

	The Bank					
	Up to 1 month US\$	1 to 3 months US\$	3 to 12 months US\$	1 to 5 years US\$	Over 5 years US\$	Total US\$
At 31 December 2018						
Unused portion of overdrafts	101,627,728	-	-	-	-	101,627,728
Bank guarantees	4,037,734	7,727,829	19,104,023	6,234,783	341	37,104,710
Letters of credit	2,461,481	5,256,610	1,618,263	-	-	9,336,354
Gross settled (interest rate swap - cash flow hedges)	(57,750)	(631,714)	(7,376,418)	(4,506,391)	(48,166)	(12,620,439)
- (inflow)	36,827	525,358	5,584,691	4,243,269	58,190	10,448,335
- outflow	(20,923)	(106,356)	(1,791,727)	(263,122)	10,024	(2,172,104)
Net						
Total	108,106,020	12,878,083	18,930,559	5,971,661	10,365	145,896,688

- ii. *Other financial facilities*

Other financial facilities (Note 31) are also included as above based on the earliest contractual date.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

34. Financial risk management (continued)

34.4 Fair value of financial instruments

Financial instruments comprise financial assets and financial liabilities. The Group and the Bank have an established framework and policies which provide guidance concerning the practical considerations, principles and analytical approaches for the establishment of prudent valuation for financial instruments measured at fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The valuation of financial instruments are determined by reference to quoted prices in active markets or by using valuation techniques based on observable inputs or unobservable inputs. Management judgment is exercised in the selection and application of appropriate parameters, assumptions and modelling techniques where some or all of the parameter inputs are not observable in deriving fair value.

Valuation adjustment is also an integral part of the valuation process. Valuation adjustment is to reflect the uncertainty in valuations generally for products that are less standardised, less frequently traded and more complex in nature. In making a valuation adjustment, the Group and the Bank follow methodologies that consider factors such as liquidity, bid-offer spread, and unobservable prices and inputs in the market and uncertainties in the assumptions and parameters.

The Group and the Bank continuously enhance its design, validation methodologies and processes to ensure the valuations are reflective. The valuation models are validated both internally and externally, with periodic reviews to ensure the model remains suitable for its intended use.

Determination of fair value:

The Group and the Bank classify its financial instruments measured at fair value according to the following hierarchy, reflecting the significance of the inputs in making the fair value measurements:

- Level 1 Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 Inputs to the valuation methodology include:
- Quoted prices for similar assets and liabilities in active markets; or
 - Quoted prices for identical or similar assets and liabilities in non-active markets; or
 - Inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 One or more inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

34. Financial risk management (continued)

34.4 Fair value of financial instruments (continued)

Determination of fair value: (continued)

Assets and liabilities are classified as Level 1 when the valuation is based on quoted prices for identical assets or liabilities in active markets.

Assets and liabilities are regarded as being quoted in an active market if the prices are readily available from a published and reliable source and those prices represent actual and regularly occurring market transactions on an arm's length basis.

When fair value is determined using quoted prices of similar assets and liabilities in active markets or quoted prices of identical or similar assets and liabilities in non-active markets, such assets and liabilities are classified as Level 2. In cases where quoted prices are generally not available, the Group and the Bank determine fair value based upon valuation techniques that use market parameters as inputs. Most valuation techniques employ observable market data, including but not limited to yield curves, equity prices, volatilities and foreign exchange rates.

Assets and liabilities are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data. Such inputs are determined based on observable inputs of a similar nature, historical observations or other analytical techniques.

If prices or quotes are not available for an instrument or a similar instrument, fair value will be established by using valuation techniques or Mark-to-Model. Judgment may be required to assess the need for valuation adjustments to appropriately reflect unobservable parameters. The valuation models shall also consider relevant transaction data such as maturity. The inputs are then benchmarked and extrapolated to derive the fair value.

(a) Financial instruments measured at fair value

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

(b) Financial instruments not measured at fair value

As at the reporting date, the fair values of financial instruments of the Group and the Bank approximate their carrying amounts.

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

i. Deposits and placements with other banks

Deposits and placements with other banks include current accounts which are non-interest bearing, savings deposits and short-term deposits. The fair value of deposits and placements with other banks approximate their carrying values at the reporting date due to the relatively short maturity of these instruments.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

34. Financial risk management (continued)

34.4 Fair value of financial instruments (continued)

(b) Financial instruments not measured at fair value (continued)

ii. *Financial investments*

- *Financial investments at FVOCI*

This represents the Bank's investment in Credit Bureau Holding (Cambodia) Ltd. with 5% as Equity Cash Investment and 1% through the Association of Banks in Cambodia. No fair value disclosures are provided for equity investment securities of \$153,529 (2018: \$153,529) that are measured at cost because their fair value cannot be reliably measured. The investment is neither redeemable nor transferable and there is no market for them. The Group and the Bank do not intend to dispose of the investment.

- *Financial investments at amortised cost*

Financial investments at amortised cost include negotiable certificate of deposits (NCD) with the National Bank of Cambodia with maturities of less than one year. The fair value of financial investments approximates their carrying values at the reporting date due to the relatively short maturity of these instruments.

iii. *Loans and advances*

The fair value of loans and advances is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. Input into the valuation techniques includes expected lifetime credit losses, interest rates, prepayment rates and primary origination or secondary market spreads. For collateral-dependent impaired loans, the fair value is measured based on the value of the underlying collateral. Input into the models may include data from third party and information obtained from other market participants, which includes observed primary and secondary transactions. Its carrying value approximates to fair value at the reporting date.

iv. *Deposits and placements of other banks and financial institutions and deposits from customers*

The fair value of deposits and placements of other banks and financial institutions and deposits from customers with maturities of less than one year approximates their carrying amount due to the relatively short maturity of these instruments. The fair value of deposits and placements of other banks and financial institutions and deposits from customers with remaining maturities of more than one year are expected to approximates their carrying amount due to the Group and the Bank offered similar interest rate of the instrument with similar maturities and terms.

The estimated fair value of deposits with no stated maturities, which includes non-interest bearing deposits, deposits payable on demand is the amount payable at the reporting date.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

34. Financial risk management (continued)

34.4 Fair value of financial instruments (continued)

(b) Financial instruments not measured at fair value (continued)

v. *Other assets and other liabilities*

The carrying amounts of other financial assets and other financial liabilities are assumed to approximate their fair values as these items are not materially sensitive to the shift in market interest rates.

vi. *Borrowings and subordinated debts*

The fair value of borrowings and subordinated debts are estimated by discounting the expected future cash flows using the applicable prevailing market interest rates for borrowings with similar risk profiles. However, only the contractual interest rates which are confirmed and provided by all lenders are available at the reporting date instead of the applicable prevailing market interest rates. The Group and the Bank believed that the contractual interest rates were not significantly different to the prevailing market interest rates on the ground that there was no change to interest rates following the lenders' consideration on the Group's and the Bank's credit risk profile as at reporting date. On this basis, the fair value of borrowings and subordinated debts approximates their carrying values at the reporting date.

34.5 Capital management

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of statement of financial position, are:

- To comply with the capital requirement set by the National Bank of Cambodia;
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of business.

The National Bank of Cambodia requires all commercial banks to i) hold minimum capital requirement, ii) maintain the Bank's net worth at least equal to minimum capital, and iii) comply with solvency ratio, liquidity coverage ratio and other prudential ratios.

The table below summarises the composition of regulatory capital follows requirement of the National Bank of Cambodia, and the amounts are based on the separate financial statements for the year ended 31 December 2019 prepared in accordance with guidelines issued by the National Bank of Cambodia and Cambodian International Accounting Standards.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

34. Financial risk management (continued)

34.5 Capital management (continued)

	The Bank			
	2019 US\$	2018 US\$	2019 KHR'000 (Note 2(e))	2018 KHR'000 (Note 2(e))
Tier 1 capital				
Share capital	428,818,154	395,224,105	1,747,433,978	1,588,010,454
Retained earnings	117,886,779	116,990,702	480,388,624	470,068,641
General reserves	388,464,324	339,813,727	1,582,992,120	1,365,371,555
Less: Intangible assets	(7,915,362)	(9,986,536)	(32,255,100)	(40,125,902)
Less: Loans to related parties	(10,242,118)	(5,167,265)	(41,736,631)	(20,762,071)
	<u>917,011,777</u>	<u>836,874,733</u>	<u>3,736,822,991</u>	<u>3,362,562,677</u>
Tier 2 complementary capital				
General provision	37,843,403	34,490,134	154,211,867	138,581,358
Subordinated debts (*)	138,887,498	45,816,751	565,966,554	184,091,706
Less: Equity participation in banking or financial institutions	(71,310,571)	(63,345,281)	(290,590,577)	(254,521,339)
	<u>105,420,330</u>	<u>16,961,604</u>	<u>429,587,844</u>	<u>68,151,725</u>
	<u>1,022,432,107</u>	<u>853,836,337</u>	<u>4,166,410,835</u>	<u>3,430,714,402</u>

(*) This represents subordinated debts approved by the National Bank of Cambodia.

35. Tax contingencies

On 24 December 2018, the Bank obtained the letter on Tax Reassessment for the financial years ended 2009 to 2013 from Department of Enterprise Tax Audit ("DETA") of the General Department of Taxation ("GDT") which has requested the Bank to pay the tax liabilities on various tax matters.

On 11 January 2019, the Bank lodged the administrative protests against the reassessment in accordance with the tax provisions. The protest letter was prepared by the Bank and submitted to the GDT on the grounds that the reassessment is not appropriate.

On 17 September 2019, the Bank received Notification Letter for Tax Collection from GDT, requesting for payment on tax in arrears resulted from above Tax Reassessment. On 23 September 2019, the protest letter was prepared by the Bank again and submitted to the GDT on the grounds that the reassessment is not appropriate. On 10 February 2020, the Bank received the Notification Letter from GDT on the temporary delay over tax collection related to above tax re-assessment. Management believes that the tax liability recorded by the Bank is adequate. There has been no official response from GDT as at date of these financial statements.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

36. Significant event

During 2019, the Directors proposed the Bank to undertake an initial public offering (“IPO”). On 26 November 2019, the Bank obtained a no-objection letter from the National Bank of Cambodia on its IPO. The public announcement on the IPO was made by the Bank on 2 December 2019.

On 25 December 2019, the Bank obtained consent in principle on equity securities listing from Cambodia Securities Exchange (“CSX”) to list its shares on the exchange and obtained approval in principle from the Securities and Exchange Commission of Cambodia (“SECC”) on 26 February 2020 on the registration of the IPO disclosure documents. At the issuance date of these financial statements, the Bank is in the process of arrangement of the share subscription to the investors.

37. Subsequent event

Coronavirus and impact on ECL

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

AWARDS & RECOGNITIONS 2019



Certificate of Appreciation from the Cambodia Kantha Bopha Foundation for a donation of KHR 1,200,000,000 to the Cambodia Kantha Bopha Foundation.



Certificate of Appreciation from the Cambodian Red Cross for a contribution of KHR 800,000,000 on their 156th anniversary of World Red Cross Day on May 08.



Leadership in Card Growth, Debit Payment Volume, and Merchant Sales Volume 2018 Awards from Visa.



Operational Excellence Award 2018-2019 from Wells Fargo.



Trade Finance Program Award 2019 (Leading Partner Bank in Cambodia) from the Asian Development Bank (ADB).



Certificate of Appreciation from Khmer Sight Foundation for a donation of US\$ 50,000 to treat Cambodians with eye disease.

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