J Trust Royal Bank

Annual Report 2020

YOUR FINANCIAL FUTURE BUILT ON JAPANESE QUALITY AND TRUST

CONTENTS

J TRUST ROYAL AT A GLANCE

15 YEARS
in Serving Cambodian

64K+
Customers

18K+
Mobile app users in the first 6-month

15 BRANCHES
Across the Country

500+
Employees

70+
ATM Network

Deposits from Customers, Other Banks & FIs

US$764
MILLION

(34.1% increase compare to 2019)

Total Assets

US$1,049
MILLION

(28% increase compare to 2019)

Loans & Advances

US$698
MILLION

(37.4% increase compare to 2019)

NPL Ratio

0.50%

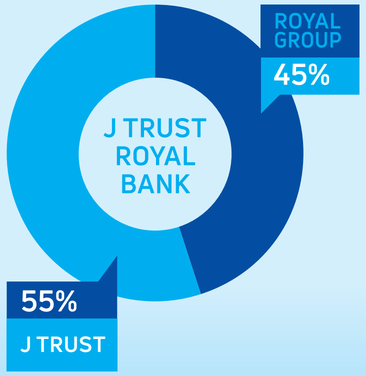
(0.10% improvement compare to 2019)

J TRUST ROYAL BANK'S BACKGROUND

J TRUST ROYAL BANK

Commencing our operations in August 2019 under our new name, J Trust Royal Bank, we are formerly known as ANZ Royal Bank – one of the country's largest foreign bank, deeply rooted in the Kingdom and has been serving Cambodians for more than 15 years.

J Trust Royal is a joint venture between J Trust Co., Ltd, a Japanese diversified financial holding company listed on the Tokyo Stock Exchange, and the Royal Group of Companies, one of Cambodia's largest conglomerates. J Trust Royal is one of the Cambodia's largest foreign banks with an ever-growing commitment to provide world-class financial services to Cambodian people and expatriates living in and working across the Kingdom.



ABOUT J TRUST

Headquartered in Tokyo, J Trust has operations in five countries including banking operations in South Korea and Indonesia. In recent years, J Trust has expanded rapidly in financial services through acquisitions. Southeast Asia, including Cambodia, is a key focus market for J Trust in 2012 and 2014, J Trust announced the acquisition of banking businesses in South Korea and Indonesia respectively.

ABOUT ROYAL GROUP

The Royal Group is the premier investment and development company in Cambodia and holds a 45% share in J Trust Royal. The company is focused on bringing quality investment to Cambodia and providing investors with the platform to run successful and profitable operations. The Royal Group has been at the heart of Cambodia's economic development for more than two decades, attracting international investors and building market leaders in a cross-section of industries.

The company is recognized as the country's most dynamic and diversified business conglomerate. Established as a strategic investment holding company, it maintains interests in a wide range of industries including telecommunication, media, banking, insurance, resorts, education, property, trading and agriculture.

OUR VALUES

Our purpose is to help customers prosper. We live our purpose everyday through our values and behaviors, which are reflected on how we serve our customers, how we treat each other, and the results we achieve together as an organization.

AWARDS & RECOGNITION

With continuous support from our valued customers, J Trust Royal Bank is honored to be awarded by VISA the two prestigious awards namely **"Leadership in Contactless Conversion 2020"** and **"Leadership in Debit Card Payment Volume 2020"**.

It is a great honour to be awarded "Best Companies to Work for in Asia 2020" by HR Asia.

This recognition is a true reflection of our commitments in building a great workplace for our people. At J Trust Royal Bank, our people are capable, diligent and caring, and they all have made significant contributions to receiving this prestigious award.

NEAK OKNHA
KITH MENG
Chairman

CHAIRMAN'S MESSAGE

2020 was a unique and challenging year as we faced unprecedented conditions with the arrival of Covid-19 global pandemic. The disruption meant that we had to adapt to unforeseen situations. The Bank instituted new safe practices in our branch network and established platforms for work from home for most of our back-office staff. We reached out to our customers and provided supports in line with the Royal Government's guidance.

During 2020, the Bank delivered notable growth in several areas. We achieved double-digit loan portfolio growth driven by strong contributions from both Corporate Banking and Personal Banking. In line with our improved lending strategy, our lending assets grew to $698m (gross), rising by 37% year on year. Our deposit base increased by 34% to $764m providing the liquidity to drive the growth in lending. Interest income increased by 17% despite a slight margin compression from the push to increase deposits and lending.

Direct operating expenses slightly increased by 6% in 2020, despite increasing headcount by 62 to 536. This is mainly as a result of expenses incurred in 2019 related to the transition in share-holders from ANZ to J Trust. Technology expense has increased by 66% as we run the stand-alone IT systems after transitioning from ANZ. Provisions have increased significantly due to being prudent in the current operating environment.

The Bank achieved a Net Profit After Tax of $3.9m, a fall of 71% compared to 2019, as increased cost of funds, higher technology costs, and increased provisions took effect.

The next year will continue with the challenges that we faced in 2020. We will continue to aggressively increase both our deposits and lending activities whilst prudently managing risks. We shall introduce new innovative products and services, leveraging the technology we have in place. We will continue to develop our staff so that we can serve the needs of our clients in the best possible way. We will continue to practice the safety measures measures we have in place so that we protect both our clients and our staff.

TORU MYOCHIN
Chief Executive Officer

CEO'S MESSAGE

2020 was a remarkable year, despite the challenges, for J Trust Royal Bank. It marked as our 1st anniversary as J Trust Royal Bank and 15th year of banking services in Cambodia.

It was my great privilege to take the role as Chief Executive Officer of the bank after a completion of the transition in August 2019. Over the past 12 months of 2020, we have made significant progress in the execution of our strategy despite an increasing competition and disruption due to the COVID-19 pandemic. We continued to invest heavily in enhancing our IT infrastructures and building people capabilities to meet the needs of customers and expand our business.

Delivering for our customer and protecting our people

While COVID-19 has impacted many parts of the business in the world and the lives of many people, our priority has been to do all what we can to support our customers during the tough time and protect our customers and people from an infection of the disease. In response to the COVID-19 pandemic, our immediate responses were to put in place the measures to support our customers who face with the financial and business impacts. From early March we started to review our portfolios for the loan restructuring to support the impacted customers and and activated the work from home arrangement for our employees, split teams and introduced prevention measures to employees performing essential functions in the office.

Executing our strategy for growth

This year marked our highest ever recorded loan book, up by around 37% year on year. Our deposits increased by 34%, reflecting the trust earned by our customers through valued added relationship and services provided by our talented staff. The strength of our balance sheet was a key highlight as it underpins our ability to serve our customers and support our future profitability.

Customer First with a "Simply Better Service" is one of our strategic pillars after the transition of the bank. Across the business, improved customer service proposition was a key priority, achieved through driving 'end to end' improvement of product, service, and process to support a more seamless and efficient experience for both customers and staff. As a result, we made great progress in the improvement of our turn-around time and received very positive compliments from many customers.

Overall, in 2020, the Bank made a continued progress against our "The most trusted bank that puts customer first through convenient services and innovative solutions", albeit progress that was not reflected in the bottom line NPAT outcome. Our financial performance, in line with others in the industry, was not as what we targeted to achieve due to the impact of COVID-19 pandemic and the increased competition in the market.

Building a bank as the great place for work

Earning a reputation across the industry as the best center on people development while having a diverse and inclusive workplace culture, we continue to deliver our brand promise via a very strong and focused people agenda.

Our staff engagement index continued to be stronger, rising to a record level of 86%. This reflects a considerable investment that J Trust Royal puts into staff training and development, as well as a very holistic approach to caring for the overall well-being of our staff.

The staff turnover rate has dropped significantly over the last 2 years, our turnover was at half of the market turnover rate, a pleasing outcome despite the hot war for talent.

Reshaping our strategy for long term growth

Throughout the year, we have pursued our strategic priorities to meet the needs of customers while creating values for our stakeholders. We will invest more in building on our digital capabilities to better provide convenient services and innovative solutions.

In Personal Banking, we have planned investments to expand new branches, enhance our mobile app, upgrade our ATM fleet, and refurbish existing branches across Cambodia to continue delivery of our quality service.

Final note

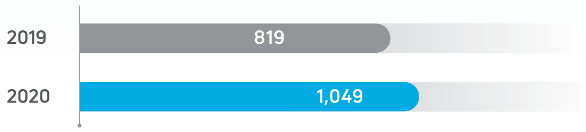
On a final note, I would like to acknowledge the wonderful jobs of our J Trust Royal staff and thank them for their commitments in serving our customers.

To all of our customers, I would like to thank for their ongoing support, we truly value their partnership, and finally, thank you to our shareholders and National Bank of Cambodia for the outstanding support in 2020.

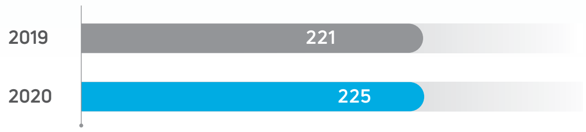
FINANCIAL PERFORMANCE HIGHLIGHT

In million of dollars, except ratios and direct staff	2020	2019
At December 31:		
Total assets	1,049	819
Deposits from customers, other Banks & FIs	764	570
Long-term debt	-	-
Total equity	225	221
Equity to total assets	21.4%	27.0%
Number of employees	536	474

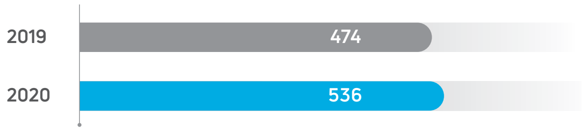
Total Assets ('$m)



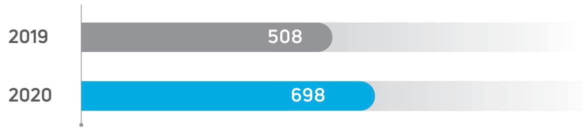
Total Equity ('$m)



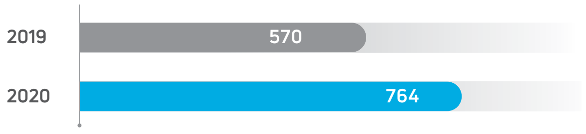
Number of Employees



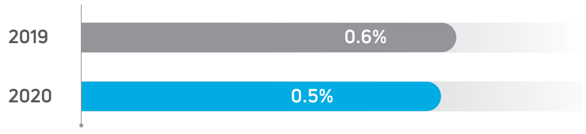
Loans and Advances ('$m)



Deposits from Customers, Other Banks & FIs ('$m)



NPL Ratio (%)



Financial Performance ('$m)	2020	2019	Movement %
Net interest income	32.3	33.4	-3.2%
Other operating income	5.2	10.9	-52.1%
Operating income	37.5	44.3	-15.2%
Operating expenses	(28.0)	(26.5)	-5.8%
Operating profit before impairment	9.6	17.8	-46.4%
Impairment losses on financial instruments	(2.3)	0.3	819.0%
Profit before income tax	7.2	18.1	-60.2%
Income tax expense	(3.3)	(4.6)	28.8%
Net profit for the year	**3.9**	**13.5**	**-70.9%**

- Net interest income declined by 3.2% YOY to $32.3 million driven by our deposit growth while other operating income dropped by 52.1% mainly driven by transition of product capabilities including payment, trade and FX for both corporate and personal banking.
- Operating expenses increased by 5.8% YOY to $28.0 million, driven by $1.0 million higher Personnel Costs, and $1.0 million driven by IT spend to enhance system capability after transition.
- FY20 has seen the impact from expected credit loss of $2.3 million which is driven by loan growth and additional provision for COVID19.
- This has resulted in Net Profit After Tax falling 70.9% YOY to $3.9 million.

OUR PEOPLE

At J Trust Royal Bank, our people are capable, diligent, hard-working, ambitious, and caring. They come from all backgrounds and work together to achieve our shared purpose of helping customers to prosper. Despite the Covid-19 outbreak throughout 2020, we continued to deliver our people the promise in accordance with the three elements of our core employee value proposition (EVP):

WE PROTECT
our people during the critical time

One of our top priorities is to protect our people during the Covid-19 pandemic while continue to deliver the needs of our customers. With our flexible working practice, majority of our people were able to work from home and other locations during an outbreak of Covid-19. This practice has been considered as one of the effective measures in preventing the widespread of the disease. It does not only secure our people's feeling of being safe at home but also allows them to attend to personal needs including caring responsibility during a calamity.

WE CONTINUE TO BUILD
the capabilities and behaviors needed for growth

At J Trust Royal, we support our people development and growth through different avenues. In addition to classroom events, our digital learning platform, vLearn, has been made available for all staff since May 2020 with thousands of e-learning courses. With vLearn, our staff can conveniently do their self-learning anytime, anywhere, and on any device. In 2020, our staff completed 700 courses which constitute a total of 16,500 learning hours. Around 15 staff are undergoing study assistance & various certification programs. Besides, 25% of our staff received the opportunity to progress their career through promotion as well as exposure across departments.

WE CONTINUE
to build the great place for work

In support of a high-performance culture, we ensure that our benefits and perks remain competitive and our working environment remains positive. According to our engagement survey in 2020, more than 90% of our people expressed that they are proud to work for, would recommend the bank to others, and that they are extremely satisfied with J Trust Royal as a place to work. This has truly reflected the bank's efforts in caring for our people and rewarding them for the right behaviors, commitment, and their contribution to the overall organizational success.

CORPORATE BANKING

Our Corporate Banking is focused on the delivery of world-class banking solutions to businesses throughout Cambodia.

J Trust Royal Bank offers comprehensive product solutions, including Trade Finance, Foreign Exchange, Loan Products and Cash Management. We support a wide range of local corporates across manufacturing, agriculture and wholesale trade, as well as multi-national companies who bring their international expertise to the Cambodian market. By helping these businesses succeed, we are promoting trade and capital flows within the region and across the globe, and supporting a dynamic, sustainable, and growing economy.

J Trust Royal Bank believes in fostering lasting partnerships with our customers. This approach requires an in-depth knowledge of the companies we serve and the industries in which they operate, so we are able to structure an appropriate solutions for their business. Our best-in-class sector and industry-specific knowledge helps our customers understand global and local trends in supply and demand, shaping their strategy for future success.

Our Corporate customers have dedicated relationship managers, and are supported by a team of product specialists with unrivaled expertise. All of our bankers believe in going above and beyond to satisfy client expectations, with this service ethic being embedded in the DNA of Japanese culture.

PRODUCTS AND SERVICES

Corporate / Business Banking Accounts:
Business Cheque Account, Cash Management Account, Term Deposit Account, Escrow Account

Trade:
Document Collection, Letter of Credit, Trade Finance Loan, Bank Guarantees, Standby Letter of Credit

Markets:
Foreign Exchange (Value Same Day/Tom/Spot), Corporate Tax Payment, Forward Exchange Contract (USD/KHR)

Corporate Banking Loans:
Overdraft, Term Loan, Resolving Short Term Loan, Solutions to Distributors

Payments & Cash Management:
Telegraphic Transfers, Payroll Services, JTR Connect (Corporate Internet Banking Platform), Corporate Connect Solution [sFTP, Swift FileAct and Swift FIN (MT101)], J Trust Royal Bank File Upload

BUSINESS BANKING

Our Business Banking supports and reaches out to smaller businesses & SMEs in Cambodia to provide them with access to financial solutions to help their business grow and thrive.

The Business Banking is a newly established segment within J Trust Royal Bank, with a key focus on providing best-in-class banking solutions to our smaller businesses / SMEs throughout Cambodia. Our bank offers both basic and complex product solutions for Business/SME customers, such as Business Loans, SME Loans, Trade Finance, Foreign Exchange, Payroll Service, and Cash Management.

Under Business Banking, we have also established a "Specialized Lending Unit" where our team will mainly focus on asset-backed lending. This Unit can provide very quick decision on loan request from our clients, with competitive conditions & arrangements.

We believe that small and medium-sized enterprises (SMEs) are the backbone of a sustainable economy, thus provide support and reach out to smaller business & SMEs in Cambodia to enable them to access to financial solutions to help their business grow and thrive is the key to contribute to sustainable economic growth.

Our team commit to provide fast and hassle-free access to financing, and embrace business transformations by building long-term partnerships based on trust which allow us to grow together.

PRODUCTS AND SERVICES

Business Banking Accounts:
Business Cheque Account, Payroll Service, Cash Management Account, Term Deposit Account

Lending:
Business Lending (Overdraft, Term Loan, Working Capital Loan), Asset Backed Lending

Transaction Services:
Telegraphic Transfers, Foreign Exchange, JTR Connect

PERSONAL BANKING

Our Personal Banking business is at the heart of J Trust Royal Bank's strategy to become a simpler and better balanced and customer first oriented organization, helping our customers and our people respond to a challenging world.

To deliver those outcomes in 2020, we focused on our two clear goals; providing a customer experience that put our customers first and foremost in everything we do, and to grow the business with financial discipline and efficiency.

Customer First

J Trust Royal Bank knows that our customers are the reason we are here, and we strive to ensure that the needs of our customers drive our strategy and define the way we operate. Customer First is not just a strategy but the way we live within the organization.

J Trust Royal Bank operates in a highly competitive market and customers have many choices between different financial institutions with similar product offerings. Our teams thought long and hard about what our customers' needs and how to differentiate ourselves from other banks. Our goal was to instill a Customer First mindset across the bank. We would ensure that from the moment our customers interact with us, they would be greeted by friendly bank staff and served in a professional and efficient manner. We would be a solution-oriented organization with a can-do attitude. Our efforts paid off in 2020, as the number of complaints dropped by more than 80% while the number of customer compliments grew exponentially to over 12,000. An external survey amongst key competitors, puts J Trust Royal as the leading bank in term of customer service and customer advocacy.

The banking landscape is fast-evolving and ever-changing, and J Trust Royal Bank needs to adapt to meet the needs of our customers. 2020 saw the launch of our Retail Mobile Banking platform. Our digital platform reached 18,000 users in its first 6-month of introduction with more than double the digital penetration rate compared to the previous year. We understand that the Mobile App needs a lot of improvements and new functionalities and we are committed to bring these to our customers within the next few years. In addition, we will continue to invest in our traditional channels and bring more branches and ATMs to serve our growing customer base.

Business Growth

As a business, we cannot remain stagnant. In 2019, the focus was to grow our mortgage business and to be recognized as a leading mortgage bank which was a success. In 2020, the aim was to grow our customer base once again. Prior to that, our customer base has been declining year-on-year.

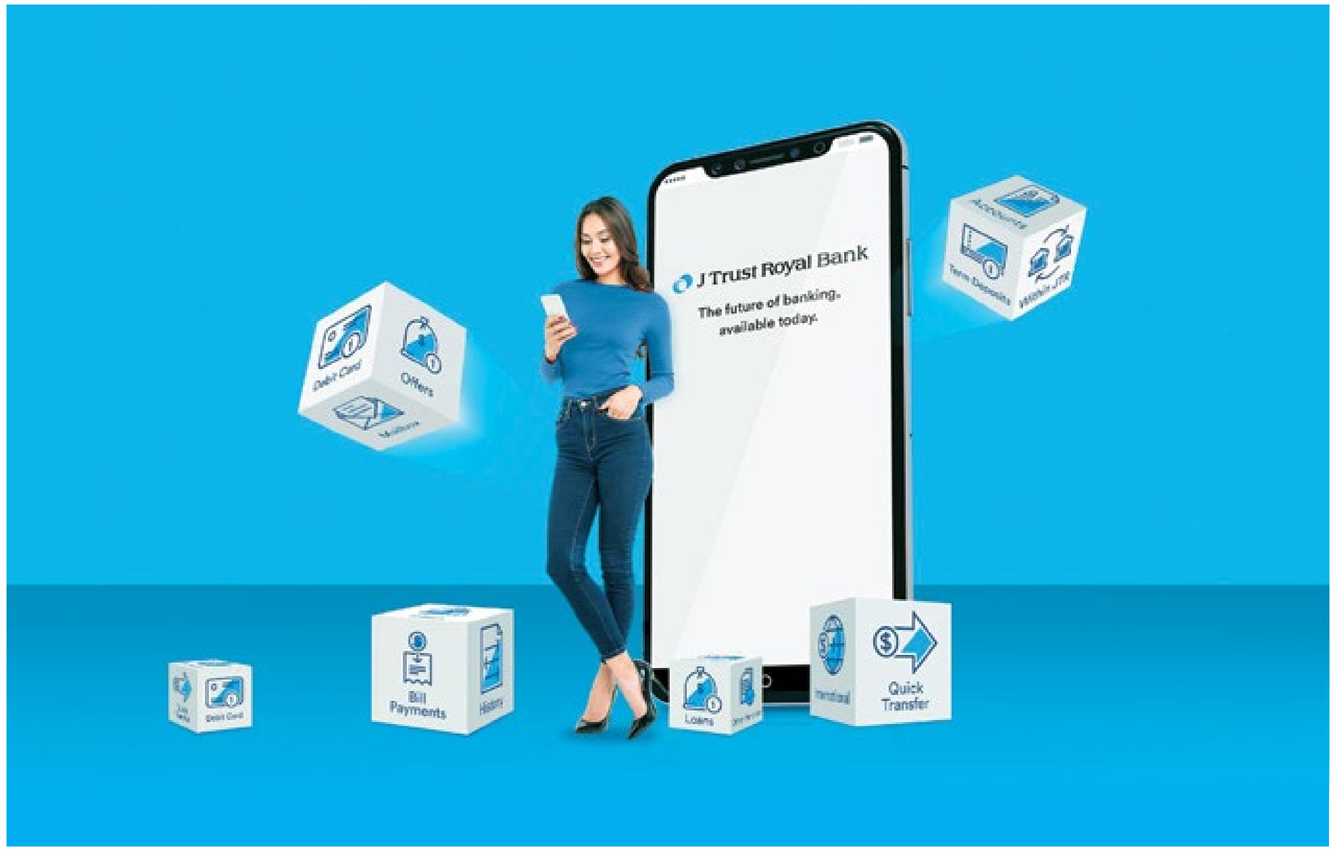
Our Customer First mindset was a key component to the growth of the business. However, we needed to go beyond a great customer experience to convince customers to bank with us once again. We revised our products and pricing to be more in-line and competitive with the market. Within the first month of launching our new ONE account, we onboarded 2,500 new customers. We designed our new transactional account to be easily accessible and hassle-free without hidden charges and fees. This resonated well with our target customers and continues to be a success today.

For our loan customers, we introduced new partnerships with Boreys and condo developers and introduced our Alliance programs. We are very happy to continue to support our customers to become first-time homeowners and seen a remarkable uptick in applications in 2020 despite challenging times. We have also supported our loan customers impacted by the Covid-19 situation and ensured that they would not be further burdened by financial obligations.

Finally, in our premier segment, we have doubled the number of relationship managers to better serve our affluent clients. The focus was once again to strengthen our relationships with our top-tier customer base. 2020 has been a key turning point as our premier segment is once again growing and contributing to the financial growth of the bank.

Most Trusted Personal Bank in Cambodia

Our journey continues in our quest to become the most trusted personal bank in Cambodia. We need to get our products and services fit for our customers. We need to provide the best possible experience to our customers. We need to change our mindset to focus on what is important. We need to keep our promises to build trust. We hope that you will join us on our journey in 2021 and beyond.



INTRODUCING OUR NEW **SAENSOKH BRANCH**

Located at Building No.C4, Street 1003, Sangkat Phnom Penh Thmey, Khan Saensokh, Phnom Penh, the new J Trust Royal Saensokh Branch aims to better serve the growing customer base and their banking needs as well as affirming its commitment in becoming the "Most Trusted Financial Partner" in the Kingdom.

J Trust Royal Saensokh Branch is opened to provide a superior customer experience, aligned with our operating motto of "Customer First", to serve customer banking needs in different perspective ranging from everyday banking for individual, business and corporate clients. On top of that, the branch's premier banking service lounge offers premium ambience with iconic interior design to serve premier segment financial solutions needed.

The architectural design of the new branch is not only to emphasize our J Trust Royal's corporate identity, yet also inspired by the richness of Cambodia's culture – Kbach Phka Chan – in combination with Japanese's culture as the concept of exterior and interior design to represent the growth and success together with customers in Cambodia.

J TRUST ROYAL BANK IN THE COMMUNITY

At J Trust Royal Bank, we recognize that we have a responsibility to actively support the communities in which we operate. We achieve this through our activities as a bank, helping customers to realize their ambitions. However, we also believe in active participation in other activities for the betterment of our community, and our country.

This has been true since the Bank was founded in 2005, and our staff have contributed tens of thousands of volunteer hours, and raised significant funds, all to enhance education and employment opportunities for marginalized and disadvantaged individuals.

J Trust Royal Bank commits to continue the corporate social responsibility legacy of "Uplifting Literacy for the Growth of Cambodia", which has always been our mission as it is close to the hearts of our people and our customers. Different area of literacy uplifting includes Professional Literacy, Financial Literacy, and Reading Literacy. Moreover, we also support our community in which we are operating in different forms related to community development, livelihood improvement as well as disaster relief.

Corporate Social Responsibility Mission:
UPLIFTING LITERACY FOR THE GROWTH OF CAMBODIA

EDUCATION			OTHER
Professional Literacy	Financial Literacy	Reading Literacy	Other forms of contribution/ donation/sponsorship which related to community development

HIGHLIGHT OF COMMUNITY AGENDA IN 2020

Handover of Health Essential Supplies to Help Needy Families to Fight Covid-19

As part of our efforts in response to the covid-19 situation in the country, we carried out activities that sought to extend help to poorer populations particularly in Phnom Penh area namely Trapaing Kraisang, Chrang Chomraes, Svay Pak, and Stung Meanchey, for the handover of health essentials supplies for protecting against the coronavirus to the local authorities. Each district received 10,000 pieces of face masks, 5 large cartons of antibacterial soap, 150 liters of sanitizing alcohol and 300 units 500ml spray bottles.

Flood Relief Packs Donation to the Affected Families in Kampong Speu Province

In response to the devastation wreaked by storms and floods in the country during September and October 2020, we had mobilized internal resources and organized activities to extend assistance to affected districts, led by Mr. Toru Myochin, CEO, senior management as well as J Trust Royal employees from across the organization.

Enlisting the support of local district officials, volunteers from the bank distributed relief packs consisting of necessities such as rice, canned goods, and noodle packs to 170 families who gathered at the Prey Boeng Pagoda in the province's Oudong District.

The activities in Kampong Speu are part of a broader initiative of J Trust Royal Bank in support of efforts to address the impact of the flood situation in the country. The Bank recently made a donation in the amount of $10,000 through the Association of Banking in Cambodia (ABC) to support the Government's initiatives to help tackle flooding.

Participation in the ABC's 2020 Bankers' Cycling Event in Siem Reap

Over 50 J Trust Royal Bank's employee participated in the Association of Banks in Cambodia's (ABC) 2020 Bankers' Cycling Event which is a program promoting Sustainable Finance, Environmental Protection and Social Responsibility. We participated in the activity as Event Sponsor to reaffirm the Bank's support for the themes, consistent with our Community agenda. The event was held in the early hours of the 8th of November at the famous Terrace of the Elephants inside the Angkor Wat Archeological Park, with support from the Ministry of Environment, Ministry of Tourism, National Bank of Cambodia (NBC), and the Cambodia Microfinance Association (CMA), with a total of nearly 500 participants.

RISK MANAGEMENT

The success of J Trust Royal Bank's strategy is underpinned by the sound management of its risks. As J Trust Royal Bank progresses on its strategic path to becoming the customer's trusted financial partner in Cambodia, the risks faced by J Trust Royal Bank will evolve. The success of J Trust Royal Bank's strategy is dependent on its ability to manage the broad range of interrelated risks it is exposed to across our expanding business.

Risk Appetite Statement

J Trust Royal Bank's risk appetite statement is set out by the J Trust Royal Bank Board to define risk appetite for J Trust Royal Bank's strategic objectives and priorities. The RAS takes a holistic view of risks and seeks to understand the costs and benefits of particular risk choices.

Risk Management is integral to all aspects of J Trust Royal Bank activities and is the responsibility of all staff. Managers have a particular responsibility to evaluate their risk environment, to put in place appropriate controls and to monitor the effectiveness of those controls. The Risk Management Culture emphasizes careful analysis and management of risks in all business processes.

The RAS framework provides an enforceable risk statement on the amount of risk J Trust Royal Bank is willing to accept and it supports strategic and core business activities and customer relationships with the objective of ensuring that:

- J Trust Royal Bank only engages in permitted activities
- The scale of permitted activities, and subsequent risk profile, does not lead to potential losses or earnings volatility that exceeds J Trust Royal Bank approved risk appetite
- Risk is expressed quantitatively via limits and tolerances
- Management focus is required to discuss key and emerging risk issues and their mitigation actions; and
- Risk is linked to the business by informing, guiding and empowering the business in executing strategy.

J Trust Royal Bank's risk management is viewed as a core competency and to ensure that risks are identified, assessed and managed in an accurate and timely manner, J Trust Royal Bank has:

- An independent risk management function together with embedded risk managers within the businesses
- Developed frameworks to provide structured and disciplined processes for managing key risks. These frameworks include articulation of the appetite for these risks, portfolio direction, policies, structures, limits and discretions.

- J Trust Royal Bank board meeting is regularly to discuss the major initiatives and identify and assess potential strategic risks
- In assessment of strategic risks, a framework is in place to ensure that these initiatives are prioritized appropriately, and that the associated risks are well managed and reported on a consistent basis.
- The Board will consider impacts, such as pricing and products; the systems and processes we need to deliver on the proposed strategy; and capital implications.

Key Material Risks

All J Trust Royal Bank activities involve, to varying degrees, the analysis, evaluation, acceptance and management of risks or combinations of risks. The material risks facing J Trust Royal Bank and its approach to the management of those risks are described as follows:

Strategic Risk

Strategic Risks are risks that affect or are created by the bank's business strategy and strategic objectives.
J Trust Royal Bank aspires to be among Cambodia's leading banks, measured by customer outcomes, operational effectiveness, and returns to shareholders. This requires ongoing development and innovation in its operations through strategic initiatives which lead to an increase in Key Material Risks (e.g. Credit Risk, Market Risk, Operational Risk). J Trust Royal Bank has a low appetite for threats to the effective and efficient delivery of these initiatives. It recognizes that the actual or perceived inability to deliver strategic initiatives could have a significant impact on its ability to achieve its objectives as well as its reputation. However, risk management strategies associated with these risks form the primary controls.

Credit Risk

Credit risk is the risk of default associated with a financial transaction resulting from a counterparty failing to fulfil its debt payments. J Trust Royal Bank has a robust risk management framework to manage credit risk based on:

- J Trust Royal Bank's defined credit principles that direct our behavior when managing credit risk to ethically achieve the best outcomes for our customers and shareholders.
- Risk Management Manual that monitor our credit activities in line with agreed business strategy, RAS and the NBC regulations

Market Risk

Market Risk stems from J Trust Royal Bank's trading and balance sheet activities and is the risk to J Trust Royal Bank's earnings arising from changes in interest rates, foreign exchange rates, credit spreads and volatility in other markets.

- The bank has a low risk appetite for Interest Rate Risk. J Trust Royal Bank's objective is to match its assets and liabilities within an acceptable tolerance.
- For foreign exchange risk, the bank is willing to accept modest open positions with limits determined by RMC for each currency (relative to USD).
- The bank has a low risk appetite for liquidity risk. J Trust Royal Bank's objective is to ensure that an adequate liquidity position is maintained to satisfy bank's obligations at all times.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. This definition includes legal risk and the risk of reputation loss, or damage arising from inadequate or failed internal processes, people and systems, but excludes strategic risk. The objective of operational risk management is to ensure that risks are identified, assessed, measured, evaluated, treated, monitored and reported in a structured environment with appropriate governance oversight. J Trust Royal Bank does not expect to eliminate all operational risks, but to ensure that the residual risk exposure is managed as low as reasonably practical – the benefit of the risk control measures exceeds the cost of these measures.

- **Information Technology:** J Trust Royal Bank has a low appetite for IT system-related incidents which are generated by poor change management practices.
- **Internal fraud and Corruption:** J Trust Royal Bank has no appetite for any fraud or corruption perpetrated by its staff. J Trust Royal Bank takes all allegations of suspected fraud or corruption very seriously and responds fully and fairly as set out in the Code of Conduct.
- **Operational fraud:** J Trust Royal Bank has a very low appetite for Operational Fraud. This includes lending, card, internet or any other forms of external based fraud. J Trust Royal Bank implements current industry base technologies and controls to mitigate fraud attempts.
- **Information Management:** J Trust Royal Bank is committed to ensuring that its information is relevant, accurate, timely, and properly conserved and managed in accordance with legislative and business requirements. It has a very low appetite for the compromise of processes governing the use of information, its management and publication. J Trust Royal Bank has no appetite for the deliberate misuse of its information.

Compliance Risk

Compliance risk is the probability and impact of an event that results in a failure to act in accordance with laws, regulations, industry standards and codes, internal policies and procedures and principles of good governance as applicable to J Trust Royal Bank's businesses.

- **Regulatory Risk:** J Trust Royal Bank recognizes that failure to maintain no appetite position for Regulatory Risk may result in outcomes which may create systemic risk and catastrophic outcomes. The Bank is committed to a high level of compliance with relevant legislation, regulation, industry codes and standards as well as internal policies and sound corporate governance principles. Identified breaches of compliance will be remedied as soon as practicable. The Bank has no appetite for deliberate or purposeful violations of legislative or regulatory requirements.
- **Governance Risk:** J Trust Royal Bank recognizes that failure to maintain a no appetite position for Governance Risk may result in behaviors which risk the J Trust Royal Bank reputation and stability, along with regulatory action.
- J Trust Royal Bank has a strong governance framework, policies, procedures, systems and effective audit to mitigate risk in relation to the oversight and management of prudential standards and laws affecting J Trust Royal Bank.
- J Trust Royal Bank has an appropriately qualified Board with key committees supporting their oversight. J Trust Royal Bank has a code of conduct, a fit and proper process, disclosure process, charters, and organizational values with compliance assurance.

People Risk

People Risk refers to the costs that may arise as a consequence of events associated with J Trust Royal Bank staff. J Trust Royal Bank's significant people and culture-related risks include:

- **Caliber of People –** J Trust Royal Bank relies on motivated, diverse and high-quality staff to perform its functions. It aims to create an environment where staff are empowered to the full extent of their abilities.
- **Conduct of People –** J Trust Royal Bank expects staff to conduct themselves with a high degree of integrity, to respectfully strive for excellence in the work they perform and the outcomes they achieve, and to promote the public interest. The appetite for behaviors which do not meet these standards is very low. J Trust Royal Bank takes any breach of its Code of Conduct very seriously.
- **Work Health & Safety (WHS) –** J Trust Royal Bank commits to create a safe working environment for all staff, where people are protected from physical or psychological harm. It has a very low appetite for practices or behaviors that could be expected to lead to staff being harmed while at work.

BOARD OF DIRECTORS

NEAK OKHNA KITH MENG
CHAIRMAN

Neak Okhna Kith Meng is Chairman and Chief Executive Officer of the Royal Group of Companies. Neak Okhna has been the driving force behind bringing international business and investors into Cambodia. Through alliances with leading global players, he has brought international quality service to the telecoms, media, education, finance, banking, insurance, logistics, power generation and hospitality industries. He is a passionate entrepreneur who is committed to the development of the Cambodian economy through foreign direct investment.

Neak Okhna Kith Meng holds numerous significant roles in Cambodia, including President of the Cambodian Chamber of Commerce, the Phnom Penh Chamber of Commerce and holds the Cambodian seat at the ASEAN Business Advisory Council.

MR. WILLIAM MARK HANNA
DIRECTOR

Mr. Mark Hanna is an experienced international senior finance and operations executive. Mr. Hanna joined the Royal Group in July 2007 and is responsible for the financial management and performance of the Group's diverse business interests. Prior to joining the Royal Group, Mr. Hanna held several CEO & CFO roles throughout Asia in the telecoms and manufacturing industries.

Mr. Hanna has a Bachelor's Degree in Accounting and is a member of the Chartered Institute of Management Accountants.

MR. CHRISTOPHER DONALD TIFFIN
DIRECTOR

Mr. Chris Tiffin is the Group Chief Operating Officer of the Royal Group, and has held various senior CEO & CFO roles in multiple organization across a multitude of countries (London, South Africa, Nigeria, Kenya, Malaysia & Cambodia) and regions, including extensive exposure to the UK, Africa & SE Asia. He is a seasoned professional, having held Senior Executive and Board positions over the last 20+ years in various organizations both within and outside the Telecommunications sector.

Mr. Tiffin is a qualified Chartered Accountant - CA(SA) and a member of SAICA (South African Institute of Chartered Accountants) as well as an FCA and a member of ICEAW (Institute of Chartered Accountants England and Wales).

MR. TORU MYOCHIN
DIRECTOR

Mr. Toru Myochin joined J Trust in June 2015 as Managing Director in charge of domestic finance businesses, holding companies, and Group management operations. Concurrently, he was appointed as the President and Representative Director of the entertainment company and systems company within the Group.

In addition, he has had more than 15 years of experience in wholesale banking at Mizuho Bank, while at Shinsei Bank he had been in charge of the following departments as the Managing Executive Officer: domestic sales, real estate sales, healthcare finance, corporate reconstruction and structured finance.

Mr. Myochin has more than 20 years of banking experience and a wide range of knowledge in the business world. He holds a Bachelor's Degree in Mechanical Engineering from Sophia University in Tokyo, Japan.

MR. MAKOTO KUROKAWA
DIRECTOR

Mr. Makoto Kurokawa has over 40 years of experience in banking and corporate governance. After joining J Trust Co., Ltd. in 2011, he served the firm as Director, Executive Officer, Corporate Planning Department General Manager and Treasury Department General Manager.

Previously, he held leadership positions internationally at Salomon Brothers Asia, UBS, RBC and Japan's largest bank MUFJ.

He holds a Bachelor's Degree from the University of Tokyo.

Mr. Kurokawa visited Cambodia for the first time in 2005 as part of the Support for Children program. He has since visited the Kingdom more than 30 times. The dynamic transformation taking place in Cambodia continues to dazzle him and makes him yarn to be of assistance to the Kingdom's further growth and development.

MR. RYUICHI ATSUTA
DIRECTOR

Mr. Ryuichi Atsuta is an experienced senior finance executive. He has experience of working in banking industry for over 30 years and held various important management positions at global financial institutions. His leadership quality and management expertise can bring exceptional value to board of directors of J Trust Royal Bank and guide further development of our organization.

Mr. Atsuta currently holds numerous significant roles in J Trust Group, including Managing Director, Executive Officer, General Manager of Finance Department of J Trust Co., Ltd., and President & CEO, NIHON HOSHOU Co., Ltd.

MR. FUMIO IGUCHI
DIRECTOR

Mr. Fumio Iguchi joined J Trust in 2015 as Head of Internal Control and Audit Office. Prior to joining J Trust, he has taken on various senior and management positions in many departments such as Equity Management, Portfolio Management, Business Audit, Planning, Financial Solution, Compliance, Disclosure and Internal Audit department at Japan's prominent banks and companies including Sumitomo Mitsui Banking Corporation, Teradata Japan and Mitsubishi UFJ Kokusai Asset Management.

At J Trust, he has been working as the supervisory board member, director, executive officer overseeing the internal control and accounting department as well as the executive manager's decision.

Mr. Iguchi has over 40 years of experience in banking and finance industry with the broad knowledge in certain different departments. He holds the Bachelor Degree of Engineering from Tokyo Institute of Technology.

MS. RATANA PHURIK-CALLEBAUT
INDEPENDENT DIRECTOR

Ms. Ratana Phurik-Callebaut is a Private Sector Development Senior Consultant. She is the founder and chairperson of the Cambodia Community of Investment professionals, created in 2018 with the support of the CFA Institute. She is also actively involved in the startup, innovation and entrepreneurial local scene.

She has more than 15 years of experience in the field of investment in Cambodia where she has filled different positions including Managing Partner of the private equity firm Cambodia Emerald and Executive Director of EuroCham Cambodia, the European Chamber of Commerce. Her early career was in Geneva where she worked as a portfolio manager in a private bank and as an economist at UNCTAD.

Ms. Ratana is a Chartered Finance Analyst (CFA) and she graduated both in Industrial economics and in International Trade and Finance (Master Degree) at Pantheon-Sorbonne University in Paris.

MR. SIMON JOHN PERKINS
INDEPENDENT DIRECTOR

Mr. Simon Perkins was appointed as an Independent Director of the Bank in April 2015.

Mr. Perkins has a long history with Cambodia, firstly as Head of Indochina Region for Millicom International Cellular and more recently as the Chief Executive Officer (CEO) of Hello Axiata Company Limited at Axiata Group Berhad. He has worked in Asia for over 25 years, with several stints as the CEO for major telecommunication network operators in the region including three years in Australia with Silk Telekom before returning to Indochina.

Mr. Perkins holds a Master of Business Administration (MBA) from Warwick University in the UK and a Bachelor of Science (BSc) First Class Honours from Loughborough University of Technology, UK. He is a Chartered Engineer of the UK Engineering Council and the Chartered Professional Engineers Australia. He is a Graduate Member of the Australian Institute of Company Directors.

SEATING FROM LEFT TO RIGHT

MS. PHEAKDEY POK
MS. BOREN KORK
MS. NARITA HANG CHUON

STANDING FROM LEFT TO RIGHT

MR. SOPHINA KHIEV
MR. SOPHY KEO
MR. SADAT MATH
MS. YUKO MIYAZAKI
MR. TORU MYOCHIN
MR. MAKOTO KUROKAWA
MR. SALY LOR
MR. PHYRUN HENG
MR. VIC SISOWATH
MR. GLENN MILLER

EXECUTIVE COMMITTEE

EXECUTIVE COMMITTEE

MR. TORU MYOCHIN
CEO

Toru Myochin joined J Trust in June 2015 as Managing Director in charge of domestic finance businesses, holding companies, and Group management operations. Concurrently, he was appointed as the President and Representative Director of the entertainment company and systems company within the Group.

In addition, he has had more than 15 years of experience in wholesale banking at Mizuho Bank, while at Shinsei Bank he had been in charge of the following departments as the Managing Executive Officer: domestic sales, real estate sales, healthcare finance, corporate reconstruction and structured finance.

Myochin has more than 20 years of banking experience and a wide range of knowledge in the business world. He holds a Bachelor's Degree in Mechanical Engineering from Sophia University in Tokyo, Japan.

MR. MAKOTO KUROKAWA
DEPUTY CEO

Makoto Kurokawa has over 40 years of experience in banking and corporate governance. After joining J Trust Co., Ltd. in 2011, he served the firm as Director, Executive Officer, Corporate Planning Department General Manager and Treasury Department General Manager.

Previously, he held leadership positions internationally at Salomon Brothers Asia, UBS, RBC and Japan's largest bank MUFJ.

He holds a Bachelor's Degree from the University of Tokyo.

Makoto visited Cambodia for the first time in 2005 as part of the Support for Children program. He has since visited the Kingdom more than 30 times. The dynamic transformation taking place in Cambodia continues to dazzle him and makes him yarn to be of assistance to the Kingdom's further growth and development.

MS. YUKO MIYAZAKI
CHIEF RISK OFFICER

Yuko Miyazaki joined J Trust Royal Bank as Chief Risk Officer in September 2019 bringing in over 20 years of extensive international banking experiences from Japan and the USA, primarily in Credit and Risk roles and in Business Development. Currently, she is leading a team of Risk professionals specializing in Credit Risk including approving credit proposals and managing portfolio and Lending Services functions as well as Operational Risk. In her capacity as the chairman of Risk Management Committee (RMC), she has a leading role in the supervision and oversight of the credit, market and operational risks to ensure the alignment of business strategy with risk appetite statements. Yuko is also a member of the company's executive management team.

Yuko holds a Master of Science in Finance from George Washington University, a Bachelor of Arts in Economics from Michigan State University, USA. She has held a number of senior positions in Tokyo Star Bank, Moody's Analytics, Aozara Bank, Bear Stearns, and Freddie Mac.

MS. BOREN KORK
CHIEF LEGAL & COMPLIANCE OFFICER

Boren leads Legal and Compliance team to manage legal risks and to ensure compliance with regulatory requirements, anti-money laundering (AML), counter-terrorist finance (CTF), and economic/trade sanctions frameworks, and also acts as the Company Secretary, coordinating corporate affairs in interaction with the Board of Directors of the Bank.

Boren was listed in the Legal 500's GC Powerlist 2019 as one of the most influential and innovative in-house lawyers in Southeast Asia.

Boren's career flourished in the bank. First joining in June 2012 as a Manager of Commercial and Institutional Client Administration, Boren took on the other key management roles before being appointed to lead the Legal and Compliance Department in November 2018. Before joining J Trust Royal Bank, Boren gained extensive experience in the fields of law and education.

Boren holds Doctor of Law and Master of Law degrees from Nagoya University (Japan), and Bachelor of Law degrees from the Royal University of Law and Economics (Cambodia), and Lumière Lyon II University (France).

EXECUTIVE COMMITTEE

MR. SADAT MATH
CHIEF HUMAN RESOURCES OFFICER
AND CHIEF OF STAFF

Sadat joined the J Trust Royal (formerly ANZ Royal) in August 2008 in Human Resource Department. During his career with the bank, he was given the opportunity to expand the job responsibilities and promoted to different roles which include the role as Learning and Development Manager, HR Business Partner, HR Delivery Lead and Chief Human Resource Officer in late 2016 as well as the Chief of Staff in 2020. He is one of the talented members of the Bank's HR community and a proud product of the Bank's strong focus on developing its people.

Prior to joining the bank, he spent several years working at university and NGOs after completing his study. Sadat holds a Bachelor's Degree in Management and a Master of Business Administration from Norton University in Cambodia.

Over the past years, Sadat has been very passionate in developing people by helping them perform better at their jobs, leading to a greater sense of fulfillment and opening up career opportunities.

MS. PHEAKDEY POK
CHIEF FINANCIAL OFFICER

Pheakdey is the Chief Financial Officer of J Trust Royal Bank, previously known as ANZ Royal, where she oversees bank's overall performance, aligning financial and business metrics to support business strategy and growth agenda, managing Financial control and governance of the bank to ensure compliance with local regulatory, Group and Cambodia accounting Standards.

She joined ANZ Royal Bank in May 2008 as Finance Manager and was subsequently appointed as Chief Financial Officer in April 2010. She also worked for KPMG Cambodia as External Auditor and British Tobacco (Cambodia) as Management Accounting Manager prior to the Bank.

She possesses over 17 years of experiences in diversified industries including Auditing, Banking and Merchandising in Cambodia. In addition, she has quite a unique experienced Mergers and Acquisitions (M&A) through managing transition for Finance project from ANZ Royal to J Trust Royal Bank and went live without significant issue and any staff attrition.

She holds a Bachelor's Degree in Accounting and Finance from the National University of Management and is an associate member of CPA Australia and Institute of Public Accountant Australia (IPA).

MR. PHYRUN HENG
HEAD OF TRANSACTION BANKING

Phyrun joined the bank in February 2012, since which he has cultivated wide-ranging experiences in credit and capital management, relationship management, transaction banking sales and advisory services, looking after Corporation & Institutional Banking, and later expanding his horizon to emerging corporates.

He has provided advisory services/workshops to clients and community on financial literacy, trade, cash management products and driven bank digitization agenda for local corporates and multinational corporations.

After the transition, Phyrun, appointed as Head of Transaction Banking "TB", is leading and rebuilding bank's capabilities both in Trade & Supply Chain "TSC" and Payment & Cash Management "PCM".

Phyrun holds two degrees, Bachelor of Economy Development and Bachelor of Education in English and won a scholarship for Associate Association of Chartered Certified Accountants "ACCA".

In specializing subjects, he successfully completed in Hongkong "Advanced Working Capital Management" course, and "Certificate in International Cash Management" by Association of Corporate Treasurers (ACT), the chartered body for treasury, United Kingdom. He has also been assigned for a 14-day with TB Products Management and Wholesales Digital Team, Melbourne, Australia for knowledge transfer and digitization pioneer.

MR. SOPHINA KHIEV
HEAD OF MARKETS

Sophina joined the bank since 2005 when it commenced its operation under the name of ANZ Royal Bank and currently leads Markets & FI to support bank's FI relationship & treasury function as well as FX services providing to Retail, Business and Corporate Banking clients.

With his 15 years of career with the bank that started with few roles within Retail Banking as priority banking manager, Branch Manager, Senior Manager of Mortgage and then moved to Corporate Banking and Markets & FI, Sophina brings with him a wealth of knowledge and experience of banking and financial market. He joined our executive management team of J Trust Royal Bank on day 1 after the transition in Aug 2019.

Fluent in English, Mandarin Chinese and Khmer, Sophina studied economics and finance at Guangxi University in China under Chinese Government Scholarship Program.

EXECUTIVE COMMITTEE

MR. VIC SISOWATH
HEAD OF PERSONAL BANKING

Vic Sisowath joined ANZ Royal Bank in 2007 and stayed with the bank when it transitioned to J Trust Royal Bank last year. He currently leads Personal Banking covering 14 branches, our Premier banking segment, secured and unsecured lending businesses, Bancassurance, Analytic and Branch Assurance and our 24/7 Customer Care Centre.

With 14 years of Personal Banking experience including roles as Premier Banking Manager, Branch Manager, Regional Manager, Head of Affluent Banking, and a secondment in Singapore Personal Banking, Vic joined the executive management team in February 2017 as the Head of Personal Banking. After more than 10 years in the Cambodian retail space, Vic has intimate knowledge of sales and services, and an understanding of our customers' financial needs.

Fluent in French, English and Khmer, Vic studied economics at the University of California Berkeley and has been overseas for many years. Through the bank training programs, he has become an accredited facilitator for sales and sales management.

MR. SALY LOR
CHIEF OPERATING OFFICER

Saly joined the bank since May 2005 and has held several senior management roles including Senior Business Development, Branch Manager, Regional Manager, Head of Mortgages, Head of Retail Operations, Acting Chief Operating Officer and Chief Operating Officer.

In August 2019, he was appointed as Chief Operating Officer. As Chief Operating Officer, Saly oversees the Bank's operations, which encompasses a diverse range of functions inclusive of Retail Operations, Institutional & Commercial Operations, Projects & Transformation, Property, Administration and Procurement.

Prior to joining the bank, Saly held a management role in the hospitality field and was a lecturer of a private university.

Saly was an AusAID scholarship winner and holds a Master of Education and Training from Victoria University, Australia.

MS. NARITA HANG CHUON
HEAD OF CORPORATE BANKING

Narita Hang Chuon, with her role as Head of Corporate Banking, she is responsible for the growth and profitability, as well as the good credit quality of the Corporate Banking Segment.

Narita joined the Bank in September 2005, throughout more than 15 years of services with the Bank, her career has advanced from Operations to Middle Office, and to Frontline Department. Prior to that, Narita worked with World Vision International Organization, Credit Agricole Indosuez Bank, and Nestle Dairy Cambodia Co., Ltd.

Narita holds a Master of Business Administration, major in Finance from Charles Sturt University, a Bachelor of Business Administration, Major in Finance & Banking from the National Institute of Management, and a degree from the Centre for Banking Studies.

On top of her role with J Trust Royal Bank, Narita actively involves in various business associations to support Women in Business, and other social work.

MR. SOPHY KEO
HEAD OF BUSINESS BANKING

Sophy joined the bank since 2006 and was appointed as Head of Business Banking in 2019. This is a newly created division within J Trust Royal Bank; with a key objective to work more closely with the SME sector in Cambodia. Sophy leads the Business Banking Relationship Teams who actively work with our clients to meet their needs on banking solutions of both loans and deposits.

Since joining the bank in 2006, Sophy is one of our experienced bankers in the area of Lending & Payments Operations; Workflow & Automation; as well as major Project Management & Execution. He has also worked and trained in countries such as Singapore, India, Myanmar, and Laos; as part of the bank's international assignment. And prior to joining the bank, Sophy was leading the Training & Testing Department (including Special Projects) at the Australian Centre for Education (ACE).

Sophy holds a Master of Business Administration (MBA), a Bachelor of Accounting; and Bachelor of Education (TEFL).

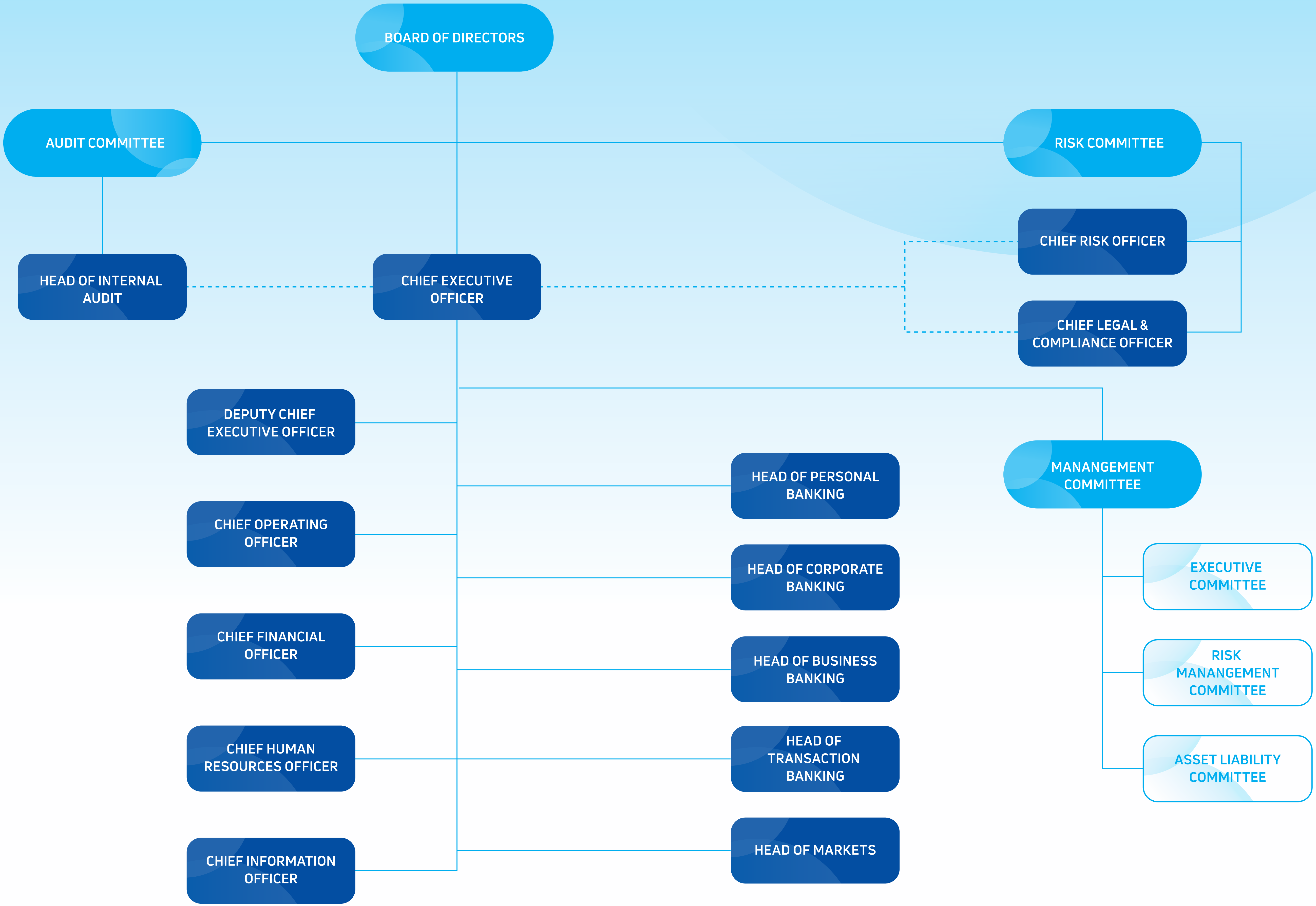
MR. GLENN MILLER
CHIEF INFORMATION OFFICER

Glenn, originally from Melbourne Australia, joined J Trust Royal Bank in August 2019 as the Chief Information Officer. Glenn leads an enthusiastic and customer focused team of technologists and is responsible for managing all Information technology aspects for J Trust Royal.

Glenn has been working as a technologist in Banking, Payments and Telecommunications for almost 30 years. Glenn has been based in Cambodia for 15 years and has worked for 5 different companies in Cambodia in the fields of Banking, Payments processing and Telecoms.

Prior to relocating to Cambodia Glenn worked in a variety of roles across 20 years at ANZ Bank Australia and the Asia Pacific regions.

ORGANIZATION CHART



FINANCIAL STATEMENTS
FOR THE YEAR ENDED

31 DECEMBER 2020
AND REPORT OF THE INDEPENDENT AUDITORS

CORPORATE INFORMATION

Bank	J Trust Royal Bank Plc. (formerly known as JTrust Royal Bank Ltd.)	
Registration No.	00015704	
Registered office	20 EF-E0 Corner Kramoun Sar and Street 67 Sangkat Phsar Thmey I, Khan Daun Penh, Phnom Penh Kingdom of Cambodia	
Shareholders	J Trust Co., Ltd. Royal Group Finance Co., Ltd.	
Board of Directors	Neak Oknha Kith Meng	Chairman
	William Mark Hanna	Director
	Toru Myochin	Director
	Makoto Kurokawa	Director
	Ryuichi Atsuta	Director
	Christopher Donald Tiffin	Director
	Fumio Iguchi	Director (appointed on 4 August 2020)
	Simon John Perkins	Independent Director
	Ratana Phurik-Callebaut	Independent Director
	Yuki Blair	Director (resigned on 2 June 2020)
Management team	Mr. Toru Myochin	Chief Executive Officer
	Ms. Pok Pheakdey	Chief Financial Officer
	Ms. Kork Boren	Chief Legal & Compliance Officer
	Mr. Sisowath Veakchiravuddh	Head of Personal Banking
	Ms. Hang Chuon Narita	Head of Corporate Banking
	Mr. Math Sadat	Chief Human Resources Officer
	Mr. Khiev Sophina	Head of Markets
	Mr. Keo Sophy	Head of Business Banking
	Mr. Lor Saly	Chief Operating Officer
	Mr. Glenn Miller	Chief Information Officer
	Mr. Heng Phyrun	Head of Transaction Banking
	Ms. Yuko Miyazaki	Chief Risk Officer
Auditors	KPMG Cambodia Ltd	

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors ("the Board" or "the Directors") hereby submit their report together with the audited financial statements of J Trust Royal Bank Plc. (formerly known as JTrust Royal Bank Ltd.) ("the Bank") for the year ended 31 December 2020.

Principal activities

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

Financial results

The financial results of the Bank for the year were as follows:

	2020 US$	2019 US$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Profit before income tax	7,212,365	18,134,976	29,404,812	73,482,922
Income tax expense	(3,270,445)	(4,591,161)	(13,333,604)	(18,603,384)
Net profit for the year	3,941,920	13,543,815	16,071,208	54,879,538

Dividends

No dividend was declared or paid and the Directors do not recommend any dividend to be paid for the year under audit (2019: US$10,000,000).

Share capital

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

Reserves and provisions

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

Losses on loans and advances

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

At the date of this report, the Directors are not aware of any circumstances, which would render the amount written off for bad loans and advances, or the amount of allowance for losses on loans and advances in the financial statements of the Bank, inadequate to any material extent.

Assets

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

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

Valuation methods

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

Contingent and other liabilities

At the date of this report, there does not exist:

(a) any charge on the assets of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person, or

(b) any contingent liability in respect of the Bank that has arisen since the end of the financial year other than in the ordinary course of banking business.

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

Change of circumstances

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

Items of unusual nature

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

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

Coronavirus and impact on ECL

The 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, Kingdom of 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 Bank; however, this estimate may move materially as events unfold.

Events since the reporting date

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

REPORT OF THE
BOARD OF DIRECTORS

The Board of Directors

The Directors who served during the year and at the date of this report are:

Neak Oknha Kith Meng	Chairman
William Mark Hanna	Director
Toru Myochin	Director and Chief Executive Officer
Makoto Kurokawa	Director
Ryuichi Atsuta	Director
Christopher Donald Tiffin	Director
Fumio Iguchi	Director (appointed on 4 August 2020)
Simon John Perkins	Independent Director
Ratana Phurik-Callebaut	Independent Director
Yuki Blair	Director (resigned on 2 June 2020)

Directors' interests

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

Directors' benefits

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

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

Directors' responsibility in respect of the financial statements

The Board of Directors is responsible for ascertaining that the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2020, and its financial performance and its cash flows for the year then ended. In preparing these financial statements, the Board of Directors is required to:

(i) adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;

(ii) comply with Cambodian International Financial Reporting Standards ("CIFRSs") or, if there have been any departures in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the financial statements;

(iii) oversee the Bank's financial reporting process and maintain adequate accounting records and an effective system of internal controls;

(iv) assess the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so; and

(v) effectively control and direct effectively the Bank in all material decisions affecting the operations and performance and ascertain that such have been properly reflected in the financial statements.

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

Approval of the financial statements

We hereby approve the accompanying financial statements together with the notes thereto as set out on pages 49 to 101 which, in our opinion, present fairly, in all material respects, the financial position of the Bank as at 31 December 2020, and its financial performance and its cash flows for the year then ended, in accordance with CIFRSs.

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

William Mark Hanna
Director

Toru Myochin
Director and Chief Executive Officer

Phnom Penh, Kingdom of Cambodia
31 March 2021

KPMG Cambodia Ltd
4th Floor, Delano Center
No. 144, Street 169, Sangkat Veal Vong
Khan 7 Makara, Phnom Penh
Kingdom of Cambodia
+855 23 216 899 | kpmg.com.kh

Opinion

We have audited the financial statements of J Trust Royal Bank Plc. (formerly known as JTrust Royal Bank Ltd.) ("the Bank"), which comprise the statement of financial position as at 31 December 2020, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information as set out on pages 49 to 101 (hereafter referred to as "the financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with Cambodian International Financial Reporting Standards ("CIFRSs").

Basis for Opinion

We conducted our audit in accordance with Cambodian International Standards on Auditing ("CISAs"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the *Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the ethical requirements that are relevant to our audit of the financial statements in 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.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditors' report is the Report of the Board of Directors on pages 43 to 46, and the annual report, which is expected to be made available to us after that date. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

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

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

For KPMG Cambodia Ltd

KPMG CAMBODIA LTD.

Taing YoukFong
Partner
Phnom Penh, Kingdom of Cambodia
31 March 2021

		31 DECEMBER		31 DECEMBER	
		2020	2019	2020	2019
	Note	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
ASSETS					
Cash and cash equivalents	6	243,202,985	173,535,482	983,756,074	707,157,089
Placements with other banks	7	32,041,811	44,090,299	129,609,125	179,667,968
Statutory deposits	8	64,507,602	80,837,424	260,933,250	329,412,503
Loans and advances to customers – net	9	690,817,883	502,726,904	2,794,358,337	2,048,612,134
Other assets	10	9,824,577	8,069,204	39,740,414	32,882,007
Intangible assets	11	189,534	-	766,665	-
Property and equipment	12	3,613,391	3,714,576	14,616,167	15,136,897
Right-of-use assets	13	2,802,257	3,311,519	11,335,130	13,494,440
Deferred tax asset, net	20A	2,008,625	2,818,191	8,124,888	11,484,128
Total assets		1,049,008,665	819,103,599	4,243,240,050	3,337,847,166
LIABILITIES AND SHAREHOLDERS' EQUITY					
Liabilities					
Deposits from customers	14	639,596,323	537,274,878	2,587,167,127	2,189,395,128
Deposits from other banks and financial institutions	15	124,617,173	32,596,349	504,076,465	132,830,122
Borrowings	16	52,732,332	18,654,968	213,302,283	76,018,995
Lease liabilities	17	3,121,721	3,651,878	12,627,361	14,881,403
Other liabilities	18	1,946,167	5,341,267	7,872,246	21,765,663
Provision for employee benefits	19	152,627	152,627	617,376	621,955
Current income tax liability	20B	1,461,051	351,400	5,909,951	1,431,955
Provision for off-balance sheet commitment	30	652,428	293,309	2,639,071	1,195,234
Total liabilities		824,279,822	598,316,676	3,334,211,880	2,438,140,455
Shareholders' equity					
Share capital	21	75,000,000	75,000,000	300,000,000	300,000,000
General reserves	22	88,000,000	73,000,000	354,662,000	293,507,000
Regulatory reserves	23	3,618,950	3,883,463	14,580,245	15,658,665
Retained earnings		58,109,893	68,903,460	234,038,089	278,043,461
Currency translation reserves		-	-	5,747,836	12,497,585
Total shareholders' equity		224,728,843	220,786,923	909,028,170	899,706,711
Total liabilities and shareholders' equity		1,049,008,665	819,103,599	4,243,240,050	3,337,847,166

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 US$	2019 US$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Operating income					
Interest income	24	42,389,949	36,119,323	172,823,822	146,355,497
Interest expense	25	(10,059,742)	(2,734,632)	(41,013,568)	(11,080,729)
Net interest income		32,330,207	33,384,691	131,810,254	135,274,768
Net fee and commission income	26	5,211,457	10,890,485	21,247,110	44,128,245
Total operating profit		37,541,664	44,275,176	153,057,364	179,403,013
Personnel expenses	27	(14,160,200)	(13,238,692)	(57,731,135)	(53,643,180)
Depreciation and amortisation	28	(2,297,932)	(2,382,304)	(9,368,669)	(9,653,096)
General and administrative expenses	29	(11,532,138)	(10,844,529)	(47,016,527)	(43,942,032)
Total operating expenses		(27,990,270)	(26,465,525)	(114,116,331)	(107,238,308)
Operating profit before impairment		9,551,394	17,809,651	38,941,033	72,164,706
Impairment losses/(reversal of impairment losses) on financial instruments	9	(2,339,029)	325,325	(9,536,221)	1,318,217
Profit before income tax		7,212,365	18,134,976	29,404,812	73,482,922
Income tax expense	20C	(3,270,445)	(4,591,161)	(13,333,604)	(18,603,384)
Net profit for the year		3,941,920	13,543,815	16,071,208	54,879,538
Other comprehensive income					
Currency translation difference		-	-	6,749,749	12,464,365
Total comprehensive income for the year		3,941,920	13,543,815	9,321,459	67,343,903

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital		General reserve		Regulatory reserves		Retained earnings		Currency translation reserves		Total	
2019	US$	KHR'000 (Note 5)	US$	KHR'000 (Note 5)	US$	KHR'000 (Note 5)	US$	KHR'000 (Note 5)	US$	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
Balance as at 1 January 2019	75,000,000	300,000,000	57,000,000	228,675,000	6,252,097	25,256,370	78,991,011	318,918,218	-	33,220	217,243,108	872,882,808
Transactions recognised directly in equity												
Dividend paid	-	-	-	-	-	-	(10,000,000)	(40,520,000)	-	-	(10,000,000)	(40,520,000)
Transfers from regulatory reserves	-	-	-	-	(2,368,634)	(9,597,705)	2,368,634	9,597,705	-	-	-	-
Transfers to general reserve	-	-	16,000,000	64,832,000	-	-	(16,000,000)	(64,832,000)	-	-	-	-
Comprehensive income												
Net profit for the year	-	-	-	-	-	-	13,543,815	54,879,538	-	-	13,543,815	54,879,538
Currency translation difference	-	-	-	-	-	-	-	-	-	12,464,365	-	12,464,365
Total comprehensive income	-	-	-	-	-	-	13,543,815	54,879,538	-	12,464,365	13,543,815	67,343,903
Balance as at 31 December 2019	75,000,000	300,000,000	73,000,000	293,507,000	3,883,463	15,658,665	68,903,460	278,043,461	-	12,497,585	220,786,923	899,706,711
2020												
Balance as at 1 January 2020	75,000,000	300,000,000	73,000,000	293,507,000	3,883,463	15,658,665	68,903,460	278,043,461	-	12,497,585	220,786,923	899,706,711
Transactions recognised directly in equity												
Transfers from regulatory reserves					(264,513)	(1,078,420)	264,513	1,078,420	-	-	-	-
Transfers to general reserve	-	-	15,000,000	61,155,000	-	-	(15,000,000)	(61,155,000)	-	-	-	-
Comprehensive income												
Net profit for the year	-	-	-	-	-	-	3,941,920	16,071,208	-	-	3,941,920	16,071,208
Currency translation difference	-	-	-	-	-	-	-	-	-	(6,749,749)		(6,749,749)
Total comprehensive income	-	-	-	-	-	-	3,941,920	16,071,208	-	(6,749,749)	3,941,920	9,321,459
Balance as at 31 December 2020	75,000,000	300,000,000	88,000,000	354,662,000	3,618,950	14,580,245	58,109,893	234,038,089	-	5,747,836	224,728,843	909,028,170

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

	Note	2020 US$	2019 US$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Cash flows from operating activities					
Net profit for the year		3,941,920	13,543,815	16,071,208	54,879,538
Adjustments for:					
Depreciation and amortisation		2,297,932	2,382,304	9,368,669	9,653,096
Net interest income		(32,330,207)	(33,384,691)	(131,810,254)	(135,274,768)
Income tax expense		3,270,445	4,591,161	13,333,604	18,603,384
Loss on intangible assets written off		-	17,585	-	71,254
Loss on property and equipment written off and disposal		35,596	260,728	145,125	1,056,470
Provision for employee benefits		-	(245,669)	-	(995,451)
Impairment loss on financial instruments		2,339,029	(325,325)	9,536,221	(1,318,217)
		(20,445,285)	(13,160,092)	(83,355,427)	(53,324,694)
Changes in:					
Loans and advances		(190,096,623)	(65,397,798)	(775,023,932)	(264,991,877)
Statutory deposits		16,329,822	19,474,920	66,576,684	78,912,376
Other assets		(1,755,373)	(2,420,420)	(7,156,656)	(9,807,542)
Deposits from customers, other banks and financial institutions		194,342,269	(151,095,591)	792,333,431	(612,239,335)
Other liabilities		(3,395,101)	780,921	(12,914,619)	3,164,292
Cash used in operations		(5,020,291)	(211,818,060)	(19,540,519)	(858,286,780)
Interest received		42,634,265	35,955,272	173,819,898	145,690,762
Interest paid		(10,059,742)	(2,734,632)	(41,013,568)	(11,080,729)
Income taxes paid	20B	(1,351,228)	(10,487,773)	(5,508,957)	(42,496,456)
Net cash generated from/(used in) operating activities		26,203,004	(189,085,193)	107,756,854	(766,173,203)
Cash flows from investing activities					
Placement with other banks		12,007,164	(37,707,267)	48,953,208	(152,789,846)
Purchase of intangible assets		(196,184)	-	(799,842)	-
Purchase of property and equipment		(1,157,718)	(1,464,610)	(4,720,016)	(5,934,600)
Proceeds from disposal of property and equipment		-	125,268	-	507,586
Net cash generated from/(used in) investing activities		10,653,262	(39,046,609)	43,433,350	(158,216,860)
Cash flows from financing activities					
Lease payments		(1,088,869)	(1,096,295)	(5,366,527)	(4,442,187)
Proceeds from borrowings		46,200,616	18,654,968	188,359,911	75,589,930
Repayments to borrowings		(12,123,252)	-	(49,426,498)	-
Dividend paid		-	(10,000,000)	-	(40,520,000)
Net cash generated from financing activities		32,988,495	7,558,673	133,566,886	30,627,743
Net increase/(decrease) in cash and cash equivalents		69,844,761	(220,573,129)	284,757,090	(893,762,320)
Cash and cash equivalents at beginning of the year		173,710,939	394,284,068	707,872,076	1,584,233,386
Currency translation difference		-	-	(7,446,360)	17,401,010
Cash and cash equivalents at end of the year	6	243,555,700	173,710,939	985,182,806	707,872,076

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

1. Reporting entity

J Trust Royal Bank Plc. (formerly known as JTrust Royal Bank Ltd.) ("the Bank") is domiciled in the Kingdom of Cambodia. The Bank is originally a joint venture between Australia and New Zealand Banking Group Limited ("ANZ"), a public company incorporated in Australia, through its wholly owned subsidiary ANZ Funds Pty Ltd., with a 55% interest in the joint venture, and Royal Group Finance Co., Ltd., which has been ultimately and solely owned by a private individual in Cambodia who is also the Director of the Bank with a 45% interest in the joint venture.

In August 2019, the sale and purchase of the Bank's shares transaction including the control transfer between ANZ Funds Pty Ltd and J Trust Co., Ltd. ("JT") was completed and JT became the parent company of the Bank from 19 August 2019. The Bank also changed its official name from ANZ Royal Bank (Cambodia) Ltd. to JTrust Royal Bank Ltd. from 19 August 2019. In December 2019, the Bank amended its Memorandum and Articles of Association again and reflected its name from "JTrust Royal Bank Ltd." to "J Trust Royal Bank Plc.", with approval by the National Bank of Cambodia on 10 March 2020 and endorsement by the Ministry of Commerce on 29 April 2020.

The principal activity of the Bank is the provision of comprehensive banking and related financial services in the Kingdom of Cambodia.

The registered office of the Bank is currently located at 20 EF-E0 Corner Kramoun Sar and Street 67, Sangkat Phsar Thmey I, Khan Daun Penh, Phnom Penh, the Kingdom of Cambodia.

As at 31 December 2020, the Bank had 536 employees (2019: 474 employees).

2. Basis of accounting

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

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

Details of the Bank's accounting policies are included in Note 34.

The financial statements of the Bank were authorised for issue by the Board of Directors on 31 March 2021.●

3. Functional and presentation currency

The Bank transacts its business and maintains its accounting records in United States Dollars ("US$"). The management has determined the US$ to be the Bank's functional and presentation currency as it reflects the economic substance of the underlying events and circumstances of the Bank. These financial statements are presented in US$, which is the Bank's functional currency. All amounts have been rounded to the nearest dollar or thousand Riels, except when otherwise indicated.

4. Use of judgments and estimates

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

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

A. Judgements

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

- Note 34C(ii): classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are 'solely payment for principal and interest' ("SPPI") on the principal amount outstanding.
- Note 34C(vii): establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of 'expected credit loss' ("ECL") and selection and approval of models used to measure ECL.

4. Use of judgments and estimates (continued)

B. Assumptions and estimation uncertainties

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

- Note 34C(vii): impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information.
- Note 34C(vii): impairment of financial instruments: key assumptions used in estimating recoverable cash flows.
- Note 34C(vi): measurement of the fair value of financial instruments with significant unobservable inputs.

Coronavirus and impact on ECL

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

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

5. Translation of United States Dollars into Khmer Riel

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

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

The Bank uses the following exchange rates:

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

6. Cash and cash equivalents

	31 December		31 December	
	2020	2019	2020	2019
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
Cash on hand	28,785,237	38,563,512	116,436,284	157,146,311
Bank balances with original maturity less than 3 months:				
Bank balances with National Bank of Cambodia	192,533,283	76,016,126	778,797,130	309,765,713
Bank balances with other banks	22,237,180	59,131,301	89,949,392	240,960,052
	243,555,700	173,710,939	985,182,806	707,872,076
Less: Allowance for impairment loss	(352,715)	(175,457)	(1,426,732)	(714,987)
	243,202,985	173,535,482	983,756,074	707,157,089

The movements of impairment loss allowance on cash and cash equivalents during the year were as follows:

	2020	2019	2020	2019
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
At 1 January	175,457	434,475	714,987	1,745,721
Recognised in profit or loss (Note 9)	177,258	(259,018)	722,681	(1,049,541)
Currency translation difference	-	-	(10,936)	18,807
At 31 December	352,715	175,457	1,426,732	714,987

	31 December		31 December	
	2020	2019	2020	2019
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
By relationship:				
Non-related parties	243,555,700	173,710,939	985,182,806	707,872,076
Related parties	-	-	-	-
	243,555,700	173,710,939	985,182,806	707,872,076

7. Placements with other banks

	31 December		31 December	
	2020	2019	2020	2019
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
National Bank of Cambodia	12,006,736	21,077,160	48,567,247	85,889,427
Other banks	20,130,809	23,067,549	81,429,122	94,000,262
	32,137,545	44,144,709	129,996,369	179,889,689
Less: Allowance for impairment loss	(95,734)	(54,410)	(387,244)	(221,721)
	32,041,811	44,090,299	129,609,125	179,667,968

7. Placements with other banks (continued)

The movements of allowance for impairment loss on placements with other banks during the year were as follows:

	2020 US$	2019 US$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
At 1 January	54,410	-	221,721	-
Recognised in profit or loss (Note 9)	41,324	54,410	168,478	220,469
Currency translation difference	-	-	(2,955)	1,252
At 31 December	95,734	54,410	387,244	221,721

	31 December		31 December	
	2020 US$	2019 US$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
A. By maturity:				
Within 1 month	20,130,809	23,067,549	81,429,122	94,000,262
> 1 to 3 months	5,400,589	1,795,558	21,845,383	7,316,899
> 3 to 6 months	3,001,662	19,281,602	12,141,723	78,572,528
7 to 12 months	3,604,485	-	14,580,141	-
	32,137,545	44,144,709	129,996,369	179,889,689
B. By currency:				
US Dollars	32,137,545	43,751,224	129,996,369	178,286,238
Others	-	393,485	-	1,603,451
	32,137,545	44,144,709	129,996,369	179,889,689

	2020	2019
C. By interest rate (per annum):		
National Bank of Cambodia	0.03% - 0.77%	0.68% - 0.99%
Other local banks	2.35% - 2.60%	2.35% - 2.60%

8. Statutory deposits

		31 December		31 December	
	Note	2020 US$	2019 US$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Statutory capital deposit	A	7,500,000	7,500,000	30,337,500	30,562,500
Reserve requirements on deposits from customers, banks and financial institutions	B	57,007,602	73,337,424	230,595,750	298,850,003
		64,507,602	80,837,424	260,933,250	329,412,503

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

8. Statutory deposits (continued)

A. Statutory capital deposit

Under the NBC's Prakas No. B7-01-136 dated 15 October 2001, the Bank is required to maintain a statutory deposit 10% of its capital. This deposit is not available for use in the Bank's day-to-day operations and is refundable should the Bank voluntarily ceases its operations in the Kingdom of Cambodia. During the year, the statutory capital deposit earned interest at the rate of 0.09% per annum (2019: 0.48% per annum).

B. Reserve requirements on deposits from customers, banks and financial institution and non-resident borrowings

The reserve requirement represents the minimum reserve which is calculated at 8% for KHR and 12.50% for other currencies of the total amount of deposits from customers, non-residential banks and financial institution deposits, and non-residential borrowings. Pursuant to the NBC's Prakas No. B7-018-282 on the maintenance of reserve requirement both in KHR and in other currencies bear no interest effective from 20 August 2018.

On 18 March 2020, NBC issued a press release announcing the reduction of the Reserve Requirement Rate ("RRR") on KHR from 8% to 7%. For foreign currencies, the RRR is reduced from 12.50% to 7%, in order to mitigate the impact of the COVID-19 pandemic on Cambodia's economy.

9. Loans and advances to customers – net

	31 December		31 December	
	2020 US$	2019 US$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Term loan	320,402,531	162,355,172	1,296,028,239	661,597,326
Overdrafts	25,252,981	21,555,507	102,148,308	87,838,691
Housing loans	187,206,431	150,872,412	757,250,013	614,805,079
Trade finance loans	164,168,488	172,218,786	664,061,534	701,791,553
Credit cards	603,451	805,708	2,440,959	3,283,260
Loans and advances – gross	697,633,882	507,807,585	2,821,929,053	2,069,315,909
Less: Impairment loss allowance	(6,815,999)	(5,080,681)	(27,570,716)	(20,703,775)
Loans and advances – net	690,817,883	502,726,904	2,794,358,337	2,048,612,134

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

	2020 US$	2019 US$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Allowance for/(reversal of) impairment losses on:				
Loans and advances to customers	1,761,328	632,499	7,180,934	2,562,886
Cash and cash equivalents (Note 6)	177,258	(259,018)	722,681	(1,049,541)
Placements with other banks (Note 7)	41,324	54,410	168,478	220,469
Off-balance sheet commitments (Note 30)	359,119	(636,231)	1,464,128	(2,578,008)
Loans and advances written off	-	44,936	-	182,081
Recovery of loans and advances written off	-	(161,921)	-	(656,104)
	2,339,029	(325,325)	9,536,221	(1,318,217)

9. Loans and advances to customers – net (continued)

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

	2020 US$	2019 US$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
At 1 January	5,080,681	4,448,182	20,703,775	17,872,795
Allowance for impairment loss during the year	1,761,328	632,499	7,180,934	2,562,886
Write off for the year	(26,010)	-	(106,043)	-
Currency translation difference	-	-	(207,949)	268,094
At 31 December	6,815,999	5,080,681	27,570,716	20,703,775

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

	31 December		31 December	
	2020 US$	2019 US$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
By maturity:				
Within 1 month	29,151,155	35,266,711	117,916,422	143,711,847
> 1 to 3 months	65,077,056	74,873,888	263,236,692	305,111,094
> 3 to 6 months	130,149,808	94,583,152	526,455,973	385,426,344
> 6 to 12 months	60,445,580	18,871,884	244,502,371	76,902,927
> 1 to 3 years	125,195,981	99,711,480	506,417,743	406,324,281
> 3 to 5 years	47,822,855	24,150,686	193,443,448	98,414,045
Over 5 years	239,791,447	160,349,784	969,956,404	653,425,371
	697,633,882	507,807,585	2,821,929,053	2,069,315,909

For additional analysis of gross amount of loans and advances to customers, refer to Note 32B.

10. Other assets

	31 December		31 December	
	2020 US$	2019 US$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Prepayment for staff benefits (*)	6,230,410	4,578,047	25,202,008	18,655,542
Deposits and prepayments	3,567,556	2,530,661	14,430,764	10,312,444
Derivative financial instruments	1,120	12,033	4,530	49,034
Others	25,491	948,463	103,112	3,864,987
	9,824,577	8,069,204	39,740,414	32,882,007

(*): This represent the difference between fair value of staff loans at the lower market rate of interest and that of same type of loans to third parties. The Bank has recorded the difference as prepayment of staff benefit and amortised them on straight-line basis over contractual term of the loans.

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11. Intangible assets

	2020 US$	2019 US$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Cost				
At 1 January	-	163,796	-	658,132
Addition	196,184	-	799,842	-
Written off	-	(163,796)	-	(663,701)
Currency translation difference	-	-	(6,278)	5,569
At 31 December	196,184	-	793,564	-
Less: **Accumulated amortisation**				
At 1 January	-	137,332	-	532,472
Amortisation	6,650	8,879	27,112	35,978
Written off	-	(146,211)	-	(592,447)
Currency translation difference	-	-	(213)	23,997
At 31 December	6,650	-	26,899	-
Carrying amounts				
At 31 December	189,534	-	766,665	-

12. Property and equipment

2020	Computers US$	Furniture and equip-ment US$	Motor vehicles US$	Leasehold improve-ments US$	Work in progress US$	Total US$	Total KHR'000 (Note 5)
Cost							
At 1 January 2020	3,207,309	1,863,548	789,653	8,682,467	308,063	14,851,040	60,517,988
Additions	68,247	10,980	-	1,111	1,077,381	1,157,718	4,720,016
Transfers	292,295	520,277	-	458,254	(1,270,827)	-	-
Written off	(82,711)	(49,257)	-		-	(131,970)	(538,034)
Disposals	(50,545)	(238,074)	(11,311)	(1,509,630)	-	(1,809,560)	(7,377,576)
Currency translation difference	-	-	-	-	-	-	(420,449)
At 31 December 2020	3,434,595	2,107,474	778,341	7,632,202	114,617	14,067,228	56,901,945
Less: **Accumulated depreciation**							
At 1 January 2020	1,745,456	1,377,412	39,977	7,973,619	-	11,136,464	45,381,091
Depreciation	478,744	196,492	155,120	392,950	-	1,223,307	4,987,423
Written off	(56,213)	(40,159)	-	-	-	(96,372)	(392,909)
Disposals	(50,543)	(238,074)	(11,313)	(1,509,630)	-	(1,809,560)	(7,377,576)
Currency translation difference	-	-	-	-	-	-	(312,251)
At 31 December 2020	2,167,987	1,533,745	183,784	6,856,939	-	10,453,837	42,285,770
Carrying amounts							
At 31 December 2020	1,266,608	573,729	594,557	775,263	114,617	3,613,391	14,616,167

As at 31 December 2020, fully depreciated property and equipment with an original costing of US$7,316,923 (2019: US$8,319,589) are still in active use. The written off amounts included the fully depreciated property and equipment with costs amounting to US$1,931,340 (2019: US$800,346).

12. Property and equipment (continued)

2019	Computers	Furniture and equipment	Motor vehicles	Leasehold improve-ments	Work in progress	Total	
	US$	US$	US$	US$	US$	US$	KHR'000 (Note 5)
Cost							
At 1 January 2019	4,150,705	2,002,175	428,088	8,909,796	166,821	15,657,585	62,912,177
Additions	2,062	36,415	-	4,370	1,421,763	1,464,610	5,934,600
Transfers	265,880	210,256	775,600	28,785	(1,280,521)	-	-
Written off	(1,211,338)	(385,298)	(1,300)	(97,031)	-	(1,694,967)	(6,868,006)
Disposals	-	-	(412,735)	-	-	(412,735)	(1,672,402)
Reclassification	-	-	-	(163,453)	-	(163,453)	(662,312)
Currency translation difference	-	-	-	-	-	-	873,931
At 31 December 2019	3,207,309	1,863,548	789,653	8,682,467	308,063	14,851,040	60,517,988
Less: **Accumulated depreciation**							
At 1 January 2019	2,181,815	1,588,761	428,088	7,754,811	-	11,953,475	48,029,063
Depreciation	606,373	145,666	25,924	432,537	-	1,210,500	4,904,946
Written off	(1,042,732)	(357,015)	(1,300)	(50,276)	-	(1,451,323)	(5,880,761)
Disposals	-	-	(412,735)	-	-	(412,735)	(1,672,402)
Reclassification	-	-	-	(163,453)	-	(163,453)	(662,312)
Currency translation difference	-	-	-	-	-	-	662,557
At 31 December 2019	1,745,456	1,377,412	39,977	7,973,619	-	11,136,464	45,381,091
Carrying amounts							
At 31 December 2019	1,461,853	486,136	749,676	708,848	308,063	3,714,576	15,136,897

13. Right-of-use assets

Information about the Bank's leases is disclosed within this note and Note 17.

	31 December		31 December	
	2020	2019	2020	2019
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
Right-of-use assets	2,802,257	3,311,519	11,335,130	13,494,440

The Bank leases the building and branch offices for its operation. Information about leases for which the Bank is a lessee is presented below.

	2020	2019	2020	2019
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
Right-of-use assets				
At 1 January	3,311,519	4,474,444	13,494,440	17,978,316
Addition	558,713	-	2,277,873	-
Amortisation for the year	(1,067,975)	(1,162,925)	(4,354,134)	(4,712,172)
Currency translation difference	-	-	(83,049)	228,296
At 31 December	2,802,257	3,311,519	11,335,130	13,494,440

14. Deposits from customers

	31 December		31 December	
	2020	2019	2020	2019
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
Current accounts (*)	356,434,974	328,163,613	1,441,779,470	1,337,266,723
Savings deposits	91,510,675	138,870,092	370,160,680	565,895,625
Fixed deposits	191,650,674	70,241,173	775,226,977	286,232,780
	639,596,323	537,274,878	2,587,167,127	2,189,395,128

(*) Include margin deposits which are interest free and are encumbered for trade line and guarantee granted to customers.

Deposits from customers were analysed as follows:

	31 December		31 December	
	2020	2019	2020	2019
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
A. By maturity:				
Within 1 month	468,216,217	476,491,211	1,893,934,598	1,941,701,685
> 1 to 3 months	82,795,337	36,823,374	334,907,138	150,055,249
> 3 to 6 months	36,413,758	11,589,977	147,293,651	47,229,156
> 6 to 12 months	48,748,337	12,283,773	197,187,023	50,056,375
1 to 3 years	2,517,708	86,543	10,184,129	352,663
3 to 5 years	904,966	-	3,660,588	-
	639,596,323	537,274,878	2,587,167,127	2,189,395,128
B. By customer type:				
Corporations	302,507,734	277,245,397	1,223,643,784	1,129,774,993
Individuals	311,362,419	251,505,071	1,259,460,985	1,024,883,164
other	25,726,170	8,524,410	104,062,358	34,736,971
	639,596,323	537,274,878	2,587,167,127	2,189,395,128
C. By residency status:				
Residents	639,083,151	535,874,648	2,585,091,346	2,183,689,191
Non-residents	513,172	1,400,230	2,075,781	5,705,937
	639,596,323	537,274,878	2,587,167,127	2,189,395,128
D. By relationship:				
Non-related parties	568,342,320	509,601,250	2,298,944,684	2,076,625,094
Related parties	71,254,003	27,673,628	288,222,443	112,770,034
	639,596,323	537,274,878	2,587,167,127	2,189,395,128

14. Deposits from customers (continued)

	2020	2019
E. By interest rate (per annum):		
Current accounts	0.00% - 0.75%	0.20% - 1.00%
Saving accounts	0.00% - 0.80%	0.00% - 0.50%
Fixed deposits	0.10% - 7.00%	0.30% - 5.50%

15. Deposits from other banks and financial institutions

	31 December		31 December	
	2020	2019	2020	2019
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
Current accounts	43,638,418	32,563,297	176,517,401	132,695,435
Saving accounts	12,192	12,152	49,317	49,519
Fixed deposits	80,966,563	20,900	327,509,747	85,168
	124,617,173	32,596,349	504,076,465	132,830,122

Deposits from other banks and financial institutions were analysed as follows:

	31 December		31 December	
	2020	2019	2020	2019
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
A. By maturity:				
Within 1 month	48,888,804	32,575,449	197,755,212	132,744,955
2 to 3 months	52,351,333	-	211,761,142	-
4 to 6 months	5,220,275	20,900	21,116,012	85,167
7 to 12 months	18,156,761	-	73,444,099	-
	124,617,173	32,596,349	504,076,465	132,830,122
B. By residency status:				
Residents	124,617,173	32,596,349	504,076,465	132,830,122
C. By relationship:				
Non-related parties	19,540,308	3,182,299	79,040,546	12,967,868
Related parties	105,076,865	29,414,050	425,035,919	119,862,254
	124,617,173	32,596,349	504,076,465	132,830,122

	2020	2019
D. By interest rate (per annum):		
Current accounts	0.00% - 0.75%	0.20% - 1.00%
Saving accounts	0.00% - 0.25%	0.00% - 0.50%
Fixed deposits	0.00% - 5.50%	0.00% - 5.50%

16. Borrowings

	31 December		31 December	
	2020	2019	2020	2019
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
Borrowings from banks	46,200,616	-	186,881,492	-
Liquidity Providing Collateralised Operation ("LPCO")	6,531,716	18,654,968	26,420,791	76,018,995
	52,732,332	18,654,968	213,302,283	76,018,995

Borrowings from banks are repayable within three to six months, and bear interest rate ranging from 1.20% to 4.9% per annum.

LPCO refers to borrowings from the National Bank of Cambodia ("NBC") in which the Negotiable Certificates of Deposit ("NCD") were collateralised. These borrowings bear interest at rates ranging from 2.60% to 4.50% per annum (2019: 2.86% to 3.00% per annum).

Further analysis by maturity period were as follows:

	31 December		31 December	
	2020	2019	2020	2019
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
Within 1 month	13,043,406	9,833,888	52,760,578	40,073,094
> 1 to 3 months	33,145,299	-	134,072,734	-
> 3 to 6 months	6,543,627	8,821,080	26,468,971	35,945,901
	52,732,332	18,654,968	213,302,283	76,018,995

17. Lease liabilities

	31 December		31 December	
	2020	2019	2020	2019
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
Present value of lease liabilities				
Current	1,374,886	1,158,807	5,561,414	4,722,139
Non-current	1,746,835	2,493,071	7,065,947	10,159,264
	3,121,721	3,651,878	12,627,361	14,881,403

17. Lease liabilities (continued)

	31 December		31 December	
	2020	2019	2020	2019
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
Maturity analysis – contractual undiscounted cash flows				
Less than one year	164,000	151,400	663,380	616,955
One to five years	2,724,715	3,331,266	11,021,472	13,574,909
More than five years	377,616	530,075	1,527,457	2,160,056
Total undiscounted lease liabilities	3,266,331	4,012,741	13,212,309	16,351,920

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

	2020	2019	2020	2019
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
At 1 January	3,651,878	4,748,173	14,881,403	19,078,159
Addition	558,712	-	2,277,869	-
Interest expense	166,147	234,382	677,381	949,716
Payments	(1,255,016)	(1,330,677)	(5,116,701)	(5,391,903)
Currency translation difference	-	-	(92,591)	245,431
At 31 December	3,121,721	3,651,878	12,627,361	14,881,403

Amounts recognised in profit or loss:

	2020	2019	2020	2019
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
Interest expense on lease liabilities	166,147	234,382	677,381	949,716
Expenses relating to leases of short-term and low-value assets	503,091	377,283	2,051,102	1,528,751
	669,238	611,665	2,728,483	2,478,467

Amounts recognised in the statement of cash flows:

	2020	2019	2020	2019
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
Total cash outflow for leases	1,758,107	1,707,960	7,167,803	6,920,654

18. Other liabilities

	31 December		31 December	
	2020	2019	2020	2019
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
Employee entitlements	637,500	1,100,764	2,578,688	4,485,613
Accrued expenses	480,614	2,527,047	1,944,084	10,297,717
Banker's cheques	333,165	354,340	1,347,652	1,443,936
Other tax payable	291,999	563,760	1,181,136	2,297,322
Amounts due to related parties (*)	-	424,019	-	1,727,877
Others	202,889	371,337	820,686	1,513,198
	1,946,167	5,341,267	7,872,246	21,765,663

(*) The amounts due to related parties are unsecured, interest-free and are repayable on demand.

19. Provision for employee benefits

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

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

20. Income tax

A. Deferred tax assets – net

	31 December		31 December	
	2020	2019	2020	2019
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
Deferred tax assets	2,569,076	3,482,752	10,391,912	14,192,214
Deferred tax liabilities	(560,451)	(664,561)	(2,267,024)	(2,708,086)
Deferred tax assets – net	2,008,625	2,818,191	8,124,888	11,484,128

20. Income tax (continued)

A. Deferred tax assets – net (continued)

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

	31 December		31 December	
	2020 US$	2019 US$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Depreciation and amortisation	520,323	524,427	2,104,707	2,137,040
Right-of-use assets	(560,451)	(662,304)	(2,267,024)	(2,698,889)
Lease liabilities	624,344	730,376	2,525,471	2,976,282
Impairment loss allowance on financial instruments and off-balance sheet commitment	1,055,981	2,054,743	4,271,443	8,373,078
Others	368,428	170,949	1,490,291	696,617
	2,008,625	2,818,191	8,124,888	11,484,128

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

	2020 US$	2019 US$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
At 1 January	2,818,191	2,921,738	11,484,128	11,739,543
Recognised in profit or loss	(809,566)	(103,547)	(3,300,601)	(419,572)
Currency translation difference	-	-	(58,639)	164,157
At 31 December	2,008,625	2,818,191	8,124,888	11,484,128

B. Current income tax liability

	2020 US$	2019 US$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
At 1 January	351,400	6,351,559	1,431,955	25,520,564
Income tax expense	1,932,701	4,487,614	7,879,623	18,183,812
Income tax paid	(1,351,228)	(7,589,875)	(5,508,957)	(30,754,174)
APTDD paid (*)	-	(2,897,898)	-	(11,742,283)
Under provision in respect of prior year	528,178	-	2,153,380	-
Currency translation difference	-	-	(46,050)	224,036
At 31 December	1,461,051	351,400	5,909,951	1,431,955

(*): This represents additional profit tax on dividend distribution ("APTDD") being paid to GDT in respect of share transfer and dividend payments in 2019.

20. Income tax (continued)

C. Income tax expense

	2020 US$	2019 US$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Current tax	2,460,879	4,487,614	10,033,003	18,183,812
Deferred tax	809,566	103,547	3,300,601	419,572
	3,270,445	4,591,161	13,333,604	18,603,384

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

	2020			2019		
	US$	KHR'000 (Note 5)	%	US$	KHR'000 (Note 5)	%
Profit before income tax	7,212,365	29,404,812		18,134,976	73,482,922	
Income tax using statutory rate at 20%	1,442,473	5,880,962	20	3,626,995	14,696,584	20
Non-deductible expenses	1,299,794	5,299,260	18	449,628	1,821,893	2
Over provision in prior year	528,178	2,153,382	7	514,538	2,084,907	3
Income tax expense	3,270,445	13,333,604	45	4,591,161	18,603,384	25

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

21. Share capital

	31 December		31 December	
	2020 US$	2019 US$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Shares with par value of US$100 each: Issued and fully paid 750,000 shares (2019: 750,000 shares)	75,000,000	75,000,000	300,000,000	300,000,000

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

	Registered, issued and fully paid					
	As at 31 December 2020			As at 31 December 2019		
	Number of shares	Amount US$	%	Number of shares	Amount US$	%
Royal Group Finance Co., Ltd.	337,500	33,750,000	45	337,500	33,750,000	45
J Trust Co. Ltd.	412,500	41,250,000	55	412,500	41,250,000	55
	750,000	75,000,000	100	750,000	75,000,000	100

22. General reserves

During the year, the Bank transferred its retained earnings amounting to US$15,000,000 (2019: US$16,000,000) to general reserves with approval from NBC on 14 July 2020.

23. Regulatory reserves

Regulatory reserves represent the variance of impairment loss allowance in accordance with CIFRSs and the regulatory provision in accordance with the NBC as per Article 73 of NBC's Prakas No. B7-017-344 dated 1 December 2017.

During the year, the Bank transferred from regulatory reserves to the retained earnings amounting to US$264,513 (2019: US$2,368,634).

24. Interest income

	2020 US$	2019 US$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Loans and advances to customers	42,026,612	32,228,144	171,342,497	130,588,439
Placements with other banks	271,939	2,614,420	1,108,695	10,593,630
Placements with NBC	91,398	1,276,759	372,630	5,173,428
	42,389,949	36,119,323	172,823,822	146,355,497

25. Interest expense

	2020 US$	2019 US$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Fixed deposits	6,759,381	1,100,774	27,557,996	4,460,336
Savings deposits	256,071	466,993	1,044,001	1,892,256
Current deposits	1,409,590	405,483	5,746,898	1,643,017
Borrowings and other banks and financial institutions	1,468,553	527,000	5,987,292	2,135,404
Lease liabilities	166,147	234,382	677,381	949,716
	10,059,742	2,734,632	41,013,568	11,080,729

26. Net fee and commission income

	2020 US$	2019 US$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Trade and payment income	3,669,214	6,583,192	14,959,385	26,675,094
Lending fees	335,084	260,799	1,366,137	1,056,758
Other fees	695,694	2,900,830	2,836,345	11,754,163
	4,699,992	9,744,821	19,161,867	39,486,015
Fee and commission expense	(76,705)	(212,511)	(312,726)	(861,095)
Bank charges	(855,463)	(1,248,957)	(3,487,723)	(5,060,774)
	(932,168)	(1,461,468)	(3,800,449)	(5,921,869)
Net fee and commission income	3,767,824	8,283,353	15,361,418	33,564,146
Foreign exchange earnings	1,443,633	2,607,132	5,885,692	10,564,099
	5,211,457	10,890,485	21,247,110	44,128,245

27. Personnel expenses

	2020 US$	2019 US$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Salaries and wages	11,173,202	8,949,043	45,553,145	36,261,522
Performance reward scheme	298,865	2,474,685	1,218,473	10,027,424
Seniority expense	659,319	901,294	2,688,043	3,652,043
Pension fund	416,280	341,171	1,697,174	1,382,425
Others	1,612,534	572,499	6,574,300	2,319,766
	14,160,200	13,238,692	57,731,135	53,643,180

28. Depreciation and amortisation

	2020 US$	2019 US$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Depreciation on property and equipment	1,223,307	1,210,500	4,987,423	4,904,946
Amortisation on intangible assets	6,650	8,879	27,112	35,982
Depreciation on right-of-use assets	1,067,975	1,162,925	4,354,134	4,712,172
	2,297,932	2,382,304	9,368,669	9,653,100

29. General and administrative expenses

	2020 US$	2019 US$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Lease expense of low-value asses and short-term lease	503,091	377,283	2,051,102	1,528,751
Utilities and other outgoings	514,825	939,355	2,098,942	3,806,266
Data communication	45,118	517,494	183,946	2,096,886
IT support cost	4,613,792	2,156,608	18,810,429	8,738,576
Computer related expenses	708,310	143,641	2,887,780	582,033
Advertising	335,987	112,954	1,369,819	457,690
Inter-group expenses	-	728,250	-	2,950,869
Withholding tax	(43,046)	299,510	(175,499)	1,213,615
Sub-total	6,678,077	5,275,095	27,226,519	21,374,686

29. General and administrative expenses (continued)

	2020 US$	2019 US$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Travel expense	95,624	189,551	389,858	768,060
Postage and stationery	320,798	263,369	1,307,893	1,067,170
Professional fees	2,209,414	1,433,660	9,007,781	5,809,190
Telephone	84,072	95,185	342,762	385,690
Freight and cartage	81,370	72,972	331,745	295,683
Non-lending losses, frauds and forgeries	3,711	19,341	15,130	78,370
License and memberships fee	456,451	393,755	1,860,951	1,595,495
Moto vehicle lease and rental	-	151,706	-	614,713
Security expenses	404,309	19,519	1,648,368	79,091
Loss on property and equipment	35,046	260,728	142,883	1,056,470
Others	1,163,266	2,669,648	4,742,637	10,817,414
Sub-total	4,854,061	5,569,434	19,790,008	22,567,346
Total	11,532,138	10,844,529	47,016,527	43,942,032

30. Commitments and contingencies

A. Operations

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

	31 December		31 December	
	2020 US$	2019 US$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Bank guarantees	18,212,811	3,770,735	73,670,820	15,365,745
Letters of credit	32,394,063	82,017,110	131,033,985	334,219,723
Unused portion of loans and advances	99,481,020	32,703,312	402,400,726	133,265,996
Foreign exchange commitments	35,695,591	43,812,748	144,388,666	178,536,948
	185,783,485	162,303,905	751,494,197	661,388,412

The impairment allowance for off balance sheet commitment following the National Bank of Cambodia's Prakas No. B7-017-344 and Circular No. B7-018-001 Sor Ror Chor Nor on credit risk classification and provision on impairment for banks as stated in Note 32B(iv) and its movements are analysed as follows:

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

30. Commitments and contingencies (continued)
A. Operations (continued)

	2020 US$	2019 US$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
At 1 January	293,309	929,540	1,195,234	3,734,892
Additional/(reversal of) allowance for impairment loss	359,119	(636,231)	1,464,128	(2,578,008)
Currency translation difference	-	-	(20,291)	38,350
At 31 December	652,428	293,309	2,639,071	1,195,234

B. Lease commitments

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

	31 December		31 December	
	2020 US$	2019 US$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Within 1 year	323,519	363,640	1,308,634	1,481,833
2 to 3 years	253,571	270,360	1,025,695	1,101,717
4 to 5 years	24,446	61,116	98,884	249,048
	601,536	695,116	2,433,213	2,832,598

C. Tax contingencies

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

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

On 18 December 2020, the Bank received notification letter on tax reassessment for the fiscal year 2018, imposing underpayment of various taxes amounting to KHR1,354 million (approximate to US$334,782) in which the Bank fully made payments to GDT on 14 January 2021.

31. Related parties

A. Identity of related parties

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

31. Related parties (continued)
A. Identity of related parties (continued)

The Bank have related party relationships with its parent, substantial shareholders, associates and key management personnel.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Bank either directly or indirectly. The key management personnel include all the Directors of the Bank, and certain senior management members of the Bank.

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

B. Transactions with related parties

	2020 US$	2019 US$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Interest income	1,837,638	95,858	7,492,050	388,417
Interest expense	1,590,286	21,746	6,483,596	88,115
Rental expense	452,853	396,672	1,846,282	1,607,315
IT support cost from ANZ Banking Group Limited	-	728,250	-	2,950,869
IT support cost from JT Group Limited	4,613,792	2,156,608	18,810,430	8,738,576

	2020 US$	2019 US$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Compensation of directors and key management				
Salary and short-term benefits	2,260,566	2,247,355	9,216,328	9,106,282
Board of Directors' fees	277,981	245,227	1,133,329	993,660
	2,538,547	2,492,582	10,349,657	10,099,942

C. Balances with related parties

	31 December		31 December	
	2020 US$	2019 US$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Deposits from related parties				
Shareholders	104,706	178,181	423,536	726,088
Related entities	144,439,814	51,479,333	584,259,048	209,778,282
Key management personnel	31,786,348	5,430,164	128,575,778	22,127,918
	176,330,868	57,087,678	713,258,362	232,632,288

31. Related parties (continued)
C. Balances with related parties (continued)

	31 December		31 December	
	2020 US$	2019 US$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Loans and advances to related parties				
Related entities	39,957,586	14,937,500	161,628,435	60,870,313
Key management personnel	1,640,338	1,272,761	6,635,167	5,186,501
	41,597,924	16,210,261	168,263,602	66,056,814

Amounts due to related parties are disclosed in Note 18.

32. Financial risk management

A. Introduction and overview

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

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

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

Risk management functional and governance structure

The Bank's Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board of Directors has established the Bank Asset and Liability Management Committee ("ALCO"), which is responsible for the oversight and strategic management of bank's balance sheet, activities including balance sheet structure, liquidity, funding, capital management, non-traded interest rate risk and non-traded FX risks.

The Bank's risk management policies are established to identify and analyze the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Bank's activities. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Bank's Audit Committee is established by the Board of Directors to provide independent oversight of the Bank's internal and external audit functions, internal control system, financial reporting and to ensure checks and balances within the Bank. The purpose of the Committee is to assist the Board in its review of:

a) the work of Bank's internal audit and oversight of external audit activity;

b) Bank's financial reporting principles and policies, controls and procedures; and

c) the integrity of Bank's financial statements and the independent audit thereof.

32. Financial risk management (continued)

B. Credit risk

'Credit risk' is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers and placements with other banks, and other assets.

For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure – e.g. individual obligor default risk, country and sector risk.

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

(i). Management of credit risk

The Board of Directors created the Risk Management Committee ("RMC") for oversight and presides over Credit, Operational & Compliance and Market Risk and will be appraised of key risk related issues affecting the businesses., including the following.

- Endorsing credit and market risk appetite, risk metrics and tolerances for relevant metrics. Monitoring credit and markets risk metrics within the approved risk tolerances regularly in line with reporting frequency: Delegation of Credit Approval Discretions ("CAD") to individuals and approving lending facilities in excess of the delegated CADs; Reviewing Risk Models and their performance and stress testing results;Approving remediation/ action plans in relation to breaches of risk tolerances and reporting significant risk issues to the Board; Identifying and providing early warnings on potential threats/risks to the stability of the Bank's performance and instigating necessary actions to protect the bank from these threats/risks in both short term and long term;
- Ensuring systems are in place for early identification and appropriate management of all risks facing Cambodia, including Credit, Operational, Market, Reputational, Systems and Regulatory risks;
- Providing a robust risk framework covering all operational risks, governance and compliance issues, policies and processes within the Bank, so that it is able to support the Bank's strategy. Investigating and reviewing policy breaches Credit, Operational and Compliance and Market Risk and approving remediation actions;
- Reviewing country internal audits and regulator review issues, and monitoring the remediation actions to ensure prompt closure.
- Developing and maintaining the Bank's processes for measuring ECL: This includes processes for:

  - initial approval, regular validation and back-testing of the models used;
  - determining and monitoring significant increase in credit risk; and
  - incorporation of forward-looking information.

- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports on the credit quality of local portfolios are provided to Risk Management, which may require appropriate corrective action to be taken. These include reports containing estimates of ECL allowances.
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Bank in the management of credit risk.

32. Financial risk management (continued)
B. Credit risk (continued)
(i). Management of credit risk (continued)

The authority to make credit decisions is delegated by the Board of Directors to Risk Management Committee ("RMC"). RMC shall perform the delegated power and shall have the right to further delegate or sub-delegate CADs to other executives and/or staff of the Bank to effectively decide on credit related matters. Individuals must be suitably skilled and accredited in order to be granted and retain a credit discretion. The credit approval authority of authorised individuals (CAD holder) is set in the delegation letters signed by the Chairman of the RMC or his/her delegates. CAD holders must be responsible in exercising the assigned CAD and only be allowed to exercise such CAD within the Bank's risk appetite. Credit discretions are reviewed on an annual basis and may be varied based on the CAD holder's performance.

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

(ii). Concentration of risk

The Bank operates and provides loans and advances to individuals or enterprises within the Kingdom of Cambodia. The Bank manages limits and controls concentration of credit risk whenever they are identified.

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

Type of credit exposure

	Maximum credit Exposure	Maximum credit Exposure	Fully subject to collateral/credit enhancement	Partially subject to collateral/ credit enhancement	Unsecured and not subject to collateral/credit enhancement
	US$	KHR'000 (Note 5)	%	%	%
31 December 2020					
On balance sheet items					
Cash and cash equivalents – gross	243,555,700	985,182,807	-	-	100%
Placement with other banks – gross	32,137,545	129,996,370	-	-	100%
Loans and advances to customers - gross	697,633,882	2,821,929,053	90%	-	10%
Other assets	26,611	107,641	-	-	100%
Total	973,353,738	3,937,215,870	-	-	100%
Off-balance sheet items					
Contingent liabilities	50,606,874	204,704,805	100%	-	-
Commitments	601,536	2,433,213	-	-	100%
Total	51,208,410	207,138,018			

32. Financial risk management (continued)
B. Credit risk (continued)
(ii). Concentration of risk (continued)

	Maximum credit Exposure	Maximum credit Exposure	Fully subject to collateral/credit enhancement	Partially subject to collateral/ credit enhancement	Unsecured and not subject to collateral/credit enhancement
	US$	KHR'000 (Note 5)	%	%	%
31 December 2019					
On balance sheet items					
Cash and cash equivalents – gross	173,710,939	707,872,076	-	-	100%
Placement with other banks – gross	44,144,709	179,889,689	-	-	100%
Loans and advances to customers – gross	507,807,585	2,069,315,909	88%	-	12%
Other assets	960,496	3,914,021	-	-	100%
Total	726,623,729	2,960,991,695			
Off-balance sheet items					
Contingent liabilities	85,787,845	349,585,468	100%	-	-
Commitments	695,116	2,832,598	-	-	100%
Total	86,482,961	352,418,066			

Concentration risk by industrial sectors

31 December 2020	Cash equivalents in banks – gross	Placements with other banks	Loans and advances to customers - gross	Other assets	Total
	US$	US$	US$	US$	US$
Financial institutions	243,555,700	32,137,545	64,688,310	-	340,381,555
Corporate business loans	-	-	440,961,325	-	440,961,325
Retail business loans	-	-	191,380,796	-	191,380,796
Credit cards	-	-	603,451	-	603,451
Others	-	-	-	26,611	26,611
Total	243,555,700	32,137,545	697,633,882	26,611	973,353,738
Total (KHR'000 – Note 5)	985,182,807	129,996,370	2,821,929,053	107,641	3,937,215,870

31 December 2019	Cash equivalents in banks – gross	Placements with other banks	Loans and advances to customers - gross	Other assets	Total
	US$	US$	US$	US$	US$
Financial institutions	173,710,939	44,144,709	54,202,782	-	272,058,430
Corporate business loans	-	-	296,842,758	-	296,842,758
Retail business loans	-	-	155,956,337	-	155,956,337
Credit cards	-	-	805,708	-	805,708
Others	-	-	-	960,496	960,496
Total	173,710,939	44,144,709	507,807,585	960,496	726,623,729
Total (KHR'000 – Note 5)	707,872,076	179,889,689	2,069,315,909	3,914,021	2,960,991,696

32. Financial risk management (continued)
B. Credit risk (continued)
(ii). Concentration of risk (continued)

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

	31 December		31 December	
	2020	2019	2020	2019
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
By residency status:				
Residents	697,633,882	507,807,585	2,821,929,053	2,069,315,909
By relationship:				
Related parties	41,597,924	16,210,261	168,263,603	66,056,814
Non-related parties	656,035,958	491,597,324	2,653,665,450	2,003,259,095
	697,633,882	507,807,585	2,821,929,053	2,069,315,909
By exposure:				
Large exposures (*)	130,533,655	78,435,604	528,008,634	319,625,086
Non-large exposures	567,100,227	429,371,981	2,293,920,418	1,749,690,823
	697,633,882	507,807,585	2,821,929,052	2,069,315,909

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

(iii). Collateral

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

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

Cash and cash equivalents, balances with NBC, placement with banks, and other assets

Collateral is generally not sought for these assets.

Loans and advances to customers, contingent liabilities and commitments

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

32. Financial risk management (continued)
B. Credit risk (continued)
(iii). Collateral (continued)

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

31 December 2020	Collateral/credit enhancement				Unsecured credit exposure	Total	
	Properties	Floating assets	Fixed deposits	Others			
	US$	US$	US$	US$	US$	US$	KHR'000 (Note 5)
Loans and advances to customers - gross	628,288,268	-	-	-	69,345,614	697,633,882	2,821,929,053
Contingent liabilities	45,282,398	-	5,324,476	-	-	50,606,874	204,704,805
Commitments	-	-	-	-	601,536	601,536	2,433,213
Others	-	-	-	-	26,611	26,611	107,641
	673,570,666	-	5,324,476	-	69,973,761	748,868,903	3,029,174,712
31 December 2019							
Loans and advances to customers - gross	447,906,745	-	-	-	59,900,840	507,807,585	2,069,315,909
Contingent liabilities	79,515,449	-	6,272,396	-	-	85,787,845	349,585,468
Commitments	-	-	-	-	695,116	695,116	2,832,598
Others	-	-	-	-	960,496	960,496	3,914,021
	527,422,194	-	6,272,396	-	61,556,452	595,251,042	2,425,647,996

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

Pursuant to the NBC guideline Prakas B7.017.344, it has defined each credit grading according to its credit quality as follows:

Normal

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

Special mention

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

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

32. Financial risk management (continued)
B. Credit risk (continued)
(iv). Credit quality of gross loans and advances to customers (continued)

Substandard

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

Factors leading to a substandard classification include:

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

Doubtful

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

Loss

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

Recognition of ECL

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

3-Stage Approach	Stage 1	Stage 2	Stage 3
	Performing	Under performing	Non performing
Recognition of expected credit losses	12 months expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses
Criterion	No significant increase in credit risk	Credit risk increased significantly	Credit impaired assets
Basic of calculation of profit revenue	On gross carrying amount	On gross carrying amount	On net carrying amount

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

32. Financial risk management (continued)
B. Credit risk (continued)
(iv). Credit quality of gross loans and advances to customers (continued)
Recognition of ECL (continued)

Long-term facilities (more than one year)

Stages	Credit Risk Status	Grades	DPD	Default Indicator
1	No significant increase in credit risk	Normal	0 ≤ DPD < 30	Performing
2	Credit risk increased significantly	Special Mention	30 ≤ DPD < 90	Underperforming
3	Credit impaired assets	Substandard	90 ≤ DPD < 180	Nonperforming
		Doubtful	180 ≤ DPD <360	
		Loss	DPD ≥ 360	

Short-term facilities (one year or less)

Stages	Credit Risk Status	Grades	DPD	Default Indicator
1	No significant increase in credit risk	Normal	0 ≤ DPD ≤ 14	Performing
2	Credit risk increased significantly	Special Mention	15 ≤ DPD ≤ 30	Underperforming
3	Credit impaired assets	Substandard	31 ≤ DPD ≤ 60	Nonperforming
		Doubtful	61 ≤ DPD ≤ 90	
		Loss	DPD ≥ 91	

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

As for financial assets that are short term in nature, simplified approach will be adopted where no staging criteria is required. In this case, it will be either performing (stage1) or non-performing.

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

	31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
	US$	US$	US$	US$
Loans and advances to customers at amortised cost				
Normal	693,118,187	-	-	693,118,187
Special Mention	961,860	-	-	961,860
Substandard	-	451,747	-	451,747
Doubtful	-	152,491	-	152,491
Loss	-	-	2,949,597	2,949,597
	694,080,047	604,238	2,949,597	697,633,882
Less: Impairment loss allowance	(4,151,645)	(96,725)	(2,567,629)	(6,815,999)
Carrying amount (US$)	689,928,402	507,513	381,968	690,817,883
Carrying amount (KHR'000)	2,790,760,386	2,052,890	1,545,061	2,794,358,337

32. Financial risk management (continued)
B. Credit risk (continued)
(iv). Credit quality of gross loans and advances to customers (continued)
Recognition of ECL (continued)

	31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
	US$	US$	US$	US$
Loans and advances to customers at amortised cost				
Normal	500,984,938	-	-	500,984,938
Special Mention	3,744,602	-	-	3,744,602
Substandard	-	395,794	-	395,794
Doubtful	-	85,277	-	85,277
Loss	-	-	2,596,974	2,596,974
	504,729,540	481,071	2,596,974	507,807,585
Less: Impairment loss allowance	(3,434,697)	(51,652)	(1,594,332)	(5,080,681)
Carrying amount (US$)	501,294,843	429,419	1,002,642	502,726,904
Carrying amount (KHR'000)	2,042,776,485	1,749,882	4,085,766	2,048,612,134

Incorporation of forward-looking information

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

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

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

(v). Amounts arising from ECL

Impairment loss allowance

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

32. Financial risk management (continued)
B. Credit risk (continued)
(v). Amounts arising from ECL (continued)
Impairment loss allowance (continued)

	2020			
	Stage 1	Stage 2	Stage 3	Total
	US$	US$	US$	US$
Loans and advances to customers at amortised cost				
Balance at 1 January	3,434,697	51,652	1,594,332	5,080,681
- Transfer to Stage 1	967	(967)	-	-
- Transfer to Stage 2	(3,000)	3,000	-	-
- Transfer to Stage 3	(693)	(4,947)	5,640	-
Net remeasurement of loss allowance	(1,362,283)	38,130	967,739	(356,414)
New financial assets originated	2,564,460	24,362	177	2,588,999
Financial assets that been derecognised	(482,503)	(14,505)	(259)	(497,267)
Balance at 31 December (US$)	4,151,645	96,725	2,567,629	6,815,999
Balance at 31 December (KHR'000)	16,793,404	391,253	10,386,059	27,570,716

	2019			
	Stage 1	Stage 2	Stage 3	Total
	US$	US$	US$	US$
Loans and advances to customers at amortised cost				
Balance at 1 January	1,984,248	126,337	2,337,597	4,448,182
- Transfer to Stage 1	55,775	(14)	(55,761)	-
- Transfer to Stage 2	(4,010)	4,010	-	-
- Transfer to Stage 3	(260)	(30,565)	30,825	-
Net remeasurement of loss allowance	698,326	6,528	(333,095)	371,759
New financial assets originated	1,654,403	-	-	1,654,403
Financial assets that been derecognised	(953,785)	(54,644)	(385,234)	(1,393,663)
Balance at 31 December (US$)	3,434,697	51,652	1,594,332	5,080,681
Balance at 31 December (KHR'000)	13,996,390	210,482	6,496,903	20,703,775

C. Market risk

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

(i). Interest rate risk

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

32. Financial risk management (continued)
C. Market risk (continued)
(i). Interest rate risk (continued)

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

As at 31 December 2020	Up to 1 month	> 1-3 months	> 3-6 months	> 6-12 months	> 1 to 5 years	Over 5 years	Non-interest bearing	Total	Interest rate
	US$	US$	US$	US$	US$	US$	US$	US$	%
Financial assets									
Cash and cash equivalents – gross	20,328,732	-	-	-	-	-	223,226,968	243,555,700	0.78%
Placements with other banks – gross	20,130,809	5,400,589	3,001,662	3,604,485	-	-	-	32,137,545	0.40%
Loans and advances to customers – gross	29,151,155	65,077,056	130,149,808	60,445,580	173,018,836	239,791,447	-	697,633,882	11.51%
Other assets	-	-	-	-	-	-	26,611	26,611	-
	69,610,696	70,477,645	133,151,470	64,050,065	173,018,836	239,791,447	223,253,579	973,353,738	
Financial liabilities									
Deposits from customers	468,216,217	82,795,337	36,413,758	48,748,337	3,422,674	-	-	639,596,323	1.44%
Deposits from banks and financial institutions	48,888,804	52,351,333	5,220,275	18,156,761	-	-	-	124,617,173	1.08%
Borrowings	13,043,406	33,145,299	6,543,627	-	-	-	-	52,732,332	3.30%
Lease liabilities	111,750	194,971	310,958	757,207	1,726,000	20,835	-	3,121,721	5.50%
Other liabilities	-	-	-	-	-	-	2,098,794	2,098,794	-
	530,260,177	168,486,940	48,488,618	67,662,305	5,148,674	20,835	2,098,794	822,166,342	
Interest sensitivity gap	(460,649,481)	(98,009,295)	84,662,852	(3,612,240)	167,870,162	239,770,612	221,154,785	151,187,396	
KHR'000 equivalents - Note 5	(1,863,327,151)	(396,447,598)	342,461,236	(14,611,511)	679,034,805	969,872,126	894,571,105	611,553,016	

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

As at 31 December 2019	Up to 1 month	> 1-3 months	> 3-6 months	> 6-12 months	> 1 to 5 years	Over 5 years	Non-interest bearing	Total	Interest rate
	US$	US$	US$	US$	US$	US$	US$	US$	%
Financial assets									
Cash and cash equivalents – gross	36,161,158	-	-	-	-	-	137,549,781	173,710,939	1.48%
Placements with other banks – gross	23,067,549	1,795,558	19,281,602	-	-	-	-	44,144,709	1.98%
Loans and advances to customers – gross	35,266,711	74,873,888	94,583,152	18,871,884	123,862,166	160,349,784	-	507,807,585	10.48%
Other assets	-	-	-	-	-	-	960,496	960,496	
	94,495,418	76,669,446	113,864,754	18,871,884	123,862,166	160,349,784	138,510,277	726,623,729	

32. Financial risk management (continued)
C. Market risk (continued)
(i). Interest rate risk (continued)

As at 31 December 2019	Up to 1 month	> 1-3 months	> 3-6 months	> 6-12 months	> 1 to 5 years	Over 5 years	Non-interest bearing	Total	Interest rate
	US$	US$	US$	US$	US$	US$	US$	US$	%
Financial liabilities									
Deposits from customers	476,491,211	36,823,374	11,589,977	12,283,773	86,543	-	-	537,274,878	1.25%
Deposits from banks and financial institutions	32,575,449	-	20,900	-	-	-	-	32,596,349	1.20%
Borrowings	9,833,888	-	8,821,080	-	-	-	-	18,654,968	2.93%
Lease liabilities	91,976	203,612	301,379	561,841	2,484,393	8,677	-	3,651,878	4.64%
Other liabilities	-	-	-	-	-	-	5,493,894	5,493,894	
	518,992,524	37,026,986	20,733,336	12,845,614	2,570,936	8,677	5,493,894	597,671,967	
Interest sensitivity gap	(424,497,106)	39,642,460	93,131,418	6,026,270	121,291,230	160,341,107	133,016,383	128,951,762	
KHR'000 equivalents - Note 5	(1,729,825,707)	161,543,025	379,510,528	24,557,050	494,261,762	653,390,011	542,041,761	525,478,430	

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

	Profit or loss		Equity	
	100 bp Increase	100 bp Decrease	100 bp Increase	100 bp Decrease
	US$	US$	US$	US$
31 December 2020				
Variable rate instruments	3,834,702	(3,834,702)	3,834,702	(3,834,702)
KHR'000 – Note 5	15,511,370	(15,511,370)	15,511,370	(15,511,370)
31 December 2019				
Variable rate instruments	3,087,602	(3,087,602)	3,087,602	(3,087,602)
KHR'000 – Note 5	12,581,978	(12,581,978)	12,581,978	(12,581,978)

(ii). Foreign currency exchange risk

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

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

32. Financial risk management (continued)
C. Market risk (continued)
(ii). Foreign currency exchange risk (continued)

Concentration of currency risk

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

	Denomination US$ equivalents			
31 December 2020	US$	KHR	Others	Total
Financial assets				
Cash equivalents in banks – gross	205,094,296	37,824,610	636,794	243,555,700
Placement with other banks – gross	32,137,545	-	-	32,137,545
Loans and advances to customers - gross	620,012,668	77,621,214	-	697,633,882
Other assets	26,611	-	-	26,611
	857,271,120	115,445,824	636,794	973,353,738
Financial liabilities				
Deposits from customers	600,668,118	38,333,144	595,061	639,596,323
Deposits from banks and financial institutions	82,858,003	41,681,626	77,544	124,617,173
Borrowings	46,200,616	6,531,716	-	52,732,332
Lease liability	3,121,721	-	-	3,121,721
Other liabilities	2,098,794	-	-	2,098,794
	734,947,252	86,546,486	672,605	822,166,343
Net asset/(liability) position	122,323,868	28,899,338	(35,811)	151,187,395
KHR'000 – Note 5	494,800,046	116,897,822	(144,855)	611,553,013

	Denomination US$ equivalents			
31 December 2019	US$	KHR	Others	Total
Financial assets				
Cash and cash equivalents – gross	150,556,221	23,138,848	15,870	173,710,939
Placement with other banks – gross	43,751,224	393,485	-	44,144,709
Loans and advances to customers - gross	453,604,803	54,202,782	-	507,807,585
Other assets	960,496	-	-	960,496
	648,872,744	77,735,115	15,870	726,623,729
Financial liabilities				
Deposits from customers	515,252,197	21,818,797	203,884	537,274,878
Deposits from banks and financial institutions	22,646,011	9,942,834	7,504	32,596,349
Borrowings	-	18,654,968	-	18,654,968
Lease liability	3,651,878	-	-	3,651,878
Other liabilities	5,493,894	-	-	5,493,894
	547,043,980	50,416,599	211,388	597,671,967
Net asset/(liability) position	101,828,764	27,318,516	(195,518)	128,951,762
KHR'000 – Note 5	414,952,213	111,322,953	(796,736)	525,478,430

32. Financial risk management (continued)
C. Market risk (continued)
(ii). Foreign currency exchange risk (continued)

Sensitivity analysis

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

	31 December 2020		31 December 2019	
	- 1% Depreciation	+ 1% Appreciation	- 1% Depreciation	+ 1% Appreciation
	US$	US$	US$	US$
USD	1,223,239	(1,223,239)	1,018,288	(1,018,288)
KHR	288,993	(288,993)	273,185	(273,185)
Others	(358)	358	(1,955)	1,955
	1,511,874	(1,511,874)	1,289,518	(1,289,518)
KHR'000 – Note 5	6,115,530	(6,115,530)	5,254,786	(5,254,786)

D. Liquidity risk

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

Management of liquidity risk

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

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

As at 31 December 2020	Up to 1 month	> 1-3 months	> 3-6 months	> 6-12 months	> 1 to 5 months	Over 5 years	Non-interest bearing	Total
	US$	US$	US$	US$	US$	US$	US$	US$
Financial liabilities								
Deposits from customers	468,216,217	82,795,337	36,413,758	48,748,337	3,422,674	-	-	639,596,323
Deposits from banks and financial institutions	48,888,804	52,351,333	5,220,275	18,156,761	-	-	-	124,617,173
Borrowings	13,043,406	33,145,299	6,543,627	-	-	-	-	52,732,332
Lease liabilities	111,750	194,971	310,958	757,207	1,726,000	20,835	-	3,121,721
Other liabilities	-	-	-	-	-	-	2,098,794	2,098,794
	530,260,177	168,486,940	48,488,618	67,662,305	5,148,673	20,835	2,098,794	822,166,343
(KHR'000 equivalents – Note 5)	2,144,902,416	681,529,672	196,136,464	273,694,024	20,826,382	84,278	8,489,622	3,325,662,858

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32. Financial risk management (continued)
D. Liquidity risk (continued)
Management of liquidity risk (continued)

As at 31 December 2019	Up to 1 month	> 1-3 months	> 3-6 months	> 6-12 months	> 1 to 5 months	Over 5 years	Non-interest bearing	Total
	US$	US$	US$	US$	US$	US$	US$	US$
Financial liabilities								
Deposits from customers	476,491,211	36,823,374	11,589,977	12,283,773	86,543	-	-	537,274,878
Deposits from banks and financial institutions	32,575,449	-	20,900	-	-	-	-	32,596,349
Borrowings	9,833,888	-	8,821,080	-	-	-	-	18,654,968
Lease liabilities	91,976	203,612	301,379	561,841	2,484,393	8,677	-	3,651,878
Other liabilities	-	-	-	-	-	-	5,493,894	5,493,894
	518,992,524	37,026,986	20,733,336	12,845,614	2,570,936	8,677	5,493,894	597,671,967
(KHR'000 equivalents – Note 5)	2,114,894,535	150,884,968	84,488,344	52,345,877	10,476,564	35,359	22,387,618	2,435,513,266

E. Operational risk

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

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

F. Capital management

(i). Regulatory capital

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

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

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

32. Financial risk management (continued)
F. Capital management (continued)
(i). Regulatory capital (continued)

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

(ii). Capital allocation

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

33. Fair values of financial assets and liabilities

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

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

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

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

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

Financing, loans and advances and others

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

Fair value hierarchy

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

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

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

34. Significant accounting policies

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

34. Significant accounting policies (continued)

A. Basis of measurement

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

B. Foreign currency

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

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

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

C. Financial assets and financial liabilities

(i). Recognition and initial measurement

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

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

(ii). Classification

Financial assets

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

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

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

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

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

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

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

Business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;

34. Significant accounting policies (continued)
C. Financial assets and financial liabilities (continued)
(ii). Classification (continued)
Business model assessment (continued)

- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

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

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

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

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

In making the assessment, the Bank considers:

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

Non-recourse loans

In some cases, loans made by the Bank that are secured by collateral of the borrower limit the Bank's claim to cash flows of the underlying collateral (non-recourse loans). The Bank applies judgment in assessing whether the non-recourse loans meet the SPPI criterion. The Bank typically considers the following information when making this judgement:

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

Reclassifications

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

(iii). Derecognition

Financial assets

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

34. Significant accounting policies (continued)
C. Financial assets and financial liabilities (continued)
(iii) Derecognition (continued)
Financial assets (continued)

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

Financial liabilities

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

(iv). Modifications of financial assets and financial liabilities

Financial assets

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

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised (see (iii)) and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

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

Financial liabilities

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

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

(v). Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position

34. Significant accounting policies (continued)
C. Financial assets and financial liabilities (continued)
(v). Offsetting (continued)

when, and only when, the Bank has a legal right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(vi). Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Bank determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit 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.

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

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

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

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

(vii). Impairment

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

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

No impairment loss is recognised on equity investments.

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

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

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

34. Significant accounting policies (continued)
C. Financial assets and financial liabilities (continued)
(vii). Impairment (continued)

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

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

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

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

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

Determining whether credit risk has increased significantly

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

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

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

Definition of default

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

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held); or
- the borrower is more than or equal to 30 days past due for long-term facilities or more than or equal to 14 days past due for short-term facilities on any material obligation to the Bank; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows; and
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive.
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

When discounting future cash flows, the following discount rates are used:

- financial assets other than purchased or originated credit-impaired ("POCI") financial assets and lease receivables: the original effective interest rate or an approximation thereof;

34. Significant accounting policies (continued)
C. Financial assets and financial liabilities (continued)
(vii). Impairment (continued)
Measurement of ECL (continued)

- undrawn loan commitments: the effective interest rate, or an approximation thereof, that will be applied to the financial asset resulting from the loan commitment; and
- financial guarantee contracts issued: the rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows.

Inputs, assumptions and techniques used for estimating impairment

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

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

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

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

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

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

Restructured financial assets

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

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

Credit-impaired financial assets

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

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

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

34. Significant accounting policies (continued)
C. Financial assets and financial liabilities (continued)
(vii). Impairment (continued)
Credit-impaired financial assets (continued)

- the disappearance of an active market for a security because of financial difficulties.

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

Presentation of allowance for ECL in the statement of financial position

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

Write-off

Loans and advances are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

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

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

D. Cash and cash equivalents

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

E. Share capital

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

F. General reserves and regulatory reserves

The general reserves are set up for any overall financial risk. The Board of Directors exercises its discretion for the use and maintenance of the general reserves. The transfer from retained earnings to general reserves is subject to the approval of Board of Directors of the Bank.

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

(i) In case that the regulatory provision calculated in accordance with Article 72 is lower than provision calculated in accordance with Article 49 to 71, the entity records the provision calculated in accordance with CIFRSs; and

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

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

34. Significant accounting policies (continued)

G. Placements with other banks

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

H. Statutory deposits

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

I. Loans and advances

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

J. Other assets

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

K. Property and equipment

(i) Recognition and measurement

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

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

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

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

(ii). Subsequent costs

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

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

(iii). Depreciation

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

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

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

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

34. Significant accounting policies (continued)
K. Property and equipment (continued)
(iii). Depreciation (continued)

The estimated useful lives for the current period are as follows:

	Years
Computers	3 – 5
Furniture and equipment	3 – 8
Motor vehicles	5
Leasehold improvements	5 – 8

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

L. Intangible assets

Intangible assets comprise of software including costs incurred in acquiring and building software, which is not integral to the operation of hardware, and is carried at cost less accumulated amortisation and accumulated impairment losses, if any. Software costs are amortised on a straight-line basis over the expected useful lives of 5 years.

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

M. Leases

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

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

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

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

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

Leases in which the Bank is a lessee

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

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

The Bank recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to

34. Significant accounting policies (continued)
M. Leases (continued)
Leases in which the Bank is a lessee (continued)

dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

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

The estimated useful lives for the current period are as follows:

- Building and office branches 3 – 15 years

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

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

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

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

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

Short-term leases and leases of low-value assets

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

N. Borrowings

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

O. Employee benefits

(i). Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii). Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate bank account. Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss in the periods during which services are rendered by employees at a rate of 5% on gross salary per month for those who has worked with the Bank for greater than or equal 3 years and 7% on gross salary per month for those who has worked with the Bank from 8 years of service.

34. Significant accounting policies (continued)
O. Employee benefits (continued)
(ii). Defined contribution plan (continued)

The fund will be fully paid to the employee upon their resignation/termination of employment with the Bank.

(iii). Other long-term employee benefits

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

P. Provisions

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

Q. Interest

Effective interest rate

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

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

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

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

Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance (or impairment allowance before 1 January 2018).

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

Calculation of interest income and expense

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

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

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

34. Significant accounting policies (continued)
Q. Interest (continued)

Presentation

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

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

R. Fee and commission

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

Other fee and commission income are recognised as the related services are performed.

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

S. Impairment of non-financial assets

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

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

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

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

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

T. Income tax

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

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

(i). Current tax

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

34. Significant accounting policies (continued)
T. Income tax (continued)

(ii). Deferred tax

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

A deferred tax asset is recognised for unused tax losses and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.
Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

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

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

U. Contingent liabilities

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

V. Contingent assets

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

35. New standards, amendments and interpretations not yet adopted

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

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

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

BRANCH DIRECTORY

PHNOM PENH BRANCHES

Kramoun Sar Branch (Premeir Branch)

No. 20FE-E0 E1 E2 E3 & 20HG-E0 E1 E2 E3 Corner of Street Kramoun Sar and Street 67, Sangkat Phsar Thmei Ti Muoy, Khan Doun Penh, Phnom Penh

Independence Monument Branch (Premeir Branch)

No.100, Preah Sihanouk Blvd., Sangkat Chakto Mukh, Khan Doun Penh, Phnom Penh

Olympic Market Branch (Premeir Branch)

No. 359, 361 & 363, Preah Sihanouk Blvd., Sangkat Veal Vong, Khan Prampir Meakkakra, Phnom Penh

Riverside Branch

No. 265 & 267 E0, Sisowath Quay, Sangkat Phsar Kandal Ti Muoy, Khan Doun Penh, Phnom Penh

Phsar Doeum Thkov Branch

No. 616A+B E0 E1 E2, Street 271, Sangkat Phsar Daeum Thkov, Khan Chamkar Mon, Phnom Penh

Pet Lok Sang Branch

No.1A+1B E0 E1 E2, Street 271, Sangkat Tuek Thla, Khan Saensokh, Phnom Penh

Tuek Thla Branch

No.1E0 E1, Street 110A, Sangkat Tuek Thla, Khan Saensokh, Phnom Penh

Stueng Mean Chey Branch

No.23-25 E0 E1 E2, Street 217, Phum Damnak Thum Muoy, Sangkat Stueng Mean Chey 2, Khan Mean Chey, Phnom Penh

Chaom Chau Branch

No.1B 2B 3B, National Road No.4, Phum Thnal Bambaek, Sangkat Chaom Chau 3, Khan Pur Senchey, Phnom Penh

Tuol Kouk Branch (Premeir Branch)

No.95C, Street Kim Il Song (289), Sangkat Boeng Kak Ti Pir, Khan Tuol Kouk, Phnom Penh

Saensokh Branch (Premeir Branch)

Building No.C4#01, B#02, B#03, D#04, Street No.1003, Phum Bayab, Sangkat Phnom Penh Thmey, Khan Saensokh, Phnom Penh

PROVINCIAL BRANCHES

Siemreap Provincial Branch (Premeir Branch)

No.566 568 570, Street Tep Vong, Phum Mondol 1, Sangkat Svay Dankum, Krong Siemreap, Siemreap Province

Preah Sihanouk Provincial Branch

No.219, Street Ekareach, Phum Phum Pir, Sangkat Pir, Krong Preah Sihanouk, Preah Sihanouk Province

Kampong Cham Provincial Branch

Phum Phum Ti Dabpir, Sangkat Kampong Cham, Krong Kampong Cham, Kampong Cham Province

Battambang Provincial Branch

No.02 04 & 06, Street 113, Phum Maphey Osakphea, Sangkat Svay Por, Krong Battambang, Battambang Province

HEAD OFFICE:

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