



INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED PHNOM PENH BRANCH

# 2019 Annual Report

## Company Profile

Company Profile Industrial and Commercial Bank of China was established on 1 January 1984, On 28 October 2005, the Bank was wholly restructured to a joint-stock limited company. On 27 October 2006, the Bank was successfully listed on both Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited.

Through its continuous endeavor and stable development, the Bank has developed into the leading bank in the world, possessing an excellent customer base, a diversified business structure, strong innovation capabilities and market competitiveness. The Bank regards service as the very foundation to seek further development and adheres to creating value through services while providing a comprehensive range of financial products and services to 8,098 thousand corporate customers and 650 million personal customers. The Bank has been consciously integrating the social responsibilities with its development strategy and operation and management activities, and gaining wide recognition in the aspects of promoting inclusive finance, supporting precision poverty alleviation, protecting environment and resources and participating in public welfare undertakings.

The Bank always keeps in mind its underlying mission of serving the real economy with its principal business, and along with the real economy it prospers, suffers and grows. Taking a risk-based approach and never overstepping the bottom line, it constantly enhances its capability of controlling and mitigating risks. Besides, the Bank remains steadfast in understanding and following the business rules of commercial banks to strive to be a century-old bank. It also stays committed to seeking progress with innovation while maintaining stability, continuously enhances the development strategy of personal and corporate banking business as well as international and comprehensive strategy, and actively embraces the internet. The Bank advances the intelligent bank building in depth, unswervingly delivers specialized services, and pioneers a specialized business model, thus making it "a craftsman in large banking".

The Bank was ranked the 1<sup>st</sup> place among the Top 1000 World Banks by The Banker, ranked 1<sup>st</sup> place in the Global 2000 listed by Forbes and topped the sub-list of commercial banks of the Global 500 in Fortune for the seventh consecutive year, and took the 1<sup>st</sup> place among the Top 500 Banking Brands of Brand Finance for the fourth consecutive year.







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### **Our Mission**

Excellence for You

Excellent Services to Clients, Maximum Returns to Shareholders

Real Success for Our People, Great Contribution to Society

### **Our Vision**

A Global Leading Bank with the Best Profitability,

Performance and Prestige

### **Our Value**

Integrity Leads to Prosperity

Integrity, Humanity, Prudence, Innovation and Excellence

### ICBC Group

#### Legal Name in Chinese

中国工商银行股份有限公司

#### Legal Name in English

Industrial and Commercial Bank of China Limited (ICBC)

#### Legal Representative

Chen Siqing

#### Registered Address and Office Address

No.55 Fuxingmennei Avenue, Xicheng District, Beijing, PRC

Postal code: 100140

Telephone: 86-10-66106114

Business enquiry and complaint hotline: 86-95588

Website: [www.icbc.com.cn](http://www.icbc.com.cn), [www.icbc-ltd.com](http://www.icbc-ltd.com)

Stock codes

A Share: 601398

H Share: 1398

#### International Rating (Long-term foreign currency deposits rating)

Moody's: A1 S&P: A

#### Name and Address of Auditors

##### Domestic Auditors

KPMGHuazhen LLP

8/F, Tower E2, Oriental Plaza, 1 East Chang'an Avenue

Dongcheng District, Beijing, PRC

##### International Auditors

KPMG

8/F, Princes Building, 10 Chater Road, Central, Hong Kong

## Corporate Information

### ICBC Limited Phnom Penh Branch

#### Legal Representative

Jing Jun

#### Office Address

17th Floor, Exchange Square, No.19-20,

Street 106, Phnom Penh, Cambodia

Telephone : (855) 23955880

Fax : (855) 23965268

NBC License No. : B 33

MoC License No. :00005760

GDT License No. :E001-100179320

SWIFT : ICBKKHPP

EMAIL : icbckh@kh.icbc.com.cn

Website : www.icbc.com.kh

#### Auditors

KPMG Cambodia Ltd

PO Box 2352, 4th floor, Delano Center

No.144, Street 169, Khan 7 Makara,

Phnom Penh, Kingdom of Cambodia

Tel:(855) 23216899

Fax:(855) 23217279

EMAIL:kpmg@kpmg.com.kh



### About Us

On November 8, 2011 ICBC Limited Phnom Penh Branch officially got the Commercial bank license from National Bank of Cambodia to conduct all ranges of banking business. On November 30, 2011, Phnom Penh Branch held the Grand Opening Ceremony and officially commenced its business. ICBC Phnom Penh Branch is located at 17th Floor, Exchange Square, No.19-20, Street 106, Phnom Penh, Cambodia. ICBC Limited Phnom Penh Branch has 9 departments and 76 professional employees. The Branch dedicates to be regulations compliant, public trust and customer praised bank, meanwhile becomes the excellent bank which has a good social reputation. The Branch has steadily advanced localization development and diversified operation, and stepped up its financial services to both corporate and individual customers with various type of financial products.

### Bank Philosophy

#### Customers

The Branch aims at the clientele for wholesale banking business, and heeds to the development of clientele for retail banking business, and provides premium financial services.

#### Employees

Upon the rationales of talent-centered services, mutual assistances and scientific management, the Branch employs recruitment policies revolving around the development plan of the Branch and recruits local talents. As a result, the Branch further builds upon the basis of the professional, international and multitasking talents.

#### Environment, Social and Community

By upholding the core of ICBC enterprise culture, the Branch proactively performs its social enterprise responsibilities, and promotes the fusion of enterprise culture and operation management.

#### Shareholders

ICBC Limited Phnom Penh Branch is foreign branch wholly owned by ICBC and all aspects of the Branch's operation to are reported and supervised by ICBC Head Office.

## Financial Highlights and Analysis of the Results

### Financial Highlights

In US Dollar	31/12/2019 US\$	31/12/2018 US\$	Change (%)
<b>Profitability</b>	<b>Audited</b>	<b>Audited</b>	<b>(%)</b>
Gross Income	67,069,292	59,976,405	11.83
Profit Before Tax	40,041,516	38,139,524	4.99
Net Profit After Tax	31,837,963	30,540,807	4.25
Tax on Profit	8,203,553	7,598,717	7.96
Profit per Capita	418,921	407,211	2.88
Fee and Commission Income	11,951,828	12,378,071	-3.44

#### Key Balance Sheet Item

Total Assets	1,308,352,860	1,028,257,867	27.24
Loans and advances to customers	750,273,884	629,664,112	19.15
Total liabilities	1,074,363,704	826,106,674	30.05
Deposits	515,959,088	503,534,530	2.47
Total Equity	233,989,156	202,151,193	15.75

#### Key Financial Ratios

NPL to total loans	-	-	-
Return on equity	13.61 %	15.11 %	-9.91
Return on assets	2.43 %	2.97 %	-18.19
Solvency ratio	22.77 %	20.64 %	10.32
Debt to equity	459.15 %	408.66 %	12.36
Debts to total assets	82.12 %	80.34 %	2.22
Net worth to total assets	17.25 %	16.17 %	6.68
Deposits to total loans	111.95 %	112.76 %	-0.71

### Analysis of the Results

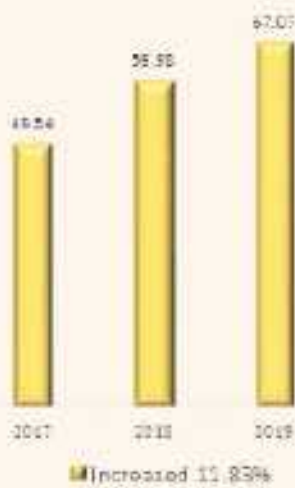
- Profit Before Tax in 2019 increased to USD 40.04 million
- Total Assets in 2019 is USD 1,308.35 million.
- Loans and advances after provision in 2019 is USD 750.27million.
- Deposit in 2019 is USD 515.96million.



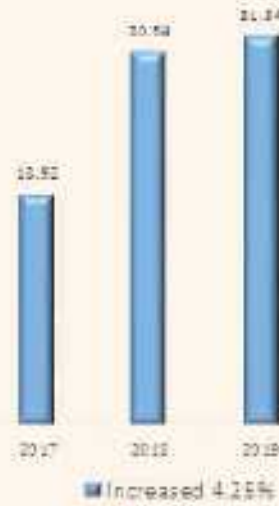
## Financial Highlights and Analysis of the Results

Units in US\$ Million  
Increase (%): in year 2019

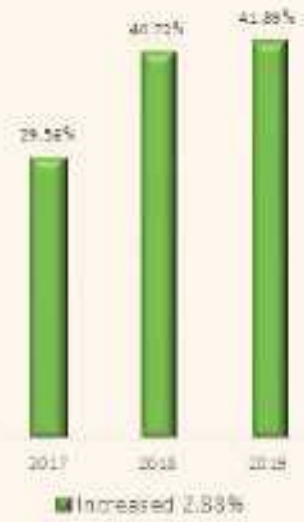
Gross Income



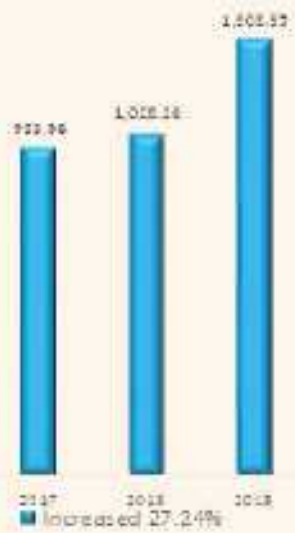
Net Profit after Tax



Profit per Capital



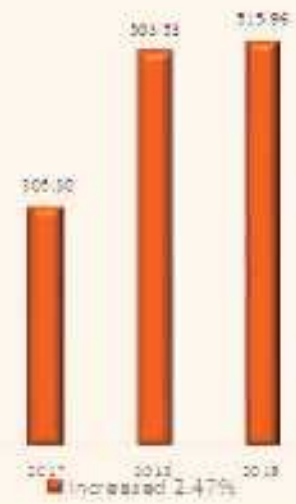
Total Asset



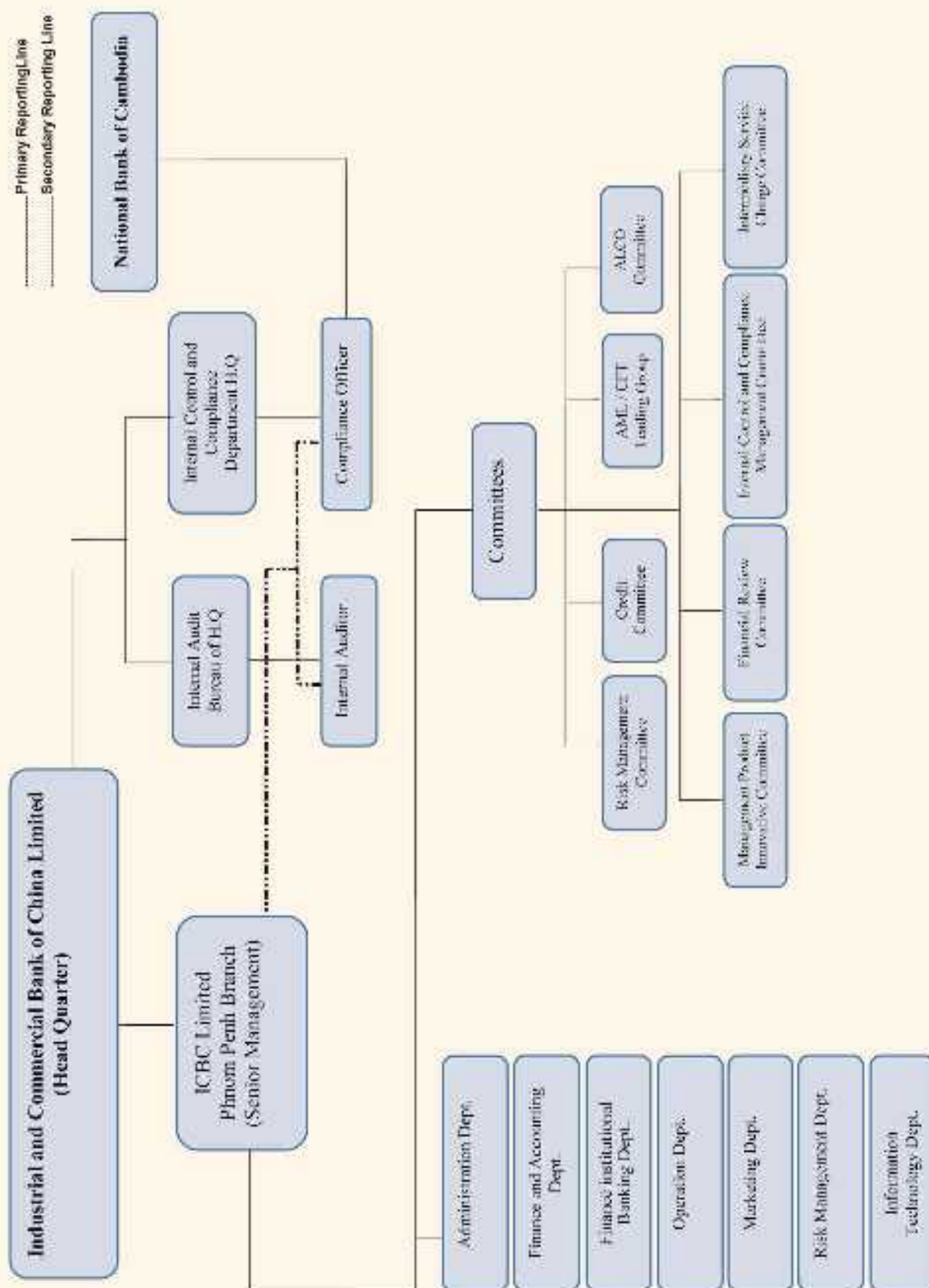
Loans and advances to customers



Deposits



## Organizational Structure of ICBC limited Phnom Penh Branch



### Jing Jun

General Manager



Mr. Jing Jun acts in the capacity of General Manager of Industrial and Commercial Bank of China Limited Phnom Penh Branch since June 2015.

Mr. Jing has 34 years of extraordinary experience serving in the banking industry, with expertise in extensive business fields in banking sector, and has rich overseas experience including the management of 3 branches and 1 subsidiary of ICBC.



## Departments

### Marketing Department

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The Marketing Department of ICBC Limited Phnom Penh Branch is the professional team in charge of the customer services, corporate and individual credit business. We have the expertise in marketing of banking services, client relationship management and delivery of corporate and individual credit business for the Branch. Under the principles upheld by ICBC, namely "innovative products, professional team, internationalized operation, and efficient services", we rely upon the powerful system platform of ICBC Group and deliver internationalized financial services and consultancies to our clients with a focus on the main products such as working capital financing, project financing, trade finance such as L/C issuance, export L/C, L/C advising, import collection, Bank Guarantee issuance, L/C and Bank Guarantee re-issuance, overseas financing against domestic guarantee, and facility secured by immovable property, and supply chain finance, Escrow Account and financing consultant service, etc.

### Finance Institutional Banking Department

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The Finance Institutional Banking Department is responsible for financial market business and inter-bank business along with asset and liability management. In reliance of ICBC Group's advanced trading platform, global network of correspondents, funding capacity, and premium credit rating as well as its advanced settlement system, the Department manages the correspondent banks relationship and provide money market and FX market services, credit business, and other services to its local correspondent banks, whilst cooperate with counterparties in financial market to maintain treasury activities.

### Operation Department

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The Operation Department leverages on the ICBC Group global network of 16788 domestic institutions, 412 institutions in 42 countries and regions 1507 correspondent banks in 143 countries and regions to serve the corporate and individual clients with local and transactional business. We upholds the tenets of "professionalism, integrity, fairness" and develops our advantages in UnionPay/VISA and POS services, Remittance, Payroll and E-banking services in order to provide our client with the state-of-art financial services

### Risk Management Department

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The Risk Management Department is responsible for the implementation of the Branch's comprehensive risk management system and coordinates with all department on credit risk, market risk, liquidity risk, operational risk, etc. Besides comprehensive risk management, the Department also take lead in the credit business review, the credit rating and credit limit, loan evaluation, reviewing and approval within the HO'S delegation for the Branch.

### Finance and Accounting Department

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Based on the Branch's development strategy, the Finance and Accounting Department formulates business plans, financial budgets, rules and implementation regulations, and promotes the coordinated development of the bank management to ensure the realization of annual business objectives. The Department specifically implements financial accounting management to ensure that each business meets financial tax revenue management system, and instructs and supervises the financial activities guaranteeing the quality of financial accounting.

### Information Technology Department

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The IT Department is responsible for the operational management and control of information security in order for technological assurance of safe and secure operation of the Branch.

### HR and Administration Department

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The Administration Department is responsible for administrative affairs, human resource management and back up support for the Branch's business development and construction of excellent enterprise culture.

### Internal Audit Department

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Internal Audit Department is responsible for the audit reviews and investigations of the Branch independently, objectively and effectively, providing suggestions on risk management, internal control of the Branch for help it control the risks within an acceptable level.

### Compliance Department

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Compliance department responsible for the branch compliance development plan and annual compliance plan, directly implement or organize the tracking and analysis the branch's regulatory rules, organize the implementation of compliance review and consultation, and take lead in the Branch's AML works, implement requirements and specific AML works required by local regulator and Head Office.



## General Manager's Statement

In 2019, the Bank achieved stable development despite rising local and international challenges in a complicated situation, once again withstanding the cyclical and practical test. In terms of profitability, the Bank recorded USD 31.35 million in net profit, representing an increase of 15.31% from the previous year. The Bank continued to maintain asset quality, the NPL balance remains as zero for 8 years. Cost-to-income ratio stood at 15.02%, staying in a satisfactory level in the industry.

**Stability is rooted in the sound interaction between finance and economy.** Serving the real economy is the obligation of the financial sector and the principal law governing its development. The Bank registered new loans of USD 7.4 billion, representing an increase of 25.9% from the previous year. In order to serve the real economy, the Bank gave high priority to sectors of transportation, infrastructure, electricity production and supply. Cooperating closely with CDB, China Eximbank and ICBC Ltd. (Asia), the Bank participated in syndicated loans for Siem Reap Angkor International Airport Project and Expressway Project from Phnom Penh to Sihanoukville, provide more support for implement of the Belt and Road Initiative project and Cambodia's Rectangular Strategy.

**Stability is attributed to strengthened risk management on all fronts.** Determined to win the battle of preventing and resolving financial risks, the Bank prioritized its tasks, took the initiative to tackle the priorities, and played a "ballast stone" role in stabilizing the financial sector. The Bank established platforms to monitor the cross risks and investment and financing risks, which could display different types of information uniformly and dynamically monitor diverse risks and issue alerts to prevent cross-risk transmission. Compliance management was intensified to implement relevant governance measures and fortify the compliance culture.

**Stability stems from accelerated transformation.** The Bank fostered its sustainability and various development drivers in a number of areas with vast room for growth and strong radiating effects. It registered USD 11.3 billion net fee and commission income, maintaining the highest level in history. Marketing the local mainstream bank riel loan business, the income of inter-bank loan exceeded \$11 million, representing an increase of 26.6% from the previous year.

**Stability is born out of FinTech innovations.** FinTech is a keyword of the Bank's innovative development in the past year. Promoting the in-depth integration of technology and finance on a full range of dimensions, including scenario, architecture, technology and institution, the Bank has created an all-round intelligent banking system without boundary. Integrating online and offline businesses, the system boasts intelligent and inclusive customer service, shared and connected operations, and efficient and flexible product innovation. By combining Unionpay, Visa, Wechat and Alipay, ICBC became the first commercial bank in Cambodia which can pay through various channels. Following an addition of over RMB 350 million (approximately USD 50 million) bank card acquiring business in the year, which presented the strongest growth in recent years.

In general, the world economy remains in a period of profound adjustments after the international financial crisis, with increasing hotspots of turmoil and risk around the globe. While the Cambodia economy has remained generally stable, it is facing mounting downward pressure, especially with the heavy blow from the sudden COVID-19 outbreak. However, we must keep in mind that the economic fundamentals for sustained growth have not changed, with strong resilience and great potential. In the past 9 years, ICBC has formed a sound foundation and unique advantages. We have the confidence and capability to keep up the solid operations throughout the economic cycle.



## Policy and Practice Guidelines for Corporate Governance

### Selection of Managers

All the members of the management team should have the qualification required by China Banking Regulatory Committee and be appointed by ICBC head office.

### The Management

The members of the Management include General Manager and Deputy General Manager. The management team regularly holds weekly meetings with all heads of departments in order to review and decide all matters in relation to the business and development of the Branch.

### Internal Control

In pursuance to the internal control policy implemented by the Branch, the Internal Control Committee is established in order for policy making and monitoring in all aspects of internal control. The Internal Control Committee regularly holds meetings on a quarterly basis to improve the policies and mechanisms for the management of internal control, implements all spot checks on daily basis on operation matters, and sets up and expands the Branch's capacities and alarming mechanisms to tackle the major risks and emergencies.

### Risks Management

The Branch, following HO's requirement, established a policy system composed of policies, mechanisms and operating procedures under the guidance of risk appetite and at the levels of total amount, portfolio and transaction. And the Branch continues to optimize internal policies and procedures, including management policy systems of credit, market, and operational risks and other risks which shall cover management requirements for all processes including risk identification, measurement, monitoring, control or mitigation, and reporting.

### Code of Ethics

The Branch assures its operation and management are compliant with relevant laws and regulations. Meanwhile, operating under the guideline of our core values, ICBC's corporate principles and employee code of conduct constitute the behavioral norms and framework.

### Independency and Transparency

The Branch engaged KPMG Cambodia Ltd (KPMG) to audit and provide independent audit opinions on the financial statement of the Branch. In 2019, the Branch further increased the quality and transparency of annual report disclosures and enhanced the sense of responsibility in annual report preparation and disclosure entities. During the reporting period, no correction of significant accounting errors, remediation of material omissions or modification of results preview referred in the Accountability System for Material Errors in Information Disclosure in Annual Report took place at the Branch.

## Business Operation Target

### Financial Perspective

The Branch has integrated its main area of business into local commercial environment, and with the support from ICBC Head Office it has also expanded to the domestic market with its unique path of development. The Branch has recorded the total assets of USD 1,308,352,860, the total liabilities USD 1,074,363,704, annual net interest income USD 37,426,038 and net profit after tax USD 31,837,963 at the end of 2019.

### Customer Perspective

The Branch makes tremendous effort toward analyzing the market trend, positioning the high-end market and targeting the premium clients. The Branch also attempts to avoid the vicious competition within the industry by expanding its strength and mitigating the weakness, applies ICBC competitive advantages to the fullest extent such as in the domains of products, IT and capitals. The Branch tries to provide customers with the high quality services. Through differentiation and high quality services, the Branch will enhance the influences of ICBC corporate business among its peers and other financial institutions in Cambodia. In light of the foregoing, it will gradually achieve the localization and mainstreaming of corporate business.

### Internal Process Perspective

The Branch continually refined its internal control mechanism and actively improved its internal control management so as to make the internal control management more reasonable and effective. It systemically advanced the building of the Branch's internal control system, revised the measures for assessment on internal controls, improved the assessment indicator design and data access methods, and enhanced the application of assessment results. It paid heeds to the risks in hot and key businesses and conducted the verification of operational risk. While carrying out the theme activity of "Year of Responsibility Implementation", the Branch integrate the construction of compliance culture into the whole process of operation and management, constantly pushed forward the dissemination of the core concepts of the compliance culture and made them deeply rooted in the minds of its employees.

### Human Resource Development

In order to enhance training and development of employees, the Branch provides numerous training opportunities of various kinds to global employees of different levels and professions each year. Besides from distance video trainings and online university trainings, the Branch also arranges employees to join training programs within China on a regular basis integrate more into the group culture and further improve their professional expertise.



## Business Operation Target

ICBC Limited Phnom Penh Branch has the mission of promoting the ICBC brand in Cambodia to the image of a global leading bank with the best profitability, performance, and prestige. Under the general guide of localization, integration and digitization the Branch shall adhere to the strategy of seeking progress while maintaining stability, formulate its development targets and strategies for 2020 as follows:

➤ To grasp the core customers, and strive to boost the net profit. In the next three years, the Branch shall select local key industrial projects, target on quality customers and projects with Chinese background, actively expand credit resource, ramping the basis of customer, improve the quality of customer and assets.

➤ To strengthen cooperation on syndicated facility and interbank business. The Branch will take advantage of linkage with other affiliates within ICBC Group, and tightly connected with local peers, seek opportunities on syndicated cooperation and obtain skill through practice, in order for cultivation of ability and summarization of experience.

➤ To improve the competitiveness of customers and deposits. Use the integrated services, consolidate and improve the advantages of deposits, and actively explore new models of driving personal deposits with corporate deposits and promoting the latter with the former to achieve all closed customer expansion and deposit increase in the entire chain. Meanwhile, the Branch will manage interest rate pricing, take a forward-looking response to the trend in market liquidity and interest rate, optimize deposit assessment, interest rate constraints, and tiered pricing mechanisms, play a good role of active liability in expanding new customers and seizing new funds, strengthen the coordinated development of volume and price.

Based on the previous endeavor in market exploration and the market opportunity under the promoting of "One Belt and One Road", the Branch has laid foundations for long-term growth in local and cross-board business, and shall continue to make effort in expanding the high-end market and targeting the premium clients, exploring investment and infrastructure projects between Sino-Cambodia, serving Going-Out enterprises from China.

The Branch formulates its development roadmap upon the following:

- Seeking the cooperation opportunities with the potential local clients who plays an important role in each sectors.
- Taking the opportunities of One-belt and One-road, gathering information and reserve all resource, facilitate projects concerning One-belt and One-road locating in Cambodia, focusing on entities with strong Chinese funded background and large scale projects concerning infrastructure, electricity generation, Electricity transmission line, expressway, etc., which will spur Cambodian economic development.
- Accelerating cooperation with Cambodian government including Ministry of Economics and Finance, Electricite Du Cambodge, General Department of Taxation, seek opportunity to step in the commercial loan project related to sovereign debt or government-led infrastructure.



## Business Operation Target

- Further tapping cooperation with local MFIs and banks, extending business scale from funds and loan to clearing, technology, bank card, Reminbi businesses and derivative transactions, meanwhile control risk exposure appropriately.
- Continue to promote the KHR loan to all clients in order to meet the minimum 10% KHR loan as NBC requirement.
- Continue to keep a good relationship with the local and overseas financial institution in order to seek the cooperation opportunity in syndication loan.
- Developing trade finance business, choose target clients who have demands for cross-border trade, strengthen interaction and cooperation between domestic and overseas institutions, take the advantages of global networks for purpose of expansion of cross-border finance. In the other hand, the import-export client will bring the Branch more settlement business as well as fund precipitation in order to increase the deposit collection balance of the Branch.
- Continue to accelerating individual loan business, and bring the Branch the new profit growth point.

## FINANCIAL RISK MANAGEMENT POLICIES

The Branch has ensured a comprehensive risk management system in place, follows the principles including matching return with risk, internal check and balance with consideration as to efficiency, risk diversification, combination of quantitative and qualitative analysis, dynamic adaptability adjustments and gradual improvement. Risk Management Committee has been established and is responsible for liquidity risk, credit risk, market risk, operation risk, reputation risk, strategic risk and other relevant types of risks potentially faced by the Branch.

### Liquidity risk

The Branch focuses on strengthening the monitoring of liquidity indicators on a day-to-day basis, guarantees that the liquidity indicators meet the relevant requirement by NBC. According to the Prakas No. B7-015-349 Prokor on Liquidity Coverage Ratio, requirement of LCR has been upgraded to 100% from Jan 2020. The gradual increasing indicator of LCR requires the Branch holding adequate stock of unencumbered liquid assets. The Branch expand the source of funds and appropriately increases the proportion of long term funds to ensure the Liquidity Coverage Ratio, adjust the term structure of assets and liabilities to meet the requirement by NBC. Thereby, the Branch enhances its capacity on multiple levels of liquidity management with primary measures as follows:

- Strengthen monitoring the liquidity target set by NBC with the joint effort of the Finance Institution Department, Marketing Department, Finance and Accounting Department and Risk Management Department. Under the normal state of operation and target pressure, the Branch should constantly meet its liquidity demand arising from demand assets, liabilities and off-balance sheet businesses and fulfill its outbound payment obligations so as to balance the benefits derived from and the security of the fund;
- Proactively expand the sources to acquire fund, increase the numbers of the transaction counterparties within and external to the ICBC Group. The Branch should ensure an increase of the portion of comparatively long term borrowings from other banks and financial institutions and the long term deposits from other banks and the customers in order to ensure the LCR conforming with the regulations by NBC;
- Collect and assort in a timely manner the information about the total due balance of deposit, loan and other businesses. The Branch should periodically analyze the status of liquidity risk potentially faced by it with a focus on the causes, and the trends, and thereby propose effective measures to mitigate the risks.



## FINANCIAL RISK MANAGEMENT POLICIES

### Credit (Counterparty) Risk

Credit risk is the risk that loss is caused to banking business when the borrower or counterparty fails to meet its contractual obligations. Following HO's credit operation concept, which is economic origin, prudence and steadiness, integrity and compliance, priority to customers, experts' governance of loans and assumption of responsibilities, the Branch has established a credit risk management system, define the basic elements and requirements of credit risk management, including but not limited to access management, credit risk appetite, customer rating, unified risk limit, risk mitigation, credit assets quality classification and risk classification under IFRS9 framework, as well as business procedure.

- **Access management:** As required by HO, before building up credit relationship with a corporate customer, prejudgement on the customer should be conducted. The Branch has formulated access requirement for corporate customers for the purposes of controlling the financing in high risk fields and customers, strengthen the prevention of credit risk from the sources. Green Credit should be insisted and strictly control the financing to customers or projects with significant environmental and social risks. Financing also is prohibited to the those involve in immoral or illegal transactions, or being imposed sanctions.
- **Customer rating and unified risk limit :** Credit rating is to make a comprehensive evaluation of the solvency and repayment willingness of corporate customers. Unified risk limit represents the highest risk limit approved for conduction proprietary and agency investment and financing business for customers. Before handling business for a customer, the Branch shall assess customer rating and determine risk limit according to HO's specific rules.
- **Marketing-Credit Separation :** The Branch had established a credit organization architecture on the principle of marketing-credit separation to ensure that the risk management staff can independently issue opinions. The credit business shall be managed on the principle of segregation of the front, middle and back office, and the separation of front office, middle and back office shall be carried out at the departmental level. Each department has an independent reporting line, and clear definition for duties of each position. The Marketing Department and Financial Institution Department are responsible for maintaining relationship with customer and performing due diligence and post-lending management work. Risk Management Department is responsible for analyzing and evaluating the risk of a credit proposal, and monitoring the risk of credit portfolio. The authorized approver is responsible for approval of credit business, and collective deliberation is required if such credit business is qualified before submitting for approval.
- **Credit procedure** is designed for different type of credit business. Under the premise of effective risk control, differentiated process are designed for different customer type and specific business. The procedures contain lots of segments, including credit rating, credit line, and collateral assessment in pre-loan step, and credit review, duration management, re-assessment for collateral, early warning function in middle or post loan steps. The risk restriction mechanism is targeted to realize the balance between risk control and process efficiency.



**Market Risk**

Market risk is the risk of loss arising from adverse movement in the level of market prices, the two key components being foreign currency exchange risk and interest rate risk. In order to control effectively the market risk, the Branch matches the sensitivity of its assets and liabilities and appoints the related department to monitor the fluctuation of the interest rate and exchange rate every day.

The Risk Management Committee should be responsible for the management of the market risk with its main duties and measures as follows:

- Strengthen the analysis and monitoring of the interest rate variation contingent upon interest rate market, and enhance gap management of interest rate sensitivity;
- Strictly enforce the regulations made by Headquarters and NBC in respect of the limit of foreign exchange exposure. The Branch should endeavor to avoid the foreign exchange rate risks attributable to variation of the foreign exchange rate, and mitigate the foreign exchange risks;
- The Branch should ensure an increase of the portion of comparatively long term borrowings from other banks and financial institutions and the long term deposits from other banks and the customers in order to ensure the stable source of fund inflow and lockdown the potential interest rate risks due to the timing mismatch of assets and liabilities businesses.

## FINANCIAL RISK MANAGEMENT POLICIES

### Operational Risk

Operation risk is defined as the risk of loss resulting from insufficient or problematic internal procedures, employees and information technology systems or from external events. There are seven major types of operational risks including internal fraud, external fraud, employment system and workplace safety, customers, products and business activities, damage to physical assets, IT system, execution and delivery and process management.

The Branch continuously strengthens the operational risk control system of each business line, strenuously effects the risk management of internal and external frauds, reinforces compliance management, standardize compliance review processing flow. Three lines of defense have been established and work effectively:

- Each department forms as first line of defense of operational risk management, which assume direct responsibility for operational risk management in their own business line,
- Compliance Department and Risk Management Department for operational risk of the Branch and assumes the duty of operating the second line of defense.
- Internal Audit Department is responsible for auditing and evaluating the operation of the operational risk management system, and forms the third line of defense.

the Branch actively conducts in-depth crackdown campaign to improve or update policies, procedures, systems and mechanisms and the procedure-based hard control over key links. During the reporting period, the operational risk management system of the Branch operated smoothly and the operational risk was controllable as the Whole

### Strategic Risk

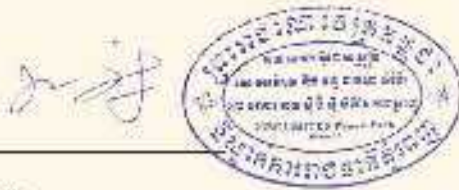
The Branch has set up a development plan, target and implementation plan and related policy and flow for implementation. On the basis of strategy management, the Branch will give further consideration on potential problems in the strategic planning and implementation. The Branch attempts to accurately predict on the impact of these problems in order for well-around preparation. Throughout the management process, the Branch maintains the risk management, strategy plan and implementation scheme, with the centralized coordination to achieve the strategy goal and minimize the lost.

All the risk management's reports shall be submitted on a quarterly basis, semiannually and at the end of year. The said report will be submitted to the Headquarters after the approval from the risk management committee.

## Statement by the management

I, on behalf of the management of Industrial and Commercial Bank of China Limited Phnom Penh Branch ("the Branch"), do hereby state that in my opinion, the financial statements of the Branch set out present fairly, in all material respects, the financial position of the Branch as at 31 December 2019, and its financial performance and its cash flows for the year then ended, in accordance with Cambodian International Financial Reporting Standard ("CIFRS").

Signed on behalf of the Branch:



Mr. Jing Jun  
General Manager

Phnom Penh, Kingdom of Cambodia

Date: 31-March-2020



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Independent Auditor's  
Report and Financial  
Statements



ICBC

中国工商银行

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## REPORT OF THE INDEPENDENT AUDITORS

### To the Industrial and Commercial Bank of China Limited, Head Office

#### Opinion

We have audited the financial statements of Industrial and Commercial Bank of China Limited Phnom Penh Branch ("the Branch"), which comprise the statement of financial position as at 31 December 2019, the 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 26 to 51 (hereafter referred to as "the financial statements").

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

#### Basis for Opinion

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

#### Other matter

As stated in the financial statements, the Bank adopted CIFRSs on 1 January 2019 with a transition date of 1 January 2018. These standards were applied retrospectively to the comparative information in these financial statements, including the statement of financial position as at 31 December 2018 and 1 January 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Bank for the year ended 31 December 2018 and related explanatory notes.

We were not engaged to audit on the restated comparative information and it is unaudited. Our responsibilities in respect of this comparative information is to determine whether the financial statements include the comparative information required by CIFRSs and whether such information is appropriately classified.

#### Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

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 identified above when it becomes available 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 we conclude that there is a material misstatement therein, we are required to report that fact.

#### 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 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.



## REPORT OF THE INDEPENDENT AUDITORS

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

Those charged with governance are responsible for overseeing the Branch'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 CSAs 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 CSAs, 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 Branch's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Branch's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 Branch to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

For KPMG Cambodia Ltd



**Nge Huy**  
Partner

Phnom Penh, Kingdom of Cambodia

Date: 31 March 2020



**Statement of financial position  
As at 31 December 2019**

		31 December		31 December		1 January 2018	
	Note	2019 US\$	2018 US\$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
<b>ASSETS</b>							
Cash and cash equivalents	6	332,157,971	126,809,403	1,353,543,732	509,520,181	133,815,571	540,213,480
Placements with other banks	7	120,193,514	168,857,762	489,788,570	678,470,488	202,493,266	817,465,315
Statutory deposits	8	100,036,810	96,037,500	407,650,001	385,878,675	104,350,248	421,261,961
Loans and advances to customers		750,273,884	629,684,112	3,057,366,077	2,529,990,402	538,229,867	2,164,759,973
Other assets		918,780	2,175,082	3,744,029	8,739,479	1,533,538	6,190,883
Property and equipment		217,152	280,776	884,894	1,128,158	373,209	1,506,645
Long term prepayments		311,988	351,888	1,271,351	1,413,886	447,677	1,807,272
Right-of-use assets		3,022,833	3,417,115	12,318,044	13,729,968	3,811,397	15,386,609
Deferred tax assets – net	10(A)	1,219,928	664,229	4,971,207	2,668,872	905,805	3,656,735
<b>Total assets</b>		<b>1,308,352,880</b>	<b>1,028,257,867</b>	<b>5,331,537,905</b>	<b>4,131,540,109</b>	<b>983,960,578</b>	<b>3,972,248,853</b>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>							
<b>Liabilities</b>							
Deposits from customers		386,157,430	375,405,413	1,573,591,527	1,508,378,949	168,406,873	679,858,546
Deposits from banks		129,801,658	128,129,117	528,941,756	514,822,792	137,391,844	554,650,874
Borrowings		492,313,826	277,006,287	2,006,178,841	1,113,011,261	488,271,794	1,890,413,232
Subordinated debts		50,035,092	25,412,109	203,893,000	102,105,864	25,294,572	102,114,187
Lease liabilities		3,182,620	3,543,237	12,969,177	14,236,726	3,897,048	15,732,383
Other liabilities		4,586,234	9,688,311	18,688,904	38,927,634	3,759,683	15,177,840
Provision for guarantee contracts		105,513	162,642	429,965	653,496	128,119	517,216
Current income tax liability	10(B)	8,181,331	6,759,568	33,338,924	27,159,904	5,200,259	20,993,446
<b>Total liabilities</b>		<b>1,074,363,704</b>	<b>826,106,674</b>	<b>4,378,032,094</b>	<b>3,319,286,616</b>	<b>812,350,192</b>	<b>3,279,457,724</b>

The accompanying notes form an integral part of these financial statements

**Statement of financial position (continued)**  
**As at 31 December 2019**

	Note	31 December		31 December		1 January 2018	
		2019 US\$	2018 US\$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
<b>Head Office accounts</b>							
Branch capital	11	100,000,000	100,000,000	400,000,000	400,000,000	100,000,000	400,000,000
Regulatory reserves	12	7,712,143	8,742,521	31,202,406	27,273,496	4,587,041	18,564,551
Retained earnings		126,277,013	96,408,672	511,006,598	385,928,080	67,023,345	271,109,431
Currency translation reserves		-	-	11,256,807	(958,065)	-	3,127,117
Total shareholder's equity		233,989,156	202,151,193	953,505,811	812,243,493	171,610,386	692,791,129
Total liabilities and Head Office accounts		1,308,352,800	1,028,257,867	5,331,537,906	4,131,540,108	983,980,578	3,972,248,853

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



**Statement of profit or loss and other comprehensive income  
for the year ended 31 December 2019**

		2019	2018	2019	2018
	Note	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
<b>Operating income</b>					
Interest income	13	55,117,464	47,598,334	223,335,964	192,535,261
Interest expense	14	(17,691,426)	(15,677,299)	(71,685,658)	(63,414,673)
Net interest income		37,426,038	31,921,035	151,650,306	129,120,588
Net fee and commission income	15	11,488,662	12,097,322	46,552,058	48,933,667
<b>Total operating profit</b>		48,914,700	44,018,357	198,202,364	178,054,255
Personnel expenses		(5,380,714)	(5,109,253)	(21,802,653)	(20,666,928)
Other operating expenses		(2,136,892)	(2,021,854)	(8,658,687)	(8,178,399)
<b>Total operating expenses</b>		(7,517,606)	(7,131,107)	(30,461,340)	(28,845,327)
<b>Operating profit before impairment</b>		41,397,094	36,887,250	167,741,024	149,208,928
Impairment losses on financial instruments		(1,355,578)	1,252,274	(5,492,801)	5,065,448
<b>Profit before income tax</b>		40,041,516	38,139,524	162,248,223	154,274,376
Income tax expense	10(C)	(8,203,553)	(7,598,717)	(33,240,797)	(30,736,810)
<b>Net profit for the year</b>		31,837,963	30,540,807	129,007,426	123,537,566
<b>Other comprehensive income:</b>					
Currency translation reserves		-	-	12,254,892	(4,085,202)
<b>Total comprehensive income for the year</b>		31,837,963	30,540,807	141,262,318	119,452,364

The accompanying notes form an integral part of these financial statements

**Statement of changes in equity  
for the year ended 31 December 2019**

	Share capital		Regulatory reserves		Retained earnings		Currency translation reserves		Total
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)	
At 1 January 2019	100,000,000	400,000,000	6,742,521	27,273,496	95,403,672	385,925,080	-	(958,085)	202,151,193
<i>Transactions recognised directly in equity:</i>									
Transfers from retained earnings to regulatory reserves	-	-	969,622	3,928,905	(969,622)	(3,928,908)	-	-	-
<b>Comprehensive Income</b>									
Net profit for the year	-	-	-	-	31,837,963	129,007,426	-	-	31,837,963
Currency translation reserves	-	-	-	-	-	-	-	(12,254,892)	-
<b>Total comprehensive Income for the year</b>	-	-	-	-	31,837,963	129,007,426	-	(12,254,892)	31,837,963
At 31 December 2019	100,000,000	400,000,000	7,712,143	31,202,406	126,277,013	511,006,598	-	11,296,807	233,989,156
									953,505,811



**Statement of cash flows  
for the year ended 31 December 2019**

	2019	2018	2019	2018
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
<b>Cash flows from operating activities</b>				
Net profit for the year	31,837,963	30,540,807	129,007,426	123,537,566
Adjustments for:				
Income tax expenses	8,203,553	7,598,717	33,240,797	30,736,810
Depreciation	551,249	558,106	2,233,661	2,257,539
Net impairment loss on financial instruments	1,355,578	(1,252,274)	5,492,801	(5,065,448)
Net interest income	(37,426,038)	(31,921,035)	(151,650,306)	(129,120,588)
	4,522,305	5,524,321	18,324,379	22,345,879
Changes in:				
Placements with other banks	47,284,665	33,000,001	191,597,463	133,485,004
Loans and advances	(122,685,461)	(91,772,977)	(497,121,488)	(371,221,692)
Statutory deposits	(3,999,310)	8,312,748	(16,205,204)	33,625,066
Other assets	1,256,302	(641,544)	5,090,536	(2,595,045)
Deposits from customers	10,824,000	206,182,935	43,858,848	834,009,972
Deposits from other banks	1,585,738	(9,324,471)	6,425,410	(37,717,485)
Other liabilities	(5,102,077)	5,928,628	(20,673,616)	23,981,300
Cash (used in)/generated from operations	(66,313,838)	157,209,641	(268,703,672)	635,912,999
Interest received	57,160,029	47,859,366	231,612,438	193,591,135
Interest paid	(15,637,932)	(15,513,284)	(63,364,900)	(62,751,234)
Income tax paid	(7,337,479)	(5,797,842)	(29,731,465)	(23,452,271)
Net cash (used in)/generated from operating activities	(32,129,220)	183,757,881	(130,187,599)	743,300,629
Cash flows from investing activities				
Long term prepayment	(93,343)	(71,391)	(378,226)	(288,777)
Purchase of property and equipment	39,900	95,789	161,675	387,467
Net cash used in investing activities	(53,443)	24,398	(216,551)	98,690

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

**Statement of cash flows (continued)**  
**for the year ended 31 December 2019**

	2019	2018	2019	2018
	US\$	US\$	KHR'000	KHR'000
			(Note 5)	(Note 5)
<b>Cash flows from operating activities</b>				
Proceeds from borrowings and subordinated debts	5,613,886,997	2,910,421,983	22,747,470,112	11,772,656,921
Repayment of borrowings and subordinated debts	(5,375,931,734)	(3,100,786,398)	(21,783,275,386)	(12,542,680,980)
Lease liabilities	(424,032)	(424,032)	(1,718,178)	(1,715,209)
Net cash generated from/(used in) financing activities				
Net increase/(decrease) in cash and cash equivalents	237,531,231	(190,788,447)	962,476,548	(771,739,268)
Cash and cash equivalents at 1 January	205,348,568	(7,006,168)	832,072,398	(28,339,949)
Currency translation difference	126,809,403	133,815,571	509,520,181	540,213,460
	-	-	11,951,153	(2,353,330)
Cash and cash equivalents at 31 December (Note 6)	332,157,971	126,809,403	1,353,543,732	509,520,181

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



## 1. Reporting entity

Industrial and Commercial Bank of China Limited Phnom Penh Branch ("the Branch") is a branch of Industrial and Commercial Bank of China Limited ("Head Office") incorporated in People Republic of China. The Branch was established in the Kingdom of Cambodia with the Ministry of Commerce under the Registration No. Co. 0049 Br/2011 dated 29 July 2011. On 12 April 2016, the Branch obtained the Re-Registration No. 00005760 from the Ministry of Commerce. The Branch obtained a license from the National Bank of Cambodia ("NBC") to operate as a commercial bank branch with effect from 8 November 2011 and officially commenced its operations on 1 December 2011.

The principal activities of the Branch comprise the operations of core banking businesses and the provision of related financial services in Cambodia.

The registered office of the Branch is currently located at No.19 & 20, Exchange Square, Street 106, Phum 2, Sangkat Wat Phnom, Khan Daun Penh, Phnom Penh, Kingdom of Cambodia.

As at 31 December 2019, the Branch had 76 employees (31 December 2018: 75 employees).

## 2. Basis of accounting

The financial statements of the Branch have been prepared in accordance with Cambodian International Financial Reporting Standards ("CIFRSs"). These are the Branch's first financial statements prepared in accordance with CIFRSs and CIFRS 1, First-time Adoption of Cambodian International Financial Reporting Standards has been applied.

In the previous financial years, the financial statements were prepared in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia ("NBC") relating to the preparation and presentation of financial statements. An explanation of how the transition to CIFRSs have affected the reported financial position, financial performance and cash flows is provided.

The accounting policies and methods of computation have been applied consistently to all periods presented in these financial statements.

## 3. Functional and presentation currency

The Branch transacts its business and maintains its accounting records in United States Dollars ("US\$"). Management has determined the US\$ to be the Branch's functional and presentation currency as it reflects the economic substance of the underlying events and circumstances of the Branch.

These financial statements are presented in US\$, which is the Branch's functional currency. All amounts have been rounded to the nearest dollar or thousand riels, except when otherwise indicated.

## 4. Use of judgments and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Branch's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.



## 5. Translation of United States Dollars into Khmer Riel

The financial statements are expressed in United States Dollars. The translations of United States Dollars amounts into Khmer Riel are included solely for compliance with the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial statements.

Assets and liabilities are translated at the closing rate as at the reporting date. The statements of profit or loss and other comprehensive income and cash flows are translated into KHR using the average rate for the year. Exchange differences arising from the translation are recognised as "Currency translation reserves" in the other comprehensive income. The Branch uses the following exchange rates:

		Closing rate	Average rate
31 December 2019 US\$1	=	KHR 4,075	KHR 4,052
31 December 2018 US\$1	=	KHR 4,018	KHR 4,045
1 January 2018 US\$1	=	KHR 4,037	N/A

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

## 6. Cash and cash equivalents

	31 December		31 December		1 January 2018	
	2019 US\$	2018 US\$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Cash on hand	3,624,408	2,638,330	14,769,463	10,600,810	2,814,542	11,362,306
Cash equivalents with other banks	328,533,563	124,171,073	1,338,774,269	498,919,371	131,001,029	528,851,154
	<u>332,157,971</u>	<u>126,809,403</u>	<u>1,353,543,732</u>	<u>509,520,181</u>	<u>133,815,571</u>	<u>540,213,460</u>

## 7. Placements with other banks

	31 December		31 December		1 January 2018	
	2019 US\$	2018 US\$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Term deposit (non-cash equivalents)	120,253,991	169,031,327	490,035,014	679,167,872	202,662,583	818,148,848
Less: Impairment loss allowance	<u>(60,477)</u>	<u>(173,566)</u>	<u>(246,444)</u>	<u>(697,384)</u>	<u>(169,317)</u>	<u>(683,533)</u>
	<u>120,193,514</u>	<u>168,857,762</u>	<u>489,788,570</u>	<u>678,470,488</u>	<u>202,493,266</u>	<u>817,465,315</u>

Placements with other banks are maturing from 4 to 10 months and earned interest ranging from 3.85% to 4.00% per annum.



## 7. Placements with other banks (continued)

The movement of impairment loss allowance for placements with other banks is as follows:

	2019		2018		2019		2018		1 January 2018	
	US\$		US\$		KHR'000 (Note 5)		KHR'000 (Note 5)		US\$	KHR'000 (Note 5)
At 1 January	173,565		169,317		697,384		683,533		-	-
(Reversals)/additions	(113,088)		4,248		(458,233)		17,183		169,317	684,888
Currency translation differences	-		-		7,293		(3,332)		-	(1,355)
At 31 December	60,477		173,565		246,444		697,384		169,317	683,533

## 8. Statutory deposits

Capital guarantee deposit  
Reserve requirements on customers' deposits

	31 December		31 December		1 January 2018	
	2019 US\$	2018 US\$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Capital guarantee deposit	10,000,000	10,000,000	40,750,000	40,180,000	10,000,000	40,370,000
Reserve requirements on customers' deposits	90,036,810	86,037,500	366,900,001	345,698,675	94,350,248	380,891,951
	100,036,810	96,037,500	407,650,001	385,878,675	104,350,248	421,261,951

## 8. Statutory deposits (continued)

### A. Capital guarantee deposit

Under the NBC's Prakas No. B7-01-136 dated 15 October 2001, the Branch is required to maintain a statutory deposit 10% of its capital. This deposit is not available for use in the Branch's day-to-day operations and is refundable should the Branch voluntarily cease its operations in

### B. Reserve requirements on customers' deposits

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

## 9. Subordinated debts

Subordinated debt represents borrowing from Industrial and Commercial Bank of China Limited, Head Office. The subordinated debt has no collateral, bears interest at a rate of 6 months LIBOR plus 150 basis points and will mature in 2029. This was approved by the NBC on 10 May 2019.

## 10. Income tax

### A. Deferred tax assets – net

	31 December		31 December		1 January 2018	
	2019 US\$	2018 US\$	2019 KHR000 (Note 5)	2018 KHR000 (Note 5)	US\$	KHR000 (Note 5)
Deferred tax assets	1,219,928	664,229	4,971,207	2,668,872	908,876	3,669,133
Deferred tax liabilities	-	-	-	-	(3,071)	(12,396)
Deferred tax assets – net	1,219,928	664,229	4,971,207	2,668,872	905,805	3,656,735



## 10. Income tax (continued)

### A. Deferred tax assets – net (continued)

The movements of deferred tax are as follows:

	2019	2018	2019	2018
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
At 1 January	664,229	905,805	2,668,872	3,656,735
Recognised in profit or loss	555,699	(241,576)	2,251,691	(977,175)
Currency translation difference	-	-	50,644	(10,688)
At 31 December	<u>1,219,928</u>	<u>664,229</u>	<u>4,971,207</u>	<u>2,668,872</u>

### B. Current income tax liability

	2019	2018	2019	2018
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
At 1 January	6,759,558	5,200,259	27,159,904	20,993,446
Income tax expense	8,759,252	7,357,141	35,492,488	29,759,635
Income tax paid	(7,337,479)	(5,797,842)	(29,731,465)	(23,452,271)
Currency translation difference	-	-	417,997	(140,906)
At 31 December	<u>8,181,331</u>	<u>6,759,558</u>	<u>33,338,924</u>	<u>27,159,904</u>

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

### C. Income tax expense

	2019	2018	2019	2018
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
Current income tax	8,759,252	7,357,141	35,492,488	29,759,635
Deferred tax	(555,699)	241,576	(2,251,691)	977,175
	<u>8,203,553</u>	<u>7,598,717</u>	<u>33,240,797</u>	<u>30,736,810</u>

## 10. Income tax (continued)

### C. Income tax expense (continued)

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

	2019			2018		
	US\$	KHR'000 (Note 5)	%	US\$	KHR'000 (Note 5)	%
Profit before income tax	40,041,516	162,248,223	100%	38,139,524	154,274,376	100%
Income tax using statutory rate at 20%	8,008,303	32,449,644	20%	7,627,905	30,854,876	20%
Non-deductible expenses	94,689	383,680	0%	69,985	283,008	0%
Others	100,561	407,473	0%	(99,153)	(401,074)	0%
Income tax expense	8,203,553	33,240,797	20%	7,598,717	30,736,810	20%

The calculation of taxable income is subject to the final review and approval of the tax authorities.

## 11. Branch Capital

	31 December			31 December			1 January 2018		
	2019 US\$	2018 US\$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)	2018 KHR'000 (Note 5)	US\$	US\$	KHR'000 (Note 5)	
Branch capital	100,000,000	100,000,000	400,000,000	400,000,000	400,000,000	100,000,000	100,000,000	400,000,000	

Head Office's capital contribution represents capital contribution from Industrial and Commercial Bank of China Limited, a state owned bank of the People Republic of China which is also the ultimate parent entity.

The Branch's capital contribution is wholly held in form of Head Office's capital contribution.

## 12. Regulatory reserves

Regulatory reserves represented the variance of allowance between loan impairment in accordance with CIFRS and the regulatory provision in accordance with the National Bank of Cambodia.



### 13. Interest income

	2019	2018	2019	2018
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
Loans and advances to customer	47,611,026	40,459,371	192,919,877	163,658,156
Placements with the National Bank of Cambodia	393,182	355,105	1,593,173	1,436,400
Placements with other banks	7,113,256	6,783,858	28,822,914	27,440,705
	<u>55,117,464</u>	<u>47,598,334</u>	<u>223,335,964</u>	<u>192,535,261</u>

### 14. Interest expense

	2019	2018	2019	2018
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
Deposits from other banks:	3,362,495	3,800,134	13,624,830	15,371,542
Deposits from customers:	4,084,305	2,834,506	16,549,603	11,465,576
Borrowings and subordinated debts	10,181,211	8,972,438	41,254,267	36,293,512
Lease liabilities	63,415	70,221	256,958	284,044
	<u>17,691,426</u>	<u>15,677,299</u>	<u>71,685,658</u>	<u>63,414,674</u>

### 15. Fee and commission income

	2019	2018	2019	2018
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
Fee and commission income:				
Processing fee income	4,074,996	3,575,730	16,511,884	14,463,828
Commission income	4,417,993	5,616,448	17,901,708	22,718,532
Fund transfer fees	1,011,233	779,869	4,097,516	3,154,570
Trade finance	439,125	417,791	1,779,335	1,689,965
Others	2,008,481	1,988,233	8,138,365	8,042,402
	<u>11,951,828</u>	<u>12,378,071</u>	<u>48,428,808</u>	<u>50,069,297</u>
Fee and commission expense	(463,166)	(280,749)	(1,876,750)	(1,135,630)
	<u>11,488,662</u>	<u>12,097,322</u>	<u>46,552,058</u>	<u>48,933,667</u>

## 16. Commitments and contingencies

### Operations

In the normal course of business, the Branch makes various commitments and incurs certain contingencies with legal recourse to its customers. No material losses are anticipated from these transactions, which consist of:

	31 December		31 December	
	2019 US\$	2018 US\$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)
Bank guarantees and others	33,447,316	26,134,738	136,297,813	105,009,377
Less: impairment allowance	(334,473)	(261,347)	(1,362,977)	(1,050,092)
	<u>33,112,843</u>	<u>25,873,391</u>	<u>134,934,836</u>	<u>103,959,285</u>

## 17. Financial risk management

### A. Introduction and overview

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

- credit risk;
- market risk;
- liquidity risk; and
- operational risk

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

### B. Credit risk

Credit risk is the risk of financial loss to the Branch if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Branch's loans and advances to customers, placements with other banks, and other assets. There is also credit risk in off-balance sheet financial instruments, such as loan commitments. The credit risk management is carried out by the Branch's credit committee.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations. Exposure to credit risk is also managed by obtaining collateral and personal guarantees. Management performs credit assessment on a yearly basis after loans and advances have been disbursed to analyse the financial conditions and performance of the borrowers.



### **Risk limit control and mitigation policies**

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

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

### **17. Financial risk management (continued)**

#### **C. Market risk**

The Branch takes on exposure to market risk, which is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in market prices.

Market risk arises from open positions in interest rates, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

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

#### **(i). Interest rate risk**

Interest rate risk refers to the volatility in net interest income as a result of changes in the levels of interest rate and shifts in the composition of the assets and liabilities. Interest rate risk is managed through close monitoring of returns on investment, market pricing and cost of funds. The potential reduction in net interest income from an unfavourable interest rate movement is regularly monitored against the risk tolerance limits set.

## 17. Financial risk management (continued)

### C. Market risk (continued)

#### (i). Interest rate risk (continued)

The table below summarises the Branch's exposure to interest rate risk. The table indicates the periods in which the financial instruments reprice or mature, whichever is earlier.

As at 31 December 2019	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1 to 5 years	Over 5 years	Non-interest bearing	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
<b>Financial assets</b>								
Cash and cash equivalents	2,949,922,392	113,611,171	-	-	-	-	3,621,408	332,157,971
Placements with other banks, gross	-	-	73,482,704	46,771,287	-	-	-	120,253,991
Loans and advances to customers, gross	5,462,244	26,000,855	104,153,000	81,448,837	385,087,692	148,304,022	-	753,454,650
Other assets	-	-	-	-	-	-	815,522	815,522
	223,394,636	139,612,066	177,632,704	128,221,094	385,087,692	148,304,022	4,438,930	1,201,692,144
<b>Financial liabilities</b>								
Deposits from customers	73,614,623	25,668,121	12,919,054	10,475,970	3,981,231	-	249,527,431	386,157,430
Deposits from banks	38,616,596	37,751,782	30,601,161	-	-	-	22,840,119	129,811,658
Borrowings	170,889,723	217,921,581	79,855,341	23,677,181	-	-	-	482,313,826
Subordinated debt	50,005,092	-	-	-	-	-	-	50,005,092
Lease liabilities	-	202,154	-	200,237	1,660,011	1,130,218	-	3,192,620
Other liabilities	-	-	-	-	-	-	4,503,751	4,503,751
	333,108,034	281,544,638	123,305,556	34,353,388	5,631,242	1,130,218	286,871,301	1,056,984,377
Interest sensitivity gap	(109,773,398)	(141,932,572)	54,327,148	93,867,706	379,456,450	147,173,804	(282,431,371)	140,687,767
(XOR)000 equivalents - Note 5)	(447,306,557)	(578,375,231)	221,383,128	382,510,902	1,545,285,034	599,733,251	(1,150,907,857)	573,302,651



### C. Market risk (continued)

#### (ii). Foreign currency exchange risk (continued)

##### Concentration of currency risk (continued)

31 December 2019	US\$	KHR	Chinese Yuan	Euro	Total
<b>Financial assets</b>					
Cash and cash equivalents	319,778,899	1,334,588	10,408,553	635,931	332,157,971
Placements with banks	119,392,275	-	861,716	-	120,253,991
Loans and advances to customers	651,190,244	99,516,972	-	2,747,444	753,454,660
Other assets	815,522	-	-	-	815,522
	<u>1,091,176,940</u>	<u>100,851,560</u>	<u>11,270,269</u>	<u>3,383,375</u>	<u>1,206,682,144</u>
<b>Financial liabilities</b>					
Deposits from customers	385,508,976	343,480	301,730	3,244	386,157,430
Deposits from banks	113,919,839	5,826,727	10,055,092	-	129,801,658
Borrowings	406,303,016	80,647,726	-	3,363,084	492,313,826
Subordinated debts	50,035,092	-	-	-	50,035,092
Other liabilities	3,182,620	-	-	-	3,182,620
Lease liabilities	4,503,751	-	-	-	4,503,751
	<u>965,453,294</u>	<u>86,817,933</u>	<u>10,356,822</u>	<u>3,366,328</u>	<u>1,065,994,377</u>
<b>Net asset position</b>	<u>125,723,646</u>	<u>14,033,627</u>	<u>913,447</u>	<u>17,047</u>	<u>140,687,767</u>
<b>KHR'000 (Note 5)</b>	<u>512,323,857</u>	<u>57,187,030</u>	<u>3,722,297</u>	<u>69,467</u>	<u>573,302,651</u>

## 17. Financial risk management (continued)

### D. Liquidity risk

Liquidity risk is the risk that the Branch will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises from mismatches in the timing and amounts of cash flows, which is inherent to the Branch's operations and investments.

### E. Operational risk

The operational risk is the risk of losses arising from inadequate or failed internal processes, people or systems or from external factors. This risk is managed through established operational risk management processes, proper monitoring and reporting of the business activities by control and oversight provided by the senior Management. This includes legal, compliance, accounting and fraud risk.

The operational risk management entails the establishment of clear organizational structures, roles and control policies. Various internal control policies and measures have been implemented. These include the establishment of signing authorities, defining system parameters controls, streamlining procedures and documentation ensuring compliance with regulatory and legal requirements. These are reviewed continually to address the operational risks of its banking business.

### F. Capital management

#### (i). Regulatory capital

The Branch's objectives when managing capital, which is a broader concept than the "equity" on the face of the statement of financial position, are:

- To comply with the capital requirements set by the NBC;
- To safeguard the Branch'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 the business.

#### (ii). Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital.

## 18. Fair values of financial assets and liabilities

The Bank's financial assets and liability are not measured at fair value. As verifiable market prices are not available, market prices are not available for a significant proportion of the Branch's financial assets and liabilities, the fair values, therefore, have been based on management assumptions according to the profile of the asset and liability base. In the opinion of the management, the carrying amounts of the financial assets and liabilities included in the balance sheet are a reasonable estimation of their fair values.



## 19. Significant accounting policies

### A. Financial assets and financial liabilities

#### (i). Recognition and initial measurement

The Branch initially recognises loans and advances, borrowings and subordinated liabilities on the date on which they are originated. All other financial the date on which the Branch 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 FVTPL, transaction costs that are directly attributable to its acquisition or issue.

#### (ii). Derecognition

##### Financial assets

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

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset 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 and loss.

##### Financial liabilities

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

## 20. Fair values of financial assets and liabilities

### 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 Branch has access at that date. The fair value of a liability reflects its non-performance risk.

## 21. Regulatory reserves

Regulatory reserves are set up for the variance of provision between loan impairment in accordance with CIFRSs and regulatory provision in accordance with National Bank of Cambodia's Prakas No. B7-017-344 dated 1 December 2017 and Circular No. B7-018-001. For Ror Chor Nor dated 16 February 2018 on credit risk classification and provision on impairment for banks and financial institutions. In accordance with Article 73, the entity is shall compare the provision calculated in accordance with Article 49 to 71 and the provision calculated in accordance with Article 72, and the record:

(i) In case that the regulatory provision calculated in accordance with Article 72 is lower than provision calculated in accordance with Article 49 to 71, the entity records the provision calculated in accordance with CIFRSs; and

(ii) In case that the regulatory provision calculated in accordance with Article 72 is higher than provision calculated in accordance with Article 49 to 71, the entity records the provision calculated in accordance with CIFRSs and transfer the difference from retained earnings or accumulated loss account into regulatory reserve in shareholders' equity of the statement of the financial position.

The regulatory reserves are not an item to be included in the calculated of the institution net worth.

## 22. Explanation of transition to CIFRSs Reconciliation of equity

The following reconciliations summarise the impacts on initial application of CIFRSs on the Branch's financial position as at 31 December 2017 and 1 January 2018 and the Branch's profit or loss and other comprehensive income for the year ended 31 December 2018.

	31 December 2017				31 December 2018			
	Cambodia GAAP US\$	Effect of transition to CIFRSs Redissalation Remeasurement US\$	1 January 2018 CIFRSs US\$		Cambodia GAAP US\$	Effect of transition to CIFRSs Redissalation Remeasurement US\$	31 December 2018 CIFRSs US\$	
<b>ASSETS</b>								
Cash on hand	2,814,542	(2,814,542)	-		2,838,330	(2,838,330)	-	
Balance with the NBC	212,959,171	(212,959,171)	-		187,072,483	(187,072,483)	-	
Deposits and placements with other banks	220,302,106	(220,302,106)	-		216,288,080	(216,288,080)	-	
Cash and cash equivalents	-	133,815,571	133,815,571		-	126,809,403	126,809,403	
Placements with other banks	-	204,588,882	204,588,882		-	189,477,650	189,477,650	
Statutory deposits	532,031,862	-	532,031,862		522,874,598	-	56,037,500	
Loans and advances	8,122,220	(8,088,862)	33,358		8,502,732	(8,327,650)	628,884,112	
Other assets	447,677	-	447,677		280,776	-	2,175,002	
Property and equipment	-	-	-		331,888	-	280,776	
Long term investments	-	-	-		-	-	3,417,115	
Right-of-use assets	-	-	-		-	-	17,376,428	
Deferred tax assets - net	1,314,786	-	1,314,786		1,740,667	-	654,229	
<b>Total assets (US\$)</b>	<b>976,455,565</b>	<b>-</b>	<b>980,900,570</b>		<b>1,018,747,524</b>	<b>-</b>	<b>1,028,257,667</b>	
<b>Total assets (KHR'000 - Note 5)</b>	<b>3,850,025,197</b>	<b>-</b>	<b>3,972,218,853</b>		<b>4,187,345,551</b>	<b>-</b>	<b>4,151,540,109</b>	



## 22. Explanation of transition to CIFRSs (continued)

### Reconciliation of equity (continued)

	31 December 2017			31 December 2018		
	Cambodia GAAP US\$	Effect of transition to CIFRSs Rereclassification Remeasurement US\$	1 January 2018 CIFRSs US\$	Cambodia GAAP US\$	Effect of transition to CIFRSs Rereclassification Remeasurement US\$	CIFRSs US\$
<b>LIABILITIES AND EQUITY</b>						
Deposits from customers	168,123,155	283,718	168,406,873	374,305,090	1,059,323	375,405,413
Deposits from other banks	136,977,652	414,192	137,391,844	127,653,181	475,936	128,129,117
Borrowings	466,898,710	1,372,084	468,271,794	276,535,296	470,992	277,006,287
Subordinated debts	25,000,000	294,572	25,294,572	25,000,000	412,109	25,412,109
Lease liabilities	-	-	3,897,048	-	3,543,237	3,543,237
Other liabilities	6,124,249	(2,364,566)	3,759,683	12,145,659	(2,458,358)	9,688,311
Provision for financial guarantee contract	-	-	128,119	-	162,042	162,042
Current income tax liability	5,200,259	-	5,200,259	6,759,558	-	6,759,558
Total liabilities	808,325,025	-	812,350,192	822,400,793	2	826,106,674
<b>EQUITY</b>						
Share capital	100,000,000	-	100,000,000	100,000,000	-	100,000,000
Regulatory reserves	-	4,587,041	4,587,041	-	6,742,521	6,742,521
Retained earnings	70,130,560	(4,587,041)	67,023,345	97,346,731	(6,742,521)	95,408,672
Total equity	170,130,560	-	171,610,386	197,346,731	-	202,151,193
<b>Total liabilities and equity (US\$)</b>	<b>978,455,585</b>	<b>-</b>	<b>983,960,578</b>	<b>1,019,747,524</b>	<b>2</b>	<b>1,028,257,867</b>
<b>Total liabilities and equity (KHR'000 – Note 5)</b>	<b>3,950,025,197</b>	<b>-</b>	<b>3,972,248,853</b>	<b>4,097,345,551</b>	<b>6</b>	<b>4,131,540,109</b>

## 22. Explanation of transition to CIFRSs (continued)

Reconciliation of statement of profit or loss for the year ended 31 December 2018

	Effect of transition to CIFRSs			CIFRSs US\$
	Cambodia GAAP US\$	Reclassification US\$	Remeasurement US\$	
<b>Operating income</b>				
Interest income	47,598,334	-	-	47,598,334
Interest expense	(15,607,078)	-	(70,221)	(15,677,299)
<b>Net interest income</b>	<u>31,991,256</u>	<u>-</u>	<u>(70,221)</u>	<u>31,921,035</u>
Net fee and commission income	12,018,471	78,851	-	12,097,322
<b>Total operating profit</b>	<u>44,009,727</u>	<u>78,851</u>	<u>(70,221)</u>	<u>44,018,357</u>
Foreign exchange losses	(86,819)	86,819	-	-
Personnel expenses	(5,109,253)	-	-	(5,109,253)
Depreciation	(163,824)	163,824	-	-
Other operating expenses	(1,800,958)	(250,643)	29,748	(2,021,854)
<b>Total operating expenses</b>	<u>(7,160,854)</u>	<u>-</u>	<u>29,748</u>	<u>(7,131,107)</u>
<b>Operating profit before impairment</b>	<u>36,848,873</u>	<u>78,851</u>	<u>(40,474)</u>	<u>36,887,250</u>
Impairment losses on financial instruments	(2,701,420)	-	3,953,694	1,252,274
<b>Profit before income tax</b>	<u>34,147,453</u>	<u>78,851</u>	<u>3,906,908</u>	<u>38,139,524</u>
Income tax expense	(6,931,282)	-	(667,435)	(7,598,717)
<b>Net profit for the year</b>	<u>27,216,171</u>	<u>78,851</u>	<u>3,245,785</u>	<u>30,540,807</u>
<b>Net profit for the year (KHR'000 – Note 5)</b>	<u>110,089,412</u>	<u>318,952</u>	<u>13,129,202</u>	<u>123,537,566</u>



## Financial assets and liabilities

## (1) Classification of financial assets and financial liabilities

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## 22. Explanation of transition to CIFRSs (continued)

### Financial assets and liabilities (continued)

(i) Classification of financial assets and financial liabilities (continued)

		1 January 2018		31 December 2018	
		Original classification under Cambodia GAAP	New classification under CIFRS 9	Original carrying amount under Cambodia GAAP US\$	New carrying amount under CIFRS 9 US\$
<b>Financial liabilities</b>					
Deposits from customers	Cost		Amortised cost	168,123,155	127,653,181
Deposits from other banks	Cost		Amortised cost	136,977,652	374,306,090
Borrowings	Cost		Amortised cost	466,889,710	276,535,295
Subordinated debits	Cost		Amortised cost	25,000,000	25,000,000
Lease liabilities	Cost		Amortised cost	-	-
Other liabilities	Cost		Amortised cost	6,124,249	11,880,445
<b>Total financial liabilities (US\$)</b>				<b>803,124,766</b>	<b>815,375,011</b>
<b>Total financial liabilities (KHR'000 – Note 5)</b>				<b>3,242,214,680</b>	<b>3,256,896,107</b>
					<b>3,260,888,614</b>



## 22. Explanation of transition to CIFRSs (continued)

### (iv) Transition impact on equity

The following table summarises the impact, net of tax, of transition to CIFRS 9 on reserves, retained earnings at 1 January 2018.

	Impact of adopting CIFRS 9 at 1 January 2018	
	US\$	KHR'000
<b>Retained earnings</b>		
Closing balance under Cambodia GAAP (31 December 2017)	70,130,560	283,117,071
Remeasurement of amortised costs under CIFRS 9	156,149	630,374
Recognition of expected credit losses under CIFRS 9	(2,428,054)	(9,821,478)
Related tax	454,381	1,837,971
Opening balance under CIFRS 9 (1 January 2018)	<u>68,288,052</u>	<u>275,220,667</u>

## 23. Subsequent events

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.

### **Disclaimer**

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