



គ្រឹះស្ថានមីក្រូហិរញ្ញវត្ថុ ធីប៊ីប៊ី (ខេមបូឌា) ភីអិលស៊ី
臺灣企銀微型財務公司
TBB (CAMBODIA) MICROFINANCE INSTITUTION PLC.

Annual Report

2019

TBBMFI Help Your Life Convenient!

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Background, Vision and Mission

Background

TBB (CAMBODIA) MICROFINANCE INSTITUTION PLC. (Hereinafter referred to as TBBMFI) is a public limited company and a subsidiary of TAIWAN BUSINESS BANK which is a specialized bank in Taiwan charged with providing financial assistance and guidance to SMEs and has developed the field of SME financial services for more than 40 years.

TBBMFI is licensed by the National Bank of Cambodia as a MFI in June 2015 to provide funding to commercial or individual purposes of Cambodian people as well as customers from Taiwan and support the monetary and economic environment of Cambodia.

Vision

To be the most people-centric company in Cambodia and build up a place where customers can seek and utilize the products with facility.

Mission

TBBMFI seeks to be one of the providers of ethical credit products in Cambodia and develops new products as appropriate to support Cambodian people to grow up the economic scale. In doing so, TBBMFI will observe the highest principles of morality and best international banking practice to conduct its business in line with the laws and regulations of the Kingdom of Cambodia.



Message from the Chief Executive Officer (CEO)



Cambodia is an attractive investment destination for businesses looking to expand in ASEAN. With a steady economic growth of around 7 percent in recent years, the growth rate is the highest amongst the fast-growing ASEAN nations.

As the Chief Executive Officer (CEO) of TBB (Cambodia) Microfinance Plc., I am grateful that TBBMFI embraces a customer-oriented and customer-centric business approach to enhance product and service experiences, intensify localization strategies, banking service experiences accumulated over 5 years. The operation of TBBMFI has participated actively in the family economic development because TBBMFI is a real microfinance institution that serves in providing

loan with low interest, high ethics and professionalism to achieve its statement of vision and mission.

TBBMFI actively penetrates target customer segments and provides versatile integrated services through enhanced group management methods. It is deeply committed to the retention of loyal SME clients, activation of assets, and debt allocation.

In 2020, it is expected that the growth of major economies and global trade will slow down as a result of a changing economic environment caused by Covid-19, US Trade Protectionism, the worsening US-China trade war, international stock, foreign exchange, and bond market volatility, and uncertainties in the field of oil and raw material prices. TBBMFI embraces a philosophy of boldness for change, reforms, and innovation in its efforts to accumulate digital technology capabilities, adopt diversified talent development, develop new work environments and settings, focus on career development and planning, infuse a lively and innovative team spirit, and thereby realize corporate sustainability.

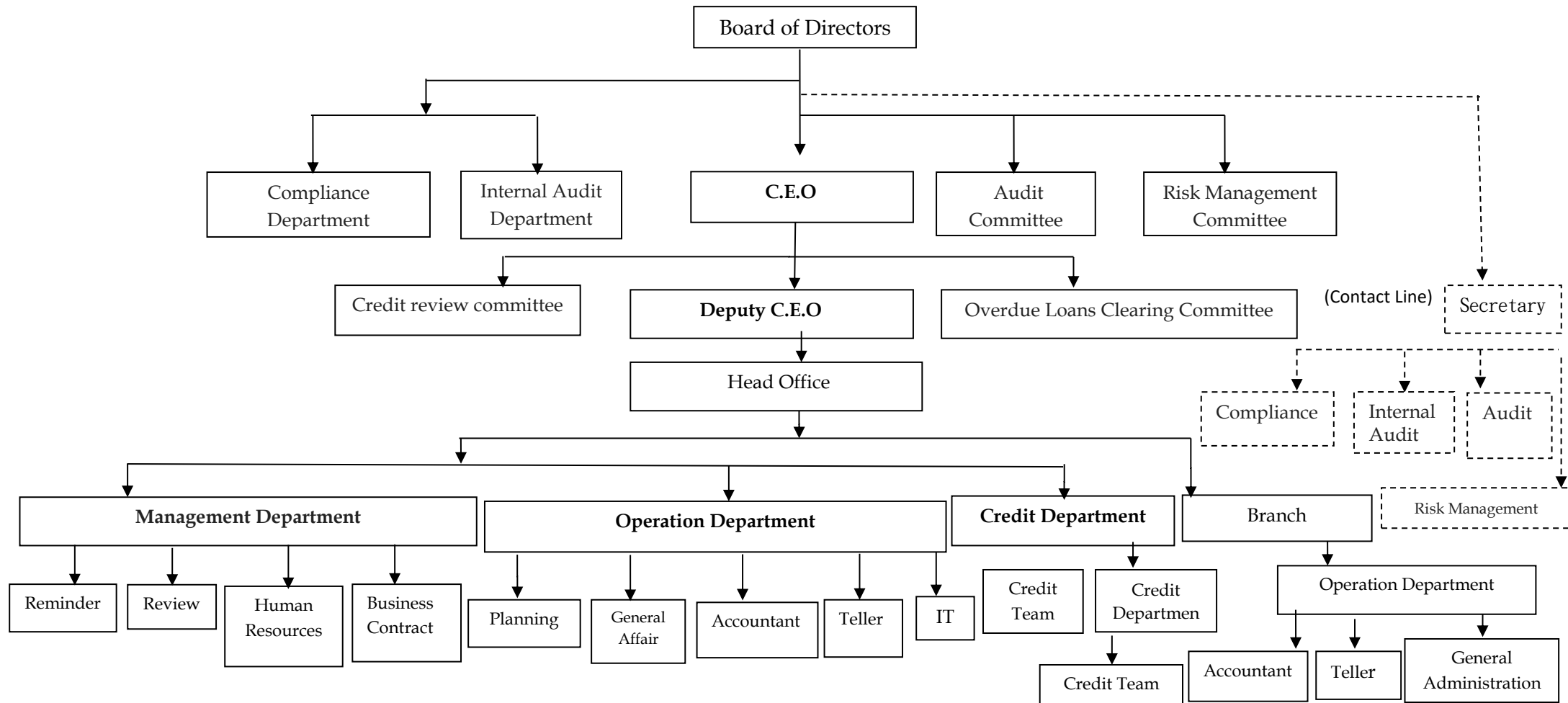
Phnom Penh, 1 June, 2020

Chief Executive Officer (CEO)


HUANG JUNG PIN



Organizational Chart of TBB (Cambodia) Microfinance Institution Plc (TBBMFI)



Shareholders and Board of Directors

TAIWAN BUSINESS BANK Ltd. has solely assumed the total capital contribution of USD 20,000,000 (United States Dollars Twenty Million, equivalent to Riel 80,000,000,000) which is divided into 20,000 (Twenty Thousand) ordinary shares, each share with a par value of USD 1,000 (United States Dollars One Thousand, equivalent to Riel 4,000,000).



Shareholders and Board of Directors

TBBMFI's Board of Directors (BOD) comprises 4 members as namely:

- Chang Yu-Min Chairman of the Board
- Huang Jung-Pin Board Member
- Lin Chang-Yu Board Member
- Hsu Tien-Liang Board Member (Independent Director)



(left) Huang Jung-Pin

(middle) Chang Yu-Min

(right) Hsu Tien-Liang



Directors and Management Team

Board of Directors

Title	Name	Effective Date	Prime Experience & Education
Chairman	Chang Yu-Min	1 Sep. 2019	<ul style="list-style-type: none"> •MBA, Tamkang University •Executive Vice President of Taiwan Business Bank
Director	Huang Jung-Pin	25 Jan. 2019	<ul style="list-style-type: none"> •Ph. D, Feng Chia University •SVP&GM, Personal Banking Dept. of Taiwan Business Bank
Director	Lin Chang-Yu	14 July 2017	<ul style="list-style-type: none"> • Accounting, Fu Jen University •Executive Vice President of Taiwan Business Bank
Independent Director	Hsu Tien-Liang	1 May 2017	<ul style="list-style-type: none"> •BA, Tamkang University •CEO of Taiwan Business Bank Insurance Agent Company

Management Team

Title	Name	Effective Date	Prime Experience & Education
CEO	Huang Jung-Pin	25 Jan. 2019	<ul style="list-style-type: none"> •Ph. D, Feng Chia University •SVP&GM, Personal Banking Dept. of Taiwan Business Bank
Manager of Operation Dept.	Tseng Hsi-Pin	27 Apr. 2018	<ul style="list-style-type: none"> •Bachelor, Chinese Culture University •Assistant Manager of Taiwan Business Bank Shanghai Branch
Manager of Credit Dept.	Lin Hsun-Chieh	1 July 2016	<ul style="list-style-type: none"> • Bachelor, Shih Hsin University • Executive Officer of Taiwan Business Bank
Manager of Management Dept.	Chen Hsin-Kuang	1 Dec. 2019	<ul style="list-style-type: none"> • Accounting, National Taipei University • Executive Officer of Taiwan Business Bank Credit Investigation Dept.
Branch Manager	Sun Shu-Yung	1 Dec. 2019	<ul style="list-style-type: none"> • Master, Hsuan Chuang University • Executive Officer of Taiwan Business Bank



Products and Services

Commercial Loan (CL)

TBBMFI provides a Commercial Loan product to meet the demand and the interest of clients who wish to increase their income.

Personal Loan (PL)

TBBMFI provides a Personal Loan product to satisfy customers' personal needs such as home improvement, consumption goods, housework facilities; transport means (Motorbike, automobile...)

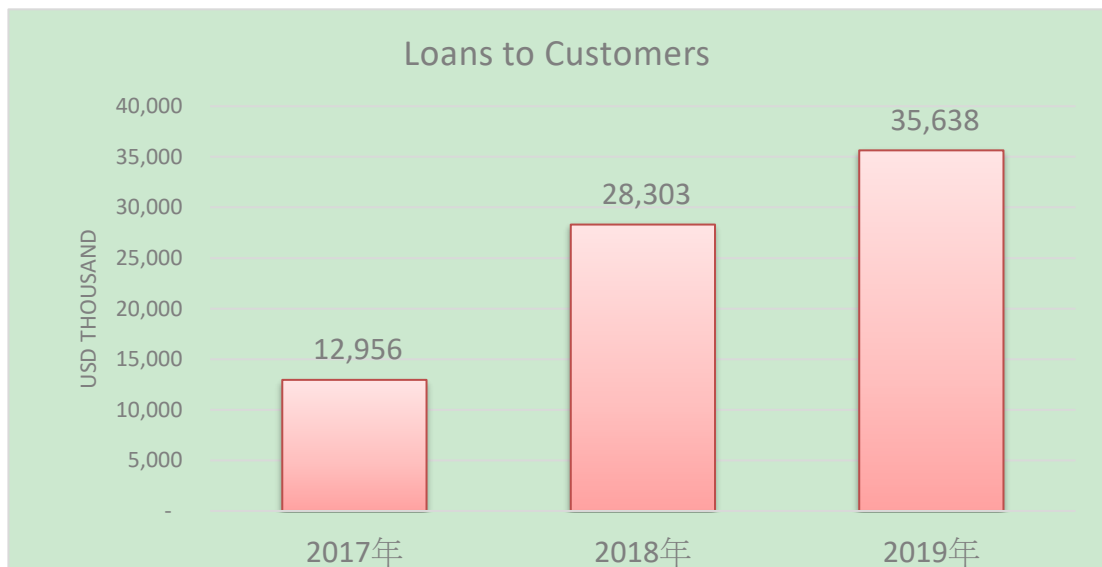
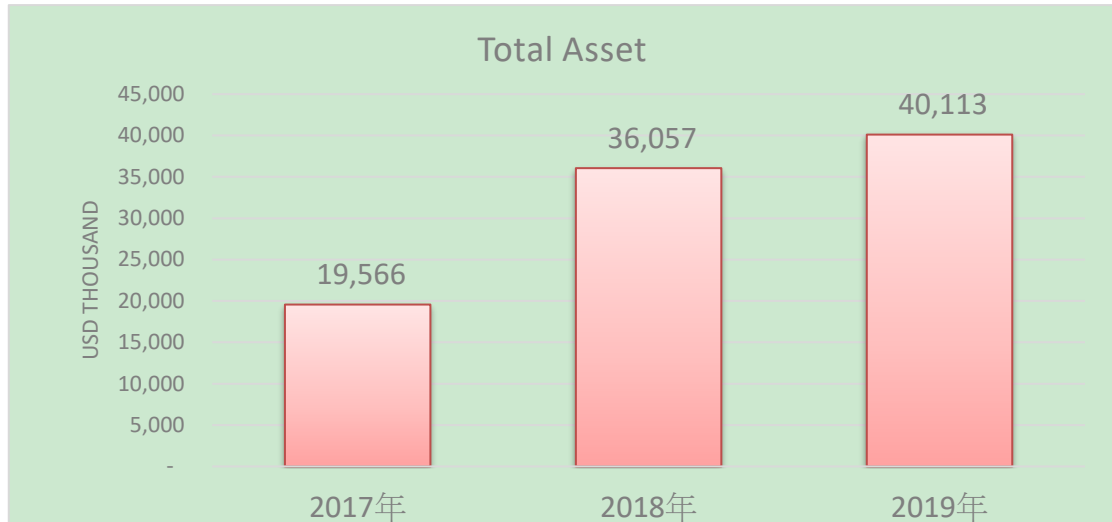
Mortgage Loan (ML)

TBBMFI provides a Mortgage Loan product to satisfy customers' needs to buy real estate property such as land, house.



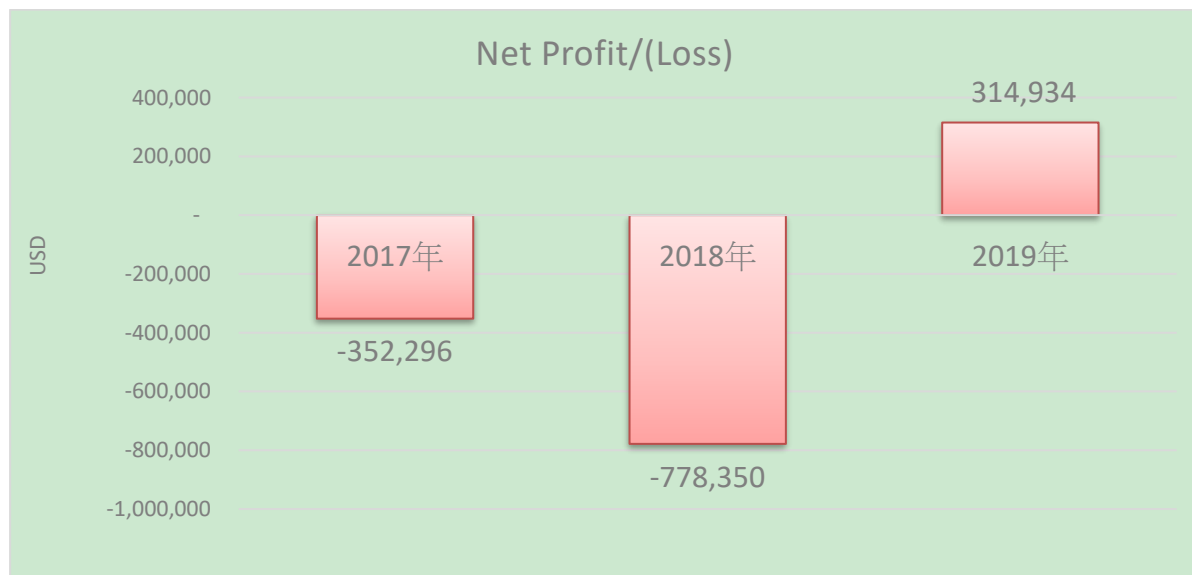
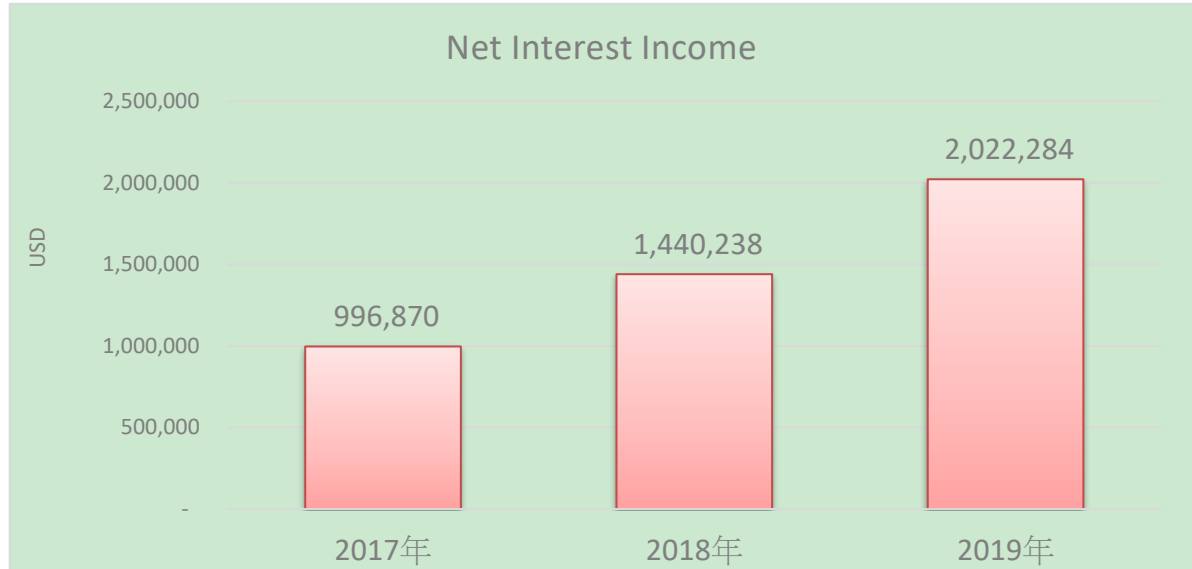


Financial Highlight





Financial Highlight



Loan Performance

To achieve the mission and vision, TBBMFI tries to provide loan to all kinds of customers and sectors to use for their own business. TBBMFI sets its own target customers by focusing on those with low and medium standards of living as well as small and medium business who wish to extend their business activities. At the end of 2019, loan disbursement increased constantly and lead to loan portfolio increase remarkably. In 2018, the loan disbursement was USD 21,886,000 / KHR 2,413,750,000 and USD18,764,956 / KHR 16,597,925,000 at the end of 2019. Regarding loan outstanding in 2018, it was USD 28,939,762 / KHR 2,409,681,000 and up to USD33,021,930 / KHR16,126,473,800 in 2019.



Company Activities

External Training and Seminars



Internal Training



Company Activities

Internal Training



Annual Trip



Corporate Social Responsibility

Gold Certificate of Tax Compliance Awarded by General Department of Taxation



To sponsor Volunteer Clinic





ក្រុមហ៊ុនមីក្រូហិរញ្ញវត្ថុ អិប៊ីអិល (ខេមបូឌា) ភីអិលស៊ី

臺灣企銀微型財務公司

TBB (CAMBODIA) MICROFINANCE INSTITUTION PLC

Financial Report and Report of the Independent Auditor



REPORT OF THE BOARD OF DIRECTORS

The Board of Directors submits its report together with the audited financial statements of TBB (Cambodia) Microfinance Institution Plc (“the Company”) as at and for the year ended 31 December 2019 (“the year”).

The Company

TBB (Cambodia) Microfinance Institution Plc (“the Company”) is a public limited company incorporated in the Kingdom of Cambodia under the Registration No. Co. 1506 E/2015 dated 28 April 2015 issued by the Ministry of Commerce 12 June 2015, the Company obtained its licence from the National Bank of Cambodia to operate as a micro finance institution. On 13 December 2017, the Company obtained Re-Registration No. 00029793 from the Ministry of Commerce.

The Company is a wholly owned subsidiary of Taiwan Business Bank Ltd., a public company listed in the Taiwan Stock Exchange.

The registered office of the Company is located at No. 2E2F, Street 315, Sangkat Boeung Kak 1, Khan Toul Kork, Phnom Penh, Kingdom of Cambodia.

As at 31 December 2019, the Company had 34 employees (2018: 36 employees). Results and dividends

Principal activities

The principal activities of the Company are to provide loans and other financial services to local customers through its head office and branch in Phnom Penh.

There have been no significant changes in the nature of these principal activities during the financial year.

Results and dividends

The results of the Company’s operations for the year ended 31 December 2019, and the state of its affairs as at that date are set out in the accompanying financial statements.

The Board of Directors do not recommend the payment of a dividend for the year ended 31 December 2019.

Board of Directors

The members of the Board of Directors of the Company during the year and to the date of this report are as follows:

Name	Position	Appointed on
Mr. Chang Yu Min	Chairman	2 March 2020
Mr. Chen Chang Yi	Director	31 August 2019
Mr. Huang Jung Pin	Director	25 January 2019
Mr. Chang Yu Lin	Director	14 July 2017
Mr. Tien Liang Hsu	Independent Director	1 May 2017



Management team

The management team of the Company during the year and to the date of this report are as follows:

Name	Position	Date of appointment
Mr. Huang Jung Pin	Chief Executive Officer	25 January 2019
Mr. Tseng Hsi-Bing	Deputy Chief Executive Officer	1 April 2019
Mr. Lin Chien Hsun	Manager of Head Office	1 April 2019
Mr. Sun Shu Yung	Branch Manager	1 December 2019

Directors' interests

None of the directors held or dealt directly in the shares of the Company during the year.

The indirect interests of the directors of the Company are disclosed in the financial statements.

Directors' benefits

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

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

Auditors

The Company's financial statements as at and for the year ended 31 December 2019 were audited by Grant Thornton (Cambodia) Limited.

Board of Directors' responsibility in respect of the financial statements

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

- i. adopt appropriate accounting policies in accordance with Cambodian International Financial Reporting Standards for Small and Medium-sized Entities ("CIFRS for SMEs"), which are supported by reasonable and prudent judgements and estimates, and then apply them consistently,
- ii. comply with the disclosure requirements of the CIFRS for SMEs or, if there has been any departure from such requirements in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the financial statements,



- iii. maintain adequate accounting records and an effective system of internal controls,
- iv. prepare the financial statements on a going-concern basis unless it is inappropriate to assume that the Company will continue its operations in the foreseeable future, and
- v. effectively control and direct the Company in all material decisions affecting its operations and performance, and ensure that such have been properly reflected in the financial statements.

The Board of Directors is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Statement by the Board of Directors

In the opinion of the Board of Directors, the accompanying statements of financial position, comprehensive income, changes in equity and cash flows, together with the notes thereto, have been properly drawn up and present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with CIFRS for SMEs.

On behalf of the Board of Directors and Management:




Yu-Min Chang
 Chairman

Taipei, Taiwan

12 May 2020



Independent auditor's report

To the shareholders of TBB (Cambodia) Microfinance Institution Plc

Opinion

We have audited the financial statements of TBB (Cambodia) Microfinance Institution Plc

("the Company"), which comprise the statement of financial position as at 31 December 2019, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

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

Basis for opinion

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

Other matter

The financial statements of the Company as at and for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those financial statements on 30 May 2019.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Report of the Board of Directors but does not include the financial statements and our auditor's report thereon, which we have obtained prior to the date of this auditor's report, and the annual report which is expected to be made available to us after that date.



Our opinion on the financial statements does not cover the other information prepared by Management and we do not and will 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 and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Board of Directors and respond to those matters in accordance with the requirements of CISA 720 (revised).

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with CIFRSs for SMEs, and for such internal control as the Board of Directors 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, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 basis of these financial statements.

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

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



resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors 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.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Grant Thornton



GRANT THORNTON (CAMBODIA) LIMITED
Certified Public Accountants
Registered Auditors



Ronald C. Almera
Partner – Audit and assurance
Phnom Penh, Kingdom of Cambodia
12 May 2020



Statement of financial position

		31 December 2019		31 December 2018	
	Note	USD	KHR'000 (Note 3.2)	USD	KHR'000 (Note 3.2) (Restated)
Assets					
Cash on hand		1,350	5,501	4,829	19,403
Balances with the National Bank of Cambodia	5	3,471,587	14,146,717	1,006,071	4,042,393
Balances with other banks	6	296,509	1,208,274	6,049,671	24,307,582
Loans to customers - net	8	35,637,845	145,224,218	28,303,058	113,721,684
Other assets	9	582,904	2,375,334	507,759	2,040,176
Property and equipment	10	115,715	471,539	179,012	719,270
Intangible assets	11	7,527	30,673	6,680	26,840
Total assets		40,113,437	163,462,256	36,057,080	144,877,348
Equity and liabilities					
Equity					
Share capital	12	20,000,000	81,500,000	20,000,000	80,360,000
Accumulated losses		(2,379,947)	(9,698,283)	(1,904,776)	(7,653,390)
Regulatory reserve	13	967,426	3,942,261	562,862	2,261,580
Total equity		18,587,479	75,743,978	18,658,086	74,968,190
Liabilities					
Borrowings	14	21,000,000	85,575,000	17,000,000	68,306,000
Income tax liability	19.3	2,406	9,804	2,268	9,113
Other liabilities	15	523,552	2,133,474	396,726	1,594,045
Total liabilities		21,525,958	87,718,278	17,398,994	69,909,158
Total equity and liabilities		40,113,437	163,462,256	36,057,080	144,877,348

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



Statement of comprehensive income

	Note	For the year ended 31 December 2019		For the year ended 31 December 2018	
		USD	KHR'000 (Note 3.2)	USD	KHR'000 (Note 3.2) (Restated)
Interest income	16	2,904,680	11,769,763	1,706,338	6,856,066
Interest expenses		(882,396)	(3,575,469)	(266,100)	(1,069,190)
Net interest income		2,022,284	8,194,294	1,440,238	5,786,876
Other income		153,754	623,013	128,364	515,767
Personnel expenses	17	(1,035,791)	(4,197,025)	(1,000,720)	(4,020,893)
Depreciate and amortization	10,11	(75,088)	(304,257)	(78,190)	(314,167)
General and administrative expenses	18	(707,612)	(2,867,244)	(469,181)	(1,885,169)
Provision for bad and doubtful loans	8	(8,498)	(34,434)	(717,905)	(2,884,543)
Regulatory provision for balance with other banks	6	(3,011)	(12,201)	(61,108)	(245,532)
Profit/(loss) before income tax		346,038	1,402,146	(758,502)	(3,047,661)
Income tax expense	19.1	(31,104)	(126,033)	(19,848)	(79,749)
Net profit/(loss) for the year		314,934	1,276,113	(778,350)	(3,127,410)
Other comprehensive income					
Currency translation difference		-	7,244	-	-
Total comprehensive income/(loss) for the year		314,934	1,283,357	(778,350)	(3,127,410)

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



Statement of changes in equity

	Share capital USD	Additional capital USD	Accumulated losses USD	Regulatory Reserve USD	Total equity USD
Balance at 1 January 2019	20,000,000	-	(1,904,776)	562,862	18,658,086
Net profit for the year	-	-	314,934	-	314,934
Transfer to regulatory reserve	-	-	(404,564)	404,564	-
Net effect of prior year adjustments	-	-	(385,541)	-	(385,541)
Balance as at 31 December 2019	20,000,000	-	(2,379,947)	967,426	18,587,479
Balance as at 31 December 2019 (KHR'000) (Note 3.2)	81,500,000	-	(9,698,283)	3,942,261	75,743,978
Balance at 1 January 2018	10,000,000	10,000,000	(483,896)	-	19,516,104
Capital contribution	10,000,000	(10,000,000)	-	-	-
Net loss for the year	-	-	(778,350)	-	(778,350)
Transfer to regulatory reserve	-	-	(562,862)	562,862	-
Net effect of prior year adjustments	-	-	(79,668)	-	(79,668)
Balance as at 31 December 2018	20,000,000	-	(1,904,776)	562,862	18,658,086
Balance as at 31 December 2018 (KHR'000) (Note 3.2)	80,360,000	-	(7,653,390)	2,261,580	74,968,190



Statement of cash flows

Note	For the year ended 31 December 2019		For the year ended 31 December 2018	
	USD	KHR'000 (Note 3.2)	USD	KHR'000 (Note 3.2) (Restated)
Operating activities				
Net profit before tax	346,038	1,402,146	(758,502)	(3,047,661)
Adjustments for:				
Net effects on prior years' adjustment and others	(484,446)	(1,962,975)	858,172	3,448,135
Regulatory provision for balances with other banks	3,011	12,201	61,108	245,532
Depreciation and amortisation	10,11 75,088	304,257	78,190	314,167
Loss on disposals of property and equipment	-	-	3,198	12,850
Income tax expense	19.1 31,104	126,033	19,848	79,749
Interest expense	882,396	3,575,469	266,100	1,069,190
Operating profit before changes in working capital	853,191	3,457,131	528,114	2,121,962
Net working capital changes:				
Change in loans to customers	(7,334,788)	(29,720,561)	(15,347,060)	(61,664,487)
Change in fixed deposit	3,000,000	12,156,000	-	-
Change in other assets	(75,145)	(304,488)	(214,484)	(861,797)
Change in other liabilities	126,826	513,899	347,847	1,397,649
Cash flow used in operating activities	(3,429,916)	(13,898,019)	(14,685,583)	(59,006,673)
Interest paid	(875,703)	(3,548,349)	(223,788)	(899,180)
Income tax paid	19.3 (30,966)	(125,474)	(19,200)	(77,146)
Net cash flow used in operating activities	(4,336,585)	(17,571,842)	(14,928,571)	(59,982,999)
Investing activity				
Purchases of property and equipment	10 (7,766)	(31,468)	(30,823)	(123,847)
Purchases of Intangible assets	11 (4,872)	(19,741)	(3,800)	(15,268)
Net cash flow used in investing activity	(12,638)	(51,209)	(34,623)	(139,115)
Financing activity				
Proceeds from borrowings	6,000,000	24,312,000	17,000,000	68,306,000
Repayments on borrowings	(2,000,000)	(8,104,000)	-	-
Net cash from financing activity	4,000,000	16,208,000	17,000,000	68,306,000
Net change in cash and cash equivalents	(349,223)	(1,415,051)	2,036,806	8,183,886
Cash and cash equivalents, beginning of year	3,121,680	12,542,910	1,084,874	4,379,636
Exchange rate difference	-	169,903	-	(20,612)
Cash and cash equivalents, end of year	7 2,772,457	11,297,762	3,121,680	12,542,910

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



Notes to the financial statements

1 General information

TBB (Cambodia) Microfinance Institution Plc (“the Company”) is a public limited company incorporated in the Kingdom of Cambodia under the Registration No. Co. 1506 E/2015 dated 28 April 2015 issued by the Ministry of Commerce. On 12 June 2015, the Company obtained its licence from the National Bank of Cambodia to operate as a micro finance institution. On 13 December 2017, the Company obtained Re-Registration No. 00029793 from the Ministry of Commerce.

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As at 31 December 2019, the Company had 34 employees (2018: 36 employees).

2 Statement of compliance with CIFRS for SMEs

The financial statements have been prepared in accordance with Cambodian International Financial Reporting Standards for Small and Medium-sized Entities (“CIFRSs for SMEs”), which have been adopted by the Ministry of Economy and Finance, under Prakas No. 068BK MEF dated 8 January 2009, and the National Accounting Council, under Announcement No. 097/09 MEF dated 28 August 2009. The financial statements are presented in US dollars (“USD”), which is also the functional currency of the Company.

The financial statements as at and for the year ended 31 December 2018 were prepared in accordance with Cambodian Accounting Standards (“CAS”). The statement of financial position at 1 January 2018 and the statement of comprehensive income for the year ended 31 December 2018 have been restated in accordance with the transition procedures set out in the CIFRS for SMEs. A description of the nature of each change in accounting policy and reconciliations are set out in note 25.

3 Summary of significant accounting policies

3.1 Overall considerations and first-time adoption of CIFRS for SMEs

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These accounting policies have been used throughout all periods presented in these financial statements, unless otherwise stated.



3.2 Functional and presentation currency

The national currency of Cambodia is the Khmer Riel (“KHR”). However, as the Company transacts its business and maintains its accounting records primarily in USD, Management has determined the USD to be the Company’s currency for measurement and presentation purposes as it reflects the economic substance of the underlying events and circumstances of the Company.

Transactions in foreign currencies, other than USD, are translated to USD at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in currencies other than USD at the reporting date are translated into USD at the rates of exchange ruling at that date. Exchange differences arising on translation are recognised in the statement of comprehensive income.

The translations of USD amounts into KHR as presented in the financial statements are included solely to comply with the Law on Accounting and Auditing (April 2016) and have been made using the prescribed official exchange rate based on the following applicable exchange rate per USD1 as announced by the General Department of Taxation:

	2019	2018
Average rate	4,052	4,018
Closing rate	4,075	4,018

Such translation amounts are unaudited and should not be construed as representations that the USD amounts represent, or have been or could be, converted into KHR at that or any other rate.

3.3 Basis of aggregation

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

3.4 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

3.5 Statutory Deposits with the National Bank of Cambodia

Statutory deposit is stated at cost and represent mandatory reserve deposits and cash maintained with the NBC in compliance with the Law on Banking and Financial Institutions and are not available to finance the Company’s day-to-day operations. Hence, it is not considered as part of cash and cash equivalents for the purpose of the statement of cash flows.



3.6 Loans to customers

Loans to customers are recognized initially at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Loans are written off to the statement of comprehensive income when the loans are provisioned in full and remain unpaid after maturity date or when the certainty of being uncollectable is proven. Loans written off are taken out of the outstanding loan portfolio and deducted from the allowance for bad and doubtful loans.

Recoveries of loans previously written off are recorded as other operating income in the statement of comprehensive income. Reversal of previous allowance is presented in allowance expense in the statement of comprehensive income.

3.7 Property and equipment

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

Subsequent costs are included in an assets' carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Company is obligated to incur when the asset is acquired, if applicable.

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the asset and which has different useful life, is depreciated separately. After initial recognition, property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of property and equipment is charged to the statement of comprehensive income on a straight-line method, over the useful lives of the individual assets as follows:

	Useful life
Leasehold improvements	5 years
Office equipment	4 years
IT equipment	2 years
Furniture and fittings	4 years
Motor vehicles	4 years



The residual value, useful lives and depreciation methods of assets are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

The carrying amount of an asset is written-down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

Fully depreciated items of property and equipment are retained in the financial statements until it is disposed of or written off.

3.8 Intangible assets

Intangible assets consist of computer software and are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Acquired computer software is capitalised on the basis of the cost incurred to acquire the specific software and bring it into use. Intangible assets are amortised on the straight-line method over 2 years.

3.9 Employee benefit obligation

Seniority indemnity payment

Prakas No. 443, issued on 21 September 2018 by the Minister of Labour and Vocational Training (“MoLVT”), requires the Company to pay past seniority indemnity to employees with undetermined duration contract. All employees who have been working before 1 January 2019 and continue to work are entitled to a payment of fifteen days of their average wages of each year of service, totalling but not exceeding six months, and shall be paid every year starting 2019 as follows:

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

The past seniority indemnity is recognised in full during the year 2018 and future seniority indemnity (amounting to 15 days per annum) to employees are recognised during the employees’ periods of service.

On 22 March 2019, MoLVT issued Directive no.042/19 on the Back Pay of Seniority Payment before 2019 for the Enterprise and Institution aside from the Textile, Garment and Footwear sectors, postponing the payment of back pay seniority indemnity until December 2021 and changing the payment of their average wages of each year of service from 15 days to 6 days as follows:

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



For employees with determined duration contract, they are entitled to the severance pay at least 5% of their wages paid during the length of the contract.

Employees are not entitled to the remaining past seniority payment upon resignation.

Short-term employee benefits

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses, severance pay and non-monetary benefits are measured on an undiscounted basis and are expensed when employees rendered their services to the Company.

Short term accumulating compensated absences such as paid annual leave are recognized as an expense when employees render services that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognized when the absence occur. Employee that follow proper resignation policy are entitled to get the unused annual leave days. They can get compensation if they did not use all of the annual leaves.

Bonuses are recognized as an expense when there is present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

3.10 Borrowings

Borrowings are recognised initially at the transaction price and subsequently stated at amortised cost. Interest expense is recognised on the basis of the effective interest method.

3.11 Equity, accumulated losses and reserves

Share capital represents the nominal (par) value of shares that have been issued.

Accumulated profits/(losses) includes all current and prior period retained profits and losses.

Regulatory provision

Credit classification and provisioning for financial institutions in accordance with Prakas No. 7-017-344, dated 1 December 2017 as issued by the NBC provides guidance on credit classification and regulatory provisioning for financial institutions in Cambodia, as summarised below:

Classification	Number of days past due	Provision
Long-term loans (more than one year)		
Standard	0 – 29 days	1%
Special mention	30 – 89 days	3%
Substandard	90 – 179 days	20%
Doubtful	180 – 359 days	50%
Loss	Over 359 days	100%



Short-term loans (less than one year)

Normal	0 – 14 days	1%
Special mention	15 – 30 days	3%
Substandard	31 – 60 days	20%
Doubtful	61 – 90 days	50%
Loss	Over 90 days	100%

Article 73 of Prakas on Credit Risk Grading and Impairment Provisioning requires the banks to compare the provision calculated in accordance with CIFRSs and Prakas No 7-017-344 and, accordingly.

1. In case the regulatory provision calculated in accordance with the said Prakas is lower than the calculation in accordance with CIFRS for SMEs, the bank shall record the provision calculated in accordance with CIFRS for SMEs.
2. In case the regulatory provision calculated in accordance with the said Prakas is higher than the calculation in accordance with CIFRS for SMEs, the bank shall record the provision calculated in accordance with CIFRS for SMEs and transfer the difference from retained earnings or accumulated loss account into regulatory reserve in the equity section of the statement or financial position.

3.12 Impairment of non-financial assets

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit ("CGU") to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

3.13 Related party transactions

A related party is a person or entity that is related to the Company. A related party transaction is a transfer of resources, services or obligations between the Company and its related party, regardless of whether a price is charged.

- a. A person or a close member of that person's family is related to the Company if that person:
 - i. Has control or joint control over the Company;
 - ii. Has significant influence over the Company; or
 - iii. Is a member of the key management personnel of the ultimate holding company of the Company, or the Company
- b. An entity is related to the Company if any of the following conditions applies:
 - i. The entity and the Company are members of the same group.
 - ii. One entity is an associate or joint venture of the other entity.
 - iii. Both entities are joint ventures of the same third party.



- iv. On entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- v. The entity is a post-employment benefit plan for the benefits of employees of either the Company or an entity related to the Company.
- vi. The entity is controlled or jointly-controlled by a person identified in (a) above.
- vii. A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the ultimate holding company or the entity.
- viii. The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

3.14 Financial instruments

Financial assets

Loans to customers and cash and cash equivalents

These financial assets are recognised initially at the transaction price. Subsequently they are measured at amortised cost using the effective interest method, less provisions for impairment.

Where there is objective evidence that the carrying amounts of receivables are not recoverable, an impairment loss is recognised in profit or loss.

Financial liabilities

The Company's financial liabilities include borrowings and other liabilities. Financial liabilities are recognised initially at transaction price. After initial recognition, they are measured at amortised cost using the effective interest method. Other liabilities is on normal credit terms and do not bear interest.

3.15 Interest income and expenses

Interest income and expenses are recognised on an accrual basis using the effective interest method.

Interest income and expense presented in the statement of comprehensive income include interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis.

3.16 Loan processing fee income

Loan processing fee income are recognised as income over the term of the loan to customer. Unamortised loan fees are recognized as "unearned income", under other liabilities.

3.17 General and administrative expenses

General and administrative expenses are recognised in the statement of comprehensive income in the period in which they are incurred.

3.18 Operating leases

Leases in which a significant portion of risks and rewards of ownership of assets are retained by the lessor are classified as operating leases. Payments made under operating leases are charge to the income statement on a straight-line basis over the period of the leases.



3.19 Provision

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

When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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

3.20 Income taxes

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to or claims from fiscal authorities relating to current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements.

Deferred income tax is calculated on temporary differences between the carrying amounts of assets and liabilities and their tax bases that are expected to increase or reduce taxable profit in the future and on unused tax losses and unused tax credits.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization provided that they are enacted or substantively enacted at the reporting date, taking into consideration all possible outcomes of a review by the tax authorities.

The carrying amount of deferred tax assets is reviewed at each reporting date and adjusted as necessary to reflect the current assessment of future taxable profit.

4 Significant management judgement in applying accounting policies and estimation uncertainty

The Company makes estimates, assumptions and judgments concerning future transactions which may not equal actual results. The accounting estimates, assumptions and judgments which may cause significant impact on the current recognition and measurement of assets, liabilities, income and expenses are summarised below:



a. Significant accounting estimates and assumptions

The significant management judgement in applying the accounting policies of the Company that have the most significant effect on the financial statements is follows:

Impairment

In assessing impairment, Management estimates the recoverable amount of each asset or cash generating units based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

Useful life of depreciable assets

Management reviews its estimate of the useful life of depreciable assets at each reporting date, based on the expected utility of the assets.

Income tax expense

The Company will recognise liabilities for expected tax expenses based on an estimate of whether the taxes are due through Management's current interpretation of the various tax legislations which are subject to periodic changes. The final determination of tax expenses will be made following examination by the General Department of Taxation.

When the final tax outcome of these matters is different from the amount that were initially recognised, such differences will impact the tax provision in the financial year in which such determination is made.

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forwards can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

b. Significant accounting judgments

The directors are not aware of any critical judgments in relation to the amounts in the financial statements.

5 Balances with the National Bank of Cambodia

	31 December 2019		31 December 2018	
	USD	KHR'000	USD	KHR'000
	(Note 3.2)		(Note 3.2)	
Capital guarantee deposit (*)	1,000,000	4,075,000	1,000,000	4,018,000
Current account	2,471,587	10,071,717	6,071	24,393
	3,471,587	14,146,717	1,006,071	4,042,393

The Capital guarantee deposit is maintained with the NBC in compliance with Prakas No. B7-00-006 on the licensing of Micro-Finance Institution, the amounts which determined at 5% of the Company's registered share capital. This capital guarantee deposit is refundable when the Company voluntarily liquidates and has no deposit liabilities.

This statutory deposit earns interest at the rate of 0.75%-0.54% per annum (2018: 0.62%).



6 Balances with other banks

	31 December 2019		31 December 2018	
	USD	KHR'000	USD	KHR'000
		(Note 3.2)		(Note 3.2)
Current accounts	297,225	1,211,192	1,105,420	4,441,578
Saving accounts	2,295	9,352	2,005,360	8,057,536
Fixed deposits	-	-	3,000,000	12,054,000
	299,520	1,220,544	6,110,780	24,553,114
Regulatory provision for balances with other banks	(3,011)	(12,270)	(61,108)	(245,532)
	296,509	1,208,274	6,049,672	24,307,582

7 Cash and cash equivalents

	31 December 2019		31 December 2018	
	USD	KHR'000	USD	KHR'000
		(Note 3.2)		(Note 3.2)
Cash on hand	1,350	5,501	4,829	19,403
Balances with the National Bank of Cambodia	2,471,587	10,071,717	6,071	24,393
Balances with other banks	299,520	1,220,544	3,110,780	12,499,114
	2,772,457	11,297,762	3,121,680	12,542,910

8 Loans to customers-net

	31 December 2019		31 December 2018	
	USD	KHR'000	USD	KHR'000
		(Note 3.2)		(Note 3.2) (Restated)
Commercial loans	23,388,784	95,309,295	19,511,746	78,398,195
Mortgage loans	7,370,483	30,034,718	5,241,651	21,060,954
Personal loans	6,220,080	25,346,826	4,788,785	19,241,338
Loan to customer-gross	36,979,347	150,690,839	29,542,182	118,700,487
Allowance for bad and doubtful loans	(1,341,502)	(5,466,621)	(1,239,126)	(4,978,807)
Loan to customer-net	35,637,845	145,224,218	28,303,056	113,721,680



The movements in allowance for bad and doubtful loans were as follows:

	31 December 2019		31 December 2018	
	USD	KHR'000 (Note 3.2)	USD	KHR'000 (Note 3.2) (Restated)
At the beginning of year	1,239,125	4,978,803	525,220	2,110,334
Provision for the year	8,498	34,434	717,905	2,884,543
Net effect of prior year adjustment	93,879	382,557	(4,000)	(16,072)
Currency translation differences	-	70,827	-	(2)
At the end of year	1,341,502	5,466,621	1,239,125	4,978,803

Loans to customers-gross are analyzed as follows:

	31 December 2019		31 December 2018	
	USD	KHR'000 (Note 3.2)	USD	KHR'000 (Note 3.2)
(a) By maturity:				
Within one month	-	-	220,000	883,960
2 to 3 months	471,904	1,923,009	1,535,700	6,170,443
4 to 12 months	8,423,556	34,325,990	8,034,956	32,284,453
Over 12 months	28,083,887	114,441,840	19,751,526	79,361,631
	36,979,347	150,690,839	29,542,182	118,700,487
(b) By currency:				
US dollars	33,021,930	134,564,365	28,939,762	116,279,964
Khmer riels	3,957,417	16,126,474	602,420	2,420,523
	36,979,347	150,690,839	29,542,182	118,700,487
(c) By economic sectors:				
Services	19,704,555	80,296,062	14,613,582	58,717,372
Household and family	2,868,502	11,689,146	4,708,699	18,919,553
Financial Institutions	5,552,147	22,625,000	2,400,000	9,643,200
Trade and commerce	2,027,374	8,261,547	2,065,006	8,297,194
Construction	1,416,352	5,771,633	824,549	3,313,037
Agriculture	570,000	2,322,750	400,000	1,607,200
Transportation	307,910	1,254,733	391,141	1,571,605
Other categories	4,532,507	18,469,968	4,139,205	16,631,326
	36,979,347	150,690,839	29,542,182	118,700,487
(d) By relationship:				
External customers	36,979,347	150,690,839	29,542,182	118,700,487



(e) By performance:

Standard loans				
-Secured	29,942,200	122,014,467	25,015,764	100,513,340
-Unsecured	5,552,148	22,625,000	2,400,000	9,643,200
Special mention loans				
-Secured	96,781	394,382	94,375	379,199
Sub-standard loans				
-Secured	-	-	586,679	2,357,276
Doubtful loans				
-Secured	-	-	424,480	1,705,560
Loss loans				
-Secured	1,388,218	5,656,990	1,020,884	4,101,912
	36,979,347	150,690,839	29,542,182	118,700,487

(f) By exposure

Non-large exposure	36,979,347	150,690,839	29,542,182	118,700,487
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A “large exposure” is defined under NBC Prakas as the overall gross exposure of the aggregate balance of loans and advances with one single beneficiary, which exceeds 10% of the institution’s net worth. The gross exposure is the higher of the outstanding loans or commitments and the authorized loans or commitments. As at 31 December 2019, there is no large exposure to be disclosed in the financial statements.

(g) By interest rate (per annum):

	2019	2018
Commercial loans	6.00% - 10.92%	6.05% - 10.92%
Mortgage loans	6.96% - 10.08%	6.96% - 10.80%
Personal loans	6.96% - 9.96%	6.96% - 11.40%

With effect from 1 April 2017, the annual interest rate charge of all new loans and restructured loans are capped at 18% as required by the NBC in its Prakas B7-017-109.

9 Other assets

	31 December 2019		31 December 2018	
	USD	KHR'000	USD	KHR'000
	(Note 3.2)		(Note 3.2)	
Cash deposit	349,560	1,424,457	180,301	724,449
Accrued interest receivables	139,981	570,423	206,486	829,661
Rental deposit	530	2,159	71,336	286,628
Other	92,833	378,295	49,636	199,438
	582,904	2,375,334	507,759	2,040,176

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10 Property and equipment

	Leasehold improvements USD	Office equipment USD	IT equipment USD	Furniture and fitting USD	Motor vehicle USD	Total USD
Gross carrying amount						
Balance 1 January 2019	236,294	29,077	68,965	27,881	9,322	371,539
Additions	-	3,080	1,672	3,014	-	7,766
Balance 31 December 2019	236,294	32,157	70,637	30,895	9,322	379,305
Accumulated depreciation						
Balance 1 January 2019	95,663	17,737	54,994	20,176	3,957	192,527
Charge during the year	47,259	6,459	10,336	4,870	2,139	71,063
Balance 31 December 2019	142,922	24,196	65,330	25,046	6,096	263,590
Carrying amount 31 December 2019	93,372	7,961	5,307	5,849	3,226	115,715
Carrying amount 31 December 2019 (KHR'000) (Note 3.2)	380,491	32,441	21,626	23,835	13,146	471,539





	Leasehold improvements USD	Office equipment USD	IT equipment USD	Furniture and fitting USD	Motor vehicle USD	Total USD
Gross carrying amount						
Balance 1 January 2018	224,345	26,386	65,336	32,619	7,037	355,723
Additions	11,949	3,080	9,954	3,555	2,285	30,823
Write off	-	(389)	(6,325)	(8,293)	-	(15,007)
Balance 31 December 2018	236,294	29,077	68,965	27,881	9,322	371,539
Accumulated depreciation						
Balance 1 January 2018	49,977	11,289	50,553	18,353	2,008	132,180
Depreciation	45,686	6,707	10,766	7,048	1,949	72,156
Write off	-	(259)	(6,325)	(5,225)	-	(11,809)
Balance 31 December 2018	95,663	17,737	54,994	20,176	3,957	192,527
Carrying amount 31 December 2018	140,631	11,340	13,971	7,705	5,365	179,012
Carrying amount 31 December 2018 (KHR'000) (Note 3.2)	565,055	45,564	56,135	30,959	21,557	719,270



11 Intangible assets

	2019		2018	
	USD	KHR'000 (Note 3.2)	USD	KHR'000 (Note 3.2)
Gross carrying amount				
Balance 1 January	24,615	98,903	20,815	84,030
Additions	4,872	19,853	3,800	15,268
Currency translation difference	-	1,403	-	(395)
Balance 31 December	29,487	120,159	24,615	98,903
Accumulated amortisation				
Balance 1 January	(17,935)	(72,063)	(11,901)	(48,044)
Charge during the year	(4,025)	(16,402)	(6,034)	(24,245)
Currency translation difference	-	(1,021)	-	226
Balance 31 December	(21,960)	(89,486)	(17,935)	(72,063)
Carrying amount 31 December	7,527	30,673	6,680	26,840

12 Share capital

The Company's registered capital is USD20,000,000 divided into 20,000 shares with a par value of USD1,000 per share. The ordinary shares have been fully issued and paid up by Taiwan Business Bank Ltd, which is also the Company's ultimate parent company.

13 Regulatory reserve

As at 31 December 2019, the regulatory provision calculation is USD967,426 higher than the provision calculated per CIFRS for SMEs. As such, in compliance with Prakas No. 7-017-344 Article 73 (b), as at 31 December 2019 and 2018, the amounts of USD404,564 and USD562,862, respectively, are transferred from the closing balance of accumulated losses to regulatory reserve.

14 Borrowings

	31 December 2019		31 December 2018	
	USD	KHR'000 (Note 3.2)	USD	KHR'000 (Note 3.2)
Taichung Commercial Bank (note 14.1)	15,000,000	61,125,000	15,000,000	60,270,000
Sunny Bank Ltd, OBU Branch (note 14.2)	6,000,000	24,450,000	1,000,000	4,018,000
First Commercial Bank	-	-	1,000,000	4,018,000
	21,000,000	85,575,000	17,000,000	68,306,000



14.1 Taichung Commercial Bank

The borrowings from Taichung Commercial Bank, a bank incorporated in Taiwan, are unsecured with a maximum credit limit of USD15,000,000 and bear interest at the rate of 3 months LIBOR, approximately ranging from 4.58% to 4.63% per annum during 2018 and 2019. The borrowings were disbursed as follows:

Disbursement date	USD
28 May 2018	6,000,000
8 August 2018	4,000,000
6 November 2018	2,000,000
13 November 2018	2,000,000
19 November 2018	1,000,000
Total	15,000,000

All of these borrowings will mature on 28 May 2021. The Company is required to place a cash deposit of USD180,301 which is equal to the repayment of the three-month interest expense.

14.2 Sunny Bank Ltd, OBU Branch

The borrowing from Sunny Bank Ltd - OBU Branch, a bank incorporated in Taiwan, is unsecured, and bears interest at the rate of 4.01% per annum. The borrowing was disbursed on 25 December 2018 and matured on 25 January 2019. This borrowing was subsequently rolled over with the same annual interest rate and repaid on 25 January 2020.

15 Other liabilities

	31 December 2019		31 December 2018	
	USD	KHR'000 (Note 3.2)	USD	KHR'000 (Note 3.2) (Restated)
Unearned income	300,354	1,223,943	188,200	756,188
Accrued employee benefits	89,162	363,335	87,624	352,073
Accrued expenses	62,462	254,533	33,447	134,391
Accrued interest payables	35,619	145,147	42,312	170,010
Salary and withholding taxes payable	28,886	117,710	28,690	115,276
Salary payables	7,069	28,806	12,453	50,036
Provision on off-balance sheet items	-	-	4,000	16,072
	523,552	2,133,474	396,726	1,594,046

16 interest income

	For the year ended 31 December 2019		For the year ended 31 December 2018	
	USD	KHR'000 (Note 3.2)	USD	KHR'000 (Note 3.2)
Loans to customers	2,803,959	11,361,642	1,617,920	6,500,803
Balance with banks and NBC	100,721	408,121	88,418	355,263
	2,904,680	11,769,763	1,706,338	6,856,066



17 Personnel expenses

	For the year ended 31 December 2019		For the year ended 31 December 2018	
	USD	KHR'000 (Note 3.2)	USD	KHR'000 (Note 3.2)
Salaries and bonuses	566,225	2,294,344	541,220	2,174,622
Other benefits	468,391	1,897,920	432,202	1,736,588
Seniority indemnity	1,175	4,761	27,298	109,683
	1,035,791	4,197,025	1,000,720	4,020,893

18 General and administrative expenses

	For the year ended 31 December 2019		For the year ended 31 December 2018	
	USD	KHR'000 (Note 3.2)	USD	KHR'000 (Note 3.2)
Withholding tax expense	250,406	1,014,645	142,579	572,882
Rental expenses	162,198	657,226	151,877	610,242
Professional fees	100,859	408,681	36,815	147,923
Foreign exchange loss	38,737	156,962	680	2,732
Stationery and utility expenses	21,135	85,639	22,632	90,935
Marketing and advertising	16,074	65,132	13,338	53,592
Travel expenses	11,822	47,903	2,240	9,000
Party and entertainment expenses	10,054	40,739	11,970	48,095
Membership expenses	4,326	17,529	2,438	9,796
Other expense	92,001	372,788	84,612	339,972
	707,612	2,867,244	469,181	1,885,169



19 Income tax

The Company has an obligation to pay tax on income at 20% of taxable income or a minimum tax at 1% of annual turnover whichever is higher. The minimum tax is an annual tax with a liability equal to 1% of gross revenues.

19.1 Income tax expense

The reconciliation between accounting profit before income tax and estimated taxable income for the year ended 31 December 2019 is shown below:

	For the year ended 31 December 2019		For the year ended 31 December 2018	
	USD	KHR'000 (Note 3.2)	USD	KHR'000 (Note 3.2)
Profit before income tax	346,038	1,402,148	(758,504)	(3,047,669)
Income tax using statutory tax rate at 20%	69,208	280,430	(151,700)	(609,533)
Add: Non-deductible expenses-net	13,478	54,612	55,884	224,542
Deduct: Tax losses not recognised as deferred tax assets	(82,686)	(335,042)	-	-
Income tax at 20% (A)	-	-	(95,816)	(384,991)
Minimum tax at 1% of revenue (B)	31,104	126,033	19,848	79,749
Estimated current income tax expense (higher of A or B)	31,104	126,033	19,848	79,749

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

19.2 Unrecognised deferred tax assets

Tax losses incurred in any tax year can be carried forward to offset against profit realised in the following five tax years subject to the following conditions:

- The loss must be recorded in the ToI return and submitted to the GDT on time;
- The business objective of the Company must not have changed;
- The ownership of the Company must not have changed; and
- The Company must not have received a unilateral tax re-assessment.

Deferred tax assets in respect of the tax losses are not recognised in the financial statements because it is not probable that future taxable profits will be available against which the Company can use the benefits therefrom.



19.3 Income tax liability

	31 December 2019		31 December 2018	
	USD	KHR'000 (Note 3.2)	USD	KHR'000 (Note 3.2)
As at 1 January	2,268	9,113	1,620	6,540
Charge during the year	31,104	126,033	19,848	79,749
Income tax paid	(30,966)	(125,474)	(19,200)	(77,146)
Currency translation difference	-	132	-	(30)
As at 31 December	2,406	9,804	2,268	9,113

19.4 Taxation contingencies

The taxation system in Cambodia is relatively new and is characterised by numerous taxes and frequently changing legislation, which is often unclear and subject to interpretation. Often different interpretations exist among numerous taxation authorities and jurisdictions. Taxes are subject to reviews and investigations by a number of authorities that are enabled by law to impose severe fines, penalties and interest charges.

These facts may create tax risks in Cambodia, substantially greater than in other countries. Management believes that tax liabilities have been adequately provided for based on its interpretation of tax legislation. However, the relevant authorities may have differing interpretations and the effects could be significant since the incorporation of the Company.

20 Lease commitments

The Company has lease commitments for the lease of its office and motor vehicles as follows:

	31 December 2019		31 December 2018	
	USD	KHR'000 (Note 3.2)	USD	KHR'000 (Note 3.2)
Within one year	202,328	824,487	289,866	1,164,683
From one to five years	201,550	821,316	347,182	1,394,977
	403,878	1,645,803	637,048	2,559,660

21 Transactions with key management personnel

Key management personnel is defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. Key management includes the Board of Directors and Key management team (head of each department).

	For the year ended 31 December 2019		For the year ended 31 December 2018	
	USD	KHR'000 (Note 3.2)	USD	KHR'000 (Note 3.2)
Salaries and benefits	859,810	3,503,725	790,332	3,175,553



22 Financial risk management

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

22.1 Credit risk

Credit risk is the financial loss to the Company if a borrower or counterparty fails to meet its contractual obligations, and arises principally from the loans to customers.

The lending activities are guided by the Company's credit policy to ensure that the overall objectives in the area of lending are achieved; i.e., that the loan portfolio is strong and healthy and credit risks are well diversified. The credit policy documents the lending policy, collateral policy and credit approval processes and procedures implemented to ensure compliance with the NBC Guidelines. Customer with more than one account is subject to stringent and careful review and assessment. The Company closely monitors concentration of credit risk by industries. Additional criteria for loan disbursement are also imposed for some specific risk areas.

- i. Credit risk measurement
The Company assesses the probability of default of individual counterparties by focusing on borrowers' forecast profit and cash flow. The credit committee is responsible for approving loans to customers.
- ii. Risk limit control and mitigation policies
The Company operates and provides loans to individuals or small-medium entrepreneurs within the Kingdom of Cambodia. The Company manages limits and controls the concentration of credit risk whenever it is identified.

The Company 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 to customers, which is a common practice. The Company implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types to secure for loans to customers are:

- Mortgages over residential properties (land, building and other properties); and
- Charges over business assets such as land and buildings.

- iii. Exposure to credit risk with regards to loans to customers

	USD	2019 KHR'000 (Note 3.2)	USD	2018 KHR'000 (Note 3.2)
Loans to customers-gross:				
Neither past due nor impaired	35,494,347	144,639,464	27,415,764	110,156,540
Past due but not impaired	96,781	394,383	94,375	379,199
Individually impaired	1,388,219	5,656,992	2,032,043	8,164,748
	36,979,347	150,690,839	29,542,182	118,700,487



Neither past due nor impaired

Loans to customers neither past due nor impaired are good quality loans to customers for which no experience of default. These loans are supported by collaterals and management views that likelihood of default is relatively low.

Past due but not impaired loans

Past due but not impaired loans to customers are those for which contractual interest or principal payments are past due less than 30 days for short-term loans and 90 days for long-term loans, unless other information is available to indicate otherwise.

Impaired loans

Individually impaired loans to customers are loans to customers for which the Company determines that there is objective evidence of impairment and it does not expect to collect all principal and interest due according to the contractual terms of the loans to customers.

22.2 Operational risk

The operational risk losses which would result from inadequate or failed internal processes, people and systems or from external factors is managed through established operational risk management processes, proper monitoring and reporting of the business activities by control and support units which are independent of the business units and oversight provided by the management.

The operational risk management entail the establishment of clear organisational structure, 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. These are reviewed continually to address the operational risks of its micro-finance business.

22.3 Market risk

Market risk is the risk of loss arising from adverse movement in the level of market prices or rates, the two key components being foreign currency exchange risk and interest rate risk.

(i) Foreign currency exchange risk

The Company's operates in Cambodia and transacts primarily in USD. Monetary assets and liability are significantly dominated in US\$. The Company does not therefore have significant exposure to foreign currency risk.

(ii) 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. The exposure to interest rate risk relate primarily to its loans and bank deposits.

Since the majority of financial assets are short-term and the interest rates are subject to change with the market rates, the Company does not use derivative financial instruments to hedge such risk.

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The table below summarises the Company's exposure to interest rate risks. It includes the Company's financial instruments at the carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

2019	Up to 1 month USD	>1 – 3 month USD	>3 – 12 month USD	>1 – 5 years USD	Over 5 years USD	Non- interest bearing USD	Total USD	Interest rate
Financial assets								
Cash on hand	-	-	-	-	-	1,350	1,350	
Balances with National Bank of Cambodia	-	-	-	-	-	2,471,587	2,471,587	
Balances with other banks	2,295	-	-	-	-	297,224	299,520	1%-1.25%
Loans to customers- gross	-	471,904	8,423,556	8,558,043	19,525,844	-	36,979,347	6%-10.92%
Other assets *	-	-	-	-	-	494,619	494,619	
Total financial assets	2,295	471,904	8,423,556	8,558,043	19,525,844	3,264,780	40,246,423	
Financial Liabilities								
Borrowings	-	-	6,000,000	15,000,000	-	-	21,000,000	4%-4.58%
Others liabilities **	-	-	-	-	-	582,363	582,363	
Total financial liabilities	-	-	6,000,000	15,000,000	-	582,363	21,582,363	
Maturity gap	2,295	471,904	2,423,556	(6,441,957)	19,525,844	2,682,417	18,664,060	
Equivalents to KHR'000 (Note 3.2)	9,354	1,923,009	9,875,990	(26,250,974)	79,567,815	10,930,851	76,056,043	

* Excludes prepayments

** Excludes taxes payable





2018	Up to 1 month USD	>1 – 3 month USD	>3 – 12 month USD	>1 – 5 years USD	Over 5 years USD	Non-interest bearing USD	Total USD	Interest rate
Financial assets								
Cash on hand	-	-	-	-	-	4,829	4,829	
Balances with National Bank of Cambodia						6,071	6,071	
Balances with other banks	2,005,360	-	3,000,000	-	-	1,105,420	6,110,780	1%-1.25%
Loans to customers-gross	220,000	1,535,700	8,034,956	2,188,762	17,562,764	-	29,542,182	6.05%-11.04%
Other assets *	-	-	-	-	-	436,423	436,423	
Total financial assets	2,225,360	1,535,700	11,034,956	2,188,762	17,562,764	1,552,743	36,100,285	
Financial Liabilities								
Borrowings	-	-	1,000,000	16,000,000	-	-	17,000,000	4%-4.58%
Other liabilities **	-	-	-	-	-	179,636	179,636	
Total financial liabilities	-	-	1,000,000	16,000,000	-	179,636	17,179,636	
Maturity gap	2,225,360	1,535,700	10,034,956	(13,811,238)	17,562,764	1,373,107	19,026,649	
Equivalents to KHR'000 (Note 3.2)	8,941,496	6,170,443	39,894,545	(55,067,646)	70,567,186	5,517,144	76,449,076	

* Excludes prepayments

** Excludes taxes payable



22.4 Liquidity risk

Liquidity risk relates to the ability to maintain sufficient liquid assets to meet its financial commitments and obligations when they fall due at a reasonable cost.

In addition to full compliance of all liquidity requirements, the Management of the Company closely monitors all inflows and outflows and the maturity gaps through periodical reporting. Movements in loans are monitored and liquidity requirements adjusted to ensure sufficient liquid assets to meet its financial commitments and obligations as and when they fall due.

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The following table provides an analysis of the financial assets and liabilities of the Company into relevant maturity groupings based on the remaining periods to repayment.

2019	Up to 1 month USD	>1 – 3 month USD	>3 – 12 month USD	>1 – 5 years USD	Over 5 years USD	Non- interest bearing USD	Total USD
Financial assets							
Cash on hand	-	-	-	-	-	1,350	1,350
Balances with National Bank of Cambodia	-	-	-	-	-	2,471,587	2,471,587
Balances with other banks	2,295	-	-	-	-	297,224	299,520
Loans to customers- gross	-	471,904	8,423,556	8,558,043	19,525,844	-	36,979,347
Other assets *	-	-	-	-	-	494,619	494,619
Total financial assets	2,295	471,904	8,423,556	8,558,043	19,525,844	3,264,780	40,246,423
Financial Liabilities							
Borrowings	-	-	6,000,000	15,000,000	-	-	582,363
Others liabilities **	-	-	-	-	-	582,363	21,000,000
Total financial liabilities	-	-	6,000,000	15,000,000	-	582,363	21,582,363
Maturity gap	2,295	471,904	2,423,556	(6,441,957)	19,525,844	2,682,417	18,664,060
Equivalents to KHR'000 (Note 3.2)	9,354	1,923,009	9,875,990	(26,250,974)	79,567,815	10,930,851	76,056,043

* Excludes prepayments

** Excludes taxes payable





2018	Up to 1 month USD	>1 – 3 month USD	>3 – 12 month USD	>1 – 5 years USD	Over 5 years USD	Non-interest bearing USD	Total USD
Financial assets							
Cash on hand	-	-	-	-	-	4,829	4,829
Balances with National Bank of Cambodia	-	-	-	-	-	6,071	6,071
Balances with other banks	2,005,360	-	3,000,000	-	-	1,105,420	6,110,780
Loans to customers	220,000	1,535,700	8,034,956	2,188,762	17,562,764	-	29,542,182
Other assets *	-	-	-	-	-	436,423	436,423
Total financial assets	2,225,360	1,535,700	11,034,956	2,188,762	17,562,764	1,552,743	36,100,285
Financial Liabilities							
Borrowings	-	-	1,000,000	16,000,000	-	-	17,000,000
Others payables **	-	-	-	-	-	179,636	179,636
Total financial liabilities	-	-	1,000,000	16,000,000	-	179,636	17,179,636
Net liquidity surplus (gap)	2,225,360	1,535,700	10,034,956	(13,811,238)	17,562,764	1,373,107	19,026,649
Equivalents to KHR'000 (Note 3.2)	8,941,496	6,170,443	39,894,545	(55,067,646)	70,567,186	5,517,144	76,449,076

* Excludes prepayments

** Excludes prepayments



22.5 Capital management

(i) Regulatory capital

The Company's objectives when managing capital, which is a broader concept than the 'equity' on the face of the balance sheet, are:

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

The NBC requires all licensed deposit-taking micro-finance institutions to (i) fulfil the minimum capital requirements, and (ii) comply with solvency, liquidity and other requirements.

(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.

23 Financial assets and financial liabilities

	31 December 2019		31 December 2018	
	USD	KHR'000	USD	KHR'000
	(Note 3.2)		(Note 3.2)	
Financial assets measured at amortised cost less impairment				
Cash and cash equivalents	2,772,457	11,297,762	3,121,680	12,542,910
Loans to customers-gross	36,979,347	150,690,839	29,542,182	118,700,487
Other assets (*)	232,803	948,673	256,122	1,029,099
	39,984,618	162,937,319	32,919,984	132,272,496

*Excludes prepayment

	31 December 2019		31 December 2018	
	USD	KHR'000	USD	KHR'000
	(Note 3.2)		(Note 3.2)	
Financial liabilities measured at amortised cost				
Borrowings	21,000,000	85,575,000	17,000,000	68,306,000
Other liabilities (**)	487,597	1,986,958	355,583	1,428,733
	21,487,597	87,561,958	17,355,583	69,734,733

** Excludes taxes payable to tax authorities



24 Fair value of financial assets and liabilities

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

25 Transition to CIFRS for SME

These are the Company's first financial statements prepared in accordance with CIFRS for SMEs. Previously they were prepared in accordance with Cambodian Accounting Standards ("CAS") and the guidelines of the National Bank of Cambodia. The Company has prepared its opening statement of financial position at the date of transition to the CIFRS for SMEs, which is 1 January 2018.

The effects of the transition to CIFRS for SMEs on total equity, profit and cash flows are presented in this section and further explained in the succeeding notes.

25.1 Exemption from full retrospective application

The Company's accounting policies presented in note 3 have been applied in preparing the financial statements for the year ended 31 December 2019, the comparative information and the opening statement of financial position as at the date of transition. The resulting adjustments have been recognised in the accumulated losses at the date of transition at 1 January 2018.

25.2 Reconciliation

The following reconciliation shows the effect on the Company's equity of the transition from CAS to the CIFRS for SMEs as at 1 January 2018 and 31 December 2018, and the Company's profit for the year ended 31 December 2018.

	31 December 2018		1 January 2018	
	USD	KHR'000 (Note 3.2)	USD	KHR'000 (Note 3.2)
Total equity under CAS	18,454,114	74,148,630	19,516,104	78,786,512
Provision for loans impairment and Recognition of loan processing fees over the term of the loan to customers	203,972	819,560	-	-
Total equity under CIFRS for SMEs	18,658,086	74,968,190	19,516,104	78,786,512



	31 December 2018	
	USD	KHR'000
		(Note 3.2)
Results for the year under CAS		
Provision for loan impairments	(1,061,990)	(4,267,075)
Recognition of loan processing fees over the term of the loan to customers	388,324	1,560,286
	(104,684)	(420,621)
Results for the year under CIFRS for SMEs	(778,350)	(3,127,410)

25.3 Explanations

Financial instruments

Financial instruments such as loans to customer and borrowings are now measured at amortised cost using effective interest method. Previously, they were stated as the amount of principal.

Provision for loans impairment

Loans and advances to customers are now stated in the statement of financial position at the amount of principal outstanding less provision for loans impairment. Previously, they were stated in the statement of financial position at the amount of principal outstanding less any amounts written off and specific and general allowance based on the NBC's Prakas No. B7-017-344 dated 1 December 2017 on Credit Risks Grading and Provision on Impairment and Circular No. B7-018-001 date 12 February 2018 on the Implementation of Prakas on Credit Risk Grading and Provision on impairment.

Loan processing fee

Loan processing fee income are now recognised as income over the term of the loan to customer. Previously, they were recognised upfront when the loan is disbursed to customers.

Interest in suspense

Interest earned on non-performing loans are now recognised as income. Previously when the loans become doubtful of collection, no interest is recognised as income. The recognition of interest income is suspended until it is realised on a cash basis.

26 Events after the reporting date

On 11 March 2020, the World Health Organisation officially declared Covid-19, the disease caused by the novel coronavirus, a pandemic. The Board of Directors is closely monitoring the evolution of this pandemic, including how it may affect the Bank, the economy and the general population. The Board of Directors has not yet determined the financial impact of these events on the Company.

27 Authorisation of financial statements

The financial statements as at and for the year ended 31 December 2019 were approved for issue by the Board of Directors on 12 May 2020.

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