



# ANNUAL REPORT

2020



**ANNUAL  
REPORT  
2020**

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# 1

Message from the CEO



Dear shareholders, investors, and customers, It gives me pleasure to present ABA Bank's major accomplishments in 2020 and plans for 2021.

The outgoing year became a challenging time for the whole world. Cambodia, being closely linked by economic ties with the world economy, also experienced a significant slowdown, even showing a negative GDP growth in 2020. The Bank's activities and operations were also impacted, primarily because our valued customers witnessed a decline in business and customer loss, mostly in the tourism, garment, and construction sectors.

Despite the challenging year, ABA witnessed strong growth across all key metrics, including total assets, deposits, loans, and customer base.

#### **MAJOR ACHIEVEMENTS IN 2020**

Our focus on long-term goals with continuous investment in technologies and self-banking platforms has proved we were right, supporting our sustained growth during the year. When we look at the most significant ABA developments in 2020, they all are about the upgrade of our digital platform that includes self-banking and online banking solutions.

ABA Mobile, the core product for our retail customers, received multiple new features:

- Instant Loan, which helps customers solve their temporary money difficulties without breaking their Fixed Deposit with us and losing the accrued interest;
- Visa Direct service that allows ABA Visa cardholders send money instantly to any Visa card issued by banks in Cambodia and eight other countries in the region;
- Plastic cards ordering, so our customers could order a new card in the app by themselves;
- Domestic transfers via Project Bakong, which now allow moving money between local banks conveniently and quickly;
- Ria Money Transfers that allows send and receive instant international money transfers for our customers. Here, I'd mention that we also plan to launch MoneyGram Mobile Transfers in ABA Mobile this week. Ria and MoneyGram are among the most popular money transfer services in the world;
- Special Account Number service that allows our customers to express their individuality via a unique bank account number that looks like their phone number or contains some lucky numbers.

We pursued the same objective when we upgraded our self-banking facilities this year. First, we rolled out massively Cash Recycling Machines (CRM) that accept deposits from customers and dispense this money to those who need to withdraw cash. Additionally, we started deploying Check Deposit Machines (CDM) so that our customers can deposit checks issued by any Cambodian bank at their convenient time without queueing at a branch. As our self-banking machines are growing continuously, we started increasing self-banking areas in our flagship branches because we see great potential in such devices and services.

To bring our self-banking facilities even closer to customers and unload our branches, we launched the network of ABA 24/7 self-banking spots. These self-banking spots are located strategically in high traffic areas. They don't occupy much space, don't have any staff inside, but allow making cash withdrawals and deposits

and check deposits at any time of the day in a convenient environment. We will indeed extend the ABA 24/7 network in 2021 to reduce the load on our branches and divert more transactions to self-banking areas.

The COVID-19 crisis allowed us to develop the cashless payments sector further and offer digital payment solutions to more entities. As such, we integrated PayWay into the website of the Securities and Exchange Commission of Cambodia, facilitated payment collection on the Single Portal for online business registration developed by the Ministry of Economy and Finance, joined hands with Techo Startup Center to provide Cambodian tech enthusiasts with access to PayWay solution for their startups.

Simultaneously, we moved even further in bringing cashless payments closer to ordinary Cambodians. In December, we officially launched the PayWay Mobile app for Android smartphones. This app allows businesses to accept instant payments in KHR and USD with their smartphones by generating QR codes. We designed the app to solve micro- and small merchants' daily routines related to keeping records of sales and reducing contact with the cash. And thousands of microbusinesses and entrepreneurs already downloaded the app to start accepting payments from ABA customers.

The PayWay platform is also used to process ABA PAY payments for our ABA Mobile app users. And here we have another breakthrough in 2020. The network of merchants accepting ABA PAY payments has grown tremendously; there are more than 70,000 places across the country where one can scan a QR code with the ABA Mobile app and pay for products or services cashlessly.

On the lending side, the Bank continued to play its active role in supporting the local economy by providing loans despite the slowdown caused by COVID-19. In total, we managed to disburse around 1 billion US Dollars in loans in 2020. To those who found it challenging to repay their loans due to the crisis, we offered loan restructurings. Here, we followed the National Bank of Cambodia guideline to develop our own Loan Restructuring Program. It is an important step to support the economy in this tough crisis time.

Supporting the Royal Government of Cambodia's initiative, the Bank participated in the SME Co-

Financing Scheme 2020 (SCFS). Under this loan scheme, ABA disburses loans for capital expenditure and working capital with a special interest rate of 7% per annum and a term of up to 7 years. As of the end of 2020, ABA gave out loans worth USD 1.4 million via SCFS.

Our accomplishments were praised by several international magazines that named ABA the best in the country or the industry. The Bank was named the Best Bank of the Year by Euromoney and Global Finance magazines. At the same time, ABA Mobile received the "Mobile Banking and Payment Initiative of the Year in Cambodia" award from the Asian Banking and Finance magazine (Hong Kong), and the PayWay platform received the top recognition of the Asia eCommerce Awards (Singapore).

In December, S&P Global Ratings Agency reaffirmed ABA's credit rating at 'B+' with Stable outlook, the highest possible notch in Cambodia. It also reflects S&P's view that the Bank can sustainably manage rapid loan and deposit growth despite turbulent times amid the COVID-19 pandemic and economic slowdown. The experts also noted that ABA's business franchise is strengthening, underpinned by its market share's significant growth.

## FINANCIAL RESULTS

Our achievements in the year reflected positively on our financial performance:

- Total assets grew 39% compared to the end of 2019 and reached 6.1 billion US Dollars.
- Our deposit portfolio increased by 43% to 4.9 billion US Dollars at the end of 2020.
- The loan portfolio reached 3.8 billion US Dollars, which represents 37% growth from 2019.
- ABA secured a robust net profit of USD 151.4 million for 2020, overperforming the budget.
- The shareholder's equity of the Bank grew 55% and reached USD 767.8 million in the reporting period.
- The customer base in 2020 grew by a spectacular 70%, having reached 1.4 million clients.



These results are driven by ABA's successful implementation of its business strategy, emphasizing on convenient digital financial services and productive loans to microbusinesses and SMEs in the economy's real sectors.

#### **OUTLOOK FOR 2021**

In 2021, the Bank will continue to gain momentum and grab the market opportunities.

On the funding side, we will continue our digital transformation with an unprecedented accent on self-banking and mobile banking. The network of ABA 24/7 self-banking spots will only grow further with at least ten new spots planned for 2021. We will also start rolling out the card issuing machines. They will be placed in ABA 24/7 spots and branches, so customers could issue cards of their choice by themselves, without visiting our CSAs.

ABA Mobile will receive many new features to provide convenient banking to its more than one million users. It will receive a breakthrough feature, Instant Account, that allows any Cambodian who is new to ABA to open their first bank account remotely. The account opening process will be easy and only requires the National ID and smartphone. We believe it will make our modern banking much closer to all Cambodians and impact financial inclusion.

Our Internet Banking for Business platform will be re-launched entirely. It already allows businesses of any size to manage their companies' finances conveniently and 24/7. The re-launch will bring the interface revamp and new features that will help our business customers even more.

As for our lending strategies, we will keep the core focus on MSMEs and will continue increasing our commercial lending portfolio following the existing trend. But we will rely more and more on technology and big data to increase loan disbursement speed and identify new potential borrowers among our vast customer base. For that, we will utilize our transactional lending model, which is based on the in-depth analysis of transactions of our customers and making customized offers to them based on this data.

The Bank is transforming rapidly into a digital finance provider, and the market only spurs us on it. The management and the team are well focused on keeping ABA at the forefront of the banking sector, bringing further value to the shareholders.

In conclusion, I wish to thank all our employees for their hard work. I also sincerely thank our shareholders for their confidence in our strategy and full support for our development.

Ultimately, I thank all the customers for their trust in ABA and contribution to our development in 2020.

**Askhat Azhikhanov**  
*Chief Executive Officer*

# 2

About ABA



ABA Bank is Cambodia's leading private financial institution with more than 20 years of steady development and unique expertise in the market.

**1996**

Advanced Bank of Asia Ltd. was founded

**25**

Years of development and growth

**3**

ABA enters top 3 commercial banks in Cambodia

## WHO WE ARE

ABA Bank is the Cambodian leading private financial institution founded in 1996 as the Advanced Bank of Asia Limited. In 25 years of development and growth, ABA has significantly strengthened its position in the market and broke into the Top 3 commercial banks of the country.

With 79 branches, 600+ self-banking spots across the country, and advanced online banking and mobile banking platforms, ABA reaches out to a large number of SMEs, microbusinesses, and individuals with the entire spectrum of modern financial services and digital banking solutions.

ABA Bank has an effective and well-synchronized professional team that is committed to maintaining and improving our performance. Our international management team brings invaluable expertise and allows ABA Bank to comply with international standards of service and security.

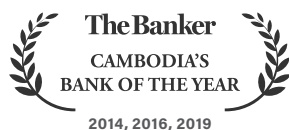
The Bank owns the long-term issuer credit rating "B+" with Stable outlook from Standard&Poor's Global Ratings Agency (S&P). The rating was reaffirmed in December 2020.

### **STANDARD & POOR'S**

'B+' credit rating from Standard & Poor's (S&P) Global Ratings Agency  
Outlook: **Stable**

The most renowned financial publications of the globe recognized ABA's efforts to bring the very best to its clients:

- *The Banker* magazine granted ABA the title "Cambodia's Bank of The Year" in 2014, 2016, 2019;
- *Euromoney* magazine awarded the "Best Bank in Cambodia" title to ABA in 2014 – 2020;
- *Global Finance* magazine named ABA "The Best Bank in Cambodia" in 2015 – 2020.



ABA is a subsidiary of National Bank of Canada ([www.nbc.ca](http://www.nbc.ca)), a financial institution with around US\$273 billion in assets as of January 31, 2021, and huge network of correspondent banks all over the world. Being a shareholder of ABA Bank from 2014, National Bank of Canada becomes the first major financial institution from the North American continent to enter the Cambodian banking sector. Headquartered in Montreal, it has branches in almost every Canadian province with 2.7 million personal clients. It is the sixth largest bank in Canada and the leading bank in Quebec province where it is the partner of choice among SMEs.

# VISION, MISSION, VALUES

## OUR VISION

The vision of our Bank is to be the country's number one supplier of dependable, easy-to-use, technologically advanced and easily accessible banking services. We want to be the bank that Cambodians trust to take care of all their personal and business banking needs.

## OUR MISSION

Our mission is to help Cambodia, Cambodian businesses and people to build a bigger and brighter future by providing highly professional, technologically advanced banking services for all. We see ourselves as working in partnership with the Cambodian community as well as with private businesses and individuals. We are here to serve Cambodia.

## OUR VALUES

Our values form the cornerstone of our business. We believe in the importance of:

### Honesty & Respect

At ABA we make it our responsibility to treat each and every customer with honesty and respect. Strictly following this value, we earn respect and trust from our customers.

### Service Quality

At ABA we strive to find solutions to all our banking needs. Our aim is to provide the most technologically advanced and reliable banking services to all our customers – be they personal or business account holders.

### Trust & Partnership

At ABA we are always there to offer help and assistance. We see ourselves as dependable partner that our customer can always trust and rely on with their financial needs.

### Contribution

At ABA we aim to make a positive contribution to Cambodia. We want to play a beneficial role in the lives of our customers as well as for the future of the country as a whole.

### Ethics & Morals

At ABA we apply the highest ethical and moral standards to each and everything that we do – inside and outside the Bank. It is these homegrown principles that form the basis of every relationship, with the customers and communities we serve as well as with our staff.

### Sustainability & Growth

At ABA we are always thinking about the future of our Bank, the Cambodian people and the country. We show the same level of commitment to our staff as we do to our customers. It is with this approach that we ensure the sustainable growth of the Bank.

# FINANCIAL HIGHLIGHTS

FINANCIAL YEAR ENDED  
31 DECEMBER

**2020**  
(audited)

**2019**  
(audited)

## Balance Sheet (US\$ million)

Total Deposits	4,871.47	3,395.34
Total Gross Loans	3,833.37	2,764.43
Equity	767.79	496.38
Total Assets	6,128.28	4,394.89

## P&L Account (US\$ million)

Net Interest Income	295.80	212.37
Net Fee, Commission and other Income	27.71	29.41
Net Profit	151.41	127.41

## Key Performance Indicators (%)

ROAE	22.39	33.18
ROAA	2.93	3.58
Cost/Income	37.38	40.27
Liquidity Ratio	166.64	162.32
Credit Deposit Ratio	78.75	81.64
Solvency Ratio	18.08	19.94

## General Information

Operating Branches	79	77
Staff	6266	6410
ATMs	471	418
POS Terminals	1,647	1,214
Depositors	1,382,401	828,651
Borrowers	81,568	66,513
iBanking for Business Users	18,869	8,672
Mobile App Users	957,629	551,185

## SIMPLIFIED FINANCIAL RESULTS

### ASSETS

in USD Millions

39%  
▲  
INCREASE FROM 2019

6,128  
2020

4,395  
2019

### SHAREHOLDERS' EQUITY

in USD Millions

55%  
▲  
INCREASE FROM 2019

768  
2020

496  
2019

### DEPOSITS

in USD Millions

43%  
▲  
INCREASE FROM 2019

4,871  
2020

3,395  
2019

### LOANS

in USD Millions

39%  
▲  
INCREASE FROM 2019

3,833  
2020

2,764  
2019

### NET PROFIT

in USD Millions

19%  
▲  
INCREASE FROM 2019

151  
2020

127  
2019

### NUMBER OF DEPOSITORS

in Thousands

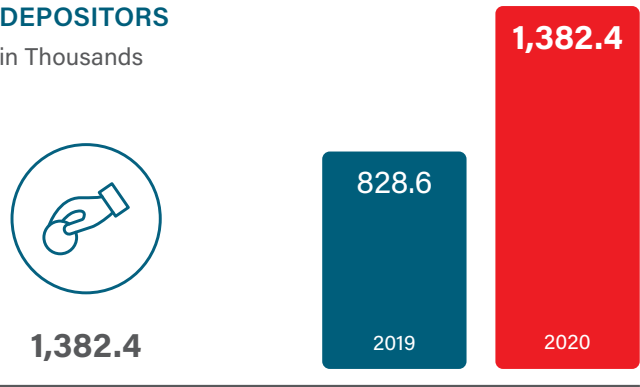
67%  
▲  
INCREASE FROM 2019

1,382  
2020

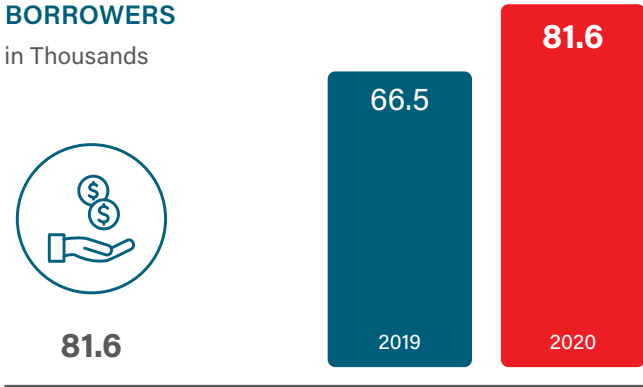
829  
2019

# GENERAL INFORMATION

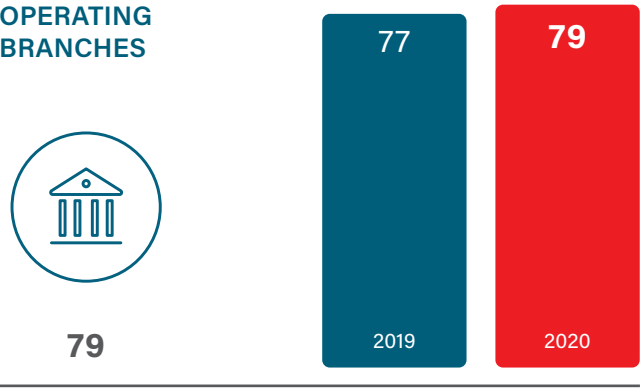
DEPOSITORS  
in Thousands



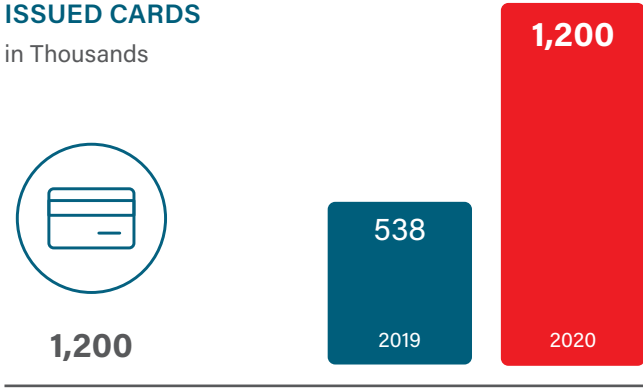
BORROWERS  
in Thousands



OPERATING  
BRANCHES



ISSUED CARDS  
in Thousands





### MOBILE APP USERS

in Thousands



**957.6**

551.2

2019

**957.6**

2020

### MOBILE APP TRANSACTIONS

in Millions



**147.5**

53.6

2019

**147.5**

2020

### POS TERMINALS



**1,647**

1,214

2019

**1,647**

2020

### SELF-BANKING MACHINES



**659**

604

2019

**659**

2020

## MILESTONES

Since its incorporation in 1996, ABA Bank has gone through numerous considerable stages of its development.

Enlisted here are the major milestones of the Bank from the recent years.

### 2016

National Bank of Canada increased its share in ABA to 90%

Issuance of ABA Platinum cards started

Nine new branches opened with five of them on the district level in rural areas

ABA Bank was named as "The Best Bank in Cambodia" by the world's top financial magazines – The Banker, Euromoney and Global Finance

ABA Bank received "Fastest Growing Trade Finance Bank in Cambodia" award from Global Banking and Finance Review magazine

ABA became one of the founding institutions of "FAST" Payment System that enables customers to immediately send / receive funds between the participants

Cooperation with Manulife for distributing life insurance products in the Bank's branches

Cooperation with Agoda.com to offer special booking rates to ABA cardholders

### 2017

Logo of ABA updated to denote membership in National Bank of Canada Group

ABA Mobile app ranked #1 free financial app on iOS in Cambodia

Global Finance magazine recognized ABA as "Best Trade Finance Provider 2017"

Nine new branches entered ABA's branch network

PayWay e-commerce gateway launched to boost online businesses in Cambodia

Online Account Opening web service introduced to ease client onboarding process

ABA named "The Best Bank in Cambodia 2017" by Euromoney and Global Finance magazines

ABA became the first bank in Cambodia with two credit ratings

ABA joined IFC's Global Trade Finance Program to enhance support of Cambodian businesses

Long-term exclusive partnership agreement signed with Manulife Cambodia

## 2018

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ABA opened 15 new branches and extended operation hours at 6 branches

ABA officially introduced Customer Acquisition Officers for off-site account opening

ABA received "The Best Bank in Cambodia 2018" award by Global Finance magazine

The Bank relaunched Head Office building and opened its Operation Hall

The Bank extended its loan repayment facilities via cooperation with TrueMoney, Speed Pay and SmartLuy

Standard & Poor's reaffirmed 'B' long-term and short-term issuer credit ratings of ABA with "Positive" outlook

Global Finance named ABA Bank "Best Trade Finance Provider 2018"

ABA received Euromoney's Best Bank title for the fifth time in a row

UnionPay (UPI) Platinum extended the lineup of privileged cards offered by ABA Bank

ABA partnered with Visa and other Cambodian commercial banks to officially introduce QR payments in Cambodia

## 2019

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National Bank of Canada increased ownership in ABA Bank to 100% minus one share

ABA issued corporate bonds for KHR 84.8 billion (approx. USD 21 million) and listed it on the Cambodia Securities Exchange

S&P Global Ratings Agency upgraded the credit rating of ABA to 'B+' with "Stable" outlook

ABA opened 11 new branches and extended operation hours of 7 offices to 12/7 mode

The Bank added Cash Recycling Machines to its nationwide network of self-banking spots

ABA was named "The Best Bank in Cambodia 2019" by The Banker, Euromoney, and Global Finance magazines

ABA's PayWay online payment gateway received two eCommerce awards from Asia's Marketing magazine

ABA together with National Bank of Canada and the UN Association in Canada launched the Financial Literacy Internship Program for Cambodian students

Four new products in Khmer Riels were launched in the ABA Mobile app to promote the use of national currency

The Bank opened a dedicated Business Banking Center for SMEs, multinational, and emerging local corporations

The Bank donated USD 300,000 to Cambodia Kantha Bopha Foundation for further enhancement of medical care of children

## 2020

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ABA opened two new branches, bringing the total number of branches to 79

The network of ABA 24/7 self-banking spots was launched for round-the-clock banking without queuing at bank branches

ABA Mobile was upgraded with Visa Direct, Instant Loan, Ria and MoneyGram Money Transfers, Special Account Number, support of the Chinese language, and other features

ABA retained "B+" credit rating with Stable outlook from S&P Global Ratings Agency.

ABA Bank became a member of Project Bakong to promote financial inclusion and the use of Riels

ABA Bank joined the SME Co-Financing Scheme 2020 aimed at providing affordable interest loans to support SMEs in the country

ABA Mobile won the prestigious award "Mobile Banking and Payment Initiative of the Year in Cambodia"

ABA released the PayWay Mobile app to boost cashless payments acceptance for businesses in Cambodia

The Bank extended its loan repayment facilities via collaboration with Wing Specialized Bank

PayWay online payment gateway won the second "Best eCommerce Payment Solution in Cambodia" award

ABA received the "Best Bank in Cambodia 2020" titles from the Euromoney and Global Finance magazines

The Bank organized various fundraising events and donated funds through the National Bank of Cambodia and the Association of Banks in Cambodia to fight the spread of COVID-19

## CORRESPONDENT BANKS

Currency	Correspondent Bank Name	SWIFT Code
USD	JP Morgan Chase Bank, USA	CHASUS33
USD	Standard Chartered Bank, USA	SCBLUS33
USD	Standard Chartered Bank, Singapore	SCBLSG22
USD	Woori Bank, South Korea	HVBKKRSE
USD	Kookmin Bank, South Korea	CZNBKRSE
USD	Korea Exchange Bank, South Korea	KOEXKRSE
USD	DBS Bank, Singapore	DBSSSGSG
USD	OCBC Bank, Singapore	OCBCSGSG
USD	Vietcom Bank, Vietnam	BFTVVNVX
VND	Vietcom Bank, Vietnam	BFTVVNVX
CAD	National Bank of Canada, Canada	BNDCCAMMINT
USD	National Bank of Canada, Canada	BNDCCAMMINT
EUR	National Bank of Canada, Canada	BNDCCAMMINT
EUR	Commerzbank AG, Germany	COBADEFF
GBP	Standard Chartered Bank, UK	SCBLGB2L
SGD	DBS Bank, Singapore	DBSSSGSG
CNY	China Construction Bank Corporation, China	PCBCCNBJ
THB	Standard Chartered Bank, Thailand	SCBLTHBX
KRW	Woori Bank, South Korea	HVBKKRSE
AUD	JP Morgan Chase Bank, Australia	CHASAU2X
JPY	Sumitomo Mitsui Banking Corporation, Japan	SMBCJPJT

# BRANCH NETWORK

## HEAD OFFICE

No. 141, 146, 148, and 148 ABCD, Preah Sihanouk Blvd,  
and No. 15 and 153 ABC, Street 278, Sangkat Boeung Keng Kang I,  
Khan Boeung Keng Kang, Phnom Penh, Kingdom of Cambodia

Tel: (+855) 23 225 333 (24/7)  
Fax: (+855) 23 216 333

info@ababank.com  
www.ababank.com

P.O. Box 2277  
SWIFT: ABAKHPP

AEON Mall 2	098 203 149	Kampong Speu	098 203 949	Operational Hall of Head Office	098 203 179	Siem Reap	098 203 829
Angk Snuol District	098 203 489	Kampot	098 203 959	Ou Baek K'am	098 203 799	Sihanoukville	098 203 899
Bakan District	081 204 209	Kampong Tralach District	081 204 149	Paoy Paet	098 203 019	S'ang District	098 203 369
Bati District	098 203 649	Kandal Stueng District	098 203 619	Pea Reang District	081 204 292	Snuol District	098 203 099
Battambang	098 203 839	Kampong Cham	098 203 879	Peam Ro District	098 203 629	Soutr Nikom District	081 204 283
Baray District	098 203 739	Kampong Chhnang	098 203 039	Phsar Derm Thkov	098 203 689	Stade Chas	098 203 819
Banteay Meanchey	098 203 759	Kampong Thom	098 203 429	Phsar Leu (Siem Reap)	098 203 679	Stoung District	081 204 355
Bavet	098 203 389	Kien Svay District	098 203 479	Preah Netr Preah District	081 204 262	Stung Mean Chey	098 203 889
Borei Keyla	098 203 869	Koh Kong	081 204 123	Prey Nob District	081 204 297	Stung Treng	081 204 090
Central	098 203 199	Kaoh Thum District	081 204 186	Preah Vihear	081 204 590	Svay Chrum District	098 203 349
Central Market	098 203 979	Kratie	098 203 049	Prey Chhor District	081 204 189	Svay Rieng	098 203 029
Chamkar Doung	098 203 579	Krong Siem Reap (Angkor)	098 203 089	Prey Veng	098 203 059	Takeo	098 203 909
Chamkar Leu District	081 204 053	Mao Tse Tong	098 203 809	Pursat	098 203 969	Takhmao	098 203 919
Chbar Ampov	098 203 929	Memot District	098 203 639	Rattanakiri	098 203 499	Tboung Khmum	098 203 769
Chhuk District	098 203 729	Mongkol Borei District	081 204 029	Russey Keo	098 203 659	Tmar Kol District	098 203 789
Chraoy Chongvar	098 203 189	Mittapheap	081 204 307	Saensokh	098 203 779	Tram Kak District	098 203 709
Cheung Prey District	098 203 749	Mondulkiri	081 204 567	Santhormok	098 203 469	Toek Thla	098 203 849
Chaom Chau	098 203 939	Moung Ruessei District	098 203 459	Samdech Monireth	081 204 019	Toul Kork	098 203 859
Chaom Chau 2	081 204 420	Mukh Kampul District	098 203 159	Samdech Sothearos	098 203 983	Toul Kork 2	098 203 637
Independence Monument	098 203 001	Odongk District	098 203 379	Samraong Tong District	098 203 719		

# 3

**Corporate Governance**

## SHAREHOLDERS

As of the end of 2020, the shareholding structure of ABA Bank is as follows:

Name of Shareholder	Number of Shares	Amount in USD
National Bank of Canada	334,999	334,999,000
Natcan Trust Company	1	1,000
<b>Total</b>	<b>335,000</b>	<b>335,000,000</b>

1 share = USD 1,000

### National Bank of Canada

ABA is a subsidiary of National Bank of Canada ([www.nbc.ca](http://www.nbc.ca)), a financial institution with around US\$273 billion in assets as of January 31, 2021, and huge network of correspondent banks all over the world. Being a shareholder of ABA Bank from 2014, National Bank of Canada becomes the first major financial institution from the North American continent to enter the Cambodian banking sector. Headquartered in Montreal, it has branches in almost every Canadian province with 2.7 million personal clients. It is the sixth largest bank in Canada and the leading bank in Quebec where it is the partner of choice among SMEs.

### Natcan Trust Company

Natcan Trust Company was incorporated in 1992 under the Trust and Loan Companies Act (Canada), and is an indirect wholly-owned subsidiary of National Bank of Canada (the "Ultimate Parent Company"). Its head office is located in Montreal, Quebec, Canada.

The primary financial activities of Natcan Trust Company consist of providing deposit products through the ultimate parent company's branch network and acting as a trustee.

## ANNUAL GENERAL MEETING OF SHAREHOLDERS

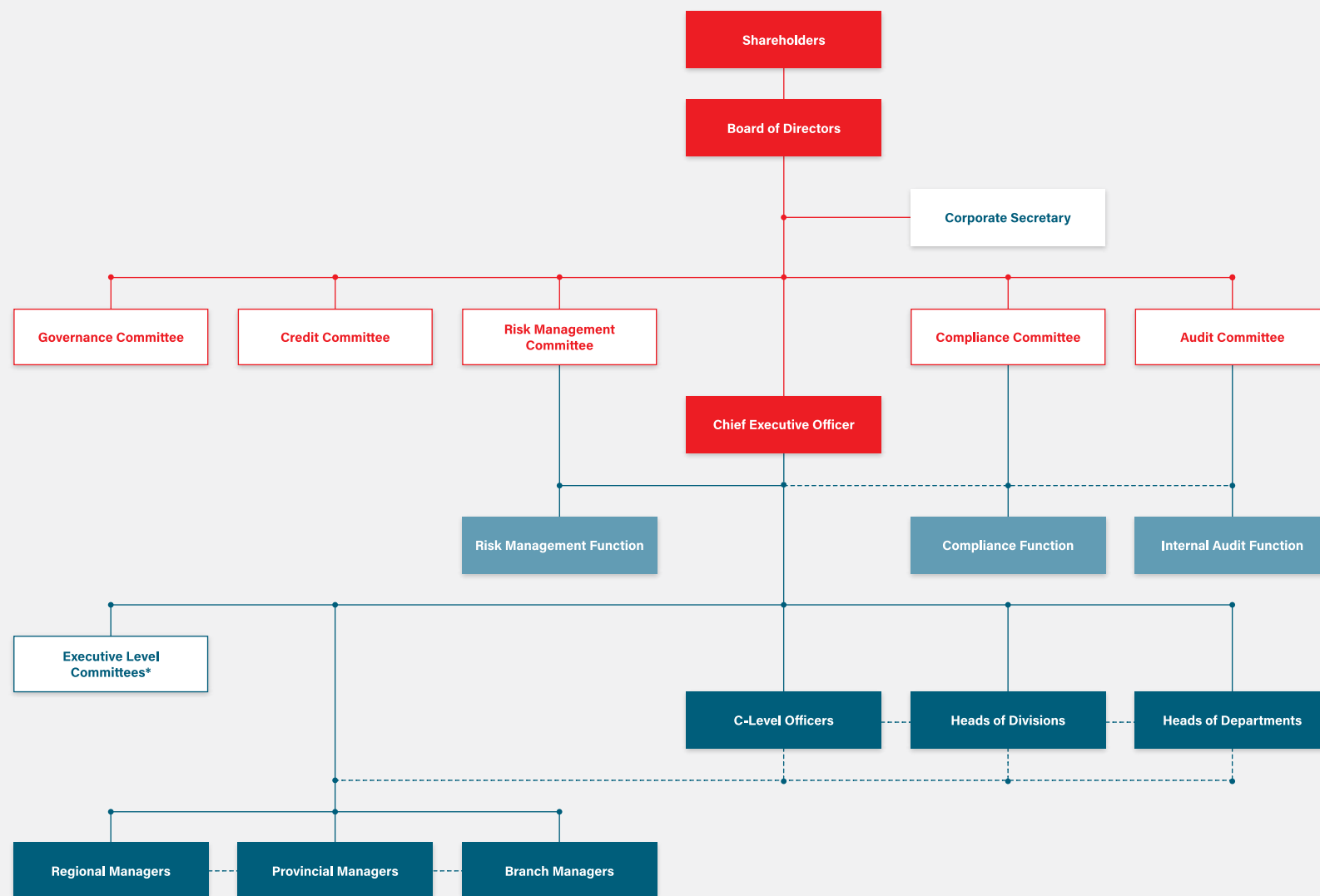
ABA Bank holds its Annual General Meeting of Shareholders following the Law on Commercial Enterprises, the Articles of Association, and other relevant regulations.

In 2020, the Annual General Meeting of Shareholders was held on 24 April with the participation of the representatives of the Bank shareholders. The decisions made at the meeting:

1. The Annual General Meeting of Shareholders considered the financial results of ABA Bank for the year ended 31 December 2019 positively.
2. The Annual General Meeting of Shareholders approved the Audited Financial Statements of ABA Bank for the year ended 31 December 2019.

# CORPORATE GOVERNANCE STRUCTURE CHART

(AS AT DECEMBER 31, 2020)



\* Executive Level Committees are as follows:

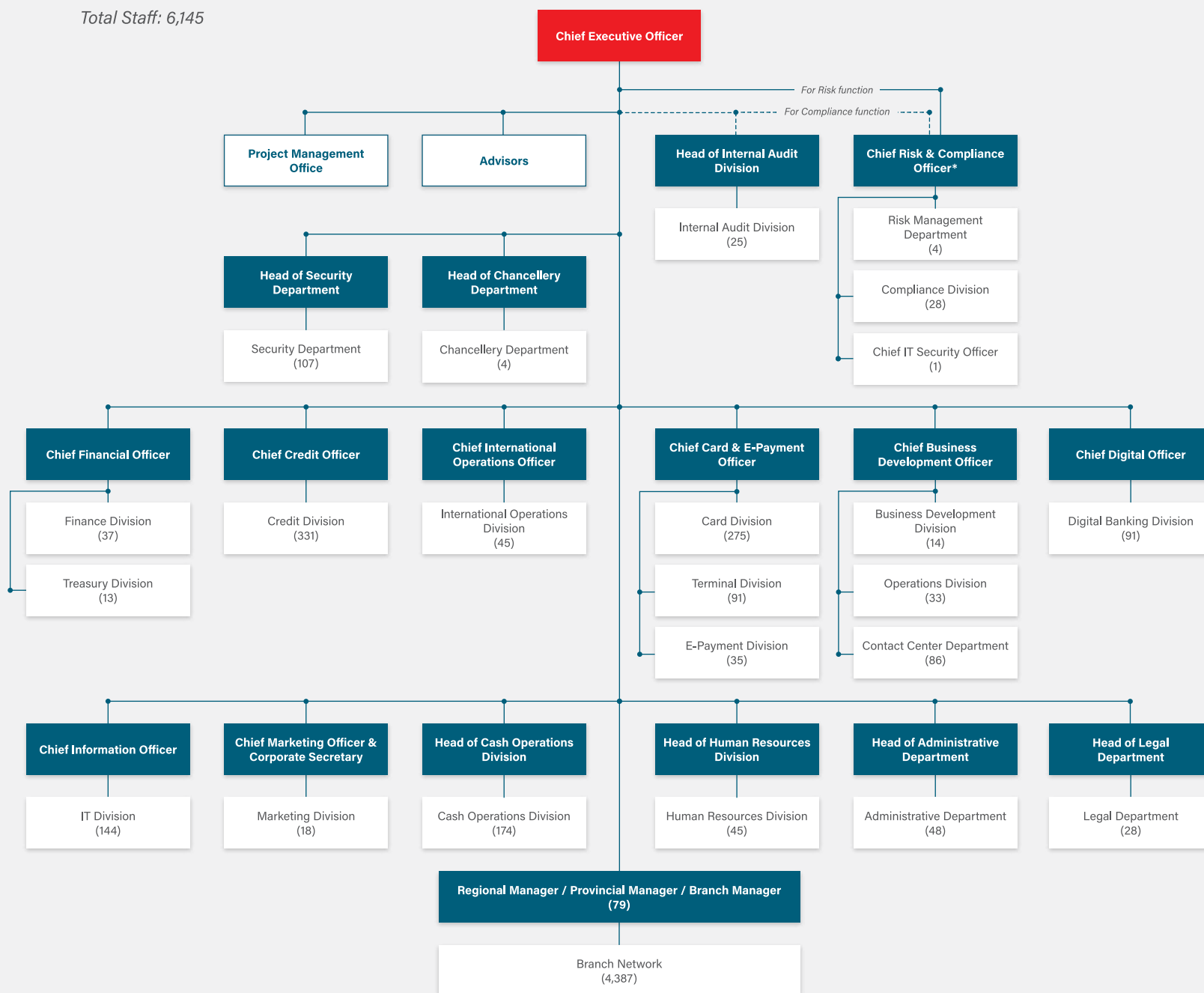
- Assets and Liabilities Committee
- HR Committee
- Executive Compliance Committee
- Executive Credit Committee
- Complaint Resolution Committee
- IT&Digital Banking Development Committee
- Operational and Reputational Risk Committee
- Conventional Product and Business Process Committee



# MANAGEMENT ORGANIZATION CHART

(AS AT DECEMBER 31, 2020)

Total Staff: 6,145



\* Subject to approval by the National Bank of Cambodia

## BOARD OF DIRECTORS



**YVES JACQUOT**

Chairman

Yves Jacquot graduated from ESSEC in France. Between 1980 and 1993, he occupied different positions, including the position of CEO in different banks and financial institutions in France, as well as in retail banking sector, investment and financial markets sectors and asset management sector.

He entered BRED Banque Populaire in 1993 and then became the deputy CEO of the Bank and CEO of COFIBRED, the holding company owning the subsidiaries of the group.

Yves Jacquot is currently holding the position of the Head of International Development for the National Bank of Canada Group.

Mr. Jacquot joined the Board of Directors of ABA Bank in 2014.



**DOMINIC JACQUES**

Director

Dominic Jacques is a graduate of HEC in Canada, Chartered Accountant (CPA, CA) and CFA Charterholder.

Mr. Jacques holds the position of Deputy Vice-President, International Development at National Bank of Canada. He is responsible for managing the Bank's international investments portfolio as well as developing ancillary business opportunities.

He started his career at PriceWaterhouseCoopers. Then joined National Bank of Canada in 2010 in the Strategy and Corporate Development team. He was advising the Bank's senior management on strategic initiatives, partnerships and M&A activities.

Dominic Jacques has a sound knowledge of the banking industry and has been based in Montreal, London, Paris, as well as in USA.

In 2016, Mr. Jacques was appointed to the Board of Directors of ABA Bank.



**MADI AKMAMBET**

Executive Director

Madi Akmambet holds an Executive MBA with distinction from Cass Business School, City University London (2013) and a degree in Economics from the Kazakh State Academy of Management (1996).

Started career in 1997 in the Treasury Department of the Ministry of Finance of the Republic of Kazakhstan and then Banking Supervision Department of the National Bank of Kazakhstan.

Between 2000-2007, he held top management positions at several national companies, the Financial Institutions' Association and commercial banks in Kazakhstan.

His international working experience started in 2007 with business projects in Uzbekistan run by the Kazakhstan-based private equity firm Visor Holding.

In 2009, Mr. Akmambet was appointed the CEO of ABA Bank, where he had led a major turnaround of the Bank. Since 2012, he has been the Executive Director of the Board of Directors.



**MARTIN OUELLET**

Director

Having graduated from the École des Hautes Études Commerciales in Montreal, Martin Ouellet is a treasury management specialist, actively involved in the management of liquidity and funding, as well as financial risks related to interest rates and foreign exchange. Started his career in 1977 with Crédit Foncier Franco-Canadien and worked for more than 30 years at National Bank of Canada, where he raised to the position of Senior Vice-President and Corporate Treasurer.

Mr. Ouellet now acts as a corporate director. In that capacity, he served on the board or advisory board of various institutions, of which the Auditing and Assurance Standards Oversight Council and Assurance-vie Banque Nationale (Canada). He is also a member of the Institute of Corporate Directors (Canada).

Mr. Ouellet joined the Board of Directors of ABA Bank in 2019.



**CHRISTIAN ST-ARNAUD**

Director

Christian St-Arnaud graduated from the École des Hautes Études Commerciales in Montréal, Canada. Between 1983 and 2009, he occupied different positions in international and Canadian financial institutions in Canada, with a focus on credit capital market.

Joined National Bank of Canada in 2009 as Vice-President – Credit capital market and real estate and was appointed Senior Vice-President – Credit in 2012, overseeing all retail, commercial, and financial market credit activities of the Bank, including adjudication, portfolio management, and credit model development. He was also a member of numerous senior committees of the Bank, including the Global risk committee, the Risk management committee and the Model oversight committee.

Mr. St-Arnaud joined the Board of Directors of ABA Bank in 2019.



**PAOLO PIZZUTO**

Director

Paolo Pizzuto graduated from Université du Québec à Montréal in 2003, with a Master's Degree in Business Administration.

A career banker, he joined National Bank of Canada in 1986 where he occupied several positions within the organization until 2001, when he was appointed Vice-President Sales and Service.

Over the following years, he was assigned several executive functions that spanned across Retail and Commercial Banking, Payment Solutions, Process and IT Transformation.

Since 2015, Pizzuto holds the position of Senior Vice-President, Retail Banking. He also occupies the role of Chairman of the Board of Natbank, a US bank in the state of Florida and has been an acting governor for the Canadian Italian Foundation since 2004.

Mr. Pizzuto joined the Board of Directors of ABA Bank in 2020.



**HENRI CALVET**

Independent Director

Qualifications of Henri Calvet: Graduate of Ecole Normale Supérieure de Cachan and University degree (Economics, Paris-I Panthéon-Sorbonne).

Mr. Calvet is the founder of H2C CONSEIL, a company offering advisory and training services to credit institutions and securities firms, in the following main fields: banking accounting, internal control (including risk management and compliance control), and prudential rules.

Prior to setting up his own business, Mr. Calvet had spent 10 years with the French Banking Commission and had later worked for numerous banks, namely, Compagnie Financière Edmond de Rothschild Banque and Compagnie Parisienne de Reescompte, inter-alia.

Mr. Calvet joined the Board of Directors of ABA Bank in 2016.



**ETIENNE CHENEVIER**

Independent Director

A graduate from Ecole Poly-technique and Ecole des Ponts et Chaussées in France, Etienne Chenevier started his career at the French Ministry of Industry. He then joined the Air Liquide Group where he created in 1993 the first operations in China before being given responsibility of large supply contracts of industrial gases to the steel sector in Asia. After that, Etienne joined Rio Tinto where he developed a number of operations in Singapore, Australia, China and Japan.

He then partnered with the French private equity firm CityStar to create their Asian Division in 2005, of which he is Partner and Director.

In 2014, Mr. Chenevier was appointed as the member of the Board of Directors in ABA Bank.



**GUY QUADEN**

Independent Director

Guy Quaden graduated in economic and social sciences from the University of Liège (Belgium) and La Sorbonne (France). He obtained a PhD in economics at the University of Liège in 1973.

Between 1988 and 1996, he was a member of the Board of the National Bank of Belgium and later appointed as General Commissioner for the Euro of the Belgian government. After accomplishing this role, Quaden became the Governor of the National Bank of Belgium from 1999 until 2011. During the same period, he was a member of the Governing Council of the European Central Bank, IMF Governor for Belgium, and member of the Board of the Bank of International Settlements.

Mr. Quaden joined the Board of Directors of ABA Bank in 2019.

## BOARD MEETINGS

The Board of Directors held four regular meetings and three update meetings in 2020. The meetings were conducted in the Head Office of ABA Bank. For the directors who couldn't attend the meetings personally due to COVID-19 travel restrictions, the Bank organized the opportunity to join online using video conference calls.

Each regular meeting of the Board of Directors took three days including the meetings of its Committees. The Update meetings took one day each.

At the meetings, the Board of Directors undertook the following actions:

- reviewed the financial results and business performances of ABA Bank at every meeting;
- approved the Budget of ABA Bank for 2020;
- approved the branch expansion of ABA Bank for 2020;
- approved the increase of the capital of ABA Bank;
- approved the Annual Financial Statements of ABA Bank for the year ended 31 December 2019 and adopted the Independent Auditor's Report on the Financial Statements of ABA Bank;
- approved the Interim Financial Statements of ABA Bank for Q4 2019, Q1-Q3 2020 and adopted the Independent Auditor's Report on the Interim Financial Statements of ABA Bank for the abovementioned periods;
- approved to convene the Annual General Meeting of Shareholders for 2019;
- approved the resignation and appointment of directors and members of the Committees of the Board of Directors;
- approved the Loan Restructuring Policy;
- approved revisions to the Credit Policy;
- approved the updated AML/CFT Policy;
- approved the Anti-Bribery and Anti-Corruption Policy;
- approved the FATCA Policy;
- approved the establishment of the position of the Chief Risk and Compliance Officer in the organization structure;
- approved the Annual Plan and scope of Independent Penetration Test 2020-2021;
- approved the Capital Plan for ABA Bank for 2021;
- approved the indicative schedule of the meetings of the Board and its Committees for 2021.

## BOARD COMMITTEES

### 1. AUDIT COMMITTEE

No.	Name	Position	Number of Meetings Attended	Total Number of Meetings
1	Etienne Chenevier	Chairman	4	4
2	Henri Calvet	Member	4	
3	Christian St-Arnaud	Member	4	

### Results of Audit Committee Performance

In 2020, Audit Committee convened 4 meetings; the meetings were convened every quarter.

The following activities have been made by the Committee:

- Discussed and resolved internal audit findings;
- Reviewed implementation following recommendations from the Internal Audit Department and Audit Committee;
- Reviewed training report for internal auditors;
- Evaluated annual performance of the Head of the Internal Audit Division;
- Conducted meeting with external auditors;
- Approved internal audit control report 2019 for SERC;
- Reviewed and approved work plan of Internal Audit for 2020;
- Discussed on the new organization chart and scope of work of Internal Audit Department;
- Approved on the appointment of external auditors.

## 2. GOVERNANCE COMMITTEE

No.	Name	Position	Number of Meetings Attended	Total Number of Meetings
1	Yves Jacquot	Chairman	4	4
2	Dominic Jacques	Member	4	
3	Etienne Chenevier	Member	4	

### Results of Governance Committee Performance

In 2020, Governance Committee convened 4 meetings; the meetings were convened every quarter.

The following activities have been made by the Committee:

- Discussed on the composition of Board of Directors and memberships of Committees;
- Reviewed the information on Related Parties Transactions;
- Discussed on the schedule of the Board and its Committees meetings in 2020 and 2021;
- Discussed on and approved the nomination of new members of the Board of Directors;
- Discussed on the organization of Executive Management Committees of the Bank.

## 3. RISK MANAGEMENT COMMITTEE

No.	Name	Position	Number of Meetings Attended	Total Number of Meetings
1	Dominic Jacques	Chairman	4	4
2	Martin Ouellet	Member	4	
3	Etienne Chenevier	Member	4	
4	Guy Quaden	Member	4	

### Results of Risk Management Committee Performance

In 2020, Risk Management Committee convened 4 meetings; the meetings were convened every quarter.

The following activities have been made by the Committee:

- Discussed on the Risk Reports;
- Discussed on the annual update of Risk Appetite Metrics;
- Discussed on the implementation of IT Risk Management Framework from the NBC;
- Approved on the updated Credit Limits Policy for Interbank Operations;
- Approved on the Pandemic Business Contingency Plan;
- Discussed on Penetration Test reports;
- Approved on Penetration Test Annual Plan 2021;
- Evaluated annual performance of Head of Risk Management Department.

## 4. COMPLIANCE COMMITTEE

No.	Name	Position	Number of Meetings Attended	Total Number of Meetings
1	Henri Calvet	Chairman	4	4
2	Paolo Pizzuto	Member	1	
3	Dominic Jacques	Member	4	
4	Guy Quaden	Member	4	

### Results of Compliance Committee Performance

In 2020, Compliance Committee convened 4 meetings; the meetings were convened every quarter.

The following activities have been made by the Committee:

- Discussed on Compliance Risk Reports;
- Discussed on and approved the updated AML/CFT Policy of the Bank;
- Evaluated annual performance of Chief Compliance Advisor to the CEO and the Head of the Compliance Department;
- Discussed on and approved the Anti-Bribery and Anti-Corruption Policy;
- Discussed on Regulatory Compliance Risk Report;
- Discussed on FIU-Action Plan;
- Acknowledged the creation of the Chief Compliance Officer position in the organizational structure of ABA Bank;
- Approved the FATCA Policy.

## 5. CREDIT COMMITTEE

No.	Name	Position	Number of Meetings Attended	Total Number of Meetings
1	Christian St-Arnaud	Chairman	4	4
2	Dominic Jacques	Member	4	
3	Martin Ouellet	Member	4	
4	Henri Calvet	Member	4	

### Results of Credit Committee Performance

In 2020, Credit Committee convened 4 meetings; the meetings were convened every quarter.

The following activities have been made by the Committee:

- Discussed on the Credit Portfolio of the Bank;
- Discussed on the regulatory requirements for loans in KHR to be 10% of the total loan portfolio;
- Discussed on IFRS9 Impairment Provision Policy and IFRS9 Model Governance and Validation Framework;
- Discussed on and approved the revised Credit Policy of the Bank;
- Discussed on certain country limits.

### CHANGES OF COMMITTEE MEMBERSHIP

No.	Committee	Name	Reasons
1	Audit	Lionel Pimpin Paolo Pizzuto	Resigned Assigned as new member
2	Governance	N/A	N/A
3	Risk Management	N/A	N/A
4	Compliance	Lionel Pimpin Paolo Pizzuto	Resigned Assigned as new member
5	Credit	N/A	N/A

# 4

**Our Accomplishments**



## CUSTOMER SERVICE DEVELOPMENT

In 2020, ABA undertook strategic initiatives to increase the availability of its services and introduce state-of-art solutions to the customers.

As such, the Bank expanded its geographical presence via opening two new branches, partnership with other financial institutions, and the launch of the new network of self-banking spots called ABA 24/7. These self-banking spots are located at highly strategic locations and are equipped with ATMs, Cash-in Machines, Check Deposit Machines, and Cash Recycling Machines (CRM) to provide our customers round-the-clock access to their accounts and do more transactions without tellers.

In the reporting period, we installed 100 Cash Recycling Machines (CRM) that accept

deposits from customers and dispense this money to those who need to withdraw cash. The customers don't need to use their cards to interact with CRM; instead, they need to scan the QR code on the machine screen with their ABA Mobile app and initiate a cash deposit to any ABA account.

Additionally, we started deploying Check Deposit Machines (CDM) so that our clients can deposit checks issued by any Cambodian bank at their convenient time without queueing at a branch.

We believe that customer service is vital for sustainable business growth, and we take feedback and complaints seriously to ensure our customers always receive exemplary service across different touchpoints of the Bank. Thus,

our Complaint Resolution Unit (CRU) has continuously improved its procedures and standard of service to cope with the new demand of the customers. All the approaches taken made us a pioneer in the market in terms of providing innovative ways to serve our customers better.

Concurrently, the Bank entered strategic partnerships with the country's major Payment Service Providers – TrueMoney, Wing, and eMoney, which allow our loan borrowers to deposit funds through any of their 25,000+ agents across the country.

## ABA MOBILE APP ENHANCEMENT

ABA Mobile is the first full-scale mobile banking app in Cambodia. The number of transactions made via ABA Mobile increased from 38 million to 93 million in 2020 and the total amount of these transactions equaled almost 58 billion US Dollars.

In the reporting period, the Bank significantly expanded the list of services and features in ABA Mobile that allowed to increase the number of active users of the app 74% compared to the previous period.

In 2020, both domestic and international transfer services in the app received a few major updates. We introduced domestic transfers via National Clearing House and Project Bakong, which now allow moving money between local banks conveniently and quickly, and Visa Direct service that allows ABA Visa cardholders to send money

instantly to any Visa card issued by banks in Cambodia and eight other countries in the region. We also enabled Ria and MoneyGram, two of the most popular money transfer services globally for our customers to perform international instant money transfers in ABA Mobile easily.

We also launched the Instant Loan feature that helps customers solve their temporary money difficulties without breaking their Fixed Deposit with us and losing the accrued interest. The customer can borrow up to \$50,000 from the Bank and still keep their Fixed Deposit untouched with us.

In addition to the popular virtual card issuance in ABA Mobile, our customers could order a new plastic card or re-issue the expired plastic card by themselves. Additionally, we launched the

Special Account Number service that allows our customers to express their individuality via a unique bank account number that looks like their phone number or contains some lucky numbers.

Given the growing investment projects that Chinese investors run in the country, ABA introduced the Chinese language interface of the app.

All these services bring massive convenience to our customers and the Bank because they allow clients to make transactions without visiting our branches and spending time in queues. It is also crucial during this COVID-19 time when everyone needs to practice social distancing and minimize contact with cash.

## PAYWAY PLATFORM EXPANSION

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Thanks to its simplicity and continuous improvements, our award-winning PayWay e-commerce platform gained more popularity in the market. The total number of transactions through the platform grew four-fold during the year, having reached 1.2 million transactions by the end of 2020.

This year, PayWay received several critical features that enhanced both merchants and their customers experiences. We introduced Credentials on File, a feature that helps recurrence or future payments to be performed automatically for added convenience. PayWay merchants can store their customers' consent credit card or ABA account credentials for the subsequent regular or scheduled purchases with this feature.

We included the discount program feature so that PayWay merchants can run promotional

campaign with card scheme such as Visa, Mastercard, UPI according to their objectives, the customized discount can be enabled to the purchaser once a payment scheme is selected.

We also made the platform more flexible by introducing multiple payment delivery notifications. PayWay merchants can receive payment notification from their customers via a preferred messenger platform like Facebook Messenger, Telegram, WhatsApp, email or SMS which encourage merchants to accept payments using static QR Code.

Finally, the PayWay merchants can now generate QR payments and directly display them on their invoices, POS system or kiosk, or in their mobile app. We work with the most popular POS system vendors in Cambodia to use PayWay as the payment gateway for the POS systems of the major supermarkets and stores.

In November, we launched the PayWay Mobile application that helps businesses of any size accept cashless payments in USD and KHR using their smartphones by generating QR codes. This application solves merchants' daily routines related to keeping sales records while reducing cash contact.

Our payment gateway platform won the "Best eCommerce Payment Solution in Cambodia" award from Asia eCommerce magazine. The award was bestowed on PayWay for providing the best eCommerce payment solution to local businesses in Cambodia in 2020.

## INTERNET BANKING FOR BUSINESS

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In 2020, the Bank relaunched its Internet Banking for Business (IBB) platform. The platform was redesigned and rethought with the latest business landscape changes in mind. As more and more companies choose ABA as their banking partner, they raise the requirements for a reliable and helpful Internet Banking solution. The Bank has improved the platform by introducing a bunch of new services and features.

One of them, the Host-to-Host solution, was designed for a fully automated bulk payment file submission and account reconciliation.

The Host-to-Host solution optimizes the manual workflow and minimizes human errors. This feature is extremely convenient and timesaving for big enterprises and large corporate entities who already appreciated it.

The IBB platform is actively used by thousands of small companies too. To address their needs in safe and accessible banking, ABA Bank announced that business owners could link their ABA business accounts to their QuickBooks Online accounts to reconcile their transactions automatically.

QuickBooks is a widely used online accounting platform officially recognized by the General Department of Taxation, and thousands of businesses use it to run accounting and generate tax reports. With this integration, financial transactions can be automatically pulled from ABA business account into QuickBooks Online, reducing errors and improving processes.

## IT & CYBER SECURITY

ABA Bank takes serious measures to strengthen its cybersecurity to protect and maintain customers' trust, and to mitigate potential threats by continuously upgrading our network infrastructure and onboarding of the latest cyber security features.

In 2020, the Bank took proactive measures to review and validate its Information Security Risk Management to protect the confidentiality and integrity of the Bank's assets and conducted various external and internal penetration tests to learn and scan for exploitable vulnerabilities in our security systems while applying appropriate countermeasures.

With our partner, Tenable, ABA has moved forward in vulnerability management. While it is very challenging to assess vulnerabilities for all types of company's assets and from

different angles of attack, our partnership with the Tenable, the world's leading expert in end-to-end vulnerability management solution has helped the Bank's risk and security assessment, threats and misconfigurations identification, and vulnerability management more accurate, faster and easier.

Amid the COVID-19 outbreak, the exponential growth in mobile devices has liberated our workforce from their desks and provided the freedom to work remotely from their mobile devices in case of an emergency without jeopardizing the Bank's performance. Guests, visitors, partners, and organizations as non-employees were given access privileges to the company's network separated from those of employees. This network access control or NAC supports network visibility and access management so that we can respond timely to

cybersecurity alerts by automatically enforcing security policies that isolate compromised endpoints.

To ensure that we cover all security bases, we also repeatedly provided up-to-date security awareness reminders to our staff and conducted social engineering testing to assess our employees' adherence to the security policies and practices defined by the organization.

These ongoing IT and cybersecurity efforts were part of our continuous plan to monitor, prevent and detect fraud, and maintain security of our customers' information and the Bank's assets to ensure the most confident banking experience for our customers.

## INTERNATIONAL OPERATIONS

ABA's International Operations activities in 2020 continued receiving enhancements through existing relationships with correspondent banks and newly established ones to provide the best solutions for cross-border transactions for our customers. In spite of the COVID-19 restrictions and slowdown of businesses around the world, ABA managed to successfully grow its international business.

We continued to enhance our customer experience for mobile SWIFT transfers by increasing the transaction amounts as long as there are supporting documents, which can be attached directly in the ABA Mobile app. We also opened more correspondent accounts, adding Australian Dollars, Japanese Yen and Vietnamese

Dong to the list of available currencies. Thus, the number of incoming SWIFT transfers grew 40% comparing to 2019, while the number of outgoing transfers increased almost 50%.

For its operational excellence in processing international transfers and payments in US Dollars, ABA received the Quality Recognition Award 2020 from JP Morgan Chase Bank N.A. based on the quality and accuracy of MT103 SWIFT payment messages routed through JP Morgan.

Additional products introduced in ABA Mobile include MoneyGram and Ria Money Transfers so that customers can send and receive money between their partners and family without

coming to the bank branches. The number of instant transfers significantly increased, making a 57% growth year to year, thanks to adding these services to our mobile application.

In December, S&P Global Ratings Agency reaffirmed ABA's credit rating at 'B+' with Stable outlook, the highest possible notch in Cambodia. It also reflects S&P's view that the Bank can sustainably manage rapid loan and deposit growth despite turbulent times amid the COVID-19 pandemic and economic slowdown. The experts also noted that ABA's business franchise is strengthening, underpinned by its market share's significant growth.

## RISK MANAGEMENT IMPROVEMENTS

Embedded throughout the business, our Risk Management function ensures an integrated approach to managing current and emerging threats; as risk management plays an integral role in business development and execution, where our risk appetite framework facilitates risk-return discussions and sets boundaries to prudent risk-taking.

During 2020, we continued to advance and improve our risk management framework and systems according to the National Bank of Canada's standards as well as the regulatory requirements from the National Bank of Cambodia and international best practices.

Consequently, we implemented the following risk management activities:

- Established the role of the Chief Risk Officer, providing oversight on risks and frauds;
- Strengthened our Information Security Management to protect our customer's data; and
- Continued the Risk Self-Assessment Program in the bank departments to identify operational risks and opportunities to optimize the Bank's processes.

In anticipation of coming pandemic infection waves, we have reviewed and advanced the Bank's Business Continuity Plan to provide customers with reliable banking services during emergency and pandemic situations.

The Bank's growth strategy, balancing prudent risk taking with growth is supported by the continuous advancements and improvements of the risk management framework and systems. We monitored developments as an integral part of our risk management, internal controls and reporting cycles and then took the necessary actions to mitigate the identified risks.

## INTERNAL AUDIT STANDARDS

In 2020, ABA Internal Audit Department enhanced its activities by having upgraded to Division level and onboarded more qualified and experienced candidates. Being the subsidiary of National Bank of Canada, the Bank is committed to fully comply with the IIA standards and best practices. Therefore, the quality control function created inside the Internal Audit Division is to review and challenge the works performed by the Internal Audit staff, including the management's activities and decisions.

To further strengthen the Internal Audit Division competencies and functions, the position of the Chief Audit Advisor was introduced to the Bank, and the representative of National Bank of Canada was appointed there to facilitate the continuous training and coaching by sharing best practices from Canadian banks' auditing standards.

To maintain the high quality of the auditing compliance, ABA regularly updates the

procedures to accustom with the change in the institution and adopts the best practices and methodology of audit risk-based approaches, which ensure proper and adequate audit objectives and scope of each audit mandates.

In 2020, the Division conducted 39 planned audits along with other 77 surprised auditing activities at the Bank's Head Office and in branches.

## COMPLIANCE DEVELOPMENT

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The COVID-19 pandemic has triggered a global health and economic crisis, presenting banks with new operational challenges. Amid the trying times, the Cambodian government encouraged the development of the digital economy and promote the use of digital technologies in the public sector to boost efficiency, fairness, transparency, and convenience for the people.

With the boost of the Bank's digital finance solutions and rapid growth of remote banking and self-banking transactions, ABA paid extra attention to the compliance of these channels with the regulatory requirements

including the regulation on the Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT), as well as applicable laws, and other prescribed practices.

The Bank kept investing further in human resources and technology for the Compliance Division to proactively develop, implement and maintain appropriate policies, frameworks and procedures to be on track with the evolving regulatory obligations.

We also maintained the minimum expectations from all employees and an AML/CFT policy

to detect and deter individuals and criminal organizations from using our products and services to recycle funds. Presently, the ABA's compliance policies and practices are in line with that of National Bank of Canada and conform to the international standards.

In 2020, we continued our achievements to better manage regulatory risks, enhanced the compliance risk management tools, re-engineered the automated compliance systems, and revised the scope of responsibilities and work processes to improve its efficiency.

## STRATEGIC HUMAN RESOURCES MANAGEMENT

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ABA Bank perceives its employees as the most precious asset and driver of its business operations and continuous growth. By the end of 2020, our employee internal movement grew up significantly to 1,845 among the 6,145 staff.

With this performance, the Bank has adapted to the new normal caused by the COVID-19 pandemic by diverting various learning platforms to virtual training to assure every employee continuously improves his/her knowledge, skills, capabilities and expertise on our products and services. On the strength of these implementations, they are able to respond timely to business expectations and increase the Bank's productivities with the high-level of customer satisfaction.

In 2020, we conducted 1,449 virtual training courses on hard skills and soft skills with the average scoring of 91 out of 100. Furthermore, we hosted a series of Career Talk events to attract professionals and freshmen with more than 1,500 participants through our digital platforms.

Another major milestone is our Internship Program which is structured with hands-on professional banking experiences in many various fields such as sales, lending and collaterals, project management, accounting, IT, Human Resources, and others.

We aim to attract, develop, and retain ambitious and competent personnel, and we stand by to build their career aspiration with ABA Bank. In addition, we harmoniously promote our transparency culture, as well as the safe and healthy working environment according to our Core Values.

The Bank's remuneration system remains attractive in the market, and we consistently practice performance management driven by KPIs (Key Performance Indicators) aligned with the Bank's strategic goals.



## CORPORATE SOCIAL RESPONSIBILITY

Following its Corporate Mission and Values, ABA continued to implement its CSR strategy, where the Bank sees itself making a positive contribution to local communities by playing a beneficial role in the lives of its customers and the future of the country.

In 2020, Cambodia experienced significant negative impact from the global COVID-19 outbreak. As a result, the Bank's sponsorship and CSR activities were channeled mostly to aid communities affected by the economic slowdown due to the pandemic while continuing other efforts at promoting children's well-being, facilitation of fintech and entrepreneurship movements, and others. At the same time, some initiatives were modified or even canceled due to the new requirements on social distancing and prevention of the spread of the virus.

In the wake of the pandemic, ABA launched an anti-COVID-19 fundraising campaign in ABA Mobile to raise a total of \$9,000 from its customers which the Bank doubled it to \$18,000 for the Ministry of Health to combat the disease. The Bank also donated medical equipment and cash to support the Khmer-Soviet Friendship Hospital in treating COVID-19 patients through the Association of Banks in Cambodia (ABC).

Collaborating with CBN Cambodia, a registered NGO in Cambodia, ABA delivered urgent food aid as well as liquid handwash to more than 400 families from several communities in Phnom Penh and several provinces, whose main income was lost due to the outbreak impacts on the garment, manufacturing and construction industries.

In 2020, the country was also hit by severe floods that prompted the Bank to donate emergency food supplies to families displaced by the natural disaster. The donation was made through the Cabinet of the Prime Minister. Additionally, the Bank donated \$30,000 through the National Bank of Cambodia (NBC) to help those affected by the natural disaster that hit several provinces. To help the Royal Government purchase vaccine against COVID-19 for Cambodians, ABA Bank donated \$100,000 via the initiative launched by Prime Minister Hun Sen. Additionally, the ABA Mobile application has played its crucial role in gathering the funds from ABA customers directly to the Government for this event.



ABA continued to support the International Tennis Federation (ITF) Junior Tournament. It aims at junior tennis players at the age of 13 – 18 years on their path to becoming professional players. However, due to travel restrictions for athletes and new health protocols implemented, the event was postponed in the second half of the year.

To improve financial inclusion in the country, ABA contributed its digital finance expertise via mentorship sessions in the Reverse Innovation program by Techo Startup Center to offer opportunities to local startups and innovators. Also, ABA provided access to its cutting-edge online payment gateway, PayWay, so tech entrepreneurs can explore and move their ideas forward on innovative solutions in the digital era.

ABA also became one of the sponsors of the satellite event of Singapore Fintech Festival 2020. It featured international and local speakers and panel discussions on subjects ranging from the rise of digital currencies, the impact of 5G in accelerating fintech development, and how fintech can support industries most harshly affected by the pandemic.





## TAX PAYMENT RESPONSIBILITY

ABA fully complies with the local tax regulation and timely pays to the state budget, contributing to the Cambodian society and economic growth.

In 2020, ABA paid approximately USD 46.6 million in direct taxes. In this regard, the Bank was honored to receive the Appreciation Letter from Samdech Hun Sen, Prime Minister of Cambodia, which praises ABA Bank as the 12<sup>th</sup> largest taxpayer in Cambodia.





For good practice on tax compliance, ABA Bank in December 2020 was awarded Gold Certificate of tax compliance from the General Department of Taxation with the 2-year validity period for financial years 2021-2022.



# 5

**Audited Financial Statements**

## CORPORATE INFORMATION

BANK	Advanced Bank of Asia Limited	
REGISTRATION NO.	00010593	
REGISTERED OFFICE	No. 141, 146, 148, and 148 ABCD Preah Sihanouk Blvd., and No. 15 and 153 ABC, Street 278, and No. 171, Street Preah Trasak Paem, Phum 4, Sangkat Boeng Keng Kang Ti Muoy, Khan Boeng Keng Kang, Phnom Penh, Kingdom of Cambodia	
SHAREHOLDERS	National Bank of Canada Natcan Trust Company	
BOARD OF DIRECTORS	Mr. Yves Jacquot Mr. Dominic Jacques Mr. Madi Akmambet Mr. Christian St-Arnaud Mr. Martin Ouellet Mr. Paolo Pizzuto Mr. Etienne Chenevier Mr. Henri Calvet Mr. Guy Quaden	Chairman Director Executive Director Director Director Director Independent Director Independent Director Independent Director
KEY MANAGEMENT TEAM	Mr. Askhat Azhikhanov Mr. Madi Akmambet Mr. Lee Young Ho Mr. Babu Ram Gyawali Mr. Bibhu Pandey Mr. Rasulov Zokhir Mr. Galymzhan Temirov Mr. Sanzhar Abdullayev Mr. Zhiger Atchabarov Mr. Torsten Kleine Buening Mr. Igor Zimarev Mr. Mey Polin	Chief Executive Officer Executive Director Deputy Chief Executive Officer Chief Financial Officer Chief Credit Officer Chief Digital Officer Chief Information Officer Chief Card and E-Payment Officer Chief International Operations Officer Chief Risk Officer and Compliance Advisor to CEO Chief Marketing Officer and Corporate Secretary Chief Business Development Officer
AUDITORS	Deloitte (Cambodia) Co., Ltd	

# REPORT OF THE BOARD OF DIRECTORS

The Board of Directors ("BOD" or "Directors") has pleasure in submitting its report together with the audited financial statements of Advanced Bank of Asia Limited (the "Bank") for the year ended 31 December 2020.

## PRINCIPAL ACTIVITIES

The Bank is principally engaged in all aspects of banking business and the provision of related financial services in the Kingdom of Cambodia. There were no significant changes to these principal activities during the year.

## FINANCIAL RESULTS

The financial results of the Bank for the year ended 31 December 2020 were as follows:

	Year ended 31 December 2020		Year ended 31 December 2019	
	US\$	KHR'000	US\$	KHR'000
Profit before tax	188,870,923	770,026,754	142,292,740	576,997,061
Income tax expense	(37,462,774)	(152,735,730)	(14,881,364)	(60,343,931)
<b>Net profit for the year</b>	<b>151,408,149</b>	<b>617,291,024</b>	<b>127,411,376</b>	<b>516,653,130</b>

## RESERVES AND PROVISIONS

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

## DIVIDENDS

No dividends were declared or paid during the year (2019: nil).

## SHARE CAPITAL

The Bank issued additional shares as follows during the year:

	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
Balance at the beginning of the year	215,000,000	876,125,000	165,000,000	662,970,000
Issued share capital (*)	120,000,000	485,400,000	50,000,000	203,750,000
Currency translation differences	–	(6,450,000)	–	9,405,000
	<b>335,000,000</b>	<b>1,355,075,000</b>	<b>215,000,000</b>	<b>876,125,000</b>

(\*) On 2 January 2020, National Bank of Cambodia issued an approval letter allowing the Bank to increase its registered capital by US\$120,000,000 by issuing additional 120,000 shares to National Bank of Canada with a par value of US\$1,000 per share.

On 12 November 2020, the Bank obtained an approval from the National Bank of Cambodia on a share transfer of Mr. Damir Karassayev to Natcan Trust Company, a company incorporated in Canada. The detail of new shareholdings was as follows:

	31 December 2020			31 December 2019		
	% of Ownership	Number of shares	US\$	% of Ownership	Number of shares	US\$
National Bank of Canada	99.99%	334,999	334,999,000	99.99%	214,999	214,999,000
Natcan Trust Company	0.01%	1	1,000	–	–	–
Mr. Damir Karassayev	–	–	–	0.01%	1	1,000
	100%	335,000	335,000,000	100%	215,000	215,000,000

## WRITTEN OFF OF AND ALLOWANCE FOR FINANCIAL ASSETS

Before the financial statements were prepared, the Directors took reasonable steps to ascertain that action had been taken in relation to write off of financial assets that have no reasonable expectations of recovering the contractual cash flows in their entirety or a portion thereof and making of 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 made.

At the date of this report and on the best of knowledge, the Directors are not aware of any circumstances, except the high uncertainty related to COVID-19 as discussed below and in Notes 3.2 and 36, which would render the amount of the allowance for expected credit losses on financial assets in the financial statements of the Bank inadequate to any material extent.

## ASSETS

Before the financial statements of the Bank were prepared, the Directors took reasonable steps to ascertain that management took appropriate actions so that any assets, which were unlikely to be realised in the ordinary course of business at their values as shown in the accounting records of the Bank had been written down to amounts which they might be expected to realise.

At the date of this report, the Directors are not aware of any circumstances, which would render the values attributable to the assets in the financial statements of the Bank misleading.

## VALUATION METHODS

At the date of this report, the Directors are not aware of any circumstances which have arisen which 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, the Directors are not aware of:

- (a) any charge on the assets of the Bank which has arisen since the end of the year which secures the liabilities of any other person except as disclosed in the financial statements; and
- (b) any contingent liability in respect of the Bank that has arisen since the end of the year other than in the ordinary course of its business operations.

At the date of this report, the Directors are not aware that any 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 year which, in the opinion of the Directors, will or may substantially affect the ability of the Bank to meet its obligations as and when they fall due.

The Bank is principally engaged in all aspects of banking business and the provision of related financial services in Cambodia.

## CHANGE OF CIRCUMSTANCES

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

## ITEMS OF AN UNUSUAL NATURE

To the best knowledge of the Directors:

- The results of the operations of the Bank for the year were not substantially affected by any item, transaction or event of a material and unusual nature except the impact of the pandemic Coronavirus (COVID-19) as described below and in Notes 3.2 and 36.
- There has not arisen in the interval between the end of the year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Bank for the current year in which this report is made.

## IMPACT OF COVID-19

The impact of the Coronavirus ("COVID-19") pandemic has spread across various geographies globally. The World Health Organisation declared an international health emergency due to the outbreak of COVID-19 in January 2020 and has characterized the spread of COVID-19 as a global pandemic since March 2020. The continuing spread of COVID-19 has caught the world off-guard, with significant implications for personal health and business continuity.

To support the economy and the financial sector, the NBC and the Royal Government of Cambodia have taken numerous steps primarily to help businesses during this unprecedented time such as loan restructuring directive and establishment of SME Bank to facilitate the SME Co-Financing Scheme (SCFS).

The Bank has performed assessment of COVID-19 impact in light of the available guidance of the NBC and CIFRSs and estimated expected credit losses based on the reviewed and enhanced ECL Model.

The Bank will continue to monitor the potential impact of COVID-19 and will take all steps to mitigate any effects on the Bank's operations in future.

## EVENTS AFTER THE REPORTING PERIOD

At the date of this report, to the best knowledge of the Directors, there have been no significant events occurring after reporting date which would require adjustments or disclosures other than those disclosed in the financial statements.

## THE BOARD OF DIRECTORS

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

- |                           |                      |
|---------------------------|----------------------|
| ■ Mr. Yves Jacquot        | Chairman             |
| ■ Mr. Dominic Jacques     | Director             |
| ■ Mr. Madi Akmambet       | Executive Director   |
| ■ Mr. Christian St-Arnaud | Director             |
| ■ Mr. Martin Ouellet      | Director             |
| ■ Mr. Paolo Pizzuto       | Director             |
| ■ Mr. Etienne Chenevier   | Independent Director |
| ■ Mr. Henri Calvet        | Independent Director |
| ■ Mr. Guy Quaden          | Independent Director |

## DIRECTORS' INTERESTS

There were no Directors who held office at the end of the year who had any interests in the shares of the Bank.

## DIRECTORS' BENEFITS

During and at the end of the year, no arrangement existed to which the Bank is a party with the objective of enabling Directors of the Bank to acquire benefits by means of the share purchase option.

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive any benefit by reason of a contract made by the Bank other than as disclosed in the financial statements.

## THE BOARD OF DIRECTOR'S RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for ascertaining that the financial statements present fairly, in all material respects, 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 the preparation of these financial statements by management who are required to:

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

Management is responsible for ensuring that the above requirements have been fulfilled and 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 Directors confirm that the Bank has complied with the above requirements in preparing the financial statements.

## STATEMENT OF THE BOARD OF DIRECTORS

The accompanying financial statements, together with the notes thereto, present fairly, in all material respects, 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, and at the date of this statement, there are reasonable grounds to believe that the Bank will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors

### Mr. Askhat Azhikhanov

*Chief Executive Officer*

Phnom Penh, Kingdom of Cambodia

Date: 25 March 2021

# INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ADVANCED BANK OF ASIA LIMITED



## OPINION

We have audited the financial statements of Advanced Bank of Asia Limited (the "Bank"), which comprise the statement of financial position as at 31 December 2020, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 49 to 117.

In our opinion, the accompanying financial statements present fairly, in all material respects, 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 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.

## KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
<b>Allowance for impairment losses on loans to customers</b>  Refer to Note 2.4 for the Bank's accounting policy on impairment of loans to customers, Note 3 on critical accounting judgements and estimation uncertainty and Note 33.1 for the Bank's credit risk disclosures.  Loans to customers constitute approximately 62% of the Bank's total assets. The Bank's loan portfolio mainly comprises loans to customers in wholesale and retail trade, non-financial services and residential real estate operations sectors. The customers comprise of both corporates and individuals.  The Bank adopted CIFRS 9 – "Financial Instruments" in 2019. CIFRS 9 introduces an expected credit loss ("ECL") impairment model, which requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. This complex accounting standard requires considerable judgement and interpretation in its implementation, especially during this unprecedented era – COVID-19 pandemic, which brings about a high degree of estimation uncertainty.	<p>Our audit procedures include the following:</p> <ul style="list-style-type: none"><li>■ We obtained an understanding, evaluated the design and implementation, and tested the operating effectiveness of the key controls over the allowance for impairment losses. These controls, among others, included:<ul style="list-style-type: none"><li>– Loan applications and credit reviews;</li><li>– Identification of significant increase in credit risk;</li><li>– Subsequent annual review of the credit worthiness of the borrower;</li><li>– Accuracy of data inputs.</li></ul></li><li>■ We assessed whether the methodology and assumptions, including the triggers of significant increase in credit risk, used in expected credit loss model are consistent with the requirements of CIFRSs, incorporating consideration of COVID-19 impacts.</li><li>■ We tested a sample of loan reviews for the appropriateness of the loan grading and staging, and challenged management's evaluations and conclusions on the credit worthiness and classifications of the selected loans.</li></ul>



## Key audit matter

## How our audit addressed the key audit matter

The significant judgements in applying the accounting requirements for measuring the ECL include the following:

- Building the appropriate collective assessment models used to calculate the ECL. The models are inherently complex, and judgement is applied in determining the appropriate construct of the models;
- Timely identification of loans to customers and financing that have experienced a significant increase in credit risk;
- Assumptions used in the ECL models such as expected future cash flows, forward-looking macroeconomic factors and data sets; and
- Effects of COVID-19 pandemic in relation to the significant judgements listed above.

- We evaluated the process used by management to develop forward-looking information. For a sample of significant forward-looking information variables, we compared it to independently derived forecasts and publicly available information.
- We tested the accuracy of key inputs into the ECL model by comparing against source systems and documents.
- We re-computed the ECL to test the mathematical accuracy of the ECL model.
- We assessed the adequacy of disclosures to ensure compliance with CIFRS 9.

We involved our specialists in the performance of the above procedures, when necessary, where their specific expertise was required.

## INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

Management is responsible for the other information. The other information comprises the Corporate Information and the Report of the Board of Directors set out on page 41 and pages 42 to 45, respectively but does not include the financial statements and our auditor's report thereon.

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

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

## RESPONSIBILITIES OF MANAGEMENT AND THE BOARD OF DIRECTORS FOR THE FINANCIAL STATEMENTS

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

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

The Board of Directors 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 judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, 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.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

For Deloitte (Cambodia) Co., Ltd.

## Ung Kimsopheaktra

*Partner*

Phnom Penh, Kingdom of Cambodia

Date: 25 March 2021

# STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Note	31 December 2020		31 December 2019	
		US\$	KHR'000	US\$	KHR'000
<b>Assets</b>					
Cash on hand	4	378,101,373	1,529,420,054	251,750,205	1,025,882,085
Balances with the NBC	5	1,481,626,701	5,993,180,006	1,151,654,239	4,692,991,024
Balances with other banks	6	325,956,497	1,318,494,030	93,411,689	380,652,633
Loans to customers	7	3,814,599,414	15,430,054,630	2,758,070,913	11,239,138,970
Investment securities	8	7,434,086	30,070,878	33,285,434	135,638,144
Property and equipment	9	41,731,890	168,805,495	40,448,758	164,828,689
Right-of-use assets	10	33,719,074	136,393,654	34,537,031	140,738,401
Intangible assets	11	8,931,430	36,127,634	7,174,737	29,237,053
Deferred tax assets, net	12(b)	5,668,114	22,927,521	2,191,391	8,929,918
Other assets	13	30,514,392	123,430,716	22,363,972	91,133,185
<b>Total Assets</b>		<b>6,128,282,971</b>	<b>24,788,904,618</b>	<b>4,394,888,369</b>	<b>17,909,170,102</b>
<b>Liabilities</b>					
Deposits from customers	14	4,871,468,376	19,705,089,581	3,395,343,449	13,836,024,555
Debt securities in issue	15	21,282,088	86,086,046	20,939,337	85,327,798
Borrowings	16	242,004,091	978,906,548	279,856,458	1,140,415,066
Subordinated debts	17	117,023,035	473,358,177	128,000,000	521,600,000
Current tax liabilities	12(a)	36,217,048	146,497,959	12,231,453	49,843,171
Lease liabilities	18	35,721,902	144,495,094	36,513,407	148,792,134
Other liabilities	19	36,778,120	148,767,495	25,624,103	104,418,220
<b>Total Liabilities</b>		<b>5,360,494,660</b>	<b>21,683,200,900</b>	<b>3,898,508,207</b>	<b>15,886,420,944</b>
<b>Equity</b>					
Share capital	20	335,000,000	1,355,075,000	215,000,000	876,125,000
Regulatory reserves	21	42,141,887	170,463,933	33,661,778	137,171,744
Retained earnings		390,646,424	1,592,441,398	247,718,384	999,343,312
Currency translation differences		–	(12,276,613)	–	10,109,102
<b>Total Equity</b>		<b>767,788,311</b>	<b>3,105,703,718</b>	<b>496,380,162</b>	<b>2,022,749,158</b>
<b>Total Liabilities and Equity</b>		<b>6,128,282,971</b>	<b>24,788,904,618</b>	<b>4,394,888,369</b>	<b>17,909,170,102</b>

The accompanying notes from pages 54 to 117 form an integral part of these financial statements.

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Year ended 31 December 2020		Year ended 31 December 2019	
		US\$	KHR'000	US\$	KHR'000
Interest income	22	354,791,877	1,446,486,483	273,280,124	1,108,150,902
Interest expense	22	(58,991,424)	(240,508,036)	(50,986,374)	(206,749,747)
<b>Net interest income</b>		295,800,453	1,205,978,447	222,293,750	901,401,155
Fee and commission income	23	40,439,052	164,870,015	31,684,542	128,480,818
Fee and commission expense	23	(16,108,850)	(65,675,781)	(13,905,227)	(56,385,695)
<b>Net fee and commission income</b>		24,330,202	99,194,234	17,779,315	72,095,123
Other operating income	24	3,383,117	13,792,968	1,702,893	6,905,231
Personnel expenses	25	(71,914,067)	(293,193,651)	(57,847,295)	(234,570,781)
Operating expenses	26	(29,411,234)	(119,909,601)	(24,801,512)	(100,570,131)
Depreciation and amortisation	27	(19,619,284)	(79,987,821)	(14,714,186)	(59,666,024)
<b>Operating profit</b>		202,569,187	825,874,576	144,412,965	585,594,573
Net impairment losses on financial assets	28	(13,698,264)	(55,847,822)	(2,120,225)	(8,597,512)
<b>Profit before tax</b>		188,870,923	770,026,754	142,292,740	576,997,061
Income tax expense	12(c)	(37,462,774)	(152,735,730)	(14,881,364)	(60,343,931)
<b>Profit for the year</b>		151,408,149	617,291,024	127,411,376	516,653,130
Other comprehensive income		–	(22,385,715)	–	13,278,498
<b>Total comprehensive income for the year</b>		151,408,149	594,905,309	127,411,376	529,931,628
<b>Profit attributable to shareholders</b>		151,408,149	617,291,024	127,411,376	516,653,130
<b>Total comprehensive income attributable to shareholders</b>		151,408,149	594,905,309	127,411,376	529,931,628

The accompanying notes from pages 54 to 117 form an integral part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital	Regulatory reserves	Retained earnings	Currency translation differences	Total
	US\$	US\$	US\$	US\$	US\$
<b>Year ended 31 December 2019</b>					
At 1 January 2019	165,000,000	21,321,874	132,646,912	-	318,968,786
Issuance of share capital	50,000,000	-	-	-	50,000,000
Profit for the year	-	-	127,411,376	-	127,411,376
	215,000,000	21,321,874	260,058,288	-	496,380,162
Transfers from retained earnings to regulatory reserves	-	12,339,904	(12,339,904)	-	-
<b>At 31 December 2019</b>	<b>215,000,000</b>	<b>33,661,778</b>	<b>247,718,384</b>	<b>-</b>	<b>496,380,162</b>
<b>In KHR'000 equivalent</b>	<b>876,125,000</b>	<b>137,171,744</b>	<b>999,343,312</b>	<b>10,109,102</b>	<b>2,022,749,158</b>
<b>Year ended 31 December 2020</b>					
At 1 January 2020	215,000,000	33,661,778	247,718,384	-	496,380,162
Issuance of share capital	120,000,000	-	-	-	120,000,000
Profit for the year	-	-	151,408,149	-	151,408,149
	335,000,000	33,661,778	399,126,533	-	767,788,311
Transfers from retained earnings to regulatory reserves	-	8,480,109	(8,480,109)	-	-
<b>At 31 December 2020</b>	<b>335,000,000</b>	<b>42,141,887</b>	<b>390,646,424</b>	<b>-</b>	<b>767,788,311</b>
<b>In KHR'000 equivalent</b>	<b>1,355,075,000</b>	<b>170,463,933</b>	<b>1,592,441,398</b>	<b>(12,276,613)</b>	<b>3,105,703,718</b>

The accompanying notes from pages 54 to 117 form an integral part of these financial statements.

# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Year ended 31 December 2020		Year ended 31 December 2019	
		US\$	KHR'000	US\$	KHR'000
<b>Cash flows from operating activities</b>					
Profit before tax		188,870,923	770,026,754	142,292,740	576,997,061
<b>Adjustments for:</b>					
Depreciation and amortisation	27	19,619,284	79,987,821	14,714,186	59,666,024
Net impairment losses on financial assets	28	13,698,264	55,847,822	2,120,225	8,597,512
(Gains)/losses on disposals of property and equipment		(21,726)	(88,577)	79,128	320,864
Net interest income	22	(295,800,453)	(1,205,978,447)	(222,293,750)	(901,401,155)
		<b>(73,633,708)</b>	<b>(300,204,627)</b>	<b>(63,087,471)</b>	<b>(255,819,694)</b>
<b>Changes in:</b>					
Balances with the NBC		(615,873,532)	(2,510,916,390)	(412,313,845)	(1,671,932,641)
Balances with other banks		(190,071,073)	(774,919,765)	7,808,124	31,661,943
Loans to customers		(1,061,689,608)	(4,328,508,532)	(924,310,219)	(3,748,077,938)
Other assets		(9,381,355)	(38,247,784)	1,894,883	7,683,751
Deposits from customers		1,474,244,412	6,010,494,468	1,207,115,589	4,894,853,713
Other liabilities		11,038,531	45,004,090	10,953,327	44,415,741
<b>Cash used in operations</b>		<b>(465,366,333)</b>	<b>(1,897,298,540)</b>	<b>(171,939,612)</b>	<b>(697,215,125)</b>
Interest received		347,056,762	1,414,950,419	266,121,394	1,079,122,252
Interest paid		(54,274,722)	(221,278,042)	(45,792,636)	(185,689,139)
Income tax paid		(16,953,902)	(69,121,058)	(20,748,310)	(84,134,397)
<b>Net cash (used in)/from operating activities</b>		<b>(189,538,195)</b>	<b>(772,747,221)</b>	<b>27,640,836</b>	<b>112,083,591</b>

	Note	Year ended 31 December 2020		Year ended 31 December 2019	
		US\$	KHR'000	US\$	KHR'000
<b>Cash flows from investing activities</b>					
Purchase of investment securities		(4,238,128)	(17,278,848)	(252,599,231)	(1,024,289,882)
Sale proceeds from investment securities		29,813,431	121,549,358	252,611,049	1,024,337,804
Purchases of property and equipment		(12,993,514)	(52,974,556)	(20,384,963)	(82,661,025)
Purchases of intangible assets		(2,937,580)	(11,976,514)	(5,374,833)	(21,794,948)
Proceeds from disposals of property and equipment		22,882	93,290	57,355	232,575
<b>Net cash from/(used in) investing activities</b>		<b>9,667,091</b>	<b>39,412,730</b>	<b>(25,690,623)</b>	<b>(104,175,476)</b>
<b>Cash flows from financing activities</b>					
Issuance of share capital		120,000,000	489,240,000	50,000,000	202,750,000
Proceeds from debt securities in issue		–	–	20,326,748	82,424,963
Proceeds from borrowings		545,241,602	2,222,950,011	498,527,607	2,021,529,446
Repayments of borrowings		(583,788,033)	(2,380,103,811)	(300,873,417)	(1,220,041,706)
Proceeds from subordinated debts		–	–	40,000,000	162,200,000
Repayments of subordinated debts		(11,000,000)	(44,847,000)	(5,000,000)	(20,275,000)
Principal elements of lease payments		(7,243,776)	(29,532,875)	(6,181,011)	(25,064,000)
<b>Net cash from financing activities</b>		<b>63,209,793</b>	<b>257,706,325</b>	<b>296,799,927</b>	<b>1,203,523,703</b>
Net increase in cash and cash equivalents		(116,661,311)	(475,628,166)	298,750,140	1,211,431,819
Cash and cash equivalents at the beginning of the year		711,881,699	2,900,917,923	413,131,559	1,659,962,604
Currency translation differences		–	(17,623,287)	–	29,523,500
<b>Cash and cash equivalents at the end of the year</b>	<b>29</b>	<b>595,220,388</b>	<b>2,407,666,470</b>	<b>711,881,699</b>	<b>2,900,917,923</b>

The accompanying notes from pages 54 to 117 form an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

## 1. REPORTING ENTITY

Advanced Bank of Asia Limited ("the Bank") was incorporated in Cambodia on 25 October 1996 under the Registration No. Co. 322/97E (renewed to No. 00010593) dated 25 October 1996, granted by the Ministry of Commerce. On 28 November 2006, the Bank was granted a permanent banking licence No. 14 from the National Bank of Cambodia ("NBC").

The Bank is principally engaged in all aspects of banking business and the provision of related financial services in the Kingdom of Cambodia. There have been no significant changes in the nature of these principal activities during the year.

The registered office of the Bank is located at No. 141, 146, 148, and 148 ABCD Preah Sihanouk Blvd., and No. 15 and 153 ABC, Street 278, and No. 171, Street Preah Trasak Paem, Phum 4, Sangkat Boeng Keng Kang Ti Muoy, Khan Boeng Keng Kang, Phnom Penh, Kingdom of Cambodia.

The financial statements of the Bank were authorised for issue by the Board of Directors on 25 March 2021.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of accounting

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

The financial statements have been prepared on a historical cost basis, except as disclosed in the accounting policies below. Historical cost is generally based on fair value of the consideration given in exchange for goods and services.

"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 fair value of a liability reflects its non-performance risk.

When one is available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as "active" if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted price in an active market, then the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

### 2.2 Adoption of new and revised Standards

#### *New and amended CIFRS Standards that are effective for the current year*

The Bank adopted all the new and revised standards that are relevant to its operations. The adoption of these new/revised standards does not result in changes to the Bank's accounting policies and has no material effect on the disclosures or on the amounts reported for the current or prior years.

Amendments to CIFRS 3	Definition of a Business
Amendments to CIAS 1 and CIAS 8	Definition of Material
Conceptual Framework	Amendments to References to the Conceptual Framework in CIFRS Standards
Amendments to CIFRS 16	COVID-19-Related Rent Concessions
Amendments to CIFRS 9, CIAS 39 and CIFRS 7	Interest Rate Benchmark Reform



### *New and revised CIFRS Standards in issue but not yet effective*

CIFRS 17	Insurance Contracts
CIFRS 10 and CIAS 28 (amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to CIAS 1	Classification of Liabilities as Current or Non-current
Amendments to CIFRS 3	Reference to Conceptual Framework
Amendments to CIAS 16	Property, Plant and Equipment (PPE) – Proceeds before Intended Use
Amendments to CIAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to CIFRS standards 2018–2020 Cycle	<ul style="list-style-type: none"> <li>▪ Amendments to CIFRS 1, First-time Adoption of CIFRSs;</li> <li>▪ Amendments to CIFRS 9, Financial Instruments;</li> <li>▪ Amendments to Illustrative Examples accompanying CIFRS 16.</li> </ul>

Management does not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Bank in future periods.

## **2.3 Functional and presentation currency**

The Bank transacts its business and maintains its accounting records in two main currencies, Khmer Riel ("KHR") and United States Dollars ("US\$"). Management have 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.

Transactions in currencies other than US\$ are translated into US\$ at the exchange rate ruling at the dates of the transactions. Monetary assets and liabilities denominated in currencies other than US\$ at the reporting date are translated into US\$ at the rates of exchange ruling at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on translation are recognized in profit or loss.

### ***Presentation in Khmer Riel***

The translation of the US\$ amounts into Khmer Riel ("KHR") is presented in the financial statements to comply with the Law on Accounting and Auditing dated 11 April 2016 using the closing and average rates for the year, as announced by the National Bank of Cambodia.

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

The financial statements presented in KHR are based on the following applicable exchange rates per US\$1:

	Closing rate	Average rate
31 December 2020	4,045	4,077
31 December 2019	4,075	4,055

### ***Rounding of amounts***

Amounts in the financial statements have been rounded off to the nearest dollar and thousand Khmer Riel ("KHR'000") for US\$ and KHR amounts, respectively.

## **2.4 Financial instruments**

Financial assets and financial liabilities are recognised in the Bank's statement of financial position when the Bank becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

## **Financial assets**

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs. For all financial assets the amount presented on the statement of financial position represent all amounts receivable including interest accruals.

### **Classification and subsequent measurement**

A financial asset is measured at amortised cost if it meets both of the following conditions:

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

### **Impairment of financial assets**

The Bank recognises loss allowances for expected credit losses ("ECL") on the following financial instruments:

- Balances with other banks;
- Loans to customers;
- Debt investment securities;
- Rental deposits;
- Loan commitments issued; and
- Financial guarantee contracts issued.

No impairment loss is recognised on equity investments.

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL. More details on the determination of a significant increase in credit risk are provided in Note 33.1.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Bank under the contract and the cash flows that the Bank expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's effective interest rate ("EIR").

- For undrawn loan commitments, the ECL is the difference between the present value of the difference between the contractual cash flows that are due to the Bank if the holder of the commitment draws down the loan and the cash flows that the Bank expects to receive if the loan is drawn down; and
- For financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Bank expects to receive from the holder, the debtor or any other party.

The Bank measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR, regardless of whether it is measured on an individual basis or a collective basis.

More information on measurement of ECL is provided in Note 33.1, including details on how instruments are grouped when they are assessed on a collective basis.

### **Credit impaired financial assets**

A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as default or past due event;
- The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider; or
- The disappearance of an active market for a security because of financial difficulties.

It may not be possible to identify a single discrete event—instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Bank assesses whether debt instruments that are financial assets measured at amortised cost are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Bank considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default. Please see below for definition of default.

### **Definition of default**

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the Probability of Default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk (please refer to Note 33.1).

The Bank considers the following as constituting an event of default:

- the borrower is past due more than 90 days on any material credit obligation to the Bank; or
- the borrower is unlikely to pay its credit obligations to the Bank in full.

This definition of default is used by the Bank for accounting purposes as well as for internal credit risk management purposes and is broadly aligned to the regulatory definition of default.

When assessing if the borrower is unlikely to pay its credit obligation, the Bank takes into account both qualitative and quantitative indicators. The information assessed depends on the type of the asset, for example in corporate lending a qualitative indicator used is the breach of covenants, which is not relevant for retail lending. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis. The Bank uses a variety of sources of information to assess default which are either developed internally or obtained from external sources. More details are provided in Note 33.1. As noted in the definition of credit impaired financial assets above, default is evidence that an asset is credit impaired. Therefore, credit impaired assets will include defaulted assets, but will also include other non-defaulted given the definition of credit impaired is broader than the definition of default.

### **Significant increase in credit risk**

The Bank monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Bank will measure the loss allowance based on lifetime rather than 12-month ECL. The Bank's accounting policy is not to use the practical expedient that financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk. As a result, the Bank monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to impairment for significant increase in credit risk.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Bank compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the Bank considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Bank's historical experience and expert credit assessment including forward-looking information. See Note 33.1 for more details about forward-looking information.

Forward-looking information includes the future prospects of the industries in which the Bank's counterparties operate, obtained from International Monetary Funds, the World Bank and other similar organisations, as well as consideration of various internal and external sources of actual and forecast economic information. The Bank allocates its counterparties to a relevant internal credit risk grade depending on their credit quality. The quantitative information is a primary indicator of significant increase in credit risk and is based on the change in lifetime PD by comparing:

- the remaining lifetime PD at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated based on facts and circumstances at the time of initial recognition of the exposure.

The PDs used are forward-looking and the Bank uses the same methodologies and data used to measure the loss allowance for ECL (please refer to Note 33.1).

Given that a significant increase in credit risk since initial recognition is a relative measure, a given change, in absolute terms, in the PD will be more significant for a financial instrument with a lower initial PD than compared to a financial instrument with a higher PD.

More information about significant increase in credit risk is provided in Note 33.1.

### **Modification and derecognition of financial assets**

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing terms of contract of an existing loan would constitute a modification even if these new or adjusted terms of contract do not yet affect the cash flows immediately but may affect the cash flows depending on whether the term of contracts is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

The Bank renegotiates loans to customers in financial difficulty to maximise collection and minimise the risk of default. A loan forbearance is granted in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the borrower is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness) and amendments to terms of contracts.

When a financial asset is modified the Bank assesses whether this modification results in derecognition. In accordance with the Bank's policy a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms the Bank considers the following:

- Qualitative factors, such as contractual cash flows after modification are no longer SPPI, change in currency or when rights to cash flows between the original counterparties expire because a new debtor replaces the original debtor (unless both debtors are under common control), the extent of change in interest rates, and maturity. If these do not clearly indicate a substantial modification, then;
- A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective interest. If the Bank notes a substantial difference based on the type of financial assets, it will be derecognised. When performing a quantitative assessment of a modification or renegotiation of a credit-impaired financial asset or a purchased or originated credit-impaired financial asset that was subject to a write-off, the Bank considers the expected (rather than the contractual) cash flows before modification or renegotiation and compares those with the contractual cash flows after modification or renegotiation.

In the case where the financial asset is derecognised the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new loan is considered to be originated credit-impaired. This applies only in the case where the fair value of the new loan is recognised at a significant discount to its revised par amount because there remains a high risk of default which has not been reduced by the modification. The Bank monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms.

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Bank determines if the financial asset's credit risk has increased significantly since initial recognition by comparing:

- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms; with
- the remaining lifetime PD at the reporting date based on the modified terms.

For financial assets modified as part of the Bank's forbearance policy, where modification did not result in derecognition, the estimate of PD reflects the Bank's ability to collect the modified cash flows taking into account the Bank's previous experience of similar forbearance action, as well as various behavioural indicators, including the borrower's payment performance against the modified contractual terms. If the credit risk remains significantly higher than what was expected at initial recognition the loss allowance will continue to be measured at an amount equal to lifetime ECL. If a forbore loan is credit impaired due to the existence of evidence of credit impairment (see above), the Bank performs an ongoing assessment to ascertain if the problems of the exposure are cured, to determine if the loan is no longer credit-impaired. The loss allowance on forbore loans will generally only be measured based on 12-month ECL when there is evidence of the borrower's improved repayment behaviour following modification leading to a reversal of the previous significant increase in credit risk.

Where a modification does not lead to derecognition the Bank calculates the modification loss by comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Then the Bank measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.

The Bank derecognises a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

#### **Write-off**

Loans and debt securities are written off in full when the Bank has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Bank may apply enforcement activities to financial assets written off. Recoveries resulting from the Bank's enforcement activities will result in impairment gains, which will be presented in "net impairment losses on financial assets" in the statement of profit or loss.

### ***Presentation of allowance for ECL in the statement of financial position:***

Loss allowances for ECL are presented in the statement of financial position as follows:

- for financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets; and
- for loan commitments and financial guarantee contracts: as a provision in other liabilities.

### ***Financial liabilities***

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the bank.

Financial liabilities, including deposits from customers, borrowings, subordinated debts, debt securities in issue, and lease liabilities, are initially measured at fair value, net of transaction costs. These financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The EIR is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

### ***Modification and derecognition of financial liabilities***

The Bank derecognises financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

### ***Financial guarantee contracts***

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss that incurs because specified debtor fails to make payments when due in accordance with the term of the debt instrument.

Financial guarantee contracts issued by the Bank are initially measured at their fair values and, if not designated at fair value through profit or loss, are subsequently measured at the higher of:

- amount of loss allowance determined with CIFRS 9; and
- the amount initially recognized less, where appropriate, cumulative amount of income recognized in accordance with the Bank's revenue recognition policies.

The Bank has not designated any financial guarantee contracts at fair value through profit or loss.

## **2.5 Leases**

The Bank assesses whether a contract is or contains a lease, at inception of a contract. The Bank recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Bank recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

### ***Lease liability***

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using its incremental borrowing rate which 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.

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

- fixed lease payments, less any lease incentives;
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Bank re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

### Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

## 2.6 Property and equipment

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any.

Where an item of property and equipment comprises major components having different useful lives, the components are accounted for as separate items of property and equipment.

Subsequent expenditure is capitalised only 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. Ongoing repairs and maintenance are expensed as incurred.

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives of significant items of property and equipment are as follows:

	Useful lives
Leasehold improvements	1 - 10 years
Office equipment, furniture and fixture	5 years
Motor vehicles	5 years
Computer and IT equipment	3 - 6 years

Work in progress is not depreciated until such time as the relevant assets are completed and put into operational use.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

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

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

## 2.7 Intangible assets

Intangible assets consist of software and licenses and are stated at cost less accumulated amortisation and accumulated impairment losses, if any.

Subsequent expenditure on software and licenses is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Software and licenses are amortised on a straight-line basis in profit or loss over its estimated useful life, from the date on which it is available for use. Software cost are amortised over the expected useful lives of 3 to 20 years.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

## 2.8 Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets (other than deferred tax assets) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets 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 groups of assets (the "cash-generating unit").

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less cost 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.

An impairment loss is recognised if the carrying amount of an asset (or its cash-generating) unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit and loss.

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.

## 2.9 Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

## 2.10 Regulatory provisions and regulatory reserves

On 1 December 2017, the NBC issued a Prakas No. B7-017-344 on Credit Risk Grading and Impairment Provisioning for ensuring appropriate recognition, measurement, provisioning and reporting of impaired facilities of the institutions.

Facilities under this Prakas is defined as all loans and other financial products, whether reported on balance sheet or off-balance sheet, provided by an Institution to a counterparty, which give rise to credit risk exposure on the Institution.

According to the Prakas, the Bank is required to calculate the allowance for impaired facilities in accordance with the regulatory provision simultaneously with the calculation in accordance with CIFRSs. The allowance for impairment losses calculated in accordance with CIFRSs is to be recognised and recorded. Excess amount of allowance calculated in accordance with regulatory provision compared to the allowance calculated under CIFRSs shall be transferred from retained earnings to regulatory reserves of the equity.

On 16 February 2018, the NBC issued Circular No. B7-018-001 clarifying on Implementation of Prakas on Credit Risk Grading and Impairment Provisioning. According to the Circular, the Bank is required to calculate the allowance for impaired facilities in accordance with regulatory provision of which facilities are classified into five classes with allowance rates as follows:

Classifications	Number of days past due	Allowance
<b>General allowance</b>		
<b>Short-term facilities (one year or less):</b>		
Normal	0-15 days	1%
<b>Long-term facilities (more than one year):</b>		
Normal	0-30 days	1%
<b>Specific allowance</b>		
<b>Short-term facilities (one year or less):</b>		
Special mention	15-30 days	3%
Sub-standard	31-60 days	20%
Doubtful	61-90 days	50%
Loss	91 days & above	100%
<b>Long-term facilities (more than one year):</b>		
Special mention	30-89 days	3%
Sub-standard	90-179 days	20%
Doubtful	180-359 days	50%
Loss	360 days & above	100%

The allowance is calculated as a percentage of the facility amount outstanding as at each reporting period.



## 2.11 Net interest income

Interest income and expense for financial instruments are recognised in "Net interest income" as "Interest income" and "Interest expense" in the profit or loss account using effective interest method.

The EIR is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated taking into account all the contractual terms of the instrument.

The calculation of EIR include all fees paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premium or discounts.

The interest income/interest expense is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortised cost of the financial asset before adjusting for any expected credit loss allowance), or to the amortised cost of financial liabilities. For the credit-impaired financial assets, the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for ECLs).

## 2.12 Net fee and commission income

Fee and commission income and expense include fees other than those that are an integral part of EIR (please refer to Note 2.11).

Fee and commission income, including referral fees, renewal fees, commitment fees, remittance fees, service charges, other fees and commissions on loans, and other fee income are recognised as the related services are performed.

Fee and commission expense relate mainly to transaction and service fees, and are accounted as the services received.

## 2.13 Short-term and other long-term employee benefits

Short-term employee benefits are recognised in respect of wages and salaries in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service. A liability is recognised for the amount expected to be paid if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Bank in respect of the service provided by the employee up to the reporting date.

The Ministry of Labour and Vocational Training ("MoLVT") issued a Prakas No. 443 on Seniority Payments dated 21 September 2018 and Directive No. 042/19 on the Back Pay of Seniority Payment Before 2019 for the Enterprise and Institution Beside Textile, Garment and Footwear Sector dated 22 March 2019, requiring the Bank to pay past seniority payments to employees with undetermined duration contracts. All employees who have been working before 1 January 2019 and continue to work are entitled to a compensation of fifteen (15) days of their average wages of each year of service, totalling not exceeding 6 months, and shall be paid every year starting from December 2021 as follows:

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

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

The past seniority payment is recognised in full during the year 2019.

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

## 2.14 Income tax

Income tax expense comprises current and deferred tax.

The Bank has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore has accounted for them under CIAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and has recognised the related expenses in "operating expenses".

### Current tax

Current tax is the expected tax payable on the taxable income for the period using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

### Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.



Deferred tax assets are recognised for unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Bank expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority and the banks intends to settle its current tax assets and current tax liabilities on a net basis.

## **2.15 Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, unrestricted balances held with the NBC, bank deposits and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in fair value.

## **3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, and income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

### **3.1 Critical judgments in applying the accounting policies**

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements included the followings:

#### **Business model assessment**

Classification and measurement of financial assets depends on the results of the SPPI and the business model test (please see Note 2.4). The Bank determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Bank monitors financial assets measured at amortised cost that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Bank's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

#### **Significant increase of credit risk**

As explained in Note 33.1, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased the Bank takes into account qualitative and quantitative reasonable and supportable forward-looking information.

#### **Establishing groups of assets with similar credit risk characteristics**

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The Bank monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

#### **Models and assumptions used**

The Bank uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

### Determination of life of revolving credit facilities

The Bank measures ECL considering the risk of default over the maximum contractual period. However, for financial instruments such as credit cards and overdraft facilities that include both a loan and an undrawn commitment component, the Bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Bank's exposure to credit losses to the contractual notice period. For such financial instruments the Bank measures ECL over the period that it is exposed to credit risk and ECL would be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period.

### 3.2 Key sources of estimation uncertainty

Information about key assumptions and estimation uncertainties that have the most significant effect on the amounts recognised in financial statements includes the followings:

#### COVID-19 related uncertainty

On March 11, 2020, COVID-19 was declared a global pandemic by the World Health Organization. As a result of the heightened uncertainty associated with the unprecedented nature of the COVID-19 pandemic, developing reliable estimates and applying judgment has become even more challenging. Accounting for expected credit losses (ECL) has become particularly difficult in the current circumstances and requires significant judgment. The ECL model is forward-looking and is based on a probability-weighted approach. Measurement of ECLs at each reporting period reflects reasonable and supportable information about past events, current conditions, and forecasts of future events and economic conditions. During this period of greater economic uncertainty, it is very difficult to forecast future events and the macroeconomic inputs used in ECL modelling. Determining macroeconomic scenarios and assigning probabilities to these scenarios requires significant judgment. Consideration is given both to the effects of COVID-19 and the significant government support measures. The Bank applies expert credit judgment to adjust modelled ECL results when it becomes evident that known or expected risk factors and information were not considered in the credit rating and modelling process. As a result of COVID-19 and the recent economic downturn, significant measurement uncertainty exists in determining ECLs, and measurement is subject to significant judgment.

#### Forward-looking information

The Bank establishes the number and relative weightings of forward-looking scenarios for each type of product and determines the forward-looking information relevant to each scenario. When measuring ECL the Bank uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

#### Probability of Default (PD)

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

#### Loss Given Default (LGD)

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, taking into account cash flows from collateral and integral credit enhancements.

#### Taxes

The taxation system in Cambodia is characterised by numerous taxes and frequently changing legislation, which is often unclear, contradictory and subject to interpretation. Often, different interpretations exist among the numerous taxation authorities and jurisdictions. Taxes are subject to review and investigation by a number of authorities, which are empowered by law to impose fines, penalties and interest charges.

These factors may create potential tax exposures for the Bank. Management believes that they have understood relevant tax regulations and adequately provided for tax liabilities based on their interpretation of the current tax legislation. However, the relevant authorities may have different interpretations and the effects could be significant.

## 4. CASH ON HAND

	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
Cash on hand	360,160,946	1,456,851,027	237,592,862	968,190,913
Cash items in process of collection	17,940,427	72,569,027	14,157,343	57,691,172
	<b>378,101,373</b>	<b>1,529,420,054</b>	<b>251,750,205</b>	<b>1,025,882,085</b>

## 5. BALANCES WITH THE NBC

	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
<b>Statutory deposits:</b>				
Capital guarantee deposit (i)	33,515,158	135,568,814	21,553,770	87,831,613
Reserve requirement (ii)	349,501,480	1,413,733,487	413,991,945	1,687,017,176
Current accounts	138,612,043	560,685,714	235,691,886	960,444,435
Negotiable Certificate of Deposit ("NCD")	959,998,020	3,883,191,991	480,416,638	1,957,697,800
	<b>1,481,626,701</b>	<b>5,993,180,006</b>	<b>1,151,654,239</b>	<b>4,692,991,024</b>

### (i) Capital guarantee deposits

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

During the year, interest was earned at rates ranging from 0.06% to 0.47% per annum (2019: 0.48% to 0.72% per annum).

### (ii) Reserve requirement

This is a reserve requirement which fluctuates depending on the level of the Bank's customers' deposits and non-residential borrowings. It is maintained in compliance with the NBC's Prakas No. B7-020-230 dated 18 March 2020 at the rate of 7.00% (2019: 8.00% for Khmer Riels and 12.50% for other currencies) of customers' deposits in KHR and currency other than KHR. On 19 November 2020, the NBC issued a notification letter no. B13-020-868 on the result of 53<sup>rd</sup> meeting of Monetary Policy Committee confirming on the extension of reserve requirement maintenance at the rate of 7.00% until the end of first semester of 2021.

## 6. BALANCES WITH OTHER BANKS

	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
Balances with other banks at amortised cost	326,725,625	1,321,605,153	93,472,431	380,900,156
Impairment loss allowance	(769,128)	(3,111,123)	(60,742)	(247,523)
	<b>325,956,497</b>	<b>1,318,494,030</b>	<b>93,411,689</b>	<b>380,652,633</b>

The above amounts are analysed as follows:

	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
<b>(a) By type</b>				
Current accounts	37,494,602	151,665,665	23,708,339	96,611,481
Savings deposits	3,332,769	13,481,051	173,265	706,055
Term deposits	285,898,254	1,156,458,437	69,590,827	283,582,620
	<b>326,725,625</b>	<b>1,321,605,153</b>	<b>93,472,431</b>	<b>380,900,156</b>

	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
<b>(b) By currency</b>				
US Dollars	324,132,700	1,311,116,771	86,824,134	353,808,346
Khmer Riel	2,267,853	9,173,465	6,498,442	26,481,151
Euro	10,217	41,328	88,537	360,788
Thai Baht	39,675	160,485	13,451	54,813
British Pound	127,237	514,674	9,078	36,993
Singapore Dollars	30,968	125,266	37,479	152,727
Chinese Yuan	7,567	30,609	1,310	5,338
Australian Dollars	49,852	201,651	-	-
Canadian Dollars	8,728	35,305	-	-
Japanese Yen	45,351	183,445	-	-
Vietnamese Dong	5,477	22,154	-	-
	<b>326,725,625</b>	<b>1,321,605,153</b>	<b>93,472,431</b>	<b>380,900,156</b>

	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
<b>(c) By maturity</b>				
Within 1 month	63,144,176	255,418,192	24,822,317	101,150,942
>1 to 3 months	27,962,234	113,107,237	12,627,763	51,458,134
>3 to 12 months	235,619,215	953,079,724	56,022,351	228,291,080
	<b>326,725,625</b>	<b>1,321,605,153</b>	<b>93,472,431</b>	<b>380,900,156</b>

	31 December 2020		31 December 2019	
<b>(d) By interest rate (per annum)</b>				
Current accounts		0%		0%
Savings deposits		0%		0%
Term deposits		0.40% – 5.50%		2.08% – 5.75%

## 7. LOANS TO CUSTOMERS

	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
<b>At amortised cost</b>				
<b>Commercial loans:</b>				
Short-term loans	10,305,471	41,685,630	8,642,654	35,218,815
Long-term loans	3,470,263,818	14,037,217,145	2,631,621,350	10,723,857,001
Overdrafts	288,643,431	1,167,562,678	95,217,125	388,009,784
<b>Consumer loans:</b>				
Housing loans	43,933,942	177,712,796	14,295,649	58,254,770
Vehicle loans	3,813,475	15,425,506	16,060	65,445
Staff loans	14,722,847	59,553,916	12,605,152	51,365,994
Personal loans	452,047	1,828,530	-	-
Credit cards	1,236,518	5,001,715	2,028,375	8,265,628
<b>Total gross carrying amount</b>	<b>3,833,371,549</b>	<b>15,505,987,916</b>	<b>2,764,426,365</b>	<b>11,265,037,437</b>
<b>Impairment loss allowance</b>				
<b>Commercial loans:</b>				
Short-term loans	(13,461)	(54,450)	(10,605)	(43,215)
Long-term loans	(18,341,023)	(74,189,438)	(6,246,761)	(25,455,551)
Overdrafts	(296,101)	(1,197,729)	(26,728)	(108,917)
<b>Consumer loans:</b>				
Housing loans	(111,914)	(452,692)	(60,170)	(245,193)
Vehicle loans	(2,073)	(8,385)	(298)	(1,214)
Staff loans	(6,849)	(27,704)	(10,183)	(41,496)
Personal loans	(205)	(829)	-	-
Credit cards	(509)	(2,059)	(707)	(2,881)
<b>Total impairment loss allowance</b>	<b>(18,772,135)</b>	<b>(75,933,286)</b>	<b>(6,355,452)</b>	<b>(25,898,467)</b>
<b>Net carrying amount</b>	<b>3,814,599,414</b>	<b>15,430,054,630</b>	<b>2,758,070,913</b>	<b>11,239,138,970</b>

## 8. INVESTMENT SECURITIES

	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
Investment securities at amortised cost	7,467,591	30,206,406	33,307,014	135,726,083
Impairment loss allowance	(33,505)	(135,528)	(21,580)	(87,939)
	<b>7,434,086</b>	<b>30,070,878</b>	<b>33,285,434</b>	<b>135,638,144</b>

## 9. PROPERTY AND EQUIPMENT

31 December 2020	Leasehold improvement	Office equipment, furniture and fixture	Motor vehicles	Computers and IT equipment	Work in progress	Total	
	US\$	US\$	US\$	US\$	US\$	US\$	KHR'000
<b>Cost</b>							
At 1 January 2020	22,538,767	12,179,042	1,632,835	22,932,667	279,908	59,563,219	242,720,117
Additions	99,264	1,905,452	108,560	8,125,932	2,754,306	12,993,514	52,974,556
Transfers	2,636,271	252,142	-	-	(2,888,413)	-	-
Disposals	-	(1,466)	(11,780)	(7,281)	-	(20,527)	(83,689)
Written off	(3,629)	(8,398)	-	(8,449)	-	(20,476)	(83,481)
Currency translation differences	-	-	-	-	-	-	(2,201,375)
<b>At 31 December 2020</b>	<b>25,270,673</b>	<b>14,326,772</b>	<b>1,729,615</b>	<b>31,042,869</b>	<b>145,801</b>	<b>72,515,730</b>	<b>293,326,128</b>
<b>Accumulated depreciation</b>							
At 1 January 2020	5,589,733	4,751,982	992,461	7,780,285	-	19,114,461	77,891,428
Depreciation for the year	3,273,549	2,453,512	210,226	5,771,939	-	11,709,226	47,738,515
Disposals	-	(1,224)	(11,780)	(7,277)	-	(20,281)	(82,686)
Written off	(3,629)	(7,664)	-	(8,273)	-	(19,566)	(79,771)
Currency translation differences	-	-	-	-	-	-	(946,853)
<b>At 31 December 2020</b>	<b>8,859,653</b>	<b>7,196,606</b>	<b>1,190,907</b>	<b>13,536,674</b>	<b>-</b>	<b>30,783,840</b>	<b>124,520,633</b>
<b>Carrying amounts</b>							
<b>At 31 December 2020</b>	<b>16,411,020</b>	<b>7,130,166</b>	<b>538,708</b>	<b>17,506,195</b>	<b>145,801</b>	<b>41,731,890</b>	<b>168,805,495</b>

31 December 2019	Leasehold improvement	Office equipment, furniture and fixture	Motor vehicles	Computers and IT equipment	Work in progress	Total	
	US\$	US\$	US\$	US\$	US\$	US\$	KHR'000
<b>Cost</b>							
At 1 January 2019	15,410,887	8,444,666	1,401,522	11,533,661	3,047,766	39,838,502	160,071,101
Additions	99,359	3,251,731	235,655	11,606,766	5,191,452	20,384,963	82,661,025
Transfers	7,347,928	611,382	-	-	(7,959,310)	-	-
Disposals	-	(3,836)	(4,342)	(184,369)	-	(192,547)	(780,778)
Written off	(319,407)	(124,901)	-	(23,391)	-	(467,699)	(1,896,519)
Currency translation differences	-	-	-	-	-	-	2,665,288
<b>At 31 December 2019</b>	<b>22,538,767</b>	<b>12,179,042</b>	<b>1,632,835</b>	<b>22,932,667</b>	<b>279,908</b>	<b>59,563,219</b>	<b>242,720,117</b>
<b>Accumulated depreciation</b>							
At 1 January 2019	3,189,128	2,984,633	760,764	4,463,306	-	11,397,831	45,796,485
Depreciation for the year	2,592,342	1,887,473	236,039	3,524,539	-	8,240,393	33,414,794
Disposals	-	(2,741)	(4,342)	(184,352)	-	(191,435)	(776,269)
Written off	(191,737)	(117,383)	-	(23,208)	-	(332,328)	(1,347,590)
Currency translation differences	-	-	-	-	-	-	804,008
<b>At 31 December 2019</b>	<b>5,589,733</b>	<b>4,751,982</b>	<b>992,461</b>	<b>7,780,285</b>	<b>-</b>	<b>19,114,461</b>	<b>77,891,428</b>
<b>Carrying amounts</b>							
<b>At 31 December 2019</b>	<b>16,949,034</b>	<b>7,427,060</b>	<b>640,374</b>	<b>15,152,382</b>	<b>279,908</b>	<b>40,448,758</b>	<b>164,828,689</b>

## 10. RIGHT-OF-USE ASSETS

The Bank leases assets including office buildings and motor vehicles. Information about leases for which the Bank is a lessee is presented below.

31 December 2020	Buildings	Motor vehicles	Total	
	US\$	US\$	US\$	KHR'000
<b>Cost</b>				
At 1 January 2020	42,560,267	1,583,956	44,144,223	179,887,709
Additions	5,291,966	619,248	5,911,214	24,100,019
Currency translation differences	–	–	–	(1,513,485)
<b>At 31 December 2020</b>	<b>47,852,233</b>	<b>2,203,204</b>	<b>50,055,437</b>	<b>202,474,243</b>
<b>Accumulated depreciation</b>				
At 1 January 2020	8,558,382	1,048,810	9,607,192	39,149,308
Depreciation	6,137,055	592,116	6,729,171	27,434,830
Currency translation differences	–	–	–	(503,549)
<b>At 31 December 2020</b>	<b>14,695,437</b>	<b>1,640,926</b>	<b>16,336,363</b>	<b>66,080,589</b>
<b>Carrying amounts</b>				
<b>At 31 December 2020</b>	<b>33,156,796</b>	<b>562,278</b>	<b>33,719,074</b>	<b>136,393,654</b>

31 December 2019	Buildings	Motor vehicles	Total	
	US\$	US\$	US\$	KHR'000
<b>Cost</b>				
At 1 January 2019	33,457,912	1,016,936	34,474,848	138,519,939
Additions	9,102,355	567,020	9,669,375	39,209,316
Currency translation differences	–	–	–	2,158,454
<b>At 31 December 2019</b>	<b>42,560,267</b>	<b>1,583,956</b>	<b>44,144,223</b>	<b>179,887,709</b>
<b>Accumulated depreciation</b>				
At 1 January 2019	3,550,166	430,399	3,980,565	15,993,910
Depreciation	5,008,216	618,411	5,626,627	22,815,972
Currency translation differences	–	–	–	339,426
<b>At 31 December 2019</b>	<b>8,558,382</b>	<b>1,048,810</b>	<b>9,607,192</b>	<b>39,149,308</b>
<b>Carrying amounts</b>				
<b>At 31 December 2019</b>	<b>34,001,885</b>	<b>535,146</b>	<b>34,537,031</b>	<b>140,738,401</b>

The Bank leases assets including office buildings and motor vehicles. The average lease term is 8 years (2019: 8 years) for office buildings and 2 years for motor vehicles (2019: 2 years).

Approximately 19% of the leases expired in the current financial year. The expired contracts were replaced by new leases for identical underlying assets. This resulted in additions to right-of-use asset of US\$5.9 million in 2020 (2019: US\$9.7 million). The maturity analysis of lease liabilities is presented in Note 18.



## Amount recognised in profit or loss

	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
Depreciation expense on right-of-use assets	6,729,171	27,434,830	5,626,627	22,815,972
Interest expense on lease liabilities	1,776,338	7,242,130	1,665,643	6,754,183
Expenses relating to leases of low-value assets and short-term lease	3,350,576	13,660,298	2,834,393	11,493,464
	<b>11,856,085</b>	<b>48,337,258</b>	<b>10,126,663</b>	<b>41,063,619</b>

At 31 December 2020, the Bank is committed to US\$23,233 (2019: US\$9,773) for short-term leases. The total cash outflow for leases amounted to US\$7,243,776 (2019: US\$6,181,011).

As at December 2020, the Bank entered into four lease agreements with lease term ranging from 1 to 10 years to rent properties, which had not commenced by the year-end and as a result, lease liabilities and right-of-use assets have not been recognised at 31 December 2020. The aggregate future cash outflows to which the Bank is exposed in respect of the contracts are as followed:

	31 December 2020	
	US\$	KHR'000
Within 1 year	397,777	1,609,008
From 1 to 5 years	2,379,166	9,623,726
More than 5 years	2,187,365	8,847,891
	<b>4,964,308</b>	<b>20,080,625</b>

## 11. INTANGIBLE ASSETS

	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
<b>Software Cost</b>				
At 1 January	9,916,259	40,408,755	4,541,426	18,247,449
Additions	2,937,580	11,976,514	5,374,833	21,794,948
Currency translation differences	–	(391,490)	–	366,358
<b>At 31 December</b>	<b>12,853,839</b>	<b>51,993,779</b>	<b>9,916,259</b>	<b>40,408,755</b>
<b>Accumulated amortisation</b>				
At 1 January	2,741,522	11,171,702	1,894,356	7,611,522
Amortisation	1,180,887	4,814,476	847,166	3,435,259
Currency translation differences	–	(120,033)	–	124,921
<b>At 31 December</b>	<b>3,922,409</b>	<b>15,866,145</b>	<b>2,741,522</b>	<b>11,171,702</b>
<b>Carrying amounts</b>				
<b>At 31 December</b>	<b>8,931,430</b>	<b>36,127,634</b>	<b>7,174,737</b>	<b>29,237,053</b>

## 12. INCOME TAX

### (a) Current tax liabilities

	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
At the beginning of the year	12,231,453	49,843,171	17,278,566	69,425,278
Current income tax expense	40,939,497	166,910,329	15,701,197	63,668,354
Current income tax paid	(16,953,902)	(69,121,058)	(20,748,310)	(84,134,397)
Currency translation differences	–	(1,134,483)	–	883,936
<b>At the end of the year</b>	<b>36,217,048</b>	<b>146,497,959</b>	<b>12,231,453</b>	<b>49,843,171</b>

### (b) Deferred tax assets, net

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when deferred taxes relate to the same fiscal authority.

	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
Deferred tax assets	7,082,970	28,650,614	4,792,722	19,530,342
Deferred tax liabilities	(1,414,856)	(5,723,093)	(2,601,331)	(10,600,424)
<b>Net deferred tax assets</b>	<b>5,668,114</b>	<b>22,927,521</b>	<b>2,191,391</b>	<b>8,929,918</b>

Deferred tax assets/(liabilities)	1 January 2019	Recognised in profit or loss during the year	31 December 2019	Recognised in profit or loss during the year	31 December 2020
	US\$	US\$	US\$	US\$	US\$
Impairment loss allowance	(452,200)	(414,998)	(867,198)	996,484	129,286
Deferred revenue from processing fees recognised	2,448,744	542,088	2,990,832	447,897	3,438,729
Deferred card fees	201,446	242,202	443,649	108,908	552,557
Management bonus	–	1,349,561	1,349,561	1,602,476	2,952,037
Depreciable assets	(615,166)	(644,623)	(1,259,789)	30,488	(1,229,301)
Unrealised exchange gain or loss	(96,261)	(204,819)	(301,080)	115,525	(185,555)
Interest in suspense	(119,625)	(53,638)	(173,264)	173,264	–
Unearned pinless top-up	4,620	4,060	8,680	1,681	10,361
	<b>1,371,558</b>	<b>819,833</b>	<b>2,191,391</b>	<b>3,476,723</b>	<b>5,668,114</b>
<b>In KHR'000 equivalent</b>	<b>5,510,920</b>	<b>3,324,423</b>	<b>8,929,918</b>	<b>14,174,600</b>	<b>22,927,521</b>

(c) Income tax expense

	Year ended 31 December 2020		Year ended 31 December 2019	
	US\$	KHR'000	US\$	KHR'000
Current income tax	40,939,497	166,910,329	15,701,197	63,668,354
Deferred tax	(3,476,723)	(14,174,599)	(819,833)	(3,324,423)
<b>Income tax expense</b>	<b>37,462,774</b>	<b>152,735,730</b>	<b>14,881,364</b>	<b>60,343,931</b>

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

	Year ended 31 December 2020		Year ended 31 December 2019	
	US\$	KHR'000	US\$	KHR'000
Profit before tax	188,870,923	770,026,754	142,292,740	576,997,061
Income tax at the rate of 20%	37,774,185	154,005,351	28,458,548	115,399,412
Non-deductible expenses	3,371,833	13,746,963	2,445,405	9,916,117
Unrecorded deductible expense	(3,050,962)	(12,438,770)	(1,711,602)	(6,940,546)
(Over)/under provision in prior year	(140,078)	(571,098)	695,106	2,818,655
Tax incentive *	(492,204)	(2,006,716)	(15,006,093)	(60,849,707)
<b>Income tax expense</b>	<b>37,462,774</b>	<b>152,735,730</b>	<b>14,881,364</b>	<b>60,343,931</b>

\* On 11 March 2020, General Department of Taxation ("GDT") issued a letter (No. 6848 GDT), in accordance to Anukret 01 ANKR.BK dated 4 January 2019 on Tax Incentives in Securities Sector, to grant tax incentives to the Bank by reducing 50% of tax on income for the fiscal year 2019 as the Bank has been listed on Cambodian Stock Exchange for corporate bond issuance on 14 August 2019.

On 25 February 2020, the Ministry of Economy and Finance issued a Prakas No. 183 on Implementation Guidelines on Tax Incentives on Tax on Income to New Public Securities Issuing Enterprises. Among others, the enterprise issuing debt securities equal to or less more than 20% of its total assets is granted tax incentives on tax on income over 3 years by reducing the amount of tax on income based on the pro-rata percentage of value of debt securities over total assets.

On 5 November 2020, the Bank submitted a clarification letter to the GDT on the eligibility of the Bank for the tax incentives for fiscal year 2020.

On 23 March 2021, the GDT issued a letter (No. 5634 GDT) to the Bank on tax incentives entitlement for fiscal years 2020 and 2021 as determined in accordance with the Prakas No. 183.

### 13. OTHER ASSETS

	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
Deposits and advance payments	13,333,496	53,933,991	12,199,827	49,714,295
Mastercard/Visa Card and MoneyGram and other receivables	10,108,141	40,887,430	3,918,470	15,967,764
Prepayment	3,961,188	16,023,005	4,347,116	17,714,498
Card supplies	3,085,979	12,482,787	1,872,971	7,632,357
Investment – Credit Bureau	25,588	103,503	25,588	104,271
	<b>30,514,392</b>	<b>123,430,716</b>	<b>22,363,972</b>	<b>91,133,185</b>

## 14. DEPOSITS FROM CUSTOMERS

	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
Demand deposits	868,648,938	3,513,684,954	613,709,129	2,500,864,701
Savings deposits	3,038,599,194	12,291,133,740	2,036,708,869	8,299,588,641
Fixed deposits	964,147,674	3,899,977,341	744,922,130	3,035,557,680
Margin deposits	72,570	293,546	3,321	13,533
	<b>4,871,468,376</b>	<b>19,705,089,581</b>	<b>3,395,343,449</b>	<b>13,836,024,555</b>

The above amounts are analysed as follows:

	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
<b>(a) By currency</b>				
US Dollars	4,717,173,450	19,080,966,605	3,316,903,782	13,516,382,912
Khmer Riel	154,293,915	624,118,886	78,438,379	319,636,394
Euro	1,011	4,090	1,288	5,249
	<b>4,871,468,376</b>	<b>19,705,089,581</b>	<b>3,395,343,449</b>	<b>13,836,024,555</b>

	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
<b>(b) By maturity</b>				
Within 1 month	4,024,243,770	16,278,066,050	2,760,103,560	11,247,422,007
>1 to 3 months	205,470,554	831,128,391	155,708,049	634,510,300
>3 to 12 months	601,928,793	2,434,801,968	431,719,517	1,759,257,032
More than 12 months	39,825,259	161,093,172	47,812,323	194,835,216
	<b>4,871,468,376</b>	<b>19,705,089,581</b>	<b>3,395,343,449</b>	<b>13,836,024,555</b>

	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
<b>(c) By relationship</b>				
Non-related parties	4,868,058,560	19,691,296,875	3,390,086,257	13,814,601,498
Related parties	3,409,816	13,792,706	5,257,192	21,423,057
	<b>4,871,468,376</b>	<b>19,705,089,581</b>	<b>3,395,343,449</b>	<b>13,836,024,555</b>

	31 December 2020	31 December 2019
<b>(d) By interest rate (per annum)</b>		
Demand deposits	0.00% to 1.25%	0.00% to 1.25%
Savings deposits	0.00% to 1.00%	0.00% to 3.00%
Fixed deposits	0.50%-7.25%	0.50% to 7.50%

## 15. DEBT SECURITIES IN ISSUE

	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
<b>Corporate bonds</b>	<b>21,282,088</b>	<b>86,086,046</b>	<b>20,939,337</b>	<b>85,327,798</b>

On 31 May 2019, the Bank obtained an approval letter from the NBC on the corporate bond issuance.

On 7 August 2019, the Bank received a final approval and registration from the Securities and Exchange Regulator of Cambodia ("SERC") (previously known as Securities and Exchange Commission of Cambodia) on the Single Submission Form and the Disclosure Document for its Public Offering of the Bank's Corporate Bond. The Bond was issued to 65 investors on 14 August 2019 in aggregate principal amount KHR 84,821 billion (approximately US\$20,969,345) with tenor 3 years and coupon rate 7.75% per annum.

The Bank did not have any defaults of principal or interest or others breaches with respect to its debt securities during the period.

The interest is payable semi-annually. During the year, the Bank has interest expense on debt securities to investors in aggregate amounting to KHR6,513 million (approximately US\$1,610,150).

## 16. BORROWINGS

		31 December 2020		31 December 2019	
		US\$	KHR'000	US\$	KHR'000
NBC - LPCO	(i)	225,853,501	913,577,412	270,631,743	1,102,824,352
DEG	(ii)	1,881,413	7,610,316	5,642,116	22,991,623
International Finance Corporation (IFC)	(iii)	–	–	3,582,599	14,599,091
AfrAsia Bank Limited	(iv)	10,000,222	40,450,898	–	–
RHB Bank Cambodia	(v)	2,966,983	12,001,446	–	–
SME Bank of Cambodia	(vi)	1,301,972	5,266,476	–	–
		<b>242,004,091</b>	<b>978,906,548</b>	<b>279,856,458</b>	<b>1,140,415,066</b>

During the year, the changes to the Bank's borrowings were as follows:

- (i) Includes 28 renewed Liquidity-Providing Collateralised Operations (LPCOs) provided by the NBC for US\$216,973,264 (equivalent to KHR884.6 billion) and 28 new LPCOs for US\$193,161,638 (equivalent to KHR787.5 billion). By the reporting date 34 LPCOs for the total amount to US\$240,274,712 (equivalent to KHR979.6 billion) matured. The principal and interest are payable on maturities with 3 to 12 months terms.
- (ii) It represents the long-term borrowing obtained from DEG-Deutsche Investitions und Entwicklungsgesellschaft MbH. The bank has repayment schedules of the principal amount of US\$3,125,005 on 15 June 2020 and US\$625,000 on 14 December 2020. The interest is payable semi-annually from the date of each drawdown.

- (iii) The bank repaid a portion of the IFC borrowings amounting to US\$714,286 on 15 June 2020 and repaid the outstanding borrowing amounting to US\$2,857,143 on 24 August 2020.
- (iv) It represents the short-term borrowing from AfrAsia Bank Limited, Mauritius, with an amount of US\$10,000,000, drawn down on 31 December 2020. The principal and interest are payable on maturity.
- (v) It represents the short-term borrowing from RHB Bank Cambodia Plc, with an amount of KHR12,000,000,000 (equivalent to US\$2,966,625), received on 30 December 2020. The principal and interest are payable on maturity.
- (vi) It represents the long-term borrowing obtained from SME Bank of Cambodia for US\$2,000,000. The Bank has drawn down amounting to KHR400,000,000 on 5 October 2020 and paid principal of KHR8,576,200. As at 31 December 2020, the bank has drawn down amounting to US\$1,362,500 and paid principal amount to US\$158,012. The principal and interest are payable on a monthly basis.

The LPCOs obtained from the NBC are fully collateralised by the NCD in US\$. Other borrowings are unsecured. All the borrowings bear fixed interest rates ranging from 0.42% to 6.84% per annum (2019: 2.60% to 7.04%)

## 17. SUBORDINATED DEBTS

	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
National Bank of Canada	117,023,035	473,358,177	128,000,000	521,600,000

The principal amounting to US\$1,500,000, US\$1,200,000, US\$5,800,000, US\$500,000, and US\$2,000,000 were repaid to the National Bank of Canada on 29 May 2020, 30 June 2020, 31 July 2020, 31 August 2020, and 31 December 2020, respectively with receipt of the approval from NBC.

The above subordinated debts are unsecured and bear fixed interest rates ranging from 7.22% to 8.98% per annum (2019: 7.56% to 9.40% per annum).

## 18. LEASE LIABILITIES

	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
Maturity Analysis				
Year 1	7,505,622	30,360,241	6,712,639	27,354,004
Year 2	6,470,534	26,173,310	6,392,073	26,047,697
Year 3	6,262,674	25,332,516	5,610,545	22,862,971
Year 4	5,965,129	24,128,947	5,622,229	22,910,583
Year 5	5,490,824	22,210,383	5,312,400	21,648,030
Onwards	10,898,970	44,086,333	14,440,387	58,844,578
	<b>42,593,753</b>	<b>172,291,730</b>	<b>44,090,273</b>	<b>179,667,863</b>
Less: Unearned interest	(6,871,851)	(27,796,636)	(7,576,866)	(30,875,729)
	<b>35,721,902</b>	<b>144,495,094</b>	<b>36,513,407</b>	<b>148,792,134</b>

The Bank does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Bank's treasury function.

## 19. OTHER LIABILITIES

	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
Accrued expenses	27,732,108	112,176,377	17,980,104	73,268,924
Mastercard/Visa Card and MoneyGram and other payables	3,790,716	15,333,446	4,236,999	17,265,771
Unearned income	2,814,586	11,385,000	2,261,643	9,216,195
Remittance in process	1,592,606	6,442,091	269,195	1,096,970
Other tax payables	713,705	2,886,937	857,246	3,493,277
Provision for off-balance sheets	134,399	543,644	18,916	77,083
	<b>36,778,120</b>	<b>148,767,495</b>	<b>25,624,103</b>	<b>104,418,220</b>

## 20. SHARE CAPITAL

	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
Shares of US\$1,000 each issued and fully paid	<b>335,000,000</b>	<b>1,355,075,000</b>	<b>215,000,000</b>	<b>876,125,000</b>

The details of shareholding were as follows:

	31 December 2020		31 December 2019	
	Number of shares	US\$	Number of shares	US\$
National Bank of Canada	334,999	334,999,000	214,999	214,999,000
Natcan Trust Company	1	1,000	–	–
Mr. Damir Karassayev	–	–	1	1,000
	<b>335,000</b>	<b>335,000,000</b>	<b>215,000</b>	<b>215,000,000</b>

On 12 November 2020, the Bank obtained an approval from the NBC on a share transfer of Mr. Damir Karassayev to Natcan Trust Company, a company incorporated in Canada.

	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
Balance at beginning of the year	215,000,000	876,125,000	165,000,000	662,970,000
Issuance of share capital (*)	120,000,000	485,400,000	50,000,000	203,750,000
Currency translation differences	–	(6,450,000)	–	9,405,000
	<b>335,000,000</b>	<b>1,355,075,000</b>	<b>215,000,000</b>	<b>876,125,000</b>

(\*) On 2 January 2020, the NBC issued an approval letter allowing the Bank to increase its registered capital by US\$120,000,000 by issuing additional 120,000 shares to National Bank of Canada with a par value of US\$1,000 per share.

## 21. REGULATORY RESERVES

	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
Balance at beginning of the year	33,661,778	137,171,744	21,321,874	85,671,290
Transfer from retained earnings	8,480,109	34,302,041	12,339,904	50,285,109
Currency translation differences	-	(1,009,852)	-	1,215,345
	<b>42,141,887</b>	<b>170,463,933</b>	<b>33,661,778</b>	<b>137,171,744</b>

## 22. NET INTEREST INCOME

	Year ended 31 December 2020		Year ended 31 December 2019	
	US\$	KHR'000	US\$	KHR'000
<b>Interest income:</b>				
Loans to customers	345,374,334	1,408,091,160	262,898,484	1,066,053,352
Balances with the NBC and other banks	8,552,516	34,868,608	8,539,276	34,626,764
Investment securities	567,647	2,314,297	1,842,364	7,470,786
Others	297,380	1,212,418	-	-
	<b>354,791,877</b>	<b>1,446,486,483</b>	<b>273,280,124</b>	<b>1,108,150,902</b>
<b>Interest expense:</b>				
Deposits from customers	37,112,808	151,308,918	34,750,213	140,912,114
Subordinated debts	10,069,606	41,053,784	8,016,020	32,504,961
Borrowings	8,422,522	34,338,622	5,940,602	24,089,141
Lease liabilities	1,776,338	7,242,130	1,665,643	6,754,183
Debt securities in issue	1,610,150	6,564,582	613,896	2,489,348
	58,991,424	240,508,036	50,986,374	206,749,747
<b>Net interest income</b>	<b>295,800,453</b>	<b>1,205,978,447</b>	<b>222,293,750</b>	<b>901,401,155</b>



## 23. NET FEE AND COMMISSION INCOME

	Year ended 31 December 2020		Year ended 31 December 2019	
	US\$	KHR'000	US\$	KHR'000
<b>Fee and commission income</b>				
Loan commissions	4,968,814	20,257,855	2,287,081	9,274,113
Inward and outward remittances	7,270,828	29,643,166	5,934,114	24,062,832
Mastercard, Visa and UPI cards	16,542,097	67,442,129	17,451,688	70,766,595
Cable charges	760,210	3,099,376	570,977	2,315,312
Pin-less top up	3,076,550	12,543,094	1,581,200	6,411,766
Commission fee from insurance	1,559,625	6,358,591	1,600,455	6,489,845
Special account number fees	2,269,542	9,252,923	-	-
E-wallet	1,082,246	4,412,317	117,717	477,342
Other fees	2,909,140	11,860,564	2,141,310	8,683,013
	<b>40,439,052</b>	<b>164,870,015</b>	<b>31,684,542</b>	<b>128,480,818</b>
<b>Fee and commission expense</b>				
Mastercard, Visa and UPI cards	14,027,848	57,191,537	12,384,812	50,220,413
Fees and commission paid to other banks and FIs	1,924,175	7,844,861	1,520,394	6,165,198
Others	156,827	639,383	21	84
	<b>16,108,850</b>	<b>65,675,781</b>	<b>13,905,227</b>	<b>56,385,695</b>
<b>Net fee and commission income</b>	<b>24,330,202</b>	<b>99,194,234</b>	<b>17,779,315</b>	<b>72,095,123</b>

## 24. OTHER OPERATING INCOME

	Year ended 31 December 2020		Year ended 31 December 2019	
	US\$	KHR'000	US\$	KHR'000
Foreign exchange gains, net	3,350,197	13,658,753	1,556,422	6,311,291
Other income	32,920	134,215	146,471	593,940
	<b>3,383,117</b>	<b>13,792,968</b>	<b>1,702,893</b>	<b>6,905,231</b>

## 25. PERSONNEL EXPENSES

	Year ended 31 December 2020		Year ended 31 December 2019	
	US\$	KHR'000	US\$	KHR'000
Salaries and bonuses	67,215,732	274,038,539	54,716,214	221,874,248
Seniority payments	3,106,271	12,664,267	889,080	3,605,219
Other personnel expenses	1,592,064	6,490,845	2,242,001	9,091,314
	<b>71,914,067</b>	<b>293,193,651</b>	<b>57,847,295</b>	<b>234,570,781</b>

## 26. OPERATING EXPENSES

	Year ended 31 December 2020		Year ended 31 December 2019	
	US\$	KHR'000	US\$	KHR'000
Repairs and maintenance	8,012,250	32,665,943	4,685,679	19,000,428
Office supplies	4,831,982	19,699,991	3,882,125	15,742,017
Rental expenses	3,350,576	13,660,298	2,834,393	11,493,464
Security expenses	2,332,186	9,508,322	1,940,035	7,866,842
Utilities expenses	2,013,432	8,208,762	1,863,387	7,556,034
Marketing and advertising	2,010,479	8,196,723	1,907,638	7,735,472
Communication	1,622,215	6,613,771	1,153,731	4,678,379
Professional fees	1,363,376	5,558,484	1,581,463	6,412,832
Insurance expenses	839,555	3,422,866	526,527	2,135,067
Motor vehicle operation expenses	752,911	3,069,618	716,177	2,904,098
License fees	703,201	2,866,950	676,041	2,741,346
Board of Director fees	343,235	1,399,369	191,385	776,066
Travelling	336,735	1,372,869	468,605	1,900,193
Credit report (CBC) expenses	327,750	1,336,237	315,735	1,280,305
Business meal and entertainment	123,030	501,593	423,125	1,715,772
Membership fees	66,888	272,702	201,611	817,533
Other expenses	381,433	1,555,103	1,433,855	5,814,283
	<b>29,411,234</b>	<b>119,909,601</b>	<b>24,801,512</b>	<b>100,570,131</b>

## 27. DEPRECIATION AND AMORTISATION

	Year ended 31 December 2020		Year ended 31 December 2019	
	US\$	KHR'000	US\$	KHR'000
Property and equipment	11,709,226	47,738,514	8,240,393	33,414,794
Right-of-use assets	6,729,171	27,434,830	5,626,627	22,815,972
Intangible assets	1,180,887	4,814,477	847,166	3,435,258
	<b>19,619,284</b>	<b>79,987,821</b>	<b>14,714,186</b>	<b>59,666,024</b>

## 28. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	Year ended 31 December 2020		Year ended 31 December 2019	
	US\$	KHR'000	US\$	KHR'000
Loans to customers	12,866,813	52,457,997	2,196,254	8,905,810
Balances with other banks	708,385	2,888,086	(26,085)	(105,775)
Investment securities	11,925	48,618	(61,953)	(251,219)
Rental deposits	(4,345)	(17,715)	3,183	12,907
Loan commitments and financial guarantee contracts	115,486	470,836	8,826	35,789
	<b>13,698,264</b>	<b>55,847,822</b>	<b>2,120,225</b>	<b>8,597,512</b>

## 29. NOTES TO THE STATEMENT OF CASH FLOWS

### Cash and cash equivalents

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

	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
Cash on hand	378,101,373	1,529,420,054	251,750,205	1,025,882,085
Balances with the NBC	148,759,307	601,731,397	434,245,917	1,769,552,111
Balances with other banks	68,359,708	276,515,019	25,885,577	105,483,727
	<b>595,220,388</b>	<b>2,407,666,470</b>	<b>711,881,699</b>	<b>2,900,917,923</b>

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the reporting position as shown above.

### Changes in liabilities arising from financing activities

The table below details change in the Bank's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Bank's statement of cash flows as cash flow from financing activities.

	1 January 2019	Financing cash flows (i)	New leases	Other changes (ii)	31 December 2019
	US\$	US\$	US\$	US\$	US\$
Borrowings	80,532,015	197,654,190	–	1,670,253	279,856,458
Subordinated debts	93,000,000	35,000,000	–	–	128,000,000
Debt securities in issue	–	20,326,748	–	612,589	20,939,337
Lease liabilities	31,359,400	(6,181,011)	9,669,375	1,665,643	36,513,407
	<b>204,891,415</b>	<b>246,799,927</b>	<b>9,669,375</b>	<b>3,948,485</b>	<b>465,309,202</b>

	1 January 2020	Financing cash flows (i)	New leases	Other changes (ii)	31 December 2020
	US\$	US\$	US\$	US\$	US\$
Borrowings	279,856,458	(38,546,431)	–	694,064	242,004,091
Subordinated debts	128,000,000	(11,000,000)	–	23,035	117,023,035
Debt securities in issue	20,939,337	–	–	342,751	21,282,088
Lease liabilities	36,513,407	(7,243,776)	5,911,214	541,057	35,721,902
	<b>465,309,202</b>	<b>(56,790,207)</b>	<b>5,911,214</b>	<b>1,600,907</b>	<b>416,031,116</b>

(i) The cash flows from financing activities makes up the net amount of proceeds from and repayment of borrowings, subordinated debts, debt securities, and lease liabilities in the statement of cash flows.

(ii) Other changes include interest accrual and repayment of interest.

### 30. RELATED PARTIES

#### (a) Related party balances

	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
Loans to management	4,648,955	18,805,023	3,825,038	15,587,030
Deposits and placements by directors and management	3,409,816	13,792,706	5,257,192	21,423,057
Borrowings from National Bank of Canada	117,023,035	473,358,177	128,000,000	521,600,000

#### (b) Related party transactions

	Year ended 31 December 2020		Year ended 31 December 2019	
	US\$	KHR'000	US\$	KHR'000
Interest income on loans to management	268,645	1,095,266	127,138	515,545
Interest expense on deposits and placements to directors and management	91,407	372,666	101,325	410,873
Interest expense to National Bank of Canada	10,069,606	41,053,784	8,016,021	32,504,965

(c) Directors and key management personnel compensation

	Year ended 31 December 2020		Year ended 31 December 2019	
	US\$	KHR'000	US\$	KHR'000
Salaries and benefits	17,290,947	70,495,191	14,415,907	58,456,503

### 31. LOAN COMMITMENTS AND FINANCIAL GUARANTEE CONTRACTS

	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
Unused portion of overdrafts	116,567,480	471,515,457	50,342,438	205,145,435
Performance bonds	13,635,793	55,156,783	15,367,603	62,622,982
Letter of credits	10,455,894	42,294,091	8,724,349	35,551,722
Unused portion of credit cards	9,693,537	39,210,357	9,430,316	38,428,538
Securities	4,400,000	17,798,000	4,400,000	17,930,000
Payment guarantees	8,903,461	36,014,500	5,897,103	24,030,695
Bid bonds	2,214,644	8,958,235	5,213,899	21,246,638
Warranty bonds	176,593	714,319	15,201	61,944
Other guarantees	237,000	958,665	330,402	1,346,388
	166,284,402	672,620,407	99,721,311	406,364,342

### 32. SEGMENT REPORTING

Segment reporting is not required for the Bank as the majority of the income is from the same business segment, which is credit and lending. All activities are carried out in the Kingdom of Cambodia.

### 33. FINANCIAL RISK MANAGEMENT

The Bank's Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board of Directors has established the Credit, Governance, Compliance, Audit and Risk Committees, which are responsible for developing and monitoring the Bank's risk management policies in their specific areas. All committees have non-executive members and report regularly to the Board of Directors on their activities.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Audit, Compliance and Risk Committees are responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank.

Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee for Board of Directors' meeting.

The policies and procedures adopted by the Bank to manage the risks that arise in the conduct of their business activities are as follows.

#### 33.1 Credit risk management

Credit risk refers to risk of financial loss to the Bank if a counterparty to a financial instrument fail to meet its obligations in accordance with the agreed terms and arises from balances with other banks, investment securities, rental deposits, loans to customers, loan commitments, and financial guarantee contracts. The Bank considers all elements of credit risk exposure such as counterparty default risk, geographical risk and sector risk, product risk and business type risk for risk management purposes.

Credit Division is responsible for managing the Bank's credit risk by:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, in accordance with CIFRSs and relevant NBC's guidelines.
- Establishing the authorisation structure for the approval and renewal of credit facilities. The holders of credit approval discretion, i.e. Board Credit Committee, Management Credit Committee, Credit Committees in Head Office, and Branch Credit Committees are responsible for approving loans to customers.
- Reviewing and assessing credit risk by setting the limit and monitoring all credit exposures in excess of designated.
- Limiting concentrations of exposure to counterparties, geographies, industries, purposes, sectors (for loans to customers and similar exposures).
- Developing and maintaining the Bank's processes for measuring ECL that includes the processes for:
  - initial approval, regular validation and back-testing of the models used;
  - determining and monitoring significant increase in credit risk; and
  - incorporation of forward-looking information.
- Reviewing compliance of branches with agreed exposure limits, including those for selected industries and product types. Regular reports on the credit quality of portfolios may require appropriate corrective action to be taken. These include reports containing estimates of ECL allowances.
- Providing advice, guidance and specialist skills to branches to promote best practice throughout the Bank in the management of credit risk.

Each branch is required to implement credit policies and procedures, with credit approval authorities delegated from the Management Credit Committee. Branch Managers and Lending Managers in branches report all risk-related matters to Head Office. Each branch is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to Head Office's approval.

The internal audit function performs regular audits making sure that the established controls and procedures are adequately designed and implemented.

### 33.1.1 Collateral held

The Bank holds collateral against loans to customers. The main type of collateral obtained by the bank are:

- Residential properties such as lands and houses for hard and soft titles;
- Cash deposits;
- Other movable assets;
- Financial guarantees.

The Bank set Loan to Collateral Value (LTV) < 80% as the maximum eligible ratio for loan disbursement to customers.

All financial instruments in the Banks subjected to the impairment requirements and recognition of loss allowance have been covered under the Bank's expected credit loss model regardless of the types of collateral held as at 31 December 2020.

### 33.1.2 Amounts arising from ECL

#### (a) Inputs, assumptions and techniques used for estimating impairment

The Bank recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- loans to customers;
- balances with other banks;
- financial assets that are debt instruments;
- rental deposits;
- loan commitments; and
- financial guarantee contracts.

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

- balances with the NBC that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Bank does not apply the low credit risk exemption to any other financial instruments.

12-month ECL is the portion of the lifetime ECL that represent the expected credit losses that result from default events on a financial instrument that are possible within 12 months after the reporting date.

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

### Credit-impaired financial assets

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

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

- credit facility with internal credit risk rating of "E" or contractual payment is equal to or more than 90 days for long term loans and equal or more than 30 days for short term ones;
- where the borrower are declared disappeared, dead or suffering from a loss of capacity for civil conduct;
- significant financial difficulty of the borrower or issuer;
- the restructuring of a loan by the Bank on terms that the Bank would not consider otherwise; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is overdue more than 89 days (long-term) and more than 30 days (short-term) per CIFRS rebuttable assumption is considered credit-impaired even when the regulatory definition of default is different.

Credit-impaired loans to customers are graded as substandard, doubtful and loss in the Bank's internal credit risk grading.

### Credit risk grades

The Bank allocates each exposure to a credit risk grade based on the prudential definition of the NBC which applies the number of days past due as the grading criteria. The grades are:

1. Normal
2. Special mention
3. Substandard
4. Doubtful
5. Loss

The Bank uses internal credit risk rating and past due information as the staging transfer criteria as below:

Classifications	Type of loans	Internal Credit rating	Credit worthiness	Days past due	Staging
Normal	Long term	A, B, C	A: Very Good B: Good C: Satisfactory	0 - 30 days	Stage 1
	Short term	A, B, C		0 - 15 days	
Special mentions	Long term	D	D: Watch list	31 - 89 days	Stage 2
	Short term	D		15 days - 30 days	
Non-performing loans	Long term	E	E: Default	> 89 days	Stage 3
	Short term	E		> 30 days	

Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves the use of following data:

- Past repayment history;
- Financial conditions of counterparty;
- Business prospective and cash projection;
- Ability and willingness to pay;
- Economic environment; and
- Quality of documentation.

#### (i) Significant increase in credit risk

The Bank considers the significant increase in credit risk into two stages as below:

##### Significant increases in credit risk in Stage 2

The change in levels of credit risk over the expected life of a financial instrument is assessed by comparing credit risk at each reporting date with the associated instrument's credit risk at initial recognition. The qualitative and quantitative measures to determine whether a significant increase in credit risk has occurred are outlined below.

- $\geq 30$  days,  $\leq 89$  days for long term and  $\geq 15$ ,  $\leq 30$  days for short term days past due as backstop
- Use of quantitative indicators (change in PD at reporting date from the origination date)

The Bank uses between  $\geq 30$  days and  $\leq 89$  days for long-term and between  $\geq 15$  days and  $\leq 30$  days for short-term past due as backstop and applies the rebuttable assumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are between  $\geq 30$  days and  $\leq 89$  days for long-term and between  $\geq 15$  days and  $\leq 30$  days for short-term past due. In addition to this, all loans where credit rating is moved to "D" is classified under Stage 2. Moreover, loans which are restructured with credit rating "D" will be changed from Stage 1 to Stage 2.

##### Significant increases in credit risk in Stage 3

A financial instrument that has been credit-impaired since origination or purchase is automatically classified as a Stage 3 financial instrument. Evidence that a financial asset is credit-impaired includes observable data related to the following events:

- Significant financial difficulty of the issuer or the borrower;
- A breach of contract, such as a default or past due event;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for the financial asset because of financial difficulties for example debtor's business status, debtor during litigation process, frequency of entering debt restructuring etc.;
- Fraudulent debtor;
- Partially NPL sales or partially write off;
- Deceased;
- Trouble debt restructuring (DTR) unsuccessful.

The Bank also applies  $\geq 89$  days for long term and  $\geq 30$  for short term DPD as a backstop in moving a facility from Stage 2 to Stage 3 and consider a facility as credit-impaired. In addition to this, all loans where credit rating is moved to "E" is classified from Stage 2 to Stage 3. Moreover, loans which are restructured and classified as substandard, doubtful or loss will be changed from Stage 2 to Stage 3.

##### Definition of default

The Bank considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held);
- the borrower is  $\geq 89$  days past due on any material credit obligation to the Bank; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

#### (ii) Incorporation of forward-looking information

The Bank analysed forward-looking information by using the statistical regression model for assessment to see whether the credit risk of an instrument has increased significantly to the measurement of ECL.



Forward-looking information is used only for PD. For LGD, the forward-looking information is not considered as the default counts in the earlier quarters are not sufficient to undertake reliable forward-looking statistical analysis. See Note 36(i) for more details on the macroeconomic factors used for forward-looking PD.

### (iii) Modified financial assets

The Bank renegotiates loans to customers in financial difficulties (referred to as restructure activities) to maximise collection opportunities and minimise the risk of default. Under the Bank's restructure policy, loan is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms. The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants.

For financial assets modified as part of the Bank's restructure policy, the estimate of PD reflects whether the modification has improved or restored the Bank's ability to collect interest and principal and the Bank's previous experience. As part of this process, the Bank evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.

Generally, restructure is a qualitative indicator of a significant increase in credit risk and an expectation of restructure may constitute evidence that an exposure is credit-impaired. A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to Stage 1.

### (iv) Measurement of ECL

ECL is a probability-weighted estimate of credit losses. It is measured as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Bank in accordance with the contract and the cash flows that the Bank expects to receive);
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- Undrawn loan commitments a credit loss is the present value of the difference between the contractual cash flows that are due to the Bank if the holder of the loan commitment draws down the loan and the cash flows that the entity expects to receive if the loan is drawn down; and
- For financial guarantee contracts payment only arise in the event of default of the debtor in accordance with the terms of the debt instrument that is guaranteed. Accordingly, cash shortfalls are the expected payments to reimburse the holder of the debt instruments for a credit loss that incurs less any amount that the Bank expects to receive from the holder, the debtor or any party

The Bank calculates the ECL by taking the gross carrying amount of financial assets multiplying by the consolidated PD ratio and the LGD.

- ECL is the present value of all cash shortfalls over the remaining life, discounted at the EIR. For each year throughout the financial instrument's life, a forward-looking PD, LGD and EAD are estimated. The estimates are multiplied with each other to estimate the losses for each of the years. Then the estimates are discounted back to the reporting date using the EIR as the discount rate. Without having material effect, the Bank considered contractual rate as EIR.
- The ECL is calculated by using the formula below:

$$\text{Expected Credit Loss} = \sum_{t=1}^T \text{MPD}_t \times \text{LGD}_t \times \text{EAD}_t \times D_t$$

Where:

**MPD<sub>t</sub>** = Marginal Probability of Default at time t;

**LGD<sub>t</sub>** = Loss Given Default at time t;

**EAD<sub>t</sub>** = Exposure at Default at time t; and

**D<sub>t</sub>** = Discount factor at time t.

**(b) Loss allowance**

The following table summarises the loss allowance as of the year-end by class of exposure/assets.

	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
<b>Loss allowance by classes:</b>				
Loans to customers*	18,772,135	75,933,286	6,355,452	25,898,467
Balances with other banks	769,128	3,111,123	60,742	247,523
Investment securities	33,505	135,528	21,580	87,939
Rental deposit	31,805	128,651	36,150	147,311
Loan commitments and financial guarantee contracts	134,399	543,644	18,916	77,083
	<b>19,740,972</b>	<b>79,852,232</b>	<b>6,492,840</b>	<b>26,458,323</b>

\* The contractual amount outstanding on financial assets that were written off during the year was US\$449,785 (31 December 2019: US\$696,335).

Under the Bank's monitoring procedures, a significant increase in credit risk is identified before the exposure has defaulted, and at the latest when the exposure becomes 30 days past due. This is the case mainly for loans to customers. The table below provides an analysis of the gross carrying amount of loans to customers by past due status.

	31 December 2020		31 December 2019	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
	US\$	US\$	US\$	US\$
<b>Loans to customers:</b>				
0-29 days	3,797,649,348	12,153,643	2,743,616,098	2,624,706
30-59 days	3,263,138	489,529	1,915,917	133,655
60-89 days	2,021,729	358,216	1,446,216	91,339
90-179 days	5,496,386	1,000,470	4,786,471	849,469
More than 180 days	24,940,948	4,770,277	12,661,663	2,656,283
<b>Total</b>	<b>3,833,371,549</b>	<b>18,772,135</b>	<b>2,764,426,365</b>	<b>6,355,452</b>
<b>In KHR'000 equivalent</b>	<b>15,505,987,916</b>	<b>75,933,286</b>	<b>11,265,037,437</b>	<b>25,898,467</b>

### 33.1.3 Credit quality analysis

The following table sets out information about the credit quality of financial assets measured at amortised cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments, the amounts in the table represent the amounts committed.

31 December 2020	Stage 1	Stage 2	Stage 3	Total	
	US\$	US\$	US\$	US\$	KHR'000
<b>Balances with other banks:</b>					
Normal	326,725,625	–	–	326,725,625	1,321,605,153
Loss allowance	(769,128)	–	–	(769,128)	(3,111,123)
<b>Carrying amount</b>	<b>325,956,497</b>	<b>–</b>	<b>–</b>	<b>325,956,497</b>	<b>1,318,494,030</b>
<b>Loans to customers:</b>					
Normal	3,778,342,566	–	–	3,778,342,566	15,283,395,671
Special mention	–	20,426,555	–	20,426,555	82,625,415
Substandard	–	–	8,087,091	8,087,091	32,712,283
Doubtful	–	–	11,420,535	11,420,535	46,196,065
Loss	–	–	15,094,802	15,094,802	61,058,482
	3,778,342,566	20,426,555	34,602,428	3,833,371,549	15,505,987,916
Loss allowance	(9,283,767)	(2,993,995)	(6,494,373)	(18,772,135)	(75,933,286)
<b>Carrying amount</b>	<b>3,769,058,799</b>	<b>17,432,560</b>	<b>28,108,055</b>	<b>3,814,599,414</b>	<b>15,430,054,630</b>
<b>Investment securities:</b>					
Normal	7,467,591	–	–	7,467,591	30,206,406
Loss allowance	(33,505)	–	–	(33,505)	(135,528)
<b>Carrying amount</b>	<b>7,434,086</b>	<b>–</b>	<b>–</b>	<b>7,434,086</b>	<b>30,070,878</b>
<b>Rental deposits:</b>					
Normal	3,180,500	–	–	3,180,500	12,865,124
Loss allowance	(31,805)	–	–	(31,805)	(128,651)
<b>Carrying amount</b>	<b>3,148,695</b>	<b>–</b>	<b>–</b>	<b>3,148,695</b>	<b>12,736,473</b>
<b>Loan commitments and financial guarantee contracts:</b>					
Normal	161,647,302	101	–	161,647,403	653,863,746
Loss allowance	(134,391)	(8)	–	(134,399)	(543,644)
<b>Total amount</b>	<b>161,512,911</b>	<b>93</b>	<b>–</b>	<b>161,513,004</b>	<b>653,320,102</b>

31 December 2019	Stage 1	Stage 2	Stage 3	Total	
	US\$	US\$	US\$	US\$	KHR'000
<b>Balances with other banks:</b>					
Normal	93,472,431	–	–	93,472,431	380,900,156
Loss allowance	(60,742)	–	–	(60,742)	(247,523)
<b>Carrying amount</b>	<b>93,411,689</b>	<b>–</b>	<b>–</b>	<b>93,411,689</b>	<b>380,652,633</b>
<b>Loans to customers:</b>					
Normal	2,732,372,680	–	–	2,732,372,680	11,134,418,671
Special mention	–	10,667,510	–	10,667,510	43,470,103
Substandard	–	–	7,860,360	7,860,360	32,030,967
Doubtful	–	–	5,051,708	5,051,708	20,585,710
Loss	–	–	8,474,107	8,474,107	34,531,986
	2,732,372,680	10,667,510	21,386,175	2,764,426,365	11,265,037,437
Loss allowance	(1,573,881)	(566,317)	(4,215,254)	(6,355,452)	(25,898,467)
<b>Carrying amount</b>	<b>2,730,798,799</b>	<b>10,101,193</b>	<b>17,170,921</b>	<b>2,758,070,913</b>	<b>11,239,138,970</b>
<b>Investment securities:</b>					
Normal	33,307,014	–	–	33,307,014	135,726,083
Loss allowance	(21,580)	–	–	(21,580)	(87,939)
<b>Carrying amount</b>	<b>33,285,434</b>	<b>–</b>	<b>–</b>	<b>33,285,434</b>	<b>135,638,144</b>
<b>Rental deposits:</b>					
Normal	3,615,041	–	–	3,615,041	14,731,292
Loss allowance	(36,150)	–	–	(36,150)	(147,311)
<b>Carrying amount</b>	<b>3,578,891</b>	<b>–</b>	<b>–</b>	<b>3,578,891</b>	<b>14,583,981</b>
<b>Loan commitments and financial guarantee contracts:</b>					
Normal	68,497,103	–	–	68,497,103	279,125,695
Loss allowance	(18,916)	–	–	(18,916)	(77,083)
<b>Total amount</b>	<b>68,478,187</b>	<b>–</b>	<b>–</b>	<b>68,478,187</b>	<b>279,048,612</b>

The below table sets out information about the overdue status of loans to customers in Stage 1, 2 and 3.

31 December 2020	Stage 1	Stage 2	Stage 3	Total	
	US\$	US\$	US\$	US\$	KHR'000
<b>Loans to customers:</b>					
Not overdue	3,746,950,964	12,617,186	2,868,261	3,762,436,411	15,219,055,282
Overdue ≤ 29 days	31,391,600	3,481,487	339,849	35,212,936	142,436,327
Overdue > 29 days	–	4,327,882	31,394,320	35,722,202	144,496,307
<b>Total</b>	<b>3,778,342,564</b>	<b>20,426,555</b>	<b>34,602,430</b>	<b>3,833,371,549</b>	<b>15,505,987,916</b>

31 December 2019	Stage 1	Stage 2	Stage 3	Total	
	US\$	US\$	US\$	US\$	KHR'000
<b>Loans to customers:</b>					
Not overdue	2,722,823,988	6,081,668	3,064,323	2,731,969,979	11,132,777,664
Overdue ≤ 29 days	9,548,692	1,653,110	444,318	11,646,120	47,457,939
Overdue > 29 days	–	2,932,732	17,877,534	20,810,266	84,801,834
<b>Total</b>	<b>2,732,372,680</b>	<b>10,667,510</b>	<b>21,386,175</b>	<b>2,764,426,365</b>	<b>11,265,037,437</b>

The table below shows the changes in the gross carrying amount of financial assets during the period that contributed to changes in the loss allowance.

**Balance with other banks at amortised cost**

31 December 2020	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR'000
Gross carrying amounts as at 1 January 2020	93,472,431	–	–	93,472,431	380,900,156
New financial assets originated	286,767,435	–	–	286,767,435	1,159,974,275
Financial asset that has been derecognised	(69,627,741)	–	–	(69,627,741)	(281,644,212)
Other changes	16,055,922	–	–	16,055,922	64,946,204
Currency translation differences	57,578	–	–	57,578	(2,571,270)
Gross carrying amount as at 31 December 2020	326,725,625	–	–	326,725,625	1,321,605,153
<b>Loss allowance as at 31 December 2020</b>	<b>(769,128)</b>	<b>–</b>	<b>–</b>	<b>(769,128)</b>	<b>(3,111,123)</b>

31 December 2019	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR'000
Gross carrying amounts as at 1 January 2019	207,488,945	-	-	207,488,945	835,324,984
New financial assets originated	73,771,448	-	-	73,771,448	300,618,651
Financial asset that has been derecognised	(172,769,476)	-	-	(172,769,476)	(704,035,615)
Other changes	(14,981,939)	-	-	(14,981,939)	(61,051,401)
Currency translation differences	(36,547)	-	-	(36,547)	10,043,537
Gross carrying amount as at 31 December 2019	93,472,431	-	-	93,472,431	380,900,156
<b>Loss allowance as at 31 December 2019</b>	<b>(60,742)</b>	<b>-</b>	<b>-</b>	<b>(60,742)</b>	<b>(247,523)</b>

#### Loans to customers at amortised cost

31 December 2020	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR'000
Gross carrying amount as at 1 January 2020	2,732,372,680	10,667,510	21,386,175	2,764,426,365	11,265,037,437
Changes in gross carrying amount					
Transfer to stage 1	107,187	(107,187)	-	-	-
Transfer to stage 2	(17,225,706)	17,225,706	-	-	-
Transfer to stage 3	(12,999,441)	(3,730,311)	16,729,752	-	-
New financial assets originated	2,390,527,671	353,254	153,360	2,391,034,285	9,671,733,683
Financial assets that have been derecognised	(1,314,369,171)	(3,910,964)	(3,358,841)	(1,321,638,976)	(5,346,029,658)
Other changes	(70,654)	(71,453)	(308,018)	(450,125)	(1,820,756)
Currency translation differences	-	-	-	-	(82,932,790)
Gross carrying amount as at 31 December 2020	3,778,342,566	20,426,555	34,602,428	3,833,371,549	15,505,987,916
<b>Loss allowance as at 31 December 2020</b>	<b>(9,283,767)</b>	<b>(2,993,995)</b>	<b>(6,494,373)</b>	<b>(18,772,135)</b>	<b>(75,933,286)</b>

31 December 2019	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR'000
Gross carrying amount as at 1 January 2019	1,803,867,318	15,775,912	15,550,025	1,835,193,255	7,373,806,497
Changes in gross carrying amount					
Transfer to stage 1	2,186,840	(2,162,359)	(24,481)	–	–
Transfer to stage 2	(6,925,252)	7,105,443	(180,191)	–	–
Transfer to stage 3	(5,181,373)	(4,728,852)	9,910,225	–	–
New financial assets originated	1,777,012,428	1,487,031	1,949,721	1,780,449,180	7,255,330,409
Financial assets that have been derecognised	(838,483,478)	(6,695,857)	(5,340,402)	(850,519,737)	(3,465,867,928)
Other changes	(103,803)	(113,808)	(478,722)	(696,333)	(2,837,557)
Currency translation differences	–	–	–	–	104,606,016
Gross carrying amount as at 31 December 2019	2,732,372,680	10,667,510	21,386,175	2,764,426,365	11,265,037,437
<b>Loss allowance as at 31 December 2019</b>	<b>(1,573,881)</b>	<b>(566,317)</b>	<b>(4,215,254)</b>	<b>(6,355,452)</b>	<b>(25,898,467)</b>

#### Investment securities at amortised cost

31 December 2020	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR'000
Gross carrying amount as at 1 January 2020	33,307,014	–	–	33,307,014	135,726,083
New financial assets originated	3,976,224	–	–	3,976,224	16,083,826
Financial assets that have been derecognised	(29,760,358)	–	–	(29,760,358)	(120,380,648)
Other changes	(55,289)	–	–	(55,289)	(223,644)
Currency translation difference	–	–	–	–	(999,211)
Gross carrying amount as at 31 December 2020	7,467,591	–	–	7,467,591	30,206,406
<b>Loss allowance as at 31 December 2020</b>	<b>(33,505)</b>	<b>–</b>	<b>–</b>	<b>(33,505)</b>	<b>(135,528)</b>

31 December 2019	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR'000
Gross carrying amounts as at 1 January 2019	33,253,348	-	-	33,253,348	133,611,952
New financial assets originated	252,710,753	-	-	252,710,753	1,029,796,319
Financial assets that have been derecognised	(252,557,977)	-	-	(252,557,977)	(1,029,173,756)
Other changes	(99,110)	-	-	(99,110)	(403,873)
Currency translation differences	-	-	-	-	1,895,441
Gross carrying amount as at 31 December 2019	33,307,014	-	-	33,307,014	135,726,083
<b>Loss allowance as at 31 December 2019</b>	<b>(21,580)</b>	<b>-</b>	<b>-</b>	<b>(21,580)</b>	<b>(87,939)</b>

#### Rental deposits at amortised cost

31 December 2020	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR'000
Gross carrying amount as at 1 January 2020	3,615,041	-	-	3,615,041	14,731,292
New financial assets originated	545,023	-	-	545,023	2,204,618
Financial assets that have been derecognised	(31,810)	-	-	(31,810)	(128,671)
Other Changes	(947,754)	-	-	(947,754)	(3,833,665)
Currency translation differences	-	-	-	-	(108,450)
Gross carrying amount as at 31 December 2020	3,180,500	-	-	3,180,500	12,865,124
<b>Loss allowance as at 31 December 2020</b>	<b>(31,805)</b>	<b>-</b>	<b>-</b>	<b>(31,805)</b>	<b>(128,651)</b>



31 December 2019	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR'000
Gross carrying amount as at 1 January 2019	3,296,675	-	-	3,296,675	13,246,040
New financial assets originated	366,202	-	-	366,202	1,492,273
Financial assets that have been derecognised	(47,836)	-	-	(47,836)	(194,932)
Currency translation differences	-	-	-	-	187,911
Gross carrying amount as at 31 December 2019	3,615,041	-	-	3,615,041	14,731,292
<b>Loss allowance as at 31 December 2019</b>	<b>(36,150)</b>	<b>-</b>	<b>-</b>	<b>(36,150)</b>	<b>(147,311)</b>

#### Loan commitments and financial guarantee contracts

31 December 2020	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR'000
Gross carrying amounts as at 1 January 2020	68,497,103	-	-	68,497,103	279,125,695
Changes in gross carrying amount					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	(102)	102	-	-	-
Transfer to stage 3	-	-	-	-	-
New financial assets originated	105,363,917	-	-	105,363,917	426,197,044
Financial assets that have been derecognised	(12,213,616)	(1)	-	(12,213,617)	(49,404,081)
Currency translation differences	-	-	-	-	(2,054,913)
Gross carrying amount as at 31 December 2020	161,647,302	101	-	161,647,403	653,863,745
<b>Loss allowance as at 31 December 2020</b>	<b>(134,391)</b>	<b>(8)</b>	<b>-</b>	<b>(134,399)</b>	<b>(543,644)</b>

31 December 2019	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR'000
Gross carrying amounts as at 1 January 2019	40,303,909	-	-	40,303,909	161,941,106
New financial assets originated	33,648,030	-	-	33,648,030	137,115,722
Financial assets that have been derecognised	(5,454,836)	-	-	(5,454,836)	(22,228,457)
Currency translation differences	-	-	-	-	2,297,324
Gross carrying amount as at 31 December 2019	68,497,103	-	-	68,497,103	279,125,695
<b>Loss allowance as at 31 December 2019</b>	<b>(18,916)</b>	<b>-</b>	<b>-</b>	<b>(18,916)</b>	<b>(77,083)</b>

The tables below analyse the movement of the loss allowance during the year per class of assets.

**Loss allowance – balance with other banks at amortised cost**

31 December 2020	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR'000
Loss allowance as at 1 January 2020	60,742	-	-	60,742	247,523
New financial assets originated	671,299	-	-	671,299	2,715,404
Financial assets that have been derecognised	(35,778)	-	-	(35,778)	(144,722)
Other changes	72,865	-	-	72,865	294,739
Currency translation differences	-	-	-	-	(1,821)
<b>Loss allowance as at 31 December 2020</b>	<b>769,128</b>	<b>-</b>	<b>-</b>	<b>769,128</b>	<b>3,111,123</b>

31 December 2019	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR'000
Loss allowance as at 1 January 2019	86,827	-	-	86,827	348,871
New financial assets originated	21,935	-	-	21,935	89,385
Financial assets that have been derecognised	(38,996)	-	-	(38,996)	(158,908)
Other changes	(9,024)			(9,024)	(36,773)
Currency translation differences	-	-	-	-	4,948
<b>Loss allowance as at 31 December 2019</b>	<b>60,742</b>	<b>-</b>	<b>-</b>	<b>60,742</b>	<b>247,523</b>

Loss allowance – loans to customers at amortised cost

31 December 2020	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR'000
Loss allowance as at 1 January 2020	1,573,881	566,317	4,215,254	6,355,452	25,898,467
Changes in the loss allowance					
Transfer to stage 1	5,213	(5,213)	-	-	-
Transfer to stage 2	(10,641)	10,641	-	-	-
Transfer to stage 3	(8,242)	(227,994)	236,236	-	-
Net remeasurement of loss allowance*	5,430,419	2,712,889	2,636,001	10,779,309	43,602,305
New financial assets originated	2,962,641	37,385	35,473	3,035,499	12,278,593
Financial assets that have derecognised	(610,851)	(50,727)	(422,916)	(1,084,494)	(4,386,778)
Other changes	(58,653)	(49,303)	(205,675)	(313,631)	(1,268,637)
Currency translation differences	-	-	-	-	(190,664)
<b>Loss allowance as at 31 December 2020</b>	<b>9,283,767</b>	<b>2,993,995</b>	<b>6,494,373</b>	<b>18,772,135</b>	<b>75,933,286</b>

\* Includes the net remeasurement of loss allowance (after transfers) attributable mainly to changes in volume and in the credit quality of existing loans.

31 December 2019	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR'000
Loss allowance as at 1 January 2019	1,100,909	782,334	2,975,843	4,859,086	19,523,806
Change in loss allowance					
Transfer to stage 1	108,612	(106,432)	(2,180)	–	–
Transfer to stage 2	(5,453)	53,203	(47,750)	–	–
Transfer to stage 3	(5,042)	(229,260)	234,302	–	–
Net remeasurement of loss allowance*	(209,800)	224,626	1,639,063	1,653,889	6,739,597
New financial assets originated	1,026,318	47,638	471,676	1,545,632	6,298,450
Financial assets that have been derecognised	(440,742)	(137,412)	(291,528)	(869,682)	(3,543,954)
Other changes	(921)	(68,380)	(764,172)	(833,473)	(3,396,402)
Currency translation differences	–	–	–	–	276,970
<b>Loss allowance as at 31 December 2019</b>	<b>1,573,881</b>	<b>566,317</b>	<b>4,215,254</b>	<b>6,355,452</b>	<b>25,898,467</b>

\* Includes the net remeasurement of loss allowance (after transfers) attributable mainly to changes in volume and in the credit quality of existing loans.

#### Loss allowance – investment in securities at amortised cost

31 December 2020	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR'000
Loss allowance as at 1 January 2020	21,580	–	–	21,580	87,939
Net remeasurement of loss allowance	(2,852)	–	–	(2,852)	(11,536)
New financial assets originated	14,777	–	–	14,777	59,773
Currency translation differences	–	–	–	–	(648)
<b>Loss allowance as at 31 December 2020</b>	<b>33,505</b>	<b>–</b>	<b>–</b>	<b>33,505</b>	<b>135,528</b>

31 December 2019	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR'000
Loss allowance as at 1 January 2019	83,533	-	-	83,533	335,636
Net remeasurement of loss allowance	(61,953)	-	-	(61,953)	(252,458)
Currency translation differences	-	-	-	-	4,761
<b>Loss allowance as at 31 December 2019</b>	<b>21,580</b>	<b>-</b>	<b>-</b>	<b>21,580</b>	<b>87,939</b>

Loss allowance – rental deposit at amortised cost

31 December 2020	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR'000
Loss allowance as at 1 January 2020	36,150	-	-	36,150	147,311
New financial assets originated	5,450	-	-	5,450	22,045
Financial assets that have been derecognised	(318)	-	-	(318)	(1,286)
Other changes	(9,477)	-	-	(9,477)	(38,334)
Currency translation differences	-	-	-	-	(1,085)
<b>Loss allowance as at 31 December 2020</b>	<b>31,805</b>	<b>-</b>	<b>-</b>	<b>31,805</b>	<b>128,651</b>

31 December 2019	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR'000
Loss allowance as at 1 January 2019	32,967	-	-	32,967	132,461
New financial assets originated	3,661	-	-	3,661	14,919
Financial assets that have been derecognised	(478)	-	-	(478)	(1,948)
Currency translation differences	-	-	-	-	1,879
<b>Loss allowance as at 31 December 2019</b>	<b>36,150</b>	<b>-</b>	<b>-</b>	<b>36,150</b>	<b>147,311</b>

### Loss allowance – loan commitments and financial guarantee contracts

31 December 2020	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR'000
Loss allowance as at 1 January 2020	18,916	–	–	18,916	77,083
Net remeasurement of loss allowance	36,335	8	–	36,343	147,007
New financial assets originated	80,915	–	–	80,915	327,301
Financial assets that have been derecognised	(1,775)	–	–	(1,775)	(7,180)
Currency translation differences	–	–	–	–	(567)
<b>Loss allowance as at 31 December 2020</b>	<b>134,391</b>	<b>8</b>	<b>–</b>	<b>134,399</b>	<b>543,644</b>

31 December 2019	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR'000
Loss allowance as at 1 January 2019	10,089	–	–	10,089	40,538
Increase due to change in credit risk	646	–	–	646	2,632
New financial assets originated	10,323	–	–	10,323	42,066
Financial assets that have been derecognised	(2,142)	–	–	(2,142)	(8,729)
Currency translation differences	–	–	–	–	576
<b>Loss allowance as at 31 December 2019</b>	<b>18,916</b>	<b>–</b>	<b>–</b>	<b>18,916</b>	<b>77,083</b>

### 33.1.4 Concentration of credit risk

The Bank monitors concentrations of credit risk by sector. An analysis of concentrations of credit risk from balances with other banks, loans to customers, investment securities, rental deposits and loan commitments and financial guarantee contracts are shown below.

31 December 2020	Balances with other banks	Loans to customers	Investment securities	Rental deposits	Loan commitments and financial guarantee contracts	Total	
	US\$	US\$	US\$	US\$	US\$	US\$	KHR'000
Carrying amount	325,956,497	3,814,599,414	7,434,086	3,148,695	(134,399)	4,151,004,293	16,790,812,365
Amount committed	–	–	–	–	161,647,403	161,647,403	653,863,745

31 December 2020	Balances with other banks	Loans to customers	Investment securities	Rental deposits	Loan commitments and financial guarantee contracts	Total	
	US\$	US\$	US\$	US\$	US\$	US\$	KHR'000
<b>Concentration by sector:</b>							
Financial institution	-	75,700,368	-	-	6,703,385	82,403,753	333,323,181
Agriculture	-	188,556,966	-	-	572,411	189,129,377	765,028,330
Construction and real estate operation	-	283,912,442	-	-	26,038,109	309,950,551	1,253,749,979
Real estate rental	-	625,153,662	-	-	1,978,497	627,132,159	2,536,749,583
Manufacturing	-	185,379,164	-	-	15,244,456	200,623,620	811,522,543
Wholesale and retail trade	-	1,641,488,877	-	-	80,922,280	1,722,411,157	6,967,153,130
Services	-	697,905,481	-	-	19,355,246	717,260,727	2,901,319,641
Personal loans	-	116,502,454	-	-	10,833,019	127,335,473	515,071,988
	-	<b>3,814,599,414</b>	-	-	<b>161,647,403</b>	<b>3,976,246,817</b>	<b>16,083,918,375</b>

31 December 2019	Balances with other banks	Loans to customers	Investment securities	Rental deposits	Loan commitments and financial guarantee contracts	Total	
	US\$	US\$	US\$	US\$	US\$	US\$	KHR'000
Carrying amount	93,411,689	2,758,070,913	33,285,434	3,578,891	(18,916)	2,888,328,011	11,769,936,645
Amount committed	-	-	-	-	68,497,103	68,497,103	279,125,695
<b>Concentration by sector:</b>							
Financial institution	-	66,763,800	-	-	3,632,493	70,396,293	286,864,894
Agriculture	-	125,398,794	-	-	13,359	125,412,153	511,054,523
Construction and real estate operation	-	191,140,055	-	-	8,421,561	199,561,616	813,213,585
Real estate rental	-	500,653,307	-	-	1,651,526	502,304,833	2,046,892,194
Manufacturing	-	124,038,051	-	-	7,680,802	131,718,853	536,754,326
Wholesale and retail trade	-	1,087,154,852	-	-	27,755,419	1,114,910,271	4,543,259,354
Services	-	560,458,155	-	-	9,156,550	569,614,705	2,321,179,923
Personal loans	-	102,463,899	-	-	10,185,393	112,649,292	459,045,865
	-	<b>2,758,070,913</b>	-	-	<b>68,497,103</b>	<b>2,826,568,016</b>	<b>11,518,264,664</b>

## 33.2 Liquidity risk

Liquidity risk is the risk that the Bank does not have sufficient financial resources to meet its obligations as they fall due, or will have to do so at an excessive cost. This risk arises from mismatches in the timing of cash flows which is inherent in all banking operations and can be affected by a range of Bank-specific and market-wide events.

### 33.2.1 Liquidity risk management

The Bank's Board of Directors sets the Bank's strategy for managing liquidity risk and oversight of the implementation is administered by Board Risk Management Committee (BRMC). BRMC approves the Bank's liquidity policies created by the Risk division and acknowledged by Asset-Liability Committee (ALCO). Treasury department manages the Bank's liquidity position on a day-to-day basis and reviews daily reports covering the liquidity position of Head office and branches. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation. The key elements of the Bank's liquidity strategy are as follows:

- Maintaining a diversified funding base consisting of customer deposits (both individual and corporate) and maintaining contingency facilities.
- Carrying a portfolio of highly liquid assets, diversified by currency and maturity.
- Monitoring maturity mismatches, behavioral characteristics of the Bank's financial assets and financial liabilities, and the extent to which the Bank's assets are encumbered and so not available as potential collateral for obtaining funding.
- Stress testing of the Bank's liquidity position against various exposures and country-specific events.
- Minimise cost of foregone earnings on idle liquidity.

Treasury department receives information from other business units regarding the liquidity profile of their financial assets and financial liabilities and details of other projected cash flows arising from projected future business. Treasury department then maintains a portfolio of short-term liquid assets, largely made up of inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank as a whole. The liquidity requirements of branches are met through funds from Treasury department to cover any short-term fluctuations and longer-term funding to address any structural liquidity requirements.

Finance department monitors compliance with local regulatory limits on a monthly basis.

Regular liquidity stress testing is conducted by Risk Management Department under a variety of scenarios covering global liquidity crisis, local (Cambodian) liquidity crisis and idiosyncratic (internal) liquidity crisis. Risk Management Department presented results of stress testing and relevant recommendations to BRMC on quarterly basis or an ad hoc basis.

### 33.2.2 Exposure to liquidity risk

The key measure used by the Bank for managing liquidity risk is Liquidity Risk Coverage Ratio. This ratio reflects the available cash inflows (including loans to be collected and balances with other banks); cash outflows matured within 30 days (including amount to be paid to lenders, deposits from financial institutions and corporates); and adjusted retail saving deposit as well as stock of eligible liquid assets (cash on hand, all current accounts and reserve requirements with the NBC).

	31 December 2020	31 December 2019
At end of year	166.64%	162.32%
Average for the year	161.56%	154.90%
Maximum for the year	184.79%	234.64%
Minimum for the year	131.05%	148.97%



### 33.2.3 Maturity analysis for financial assets and financial liabilities

The following tables set out the remaining contractual maturities of the Bank's financial assets and financial liabilities. The sum of the balances depicted in the maturity analysis do not reconcile with the carrying amount of the assets/liabilities as disclosed in the statement of financial position. This is because maturity analysis incorporates, on an undiscounted basis, all cash flow relating to principal. The amount for issued loan commitments and financial guarantees contract is the maximum amount that may be drawn down under the loan commitment, or called under the financial guarantees contract, both included in the earliest possible period under these could be paid. The undiscounted cash flows potentially payable under financial guarantees and similar contracts are classified on the basis of the earliest date they can be called.

31 December 2020	Carrying amount	Gross nominal inflow/(outflow)	Up to 1 month	> 1 – 3 months	> 3 – 12 months	> 1 – 5 years	Over 5 years	No specific maturity
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
<b>Financial assets by type</b>								
Non-derivative assets								
Cash on hand	378,101,373	378,101,373	378,101,373	–	–	–	–	–
Balances with the NBC	1,481,626,701	1,482,463,671	227,602,290	140,897,102	730,962,799	–	–	383,001,480
Balances with other banks	325,956,497	329,159,013	62,531,584	28,085,945	238,541,484	–	–	–
Loans to customers	3,814,599,414	4,925,131,069	74,208,223	134,659,696	635,309,114	2,763,621,205	1,317,332,831	–
Investment securities	7,434,086	8,921,826	–	–	–	8,921,826	–	–
Other assets	17,347,962	17,347,962	6,433,942	18,025	6,906,760	837,270	3,151,965	–
	6,025,066,033	7,141,124,914	748,877,412	303,660,768	1,611,720,157	2,773,380,301	1,320,484,796	383,001,480
<b>In US\$ equivalent</b>	<b>6,025,066,033</b>	<b>7,141,124,914</b>	<b>748,877,412</b>	<b>303,660,768</b>	<b>1,611,720,157</b>	<b>2,773,380,301</b>	<b>1,320,484,796</b>	<b>383,001,480</b>
<b>In KHR'000 equivalent</b>	<b>24,371,392,103</b>	<b>28,885,850,277</b>	<b>3,029,209,132</b>	<b>1,228,307,807</b>	<b>6,519,408,035</b>	<b>11,218,323,318</b>	<b>5,341,361,000</b>	<b>1,549,240,987</b>

31 December 2020	Carrying amount	Gross nominal inflow/(outflow)	Up to 1 month	> 1 – 3 months	> 3 – 12 months	> 1 – 5 years	Over 5 years	No specific maturity
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
<b>Financial liabilities by type</b>								
Non-derivative liabilities								
Deposits from customers	4,871,468,376	(4,904,949,197)	(4,026,303,308)	(212,310,676)	(622,882,632)	(43,452,581)	–	–
Debt securities in issue	21,282,088	(24,041,289)	–	(806,580)	(806,580)	(22,428,129)	–	–
Borrowings	242,004,091	(260,392,244)	(3,830,605)	(65,192,233)	(183,997,232)	(6,117,277)	(1,254,897)	–
Subordinated debts	117,023,035	(156,286,668)	–	–	–	(100,381,437)	(55,905,231)	–
Lease liabilities	35,721,902	(42,593,752)	(644,918)	(1,274,527)	(5,586,177)	(24,189,161)	(10,898,970)	–
Other liabilities	33,829,136	(33,829,136)	(713,705)	(16,781,230)	(5,383,728)	(10,613,390)	(337,083)	–
	5,321,328,628	(5,422,092,286)	(4,031,492,536)	(306,964,141)	(818,656,349)	(196,583,080)	(68,396,181)	–
Loan commitments and financial guarantee contracts	–	(161,647,403)	(10,471,284)	(19,474,031)	(120,369,486)	(11,332,602)	–	–
<b>In US\$ equivalent</b>	<b>5,321,328,628</b>	<b>(5,583,739,689)</b>	<b>(4,041,963,820)</b>	<b>(326,438,172)</b>	<b>(939,025,835)</b>	<b>(207,915,682)</b>	<b>(68,396,181)</b>	<b>–</b>
<b>In KHR'000 equivalent</b>	<b>21,524,774,300</b>	<b>(22,586,227,042)</b>	<b>(16,349,743,652)</b>	<b>(1,320,442,406)</b>	<b>(3,798,359,503)</b>	<b>(841,018,934)</b>	<b>(276,662,552)</b>	<b>–</b>

31 December 2019	Carrying amount	Gross nominal inflow/(outflow)	Up to 1 month	> 1 – 3 months	> 3 – 12 months	> 1 – 5 years	Over 5 years	No specific maturity
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
<b>Financial assets by type</b>								
Non-derivative assets								
Cash on hand	251,750,205	251,750,205	251,750,205	–	–	–	–	–
Balances with the NBC	1,151,654,239	1,152,756,349	357,106,106	168,088,439	192,016,089	–	–	435,545,715
Balances with other banks	93,411,689	94,817,433	24,823,416	12,699,983	57,294,034	–	–	–
Loans to customers	2,758,070,913	3,816,133,311	67,189,650	126,350,173	575,268,100	2,152,373,771	894,951,617	–
Investment securities	33,285,434	36,581,217	–	–	30,000,000	6,581,217	–	–
Other assets	9,432,070	9,432,070	5,915,499	10,340	47,247	651,599	2,807,385	–
	4,297,604,550	5,361,470,585	706,784,876	307,148,935	854,625,470	2,159,606,587	897,759,002	435,545,715
<b>In US\$ equivalent</b>	<b>4,297,604,550</b>	<b>5,361,470,585</b>	<b>706,784,876</b>	<b>307,148,935</b>	<b>854,625,470</b>	<b>2,159,606,587</b>	<b>897,759,002</b>	<b>435,545,715</b>
<b>In KHR'000 equivalent</b>	<b>17,512,738,541</b>	<b>21,847,992,634</b>	<b>2,880,148,370</b>	<b>1,251,631,910</b>	<b>3,482,598,790</b>	<b>8,800,396,842</b>	<b>3,658,367,933</b>	<b>1,774,848,789</b>

31 December 2019	Carrying amount	Gross nominal inflow/(outflow)	Up to 1 month	> 1 – 3 months	> 3 – 12 months	> 1 – 5 years	Over 5 years	No specific maturity
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
<b>Financial liabilities by type</b>								
Non-derivative liabilities								
Deposits from customers	3,395,343,449	(3,427,173,497)	(2,763,070,848)	(161,020,729)	(449,267,093)	(53,814,827)	–	–
Debt securities in issue	20,939,337	(25,654,450)	–	(806,580)	(806,580)	(24,041,290)	–	–
Borrowings	279,856,458	(285,744,023)	(42,962,054)	(88,606,830)	(148,206,410)	(5,968,729)	–	–
Subordinated debts	128,000,000	(178,440,382)	–	–	(20,126,904)	(70,708,880)	(87,604,598)	–
Lease liabilities	36,513,407	(44,090,273)	(559,558)	(1,119,386)	(5,033,695)	(22,937,247)	(14,440,385)	–
Other liabilities	23,386,944	(23,386,944)	(5,363,440)	(10,707,112)	–	(6,784,819)	(531,573)	–
	3,884,039,595	(3,984,489,569)	(2,811,955,900)	(262,260,637)	(623,440,682)	(184,255,792)	(102,576,556)	–
Loan commitments and financial guarantee contracts	–	(68,497,103)	(55,463,748)	(2,773,524)	(1,535,595)	(8,724,236)	–	–
<b>In US\$ equivalent</b>	<b>3,884,039,595</b>	<b>(4,052,986,672)</b>	<b>(2,867,419,648)</b>	<b>(265,034,161)</b>	<b>(624,976,277)</b>	<b>(192,980,028)</b>	<b>(102,576,556)</b>	<b>–</b>
<b>In KHR'000 equivalent</b>	<b>15,827,461,350</b>	<b>(16,515,920,688)</b>	<b>(11,684,735,066)</b>	<b>(1,080,014,206)</b>	<b>(2,546,778,329)</b>	<b>(786,393,614)</b>	<b>(417,999,466)</b>	<b>–</b>

The amounts in the table above have been compiled as follows.

Type of financial instrument	Basis on which amounts are compiled
Financial assets	Undiscounted cash flows, which include estimated interest collections
Financial liabilities	Undiscounted cash flows, which include estimated interest payments
Loan commitments and financial guarantee contracts	Earliest possible contractual maturity

As part of the management of liquidity risk arising from financial liabilities, the Bank holds liquid assets comprising cash and cash equivalents, which can be readily to meet liquidity requirements. In addition, the Bank maintains agreed lines of credit with other banks.

The following table sets out the contractual amounts of non-derivative financial assets and financial liabilities expected to be recovered or settled less than 12 months after the reporting date.

	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
<b>Financial assets</b>				
Cash on hand	378,101,373	1,529,420,054	251,750,205	1,025,882,085
Balances with the NBC	1,099,462,191	4,447,324,563	717,210,634	2,922,633,334
Balances with other banks	329,159,013	1,331,448,208	94,817,433	386,381,039
Loans to customers	844,177,033	3,414,696,098	515,481,272	2,100,586,183
Investment securities	–	–	30,000,000	122,250,000
Other assets	13,358,727	54,036,050	5,973,086	24,340,325
	<b>2,664,258,337</b>	<b>10,776,924,973</b>	<b>1,615,232,630</b>	<b>6,582,072,966</b>
<b>Financial liabilities</b>				
Deposits from customers	4,861,496,616	19,664,753,812	3,373,358,670	13,746,436,580
Debt securities in issue	1,613,160	6,525,232	1,613,160	6,573,627
Borrowings	253,020,070	1,023,466,183	279,775,294	1,140,084,323
Subordinated debts	–	–	20,126,904	82,017,134
Lease liabilities	7,505,622	30,360,241	6,712,639	27,354,004
Other liabilities	22,878,663	92,544,192	16,070,552	65,487,499
	5,157,113,026	20,860,522,190	3,697,657,219	15,067,953,167
Loan commitments	150,314,801	608,023,370	59,772,866	243,574,429
	<b>5,307,427,827</b>	<b>21,468,545,560</b>	<b>3,757,430,085</b>	<b>15,311,527,596</b>

The following table sets out the contractual amounts of non-derivative financial assets and financial liabilities expected to be recovered or settled more than 12 months after the reporting date

	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
<b>Financial assets</b>				
Balances with other banks	–	–	–	–
Loans to customers	4,080,954,036	16,507,459,076	2,264,811,575	9,229,107,168
Investment securities	8,921,826	36,088,786	6,581,217	26,818,459
Other assets	3,989,235	16,136,455	3,458,984	14,095,360
	<b>4,093,865,097</b>	<b>16,559,684,317</b>	<b>2,274,851,776</b>	<b>9,270,020,987</b>
<b>Financial liabilities</b>				
Deposits from customers	43,452,581	175,765,689	53,814,827	219,295,419
Debt securities in issue	22,428,129	90,721,782	24,041,290	97,968,257
Borrowings	7,372,174	29,820,444	5,968,729	24,322,571

	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
Subordinated debts	156,286,668	632,179,572	158,313,478	645,127,423
Lease liabilities	35,088,131	141,931,490	37,377,632	152,313,850
Other liabilities	10,950,473	44,294,664	7,316,392	29,814,297
	264,979,261	1,071,841,111	286,832,348	1,168,841,817
Loan commitments	11,332,602	45,840,375	8,724,236	35,551,262
	<b>276,311,863</b>	<b>1,117,681,486</b>	<b>295,556,584</b>	<b>1,204,393,079</b>

### 33.2.4 Liquidity reserves

The Bank maintains a pool of liquid assets which represents the primary source of liquidity in stress scenarios. Its composition is subject to limits designed to reduce concentration risks which are monitored on an ongoing basis. The Bank's liquidity reserves are analysed below.

	31 December 2020		31 December 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
	US\$	US\$	US\$	US\$
Cash on hand	378,101,373	378,101,373	251,750,205	251,750,205
Balances with the NBC	1,481,626,701	1,481,626,701	716,108,524	716,108,524
Balances with other banks	325,956,497	325,956,497	93,411,689	93,411,689
Investment securities	7,434,086	7,434,086	33,285,434	33,285,434
<b>Total liquidity reserves</b>	<b>2,193,118,657</b>	<b>2,193,118,657</b>	<b>1,094,555,852</b>	<b>1,094,555,852</b>
<b>In KHR'000 equivalent</b>	<b>8,871,164,968</b>	<b>8,871,164,968</b>	<b>4,460,315,097</b>	<b>4,460,315,097</b>

### 33.2.5 Financial assets available to support future funding

The following table sets out the availability of the Bank's financial assets to support future funding.

	Encumbered		Unencumbered		Total	
	Pledged as collateral	Other*	Available as collateral	Other**	US\$	KHR'000
	US\$	US\$	US\$	US\$	US\$	KHR'000
<b>31 December 2020</b>						
Cash on hand	–	–	–	378,101,373	378,101,373	1,529,420,054
Balances with the NBC	229,206,000	383,001,480	730,137,454	139,281,767	1,481,626,701	5,993,180,006
Balances with other banks	–	–	–	325,956,497	325,956,497	1,318,494,030
Loans to customers	–	–	–	3,814,599,414	3,814,599,414	15,430,054,630
Investment securities	–	–	–	7,434,086	7,434,086	30,070,878
Other assets	–	–	–	17,347,962	17,347,962	70,172,505
	<b>229,206,000</b>	<b>383,001,480</b>	<b>730,137,454</b>	<b>4,682,721,099</b>	<b>6,025,066,033</b>	<b>24,371,392,103</b>

	Encumbered		Unencumbered		Total	
	Pledged as collateral	Other*	Available as collateral	Other**		
	US\$	US\$	US\$	US\$	US\$	KHR'000
<b>31 December 2019</b>						
Cash on hand	–	–	–	251,750,205	251,750,205	1,025,882,085
Balances with the NBC	280,842,000	435,491,945	198,498,773	236,821,521	1,151,654,239	4,692,991,024
Balances with other banks	–	–	–	93,411,689	93,411,689	380,652,633
Loans to customers	–	–	–	2,758,070,913	2,758,070,913	11,239,138,970
Investment securities	–	–	–	33,285,434	33,285,434	135,638,144
Other assets	–	–	–	9,432,070	9,432,070	38,435,685
	<b>280,842,000</b>	<b>435,491,945</b>	<b>198,498,773</b>	<b>3,382,771,832</b>	<b>4,297,604,550</b>	<b>17,512,738,541</b>

\* Represents assets that are not pledged but that the Bank believes it is restricted from using to secure funding, for legal or other reasons.

\*\* Represents assets that are not restricted for use as collateral, but that the Bank would not consider readily available to secure funding in the normal course of business.

### 33.3 Market risk

Market risk' is the risk that changes in market prices – e.g. interest rates and foreign exchange rates – will affect the Bank's income or the value of its holdings of financial instruments. The objective of the Bank's market risk management is to manage and control market risk exposures within acceptable parameters to ensure the Bank's solvency while optimising the return on risk.

#### 33.3.1 Market risk management

Overall authority for market risk is vested in BRMC at Board level and ALCO at management level. BRMC sets up limits for each type of risk in aggregate and for portfolios (all portfolios are non-trading). The Risk Management Department is responsible for the development of detailed risk management policies (subject to review by BRMC and approval by Board of Directors). Treasury function implement and manage the day-to-day market risk in the daily operation.

The Bank employs a range of tools to monitor and limit market risk exposures.

The following table sets out the allocation of assets and liabilities subject to market risk.

	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
<b>Assets subject to market risk:</b>				
Cash on hand	378,101,373	1,529,420,054	251,750,205	1,025,882,085
Balances with the NBC	1,481,626,701	5,993,180,006	1,151,654,239	4,692,991,024
Balances with other banks	325,956,497	1,318,494,030	93,411,689	380,652,633
Loans to customers	3,814,599,414	15,430,054,630	2,758,070,913	11,239,138,970
Investment securities	7,434,086	30,070,878	33,285,434	135,638,144
Other assets	17,347,962	70,172,505	9,432,070	38,435,685
	<b>6,025,066,033</b>	<b>24,371,392,103</b>	<b>4,297,604,550</b>	<b>17,512,738,541</b>

	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
<b>Liabilities subject to market risk:</b>				
Deposits from customers	4,871,468,376	19,705,089,581	3,395,343,449	13,836,024,555
Debt securities in issue	21,282,088	86,086,046	20,939,337	85,327,798
Borrowings	242,004,091	978,906,548	279,856,458	1,140,415,066
Subordinated debts	117,023,035	473,358,177	128,000,000	521,600,000
Lease liabilities	35,721,902	144,495,094	36,513,407	148,792,134
Other liabilities	33,829,136	136,838,855	23,386,944	95,301,797
	<b>5,321,328,628</b>	<b>21,524,774,301</b>	<b>3,884,039,595</b>	<b>15,827,461,350</b>

### 33.3.2 Exposure to market risk

#### (i) Interest rate risk

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments or economic value of equity of the Bank because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands.

Risk Management Department conducts stress testing of interest rate risk and present its results and relevant recommendations to BRMC on quarterly basis or an ad hoc basis.

Interest rate sensitivity measured by the longer effective rate of duration, the more sensitive the fund is to shifts in the interest rate. Duration is an indicator of Net Asset Value will change as the interest rate change. The Bank has no significant financial assets and liabilities with floating interest rates. Balances with the NBC and with banks earn fixed interest for the period of the deposit and placement, and loans to customers earn fixed interest based on outstanding balance over the agreed term. Therefore, no sensitivity analysis for interest rate risk was presented.

The following is a summary of the Bank's interest rate gap position. The interest rate repricing gap table analyses the full-term structure of interest rate mismatches within the Bank's balance sheet based on the maturity date.

31 December 2020	Carrying amount	Up to 1 month	> 1 – 3 months	> 3 – 12 months	> 1 – 5 years	Over 5 years	Non-interest sensitive
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
<b>Financial assets</b>							
Cash on hand	378,101,373	–	–	–	–	–	378,101,373
Balances with the NBC	1,481,626,701	88,982,350	140,844,151	730,171,520	–	–	521,628,680
Balances with other banks	325,956,497	34,574,043	27,962,234	235,619,215	–	–	27,801,005
Loans to customers	3,814,599,414	12,374,904	35,841,309	271,459,998	768,604,275	2,726,318,928	–
Investment securities	7,434,086	–	–	–	7,434,086	–	–
Other assets	17,347,962	–	–	–	–	–	17,347,962
	<b>6,025,066,033</b>	<b>135,931,297</b>	<b>204,647,694</b>	<b>1,237,250,733</b>	<b>776,038,361</b>	<b>2,726,318,928</b>	<b>944,879,020</b>



31 December 2020	Carrying amount	Up to 1 month	> 1 – 3 months	> 3 – 12 months	> 1 – 5 years	Over 5 years	Non-interest sensitive
<b>Financial liabilities</b>							
Deposits from customers	4,871,468,376	3,720,959,793	205,470,554	601,928,793	39,825,259	–	303,283,977
Debt securities in issue	21,282,088	–	–	–	21,282,088	–	–
Borrowings	242,004,091	3,765,887	63,410,226	171,673,863	2,047,170	1,106,946	–
Subordinated debts	117,023,035	–	–	–	77,015,702	40,007,333	–
Lease liabilities	35,721,902	–	–	–	–	–	35,721,902
Other liabilities	33,829,136	–	–	–	–	–	33,829,136
	5,321,328,628	3,724,725,680	268,880,780	773,602,656	140,170,219	41,114,279	372,835,015
<b>Total</b>	<b>703,737,405</b>	<b>(3,588,794,383)</b>	<b>(64,233,086)</b>	<b>463,648,077</b>	<b>635,868,142</b>	<b>2,685,204,649</b>	<b>572,044,005</b>
<b>In KHR'000 equivalent</b>	<b>2,846,617,801</b>	<b>(14,516,673,279)</b>	<b>(259,822,833)</b>	<b>1,875,456,471</b>	<b>2,572,086,634</b>	<b>10,861,652,805</b>	<b>2,313,917,998</b>
31 December 2019	Carrying amount	Up to 1 month	> 1 – 3 months	> 3 – 12 months	> 1 – 5 years	Over 5 years	Non-interest sensitive
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
<b>Financial assets</b>							
Cash on hand	251,750,205	–	–	–	–	–	251,750,205
Balances with the NBC	1,151,654,239	121,396,519	167,824,964	191,195,156	–	–	671,237,600
Balances with other banks	93,411,689	926,874	12,626,032	55,977,178	–	–	23,881,605
Loans to customers	2,758,070,913	98,729,866	1,691,895	10,747,186	604,680,301	2,042,221,665	–
Investment securities	33,285,434	–	–	29,871,880	3,413,554	–	–
Other assets	9,432,070	–	–	–	–	–	9,432,070
	<b>4,297,604,550</b>	<b>221,053,259</b>	<b>182,142,891</b>	<b>287,791,400</b>	<b>608,093,855</b>	<b>2,042,221,665</b>	<b>956,301,480</b>
<b>Financial liabilities</b>							
Deposits from customers	3,395,343,449	2,540,056,177	155,708,049	431,719,517	47,812,323	–	220,047,383
Debt securities in issue	20,939,337	–	–	–	20,939,337	–	–
Borrowings	279,856,458	42,630,231	87,620,858	142,888,270	6,717,099	–	–
Subordinated debts	128,000,000	–	–	–	48,000,000	80,000,000	–

31 December 2019	Carrying amount	Up to 1 month	> 1 – 3 months	> 3 – 12 months	> 1 – 5 years	Over 5 years	Non-interest sensitive
Lease liabilities	36,513,407	–	–	–	–	–	36,513,407
Other liabilities	23,386,944	–	–	–	–	–	23,386,944
	3,884,039,595	2,582,686,408	243,328,907	574,607,787	123,468,759	80,000,000	279,947,734
<b>Total</b>	<b>413,564,955</b>	<b>(2,361,633,149)</b>	<b>(61,186,016)</b>	<b>(286,816,387)</b>	<b>484,625,096</b>	<b>1,962,221,665</b>	<b>676,353,746</b>
<b>In KHR'000 equivalent</b>	<b>1,685,277,192</b>	<b>(9,623,655,082)</b>	<b>(249,333,015)</b>	<b>(1,168,776,777)</b>	<b>1,974,847,266</b>	<b>7,996,053,285</b>	<b>2,756,141,515</b>

## (ii) Foreign exchange risk

The Bank transacts business in various foreign currencies and therefore is exposed to foreign exchange risk.

As at each reporting date, the carrying amounts of financial assets and financial liabilities denominated in currencies other than the Bank's functional currency are as follows.

31 December 2020	US\$ equivalent		Total	
	KHR	Others	US\$	KHR'000
<b>Financial assets</b>				
Cash on hand	20,868,811	38,109	20,906,920	84,568,491
Balances with the NBC	27,246,072	–	27,246,072	110,210,361
Balances with other banks*	2,267,853	325,071	2,592,924	10,488,378
Loans to customers*	393,326,550	–	393,326,550	1,591,005,895
Other assets	63,247	255	63,502	256,866
	<b>443,772,533</b>	<b>363,435</b>	<b>444,135,968</b>	<b>1,796,529,991</b>
<b>Financial liabilities</b>				
Deposits from customers	154,293,915	1,011	154,294,926	624,122,976
Debt securities in issue	21,587,215	–	21,587,215	87,320,285
Borrowings	228,917,342	–	228,917,342	925,970,648
Other liabilities	306,017	184	306,201	1,238,583
	<b>405,104,489</b>	<b>1,195</b>	<b>405,105,684</b>	<b>1,638,652,492</b>
<b>Net foreign exchange gap</b>	<b>38,668,044</b>	<b>362,240</b>	<b>39,030,284</b>	<b>157,877,499</b>

\* Excluding impairment loss allowance.

31 December 2019	US\$ equivalent		Total	
	KHR	Others	US\$	KHR'000
<b>Financial assets</b>				
Cash on hand	16,067,796	205,010	16,272,806	66,311,684
Balances with the NBC	45,351,513	–	45,351,513	184,807,415
Balances with other banks*	6,562,352	151,307	6,713,659	27,358,160
Loans to customers*	319,050,435	–	319,050,435	1,300,130,523
Other assets	35,796	–	35,796	145,869
	<b>387,067,892</b>	<b>356,317</b>	<b>387,424,209</b>	<b>1,578,753,651</b>
<b>Financial liabilities</b>				
Deposits from customers	78,438,379	1,287	78,439,666	319,641,639
Debt securities in issue	20,939,337	–	20,939,337	85,327,798
Borrowings	270,631,743	–	270,631,743	1,102,824,353
Other liabilities	164,701	386,572	551,273	2,246,437
	<b>370,174,160</b>	<b>387,859</b>	<b>370,562,019</b>	<b>1,510,040,227</b>
<b>Net foreign exchange gap</b>	<b>16,893,732</b>	<b>(31,542)</b>	<b>16,862,190</b>	<b>68,713,424</b>

\* Excluding impairment loss allowance.

### Foreign currency sensitivity

The following table details the sensitivity to a 5% increase and decrease in the relevant foreign currencies against the functional currency of the Bank. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjust their translation at the period end for a 5% change in foreign currency rates.

If the relevant foreign currency strengthens by 5% against the functional currency of the Bank, profit or loss and other equity will increase (decrease) by:

	KHR impact		Other currency impact	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Profit or loss	1,933,402	844,687	18,112	(1,577)

If the relevant foreign currency weakens by 5% against the functional currency of the Bank, profit or loss and other equity will increase (decrease) by:

	KHR impact		Other currency impact	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Profit or loss	(1,933,402)	(844,687)	(18,112)	1,577

## 33.4 Operational risk

### 33.4.1 Operational risk management

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks – e.g. those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank's operations.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and innovation. In all cases, Bank's policy requires compliance with all applicable legal and regulatory requirements.

Risk Management Department is responsible for the development and implementation of controls to address operational risk. This responsibility is supported by the development of overall Bank standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- information technology and cyber risks; and
- risk mitigation, including insurance where this is cost-effective.

## 33.5 Capital risk

Capital risk is the risk that the Bank has insufficient capital resources to meet the minimum regulatory requirements to support its credit rating and to support its growth and strategic options.

The Bank's strategy is to maintain a strong capital base so as to maintain market confidence and to sustain further development of the business. The impact of the level of capital on shareholder's return is also recognised and the Bank recognised the need to maintain a balance between the higher returns that might be possible with greater gearing and advantages and security afforded by a sound capital position.

The Bank's lead regulator, the NBC, sets and monitors capital requirements for the Bank as a whole.

### 33.5.1 Capital risk management

As with liquidity and market risks, BRMC and ALCO is responsible for ensuring the effective management of capital risk throughout the Bank.

Capital risk is measured and monitored using limits set calculated in accordance with NBC's requirements.

On 22 February 2018, the NBC issued a Prakas on Capital Buffer in Banking and Financial Institutions. According to Article 22 of this Prakas, the institution shall comply with the provisions related to the capital conservation buffer at least 50% of the conservation buffer by 1 January 2019 and fully comply by 1 January 2020.

On 7 March 2018, the NBC issued a circular on the implementation of Prakas on Capital Buffer in Banking and Financial Institutions, which determines the countercyclical capital buffer at a level of 0% until a new announcement is released.

On 17 March 2020, the NBC issued an announcement No. B13-020-002 allowing Banks and Financial Institutions to delay and maintain Capital Conservation Buffer at 50% to reduce the impact from COVID-19 on Cambodian economic in accordance to Government policy.

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

## 34. CURRENT AND NON-CURRENT

Management presents the financial statements based on liquidity. Information about short-term and long-term of financial assets and financial liabilities are disclosed in the financial risk management section. Property and equipment, right-of-use assets, intangible assets and deferred tax assets are non-current assets. Provisions are non-current liability.

## 35. COMPARATIVE INFORMATION

Certain corresponding figures have been reclassified to conform to the current year's presentation and disclosure.

## 36. IMPACT OF COVID-19

The impact of the Coronavirus ("COVID-19") pandemic has spread across various geographies globally. The World Health Organisation declared an international health emergency due to the outbreak of COVID-19 in January 2020 and has characterised the spread of COVID-19 as a global pandemic since March 2020. The continuing spread of COVID-19 has caught the world off-guard, with significant implications for personal health and business continuity.

To support the economy and the financial sector, the NBC and the Royal Government of Cambodia have taken numerous steps primarily to help businesses during this unprecedented time such as loan restructuring directive and establishment of SME Bank to facilitate the SME Co-Financing Scheme (SCFS).

Management will continue to monitor the potential impact of COVID-19 and will take all steps to mitigate any effects on the Bank's operations.

The Bank has performed assessments of COVID-19 impacts in the light of the available guidance of the NBC and CIFRSs, which have resulted in the following:

### (i) Expected credit losses

The management reviewed and implemented enhanced ECL model in fourth quarter of the year 2020. The major amendments in new model compared to previous model are as follows:

#### Probability of Default (PD)

PD is calculated using monthly migration matrices over past seven years data consisting of 72 matrices. More granular approach is adopted by breaking Stage-1 in to "Bucket 0" which 0 days past due and "Bucket-1" with 1-29 days past due loans.

#### Loss Given Default (LGD)

Active accounts for which the recovery is still ongoing have been included in LGD calculation based on the LGD period workout analysis. Exposure for LGD calculation has been taken as on the default period as revised from Exposure at Default (EAD) which used to increase over the period adopted in the previous model. Industry level LGD is calculated which aligns to the segmentation used for PD calculation.

#### Probability weighted outcome

Currently, base, upside and downside scenarios have been given weightages as 60%, 20% and 20% respectively.

#### Forward-looking information

Forward-looking information is used only for PD. For LGD, the forward-looking information is not considered as the default counts in the earlier quarters are not sufficient to undertake reliable forward-looking statistical analysis.

#### Main macroeconomic factors

The following macroeconomic factors are identified and used for forward looking PD.

PD segment	Macroeconomic Factor <sup>(1)</sup>
Agriculture	GDP Growth on Agriculture, Fisheries and Forestry
Construction and Real Estate	Industry Contribution to GDP Growth
Real Estate Rentals	Private Consumption Growth
Manufacturing	Foreign Direct Investment Growth
Wholesale and Retail	Industry Contribution to GDP Growth
Services	Private Consumption Growth
Personal Loan	Unemployment Rate

(1) All macroeconomic factors are based in the Cambodia context unless otherwise indicated.

The forecasted macroeconomic factors in anticipation of the base, upside and downsides scenarios are as below.

#### GDP Growth on Agriculture, Fisheries and Forestry – Agriculture

Forecasted MEV	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Base scenario	-0.10%	-0.18%	-0.21%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Upside scenario	1.00%	0.92%	0.89%	2.10%	2.10%	2.10%	2.10%	2.10%	2.10%	2.10%
Downside scenario	-1.20%	-1.28%	-1.31%	-0.10%	-0.10%	-0.10%	-0.10%	-0.10%	-0.10%	-0.10%

#### Industry Contribution to GDP Growth – Construction and Real Estate

Forecasted MEV	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Base scenario	0.16%	0.16%	0.16%	0.17%	0.17%	0.17%	0.17%	0.17%	0.17%	0.17%
Upside scenario	0.18%	0.18%	0.18%	0.19%	0.19%	0.19%	0.19%	0.19%	0.19%	0.19%
Downside scenario	0.14%	0.14%	0.14%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%

#### Private Consumption Growth – Real Estate Rentals

Forecasted MEV	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Base scenario	0.04%	0.04%	0.04%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%
Upside scenario	0.15%	0.15%	0.15%	0.12%	0.12%	0.12%	0.12%	0.12%	0.12%	0.12%
Downside scenario	-0.07%	-0.07%	-0.07%	-0.09%	-0.09%	-0.09%	-0.09%	-0.09%	-0.09%	-0.09%

#### Foreign Direct Investment Growth – Manufacturing

Forecasted MEV	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Base scenario	0.04%	0.04%	0.04%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%
Upside scenario	0.12%	0.12%	0.12%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%
Downside scenario	-0.05%	-0.05%	-0.05%	-0.06%	-0.06%	-0.06%	-0.06%	-0.06%	-0.06%	-0.06%

#### Industry Contribution to GDP Growth – Wholesale and Retail

Forecasted MEV	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Base scenario	0.16%	0.16%	0.16%	0.17%	0.17%	0.17%	0.17%	0.17%	0.17%	0.17%
Upside scenario	0.18%	0.18%	0.18%	0.19%	0.19%	0.19%	0.19%	0.19%	0.19%	0.19%
Downside scenario	0.14%	0.14%	0.14%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%

#### Private Consumption Growth – Services

Forecasted MEV	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Base scenario	6.35%	6.40%	6.42%	6.27%	6.27%	6.27%	6.27%	6.27%	6.27%	6.27%
Upside scenario	7.41%	7.46%	7.49%	7.33%	7.33%	7.33%	7.33%	7.33%	7.33%	7.33%
Downside scenario	5.28%	5.33%	5.35%	5.20%	5.20%	5.20%	5.20%	5.20%	5.20%	5.20%

### Unemployment Rate – Personal Loan

Forecasted MEV	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Base scenario	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%
Upside scenario	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Downside scenario	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%

In addition, the Bank has given specific consideration to the relevant impact of COVID-19 on the qualitative and quantitative factors when determining significant increase in credit risk and assessing indicators for impairment for the exposure in the potentially affected sectors as highlighted by the NBC circular:

- Tourism;
- Garment manufacturing;
- Constructions;
- Transportation and logistics sector.

The Bank has also incorporated additional ECL overlay of US\$4,650,000. This represents additional ECL under stressed scenario if all multiple restructured loans with grace period for principal and interest repayment as of the reporting date were classified under Stage 2 due to uncertainties under COVID-19 environment.

#### (ii) Accounting for modified financial assets

Considering the economic factors, the Bank has delayed loan repayments for borrowers involved in all sectors whose businesses are affected by the COVID-19 outbreak up to 12 months. The modification gain and loss on those financial assets was not considered to be material.

#### (iii) Valuations estimates and judgements

The Bank has considered potential impacts of the current economic volatility in determination of the reported amounts of the Bank's financial and non-financial assets and these are considered to represent management's best assessment based on observable information. Markets, however, remain volatile and the recorded amounts remain sensitive to market fluctuations.

## 37. EVENTS AFTER THE REPORTING PERIOD

### Suspension on dividend distribution

On 11 February 2021, the NBC informed banks and financial institutions to suspend dividend distribution after the year ended 2020 audit.

### Social Security Scheme on Pension

On 4 March 2021, the Government issued a Sub-Decree on Social Security Scheme on Pension for Employees under the Provision of Labour Law. The contributions for the newly declared pension scheme will be jointly borne by the employer and employee of the enterprise. For the first five years, this contribution will be 4% of employees' contribution-based salaries with 2% being borne by both the employer and employee respectively.

The composition of this underlying contribution-based salary shall be determined in a separate Sub-Decree. The payment of the contributions will be made on a monthly basis: all enterprises will have an obligation to collect the contribution from the employee, and transfer the combined contribution to the National Social Security Fund's (NSSF) bank account within 15 days of the following month.

The contribution rates shall be determined based on a step-up method as follows:

- Phase 1: 4% of contribution-based salaries or contribution-requested amounts for the first five years starting from the commencement date;
- Phase 2: 8% of contribution-based salaries or contribution-requested amounts for five years after Phase 1; and
- Phase 3: An increase of 2.75% of contribution-based salaries or contribution-requested amounts every ten years will commence after Phase 2.

The implementation date of the Social Security Scheme on Pension shall be determined by the joint Prakas between the Ministry of Labour and Vocational Training and the Ministry of Economy and Finance.







No. 141, 146, 148, and 148 ABCD, Preah Sihanouk Blvd,  
and No. 15 and 153 ABC, Street 278, Sangkat Boeung Keng Kang I,  
Khan Boeung Keng Kang, Phnom Penh, Kingdom of Cambodia

(+855) 23 225 333 | Fax: (+855) 23 216 333  
[info@ababank.com](mailto:info@ababank.com) | [www.ababank.com](http://www.ababank.com)