

Sacombank (Cambodia) Plc.

2020

ANNUAL REPORT



Sacombank

SACOMBANK (CAMBODIA) PLC.

Report of The Board of Directors and
Audited financial statements in accordance with
Cambodian International Financial Reporting Standards

as at 31 December 2020 and for the year then ended

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EDITORIAL TEAM

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Mr. Nguyen Nhi Thanh

*Vice Chairman
cum General Director*

Deputy Chief Editor

Mr. Phung Thai Phung

Deputy General Director

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Mr. Tang Chheng

Design Officer

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Design Officer

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SACOMBANK (CAMBODIA) PLC.

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MISSION

To be the leading Vietnamese bank and top ten retail bank in Cambodia.

VISION

- Constantly maximize value for customers and shareholders
- Bring value to staff in terms of career development and wealth
- Contribute to the development of the community

CORE VALUES

1. Pioneering to be an explorer and accept challenges to discover new horizons;
2. Novel, Dynamic and Innovative to turn difficulties and challenges into growth opportunities;
3. High Commitment with the highest professionalism, dedication and prestige towards customers and partners
4. Social Responsibility under its slogan: Sacombank and the Community - "Growing Together"
5. Making a Difference with innovative breakthroughs in Products, Business Methods and Corporate Governance Models.



SACOMBANK (CAMBODIA) PLC. MILESTONES



23 June 2009

Sacombank opened its Phnom Penh Branch, making it the 27th foreign bank to operate in Cambodia and the first Vietnamese bank to invest in the country. In pioneering the entry into the Cambodian banking sector, Sacombank Phnom Penh branch has contributed to an increase in cross-border trade between Cambodia and Vietnam. This event marks another miles in the bank's growth in Indochina region.



08 December 2010

Sacombank celebrated the grand opening of the first sub-branch in Phnom Penh - Olympic sub-branch, located at one of the busiest trading areas in the city. The sub-branch supports to fulfil a high demand of financial services in the Olympic Supermarket area by providing key products and services such as trade finance, business loan, and money transfer.



30 August 2011

Sacombank continued to expand branch network as a part of its expansion strategy in Phnom Penh by opening the second sub-branch, located at Vietnamese Supermarket. The new branch creates significant opportunities for individual and business customers in the surroundings (Supermarket) through diversified products and services and its convenient location particularly.



05 September 2011

Sacombank opened its third sub-branch in the western part of Phnom Penh city, located at Chbar Ampeou market area. As one of the crowded area in the city, where economic development is growing rapidly, Chbar Ampeou sub-branch has the opportunity to contribute to the improvement of the business conditions of market vendors.



01 October 2011

The Board of Directors announced to transform its Phnom Penh branch into wholly-owned subsidiary of Sacombank under the approval of National Bank of Cambodia and support of State Bank of Vietnam. This important event marked the transition to a new phase in the development and performance improvement strategy of Sacombank in Cambodia, thus further promoting the good trading relationship of the business communities between Vietnam and Cambodia.



22 March 2012

For the first time, Sacombank (Cambodia) Plc. (Sacombank Cambodia) started outreaching to one of the busiest trading hubs outside the capital city by opening a branch in Kampong Cham province. Besides the key products and services to meet the financial demands of local customers, the newest branch provides quick money transfer services between Kampong Cham and Phnom Penh, increasing the trading capacity between the country's two biggest economic hubs.



26 November 2012

In the response to strong demands from the bank's customers, Sacombank Cambodia moved its Vietnamese Supermarket Branch to a larger office located at 537 A-B Monivong Boulevard, Phnom Penh under the name of Preah Monivong branch. The creation of a new transaction office in the city centre is the right thing to support the continuous expansion of the bank. The new office has a perfect location where the economic development, strategy and growth potential exist.



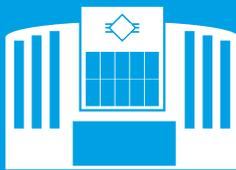
06 December 2012

Sacombank Cambodia kicked-off cross-border trade payment service, aims to streamline the process for settling cross-border trade in the Vietnam Dong and enables Cambodian enterprises to conduct cross-border trade in Vietnam Dong electronically without holding an account in the currency. Vice versa, Cambodia suppliers can also receive their payment from Vietnam buyer directly in Khmer Riel.



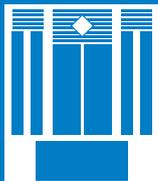
17 January 2013

As a focal point for network expansion strategy, Sacombank Cambodia continued to expand its branch network in Phnom Penh by inaugurating Phsar Heng Ly branch, bringing its broad range of banking products & services to the surrounding community of the major market.



24 June 2013

Sacombank Cambodia announced the opening of Pochentong branch in the western part of Phnom Penh city. This branch is Sacombank Cambodia's 7th entity in the country, complementing Head Office and 5 branches: Olympic, Preah Monivong, Chbar Ampeou, Kampong Cham, Phsar Heng Ly.



23 April 2014

In order to support the business economy development of one of the most active city in the southern of Phnom Penh. Sacombank Cambodia announced the opening of Takhmao Branch. This is the eighth entity in the country and is the second entity outside Phnom Penh. Continued showing our commitment to expand in the country.



28 September 2017

In order to further expand network and banking services in Cambodia, Sacombank Cambodia organized the Grand Opening of Siem Reap Branch. Sacombank Cambodia now have 1 Head Office and 8 Branches, this will make customer easier in using our service and the daily trade payment of enterprises in Cambodia with Sacombank and therefore enhance their trading capacity.



22 June 2019

On June 22, 2019, Sacombank Cambodia successfully organized the "10th Anniversary of Sacombank Cambodia". It's been 10 years since Sacombank opened its first Phnom Penh branch on 23/06/2009, making it the first Vietnamese bank to expand its business in Cambodia. This pioneering step is a fundamental condition for Sacombank to build an impressive featured brand in this country and provide comprehensive financial solutions to clients and support the Cambodian - Vietnamese business community.



29 August 2020

Sacombank Cambodia officially launches Sacombank Cambodia Mobile Banking (SC mBanking) - the mobile banking application with the latest modern technology. With SC mBanking, clients will be able to do online banking transaction anytime, anywhere without going to the bank. SC mBanking is now available for downloading at Apple's App Store and Google's Play Store and completely free of charge.

STATEMENT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS



Dear Esteemed clients, partners and all staff

2020 is a challenging year for the world in general and Cambodia in particular. The Covid-19 pandemic has negatively impacted the global economy, leading to serious consequences for many business factors, including the banking industry.

Despite being negatively affected by the Covid-19 pandemic and unfavorable business conditions, Sacombank Cambodia still fulfilled key plan targets: Profit before tax reached 2.01 million USD; total assets reached USD 254.27 million, up 13.6%, total deposits reached USD 190.45 million, up 18.7%, loans reached USD 162.19 million, up 3%; service revenue reached USD 2.73 million, up 54.9%. In 2020, Sacombank Cambodia implemented many client-oriented action programs such as increasing client experience through Mobi banking and Internet Banking, gradually reducing cash transactions during the pandemic season, increasing incentives for cardholders, reducing the time for international money transfer, especially quickly supporting trade activities between Cambodia and Vietnam... again a vivid proof, affirming the correct and efficient policy and ability to meet the financial needs of Sacombank Cambodia's clients.

To achieve this proud of the achievement, besides the orientation and support from Sacombank Vietnam, there are also the best efforts of Sacombank Cambodia's staff, the trust and companionship of clients, the help and facilitation from the Government and the National Bank of Cambodia.

Continuing the achievements, in 2021 with many opportunities and challenges, Sacombank Cambodia's staff committed to making best efforts, continuing to strive to become a modern multi-functional retail bank in the Cambodia

market. Continuing to consolidate and accelerate business activities to bring positive values, maximize benefits for clients, partners, and all staff of Sacombank Cambodia. In addition, we always accompany the government programs, contributing to supporting the economy during this Covid-19 crisis.

On behalf of the Board of Directors, I would like to express my deep gratitude to the National Bank of Cambodia leaders, clients, partners, and all staff of Sacombank Cambodia who have trusted and accompanied Sacombank Cambodia during the past 12 years. We are committed to always making the best efforts and high responsibility for the development and prosperity of Sacombank Cambodia in particular and contributing to the overall success of the financial system of Cambodia.

Wishing you health, happiness and success!

Best regards,



TRINH VAN TY (Mr.)

Chairman of the Board of Directors of Sacombank (Cambodia) Plc.



INTRODUCTION OF SACOMBANK (CAMBODIA) PLC.

Sacombank is a leading commercial banks in the Vietnam and continuously growing in Cambodia and Laos with more than 18,500 employees and 566 branches in the region.

The bank first established a presence in Cambodia on 23 June 2009 with the opening of its Phnom Penh branch, became the first Vietnamese bank to open its branch in Cambodia. In pioneering the entry into the Cambodian banking sector, Sacombank made a significant contribution in cross-border trade expansion between Cambodia and Vietnam.

After 2 years of operation, Sacombank (Cambodia) Plc. completed local incorporation on 1 October 2011. After the transformation, the bank continuously reforms its operation, cooperates with international strategic partners, develops new products and services to meet the characteristics of local financial market and become a more competitive banking service provider in the kingdom.

English name	:	Saigon Thuong Tin Bank (Cambodia) Plc.
Abbreviated name	:	Sacombank (Cambodia) Plc.
Head office	:	60 Preah Norodom Boulevard, Sangkat Chey Chumneas, Khan Daun Penh, Phnom Penh.
Telephone	:	(+855) 23 223 423
Email	:	ask-sc@sacombank.com.kh
Website	:	www.sacombank.com.kh
Date of establishment	:	23 June 2009
Chartered capital	:	USD 75,000,000
Number of business locations	:	10

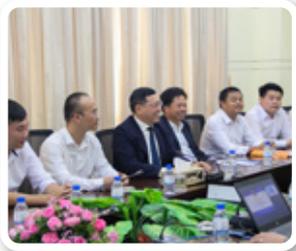
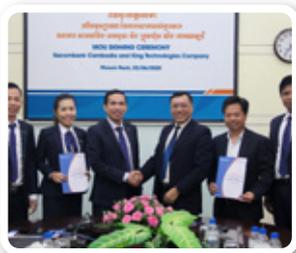
Sacombank (Cambodia) Plc. provides a broad range of banking products and services to private individuals, self-employed customers as well as small and medium sized enterprises. These services include:

- Receipt of demand deposits, term deposits, savings deposits and other types of deposits.
- Issuance of certificates of deposit, bills of exchange, bills of credit.
- Grant of credit in the form of:
 - Lending;
 - Discount and rediscount of commercial instruments and other valuable papers;
 - Bank's guarantee;
 - Other forms of credit granting
- Opening of payment accounts for customers.
- Provision of payment facilities.
- Provision of the following payment services:
 - Rendering domestic payment services, including cheques, payment orders, banker's check, bank collection, letters of credit, entrusted collection and payment services;
 - International payment services and other payment services.

EVENT HIGHLIGHTS

SACOMBANK CAMBODIA HAS DONATED KHR 20,000,000 TO PREVENT THE SPREAD OF COVID-19

Response to the call of fighting against COVID-19 of the Royal Government of Cambodia, on April 17, 2020, Sacombank Cambodia has donated KHR 20,000,000 via The Association of Bank in Cambodia (ABC) to prevent the spread of COVID-19.



MOU SIGNING CEREMONY SACOMBANK CAMBODIA & KING TECHNOLOGY COMPANY

On Jun 03rd 2020, Sacombank Cambodia celebrated an official partnership signing ceremony with OpenNet (King Technologies Co., Ltd) – one of the best internet service providers in Cambodia to enlarge business channels. The ceremony took place at 60 Preah Norodom Blvd, Head Office of Sacombank Cambodia. With this cooperation, Clients of Sacombank Cambodia and OpenNet can enjoy a lot of benefits from banking and internet services and products.

SACOMBANK CAMBODIA OFFICIALLY LAUNCHES SACOMBANK CAMBODIA MOBILE BANKING (SC MBANKING)

On 26/08/2020, Sacombank Cambodia officially launches Sacombank Cambodia Mobile Banking (SC mBanking) – the mobile banking application with the latest modern technology. SC mBanking is now available for downloading at Apple’s App Store and Google’s Play Store completely free of charge.

From 26/08/2020, Sacombank Cambodia celebrates Giveaway Program “Activate SC mBanking, Get money!” to the first 200 clients who register and activate SC mBanking.



SACOMBANK CAMBODIA SHARES LOVE THROUGH THE CHARITY PROGRAM “AM TINH MUA XUAN”

On January 22nd, 2021 Sacombank organized the charity program “Am Tinh Mua Xuan – Tan Suu 2021”, representatives of Sacombank Cambodia came to meet and give 100 gifts with the value more than 2.000 USD to families in difficult circumstances at the Khmer-Vietnamese Association headquarters.



SACOMBANK CAMBODIA HAS DONATED FOODS AND DRINKS, MASKS, ALCOHOL TO SUPPORT DIFFICULT FAMILIES IN PHNOM PENH, SIEM REAP AND KAMPONG CHAM DURING THE COVID-19 OUTBREAK.



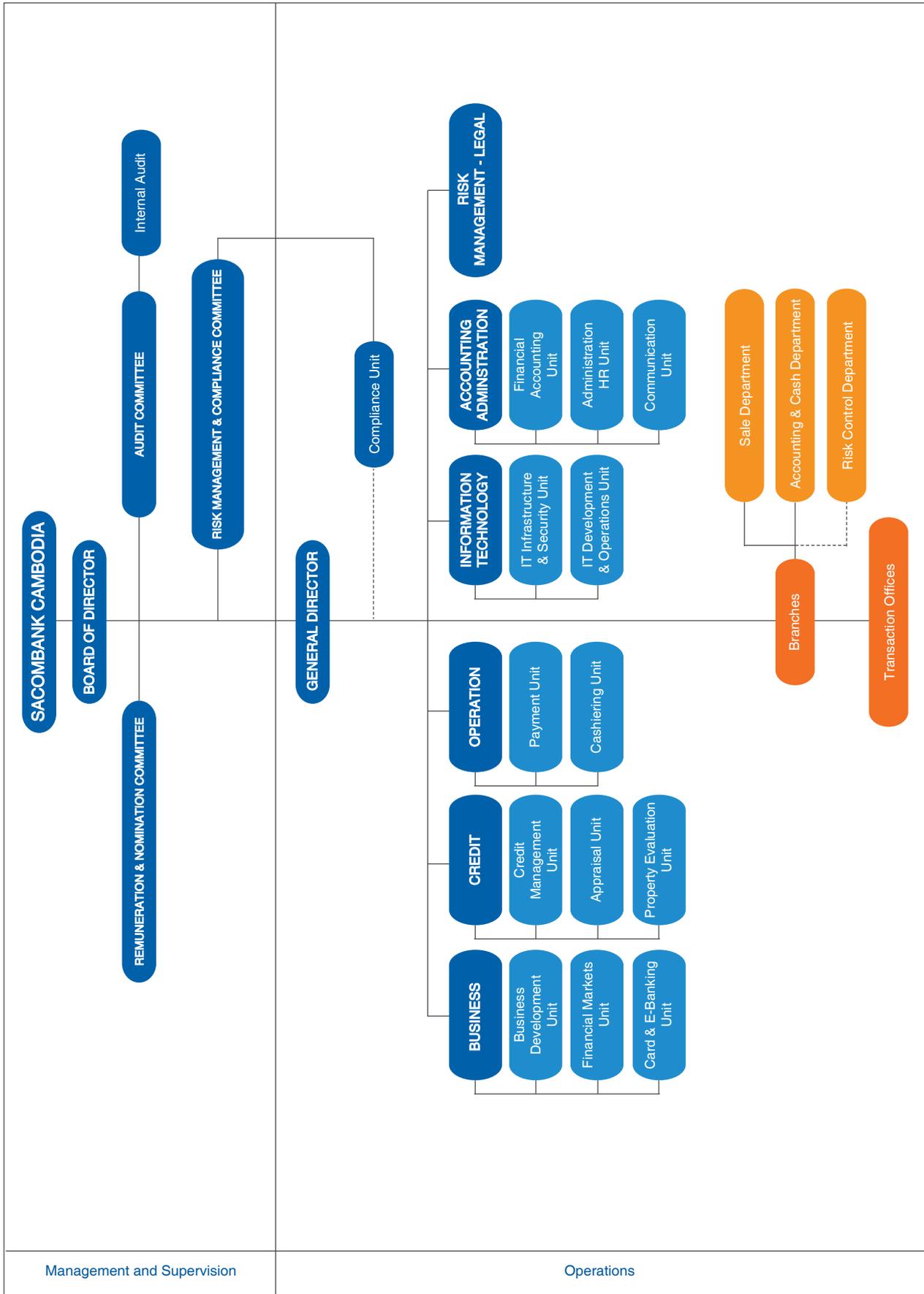
On Friday morning, April 30th, 2021 at Duan Penh District Hall, Phnom Penh, Sacombank Cambodia has donated 4 tons of rice to support difficult families during the COVID-19 outbreak and lockdown.

On Thursday morning, May, 13rd, 2021 Sacombank Cambodia Olympic Branch has donated masks, alcohol and water to support difficult families during the COVID-19 pandemic via 7 Makara District Hall, Phnom Penh city.

By the same time, Sacombank Cambodia Siem Reap Branch and Kampong Cham Branch have donated foods and drinks, masks, alcohol to support difficult families living in the local area during the COVID-19 outbreak.



ORGANIZATION CHART



Management and Supervision

Operations

INTRODUCTION OF THE BOARD OF DIRECTORS



Chairman

Over 13 years' experience in Finance and Banking



Mr. NGUYEN THUC VINH

Independent member

Over 23 year's experience in Finance and Banking



Mr. NGUYEN NHI THANH

Vice Chairman cum General Director

Over 31 years' experience in Finance and Banking



Mr. CHHUON CHHEN

Member of BODs

Over 18 year's experience in Finance and Banking



Mr. PHAN HOANG ANH

Member of BODs cum Deputy General Director

Over 17 year's experience in Finance and Banking



Mr. PHUNG THAI PHUNG

Member of BODs cum Deputy General Director

Over 18 year's experience in Finance and Banking

INTRODUCTION OF THE BOARD OF MANAGERMENTS



Mr. NGUYEN NHI THANH

Vice Chairman cum General Director

Over 31 years' experience in Finance and Banking
Master Degree of Economics



Mr. PHAN HOANG ANH

Member of the BODs cum Deputy General Director

Over 17 years' experience in Finance and Banking.
Bachelor Degree of Banking.



Mr. PHUNG THAI PHUNG

Member of the BODs cum Deputy General Director

Over 18 years' experience in Finance and Banking.
Bachelor of Business Administration.



Mr. HAK SEILA

Deputy General Director

Over 10 years' experience in Finance and Banking.
Master Degree of Finance and Banking.

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors of Sacombank (Cambodia) Plc. ("the Bank") is pleased to present its report and the Bank's financial statements as at 31 December 2020 and for the year then ended.

THE BANK

Sacombank (Cambodia) Plc. ("the Bank") is a private limited liability company which is wholly owned by Saigon Thuong Tin Commercial Joint Stock Bank ("Parent Bank"), a commercial bank incorporated and registered in Vietnam. The Bank was established and operates in the Kingdom of Cambodia under indefinite banking license No. 27 issued by the National Bank of Cambodia ("NBC") on 19 June 2009 and the latest registration number 00027054 dated 20 September 2011.

The Bank's registered office is located at No.60, Preah Norodom Blvd, Sangkat Chey Chumneas, Khan Daun Penh Pnom Penh, Kingdom of Cambodia.

PRINCIPAL ACTIVITIES

The Bank was established to conduct banking activities which include lending to individuals and organizations, acceptance of deposits from individuals and organizations, remittance, foreign currency transactions, the provision of related financial services and other banking services as approved by the NBC.

There were no significant changes to these principal activities during the year.

FINANCIAL RESULTS

The financial results of the Bank during the year are as follows:

	2020 US\$	2019 US\$
Profit before income tax	2,010,759	4,099,201
Income tax expense	(554,064)	(1,036,899)
Net profit for the year	1,456,695	3,062,302
KHR'000 equivalent	5,938,942	12,408,447

BANK CAPITAL

The capital of the Bank as at 31 December 2020 is US\$75,000,000 or KHR305,625,000,000 (2019: US\$75,000,000 or KHR305,625,000,000). There were no movements in share capital of the Bank during the year.

RESERVES AND PROVISIONS

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

WRITE OFF AND ALLOWANCE FOR EXPECTED CREDIT LOSSES ON FINANCIAL ASSETS

Before the financial statements of the Bank were drawn up, the Board of Directors took reasonable steps to ascertain that action had been taken to write off financial assets that have no reasonable expectations of recovering the contractual cashflow in their entirety or a portion thereof and to recognize allowance for expected credit losses on financial assets, and satisfied themselves that all known financial assets that have no reasonable expectations of recovering the contractual cash flows were written off and that adequate allowance for expected credit losses on financial assets have been recognized.

At the date of this report and on the best knowledge, the Board of Directors is not aware of any circumstances which would render the amount of allowance for expected credit losses on financial assets in the financial statements of the Bank inadequate in any material respect.

ASSETS

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

At the date of this report, the Board of Directors is not aware of any circumstances which would render the values attributed to the assets in the financial statements of the Bank misleading in any material respect.

VALUATION METHODS

At the date of this report, the Board of Directors is not aware of any circumstances that have arisen which would render adherence to the existing method of valuation of assets and liabilities in the financial statements of the Bank misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there is:

- No charge on the assets of the Bank, which has arisen since the end of the financial year which secures the liabilities of any other person; and
- No contingent liability in respect of the Bank that has arisen since the end of the financial year other than in the ordinary course of business.

No contingent or other liability of the Bank has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Board of Directors, will or may have a material effect on the ability of the Bank to meet its obligations as and when they become due.

CHANGE OF CIRCUMSTANCES

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

The results of the operations of the Bank for the reporting year were not, in the opinion of the Board of Directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the reporting year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Board of Directors, to affect substantially the results of the operations of the Bank for the current reporting period in which this report is made.

REPORT OF THE BOARD OF DIRECTORS (continued)

SUBSEQUENT EVENTS

There have been no significant events occurring during the period between the end of the reporting year and the date of authorisation of these financial statements, which would require adjustments or disclosures other than those reflected in the financial statements.

THE BOARD OF DIRECTORS

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

Name	Position	Date of appointment/resignation
Mr. TRINH VAN TY	Chairman	Reappointed on 19 August 2019
Mr. NGUYEN NHI THANH	Vice Chairman	Reappointed on 19 August 2019
Mr. NGUYEN VAN MINH	Member	Reappointed on 19 August 2019 Resigned on 16 October 2020
Mr. CHHUON CHHEN	Member	Reappointed on 19 August 2019
Mr. PHUNG THAI PHUNG	Member	Appointed on 16 October 2020
Mr. PHAN HOANG ANH	Member	Appointed on 19 August 2019
Mr. NGUYEN THUC VINH	Independent Member	Reappointed on 19 August 2019
Mr. DAM VAN TIEP	Independent Member	Appointed on 19 August 2019 Resigned on 16 October 2020

MANAGEMENT

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

Name	Position
Mr. NGUYEN NHI THANH	General Director
Mr. PHAN HOANG ANH	Deputy General Director
Mr. PHUNG THAI PHUNG	Deputy General Director
Mr. HAK SEILA	Deputy General Director

AUDITOR

Ernst & Young (Cambodia) Ltd. is the auditor of the Bank.

DIRECTORS' INTEREST

No member of the Board of Directors holds a direct interest in the equity of the Bank.

REPORT OF THE BOARD OF DIRECTORS (continued)

DIRECTORS' BENEFITS

As at 31 December 2020 and for the year then ended, no arrangement existed, to which the Bank was a party, whose object was to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Bank or any other corporate body.

No member of the Board of Directors of the Bank has received or become entitled to receive any benefit by reason of a contract made by the Bank or with a firm in which the director is a member, or with a company which the directors has a material financial interest other than those disclosed in the financial statements.

STATEMENT OF THE BOARD OF DIRECTORS' RESPONSIBILITY IN RESPECT TO THE FINANCIAL STATEMENTS

The Board of Directors is responsible for ensuring that the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with Cambodian International Financial Reporting Standards ("CIFRSs"). The Board of Directors oversees preparation of these financial statements by management, who is required to:

- Adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- Comply with CIFRSs or, if there has been any departure in the interests of fair presentation, ensure this has been appropriately disclosed, explained and quantified in the financial statements;
- Maintain adequate accounting records and an effective system of internal control;
- Prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Bank will continue operation in the foreseeable future; and
- Set overall policies for the Bank, ratify all decisions and actions by management that have a material effect on the operations and performance of the Bank, and ensure they have been properly reflected in the financial statements.

Management of the Bank is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Bank and to ensure that the accounting records comply with the registered accounting system. It is also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

APPROVAL OF THE FINANCIAL STATEMENTS

The Board of Directors does hereby approve the accompanying financial statements which give a true and fair view of the financial position of the Bank as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with CIFRSs.

On behalf of the Board of Directors



Mr. NGUYEN NHI THANH
General Director

Phnom Penh, Kingdom of Cambodia

8 July 2021

INDEPENDENT AUDITOR'S REPORT

To: The Owner of Sacombank (Cambodia) Plc.

Opinion

We have audited the financial statements of Sacombank (Cambodia) Plc. ("the Bank"), which comprise the statement of financial position as at 31 December 2020, and the 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.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2020, 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 Code of Ethics for Professional Accountants and Auditors issued by the Ministry of Economy and Finance of Cambodia, together with the ethical requirements that are relevant to our audit of the financial statements in Cambodia and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The other information obtained at the date of the auditor's report comprises the Report of the Board of Directors as set out in pages 1 to 4. Management is responsible for the other information.

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 Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view 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.

Those charged with governance are 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 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 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, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



Emmanuel A. Guelas
Partner

Ernst & Young (Cambodia) Ltd.

Certified Public Accountants
Registered Auditors

Phnom Penh, Kingdom of Cambodia

8 July 2021

STATEMENT OF FINANCIAL POSITION

as at 31 December 2020

	Notes	31 December 2020		31 December 2019	
		US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
ASSETS					
Interest expense	3	11,858,023	47,965,703	10,366,993	42,245,496
Balances with the National Bank of Cambodia ("NBC")	4	47,886,258	193,699,914	32,545,189	132,621,645
Balances with other banks	5	46,360,926	187,529,946	35,093,917	143,007,712
Equity instruments at fair value through other comprehensive income ("FVOCI")	6	25,000	101,125	25,000	101,875
Loans to customers	7	140,942,990	570,114,395	138,110,118	562,798,731
Other assets	8	725,977	2,936,577	663,045	2,701,908
Total operating income	9	1,385,257	5,603,365	1,248,602	5,088,053
Right-of-use assets	10	1,205,049	4,874,423	1,539,911	6,275,137
Intangible assets	11	470,825	1,904,487	435,252	1,773,652
Deferred tax assets	15.2	3,413,705	13,808,437	3,795,472	15,466,548
TOTAL ASSETS		254,274,010	1,028,538,372	223,823,499	912,080,757
LIABILITIES AND EQUITY					
LIABILITIES					
Deposits from other banks	12	3,550,514	14,361,829	12,323,387	50,217,802
Deposits from customers	13	186,901,918	756,018,260	148,091,740	603,473,841
Lease liabilities	14	1,309,117	5,295,378	1,640,783	6,686,191
Income tax payable	15.1	23,889	96,631	13,147	53,574
Other liabilities	16	772,020	3,122,821	1,494,585	6,090,434
TOTAL LIABILITIES		192,557,458	778,894,919	163,563,642	666,521,842
EQUITY					
Paid-up capital	17	75,000,000	305,625,000	75,000,000	305,625,000
Regulatory reserve		576,822	2,351,703	-	-
Accumulated losses		(13,860,270)	(56,027,088)	(14,740,143)	(59,614,327)
Cumulative translation differences		-	(2,306,162)	-	(451,758)
TOTAL EQUITY		61,716,552	249,643,453	60,259,857	245,558,915
TOTAL LIABILITIES AND EQUITY		254,274,010	1,028,538,372	223,823,499	912,080,757

The attached notes 1 to 31 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2020

	Notes	2020		2019	
		US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
Interest income	18	14,242,878	58,068,214	9,114,653	36,932,574
Interest expense	19	(6,710,201)	(27,357,489)	(5,348,731)	(21,673,058)
Net interest income		7,532,677	30,710,725	3,765,922	15,259,516
Fees and commission income	20	2,890,000	11,782,530	2,113,399	8,563,493
Fees and commission expense	20	(159,432)	(650,004)	(350,980)	(1,422,171)
Net fees and commission income		2,730,568	11,132,526	1,762,419	7,141,322
Other operating income	21	297,023	1,210,963	121,524	492,415
Total operating income		10,560,268	43,054,214	5,649,865	22,893,253
Personnel expenses	22	(3,949,951)	(16,103,950)	(4,499,577)	(18,232,286)
General and administrative expenses	23	(1,535,106)	(6,258,627)	(1,719,702)	(6,968,233)
Depreciation and amortization	24	(1,087,153)	(4,432,323)	(1,025,003)	(4,153,312)
Operating profit		3,988,058	16,259,314	(1,594,417)	(6,460,578)
(Provision for) reversal of expected credit losses	25	(1,977,299)	(8,061,453)	5,693,618	23,070,540
Profit before income tax		2,010,759	8,197,861	4,099,201	16,609,962
Income tax expense	15.1	(554,064)	(2,258,919)	(1,036,899)	(4,201,515)
Net profit for the year		1,456,695	5,938,942	3,062,302	12,408,447
Other comprehensive loss		-	(1,854,404)	-	(661,501)
Total comprehensive income for the year		1,456,695	4,084,538	3,062,302	11,746,946

The attached notes 1 to 31 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020

	Paid-up capital		Accumulated losses		Regulatory reserve		Cumulative translation differences		Total	
	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
Balance as at 1 January 2020	75,000,000	305,625,000	(14,740,143)	(59,614,327)	-	-	-	(451,758)	60,259,857	245,558,915
Net profit for the year	-	-	1,456,695	5,938,942	-	-	-	-	1,456,695	5,938,942
Transfer from retained earnings to regulatory reserve	-	-	(576,822)	(2,351,703)	576,822	2,351,703	-	-	-	-
Translation differences during the year	-	-	-	-	-	-	-	(1,854,404)	-	(1,854,404)
Balance as at 31 December 2020	75,000,000	305,625,000	(13,860,270)	(56,027,088)	576,822	2,351,703	-	(2,306,162)	61,716,552	249,643,453
Balance as at 1 January 2019	38,000,000	155,960,000	(12,363,862)	(50,023,707)	-	-	-	209,746	25,636,138	106,146,039
Net profit for the year	-	-	3,062,302	12,408,447	-	-	-	-	3,062,302	12,408,447
Additional capital contribution during the year	32,765,157	132,535,060	-	-	-	-	-	-	32,765,157	132,535,060
Conversion to paid-up capital	4,234,843	17,129,940	(4,234,843)	(17,129,940)	-	-	-	-	-	-
Dividend declared during the year	-	-	(1,203,740)	(4,869,127)	-	-	-	-	(1,203,740)	(4,869,127)
Translation differences during the year	-	-	-	-	-	-	-	(661,504)	-	(661,504)
Balance as at 31 December 2019	75,000,000	305,625,000	(14,740,143)	(59,614,327)	-	-	-	(451,758)	60,259,857	245,558,915

The attached notes 1 to 31 form part of these financial statements.

STATEMENT OF CASH FLOWS

for the year ended 31 December 2020

	Notes	2020		2019	
		US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
Cash flows from operating activities					
Profit before income tax		2,010,759	8,197,861	4,099,201	16,609,962
<i>Adjustments for:</i>					
Depreciation and amortisation	24	1,087,153	4,432,323	1,025,003	4,153,312
Provision for (reversal of) expected credit losses on loans to customer	25	1,977,299	8,061,453	(5,693,618)	(23,070,540)
Dividend income	21	(38,777)	(158,094)	(15,740)	(63,778)
Gain on disposals of property and equipment		-	-	(14,600)	(59,159)
Operating profit before changes in working capital		5,036,434	20,533,543	(599,754)	(2,430,203)
<i>Changes in working capital:</i>					
Decrease(increase)in operating assets					
Balances with the NBC		5,247,856	21,395,509	(5,325,619)	(21,579,408)
Balances with other financial institutions		(1,550,812)	(6,322,661)	(3,399,318)	(13,774,037)
Loans to customers		(4,810,171)	(19,611,067)	(13,698,778)	(55,507,449)
Other assets		(137,162)	(559,209)	(320,809)	(1,299,918)
Increase (decrease) in operating liabilities					
Deposits from other financial institutions		(8,772,873)	(35,767,003)	(21,693,253)	(87,901,061)
Deposits from customers		38,810,178	158,229,096	35,387,419	143,389,822
Other liabilities		(648,335)	(2,643,262)	1,265,798	5,129,014
Cash used in operations		33,175,115	135,254,946	(8,384,314)	(33,973,240)
Income tax paid	15	(161,555)	(658,660)	(117,487)	(476,057)
Net cash provided by (used in) operating activities		33,013,560	134,596,286	(8,501,801)	(34,449,297)

The attached notes 1 to 31 form part of these financial statements.

STATEMENT OF CASH FLOWS

for the year ended 31 December 2020

	Notes	2020		2019	
		US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
Cash flows from investing activity					
Dividend received	21	38,777	158,094	15,740	63,778
Acquisitions of:					
Property and equipment	9	(633,617)	(2,583,257)	(351,711)	(1,425,133)
Computer software	11	(216,672)	(883,372)	(4,793)	(19,421)
Proceeds from disposal of property and equipment	21	-	-	14,600	59,159
Net cash (used in) provided by investing activities		(811,512)	(3,308,535)	(326,164)	(1,321,617)
Cash flows from financing activity					
Repayment of principal portion of lease liabilities		(405,896)	(1,654,838)	(359,173)	(1,455,369)
Proceeds from additional capital contribution	17	-	-	32,765,157	132,535,060
Dividend paid		-	-	(1,203,740)	(4,869,127)
Net cash (used in) provided by financing activities		(405,896)	(1,654,838)	31,202,244	126,210,564
Net increase in cash and cash equivalents		31,796,152	129,632,913	22,374,279	90,439,650
Cash and cash equivalents at beginning of year		45,685,308	186,167,630	23,311,029	93,663,715
Foreign exchange differences		-	(2,388,037)	-	1,843,336
Cash and cash equivalents at end of year	3	77,481,460	313,412,506	45,685,308	185,946,701
Additional information on operational cash flows from interest:					
Interest received		14,012,556	57,129,189	5,863,039	23,757,035
Interest paid		(5,756,479)	(23,469,164)	(4,721,793)	(19,132,707)

The attached notes 1 to 31 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2020 and for the year then ended

1. BANK INFORMATION

Sacombank (Cambodia) Plc. ("the Bank") was incorporated and registered in the Kingdom of Cambodia.

Establishment and operations

Sacombank (Cambodia) Plc. ("the Bank") is a private limited liability company which is wholly owned by Saigon Thuong Tin Commercial Joint Stock Bank ("Parent Bank"), a commercial bank incorporated and registered in Vietnam. The Bank was established and operates in the Kingdom of Cambodia under indefinite banking license No. 27 issued by the National Bank of Cambodia ("NBC") on 19 June 2009 and the latest registration number 00027054 dated 20 September 2011.

The Bank is established to conduct banking activities which include lending to individuals and organizations, acceptance of deposits from individuals and organizations, remittance, foreign currency transactions and other banking services as approved by the NBC.

There were no significant changes to these principal activities during the year.

Bank Capital

The capital of the Bank as at 31 December 2020 is US\$75,000,000 or KHR305,625,000,000 (2019: US\$75,000,000 or KHR305,625,000,000).

Location

The Bank's registered office is located at No.60, Preah Norodom Blvd, Sangkat Chey Chumneas, Khan Daun Penh, Phnom Penh, Kingdom of Cambodia.

Employees

As at 31 December 2020, the Bank had 250 employees (2019: 273 employees).

Approval of the financial statements

The financial statements were authorized for issue by the Board of Directors on 8 July 2021.

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2019 and for the year then ended

2. BASIS OF PREPARATION

The financial statements have been prepared based on the historical cost basis.

2.1 Functional and presentation currency

The national currency of Cambodia is the Khmer Riel ("KHR"). However, as the Bank transacts its business and maintains its accounting records primarily in United States dollar ("US\$"), management has determined the US\$ to be the Bank's functional and presentation currency as it reflects the economic substance of the underlying events and circumstances of the Bank.

2.2 Translation of United States Dollar into Khmer Riel

The translation of the US\$ amounts into thousands KHR ("KHR'000") is presented in the financial statements to comply with the Law on Accounting and Auditing using the closing and average rates for the year then ended, as announced by the NBC. This translation should not be construed as a representation that the US\$ amounts have been, could have been, or could in the future be, converted into KHR at this or any other rate of exchange.

Assets and liabilities for each statement of financial position presented are translated at the closing rate prevailing at each reporting date, whereas income and expense items presented in the statement of comprehensive income are translated at the average rate for the year. All resulting exchange differences are recognized in other comprehensive income ("OCI").

The Bank's charter capital is translated at the historical rates of exchange at KHR 4,000 per US\$1.

The financial statements are presented based on applicable exchange rates per US\$1 as follows:

	<i>Closing</i>	<i>Average</i>
31 December 2020	4,045	4,077
31 December 2019	4,075	4,052

2.3 Fiscal year

The Bank's fiscal year starts on 1 January and ends on 31 December.

2.4 Presentation of financial statements

The accompanying financial statements, including their utilization, are not designed for those who are not informed about the Kingdom of Cambodia's accounting principles, procedures and practices and furthermore are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than the Kingdom of Cambodia.

The accounting policies set out below have been consistently applied by the Bank during the year.

2.5 STATEMENT OF COMPLIANCE

The financial statements of the Bank have been prepared in compliance with Cambodian International Financial Reporting Standards ("CIFRSs").

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2020 and for the year ended

2. BASIS OF PREPARATION (continued)

2.6 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

A number of new standards and amendments to standards are effective for annual period beginning after 1 January 2020 and earlier application is permitted; however, the Bank has not early adopted them in preparing these financial statements.

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

- Covid-19 - Related Rent Concessions (Amendments to CIFRS 16)
- Reference to Conceptual Framework (Amendments to CIFRS 3)
- Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform
- Amendments to IAS 1 and IAS 8 Definition of Material

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.7.1 Revenue recognition

2.7.1.1 The effective interest rate method

Under IFRS 9, revenue from loan to customer is recorded using the effective interest rate ("EIR") method for all financial instruments measured at amortised cost. Interest expense is also calculated using the EIR method for all financial liabilities held at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the gross carrying amount of the financial instrument.

The EIR (and therefore, the amortised cost of the financial asset) is calculated by taking into account transaction costs, any discount or premium on the acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR. The Bank recognized interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognized the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations regarding the cash flows on the fixed rate financial asset or liabilities are revised for reasons other than credit risk, then changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The adjustment is booked as a positive or negative adjustment to the carrying amount of the asset or liability in the balance sheet with an increase or decrease in interest income/expense calculated using the effective interest method.

For floating-rate financial instruments, periodic re-estimation of cash flows to reflect the movements in the market rates of interest also alters the effective interest rate, but when instruments were initially recognised at an amount equal to the principal, re-estimating the future interest payments does not significantly affect the carrying amount of the asset or the liability.

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2020 and for the year ended

2. BASIS OF PREPARATION (continued)

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7.1 Revenue recognition (continued)

2.7.1.2 Interest and similar income/expense

Net interest income comprises interest income and interest expense calculated using both the effective interest method and other methods. These are disclosed separately on the face of the income statement for both interest income and interest expense to provide symmetrical and comparable information.

In its Interest income/expense calculated using the effective interest method, the Bank only includes interest on those financial instruments that are set out in Note 2.7.1.1 above.

The Bank calculates interest income on financial assets, other than those considered credit-impaired, by applying the EIR to the gross carrying amount of the financial asset.

When a financial asset becomes credit-impaired and is therefore regarded as 'Stage 3', the Bank calculates interest income by applying the EIR to the net amortised cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

2.7.1.3 Fee and commission income

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

Other fee and commission income, including account servicing fees, are recognised as the related services are performed.

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

2.7.2 Expense recognition

Expenses are recognized when it is probable that decrease in future economic benefits related to a decrease in asset or increase in liability has occurred and that the decrease in economic benefits can be measured reliably. Expenses that may arise in the course of ordinary regular activities of the Bank include, among others, the operating expenses on the Bank's operations. Expenses are recognized as incurred.

(a) Fee and commission expense are charged to profit or loss when the expense is incurred. Fees on deposits are amortized on a straight-line basis over the term of the related deposits.

(b) Operating expenses are recognized on an accrual basis.

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2020 and for the year ended

2. BASIS OF PREPARATION (continued)

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7.3 Financial instruments

2.7.3.1 Date of recognition

Financial assets and liabilities, with the exception of loans to customers and deposits, are initially recognized on the trade date, i.e., the date that the Bank becomes a party to the contractual provisions of the instrument. This includes regular way trades - purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace. Loans to customers are recognized when funds are transferred to the customers' accounts. The Bank recognizes balances deposits when funds are transferred to the Bank.

2.7.3.2 Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described in Notes 2.7.5.1. Financial instruments are initially measured at their fair value (as defined in Note 2.7.4), except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Bank accounts for the 'Day 1' profit or loss, as described below.

2.7.3.3 'Day 1' profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Bank recognized the difference between the transaction price and fair value in profit or loss. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognized in profit or loss when the inputs become observable, or when the instrument is derecognised.

2.7.3.4 Measurement categories of financial assets and liabilities

The Bank classifies all of its financial assets based on the business model for managing the assets and the assets' contractual terms, measured at either:

- Amortised cost, as explained in *Note 2.7.5.1*
- FVOCI
- FVPL

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVPL when they are held for trading and derivative instruments or the fair value designation is applied.

As at 31 December 2020, the Bank classified its financial assets at amortised cost and financial liabilities were also measured at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2020 and for the year ended

2. BASIS OF PREPARATION (continued)

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7.4 Determination of fair value

In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as recognized below:

- Level 1 financial instruments - Those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the Bank access to at the measurement date. The Bank considers markets as active only if there are sufficient trading activities with regards to the volume and liquidity of the identical assets or liabilities and when there are binding and exercisable price quotes available at the reporting date.
- Level 2 financial instruments - Those where the inputs that are used for valuation are significant and are derived from directly or indirectly observable market data available over the entire period of the instrument's life. Such inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads. In addition, adjustments may be required for the condition or location of the asset or the extent to which it relates to items that are comparable to the valued instrument. However, if such adjustments are based on unobservable inputs which are significant to the entire measurement, the Bank will classify the instruments as Level 3.
- Level 3 financial instruments - Those that include one or more unobservable input that is significant to the measurement as whole.

The Bank evaluates the levelling at each reporting period on an instrument-by-instrument basis and reclassifies instruments when necessary, based on the facts at the end of the reporting period.

2.7.5 Financial assets and liabilities

2.7.5.1 The Bank's cash, balances with the National Bank of Cambodia, balance with other banks, loans to customers and other financial assets at amortised cost

The Bank only measures due from banks, loans to customers and other financial investments at amortised cost if both of the following conditions are met:

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

The details of these conditions are outlined below.

a. Business model assessment

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- Business strategy for the portfolios;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected); and
- The expected frequency, value and timing of sales are also important aspects of the Bank's assessment.

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2020 and for the year ended

2. BASIS OF PREPARATION (continued)

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7.5 Financial assets and liabilities (continued)

2.7.5.1 Balance with other banks, loans to customers and other financial assets at amortised cost (continued)

b. The SPPI test

As a second step of its classification process, the Bank assesses the contractual terms of the financial asset to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or recognized of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

2.7.5.1 Deposit from other banks and customers

After initial measurement, deposit from other banks and customer are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on issued funds, and costs that are an integral part of the EIR.

2.7.6 Reclassification of financial assets and liabilities

From 1 January 2020, the Bank does not reclassify its financial assets subsequent to the bank's initial recognition, apart from the exceptional circumstances in which the Bank acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

2.7.7 Derecognition of financial assets and financial liabilities

2.7.7.1 Derecognition due to substantial modification of terms and conditions

The Bank derecognises a financial asset, such as a loan to customers, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognized as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded.

When assessing whether or not to derecognise a loan to a customer, amongst others, the Bank considers the following factors:

- Change in the currency of the loan;
- Introduction of an equity feature;
- Change in counterparty; and
- If the modification is such that the instrument would no longer meet the SPPI criterion.

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2020 and for the year ended

2. BASIS OF PREPARATION (continued)

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7.7 Derecognition of financial assets and financial liabilities (continued)

2.7.7.2 Derecognition other than for substantive modification

a. Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the asset have expired. The Bank also derecognised the financial assets if they have both transferred the financial asset, and the transfer qualifies for de-recognition.

The Bank has transferred the financial asset if, and only if, either:

- The Bank has transferred its contractual rights to receive cash flows from the financial asset; or
- It retains the rights to the cash flows but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement.

Pass-through arrangements are transactions where the Bank retains the contractual rights to receive the cash flows of a financial asset (the ‘original asset’), but assumes a contractual obligation to pay those cash flows to one or more entities (the ‘eventual recipients’), when all of the following three conditions are met:

- The Bank has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances by the entity with the right of full recovery of the amount lent plus accrued interest;
- The Bank cannot sell or pledge the original asset other than as security to the eventual recipients for the obligation to pay them cash flows; and
- The Bank has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Bank is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents, including interest earned, during the short settlement period from the collection date to the date of required remittance to the eventual recipients.

A transfer only qualifies for de-recognition if either:

- The Bank has transferred substantially all the risks and rewards of the asset; or
- The Bank has neither transferred nor retained substantially all the risks and rewards of the asset, however, has transferred control of the asset.

In relation to the above, the Bank considers the control to be transferred if, and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Bank’s continuing involvement in it. In that case, the Bank also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2020 and for the year ended

2. BASIS OF PREPARATION (continued)

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7.7 Derecognition of financial assets and financial liabilities (continued)

2.7.7.2 Derecognition other than for substantive modification (continued)

a. Financial assets (continued)

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the Bank's continuing involvement is the amount of the transferred asset that the Bank may repurchase. However, in the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

b. Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in profit or loss.

c. Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

2.7.7 Impairment of financial assets

The Bank records the allowance for expected credit losses for all loans and receivables and other debt financial assets not held at FVPL (collectively referred to as 'financial instruments'). Equity instruments are not subject to impairment under CIFRS 9.

ECL represents credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. ECL allowances are measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a significant increase in credit risk ("SICR") since initial recognition (General Approach). The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that results from all possible default events over the expected life of a financial instrument.

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2020 and for the year ended

2. BASIS OF PREPARATION (continued)

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7.8 Impairment of financial assets (continued)

(i) Staging assessment

A three-stage approach for impairment of financial assets is used, based on whether there has been a significant deterioration in the credit risk of a financial asset. These three stages then determine the amount of impairment to be recognized.

For non-credit-impaired financial instruments:

- Stage 1 is comprised of all financial instruments which have not experienced a SICR since initial recognition or is considered of low credit risk as of the reporting date. The criteria for determining whether an account should be assessed under Stage 1 are as follow: (i) current or past due up to 10 days; instruments with credit risk improved and reclassified from stage 2; or (ii) no significant increase in the probability of default ("PD"). The Bank recognizes a 12-month ECL for Stage 1 financial instruments;
- Stage 2 is comprised of all financial instruments which have experienced a SICR as of reporting date compared to initial recognition. A SICR is generally deemed present in accounts with: (i) more than 10 days up to 60 days past due for short-term and up to 90 days past due for long-term; (ii) special mentioned or substandard for short-term and special mentioned for long-term instruments; instruments with credit risk improved and instruments reclassified from Stage 3. The Bank recognizes a lifetime ECL for Stage 2 financial instruments.

For credit-impaired financial instruments:

- Stage 3 is comprised of all financial instruments that have objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of an instrument or a portfolio of instruments. The Bank's criteria for Stage 3 accounts are generally aligned with the definition of "default" which is explained in the next paragraph. The Bank recognizes a lifetime ECL for Stage 3 financial instruments.

(ii) Definition of "default" and "restored"

The Bank classifies loans, receivables, or any financial asset as in default when it is credit impaired, becomes past due on its contractual payments for more than 60 days for short-term loans and 90 days for long-term loans, considered non-performing, refinanced or restructured payments term or is classified as substandard for long-term loans or doubtful or loss for both types. As part of a qualitative assessment of whether a customer is in default, the Bank considers a variety of instances that may indicate unlikelihood to pay. When such events occur, the Bank carefully considers whether the event should result in treating the customer as defaulted. An instrument is considered to be no longer in default (i.e. restored) if there is sufficient evidence to support that full collection is probable and payments are received for at least six months.

(iii) Credit risk at initial recognition

At each reporting date, the Bank shall assess whether the credit risk on a loan or credit exposure has increased significantly since initial recognition. The Bank's assessment of SICR involves looking at (a) quantitative element, (b) qualitative element, and (c) if unpaid for at least 10 days ("backstop").

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2020 and for the year ended

2. BASIS OF PREPARATION (continued)

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7.8 Impairment of financial assets (continued)

(iv) Significant increase in credit risk

The quantitative element is being looked through statistical models or credit ratings process or scoring process that captures certain information which the Bank shall consider as relevant in assessing changes in credit risk. The Bank may also look at the number of notches downgrade of credit risk rating ("CRR") or certain thresholds for the probabilities of default being generated from statistical models to determine whether SICR has occurred subsequent to initial recognition date.

(v) ECL parameters and methodologies

ECL is a function of the probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD"), with the timing of the loss also considered, and is estimated by incorporating forward-looking economic information and through the use of experienced credit judgment.

The PD is an estimate of the likelihood of default over a 12-month horizon for Stage 1 or lifetime horizon for Stages 2 and 3. The PD for each individual instrument is modelled based on historic data and is estimated based on current market conditions and reasonable and supportable information about future economic conditions. The Bank segments its credit exposures based on homogenous risk characteristics and developed a corresponding PD methodology for each portfolio. The PD methodology for each relevant portfolio is determined based on the underlying nature or characteristic of the portfolio, behaviour of the accounts and materiality of the segment as compared to the total portfolio.

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It makes use of defaulted accounts that have either been identified as cured, restructured, or liquidated. The Bank segmented its LGD based on homogenous risk characteristics and calculated the corresponding segment-level averages.

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.

(vi) Forward-looking information

The Bank incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. A broad range of forward-looking information are considered as economic inputs, such as GDP growth, exchange rate, interest rate, inflation rate and other economic indicators. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

The key forward-looking economic variables used in each of the economic scenarios for the ECL calculations are customer price index, government consumption, investment index, national exports, GDP growth, employment rate.

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2020 and for the year ended

2. BASIS OF PREPARATION (continued)

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7.8 Impairment of financial assets (continued)

COVID-19 Outbreak and Impact on ECL

The COVID-19 outbreak on the economic growth resulting the economic variables that are used in the models are out of the bounds for which CIFRS 9 models have been built and recalibrated to operate. Furthermore, the current government support programs and regulatory on loan restructuring, designed to mitigate the adverse impact of COVID-19 and related economic consequences, have partially been factored into the modelling. This results CIFRS 9 models under the current economic conditions could not measure the accurate outcomes. Hence, the post-model overlays based on a sensitive analysis and Bank's senior management's judgment are necessary to reflect ECL in a way to avoid underestimation or overestimation in these conditions. Models will be recalibrated over time in order to overcome observed impacts of Covid-19.

The Bank anticipates significant post-model adjustments after 2020 and for the foreseeable future when the economy resumes positive GDP growth.

The Bank also performs the identification and periodic review of customers experiencing increases in credit risk and credit impairment, particularly where those customers have accepted payment deferrals and other reliefs designed to address short-term liquidity issues, or have extended those deferrals, given limitations in the available credit information on these customers.

2.7.9 Cash and cash equivalents

For statement of cash flow purposes, cash and cash equivalents consist of cash and bank balances, demand deposits, and short-term highly liquid investments with original maturities of three months or less when purchased, and that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

2.7.10 Balances with the NBC

Capital guarantee deposit and reserve balances are maintained with the NBC in compliance with the Cambodian Law on Banking and Financial Institutions determined at defined percentages of minimum share capital and total deposits from customers, respectively. This account also includes current account carried at cost and interest-bearing term deposit.

2.7.11 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The cost of a property and equipment item comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Where an item of property and equipment comprises, major components having different estimated useful lives, the components are accounted for as separate items of property and equipment.

Subsequent expenditure relating to an item of property and equipment that has already been recognized is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Bank. All other subsequent expenditure is recognized as an expense in the period in which it is incurred.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2020 and for the year ended

2. BASIS OF PREPARATION (continued)

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7.11 Property and equipment (continued)

Depreciation is calculated on a straight-line basis over the respective estimated useful lives of these assets, which are as follows:

	<i>Years</i>
Leasehold buildings	15
Computer equipment	4
Furniture and equipment	4 - 5
Motor vehicles	4 - 5

Fully depreciated assets are retained in the financial statements until they are no longer in use or no further charge for depreciation is made in respect of these assets.

If there is any indication that there has been a significant change in depreciation or amortisation rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

2.7.12 Leases

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for period of time in exchange for consideration.

To assess whether a contract conveys the right to control the use of an identified asset, the Bank assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right throughout the period of use, then the asset is not identified;
- the Bank has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Bank has the right to direct the use of the asset. The Bank has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In cases where all the decisions about how and for what purpose the asset is used are predetermined, the Bank has the right to direct the use of the asset if either:
 - the Bank has the right to operate the asset; or
 - the Bank designed the asset in a way that predetermines how and for what purpose it will be used.

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2020 and for the year ended

2. BASIS OF PREPARATION (continued)

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7.12 Leases (continued)

At inception or on reassessment of a contract that contains a lease and non-lease component, the Bank allocates the consideration in the contract to each lease component and aggregate of non-lease components on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Bank has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Leases in which the Bank is a lessee

An arrangement conveyed the right to use the asset if one of the following was met:

- the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
- the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
- facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

The Bank recognizes a right-of-use asset and a lease liability at the lease commencement date.

Right-of-use asset

The right-of-use assets are initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use assets are periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The estimated useful of building and office branches for the current period is 1 - 10 years and ATM space for the period is 2 - 4 years.

Lease liability

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2020 and for the year ended

2. BASIS OF PREPARATION (continued)

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7.12 Leases (continued)

The lease liabilities are measured at amortized cost using the effective interest method. It is remeasured when there is a change in the lease term, a change in the assessment of the option to purchase the underlying asset, a change in future lease payments arising from a change in an index or rate, or if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee.

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

Security deposits paid under leases

To the extent that the deposit is a true deposit and not a prepaid lease payment, the deposit gives the lessee a right to receive the money back in cash from the lessor and is therefore a financial asset for the lessee and a financial liability for the lessor.

Security deposit is initially accounted for at fair value. The excess of the principal amount of the deposit over its fair value is accounted as a prepaid lease payment. The lessee includes this amount in the cost of its right-of-use asset at the lease commencement date. Interest on the deposit, meanwhile, is accounted for using the effective interest method by both the lessee and the lessor. The fair value of the deposit is determined based on the prevailing market rate of interest for a similar loan to the lessor, considering the lessor's credit-worthiness and, depending on facts and circumstances, any additional security available to the lessee.

2.7.13 Other assets

Other assets are carried at estimated realizable value. An estimate is made for doubtful receivables based on a review of outstanding amounts at the reporting date.

2.7.14 Deposits from banks and deposits from customers

Deposits from bank and deposits from customer are the Bank's sources of debt funding.

Deposits from bank and deposits from customers are initially measured at fair value minus incremental direct transactions cost, and subsequently measured at their amortised cost using the effective interest method.

This account also includes current account and interest-bearing term deposit.

2.7.15 Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made on the amount of the obligation.

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2020 and for the year ended

2. BASIS OF PREPARATION (continued)

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7.16 Regulatory reserves

Regulatory reserve is set up to account for the difference in provision between loan impairment determined in accordance with CIFRS and the regulatory provision computed in accordance with NBC Prakas No B7-017-344 dated 1 December 2017 and Circular No B7-018-001 dated 16 February 2018 on credit risk classification and provision on impairment for banks and financial institutions.

The regulatory provision requires banks and financial institutions to classify their loan portfolio into five classes and provide general and specific allowance based on the loan classification as follows:

Classification	Number of days past due	Allowance rate
Standard	0 to 14 days (short-term)	1%
	0 to 29 days (long-term)	
Special mention	15 days to 30 days (short-term)	3%
	30 days to 89 days (long-term)	
Substandard	31 days to 60 days (short-term)	20%
	90 days to 179 days (long-term)	
Doubtful	61 days to 90 days (short-term)	50%
	180 days to 359 days (long-term)	
Loss	From 91 days (short-term)	100%
	360 days or more (long-term)	

The Bank shall compare the provision calculated in accordance with CIFRS 9 and the regulatory provision, and:

- (i) In case that the regulatory provision calculated is lower than the provision calculated in accordance with CIFRS 9, the entity records the provision calculated in accordance with CIFRS 9; and
- (ii) In case that the regulatory provision calculated is higher than the provision calculated in CIFRS 9, the entity records the provision calculated in accordance with CIFRS 9 and transfer the difference from the retained earnings (accumulated losses) to regulatory reserve under equity section of the statement of financial position.

2.7.17 Employee benefits

In 2018, the Ministry of Labour and Vocational Training's ("MoLVT") Prakas No. 443 dated 21 September 2018 mandated the payment of seniority indemnity for unspecified duration contracted employees with implementation guidelines issued on 22 March 2019.

The said Prakas requires retroactive seniority payment equal to fifteen days per year of employee service for a maximum period not exceeding 6 months based on the average net wages for each year. Payment shall be spread over a period beginning December 2021 and every June and December thereafter as follows:

- Equal to three days payable every June, and
- Equal to three days payable every December.

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2020 and for the year ended

2. BASIS OF PREPARATION (continued)

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7.18 Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets, other than inventories, contract assets and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognized if the carrying amount of an asset or its related cash-generating unit ("CGU") exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses are recognised in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.7.19 Related parties

Parties are considered to be related if the Bank has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or vice-versa, or where the Bank and the party are subject to common control or significant influence. Related parties may be individuals or corporate entities and include close family members of any individual considered to be a related party.

Related parties, as defined in Article 49 and 50 of the Cambodian Law on Banking and Financial Institutions, include the following:

- (a) Any person holding directly or indirectly at least ten percent (10%) of the capital or voting rights;
- (b) Any company of which the Bank directly or indirectly holds at least 10% of the capital or voting rights;
- (c) Any individual who participates in the administration, direction, management or internal control; and,
- (d) The external auditors.

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2020 and for the year ended

2. BASIS OF PREPARATION (continued)

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7.20 Income tax

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amounts expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted at the statement of financial position date.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it becomes probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2020 and for the year ended

2. BASIS OF PREPARATION (continued)

2.8 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES, AND ASSUMPTIONS

The preparation of the Bank financial statements requires management to make judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Bank's accounting policies, the General Director has made the following judgments and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Existing circumstances and assumptions about future developments may change due to circumstances beyond the Bank's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognized in the financial statements with substantial management judgment and/or estimates are collated below with respect to judgments/estimates involved.

2.8.1 *Expected credit losses on financial assets*

The measurement of impairment losses under CIFRS 9 across all categories of financial assets in scope requires judgment, in particular, the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgments and estimates include:

- The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on an ECL basis;
- The segmentation of financial assets when their ECL or elements of ECL are assessed on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios and economic inputs, such as GDP growth and the overdue rate, and the effect on PDs;
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.
- The post-model overlays based on a sensitive analysis and Bank's senior management's judgment.

It has been the Bank's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

2.8.2 *Going concern*

The Bank's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt on the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2020 and for the year ended

2. BASIS OF PREPARATION (continued)

2.8 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES, AND ASSUMPTIONS (continued)

2.8.3 Fair value of financial instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgments and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility.

2.8.4 Effective Interest Rate (EIR) method

The Bank's EIR, as explained in *Note 2.7.1.1*, recognized interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of loans and recognized the effect of potentially different interest rates charged at various stages and other characteristics of the product life cycle (including prepayments and penalty interest and charges). This estimation, by nature, requires an element of judgement regarding the expected recognized and life-cycle of the instruments, as well expected changes to the base rate and other fee income/expense that are integral parts of the instrument.

2.8.5 Deferred tax assets

Deferred tax assets are recognized in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the tax losses can be recognized. Judgment is required to determine the amount of deferred tax assets that can be recognized, based on the likely timing and level of future taxable profits, together with future tax-planning strategies. (*Note 15.2*)

2.8.6 Determination of the lease term for lease contracts with renewal and termination options (the Bank as a lessee)

The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Bank has several lease contracts that include extension and termination options. The Bank applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate.

2.8.7 Estimating the incremental borrowing rate

The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Bank 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Bank estimates the IBR using observable inputs by reference to interest rates of deposits from customers having term similar as lease term.

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2020 and for the year then ended

3. CASH ON HAND

Cash on hand by currency comprises the following:

	31 December 2020		31 December 2019	
	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
US\$	11,556,371	46,745,521	9,955,114	40,567,089
KHR	185,052	748,535	315,832	1,287,015
Other currencies	116,600	471,647	96,047	391,392
	11,858,023	47,965,703	10,366,993	42,245,496

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

	31 December 2020		31 December 2019	
	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
Cash on hand	11,858,023	47,965,703	10,366,993	42,245,496
Balances with the NBC	27,276,138	110,331,979	6,687,213	27,250,393
Current accounts	26,231,095	106,104,779	6,287,590	25,621,929
Term deposits (up to three months)	1,045,043	4,227,200	399,623	1,628,464
Balances with other financial institutions	38,347,299	155,114,824	28,631,102	116,671,741
Current accounts	38,347,299	155,114,824	25,123,239	102,377,199
Term deposits (up to three months)	-	-	3,507,863	14,294,542
	77,481,460	313,412,506	45,685,308	186,167,630

4. BALANCES WITH THE NATIONAL BANK OF CAMBODIA ("NBC")

	31 December 2020		31 December 2019	
	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
Current accounts	26,231,095	106,104,779	6,287,590	25,621,929
Term deposits (i)	1,045,043	4,227,200	399,623	1,628,464
Capital guarantee (ii)	7,500,000	30,337,500	7,500,000	30,562,500
Reserve requirement (iii)	13,110,120	53,030,435	18,357,976	74,808,752
	47,886,258	193,699,914	32,545,189	132,621,645

(i) Term deposits

The balance represents deposits with the NBC for clearing cheques with original maturities of three months.

(ii) Capital guarantee deposit

Under NBC Prakas No. B7-01-136 on the Bank's Capital dated 15 October 2001, banks are required to maintain a statutory deposit of 10.00% of registered capital with the NBC. This deposit is not available for use in the Bank's day-to-day operations, but it is refundable when the Bank voluntarily ceases to operate the business in Cambodia.

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2020 and for the year then ended

4. BALANCES WITH THE NATIONAL BANK OF CAMBODIA (“NBC”) (continued)

(iii) Reserve requirement

Under NBC Prakas No. B7-018-282 dated 29 August 2018, banks are required to maintain certain cash reserve with the NBC in the form of compulsory deposits, computed at 8.00% and 12.50% of customers’ deposits in KHR and in currencies, respectively. The reserve requirement on customers’ deposits bear no interest.

On 18 March 2020, NBC issued a press release announcing the reduction of the Reserve Requirement Rate (“RRR”) on KHR from 8.00% to 7.00%. For foreign currencies, the RRR is reduced from 12.50% to 7.00% in order to mitigate the impact of the COVID-19 pandemic on Cambodia’s economy.

Balances with the NBC by currency are as follows:

	31 December 2020		31 December 2019	
	US\$	KHR’000 equivalent	US\$	KHR’000 equivalent
US\$	46,096,775	186,461,455	31,850,867	129,792,283
KHR	1,789,483	7,238,459	694,322	2,829,362
	47,886,258	193,699,914	32,545,189	132,621,645

Annual interest rates of balances with the NBC were summarized as follows:

	31 December 2020 % p.a.	31 December 2019 % p.a.
Capital guarantee deposits - US\$	0.06	0.59
Reserve deposits - US\$	0.00	0.00
Term deposits	0.06 - 1.55	0.65 - 0.68
Current deposits	0.00	0.00

5. BALANCES WITH OTHER BANKS

	31 December 2020		31 December 2019	
	US\$	KHR’000 equivalent	US\$	KHR’000 equivalent
Balance with other banks	46,401,213	187,692,907	35,137,688	143,186,079
Allowance for expected credit losses	(40,287)	(162,961)	(43,771)	(178,367)
	46,360,926	187,529,946	35,093,917	143,007,712

Movements of allowance for expected credit losses on balance with other banks are as follows:

	31 December 2020		31 December 2019	
	US\$	KHR’000 equivalent	US\$	KHR’000 equivalent
As at 1 January	43,771	178,367	7,126	28,632
(Reversal) charges during the year	(3,484)	(14,204)	36,645	148,486
Foreign exchange differences	-	(1,202)	-	1,249
As at 31 December	40,287	162,961	43,771	178,367

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2020 and for the year then ended

4. BALANCES WITH THE NATIONAL BANK OF CAMBODIA (“NBC”) (continued)

(iii) Reserve requirement

Under NBC Prakas No. B7-018-282 dated 29 August 2018, banks are required to maintain certain cash reserve with the NBC in the form of compulsory deposits, computed at 8.00% and 12.50% of customers’ deposits in KHR and in currencies, respectively. The reserve requirement on customers’ deposits bear no interest.

On 18 March 2020, NBC issued a press release announcing the reduction of the Reserve Requirement Rate (“RRR”) on KHR from 8.00% to 7.00%. For foreign currencies, the RRR is reduced from 12.50% to 7.00% in order to mitigate the impact of the COVID-19 pandemic on Cambodia’s economy.

Balances with the NBC by currency are as follows:

	31 December 2020		31 December 2019	
	US\$	KHR’000 equivalent	US\$	KHR’000 equivalent
US\$	46,096,775	186,461,455	31,850,867	129,792,283
KHR	1,789,483	7,238,459	694,322	2,829,362
	47,886,258	193,699,914	32,545,189	132,621,645

Annual interest rates of balances with the NBC were summarized as follows:

	31 December 2020 % p.a.	31 December 2019 % p.a.
Capital guarantee deposits - US\$	0.06	0.59
Reserve deposits - US\$	0.00	0.00
Term deposits	0.06 - 1.55	0.65 - 0.68
Current deposits	0.00	0.00

5. BALANCES WITH OTHER BANKS

	31 December 2020		31 December 2019	
	US\$	KHR’000 equivalent	US\$	KHR’000 equivalent
Balance with other banks	46,401,213	187,692,907	35,137,688	143,186,079
Allowance for expected credit losses	(40,287)	(162,961)	(43,771)	(178,367)
	46,360,926	187,529,946	35,093,917	143,007,712

Movements of allowance for expected credit losses on balance with other banks are as follows:

	31 December 2020		31 December 2019	
	US\$	KHR’000 equivalent	US\$	KHR’000 equivalent
As at 1 January	43,771	178,367	7,126	28,632
(Reversal) charges during the year	(3,484)	(14,204)	36,645	148,486
Foreign exchange differences	-	(1,202)	-	1,249
As at 31 December	40,287	162,961	43,771	178,367

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2020 and for the year then ended

5. BALANCES WITH OTHER BANKS (continued)

Balances with other banks by type were as follows:

	31 December 2020		31 December 2019	
	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
Current accounts	38,348,929	155,121,418	25,127,106	102,392,957
Term deposits	8,052,284	32,571,489	10,010,582	40,793,122
	46,401,213	187,692,907	35,137,688	143,186,079

Balances with other banks by currency are as follows:

	31 December 2020		31 December 2019	
	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
US\$	43,818,673	177,246,532	29,399,664	119,803,631
KHR	2,094,962	8,474,121	5,320,932	21,682,798
Other currencies	487,578	1,972,254	417,092	1,699,650
	46,401,213	187,692,907	35,137,688	143,186,079

Annual interest rates of balances with other banks were as follows:

	31 December 2020 % p.a.	31 December 2019 % p.a.
Current deposits	0.00 - 1.00	0.00 - 0.50
Term deposits	3.30 - 6.50	3.50 - 6.50

6. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI")

Movements of allowance for credit losses on balance with other financial institutions as below:

	31 December 2020			31 December 2019		
	US\$	KHR'000 equivalent	% owned by the Bank	US\$	KHR'000 equivalent	% owned by the Bank
Unlisted equity securities - at cost (*)	25,000	101,125	1%	25,000	101,875	1%

(*) This includes equity securities of a local economic entity which the Bank has no intention to dispose as at 31 December 2020.

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2020 and for the year then ended

7. LOANS TO CUSTOMERS

Loans to customers are categorized as follows:

	31 December 2020		31 December 2019	
	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
Individual loans	125,039,140	505,783,322	119,521,257	487,049,123
Corporation loans	37,153,586	150,286,255	37,871,966	154,328,261
Total gross amount	162,192,726	656,069,577	157,393,223	641,377,384
Allowance for expected credit losses on loans to customers	(21,249,736)	(85,955,182)	(19,283,105)	(78,578,653)
Net loans to customers	140,942,990	570,114,395	138,110,118	562,798,731

An analysis of changes in the gross carrying amount and the corresponding ECL allowances follow:

	2020			
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$
Gross carrying amount as at 1 January 2020	136,698,046	697,372	19,997,805	157,393,223
New financial assets originated	57,313,093	2,712,788	2,035,177	62,061,058
Derecognized or repaid financial assets	(56,079,036)	(449,270)	(733,249)	(57,261,555)
Transfers to Stage 1	17,594	(17,594)	-	-
Transfers to Stage 2	(2,041,865)	2,041,865	-	-
Transfers to Stage 3	(3,003,203)	(212,966)	3,216,169	-
Balance at 31 December 2020	132,904,629	4,772,195	24,515,902	162,192,726
KHR'000 equivalent	537,599,224	19,303,529	99,166,824	656,069,577
CIFRS 9, ECL allowance as at 1 January 2020	319,288	19,029	18,944,788	19,283,105
New financial assets originated	1,355,033	1,196,549	274,069	2,825,651
Derecognised or repaid financial assets	(140,412)	(12,897)	(705,711)	(859,020)
Transfers to Stage 1	60	(60)	-	-
Transfers to Stage 2	(327,383)	327,383	-	-
Transfers to Stage 3	(590,083)	(49,111)	639,194	-
Balance at 31 December 2020	616,503	1,480,893	19,152,340	21,249,736
KHR'000 equivalent	2,493,755	5,990,212	77,471,215	85,955,182

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2020 and for the year then ended

7. LOANS TO CUSTOMERS (continued)

	2019			
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$
Gross carrying amount as at 1 January 2019	112,371,011	15,037,870	16,308,414	143,717,295
New financial assets originated	78,798,832	63,082	3,036	78,864,950
Derecognized or repaid financial assets	(53,959,277)	(3,375,545)	(7,854,200)	(65,189,022)
Transfers to Stage 1	172,893	(86,984)	(85,909)	-
Transfers to Stage 2	(289,384)	289,384	-	-
Transfers to Stage 3	(396,029)	(11,230,435)	11,626,464	-
Balance at 31 December 2019	136,698,046	697,372	19,997,805	157,393,223
KHR'000 equivalent	557,044,537	2,841,791	81,491,056	641,377,384
CIFRS 9, ECL allowance as at 1 January 2019	448,098	14,132,298	10,419,177	24,999,573
New financial assets originated	215,901	2,168	764	218,833
Derecognized or repaid financial assets	(277,374)	(3,321,970)	(2,335,957)	(5,935,301)
Transfers to Stage 1	97	(62)	(35)	-
Transfers to Stage 2	(5,759)	5,759	-	-
Transfers to Stage 3	(61,675)	(10,799,164)	10,860,839	-
Balance at 31 December 2019	319,288	19,029	18,944,788	19,283,105
KHR'000 equivalent	1,301,099	77,543	77,200,011	78,578,653

Further analyses of gross amount of loans to customers are set out below:

(a) By grading of loans to customers

	31 December 2020		31 December 2019	
	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
Stage 1	132,904,629	537,599,224	136,698,046	557,044,537
Stage 2	4,772,195	19,303,529	697,372	2,841,791
Stage 3	24,515,902	99,166,824	19,997,805	81,491,056
Total gross amount	162,192,726	656,069,577	157,393,223	641,377,384

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2020 and for the year then ended

7. LOANS TO CUSTOMERS (continued)

(b) By security

	31 December 2020		31 December 2019	
	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
Secured	160,070,561	647,485,419	155,485,378	633,602,916
Real estate	136,163,584	550,781,697	133,031,634	542,103,910
Machinery and Transport	12,669,668	51,248,807	13,079,083	53,297,263
License	5,537,437	22,398,933	5,684,004	23,162,316
Deposit hold-out	2,073,374	8,386,798	1,146,857	4,673,442
Others	3,626,498	14,669,184	2,543,800	10,365,985
Unsecured	2,122,165	8,584,158	1,907,845	7,774,468
	162,192,726	656,069,577	157,393,223	641,377,384

(c) By maturity

	31 December 2020		31 December 2019	
	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
Within one month	12,115,438	49,006,947	10,927,360	44,528,992
More than one month to three months	8,293,854	33,548,639	9,363,724	38,157,175
More than three months to twelve months	35,515,814	143,661,468	29,000,760	118,178,097
More than one year to five years	42,508,258	171,945,904	51,075,478	208,132,573
More than five years	63,759,362	257,906,619	57,025,901	232,380,547
	162,192,726	656,069,577	157,393,223	641,377,384

(d) By residency, relationship, currency and industry sector

	31 December 2020		31 December 2019	
	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
<i>Residency</i>				
Residents	162,192,726	656,069,577	157,393,223	641,377,384
<i>Relationship</i>				
Related parties	97,957	396,236	134,768	549,180
Non-related parties	162,094,769	655,673,341	157,258,455	640,828,204
	162,192,726	656,069,577	157,393,223	641,377,384
<i>Currency</i>				
US\$	155,325,939	628,293,424	155,549,315	633,863,459
KHR	6,866,787	27,776,153	1,843,908	7,513,925
	162,192,726	656,069,577	157,393,223	641,377,384

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2020 and for the year then ended

7. LOANS TO CUSTOMERS (continued)

(d) By residency, relationship, currency and industry sector (continued)

	31 December 2020		31 December 2019	
	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
<i>Industry sector</i>				
Personal use	75,481,751	305,323,683	72,501,614	295,444,077
Wholesale and retail	28,486,499	115,227,888	29,937,490	121,995,272
Mining	17,789,144	71,957,087	18,506,853	75,415,426
Real estate & construction	17,146,485	69,357,532	16,910,258	68,909,301
Import & Export	2,572,581	10,406,090	1,694,422	6,904,770
Credit card	1,288,946	5,213,787	1,183,998	4,824,792
Services	773,647	3,129,402	717,194	2,922,566
Other industries	18,653,673	75,454,108	15,941,394	64,961,180
	162,192,726	656,069,577	157,393,223	641,377,384

(e) By location

	31 December 2020		31 December 2019	
	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
Head Office	420,000	1,698,900	691,217	2,816,709
Branches	161,772,726	654,370,677	156,702,006	638,560,675
	162,192,726	656,069,577	157,393,223	641,377,384

(f) Annual interest rates of loans to customers were as follows:

	31 December 2020	31 December 2019
	% p.a.	% p.a.
Individual loans	4.35 - 16.80	5.10 - 16.80
Corporation loans	5.30 - 9.50	5.30 - 10.00

8. OTHER ASSETS

	31 December 2020		31 December 2019	
	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
Financial assets				
Rental deposits	233,636	945,058	232,992	949,442
Non-financial assets				
Prepaid for system maintenance	187,249	757,422	138,656	565,023
Advance for employees	105,783	427,892	115,158	469,269
Receivables on express and remittance	95,772	387,398	113,982	464,477
Prepaid insurance	12,493	50,534	12,429	50,648
Others	91,044	368,273	49,828	203,049
	492,341	1,991,519	430,053	1,752,466
	725,977	2,936,577	663,045	2,701,908

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2020 and for the year then ended

9. PROPERTY AND EQUIPMENT

2020

	2020					Total	KHR'000 equivalent
	Building and lease hold improvement	Computer equipment	Furniture and equipment	Motor vehicles	US\$		
Cost							
As at 1 January	1,181,503	1,858,755	933,446	659,100	4,632,804	18,878,676	
Additions	6,588	585,451	33,078	8,500	633,617	2,583,257	
Foreign currency differences	-	-	-	-	-	(159,260)	
As at 31 December	1,188,091	2,444,206	966,524	667,600	5,266,421	21,302,673	
Accumulated depreciation							
As at 1 January	835,805	1,375,231	585,326	587,840	3,384,202	13,790,623	
Depreciation	69,454	251,924	138,704	36,880	496,962	2,026,114	
Foreign currency differences	-	-	-	-	-	(117,429)	
As at 31 December	905,259	1,627,155	724,030	624,720	3,881,164	15,699,308	
Net book value	282,832	817,051	242,494	42,880	1,385,257	5,603,365	

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2020 and for the year then ended

9. PROPERTY AND EQUIPMENT (continued)

	2019					KHR'000 equivalent
	Building and lease hold improvement	Computer equipment	Furniture and equipment	Motor vehicles	Total	
	US\$	US\$	US\$	US\$	US\$	
Cost						
As at 1 January	1,060,964	1,711,277	883,972	650,665	4,306,878	17,305,036
Additions	120,539	147,478	49,474	34,220	351,711	1,425,133
Disposal	-	-	-	(25,785)	(25,785)	(104,481)
Foreign currency differences	-	-	-	-	-	252,988
As at 31 December	1,181,503	1,858,755	933,446	659,100	4,632,804	18,878,676
Accumulated depreciation						
As at 1 January	767,535	1,171,465	451,526	549,232	2,939,758	11,811,948
Depreciation	68,270	203,766	133,800	64,393	470,229	1,905,368
Disposal	-	-	-	(25,785)	(25,785)	(104,481)
Foreign currency differences	-	-	-	-	-	177,788
As at 31 December	835,805	1,375,231	585,326	587,840	3,384,202	13,790,623
Net book value	345,698	483,524	348,120	71,260	1,248,602	5,088,053

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2020 and for the year then ended

10. RIGHT-OF-USE ASSETS

Information about the Bank's leases are disclosed within this note and Note 14.

	31 December 2020		31 December 2019	
	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
Right-of-use assets	1,205,049	4,874,423	1,539,911	6,275,137

The Bank leases many assets including office and ATM space. Information about leases for which the Bank is a lessee is presented below:

	2020			
	Office space	ATM space	Total	
	US\$	US\$	US\$	KHR'000 equivalent
Cost				
As at 1 January	2,096,089	148,590	2,244,679	9,147,067
Additions	47,802	26,428	74,230	302,636
Foreign currency differences	-	-	-	(69,716)
As at 31 December	2,143,891	175,018	2,318,909	9,379,987
Less accumulated amortization				
As at 1 January	635,399	69,369	704,768	2,871,930
Amortization	346,325	62,767	409,092	1,667,868
Foreign currency differences	-	-	-	(34,234)
As at 31 December	981,724	132,136	1,113,860	4,505,564
Net book value	1,162,167	42,882	1,205,049	4,874,423
	2019			
	Office space	ATM space	Total	
	US\$	US\$	US\$	KHR'000 equivalent
Cost				
As at 1 January	1,972,072	48,521	2,020,593	8,118,743
Additions	124,017	100,069	224,086	907,996
Foreign currency differences	-	-	-	120,328
As at 31 December	2,096,089	148,590	2,244,679	9,147,067
Less accumulated amortization				
As at 1 January	298,618	16,330	314,948	1,265,461
Amortization	336,781	53,039	389,820	1,579,550
Foreign currency differences	-	-	-	26,919
As at 31 December	635,399	69,369	704,768	2,871,930
Net book value	1,460,690	79,221	1,539,911	6,275,137

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2020 and for the year then ended

11. INTANGIBLE ASSETS

	2020		2019	
	Computer software		Computer software	
	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
Cost				
As at 1 January	1,222,319	4,980,950	1,217,526	4,892,019
Additions	216,672	883,372	4,793	19,421
Foreign currency differences	-	(43,604)	-	69,510
As at 31 December	1,438,991	5,820,718	1,222,319	4,980,950
Less accumulated amortization				
As at 1 January	787,067	3,207,298	622,113	2,499,650
Amortization	181,099	738,341	164,954	668,394
Foreign currency differences	-	(29,408)	-	39,254
As at 31 December	968,166	3,916,231	787,067	3,207,298
Net book value	470,825	1,904,487	435,252	1,773,652

12. DEPOSITS FROM OTHER BANKS

	31 December 2020		31 December 2019	
	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
	Current deposits	3,550,514	14,361,829	3,306,005
Term deposits	-	-	9,017,382	36,745,832
	3,550,514	14,361,829	12,323,387	50,217,802

Deposits from other banks by currency are as follows:

	31 December 2020		31 December 2019	
	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
	US\$	2,992,816	12,105,941	11,948,786
Other currencies	557,698	2,255,888	374,601	1,526,499
	3,550,514	14,361,829	12,323,387	50,217,802

Annual interest rates of deposit from other banks were as follows:

	31 December 2020	31 December 2019
	% p.a.	% p.a.
Current deposits	0.00	0.00
Term deposits	N.a	2.00 - 2.50

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2020 and for the year then ended

13. DEPOSITS FROM CUSTOMERS

	2020		2019	
	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
Current accounts	10,771,041	43,568,861	9,483,319	38,644,525
Term deposits	143,330,926	579,773,597	114,040,457	464,714,863
Savings deposits	32,799,951	132,675,802	24,567,964	100,114,453
	186,901,918	756,018,260	148,091,740	603,473,841

Deposits from customers are further analysed as follows:

(a) By types of customer

	31 December 2020		31 December 2019	
	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
Resident individuals	167,251,750	676,533,329	124,878,275	508,878,972
Non-resident individuals	10,584,331	42,813,619	9,562,166	38,965,826
Domestic corporations	9,065,837	36,671,312	12,414,256	50,588,093
Foreign corporation	-	-	1,237,043	5,040,950
	186,901,918	756,018,260	148,091,740	603,473,841

(b) By currency

	31 December 2020		31 December 2019	
	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
US\$	184,386,425	745,843,089	146,792,102	598,177,817
KHR	2,504,903	10,132,333	1,178,552	4,802,599
Other currencies	10,590	42,838	121,086	493,425
	186,901,918	756,018,260	148,091,740	603,473,841

(c) By relationship

	31 December 2020		31 December 2019	
	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
Non-related parties	186,876,136	755,913,972	147,986,541	603,045,155
Related parties	25,782	104,288	105,199	428,686
	186,901,918	756,018,260	148,091,740	603,473,841

(d) Annual interest rates of deposits from customers were as follows:

	31 December 2020 % p.a.	31 December 2019 % p.a.
Current accounts	0.00 - 0.50	0.00 - 0.50
Term deposits	2.00 - 6.80	2.00 - 6.80
Savings deposits	0.00 - 0.50	0.00 - 0.50

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2020 and for the year then ended

14. LEASE LIABILITIES

	31 December 2020		31 December 2019	
	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
Maturity analysis - contractual undiscounted cash flows				
Less than one year	423,762	1,727,678	462,536	1,884,834
One to five years	974,105	3,971,426	1,270,046	5,175,437
More than five years	80,000	326,160	157,333	641,132
Total undiscounted lease liabilities	1,477,867	6,025,264	1,889,915	7,701,403
Present value of lease liabilities				
As at 1 January	1,640,783	6,686,191	1,775,870	7,135,446
Additions	74,230	300,260	224,086	913,150
Accretion of interest	66,892	272,722	107,511	435,635
Payments	(472,788)	(1,927,560)	(466,684)	(1,891,004)
Foreign currency differences	-	(36,235)	-	92,964
As at 31 December	1,309,117	5,295,378	1,640,783	6,686,191
Current	20,330	82,235	14,699	59,898
Non-current	1,288,787	5,213,143	1,626,084	6,626,293

Amounts recognized in profit and loss on lease during year as below:

	2020 US\$	2019 US\$
Depreciation expense on right-of-use assets	409,092	389,820
Interest expense on lease liabilities	68,617	39,671
Expenses relating to short-term leases and leases of low-value assets	66,892	107,511
	544,601	537,002
KHR'000 equivalent	2,202,911	2,188,283

15. INCOME TAX

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

Applicable tax rates

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2020 and for the year then ended

15. INCOME TAX (continued)

15.1 Income tax expense

Income tax expense comprises:

	2020		2019	
	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
Current	172,297	702,455	113,648	460,502
Deferred	381,767	1,556,464	923,251	3,741,013
	554,064	2,258,919	1,036,899	4,201,515

Movements of income tax payable follow:

	2020		2019	
	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
As at 1 January	13,147	53,574	16,986	68,250
Current income tax expense	172,297	702,455	113,648	460,502
Income tax paid	(161,555)	(658,660)	(117,487)	(476,057)
Foreign currency differences	-	(738)	-	879
As at 31 December	23,889	96,631	13,147	53,574

The reconciliation of statutory income tax and effective income tax is as follows:

	2020		2019 (restated)	
	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
Profit before income tax	2,010,759	8,197,861	4,099,201	16,609,962
Income tax expense at applicable tax rate of 20%	402,152	1,639,572	819,840	3,321,992
Add:				
Non-deductible expenses	39,019	159,082	95,623	387,464
Unrealized gain on exchange	(51,613)	(210,426)	-	-
Dividend income	(7,791)	(31,764)	(6,068)	(24,588)
Other adjustments	-	-	13,856	56,145
Current income tax (minimum tax effect)	172,297	702,455	113,648	460,502
Effective income tax expense	554,064	2,258,919	1,036,899	4,201,515

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2020 and for the year then ended

15. INCOME TAX (continued)

15.2 Deferred tax assets

Details of net deferred income tax assets are as follows:

	2020		
	1 January 2020 US\$	Recognised in profit and loss during the year US\$	31 December 2020 US\$
<i>Deferred tax asset on</i>			
Lease expense	20,175	638	20,813
Interest income loan	110,753	19,369	130,122
Tax carried forward	3,234,543	(260,527)	2,974,016
Allowance for impairment	438,310	(131,055)	307,255
	3,803,781	(371,575)	3,432,206
<i>Deferred tax liability on</i>			
Property and equipment	(8,309)	(10,192)	(18,501)
	(8,309)	(10,192)	(18,501)
Deferred tax assets - net	3,795,472	(381,767)	3,413,705
KHR'000 equivalent	15,466,548	(1,658,111)	13,808,437
2019			
	1 January 2019 US\$	Recognised in profit and loss during the year US\$	31 December 2019 US\$
<i>Deferred tax asset on</i>			
Lease expense	14,045	6,130	20,175
Interest income loan	83,588	27,165	110,753
Tax carried forward	2,871,473	363,070	3,234,543
Allowance for impairment	1,776,251	(1,337,941)	438,310
	4,745,357	(941,576)	3,803,781
<i>Deferred tax liability on</i>			
Property and equipment	(26,634)	18,325	(8,309)
	(26,634)	18,325	(8,309)
Deferred tax assets - net	4,718,723	(923,251)	3,795,472
KHR'000 equivalent	18,959,829	(3,493,281)	15,466,548

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2020 and for the year then ended

16. OTHER LIABILITIES

	31 December 2020		31 December 2019	
	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
Payable to employee	426,180	1,723,899	-	-
Other tax payables	121,164	490,108	171,679	699,592
Payables on remittance	61,784	249,916	1,142,501	4,655,692
Allowance for credit loss on commitments	36,126	146,130	21,974	89,544
Others	126,766	512,768	158,431	645,606
	772,020	3,122,821	1,494,585	6,090,434

Movements of allowance for credit loss on commitments were as follows:

	2020		2019	
	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
As at 1 January	21,974	89,544	35,769	143,720
Charged/(reversed) on allowance during the year	14,152	57,698	(13,795)	(55,897)
Foreign exchange differences	-	(1,112)	-	1,721
As at 31 December	36,126	146,130	21,974	89,544

17. PAID-UP CAPITAL

On 22 March 2016, the NBC issued Prakas B7-016-117 on Minimum Register Capital of Banking and Financial Institutions ("the Prakas"). The Prakas requires the commercial banks incorporated as foreign subsidiary, whether or not their parent bank is rated with investment grade and/or their parent bank owns 100% share of the bank to have a minimum registered capital of KHR'000 300,000,000 (approximately US\$75 million).

On 28 March 2019, the Parent Bank injected additional capital amounting to US\$32,765,157 and transferred from the Bank's retained earnings amounting to US\$4,234,843 in order to increase paid-up capital of the Bank from US\$38 million to US\$75 million. The additional capital was approved by the NBC on 9 May 2019.

18. INTEREST INCOME

	2020		2019	
	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
Loans to customers	13,523,785	55,136,472	8,844,778	35,839,040
Balances with other banks	692,954	2,825,173	218,955	887,206
Balances with NBC	26,139	106,569	50,920	206,328
	14,242,878	58,068,214	9,114,653	36,932,574

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2020 and for the year then ended

19. INTEREST EXPENSE

	2020		2019	
	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
Deposits from customers	6,566,021	26,769,664	4,945,758	20,040,211
Deposits from banks	77,288	315,103	295,462	1,197,212
Lease liabilities	66,892	272,722	107,511	435,635
	6,710,201	27,357,489	5,348,731	21,673,058

20. NET FEES AND COMMISSION INCOME

	2020		2019	
	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
Commission received on remittances	2,681,451	10,932,276	1,871,915	7,585,000
Other fees and commission	208,549	850,254	241,484	978,493
Total fees and commission income	2,890,000	11,782,530	2,113,399	8,563,493
Fees and commission expenses	(159,432)	(650,004)	(350,980)	(1,422,171)
Net fees and commission income	2,730,568	11,132,526	1,762,419	7,141,322

21. OTHER OPERATING INCOME

	2020		2019	
	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
Net foreign exchange gain	258,066	1,052,135	90,275	365,794
Gain on disposal of property and equipment	-	-	14,600	59,159
Dividend income	38,777	158,094	15,740	63,778
Others	180	734	909	3,684
	297,023	1,210,963	121,524	492,415

22. PERSONNEL EXPENSES

	2020		2019	
	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
Salaries and wages	3,797,928	15,484,152	4,316,922	17,492,168
Other employee benefits	152,023	619,798	182,655	740,118
	3,949,951	16,103,950	4,499,577	18,232,286

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2020 and for the year then ended

23. GENERAL AND ADMINISTRATIVE EXPENSES

	2020		2019	
	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
Repairs and maintenance	286,076	1,166,332	155,046	628,246
License fees	268,888	1,096,256	246,448	998,607
Communications	137,031	558,675	137,573	557,446
Utilities	126,472	515,626	133,224	539,824
Printing and stationery	120,982	493,244	91,489	370,713
Marketing and promotions	94,721	386,178	230,410	933,621
Rental expenses	68,617	279,752	39,671	160,747
Office supplies	67,050	273,363	75,226	304,816
Other taxes	59,146	241,138	228,388	925,428
Professional fees	50,808	207,144	65,977	267,339
Transportation	42,871	174,785	53,079	215,076
Travelling	11,613	47,346	28,570	115,766
Other expenses	200,831	818,788	234,601	950,604
	1,535,106	6,258,627	1,719,702	6,968,233

24. DEPRECIATION AND AMORTIZATION

	2020		2019	
	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
Property and equipment	496,962	2,026,114	470,229	1,905,368
Right-of-use assets	409,092	1,667,868	389,820	1,579,550
Intangible assets	181,099	738,341	164,954	668,394
	1,087,153	4,432,323	1,025,003	4,153,312

25. PROVISION FOR (REVERSAL OF) EXPECTED CREDIT LOSSES

	2020		2019	
	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
Loans to customers	1,966,631	8,017,959	(5,716,468)	(23,163,129)
Commitments	14,152	57,698	(13,795)	(55,897)
Others	(3,484)	(14,204)	36,645	148,486
	1,977,299	8,061,453	(5,693,618)	(23,070,540)

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2020 and for the year then ended

26. COMMITMENTS

	31 December 2020		31 December 2019	
	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
Undrawn credit facilities	17,899,754	72,404,505	14,435,526	58,824,768
Guarantees	-	-	-	-
Total gross amount	17,899,754	72,404,505	14,435,526	58,824,768
Allowance for credit loss on off-balance sheet commitments	(36,126)	(146,130)	(21,974)	(89,544)
	17,863,628	72,258,375	14,413,552	58,735,224

27. RELATED PARTY TRANSACTIONS AND BALANCES

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

Related party	Transaction	2020		2019	
		US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
Parent Bank	Interest income	-	-	-	-
	Interest expense	-	-	-	-
Sacombank Remittance Express Co., Ltd	Fee and commission expenses	(4,211)	(17,168)	(2,511)	(10,175)
Key management personnel	Interest income on loans	7,125	29,049	6,097	24,705
	Interest expense on deposits	(661)	(2,695)	(2,894)	(11,726)
	Salaries and employee benefits	(402,160)	(1,639,606)	(480,351)	(1,957,430)

Balances with related parties at the reporting date were as follows:

Related party	Account	31 December 2020		31 December 2019	
		US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
Parent Bank	Due from	26,629,806	107,717,565	12,973,277	52,866,104
	Due to	(3,544,087)	(14,335,832)	(3,299,592)	(13,445,837)
	Other receivables	28,691	116,055	5,360	21,842
Sacombank Lao Co., Ltd.	Due from	(124)	(502)	(124)	(505)
Sacombank Remittance Express Co., Ltd.	Receivables on remittance	19,604	79,298	26,466	107,849
Key management personnel	Loans-gross	97,957	396,236	134,768	549,180
	Deposits	(25,782)	(104,288)	(105,199)	(428,686)

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2020 and for the year then ended

28. FINANCIAL RISK MANAGEMENT

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

The Bank intends to comply with the NBC's regulations for financial risk management purposes. The Bank however recognizes that international best practices on risk management are yet to be fully implemented. The Management has established an asset and liability management committee and risk management committee to formulate broad parameters of acceptable risk for the Bank and monitor the activities against these parameters.

The Bank holds the following financial assets and liabilities:

	31 December 2020		31 December 2019	
	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
Financial assets				
Cash on hand	11,858,023	47,965,703	10,366,993	42,245,496
Balances with the NBC	47,886,258	193,699,914	32,545,189	132,621,645
Balances with other banks	46,360,926	187,529,946	35,093,917	143,007,712
Equity instruments at FVOCI	25,000	101,125	25,000	101,875
Loans to customers	140,942,990	570,114,395	138,110,118	562,798,731
Other financial assets	233,636	945,058	232,992	949,442
Total financial assets	247,306,833	1,000,356,141	216,374,209	881,724,901
Financial liabilities				
Deposits from other banks	3,550,514	14,361,829	12,323,387	50,217,802
Deposits from customers	186,901,918	756,018,260	148,091,740	603,473,841
Lease liabilities	1,309,117	5,295,378	1,640,783	6,686,191
Total financial liabilities	191,761,549	775,675,467	162,055,910	660,377,834

Capital management

The primary objectives of the Bank's capital management are to ensure that it complies with externally imposed capital requirements and maintains strong financial position and healthy capital ratios to support its business and to maximize owner's value.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to owner or return on capital. No changes were made in the objectives, policies and processes from previous years.

Net worth and risk-weighted assets are computed based on NBC regulations. Management believes the Bank is compliant with the solvency ratio prescribed by the NBC and all externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2020 and for the year then ended

28. FINANCIAL RISK MANAGEMENT (continued)

28.1 Credit risk

The Bank takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss to the Bank by failing to discharge an obligation. Credit risk is the most important risk for the Bank's business. Credit exposure arises principally in lending activities that lead to loans to customers. The credit risk management is carried out by the credit committee.

(a) Credit risk measurement

The Bank assesses the probability of default of individual counterparties in accordance with its credit policy, procedures and practices. The credit committee is responsible for determining the appropriateness and sufficiency of its credit policies.

(b) Risk limit control and mitigation policy

The Bank operates and provides loans to individuals within the Kingdom of Cambodia. The Bank manages limits and controls the concentration of credit risk whenever it is identified. Large exposure is defined by the NBC as overall credit exposure to any single beneficiary which exceeds 2% for individual loan and 3% for group loan of the Bank's net worth under the conditions of NBC Prakas No. B7-07-163.

The Bank also 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 common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation.

The principal collateral types for loans to customers are:

- Mortgages over residential properties (land, building and other properties);
- Charges over business assets such as land and buildings;
- Customers' fixed deposits placed with the Bank; and
- Cash in the form of margin deposit.

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

The table below shows the Bank's maximum exposure to credit risk before taking into account any collateral held and other credit enhancement:

	31 December 2020		31 December 2019	
	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
Balances with the NBC - gross	47,886,258	193,699,914	32,545,189	132,621,645
Balance with other financial institutions - gross	46,401,213	187,692,907	35,137,688	143,186,079
Loans to customers - gross	162,192,726	656,069,577	157,393,223	641,377,384
Other financial assets	233,636	945,058	232,992	949,442
Off-balance sheet commitments	17,899,754	72,404,505	14,435,526	58,824,768
	274,613,587	1,110,811,961	239,744,618	976,959,318

The maximum exposure to credit risks for the other financial assets is limited to the carrying value as of 31 December 2020 and 2019.

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2020 and for the year then ended

28. FINANCIAL RISK MANAGEMENT (continued)

28.1 Credit risk (continued)

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

The Bank holds collateral against loans to customer in the form of real estate mortgages, guarantees, and other registered securities over assets and other assets. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and are regularly updated according to internal lending policies and regulatory guidelines.

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

Concentrations arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographic location.

The distribution of financial assets by industry sector of the Bank, before taking into account collateral held or other credit enhancements (maximum exposure) follows:

	Balances with the NBC US\$	Balances with other banks US\$	Loans to customers US\$	Other financial assets US\$	Total US\$
<i>31 December 2020</i>					
Financial intermediaries	47,886,258	46,401,213	-	-	94,287,471
Personal use	-	-	75,481,751	-	75,481,751
Wholesale and retail	-	-	28,486,499	-	28,486,499
Mining	-	-	17,789,144	-	17,789,144
Real estate & Construction	-	-	17,146,485	-	17,146,485
Import & Export	-	-	2,572,581	-	2,572,581
Services	-	-	773,647	-	773,647
Other industries	-	-	19,942,619	233,636	20,176,255
	47,886,258	46,401,213	162,192,726	233,636	256,713,833
Less: Allowance for expected credit losses on financial assets	-	(40,287)	(21,249,736)	-	(21,290,023)
	47,886,258	46,360,926	140,942,990	233,636	235,423,810
KHR'000 equivalent	193,699,914	187,529,946	570,114,395	945,058	952,289,313

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2020 and for the year then ended

28. FINANCIAL RISK MANAGEMENT (continued)

28.1 Credit risk (continued)

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

	Balances with the NBC US\$	Balances with other banks US\$	Loans to customers US\$	Other financial assets US\$	Total US\$
31 December 2019					
Financial intermediaries	32,545,189	35,137,688	-	-	67,682,877
Mining	-	-	18,506,853	-	18,506,853
Wholesale and retail	-	-	29,937,490	-	29,937,490
Personal use	-	-	72,501,614	-	72,501,614
Services	-	-	717,194	-	717,194
Import & Export	-	-	1,694,422	-	1,694,422
Real estate & Construction	-	-	16,910,258	-	16,910,258
Other industries	-	-	17,125,392	232,992	17,358,384
	32,545,189	35,137,688	157,393,223	232,992	225,309,092
Less: Allowance for expected credit losses on financial assets	-	(43,771)	(19,283,105)	-	(19,326,876)
	32,545,189	35,093,917	138,110,118	232,992	205,982,216
KHR'000 equivalent	132,621,645	143,007,712	562,798,731	949,442	839,377,530

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2020 and for the year then ended

28. FINANCIAL RISK MANAGEMENT (continued)

28.1 Credit risk (continued)

(e) Credit quality per class of financial assets

The table below shows the credit quality per class of financial assets based on staging transition policy of the Bank:

	31 December 2020			
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$
Balances with the NBC - gross	47,886,258	-	-	47,886,258
Balances with other banks - gross	46,401,213	-	-	46,401,213
Loans to customer - gross	132,904,629	4,772,195	24,515,902	162,192,726
Other financial assets	233,636	-	-	233,636
	227,425,736	4,772,195	24,515,902	256,713,833
Less: Allowance for expected credit losses on financial assets	(656,790)	(1,480,893)	(19,152,340)	(21,290,023)
	226,768,946	3,291,302	5,363,562	235,423,810
KHR'000 equivalent	917,280,388	13,313,317	21,695,608	952,289,313
	31 December 2019			
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$
Balances with the NBC - gross	32,545,189	-	-	32,545,189
Balances with other banks - gross	35,137,688	-	-	35,137,688
Loans to customer - gross	136,698,046	697,372	19,997,805	157,393,223
Other financial assets	232,992	-	-	232,992
	204,613,915	697,372	19,997,805	225,309,092
Less: Allowance for expected credit losses on financial assets	(363,059)	(19,029)	(18,944,788)	(19,326,876)
	204,250,856	678,343	1,053,017	205,982,216
KHR'000 equivalent	832,322,237	2,764,248	4,291,045	839,377,530

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2020 and for the year then ended

28. FINANCIAL RISK MANAGEMENT (continued)

28.2 Operational risk

The operational risk losses which would result from inadequate or failed internal processes, people and systems or from external factors are 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 entails the establishment of clear organizational 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 business.

28.3 Market risk

The Bank takes on exposure to market risk, which is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in market prices. Market risk arises from open positions in interest rates, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

(i) Foreign exchange risk

The Bank operates in the Kingdom of Cambodia and transacts in US\$, KHR and other currencies.

Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the Bank's functional currency.

The balances in monetary assets and liabilities denominated in their respective currencies, expressed in US\$, are as follows:

	31 December 2020			
	US\$	KHR	Other currencies	Total
Financial assets				
Cash on hand	11,556,371	185,052	116,600	11,858,023
Balances with the NBC	46,096,775	1,789,483	-	47,886,258
Balances with other banks	43,807,875	2,065,886	487,165	46,360,926
Equity instruments at FVOCI	25,000	-	-	25,000
Loans to customers	134,137,006	6,805,984	-	140,942,990
Other assets	233,636	-	-	233,636
Total financial assets	235,856,663	10,846,405	603,765	247,306,833
Financial liabilities				
Deposits from other banks	2,992,816	-	557,698	3,550,514
Deposits from customers	184,386,425	2,504,903	10,590	186,901,918
Lease liabilities	1,309,117	-	-	1,309,117
Total financial liabilities	188,688,358	2,504,903	568,288	191,761,549
Net foreign exchange gap	47,168,305	8,341,502	35,477	55,545,284

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2020 and for the year then ended

28. FINANCIAL RISK MANAGEMENT (continued)

28.3 Market risk (continued)

(i) Foreign exchange risk (continued)

	31 December 2019			
	US\$	KHR	Other currencies	Total
Financial assets				
Cash on hand	9,955,114	315,832	96,047	10,366,993
Balances with the NBC	31,850,867	694,322	-	32,545,189
Balances with other banks	29,372,234	5,304,933	416,750	35,093,917
Equity instruments at FVOCI	25,000	-	-	25,000
Loans to customers	136,267,397	1,842,721	-	138,110,118
Other assets	232,992	-	-	232,992
Total financial assets	207,703,604	8,157,808	512,797	216,374,209
Financial liabilities				
Deposits from other banks	11,948,786	-	374,601	12,323,387
Deposits from customers	146,792,102	1,178,552	121,086	148,091,740
Lease liabilities	1,640,783	-	-	1,640,783
Total financial liabilities	160,381,671	1,178,552	495,687	162,055,910
Net foreign exchange gap	47,321,933	6,979,256	17,110	54,318,299

(ii) Price risk

The Bank is not exposed to securities price risk because it does not hold any investment classified in the statement of financial position either as available for sale or at fair value through profit or loss.

(iii) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Interest margins may increase as a result of changes and may reduce losses in the event that unexpected movements arise. The management of the Bank, at this stage, does not have a policy to set limits on the level of mismatch of interest rate re-pricing that may be undertaken; however, management regularly monitors the mismatch.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2020 and for the year then ended

28. FINANCIAL RISK MANAGEMENT (continued)

28.3 Market risk (continued)

(iii) Interest rate risk (continued)

	Overdue US\$	Non-interest bearing US\$	Up to 1 month US\$	From 1 to 3 months US\$	From 3 to 12 months US\$	From 1 to 5 years US\$	Over 5 years US\$	Total US\$
<i>31 December 2020</i>								
Financial assets								
Cash on hand	-	11,858,023	-	-	-	-	-	11,858,023
Balances with the NBC	-	39,341,215	7,500,000	1,045,043	-	-	-	47,886,258
Balances with other banks	-	36,061,929	2,285,370	4,993,163	3,020,464	-	-	46,360,926
Equity instruments at FVOCI	-	25,000	-	-	-	-	-	25,000
Loans to customers	6,017,493	-	6,607,239	8,056,081	120,262,177	-	-	140,942,990
Other assets	-	-	5,850	2,244	12,412	201,130	12,000	233,636
Total financial assets	6,017,493	87,286,167	16,398,459	14,096,531	123,295,053	201,130	12,000	247,306,833
Financial liabilities								
Deposits from other banks	-	-	3,550,514	-	-	-	-	3,550,514
Deposits from customers	-	483,868	83,353,001	42,169,230	48,783,529	12,112,150	140	186,901,918
Lease liabilities	-	-	-	1,620	18,710	1,001,547	287,240	1,309,117
Total financial liabilities	-	483,868	86,903,515	42,170,850	48,802,239	13,113,697	287,380	191,761,549
Interest sensitive gap	6,017,493	86,802,299	(70,505,056)	(28,074,319)	74,492,814	(12,912,567)	(275,380)	55,545,284
KHR'000 equivalent	24,533,319	353,892,973	(287,449,113)	(114,458,999)	303,707,203	(52,644,536)	(1,122,724)	226,458,123

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2020 and for the year then ended

28. FINANCIAL RISK MANAGEMENT (continued)

28.3 Market risk (continued)

(ii) Interest rate risk (continued)

	Overdue US\$	Non-interest bearing US\$	Up to 1 month US\$	From 1 to 3 months US\$	From 3 to 12 months US\$	From 1 to 5 years US\$	Over 5 years US\$	Total US\$
31 December 2019								
Financial assets								
Cash on hand	-	10,366,993	-	-	-	-	-	10,366,993
Balances with the NBC	-	24,645,566	7,500,543	399,080	-	-	-	32,545,189
Balances with other banks	-	25,123,238	-	7,458,349	2,512,330	-	-	35,093,917
Equity instruments at FVOCI	-	25,000	-	-	-	-	-	25,000
Loans to customers	2,356,857	-	5,504,860	9,331,708	120,916,693	-	-	138,110,118
Other assets	-	-	-	-	2,750	86,242	144,000	232,992
Total financial assets	2,356,857	60,160,797	13,005,403	17,189,137	123,431,773	86,242	144,000	216,374,209
Financial liabilities								
Deposits from other banks	-	3,306,004	7,014,743	2,002,640	-	-	-	12,323,387
Deposits from customers	-	620,898	75,848,555	14,708,307	49,936,760	6,977,220	-	148,091,740
Lease liabilities	-	-	-	-	4,180	518,610	1,117,993	1,640,783
Total financial liabilities	-	3,926,902	82,863,298	16,710,947	49,940,940	7,495,830	1,117,993	162,055,910
Interest sensitive gap	2,356,857	56,233,895	(69,857,895)	478,190	73,490,833	(7,409,588)	(973,993)	54,318,299
KHR'000 equivalent	9,549,985	227,859,743	(283,064,191)	1,937,626	297,784,856	(30,023,651)	(3,946,620)	220,097,748

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2020 and for the year then ended

28. FINANCIAL RISK MANAGEMENT (continued)

28.4 Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence of this may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

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

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

	Overdue		Current					Total US\$
	Above 3 months US\$	Up to 3 months US\$	Up to 1 month US\$	From 1 to 3 months US\$	From 3 to 12 months US\$	From 1 to 5 years US\$	Over 5 years US\$	
<i>31 December 2020</i>								
Financial assets								
Cash on hand	-	-	11,858,023	-	-	-	-	11,858,023
Balances with the NBC	-	-	46,841,215	1,045,043	-	-	-	47,886,258
Balances with other banks	-	-	38,347,299	4,993,163	3,020,464	-	-	46,360,926
Equity instruments at FVOCI	-	-	-	-	-	-	25,000	25,000
Loans to customers	1,714,780	4,302,713	6,607,239	8,056,081	31,017,797	29,139,748	60,104,632	140,942,990
Other assets	-	-	5,850	2,244	12,412	201,130	12,000	233,636
Total financial assets	1,714,780	4,302,713	103,659,626	14,096,531	34,050,673	29,340,878	60,141,632	247,306,833
Financial liabilities								
Deposits from other banks	-	-	3,550,514	-	-	-	-	3,550,514
Deposits from customers	-	-	83,836,869	42,169,230	48,783,529	12,112,150	140	186,901,918
Lease liabilities	-	-	-	1,620	18,710	1,001,547	287,240	1,309,117
Total financial liabilities	-	-	87,387,383	42,170,850	48,802,239	13,113,697	287,380	191,761,549
Net liquidity gap	1,714,780	4,302,713	16,272,243	(28,074,319)	(14,751,566)	16,227,181	59,854,252	55,545,284
KHR'000 equivalent	6,991,158	17,542,161	66,341,935	(114,458,999)	(60,142,135)	66,158,217	244,025,785	226,458,123

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2020 and for the year then ended

28. FINANCIAL RISK MANAGEMENT (continued)

28.4 Liquidity risk (continued)

	Overdue		Current					Total US\$
	Above 3 months US\$	Up to 3 months US\$	Up to 1 month US\$	From 1 to 3 months US\$	From 3 to 12 months US\$	From 1 to 5 years US\$	Over 5 years US\$	
<i>31 December 2019</i>								
Financial assets								
Cash on hand	-	-	10,366,993	-	-	-	-	10,366,993
Balances with the NBC	-	-	32,145,566	399,623	-	-	-	32,545,189
Balances with other banks	-	-	25,123,239	7,458,348	2,512,330	-	-	35,093,917
Equity instruments at FVOCI	-	-	-	-	-	-	25,000	25,000
Loans to customers	736,149	1,620,708	5,912,960	9,329,348	28,224,247	35,503,814	56,782,892	138,110,118
Other assets	-	-	-	-	2,750	86,242	144,000	232,992
Total financial assets	736,149	1,620,708	73,548,758	17,187,319	30,739,327	35,590,056	56,951,892	216,374,209
Financial liabilities								
Deposits from other banks	-	-	10,320,748	2,002,639	-	-	-	12,323,387
Deposits from customers	-	-	76,469,453	14,708,307	49,936,760	6,977,220	-	148,091,740
Lease liabilities	-	-	-	-	4,180	518,610	1,117,993	1,640,783
Total financial liabilities	-	-	86,790,201	16,710,946	49,940,940	7,495,830	1,117,993	162,055,910
Net liquidity gap	736,149	1,620,708	(13,241,443)	476,373	(19,201,613)	28,094,226	55,833,899	54,318,299
KHR'000 equivalent	2,982,876	6,567,109	(53,654,327)	1,930,263	(77,804,936)	113,837,804	226,238,959	220,097,748

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2020 and for the year then ended

28. FINANCIAL RISK MANAGEMENT (continued)

28.5 Fair value of financial assets and liabilities

Financial instruments comprise financial assets, financial liabilities and off-balance sheet instruments. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The information presented herein represents the estimates of fair values as at the financial position date.

Quoted and observable market prices, where available, are used as the measure of fair values of the financial instruments. Where such quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors.

Fair value information for non-financial assets and liabilities are excluded as they do not fall within the scope of CIFRS 7, Financial Instruments Disclosures which requires the fair value information to be disclosed. These include investment in subsidiaries and property and equipment.

The fair value of the Bank's financial instruments such as cash and short-term funds, balances with NBC, balances with other financial institutions, deposits from customers and financial institutions, other assets, other liabilities and short-term borrowings are not materially sensitive to shifts in market profit rate because of the limited term to maturity of these instruments. As such, the carrying value of these financial assets and liabilities at financial position date approximate their fair values.

The methods and assumptions used by the Bank in estimating the fair value of the financial instruments are:

- *Cash on hand, balances with the NBC and with other financial institutions*
The carrying amounts approximate the fair values due to the short-term nature of these accounts.
- *Loans to customers*
The fair value is estimated by discounting the estimated future cash flows using the prevailing market rates of financing with similar credit risks and maturities.
- *Due to other financial institutions and customers*
The estimated fair value of demand deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. The estimated fair value of long-term fixed interest-bearing deposits from other financial institutions and customers without quoted market price is based on discounted cash flows using interest rates for new debts with similar remaining maturity.
- *Other assets and liabilities*
Due to their short duration, the carrying amounts of other liabilities in the statement of financial position are considered to be reasonable approximation of their fair values.

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2020 and for the year then ended

28. FINANCIAL RISK MANAGEMENT (continued)

28.5 Fair value of financial assets and liabilities (continued)

Fair value hierarchy

CIFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources and unobservable inputs reflect the Bank's market assumptions. The fair value hierarchy is as follows:

- Level 1 - Quoted price (unadjusted) in active markets for the identical assets or liabilities. This level includes listed equity securities and debt instruments.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 - Inputs for asset or liability that are not based on observable market data (unobservable inputs). This level includes equity instruments and debt instruments with significant unobservable components.

Financial instruments not recognised at fair value

Fair value of financial instruments not measured at fair value is as below:

- Financial assets being balances with the NBC, balances with other financial institutions are short term (less than or equal to 3 months) with interest rates in line with the rates applied by other financial institutions and interbank rates. Therefore, their carrying amount approximates their fair value.
- Loans to customers: most of the Bank's loan portfolio earns interest at rates which are floating in line with the market rates and periodically reviewed. Hence, carrying amount of loans to customers which is carried at amortised cost are equivalent to estimated fair value based on discounted cash flows using prevailing money-market interest rates for similar financial instruments maturity.
- Due to customers, other borrowed funds: the majority of the deposits and other borrowed funds by the Bank bear interest at rates which are similar to prevailing market rates (which is the average interest rates of deposits issued in the current year). Hence, the carrying value of these financial liabilities shall be a reasonable approximation of the fair value.

28.6 Capital management

The main regulatory capital requirement of the Bank is for the banking operations to which the Bank's lead regulator, NBC, sets and monitors capital requirements for the banks as a whole.

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain further development of the business. The Bank recognizes the impact of the level of capital on owner's return and the need to maintain a balance between the possible higher return with greater gearing, advantages and security afforded by a sound capital position.

The Bank has complied with all externally imposed capital requirement throughout the year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2020 and for the year then ended

29. MATURITY PROFILE OF ASSETS AND LIABILITIES

Analysis of assets and liabilities expected date of recovery and settlement from the balance sheet date is as follows:

	31 December 2020		Total US\$
	Within 12 months US\$	Over 12 months US\$	
Financial assets			
Cash on hand	11,858,023	-	11,858,023
Balances with the NBC	47,886,258	-	47,886,258
Balances with other banks	46,401,213	-	46,401,213
Equity instruments at FVOCI	-	25,000	25,000
Loans to customers	72,157,154	90,035,572	162,192,726
Other assets	20,506	213,130	233,636
Non - financial assets			
Property and equipment	206,325	1,178,932	1,385,257
Right-of-use assets	22,001	1,183,048	1,205,049
Intangible assets	58,721	412,104	470,825
Deferred tax assets	3,413,705	-	3,413,705
Other assets	492,341	-	492,341
Total assets	182,516,247	93,047,786	275,564,033
KHR'000 equivalent	738,278,219	376,378,294	1,114,656,513
<i>Allowance for ECL on:</i>			
<i>Balances with other banks</i>	<i>(40,287)</i>	<i>-</i>	<i>(40,287)</i>
<i>Loan to customers</i>	<i>(20,458,544)</i>	<i>(791,192)</i>	<i>(21,249,736)</i>
Net	162,017,416	92,256,594	254,274,010
KHR'000 equivalent	655,360,448	373,177,924	1,028,538,372
Financial liabilities			
Deposits from other banks	3,550,514	-	3,550,514
Deposits from customers	174,789,628	12,112,290	186,901,918
Lease liabilities	20,330	1,288,787	1,309,117
Non - financial liabilities			
Income tax payable	23,889	-	23,889
Other liabilities	772,020	-	772,020
Total liabilities	179,156,381	13,401,077	192,557,458
KHR'000 equivalent	724,687,561	54,207,357	778,894,919

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2020 and for the year then ended

29. MATURITY PROFILE OF ASSETS AND LIABILITIES

	31 December 2019		
	KHR'000 equivalent	US\$	KHR'000 equivalent
Financial assets			
Cash on hand	10,366,993	-	10,366,993
Balances with the NBC	32,545,189	-	32,545,189
Balances with other banks	35,137,688	-	35,137,688
Equity instruments at FVOCI	-	25,000	25,000
Loans to customers	64,619,309	92,773,914	157,393,223
Other assets	2,750	230,242	232,992
Non - financial assets			
Property and equipment	10,108	1,238,494	1,248,602
Right-of-use assets	14,560	1,525,351	1,539,911
Intangible assets	5,542	429,710	435,252
Deferred tax assets	3,795,472	-	3,795,472
Other assets	430,053	-	430,053
Total assets	146,927,664	96,222,711	243,150,375
KHR'000 equivalent	598,730,231	392,107,547	990,837,778
<i>Allowance for ECL on:</i>			
<i>Balances with other banks</i>	<i>(43,771)</i>	<i>-</i>	<i>(43,771)</i>
<i>Loan to customers</i>	<i>(18,795,897)</i>	<i>(487,208)</i>	<i>(19,283,105)</i>
Net	128,087,996	95,735,503	223,823,499
KHR'000 equivalent	521,958,584	390,122,173	912,080,757
Financial liabilities			
Deposits from other banks	12,323,387	-	12,323,387
Deposits from customers	141,114,520	6,977,220	148,091,740
Lease liabilities	4,180	1,636,603	1,640,783
Non - financial liabilities			
Income tax payable	13,147	-	13,147
Other liabilities	1,494,585	-	1,494,585
Total liabilities	154,949,819	8,613,823	163,563,642
KHR'000 equivalent	631,420,512	35,101,330	666,521,842

30. TAX CONTINGENCY

The taxation system in Cambodia is characterized by numerous taxes and frequently changing legislation, which is often unclear, contradictory and subject to interpretation. Often, differing interpretations exist among numerous taxation authorities and jurisdictions. Taxes are subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges. These facts may create tax risks in Cambodia substantially more significant than in other countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have differing interpretations and the effects since the incorporation of the Bank could be significant.

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2020 and for the year then ended

31. SUBSEQUENT EVENTS

With the Covid-19 pandemic, many countries have required entities to limit or suspend business operations and implemented travel restrictions and quarantine measures. These measures and policies have significantly disrupted (or are expected to disrupt) the activities of many entities. The condition of the coronavirus outbreak has continued to evolve throughout the timeline crossing 31 December 2020. Cambodia is among those affected countries that signifies economic slowdown due to global recession and lockdown in Phnom Penh and other certain areas. Amid the outbreak, the NBC advised all banks and financial institutions to delay or suspend all loan and interest payments as part of measures to soften the economic blow of coronavirus on business and household borrowers.

Based on management's assessment on forward-looking to 2021, the impact of the potential disease outbreak could be minimal due to availability of loan protection measures in controlling credit risks of the portfolio, management does not consider it practicable to provide a quantitative estimate of the potential impact of this pandemic on the Bank. Management will continuously pay attention to the situation of the COVID-19 in Cambodia, operations of its loan customers, as well as their ability to service debts.

Other than as disclosed elsewhere in these financial statements, at the date of this report, there were no events which occurred subsequent to 31 December 2020 that had significant impact on the financial position of the Bank as at 31 December 2020 and its financial performance for the year then ended.

NETWORK



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