

# **Annual Report** | **2020**

**INVESTING IN THE FUTURE**

## SOCIAL RESPONSIBILITIES



FTB donate flood relief fund to Cambodian Red Cross



Celebrating International Women Day



Distribution to Teachers and Student at Mor Hor Primary School  
at Kampong Thom Province



Distribution Mask and Alcohol to National Pasteur Institute

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## VISION, MISSION AND CORE VALUES

### ABOUT FTB

First commercial bank in Cambodia, a truly local bank trusted since 1979.

**1979**

1979 Establishment of Foreign Trade Bank of Cambodia, 41 years of sustainable growth

**15**

Total Branches

**486**

Total Employees



**VISION**

To be the preferred commercial bank in Cambodia



**MISSION**

To provide innovative banking products and services.

To deliver timely and convenient solutions which are responsive to our customers' needs in order to grow together.

To operate in a socially and environmentally responsible manner.



**CORE VALUES**

Foreign Trade Bank of Cambodia's values are the operating philosophies and principles that guide our staff's internal conduct and relationship with our customers, partners and other stakeholders. Our values are the guiding principles of our decision making.



Confidentiality:

We conduct business professionally and protect our customer information



Reliability:

We concentrate on consistency in the quality of every job/task. We take ownership and responsibility of what we do.



Result Oriented:

We focus on the outcome and deliver results and add value to our customers and stakeholders.



Integrity:

We display highest personal and ethical standard at all levels.



Team Work:

We collaborate, respect, and work together to succeed.



Trust:

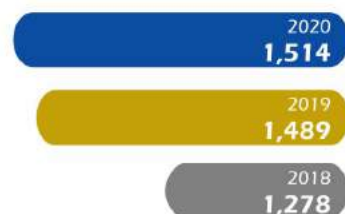
We are trustworthy and committed to quality, competence, truth and fair dealing.



## FINANCIAL HIGHLIGHTS

Summary of the balance sheet (US Dollars)	2020	2019
Total assets	1,513,527,901	1,489,038,860
Net loans and advances to customer	1,011,984,545	892,825,013
Other assets	501,543,356	596,213,847
Total liabilities	1,353,851,895	1,349,124,539
Deposits	1,292,075,391	1,296,550,764
Other liabilities	61,776,504	52,573,775
Total equity	159,676,006	139,914,321
Capital	79,500,000	79,500,000
Reserves and retained earnings	80,176,006	60,414,321
A Summary of the income statement (US Dollars)		
Interest income	91,276,301	75,575,011
Interest expense	(54,330,055)	(43,138,825)
Net interest income	36,946,246	32,436,186
Fee and commission income	7,974,288	5,015,071
Other operating expenses	(16,118,835)	(14,197,236)
(Reversals)/impairment losses on financial instruments	(5,548,596)	8,463,766
Profit before income tax	23,253,103	31,717,787
Net profit for the year	19,761,685	25,001,422
Key Ratios		
Return on capital	24.86%	31.45%
Return on assets	1.30%	1.68%
Return on shareholders' equity	12.38%	17.87%
Solvency ratio	18.78%	17.69%
Liquidity coverage ratio	113.04%	138.55%
Interest income to total assets	6.03%	5.08%
Total loans (gross) to total deposits	79.32%	70.95%
Non-performing loans ratio	1.31%	1.62%
Growth in interest income	20.78%	25.65%
Growth in total deposits	-0.35%	13.51%
Growth in total loans (gross)	13.95%	27.89%
Growth in shareholders' equity	14.12%	21.76%
Growth in total assets	1.64%	16.16%

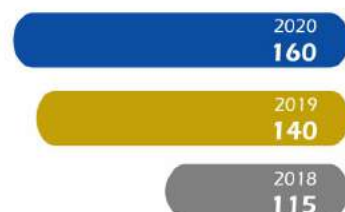
## FINANCIAL HIGHLIGHT 2020



ASSET  
in USD Million

**1** %

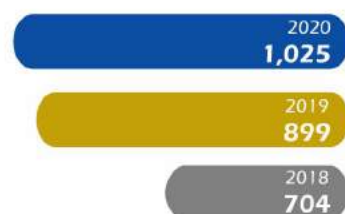
Growth from 2019



EQUITY  
in USD Million

**11** %

Growth from 2019

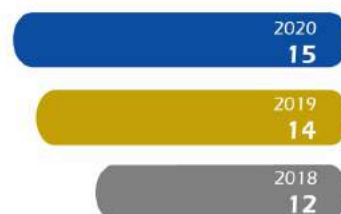


LOAN  
in USD Million

**14** %

Growth from 2019

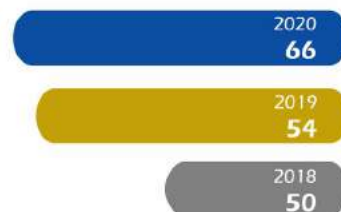
## PHYSICAL EXPANSION 2020



Number of BRANCHES

**7** %

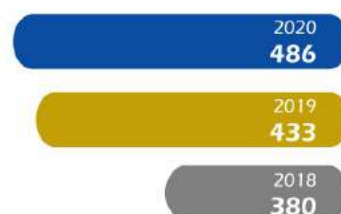
Growth from 2019



Number of ATMs

**22** %

Growth from 2019

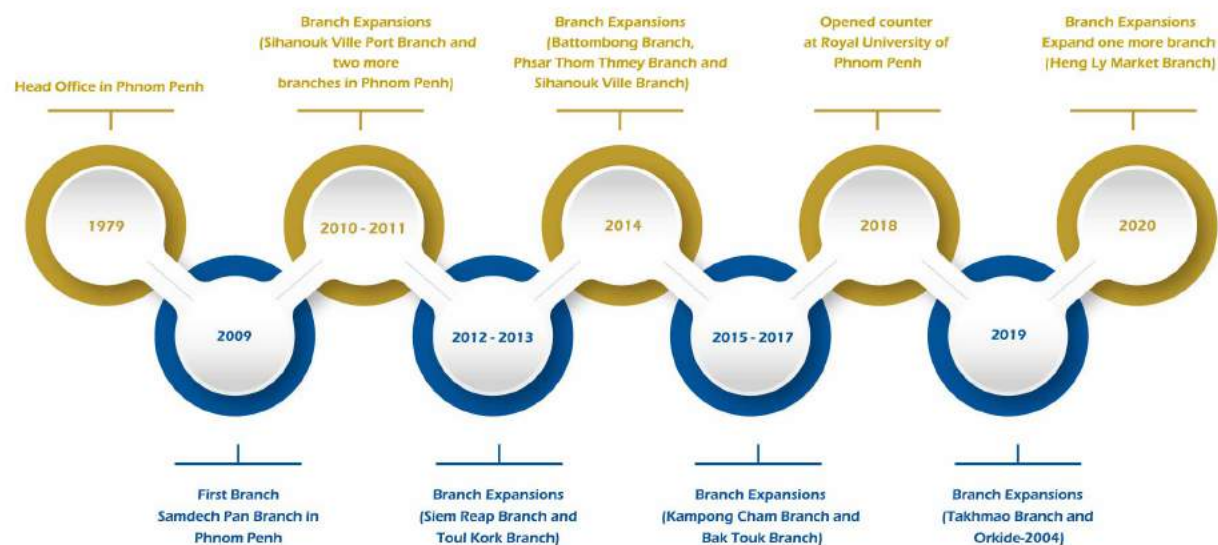


Number of STAFFs

**12** %

Growth from 2019

## A brief history of FTB's progress



## CORPORATE PROFILE

### Status:

Commercial Bank

### Ownership Structure:

State 10%, Private enterprise and Individual 90%.

### Registered Capital:

US\$38.5 million on 19 Jun 2011

US\$75 million on 13 Jan 2017

US\$ 79.5 Million on 07 Feb 2019

### Commercial Registration:

No. Co. 8835M/2006

dated 21 Jun 2006

### Bank's Licenses:

No. 16 dated 04 Jan 2001

No. B 11 dated 05 Oct 2015



#### FTB Establishment

Operated as a department under National Bank of Cambodia



#### Privatization

FTB was authorized to conduct autonomous business operations with equal status to other commercial bank.



#### State-owned Commercial Bank

FTB was changed legal status to state-owned commercial bank



#### Shareholder Transferring

National Bank of Cambodia (NBC) transferred 80% shares to Ministry of Economic and Finance (MEF). NBC retained remaining 20% shares.



#### Commercial bank

Joint venture between state and private enterprises. Canadia Bank Plc., ING Holding and MEF.



#### Canadia Bank Plc reduced share

Canadia Bank Plc. sold 30.78% share to Individual Shareholders.



#### Canadia Bank Plc. Sold final share

Canadia Bank Plc. Sold 15.22% share to individual shareholders.



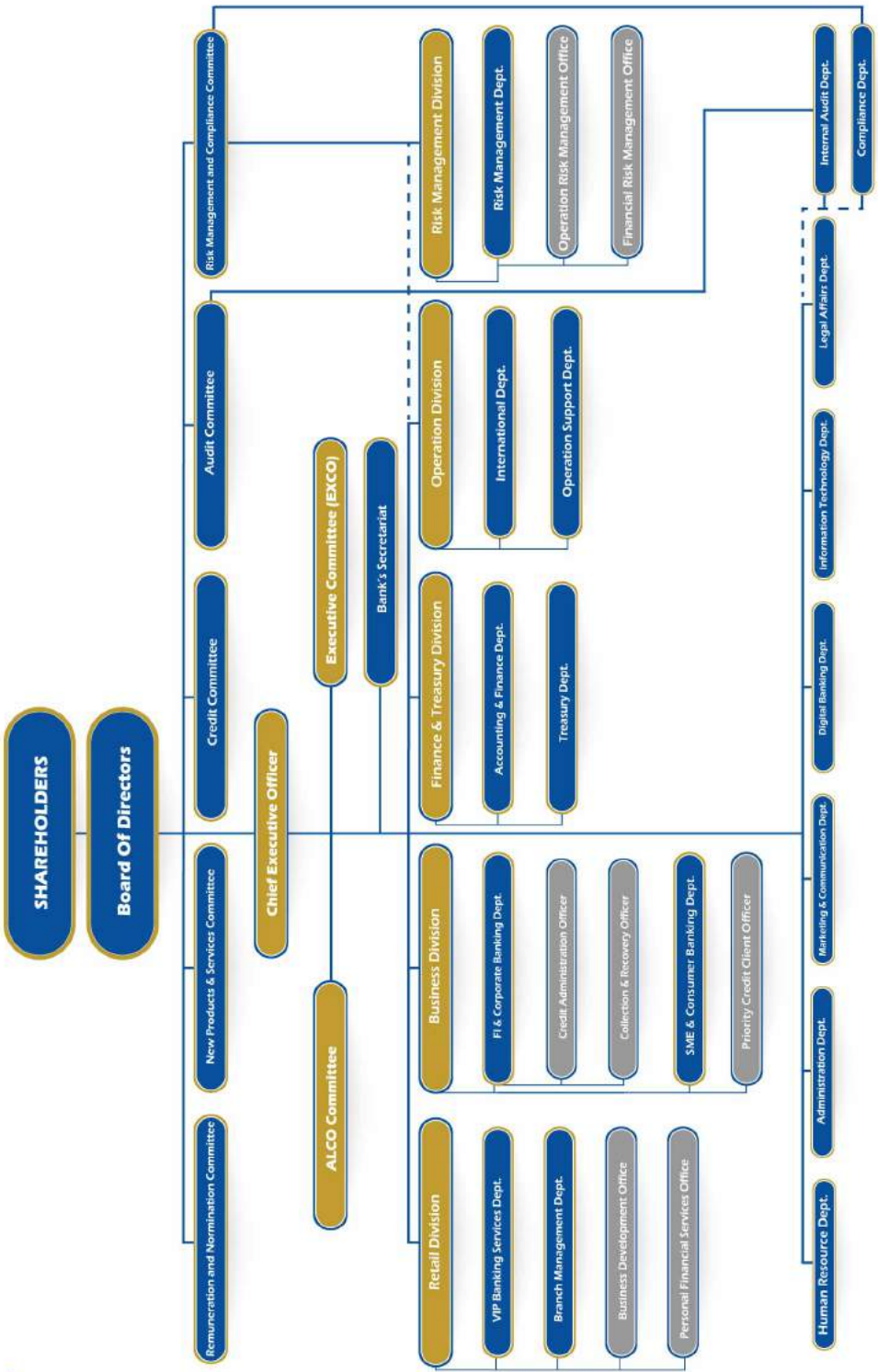
#### Reduced share of ING Holding

ING Holding sold 33% to Individual shareholder.

### Shareholders



# ORGANIZATIONAL CHART



**Note**  
Dept. = Department



## CHAIRMAN'S MESSAGE

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For more than 40 years of our presence – Foreign Trade Bank of Cambodia (FTB) have endured and adapted through countless of shifts in operating and market environment. The most recent Covid-19 pandemic suddenly puts to test once again our ability to adapt and thrive like never before.

I am particularly proud of how FTB has responded to the challenges during this unprecedented time, and still able to deliver commendable business results. Our management team, with the supports and guidance of the board directors, have approached and addressed the situation in an anticipative and prudent manner. While we are committed to continue to maintain our ability to serve and support our customers, we have seriously prioritized the health and safety of our employees and customers – by consistently and timely deploying our business continuity plans to respond as effectively as possible to the specific challenges brought by the global pandemic, while closely following the announcements and guidelines set forth by the Ministry of Health and the Royal Government of Cambodia.

On financial position, FTB has implemented strategic actions to maintain and enhance its financial strength and stability for before, during and after the pandemic. As a result, we have achieved growth in our assets and loans, and generated profits for our shareholders – while continuing to enhance our governance and risk management processes. We have fully complied with the regulatory requirements from NBC and prudently managed our capital and liquidity.

Due to the Covid-19 pandemic, 2020 has come with lots of uncertainties, and a new-normal was seen, yet our commitments to continue and expand our rich heritages in the market have been unshaken. We opened up Heng Ly Market Branch and flagged a number of new locations for branch network expansion. We continue to adapt and evolve in the face of new waves of challenges, by holding to our visions and missions, and upholding our values. We hope to continue to help our clients – individuals and businesses to realize their aspirations, by introducing and innovating new products and services to cater the demands. As a good corporate citizen, FTB also aims to contribute to the sustainable growth and development of the country through its commitments to take part in developing and stabilizing the financial system, and to be the ‘employer of choice’ who continues to provide more quality jobs and returns to the community.

The Board has full confidence in the executive team, which has demonstrated its ability to adapt to the unpredictable and unnerving events of 2020. On behalf of the Board members, I would like to thank them for their leadership and commitments. I would also like to express my sincere appreciation to the shareholders for their supports and patience during these tumultuous times. I would like to thank the National Bank of Cambodia and relevant authorities for providing valuable guidance and support during this important period. Finally, to our customers: I would like to express our gratitude for their loyalty and trust. The Bank will continue to move cautiously in the coming years, but the Board is confident that it will emerge even stronger and more successful.

Yours Sincerely,

A handwritten signature in blue ink, appearing to be 'Roth Savuth', with a stylized flourish at the end.

**Mr. Roth Savuth**  
Chairman



## CEO'S MESSAGE

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As the first and foremost local bank in Cambodia, Foreign Trade Bank of Cambodia (FTB) has a long and proud heritage to uphold and set a clear long-term vision for sustainable growth based on the successful long journey since 1979. To ensure that our rich legacy continues to thrive and our vision is realized, we shall keep adapting, evolving and leading changes by strengthening the Bank's competitive advantages to generate long-term shareholder's value, to best serve our customers and to be the employer of choice.

The Covid-19 pandemic has made 2020 both transformative and disruptive in an unprecedented and global scale. It has triggered the most challenging period and uncertainty for businesses and the market. In the face of this most challenging time, we continue to stay true to our roles as a truly local bank to help our customers to build their businesses and attain their financial goals by continuing to provide effective financial solutions during this tumultuous period, staying right by our customers to help them weather through the crisis.

Entering the pandemic on a solid footing from capital and liquidity perspective gave FTB the resources and spaces needed to support our colleagues, clients and communities during the swift changes in the economic and business environment. The stability in our financials allows us to continue to maintain a well-functioning processes and structure, as well as keeping the health and safety of our colleagues a priority. In addition to following the guidelines issued by the Ministry of Health and the Royal Government of Cambodia, we have deployed our Business Continuing Plan (BCP) to ensure the sustainability of our operation, and to take precautionary actions on the health and safety of our employees and customers – without compromising the quality of customer services or our robust risk management and security standards.

Our financial results this year reflect the underlying strength and resilience of our business health as well as the impacts of the Covid-19 pandemic. We have maintained a sound quality and growth in terms of our total assets and generated a humble bottom-line return. We have also continued to enhance our risk management and compliance processes, while continuously worked on reviewing and optimizing our operation as an agile organization, with strong in-house centers of expertise.

We also see the challenges brought by the pandemic as an opportunity to reshape our thinking and approaches on how we operate and what we shall do more to serve and create values to our customers. Under the new normal, convenient accessibility through digitalization is at the heart of response to the wants and needs of our customers. Hence, in 2020, we have proceeded to implement various National Bank of Cambodia projects such as Bakong, Retail Pay and CSS, etc. while internally, we have further invested in our digital fronts and projects, aiming to enhance our digital capabilities.

While the pandemic continues to cast health and economic uncertainty upon us, it has also given us much to be grateful for and to appreciate. I have deep gratitude for this leadership role, the trust of the Board of Directors and shareholders, I would also like to thank the National Bank of Cambodia, relevant authorities, business partners and customers for the continued support and trust in FTB. Last but not least, I sincerely thank my esteemed colleagues, who have made enormous contribution to FTB, and have strongly supported each other as we set the course towards the journey ahead – together.

Yours Sincerely,

A handwritten signature in blue ink, appearing to be 'Dith Sochal', written over a circular stamp or logo.

**Mr. Dith Sochal**  
Chief Executive Officer



## CORPORATE GOVERNANCE

The Board of Directors and management of FTB are committed to fulfill the responsibilities toward our shareholders and are devoted to leadership in corporate governance. To ensure the focus on creating long term shareholder values, we have designed the corporate governance policies and practices to meet the applicable legal requirements, and continuously monitor all proposed new rules to modify our policies and practices to meet the additional requirements. An overview of our corporate governance structure is set out below.

### BOARD OF DIRECTORS

FTB is led by the Board of Directors who are appointed by the shareholders to act on their behalf. The Board of Directors is responsible for the supervision and management of business, affairs and situation of the bank on behalf of the shareholders in compliance with the Articles of Association and the Law on Commercial Enterprises. The Board of Directors consists of seven members as at 31st December 2020:



**Mr. Roth Savuth**  
Chairman



**Mr. Gui Anvanith**  
Vice-Chairman



**Mr. Dith Sochal**  
Chief Executive Officer and Board Member



**Oknha Lim Bunsour**  
Board Member



**H.E. Chou Vannak**  
Board Member



**Mrs. Sok Chan Sona**  
Independent Board Member



**Mr. Ly Tayseng**  
Independent Board Member

## COMMITTEES UNDER BOARD LEVEL

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### CREDIT COMMITTEE

The Credit Committee is established to oversee, direct, and review the management of credit risk of the loan portfolio of FTB. The Committee is composed of 6 members:

- |                        |           |
|------------------------|-----------|
| 1. Mrs. Sok Chan Sona  | Chairman  |
| 2. Mr. Gui Anvanith    | Member    |
| 3. Mr. Dith Sochal     | Member    |
| 4. Mr. Mean Channarith | Member    |
| 5. Mr. Ok Seiha        | Member    |
| 6. Mr. Chea San        | Secretary |

### RISK MANAGEMENT AND COMPLIANCE COMMITTEE

The purpose of the Committee is to assist the Board in its review of the risk management principles, policies, strategies, processes and controls in relation to business, market, operational, reputational risk management and make recommendations where appropriate. The Risk Management and Compliance Committee is composed of 7 members:

- |                                  |                      |
|----------------------------------|----------------------|
| 1. Mr. Ly Tayseng                | Chairman             |
| 2. Mr. Gui Anvanith              | Member               |
| 3. Mr. Dith Sochal               | Member               |
| 4. H.E. Chou Vannak              | Member               |
| 5. Ms. Nuon Borany               | Member               |
| 6. Head of Compliance Department | Member               |
| 7. Mrs. Yorn Sithan              | Member and Secretary |

### AUDIT COMMITTEE

The Audit Committee is responsible for ensuring the compliance with legal and regulatory requirements, an accessing the relevance of the accounting methods used to prepare the individual and consolidated accounts, if any. It reviews and assesses the quality of the internal control procedures, in particular whether the systems for measuring, monitoring and controlling risks are consistent, and recommends further actions where appropriate. The Committee is composed of 4 members:

- |                        |                    |
|------------------------|--------------------|
| 1. Mr. Roth Savuth     | Chairman           |
| 2. Mr. Ok Seiha        | Member             |
| 3. Mrs. Chea Samrach   | Member             |
| 4. Mrs. Vicheth Dalina | Member & Secretary |

## REMUNERATION AND NOMINATION COMMITTEE

Remuneration and Nomination Committee is established by the Board of Directors to provide independent advices on matters pertaining to the nomination and remuneration of Board members, members of key executive committee, and the Senior Management team of the Bank as well as the remuneration schemes for the staff of the Bank. The committee also ensures that the remuneration policy is aligned with the Bank's long term strategy and its core values. The Committee is composed of 5 members:

- |                        |                    |
|------------------------|--------------------|
| 1. Mr. Roth Savuth     | Chairman           |
| 2. Mr. Ly Tayseng      | Member             |
| 3. Mr. Mean Channarith | Member             |
| 4. Mrs. Vicheth Dalina | Member             |
| 5. Mr. Pich Rathpiseth | Member & Secretary |

## NEW PRODUCTS AND SERVICES COMMITTEE

The New Products and Services Committee is responsible for making decisions regarding new products, extensions of existing products, and prioritization of approved ideas for the product launch. The decisions should include considerations around branding, thought leadership/innovation, market demand and available resources. In addition, the Committee is responsible for ensuring that an effective and efficient governance process of the new product is in place and functioning.

The Committee is composed of 7 members:

- |                                    |                    |
|------------------------------------|--------------------|
| 1. Mr. Gui Anvanith                | Chairman           |
| 2. Oknha Lim Bunsour               | Member             |
| 3. Mr. Dith Sochal                 | Member             |
| 4. Ms. Nuon Borany                 | Member             |
| 5. Head of Retail Banking Division | Member             |
| 6. Head of Marketing Department    | Member             |
| 7. Mr. Soi Sathya                  | Member & Secretary |

## COMMITTEES UNDER EXECUTIVE LEVEL

### EXECUTIVE COMMITTEE (EXCO)

The Executive Committee is established to ensure that the Bank's operations are in accordance with its strategies, policies and regulations. The Committee is empowered to administer and manage the Bank's business, and perform tasks assigned by the Board of Directors, with an aim to accomplish the Bank's vision and be in alignment with the Bank's missions, as well as to promote management practices that are in compliance with the Bank's core values.



The Committee is composed as following members:

- |                            |           |
|----------------------------|-----------|
| 1. Mr. Dith Sochal         | Chairman  |
| 2. Ms. Nuon Borany         | Member    |
| 3. Mr. Mean Channarith     | Member    |
| 4. Mr. Ok Seiha            | Member    |
| 5. All Head of Divisions   | Member    |
| 6. All Head of Departments | Member    |
| 7. Secretary to CEO        | Secretary |

#### **ASSETS & LIABILITIES COMMITTEE (ALCO)**

The ALCO Committee is established to provide the framework to strategically manage FTB's overall assets and liabilities for the long-term and short term. The Committee is composed as following members:

- |   |                    |
|---|--------------------|
| 1. Mr. Dith Sochal                      | Chairman           |
| 2. Ms. Nuon Borany                      | Member             |
| 3. Mr. Mean Channarith                  | Member             |
| 4. Mr. Ok Seiha                         | Member             |
| 5. Mr. Chea San                         | Member             |
| 6. Mr. Sann Men                         | Member             |
| 7. Mr. Pou Vannal                       | Member             |
| 8. Head of Operation Support Department | Member             |
| 9. Head of Retail Banking Division      | Member             |
| 10. Mrs. Sok Vuochlang                  | Member & Secretary |

#### **IT GOVERNANCE RISK MANAGEMENT COMMITTEES**

The principals roles of the Committees are to ensure that bank have wide and versatile qualifications and experience on IT governance in order to promote financial service sustainability.

#### **IT STRATEGY COMMITTEE**

Chief Executive Officer  
Chief Operation Officer  
Chief Finance Officer  
Chief Business Officer  
Head, Information Technology Department  
Head, Digital Banking Department



## **IT STEERING COMMITTEE**

Chief Business Officer

Head, Information Technology Department

Head, Legal Affair Department

Head, Human Resource Department

Head, Branch Management Department

Head, Risk Management Department

Head, Digital Banking Department

## **IT RISK MANAGEMENT COMMITTEE**

Head, Risk Management Department

Head, Information Technology Department

IT Security Manager

Representative, Operation Division

Representative, Finance and Treasury Division

## **COMPLIANCE WITH LAWS AND REGULATIONS**

- Governance in Banks and Financial Institutions, Prakas No. B7-08-211
- The Implementation of the new Chart of Account of the National Bank of Cambodia
- Liquidity Coverage Ratio- Prakas-B7-015-349 Pro. Kor
- New Capital requirement, Prakas No. B7-38-193
- Net Worth, Prakas No. B7-010-182 Pro. Kor
- The Banks' Solvency Ratio, Prakas No. B7-00-46, No. B7-04-206, B7-07-135, and B7-012-185
- Assets Classification and Provisioning, Prakas No. B7-09-074
- Fixed Assets, Prakas No. B7-01-186
- Net Open Position in Foreign Currency, Prakas No. B7-07-134
- Large Exposures, Prakas No. B7-06-226
- Loans to Related Parties, Prakas No. B7-01-137, B7-02-146 Pro. Kor
- Maintenance of Minimum Reserve Requirement. Prakas No. B7-09-075 Pro Kor
- Prepaid Prepayments on Rental and Leases, Prakas No. B7-04-037
- Prakas on Credit Risk Grading and Impairment Provision, Prakas No. B7-017-344 Pro Kor
- Prakas on Khmer Riel Loan of Banking and Financial Institution, Prakas No. B7-016-334
- Prakas on Resolution on Consumer Complaints, Prakas No. B7-017-299 Pro Kor
- Prakas on Liquidity Risk Management Framework for Banking and Financial Institution, Prakas No. B7-017-301 Pro Kor
- Prakas on External Audit of Banking and Financial Institutions, Prakas No. B7-017-335 Pro Kor
- Prakas on Capital Buffer in Banking and Financial Institutions, Prakas No. B7-018-068 Pro Kor
- Circulation Implementation on Prakas on Credit Risk Grading and Impairment Provision Circular No. B7-018-001 Sor.Ro.Cho.Nor
- Prakas on Official Launch on the usage of Bakong Rule & Procedures, Prakas No. B14-020-349 Pro Kor
- Prakas on Reserved Requirement on Deposits and Loans of Banking and Financial Institution, Prakas No. B7-020-230 Pro Kor
- Prakas on Credit Reporting, Prakas No. B7-020-352 Prokor

## SIGNIFICANT ACHIEVEMENTS

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### CREDIT

In the year of 2020, the whole world has been severely impacted by the spread of Covid-19, which is the main factor that leads to economic slowdowns in a large number of countries. The levels of GDP of each country are also getting low or can be sub-zero in some extreme cases. Particularly, Cambodia is also affected by the spread of Covid-19 pandemic. According to the Asian Development Bank and the World Bank's annual reports, our country has a negative economic growth rate of about -3.1%, an unprecedented economic slowdown for our country, which has an average annual economic growth rate of about 7%.

Although having economic downturns, the Cambodian government was praised by relevant stakeholders as one of the best countries in Asia and the world for being taken remedial actions and able to control the spread in the country.

At the same time, the National Bank of Cambodia has also helped borrowers all across the country, who have been affected by this deadly disease, through issuing various directives to allow financial institutions being able to fulfil their requests for credit restructuring until December 2020 .

Regardless of being in this difficult situation, as the first commercial bank, we still continue to assist the government in boosting the economy of the country as a whole. We continue to provide loans to our existing customers for business retention/expansion and project investments as part of helping unemployed citizens to get a job. As a result, our loan portfolio had a growth rate of about 13.7% this year, if compared to 2019. Out of that, 11.2% were lent in Khmer Riel, which above 10% of total loan portfolio set by the National Bank of Cambodia.

During the outbreak of Covid-19, the Foreign Trade Bank has strictly been implementing the circular of the government, especially the essential recommendations from our **Prime Minister, Samdach Decho HUN SEN**, on prevention the spread of Covid-19 pandemic, through mainly focus on the "Three Protections" (1. Wear mask; 2. Wash hands; 3. Social distancing) and the "Three Don'ts" (1. do not go into closed places with no ventilation and only use air conditioners; 2. do not go to crowded places; 3. do not stay close to people, do not shake hands or hug each other).

During this challenging time, the Foreign Trade Bank of Cambodia still continues to serve its customers as usual and keep strengthening our loan quality through monitoring and reviewing its customers on regular basis. No matter how difficult situation is, the Foreign Trade Bank of Cambodia is always a good partner of its customers to promote our country's economic growth, and will always be the trustworthy one to our community.



## **TRADE FINANCE**

As the first commercial bank in Cambodia offering trade finance services in the Kingdom of Cambodia, Foreign Trade Bank of Cambodia continues to offer outstanding services on trade finance solution to many corporate companies and other entities throughout the Kingdom. As the leading guarantor, FTB has been supporting the Royal Government of Cambodia on the infrastructure construction of the Phnom Penh Sihanoukville Expressway Project, which is a part of contribution to the growth of Cambodia's Economy, in the budget of USD150 million.

## **INTERNATIONAL REMITTANCE AND FINANCE INSTITUTIONS**

Foreign Trade Bank of Cambodia has been maintaining the growth in the number of its customers and keeping good relationship with customers, local financial institution, correspondent banks, and local partners. FTB has complied KYC standards and other regulations and as part of the Anti-Money Laundering procedures, FTB has performed World Check and implemented filtering system to screen all the Inward-Outward transactions.

## **NEW INTERNET AND MOBILE BANKING SYSTEM**

Research and development of technologies used in banking industry has grown rapidly leading to more innovation, diversification, and modernization to fulfill customer needs and preferences. To keep us abreast of this trend, assigned task force had carried out research and sources the partners to provide solution, designs, and development of new internet and mobile applications. This project primarily aims at providing corporate and individual customers and the Bank with better experience, safety, information security, features, and new technologies. Implementation has started in third quarter of 2020.

## **INFORMATION SECURITY ENHANCEMENT**

Operations and performance of mobile banking system and application is always accompanied time with security measures innovation and implementation. In early 3rd quarter of 2020, FTB has enhanced its mobile application to offer better security functions to its users by requiring them to provide authentication for every access into the system. Such enforcement has help us to effectively managed information security and boosting customer confidence in the utilization of our mobile banking system.

## **STRENGTHENING PARTNERSHIP**

We value our partnership and provide necessary support to prosper together. Following our feasibility study, we inflammable POS terminals, compliance with Chevron's standard, to all Caltex stations early quarter 2 of year 2020 and would continue such deployment to new stations. This arrangement has proven effectives in boosting petrol payment transactions, as it provides convenience to our customers. In addition, it also strengthen our partnership with Chevron which is evident by the expansion of POS terminal and ATM network that help to promote distribution of co-branded and VISA Cards.

## BRANCH EXPANSION

In pursuance of its 5-year strategic plan to expand the Bank's network to get closer to the customers, despite in the face of economic challenges brought by Covid-19, FTB has been persistently establishing its strategic footprints at potential locations in the Kingdom. In 2020, Hengly Market Branch was setup to serve both existing and potential customers, along with another VIP lounge on its first floor, aiming at offering more convenient services to its VIP customers. In addition to new branch expansion, renovations to the existing branches have been performed as part of its routine physical branch management practices, while internal controls, processes and procedures for branches have been constantly strengthened and reinforced to ensure that the branches can fulfil its mandates to serve the customers more effectively.



## ATM NETWORK

Foreign Trade Bank of Cambodia (FTB) has created an environment that allows customers to withdraw cash without coming to the branch via its ATM network, which open 24/7 in Phnom Penh and provinces such as Preah Sihanouk, Battambang, Siem Reap, Kampong Cham and Takhmao City of Kandal Province. In 2020, FTB Bank has installed 12 ATMs to anticipate the needs of customers who always trust FTB's services as well as make it easier for customer to operate easily, faster and secured. In addition, non-FTB customer can also withdraw their cash from FTB's ATM if the symbol "Easy Cash" or "Plus" was printed on their card.





## NEW SERVICE

Another successful step in the milestone of Foreign Trade Bank of Cambodia is the establishment of new payment service that the bank has partnered with Royal Government of Cambodia, represented by the Ministry of Economy and Finance to sign on Memorandum of Understanding (MOU) between the Ministry of Economy and Finance and FTB on the collection of revenue on behalf of General Department of Customs and Excise of Cambodia and General Department of Taxation. Customers can pay all kinds of taxes at any FTB counters in Phnom Penh and provinces.



## RISK PREVENTION MEASURES DURING COVID-19

The Risk Management and Compliance Committee has been established to review of the risk management policies, business continuity plan, strategies, processes and controls in relation to business, market, operational, reputation risk management and makes recommendation where appropriate. The business Contingency plan plays a critical role during Covid-19 pandemic in helping the Bank to minimize financial loss; continue to serve customers and financial market participants; and mitigate the negative effects that can have on the Bank's strategic plans, reputation, operations, liquidity, credit quality, market position, and ability to remain in compliance with applicable laws and regulations.

**PREVENTIVE ACTIONS TAKEN DURING 2020 IN RESPONSE TO COVID-19:**

- Premise routine cleaning
- Temperature screening (staff, visitors and customers...)
- Self-hygienic enforcement and personal health monitoring
- Respiratory & public etiquette
- Mandatory sick leave and self-disclosure
- Information handling (sensitive internal info).
- Social & office distancing
- Split operation and alternative site:
- Visitors' Restricted Access

**SPECIFIC MEASURES FOR STAFF WITH HIGH RISK EXPOSURES:**

- Remote work (work from home mode): Some functions can be performed on a "Remote work"/"Work-from-home" basis to ensure that the functions remain operational while minimizing social contacts that can potentially lead to transmissions.
- Leadership team established to assess, monitor and proactively deal with evolving covid-19 situation;
- Reinforce all staffs to stay at home and reduce external movement where necessary.

## SUSTAINABILITY STATEMENT

FTB manages Environmental and Social Risks associated with the provision of financial services to its customers and with impacts from its day to day operations. We recognize that the Bank's major E&S exposures are within its lending and investment activities. However, our goal to lead by example will be demonstrated by communities in which we operate. We expect that integrating these consideration in our business will enable us to achieve our strategic objectives, developmental goal of the Cambodian government and respond to the needs of the Cambodian people while ensuring a sustainable return on investment for our shareholders.

### ESMS - ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM

- Environmental and Social risk management policies and procedure in place
- Integration of ESRM in credit process is undergoing
- ESRM Coordinator Function under Risks management
- Responsibilities report and ESRM transparency is on annual report

### ADOPTION OF CAMBODIAN SUSTAINABLE FINANCE PRINCIPLES

FTB has signed the voluntary of the nine Cambodian Sustainable Finance Principle introduced by Association of Banks in Cambodia (ABC). FTB has also contributed to leadership of ABC Sustainable Finance Committee since 2019 until now. Recently FTB has participated on MOU signing ceremony on "Promoting Sustainable Finance with Business sector in Cambodia" on 27th August 2020.



### FINANCIAL INCLUSION AND DIGITAL BANKING

Updating on mBanking via MohaBot App, VISA prepaid card with contactless, ATM expansions, Virtual Visa card, scan to pay, bill payment, and cash by code as the part of our digital banking.

Access to Finance Project (AFD): FTB has been lending to small sized water entrepreneurs and electrification entrepreneurs with more than 45 operators at a concessional rate, long term up to 10 years, and required almost non-property collaterals. The project had benefited the rural populations as they are able to access to reliable clean water and electricity to improve their basic needs of living. We have received a significant technical assistant grant from the European Union and a total portfolio on credit facility of UD\$ 15 million from Agence Française de Développement.



## RESOURCE EFFICIENCY

FTB has commitments to improve resource efficiency through various sustainable ways including saving and reducing the usage of utility, paper, toilet paper, and plastic.

## CARBON EMISSION

FTB commits to avoid financing activities that contribute significantly to the emission of greenhouse gases.

## E&S FOOTPRINT INTERNAL REPORT IN THE BANK



## SUPPLIERS AND CONTRACTORS

When dealing with vendors and suppliers/contractors, FTB had intergrated E&S value to our procurement processes, particularly the impact assessment criteria for selection and pre-qualification which encompasses health & safety concerns, waste management, environmental certificate (if required), information on human right abuses, workforce, and adverse media on past performance.

## CORPORATE SOCIAL RESPONSIBILITY

In line with one of the FTB's mission to operate in socially and environmentally responsible manner, we will continue playing a crucial role as the first commercial bank in Cambodia and active contributor to the sustainable development of the country in order to make it positive impact to our community. As CSR has been embedded into its mission, FTB has annually sponsored and donated fund, both in cash and in kind to Cambodian Red Cross, Royal University of Phnom Penh (RUPP)'s Charity Events, Hospital (like Kuntha Bopha Children's Hospital), Cambodia Hearing Day (via Raksa Koma Foundation) etc.

As part of implementation of its CSR activities, FTB has donated in cash and in kind (like alcohol and facial mask), directly and via Association of Banks in Cambodia (ABC) to other entities such as Government Bodies, Hospitals, Universities, and NGOs etc., in an effort to fight against the spread of Covid-19. With its effort, FTB, via ABC, is taking another part with Royal Government of Cambodia to contribute the fund for Covid-19 Vaccination in order to maintain public health and communities' safety. Another key aspects, which FTB has initiated, is to continually doing its part to support the customers and communities who are impacted by the flood via its flood relief funding donation directly and via Cambodian Red Cross, Electricite du Cambodge, Phnom Penh Post, and Post Khmer.

## REPORT OF THE BOARD OF DIRECTORS

The Board of Directors ("the Board" or "the Directors") hereby submitted their report together with the audited financial statements of Foreign Trade Bank of Cambodia ("the Bank") for the year ended 31 December 2020.

### PRINCIPAL ACTIVITIES

The principal activities of the Bank consist of the provision of various types of banking and related financial services in the Kingdom of Cambodia.

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

### FINANCIAL RESULTS

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

	2020	2019	2020	2019
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
Profit before income tax	23,253,103	31,717,787	94,802,901	128,520,473
Income tax expense	(3,491,418)	(6,716,365)	(14,234,511)	(27,214,711)
Net profit for the year	19,761,685	25,001,422	80,568,390	101,305,762

### DIVIDENDS

No dividend was declared or paid and the Directors do not recommend any dividend to be paid for the year under audit.

### SHARE CAPITAL

There was no change in the registered and issued share capital during the year under audit.

### RESERVES AND PROVISIONS

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

### LOSSES LOANS AND ADVANCES

Before the financial statements of the Bank were prepared, the Directors took reasonable steps to ascertain that actions had been taken in relation to the writing off of any bad loans and advances and the making of allowance for doubtful loans and advances, and satisfied themselves that all known bad loans and advances had been written off and adequate allowance had been made for losses loans and advances.

At the date of this report, the Directors are not aware of any circumstances, which would render the amount written off for bad loans and advances, or the amount of allowance for losses on loans and advances 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 ensure that any assets, other than debts, which were unlikely to be realised in the ordinary course of business at their value as shown in the accounting records of the Bank had been written down to an amount which they might be expected to realise.

At the date of this report, the directors are not aware of any circumstances, which would render the values attributed 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, there does not exist:

- (a) any charge on the assets of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person, or
- (b) any contingent liability in respect of the Bank that has arisen since the end of the financial year other than in the ordinary course of banking business.

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

## **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 UNUSUAL NATURE**

The results of the operations of the Bank for the financial year were not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature except for the outbreak of the Novel Coronavirus (Covid-19).

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



## **CORONAVIRUS AND IMPACT ON ECL**

The Expected Credit Loss ("ECL") at 31 December 2020 was estimated based on a range of forecast economic conditions as at that date. The coronavirus outbreak has spread across mainland China, Cambodia and beyond, causing disruption to business and economic activity. The impact on GDP and other key indicators have been considered when determining the severity and likelihood of downside economic scenarios in ECL estimate in which the ECL calculation in this current environment is subject to significant uncertainty. The management provides its best estimate on the possible outcomes of Covid-19 on the Bank; however, this estimate might move significantly as certain event unfolded. See Note 4 for details.

At the date of this report, the directors are not aware of any circumstances, and forecast of the future economic conditions and supportable information that is available as at the reporting date that have been used in the ECL estimate by the management misleading.

## **EVENTS SINCE THE REPORTING DATE**

At the date of this report, except as disclosed in the financial statements, there have been no significant events occurring after the reporting date which would require adjustments or disclosures to be made in the financial statements.

## **THE BOARD OF DIRECTORS**

The members of Board of Directors and Executive Management who served during the year and at the date of this report are:

### **BOARD OF DIRECTORS**

Mr. Roth Savuth	Chairman, Independent and Non-Executive Director
Mr. Gui Anvanith	Vice Chairman, Non-Executive Director and Non-Independent
Mr. Dith Sochal	Executive Director
Oknha Lim Bunsour	Non-Executive Director
H.E. Chou Vannak	Non-Executive Director
Ms. Sok Chansona	Independent and Non-Executive Director
Mr. Ly Tayseng	Independent and Non-Executive Director

### **EXECUTIVE MANAGERMENTS**

Mr. Dith Sochal	Chief Executive Officer
Ms. Nuon Borany	Chief Operation Officer
Mr. Mean Channarith	Chief Business Officer
Mr. Ok Seiha	Chief Finance Officer

### **DIRECTORS' INTERESTS**

None of the Directors held or dealt directly in the shares of the Bank during the financial year.

## **DIRECTORS' BENEFITS**

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

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

## **DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS**

The Board of Directors is 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 preparing these financial statements, the Board of Directors is required to:

- (i) adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- (ii) comply with Cambodian International Financial Reporting Standards ("CIFRSs") or, if there have been any departures in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the financial statements;
- (iii) assess 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
- (iv) liquidate the Bank or to cease operations, or has no realistic alternative but to do so; and
- (v) effectively control and direct effectively the Bank in all material decisions affecting the operations and performance and ascertain that such have been properly reflected in the financial statements.

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

## APPROVAL OF THE FINANCIAL STATEMENTS

We hereby approve the accompanying financial statements together with the notes thereto as set out on pages 27 to 85 which, in our opinion, 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.

Signed in accordance with a resolution of the Board of Directors,



Mr. Dith Sochal  
Executive Director and Chief Executive Officer  
Phnom Penh, Kingdom of Cambodia  
Date: 29 March 2021

A blue ink signature of Mr. Ok Seiha.

Mr. Ok Seiha  
Chief Finance Officer



## REPORT OF THE INDEPENDENT AUDITORS

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### TO THE SHAREHOLDERS OF FOREIGN TRADE BANK OF CAMBODIA

#### OPINION

We have audited the financial statements of Foreign Trade Bank of Cambodia ("the Bank"), which comprise the statement of financial position as at 31 December 2020, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information as set out on pages 29 to 88 (hereafter referred to as "the financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the 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 Auditors' 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.

#### OTHER INFORMATION

Management is responsible for the other information. The other information obtained at the date of this auditors' report is the Report of the Board of Directors on pages 22 to 26, and the annual report, which is expected to be made available to us after that date. Our opinion on the financial statements does not cover the other information 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 on the other information obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Bank's financial reporting process.



## AUDITORS' RESPONSIBILITIES FOR THE AUDITS OF THE FINANCIAL STATEMENTS

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

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

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

For KPMG Cambodia Ltd

Taing YoukFong

Partner

Phnom Penh, Kingdom of Cambodia

Date: 29 March 2021

**Statement of financial position  
as at 31 December 2020**

		31 December		31 December	
	Note	2020	2019	2020	2019
		US\$	US\$	KHR'000	KHR'000
				(Note 5)	(Note 5)
<b>ASSETS</b>					
Cash and cash equivalents	6	338,086,082	354,218,718	1,367,558,202	1,443,441,276
Placements with banks and financial institutions	7	19,736,731	32,347,368	79,835,077	131,815,525
Statutory deposits	8	96,934,561	160,152,626	392,100,299	652,621,951
Loans and advances to customers – net	9	1,011,984,545	892,825,013	4,093,477,485	3,638,261,928
Other assets	10	2,368,112	2,459,349	9,579,013	10,021,846
Foreclosed properties	11	32,796,742	34,013,974	132,662,821	138,606,944
Intangible assets	12	1,475,161	1,885,244	5,967,026	7,682,369
Property and equipment	13	7,038,322	7,349,637	28,470,012	29,949,771
Right-of-use assets	14	2,074,957	2,874,415	8,393,201	11,713,241
Deferred tax assets – net	22(A)	1,032,688	912,516	4,177,223	3,718,503
<b>Total assets</b>		<b>1,513,527,901</b>	<b>1,489,038,860</b>	<b>6,122,220,359</b>	<b>6,067,833,354</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
<b>Liabilities</b>					
Deposits from customers	15	1,227,103,181	1,254,963,006	4,963,632,367	5,113,974,249
Deposits from banks and financial institutions	16	64,972,210	41,587,758	262,812,589	169,470,114
Borrowings	17	23,177,933	9,717,364	93,754,739	9,598,258
Subordinated debts	18	27,184,550	27,184,550	109,961,505	110,777,041
Lease liabilities	19	2,585,723	3,467,059	10,459,250	14,128,265
Other liabilities	20	2,402,403	3,180,706	9,717,720	12,961,377
Provision for employee benefits	21	2,913,459	2,590,580	11,784,942	10,556,614
Provision for off-balance sheet commitments	33(A)	668,071	1,322,029	2,702,347	5,387,268
Current income tax liability	22(B)	2,844,365	5,111,487	11,505,456	20,829,310
<b>Total liabilities</b>		<b>1,353,851,895</b>	<b>1,349,124,539</b>	<b>5,476,330,915</b>	<b>5,497,682,496</b>
<b>Shareholders' equity</b>					
Share capital	23	79,500,000	79,500,000	318,000,000	318,000,000
General reserves	24	195,590	195,590	797,029	797,029
Regulatory reserves	25	9,379,930	13,485,783	37,899,324	54,638,887
Retained earnings		70,600,486	46,732,948	286,221,120	188,913,167
Currency translation reserves		-	-	2,971,971	7,801,775
<b>Total shareholders' equity</b>		<b>159,676,006</b>	<b>139,914,321</b>	<b>645,889,444</b>	<b>570,150,858</b>
<b>Total liabilities and shareholders' equity</b>		<b>1,513,527,901</b>	<b>1,489,038,860</b>	<b>6,122,220,359</b>	<b>6,067,833,354</b>

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



**Statement of profit or loss and other comprehensive income  
for the year ended 31 December 2020**

	Note	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
<b>Operating income</b>					
Interest income	26	91,276,301	75,575,011	372,133,479	306,229,945
Interest expense	27	(54,330,055)	(43,138,825)	(221,503,634)	(174,798,519)
Net interest income		36,946,246	32,436,186	150,629,845	131,431,426
Net fee and commission income	28	2,772,873	3,568,393	11,305,004	14,459,128
Other income	29	5,201,415	1,446,678	21,206,169	5,861,940
<b>Total operating profit</b>		44,920,534	37,451,257	183,141,018	151,752,494
Personnel expenses	30	(7,722,155)	(7,011,825)	(31,483,226)	(28,411,915)
Depreciation and amortisation	31	(2,813,155)	(2,638,068)	(11,469,232)	(10,689,452)
General and administrative expenses	32	(5,583,525)	(4,547,343)	(22,764,033)	(18,425,834)
Total operating expenses		(16,118,835)	(14,197,236)	(65,716,491)	(57,527,201)
<b>Operating profit before impairment</b>		28,801,699	23,254,021	117,424,527	94,225,293
(Reversals)/impairment losses on financial instruments	9(ii)	(5,548,596)	8,463,766	(22,621,626)	34,295,180
<b>Profit before income tax</b>		23,253,103	31,717,787	94,802,901	128,520,473
Income tax expense	22(C)	(3,491,418)	(6,716,365)	(14,234,511)	(27,214,711)
<b>Net profit for the year</b>		19,761,685	25,001,422	80,568,390	101,305,762
<b>Other comprehensive (loss)/income</b>					
Currency translation difference		-	-	(4,829,804)	7,113,920
<b>Total comprehensive income for the year</b>		19,761,685	25,001,422	75,738,586	108,419,682

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

# 31 Statement of changes in equity for the year ended 31 December 2020

	Share capital		Additional contribution from shareholders		General reserves		Regulatory reserves		Retained earnings		Currency translation difference		Total
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)	
As at 1 January 2019	75,000,000	300,000,000	4,500,000	18,081,000	195,590	785,881	6,538,474	26,328,603	28,678,835	115,917,689	-	606,855	114,912,899
<b>Transactions recognised directly in equity</b>													
Transfers to share capital	4,500,000	18,000,000	(4,500,000)	(18,081,000)	-	-	-	-	-	-	-	81,000	-
Transfers to regulatory reserves	-	-	-	-	-	-	6,947,309	28,310,284	(6,947,309)	(28,310,284)	-	-	-
<b>Comprehensive income</b>													
Net profit for the year	-	-	-	-	-	-	-	-	25,001,422	101,305,762	-	-	25,001,422
Currency translation difference	-	-	-	-	-	11,148	-	-	-	-	-	7,113,920	7,125,068
<b>Total comprehensive income</b>	-	-	-	-	-	11,148	-	-	25,001,422	101,305,762	-	7,113,920	32,125,068
As at 31 December 2019	79,500,000	318,000,000	-	-	195,590	797,029	13,485,783	54,638,887	46,732,948	188,913,167	-	7,801,775	139,914,321
As at 1 January 2020	79,500,000	318,000,000	-	-	195,590	797,029	13,485,783	54,638,887	46,732,948	188,913,167	-	7,801,775	139,914,321
<b>Transactions recognised directly in equity</b>													
Transfers from regulatory reserves to retained earnings	-	-	-	-	-	-	(4,105,853)	(16,739,563)	4,105,853	16,739,563	-	-	-
<b>Comprehensive income</b>													
Net profit for the year	-	-	-	-	-	-	-	-	19,761,685	80,568,390	-	-	19,761,685
Currency translation difference	-	-	-	-	-	-	-	-	-	-	-	(4,829,804)	(4,829,804)
<b>Total comprehensive income</b>	-	-	-	-	-	-	-	-	19,761,685	80,568,390	-	(4,829,804)	14,931,881
As at 31 December 2020	79,500,000	318,000,000	-	-	195,590	797,029	9,379,930	37,899,324	70,600,486	286,221,120	-	2,971,971	159,676,006

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

**Statement of cash flows**  
**for the year ended 31 December 2020**

	Note	2020	2019	2020	2019
		US\$	US\$	KHR'000	KHR'000
				(Note 5)	(Note 5)
<b>Cash flows from operating activities</b>					
Net profit for the year		19,761,685	25,001,422	80,568,390	101,305,762
Adjustments for:					
Depreciation and amortisation		2,813,155	2,638,068	11,469,232	10,689,452
Income tax expense		3,491,418	6,716,365	14,234,511	27,214,711
Impairment losses on financial instruments	9	5,548,596	198,441	22,621,626	804,083
Loss on property and equipment written off and disposals		-	87,883	-	356,102
Gain on the disposal of foreclosed properties	11	(3,024,773)	-	(12,332,000)	-
Net interest income		(36,946,246)	(32,436,186)	(150,629,845)	(131,431,426)
		(8,356,165)	2,205,993	(34,068,086)	8,938,684
Changes in:					
Deposits and placements with other banks and financial institutions		12,657,805	25,001,376	51,605,871	101,305,576
Loans and advances		(36,046,018)	(198,533,245)	(146,959,615)	(804,456,709)
Statutory deposits		63,218,065	(24,862,087)	257,740,051	(100,741,177)
Other assets		91,237	(673,700)	371,973	(2,729,832)
Deposits from customers		(29,366,064)	171,743,477	(119,725,443)	695,904,569
Deposits from other banks and financial institutions		25,340,182	(17,450,665)	103,311,922	(70,710,095)
Provision for employee benefits		195,090	(548,973)	795,382	(2,224,439)
Other liabilities		(778,303)	497,881	(3,173,141)	2,017,413
Cash generated from/(used in) operations		26,955,829	(42,619,943)	109,898,914	(172,696,010)
Interest received		1,896,282	75,575,011	7,731,142	306,229,945
Interest paid		(54,651,757)	(42,873,791)	(222,815,213)	(173,724,601)
Income tax paid	22(B)	(5,878,712)	(3,538,107)	(23,967,509)	(14,336,410)
Net cash used in operating activities		(31,678,358)	(13,456,830)	(129,152,666)	(54,527,076)



	Note	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
<b>Cash flows from investing activities</b>					
Purchase of property and equipment		(1,059,024)	(2,035,328)	(4,317,641)	(8,247,149)
Proceeds from sales of foreclosed property	11	4,242,005	-	17,294,654	-
Purchase of intangible assets		(195,429)	(186,004)	(796,764)	(753,688)
Net cash generated from/ (used in) investing activities		2,987,552	(2,221,332)	12,180,249	(9,000,837)
<b>Cash flows from financing activities</b>					
Lease payments		(919,182)	(837,282)	(3,747,505)	(3,392,666)
Proceeds from borrowings		20,224,509	-	82,455,323	-
Repayments of borrowings		(6,763,940)	(2,159,414)	(27,576,583)	(8,749,946)
Proceeds from subordinated debts		-	27,184,550	-	110,151,798
Net cash generated from financing activities		12,541,387	24,187,854	51,131,235	98,009,186
Net (decrease)/increase in cash and cash equivalents		(16,149,419)	8,509,692	(65,841,182)	34,481,273
Cash and cash equivalents at beginning of the year		354,236,116	345,726,424	1,443,512,172	1,389,128,772
Currency translation difference		-	-	(10,110,301)	19,902,127
Cash and cash equivalents at end of the year	6	338,086,697	354,236,116	1,367,560,690	1,443,512,172

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

## **Notes to the financial statements for the year ended 31 December 2020**

### **1. Reporting entity**

The Bank was originally established following sub-decree No. 1213 dated 10 October 1979 under the former regime of the State of Cambodia. In 2000, the Bank was separated from the direct management of the National Bank of Cambodia ("NBC" or "the Central Bank"). The Bank is recognised as a public limited company by the Ministry of Commerce ("MOC") under the registration number Co.8835 M/2006 dated 21 June 2006.

The Bank holds a commercial banking license from NBC that was renewed for an indefinite period on 21 December 2006.

The principal activities of the Bank consist of the provision of various types of banking and related financial services in the Kingdom of Cambodia.

The registered office of the Bank is located at No.33C-D Tchecoslovaquie Blvd., Sangkat Veal Vong, Khan 7 Makkara, Phnom Penh, the Kingdom of Cambodia.

As at 31 December 2020, the Bank had 490 employees (2019: 435 employees).

### **2. Basis of accounting**

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

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

Details of the Bank's significant accounting policies are included in Note 37.

The financial statements of the Bank were authorised for issue by the Board of Directors on 29 March 2021.

### **3. Functional and presentation currency**

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

These financial statements are presented in US\$, which is the Bank's functional currency. All amounts have been rounded to the nearest dollar and thousand Khmer Riel "KHR'000" for US\$ and KHR amounts, respectively, except when otherwise indicated.

### **4. Use of judgments and estimates**

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

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

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes.



- Note 37C(ii): classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payment for interest and principal ("SPPI") on the principal amount outstanding.
- Note 37C(vii): establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of models used to measure ECL.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are included in the following notes:

- Note 37C(vii): impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information.
- Note 37C(vi): determination of the fair value of financial instruments with significant unobservable inputs.
- Note 37C(vii): impairment of financial instruments: key assumptions used in estimating recoverable cash flows.

### **Coronavirus and impact on ECL**

The Expected Credit Loss ("ECL") at 31 December 2020 was estimated based on a range of forecast economic conditions as at that date. The coronavirus outbreak has spread across mainland China, Cambodia and beyond, causing disruption to business and economic activity. The impact on GDP and other key indicators have been duly considered when determining the severity and likelihood of downside economic scenarios in ECL estimate. Management estimates that the additional ECL of US\$2,474,468 recorded as of 31 December 2020 resulting from the management has been determined based on possible forward-looking scenarios, considering the facts, circumstances and forecast of the future economic conditions and supportable information that is available as at the reporting date.

The ECL calculation in this current environment is subject to significant uncertainty. The management provides its best estimate on the possible outcomes of Covid-19 on the Bank; however, this estimate might move significantly as certain event unfolded. Consequently, this number should not be seen as firm guidance or a forecast as to the final financial impacts expected. In the event the impacts are more severe or prolonged than anticipated in the scenarios, this will have a corresponding impact on the ECL, the financial position and performance of the Bank.

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

The financial statements are expressed in United States Dollars ("US\$"). The translations of US\$ amounts into Khmer Riel ("KHR") are included solely for compliance with the Law of Accounting and Auditing.

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



The Bank uses the following exchange rates:

			Closing rate	Average rate
31 December 2020	US\$ 1	=	KHR4,045	KHR4,077
31 December 2019	US\$ 1	=	KHR4,075	KHR4,052

These convenience translations should not be construed as representations that the US\$ amounts have been, could have been, or could in the future be, converted into KHR at this or any other rate of exchange.

## 6. Cash and cash equivalents

	31 December		31 December	
	2020	2019	2020	2019
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
Cash on hands	45,587,762	22,999,966	184,402,497	93,724,861
Balances at banks with original maturity less than 3 months				
Balances at National Bank of Cambodia	250,064,564	259,707,244	1,011,511,161	1,058,307,019
Balances at other banks and financial institutions	42,434,371	71,528,906	171,647,032	291,480,292
	292,498,935	331,236,150	1,183,158,193	1,349,787,311
	338,086,697	354,236,116	1,367,560,690	1,443,512,172
Less: Allowance for impairment losses	(615)	(17,398)	(2,488)	(70,896)
	338,086,082	354,218,718	1,367,558,202	1,443,441,276

The movements of allowance for impairment loss on cash and cash equivalents were as follows:

	2020	2019	2020	2019
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
At 1 January	17,398	2,035	70,896	8,177
(Reversals of)/allowance for impairment loss for the year (Note 9(ii))	(16,783)	15,363	(68,424)	62,251
Currency translation difference	-	-	16	468
At 31 December	615	17,398	2,488	70,896

## 7. Placement with banks and financial institutions

	31 December		31 December	
	2020	2019	2020	2019
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
Balances at National Bank of Cambodia	19,734,904	21,187,165	79,827,687	86,337,697
Balances at other banks and financial institutions	18,773	11,224,317	75,937	45,739,092
	19,753,677	32,411,482	79,903,624	132,076,789
Less: Allowance for impairment loss	(16,946)	(64,114)	(68,547)	(261,264)
	19,736,731	32,347,368	79,835,077	131,815,525

The movements of allowance for impairment loss on placements with banks and financial institutions were as follows:

	2020		2019	
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
At 1 January	64,114	87,909	261,264	353,218
Reversals of allowance for impairment loss during the year (Note 9 (ii))	(47,168)	(23,795)	(192,304)	(96,417)
Currency translation difference	-	-	(413)	4,463
At 31 December	16,946	64,114	68,547	261,264

Gross amounts of placements with banks and financial institutions were analysed as follows:

	31 December		31 December	
	2020	2019	2020	2019
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
<b>A. By maturity:</b>				
Within 1 month	-	99,696	-	406,261
> 1 to 3 months	-	22,971,779	-	93,609,999
> 3 to 12 months	19,753,677	9,109,513	79,903,624	37,121,265
Over 5 years	-	230,494	-	939,264
	19,753,677	32,411,482	79,903,624	132,076,789

Gross amounts of placements with banks and financial institutions were analysed as follows:

	31 December		31 December	
	2020	2019	2020	2019
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
<b>B. By currency:</b>				
US Dollars	19,753,677	28,124,723	79,903,624	114,608,246
Khmer Riel	-	4,286,759	-	17,468,543
	19,753,677	32,411,482	79,903,624	132,076,789

	2020	2019
<b>C. By interest rate (per annum):</b>		
Term deposit	0.12% - 5.75%	0.70% - 5.75%

**8. Statutory deposits**

	31 December		31 December	
	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Statutory capital deposit	7,953,597	7,970,417	32,172,300	32,479,449
Reserve requirements on deposits from customers and banks and non-residential borrowings	88,980,964	152,182,209	359,927,999	620,142,502
	<u>96,934,561</u>	<u>160,152,626</u>	<u>392,100,299</u>	<u>652,621,951</u>

**A. Statutory capital deposit**

Under the NBC's Prakas No. B7-01-136 dated 15 October 2001, the Bank is required to maintain a statutory deposit 10% of its capital. This deposit is not available for use in the Bank's day-to-day operations and is refundable should the Bank voluntarily cease its operations in Cambodia. During the year, the interest earned is at the rate ranging from 0.06% to 0.48% per annum (2019: 0.48% per annum).

**B. Reserve requirements on customers' and banks' deposits**

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

Additionally, the National Bank of Cambodia ("NBC") issued a press release dated 17 March 2020 announcing the reduction of the Reserve Requirement Rate ("RRR") on KHR from 8% to 7%. For foreign currencies, the RRR is reduced from 12.50% to 7% effective for 6 months starting from April 2020 in order to mitigate the impact of the COVID-19 pandemic on Cambodia's economy.



## 9. Loans and advances to customers – net

	31 December		31 December	
	2020	2019	2020	2019
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
Commercial loans:				
Overdrafts	49,732,282	43,119,012	201,167,081	175,709,974
Short term loans	372,523,500	289,473,003	1,506,857,558	1,179,602,487
Long term loans	224,373,006	227,920,012	907,588,809	928,774,049
Loans to other banks and micro-finance institutions	78,101,097	32,437,538	315,918,938	132,182,967
	724,729,885	592,949,565	2,931,532,386	2,416,269,477
Consumer loans:				
Staff loans	5,876,475	5,477,354	23,770,341	22,320,218
Housing loans	294,244,648	300,986,790	1,190,219,601	1,226,521,169
	300,121,123	306,464,144	1,213,989,942	1,248,841,387
Loans and advances – gross	1,024,851,008	899,413,709	4,145,522,328	3,665,110,864
Less: Allowance for impairment loss	(12,866,463)	(6,588,696)	(52,044,843)	(26,848,936)
Loans and advances – net	1,011,984,545	892,825,013	4,093,477,485	3,638,261,928

(i) The movements of allowance for impairment loss on loans and advances to customers were as follows:

	2020	2019	2020	2019
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
At 1 January	6,588,696	7,198,774	26,848,936	28,924,674
Allowance for/(reversals of) impairment loss during the year	6,277,767	(610,078)	25,594,456	(2,472,036)
Currency translation difference	-	-	(398,549)	396,298
At 31 December	12,866,463	6,588,696	52,044,843	26,848,936

(ii) Impairment losses on financial instruments recognised in profit or loss are summarised as follows:

	2020	2019	2020	2019
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
(Allowance for)/reversals of impairment losses:				
Loans and advances	(6,277,767)	610,078	(25,594,456)	2,472,036
Cash and cash equivalents (Note 6)	16,783	(15,363)	68,424	(62,251)
Placements with banks and financial institutions (Note 7)	47,168	23,795	192,304	96,417
Off- balance sheet commitments (Note 33)	653,958	(816,951)	2,666,187	(3,310,285)
Recovery of loans and advances written off	11,262	8,662,207	45,915	35,099,263
	(5,548,596)	8,463,766	(22,621,626)	34,295,180

Gross amounts of loans and advances to customers are analysed as follows:

	31 December		31 December	
	2020	2019	2020	2019
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
<b>A. By maturity:</b>				
Within 1 month	108,571,951	81,192,625	439,173,542	330,859,947
> 1 to 3 months	69,145,826	75,463,653	279,694,866	307,514,386
> 3 to 12 months	166,324,972	153,279,735	672,784,512	624,614,920
> 1 to 5 years	363,842,919	276,776,227	1,471,744,607	1,127,863,125
Over 5 years	316,965,340	312,701,469	1,282,124,801	1,274,258,486
	<u>1,024,851,008</u>	<u>899,413,709</u>	<u>4,145,522,328</u>	<u>3,665,110,864</u>
<b>B. By relationship:</b>				
Staff loans	5,129,719	4,680,836	20,749,713	19,074,407
Related parties	746,756	796,518	3,020,628	3,245,811
Non-related parties	1,018,974,533	893,936,355	4,121,751,987	3,642,790,646
	<u>1,024,851,008</u>	<u>899,413,709</u>	<u>4,145,522,328</u>	<u>3,665,110,864</u>

For additional analysis of gross amount of loans and advances to customers, refer to Note 35B.

## 10. Other assets

	31 December		31 December	
	2020	2019	2020	2019
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
Advances and prepayments	2,088,872	1,823,236	8,449,486	7,429,687
Investment in Credit Bureau of Cambodia ("CBC")	25,000	25,000	101,125	101,875
Others	254,240	611,113	1,028,402	2,490,284
	<u>2,368,112</u>	<u>2,459,349</u>	<u>9,579,013</u>	<u>10,021,846</u>

## 11. Foreclosed properties

Foreclosed properties consist of immovable properties acquired through foreclosure of collaterals from default on loans and advances to customers that have devolved to the Bank as part of settlement of debts.

These assets are not held for operational purposes and have to be disposed of in order to recover the outstanding amount within the maximum allowable period of twelve months as per the guidelines No. B-7-01-186 Prakas issued by the National Bank of Cambodia.

On 21 July 2020, the Bank submitted a request letter to the NBC to delay the period of holding the properties and has not received approval yet as at the issuance date of these financial statements.



The gross movements of the foreclosed properties during the year were as follows:

	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
At 1 January	34,013,974	31,605,215	138,606,944	126,989,754
Additions during the year	-	2,408,759	-	9,760,291
Sale during the year	(1,217,232)	-	(4,962,655)	-
Currency translation difference	-	-	(981,468)	1,856,899
At 31 December	32,796,742	34,013,974	132,662,821	138,606,944

During the year, the Bank successfully sold a plot of foreclosed properties for the cash proceeds of US\$4,242,005, resulting in the gain of US\$3,024,773 (Note 29).

As at 31 December 2020, these foreclosed properties have the estimated fair value of US\$69,753,100 (2019: US\$58,409,242).

## 12. Intangible assets

	31 December		31 December	
	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
<b>Cost</b>				
At 1 January	3,533,227	3,347,223	14,397,900	13,449,142
Additions	195,429	186,004	796,764	753,688
Currency translation difference	-	-	(112,251)	195,070
At 31 December	3,728,656	3,533,227	15,082,413	14,397,900
<b>Less: Accumulated amortisation</b>				
At 1 January	1,647,983	1,170,120	6,715,531	4,701,542
Amortisation	605,512	506,928	2,468,672	2,054,072
Other adjustments	-	(29,065)	-	(117,771)
Currency translation difference	-	-	(68,816)	77,688
At 31 December	2,253,495	1,647,983	9,115,387	6,715,531
<b>Carrying amounts</b>				
At 31 December	1,475,161	1,885,244	5,967,026	7,682,369

### 13. Property and equipment

2020	Land US\$	Booths (*) US\$	Buildings US\$	Leasehold improvement US\$	Computer equipment US\$	Furniture and office equipment US\$	Motor vehicles US\$	Work in progress US\$	US\$	Total KHR'000 (Note 5)
<b>Cost</b>										
At 1 January	1,707,879	1,527,000	1,461,380	1,356,150	2,918,202	5,420,643	1,605,135	442,343	16,438,732	66,987,833
Additions	-	-	60,516	3,095	370,035	352,403	229,182	43,793	1,059,024	4,317,641
Other adjustments	(1)	-	43	(43)	3,369	27,252	-	(127,422)	(96,802)	(391,564)
Currency translation difference	-	-	-	-	-	-	-	-	-	(527,048)
At 31 December	1,707,878	1,527,000	1,521,939	1,359,202	3,291,606	5,800,298	1,834,317	358,714	17,400,954	70,386,862
<b>Less: Accumulated depreciation</b>										
At 1 January	-	-	601,177	983,139	1,781,628	4,684,491	1,038,660	-	9,089,095	37,038,062
Depreciation	-	-	124,170	70,785	512,236	413,063	250,085	-	1,370,339	5,586,872
Other adjustments	-	-	345,539	(374,212)	9,230	(76,372)	(987)	-	(96,802)	(391,564)
Currency translation difference	-	-	-	-	-	-	-	-	-	(316,520)
At 31 December	-	-	1,070,886	679,712	2,303,094	5,021,182	1,287,758	-	10,362,632	41,916,850
<b>Carrying amounts</b>										
At 31 December	1,707,878	1,527,000	451,053	679,490	988,512	779,116	546,559	358,714	7,038,322	28,470,012

(\*) Booths represent the ownership of number of land space at the market.

As at 31 December 2020, fully depreciated property and equipment with an original costing of US\$7,766,121 (2019: US\$6,526,410) are still in active use.

2019	Land US\$	Booths (*) US\$	Buildings US\$	Leasehold improvement US\$	Computer equipment US\$	Furniture and office equipment US\$	Motor vehicles US\$	Work in progress US\$	US\$	Total KHR'000 (Note 5)
<b>Cost</b>										
At 1 January 2019	1,707,879	1,527,000	1,171,886	1,356,150	2,282,811	5,083,538	1,224,600	137,423	14,491,287	58,225,991
Additions	-	-	-	-	635,391	337,105	380,535	682,297	2,035,328	8,247,149
Transfers	-	-	289,494	-	-	-	-	(289,494)	-	-
Written off	-	-	-	-	-	-	-	(87,883)	(87,883)	(356,102)
Currency translation difference	-	-	-	-	-	-	-	-	-	870,795
At 31 December 2019	1,707,879	1,527,000	1,461,380	1,356,150	2,918,202	5,420,643	1,605,135	442,343	16,438,732	66,987,833
<b>Less: Accumulated depreciation</b>										
At 1 January 2019	-	-	403,691	983,139	1,357,668	4,294,487	847,423	-	7,886,408	31,687,587
Depreciation	-	-	197,486	-	423,960	448,398	191,237	-	1,261,081	5,109,900
Other adjustments	-	-	-	-	-	(58,394)	-	-	(58,394)	(236,612)
Currency translation difference	-	-	-	-	-	-	-	-	-	477,187
At 31 December 2019	-	-	601,177	983,139	1,781,628	4,684,491	1,038,660	-	9,089,095	37,038,062
<b>Carrying amounts</b>										
At 31 December 2019	1,707,879	1,527,000	860,203	373,011	1,136,574	736,152	566,475	442,343	7,349,637	29,949,771

(\*) Booths represented the ownership of number of land space at the market.



#### 14. Right-of-use assets

Information about the Bank's leases is disclosed within this note and Note 19.

	31 December		31 December	
	2020	2019	2020	2019
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
Right-of-use assets	2,074,957	2,874,415	8,393,201	11,713,241

The Bank leases many assets including ATM spaces, building and branch offices. Information about leases for which the Bank is a lessee is presented below:

	2020				2019			
	Office space US\$	ATM space US\$	US\$	Total KHR'000 (Note 5)	Office space US\$	ATM space US\$	US\$	Total KHR'000 (Note 5)
<b>Right-of-use assets</b>								
At 1 January	2,766,017	108,398	2,874,415	11,713,241	3,541,922	193,160	3,735,082	15,007,559
Additions	37,846	-	37,846	154,298	-	9,459	9,459	38,328
Depreciation for the year	(773,378)	(63,926)	(837,304)	(3,413,688)	(775,905)	(94,221)	(870,126)	(3,525,751)
Currency translation difference	-	-	-	(60,650)	-	-	-	193,105
At 31 December	2,030,485	44,472	2,074,957	8,393,201	2,766,017	108,398	2,874,415	11,713,241

#### 15. Deposits from customers

	31 December		31 December	
	2020	2019	2020	2019
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
Current accounts	194,100,475	209,233,951	785,136,421	852,628,350
Saving accounts	180,295,969	220,488,327	729,297,195	898,489,933
Fixed deposits	851,143,690	823,633,877	3,442,876,226	3,356,308,049
Margin deposits	934,200	1,522,147	3,778,839	6,202,749
Others deposit	628,847	84,704	2,543,686	345,168
	1,227,103,181	1,254,963,006	4,963,632,367	5,113,974,249

Deposits from customers are analysed as follows:

	31 December		31 December	
	2020	2019	2020	2019
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
<b>A. By maturity:</b>				
Within 1 month	477,647,198	551,025,580	1,932,082,917	2,245,429,238
> 1 to 3 months	96,682,249	109,101,897	391,079,697	444,590,230
> 3 to 6 months	92,554,569	113,599,706	374,383,232	462,918,802
> 6 to 12 months	204,904,189	161,145,386	828,837,445	656,667,448
> 1 to 5 years	288,687,019	251,390,918	1,167,738,992	1,024,417,991
Over 5 years	66,627,957	68,699,519	269,510,084	279,950,540
	1,227,103,181	1,254,963,006	4,963,632,367	5,113,974,249

	31 December		31 December	
	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
<b>B. By customer type:</b>				
Domestic corporations	373,203,584	439,887,032	1,509,608,497	1,792,539,655
Foreign corporations	20,313,419	179,182	82,167,780	730,167
Individuals	832,957,532	813,249,958	3,369,313,217	3,313,993,579
Other	628,646	1,646,834	2,542,873	6,710,848
	<u>1,227,103,181</u>	<u>1,254,963,006</u>	<u>4,963,632,367</u>	<u>5,113,974,249</u>
<b>C. By residency status:</b>				
Residents	1,203,741,313	1,250,458,381	4,869,133,611	5,095,617,903
Non-residents	23,361,868	4,504,625	94,498,756	18,356,346
	<u>1,227,103,181</u>	<u>1,254,963,006</u>	<u>4,963,632,367</u>	<u>5,113,974,249</u>
<b>D. By relationship:</b>				
Non-related parties	1,226,484,317	1,254,546,460	4,961,129,062	5,112,276,825
Related parties	618,864	416,546	2,503,305	1,697,424
	<u>1,227,103,181</u>	<u>1,254,963,006</u>	<u>4,963,632,367</u>	<u>5,113,974,249</u>
<b>E. By currency:</b>				
US Dollars	1,080,272,968	1,071,339,430	4,369,704,156	4,365,708,177
Khmer Riel	146,771,599	181,009,996	593,691,118	737,615,734
Other	58,614	2,613,580	237,093	10,650,338
	<u>1,227,103,181</u>	<u>1,254,963,006</u>	<u>4,963,632,367</u>	<u>5,113,974,249</u>

	2020	2019
<b>F. By interest rate (per annum):</b>		
Current accounts (*)	0% - 0.75%	0% - 0.75%
Saving accounts	0.75% - 2.00%	0.75% - 2.00%
Fixed deposits	1.50% - 7.75%	1.50% - 7.75%

(\*) This rate is applied to only Cash Management accounts.

## 16. Deposits from other banks and financial institutions

	31 December		31 December	
	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Current accounts	7,750,828	27,253,114	31,352,099	111,056,440
Savings accounts	1,438,759	716,130	5,819,780	2,918,230
Term deposits	55,782,623	13,618,514	225,640,710	55,495,444
	<u>64,972,210</u>	<u>41,587,758</u>	<u>262,812,589</u>	<u>169,470,114</u>



Deposits from banks and financial institutions are analysed as follows:

		31 December		31 December	
		2020	2019	2020	2019
		US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
<b>A. By maturity:</b>					
Within 1 month		12,580,248	29,172,040	50,887,103	118,876,063
> 1 to 3 months		15,002,705	-	60,685,942	-
> 3 to 6 months		12,251,803	-	49,558,543	-
> 6 to 12 months		25,137,454	12,415,718	101,681,001	50,594,051
		64,972,210	41,587,758	262,812,589	169,470,114
<b>B. By maturity</b>					
Domestic corporations		64,972,210	41,587,758	262,812,589	169,470,114
<b>C. By residency status:</b>					
Residents		64,972,210	41,587,758	262,812,589	169,470,114
<b>D. By currency:</b>					
US Dollars		58,834,724	26,282,055	237,986,459	107,099,374
Khmer Riel		6,041,012	15,217,528	24,435,894	62,011,427
Other		96,474	88,175	390,236	359,313
		64,972,210	41,587,758	262,812,589	169,470,114

		2020	2019
<b>E. By interest rate (per annum):</b>			
Current accounts (*)	0% - 1.25%	0% - 1.25%	
Saving accounts	0.75% - 1.00%	0.75% - 1.00%	
Fixed deposits	3.50% - 5.50%	3.50% - 5.50%	

(\*) This rate is applied to only Cash Management accounts.

## 17. Borrowings

		31 December		31 December	
		2020	2019	2020	2019
		US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
Agence Francaise de					
Development ("AFD")	(i)	2,953,424	9,717,364	11,946,600	39,598,258
Liquidity Providing					
Collateralised Operation ("LPCO")	(ii)	19,451,462	-	78,681,164	-
SME Specialised Bank Plc.	(iii)	773,047	-	3,126,975	-
		23,177,933	9,717,364	93,754,739	39,598,258

- (i) On 28 April 2014, the Bank entered into an agreement with Agence Francaise de Development ("AFD") for a total facility of US\$15 million. In accordance with the agreement, the Bank shall undertake to make long-term loans available to finance the Rural Electrification Enterprise and Small Water Enterprise Project. During the year, the Bank has made principal repayment of US\$6,763,940 (2019: US\$2,159,414).

The details of drawdown and related outstanding amounts are as follow:

No	Principles (US\$)	Outstanding balances	Drawdown date	Interest per annum	Maturity
1	5,000,000	2,500,000	2.46%	3 December 2014	1 March 2024
2	5,000,000	214,700	1.97%	6 April 2016	1 March 2024
3	5,000,000	238,724	2.41%	21 June 2017	1 March 2024
	15,000,000	2,953,424			

- (ii) LPCO represents short-term borrowings from the National Bank of Cambodia ("NBC") in which the Negotiable Certificates of Deposit ("NCD") were collateralised. These borrowings bear interest at rates ranging from 2.40% to 3.50% per annum with maturity date ranging from 11 February 2021 to 14 October 2021.
- (iii) This represents the borrowings from SME Specialised Bank Plc., bearing the interest at 2% per annum with the maturity date from 17 June 2024 to 1 November 2027.

The gross movements of the borrowings during the year were as follows:

	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
At 1 January	9,717,364	11,876,778	39,598,258	47,720,894
Additional borrowings	20,224,509	-	82,455,323	-
Accrued interest for the year	229,482	(16,557)	935,598	(67,089)
Payments	(6,993,422)	(2,142,857)	(28,512,181)	(8,682,857)
Currency translation difference	-	-	(722,259)	627,310
At 31 December	23,177,933	9,717,364	93,754,739	39,598,258

Borrowings are analysed by maturity as follows:

	31 December		31 December	
	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Within 1 month	6,374	-	25,783	-
> 1 to 3 months	4,988,637	1,145,935	20,179,037	4,669,685
> 3 to 6 months	2,523,152	-	10,206,150	-
> 6 to 12 months	12,949,365	1,071,429	52,380,181	4,366,073
> 1 to 5 years	2,647,664	7,500,000	10,709,801	30,562,500
> Over 5 years	62,741	-	253,787	-
	23,177,933	9,717,364	93,754,739	39,598,258



### 18. Subordinated debts

This represents a long-term and unsecured borrowings from shareholders based on subordinated loan agreements dated 10 April 2019 and 9 August 2019 with the following terms and conditions:

Total credit facilities	US\$27,184,550
Maturity	5 years starting from the date of signed of each contract
Principal repayment	At maturity date and the amount is only repaid after all other secured and unsecured creditors are repaid in full
Interest repayment	Interest will be paid every end of month and calculated on the basis of actual of days in a year of 360 days
Interest rate	12% per annum

The Bank obtained an approval from the NBC allowing to include the above subordinated debts in Tier II capital for the purpose of Net Worth calculation.

### 19. Lease liabilities

	31 December		31 December	
	2020	2019	2020	2019
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
<b>Present value of lease liabilities</b>				
Current	152,487	19,750	616,810	80,481
Non-current	2,433,236	3,447,309	9,842,440	14,047,784
	<u>2,585,723</u>	<u>3,467,059</u>	<u>10,459,250</u>	<u>14,128,265</u>
<b>Maturity analysis – contractual undiscounted cash flows</b>				
Less than one year	191,089	19,855	772,956	80,909
One to five years	1,960,171	3,080,265	7,928,892	12,552,080
More than five years	881,100	999,900	3,564,050	4,074,593
<b>Total undiscounted lease liabilities</b>	<u>3,032,360</u>	<u>4,100,020</u>	<u>12,265,898</u>	<u>16,707,582</u>

The movements of lease liabilities during the year were as follows:

	2020	2019	2020	2019
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
At 1 January	3,467,059	4,294,949	14,128,265	17,257,105
Addition during the year	37,846	9,392	154,294	38,272
Interest expense	203,392	265,034	829,229	1,073,918
Payments during the year	(1,122,574)	(1,102,316)	(4,576,734)	(4,491,938)
Currency translation difference	-	-	(75,804)	250,908
At 31 December	<u>2,585,723</u>	<u>3,467,059</u>	<u>10,459,250</u>	<u>14,128,265</u>

**Amounts recognised in profit or loss:**

	2020	2019	2020	2019
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
Interest expense on lease liabilities	203,392	265,034	829,229	1,073,918
Expenses relating to leases of short term and low-value assets	168,787	133,192	688,145	539,694
	372,179	398,226	1,517,374	1,613,612

**Amounts recognised in the statement of cash flows**

	31 December	31 December	31 December	31 December
	2020	2019	2020	2019
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
Total cash outflow for leases	1,291,361	1,235,508	5,264,879	5,006,278

**20. Other liabilities**

	31 December	31 December	31 December	31 December
	2020	2019	2020	2019
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
Accrued expenses	1,941,722	1,922,537	7,854,265	7,834,338
Tax payables	173,295	328,429	700,978	1,338,348
Unearned income	-	63,737	-	259,728
Others	287,386	866,003	1,162,477	3,528,963
	2,402,403	3,180,706	9,717,720	12,961,377

**21. Provision for employee benefits**

	31 December	31 December	31 December	31 December
	2020	2019	2020	2019
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
Provident fund (i)	2,384,746	2,021,745	9,646,298	8,238,611
Other post-employment benefits (ii)	528,713	568,835	2,138,644	2,318,003
	2,913,459	2,590,580	11,784,942	10,556,614

(i) The movements of the provident fund were as follows:

	2020	2019	2020	2019
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
At 1 January	2,021,745	1,668,620	8,238,611	6,704,515
Additions during the year:				
Staffs' contribution	191,243	178,276	779,698	722,374
Bank's contribution (Note 30)	191,243	178,276	779,698	722,374
Interest expenses (Note 27)	127,789	125,009	520,996	506,536
Payments during the year	(147,274)	(128,436)	(600,436)	(520,423)
Currency translation difference	-	-	(72,269)	103,235
At 31 December	2,384,746	2,021,745	9,646,298	8,238,611



(ii) The movements of other post-employment benefits were as follows:

	2020	2019	2020	2019
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
At 1 January	568,835	1,470,933	2,318,003	5,910,209
Payments during the year	(40,122)	(902,098)	(163,577)	(3,655,301)
Currency translation difference	-	-	(15,782)	63,095
At 31 December	528,713	568,835	2,138,644	2,318,003

This represents the provision of the backpay seniority indemnity payment, which is calculated at a maximum amount of six-month wages (depending on the length of service the employee has served) to the employee who has seniority before 2019, and the current seniority indemnity payment for 2020 as required by Prakas No. 443 issued by the Ministry of Labour and Vocational Training on 21 September 2018, and subsequently amended by Instruction No. 042/19 dated 22 March 2019.

On 23 December 2020, the Royal Government of Cambodia ("RGC") offered an option to factories, enterprises and business in all sectors to defer payments of the backpay seniority indemnity before 2019 and the current seniority indemnity for 2020 and 2021 until 2022. The Bank chose to comply with the regulation for backpay seniority indemnity, but choose to pay the current seniority indemnity for 2020 and 2021 in June and December in each respective year.

## 22. Income tax

### A. Deferred tax assets – net

	31 December		31 December	
	2020	2019	2020	2019
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
Deferred tax assets	1,482,324	2,121,342	5,996,001	8,644,469
Deferred tax liabilities	(449,636)	(1,208,826)	(1,818,778)	(4,925,966)
Deferred tax assets – net	1,032,688	912,516	4,177,223	3,718,503

Deferred tax assets/(liabilities) were attributable to the following:

	31 December		31 December	
	2020	2019	2020	2019
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
Loans and advances and off-balance sheet commitment	235,744	757,066	953,584	3,085,044
Depreciation and amortisation	146,743	(420,087)	593,575	(1,711,855)
Right-of-use assets	(414,991)	(574,883)	(1,678,639)	(2,342,648)
Lease liabilities	517,145	693,412	2,091,852	2,825,654
Others	548,047	457,008	2,216,851	1,862,308
	1,032,688	912,516	4,177,223	3,718,503

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

	2020	2019	2020	2019
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
At 1 January	912,516	1,415,945	3,718,503	5,689,267
Charged to profit or loss	120,172	(503,429)	489,941	(2,039,894)
Currency translation difference	-	-	(31,221)	69,130
At 31 December	1,032,688	912,516	4,177,223	3,718,503

#### B. Current income tax liability

	2020	2019	2020	2019
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
At 1 January	5,111,487	2,436,658	20,829,310	9,790,492
Income tax expense	3,611,590	6,212,936	14,724,453	25,174,817
Income tax paid	(5,878,712)	(3,538,107)	(23,967,509)	(14,336,410)
Currency translation difference	-	-	(80,798)	200,411
At 31 December	2,844,365	5,111,487	11,505,456	20,829,310

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

#### C. Income tax expense

	2020	2019	2020	2019
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
Current tax	3,611,590	6,212,936	14,724,453	25,174,817
Deferred tax	(120,172)	503,429	(489,941)	2,039,894
	3,491,418	6,716,365	14,234,511	27,214,711

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

	2020			2019		
	US\$	KHR'000 (Note 5)	%	US\$	KHR'000 (Note 5)	%
Profit before income tax		23,253,103	94,802,901		31,717,787	128,520,473
Income tax using statutory rate at 20%	4,650,621	18,960,582	20	6,343,557	25,704,093	20
Non-deductible expenses	(901,365)	(3,674,865)	(4)	209,544	849,072	1
(Over)/under provision in prior year	(257,838)	(1,051,206)	(1)	163,264	661,546	1
Income tax expense	3,491,418	14,234,511	15	6,716,365	27,214,711	22

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



### 23. Share capital

	31 December		31 December	
	2020	2019	2020	2019
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
Share with par value of US\$ 1,000 each:				
Issued and fully paid 79,500 shares (2019: 79,500 shares)	79,500,000	79,500,000	318,000,000	318,000,000

There were no changes in shareholders and shareholding structure during the year. As at reporting date, the shareholding structure is as follows:

	Registered, issued and fully paid					
	As at 31 December 2020			As at 31 December 2019		
	Number of shares	Amount US\$	%	Number of shares	Amount US\$	%
Oknha Mak Kimhong	26,235	26,235,000	33	26,235	26,235,000	33
Mrs. Kim Tiek	18,285	18,285,000	23	18,285	18,285,000	23
Mrs. Chhay Kimbouy	18,285	18,285,000	23	18,285	18,285,000	23
ING Holdings Company Ltd.	8,745	8,745,000	11	8,745	8,745,000	11
Ministry of Economy and Finance	7,950	7,950,000	10	7,950	7,950,000	10
	79,500	79,500,000	100	79,500	79,500,000	100

### 24. General reserves

	31 December		31 December	
	2020	2019	2020	2019
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
General reserves	135,092	135,092	550,500	550,500
Reserves for banking risks	60,498	60,498	246,529	246,529
	195,590	195,590	797,029	797,029

#### General reserves

The general reserves were previously allocated from profit after tax with an amount equal to 6% of net profit after tax. The use of the general reserves is at the discretion of the Board of Directors. The general reserves are set up for any overall financial risk. The Board of Directors exercises its discretion for the use and maintenance of the general reserves. The transfer from retained earnings to general reserves is subject to the approval of Board of Directors. Allocations to the general reserves are no longer allowed under the Bank's Memorandum and Articles of Association dated 23 May 2006 and the amendment on 30 May 2007. There was no transaction related to general reserves during the year.

#### Reserves for banking risks

The reserves for banking risks was initially established based on a resolution by the Board of Directors dated 19 June 2000. This account represents a general-purpose reserve established to cover the risks for banking operations in Cambodia, in particular the general risks on loan delinquency, losses not covered by the provision for bad and doubtful loans and advances to customers and currency risk. There was no transaction related to general reserves during the year.

## 25. Regulatory reserves

These represent the reserves transferred from retained earnings by the Bank to comply with the Article 73 of NBC's Prakas No. B7-017-344 dated 1 December 2017.

During the year, the Bank transferred from regulatory reserves to the retained earnings amounting to US\$4,105,853 (2019: transfer of the retained earnings to regulatory reserves amounting to US\$6,947,309).

## 26. Interest income

	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Loans and advances to customers	89,380,019	73,266,442	364,402,337	296,875,623
Placements with other banks and financial institutions	1,601,415	1,553,253	6,528,969	6,293,782
Placements with the NBC	294,867	755,316	1,202,173	3,060,540
	<u>91,276,301</u>	<u>75,575,011</u>	<u>372,133,479</u>	<u>306,229,945</u>

## 27. Interest expense

	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Term deposits	48,188,361	37,776,075	196,463,948	153,068,656
Borrowings and subordinated debts	3,482,699	2,156,570	14,198,964	8,738,422
Savings deposits	2,327,814	2,816,137	9,490,497	11,410,987
Lease liabilities	203,392	265,034	829,229	1,073,918
Provident funds (Note 21)	127,789	125,009	520,996	506,536
	<u>54,330,055</u>	<u>43,138,825</u>	<u>221,503,634</u>	<u>174,798,519</u>

## 28. Net fee and commission income

	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Fee and commission income:				
Commission from issuing letters of credit and guarantee	1,404,380	1,102,145	5,725,657	4,465,892
Fund remittance fees	1,144,680	1,185,411	4,666,860	4,803,285
Commission fees	325,664	1,239,873	1,327,732	5,023,965
Visa fees	314,603	438,396	1,282,636	1,776,381
Fees on currency swap	64,602	-	263,382	-
Others service charge	298,573	330,163	1,217,284	1,337,820
Total fee and commission income	<u>3,552,502</u>	<u>4,295,988</u>	<u>14,483,551</u>	<u>17,407,343</u>
Fee and commission expense	<u>(779,629)</u>	<u>(727,595)</u>	<u>(3,178,547)</u>	<u>(2,948,215)</u>
Net fee and commission income	<u>2,772,873</u>	<u>3,568,393</u>	<u>11,305,004</u>	<u>14,459,128</u>



**29. Other income**

	2020	2019	2020	2019
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
Gains on sale of foreclosed properties (Note 11)	3,024,773	-	12,332,000	-
Foreign exchange gains	1,278,358	1,249,646	5,211,866	5,063,566
Rental income	12,150	-	49,536	-
Other income	886,134	197,032	3,612,767	798,374
	5,201,415	1,446,678	21,206,169	5,861,940

**30. Personnel expenses**

	2020	2019	2020	2019
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
Salaries and wages	5,848,764	5,235,358	23,845,411	21,213,671
Bonuses and incentives	682,090	666,029	2,780,881	2,698,750
Board directors' fee	200,814	179,671	818,719	728,027
Provident funds (Note 21)	191,243	178,276	779,698	722,374
Other benefits	799,244	752,491	3,258,517	3,049,093
	7,722,155	7,011,825	31,483,226	28,411,915

**31. Depreciation and amortisation**

	2020	2019	2020	2019
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
Depreciation on property and equipment	1,370,339	1,261,081	5,586,872	5,109,900
Amortisation on intangible assets	605,512	506,928	2,468,672	2,054,073
Depreciation on right-of-use assets	837,304	870,059	3,413,688	3,525,479
	2,813,155	2,638,068	11,469,232	10,689,452

**32. General and administrative expenses**

	2020	2019	2020	2019
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
Professional fees	2,373,675	667,839	9,677,473	2,706,084
Repairs and maintenances	876,881	895,514	3,575,044	3,628,623
Utilities	288,955	266,219	1,178,070	1,078,719
License fees	270,351	254,164	1,102,221	1,029,873
Office supplies	268,911	207,047	1,096,350	838,954
Communication	253,326	234,063	1,032,810	948,423
Security	204,213	181,007	832,576	733,440
Travelling	202,992	221,349	827,598	896,906
Rental	168,787	133,192	688,145	539,694
Marketing	142,526	209,344	581,079	848,262
Insurance	107,747	114,903	439,285	465,587
Taxes	27,228	465,409	111,009	1,885,837
Others expense	397,933	697,293	1,622,373	2,825,432
	5,583,525	4,547,343	22,764,033	18,425,834

**33. Commitments and contingencies****A. Operations**

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

	31 December		31 December	
	2020	2019	2020	2019
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
Letters of guarantees	167,077,681	77,745,682	675,829,223	316,813,654
Unused portion of approved credit facilities	134,168,645	123,252,964	542,712,169	502,255,828
Letters of credits	12,583,613	13,236,245	50,900,712	53,937,698
Currency forward contracts	-	2,000,000	-	8,150,000
	313,829,939	216,234,891	1,269,442,104	881,157,180

The impairment allowance for off balance sheet commitment following the National Bank of Cambodia's Prakas No. B7-017-344 and Circular No. B7-018-001 Sor Ror Chor Nor on credit risk classification and provision on impairment for banks as stated in Note 35B(iv) and its movements are analysed as follows:

	2020	2019	2020	2019
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
At 1 January	1,322,029	505,078	5,387,268	2,029,403
(Reversal of)/allowance for impairment loss	(653,958)	816,951	(2,666,187)	3,310,285
Currency translation difference	-	-	(18,734)	47,580
At 31 December	668,071	1,322,029	2,702,347	5,387,268



## B. Lease commitments

The Bank has operating lease commitments in respect of low-value assets and short-term lease as follows:

	31 December		31 December	
	2020	2019	2020	2019
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
Within 1 year	302,241	157,883	1,222,566	643,373
2 to 5 years	162,149	-	655,895	-
	464,390	157,883	1,878,461	643,373

## C. Taxation contingencies

Taxes are subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges. The application of tax laws and regulations to many types of transactions are susceptible to varying interpretations.

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

## 34. Related parties

### A. Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Bank if the Bank has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Bank and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Bank has related party relationships with its substantial shareholders, associates and key management personnel. Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Bank either directly or indirectly. The key management personnel include all the Directors of the Bank, and certain senior management members of the Bank.

Key managements have banking relationships with Bank entities which are entered into in the normal course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with other persons of a similar standing or, where applicable, with other employees. These transactions did not involve more than the normal risk of repayment or present other unfavourable features.

### B. Balances with related parties

	31 December		31 December	
	2020	2019	2020	2019
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
Deposits from related parties:				
Shareholders	126,813	75,455	512,959	307,479
Key management personnel	492,051	341,091	1,990,346	1,389,945
	618,864	416,546	2,503,305	1,697,424
Loans and advances to related parties:				
Key management personnel (Note 35B(ii))	746,756	796,518	3,020,628	3,245,811

**C. Transactions with related parties**

	31 December		31 December	
	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Interest income	49,772	40,592	202,920	164,479
Interest expense	2,137	2,852	8,713	11,556
Compensations of directors' fees and key management:				
Directors' fees (Note 30)	200,814	179,671	818,719	728,027
Key management compensation – salaries and other benefits	2,582,027	1,811,779	10,526,924	7,341,329
	2,782,841	1,991,450	11,345,643	8,069,356

**35. Financial risk management****A. Introduction and overview**

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

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

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

**Risk management functional and governance structure**

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 Bank Asset and Liability Management Committee ("ALCO"), which is responsible for approving and monitoring Bank's risk management policies.

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 risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Bank's activities. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Bank's Audit Committee oversees how management monitors compliance with the Bank's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Bank. The Bank's Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Bank's Audit Committee.



## B. Credit risk

'Credit risk' is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers and other banks, and investment debt securities. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure – e.g. individual obligor default risk, country and sector risk.

Credit risk is the potential loss of revenue and principal losses arising mainly from loans and advances and loan commitments as a result of default by the borrowers or counterparties through its lending activities.

### (i). Management of credit risk

The Board of Directors created the Bank Credit Committee for the oversight of credit risk. A separate Bank Credit department, reporting to the Bank Credit Committee, is responsible for managing the Bank's credit risk, including the following.

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to business unit Credit Officers. Larger facilities require approval by Bank Credit, the Head of Bank Credit, the Bank Credit Committee or the Board of Directors, as appropriate.
- Reviewing and assessing credit risk: Bank Credit assesses all credit exposures in excess of designated limits, before facilities are committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.
- Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances, financial guarantees and similar exposures), and by issuer, credit rating band, market liquidity and country (for investment securities).
- Developing and maintaining the Bank's risk gradings to categories exposures according to the degree of risk of default. The current risk grading framework consists of 12 grades reflecting varying degrees of risk of default. The responsibility for setting risk grades lies with the final approving executive or committee, as appropriate. Risk grades are subject to regular reviews by Bank Risk.
- Developing and maintaining the Bank's processes for measuring ECL: This includes 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 business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports on the credit quality of local portfolios are provided to Bank Credit, which may require appropriate corrective action to be taken. These include reports containing estimates of ECL allowances. Providing advice, guidance and specialist skills to business units to promote best practice throughout the Bank in the management of credit risk.

Each business unit is required to implement Bank credit policies and procedures, with credit approval authorities delegated from the Bank Credit Committee. Each business unit has a Chief Credit Risk Officer who reports on all credit related matters to local management and the Bank Credit Committee. Each business unit 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 central approval.

## Regular audits of business units and Bank Credit processes are undertaken by Internal Audit.

### (ii). Concentration of risk

The Board of Directors created the Bank Credit Committee for the oversight of credit risk. A separate Bank Credit department, reporting to the Bank Credit Committee, is responsible for managing the Bank's credit risk, including the following.

The following table presents the Bank's maximum exposure to credit risk of on-balance sheet and off-balance sheet financial instruments, without taking into account of any collateral held or other credit enhancements. For on-balance sheet assets, the exposure to credit risk equals their carrying amount. For contingent liabilities, the maximum exposure to credit risk is the maximum amount that the Bank would have to pay if the obligations of the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers.

### Type of credit exposure

	Maximum credit exposure US\$	Maximum credit exposure KHR'000 (Note 5)	Fully subject to collateral/credit enhancement %	Partially subject to collateral/ credit enhancement %	Unsecured and not subject to collateral/credit enhancement %
<b>31 December 2020</b>					
<b>Balance sheet items</b>					
Cash and cash equivalents - gross	338,086,697	1,367,560,690	0%	0%	100%
Placements with banks and financial institutions - gross	19,753,677	79,903,624	100%	0%	0%
Loans and advances to customers - gross	1,024,851,008	4,145,522,328	100%	0%	0%
Other assets	279,240	1,129,527	0%	0%	100%
Total	1,382,970,622	5,594,116,169			
<b>Off-Balance sheet items</b>					
Contingent liabilities	313,829,939	1,269,442,104	58%	1%	41%
Commitments	464,391	1,878,461	0%	0%	100%
Total	1,697,264,952	6,865,436,734			
<b>31 December 2019</b>					
<b>Balance sheet items</b>					
Cash and cash equivalents - gross	354,236,116	1,443,512,172	0%	0%	100%
Placements with banks and financial institutions - gross	32,411,482	132,076,789	66%	0%	34%
Loans and advances to customers - gross	899,413,709	3,665,110,864	100%	0%	0%
Other assets	636,113	2,592,160	0%	0%	100%
Total	1,286,697,420	5,243,291,985			
<b>Off-Balance sheet items</b>					
Contingent liabilities	216,234,891	881,157,180	58%	1%	41%
Commitments	157,883	643,373	0%	0%	100%
Total	1,503,090,194	6,125,092,538			



## Concentration risk by industrial sectors

	Cash and cash equivalents - gross US\$	Placement with banks and financial institutions - gross US\$	Loans and advances to customers - gross US\$	Other assets US\$	Total US\$
<b>31 December 2020</b>					
Financial institutions	338,086,697	19,753,677	78,101,097	-	435,941,471
Owner-Occupied Housing	-	-	299,041,131	-	299,041,131
Construction	-	-	179,355,876	-	179,355,876
Personal loans	-	-	134,385,033	-	134,385,033
Real estate	-	-	113,420,253	-	113,420,253
Wholesale trade	-	-	79,127,175	-	79,127,175
Agriculture	-	-	64,033,703	-	64,033,703
Utilities	-	-	27,444,952	-	27,444,952
Import/Export	-	-	9,791,561	-	9,791,561
Others	-	-	40,150,227	279,240	40,429,467
Total (US\$)	338,086,697	19,753,677	1,024,851,008	279,240	1,382,970,622
Total (KHR'000 – Note 5)	1,367,560,690	79,903,624	4,145,522,328	1,129,530	5,594,116,169
<b>31 December 2019</b>					
Financial institutions	354,236,116	32,411,482	32,437,538	-	419,085,136
Owner-Occupied Housing	-	-	304,993,328	-	304,993,328
Construction	-	-	122,114,316	-	122,114,316
Personal loans	-	-	182,566,962	-	182,566,962
Real estate	-	-	42,751,006	-	42,751,006
Wholesale trade	-	-	66,447,932	-	66,447,932
Agriculture	-	-	61,645,712	-	61,645,712
Utilities	-	-	20,251,110	-	20,251,110
Import/Export	-	-	16,551,389	-	16,551,389
Others	-	-	49,654,416	636,113	50,290,529
Total (US\$)	354,236,116	32,411,482	899,413,709	636,113	1,286,697,420
Total (KHR'000 – Note 5)	1,443,512,172	132,076,789	3,665,110,864	2,592,155	5,243,291,980

Concentration risk by residency and relationship, and large-exposures for loans and advances:

	31 December		31 December	
	2020	2019	2020	2019
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
<b>By residency status:</b>				
Residents	1,024,851,008	899,413,709	4,145,522,328	3,665,110,864
<b>By relationship:</b>				
Related parties	746,756	796,518	3,020,628	3,245,811
Non-related parties	1,024,104,252	898,617,191	4,142,501,700	3,661,865,053
	1,024,851,008	899,413,709	4,145,522,328	3,665,110,864
<b>By exposure:</b>				
Large exposures (*)	304,724,853	205,080,186	1,232,612,030	835,701,758
Non-large exposures	720,126,155	694,333,523	2,912,910,298	2,829,409,106
	1,024,851,008	899,413,709	4,145,522,328	3,665,110,864

(\*) A "large exposure" is defined under the NBC's Prakas as the overall gross exposure of the aggregate balance of loans and advances with one single beneficiary, which exceeds 10% of the Bank's net worth. The exposure is the higher of the outstanding loans or commitments and the authorised loans or commitments.

### (iii). Collateral

Whilst the Bank's maximum exposure to credit risk is the carrying amount of the assets or, in the case of off-balance sheet instruments, the amount guaranteed, committed, accepted or endorsed, the likely exposure may be lower due to offsetting collateral, credit guarantees and other actions taken to mitigate the Bank's exposure.

The description of collateral for each class of financial asset is set out below.

### Cash and cash equivalents, balances with NBC, placements with other banks and financial institutions, and other assets

Collateral is generally not sought for these assets.

### Loans and advances to customers, contingent liabilities and commitments

Certain loans and advances to customers, contingent liabilities and commitments are typically collateralised to a substantial extent. In particular, residential mortgage exposures are generally fully secured by residential properties.



The table below summarises the Bank's security coverage of its financial assets:

	Collateral/credit enhancement					
	Properties US\$	Floating assets US\$	Fixed deposits US\$	Others US\$	Unsecured credit exposure US\$	Total US\$
<b>31 December 2020</b>						
Loan and advances to customers - gross	857,438,451	-	97,354,483	25,747,936	44,310,138	1,024,851,008
Contingent liabilities	66,539,350	-	93,712,223	1,570,050	152,008,316	313,829,939
Commitments	-	-	-	-	464,391	464,391
Others	-	-	-	-	279,240	279,240
	<u>923,977,801</u>	<u>-</u>	<u>191,066,706</u>	<u>27,317,986</u>	<u>197,062,085</u>	<u>1,339,424,578</u>
<b>31 December 2019</b>						
Loan and advances to customers - gross	800,002,301	-	79,777,794	-	19,633,614	899,413,709
Contingent liabilities	80,151,216	4,155,141	43,034,363	-	88,894,171	216,234,891
Commitments	-	-	-	-	157,883	157,883
Others	-	-	-	-	636,114	636,114
	<u>880,153,517</u>	<u>4,155,141</u>	<u>122,812,157</u>	<u>-</u>	<u>109,321,782</u>	<u>1,116,442,597</u>

#### (iv). Credit quality of gross loans and advances to customers

Pursuant to the NBC guideline Prakas B7.017-344, it has defined each credit grading according to its credit quality as follows:

##### Normal

Outstanding facility is repaid on timely manner and is not in doubt for the future repayment. Repayment is steadily made according with the contractual terms and the facility does not exhibit any potential weakness in repayment capability, business, cash flow and financial position of the counterparty.

##### Special mention

A facility in this class is currently protected and may not be past due but it exhibits potential weaknesses that may adversely affect repayment of the counterparty at the future date, if not corrected in a timely manner, and close attention by the Institution.

Weaknesses include but are not limited to a declining trend in the business operations of the counterparty or in its financial position, and adverse economic and market conditions that all might affect its profitability and its future repayment capacity, or deteriorating conditions on the collateral. This class has clearly its own rational and should not be used as a compromise between Normal and Substandard.

##### Substandard

A facility ranked in this class exhibits noticeable weakness and is not adequately protected by the current business or financial position and repayment capacity of the counterparty. In essence, the primary source of repayment is not sufficient to service the debt, not taking into account the income from secondary sources such as the realization of the collateral.

Factors leading to a substandard classification include:

- Inability of the counterparty to meet the contractual repayments' terms,
- Unfavourable economic and market conditions that would adversely affect the business and profitability of the counterparty in the future,
- Weakened financial condition and/or inability of the counterparty to generate enough cash flow to service the payments,
- Difficulties experienced by the counterparty in repaying other facilities granted by the Institution or by other institutions when the information is available, and
- Breach of financial covenants by the counterparty.

### **Doubtful**

A facility classified in this category exhibits more severe weaknesses than one classified Substandard such that its full collection on the basis of existing facts, conditions or collateral value is highly questionable or improbable. The prospect of loss is high, even if the exact amount remains undetermined for now.

### **Loss**

A facility is classified Loss when it is not collectable, and little or nothing can be done to recover the outstanding amount from the counterparty.

### **Restructured loans**

National Bank of Cambodia has issued a circular on loan restructuring during Covid-19 pandemic outbreak which requires the institutions to work constructively with affected borrowers and allows for loan restructuring for priority sectors. As a result, the Bank has provided a restructuring loan amounting to US\$37,406,108 and the staging of the restructured loan should be downgraded when the borrowers' credit risk has increased significantly.

### **Recognition of ECL**

The Bank apply a three-stage approach based on the change in credit quality since initial recognition:

<b>3-Stage approach</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>
	<b>Performing</b>	<b>Underperforming</b>	<b>Nonperforming</b>
Recognition of expected credit losses	12 months expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses
Criterion	No significant increase in credit risk	Credit risk increased significantly	Credit impaired assets
Basic of calculation of profit revenue	On gross carrying amount	On gross carrying amount	On net carrying amount



The Bank will measure ECL by using the general approach. The general approach consists of segregating the customers into three different stages according to the staging criteria by assessing the credit risk. 12-month ECL will be computed for stage 1, while lifetime ECL will be computed for stage 2 and stage 3. At each reporting date, the Bank will assess credit risk of each account as compared to the risk level at origination date.

#### Long-term facilities (more than one year)

Stages	Credit Risk Status	Grades	DPD	Default Indicator
1	No significant increase in credit risk	Normal	$0 \leq \text{DPD} \leq 30$	Performing
2	Credit risk increased significantly	Special Mention	$31 \leq \text{DPD} \leq 90$	Underperforming
3	Credit impaired assets	Substandard	$91 \leq \text{DPD} < 180$	Nonperforming
		Doubtful	$180 \leq \text{DPD} < 360$	
		Loss	$\text{DPD} \geq 360$	

#### Short-term facilities (one year or less)

Stages	Credit Risk Status	Grades	DPD	Default Indicator
1	No significant increase in credit risk	Normal	$0 \leq \text{DPD} \leq 14$	Performing
2	Credit risk increased significantly	Special Mention	$15 \leq \text{DPD} \leq 30$	Underperforming
3	Credit impaired assets	Substandard	$31 \leq \text{DPD} < 60$	Nonperforming
		Doubtful	$61 \leq \text{DPD} < 90$	
		Loss	$\text{DPD} \geq 91$	

The Bank will use the day past due ("DPD") information and NBC's classification for staging criteria. Also, the Bank will incorporate credit scoring or more forward-looking elements in the future when information is more readily available.

As for financial assets that are short term in nature, simplified approach will be adopted where no staging criteria is required. In this case, it will be either performing (stage 1) or non-performing.

The table below summarises the credit quality of the Bank's gross financing according to the above classifications.

31 December 2020				
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$
<b>Loans and advances to customers at amortised cost</b>				
Normal	998,111,433	134,942	-	998,246,375
Special Mention	4,125,739	6,499,920	-	10,625,659
Substandard	3,789	-	469,623	473,412
Doubtful	-	-	400,492	400,492
Loss	-	-	15,105,070	15,105,070
	1,002,240,961	6,634,862	15,975,185	1,024,851,008
Less: Allowance for impairment loss	(7,425,253)	(947,954)	(4,493,256)	(12,866,463)
Carrying amount (US\$)	994,815,708	5,686,908	11,481,929	1,011,984,545
Carrying amount (KHR'000) – Note 5	4,024,029,539	23,003,543	46,444,403	4,093,477,485

31 December 2019				
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$
<b>Loans and advances to customers at amortised cost</b>				
Normal	883,835,817	-	-	883,835,817
Special Mention	-	1,461,415	-	1,461,415
Substandard	-	134,447	10,558,125	10,692,572
Doubtful	-	-	1,396,822	1,396,822
Loss	-	-	2,027,083	2,027,083
	883,835,817	1,595,862	13,982,030	899,413,709
Less: Allowance for impairment loss	(5,560,242)	(17,831)	(1,010,623)	(6,588,696)
Carrying amount (US\$)	878,275,575	1,578,031	12,971,407	892,825,013
Carrying amount (KHR'000) – Note 5	3,578,972,968	6,430,476	52,858,484	3,638,261,928

### Incorporation of forward-looking information

The Bank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

External information considered includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Company operates, supranational organisations such as the International Monetary Fund, and selected private-sector and academic forecasters.

The Company has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments in accordance with each country and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.



**(v). Amounts arising from ECL****Impairment loss allowance**

The following tables show reconciliation from the opening to the closing balance of the loss allowance by class of financial instrument.

2020				
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$
<b>Loans and advances to customers</b>				
<b>at amortised cost</b>				
Balance at 1 January	5,560,242	17,831	1,010,623	6,588,696
- Transfer to Stage 1	2,273	(2,273)	-	-
- Transfer to Stage 2	(1,287)	1,287	-	-
- Transfer to Stage 3	(332,446)	(8,354)	340,800	-
Net remeasurement of loss allowance	3,032,765	946,646	3,274,178	7,253,589
New financial assets originated or purchased	81,838	16	-	81,854
Financial assets that been derecognised	(918,132)	(7,199)	(132,345)	(1,057,676)
Balance at 31 December (US\$)	7,425,253	947,954	4,493,256	12,866,463
Balance at 31 December (KHR'000) - Note 5	30,035,148	3,834,474	18,175,221	52,044,843

2019				
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$
<b>Loans and advances to customers</b>				
<b>at amortised cost</b>				
Balance at 1 January	6,655,012	24,094	519,669	7,198,775
- Transfer to Stage 1	(239,814)	(135)	239,949	-
- Transfer to Stage 2	(62)	14,409	(14,347)	-
- Transfer to Stage 3	(136)	(6,832)	6,968	-
Net remeasurement of loss allowance	(2,375,022)	3,391	411,431	(1,960,200)
New financial assets originated or purchased	1,922,716	13	-	1,922,729
Financial assets that been derecognised	(402,452)	(17,109)	(153,047)	(572,608)
Balance at 31 December (US\$)	5,560,242	17,831	1,010,623	6,588,696
Balance at 31 December (KHR'000) - Note 5	22,657,986	72,661	4,118,289	26,848,936

## C. Market risk

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

### (i). Interest rate risk

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

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

	Up to 1 month US\$	> 1-3 months US\$	> 3-6 months US\$	> 6-12 months US\$	> 1 to 5 years US\$	Over 5 years US\$	Non-interest bearing US\$	Total US\$	Interest rate %
<b>As at 31 December 2020</b>									
<b>Financial assets</b>									
Cash and cash equivalents - gross	272,603,140	27,936,573	-	-	-	-	37,546,984	338,086,697	1.95%
Placements with banks and financial institutions - gross	-	4,603,677	2,550,000	12,600,000	-	-	-	19,753,677	3.26%
Loans and advances to customers - gross	108,299,037	69,262,550	48,654,088	115,468,080	333,365,721	349,801,532	-	1,024,851,008	9.69%
Other assets	-	-	-	-	-	-	279,240	279,240	
	380,902,177	101,802,800	51,204,088	128,068,080	333,365,721	349,801,532	37,826,224	1,382,970,622	
<b>Financial liabilities</b>									
Deposits from customers	302,985,881	88,726,131	129,519,751	157,963,706	287,111,437	66,695,800	194,100,475	1,227,103,181	1.42%
Deposits from banks and financial institution	4,829,419	15,002,705	12,251,803	25,137,454	-	-	7,750,829	64,972,210	1.68%
Borrowings	1,131,853	3,510,507	2,472,188	12,360,939	3,461,397	241,049	-	23,177,933	2.28%
Subordinated debts	-	-	-	-	27,184,550	-	-	27,184,550	12.00%
Lease liabilities	78,100	156,750	210,825	317,337	1,558,643	264,068	-	2,585,723	6.32%
Other liabilities	-	-	-	-	-	-	2,229,108	2,229,108	
	309,025,253	107,396,093	144,454,567	195,779,436	319,316,027	67,200,917	204,080,412	1,347,252,705	
Interest sensitivity gap	71,876,924	(5,593,293)	(93,250,479)	(67,711,356)	14,049,694	282,600,615	(166,254,188)	35,717,917	
(KHR'000 equivalents - Note 5)	290,742,157	(22,624,870)	(377,198,188)	(273,892,435)	56,831,012	1,143,119,488	(672,498,190)	144,478,974	



The table below summarises the Bank's exposure to interest rate risks which includes assets and liabilities at carrying amounts.

	Up to 1 month US\$	> 1-3 months US\$	> 3-6 months US\$	> 6-12 months US\$	> 1 to 5 years US\$	Over 5 years US\$	Non-interest bearing US\$	Total US\$	Interest rate %
<b>As at 31 December 2019</b>									
<b>Financial assets</b>									
Cash and cash equivalents - gross	136,565,032	22,502,578	-	-	-	-	195,168,506	354,236,116	1.95%
Placements with banks and financial institutions - gross	17,099,696	4,171,779	8,800,000	2,109,513	-	-	230,494	32,411,482	3.26%
Loans and advances to customers - gross	1,980,628	33,606,137	12,993,034	165,365,035	368,828,046	316,640,829	-	899,413,709	9.69%
Other assets	-	-	-	-	-	-	636,113	636,113	-
	155,645,356	60,280,494	21,793,034	167,474,548	368,828,046	316,640,829	196,035,113	1,286,697,420	
<b>Financial liabilities</b>									
Deposits from customers	249,038,617	67,534,797	59,780,246	301,563,126	286,928,956	75,581,995	214,535,269	1,254,963,006	1.42%
Deposits from banks and financial institution	2,237,660	1,202,795	-	-	12,415,720	-	25,731,583	41,587,758	1.68%
Borrowings	-	-	-	-	-	9,717,364	-	9,717,364	2.28%
Subordinated debts	-	-	-	-	27,184,550	-	-	27,184,550	12.00%
Lease liabilities	75,228	151,866	226,684	469,654	2,234,112	309,515	-	3,467,059	6.32%
Other liabilities	-	-	-	-	-	-	2,788,540	2,788,540	-
	251,351,505	68,889,458	60,006,930	302,032,780	328,763,338	85,608,874	243,055,392	1,339,708,277	
Interest sensitivity gap	(95,706,149)	(8,608,964)	(38,213,896)	(134,558,232)	40,064,708	231,031,955	(47,020,279)	(53,010,857)	
(KHR'000 equivalents - Note 5)	(390,002,558)	(35,081,528)	(155,721,626)	(548,324,795)	163,263,685	941,455,217	(191,607,637)	(216,019,242)	

A change of 100 basis points in interest rates at the reporting date would have increased/ (decreased) equity and profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss		Equity	
	100 bp Increase US\$	100 bp Decrease US\$	100 bp Increase US\$	100 bp Decrease US\$
<b>31 December 2020</b>				
Variable rate instruments	1,866,789	(1,866,789)	1,866,789	(1,866,789)
KHR'000 – Note 5	7,551,404	(7,551,404)	7,551,404	(7,551,404)
<b>31 December 2019</b>				
Variable rate instruments	1,070,075	(1,070,075)	1,070,075	(1,070,075)
KHR'000 – Note 5	4,360,556	(4,360,556)	4,360,556	(4,360,556)

**(ii). Foreign currency exchange risk**

Foreign currency exchange risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

The Bank has no material exposures to foreign currency exchange risk as it transacts essentially in US Dollars. Therefore, no sensitivity analysis for foreign currency exchange risk was presented.

**Concentration of currency risk**

The amounts of financial assets and liabilities, by currency denomination, are as follows:

	Denomination US\$ equivalents			Total
	US\$	KHR	Others	
<b>31 December 2020</b>				
<b>Financial assets</b>				
Cash and cash equivalents - gross	283,598,256	53,937,146	551,295	338,086,697
Placements with banks and financial institutions - gross	19,753,677	-	-	19,753,677
Loans and advances to customers - gross	910,555,693	114,295,315	-	1,024,851,008
Other assets	279,240	-	-	279,240
	1,214,186,866	168,232,461	551,295	1,382,970,622
<b>Financial liabilities</b>				
Deposits from customers	1,080,272,968	146,771,599	58614	1,227,103,181
Deposits from banks and financial institutions	58,834,724	6,041,012	96,474	64,972,210
Borrowings	3,450,522	19,727,411	-	23,177,933
Subordinated debts	27,184,550	-	-	27,184,550
Lease liabilities	2,585,723	-	-	2,585,723
Other liabilities	2,229,108	-	-	2,229,108
	1,174,557,595	172,540,022	155,088	1,347,252,705
<b>Net asset/(liability) position</b>	39,629,271	(4,307,561)	396,207	35,717,917
<b>KHR'000 (Note 5)</b>	160,300,401	(17,424,084)	1,602,657	144,478,974



	Denomination US\$ equivalents			
	US\$	KHR	Others	Total
<b>31 December 2019</b>				
<b>Financial assets</b>				
Cash and cash equivalents - gross	222,726,325	128,549,780	2,960,011	354,236,116
Placements with banks and financial institutions - gross	28,124,723	4,286,759	-	32,411,482
Loans and advances to customers - gross	842,548,093	56,865,616	-	899,413,709
Other assets	636,113	-	-	636,113
	1,094,035,254	189,702,155	2,960,011	1,286,697,420
<b>Financial liabilities</b>				
Deposits from customers	1,071,339,430	181,009,996	2,613,580	1,254,963,006
Deposits from banks and financial institutions	26,282,055	15,217,528	88,175	41,587,758
Borrowings	9,717,364	-	-	9,717,364
Subordinated debts	27,184,550	-	-	27,184,550
Lease liabilities	3,467,059	-	-	3,467,059
Other liabilities	2,788,540	-	-	2,788,540
	1,140,778,998	196,227,524	2,701,755	1,339,708,277
<b>Net asset/(liability) position</b>	(46,743,744)	(6,525,369)	258,256	(53,010,857)
<b>KHR'000 (Note 5)</b>	(190,480,757)	(26,590,879)	1,052,393	(216,019,242)

**Sensitivity analysis**

Considering that other risk variables remain constant, the foreign currency revaluation sensitivity for the Bank as at reporting date is summarised as follows (only exposures in currencies that accounts for more than 1 percent of the net open positions are shown in its specific currency in the table below. For other currencies, these exposures are grouped as 'Others'):

	31 December 2020		31 December 2019	
	- 1% Depreciation US\$	+ 1% Appreciation US\$	- 1% Depreciation US\$	+ 1% Appreciation US\$
USD	396,293	(396,293)	(467,437)	467,437
KHR	(43,076)	43,076	(65,254)	65,254
Others	3,961	(3,961)	2,582	(2,582)
	357,178	(357,178)	(530,109)	530,109
KHR'000 – Note 5	1,444,785	(1,444,785)	(2,160,194)	2,160,194

**D. Liquidity risk**

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

### Management of liquidity risk

The Bank manages its liquidity through its Asset Liability Management Committee which is responsible for establishing the liquidity policy as well as monitoring liquidity on an ongoing basis. A Minimum Liquid Asset requirement has been established to ensure that the ratio of liquid assets to qualifying liabilities is subject to a minimum threshold at all times.

The table below summarises the Bank's assets and liabilities based on remaining contractual maturities. The expected cash flows of these assets and liabilities could vary significantly from what is shown in the table. For example, deposits from customers are not all expected to be withdrawn immediately.

	Up to 1 month US\$	> 1-3 months US\$	> 3-6 months US\$	> 6-12 months US\$	> 1 to 5 years US\$	Over 5 years US\$	Non-interest bearing US\$	Total US\$
<b>As at 31 December 2020</b>								
<b>Financial liabilities</b>								
Deposits from customers	101,687,707	96,682,249	92,554,569	204,904,189	288,687,019	66,627,957	375,959,491	1,227,103,181
Deposits from banks and financial institutions	3,390,661	15,002,705	12,251,803	25,137,454	-	-	9,189,587	64,972,210
Borrowings	6,374	4,988,637	2,523,152	12,949,365	2,647,664	62,741	-	23,177,933
Subordinated debts	-	-	-	-	27,184,550	-	-	27,184,550
Lease liabilities	78,100	156,750	210,825	317,337	1,558,643	264,068	-	2,585,723
Other liabilities	-	-	-	-	-	-	2,229,108	2,229,108
	105,162,842	116,830,341	107,540,349	243,308,345	320,077,876	66,954,766	387,378,186	1,347,252,705
(KHR'000 equivalents - Note 5)	425,383,697	472,578,729	435,000,712	984,182,256	1,295,715,008	270,832,028	1,566,944,762	5,449,637,192

	Up to 1 month US\$	> 1-3 months US\$	> 3-6 months US\$	> 6-12 months US\$	> 1 to 5 years US\$	Over 5 years US\$	Non-interest bearing US\$	Total US\$
<b>As at 31 December 2019</b>								
<b>Financial liabilities</b>								
Deposits from customers	119,696,451	109,101,897	113,599,706	161,145,386	251,390,918	68,699,519	431,329,129	1,254,963,006
Deposits from banks and financial institutions	1,202,796	-	-	12,415,718	-	-	27,969,244	41,587,758
Borrowings	-	1,145,935	-	1,071,429	7,500,000	-	-	9,717,364
Subordinated debts	-	-	-	-	27,184,550	-	-	27,184,550
Lease liabilities	75,228	151,866	226,684	469,654	2,234,112	309,515	-	3,467,059
Other liabilities	-	-	-	-	-	-	2,788,540	2,788,540
	120,974,475	110,399,698	113,826,390	175,102,187	288,309,580	69,009,034	462,086,913	1,339,708,277
(KHR'000 equivalents - Note 5)	492,970,986	449,878,769	463,842,539	713,541,412	1,174,861,539	281,211,814	1,883,004,170	5,459,311,229

### E. Operational risk

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



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

## **F. Capital management**

### **(i). Regulatory capital**

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

- To comply with the capital requirements set by the NBC;
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of the business.

The Bank's policy 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 shareholders' 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 above regulated capital is calculated in accordance with the guidance issued by the NBC which may be different in some material respects compared to generally accepted principles applied by financial institutions in other jurisdiction. The above regulated capital information is therefore not intended for users who are not informed about the guidance issued by the NBC.

### **(ii). Capital allocation**

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

## **36. Fair values of financial assets and liabilities**

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

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

Fair value information for non-financial assets and liabilities are excluded as they do not fall within the scope of CIFRS 7: Financial Instruments Disclosures which requires the fair value information to be disclosed.

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

The fair values are based on the following methodologies and assumptions:

**Financing, advances and others**

The fair value is estimated by discounting the estimated future cash flows using the prevailing market rates of financing with similar credit risks and maturities.

**Fair value hierarchy**

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

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

This level includes equity instruments and debt instruments with significant unobservable components.

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

**37. Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

**A. Basis of measurement**

The financial statements have been prepared on a historical cost basis.

**B. Foreign currency**

Transactions in foreign currencies are translated into the functional currency of at the spot exchange rates at the date of the transactions.



Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the spot exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

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

The Bank initially recognises loans and advances, borrowings and subordinated liabilities on the date on which they are originated. All other financial the date on which the Bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit and loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue.

#### **(ii). Classification**

##### **Financial assets**

On initial recognition, a financial asset is classified as measured at: amortised cost, 'fair value through other comprehensive income' ("FVOCI") or 'fair value through profit or loss' ("FVTPL").

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- 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 for principal and interest ("SPPI").

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in 'other comprehensive income' ("OCI"). This election is made on an investment-by-investment basis.

##### **All other financial assets are classified as measured at FVTPL**

In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

### **Business model assessment**

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

### **Assessment of whether contractual cash flows are solely payments of principal and interest**

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making the assessment, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).



## Non-recourse loans

In some cases on-recourse loans meet the SPPI criterion. The Bank typically considers the following information when making this judgment:

- whether the contractual arrangement specifically defines the amounts and dates of the cash payments of the loan;
- the fair value of the collateral relative to the amount of the secured financial asset;
- the ability and willingness of the borrower to make contractual payments, notwithstanding a decline in the value of collateral;
- whether the borrower is an individual or a substantive operating entity or is a special-purpose entity;
- the Bank's risk of loss on the asset relative to a full-recourse loan;
- the extent to which the collateral represents all or a substantial portion of the borrower's assets; and
- whether the Bank will benefit from any upside from the underlying assets.

## Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets.

### (iii). Derecognition

#### Financial assets

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

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit and loss.

#### Financial liabilities

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

### (iv). Modifications of financial assets and financial liabilities

#### Financial assets

If the terms of a financial asset are modified, then the Bank evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised (see (iii)) and a new financial asset is recognised at fair value plus any eligible transaction costs.



Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit and loss as part of the gain or loss on derecognition.
- If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximize recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.
- If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit and loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.
- If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

#### **Financial liabilities**

The Bank derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit and loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit and loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

#### **(v). Offsetting**

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank has a legal right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.



#### **(vi). Fair value measurement**

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the 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.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Bank determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit and loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for the particular risk exposure. Portfolio-level adjustments – e.g. bid-ask adjustment or credit risk adjustments that reflect the measurement on the basis of the net exposure – are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

**(vii). Impairment**

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

- financial assets that are debt instruments; and
- loan commitments issued.

No impairment loss is recognised on equity investments.

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:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'.

Life-time ECL are the ECL that result 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'.

At each reporting date, the Bank assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECL.

The maximum period considered when estimating ECL is the maximum contractual period over which the Bank is exposed to credit risk.



### **Determining whether credit risk has increased significantly**

The Bank assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower, and the geographical region.

The Bank considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days and 14 days past due for long term and short term asset, respectively. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL.

### **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); or
- The Bank considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due for long-term facilities or more than 14 days past due for short-term facilities.

### **Measurement of ECL**

ECL is a probability-weighted estimate of credit losses. They are 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 entity 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; and
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive.

### **Inputs, assumptions and techniques used for estimating impairment**

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default ("PD");
- Loss given default ("LGD"); and
- Exposure at default ("EAD").

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EAD is potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

### **Restructured financial assets**

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

### **Credit-impaired financial assets**

At each reporting date, the Bank assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired (referred to as 'Stage 3 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.

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

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 long term or short term loan that is overdue for 91 days or 31 days, respectively or more is considered credit-impaired even when the regulatory definition of default is different.

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

Loss allowances for ECL are presented in the statement of financial position for financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets.



### **Write-off**

Loans and advances are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally 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. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit and loss and OCI.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

### **D. Cash and cash equivalents**

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

### **E. Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of the ordinary share are recognised as a deduction from equity, net of any tax effects. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument. Distributions to holders of a financial instrument classified as an equity instrument are charged directly to equity.

### **F. General reserves and regulatory reserves**

The general reserves are set up for any overall financial risk. The Board of Directors exercises its discretion for the use and maintenance of the general reserves. The transfer from retained earnings to general reserves is subject to the approval of Board of Directors of the Bank. Allocations to the general reserve are no longer allowed under the Bank's Memorandum and Articles of Association dated 23 May 2006 and the amendment on 30 May 2007.

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

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

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

### **G. Placements with banks and financial institutions**

Placements with banks and other financial institutions are carried at amortised cost using the effective interest rate method in the statement of financial position.

## **H. Statutory deposits**

Statutory deposits included in balances with the NBC are maintained in compliance with the Cambodian Law on Banking and Financial Institutions and are determined by the defined percentage of the minimum share capital and the customers' deposits as required by NBC.

## **I. Loans and advances**

'Loans and advances' captions in the statement of financial position include loans and advances measured at amortised cost; they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

## **J. Other assets**

Other assets are carried at amortised cost using the effective interest rate method in the statement of financial position.

## **K. Property and equipment**

### **(i) Recognition and measurement**

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

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

### **(ii). Subsequent costs**

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of property and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.

The cost of replacing a component of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Bank, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

### **(iii). Depreciation**

The cost of replacing a component of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Bank, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.



Depreciation is recognised as an expense in profit or loss on a straight-line over the estimated useful lives of each component of an item of property and equipment. Work in progress is not depreciated until such time as the items are completed and put into operational use.

Depreciation is recognised from the date that the property and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives are as follows:

	Years
Buildings	20 years
Leasehold improvement	Shorter of lease period and its economic lives
Computer equipment	3 – 5 years
Furniture and office equipment	3 – 5 years
Motor vehicles	5 years

Depreciation methods, useful lives and residual values are reassessed at end of the reporting period and adjusted if appropriate.

#### L. Intangible assets

Intangible assets comprise acquired computer software licenses and related costs for the core banking system and other systems. They are stated at cost less accumulated amortisation and impairment loss. Acquired computer software licenses are capitalised on the basis of the cost incurred to acquire the specific software and bring it into use. These costs are amortised over their estimated useful lives of three to five years using the straight-line method.

Work in progress is not amortised until such time as the items are completed and put into operational use.

Costs incurred in planning or evaluating software proposals, or in maintaining systems after implementation, are not capitalised.

#### M. Leases

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

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

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

This policy is applied to contracts entered into, or changed, on or after 1 January 2018.

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

#### **Leases in which the Bank is a lessee**

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

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

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

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

The estimated useful lives are as follows:

- Building and office branches      3 – 10 years
- ATM spaces                              2 – 10 years

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

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

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

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



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

#### **Short-term leases and leases of low-value assets**

The Bank has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

#### **N. Borrowings**

Borrowings are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at amortised cost using effective interest method.

#### **O. Subordinated debts**

Subordinated debts are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at amortised cost using effective interest method.

#### **P. Foreclosed properties**

Foreclosed properties consisting of immoveable properties are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

#### **Q. Employee benefits**

##### **(i). Short-term employee benefits**

Short-term employee benefits are expensed as the related service is provided. 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.

##### **(ii). Other long-term employee benefits**

The Bank's net obligation in respect of long-term employee benefits is the amount of the benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit and loss in the period in which they arise.

##### **(iii). Provident funds**

The Bank provides its employees with benefits under the provident fund. The fund is sourced from the following:

- a) A monthly contribution which is based on the monthly salary of an employee and contributed by the Bank and its employees at a rate of 5% and 5%, respectively. The Bank's contribution is recognised in profit and loss.
- b) The Bank contributes interest on the cumulative balance of the provident fund computed at 6% per annum. Interest is accrued on a monthly basis.

The provident funds will be fully paid to the employee, who contributed to the fund, upon termination of employment with the Bank.

#### **R. Provisions**

Provisions are recognised in the statement of financial position when the Bank has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

## **S. Interest**

### **Effective interest rate**

Interest income and expense are recognised in profit and loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Bank/the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received. A contractual interest rate is used in replacement of the effective interest rate when management assesses that transaction costs and fees are not an integral part of the effective interest rate and that the impact is not material to the financial statements. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

### **Amortised cost and gross carrying amount**

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

### **Calculation of interest income and expense**

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date amortisation of the hedge adjustment begins.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

### **Presentation**

Interest income calculated using the effective interest method presented in the statement of profit and loss and OCI includes interest on financial assets and financial liabilities measured at amortised cost.

Interest expense presented in the statement of profit and loss and OCI includes financial liabilities measured at amortised cost.



#### **T. Fee and commission**

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

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

#### **U. Impairment of non-financial assets**

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

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

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

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

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

#### **V. Income tax**

Income tax expense comprises current and deferred tax. It is recognised in profit and loss except items recognised directly in equity or in other comprehensive income.

The Company 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 'other expenses'.

##### **(i). Current tax**

Current tax comprises the expected tax payable or receivable 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 period.

##### **(ii). 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.

A deferred tax asset are recognised for unused tax losses and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be used. 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; such reductions are reversed when the probability of future taxable profits improves.

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.

Differed tax assets and liabilities are offset only if certain criteria are met.

#### **W. Contingent liabilities**

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

#### **X. Contingent assets**

Where it is not possible that there is an inflow of economic benefits, or the amount cannot be estimated reliably, the asset is not recognised in the statements of financial position and is disclosed as a contingent asset, unless the probability of inflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets unless the probability of inflow of economic benefits is remote.

#### **38. New standards, amendments and interpretations not yet adopted**

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

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

- COVID-19-Related Rent Concessions (Amendment to CIFRS 16).
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to CIAS 16).
- Reference to Conceptual Framework (Amendments to CIFRS 3).
- Classification of Liabilities as Current or Non-current (Amendments to CIAS 1).



## PRODUCTS AND SERVICES

ធនាគារពាណិជ្ជកម្មក្រៅប្រទេស នៃកម្ពុជា (FTB) ជាធនាគារពាណិជ្ជកម្មស្រុកទី១  
នៅកម្ពុជាដែលទទួលបានការទុកចិត្តចាប់តាំងពីឆ្នាំ ១៩៧៩ ។

Foreign Trade Bank of Cambodia (FTB) is the first commercial bank  
in Cambodia, a truly local bank trusted since 1979.



វិនិយោគក្នុងអនាគត  
Investing in the future

### ផលិតផល និងសេវាកម្មធនាគារពាណិជ្ជកម្មក្រៅប្រទេស នៃកម្ពុជា

#### Foreign Trade Bank of Cambodia's Products and Services



សេវាប្រាក់បញ្ញើ  
Deposits



សេវាប្រាក់កម្ចី  
Loans



សេវាធនាគារវីអាយភី  
VIP Banking



សេវាហិរញ្ញប្បទានពាណិជ្ជកម្ម  
Trade Finance



សេវាលិខិតធានាផ្សេងៗ  
Bank Guarantee



សេវាផ្ទេរប្រាក់ក្នុង និងក្រៅប្រទេស  
Fund Transfers



សេវាប្តូររូបិយប័ណ្ណបរទេស  
Foreign Exchange



សេវាលិខិតឥណទាន  
Letter of Credit



កិច្ចសន្យាប្តូររូបិយប័ណ្ណ  
Currency Swap



សេវាធនាគារចល័ត  
Mobile Banking App



សេវាធនាគារតាមអ៊ិនធឺណែត  
Internet Banking



សេវាម៉ាស៊ីនអេធីអឹម និងឆ្លុះកាត  
ATM & POS Service



សេវាទូទាត់វិក្កយបត្រ  
Bill Payment Service



សេវាបង់ពន្ធគ្រប់ប្រភេទ  
Tax Payment Service



សេវាប័ណ្ណឥណទាន និងបង់ប្រាក់ជាមុន  
Debit & Prepaid Card



សេវាប្រអប់បញ្ជីសុវត្ថិភាព  
Safe Deposit Box



ស្តែនយូអរ  
QR Scan



សេវាបើកប្រាក់បៀវត្ស  
Payroll Service

#### សេវាទូទាត់អន្តរធនាគារ (Interbank Payment)



ប្រព័ន្ធទូទាត់  
Easy Cash



សេវាទូទាត់រហ័ស  
FAST Payment



ប្រព័ន្ធទូទាត់  
Cambodia Share Switch



ប្រព័ន្ធទូទាត់  
Bakong App



ប្រព័ន្ធទូទាត់រាយ  
Retail Pay







FTB joins in rebuilding lives



Half Year Seminar at AEON Sensok

## CORRESPONDENT BANKS

No.	Country of Correspondent Bank	Name and Address Bank	Currency
01	CHINA	BANK OF CHINA (SHANGHAI RMB TRADING UNIT) SHANGHAI, CHINA Swift Code: BKCHCNBJ500 A/C No. 433861149292	CNY
02	UNITED KINGDOM	STANDARD CHARTERED BANK 37 Gracechurch St., LONDON EC3V, UNITED KINGDOM Swift Code: SCBLGB2L A/C No. 01-7022166-01	POUND-GBP
03	FRANCE	SOCIETE GENERALE SHANGHAI, CHINA Swift Code: SOGEFRPP A/C No. 002016480210	EUR
04	FRANCE	NATXIS 221 Bld. Haussmann 75427-PARIS Cedex-09 FRANCE Swift Code: NATXFRPPXXX A/C No. 30007999906126068000	USD/EUR
05	JAPAN	BANK OF TOKYO-MITSUBISHI UF J. LTD SHANGHAI, CHINA Swift Code: BOTKJPJT A/C No. 654.0700.932	JPY
06	REPUBLIC OF KOREA	KOOKMIN BANK, HEAD OFFICE SEOUL, KOREA Swift Code: CZNKRS A/C No. 836-8-USD-01-0	USD
07	REPUBLIC OF KOREA	KEB HANA BANK (FORMERLY KOREA EXCHANGE BANK) Swift Code: KOEXKRSE A/C No. 0963THR051230019	USD
08	REPUBLIC OF KOREA	Woori BANK SEOUL, KOREA Swift Code: HVBKRS A/C No. 300009886811	USD
09	SINGAPORE	STANDARD CHARTERED BANK SINGAPORE Swift Code: SCBLSGSG A/C No. 77.0.001775.2	USD
10	THAILAND	BANGKOK BANK PUBLIC COMPANY LIMITED BANGKOK, THAILAND Swift Code: BKBKTHBK A/C No. 555-293-008-0	USD
11	THAILAND	THANACHART BANK PUBLIC COMPANY LIMITED BANGKOK, THAILAND Swift Code: THBKTHBK A/C No. 0016045357/001	THB
12	THAILAND	SIAM COMMERCIAL BANK PLC BANGKOK, THAILAND Swift Code: SICOTHBK A/C No. 111-3-00231-1	THB
13	USA	STANDARD CHARTERED BANK NEW YORK, USA Swift Code: SCBLUS33 A/C No. 3582.062596.001	USD
14	VIETNAM	JOINT STOCK COMMERCIAL BANK FOR FOREIGN TRADE OF VIETNAM HANOI, VIETNAM Swift Code: BFTVNVXX A/C No. 0681370007155	USD
15	VIETNAM	BANK FOR INVESTMENT AND DEVELOPMENT OF VIETNAM (BIDV) 18th FL BIDV Tower, 35 Hang Voi Street, HANOI, VIETNAM Swift Code: BIDVVNXXXX A/C No. 99010370000199	USD



## Head Office



Building No. 33C-D, Street 169, Sangkat Veal Vong, Khan 7 Makara, Phnom Penh



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FTCKHPP

## Phnom Penh



### Head Office

Building No. 33C-D, Street 169,  
Sangkat Veal Vong, Khan 7 Makara,  
Phnom Penh  
Tel: +855 23 862 111



### Samdech Pan

No. 49, St. 214/cm St. 63,  
Sangkat Boeung Raeng,  
Khan Daun Penh, Phnom Penh  
Tel: +855 23 862 111



### Olympic

No. 392E0, Street 193, Olympic Village,  
Khan Boeung Keng Kong, Phnom Penh  
Tel: +855 23 862 111



### Phnom Penh Port

No. 649, Preah Spenweth Quay,  
Phnom Penh Port, Phnom Penh  
Tel: +855 23 862 111



### Kramoun Sar

Building # 4A, Kramoun Sar Blvd,  
Sangkat Phsar Thmey I, Khan Daun Penh,  
Phnom Penh  
Tel: +855 23 862 111



### Orkide-2004

SHR I No. 51-53-55, Orchide Village,  
Sangkat Ou Baek Kari, Khan Samsok,  
Phnom Penh  
Tel: +855 23 862 111



### Toul Kerk

Building No. 80, Street 315,  
Sangkat Boeung Kak I, Khan Toul Kerk,  
Phnom Penh  
Tel: +855 23 862 111



### Hengly Market

#448, Street 271, Borey Kamakar Village,  
Sangkat Tuek Thla, Khan Saen Sok,  
Phnom Penh  
Tel: +855 23 862 111



### Phsar Thom Thmey

North of Phsar Thom Thmey,  
Street 126, Sangkat Phsar Thom Thmey I,  
Khan Daun Penh, Phnom Penh  
Tel: +855 23 862 111

## Provinces



### Sihanoukville

Building B1, Happiness Road,  
Group 4, Village 2, Sangkat 2,  
Sihanoukville  
Tel: +855 23 862 111



### Sihanoukville Port

Samdech Akka Moha Sena Padei Techo  
Hun Sen, Sangkat 3, Khan Mittapheap,  
Sihanoukville  
Tel: +855 23 862 111



### Kampong Cham

National Road No 7, Village 6,  
Sangkat Veal Vong,  
Kampong Cham City  
Tel: +855 23 862 111



### Siem Reap

Building 742, Street 9 Corner of Street 11,  
Mondul I Village, Sangkat Sway Dangkur,  
Siem Reap Province  
Tel: +855 23 862 111



### Takhmao

#1E0, E1, E2, Ta Khmao Roundabout,  
Corner Street 107, Sangkat Ta Khmao,  
Krong Ta Khmao, Kandali Province  
Tel: +855 23 862 111



### Battambang

Building C3B-C41, St. 1,  
Prek Mohalep Village, Sangkat Sway Por,  
Battambang City  
Tel: +855 23 862 111

