

**HATTHA BANK PLC. (FORMERLY KNOWN AS HATTHA
KAKSEKAR LIMITED) AND ITS SUBSIDIARY**
(Registration No. 00005355)

**CONSOLIDATED AND SEPARATE FINANCIAL
STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2020
AND
REPORT OF THE INDEPENDENT AUDITORS**

**HATTHA BANK PLC. (FORMERLY KNOWN AS HATTHA KAKSEKAR LIMITED) AND ITS
SUBSIDIARY**

**CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

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REPORT OF THE BOARD OF DIRECTORS

The Board of Directors (“BoD”) is pleased to present its report together with the audited consolidated financial statements of HATTHA Bank Plc. (formerly known as Hattha Kaksekar Limited) (“the Bank”) and its subsidiary (together referred to as “the Group”) and the separate financial statements of the Bank (collectively referred to as the financial statements) for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The principal activity of the Bank is to provide loans, savings and other financial services particularly to women and low income families through its head office in Phnom Penh and its various offices in the Kingdom of Cambodia. On 5 August 2020, Hattha Kaksekar Limited has changed its name to HATTHA Bank Plc. and convert its principal activity to be the Commercial Bank.

FINANCIAL RESULTS

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

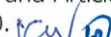
The Group	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
Profit before income tax	31,452,439	128,231,594	35,492,157	143,814,220
Income tax expense	(5,773,140)	(23,537,092)	(3,376,488)	(13,681,529)
Profit for the year	25,679,299	104,694,502	32,115,669	130,132,691

The Bank	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
Profit before income tax	31,195,778	127,185,187	35,501,632	143,852,612
Income tax expense	(5,765,079)	(23,504,227)	(3,376,488)	(13,681,529)
Profit for the year	25,430,699	103,680,960	32,125,144	130,171,083

DIVIDENDS

No dividend was declared or paid and the BoD does not recommend any dividend to be paid for the year under audit (2019: nil).

SHARE CAPITAL

On 7 October 2019, the National Bank of Cambodia (“NBC”) approved the Bank’s request for increasing share capital by US\$40 million from US\$75 million to US\$115 million. The amendment of the Memorandum and Articles of Association was endorsed with the Ministry of Commerce (“MOC”) on 11 February 2020. 



RESERVES AND PROVISIONS

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

WRITTEN OFF OF AND ALLOWANCE FOR FINANCIAL ASSETS

Before the financial statements were prepared, the BoD took reasonable steps to ascertain that actions had been taken in relation to the writing off of financial assets that have no reasonable expectations of recovering the contractual cash flows in their entirety or a portion thereof and making of allowance for expected credit losses on financial assets, and satisfied themselves that all known financial assets had been written off and adequate allowance for expected credit losses on financial assets have been made.

At the date of this report, the BoD is not aware of any circumstances which would render the amount written off, or the amount of allowance for expected credit losses on financial assets in the financial statements of the Group and the Bank, inadequate to any material extent.

ASSETS

Before the financial statements of the Group and the Bank were prepared, the BoD took reasonable steps to ensure that any assets, other than financial assets, which were unlikely to be realised in the ordinary course of business at their values as shown in the accounting records of the Group and the Bank had been written down to amounts which they might be expected to realise.

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

VALUATION METHODS

At the date of this report, the BoD is 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 Group and 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 Group and the Bank which has arisen since the end of the financial year which secures the liabilities of any other person except as disclosed in the financial statements; and
- (b) any contingent liability in respect of the Group and the Bank that has arisen since the end of the financial year other than in the ordinary course of its business operations.

No contingent or other liability of the Group and 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 BoD, will or may substantially affect the ability of the Group and the Bank to meet its obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

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

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ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and the Bank for the year were not, in the opinion of the BoD, materially affected by any item, transaction or event of a material and unusual nature except for the outbreak of the Novel Coronavirus Covid-19 ("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 BoD, to affect substantially the results of the operations of the Group and the Bank for the current financial year in which this report is made.

CORONAVIRUS AND IMPACT ON EXPECTED CREDIT LOSS

The expected credit loss ("ECL") was estimated based on a range of forecast economic conditions as at reporting date. Covid-19 outbreak has spread across mainland China, Cambodia and beyond, causing disruption to business and economic activity. The impact on GDP and other key indicators has been considered when determining the severity and likelihood of downside economic scenarios that are used to estimate ECL in which the calculation of the ECL in this current environment is subject to significant uncertainty. Management provides its best estimate on the possible outcomes of Covid-19 on the Group and the Bank, however, this estimate may move materially as events unfold.


THE BOARD OF DIRECTORS

The members of the BoD holding office during the year and at the date of this report are:

- Mr. Dan Harsono, Chairperson, Senior Advisor of Krungsri (effective from 1 January 2021)
- Mrs. Voranuch Dejakaisaya, Director, retired from the members of the BoD and registration of her retirement with regulators is under process.
- Ms. Duangdao Wongpanitkrit, Director, Chief Financial Officer of Krungsri
- Mr. Chandrashekar Subramanian Krishoolndmangalam, Director, Chief Risk Officer of Krungsri
- Mr. Wanchairabin Jitwattanatam, Director, Deputy Chief Executive Officer of Hattha Bank Plc.
- Mr. Dy Davuth, Independent Director, Vice President of Build Bright University
- Mr. Lonh Hay, Independent Director
- Mr. Hout Ieng Tong, Director, President and Chief Executive Officer of Hattha Bank Plc.
- Mr. Pak Sereivathana, Independent Director

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangement existed to which the Group and the Bank are parties with the objective of enabling Directors of the Group and the Bank to acquire benefits by means of the share purchase option.

Since the end of the previous financial year, no Director of the Group and 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 BoD as disclosed in the financial statements) by reason of a contract made by the Group and the Bank or a related corporation with a firm of which the Director is a member, or with a bank in which the Director has a substantial financial interest other than as disclosed in the financial statements. 


RESPONSIBILITIES OF THE BOARD OF DIRECTORS IN RESPECT OF THE FINANCIAL STATEMENTS

The BoD is responsible for ascertaining that the financial statements present fairly, in all material respects, the financial position of the Group and 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 BoD are required to:

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

The BoD confirms that the Group and the Bank have complied with the above requirements in preparing the financial statements.

STATEMENT OF THE BOARD OF DIRECTORS

The accompanying financial statements, together with the notes thereto as set out on pages 10 to 137 present fairly, in all material respects, the consolidated and unconsolidated financial positions of the Group and of the Bank as at 31 December 2020, and their consolidated and unconsolidated financial performance and cash flows for the year then ended in accordance with CIFRSs. 

On behalf of the Board of Directors


Mr. Hout Ieng Tong
President and Chief Executive Officer

Phnom Penh, Kingdom of Cambodia
Date: 26 March 2021



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REPORT OF THE INDEPENDENT AUDITORS

To the shareholder of HATTHA Bank Plc. (formerly known as Hattha Kaksekar Limited)

Opinion

We have audited the consolidated financial statements of HATTHA Bank Plc. (formerly known as Hattha Kaksekar Limited) and its subsidiaries (together referred to as “the Group”) and the separate financial statements of HATTHA Bank Plc. (“the Bank”), which comprise the consolidated and separate statements of financial position of the Group and the Bank as at 31 December 2020, and the consolidated and the separate 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 10 to 137 (hereafter referred to as “the financial statements”).

In our opinion, the financial statements present fairly, in all material respects, the consolidated financial positions of the Group and the unconsolidated financial positions of the Bank as at 31 December 2020, and of their respective consolidated and unconsolidated financial performance and 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 Group and Bank in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Kingdom of Cambodia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

The key audit matter	How the matter was addressed in our audit
<p>Impairment loss allowance:</p> <p>CIFRS 9 requires impairment losses to be recognised on an expected credit loss (“ECL”) basis. ECL provisions as at 31 December 2020 for the Group and the Bank were US\$23millions (2019: US\$5millions), which represented 1.78% (2019: 0.50%) of loans and advances to customers.</p> <p>The ECL provision requires management to make significant judgements and estimates that relate to, amongst others:</p> <ul style="list-style-type: none"> • Appropriateness of impairment models for collective assessment; • Assessment of significant increase in credit risk; • The key input used in staging, probability of default (“PD”), exposure at default (“EAD”), loss given default (“LGD”); • Use of forward-looking and macroeconomic information <p>At 31 December 2020, the Group’s and Bank’s loans to customers comprised 81.84% and 82.83% of Total Assets, respectively.</p> <p>As a result of the significance of loans to customers and the related estimation uncertainty over ECL, the impairment of loans to customers is considered a key audit matter.</p>	<p>We made a critical assessment of methodologies and assumptions used to estimate the ECL as at 31 December 2020, involving ECL specialist to assist us in this assessment. We tested the design, implementation and operating effectiveness of key controls focusing on:</p> <ul style="list-style-type: none"> • Involvement of BoD, including review and approval of the impairment policy over development of ECL models; • Management review and approval of key judgements, assumptions and forward-looking information used in ECL models as well as management involvement in monitoring the significant increase in credit risk; • We involved our Information Technology (IT) specialists to test the general and specific IT controls over loan overdue report which is the element used in the classification of loans for ECL calculation. <p>Our audit procedures also include the following:</p> <ul style="list-style-type: none"> • Obtained an understanding of the impairment policy developed by the Bank and make assessment toward the requirement of CIFRS 9; • Tested the key assumptions used in PD, LGD, EAD and forward-looking elements by involvement of the ECL specialist and performed sample checked of the key input in each element to the source documents; • Where proxy ECL elements are used, assessed the reasonableness of proxy ECL elements against market benchmark; • Assessed the reasonableness of the criteria used for determination of “significant increase in credit risk” and classification of the loans and test check both the quantitative and qualitative data used in ECL to the source documents; • Assessed the reasonableness of information provided by management on generating, selecting, and updating the range of scenarios and associated probability weights used in ECL; • Recalculate the impairment loss allowance as at 31 December 2020. <p>We also assessed the adequacy of disclosures on the allowance for impairment in the notes to the financial statements.</p>



Other Matters

The financial statements of the Group and the Bank as at and for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those financial statements on 27 March 2020.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditors' report is the information included in the Report of the Board of Directors as set out on pages 1 to 4, and 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 Group's and 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 Group and the Bank or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 Group's and 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 Group's and 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 Group and 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the subsidiaries within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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



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

The engagement partner on the audit resulting in this independent auditors' report is *Taing Youk Fong*.

For KPMG Cambodia Ltd



Nge Huy
Partner

Phnom Penh, Kingdom of Cambodia

26 March 2021

**HATTHA BANK PLC. (FORMERLY KNOWN AS HATTHA KAKSEKAR LIMITED) AND ITS
SUBSIDIARY**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020**

	Notes	31 December 2020		31 December 2019	
		US\$	KHR'000 (Note 2.3)	US\$	KHR'000 (Note 2.3)
ASSETS					
Cash on hand		37,160,689	150,314,987	34,190,445	139,326,063
Balances with the NBC	5	135,341,678	547,457,088	95,934,585	390,933,434
Balances with other banks	6	41,729,838	168,797,195	9,657,803	39,355,547
Loans to customers	7	1,288,824,168	5,213,293,760	1,036,272,930	4,222,812,190
Investment securities	8	20,000	80,900	20,000	81,500
Derivatives held for risk management	18	242,274	979,998	-	-
Property and equipment	9	34,892,318	141,139,426	4,201,129	17,119,601
Right-of-use assets	10	11,357,556	45,941,314	12,281,257	50,046,122
Intangible assets	11	3,775,164	15,270,538	2,300,471	9,374,419
Deferred tax assets, net	12(a)	7,991,149	32,324,198	3,902,683	15,903,433
Other assets	13	13,659,106	55,251,084	28,066,516	114,371,054
TOTAL ASSETS		<u>1,574,993,940</u>	<u>6,370,850,488</u>	<u>1,226,827,819</u>	<u>4,999,323,363</u>
LIABILITIES					
Deposits from customers and financial institutions	14	803,893,453	3,251,749,017	610,098,327	2,486,150,683
Debt securities issued	15	29,767,039	120,407,673	29,196,072	118,973,993
Borrowings	16	431,708,838	1,746,262,250	311,485,982	1,269,305,377
Subordinated debts	17	11,895,729	48,118,224	11,974,921	48,797,803
Derivatives held for risk management	18	7,283,277	29,460,855	1,887,584	7,691,905
Current income tax liabilities	12(b)	8,492,313	34,351,406	2,632,899	10,729,063
Lease liabilities	19	12,325,496	49,856,631	13,005,210	52,996,231
Provisions	20	77,369	312,958	2,717	11,072
Other liabilities	21	9,914,890	40,105,731	48,184,085	196,350,146
TOTAL LIABILITIES		<u>1,315,358,404</u>	<u>5,320,624,745</u>	<u>1,028,467,797</u>	<u>4,191,006,273</u>
EQUITY					
Share capital	22	115,000,000	465,175,000	75,000,000	305,625,000
Share premium		19,082,502	77,188,721	19,082,502	77,761,196
Reserves	23	28,031,366	114,956,931	8,818,392	40,434,778
Retained earnings		97,521,668	392,905,091	95,459,128	384,496,116
TOTAL EQUITY		<u>259,635,536</u>	<u>1,050,225,743</u>	<u>198,360,022</u>	<u>808,317,090</u>
TOTAL LIABILITIES AND EQUITY		<u>1,574,993,940</u>	<u>6,370,850,488</u>	<u>1,226,827,819</u>	<u>4,999,323,363</u>

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

**HATTHA BANK PLC. (FORMERLY KNOWN AS HATTHA KAKSEKAR LIMITED) AND ITS
SUBSIDIARY**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Notes	Year ended 31 December 2020		Year ended 31 December 2019	
		US\$	KHR'000 (Note 2.3)	US\$	KHR'000 (Note 2.3)
Interest income	24	173,550,241	707,564,333	141,960,631	575,224,477
Interest expense	24	(72,227,643)	(294,472,101)	(59,497,470)	(241,083,748)
Net interest income		101,322,598	413,092,232	82,463,161	334,140,729
Fee and commission income	25	5,686,130	23,182,352	4,909,507	19,893,322
Fee and commission expense	25	(713,035)	(2,907,044)	(698,032)	(2,828,426)
Net fee and commission income		4,973,095	20,275,308	4,211,475	17,064,896
Net losses from other financial instruments at FVTPL	26	(520,680)	(2,122,812)	(1,965,310)	(7,963,436)
Other income	27	305,734	1,246,478	228,275	924,970
Net impairment (losses)/gains on financial instruments	28	(20,028,862)	(81,657,670)	105,224	426,368
Personnel expenses	29	(39,950,524)	(162,878,286)	(34,383,434)	(139,321,675)
Depreciation and amortisation	30	(5,265,714)	(21,468,316)	(5,328,403)	(21,590,689)
Other expenses	31	(9,383,208)	(38,255,340)	(9,838,831)	(39,866,943)
Profit before income tax		31,452,439	128,231,594	35,492,157	143,814,220
Income tax expense	12(c)	(5,773,140)	(23,537,092)	(3,376,488)	(13,681,529)
Profit for the year		25,679,299	104,694,502	32,115,669	130,132,691
Other comprehensive (loss)/income					
Cash flow hedge reserve		(5,504,733)	(22,442,796)	-	-
Income tax relating to components of other comprehensive income		1,100,948	4,488,565	-	-
Currency translation differences		-	1,710,977	-	4,499,831
		(4,403,785)	(16,243,254)	-	4,499,831
Total comprehensive income for the year		21,275,514	88,451,248	32,115,669	134,632,522
Profit attributable to shareholder		25,679,299	104,694,502	32,115,669	130,132,691
Total comprehensive income attributable to shareholder		21,275,514	88,451,248	32,115,669	134,632,522

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

HATTHA BANK PLC. (FORMERLY KNOWN AS HATTHA KAKSEKAR LIMITED) AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Attributable to shareholder				Total US\$
	Share capital	Share premium	Reserves	Retained earnings	
	US\$	US\$	US\$	US\$	
Year ended 31 December 2019					
At 1 January 2019	75,000,000	19,082,502	4,389,186	67,772,665	166,244,353
Profit for the year	-	-	-	32,115,669	32,115,669
Total comprehensive income for the year	-	-	-	32,115,669	32,115,669
Transfers	-	-	4,429,206	(4,429,206)	-
At 31 December 2019	75,000,000	19,082,502	8,818,392	95,459,128	198,360,022
In KHR'000 equivalents (Note 2.3)	305,625,000	77,761,196	40,434,778	384,496,116	808,317,090
Year ended 31 December 2020					
At 1 January 2020	75,000,000	19,082,502	8,818,392	95,459,128	198,360,022
Issuance of share capital	40,000,000	-	-	-	40,000,000
Profit for the year	-	-	-	25,679,299	25,679,299
Other comprehensive loss	-	-	(4,403,785)	-	(4,403,785)
Total comprehensive (loss)/income for the year	-	-	(4,403,785)	25,679,299	21,275,514
Transfers	-	-	23,616,759	(23,616,759)	-
At 31 December 2020	115,000,000	19,082,502	28,031,366	97,521,668	259,635,536
In KHR'000 equivalents (Note 2.3)	465,175,000	77,188,721	114,956,931	392,905,091	1,050,225,743

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

**HATTHA BANK PLC. (FORMERLY KNOWN AS HATTHA KAKSEKAR LIMITED) AND ITS
SUBSIDIARY**

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020**

Notes	Year ended 31 December 2020		Year ended 31 December 2019	
	US\$	KHR'000 (Note 2.3)	US\$	KHR'000 (Note 2.3)
Cash flows from operating activities				
	31,452,439	128,231,594	35,492,157	143,814,220
<i>Adjustments for:</i>				
Net interest income	24 (101,322,598)	(413,092,232)	(82,463,161)	(334,140,729)
Net losses from other financial instruments at FVTPL	26 520,680	2,122,812	1,965,310	7,963,436
Net impairment losses/(gains) on financial instruments	28 20,028,862	81,657,670	(105,224)	(426,368)
Depreciation and amortisation	30 5,265,714	21,468,316	5,328,403	21,590,689
Provision for employee benefits	1,498,174	6,108,055	1,286,720	5,213,789
Losses on disposals of property and equipment	3,783	15,423	2,333	9,453
Written-off of intangible asset	6,600	26,908	-	-
Effect of currency translation of monetary items	1,138,169	4,640,315	110,023	445,813
	(41,408,177)	(168,821,139)	(38,383,439)	(155,529,697)
<i>Changes in:</i>				
Balances with the NBC	(37,447,996)	(152,675,480)	(13,641,631)	(55,275,889)
Balances with other banks	(29,450,000)	(120,067,650)	-	-
Loans to customers	(273,853,395)	(1,116,500,291)	(296,500,679)	(1,201,420,751)
Other assets	15,584,070	63,536,253	(18,843,729)	(76,354,790)
Deposits from customers and financial institutions	191,235,755	779,668,173	117,940,749	477,895,915
Other liabilities	(38,269,195)	(156,023,508)	43,056,332	174,464,257
Cash used in operations	(213,608,938)	(870,883,642)	(206,372,397)	(836,220,955)
Interest received	172,276,911	702,372,966	141,413,930	573,009,244
Interest paid	(68,672,472)	(279,977,668)	(57,457,328)	(232,817,093)
Income tax paid	12(b) (2,901,244)	(11,828,372)	(6,408,602)	(25,967,655)
Net cash used in operating activities	(112,905,743)	(460,316,716)	(128,824,397)	(521,996,459)
Cash flows from investing activities				
Purchases of property and equipment	9 (32,668,347)	(133,188,851)	(2,257,061)	(9,145,611)
Purchases of intangible assets	11 (1,783,371)	(7,270,804)	(1,695,188)	(6,868,902)
Proceeds from disposals of property and equipment	1,988	8,105	753	3,051
Net cash used in investing activities	(34,449,730)	(140,451,550)	(3,951,496)	(16,011,462)

HATTHA BANK PLC. (FORMERLY KNOWN AS HATTHA KAKSEKAR LIMITED) AND ITS SUBSIDIARY

**CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

Notes	Year ended 31 December 2020		Year ended 30 December 2019	
	US\$	KHR'000 (Note 2.3)	US\$	KHR'000 (Note 2.3)
Cash flows from financing activities				
Proceeds from borrowings	335,201,615	1,366,616,984	184,816,851	748,877,880
Proceeds from subordinated debts	7,000,000	28,539,000	-	-
Repayments of borrowings	(216,483,947)	(882,605,052)	(65,787,097)	(266,569,317)
Repayments of subordinated debts	(7,000,000)	(28,539,000)	(11,000,000)	(44,572,000)
Principal elements of lease payments	(3,702,421)	(15,094,770)	(3,529,551)	(14,301,741)
Issuance of share capital	40,000,000	163,080,000	-	-
Net cash from financing activities	155,015,247	631,997,162	104,500,203	423,434,822
Net increase/(decrease) in cash and cash equivalents	7,659,774	31,228,896	(28,275,690)	(114,573,099)
Cash and cash equivalents at the beginning of the year	78,700,630	320,705,067	106,976,320	429,830,854
Currency translation differences	-	(2,606,129)	-	5,447,312
Cash and cash equivalents at the end of year	86,360,404	349,327,834	78,700,630	320,705,067
32				
Significant non-cash transaction:				
Conversion of amount due to shareholder to share capital	40,000,000	161,800,000	-	-

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

HATTHA BANK PLC. (FORMERLY KNOWN AS HATTHA KAKSEKAR LIMITED)

**SEPARATE STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020**

	Notes	31 December 2020		31 December 2019	
		US\$	KHR'000 (Note 2.3)	US\$	KHR'000 (Note 2.3)
ASSETS					
Cash on hand		37,160,689	150,314,987	34,190,445	139,326,063
Balances with the NBC	5	135,341,678	547,457,088	95,934,585	390,933,434
Balances with other banks	6	41,656,629	168,501,064	9,657,803	39,355,547
Loans to customers	7	1,288,824,168	5,213,293,760	1,036,272,930	4,222,812,190
Investment securities	8	20,000	80,900	20,000	81,500
Investment in subsidiary		490	1,982	490	1,997
Derivatives held for risk management	18	242,274	979,998	-	-
Property and equipment	9	5,462,161	22,094,441	4,201,129	17,119,601
Right-of-use assets	10	21,706,157	87,801,405	12,281,257	50,046,122
Intangible assets	11	3,775,164	15,270,538	2,300,471	9,374,419
Deferred tax assets, net	12(a)	7,976,643	32,265,521	3,902,683	15,903,433
Other assets	13	14,156,297	57,262,221	28,071,676	114,392,081
TOTAL ASSETS		<u>1,556,322,350</u>	<u>6,295,323,905</u>	<u>1,226,833,469</u>	<u>4,999,346,387</u>
LIABILITIES					
Deposits from customers and financial institutions	14	804,484,026	3,254,137,885	610,099,327	2,486,154,758
Debt securities issued	15	29,767,039	120,407,673	29,196,072	118,973,993
Borrowings	16	402,208,119	1,626,931,841	311,485,982	1,269,305,377
Subordinated debts	17	11,895,729	48,118,224	11,974,921	48,797,803
Derivatives held for risk management	18	7,283,277	29,460,855	1,887,584	7,691,905
Current income tax liabilities	12(b)	8,472,025	34,269,341	2,632,899	10,729,063
Lease liabilities	19	22,833,647	92,362,102	13,005,210	52,996,231
Provisions	20	77,369	312,958	2,717	11,072
Other liabilities	21	9,904,708	40,064,544	48,179,260	196,330,485
TOTAL LIABILITIES		<u>1,296,925,939</u>	<u>5,246,065,423</u>	<u>1,028,463,972</u>	<u>4,190,990,687</u>
EQUITY					
Share capital	22	115,000,000	465,175,000	75,000,000	305,625,000
Share premium		19,082,502	77,188,721	19,082,502	77,761,196
Reserves	23	28,031,366	114,964,820	8,818,392	40,434,996
Retained earnings		97,282,543	391,929,941	95,468,603	384,534,508
TOTAL EQUITY		<u>259,396,411</u>	<u>1,049,258,482</u>	<u>198,369,497</u>	<u>808,355,700</u>
TOTAL LIABILITIES AND EQUITY		<u>1,556,322,350</u>	<u>6,295,323,905</u>	<u>1,226,833,469</u>	<u>4,999,346,387</u>

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

HATTHA BANK PLC. (FORMERLY KNOWN AS HATTHA KAKSEKAR LIMITED)

**SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Notes	Year ended 31 December 2020		Year ended 31 December 2019	
		US\$	KHR'000 (Note 2.3)	US\$	KHR'000 (Note 2.3)
Interest income	24	173,550,241	707,564,333	141,960,631	575,224,477
Interest expense	24	(72,407,610)	(295,205,826)	(59,497,470)	(241,083,748)
Net interest income		101,142,631	412,358,507	82,463,161	334,140,729
Fee and commission income	25	5,686,130	23,182,352	4,909,507	19,893,322
Fee and commission expense	25	(713,035)	(2,907,044)	(698,032)	(2,828,426)
Net fee and commission income		4,973,095	20,275,308	4,211,475	17,064,896
Net losses from other financial instruments at FVTPL	26	(520,680)	(2,122,812)	(1,965,310)	(7,963,436)
Other income	27	319,080	1,300,889	228,275	924,970
Net impairment (losses)/gains on financial instruments	28	(20,028,862)	(81,657,670)	105,224	426,368
Personnel expenses	29	(39,944,710)	(162,854,583)	(34,383,434)	(139,321,675)
Depreciation and amortisation	30	(5,374,346)	(21,911,209)	(5,328,403)	(21,590,689)
Other expenses	31	(9,370,430)	(38,203,243)	(9,829,356)	(39,828,551)
Profit before income tax		31,195,778	127,185,187	35,501,632	143,852,612
Income tax expense	12(c)	(5,765,079)	(23,504,227)	(3,376,488)	(13,681,529)
Profit for the year		25,430,699	103,680,960	32,125,144	130,171,083
Other comprehensive (loss)/income					
Cash flow hedge reserve		(5,504,733)	(22,442,796)	-	-
Income tax relating to components of other comprehensive income		1,100,948	4,488,565	-	-
Currency translation differences		-	1,718,866	-	4,500,049
		(4,403,785)	(16,235,365)	-	4,500,049
Total comprehensive income for the year		21,026,914	87,445,595	32,125,144	134,671,132
Profit attributable to shareholder		25,430,699	103,680,960	32,125,144	130,171,083
Total comprehensive income attributable to shareholder		21,026,914	87,445,595	32,125,144	134,671,132

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

HATTHA BANK PLC. (FORMERLY KNOWN AS HATTHA KAKSEKAR LIMITED)

SEPARATE STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Attributable to shareholder				Total US\$
	Share capital	Share premium	Reserves	Retained earnings	
	US\$	US\$	US\$	US\$	
Year ended 31 December 2019					
At 1 January 2019	75,000,000	19,082,502	4,389,186	67,772,665	166,244,353
Profit for the year	-	-	-	32,125,144	32,125,144
Total comprehensive income for the year	-	-	-	32,125,144	32,125,144
Transfers	-	-	4,429,206	(4,429,206)	-
At 31 December 2019	75,000,000	19,082,502	8,818,392	95,468,603	198,369,497
In KHR'000 equivalents (Note 2.3)	305,625,000	77,761,196	40,434,996	384,534,508	808,355,700
Year ended 31 December 2020					
At 1 January 2020	75,000,000	19,082,502	8,818,392	95,468,603	198,369,497
Issuance of share capital	40,000,000	-	-	-	40,000,000
Profit for the year	-	-	-	25,430,699	25,430,699
Other comprehensive loss	-	-	(4,403,785)	-	(4,403,785)
Total comprehensive (loss)/income for the year	-	-	(4,403,785)	25,430,699	21,026,914
Transfers	-	-	23,616,759	(23,616,759)	-
At 31 December 2020	115,000,000	19,082,502	28,031,366	97,282,543	259,396,411
In KHR'000 equivalents (Note 2.3)	465,175,000	77,188,721	114,964,820	391,929,941	1,049,258,482

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

HATTHA BANK PLC. (FORMERLY KNOWN AS HATTHA KAKSEKAR LIMITED)

**SEPARATE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Notes	Year ended 31 December 2020		Year ended 31 December 2019	
		US\$	KHR'000 (Note 2.3)	US\$	KHR'000 (Note 2.3)
Cash flows from operating activities					
Profit before income tax		31,195,778	127,185,187	35,501,632	143,852,612
<i>Adjustments for:</i>					
Net interest income	24	(101,142,631)	(412,358,507)	(82,463,161)	(334,140,729)
Net losses from other financial instruments at FVTPL	26	520,680	2,122,812	1,965,310	7,963,436
Net impairment losses/(gains) on financial instruments	28	20,028,862	81,657,670	(105,224)	(426,368)
Depreciation and amortisation	30	5,374,346	21,911,209	5,328,403	21,590,689
Provision for employee benefits		1,498,174	6,108,055	1,286,720	5,213,789
Losses on disposals of property and equipment		3,783	15,423	2,333	9,453
Written-off of intangible asset		6,600	26,908	-	-
Effect of currency translation of monetary items		1,138,169	4,640,315	110,023	445,813
		(41,376,239)	(168,690,928)	(38,373,964)	(155,491,305)
<i>Changes in:</i>					
Balances with the NBC		(37,447,996)	(152,675,480)	(13,641,631)	(55,275,889)
Balances with other banks		(29,450,000)	(120,067,650)	-	-
Loans to customers		(273,853,395)	(1,116,500,291)	(296,500,679)	(1,201,420,751)
Other assets		15,092,039	61,530,243	(18,848,889)	(76,375,698)
Deposits from customers and financial institutions		191,825,328	782,071,862	117,941,749	477,899,967
Other liabilities		(38,274,552)	(156,045,349)	43,051,507	174,444,706
Cash used in operations		(213,484,815)	(870,377,593)	(206,371,907)	(836,218,970)
Interest received		172,275,485	702,367,152	141,413,930	573,009,244
Interest paid		(68,523,586)	(279,370,660)	(57,457,328)	(232,817,093)
Income tax paid	12(b)	(2,898,965)	(11,819,080)	(6,408,602)	(25,967,655)
Net cash used in operating activities		(112,631,881)	(459,200,181)	(128,823,907)	(521,994,474)
Cash flows from investing activities					
Purchases of property and equipment	9	(3,237,889)	(13,200,873)	(2,257,061)	(9,145,611)
Purchases of intangible assets	11	(1,783,371)	(7,270,804)	(1,695,188)	(6,868,902)
Proceeds from disposals of property and equipment		1,988	8,105	753	3,051
Investment in subsidiary		-	-	(490)	(1,985)
Net cash used in investing activities		(5,019,272)	(20,463,572)	(3,951,986)	(16,013,447)

HATTHA BANK PLC. (FORMERLY KNOWN AS HATTHA KAKSEKAR LIMITED)

**SEPARATE STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Year ended 30 December 2020		Year ended 31 December 2019		
	Notes	US\$	KHR'000	US\$	KHR'000
			(Note 2.3)		(Note 2.3)
Cash flows from financing activities					
Proceeds from borrowings		305,700,896	1,246,342,553	184,816,851	748,877,880
Proceeds from subordinated debts		7,000,000	28,539,000	-	-
Repayments of borrowings		(216,483,947)	(882,605,052)	(65,787,097)	(266,569,317)
Repayments of subordinated debts		(7,000,000)	(28,539,000)	(11,000,000)	(44,572,000)
Principal elements of lease payments		(3,979,231)	(16,223,325)	(3,529,551)	(14,301,741)
Issuance of share capital		40,000,000	163,080,000	-	-
Net cash from financing activities		125,237,718	510,594,176	104,500,203	423,434,822
Net increase/(decrease) in cash and cash equivalents		7,586,565	30,930,423	(28,275,690)	(114,573,099)
Cash and cash equivalents at the beginning of the year		78,700,630	320,705,067	106,976,320	429,830,854
Currency translation differences		-	(2,603,786)	-	5,447,312
Cash and cash equivalents at the end of year	32	86,287,195	349,031,704	78,700,630	320,705,067
Significant non-cash transaction:					
Conversion of amount due to shareholder to share capital		40,000,000	161,800,000	-	-

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

HATTHA BANK PLC. (FORMERLY KNOWN AS HATTHA KAKSEKAR LIMITED) AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. REPORTING ENTITY

HATTHA Bank Plc. (the "Bank") transforming from Hattha Kaksekar Limited (HKL) micro-finance deposit taking institution, obtained license to carry out banking operations from the National Bank of Cambodia on 05 August 2020 and endorsed this change in the amended Memorandum and Associations dated 26 August 2020. Prior to 05 August 2020, the Ministry of Commerce issued an incorporation certificate dated 3 April 2001 to HKL to operate as a limited company with the aim of providing credit and saving services for the lower segments of the market. On 19 October 2001, under license number 2, the NBC granted HKL a license to conduct micro-finance business for a three-year period which expired on 19 October 2004. On 12 July 2004, HKL obtained a new license for a three-year period which expired on 19 October 2007. The NBC granted an indefinite micro-finance license to the Bank effective from 8 August 2007.

On 29 January 2010, the NBC granted HKL a license to conduct the deposit taking business.

On 9 October 2013, HKL obtained approval from NBC for operating Mobile Banking exclusively covering the services namely (1) balance inquiry, (2) account statement summary, (3) search ATM location, (4) fund transfers, (5) mobile top-up, (6) loan repayment, (7) check interest rate, (8) check exchange rate, (9) loan repayment alert, (10) advertising through mobile device and (11) SMS notification.

NBC approved HKL to be an Insurance Agent by acting as Referral for Prévoir Kampuchea Micro Life Insurance Plc. and Sovannaphum Life Assurance Plc. on 19 December 2014 and 29 December 2017, respectively.

The principal activity of the Bank includes commercial bank activities.

The Bank operates in 177 offices (including Head Office) located in Phnom Penh and all provinces of the country with the primary source of income being interest income earned on providing loans to customers.

The Bank's registered office is located at No. 606, Street 271, Sansam Kosal 3 Village, Sangkat Boeung Tumpun I, Khan Mean Chey, Phnom Penh, Kingdom of Cambodia.

Hattha Services Co., Ltd., the subsidiary, was incorporated on 8 October 2019 by the Bank and Saray Holding Limited, a private limited company incorporated in Cambodia. The principal activity of the subsidiary is buying, selling, renting and operating of self-owned or leased real estate.

2. BASIS OF ACCOUNTING

2.1 Basis of preparation and measurement

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

The financial statements have been prepared on a historical cost basis, except for the Derivatives held for risk management (see Note 3.8), that are measured on a fair value basis.

The financial statements of the Group and the Bank were authorised for issue by the Board of Directors on 26 March 2021.

**HATTHA BANK PLC. (FORMERLY KNOWN AS HATTHA KAKSEKAR LIMITED) AND ITS
SUBSIDIARY**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. BASIS OF ACCOUNTING (continued)

2.2 Functional and presentation currency

The Group and the Bank transact its business and maintains its accounting records in three currencies, Khmer Riel ("KHR"), United States Dollars ("US\$") and Thai Baht ("THB"). Management have determined the US\$ to be the functional and presentation currency of the Group and the Bank as it reflects the economic substance of the underlying events and circumstances of the Group and the Bank.

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

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

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

2.3 Presentation in Khmer Riel

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

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

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

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

These convenience translations should not be construed as representations that the United States Dollars amounts have been, could have been, or could in the future be, converted into Khmer Riels at this or any other rate of exchange.

**HATTHA BANK PLC. (FORMERLY KNOWN AS HATTHA KAKSEKAR LIMITED) AND ITS
SUBSIDIARY**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. BASIS OF ACCOUNTING (continued)

2.4 Basis of consolidation

The consolidated financial statements include the financial statements of the Bank and its subsidiary made up to the end of each financial year.

A subsidiary is a company in which the Group has power to exercise control over the financial and operating policies of an enterprise so as to obtain benefits from its activities.

Control is achieved when the Bank:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affects its returns.

The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the Bank has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Bank considers all relevant facts and circumstances in assessing whether or not the Bank's voting rights in an investee are sufficient to give it power, including:

- the size of the Bank's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Bank, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Bank has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Specifically, the results of subsidiary acquired or disposed of during the year are included in profit or loss and other comprehensive income from the date the Bank gains control until the date when the Bank ceases to control the subsidiary.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Where necessary, adjustments are made to the financial statements of subsidiary to bring the accounting policies used into line with the Group's accounting policies.

Changes in the Group's ownership interests in subsidiary that do not result in the group losing control over the subsidiary are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Bank.

HATTHA BANK PLC. (FORMERLY KNOWN AS HATTHA KAKSEKAR LIMITED) AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

2. BASIS OF ACCOUNTING (continued)

2.4 Basis of consolidation (continued)

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable CIFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under CIFRS 9, or when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the Bank's separate financial statements, investment in subsidiary is carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

The Bank owns 49% of the share capital of Hattha Services Co., Ltd.; and other 51% is owned by Saray Holding Limited. Even though the Bank owns 49% in the shareholding of Hattha Services Co., Ltd., the BoD believes that they have full control over this subsidiary because all operating and financial decisions are governed and directed by the Bank.

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Interest

Effective interest rate (EIR)

Interest income and expense are recognised in profit or loss using the effective interest method. The "effective interest rate or EIR" 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 EIR for financial instruments, the Group and the Bank estimate future cash flows considering all contractual terms of the financial instrument, but not the expected credit losses (ECL).

The calculation of the EIR includes all fees paid or received between parties to the contract that are an integral part of the EIR, and transactions costs. 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.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Interest (continued)

Amortised cost and gross carrying amount (continued)

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 EIR 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 EIR is applied to the gross carrying amount of the asset before adjusting for any expected credit loss allowance or to the amortised cost of the liability. The EIR is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

For financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the EIR to the amortised cost of the credit-impaired 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 EIR 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 profit or loss includes interest on financial assets measured at amortised cost.

Interest expense presented in profit or loss includes financial liabilities measured at amortised cost.

3.2 Fee and commission

Fee and commission income and expense include fees other than those that are an integral to the EIR on a financial asset or financial liability (see Note 3.1).

Fee and commission income, including referral fees, remittance fees, service charges and fees on deposit accounts, other fees and commissions on loans and other fee income are recognised when the related services are performed.

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

3.3 Net gains/losses from other financial instruments at fair value through profit or loss (FVTPL)

Net gains/losses from other financial instruments at FVTPL relates to non-trading derivatives held for risk management purposes that do not form part of qualifying hedging relationships, financial assets and financial liabilities designated as at FVTPL and also non-trading assets mandatorily measured at FVTPL. The line item includes fair value changes, interest, and foreign exchange differences.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Employee benefits

Provident benefits

The Group and the Bank provide its employees upon completion of probationary period with provident benefits, being a defined contribution plan. The Group and the Bank contribute fund to each individual employee on a monthly basis at a percentage of the employees' monthly salaries based on their years of service, as follows:

Number of working year	Monthly rate
Up to 5 years	6%
More than 5 years to 10 years	8%
More than 10 years	10%

The provident funds are maintained at saving accounts under the name of each employee with the Bank and the withdrawal can only be made upon resignation, dead or retirement. Upon resignation or retirement, an employee who has worked for the Group and the Bank for three years or more is entitled to provident fund accumulated and interest earned in their saving accounts.

Obligations for contributions to defined contribution plans are expensed as the related service is provided and recognised as personnel expenses in profit or loss.

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 Group and the Bank have 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.

3.5 Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in OCI.

The Group and the Bank have 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".

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Income tax (continued)

Deferred tax (continued)

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

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

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

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

3.6 Financial assets and financial liabilities

Recognition and initial measurement

The Group and the Bank initially recognise balances with the NBC, balances with other banks, loans to customers, investment securities, deposits from customers and financial institutions, debt securities issued, derivatives held for risk management, borrowings, and subordinated debts on the date on which they are originated.

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

Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group and the Bank changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Financial assets and financial liabilities (continued)

Classification and subsequent measurement (continued)

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

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group and 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 Group and the Bank assess 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 Group and 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 of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Financial assets and financial liabilities (continued)

Classification and subsequent measurement (continued)

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 that are SPPI, the Group and the Bank consider 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.

Reclassifications

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

Financial liabilities

The Group and the Bank classify its financial liabilities as measured at amortised cost, except for derivatives held for risk management that are not hedge accounting which are measured at FVTPL.

Modification and derecognition

Financial assets

The Group and the Bank derecognise a financial asset when the contractual rights to the cash flows from the financial asset expire. On derecognition of a financial asset, the difference between the carrying amount of the asset and the consideration received is recognised in profit or loss.

If the terms of a financial asset are modified, then the Group and the Bank evaluate 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 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 or loss as part of the gain or loss on derecognition.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Financial assets and financial liabilities (continued)

Modification and derecognition (continued)

Financial assets (continued)

If the modification of a financial asset measured at amortised cost does not result in derecognition of the financial asset; then the Group and the Bank first recalculate the gross carrying amount of the financial asset using the original EIR of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. 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 method.

Financial liabilities

The Group and the Bank derecognise a financial liability when its contractual obligations are discharged or cancelled, or expire.

The Group and the Bank derecognise 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 or loss.

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 EIR and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original EIR 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 EIR on the instrument.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group and the Bank currently have a legally enforceable 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.

Income and expenses are presented on a net basis only when permitted under CIFRS, or for gains and losses arising from a group of similar transactions.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Financial assets and financial liabilities (continued)

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 Group and the Bank have access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Group and the Bank measure 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 Group and the Bank use 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 Group and the Bank determine 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 or 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.

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 Group and 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 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 Group and 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.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Financial assets and financial liabilities (continued)

Impairment

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

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets; and
- loan commitments: generally, as a provision.

For more details of impairment, refer to Note 37.1.4.

Write-off

Loans are written off in full when there is no reasonable expectation of recovering a financial asset in its entirety thereof. This is generally the case when the Group and the Bank determine 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 the 'Net impairment gains/(losses) on financial instruments' in profit or loss.

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

3.7 Cash and cash equivalents

Cash and cash equivalents consist cash on hand, unrestricted balances held with the NBC and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group and the Bank in the management of its short-term commitments.

3.8 Derivatives held for risk management

Derivative held for risk management purposes and hedge accounting

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives are measured at fair value in the statement of financial position.

The Group and the Bank designates certain derivative held for risk management as hedging instruments in qualifying hedging relationships.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Derivatives held for risk management (continued)

Policy applicable generally to hedging relationships

On initial designation of the hedge, the Group and the Bank formally documents the relationship between the hedging instrument and hedged item, including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both on inception of the hedging relationship and on an ongoing basis, of whether the hedging instrument is expected to highly effective in offsetting the changes in the fair value or cash flows of the respective hedged item during the period for which the hedge is designated. For a cash flow hedge of a forecast transaction, the Group and the Bank make an assessment of whether the forecast transaction is highly probable to occur and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

The Group and the Bank normally designates a portion of the cash flows of a financial instrument for cash flow or fair value changes attributable to a benchmark interest rate risk, if the portion is separately identifiable and reliably measurable.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in OCI and presented in the hedging reserve within equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. The amount recognised in the hedging reserve is reclassified from OCI to profit or loss as a reclassification adjustment in the same period as the hedged cash flows affect profit or loss, and in the same line item in the statement of profit or loss and OCI.

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. However, if the derivative is novated to a central counter party ("CCP") by both parties as a consequence of laws or regulations without changes in its terms except for those that are necessary for the novation, then the derivative is not considered expired or terminated. If the hedged cash flows are no longer expected to occur, then the Group immediately reclassifies the amount in the hedging reserve from OCI to profit or loss. For terminated hedging relationships, if the hedged cash flows are still expected to occur, then the amount accumulated in the hedging reserve is not reclassified until the hedged cash flows affect profit or loss; if the hedged cash flows are expected to affect profit or loss in multiple reporting periods, then the Group reclassifies the amount in the hedging reserve from OCI to profit or loss on a straight-line basis.

Regarding the specific policies for hedges affected by the IBOR reform in the Phase 1 amendments, the notional amounts of hedging instruments documented in the hedging relationships which might impacted by the benchmark interest rate reform are presented in note 18A.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Derivatives held for risk management (continued)

Specific policies for hedges affected by IBOR reform

i. The Phase 1 amendments

If a hedging relationship is directly affected by IBOR reform, then the Group and the Bank apply certain exceptions (referred to as 'the Phase 1 amendments') to the general hedge accounting policy. The Group and the Bank consider that a hedging relationship is directly affected by IBOR reform if it is subject to the following uncertainty arising from the reform:

- an interest rate benchmark subject to the reform is designated as the hedged risk, regardless of whether the rate is contractually specified; and/or
- the timing or amounts of interest rate benchmark-based cash flows of the hedged item or of the hedging instrument are uncertain.

The Phase 1 amendments to the Group's and the Bank's policies are as follows.

- a. For the purpose of evaluating whether the hedging relationship is expected to be highly effective (i.e. prospective effectiveness assessment), the Group and the Bank assumes that the benchmark interest rate is not altered as a result of IBOR reform.
- b. If the Group and the Bank conclude that the actual result of a hedging relationship is outside the monitoring range (i.e. retrospective assessment), then the Group and the Bank determine whether the hedging relationship continues to qualify for hedge accounting or whether it needs to be discontinued. This includes, for example, determining that the hedge is expected to be highly effective prospectively and that the effectiveness of the hedging relationship can be reliably measured.
- c. For a cash flow hedge of a forecast transaction, the Group and the Bank assumes that the benchmark interest rate will not be altered as a result of IBOR reform for the purpose of asserting that the forecast transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss.
- d. In determining whether a previously designated forecast transaction is no longer expected to occur, the Group assumes that the hedged interest rate benchmark cash flows will not be altered as a result of IBOR reform.

When the uncertainty arising from IBOR reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows of the hedged item or hedging instrument, or – except for item (d) – when the hedging relationship is discontinued, the Group and the Bank will cease to apply the respective Phase 1 amendments.

3.9 Loans to customers

Loans to customers captioned in the statement of financial position represent loans 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 rate method.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Investment securities

Investment securities caption in the statement of financial position represents equity investment securities designated as at FVOCI. Changes in the fair value of investments in equity instruments are presented in OCI.

Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss in the 'Other income' line item, unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI (if any) are transferred to retained earnings on disposal of an investment.

3.11 Property and equipment

Recognition and measurement

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

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

Subsequent costs

Subsequent expenditure is capitalised only when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group and the Bank. Ongoing repairs and maintenance are expensed as incurred.

Depreciation

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

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

	Useful lives
Premise and building improvement	10 – 50 years
Leasehold improvement	3 – 10 years
Furniture and fixtures	3 – 5 years
Equipment	3 – 5 years
Computer equipment	3 – 5 years
Motor vehicles	3 – 5 years

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

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

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

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Intangible assets

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

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

Software and licenses are amortised on a straight-line basis in profit or loss over its estimated useful life, from the date on which it is available for use.

The estimated useful life of software for the current and comparative periods is as follows:

Software and License	3 – 7 years
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Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3.13 Leases

The Group and the Bank assess whether a contract is or contains a lease, at inception of a contract.

Leases as lessee

The Group and the Bank recognise right-of-use assets and corresponding lease liabilities with respect to all lease agreements in which it is the lessee, except for leases of low value assets. For these leases, the Group and the Bank recognise the lease payments as an operating expense on a straight-line basis over the term of the lease.

Lease liabilities

The lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using its incremental borrowing rate which is the rate of interest that the Group and the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use-asset in a similar economic environment.

The Group and the Bank determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

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

- fixed lease payments, less any lease incentives;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Leases (continued)

Leases as lessee (continued)

The lease liabilities are presented as a separate line in the statement of financial position.

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

The Group and the Bank remeasure the lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever

- the lease term has changed in which case the lease liabilities are remeasured by discounting the revised lease payments using a revised discount rate.
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liabilities are remeasured by discounting the revised lease payments using a revised discount rate.

Right-of-use assets

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

The Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease. 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 right-of-use assets are presented as a separate line in the statement of financial position.

Leases as lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, then the Group applies CIFRS 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in CIFRS 9 to the net investment in the lease (see Note 3.6). The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Leases (continued)

Leases as lessor (continued)

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

3.14 Impairment of non-financial assets

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

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

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

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

Impairment losses are recognised in profit and loss.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.15 Deposits, debt securities issued, borrowings and subordinated debts

Deposits from customers and financial institutions, debt securities issued, borrowings and subordinated debts are the Group and the Bank's sources of debt funding.

Deposits from customers and financial institutions, debt securities issued, borrowings and subordinated debts are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest rate method.

Subordinated debts are long-term debts that are junior in terms of principal repayment to other Group and the Bank's debts. The subordinated debts which are approved by the NBC are included as a Tier II line item in the calculation of the Group and the Bank's net worth in accordance with the guidelines of the NBC.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 Provisions

Provisions are recognised if, as a result of a past event, the Group and the Bank have a legal or constructive obligation that can be estimated reliably, 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.

3.17 Contingent liabilities

Contingent liability shall be not recognized initially but it may be disclosed for its significant information, except for possibility of an outflow of resources embodying economic in the future. Contingent liabilities may change from initially expected. Therefore, they are assessed continuously to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognized in the financial statements.

3.18 Contingent assets

Contingent asset shall be not recognized initially but it may be disclosed for its significant information normally when unplanned or other unexpected events give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are assessed continuously to ensure that contingent assets are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements.

3.19 Reserves

Legal reserves

Before acquisition by Krungsri, the Bank's Articles of Incorporation required to transfer from retained earnings at the rate of 5% of its prior year net profit to these legal reserves. The transfer to this reserve fund shall cease when the reserve fund is equal to 10% of the Bank's registered capital. According to the new Memorandum and Articles of Association approved by the MoC on 12 September 2016, the legal reserves are no longer required after the Bank becomes solely-owned by Krungsri.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.19 Reserves (continued)

Regulatory provisions and regulatory reserves

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

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

According to the Prakas, the Group and the Bank are required to calculate the allowance for impaired facilities in accordance with the regulatory provision simultaneously with the calculation in accordance with CIFRSs. The provision calculated in accordance with CIFRSs is to be recognised and recorded. Excess amount of provision calculated in accordance with regulatory provision compared to the provision calculated under CIFRSs has to be transferred from retained earnings to regulatory reserve of shareholder's equity.

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

Classifications	Number of days past due	Allowance
<u>General allowance</u>		
<u>Short-term facilities (one year or less)</u>		
Normal	0-14 days	1%
<u>Long-term facilities (more than one year)</u>		
Normal	0-29 days	1%
<u>Specific allowance</u>		
<u>Short-term facilities (one year or less)</u>		
Special mention	15-30 days	3%
Sub-standard	31-60 days	20%
Doubtful	61-90 days	50%
Loss	91 days and above	100%
<u>Long-term facilities (more than one year)</u>		
Special mention	30-89 days	3%
Sub-standard	90-179 days	20%
Doubtful	180-359 days	50%
Loss	360 days and above	100%

For facility with repayment as quarterly, semi-annually or longer, such facility shall be classified as substandard if their repayments are past due from five working days.

The allowance is calculated as a percentage of the facility amount outstanding at the time the facility is classified, excluding accrued interest.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.19 Reserves (continued)

Non-distributable reserve

Non-distributable reserve is set up to strengthen Tier 1 capital and to manage solvency ratio to be in compliance with NBC's requirement. The transfer from retained earnings/accumulated losses to non-distributable reserves is subject to the approval of NBC. The reserve cannot be distributed without prior approval from NBC.

Others reserves

From 9 December 2010, the Group and the Bank are required to set up a reserve by a lender, Instituto de Credito Oficial ("ICO") of the Kingdom of Spain, in accordance with the requirement set out in the loan agreement under Spanish Microfinance Program. The reserve is transferred annually from the retained earnings based on the rate of 3.5% of the outstanding loan from ICO at the end of each year until 9 March 2023. The other reserves are for Institutional Strengthening and still retained in other reserved accounts during the life of the loan, except otherwise agreed by ICO and Agencia Española de Cooperación Internacional para el Desarrollo ("AECID"). Based on the loan agreement, the "other reserve" from that loan cannot be distributed for the life of loan, unless allowed by the lender with a request from the Group and the Bank to debit from that reserve account.

3.20 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 accordingly 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.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

4.1 Critical judgments in applying the accounting policies

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

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**4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY
(continued)**

4.1 Critical judgments in applying the accounting policies (continued)

Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test (see Note 3.6). The Group and the Bank determine the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group and the Bank monitor financial assets measured at amortised cost that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held.

Monitoring is part of the Group and the Bank's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Significant increase in credit risk

As explained in Note 37.1.4, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased the Group and the Bank take into account qualitative and quantitative reasonable and supportable forward-looking information. Please refer to Note 37 for more details.

Establishing groups of assets with similar credit risk characteristics

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The Group and the Bank monitor the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets.

Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

Models and assumptions used

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

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**4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY
(continued)**

4.2 Key sources of estimation uncertainty

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

Establishing the number and relative weightings of forward-looking scenarios for each type of product and determining the forward-looking information relevant to each scenario

When measuring ECL the Group and the Bank use reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Probability of default (PD)

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

Loss Given Default (LGD)

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Taxes

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

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

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5. BALANCES WITH THE NBC

Group and Bank	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Statutory deposits				
Capital guarantee deposit	11,500,877	46,521,047	11,531,305	46,990,068
Reserve requirement	86,972,939	351,805,538	49,524,943	201,814,143
	98,473,816	398,326,585	61,056,248	248,804,211
Current accounts	32,706,758	132,298,837	30,652,582	124,909,272
Negotiable Certificate of Deposit ("NCD")	4,161,104	16,831,666	4,225,755	17,219,951
	135,341,678	547,457,088	95,934,585	390,933,434

6. BALANCE WITH OTHER BANKS

Balances with other banks are measured at amortised cost because these instruments meet the SPPI criterion and are held to collect the contractual cash flows.

Group	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Balance with other banks at amortised cost	41,896,868	169,472,831	9,672,795	39,416,639
Impairment loss allowance	(167,030)	(675,636)	(14,992)	(61,092)
	41,729,838	168,797,195	9,657,803	39,355,547
Bank				
		(Note 2.3)		(Note 2.3)
Balance with other banks at amortised cost	41,823,659	169,176,700	9,672,795	39,416,639
Impairment loss allowance	(167,030)	(675,636)	(14,992)	(61,092)
	41,656,629	168,501,064	9,657,803	39,355,547

The movement of impairment loss allowance is presented in N37.1.2.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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6. BALANCE WITH OTHER BANKS (continued)

The above amounts are analysed as follows:

As at 31 December 2020

Group	Gross carrying amounts	ECL allowance	Carrying amounts	
	US\$	US\$	US\$	KHR'000
				(Note 2.3)
Current accounts	11,338,931	(20,247)	11,318,684	45,784,077
Savings accounts	1,023,621	(2,065)	1,021,556	4,132,194
Term deposits	29,534,316	(144,718)	29,389,598	118,880,924
	<u>41,896,868</u>	<u>(167,030)</u>	<u>41,729,838</u>	<u>168,797,195</u>

Bank	Gross carrying amounts	ECL allowance	Carrying amounts	
	US\$	US\$	US\$	KHR'000
				(Note 2.3)
Current accounts	11,338,931	(20,247)	11,318,684	45,784,077
Savings accounts	950,412	(2,065)	948,347	3,836,063
Term deposits	29,534,316	(144,718)	29,389,598	118,880,924
	<u>41,823,659</u>	<u>(167,030)</u>	<u>41,656,629</u>	<u>168,501,064</u>

As at 31 December 2019

Group and Bank	Gross carrying amounts	ECL allowance	Carrying amounts	
	US\$	US\$	US\$	KHR'000
				(Note 2.3)
Current accounts	4,505,799	(9,138)	4,496,661	18,323,893
Savings accounts	5,166,996	(5,854)	5,161,142	21,031,654
	<u>9,672,795</u>	<u>(14,992)</u>	<u>9,657,803</u>	<u>39,355,547</u>

7. LOANS TO CUSTOMERS

Group and Bank	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Loans to customers at amortised cost	1,312,160,841	5,307,690,602	1,041,441,228	4,243,873,004
Impairment loss allowance	<u>(23,336,673)</u>	<u>(94,396,842)</u>	<u>(5,168,298)</u>	<u>(21,060,814)</u>
	<u>1,288,824,168</u>	<u>5,213,293,760</u>	<u>1,036,272,930</u>	<u>4,222,812,190</u>

The movement of impairment loss allowance is presented in N37.1.2.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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7. LOANS TO CUSTOMERS (continued)

The above amounts are analysed as follows:

As at 31 December 2020

Group and Bank	Gross carrying amounts	ECL allowance	Carrying amounts	
	US\$	US\$	US\$	KHR'000
				(Note 2.3)
Individual loans				
External customers				
Mortgage lending	76,232,794	(2,071,819)	74,160,975	299,981,145
Personal lending	1,229,618,894	(21,255,185)	1,208,363,709	4,887,831,202
Staff loans	6,309,153	(9,669)	6,299,484	25,481,413
	<u>1,312,160,841</u>	<u>(23,336,673)</u>	<u>1,288,824,168</u>	<u>5,213,293,760</u>

As at 31 December 2019

Group and Bank	Gross carrying amounts	ECL allowance	Carrying amounts	
	US\$	US\$	US\$	KHR'000
				(Note 2.3)
Individual loans				
External customers				
Mortgage lending	70,231,258	(408,332)	69,822,926	284,528,424
Personal lending	965,340,346	(4,755,800)	960,584,546	3,914,382,025
Staff loans	5,869,624	(4,166)	5,865,458	23,901,741
	<u>1,041,441,228</u>	<u>(5,168,298)</u>	<u>1,036,272,930</u>	<u>4,222,812,190</u>

8. INVESTMENT SECURITIES

The Group and the Bank have designated investment in Cambodia Microfinance Association ("CMA") as equity instrument at fair value through OCI ("FVOCI") as the Group and the Bank hold this investment in the long term. The table below shows this investment as well as dividend income recognised from the investment.

Fair value

Group and Bank	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Investment in CMA Investment	<u>20,000</u>	<u>80,900</u>	<u>20,000</u>	<u>81,500</u>

Dividend income

Investment in CMA Investment (Note 27)	Year ended 31 December 2020		Year ended 31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
	<u>23,311</u>	<u>95,039</u>	<u>23,576</u>	<u>95,530</u>

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9. PROPERTY AND EQUIPMENT

Group	Freehold	Leasehold	Motor	Computer	Equipment	Furniture and	Work in	Total	
	Land	improvement	Vehicles	equipment		fixtures	progress	US\$	KHR'000
		US\$	US\$	US\$	US\$	US\$	US\$	US\$	
									(Note 2.3)
Cost									
At 1 January 2020	-	2,243,262	3,168,755	6,040,869	6,025,221	805,818	27,732	18,311,657	74,620,003
Additions	29,429,380	458,688	429,000	353,123	234,904	73,185	1,690,067	32,668,347	133,188,851
Disposals	-	(62,280)	(3,040)	(158,416)	(202,457)	(226)	-	(426,419)	(1,738,510)
Transfers	-	33,426	105,000	1,044,101	44,713	-	(1,227,240)	-	-
Currency translation differences	-	-	-	-	-	-	-	-	(1,581,093)
At 31 December 2020	<u>29,429,380</u>	<u>2,673,096</u>	<u>3,699,715</u>	<u>7,279,677</u>	<u>6,102,381</u>	<u>878,777</u>	<u>490,559</u>	<u>50,553,585</u>	<u>204,489,251</u>
Less: Accumulated depreciation									
At 1 January 2020	-	1,831,593	2,308,481	4,473,916	4,837,539	658,999	-	14,110,528	57,500,402
Depreciation	-	186,620	366,449	812,962	530,665	74,691	-	1,971,387	8,037,345
Disposals	-	(59,106)	(3,040)	(155,819)	(202,457)	(226)	-	(420,648)	(1,714,982)
Currency translation differences	-	-	-	-	-	-	-	-	(472,940)
At 31 December 2020	<u>-</u>	<u>1,959,107</u>	<u>2,671,890</u>	<u>5,131,059</u>	<u>5,165,747</u>	<u>733,464</u>	<u>-</u>	<u>15,661,267</u>	<u>63,349,825</u>
Carrying amounts									
At 31 December 2020	<u>29,429,380</u>	<u>713,989</u>	<u>1,027,825</u>	<u>2,148,618</u>	<u>936,634</u>	<u>145,313</u>	<u>490,559</u>	<u>34,892,318</u>	<u>141,139,426</u>

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9. PROPERTY AND EQUIPMENT (continued)

Bank	Leasehold improvement	Motor Vehicles	Computer equipment	Equipment	Furniture and fixtures	Work in progress	Total	
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	KHR'000
								(Note 2.3)
Cost								
At 1 January 2020	2,243,262	3,168,755	6,040,869	6,025,221	805,818	27,732	18,311,657	74,620,003
Additions	458,688	429,000	352,045	234,904	73,185	1,690,067	3,237,889	13,200,873
Disposals	(62,280)	(3,040)	(158,416)	(202,457)	(226)	-	(426,419)	(1,738,510)
Transfers	33,426	105,000	1,044,101	44,713	-	(1,227,240)	-	-
Currency translation differences	-	-	-	-	-	-	-	(639,318)
At 31 December 2020	<u>2,673,096</u>	<u>3,699,715</u>	<u>7,278,599</u>	<u>6,102,381</u>	<u>878,777</u>	<u>490,559</u>	<u>21,123,127</u>	<u>85,443,048</u>
Less: Accumulated depreciation								
At 1 January 2020	1,831,593	2,308,481	4,473,916	4,837,539	658,999	-	14,110,528	57,500,402
Depreciation	186,620	366,449	812,661	530,665	74,691	-	1,971,086	8,036,118
Disposals	(59,106)	(3,040)	(155,819)	(202,457)	(226)	-	(420,648)	(1,714,982)
Currency translation differences	-	-	-	-	-	-	-	(472,931)
At 31 December 2020	<u>1,959,107</u>	<u>2,671,890</u>	<u>5,130,758</u>	<u>5,165,747</u>	<u>733,464</u>	<u>-</u>	<u>15,660,966</u>	<u>63,348,607</u>
Carrying amounts								
At 31 December 2020	<u>713,989</u>	<u>1,027,825</u>	<u>2,147,841</u>	<u>936,634</u>	<u>145,313</u>	<u>490,559</u>	<u>5,462,161</u>	<u>22,094,441</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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9. PROPERTY AND EQUIPMENT (continued)

Group and Bank	Leasehold improvement	Motor Vehicles	Computer equipment	Equipment	Furniture and fixtures	Work in progress	Total	
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	KHR'000
								(Note 2.3)
Cost								
At 1 January 2019	2,028,458	2,817,715	5,192,431	5,538,063	705,237	38,632	16,320,536	65,575,913
Additions	233,124	351,040	603,404	394,017	101,628	573,848	2,257,061	9,145,611
Disposals	(37,171)	-	(126,144)	(92,338)	(5,505)	-	(261,158)	(1,058,212)
Transfers	18,851	-	371,178	185,479	4,458	(584,748)	(4,782)	(19,377)
Currency translation differences	-	-	-	-	-	-	-	976,068
At 31 December 2019	<u>2,243,262</u>	<u>3,168,755</u>	<u>6,040,869</u>	<u>6,025,221</u>	<u>805,818</u>	<u>27,732</u>	<u>18,311,657</u>	<u>74,620,003</u>
Less: Accumulated depreciation								
At 1 January 2019	1,586,760	1,931,929	3,803,058	4,253,887	596,268	-	12,171,902	48,906,702
Depreciation	280,260	376,552	796,535	675,116	68,236	-	2,196,699	8,901,024
Disposals	(35,427)	-	(125,677)	(91,464)	(5,505)	-	(258,073)	(1,045,712)
Currency translation differences	-	-	-	-	-	-	-	738,388
At 31 December 2019	<u>1,831,593</u>	<u>2,308,481</u>	<u>4,473,916</u>	<u>4,837,539</u>	<u>658,999</u>	<u>-</u>	<u>14,110,528</u>	<u>57,500,402</u>
Carrying amounts								
At 31 December 2019	<u>411,669</u>	<u>860,274</u>	<u>1,566,953</u>	<u>1,187,682</u>	<u>146,819</u>	<u>27,732</u>	<u>4,201,129</u>	<u>17,119,601</u>

HATTHA BANK PLC. (FORMERLY KNOWN AS HATTHA KAKSEKAR LIMITED) AND ITS SUBSIDIARY

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

10. RIGHT-OF-USE ASSETS

The Group and the Bank lease its headquarters, branch offices and premises for public Automated Teller Machine ("ATM").

Group

31 December 2020	Buildings	ATM	Total	
	US\$	premises	US\$	KHR'000
				(Note 2.3)
Cost				
At 1 January 2020	17,294,280	504,725	17,799,005	72,530,945
Additions	1,935,686	181,561	2,117,247	8,632,016
Reversals	(50,622)	(27,673)	(78,295)	(319,209)
Currency translation differences	-	-	-	(599,216)
At 31 December 2020	19,179,344	658,613	19,837,957	80,244,536
Less: Accumulated amortisation				
At 1 January 2020	5,246,053	271,695	5,517,748	22,484,823
Amortisation	2,821,040	171,209	2,992,249	12,199,399
Reversals	(15,759)	(13,837)	(29,596)	(120,663)
Currency translation differences	-	-	-	(260,337)
At 31 December 2020	8,051,334	429,067	8,480,401	34,303,222
Carrying amounts				
At 31 December 2020	11,128,010	229,546	11,357,556	45,941,314

Bank

31 December 2020	Land (*)	Buildings	ATM	Total	
	US\$	US\$	premises	US\$	KHR'000
	(Note 33)				(Note 2.3)
Cost					
At 1 January 2020	-	17,294,280	504,725	17,799,005	72,530,945
Additions	10,457,534	1,935,686	181,561	12,574,781	51,267,382
Reversals	-	(50,622)	(27,673)	(78,295)	(319,209)
Currency translation differences	-	-	-	-	(933,857)
At 31 December 2020	10,457,534	19,179,344	658,613	30,295,491	122,545,261
Less: Accumulated amortisation					
At 1 January 2020	-	5,246,053	271,695	5,517,748	22,484,823
Amortisation	108,933	2,821,040	171,209	3,101,182	12,643,519
Reversals	-	(15,759)	(13,837)	(29,596)	(120,663)
Currency translation differences	-	-	-	-	(263,823)
At 31 December 2020	108,933	8,051,334	429,067	8,589,334	34,743,856
Carrying amounts					
At 31 December 2020	10,348,601	11,128,010	229,546	21,706,157	87,801,405

(*) The subsidiary leases the land to the Bank for a period of 20 years with an option to renew the lease of another 20 years after the expiry date. From the period from 1 August 2023 to 31 July 2029, the rental fee shall be increased once every 3 years at the market rate, in which case the incremental rate shall be capped at 5% from 1 August 2023 to 31 July 2029 and 8% from 1 August 2029 until the expiration date of the term.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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10. RIGHT-OF-USE ASSETS (continued)

Group and Bank	Buildings	ATM	Total	
	US\$	premises US\$	US\$	KHR'000
31 December 2019				(Note 2.3)
Cost				
At 1 January 2019	15,095,835	346,830	15,442,665	62,048,628
Additions	2,234,115	185,708	2,419,823	9,805,123
Reversals	(35,670)	(27,813)	(63,483)	(257,233)
Currency translation differences	-	-	-	934,427
At 31 December 2019	<u>17,294,280</u>	<u>504,725</u>	<u>17,799,005</u>	<u>72,530,945</u>
Less: Accumulated amortisation				
At 1 January 2019	2,540,401	113,999	2,654,400	10,665,379
Amortisation	2,718,626	177,668	2,896,294	11,735,783
Reversals	(12,974)	(19,972)	(32,946)	(133,497)
Currency translation differences	-	-	-	217,158
At 31 December 2019	<u>5,246,053</u>	<u>271,695</u>	<u>5,517,748</u>	<u>22,484,823</u>
Carrying amounts				
At 31 December 2019	<u>12,048,227</u>	<u>233,030</u>	<u>12,281,257</u>	<u>50,046,122</u>

11. INTANGIBLE ASSETS

Group and Bank	Software	Work in	Total	
	and licenses US\$	progress US\$	US\$	KHR'000
31 December 2020				(Note 2.3)
Cost				
At 1 January 2020	3,780,168	1,377,359	5,157,527	21,016,923
Additions	182,618	1,600,753	1,783,371	7,270,804
Written-off	-	(6,600)	(6,600)	(26,743)
Transfers	856,910	(856,910)	-	-
Currency translation differences	-	-	-	(211,749)
At 31 December 2020	<u>4,819,696</u>	<u>2,114,602</u>	<u>6,934,298</u>	<u>28,049,235</u>
Less: Accumulated amortisation				
At 1 January 2020	2,857,056	-	2,857,056	11,642,504
Amortisation	302,078	-	302,078	1,231,572
Currency translation differences	-	-	-	(95,379)
At 31 December 2020	<u>3,159,134</u>	<u>-</u>	<u>3,159,134</u>	<u>12,778,697</u>
Carrying amount				
At 31 December 2020	<u>1,660,562</u>	<u>2,114,602</u>	<u>3,775,164</u>	<u>15,270,538</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

11 INTANGIBLE ASSETS (continued)

Group and Bank 31 December 2019	Software and licenses	Work in progress	Total	
	US\$	US\$	US\$	KHR'000
				(Note 2.3)
Cost				
At 1 January 2019	3,095,091	366,562	3,461,653	13,908,921
Additions	182,742	1,512,446	1,695,188	6,868,902
Disposals	(4,096)	-	(4,096)	(16,597)
Transfers	506,431	(501,649)	4,782	19,377
Currency translation differences	-	-	-	236,320
At 31 December 2019	<u>3,780,168</u>	<u>1,377,359</u>	<u>5,157,527</u>	<u>21,016,923</u>
Less: Accumulated amortisation				
At 1 January 2019	2,625,742	-	2,625,742	10,550,231
Amortisation	235,410	-	235,410	953,882
Disposals	(4,096)	-	(4,096)	(16,597)
Currency translation differences	-	-	-	154,988
At 31 December 2019	<u>2,857,056</u>	<u>-</u>	<u>2,857,056</u>	<u>11,642,504</u>
Carrying amounts				
At 31 December 2019	<u>923,112</u>	<u>1,377,359</u>	<u>2,300,471</u>	<u>9,374,419</u>

12. INCOME TAX

(a) Deferred tax assets, net

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

Group	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Deferred tax assets	12,340,473	49,917,213	6,141,196	25,025,373
Deferred tax liabilities	<u>(4,349,324)</u>	<u>(17,593,015)</u>	<u>(2,238,513)</u>	<u>(9,121,940)</u>
Net deferred tax assets	<u>7,991,149</u>	<u>32,324,198</u>	<u>3,902,683</u>	<u>15,903,433</u>
Bank	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Deferred tax assets	12,255,863	49,574,966	6,141,196	25,025,373
Deferred tax liabilities	<u>(4,279,220)</u>	<u>(17,309,445)</u>	<u>(2,238,513)</u>	<u>(9,121,940)</u>
Net deferred tax assets	<u>7,976,643</u>	<u>32,265,521</u>	<u>3,902,683</u>	<u>15,903,433</u>

**HATTHA BANK PLC. (FORMERLY KNOWN AS HATTHA KAKSEKAR LIMITED) AND ITS
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FOR THE YEAR ENDED 31 DECEMBER 2020**

12. INCOME TAX (continued)

(a) Deferred tax assets, net (continued)

The movement of net deferred tax assets was as follows:

Group	Year ended 31 December 2020		Year ended 31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
At 1 January	3,902,683	15,903,433	3,100,212	12,456,652
Credited to profit or loss	2,987,518	12,180,111	802,471	3,251,613
Credited to other comprehensive income	1,100,948	4,488,565	-	-
Currency translation differences	-	(247,911)	-	195,168
At 31 December	<u>7,991,149</u>	<u>32,324,198</u>	<u>3,902,683</u>	<u>15,903,433</u>
Bank				
		(Note 2.3)		(Note 2.3)
At 1 January	3,902,683	15,903,433	3,100,212	12,456,652
Credited to profit or loss	2,973,012	12,120,970	802,471	3,251,613
Credited to other comprehensive income	1,100,948	4,488,565	-	-
Currency translation differences	-	(247,447)	-	195,168
At 31 December	<u>7,976,643</u>	<u>32,265,521</u>	<u>3,902,683</u>	<u>15,903,433</u>

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

Group	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Depreciation and amortisation	(4,113,634)	(16,639,650)	(2,174,955)	(8,862,942)
Unrealised exchange gains	(79,158)	(320,194)	(63,558)	(258,999)
Lease liabilities	4,566,729	18,472,419	2,601,042	10,599,246
Deferred fee income	2,455,819	9,933,788	2,153,719	8,776,405
Impairment loss allowances	3,128,699	12,655,587	712,214	2,902,272
Fair value losses	122,435	495,250	367,867	1,499,058
Provident benefits	542,358	2,193,838	251,183	1,023,571
Bonuses and unused leaves	28,798	116,488	39,584	161,305
Unused tax credits	15,587	63,049	15,587	63,517
Fair Value through OCI	1,323,516	5,353,623	-	-
	<u>7,991,149</u>	<u>32,324,198</u>	<u>3,902,683</u>	<u>15,903,433</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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12. INCOME TAX (continued)

(a) Deferred tax assets, net (continued)

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

Bank	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Depreciation and amortisation	(4,198,244)	(16,981,897)	(2,174,955)	(8,862,942)
Unrealised exchange gains	(79,158)	(320,194)	(63,558)	(258,999)
Lease liabilities	4,566,729	18,472,419	2,601,042	10,599,246
Deferred fee income	2,525,923	10,217,359	2,153,719	8,776,405
Impairment loss allowances	3,128,699	12,655,587	712,214	2,902,272
Fair value losses	122,435	495,250	367,867	1,499,058
Provident benefits	542,358	2,193,838	251,183	1,023,571
Bonuses and unused leaves	28,798	116,488	39,584	161,305
Unused tax credits	15,587	63,049	15,587	63,517
Fair Value through OCI	1,323,516	5,353,622	-	-
	<u>7,976,643</u>	<u>32,265,521</u>	<u>3,902,683</u>	<u>15,903,433</u>

(b) Current income tax liabilities

The movement of current income tax liabilities was as follow:

Group	Year ended 31 December 2020		Year ended 31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
At 1 January	2,632,899	10,729,063	4,862,542	19,537,694
Current income tax expense	8,760,658	35,717,203	4,178,959	16,933,142
Current income tax paid	(2,901,244)	(11,828,372)	(6,408,602)	(25,967,655)
Currency translation differences	-	(266,488)	-	225,882
At 31 December	<u>8,492,313</u>	<u>34,351,406</u>	<u>2,632,899</u>	<u>10,729,063</u>

Bank	Year ended 31 December 2020		Year ended 31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
At 1 January	2,632,899	10,729,063	4,862,542	19,537,694
Current income tax expense	8,738,091	35,625,197	4,178,959	16,933,142
Current income tax paid	(2,898,965)	(11,819,080)	(6,408,602)	(25,967,655)
Currency translation differences	-	(265,839)	-	225,882
At 31 December	<u>8,472,025</u>	<u>34,269,341</u>	<u>2,632,899</u>	<u>10,729,063</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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12. INCOME TAX (continued)

(c) Income tax expense

Group	Year ended 31 December 2020		Year ended 31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Current income tax	8,760,658	35,717,203	4,178,959	16,933,142
Deferred tax	(2,987,518)	(12,180,111)	(802,471)	(3,251,613)
Income tax expense	<u>5,773,140</u>	<u>23,537,092</u>	<u>3,376,488</u>	<u>13,681,529</u>
Bank	Year ended 31 December 2020		Year ended 31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Current income tax	8,738,091	35,625,197	4,178,959	16,933,142
Deferred tax	(2,973,012)	(12,120,970)	(802,471)	(3,251,613)
Income tax expense	<u>5,765,079</u>	<u>23,504,227</u>	<u>3,376,488</u>	<u>13,681,529</u>

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

Group	Year ended 31 December 2020		Year ended 31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Profit before income tax	31,452,439	128,231,594	35,492,157	143,814,220
Income tax using statutory rate 20%	6,249,112	25,477,630	7,098,431	28,762,842
Tax effect of:				
Non-deductible expenses	40,251	164,103	125,532	508,656
Taxable losses of subsidiary	(1,895)	(7,726)	1,895	7,679
Under provision in prior year	40,817	166,411	164,794	667,745
Impact of tax incentive	(555,145)	(2,263,326)	(4,014,164)	(16,265,393)
	<u>5,773,140</u>	<u>23,537,092</u>	<u>3,376,488</u>	<u>13,681,529</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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12. INCOME TAX (continued)

(c) Income tax expense (continued)

Bank	Year ended 31 December 2020		Year ended 31 December 2019	
	US\$	KHR'000 (Note 2.3)	US\$	KHR'000 (Note 2.3)
Profit before income tax	31,195,778	127,185,187	35,501,632	143,852,612
Income tax using statutory rate 20%	6,239,156	25,437,039	7,100,326	28,770,521
Tax effect of:				
Non-deductible expenses	40,251	164,103	125,532	508,656
Under provision in prior year	40,817	166,411	164,794	667,745
Impact of tax incentive	(555,145)	(2,263,326)	(4,014,164)	(16,265,393)
	<u>5,765,079</u>	<u>23,504,227</u>	<u>3,376,488</u>	<u>13,681,529</u>

In accordance with Cambodian law on taxation, the Bank has an obligation to pay corporate income tax of either the income tax at the rate of 20% of taxable income or the minimum tax at 1% of gross revenue, whichever is higher.

Based on ANUKRET on Tax Incentive in CSX, the Bank is entitled to reduce half amount of its tax on income within the duration of tax incentive period. In order to get the incentives, the Bank needs to submit the request to the General Department of Taxation ("GDT") through the Securities and Exchange Commission of Cambodia ("SECC"). On 20 December 2019, the Bank received the letter from SECC informing that the request was submitted to GDT. The Bank has issued a clarification letter to GDT regarding the approval on tax incentive. On 23 March 2020, the Bank received the approval from the GDT on the tax incentives and thus reduced half of its tax on income for the fiscal year 2019.

Starting from fiscal year 2020, the Bank has implemented the new Prakas No. 183 on Implementation Guidelines on Tax Incentives on Tax on Income to New Securities Issuing Enterprises issued by the Ministry of Economy and Finance on 25 February 2020. According to the Prakas, the enterprise issuing debt securities equal to or less than 20% of its total assets is granted tax incentives on tax on income over 3 years by reducing the amount of tax on income based on the pro-rata percentage of value of debt securities over total assets, dividing by base 20.001% and multiplying by 50%.

However, since the Bank issues debt securities less than 20% of its total assets based on the Prakas, the Bank accrued the tax incentive by reducing 6% of tax on income as of 31 December 2020.

On 4 November 2020, the Bank submitted a letter to the SECC requesting tax incentive over tax on income for the fiscal year 2020 and the prepayment of tax on income 1% for the fiscal year 2021. On 17 March 2021, the Bank received the responding letter from SECC to implement the new Prakas No. 183 issued on 25 February 2020 and the prepayment of tax on income 1%. On 23 March 2021, the Bank submitted the clarification letter to GDT regarding to tax incentive and prepayment tax on income 1%. As at the date of this report, the Bank has yet received the response from GDT.

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13. OTHER ASSETS

Group	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Deferred employee expense	8,190,353	33,129,978	7,013,693	28,580,799
Deposits for leases	1,444,375	5,842,497	1,356,808	5,528,993
Prepaid maintenance services	526,076	2,127,977	381,799	1,555,831
Deposits for purchase of land	-	-	17,661,416	71,970,270
Other receivables	3,498,302	14,150,632	1,652,800	6,735,161
	<u>13,659,106</u>	<u>55,251,084</u>	<u>28,066,516</u>	<u>114,371,054</u>
Bank				
		(Note 2.3)		(Note 2.3)
Amounts due from related party (Note 33)	-	-	17,666,066	71,989,219
Deferred employee expense	8,190,353	33,129,978	7,013,693	28,580,799
Deposits for leases	1,942,633	7,857,950	1,356,808	5,528,993
Prepaid maintenance services	526,076	2,127,977	381,799	1,555,831
Other receivables	3,497,235	14,146,316	1,653,310	6,737,239
	<u>14,156,297</u>	<u>57,262,221</u>	<u>28,071,676</u>	<u>114,392,081</u>

14. DEPOSITS FROM CUSTOMERS AND FINANCIAL INSTITUTIONS

Group	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
At amortised cost				
Current deposits	3,792	15,339	-	-
Savings deposits	156,079,132	631,340,088	142,895,495	582,299,143
Term deposits	647,810,529	2,620,393,590	467,202,832	1,903,851,540
	<u>803,893,453</u>	<u>3,251,749,017</u>	<u>610,098,327</u>	<u>2,486,150,683</u>
Bank				
		(Note 2.3)		(Note 2.3)
At amortised cost				
Current deposits	3,792	15,339	-	-
Savings deposits	156,669,705	633,728,956	142,896,495	582,303,218
Term deposits	647,810,529	2,620,393,590	467,202,832	1,903,851,540
	<u>804,484,026</u>	<u>3,254,137,885</u>	<u>610,099,327</u>	<u>2,486,154,758</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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15. DEBT SECURITIES ISSUED

Group and Bank	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Debt securities issued at amortised cost	29,767,039	120,407,673	29,196,072	118,973,993

On 1 August 2018, the Bank obtained an approval letter from the NBC on the corporate bond issuance.

On 1 November 2018, the Bank received a final approval and registration from the Securities and Exchange Commission of Cambodia ("SECC") on the Single Submission Form and the Disclosure Document for its Public Offering of the Bank's Corporate Bond. The Bond was issued to the investors on 14 November 2018.

On 5 December 2018, the Bank was successfully listed on the Cambodia Securities Exchange ("CSX"). It is the first bank to list its corporate bond on the CSX.

The First Cambodian Corporate Bond issued by the Bank offers in an aggregate total principal amount of KHR 120 billion. The Bonds have a tenor of 3 years with the coupon rate of 8.50% per annum.

16. BORROWINGS

Group	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
At amortised cost				
Floating rate	26,153,300	105,790,099	47,403,299	193,168,443
Fixed rate	405,555,538	1,640,472,151	264,082,683	1,076,136,934
	431,708,838	1,746,262,250	311,485,982	1,269,305,377
Bank				
		(Note 2.3)		(Note 2.3)
At amortised cost				
Floating rate	26,153,300	105,790,099	47,403,299	193,168,443
Fixed rate	376,054,819	1,521,141,742	264,082,683	1,076,136,934
	402,208,119	1,626,931,841	311,485,982	1,269,305,377

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17. SUBORDINATED DEBTS

Group and Bank	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
At amortised cost				
Floating rate	-	-	5,047,841	20,569,952
Fixed rate	11,895,729	48,118,224	6,927,080	28,227,851
	<u>11,895,729</u>	<u>48,118,224</u>	<u>11,974,921</u>	<u>48,797,803</u>

During the year, subordinated debts amounting to US\$2,500,000, US\$1,000,000, US\$1,000,000 and US\$2,500,000 were repaid to the lender with the approval from the National Bank of Cambodia on 7 May 2020, 3 February 2020, 24 June 2020 and 6 November 2020 respectively. In addition, subordinated debts amounting to US\$7,000,000 was received from the lender with the approval from the National Bank of Cambodia on 28 December 2020.

18. DERIVATIVES HELD FOR RISK MANAGEMENT

Group and Bank		31 December 2020		31 December 2019	
		US\$	KHR'000	US\$	KHR'000
			(Note 2.3)		(Note 2.3)
Derivative assets					
Currency swap – Note 36	C	242,274	979,998	-	-
Derivative liabilities					
Interest rate swap					
designated in cash flow					
hedges – Note 36	A	6,632,592	26,828,835	-	-
Interest rate swap not designated					
in cash flow hedges – Note 36	B	650,685	2,632,020	1,868,132	7,612,638
Currency swap – Note 36	C	-	-	19,452	79,267
		<u>7,283,277</u>	<u>29,460,855</u>	<u>1,887,584</u>	<u>7,691,905</u>

The Group and the Bank uses the above derivatives to manage its exposure to foreign currency and interest rate risk. The instruments used principally include interest rate swaps and currency swaps.

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18. DERIVATIVES HELD FOR RISK MANAGEMENT (continued)

A. Cash flow hedges of interest rate risk

Interest rate designated in cash flow hedges was applied on 1 January 2020. The designated hedged exposure is US\$80,000,000 layer of the Bank's US\$ fixed deposits portfolio. The amount is exactly matched notional amount of the hedging instrument and this results in a hedge ratio of 1:1 or 100%. The hedge ratio is consistent with the strategy to hedge the total exposure arising from refinancing of fixed deposits. Cash flows hedge reserves amounting to US\$5,504,733 and its related deferred tax assets amounting US\$1,100,948 were recognised in OCI.

The Group and the Bank uses a pay fixed, receive floating interest rate swap to hedge against interest rate risk exposure arising from group of existing and forecasted US dollar fixed deposits. Hedge accounting is applied where economic hedging relationships meet the hedge accounting criteria.

The Group's and the Bank's approach to managing market risk, including interest rate risk and foreign exchange risk is discussed in Note 37.3.2.

The Group and the Bank determines whether an economic relationship exists between the cash flows of the hedged item and hedging instrument based on an evaluation of the qualitative characteristics of these items and the hedged risk that is supported by quantitative analysis. The Group and the Bank consider the hedged item creates exposure to changes in the USDLIBOR market rate. The value of hedged item apparently moves in the opposite direction to the hedging instrument which the Group and the Bank receive USDLIBOR3M and pay fixed rate. As a result, an economic relationship exists.

The Group and the Bank assesses hedge effectiveness using cumulative dollar offset method, which compares changes in the fair value of the hedging instrument to changes in the fair value of a hypothetical derivative.

In the hedging relationship, the main sources of ineffectiveness are:

- Insufficient exposure of hedged item in terms of balanced matured and balance of new accounts. The Group and the Bank will monitor on a quarterly basis to ensure that exposure will cover the designated notional amount of hedging instrument. In case of insufficiency, The Group and the Bank will recognise ineffectiveness to P&L and consider re-balancing.
- A significant change in the credit risk or either party of the hedging relationship.

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18. DERIVATIVES HELD FOR RISK MANAGEMENT (continued)

A. Cash flow hedges of interest rate risk (continued)

The amounts relating to items designated as hedged items at 31 December 2020 were as follows.:

	Carrying amount		Line item in the statement of financial position where the hedging instrument is included	Change in fair value of hedged item for ineffectiveness assessment	Cash flow hedge reserve	
	Assets	Liabilities			Continued hedges	Discontinued hedges
Group and Bank						
Interest rate risk						
Group and Bank of USD time-deposits (in US\$)	-	80,000,000	Deposits from customers and financial institutions	5,581,373	(5,504,733)	-
Total as of 31 December 2020	-	80,000,000		5,581,373	(5,504,733)	-
In KHR'000 equivalents (Note 2.3)		323,600,000		22,576,653	(22,266,646)	-

The following table sets out the maturity profile and average price of the hedging instruments used in hedging activities:

	Maturity 2020		
	Less than 1 year	1 – 5 years	More than 5 years
	US\$	US\$	US\$
Group and Bank			
Interest rate risk			
<i>Interest rate swap</i>			
Notional amount	-	-	80,000,000
In KHR'000 equivalents (Note 2.3)	-	-	323,600,000
Average fixed interest rate	-	-	1.94%

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18. DERIVATIVES HELD FOR RISK MANAGEMENT (continued)

A. Cash flow hedges of interest rate risk (continued)

The following table contains detail of the hedging instruments used in the hedging activities:

Group and Bank	Notional Amount	Carrying Amount		Line item in the statement of financial position where the hedging instrument is included	Hedge ratio	Change in fair value used for calculating hedge ineffectiveness
		Assets	Liabilities			
	US\$	US\$	US\$			US\$
Interest rate risk						
Interest rate swap	80,000,000	-	6,615,498			(5,519,746)
Total as of 31 December 2020	<u>80,000,000</u>	<u>-</u>	<u>6,615,498</u>	Derivatives held for risk management	1:1	<u>(5,519,746)</u>
In KHR'000 equivalents (Note 2.3)	<u>323,600,000</u>	<u>-</u>	<u>26,759,689</u>			<u>(22,327,374)</u>

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18. DERIVATIVES HELD FOR RISK MANAGEMENT (continued)

A. Cash flow hedges of interest rate risk (continued)

The following table contains information regarding the effectiveness of the hedging relationships as well as impacts on profit or loss and other comprehensive income.

Group and Bank	Gain/(loss) recognised in OCI	Hedge ineffectiveness recognised in PL	PL line item that includes hedge ineffectiveness	Amounts reclassified from reserves to PL as		
				Hedge cash flows will no longer occur	Hedged item affected PL	PL line item that includes reclassified amount
				US\$	US\$	US\$
Interest rate risk						
Interest rate swap	(5,519,746)	-	Net impairment gains/(losses) on financial instruments	-	(15,013)	
Total as of 31 December 2020	(5,519,746)	-		-	(15,013)	Interest expense
In KHR'000 equivalents (Note 2.3)	(22,327,374)	-		-	(60,728)	

B. Interest rate swap not designated in cash flow hedges

On 12 January 2017, the Group and the Bank entered into agreements with Krungsri for interest rate swap totalling US\$54 million, effective from 15 May 2017 to 14 May 2021. On 7 February 2018, the Group and the Bank entered into another agreement with Krungsri for interest rate swap of US\$55 million, effective from 23 February 2018 to 15 June 2022. This is to manage the Group and the Bank's exposure to interest rate risk of its funding.

C. Currency swap

On 29 June 2020, the Group and the Bank entered into currency swap agreements with J Trust Royal Bank with the amount of US\$5 million, effective from 29 June 2020 to 29 March 2021 and US\$5 million, effective from 30 June 2020 to 30 March 2021. On 11 August 2020, the Group and the Bank entered into currency swap agreement with J Trust Royal Bank with the amount of US\$10 million, effective from 12 August 2020 to 12 March 2021.

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19. LEASE LIABILITIES

Maturity analysis:

Group	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Not later than 1 year	3,500,976	14,161,448	3,427,479	13,966,977
Later than 1 year and not later than 5 years	9,440,148	38,185,399	9,581,177	39,043,296
Later than 5 years	1,982,417	8,018,877	3,112,002	12,681,409
	14,923,541	60,365,724	16,120,658	65,691,682
Less: unearned interest	(2,598,045)	(10,509,093)	(3,115,448)	(12,695,451)
	12,325,496	49,856,631	13,005,210	52,996,231

Bank	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Not later than 1 year	4,165,320	16,848,719	3,427,479	13,966,977
Later than 1 year and not later than 5 years	12,177,799	49,259,197	9,581,177	39,043,296
Later than 5 years	38,252,707	154,732,200	3,112,002	12,681,409
	54,595,826	220,840,116	16,120,658	65,691,682
Less: unearned interest	(31,762,179)	(128,478,014)	(3,115,448)	(12,695,451)
	22,833,647	92,362,102	13,005,210	52,996,231

Analysed as:

Group	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Current	2,681,850	10,848,083	2,543,796	10,365,969
Non-Current	9,643,646	39,008,548	10,461,414	42,630,262
	12,325,496	49,856,631	13,005,210	52,996,231

Bank	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Current	2,553,738	10,329,870	2,543,796	10,365,969
Non-Current	20,279,909	82,032,232	10,461,414	42,630,262
	22,833,647	92,362,102	13,005,210	52,996,231

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19. LEASE LIABILITIES (continued)

Amounts recognised in profit or loss:

Group	Year ended 31 December 2020		Year ended 31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Interest on lease liabilities	954,159	3,890,106	973,027	3,942,704

Bank	Year ended 31 December 2020		Year ended 31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Interest on lease liabilities	1,281,586	5,225,026	973,027	3,942,704

Amounts recognised in statement of cash flows:

Group	Year ended 31 December 2020		Year ended 31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Total cash outflow for leases	3,702,421	15,094,770	3,529,551	14,301,741

Bank	Year ended 31 December 2020		Year ended 31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Total cash outflow for leases	3,979,231	16,223,325	3,529,551	14,301,741

20. PROVISIONS

Group and Bank	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Loan commitments	77,369	312,958	2,717	11,072

The amount in respect of loan commitments represents impairment loss allowance.

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21. OTHER LIABILITIES

Group	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Amounts due to related party (*)	52,492	212,330	40,080,966	163,329,936
Short-term employee benefits	4,784,270	19,352,372	4,767,591	19,427,933
Provident benefits	2,786,304	11,270,600	1,266,489	5,160,943
Creditors and accruals	675,601	2,732,806	526,472	2,145,373
Others	1,616,223	6,537,623	1,542,567	6,285,961
	<u>9,914,890</u>	<u>40,105,731</u>	<u>48,184,085</u>	<u>196,350,146</u>

Bank	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Amounts due to related party (*)	52,492	212,330	40,080,966	163,329,936
Short-term employee benefits	4,783,344	19,348,626	4,767,591	19,427,933
Provident benefits	2,786,137	11,269,924	1,266,489	5,160,943
Creditors and accruals	671,751	2,717,233	521,647	2,125,712
Others	1,610,984	6,516,431	1,542,567	6,285,961
	<u>9,904,708</u>	<u>40,064,544</u>	<u>48,179,260</u>	<u>196,330,485</u>

(*) During the year ended 31 December 2020, the Group and the Bank transferred US\$40,000,000 for capital injection to the share capital (Note 22).

22. SHARE CAPITAL

Group and Bank	Number of share capital	
	2020	2019
At 1 January	75,000,000	75,000,000
Additional share capital issued during the year	40,000,000	-
At 31 December	<u>115,000,000</u>	<u>75,000,000</u>

	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Registered, issued and fully paid ordinary share of US\$1 each	<u>115,000,000</u>	<u>465,175,000</u>	<u>75,000,000</u>	<u>305,625,000</u>

The Bank is wholly owned by Bank of Ayudhya PCL. ("Krungsri"), a company incorporated in Thailand, with effective control from 12 September 2016.

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22. SHARE CAPITAL (continued)

On 10 May 2019, the Bank requested for approval from the NBC for increasing new share capital by US\$40 million from US\$75 million to US\$115 million. This request was approved by the NBC on 7 October 2019.

On 11 February 2020, the Ministry of Commerce approved the amended Memorandum and Articles of Association of the Bank with share capital of US\$115 million.

23. RESERVES

Group	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Non-distributable reserve (*)	30,000,000	121,350,000	-	-
Legal reserves	682,459	2,760,547	682,459	2,781,020
Regulatory reserves	250,847	1,014,676	6,724,489	27,402,293
Other reserves	1,501,845	6,074,962	1,411,444	5,751,634
Cash flow hedge reserve	(4,403,785)	(17,954,231)	-	-
Currency translation differences	-	1,710,977	-	4,499,831
	<u>28,031,366</u>	<u>114,956,931</u>	<u>8,818,392</u>	<u>40,434,778</u>
Bank				
		(Note 2.3)		(Note 2.3)
Non-distributable reserve (*)	30,000,000	121,350,000	-	-
Legal reserves	682,459	2,760,547	682,459	2,781,020
Regulatory reserves	250,847	1,014,676	6,724,489	27,402,293
Other reserves	1,501,845	6,074,962	1,411,444	5,751,634
Cash flow hedge reserve	(4,403,785)	(17,954,231)	-	-
Currency translation differences	-	1,718,866	-	4,500,049
	<u>28,031,366</u>	<u>114,964,820</u>	<u>8,818,392</u>	<u>40,434,996</u>

(*) The NBC approved the Group and the Bank to transfer from retained earnings to non-distributable reserve with the amount of US\$30,000,000 on 7 May 2020.

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23. RESERVES (continued)

The movements of reserves are as follows:

Group	Non-distributable reserve		Legal reserves		Regulatory reserves		Other reserves		Cash flow hedge reserve		Currency translation differences	Total	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)		(Note 2.3)		(Note 2.3)		(Note 2.3)	(Note 2.3)		(Note 2.3)
1 January 2020	-	-	682,459	2,781,020	6,724,489	27,402,293	1,411,444	5,751,634	-	-	4,500,049	8,818,392	40,434,996
Comprehensive income:													
Other comprehensive income-													
currency translation differences	-	-	-	-	-	-	-	-	(4,403,785)	(16,235,365)	-	(4,403,785)	(16,235,365)
Total comprehensive income for the year	-	-	-	-	-	-	-	-	(4,403,785)	(16,235,365)	-	(4,403,785)	(16,235,365)
Transfers from retained earnings to regulatory reserves	-	-	-	-	(6,473,642)	(26,393,038)	-	-	-	-	-	(6,473,642)	(26,393,038)
Transfers from retained earnings to non-distributable reserve	30,000,000	122,310,000	-	-	-	-	-	-	-	-	-	30,000,000	122,310,000
Transfer to other reserve	-	-	-	-	-	-	90,401	368,565	-	-	-	90,401	368,565
Currency translation differences	-	(960,000)	-	(20,473)	-	5,421	-	(45,237)	-	(1,718,866)	(2,789,072)	-	(5,528,227)
	<u>30,000,000</u>	<u>121,350,000</u>	<u>-</u>	<u>(20,473)</u>	<u>(6,473,642)</u>	<u>(26,387,617)</u>	<u>90,401</u>	<u>323,328</u>	<u>-</u>	<u>(1,718,866)</u>	<u>(2,789,072)</u>	<u>23,616,759</u>	<u>90,757,300</u>
31 December 2020	<u>30,000,000</u>	<u>121,350,000</u>	<u>682,459</u>	<u>2,760,547</u>	<u>250,847</u>	<u>1,014,676</u>	<u>1,501,845</u>	<u>6,074,962</u>	<u>(4,403,785)</u>	<u>(17,954,231)</u>	<u>1,710,977</u>	<u>28,031,366</u>	<u>114,956,931</u>

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23. RESERVES (continued)

Bank	Non-distributable reserve		Legal reserves		Regulatory reserves		Other reserves		Cash flow hedge reserve		Currency translation differences	Total	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)		(Note 2.3)		(Note 2.3)		(Note 2.3)	(Note 2.3)		(Note 2.3)
1 January 2020	-	-	682,459	2,781,020	6,724,489	27,402,293	1,411,444	5,751,634	-	-	4,500,049	8,818,392	40,434,996
Comprehensive income:													
Other comprehensive income- currency translation differences	-	-	-	-	-	-	-	-	(4,403,785)	(16,235,365)	-	(4,403,785)	(16,235,365)
Total comprehensive income for the year	-	-	-	-	-	-	-	-	(4,403,785)	(16,235,365)	-	(4,403,785)	(16,235,365)
Transfers from retained earnings to regulatory reserves	-	-	-	-	(6,473,642)	(26,393,038)	-	-	-	-	-	(6,473,642)	(26,393,038)
Transfers from retained earnings to non-distributable reserve	30,000,000	122,310,000	-	-	-	-	-	-	-	-	-	30,000,000	122,310,000
Transfer to other reserve	-	-	-	-	-	-	90,401	368,565	-	-	-	90,401	368,565
Currency translation differences	-	(960,000)	-	(20,473)	-	5,421	-	(45,237)	-	(1,718,866)	(2,781,183)	-	(5,520,338)
	<u>30,000,000</u>	<u>121,350,000</u>	<u>-</u>	<u>(20,473)</u>	<u>(6,473,642)</u>	<u>(26,387,617)</u>	<u>90,401</u>	<u>323,328</u>	<u>-</u>	<u>(1,718,866)</u>	<u>(2,781,183)</u>	<u>23,616,759</u>	<u>90,765,189</u>
31 December 2020	<u>30,000,000</u>	<u>121,350,000</u>	<u>682,459</u>	<u>2,760,547</u>	<u>250,847</u>	<u>1,014,676</u>	<u>1,501,845</u>	<u>6,074,962</u>	<u>(4,403,785)</u>	<u>(17,954,231)</u>	<u>1,718,866</u>	<u>28,031,366</u>	<u>114,964,820</u>

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23. RESERVES (continued)

Group	Legal reserves		Regulatory reserves		Other reserves		Currency translation differences	Total	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)		(Note 2.3)	(Note 2.3)		(Note 2.3)
1 January 2019	682,459	2,742,120	2,413,973	9,699,339	1,292,754	5,194,290	-	4,389,186	17,635,749
Transfers from retained earnings to regulatory reserves	-	-	4,310,516	17,466,211	-	-	-	4,310,516	17,466,211
Transfer to other reserve	-	-	-	-	118,690	480,932	-	118,690	480,932
Currency translation differences	-	38,900	-	236,743	-	76,412	4,499,831	-	4,851,886
	-	38,900	4,310,516	17,702,954	118,690	557,344	4,499,831	4,429,206	22,799,029
31 December 2019	682,459	2,781,020	6,724,489	27,402,293	1,411,444	5,751,634	4,499,831	8,818,392	40,434,778

Bank	Legal reserves		Regulatory reserves		Other reserves		Currency translation differences	Total	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)		(Note 2.3)	(Note 2.3)		(Note 2.3)
1 January 2019	682,459	2,742,120	2,413,973	9,699,339	1,292,754	5,194,290	-	4,389,186	17,635,749
Transfers from retained earnings to regulatory reserves	-	-	4,310,516	17,466,211	-	-	-	4,310,516	17,466,211
Transfer to other reserve	-	-	-	-	118,690	480,932	-	118,690	480,932
Currency translation differences	-	38,900	-	236,743	-	76,412	4,500,049	-	4,852,104
	-	38,900	4,310,516	17,702,954	118,690	557,344	4,500,049	4,429,206	22,799,247
31 December 2019	682,459	2,781,020	6,724,489	27,402,293	1,411,444	5,751,634	4,500,049	8,818,392	40,434,996

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24. NET INTEREST INCOME

Group	Year ended 31 December 2020		Year ended 31 December 2019	
	US\$	KHR'000 (Note 2.3)	US\$	KHR'000 (Note 2.3)
Interest income				
Loans to customers	173,288,917	706,498,915	141,671,348	574,052,302
Balances with other banks	205,877	839,361	160,269	649,410
Balances with the NBC	55,447	226,057	129,014	522,765
	<u>173,550,241</u>	<u>707,564,333</u>	<u>141,960,631</u>	<u>575,224,477</u>
Interest expense				
Deposits from customers and financial institutions	41,159,077	167,805,557	35,704,793	144,675,821
Borrowings	26,285,217	107,164,830	18,069,068	73,215,864
Debt securities issued	2,866,711	11,687,581	2,791,510	11,311,199
Subordinated debts	962,479	3,924,027	1,959,072	7,938,160
Lease liabilities	954,159	3,890,106	973,027	3,942,704
	<u>72,227,643</u>	<u>294,472,101</u>	<u>59,497,470</u>	<u>241,083,748</u>
Net interest income	<u>101,322,598</u>	<u>413,092,232</u>	<u>82,463,161</u>	<u>334,140,729</u>
Bank	Year ended 31 December 2020		Year ended 31 December 2019	
	US\$	KHR'000 (Note 2.3)	US\$	KHR'000 (Note 2.3)
Interest income				
Loans to customers	173,288,917	706,498,915	141,671,348	574,052,302
Balances with other banks	205,877	839,361	160,269	649,410
Balances with the NBC	55,447	226,057	129,014	522,765
	<u>173,550,241</u>	<u>707,564,333</u>	<u>141,960,631</u>	<u>575,224,477</u>
Interest expense				
Deposits from customers and financial institutions	41,160,503	167,811,371	35,704,793	144,675,821
Borrowings	26,136,331	106,557,821	18,069,068	73,215,864
Debt securities issued	2,866,711	11,687,581	2,791,510	11,311,199
Lease liabilities	1,281,586	5,225,026	973,027	3,942,704
Subordinated debts	962,479	3,924,027	1,959,072	7,938,160
	<u>72,407,610</u>	<u>295,205,826</u>	<u>59,497,470</u>	<u>241,083,748</u>
Net interest income	<u>101,142,631</u>	<u>412,358,507</u>	<u>82,463,161</u>	<u>334,140,729</u>

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25. NET FEE AND COMMISSION INCOME

Group and Bank	Year ended 31 December 2020		Year ended 31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Fee and commission income				
Other fees and commissions on loans	2,942,003	11,994,546	2,911,328	11,796,701
Referral fees	2,270,670	9,257,522	1,493,578	6,051,978
Service charges on deposit accounts	250,941	1,023,086	240,054	972,699
Remittance fees	84,744	345,501	124,569	504,754
Other fee income	137,772	561,697	139,978	567,190
	<u>5,686,130</u>	<u>23,182,352</u>	<u>4,909,507</u>	<u>19,893,322</u>
Fee and commission expense				
Borrowing fees	344,347	1,403,903	384,481	1,557,917
Bank charges	300,465	1,224,996	234,585	950,539
Referral fees	44,237	180,354	55,556	225,113
Debt securities fees	19,393	79,065	18,172	73,633
Subordinated debts fees	4,593	18,726	5,238	21,224
	<u>713,035</u>	<u>2,907,044</u>	<u>698,032</u>	<u>2,828,426</u>
Net fee and commission income	<u>4,973,095</u>	<u>20,275,308</u>	<u>4,211,475</u>	<u>17,064,896</u>

26. NET LOSSES FROM OTHER FINANCIAL INSTRUMENTS AT FVTPL

Group and Bank	Year ended 31 December 2020		Year ended 31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Interest rate	782,407	3,189,873	1,945,858	7,884,617
Foreign exchange	(261,727)	(1,067,061)	19,452	78,819
	<u>520,680</u>	<u>2,122,812</u>	<u>1,965,310</u>	<u>7,963,436</u>

27. OTHER INCOME

Group	Year ended 31 December 2020		Year ended 31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Foreign exchange	185,602	756,699	113,151	458,488
Dividend on equity securities measured at FVOCI (Note 8)	23,311	95,039	23,576	95,530
Other income	96,821	394,740	91,548	370,952
	<u>305,734</u>	<u>1,246,478</u>	<u>228,275</u>	<u>924,970</u>

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27. OTHER INCOME (continued)

Bank	Year ended 31 December 2020		Year ended 31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Foreign exchange	185,638	756,846	113,151	458,488
Dividend on equity securities measured at FVOCI (Note 8)	23,311	95,039	23,576	95,530
Other income	110,131	449,004	91,548	370,952
	<u>319,080</u>	<u>1,300,889</u>	<u>228,275</u>	<u>924,970</u>

28. NET IMPAIRMENT LOSSES/(GAINS) ON FINANCIAL INSTRUMENTS

Group and Bank	Year ended 31 December 2020		Year ended 31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Loans to customers (*)	19,802,290	80,733,936	(80,627)	(326,701)
Balances with other banks	151,954	619,516	(23,725)	(96,134)
Loan commitments	74,618	304,218	(872)	(3,533)
	<u>20,028,862</u>	<u>81,657,670</u>	<u>(105,224)</u>	<u>(426,368)</u>

(*) This includes the recoveries of loans previously written off amounting to US\$785,574 (31 December 2019: US\$1,024,480).

29. PERSONNEL EXPENSES

Group	Year ended 31 December 2020		Year ended 31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Salaries and bonuses	33,551,892	136,791,064	28,961,411	117,351,637
Provident benefits	1,517,632	6,187,386	1,272,460	5,156,008
Seniority payments	1,583,790	6,457,112	1,302,260	5,276,758
Other personnel expenses	3,297,210	13,442,724	2,847,303	11,537,272
	<u>39,950,524</u>	<u>162,878,286</u>	<u>34,383,434</u>	<u>139,321,675</u>

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29. PERSONNEL EXPENSES (continued)

Bank	Year ended 31 December 2020		Year ended 31 December 2019	
	US\$	KHR'000 (Note 2.3)	US\$	KHR'000 (Note 2.3)
Salaries and bonuses	33,546,708	136,769,929	28,961,411	117,351,637
Provident benefits	1,517,465	6,186,705	1,272,460	5,156,008
Seniority payments	1,583,517	6,455,999	1,302,260	5,276,758
Other personnel expenses	3,297,020	13,441,950	2,847,303	11,537,272
	<u>39,944,710</u>	<u>162,854,583</u>	<u>34,383,434</u>	<u>139,321,675</u>

30. DEPRECIATION AND AMORTISATION

Group	Year ended 31 December 2020		Year ended 31 December 2019	
	US\$	KHR'000 (Note 2.3)	US\$	KHR'000 (Note 2.3)
Right-of-use assets	2,992,249	12,199,399	2,896,294	11,735,783
Property and equipment	1,971,387	8,037,345	2,196,699	8,901,024
Intangible assets	302,078	1,231,572	235,410	953,882
	<u>5,265,714</u>	<u>21,468,316</u>	<u>5,328,403</u>	<u>21,590,689</u>

Bank	Year ended 31 December 2020		Year ended 31 December 2019	
	US\$	KHR'000 (Note 2.3)	US\$	KHR'000 (Note 2.3)
Right-of-use assets	3,101,182	12,643,519	2,896,294	11,735,783
Property and equipment	1,971,086	8,036,118	2,196,699	8,901,024
Intangible assets	302,078	1,231,572	235,410	953,882
	<u>5,374,346</u>	<u>21,911,209</u>	<u>5,328,403</u>	<u>21,590,689</u>

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31. OTHER EXPENSES

Group	Year ended 31 December 2020		Year ended 31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Travelling and transportation	2,307,507	9,407,706	2,155,905	8,735,727
Repairs and maintenance	1,325,642	5,404,642	1,435,331	5,815,961
Office supplies and non-capitalised purchases	839,323	3,421,920	724,438	2,935,423
Utilities	818,891	3,338,619	743,146	3,011,228
Security	760,170	3,099,213	719,341	2,914,770
License fee, patent and other taxes	753,324	3,071,302	733,713	2,973,005
Communication	696,848	2,841,049	664,551	2,692,761
Leases and rental	515,189	2,100,426	426,345	1,727,550
Professional services	484,919	1,977,015	815,432	3,304,130
Marketing and advertising	357,725	1,458,445	1,072,202	4,344,563
Board fees and meetings	83,736	341,392	98,967	401,014
Others	439,934	1,793,611	249,460	1,010,811
	<u>9,383,208</u>	<u>38,255,340</u>	<u>9,838,831</u>	<u>39,866,943</u>
Bank	Year ended 31 December 2020		Year ended 31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Travelling and transportation	2,307,507	9,407,706	2,155,905	8,735,727
Repairs and maintenance	1,325,642	5,404,642	1,435,331	5,815,961
Office supplies and non-capitalised purchases	839,323	3,421,920	724,438	2,935,423
Utilities	818,891	3,338,619	743,146	3,011,228
Security	760,170	3,099,213	719,341	2,914,770
License fee, patent and other taxes	753,029	3,070,099	733,713	2,973,005
Communication	696,848	2,841,049	664,551	2,692,761
Leases and rental	515,189	2,100,426	426,345	1,727,550
Professional services	475,914	1,940,301	808,344	3,275,410
Marketing and advertising	357,725	1,458,445	1,072,202	4,344,563
Board fees and meetings	83,736	341,392	98,967	401,014
Others	436,456	1,779,431	247,073	1,001,139
	<u>9,370,430</u>	<u>38,203,243</u>	<u>9,829,356</u>	<u>39,828,551</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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32. ADDITIONAL INFORMATION FOR STATEMENT OF CASH FLOWS

(a) Cash and cash equivalents

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

Group	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Cash on hand	37,160,689	150,314,987	34,190,445	139,326,063
Balances with the NBC	36,856,202	149,083,337	34,841,661	141,979,769
Balances with other banks	12,343,513	49,929,510	9,668,524	39,399,235
	<u>86,360,404</u>	<u>349,327,834</u>	<u>78,700,630</u>	<u>320,705,067</u>
Bank	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Cash on hand	37,160,689	150,314,987	34,190,445	139,326,063
Balances with the NBC	36,856,202	149,083,337	34,841,661	141,979,769
Balances with other banks	12,270,304	49,633,380	9,668,524	39,399,235
	<u>86,287,195</u>	<u>349,031,704</u>	<u>78,700,630</u>	<u>320,705,067</u>

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32. ADDITIONAL INFORMATION FOR STATEMENT OF CASH FLOWS (continued)

(b) Changes in liabilities arising from financing activities

Group	At the beginning of the year	Proceeds from issuance	Repayments	Accrued interest	Interest paid	Other non-cash items	Currency translation differences	At the end of the year
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
At 31 December 2020								
Debt securities issued	29,196,072	-	-	2,866,711	(2,514,146)	218,402	-	29,767,039
Borrowings	311,485,982	305,700,896	(216,483,947)	26,136,331	(25,473,645)	842,502	-	402,208,119
Subordinated debts	11,974,921	36,450,000	(7,000,000)	962,479	(1,041,671)	-	-	41,345,729
Lease liabilities	13,005,210	-	(3,959,232)	-	-	13,787,669	-	22,833,647
Total	365,662,185	342,150,896	(227,443,179)	29,965,521	(29,029,462)	14,848,573	-	496,154,534
In KHR'000 equivalents (Note 2.3)	1,490,073,404	1,384,000,374	(920,007,659)	121,210,532	(117,424,174)	60,062,478	(10,969,865)	2,006,945,090
Bank	At the beginning of the year	Proceeds from issuance	Repayments	Accrued interest	Interest paid	Other non-cash items	Currency translation differences	At the end of the year
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
At 31 December 2020								
Debt securities issued	29,196,072	-	-	2,866,711	(2,514,146)	218,402	-	29,767,039
Borrowings	311,485,982	305,700,896	(216,483,947)	26,136,331	(25,473,645)	842,502	-	402,208,119
Subordinated debts	11,974,921	7,000,000	(7,000,000)	962,479	(1,041,671)	-	-	11,895,729
Lease liabilities	13,005,210	-	(3,959,232)	-	-	13,787,669	-	22,833,647
Total	365,662,185	312,700,896	(227,443,179)	29,965,521	(29,029,462)	14,848,573	-	466,704,534
In KHR'000 equivalents (Note 2.3)	1,490,073,404	1,264,875,124	(920,007,659)	121,210,532	(117,424,174)	60,062,478	(10,969,865)	1,887,819,840

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32. ADDITIONAL INFORMATION FOR STATEMENT OF CASH FLOWS (continued)

(b) Changes in liabilities arising from financing activities (continued)

Group and Bank	At the beginning	Proceeds	Repayments	Accrued	Interest	Other	At the end
	of the year	from		interest	paid	non-cash items	
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
At 31 December 2019							
Debt securities issued	29,325,252	-	-	2,791,510	(2,502,938)	(417,752)	29,196,072
Borrowings	191,725,158	184,816,851	(65,787,097)	18,069,068	(17,833,338)	495,340	311,485,982
Subordinated debts	23,236,296	-	(11,000,000)	1,959,072	(2,220,447)	-	11,974,921
Lease liabilities	13,172,448	-	(3,556,570)	-	-	3,389,332	13,005,210
Total	257,459,154	184,816,851	(80,343,667)	22,819,650	(22,556,723)	3,466,920	365,662,185
In KHR'000 equivalents (Note 2.3)	1,049,146,052	753,128,668	(327,400,443)	92,990,074	(91,918,646)	14,127,699	1,490,073,404

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33. RELATED PARTIES

(a) Related parties and relationships

The related parties of and their relationships with the Group and the Bank are as follows:

Related parties	Relationship
Mitsubishi UFJ Financial Group, Inc.	Ultimate parent company
Bank of Ayudhya Public Company Limited ("Krungsri")	Immediate parent company/shareholder
Hattha Services Co., Ltd.	Subsidiary of the Bank
Affiliates	All entities under the same ultimate parent company
Board of Directors	Persons overseeing the activities of the Group and the Bank.
Key management personnel	The key management personnel are those participating in the administration, direction, management or the design and implementation of the internal controls of the Group and the Bank. The key management personnel of the Group and the Bank include all EXCOM members appointed by the Board of Directors.

(b) Directors and key management compensation

Group and Bank	Year ended 31 December 2020		Year ended 31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Board of Directors				
Fees and related expenses	<u>83,736</u>	<u>341,392</u>	<u>98,967</u>	<u>401,014</u>
Key management				
Salaries and short-term benefits	<u>2,235,038</u>	<u>9,112,250</u>	<u>1,912,610</u>	<u>7,749,896</u>
Provident benefits	<u>101,526</u>	<u>413,922</u>	<u>94,467</u>	<u>382,780</u>
	<u>2,336,564</u>	<u>9,526,172</u>	<u>2,007,077</u>	<u>8,132,676</u>
		(Note 2.3)		(Note 2.3)
Provident benefits payable	<u>200,255</u>	<u>810,031</u>	<u>94,190</u>	<u>383,824</u>

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33. RELATED PARTIES (continued)

(c) Loans to key management and interest income

Group and Bank	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Loans outstanding to key management	<u>449,004</u>	<u>1,816,221</u>	<u>470,249</u>	<u>1,916,265</u>

Loans are provided to key management of the Group and the Bank with contractual interest rate ranging from 7% to 8% per annum (2019: 8% per annum).

Group and Bank	Year ended 31 December 2020		Year ended 31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Interest income from key management	<u>37,050</u>	<u>151,053</u>	<u>43,714</u>	<u>177,129</u>

(d) Deposits from and interest expense to key management

Group and Bank	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Deposits from key management	<u>2,828,058</u>	<u>11,439,495</u>	<u>2,054,009</u>	<u>8,370,087</u>

Deposits from key management of the Group and the Bank bear interest rates ranging from 1.75% to 8.25% per annum (2019: 2.5% to 10% per annum) depending on the terms and currency of the deposits.

Group and Bank	Year ended 31 December 2020		Year ended 31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Interest expense to key management	<u>165,082</u>	<u>673,039</u>	<u>71,457</u>	<u>289,544</u>

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33. RELATED PARTIES (continued)

(e) Deposits from and interest expense to Directors

Group and Bank	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Deposits from Board of Directors	625,520	2,530,228	4,607,061	18,773,774

Deposits from the Board of Directors of the Group and the Bank bear interest rates ranging from 2.5% to 8% per annum (2019: from 2.5% to 8.7% per annum) depending on the terms and currency of deposits.

Group and Bank	Year ended 31 December 2020		Year ended 31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Interest expense to the Board of Directors	42,166	171,911	129,129	523,231

(f) Office rental from key management

Group and Bank	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Right-of-use assets	215,640	872,264	270,753	1,103,318
Lease liabilities	222,417	899,677	270,932	1,104,048

	Year ended 31 December 2020		Year ended 31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Interest expense	19,406	79,118	22,878	92,702
Depreciation	55,114	224,700	55,114	223,322
Lease payment	67,920	276,910	67,920	275,212

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33. RELATED PARTIES (continued)

(g) Transactions and balances with shareholder and subsidiary

(i) Transactions with shareholder and subsidiary

Group and Bank	Year ended 31 December 2020		Year ended 31 December 2019	
	US\$	KHR'000 (Note 2.3)	US\$	KHR'000 (Note 2.3)
<i>Shareholder</i>				
Proceeds received for capital injection	-	-	40,000,000	162,080,000
Proceeds received for borrowings from Krungsri	15,000,000	61,155,000	30,000,000	121,560,000
Repayments of borrowing via IFC (*)	5,714,286	23,297,144	5,714,286	23,154,287
Repayment of borrowings from Krungsri	35,000,000	142,695,000	10,000,000	40,520,000
Interest and fee expenses	1,718,837	7,007,698	1,731,137	7,014,567
Net loss from other financial instruments at FVTPL	782,407	3,189,873	1,945,857	7,876,829
Other comprehensive income of cash flow hedge	5,504,733	22,442,796	-	-
Other expenses related to IT	432	1,761	-	-
<i>Subsidiary</i>				
Interest expense on land lease	327,427	1,334,920	-	-
Depreciation on right-of-use of land	108,933	444,120	-	-
Lease payment	276,810	1,128,554	-	-
Management fee	13,310	54,265	-	-

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33. RELATED PARTIES (continued)

(g) Transactions and balances with shareholder and subsidiary (continued)

(ii) Balances with shareholder and subsidiary

Group and Bank	31 December 2020		31 December 2019	
	US\$	KHR'000 (Note 2.3)	US\$	KHR'000 (Note 2.3)
<i>Shareholder</i>				
Derivative liabilities on interest rate SWAP	7,283,277	29,460,855	1,868,132	7,612,638
Amount payable on payment on behalf of the Bank's expense	50,548	204,467	80,132	326,538
Amount payable for share capital injection	-	-	40,000,000	163,000,000
Borrowing via IFC (*)	2,857,143	11,557,143	8,571,429	34,928,573
Interest payable on borrowing via IFC	20,999	84,941	83,067	338,498
Commitment given on interest rate SWAP (**)	106,429,143	430,505,883	132,857,429	541,394,023
Commitment received on interest rate SWAP (**)	106,429,143	430,505,883	132,857,429	541,394,023
Borrowing	-	-	20,000,000	81,500,000
Interest and fee payable on borrowing	1,944	7,863	833	3,394
<i>Subsidiary</i>				
Amount receivable from Hattha Services Co., Ltd (Note 13)	-	-	17,666,066	71,989,219
Right-of-use asset (Note 10)	10,348,601	41,860,091	-	-
Lease liability	10,508,151	42,505,471	-	-
Deposit from Hattha Services Co., Ltd	590,573	2,388,868	-	-
Refundable deposit to Hattha Services Co., Ltd	498,258	2,015,454	-	-

(*) This represents syndicated loan from International Finance Corporation ("IFC") of which Krungsri is the lender who provides funding to IFC.

(**) On 12 January 2017, the Group and the Bank entered into agreements with Krungsri for interest rate swap totalling US\$54 million, effective from 15 May 2017 to 14 May 2021. On 7 February 2018, the Group and the Bank entered into another agreement with Krungsri for interest rate swap of US\$55 million, effective from 23 February 2018 to 15 June 2022. On 24 December 2019, the Group and the Bank entered into another agreement with Krungsri for interest swap of US\$80 million, effective from 27 December 2019 to 29 December 2026. This is to manage the Group and the Bank's exposure to interest rate risk of its funding.

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34. COMMITMENTS

Group	31 December 2020		31 December 2019	
	US\$	KHR'000 (Note 2.3)	US\$	KHR'000 (Note 2.3)
Unused portion of loan and overdraft	3,677,514	14,875,544	1,215,519	4,953,240
Capital	1,130,649	4,573,475	12,417,033	50,599,409
Others	15,800	63,911	55,323	225,441
	<u>4,823,963</u>	<u>19,512,930</u>	<u>13,687,875</u>	<u>55,778,090</u>

Bank	31 December 2020		31 December 2019	
	US\$	KHR'000 (Note 2.3)	US\$	KHR'000 (Note 2.3)
Unused portion of loan and overdraft	3,677,514	14,875,544	1,215,519	4,953,240
Capital	1,130,649	4,573,475	646,089	2,632,813
Others	15,800	63,911	55,323	225,441
	<u>4,823,963</u>	<u>19,512,930</u>	<u>1,916,931</u>	<u>7,811,494</u>

Commitment on capital pertains to off-balance sheet on the property and equipment and intangible assets. Unused portion of loan and overdraft refers to the off-balance sheet on loan and overdraft. Other commitments pertain to off-balance sheet on operating expenses.

35. TAX CONTINGENCIES

On 19 March 2019, the General Department of Taxation ("GDT") issued a notice of tax reassessment to the Group and the Bank to pay reassessed taxes of KHR 31,255,677,651 (approximately US\$7.7 millions) for the fiscal year 2016.

On 11 April 2019, the Group and the Bank filed a tax objection letter to the GDT protesting to the reassessed taxes. As a result, the Bank received the 2nd Notice of Tax Reassessment from the GDT dated 9 July 2019 re-imposing taxes in total amount of KHR 30,958,899,567 (approximately US\$7.6 millions). The Group and the Bank have not made provision at this stage as the Group and the Bank believe that there are reasonable grounds to challenge the assessment as stated in the tax law and regulations mentioned in its objection letter.

The Group and the Bank have engaged tax advisor to help on this matter and filed 2nd protest letter to the GDT on 30 July 2019. On 8 January 2020, the Group and the Bank have received a response to the 2nd protest letter from the GDT. There is no change in the reassessment amount. However, the Group and the Bank have consulted with the tax advisor and it is believed that the Group and the Bank would have reasonable grounds to challenge the case. Therefore, the Group and the Bank decided to move on with 3rd protest requesting the GDT to transfer the case to litigation department. The letter was signed on 23 January 2020 and submitted to the tax advisor for further process to the GDT. The Group and the Bank have not recorded any tax liability in the statements of financial position as at 31 December 2020. As at the date of this report, the outcome of the ultimate tax liabilities for this assessment is uncertain.

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36. FINANCIAL INSTRUMENTS

a. Financial instruments measured at fair value

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

Group and Bank
31 December 2020

	Carrying amounts				Fair value			
	FVOCI – equity instruments	Fair value - hedging instrument	FVTPL	Total	Level 1	Level 2	Level 3	Total
	US\$	\$US	US\$	US\$	US\$	US\$	US\$	US\$
<i>Financial assets measured at fair value</i>								
Equity securities	20,000	-	-	20,000	-	-	20,000	20,000
Currency swap – Note 18	-	-	242,274	242,274	-	242,274	-	242,274
Total	20,000	-	242,274	262,274	-	242,274	20,000	262,274
In KHR'000 equivalents (Note 2.3)	80,900	-	979,998	1,060,898	-	979,998	80,900	1,060,898
<i>Financial liabilities measured at fair value</i>								
Interest rate swaps – Note 18	-	6,632,592	650,685	7,283,277	-	7,283,277	-	7,283,277
Total	-	6,632,592	650,685	7,283,277	-	7,283,277	-	7,283,277
In KHR'000 equivalents (Note 2.3)	-	26,828,835	2,632,020	29,460,855	-	29,460,855	-	29,460,855

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36. FINANCIAL INSTRUMENTS (continued)

a. Financial instruments measured at fair value (continued)

Group and Bank
31 December 2019

	Carrying amounts			Fair value			
	FVOCI – equity instruments	FVTPL	Total	Level 1	Level 2	Level 3	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
<i>Financial assets measured at fair value</i>							
Equity securities	20,000	-	20,000	-	-	20,000	20,000
In KHR'000 equivalents (Note 2.3)	81,500	-	81,500	-	-	81,500	81,500
<i>Financial liabilities measured at fair value</i>							
Interest rate swaps – Note 18	-	1,868,132	1,868,132	-	1,868,132	-	1,868,132
Currency swaps – Note 18	-	19,452	19,452	-	19,452	-	19,452
Total	-	1,887,584	1,887,584	-	1,887,584	-	1,887,584
In KHR'000 equivalents (Note 2.3)	-	7,691,905	7,691,905	-	7,691,905	-	7,691,905

b. Financial instruments not measured at fair value

As at the reporting date, the fair values of financial instruments of the Group and the Bank approximate their carrying amounts.

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

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36. FINANCIAL INSTRUMENTS (continued)

b. Financial instruments not measured at fair value (continued)

i. Balances with the NBC and other banks

Balances with the NBC and other banks include current accounts which are non-interest bearing, savings deposits and short-term deposits. The fair value of deposits and placements with other banks approximate their carrying values at the reporting date due to the relatively short maturity of these instruments.

ii. Loans to customers

The fair value of loans is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. Input into the valuation techniques includes expected lifetime credit losses, interest rates, prepayment rates and primary origination or secondary market spreads. For collateral-dependent impaired loans, the fair value is measured based on the value of the underlying collateral.

Input into the models may include data from third party and information obtained from other market participants, which includes observed primary and secondary transactions. Its carrying value approximates to fair value at the reporting date.

iii. Deposits from customers and financial institutions and debt securities issued

The fair value of deposits from customers and financial institutions with maturities of less than one year approximates their carrying amount due to the relatively short maturity of these instruments. The fair value of deposits from customers and financial institutions and debt securities issued with remaining maturities of more than one year are expected to approximate their carrying amount due to the Group and the Bank offered similar interest rate of the instrument with similar maturities and terms.

The estimated fair value of deposits with no stated maturities, which includes non-interest bearing deposits, deposits payable on demand is the amount payable at the reporting date.

iv. Other assets and other liabilities

The carrying amounts of other financial assets and other financial liabilities are assumed to approximate their fair values as these items are not materially sensitive to the shift in market interest rates.

v. Borrowings and subordinated debts

The fair value of borrowings and subordinated debts are estimated by discounting the expected future cash flows using the applicable prevailing market interest rates for borrowings with similar risk profiles. However, only the contractual interest rates which are confirmed and provided by all lenders are available at the reporting date instead of the applicable prevailing market interest rates. The Group and the Bank believed that the contractual interest rates were not significantly different to the prevailing market interest rates on the ground that there was no change to interest rates following the lenders' consideration on the Group's and the Bank's credit risk profile as at reporting date. On this basis, the fair value of borrowings and subordinated debts approximates their carrying values at the reporting date.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

37. FINANCIAL RISK MANAGEMENT

The Group and the Bank's BoD have overall responsibility for the establishment and oversight of the Group and the Bank's risk management framework. The BoD has established the Asset and Liability Risk Management Committee ("ALMRC") and Risk Board Committee ("ARBC"), which is responsible for approving and monitoring Group and Bank risk management policies.

The Group and the Bank's risk management policies are established to identify and analyse the risks faced by the Group and the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The risk management policies and procedures are reviewed regularly to reflect changes in market conditions and the Group and the Bank's activities.

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

37.1 Credit risk

Credit risk refers to risk of financial loss to the Group and the Bank if a counterparty to a financial instrument fail to meet its obligations in accordance with the agreed terms and arises from deposits with other banks and loans to customers (including commitment to lend such loans). The Group and the Bank consider all elements of credit risk exposure such as counterparty default risk, geographical risk and sector risk, product risk and business type risk for risk management purposes.

37.1.1 Credit risk management

Credit and Market Risk Department is responsible for managing the Group and the Bank's credit risk by:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, in accordance with CIFRSs and relevant NBC's guidance.
- Establishing the authorisation structure for the approval and renewal of credit facilities. The holders of credit approval discretion, i.e. Board Credit Committee, Management Credit Committee, Credit Underwriting Director, and Branch Managers are responsible for approving loans to customers.
- Reviewing and assessing credit risk by setting the limit and monitoring all credit exposures in excess of designated.
- Limiting concentrations of exposure to counterparties, geographies, industries, purposes, sectors (for loans to customers and similar exposures).
- Developing and maintaining the Group and the Bank's process for measuring ECL that includes the processes for:
 - initial approval, regular validation and back-testing of the models used;
 - determining and monitoring significant increase in credit risk; and
 - incorporation of forward-looking information.
- Reviewing compliance of branches with agreed exposure limits, including those for selected industries and product types. Regular reports on the credit quality of portfolios may require appropriate corrective action to be taken. These include reports containing estimates of ECL allowances.
- Providing advice, guidance and specialist skills to branches to promote best practice throughout the Group and the Bank in the management of credit risk.
- During the COVID-19 situation, the Bank provides the restructure scheme released by National Bank of Cambodia, and the portfolio of restructured loan is properly managed and communicated to management, Board of Director and National Bank of Cambodia.

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37. FINANCIAL RISK MANAGEMENT

37.1 Credit risk (continued)

37.1.2 Credit quality analysis

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

Group	31 December 2020				
	Stage 1	Stage 2	Stage 3	Total	
	US\$	US\$	US\$	US\$	KHR'000
					(Note 2.3)
Balances with other banks					
Normal	41,896,868	-	-	41,896,868	169,472,831
Loss allowance	(167,030)	-	-	(167,030)	(675,636)
Carrying amounts	<u>41,729,838</u>	<u>-</u>	<u>-</u>	<u>41,729,838</u>	<u>168,797,195</u>
Loans to customers					
Normal	1,288,642,232	-	-	1,288,642,232	5,212,557,828
Special mention	466	5,743,769	-	5,744,235	23,235,431
Substandard	-	5,597	7,112,774	7,118,371	28,793,811
Doubtful	-	76	10,231,881	10,231,957	41,388,266
Loss	-	-	424,046	424,046	1,715,266
	<u>1,288,642,698</u>	<u>5,749,442</u>	<u>17,768,701</u>	<u>1,312,160,841</u>	<u>5,307,690,602</u>
Loss allowance	<u>(2,288,173)</u>	<u>(3,279,799)</u>	<u>(17,768,701)</u>	<u>(23,336,673)</u>	<u>(94,396,842)</u>
Carrying amounts	<u>1,286,354,525</u>	<u>2,469,643</u>	<u>-</u>	<u>1,288,824,168</u>	<u>5,213,293,760</u>
Loan commitments					
Normal	3,606,317	-	-	3,606,317	14,587,552
Special mention	-	1,049	-	1,049	4,243
Substandard	-	-	1,693	1,693	6,848
Doubtful	-	-	68,800	68,800	278,296
Loss	-	-	-	-	-
	<u>3,606,317</u>	<u>1,049</u>	<u>70,493</u>	<u>3,677,859</u>	<u>14,876,939</u>
Loss allowance	<u>(6,276)</u>	<u>(600)</u>	<u>(70,493)</u>	<u>(77,369)</u>	<u>(312,958)</u>
Carrying amounts	<u>3,600,041</u>	<u>449</u>	<u>-</u>	<u>3,600,490</u>	<u>14,563,981</u>

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37. FINANCIAL RISK MANAGEMENT

37.1 Credit risk

37.1.2 Credit quality analysis

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

Bank	31 December 2020				
	Stage 1	Stage 2	Stage 3	Total	
	US\$	US\$	US\$	US\$	KHR'000
					(Note 2.3)
Balances with other banks					
Normal	41,823,659	-	-	41,823,659	169,176,700
Loss allowance	(167,030)	-	-	(167,030)	(675,636)
Carrying amounts	<u>41,656,629</u>	<u>-</u>	<u>-</u>	<u>41,656,629</u>	<u>168,501,064</u>
Loans to customers					
Normal	1,288,642,232	-	-	1,288,642,232	5,212,557,828
Special mention	466	5,743,769	-	5,744,235	23,235,431
Substandard	-	5,597	7,112,774	7,118,371	28,793,811
Doubtful	-	76	10,231,881	10,231,957	41,388,266
Loss	-	-	424,046	424,046	1,715,266
	<u>1,288,642,698</u>	<u>5,749,442</u>	<u>17,768,701</u>	<u>1,312,160,841</u>	<u>5,307,690,602</u>
Loss allowance	<u>(2,288,173)</u>	<u>(3,279,799)</u>	<u>(17,768,701)</u>	<u>(23,336,673)</u>	<u>(94,396,842)</u>
Carrying amounts	<u>1,286,354,525</u>	<u>2,469,643</u>	<u>-</u>	<u>1,288,824,168</u>	<u>5,213,293,760</u>
Loan commitments					
Normal	3,606,317	-	-	3,606,317	14,587,552
Special mention	-	1,049	-	1,049	4,243
Substandard	-	-	1,693	1,693	6,848
Doubtful	-	-	68,800	68,800	278,296
Loss	-	-	-	-	-
	<u>3,606,317</u>	<u>1,049</u>	<u>70,493</u>	<u>3,677,859</u>	<u>14,876,939</u>
Loss allowance	<u>(6,276)</u>	<u>(600)</u>	<u>(70,493)</u>	<u>(77,369)</u>	<u>(312,958)</u>
Carrying amounts	<u>3,600,041</u>	<u>449</u>	<u>-</u>	<u>3,600,490</u>	<u>14,563,981</u>

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37. FINANCIAL RISK MANAGEMENT (continued)

37.1 Credit risk (continued)

37.1.2 Credit quality analysis (continued)

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

Group and Bank	31 December 2019				
	Stage 1	Stage 2	Stage 3	Total	
	US\$	US\$	US\$	US\$	KHR'000
					(Note 2.3)
Balances with other banks					
Normal	9,672,795	-	-	9,672,795	39,416,639
Loss allowance	(14,992)	-	-	(14,992)	(61,092)
Carrying amounts	<u>9,657,803</u>	<u>-</u>	<u>-</u>	<u>9,657,803</u>	<u>39,355,547</u>
Loans to customers					
Normal	1,036,773,314	-	-	1,036,773,314	4,224,851,255
Special mention	589	1,337,059	-	1,337,648	5,450,916
Substandard	-	241	1,263,955	1,264,196	5,151,599
Doubtful	-	4,814	1,886,674	1,891,488	7,707,813
Loss	-	-	174,582	174,582	711,421
	<u>1,036,773,903</u>	<u>1,342,114</u>	<u>3,325,211</u>	<u>1,041,441,228</u>	<u>4,243,873,004</u>
Loss allowance	<u>(911,026)</u>	<u>(932,061)</u>	<u>(3,325,211)</u>	<u>(5,168,298)</u>	<u>(21,060,814)</u>
Carrying amounts	<u>1,035,862,877</u>	<u>410,053</u>	<u>-</u>	<u>1,036,272,930</u>	<u>4,222,812,190</u>
Loan commitments					
Normal	1,213,838	-	-	1,213,838	4,946,390
Special mention	-	-	-	-	-
Substandard	-	-	1,681	1,681	6,850
Doubtful	-	-	-	-	-
Loss	-	-	-	-	-
	<u>1,213,838</u>	<u>-</u>	<u>1,681</u>	<u>1,215,519</u>	<u>4,953,240</u>
Loss allowance	<u>(1,036)</u>	<u>-</u>	<u>(1,681)</u>	<u>(2,717)</u>	<u>(11,072)</u>
Carrying amounts	<u>1,212,802</u>	<u>-</u>	<u>-</u>	<u>1,212,802</u>	<u>4,942,168</u>

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37. FINANCIAL RISK MANAGEMENT (continued)

37.1 Credit risk (continued)

37.1.2 Credit quality analysis (continued)

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

Group and Bank	31 December 2020				
	Stage 1	Stage 2	Stage 3	Total	
	US\$	US\$	US\$	US\$	KHR'000
					(Note 2.3)
Loans to customers					
Current	1,287,496,425	4,417,486	9,650,450	1,301,564,361	5,264,827,840
Overdue ≤ 30 days	1,146,273	47,487	44,864	1,238,624	5,010,234
Overdue > 30 days	-	1,284,469	8,073,387	9,357,856	37,852,528
Total	<u>1,288,642,698</u>	<u>5,749,442</u>	<u>17,768,701</u>	<u>1,312,160,841</u>	<u>5,307,690,602</u>
	31 December 2019				
	Stage 1	Stage 2	Stage 3	Total	
	US\$	US\$	US\$	US\$	KHR'000
					(Note 2.3)
Loans to customers					
Current	1,036,407,510	664,633	566,285	1,037,638,428	4,228,376,594
Overdue ≤ 30 days	366,393	57,439	7,666	431,498	1,758,354
Overdue > 30 days	-	620,042	2,751,260	3,371,302	13,738,056
Total	<u>1,036,773,903</u>	<u>1,342,114</u>	<u>3,325,211</u>	<u>1,041,441,228</u>	<u>4,243,873,004</u>

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

(i) Loss allowance – Balances with other banks at amortised cost:

Group and Bank	31 December 2020				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR'000
					(Note 2.3)
Expected credit loss					
At 1 January 2020	14,992	-	-	14,992	61,092
<i>Change in the expected credit loss</i>					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Net remeasurement of loss allowance and other movements	151,187	-	-	151,187	616,389
New financial assets originated	767	-	-	767	3,127
Foreign exchange	84	-	-	84	(4,972)
Expected credit loss At 31 December 2020	<u>167,030</u>	<u>-</u>	<u>-</u>	<u>167,030</u>	<u>675,636</u>

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37. FINANCIAL RISK MANAGEMENT (continued)

37.1 Credit risk (continued)

37.1.2 Credit quality analysis (continued)

(i) Loss allowance – Balances with other banks at amortised cost: (continued)

Group and Bank	31 December 2019				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR'000
Expected credit loss At 1 January 2019	38,545	-	-	38,545	154,874
<i>Change in the expected credit loss</i>					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Net remeasurement of loss allowance and other movements	(29,781)	-	-	(29,781)	(120,673)
New financial assets originated	6,056	-	-	6,056	24,539
Foreign exchange	172	-	-	172	2,352
Expected credit loss At 31 December 2019	<u>14,992</u>	<u>-</u>	<u>-</u>	<u>14,992</u>	<u>61,092</u>

(ii) Loss allowance - Loans and advances to customers at amortised cost:

Group and Bank	31 December 2020				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR'000
Expected credit loss At 1 January 2020	911,026	932,061	3,325,211	5,168,298	21,060,814
<i>Change in the expected credit loss</i>					
Transfer to stage 1	4,714	(4,714)	-	-	-
Transfer to stage 2	(4,496)	13,451	(8,955)	-	-
Transfer to stage 3	(13,572)	(316,810)	330,382	-	-
Net remeasurement of loss allowance and other movements	322,855	2,562,143	14,819,533	17,704,531	72,181,373
New financial assets originated	1,356,905	572,985	1,679,680	3,609,570	14,716,217
Financial assets that have been derecognised	(263,948)	(82,033)	(380,256)	(726,237)	(2,960,868)
Unwinds	-	-	342,748	342,748	1,397,384
Write-offs	(30,239)	(407,457)	(2,401,102)	(2,838,798)	(11,573,779)
Foreign exchange	4,928	10,173	61,460	76,561	(424,299)
Expected credit loss At 31 December 2020	<u>2,288,173</u>	<u>3,279,799</u>	<u>17,768,701</u>	<u>23,336,673</u>	<u>94,396,842</u>

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37. FINANCIAL RISK MANAGEMENT (continued)

37.1 Credit risk (continued)

37.1.2 Credit quality analysis (continued)

(ii) Loss allowance - Loans and advances to customers at amortised cost: (continued)

Group and Bank	31 December 2019				
	Stage 1 12-month	Stage 2 Lifetime	Stage 3 Lifetime	Total	
	ECL	ECL	ECL	US\$	KHR'000
	US\$	US\$	US\$	US\$	(Note 2.3)
Expected credit loss At 1 January 2019	2,264,386	617,615	5,390,927	8,272,928	33,240,625
<i>Change in the expected credit loss</i>					
Transfer to stage 1	166,931	(57,956)	(108,975)	-	-
Transfer to stage 2	(3,307)	30,394	(27,087)	-	-
Transfer to stage 3	(7,464)	(150,639)	158,103	-	-
Net remeasurement of loss allowance and other movements	(1,226,425)	533,105	2,396,309	1,702,989	6,900,941
New financial assets originated	646,086	214,760	320,561	1,181,407	4,787,359
Financial assets that have been derecognised	(825,982)	(128,393)	(986,168)	(1,940,543)	(7,863,570)
Write-offs	(105,713)	(130,572)	(3,686,780)	(3,923,065)	(15,897,249)
Unwinds	-	-	(157,641)	(157,641)	(638,801)
Foreign exchange	2,514	3,747	25,962	32,223	531,509
Expected credit loss At 31 December 2019	911,026	932,061	3,325,211	5,168,298	21,060,814

(iii) Loss allowance – Loan commitments:

Group and Bank	31 December 2020				
	Stage 1 12-month	Stage 2	Stage 3	Total	
	ECL	Lifetime ECL	Lifetime ECL	US\$	KHR'000
	US\$	US\$	US\$	US\$	(Note 2.3)
Expected credit loss At 1 January 2020	1,036	-	1,681	2,717	11,072
<i>Change in the expected credit loss</i>					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Net remeasurement of loss allowance and other movements	92	594	2,797	3,483	14,200
Loan commitments transferred to loans to customers	(941)	-	-	(941)	(3,841)
New loan commitments issued	6,076	-	66,000	72,076	293,854
Foreign exchange	13	6	15	34	(2,327)
Expected credit loss At 31 December 2020	6,276	600	70,493	77,369	312,958

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37. FINANCIAL RISK MANAGEMENT (continued)

37.1 Credit risk (continued)

37.1.2 Credit quality analysis (continued)

(iii) Loss allowance – Loan commitments: (continued)

Group and Bank	31 December 2019				
	Stage 1	Stage 2	Stage 3	Total	
	12-month	Lifetime	Lifetime		
	ECL	ECL	ECL	US\$	KHR'000
	US\$	US\$	US\$	US\$	(Note 2.3)
Gross carrying amount					
At 1 January 2019	2,799	-	800	3,599	14,461
<i>Change in the gross carrying amount</i>					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	800	-	(800)	-	-
Net remeasurement of loss allowance and other movements	(912)	-	-	(912)	(3,695)
Loan commitments transferred to loans to customers	(2,026)	-	-	(2,026)	(8,209)
New loan commitments issued	983	-	1,691	2,674	10,835
Write-offs	(608)	-	-	(608)	(2,464)
Foreign exchange	-	-	(10)	(10)	144
Expected credit loss					
At 31 December 2019	1,036	-	1,681	2,717	11,072

The tables below analyse the movement of the gross carrying amount of financial assets during the year that contributed to changes in the loss allowance.

(iv) Balances with other banks at amortised cost:

Group	31 December 2020				
	Stage 1	Stage 2	Stage 3	Total	
	12-month	Lifetime	Lifetime		
	ECL	ECL	ECL	US\$	KHR'000
	US\$	US\$	US\$	US\$	(Note 2.3)
Gross carrying amount					
At 1 January 2020	9,672,795	-	-	9,672,795	39,416,639
<i>Change in the gross carrying amount</i>					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Net movements	32,030,059	-	-	32,030,059	130,586,551
New financial assets originated	156,553	-	-	156,553	638,267
Foreign exchange	37,461	-	-	37,461	(1,168,626)
Gross carrying amount					
At 31 December 2020	41,896,868	-	-	41,896,868	169,472,831

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37. FINANCIAL RISK MANAGEMENT (continued)

37.1 Credit risk (continued)

37.1.2 Credit quality analysis (continued)

(iv) Balances with other banks at amortised cost: (continued)

Bank	31 December 2020				
	Stage 1	Stage 2	Stage 3	Total	
	12-month ECL	Lifetime ECL	Lifetime ECL		
	US\$	US\$	US\$	US\$	KHR'000
					(Note 2.3)
Gross carrying amount At 1 January 2020	9,672,795	-	-	9,672,795	39,416,639
<i>Change in the gross carrying amount</i>					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Net movements	31,956,850	-	-	31,956,850	130,288,077
New financial assets originated	156,553	-	-	156,553	638,267
Foreign exchange	37,461	-	-	37,461	(1,166,283)
Gross carrying amount At 31 December 2020	41,823,659	-	-	41,823,659	169,176,700
Group and Bank	31 December 2019				
	Stage 1	Stage 2	Stage 3	Total	
	12-month ECL	Lifetime ECL	Lifetime ECL		
	US\$	US\$	US\$	US\$	KHR'000

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37. FINANCIAL RISK MANAGEMENT (continued)

37.1 Credit risk (continued)

37.1.2 Credit quality analysis (continued)

(v) Loans and advances to customers at amortised cost:

Group and Bank	31 December 2020				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR'000
					(Note 2.3)
Gross carrying amount At 1 January 2020	1,036,773,903	1,342,114	3,325,211	1,041,441,228	4,243,873,004
<i>Change in the gross carrying amount</i>					
Transfer to stage 1	6,929	(6,929)	-	-	-
Transfer to stage 2	(5,074,717)	5,083,672	(8,955)	-	-
Transfer to stage 3	(15,637,311)	(455,735)	16,093,046	-	-
Net movements	(491,572,753)	(828,802)	(1,019,166)	(493,420,721)	(2,011,676,280)
New financial assets originated	762,242,675	1,003,877	1,717,640	764,964,192	3,118,759,011
Write-offs	(30,239)	(407,312)	(2,400,536)	(2,838,087)	(11,570,881)
Foreign exchange	1,934,211	18,557	61,461	2,014,229	(31,694,252)
Gross carrying amount At 31 December 2020	<u>1,288,642,698</u>	<u>5,749,442</u>	<u>17,768,701</u>	<u>1,312,160,841</u>	<u>5,307,690,602</u>
Group and Bank	31 December 2019				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR'000
					(Note 2.3)
Gross carrying amount At 1 January 2019	743,625,752	1,095,277	5,390,927	750,111,956	3,013,949,840
<i>Change in the gross carrying amount</i>					
Transfer to stage 1	211,906	(102,931)	(108,975)	-	-
Transfer to stage 2	(1,076,221)	1,103,308	(27,087)	-	-
Transfer to stage 3	(2,452,268)	(267,540)	2,719,808	-	-
Net movements	(435,179,104)	(676,232)	(1,314,203)	(437,169,539)	(1,771,521,223)
New financial assets originated	730,811,894	314,614	325,560	731,452,068	2,964,028,246
Write-offs	(105,713)	(130,572)	(3,686,780)	(3,923,065)	(15,897,249)
Foreign exchange	937,657	6,190	25,961	969,808	53,313,390
Gross carrying amount At 31 December 2019	<u>1,036,773,903</u>	<u>1,342,114</u>	<u>3,325,211</u>	<u>1,041,441,228</u>	<u>4,243,873,004</u>

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37. FINANCIAL RISK MANAGEMENT (continued)

37.1 Credit risk (continued)

37.1.2 Credit quality analysis (continued)

(vi) Loan commitments:

Group and Bank	31 December 2020				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR'000
					(Note 2.3)
Gross carrying amount At 1 January 2020	1,213,838	-	1,681	1,215,519	4,953,240
<i>Change in the gross carrying amount</i>					
Transfer to stage 1	(3,841)	1,041	2,800	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Loan commitments transferred to loans to customers	(1,105,197)	-	-	(1,105,197)	(4,505,888)
New loan commitments issued	3,491,649	-	66,000	3,557,649	14,504,535
Foreign exchange	9,868	8	12	9,888	(74,948)
Gross carrying amount At 31 December 2020	3,606,317	1,049	70,493	3,677,859	14,876,939
	31 December 2019				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR'000
					(Note 2.3)
Gross carrying amount At 1 January 2019	1,113,830	-	800	1,114,630	4,478,583
<i>Change in the gross carrying amount</i>					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	800	-	(800)	-	-
Loan commitments transferred to loans to customers	(794,839)	-	-	(794,839)	(3,220,688)
New loan commitments issued	1,150,444	-	1,690	1,152,134	4,668,447
Write-offs	(255,851)	-	-	(255,851)	(1,036,708)
Foreign exchange	(546)	-	(9)	(555)	63,606
Gross carrying amount At 31 December 2019	1,213,838	-	1,681	1,215,519	4,953,240

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37. FINANCIAL RISK MANAGEMENT (continued)

37.1 Credit risk (continued)

37.1.2 Credit quality analysis (continued)

During the year, the allowance for impairment loss recognised in the profit or loss was as follows:

31 December 2020

Group and Bank	Balances with other banks at amortised cost	Loans and advances to customers at amortised cost	Loan commitments	Total	
	US\$	US\$	US\$	US\$	KHR'000
					(Note 2.3)
Net remeasurement of loss allowance	151,187	17,704,531	3,483	17,859,201	72,811,962
New financial assets originated	767	3,609,570	72,076	3,682,413	15,013,198
Financial assets that have been derecognised	-	(726,237)	(941)	(727,178)	(2,964,709)
Recoveries of amounts previously written off	-	(785,574)	-	(785,574)	(3,202,781)
Impairment losses on financial instrument recognised in profit or loss (Note 28)	151,954	19,802,290	74,618	20,028,862	81,657,670

31 December 2019

Group and Bank	Balances with other banks at amortised cost	Loans and advances to customers at amortised cost	Loan commitments	Total	
	US\$	US\$	US\$	US\$	KHR'000
					(Note 2.3)
Net remeasurement of loss allowance	(29,781)	1,702,989	(912)	1,672,296	6,776,143
New financial assets originated	6,056	1,181,407	2,674	1,190,137	4,822,435
Financial assets that have been derecognised	-	(1,940,543)	(2,026)	(1,942,569)	(7,871,290)
Write-offs	-	-	(608)	(608)	(2,464)
Recoveries of amounts previously written off	-	(1,024,480)	-	(1,024,480)	(4,151,192)
Impairment losses on financial instrument recognised in profit or loss (Note 28)	(23,725)	(80,627)	(872)	(105,224)	(426,368)

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37. FINANCIAL RISK MANAGEMENT (continued)

37.1 Credit risk (continued)

37.1.3 Collateral held

Small and Medium Entity (SME) Retail Loans and Mortgage Loans (secured loans)

The Group and the Bank hold residential properties as collaterals for majority of loans, and the collaterals include land, house, building and other movable assets. The Group and the Bank set Loan to Collateral Value ("LTV") > 67% as the minimum eligible ratio for loan disbursement to customers.

37.1.4. Amounts arising from ECL

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

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

- balances with other banks,
- financial assets that are debt instruments; and
- loan commitments.

No impairment loss is recognised on equity investments.

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

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

The Group and the Bank do not apply the low credit risk exemption to any other financial instruments.

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

Credit-impaired financial assets

At each reporting date, the Group and the Bank assess whether financial assets carried at amortised cost 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 by the Group and the Bank on terms that the Group and the Bank would not consider otherwise; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

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37. FINANCIAL RISK MANAGEMENT (continued)

37.1 Credit risk (continued)

37.1.4 Amounts arising from ECL (continued)

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is overdue more than 90 days per CIFRS rebuttable assumption is considered credit-impaired even when the regulatory definition of default is different.

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

Credit risk grades

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

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

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

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

(i) Significant increase in credit risk

The Group and the Bank consider the significant increase in credit risk into two stages as below:

Significant increases in credit risk in Stage 2

The change in levels of credit risk over the expected life of a financial instrument is assessed by comparing credit risk at each reporting date with the associated instrument's credit risk at initial recognition. The Group and the Bank use 30 days past due ("DPD") as a backstop and applies the rebuttable assumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 DPD. Moreover, The Group and the Bank have also considered qualitative factors including:

- 30 DPD as backstop for long-term loans and 15 DPD for short-term loans (counting from 30 DPD upward for long-term and from 15 DPD for short-term loans),
- Use of quantitative indicators (change in PD at reporting date from the origination date),
- Change in cumulative residual unbiased PD,
- Change in unbiased 12-month PD comparing origination unbiased 12-month PD expected at the reporting date with the current 12-month PD at reporting use of qualitative indicators defined; or
- Restructured loans with special mentioned classification (loans which are restructured and classified as special mention will be changed from Stage 1 to Stage 2).

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37. FINANCIAL RISK MANAGEMENT (continued)

37.1 Credit risk (continued)

37.1.4 Amounts arising from ECL (continued)

Credit risk grades (continued)

(i) Significant increase in credit risk (continued)

Significant increases in credit risk in Stage 3

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

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

The Group and the Bank also apply 90 DPD as a backstop in moving a facility from Stage 2 to Stage 3 and consider a facility as credit-impaired. Moreover, loans which are restructured and classified as substandard, doubtful or loss will be changed from Stage 2 to Stage 3.

(ii) Definition of default

The Group and the Bank consider a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group and the Bank in full, without recourse by the Group and the Bank to actions such as realising security (if any is held);
- the borrower is more than 90 days past due on any material credit obligation to the Group and the Bank; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

(iii) Incorporation of forward-looking information

The Group and the Bank analyses forward-looking information by using the statistical regression model to assess whether the credit risk of an instrument has increased significantly to measure ECL.

The Group and the Bank formulate three economic scenarios: a base case, which is the median scenario assigned a 34% probability of occurring, and two less likely scenarios, one upside 28% and one downside assigned a 38% probability of occurring. The base case is aligned with information used by the Group and the Bank for other purposes such the strategic planning and budgeting. External information considered includes economic data and forecasts published by governmental bodies (National Bank of Cambodia) and international bodies such as World Bank and Bloomberg.

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37. FINANCIAL RISK MANAGEMENT (continued)

37.1 Credit risk (continued)

37.1.4 Amounts arising from ECL (continued)

(iii) Incorporation of forward-looking information (continued)

Weightage scenario	2020			2019		
	Base	Bad	Good	Base	Bad	Good
	34%	38%	28%	35%	40%	25%

Based on the forward-looking analysis, the Bank applied the forward-looking scalar at 1.42 before quarter four 2020 and after that at 1.25 for the 12-month and lifetime ECL.

The forward-looking model is updated annually using the up to date macroeconomic variables ("MEVs") and weighted scenario with proper business judgement into the model and forecasting resource from Asian Development Bank ("ADB"), World Bank, Internal Monetary Fund ("IMF") and National Bank of Cambodia ("NBC").

The ECL was estimated based on a range of forecast economic conditions as at reporting date. The Novel Coronavirus (Covid-19) outbreak has spread across mainland China, Cambodia and beyond, causing disruption to business and economic activity. The impact on Gross Domestic Product ("GDP") and other key indicators will be considered when determining the severity and likelihood of downside economic scenarios that are used to estimate ECL.

The calculation of the ECL in this current environment is subject to significant uncertainty. Management provides its best estimate on the possible outcomes of Covid-19 on the Group and the Bank, however, this estimate may move materially as events unfold. 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 Group and the Bank.

(iv) Modified financial assets

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

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

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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37. FINANCIAL RISK MANAGEMENT (continued)

37.1 Credit risk (continued)

37.1.4 Amounts arising from ECL (continued)

(v) Measurement of ECL

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

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group and the Bank in accordance with the contract and the cash flows that the Group and the Bank expect 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: a credit loss is the present value of the difference between the contractual cash flows that are due to the Group and the Bank if the holder of the loan commitment draws down the loan and the cash flows that the entity expects to receive if the loan is drawn down.

The Group and the Bank calculate the ECL by taking the gross carrying amount of financial assets multiplying by the consolidated probability of default (PD) ratio of each stage from the Proxy Model with risk adjustment factors.

- Expected credit loss, ECL is the present value of all cash shortfalls over the remaining life, discounted at the EIR. For each year throughout the financial instrument's life, a forward-looking PD, LGD and EAD are estimated. The estimates are multiplied with each other to estimate the losses for each of the years. Then the estimates are discounted back to the reporting date using the EIR as the discount rate.
- The Group and the Bank used the SME retail and mortgage loan as modelled portfolio to leverage on because they shared several characteristics in common. They all are term loans with predetermined maturity date and stipulated repayment schedule of both principle and interest.
- The Proxy ECL is calculated by using the formula below:

Loan to customers

Stage	Proxy ECL Calculation
1	$Gross\ Carrying\ Amount_{stage1} \times Coverage\ Ratio_{stage1} \times Risk\ Adjustment_{stage1}$
2	$Gross\ Carrying\ Amount_{stage2} \times Coverage\ Ratio_{stage2} \times Risk\ Adjustment_{stage2}$
3	$Gross\ Carrying\ Amount_{stage3} \times Coverage\ Ratio_{stage3} \times Risk\ Adjustment_{stage3}$

The coverage ratio which consists of PD and LGD, the implied PD is derived based on the %ECL back from parent bank. It is computed by using the formula below:

$$\text{Implied PD} = \text{ECL amount} / (\text{EAD} \times \text{LGD}\%)$$

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37. FINANCIAL RISK MANAGEMENT (continued)

37.1 Credit risk (continued)

37.1.4 Amounts arising from ECL (continued)

Loss Given Default (LGD)

LGD is derived from main components including the recovery rate of write-off loans which give the result of loss given default rate for write-off loan, recovery rate of default loans before write-off, and cost of recovery then the weighted average of LGD rate for write-off and non-write-off default amount is applied. Below is the formula:

$$LGD = 1 - Recovery Rate = 1 - \frac{PV(Recovery) - PV(Cost)}{Exposure at Default}$$

Where

- Exposure at Default (EAD): is the total balance owed by the borrower to the particular lender at time of default expressed in currency units. However, since there is a limitation of data, only the Write off Principle Balance is applied.
- Recovery Rate: it is the percentage of recovery amount comparing to the Exposure at Default;
- PV (Recovery): this refer to the present value of recovery; and
- PV (Cost): this refers to the present value of the recovery cost.

Placement with other banks

Bank Name	Proxy ECL Calculation
<i>A</i>	<i>Deposit portfolio × Benchmark ECL%</i>
<i>B</i>	<i>Deposit portfolio × Benchmark ECL%</i>
<i>C</i>	<i>Deposit portfolio × Benchmark ECL%</i>

(b) Loss allowance

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

Group and Bank	31 December 2020		31 December 2019	
	US\$	KHR'000 (Note 2.3)	US\$	KHR'000 (Note 2.3)
Loss allowance by classes				
Balances with other banks	167,030	675,636	14,992	61,092
Loans to customers	23,336,673	94,396,842	5,168,298	21,060,814
Loan commitments	77,369	312,958	2,717	11,072
	<u>23,581,072</u>	<u>95,385,436</u>	<u>5,186,007</u>	<u>21,132,978</u>

The contractual amount outstanding on financial assets that were written off during the reporting period and are still subject to enforcement activity is US\$2,838,799 at 31 December 2020 and US\$3,923,066 at 31 December 2019.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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37. FINANCIAL RISK MANAGEMENT (continued)

37.1 Credit risk (continued)

37.1.4 Amounts arising from ECL (continued)

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

Group and Bank	31 December 2020		31 December 2019	
	Gross carrying amounts	Loss allowance	Gross carrying amounts	Loss allowance
	US\$	US\$	US\$	US\$
Loans to customers				
0-29 days	1,302,778,328	14,516,247	1,038,025,227	1,952,803
30-59 days	692,086	411,414	370,050	256,832
60-89 days	735,585	454,170	344,079	256,791
90-180 days	1,806,188	1,806,188	876,674	876,674
More than 180 days	6,148,654	6,148,654	1,825,198	1,825,198
Total	<u>1,312,160,841</u>	<u>23,336,673</u>	<u>1,041,441,228</u>	<u>5,168,298</u>
In KHR'000 equivalents (Note 2.3)	<u>5,307,690,602</u>	<u>94,396,842</u>	<u>4,243,873,004</u>	<u>21,060,814</u>

37.1.5 Concentration of credit risk

The Group and the Bank monitor concentrations of credit risk by sector. An analysis of concentrations of credit risk from loans to customers and loan commitments is shown below.

Group	31 December 2020				
	Balances with other banks	Loans to customers	Loan commitments	Total	
	US\$	US\$	US\$	US\$	KHR'000
Carrying amounts	41,729,838	1,288,824,168	(77,369)	1,330,476,637	5,381,777,997
Amount committed	-	-	3,677,859	3,677,859	14,876,940
Concentration by sector					
External customers					
Mortgages loans	-	76,232,794	541,576	76,774,370	310,552,327
Personal loans	-	1,229,618,894	3,136,283	1,232,755,177	4,986,494,691
Staff loans	-	6,309,153	-	6,309,153	25,520,524
	<u>-</u>	<u>1,312,160,841</u>	<u>3,677,859</u>	<u>1,315,838,700</u>	<u>5,322,567,542</u>

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37. FINANCIAL RISK MANAGEMENT (continued)

37.1 Credit risk (continued)

37.1.5 Concentration of credit risk (continued)

Bank	31 December 2020				
	Balances with other banks	Loans to customers	Loan commitments	Total	
	US\$	US\$	US\$	US\$	KHR'000
Carrying amounts	41,656,629	1,288,824,168	(77,369)	1,330,403,428	5,381,481,866
Amount committed	-	-	3,677,859	3,677,859	14,876,940
Concentration by sector					(Note 2.3)
External customers					
Mortgages loans	-	76,232,794	541,576	76,774,370	310,552,327
Personal loans	-	1,229,618,894	3,136,283	1,232,755,177	4,986,494,691
Staff loans	-	6,309,153	-	6,309,153	25,520,524
	-	1,312,160,841	3,677,859	1,315,838,700	5,322,567,542

Group and Bank	31 December 2019				
	Balances with other banks	Loans to customers	Loan commitments	Total	
	US\$	US\$	US\$	US\$	KHR'000
Carrying amount	9,657,803	1,036,272,930	(2,717)	1,045,928,016	4,262,156,665
Amount committed	-	-	1,215,519	1,215,519	4,953,240
Concentration by sector					(Note 2.3)
External customers					
Mortgages loans	-	70,231,258	192,537	70,423,795	286,976,965
Personal loans	-	965,340,346	1,021,982	966,362,328	3,937,926,487
Staff loans	-	5,869,624	1,000	5,870,624	23,922,793
	-	1,041,441,228	1,215,519	1,042,656,747	4,248,826,245

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

37. FINANCIAL RISK MANAGEMENT (continued)

37.2 Liquidity risk

Liquidity risk refer to risk which the institution cannot meet the obligation or cannot settle debt obligation or settle position in the specific economic and financial situation and market situation. Liquidity risk arises from mismatches in the timing and amounts of cash flows, which is inherent to the Group and the Bank's operations and investments.

37.2.1 Liquidity risk management

The Group and the Bank's BoD set the Group and the Bank's strategy for managing liquidity risk and oversight of the implementation is administered by ARBC. ARBC approves the Group and the Bank's liquidity policies created by the Risk division and acknowledged by ALRMC. Treasury department manages the Group and the Bank's liquidity position on a day-to-day basis and reviews daily reports covering the liquidity position of Head office and branches. A summary report, including any exceptions and remedial action taken, is submitted regularly to ARBC.

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

- Maintaining a diversified funding, consisting of customer deposits (both individual and corporate) and maintaining contingency facilities.
- Carrying a portfolio of highly liquid assets, diversified by currency and maturity.
- Monitoring maturity mismatches, behavioral characteristics of the Group and the Bank's financial assets and financial liabilities, and the extent to which the Group and the Bank's assets are encumbered and so not available as potential collateral for obtaining the funding.
- Performing a stress testing of the Group and the Bank's liquidity position against various exposures and country-specific events.
- Minimizing cost of foregone earnings on idle liquidity.
- Responding to possible future liquidity constraints arising from the COVID-19 pandemic

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

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

Regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. The scenarios are developed taking into account both Bank-specific events (e.g. a rating downgrade) and market-related events (e.g. prolonged market illiquidity, reduced fungibility of currencies, natural disasters or other catastrophes). Moreover, stress scenarios may be based on past events (historical scenario) observed within the own institution, or more commonly, on crisis situations witnessed by other institutions of similar size, business model and regional footprint. Often, the Group and the Bank also combines crisis elements from various historical situations to develop a hypothetical but plausible crisis scenario that might be more relevant to their current business model and exposure profile.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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37. FINANCIAL RISK MANAGEMENT (continued)

37.2 Liquidity risk (continued)

37.2.2 Exposure to liquidity risk

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

Group and Bank	<u>31 December 2020</u>	<u>31 December 2019</u>
At end of year	131.00%	113.92%
Average for the year	186.22%	132.45%
Maximum for the year	299.66%	162.01%
Minimum for the year	111.60%	100.49%

37.2.3 Maturity analysis for financial liabilities and financial assets

The following tables set out the remaining contractual maturities of the Group and the Bank's financial liabilities and financial assets.

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37. FINANCIAL RISK MANAGEMENT (continued)

37.2 Liquidity risk (continued)

37.2.3 Maturity analysis for financial liabilities and financial assets (continued)

Group	Carrying amount	Gross nominal inflow/ (outflow)	Up to 1 month	> 1 – 3 months	> 3 – 12 months	> 1 – 5 years	Over 5 years	No maturity
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
31 December 2020								
Financial liabilities by type								
Non-derivative liabilities								
Deposits from customers	803,893,453	(836,844,252)	(207,574,430)	(159,409,329)	(366,736,176)	(102,350,694)	(773,623)	-
Debt securities issued	29,767,039	(32,162,670)	-	-	(32,162,670)	-	-	-
Borrowings	431,708,838	(484,520,944)	(2,220,649)	(23,270,604)	(124,578,326)	(280,700,078)	(52,908,085)	(843,202)
Subordinated debts	11,895,729	(18,208,736)	(267,851)	(1,099,362)	(1,622,203)	(4,620,345)	(10,598,975)	-
Lease liabilities	12,325,496	(14,923,541)	(303,840)	(600,298)	(2,596,837)	(9,440,148)	(1,982,418)	-
Other liabilities	6,332,359	(6,332,359)	(143,671)	(1,006,627)	(5,019,518)	(152,361)	-	(10,182)
	<u>1,295,922,914</u>	<u>(1,392,992,502)</u>	<u>(210,510,441)</u>	<u>(185,386,220)</u>	<u>(532,715,730)</u>	<u>(397,263,626)</u>	<u>(66,263,101)</u>	<u>(853,384)</u>
Derivative liabilities								
Risk management								
Outflow	-	(11,269,348)	-	(392,311)	(2,716,592)	(6,582,578)	(1,577,867)	-
Inflow	-	2,378,747	-	50,758	1,130,767	993,633	203,589	-
	<u>7,283,277</u>	<u>(8,890,601)</u>	<u>-</u>	<u>(341,553)</u>	<u>(1,585,825)</u>	<u>(5,588,945)</u>	<u>(1,374,278)</u>	<u>-</u>
Loan and other commitments	-	(4,823,962)	-	(1,146,449)	(27,348)	(381,916)	(3,268,249)	-
In US\$ equivalents	<u>1,303,206,191</u>	<u>(1,406,707,065)</u>	<u>(210,510,441)</u>	<u>(186,874,222)</u>	<u>(534,328,903)</u>	<u>(403,234,487)</u>	<u>(70,905,628)</u>	<u>(853,384)</u>
In KHR'000 equivalents (Note 2.3)								
	<u>5,271,469,043</u>	<u>(5,690,130,077)</u>	<u>(851,514,734)</u>	<u>(755,906,228)</u>	<u>(2,161,360,412)</u>	<u>(1,631,083,500)</u>	<u>(286,813,265)</u>	<u>(3,451,938)</u>

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37. FINANCIAL RISK MANAGEMENT (continued)

37.2 Liquidity risk (continued)

37.2.3 Maturity analysis for financial liabilities and financial assets (continued)

Group	Carrying	Gross nominal	Up to 1 month	> 1 – 3	> 3 – 12	> 1 – 5	Over 5	No maturity
	amounts	inflow/ (outflow)		months	months	years	years	
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
31 December 2020								
Financial assets by type								
Non-derivative assets								
Cash on hand	37,160,689	37,160,689	37,160,689	-	-	-	-	-
Balances with the NBC	135,341,678	135,345,667	32,706,758	4,114,688	51,282	-	98,472,939	-
Balances with other banks	41,729,838	42,136,502	12,362,552	-	323,950	-	29,450,000	-
Loans to customers	1,288,824,168	1,787,818,174	40,829,068	82,960,488	348,995,315	1,145,731,371	152,029,064	17,272,868
Investment securities	20,000	20,000	-	-	-	-	-	20,000
Other assets	1,306,217	1,306,217	-	359,033	-	945,607	-	1,577
	<u>1,504,382,590</u>	<u>2,003,787,249</u>	<u>123,059,067</u>	<u>87,434,209</u>	<u>349,370,547</u>	<u>1,146,676,978</u>	<u>279,952,003</u>	<u>17,294,445</u>
Derivative assets								
Risk management								
Outflow	-	(20,000,000)	-	(20,000,000)	-	-	-	-
Inflow	-	20,242,274	-	20,242,274	-	-	-	-
	<u>242,274</u>	<u>242,274</u>	-	<u>242,274</u>	-	-	-	-
Borrowing commitments	-	85,049,444	35,000,000	49,444	15,000,000	-	35,000,000	-
In US\$ equivalents	<u>1,504,624,864</u>	<u>2,089,078,967</u>	<u>158,059,067</u>	<u>87,725,927</u>	<u>364,370,547</u>	<u>1,146,676,978</u>	<u>314,952,003</u>	<u>17,294,445</u>
In KHR'000 equivalents (Note 2.3)	<u>6,086,207,575</u>	<u>8,450,324,422</u>	<u>639,348,926</u>	<u>354,851,375</u>	<u>1,473,878,863</u>	<u>4,638,308,376</u>	<u>1,273,980,852</u>	<u>69,956,030</u>

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37. FINANCIAL RISK MANAGEMENT (continued)

37.2 Liquidity risk (continued)

37.2.3 Maturity analysis for financial liabilities and financial assets (continued)

Group	Carrying	Gross nominal	Up to 1 month	> 1 – 3	> 3 – 12	> 1 – 5	Over 5	No maturity
	amounts	inflow/ (outflow)		months	months	years	years	
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
31 December 2019								
Financial liabilities by type								
Non-derivative liabilities								
Deposits from customers	610,098,327	(642,942,089)	(202,482,490)	(103,474,072)	(271,246,173)	(65,637,367)	(101,987)	-
Debt securities issued	29,196,072	(34,200,292)	(328,594)	-	(2,505,533)	(31,366,165)	-	-
Borrowings	311,485,982	(347,845,468)	(12,655,103)	(22,382,970)	(89,802,489)	(222,617,274)	-	(387,632)
Subordinated debts	11,974,921	(13,868,238)	(642,952)	(1,008,992)	(6,715,037)	(4,639,913)	(861,344)	-
Lease liabilities	13,005,210	(16,120,658)	(297,504)	(590,902)	(2,539,073)	(9,581,177)	(3,112,002)	-
Other liabilities	45,870,654	(45,870,654)	(99,889)	(40,750,511)	(4,988,180)	(32,074)	-	-
	<u>1,021,631,166</u>	<u>(1,100,847,399)</u>	<u>(216,506,532)</u>	<u>(168,207,447)</u>	<u>(377,796,485)</u>	<u>(333,873,970)</u>	<u>(4,075,333)</u>	<u>(387,632)</u>
Derivative liabilities								
Risk management								
Outflow	-	(5,424,894)	-	-	(3,601,829)	(1,823,065)	-	-
Inflow	-	4,726,039	-	-	3,154,169	1,571,870	-	-
	<u>1,887,584</u>	<u>(698,855)</u>	<u>-</u>	<u>-</u>	<u>(447,660)</u>	<u>(251,195)</u>	<u>-</u>	<u>-</u>
Loan commitments	-	(1,916,931)	-	(701,412)	(1,215,519)	-	-	-
In US\$ equivalents	<u>1,023,518,750</u>	<u>(1,103,463,185)</u>	<u>(216,506,532)</u>	<u>(168,908,859)</u>	<u>(379,459,664)</u>	<u>(334,125,165)</u>	<u>(4,075,333)</u>	<u>(387,632)</u>
In KHR'000 equivalents								
(Note 2.3)	<u>4,170,838,907</u>	<u>(4,496,612,478)</u>	<u>(882,264,118)</u>	<u>(688,303,600)</u>	<u>(1,546,298,131)</u>	<u>(1,361,560,047)</u>	<u>(16,606,982)</u>	<u>(1,579,600)</u>

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37. FINANCIAL RISK MANAGEMENT (continued)

37.2 Liquidity risk (continued)

37.2.3 Maturity analysis for financial liabilities and financial assets (continued)

Group	Carrying	Gross nominal	Up to 1 month	> 1 – 3	> 3 – 12	> 1 – 5	Over 5	No maturity
	amounts	inflow/ (outflow)		months	months	years	years	
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
31 December 2019								
Financial assets by type								
Non-derivative assets								
Cash on hand	34,190,445	34,190,445	34,190,445	-	-	-	-	-
Balances with the NBC	95,934,585	95,982,310	30,720,562	4,186,627	50,178	-	61,024,943	-
Balances with other banks	9,657,803	9,657,803	9,657,803	-	-	-	-	-
Loans to customers	1,036,272,930	1,386,931,637	34,128,574	74,878,802	301,554,736	896,220,083	76,976,776	3,172,666
Investment securities	20,000	20,000	-	-	-	-	-	20,000
Other assets	19,281,314	19,281,314	-	17,924,506	-	1,356,808	-	-
	<u>1,195,357,077</u>	<u>1,546,063,509</u>	<u>108,697,384</u>	<u>96,989,935</u>	<u>301,604,914</u>	<u>897,576,891</u>	<u>138,001,719</u>	<u>3,192,666</u>
Derivative assets								
Risk management								
Outflow	-	(11,027,823)	-	-	(1,577,867)	(7,872,089)	(1,577,867)	-
Inflow	-	11,065,510	-	-	1,583,259	7,898,992	1,583,259	-
	-	37,687	-	-	5,392	26,903	5,392	-
Borrowing commitments	-	34,957,055	4,907,975	49,080	15,000,000	-	15,000,000	-
In US\$ equivalents	<u>1,195,357,077</u>	<u>1,581,058,251</u>	<u>113,605,359</u>	<u>97,039,015</u>	<u>316,610,306</u>	<u>897,603,794</u>	<u>153,007,111</u>	<u>3,192,666</u>
In KHR'000 equivalents (Note 2.3)	<u>4,871,080,089</u>	<u>6,442,812,373</u>	<u>462,941,838</u>	<u>395,433,986</u>	<u>1,290,186,997</u>	<u>3,657,735,461</u>	<u>623,503,977</u>	<u>13,010,114</u>

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37. FINANCIAL RISK MANAGEMENT (continued)

37.2 Liquidity risk (continued)

37.2.3 Maturity analysis for financial liabilities and financial assets (continued)

Bank	Carrying	Gross nominal	Up to 1 month	> 1 – 3	> 3 – 12	> 1 – 5	Over 5	No maturity
	amounts	inflow/ (outflow)		months	months	years	years	
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
31 December 2020								
Financial liabilities by type								
Non-derivative liabilities								
Deposits from customers	804,484,026	(837,434,825)	(208,165,003)	(159,409,329)	(366,736,176)	(102,350,694)	(773,623)	-
Debt securities issued	29,767,039	(32,162,670)	-	-	(32,162,670)	-	-	-
Borrowings	402,208,119	(449,195,669)	(2,169,930)	(23,174,073)	(124,128,395)	(278,309,720)	(20,570,349)	(843,202)
Subordinated debts	11,895,729	(18,208,736)	(267,851)	(1,099,362)	(1,622,203)	(4,620,345)	(10,598,975)	-
Lease liabilities	22,833,647	(54,595,825)	(359,202)	(711,022)	(3,095,095)	(12,177,799)	(38,252,707)	-
Other liabilities	6,322,177	(6,322,177)	(143,671)	(1,006,627)	(5,019,518)	(152,361)	-	-
	<u>1,277,510,737</u>	<u>(1,397,919,902)</u>	<u>(211,105,657)</u>	<u>(185,400,413)</u>	<u>(532,764,057)</u>	<u>(397,610,919)</u>	<u>(70,195,654)</u>	<u>(843,202)</u>
Derivative liabilities								
Risk management								
Outflow	-	(11,269,348)	-	(392,311)	(2,716,592)	(6,582,578)	(1,577,867)	-
Inflow	-	2,378,747	-	50,758	1,130,767	993,633	203,589	-
	<u>7,283,277</u>	<u>(8,890,601)</u>	<u>-</u>	<u>(341,553)</u>	<u>(1,585,825)</u>	<u>(5,588,945)</u>	<u>(1,374,278)</u>	<u>-</u>
Loan and other commitments	-	(4,823,962)	-	(1,146,449)	(27,348)	(381,916)	(3,268,249)	-
In US\$ equivalents	<u>1,284,794,014</u>	<u>(1,411,634,465)</u>	<u>(211,105,657)</u>	<u>(186,888,415)</u>	<u>(534,377,230)</u>	<u>(403,581,780)</u>	<u>(74,838,181)</u>	<u>(843,202)</u>
In KHR'000 equivalents								
(Note 2.3)	<u>5,196,991,787</u>	<u>(5,710,061,411)</u>	<u>(853,922,383)</u>	<u>(755,963,639)</u>	<u>(2,161,555,895)</u>	<u>(1,632,488,300)</u>	<u>(302,720,442)</u>	<u>(3,410,752)</u>

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37. FINANCIAL RISK MANAGEMENT (continued)

37.2 Liquidity risk (continued)

37.2.3 Maturity analysis for financial liabilities and financial assets (continued)

Bank	Carrying	Gross nominal	Up to 1 month	> 1 – 3	> 3 – 12	> 1 – 5	Over 5	No maturity
	amounts	inflow/ (outflow)		months	months	years	years	
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
31 December 2020								
Financial assets by type								
Non-derivative assets								
Cash on hand	37,160,689	37,160,689	37,160,689	-	-	-	-	-
Balances with the NBC	135,341,678	135,345,667	32,706,758	4,114,688	51,282	-	98,472,939	-
Balances with other banks	41,656,629	42,063,293	12,289,343	-	323,950	-	29,450,000	-
Loans to customers	1,288,824,168	1,787,818,174	40,829,068	82,960,488	348,995,315	1,145,731,371	152,029,064	17,272,868
Investment securities	20,000	20,000	-	-	-	-	-	20,000
Investment in subsidiary	490	490	-	-	-	-	-	490
Other assets	1,803,408	1,803,408	-	359,033	-	1,444,375	-	-
	<u>1,504,807,062</u>	<u>2,004,211,721</u>	<u>122,985,858</u>	<u>87,434,209</u>	<u>349,370,547</u>	<u>1,147,175,746</u>	<u>279,952,003</u>	<u>17,293,358</u>
Derivative assets								
Risk management								
Outflow	-	(20,000,000)	-	(20,000,000)	-	-	-	-
Inflow	-	20,242,274	-	20,242,274	-	-	-	-
	<u>242,274</u>	<u>242,274</u>	<u>-</u>	<u>242,274</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Borrowing commitments	-	85,049,444	35,000,000	49,444	15,000,000	-	35,000,000	-
In US\$ equivalents	<u>1,505,049,336</u>	<u>2,089,503,439</u>	<u>157,985,858</u>	<u>87,725,927</u>	<u>364,370,547</u>	<u>1,147,175,746</u>	<u>314,952,003</u>	<u>17,293,358</u>
In KHR'000 equivalents (Note 2.3)	<u>6,087,924,564</u>	<u>8,452,041,411</u>	<u>639,052,795</u>	<u>354,851,375</u>	<u>1,473,878,863</u>	<u>4,640,325,893</u>	<u>1,273,980,852</u>	<u>69,951,633</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

37. FINANCIAL RISK MANAGEMENT (continued)

37.2 Liquidity risk (continued)

37.2.3 Maturity analysis for financial liabilities and financial assets (continued)

Bank	Carrying	Gross nominal	Up to 1 month	> 1 – 3	> 3 – 12	> 1 – 5	Over 5	No maturity
	amounts	inflow/ (outflow)		months	months	years	years	
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
31 December 2019								
Financial liabilities by type								
Non-derivative liabilities								
Deposits from customers	610,099,327	(642,943,089)	(202,483,490)	(103,474,072)	(271,246,173)	(65,637,367)	(101,987)	-
Debt securities issued	29,196,072	(34,200,292)	(328,594)	-	(2,505,533)	(31,366,165)	-	-
Borrowings	311,485,982	(347,845,468)	(12,655,103)	(22,382,970)	(89,802,489)	(222,617,274)	-	(387,632)
Subordinated debts	11,974,921	(13,868,238)	(642,952)	(1,008,992)	(6,715,037)	(4,639,913)	(861,344)	-
Lease liabilities	13,005,210	(16,120,658)	(297,504)	(590,902)	(2,539,073)	(9,581,177)	(3,112,002)	-
Other liabilities	45,865,829	(45,865,829)	(99,889)	(40,750,511)	(4,983,355)	(32,074)	-	-
	<u>1,021,627,341</u>	<u>(1,100,843,574)</u>	<u>(216,507,532)</u>	<u>(168,207,447)</u>	<u>(377,791,660)</u>	<u>(333,873,970)</u>	<u>(4,075,333)</u>	<u>(387,632)</u>
Derivative liabilities								
Risk management								
Outflow	-	(5,424,894)	-	-	(3,601,829)	(1,823,065)	-	-
Inflow	-	4,726,039	-	-	3,154,169	1,571,870	-	-
	<u>1,887,584</u>	<u>(698,855)</u>	<u>-</u>	<u>-</u>	<u>(447,660)</u>	<u>(251,195)</u>	<u>-</u>	<u>-</u>
Loan commitments	-	(1,916,931)	-	(701,412)	(1,215,519)	-	-	-
In US\$ equivalents	<u>1,023,514,925</u>	<u>(1,103,459,360)</u>	<u>(216,507,532)</u>	<u>(168,908,859)</u>	<u>(379,454,839)</u>	<u>(334,125,165)</u>	<u>(4,075,333)</u>	<u>(387,632)</u>
In KHR'000 equivalents (Note 2.3)	<u>4,170,823,320</u>	<u>(4,496,596,891)</u>	<u>(882,268,193)</u>	<u>(688,303,600)</u>	<u>(1,546,278,469)</u>	<u>(1,361,560,047)</u>	<u>(16,606,982)</u>	<u>(1,579,600)</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

37. FINANCIAL RISK MANAGEMENT (continued)

37.2 Liquidity risk (continued)

37.2.3 Maturity analysis for financial liabilities and financial assets (continued)

Bank	Carrying amounts	Gross nominal inflow/ (outflow)	Up to 1 month	> 1 – 3 months	> 3 – 12 months	> 1 – 5 years	Over 5 years	No maturity
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
31 December 2019								
Financial assets by type								
Non-derivative assets								
Cash on hand	34,190,445	34,190,445	34,190,445	-	-	-	-	-
Balances with the NBC	95,934,585	95,982,310	30,720,562	4,186,627	50,178	-	61,024,943	-
Balances with other banks	9,657,803	9,657,803	9,657,803	-	-	-	-	-
Loans to customers	1,036,272,930	1,386,931,637	34,128,574	74,878,802	301,554,736	896,220,083	76,976,776	3,172,666
Investment securities	20,000	20,000	-	-	-	-	-	20,000
Investment in subsidiary	490	490	-	-	-	-	-	490
Other assets	19,286,474	19,286,474	-	17,929,666	-	1,356,808	-	-
	<u>1,195,362,727</u>	<u>1,546,069,159</u>	<u>108,697,384</u>	<u>96,995,095</u>	<u>301,604,914</u>	<u>897,576,891</u>	<u>138,001,719</u>	<u>3,193,156</u>
Derivative assets								
Risk management								
Outflow	-	(11,027,823)	-	-	(1,577,867)	(7,872,089)	(1,577,867)	-
Inflow	-	11,065,510	-	-	1,583,259	7,898,992	1,583,259	-
	-	<u>37,687</u>	-	-	<u>5,392</u>	<u>26,903</u>	<u>5,392</u>	-
Borrowing commitments	-	<u>34,957,055</u>	<u>4,907,975</u>	<u>49,080</u>	<u>15,000,000</u>	-	<u>15,000,000</u>	-
In US\$ equivalents	<u>1,195,362,727</u>	<u>1,581,063,901</u>	<u>113,605,359</u>	<u>97,044,175</u>	<u>316,610,306</u>	<u>897,603,794</u>	<u>153,007,111</u>	<u>3,193,156</u>
In KHR'000 equivalents (Note 2.3)	<u>4,871,103,113</u>	<u>6,442,835,397</u>	<u>462,941,838</u>	<u>395,455,013</u>	<u>1,290,186,997</u>	<u>3,657,735,461</u>	<u>623,503,977</u>	<u>13,012,111</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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37. FINANCIAL RISK MANAGEMENT (continued)

37.2 Liquidity risk (continued)

37.2.3 Maturity analysis for financial liabilities and financial assets (continued)

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

Type of financial instrument	Basis on which amounts are compiled
Non-derivative financial liabilities and financial assets	Undiscounted cash flows, which include estimated interest payments.
Loan commitments	Earliest possible contractual maturity
Derivative financial liabilities and financial assets held for risk management purposes	Contractual undiscounted cash flows. The amounts shown are the gross nominal inflows and outflows for derivatives that have simultaneous gross settlement (e.g. interest rate swap and currency swaps) and the net amounts for derivatives that are net settled.

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

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

Group	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Financial assets				
Cash on hand	37,160,689	150,314,987	34,190,445	139,326,063
Balances with the NBC	36,872,728	149,150,185	34,957,367	142,451,271
Balances with other banks	12,686,502	51,316,901	9,657,803	39,355,547
Loans to customers	472,784,871	1,912,414,803	410,562,112	1,673,040,606
Other assets	359,033	1,452,288	17,924,506	73,042,362
	<u>559,863,823</u>	<u>2,264,649,164</u>	<u>507,292,233</u>	<u>2,067,215,849</u>
Borrowing commitments	50,049,444	202,450,001	19,957,055	81,325,000
	<u>609,913,267</u>	<u>2,467,099,165</u>	<u>527,249,288</u>	<u>2,148,540,849</u>
Financial liabilities				
Deposits from customers	733,719,935	2,967,897,137	577,202,735	2,352,101,145
Debt securities issued	32,162,670	130,098,000	2,834,127	11,549,068
Borrowings	150,069,579	607,031,447	124,840,562	508,725,290
Subordinated debts	2,989,416	12,092,188	8,366,981	34,095,448
Lease liabilities	3,500,975	14,161,444	3,427,479	13,966,977
Other liabilities	6,169,816	24,956,906	45,838,580	186,792,214
	<u>928,612,391</u>	<u>3,756,237,122</u>	<u>762,510,464</u>	<u>3,107,230,142</u>
Loan commitments	1,173,797	4,748,009	1,916,931	7,811,494
	<u>929,786,188</u>	<u>3,760,985,131</u>	<u>764,427,395</u>	<u>3,115,041,636</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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37. FINANCIAL RISK MANAGEMENT (continued)

37.2 Liquidity risk (continued)

37.2.3 Maturity analysis for financial liabilities and financial assets (continued)

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

Bank	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Financial assets				
Cash on hand	37,160,689	150,314,987	34,190,445	139,326,063
Balances with the NBC	36,872,728	149,150,185	34,957,367	142,451,271
Balances with other banks	12,613,293	51,020,770	9,657,803	39,355,547
Loans to customers	472,784,871	1,912,414,803	410,562,112	1,673,040,606
Other assets	359,033	1,452,288	17,929,666	73,063,389
	<u>559,790,614</u>	<u>2,264,353,033</u>	<u>507,297,393</u>	<u>2,067,236,876</u>
Borrowing commitments	50,049,444	202,450,001	19,957,055	81,325,000
	<u>609,840,058</u>	<u>2,466,803,034</u>	<u>527,254,448</u>	<u>2,148,561,876</u>
Financial liabilities				
Deposits from customers	734,310,508	2,970,286,005	577,203,735	2,352,105,220
Debt securities issued	32,162,670	130,098,000	2,834,127	11,549,068
Borrowings	149,472,398	604,615,850	124,840,562	508,725,290
Subordinated debts	2,989,416	12,092,188	8,366,981	34,095,448
Lease liabilities	4,165,319	16,848,715	3,427,479	13,966,977
Other liabilities	6,169,816	24,956,906	45,833,755	186,772,552
	<u>929,270,127</u>	<u>3,758,897,664</u>	<u>762,506,639</u>	<u>3,107,214,555</u>
Loan commitments	1,173,797	4,748,009	1,916,931	7,811,494
	<u>930,443,924</u>	<u>3,763,645,673</u>	<u>764,423,570</u>	<u>3,115,026,049</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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37. FINANCIAL RISK MANAGEMENT (continued)

37.2 Liquidity risk (continued)

37.2.3 Maturity analysis for financial liabilities and financial assets (continued)

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

Group	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Financial assets				
Balances with the NBC	98,472,939	398,323,038	61,024,943	248,676,643
Balances with other banks	29,450,000	119,125,250	-	-
Loans to customers	1,315,033,303	5,319,309,711	976,369,525	3,978,705,814
Investment securities	20,000	80,900	20,000	81,500
Other assets	947,184	3,831,359	1,356,808	5,528,993
	<u>1,443,923,426</u>	<u>5,840,670,258</u>	<u>1,038,771,276</u>	<u>4,232,992,950</u>
Borrowing commitments	35,000,000	141,575,000	15,000,000	61,125,000
	<u>1,478,923,426</u>	<u>5,982,245,258</u>	<u>1,053,771,276</u>	<u>4,294,117,950</u>
Financial liabilities				
Deposits from customers	103,124,317	417,137,862	65,739,354	267,887,868
Debt securities issued	-	-	31,366,165	127,817,122
Borrowings	334,451,365	1,352,855,771	223,004,906	908,744,992
Subordinated debts	15,219,320	61,562,149	5,501,257	22,417,622
Lease liabilities	11,422,566	46,204,279	12,693,179	51,724,704
Other liabilities	162,543	657,486	32,074	130,702
	<u>464,380,111</u>	<u>1,878,417,547</u>	<u>338,336,935</u>	<u>1,378,723,010</u>
Loan commitments	3,650,165	14,764,917	-	-
	<u>468,030,276</u>	<u>1,893,182,464</u>	<u>338,336,935</u>	<u>1,378,723,010</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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37. FINANCIAL RISK MANAGEMENT (continued)

37.2 Liquidity risk (continued)

37.2.3 Maturity analysis for financial liabilities and financial assets (continued)

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

Bank	31 December 2020		31 December 2019	
	US\$	KHR'000 (Note 2.3)	US\$	KHR'000 (Note 2.3)
Financial assets				
Balances with the NBC	98,472,939	398,323,038	61,024,943	248,676,643
Balances with other banks	29,450,000	119,125,250	-	-
Loans to customers	1,315,033,303	5,319,309,711	976,369,525	3,978,705,814
Investment securities	20,000	80,900	20,000	81,500
Investment in subsidiary	490	1,982	490	1,997
Other assets	1,444,375	5,842,497	1,356,808	5,528,993
	<u>1,444,421,107</u>	<u>5,842,683,378</u>	<u>1,038,771,766</u>	<u>4,232,994,947</u>
Borrowing commitments	35,000,000	141,575,000	15,000,000	61,125,000
	<u>1,479,421,107</u>	<u>5,984,258,378</u>	<u>1,053,771,766</u>	<u>4,294,119,947</u>
Financial liabilities				
Deposits from customers	103,124,317	417,137,862	65,739,354	267,887,868
Debt securities issued	-	-	31,366,165	127,817,122
Borrowings	299,723,271	1,212,380,631	223,004,906	908,744,992
Subordinated debts	15,219,320	61,562,149	5,501,257	22,417,622
Lease liabilities	50,430,506	203,991,397	12,693,179	51,724,704
Other liabilities	152,361	616,300	32,074	130,702
	<u>468,649,775</u>	<u>1,895,688,339</u>	<u>338,336,935</u>	<u>1,378,723,010</u>
Loan commitments	3,650,165	14,764,917	-	-
	<u>472,299,940</u>	<u>1,910,453,256</u>	<u>338,336,935</u>	<u>1,378,723,010</u>

37.2.4 Liquidity reserves

The following table sets out the components of the Group and the Bank's liquidity reserves.

Group	31 December 2020		31 December 2019	
	Carrying amounts	Fair value	Carrying amounts	Fair value
	US\$	US\$	US\$	US\$
Cash on hand	37,160,689	37,160,689	34,190,445	34,190,445
Balances with the NBC	135,341,678	135,341,678	95,934,585	95,934,585
Balances with other banks	41,729,838	41,729,838	9,657,803	9,657,803
Undrawn credit lines	35,049,444	35,049,444	15,049,080	15,049,080
Total liquidity reserves	<u>249,281,649</u>	<u>249,281,649</u>	<u>154,831,913</u>	<u>154,831,913</u>
In KHR'000 equivalents (Note 2.3)	<u>1,008,344,270</u>	<u>1,008,344,270</u>	<u>630,940,044</u>	<u>630,940,044</u>

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37. FINANCIAL RISK MANAGEMENT (continued)

37.2 Liquidity risk (continued)

37.2.4 Liquidity reserves

The following table sets out the components of the Group and the Bank's liquidity reserves. (continued)

Bank	31 December 2020		31 December 2019	
	Carrying amounts	Fair value	Carrying amounts	Fair value
	US\$	US\$	US\$	US\$
Cash on hand	37,160,689	37,160,689	34,190,445	34,190,445
Balances with the NBC	135,341,678	135,341,678	95,934,585	95,934,585
Balances with other banks	41,656,629	41,656,629	9,657,803	9,657,803
Undrawn credit lines	35,049,444	35,049,444	15,049,080	15,049,080
Total liquidity reserves	<u>249,208,440</u>	<u>249,208,440</u>	<u>154,831,913</u>	<u>154,831,913</u>
In KHR'000 equivalents (Note 2.3)	<u>1,008,048,140</u>	<u>1,008,048,140</u>	<u>630,940,044</u>	<u>630,940,044</u>

37.2.5 Financial assets available to support future funding

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

Group	Encumbered		Unencumbered		Total	
	Pledged as collateral	Other*	Available as collateral	Other**	US\$	KHR'000
	US\$	US\$	US\$	US\$	US\$	(Note 2.3)
31 December 2020						
Cash on hand	-	-	-	37,160,689	37,160,689	150,314,987
Balances with the NBC	4,165,093	11,500,877	-	119,679,697	135,345,667	547,473,223
Balances with other banks	29,773,950	-	-	42,136,502	71,910,452	290,877,778
Loans to customers	-	-	-	1,787,818,174	1,787,818,174	7,231,724,514
Investment securities	-	-	-	20,000	20,000	80,900
Other assets	-	-	-	1,306,217	1,306,217	5,283,648
	<u>33,939,043</u>	<u>11,500,877</u>	<u>-</u>	<u>1,988,121,279</u>	<u>2,033,561,199</u>	<u>8,225,755,050</u>
31 December 2019						
Cash on hand	-	-	-	34,190,445	34,190,445	139,326,063
Balances with the NBC	4,225,754	11,531,305	-	80,225,251	95,982,310	391,127,913
Balances with other banks	-	-	-	9,657,803	9,657,803	39,355,547
Loans to customers	-	-	-	1,386,931,637	1,386,931,637	5,651,746,421
Investment securities	-	-	-	20,000	20,000	81,500
Other assets	-	-	-	19,281,314	19,281,314	78,571,356
	<u>4,225,754</u>	<u>11,531,305</u>	<u>-</u>	<u>1,530,306,450</u>	<u>1,546,063,509</u>	<u>6,300,208,800</u>

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37. FINANCIAL RISK MANAGEMENT (continued)

37.2 Liquidity risk (continued)

37.2.5 Financial assets available to support future funding (continued)

Bank	Encumbered		Unencumbered		Total	
	Pledged as collateral	Other*	Available as collateral	Other**	US\$	KHR'000
	US\$	US\$	US\$	US\$		
(Note 2.3)						
31 December 2020						
Cash on hand	-	-	-	37,160,689	37,160,689	150,314,987
Balances with the NBC	4,165,093	11,500,877	-	119,679,697	135,345,667	547,473,223
Balances with other banks	29,773,950	-	-	42,063,293	71,837,243	290,581,648
Loans to customers	-	-	-	1,787,818,174	1,787,818,174	7,231,724,514
Investment securities	-	-	-	20,000	20,000	80,900
Investment in subsidiary	-	-	-	490	490	1,982
Other assets	-	-	-	1,803,408	1,803,408	7,294,785
	<u>33,939,043</u>	<u>11,500,877</u>	<u>-</u>	<u>1,988,545,751</u>	<u>2,033,985,671</u>	<u>8,227,472,039</u>
31 December 2019						
Cash on hand	-	-	-	34,190,445	34,190,445	139,326,063
Balances with the NBC	4,225,754	11,531,305	-	80,225,251	95,982,310	391,127,913
Balances with other banks	-	-	-	9,657,803	9,657,803	39,355,547
Loans to customers	-	-	-	1,386,931,637	1,386,931,637	5,651,746,421
Investment securities	-	-	-	20,000	20,000	81,500
Investment in subsidiary	-	-	-	490	490	1,997
Other assets	-	-	-	19,286,474	19,286,474	78,592,382
	<u>4,225,754</u>	<u>11,531,305</u>	<u>-</u>	<u>1,530,312,100</u>	<u>1,546,069,159</u>	<u>6,300,231,823</u>

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

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

37.3 Market risk

'Market risk' is the risk that changes in market prices – e.g. interest rates and foreign exchange rates– will affect the Group and the Bank's income or the value of its holdings of financial instruments. The objective of the Group and the Bank's market risk management is to manage and control market risk exposures within acceptable parameters to ensure the Group and the Bank's solvency while optimising the return on risk. During COVID-19, there is no significant impact on market risk as the Group and the Bank uses derivatives to manage market risk.

37.3.1. Market risk management

Overall authority for market risk is vested in ARBC at Board level and ALRMC at management level. ARBC sets up limits for each type of risk in aggregate and for portfolios (all portfolios are non-trading). The Credit and Market Risk Department at Risk Division is responsible for the development of detailed risk management policies (subject to be reviewed by ARBC and approved by BoD). Treasury function implements and manages the day-to-day market risk in the daily operation.

The Group and the Bank employ a range of tools to monitor and limit market risk exposures.

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37. FINANCIAL RISK MANAGEMENT (continued)

37.3 Market risk (continued)

37.3.1. Market risk management (continued)

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

Group	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Assets subject to market risk				
Cash on hand	37,160,689	150,314,987	34,190,445	139,326,063
Balances with the NBC	135,341,678	547,457,088	95,934,585	390,933,434
Balances with other banks	41,729,838	168,797,195	9,657,803	39,355,547
Loans to customers	1,288,824,168	5,213,293,760	1,036,272,930	4,222,812,190
Investment securities	20,000	80,900	20,000	81,500
Derivative assets held for risk management	242,274	979,998	-	-
Other assets	1,306,217	5,283,648	19,281,314	78,571,356
	<u>1,504,624,864</u>	<u>6,086,207,576</u>	<u>1,195,357,077</u>	<u>4,871,080,090</u>
Liabilities subject to market risk				
Deposits from customers	803,893,453	3,251,749,017	610,098,327	2,486,150,683
Debt securities issued	29,767,039	120,407,673	29,196,072	118,973,993
Borrowings	431,708,838	1,746,262,250	311,485,982	1,269,305,377
Subordinated debts	11,895,729	48,118,224	11,974,921	48,797,803
Lease liabilities	12,325,496	49,856,631	13,005,210	52,996,231
Other liabilities	6,332,359	25,614,392	45,870,654	186,922,915
Derivative liabilities held for risk management	7,283,277	29,460,855	1,887,584	7,691,905
	<u>1,303,206,191</u>	<u>5,271,469,042</u>	<u>1,023,518,750</u>	<u>4,170,838,907</u>
Bank				
		(Note 2.3)		(Note 2.3)
Assets subject to market risk				
Cash on hand	37,160,689	150,314,987	34,190,445	139,326,063
Balances with the NBC	135,341,678	547,457,088	95,934,585	390,933,434
Balances with other banks	41,656,629	168,501,064	9,657,803	39,355,547
Loans to customers	1,288,824,168	5,213,293,760	1,036,272,930	4,222,812,190
Investment securities	20,000	80,900	20,000	81,500
Investment in subsidiary	490	1,982	490	1,997
Derivative assets held for risk management	242,274	979,998	-	-
Other assets	1,803,408	7,294,785	19,286,474	78,592,382
	<u>1,505,049,336</u>	<u>6,087,924,564</u>	<u>1,195,362,727</u>	<u>4,871,103,113</u>
Liabilities subject to market risk				
Deposits from customers	804,484,026	3,254,137,885	610,099,327	2,486,154,758
Debt securities issued	29,767,039	120,407,673	29,196,072	118,973,993
Borrowings	402,208,119	1,626,931,841	311,485,982	1,269,305,377
Subordinated debts	11,895,729	48,118,224	11,974,921	48,797,803
Lease liabilities	22,833,647	92,362,102	13,005,210	52,996,231
Other liabilities	6,322,177	25,573,206	45,865,829	186,903,253
Derivative liabilities held for risk management	7,283,277	29,460,855	1,887,584	7,691,905
	<u>1,284,794,014</u>	<u>5,196,991,786</u>	<u>1,023,514,925</u>	<u>4,170,823,320</u>

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37. FINANCIAL RISK MANAGEMENT (continued)

37.3 Market risk (continued)

37.3.2 Exposure to market risk

(i) Interest rate risk

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments or economic value of equity of the Bank because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. The Group and the Bank also enter into Interest Rate Swap and Long-Term Funding to manage its interest rate risk exposures. ALMRC is the monitoring body for compliance with these limits and is assisted by Treasury Department in its day-to-day monitoring activities. These day-to-day activities include monitoring changes in the Group and the Bank's interest rate exposures, which include the impact of the Group and the Bank's outstanding or forecast debt obligations.

ARBC and ALMRC is responsible for setting the overall hedging strategy of the Group and the Bank. Treasury is responsible for implementing that strategy by putting in place the individual hedge arrangements.

The following is a summary of the Group and the Bank's interest rate gap position. The interest rate repricing gap table analyses the full-term structure of interest rate mismatches within the Group and the Bank's balance sheet based on either (i) the next repricing date or the maturity date if floating rate or (ii) the maturity date if fixed rate.

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37. FINANCIAL RISK MANAGEMENT (continued)

37.3 Market risk (continued)

37.3.2 Exposure to market risk (continued)

(i) Interest rate risk (continued)

Group	Carrying amounts	Up to 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	Non-interest sensitive
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
31 December 2020							
Financial assets							
Cash on hand	37,160,689	-	-	-	-	-	37,160,689
Balances with the NBC	135,341,678	4,100,000	11,500,000	49,444	-	-	119,692,234
Balances with other banks	41,729,838	4,297,435	-	-	-	29,450,001	7,982,402
Loans to customers	1,288,824,168	561,631	2,044,420	20,311,663	701,378,925	581,159,501	(16,631,972)
Investment securities	20,000	-	-	-	-	-	20,000
Other assets	1,306,217	-	-	-	-	-	1,306,217
	<u>1,504,382,590</u>	<u>8,959,066</u>	<u>13,544,420</u>	<u>20,361,107</u>	<u>701,378,925</u>	<u>610,609,502</u>	<u>149,529,570</u>
Derivative assets held for risk management	242,274	-	-	-	-	-	242,274
Financial liabilities							
Deposits from customers	803,893,453	357,609,161	111,312,941	230,625,221	89,600,974	712,321	14,032,835
Debt securities issued	29,767,039	-	-	29,666,255	-	-	100,784
Borrowings	431,708,838	3,955,501	55,668,903	15,041,342	256,288,168	70,172,361	30,582,563
Subordinated debts	11,895,729	-	-	-	4,000,000	7,729,319	166,410
Lease liabilities	12,325,496	-	-	-	-	-	12,325,496
Other liabilities	6,332,359	-	-	-	-	-	6,332,359
	<u>1,295,922,914</u>	<u>361,564,662</u>	<u>166,981,844</u>	<u>275,332,818</u>	<u>349,889,142</u>	<u>78,614,001</u>	<u>63,540,447</u>
Derivative liabilities held for risk management	7,283,277	-	7,283,277	-	-	-	-
Total	<u>201,418,673</u>	<u>(352,605,596)</u>	<u>(160,720,701)</u>	<u>(254,971,711)</u>	<u>351,489,783</u>	<u>531,995,501</u>	<u>86,231,397</u>
In KHR'000 equivalents (Note 2.3)	<u>814,738,534</u>	<u>(1,426,289,636)</u>	<u>(650,115,236)</u>	<u>(1,031,360,571)</u>	<u>1,421,776,172</u>	<u>2,151,921,802</u>	<u>348,806,003</u>

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37. FINANCIAL RISK MANAGEMENT (continued)

37.3 Market risk (continued)

37.3.2 Exposure to market risk (continued)

(i) Interest rate risk (continued)

Group	Carrying amounts	Up to 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	Non-interest sensitive
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
31 December 2019							
Financial assets							
Cash on hand	34,190,445	-	-	-	-	-	34,190,445
Balances with the NBC	95,934,585	-	4,140,000	11,549,080	-	-	80,245,505
Balances with other banks	9,657,803	4,347,746	-	-	-	-	5,310,057
Loans to customers	1,036,272,930	546,355	2,048,746	21,834,377	624,811,572	398,515,121	(11,483,241)
Investment securities	20,000	-	-	-	-	-	20,000
Other assets	19,281,314	-	-	-	-	-	19,281,314
	<u>1,195,357,077</u>	<u>4,894,101</u>	<u>6,188,746</u>	<u>33,383,457</u>	<u>624,811,572</u>	<u>398,515,121</u>	<u>127,564,080</u>
Financial liabilities							
Deposits from customers	610,098,327	191,452,154	99,754,345	259,585,149	59,266,167	40,512	-
Debt securities issued	29,196,072	-	-	-	29,447,853	-	(251,781)
Borrowings	311,485,982	10,000,000	13,926,380	20,000,000	267,596,014	-	(36,412)
Subordinated debts	11,974,921	-	5,000,000	-	6,000,000	729,319	245,602
Lease liabilities	13,005,210	-	-	-	-	-	13,005,210
Other liabilities	45,870,654	-	-	-	-	-	45,870,654
	<u>1,021,631,166</u>	<u>201,452,154</u>	<u>118,680,725</u>	<u>279,585,149</u>	<u>362,310,034</u>	<u>769,831</u>	<u>58,833,273</u>
Derivative liabilities held for risk management	<u>1,887,584</u>	-	-	-	-	-	<u>1,887,584</u>
Total	<u>171,838,327</u>	<u>(196,558,053)</u>	<u>(112,491,979)</u>	<u>(246,201,692)</u>	<u>262,501,538</u>	<u>397,745,290</u>	<u>66,843,223</u>
In KHR'000 equivalents (Note 2.3)	<u>700,241,183</u>	<u>(800,974,066)</u>	<u>(458,404,814)</u>	<u>(1,003,271,895)</u>	<u>1,069,693,767</u>	<u>1,620,812,057</u>	<u>272,386,134</u>

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37. FINANCIAL RISK MANAGEMENT (continued)

37.3 Market risk (continued)

37.3.2 Exposure to market risk (continued)

(i) Interest rate risk (continued)

Bank	Carrying amounts	Up to 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	Non-interest sensitive
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
31 December 2020							
Financial assets							
Cash on hand	37,160,689	-	-	-	-	-	37,160,689
Balances with the NBC	135,341,678	4,100,000	11,500,000	49,444	-	-	119,692,234
Balances with other banks	41,656,629	4,297,435	-	-	-	29,450,001	7,909,193
Loans to customers	1,288,824,168	561,631	2,044,420	20,311,663	701,378,925	581,159,501	(16,631,972)
Investment securities	20,000	-	-	-	-	-	20,000
Investment in subsidiary	490	-	-	-	-	-	490
Other assets	1,803,408	-	-	-	-	-	1,803,408
	<u>1,504,807,062</u>	<u>8,959,066</u>	<u>13,544,420</u>	<u>20,361,107</u>	<u>701,378,925</u>	<u>610,609,502</u>	<u>149,954,042</u>
Derivative assets held for risk management	242,274	-	-	-	-	-	242,274
Financial liabilities							
Deposits from customers	804,484,026	357,609,161	111,312,941	230,625,221	89,600,974	712,321	14,623,408
Debt securities issued	29,767,039	-	-	29,666,255	-	-	100,784
Borrowings	402,208,119	3,955,501	55,668,903	15,041,342	256,288,168	70,172,361	1,081,844
Subordinated debts	11,895,729	-	-	-	4,000,000	7,729,319	166,410
Lease liabilities	22,833,647	-	-	-	-	-	22,833,647
Other liabilities	6,322,177	-	-	-	-	-	6,322,177
	<u>1,277,510,737</u>	<u>361,564,662</u>	<u>166,981,844</u>	<u>275,332,818</u>	<u>349,889,142</u>	<u>78,614,001</u>	<u>45,128,270</u>
Derivative liabilities held for risk management	7,283,277	-	7,283,277	-	-	-	-
Total	<u>220,255,322</u>	<u>(352,605,596)</u>	<u>(160,720,701)</u>	<u>(254,971,711)</u>	<u>351,489,783</u>	<u>531,995,501</u>	<u>105,068,046</u>
In KHR'000 equivalents (Note 2.3)	<u>890,932,778</u>	<u>(1,426,289,636)</u>	<u>(650,115,236)</u>	<u>(1,031,360,571)</u>	<u>1,421,776,172</u>	<u>2,151,921,802</u>	<u>425,000,247</u>

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37. FINANCIAL RISK MANAGEMENT (continued)

37.3 Market risk (continued)

37.3.2 Exposure to market risk (continued)

(i) Interest rate risk (continued)

Bank	Carrying amounts	Up to 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	Non-interest sensitive
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
31 December 2019							
Financial assets							
Cash on hand	34,190,445	-	-	-	-	-	34,190,445
Balances with the NBC	95,934,585	-	4,140,000	11,549,080	-	-	80,245,505
Balances with other banks	9,657,803	4,347,746	-	-	-	-	5,310,057
Loans to customers	1,036,272,930	546,355	2,048,746	21,834,377	624,811,572	398,515,121	(11,483,241)
Investment securities	20,000	-	-	-	-	-	20,000
Investment in subsidiary	490	-	-	-	-	-	490
Other assets	19,286,474	-	-	-	-	-	19,286,474
	<u>1,195,362,727</u>	<u>4,894,101</u>	<u>6,188,746</u>	<u>33,383,457</u>	<u>624,811,572</u>	<u>398,515,121</u>	<u>127,569,730</u>
Financial liabilities							
Deposits from customers	610,099,327	191,453,154	99,754,345	259,585,149	59,266,167	40,512	-
Debt securities issued	29,196,072	-	-	-	29,447,853	-	(251,781)
Borrowings	311,485,982	10,000,000	13,926,380	20,000,000	267,596,014	-	(36,412)
Subordinated debts	11,974,921	-	5,000,000	-	6,000,000	729,319	245,602
Lease liabilities	13,005,210	-	-	-	-	-	13,005,210
Other liabilities	45,865,829	-	-	-	-	-	45,865,829
	<u>1,021,627,341</u>	<u>201,453,154</u>	<u>118,680,725</u>	<u>279,585,149</u>	<u>362,310,034</u>	<u>769,831</u>	<u>58,828,448</u>
Derivative liabilities held for risk management	1,887,584	-	-	-	-	-	1,887,584
Total	<u>171,847,802</u>	<u>(196,559,053)</u>	<u>(112,491,979)</u>	<u>(246,201,692)</u>	<u>262,501,538</u>	<u>397,745,290</u>	<u>66,853,698</u>
In KHR'000 equivalents (Note 2.3)	<u>700,279,793</u>	<u>(800,978,141)</u>	<u>(458,404,814)</u>	<u>(1,003,271,895)</u>	<u>1,069,693,767</u>	<u>1,620,812,057</u>	<u>272,428,819</u>

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37. FINANCIAL RISK MANAGEMENT (continued)

37.3 Market risk (continued)

37.3.2 Exposure to market risk (continued)

(i) Interest rate risk (continued)

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Group and the Bank's financial assets and financial liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 100 and 50 basis point (bp) parallel fall or rise to see the impact of Net Interest Income (NII) within 12 months and a 100bp and 50 basis point (BP) parallel fall or rise to all portions to see the impact on Book Value to Equity.

The following is an analysis of the Group and the Bank's sensitivity to an increase or decrease in market interest rates, assuming no asymmetrical movement of interest rate.

Group and Bank	100bp parallel increase	100bp parallel decrease	50bp increase after 1 year	50bp decrease after 1 year
	US\$	US\$	US\$	US\$
Sensitivity of projected net interest income				
31 December 2020				
As at 31 December	(2,773,053)	2,773,053	(1,386,526)	1,386,526
Average for the year	(1,385,179)	1,391,817	(699,228)	695,909
Maximum for the year	(2,773,053)	2,773,053	(1,386,526)	1,386,526
Minimum for the year	(773,938)	773,938	(386,969)	386,969
31 December 2019				
As at 31 December	(1,828,035)	1,828,035	(914,017)	914,017
Average for the year	(1,778,313)	1,778,313	(889,156)	889,156
Maximum for the year	(2,061,886)	2,061,886	(1,030,943)	1,030,943
Minimum for the year	(738,884)	738,884	(369,442)	369,442
Sensitivity of reported equity to interest rate movements				
31 December 2020				
As at 31 December	(15,127,694)	15,127,694	(7,563,847)	7,563,847
Average for the year	(9,690,275)	9,714,350	(4,869,213)	4,857,175
Maximum for the year	(15,127,694)	15,127,694	(7,563,847)	7,563,847
Minimum for the year	(6,905,093)	6,905,093	(3,452,546)	3,452,546
31 December 2019				
As at 31 December	(9,623,892)	9,623,892	(4,811,946)	4,811,946
Average for the year	(9,818,207)	9,818,207	(4,909,104)	4,909,104
Maximum for the year	(12,848,027)	12,848,027	(6,424,014)	6,424,014
Minimum for the year	(7,523,313)	7,523,313	(3,761,656)	3,761,656

Aggregate interest rate risk positions are managed by Treasury, which uses balances with other banks, deposits from banks and derivative instruments to manage the positions.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

37. FINANCIAL RISK MANAGEMENT (continued)

37.3 Market risk (continued)

37.3.2 Exposure to market risk (continued)

(i) Interest rate risk (continued)

Interest rate swap contracts

Under interest rate swap contracts, the Group and the Bank agree to exchange the difference between fixed and floating rate interest amounts calculated on contracted notional principal amounts. Such contracts enable the Group and the Bank to mitigate the risk of changing interest rates on the cash flow of floating rate debts issued and the risk of violating the gap of BVE. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the interest rate curves at the reporting date adjusted for the credit risk inherent in the contract and is disclosed below.

Group and Bank	Contract floating interest rate		Notional principal value		Fair value	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019
	%	%	US\$	US\$	US\$	US\$
Outstanding receive floating pay fixed contracts						
Less than 1 year	-	-	-	-	-	-
1 to 2 years	-	-	-	-	-	-
2 to 5 years	4.499% - 5.74613%	6.13638% - 10.92225%	26,429,143	52,857,429	(650,686)	(761,271)
5 years +	0.251%	1.9466%	80,000,000	80,000,000	(6,632,591)	(1,106,860)
Total			<u>106,429,143</u>	<u>132,857,429</u>	<u>(7,283,277)</u>	<u>(1,868,131)</u>
In KHR'000 equivalents (Note 2.3)			<u>430,505,883</u>	<u>541,394,023</u>	<u>(29,460,855)</u>	<u>(7,612,634)</u>

The interest rate swaps typically settle on a semi-annual basis. The floating rate on the interest rate swaps is typically 6-month LIBOR.

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**NOTES TO THE FINANCIAL STATEMENTS
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37. FINANCIAL RISK MANAGEMENT (continued)

37.3 Market risk (continued)

37.3.2 Exposure to market risk (continued)

(ii) Foreign exchange risk

The Group and the Bank undertake transactions denominated in foreign currencies resulting in exposures to exchange rate fluctuations. Exchange rate exposures are managed within approved policy parameters using cross currency swaps.

The carrying amounts of the Group and the Bank's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

Group	US\$ equivalent			Total	
	US\$	KHR	THB	US\$	KHR'000
					(Note 2.3)
31 December 2020					
Financial assets					
Cash on hand	26,981,947	9,039,792	1,138,950	37,160,689	150,314,987
Balances with the NBC	107,163,400	28,178,278	-	135,341,678	547,457,088
Balances with other banks	37,765,771	3,722,055	242,012	41,729,838	168,797,195
Loans to customers	1,034,138,267	215,811,113	38,874,788	1,288,824,168	5,213,293,760
Investment securities	20,000	-	-	20,000	80,900
Derivative assets held for risk management	242,274	-	-	242,274	979,998
Other assets	1,132,028	174,189	-	1,306,217	5,283,648
	<u>1,207,443,687</u>	<u>256,925,427</u>	<u>40,255,750</u>	<u>1,504,624,864</u>	<u>6,086,207,576</u>
Financial liabilities					
Deposits from customers	721,668,239	70,850,823	11,374,391	803,893,453	3,251,749,017
Debt securities issued	(95,364)	29,862,403	-	29,767,039	120,407,673
Borrowings	239,122,096	161,442,139	31,144,603	431,708,838	1,746,262,250
Subordinated debts	11,895,729	-	-	11,895,729	48,118,224
Derivative liabilities held for risk management	7,283,277	-	-	7,283,277	29,460,855
Lease liabilities	12,325,496	-	-	12,325,496	49,856,631
Other liabilities	5,880,218	370,424	81,717	6,332,359	25,614,392
	<u>998,079,691</u>	<u>262,525,789</u>	<u>42,600,711</u>	<u>1,303,206,191</u>	<u>5,271,469,042</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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37. FINANCIAL RISK MANAGEMENT (continued)

37.3 Market risk (continued)

37.3.2 Exposure to market risk (continued)

(ii) *Foreign exchange risk (continued)*

Group	US\$ equivalent			Total	
	US\$	KHR	THB	US\$	KHR'000
					(Note 2.3)
31 December 2019					
Financial assets					
Cash on hand	25,454,681	7,538,214	1,197,550	34,190,445	139,326,063
Balances with the NBC	67,278,371	28,656,214	-	95,934,585	390,933,434
Balances with other banks	6,362,282	3,281,150	14,371	9,657,803	39,355,547
Loans to customers	837,970,741	160,116,317	38,185,872	1,036,272,930	4,222,812,190
Investment securities	20,000	-	-	20,000	81,500
Other assets	19,099,799	181,515	-	19,281,314	78,571,355
	<u>956,185,874</u>	<u>199,773,410</u>	<u>39,397,793</u>	<u>1,195,357,077</u>	<u>4,871,080,089</u>
Financial liabilities					
Deposits from customers	531,240,837	69,100,179	9,757,311	610,098,327	2,486,150,683
Debt securities issued	-	29,196,072	-	29,196,072	118,973,993
Borrowings	165,042,369	113,854,465	32,589,148	311,485,982	1,269,305,377
Subordinated debts	11,974,921	-	-	11,974,921	48,797,803
Lease liabilities	13,005,210	-	-	13,005,210	52,996,231
Other liabilities	45,490,759	287,765	92,130	45,870,654	186,922,915
	<u>766,754,096</u>	<u>212,438,481</u>	<u>42,438,589</u>	<u>1,021,631,166</u>	<u>4,163,147,002</u>
Bank					
					(Note 2.3)
31 December 2020					
Financial assets					
Cash on hand	26,981,947	9,039,792	1,138,950	37,160,689	150,314,987
Balances with the NBC	107,163,400	28,178,278	-	135,341,678	547,457,088
Balances with other banks	37,692,562	3,722,055	242,012	41,656,629	168,501,064
Loans to customers	1,034,138,267	215,811,113	38,874,788	1,288,824,168	5,213,293,760
Investment securities	20,000	-	-	20,000	80,900
Investment in subsidiary	490	-	-	490	1,982
Derivative assets held for risk management	242,274	-	-	242,274	979,998
Other assets	1,629,219	174,189	-	1,803,408	7,294,785
	<u>1,207,868,159</u>	<u>256,925,427</u>	<u>40,255,750</u>	<u>1,505,049,336</u>	<u>6,087,924,564</u>
Financial liabilities					
Deposits from customers	722,258,812	70,850,823	11,374,391	804,484,026	3,254,137,885
Debt securities issued	(95,364)	29,862,403	-	29,767,039	120,407,673
Borrowings	209,621,377	161,442,139	31,144,603	402,208,119	1,626,931,841
Subordinated debts	11,895,729	-	-	11,895,729	48,118,224
Derivative liabilities held for risk management	7,283,277	-	-	7,283,277	29,460,855
Lease liabilities	22,833,647	-	-	22,833,647	92,362,102
Other liabilities	5,870,036	370,424	81,717	6,322,177	25,573,206
	<u>979,667,514</u>	<u>262,525,789</u>	<u>42,600,711</u>	<u>1,284,794,014</u>	<u>5,196,991,786</u>

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37. FINANCIAL RISK MANAGEMENT (continued)

37.3 Market risk (continued)

37.3.2 Exposure to market risk (continued)

(ii) *Foreign exchange risk (continued)*

Bank	US\$ equivalent			Total	
	US\$	KHR	THB	US\$	KHR'000
					(Note 2.3)
31 December 2019					
Financial assets					
Cash on hand	25,454,681	7,538,214	1,197,550	34,190,445	139,326,063
Balances with the NBC	67,278,371	28,656,214	-	95,934,585	390,933,434
Balances with other banks	6,362,282	3,281,150	14,371	9,657,803	39,355,547
Loans to customers	837,970,741	160,116,317	38,185,872	1,036,272,930	4,222,812,190
Investment securities	20,000	-	-	20,000	81,500
Investment in subsidiary	490	-	-	490	1,997
Other assets	19,104,959	181,515	-	19,286,474	78,592,382
	<u>956,191,524</u>	<u>199,773,410</u>	<u>39,397,793</u>	<u>1,195,362,727</u>	<u>4,871,103,113</u>
Financial liabilities					
Deposits from customers	531,241,837	69,100,179	9,757,311	610,099,327	2,486,154,758
Debt securities issued	-	29,196,072	-	29,196,072	118,973,993
Borrowings	165,042,369	113,854,465	32,589,148	311,485,982	1,269,305,377
Subordinated debts	11,974,921	-	-	11,974,921	48,797,803
Lease liabilities	13,005,210	-	-	13,005,210	52,996,231
Other liabilities	45,485,934	287,765	92,130	45,865,829	186,903,253
	<u>766,750,271</u>	<u>212,438,481</u>	<u>42,438,589</u>	<u>1,021,627,341</u>	<u>4,163,131,415</u>

Sensitivity analysis

The Group and the Bank is exposed to changes in US dollar and other foreign currencies exchange rate. Due to a reasonably possible strengthening (weakening) of the US dollar against foreign currencies, the Group and the Bank's exposure to other foreign exchange movement is not material.

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NOTES TO THE FINANCIAL STATEMENTS
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37. FINANCIAL RISK MANAGEMENT (continued)

37.3 Market risk (continued)

37.3.2 Exposure to market risk (continued)

(ii) Foreign exchange risk (continued)

Currency swap contract

In the current year, the Group and the Bank enter into currency swap contract where the Group and the Bank agree to exchange KHR currency with US\$ currency in order to manage foreign currency position.

The following table details the currency swap contract outstanding as at the year-end:

Group and Bank	Exchange rate		Foreign currency		Notional value		Fair value	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019
	[rate]	[rate]	KHR'000	KHR'000	US\$	US\$	US\$	US\$
Outstanding contract								
Buy								
Less than 3 months	-	-	-	-	-	-	-	-
3 to 6 months	4,093 - 4,095	4,066 - 4,068	81,800,000	40,340,000	20,242,274	9,899,387	20,242,274	9,918,839
Sell								
Less than 3 months	-	-	-	-	-	-	-	-
3 to 6 months	4,093 - 4,095	-	81,800,000	40,340,000	20,242,274	9,899,387	20,242,274	9,899,387
			-	-	-	-	-	19,452

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37. FINANCIAL RISK MANAGEMENT (continued)

37.4 Operational risk

37.4.1 Operational risk management

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

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

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

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

37.5 Capital risk

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

The Group and the Bank's strategy are to maintain a strong capital base so as to maintain market confidence and to sustain further development of the business. The impact of the level of capital on shareholder' return is also recognised and the Group 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 Group and the Bank's lead regulator, the NBC, set and monitor capital requirements for the Group and the Bank as a whole.

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**NOTES TO THE FINANCIAL STATEMENTS
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37. FINANCIAL RISK MANAGEMENT (continued)

37.5 Capital risk (continued)

37.5.1 Capital risk management

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

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

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

On 7 March 2019, the NBC issued a circular on the implementation of Prakas on Capital Buffer in Banking and Financial Institutions, which determines the countercyclical capital buffer at a level of 0% until a new announcement is released.

The Group and the Bank have complied with all externally imposed capital requirements throughout the year.

The table below summarises the composition of regulatory capital follows requirement of the National Bank of Cambodia, and the amounts are based on the separate financial statements for the year ended 31 December 2020.

Bank	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Tier 1 Capital				
Share capital (*)	115,000,000	465,175,000	115,000,000	468,625,000
Share premium	19,082,502	77,188,721	19,082,502	77,761,196
Retained earnings (**)	72,254,129	292,267,952	74,200,531	302,367,164
General reserves	27,780,518	112,372,195	2,093,903	8,532,655
Less: Intangible assets	(3,775,164)	(15,270,538)	(2,300,471)	(9,374,419)
Less: Loan to related parties	(7,616,191)	(30,807,493)	(2,648,098)	(10,790,999)
	<u>222,725,794</u>	<u>900,925,837</u>	<u>205,428,367</u>	<u>837,120,597</u>
Tier 2 complementary capital				
General provision	13,414,493	54,261,624	10,367,733	42,248,512
Subordinated debts (***)	11,729,319	47,445,095	7,729,319	31,496,975
Less: equity participation in banking or financial institutions	(20,490)	(82,882)	(20,490)	(83,497)
	<u>25,123,322</u>	<u>101,623,837</u>	<u>18,076,562</u>	<u>73,661,990</u>
	<u>247,849,116</u>	<u>1,002,549,674</u>	<u>223,504,929</u>	<u>910,782,587</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

37. FINANCIAL RISK MANAGEMENT (continued)

37.5 Capital risk (continued)

37.5.1 Capital risk management

(*) The Bank's injection of fresh share capital with the amount of US\$40 millions was approved by NBC on 7 October 2019. However, the Ministry of Commerce approved the amended Memorandum of Articles of Incorporation of the Company with share capital of US\$115 million on 11 February 2020. Therefore, the additional share capital was reflected in NBC report as at 31 December 2019 while it was not reflected in the audited financial statements as at 31 December 2019.

(**) Retained earnings is only up to 20% of sub-total A in according with Prakas No B7-010-182 Prokor

(***) It represents subordinated debts approved by NBC.

38. OPERATING SEGMENT

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person or group that allocates resources and assesses the performance of the operating segments of an entity. The Group and the Bank have determined the BoD as the collective body of chief operating decision makers. Segment reporting is not required for the Group and the Bank as the majority of the income is from the same business segment, which is credit and lending. All activities are carried out in the Kingdom of Cambodia.

39. NEW AND REVISED CIFRS STANDARDS IN ISSUE BUT NOT YET EFFECTIVE

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 Group and the Bank have not early adopted them in preparing these financial statements.

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

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to CIAS 37).
- 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).
- CIFRS 17 Insurance Contracts and amendments to CIFRS 17 Insurance Contracts.

The management does not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group and the Bank in future periods.

40. SUBSEQUENT EVENT

Construction of new head office

On 27 January 2021, the Group and the Bank entered into the agreement with CMED Construction Co., Ltd. for the construction of the new head office building amounting to US\$47,076,810 with the commencement date of 1 February 2021. The size of the building is approximately 40,000 square meters, 22 floors, located along Samdech Techno Sen Boulevards.