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Cathay United Bank 國泰世華銀行

2020 Cathay United Bank (Cambodia) Corporation Limited Annual Report

Accelerating Digital Transformation to Innovate the Future of Financial Technology

Create Value & Enrich Your Life

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Services

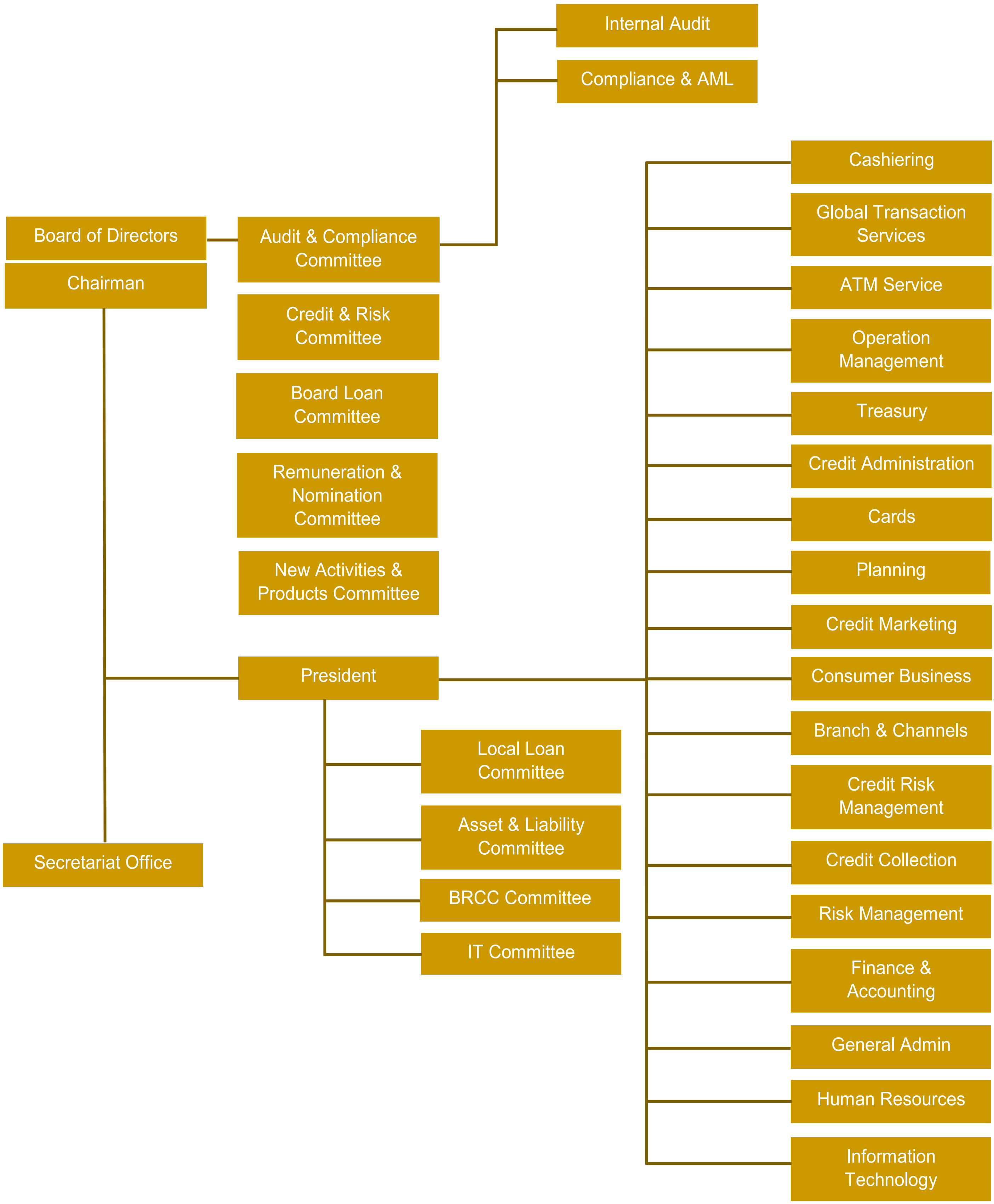
CUBC Online Banking App

Convenient Way for Money Transfer and Payments

CORPORATE INFORMATION

Name	Cathay United Bank (Cambodia) Corporation Limited
Registered Office	No. 68, Samdech Pan Street (St. 214) Sangkat Boeng Reang, Khan Daun Penh, Phnom Penh, Kingdom of Cambodia
Shareholders	Cathay United Bank Co., Ltd. (Incorporated in Taiwan)
Board of Directors	Mr. Chung Yi Teng, Chairman Ms. Hsiu Chu Chuang, President/Director Mr. David Paul Sun, Director Mr. Yei Fong Jan, Director Mr. Hua Ben Miao, Director Mr. Chang Chuan Hsia, Independent Director Mr. Wu Shui Cheng, Independent Director
Executive Management	Mr. Chung Yi Teng, Daniel, Chairman Ms. Hsiu Chu Chuang, Alice, President Ms. Tseng Pi Chen, Becky, First Vice President
Auditors	KPMG Cambodia Ltd

ORGANIZATION STRUCTURE



Despite the Covid-19 crisis, the banking sector in Cambodia has been stable and actively involved in supporting economic activities and reducing the impact of the crisis on businesses and in line with government policies. CUBC is able to pursue its expansion on business activities and network to gain both financial and non-financial achievement with strong support from the National Bank of Cambodia and the Government.

Over the years, CUBC aggressively provides comprehensive range of value added banking products and most advanced digital solutions to our customers. Our bank is also the first bank in Cambodia market for introducing mobile banking platforms including Androids and iOS, the first bank in Cambodia for introducing online payment gateway services to support businesses on credit card payment from global customers through internet securely and conveniently, the first member bank of Visa International in the Asia Pacific region for implementing EMV security standards using Diebold Opteva ATMs, and the first member bank of Visa International in Southeast Asia region to achieve both full EMV security chip card issuance.

Financial Summary

A review of the main business performance over the periods highlights a number of significant developments, some of which were anticipated and others which emerged or evolved over the periods. The reflection of our significant changes to business performance as of December 2020, there is:

- Total loan has slightly decreased to USD261M in 2020.
- Total deposit has increased to 262M in 2020.
- Total asset remained quite stable and stood at USD387M in 2020.
- Net profit after tax has dropped to USD1.5M in 2020 due to the impact of Covid-19 crisis.
- Non-performance loan (NPL) which is or close to default of which the ratio stood at 3.40% in 2020.
- Low funding cost because of fixed deposit remaining for only 38% of total customer deposit while Current and Savings account are accountable for 62% of total customer deposit.

Favorable outcome of lending in National Currency (KHR) to comply with 10% rule of Riel lending of which the figure occupied at 12.5% of total loan portfolios as of December 2020, and the figure has actively presented the willingness of the bank to fulfil the regulatory requirement.

With regard to the liquidity management, CUBC kept a good liquidity position with Liquidity Coverage Ratio of 317.61% in 2020, which was way above the regulatory required 100%.

Throughout the financial performance over year, it shows CUBC's sustainable business growth and success with our strong financial position and reflects positive outcome during the period.

Outlook and Future Plan

At this present moment, the COVID-19 crisis is a challenge we must overcome together, and CUBC is always here to fight it with Cambodian people; consequently, in year 2021, the bank has set forth the short term plan to ensure sustainability in its business and long term plan which is aligned with the bank's business strategic planning 2021-2023 directed by our key strategic goals and action plans.

Outlook and Future Plan (continued)

CUBC's long term plan is making its business jump to the next level by ensuring successful development of the most advanced digital solutions and provide our customers the best online banking experiences with the new upgraded functions in the personal and corporate online banking.

Moreover, the bank continually extend the distribution network consist of the branches and cooperated agents, optimize various deposit processes and lay the foundation for deposit development, enhance market competitiveness in loan product by faster loan application process and build a niche for CUBC to expand our customer base as well as to entice the existing customers. Within the plan, a synergy of cash management service between CUBC and local cooperation partners has been established to provide CUBC's clients the service of loan repayment and corporate collection.

Last but not least, CUBC is firmly committed to demonstrate good performance and accomplish regulatory requirements imposed by the National Bank of Cambodia and the Government.

On behalf of the Shareholder, Board of Directors, I would like to express my gratitude to our inspiration and source of strength, valued customers, business partners, and staffs for unwavering support and diligence to bring CUBC to its current position.

Thank you

Mr. Chung-Yi Teng, Daniel

Chairman

Mr. Chung-Yi Teng was appointed as Chairman of Cathay United (Cambodia) on June 19, 2017 and a member to Remuneration & Nomination Committee as well.

Mr. Teng also sits on the Board of several companies in Taiwan, including Taiwan Star Telecom Co., Ltd. Currently, he is CEO of Corporate Banking in Cathay United Bank (Taiwan), as well as a Senior Executive Vice President of Cathay Financial Holdings, where he is involved in a variety of strategic planning and business development activities. Prior to joining Cathay Financial Holdings, from 1994 to 2013, Mr. Teng worked in the Cathay Life Insurance as a Senior Executive Vice President. Mr. Teng holds a Master degree from Massachusetts Institute of Technology, U.S.

Ms. Hsiu-Chu Chuang, Alice

President & Director

Ms. Chuang Hsiu Chu has been appointed as the President and Board of Director since May 2019. She is also a member of Loan Committee, Credit & Risk Committee, and New Activities & Products Committee. Prior to joining Cathay United Bank (Cambodia), Ms. Chuang had been with banking business for more than 15 years in Taiwan as Executive Vice President of Cathay United Bank (Taiwan). Presently, Ms. Chuang is responsible for the supervision of Bank's business and operation. Ms. Chuang holds Master of Business Administration from New York Institute of Technology, USA.

Mr. Chang-Chuan Hsia, Joseph

Independent Director

Chang-Chuan Hsia (AKA Joseph Hsia) is an independent director of the Bank. He is also the Chairman of the Credit & Risk Committee and New Activities & Products Committee, and a member of the Audit & Compliance Committee. Mr. Hsia had been with banking business for almost 30 years before he retired from Cathay United Bank in Taiwan as an Executive Vice President in 2006. During his banking career, he had been worked with Chase Manhattan Bank, City Bank of Taipei and Bank of Kaohsiung. Currently he is a board member and CEO of a Charity foundation in Taiwan. Mr. Hsia has graduated from Tamkang University in Taiwan and he also holds a Master of Arts degree from the University of Minnesota, USA.

Mr. Wu-Shui Cheng, Walter

Independent Director

Mr. Wu Shui Cheng is an Independent Director of the Bank. He is also the Chairman of the Audit & Compliance Committee as well as the Remuneration & Nomination Committee. Mr. Cheng is a Certified Public Accountant in Taiwan and holds a Master of Business Administration degree from Chinese Culture University. In addition, he is a member of the Taipei Certified Public Accountant Association and also a member and a committee chair of the Taiwan Certified Public Accountant Association. He has vast experience and exposure in the field of accounting, finance, securities and consulting in various industries.

Mr. David P. Sun

Director

Mr. David P. Sun is a Board of Director of the Bank, and he is also a member of Audit & Compliance Committee. Moreover, Mr. David P. Sun is a Senior Executive Vice President of Cathay Financial Holdings. In this capacity, Mr. Sun is responsible for a variety of business planning activities and strategic projects. Mr. Sun joined Cathay Financial Holdings in September 2003 as a Senior VP and led the Corporate Planning Division from 2009 to 2013 where he was involved in a variety of strategic planning and business development activities and M&A transactions.

Prior to joining Cathay Financial Holdings, from 1994 to 2003, Mr. Sun worked in the Investment Banking Division of Morgan Stanley based in New York where he was involved in the execution of a broad range of public and private financing and M&A transactions. Mr. Sun received an MBA from Harvard Business School, an MArch from Harvard Graduate School of Design and an AB from Harvard College.

Mr. Yei-Fong Jan, James

Director

Mr. Yei Fong Jan is a Board of Director of the Bank, and he is also a member of Loan Committee. Mr. Jan has experienced the banking and finance industry through holding various key management positions at Cathay United Bank (was known as United World Chinese Commercial Bank in Taiwan, R.O.C in 1984-2003) in Taiwan, Thailand and Malaysia for nearly 20 years before he was appointed as the General Director of Indovina Bank (a joint venture bank between Cathay United Bank (Taiwan) and Vietnam Joint Stock Commercial Bank for Industry and Trade) in Vietnam since 2003. He graduated from University of California, Santa Barbara CA, U.S.A – Master of Art in June 1983 and further received Master of International Management from American Graduate School of International Management, Arizona, U.S.A in May 1984.

Mr. Hua-Ben Miao, Benny

Director

Mr. Benny is a Board of Director of the Bank, and he is also a member of Credit & Risk Committee, Remuneration & Nomination Committee, New Activities & Products Committee, and Loan Committee. Mr. Benny has over than 10 years of experience in the banking industry. During his banking career, he had been worked as a Director in China-ASEAN Fund and in Asia Pacific Investment Advisors Limited Hong Kong as a Senior Portfolio Manager. Presently, Mr. Benny works as Executive Vice President of Cathay United Bank, Taiwan. Mr. Benny received the MBA from Pennsylvania Sate, USA in year 2003.

AUDIT & COMPLIANCE COMMITTEE

Committee Members	Designation in Committee	Designation in Bank
Wu, Shui Cheng	Chairman	Independent Director
Sun, David Paul	Member	Director
Hsia, Chang Chuan	Member	Independent Director

Purpose

The Audit and Compliance Committee shall provide assistance to the Board in fulfilling its Corporate Governance and oversight responsibilities in relation to the bank's financial reporting, internal accounting, internal controls, risk management systems, the internal and external audit functions, and legal compliance function of the bank.

Term of Reference

The functions of the Audit & Compliance Committee shall be to:

i. Monitor the integrity of the financial reporting process and systems of internal controls of the bank;
ii. Assess the appropriateness of the bank's accounting policies and principles and disclosures and any changes to them;
iii. Review effectiveness of the bank's legal compliance management and to review the bank's code of ethics and code practice;
iv. Approve and monitor the appropriateness of internal audit plan of the bank;
v. Evaluate the Audit and Compliance department's performance annually;
vi. Review and update internal audit policy annually;
vii. Review the scope and results of the internal audit procedures; and ensure that internal audit undertake audit of the effectiveness and compliance with Anti-money laundering (AML) and Combating the Financing of Terrorism (CFT);
viii. Ensure adequacy of review procedures of the financial statements and other financial information released by the bank;
ix. Make recommendations to the Board about the appointment, re-appointment or replacement of the external auditor, the Head of Internal Auditor, Compliance Officer and complaint handling officer.
x. Ensure that the roles and job responsibilities of internal auditor are clearly defined and documented in accordance and at least include
    - testing the effectiveness of the policies, procedures and control for AML/CPT measures;
    - ensuring the effectiveness of AMI/CFT control mechanisms including staff training and awareness programs, employee screening mechanisms and AML/CFT internal manual; and
    - ensuring that measurement put in place is in line with current developments and change of the relevant AML/CFT requirement;
xi. Ensure the bank has, at the minimum, policies on AML/CFT procedures and controls which policies are in line with the risks associated with the nature of business, and complexity and volume of the transactions undertaken by the bank;
xii. Ensure the bank has an effective internal control system for AML/CFT compliant legal and regulatory requirements;
xiii. Assess the implementation of approved AML/CFT and other compliance policies via periodic reports;
xiv. Ensure effectiveness of Customer Complaint Handling Procedure including regular training to management and staff involve in customer complaint handling procedure;
xv. Reviews annually on the effectiveness and result of customer complaint handling procedure;
xvi. Other functions as may be agreed by the board of directors.

Member

The committee shall be comprised of members representing a balance of views, knowledge and experience and other attributes as determined by the Board and there shall be at least three (3) members. The chairperson and members of the committee shall be appointed by the Board. The committee shall be chaired by an independent board member and shall include at least an independent person with expertise in finance and accounting, and an independent person with expertise in legal issues and banking. The committee members must be able to read and understand financial statements and at least one member of the committee shall have financial expertise.

CREDIT & RISK COMMITTEE

Committee Members	Designation in Committee	Designation in Bank
Hsia, Chang Chuan	Chairman	Independent Director
Miao, Hua Ben	Member	Director
Chuang, Hsiu Chu	Member	President

Purpose

The committee shall monitor the management of bank wide risk and in so doing shall provide assistance to the Board in fulfilling the risk management component of its Corporate Governance responsibilities.

Term of Reference

The functions of the Credit & Risk Committee shall be to:

i. Review and endorse Risk Management Policy, including the risk management strategy, and significant variations to it;
ii. Responsible for monitoring the implementation of risk management policies as defined by the Board and the performance of Risk Management department and Credit Risk Management department;
iii. Review and endorse on risk appetite, risk tolerance and approach to conduct risk management in each material risk area, including market, liquidity, strategy, solvency, credit, legal, operational, and others;
iv. Review limit and policy and delegation of authority (other than those matters which require Board approval) breaches to the extent that there are implications for the Risk Management Policy;
v. Provide oversight of senior management's implementation of the risk management strategy, and constructively challenge senior management's proposals and decisions on risk management arising from the bank's activities;
vi. Review any other matters that may be delegated to the committee by the Board.

Member

The committee shall be comprised of members representing a balance of views, knowledge and experience and other attributes as determined by the Board and there shall be at least three (3) members. The chairperson and members of the committee shall be appointed by the Board. The Committee shall be chaired by a person with expertise in finance and risk management and that person shall be independent from day-to-day operations.

REMUNERATION & NOMINATION COMMITTEE

Committee Members	Designation in Committee	Designation in Bank
Cheng, Wu Shui	Chairman	Independent Director
Teng, Chung Yi	Member	Chairman
Miao, Hua Ben	Member	Director

Purpose

The Remuneration & Nomination Committee ("R&N Committee" or "Committee") shall remunerate fairly and responsibly by ensuring that the level and composition of remuneration and nomination are sufficient and reasonable.

Term of Reference

The functions of the Remuneration & Nomination Committee shall be to:

i. Oversee and review bank's policy/procedure/structure on remuneration, nomination, and performance valuation which is consistent with the long-term objectives and corporate values of the Bank;
ii. Assess and review bank's implementation on remuneration and performance valuation
iii. Review and recommend nominee, as member of the Board and all committees on Board level, to the Board;
iv. Review and recommend nominee, as management team, to the Board;
v. Perform other oversight functions as delegated and or requested by the Board.

Member

The Committee shall be comprised of members representing a balance of views, knowledge and experience and other attributes as determined by the Board and there shall be at least three (3) members. The members of the Committee shall meet the requirements of the NBC corporate governance rules and all other applicable laws, rules and regulations governing director independence, as determined by the Board and that the committee shall be chaired by an independent board member and it shall include at least one independent person with expertise in legal issues and banking. Members of the committee and the committee Chair shall be appointed by and may be removed by the Board. Membership period follows director's period if not additionally specified.

NEW ACTIVITIES & PRODUCTS COMMITTEE

Committee Members	Designation in Committee	Designation in Bank
Hsia, Chang Chuan	Chairman	Independent Director
Miao, Hua Ben	Member	Director
Chuang, Hsiu Chu	Member	President

Purpose

The committee has been established pursuant to Prakas on Internal Control of Bank and Financial Institutions (B7 010-172 Prokor) for reviewing the new products/activities proposals, discuss and provide corresponding recommendations to the Board.

Term of Reference

The functions of the Remuneration & Nomination Committee shall be to:

i. Ensure proper identification, analysis and control of various risks that arise in relation to the launch of new products, activities, services, change of procedures, and approval of new systems, while minimizing losses which may occur;
ii. Review the new products/activities proposals in accordance with the Bank's relevant policies, including but not limited to Operational Risk Management Policy, AML and CFT Compliance Policy, Internal Control Policy and Interest Rate Risk Management in the Banking Book (IRRBB) Policy, as well as discuss and provide corresponding recommendations to the Board;
iii. Review any other matters that may be delegated to the committee by the Board.

Member

The meeting shall meet on an ad-hoc basis as whichever unit that develops the new product/service submits a new product/activity proposal. A quorum for a meeting of the committee shall be at least three (3) members. The committee may invite expertise and management team to attend meetings of the committee.

LOAN COMMITTEE

Committee Members	Designation in Committee	Designation in Bank
Jan, Yei Fong	Chairman	Director
Hsia, Chang Chuan	Member	Independent Director
Chuang, Hsiu Chu	Member	President

Purpose

The purpose of the Loan Committee ("Committee") is mainly to approve loan/credit transactions exceeding President's authority; AND to enhance portfolio quality.

Term of Reference

The functions of the Loan Committee shall be to:

i. To approve loan/credit transactions exceeding President's authority, with prudent and fair views.
ii. To review loan/credit portfolio monitoring report (including quality, performance, sector concentration) prepared by management team.
iii. To review bank's implementation on loan/credit portfolio to meet NBC regulation.
iv. To review other matters delegated to the Committee by the Board.

Member

The Committee shall consist of 3 members or more. Members of the Committee shall be appointed by the Board. Chairman of the Committee shall be appointed by the Board or be elected with majority votes by members of the Committee.

STATEMENT ON INTERNAL CONTROL

Effective internal controls are the foundation of safe and sound banking. A properly designed and consistently enforced system of operational and financial internal control helps the board of directors and the management of Cathay United Bank (Cambodia) Corporation Limited (hereinafter referred to as “CUBC”) safeguard the bank’s resources, produce reliable financial reports, and comply with laws and regulations. Effective internal control also reduces the possibility of significant errors and irregularities and assists in timely detection when they do occur. The board must ensure that senior management regularly verifies the integrity of the bank’s internal control.

Effective internal controls will provide CUBC with reasonable assurance that

- Operations are efficient and effective
- Recorded transactions are accurate
- Financial reporting is reliable
- Risk management systems are effective
- The bank complies with National Bank of Cambodia (hereinafter referred to as “NBC”) banking laws and regulations, internal policies and internal procedures.

Management Oversight

1. Board of Directors

The hallmark of a positive control environment is the commitment by CUBC’s board of directors.

The board of directors approves and reviews the business strategies and policies that govern the system. The board is also responsible for understanding risk limits and setting acceptable ones for CUBC’s major business activities, establishing organizational control structure, and making sure senior management identifies measures, monitors, and controls risks, as well as monitoring internal control effectiveness.

The board of director duties including:

- Discuss periodically the internal control system’s effectiveness with management
- Review internal control evaluations conducted by management, auditors, and examiners in a timely manner
- Monitor management’s actions on auditor and regulator’s internal control recommendations and concerns
- Periodically review the bank’s strategy and risk limits. The board of directors will also delegate some of these duties and responsibilities to the Audit Committee and Credit and Risk Committee

The board of directors must ensure that senior management properly considers the risks and control issues of emerging technologies and enhanced information system. These issues include more users with access to information systems; less segregated duties; a shift from paper to electronic audit trails; a lack of standards and controls for end-user systems; and, more complex contingency planning and recovery planning for information systems.

2. Senior Management

The senior management involves in overseas operation, provides leadership and direction for the communication, and monitors of control policies, practices and processes. The management will implement the board’s strategies and policies by establishing effective internal controls and delegating or allocating control duties and responsibilities to appropriate staff. The management is also responsible for performing background checks on staff members before they are hired and ensuring that they are qualified, experienced, trained, and compensated to effectively conduct control activities.

Internal Control Structure and Process

BODs have established in reviewing the adequacy and effectiveness of internal control system include the following:

a. **Establish 3 lines of defense:**

Risk Taking Unit, operational management, should be adequate managerial and supervisory controls in place to ensure compliance and to highlight control breakdown and inadequate process. Risk Management and Compliance & AML function facilitates and monitors the implementation of effective risk management, but not limit to specific risks such as non-compliance with applicable law and regulations.

Internal Auditors based on highest level of independence and objectivity within bank-wild to provide comprehensive assurance to Audit and Compliance Committee.

b. **Written Policies and Standard Operating Procedures**

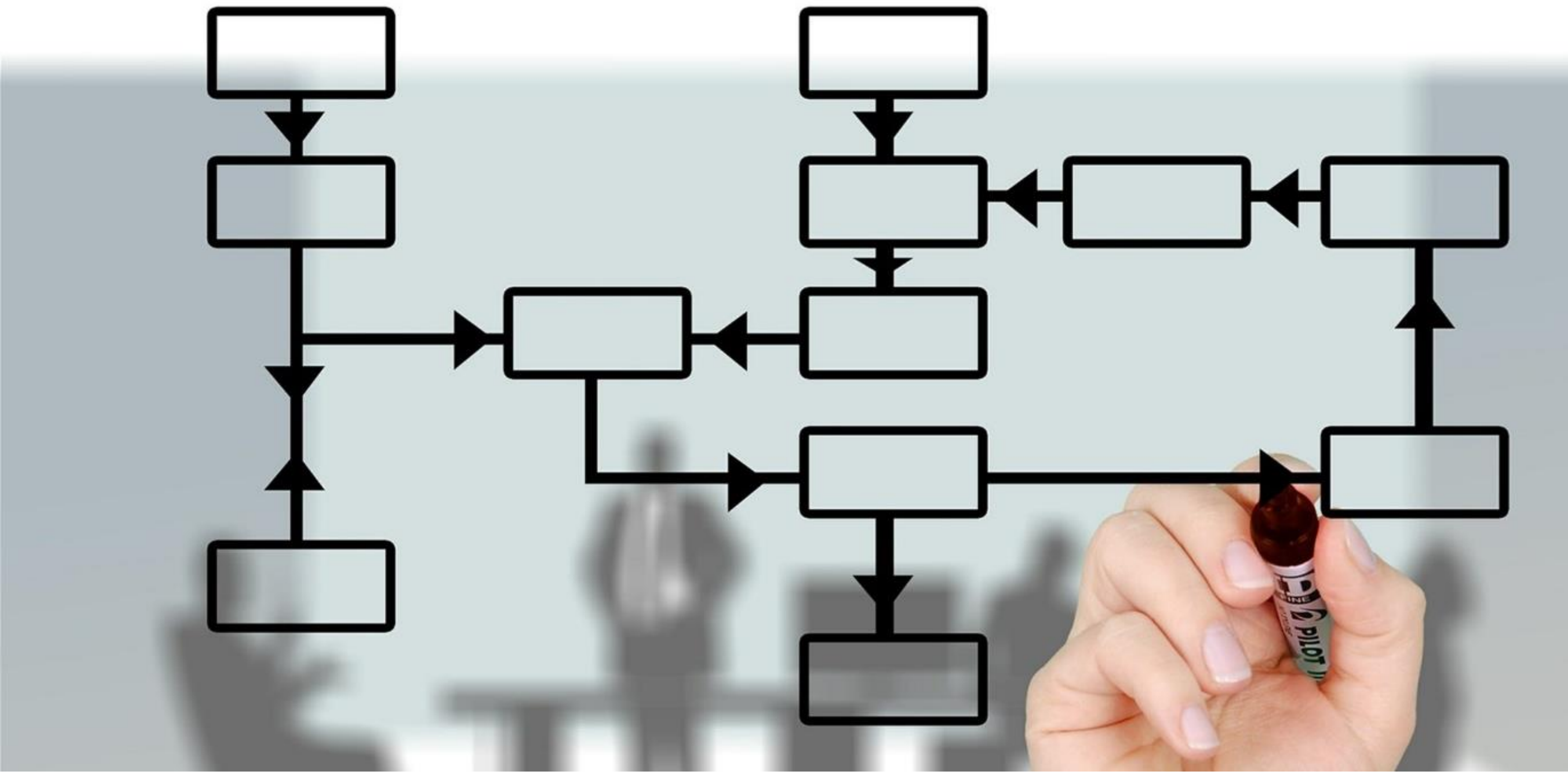
Policies and standard operating procedure are updated regularly as to ensure of compliance with current regulations. The update and new bank policy and SOP have undergone Compliance check prior to their assurance and effective implementation.

c. **Anti-money laundering and Combating Financial Terrorism (AML/CFT)**

Supplement to our bank demine to our standard of due diligence apply to in relation to KYC policy, CUBC consistently comply with requirement of legislation guideline.
Regular trainings are conducted to improve the qualification of our staff concerning financial monitoring efforts.

d. **Compliance Control System**

Compliance Unit has to assure the policies and procedure notably rely on clearly established including independence of controls, segregation of duties, adequate delegation and bring any observed breach or issue to the executive management and BODs attention in writing with corrective actions and recommendation.



Operational Risk Management, Credit Risk and Liquidity Risk Management

Operation Risk Management policy provides guidance on principles of risk management, approaches and methodologies to be used across the bank addressing the key processes and procedures on identifying, assessing, treating, monitoring and communicating risk on an on-going basis to endure that all significant risks that may cause a disruption to the bank's business objectives are managed to a defined risk appetite. This policy also describes the responsibilities of and requirements imposed upon the different functions of the bank to fulfill their operational risk management duties in order to maintain a safe and sound organization.

Credit policy established guidelines for business giving rise to a credit risk. This policy provides the management with a vehicle to communicate the bank's lending philosophy, risk tolerance as well as risk strategy. These guidelines are underpinned by a set of general principles that apply to all credit risk situations, as well as specific principles applicable to industrial backdrop to the development of the bank's business.

Liquidity risk management covers financial procedures that maintain the bank's liquidity, optimize net income and comply Basel III. The policy will provide guideline and procedures, asset/liability management. This policy is intended to manage liquidity risk in a manner consistent with the interagency policy statement on funding and liquidity risk management.

Code of Ethic

CUBC has adopted the policy of business ethics. The successful business operation and reputation of the bank is built upon the principle of fair dealing and ethical conduct of our employees. First duty to our bank customer and to the public is to act in all matters in a manner that merits public trust and confidence, that our employee plays an important role in maintaining high standards of excellence.

The Board of Directors ("the Directors") have pleasure in submitting their report together with the consolidated financial statements of Cathay United Bank (Cambodia) Corporation Limited (the "Bank") and its subsidiary (collectively referred to as "the Group") and the separate financial statements of the Bank (collectively referred to as the "financial statements") for the year ended 31 December 2020.

The group

The Bank

The Bank is a commercial bank operating under the supervision of the National Bank of Cambodia ("NBC") in accordance with Banking License No. 12 issued by the NBC. On 25 December 2009, the Bank was granted an indefinite banking license from the NBC.

The Bank is a wholly-owned subsidiary of Cathay United Bank Limited ("the parent company"), a commercial bank incorporated in Taiwan.

The Bank is principally engaged in the operation of core banking business and the provision of related financial services in the Kingdom of Cambodia, through the Bank's head office in Phnom Penh and its provincial branches.

The Subsidiary

CUBC Investment Co., Ltd ("the Subsidiary") was incorporated on 14 August 2012 by the Bank and Printemps Co., Ltd., a Cambodian company.

The principal activity of the Subsidiary, CUBC Investment Co., Ltd. is to hold parcels of land for the Bank's use.

Financial performance

The financial performance of the Group and the Bank for the year ended 31 December 2020 is set out in the consolidated and the separate statements of profit or loss and other comprehensive income on pages 10 and 15, respectively.

Dividends

No dividend was declared or paid, and the Directors do not recommend any dividend to be paid for the year (2019: US$6,870,543).

Share capital

The share capital of the Bank as at 31 December 2020 is US$100,000,000 (2019: US$100,000,000).

Reserves and provisions

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

Written off of and allowance for financial assets

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

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

Assets

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

At the date of this report, the Directors are not aware of any circumstances, which would render the values attributed to the assets in the financial statements of the Group and 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 Group and the Bank misleading or inappropriate.

Contingent and other liabilities

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

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

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

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

Change of circumstances

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

Items of unusual nature

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

There has not arisen in the interval between the end of the 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 Group and the Bank for the current year in which this report is made.

Events after the reporting date

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

The Board of Directors

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

Mr. Chung Yi Teng	Chairman
Ms. Hsiu Chu Chuang	Director and president
Mr. David Paul Sun	Director
Mr. Hua Ben Miao	Director
Mr. Yei Fong Jan	Director
Mr. Chang Chuan Hsia	Independent Director
Mr. Wu Shui Cheng	Independent Director

Directors' interests

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

Directors' benefits

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

During the financial year, no Director of the Group and the Bank have 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 Group and 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' responsibilities in respect of the financial statements

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

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

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

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

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

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

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

Approval of the financial statements

We hereby approved the accompanying financial statements together with the notes thereto as set out on pages 9 to 130 which, in our opinion, present fairly, in all material respects, the financial position of the Group and the Bank as at 31 December 2020, and their financial performance and their cash flows for the year then ended, in accordance with CIFRSs.

Signed on behalf of the Board of Directors,

Chung Yi Teng
Chairman

C.U.B.C
Cathay United Bank (Cambodia)
KINGDOM OF CAMBODIA

Hsiu Chu Chuang
President

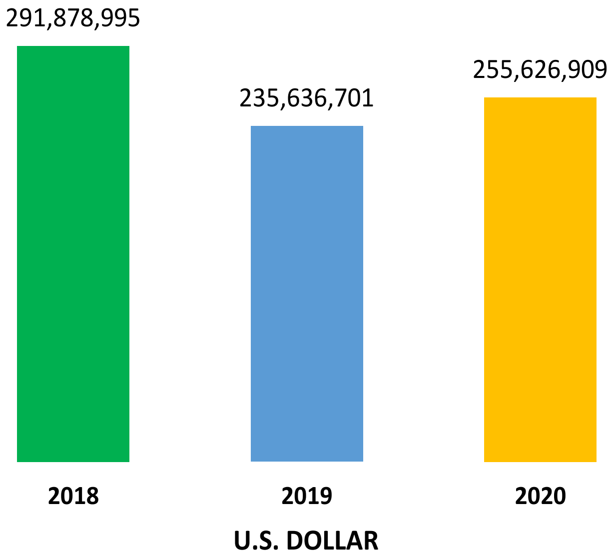
Phnom Penh, Kingdom of Cambodia

5 March 2021

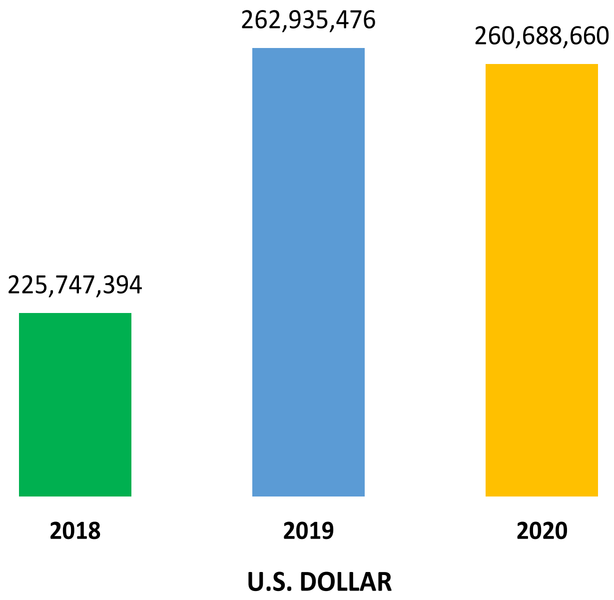
ចម្រើនទ្រព្យរបស់លោកអ្នក
ជាមួយសាជីវកម្មធនាគារ កាថេ យូណៃធីត

Growing Your Saving with Cathay United Bank (Cambodia) Corp., Ltd.

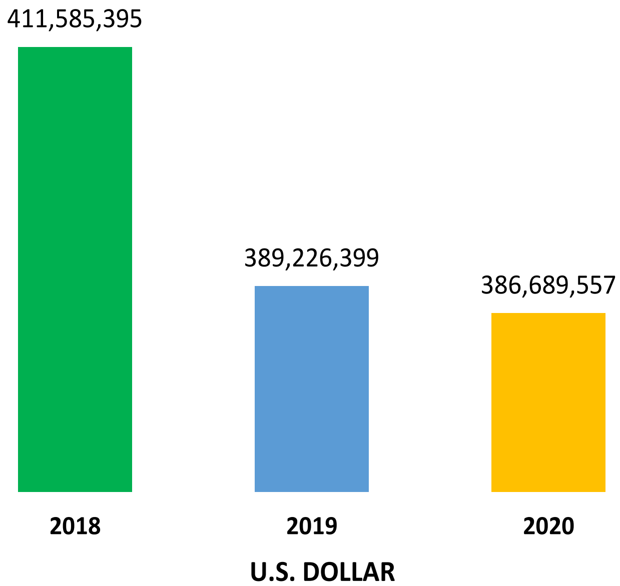
Customer Deposits



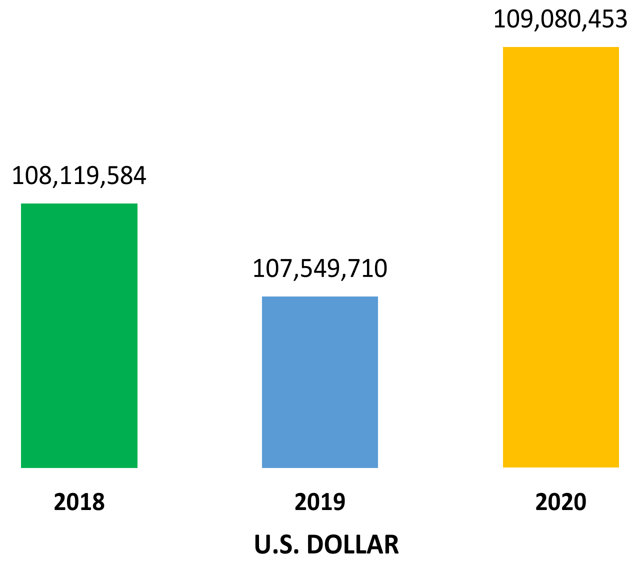
Gross Loan



Total Assets



Shareholder's Equity



REPORT OF THE INDEPENDENT AUDITOR

Opinion

We have audited the consolidated financial statements of Cathay United Bank (Cambodia) Corporation Limited (the “Bank”) and its subsidiary (collectively referred to as “the Group”) and the separate financial statements of the Bank, which comprise the consolidated and the separate statements of financial position as at 31 December 2020, the consolidated and the separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information (hereafter referred to as “the financial statements”) as set out on pages 9 to 130.

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

Basis for Opinion

We conducted our audit in accordance with Cambodian International Standards on Auditing (“CISAs”). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group and 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 Matter

The financial statements of the Group and the Bank for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those statements on 10 March 2020.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditors’ report is the Report of the 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 CIFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

For **KPMG Cambodia Ltd**

Nge Huy
Partner

Phnom Penh, Kingdom of Cambodia

5 March 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 31 December 2020

	Note	31 December 2020 US$	31 December 2020 KHR'000 (Note 7)	31 December 2019 US$	31 December 2019 KHR'000 (Note 7)
ASSETS					
Cash on hand	8	15,047,034	60,865,253	18,757,064	76,435,036
Balances with the NBC	9	63,564,683	257,119,143	68,317,309	278,393,034
Balances with other banks - net	10	37,041,422	149,832,552	29,962,714	122,098,060
Loans and advances to customers - net	11	257,365,604	1,041,043,868	257,991,913	1,051,317,045
Investment securities	12	25,588	103,503	25,588	104,271
Property and equipment	14	6,296,467	25,469,209	5,354,100	21,817,958
Right-of-use assets	15	3,249,994	13,146,226	3,774,486	15,381,030
Intangible assets	16	1,322,417	5,349,177	1,717,204	6,997,606
Deferred tax assets - net	17A	-	-	222,505	906,708
Other assets	18	2,776,348	11,230,327	3,103,516	12,646,828
TOTAL ASSETS		386,689,557	1,564,159,258	389,226,399	1,586,097,576
LIABILITIES					
Deposits from customers	19	262,141,129	1,060,360,867	239,432,723	975,688,346
Borrowings	20	9,509,981	38,467,873	33,765,144	137,592,962
Current income tax liabilities	17B	158,414	640,785	1,601,870	6,527,620
Lease liabilities	21	3,423,454	13,847,871	3,802,938	15,496,972
Provisions	22	54,651	221,063	52,866	215,429
Deferred tax liabilities - net	17A	20,914	84,597	-	-
Other liabilities	23	2,300,561	9,305,770	3,021,148	12,311,180
TOTAL LIABILITIES		277,609,104	1,122,928,826	281,676,689	1,147,832,509
EQUITY					
Share capital	24	100,000,000	407,500,000	100,000,000	407,500,000
Regulatory reserves		3,534,142	14,338,899	1,443,177	5,880,946
Retained earnings		5,546,311	22,369,593	6,106,533	24,586,708
Currency translation reserves		-	(2,978,060)	-	297,413
TOTAL EQUITY		109,080,453	441,230,432	107,549,710	438,265,067
TOTAL LIABILITIES AND EQUITY		386,689,557	1,564,159,258	389,226,399	1,586,097,576

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME as at 31 December 2020

	Note	2020 US$	2020 KHR'000 (Note 7)	2019 US$	2019 KHR'000 (Note 7)
Interest income	25	22,852,317	93,168,896	21,660,162	87,831,957
Interest expense	25	(5,167,358)	(21,067,319)	(3,563,062)	(14,448,216)
Net interest income		17,684,959	72,101,577	18,097,100	73,383,741
Fee and commission income	26	1,852,438	7,552,390	4,101,222	16,630,455
Fee and commission expense	26	(794,738)	(3,240,147)	(959,586)	(3,891,121)
Net fee and commission income		1,057,700	4,312,243	3,141,636	12,739,334
Other income	27	1,119,442	4,563,965	1,908,023	7,737,033
Net impairment losses on financial instruments	28	(5,358,906)	(21,848,260)	(3,908,933)	(15,850,723)
Personnel expenses	29	(5,768,055)	(23,516,360)	(4,951,972)	(20,080,246)
Depreciation and amortisation	30	(2,296,098)	(9,361,192)	(2,027,270)	(8,220,580)
Other operating expenses	31	(4,273,107)	(17,421,457)	(4,196,963)	(17,018,686)
Profit before tax		2,165,935	8,830,516	8,061,621	32,689,873
Income tax expense	17C	(635,192)	(2,589,678)	(1,760,952)	(7,140,660)
Profit for the year		1,530,743	6,240,838	6,300,669	25,549,213
Other comprehensive income					
Currency translation difference		-	(3,275,473)	-	484,888
Total comprehensive income for the year		1,530,743	2,965,365	6,300,669	26,034,101

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2020

	Share capital		Regulatory reserves		Retained earnings		Currency translation reserves	Total	
2019	US$	KHR'000 (Note 7)	US$	KHR'000 (Note 7)	US$	KHR'000 (Note 7)	KHR'000 (Note 7)	US$	KHR'000 (Note 7)
At 1 January 2019	100,000,000	401,800,000	1,823,537	7,326,971	6,296,047	25,484,991	(187,475)	108,119,584	434,424,487
Transactions recognised directly in equity									
Transfers from regulatory reserves to retained earnings	-	-	(380,360)	(1,549,967)	380,360	1,549,967	-	-	-
Dividend distribution	-	-	-	-	(6,870,543)	(27,997,463)	-	(6,870,543)	(27,997,463)
Currency translation difference	-	5,700,000	-	103,942	-	-	-	-	5,803,942
	-	5,700,000	(380,360)	(1,446,025)	(6,490,183)	(26,447,496)	-	(6,870,543)	(22,193,521)
Total comprehensive income									
Net profit for the year	-	-	-	-	6,300,669	25,549,213	-	6,300,669	25,549,213
Currency translation difference	-	-	-	-	-	-	484,888	-	484,888
	-	-	-	-	6,300,669	25,549,213	484,888	6,300,669	26,034,101
At 31 December 2019	100,000,000	407,500,000	1,443,177	5,880,946	6,106,533	24,586,708	297,413	107,549,710	438,265,067
2020									
At 1 January 2020	100,000,000	407,500,000	1,443,177	5,880,946	6,106,533	24,586,708	297,413	107,549,710	438,265,067
Transactions recognised directly in equity									
Transfers from retained earnings to regulatory reserves	-	-	2,090,965	8,457,953	(2,090,965)	(8,457,953)	-	-	-
Total comprehensive income									
Profit for the year	-	-	-	-	1,530,743	6,240,838	-	1,530,743	6,240,838
Currency translation difference	-	-	-	-	-	-	(3,275,473)		(3,275,473)
Total comprehensive income	-	-	-	-	1,530,743	6,240,838	(3,275,473)	1,530,743	2,965,365
At 31 December 2020	100,000,000	407,500,000	3,534,142	14,338,899	5,546,311	22,369,593	(2,978,060)	109,080,453	441,230,432

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

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2020

		2020		2019	
	Note	US$	KHR'000 (Note 7)	US$	KHR'000 (Note 7)
Cash flows from operating activities					
Profit before tax		2,165,935	8,830,516	8,061,621	32,689,873
Adjustments for:					
Net interest income	25	(17,684,959)	(72,101,577)	(18,097,100)	(73,383,741)
Net impairment losses on financial instruments	28	5,358,906	21,848,260	3,908,933	15,850,723
Depreciation and amortisation	30	2,296,098	9,361,192	2,027,270	8,220,580
Loss on written-off of property and equipment		17,168	69,994	-	-
		(7,846,852)	(31,991,615)	(4,099,276)	(16,622,565)
Changes in:					
Balances with the NBC		20,525,265	83,681,505	(12,666,023)	(51,360,723)
Balances with other banks		(15,000,000)	(61,155,000)	6,437,495	26,104,042
Loans and advances to customers		(4,479,760)	(18,263,982)	(37,365,955)	(151,518,948)
Other assets		329,588	1,343,730	199,890	810,554
Deposits from customers		21,537,811	87,809,655	(56,517,445)	(229,178,238)
Other liabilities		(720,587)	(2,937,833)	338,764	1,373,689
Cash generated from/(used in) operations		14,345,465	58,486,460	(103,672,550)	(420,392,189)
Interest received		22,998,664	93,765,553	21,346,318	86,559,319
Interest paid		(3,708,814)	(15,120,835)	(3,269,994)	(13,259,826)
Income tax paid	17B	(1,835,229)	(7,482,229)	(1,845,861)	(7,484,966)
Net cash generated from/ (used in) operating activities		31,800,086	129,648,949	(87,442,087)	(354,577,662)
Cash flows from investing activities					
Purchases of property and equipment		(1,851,317)	(7,547,819)	(991,076)	(4,018,813)
Purchases of intangible assets		(230,477)	(939,655)	(288,648)	(1,170,468)
Proceeds from disposals of property and equipment		-	-	14,642	59,373
Proceeds from disposals of intangible assets		-	-	2,347	9,517
Net cash used in investing activities		(2,081,794)	(8,487,474)	(1,262,735)	(5,120,391)

	Note	2020 US$	2020 KHR'000 (Note 7)	2019 US$	2019 KHR'000 (Note 7)
Cash flows from financing activities					
Proceeds from borrowings		-	-	33,765,144	136,917,659
Repayment of borrowings		(24,372,739)	(99,367,657)	-	-
Principal elements of lease payments		(804,417)	(3,279,608)	(637,869)	(2,586,559)
Dividends paid		-	-	(6,870,543)	(27,860,052)
Net cash (used in)/generated from financing activities		(25,177,156)	(102,647,265)	26,256,732	106,471,048
Net increase/(decrease) in cash and cash equivalents		4,541,136	18,514,210	(62,448,090)	(253,227,005)
Cash and cash equivalents at 1 January		38,629,262	157,414,243	101,077,352	406,128,792
Currency translation difference		-	(1,304,192)	-	4,512,456
Cash and cash equivalents at 31 December	32A	43,170,398	174,624,261	38,629,262	157,414,243

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

SEPARATE STATEMENT OF FINANCIAL POSITION
as at 31 December 2020

	Note	31 December 2020 US$	31 December 2020 KHR'000 (Note 7)	31 December 2019 US$	31 December 2019 KHR'000 (Note 7)
ASSETS					
Cash on hand	8	15,047,034	60,865,253	18,757,064	76,435,036
Balances with the NBC	9	63,564,683	257,119,143	68,317,309	278,393,034
Balances with other banks - net	10	37,041,422	149,832,552	29,962,714	122,098,060
Loans and advances to customers - net	11	257,365,604	1,041,043,868	257,991,913	1,051,317,045
Investment securities	12	25,588	103,503	25,588	104,271
Investment in subsidiary	13	1,548,400	6,263,278	1,548,400	6,309,730
Property and equipment	14	4,748,347	19,207,064	3,805,980	15,509,369
Right-of-use assets	15	4,263,235	17,244,786	4,811,291	19,606,011
Intangible assets	16	1,322,417	5,349,177	1,717,204	6,997,606
Deferred tax assets - net	17A	-	-	222,505	906,708
Other assets	18	2,775,798	11,228,102	3,102,887	12,644,265
TOTAL ASSETS		387,702,528	1,568,256,726	390,262,855	1,590,321,135
LIABILITIES					
Deposits from customers	19	262,367,551	1,061,276,744	239,617,305	976,440,518
Borrowings	20	9,509,981	38,467,873	33,765,144	137,592,962
Current income tax liabilities	17B	151,285	611,948	1,601,421	6,525,791
Lease liabilities	21	4,485,351	18,143,245	4,872,520	19,855,519
Provisions	22	54,651	221,063	52,866	215,429
Deferred tax liabilities - net	17A	20,914	84,597	-	-
Other liabilities	23	2,292,705	9,273,992	3,015,712	12,289,028
TOTAL LIABILITIES		278,882,438	1,128,079,462	282,924,968	1,152,919,247
EQUITY					
Share capital	24	100,000,000	407,500,000	100,000,000	407,500,000
Regulatory reserves		3,534,142	14,338,899	1,443,177	5,880,946
Retained earnings		5,285,948	21,315,454	5,894,710	23,730,466
Currency translation reserves		-	(2,977,089)	-	290,476
TOTAL EQUITY		108,820,090	440,177,264	107,337,887	437,401,888
TOTAL LIABILITIES AND EQUITY		387,702,528	1,568,256,726	390,262,855	1,590,321,135

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

SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME for the year ended 31 December 2020

	Note	2020 US$	2020 KHR'000 (Note 7)	2019 US$	2019 KHR'000 (Note 7)
Interest income	25	22,852,317	93,168,896	21,660,162	87,831,957
Interest expense	25	(5,216,181)	(21,266,370)	(3,612,230)	(14,647,593)
Net interest income		17,636,136	71,902,526	18,047,932	73,184,364
Fee and commission income	26	1,852,467	7,552,508	4,101,222	16,630,455
Fee and commission expense	26	(794,738)	(3,240,147)	(959,586)	(3,891,121)
Net fee and commission income		1,057,729	4,312,361	3,141,636	12,739,334
Other income	27	1,119,448	4,563,989	1,908,059	7,737,179
Net impairment losses on financial assets	28	(5,358,906)	(21,848,260)	(3,908,933)	(15,850,723)
Personnel expenses	29	(5,768,055)	(23,516,360)	(4,951,972)	(20,080,246)
Depreciation and amortization	30	(2,319,662)	(9,457,262)	(2,050,834)	(8,316,132)
Other operating expenses	31	(4,257,460)	(17,357,664)	(4,173,814)	(16,924,816)
Profit before tax		2,109,230	8,599,330	8,012,074	32,488,960
Income tax expense	17C	(627,027)	(2,556,389)	(1,754,287)	(7,113,634)
Profit for the year		1,482,203	6,042,941	6,257,787	25,375,326
Other comprehensive income					
Currency translation difference		-	(3,267,565)	-	474,401
Total comprehensive income for the year		1,482,203	2,775,376	6,257,787	25,849,727

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

SEPARATE STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2020

	Share capital		Regulatory reserves		Retained earnings		Currency translation reserves	Total	
2019	US$	KHR'000 (Note 7)	US$	KHR'000 (Note 7)	US$	KHR'000 (Note 7)	KHR'000 (Note 7)	US$	KHR'000 (Note 7)
At 1 January 2019	100,000,000	401,800,000	1,823,537	7,326,971	6,127,106	24,802,636	(183,925)	107,950,643	433,745,682
Transactions recognised directly in equity									
Transfers from regulatory reserves to retained earnings	-	-	(380,360)	(1,549,967)	380,360	1,549,967	-	-	-
Dividend distribution	-	-	-	-	(6,870,543)	(27,997,463)	-	(6,870,543)	(27,997,463)
Currency translation difference	-	5,700,000	-	103,942	-	-	-	-	5,803,942
	-	5,700,000	(380,360)	(1,446,025)	(6,490,183)	(26,447,496)	-	(6,870,543)	(22,193,521)
Total comprehensive income									
Profit for the year	-	-	-	-	6,257,787	25,375,326	-	6,257,787	25,375,326
Currency translation difference	-	-	-	-	-	-	474,401	-	474,401
	-	-	-	-	6,257,787	25,375,326	474,401	6,257,787	25,849,727
At 31 December 2019	100,000,000	407,500,000	1,443,177	5,880,946	5,894,710	23,730,466	290,476	107,337,887	437,401,888
2020									
At 1 January 2020	100,000,000	407,500,000	1,443,177	5,880,946	5,894,710	23,730,466	290,476	107,337,887	437,401,888
Transactions recognised directly in equity									
Transfers from retained earnings to regulatory reserves	-	-	2,090,965	8,457,953	(2,090,965)	(8,457,953)	-	-	-
Total comprehensive income									
Profit for the year	-	-	-	-	1,482,203	6,042,941	-	1,482,203	6,042,941
Currency translation difference	-	-	-	-	-	-	(3,267,565)	-	(3,267,565)
	-	-	-	-	1,482,203	6,042,941	(3,267,565)	1,482,203	2,775,376
At 31 December 2020	100,000,000	407,500,000	3,534,142	14,338,899	5,285,948	21,315,454	(2,977,089)	108,820,090	440,177,264

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

	Note	2020 US$	2020 KHR'000 (Note 7)	2019 US$	2019 KHR'000 (Note 7)
Cash flows from operating activities					
Profit before tax		2,109,230	8,599,330	8,012,074	32,488,960
Adjustments for:					
Net interest income	25	(17,636,136)	(71,902,526)	(18,047,932)	(73,184,364)
Net impairment losses on financial instruments	28	5,358,906	21,848,260	3,908,933	15,850,723
Depreciation and amortisation	30	2,319,662	9,457,262	2,050,834	8,316,132
Loss on written-off of property and equipment		17,168	69,994	-	-
		(7,831,170)	(31,927,680)	(4,076,091)	(16,528,549)
Changes in:					
Balances with the NBC		20,525,265	83,681,505	(12,666,023)	(51,360,723)
Balances with other banks		(15,000,000)	(61,155,000)	6,437,495	26,104,042
Loans and advances to customers		(4,479,760)	(18,263,982)	(37,365,955)	(151,518,948)
Other assets		329,509	1,343,408	200,101	811,410
Deposits from customers		21,579,651	87,980,237	(56,493,416)	(229,080,802)
Other liabilities		(723,007)	(2,947,700)	339,737	1,377,635
Cash generated from/(used in) operations		14,400,488	58,710,788	(103,624,152)	(420,195,935)
Interest received		22,998,664	93,765,553	21,346,318	86,559,319
Interest paid		(3,708,814)	(15,120,835)	(3,269,994)	(13,259,826)
Income tax paid	17B	(1,833,744)	(7,476,174)	(1,837,751)	(7,452,080)
Net cash generated from/ (used in) operating activities		31,856,594	129,879,332	(87,385,579)	(354,348,522)

	Note	2020 US$	2020 KHR'000 (Note 7)	2019 US$	2019 KHR'000 (Note 7)
Cash flows from investing activities					
Purchases of property and equipment		(1,851,317)	(7,547,819)	(991,076)	(4,018,813)
Purchases of intangible assets		(230,477)	(939,655)	(288,648)	(1,170,468)
Proceeds from disposals of property and equipment		-	-	14,642	59,373
Proceeds from disposals of intangible assets		-	-	2,347	9,517
Net cash used in investing activities		(2,081,794)	(8,487,474)	(1,262,735)	(5,120,391)
Cash flows from financing activities					
Proceeds from borrowings		-	-	33,765,144	136,917,659
Repayment of borrowings		(24,372,739)	(99,367,657)	-	-
Principal elements of lease payments		(860,925)	(3,509,991)	(694,377)	(2,815,699)
Dividends paid		-	-	(6,870,543)	(27,860,052)
Net cash (used in)/ generated from financing activities		(25,233,664)	(102,877,648)	26,200,224	106,241,908
Net increase/(decrease) in cash and cash equivalents		4,541,136	18,514,210	(62,448,090)	(253,227,005)
Cash and cash equivalents at 1 January		38,629,262	157,414,243	101,077,352	406,128,792
Currency translation difference		-	(1,304,192)	-	4,512,456
Cash and cash equivalents at 31 December	32A	43,170,398	174,624,261	38,629,262	157,414,243

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

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

1. Reporting entity

Cathay United Bank (Cambodia) Corporation Limited ("The Bank") is a commercial bank operating under the supervision of the National Bank of Cambodian ("NBC"), in accordance with Banking Licence No.12 issued by NBC. On 25 December 2009, the Bank was granted an indefinite banking license from the NBC.

The Bank is wholly-owned subsidiary of Cathay United Bank Limited (the "parent company"), a commercial bank in Taiwan. Its ultimate parent company is Cathay Financial Holdings.

The Bank is principally engaged in the operation of core banking business and the provision of related financial services in the Kingdom of Cambodia, through the Bank's head office in Phnom Penh and its provincial branches.

The address of the Bank's registered office at No. 68, Samdech Pan Street (St. 214), Sangkat Boeng Reang, Khan Daun Penh, Phnom Penh, Kingdom of Cambodia.

CUBC Investment Co., Ltd. ("the Subsidiary") was incorporated on 14 August 2012 by the Bank and Pintemps Co., Ltd. ("PCL"), a Cambodian company. The principal activity of the Subsidiary is to hold parcels of land for the Bank's use.

As at 31 December 2020, the Bank had 541 employees (31 December 2019: 489 employees).

2. Basis of accounting

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

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

Details of the Group's and the Bank's accounting policies are included in Note 5.

The financial statements were authorised for issue by the Group and the Bank's Board of Directors on 5 March 2021.

3. Functional and presentation currency

The Group and the Bank transact their business and maintain their accounting records in United States Dollars ("US$"). Management has determined the US$ to be the Group's and the Bank's functional and presentation currencies as it reflects the economic substance of the underlying events and circumstances of the entities.

3. Functional and presentation currency (continued)

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

4. Critical accounting judgments and key sources of estimation uncertainty

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

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

A. Critical judgments in applying the accounting policies

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

(i). Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test (see Note 5D). The Group and the Bank determine the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group and the Bank monitor financial assets measured at amortised cost that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's and the Bank's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

A. Critical judgments in applying the accounting policies (continued)

(ii). Significant increase of credit risk

As explained in Note 35A, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased the Group and the Bank take into account qualitative and quantitative reasonable and supportable forward-looking information.

4. Critical accounting judgments and key sources of estimation uncertainty (continued)

(iii). Establishing groups of assets with similar credit risk characteristics

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The Group and the Bank monitor the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

(iv). Models and assumptions used

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

(v). Determination of life of revolving credit facilities

The Group and the Bank measure ECL considering the risk of default over the maximum contractual period. However, for financial instruments such as credit cards and overdraft facilities that include both a loan and an undrawn commitment component, the Group's and the Bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Group's and the Bank's exposure to credit losses to the contractual notice period. For such financial instruments the Group and the Bank measure ECL over the period that it is exposed to credit risk and ECL would be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period.

B. Key sources of estimation uncertainty

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

Forward-looking information

Establishing the number and relative weightings of forward-looking scenarios for each type of product and determining the forward-looking information relevant to each scenario: when measuring ECL the Group and the Bank use reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

4. Critical accounting judgments and key sources of estimation uncertainty (continued)

Probability of default (PD)

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

Loss Given Default (LGD)

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

5. 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, except equity investments which are measured at fair value through other comprehensive income (“FVOCI”).

B. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and an entity controlled by the Bank (its subsidiaries) made up to 31 December each year. Control is achieved when the Bank:

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

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

- the size of the Bank’s holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Bank, other vote holders or other parties;
- rights arising from other contractual arrangements; and

5. Significant accounting policies (continued)

B. Basis of consolidation (continued)

- any additional facts and circumstances that indicate that the Bank has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

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

Inter-company transactions, balances and unrealised gain or loss arising from inter-company transactions are eliminated in the consolidated financial statements reflect external transactions only. Losses resulting from intra-group transactions, which indicate an impairment loss, will be recognised in the consolidated financial statements. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. The gain or loss on disposal of a subsidiary, which is the difference between net disposal proceeds and the Group's share of its net assets as of the date of disposal is recognised in the profit or loss.

C. Foreign currency

Transactions in foreign currencies are translated into the respective functional currencies of the Group and the Bank at the exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the 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, impairment 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 exchange rate when the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are generally recognised in profit or loss.

5. Significant accounting policies (continued)

D. Financial instruments

Financial assets and financial liabilities are recognised in the consolidated and separate statement of financial position when the Group and the Bank become a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

(i). Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs. For all financial assets the amount presented on the statement of financial position represent all amounts receivable including interest accruals.

Classification and subsequent measurement

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

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

Impairment of financial assets

The Group and the Bank recognise loss allowances for ECLs on the following financial instruments:

- Balances with other banks;
- Loans and advances to customers;
- Loan commitments issued;
- Financial guarantee contracts issued.

No impairment loss is recognised on equity investments.

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL. More details on the determination of a significant increase in credit risk are provided in Note 35A.

5. Significant accounting policies (continued)

D. Financial instruments (continued)

(i). Financial assets (continued)

Impairment of financial assets (continued)

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Group and the Bank under the contract and the cash flows that the Group and the Bank expect to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

- For undrawn loan commitments, the ECL is the difference between the present value of the difference between the contractual cash flows that are due to the Group and the Bank if the holder of the commitment draws down the loan and the cash flows that the Group and the Bank expect to receive if the loan is drawn down.
- For financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Group and the Bank expect to receive from the holder, the debtor or any other party.

The Group and the Bank measure ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR, regardless of whether it is measured on an individual basis or a collective basis.

More information on measurement of ECL is provided in Note 35A, including details on how instruments are grouped when they are assessed on a collective basis.

Credit impaired 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. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as default or past due event;
- The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider; or
- The disappearance of an active market for a security because of financial difficulties.

5. Significant accounting policies (continued)

D. Financial instruments (continued)

(i). Financial assets (continued)

Credit impaired financial assets (continued)

It may not be possible to identify a single discrete event instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Group and the Bank assess whether debt instruments that are financial assets measured at amortised cost are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Group and the Bank consider factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted the assets is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default. Please see below for definition of default.

Definition of default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk (see Note 35A).

The Group and the Bank consider the following as constituting an event of default:

- the borrower is past due more than 90 days and 30days on any for long-term and short-term material credit obligation, respectively, to the Group; or
- the borrower is unlikely to pay its credit obligations to the Group and the Bank in full.

This definition of default is used by the Group and the Bank for accounting purposes as well as for internal credit risk management purposes and is broadly aligned to the regulatory definition of default.

When assessing if the borrower is unlikely to pay its credit obligation, the Group and the Bank take into account both qualitative and quantitative indicators. The information assessed depends on the type of the asset, for example in corporate lending a qualitative indicator used is the breach of covenants, which is not relevant for retail lending. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis.

5. Significant accounting policies (continued)

D. Financial instruments (continued)

(i). Financial assets (continued)

Definition of default (continued)

The Group and the Bank use a variety of sources of information to assess default which are either developed internally or obtained from external sources. More details are provided in Note 35A. As noted in the definition of credit impaired financial assets above, default is evidence that an asset is credit impaired. Therefore, credit impaired assets will include defaulted assets, but will also include other non-defaulted given the definition of credit impaired is broader than the definition of default.

Significant increase in credit risk

The Group and the Bank monitor all financial assets, issued loan commitments and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Group and the Bank will measure the loss allowance based on lifetime rather than 12-month ECL. The Group's and the Bank's accounting policy is not to use the practical expedient that financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk. As a result the Group and the Bank monitor all financial assets, issued loan commitments and financial guarantee contracts that are subject to impairment for significant increase in credit risk.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group and the Bank compare the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the Group and the Bank consider both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Group's historical experience and expert credit assessment including forward-looking information. See Note 35A for more details about forward-looking information.

Forward-looking information includes the future prospects of the industries in which the Group's and the Bank's counterparties operate, obtained from International Monetary funds and the World Bank other similar organisations, as well as consideration of various internal and external sources of actual and forecast economic information. The Group and the Bank allocate its counterparties to a relevant internal credit risk grade depending on their credit quality. The quantitative information is a primary indicator of significant increase in credit risk and is based on the change in lifetime PD by comparing:

- the remaining lifetime PD at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated based on facts and circumstances at the time of initial recognition of the exposure.

5. Significant accounting policies (continued)

D. Financial instruments (continued)

(i). Financial assets (continued)

Significant increase in credit risk (continued)

The PDs used are forward-looking and the Group uses the same methodologies and data used to measure the loss allowance for ECL (see Note 35A).

Given that a significant increase in credit risk since initial recognition is a relative measure, a given change, in absolute terms, in the PD will be more significant for a financial instrument with a lower initial PD than compared to a financial instrument with a higher PD.

More information about significant increase in credit risk is provided in Note 35.

Modification and derecognition of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing terms of contract of an existing loan would constitute a modification even if these new or adjusted terms of contract do not yet affect the cash flows immediately but may affect the cash flows depending on whether the term of contracts is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

The Group and the Bank renegotiate loans and advances to customers in financial difficulty to maximise collection and minimise the risk of default. A loan forbearance is granted in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the borrower is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness) and amendments to terms of contracts.

5. Significant accounting policies (continued)

D. Financial instruments (continued)

(i). Financial assets (continued)

Modification and derecognition of financial assets (continued)

When a financial asset is modified the Group and the Bank assess whether this modification results in derecognition. In accordance with the Group's and the Bank's policy a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms the Group and the Bank consider the following:

- Qualitative factors, such as contractual cash flows after modification are no longer SPPI, change in currency or when rights to cash flows between the original counterparties expire because a new debtor replaces the original debtor (unless both debtors are under common control), the extent of change in interest rates, and maturity. If these do not clearly indicate a substantial modification, then;
- A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective interest. If the Group and the Bank note a substantial difference based on the type of financial assets, it will be derecognised. When performing a quantitative assessment of a modification or renegotiation of a credit-impaired financial asset or a purchased or originated credit-impaired financial asset that was subject to a write-off, the Group and the Bank consider the expected (rather than the contractual) cash flows before modification or renegotiation and compares those with the contractual cash flows after modification or renegotiation.

In the case where the financial asset is derecognised the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new loan is considered to be originated credit-impaired. This applies only in the case where the fair value of the new loan is recognised at a significant discount to its revised par amount because there remains a high risk of default which has not been reduced by the modification. The Group and the Bank monitor credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms.

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Group determines if the financial asset's credit risk has increased significantly since initial recognition by comparing:

- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms; with
- the remaining lifetime PD at the reporting date based on the modified terms.

5. Significant accounting policies (continued)

D. Financial instruments (continued)

(i). Financial assets (continued)

Modification and derecognition of financial assets (continued)

For financial assets modified as part of the Group's and the Bank's forbearance policy, where modification did not result in derecognition, the estimate of PD reflects the Group's and the Bank's ability to collect the modified cash flows taking into account the Group's and the Bank's previous experience of similar forbearance action, as well as various behavioural indicators, including the borrower's payment performance against the modified contractual terms. If the credit risk remains significantly higher than what was expected at initial recognition the loss allowance will continue to be measured at an amount equal to lifetime ECL. If a forborne loan is credit impaired due to the existence of evidence of credit impairment (see above), the Group and the Bank perform an ongoing assessment to ascertain if the problems of the exposure are cured, to determine if the loan is no longer credit-impaired. The loss allowance on forborne loans will generally only be measured based on 12-month ECL when there is evidence of the borrower's improved repayment behaviour following modification leading to a reversal of the previous significant increase in credit risk.

Where a modification does not lead to derecognition the Group and the Bank calculate the modification loss by comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Modification losses for financial assets are included in the profit or loss account in 'Losses on modification of financial assets'. Then the Group and the Bank measure ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.

The Group and the Bank derecognise a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Group and the Bank neither transfer nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group and the Bank recognise its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group and the Bank retain substantially all the risks and rewards of ownership of a transferred financial asset, the Group and the Bank continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Write-off

Loans and debt securities are written off in full when the Group and the Bank have no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Group and the Bank determine that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Group and the Bank may apply enforcement activities to financial assets written off. Recoveries resulting from the Group's and the Bank's enforcement activities will result in impairment gains, which will be presented in 'net impairment loss on financial assets' in the statement of profit or loss.

5. Significant accounting policies (continued)

D. Financial instruments (continued)

(i). Financial assets (continued)

Presentation of allowance for ECL in the statement of financial position:

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

- for financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets; and
- for loan commitments and financial guarantee contracts: as a provision

(ii). Financial liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group and the Bank.

Financial liabilities, including deposits from customers, borrowings and lease liabilities, are initially measured at fair value, net of transaction costs. These financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The EIR is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Modification and derecognition of financial liabilities

The Group and the Bank derecognise financial liabilities when, and only when, the Group's and the Bank's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

E. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, 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.

F. Placements with other banks

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

5. Significant accounting policies (continued)

G. 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 the NBC.

H. Loans and advances to customers

'Loans and advances to customers' caption 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.

I. Other assets

Other assets are carried at cost less impairment if any.

J. Investment securities

The 'investment security' caption in the statement of financial position represents equity investment securities designated at FVOCI.

The Group and the Bank elect to present changes in the fair value of certain investments in equity instruments that are not held for trading in OCI. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

Fair value gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment.

K. Property and equipment

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

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

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

Land is not depreciated. Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

5. Significant accounting policies (continued)

K. Property and equipment (continued)

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

	Useful lives
Buildings	20 years
Building improvements	8 years
Furniture and fittings	8 years
Equipment	5 - 8 years
Motor vehicles	3 - 5 years

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

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

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

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

L. Intangible assets

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

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

Software and licenses are amortised on a straight-line basis in profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life of software for the current and comparative periods is 5 years.

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

5. Significant accounting policies (continued)

M. Leases

At inception of a contract, the Group and the Bank assess 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.

As a lessee

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

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

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

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

- Building and office branches 2 – 50 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 Group and the Bank use its incremental borrowing rate as the discount rate.

5. Significant accounting policies (continued)

M. Leases (continued)

As 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 Group and the Bank are reasonably certain to exercise, lease payments in an optional renewal period if the Group and the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group and the Bank are reasonably certain not to terminate early.

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

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

The right-of-use assets are presented as a separate line in the statement of financial position.

The lease liability is presented as a separate line in the statement of financial position.

Short-term leases and leases of low-value assets

The Group and the Bank have elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment.. The Group and the Bank recognise the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

5. Significant accounting policies (continued)

N. Impairment of non-financial assets

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

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

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

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

Impairment losses are recognised in profit and loss.

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

O. Borrowings

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

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

5. Significant accounting policies (continued)

P. Employee benefits (continued)

(ii). Other long-term employee benefits

The Group's and 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.

Q. Provisions

Provisions are recognised when the Group and the Bank have a present obligation (legal or constructive) as a result of a past event, it is probable that the Group and the Bank will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

R. 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.

5. Significant accounting policies (continued)

S. 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.

T. Net interest income

Interest income and expense for financial instruments are recognised in "Net interest income" as "Interest income" and "Interest expense" in the profit or loss account using effective interest method.

The effective interest rate (EIR) is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated taking into account all the contractual terms of the instrument.

The calculation of EIR include all fees paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premium or discounts.

The interest income/ interest expense is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortised cost of the financial asset before adjusting for any expected credit loss allowance), or to the amortised cost of financial liabilities. For the credit-impaired financial assets, the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses (ECLs).

5. Significant accounting policies (continued)

U. Net fee and commission income

Fee and commission income and expense include fees other than those that are an integral part of EIR (see Note 5T).

Fee and commission income, including referral fees, renewal fees, commitment fees, remittance fees, service charges, other fees and commissions on loans, and other fee income are recognised as the related services are performed.

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

V. Income tax

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

The Group and the Bank have determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore has accounted for them under CIAS 37 Provisions, Contingent Liabilities and Contingent Assets and has recognised the related expenses in “other expenses”.

(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.

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

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

5. Significant accounting policies (continued)

V. Income tax (continued)

(ii). Deferred tax (continued)

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

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

6. New standards, amendments and interpretations not yet adopted

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 Group and the Bank have 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 Group's and 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)
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to CIAS 16).
- Reference to Conceptual Framework (Amendments to CIFRS 3).
- Classification of Liabilities as Current or Non-current (Amendments to CIAS 1).

7. 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 share capital are using historical rate. The statements of profit and loss and other comprehensive income and cash flows are translated into KHR using the average rate for the year. Exchange differences arising from the translation are recognised as "Currency translation reserves" in the other comprehensive income.

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

The Group and 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 4,055

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

8. Cash on hand

Group and Bank	31 December 2020 US$	31 December 2020 KHR'000 (Note 7)	31 December 2019 US$	31 December 2019 KHR'000 (Note 7)
Cash on hand	13,297,014	53,786,422	16,315,675	66,486,376
Cash in ATM	1,750,020	7,078,831	1,506,331	6,138,299
Unpresented cheques	-	-	935,058	3,810,361
	15,047,034	60,865,253	18,757,064	76,435,036

9. Balances with the NBC

Group and Bank	31 December 2020 US$	31 December 2020 KHR'000 (Note 7)	31 December 2019 US$	31 December 2019 KHR'000 (Note 7)
Statutory deposits:				
Reserve requirement (A)	19,313,504	78,123,124	31,828,681	129,701,875
Capital guarantee (B)	10,000,000	40,450,000	10,000,000	40,750,000
Current accounts	22,958,751	92,868,148	7,181,689	29,265,383
Negotiable Certificate of Deposits ("NCD")	11,292,428	45,677,871	19,306,939	78,675,776
	63,564,683	257,119,143	68,317,309	278,393,034

9. Balances with the NBC (continued)

A. Reserve requirement

Pursuant to the NBC's Prakas No. B7-020-230, bank and financial institutions are required to maintain the reserve requirements, which is calculated at 7% for both KHR and other currencies of the total daily average amount of deposits from customers, and borrowings from banks and financial institutions, at the NBC. In 2019, reserve requirement was required to maintain at the NBC at the minimum at 8% and 12.5% of daily average balances of deposits from non-bank customers in KHR and other currencies, respectively.

B. Capital guarantee

Under the NBC Prakas No. B7-01-136, dated 15 October 2001, the Bank is required to maintain a capital guarantee deposit of 10% of paid-up capital. This deposit is refundable should the Bank voluntarily cease its operations in Cambodia and it is not available for use in the Bank's day-to-day operations. The capital guarantee deposits earn interest at 1/4 of six-month LIBOR rate.

10. Balances with other banks - net

	31 December 2020		31 December 2019	
Group and Bank	US$	KHR'000 (Note 7)	US$	KHR'000 (Note 7)
Balances with other banks at amortised cost	37,352,531	151,090,988	29,965,643	122,109,996
Impairment loss allowance	(311,109)	(1,258,436)	(2,929)	(11,936)
	37,041,422	149,832,552	29,962,714	122,098,060

The movement of impairment loss allowance on balances with other banks is as follow:

	2020		2019	
Group and Bank	US$	KHR'000 (Note 7)	US$	KHR'000 (Note 7)
At 1 January	2,929	11,936	6,316	25,378
Allowance for the year (Note 28)	308,180	1,256,450	(3,387)	(13,734)
Currency translation difference	-	(9,950)	-	292
At 31 December	311,109	1,258,436	2,929	11,936

10. Balances with other banks - net (continued)

Balances with other banks are analysed as follows:

A. Account types:

Group and Bank	31 December 2020 Gross carrying amount US$	ECL allowance US$	Carrying amount US$	KHR'000 (Note 7)
Current accounts	5,164,613	(10,458)	5,154,155	20,848,557
Term deposits	32,187,918	(300,651)	31,887,267	128,983,995
	37,352,531	(311,109)	37,041,422	149,832,552

Group and Bank	31 December 2019 Gross carrying amount US$	ECL allowance US$	Carrying amount US$	KHR'000 (Note 7)
Current accounts	12,690,506	(560)	12,689,946	51,711,530
Term deposits	17,275,137	(2,369)	17,272,768	70,386,530
	29,965,643	(2,929)	29,962,714	122,098,060

B. Interest rates (per annum)

Group and Bank	2020	2019
Current accounts	Nil	Nil
Term deposits	3.00% - 3.50%	0.65% - 4.25%

11. Loans and advances to customers - net

Group and Bank	31 December 2020 US$	31 December 2020 KHR'000 (Note 7)	31 December 2019 US$	31 December 2019 KHR'000 (Note 7)
Loans and advances to customers at amortised cost	260,820,852	1,055,020,346	263,088,926	1,072,087,373
Impairment losses allowance	(3,455,248)	(13,976,478)	(5,097,013)	(20,770,328)
	257,365,604	1,041,043,868	257,991,913	1,051,317,045

The movement of impairment losses allowance on loans and advances to customers is as follows:

Group and Bank	2020 US$	2020 KHR'000 (Note 7)	2019 US$	2019 KHR'000 (Note 7)
At 1 January	5,097,013	20,770,328	1,021,059	4,102,615
Allowance for the year (Note 28)	5,051,361	20,594,399	4,252,547	17,244,078
Written-off	(6,693,126)	(27,287,875)	(176,593)	(716,085)
Currency translation difference	-	(100,374)	-	139,720
At 31 December	3,455,248	13,976,478	5,097,013	20,770,328

Gross loans and advances to customers are analysed as follows:

A. By account types:

	31 December 2020			
Group and Bank	Gross carrying amount US$	ECL allowance US$	Net carrying amount US$	Net carrying amount KHR'000 (Note 7)
Term loans	80,332,985	(2,956,917)	77,376,068	312,986,195
Housing loans	96,790,684	(298,567)	96,492,117	390,310,613
Overdrafts	77,598,176	(129,336)	77,468,840	313,361,458
Staff loans	4,645,038	(7,551)	4,637,487	18,758,635
Credit card	1,453,969	(62,877)	1,391,092	5,626,967
	260,820,852	(3,455,248)	257,365,604	1,041,043,868

11. Loans and advances to customers - net (continued)

Net loans and advances to customers are analysed as follows: (continued)

A. By account types: (continued)

	31 December 2019			
Group and Bank	Gross carrying amount US$	ECL allowance US$	Net carrying amount US$	Net carrying amount KHR'000 (Note 7)
Term loans	147,909,567	(4,901,303)	143,008,264	582,758,676
Housing loans	75,492,855	(79,012)	75,413,843	307,311,410
Overdrafts	34,078,567	(63,253)	34,015,314	138,612,405
Staff loans	3,638,243	(3,568)	3,634,675	14,811,301
Credit card	1,969,694	(49,877)	1,919,817	7,823,253
	263,088,926	(5,097,013)	257,991,913	1,051,317,045

B. By maturity - net

Group and Bank	31 December 2020 US$	31 December 2020 KHR'000 (Note 7)	31 December 2019 US$	31 December 2019 KHR'000 (Note 7)
Within 1 month	7,106,598	28,746,189	6,062,941	24,706,484
> 1 to 3 months	5,321,464	21,525,322	7,704,984	31,397,810
> 3 to 12 months	27,988,680	113,214,211	42,594,187	173,571,312
> 1 to 5 years	97,207,637	393,204,892	87,496,069	356,546,481
> 5 years	119,741,225	484,353,254	114,133,732	465,094,958
	257,365,604	1,041,043,868	257,991,913	1,051,317,045

11. Loans and advances to customers - net (continued)

C. By interest rates (per annum)

Group and Bank	2020	2019
Term loans	6.00% - 18.00%	6.00% - 19.00%
Housing loans	4.50% - 12.00%	6.50% - 12.00%
Overdrafts	6.20% - 10.00%	6.25% - 12.00%
Staff loans	4.50% - 18.00%	5.30% - 10.00%
Credit card	18.00% - 24.00%	18.00% - 24.00%

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

12. Investment securities

The Group and the Bank have designated investment in CBC as equity instrument at FVOCI as the Group and the Bank hold this investment for long term. The table below shows the investment as well as the dividends income recognised during the year.

Fair value

	31 December 2020		31 December 2019	
Group and Bank	US$	KHR'000 (Note 7)	US$	KHR'000 (Note 7)
Investment in CBC	25,588	103,503	25,588	104,271

Dividend income

	2020		2019	
Group and Bank	US$	KHR'000 (Note 7)	US$	KHR'000 (Note 7)
Investment in CBC	28,975	117,204	19,632	80,000

13. Investment in subsidiary

This represents the Bank's 49% equity interest in CUBC Investment Co., Ltd.. The Bank controls the operations of its subsidiary through a proxy agreement with other major shareholder and the right to appoint members of its board of directors.

The financial information of the Subsidiary is as follows:

	31 December 2020		31 December 2019	
Group and Bank	US$	KHR'000 (Note 7)	US$	KHR'000 (Note 7)
Total assets	1,775,092	7,180,247	1,733,331	7,063,324
Total liabilities	14,985	60,614	5,885	23,981
Net profit for the year	32,660	133,154	26,658	108,631

14. Property and equipment

	Group								
2020	Freehold land US$	Buildings US$	Building improvements US$	Furniture and fittings US$	Motor vehicles US$	Equipment US$	Work in progress US$	Total US$	Total KHR'000 (Note 7)
Cost									
At 1 January 2020	1,548,120	931,880	1,314,768	188,299	938,076	7,156,775	642,201	12,720,119	51,834,486
Additions	-	-	39,320	314,354	-	1,338,643	159,000	1,851,317	7,547,819
Transfer	-	-	671,758	-	-	-	(671,758)	-	-
Written-off	-	-	-	-	-	(2,543,421)	(1,598)	(2,545,019)	(10,376,042)
Currency translation difference	-	-	-	-	-	-	-	-	(359,406)
At 31 December 2020	1,548,120	931,880	2,025,846	502,653	938,076	5,951,997	127,845	12,026,417	48,646,857
Less: **Accumulated depreciation**									
At 1 January 2020	-	657,794	613,121	80,092	547,332	5,467,680	-	7,366,019	30,016,528
Depreciation	-	34,078	177,121	34,629	79,761	566,193	-	891,782	3,635,795
Written-off	-	-	-	-	-	(2,527,851)	-	(2,527,851)	(10,306,049)
Currency translation difference	-	-	-	-	-	-	-	-	(168,626)
At 31 December 2020	-	691,872	790,242	114,721	627,093	3,506,022	-	5,729,950	23,177,648
Carrying amount									
At 31 December 2020	1,548,120	240,008	1,235,604	387,932	310,983	2,445,975	127,845	6,296,467	25,469,209

14. Property and equipment (continued)

	Group								
2019	Freehold land US$	Buildings US$	Building improvements US$	Furniture and fittings US$	Motor vehicles US$	Equipment US$	Work in progress US$	Total US$	Total KHR'000 (Note 7)
Cost									
At 1 January 2019	1,548,120	931,880	1,246,457	166,928	838,180	7,070,408	37,667	11,839,640	47,571,674
Additions	-	-	4,370	4,695	125,000	120,600	798,167	1,052,832	4,290,290
Transfer	-	-	105,650	19,550	-	68,433	(193,633)	-	-
Disposals and written-off	-	-	(41,709)	(2,874)	(25,104)	(102,666)	-	(172,353)	(702,337)
Currency translation difference	-	-	-	-	-	-	-	-	674,859
At 31 December 2019	1,548,120	931,880	1,314,768	188,299	938,076	7,156,775	642,201	12,720,119	51,834,486
Less: **Accumulated depreciation**									
At 1 January 2019	-	623,809	509,949	61,668	481,375	5,015,740	-	6,692,541	26,890,630
Depreciation	-	33,985	144,881	21,298	91,061	554,606	-	845,831	3,429,845
Disposals and written-off	-	-	(41,709)	(2,874)	(25,104)	(102,666)	-	(172,353)	(702,337)
Currency translation difference	-	-	-	-	-	-	-		398,390
At 31 December 2019	-	657,794	613,121	80,092	547,332	5,467,680	-	7,366,019	30,016,528
Carrying amount									
At 31 December 2019	1,548,120	274,086	701,647	108,207	390,744	1,689,095	642,201	5,354,100	21,817,958

14. Property and equipment (continued)

	Bank							
2020	Buildings US$	Building improvements US$	Furniture and fittings US$	Motor vehicles US$	Equipment US$	Work in progress US$	Total US$	Total KHR'000 (Note 7)
Cost								
At 1 January 2020	931,880	1,314,768	188,299	938,076	7,156,775	642,201	11,171,999	45,525,897
Additions	-	39,320	314,354	-	1,338,643	159,000	1,851,317	7,547,819
Transfer	-	671,758	-	-	-	(671,758)	-	-
Written-off	-	-	-	-	(2,543,421)	(1,598)	(2,545,019)	(10,376,042)
Currency translation difference	-	-	-	-	-	-	-	(312,963)
At 31 December 2020	931,880	2,025,846	502,653	938,076	5,951,997	127,845	10,478,297	42,384,711
Less: **Accumulated depreciation**								
At 1 January 2020	657,794	613,121	80,092	547,332	5,467,680	-	7,366,019	30,016,528
Depreciation	34,078	177,121	34,629	79,761	566,193	-	891,782	3,635,795
Written-off	-	-	-	-	(2,527,851)	-	(2,527,851)	(10,306,049)
Currency translation difference	-	-	-	-	-	-	-	(168,627)
At 31 December 2020	691,872	790,242	114,721	627,093	3,506,022	-	5,729,950	23,177,647
Carrying amount								
At 31 December 2020	240,008	1,235,604	387,932	310,983	2,445,975	127,845	4,748,347	19,207,064

14. Property and equipment (continued)

	Bank							
2019	Buildings US$	Building improvements US$	Furniture and fittings US$	Motor vehicles US$	Equipment US$	Work in progress US$	Total US$	Total KHR'000 (Note 7)
Cost								
At 1 January 2019	931,880	1,246,457	166,928	838,180	7,070,408	37,667	10,291,520	41,351,327
Additions	-	4,370	4,695	125,000	120,600	798,167	1,052,832	4,290,290
Disposals and written-off	-	105,650	19,550	-	68,433	(193,633)	-	-
Transfer	-	(41,709)	(2,874)	(25,104)	(102,666)	-	(172,353)	(702,337)
Currency translation difference	-	-	-	-	-	-	-	586,617
At 31 December 2019	931,880	1,314,768	188,299	938,076	7,156,775	642,201	11,171,999	45,525,897
Less: **Accumulated depreciation**								
At 1 January 2019	623,809	509,949	61,668	481,375	5,015,740	-	6,692,541	26,890,630
Depreciation	33,985	144,881	21,298	91,061	554,606	-	845,831	3,429,845
Disposals and written-off	-	(41,709)	(2,874)	(25,104)	(102,666)	-	(172,353)	(702,337)
Currency translation difference	-	-	-	-	-	-		398,390
At 31 December 2019	657,794	613,121	80,092	547,332	5,467,680	-	7,366,019	30,016,528
Carrying amount								
At 31 December 2019	274,086	701,647	108,207	390,744	1,689,095	642,201	3,805,980	15,509,369

15. Right-of-use-assets

The Group and Bank leases its headquarters, branch offices and motor vehicles.

	Group			
	Buildings US$	Motor vehicles US$	Total US$	Total KHR'000 (Note 7)
Cost				
At 1 January 2020	4,850,463	19,089	4,869,552	19,843,425
Additions	251,281	-	251,281	1,024,473
Modification	3,279	-	3,279	13,368
Written-off (expired)	(129,868)	(19,089)	(148,957)	(607,298)
Currency translation difference	-	-	-	(149,466)
At 31 December 2020	4,975,155	-	4,975,155	20,124,502
Less: **Accumulated amortisation**				
At 1 January 2020	1,077,504	17,562	1,095,066	4,462,395
Amortisation	777,525	1,527	779,052	3,176,195
Written-off (expired)	(129,868)	(19,089)	(148,957)	(607,298)
Currency translation difference	-	-	-	(53,016)
At 31 December 2020	1,725,161	-	1,725,161	6,978,276
Carrying amount				
At 31 December 2020	3,249,994	-	3,249,994	13,146,226
Cost				
At 1 January 2019	3,584,137	71,655	3,655,792	14,688,973
Additions	1,266,326	-	1,266,326	5,160,278
Written-off (advanced termination)	-	(52,566)	(52,566)	(214,206)
Currency translation difference	-	-	-	208,380
At 31 December 2019	4,850,463	19,089	4,869,552	19,843,425
Less: **Accumulated amortisation**				
At 1 January 2019	510,809	39,939	550,748	2,212,906
Amortisation	566,695	30,189	596,884	2,420,365
Written-off (advanced termination)	-	(52,566)	(52,566)	(214,206)
Currency translation difference	-	-	-	43,330
At 31 December 2019	1,077,504	17,562	1,095,066	4,462,395
Carrying amount				
At 31 December 2019	3,772,959	1,527	3,774,486	15,381,030

15. Right-of-use-assets (continued)

	Bank			
	Buildings US$	Motor vehicles US$	Total US$	KHR'000
Cost				
At 1 January 2020	5,934,396	19,089	5,953,485	24,260,452
Additions	251,281	-	251,281	1,024,473
Modification	3,279	-	3,279	13,368
Written-off (expired)	(129,868)	(19,089)	(148,957)	(607,298)
Currency translation difference	-	-	-	(181,984)
At 31 December 2020	6,059,088	-	6,059,088	24,509,011
Less: **Accumulated amortisation**				
At 1 January 2020	1,124,632	17,562	1,142,194	4,654,441
Amortisation	801,089	1,527	802,616	3,272,265
Written-off (expired)	(129,868)	(19,089)	(148,957)	(607,298)
Currency translation difference	-	-	-	(55,183)
At 31 December 2020	1,795,853	-	1,795,853	7,264,225
Carrying amount				
At 31 December 2020	4,263,235	-	4,263,235	17,244,786
Cost				
At 1 January 2019	4,668,069	71,655	4,739,724	19,044,211
Additions	1,266,327	-	1,266,327	5,160,283
Written-off (advanced termination)	-	(52,566)	(52,566)	(214,206)
Currency translation difference	-	-	-	270,164
At 31 December 2019	5,934,396	19,089	5,953,485	24,260,452
Less: **Accumulated amortisation**				
At 1 January 2019	534,373	39,939	574,312	2,307,586
Amortisation	590,259	30,189	620,448	2,515,917
Written-off (advanced termination)	-	(52,566)	(52,566)	(214,206)
Currency translation difference	-	-	-	45,144
At 31 December 2019	1,124,632	17,562	1,142,194	4,654,441
Carrying amount				
At 31 December 2019	4,809,764	1,527	4,811,291	19,606,011

16. Intangible assets

Group and Bank	Software and licenses US$	Software and licenses KHR'000 (Note 7)
Cost		
At 1 January 2020	3,667,496	14,945,045
Additions	230,477	939,655
Written-off	(227,051)	(925,687)
Currency translation difference	-	(110,134)
At 31 December 2020	3,670,922	14,848,879
Less: **Accumulated amortisation**		
At 1 January 2020	1,950,292	7,947,439
Amortisation	625,264	2,549,202
Written-off	(227,051)	(925,687)
Currency translation difference	-	(71,252)
At 31 December 2020	2,348,505	9,499,702
Carrying amount		
At 31 December 2020	1,322,417	5,349,177

16. Intangible assets (continued)

Group and Bank	Software and licenses US$	Work in progress US$	Total US$	Total KHR'000 (Note 7)
Cost				
At 1 January 2019	3,182,274	759,484	3,941,758	15,837,984
Additions	201,163	125,581	326,744	1,331,483
Transfers	885,065	(885,065)	-	-
Disposals and written-off	(601,007)	-	(601,007)	(2,449,102)
Currency translation difference	-	-	-	224,680
At 31 December 2019	3,667,496	-	3,667,496	14,945,045
Less: **Accumulated amortisation**				
At 1 January 2019	1,849,902	-	1,849,902	7,432,906
Amortisation	584,553	-	584,553	2,370,362
Disposals and written-off	(484,163)	-	(484,163)	(1,972,964)
Currency translation difference	-	-	-	117,135
At 31 December 2019	1,950,292	-	1,950,292	7,947,439
Carrying amount				
At 31 December 2019	1,717,204	-	1,717,204	6,997,606

17. Income tax

A. Deferred tax liabilities - net

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

Group and Bank	31 December 2020 US$	31 December 2020 KHR'000 (Note 7)	31 December 2019 US$	31 December 2019 KHR'000 (Note 7)
Deferred tax assets	362,733	1,467,255	700,181	2,853,238
Deferred tax liabilities	(383,647)	(1,551,852)	(477,676)	(1,946,530)
Net deferred tax assets/(liabilities)	(20,914)	(84,597)	222,505	906,708

17. Income tax (continued)

A. Deferred tax liabilities - net (continued)

The movement of net deferred tax assets/(liabilities) was as follows:

Group and Bank	2020 US$	2020 KHR'000 (Note 7)	2019 US$	2019 KHR'000 (Note 7)
At 1 January	222,505	906,708	101,236	406,767
(Credited)/Charge to profit or loss	(243,419)	(992,419)	121,269	491,746
Currency translation difference	-	1,114	-	8,195
At 31 December	(20,914)	(84,597)	222,505	906,708

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

Group and Bank	31 December 2020 US$	31 December 2020 KHR'000 (Note 7)	31 December 2019 US$	31 December 2019 KHR'000 (Note 7)
Accrued bonus	19,700	79,687	112,069	456,681
Deferred revenue	251,678	1,018,038	258,368	1,052,850
Loss allowance	(34,635)	(140,099)	262,337	1,069,023
Provision for seniority indemnity	46,932	189,840	67,407	274,684
Property and equipment	(345,267)	(1,396,605)	(365,924)	(1,491,140)
Unrealised foreign exchange gain	(3,745)	(15,149)	(526)	(2,144)
Leases	44,423	179,691		
Interest in suspense	-	-	(111,226)	(453,246)
Net deferred tax (liabilities)/ assets	(20,914)	(84,597)	222,505	906,708

17. Income tax (continued)

B. Current income tax liabilities

	2020		2019	
Group	US$	KHR'000 (Note 7)	US$	KHR'000 (Note 7)
At 1 January	1,601,870	6,527,620	1,565,510	6,290,219
Current income tax expense	391,773	1,597,259	1,882,221	7,632,406
Income tax paid	(1,835,229)	(7,482,229)	(1,845,861)	(7,484,966)
Currency translation difference	-	(1,865)	-	89,961
At 31 December	158,414	640,785	1,601,870	6,527,620
Bank				
At 1 January	1,601,421	6,525,791	1,563,616	6,282,609
Current income tax expense	383,608	1,563,970	1,875,556	7,605,380
Income tax paid	(1,833,744)	(7,476,174)	(1,837,751)	(7,452,080)
Currency translation difference	-	(1,639)	-	89,882
At 31 December	151,285	611,948	1,601,421	6,525,791

C. Income tax expense

	2020		2019	
Group	US$	KHR'000 (Note 7)	US$	KHR'000 (Note 7)
Current income tax	391,773	1,597,259	1,882,221	7,632,406
Deferred tax	243,419	992,419	(121,269)	(491,746)
Income tax expense	635,192	2,589,678	1,760,952	7,140,660
Bank				
Current income tax	383,608	1,563,970	1,875,556	7,605,380
Deferred tax	243,419	992,419	(121,269)	(491,746)
Income tax expense	627,027	2,556,389	1,754,287	7,113,634

17. Income tax (continued)

C. Income tax expense (continued)

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

	2020			2019		
	US$	KHR'000 (Note 7)	%	US$	KHR'000 (Note 7)	%
Group						
Profit before income tax	2,165,935	8,830,516		8,061,621	32,689,873	
Income tax using statutory rate 20%	433,187	1,766,103	20.0	1,612,324	6,537,974	20.0
Non-deductible expenses	202,005	823,575	9.3	148,628	602,686	1.8
Income tax expense	635,192	2,589,678	29.3	1,760,952	7,140,660	21.8
Bank						
Profit before income tax	2,109,230	8,599,330		8,012,074	32,488,960	
Income tax using statutory rate 20%	421,846	1,719,866	20.0	1,602,415	6,497,792	20.0
Non-deductible expenses	205,181	836,523	9.7	151,872	615,842	1.9
Income tax expense	627,027	2,556,389	29.7	1,754,287	7,113,634	21.9

In accordance with Cambodian law on taxation, the Group and the Bank have 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 revenue, whichever is higher.

18. Other assets

Group	31 December 2020 US$	31 December 2020 KHR'000 (Note 7)	31 December 2019 US$	31 December 2019 KHR'000 (Note 7)
Credit card receivables	503,103	2,035,052	1,227,723	5,002,972
Deposits	1,332,416	5,389,623	1,071,051	4,364,533
Other receivables	408,795	1,653,576	290,453	1,183,596
Prepayment	535,971	2,168,003	517,125	2,107,284
Others	6,824	27,602	10,345	42,156
Impairment loss allowance	(10,761)	(43,529)	(13,181)	(53,713)
	2,776,348	11,230,327	3,103,516	12,646,828

Bank	31 December 2020 US$	31 December 2020 KHR'000 (Note 7)	31 December 2019 US$	31 December 2019 KHR'000 (Note 7)
Credit card receivables	503,103	2,035,052	1,227,723	5,002,971
Deposits	1,332,416	5,389,623	1,071,051	4,364,533
Other receivables	408,245	1,651,351	290,453	1,183,597
Prepayment	535,971	2,168,003	517,125	2,107,284
Others	6,824	27,602	9,716	39,593
Impairment loss allowance	(10,761)	(43,529)	(13,181)	(53,713)
	2,775,798	11,228,102	3,102,887	12,644,265

19. Deposits from customers

Group	31 December 2020 US$	31 December 2020 KHR'000 (Note 7)	31 December 2019 US$	31 December 2019 KHR'000 (Note 7)
Deposit from other banks	4,026,696	16,287,985	2,294,240	9,349,028
Demand deposit	70,528,732	285,288,721	56,252,454	229,228,750
Saving deposit	87,195,338	352,705,142	99,407,981	405,087,523
Term deposits	100,179,788	405,227,242	81,092,408	330,451,563
Margin deposits	210,575	851,777	385,640	1,571,482
	262,141,129	1,060,360,867	239,432,723	975,688,346

19. Deposits from customers (continued)

Bank	31 December 2020 US$	31 December 2020 KHR'000 (Note 7)	31 December 2019 US$	31 December 2019 KHR'000 (Note 7)
Deposit from other banks	4,026,696	16,287,985	2,478,822	10,101,200
Demand deposit	70,755,154	286,204,598	56,252,454	229,228,750
Saving deposit	87,195,338	352,705,142	99,407,981	405,087,523
Term deposits	100,179,788	405,227,242	81,092,408	330,451,563
Margin deposits	210,575	851,777	385,640	1,571,482
	262,367,551	1,061,276,744	239,617,305	976,440,518

Deposits from customers are analysed as follows:

A. By maturity

Group	31 December 2020 US$	31 December 2020 KHR'000 (Note 7)	31 December 2019 US$	31 December 2019 KHR'000 (Note 7)
Within 1 month	183,306,790	741,475,966	165,942,221	676,214,551
> 1 to 3 months	26,221,477	106,065,874	18,040,869	73,516,541
> 3 to 12 months	52,612,862	212,819,027	55,449,633	225,957,254
	262,141,129	1,060,360,867	239,432,723	975,688,346
Bank				
Within 1 month	183,533,212	742,391,843	166,126,803	676,966,722
> 1 to 3 months	26,221,477	106,065,874	18,040,869	73,516,541
> 3 to 12 months	52,612,862	212,819,027	55,449,633	225,957,255
	262,367,551	1,061,276,744	239,617,305	976,440,518

19. Deposits from customers (continued)

Deposits from customers are analysed as follows: (continued)

B. By residency status:

Group	31 December 2020 US$	31 December 2020 KHR'000 (Note 7)	31 December 2019 US$	31 December 2019 KHR'000 (Note 7)
Residents	206,147,097	833,865,007	170,619,037	695,272,576
Non-residents	55,994,032	226,495,860	68,813,686	280,415,770
	262,141,129	1,060,360,867	239,432,723	975,688,346
Bank				
Residents	206,373,519	834,780,884	170,803,619	696,024,747
Non-residents	55,994,032	226,495,860	68,813,686	280,415,771
	262,367,551	1,061,276,744	239,617,305	976,440,518

C. By relationship:

Group	31 December 2020 US$	31 December 2020 KHR'000 (Note 7)	31 December 2019 US$	31 December 2019 KHR'000 (Note 7)
Related parties	230,288	931,515	151,239	616,299
Non-related parties	261,910,841	1,059,429,352	239,281,484	975,072,047
	262,141,129	1,060,360,867	239,432,723	975,688,346
Bank				
Related parties	456,710	1,847,392	335,821	1,368,471
Non-related parties	261,910,841	1,059,429,352	239,281,484	975,072,047
	262,367,551	1,061,276,744	239,617,305	976,440,518

19. Deposits from customers (continued)

Deposits from customers are analysed as follows: (continued)

D. By interest rate (per annum):

Group and Bank	2020	2019
Demand deposit	Nil	Nil
Saving deposit	0.5%	0.5%
Term deposits	2% - 6.25%	2% - 7%
Margin deposits	Nil	Nil

The margin deposits are interest free and are encumbered for trade line and guarantee granted to customers.

20. Borrowings

Group and Bank	31 December 2020 US$	31 December 2020 KHR'000 (Note 7)	31 December 2019 US$	31 December 2019 KHR'000 (Note 7)
National Bank of Cambodia ("LPCO") (A)	9,509,981	38,467,873	13,763,866	56,087,754
Cathay United Bank Limited ("CUB") (B) (Note 33B)	-	-	20,001,278	81,505,208
	9,509,981	38,467,873	33,765,144	137,592,962

(A) Borrowings from NBC in the form of Liquidity-providing Collateralized Operation ("LPCO") are secured by the Negotiable Certificate of Deposits with NBC (see Note 9). The LPCO bear interest rates ranging from 2.10% to 4.75% (2019: 2.10% to 4.75%) per annum.

(B) Borrowings from the Cathay United Bank Limited ("CUB") are unsecured and bear interest rates ranging from 0.25% to 2.30% (2019: 0.25% to 2.30%) per annum.

The Group and the Bank did not have any defaults of principal or interest or other breaches with respect to its borrowings during the year.

For further analysis of the borrowings, see Note 35.

21. Lease liabilities

The Group and the Bank lease the office spaces. Information about leases for which the Group and the Bank are lessee presented below.

Group	31 December 2020 US$	31 December 2020 KHR'000 (Note 7)	31 December 2019 US$	31 December 2019 KHR'000 (Note 7)
No later than 1 year	883,757	3,574,797	785,950	3,202,746
Later than 1 year and no later than 5 years	2,753,822	11,139,210	3,024,723	12,325,746
Later than 5 years	164,727	666,320	523,440	2,133,018
	3,802,306	15,380,327	4,334,113	17,661,510
Less: unearned interest	(378,852)	(1,532,456)	(531,175)	(2,164,538)
	3,423,454	13,847,871	3,802,938	15,496,972
Bank				
No later than 1 year	940,265	3,803,372	842,458	3,433,016
Later than 1 year and no later than 5 years	2,979,854	12,053,510	3,250,755	13,246,827
Later than 5 years	2,312,031	9,352,165	2,727,252	11,113,552
	6,232,150	25,209,047	6,820,465	27,793,395
Less: unearned interest	(1,746,799)	(7,065,802)	(1,947,945)	(7,937,876)
	4,485,351	18,143,245	4,872,520	19,855,519

22. Provisions

Group and Bank	31 December 2020 US$	31 December 2020 KHR'000 (Note 7)	31 December 2019 US$	31 December 2019 KHR'000 (Note 7)
Loan commitments and guarantees	54,651	221,063	52,866	215,429

23. Other liabilities

Group	31 December 2020 US$	31 December 2020 KHR'000 (Note 7)	31 December 2019 US$	31 December 2019 KHR'000 (Note 7)
Accounts payables and other accruals	967,668	3,914,218	1,823,758	7,431,814
Accrued bonus	593,501	2,400,712	560,580	2,284,364
Provision for seniority indemnity	234,662	949,208	337,037	1,373,426
Others	504,730	2,041,632	299,773	1,221,576
	2,300,561	9,305,770	3,021,148	12,311,180

Bank	31 December 2020 US$	31 December 2020 KHR'000 (Note 7)	31 December 2019 US$	31 December 2019 KHR'000 (Note 7)
Accounts payables and other accruals	959,812	3,882,440	1,819,344	7,413,827
Accrued bonus	593,501	2,400,712	560,580	2,284,364
Provision for seniority indemnity	234,662	949,208	337,037	1,373,426
Others	504,730	2,041,632	298,751	1,217,411
	2,292,705	9,273,992	3,015,712	12,289,028

24. Share capital

Group and Bank	31 December 2020 US$	31 December 2020 KHR'000 (Note 7)	31 December 2019 US$	31 December 2019 KHR'000 (Note 7)
Registered, issued and fully paid ordinary share of US$1 each	100,000,000	407,500,000	100,000,000	407,500,000

25. Net interest income

	Group				Bank			
	2020		2019		2020		2019	
	US$	KHR'000 (Note 7)	US$	KHR'000 (Note 7)	US$	KHR'000 (Note 7)	US$	KHR'000 (Note 7)
Interest income								
Balances with the NBC	122,745	500,431	66,959	271,519	122,745	500,431	66,959	271,519
Balances with other banks	857,234	3,494,943	1,568,784	6,361,419	857,234	3,494,943	1,568,784	6,361,419
Loans and advances to customers	21,872,338	89,173,522	20,024,419	81,199,019	21,872,338	89,173,522	20,024,419	81,199,019
	22,852,317	93,168,896	21,660,162	87,831,957	22,852,317	93,168,896	21,660,162	87,831,957
Interest expense								
Deposits from customers	4,525,623	18,450,965	3,238,853	13,133,549	4,525,623	18,450,965	3,238,853	13,133,549
Borrowings	471,362	1,921,743	192,859	782,043	471,362	1,921,743	192,859	782,044
Lease liabilities	170,373	694,611	131,350	532,624	219,196	893,662	180,518	732,000
	5,167,358	21,067,319	3,563,062	14,448,216	5,216,181	21,266,370	3,612,230	14,647,593
Net interest income	17,684,959	72,101,577	18,097,100	73,383,741	17,636,136	71,902,526	18,047,932	73,184,364

The amounts reported above are interest income and interest expense calculated using the effective interest method that related to financial assets and financial liabilities measured at amortised cost.

26. Net fee and commission income

	Group				Bank			
	2020		2019		2020		2019	
	US$	KHR'000 (Note 7)	US$	KHR'000 (Note 7)	US$	KHR'000 (Note 7)	US$	KHR'000 (Note 7)
Fee and commission income								
Loan and trade finance	397,344	1,619,971	1,639,438	6,647,921	397,344	1,619,971	1,639,438	6,647,921
Credit Card	364,020	1,484,110	838,315	3,399,367	364,020	1,484,110	838,315	3,399,367
Remittance	836,826	3,411,740	1,005,686	4,078,057	836,826	3,411,740	1,005,686	4,078,057
Service charges and fees	254,248	1,036,569	617,783	2,505,110	254,277	1,036,687	617,783	2,505,110
	1,852,438	7,552,390	4,101,222	16,630,455	1,852,467	7,552,508	4,101,222	16,630,455
Fee and commission expense								
ATM and Credit Card	549,230	2,239,211	805,956	3,268,152	549,230	2,239,211	805,956	3,268,152
Swift charges	29,864	121,756	25,276	102,494	29,864	121,756	25,276	102,494
Bank charges	82,511	336,397	81,357	329,903	82,511	336,397	81,357	329,903
Others	133,133	542,783	46,997	190,572	133,133	542,783	46,997	190,572
	794,738	3,240,147	959,586	3,891,121	794,738	3,240,147	959,586	3,891,121
Net fee and commission income	1,057,700	4,312,243	3,141,636	12,739,334	1,057,729	4,312,361	3,141,636	12,739,334

27. Other income

	Group				Bank			
	2020		2019		2020		2019	
	US$	KHR'000 (Note 7)	US$	KHR'000 (Note 7)	US$	KHR'000 (Note 7)	US$	KHR'000 (Note 7)
Recovery of loans previously written off	999,931	4,076,719	1,891,999	7,672,056	999,931	4,076,719	1,891,999	7,672,056
Foreign exchange losses	(23,340)	(95,157)	(53,693)	(217,725)	(23,334)	(95,133)	(53,693)	(217,725)
Others	142,851	582,403	69,717	282,702	142,851	582,403	69,753	282,848
	1,119,442	4,563,965	1,908,023	7,737,033	1,119,448	4,563,989	1,908,059	7,737,179

28. Net impairment loss on financial instruments

Group and Bank	2020 US$	2020 KHR'000 (Note 7)	2019 US$	2019 KHR'000 (Note 7)
Balances with other banks	308,180	1,256,450	(3,387)	(13,734)
Loans and advances to customers	5,051,361	20,594,399	4,252,547	17,244,078
Loan commitments and guarantees	1,785	7,277	(333,471)	(1,352,225)
Other assets	(2,420)	(9,866)	(6,756)	(27,396)
	5,358,906	21,848,260	3,908,933	15,850,723

29. Personnel expenses

Group and Bank	2020 US$	2020 KHR'000 (Note 7)	2019 US$	2019 KHR'000 (Note 7)
Salaries and bonuses	5,227,710	21,313,374	4,448,327	18,037,966
Seniority payments	145,025	591,267	152,420	618,063
Other personnel expenses	395,320	1,611,719	351,225	1,424,217
	5,768,055	23,516,360	4,951,972	20,080,246

30. Depreciation and amortisation

	Group				Bank			
	2020		2019		2020		2019	
	US$	KHR'000 (Note 7)	US$	KHR'000 (Note 7)	US$	KHR'000 (Note 7)	US$	KHR'000 (Note 7)
Property and equipment	891,782	3,635,795	845,832	3,429,849	891,782	3,635,795	845,832	3,429,849
Right-of-use assets	779,052	3,176,195	596,885	2,420,369	802,616	3,272,265	620,449	2,515,921
Intangible assets	625,264	2,549,202	584,553	2,370,362	625,264	2,549,202	584,553	2,370,362
	2,296,098	9,361,192	2,027,270	8,220,580	2,319,662	9,457,262	2,050,834	8,316,132

31. Other operating expenses

	Group				Bank			
	2020		2019		2020		2019	
	US$	KHR'000 (Note 7)	US$	KHR'000 (Note 7)	US$	KHR'000 (Note 7)	US$	KHR'000 (Note 7)
Repairs and maintenance	316,189	1,289,103	398,226	1,614,806	316,189	1,289,103	398,226	1,614,806
Utilities	221,488	903,007	224,756	911,386	221,488	903,007	224,756	911,386
Security	159,673	650,987	144,927	587,679	159,673	650,987	144,927	587,679
Communication	349,253	1,423,904	305,444	1,238,575	349,253	1,423,904	305,444	1,238,575
License fee, patent and other taxes	577,483	2,354,398	802,189	3,252,876	577,483	2,354,398	802,189	3,252,876
Office supplies and non-capitalised purchases	145,395	592,775	150,009	608,286	145,395	592,775	150,009	608,286
Marketing and advertising	292,023	1,190,578	246,008	997,562	292,023	1,190,578	246,008	997,562
Leases and rental	168,554	687,195	187,506	760,337	168,554	687,195	187,506	760,337
Professional services	760,553	3,100,775	687,463	2,787,664	746,363	3,042,922	664,314	2,693,794
Others	1,282,496	5,228,735	1,050,435	4,259,515	1,281,039	5,222,795	1,050,435	4,259,515
	4,273,107	17,421,457	4,196,963	17,018,686	4,257,460	17,357,664	4,173,814	16,924,816

32. Notes to the statement of cash flows

A. Cash and cash equivalents

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

Group and Bank	31 December 2020 US$	31 December 2020 KHR'000 (Note 7)	31 December 2019 US$	31 December 2019 KHR'000 (Note 7)
Cash on hand	15,047,034	60,865,253	18,757,064	76,435,036
Balances with the NBC	22,958,751	92,868,148	7,181,689	29,265,383
Balances with other banks	5,164,613	20,890,860	12,690,509	51,713,824
	43,170,398	174,624,261	38,629,262	157,414,243

B. Changes in liabilities arising from financing activities

The table below details change in the Group and the Bank's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flow will be, classified in the Group's and the Bank's consolidated cash flow statement as cash flow from financing activities:

	1 January 2020	Financing cash flow (i)	Non-cash changes: New leases	Non-cash changes: Other changes (ii)	31 December 2020
	US$	US$	US$	US$	US$
Group					
Lease liabilities	3,802,938	(804,417)	254,560	170,373	3,423,454
Borrowings	33,765,144	(24,372,739)	-	117,576	9,509,981

	1 January 2019	Financing cash flow (i)	Non-cash changes: New leases	Non-cash changes: Other changes (ii)	31 December 2019
	US$	US$	US$	US$	US$
Group					
Lease liabilities	3,043,130	(637,869)	1,266,327	131,350	3,802,938
Borrowings	-	33,765,144	-	-	33,765,144

32. Notes to the cash flow statements (continued)

B. Changes in liabilities arising from financing activities

	1 January 2020 US$	Financing cash flow (i) US$	Non-cash changes New leases US$	Non-cash changes Other changes (ii) US$	31 December 2020 US$
Bank					
Lease liabilities	4,872,520	(860,925)	254,560	219,196	4,485,351
Borrowings	33,765,144	(24,372,739)	-	117,576	9,509,981

	1 January 2019 US$	Financing cash flow (i) US$	Non-cash changes New leases US$	Non-cash changes Other changes (ii) US$	31 December 2019 US$
Bank					
Lease liabilities	4,120,052	(694,377)	1,266,327	180,518	4,872,520
Borrowings	-	33,765,144	-	-	33,765,144

(i) The cash flow from financial liabilities makes up the net amount of proceeds from borrowings and the repayment of borrowings in the statements of cash flow.

(ii) Other changes include interest accrual and repayment of interest.

33. Related parties

A. Related parties and relationships

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

Related parties	Relationship
Cathay Financial Holdings	Ultimate parent company
Cathay United Bank Limited ("CUB")	Immediate parent company
CUBC Investment Co., Ltd.	Subsidiary of the Bank
Board of Directors	The Board of Directors are those person overseeing the activities of the Group.
Key management personnel	The key management personnel are those participating in the administration, direction, management or the design and implementation of the internal controls of the Group and the Bank. The key management personnel of the Group and the Bank include all EXCOM members appointed by the Board of Directors.

33. Related parties (continued)

B. Related party balances

	31 December 2020		31 December 2019	
Group and Bank	US$	KHR'000 (Note 7)	US$	KHR'000 (Note 7)
Cathay United Bank Limited (CUB)				
Deposits with CUB	353,301	1,429,103	346,720	1,412,884
Deposits from CUB	2,029,941	8,211,111	2,029,941	8,272,010
Borrowings from CUB	-	-	20,001,278	81,505,208
Key management				
Deposit from key management	230,288	931,515	151,239	616,299
Bank				
CUBC Investment Co., Ltd.				
Deposit from CUBC Investment Co., Ltd.	226,422	915,877	184,582	752,172
Lease liabilities	1,013,241	4,098,560	1,069,582	4,358,547

C. Related party transactions

	2020		2019	
Group and Bank	US$	KHR'000 (Note 7)	US$	KHR'000 (Note 7)
Cathay United Bank Limited (CUB)				
Interest income	19,247	78,470	191,409	776,163
Interest expense	26,092	106,377	145,960	591,868
Key management				
Interest expense	1,086	4,428	15	61

33. Related parties (continued)

C. Related party transactions (continued)

Bank	2020 US$	2020 KHR'000 (Note 7)	2019 US$	2019 KHR'000 (Note 7)
CUBC Investment Co., Ltd.				
Repayment of lease liabilities	56,508	230,383	56,508	229,140
Key management				
Interest expense	1,086	4,428	15	61

D. Shareholders, directors, and key management personnel remuneration

Group and Bank	2020 US$	2020 KHR'000 (Note 7)	2019 US$	2019 KHR'000 (Note 7)
Remuneration and benefits of key management	173,864	708,844	112,000	456,400

34. Commitments and contingencies

A. Loan commitments and financial guarantee contracts

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

Group and Bank	31 December 2020 US$	31 December 2020 KHR'000 (Note 7)	31 December 2019 US$	31 December 2019 KHR'000 (Note 7)
Unused portion of overdraft	8,228,639	33,284,845	16,214,057	66,072,282
Unused portion of credit card	9,733,786	39,373,164	9,329,721	38,018,613
Bank guarantees	610,575	2,469,776	785,640	3,201,483
	18,573,000	75,127,785	26,329,418	107,292,378

34. Commitments and contingencies (continued)

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.

35. Financial risk management

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

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

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

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

A. Credit risk

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

35. Financial risk management (continued)

A. Credit risk (continued)

(i). Credit risk management

The Group's and the Bank's Credit and risk committee are responsible for managing the Group's and the Bank's credit risk by:

- Ensuring that the Group and the Bank have appropriate credit risk practices, including an effective system of internal control, to consistently determine adequate allowances in accordance with the Group's and the Bank's stated policies and procedures, CIFRS and relevant supervisory guidance.
- Identifying, assessing and measuring credit risk across the Group and the Bank, from an individual instrument to a portfolio level.
- Creating credit policies to protect the Group and the Bank against the identified risks including the requirements to obtain collateral from borrowers, to perform robust ongoing credit assessment of borrowers and to continually monitor exposures against internal risk limits.
- Limiting concentrations of exposure by type of asset, counterparties, industry, credit rating, geographic location etc.
- Establishing a robust control framework regarding the authorisation structure for the approval and renewal of credit facilities.
- Developing and maintaining the Group's and the Bank's risk grading to categorise exposures according to the degree of risk of default. Risk grades are subject to regular reviews.
- Developing and maintaining the Group's and the Bank's processes for measuring ECL including monitoring of credit risk, incorporation of forward-looking information and the method used to measure ECL.
- Ensuring that the Group and the Bank have policies and procedures in place to appropriately maintain and validate models used to assess and measure ECL.
- Establishing a sound credit risk accounting assessment and measurement process that provides it with a strong basis for common systems, tools and data to assess credit risk and to account for ECL. Providing advice, guidance and specialist skills to business units to promote best practice throughout the Group and the Bank in the management of credit risk.

The internal audit function performs regular audits making sure that the established controls and procedures are adequately designed and implemented.

35. Financial risk management (continued)

A. Credit risk (continued)

(ii). Credit quality analysis

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

35. Financial risk management (continued)

A. Credit risk (continued)

(ii). Credit quality analysis (continued)

	31 December 2020				
	Stage 1	Stage 2	Stage 3	Total	
Group and Bank	US$	US$	US$	US$	KHR'000 (Note 7)
Balances with other banks:					
Normal	37,352,531	-	-	37,352,531	151,090,988
Loss allowance	(311,109)	-	-	(311,109)	(1,258,436)
Carrying amount	37,041,422	-	-	37,041,422	149,832,552
Loans and advances to customers:					
Normal	245,131,035	-	-	245,131,035	991,555,037
Special mention	-	6,556,202	-	6,556,202	26,519,837
Substandard	-	-	2,980,922	2,980,922	12,057,829
Doubtful	-	-	5,250,672	5,250,672	21,238,968
Loss	-	-	902,021	902,021	3,648,675
Gross loan	245,131,035	6,556,202	9,133,615	260,820,852	1,055,020,346
Loss allowance	(620,630)	(100,679)	(2,733,939)	(3,455,248)	(13,976,478)
Carrying amount	244,510,405	6,455,523	6,399,676	257,365,604	1,041,043,868
Loan commitments:					
Normal	8,228,639	-	-	8,228,639	33,284,845
Loss allowance	(13,019)	-	-	(13,019)	(52,662)
Carrying amount	8,215,620	-	-	8,215,620	33,232,183

35. Financial risk management (continued)

A. Credit risk (continued)

(ii). Credit quality analysis (continued)

	31 December 2020				
	Stage 1	Stage 2	Stage 3	Total	
Group and Bank	US$	US$	US$	US$	KHR'000 (Note 7)
Guarantees:					
Normal	610,575	-	-	610,575	2,469,776
Loss allowance	(958)	-	-	(958)	(3,875)
Carrying amount	609,617	-	-	609,617	2,465,901
Unused portion of credit card:					
Normal	9,458,605	-	-	9,458,605	38,260,057
Special mention	-	219,270	-	219,270	886,947
Substandard	-	-	30,953	30,953	125,205
Doubtful	-	-	21,689	21,689	87,732
Loss	-	-	3,269	3,269	13,223
Gross amount	9,458,605	219,270	55,911	9,733,786	39,373,164
Loss allowance	(33,442)	(7,232)	-	(40,674)	(164,526)
Carrying amount	9,425,163	212,038	55,911	9,693,112	39,208,638

35. Financial risk management (continued)

A. Credit risk (continued)

(ii). Credit quality analysis (continued)

	31 December 2019				
	Stage 1	Stage 2	Stage 3	Total	
Group and Bank	US$	US$	US$	US$	KHR'000 (Note 7)
Balances with other banks:					
Normal	29,965,643	-	-	29,965,643	122,109,996
Loss allowance	(2,929)	-	-	(2,929)	(11,936)
Carrying amount	29,962,714	-	-	29,962,714	122,098,060
Loans and advances to customers:					
Normal	249,368,565	-	-	249,368,565	1,016,176,902
Special mention	-	1,426,206	-	1,426,206	5,811,789
Substandard	-	-	7,621,131	7,621,131	31,056,109
Doubtful	-	-	4,645,630	4,645,630	18,930,942
Loss	-	-	27,394	27,394	111,631
Gross amount	249,368,565	1,426,206	12,294,155	263,088,926	1,072,087,373
Loss allowance	(359,845)	(5,917)	(4,731,251)	(5,097,013)	(20,770,328)
Carrying amount	249,008,720	1,420,289	7,562,904	257,991,913	1,051,317,045
Loan commitments:					
Normal	16,214,057	-	-	16,214,057	66,072,282
Loss allowance	(13,565)	-	-	(13,565)	(55,277)
Carrying amount	16,200,492	-	-	16,200,492	66,017,005

35. Financial risk management (continued)

A. Credit risk (continued)

(ii). Credit quality analysis (continued)

	31 December 2019				
	Stage 1	Stage 2	Stage 3	Total	
Group and Bank	US$	US$	US$	US$	KHR'000 (Note 7)
Guarantees:					
Normal	785,640	-	-	785,640	3,201,483
Loss allowance	(1,383)	-		(1,383)	(5,636)
Carrying amount	784,257	-	-	784,257	3,195,847
Unused portion of credit card:					
Normal	9,275,380	-	-	9,275,380	37,797,174
Special mention	-	36,944	-	36,944	150,547
Substandard	-	-	1,163	1,163	4,739
Doubtful	-	-	1,877	1,877	7,649
Loss	-	-	14,357	14,357	58,505
Gross amount	9,275,380	36,944	17,397	9,329,721	38,018,614
Loss allowance	(28,727)	(492)	(8,699)	(37,918)	(154,514)
Carrying amount	9,246,653	36,452	8,698	9,291,803	37,864,100

35. Financial risk management (continued)

A. Credit risk (continued)

(ii). Credit quality analysis (continued)

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

	31 December 2020				
Group and Bank	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$	Total KHR'000 (Note 7)
Loans and advances to customers:					
Overdue ≤ 30 days	245,003,565	125,298	-	245,128,863	991,546,251
Overdue > 30 days	127,470	6,430,904	9,133,615	15,691,989	63,474,095
	245,131,035	6,556,202	9,133,615	260,820,852	1,055,020,346

	31 December 2019				
Group and Bank	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$	Total KHR'000 (Note 7)
Loans and advances to customers:					
Overdue ≤ 30 days	249,368,565	1,329,843	10,902,274	261,600,682	1,066,022,779
Overdue > 30 days	-	96,363	1,391,881	1,488,244	6,064,594
	249,368,565	1,426,206	12,294,155	263,088,926	1,072,087,373

35. Financial risk management (continued)

A. Credit risk (continued)

(ii). Credit quality analysis (continued)

The table below summarises the loss allowance as of the year end by class of exposure.

Group and Bank	31 December 2020 US$	31 December 2020 KHR'000 (Note 7)	31 December 2019 US$	31 December 2019 KHR'000 (Note 7)
Loans and advances to customers at amortised cost	3,455,248	13,976,478	5,097,013	20,770,328
Loan commitments and financial guarantee contracts	54,651	221,063	52,866	215,429
Balances with other banks at amortised cost	311,109	1,258,436	2,929	11,936
Others	10,761	43,529	13,181	53,713
	3,831,769	15,499,506	5,165,989	21,051,406

(iii). Collateral held

Whilst the Group's and 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 Group's and the Bank's exposure.

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

Cash and cash equivalents, placement with other banks, investments and other assets

Collateral is generally not sought for these assets.

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

The Group and the Bank hold properties as collaterals for majority of loans, and the collaterals include fixed deposits issued by the Bank, commercial real estate, residential real estate, industrial real estate, and land. The Group and the Bank set Loan-To-Collateral Value ("LTV") 60% against properties holding hard title deed (plus additional 10% if customer and collateral rating is not lower than B/B grade based on internal rating tools) and 50% against properties holding Transferring Letter as the maximum eligible ratio for loan disbursement to customers.

35. Financial risk management (continued)

A. Credit risk (continued)

(iii). Collateral held (continued)

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

Group and Bank	Collateral/credit enhancement					
31 December 2020	Properties US$	Floating assets US$	Fixed deposits US$	Others US$	Unsecured credit exposure US$	Total US$
Loans and advances to customers	217,050,003	-	117,470	-	43,653,379	260,820,852
Commitments	-	-	610,575	-	17,962,425	18,573,000
Total US$	217,050,003	-	728,045	-	61,615,804	279,393,852
Total KHR'000 (Note 7)	877,967,262	-	2,944,942	-	249,235,927	1,130,148,131
31 December 2019						
Loans and advances to customers	218,661,335	-	134,754	772,301	43,520,536	263,088,926
Commitments	-	-	785,640	-	25,543,778	26,329,418
Total US$	218,661,335	-	920,394	772,301	69,064,314	289,418,344
Total KHR'000 (Note 7)	891,044,940	-	3,750,605	3,147,127	281,437,079	1,179,379,751

35. Financial risk management (continued)

A. Credit risk (continued)

(iv). Amounts arising from ECL

Inputs, assumptions and techniques used for estimating impairment

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

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

No impairment loss is recognised on equity investments.

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

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

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

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

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

Credit-impaired financial assets

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

35. Financial risk management (continued)

A. Credit risk (continued)

(iv). Amounts arising from ECL (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 by the Group and the Bank on terms that the Group and the Bank would not consider otherwise; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a long-term loan that is overdue more than 90 days and 30 days for short-term loans per CIFRS rebuttable assumption is considered credit-impaired even when the regulatory definition of default is different.

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

Credit risk grades

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

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

35. Financial risk management (continued)

A. Credit risk (continued)

(iv). Amounts arising from ECL (continued)

Credit risk grades (continued)

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

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

Significant increase in credit risk

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

Significant increases in credit risk in Stage 2

The change in levels of credit risk over the expected life of a financial instrument is assessed by comparing credit risk at each reporting date with the associated instrument's credit risk at initial recognition. The qualitative and quantitative measures to determine whether a significant increase in credit risk has occurred are outlined below.

- 30 days past due (DPD) for long-term loans and 15 days past due for short-term loans as backstop
- Use of other qualitative indicators

The Group and the Bank use 30 DPD or 15 DPD as a backstop and applies the rebuttable assumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 DPD or 15 DPD. Moreover, loans which are restructured and classified as special mention will be changed from Stage 1 to Stage 2.

35. Financial risk management (continued)

A. Credit risk (continued)

(iv). Amounts arising from ECL (continued)

Significant increase in credit risk (continued)

Significant increases in credit risk in Stage 3

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

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

The Group and the Bank also apply 90 DPD for long-term loans and 30 DPD for short-term loans as a backstop in moving a facility from Stage 2 to Stage 3 and consider a facility as credit-impaired. Moreover, loans which are restructured and classified as substandard, doubtful or loss will be changed from Stage 2 to Stage 3.

Definition of default

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

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

35. Financial risk management (continued)

A. Credit risk (continued)

(iv). Amounts arising from ECL (continued)

Incorporation of forward-looking information

The Group and the Bank analysed forward-looking information by using the statistical regression model for assessment to see whether the credit risk of an instrument has increased significantly to the measurement of ECL.

External information considered includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Group and the Bank operate, supranational organisations such as International Monetary Fund.

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

Coronavirus and impact on ECL

The Novel Coronavirus (Covid-19) outbreak has spread globally, causing disruption to business and economic activity. The impact on GDP and other key indicators will be considered when determining the severity and likelihood of downside economic scenarios that are used to estimate ECL. The Group and the Bank had evaluated the economic impact caused by the Covid-19 pandemic, and as of the date of approval of the consolidated financial report, there is no significant impact on the Group and the Bank.

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

The Group and the Bank will continue to observe the relevant epidemic situation and evaluate its impact.

35. Financial risk management (continued)

A. Credit risk (continued)

(iv). Amounts arising from ECL (continued)

Modified financial assets

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

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

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

Measurement of ECL

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

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

35. Financial risk management (continued)

A. Credit risk (continued)

(iv). Amounts arising from ECL (continued)

Measurement of ECL (continued)

There are two methodologies defined for ECL Computation:

- Sophisticated: PD/LGD approach. For each year throughout the financial instrument's life, a forward-looking PD, LGD and EAD are estimated. The estimates are multiplied with each other to estimate the losses for each of the years. Then the estimates are discounted back to the reporting date using the EIR or proxy rates as the discount rates.
- Simplified: ECL percentage approach. There could be exceptions in case of some portfolios such as deposits and placement. Considering the expected life, counterparty's credit quality of these assets, the ECL percentage approach would be used.

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

Loss allowance – Loans and advances to customers at amortised cost:

	31 December 2020				
Group and Bank	Stage 1 12-month ECL US$	Stage 2 Lifetime ECL US$	Stage 3 Lifetime ECL US$	Total US$	 KHR'000 (Note 7)
Loss allowance as at 1 January 2020	359,845	5,917	4,731,251	5,097,013	20,770,328
Changes in the loss allowance					
Transfer to stage 1	385	(385)	-	-	-
Transfer to stage 2	(3,714)	3,714	-	-	-
Transfer to stage 3	(5,083)	(1,089)	6,172	-	-
Net remeasurement of loss allowance (*)	203,891	25,609	399,649	629,149	2,565,040
New financial assets originated	196,818	71,291	4,289,993	4,558,102	18,583,382
Financial asset that has been derecognised	(131,512)	(4,378)	-	(135,890)	(554,024)
Written-off	-	-	(6,693,126)	(6,693,126)	(27,287,875)
Currency translation difference	-	-	-	-	(100,373)
Loss allowance as at 31 December 2020	620,630	100,679	2,733,939	3,455,248	13,976,478

35. Financial risk management (continued)

A. Credit risk (continued)

(iv). Amounts arising from ECL (continued)

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

	31 December 2019				
Group and Bank	Stage 1 12-month ECL US$	Stage 2 Lifetime ECL US$	Stage 3 Lifetime ECL US$	Total US$	Total KHR'000 (Note 7)
Loss allowance as at 1 January 2019	541,686	28,640	450,733	1,021,059	4,102,615
Changes in the loss allowance					
Transfer to stage 1	26,930	(1,316)	(25,614)	-	-
Transfer to stage 2	(3,870)	19,286	(15,416)	-	-
Transfer to stage 3	(4,422)	(10,945)	15,367	-	-
Net remeasurement of loss allowance (*)	(231,988)	(14,152)	2,312,214	2,066,074	8,377,930
New financial assets originated	173,380	391	2,292,294	2,466,065	9,999,894
Financial asset that has been derecognised	(141,871)	(15,987)	(121,733)	(279,591)	(1,133,742)
Written-off	-	-	(176,594)	(176,594)	(716,089)
Currency translation difference	-	-	-	-	139,720
Loss allowance as at 31 December 2019	359,845	5,917	4,731,251	5,097,013	20,770,328

(*) Includes the net remeasurement of loss allowances (after transfers) attributable mainly to changes in volume and in the credit quality of existing loans.

35. Financial risk management (continued)

A. Credit risk (continued)

(iv). Amounts arising from ECL (continued)

Loss allowance – Loan commitments and financial guarantee contracts:

	31 December 2020				
Group and Bank	Stage 1 12-month ECL US$	Stage 2 Lifetime ECL US$	Stage 3 Lifetime ECL US$	Total US$	Total KHR'000 (Note 7)
Loss allowances as at 1 January 2020	43,675	492	8,699	52,866	215,429
Changes in the loss allowance					
Transfer to stage 1	395	(80)	(315)	-	-
Transfer to stage 2	(1,028)	1,028	-	-	-
Transfer to stage 3	-	-	-	-	-
				-	-
Net remeasurement of loss allowances	4,473	5,809	-	10,282	41,920
New financial assets originated	7,672	395	-	8,067	32,889
Financial assets that have been derecognised	(7,768)	(412)	(8,384)	(16,564)	(67,531)
Currency translation difference	-	-	-	-	(1,644)
Loss allowances as at 31 December 2020	47,419	7,232	-	54,651	221,063

35. Financial risk management (continued)

A. Credit risk (continued)

(iv). Amounts arising from ECL (continued)

Loss allowance – Loan commitments and financial guarantee contracts: (continued)

	31 December 2019				
Group and Bank	Stage 1 12-month ECL US$	Stage 2 Lifetime ECL US$	Stage 3 Lifetime ECL US$	Total US$	Total KHR'000 (Note 7)
Loss allowances as at 1 January 2019	84,609	2,336	299,392	386,337	1,552,302
Changes in the loss allowance					
Transfer to stage 1	14,032	(1,376)	(12,656)	-	-
Transfer to stage 2	(40)	40	-	-	-
Transfer to stage 3	(43)	(8)	51	-	-
Net remeasurement of loss allowances	(78,329)	59	3,977	(74,293)	(301,258)
New financial assets originated	32,952	335	4,722	38,009	154,126
Financial assets that have been derecognised	(9,506)	(894)	(286,787)	(297,187)	(1,205,093)
Written-off	-	-	-	-	-
Currency translation difference	-	-	-	-	15,352
Loss allowances as at 31 December 2019	43,675	492	8,699	52,866	215,429

35. Financial risk management (continued)

A. Credit risk (continued)

(iv). Amounts arising from ECL (continued)

More information about the significant changes in the gross carrying amount of financial assets during the period that contributed to changes in the loss allowance, is provided at the table below:

Loans and advances to customers at amortised cost

	31 December 2020				
	Stage 1	Stage 2	Stage 3		
	12-month	Lifetime	Lifetime	Total	
Group and Bank	US$	US$	US$	US$	KHR'000 (Note 7)
Gross carrying amounts as at 1 January 2020	249,368,565	1,426,207	12,294,154	263,088,926	1,072,087,373
Change in gross carrying amount	-	-	-	-	-
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	(3,137,311)	3,137,311	-	-	-
Transfer to stage 3	(2,243,988)	(507,384)	2,751,372	-	-
Net remeasurement of loss allowances	(17,670,148)	(197,938)	(576,938)	(18,445,024)	(75,200,363)
New financial assets originated	77,265,457	3,313,300	5,954,219	86,532,976	352,794,943
Financial assets that have been derecognised	(58,451,540)	(615,294)	(4,596,066)	(63,662,900)	(259,553,643)
Written-off	-	-	(6,693,126)	(6,693,126)	(27,287,875)
Currency translation difference	-	-	-	-	(7,820,089)
Gross carrying amount as at 31 December 2020	245,131,035	6,556,202	9,133,615	260,820,852	1,055,020,346
Loss allowance as at 31 December 2020	(620,630)	(100,679)	(2,733,939)	(3,455,248)	(13,976,478)
Net carrying amount as at 31 December 2020	244,510,405	6,455,523	6,399,676	257,365,604	1,041,043,868

35. Financial risk management (continued)

A. Credit risk (continued)

(iv). Amounts arising from ECL (continued)

Loans and advances to customers at amortised cost (continued)

	31 December 2019				
	Stage 1	Stage 2	Stage 3		
	12-month	Lifetime	Lifetime	Total	
Group and Bank	US$	US$	US$	US$	KHR'000 (Note 7)
Gross carrying amounts as at 1 January 2019	212,572,510	11,691,507	1,395,681	225,659,698	906,700,667
Change in gross carrying amount					
Transfer to stage 1	27,935	(26,337)	(1,598)	-	-
Transfer to stage 2	(91,679)	91,679	-	-	-
Transfer to stage 3	(18,548)	(4,531)	23,079	-	-
New financial assets originated	143,442,733	14,665	5,979,892	149,437,290	605,968,211
Payments and financial assets that have been derecognised	(106,564,386)	(10,340,776)	5,073,691	(111,831,471)	(453,476,615)
Written-off	-	-	(176,591)	(176,591)	(716,077)
Currency translation difference	-	-	-	-	13,611,187
Gross carrying amount as at 31 December 2019	249,368,565	1,426,207	12,294,154	263,088,926	1,072,087,373
Loss allowance as at 31 December 2019	(359,845)	(5,917)	(4,731,251)	(5,097,013)	(20,770,328)
Net carrying amount as at 31 December 2019	249,008,720	1,420,290	7,562,903	257,991,913	1,051,317,045

35. Financial risk management (continued)

A. Credit risk (continued)

(v). Concentration of credit risk

Concentration risk by industrial sectors

Group	31 December 2020						
	Balances with other banks US$	Loans and advances to customers US$	Investment securities US$	Other assets US$	Loan commitments and financial guarantee contracts US$	Total US$	Total KHR'000 (Note 7)
Carrying amount	37,041,422	257,365,604	25,588	2,233,553	(54,651)	296,611,516	1,199,793,582
Amount committed	-	-	-	-	18,573,000	18,573,000	75,127,785
Concentration by sector:							
External customers							
Retail trade	-	70,018,721	-	-	8,228,639	78,247,360	316,510,571
Construction	-	19,443,858	-	-	-	19,443,858	78,650,406
Personal lending	-	7,663,463	-	-	9,733,786	17,397,249	70,371,872
Other lending	-	5,937,187	-	-	-	5,937,187	24,015,921
Mortgages	-	95,573,051	-	-	-	95,573,051	386,592,991
Manufacturing	-	1,638,283	-	-	-	1,638,283	6,626,855
Agriculture	-	1,242,032	-	-	-	1,242,032	5,024,019
Real estate activities	-	5,498,416	-	-	-	5,498,416	22,241,093
Depository institutions	37,041,422	44,314,463	-	-	-	81,355,885	329,084,555
Import/Export	-	-	-	-	610,575	610,575	2,469,776
Credit card loan	-	1,391,092	-	-	-	1,391,092	5,626,967
Others	-	-	25,588	2,233,553	-	2,259,141	9,138,225
Staff loans	-	4,645,038	-	-	-	4,645,038	18,789,179
	37,041,422	257,365,604	25,588	2,233,553	18,573,000	315,239,167	1,275,142,430

35. Financial risk management (continued)

A. Credit risk (continued)

(v). Concentration of credit risk (continued)

Concentration risk by industrial sectors (continued)

	31 December 2019						
Group	Balances with other banks US$	Loans and advances to customers US$	Investment securities US$	Other assets US$	Loan commitments and financial guarantee contracts US$	Total US$	Total KHR'000 (Note 7)
Carrying amount	29,962,714	257,991,913	25,588	1,212,963	(52,866)	289,140,312	1,178,246,771
Amount committed	-	-	-	-	26,329,418	26,329,418	107,292,378
Concentration by sector:							
External customers							
Retail trade	-	79,900,356	-	-	16,214,057	96,114,413	391,666,233
Construction	-	29,383,323	-	-	-	29,383,323	119,737,041
Personal lending	-	10,379,950	-	-	9,329,721	19,709,671	80,316,909
Other lending	-	7,993,256	-	-	-	7,993,256	32,572,518
Mortgages	-	75,413,843	-	-	-	75,413,843	307,311,410
Manufacturing	-	2,056,817	-	-	-	2,056,817	8,381,529
Agriculture	-	1,791,642	-	-	-	1,791,642	7,300,941
Real estate activities	-	5,995,331	-	-	-	5,995,331	24,430,974
Depository institutions	29,962,714	26,847,523	-	-	-	56,810,237	231,501,716
Import/Export	-	661,229	-	-	785,640	1,446,869	5,895,991
Credit card loan	-	1,919,817	-	-	-	1,919,817	7,823,254
Others	-	12,014,151	25,588	1,212,963	-	13,252,702	54,004,761
Staff loans	-	3,634,675	-	-	-	3,634,675	14,811,301
	29,962,714	257,991,913	25,588	1,212,963	26,329,418	315,522,596	1,285,754,578

35. Financial risk management (continued)

A. Credit risk (continued)

(v). Concentration of credit risk (continued)

Concentration risk by industrial sectors (continued)

Bank	31 December 2020 Balances with other banks US$	Loans and advances to customers US$	Investment securities US$	Investment in subsidiary US$	Other assets US$	Loan commitments and financial guarantee contracts US$	Total US$	Total KHR'000 (Note 7)
Carrying amount	37,041,422	257,365,604	25,588	1,548,400	2,233,003	(54,651)	298,159,366	1,206,054,635
Amount committed	-	-	-	-	-	18,573,000	18,573,000	75,127,785
Concentration by sector:								
External customers								
Retail trade	-	70,018,721	-	-		8,228,639	78,247,360	316,510,571
Construction	-	19,443,858	-	-		-	19,443,858	78,650,406
Personal lending	-	7,663,463	-	-		9,733,786	17,397,249	70,371,872
Other lending	-	5,937,187	-	-		-	5,937,187	24,015,921
Mortgages	-	95,573,051	-	-		-	95,573,051	386,592,991
Manufacturing	-	1,638,283	-	-		-	1,638,283	6,626,855
Agriculture	-	1,242,032	-	-		-	1,242,032	5,024,019
Real estate activities	-	5,498,416	-	-		-	5,498,416	22,241,093
Depository institutions	37,041,422	44,314,463	-	-		-	81,355,885	329,084,555
Import/Export	-	-	-	-		610,575	610,575	2,469,776
Credit card loan	-	1,391,092	-	-		-	1,391,092	5,626,967
Others	-	-	25,588	1,548,400	2,233,003	-	3,806,991	15,399,279
Staff loans	-	4,645,038	-	-		-	4,645,038	18,789,179
	37,041,422	257,365,604	25,588	1,548,400	2,233,003	18,573,000	316,787,017	1,281,403,484

35. Financial risk management (continued)

A. Credit risk (continued)

(v). Concentration of credit risk (continued)

Concentration risk by industrial sectors (continued)

	31 December 2019							
Bank	Balances with other banks US$	Loans and advances to customers US$	Investment securities US$	Investment in subsidiary US$	Other assets US$	Loan commitments and financial guarantee contracts US$	Total US$	Total KHR'000 (Note 7)
Carrying amount	29,962,714	257,991,913	25,588	1,548,400	1,212,963	(52,866)	290,688,712	1,184,556,501
Amount committed	-	-	-	-	-	26,329,418	26,329,418	107,292,378
Concentration by sector:								
External customers								
Retail trade	-	79,900,356	-	-	-	16,214,057	96,114,413	391,666,233
Construction	-	29,383,323	-	-	-	-	29,383,323	119,737,041
Personal lending	-	10,379,950	-	-	-	9,329,721	19,709,671	80,316,909
Other lending	-	7,993,256	-	-	-	-	7,993,256	32,572,518
Mortgages	-	75,413,843	-	-	-	-	75,413,843	307,311,410
Manufacturing	-	2,056,817	-	-	-	-	2,056,817	8,381,529
Agriculture	-	1,791,642	-	-	-	-	1,791,642	7,300,941
Real estate activities	-	5,995,331	-	-	-	-	5,995,331	24,430,974
Depository institutions	29,962,714	26,847,523	-	-	-	-	56,810,237	231,501,716
Import/Export	-	661,229	-	-	-	785,640	1,446,869	5,895,991
Credit card loan	-	1,919,817	-	-	-	-	1,919,817	7,823,254
Others	-	12,014,151	25,588	1,548,400	1,212,963	-	14,801,102	60,314,491
Staff loans	-	3,634,675	-	-	-	-	3,634,675	14,811,301
	29,962,714	257,991,913	25,588	1,548,400	1,212,963	26,329,418	317,070,996	1,292,064,308

33. Financial risk management (continued)

A. Credit risk (continued)

(v). Concentration of credit risk (continued)

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

Group and Bank	31 December 2020 US$	31 December 2020 KHR'000 (Note 7)	31 December 2019 US$	31 December 2019 KHR'000 (Note 7)
By residency status:				
Non-residents	-	-	-	-
Residents	257,365,604	1,041,043,868	257,991,913	1,051,317,045
	257,365,604	1,041,043,868	257,991,913	1,051,317,045
By relationship:				
Related parties	4,637,487	18,758,635	3,638,243	14,825,840
Non related parties	252,728,117	1,022,285,233	254,353,670	1,036,491,205
	257,365,604	1,041,043,868	257,991,913	1,051,317,045
By exposure:				
Large exposures (*)	-	-	-	-
Non-large exposures	257,365,604	1,041,043,868	257,991,913	1,051,317,045
	257,365,604	1,041,043,868	257,991,913	1,051,317,045

(*) 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 Group's and the Bank's net worth. The exposure is the higher of the outstanding loans or commitments and the authorised loans or commitments.

B. Liquidity risk

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

35. Financial risk management (continued)

B. Liquidity risk (continued)

(i). Liquidity risk management

The Group and the Bank established a comprehensive policy and control framework for managing liquidity risk. The Group's and the Bank's Asset and Liability Management Committee (ALCO) is responsible for managing the Group's and the Bank's liquidity risk via a combination of policy formation, review and governance, analysis, stress testing, limit setting and monitoring. In order to effectively manage liquidity risk the Group and the Bank:

- maintains a portfolio of highly liquid assets, in a variety of currencies and tenors;
- ensures that there is diversity in its funding base;
- monitors the behavioural characteristics of financial assets and liabilities;
- monitors liquidity reports analysing the expected maturity profile of assets and liabilities;
- establishes early warning indicators of potential liquidity stress events and ensures that there are assets available to be used as collateral if needed;
- performs regular stress tests; and
- maintains a contingency funding plan designed to provide a framework where a liquidity stress could be effectively managed.

The Group and the Bank Treasury function executes the Group's and the Bank's liquidity and funding strategy in co-operation with other business units of the Group and the Bank. The Group's and the Bank's liquidity and funding strategy is determined in accordance with relevant local regulatory requirements. The Group's and the Bank's foreign operations determine a local liquidity strategy which needs to be in line with both local regulatory framework and the Group's and the Bank's central policy.

There are daily controls in place to define and monitor compliance with the Group's and the Bank's liquidity risk appetite. The principal metric used is the result of the Group's and the Bank's liquidity stress testing, supplemented by the results of key regulatory ratios including the Liquidity Coverage Ratio (which measures the ratio of high quality liquid assets to outflows in an extreme 30 days stress scenario) and the Net Stable Funding Ratio (which seeks to promote a sustainable maturity structure of funding balances).

35. Financial risk management (continued)

B. Liquidity risk (continued)

(i). Liquidity risk management (continued)

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

(ii). Exposure to liquidity risk

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

	Group		Bank	
	2020	2019	2020	2019
At end of the year	318%	136%	318%	136%
Average for the year	378%	328%	378%	328%
Maximum for the year	501%	848%	501%	848%
Minimum for the year	205%	130%	205%	130%

(iii). Maturity analysis for financial liabilities and financial assets

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

35. Financial risk management (continued)

B. Liquidity risk (continued)

(iii). Maturity analysis for financial liabilities and financial assets (continued)

	Group							
31 December 2020	Carrying amount US$	Gross nominal inflow/(outflow) US$	Up to 1 month US$	> 1 – 3 months US$	> 3 – 12 months US$	> 1 – 5 years US$	Over 5 years US$	No maturity US$
Financial liabilities by type								
Non-derivative liabilities								
Deposits from customers	262,141,129	(263,651,205)	(183,553,621)	(26,382,228)	(53,715,356)	-	-	-
Borrowings	9,509,981	(9,559,059)	(5,005,890)	(3,545,673)	(1,007,496)	-	-	-
Lease liabilities	3,423,454	(3,802,307)	(69,180)	(174,111)	(640,466)	(2,753,822)	(164,728)	-
Other liabilities	1,794,811	(1,794,811)	(1,794,811)	-	-	-	-	-
	276,869,375	(278,807,382)	(190,423,502)	(30,102,012)	(55,363,318)	(2,753,822)	(164,728)	-
Loan commitments and guarantees	-	(18,573,000)	(17,962,425)	-	(610,575)	-	-	-
In US$	276,869,375	(297,380,382)	(208,385,927)	(30,102,012)	(55,973,893)	(2,753,822)	(164,728)	-
In KHR'000 (Note 7)	1,119,936,622	(1,202,903,646)	(842,921,075)	(121,762,639)	(226,414,397)	(11,139,210)	(666,325)	-

35. Financial risk management (continued)

B. Liquidity risk (continued)

(iii). Maturity analysis for financial liabilities and financial assets (continued)

	Group							
31 December 2020	Carrying amount US$	Gross nominal inflow/(outflow) US$	Up to 1 month US$	> 1 – 3 months US$	> 3 – 12 months US$	> 1 – 5 years US$	Over 5 years US$	No maturity US$
Financial assets by type								
Non-derivative assets								
Cash on hand	15,047,034	15,047,034	15,047,034	-	-	-	-	-
Balances with the NBC	34,251,179	34,259,663	29,520,105	3,718,537	1,021,021	-	-	-
Balances with other banks	37,041,422	37,836,776	7,230,585	14,352,942	16,253,249	-	-	-
Loans to customers	257,365,604	339,260,808	8,681,781	7,539,263	39,356,491	132,314,536	151,368,737	-
Investment securities	25,588	25,588	-	-	-	-	-	25,588
Other assets	2,233,553	2,233,553	2,233,553	-	-	-	-	-
In US$	345,964,380	428,663,422	62,713,058	25,610,742	56,630,761	132,314,536	151,368,737	25,588
In KHR'000 (Note 7)	1,399,425,917	1,733,943,542	253,674,320	103,595,451	229,071,428	535,212,298	612,286,541	103,503

35. Financial risk management (continued)

B. Liquidity risk (continued)

(iii). Maturity analysis for financial liabilities and financial assets (continued)

	Bank							
31 December 2020	Carrying amount US$	Gross nominal outflow US$	Up to 1 month US$	> 1 – 3 months US$	> 3 – 12 months US$	> 1 – 5 years US$	Over 5 years US$	No maturity US$
Financial liabilities by type								
Non-derivative liabilities								
Deposits from customers	262,367,551	(263,424,783)	(183,327,199)	(26,382,228)	(53,715,356)	-	-	-
Borrowings	9,509,981	(9,559,059)	(5,005,890)	(3,545,673)	(1,007,496)	-	-	-
Lease liabilities	4,485,351	(6,232,151)	(73,889)	(183,529)	(682,847)	(2,979,854)	(2,312,032)	-
Other liabilities	1,787,975	(1,787,975)	(1,787,975)	-	-	-	-	-
	278,150,858	(281,003,968)	(190,194,953)	(30,111,430)	(55,405,699)	(2,979,854)	(2,312,032)	-
Loan commitments and guarantees	-	(18,573,000)	(17,962,425)	-	(610,575)	-	-	-
In US$	278,150,858	(299,576,968)	(208,157,378)	(30,111,430)	(56,016,274)	(2,979,854)	(2,312,032)	-
In KHR'000 (Note 7)	1,125,120,221	(1,211,788,834)	(841,996,594)	(121,800,734)	(226,585,828)	(12,053,509)	(9,352,169)	-

35. Financial risk management (continued)

B. Liquidity risk (continued)

(iii). Maturity analysis for financial liabilities and financial assets (continued)

	Bank							
31 December 2020	Carrying amount US$	Gross nominal inflow/(outflow) US$	Up to 1 month US$	> 1 – 3 months US$	> 3 – 12 months US$	> 1 – 5 years US$	Over 5 years US$	No maturity US$
Financial assets by type								
Non-derivative assets								
Cash on hand	15,047,034	15,047,034	15,047,034	-	-	-	-	-
Balances with the NBC	34,251,179	34,259,663	29,520,105	3,718,537	1,021,021	-	-	-
Balances with other banks	37,041,422	37,836,776	7,230,585	14,352,942	16,253,249	-	-	-
Loans to customers	257,365,604	339,260,808	8,681,781	7,539,263	39,356,491	132,314,536	151,368,737	-
Investment securities	25,588	25,588	-	-	-	-	-	25,588
Investment in subsidiary	1,548,400	1,548,400	-	-	-	-	-	1,548,400
Other assets	2,233,003	2,233,003	2,233,003	-	-	-	-	-
In US$	347,512,230	430,211,272	62,712,508	25,610,742	56,630,761	132,314,536	151,368,737	1,573,988
In KHR'000 (Note 7)	1,405,686,970	1,740,204,595	253,672,095	103,595,451	229,071,428	535,212,298	612,286,541	6,366,781

35. Financial risk management (continued)

B. Liquidity risk (continued)

(iii). Maturity analysis for financial liabilities and financial assets (continued)

	Group							
31 December 2019	Carrying amount US$	Gross nominal inflow/(outflow) US$	Up to 1 month US$	> 1 – 3 months US$	> 3 – 12 months US$	> 1 – 5 years US$	Over 5 years US$	No maturity US$
Financial liabilities by type								
Non-derivative liabilities								
Deposits from customers	239,432,723	(239,432,723)	(165,942,221)	(18,040,869)	(55,449,633)	-	-	-
Borrowings	33,765,144	(33,765,144)	(20,001,278)	(10,817,807)	(2,946,059)	-	-	-
Lease liabilities	3,802,938	(4,955,388)	(86,667)	(190,934)	(727,206)	(3,334,065)	(616,516)	-
Other liabilities	2,091,838	(2,091,838)	(2,091,838)	-	-	-	-	-
	279,092,643	(280,245,093)	(188,122,004)	(29,049,610)	(59,122,898)	(3,334,065)	(616,516)	-
Loan commitments and guarantees	-	(26,329,418)	(25,543,778)	-	(785,640)	-	-	-
In US$	279,092,643	(306,574,511)	(213,665,782)	(29,049,610)	(59,908,538)	(3,334,065)	(616,516)	-
In KHR'000 (Note 7)	1,137,302,520	(1,249,291,132)	(870,688,062)	(118,377,161)	(244,127,292)	(13,586,315)	(2,512,302)	-

35. Financial risk management (continued)

B. Liquidity risk (continued)

(iii). Maturity analysis for financial liabilities and financial assets (continued)

	Group							
31 December 2019	Carrying amount US$	Gross nominal inflow/(outflow) US$	Up to 1 month US$	> 1 – 3 months US$	> 3 – 12 months US$	> 1 – 5 years US$	Over 5 years US$	No maturity US$
Financial assets by type								
Non-derivative assets								
Cash on hand	18,757,064	18,757,064	18,757,064	-	-	-	-	-
Balances with the NBC	68,317,309	68,317,309	11,982,675	11,305,532	3,200,421	-	-	41,828,681
Balances with other banks	29,962,714	29,965,643	24,903,794	5,061,849	-	-	-	-
Loans to customers	257,991,913	265,672,607	6,141,001	7,732,891	44,872,824	90,768,350	116,157,541	-
Investment securities	25,588	25,588	-	-	-	-	-	25,588
Other assets	1,212,963	1,212,963	1,212,963	-	-	-	-	-
In US$	376,267,551	383,951,174	62,997,497	24,100,272	48,073,245	90,768,350	116,157,541	41,854,269
In KHR'000 (Note 7)	1,533,290,270	1,564,601,034	256,714,800	98,208,608	195,898,473	369,881,026	473,341,980	170,556,146

35. Financial risk management (continued)

B. Liquidity risk (continued)

(iii). Maturity analysis for financial liabilities and financial assets (continued)

	Bank							
31 December 2019	Carrying amount US$	Gross nominal outflow US$	Up to 1 month US$	> 1 – 3 months US$	> 3 – 12 months US$	> 1 – 5 years US$	Over 5 years US$	No maturity US$
Financial liabilities by type								
Non-derivative liabilities								
Deposits from customers	239,617,305	(239,617,305)	(166,126,803)	(18,040,869)	(55,449,633)	-	-	-
Borrowings	33,765,144	(33,765,144)	(20,001,278)	(10,817,807)	(2,946,059)	-	-	-
Lease liabilities	4,872,520	(7,441,741)	(91,486)	(200,572)	(770,572)	(3,565,354)	(2,813,757)	-
Other liabilities	2,087,893	(2,087,893)	(2,087,893)	-	-	-	-	-
	280,342,862	(282,912,083)	(188,307,460)	(29,059,248)	(59,166,264)	(3,565,354)	(2,813,757)	-
Loan commitments and guarantees	-	(26,329,418)	(25,543,778)	-	(785,640)	-	-	-
In US$	280,342,862	(309,241,501)	(213,851,238)	(29,059,248)	(59,951,904)	(3,565,354)	(2,813,757)	-
In KHR'000 (Note 7)	1,142,397,163	(1,260,159,117)	(871,443,794)	(118,416,436)	(244,304,009)	(14,528,818)	(11,466,060)	-

35. Financial risk management (continued)

B. Liquidity risk (continued)

(iii). Maturity analysis for financial liabilities and financial assets (continued)

	Bank							
31 December 2019	Carrying amount US$	Gross nominal inflow/(outflow) US$	Up to 1 month US$	> 1 – 3 months US$	> 3 – 12 months US$	> 1 – 5 years US$	Over 5 years US$	No maturity US$
Financial assets by type								
Non-derivative assets								
Cash on hand	18,757,064	18,757,064	18,757,064	-	-	-	-	-
Balances with the NBC	68,317,309	68,317,309	11,982,675	11,305,532	3,200,421	-	-	41,828,681
Balances with other banks	29,962,714	29,965,643	24,903,794	5,061,849	-	-	-	-
Loans to customers	257,991,913	265,672,607	6,141,001	7,732,891	44,872,824	90,768,350	116,157,541	-
Investment securities	25,588	25,588	-	-	-	-	-	25,588
Investment subsidiary	1,548,400	1,548,400	-	-	-	-	-	1,548,400
Other assets	1,212,963	1,212,963	1,212,963	-	-	-	-	-
In US$	377,815,951	385,499,574	62,997,497	24,100,272	48,073,245	90,768,350	116,157,541	43,402,669
In KHR'000 (Note 7)	1,539,600,000	1,570,910,764	256,714,800	98,208,608	195,898,473	369,881,026	473,341,980	176,865,876

35. Financial risk management (continued)

B. Liquidity risk (continued)

(iii). Maturity analysis for financial liabilities and financial assets (continued)

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

Type of financial instrument	**Basis on which amounts are compiled**
Non-derivative financial liabilities	Undiscounted cash flows, which include estimated interest payments.
Loan commitments	Earliest possible contractual maturity

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

(iv). Liquidity reserves

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

	31 December 2020		31 December 2019	
Group and Bank	Gross carrying amount US$	Fair value US$	Gross carrying amount US$	Fair value US$
Financial assets				
Cash on hand	15,047,034	15,047,034	18,757,064	18,757,064
Balances with the NBC	22,958,751	22,958,751	7,181,689	7,181,689
Balances with other banks	5,164,613	5,164,613	29,962,714	29,962,714
Total liquidity reserves	43,170,398	43,170,398	55,901,467	55,901,467
In KHR'000 (Note 7)	174,624,261	174,624,261	227,798,478	227,798,478

35. Financial risk management (continued)

B. Liquidity risk (continued)

(v). Financial assets available to support future funding

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

	Group					
	Encumbered		Unencumbered		Total	
31 December 2020	Pledged as collateral US$	Other* US$	Available as collateral US$	Other** US$	US$	KHR'000 (Note 7)
Cash on hand	-	-	-	15,047,034	15,047,034	60,865,253
Balances with the NBC	11,292,428	-	-	22,958,751	34,251,179	138,546,019
Balances with other banks	-	-	-	37,041,422	37,041,422	149,832,552
Loans and advances to customers	-	-	-	257,365,604	257,365,604	1,041,043,868
Investment securities	-	-	-	25,588	25,588	103,503
Other assets	-	-	-	2,233,553	2,233,553	9,034,722
	11,292,428	-	-	334,671,952	345,964,380	1,399,425,917
31 December 2019						
Cash on hand	-	-	-	18,757,064	18,757,064	76,435,036
Balances with the NBC	19,306,939	41,828,681	-	7,181,689	68,317,309	278,393,034
Balances with other banks	-	-	-	29,962,714	29,962,714	122,098,060
Loans and advances to customers	-	-	-	257,991,913	257,991,913	1,051,317,045
Investment securities	-	-	-	25,588	25,588	104,271
Other assets	-	-	-	1,212,963	1,212,963	4,942,824
	19,306,939	41,828,681	-	315,131,931	376,267,551	1,533,290,270

35. Financial risk management (continued)

B. Liquidity risk (continued)

(v). Financial assets available to support future funding (continued)

	Bank					
	Encumbered		Unencumbered		Total	
	Pledged as collateral	Other*	Available as collateral	Other**		
31 December 2020	US$	US$	US$	US$	US$	KHR'000 (Note 7)
Cash on hand	-	-	-	15,047,034	15,047,034	60,865,253
Balances with the NBC	11,292,428	-	-	22,958,751	34,251,179	138,546,019
Balances with other banks	-	-	-	37,041,422	37,041,422	149,832,552
Loans and advances to customers	-	-	-	257,365,604	257,365,604	1,041,043,868
Investment securities	-	-	-	25,588	25,588	103,503
Investment in subsidiary	-	-	-	1,548,400	1,548,400	6,263,278
Other assets	-	-	-	2,233,003	2,233,003	9,032,497
	11,292,428	-	-	336,219,802	347,512,230	1,405,686,970
31 December 2019						
Cash on hand	-	-	-	18,757,064	18,757,064	76,435,036
Balances with the NBC	19,306,939	41,828,681	-	7,181,689	68,317,309	278,393,034
Balances with other banks	-	-	-	29,962,714	29,962,714	122,098,060
Loans and advances to customers	-	-	-	257,991,913	257,991,913	1,051,317,045
Investment securities	-	-	-	25,588	25,588	104,271
Investment in subsidiary	-	-	-	1,548,400	1,548,400	6,309,730
Other assets	-	-	-	1,212,963	1,212,963	4,942,824
	19,306,939	41,828,681	-	316,680,331	377,815,951	1,539,600,000

35. Financial risk management (continued)

B. Liquidity risk (continued)

(v). Financial assets available to support future funding (continued)

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

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

C. Market risk

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

The Group and the Bank do not use derivative financial instruments such as foreign exchange contract and interest rate swaps to hedge its risk exposure.

(i). Interest rate risk

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments or economic value of equity of the Group and the Bank because of a change in market interest rates.

The following is a summary of the Group's and the Bank's interest rate gap position. The interest rate repricing gap table analyses the full-term structure of interest rate mismatches within the Group's and the Bank's balance sheet based on the maturity date.

35. Financial risk management (continued)

C. Market risk (continued)

(i). Interest rate risk (continued)

	Group						
31 December 2020	Carrying amount US$	Up to 1 month US$	> 1 – 3 months US$	> 3 – 12 months US$	> 1 – 5 years US$	Over 5 years US$	Non-interest sensitive US$
Financial assets							
Cash on hand	15,047,034	-	-	-	-	-	15,047,034
Balances with the NBC	34,251,179	6,557,546	3,714,570	1,020,312	-	-	22,958,751
Balances with other banks	37,041,422	1,854,560	14,143,901	16,011,605	-	-	5,031,356
Loans and advances to customers	257,365,604	7,106,598	5,321,464	27,988,680	97,207,637	119,741,225	-
Investment securities	25,588	-	-	-	-	-	25,588
Other assets	2,233,553	-	-	-	-	-	2,233,553
	345,964,380	15,518,704	23,179,935	45,020,597	97,207,637	119,741,225	45,296,282
Financial liabilities							
Deposits from customers	262,141,129	108,751,362	26,201,477	52,422,287	-	-	74,766,003
Borrowings	9,509,981	4,997,959	3,517,984	994,038	-	-	-
Lease liabilities	3,423,454	55,964	148,611	537,261	2,520,362	161,256	-
Other liabilities	1,794,811	-	-	-	-	-	1,794,811
	276,869,375	113,805,285	29,868,072	53,953,586	2,520,362	161,256	76,560,814
In US$	69,095,005	(98,286,581)	(6,688,137)	(8,932,989)	94,687,275	119,579,969	(31,264,532)
In KHR'000 (Note 7)	279,489,295	(397,569,220)	(27,053,514)	(36,133,941)	383,010,027	483,700,975	(126,465,032)

35. Financial risk management (continued)

C. Market risk (continued)

(i). Interest rate risk (continued)

	Group						
31 December 2019	Carrying amount US$	Up to 1 month US$	> 1 – 3 months US$	> 3 – 12 months US$	> 1 – 5 years US$	Over 5 years US$	Non-interest sensitive US$
Financial assets							
Cash on hand	18,757,064	-	-	-	-	-	18,757,064
Balances with the NBC	68,317,309	4,800,986	11,305,532	3,200,421	-	-	49,010,370
Balances with other banks	29,962,714	12,213,288	5,061,849	-	-	-	12,687,577
Loans and advances to customers	257,991,913	6,062,941	7,704,984	42,594,187	87,496,069	114,133,732	-
Investment securities	25,588	-	-	-	-	-	25,588
Other assets	1,212,963	848,315	-	-	-	-	364,648
	376,267,551	23,925,530	24,072,365	45,794,608	87,496,069	114,133,732	80,845,247
Financial liabilities							
Deposits from customers	239,432,723	107,009,886	18,040,869	55,449,633	-	-	58,932,335
Borrowings	33,765,144	20,001,278	10,817,807	2,946,059	-	-	-
Lease liabilities	3,802,938	-	-	-	-	-	3,802,938
Other liabilities	2,091,838	-	-	-	-	-	2,091,838
	279,092,643	127,011,164	28,858,676	58,395,692	-	-	64,827,111
In US$	97,174,908	(103,085,634)	(4,786,311)	(12,601,084)	87,496,069	114,133,732	16,018,136
In KHR'000 (Note 7)	395,987,750	(420,073,959)	(19,504,217)	(51,349,417)	356,546,481	465,094,958	65,273,904

35. Financial risk management (continued)

C. Market risk (continued)

(i). Interest rate risk (continued)

	Bank						
31 December 2020	Carrying amount US$	Up to 1 month US$	> 1 – 3 months US$	> 3 – 12 months US$	> 1 – 5 years US$	Over 5 years US$	Non-interest sensitive US$
Financial assets							
Cash on hand	15,047,034	-	-	-	-	-	15,047,034
Balances with the NBC	34,251,179	6,557,546	3,714,570	1,020,312	-	-	22,958,751
Balances with other banks	37,041,422	1,854,560	14,143,901	16,011,605	-	-	5,031,356
Loans and advances to customers	257,365,604	7,106,598	5,321,464	27,988,680	97,207,637	119,741,225	-
Investment securities	25,588	-	-	-	-	-	25,588
Investment in subsidiary	1,548,400	-	-	-	-	-	1,548,400
Other assets	2,233,003	-	-	-	-	-	2,233,003
	347,512,230	15,518,704	23,179,935	45,020,597	97,207,637	119,741,225	46,844,132
Financial liabilities							
Deposits from customers	262,367,551	108,751,362	26,201,477	52,422,287	-	-	74,992,425
Borrowings	9,509,981	4,997,959	3,517,984	994,038	-	-	-
Lease liabilities	4,485,351	56,620	149,931	543,330	2,556,506	1,178,964	-
Other liabilities	1,787,975	-	-	-	-	-	1,787,975
	278,150,858	113,805,941	29,869,392	53,959,655	2,556,506	1,178,964	76,780,400
In US$	69,361,372	(98,287,237)	(6,689,457)	(8,939,058)	94,651,131	118,562,261	(29,936,268)
In KHR'000 (Note 7)	280,566,750	(397,571,874)	(27,058,854)	(36,158,490)	382,863,825	479,584,346	(121,092,204)

35. Financial risk management (continued)

C. Market risk (continued)

(i). Interest rate risk (continued)

	Bank						
31 December 2019	Carrying amount US$	Up to 1 month US$	> 1 – 3 months US$	> 3 – 12 months US$	> 1 – 5 years US$	Over 5 years US$	Non-interest sensitive US$
Financial assets							
Cash on hand	18,757,064	-	-	-	-	-	18,757,064
Balances with the NBC	68,317,309	4,800,986	11,305,532	3,200,421	-	-	49,010,370
Balances with other banks	29,962,714	12,213,288	5,061,849	-	-	-	12,687,577
Loans and advances to customers	257,991,913	6,062,941	7,704,984	42,594,187	87,496,069	114,133,732	-
Investment securities	25,588	-	-	-	-	-	25,588
Investment in subsidiary	1,548,400	-	-	-	-	-	1,548,400
Other assets	1,212,963	848,315	-	-	-	-	364,648
	377,815,951	23,925,530	24,072,365	45,794,608	87,496,069	114,133,732	82,393,647
Financial liabilities							
Deposits from customers	239,617,305	107,009,886	18,040,869	55,449,633	-	-	59,116,917
Borrowings	33,765,144	20,001,278	10,817,807	2,946,059	-	-	-
Lease liabilities	4,872,520	-	-	-	-	-	4,872,520
Other liabilities	2,087,893	-	-	-	-	-	2,087,893
	280,342,862	127,011,164	28,858,676	58,395,692	-	-	66,077,330
In US$	97,473,089	(103,085,634)	(4,786,311)	(12,601,084)	87,496,069	114,133,732	16,316,317
In KHR'000 (Note 7)	397,202,838	(420,073,959)	(19,504,217)	(51,349,417)	356,546,481	465,094,958	66,488,992

35. Financial risk management (continued)

C. Market risk (continued)

(ii). Foreign currency exchange risk

The Group and the Bank operate in the Kingdom of Cambodia and transacts in many currencies, and is exposed to various currency risks, primarily with respect to Khmer Riel, Taiwanese dollar, Chinese Yuan, Euro, and Singapore dollar.

Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the Group's and the Bank's functional currency.

As at 31 December 2020, balances in monetary assets and liabilities denominated in currencies other than US$ are not significant. Therefore, no sensitivity analysis for foreign currency exchange risk was presented.

Concentration of currency risk

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

Group	Denomination US$ equivalents			
31 December 2020	KHR	US$	Others	Total
Financial assets				
Cash on hand	655,262	14,391,772	-	15,047,034
Balances with the NBC	1,729,841	32,521,338	-	34,251,179
Balances with other banks	-	36,913,730	127,692	37,041,422
Loans and advances to customers	32,882,181	224,483,423	-	257,365,604
Investment securities	-	25,588	-	25,588
Other assets	-	2,233,553	-	2,233,553
	35,267,284	310,569,404	127,692	345,964,380
Financial liabilities				
Deposits from customers	25,816,355	236,324,774	-	262,141,129
Borrowings	9,509,981	-	-	9,509,981
Lease liabilities	-	3,423,454	-	3,423,454
Other liabilities	-	1,794,811	-	1,794,811
	35,326,336	241,543,039	-	276,869,375
Net asset/(liability) position	(59,052)	69,026,365	127,692	69,095,005
In KHR'000 (Note 7)	(238,865)	279,211,646	516,514	279,489,295

35. 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)

Group	Denomination US$ equivalents			
At 31 December 2019	KHR	US$	Others	Total
Financial assets				
Cash on hand	771,399	17,985,665	-	18,757,064
Balances with the NBC	4,515,017	21,973,611	-	26,488,628
Balances with other banks	-	29,855,880	106,834	29,962,714
Loans and advances to customers	29,952,124	228,039,789	-	257,991,913
Investment securities	-	25,588	-	25,588
Other assets	-	1,212,963	-	1,212,963
	35,238,540	299,093,496	106,834	334,438,870
Financial liabilities				
Deposits from customers	5,053,464	234,379,259	-	239,432,723
Borrowings	13,763,866	20,001,278	-	33,765,144
Lease liabilities	-	3,802,938	-	3,802,938
Other liabilities	-	2,091,838	-	2,091,838
	18,817,330	260,275,313	-	279,092,643
Net asset/(liability) position	16,421,210	38,818,183	106,834	55,346,227
In KHR'000 (Note 7)	66,916,431	158,184,096	435,349	225,535,875

35. 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)

Bank	Denomination US$ equivalents			
At 31 December 2020	KHR	US$	Others	Total
Financial assets				
Cash on hand	655,262	14,391,772	-	15,047,034
Balances with the NBC	1,729,841	32,521,338	-	34,251,179
Balances with other banks	-	36,913,730	127,692	37,041,422
Loans and advances to customers	32,882,181	224,483,423	-	257,365,604
Investment securities	-	25,588	-	25,588
Investment in subsidiary	-	1,548,400	-	1,548,400
Other assets	-	2,233,003	-	2,233,003
	35,267,284	312,117,254	127,692	347,512,230
Financial liabilities				
Deposits from customers	25,816,355	236,551,196	-	262,367,551
Borrowings	9,509,981	-	-	9,509,981
Lease liabilities	-	4,485,351	-	4,485,351
Other liabilities	-	1,787,975	-	1,787,975
	35,326,336	242,824,522	-	278,150,858
Net asset/(liability) position	(59,052)	69,292,732	127,692	69,361,372
In KHR'000 (Note 7)	(238,865)	280,289,101	516,514	280,566,750

35. 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)

Bank	Denomination US$ equivalents			
At 31 December 2019	KHR	US$	Others	Total
Financial assets				
Cash on hand	771,399	17,985,665	-	18,757,064
Balances with the NBC	4,515,017	21,973,611	-	26,488,628
Balances with other banks	-	29,855,880	106,834	29,962,714
Loans and advances to customers	29,952,124	228,039,789	-	257,991,913
Investment securities	-	25,588	-	25,588
Investment in subsidiary	-	1,548,400	-	1,548,400
Other assets	-	1,212,963	-	1,212,963
	35,238,540	300,641,896	106,834	335,987,270
Financial liabilities				
Deposits from customers	5,053,464	234,563,841	-	239,617,305
Borrowings	13,763,866	20,001,278	-	33,765,144
Lease liabilities	-	4,872,520	-	4,872,520
Other liabilities	-	2,087,893	-	2,087,893
	18,817,330	261,525,532	-	280,342,862
Net asset/(liability) position	16,421,210	39,116,364	106,834	55,644,408
In KHR'000 (Note 7)	66,916,431	159,399,183	435,349	226,750,963

35. 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 Group and 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'):

	2020		2019	
	- 1% Depreciation US$	+ 1% Appreciation US$	- 1% Depreciation US$	+ 1% Appreciation US$
Group				
KHR	591	(591)	(164,212)	164,212
Others	(1,277)	1,277	(1,068)	1,068
	(686)	686	(165,280)	165,280
In KHR'000 (Note 7)	(2,775)	2,775	(673,516)	673,516
Bank				
KHR	591	(591)	(164,212)	164,212
Others	(1,277)	1,277	(1,068)	1,068
	(686)	686	(165,280)	165,280
In KHR'000 (Note 7)	(2,775)	2,775	(673,516)	673,516

D. Operational risk

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

35. Financial risk management (continued)

D. Operational risk (continued)

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

Operational risk is defined as the risk of loss resulting from inadequate, failed or poor internal control/processes, people, systems and/or external events. This definition includes legal risk, but excludes strategic and reputational risk:

To effectively manage operational risk, the Group and the Bank adopt the following operational risk management tools as key complementary:

- Risk Control Self Assessments (RCSAs) - are used to identify the key risk that pose a threat to achieving the predefined business objective and assess the effective control used by management and mitigate these risks.
- Key Risk Indicators (KRIs) - are used to help warn management of changes in previously identifies key risk. KRI serve as a monitoring function for the business.
- Operational Risk Event Report - is a record of all type of losses events that have affected the business. All type of losses events are to be used to enhance the ongoing risk monitoring and operational risk.
- Standard Operating Procedures (SOPs) - are used to ensure the process, policy, guideline, and memo are smooth, bank's staff can implement well and ensure risks are identified and managed.
- Business Continuity Plan (BCP) - is a plan that covers a range of situations, crisis events that threaten to shut down business operations for an extended period of time, and any other financial situation or unexpected event that threatens to destroy or injure our bank.
- Other: Another risk that we can observe or received from another way.

35. Financial risk management (continued)

E. Capital risk

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

The Group's and the Bank's strategy 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 shareholder' return is also recognised and the Group and the Bank recognised the need to maintain a balance between the higher returns that might be possible with greater gearing and advantages and security afforded by a sound capital position.

The Group's and the Bank's lead regulator, the NBC, sets and monitors capital requirements for the Group and the Bank as a whole.

(i). Capital risk management

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

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

On 22 February 2018, the NBC issued a Prakas on Capital Buffer in Banking and Financial Institutions. According to Article 22 of this Prakas, the institution shall comply with the provisions related to the capital conservation buffer at least 50% of the conservation buffer by 1 January 2019 and fully comply by 1 January 2020.

On 7 March 2018, the NBC issued a circular on the implementation of Prakas on Capital Buffer in Banking and Financial Institutions, which determines the countercyclical capital buffer at a level of 0% until a new announcement is released.

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

36. Fair values of financial assets and liabilities

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

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

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

The fair value of the Group's and the Bank's financial instruments such as cash and short-term funds, balances with Prakash, 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:

A. Balances with NBC, and balances with other banks

The fair values of balances with NBC, and balance with other banks and financial institutions with maturity of less than one year approximate their carrying amounts.

B. Loans and advances to customers

For fixed rate loans with remaining period to maturity of less than one year, the carrying amounts are generally reasonable estimates of their fair values.

C. Deposits from customers

The fair values of deposits payable on demand (current and savings accounts), or deposits with remaining maturity of less than one year are estimated to approximate their carrying amounts. The fair values of deposits with remaining maturity of more than one year are estimated based on discounted cash flows using prevailing market rates for similar deposits from banks and customers.

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

D. Other financial assets and liabilities

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

E. Fair value hierarchy

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

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

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

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