BRED BANK CAMBODIA

The smarter way to bank.

2020 ANNUAL REPORT

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Message from the CEO

MR. GUILLAUME CLAUDE PERDON

Chief Executive Officer of BRED Bank (Cambodia) Plc.

Economic Outlook

The stability of Cambodia's economic growth and the overall development of the financial sector over the past two decades has made the Kingdom an attractive market for foreign investors. In this regard BRED Bank (Cambodia) Plc. ("the Bank") was established on January 10th, 2017 and started banking operations on March, 2nd 2017.

Unexpectedly 2020 started with the COVID-19. The pandemic brought the world into an unprecedented sanitary crisis but is much more than a health crisis. It is also an unprecedented socio-economic crisis. Stressing every one of the countries it touches, it has the potential to create devastating social and economics, with a strong global economic recession.

In Cambodia, economy is hit hard causing sharp decelerations in most of Cambodia's main engines of growth in 2020. A contraction of 2% of the GDP was expected in 2020. Contribution of Tourism to GDP growth was 19% in 2019 but the international arrivals plunged by 55% in the first 6 months on a yearly basis. The manufacturing sector also shrunk by 11% per cent year-on-year due to disruptions tightening basic raw material supply. The export-oriented manufacturing industry dropped by12.5%. Garments were down 10 %, while footwear and travel goods were up 2% and 8% respectively. Production for the domestic market added 13%, thanks to the rise in local consumption. The construction sector is facing also difficulties due to the rise in housing supply during the period despite the drop in demand from foreigners. Moreover Covid-19-related disruptions led to construction material imports decreasing in 14%. Yet public sector construction projects kept on moving as per the schedule. Agricultural output increased by 22% in S1 thanks to the expansion of the agricultural area and no major natural disasters. Thankfully the Government of Cambodia has taken steps to respond to the crisis, including providing wage support for employees (garment, tourism) and tax and credit relief for businesses. It also decided fiscal measures to minimize the economic impact of this crisis. The outlook of Cambodia Economy is still promising and the country should be the fastest growing Economy after Covid-19 with an estimated growth of 6.9% by 2025.

Despite the Covid-19 crises the financial sector is still growing rapidly in 2020 and the banking market remains highly competitive. The rapid credit expansion during the last few years has maintained in 2020 to reach a 15% growth, this growth being still driven by the loan to real estate activities. In the meantime the total deposits are still growing at a quicker pace, with a +22% in 2020. The financial sector is playing more than ever an increasingly role in supporting the economic growth of the country. Banks Covid-19 support represents 10% of their lending portfolio, NPL ratio is still limited yet increasing close to 2.7% in 2020 vs 1.5% in 2019.

Performance

In this very unprecedent time BRED Bank Cambodia remains a small and new player in 2020 even if the subsidiary of BRED Group is growing faster than the market with a 30% growth in lending and deposits. Less than four years after obtaining the commercial banking license from the National Bank of Cambodia, the market share of the lending portfolio of BRED Bank Cambodia is close to 1% whereas the share of its customer's deposits is reaching 0.7%. The bank is still moving ahead and keeps on enlarging the range of products and services to all segments of clients and is serving more than 7,000 clients in total including more than 500 business customers as of 2020. The business clients are belonging to a wide range of sectors including agriculture, import-export operations and manufacturing. The growth of the Bank activity and the overall 2020 financial performance show a Gross Operating Profit of USD 1m for the first time. More than ever in 2020 Bred Bank Cambodia supported its clients in the difficult time. At the end of the year 2020 the Covid-19 relief plans amounted to 7% of the total loan portfolio.

Our focus, driven by innovation and quality, is to stay committed to customer service and value delivery to our customers. We differentiate ourselves in the market with the quality of our services. For example, we were the first bank to open seven days a week from 8am to 8pm. With a rapid penetration into the market, we already opened 9 branches and set up 50 ATMs and plan to increase to 50 next year. Our vision of banking is based on a long-term win-win relationship between customers and the Bank where trust is essential; the trust of our customers, regulators, communities and staff is paramount. We adopt a "Banking Without Distance" approach of BRED Group. This approach is our promise to customers of a global model of proximity through a targeted physical network and through digital solutions. This relationship model is built on being able to find appropriate and tailored solutions on a long term basis to meet all the needs of our customers, in every concrete situation they encounter and at every phase of their lives or their businesses. This development strategy is backed up by a sustainable program of investment.

Closing

Despite the Covid-19 crises we are still confident in the prospects of 2021 for BRED Bank Cambodia. Our well-equipped technology, efforts on the quality of our services, continuous development of our people and our branding strategy, will reinforce the strong foundations for the Bank to achieve its targets. More importantly the strong financial base of our Bank in Cambodia backed by one of the largest worldwide banking group is a strong asset to face the future rising global economic issues. Finally, we would like to recognize our customers for their support and partnering with us.

Guillaume Claude Perdon
Chief Executive Officer
28 March 2021

About BRED Bank (Cambodia) Plc.

The Bank

BRED Bank (Cambodia) Plc. ("the Bank") is 100% owned by BRED Banque Populaire ("BRED"), a French regional cooperative bank incorporated under the laws of France. The Bank was incorporated in Cambodia under registration number 00002982 issued by the Ministry of Commerce on 1 April 2016. The Bank obtained its license to conduct banking operations from the National Bank of Cambodia ("NBC") on 10 January 2017 and commenced operations on the 2nd of March 2017.

The Bank's registered office is located at 30 Norodom Boulevard, Sangkat Phsar Thmey 3, Khan Daun Penh, Phnom Penh, Kingdom of Cambodia. The Bank had 240 employees as at 31 December 2020 (2019: 193 employees).

The Group

BRED is a member of the Banque Populaire group of cooperative banks. It consists of 200,000 cooperative members, owns €4.9 billion of equity capital and employs 6,000 employees, 25% of whom are located outside France or in the French overseas territories Its core business is commercial banking in France through its regional operations in Greater Paris, in Normandy, in Seine-et-Marne/Aisne and in the French overseas departments, as well as through its commercial banking subsidiaries in Southeast Asia, the South Pacific, the Horn of Africa and Switzerland. A local bank committed to its communities, its network consists of 475 agencies, including 75 outside France. It maintains long-term relationships with more than one million clients..

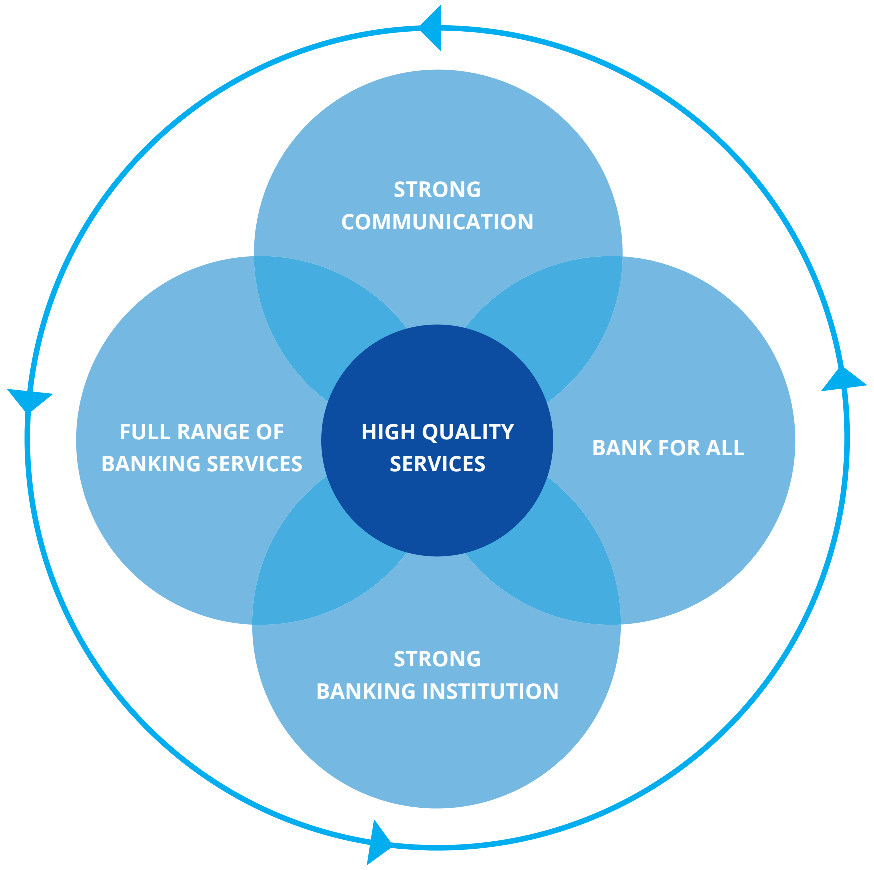
BRED Banque Populaire, a member of the BPCE Group, is engaged in a range of diversified businesses – retail banking, corporate and institutional banking, private banking, asset management, securities trading, an insurance company and international trade. It also carries out its commercial banking business through its banking subsidiaries in Southeast Asia, the Pacific and the Horn of Africa.

In 2019, BRED recorded consolidated Net Banking Income (NBI) of €1,252 million (+5%). It posted net profit of €307 million, an increase of 11%.

BPCE Group is the 2nd largest banking group in France, serving more than 31.2 million customers, employing more than 100,000 people worldwide, and counting 9 million cooperative shareholders. BPCE Group has an A/A+ rating, and is one of the banks with the highest international standards.

Our Strategy

Our strategy is to be a leading bank in the next 10 years by providing a high quality banking experience to our customers with a full range of banking services for all following the international standards.



Towards high quality services, we are committed to	
Streamlined processes	• Be fast in making decisions • Continuously innovate our processes • Move toward digitalization (online, remote channel,..)
Customer relationship	• Commit ourselves to transparency • Ensure fair pricing • Hold on mechanism for resolution • Provide best banking experience and appoint a dedicated point of contact for each customer • Promote employees' ethical behaviors
Branch network	• Develop sufficient physical branch network • Set up queuing management/express lanes • Extend operational hours • Locate our branches at a convenient and accessible areas • Dedicated areas (VIP, Business, Private banking)
Remote access	• Respond quickly to customer through hotline, call center or chat • Live information through website, Facebook, and SMS • Provide intuitive customer experience on online banking and mobile App • Innovate new products such as mobile wallet and agent banking

Financial Highlight

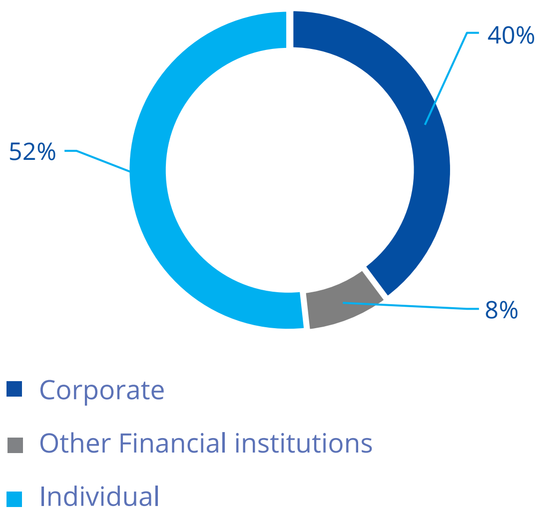
	2020 US$	2019 US$	2018 US$
Balance Sheet			
Deposits from customers	230,127,647	195,779,640	145,766,445
Loans and advances - net	288,232,795	220,740,598	115,267,778
Equity	60,189,278	63,032,964	65,379,043
Total assets	413,947,769	322,787,907	218,854,342
Income statement			
Net interest income	12,143,785	7,579,707	4,447,440
Net fee & commission	415,383	421,163	36,154
General information			
Branch	9	7	4
Staff	240	193	133
ATMs	48	42	30
Depositors	7,128	5,289	1,801
Borrowers	1223	886	454
Number of issued cards	6,465	5,130	1,574

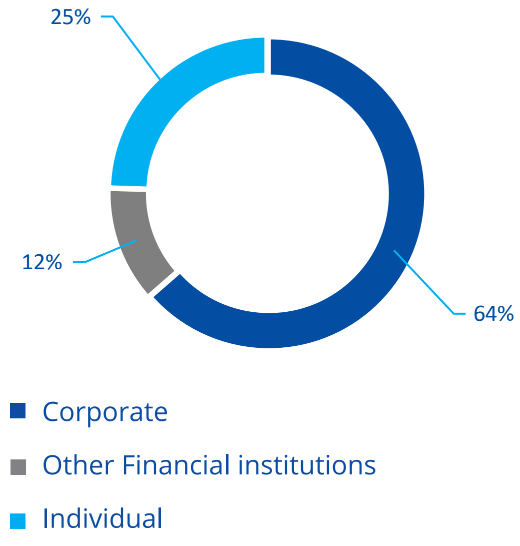
Gross Deposits in USD Millions

Corporate	40%	76,734,214.56
Other Financial institutions	8%	16,265,729.03
Individual	52%	99,788,926.46
	1.00	192,788,870.05

Gross Loans in USD Millions

Corporate	64%	142,396,410.76
Other Financial institutions	12%	26,770,634.95
Individual	25%	54,952,463.90
	1.00	224,119,509.60





Achievement in 2017

Licenses

The Bank was incorporated in Cambodia on 1 April 2016 and obtained banking license from the National Bank of Cambodia on 10 January 2017 with the commencement of operations on the same date.

ATM

The Bank is fast and efficient to deliver easy access to customers. By end of 2017, 9 ATMs were installed and located both on and off sites in Phnom Penh, and are operating 24 hours a day and 7 days a week.

Internet Banking

We introduced Internet Banking in July 2017 helping our customers to access their accounts any time and perform various banking transactions after office hours. It is secure, simple and easy to operate.

VISA Debit

In September 2017, we launched Visa Debit. To enhance security in transactions through Visa card, 3D Secure was added into the feature of Visa. With BRED Bank Platinum Visa Debit card customers have access to many promotions with commercial partners.

Mobile App

We launched Mobile Apps (App Store and Google Play) in November 2017. Customers can access internet banking through mobile when needed. The Mobile Apps provide all the range of services available on the Bank Internet Banking.

Achievement in 2018

Branches

- Tuol Kouk Branch Grand Opening in September 2018
- Siem Reap Branch Grand Opening in October 2018
- Mao Tse Toung Branch Grand Opening in November 2018

Mastercard Acquisition

In December 2018, we launched MasterCard Acquisition. MasterCard cardholders can now withdraw cash from our ATM.

Extra Cash

In order to facilitate the cash withdrawal of international travelers coming to Cambodia, BRED BANK Cambodia will provide a new service, Extra Cash from September 2018. This will allow the travelers to withdraw additional money in need after exceeding the withdrawal amount allowed by ATM. This service will be available at any BRED BANK Cambodia branches in Cambodia.

Women initiative

In 2018, BRED Bank Cambodia has decided to initiate a Women-dedicated Program, with the ambition of becoming "The Bank of Choice for Women" in Cambodia and better serve the Women of this country, especially Women entrepreneurs.

As BRED Bank Cambodia has grown, we have recognized that women may have specific requirements, and their Bank needs to adapt in developing new products and services tailored to their needs. In 2018, along with the International Finance Corporation (IFC), Bred Bank undertook an extensive survey with more than 150 Cambodian Business women to understand their needs and challenges.

BRED Bank's Women Initiative is addressing their main concerns in various ways, and mainly through the development for Non-Financial Services, specifically designed to take into account women's needs. And that will eventually appeal to men. Keep an eye out for further announcements around our upcoming programs.

Achievement in 2019

Branches

- Battambang Branch Opening Grand Opening in february 2019
- Cham Chao Branch Opening Grand Opening in August 2019
- Olympic Branch: soft opening in Decmeber 2019

POS

POS Available for **VISA** and **Mastercard transactions**.

Mobile App Enhancement

- Fingerprint Features
- New currencies available for transfers
- Khmer language available
- Schedule future dated and recurring transfer

Shine
BETTER BUSINESS ACADEMY

Shine Initiative Learning Academy Training

Learning Acatdemy

As part of our new program at the Women Initiative Learning Academy, the 1st training sessions on Active Listening were held on Saturday, May 25th at BRED Bank Headquarters. This training aims to help businesswomen leaders how to motivate, influence, persuade and engage with their employees by actively listening to them.

It was a great success for the Bank. 24 women leaders from different companies were delighted to attend, to share their feedback and to await further training.

Breakfast Talk

The first talk falls under the “**Shine Initiative**” program and had a topic of ‘**Understanding and overcoming your fear of public speaking**’. The Shine Initiative, based on extensive research with Cambodia businesswomen, has been developed to empower, inform and inspire all Cambodian entrepreneurs to help build better businesses.

Internet Banking enhancement

- The available balance is now automatically updated after a transfer or a transaction
- When a customer sends us an email through our Internet Banking, it is directly forwarded to their RM
- t’s possible to have several levels of validation for the needs of corporates
- A new unauthorized account is no longer displayed

Extra cash (Update)

Extra cash service available for Mastercards

Achievement in 2020

Products and Services–Retail

Daily Banking

- Packages of current accounts, Visa debit, saving products
- Mobile and e-banking

Lending

- 8 new partnerships with high-end borey and condo developers
- Car dealer partnership: Hyundai

Products and Services–Business

Daily Banking

- Business packages
- Cash management products
- Tax payment

Merchant Banking

- POS: Visa & MasterCard acquiring
- Apple | Samsung | Google Pay acquiring

Digital

- Internet banking
- Digital payroll

Lending

- Working capital
- Asset financing, equipment financing
- Trade finance

Develop a multi-channel distribution network

Branches & ATM

- 9 Branches in PP, SR, BTB + 50 ATMs
- 8am-8pm 7/7 in HQ
- Queuing management system in HQ (2020)

Call Center

Call Center with basic functions and standard operating hours

Mobile & Online

- 130 POS
- Retail mobile and e-banking
- Corporate m- and e-banking (basic)

Organization

- Specialized RM by Segments: tellers and Call Center to serve non CMP
- Sales KPIs and Incentive plan to boost productivity
- Segregated and centralized back office operations
- Dedicated Credit Analysts per customer segments

Moving the bank forward with new branding

To attract the kind of customers that will make us successful in the future, we need to be very clear on what makes BRED Bank Cambodia different from other banks here and show potential customers why they should bank with us. So we have moved to a fresh positioning that better reflects our ambitions for the future and the needs of our customers.

Major Challenge: Covid-19

Health

- Hygiene/health recommendation
- Provision of disposable gloves, masks, and santinizers
- Temperature check at the entrance of each branch
- Implementation of enhanced cleaning schedule
- Quarantine after trips/sick leave

Continuity

- **HQ Teams are split** between TK Branch and HQ
- **Social Distancing Implementation:** relocation in other Branches, home working, video meetings only...

Client Support

- **Prefer Remote Solutions:** promotions on online local transactions, remote transactions facilitations...
- **Lending Relief Plan:** up to 6 months capital & interest deferment for all business & individuals, on all products

2021 Development

Products and Services–Retail

Daily Banking

- Reshape packages to better match market
- Loyalty program
- Apple | Samsung | Google Pay compatibility with BBC VISA Card
- Bill Payment in m-banking, QR Code Payment
- Bakong Project
- CSS Project

Digital

- Credit Card
- Partnership expansion to schools, hospitals, general appliances resellers

Private Banking

Products and Services–Business

Daily Banking

- FX Dealing Room
- Pension schemes for staff, Escrow Service, Cash Collection, Bakong Project, CSS project

Merchant Banking

- Merchant portal
- QR code payment and bill payment
- Touch screen POS, UPI & JCB acquiring

Digital

- E-payment portal
- Swift FileAct
- Upgrade of corporate e-banking, host to host

Lending

- Interest rate / FX swap
- Security agent service
- Syndications

Develop a multi-channel distribution network

Branches & ATM

- 10 more branches, 20 more ATMs
- Priority Lounge in selected branches
- Extended opening hours in selected branches
- Queuing management system in all branches

Mobile & Online

- 1,000 POS
- Enhanced e-banking
- Leverage on digital: client onboarding, loan applications etc

Call Center

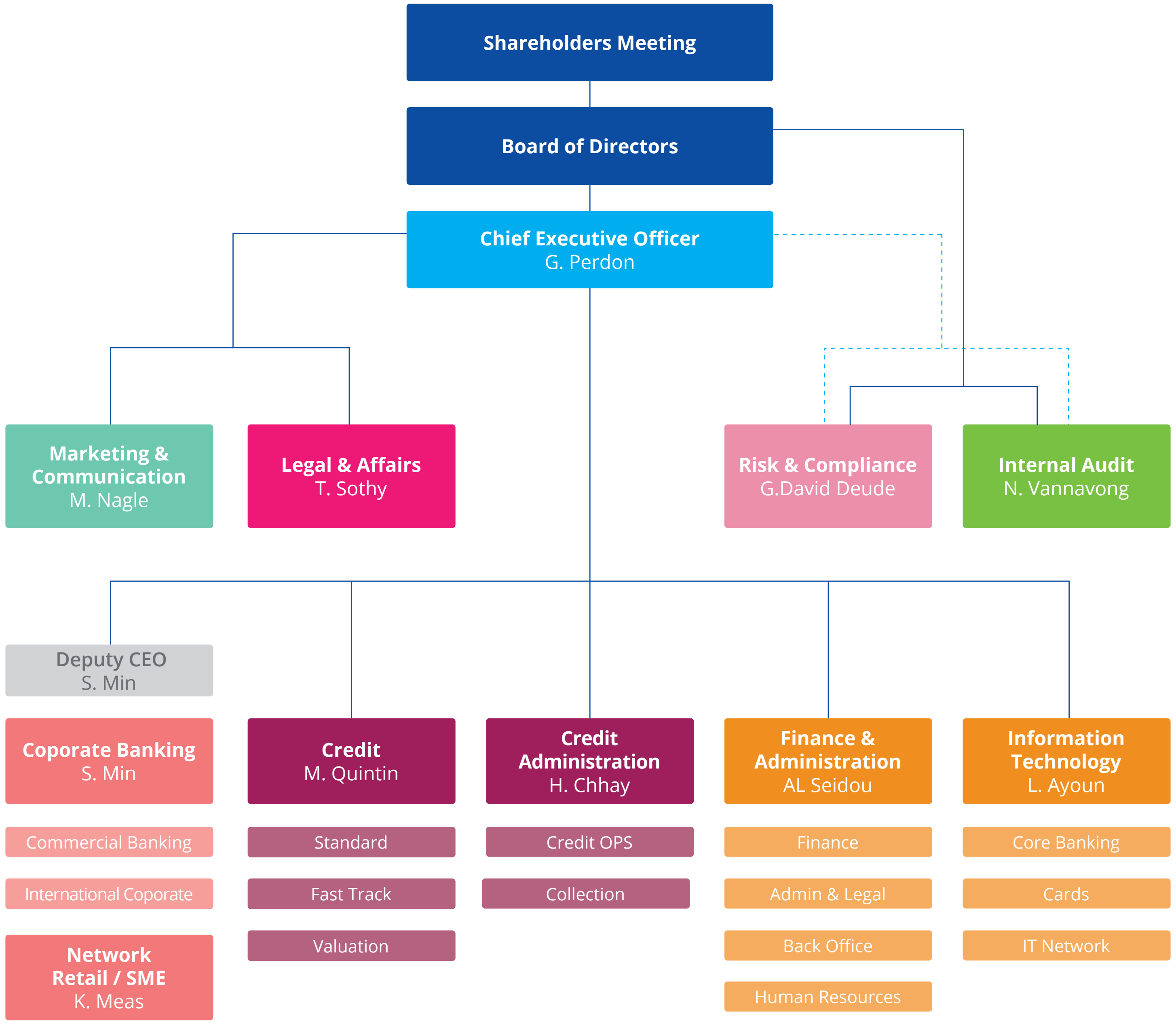
Advanced Call Center with extending operating hours.

Organization

- Improve account opening process
- Loan origination workflow system, improved credit scoring
- Branch portal: 360° customer view, CRM
- Accurate sizing of customer portfolio per RM level
- Core banking new functionalities (Credit Collection etc.)

Organizational Chart

October 2020



Corporate governance

I. The Board of Directors

The roles and responsibilities of the Board of Directors are set out in the Memorandum and Article of Associations and broadly defined as follows:

- The Board is responsible for determining the strategy of the Bank and for supervising the conduct of its business and affairs. The Board shall act in the best interest of the Bank;
- Appoint and remove officers and/or managers for the day-to-day management of the Bank and determine the specific powers for such officers and/or managers;
- Set the salaries and other compensation for officers and/or managers of the Banks;
- Propose the salary or other compensation for all directors and submit such proposal to the shareholders for approval;
- Issue notes, bonds, debentures and other forms of debt and the terms of such instruments;
- Propose to the shareholders amendments to the MAA;
- Propose to the shareholders the increase or decrease of the capital;
- Propose to the shareholders an agreement of merger or consolidation between the Bank and any other person;
- Propose to the shareholders the sale of all or a major part of the Bank's assets;
- Propose to the shareholders the dissolution or liquidation of the Bank;
- Declare dividends in accordance with accounting principles and the terms of payment of each class of shares; entitled to receive dividends;
- Issue shares in the Bank to the extent permitted under the MAA and in accordance with the laws of Cambodia;
- Borrow money on behalf of the Bank;
- Issue, reissue or sell securities in the Bank;
- Give a guarantee on behalf of the Bank;
- Mortgage, hypothecate, pledge or otherwise create a security interest in any or all property of the Bank to secure; any obligation of the Bank; and
- Prepare financial statements each fiscal year (defined below) for submission to the shareholders for approval.

The member of the Board of Directors during the financial year and at the date of this report are:

Mr. Jerome Zerbib	Chairman
Mr. Olivier Jean Klein	Director
Mr. Olivier Lendrevie	Director
Mr. Guillaume Claude Perdon	Director and Chief Executive Officer
Mr. Bernard Ramanantsoa	Independent Director
Mr. Guillaume Massin	Independent Director
Mr. Bruno Moschetto	Independent Director

II. Audit Committee

The roles and responsibilities of the Audit Committee is to ensure that management properly develops and adheres to a sound system of internal controls, that procedures are in place to objectively assess management's practices and internal controls, and that the outside auditors, through their own review, objectively assess the Company's financial reporting practices.

The Audit Committee during the financial year and at the date of this report are:

Mr. Bruno Moschetto	Chairman
Mr. Jerome Zerbib	Member
Mr. Bernard Ramanantsoa	Member

III. Risk Management Committee

The roles and responsibilities of Risk Management Committee is to oversee policies and set risk management activities and provide communication to the Board.

The Risk Management Committee during the financial year and at the date of this report are:

Mr. Bruno Moschetto	Chairman
Mr. Jerome Zerbib	Member
Mr. Bernard Ramanantsoa	Member
Mr. Guillaume David-Deude	Member

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BRED BANK (CAMBODIA) PLC.

for the year ended 31 December 2020
and
Report of the Independent Auditors

The smarter way to bank.

Corporate information

Bank	BRED Bank (Cambodia) Plc.	
Registration No.	00002982	
Registered office	No. 30 Norodom Boulevard Sangkat Phsar Thmey 3 Khan Daun Penh, Phnom Penh Kingdom of Cambodia	
Shareholder	BRED Banque Populaire ("BRED")	
Board of Directors	Jerome Zerbib	Chairman
	Olivier Jean Klein	Director
	Olivier Lendrevie	Director
	Guillaume Claude Perdon	Director and Chief Executive Officer (resigned on 31 March 2021)
	Bernard Ramanantsoa	Independent Director
	Guillaume Massin	Independent Director
	Bruno Moschetto	Independent Director
Management team	Guillaume Claude Perdon	Chief Executive Officer
	Sopha Min	Deputy Chief Executive Officer
	Anne-Laure Seidou	Chief Finance Officer
	Guillaume David Deude	Chief Risk & Compliance Officer (appointed on 1 December 2020)
	Marion Quintin	Head of Credit
	Chhay Huoy	Head of Credit Administration
	Kunthea Meas	Head of Network
	Laurent Ayoun	Information Technology Manager
	Mary Nagle	Head of Marketing & Communication (appointed on 1 July 2020)
	Nicolas Sosnowiez	Head of Marketing & Communication (resigned on 29 February 2020)
	Nicolas Vannavong	Head of Internal Audit
	Tolasatia Sothy	Head of Legal
Auditors	KPMG Cambodia Ltd	

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Report of the Directors

The Directors have pleasure in submitting their report together with the audited financial statements of BRED Bank (Cambodia) Plc. ("the Bank") for the year ended 31 December 2020.

Principal activities

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

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

Financial results

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

	2020 US$	2019 US$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Loss before income tax	(3,210,553)	(2,569,655)	(13,089,424)	(10,412,242)
Income tax benefit	424,000	223,576	1,728,648	905,930
Net loss for the year	(2,786,553)	(2,346,079)	(11,360,776)	(9,506,312)

Dividends

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

Share capital

There were no changes in the registered and paid up share capital of the Bank during the year.

Reserves and provisions

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

Loans and advances

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

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

Assets

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

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

Valuation methods

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

Contingent and other liabilities

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

(a) any charge on the assets of the Bank which has arisen since the end of the 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 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 year which, in the opinion of the Directors, will or may substantially affect the ability of the Bank to meet its obligations as and when they fall due.

Change of circumstances

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

Items of unusual nature

The results of the operations of the Bank for the year were not, in the opinion of the Management, substantially affected by any item, transaction or event of a material and unusual nature except for:

Coronavirus and impact on ECL

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

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

The Directors

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

Jerome Zerbib	Chairman
Olivier Jean Klein	Director
Olivier Lendrevie	Director
Guillaume Claude Perdon	Director and Chief Executive Officer (resigned on 31 March 2021)
Bernard Ramanantsoa	Independent Director
Guillaume Massin	Independent Director
Bruno Moschetto	Independent Director

Directors' interests

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

Directors' benefits

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

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

Directors' responsibility in respect of the financial statements

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

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

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

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

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

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

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

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Approval of the financial statements

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

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

Guillaume Claude Perdon
Chief Executive Officer

Phnom Penh, Kingdom of Cambodia

30 April 2021

KPMG

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BRED BANK
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Report of the Independent Auditors

To the shareholder of BRED Bank (Cambodia) Plc.

Opinion

We have audited the financial statements of BRED Bank (Cambodia) Plc., ("the Bank"), which comprise the statement of financial position as at 31 December 2020, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information (hereafter referred to as "the financial statements") as set out on pages 9 to 93.

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

Basis for Opinion

We conducted our audit in accordance with Cambodian International Standards on Auditing ("CISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the ethical requirements that are relevant to our audit of the financial statements in Cambodia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the Report of the Directors on pages 1 to 5, and the annual report, which is expected to be made available to us after that date.

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

For **KPMG Cambodia Ltd**

K P M G CAMBODIA LTD.

Guek Teav
Partner

Phnom Penh, Kingdom of Cambodia

30 April 2021

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Statement of financial position as at 31 December 2020

	Note	31 December 2020 US$	31 December 2019 US$	31 December 2020 KHR'000 (Note 5)	31 December 2019 KHR'000 (Note 5)
ASSETS					
Cash and cash equivalents	6	68,054,378	41,060,000	275,279,959	167,319,500
Placements with NBC	7	13,930,219	11,235,640	56,347,736	45,785,233
Statutory deposits	8	27,174,567	35,413,497	109,921,124	144,310,000
Loans and advances to customers	9	288,232,795	220,740,598	1,165,901,656	899,517,937
Other assets	10	1,771,229	2,139,846	7,164,621	8,719,872
Intangible assets	11	799,738	1,167,100	3,234,940	4,755,933
Property and equipment	12	4,887,768	3,682,213	19,771,022	15,005,018
Right-of-use assets	13	7,662,105	6,494,545	30,993,215	26,465,271
Deferred tax assets – net	20	1,492,103	854,468	6,035,557	3,481,957
Total assets		414,004,902	322,787,907	1,674,649,830	1,315,360,721
LIABILITIES AND SHAREHOLDER'S EQUITY					
Liabilities					
Deposits from customers	14	230,127,647	195,779,640	930,866,332	797,802,033
Deposits from other banks	15	27,114,621	12,004,881	109,678,642	48,919,890
Borrowings	16	86,763,949	42,960,299	350,960,174	175,063,218
Derivative liabilities		-	4,080	-	16,626
Lease liabilities	17	6,690,300	6,689,548	27,062,264	27,259,908
Other liabilities	18	1,608,390	1,452,484	6,505,939	5,918,873
Provision for impairment of off-balance sheet items		1,390,683	786,350	5,625,313	3,204,376
Provision for employee benefits	19	42,810	61,080	173,166	248,901
Current income tax liability	20	20,091	16,581	81,268	67,568
Total liabilities		353,758,491	259,754,943	1,430,953,098	1,058,501,393

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Statement of financial position (continued) as at 31 December 2020

	Note	31 December 2020 US$	31 December 2019 US$	31 December 2020 KHR'000 (Note 5)	31 December 2019 KHR'000 (Note 5)
Shareholder's equity					
Share capital	21	75,000,000	75,000,000	300,000,000	300,000,000
Regulatory reserves	22	-	-	-	-
Accumulated losses		(14,753,589)	(11,967,036)	(59,738,317)	(48,377,541)
Currency translation reserves		-	-	3,435,049	5,236,869
Total shareholder's equity		60,246,411	63,032,964	243,696,732	256,859,328
Total liabilities and shareholder's equity		414,004,902	322,787,907	1,674,649,830	1,315,360,721

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

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

	Note	2020 US$	2019 US$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Operating income					
Interest income	23	20,228,462	13,092,725	82,471,440	53,051,722
Interest expense	24	(8,084,677)	(5,513,018)	(32,961,228)	(22,338,749)
Net interest income		12,143,785	7,579,707	49,510,212	30,712,973
Net fee and commission income	25	415,383	421,163	1,693,516	1,706,552
Other income	26	387,413	144,387	1,579,483	585,057
Total operating profit		12,946,581	8,145,257	52,783,211	33,004,582
Personnel expenses	27	(4,524,611)	(3,376,824)	(18,446,839)	(13,682,891)
Other operating expenses	28	(7,346,066)	(5,743,901)	(29,949,911)	(23,274,287)
Total operating expenses		(11,870,677)	(9,120,725)	(48,396,750)	(36,957,178)
Operating profit before impairment		1,075,904	(975,468)	4,386,461	(3,952,596)
Impairment losses on financial instruments	9	(4,286,457)	(1,594,187)	(17,475,885)	(6,459,646)
Loss before income tax		(3,210,553)	(2,569,655)	(13,089,424)	(10,412,242)
Income tax benefit	20	424,000	223,576	1,728,648	905,930
Net loss for the year		(2,786,553)	(2,346,079)	(11,360,776)	(9,506,312)
Currency translation differences		-	-	(1,801,820)	3,672,645
Total comprehensive loss for the year		(2,786,553)	(2,346,079)	(13,162,596)	(5,833,667)

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

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

	Share capital US$	Share capital KHR'000 (Note 5)	Accumulated losses US$	Accumulated losses KHR'000 (Note 5)	Currency translation reserves US$	Currency translation reserves KHR'000 (Note 5)	Total US$	Total KHR'000 (Note 5)
At 1 January 2019	75,000,000	300,000,000	(9,620,957)	(38,871,229)	-	1,564,224	65,379,043	262,692,995
Total Comprehensive loss								
Net loss for the year	-	-	(2,346,079)	(9,506,312)	-	-	(2,346,079)	(9,506,312)
Currency translation differences	-	-	-	-	-	3,672,645	-	3,672,645
At 31 December 2019	75,000,000	300,000,000	(11,967,036)	(48,377,541)	-	5,236,869	63,032,964	256,859,328
At 1 January 2020	75,000,000	300,000,000	(11,967,036)	(48,377,541)	-	5,236,869	63,032,964	256,859,328
Total Comprehensive loss								
Net loss for the year	-	-	(2,786,553)	(11,360,776)	-	-	(2,786,553)	(11,360,776)
Currency translation differences	-	-	-	-	-	(1,801,820)	-	(1,801,820)
At 31 December 2020	75,000,000	300,000,000	(14,753,589)	(59,738,317)	-	3,435,049	60,246,411	243,696,732

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

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Statement of cash flows for the year ended 31 December 2020

	Note	2020 US$	2019 US$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Cash flows from operating activities					
Net loss for the year		(2,786,553)	(2,346,079)	(11,360,776)	(9,506,312)
Adjustment for:					
Depreciation and amortisation		2,300,345	1,889,966	9,378,507	7,658,142
Interest income		(20,228,462)	(13,092,725)	(82,471,440)	(53,051,722)
Interest expense		8,084,677	5,513,018	32,961,228	22,338,749
Income tax benefit		(424,000)	(223,576)	(1,728,648)	(905,930)
Net impairment loss on financial instruments	9	4,286,457	1,594,187	17,475,885	6,459,646
Provision for employee benefits		(18,270)	(101,920)	(74,487)	(412,980)
Gain on disposal		-	(40,176)	-	(162,793)
		(8,785,806)	(6,807,305)	(35,819,731)	(27,583,200)
Changes in:					
Placements with NBC		(2,581,847)	(11,683,208)	(10,526,190)	(47,340,359)
Loans and advances		(71,033,165)	(107,081,251)	(289,602,214)	(433,893,229)
Statutory deposits		8,238,930	(9,988,609)	33,590,118	(40,473,844)
Other assets		392,938	(102,524)	1,602,008	(415,427)
Deposits from customers		41,538,540	47,928,115	169,352,628	194,204,722
Deposits from other banks		15,109,740	12,004,881	61,602,410	48,643,778
Other liabilities		(718,727)	1,607,123	(2,930,250)	6,512,062
Cash used in operations		(17,839,397)	(74,122,778)	(72,731,221)	(300,345,497)
Interest received		20,062,985	12,761,530	81,796,790	51,709,720
Interest paid for lease liabilities		(199,915)	(192,356)	(815,053)	(779,427)
Interest paid		(15,436,230)	(3,235,582)	(62,933,510)	(13,110,578)
Income tax/minimum tax paid	20	(210,125)	(134,765)	(856,680)	(546,068)
Net cash used in operating activities		(13,622,682)	(64,923,951)	(55,539,674)	(263,071,850)
Cash flows from investing activities					
Purchase of property and equipment and intangible assets		(2,201,920)	(3,459,069)	(8,977,228)	(14,016,148)
Proceed from sale of property and equipment		-	92,500	-	374,810
Net cash used in investing activities		(2,201,920)	(3,366,569)	(8,977,228)	(13,641,338)

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Statement of cash flows (continued) for the year ended 31 December 2020

	Note	2020 US$	2019 US$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Cash flows from financing activities					
Proceeds from borrowings		44,164,586	42,960,299	180,059,017	174,075,132
Payment of lease liabilities		(1,232,874)	(636,373)	(5,026,427)	(2,578,583)
Net cash generated from financing activities		42,931,712	42,323,926	175,032,590	171,496,549
Net increase/(decrease) in cash and cash equivalents		27,107,110	(25,966,594)	110,515,688	(105,216,639)
Cash and cash equivalents at beginning of the year		41,192,347	67,158,941	167,858,814	269,844,624
Currency translation differences		-	-	(2,103,198)	3,230,829
Cash and cash equivalents at end of the year	6	68,299,457	41,192,347	276,271,304	167,858,814

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

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

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. Reporting entity

BRED Bank (Cambodia) Plc. ("the Bank") was incorporated in Cambodia under registration number 00002982 issued by the Ministry of Commerce on 1 April 2016.

The Bank obtained its license to conduct its banking operations from the National Bank of Cambodia ("NBC") on 10 January 2017 and commenced operations on the same date.

The registered office is located at No. 30 Norodom Boulevard, Sangkat Phsar Thmey 3, Khan Daun Penh, Phnom Penh, Kingdom of Cambodia.

The immediate and ultimate parent bank is BRED Banque Populaire, a Bank incorporated in France.

As at 31 December 2020 the Bank had 240 employees (2019: 192 employees).

2. Basis of accounting

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

Details of the Bank's accounting policies are included in Note 33.

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

3. Functional and presentation currency

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

These financial statements are presented in US$, which is the Bank's functional currency. All amounts have been rounded to the nearest dollar, except when otherwise indicated.

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Notes to the financial statements (continued)
for the year ended 31 December 2020

4. Use of judgments and estimates

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

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

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

- Note 33C(ii): classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.
- Note 33C(vii): establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of models used to measure ECL.

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

- Note 33C(vi): determination of the fair value of financial instruments with significant unobservable inputs.
- Note 33C(vii): impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information.
- Note 33C(vii): impairment of financial instruments: key assumptions used in estimating recoverable cash flows.

5. Translation of United States Dollars into Khmer Riel

The financial statements are expressed in United States Dollars. The translations of United States Dollars amounts into Khmer Riel are included solely for compliance with the Law on Accounting and Auditing.

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

5. Translation of United States Dollars into Khmer Riel (continued)

The Bank uses the following exchange rates:

			Closing rate	Average rate
31 December 2020	US$1	=	KHR 4,045	KHR 4,077
31 December 2019	US$1	=	KHR 4,075	KHR 4,052

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

6. Cash and cash equivalents

	31 December 2020 US$	31 December 2019 US$	31 December 2020 KHR'000 (Note 5)	31 December 2019 KHR'000 (Note 5)
Cash on hand	17,249,123	8,900,657	69,772,703	36,270,177
Cash equivalents with other banks	51,050,334	32,291,690	206,498,601	131,588,637
	68,299,457	41,192,347	276,271,304	167,858,814
Allowance for impairment losses	(245,079)	(132,347)	(991,345)	(539,314)
	68,054,378	41,060,000	275,279,959	167,319,500

The movements of allowance for impairment losses on cash equivalents with other banks were as follows:

	2020 US$	2019 US$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
At 1 January	132,347	579,915	539,314	2,330,098
Allowance for the year	112,732	(447,568)	459,608	(1,813,546)
Currency translation differences	-	-	(7,577)	22,762
At 31 December	245,079	132,347	991,345	539,314

7. Placements with NBC

	31 December 2020 US$	31 December 2019 US$	31 December 2020 KHR'000 (Note 5)	31 December 2019 KHR'000 (Note 5)
Term deposit (non-cash equivalents)	13,930,219	11,235,640	56,347,736	45,785,233

Placements with NBC are maturing from 6 to 12 months and earned interest ranging from 0.07%-0.8% (2019: 0.60% to 1.01%) per annum.

8. Statutory deposits

	31 December 2020 US$	31 December 2019 US$	31 December 2020 KHR'000 (Note 5)	31 December 2019 KHR'000 (Note 5)
Statutory capital deposit	7,500,000	7,500,000	30,337,500	30,562,500
Reserve requirements on customers' deposits	19,674,567	27,913,497	79,583,624	113,747,500
	27,174,567	35,413,497	109,921,124	144,310,000

A. Statutory capital deposit

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

B. Reserve requirements on customers' deposits

The reserve requirement represents the minimum reserve which is calculated at 8% for KHR and 12.50% for other currencies of the total amount of deposits from customers, non-residential banks and financial institution deposits, and non-residential borrowings. Pursuant to the National Bank of Cambodia's Prakas No. B7-018-282 on the maintenance of reserve requirement against commercial banks' deposits and borrowings, reserve requirements both in KHR and in other currencies bear no interest effective from 29 August 2018.

8. Statutory deposits (continued)

B. Reserve requirements on customers' deposits (continued)

On 18 March 2020, the NBC announced the reduction of the Reserve Requirements Rate ("RRR") to 7% for both local and foreign currencies deposits and borrowings in order to help mitigate the impact of the COVID-19 pandemic on Cambodia's economy.

C. By interest rate (per annum):

	2020	2019
Statutory capital deposit	0.09%	0.48%

9. Loans and advances to customers

	31 December 2020 US$	31 December 2019 US$	31 December 2020 KHR'000 (Note 5)	31 December 2019 KHR'000 (Note 5)
Commercial loans:				
Overdrafts	18,192,743	11,737,326	73,589,645	47,829,603
Short-term loans	25,758,621	23,641,032	104,193,622	96,337,205
Long-term loans	164,595,613	133,924,751	665,789,255	545,743,361
Trust receipts	3,977,370	159,273	16,088,462	649,037
Consumer loans	82,441,009	54,476,062	333,473,881	221,989,953
Gross loans and advances to customers at amortised cost	294,965,356	223,938,444	1,193,134,865	912,549,159
Less: Allowance for impairment losses				
- General	(4,545,722)	(3,197,846)	(18,387,445)	(13,031,222)
- Impacts from Covid-19	(2,186,839)	-	(8,845,764)	-
	(6,732,561)	(3,197,846)	(27,233,209)	(13,031,222)
Loans and advances – net	288,232,795	220,740,598	1,165,901,656	899,517,937

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Notes to the financial statements (continued)
for the year ended 31 December 2020

9. Loans and advances to customers (continued)

The movements of allowance for impairment losses on loans and advances were as follows:

	2020 US$	2019 US$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
At 1 January	3,197,846	1,579,949	13,031,222	6,348,235
Allowance for the year				
- General impairment	1,347,876	1,617,897	5,495,290	6,555,719
- Impacts from Covid -19	2,186,839	-	8,915,743	-
Currency translation differences	-	-	(209,046)	127,268
At 31 December	6,732,561	3,197,846	27,233,209	13,031,222

Allowance for impairment losses on financial instruments recognised in profit and loss was summarised as follows:

	2020 US$	2019 US$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Net impairment loss on balances with other banks (Note 6)	112,732	(447,568)	459,608	(1,813,546)
Net impairment loss on loans and advances to customers	3,534,715	1,617,897	14,411,033	6,555,719
Net expect credit losses of off-balance sheet items (Note 29A)	604,333	423,858	2,463,866	1,717,473
Written off of uncollectable loans non covered by impairment loss	34,677	-	141,378	-
	4,286,457	1,594,187	17,475,885	6,459,646

Notes to the financial statements (continued)
for the year ended 31 December 2020

9. Loans and advances to customers (continued)

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

	31 December 2020 US$	31 December 2019 US$	31 December 2020 KHR'000 (Note 5)	31 December 2019 KHR'000 (Note 5)
Within 1 month	15,068	3,754	60,950	15,298
> 1 to 3 months	7,808,356	5,120,680	31,584,800	20,866,771
> 3 to 6 months	19,809,595	14,752,014	80,129,812	60,114,457
> 6 to 12 months	7,100,910	8,644,933	28,723,181	35,228,102
> 1 to 3 years	34,317,591	36,096,079	138,814,656	147,091,522
> 3 to 5 years	23,274,003	22,285,764	94,143,342	90,814,488
Over 5 years	202,639,833	137,035,220	819,678,124	558,418,521
	294,965,356	223,938,444	1,193,134,865	912,549,159

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

10. Other assets

	31 December 2020 US$	31 December 2019 US$	31 December 2020 KHR'000 (Note 5)	31 December 2019 KHR'000 (Note 5)
Guarantee deposits	329,298	273,548	1,332,010	1,114,708
Prepayments	1,179,151	1,394,134	4,769,666	5,681,096
Others	262,780	472,164	1,062,945	1,924,068
	1,771,229	2,139,846	7,164,621	8,719,872

Notes to the financial statements (continued)
for the year ended 31 December 2020

11. Intangible assets

2020	Computer software US$	Website design US$	Total US$	Total KHR'000 (Note 5)
Cost				
At 1 January 2020	2,368,483	149,784	2,518,267	10,261,939
Additions	223,327	31,900	255,227	1,040,560
Currency translation differences				(83,716)
At 31 December 2020	2,591,810	181,684	2,773,494	11,218,783
Less: **Accumulated amortisation**				
At 1 January 2020	1,284,853	66,314	1,351,167	5,506,006
Amortisation for the year	575,526	47,063	622,589	2,538,295
Currency translation differences				(60,458)
At 31 December 2020	1,860,379	113,377	1,973,756	7,983,843
Carrying amounts				
At 31 December 2020	731,431	68,307	799,738	3,234,940

2019	Computer software US$	Website design US$	Total US$	Total KHR'000 (Note 5)
Cost				
At 1 January 2019	2,063,234	94,708	2,157,942	8,670,611
Additions	305,249	55,076	360,325	1,460,037
Currency translation differences	-	-	-	131,291
At 31 December 2019	2,368,483	149,784	2,518,267	10,261,939
Less: **Accumulated amortisation**				
At 1 January 2019	746,000	29,306	775,306	3,115,180
Amortisation for the year	538,853	37,008	575,861	2,333,389
Currency translation differences	-	-	-	57,437
At 31 December 2019	1,284,853	66,314	1,351,167	5,506,006
Carrying amounts				
At 31 December 2019	1,083,630	83,470	1,167,100	4,755,933

Notes to the financial statements (continued)
for the year ended 31 December 2020

12. Property and equipment

2020	Furniture and fixture US$	Equipment US$	Computer equipment US$	Motor vehicles US$	Work-in progress US$	Total US$	Total KHR'000 (Note 5)
Cost							
At 1 January 2020	1,082,789	586,628	1,692,943	517,308	879,393	4,759,061	19,393,174
Additions	683,483	388,633	373,995	72,139	428,443	1,946,693	7,936,668
Currency translation differences	-	-	-	-	-	-	(205,067)
At 31 December 2020	1,766,272	975,261	2,066,938	589,447	1,307,836	6,705,754	27,124,775
Less: **Accumulated depreciation**							
At 1 January 2020	94,782	178,446	663,661	139,959	-	1,076,848	4,388,156
Depreciation	131,519	124,357	377,883	107,379	-	741,138	3,021,620
Currency translation differences	-	-	-	-	-	-	(56,023)
At 31 December 2020	226,301	302,803	1,041,544	247,338	-	1,817,986	7,353,753
Carrying amounts							
At 31 December 2020	1,539,971	672,458	1,025,394	342,109	1,307,836	4,887,768	19,771,022

Notes to the financial statements (continued)
for the year ended 31 December 2020

12. Property and equipment (continued)

2019	Furniture and fixture US$	Equipment US$	Computer equipment US$	Motor vehicles US$	Work-in progress US$	Total US$	Total KHR'000 (Note 5)
Cost							
At 1 January 2019	637,184	480,008	1,296,163	445,844	666,463	3,525,662	14,166,110
Additions	445,605	106,620	396,780	227,754	212,930	1,389,689	5,631,020
Disposals	-	-	-	(156,290)	-	(156,290)	(633,287)
Currency translation differences	-	-	-	-	-	-	229,331
At 31 December 2019	1,082,789	586,628	1,692,943	517,308	879,393	4,759,061	19,393,174
Less: **Accumulated depreciation**							
At 1 January 2019	13,999	96,441	359,695	142,782	-	612,917	2,462,701
Depreciation	80,783	82,005	303,966	101,143	-	567,897	2,301,119
Disposals	-	-	-	(103,966)	-	(103,966)	(421,270)
Currency translation differences	-	-	-	-	-	-	45,606
At 31 December 2019	94,782	178,446	663,661	139,959	-	1,076,848	4,388,156
Carrying amounts							
At 31 December 2019	988,007	408,182	1,029,282	377,349	879,393	3,682,213	15,005,018

13. Right-of-use assets

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

	31 December 2020 US$	31 December 2019 US$	31 December 2020 KHR'000 (Note 5)	31 December 2019 KHR'000 (Note 5)
Right-of-use assets	7,662,105	6,494,545	30,993,215	26,465,271

The Bank leases many assets including office spaces. Information about leases for which the Bank is a lessee is presented below.

	2020 US$	2019 US$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Right-of-use assets				
Cost				
At 1 January	7,835,985	6,126,930	31,931,639	24,618,005
Additions	2,104,178	1,709,055	8,578,734	6,925,091
Currency translation differences	-	-	(302,414)	388,543
At 31 December	9,940,163	7,835,985	40,207,959	31,931,639
Less: **Accumulated amortisation**				
At 1 January	1,341,440	595,232	5,466,368	2,407,713
Amortisation for the year	936,618	746,208	3,818,592	3,023,635
Currency translation differences	-	-	(70,216)	35,020
At 31 December	2,278,058	1,341,440	9,214,744	5,466,368
Carrying amounts				
At 31 December	7,662,105	6,494,545	30,993,215	26,465,271

14. Deposits from customers

	31 December 2020 US$	31 December 2019 US$	31 December 2020 KHR'000 (Note 5)	31 December 2019 KHR'000 (Note 5)
Saving accounts	13,126,155	15,346,615	53,095,297	62,537,456
Fixed deposits	145,823,834	129,235,227	589,857,409	526,633,550
Demand deposits	71,177,658	51,197,798	287,913,626	208,631,027
	230,127,647	195,779,640	930,866,332	797,802,033

Deposits from customers are analysed as follows:

		31 December 2020 US$	31 December 2019 US$	31 December 2020 KHR'000 (Note 5)	31 December 2019 KHR'000 (Note 5)
A.	**By maturity:**				
	Within 1 month	94,349,779	66,544,414	381,644,856	271,168,487
	> 1 to 3 months	10,041,952	27,002,258	40,619,696	110,034,201
	> 3 to 6 months	20,564,710	6,233,089	83,184,252	25,399,838
	> 6 to 12 months	41,276,977	25,403,042	166,965,372	103,517,396
	> 1 to 3 years	9,630,316	23,582,919	38,954,628	96,100,395
	> 3 to 5 years	37,580,092	35,398,999	152,011,472	144,250,921
	Over 5 years	16,683,821	11,614,919	67,486,056	47,330,795
		230,127,647	195,779,640	930,866,332	797,802,033
B.	**By customer type:**				
	Individuals	119,104,558	104,064,036	481,777,937	424,060,947
	Business enterprises	111,023,089	91,715,604	449,088,395	373,741,086
		230,127,647	195,779,640	930,866,332	797,802,033
C.	**By residency status:**				
	Residents	225,993,588	189,419,874	914,144,063	771,885,987
	Non-residents	4,134,059	6,359,766	16,722,269	25,916,046
		230,127,647	195,779,640	930,866,332	797,802,033

Notes to the financial statements (continued)
for the year ended 31 December 2020

14. Deposits from customers (continued)

	2020	2019
D. By interest rate (per annum):		
Saving accounts	0.30% - 2.60%	0.30% - 1.50%
Fixed deposits	0.70% - 6.00%	1.00% - 6.00%
Demand deposit	0% - 2.5%	1.00% - 6.00%

15. Deposit from other banks

	31 December 2020 US$	31 December 2019 US$	31 December 2020 KHR'000 (Note 5)	31 December 2019 KHR'000 (Note 5)
Fixed deposits	26,841,826	-	108,575,186	-
Demand deposit	272,795	12,004,881	1,103,456	48,919,890
	27,114,621	12,004,881	109,678,642	48,919,890

Deposit from other banks is analysed as follows:

	31 December 2020 US$	31 December 2019 US$	31 December 2020 KHR'000 (Note 5)	31 December 2019 KHR'000 (Note 5)
A. By maturity:				
> 1 to 3 months	4,047,532	12,004,881	16,372,267	48,919,890
> 3 to 6 months	13,059,056	-	52,823,882	-
> 6 to 12 months	10,008,033	-	40,482,493	-
	27,114,621	12,004,881	109,678,642	48,919,890
B. By relationship:				
Related parties	-	12,004,881	-	48,919,890
Non-related parties	27,114,621	-	109,678,642	-
	27,114,621	12,004,881	109,678,642	48,919,890

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Notes to the financial statements (continued)
for the year ended 31 December 2020

16. Borrowings

	31 December 2020 US$	31 December 2019 US$	31 December 2020 KHR'000 (Note 5)	31 December 2019 KHR'000 (Note 5)
Related parties (i)	68,019,444	32,012,466	275,138,651	130,450,799
Non-related parties (ii)	18,744,505	10,947,833	75,821,523	44,612,419
	86,763,949	42,960,299	350,960,174	175,063,218

(i) This represents a short-term unsecured borrowing from BRED Banque Populaire – Head Office principal outstanding as at 31 December 2020 of US$68,000,000 (2019: US$32,000,000) based on the approval from the credit committee dated 9 December 2019 with the following terms and conditions.

Total credit facilities	US$68,000,000
Maturity	23 December 2020 – 21 January 2021 The borrowing was subsequently renewed to 23 April 2021.
Principal repayment	At maturity date
Interest repayment	At maturity date
Interest rate	Libour+ 1%

(ii) These borrowings are unsecured and bear interest at rates ranging from 2.5% to 6.12% (2019: 2.8% to 3.15%) per annum.

Further analysis by maturity period is as follows:

	31 December 2020 US$	31 December 2019 US$	31 December 2020 KHR'000 (Note 5)	31 December 2019 KHR'000 (Note 5)
> 1 to 3 months	72,970,452	32,012,466	295,165,478	130,450,799
> 3 to 6 months	6,459,792	1,239,426	26,129,859	5,050,661
> 6 to 12 months	7,333,705	9,708,407	29,664,837	39,561,758
	86,763,949	42,960,299	350,960,174	175,063,218

17. Lease liabilities

	31 December 2020 US$	31 December 2019 US$	31 December 2020 KHR'000 (Note 5)	31 December 2019 KHR'000 (Note 5)
Maturity analysis – contractual undiscounted cash flows				
Less than one year	275,450	844,216	1,114,195	3,440,180
One to five years	4,874,101	4,360,948	19,715,739	17,770,863
More than five years	2,626,904	2,597,941	10,625,827	10,586,609
Total undiscounted lease liabilities	7,776,455	7,803,105	31,455,761	31,797,652
Present value of lease liabilities				
Current	156,940	692,879	634,822	2,823,482
Non-current	6,533,360	5,996,669	26,427,442	24,436,426
	6,690,300	6,689,548	27,062,264	27,259,908

	2020 US$	2019 US$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
A. Amounts recognised in profit or loss				
Interest on lease liabilities	199,915	192,356	815,053	779,427
B. Amounts recognised in the statement of cash flows				
Total cash outflow for leases	1,432,789	828,729	5,841,480	3,358,011

18. Other liabilities

	31 December 2020 US$	31 December 2019 US$	31 December 2020 KHR'000 (Note 5)	31 December 2019 KHR'000 (Note 5)
Accruals and other payables	1,518,815	1,316,437	6,143,607	5,364,481
Other tax payables	89,575	136,047	362,332	554,392
	1,608,390	1,452,484	6,505,939	5,918,873

19. Provision for employee benefits

	31 December 2020 US$	31 December 2019 US$	31 December 2020 KHR'000 (Note 5)	31 December 2019 KHR'000 (Note 5)
Provision for seniority indemnity	42,810	61,080	173,166	248,901

This represents provision for seniority indemnity payments required by Prakas No. 443 issued by the Ministry of Labour and Vocational Training ("MoLVT") on 21 September 2018, and subsequently amended by the Instruction No. 042/19 dated 22 March 2019. It requires all employers to settle the seniority indemnity to their employee as follows:

- Current pay: starting from 2019 onwards at the amounts equal to 15 days of wages and other benefits per year.
- Retrospective (back-pay): starting from 2021 onwards at the amounts equal to 6 days of net wages per year. The provision of back-pay seniority indemnity is calculated at a maximum amount of 6 months net wages (depends on the length of the service employee served) to the employee who has seniority before 2019.

Payments will be made twice a year, in June and December respectively. Employee does not entitle to the remaining back-pay seniority indemnity, which is not yet due, if he/she resigns from the Bank.

Effective on 2 June 2020, the MoLVT issued Prakas No. 018/20 for the postponement of seniority indemnity back-pay for periods before 2019 and postponement of seniority payments in 2020. Under this new measure, both the issuance of seniority indemnity back payments for periods before 2019 for garment and footwear sector), and the issuance of seniority payments for 2020 (for all sectors), have been delayed until 2021. The Bank still paid the current portion of the seniority payment for 2020.

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20. Income tax benefit

A. Deferred tax assets – net

	31 December 2020 US$	31 December 2019 US$	31 December 2020 KHR'000 (Note 5)	31 December 2019 KHR'000 (Note 5)
Deferred tax assets	3,215,391	2,338,674	13,006,257	9,530,097
Deferred tax liabilities	(1,723,288)	(1,484,206)	(6,970,700)	(6,048,140)
Deferred tax assets – net	1,492,103	854,468	6,035,557	3,481,957

Deferred tax assets are attributable to the following:

	31 December 2020 US$	31 December 2019 US$	31 December 2020 KHR'000 (Note 5)	31 December 2019 KHR'000 (Note 5)
Allowance for impairment losses on loans and advances to customers	1,318,778	639,569	5,334,458	2,606,244
Allowance of off balance sheet items	278,137	156,073	1,125,064	635,997
Allowance for placement with other banks	87,205	26,469	352,744	107,861
Right-of-use assets	(1,532,421)	(1,298,908)	(6,198,643)	(5,293,050)
Lease liabilities	1,338,060	1,337,910	5,412,453	5,451,983
Deferred income from loan	193,211	178,653	781,538	728,011
Depreciation and amortisation	(190,867)	(185,298)	(772,057)	(755,089)
	1,492,103	854,468	6,035,557	3,481,957

The movements of deferred tax are as follows:

	2020 US$	2019 US$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
At 1 January	854,468	487,546	3,481,957	1,958,960
Recognised in profit or loss	637,635	854,468	2,599,638	3,462,304
Reversal	-	(487,546)	-	(1,975,536)
Currency translation differences	-	-	(46,038)	36,229
	1,492,103	854,468	6,035,557	3,481,957

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20. Income tax benefit (continued)

B. Current income tax/minimum tax liability

	2020 US$	2019 US$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
At 1 January	16,581	8,000	67,568	32,144
Income tax expense	213,635	143,346	870,990	580,838
Income tax/Minimum tax paid	(210,125)	(134,765)	(856,680)	(546,068)
Currency translation differences	-	-	(610)	654
At 31 December	20,091	16,581	81,268	67,568

C. Income tax benefit

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

	2020 US$	2019 US$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Minimum tax expense	213,635	143,346	870,990	580,838
Deferred tax income	(637,635)	(366,922)	(2,599,638)	(1,486,768)
	(424,000)	(223,576)	(1,728,648)	(905,930)

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 US$	2019 US$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Loss before income tax	(3,210,553)	(2,569,655)	(13,089,424)	(10,412,242)
Income tax rate of 20%	(642,111)	(513,931)	(2,617,885)	(2,082,448)
Effect of non-deductible expenses	46,362	58,315	189,018	236,292
Effect of temporary differences	(41,886)	88,694	(170,771)	359,388
	(637,635)	(366,922)	(2,599,638)	(1,486,768)
Minimum tax expense	213,635	143,346	870,990	580,838
Income tax benefit	(424,000)	(223,576)	(1,728,648)	(905,930)

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

Notes to the financial statements (continued)
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21. Share capital

	31 December 2020 US$	31 December 2019 US$	31 December 2020 KHR'000 (Note 5)	31 December 2019 KHR'000 (Note 5)
Contributed capital	75,000,000	75,000,000	300,000,000	300,000,000

The total authorised number of shares are 75,000 (2019: 75,000) with par value of US$1,000 per share. All share capital are issued and fully paid.

22. Regulatory reserves

Regulatory reserves represented the variance between impairment losses in accordance with CIFRSs and regulatory provision in accordance with the National Bank of Cambodia.

23. Interest income

	2020 US$	2019 US$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Loans and advances	20,091,409	12,770,996	81,912,675	51,748,076
Placements with the NBC	128,472	108,261	523,780	438,674
Placements with other banks	8,581	213,468	34,985	864,972
	20,228,462	13,092,725	82,471,440	53,051,722

24. Interest expense

	2020 US$	2019 US$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Fixed deposits	6,181,450	4,597,820	25,201,772	18,630,366
Borrowings	1,107,602	427,393	4,515,693	1,731,796
Demand deposits	420,102	160,109	1,712,756	648,762
Lease liabilities	199,915	192,356	815,053	779,427
Saving accounts	175,608	135,340	715,954	548,398
	8,084,677	5,513,018	32,961,228	22,338,749

Notes to the financial statements (continued)
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25. Net fee and commission income

	2020 US$	2019 US$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Inward and outward remittance	504,035	369,230	2,054,950	1,496,119
Other fees	1,047,081	745,596	4,268,949	3,021,155
	1,551,116	1,114,826	6,323,899	4,517,274
Fee and commission expenses	(1,135,733)	(693,663)	(4,630,383)	(2,810,722)
	415,383	421,163	1,693,516	1,706,552

26. Other income

	2020 US$	2019 US$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Other income	25,800	40,176	105,187	162,793
Foreign exchange gain	361,613	104,211	1,474,296	422,264
	387,413	144,387	1,579,483	585,057

27. Personnel expenses

	2020 US$	2019 US$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Salaries and wages	3,153,641	2,472,724	12,857,394	10,019,478
Fringe benefits – management	213,417	213,870	870,101	866,601
Other benefits	1,157,553	690,230	4,719,344	2,796,812
	4,524,611	3,376,824	18,446,839	13,682,891

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28. Other operating expenses

	2020 US$	2019 US$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Depreciation and amortisation	2,300,345	1,889,966	9,378,507	7,658,142
Professional fees	1,759,998	1,104,776	7,175,512	4,476,552
Other tax expenses	884,270	774,102	3,605,169	3,136,661
Public relations, marketing and advertising	675,280	361,085	2,753,117	1,463,116
Low value lease and short-term rental	298,024	226,891	1,215,044	919,362
License fees	215,131	183,742	877,089	744,523
Utilities expenses	152,831	127,086	623,092	514,952
Repairs and maintenance	193,868	118,239	790,400	479,104
Insurance expense	125,329	115,468	510,966	467,876
Communication	118,399	96,173	482,713	389,693
Travelling and accommodation	27,200	65,388	110,894	264,952
Office supplies	99,147	58,182	404,222	235,753
Other expenses	496,244	622,803	2,023,186	2,523,601
	7,346,066	5,743,901	29,949,911	23,274,287

29. Commitments and contingencies

A. Commitments

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

	31 December		31 December	
	2020 US$	2019 US$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Foreign exchange contracts	-	17,086,271	-	69,626,554
- Foreign exchange commitments - buy	-	8,500,000	-	34,637,500
- Foreign exchange commitments - sell	-	8,586,271	-	34,989,054
Unused portion of credit facilities	48,101,129	37,308,268	194,569,067	152,031,192
Letters of credits	7,635,672	2,342,638	30,886,293	9,546,250
Bankers' guarantees	12,938,903	11,824,154	52,337,863	48,183,428
	68,675,704	68,561,331	277,793,223	279,387,424

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29. Commitments and contingencies (continued)

A. Commitments (continued)

During the year, the Bank made general allowance for expect credit losses of US$140,772 equivalent to KHR'000 569,423 and Covid-19 impairment of US$463,561 equivalent to KHR'000 1,875,104 (2019: US$423,858 equivalent to KHR'000 1,717,473 and NIL for Covid-19 impairment).

B. 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 parties

A. Identity of related parties

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

The Bank have related party relationships with its shareholder, 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. Related parties (continued)

B. Transactions with related parties

	2020 US$	2019 US$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
BRD (Cambodia) Limited				
Rental expense (building and meeting room)	633,178	548,615	2,581,467	2,222,988
Electricity	92,861	79,447	378,594	321,919
Access cards - fitness registration	2,625	2,901	10,702	11,755
Maintenance Services	19,418	-	79,167	-
Prepaid rent	707,850	-	2,885,904	-
Interest Paid / Account maintenance fees	2,548	-	10,388	-
Interest expense	13,473	-	54,930	-
Bred IT				
Purchase of software and IT maintenance Fees	1,162,906	775,211	4,741,168	3,141,155
Software Development	-	122,181	-	495,077
BRED Banque Populaire				
Overdraft on Correspondent Account	-	12,004,881	-	48,643,778
Borrowings - Asset Liability Management (ALM line)	68,000,000	32,000,000	277,236,000	129,664,000
Key Management remuneration				
Salary for management	532,726	388,658	2,171,924	1,574,842
Benefits for management	34,988	30,144	142,646	122,143

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30. Related parties (continued)

C. Balances with related parties

	31 December 2020 US$	31 December 2019 US$	31 December 2020 KHR'000 (Note 5)	31 December 2019 KHR'000 (Note 5)
Amount due to related party				
BRED Banque Populaire	-	12,004,881	-	48,919,890
Deposits from related parties				
Representative office of Compagnie Financiere de la BRED	692,028	1,027,452	2,799,254	4,186,867
BRD (Cambodia) Limited	499,351	717,720	2,019,874	2,924,709
	1,191,379	1,745,172	4,819,128	7,111,576
Deposits and placements with other banks				
Bred Banque Populaire - current account	-	5,716,765	-	23,295,817

31. Financial risk management

A. Introduction and overview

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

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

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

31. Financial risk management (continued)

A. Introduction and overview (continued)

For the purpose of preserving the financial stability and reduce the burden of the borrowers who are losing their primary income and facing difficulties in repayment during the impact of the COVID-19 pandemic, the Bank works constructively with affected borrowers and allows for loan restructuring. Loan restructuring is carried out by the Bank's Credit Monitoring Committee that is independent from the Credit department. The Credit Monitoring Committee shall regularly conduct a portfolio review of affected borrowers to measure the impact on their financial conditions during the pandemic.

Risk management functional and governance structure

The Bank's Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board of Directors has established the Bank Audit committee and the Risk Committee, which are respectively responsible for approving and monitoring Bank's risk management policies.

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

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

B. Credit risk

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

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

Notes to the financial statements (continued)
for the year ended 31 December 2020

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31. Financial risk management (continued)

B. Credit risk (continued)

(i). Management of credit risk

BRED's credit risk management is based on the strict independence of the Commitments Department from the commercial business lines. The Commitments Department is involved in the decision-making process and subsequent monitoring of commitments. It has collaborators in the regional operational directorates, that, besides making credit decisions, ensure promotion good practices in order to satisfactorily control risk.

The Commitments Department proposes BRED's credit policy, as validated by its staff managers and approved by the Board of Directors. It validates the credit policies of the subsidiaries, once they have been approved by their respective surveillance departments. It monitors the dissemination and correct implementation of these policies within the BRED Group. The Credit Risk Department (DRC) is under the Head of Risk, Compliance and Permanent Control, which itself is directly under the General Management and reports to the Board of Directors.

The Credit Risk Department, which is totally independent from the commercial business lines and from the Commitments Department, is responsible for second level permanent control of credit risk. It validates the credit policies once they have been set by the head of department, before to be approved by BRED HQ Credit risk department and approved by the Board of Directors.

Management of credit risk is mainly based on:

- a system of delegation of powers to specific persons, reviewed annually by the Commitments Department and Credit Risk Department;
- an internal rating system that is highly integrated into the decision-making process;
- risk-spreading criteria;
- the following up on commitments on a continuous flow basis, with the help of an automated system of "position monitoring", of close-outs for depreciable trials and of defective accounts;
- reinforced detection and prevention of risks with retail, professional and corporate customers via the action of branch network employees and their hierarchy of monitoring tools;
- permanent control conducted by the Credit Risk Department on regular basis, through a sample selection.

Notes to the financial statements (continued)
for the year ended 31 December 2020

31. Financial risk management (continued)

B. Credit risk (continued)

(ii). Concentration of risk

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

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

Notes to the financial statements (continued)
for the year ended 31 December 2020

31. Financial risk management (continued)

B. Credit risk (continued)

(ii). Concentration of risk (continued)

Type of credit exposure

31 December 2020	Maximum credit exposure US$	Maximum credit exposure KHR'000 (Note 5)	Fully subject to collateral/credit enhancement %	Partially subject to collateral/ credit enhancement %	Unsecured and not subject to collateral/ credit enhancement %
On Balance sheet items					
Cash equivalents with other banks- gross	51,050,334	206,498,601	-	-	100%
Placements with other banks- gross	13,930,219	56,347,736	-	-	100%
Loans and advances to customers-gross	294,965,356	1,193,134,865	35%	50%	15%
Other assets	592,078	2,394,955	-	-	100%
Total	360,537,987	1,458,376,157			
Off-Balance sheet items					
Commitments	68,675,704	277,793,223	27%	63%	9%

Notes to the financial statements (continued)
for the year ended 31 December 2020

31. Financial risk management (continued)

B. Credit risk (continued)

(ii). Concentration of risk (continued)

Type of credit exposure (continued)

31 December 2019	Maximum credit exposure US$	Maximum credit exposure KHR'000 (Note 5)	Fully subject to collateral/credit enhancement %	Partially subject to collateral/ credit enhancement %	Unsecured and not subject to collateral/ credit enhancement %
On Balance sheet items					
Cash equivalents with other banks - gross	32,291,690	131,588,637	-	-	100%
Placements with other banks - gross	11,235,640	45,785,233	-	-	100%
Loans and advances to customers - gross	223,938,444	912,549,159	33%	53%	14%
Other assets	745,712	3,038,776	-	-	100%
Total	268,211,486	1,092,961,805			
Off-Balance sheet items					
Commitments	68,561,331	279,387,424	23%	70%	7%

Notes to the financial statements (continued)
for the year ended 31 December 2020

31. Financial risk management (continued)

B. Credit risk (continued)

(ii). Concentration of risk (continued)

Concentration risk by industrial sectors

31 December 2020	Cash and cash equivalents US$	Placements with other banks US$	Loans and advances to customers US$	Other assets US$	Total US$
Banking	51,050,334	13,930,219	-	-	64,980,553
Microfinance Institutions	-	-	11,589,605	-	11,589,605
Manufacturing	-	-	21,941,961	-	21,941,961
Printing	-	-	3,261,166	-	3,261,166
Water, Sewerage and Drainage	-	-	436,106	-	436,106
Construction Services	-	-	10,063,101	-	10,063,101
Import and Export	-	-	71,229,916	-	71,229,916
Other Wholesale Trade	-	-	21,346,888	-	21,346,888
Retail Trade	-	-	40,228,164	-	40,228,164
Hotels and Restaurants	-	-	19,000,340	-	19,000,340
Transport and Storage	-	-	5,908,860	-	5,908,860
Real Estate Loan	-	-	60,574,865	-	60,574,865
Other Retail Lending	-	-	1,203,258	-	1,203,258
Others	-	-	28,181,126	592,078	28,773,204
Total (US$)	51,050,334	13,930,219	294,965,356	592,078	360,537,987
Total (KHR'000 – Note 5)	206,498,601	56,347,736	1,193,134,865	2,394,956	1,458,376,158

Notes to the financial statements (continued)
for the year ended 31 December 2020

31. Financial risk management (continued)

B. Credit risk (continued)

(ii). Concentration of risk (continued)

Concentration risk by industrial sectors (continued)

31 December 2019	Cash and cash equivalents US$	Placements with other banks US$	Loans and advances to customers US$	Other assets US$	Total US$
Banking	41,192,347	11,235,640	-	-	52,427,987
Microfinance Institutions	-	-	26,726,752	-	26,726,752
Manufacturing	-	-	16,374,188	-	16,374,188
Printing	-	-	2,793,656	-	2,793,656
Water, Sewerage and Drainage	-	-	920,817	-	920,817
Construction Services	-	-	5,446,532	-	5,446,532
Import and Export	-	-	54,358,772	-	54,358,772
Other Wholesale Trade	-	-	16,439,573	-	16,439,573
Retail Trade	-	-	14,716,697	-	14,716,697
Hotels and Restaurants	-	-	15,615,190	-	15,615,190
Transport and Storage	-	-	3,305,084	-	3,305,084
Real Estate Loan	-	-	34,978,732	-	34,978,732
Other Retail Lending	-	-	18,873,289	-	18,873,289
Others	-	-	13,389,162	745,712	14,134,874
Total (US$)	41,192,347	11,235,640	223,938,444	745,712	277,112,143
Total (KHR'000 – Note 5)	167,858,814	45,785,233	912,549,159	3,038,776	1,129,231,982

Notes to the financial statements (continued)
for the year ended 31 December 2020

31. Financial risk management (continued)

B. Credit risk (continued)

(ii). Concentration of risk (continued)

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

	31 December 2020 US$	31 December 2019 US$	31 December 2020 KHR'000 (Note 5)	31 December 2019 KHR'000 (Note 5)
By residency status:				
Residents	294,965,356	223,938,444	1,193,134,865	912,549,159
By relationship:				
External customers	290,361,561	220,149,951	1,174,512,514	897,111,050
Staff loans	4,603,795	3,788,493	18,622,351	15,438,109
	294,965,356	223,938,444	1,193,134,865	912,549,159
By exposure:				
Large exposures (*)	55,376,137	54,477,548	223,996,475	221,996,008
Non-large exposures	239,589,219	169,460,896	969,138,390	690,553,151
	294,965,356	223,938,444	1,193,134,865	912,549,159
By concession:				
Restructured (**)	9,405,687	-	38,046,004	-
Non-restructured	285,559,669	223,938,444	1,155,088,861	912,549,159
	294,965,356	223,938,444	1,193,134,865	912,549,159

Notes to the financial statements (continued)
for the year ended 31 December 2020

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31. Financial risk management (continued)

B. Credit risk (continued)

(ii). Concentration of risk (continued)

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

(**) A "restructured loan" is a loan that original contractual terms have been modified to provide for concessions for the borrowers on the reasons related to real temporary financial difficulties.

(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, placements with NBC, statutory deposits 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.

Notes to the financial statements (continued)
for the year ended 31 December 2020

31. Financial risk management (continued)

B. Credit risk (continued)

(iii). Collateral (continued)

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

	Collateral/credit enhancement					
	Properties US$	Floating assets US$	Fixed deposits US$	Others US$	Unsecured credit exposure US$	Total US$
31 December 2020						
Loans and advances to customers - gross	263,279,528	-	575,050	4,570,190	26,540,588	294,965,356
Commitments	54,471,644	-	7,677,527	30,450	6,496,083	68,675,704
	317,751,172	-	8,252,577	4,600,640	33,036,671	363,641,060
31 December 2019						
Loans and advances to customers - gross	185,160,630	-	3,346,945	4,436,697	30,994,172	223,938,444
Commitments	-	-	-	-	68,561,331	68,561,331
	185,160,630	-	3,346,945	4,436,697	99,555,503	292,499,775

31. Financial risk management (continued)

B. Credit risk (continued)

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

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

Normal:

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

Special Mention:

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

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

Substandard

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

31. Financial risk management (continued)

B. Credit risk (continued)

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

Substandard (continued)

Factors leading to a substandard classification include:

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

Doubtful

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

Loss

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

Notes to the financial statements (continued)
for the year ended 31 December 2020

31. Financial risk management (continued)

B. Credit risk (continued)

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

Recognition of ECL

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

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

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

Long-term facilities (more than one year)

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

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Notes to the financial statements (continued)
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31. Financial risk management (continued)

B. Credit risk (continued)

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

Recognition of ECL (continued)

Short-term facilities (one year or less)

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

The Bank will use the day past due (DPD) information and NBC's classification for staging criteria. Also, the Bank will incorporate credit scoring or more forward-looking elements in the future when information is more readily available. 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 (stage1) or non-performing.

31. Financial risk management (continued)

B. Credit risk (continued)

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

Recognition of ECL (continued)

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

	31 December 2020			
	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$
Loans and advances to customers at amortised cost				
Normal	292,403,043	2,056,982	37,172	294,497,197
Special Mention	17,875	211,377	-	229,252
Substandard	-	-	54,116	54,116
Doubtful	-	-	95,718	95,718
Loss	-	-	89,073	89,073
	292,420,918	2,268,359	276,079	294,965,356
Impairment losses				
- General	(3,960,580)	(413,098)	(172,044)	(4,545,722)
- Impacts from Covid-19	(1,980,290)	(206,549)	-	(2,186,839)
	(5,940,870)	(619,647)	(172,044)	(6,732,561)
Carrying amount (US$)	286,480,049	1,648,711	104,035	288,232,795
Carrying amount (KHR'000)	1,158,811,798	6,669,036	420,822	1,165,901,656

	31 December 2019			
	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$
Loans and advances to customers at amortised cost				
Normal	224,022,703	549,924	674	224,573,301
Special Mention	15,835	38,664	-	54,499
Substandard	-	-	120,928	120,928
Doubtful	-	-	77,355	77,355
Loss	-	-	5,628	5,628
	224,038,538	588,588	204,585	224,831,711
Impairment losses	(3,024,520)	(104,180)	(69,146)	(3,197,846)
Carrying amount (US$)	221,014,018	484,408	135,439	221,633,865
Carrying amount (KHR'000)	900,632,123	1,973,963	551,914	903,158,000

31. Financial risk management (continued)

B. Credit risk (continued)

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

Incorporation of forward-looking information

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

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

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

In response to the recent Covid-19 pandemic, the Bank has determined that the economic outlook for the upcoming years is highly impacted by the pandemic and therefore sets forth of new set of economic (and loss) scenarios.

For a better understanding of the impact on impairment losses caused by the anticipated modification of the risk (forward-looking method), the impairment losses are analysed between

- impairment corresponding to the intrinsic risk of a stable environment and
- a Covid-19 impairment corresponding to the specific risk of the anticipated changes.

Notes to the financial statements (continued)
for the year ended 31 December 2020

31. Financial risk management (continued)

B. Credit risk (continued)

(v). Amounts arising from ECL

Loss allowance

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

	2020			
	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$
Loans and advances to customers at amortised cost				
Balance at 1 January	3,024,520	104,180	69,146	3,197,846
- Transfer to Stage 1	-	-	-	-
- Transfer to Stage 2	(26,760)	26,760	-	-
- Transfer to Stage 3	(1,214)	(5,666)	6,880	-
Net remeasurement of loss allowance	746,956	318,621	779,838	1,845,415
New financial assets originated or purchased	2,838,595	246,241	27,896	3,112,732
Financial assets that has been derecognised	(641,228)	(70,488)	(711,716)	(1,423,432)
Balance at 31 December (US$)	5,940,869	619,648	172,044	6,732,561
Balance at 31 December (KHR'000)	24,030,815	2,506,476	695,918	27,233,209

	2019			
	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$
Loans and advances to customers at amortised cost				
Balance at 1 January	1,579,611	338	-	1,579,949
- Transfer to Stage 1	(10,334)	7,891	2,443	-
- Transfer to Stage 2	-	(2)	2	-
- Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	(191,357)	73,636	48,399	(69,322)
New financial assets originated or purchased	1,916,071	22,655	18,302	1,957,028
Financial assets that has been derecognised	(269,471)	(338)	-	(269,809)
Balance at 31 December (US$)	3,024,520	104,180	69,146	3,197,846
Balance at 31 December (KHR'000)	12,324,919	424,534	281,769	13,031,222

Notes to the financial statements (continued)
for the year ended 31 December 2020

31. Financial risk management (continued)

C. Market risk

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

(i). Interest rate risk

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

Notes to the financial statements (continued)
for the year ended 31 December 2020

31. Financial risk management (continued)

C. Market risk (continued)

(i). Interest rate risk (continued)

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

As at 31 December 2020	Up to 1 month 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	45,933,245	5,117,089	-	-	-	-	17,249,123	68,299,457	0% - 0.08%
Placements with NBC	4,051,347	5,049,892	4,828,980	-	-	-	-	13,930,219	0.12% - 0.80%
Loans and advances to customers	15,328,041	20,644,387	11,192,167	10,062,250	51,997,248	184,863,585	877,678	294,965,356	4% - 18%
Other assets	-	-	-	-	-	-	592,078	592,078	
	65,312,633	30,811,368	16,021,147	10,062,250	51,997,248	184,863,585	18,718,879	377,787,110	
Financial liabilities									
Deposits from customers	103,573,534	13,317,986	36,502,001	18,646,346	37,347,819	16,495,900	4,244,061	230,127,647	0%-6%
Deposits from other banks	3,743,237	13,054,292	10,000,000	-	-	-	317,092	27,114,621	
Borrowings	71,930,779	9,888,752	4,697,157	-	-	-	247,261	86,763,949	2.50%-6.12%
Lease liabilities	122,689	134,525	154,362	-	4,012,668	2,266,056	-	6,690,300	2.33%-3.24%
Other liabilities	-	-	-	-	-	-	1,518,815	1,518,815	
	179,370,239	36,395,555	51,353,520	18,646,346	41,360,487	18,761,956	6,327,229	352,215,332	
Interest sensitivity gap	(114,057,606)	(5,584,187)	(35,332,373)	(8,584,096)	10,636,761	166,101,629	12,391,650	25,571,778	
(KHR'000 equivalents - Note 5)	(461,363,016)	(22,588,036)	(142,919,449)	(34,722,668)	43,025,698	671,881,089	50,124,224	103,437,842	

Notes to the financial statements (continued)
for the year ended 31 December 2020

31. Financial risk management (continued)

C. Market risk (continued)

(i). Interest rate risk (continued)

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

As at 31 December 2019	Up to 1 month 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	1,830,000	-	-	-	-	-	39,362,347	41,192,347	0%-0.65%
Placements with NBC	-	1,268,651	1,280,855	8,686,134	-	-	-	11,235,640	0.60%-1.01%
Loans and advances to customers	3,685,964	22,219,013	10,164,256	4,138,876	55,102,237	127,983,115	644,983	223,938,444	4.25%-18%
Other assets	-	-	-	-	-	-	745,712	745,712	
	5,515,964	23,487,664	11,445,111	12,825,010	55,102,237	127,983,115	40,753,042	277,112,143	
Financial liabilities									
Deposits from customers	71,942,604	39,083,830	3,137,939	27,322,678	39,686,900	11,614,919	2,990,770	195,779,640	0%-6%
Deposits from other banks	12,004,881	-	-	-	-	-	-	12,004,881	
Borrowings	32,012,466	1,239,426	1,250,616	8,457,791	-	-	-	42,960,299	2.8%-3.15%
Derivative liabilities	-	-	-	-	-	-	4,080	4,080	
Lease liabilities	54,822	164,867	330,917	666,615	3,624,611	1,847,716	-	6,689,548	2.33%-3.24%
Other liabilities	-	-	-	-	-	-	1,316,437	1,316,437	
	116,014,773	40,488,123	4,719,472	36,447,084	43,311,511	13,462,635	4,311,287	258,754,885	
Interest sensitivity gap	(110,498,809)	(17,000,459)	6,725,639	(23,622,074)	11,790,726	114,520,480	36,441,755	18,357,258	
(KHR'000 equivalents - Note 5)	(450,282,647)	(69,276,870)	27,406,979	(96,259,952)	48,047,208	466,670,956	148,500,152	74,805,826	

Notes to the financial statements (continued)
for the year ended 31 December 2020

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31. Financial risk management (continued)

C. Market risk (continued)

(i). Interest rate risk (continued)

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

	Profit or loss		Equity	
	100 bp Increase US$	100 bp Decrease US$	100 bp Increase US$	100 bp Decrease US$
31 December 2020				
Variable rate instruments	680,000	(680,000)	680,000	(680,000)
(KHR'000 – Note 5)	2,772,360	(2,772,360)	2,772,360	(2,772,360)

	Profit or loss		Equity	
	100 bp Increase US$	100 bp Decrease US$	100 bp Increase US$	100 bp Decrease US$
31 December 2019				
Variable rate instruments	320,000	(320,000)	320,000	(320,000)
(KHR'000 – Note 5)	1,296,640	(1,296,640)	1,296,640	(1,296,640)

Notes to the financial statements (continued)
for the year ended 31 December 2020

31. Financial risk management (continued)

C. Market risk (continued)

(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:

	Denomination US$ equivalents					
31 December 2020	KHR	US$	EUR	THB	CHF	Total
Financial assets						
Cash and cash equivalents	2,472,778	57,386,253	7,692,617	235,230	512,579	68,299,457
Placements with NBC	-	13,930,219	-	-	-	13,930,219
Loans and advances to customers	30,819,889	264,145,343	120	4	-	294,965,356
Other assets	-	592,078	-	-	-	592,078
	33,292,667	336,053,893	7,692,737	235,234	512,579	377,787,110

31. Financial risk management (continued)

C. Market risk (continued)

(ii). Foreign currency exchange risk (continued)

Concentration of currency risk (continued)

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

	Denomination US$ equivalents					
31 December 2020	KHR	US$	EUR	THB	CHF	Total
Financial liabilities						
Deposits from customers	5,461,138	216,755,869	7,208,069	179,509	523,062	230,127,647
Deposits from other banks	8,828,748	18,285,873	-	-	-	27,114,621
Borrowings	18,744,505	68,019,444	-	-	-	86,763,949
Lease liabilities	-	6,690,300	-	-	-	6,690,300
Other liabilities	13,446	1,501,462	3,907	-	-	1,518,815
	33,047,837	311,252,948	7,211,976	179,509	523,062	352,215,332
Net asset/(liability) position	244,830	24,800,945	480,761	55,725	(10,483)	25,571,778
KHR'000 equivalents (Note 5)	990,337	100,319,823	1,944,678	225,408	(42,404)	103,437,842

31. Financial risk management (continued)

C. Market risk (continued)

(ii). Foreign currency exchange risk (continued)

Concentration of currency risk (continued)

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

	Denomination US$ equivalents				
31 December 2019	KHR	US$	EUR	THB	Total
Financial assets					
Cash and cash equivalents	2,529,255	32,241,025	6,131,972	290,095	41,192,347
Placements with NBC	-	11,235,640	-	-	11,235,640
Loans and advances to customers	22,475,401	201,463,018	25	-	223,938,444
Other assets	6,640	739,072	-	-	745,712
	25,011,296	245,678,755	6,131,997	290,095	277,112,143

31. Financial risk management (continued)

C. Market risk (continued)

(ii). Foreign currency exchange risk (continued)

Concentration of currency risk (continued)

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

			Denomination US$ equivalents		
31 December 2019	KHR	US$	EUR	THB	Total
Financial liabilities					
Deposits from customers	3,485,005	185,781,191	6,299,950	213,494	195,779,640
Deposits from other banks	-	12,004,881	-	-	12,004,881
Borrowings	10,947,833	32,012,466	-	-	42,960,299
Derivative liabilities	-	4,080	-	-	4,080
Lease liabilities	-	6,689,548	-	-	6,689,548
Other liabilities	1,401	1,311,237	3,795	4	1,316,437
	14,434,239	237,803,403	6,303,745	213,498	258,754,885
Net asset/(liability) position	10,577,057	7,875,352	(171,748)	76,597	18,357,258
KHR'000 equivalents (Note 5)	43,101,507	32,092,059	(699,873)	312,133	74,805,826

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31. Financial risk management (continued)

C. Market risk (continued)

(ii). Foreign currency exchange risk (continued)

Sensitivity analysis

Considering that other risk variables remain constant, the foreign currency revaluation sensitivity for the Bank as at reporting date is summarised as follows (only exposures in currencies that accounts for more than 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	(2,448)	2,448	(105,771)	105,771
EUR	(4,808)	4,808	1,717	(1,717)
THB	(557)	557	(766)	766
CHF	105	(105)	-	-
	(7,708)	7,708	(104,820)	104,820
KHR'000 – Note 5	(31,179)	31,179	(421,167)	421,167

D. Liquidity risk

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

Management of liquidity risk

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

Notes to the financial statements (continued)
for the year ended 31 December 2020

31. Financial risk management (continued)

D. Liquidity risk (continued)

As at 31 December 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$	No maturity US$	Total US$
Financial assets								
Cash and cash equivalents	45,933,245	5,117,089	-	-	-	-	17,249,123	68,299,457
Placements with NBC	4,051,347	5,049,892	4,828,980	-	-	-	-	13,930,219
Loans and advances to customers	15,328,041	20,644,387	11,192,167	10,062,250	51,997,248	184,863,585	877,678	294,965,356
Other assets	-	-	-	-	-	-	592,078	592,078
	65,312,633	30,811,368	16,021,147	10,062,250	51,997,248	184,863,585	18,718,879	377,787,110
Financial liabilities								
Deposits from customers	103,573,534	13,317,986	36,502,001	18,646,346	37,347,819	16,495,900	4,244,061	230,127,647
Deposits from other banks	3,743,237	13,054,292	10,000,000	-	-	-	317,092	27,114,621
Borrowings	71,930,779	9,888,752	4,697,157	-	-	-	247,261	86,763,949
Lease liabilities	122,689	134,525	154,362	-	4,012,668	2,266,056	-	6,690,300
Other liabilities	-	-	-	-	-	-	1,518,815	1,518,815
	179,370,239	36,395,555	51,353,520	18,646,346	41,360,487	18,761,956	6,327,229	352,215,332
Maturity gap – US$	(114,057,606)	(5,584,187)	(35,332,373)	(8,584,096)	10,636,761	166,101,629	12,391,650	25,571,778
(KHR'000 equivalents - Note 5)	(461,363,016)	(22,588,036)	(142,919,449)	(34,722,668)	43,025,698	671,881,089	50,124,224	103,437,842

31. Financial risk management (continued)

D. Liquidity risk (continued)

As at 31 December 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$	No maturity US$	Total US$
Financial assets								
Cash and cash equivalents	1,830,000	-	-	-	-	-	39,362,347	41,192,347
Placements with NBC	-	1,268,651	1,280,855	8,686,134	-	-	-	11,235,640
Loans and advances to customers	3,685,964	22,219,013	10,164,256	4,138,876	55,102,237	127,983,115	644,983	223,938,444
Other assets	-	-	-	-	-	-	745,712	745,712
	5,515,964	23,487,664	11,445,111	12,825,010	55,102,237	127,983,115	40,753,042	277,112,143
Financial liabilities								
Deposits from customers	71,942,604	39,083,830	3,137,939	27,322,678	39,686,900	11,614,919	2,990,770	195,779,640
Deposits from other banks	12,004,881	-	-	-	-	-	-	12,004,881
Borrowings	32,012,466	1,239,426	1,250,616	8,457,791	-	-	-	42,960,299
Derivative liabilities	-	-	-	-	-	-	4,080	4,080
Lease liabilities	54,822	164,867	330,917	666,615	3,624,611	1,847,716	-	6,689,548
Other liabilities	-	-	-	-	-	-	1,316,437	1,316,437
	116,014,773	40,488,123	4,719,472	36,447,084	43,311,511	13,462,635	4,311,287	258,754,885
Maturity gap – US$	(110,498,809)	(17,000,459)	6,725,639	(23,622,074)	11,790,726	114,520,480	36,441,755	18,357,258
(KHR'000 equivalents - Note 5)	(450,282,647)	(69,276,870)	27,406,979	(96,259,952)	48,047,208	466,670,956	148,500,152	74,805,826

31. Financial risk management (continued)

E. Operational risk

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

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

F. Capital management

(i). Regulatory capital

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

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

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

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

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

Fair value information for non-financial assets and liabilities are excluded as they do not fall within the scope of CIFRS 7: Financial Instruments Disclosures which requires the fair value information to be disclosed. 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 Prakas, deposits and placements with banks and other financial institutions, deposits from customers and banks, other assets, other liabilities and short-term borrowings are not materially sensitive to shifts in market profit rate because of the limited term to maturity of these instruments. As such, the carrying value of these financial assets and liabilities at financial position date approximate their fair values.

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

Financing, advances and others

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

Fair value hierarchy

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

- Level 1 – Quoted price (unadjusted) in active markets for the identical assets or liabilities. This level includes listed equity securities and debt instruments.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

32. Fair values of financial assets and liabilities (continued)

Fair value hierarchy (continued)

- Level 3 – Inputs for asset or liability that are not based on observable market data (unobservable inputs). This level includes equity instruments and debt instruments with significant unobservable components.

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

33. Significant accounting policies

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

A. Basis of measurement

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

B. Foreign currency

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

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

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

Notes to the financial statements (continued)
for the year ended 31 December 2020

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33. Significant accounting policies (continued)

C. Financial assets and financial liabilities

(i). Recognition and initial measurement

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

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

(ii). Classification

Financial assets

On initial recognition, a financial asset is classified as measured at amortised cost, 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.

33. Significant accounting policies (continued)

C. Financial assets and financial liabilities (continued)

(ii). Classification (continued)

All other financial assets are classified as measured at FVTPL

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

Business model assessment

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

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

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

Notes to the financial statements (continued)
for the year ended 31 December 2020

33. Significant accounting policies (continued)

C. Financial assets and financial liabilities (continued)

(ii). Classification (continued)

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

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

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

In making the assessment, the Bank considers:

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

Non-recourse loans

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

- whether the contractual arrangement specifically defines the amounts and dates of the cash payments of the loan;
- the fair value of the collateral relative to the amount of the secured financial asset;
- the ability and willingness of the borrower to make contractual payments, notwithstanding a decline in the value of collateral;

33. Significant accounting policies (continued)

C. Financial assets and financial liabilities (continued)

(ii). Classification (continued)

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

Non-recourse loans (continued)

- whether the borrower is an individual or a substantive operating entity or is a special-purpose entity;
- the Bank's risk of loss on the asset relative to a full-recourse loan;
- the extent to which the collateral represents all or a substantial portion of the borrower's assets; and
- whether the Bank will benefit from any upside from the underlying assets.

Reclassifications

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

(iii). Derecognition

Financial assets

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

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

33. Significant accounting policies (continued)

C. Financial assets and financial liabilities (continued)

(iii). Derecognition (continued)

Financial liabilities

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

(iv). Modifications of financial assets and financial liabilities

Financial assets

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

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

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit and loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

- If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit and loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

33. Significant accounting policies (continued)

C. Financial assets and financial liabilities (continued)

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

Financial assets (continued)

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

Financial liabilities

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

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

(v). Offsetting

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

(vi). Fair value measurement

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

33. Significant accounting policies (continued)

C. Financial assets and financial liabilities (continued)

(vi). Fair value measurement (continued)

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

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

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

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

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

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

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

33. Significant accounting policies (continued)

C. Financial assets and financial liabilities (continued)

(vii). Impairment

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

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

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

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

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

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

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

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

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

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

33. Significant accounting policies (continued)

C. Financial assets and financial liabilities (continued)

(vii). Impairment (continued)

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 and significant increase in credit risks

The Bank considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held).

The 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

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

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

33. Significant accounting policies (continued)

C. Financial assets and financial liabilities (continued)

(vii). Impairment (continued)

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.

As Stage 2 exposures encompass Watch List exposures, prudential PD used for credit risk own funds requirements on Watch list exposures is taken into account. The bank credit granting policy follows general principles and rules defined in accordance with BRED Group credit granting approach. One shall remind that a significant part of the credit exposures, including the biggest files, are even presented to BRED credit committee for decision making. As a consequence, watch listed items are expected to process from similar credit granting processes and display similar behavior in terms of defaulting.

As per BRED Group Watch List methodology, credit exposures ranked on credit grades 14 and higher are included in the Watch List. Such exposures bear a PD at least equal to 11.73%. That grade 14 PD is therefore considered for stage 2 consistently with BRED Group credit practices.

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters by setting default value set at 45% which corresponds to the Basel IRBF parameter for senior claims on corporates, sovereigns and banks not secured by recognised collateral.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the 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.

Notes to the financial statements (continued)
for the year ended 31 December 2020

33. Significant accounting policies (continued)

C. Financial assets and financial liabilities (continued)

(vii). Impairment (continued)

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

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

Restructured financial assets

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

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

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

Credit-impaired financial assets

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

33. Significant accounting policies (continued)

C. Financial assets and financial liabilities (continued)

(vii). Impairment (continued)

Credit-impaired financial assets (continued)

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 except for allowance for expect credit losses of off-balance sheet items which is presented in other liabilities; are presented in the statement of financial position for financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets.

Write-off

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

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

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

33. Significant accounting policies (continued)

D. Cash and cash equivalents

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

E. Share capital

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

F. Regulatory reserves

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

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

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

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

G. Placements with other banks

Deposits and placements with banks are stated at cost less allowance for impairment.

33. Significant accounting policies (continued)

H. Statutory deposits

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

I. Loans and advances

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

J. Other assets

Other assets are carried at cost less impairment if any.

K. Property and equipment

(i) Recognition and measurement

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

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

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

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

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Notes to the financial statements (continued)
for the year ended 31 December 2020

33. Significant accounting policies (continued)

K. Property and equipment (continued)

(ii). Subsequent costs

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

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

(iii). Depreciation

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

Depreciation is recognised as an expense in profit or loss on a straight-line over the estimated useful lives of each component of an item of property and equipment.

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.

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

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

	Years
Furniture and fixture	5 to 10
Equipment	5 to 10
Computer equipment	5
Motor vehicles	5

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

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

33. Significant accounting policies (continued)

L. 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 from 5 to 20 years using the straight-line method.

Costs associated with the development or maintenance of computer software are recognised as expenses when incurred.

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

M. Leases

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

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

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

33. Significant accounting policies (continued)

M. Leases (continued)

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

Leases in which the Bank is a lessee

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

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

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

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

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

- Building and office branches 3 – 10 years

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

33. Significant accounting policies (continued)

M. Leases (continued)

Leases in which the Bank is a lessee (continued)

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

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

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

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

Short-term leases and leases of low-value assets

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

N. Borrowings

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

33. Significant accounting policies (continued)

O. Employee Benefits

(i). Short-term employee benefits

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

(ii). Other long-term employee benefits

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

P. Provisions

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

Q. Interest

Effective interest rate

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

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

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

33. Significant accounting policies (continued)

Q. Interest (continued)

Effective interest rate (continued)

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.

Amortised cost and gross carrying amount

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

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

Calculation of interest income and expense

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

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

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

33. Significant accounting policies (continued)

Q. Interest (continued)

Presentation

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

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

R. Fee and commission

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

Other fee and commission income – including account servicing fees is recognised as the related services are performed.

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

S. Impairment of non-financial assets

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

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

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

33. Significant accounting policies (continued)

S. Impairment of non-financial assets (continued)

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.

T. Income tax

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

The 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 IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and has recognised the related expenses in 'other expenses'.

(i). Current tax

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

(ii). Deferred tax

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

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

33. Significant accounting policies (continued)

T. Income tax (continued)

(ii). Deferred tax (continued)

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

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

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

U. Contingent liabilities

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

V. Contingent assets

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

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33. Significant accounting policies (continued)

W. New standards issued but not yet effective

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

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

- *COVID-19-Related Rent Concessions* (Amendment to CIFRS 16);
- *Onerous contracts – Cost of Fulfilling a Contract* (Amendments to CIAS 37);
- *Reference to Conceptual Framework* (Amendments to CIFRS 3);
- *Property, Plant and Equipment: Proceeds before Intended Use* (Amendments to CIAS 16); and
- *Classification of Liabilities as Current or Non-current* (Amendments to CIAS 1).

Notes

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