PhillipBank

PhillipCapital Singapore

ANNUAL REPORT 2020

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OVERVIEW

BACKGROUND

Phillip Bank Plc is a member of PhillipCapital which is headquartered in Singapore, and established since 1975.

PhillipCapital operates in financial hubs of over 15 countries including Australia, Cambodia, China (as well as Hong Kong), France, India, Indonesia, Japan, Malaysia, Singapore, Thailand, Turkey, UK, UAE, USA and Vietnam. It offers a full range of quality innovative products and services to retail and high-net-worth individuals, corporate and institutional customers. These include securities broking, futures, Foreign Exchange, bonds, precious metals and commodities, unit trusts, contracts for difference, exchange traded funds, fund management, managed accounts, insurance planning, regular savings plan, investment research, equity financing and property consultancy.

Since 1975, the PhillipCapital network has grown into a global presence, an integrated Asian financial house with over 5,000 employees and more than one million clients worldwide and assets under custody/management exceeding US$35 billion, and shareholders' funds in excess of US$1.5 billion.

From its first foray into Cambodia in 2009 investing in First Finance Microfinance, then in 2012 into Kredit Microfinance; and then in 2014, when we bought into Hwang DBS Bank and changed its name to Phillip Bank, PhillipCapital has increased its investment over the years. Our status as a significant financial services provider in Cambodia has been enhanced with the addition of Phillip Life Assurance (Cambodia) Plc and Phillip General Insurance (Cambodia) Plc.

Phillip Bank currently has 89 branches in Cambodia and we are planning to expand our presence throughout the Kingdom of Cambodia.

CORPORATE
VISION AND MISSION

CORPORATE VISION

- Growing People
- Delighting Customers
- Benefiting Communities

CORPORATE MISSION

To build convenient, integrated, innovative, and trused financial solutions by leveraging technology platforms and engaging our staff, business partners, and customers to sustainably improve the economic well-being of families in rural and urban communities.

CHAIRMAN'S STATEMENT

MR. LIM HUA MIN, Chairman

2020 was the first year of our merger between Phillip Bank and KREDIT Microfinance Institution Plc. ("Kredit MFI"). Effectively, we have one of the largest networks with 89 branches in the country.

Covid-19 outbreak affected major engines of growth such as tourism, construction and manufacturing exports, which accounted for 70% of the country's growth and almost 40% of employment. Under directives from the National Bank of Cambodia (NBC), it was good and appropriate to do the right thing by restructuring loans and finding solutions to ease burdens on borrowers. The slow down in the economy to an expected negative GDP 2% demands a moderation in our business pursuit. Instead, our focus was shifted to building our IT infrastructure and the upgrading of our manpower skillsets.

Upon the merger, Kredit MFI's assets and liabilities have been transferred to the Bank which continues to fulfil all rights and obligation of Kredit MFI. As a consequence, we achieved operating revenue of US$ 69.11 million and a pretax profit of US$ 9.51 million for the year ending 31 December 2020 as compared with US$ 19.68 million and US$ 5.48 million respectively for the year ending 31 December 2019.

Loans at our bank increased by nearly 110% from US$ 226.59 million to US$ 475.63 million. Deposits also grew nearly double from US$ 236.39 million as at 31st December 2019 to US$ 451.60 million as at 31 December 2020. The growth on loans and deposit was primarily due to the merger. We are cognisant of the need to grow our non-interest or fee-based income. Our fee-based income has increased from US$1.03 million to US$2.60 million.

CHAIRMAN'S **STATEMENT**

Since last year, we emphasised on growing the customers' loan portfolio in the Retail, SME, and MSME sectors. We are already fairly large in the microfinance and corporate segments in the market. Through this, a series of product promotions were introduced to the market. Meanwhile, we also introduced new digital products in response to the needs of our customers, especially the white-collar and tech-savvy ones. The new version of our mobile banking application, available in June 2020, comes with a more user-friendly interface and various new functions. In less than three months later, we introduced a virtual Mastercard to our app users so that they can enjoy e-payments nationally and internationally.

Moving towards digitisation has been our paramount strategy. The plans for IT architecture and IT infrastructure strategy have been set. We are now engaged in building better platforms and products to provide for seamless connectivity 24/7 with our clients. We expect this process to continue.

With paid-up capital of US$ 75 million which complies with regulatory requirements, the Bank remains steadfast in maintaining its strict compliance with the Prakas and regulations set by the National Bank of Cambodia (NBC). The Bank continues to strictly comply with all Prakas, circulars, provisions and guidelines of the NBC.

The COVID-19 pandemic has already been with us for a year and the situation is expected to continue in the next couple of years. This has brought a message to all of us to be ready to adapt to a new normal. In Cambodia, a big outbreak has happened again in the first quarter of 2021 and the situation seems to be more serious than it was in 2020. Although we cannot accurately estimate the impact of the current situation, Phillip Bank will continue to support every Cambodian by providing convenient financial products and services that will help improve their day-to-day business and growth. This will serve as a reflection of our vision "Delighting Customers, Growing People and Benefiting Communities".

On behalf of the Board, I would like to take this opportunity to thank all the officials of the National Bank of Cambodia for their ongoing guidance, support and advice.

To all our customers, thank you for your continued confidence and support. We look forward to continuing to build a strong and mutually beneficial partnership in the coming years as we strive to improve our products and services.

Our achievements are only possible due to the tireless efforts and commitment of our employees. They are our greatest asset, and they have our deep appreciation.

Lim Hua Min
Chairman

BUSINESS REVIEW

BUSINESS PRIORITIES

FINANCIAL PERSPECTIVE

For the year ended 31 December 2020, the Bank recorded a total operating revenue of US$69.11 million (compared to US$14.82 million as at 31 December 2019) and recorded a Pre-tax Profit of US$5.48 million (as compared to Pre-tax Profit of US$3 million as at 31 December 2019).

The profit increase is due to higher interest income from our increasing loan base. Our loan portfolio increased from US$167.86 million as at 31 December 2019 to US$227.35 million as at 31 December 2020.

At the same time, our non-interest income or fee income also increased from US$1.24 million as at 31 December 2019 to US$1.5 million as at 31 December 2020.

The Bank will continue to pursue its strategies of focus on satisfying the financial needs of small and medium scale enterprises and offering consumer products (such as personal, housing and car loans). The Bank will also focus on increasing its loan base as well as growing its depositor base, especially in the Retail, Micro and SME segments.

CUSTOMER PERSPECTIVE

The Bank offers a wide range of products and services for small and medium scale enterprises to meet retail and corporate financial needs while safeguarding the wealth of locals for future generations.

The Bank believes in going the extra mile to meet with the customers at their convenience and offering great customer service, be it to ensure a transaction is completed or to help with their banking needs. This commitment will truly be a key differentiator for the bank and will bring a whole new meaning to being “Customer Service and Customer Relationship Excellent” to live up to the slogan of “Growing people, Delighting Customers and Benefiting Communities”.

COMMUNITY PERSPECTIVE

The Bank also engages in and implements various CSR programmes to support the communities. In the past years, the Bank has sponsored many charity events. From 2018 until now, the Bank has placed great emphasis on the disabled community and on education by sponsoring and co-running events to help support the disabled community through the Epic Arts Organisation. In addition, we have supported the E2STEM Programme at Preah Yukuntor High School by providing scholarships to students to help foster science and technical education in Cambodia. The Bank will continue to give back to the Cambodian society through many other initiatives and projects in the upcoming years.

INTERNAL PROCESS PERSPECTIVE

The Bank aims to project and position itself as a “Growing people, Delighting customers and Benefiting communities” bank that places a high degree of importance on stringent risk management processes for the benefit of our clients and the community. The Bank has put in place policies and procedures of international standard and has invested substantially in technology and infrastructure security for our customers’ added peace of mind.

HUMAN RESOURCE PERSPECTIVE

Recognising that employees are an important asset to the Bank, the Bank strives to attract and employ candidates with the right credentials, attitudes and levels of experience. The Bank believes that a human resource development framework, which can help employees to develop their personal and organisational skills, knowledge and abilities, is essential to the development of a workforce that will help the Bank accomplish its goals.

The appropriate human resource development programme at an organisational level prepares an individual for a higher level of responsibility at the workplace and maximises enterprise effectiveness. It also leads to a high level of employee engagement to help ensure that our employees are fully involved and enthusiastic about their work. All front liners are trained to hone their soft skills while support staff attend training that is specifically designed to enhance their technical skills.

Human resource development from a business perspective must be aligned with the organisation's mission and vision. Bearing this in mind and given the eventuality of the expansion of the Bank, in terms of manpower, the Bank has devoted a budget of almost US$58,000 in the year 2020 to training and team building. In addition, the Bank also invested in renovating its training centre, located at Mean Chey Branch, to provide banking-standard training facilities to all staff.

SIGNIFICANT BUSINESS PLANS FOR FINANCIAL YEAR 2021

To provide customers with a more convenient way of banking, the bank plans to introduce many new products in 2021. In early 2021, we plan to launch a new version of our mobile app namely "Phillip Mobile", equipped with a more user-friendly interface, many new functions as well as improved services with more billers, synchronised QR payment, etc.

To provide more convenience for our customers, we are planning to launch our Internet Banking namely "Phillip Bank Internet Banking" for both retail and business customers. Phillip Bank customers can apply for this service so they can conduct banking transactions anytime, anywhere without having to come to the Bank's premises. In addition, we are looking into the procedure in onboarding customers through off-site and online account opening on top of our normal practices at the branches.

To provide a best-in-class customer experience, we also plan to launch our priority lounge at Boeung Keng Kang and Monivong Branches in addition to its first premises at Kampuchea Krom Branch. The two new lounges will be more spacious, providing another level of comfort for priority customers residing near the two new Phillip Priority locations.

Given the success of our Phillip Bank Virtual Mastercard launch, we are aiming to launch a Physical Mastercard, which is expected to be available in the fourth quarter of 2021.

Having seen the increasing need for funds for investment among small and medium scale enterprises in Cambodia, the bank also aims to introduce new products catering to this segment. Meanwhile, the bank will also enhance its retail products, including personal loans, micro loans, car loans and housing loans to increase our customer base in retail segments.

Furthermore, to provide superior customer experience and convenience, the bank is working to capitalise on its expanded branch and ATM networks throughout the country. In addition, as a banking member of NBC's Bakong project, the Bank plans to take a bigger part in raising awareness about Bakong to all of its existing and new customers across Cambodia.

THE CUSTOMER'S **VOICE**

MS. KOU SOTHEA, Customer of Monivong Branch

As one of the customers, I would like to express my deep gratitude to Phillip Bank's staff for their professional and fast service in processing my business loan request. My business has grown, thanks to Phillip Bank's support.

MR. MAO VUTHA, Customer of Norodom Branch

The Covid-19 pandemic has had an impact on my business. Phillip Bank has foreseen this issue and taken steps to help me deal with this issue through a flexible loan payment term. Phillip Bank has shown great care for their customers, especially during this difficult period.

THE CUSTOMER'S **VOICE**

MR. UNG BUNPENG, Customer of Tuek Thla Branch

I chose Phillip Bank as a trusted partner who would support the financial requirements of my business. This is because of the professional working style of the Bank's staff as well as the flexible loan conditions. I am confident that my business would continue to grow as I continue to be a Phillip Bank's customer.

MR. SOK PHOU, Customer of Kampuchea Krom Branch

My business has grown 70%, thanks to the support of Phillip Bank. The Bank's staff have put great care and are always helpful, whenever I need their help. Phillip Bank has played an important role in helping their customers grow their business.

THE CUSTOMER'S **VOICE**

MR. SUONG SARUN, Customer of Steung Meanchey Branch

I started using the products and services of Phillip Bank in 2015. From the time that I got to know the Bank until now, I have received not only banking services, but also great care, great service, and customer-friendly service from their staff. This is something that you would rarely find with other banks.

MR. HAM NGUON, Customer of Mao Tse Tung Branch

Phillip Bank has helped to support my clean water supply business. Thanks to this assistance, my business has enjoyed healthy growth and we have achieved our sales targets every year. The support from Phillip Bank not only contributes to my business but it also brings a greater impact to my community through the provision of safe and clean water.

THE CUSTOMER'S **VOICE**

MS. SUON SINA, Customer of Siem Reap Branch

Phillip Bank has earned greater trust from their customers through flexible loan conditions, friendly customer service and digital products that would help facilitate customer's day-to-day business.

MR. SAN CHOEURN, Customer of Boeng Keng Kang Branch

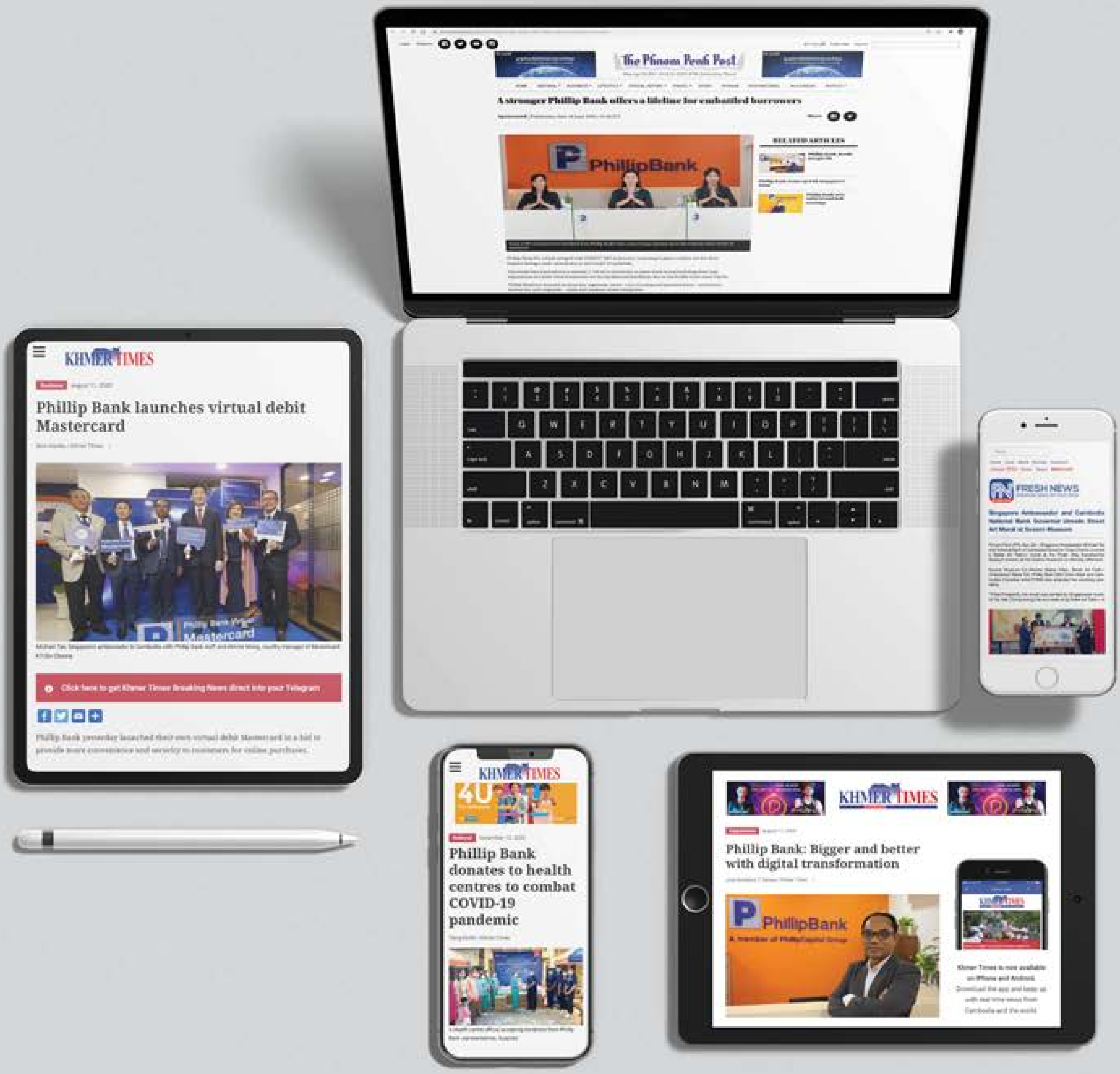
Phillip Bank has always provided good service, great care, a professional working style, and free consultations to help grow my businesses. This is something that Phillip Bank put great effort into and I have witnessed this first-hand, as one of their customers.

THE CUSTOMER'S **VOICE**

MR. HOEURNG SOVAN, Customer of Battambang Branch

As a deposit customer, I have a sole trust in the safety standard of Phillip Bank. The Bank's staff always offer fast service and a great smile whenever I approach them to deposit or withdraw funds at the branch premises.

PHILLIP BANK
IN THE NEWS



CORPORATE
SOCIAL RESPONSIBILITY

Phillip Bank believes CSR (Corporate Social Responsibility) is not just a corporate responsibility. It is in our DNA to do good and give back to the communities we operate in.

We divide our CSR activities into two:

- Strategic CSR: these are specific areas in which the bank has chosen to contribute over an extended period. For Phillip Bank, Strategic CSR includes benefiting education and disabled arts.

- Tactical CSR: These are short term projects providing aid to specific segments of the community, in response to events such as disasters, flood relief, educational campaigns, children's enrichment programmes, health, etc.

In 2020, PhillipBank supported communities and local charities through activities below:

Epic Arts Cambodia:

Phillip Bank is a sponsor of disabled arts in Cambodia and has proudly contributed to performances by Epic Arts, a social and educational enterprise based in Kampot.

CORPORATE
SOCIAL RESPONSIBILITY

E2STEM Cambodia:

Phillip Bank is a proud sponsor of a major educational initiative called E2STEM. Under the programme, scholarships are provided to needy students for their studies in science and mathematics. In 2020, Phillip Bank sponsored two students for 3 years in high school and 2 years in technical school under the E2STEM programme at Preah Yukunthor high school, supporting their learning of science and mathematics.

Koampia Phum Yoeung (KPY):

KPY is a non-governmental organisation working alongside Phillip Bank, as part of the Bank's corporate social responsibilities (CSR), to improve the lives of the vulnerable in Cambodia. Phillip Bank supports the NGOs since 2019 to help children, and poor family communities across Cambodia by providing training and consulting on five areas including financial literacy, agriculture, child rights, health and education.

CORPORATE
SOCIAL RESPONSIBILITY

Walk for Smile – Angkor



As part of Smile Cambodia's surgical mission in the Siem Reap province, Phillip Bank is a sponsor for the Walk for Smile-Angkor held in February 2020, with international and national volunteers participating in the marathon around the Angkor Complex. The Walk for A Smile - Angkor was organised to raise funds to support the surgery and treatment of Cambodian patients with cleft-lip, cleft-palate and other facial deformities.

Airavata Cambodia Fund Raising Event




Phillip Bank has been a consistent supporter and donor to Airavata whose mission is to raise funds to protect elephants in Cambodia. Under the Airavata's programmes, elephants are protected in their home province of Ratanakiri, allowing the remaining mahouts to carry on with a 5,000 year old tradition that would otherwise be certainly extinct.

CORPORATE
SOCIAL RESPONSIBILITY

Pasteur Institute in Cambodia

As part of the support in fighting against Covid-19, in April 2020, Phillip Bank donated USD 5,000 to Pasteur Institute in Cambodia. This donation will contribute to the institute’s mission in fighting and protecting against Covid-19 in Cambodia.

Phillip Bank Charity Day

Phillip Bank held its charity programme in September 2020, providing study materials for children in a disadvantaged community in Kampong Chhnang province. The staff of Phillip Bank's Kampong Chhang branch were present at the event to donate notebooks and pens to children of Chey Chumneas Agricultural Community as well as 54 group representatives. Almost 1,000 children are expected to benefits from this charity programme.

CORPORATE
SOCIAL RESPONSIBILITY

Health Centre Support against Covid-19

Phillip Bank and its staff organised a charity event entitled “1+2 in Support of Health Centre against Covid-19 Campaign”. The campaign supported 10 selected health centres located within the 20 provinces where Phillip Bank operates. Each health centre received 50 boxes of face masks, 168 bottles of 500ml handwashing gel and 180 bottles of 500ml hand sanitising gel.

Cambodia Flooding Response

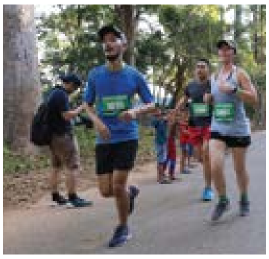
Due to the heavy flooding situation in Cambodia, in November 2020, Phillip Bank contributed USD 15,000 to the Royal Government of Cambodia, through the Cambodia Microfinance Association (CMA) and the Association of Banks in Cambodia (ABC), in their mission to help victims affected by the disaster.

CORPORATE
SOCIAL RESPONSIBILITY

Covid-19 Vaccination Fund

As a contribution to the Royal Government of Cambodia in its collecting of funds to purchase Covid-19 vaccines for fellow Cambodians, in November 2020, Phillip Bank has provided another convenient way for our customers to donate the funds via our mobile app (Phillip Mobile). Through this campaign, USD 8,000 had been raised and the funds were transferred to the Royal Government of Cambodia through the coordination of the Association of Banks in Cambodia (ABC).

Angkor Wat International Half Marathon



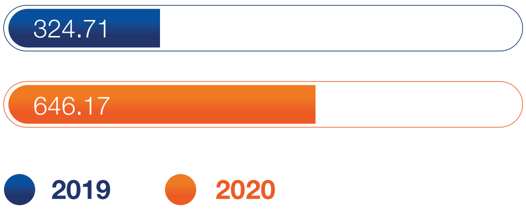
Phillip Bank contributed nearly USD 2,000 by participating in the 25th Angkor Wat International Half Marathon, with more than 100 staff registered to join the event. The whole registration fee was to be donated via the event organiser to Kantha Bopha Children's Hospitals. The event was later held virtually due to the Covid-19 situation in the country.

FINANCIAL HIGHLIGHTS

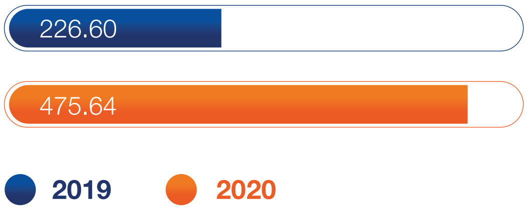
	FY2019	FY2020
OPERATING RESULTS (USD$'000)		
Operating revenue	19,664	69,108
Profit before taxation	5,483	9,512
Net profit for the year	4,325	7,467
KEY BALANCE SHEET DATE (USD$'000)		
Total assets	324,712	646,171
Loan and advances (net)	226,597	475,635
Total liabilities	241,679	516,475
Deposits	236,389	451,600
Statutory capital	75,000	75,000
Shareholder's funds	83,033	129,696
FINANCIAL RATIOS		
Earnings per share (US$)	0.058	0.10
Net assets per share (US$)	1.11	1.73
Return on shareholders' funds (%)	5.21	5.76
Return on assets (%)	1.33	1.16
Liquidity ratio (%)	109	206
Loan-to-deposit ratio (%)	96.18	106.68
Non-performing loans to total loans (%)	0.63	1.46
CAPITAL MANAGEMENT		
Net worth (US$'000)	79,908	132,437
Solvency ratio (%)	29.08	24.42

YEAR TO YEAR
FINANCIAL SUMMARY

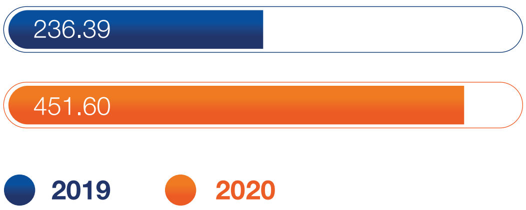
TOTAL ASSETS
(US$ Million)



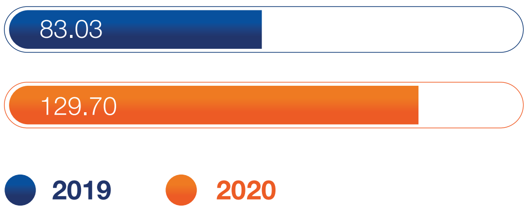
LOAN AND ADVANCES
(US$ Million)



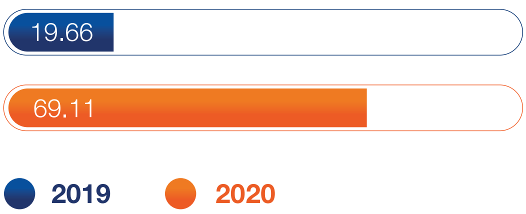
DEPOSITS
(US$ Million)



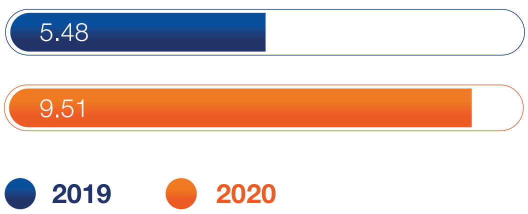
SHAREHOLDER'S FUNDS
(US$ Million)



OPERATING REVENUE
(US$ Million)



PROFIT BEFORE TAX
(US$ Million)



ANALYSIS
OF FINANCIAL STATEMENTS

OPERATING REVENUE

Operating revenue of the Bank for the year ended 31 December 2020 is 251.44% higher at US$69.11 million, compared to US$19.66 million in the previous year ended 31 December 2019. The significant increase is due to the legal merger with Kredit Microfinance Institution Plc ("Kredit MFI"). Contributing to the higher operating revenue is primarily the significant increase in interest income from loans and advances to customers, on the back of significant growth in loan portfolio of the Bank as well as fee income. The key sources of operating revenue of the Bank for the year ended 31 December 2020 are loans and advances to customers (95.72%) and deposit placements with financial institutions (0.42%), and other fees (3.86%).

PROFIT BEFORE TAXATION AND EARNINGS PER SHARE

The Bank posted a significantly higher pre-tax profit of US$9.51 million for the year ended 31 December 2020 against pre-tax profit of US$5.48 million recorded in the preceding year 2019. Cost-to-income ratio for the Bank for the year 2020 is higher at 0.71:1 against 0.58:1 in the previous year. Components of operating expenses of the Bank for the current year under review are personnel expenses (57%), depreciation and amortisation expenses (12%), promotion and marketing related expenses (6%) and administrative and other operating expenses (25%).

The Bank posted a net profit for the year of US$7.47 million compared to a net profit of US$4.33 million in the year ended 31 December 2019, mainly due to the higher interest and fee income earned. Profit per share of the Bank for year 2020 is US$0.10 versus profit per share of US$0.058 for the previous year.

TAXATION

Taxation consists of income tax and deferred tax. As the Bank incurred pre-tax profit during the current year, the income tax of the Bank is subjected to the 20% profit tax under the Cambodian tax laws. The Bank is also recognising the deferred tax assets of US$1.03 million as of 31 December 2020.

TOTAL LIABILITIES

Total liabilities of the Bank have increased to US$516.48 million as at 31 December 2020 from US$241.68 million as at 31 December 2019. The significant increase is due to the legal merger with Kredit Microfinance Institution Plc ("Kredit MFI").

Deposit placements from financial institutions and customers, and Borrowings from social lenders are the key components of the Bank's total liabilities as at 31 December 2020, accounting for 97.81% of the total liabilities of the Bank.

TOTAL ASSETS

Total assets of the Bank stood at US$646.17 million as at 31 December 2020, representing a 99.00% increase from US$324.71 million as at 31 December 2019. The asset base of the Bank is largely supported by loans and advances to customers (73.61%), Cash and cash equivalents (17.66%), balance with the central bank (Statutory deposits: 6.18%), and other assets (2.55%). The significant increase is due to the legal merger with Kredit Microfinance Institution Plc ("Kredit MFI").

DEPOSITS AND BORROWINGS

Deposits from financial institutions and customers as at 31 December 2020 consist of term deposits (69.77%) and current accounts (21.95%) and savings account (8.28%). Borrowings is also the essential components, representing 10.37% in total Liabilities. The significant increase is due to the legal merger with Kredit Microfinance Institution Plc ("Kredit MFI").

ANALYSIS OF FINANCIAL STATEMENTS

LOANS AND ADVANCES

Loans and advances mainly comprise secured long term loans to customers. Gross loans and advances to customers of the Bank have grown by 109.90% to US$ 475.64 million as at 31 December 2020 from US$ 227.35 million as at 31 December 2019.

STATUTORY CAPITAL

The paid-up statutory capital of the Bank as at 31 December 2020 amounted to US$75 million.

SHAREHOLDERS' FUNDS AND NET ASSETS PER SHARE

As at 31 December 2020, shareholders' funds of the Bank are marginally higher at US$129.70 million compared to US$83.03 million as a result of the significant increase due to the legal merger with Kredit Microfinance Institution Plc ("Kredit MFI"). Net assets, per share of the Bank as at 31 December 2020, stood at US$1.73 (2019: US$1.11).

RETURN ON SHAREHOLDERS' FUNDS AND RETURN ON ASSETS

The Bank recorded positive returns on shareholders' funds and assets for the year ended 31 December 2020, i.e. the return on shareholders' funds is 5.76% (2019: 5.21%) and the return on assets is 1.16% (2019:1.33%) respectively.

NON-PERFORMING LOANS TO TOTAL LOANS (%)

The non-performing loans to total loans ratio as at 31 December 2020 increased to 1.46%, compared to 0.63% as at 31 December 2019. Non-performing loans are mostly secured and the Bank is in the process of reoovering the loans.

LIQUIDITY RATIO

The liquidity ratio of the Bank as at 31 December 2020 is higher at 206% compared to 109% as at 31 December 2019, mainly due to the short term cash inflow is greater than cash outflow. The Bank is in compliance with the Central Bank's Prakas No.B7-015-349 which requires a liquidity ratio of 100%. The liquidity ratio of the Bank indicates that the Bank has the ability to honour withdrawals of deposits by its customers.

NET WORTH

As at 31 December 2020, the net worth of the Bank of US$132.43 million (2019:US$79.91 million) is in excess of the minimum regulatory capital requirement of US$75 million. The increase is due to the net profit generated in 2020 and legal merger with Kredit Microfinance Institution Plc ("Kredit MFI")

LOAN-TO-DEPOSIT RATIO

The loan-to-deposit ratio of the Bank as at 31 December 2020 is stagnant at 106.68% as compared to 96.18% as at 31 December 2019, mainly attributed to the similar increment in deposit and loan portfolio.

SOLVENCY RATIO

Solvency ratio provides a measure of the Bank's net worth as a percentage of its risk-weighted credit exposures. As at 31 December 2020, the solvency ratio of the Bank of 24.42% (2019:29.08%) is in compliance with Central Bank's Prakas No.B7-04-206 which requires a solvency ratio of at least 15%.

POLICIES AND PRACTICES

BOARD RESPONSIBILITIES AND OVERSIGHT

The Board of Directors ("Board") is committed to the principles of corporate governance and oversees the overall corporate governance practices and performance of the Bank. The responsibilities of the Board include:

- overseeing the conduct of the Bank's business;
- establishing business directions, plans and annual budget of the Bank;
- reviewing action plans that are implemented by the management to achieve business strategies and targets set by the Board;
- identifying principal risks and ensures the implementation of appropriate systems to manage those risks;
- reviewing the adequacy and the integrity of the Bank's internal control systems and management information systems, including systems for compliance with applicable laws, rules and guidelines issued by the National Bank of Cambodia from time to time.

COMPOSITION OF THE BOARD

The Bank is led and managed by an experienced Board comprising members with extensive experience in commercial and investment banking activities as well as audit background. As at 31 December 2020, the Board comprises six (6) Non-Executive Directors, three (3) of whom are independent.

Ms. Seah Yen Goon (Independent Non-Executive Director) Mr. Paul Gwee Choon Guan (Independent Non-Executive Director) were appointed to the Board with effect from 14 March 2014 while Mr. Koh Yong Guan (Independent Non-Executive Director) was appointed with effect from 17 December 2014. All have extensive related experience. The current Board comprises three (3) Non-Independent Non-Executive Directors, and three (3) Independent Non-Executive Directors.

The functions of Executive and Non-Executive Directors are separate and distinct. The Non-Executive Directors complement the skills and contribute to the formulation of strategies and policies of the Bank, whilst the Independent Non-Executive Directors also provide checks and balances to ensure that the Bank operates within a proper governance framework, with the necessary internal controls and systems in place. The Executive Director is responsible for making operational decisions and implementing strategic activities of the Bank with the assistance of the General Manager. The Non-Executive Directors on the Board who bring strong independent judgment and objective participation in the proceedings and decision-making process of the Board provide effective checks and balances on the powers of the management board.

The composition of the Board reflects the Board's commitment to maintaining an appropriate balance to ensure a sufficiently wide and relevant mix of backgrounds, skills and experience to provide strong and effective leadership and control of the Bank.

The Board has set up three (3) Board Committees to assist the Board in the management of the Bank's businesses and discharge of its duties. The functions and terms of reference of the Committees as well as authority delegated by the Board to these Committees have been clearly defined by the Board. The three (3) Board Committees are:

Committee	Chaired By
Audit Committee	Independent Non-Executive Director
Risk Management Committee	Independent Non-Executive Director
Remuneration and Nomination Committee	Independent Non-Executive Director

(I) Audit Management Committee

The Audit Committee provides independent oversight of the Bank's financial reporting and internal control system and ensures checks and balances within the Bank.

The Audit Committee comprises four (4) members from the Board as follows:

1. Ms. Seah Yen Goon (Chairperson)
2. Mr. Paul Gwee Choon Guan
3. Mr. Ong Teong Hoon
4. Mr. Chan Mach

The duties of the Audit Committee include amongst others:

(a) ensure financial and risk-related information provided to the public and the National Bank of Cambodia are clear, accurate and reliable;

(b) assess the basis of preparation and accounting methodologies used for individual and consolidated financial statements;

(c) review the adequacy of the scope, functions, competency and resources of the internal audit functions and ensure that the internal audit functions have the necessary authority to carry out its work;

(d) review the scope of the internal audit programme and compliance programme;

(e) review the effectiveness of internal control systems and processes;

(f) ensure that there are proper checks and balances in place so that the provision of non-audit services does not interfere with the exercise of independent judgement of the external auditors;

(g) review the scope of audit, the plans for carrying out the audit, the extent of planned reliance on the work of the external auditors and the internal auditors;

(h) review audit reports as well as inspection reports issued by regulatory authorities and issue directives for necessary remedial actions to be taken;

(i) review all related party transactions and keep the Board informed of such transactions; and

(j) review reports prepared by Compliance Officer relating to compliance with statutory and regulatory requirements and issue directives for necessary remedial actions to be taken.

(II) Risk Management Committee

The Risk Management Committee oversees management's activities in managing credit, market, structural interest rate, liquidity, operational, legal and other risks to ensure that the risk management process is in place and functioning.

The Risk Management Committee comprises four (4) members from the Board as follows:

1. Mr. Paul Gwee Choon Guan (Chairperson)
2. Mr. Ong Teong Hoon
3. Ms. Seah Yen Goon
4. Mr. Chan Mach

The Risk Management Committee is authorised by the Board to:

(a) review and recommend risk management strategies, policies and risk tolerance for the Board's approval;

(b) review and approve new products, after ensuring that the new products have undergone a proper evaluation process;

(c) review the asset and liability management and capital allocation functions including fund transfer pricing where relevant;

(d) set risk appetite capital for delegation to the Asset and Liability Committee;

(e) review and assess the adequacy of risk management policies and framework in identifying, measuring, monitoring and controlling risk and the extent to which these are operating effectively and independently;

(f) ensure that the infrastructure, resources and systems are in place for risk management; and

(g) review the management's periodic reports on risk exposure, risk portfolio composition and risk management activities.

(III) Remureration and Nomination Committee

The Remuneration and Nomination Committee provides a formal and transparent procedure for the appointment of Directors, Board Committees members and key senior management officer(s) as well as assessment of the effectiveness of such individual Directors, the Board as a whole and the performance of the key senior management officer(s). The Committee also provides a formal and transparent procedure for developing remuneration policy for Directors and key senior management officer(s) and ensures that compensation is competitive and consistent with the Group's culture, objectives and strategy.

The Remuneration and Nomination Committee comprises four (4) members from the Board as follows:

1. Mr. Koh Yong Guan (Chairperson)
2. Mr. Lim Hua Min
3. Mr. Ong Teong Hoon
4. Mr. Chan Mach

The Remuneration and Nomination Committee is authorised by the Board to:

(a) review the composition and size of the Board and determine the appropriate Board balance between Executive Director(s), Non-Executive Directors and Independent Directors;

(b) review and recommend to the Board the required mix of skills, experience, qualifications and other core competencies required of a Director;

(c) recommend and assess the nominees for directorship, Board committees as well as nominees for key senior management position(s);

(d) recommend to the Board the removal of a Director or key senior management officer(s) if they are ineffective, errant and negligent in discharging their respective responsibilities;

(e) establish a mechanism for the formal assessment of the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board, the contribution of the Board's various committees and the performance of the key senior management officer(s);

(f) oversee the appointment, management succession planning and performance evaluation of the key senior management officer(s); and

(g) recommend a framework for the remuneration of Directors and key senior management officer(s). Such framework should reflect the responsibility, experience and commitment of each Director and key senior management officer(s) concerned.

POLICIES AND PRACTICES

Board Appointment Process

All nominees for appointment to the Board will in the first instance be assessed by the Remuneration and Nomination Committee which will make recommendations to the Board. The Board makes the final decision in respect of appointment to the Board. When assessing nominees for appointment to the Board, considerations will include the nominees' qualifications, expertise and experience, fit and properness, core competencies required of the position and the appropriate Board balance.

Policy and Practice Guidelines for Corporate Governance

Board Meetings

Board Meetings are held at least once every quarter. During the financial year ended 31 December 2020, the Board met four (4) times.

Directors are provided with notices of the Board Meetings and board papers for each agenda item in advance of each meeting to ensure that Directors have sufficient time to study them and be prepared for discussion. Any additional information requested by Directors is readily available. The Board also has a formal schedule of matters reserved for deliberation and decision. Minutes of Meetings are maintained.

The management of the Bank has adopted the Group's policy on information to be brought to the Board's attention. In accordance to the policy, all material information are to be tabled to the Board on a timely basis in order for the Board to be kept abreast with the performance and business activities of the Bank.

Directors have access to the advice and services of the Company Secretaries who are responsible for ensuring that Board procedures are followed and all necessary information are obtained from Directors both for the Bank's own records and for the purposes of meeting statutory obligations.

Details of Directors' attendance at Board Meetings during the financial year ended 31 December 2020 are outlined in the table below:

Name of Director	No. of Board meetings attend in office
Mr. Lim Hua Min (Chairman)	4/4
Mr. Koh Yong Guan	4/4
Mr. Ong Teong Hoon	4/4
Ms. Seah Yen Goon	4/4
Mr. Paul Gwee Choon Guan	4/4
Mr. Chan Mach	4/4

Responsibility

The Board recognises the importance of maintaining adequate accounting records and an effective system of internal controls to safeguard the shareholders' interest and the Bank's assets. The Board affirms its overall responsibility for the Bank's system of internal controls, which includes the establishment of appropriate control environment and risk management framework as well as review of its adequacy and integrity. In view of the inherent limitations in any system of internal controls, the system is designed to manage risks and ensure that the risks are identified and managed at acceptable levels, rather than eliminate these risks to achieve its business objectives. The system can only provide reasonable but not absolute assurance against the risk of material misstatement of management and financial information or financial losses and fraud.

Key internal control processes

The key processes that have been established in reviewing the adequacy and integrity of the system of internal controls are described below:

- **Organisational structure**

Organisational structure with delineated lines of responsibilities, reporting, delegation of authorities and accountability within the Bank will assist in ensuring that effective communication of risk control objectives as well as establishment of authority and accountability is in accordance with management criteria.

- **Internal policies and procedures**

Detailed internal policies and procedures manuals of business and support units were established to serve as a guidance to ensure compliance with internal control and the applicable laws and regulations.

There are also documented Limits of Approving Authority for key aspects of the businesses, which have been approved by the Board. This provides a sound framework of authority and accountability as well as facilitates proper corporate decision-making at the appropriate level in the organisation's hierarchy. The delegation of limits is subject to periodic reviews as to its implementation and continuing suitability in meeting the Bank's business objectives and operational needs.

- **Financial performance review**

On a regular basis, management provides comprehensive financial information, key variances and analysis of financial data to the Board for review and decision-making purposes.

- **Compliance function**

Compliance performed regular assessment on various Bank's operations to ensure adherence to regulatory, especially AML and CFT regulations requirements as well as internal policies and procedures. Any deviation or breaches are reported to the Risk Management Committee and the Board is kept informed of the cause and the remedial measures taken.

- **Internal audit function**

Internal Audit provides a check and balance on the effectiveness of the Bank's system of internal controls and compliance with relevant regulatory requirements by the Bank. The internal auditors undertake regular reviews of the Bank's operations and systems of internal controls. Internal Audit reports to the Board of Directors via the Audit Committee.

During year 2020, the work of the internal auditors focused on areas of priority according to their annual risk assessment and in accordance with the annual audit plan approved by the Audit Committee of the Bank. The results of reviews together with recommendations for improvement are reported to the Audit Committee of the Bank. The Bank's Audit Committee convenes regular meetings to review the findings and recommendations for improvement by Internal Audit, actions taken to rectify the findings in a timely manner and to evaluate the effectiveness and adequacy of internal control system.

The Board confirms that there is an ongoing process that has been in place throughout the financial year ended 31 December 2020 for identifying, evaluating and managing significant risks which will provide reasonable assurance that the Bank's assets are safeguarded against losses from unauthorised use and all transactions of the Bank are properly authorised and recorded.

RISK MANAGEMENT AND COMPLIANCE

The Bank continues to take steps to strengthen its risk management practices by appointing Head of Risk and Head of Compliance to work on comprehensive risk management framework and compliance framework covering:

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events. This includes legal, compliance, accounting and fraud risk.

Strategic risk

Strategic risk arises from an institution's inability to implement appropriate business plans, strategies, decision making, resource allocation and its inability to adapt to changes in its business environment.

Credit risk

Credit risk is the risk of suffering financial loss should any of the Bank's customers, clients or market counterparties fail to fulfill their contractual obligations to the Bank. Credit risk is the single largest risk for the Bank's business.

Market / Financial risk

The Bank's activities expose it to a variety of financial risks, including liquidity risk, foreign exchange risk and interest rate risk.

- Liquidity risk is the risk that the Bank is unable to meet its obligations when they fall due as a result of customer deposits being withdrawn, cash requirements from contractual commitments, or other cash outflows.

- Foreign exchange risk is the potential impact of adverse currency rate movements on earnings and economic value.

- Interest rate risk is the adverse changes in future cash flows of a financial instrument arising from changes in market interest rates. Interest margins may increase or decrease due to unexpected movements in rates.

Compliance risk

Compliance risk is the risk of legal or regulatory sanctions, material financial loss or damage to reputation that an institution may suffer as a result of failure to comply with laws, regulations, rules, self regulatory banking standards and codes of conduct applicable to its activities.

The Bank promotes risk awareness and visibility among its employees at all levels of the Bank. Training programmes are continuously held by the Risk Department and Compliance Department to educate employees on how to identify risks, promote methods to improve controls, and remain compliant with both internal and external policies and regulations. The Bank has implemented a dynamic ongoing Control Self Assessment (CSA) process of which all departments will continue to identify, assess and mitigate operational risks. The Asset Liability Management Committee (ALCO) maintains an oversight on the Bank's financial performance, risk return positions, liquidity and capital management processes. The Board of Directors also has a standing Risk Manangement Committee to provide guidance on related issues and to ensure that the Bank's risk appetite is appropriate to deliver financial objectives of the Bank.

The Bank is continuing its risk management and compliance framework development in year 2020 and believes that a robust risk management and compliance framework will help to ensure its continued sustainability and ability to meet the needs of its target market.

Code of ethics

The Bank's code of ethics has been put in place as a guideline to acceptable behaviours of employees, especially when they handle sensitive issues like investments, interaction with others and handling grievances, both from outside and within the organisation. The code of ethics also sets out specific behaviour standards for our employees to cover potential ethical issues such as confidentiality and /or misuse of information.

Having the code of ethics increases the confidence in the Bank as an organisation by showing potential customers and investors that the Bank is committed to maintaining the Bank's integrity by following basic ethical guidelines and acting in a responsible manner in the course of performing its business activities.

All new employees are briefed and expected to sign an acceptance of the code of ethics as a guide to his or her conduct upon commencement of employment.

Independency and transparency

The Bank is independently managed by an experienced management team with oversight by the Board. The Bank practices transparency in dealings with customers as well as in terms of financial accountability and reporting.

CORPORATE GOVERNANCE

PROFILE
OF DIRECTORS

MR. LIM HUA MIN

Chairman

Mr. Lim Hua Min is the Executive Chairman of PhillipCapital Group of Companies and was also appointed Chairman of IFS Capital Limited on 20 May 2003. He began his career holding senior positions in the Stock Exchange of Singapore ("SES") and the Securities Research Institute. He has served on a number of committees and sub-committees of SES. In 1997, he was appointed Chairman of SES Review Committee, which was responsible for devising a conceptual framework to make Singapore's capital markets more globalised, competitive and robust. For this service, he was awarded the Public Service Medal in 1999 by the Singapore Government. In 2014, he was also awarded "IBF Distinguished Fellow", the highest certification mark bestowed by The Institute of Banking and Finance on industry captains who are the epitome of professional stature, integrity and achievement. In 2018, he was named Businessman of the Year 2017 at the annual Singapore Business Awards, which is Singapore's most prestigious business accolade. Mr. Lim had also served as a Board Member in the Inland Revenue Authority of Singapore from 2004 to 2010.

Mr. Lim holds a Bachelor of Science Degree (Honours) in Chemical Engineering from the University of Surrey and obtained a Master's Degree in Operations Research and Management Studies from Imperial College London.

MR. ONG TEONG HOON

Director

Mr. Ong started working in the financial sector in 1977, first as a Money Broker and then, after a year, with Standard Chartered Bank, as a Management Trainee. For 25 years with the Bank, he had been through all aspects of Commercial Banking, apart from Treasury function and he ended his banking career as Country Manager for the Bank in Cambodia in 2002. This was after being the Bank's Chief Representative in Myanmar and before that, Regional Manager, Asia Pacific Region covering Financial Institutions.

Almost immediately after that, he joined Phillip Securities Pte Ltd and had covered various functions, including a stint in Phillip Securities Thailand PLC as its Ag CEO and was last, the Director OTC Capital prior to being assigned to KREDIT Microfinance in 2012.

Mr. Ong is a graduate from the University of Singapore with a Bachelor of Business Administration and an Associate of the Chartered Institute of Bankers since 1978.

PROFILE
OF DIRECTORS

MR. CHAN MACH

Director and Chief Executive Officer

Mr. Mach, the first local CEO of KREDIT Microfinance, was promoted from his Operations Manager position in 2006. With a Bachelor of Mathematics and experience as a math teacher, Mr. Mach joined KREDIT Microfinance initially in 1999 as the Auditor and Trainer. His managerial potential was recognised and he became the Phnom Penh Branch Manager in 2001. The branch flourished and in 2003 he was appointed Operational Director. Under his leadership, KREDIT Microfinance became sustainable and tripled the portfolio. Mr. Mach received a certificate of Commercial Loan to Business from OMAGA Performance, USA. He completed two Master's Degrees: MBA and MFB. He attended nationally and internationally numerous courses related to microfinance and banking. Currently, he is also a member of the Association of The Banks in Cambodia (ABC). After the merger between Phillip Bank and KREDIT Microfinance, Mr. Mach was redesignated as the Chief Executive Officer of the Bank.

MR. PAUL GWEE CHOON GUAN

Independent Director

Mr. Paul Gwee Choon Guan's banking career spans over 25 years of experience in the universal and treasury/investment banking with asset/fund and wealth management industry across the Asia Pacific. His specialised skills include the fields of enterprise risk management (credit, market, liquidity and operational), control and compliance and back-room operations with a robust combination of strategic business finance and accounting reporting, mergers and acquisitions and capital management. He was the Head of Risk Management and Compliance in United Overseas Bank Group followed by as the Country CFO in Hong Kong and Shanghai Bank, Indonesia and as Chief Operating Officer in Bank of East Asia, Singapore. He is currently the Secretary-General of the ASEAN Bankers Association.

Mr. Gwee holds a Master of Business Administration from the University of Chicago, Graduate School of Business, majoring in finance and was awarded the Bachelor of Commerce degree from the University of Newcastle.

He qualified as a Chartered Accountant in 1984 and is a Fellow of the Institute of Chartered Accountants in Australia and Institute of Singapore Chartered Accountants.

PROFILE
OF DIRECTORS

MR. KOH YONG GUAN

Independent Director

Mr. Koh joined Singapore's Civil Service as a Biomedical Engineer in the Ministry of Health in 1972 and was absorbed into the Administrative Service in 1979. He served in the Ministry of Finance (Revenue Division), Education and Defence before being appointed Permanent Secretary in the Ministry of Defence in 1989. Mr. Koh was the Commissioner of Inland Revenue from 1991 to 1997. In 1998, he was appointed Managing Director, Monetary Authority of Singapore (Governor of the Central Bank). He had also held the appointments of Permanent Secretary, Ministry of Health and National Development, and Second Permanent Secretary, Ministry of Finance (Budget and Revenue) between 1998 and 2001. He retired as the Managing Director, Monetary Authority of Singapore (MAS), in June 2005, and remained a member of the MAS Board until April 2011. He served as the Chairman of Central Provident Fund Board, the national pension fund for all employees in both the private and public sectors in Singapore, from 2005 to 2013. He was Singapore's Non-Resident High Commissioner to Canada from May 2008 to March 2013.

Mr. Koh is currently the Chairman of the Board of SMRT Corporation Ltd, a publicly listed company that runs the underground train system, and buses and taxi services in Singapore. He is also Chairman of the Singapore Deposit Insurance Corporation, and Chairman of the Cancer Sciences Institute of Singapore. Mr Koh is Singapore's Ambassador (Non-Resident) to Greece since May 2013.

He graduated with a Bachelor of Applied Science (Honours) degree in Mechanical Engineering in 1970 and a Master of Applied Science in Mechanical Engineering and Biomedical Engineering in 1972 from the University of Toronto on a Colombo Plan scholarship. He obtained a Master's Degree in Business Administration (with distinction) from the Catholic University of Leuven, Belgium in 1981. He was conferred an Honorary Doctorate by the University of Toronto in 2011.

MS. SEAH YEN GOON

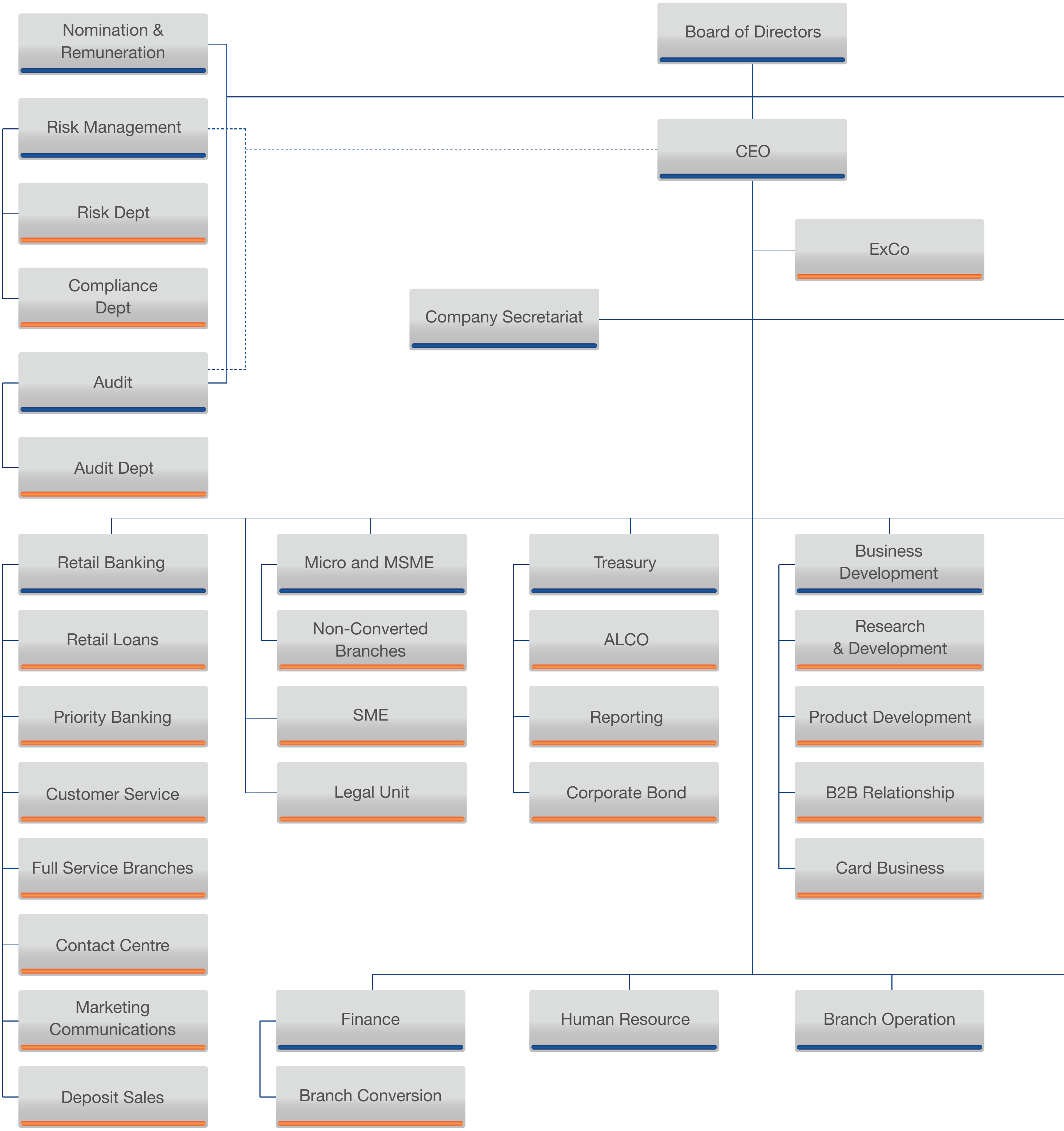
Independent Director

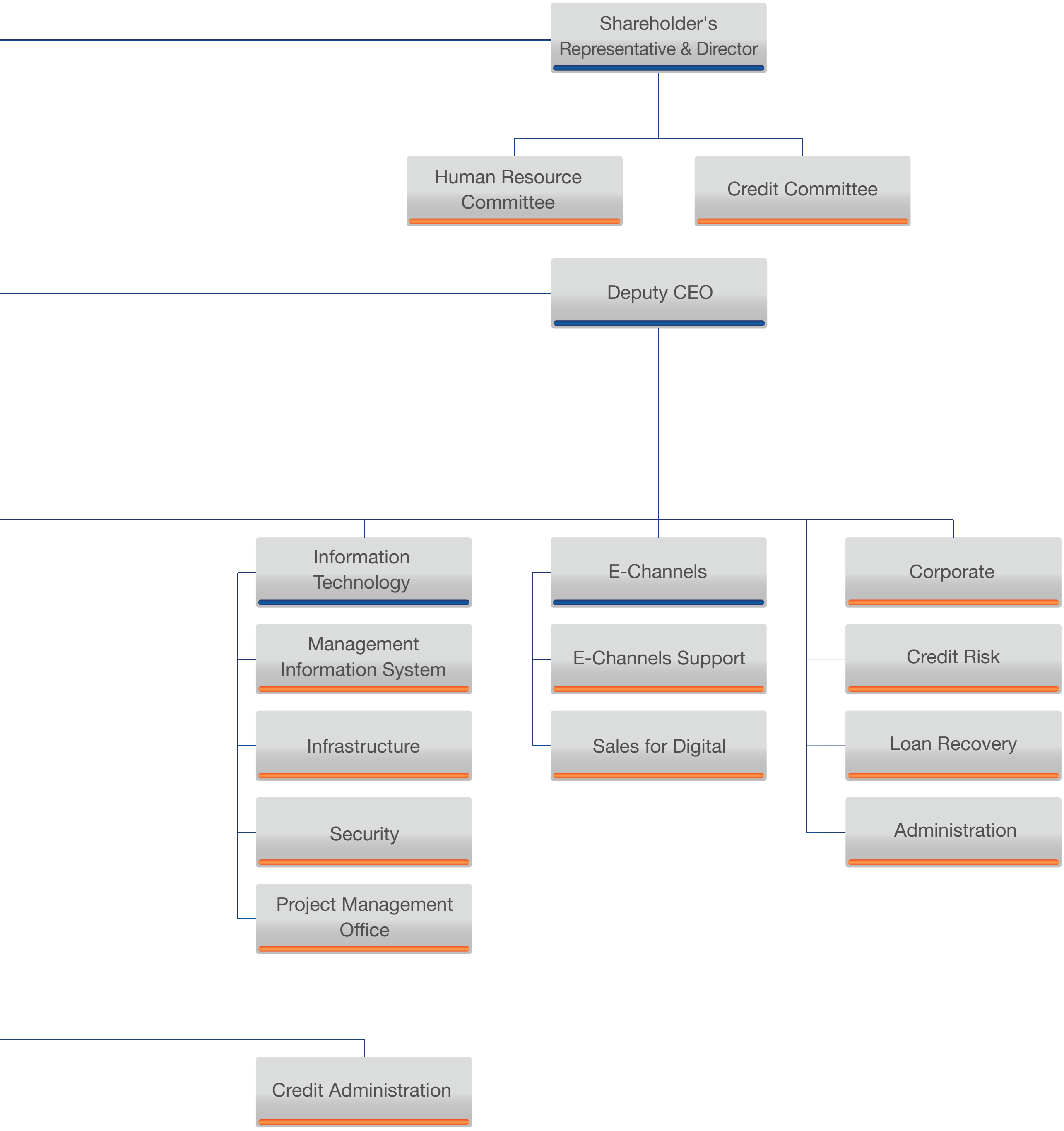
Ms. Seah Yen Goon has more than 30 years of working experience in financial institutions including GE Commercial Finance, which specialises in financing small and medium-sized enterprises. She held senior position in Finance, Operations, IT, overseeing operations in Singapore, Thailand and Hong Kong. She was the Chief Financial Officer in charge of the finance and controllership, strategic and financial planning, funding and compliance.

She conducts training workshops at various institutions and serves at the HR sub-committees of St. Luke's Hospital and the Singapore Christian Home.

Ms. Seah is a Chartered Accountant (Singapore) who holds a Bachelor of Accountancy degree from the University of Singapore, now called the National University of Singapore and an MBA degree (Business Law) from the Nanyang Technological University.

PHILLIP BANK
ORGANISATION CHART




Shareholder's Representative & Director
Human Resource Committee
Credit Committee
Deputy CEO
Information Technology
Management Information System
Infrastructure
Security
Project Management Office
E-Channels
E-Channels Support
Sales for Digital
Corporate
Credit Risk
Loan Recovery
Administration
Credit Administration

PROFILE
OF MANAGEMENT

MR. HAN PENG KWANG

Deputy Chief Executive Officer

Mr. Han graduated with a Bachelor's Degree in Economics (Honors) from Universiti Utara Malaysia in 1995 and he is a Chartered Banker and a Certified Credit Professional of the Asian Institute of Chartered Banker (AICB). He is also a Certified Scrum-Master (CSM) and a Certified Scrum Product Owner (CSPO). He has over 25 years of banking experience starting from 1995 when he joined Public Bank Berhad, a well-known Malaysian Public listed Commercial Bank as a Graduate Trainee and thereafter, was gradually promoted until becoming a Branch Manager. His banking experience includes frontline operations, marketing, credit processing, loan securities and documentations, credit review, credit control and trade financing. Mr. Han left Public Bank in mid-2009 to establish HwangDBS Commercial Bank Plc (now known as Phillip Bank Plc). He was the General Manager of the bank and was responsible for overseeing the entire operations of the Bank and expanded the Bank's network from one branch in 2009 to six branches. He remains as the General Manager of Phillip Bank Plc upon the change of ownership at the beginning of 2014. In January 2020, Phillip Bank Plc successfully merged with Kredit MFI to become a larger commercial bank with a network of 89 branches throughout the country and more than 2,000 employees. Upon the completion of the merger, Mr. Han was redesignated as the Deputy Chief Executive Officer of the larger entity.

MS. SOK CHANTHEARA

Chief Finance Officer

Ms. Chantheara has more than 10 years of experience in banking and finance. Before the merger, she was the CFO at KREDIT Micro-finance. She also worked as an auditor with a Big Four accounting firm, in charge of financial services, corporate, garment factories, as well as local and international NGOs. Ms. Chantheara obtained two Bachelor Degrees in Accounting and English Teaching in 2006 from the Royal University of Law and Economics (RULE) and Institute of Foreign Languages (IFL) respectively. In June 2013, she completed the ACCA programme from the UK and was accepted as an ACCA member in the same year. In September 2018, she became a fellow member of FCCA.

PROFILE OF MANAGEMENT

MR. DOMINIC TEO

Chief of Branch Operations

Mr. Teo has a Diploma in Banking and Finance from the Institute of Banking and Finance, Singapore. Mr. Teo has over 30 years of banking experience in Consumer Banking Operations, Consumer Banking Risk Management as well as the Group Audit department with Standard Chartered Bank, Singapore. He was also with DBS Group Audit for a short period doing audits relating to Consumer Banking and Group Technology and Operations (GTO). He started his career as clerical staff before moving up to a middle management position in Standard Chartered Bank, Singapore. Mr. Teo joined Phillip Bank Plc in August 2014 as Head of Operations and later redesignated as Chief of Branch Operations in 2020.

MR. SOK KIMCHHAY

Chief Information Officer

Mr. Kimchhay is currently Chief Information Officer, focusing on supporting the critical technology services mission in the organisation. He oversees the organization security, data centre, network infrastructure, core banking, digital banking service, mobile, and application development as well as successful technology utilisation by leveraging the centralised system to automate the process and reduce the paperwork for cost efficiency. He holds the MSIT degree from Norton University and Bachelor of Computer Science from Royal University of Phnom Penh. Besides this, he also obtained other training and skills certificates from both national and international related to microfinance, banking, security, and compliance. He received an ASEAN CIO AWARD as one of the most outstanding Chief Information Officers in 2015 from IDG.

PROFILE
OF MANAGEMENT

MR. KHENG TILEN

Chief Business Development Officer

Mr. Tilen began his career in the banking and microfinance sector in 2005 as a Marketing Officer and was later involved in many positions starting from Research and Development Manager, Account Relationship Manager, Assistant Senior Vice President of Marketing Division, Head of Business Development & Branch Management, Chief Business Officer, and Vice President of Consumer and Business Banking at Acleda Bank, AEON Microfinance, KREDIT Microfinance, and Cathay United Bank (Cambodia). He joined Phillip Bank Plc in 2019 as Head of Retail Banking and later redesignated as Chief Business Development Officer in 2020.

Mr. Tilen obtained a Bachelor's Degree in Business Administration, a Bachelor's Degree of Arts from the Institute of Foreign Languages (IFL), and Master's Degree in Management from Thailand's Burapha University. In addition, he attended numerous nationally and internationally recognised courses, certifications and events in Singapore, Thailand, Indonesia, India, Hong Kong, The Philippines, Malaysia, etc.

MR. HIM SEILA

Head of Retail Banking Division

Mr. Seila graduated with a Bachelor's Degree in Computer Science, Bachelor's Degree in Business Administration and earned a Master's Degree in Management from the National Institute of Business and Computer Science from Royal University of Phnom Penh (RUPP).

Seila has worked for more than 15 years in both microfinance and banking services covering various disciplines. He started his career in the field of research, product development and attained various management positions both frontline and back-office support, for either local to international banks. Mr. Seila joined Phillip Bank in June 2020 as Head of Retail Banking Division.

PROFILE
OF MANAGEMENT

MS. LILY SABRINA

Chief of Human Resources

Ms. Lily joined Phillip Bank Cambodia as Chief of Human Resources in May 2020. She oversees the HR and Learning & Development Departments. Lily brings with her over 25 years of strategic and operational human resources experience gained in both local and multinational companies, and diverse sectors such as banking, property development, property investment, manufacturing and healthcare.

Lily speaks English, Bahasa Malaysia, Mandarin, Hokkien and Cantonese (Chinese dialects) and she brings with her, skill sets in Change Management, Talent Management and Organisational Development, in addition to industrial relations experience.

Lily holds a Post Graduate Diploma in Human Resource Management from Glasgow University and a Master's Degree in Human Resource Management from Open University Malaysia.

MS. SRON SREYNEANG

Head of Treasury Division

Ms. Sreyneang graduated with a Bachelor's Degree in Accounting from the Royal University of Laws and Economics (RULE) in 2006 and finished her ACCA in 2019. Ms. Sreyneang started her career in 2006 and worked as an Auditor for 6.5 years. She has been involved in many industrials including corporates, banks and NGOs. She also worked for PwC Malaysia for 14 months on the Secondment Programme. Ms. Sreyneang joined Phillip Bank in April 2015 as Finance Manager and later redesignated as the Treasurer of the Bank.

PROFILE
OF MANAGEMENT

MR. VINCENT YAP TONG YIN

Chief of E-Channels Banking Officer

Mr. Yap graduated with a Bachelor of Economics (Honours) from the University of York, United Kingdom (1982). His deep knowledge ranges from supply chain finance to structured trade finance, syndication, IPO, M&A, E-Banking, treasury solutions, cash management, relationship management and private-public equity funding. Mr. Yap is an accomplished banker and has held senior positions at leading financial institutions such as Bank of America, Merrill Lynch, Standard Chartered Bank, Bank of Tokyo Mitsubishi-UFJ, Fleet Boston Bank, and Malayan Banking in his 30 years in banking. He has led and managed sales teams, relationship management, retail and corporate product development, virtual banking, branch banking and executed in-country business strategies under his portfolios. Mr. Yap's significant triumph was in spearheading the setting up of the E-Banking Division and Maybank Call Centre Department for Maybank Group across its footprint in the late 1990s. His previous stint with Bank of Tokyo Mitsubishi-UFJ, was as AGM and Regional Head of Financial Institutions for Asia-Oceania covering 11 countries (2010-2015). Mr. Yap was also the Trade Finance Consultant to the Singapore-based VCargo Cloud Pte. Ltd. ("VCC"), global integrated e-trade, e-freight and logistics cloud solutions provider. He provided trade advisory in the designing and development of the CamelONE™ Trade Finance, the first unified multi-bank trade finance portal launched in Singapore to be supported by nine leading trade finance banks (2018-2019). Mr. Yap was also the Director and Independent Consultant for APAC to MITIGRAM AB, a Swedish company that provides a web-based digital market-place for risk coverage and financing of global trade (the "MITIGRAM Platform") until November 2019, before he released himself from his independent consultancy obligations to join Phillip Bank. Mr. Yap joined Phillip Bank in November 2019 as Chief of E-Channels Banking Officer, to help drive the growth of the E-Channels revolution strategies to bring new desires, recognising that users today are demanding robust services in the digital and e-realms to maximise users' satisfaction.

PROFILE
OF MANAGEMENT

MR. ROM VANARA

Head of Micro & MSME Lending Division

Mr. Vanara is currently Head of Micro & MSME Lending Division, responsible for Branch Performance Management, Credit Process and Approval, Loan Quality Controlling, CBC and Reporting. He obtained a Diploma in Accounting and Finance, a Bachelor's Degree in English Literature at Build Bright University. In 2010, he graduated with a Master's Degree in Finance and Banking from Build Bright University and completed the Commercial Loan to Business Programme from Omega Performance U.S and received a Certificate from Moody's Analytics in 2019. Moreover, he also attended nationally, and internationally numerous courses related to microfinance and banking such as Managing MFI/Bank, Banking Products and Services, Advanced Risk Management, Operations Management, Credit Risk Management, Branch Management, Advanced Management and Leadership, Business Development Process, Business Law and Contract Law, Digital Banking Transformation, Fund Management, Data Analytics and so on.

FINANCIALS

Report of the Board of Directors and Audited financial statements in accordance with Cambodian International Financial Reporting Standards as at 31 December 2020 and for the year then ended

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors submits this report, together with the financial statements of Phillip Bank Plc. ("the Bank") as at 31 December 2020 and for the year then ended.

THE BANK

The Bank was incorporated on 26 June 2009 under the Cambodian Law on Commercial Enterprises and licensed under the regulations of the National Bank of Cambodia ("NBC"). The Bank is a wholly-owned subsidiary of Phillip MFIS Pte Ltd.

In 2018, the Board of Directors and the shareholder approved to merge Kredit Microfinance Institution Plc., a company under common shareholder, into the Bank. On 5 July 2019, Phillip Bank Plc. entered into a merger agreement with Kredit Microfinance Institution Plc. to supersede the earlier merger agreement entered in 2018. On 30 October 2019 and 15 January 2020, the Bank obtained approval from the NBC and Ministry of Commerce, respectively, to merge the two entities effective from 1 January 2020.

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

There was no significant change in the principal activities of the Bank during the year.

FINANCIAL RESULTS

The Bank's financial performance for the year ended 31 December 2020 is set out in the statement of comprehensive income.

DIVIDENDS

No dividend was declared or paid and the Board of Directors does not recommend any dividend to be paid during the year.

SHARE CAPITAL

The Bank's share capital as at 31 December 2020 was US$75,000,000 (2019: US$75,000,000) by way of issuance of shares with par value of US$1 per share. All shares are issued and fully paid.

RESERVE 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.

EXPECTED CREDIT LOSSES ON LOANS AND ADVANCES TO CUSTOMERS

Before the financial statements of the Bank were prepared, the Board of Directors took reasonable steps to ascertain that actions had been taken in relation to writing off bad loans and in recognising the provision for expected credit losses, and satisfied themselves that all known bad loans had been written off and reasonable allowance had been made for expected credit losses.

At the date of this report, the Board of Directors is not aware of any circumstances, which would render the amount written off for bad loans, or the amount of allowance for expected credit losses in the financial statements of the Bank, inadequate in any material respects.

ASSETS

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

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

VALUATION METHODS

At the date of this report, the Board of Directors is not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets and liabilities in the financial statements of the Bank as 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 Board of Directors, will or may substantially affect the ability of the Bank to meet its obligations as and when they fall due.

REPORT OF THE BOARD OF DIRECTORS

CHANGE OF CIRCUMSTANCES

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

ITEMS OF UNUSUAL NATURE

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

There has not arisen in the interval between the end of the 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 Board of Directors, to affect substantially the results of the operations of the Bank for the current financial year in which this report is made.

EVENTS AFTER THE REPORTING PERIOD

There have been no significant events occurring during the period between the end of the reporting period and the date of authorisation of these financial statements, which would require adjustments or disclosures to be made in the financial statements.

THE BOARD OF DIRECTORS

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

Mr. Lim Hua Min	Chairman
Mr. Ong Teong Hoon	Director
Mr. Chan Mach	Director and Chief Executive Officer
Mr. Paul Gwee Choon Guan	Independent Director
Ms. Seah Yen Goon	Independent Director
Mr. Koh Yong Guan	Independent Director

AUDITOR

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

DIRECTORS' INTERESTS

Mr. Lim Hua Min, the Chairman of the Board of Directors, holds 85% share in Phillip MFIS PTE LTD.

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 entity.

Since the end of the previous 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 Bank in which the Director has a substantial financial interest other than as disclosed in the financial statements.

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

The Board of Directors is responsible for ascertaining that the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with Cambodian International Financial Reporting Standards ("CIFRSs"). The Board of Directors oversees the preparation of these financial statements by management who 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 CIFRSs or, if there have been any departures in the interest of fair presentation, these have been appropriately disclosed, explained and quantified in the financial statements;

(iii) Maintain adequate accounting records and an effective system of internal controls;

(iv) Prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Bank will continue operations in the foreseeable future; and

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

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

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

REPORT
OF THE BOARD OF DIRECTORS

APPROVAL OF THE FINANCIAL STATEMENTS

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

On behalf of the Board of Directors:

ONG TEONG HOON
Director and Shareholder's Representative
Phnom Penh, Kingdom of Cambodia
30 March 2021

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Phillip Bank Plc.

Opinion

We have audited the financial statements of Phillip Bank Plc ("the Bank"), which comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with Cambodian International Financial Reporting Standards ("CIFRSs").

Basis for Opinion

We conducted our audit in accordance with Cambodian International Standards on Auditing ("CISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the Prakas on the Code of Ethics for Professional Accountants and Auditors issued by the Royal Government of Cambodia, and we have fulfilled our other ethical responsibilities in accordance with its requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the Bank for the year ended 31 December 2019, were audited by another auditor who expressed an unmodified opinion on those statements on 30 March 2020.

Information Other than the Financial Statements and Auditor's Report Thereon

The other information obtained at the date of the auditor's report is the Report of Board of Directors. Management is responsible for the other information.

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

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

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

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

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

Those charge with governance is 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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.

Emmanuel A. Guelas
Partner

Ernst & Young (Cambodia) Ltd.
Certified Public Accountants
Registered Auditors

Phnom Penh, Kingdom of Cambodia
30 March 2021

STATEMENT OF FINANCIAL POSITION (as at 31 December 2020)

	Notes	31 December 2020 US$	31 December 2020 KHR'000 (Note 2.3.3)	31 December 2019 US$	31 December 2019 KHR'000 (Note 2.3.3)
ASSETS					
Cash and cash equivalents	5	114,128,538	461,649,936	57,468,468	234,184,007
Placements with other banks	6	994,299	4,021,939	-	-
Statutory deposits	7	39,936,279	161,542,249	34,417,839	140,252,694
Loans and advances to customers	8	475,635,295	1,923,944,768	226,596,859	923,382,200
Investment in equity instrument	9	42,500	171,913	25,000	101,875
Property and equipment	10	3,967,356	16,047,955	1,906,037	7,767,101
Right-of-use assets	11	7,531,930	30,466,658	2,814,014	11,467,107
Intangible assets	12	1,918,050	7,758,512	755,895	3,080,272
Deferred tax assets	18	1,027,906	4,157,880	337,117	1,373,752
Other assets	13	988,911	4,000,145	390,546	1,591,475
TOTAL ASSETS		646,171,064	2,613,761,955	324,711,775	1,323,200,483
LIABILITIES AND SHAREHOLDER'S EQUITY					
LIABILITIES					
Deposits from other financial institutions	14	89,320,759	361,302,470	65,154,733	265,505,537
Deposits from customers	15	362,279,031	1,465,418,680	171,234,595	697,780,975
Borrowings	16	53,578,925	216,726,752	-	-
Lease liabilities	17	7,019,280	28,392,988	2,683,885	10,936,831
Income tax payable	18	1,301,167	5,263,221	1,072,192	4,369,182
Other liabilities	19	2,975,997	12,037,908	1,533,552	6,249,225
TOTAL LIABILITIES		516,475,159	2,089,142,019	241,678,957	984,841,750
SHAREHOLDER'S EQUITY					
Share capital	20	75,000,000	300,765,000	75,000,000	300,765,000
Other reserves	20	25,490,274	103,923,847	-	-
Regulatory reserve	20	4,501,033	18,263,021	2,636,159	10,659,930
Retained earnings		24,704,598	100,568,241	5,396,659	21,849,772
Cumulative exchange differences on translation		-	1,099,827	-	5,084,031
TOTAL SHAREHOLDER'S EQUITY		129,695,905	524,619,936	83,032,818	338,358,733
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		646,171,064	2,613,761,955	324,711,775	1,323,200,483

The attached notes 1 to 34 form part of these financial statements.

STATEMENT
OF COMPREHENSIVE INCOME

(For the year ended 31 December 2020)

		2020		2019	
	Notes	**US$**	**KHR'000 (Note 2.3.3)**	**US$**	**KHR'000 (Note 2.3.3)**
Interest income	21	66,508,085	271,153,463	18,630,501	75,490,790
Interest expense	22	(27,041,252)	(110,247,184)	(7,060,593)	(28,609,523)
Net interest income		39,466,833	160,906,279	11,569,908	46,881,267
Net fees and commission income	23	2,033,517	8,290,649	756,615	3,065,804
Other income	24	566,271	2,308,687	276,994	1,122,380
Total operating income		42,066,621	171,505,615	12,603,517	51,069,451
Personnel expenses	25	(17,150,797)	(69,923,799)	(4,004,992)	(16,228,228)
Depreciation and amortisation	26	(3,722,034)	(15,174,733)	(1,120,371)	(4,539,743)
Promotion and marketing	27	(1,746,037)	(7,118,593)	(375,141)	(1,520,071)
General and administrative expenses	28	(7,351,339)	(29,971,409)	(1,771,875)	(7,179,638)
Total operating expenses		(29,970,207)	(122,188,534)	(7,272,379)	(29,467,680)
Operating income before impairment		12,096,414	49,317,081	5,331,138	21,601,771
(Provision for) reversal of provision for expected credit losses	5, 6, 8	(2,584,596)	(10,537,398)	151,700	614,688
INCOME BEFORE INCOME TAX		9,511,818	38,779,683	5,482,838	22,216,459
Income tax expense	18	(2,045,235)	(8,338,423)	(1,157,955)	(4,692,034)
NET INCOME FOR THE YEAR		7,466,583	30,441,260	4,324,883	17,524,425
Other comprehensive income (loss)					
Exchange difference on translation		-	(3,984,204)	-	4,585,825
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		7,466,583	26,457,056	4,324,883	22,110,250

The attached notes 1 to 34 form part of these financial statements.

STATEMENT
OF CHANGE IN EQUITY

(For the year ended 31 December 2020)

	Share capital		Other reserves		Regulated reserve		Retained earnings		Cumulative exchange differences on translation	Total	
	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)
As at 1 January 2020	75,000,000	300,765,000	-	-	2,636,159	10,659,930	5,396,659	21,849,772	5,084,031	83,032,818	338,358,733
Increase in equity under legal merger	-	-	25,490,274	103,923,847	1,361,444	5,550,607	12,577,464	51,278,321	-	39,429,182	160,752,775
Transfers to regulatory reserves	-	-	-	-	503,430	2,052,484	(503,430)	(2,052,484)	-	-	-
Transfers to social fund	-	-	-	-	-	-	(232,678)	(948,628)	-	(232,678)	(948,628)
Net income for the year	-	-	-	-	-	-	7,466,583	30,441,260	-	7,466,583	30,441,260
Exchange difference on translation during the year	-	-	-	-	-	-	-	-	(3,984,204)	-	(3,984,204)
As at 31 December 2020	75,000,000	300,765,000	25,490,274	103,923,847	4,501,033	18,263,021	24,704,598	100,568,241	1,099,827	129,695,905	524,619,936

	Share capital		Regulated reserve		Retained earnings		Cumulative exchange differences on translation	Total	
	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)
As at 1 January 2019	75,000,000	300,765,000	2,001,001	8,071,661	1,706,934	6,913,616	498,206	78,707,935	316,248,483
Transfers to regulatory reserves	-	-	635,158	2,588,269	(635,158)	(2,588,269)	-	-	-
Net income for the year	-	-	-	-	4,324,883	17,524,425	-	4,324,883	17,524,425
Exchange difference on translation during the year	-	-	-	-	-	-	4,585,825	-	4,585,825
As at 31 December 2019	75,000,000	300,765,000	2,636,159	10,659,930	5,396,659	21,849,772	5,084,031	83,032,818	338,358,733

The attached notes 1 to 34 form part of these financial statements.

STATEMENT
OF CASH FLOWS *(For the year ended 31 December 2020)*

	Note	2020 US$	2020 KHR'000 (Note 2.3.3)	2019 US$	2019 KHR'000 (Note 2.3.3)
OPERATING ACTIVITIES					
Income before income tax		9,511,818	38,779,683	5,482,838	22,216,459
Adjustments for:					
Depreciation and amortisation	26	3,722,034	15,174,733	1,120,371	4,539,743
Provision (reversal of provision) for expected credit losses on:					
Loans and advances	8	2,826,260	11,522,662	(238,799)	(967,614)
Placements with other banks	6	12,267	50,013	(8,097)	(32,809)
Cash and cash equivalents		(253,891)	(1,035,114)	95,197	385,738
Write-off of:					
Property and equipment and intangible assets	10	605,831	2,469,973	19,105	77,413
Right-of-use assets and lease liabilities	11,17	14,853	60,556	-	-
Allowance for expected credit losses on loans and advances	8	(241,090)	(982,924)	-	-
Gains on disposal of property and equipment	10	(802)	(3,270)	(3,361)	(13,619)
Withholding tax credit		(13)	(53)	(737)	(2,986)
Net cash flows from operating activities before changes in operating assets and liabilities		16,197,267	66,036,259	6,466,517	26,202,325
Changes in operating assets and liabilities:					
Placements with other banks		(1,006,566)	(4,103,770)	809,724	3,281,002
Loans and advances to customers		6,930,333	28,254,968	(59,485,490)	(240,181,870)
Statutory deposits		9,026,850	36,802,467	(7,563,959)	(30,649,162)
Other assets		(248,679)	(1,013,864)	48,920	198,235
Deposits from other financial institutions		14,373,821	58,602,068	(12,278,158)	(49,157,255)
Deposits from customers		30,326,046	123,639,290	58,299,190	233,222,026
Other liabilities		(192,552)	(785,033)	672,225	2,723,856

STATEMENT
OF CASH FLOWS *(For the year ended 31 December 2020)*

		2020		2019	
	Note	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)
Net cash provided by (used in) operations		75,406,520	307,432,385	(13,031,031)	(54,360,843)
Income taxes paid	18	(2,542,945)	(10,367,588)	(899,800)	(3,645,990)
Net cash provided by (used in) operating activities		72,863,575	297,064,797	(13,930,831)	(58,006,833)
INVESTING ACTIVITIES					
Acquisition of:					
Property and equipment	10	(1,848,920)	(7,538,047)	(892,130)	(3,614,911)
Intangible assets	12	(922,158)	(3,759,638)	(705,579)	(2,859,006)
Proceeds from disposal of property and equipment	10	2,504	10,209	3,364	13,631
Net cash used in investing activities		(2,768,574)	(11,287,476)	(1,594,345)	(6,460,286)
FINANCING ACTIVITIES					
Payment of principal portion of lease liabilities	17	(1,470,371)	(5,994,703)	(349,154)	(1,414,772)
Proceeds from borrowings		14,257,085	58,126,136	-	-
Repayments of borrowings		(46,979,435)	(191,535,156)	-	-
Social dividend distribution		(232,678)	(948,628)	-	-
Net cash used in financing activities		(34,425,399)	(140,352,351)	(349,154)	(1,414,772)
Net increase (decrease) in cash and cash equivalents		35,669,602	145,424,970	(15,874,330)	(64,708,522)
Cash and cash equivalents at beginning of year		57,742,519	235,300,765	73,616,849	295,073,864
Transfer from Kredit MFI under legal merger		20,781,207	84,683,419	-	-
Exchange difference on translation		-	136,855,209	-	6,350,195
Cash and cash equivalents at end of year	5	114,193,328	461,912,012	57,742,519	235,300,765
OPERATIONAL CASH FLOWS FROM INTEREST					
Interest received		63,436,345	258,503,106	17,782,227	72,053,584
Interest paid		29,542,785	120,386,849	6,265,983	25,389,763

STATEMENT
OF CASH FLOWS *(For the year ended 31 December 2020)*

Significant non-cash transactions related to the assets, liabilities and equity arising from the business combination under common control are as follows:

		2020	
	Note	**US$**	**KHR'000 (Note 2.3.3)**
Recognised assets, liabilities and equity:			
Cash and cash equivalents		20,736,577	84,543,024
Statutory deposits		14,545,290	59,301,147
Loans and advances to customers	8	258,553,939	1,054,124,409
Investment in equity instrument	9	17,500	71,348
Property and equipment	10	1,802,377	7,348,291
Right-of-use assets	11	4,175,509	17,023,550
Intangible assets	12	1,227,025	5,002,581
Deferred tax assets	18	809,982	3,302,297
Other assets		557,171	2,271,586
Deposits from other banks		9,792,205	39,922,820
Deposits from customers		160,718,390	655,248,876
Borrowings		86,301,275	351,850,298
Lease liabilities	17	3,703,430	15,098,884
Income tax payable	18	845,891	3,448,698
Other liabilities		1,634,997	6,665,883
Share capital	20	18,395,200	74,997,230
Other reserves	20	7,095,074	28,926,617
Regulatory reserve		1,361,444	5,550,607
Retained earnings		12,577,464	51,278,321

The attached notes 1 to 34 form part of these financial statements.

NOTE TO
THE FINANCIAL STATEMENTS

(As at 31 December 2020 and for the year then ended)

1. CORPORATE INFORMATION

Establishment and operations

The Bank was incorporated on 26 June 2009 under the Cambodian Law on Commercial Enterprises and licensed under the regulations of the National Bank of Cambodia ("NBC").

The Bank received the renewed NBC license for an indefinite period on 4 March 2015. The Bank is engaged in the provision of comprehensive banking and related financial services in the Kingdom of Cambodia in accordance with Registration No. Co. 5915/09E issued by the Ministry of Commerce. On 11 February 2016, the Bank obtained Registration No. 00000292 from the Ministry of Commerce.

In 2018, the Board of Directors and the shareholder approved to merge Kredit Microfinance Institution Plc., a company under common shareholder, into the Bank.

On 5 July 2019, Phillip Bank Plc. entered into a merger agreement with Kredit Microfinance Institution Plc. ("Kredit MFI") to supersede the earlier merger agreement entered in 2018. On 30 October 2019 and 15 January 2020, the Bank obtained approval from the NBC and Ministry of Commerce, respectively, to merge the two entities effective from 1 January 2020.

There is no significant change in the principal activities of the Bank during the year.

The financial statements were authorised for issue by the Board of Directors on 30 March 2021.

Location

The registered office of the Bank is located at No. 27DEFG, Monivong Blvd, Sangkat Srah Chork, Khan Daun Penh, Phnom Penh, Kingdom of Cambodia.

Employees

As at 31 December 2020, the Bank had 1,899 employees (31 December 2019: 237 employees).

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Bank have been prepared on historical cost basis, except for any financial assets and financial liabilities that have been measured at fair value.

2.1. Basis of preparation

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

2.2. Fiscal year

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

2.3. Foreign currency translation

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

2.3.1. Presentation currency

The financial statements are presented in US$, which is the Bank's functional and presentation currency.

2.3.2. Transactions and balances

Transactions in currencies other than US$ are translated into US$ at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in currencies other than US$ which are outstanding at the reporting date are translated into US$ at the rate of exchange ruling at that date. Exchange differences arising on translation are recognised in profit or loss.

2.3.3. Translation of US$ in KHR

The translation of the US$ amounts into thousands KHR ("KHR'000") is presented in the financial statements to comply with the Law on Accounting and Audit dated 11 April 2016 using the closing and average rates for the year then ended. Assets and liabilities included in the statement of financial position are translated at the closing rate prevailing at the end of each reporting date, whereas income and expense items presented in the statement of comprehensive income are translated at the average rate for the year then ended. All resulting exchange differences are recognised in the statement of comprehensive income. Such translation should not be construed as a representation that the US$ amounts represent, or have been or could be, converted into KHR at that or any other rate. All values in KHR are rounded to the nearest thousand ("KHR'000"), except if otherwise indicated.

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

	2020	2019
Closing rate	4,045	4,075
Average rate	4,077	4,052

2.4. Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. These standards and amendments to CIFRSs issued but not yet effective are not expected to have a significant impact on the financial position or performance of the Bank.

- CIFRS 17, Insurance (effective for reporting periods beginning on or after 1 January 2023)
- Amendments to CIFRS 9 Financial Instruments – Fees in the '10 percent' test for derecognition of financial liabilities (the amendment is effective for annual reporting periods beginning on or after 1 January 2022).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1. Merger

As disclosed in Note 1 to the financial statements regarding the merger, Kredit MFI's assets and liabilities have been transferred to the Bank effective from 1 January 2020 which continue to fulfill all rights and obligation of Kredit MFI. The Bank has adopted the predecessor value method accounting on such transaction. Assets and liabilities are recognised upon legal merger at their carrying amounts.

3.2. 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.

3.3. Placements with other banks

Placements with other banks are stated at cost less impairment for any uncollectable amounts.

3.4. 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.

3.5. Financial assets and financial liabilities

3.5.1. Recognition and initial measurement

The Bank initially recognises loans and advances on the date on which they are originated. All other financial assets are recognised on the date on which the Bank become 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 financial assets at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

3.5.2. Classification

Financial assets

On initial recognition, a financial asset is classified and measured at: amortised cost, financial assets at fair value through other comprehensive income (FVOCI) or 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 OCI. This election is made on an investment-by-investment basis.

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.

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 solely payments of principal and interest (SPPI), the Bank consider the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

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).

Business model assessment

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

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;

- How the performance of the portfolio is evaluated and reported to the Bank's management;

- The risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;

- How managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and

- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

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

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 apply 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 Bank typically considers the following information when making this judgement:

- 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.

3.5.3. Derecognition

Financial assets

The Bank derecognise 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 transfer nor retain substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

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

Financial liabilities

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

3.5.4. 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 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 plan 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 recalculate the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognise the resulting adjustment as a modification gain or loss in profit and loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

- If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

Financial liabilities

The Bank derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit and loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability. If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit and loss.

For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

3.5.5. Offsetting

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

3.5.6. 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 have 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 use valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

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

If an asset or a liability measured at fair value has a bid price and an ask price, then the Bank measure 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.

3.5.7. Impairment

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

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

No impairment loss is recognised on equity investments.

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

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

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

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

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 ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Bank consider 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 ECLs.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Bank are 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 Bank considers that a significant increase in credit risk occurs no later than when an asset is more than or equal to 30 days past due for long-term facilities or more than or equal to 15 days past due for short-term facilities.

Measurement of ECL

ECLs 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 expect to receive);

- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows; and

- Undrawn loan commitments: 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 expect to receive.

Inputs, assumptions and techniques used for estimating impairment

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

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

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD. The statistical model has been employed to analyse data collected and generate estimate of remaining lifetime PD of exposure and how these are expected to change as result of passage of time.

LGD is the magnitude of the likely loss if there is a default. The Bank estimate 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. For loans secured by retail property, LTV ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Bank derive 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 EADs are 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 consider a longer period. The maximum contractual period extends to the date at which the Bank have the right to require repayment of an advance or terminate a loan commitment or guarantee.

Restructured financial assets

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

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

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

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

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

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a 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 determine that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

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

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

3.6. Loans and advances

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

3.7. Other assets

Other assets are carried at cost less impairment if any.

3.8. Property and equipment

3.8.1. 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.

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.

3.8.2. Subsequent costs

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.

3.8.3. 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/declining basis] over the estimated useful lives of each component of an item of property and equipment.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Bank will obtain ownership by the end of the lease term. Freehold land is not depreciated.

The estimated useful lives are as follows:

	Year
Leasehold improvements	5
Office equipment	5
Furniture, fixtures and fittings	5
Computer equipment	3
Motor vehicles	5

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

3.9. Intangible assets

Intangible assets, which comprise acquired computer software licenses and related costs, are stated at cost less accumulated amortisation and impairment loss. Acquired computer software licenses are capitalised on the basis of the cost incurred to acquire the specific software and bring it to use.

Intangible assets are amortised over their estimated useful lives of 5 years using the straight-line method. Costs associated with the development or maintenance of computer software are recognised as expenses when incurred.

3.10. Impairment of non-financial assets

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

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

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

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

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

3.11.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 have 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 have 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.

At inception or on reassessment of a contract that contains a lease and non-lease component, the Bank allocate 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 have elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

3.11.1. Leases in which the Bank is a lessee

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

- The purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;

- The purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or

- Facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

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

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

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

- Building and office branches 2 – 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 use their 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 are reasonably certain to exercise, lease payments in an optional renewal period if the Bank are reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank are reasonably certain not to terminate early.

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

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

3.11.2. Short-term leases and leases of low-value assets

The Bank 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. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3.12. Employee benefits

3.12.1. Provision for seniority indemnity

On 21 September 2018, the Ministry of Labor and Vocational Training ("MoLVT") issued Prakas No. 443 on Seniority Payment. This Prakas is applicable to all enterprises, establishments and those who are covered by the provisions of Article 89 (New) of the Labor Law. For enterprises other than textile, garment and footwear enterprise, the said Prakas requires retroactive seniority payment (prior to the release of the Prakas) equal to fifteen (15) days per year of employees' wages.

On 22 March 2019, the MoLVT issued guideline number 042/19 to delay the payment of the retroactive seniority payment starting from December 2021, which shall be paid as follows:

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

The retroactive seniority payment shall not exceed 6 months of an employee's average wage of each retrospective year. Employees are not entitled to the payment if they resign before receiving it.

The estimated amount of retroactive seniority payment was recognised under other liabilities (Note 19).

3.12.2. 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 have a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3.12.3. 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.

3.13. Provisions

Provisions are recognised in the statement of financial position when the Bank have 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.

3.14. Interest income/expense

3.14.1. 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 estimate 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 that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

3.14.2. Amortised cost and gross carrying amount

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

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

3.14.3. 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.

3.14.4. Presentation

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

3.15. 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, including account servicing fees, are recognised as the related services are performed.

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

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

3.16.1. 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.

3.16.2. Deferred tax

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

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

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

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

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

3.17. General and regulatory reserves

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

Regulatory reserve is 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 Articles 49 to 71 and the provision calculated in accordance with Article 72, and:

(i) In case that the regulatory provision calculated in accordance with Article 72 is lower than the 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 the provision calculated in accordance with Articles 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 reserve is not an item to be included in the calculated of the institution's net worth.

3.18. 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.

3.19. 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.

3.20. 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.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the financial statements in accordance with CIFRSs requires the Bank to make estimates and assumptions that affect the reported amounts of resources, liabilities, income and expenses and the disclosures of contingent resources and contingent liabilities.

Future events may occur which can cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

The following are the critical judgments and key assumptions that have a significant risk of material adjustment to the carrying amounts of assets and liabilities within the next financial year:

a. Classification of financial assets

The Bank classifies its financial assets depending on the business model for managing those financial assets and whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.

The Bank performs the business model assessment based on observable factors such as:

- Performance of the business model and the financial assets held within that business model are evaluated and reported to the Bank's key management personnel
- Risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- Compensation of business units whether based on the fair value of the assets managed or on the contractual cash flows collected
- Expected frequency, value and timing of sales

In performing the SPPI test, the Bank applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, the period for which the interest rate is set, contingent events that would change the amount and timing of cash flows, leverage features, prepayment and extension terms and other features that may modify the consideration for the time value of money.

b. Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the statement of financial position or disclosed in the notes to financial statements cannot be derived from active markets, these are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

c. Leases

The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Bank has several lease contracts that include extension and termination options. The Bank applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors such as leasehold improvements and location that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

Estimating the IBR for lease liabilities

The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR for lease liabilities is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment. The Bank estimates the IBR for lease liabilities using observable inputs (by reference to prevailing risk-free rates) adjusted to take into account the entity's credit risk (i.e., credit spread).

d. Expected credit losses on financial assets

The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgments and estimates include, among others:

- Segmentation of the portfolio, where the appropriate model or ECL approach is used
- Criteria for assessing if there has been a SICR and so allowances for debt financial assets should be measured on a lifetime ECL basis and the qualitative assessment
- Segmentation of debt financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and economic inputs and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomics scenarios and their probability weightings, to derive the economic inputs into the ECL models

e. Recognition of deferred tax assets

Deferred tax assets are recognised for all unused tax losses and temporary differences to the extent that it is probable that future taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable income together with future tax planning strategies.

f. Estimation of the useful lives of property and equipment and intangible assets

The useful lives of property and equipment are estimated based on the period over which these assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical and commercial obsolescence and other limits on the use of the assets. Any reduction in the residual value and estimated useful lives of property and equipment would increase the Bank's recorded operating expenses and decrease the related assets.

As at 1 January 2020, the Bank decided to change their expected useful lives as the Bank believes that the revised useful lives below provide more accurate information to the users of its financial statements.

- Furniture, fixture and fittings: from 10 years to 5 years
- Computer equipment: from 5 years to 3 years
- Intangible assets: from 10 years to 5 years

The above change in estimated useful lives resulted to increase in depreciation expense amounting to US$85,448 during the year.

5. CASH AND CASH EQUIVALENTS

	31 December 2020		31 December 2019	
	US$	**KHR'000 (Note 2.3.3)**	**US$**	**KHR'000 (Note 2.3.3)**
Cash on hand	25,240,243	102,096,783	6,406,059	26,104,690
Cash equivalents with the NBC	76,248,847	308,426,586	23,931,375	97,520,353
Cash equivalents with other banks	12,704,238	51,388,643	27,405,085	111,675,722
Gross cash and cash equivalents	114,193,328	461,912,012	57,742,519	235,300,765
Allowance for ECLs	(64,790)	(262,076)	(274,051)	(1,116,758)
	114,128,538	461,649,936	57,468,468	234,184,007

Cash and cash equivalents earn annual interest at rates ranging from 0.07% to 4.50% (2019: 1.60% to 4.25%). Interest income on cash and cash equivalents amounted to US$44,973 or KHR'000 183,355 (2019: US$114,882 or KHR'000 465,502) (Note 21).

6. PLACEMENTS WITH OTHER BANKS

	31 December 2020		31 December 2019	
	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)
Term deposits (non-cash equivalents)	1,006,566	4,071,559	-	-
Allowance for ECLs	(12,267)	(49,620)	-	-
	994,299	4,021,939	-	-

Placements with other banks have maturities ranging from 6 to 12 months and earn interest at 2.40% per annum (2019: 2.50% to 4.50% per annum).

During the year, interest income from placements with other banks amounted to US$293,145 or KHR'000 1,195,153 (2019: US$205,313 or KHR'000 831,928) (Note 21).

7. STATUTORY DEPOSITS

	31 December 2020		31 December 2019	
	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)
Capital guarantee	7,500,000	30,337,500	7,500,000	30,562,500
Reserve requirements	32,436,279	131,204,749	26,917,839	109,690,194
	39,936,279	161,542,249	34,417,839	140,252,694

Capital guarantee deposit

Under the NBC's Prakas No. B7-01-136 dated 15 October 2001, the Bank is required to maintain a capital guarantee of 10% of its registered capital with the NBC. This deposit is not available for use in the Bank's day-to-day operations and is refundable when the Bank voluntarily ceases to operate the business in Cambodia. This deposit earned interest rate at 0.06% per annum (2019: 0.48%).

During the year, interest earned from capital guarantee deposit amounted to US$23,056 or KHR'000 93,999 (2019: US$47,195 or KHR'000 191,234) (Note 21).

Reserve requirements

Under the NBC Prakas No. B7-020-230 dated 18 March 2020, commercial banks are required to maintain certain cash reserves with the NBC in the form of compulsory deposits, computed at 7.00% of customer deposits and borrowings in KHR and other currencies (2019: 8.00% and 12.50% for KHR and US$, respectively).

The reserve requirements do not earn any interest based on NBC Prakas No. B7-018-282 dated 29 August 2018.

8. LOANS AND ADVANCES TO CUSTOMERS

	31 December 2020		31 December 2019	
	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)
Term loans	456,118,864	1,845,000,805	200,062,564	815,254,948
Overdrafts	25,648,357	103,747,604	27,287,123	111,195,026
Gross loans and advances	481,767,221	1,948,748,409	227,349,687	926,449,974
Allowance for ECLs	(6,131,926)	(24,803,641)	(752,828)	(3,067,774)
Loans and advances – net	475,635,295	1,923,944,768	226,596,859	923,382,200

The movements of allowance for ECL on loans and advances are as follows:

	31 December 2020		31 December 2019	
	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)
Balance at beginning of year	752,828	3,067,774	991,627	3,984,357
Transfer from Kredit MFI under legal merger	2,793,928	2,488,885	-	-
Provisions	2,826,260	11,522,662	-	-
Reversals	-	-	(238,799)	(967,614)
Write-offs	(241,090)	(982,924)	-	-
Exchange difference on translation	-	8,707,244	-	51,031
Balance at end of year	6,131,926	24,803,641	752,828	3,067,774

A reconciliation of changes in gross carrying amounts and corresponding allowance for ECLs by stage for loans and advances measured at amortised cost is as follows:

2020

	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying amount US$	ECL US$	Gross carrying amount US$	ECL US$	Gross carrying amount US$	ECL US$	Gross carrying amount US$	ECL US$
Balance at beginning of year	223,242,521	(562,965)	2,672,610	(118,275)	1,434,556	(71,588)	227,349,687	(752,828)
Transfer from Kredit MFI under legal merger	258,820,643	(1,735,937)	234,398	(66,876)	2,292,826	(991,115)	261,347,867	(2,793,928)
Newly-originated assets that remain in Stage 1 as at 31 December	216,040,732	(1,307,019)	-	-	-	-	216,040,732	(1,307,019)
Newly-originated assets that moved to Stage 2 and Stage 3 as at 31 December	-	-	1,625,413	(507,259)	1,270,847	(514,934)	2,896,260	(1,022,193)
Payments and assets derecognised	(172,790,059)	962,180	(325,903)	37,729	(640,567)	209,075	(173,756,529)	1,208,984
Transfers to stage 1	(5,452,159)	1,455,322	3,051,320	(512,260)	2,400,839	(943,062)	-	-
Transfers to stage 2	1,498,554	(43,178)	(2,407,857)	240,845	909,303	(197,667)	-	-
Transfers to stage 3	537,293	(1,600)	-	-	(537,293)	1,600	-	-
Loan settlements and allowance reversals	(51,850,916)	(1,236,041)	(165,830)	(95,560)	(94,050)	(133,341)	(52,110,796)	(1,464,942)
Exchange difference on translation	-	-	-	-	-	-	-	-
Balance at end of year	470,046,609	(2,469,238)	4,684,151	(1,021,656)	7,036,461	(2,641,032)	481,767,221	(6,131,926)

2019

	Stage 1 Gross carrying amount US$	Stage 1 ECL US$	Stage 2 Gross carrying amount US$	Stage 2 ECL US$	Stage 3 Gross carrying amount US$	Stage 3 ECL US$	Total Gross carrying amount US$	Total ECL US$
Balance at beginning of year	165,062,193	(721,746)	733,740	(40,332)	2,068,264	(229,549)	167,864,197	(991,627)
Newly-originated assets that remain in Stage 1 as at 31 December	91,565,571	(192,709)	-	-	-	-	91,565,571	(192,709)
Newly-originated assets that moved to Stage 2 and Stage 3 as at 31 December	-	-	366,072	(19,135)	286,584	(12,958)	652,656	(32,093)
Payments and assets derecognised	(31,205,696)	112,613	(48,974)	2,521	(1,464,898)	162,574	(32,719,568)	277,708
Transfers to stage 1	(2,457,472)	(34,431)	2,099,906	29,393	357,566	5,038	-	-
Transfers to stage 2	70,513	5,161	(425,754)	(25,222)	355,241	20,061	-	-
Transfers to stage 3	134,224	17,180	-	-	(134,224)	(17,180)	-	-
Loan settlements and allowance reversals	73,188	250,967	(52,380)	(65,500)	(33,977)	426	(13,169)	185,893
Exchange difference on translation	-	-	-	-	-	-	-	-
Balance at end of year	223,242,521	(562,965)	2,672,610	(118,275)	1,434,556	(71,588)	227,349,687	(752,828)

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

	31 December 2020		31 December 2019	
	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)
Micro, small and medium Enterprise loans	273,187,582	1,105,043,769	-	-
Commercial	195,292,463	789,958,014	220,925,307	900,270,626
Consumer loans	13,287,176	53,746,626	6,424,380	26,179,348
	481,767,221	1,948,748,409	227,349,687	926,449,974

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

	31 December 2020		31 December 2019	
	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)
Within 1 month	9,112,459	36,859,897	13,246,580	53,979,814
> 1 to 3 months	9,728,421	39,351,463	13,033,457	53,111,337
> 3 to 6 months	7,644,935	30,923,762	8,629,303	35,164,410
> 6 to 12 months	24,371,059	98,580,934	14,450,295	58,884,952
> 1 to 5 years	232,017,685	938,511,536	26,078,011	106,267,895
Over 5 years	198,892,662	804,520,817	151,912,041	619,041,566
	481,767,221	1,948,748,409	227,349,687	926,449,974

For additional analysis of gross amount of loans and advances to customers, refer to Note 31.

9. INVESTMENT IN EQUITY INSTRUMENT

This is an equity instrument in Credit Bureau Holding Cambodia.

10. PROPERTY AND EQUIPMENT

	2020							
	Leasehold improvements	Office equipment	Furniture fixtures and fittings	Computer equipment	Motor vehicles	Construction in progress	Total	
	US$	US$	US$	US$	US$	US$	US$	KHR'000 (Note 2.3.3)
Cost								
Balance at beginning of year	1,786,632	1,318,798	841,145	1,010,821	72,776	530,781	5,560,953	22,660,883
Transfer from Kredit MFI under legal merger	11,973	2,890,617	841,342	1,593,405	1,608,273	-	6,945,610	28,303,361
Additions	846,968	590,542	90,049	403,578	2,080	75,511	2,008,728	8,189,584
Transfers	179,302	124,015	32,573	4,400	-	(340,290)	-	-
Reclassifications (Note 12)	(51,000)	23,761	27,239	-	-	(159,808)	(159,808)	(651,537)
Write-offs	(28,835)	(100,006)	(216,190)	(122,337)	-	-	(467,368)	(1,905,459)
Disposals	-	-	(4,646)	-	-	-	(4,646)	(18,942)
Exchange difference on translation	-	-	-	-	-	-	-	(419,259)
Balance at end of year	2,745,040	4,847,727	1,611,512	2,889,867	1,683,129	106,194	13,883,469	56,158,631
Accumulated depreciation								
Balance at beginning of year	951,119	1,151,586	717,769	790,395	44,047	-	3,654,916	14,893,782
Transfer from Kredit MFI under legal merger	-	1,817,489	688,620	1,219,289	1,417,835	-	5,143,233	20,958,675
Depreciation (Note 26)	308,738	627,837	176,962	363,514	76,120	-	1,553,171	6,332,279
Reclassifications	(6,774)	3,155	3,619	-	-	-	-	-
Write-offs	(4,042)	(96,634)	(209,860)	(121,727)	-	-	(432,263)	(1,762,336)
Disposals	-	-	(2,944)	-	-	-	(2,944)	(12,003)
Exchange difference on translation	-	-	-	-	-	-	-	(299,720)
Balance at end of year	1,249,041	3,503,433	1,374,166	2,251,471	1,538,002	-	9,916,113	40,110,676
Net book value	1,495,999	1,344,294	237,346	638,396	145,127	106,194	3,967,356	16,047,955

	2019							
	Leasehold improvements	Office equipment	Furniture fixtures and fittings	Computer equipment	Motor vehicles	Construction in progress	Total	
	US$	US$	US$	US$	US$	US$	US$	KHR'000 (Note 2.3.3)
Cost								
Balance at beginning of year	962,409	1,222,625	826,348	829,298	72,776	867,393	4,780,849	19,209,451
Additions	610,135	127,654	30,951	181,686	-	425,324	1,375,749	5,574,535
Reclassifications (Note 12)	277,690	-	-	627	-	(761,936)	(483,619)	(1,959,624)
Write-offs	(63,602)	-	(16,154)	(790)	-	-	(80,546)	(326,372)
Disposals	-	(31,481)	-	-	-	-	(31,481)	(127,561)
Exchange difference on translation	-	-	-	-	-	-	-	290,450
Balance at end of year	1,786,632	1,318,798	841,145	1,010,821	72,776	530,781	5,560,953	22,660,883
Accumulated depreciation								
Balance at beginning of year	776,285	1,046,129	649,496	665,755	34,214	-	3,171,879	12,744,610
Depreciation (Note 26)	232,051	136,935	84,406	124,662	9,833	-	587,887	2,382,118
Write-offs	(57,217)	-	(16,133)	(22)	-	-	(73,372)	(297,303)
Disposals	-	(31,478)	-	-	-	-	(31,478)	(127,549)
Exchange difference on translation	-	-	-	-	-	-	-	191,906
Balance at end of year	951,119	1,151,586	717,769	790,395	44,047	-	3,654,916	14,893,782
Net book value	835,513	167,212	123,376	220,426	28,729	530,781	1,906,037	7,767,101

11. RIGHT OF USE ASSETS

The Bank leases various assets including ATM spaces, motor vehicles, generators and office spaces for periods ranging from two (2) to fifteen (15) years, renewable upon mutual agreement of both parties.

The Bank applies the short-term lease recognition exemption to its leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option, and low-value assets recognition exemption to its leases of machines and equipment that are considered of low value. The Bank recognised the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Information about leases for which the Bank is a lessee is presented below.

	2020		2019	
	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)
Cost				
Balance at beginning of year	3,603,642	14,684,841	3,363,355	13,513,960
Transfer from Kredit MFI under legal merger	6,517,869	26,573,351	-	-
Additions	2,334,738	9,518,727	240,287	973,643
Write-offs	(178,489)	(727,700)	-	-
Exchange difference on translation	-	(385,680)	-	197,238
Balance at end of year	12,277,760	49,663,539	3,603,642	14,684,841
Accumulated depreciation				
Balance at beginning of year	789,628	3,217,734	357,990	1,438,404
Transfer from Kredit MFI under legal merger	2,342,360	9,549,802	-	-
Depreciation (Note 26)	1,752,561	7,145,191	431,638	1,748,993
Write-offs	(138,719)	(565,557)	-	-
Exchange difference on translation	-	(150,289)	-	30,337
Balance at end of year	4,745,830	19,196,881	789,628	3,217,734
Net book value	7,531,930	30,466,658	2,814,014	11,467,107

The amounts recognised in the statement of comprehensive income are as follows:

	2020		2019	
	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)
Depreciation of right-of-use assets (Note 26)	1,752,561	7,145,191	431,637	1,748,993
Interest on lease liabilities (Notes 17 and 22)	455,287	1,856,205	199,237	807,308
Rental expense for low-value assets (Note 28)	138,624	565,170	30,338	122,930
	2,346,472	9,566,566	661,212	2,679,231

12. INTANGIBLE ASSETS

	2020		2019	
	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)
Cost				
Balance at beginning of year	1,150,787	4,689,457	764,341	3,071,122
Transfer from Kredit MFI under legal merger	1,937,509	7,895,349	-	-
Additions	762,350	3,108,101	221,960	899,382
Reclassifications (Note 10)	159,808	651,537	483,619	1,959,624
Write-offs	(1,271,585)	(5,184,252)	(319,133)	(1,293,127)
Exchange difference on translation	-	(81,467)	-	52,456
Balance at end of year	2,738,869	11,078,725	1,150,787	4,689,457
Accumulated amortisation				
Balance at beginning of year	394,892	3,080,272	601,247	2,415,810
Transfer from Kredit MFI under legal merger	710,484	2,895,222	-	-
Amortisation (Note 26)	416,302	1,697,263	100,847	408,632
Write-offs	(700,859)	(2,857,402)	(307,202)	(1,244,783)
Exchange difference on translation	-	(1,495,142)	-	29,526
Balance at end of year	820,819	3,320,213	394,892	1,609,185
Net book value	1,918,050	7,758,512	755,895	3,080,272

13. OTHER ASSETS

	31 December 2020		31 December 2019	
	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)
Guarantee deposits	12,350	49,956	189,525	772,314
Prepayments	796,420	3,221,519	131,104	534,249
Others	180,141	728,670	69,917	284,912
	988,911	4,000,145	390,546	1,591,475

14. DEPOSITS FROM OTHER FINANCIAL INSTITUTIONS

	31 December 2020		31 December 2019	
	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)
Time deposits	48,601,829	196,594,398	18,768,546	76,481,825
Current accounts	40,517,363	163,892,733	46,386,187	189,023,712
Saving accounts	201,567	815,339	-	-
	89,320,759	361,302,470	65,154,733	265,505,537

Deposits from other financial institutions are analysed as follows:

(a) By maturity:

	31 December 2020		31 December 2019	
	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)
Within 1 month	52,760,558	213,416,457	48,496,199	197,622,011
> 1 to 3 months	14,431,550	58,375,620	4,528,950	18,455,471
> 3 to 6 months	10,503,967	42,488,547	480,176	1,956,717
> 6 to 12 months	9,288,007	37,569,988	6,629,661	27,015,869
> 1 Year	2,336,677	9,451,858	5,019,747	20,455,469
	89,320,759	361,302,470	65,154,733	265,505,537

(b) By interest rate (per annum):

	2020	2019
Current accounts	0.00% - 2.00%	0.00% - 2.00%
Time deposit	1.00% - 6.10%	2.20% - 6.00%

15. DEPOSITS FROM CUSTOMERS

	31 December 2020		31 December 2019	
	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)
Time deposits	266,479,583	1,077,909,913	114,445,357	466,364,830
Demand deposits	58,599,248	237,033,958	45,473,095	185,302,862
Saving accounts	37,190,497	150,435,560	11,316,143	46,113,283
Wallet accounts	9,703	39,249	-	-
	362,279,031	1,465,418,680	171,234,595	697,780,975

Deposits from customers are analysed as follows:

(a) By maturity:

	31 December 2020		31 December 2019	
	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)
Within 1 month	118,984,885	481,293,860	65,141,220	265,450,472
> 1 to 3 months	68,725,541	277,994,813	30,845,973	125,697,340
> 3 to 6 months	58,997,120	238,643,350	18,804,486	76,628,280
> 6 to 12 months	83,255,940	336,770,277	46,051,934	187,661,631
> 1 Year to 5 Years	32,309,346	130,691,305	10,390,982	42,343,252
Over 5 years	6,199	25,075	-	-
	362,279,031	1,465,418,680	171,234,595	697,780,975

(b) By interest rate (per annum):

	2020	2019
Saving accounts	0.00% - 3.50%	0.00% - 3.50%
Time deposits	2.25% - 12.00%	2.25% - 7.00%

16. BORROWINGS

	31 December 2020		31 December 2019	
	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)
Related parties	6,581,778	26,623,292	-	-
Non-related parties	46,997,147	190,103,460	-	-
	53,578,925	216,726,752	-	-

Borrowings are analysed as follows:

(a) By maturity:

	31 December 2020		31 December 2019	
	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)
Within 1 month	6,033,820	24,406,802	-	-
> 1 to 3 months	1,020,404	4,127,534	-	-
> 3 to 6 months	7,440,560	30,097,065	-	-
> 6 to 12 months	2,183,939	8,834,033	-	-
> 1 Year to 5 Years	36,866,724	149,125,899	-	-
Over 5 years	33,478	135,419	-	-
	53,578,925	216,726,752	-	-

(b) By interest rate (per annum):

	2020	2019
Related parties	7.00% - 10.47%	-
Non-related parties	2.00% - 10.47%	-

17. LEASE LIABILITIES

	31 December 2020		31 December 2019	
	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)
Maturity analysis – contractual undiscounted cash flows				
Less than one year	1,978,243	8,001,993	545,660	2,223,565
One to five years	4,308,790	17,429,056	1,725,492	7,031,380
More than five years	3,290,238	13,309,013	1,686,952	6,874,329
Total undiscounted lease liabilities	9,577,271	38,740,062	3,958,104	16,129,274
Present value of lease liabilities				
Current	1,455,455	5,887,315	360,803	1,470,272
Non-current	5,563,825	22,505,673	2,323,082	9,466,559
	7,019,280	28,392,988	2,683,885	10,936,831

Movements of lease liabilities are as follows:

	2020		2019	
	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)
Balance at beginning of year	2,683,885	10,936,831	2,819,002	11,326,750
Transfer from Kredit MFI under legal merger	3,703,430	15,098,884	-	-
Additions	2,127,253	8,672,810	214,037	867,278
Write-offs	(24,917)	(101,587)	-	-
Accretion of interest	455,287	1,856,205	199,237	807,308
Payments	(1,925,658)	(7,850,908)	(548,391)	(2,222,080)
Exchange difference on translation	-	(219,247)	-	157,575
Balance at end of year	7,019,280	28,392,988	2,683,885	10,936,831

Amount recognised in the statement of cash flows comprises:

	2020		2019	
	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)
Payments for principal portion of lease liabilities	1,470,371	5,994,703	349,154	1,414,772

During the year, the Bank had non-cash additions to right-of-use assets and lease liabilities amounting to US$2,334,738 and US$2,127,253, respectively (2019: US$240,287 and US$214,037).

18. INCOME TAX

18.1. Deferred tax assets

	31 December 2020		31 December 2019	
	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)
Deferred tax assets	2,564,045	10,371,562	1,007,967	4,107,466
Deferred tax liabilities	(1,536,139)	(6,213,682)	(670,850)	(2,733,714)
Net deferred tax assets	1,027,906	4,157,880	337,117	1,373,752

Components of the Bank's net deferred tax assets are as follows:

	31 December 2020		31 December 2019	
	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)
Deferred tax asset on:				
Lease liabilities	1,403,856	5,678,597	597,075	2,433,081
Deferred income	973,438	3,937,557	292,190	1,190,674
Depreciation and amortisation	125,290	506,798	112,821	459,746
Provision for employee benefits	41,461	167,710	5,881	23,965
Provision for accrual tax reassessment	20,000	80,900	-	-
	2,564,045	10,371,562	1,007,967	4,107,466

	31 December 2020		31 December 2019	
	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)
Deferred tax liability on:				
Right-of-use assets	(1,423,025)	(5,756,136)	(562,802)	(2,293,418)
Allowance for ECL on off financial guarantee and placements with other banks	(35,238)	(142,538)	(17,957)	(73,175)
Unrealised exchange losses	(30,490)	(123,332)	(21,022)	(85,665)
Allowance for ECL on loans and advances	(17,650)	(71,394)	(69,069)	(281,456)
Upfront fee on borrowings	(29,736)	(120,282)	-	-
	(1,536,139)	(6,213,682)	(670,850)	(2,733,714)
Net deferred tax assets	1,027,906	4,157,880	337,117	1,373,752

Movements of net deferred tax assets are as follows:

	2020		2019	
	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)
Balance at beginning of year	337,117	1,373,752	240,593	966,703
Transfer from Kredit MFI under legal merger	809,982	3,300,677	-	-
Recognised in profit or loss	(119,193)	(485,950)	96,524	391,115
Exchange difference on translation	-	(30,599)	-	15,934
Balance at end of year	1,027,906	4,157,880	337,117	1,373,752

18.2. Current income tax liability

	2020		2019	
	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)
Balance at beginning of year	1,072,192	4,369,182	718,250	2,885,929
Transfer from Kredit MFI under legal merger	845,891	3,447,006	-	-
Income tax expense	1,926,042	7,852,473	1,254,479	5,083,149
Income tax paid	(2,542,945)	(10,367,588)	(899,800)	(3,645,990)
Withholding tax credit	(13)	(53)	(737)	(2,986)
Exchange difference on translation	-	(37,799)	-	49,080
Balance at end of year	1,301,167	5,263,221	1,072,192	4,369,182

18.3. Income tax expense

	2020		2019	
	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)
Current income tax	1,926,042	7,852,473	1,254,479	5,083,149
Deferred tax	119,193	485,950	(96,524)	(391,115)
	2,045,235	8,338,423	1,157,955	4,692,034

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

	2020		2019	
	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)
Profit before income tax	9,511,818	38,779,683	5,482,838	22,216,459
Income tax rate of 20%	1,902,364	7,755,938	1,096,568	4,443,292
Effect of non-deductible expenses	111,996	456,608	43,113	174,695
Others	30,875	125,877	18,274	74,047
	2,045,235	8,338,423	1,157,955	4,692,034

19. OTHER LIABILITIES

	31 December 2020		31 December 2019	
	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)
Accruals and other payables	2,572,646	10,406,353	893,252	3,640,003
Other tax payables	229,218	927,187	106,202	432,773
Banker's cheques	174,133	704,368	534,098	2,176,449
	2,975,997	12,037,908	1,533,552	6,249,225

20. EQUITY

Share capital

	31 December 2020		31 December 2019	
	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)
Phillip MFIS PTE. LTD.	75,000,000	300,765,000	75,000,000	300,765,000

The Bank's share capital as at 31 December 2020 was US$75,000,000 (2019: US$75,000,000) by way of issuance of shares with par value of US$1 per share. All shares are issued and fully paid.

Regulatory reserve

Regulatory reserve represents the variance of provision between loan impairment in accordance with CIFRSs and regulatory provision in accordance with the NBC's requirement.

Other reserves

Other reserves represent Kredit MFI's share capital, other reserves and reserve capital amounting to US$18,395,200, US$6,470,362, and US$624,712, respectively, transferred to the Bank as per merger arrangement. Other reserves are classified under capital tier I as approved by the NBC on 17 June 2020.

21. INTEREST INCOME

	2020		2019	
	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)
Loans and advances	66,146,911	269,680,956	18,263,111	74,002,126
Cash and cash equivalents	44,973	183,355	114,882	465,502
Placements with other banks	293,145	1,195,153	205,313	831,928
Capital guarantee deposit with the NBC	23,056	93,999	47,195	191,234
	66,508,085	271,153,463	18,630,501	75,490,790

22. INTEREST EXPENSE

	2020		2019	
	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)
Fixed deposits	19,302,242	78,695,241	5,530,885	22,411,146
Borrowings	5,591,112	22,794,964	-	-
Saving accounts	955,214	3,894,407	523,029	2,119,314
Current deposits	737,397	3,006,367	807,442	3,271,755
Lease liabilities (Note 17)	455,287	1,856,205	199,237	807,308
	27,041,252	110,247,184	7,060,593	28,609,523

23. NET FEES AND COMMISSION INCOME

	2020		2019	
	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)
Fees and commission income				
Loan commitment fees	225,504	919,380	17,209	69,731
Other fees	1,880,682	7,667,541	752,130	3,047,631
	2,106,186	8,586,921	769,339	3,117,362
Fees and commission expense	(72,669)	(296,272)	(12,724)	(51,558)
	2,033,517	8,290,649	756,615	3,065,804

24. OTHER INCOME

	2020		2019	
	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)
Recovery of loans previously written-off	220,589	899,341	16,706	67,693
Foreign exchange gains	131,280	535,229	118,804	481,394
Others	214,402	874,117	141,484	573,293
	566,271	2,308,687	276,994	1,122,380

25.PERSONNEL EXPENSES

	2020		2019	
	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)
Salaries and wages	13,216,203	53,882,460	2,865,169	11,609,665
Seniority payment	971,738	3,961,776	71,294	288,883
Other benefits	2,962,856	12,079,563	1,068,529	4,329,680
	17,150,797	69,923,799	4,004,992	16,228,228

26. DEPRECIATION AND AMORTISATION

	2020		2019	
	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)
Depreciation of property and equipment (Note 10)	1,553,171	6,332,279	587,887	2,382,118
Amortisation of intangible assets (Note 12)	416,302	1,697,263	100,847	408,632
Depreciation of right-of-use assets (Note 11)	1,752,561	7,145,191	431,637	1,748,993
	3,722,034	15,174,733	1,120,371	4,539,743

27. PROMOTION AND MARKETING

	2020		2019	
	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)
Marketing	1,659,978	6,767,730	361,737	1,465,758
Others	86,059	350,863	13,404	54,313
	1,746,037	7,118,593	375,141	1,520,071

28. GENERAL AND ADMINISTRATIVE EXPENSES

	2020		2019	
	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)
Legal and professional fees	1,612,570	6,574,448	303,057	1,227,987
Insurance	911,179	3,714,877	59,177	239,785
License fees	637,288	2,598,223	201,530	816,600
Security expense	580,520	2,366,780	135,755	550,079
Duties and taxes	448,586	1,828,885	191,922	777,668
Stationeries and printing	448,072	1,826,790	149,697	606,572
Utilities	425,386	1,734,299	136,319	552,365
Repairs and maintenance	318,434	1,298,255	184,981	749,543
Communication	266,678	1,087,246	28,113	113,914
Travelling and accommodation	224,714	916,159	38,931	157,748
Rental expenses of low-value assets (Note 11)	138,624	565,170	30,338	122,930
Directors' fees and meeting allowances	27,907	113,777	30,000	121,560
Others	1,311,381	5,346,500	282,055	1,142,887
	7,351,339	29,971,409	1,771,875	7,179,638

29. COMMITMENTS AND CONTINGENCIES

29.1. 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 2020		31 December 2019	
	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)
Loan commitments received from:				
Undrawn credit facilities	43,000,000	173,935,000	-	-
Loan commitments in favor of:				
Unused portion of overdrafts	9,944,306	40,224,718	10,480,831	42,468,327
Undrawn credit facilities	6,128,924	24,791,498	5,064,985	20,523,319
Bank guarantees	3,267,269	13,216,103	2,267,269	9,186,974
	19,340,499	78,232,319	17,813,085	72,178,620

Included in the lending commitment of US$19,340,499 and US$17,813,085 is a portion of undrawn loan balance amounting US$7,700,422 (2019: US$8,873,093). This pertains to the progressive release-loans that the Bank will not drawdown the remaining balance unless the borrowers can meet certain conditions stated in the loan agreements; otherwise, the Bank has the right to cancel those loans.

29.2 Taxation contingencies

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

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

30. RELATED PARTY BALANCES AND TRANSACTIONS

30.1. Identification of related parties

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

The Bank has related party relationships with its subsidiaries, 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 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.

30.2. Transactions with related parties

	31 December 2020		31 December 2019	
	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)
Related parties				
Interest expense	1,212,891	4,944,957	788,399	3,194,591
Interest income	284,826	1,161,236	303,825	1,231,099
Loan repayment	49,032	199,903	257,873	1,044,901
Key management personnel				
Salaries and benefits	1,001,127	4,081,595	203,741	825,557

30.3. Balances with related parties

	31 December 2020		31 December 2019	
	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)
Related parties				
Deposits	23,575,801	95,364,115	16,482,827	67,167,520
Accrued interest payable on deposits	133,489	539,963	60,977	248,481
Loans	3,356,786	13,578,199	12,306,748	50,149,998
Accrued interest receivable on loans and advances	9,378	37,934	42,778	174,320
Borrowings	6,500,000	26,292,500	-	-
Accrued interest payable on borrowing	81,778	330,792	-	-
Key management personnel				
Deposits from customers	1,957,717	7,918,965	429,510	1,750,253
Loans	2,786,081	11,269,698	327,720	1,335,459

31. FINANCIAL RISK MANAGEMENT

31.1. 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 Risk Management Committee (RMC), which is responsible for approving and monitoring Bank's risk management policies.

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

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

31.2. Credit risk

Credit risk is the risk of potential of financial loss to the Bank if a borrower or counterparty fails to meet its contractual obligations, and arises principally from the extension of credit facilities to customers.

Credit risk is one of the most important risk for the Bank's business. Credit exposure arises principally in lending activities that involves providing loans to customers. There is also credit risk in off-balance sheet financial instruments, such as Bank Guarantee and Letter of Credit, loan commitments, and contingent liabilities. Credit risk is managed by the Bank's Credit Committee with overall oversight by the Bank's Risk Management Committee.

(i) Management of credit risk

Extension of credit is governed by credit programmes that set out the plan for a particular product or portfolio, including the target market, terms and conditions, documentation and procedures under which a credit product will be offered and measured.

The Bank have established the Core Credit Risk Policy which is designed to govern the Bank's risk undertaking activities, including the following.

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.

- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to business unit Credit Officers. Larger facilities require approval by Bank Credit, the Head of Bank Credit, or the Bank Credit Committee as appropriate.

- Reviewing and assessing credit risk: Bank Credit assesses all credit exposures in excess of designated limits, before facilities are committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.

- Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances, financial guarantees and similar exposures), and by issuer, credit rating band, market liquidity and country (for investment securities).

- Developing and maintaining the Bank's risk gradings to categorise exposures according to the degree of risk of default. The responsibility for setting risk grades lies with the final approving executive or committee, as appropriate. Risk grades are subject to regular reviews by Bank Risk.

- Developing and maintaining the Bank's processes for measuring ECL: This includes processes for:

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

- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports on the credit quality of local portfolios are provided to Bank Credit, which may require appropriate corrective action to be taken. These include reports containing estimates of ECL allowances.

- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Bank in the management of credit risk.

Each business unit is required to implement Bank credit policies and procedures, with credit approval authorities delegated from the Bank's Risk Management Committee. Each business unit has a Head of Credit who reports on all credit-related matters to local management and the Bank's Risk Management Committee. Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to central approval.

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

(ii) Concentration of risk

Credit risk is managed by the Bank's Credit Committee with overall oversight by the Bank's Risk Management Committee.

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 2.3.3)	%	%	%
31 December 2020					
On-balance sheet items					
Cash and cash equivalents (excluding cash on hand)	88,953,085	359,815,229	-	-	100%
Placements with other banks	1,006,566	4,071,559	-	-	100%
Loans and advances to customers – gross	481,767,221	1,948,748,409	97%	1%	2%
Investment in equity instrument	42,500	171,913	-	-	100%
Other assets	192,504	778,679	-	-	100%
Total	571,961,876	2,313,585,789			
Off-balance sheet items					
Commitments received from credit facilities	43,000,000	173,935,000	-	-	100%
Commitments in favor of loan and advances	19,340,499	78,232,318	78%	-	22%
	62,340,499	252,167,318			

	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 2.3.3)	%	%	%
31 December 2019					
On-balance sheet items					
Cash and cash equivalents (excluding cash on hand)	51,336,460	234,184,007	-	-	100%
Loans and advances to customers – Gross	227,349,687	926,449,974	86	-	14%
Investment in equity instrument	25,000	101,875	-	-	100%
Other assets	259,442	1,057,226	-	-	100%
Total	278,970,589	1,161,793,082			
Off-balance sheet items					
Commitments	17,813,085	72,588,321	93%	-	7%

(iii) Collateral

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

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

Cash and cash equivalents, balances with NBC, placements with other banks, investments and other assets

Collateral is generally not sought for these assets.

Loans and advances to customers, contingent liabilities and commitments

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

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

	Collateral/credit enhancement			
	Properties	Fixed deposits	Unsecured credit exposure	Total
	US$	US$	US$	US$
31 December 2020				
Cash and cash equivalents (excluding cash on hand)	-	-	88,953,085	88,953,085
Placements with other banks	-	-	1,006,566	1,006,566
Loans and advances to customers - gross	468,902,756	2,699,177	10,165,288	481,767,221
Investment in equity instrument	-	-	42,500	42,500
Other assets	-	-	192,491	192,491
	468,902,756	2,699,177	100,359,930	571,961,863
31 December 2019				
Cash and cash equivalents (excluding cash on hand)	-	-	51,336,460	51,336,460
Placements with other banks	-	-	-	-
Loan and advances to customers - gross	195,520,731	-	31,828,956	227,349,687
Investment in equity instrument	-	-	25,000	25,000
Other assets	-	-	259,442	259,442
	195,520,731	-	83,449,858	278,970,589

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

Pursuant to the NBC guideline Prakas B7-017-344, the Bank have 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 weaknesses 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 Bank.

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 epayment capacity, or deteriorating conditions on the collateral. This class has clearly its own rational and should not be used as a compromise between Normal and Substandard.

Substandard

A facility ranked in this class exhibits noticeable weaknesses 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 realisation 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 as Loss when it is not collectable, and little or nothing can be done to recover the outstanding amount from the counterparty.

Recognition of ECLs

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

3-stage approach	Stage 1 Performing	Stage 2 Under-performing	Stage 3 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
Basis of calculation of profit revenue	On gross carrying amount	On gross carrying amount	On net carrying amount

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

Below is a table showing a summary of credit risk status and period for ECL calculation by stages:

Long-term facilities (more than one year)

Stage	Credit risk status	Grade	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	Under-performing
3	Credit impaired assets	Substandard	90 ≤ DPD < 180	Non-performing
		Doubtful	180 ≤ DPD <360	
		Loss	DPD ≥ 360	

Short-term facilities (one year or less)

Stage	Credit risk status	Grade	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	Under-performing
3	Credit impaired assets	Substandard	31 ≤ DPD ≤ 60	Non-performing
		Doubtful	61 ≤ DPD ≤ 90	
		Loss	DPD ≥ 91	

The Bank will use the day past due (“”) information and NBC’s classification for staging criteria. Also, the Bank will incorporate credit scoring or more forward looking elements in the future when information is more readily available. Upon the implementation of credit scoring system, it the risk level drops by two or more notches as compared to the risk level at origination, the accounts have to be classified under stage 2.

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

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

	31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
	US$	US$	US$	US$
Loans and advances to customers at amortised cost				
Normal	470,046,609	-	-	470,046,609
Special mention	-	4,684,151	-	4,684,151
Substandard	-	-	1,962,299	1,962,299
Doubtful	-	-	2,257,326	2,257,326
Loss	-	-	2,816,836	2,816,836
	470,046,609	4,684,151	7,036,461	481,767,221
Allowance for ECLs	(2,469,238)	(1,021,656)	(2,641,032)	(6,131,926)
Net carrying amount	467,577,371	3,662,495	4,395,429	475,635,295
KHR’000 equivalent *(Note 2.3.3)*	1,891,350,466	14,814,792	17,779,510	1,923,944,768

	31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
	US$	US$	US$	US$
Loans and advances to customers at amortised cost				
Normal	222,439,184	-	-	222,439,184
Special mention	309,417	2,465,978	-	2,775,395
Substandard	135,118	206,632	1,007,128	1,348,878
Doubtful	-	-	-	-
Loss	358,802	-	427,428	786,230
	223,242,521	2,672,610	1,434,556	227,349,687
Allowance for ECLs	(562,965)	(118,275)	(71,588)	(752,828)
Net carrying amount	222,679,556	2,554,335	1,362,968	226,596,859
KHR'000 equivalent *(Note 2.3.3)*	907,419,191	10,408,915	5,554,095	923,382,200

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 World Bank, 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.

31.3. Market risk

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

(i) Interest rate risk

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

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

	31 Decmeber 2020								
	Up to 1 month US$	> 1-3 months US$	> 3-6 months US$	> 6-12 months US$	> 1 to 5 years US$	Over 5 years US$	Non-interest bearing US$	Total US$	Interest rate
Financial assets									
Cash and cash equivalents	5,029,863	-	-	-	-	-	109,163,465	114,193,328	0.00%-4.50%
Placements with other banks	-	1,006,566	-	-	-	-	-	1,006,566	2.40%
Loans and advances to customers	9,112,459	9,728,421	7,644,935	24,371,059	232,017,685	198,892,662	-	481,767,221	4.50%-1 30%
Investment in equity instrument	-	-	-	-	-	-	42,500	42,500	
Other assets	-	-	-	-	-	-	192,491	192,491	
Total financial assets	14,142,322	10,734,987	7,644,935	24,371,059	232,017,685	198,892,662	109,398,456	597,202,106	
Financial liabilities									
Deposits from other financial institutions	19,521,479	14,431,550	10,503,967	9,288,007	2,336,677	-	33,239,079	89,320,759	0.00%-6.10%
Deposits from customers	98,364,000	68,725,541	58,997,120	83,255,940	32,309,346	6,199	20,620,885	362,279,031	0.00%-12.00%
Borrowings	6,033,820	1,020,404	7,440,560	2,183,939	36,866,724	33,478	-	53,578,925	0.00%-10.47%
Lease liabilities	124,761	250,207	374,278	706,209	3,851,175	1,712,650	-	7,019,280	6.50%
Other liabilities	-	-	-	-	-	-	2,746,779	2,746,779	
Total financial liabilities	124,044,060	84,427,702	77,315,925	95,434,095	75,363,922	1,752,327	56,606,743	514,944,774	
Interest sensitivity gap	(109,901,738)	(73,692,715)	(69,670,990)	(71,063,036)	156,653,763	197,140,335	52,791,713	82,257,332	
KHR'000 equivalent *(Note 2.3.3)*	(444,552,530)	(298,087,032)	(281,819,155)	(287,449,981)	633,664,471	797,432,655	213,542,479	332,730,907	

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

	31 Decmeber 2019								
	Up to 1 month US$	> 1-3 months US$	> 3-6 months US$	> 6-12 months US$	> 1 to 5 years US$	Over 5 years US$	Non-interest bearing US$	Total US$	Interest rate
Financial assets									
Cash and cash equivalents	5,293,721	9,419,447	-	-	-	-	43,029,351	57,742,519	1.60%-4.25%
Loans and advances to customers	13,246,580	13,033,457	8,629,303	14,450,295	26,078,011	151,912,041	-	227,349,687	4.50%-24.00%
Investment in equity instrument	-	-	-	-	-	-	25,000	25,000	-
Other assets	-	-	-	-	-	-	259,442	259,442	-
Total financial assets	18,540,301	22,452,904	8,629,303	14,450,295	26,078,011	151,912,041	43,313,793	285,376,648	

	31 Decmeber 2019								
	Up to 1 month US$	> 1-3 months US$	> 3-6 months US$	> 6-12 months US$	> 1 to 5 years US$	Over 5 years US$	Non-interest bearing US$	Total US$	Interest rate
Financial liabilities									
Deposits from other financial institutions	10,748,855	4,528,950	480,176	6,629,661	5,019,747	-	37,747,344	65,154,733	0.00%-6.00%
Deposits from customers	65,141,220	30,845,973	18,804,486	46,051,934	10,390,982	-	-	171,234,595	0.00%-7.00%
Lease liabilities	30,760	62,118	90,382	179,385	1,086,349	1,234,891		2,683,885	6.50%
Other liabilities	-	-	-	-	-	-	1,427,350	1,427,350	-
Total financial liabilities	75,920,835	35,437,041	19,375,044	52,860,980	16,497,078	1,234,891	39,174,694	240,500,563	
Interest sensitivity gap	(57,380,534)	(12,984,137)	(10,745,741)	(38,410,685)	9,580,933	150,677,150	4,139,099	44,876,085	
KHR'000 equivalent *(Note 2.3.3)*	(233,825,676)	(52,910,358)	(43,788,895)	(156,523,541)	39,042,302	614,009,386	16,866,828	182,870,046	

(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.

Concentration of currency risk

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

	31 December 2020			
	KHR'000	US$	Other	Total
Financial assets				
Cash and cash equivalents	9,495,287	101,802,218	2,895,823	114,193,328
Placements with other banks	-	1,006,566	-	1,006,566
Loans and advances to customers	59,100,222	416,468,351	6,198,648	481,767,221
Investment in equity instrument	-	42,500	-	42,500
Others	10,400	182,091	-	192,491
	68,605,909	519,501,726	9,094,471	597,202,106
Financial liabilities				
Deposits from other financial institutions	26,435,853	62,884,906	-	89,320,759
Deposits from customers	43,891,704	316,469,971	1,917,356	362,279,031
Borrowings	3,954,891	47,322,427	2,301,607	53,578,925
Lease liabilities	-	7,019,280	-	7,019,280
Other liabilities	190,590	2,556,189	-	2,746,779
	74,473,038	436,252,773	4,218,963	514,944,774
Net asset (liability) position	(5,867,129)	83,248,953	4,875,508	82,257,332
KHR'000 equivalent *(Note 2.3.3)*	(23,732,537)	336,742,015	19,721,430	332,730,908

	31 December 2019			
	KHR'000	US$	Other	Total
Financial assets				
Cash and cash equivalents	9,446,717	48,295,802	-	57,742,519
Loans and advances to customers	16,248,043	211,101,644	-	227,349,687
Investment in equity instrument	-	25,000	-	25,000
Other assets	8,331	251,111	-	259,442
	25,703,091	259,673,557	-	285,376,648
Financial liabilities				
Deposits from other financial institutions	30,252,911	34,901,822	-	65,154,733
Deposits from customers	1,608,704	169,625,891	-	171,234,595
Lease liabilities	2,683,885	-	-	2,683,885
Other liabilities	1,427,350	-	-	1,427,350
	35,972,850	204,527,713	-	240,500,563
Net asset (liability) position	(10,269,759)	55,145,844	-	44,876,085
KHR'000 equivalent *(Note 2.3.3)*	(41,849,268)	224,719,314	-	182,870,046

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 5 percent of the net open positions are shown in its specific currency in the table below. For other currencies, these exposures are grouped as 'Others'):

	31 December 2020		31 December 2019	
	- 1% Depreciation US$	+ 1% Appreciation US$	- 1% Depreciation US$	+ 1% Appreciation US$
KHR	58,671	(58,671)	102,698	(102,698)
Other	(48,755)	48,755	-	-
	9,916	(9,916)	102,698	(102,698)
KHR'000 equivalent *(Note 2.3.3)*	40,110	(40,110)	418,494	(418,494)

31.4. Liquidity risk

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

(i) Liquidity risk management process

The Bank's management monitor balance sheet liquidity and manages the concentration and profile of debt maturities through the gap analysis. Periodic reporting on the movement in loans and customers' deposits are monitored and liquidity requirements are adjusted to ensure sufficient liquid assets to meet financial commitments and obligation. Monitoring and reporting take the form of the reviewing of the daily cash position and projections for the next day, week and month, as these are key years for liquidity management. Management monitors the movement of the main depositors and lenders and projections of their withdrawals.

(ii) Funding approach

The Bank's main sources of liquidity arise from the shareholders' paid-up capital, borrowings from social lenders and finance institutions, deposits from other financial institutions and deposits from customers. The sources of liquidity are reviewed regularly through management's review of the maturity of term deposits and key depositors.

(iii) Non-derivative cash flows

The table on the following page presents the cash flows payable by the Bank under non-derivative financial liabilities by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Bank manages the inherent liquidity risk based on the expected undiscounted cash flows.

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

Although the result from the table showed negative liquidity gap, based on experience, the management of the bank believes that customers will not withdraw their deposits according to the maturity. Some of the deposits keep rolling from one cycle to another, therefore, management believes that underlying liquidity risk is manageable.

	31 December 2020							
	Up to 1 month	> 1-3 months	> 3-6 months	> 6-12 months	> 1 to 5 year	Over 5 years	No maturity	Total
	US$	US$	US$	US$	US$	US$	US$	US$
Financial assets								
Cash and cash equivalents	114,193,328	-	-	-	-	-	-	114,193,328
Placements with other banks	-	1,006,566	-	-	-	-	-	1,006,566
Loans and advances to customers	9,112,459	9,728,421	7,644,935	24,371,059	232,017,685	198,892,662	-	481,767,221
Investment in equity instrument	-	-	-	-	-	-	42,500	42,500
Other assets	180,141	-	-	-	-	-	12,350	192,491
Total financial assets	123,485,928	10,734,987	7,644,935	24,371,059	232,017,685	198,892,662	54,850	597,202,106
Financial liabilities								
Deposits from other financial institutions	52,760,558	14,431,550	10,503,967	9,288,007	2,336,677	-	-	89,320,759
Deposits from customers	118,984,885	68,725,541	58,997,120	83,255,940	32,309,346	6,199	-	362,279,031
Borrowings	6,033,820	1,020,404	7,440,560	2,183,939	36,866,724	33,478	-	53,578,925
Lease liabilities	124,761	250,207	374,278	706,209	3,851,175	1,712,650	-	7,019,280
Other liabilities	1,899,755	828,403	-	-	-	-	18,621	2,746,779
Total financial liabilities	179,803,779	85,256,105	77,315,925	95,434,095	75,363,922	1,752,327	18,621	514,944,774
Maturity gap	(56,317,851)	(74,521,118)	(69,670,990)	(71,063,036)	156,653,763	197,140,335	36,229	82,257,332
KHR'000 equivalent *(Note 2.3.3)*	(227,805,707)	(301,437,922)	(281,819,155)	(287,449,981)	633,664,471	797,432,655	146,546	332,730,908

	31 December 2019							
Financial assets								
Cash and cash equivalents	57,468,468	-	-	-	-	-	-	57,468,468
Loans and advances to customers	13,246,580	13,033,457	8,629,303	14,450,295	26,078,011	151,912,041	-	227,349,687
Investment in equity instrument	-	-	-	-	-	-	25,000	25,000
Other assets	69,917	-	-	-	189,525	-	-	259,442
Total financial assets	70,784,965	13,033,457	8,629,303	14,450,295	26,267,536	151,912,041	25,000	285,102,597
Financial liabilities								
Deposits from other financial institutions	10,748,855	4,528,950	480,176	6,629,661	5,019,747	-	-	27,407,389
Deposits from customers	102,888,564	30,845,973	18,804,486	46,051,934	10,390,982	-	-	208,981,939
Lease liabilities	30,760	62,118	90,382	179,385	1,086,349	1,234,891	-	2,683,885
Other liabilities	-	-	-	-	-	-	1,427,350	1,427,350
Total financial liabilities	113,668,179	35,437,041	19,375,044	52,860,980	16,497,078	1,234,891	1,427,350	240,500,563
Maturity gap	(42,883,214)	(22,403,584)	(10,745,741)	(38,410,685)	9,770,458	150,677,150	(1,402,350)	44,602,034
KHR'000 equivalent *(Note 2.3.3)*	(174,749,097)	(91,294,605)	(43,788,895)	(156,523,541)	39,814,616	614,009,386	(5,714,576)	181,753,288

31.5. Operational risk

Operational risk is the risk of direct or indirect loss arising from inadequate or failed internal processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. The operational risk losses is managed through established operational risk management processes, proper monitoring and reporting of the business activities by control and support units which are independent of the business units and oversight provided by the senior management of the Bank.

The Bank's operational risk management entails the establishment of clear organisational structures, roles and control policies. Various internal control policies and measures have been implemented including the establishment of signing authorities, defining system parameters controls, streamlining procedures and documentation and compliance with regulatory and other legal requirements.

31.6. 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 balance sheet, 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 NBC requires all licensed commercial banks to (i) fulfil the minimum capital requirements, and (ii) comply with solvency, liquidity and other requirements.

(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.

32. 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 have access at that date. The information presented herein represents the estimates of fair values as at the financial position date.

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

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

The fair value of the Bank's financial instruments such as cash and short-term funds, balances with the NBC, placements with other banks, deposits from customers and other financial institutions, other assets and other liabilities 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:

Investments

The estimated fair values are generally based on quoted and observable market prices. Where there is no ready market in certain securities, fair values have been estimated by reference to market indicative yields or net tangible asset backing of the investee.

Financing, advances and others

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

Fair value hierarchy

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

The fair value hierarchy is as follows:

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

The table below summarises the fair value of financial assets which are not carried at fair value in the statements of financial position at the reporting date analyzed by various levels within the fair value hierarchy.

	2020		2019	
	Carrying amount US$	Fair value Level 3 US$	Carrying amount US$	Fair value Level 3 US$
Financial asset				
Loans and advances to customers	475,635,295	481,774,839	226,596,859	227,357,903
KHR'000 equivalent (Note 2.3.3)	1,923,944,768	1,948,779,224	923,382,200	926,483,455

33. MATURITY PROFILE OF ASSETS AND LIABILITIES

The following tables show an analysis of assets and liabilities of the Bank analysed accordingly whether they are expected to be recovered or settled within one year or beyond one year from the statement of financial position date:

	2020			2019		
	Within one year	Beyond One Year	Total	Within one year	Beyond One Year	Total
Financial assets						
Cash and cash equivalents	114,193,328	-	114,193,328	57,742,519	-	57,742,519
Placements with other banks	1,006,566	-	1,006,566	-	-	-
Loans and advances to customers	50,856,874	430,910,347	481,767,221	49,359,635	177,990,052	227,349,687
Investment in equity instrument	42,500	-	42,500	25,000	-	25,000
Other assets	12,350	-	12,350	69,917	-	69,917
	166,111,618	430,910,347	597,021,965	107,197,071	177,990,052	285,187,123

	2020			2019		
	Within one year	Beyond One Year	Total	Within one year	Beyond One Year	Total
Non-financial assets						
Statutory deposits	-	39,936,279	39,936,279	-	34,417,839	34,417,839
Property and equipment	-	13,883,469	13,883,469	-	5,560,953	5,560,953
Right-of-use assets	-	12,277,760	12,277,760	-	3,603,642	3,603,642
Intangible assets	-	2,738,869	2,738,869	-	1,150,787	1,150,787
Deferred tax assets – net	-	1,027,906	1,027,906	-	337,117	337,117
Other assets	-	976,561	976,561	-	320,629	320,629
	-	70,840,844	70,840,844	-	45,390,967	45,390,967
	166,111,618	501,751,191	667,862,809	107,197,071	223,381,019	330,578,090
Less: Allowance for credit losses			6,208,983			1,026,879
Accumulated depreciation and amortization			15,482,762			4,839,436
Total assets			646,171,064			324,711,775
KHR'000 equivalent *(Note 2.3.3)*			2,613,761,955			1,323,200,483
Financial liabilities						
Deposits from other banks	329,963,486	32,315,545	362,279,031	22,387,642	5,019,747	27,407,389
Deposits from customers	86,984,082	2,336,677	89,320,759	198,590,957	10,390,982	208,981,939
Borrowings	16,678,723	36,900,202	53,578,925	-	-	-
Lease liabilities	1,455,455	5,563,825	7,019,280	362,645	2,321,240	2,683,885
Other liabilities	2,728,158	18,621	2,746,779	-	1,427,350	1,427,350
	437,809,904	77,134,870	514,944,774	221,341,244	19,159,319	240,500,563
Non-financial liabilities						
Income tax payable	1,301,167	-	1,301,167	1,072,192	-	1,072,192
Other liabilities	229,218	-	229,218	106,202	-	106,202
	1,530,385	-	1,530,385	1,178,394	-	1,178,394
Total liabilities	439,340,289	77,134,870	516,475,159	222,519,638	19,159,319	241,678,957
KHR'000 equivalent *(Note 2.3.3)*	1,777,131,469	312,010,549	2,089,142,019	906,767,525	78,074,225	984,841,750

34. EVENTS AFTER REPORTING PERIOD

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

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

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

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