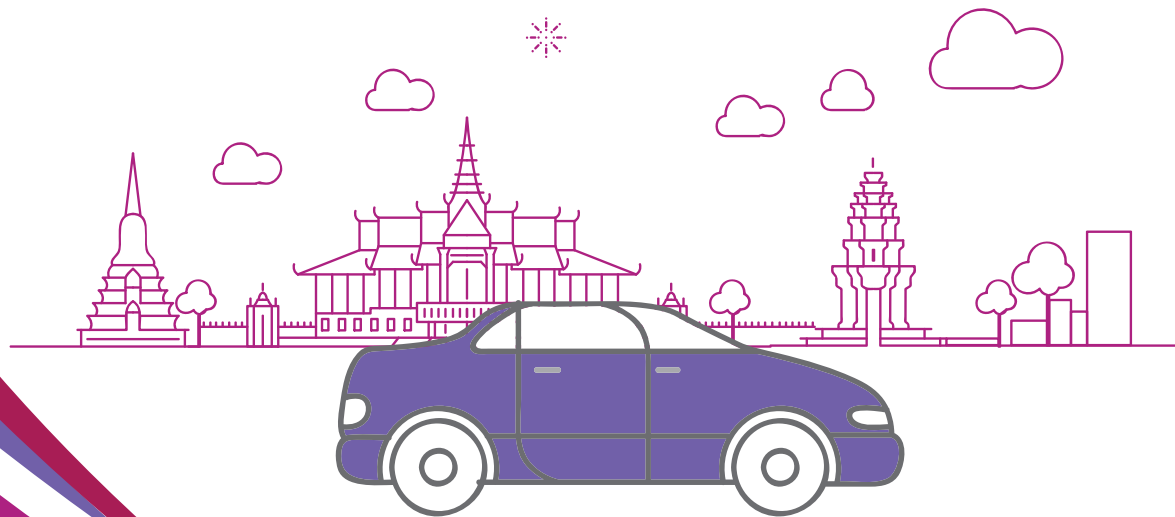


# របាយការណ៍ប្រចាំឆ្នាំ 2019

## ANNUAL REPORT





PERSONAL LOAN



INSTALLMENT



AEON CARD



AEON WALLET

➤ SIMPLE ➤ FAST ➤ CONVENIENT



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# AEON FINANCIAL SERVICE GROUP NETWORK

“Support customers Lifestyle and enable each individual to maximize future opportunities through effective use of credit”



# FY2019 FINANCIAL HIGHLIGHTS

## OUR BACKGROUND

The company was incorporated as a public limited company in Cambodia on 5<sup>th</sup> October, 2011 under Registration No. Co. 2380 E/2011, issued by the Ministry of Commerce and has re-registered through online business registration with the new Registration Number 00006388. On 7<sup>th</sup> October, 2011 the Company obtained its license as a micro-finance institution from National Bank of Cambodia. As a microfinance institution, the company was the first to offer unsecured Installment Service such as home appliances, motorbike, mobile phone, personal loan and agriculture machinery.

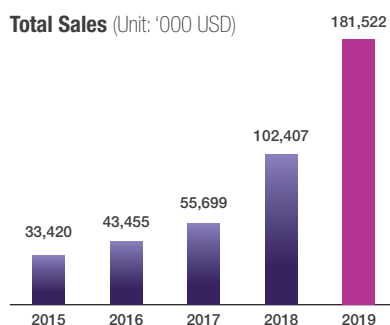
On 26<sup>th</sup> October, 2015, the Company obtained a specialized bank's license from the National Bank of Cambodia. Since then the Company has transformed into a specialized bank and started issuing Credit Card, AEON Wallet, AEON Card Mobile(m-Visa) as our business expansion.

2019 AEON Thana Sinsap (Thailand) Pcl., a listed company in Thailand, owns 50% shares of the company while another 50% is owned by AFS Corporation Co., Ltd a private company 100% owned by AEON Financial Service Co., Ltd. which is listed in Japan Stock Exchange.

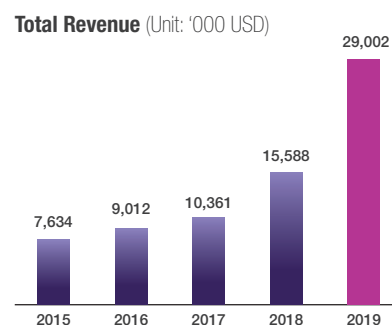
## KEY FINANCIAL DATA

For all years up to the year ended 31 December 2018, the financial statements were prepared in accordance with Cambodian Accounting Standards ("CAS") and relevant accounting regulations and guidelines issued by the National Bank of Cambodia ("NBC") (previous GAAP). These financial statements for the year ended 31 December 2019 are the first set that the Bank has prepared in accordance with Cambodia International Financial Reporting Standards ("CIFRSs"). In the first set of CIFRSs financial statements for the financial year ended 31 December 2019, an additional opening statement of financial position as at date of transition (1 January 2018) is presented, together with related notes. Reconciliation statements from previously reported previous GAAP amounts and explanatory notes on transition adjustments are presented for equity as at date of transition (1 January 2018) and as at end of last financial period under previous GAAP (31 December 2018), and for total comprehensive income and cash flows reported for the last financial period under previous GAAP (for the year ended 31 December 2018).

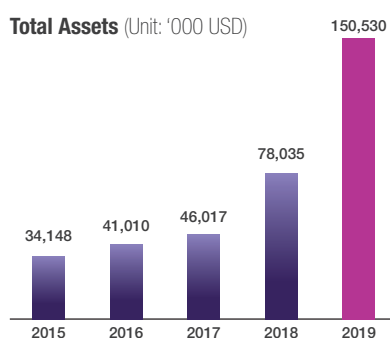
**Total Sales** (Unit: '000 USD)



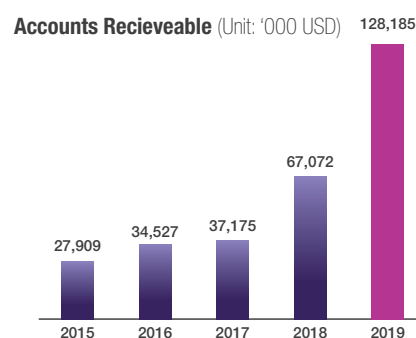
**Total Revenue** (Unit: '000 USD)



**Total Assets** (Unit: '000 USD)



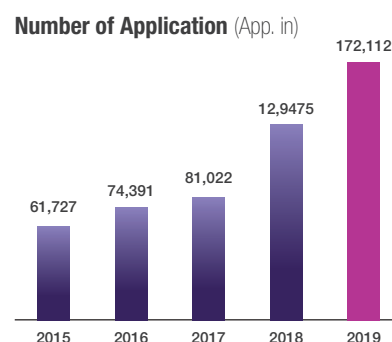
**Accounts Recieveable** (Unit: '000 USD)



**Number of Partner Shops** (Loan Business)



**Number of Application** (App. in)



## ➤ MESSAGE FROM MANAGEMENT

### Mr. Taketo Ando

Vice-Chairman of the Board  
and Managing Director

*We would like to  
introduce AEON Specialized  
Bank's products and services in  
Cambodian market as a slogan*

“

**SIMPLE, FAST and CONVENIENT**

”



#### *Dear readership,*

We, AEON Specialized Bank (Cambodia) Plc. have been established in Cambodia in October 2011 as Microfinance, which offer first product is unsecured installment service. We have obtained a specialized bank license from the National Bank of Cambodia in October 2015. Our Service highlight in 2019 is car loan that offered to Cambodian people has made their lives better. We have received tremendous supports on the new product offered from both employee and self-employed segment. With our simple criteria and requirement, our customer has better and ease access to the car loan service and get their preferred car brand and model for either their personal use or business operation.

For 2020 as the year of new opportunities and challenges, we will continue focusing on our produces and service to customers such as Installment service, Car Loan product, Agriculture Loan, Personal Loan both of Khmer Riel & USD currency, unsecure Credit Card, AEON Card Mobile (Scan to Pay), Smartphone Application (AEON Wallet) in local currency Khmer Riel,

equipped with QR Code payment and remittance functions. The products are “SIMPLE, FAST and CONVENIENT”.

Finally, we continue to reinforce our commitment to connect with our customers. And, we are trusted that the AEON Specialized Bank is well positioned to bring further value to customers. We would like to thank all our customers, and colleagues for their necessary support and contribution to our development in the year 2019.

安藤 武人

**Mr. Taketo Ando**

Vice-Chairman of the Board  
and Managing Director

# BOARD OF DIRECTORS



**Mr. Kenji Fujita**

**Position :** Chairman of the Board  
**Born (year) :** 1969

**2019 – Present :**

Chairman of the Board AEON Specialized Bank (Cambodia) Plc.

**2019 – Present :**

AEON Thana Sinsap (Thailand) Pcl, Managing Director

**2014 – 2019 :**

AEON Credit Service (Malaysia) Berhad Managing Director

**2013 – 2014 :**

AEON Credit Service (Malaysia) Berhad Director

**2012 – 2013 :**

AEON Credit Holdings (Hong Kong) Co., Ltd., Director

**2010 – 2011 :**

AEON Stores (Hong Kong) Co.,Ltd., Director



**Mr. Taketo Ando**

**Position :** Vice Chairman of the Board and Managing Director.  
**Born (year) :** 1967  
**Education :** Bachelor's Degree in Faculty of Business Administration Senshu University, Japan

**2017 – Present :**

Vice-chairman of the Board and Managing Director, AEON Specialized Bank (Cambodia) Plc.

**2015 – 2017 :**

Managing Director, ACS Servicing (Thailand) Co., Ltd.

**2014 – 2015 :**

Executive Director, AEON Thana Sinsap (Thailand) Pcl.

**2013 – 2014 :**

Project Team Leader of Makuhari-Shintoshin Branch Project, AEON Credit Service Co., Ltd.

**2012 – 2013 :**

Regional Head of South Kanto Region, AEON Credit Service Co., Ltd.



**Mr. Keiichi Nambu**

**Position :** Executive Director  
**Born (year) :** 1972  
**Education :** Bachelor's Degree in Economics Department, Takasaki City University, Japan

**2016 – Present :**

Executive Director, AEON Specialized Bank (Cambodia) Plc.

**2012 – 2016 :**

Resident Officer AEON Credit Service India Private Limited

**2011 – 2012 :**

Resident Officer, AEON Credit Service Co., Ltd Representative Office India

**2008 – 2011 :**

Officer of Overseas Division AEON Credit Service Co., Ltd



**Mr. Jun Kuroda**

**Position :** Non- Executive Director  
**Born (year) :** 1953

**2019 – Present :**

AEON Specialized Bank (Cambodia) Plc. (Non-Executive Director)

**2019 – Present :**

AFS Corporation Co., Ltd. Director

**2018 – 2019 :**

AEON Financial Service Co.,Ltd., Adviser (Assistant to President and CEO)

**2016 – 2018 :**

AEON Financial Service Co.,Ltd., Head of Management Audit Department

**2013 – 2016 :**

AEON Financial Service Co., Ltd., Head of Overseas Audit Department

**2011 – 2013 :**

AEON Housing Loan Service Co., Ltd., Auditor

**2011 – 2012 :**

AEON Community Bank Co. Ltd., Auditor

**2010 – 2013 :**

AEON Bank Co. Ltd. Head of Audit Department,

**2007 – 2009 :** AEON Bank Co., Ltd., Director





**Mr. Om Sengbora**

**Position :** Independent Director  
**Born (year) :** 1977  
**Education :** Doctoral Degree of Business Administration

**2019 – Present :**

Chairman of CEO Master Club Investment Plc.

**2015 – Present :**

Chairman of CEO Institute including CEO Master Club, Real Estate School of Cambodia, and Faculty of International Business Management

**2013 – Present :**

Independent Board of Director of Phnom Penh Water Supply Authority

**2012 – Present :**

Advisory Member of Cambodia Chamber of Commerce

**2011 – Present :**

Independent Board of Director of AEON Specialized Bank (Cambodia) Plc.



**Mrs. Khieu Mealy**

**Position :** Independent Director  
**Born (year) :** 1964  
**Education :** Double Master Degree from University Libre de Bruxelles (ULB) and Royal University of Law and Economics in collaboration with University of Montreal, and University of Geneva (LLM) and LLB from Royal University of Law and Economics; Bachelor of Law at National Institute of Management and Royal University of Law and Economic.

**2020 – Present :**

Member of Asia Global Advisory Council of INTA

**2017 – Present :**

Member of APAA and Council Member of APAA-Cambodian Group

**2016 – Present :**

Member of ASEAN IPA- Country Head of Cambodian Group

**2014 – Present :**

Independent Director, AEON Specialized Bank (Cambodia) PLC.

**2014 – Present :**

Board member of Nokor Tep Women Cancer Hospital

**2013 – Present :**

Founding Member of the National Commercial Arbitration Center

**2010 – present :**

Partner of SokSiphana&associates, a member of ZICOLAW

**2009 – Present :**

Authorized Trade Mark Agent

**2009 – Present :**

Founding Member of Intellectual Property Association of Cambodia (IPAC)

**2004 – Present :**

Member of Bar Association of the Kingdom of Cambodia

# ADVISORY



**H.E. Dr. Sok Siphana**

**Position :** Advisory

**Born (year) :** 1960

**Education :** Juris Doctor (J.D.), Widener University School of Law, Delaware, (USA), Doctor of Philosophy (Ph.D.), Bond University School of Law, Queensland (Australia); Currently pursuing another Ph.D. degree at the University of Paris 2, Pantheon Assas on Comparative Laws.

**2018 – PRESENT:**

Senior Advisor to the Royal Government of Cambodia attached to the Ministry of Foreign Affairs and International Cooperation

**2014 – PRESENT:**

Advisory, AEON Specialized Bank (Cambodia) Plc

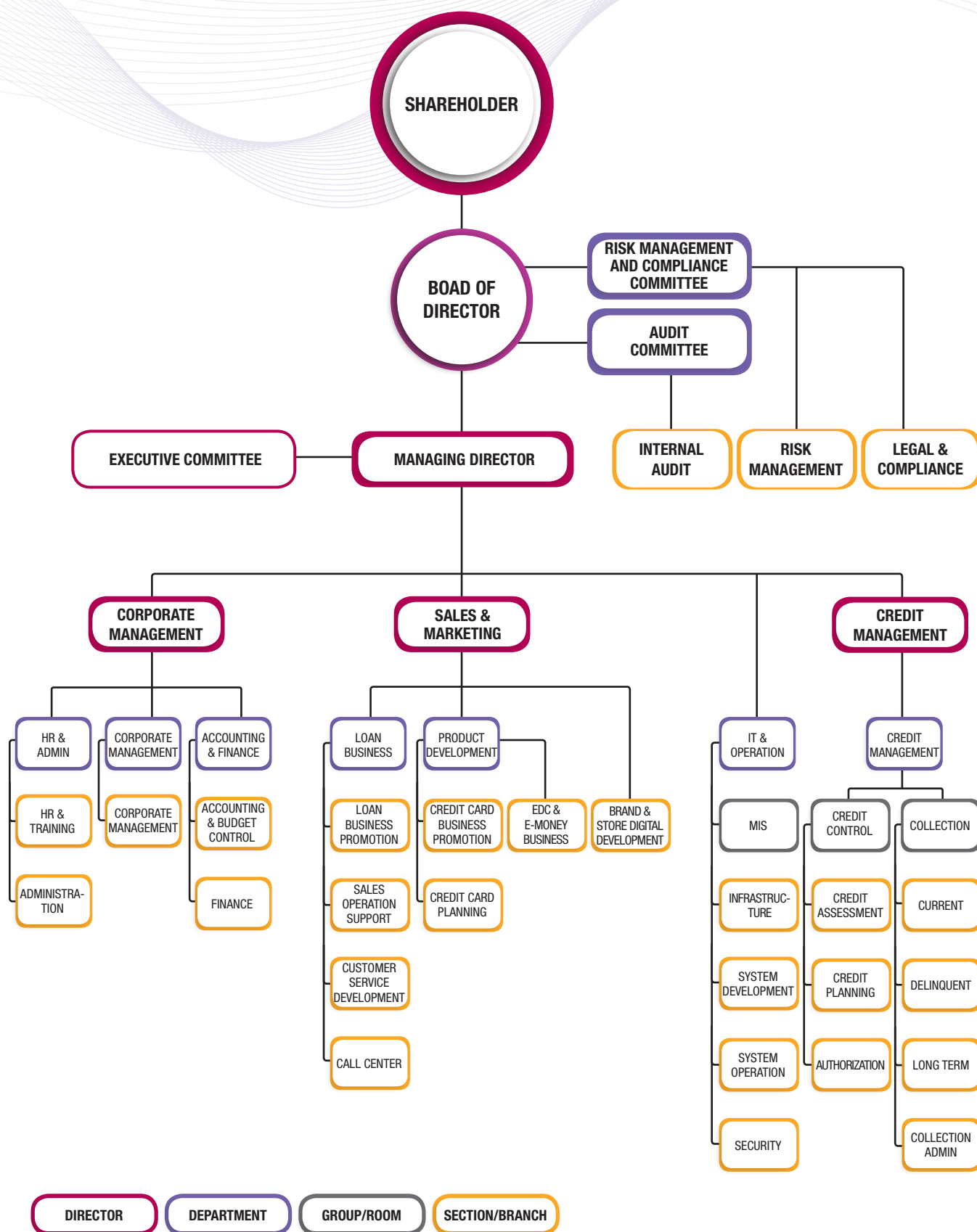
**2009 – PRESENT:**

Managing Partner, SokSiphana&associates, a member of ZICOLaw.

**2009 – PRESENT:**

Occasional Lecturer of Laws and Policies at the Royal University of Law and Economics (RULE)

# ORGANIZATION CHART





# CORPORATE HISTORY

## 2012



- Jan** Launch mobile phone installment service
- Jul** Launch motorcycle installment service

## 2014



- Mar** Launch personal loan service
- May** Battambang branch opening
- May** Phnom Penh Head Office relocation
- Jun** AEON Mall branch opening
- Jun** Start the point card service provider business for AEON Phnom Penh
- Sep** Start Agriculture installment seasonal payment
- Oct** Kampong Cham branch opening

## 2016



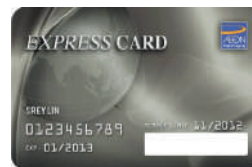
- Feb** Transformed to Specialized Bank
- Apr** AEON Mall branch renovation
- Apr** Start issuing Gold Credit Card
- Jul** Start issuing violet Credit Card

## 2018



- Apr** Launched electronic money (AEON Wallet)
- Apr** Started Car Loan
- Jun** Mall Sen Sok City branch open
- Aug** Takeo branch Opening
- Aug** Bonteymeachey branch Opening
- Dec** Launch AEON Card Mobile (Scan to Pay)

## 2013



- Apr** Positive turnaround in monthly basis
- May** Launch Agriculture Machinery any installment service
- Jun** Siem Reap branch opening
- Sep** Launching Member Card
- Dec** Chamkamon branch opening

## 2015



- Mar** Launch Insurance installment with FORTE
- Oct** Obtain the Specialized Bank License
- Nov** Launch Tablet application

## 2017



- Jan** Pochentong branch opening
- Jul** Battambang branch relocation/renovation
- Aug** Head office renovation
- Oct** Siem Reap branch relocation/renovation
- Dec** AEON card receive VISA award

## 2019



- Apr** Head Office relocation
- Jun** Banteay Meanchey branch relocation
- Jul** Relocation and conversion of Sovanna Branch to Stueng Mean Chey Branch
- Aug** Takeo branch relocation/renovation
- Nov** Chba Ampov branch opening

# ➤ BUSINESS HIGHLIGHT 2019

## CAR LOAN

Our Service offered car loan to Cambodian people has made their lives better. We have received tremendous supports on the new product offered from both employee and self-employed segment. With our simple criteria and requirement, our customer has better and ease access to the car loan service and get their preferred car brand and model for either their personal use or business operation. In Y2019, we

have been stimulated to expand from Phnom Penh areas to other key provinces and this is very much appreciated that made the car loan market grown even faster. With the stronger supports and better popularity of our service, we are committing to provide better service to our customer by working closely with our corporate partners to offer more choices of car brands, both used and brand-new car.







## BUSINESS PERSPECTIVE 2020

### CREDIT CARD

By supporting from AEON cardholders and putting great effort from all member of AEON Specialized Bank we have issued 48,185 card as of December 2019. AEON Specialized Bank still standing number 1 and cover 49% share of total VISA credit card issuing in Cambodia.

AEON Specialized Bank shows a significant growth compare to the whole VISA credit card sale growth (YOY) by 50% vs market 11% and 58% growth vs -9% market dropped in term of total cash volume. Per VISA reported (Q42019).

AEON Specialized Bank (Cambodia) Plc. Continue to improve our product/feature to provide a very good service to cardholder. We have add on "Happy Plus Point" redemption by credit the value to customer card on cash voucher redemption. Increase merchant network to accept card payment and plus privilege

discount to AEON Cardholder by enjoying up to 50% off at alliance partners 755 brands with 1,034 outlets.

We continue to improve the feature/function of "AEON Card Mobile" to make our AEON Cardholder feel SIMPLE to register, CONVENIENT managing AEON Card account which allow to view credit balance, transaction history, monthly billing statements, happy plus point and so on. Also FAST payment via Scan to Pay by just scanning QR Code from cardholder's smartphone. Plus above, contactless features also allowed cardholder to make payment faster by just tap and pay. To increase small ticket merchant acceptant and increase small ticket sale, we have developed 426 brands, 526 outlet in 2019. Accumulated 509 brands, 638 outlet of AEON Card Mobile Merchant with provide up to 50% off. The top privilege merchant is F&B: 46%, fashion 28%, wellness 12%, 14% is other categories.

### PERSONAL LOAN

Launched since 2014, the product of personal loan are consistently becoming more popular among our customers for its simple criteria and our better speed, superior quality of service. Over the years, this product keep building the growth momentum at the remarkable faster speed. With the amount of loan up-to 20 million riels (or USD 5,000), our customers can use it for various purpose to improve their living or enhance their business operation. In Y2019, we have shift more focus to offer personal loan in Khmer Riel to promote our local currency and we have received strong support from our customer. Just within one year of offering, our loan receivable of Khmer Riel closed the year at 10.81% versus total receivables. Y2020 is still very promising for the growth of the products. AEON Specialized Bank will continue to leverage this product

to reach our customers in the wider base through both product criteria enhancement and market development to other areas, where we are yet offering the service. We hope this product will continue to help our customer realize their dream and improve their lifestyle.



# INTERNAL CONTROL

## COMPANY'S COMPLIANCE



Effective internal controls are the foundation of safe and sound banking. A proper designed and consistently enforced system of operational and financial internal control helps AEON Specialized Bank's Board of Directors and Management safeguard the Bank's resources, produce reliable financial reports, and comply with laws and regulations. Effective internal control also reduces the possibility of significant errors and irregularities and assists in their timely detection when they do occur. Meanwhile, Compliance Function takes part and plays a very important role in AEON Specialized Bank's permanent control activities. Acting as the second line

defense, the Compliance Function, which is separated from other internal control functions, is independent and does not involve in any business operation to prevent from potential conflicts of interests. The main functions of Compliance is to ensure the Bank complies with prevailing laws and regulations, professional and ethical standards, specific regulations issued by market authorities, relating to banking and financial activities and with policies and instructions issued by the decision-making body. Within 2019, Compliance has updated the Policies, Regulations and Procedure relevant with Compliance Framework and Anti-Money Laundering and Combating the Financing of Terrorism to align with the development of the Bank's Products, Services, the market trend and especially the Laws and Regulations. Moreover, the new training materials were developed and refreshment training has been conducted to existing staffs to ensure that their knowledge and understanding reflecting to minimize the risk of non-compliance and legal issue and money laundering and financing of terrorism. In year 2020, we have planned to established the full compliance program including update all related compliance Policies, Regulations and Procedures, establish the Compliance Checklist with monitoring plan, training program and report mechanism to strengthen our Compliance Function to help our Bank's internal control more effectively.



## RISK MANAGEMENT

The company considers risk management as an important element of the business and embeds strong risk culture in its day-to-day business operations. Understanding the importance of risk management to sustainable growth, the Risk Management team is involved in all stages of the risk management process to provide an independent view and input including overseeing, planning and conducting its own risk management. The company has been conduct monthly regional risk management meeting amongst Japan, Thailand, Myanmar and Laos which are AEON group companies.



# ➤ CORPORATE SOCIAL RESPONSIBILITY

As a Cambodian responsible corporate citizen, the company recognizes the significance of our mission to serve as a leader in part of the economy, as well as our social responsibilities. The company offered scholarships to university students thru "NEAK BONTORVEN" program, and well digging with AEON group companies.

In 2019 we conducted two times of clean city in the Phnom Penh area and all the provincial branches with

over our 400 staffs and other volunteers participated in cooperation with the Ministry of Tourism and students. We joined clean city challenging with Japan and world cleanup events with other companies in Phnom Penh. This cleaning activity not only play a role in beautifying the city, but also have various educational significance for local residents. We also joined two times of well digging at Takeo province. We completed digging 2 wells.







# INDEPENDENT AUDITOR'S REPORT

*To the Shareholders of AEON Specialized Bank (Cambodia) Plc.*

## Opinion

We have audited the financial statements of AEON Specialized Bank (Cambodia) Plc. (the "Bank"), which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 16 to 38.

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

## Basis for Opinion

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

## Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Corporate Information and the Report of the Board of Directors but does not include the financial statements and our auditor's report thereon.

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

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

## Responsibilities of Management and the Board of Directors for the Financial Statements

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

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

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes



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

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

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

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

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

For Deloitte (Cambodia) Co., Ltd.



**Ung Kimsopheakra**

Director

Phnom Penh, Kingdom of Cambodia

Date: 31 March 2020

# STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

		31 December 2019		31 December 2018		1 January 2018	
	Notes	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
ASSETS							
Cash on hand	3	999,105	4,071,353	426,133	1,712,202	242,884	980,523
Balances with the NBC	4	10,703,250	43,615,744	1,013,829	4,073,565	637,384	2,573,119
Balances with other banks	5	3,137,636	12,785,867	2,463,235	9,897,278	2,102,350	8,487,187
Loans to customers	6	124,801,783	508,567,266	65,537,471	263,329,558	35,439,037	143,067,392
Property and equipment	7	2,408,090	9,812,967	1,868,870	7,509,120	2,217,176	8,950,740
Intangible assets	8	2,430,008	9,902,283	2,463,764	9,899,404	2,190,843	8,844,433
Right-of-use assets	9	2,667,032	10,868,155	963,016	3,869,398	1,277,987	5,159,234
Deferred tax assets	11(a)	1,122,113	4,572,610	656,741	2,638,785	473,430	1,911,237
Other assets	10	2,261,119	9,214,059	2,642,113	10,616,010	1,435,640	5,795,679
TOTAL ASSETS		150,530,136	613,410,304	78,035,172	313,545,320	46,016,731	185,769,544
LIABILITIES							
Borrowings	12	112,664,019	459,105,877	54,112,753	217,425,042	30,774,409	124,236,289
Subordinated debts	13	4,000,812	16,303,309	-	-	-	-
Lease liabilities	14	2,555,117	10,412,102	975,957	3,921,395	1,267,487	5,116,845
Employee benefit obligations	15	174,074	709,352	177,778	714,312	-	-
Current income tax liabilities	11(b)	1,701,207	6,932,419	364,632	1,465,091	17,481	70,571
Amounts due to related parties		222,515	906,749	175,764	706,220	42,783	172,715
Other liabilities	16	3,914,179	15,950,279	2,162,838	8,690,282	1,174,766	4,742,531
TOTAL LIABILITIES		125,231,923	510,320,087	57,969,722	232,922,342	33,276,926	134,338,951
EQUITY							
Share capital	17	20,000,000	81,500,000	20,000,000	80,360,000	12,500,000	50,462,500
Retained earnings		5,298,213	21,497,030	65,450	293,875	239,805	968,093
Currency translation differences		-	93,187	-	(30,897)	-	-
TOTAL EQUITY		25,298,213	103,090,217	20,065,450	80,622,978	12,739,805	51,430,593
TOTAL LIABILITIES AND EQUITY		150,530,136	613,410,304	78,035,172	313,545,320	46,016,731	185,769,544

The accompanying notes from pages 21 to 38 form an integral part of these financial statements.



# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Year ended 31 December 2019		Year ended 31 December 2018	
		US\$	KHR'000	US\$	KHR'000
Interest income	18	26,481,726	107,303,954	14,127,848	57,147,145
Interest expense	18	(2,738,570)	(11,096,686)	(1,222,172)	(4,943,686)
<b>Net interest income</b>		23,743,156	96,207,268	12,905,676	52,203,459
Fee and commission income	19	2,300,654	9,322,250	1,303,486	5,272,601
Other income	20	159,870	647,793	157,855	638,523
<b>Operating profit</b>		26,203,680	106,177,311	14,367,017	58,114,583
Personnel expenses	21	(6,612,488)	(26,793,801)	(4,908,839)	(19,856,254)
Depreciation and amortisation	22	(2,209,460)	(8,952,732)	(1,650,348)	(6,675,658)
Other operating expenses	23	(6,020,967)	(24,396,959)	(4,743,266)	(19,186,510)
Impairment losses on financial assets	25	(4,622,322)	(18,729,649)	(1,760,866)	(7,122,703)
<b>Profit before tax</b>		6,738,443	27,304,170	1,303,698	5,273,458
Income tax expense	11(c)	(1,505,680)	(6,101,015)	(328,103)	(1,327,177)
<b>Profit for the year</b>		5,232,763	21,203,155	975,595	3,946,281
<b>Other comprehensive income</b>					
Currency translation differences		-	124,084	-	(30,897)
<b>Total comprehensive income for the year</b>		5,232,763	21,327,239	975,595	3,915,384

The accompanying notes from pages 21 to 38 form an integral part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital		Retained earnings		Currency translation differences	Total	
	US\$	KHR'000	US\$	KHR'000	KHR'000	US\$	KHR'000
<b>Balance as at 1 January 2018</b>	12,500,000	50,462,500	239,805	968,093	-	12,739,805	51,430,593
Share issued during the year	7,500,000	30,135,000	-	-	-	7,500,000	30,135,000
Dividend	-	-	(1,149,950)	(4,620,499)	-	(1,149,950)	(4,620,499)
Profit for the year	-	-	975,595	3,946,281	-	975,595	3,946,281
Other comprehensive income - currency translation differences	-	-	-	-	(30,897)	-	(30,897)
<b>Total comprehensive income</b>	-	-	975,595	3,946,281	(30,897)	975,595	3,915,384
Currency translation differences	-	(237,500)	-	-	-	-	(237,500)
<b>Balance as at 31 December 2018</b>	20,000,000	80,360,000	65,450	293,875	(30,897)	20,065,450	80,622,978
<b>Balance as at 1 January 2019</b>	20,000,000	80,360,000	65,450	293,875	(30,897)	20,065,450	80,622,978
Profit for the year	-	-	5,232,763	21,203,155	-	5,232,763	21,203,155
Other comprehensive income - currency translation differences	-	-	-	-	124,084	-	124,084
<b>Total comprehensive income</b>	-	-	5,232,763	21,203,155	124,084	5,232,763	21,327,239
Currency translation differences	-	1,140,000	-	-	-	-	1,140,000
<b>Balance as at 31 December 2019</b>	20,000,000	81,500,000	5,298,213	21,497,030	93,187	25,298,213	103,090,217

The accompanying notes from pages 21 to 38 form an integral part of these financial statements.



# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

		Year ended 31 December 2019		Year ended 31 December 2018	
	Notes	US\$	KHR'000	US\$	KHR'000
<b>Cash flows from operating Activities</b>					
Profit before tax		6,738,443	27,304,170	1,303,698	5,273,458
<i>Adjustments for:</i>					
Provision for employee benefits		(3,704)	(15,009)	177,778	719,112
Depreciation and amortisation	22	2,209,460	8,952,732	1,650,348	6,675,658
Impairment losses on financial assets	25	4,622,322	18,729,649	1,760,866	7,122,703
Losses on disposal and written-off of property and equipment		18,402	74,565	1,138	4,603
Interest income	18	(26,481,726)	(107,303,954)	(14,127,848)	(57,147,145)
Interest expense	18	2,738,570	11,096,686	1,222,172	4,943,686
		(10,158,233)	(41,161,161)	(8,011,848)	(32,407,925)
<i>Changes in:</i>					
Balances with the NBC		(2,887,000)	(11,698,124)	(375,000)	(1,516,875)
Loans to customers		(62,672,734)	(253,949,918)	(31,148,163)	(125,994,319)
Other assets		380,993	1,543,784	(1,206,473)	(4,880,183)
Other liabilities		1,751,341	7,096,434	1,118,164	4,522,973
Amounts to related parties		46,751	189,435	132,981	537,908
Cash used in operations		(73,538,882)	(297,979,550)	(39,490,339)	(159,738,421)
Interest received		25,272,908	102,405,823	13,414,384	54,261,182
Interest paid		(2,690,787)	(10,903,069)	(1,183,828)	(4,788,584)
Income tax paid	11(b)	(634,477)	(2,570,901)	(164,263)	(664,444)
Net cash used in operating activities		(51,591,238)	(209,047,697)	(27,424,046)	(110,930,267)
<b>Cash flows from investing activities</b>					
Purchases of property and equipment		(1,519,020)	(6,155,069)	(685,838)	(2,774,215)
Purchases of intangible assets		(410,793)	(1,664,533)	(593,418)	(2,400,376)
Proceeds from disposals of property and equipment		2,073	8,400	681	2,755
Net cash used in investing activities		(1,927,740)	(7,811,202)	(1,278,575)	(5,171,836)



# STATEMENT OF CASH FLOWS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Year ended 31 December 2019		Year ended 31 December 2018	
		US\$	KHR'000	US\$	KHR'000
<b>Cash flows from financing activities</b>					
Proceeds from borrowings		78,504,295	318,099,403	31,100,000	125,799,500
Repayments of borrowings		(20,000,000)	(81,040,000)	(7,800,000)	(31,551,000)
Proceeds from subordinated debts		4,000,000	16,208,000	-	-
Proceeds from issuance of share capital		-	-	7,500,000	30,337,500
Dividend paid		-	-	(1,149,950)	(4,651,548)
Payment of lease liabilities		(930,440)	(3,770,143)	(404,177)	(1,634,896)
Net cash from financing activities		61,573,855	249,497,260	29,245,873	118,299,556
Net increase in cash and cash equivalents		8,054,877	32,638,361	543,252	2,197,453
<b>Cash and cash equivalents at the beginning of the year</b>	24	2,915,052	11,712,679	2,371,800	9,574,958
Currency translation differences		-	351,421	-	(59,732)
<b>Cash and cash equivalents at the end of the year</b>	24	10,969,929	44,702,461	2,915,052	11,712,679

The accompanying notes from pages 21 to 38 form an integral part of these financial statements.



# **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

## **1. GENERAL INFORMATION**

AEON Specialized Bank (Cambodia) Plc. (the “Bank”) is a licensed specialized bank incorporated and registered in the Kingdom of Cambodia.

The Bank was incorporated as a public limited liability company in Cambodia on 5 October 2011 under Registration No. 00006388 issued by the Ministry of Commerce. The Bank obtained its license as a micro-finance institution from the National Bank of Cambodia (“NBC”) dated 21 November 2011. The Bank was initially wholly-owned by AEON Thana Sinsap (Thailand) Public Company Limited, a company registered in Thailand.

On 26 October 2015, the Bank obtained a specialized banking license from the NBC to operate as a specialized bank with the permanent validity. On 1 February 2016, the Bank obtained the approval from the Ministry of Commerce (“MoC”) on the changes in the Bank’s name from AEON Microfinance (Cambodia) Co., Ltd., to AEON Specialized Bank (Cambodia) Plc. and shareholding structure is 80% owned by AEON Thana Sinsap (Thailand) Public Company Limited and 20% owned by AEON Financial Service Co., Ltd. (“AFS”), a company incorporated in Japan.

On 4 September 2018, the Bank obtained the approval from the MoC to change the shareholding structure to 50% equally owned by AEON Thana Sinsap (Thailand) Public Company Limited and AFS.

On 1 April 2019, AFS fully transferred its shares of the Bank to AFS Corporation Co., Ltd., a bank holding company incorporated in Japan. AFS Corporation Co., Ltd. is a wholly-owned subsidiary of AFS. The ultimate holding company of the Bank is AEON Co., Ltd., a company incorporated in Japan.

The principal activities of the Bank are as follows:

- Credit card service;
- Lending services in the form of hire-purchase (instalment) and loan; and

- Other business-related services subject to the approval by the NBC.

The Bank’s registered office is located at 6th Floor (S603), Diamond Twin Tower, Street Sopheap Monkul, corner of Koh Pich, Sangkat Tonle Bassak, Khan Chamkarmon, Phnom Penh, Cambodia.

The financial statements were authorised for issue by the Board of Directors on 26 March 2020.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

### **2.1 Basis of preparation**

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

For all years up to the year ended 31 December 2018, the financial statements were prepared in accordance with Cambodian Accounting Standards and relevant accounting regulations and guidelines issued by the National Bank of Cambodia (previous GAAP). These financial statements for the year ended 31 December 2019 are the first set that the Bank has prepared in accordance with CIFRSs. Details of first-time adoption of CIFRSs are included in Note 2.2.

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.2 Adoption of new financial reporting framework

The Bank has adopted the new financial reporting framework - Cambodian International Reporting Standards ("CIFRSs") for the first time for the financial year ended 31 December 2019 and CIFRS 1 *First-time Adoption of Cambodian International Financial Reporting Standards* has been applied for the first set of CIFRS financial statements. CIFRS is identical to the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB). The adoption is to comply with the Circular 058 MoEF.NAC dated 24 March 2016 issued by the National Accounting Council of the Ministry of Economy and Finance.

As a first-time adopter of CIFRSs, the Bank has applied retrospectively, accounting policies based on each CIFRS effective as at end of the first CIFRSs reporting period (31 December 2019), except for areas of exceptions and optional exemptions set out in CIFRS 1. In the first set of CIFRSs financial statements for the

financial year ended 31 December 2019, an additional opening statement of financial position as at date of transition (1 January 2018) is presented, together with related notes. Reconciliation statements from previously reported previous GAAP amounts and explanatory notes on transition adjustments are presented for equity as at date of transition (1 January 2018) and as at end of last financial period under previous GAAP (31 December 2018), and for total comprehensive income and cash flows reported for the last financial period under previous GAAP (for the year ended 31 December 2018). Additional disclosures are made for specific transition adjustments if applicable.

There is no change to the Bank's previous accounting policies under previous GAAP or material adjustments on the initial transition to the new framework, other than those arising from the application of CIAS19, CIFRS 9, CIFRS 15 and CIFRS 16 which are effective at the same time.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.2 Adoption of new financial reporting framework (continued)

#### Reconciliations of equity and total comprehensive income

##### i) Impact on the statement of financial position as at 1 January 2018

As at 01 January 2018 (date of transition)					
Notes	As previously reported	Effect of transition to CIFRSs	As adjusted	As adjusted	
	US\$	US\$	US\$	KHR'000	
<b>ASSETS</b>					
Cash on hand	242,884	-	242,884	980,523	
Balances with the NBC	637,384	-	637,384	2,573,119	
Balances with other banks	a,d	2,116,532	(14,182)	2,102,350	8,487,187
Loans to customers	a,b,c,d	35,956,288	(517,251)	35,439,037	143,067,392
Property and equipment		2,217,176	-	2,217,176	8,950,740
Intangible assets		2,190,843	-	2,190,843	8,844,433
Right-of-use assets	e	-	1,277,987	1,277,987	5,159,234
Deferred tax assets	g	245,893	227,537	473,430	1,911,237
Other assets	a,b	2,322,233	(886,593)	1,435,640	5,795,679
<b>Total assets</b>		<b>45,929,233</b>	<b>87,498</b>	<b>46,016,731</b>	<b>185,769,544</b>
<b>LIABILITIES</b>					
Borrowings	a	30,700,000	74,409	30,774,409	124,236,289
Lease liabilities	e	-	1,267,487	1,267,487	5,116,845
Current income tax liabilities		17,481	-	17,481	70,571
Amounts due to related parties		42,783	-	42,783	172,715
Other liabilities	a,f	1,519,019	(344,253)	1,174,766	4,742,531
<b>Total liabilities</b>		<b>32,279,283</b>	<b>997,643</b>	<b>33,276,926</b>	<b>134,338,951</b>
<b>EQUITY</b>					
Share capital		12,500,000	-	12,500,000	50,462,500
Retained earnings		1,149,950	(910,145)	239,805	968,093
<b>Total equity</b>		<b>13,649,950</b>	<b>(910,145)</b>	<b>12,739,805</b>	<b>51,430,593</b>
<b>Total liabilities and equity</b>		<b>45,929,233</b>	<b>87,498</b>	<b>46,016,731</b>	<b>185,769,544</b>

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.2 Adoption of new financial reporting framework (continued)

#### Reconciliations of equity and total comprehensive income (continued)

##### ii) Impact on the statement of financial position as at 31 December 2018

As at 31 December 2018					
Notes	As previously reported	Effect of transition to CIFRSs	As adjusted	As adjusted	
	US\$	US\$	US\$	KHR'000	
<b>ASSETS</b>					
Cash on hand	426,133	-	426,133	1,712,202	
Balances with the NBC	1,013,829	-	1,013,829	4,073,565	
Balances with other banks	a,b,d	2,450,339	12,896	2,463,235	9,897,278
Loans to customers	a,b,c,d	65,700,471	(163,000)	65,537,471	263,329,558
Property and equipment		1,868,870	-	1,868,870	7,509,120
Intangible assets		2,463,764	-	2,463,764	9,899,404
Right-of-use assets	e	-	963,016	963,016	3,869,398
Deferred tax assets	g	330,815	325,926	656,741	2,638,785
Other assets	a,b	4,241,834	(1,599,721)	2,642,113	10,616,010
<b>Total assets</b>		<b>78,496,055</b>	<b>(460,883)</b>	<b>78,035,172</b>	<b>313,545,320</b>
<b>LIABILITIES</b>					
Borrowings	a	54,000,000	112,753	54,112,753	217,425,042
Lease liabilities	e	-	975,957	975,957	3,921,395
Employee benefit obligations		177,778	-	177,778	714,312
Current income tax liabilities		364,632	-	364,632	1,465,091
Amounts due to related parties		175,764	-	175,764	706,220
Other liabilities	a,f	2,385,294	(222,456)	2,162,838	8,690,282
<b>Total liabilities</b>		<b>57,103,468</b>	<b>866,254</b>	<b>57,969,722</b>	<b>232,922,342</b>
<b>EQUITY</b>					
Share capital		20,000,000	-	20,000,000	80,360,000
Retained earnings		1,392,587	(1,327,137)	65,450	293,875
Currency translation differences	h	-	-	-	(30,897)
<b>Total equity</b>		<b>21,392,587</b>	<b>(1,327,137)</b>	<b>20,065,450</b>	<b>80,653,875</b>
<b>Total liabilities and equity</b>		<b>78,496,055</b>	<b>(460,883)</b>	<b>78,035,172</b>	<b>313,576,217</b>

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.2 Adoption of new financial reporting framework (continued)

#### Reconciliations of equity and total comprehensive income (continued)

#### iii) Impact on the statement of profit or loss and other comprehensive income for the year ended 31 December 2018

Year ended 31 December 2018				
	Notes	As previously reported	Effect of transition to CIFRSs	As adjusted
		US\$	US\$	US\$
				KHR'000
Interest income	b,c	13,835,823	292,025	14,127,848
Interest expense	e	(1,146,505)	(75,667)	(1,222,172)
<b>Net interest income</b>		12,689,318	216,358	12,905,676
Fee and commission income	c	1,595,511	(292,025)	1,303,486
Other operating income		157,855	-	157,855
<b>Operating profit</b>		14,442,684	(75,667)	14,367,017
Personnel expenses	f	(4,812,236)	(96,603)	(4,908,839)
Depreciation and amortisation	e	(1,222,730)	(427,618)	(1,650,348)
Other operating expenses	e	(5,223,111)	479,845	(4,743,266)
Impairment losses on financial assets	d	(1,365,528)	(395,338)	(1,760,866)
Profit before tax		1,819,079	(515,381)	1,303,698
Income tax expense	g	(426,492)	98,389	(328,103)
<b>Profit for the year</b>		1,392,587	(416,992)	975,595
Other comprehensive loss	h	-	-	-
<b>Total comprehensive income for the year</b>		1,392,587	(416,992)	975,595

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

Under CAS 17, all lease payments on operating leases were presented as part of cash flows from operating activities. Consequently, the net cash used in operating activities has decreased by US\$479,845, being the lease payments, and net cash generated from financing activities decreased by the same amount. Certain reclassifications have also been made to the presentation of the Bank's statement of cash flows to conform to the current year's presentation following the adoption of CIFRSs.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.2 Adoption of new financial reporting framework (continued)

#### Reconciliations of equity and total comprehensive income (continued)

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

##### *a. Financial assets and liabilities measured at amortised cost*

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

##### *b. Interest income at amortised cost*

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

##### *c. Loan processing fee at amortised cost*

Under previous GAAP, loan processing fee was recognised as income when the loan is disbursed to customers and was presented in other income. On adoption of the CIFRS 9, loan processing fee is considered to be directly attributable to the origination of the loans and an integral part of the effective interest rate of loans. Hence, it is included in the initial recognition of loans to customers and measured at amortised cost, resulting in decrease in loans to customers and other income from loan processing fees being reclassified to interest income as part of amortisation of loan.

##### *d. Impairment of financial assets*

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

##### *e. Leases*

The application of CIFRS 16 to leases previously classified as operating leases under CAS 17 resulted in the recognition of right-of-use assets of US\$1,277,987 and leases liabilities of US\$1,267,487 as at 1 January 2018 and right-of-use assets of US\$963,016 and leases liabilities of US\$975,957 as at 31 December 2018. It also resulted in a decrease in other operating expenses of US\$479,845 and an increase in depreciation and amortisation of US\$427,618 and interest expense of US\$75,667 for the year ended 31 December 2018. Certain reclassification within the statement of cash flows were also made as a result of CIFRS 16 application.

##### *f. Unused annual leave*

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

##### *g. Income tax*

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

##### *h. Currency translation differences*

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



### 3. CASH ON HAND

	31 December 2019		31 December 2018		1 January 2018	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
US dollars	632,436	2,577,177	340,314	1,367,382	242,884	980,523
Khmer riels	366,669	1,494,176	85,819	344,820	-	-
	999,105	4,071,353	426,133	1,712,202	242,884	980,523

### 4. BALANCES WITH THE NBC

	31 December 2019		31 December 2018		1 January 2018	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Current account	4,958,573	20,206,185	13,829	55,565	12,384	49,994
Statutory capital deposit *	1,000,000	4,075,000	1,000,000	4,018,000	625,000	2,523,125
Negotiated certificate of deposit **	4,744,677	19,334,559	-	-	-	-
	10,703,250	43,615,744	1,013,829	4,073,565	637,384	2,573,119

\* Under Prakas No. B7-00-05 on the Licensing of Specialized Banks dated 11 January 2000, the Specialized bank is required to maintain a capital guarantee deposit equivalent to 5% of registered capital with the National Bank of Cambodia. This deposit is not available for use in the Bank's day-to-day operations but is refundable when the Bank voluntarily ceases to operate the business in Cambodia.

\*\* This represents the negotiable certificates of deposit (NCDs) with NBC with the term of three months to twelve months. These NCDs are pledged as collateral against the borrowing from the NBC through liquidity-providing collateralised operation (LPCO) mechanism.

### 5. BALANCE WITH OTHER BANKS

	31 December 2019		31 December 2018		1 January 2018	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
<i>Local banks:</i>						
Current accounts	1,976,177	8,052,921	1,909,872	7,673,866	1,381,844	5,578,504
<i>Oversea banks:</i>						
Current accounts	1,180,074	4,808,802	565,218	2,271,046	734,688	2,965,936
	3,156,251	12,861,723	2,475,090	9,944,912	2,116,532	8,544,440
Impairment loss allowance	(18,615)	(75,856)	(11,855)	(47,634)	(14,182)	(57,253)
	3,137,636	12,785,867	2,463,235	9,897,278	2,102,350	8,487,187

## 6. LOANS TO CUSTOMERS

	31 December 2019		31 December 2018		1 January 2018	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Loans to customers at amortised cost	130,849,667	533,212,393	68,548,692	275,428,644	37,882,442	152,931,418
Impairment loss allowance	(6,047,884)	(24,645,127)	(3,011,221)	(12,099,086)	(2,443,405)	(9,864,026)
	<u>124,801,783</u>	<u>508,567,266</u>	<u>65,537,471</u>	<u>263,329,558</u>	<u>35,439,037</u>	<u>143,067,392</u>

	31 December 2019			31 December 2018			1 January 2018		
	Gross carrying amount	ECL allowance	Carrying amount	Gross carrying amount	ECL allowance	Carrying amount	Gross carrying amount	ECL allowance	Carrying amount
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Long-term loans	38,967,111	(2,565,113)	36,401,998	30,007,593	(1,381,159)	28,626,434	18,199,713	(911,577)	17,288,136
Short-term loans	91,882,556	(3,482,771)	88,399,785	38,541,099	(1,630,062)	36,911,037	19,682,729	(1,531,828)	18,150,901
	<u>130,849,667</u>	<u>(6,047,884)</u>	<u>124,801,783</u>	<u>68,548,692</u>	<u>(3,011,221)</u>	<u>65,537,471</u>	<u>37,882,442</u>	<u>(2,443,405)</u>	<u>35,439,037</u>

## 7. PROPERTY AND EQUIPMENT

	Leasehold improvements	Furniture and fixtures	Equipment	IT equipment and computer	Work in progress	Total	
	US\$	US\$	US\$	US\$	US\$	US\$	KHR'000
<b>Year ended 31 December 2019</b>							
<b>Cost</b>							
At 1 January 2019	1,769,566	275,889	506,671	2,029,523	29,584	4,611,233	18,527,935
Additions	254,147	109,757	426,536	147,774	580,806	1,519,020	6,155,069
Transfer	484,188	11,764	43,623	25,590	(565,165)	-	-
Disposals	(69,800)	-	-	-	-	(69,800)	(282,830)
Write-off	(463,396)	(38,588)	(47,508)	(16,322)	-	(565,814)	(2,292,678)
Currency translation differences	-	-	-	-	-	-	283,159
At 31 December 2019	<u>1,974,705</u>	<u>358,822</u>	<u>929,322</u>	<u>2,186,565</u>	<u>45,225</u>	<u>5,494,639</u>	<u>22,390,655</u>
<b>Less: Accumulated depreciation</b>							
At 1 January 2019	(1,090,841)	(171,790)	(284,305)	(1,195,427)	-	(2,742,363)	(11,018,815)
Depreciation	(438,773)	(49,682)	(212,107)	(263,854)	-	(964,416)	(3,907,814)
Disposals	69,744	-	-	-	-	69,744	282,603
Write-off	457,068	34,363	42,758	16,297	-	550,486	2,230,569
Currency translation differences	-	-	-	-	-	-	(164,231)
At 31 December 2019	<u>(1,002,802)</u>	<u>(187,109)</u>	<u>(453,654)</u>	<u>(1,442,984)</u>	<u>-</u>	<u>(3,086,549)</u>	<u>(12,577,688)</u>
<b>Carrying amount</b>							
At 31 December 2019	<u>971,903</u>	<u>171,713</u>	<u>475,668</u>	<u>743,581</u>	<u>45,225</u>	<u>2,408,090</u>	<u>9,812,967</u>

## 7. PROPERTY AND EQUIPMENT (continued)

	Leasehold improve- ments	Furniture and fixtures	Equipment	IT equip- ment and computer	Work in progress	Total	
	US\$	US\$	US\$	US\$	US\$	US\$	KHR'000
<b>Year ended 31 December 2018</b>							
<b>Cost</b>							
At 1 January 2018	1,534,970	217,808	377,770	1,654,227	366,207	4,150,982	16,757,514
Additions	219,459	60,952	115,734	130,423	29,178	555,746	2,247,993
Transfer	76,981	-	38,984	249,836	(365,801)	-	-
Disposals	(61,844)	(2,871)	(25,817)	(4,963)	-	(95,495)	(386,277)
Currency translation differences	-	-	-	-	-	-	(91,295)
At 31 December 2018	1,769,566	275,889	506,671	2,029,523	29,584	4,611,233	18,527,935
<b>Less: Accumulated depreciation</b>							
At 1 January 2018	(804,802)	(127,911)	(176,447)	(824,646)	-	(1,933,806)	(7,806,775)
Depreciation	(347,210)	(46,642)	(133,575)	(374,806)	-	(902,233)	(3,649,532)
Disposals	61,171	2,763	25,717	4,025	-	93,676	378,919
Currency translation differences	-	-	-	-	-	-	58,573
At 31 December 2018	(1,090,841)	(171,790)	(284,305)	(1,195,427)	-	(2,742,363)	(11,018,815)
<b>Carrying amount</b>							
At 31 December 2018	678,725	104,099	222,366	834,096	29,584	1,868,870	7,509,120

## 8. INTANGIBLE ASSETS

	Computer Software	Work in Progress	Total	
	US\$	US\$	US\$	KHR'000
<b>Year ended 31 December 2019</b>				
<b>Cost</b>				
At 1 January 2019	4,373,884	27,953	4,401,837	17,686,581
Additions	356,425	54,368	410,793	1,664,533
Transfer	48,738	(48,738)	-	-
Written off	(197,868)	(2,200)	(200,068)	(810,676)
Currency translation differences	-	-	-	255,751
At 31 December 2019	4,581,179	31,383	4,612,562	18,796,189
<b>Less: Accumulated amortization</b>				
At 1 January 2019	(1,938,073)	-	(1,938,073)	(7,787,177)
Amortisation	(439,460)	-	(439,460)	(1,780,692)
Written off	194,979	-	194,979	790,055
Currency translation differences	-	-	-	(116,092)
At 31 December 2019	(2,182,554)	-	(2,182,554)	(8,893,906)
<b>Carrying amount</b>				
At 31 December 2019	2,398,625	31,383	2,430,008	9,902,283
<b>Year ended 31 December 2018</b>				
<b>Cost</b>				
At 1 January 2018	3,291,708	524,778	3,816,486	15,407,154
Additions	42,798	550,620	593,418	2,400,376
Transfer	1,047,445	(1,047,445)	-	-
Written off	(8,067)	-	(8,067)	(32,631)
Currency translation differences	-	-	-	(88,318)
At 31 December 2018	4,373,884	27,953	4,401,837	17,686,581
<b>Less: Accumulated amortization</b>				
At 1 January 2018	(1,625,643)	-	(1,625,643)	(6,562,721)
Amortisation	(320,497)	-	(320,497)	(1,296,411)
Written off	8,067	-	8,067	32,631
Currency translation differences	-	-	-	39,324
At 31 December 2018	(1,938,073)	-	(1,938,073)	(7,787,177)
<b>Carrying amount</b>				
At 31 December 2018	2,435,811	27,953	2,463,764	9,899,404

## 9. RIGHT OF USE ASSETS

	31 December 2019		31 December 2018	
	US\$	KHR'000	US\$	KHR'000
<b>Office Lease</b>				
<b>Cost</b>				
At 1 January	1,390,634	5,587,567	1,277,987	5,159,234
Additions	2,509,600	10,168,899	112,647	455,656
Currency translation differences	-	136,987	-	(27,323)
At 31 December	3,900,234	15,893,453	1,390,634	5,587,567
<b>Less: Accumulated depreciation</b>				
At 1 January	(427,618)	(1,718,169)	-	-
Depreciation	(805,584)	(3,264,226)	(427,618)	(1,729,715)
Currency translation differences	-	(42,903)	-	11,546
At 31 December	(1,233,202)	(5,025,298)	(427,618)	(1,718,169)
<b>Carrying amount</b>				
At 31 December	2,667,032	10,868,155	963,016	3,869,398

### Amounts recognised in profit and loss

	Year ended 31 December 2019		Year ended 31 December 2018	
	US\$	KHR'000	US\$	KHR'000
Depreciation expense on right-of-use assets	805,584	3,264,226	427,618	1,729,715
Interest expense on lease liabilities	155,354	629,494	75,667	306,073
Expense relating to leases of low value assets	87,215	353,395	46,577	188,404
	1,048,153	4,247,115	549,862	2,224,192

## 10. OTHER ASSETS

	31 December 2019		31 December 2018		1 January 2018	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Accounts receivable	590,785	2,407,449	1,189,147	4,777,993	724,153	2,923,406
Advances and deposits	912,493	3,718,409	834,433	3,352,752	491,958	1,986,034
Prepayments	289,628	1,180,234	289,107	1,161,632	93,660	378,105
Other assets	468,213	1,907,967	329,426	1,323,633	125,869	508,134
	2,261,119	9,214,059	2,642,113	10,616,010	1,435,640	5,795,679

## 11. INCOME TAX

### (a) Deferred tax assets, net

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset deferred tax assets against deferred tax liabilities and when deferred taxes relate to the same fiscal authority. The offset amounts are as follows:

	31 December 2019		31 December 2018		1 January 2018	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Deferred tax assets	1,122,113	4,572,610	656,741	2,638,785	473,430	1,911,237
Deferred tax liabilities	-	-	-	-	-	-
	1,122,113	4,572,610	656,741	2,638,785	473,430	1,911,237

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

	Impairment loss allowance on financial assets	Deprecia- ble assets	Unearned revenue	Employee benefits obliga- tions	Accruals	Unrealised exchange loss	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
At 1 January 2019	447,667	71,404	60,343	35,556	41,386	385	656,741
Credited/(charged) to profit or loss	410,925	(12,791)	30,899	(741)	27,783	9,297	465,372
At 31 December 2019	858,592	58,613	91,242	34,815	69,169	9,682	1,122,113
At 31 December 2019 in KHR'000	3,498,762	238,848	371,811	141,871	281,864	39,454	4,572,610

	Impairment loss allowance on financial assets	Deprecia- ble assets	Unearned revenue	Employee benefits obliga- tions	Accruals	Unrealised exchange (gain)/loss	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
At 1 January 2018	351,470	71,437	37,702	-	13,342	(521)	473,430
Credited/(charged) to profit or loss	96,197	(33)	22,641	35,556	28,044	906	183,311
At 31 December 2018	447,667	71,404	60,343	35,556	41,386	385	656,741
At 31 December 2018 in KHR'000	1,798,726	286,901	242,458	142,864	166,289	1,547	2,638,785



## 11. INCOME TAX (continued)

### (b) Current income tax liabilities

	31 December 2019		31 December 2018	
	US\$	KHR'000	US\$	KHR'000
Balance at beginning of year	364,632	1,465,091	17,481	70,239
Income tax expense	1,971,052	7,986,703	511,414	2,068,670
Income tax paid	(634,477)	(2,570,901)	(164,263)	(664,444)
Currency translation differences	-	51,526	-	(9,374)
Balance at end of year	1,701,207	6,932,419	364,632	1,465,091

### (c) Income tax expense

	Year ended 31 December 2019		Year ended 31 December 2018	
	US\$	KHR'000	US\$	KHR'000
Current income tax	1,971,052	7,986,703	511,414	2,068,670
Deferred tax	(465,372)	(1,885,688)	(183,311)	(741,493)
Income tax expense	1,505,680	6,101,015	328,103	1,327,177

In accordance with Cambodian law on taxation, the Bank 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.

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

	Year ended 31 December 2019		Year ended 31 December 2018	
	US\$	KHR'000	US\$	KHR'000
Profit before tax	6,738,443	27,304,170	1,303,698	5,273,458
Income tax using statutory rate 20%	1,347,689	5,460,834	260,740	1,054,693
Effect of non-deductible expenses	79,630	322,662	62,676	253,524
Effect of deferred tax assets not recognised	78,361	317,519	4,687	18,960
Income tax expense	1,505,680	6,101,015	328,103	1,327,177

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

## 12. BORROWINGS

	31 December 2019		31 December 2018		1 January 2018	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
<i>At amortised cost</i>						
Secured*	4,515,337	18,399,998	-	-	-	-
Unsecured**	108,148,682	440,705,879	54,112,753	217,425,042	30,774,409	124,236,289
At 31 December	112,664,019	459,105,877	54,112,753	217,425,042	30,774,409	124,236,289

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

(\*\*) This represents bank loans obtained from various banks with terms ranging from one to three years (2018: one to three years).

## 13. SUBORDINATED DEBTS

On 30 December 2019, the Bank entered into a subordinated debt agreement with a shareholder, AEON Thana Sinsap (Thailand) Public Company Limited, with total amounts of US\$4,000,000. The borrowings have maturity of seven years effective from the date of first drawdown.

## 14. LEASE LIABILITIES

	31 December 2019		31 December 2018		1 January 2018	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Maturity Analysis:						
Year 1	902,601	3,678,099	467,311	1,877,656	455,273	1,837,937
Year 2	724,218	2,951,188	320,197	1,286,552	425,785	1,718,894
Year 3	692,465	2,821,795	139,370	559,989	278,670	1,124,991
Year 4	504,403	2,055,442	100,839	405,171	122,067	492,784
Year 5	45,732	186,359	45,215	181,674	100,839	407,087
More than 5 years	-	-	-	-	45,118	182,142
	2,869,419	11,692,883	1,072,932	4,311,042	1,427,752	5,763,835
Less: Unearned interest	(314,302)	(1,280,781)	(96,975)	(389,647)	(160,265)	(646,990)
	2,555,117	10,412,102	975,957	3,921,395	1,267,487	5,116,845

## 15. EMPLOYEE BENEFIT OBLIGATIONS

Movement of provision for employee benefit obligations was as follows:

	31 December 2019		31 December 2018	
	US\$	KHR'000	US\$	KHR'000
At 1 January	177,778	714,312	-	-
Recognised in profit or loss	222,533	901,704	177,778	719,112
Payments made during the year	(226,237)	(916,712)	-	-
Currency translation difference	-	10,048	-	(4,800)
At 31 December	174,074	709,352	177,778	714,312

## 16. OTHER LIABILITIES

	31 December 2019		31 December 2018		1 January 2018	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Payable to dealers and suppliers	2,317,404	9,443,421	1,476,643	5,933,152	874,826	3,531,673
Accrued other staff benefits	835,566	3,404,931	142,901	574,176	26,000	104,962
Accrued expenses	408,460	1,664,475	171,781	690,216	157,461	635,670
Other tax liabilities	104,844	427,239	121,502	488,195	74,587	301,108
Other liabilities	247,905	1,010,213	250,011	1,004,543	41,892	169,118
	<u>3,914,179</u>	<u>15,950,279</u>	<u>2,162,838</u>	<u>8,690,282</u>	<u>1,174,766</u>	<u>4,742,531</u>

## 17. SHARE CAPITAL

	31 December 2019		31 December 2018		1 January 2018	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Registered, issued and fully paid of US\$1 each	<u>20,000,000</u>	<u>81,500,000</u>	<u>20,000,000</u>	<u>80,360,000</u>	<u>12,500,000</u>	<u>50,462,500</u>

Details of shareholdings were as follows:

	31 December 2019		31 December 2018	
	Holding %	Number of shares	Holding %	Number of shares
AEON Thana Sinsap (Thailand) Public Company Limited	50%	10,000,000	50%	10,000,000
AFS Corporation Co., Ltd.	50%	10,000,000	-	-
AFS Financial Service Co., Ltd.	-	-	50%	10,000,000
	<u>100%</u>	<u>20,000,000</u>	<u>100%</u>	<u>20,000,000</u>

## 18. NET INTEREST INCOME

	Year ended 31 December 2019		Year ended 31 December 2018	
	US\$	KHR'000	US\$	KHR'000
<b>Interest income</b>				
Loans to customers	26,457,173	107,204,465	14,114,768	57,094,237
Balances with the NBC	24,553	99,489	13,080	52,908
	<u>26,481,726</u>	<u>107,303,954</u>	<u>14,127,848</u>	<u>57,147,145</u>
<b>Interest expense</b>				
Borrowings	2,582,272	10,463,366	1,146,505	4,637,613
Subordinated debts	944	3,825	-	-
Lease liabilities	155,354	629,495	75,667	306,073
	<u>2,738,570</u>	<u>11,096,686</u>	<u>1,222,172</u>	<u>4,943,686</u>
<b>Net interest income</b>	<u>23,743,156</u>	<u>96,207,268</u>	<u>12,905,676</u>	<u>52,203,459</u>

## 19. FEE AND COMMISSION INCOME

	Year ended 31 December 2019		Year ended 31 December 2018	
	US\$	KHR'000	US\$	KHR'000
Reimbursement fees	1,045,880	4,237,906	597,133	2,415,403
Penalty fees	682,456	2,765,312	318,685	1,289,081
Other fees	572,318	2,319,032	387,668	1,568,117
	<u>2,300,654</u>	<u>9,322,250</u>	<u>1,303,486</u>	<u>5,272,601</u>

## 20. OTHER INCOME

	Year ended 31 December 2019		Year ended 31 December 2018	
	US\$	KHR'000	US\$	KHR'000
Recovery from loan written off	219,897	891,023	157,518	637,160
Gain/(loss) on foreign exchange	(60,027)	(243,230)	337	1,363
	<u>159,870</u>	<u>647,793</u>	<u>157,855</u>	<u>638,523</u>

## 21. PERSONNEL EXPENSES

	Year ended 31 December 2019		Year ended 31 December 2018	
	US\$	KHR'000	US\$	KHR'000
Salaries and wages	6,029,496	24,431,518	4,409,056	17,834,632
Seniority payment expense	222,533	901,704	177,778	719,112
Training expenses	86,948	352,313	100,520	406,603
Staff housing and related costs	77,960	315,894	83,979	339,695
Medical expenses	10,103	40,937	9,634	38,970
Other personnel costs	185,448	751,435	127,872	517,242
	<u>6,612,488</u>	<u>26,793,801</u>	<u>4,908,839</u>	<u>19,856,254</u>

## 22. DEPRECIATION AND AMORTISATION

	Year ended 31 December 2019		Year ended 31 December 2018	
	US\$	KHR'000	US\$	KHR'000
Property and equipment (Note 8)	964,416	3,907,814	902,233	3,649,532
Intangible assets (Note 9)	805,584	3,264,226	427,618	1,729,715
Right-of-use assets (Note 10)	439,460	1,780,692	320,497	1,296,411
	2,209,460	8,952,732	1,650,348	6,675,658

## 23. OTHER OPERATING EXPENSES

	Year ended 31 December 2019		Year ended 31 December 2018	
	US\$	KHR'000	US\$	KHR'000
Repairs and maintenance	1,615,225	6,544,892	1,363,444	5,515,131
Promotion and advertising	1,063,732	4,310,242	721,610	2,918,912
Communication	442,117	1,791,458	382,991	1,549,199
Professional fees	291,590	1,181,523	340,806	1,378,560
Travel	330,892	1,340,774	336,862	1,362,607
Stationeries and printing	450,031	1,823,526	320,072	1,294,691
Vehicle rental and running costs	378,880	1,535,222	283,012	1,144,784
Taxes and licenses	311,868	1,263,689	209,273	846,509
Credit card and ATM operation	400,520	1,622,907	247,602	1,001,550
Management fee	134,964	546,874	123,648	500,156
Utilities	205,638	833,245	122,877	497,037
Insurance	135,604	549,467	109,319	442,195
Loss on disposal of property and equipment	18,402	74,565	1,138	4,603
Other expenses	241,504	978,575	180,612	730,576
	6,020,967	24,396,959	4,743,266	19,186,510

## 24. CASH AND CASH EQUIVALENTS

	31 December 2019		31 December 2018		1 January 2018	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Cash on hand	999,105	4,071,353	426,133	1,712,202	242,884	980,523
Balances with the NBC	6,814,573	27,769,385	13,829	55,565	12,384	49,994
Balances with other banks	3,156,251	12,861,723	2,475,090	9,944,912	2,116,532	8,544,441
	<u>10,969,929</u>	<u>44,702,461</u>	<u>2,915,052</u>	<u>11,712,679</u>	<u>2,371,800</u>	<u>9,574,958</u>

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value.

## 25. IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	Year ended 31 December 2019		Year ended 31 December 2018	
	US\$	KHR'000	US\$	KHR'000
Balances with other banks	6,759	27,387	(2,327)	(9,413)
Loans to customers	4,615,563	18,702,262	1,763,193	7,132,116
	<u>4,622,322</u>	<u>18,729,649</u>	<u>1,760,866</u>	<u>7,122,703</u>

## 26. COMMITMENTS

### *Loans and other commitments*

In the normal course of business, the Bank provides credit card facilities to customers which gives rise to commitments regarding to the undrawn portion. No material losses are anticipated from these transactions, which consisted of:

	31 December 2019		31 December 2018		1 January 2018	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Undrawn portion of credit card	15,852,667	64,599,618	18,933,666	76,075,470	6,978,595	28,172,588





**ធនាគារឯកទេស អ៊ីអន (ខេមបូឌា) ភីអិលស៊ី**  
**AEON SPECIALIZED BANK (CAMBODIA) PLC.**

**> SIMPLE > FAST > CONVENIENT**

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