



# Digital Leap for Seamless & Convenient banking for all

at your fingertips



ANNUAL REPORT  
2020



**Our Vision:**

TO BE THE FINANCIAL INSTITUTION OF  
CHOICE FOR TARGET CUSTOMERS.

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**Experience the seamless banking transaction with just a simple click !**

A feature loaded mobile banking app, offering you a seamless and convenient lifestyle in managing your finances around the clock.



PRINCE Mobile, an award-winning mobile banking application that meets the needs of our customers providing seamless digital banking services that suit their digital lifestyle and financial goals. With PRINCE Mobile, our customers enjoy limitless banking on the go.

Every customer can explore its convenient functions including 57 ATMs, instant transfer, mobile payment and top-up, virtual card online requests, and so on.

# Overview





# 1

3 About Us

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9 Vision, Mission and Core Values

## About Us

Prince Bank Plc. (“the Bank”) started its operations in 2015 as a private microfinance institution under the name “Prince Finance Plc.” On 18 July 2018, a commercial banking license was granted by the National Bank of Cambodia. The Bank maintains a head office located at #175ABCD, Mao Tse Toung Blvd., Phum 5, Sangkat Tuol Svay Prey Ti Muoy, Khan Chamkar Mon, Phnom Penh.

The Bank is incorporated as a public limited company under business registration No. 00014627 at the Ministry of Commerce. With a strong capital base, robust technological capabilities, solid expertise and extensive knowledge of the local market, the Bank aspires to become “ the Best Digital Bank in Cambodia ” by offering differentiated financial solutions through a mix of channels including innovative digital platforms with great convenience for our customers. We are keen on contributing to the personal and business development of SMEs, professional employees, and are expanding and enhancing our banking services to capture a new market segment of the affluent through our Priority Banking services.

As of the reporting date, Prince Bank Plc. has a total of 31 branches, 9 located in Phnom Penh and 22 in other provinces. The locations in Phnom Penh are Prince Bank Plc. Head office , Khan Russey Keo - Sangkat Toul Sangkae 2 , Khan Pur Senchey - Sangkat Chaom Chau 3, Khan Chraoy Chongvar - Sangkat Preaek Lieb , Khan Prampir Meakkakra - Sangkat Veal Vong , Khan Chamkar Mon - Sangkat Tonle Basak , Khan Chbar Ampov - Sangkat Nirouth , Khan Chamkar Mon - Sangkat Phsar Daeum Thkov , Khan Meanchey-Sangkat Steung Mean Chey 2 and the provincial locations include Battambang, Siem Reap ,Kampong Cham ,Preah Sihanouk ,Krong Ta Khmao ,Prey Veng ,Svay Rieng ,Kratie , Ratanak Kiri , Kampong Speu , Takeo , Preah Vihear , Kampong Chhnang , Kampong Thom , Krong Paoy Paet , Tboung Khmum , Pursat , Stung Treng , Banteay Meanchey , Kampot , Mondolkiri , Krong Siem Reap.

2020 was the year of the Covid-19 pandemic, and Prince Bank Plc. started to introduce new digital products and services to the public with emphasis on customer safety from traveling around to the branch. The bank has launched its Digital Products such as Opening Account Online, Request for Master/Visa Card, Apply for Loan online, and so on. For the digital services, the bank has introduced a new way of performing transaction online experiences such as Local Money Transfer—Fast Service, Bakong and Retail Pay on the mobile app, etc.

Additionally, Prince Bank Plc. is firmly committed to corporate social responsibility activities in the areas of education, health, and sports.



## The Chairman's Message



2020 was a challenging year for the banking industry and the economy in general due to the health pandemic caused by Coronavirus Disease 2019 (Covid-19) that severely affected public health, people's livelihoods, businesses, and economies around the world as well as the Cambodia's economy. Prince Bank's Board of Directors have closely monitored and assessed the situation, not only did we adjust the operational policies and strategies to exigencies of the situation but also to minimize the negative impacts.

For our business operations, we have introduced more products and services, expanded our branch network across the country and other service channels were comprehensively reviewed and improved. We have launched 57 more self-service terminals with the intention to deliver a convenient and seamless customer experience across all channels. Prince Bank Plc. intends to focus on and pay attention to every part of our process, continually developing and improving each aspect, as well as managing the organization with good corporate governance policies of transparency and fairness, and acting responsibly toward the society, our communities, and the environment, in accordance with our Sustainable Development Policy and our duty in nation building. Leveraging from our positioning as the fastest growing digital bank in Cambodia, we reported a net profit of USD 5,262 thousand. Our lending rose by 15.56%, while deposits grew by 380.78% compared to the previous year.

Moving forward, I want to reassure our customers and business partners that we are confident we are able to continue supporting them and delivering our banking services to them effectively & efficiently despite the threats of the Covid-19 pandemic for the whole year. Together, we will strive to overcome this challenging and difficult time by staying close to each other to better understand their business and financial needs and to provide them with the best advice to navigate the crisis, adjust their operations and capture new growth opportunities.

On behalf of the Board of Directors and Executive Officers of Prince Bank Plc., I would like to express my gratitude to the National Bank of Cambodia and other competent authorities for their guidance and support. I would also like to express our deep appreciation to all shareholders, the Bank's executive management, staff, business alliances as well as customers for placing trust and support behind Prince Bank Plc. throughout the years. We will strive to professionally operate our services to compliment and augment the financial well-being of our customers and all the stakeholders.

**Neak Oknha Chen Zhi**

Shareholder and Chairman of the Board of Directors

## The CEO's Message

The Cambodian economy in 2020 continues to face headwinds from the impacts of the COVID-19 pandemic, but there are signs that some economic activity is beginning to pick up though slowly. The economy is projected to contract by 2% in 2020 but is expected to bounce back and grow by 4% in 2021.

2020 can be considered as one of the most successful year for Prince Bank Plc. in terms of achieving the best positive operating results. As the economic crisis accelerated, prevailing trends such as the rapid adoption of online channels, e-commerce and cashless payments continues unabated. Having foresaw this trend, we were already well on our digital journey and were able to roll out many new digital products & services to meet the needs of our customers. Customers could enjoy our new mobile banking platform, PRINCE Mobile, which was launched with an enhanced user interface and new features. It was designed to easily integrate with other platforms and services so it can be frequently and quickly updated with new features rapidly and seamlessly.

During the pandemic, Covid-19 we have launched HR In the Pocket application which allows all employees to easily access the daily tasks and processes such as training, request for leave, registering their daily health assessment for Covid-19, and request for document approval from their line manager as well as the Senior Management. The Bank, also intend to focus on processes best practices to continually develop and improve each aspect, as well as managing the organization with good corporate governance, policies of transparency and fairness, and acting responsibly toward society, our communities, and the environment, in accordance with our Sustainable Development Policy. Prince Bank Plc. has also put in place measures to mitigate the spreading of the virus, in line with



guidelines provided by the authorities. These measures include having the vast majority of our staff working from home and a suspension of all but absolutely essential travel.

In an ever-evolving world, we must continue to serve our customers' financial needs as their operating environment changes. And as the fastest growing digital bank, Prince Bank Plc. will continue to leverage future technological developments to stay ahead in addition to world class customer service to meet our customers' needs. Through our mobile banking application and expansion of branches and self service banking machines into most provinces, we are able to serve our customers from offline to online in the way that suits our customers' preferences.

On the financial front, our total loan portfolio grew from USD 302,979 thousand in 2019 to USD 350,129 thousand at the end of 2020.

Lastly, we are proud and honored to receive numerous international recognitions from the HR Asia, Business Media International on the award for the Best Companies to Work for in Asia 2020, The International Innovation Awards 2020 from Enterprise Asia, Fastest Growing Digital Bank - Cambodia 2020 from Global Business Outlook Banking Awards 2020 among others. These awards are a testament to the good work we have been doing in the past and is an endorsement of the team's dedication in meeting customers' needs and exceeding them.

On behalf of the senior management team, I would like to thank our customers, employees, business partners, and shareholders for their on-going support. The success today would not be possible without the trust & support by our customers and the contribution and dedication of our employees who have shared in building our incredible journey thus far.

**Mr. Honn Sorachna**

Non-Independent Executive Director / Chief Executive Officer

# Vision, Mission and Core Values

## OUR VISION

To be the financial institution of choice for our target customers.

## OUR MISSION

To help our customers succeed through professional financial services.





## OUR CORE VALUES

### Passionate

We are passionate for excellence, and passionate about helping our customers succeed.

Passion is at the heart of all we do – we are passionate about helping our customers succeed by doing the right things right the first time, and every time. We aim for excellence, always moving forward, innovating, and improving. At the same time, we value, promote, and fiercely protect the Prince Bank brand and reputation.

### Result-Oriented

We do what we do with the end in mind, with a strong sense of urgency and a steady focus on completing what we start.

Our customers trust us to deliver solutions that make their lives better and we take that responsibility seriously. We do what we do with the end in mind, with a strong sense of urgency and a steady focus on getting what needs to be done, done. We expect and overcome challenges and persist in the pursuit of our goals as one team.

### Innovative

We value a culture of innovation where we experiment with fresh solutions in a safe and collaborative environment.

We never want to be complacent and accept the status quo just because that is the way things have always been done. We seek adventure and the freedom to be creative in our solutions. We value a culture of innovation where people experiment with fresh solutions in a safe and highly collaborative environment. At the same time, we are disciplined when experimenting and hold each other accountable for outcomes.

### Noble

We are honest, transparent, and committed to doing what is best for our customers and the bank.

We are honest, transparent, and committed to doing what is best for our customers and the bank. We conduct ourselves with integrity in all we do and our reputation as individuals and as a company is paramount. Our word is our bond – we say what we mean, and we do what we say. We have no tolerance for politics, hidden agendas, or self-serving behaviors.

### Collaborative

We build strong and lasting ties with colleagues, partners, and customers to jointly drive success.

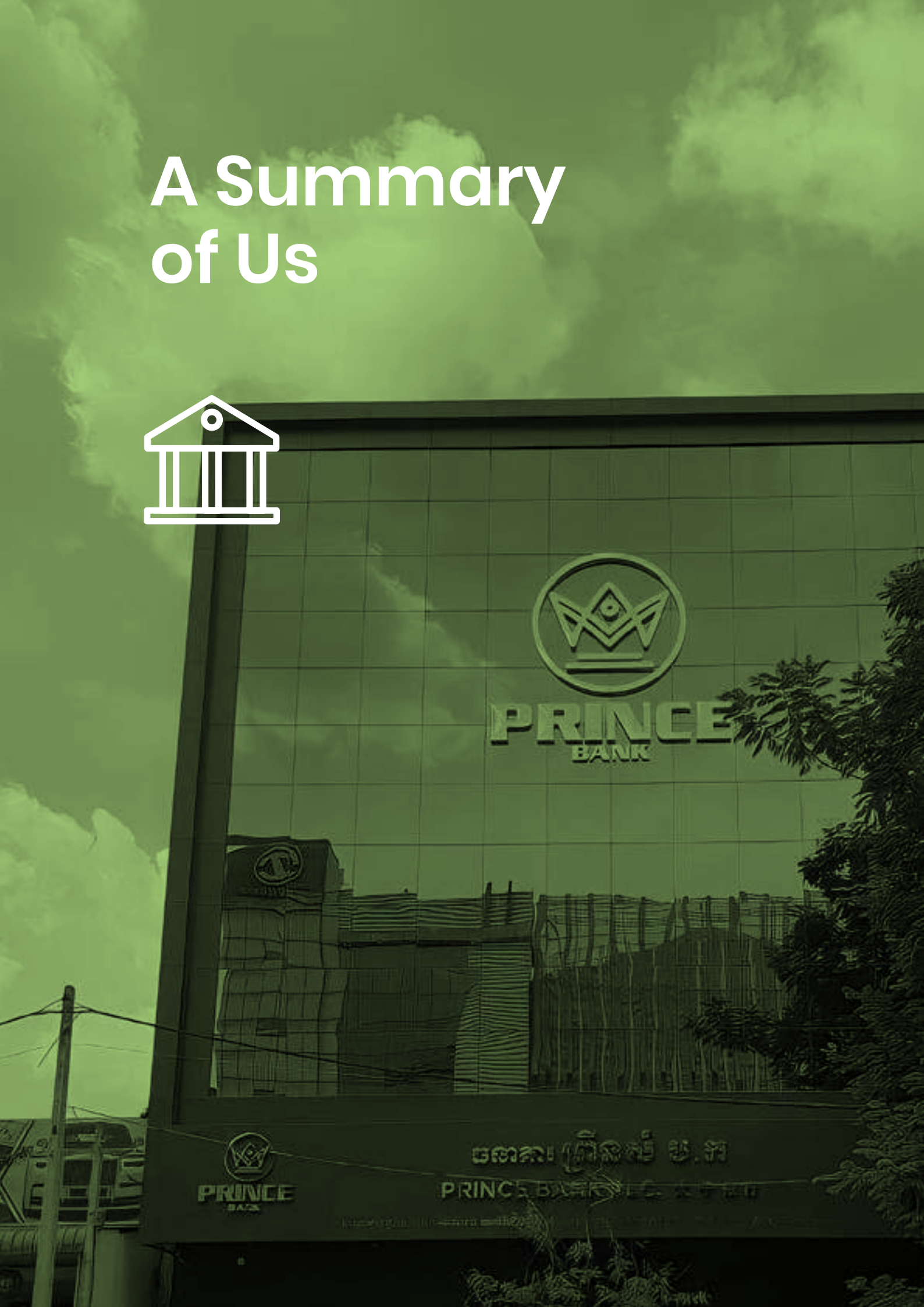
Prince Bank is made up of exceptional people, but it is only through teamwork that we achieve greatness. We connect with and build strong and lasting ties with colleagues, partners, and customers to drive success. To do this, we build trust and discover shared goals and common ground with our collaborators.

### Entrepreneurial

We see beyond our current situation and resources and have the courage to make tough “yes or no” decisions.

We are bold and daring, but not reckless. We are not afraid to take risks and to make mistakes. We have the vision to see beyond the current situation and limited resources to appreciate the potential of a new venture. We have 'Edge' - the courage to make tough “yes or no” decisions even without all the information. And very importantly, we have the fortitude to finish what we start.

# A Summary of Us



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PRINCE BANK ភី.ស.ស.ក

ក្រុមហ៊ុន ព្រីនស័ ឧ.ក មានទីស្នាក់ការកណ្តាល ភ្នំពេញ ជាប់ផ្លូវលេខ ១១៧ ភ្នំពេញ កម្ពុជា

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## Director Profiles

### **NEAK OKNHA CHEN ZHI**

Shareholder and Chairman of the Board  
of Directors



Neak Oknha Chen Zhi is a shareholder and the Chairman of the Board of Directors of Prince Bank Plc. He participates in making core decisions for the Bank that include strategies on how to increase and expand business operations.

In addition to his investment in the banking industry, Neak Oknha Chen Zhi has other business interests that encompass various sectors. He has investments across the real estate sector such as architectural decoration, hotel properties, property development, and property management.

In terms of media-related businesses, he invests in marketing agencies and internet service providers.

Neak Oknha Chen Zhi also has interests in businesses that provide services in yacht management, retail chain, gardening, and equity investments.

## MR. GUY CHHAY

Shareholder and Vice-Chairman  
of the Board of Directors



After years in the private sector, Mr. Guy Chhay decided to set up his own business with the collaboration of his business partners in early 2010. His focus at that time was on real estate development. With strong support from his investment partners, he was able to expand his investments across various sectors, especially within the finance sector. Mr. Chhay established Prince Finance Plc. with the goal of using it as a starting point for the current commercial bank that we know today.

Mr. Chhay is a businessman with great vision who understands the economic potential of any business endeavor and seizes every opportunity that arises. Additionally, he is very knowledgeable about Cambodia's domestic business environment, especially the potential opportunities within the trade sector.

Mr. Chhay has other businesses in marketing and printing services, internet service provisions, the distribution of fast-moving consumer goods, and real estate investment.



## MR. HONN SORACHNA

Non-Independent Executive Director /  
Chief Executive Officer

Mr. Honn Sorachna is the Chief Executive Officer, the Managing Director, and one of the founding members of Prince Bank Plc. Mr. Sorachna has more than 10 years of experience in insurance, education and banking. He has great vision for Prince Bank Plc. and is focused on strategy and management to lead the Bank towards a bright future.

He holds an M.A. in International Management from the Audencia Nantes Business School of Management in Nantes, France.

## MR. THEN SAMVISOTH

Independent Non-Executive Director



Mr. Then Samvisoth is an Independent Non-Executive Director. He was a lecturer of Accounting and Taxation for various universities here in Cambodia as well as in France.

In addition to being an educator, Mr. Samvisoth is also the successful Director-Owner of AT&B Consulting Co. Ltd., His company offers tax advisory and services, accounting services, and training. Prior to this, he was the financial director of Meas Development Holding Co. Ltd., a company that manages various food related establishments.

Mr. Samvisoth holds a B.A. in Business Administration from the Royal University of Law and Economics in Phnom Penh, a B.A in Law from Norton University, and an M.B.A. from the Asian Institute of Technology (AIT) in Bangkok, Thailand. He also holds a Masters In Financial Management from the IAE at the Université Pierre Mendès-Grenoble 2 in France.



## MR. SIM HOY CHHOUNG

Independent Non-Executive Director

Mr. Sim Hoy Chhoung is an Independent Non-Executive Director of Prince Bank Plc. He has over 20 years of work experience in the fields of accounting and finance, risk management, internal control, and banking from several financial institutions in Cambodia.

He holds both a B.A. and an M.A. in Economics from the Royal Academy of Cambodia. He earned an additional M.A. in Business Administration with a concentration on International Finance from the prestigious International Business School of Brandeis University in Massachusetts, USA.

Mr. Chhoung is also a certified public accountant who received his professional certificate from the Association of Chartered Certified Accountants (ACCA), based in the United Kingdom.

## Advisor Profiles



### **DATUK MICHAEL LOR CHEE LENG**

Senior Advisor

*Datuk Michael Lor Chee Leng* is the Senior Advisor to the Board of Directors of Prince Bank Plc. He has built a distinguished track-record of over 30 years across the Southeast Asian region as a senior-level banker with extensive experience in strategic business transformation, risk management and corporate governance, organization, and human capital development.

He is presently an Advisor to Cambodia's Ministry of Economy and Finance.

*Datuk Michael Lor Chee Leng* has held various professional appointments: he was previously the CEO of Canadia Bank Plc. in Cambodia, and prior to that, the Group CEO of EON Bank Group in Malaysia. He was also the Group Head of Consumer Banking for RHB Bank in Malaysia before joining Hewlett Packard as the Worldwide Director for Banking Solutions.

*Datuk Michael Lor Chee Leng* was a Managing Director with DBS Bank Singapore for 17 years, serving in various senior management capacities in both their Singapore and Thailand banking operations.

During his professional career, he has been involved in both the banking and technology industries, and has led businesses in Singapore, Thailand, Malaysia, Cambodia, Laos, Myanmar, and China, respectively.

As a passionate advocate of digital transformation and innovation in the region's financial services industry, *Datuk Michael Lor Chee Leng* presently serves in various advisory functions and roles.



## MR. DIETER BILLMEIER

Advisor



Mr. Dieter Billmeier is the Advisor to the Board of Prince Bank Plc. He provides support, guidance, recommendations, and advice in order to drive the Bank toward better management and success.

Mr. Billmeier is also a board member of a prestigious international school in Cambodia, and a former Senior Vice President and Advisor to the Board of Directors of Canadia Bank Plc. Prior to that, he spent almost two decades as a well-known professional consultant in Hong Kong and here in Cambodia.

Mr. Billmeier had a 17-year career at Commerzbank, where he held various positions covering strategy, treasury, administration, foreign exchanges, and money markets. His work led him to be based in different countries including Germany, the United States, France, and Hong Kong.

The last position Mr. Billmeier held for Commerzbank was as its Senior Vice President & Joint General Manager position in Hong Kong.

Originally from Germany, he studied at the Advanced Business School for Finance and Banking in Bamberg, and at the Academy of Banking and Finance in Nuremberg.





# Management Profiles



## MR. HONN SORACHNA

Non-Independent Executive Director and  
Chief Executive Officer

Mr. Sorachna is currently the CEO at Prince Bank Plc. since 2015. He has a long term and clear vision and pragmatic strategies to manage and lead Prince to remarkably grow. Besides that, he used to work for more than 10 years in senior management in banking and insurance sector.

He holds a M.A. International Management, Audencia Nantes, Business School of Management, Nantes, France in 2008 and a B.A. Computer Science from Royal University of Phnom Penh, Phnom Penh, Cambodia in 2003.

He is the Deputy Chief Executive Officer. Prior to his current role, he worked in different areas at ANZ Royal, including Compliance, Electronic Banking Services, Retail Assurance, Credit Card and Merchant Sales and Management of the provincial branches.

He also headed the Operations Department at Hong Leong Bank (Cambodia) PLC from 2012 to 2014.

He holds a Master of Advanced Studies in Management Science from Pantheon-Assas University, Paris, France. He also holds two other Master's degrees: a Specialised Master in International Project Management from ESCP Europe Business School in Paris, France; and a Master of Business Administration from the Asian Institute of Technology, Thailand.



## MR. BIN DEVIN

Deputy Chief Executive Officer

He is the Chief Finance Officer at Prince Bank Plc. Prior to joining the Bank, he was Head of Finance & Planning for OCBC Bank Malaysia's consumer banking business.

He was also the Chief Financial Officer for Prudential Vietnam Finance Plc. in Vietnam. He has over 17 years of experience in the banking industry in areas such as finance management, strategy and business planning, decision management and product marketing. He also has audit experience working as an auditor with KPMG in his early career.

He holds a Bachelor of Accounting (Hons) and graduated from the National University of Malaysia.



**MR. WINSTON TAN KOK WENG**

Chief Financial Officer



**MR. KEO VUTHY**

Chief Internal Audit

He is currently working as the Chief Internal Audit Officer. Prior to joining with Prince Bank Plc., he has experienced as Senior Internal Auditor, Manager, and Head of Internal Audit Department in finance and banking industry for 9 years and worked in the field of accounting, financing and other related sectors for more than 10 years.

He holds three Master's degrees – Master Accounting & Master Auditing at Vanda Institute of Accounting (Cambodia) and Master of Business Administration in Finance, at University of Business and Finance (Switzerland). He also holds a Postgraduate Diploma in Finance, University of Wales (UK). Moreover, he obtains many professional certificates from international professional institutions such as CND, WVTS, CCII, GCMA, QIA, CAME, FCPA, CFIP, CAIP, CBFA, CFE, CAT, etc.



**MR. MIN GANG**

Chief Digital Officer

He is currently the Chief Digital Officer of Prince Bank Plc. He has 20 plus years of extensive experience in banking informatization. As a business expert, system architect and executives of fintech organizations, he participated in led the construction of operation of 100 plus large-scale financial transaction systems.

He has a deep understanding and long-term practice of financial digitalization, and he is good at the cross of finance and technology and particularly the implementation and management of large-scale and complex application ecosystems.

He holds a Master of Engineering from the Tsinghua University in China and a Bachelor of Engineering from Harbin Institute of Technology in China.

He is currently working as the Head of Risk Management. He has 11 years of experience in banking, insurance, and finance and security market. He also experienced with management system development, risk management, finance and taxation.

He holds two master's degree and two bachelor's degrees. First master's in finance, ESCP-EAP European School of Management, France and second Master of Business Administration from Asian Institute of Technology, Thailand (2005). BBA and Bachelor's in Economics from RULE (2003) and Bachelor's in Computer Science, Norton, Cambodia (2010).



**MR. LENG SENGLAN**

Head of Risk Management

She is the Head of Legal and Corporate Secretary at Prince Bank Plc. She has extensive experience in handling corporate and commercial affairs, real estate transactions, and dispute resolution matters.

She provided legal advice on market entry and exit strategies, company formation and corporate governance, real estate acquisition structures, the negotiation, drafting and preparation of sales and purchase agreements related to land, land development, and condominiums.

She also reviewed real estate documents for short-term and long-term leases, and advised clients on civil and criminal litigation, arbitration, and other matters related to dispute resolutions.

She holds a B.A. in Law from the Royal University of Law and Economics (RULE), a M.A. from Lyon 2 University in France,



**MRS. KEO ROSNISAY**

Head Legal Services and Corporate Secretary

and a JD (Juris Doctor) from Florida State University College of Law in Florida, USA.



**MRS. PENG LIYA**

Head of Retail Financial Services

She is the Head of Retail Financial Services at Prince Bank Plc. She has over 10 years of experience in the financial and banking sectors where she led various marketing strategies and was involved in product development initiatives.

In her current role, Mrs. Liya is responsible for driving the Bank's retail banking business by increasing the number of customer loans and deposits, and by expanding the Bank's card offerings to grow the number of customers and transaction volume. She is also involved with other company-wide projects related to the mobile banking app, and the card project.

Prior to joining Prince Bank Plc., Mrs. Liya held various positions at Hong Leong Bank (Cambodia) Plc. and WING Cambodia.

She holds an accounting degree from Guang Zhou China, and a Bachelor of Science in Computer Science from Norton University. Additionally, she has extensive academic qualifications in English including a diploma from PUC and several English for Business classes offered by leading Cambodian educational institutions like the Institute of Foreign Languages (IFL) and the Australian Centre for Education (ACE).

Mrs. Liya is also multilingual—she is fluent in Khmer, English, Mandarin, and Cantonese.



### MRS. TE MUYNY

Head of Business Financial Services

She is the Head of Business Financial Services, she is in charge of the Prince Bank's Corporate Businesses, which include Loan Facility, and Business Product Development covering Trade Financing Product, among others.

A veteran of the banking industry, Mrs. Muyny has over 15 years of professional experience with international and regional banks. Her main skills include Retail and Commercial Banking as well as Credit and Premier Customer Relationship Management.

She holds a bachelor's in business administration, major in Finance and Banking from the National University of Management. She also holds a Diploma in English and a Diploma in Chinese Mandarin.

He is the current Head of HR Services. Rady has work experience more than 20 years covering HR and Management in Banking, MFI, INGO, and Professional Services industry. His previous employer included Amret MFI Plc, Canada Bank Plc, Sokimex Group, Digital Divide Data, Plan International, PricewaterhouseCooper, Inter-Continental hotel and resort. Rady has been holding the Head of HR role for more than 15 consecutive years.

He holds Master's degree of Business Administration from Preston University, the U.S., and Diploma of HR Management from Swinburn University of Technology, Australia.

He is a member networks including Human Resources (HR) network in Cambodia both private and public sector, HR network in Vietnam, PricewaterhouseCoopers (PwC)-Strata-Job Evaluation in German, the Hay Group in Thailand, the Assessment Centre Saville and Holdsworth



### MR. LIM LEE RADY

Head of HR Services

Limited (SHL) a UK base company providing occupational and aptitude tests worldwide, and a member to Plan International HR network in Asia.



She is the Head of Credit Management at Prince Bank Plc. She has more than 10-year experiences in banking industry while intensively focusing on credit risk analysis. Particularly, she is certified for the specialization of credit assessment skill by Moody's Analytics and Omega Performance, USA. Ms. Huy is specialist in business and financial analysis, risk identification, and loan valuation compliance to the country regulation for both retail and corporate loan.

Ms. Huy holds a Bachelor's degree in Accounting and Master's degree in finance at Pannasastra University of Cambodia.



**MS. HAING HUY**

Head of Credit Management



**MRS. SEA SOKLIN**

Head of Compliance

She is the Head of Compliance at Prince Bank Plc. She has more than 15 years of experience in the banking sector, and has held management roles in several areas: internal audit, financial accounting, risk management and compliance.

Additionally, her expertise extends to AML and CFT system development.

She holds a B.A. in Accounting and Finance. She's currently pursuing an ACCA qualification at CamEd Business School. She has achieved Revelatory Compliance Certificate from IBF and ICA International Advance Certificate in Anti Money Laundering, UK.



### MR. HO KOK WAI

Head of Channels and Distribution

He is the current Head of Channels and Distribution. After being with OCBC Bank Malaysia for 17 years. Prior to that, he was with Hong Leong Bank Malaysia for more than 20 years.

He has extensive banking experience in the areas of internal audit, banking operations, training and development, sales and wealth management.

During his time with OCBC Bank Malaysia, he was also involved with stretch assignments such as developing training programs for the network. Leading a project team, training modules for Branch Managers and Customer Service Managers were developed and facilitated.

He completed his study at Kolej Tuanku Abdul Rahman with a HSC Statement. He also possesses certifications with the Federation of Malaysian Unit Trust Managers, The Malaysian Insurance Institute Certificate in Investment – Linked Life Insurance, Investor Protection Professional Certification, The Malaysian Insurance Institute Pre-Contract Examination for Insurance Agents Certificate (Life), The Malaysian Insurance Institute Certificate of Proficiency in General Insurance and Malaysian Takaful Association (Takaful Insurance).

Mr. Ong Pisey is the Head of Technology Services. He's had professional jobs in the banking field for over 14 years. He has experienced migration Core Banking System, Networks Security, conducting research and other projects, and strategic planning development.

He spent nearly 10 years working at Bank for Investment and Development of Cambodia. During that time, he participated in installing technology and organizing the team in line with the vision of the bank.

In December 2018, he started his new job at Prince Bank Plc. as a Senior Manager of Technology Program and later promoted to Head of Technology. He has been taking important responsibilities leading systems such as Core Banking Systems, Network infrastructures, enlarging ATM System and developing the linking projects of big systems of the bank.



### MR. ONG PISEY

Head of Technology Services

Mr. Ong Pisey graduated with a Bachelor of Computer Science and Engineering from Royal University of Phnom Penh and professional certificates from Oracle University and Core Banking System Temenos T24.



### MR. LIM ENG KEAT

Head of Corporate Communications  
and Marketing

He is the Head of Corporate Communications and Marketing. He is a seasoned marketing and corporate communications specialist with more than 25 years work experience in banking, property development and advertising agencies.

His experience covers the breadth and depth across markets in Malaysia, Singapore, Thailand, and Indonesia.

He started his communications formative years in branding, advertising, CRM/Direct marketing, telemarketing and activation in international agencies such as Ogilvy, Euro RSCG, Young & Rubicam and Draft-Lowe before slipping over to the 'client side' with the banking industry in RHB Bank and Hong Leong Bank. He then join KSK Berhad, an investment holding company with interest in general insurance, property development, hospitality, Insurtech & Autotech. He was recently with two property developers with seafront to township projects to mix developments including branded residences.

Mr. Lim Eng Keat holds an MBA from University of Bath, United Kingdom and a BSc from Campbell University, USA. In addition, he is a certified Chartered Marketer by the Chartered Institute of Marketing, United Kingdom where he holds a Post Graduate Diploma in Marketing, and a Certificate in Public Relations from the Institute of Public Relations Malaysia.

## 2020 Business Highlights

Prince Bank strives towards becoming the best digital bank in Cambodia, the Bank has never stopped improving and developing new digital banking products to serve the needs of our different client segments. In addition, we have extended our operation nationwide to serve our customers in terms of convenience and effectiveness to match their lifestyle needs. In the part of the branch address, we are focusing on locations that best serve our customer's convenience, we now have 31 branches and 57 ATM machines nationwide. We have introduced new products and services to the market across the available channel to deliver the best possible service to customers and support future growth.

In terms of customers base, Prince Bank has increased 24.26% of loan customers and 149.90% on deposit. The total amount of deposits has risen from USD 41,635 thousand to USD 200,174 thousand and the total loan outstanding amount from USD 302,979 thousand to USD 350,129 thousand. The bank's total assets also increased to USD 599,514 thousand which is more than double last year's figure.

As we aim to become one of the best digital banks, recently the bank has introduced a new mobile app function call PRINCE Pay which allows the customer to perform their payment by just scan the QR codes. With the performance of our mobile banking app as well as the acceptance and conversion of customers from the traditional banking segment, the bank has won numerous awards and recognition, just recently it won international recognition as the Fastest Growing Digital Bank - Cambodia 2020 from Global Business Outlook.

For the next year's strategy, Prince Bank plan to strengthen and promote its business wisely under Technology development-- to accommodate customer's transaction. The bank will develop a new system call an online account which will facilitate faster and more convenient account opening transactions for its customer as well as the public.

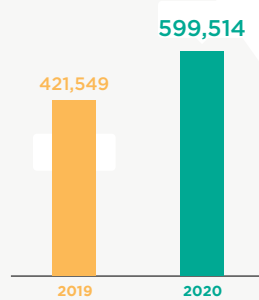
## Key Financial Highlights

	2020	2019
Year End 31st December		
<b>KEY PERFORMANCE INDICATORS (%)</b>		
Returns on Shareholders' Equity (ROE)	2.00%	-0.61%
Returns on Assets (ROA)	0.88%	-0.38%
Solvency Ratio	56%	67%
Liquidity Coverage Ratio (LCR)	126%	256%

# Simplified Financial Results

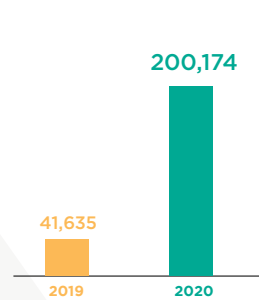
## TOTAL ASSETS

(US\$ Thousands)



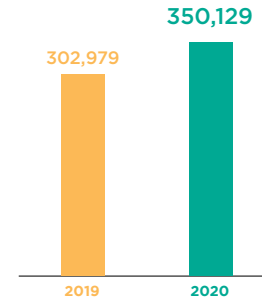
## TOTAL DEPOSITS

(US\$ Thousands)



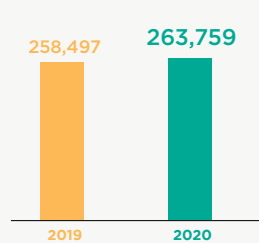
## TOTAL LOANS (NET)

(US\$ Thousands)



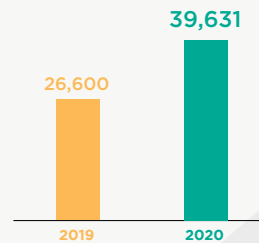
## SHAREHOLDERS' EQUITY

(US\$ Thousands)



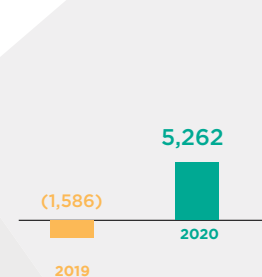
## GROSS REVENUE

(US\$ Thousands)



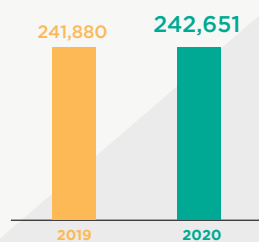
## NET PROFIT/(LOSS)

(US\$ Thousands)



## NET WORTH

(US\$ Thousands)





## Launched Priority Banking Lounge

Prince Bank launched its first Priority Banking Lounge at the Mao Tse Tong Branch (Head Office) to serve our high potential customers who are accustomed to dedicated and personalized banking services. Priority Banking Customers can enjoy the premium facilities such as airport access, preferential discount vouchers (Spa, Golf, and Movie), dedicated and personalize services from their Personal Relationship Managers, and many more exclusive benefits.



## Prince Bank partners with Mastercard and Visa to offer Debit and Credit Cards to its customers



With just the second year of operation as a full-fledged commercial bank, Prince Bank announced the joint launching of its new Mastercard and Visa Credit / Debit with Mastercard and

Visa Company. Prince Bank Mastercard / Visa Credit / Debit aims to meet the demands of every customer who enjoy shopping, purchases on-line or at merchant shops in the local or worldwide locations and to remain true to the Bank's commitment in helping customer succeed through our financial services as well as to create a cashless society for future banking in Cambodia. Prince Bank Master / Visa Cards Credit / Debit allows users to enjoy a seamless shopping experience conveniently and safely in both online and offline modes for every lifestyle.

# Milestones

- **Prince Finance Plc.** was established as a microfinance institution
- **168 staff** employed
- **5 operational branches** in Phnom Penh, Siem Reap, and Battambang
- **688 loan customers** served
- **USD 26.93 million** in Total Assets

2015

2017

2016

2018

- **109 staff** employed
- **3 operational branches** in Phnom Penh
- **356 loan** customers served
- **USD 13.70 million** in Total Assets

- **661 staff** employed
- **9 operational branches** in Phnom Penh and provinces (Siem Reap, Battambang, Preah Sihanouk, and Kampong Cham)
- **1,711 loan customers** served
- **2,263 Customer** base
- **USD 170.70 million** in Total Assets
- In July, obtained its **commercial bank operating license**.
- Invested in its IT infrastructure with **Oracle Flexcube** core banking system.



- **1,004 staff** employed
- **28 operational branches** in Phnom Penh and 20 provinces
- **2,848 loan** customers served
- **11,526 Customer** base
- **4,431 Mobile Banking app Users** (38% of total customers)
- **Digital Banking** Launched
- **32 ATMs / CDMs** deployed
- Completed integration with **FAST** and **Bakong**
- **HRIS** launched (web browser)
- **E-From** launched (web browser)

2019

2020

- **1,011 staff** employed
- **31 operational branches** in Phnom Penh and 21 provinces.
- **2 Priority Banking Lounges** were launched.
- **57 ATM / CDM Locations** deployed
- **4,062 Loan customers** served
- **28,805 Customer** base
- **19,379 Users** (67% of total customers)
- No. of billers **17 Bill Payments** in PRINCE Mobile
- 10,794 Debit Cards & 829 Credit Cards of **MasterCard** and **Visa**
- **2,016 QR Payments** started
- Completed integration with **Retail Pay** and **CSS**
- Become a **direct member of National Clearing House**
- Launched **Oversea Transfer** via **Kasikorn Bank** (Currency USD, EUR & THB)
- **PRINCE Pay** launched (QR scanning)
- **E-learning** Platform launched.
- **HRIS** mobile app launched.
- **HR In The Pocket** app launched (integrated E-learning platform and E-form)

# Branch Network



Total **31 OPERATIONAL BRANCHES**  
and **57 ATM / CDM LOCATIONS.**

## Head Office

#175 ABCD, Mao Tse Toung Blvd, Phum 5, Sangkat Toul Svay Prey Ti Mouy, Khan Chamkar Mon, Phnom Penh.

## Toul Sangkae Branch

#211 Eo, Street 598, Sangkat Toul Sangkae2, Khan Russey Keo, Phnom Penh.

## Chaom Chau Branch

#2111, National Road 4, Phum Prey Pring Khang Cheung1, Sangkat Chaom Chau3, Khan Pur Senchey, Phnom Penh.

## Chrouy Changvar Branch

No 8 and 10 National Road 6A, Khtor Village, Sangkat Preaek Lieb, Khan Chrouy Changvar, Phnom Penh.

## Olympia Branch

Building S2-01 The olympia City, Preah Monireth Blvd. (217) and Tep Phan Street (182), Sangkat Vealvong, Khan Prampir Makara, Phnom Penh.

## Prince Plaza Branch

Bloc A-1, Lot. No 71, Norodom Blvd, Sangkat Tonle Bassak, Khan Chamkar Mon, Phnom Penh.

## Chbar Ampov Branch

Building No 218-218A, National Road No 1, Ruessi Sras Village, Sangkat Nirouth, Khan Chbar Ampov, Phnom Penh

## Phsar Daeum Thkov Branch

N 363, St 271, Phum 3, Sangkat Phsar Daeum Thkov, Khan Chamkar Mon, Phnom Penh.

## Battambang Branch

Road N5, Prek Moha tep Village, Sangkat Svay Por, Krong Battambang, Battambang Province.

## Siem Reap 1 Branch

Road N6, Sala Kanseng Village, Sangkat Svay Dangkm, Krong Siem Reap, Siem Reap Province.

## Kampong Cham Branch

Road N7, Phum To Boun, Sangkat Veal Vong, Krong Kampong Cham, Kampong Cham Province.

## Preah Sihanouk Branch

St. Ekareach , Phum Mouy, Sangkat Pir, Krong Preah Sihanouk, Preah Sihanouk Province.

## Ta Khmao Branch

National Road No 21, Thmei Village, Sangkat Ta Khmao, Krong Ta Khmao, Kandal Province.

## Prey Veng Branch

Lekh Prampir Village, Sangkat Kampong Leav, Krong Prey Veng, Prey Veng Province.

## Svay Rieng Branch

Soun Thmei Village, Sangkat Prey Chhlak, Krong Svay Rieng, Svay Rieng Province.

## Kratie Branch

Doun Chroam Village, Sangkat Kratie, Krong Kratie, Kratie Province.

**Ratanak Kiri Branch**

Chey Chumnas Village, Sangkat Labansiek, Krong Ban Lung, Ratanak Kiri Province.

**Kampong Speu Branch**

Lot No 884, Peanicheakkam Village, Sangkat Rokar Thom, Krong Chbar Mon, Kampong Speu Province.

**Takeo Branch**

Lot No 792, Louri Village, Sangkat Roka, Krong Doun Kaev, Takeo Province.

**Preah Vihear Branch**

Andoung Pou Village, Sangkat Kampong Pranak, Krong Preah Vihear, Preah Vihear Province.

**Kampong Chhnang Branch**

La Tuek Trei Village, Sangkat Kampong Chhnang, Krong Kampong Chhnang, Kampong Chhnang Province.

**Kampong Thom Branch**

Lot No 1200, Kampong Thom Village, Sangkat Kampong Roteh, Krong Steung Saen, Kampong Thom Province.

**Paoy Paet Branch**

Baliley 1 Village, Sangkat Paoy Paet, Krong Paoy Paet, Banteay Meanchey Province.

**Tboung Khmum Branch**

Lot N 0819, National Road N7, Cheung Lang Village, Sangkat Suong, Tboung Khmum Province.

**Pursat Branch**

Lot No 0532, National Road N5, Sthani Village, Sangkat Svay At, Krong Pursat, Pursat Province.

**Steung Treng Branch**

Lot N45, Road 63, Phum Preaek, Sangkat Steung Treng, Krong Steung Treng, Steung Treng Province.

**Banteay Meanchey Branch**

Lot N AIII 1188, National Road N 6A, Phum Mouy, Sangkat Preah Ponlea, Krong Serei Saophoan, Banteay Meanchey Province.

**Kampot Branch**

Lot N AI 0687, St Soun Chhbar Krong, Phum Mouy Ousaphea, Sangkat Kampong Kandal, Krong Kampot, Kampot Province.

**Siem Reap 2 Branch**

Lot No. 1526, Sivutha Blvd., Phum Vihea Chen, Sangkat Svay Dangcum, Krong Siem Reap

**Steung Mean Chey**

Lot 2950 and 2951, No 32A and 33A, Monireth Blvd, Damnak Thom 1 Village, Sangkat Steung Mean Chey 2, Khan Mean Chey, Phnom Penh

**Mondul Kiri branch**

Lot 618, Kandal Village, Sangkat Spean Mean Chey, Krong Saen Monourom, Mondul Kiri Province

# ATM Network

**PHNOM PENH**

- |                             |                                      |
|-----------------------------|--------------------------------------|
| 1. Head Office              | 17. The Factory (Urban village)      |
| 2. Toul Sangkae Branch      | 18. Prince Phnom Penh Tower          |
| 3. Chaom Chau Branch        | 19. Himawari Hotel                   |
| 4. Chrouy Changvar Branch   | 20. Prince Supermarket Toul Svayprey |
| 5. Olympia Branch           | 21. Prince Supermarket Sisowath      |
| 6. Prince Plaza Branch      | 22. Sky Tree Residence               |
| 7. Chbar Ampov Branch       | 23. Total Gas Station Phsar Thmey    |
| 8. Phsar Daeum Thkov Branch | 24. PTT Gas Station Road 6A          |
| 9. Steung Mean Chey         | 25. Mequiar Boeung Snor              |
| 10. AEON Sen Sok            | 26. Lucky Express Reussey Keo        |
| 11. TK Avenue               | 27. AEON Mall Phnom Penh             |
| 12. Eden Garden             | 28. The Bridge                       |
| 13. Brown 57 BKK            | 29. Mobile Coffee Sothearos          |
| 14. TK Roundabout           | 30. Santhormuk High School           |
| 15. Koh Pich                | 31. Norodom Primary School           |
| 16. The Point               | 32. Lucky Express Chak Angraek Krom  |

**PROVINCE**

- |                            |   |
|----------------------------|---|
| 33. Battambang Branch      | 49. Pursat Branch                       |
| 34. Siem Reap 1 Branch     | 50. Steung Treng Branch                 |
| 35. Kampong Cham Branch    | 51. Banteay Meanchey Branch             |
| 36. Preah Sihanouk Branch  | 52. Kampot Branch                       |
| 37. Ta Khmao Branch        | 53. Siem Reap 2 Branch                  |
| 38. Prey Veng Branch       | 54. Mondul Kiri branch                  |
| 39. Svay Rieng Branch      | 55. U-care Pamacy old Market -Siem Reap |
| 40. Kratie Branch          | 56. U-Care Sivutha Siem Reap            |
| 41. Ratanak Kiri Branch    | 57. Hong Hout Pharmacy                  |
| 42. Kampong Speu Branch    |   |
| 43. Takeo Branch           |   |
| 44. Preah Vihear Branch    |   |
| 45. Kampong Chhnang Branch |   |
| 46. Kampong Thom Branch    |   |
| 47. Paoy Paet Branch       |   |
| 48. Tbong Khmum Branch     |   |

## Products and Promotions



### Retail Products and Services

Our deposit account offerings include the following: Prince Savings Account, Prince Payroll, Current Account, and Priority Banking Account.

Our Term Deposits have competitive interest rates, varying tenure terms, and two options for earning interest: monthly or on maturity date.

Our Card products consists of Debit and Credit Mastercard and Visa card, and ATM card with CSS.

We offer various types of loans for customers with differing needs: Home Loan, Personal Loan, Student Loan, Property loans to customers of partner developers, Salary Advance, Corporate Employee loan, and Overdraft facilities to Payroll customer.

Apart of products listed, we provide various type of services such as Local Transfer (NCS, FAST, Retail Pay, Bakong), Overseas Transfers.

### Business Banking Products and Services

For corporate customers we offer the following: Business Check Account, Business Plus Account, Term Deposits, SME Loans, Business Term Loans, Financial Institution Loans, Loans Against Cash Secured, Overdraft Service, Bank Guarantee, and a Funds Released Agreement Service.

### Retail and Business Banking Promotions



Refer customers to open a minimum 12-month new Term Deposit Account and receive 0.1% of the term deposit amount. Earn up to \$10,000 for each customer you refer.



Open a Savings or Current Account with Prince Bank now and you'll get an instant reward, such as movie tickets, umbrellas, raincoats and a lot of other prizes!



The more clients you refer, the more rewards you will earn!  
New clients must meet all terms and conditions before the referrer receives a bonus or special rate.



You can transfer money from your Prince Bank Accounts to any local banks that are a member of the FAST Payment System, free of charge and in real-time .



Prince's Current Account allows you to easily manage your transactions while enjoying a free checkbook.



Annual fee waived and receive an instant prize!

Just apply for a Prince Bank Mastercard Credit or Debit card, and you will receive these special offers! No worries with local /international payments and online payments!



Opportunity to start and grow an SME business by applying for an SME Loan at Prince Bank, with attractive interest rate of 7% p.a. and up to 7 years. We will always be here to support your financial needs!



Easier, faster and with fee waived for Inter-bank transfer through the PRINCE Mobile!



There's no need to worry anymore about where to cash in and cash out from your Bakong account!

You can cash in and cash out easily from your Bakong account with no fees charged through the 31 branches of Prince Bank nationwide.



Enjoy discounts of up to 50% off at all Major Cineplex branches, just simply show your priority banking card / ATM card or make a payment using Prince Bank Mastercard/Visa card, you will receive a special discount instantly on 2D / 3D / VIP movie tickets. If you don't have any Prince Bank cards yet, you can apply for a card today at any Prince Bank branch or through PRINCE Mobile.



Real-time funds transfer with Retail Pay Service on PRINCE Mobile!

Prince Bank has become a member of the National Bank of Cambodia's Retail Pay (RFT) System, which allows customers to transfer money from their Prince Bank account to or receive money from other financial institutions that are member of the system. What's more, Prince Bank customers can receive/transfer money through PRINCE Mobile for free and access funds immediately!



Open a Prince Bank account and receive USD 2 for all new customers!

Easy and fast to open an account by simply downloading PRINCE Mobile through Play Store / App Store or visit any nearest branch.



Solve your financial challenges! By applying for Prince Bank Personal Loan, Housing Loan, and Business Loan, you will receive a special interest rate and long loan tenure!



Don't want to spend a lot on Overseas Funds Transfer fees?

With Prince Bank Overseas Funds Transfer, you will receive a ZERO inward fee and enjoy the special outward fee of only 0.12% for the amount USD 50,000 to USD 200,000!



No more worries with online payments and enjoy an unlimited cashback!

Get USD 1 cashback on a minimum expense of USD10 or above per transaction by paying with Prince Bank Mastercard! The more transactions you made, the more you earn!

# Human Resources



## People Planning and Resourcing

As we strive to be the best digital bank in Cambodia, we have been enhancing our HR processes that leverage on the latest technology evolutions. The Covid-19 pandemic in 2020 has taught & made us adapt in many ways; rather to conduct career fair at universities, we did digital workshop with many universities to source for potential candidates for our frontline and support staff. We have introduced the Prince Bank E-recruitment to the public, known as online recruitment, that use web-bases technology for various processes include attracting, assessing, selecting, and on boarding people to Prince Bank. Through e-recruitment, candidates can easily apply for a job with just one click to apply and the application will connect candidate to a larger candidate pool that we have, that has enabled our selection much faster.

## Learning and people Development

- At Prince Bank, staff development is always our top priority. To support the rapid growth and expansion efforts of the bank, we continued to invest significantly in training and developing our employees both new and current. This is to ensure that they have the right knowledge, skills, and attitude to perform their jobs successfully and to carry out the bank's mission and objectives for our customers.
- Despite the COVID-19 situation which caused inevitable challenges in conducting in-person training, thanks to our internal Learning Management System (LMS) and modern technology tools, we were still able to continually develop our staff by delivering training to them online and virtually. As a result, we conducted more than 6,500 training hours in-house training courses for 1,200 new and current employees. The courses cover both hard skills and soft skills. In addition, we have also assigned our staff from various divisions to attend external training courses both locally and internationally.
- We have also been designing and planning a leadership development program targeted at all employees across the entire bank to help them become effective leaders and prepare them well for career progression. The roll-out of this program is expected to begin in mid-2021.



## Compensations and Benefits

- Employee Benefits

- As one of the best companies to work for, Prince Bank Plc. has been recognized as one of the industry leaders providing attractive remuneration package to our employees.
- In 2020, the bank improved the staff loan features providing low interest rates to our employees to purchase their dream homes and personal vehicles, and to finance other personal consumptions needs. We also amended the Sales Staff Incentive Scheme by providing attractive payout rate and simplifying the calculation which is very encouraging to our sales team to grow their portfolios.

- Staff Protection Measures from Covid-19

Since March 2020, the bank has fully adhered to the MOH's health guidelines to protect the bank's staff and all visitors coming into the bank's premises such as compulsory thermal scanning, face mask wearing, hand sanitization, and daily office sanitization. The bank also set out other proactive guidelines for our employees to follow. For instance, the bank innovatively designed a reporting mechanism for all employees to submit their daily health self-assessment via a digital platform so that their line managers and HR are aware of who are unwell, their symptoms, and give advice to employees for medical check or go for a covid-19 test.



- HR Process Automation and Digitalization

- Prince Bank's vision is to be "the financial institution of Choice in Cambodia" and we are committed to achieve beyond the need of our customer in a fast & effective manner. With that, the Bank has set high standard of work quality "best in class service" and timely & efficient service delivery from its employees. In 2020, Prince Bank Plc. has reviewed its core competencies and developed training models to be delivered to all employees in 2021, to enhance its bank employees with expectation to make an impact to reach customer satisfaction rate at above 80% in overall.
- At PRINCE Bank Plc., all employees can access and learn by themselves anytime, anywhere through web browser as well as our HR in the Pocket mobile app. Since the COVID-19 pandemic in early 2020, we have managed to switch from face-to-face training to a complete online training and learning mode for our employees.
- Under recruitment, both external and internal candidates can view vacancies and apply through our seamless recruitment portal. With this, we also can manage the whole recruitment process until onboarding new hire.
- Our HR System also allows us to manage thousands of employee profiles, payroll, performance objectives setting and appraisal, employee exit process, and so on. Our employees can use multiple e-Forms to assist them in day-to-day administrative process so as to increase productivity and efficiency.
- As part of HR digitalization journey, we are looking forward to simplifying and automating more HR processes, bringing more features to our HR in the Pocket app, and enhance the UI/UX to create a great employee experience in Prince Bank Plc.

## Performance Management and HR Business Partners

### Performance Management

To support the strategic growth of the bank in 2020, the Performance Management Guideline has been introduced to guide our people to set clear KPI and conduct performance feedback across the Bank that has enable our overall employee engagement rate at average or more than 80%.

### HR Business Partner

Our HR teams were deployed to attach to business units that has enabled the HR work process and coordination of key HR projects more efficiently. With that, not only do our internal people feels appreciated with our HR team, but also external institutions also recognizes our Bank, as a result, in 2020 we have received the following awards.

### Human Resources (HR) Awards

Prince Bank Plc. is proud to present the three awards received in 2020

- Global Best Employer Brand Awards 2020 from the World HRD Congress in February 2020 which represent Prince Bank's name globally.
- Cambodia Best Employer Brand Awards 2020 from the World HRD Congress in January 2020 which means at Prince Bank Plc. is one of the best employer brands in Cambodia.
- HR ASIA Best Companies to Work for in Asia 2020 From Business Media International In December 2020 for the "Best Companies to Work For in Asia".



Global Best Employer Brand  
Awards 2020



Cambodia Best Employer  
Brand Awards 2020



HR ASIA Best Companies to  
Work for in Asia 2020

Upon transforming into a full-fledged commercial bank in July 2018, Prince Bank have significantly increased the number of employees. During this relatively short period of time, Prince Bank had been focusing on its "Employer of Choice" campaign by establishing guidelines and procedures, streamlining the recruitment and on-boarding processes, investing in staff training and development, instilling a performance-based and values-driven culture, and providing opportunities for employees to voice their feedback. Prince Bank is honored to have been selected for these awards.

# Digitalization Projects

## PRINCE Mobile features enhancements

During the Covid-19 pandemic, it has affected the livelihood of everyone in Cambodia businesses included. So we went about to simplifying banking transactions Prince Bank Plc. by enhancing many useful functions on its PRINCE Mobile banking app for its customers. With PRINCE Mobile, customers could save a trip to a branch by simply accessing features such as transferring funds between Prince Bank and non-Prince Bank accounts, transfer to local bank ( Bakong, Fast Payment, Retail Pay) request for a loan online, open a new account online, request new Prince Bank's card ( Mastercard/VISA ), keep track of their account balances and many more.

Furthermore, we include the frequently transfer functionality that allow customer to schedule transfers to their preferred account daily, weekly, monthly, and yearly. New payment functionality or so call living payment is our continuous enhancement of our partnership with our customer's daily life payment partner such as mobile top-up and other payment institution. The list is growing daily to meet our customer's need. We also include the functionality of the NBC initiative on large amount real time fund transfer called Retail Pay functionality in our mobile banking app to serve the needs of our customer. Moreover, we have created the functionality of allowing our customer to create their own virtual card, and other card related functionality such as block and unblock, PIN change of their card. Furthermore, customers can contact the bank directly through our loan inquiry functionality to assess their eligibility in applying for a loan with our bank.

We will strive to continuously improve, update and grow our PRINCE Mobile app functionality, by being true to being the Fastest Growing Digital Bank in Cambodia.



## Launched PRINCE Pay (QR scanning)

Prince Bank launched its PRINCE Pay, a convenient payment method for daily usage through their mobile banking app. Customers can make payments via our mobile banking applications by just scanning the QR code, followed by a few simple payment steps through the PRINCE Mobile app. This payment method provides a faster, more secured, convenient, and reliable payment experience for all customers. In addition, customers can also enjoy special offers at food and beverage outlets, shopping, entertainment, and so on whenever they perform payment transactions via our PRINCE Pay.



## Launched Prince HR in the Pocket Mobile Application

Prince HR in the Pocket mobile application is a product of internal digitalization of our internal process involving system's user request workflow, changes to system, and so on. It also includes our e-learning platform allowing all Prince staff to learn the optional and mandatory course at their convenience.

## Launched Prince Account Opening

Prince Account Opening is the tablet application that allow to onboard customer to Prince Bank account at the convenience of our customers, at anywhere & anytime. This functionality allows new customer to create an account including verifying existing information with the bank. The enhance functionality include the creation of joint account, as well as creating new account for existing customers.

# Compliance

## Compliance Policy

In compliance with prevailing laws and regulations, professional and ethical standard, and to ensure Bank fully compliance, Prince Bank Plc. has developed Compliance Policy in line with the prakas of Internal Control and Financial Institutions to assist management and Board in identifying, measuring, monitoring, and controlling non-compliance risk and to promote sound management of the bank, in accordance with relevant laws and regulations particularly with National Bank of Cambodia.

This Policy is intended to present how the Bank defines compliance functions that is the critically important in identifying, evaluating, and addressing compliance and regulatory risks and will help Prince Bank to mitigate and eliminate the risk of violations of law, regulations, and ethical behavior.

## Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT)

In compliance with prevailing laws and regulations, professional and ethical standard, and to ensure Bank fully compliance, Prince Bank Plc. has developed Compliance Policy in line with the prakas of Internal Control and Financial Institutions to assist management and Board in identifying, measuring, monitoring, and controlling non-compliance risk and to promote sound management of the bank, in accordance with relevant laws and regulations particularly with National Bank of Cambodia.

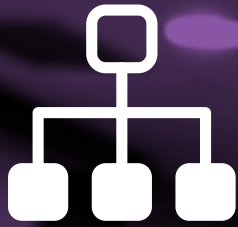
This Policy is intended to present how the Bank defines compliance functions that is the critically important in identifying, evaluating, and addressing compliance and regulatory risks and will help Prince Bank to mitigate and eliminate the risk of violations of law, regulations, and ethical behavior.

## Whistle Blowing Policy

To aware of the inappropriate behavior or any unethical action likely to occur at any time and in line with the Prakas on Internal Control of Bank and Financial Institutions, Prince Bank has established Whistleblowing Policy to determine the responsible person and receiving the information of employees' serious concerns through creating security communication channel where employees will be able to report serious concerns related to practices, behaviors, and conduct that may lead to adverse effects on the Bank's activities.

This Whistleblowing Policy is designed to encourage employees to raise serious concerns internally, without fear of reprisal or victimization, in a responsible and effective manner rather than overlooking a problem or blowing the whistle outside. This policy will also help management to take actions to address or prevent any misconduct in a timely manner. It is also crucial that implementation of the whistleblowing policy is transparent and accountable (so that employees trust the process), which ensures confidentiality of the reporter and the information reported.

# Corporate Structure



# 3

49 Organizational Structure

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51 Corporate Governance

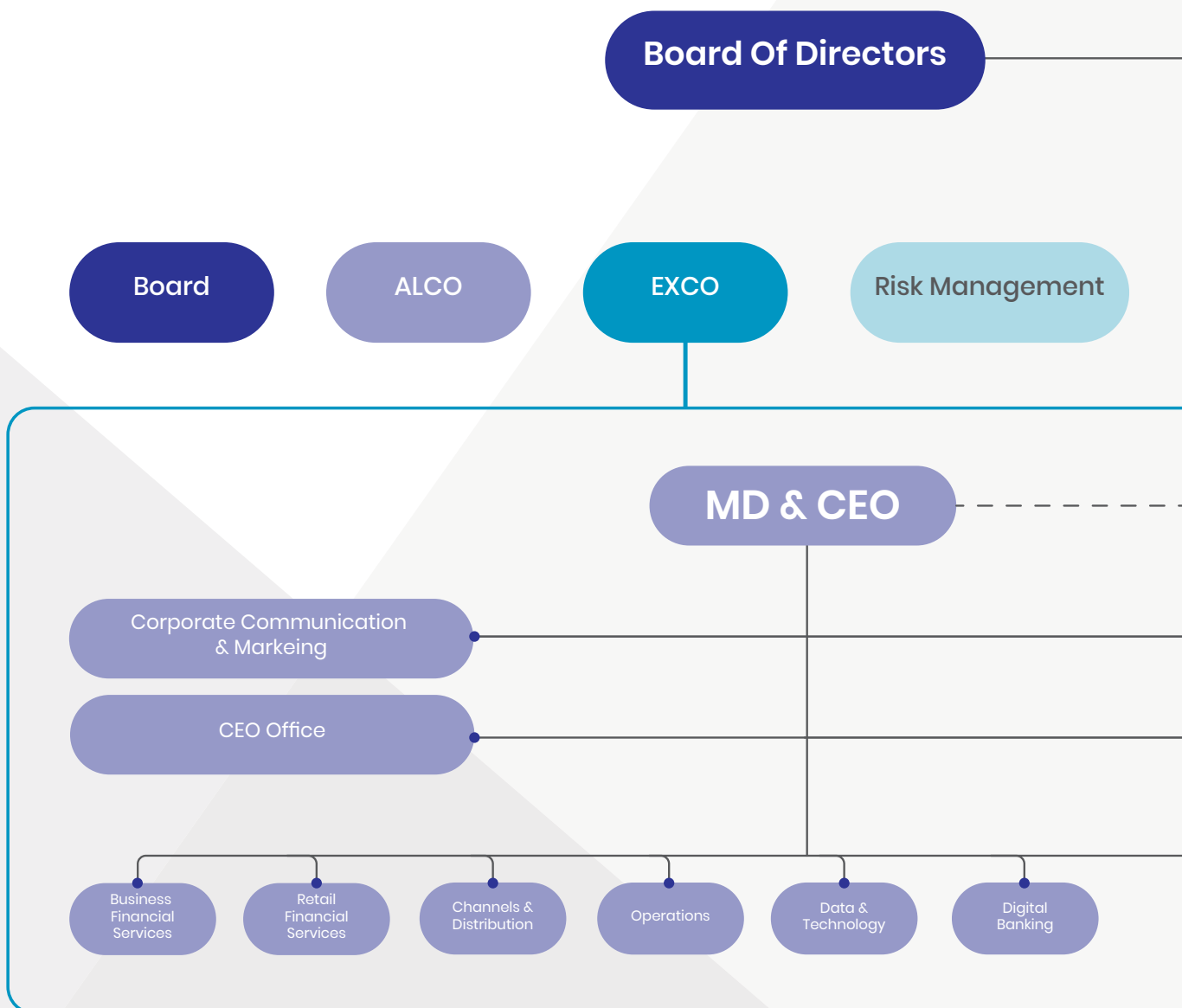
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51 Shareholders

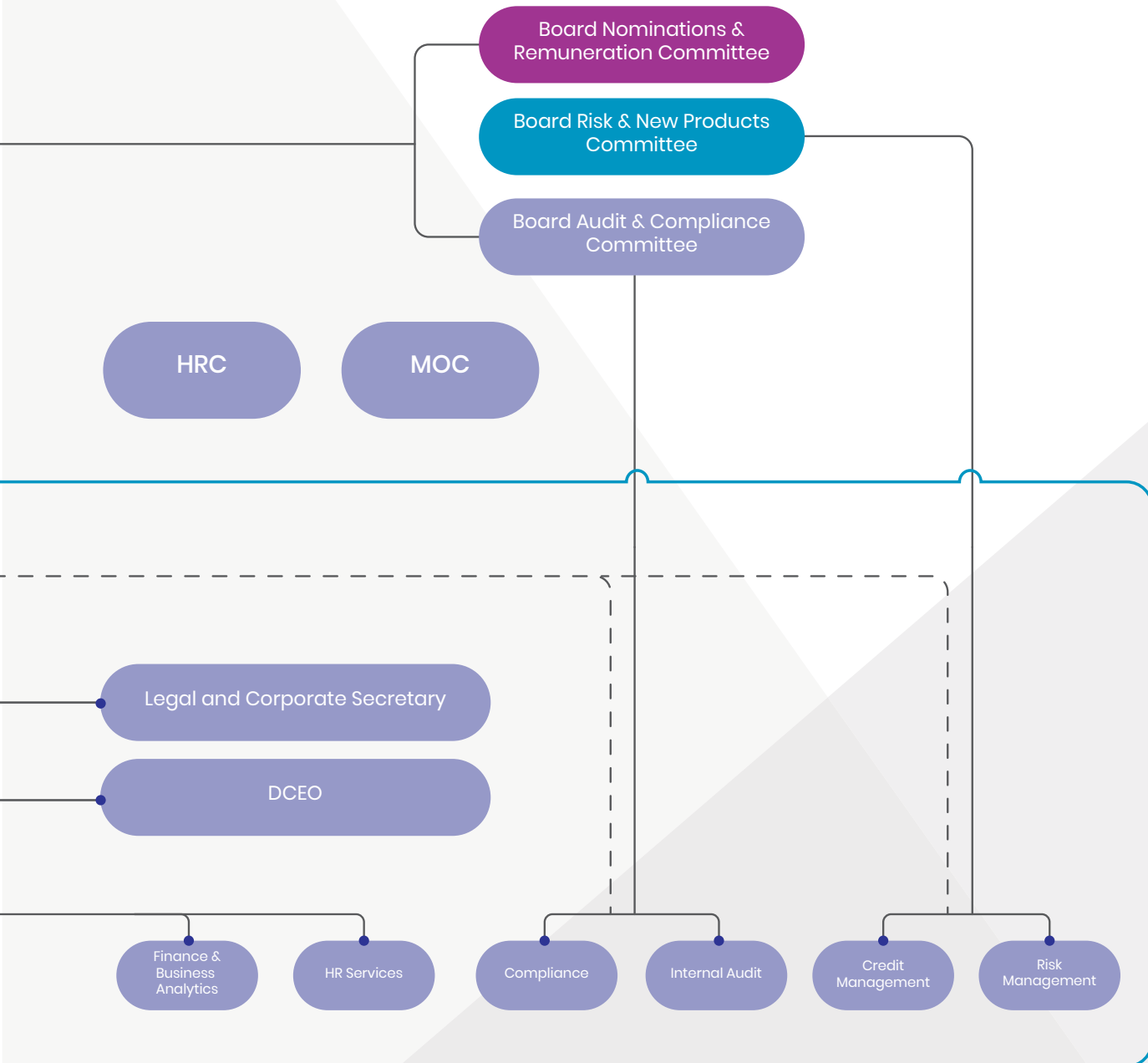
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51 Board of Directors

# Organizational Structure







# Corporate Governance

The Bank clearly understands that effective corporate governance is critical for the Bank to properly function. Therefore, the Bank has adopted the best corporate governance practice in the banking industry with a check and balance mechanism whereby the Board oversees business operations that are run by management.

The Bank is structured to ensure the separation of duties between business functions that directly control business operations and the oversight function comprising of compliance and risk which independently challenge the business function by reporting directly to the Board Committee via the Board Risk and New Products Committee and the Board Audit and Compliance Committee. Furthermore, the internal audit function performs assurance on the controls of the business function and the oversight by compliance and risk and reports directly to the Board Committee via the Board Audit and Compliance Committee.

## CODE OF CONDUCT

The trust and confidence that customers and the public have in the Bank are crucial for its continued growth and success. Prince Bank Plc. actively seeks to conduct itself and abide by the Bank's code of conduct. The directors, staff, contractors, and suppliers are required to acknowledge and implement the Bank's code of conduct with which the Bank requires strict compliance.

# Shareholders

Currently, Prince Bank Plc. has two shareholders: Neak Okhna Chen Zhi and Mr. Guy Chhay. Neak Okhna Chen Zhi, a Cambodian citizen, is the majority shareholder of Prince Bank Plc. He participates in the Bank's core decision-making process which includes increasing capital and expanding business operations.

Mr. Guy Chhay, a Cambodian citizen, is the second shareholder of Prince Bank Plc. He is a passionate entrepreneur with expertise and experience in a range of industries such as real estate, hotels, resorts, restaurant development and management, information technology, and transportation.

# Board of Directors

The Board of Directors ("the Board") is composed of five members, two of whom are independent directors.

The Board is the ultimate decision-making body of the Bank apart from matters requiring the shareholders' approval as provided in the Memorandum of Article of Association and Law on Commercial Enterprise. The Board takes full responsibility for leading, governing, guiding, and monitoring the entire performance of the Bank, and enforces standards of accountability to enable management to execute its responsibilities effectively and efficiently.

The Board adopts a collective decision-making process in all aspects of its judgment. With this effort, the Board benefits from the in-depth knowledge and contribution of each of its Directors in all areas of the Bank's businesses and operations. In addition to their wide range of skills and expertise, the Independent Directors bring independent judgment in the deliberations on key issues regarding strategy, audit, performance, and risk.

The Board has always ensured regulatory compliance as provided in the laws and regulations, particularly with respect to all the Prakas issued by the National Bank of Cambodia ("NBC"). In this regard, the structure and composition of the Board is aligned with NBC requirements. This guarantees that the Bank benefits from the balance of authority which increases accountability and provides greater capacity for independent decision making.

The Board believes that strong corporate governance is vital and essential to successfully undertake the Bank's mission. The corporate governance framework adopted by the Bank is developed on the basis of principles provided by the Prakas No.B7-08-211 on Governance in Banks and Financial Institutions dated 25-November-2008 ("Prakas on Governance"), the Prakas No. B7-08-212 on Fit and Proper Regulatory Requirements for Applying to Entities and Licensed Banks and Financial Institutions dated 25-November-2008 ("Prakas on Fit and Proper"), and Prakas No. B7-010-172 on the Internal Control of Bank and Financial Institutions dated 28-September-2010 ("Prakas on Internal Control") issued by the NBC, together with other international and best practices in corporate governance, where applicable.

Three committees have been set up at the Board level:

#### **BOARD AUDIT AND COMPLIANCE COMMITTEE ("BACC")**

##### **Composition:**

- Mr. THEN SAMVISOTH, Chairman (Non-Executive, Independent Director)
- Mr. SIM HOY CHHOUNG, Member (Non-Executive, Independent Director)
- Mr. GUY CHHAY, Member

#### **Key Duties and Responsibilities**

##### **a) Internal Process and Controls**

1. Endorse for Board's Approval on principles, policies, processes, and control frameworks for management of the Bank's business operations.
2. Review adequacy of internal controls, including financial, operational, and compliance controls established by the management.
3. The BACC should ensure that a review of the effectiveness of internal control is conducted on a regular basis.
4. Review the compliance with laws, regulations, and the Bank's code of conduct. Consider the major findings of any relevant internal investigations into control weakness, fraud or misconduct, and management's response (in the absence of management where applicable).
5. Direct the relevant units to update the BACC and advise on implications of any possible or actual changes in the regulatory environment.
6. Recommend taking appropriate actions to address any adverse impact that the above may have on the Bank's operations or capitalize on opportunities provided.

**b) Financial Reporting**

To oversee the financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient, and credible. This could include, but is not limited to the following:

1. Review accounting policies.
2. Review significant financial reporting issues and judgements to ensure the integrity of the financial statements.
3. Report to the Board in a timely manner all issues that could significantly impact the financial condition.
4. Review the quarterly, half-yearly, and annual financial statements before submission to the Board focusing primarily on:
  - Any changes in accounting policies and practices.
  - Major accounting entries based on exercise of judgement by management.
  - Qualifications, if any, in draft audit report.
  - Significant adjustments arising out of audit.
  - Representation letter to the auditor.
  - Going concern assumption.
  - Compliance with the accounting standards
  - Compliance with legal and regulatory requirements concerning financial statements.
  - Any related party transactions, i.e. transactions of material nature with promoters or the management, their related/associated companies or relatives, etc. that may have potential conflict with the interest of the institution at large.

**c) External Audit**

1. Review the scope of the audit and its cost effectiveness, and the independence and objectivity of external auditors. Where the auditors also supply a substantial volume of non-audit services, the BACC should keep the nature and extent of such services under review, seeking to balance the maintenance of objectivity, and value for money.
2. Make recommendations to the Board on the appointment, re-appointment and removal of external auditor and approve the remuneration and terms of engagement of external auditor.
3. Review the findings of the audit with the external auditor, considering the external auditor's management letter and management's response to the auditor's findings and recommendations.

**d) Internal Audit**

1. Review the scope, activities, and effectiveness of internal audit function.
2. Review the annual internal audit plan and ensure that the internal audit function is adequately resourced and has appropriate access to information standing within the institution.

3. Review quarterly reports and recommendations from internal auditors and ensure that corrective actions are properly taken by the management within the deadlines.
4. Recommend to the Board the appointment of or removal of the executive in charge of Internal Audit Function.
5. Review the findings of any internal investigations by the internal auditor into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.

**e) Compliance**

1. Monitor and proactively review the Bank's adherence to both legal and regulatory compliance requirements applicable to the business and operations of the Bank including without limitation to the control over Anti-Money Laundering and Combating the Financing of Terrorism, and regularly report to the Board in a timely basis on any non-compliance issue with appropriate recommendation or corrective action.
2. Review any related party transaction and conflict of interest situation that may arise within the Bank including any transaction, procedure or course of conduct that arises questions of management integrity.

**f) Others**

1. Coordinate with the Board Risk and New Products Committee to ensure that the Business Continuity Plan is effectively implemented.
2. Perform other duties and activities that it or the Board considers appropriate in the context of these terms of reference.

**BOARD RISK AND NEW PRODUCTS COMMITTEE ("BRNPC")**

**Composition:**

- Mr. SIM HOY CHHOUNG, Chairman (Non-Executive, Independent Director)
- Mr. THEN SAMVISOTH, Member (Non-Executive, Independent Director)
- Mr. GUY CHHAY, Member

**Key Duties and Responsibilities**

**a) Risk**

1. Review management reports detailing the adequacy and overall effectiveness of the Bank's risk management functions and its implementation by management, and reports on internal control, any recommendations, and confirm that appropriate action has been taken.
2. Review the risk philosophy, framework, strategy and policies as recommended by management, ensuring compliance with such policies, and with the overall risk profile of the Institution. Risk in the broadest sense includes market risk, credit risk, liquidity risk, operational risk and commercial risk.
3. Review adequacy of insurance coverage.
4. Review risk identification and measurement methodologies.

5. Have due regard for the principles of governance and codes of best practice.
6. Detailed items that should be published in the Bank's Annual Report relating to the activities of the BRNPC, including the Risk Framework and Methodologies.
7. Obtain external independent advice, in writing or orally, as necessary.
8. Form sub-risk committees from its membership to address specific aspects of its duties.
9. Review and assess the adequacy of risk management policies and framework in identifying, measuring, monitoring and controlling risk and the extent to which these are operating effectively.
10. Ensure infrastructure, resources and systems are in place for risk management i.e. ensure that the staff responsible for implementing risk management systems perform those duties independently of the Bank's risk originating activities.
11. Review periodic reports from the Risk Management Department on risk exposures, risk portfolio composition and risk management activities.

#### **b) New Products**

1. Review and recommend new products including but not limited to features, terms and conditions, strategy and target segments as well as risk management strategies, policies and risk tolerance for BRNPC's endorsement and the Board's approval.
2. Monitor and review the performance of new products introduced to customers and ensure that the new products are consistent with the short and long-term strategic goals as set by the Board.
3. To monitor and evaluate business conditions and developments in the financial markets on an ongoing basis and evaluate the impact arising from changes in legislation and regulation.

#### **BOARD REMUNERATION AND NOMINATION COMMITTEE ("BRNC")**

##### **Composition:**

- Mr. SIM HOY CHHOUNG, Chairman (Non-Executive, Independent Director)
- Mr. GUY CHHAY, Member
- Mr. HONN SORACHNA, Member (Executive Director)

##### **Key Duties and Responsibilities**

- a) To establish the minimum requirements for the Board i.e.) required mix of skills, experience, qualifications, and other core competencies required of a director;
- b) To establish minimum requirements for the CEO and Executive Committee members; and
- c) To establish a mechanism for the formal assessment on the effectiveness of the Board as a whole, each director's effective contribution to the Board, the various committees' contributions to the Board, the CEO, and Executive Committee members' performances; and
- d) To recommend and assess the nominees for directorship, board committee members, the CEO, and Executive Committee members.
- e) To assess directors for reappointment, before an application for approval is submitted to the National Bank of Cambodia ("NBC");

- f) To oversee the overall composition of the Board, in terms of the appropriate size and experience, and the balance between Executive Directors, Non-Executive Directors and Independent Directors by conducting an annual review;
- g) To oversee the appointment, management, succession planning, and performance evaluation of key senior management officers; and
- h) To recommend a framework of remuneration for directors, the CEO, and key senior management officers for the Board's full approval;
- i) To recommend specific remuneration packages for executive directors, the CEO, and Executive Committee members;

### **Executive Committee**

The Executive Committee (EXCO) serves as the highest executive management-decision making of the Bank at the executive management level. In addition, there are Management Committees that are an extension of the EXCO, established to assist the EXCO in discharging its duties and responsibilities. Those committees include the Human Resources Committee (HRC), Risk Management Committee (RMC), Management Credit Committee (MCC), Project Steering Committee (PSC), and the Assets and Liabilities Committee (ALCO).

At the executive management level, the committee is composed of:

1. Mr. HONN SORACHNA, Chief Executive Officer (CEO), as a Chairman of Executive Committee.
2. Mr. BIN DEVIN, Chief Business Officer (CBO), as Deputy CEO (DCEO), as member.
3. Mr. LIM LEE RADY, Head, of Human Resource Services (HHRS), as member.
4. Mrs. KEO ROSNISAY, Head of Legal and Corporate Secretary (HLCS), as member
5. Mr. WINSTON TAN, Chief Financial Officer (CFO), as member
6. Mr. LENG SENGLAN, Head, Risk Management (HRM), as member.
7. Mr. LIM ENG KEAT, Head of Corporate Communications and Marketing (CCM), as member.
8. Mrs. SEA SOKLIN, Head of Compliance (HC), as member.
9. Mr. MIN GANG, Chief Digital Officer & Head of Digital Partnership (CDO)
10. Mrs. PENG LIYA, Head, Retail Financial Services (HRS)
11. Mrs. TE MUNY, Head, Business Financial Services (HBF)
12. Mr. HO KOK WAI, Head, Channels and Distribution (HCD)
13. Ms. HAING HUY, Head, Credit Management Department (HCM)

# Social Responsibility





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# Sustainable Finance Implementation

As a member of the Association of Banks in Cambodia (ABC), Prince Bank Plc. has adopted the Cambodia Sustainable Finance Principles. Adhering to these principles can help banks lower investment risks and find new business opportunities while preserving the environment and supporting local communities.

Throughout 2020, to support our business decision-making at all levels and provide a frame of reference for how to deal with business opportunities and risks in the context of direct and indirect sustainability impacts, we have developed a sustainable finance policy framework consisting of a general policy, four core policies, two theme policies, and nine sensitive sector policies. Each policy outlines the key environmental and social issues, our solution commitments, and what we expect our clients and business partners to do.

Environmental and social risk management procedures were also put into place to provide step-by-step guidance on identifying, assessing, and managing environmental and social risks. In addition to incorporating environmental and social risks in our credit and procurement process, we are committed to promoting financial literacy and inclusion, developing capacity building and awareness related to sustainable finance, developing a green finance policy to provide affordable products and services for renewable energies and green innovation, and reducing our own environmental and social footprints.

The nine sustainable finance principles include the following:

- Environment Protection
- People Protection
- Culture Protection
- Financial Literacy
- Financial Inclusion
- Financial Innovation
- Environmental and Social Standards
- Environmental and Social Footprints
- Transparency and Accountability



# Corporate Social Responsibilities

## Education

### Prince Bank Provide Scholarship to Underprivileged Students



*From the left: Mr. Honn Sorachna holding the MOU contract together with H.E Dr. Om Romny, Director of the Institute of Technology of Cambodia, and H.E Dr. Chet Chealy, Rector of Royal University of Phnom Penh*

On February 15, 2020, Prince Bank shared its love by sponsor 20 full packages of “Prince Bank’s Scholarship” for undergraduate program, to help the underprivileged students who are currently studying at the Institute of Technology of Cambodia and the Royal University of Phnom Penh, to help them develop themselves to be a high-quality human resource.

In addition, the signing ceremony of the Memorandum of Understanding was commended by H.E Khut Chantara, Vice President of Union of Youth Federations of Cambodia, Phnom Penh, Mr. Honn Sorachna, CEO of Prince Bank, H.E Dr. Om Romny, Director of the Institute of Technology of Cambodia, and H.E Dr. Chet Chealy, Rector of Royal University of Phnom Penh. By providing these scholarships, Prince Bank hopes that it will help Cambodia’s youth to get a better education and a great self-development to be the key pillar of their families and the nation.

### The 11th Annual RUPP Fundraising

The 11th Annual RUPP Fundraising event is organized every year to raise funds for charity to beneficiaries chosen by RUPP. During the occasion of this charity event, there also have exhibition booths display, concerts, performances, and many fun activities. Prince Bank had participated in that event to provide knowledge of banking usage as well as create fun activities and giveaway gifts for the public and students who visit our booth during that time.



From the left: H.E Dr. Chet Chealy, Rector of the Royal University of Phnom Penh giving the appreciation letter to Mr. Mr. Honn Sorachna CEO of Prince Bank

## Health and Sport

### A memorable event “Warrior Night” to officially announce the rename of Prince Stadium

On 01 February 2020, we embark on a memorable event “Warrior Night” to officially announce the rename of “Visakha stadium” to “Prince Stadium” and to introduce the players, coaches, and new infrastructure in the 2020 season.



From the left: Lok Chumteav Ke Suon Sophy, President of Visakha Football Club give the flag to Mr. Honn Sorachna for the name change from Visakha Stadium to Prince Stadium



*Prince Bank employees voluntarily donate blood at Prince Bank Head Office*

### Sharing Love by Donating Blood

On the morning of September 24, 2020, Prince Bank collaborated with the National Blood Transfusion Center to organize the “Prince Bank Annual Blood Donation Program 2020” under the theme “Sharing Love by Donating Blood”. This program was actively participated by many of Prince Bank’s management team and staff. The purpose of this program is to contribute to society and to help victims who are in dire need of blood.

## Donation

### Prince Bank continues to support TYDA

For 2020, Prince Bank will continue to support the Samdech Techo Young Volunteer Doctors Association (TYDA), which provides free medical examinations and treatment to people living in impoverished communities to help ease the burden of needy families for medical treatment. With the Covid-19 epidemic in 2020, Prince Bank and TYDA are actively involved in countering the Covid-19 epidemic in Cambodia.



*Middle in white shirt: Lok Chumteav Pech Chanmony, Vice Chairman of the Board of Samdech Techo Young Volunteer Doctors Association (TYDA) and Prince Bank staff in the health check program*

### Prince Bank Introduces New Function in its Mobile App to make donation to Cambodian Children's Fund (CCF)

Through Prince Bank's social responsibility project in collaboration with the Cambodian Children's Fund (CCF), Prince Bank's customers can be able to donate their funds to support CCF's activities to help thousands of vulnerable children and their families free from forced labor, child trafficking, poverty and the inability to live, etc. Cambodian Children's Fund (CCF), founded by Scott Neeson, is currently working to rescue children living in rubbish dumps in Cambodia.



### Prince Bank Donates 10,000 Masks to Visakha Football Club

Base on the daily spread of Covid-19 disease, Prince Bank has donated 10,000 masks to Visakha Football Club to help prevent the spread of Covid-19 disease. This donation is intended to be distributed to people living in rural areas.

### Prince Bank donated 1,170 boxes of masks to Kantha Bopha Children's Hospital



Representative of Kantha Bopha Hospital received box of masks donated from Prince Bank

On the morning of December 16th, 2020, Prince Bank donated 1,170 boxes of masks to Kantha Bopha Children's Hospital to contribute to prevent the spreading of COVID-19 pandemic following the outbreak of community infection on November 28. The handover ceremony was held at Kantha Bopha Children's Hospital with the participation of Mr. Honn Sorachna, CEO of Prince Bank Plc. and the management of Kantha Bopha Children's Hospital, as well as senior management of the Bank.

### Prince Bank launch a CSR Campaign called "Cambodians for Cambodia" to purchase Covid-19 Vaccine

To support the Cambodian government's recommendation to raise funds for the purchase of COVID-19's vaccine, Prince Bank has launched a campaign called "Cambodians for Cambodia" to raise funds for the vaccine purchase. To make donations, customers can transfer their funds to the Cambodians For Cambodia (Vaccine) account with the account numbers 111777888 (for KHR currency) and 666777888 (for US currency), and this donation can be performed at all 31 Prince Bank branches nationwide or through PRINCE Mobile.



# Establishing Recognition





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# Company News

## Prince Bank and the CSX signed a Memorandum of Understanding (MOU) to offer a special package for CSX listed Companies

On January 8th, Prince Bank and the CSX signed a Memorandum of Understanding (MOU) to offer a special package for CSX listed companies. The ceremony was held at the CSX building and was a joint effort to encourage companies to grow and contribute to the country's overall social and economic development.



*Photo: The representative from Cambodia Security Exchange and Prince Bank Management team taking a group photo on the MOU signing ceremony*

## The MOU Signing Ceremony between Prince Bank and FASMEC

Prince Bank and FASMEC signed an MOU of cooperation on March 04, 2020, at FASMEC's headquarters. The event marked Prince Bank and FASMEC's development and rapid growth to help boost the country's economic activities by supporting small and medium-sized enterprises (SMEs). The MOU will allow both parties to collaborate on projects and campaigns, seek financial support and create training courses (such as accounting, cash management, and credit assessment) relevant to the development of SMEs.



*From the left: Oknha Te Tang Por, President of the Cambodian Small and Medium Enterprises, and Mr. Honn Sorachna CEO of Prince Bank at the MOU ceremony*

Priority Banking Launch Event



*In the middle: Mr. Horn Sorchna and Prince Bank Management Team took a group photo during the Priority Banking launching event.*

Prince Bank Plc. marked the launch of Priority Banking with the opening of its Priority Banking Lounge at its Head Office Branch on Mao Tse Toung Boulevard. Priority Banking is designed for customers who are seeking a personalized banking experience to meet their financial and lifestyle goals. From this March, Prince Bank will be hosting a first ever Tea and Tour to our target potential customers at our Priority Banking Lounge.

## 2020 Mid-Year Strategic Management Meeting



Phnom Penh - On August 1, 2020, Prince Bank Plc. held the 2020 Mid-year Strategic Management Meeting with the aim of summarizing the 1st-semester performance and preparing the new strategic plan for 2nd semester in order to “Sustain the Fastest Growing Digital Bank Position in Cambodia”.

This important strategic meeting was participated by Chief Executive Officer, Executive members, and Senior management team from the Head Office and the bank’s branch managers from 31 branches national wide, with a total of approximately 100 participants.

Official Launch of Prince Bank Cards



*From the left : Mr. Tek Sophal representatives from the MasterCard company and Mr. Hann Sorachna CEO of Prince Bank and Mrs. Chum Monika representatives from the VISA company took a group photo on the Launched Event*

The event of “Official Launch of Prince Bank Cards” on the afternoon of September 30, 2020 at Sofitel Phnom Penh Phokeethra Hotel with the participation of the management of Prince Bank, representatives from the MasterCard and Visa, as well as many distinguished guests. In this event, there were also the announcement of the special offer “Everyone wins with Prince Bank” and the official announcement of the award winning as the “Best Commercial Bank Cambodia 2020”.



# Awards and Recognition



Prince Bank won numerous awards from international institutions in the areas of Innovation, Human Resources, Digital Banking, and Overall (Best commercial bank) Category. We are proud & honored that our banking services for our customers is rewarded with these recognitions. In addition, this is also a testimony to our dedication and focuses on making Prince Bank one of the leading Commercial Bank in Cambodia. These awards were made possible by the team's effort and dedication of all at Prince Bank including our business partners. The continuous support from our customers and business partner will make Prince Bank strive harder in the future. Thank You for your unending support and believing in us, we look forward to bring the most innovative products and service to serve your future needs.

## 1. Cambodia Best Employer Brand Awards 2020

*Date: January 2020*

*From: World HRD Congress*

The award reflected the effectiveness of Prince Bank's practices in attracting, developing, and retaining talent in less than two years since transforming from a micro-finance institution into a commercial bank, and its efforts in achieving the 'Employer of Choice' initiative.

## 2. Global Best Employer Brand Awards 2020

*Date: February 2020*

*From: World HRD Congress*

The award recognized Prince Bank as one of the best employers that have utilized HR strategies in managing their employees and advancing their professional growth. Prince Bank has received this award right after winning the Cambodia Best Employer Brand Awards 2020.

## 3. Fastest Growing Digital Bank - Cambodia 2020

*Date: February 2020*

*From: Global Business Outlook Banking Awards 2020*

This is another recognition for digital banking development (Mobile app, ATM, and other digital channels), which Prince Bank has been innovating multiple aspects of its business, by leveraging the potential of digital technology to better serve its customers with convenient banking lifestyle to manage their financial transactions.

## 4. Best Commercial Bank - Cambodia 2020

*Date: August 2020*

*From: International Banker*

The recognition of the sheer speed of the bank development in terms of customers, innovative digital banking, and investment in HR Development, including being the first bank to launch Visa and Mastercard debit and credit cards at the same time, less than two years of becoming a commercial bank.

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#### 5. International Innovation Awards 2020

*Date: November 2020*

*From: Enterprise Asia*

The bank won the award under the Service and Solution category - HR IN THE POCKET. This app is an internal digitalization on an initiative to provide convenience to the bank's staff to perform operational processes efficiently and be lean enough to enhance productivity and performance

#### 6. Best Emerging Commercial Bank - Cambodia 2020

*Date: December 2020*

*From: Global Business Outlook Banking Awards 2020*

Another recognition for Prince Bank in its transformation from the conventional style of banking to digitalization and innovations through digital channels and offering greater convenience for their customers.

#### 7. Best Companies to Work for in Asia 2020

*Date: December 2020*

*From: HR Asia, Business Media International*

For their foster excellent workplace culture and invest in employee development. This award is a testament of the excellent achievements of Prince Bank in investing and developing its Human Resources including the working environment, training programs, benefits, and providing the support systems to its people during the difficult times.

#### 8. Fast Enterprise - Cambodia 2020

*Date: December 2020*

*From: Enterprise Asia*

The bank was awarded with the fast-growing of customer base on its products and services in terms of loans and deposits, its branch and ATMs network expansion across the country in a short period after its transformation from a Micro-finance to full-fledged Commercial Bank.

#### 9. Best Bank for SMEs Cambodia 2020

*Date: December 2020*

*From: ASIAMONEY*

The bank won the award with the great support to small and medium enterprises, especially during the pandemic. The bank had worked closely with the SME Bank to provide business loans with the special interest rates to support the Cambodia's SMEs to maintain and expand their businesses.

# Financial Statements





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# Directors' Report

The Board of Directors (the "Directors") has the pleasure in submitting their report and the audited financial statements of Prince Bank Plc. (the "Bank") as at 31 December 2020 and for the year then ended.

## The Bank

Prior to 18 July 2018, Prince Bank Plc. was named as Prince Finance PLC which was a private limited company formed under the Laws of the Kingdom of Cambodia to operate as a microfinance business in the Kingdom of Cambodia under registration number 00014627 dated 28 April 2015, issued by the Ministry of Commerce. On 18 July 2018, the National Bank of Cambodia issued a license for the Bank to become a private commercial bank with the name changed to Prince Bank Plc. The transaction was also acknowledged and endorsed by the Ministry of Commerce on 21 August 2018.

## Principal Activities

The principal activities of the Bank consist of the provision of various types of banking and related financial services.

## Results of Operation and Dividend

The results of financial performance for the year ended 31 December 2020 are set out in the statement of profit or loss and other comprehensive income on page 83.

There were no dividends declared or paid during the year.

## Share Capital

The Bank has share capital of US\$250 million with 250,000 ordinary shares of US\$1,000 per share.

## Bad and Doubtful Loans and Advances

Before the financial statements of the Bank were drawn up, the Directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad loans and advances or making of allowance for impairment losses, and satisfied themselves that all known bad loans and advances had been written off and that adequate loss allowance has been made for bad and doubtful loans and advances.

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

## Assets

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

At the date of this report and based on the best of knowledge, the Directors are not aware of any circumstances which would render the values attributed to the assets in the financial statements of the Bank misleading in any material respect.

## Contingent and Other Liabilities

At the date of this report, there is:

- (a) no charge on the assets of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person, or
- (b) no contingent liability in respect of the Bank that has arisen since the end of the financial year other than in the ordinary course of banking business.

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

## Change of Circumstances

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

## Items of Unusual Nature

The financial performance of the Bank for the financial year was 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 financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the financial performance of the Bank for the current financial year in which this report is made.

## The Board of Directors

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

<b>Mr. Chen Zhi</b>	Chairman
<b>Mr. Guy Chhay</b>	Director
<b>Mr. Honn Sorachna</b>	Chief Executive Officer and Managing Director
<b>Mr. Then Samvisoth</b>	Independent Director
<b>Mr. Sim Hoy Chhoung</b>	Independent Director

## Directors' Responsibility In Respect of The Financial Statements

The Directors are responsible for ascertaining that the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2020 and of its financial performance and its cash flows for the year then ended in accordance with the Cambodian International Financial Reporting Standards ("CIFRSs").

In preparing these financial statements, the Directors are required to:

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

The Directors confirm that the Bank has complied with the above requirements in preparing the financial statements.

## Approval of The Financial Statements

The accompanying financial statements, together with the notes thereto, which present fairly, in all material respects, the financial position of the Bank as at 31 December 2020 and the financial performance and cash flows of the Bank for the year then ended in accordance with the Cambodian International Financial Reporting Standards, were approved by the Board of Directors.

Signed on behalf of the Board of Directors in accordance with a resolution of the Board of Directors.



**Mr. Honn Sorachna**

Chief Executive Officer and Managing Director

Phnom Penh, Kingdom of Cambodia

Date: March 19 2021

# Independent Auditor's Report

## To the Shareholders of Prince Bank Plc.

### Opinion

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

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

### Basis for Opinion

We conducted our audit in accordance with Cambodian International Standards on Auditing ("CISAs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the Kingdom of Cambodia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Matter

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

### Other Information

Management is responsible for the other information. The other information comprises the Report of the Board of Directors, but does not include the financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, 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 audit assurance or conclusion thereon

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

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

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Board of Directors and respond to that matter in accordance with the requirements of CISA 720 (revised).

## **Responsibilities of Management and the Board of Directors for the financial statements**

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

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

The Board of Directors is responsible for overseeing the Bank's financial reporting process

## **Auditor's responsibilities for the audit of the financial statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

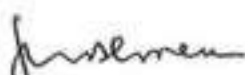
Grant Thornton



GRANT THORNTON (CAMBODIA) LIMITED

Certified Public Accountants

Registered Auditors



Ronald C. Almera

Partner – Audit and assurance

Phnom Penh, Kingdom of Cambodia

Date: March 19 2021

# Financial Statements

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

	Notes	31 December 2020		31 December 2019	
		US\$	KHR'000	US\$	KHR'000
<b>ASSETS</b>					
Cash on hand	6	19,696,246	79,671,315	8,311,993	33,871,371
Deposits and placements with the Central Bank	7	88,286,971	357,120,798	763,409	3,110,892
Deposits and placements with other banks	8	68,142,301	275,635,608	48,105,160	196,028,527
Loans and advances at amortised cost	9	350,128,567	1,416,270,054	302,978,610	1,234,637,836
Investment securities	10	5,013,158	20,278,224	-	-
Statutory deposits with the Central Bank	11	40,954,383	165,660,479	35,763,172	145,734,926
Property and equipment	12	5,902,451	23,875,414	6,486,393	26,432,051
Right-of-use assets	13	12,469,348	50,438,513	12,103,563	49,322,019
Intangible assets	14	5,272,216	21,326,114	3,541,957	14,433,475
Deferred tax assets	15	179,759	727,125	529,899	2,159,338
Other assets	16	3,468,524	14,030,180	2,964,609	12,080,782
<b>TOTAL ASSETS</b>		<b>599,513,924</b>	<b>2,425,033,824</b>	<b>421,548,765</b>	<b>1,717,811,217</b>



## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

	Notes	31 December 2020		31 December 2019	
		US\$	KHR'000	US\$	KHR'000
<b>LIABILITIES AND EQUITY</b>					
<b>LIABILITIES</b>					
Deposits from customers	17	200,173,602	809,702,220	41,634,841	169,661,977
Borrowings	18	112,043,655	453,216,584	93,519,447	381,091,747
Lease liabilities	13	13,564,170	54,867,068	12,842,836	52,334,557
Current income tax liabilities	19	763,661	3,089,009	-	-
Employee benefits	20	64,950	262,723	78,534	320,026
Other liabilities	21	9,144,758	36,990,547	14,976,127	61,027,718
<b>TOTAL LIABILITIES</b>		<b>335,754,796</b>	<b>1,358,128,151</b>	<b>163,051,785</b>	<b>664,436,025</b>
<b>EQUITY</b>					
Share capital	22	250,000,000	1,011,250,000	250,000,000	1,018,750,000
Capital contribution		12,669,783	51,249,272	12,669,783	51,337,961
Accumulated losses		(5,086,718)	(20,517,464)	(7,109,751)	(28,766,248)
Regulatory reserves		6,176,063	25,085,851	2,936,948	11,878,572
Other reserves		-	(161,986)	-	174,907
<b>TOTAL EQUITY</b>		<b>263,759,128</b>	<b>1,066,905,673</b>	<b>258,496,980</b>	<b>1,053,375,192</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>599,513,924</b>	<b>2,425,033,824</b>	<b>421,548,765</b>	<b>1,717,811,217</b>

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

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

	Notes	For the year ended 31 December 2020		For the year ended 31 December 2019	
		US\$	KHR'000	US\$	KHR'000
Interest income	23	37,817,876	154,199,905	26,205,861	106,186,149
Interest expense	23	(7,847,220)	(31,996,524)	(3,899,999)	(15,802,796)
<b>Net interest income</b>	23	<u>29,970,656</u>	<u>122,203,381</u>	<u>22,305,862</u>	<u>90,383,353</u>
Fee and commission income	24	1,157,076	4,717,901	390,818	1,583,595
Fee and commission expense	24	(76,674)	(312,633)	(93,986)	(380,831)
<b>Net fee and commission income</b>	24	<u>1,080,402</u>	<u>4,405,268</u>	<u>296,832</u>	<u>1,202,764</u>
Other operating income		270,160	1,101,560	3,386	13,720
Other gains/(losses) - net	25	386,332	1,575,244	(647,034)	(2,621,782)
<b>Total operating income/(losses)</b>		<u>656,492</u>	<u>2,676,804</u>	<u>(643,648)</u>	<u>(2,608,062)</u>
Credit impairment losses	26	(820,768)	(3,346,628)	(1,818,540)	(7,368,724)
<b>Net other operating loss</b>		<u>(164,276)</u>	<u>(669,824)</u>	<u>(2,462,188)</u>	<u>(9,976,786)</u>
Personnel expenses	27	(12,769,803)	(52,068,032)	(10,186,282)	(41,274,815)
Depreciation and amortisation charges	28	(3,801,965)	(15,502,263)	(2,885,743)	(11,693,030)
Other operating expenses	29	(7,586,099)	(30,931,820)	(8,996,716)	(36,454,694)
<b>Profit/(loss) before income tax</b>		<u>6,728,915</u>	<u>27,436,709</u>	<u>(1,928,235)</u>	<u>(7,813,208)</u>
Income tax (expense)/credit	30	(1,466,767)	(5,980,646)	342,464	1,387,664
<b>Net profit/(loss) for the year</b>		<u>5,262,148</u>	<u>21,456,063</u>	<u>(1,585,771)</u>	<u>(6,425,544)</u>
Other comprehensive income:					
<i>Items that will not be reclassified to profit or loss</i>					
Currency translation differences		-	(336,893)	-	107,471
<b>Total comprehensive income/ (loss) for the year</b>		<u>5,262,148</u>	<u>21,119,170</u>	<u>(1,585,771)</u>	<u>(6,318,073)</u>
<b>Profit/(loss) attributable to:</b>					
Owners of the Bank		<u>5,262,148</u>	<u>21,119,170</u>	<u>(1,585,771)</u>	<u>(6,425,544)</u>
<b>Total comprehensive income/(loss) attributable to:</b>					
Owners of the Bank		<u>5,262,148</u>	<u>21,119,170</u>	<u>(1,585,771)</u>	<u>(6,318,073)</u>

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

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

	Attributable to owners of the Bank											
	Share capital		Capital contribution		Accumulated losses		Regulatory reserves		Other reserves		Total	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
<b>Balance at 1 January 2019</b>	100,000,000	401,800,000	-	-	(3,889,831)	(15,730,571)	1,302,799	5,268,439	-	67,436	97,412,968	391,405,304
Loss for the year	-	-	-	-	(1,585,771)	(6,425,544)	-	-	-	-	(1,585,771)	(6,425,544)
Other comprehensive income	-	-	-	-	-	-	-	-	-	107,471	-	107,471
<b>Total comprehensive income for the year</b>	-	-	-	-	(1,585,771)	(6,425,544)	-	-	-	107,471	(1,585,771)	(6,318,073)
<b>Transactions with owners in their capacity as owners:</b>												
Issuance of share capital	150,000,000	607,800,000	-	-	-	-	-	-	-	-	150,000,000	607,800,000
Capital contribution	-	-	12,669,783	51,337,961	-	-	-	-	-	-	12,669,783	51,337,961
Transfer to regulatory reserves	-	-	-	-	(1,634,149)	(6,610,133)	1,634,149	6,610,133	-	-	-	-
Currency translation differences	-	9,150,000	-	-	-	-	-	-	-	-	-	9,150,000
<b>Total transactions with owners</b>	150,000,000	616,950,000	12,669,783	51,337,961	(1,634,149)	(6,610,133)	1,634,149	6,610,133	-	-	162,669,783	668,287,961
<b>Balance at 31 December 2019</b>	<b>250,000,000</b>	<b>1,018,750,000</b>	<b>12,669,783</b>	<b>51,337,961</b>	<b>(7,109,751)</b>	<b>(28,766,248)</b>	<b>2,936,948</b>	<b>11,878,572</b>	<b>-</b>	<b>174,907</b>	<b>258,496,980</b>	<b>1,053,375,192</b>
<b>Balance at 1 January 2020</b>	250,000,000	1,018,750,000	12,669,783	51,337,961	(7,109,751)	(28,766,248)	2,936,948	11,878,572	-	174,907	258,496,980	1,053,375,192
Net profit for the year	-	-	-	-	5,262,148	21,456,063	-	-	-	-	5,262,148	21,456,063
Other comprehensive loss	-	-	-	-	-	-	-	-	-	(336,893)	-	(336,893)
<b>Total comprehensive income for the year</b>	-	-	-	-	5,262,148	21,456,063	-	-	-	(336,893)	5,262,148	21,119,170

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

	Attributable to owners of the Bank											
	Share capital		Capital contribution		Accumulated losses		Regulatory reserves		Other reserves		Total	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
<b>Transactions with owners in their capacity as owners:</b>												
Transfer to regulatory reserves	-	-	-	-	(3,239,115)	(13,207,279)	3,239,115	13,207,279	-	-	-	-
Currency translation differences	-	(7,500,000)	-	(88,689)	-	-	-	-	-	-	-	(7,588,689)
<b>Total transactions with owners</b>	-	(7,500,000)	-	(88,689)	(3,239,115)	(13,207,279)	3,239,115	13,207,279	-	-	-	(7,588,689)
<b>Balance at 31 December 2020</b>	<b>250,000,000</b>	<b>1,011,250,000</b>	<b>12,669,783</b>	<b>51,249,272</b>	<b>(5,086,718)</b>	<b>(20,517,464)</b>	<b>6,176,063</b>	<b>25,085,851</b>	<b>-</b>	<b>(161,986)</b>	<b>263,759,128</b>	<b>1,066,905,673</b>

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

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	For the year ended 31 December 2020		For the year ended 31 December 2019	
		US\$	KHR'000	US\$	KHR'000
<b>Cash flows from operating activities</b>					
Cash used in operations	32	81,345,072	331,679,187	(171,084,403)	(693,234,002)
Interest received		36,798,527	150,043,576	26,384,766	106,911,072
Interest paid		(4,258,909)	(17,365,422)	(2,565,523)	(10,395,499)
Income tax paid		(352,966)	(1,439,196)	-	-
Unrealised exchange gains		(338,685)	(1,380,966)	-	-
Employee benefits paid		(558,235)	(2,276,167)	(166,860)	(676,117)
		<u>112,634,804</u>	<u>459,261,012</u>	<u>(147,432,020)</u>	<u>(597,394,546)</u>
<b>Cash flows from investing activities</b>					
Capital guarantee deposits		-	-	(15,000,000)	(60,780,000)
Deposits and placements with the Central Bank					
- maturity more than three months		(6,937,225)	(28,461,926)	(99,098)	(403,824)
Purchases of intangible assets	14	(2,019,669)	(8,235,068)	(1,275,397)	(5,167,909)
Purchases of property and equipment	12	(1,233,669)	(5,030,204)	(3,239,600)	(13,126,859)
Proceeds from disposals of property and equipment		883	3,600	485	1,965
Purchases of investment securities	10	(5,000,000)	(20,387,172)	-	-
		<u>(15,189,680)</u>	<u>(62,110,770)</u>	<u>(19,613,610)</u>	<u>(79,476,627)</u>
<b>Cash flows from financing activities</b>					
Principal element of lease payments		(1,205,152)	(4,913,928)	(886,893)	(3,593,690)
Proceeds from borrowings		15,792,240	63,879,611	189,000,000	765,828,000
		<u>14,587,088</u>	<u>58,965,683</u>	<u>188,113,107</u>	<u>762,234,310</u>
<b>Net increase in cash and cash equivalents</b>					
		112,032,212	456,115,925	21,067,477	85,363,137
Cash and cash equivalents at beginning of year		57,144,131	232,862,334	36,076,654	144,955,996
Currency translation differences		-	(4,659,951)	-	2,543,201
<b>Cash and cash equivalents at end of year</b>	31	<u>169,176,343</u>	<u>684,318,308</u>	<u>57,144,131</u>	<u>232,862,334</u>

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

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020 AND FOR THE YEAR THEN ENDED

### 1. General

Prior to 18 July 2018, Prince Bank Plc. (the “Bank”) was named as Prince Finance PLC, which was a private limited company formed under the Laws of the Kingdom of Cambodia to operate as a microfinance business in the Kingdom of Cambodia under registration number 00014627 dated 28 April 2015, issued by the Ministry of Commerce. On 18 July 2018, the National Bank of Cambodia issued a license for the Bank to become a private commercial bank with the name changed to Prince Bank Plc. The transaction was also acknowledged and endorsed by the Ministry of Commerce on 21 August 2018.

The principal activities of the Bank consist of the provision of various types of banking and related financial services.

The registered head office of the Bank is currently located at No. 175 ABCD, Mao Tse Tung Blvd, Sangkat Toul Svay, Prey I, Khan Chamkarmon, Penh, Phnom Penh, Cambodia.

#### **Covid-19 outbreak and EBA**

The novel coronavirus (“COVID-19”), declared as a pandemic, has spread into Cambodia since late January 2020. Since then, the country is facing sustained risk of further national spread causing disruption to business and economic activity.

During the peak of the outbreak of Covid-19 in Cambodia, the pandemic has affected the importation and exportation of raw materials and final goods in and out of Cambodia which resulted to the temporary suspension of operations of some factories and companies between the months of March until May. Other sectors such as hotel and tourism were also impacted due to the limited travel flights and the impact of the pandemic to the global tourism sector. As of the date of this report, the outbreak in Cambodia is still manageable and is now rolling out its vaccination program.

In February 2020, the European Commission decided to temporarily suspend part of the tax reliefs granted to Cambodia under the European Union’s Everything But Arms’ (“EBA”) trade scheme and become effective last 12 August 2020 except for the United Kingdom of Great Britain and Northern Ireland which decided to have a separate independent trading policy with Cambodia beginning 1 January 2021.

Management has also considered the impact of Covid-19 by:

a) updating the forward-looking elements in computing the probability of default (“PD”) for expected credit loss (“ECL”) computation;

b) moving the stage of clients who have requested for a delay of their repayment from stage 1 to stage 2 to reflect the increased credit risk.

On 27 March, the NBC issued a Circular on Loan Restructure during the Impact of the COVID-19 pandemic, which aims to maintain financial stability, support economic activities and mitigate the burden of borrowers who are facing difficulty making repayments due to a drop in their main income. The NBC has instructed banks and financial institutions to pay attention to clients who are facing actual impact and has allowed the loan restructure for affected industries.

## 2. Financial reporting framework and basis of preparation and presentation

### 2.1. Statement of compliance with Cambodian International Financial Reporting Standards

The financial statements have been prepared in accordance with Cambodian International Financial Reporting Standards (“CIFRSs”). CIFRSs are equivalent to International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Standards Boards (“IASB”) because IFRSs are adopted by the National Accounting Council (“NAC”) without modification as CIFRSs.

### 2.2. Basis of preparation

The financial statements of the Bank, which are expressed in United States Dollars (“US\$”), have been prepared on the historical cost basis, except for financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Bank takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

### **2.3. Basis of aggregation**

The financial statements include the financial statements of the head office and its 31 branches after the elimination of all significant inter-branch balances and transactions.

### **2.4. Rounding of amounts**

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

## **3. New and amended accounting standards and interpretations not yet adopted by the Bank**

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting period and have not been early adopted by the Bank. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

## **4. Summary of significant accounting policies**

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

### **4.1. Foreign currency translation**

#### **a) Functional and presentation currency**

Items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the Bank operates (the "functional currency"). The US\$ reflects the economic substance of underlying events and circumstances of the Bank. The financial statements are therefore presented in US\$, which is the Bank's functional and presentation currency.

#### **b) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

#### **c) Presentation in Khmer Riel**

In compliance with the Law on Accounting and Auditing, a translation of the financial statements from US\$ to Khmer Riel is required. The statements of profit or loss and other comprehensive income and cash flows are translated into Khmer Riel using the average rates for the years. Assets and liabilities for each statement of financial position presented and



shareholders' capital are translated at the closing rates as of the reporting dates. Resulting exchange difference arising from the translation of shareholders' capital is recognised directly in equity; all other resulting exchange differences are recognised in the other comprehensive income.

The Bank has used the official rate of exchange published by the National Bank of Cambodia and the General Department of Taxation for the year 2020 and 2019, respectively. As at the reporting date, the yearly average rate was US\$ 1 to KHR 4,077 (2019: US\$ 1 to KHR 4,052) and the closing rate was US\$1 to KHR 4,045 (2019: US\$ 1 to KHR 4,075).

#### **4.2. Cash and cash equivalents**

For the purpose of presentation in the statement of cash flows, cash and cash equivalents comprises cash on hand, unrestricted deposits and placements with the Central Bank, deposits and placements with other banks, and other short-term highly liquid investments with original maturities of three months or less where the Bank has full ability to withdraw for general purpose whenever needed and subject to an insignificant risk of changes in value.

#### **4.3. Financial assets**

##### **a) Classification**

The Bank classifies its financial assets as measured at amortised cost, which include cash on hand, deposits and placements with the Central Bank and other banks, loans and advances at amortised cost, investment securities at amortized cost and other assets.

The classification depends on the Bank's model for managing financial assets and the contractual terms of the financial assets cash flows.

The Bank classifies their financial assets at amortised cost only if both of the following criteria are met:

- The asset is held within a business model with the objective of collecting the contractual cash flows, and
- The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

##### **b) Recognition and derecognition**

Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Bank has transferred substantially all the risks and rewards of ownership. A gain or loss on derecognition of a financial asset measured at amortised cost is recognised in profit or loss when the financial asset is derecognised.

**c) Measurement**

At initial recognition, the Bank measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

*Debt instruments*

Subsequent measurement of debt instruments depends on the Bank's business model for managing the assets and the cash flow characteristics of the assets. The Bank classifies its debt instruments as financial assets measured at amortised cost.

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows are solely payments of principal and interest (SPPI), are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised. Interest income from these financial assets is included in finance income using the effective interest rate method.

**d) Reclassification of financial assets**

The Bank reclassifies financial assets when and only when their business model for managing those assets changes. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

**e) Impairment**

The Bank assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from credit commitments (including overdraft and revolving facilities) and financial guarantee contracts. The Bank recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Bank applies a three-stage approach to measuring expected credit losses (ECLs) for the following categories:

- Debt instruments measured at amortised cost; and
- Credit commitments (including undrawn overdraft and revolving facilities) and financial guarantee contract

The three-stage approach is based on the change in credit risk since initial recognition:

(a) Stage 1: 12-months ECL

Stage 1 includes financial assets which have not had a significant increase in credit risk since initial recognition or which have low credit risk at reporting date. 12-months ECL is recognised and interest income is calculated on the gross carrying amount of the financial assets.

(b) Stage 2: Lifetime ECL – not credit impaired

Stage 2 includes financial assets which have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but do not have objective evidence of impairment. Lifetime ECL is recognised and interest income is calculated on the gross carrying amount of the financial assets.

(c) Stage 3: Lifetime ECL – credit impaired

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. Lifetime ECL is recognised and interest income is calculated on the net carrying amount of the financial assets.

#### **4.4. Financial liabilities**

Financial liabilities are recognised when the Bank becomes a party to the contractual provision of the instruments. Financial liabilities of the Bank include deposits from customers, borrowings and other liabilities.

Financial liabilities are initially recognised at fair value less transaction costs for all financial liabilities not carried at fair value through profit or loss.

Financial liabilities that are not classified as fair value through profit or loss are measured at amortised cost. The financial liabilities measured at amortised cost are deposits from customers, borrowings, lease liabilities, employee benefits and other liabilities.

For borrowings from shareholders with interest rate below market rate, such borrowings are initially recognised at the present value of the future cash payments discounted at a market rate of interest for similar borrowings. Differences between the amount of cash received and the present value of the future cash payments are recognised as capital contribution in equity.

Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

#### **4.5. Credit commitments and financial guarantee contracts**

Credit commitments (including undrawn overdraft and revolving facilities) provided by the Bank are measured at the amount of the loss allowance. The Bank has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For credit commitments (including undrawn overdraft and revolving facilities), the expected credit losses are recognised as provisions (presented with other liabilities). However, for contracts that include both a loan and an undrawn commitment and that the Bank cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as a provision.

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. The guarantees are agreed on arm's length terms and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Financial guarantee contracts are subsequently measured at the higher of the amount determined in accordance with the expected credit loss model under CIFRS 9 'Financial Instruments' and the amount initially recognised less cumulative amount of income recognised in accordance with the principles of CIFRS 15 'Revenue from Contracts with Customers', where appropriate.

These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgement of management. The fee income earned is recognised on a straight-line basis over the life of the guarantee.

Any increase in the liability relating to guarantees is reported in profit or loss within operating expenses.

#### **4.6. Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

#### 4.7. Property and equipment

Property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is possible that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Construction work-in-progress is not depreciated. Depreciation on other property and equipment are depreciated using the straight-line method to allocate their cost to their residual value over their estimated useful lives, as follows:

	Years
Leasehold improvement	Shorter of lease period and its economic lives of 10 years
Motor vehicles	4 – 8
Computer equipment	4
Office furniture and equipment	4

Depreciation on construction work-in-progress commences when the assets are ready for their intended use. The assets' useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds within the carrying amount and are recognised in profit or loss.

#### 4.8. Intangible assets

Intangible assets, which comprise acquired computer software license for the core banking system and related costs and other software, are stated at cost less accumulated amortisation and impairment loss. Acquired computer software licenses are capitalised on the basis of costs incurred to acquire the specific software license and bring them into use. These costs are amortised over their estimated useful lives of ten years using the straight-line method.

Costs associated with maintaining computer software are recognised as expenses when incurred.

#### 4.9. Impairment of non-financial assets

At the end of each reporting period, the Bank assesses whether there is any indication that any of its tangible and intangible assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Bank estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group

of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

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

#### **4.10. Leases**

##### *The Bank as a lessee*

At inception of contract, the Bank assesses whether the 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 a period of time in exchange for consideration.

Contracts may contain both lease and non-lease components. The Bank allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the lease assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use.

Assets and liabilities arising from a lease are initially measured on a present value basis.

##### **i) Lease liabilities**

Lease liabilities include the net present value of the lease payments from fixed payments (including in-substance fixed payments), less any lease incentives receivable.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Bank, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Bank where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

Lease payments are allocated between principal and interest expense. The interest expense was charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

## ii) Right-of-use assets

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct cost, and
- restoration cost, if any

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Bank is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Subsequently the right-of-use asset is measured at cost less depreciation and any accumulated impairment losses.

## iii) Recognition exemptions

Payments associated with all leases of short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

## 4.11. Income tax

The income tax expenses is the tax payables on the current's period taxable income, based on the applicable income tax rate, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax law enacted or substantively enacted at the reporting date in country where the Bank operates and generates taxable income.

Deferred tax is provided in full, using the liability method, providing for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates based on laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

#### **4.12. Provision**

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

#### **4.13. Regulatory reserves**

Banks and financial institutions are required to compute regulatory provisions, according to Prakas No. B7-017-344 dated 1 December 2017 and Circular No. B7-018-001 dated 16 February 2018 on credit risk classification and provisions on impairment. If the accumulated regulatory provision is higher than the accumulated impairment based on CIFRS 9, the 'topping up' will be recorded as regulatory reserves presented under equity. The reserve is subsequently reversed (up to zero) should the accumulated regulatory provision equal or be lower than accumulated impairment based on CIFRS 9. The regulatory reserve is set aside as a buffer, which is non-distributable and is not allowed to be included in the net worth calculation.



#### 4.14. Employee benefits

##### i) Short-term employee benefits

Short-term employee benefits are accrued in the year in which the associated services are rendered by the employees of the Bank.

##### ii) Other long term employment benefits – seniority payments

In June 2018, the Cambodian government amended the Labour Law to introduce seniority pay scheme. Subsequently on 21 September 2018, Prakas No. 443 K.B/Br.K.Kh.L, was issued to provide guidelines on the implementation of the law. In accordance with the law/Prakas, each entity is required to pay each employee with unspecified duration employment contract the following seniority scheme:

- Annual service – effective January 2019, 15 days of their average monthly salary and benefits each year, and is payable every six month on 30 June and 31 December (7.5 days each payment).
- Regarding to Notification No. 018/20 K.B/S.Ch.N.Kh.L from Ministry of Labour and Vocational Training issued on 02 June 2020 on Postponement of Payment of Back Pay Seniority Indemnity before 2019 and New Seniority Indemnity in 2020. Based on Bank's memorandum No. 023/HRS/2020 issued on 12 June 2020 decided to continue payment of seniority indemnity 2020 to all employees who are using unspecified duration contract as schedule in June and December 2020, respectively.

The annual service pay is considered as short-term employee benefits. These are accrued in the year in which the associated services are rendered by the employees of the Bank.

The past years of seniority service is classified as long-term employee benefits. Past seniority liability is recognised at the present value of defined obligations at the reporting period using the projected unit credit method to better estimate the ultimate cost to the Bank that employees have earned in return for their service in the current and prior period. That obligation arises as employees render the services that the Bank expected to pay in the future reporting periods. The present value of the past seniority payment is determined by discounting the estimated future payments by reference to the high quality corporate bond of the currency that the liability is denominated.

#### 4.15. Interest income and expense

Interest income and expense from financial instruments at amortised cost are recognised within "interest income" and "interest expense" respectively in the statement of profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instruments or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

Interest income is calculated by applying effective interest rate to the gross carrying amount of a financial asset except for:

- Purchased or originated credit-impaired financial assets ("POCI"), for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial assets.
- Financial assets that are not 'POCI' but have subsequently become credit-impaired (or 'stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision).

#### **4.16. Fee and commission income**

Fees and commissions are recognised as income when all conditions precedent are fulfilled (performance obligations are satisfied and control is transferred over time or point in time).

Commitment fees for loans, advances and financing that are likely to be drawn down are deferred (together with related direct costs) and income which forms an integral part of the effective interest rate of a financial instrument is recognised as an adjustment to the effective interest rate on the financial instrument.

#### **4.17. Related party transactions**

A related party transaction is a transfer of resources, services or obligations between the Bank and a related party, regardless of whether a price is charged.

Parties are considered related if one party has control, joint control, or significant influence over the other party in making financial and operating decisions. An entity that has a post-employment benefit plan for the employees and key management personnel of the Bank are also considered to be related parties.

#### **4.18. Events after the reporting period**

The Bank identifies events after the end of each reporting period as those events, both favorable and unfavorable, that occur between the end of the reporting period and the date when the financial statements are authorized for issue. The financial statements of the Bank are adjusted to reflect those events that provide evidence of conditions that existed at the end of the reporting period. Non-adjusting events after the end of the reporting period are disclosed in the notes to the financial statements if it is material.

## **5. Critical accounting estimates, assumptions and judgements**

The Bank makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Bank's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are outlined below:

## 5.1. Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the Directors have made in the process of applying the Bank's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

### i) Functional currency

Based on the economic substance of underlying circumstances relevant to the Bank, Management determines the functional currency of the Bank to be the USD. The USD is the currency of the primary economic environment in which the Bank operates and it is the currency that mainly influences the loans to customers and interest income.

### ii) Business model assessment

The Bank uses various models and assumptions 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.

### iii) Expected credit loss allowance on financial assets at amortised cost

The expected credit loss allowance for financial assets measured at amortised cost requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk
- Choosing appropriate models and assumptions for the measurement of ECL
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL
- Establishing groups of similar financial assets for the purposes of measuring ECL

### iv) Leases

The evaluation of whether an arrangement contains a lease is based on the substance. An arrangement is, or contains, a lease when the fulfilment of the arrangement depends on a specific asset or assets and the arrangement conveys the right to use the asset.

## 5.2. Key sources of estimation uncertainty

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

### i) Calculation of loss allowance

When measuring expected credit losses, the Bank establishes the number and relative weightings of forward-looking scenarios for each type of product and determines the forward-looking information relevant to each scenario. The Bank uses 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.

Loss given default 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.

Probability of default constitutes a key input in measuring ECL. Probability of default 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.

### ii) Other long term employee benefits – seniority payment

The present value of the seniority payment obligations depends on a number of factors that are determined on a basis using a number of assumptions. The assumptions used in determining the ultimate cost for seniority payment include the staff turnover and discount rate. Any changes in these assumptions will impact the carrying amount of seniority payment obligations.

### iii) Lease terms

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

### iv) Income tax

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

These factors may create potential tax exposures for the Bank. Directors believe that they have understood relevant tax regulations and adequately provided for tax liabilities based on their interpretation of the current tax legislation. However, where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax amount reported in the period in which such determination is made.

**v) Deferred tax assets**

The Bank reviews the carrying amounts at the end of each reporting period and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Bank will generate sufficient taxable profit to allow all or part of its deferred tax assets to be utilized.

**vi) Estimating useful lives of assets**

The useful lives of the Bank's assets with definite life are estimated based on the period over which the assets are expected to be available for use. The estimated useful lives of Bank's property and equipment and right of use assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the Bank's assets. In addition, the estimation of the useful lives is based on the Bank's collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property and equipment and right of use assets would increase the recognized operating expenses and decrease non-current assets.

**vii) Estimating cost of right-of-use assets**

Determining the cost of right-of-use asset includes the amount of lease liabilities recognized and the estimated costs to be incurred in dismantling and removing its underlying asset or restoring to the condition required by the contract.

Lease liabilities is measured at the present value of lease payments to be made over the lease term. In calculating the lease liabilities, the Bank uses its borrowing cost at the time of the commencement of the lease term.

**viii) Impairment of non-financial assets**

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget and do not include restructuring activities that the Bank is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

ix) **Fair value measurement**

The Directors use valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. The Directors based its assumptions on observable data as far as possible but this is not always available. In that case, Directors used the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

## 6. Cash on hand

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
<i>Current</i>				
US Dollars	15,730,487	63,629,820	6,681,902	27,228,750
Khmer Riel	3,965,759	16,041,495	1,630,091	6,642,621
	<u>19,696,246</u>	<u>79,671,315</u>	<u>8,311,993</u>	<u>33,871,371</u>

## 7. Deposits and placements with the Central Bank

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
<i>Current</i>				
Current accounts	45,350,924	183,444,488	341,300	1,390,798
Settlement accounts	35,899,724	145,214,384	323,011	1,316,270
Negotiable certificate of deposits	7,036,323	28,461,926	99,098	403,824
	<u>88,286,971</u>	<u>357,120,798</u>	<u>763,409</u>	<u>3,110,892</u>

### Negotiable certificate of deposits

The Bank has pledged negotiable certificate of deposits ("NCD") amounting to US\$7,036,323 (2019: US\$99,098) with the Central Bank as collateral for settlement clearing facility. As at 31 December 2020 and 2019, the Bank had yet utilised the overdraft on settlement clearing facility.

Annual interest rate of deposits and placements with the Central Bank is as follows:

	2020	2019
Current accounts	Nil	Nil
Settlement accounts	Nil	Nil
Negotiable certificate of deposits	0.06% - 0.77%	0.06% - 0.77%

Total interest income earned from placements with the Central Bank amounted to US\$80,546 and US\$106,322 as at 31 December 2020 and 2019, respectively.

## 8. Deposits and placements with other banks

### (a) By residency status

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
Deposit and placements with local banks	55,816,487	225,777,690	48,167,827	196,283,895
Deposit and placements with overseas banks	12,412,962	50,210,432	-	-
Less:				
Allowance for expected credit loss (Note 35.1 (f)(iii))	(87,148)	(352,514)	(62,667)	(255,368)
	<u>68,142,301</u>	<u>275,635,608</u>	<u>48,105,160</u>	<u>196,028,527</u>

### (b) By account type

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
Deposits and placements with local banks				
Current accounts	1,602,762	6,483,172	9,490,419	38,673,457
Savings accounts	379,609	1,535,518	708,466	2,886,999
Fixed deposits	53,834,116	217,759,002	37,968,942	154,723,439
Less: allowance for expected credit loss (Note 35.1 (f) (iii))	(69,892)	(282,713)	(62,667)	(255,368)
	<u>55,746,595</u>	<u>225,494,979</u>	<u>48,105,160</u>	<u>196,028,527</u>
Deposits and placements with overseas banks				
Current accounts	12,412,962	50,210,430	-	-
Less: allowance for expected credit loss (Note 35.1 (f) (iii))	(17,256)	(69,801)	-	-
	<u>68,142,301</u>	<u>275,635,608</u>	<u>48,105,160</u>	<u>196,028,527</u>

## (c) By maturity

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
Current	68,142,301	275,635,608	48,105,160	196,028,527

## (d) By interest rates

Annual interest rates of deposits and placements with other banks are as follows:

	2020	2019
Current accounts	2%	2%
Savings accounts	2%	2%
Fixed deposits	1% to 8%	0.06% to 5.5%

## 9. Loans and advances

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
<i>At amortised cost</i>				
Commercial loans:				
Financial institutions	8,546,121	34,569,059	-	-
Short-term	21,926,780	88,693,825	6,850,956	27,917,646
Overdrafts	5,325,679	21,542,372	652,623	2,659,439
Long-term loans	208,269,402	842,449,731	191,643,984	780,949,235
	<b>244,067,982</b>	<b>987,254,987</b>	<b>199,147,563</b>	<b>811,526,320</b>
Consumer loans:				
Real estate mortgages	75,778,484	306,523,968	60,028,689	244,616,908
Credit cards	352,232	1,424,778	429	1,748
Others	32,937,659	133,232,832	46,069,586	187,733,562
	<b>109,068,375</b>	<b>441,181,578</b>	<b>106,098,704</b>	<b>432,352,218</b>
Total gross loans	353,136,357	1,428,436,565	305,246,267	1,243,878,538
Less: Allowance for expected credit loss (Note 35.1 (f) (i))	(3,007,790)	(12,166,511)	(2,267,657)	(9,240,702)
Total net loans	<b>350,128,567</b>	<b>1,416,270,054</b>	<b>302,978,610</b>	<b>1,234,637,836</b>



**(a) Allowance for expected credit loss**

Movements for allowance for expected credit loss are as follows:

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
12-month ECL (Stage 1)	1,943,831	7,862,796	1,738,685	7,085,141
Lifetime ECL-not credit impaired (Stage 2)	217,023	877,858	40,984	167,011
Lifetime ECL-credit impaired (Stage 3)	846,936	3,425,857	487,988	1,988,550
	<b>3,007,790</b>	<b>12,166,511</b>	<b>2,267,657</b>	<b>9,240,702</b>

**(b) Analysis by industry**

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
Wholesale and retail trade	118,442,858	479,101,361	88,295,514	359,804,218
Real estate and mortgages	62,419,812	252,488,140	51,689,123	210,633,176
Personal lending	47,542,748	192,310,416	43,934,732	179,034,033
Building and construction	32,449,131	131,256,735	23,898,647	97,386,987
Services	14,847,482	60,058,065	7,302,719	29,758,580
Manufacturing	13,745,209	55,599,370	9,833,296	40,070,681
Agriculture, forestry and fishing	8,749,466	35,391,590	7,702,314	31,386,930
Financial institutions	8,522,605	34,473,937	12,736,380	51,900,749
Import and exports	5,409,363	21,880,873	4,615,556	18,808,391
Other lending	37,999,893	153,709,567	52,970,329	215,854,091
Total net loans	<b>350,128,567</b>	<b>1,416,270,054</b>	<b>302,978,610</b>	<b>1,234,637,836</b>

**(c) Analysis by loan classification**

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
<i>Performing</i>				
Gross amount	343,042,863	1,387,608,382	300,033,504	1,222,636,529
Exposure at default	537,415,441	2,173,845,459	477,669,152	1,946,501,794
Allowance for expected credit loss	1,943,831	7,862,797	1,738,685	7,085,141
<i>Under-performing</i>				
Gross amount	6,338,892	25,640,818	2,877,463	11,725,662
Exposure at default	12,808,874	51,811,895	5,023,656	20,471,398
Allowance for expected credit loss	217,023	877,858	40,984	167,010
<i>Non-performing</i>				
Gross amount	3,754,602	15,187,365	2,335,300	9,516,347
Exposure at default	5,578,187	22,563,766	3,360,635	13,694,588
Allowance for expected credit loss	846,936	3,425,856	487,988	1,988,551
<b>Total</b>				
Gross amount	<b>353,136,357</b>	<b>1,428,436,565</b>	<b>305,246,267</b>	<b>1,243,878,538</b>
Exposure at default	<b>555,802,502</b>	<b>2,248,221,120</b>	<b>486,053,443</b>	<b>1,980,667,780</b>
Allowance for expected credit loss	<b>3,007,790</b>	<b>12,166,511</b>	<b>2,267,657</b>	<b>9,240,702</b>

**(d) Analysis by maturity**

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
Not later than 1 year	28,890,902	116,863,699	19,113,769	77,888,609
Later than 1 year and no later than 3 years	8,481,819	34,308,958	8,393,431	34,203,231
Later than 3 years and no later than 5 years	25,276,199	102,242,225	30,059,320	122,491,729
Later than 5 years	287,479,647	1,162,855,172	245,412,090	1,000,054,267
<b>Total net loans</b>	<b>350,128,567</b>	<b>1,416,270,054</b>	<b>302,978,610</b>	<b>1,234,637,836</b>

**(e) Analysis by exposure**

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
Large exposure	-	-	-	-
Non-large exposure	350,128,567	1,416,270,054	302,978,610	1,234,637,836
<b>Total net loans</b>	<b>350,128,567</b>	<b>1,416,270,054</b>	<b>302,978,610</b>	<b>1,234,637,836</b>

Large exposure is defined by the Central Bank as overall credit exposure to any individual beneficiary which exceeds 10% of the Bank's net worth.

**(f) Analysis by relationship**

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
Related parties	1,037,208	4,195,506	1,099,508	4,480,495
Non-related parties	349,091,359	1,412,074,548	301,879,102	1,230,157,341
<b>Total net loans</b>	<b>350,128,567</b>	<b>1,416,270,054</b>	<b>302,978,610</b>	<b>1,234,637,836</b>

**(g) Analysis by residency**

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
Residents	350,128,567	1,416,270,054	302,978,610	1,234,637,836
Non-residents	-	-	-	-
<b>Total net loans</b>	<b>350,128,567</b>	<b>1,416,270,054</b>	<b>302,978,610</b>	<b>1,234,637,836</b>

**(h) Interest rates**

These loans and advances to customers earn annual interest rates as below:

	2020	2019
Consumer loans	5% to 20.40%	8.50% - 20.40 %
Credit card	18%	15% to 18%
Financial institutions	8.50 % to 9%	8.50% to 10%
Long-term loans	5% to 18%	7% - 18%
Overdrafts	7% to 12%	7.50% - 11%
Real estate mortgage loan	3% to 15%	3% to 15%
Short-term loans	7% to 18%	10% - 18%

## 10. Investment securities

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
Investment securities at amortised cost	5,020,137	20,306,677	-	-
Impairment loss allowance (Note 35.1 (f)(iv))	(6,979)	(28,453)	-	-
Net investment securities	<u>5,013,158</u>	<u>20,278,224</u>	<u>-</u>	<u>-</u>

On 12 November 2020, the Bank invested in five 1-year debt securities with face value of US\$1,000,000 each. The debt securities earn an annual interest rate of 3% and mature on 12 November 2021.

## 11. Statutory deposits with the Central Bank

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
<i>Current</i>				
Reserve requirement	15,943,072	64,489,726	10,763,172	43,859,926
<i>Non-current</i>				
Capital guarantee deposits	25,011,311	101,170,753	25,000,000	101,875,000
	<u>40,954,383</u>	<u>165,660,479</u>	<u>35,763,172</u>	<u>145,734,926</u>

### (i) Reserve requirement

The reserve requirement represents the minimum reserve requirement which is calculated at 7% and 8% of the total deposits from customers during 2020 and 2019, respectively, as required by NBC Prakas B13-020-002 and B7-07-163, respectively, on Licensing of MDIs. The reserve requirement on customers' deposits and borrowings earn no interest.

### (ii) Capital guarantee

Pursuant to Prakas No. B7-01-136 on Bank's Capital Guarantee dated 15 October 2001 issued by the Central Bank, banks are required to maintain 10% of its paid-up capital as a statutory deposit with the Central Bank. The deposit, which is not available for use in the Bank's day-to-day operations, is refundable should the Bank voluntarily cease its operations in Cambodia.

### (iii) Interest rate

	2020	2019
Reserve requirement	Nil	Nil
Capital guarantee	0.06%	0.48%

## 12. Property and equipment

	Leasehold improvement	Motor vehicles	Computer equipment	Office furniture and equipment	Construction in progress	Total
	US\$	US\$	US\$	US\$	US\$	US\$
<b>As at 31 December 2019</b>						
Opening net book value	254,090	1,661,687	562,756	597,621	1,492,615	4,568,769
Additions	71,876	609,645	607,598	1,264,783	685,698	3,239,600
Transfer	-	-	1,408,049	602,512	(2,010,561)	-
Disposals	-	-	(267)	-	(362)	(629)
Depreciation charge	(36,930)	(314,273)	(549,617)	(420,527)	-	(1,321,347)
Closing net book value	289,036	1,957,059	2,028,519	2,044,389	167,390	6,486,393
<b>For the year ended 31 December 2019</b>						
Cost	584,086	2,513,022	2,714,362	2,584,986	167,390	8,563,846
Accumulated depreciation	(295,050)	(555,963)	(685,843)	(540,597)	-	(2,077,453)
Net book value	289,036	1,957,059	2,028,519	2,044,389	167,390	6,486,393
<i>In KHR'000 equivalents</i>	1,177,822	7,975,015	8,266,215	8,330,885	682,114	26,432,051
<b>For the year ended 31 December 2020</b>						
Opening net book value	289,036	1,957,059	2,028,519	2,044,389	167,390	6,486,393
Additions	55,885	72,000	178,492	493,725	433,567	1,233,669
Transfers	4,433	-	16,794	172,316	(220,539)	(26,996)
Disposal/write off	(3,317)	-	(605)	(1,032)	-	(4,954)
Depreciation charge	(58,246)	(330,319)	(682,652)	(714,444)	-	(1,785,661)
Closing net book value	287,791	1,698,740	1,540,548	1,994,954	380,418	5,902,451
<b>As at 31 December 2020</b>						
Cost	644,404	2,585,022	2,909,648	3,251,027	380,418	9,770,519
Disposal/write off	(3,960)	-	(1,122)	(2,607)	-	(7,689)
Closing cost amount	640,444	2,585,022	2,908,526	3,248,420	380,418	9,762,830
<b>As at 31 December 2020</b>						
Accumulated depreciation	353,296	886,282	1,368,495	1,255,041	-	3,863,114
Disposal/write off	(643)	-	(517)	(1,575)	-	(2,735)
Closing accumulated depreciation	352,653	886,282	1,367,978	1,253,466	-	3,860,379
<b>Net book value</b>	<b>287,791</b>	<b>1,698,740</b>	<b>1,540,548</b>	<b>1,994,954</b>	<b>380,418</b>	<b>5,902,451</b>
<i>In KHR'000 equivalents</i>	1,164,110	6,871,405	6,231,518	8,069,590	1,538,791	23,875,414

### 13. Leases

This note provides information for leases where the Bank is a lessee.

The Bank leases various buildings for its head office and branch operations and equipment. Rental contracts are typically made for fixed periods of 2 to 10 years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

The Bank has recognised right-of-use assets for these leases, except for short-term leases.

(i) Amounts recognised in the statement of financial position

#### Right-of-use assets

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
At the beginning of the year	12,103,563	49,322,019	8,490,228	34,347,139
Additions during the year	2,972,531	12,023,888	5,031,956	20,723,132
Depreciation for the year	(1,726,894)	(7,041,297)	(1,418,621)	(5,748,252)
Lease termination during the year	(879,852)	(3,559,001)	-	-
Currency translation difference	-	(307,096)	-	-
<b>At the end of the year</b>	<b>12,469,348</b>	<b>50,438,513</b>	<b>12,103,563</b>	<b>49,322,019</b>

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
<i>Right-of-use assets (Non-current)</i>				
Buildings	12,350,480	49,957,691	11,890,623	48,454,289
Equipment	118,868	480,822	212,940	867,730
	<u>12,469,348</u>	<u>50,438,513</u>	<u>12,103,563</u>	<u>49,322,019</u>

#### Lease liabilities

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
At the beginning of the year	12,842,960	52,335,063	8,756,038	35,680,855
Additions during the year	2,972,531	12,023,888	4,975,157	20,273,765
Interest expense for the year	942,122	3,841,441	834,099	3,398,953
Amortisation for the year	(2,147,274)	(8,755,369)	(1,722,458)	(7,019,016)
Lease termination during the year	(1,046,169)	(4,231,754)	-	-
Currency translation difference	-	(346,201)	-	-
<b>At the end of the year</b>	<b>13,564,170</b>	<b>54,867,068</b>	<b>12,842,836</b>	<b>52,334,557</b>

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
<b>Lease liabilities</b>				
Less than one year	1,606,702	6,499,110	1,160,814	4,730,317
One to five years	8,262,323	33,421,097	5,286,723	21,543,396
More than five years	3,695,145	14,946,861	6,395,299	26,060,844
	<b>13,564,170</b>	<b>54,867,068</b>	<b>12,842,836</b>	<b>52,334,557</b>

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
<b>Lease liabilities</b>				
Current	1,606,702	6,499,110	1,069,385	4,730,317
Non-current	11,957,468	48,367,958	11,773,451	47,604,240
	<b>13,564,170</b>	<b>54,867,068</b>	<b>12,842,836</b>	<b>52,334,557</b>

ii) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
<i>Depreciation charge of right-of-use assets</i>				
Buildings	1,621,309	6,610,781	1,333,315	5,402,592
Equipment	105,585	430,516	85,306	345,660
Depreciation charge (Note 28)	<b>1,726,894</b>	<b>7,041,297</b>	<b>1,418,621</b>	<b>5,748,252</b>
<i>Interest expense on lease liabilities</i>				
Buildings	930,664	3,794,722	821,043	3,326,866
Equipment	11,458	46,719	13,056	52,903
Interest expense (Note 23)	<b>942,122</b>	<b>3,841,441</b>	<b>834,099</b>	<b>3,379,769</b>
Expense relating to short-term leases (included in other operating expenses)	<b>96,752</b>	<b>394,500</b>	<b>125,678</b>	<b>509,247</b>

iii) Amounts recognised in the statement of cash flows

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
Total cash outflow for leases	2,147,274	8,755,369	1,720,992	6,973,456

## 14. Intangible assets

	Computer software	Construction work-in-progress	Total
	US\$	US\$	US\$
<b>As at 1 January 2019</b>			
Cost	553,971	2,430,925	2,984,896
Accumulated amortisation	(69,427)	-	(69,427)
Net book value	484,544	2,430,925	2,915,469
<i>In KHR'000 equivalents</i>	1,974,517	9,906,019	11,880,536
<b>For the year ended 31 December 2019</b>			
Opening net book value	484,544	2,430,925	2,915,469
Additions	1,235	1,274,162	1,275,397
Transfer	1,480,007	(1,480,007)	-
Written off	-	(491,580)	(491,580)
Adjustments	-	(11,554)	(11,554)
Amortisation charge	(145,775)	-	(145,775)
Closing net book value	1,820,011	1,721,946	3,541,957
<b>As at 31 December 2019</b>			
Cost	2,035,213	1,721,946	3,757,159
Accumulated amortisation	(215,202)	-	(215,202)
Net book value	1,820,011	1,721,946	3,541,957
<i>In KHR'000 equivalents</i>	7,416,545	7,016,930	14,433,475
<b>For the year ended 31 December 2020</b>			
Opening net book value	1,820,011	1,721,946	3,541,957
Additions	632,517	1,387,152	2,019,669
Transfers	2,259,096	(2,259,096)	-
Amortisation charge	(289,410)	-	(289,410)
Closing net book value	4,422,214	850,002	5,272,216
<b>As at 31 December 2020</b>			
Cost	4,926,826	850,002	5,776,828
Accumulated depreciation	(504,612)	-	(504,612)
Net book value	4,422,214	850,002	5,272,216
<i>In KHR'000 equivalents</i>	17,887,856	3,438,258	21,326,114



## 15. Deferred tax assets

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
Deferred tax assets	3,279,198	13,264,361	3,264,057	13,301,032
Deferred tax liabilities	(3,099,439)	(12,537,236)	(2,734,158)	(11,141,694)
Net deferred tax assets – non-current	<b>179,759</b>	<b>727,125</b>	<b>529,899</b>	<b>2,159,338</b>

The movement of net deferred tax assets during the year as follows:

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
As at 1 January	529,899	2,159,338	187,435	753,114
(Charged)/credited to profit or loss (Note 29 (a))	(350,140)	(1,427,673)	342,464	1,387,664
Currency translation differences	-	(4,540)	-	18,560
As at 31 December	<b>179,759</b>	<b>727,125</b>	<b>529,899</b>	<b>2,159,338</b>

Deferred tax assets are mainly from the temporary differences, and they are recognised as it is probable that the Bank will be able to utilise those temporary differences in the future.

### Deferred tax assets:

	Impairment loss	Unamortised loan fees	Lease liabilities	Seniority payment	Unrealised exchange	Total
	US\$	US\$	US\$	US\$	US\$	US\$
As at 1 January 2019	42,143	182,683	1,751,208	21,575	-	1,997,609
Charged/(credited) to profit or loss	115,991	338,966	817,359	(5,868)	-	1,266,448
As at 31 December 2019	158,134	521,649	2,568,567	15,707	-	3,264,057
In KHR'000 equivalent	644,396	2,125,720	10,466,911	64,006	-	13,301,033
As at 1 January 2020	158,134	521,649	2,568,567	15,707	-	3,264,057
Charged/(credited) to profit or loss	(158,134)	(31,301)	144,267	(2,717)	63,027	15,142
As at 31 December 2020	-	490,348	2,712,834	12,990	63,027	3,279,199
In KHR'000 equivalent	-	1,983,458	10,973,414	52,545	254,944	13,264,361

## Deferred tax liabilities

	Accelerated depreciation	Right-of-use assets	Impairment loss	Other impairment loss	Total
	US\$	US\$	US\$	US\$	US\$
As at 1 January 2019	(111,922)	(1,698,252)	-	-	(1,810,174)
Charged to profit or loss	(201,523)	(722,461)	-	-	(923,984)
As at 31 December 2019	(313,445)	(2,420,713)	-	-	(2,734,158)
In KHR'000 equivalent	(1,277,288)	(9,864,405)	-	-	(11,141,693)
As at 1 January 2020	(313,445)	(2,420,713)	-	-	(2,734,158)
(Charged)/credited to profit or loss	(26,448)	(73,157)	(264,281)	(1,396)	(365,282)
As at 31 December 2020	(339,893)	(2,493,870)	(264,281)	(1,396)	(3,099,440)
In KHR'000 equivalent	(1,374,867)	(10,087,704)	(1,069,017)	(5,647)	(12,537,235)

## 16. Other assets

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
Deposits, gross	2,070,961	8,377,626	1,061,531	4,325,739
Allowance for expected credit loss (Note 35.1 (f)(iv))	(18,404)	(75,033)	-	-
	2,052,557	8,302,593	1,061,531	4,325,739
Prepayments	609,592	2,465,800	1,586,112	6,463,406
Others	806,375	3,261,787	316,966	1,291,637
	<b>3,468,524</b>	<b>14,030,180</b>	<b>2,964,609</b>	<b>12,080,782</b>

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
Current	801,955	3,243,908	2,503,839	10,203,144
Non-current	2,666,569	10,786,272	460,770	1,877,638
	<b>3,468,524</b>	<b>14,030,180</b>	<b>2,964,609</b>	<b>12,080,782</b>

## 17. Deposits from customers

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
Current accounts	115,544,565	467,377,766	14,504,863	59,107,317
Savings deposits	18,171,052	73,501,905	7,536,420	30,710,912
Fixed deposits	65,172,119	263,621,221	19,448,311	79,251,866
	<b>198,887,736</b>	<b>804,500,892</b>	<b>41,489,594</b>	<b>169,070,095</b>
Accrued interest payables	1,285,866	5,201,328	145,247	591,882
	<b>200,173,602</b>	<b>809,702,220</b>	<b>41,634,841</b>	<b>169,661,977</b>

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
Current	195,766,466	791,875,354	41,576,557	169,424,470
Non-current	4,407,136	17,826,866	58,284	237,507
	<b>200,173,602</b>	<b>809,702,220</b>	<b>41,634,841</b>	<b>169,661,977</b>

Annual interest rates for deposits from customers are as follows:

	2020	2019
Current accounts	Nil	Nil
Savings deposits	1% - 1.25%	1% - 1.25%
Fixed deposits	2.75% - 8%	2.75% - 7%

## 18. Borrowings

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
<i>Non-current:</i>				
Mr. Chen Zhi	60,769,805	245,813,862	58,432,504	238,112,454
Oceanic Opportunity Fund	50,000,000	202,250,000	35,000,000	142,625,000
SME Bank	1,076,516	4,354,507	-	-
	<b>111,846,321</b>	<b>452,418,369</b>	<b>93,432,504</b>	<b>380,737,454</b>

On 14 July 2016, the Bank entered into a loan agreement with Mr. Chen Zhi, a shareholder of the Bank with a total amount of US\$6 million. During 2018, the Bank entered into other loan agreements with him for additional loans aggregating US\$55 million.

On 5 June 2015 and 17 December 2015, the Bank entered into loan agreements with Mr. Guy Chhay, another shareholder of the Bank, for facilities amounting to US\$2 million, and US\$3 million, respectively. On 8 February 2018, Mr. Guy Chhay entered into a settlement agreement with Mr. Chen Zhi to transfer these facilities to Mr. Chen Zhi. Therefore, the outstanding borrowings from Mr. Chen Zhi is US\$66 million as at 31 December 2018. The loans are unsecured and bear interest rate at 4% per annum.

On 12 February 2019, the Bank entered into another new loan agreement with Mr. Chen Zhi for a total amount of US\$78 million with interest rate of 4% per annum. The Bank has fully drawdown the US\$78 million.

On 14 June 2019, the Bank entered into a loan agreement with Mr. Chen Zhi with total amount of US\$128 million at zero interest rate. As at 31 December 2020, the Bank has drawn down US\$76 million. The Bank is required to pay within 5 years from each drawdown date.

Borrowings amounting to US\$150 million from the above three facilities from Mr. Chen Zhi were converted to share capital in prior year (Note 22).

On 29 October 2019, the Bank entered into a loan agreement with Oceanic Opportunity Fund Pcc, for facilities of US\$50 million guaranteed by Mr. Chen Zhi. The loan bears interest rate at 3% per annum. The maturity of the loan is 5 years from each drawdown date.

On 31 March 2020, the Bank entered into a loan facility agreement with the SME Bank of Cambodia (SME) to obtain funds in order to provide loans to SME customers. The loan bears interest rate of 2% per annum. As at 31 December 2020, the Bank has drawn down US\$ 937,961 and KHR 730,000,000.

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
Principal amount	111,846,321	452,418,369	93,432,504	380,737,454
Interest payables	197,334	798,215	86,943	354,293
	<b>112,043,655</b>	<b>453,216,584</b>	<b>93,519,447</b>	<b>381,091,747</b>

*Changes in liabilities arising from financing activities – borrowings*

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
<i>Principal amount</i>				
At 1 January	93,519,447	381,091,747	66,000,000	265,188,000
Additions	15,792,240	63,879,611	189,000,000	765,828,000
Conversion to share capital (Note 21)	-	-	(150,000,000)	(607,800,000)
Capital contribution (*)	-	-	(12,669,783)	(51,337,961)
Finance charges	2,534,634	10,252,595	1,189,230	4,818,760
Currency translation differences	-	(2,805,584)	-	4,394,948
At 31 December	<b>111,846,321</b>	<b>452,418,369</b>	<b>93,519,447</b>	<b>381,091,747</b>

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
<i>Interest payables</i>				
At 1 January	86,943	354,293	-	-
Charge during the year (Note 23)	3,832,428	15,626,473	2,838,452	11,501,408
Finance charges	(2,337,300)	(9,530,187)	(1,102,287)	(4,466,467)
Interest payments	(1,384,737)	(5,646,174)	(1,649,222)	(6,682,648)
Currency translation differences	-	(6,190)	-	2,000
At 31 December 2020	<b>197,334</b>	<b>798,215</b>	<b>86,943</b>	<b>354,293</b>

(\*) This represents the present value of future cash payments for borrowings obtained by the Bank from its shareholder with interest free discounted at a market rate of interest for a similar borrowing.

## 19. Current income tax liabilities

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
At 1 January	-	-	12,700	51,029
Additions	1,116,627	4,552,973	279,968	1,134,430
Payments	(352,966)	(1,427,745)	(292,668)	(1,185,891)
Currency translation differences	-	(36,219)	-	432
At 31 December	<b>763,661</b>	<b>3,089,009</b>	<b>-</b>	<b>-</b>

## 20. Employee benefits

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
At 1 January	78,534	320,026	285,128	1,145,644
Additions	558,235	2,258,061	-	-
Payments	(558,235)	(2,258,061)	(166,860)	(676,117)
Adjustments	(13,584)	(54,947)	(39,734)	(161,002)
Currency translation differences	-	(2,356)	-	11,501
At 31 December	<b>64,950</b>	<b>262,723</b>	<b>78,534</b>	<b>320,026</b>

## 21. Other liabilities

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
Amount due to related parties (Note 34 (f))	7,526,078	30,442,986	13,371,806	54,490,108
Accrued bonus/incentive payable	1,039,085	4,203,099	1,016,098	4,140,600
Taxes payables	144,761	585,558	190,605	776,716
Impairment loss for ECL on credit commitment and financial guarantee contracts (Note 35.1 (f)(ii))	43,835	177,313	50,766	206,872
Others	390,999	1,581,591	346,852	1,413,422
	<b>9,144,758</b>	<b>36,990,547</b>	<b>14,976,127</b>	<b>61,027,718</b>

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
Current	9,144,758	36,990,547	14,976,127	61,027,718
Non-current	-	-	-	-
	<b>9,144,758</b>	<b>36,990,547</b>	<b>14,976,127</b>	<b>61,027,718</b>

## 22. Share capital

The total authorised numbers of shares of the Bank as at 31 December 2020 was 250,000,000 shares (2019: 250,000,000 shares) with a par value of US\$1 per share (2019: US\$1 per share). All authorised shares are issued and fully paid up.

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
At 1 January	250,000,000	1,018,750,000	100,000,000	401,800,000
Additions	-	-	150,000,000	607,800,000
Currency translation differences	-	(7,500,000)	-	9,150,000
At 31 December	<b>250,000,000</b>	<b>1,011,250,000</b>	<b>250,000,000</b>	<b>1,018,750,000</b>

Shareholders	2020			2019		
	Number of shares	%	US\$	Number of shares	%	US\$
Mr. Guy Chhay	1,100	0.44%	1,100,000	1,100	0.44%	1,100,000
Mr. Chen Zhi	248,900	99.56%	248,900,000	248,900	99.56%	248,900,000
	<b>250,000</b>	<b>100%</b>	<b>250,000,000</b>	<b>250,000</b>	<b>100%</b>	<b>250,000,000</b>
In KHR'000 equivalent			<b>1,011,250,000</b>			<b>1,018,750,000</b>

## 23. Net interest income

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
Interest income from financial assets at amortised cost:				
Loans and advances	35,239,173	143,685,413	25,238,117	102,264,850
Deposits and placements with other banks	1,309,738	5,340,371	103,432	419,106
Deposits and placements with the Central Bank	80,547	328,425	106,323	430,821
Loan processing fees	1,188,418	4,845,696	757,989	3,071,372
	<b>37,817,876</b>	<b>154,199,905</b>	<b>26,205,861</b>	<b>106,186,149</b>
Interest expense on financial liabilities at amortised cost:				
Deposits from customers	3,051,435	12,442,026	227,448	921,619
Borrowings (Note 18)	3,832,428	15,626,473	2,838,452	11,501,408
Lease liabilities (Note 13 (ii))	942,122	3,841,441	834,099	3,379,769
Lease security deposit	21,235	86,584	-	-
	<b>7,847,220</b>	<b>31,996,524</b>	<b>3,899,999</b>	<b>15,802,796</b>
Net interest income	<b>29,970,656</b>	<b>122,203,381</b>	<b>22,305,862</b>	<b>90,383,353</b>

## 24. Net fee and commission income

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
Fee and commission income:				
Processing fee for late payment	1,015,617	4,141,112	374,327	1,516,773
Miscellaneous loan charges	2,017	8,224	789	3,197
Other fees	139,442	568,565	15,702	63,625
	<u>1,157,076</u>	<u>4,717,901</u>	<u>390,818</u>	<u>1,583,595</u>
Fee and commission expense	<u>(76,674)</u>	<u>(312,633)</u>	<u>(93,986)</u>	<u>(380,831)</u>
Net fee and commission income	<u><b>1,080,402</b></u>	<u><b>4,405,268</b></u>	<u><b>296,832</b></u>	<u><b>1,202,764</b></u>

## 25. Other gains/(losses) - net

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
Gain/(loss) on foreign exchange	352,701	1,438,116	(155,454)	(629,900)
Reversal of off-balance sheet provision	37,702	153,727	-	-
Loss on disposal of assets	<u>(4,071)</u>	<u>(16,599)</u>	<u>(491,580)</u>	<u>(1,991,882)</u>
	<u><b>386,332</b></u>	<u><b>1,575,244</b></u>	<u><b>(647,034)</b></u>	<u><b>(2,621,782)</b></u>

## 26. Credit impairment losses

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
<i>Expected Credit Loss (ECL):</i>				
Loans and advances	740,133	3,017,844	1,755,779	7,114,417
Credit commitment and financial guarantee	30,771	125,467	37,702	152,769
Deposits and placements with other banks	24,481	99,820	25,059	101,538
Investment securities	6,979	28,456	-	-
Other financial assets	<u>18,404</u>	<u>75,041</u>	<u>-</u>	<u>-</u>
	<u><b>820,768</b></u>	<u><b>3,346,628</b></u>	<u><b>1,818,540</b></u>	<u><b>7,368,724</b></u>



## 27. Personnel expenses

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
Salaries and wages	9,355,569	38,146,718	7,694,739	31,179,082
Bonuses and incentive expenses	2,076,571	8,467,082	1,682,996	6,819,500
Seniority payments	545,600	2,224,648	377,414	1,529,282
Employee training expenses	89,141	363,467	84,360	341,827
Pension fund expense	-	-	-	-
Other employee benefits	702,922	2,866,117	346,773	1,405,124
	<b>12,769,803</b>	<b>52,068,032</b>	<b>10,186,282</b>	<b>41,274,815</b>

## 28. Depreciation and amortisation charge

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
Depreciation charge of property and equipment (Note 12)	1,785,661	7,280,915	1,321,347	5,354,098
Depreciation charge of right-of-use assets (Note 13)	1,726,894	7,041,297	1,418,621	5,748,252
Amortisation charge of intangible assets (Note 14)	289,410	1,180,051	145,775	590,680
	<b>3,801,965</b>	<b>15,502,263</b>	<b>2,885,743</b>	<b>11,693,030</b>

## 29. Other operating expenses

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
Marketing and advertising costs	2,749,901	11,212,541	4,502,418	18,243,798
Professional fees	980,751	3,998,948	686,921	2,783,404
License and patent fees	430,161	1,753,953	418,239	1,694,704
Utilities	390,020	1,590,281	326,333	1,322,301
Communication expenses	375,406	1,530,693	144,819	586,807
Card expenses	371,601	1,515,179	-	-
Directors' fees	314,978	1,284,302	288,000	1,166,976
Repair and maintenances expenses	216,173	881,431	155,444	629,859
Security expenses	198,822	810,684	91,822	372,063
Motor vehicle and running costs	181,656	740,690	207,359	840,219
Office supplies expenses	231,144	942,474	283,728	1,149,666
Traveling expenses	124,054	505,822	356,871	1,446,041
Rental expenses	96,752	394,500	124,243	503,433
Business and public relation expenses	59,960	244,483	176,518	715,251
Printing expenses	56,232	229,282	77,881	315,574
Insurance expenses	71,024	289,596	198,684	805,068
Stamp and registration expense	41,058	167,411	36,901	149,523
Charitable donation	28,887	117,785	20,616	83,536
Minimum tax expense	-	-	279,968	1,134,430
Others	667,519	2,721,765	619,951	2,512,041
	<b>7,586,099</b>	<b>30,931,820</b>	<b>8,996,716</b>	<b>36,454,694</b>

## 30. Income tax expense

### (a) Income tax expense

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
Current income tax	1,116,627	4,552,973	-	-
Deferred income tax	350,140	1,427,673	(342,464)	(1,387,664)
	<b>1,466,767</b>	<b>5,980,646</b>	<b>(342,464)</b>	<b>(1,387,664)</b>

**(b) Reconciliation between income tax expenses and accounting profit**

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
Profit/ (loss) before income tax	6,728,915	27,436,709	(1,928,235)	(7,813,208)
Tax effect of reconciling items:				
Expenses not deductible for tax purposes	1,007,649	4,108,623	615,270	2,493,074
Taxable profit/(loss)	7,736,564	31,545,332	(1,312,965)	(5,320,134)
Income tax expense	1,466,767	5,980,646	-	-

*Minimum tax*

Under the Cambodian tax regulations, the Bank has an obligation to pay Income Tax at 20% of taxable profit or Minimum Tax at 1% of total revenue exclusive of value added tax, whichever is higher.

Effective from 2017, the Bank may be exempted from Minimum Tax provided the Bank complies with the conditions governing the maintenance of proper accounting records. The tax regulations also defined five criteria of improper accounting records. At the reporting date, the Bank has yet to claim the exemption on Minimum Tax.

**(c) Other matter**

Taxes are calculated on the basis of current interpretation of the tax regulations enacted as at reporting date. The management periodically evaluates position taken in tax returns with respect to situations in which applicable tax regulation is subjected to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

However, these regulations are subject to periodic variation and the ultimate determination of tax liabilities will be made following inspection by the tax authorities. Where the final tax outcome of these matters is different from the amounts initially recorded, such differences will impact the taxes liabilities and balances in the period in which the determination is made.

### 31. Cash and cash equivalents

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
Cash on hand (Note 6)	19,696,246	79,671,315	8,311,993	33,871,371
<i>Deposits and placements with the Central Bank:</i>				
Current accounts (Note 7)	45,350,924	183,444,488	341,300	1,390,798
Settlement accounts (Note 7)	35,899,724	145,214,384	323,011	1,316,270
<i>Deposits and placements with other banks:</i>				
Current accounts (Note 8)	14,015,724	56,693,604	9,490,419	38,673,457
Savings accounts (Note 8)	379,609	1,535,518	708,466	2,886,999
Term deposits (maturity of three months or less (Note 8))	53,834,116	217,758,999	37,968,942	154,723,439
	<b>169,176,343</b>	<b>684,318,308</b>	<b>57,144,131</b>	<b>232,862,334</b>

### 32. Cash flow information

#### (a) Cash used in operations

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
Profit/(loss) before income tax	6,728,915	27,436,709	(1,928,235)	(7,813,208)
Adjustments for:				
Depreciation and amortisation charges (Note 28)	3,801,965	15,502,263	2,885,743	11,693,030
Credit impairment losses (Note 26)	820,768	3,346,628	1,818,540	7,368,724
Property and equipment written off (Note 12)	4,954	20,200	-	-
Adjustments on intangible assets	-	-	11,554	46,817
Intangible assets written off (Note 14)	-	-	491,580	1,991,882
Provision for employee benefits	558,235	2,276,167	39,734	161,002
(Gain)/loss on disposals of property and equipment	(883)	(3,600)	144	583
Net interest income (Note 23)	(29,970,656)	(122,203,381)	(22,305,862)	(90,383,353)
<i>Changes in working capital:</i>				
Reserve requirement deposits	(5,179,900)	(21,120,702)	(9,876,950)	(40,021,401)
Loans and advances	(48,100,322)	(196,125,903)	(191,896,653)	(777,565,238)
Other assets	344,631	1,405,208	361,460	1,464,636
Deposits from customers	157,398,142	641,780,584	40,480,515	164,027,047
Other liabilities	(5,060,777)	(20,634,986)	8,834,027	35,795,477
Cash from/(used in) operations	<b>81,345,072</b>	<b>331,679,187</b>	<b>(171,084,403)</b>	<b>(693,234,002)</b>

**(b) Non-cash investing and financing activities**

Non-cash investing and financing activities disclosed in other notes are:

- ii) Acquisition of right-of-use assets (Note 13)
- iii) Conversion of borrowings from shareholder to share capital (Note 18)

**33. Contingent liabilities and commitments****(a) Loan commitments, guarantee and other financial facilities**

The Bank had contractual off-balance sheet financial instruments that commit it to extend credit to customers, guarantee and other facilities as follows:

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
Credit commitment	7,173,563	29,017,062	13,048,645	53,173,228
Financial guarantee contracts	2,692,245	10,890,131	811,141	3,305,400
<b>Total exposure</b>	<b>9,865,808</b>	<b>39,907,193</b>	<b>13,859,786</b>	<b>56,478,628</b>

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
Credit commitments and financial guarantee contracts	9,865,808	39,907,193	13,859,786	56,478,628
Allowance for expected credit loss	(43,835)	(177,313)	(50,766)	(206,871)
<b>Net exposure</b>	<b>9,821,973</b>	<b>39,729,880</b>	<b>13,809,020</b>	<b>56,271,757</b>

**(b) Capital commitment**

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
Intangible assets	840,066	3,398,067	835,740	3,405,639

**(c) Operating lease commitments**

The Bank recognised right-of-use assets and lease liabilities for lease contracts where the Bank is a lessee, except for short term leases (see Note 4.10 and Note 13 for further information). The lease commitments of short-term leases are insignificant.

### 34. Related party transactions and balances

The Bank entered into a number of transactions with related parties in the normal course of business. The volume of related party transactions, outstanding balance at the year end and relating expenses and income for the year are as follows:

#### (a) Related parties and relationship

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

Relationship	Related party
Mr. Chen Zhi	Shareholder
Mr. Guy Chhay	Shareholder
Related company	Entity under the same shareholders
Key management personnel	All directors of the Bank who make critical decisions in relation to the strategic direction of the Bank and senior management staff (including their close family members)

#### (b) Loans and advances to related parties

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
Related companies	971,433	3,929,446	1,006,667	4,102,168
Interest income	98,312	400,861	84,667	343,071

Loans and advances to companies under common control are secured and have interest rate of 10% per annum.

#### (c) Loans and advances to key management personnel

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
Loans to key management personnel	87,788	355,102	92,841	378,327
Interest income	5,428	22,132	7,658	31,030

Loans and advances to key management personnel are secured and have interest rate of 5.50% per annum.

**(d) Deposits from related parties**

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
Related companies	37,248,786	150,671,339	3,675,299	14,976,843
Directors and key management	46,147,054	186,664,833	564,421	2,300,016
	<u>83,395,840</u>	<u>337,336,172</u>	<u>4,239,720</u>	<u>17,276,859</u>
Interest expenses	<u>419,449</u>	<u>1,710,276</u>	<u>3,867</u>	<u>15,670</u>

Average interest rates during the year are as follows:

	2020	2019
Related companies	1%	0.04%
Directors and key management	0.47%	0.42%

**(e) Borrowings from a shareholder**

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
Borrowings from shareholder balance	<u>60,769,805</u>	<u>245,813,861</u>	<u>58,432,504</u>	<u>238,112,454</u>
Interest expense	<u>3,722,037</u>	<u>15,176,361</u>	<u>2,751,509</u>	<u>11,149,115</u>

Borrowing from a shareholder is at zero percent for 2020 (2019: 0% per annum) (Note 18).

**(f) Amount due to related parties**

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
Related companies	<u>7,526,078</u>	<u>30,442,986</u>	<u>13,371,806</u>	<u>54,490,109</u>

Amount due to related parties are non-interest-bearing payables that are unsecured and are repayable on demand.

**(g) Key management compensation**

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
Salaries and short-term benefits	1,700,104	6,876,921	1,233,367	4,997,603

**(h) Other transactions with related parties**

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
Office rental	1,095,041	4,464,958	968,200	3,923,146
Purchasing services	79,884	325,722	75,219	304,787
	1,174,925	4,790,680	1,043,419	4,227,933

**35. Financial risk management**

The Bank embraces risk management as an integral part of the Bank's business, operations and decision-making process. In ensuring that the Bank achieves optimum returns whilst operating within a sound business environment, the risk management teams are involved at the early stage of the risk-taking process by providing independent inputs, including relevant valuations, credit evaluations, new product assessments and quantification of capital requirements. These inputs enable the business units to assess the risk-vs-reward of their propositions, thus enabling risk to be priced appropriately in relation to the return.

Generally, the objectives of the Bank's risk management activities are to:

- identify the various risk exposures and capital requirements;
- ensure risk-taking activities are consistent with risk policies and the aggregated risk position are within the risk appetite as approved by the Board; and
- create shareholders' value through sound risk management framework.

The Bank holds the following financial assets and financial liabilities:

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
<b>Financial assets</b>				
Financial assets at amortised costs				
Cash on hand	19,696,246	79,671,315	8,311,993	33,871,371
Deposits and placements with the Central Bank	88,286,971	357,120,798	695,354	2,833,568
Deposits and placements with other banks	68,142,301	275,635,608	48,105,160	196,028,527
Loans and advances	350,128,567	1,416,270,054	302,978,610	1,234,637,836
Investment securities	5,013,158	20,278,224	-	-
Other financial assets	2,858,932	11,564,380	1,378,497	5,617,375
<b>Total financial assets</b>	<b>534,126,175</b>	<b>2,160,540,379</b>	<b>361,469,614</b>	<b>1,472,988,677</b>



<b>Financial liabilities</b>				
Financial liabilities at amortised cost				
Deposits from customers	200,173,602	809,702,220	41,634,841	169,661,977
Borrowings	112,043,655	453,216,584	93,519,447	381,091,747
Lease liabilities	13,564,170	54,867,068	12,842,836	52,334,557
Employee benefits	64,950	262,723	78,534	320,026
Other financial liabilities	8,999,997	36,404,989	14,785,522	60,251,002
<b>Total financial liabilities</b>	<b>334,846,374</b>	<b>1,354,453,584</b>	<b>162,861,180</b>	<b>663,659,309</b>

### 35.1. Credit risk

Credit risk is the risk of suffering financial loss, should any of the Bank's customers or market counterparties fail to fulfil their contractual obligations to the Bank. Credit risk arises from deposits and placements with the Central Bank and other banks, loans and advances, other financial assets, and credit commitments and financial guarantee contract. Credit exposure arises principally in lending activities.

#### (a) Credit risk measurement

Credit risk is managed on a group basis.

For loans and advances and credit commitments, the estimation of credit exposure for risk management purposes requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of default occurring, of the associated loss ratios and of default correlations between counterparties. The Bank measures credit risk using Probability of Default ("PD"), Exposure at Default ("EAD") and Loss Given Default ("LGD") for the purposes of measuring Expected Credit Loss ("ECL") under CIFRS 9.

Deposits and placements with the Central Bank and other banks are considered to be low credit risk. The credit ratings of these assets are monitored for credit deterioration. Measurement for impairment is limited to 12-month expected credit loss. Other financial assets at amortised cost are monitored for its credit rating deterioration, and the measurement of impairment follows three-stage approach in Note 35.1 (c).

#### (b) Risk limit control and mitigation policies

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

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security in the form of collaterals for loans and advances to customers, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collaterals or credit risk mitigation. The principal collateral types to secure loans and advances to customers are:

- Mortgages over residential properties (land, building and other properties);
- Cash in the form of margin deposits, if any.

**(c) Impairment (expected credit loss) policies**

The measurement of expected credit loss allowance under the CIFRS 9's three-stage approach is to recognise lifetime expected credit loss allowance for financial instrument for which there has been a significant increase in credit risk since initial origination or is credit-impaired as at the reporting date. The financial instrument which has not undergone any significant deterioration in credit risk shall be recognised with 12-month expected credit loss allowance.

Under the three-stage approach, the financial instrument is allocated into three stages based on the relative movement in the credit risk.

- Stage 1 includes financial instruments that neither have a significant increase in credit risk since initial recognition nor credit-impaired as at reporting date. For these assets, 12-month expected credit loss allowance are recognised.
- Stage 2 includes financial instruments that have had a significant increase in credit risk since initial recognition but do not have objective evidence of impairment. For these assets, lifetime expected credit loss allowance are recognised.
- Stage 3 includes financial instruments that have objective evidence of impairment at the reporting date. For these assets, lifetime expected credit loss allowance are recognised.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their expected credit loss allowance is always measured on a lifetime basis (Stage 3).

The key judgements and assumptions adopted by the Bank in addressing the requirements of the standard on the measurement of allowances are:

**(i) Significant increase in credit risk ('SICR')**

The assessment of SICR shall be a multifactor and holistic analysis and based on a mixture of quantitative and/or qualitative information. To determine whether the risk of default of a loan/financing has increased significantly since initial recognition, the current risk of default at the reporting date is compared with the risk of default at initial recognition. A borrower is considered to have credit risk increased significantly since initial recognition if any of the following criteria is met:

- Past due 30 days for short-term on its contractual payment, and
- Past due 90 days for long-term on its contractual payment;

**(ii) Definition of default and credit impaired**

In alignment with the Bank's internal credit risk management, which is consistent with the NBC's definition of default in its Prakas No. B7-017-344 dated 1 December 2017 and Circular No. B7-018-001 dated 16 February 2018 on credit risk classification and provisions on impairment, the Bank defines a financial instrument as in default which is also credit-impaired when it meets one of the following criteria:

- The principal or interest or both of the loan is past due for more than 30 days and 90 days, for short term and long term loan, respectively. In the case of revolving facilities (e.g. overdraft), the facility shall be classified as impaired where the outstanding amount has remained in excess of the approved limit for a period of 90 days or more consecutive days. For the purpose of ascertaining the period in arrears:
  - (1) Repayment on each of the instalment amount must be made in full. A partial repayment made on an instalment amount shall be deemed to be in arrears.
  - (2) Where a moratorium on loan repayment is granted in relation to the rescheduling and restructuring, the determination of period in arrears shall exclude the moratorium period granted. The moratorium shall be for a period of not more than 6 months from the date of the obligor's/counterparty's application for the moratorium.
  - (3) Where repayments are scheduled on interval of 90 days or longer, the loan is classified as impaired as soon as a default occurs, unless it does not exhibit any weakness that would render it classified according to the credit risk grading policy.
- The loan is forced impaired due to various reasons, such as bankruptcy, significant financial difficulty, etc. In the event where a loan is not in default or past due but force impaired, the loan shall be classified as impaired upon approval by Credit Committee.
- Restructuring and rescheduling of a loan facility involves any modification made to the original repayment terms and conditions of the loan facility following an increase in the credit risk of a obligor/counterparty.
- When an obligor/counterparty has multiple loans with the Bank and cross default obligation applies, an assessment of provision is required under which default of one debt obligation triggers default on another debt obligation (cross default). Where there is no right to set off clause is available, assessment of provision needs to be performed on individual loan level instead of consolidated obligor/counterparty level.
- Write-off/charged-off accounts.

**(iii) Measuring (ECL - inputs, assumptions and estimation techniques)**

The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. The ECL is assessed and measured on collective basis.

For collective assessment, the ECL is determined by projecting the PD, LGD and EAD for each future month and for collective segment. The three components are multiplied together to calculate an ECL for each future year, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

#### Probability of Default

The PD represents the likelihood of a borrower will be unable to meet its financial obligation either over the next 12 months (12-month PD) or over the remaining lifetime (Lifetime PD) of the obligation.

The lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition through the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio. This is supported by historical analysis.

#### Exposure at Default

EAD is the total amount that the Bank is exposed to at the time the borrower defaults.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

- For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12-month or remaining maturity.
- For revolving products the exposure at default is predicted by taking current drawn balance and adding a “credit conversion factor” which allows for the expected drawdown of the remaining limit by the time of default.

#### Loss Given Default

LGD represents the Bank’s expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default. LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

As there is no sufficient historical data for LGD study and no observable market data is available in Cambodia, the Bank assessed that it is appropriate to assign 10% to hard title secured facilities and 20% to soft title secured facilities, and 50% to moveable assets secured facilities and 100% LGD to unsecured facilities.

The assumptions underlying the ECL calculation are monitored and reviewed periodically. There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

#### **(iv) Forward-looking information incorporated into the ECL models**

The calculation of ECL incorporate forward-looking information. The Bank has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgement has also been applied in this process. The historical and forecasts of these economic variables (the “based economic scenario”) are sourced from external research house. The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

In addition to the based economic scenario, the Bank considers other possible scenarios along with scenario weightings. The number of other scenarios used is set based on the analysis of each major product type to ensure non-linearities are captured. The number of scenarios and their attributes are reassessed at each reporting date. At 31 December 2019, and 31 December 2020, the Bank concluded that three scenarios appropriately captured non-linearities. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of.

As with any economic forecasts, the projects and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Bank considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Bank’s different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

#### *Macroeconomic variable assumptions*

The most significant period-end assumptions used for the ECL estimate as at 31 December 2019 and 31 December 2020 are set out below. The scenario “base”, “best”, and “worst” were used for all portfolios.

	31 December 2020				
	2021	2022	2023	2024	2025
<b>Gross fixed investment</b>					
Base	8.20	8.40	8.40	8.40	8.40
Best	10.13	10.33	10.33	10.33	10.33
Worst	6.28	6.48	6.48	6.48	6.48

	31 December 2019				
	2020	2021	2022	2023	2024
<b>Gross fixed investment</b>					
Base	7.70	8.20	8.40	8.40	8.40
Best	9.63	10.13	10.33	10.33	10.33
Worst	5.78	6.28	6.48	6.48	6.48

The weightings assigned to each economic scenario as at 31 December 2019, and 31 December 2020 are as follows:

	<u>All portfolios weightings</u>
Base	50%
Best	49%
Worst	1%
	<hr/> 100%

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have also been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness periodically.

#### *Sensitivity analysis*

The most significant assumptions affecting the ECL allowance is Gross Fixed Investment, given the significant impact on obligors' ability to meet contractual repayments, business performance, and collateral valuation.

Set out below are the changes to the ECL as at 31 December 2019 and 31 December 2020 that would result from reasonably possible changes in these parameters from the actual assumptions used in the Bank's economic variable assumptions:

	<u>ECL US\$</u>
<b>GROSS FIX INVESTMENT</b>	
Annual growth rate increase by 25%	2,304,673
No change	2,925,397
Annual growth rate decreases by 25%	3,546,121

#### **(v) Grouping of exposure for ECL measured on collective basis**

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

In performing this grouping, there must be sufficient information for the group to be statistically credible. Where sufficient information is not available internally, the Bank has considered benchmarking internal/external supplementary data to use for modelling purposes.

The appropriateness of groupings is monitored and reviewed on a periodic basis by the Credit Risk Committee.

**(vi) Write off policy**

Write-off is usually taken when relevant recovery actions have been exhausted or further recovery is not economically feasible or justifiable. When a loan or debt instrument is deemed uncollectible, it is written off against the related allowance for impairment. Such loans are either written off in full or partially after taking into consideration the realisable value of collateral (if any) and when in the judgement of the management, there is no prospect of recovery. All write-offs must be approved by the Board or its delegated authorities.

**(vii) Modification of loans**

The Bank sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Bank assess whether or not the new terms are substantially different from the original terms. The Bank does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/ equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

The risk of default of such loans after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original loans. The Bank monitors the subsequent performance of modified assets. The Bank may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL). This is only the case for assets which have performed in accordance with the new terms for six consecutive months or more.

**(viii) Off-balance sheet exposures**

Off-balance sheet exposures are exposures such as trade facilities and undrawn commitments. The Bank applied Credit Conversion Factor (CCF) to estimate the EAD of off-balance sheet item. EAD is estimated at 100% of the off-balance sheet exposure using the CCF.

**(d) Maximum exposure to credit risk before collateral held or other credit enhancements**

The maximum exposure to credit risk for financial assets recognised in the statements of financial position is their carrying amounts. For contingent liabilities, the maximum exposure to credit risk is the maximum amount that the Bank would have to pay if the obligations of the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers. The table below shows the maximum exposure to credit risk for the Bank on financial instruments subject to impairment:

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
<b>Credit risk exposure related to on-balance sheet assets:</b>				
Deposits and placements with other banks	68,229,449	275,988,122	48,167,827	196,283,895
Loans and advances	353,136,357	1,428,436,565	305,246,267	1,243,878,538
Investment securities	5,020,137	20,306,454	-	-
Other financial assets	600,261	2,428,056	1,378,497	5,617,375
<b>Credit risk exposure related to off-balance sheet items:</b>				
Credit related commitments	7,173,563	29,017,062	13,048,645	53,173,228
Financial guarantee contracts	2,692,245	10,890,131	811,141	3,305,400
<b>Total gross credit exposure</b>	<b>436,852,012</b>	<b>1,767,066,390</b>	<b>368,652,377</b>	<b>1,502,258,436</b>
Loss allowance (ECL)	(3,164,156)	(12,799,601)	(2,381,090)	(9,702,941)
<b>Total net credit exposure</b>	<b>433,687,856</b>	<b>1,754,266,789</b>	<b>366,271,287</b>	<b>1,492,555,495</b>

The table above represents a worst-case scenario of credit risk exposure to the Bank, since collateral held and/or other credit enhancement attached were not taken into account. For on-balance sheet assets, the exposures set out above are based on net carrying amounts. As shown above, 80.4% for the Bank (2019: 82.5%) of total maximum exposure is derived from loans and advances. Management is confident of its ability to continue to control and sustain minimal exposure on credit risk resulting from the Bank's loans and advances due to the following:

- Almost all loans and advances are collateralised and loan to collateral value approximately ranging from 50% to 80%.
- The Bank has a proper credit evaluation process in place for granting of loans and advances to customers.
- Deposits and placements with other banks were held with local banks and management has done proper risk assessment and believe there will be no material loss from these local banks.



**(e) Credit quality of financial assets**

The Bank assess credit quality of loans, advances and financing using internal rating techniques tailored to the various categories of products and counterparties. These techniques have been developed internally and combine statistical analysis with credit officers' judgement.

Credit quality description is summarised as follows:

<b>Credit Quality</b>	<b>Description</b>
Standard monitoring	Obligors in this category exhibit strong capacity to meet financial commitment.  The Bank monitors obligors in this category by delinquency status. Obligors that are less than 30 days past due on its contractual payments for both short-term and long-term facilities are in standard monitoring.
Special monitoring	Obligors in this category have a fairly acceptable capacity to meet financial commitments.  The Bank monitors obligors in this category by delinquency status. Obligors that are 30 days past due on its contractual payments for short-term facilities or are from 31 to 89 days past due on its contractual payments for long-term facilities are included in special monitoring.
Default/Credit impaired	Obligors are assessed to be impaired.

The credit quality of financial instruments other than loans, advances and financing are determined based on the ratings of counterparties as defined equivalent ratings of other international rating agencies as defined below:

<b>Credit Quality</b>	<b>Description</b>
Sovereign	Refer to financial asset issued by central banks/federal government or guarantee by central banks/federal government.
Investment grade	Refers to the credit quality of the financial asset that the issuer is able to meet payment obligation and expose the bondholder to low credit risk of default.
Non-investment grade	Refers to low credit quality of the financial asset that is highly exposed to default risk.
Un-graded	Refers to financial asset which are currently not assigned with ratings due to unavailability of ratings models.
Credit impaired	Refers to the asset that is being impaired.

The following table shows an analysis of the credit exposure by stages, together with the ECL allowance provision:

	2020				2019			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
<b>Deposits and placements with other banks</b>								
Investment grade	51,874,023	-	-	51,874,023	13,466,227	-	-	13,466,227
No rating	16,355,426	-	-	16,355,426	34,701,600	-	-	34,701,600
Gross carrying amount	68,229,449	-	-	68,229,449	48,167,827	-	-	48,167,827
Loss allowance (ECL)	(87,148)	-	-	(87,148)	(62,667)	-	-	(62,667)
Net carrying amount	<b>68,142,301</b>	-	-	<b>68,142,301</b>	<b>48,105,160</b>	-	-	<b>48,105,160</b>
<i>In KHR'000 equivalent</i>	<b>275,635,608</b>	-	-	<b>275,635,608</b>	<b>196,028,527</b>	-	-	<b>196,028,527</b>
<b>Loans and advances at amortised cost</b>								
Standard monitoring	343,042,863	-	-	343,042,863	300,033,504	-	-	300,033,504
Special monitoring	-	6,338,892	-	6,338,892	-	2,877,463	-	2,877,463
Default	-	-	3,754,602	3,754,602	-	-	2,335,300	2,335,300
Gross carrying amount	<b>343,042,863</b>	<b>6,338,892</b>	<b>3,754,602</b>	<b>353,136,357</b>	<b>300,033,504</b>	<b>2,877,463</b>	<b>2,335,300</b>	<b>305,246,267</b>
Loss allowance (ECL)	(1,943,831)	(217,023)	(846,936)	(3,007,790)	(1,738,685)	(40,984)	(487,988)	(2,267,657)
Net carrying amount	<b>341,099,032</b>	<b>6,121,869</b>	<b>2,907,666</b>	<b>350,128,567</b>	<b>298,294,819</b>	<b>2,836,479</b>	<b>1,847,312</b>	<b>302,978,610</b>
<i>In KHR'000 equivalent</i>	<b>1,379,745,585</b>	<b>24,762,960</b>	<b>11,761,509</b>	<b>1,416,270,054</b>	<b>1,215,551,387</b>	<b>11,558,652</b>	<b>7,527,797</b>	<b>1,234,637,836</b>
<b>Investment securities</b>								
Standard monitoring	5,020,137	-	-	5,020,137	-	-	-	-
Special monitoring	-	-	-	-	-	-	-	-
Default	-	-	-	-	-	-	-	-
Gross carrying amount	<b>5,020,137</b>	-	-	<b>5,020,137</b>	-	-	-	-

	2020				2019			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Loss allowance (ECL)	(6,979)	-	-	(6,979)	-	-	-	-
Net carrying amount	<b>5,013,158</b>			<b>5,013,158</b>	-	-	-	-
<i>In KHR'000 equivalent</i>	<b>20,278,224</b>	-	-	<b>20,278,224</b>	-	-	-	-
<b>Credit commitments and financial guarantee contract</b>								
Standard monitoring	9,865,808	-	-	9,865,808	13,859,786	-	-	13,859,786
Special monitoring	-	-	-	-	-	-	-	-
Default	-	-	-	-	-	-	-	-
Gross carrying amount	<b>9,865,808</b>	-	-	<b>9,865,808</b>	<b>13,859,786</b>	-	-	<b>13,859,786</b>
Loss allowance (ECL)	(43,835)	-	-	(43,835)	(50,766)	-	-	(50,766)
Net carrying amount	<b>9,821,973</b>	-	-	<b>9,821,973</b>	<b>13,809,020</b>	-	-	<b>13,809,020</b>
<i>In KHR'000 equivalent</i>	<b>39,729,881</b>	-	-	<b>39,729,881</b>	<b>56,271,757</b>	-	-	<b>56,271,757</b>
<b>Other assets (Rental deposit)</b>								
Standard monitoring	600,261	-	-	600,261	-	-	-	-
Special monitoring	-	-	-	-	-	-	-	-
Default	-	-	-	-	-	-	-	-
Gross carrying amount	600,261	-	-	600,261	-	-	-	-
Loss allowance (ECL)	(18,404)	-	-	(18,404)	-	-	-	-
<b>Net carrying amount</b>	<b>581,857</b>	-	-	<b>581,857</b>	-	-	-	-
<i>In KHR'000 equivalent</i>	<b>2,353,611</b>	-	-	<b>2,353,611</b>	-	-	-	-

## (f) Loss allowance

## (i) Expected credit loss reconciliation – loans and advances

	2020				2019			
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
<b>Expected credit losses</b>								
Loss allowance	1,738,685	40,984	487,988	2,267,657	325,062	5,466	181,350	511,878
Changes due to exposure as at 1 January:								
Transfer to stage 1	(39,961)	30,664	9,297	-	(4,983)	1,045	3,938	-
Transfer to stage 2	(77)	77	-	-	(3,326)	-	3,326	-
Transfer to stage 3	23,026	-	(23,026)	-	11,942	-	(11,942)	-
Net remeasurement of loss allowance (*)	568,801	154,034	(11,022)	711,813	492,229	3,753	(7,330)	488,652
New financial assets originated or purchased	586,380	32,019	701,897	1,320,296	993,393	32,860	474,892	1,501,145
Financial assets derecognised during the period other than write off	(933,023)	(40,755)	(218,092)	(1,191,870)	(75,632)	(2,140)	(117,451)	(195,223)
Unwinding of discount	-	-	(100,106)	(100,106)	-	-	(38,795)	(38,795)
Loss allowance as at 31 December	<b>1,943,831</b>	<b>217,023</b>	<b>846,936</b>	<b>3,007,790</b>	<b>1,738,685</b>	<b>40,984</b>	<b>487,988</b>	<b>2,267,657</b>
<i>In KHR'000 equivalent</i>	<b>7,862,796</b>	<b>877,858</b>	<b>3,425,857</b>	<b>12,166,511</b>	<b>7,085,141</b>	<b>167,011</b>	<b>1,988,550</b>	<b>9,240,702</b>

	2020				2019			
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
<b>Gross carrying amount</b>								
Gross carrying amount as at 1 January	300,033,504	2,877,463	2,335,300	305,246,267	112,568,911	510,703	754,511	113,834,125
<i>Changes due to financial instruments recognised as at 1 January:</i>								
Transfer to stage 1	(7,278,516)	5,308,008	1,970,508	-	(1,836,846)	270,318	1,566,528	-
Transfer to stage 2	(5,783)	5,783	-	-	(293,887)	-	293,887	-
Transfer to stage 3	76,922	-	(76,922)	-	49,090	-	(49,090)	-
New financial assets originated or purchased	200,331,229	1,019,479	539,157	201,889,865	221,828,949	2,619,864	294,316	224,743,129
Financial assets derecognised during the period other than write off	(150,114,493)	(2,871,841)	(1,013,441)	(153,999,775)	(32,282,713)	(523,422)	(505,454)	(33,311,589)
Written off	-	-	-	-	-	-	(19,398)	(19,398)
Gross carrying amount as at 31 December	<b>343,042,863</b>	<b>6,338,892</b>	<b>3,754,602</b>	<b>353,136,357</b>	<b>300,033,504</b>	<b>2,877,463</b>	<b>2,335,300</b>	<b>305,246,267</b>
<i>In KHR'000 equivalent</i>	<b>1,387,608,382</b>	<b>25,640,818</b>	<b>15,187,365</b>	<b>1,428,436,565</b>	<b>1,222,636,529</b>	<b>11,725,662</b>	<b>9,516,347</b>	<b>1,243,878,538</b>

(\*) Impact of the measurement of ECL due to changes in EAD and PD during the year arising from regular refreshing of inputs to models.

## (ii) Expected credit loss reconciliation – credit commitments and financial guarantee contracts

	2020				2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired		12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
<b>Expected credit losses</b>								
Loss allowance	50,766	-	-	50,766	13,064	-	-	13,064
<i>Changes due to exposure as at 1 January:</i>								
Transfer to stage 1	-	-	-	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-	-	-	-
Reversal of prior year provision	(37,702)	-	-	(37,702)				
New financial assets originated or purchased	30,771	-	-	30,771	37,702	-	-	37,702
Loss allowance as at 31 December	<b>43,835</b>	-	-	<b>43,835</b>	<b>50,766</b>	-	-	<b>50,766</b>
<i>In KHR'000 equivalent</i>	<b>177,313</b>	-	-	<b>177,313</b>	<b>206,871</b>	-	-	<b>206,871</b>
<b>Gross carrying amount</b>								
Gross carrying amount as at 1 January	13,859,786	-	-	13,859,786	6,843,902	-	-	6,843,902
<i>Changes due to financial instruments recognised as at 1 January:</i>								
Transfer to stage 1	-	-	-	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-	-	-	-
Exposure derecognised or expired	(3,993,978)	-	-	(3,993,978)	7,015,884	-	-	7,015,884
Gross carrying amount as at 31 December	<b>9,865,808</b>	-	-	<b>9,865,808</b>	<b>13,859,786</b>	-	-	<b>13,859,786</b>
<i>In KHR'000 equivalent</i>	<b>39,907,193</b>	-	-	<b>39,907,193</b>	<b>56,478,628</b>	-	-	<b>56,478,628</b>

## (iii) Expected credit loss reconciliation – deposits and placements with other banks

	2020				2019			
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
<b>Expected credit losses</b>								
Loss allowance as at 1 January	62,667	-	-	62,667	37,608	-	-	37,608
<i>Changes due to exposure as at 1 January:</i>								
Transfer to stage 1	-	-	-	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-	-	-	-
New financial assets originated or purchased	24,481	-	-	24,481	25,059	-	-	25,059
Loss allowance as at 31 December	<b>87,148</b>	-	-	<b>87,148</b>	<b>62,667</b>	-	-	<b>62,667</b>
In KHR'000 equivalent	<b>352,514</b>	-	-	<b>352,514</b>	<b>255,368</b>	-	-	<b>255,368</b>
<b>Gross carrying amount</b>								
Gross carrying amount as at 1 January	48,167,827	-	-	48,167,827	30,058,438	-	-	30,058,438
<i>Changes due to financial instruments recognised as at 1 January:</i>								
Transfer to stage 1	-	-	-	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-	-	-	-
New exposure	20,061,622	-	-	20,061,622	18,109,389	-	-	18,109,389
Gross carrying amount as at 31 December	<b>68,229,449</b>	-	-	<b>68,229,449</b>	<b>48,167,827</b>	-	-	<b>48,167,827</b>
In KHR'000 equivalent	<b>275,988,122</b>	-	-	<b>275,988,122</b>	<b>196,283,895</b>	-	-	<b>196,283,895</b>

## (iv) Expected credit loss reconciliation – Investment securities

	2020				2019			
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
<b>Expected credit losses</b>								
Loss allowance as at 1 January	-	-	-	-	-	-	-	-
<i>Changes due to exposure as at 1 January:</i>								
Transfer to stage 1	-	-	-	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-	-	-	-
New financial assets originated or purchased	6,979	-	-	6,979	-	-	-	-
Loss allowance as at 31 December	<b>6,979</b>	-	-	<b>6,979</b>	-	-	-	-
<i>In KHR'000 equivalent</i>	<b>28,230</b>	-	-	<b>28,230</b>	-	-	-	-
<b>Gross carrying amount</b>								
Gross carrying amount as at 1 January	-	-	-	-	-	-	-	-
<i>Changes due to financial instruments recognised as at 1 January:</i>								
Transfer to stage 1	-	-	-	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-	-	-	-
New exposure	5,020,137	-	-	5,020,137	-	-	-	-
Gross carrying amount as at 31 December	<b>5,020,137</b>	-	-	<b>5,020,137</b>	-	-	-	-
<i>In KHR'000 equivalent</i>	<b>20,306,454</b>	-	-	<b>20,306,454</b>	-	-	-	-



## (v) Expected credit loss reconciliation – Rental deposit

	2020				2019			
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
<b>Expected credit losses</b>								
Loss allowance as at 1 January	-	-	-	-	-	-	-	-
Changes due to exposure as at 1 January:								
Transfer to stage 1	-	-	-	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-	-	-	-
New financial assets originated or purchased	18,404	-	-	18,404	-	-	-	-
Loss allowance as at 31 December	<b>18,404</b>	-	-	<b>18,404</b>	-	-	-	-
In KHR'000 equivalent	<b>75,033</b>	-	-	<b>75,033</b>	-	-	-	-
<b>Gross carrying amount</b>								
Gross carrying amount as at 1 January	-	-	-	-	-	-	-	-
Changes due to financial instruments recognised as at 1 January:								
Transfer to stage 1	-	-	-	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-	-	-	-
New exposure	600,261	-	-	600,261	-	-	-	-
Gross carrying amount as at 31 December	<b>600,261</b>	-	-	<b>600,261</b>	-	-	-	-
In KHR'000 equivalent	<b>2,428,056</b>	-	-	<b>2,428,056</b>	-	-	-	-

**(g) Concentration of financial assets with credit risk exposure****(i) Geographical sector**

The following table breaks down the Bank's main credit exposure at their carrying amount, as categorised by geographical region as at 31 December 2020. For this table, the Bank has allocated exposure to countries based on the country of domicile of its counterparties.

	Cambodia	Other ASEAN countries	Total
	US\$	US\$	US\$
<b>31 December 2020</b>			
Deposits and placements with other banks	55,746,595	12,395,706	68,142,301
Loans and advances	350,128,567	-	350,128,567
Investment securities	5,013,158	-	5,013,158
Other financial assets	581,857	-	581,857
Credit commitments	7,129,728	-	7,129,728
Financial guarantee contracts	2,692,245	-	2,692,245
Total credit exposure	<b>421,292,150</b>	<b>12,395,706</b>	<b>433,687,856</b>
<i>In KHR'000 equivalents</i>	<b>1,704,126,747</b>	<b>50,140,631</b>	<b>1,754,267,378</b>
<b>31 December 2019</b>			
Deposits and placements with other banks	48,105,160	-	48,105,160
Loans and advances	302,978,610	-	302,978,610
Other financial assets	1,378,497	-	1,378,497
Credit commitments	12,997,879	-	12,997,879
Financial guarantee contracts	811,141	-	811,141
Total credit exposure	<b>366,271,287</b>	<b>-</b>	<b>366,271,287</b>
<i>In KHR'000 equivalents</i>	<b>1,492,555,495</b>	<b>-</b>	<b>1,492,555,495</b>

**(ii) Industry sector**

The following table breaks down the Bank's main credit exposure at their gross carrying amounts less impairment if any, as categorised by the industry sectors of its counterparties.

	Agriculture, Forestry and Fishing	Building and Construction	Financial Institutions	Import and Exports	Manufac- turing	Other Lending	Personal Lending	Real Estate and Mortgages	Services	Wholesale and Retail Trade	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
<b>31 December 2020</b>											
Deposits and placements with other banks	-	-	68,142,301	-	-	-	-	-	-	-	68,142,301
Loans and advances	8,749,466	32,449,131	8,522,605	5,409,363	13,745,209	37,999,893	47,542,748	62,419,812	14,847,482	118,442,858	350,128,567
Investment securities	-	-	5,013,158	-	-	-	-	-	-	-	5,013,158
Other financial assets	-	-	-	-	-	-	-	-	2,858,932	-	2,858,932
Credit commitments	124,933	359,570	-	-	680,170	732,484	1,009,964	1,442,179	1,376,144	1,404,284	7,129,728
Financial guarantee contracts	-	-	-	-	-	-	-	2,341,000	-	351,245	2,692,245
<b>Total credit exposure</b>	<b>8,874,399</b>	<b>32,808,701</b>	<b>81,678,064</b>	<b>5,409,363</b>	<b>14,425,379</b>	<b>38,732,377</b>	<b>48,552,712</b>	<b>66,202,991</b>	<b>19,082,558</b>	<b>120,198,387</b>	<b>435,964,931</b>
<i>In KHR'000 equivalent</i>	<b>35,896,943</b>	<b>132,711,196</b>	<b>330,387,769</b>	<b>21,880,873</b>	<b>58,350,658</b>	<b>156,672,467</b>	<b>196,395,719</b>	<b>267,791,098</b>	<b>77,188,948</b>	<b>486,202,474</b>	<b>1,763,478,145</b>
<b>31 December 2019</b>											
Deposits and placements with other bank	-	-	48,105,160	-	-	-	-	-	-	-	48,105,160
Loans and advances	7,702,314	23,898,647	12,736,380	4,615,556	9,833,296	52,970,329	43,934,732	51,689,123	7,302,719	88,295,514	302,978,610
Other financial assets	-	-	-	-	-	-	-	-	1,378,497	-	1,378,497
Credit commitments	-	-	-	-	-	-	12,997,879	-	-	-	12,997,879
Financial guarantee contracts	-	-	-	-	-	-	811,141	-	-	-	811,141
<b>Total credit exposure</b>	<b>7,702,314</b>	<b>23,898,647</b>	<b>60,841,540</b>	<b>4,615,556</b>	<b>9,833,296</b>	<b>52,970,329</b>	<b>57,743,752</b>	<b>51,689,123</b>	<b>8,681,216</b>	<b>88,295,514</b>	<b>366,271,287</b>
<i>In KHR'000 equivalent</i>	<b>31,386,930</b>	<b>97,386,987</b>	<b>247,929,276</b>	<b>18,808,391</b>	<b>40,070,681</b>	<b>215,854,091</b>	<b>235,305,789</b>	<b>210,633,176</b>	<b>35,375,954</b>	<b>359,804,220</b>	<b>1,492,555,495</b>

**(h) Repossessed collateral**

Reposessed collaterals are sold as soon as practicable. The Bank does not utilise the reposessed collaterals for its business use.

The Bank did not obtain assets by taking possession of collateral held as security as at 31 December 2020 and 31 December 2019.

**35.2. Market risk**

The Bank takes on exposure to market risk, which is the risk that the fair value or future cash flow of a financial instrument, will fluctuate because of changes in market prices. Market risk arises from open positions in interest rates, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

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

**(i) Foreign exchange risk**

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

The Bank operates in Cambodia and transacts in many currencies, and is exposed to various currency risks, primarily with respect to Khmer Riel.

The management monitors the Bank's foreign exchange risk against functional currencies. However, the Bank does not hedge its foreign exchange risk exposure arising from future commercial transactions.

The Bank's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines.

The table below summarises the Bank's exposure to foreign currency exchange rate risk. Included in the table are and Bank's financial instruments at their carrying amounts by currency in US\$ equivalent.

	In US\$ equivalent			
	US\$	KHR	Others	Total
<b>As at 31 December 2020</b>				
<b>Financial assets</b>				
Cash on hand	15,730,487	3,965,759	-	19,696,246
Deposits and placements with the Central Bank	84,500,908	3,786,063	-	88,286,971
Deposits and placements with other banks	67,250,320	347,972	544,009	68,142,301
Loans and advances	311,337,266	38,791,301	-	350,128,567
Investment securities	5,013,158	-	-	5,013,158
Other financial assets	2,816,676	42,256	-	2,858,932
<b>Total financial assets</b>	<b>486,648,815</b>	<b>46,933,351</b>	<b>544,009</b>	<b>534,126,175</b>

	In US\$ equivalent			
	US\$	KHR	Others	Total
<b>Financial liabilities</b>				
Deposits from customers	196,046,026	4,127,576	-	200,173,602
Borrowings	111,868,760	174,895	-	112,043,655
Lease liabilities	13,564,170	-	-	13,564,170
Employee benefits	64,950	-	-	64,950
Other financial liabilities	8,986,843	13,154	-	8,999,997
<b>Total financial liabilities</b>	<b>330,530,749</b>	<b>4,315,625</b>	<b>-</b>	<b>334,846,374</b>
<b>Net position</b>	<b>156,118,066</b>	<b>42,617,726</b>	<b>544,009</b>	<b>199,279,801</b>
<b>In KHR'000 equivalent</b>	<b>631,497,577</b>	<b>172,388,702</b>	<b>2,200,516</b>	<b>806,086,795</b>
<b>Off-balance sheet</b>				
Credit commitments	6,677,987	451,741	-	7,129,728
Financial guarantee contracts	2,692,245	-	-	2,692,245
	<b>9,370,232</b>	<b>451,741</b>	<b>-</b>	<b>9,821,973</b>
<b>In KHR'000 equivalent</b>	<b>37,902,588</b>	<b>1,827,292</b>	<b>-</b>	<b>39,729,881</b>

	In US\$ equivalent		
	US\$	KHR	Total
<b>As at 31 December 2019</b>			
<b>Financial assets</b>			
Cash on hand	6,681,902	1,630,091	8,311,993
Deposits and placements with the Central Bank	246,045	449,309	695,354
Deposits and placements with other banks	46,785,899	1,319,261	48,105,160
Loans and advances	268,989,944	33,988,666	302,978,610
Other financial assets	1,343,315	35,182	1,378,497
<b>Total financial assets</b>	<b>324,047,105</b>	<b>37,422,509</b>	<b>361,469,614</b>
<b>Financial liabilities</b>			
Deposits from customers	39,084,289	2,550,552	41,634,841
Borrowings	93,519,447	-	93,519,447
Lease liabilities	12,842,836	-	12,842,836
Other financial liabilities	14,678,866	267,253	14,946,119
<b>Total financial liabilities</b>	<b>160,125,438</b>	<b>2,817,805</b>	<b>162,943,243</b>
<b>Net position</b>	<b>163,921,667</b>	<b>34,604,704</b>	<b>198,526,371</b>
<b>In KHR'000 equivalent</b>	<b>667,980,793</b>	<b>141,014,169</b>	<b>808,994,962</b>
<b>Off-balance sheet</b>			
Credit commitments	12,917,703	80,175	12,997,878
Financial guarantee contracts	811,141	-	811,141
	<b>13,728,844</b>	<b>80,175</b>	<b>13,809,019</b>
<b>In KHR'000 equivalent</b>	<b>55,945,039</b>	<b>326,713</b>	<b>56,271,752</b>

### Sensitivity analysis

As shown in the table above, the group is primarily exposed to changes in USD/KHR exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from US-dollar denominated financial instruments.

	Impact on post tax profit/loss		Impact on other component of equity	
	US\$	KHR'000	US\$	KHR'000
<b>2020</b>				
US\$/KHR exchange rate- increase by 5%	(1,479,852)	(5,986,001)	-	-
US\$/KHR exchange rate- decrease by 5%	1,635,626	6,616,107	-	-
<b>2019</b>				
US\$/KHR exchange rate- increase by 5%	(1,210,929)	(4,934,536)	-	-
US\$/KHR exchange rate- decrease by 5%	1,338,396	5,453,964	-	-

#### (ii) Price risk

The Bank is not exposed to a securities price risk because it does not have any investment held and classified on the statement of financial position at fair value.

#### (iii) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Interest margins may increase as a result of changes but may reduce losses in the event that unexpected movements arise. The management of the Bank at this stage does not have a policy to set limits on the level of mismatch of interest rate repricing that may be undertaken; however, the management regularly monitors the mismatch.

The table below summarises the Bank's exposure to interest rate risks. It includes the Bank's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	1 month US\$	1 to 3 month US\$	3 to 12 month US\$	1 to 5 years US\$	Over 5 years US\$	Non-interest bearing US\$	Total US\$
<b>As at 31 December 2020</b>							
<b>Financial assets</b>							
Cash on hand	-	-	-	-	-	19,696,246	19,696,246
Deposits and placements with the Central Bank	-	7,034,858	-	-	-	81,252,113	88,286,971
Deposits and placements with other banks	-	54,146,874	-	-	-	13,995,427	68,142,301
Loan and advances	1,887,076	13,336,617	13,997,979	33,427,251	287,479,644	-	350,128,567
Investment securities	-	1,235,962	3,777,196	-	-	-	5,013,158
Other financial assets	-	-	-	-	-	2,858,932	2,858,932
<b>Total financial assets</b>	<b>1,887,076</b>	<b>75,754,311</b>	<b>17,775,175</b>	<b>33,427,251</b>	<b>287,479,644</b>	<b>117,802,718</b>	<b>534,126,175</b>
<b>Financial liabilities</b>							
Deposits from customers	807,603	6,905,813	176,558,822	-	-	15,901,364	200,173,602
Borrowing	-	-	-	51,273,850	-	60,769,805	112,043,655
Lease liabilities	105,141	356,959	1,144,601	8,262,323	3,695,146	-	13,564,170
Employee benefits	-	-	-	-	-	64,950	64,950
Other financial liabilities	-	-	-	-	-	8,999,997	8,999,997
<b>Total financial liabilities</b>	<b>912,744</b>	<b>7,262,772</b>	<b>177,703,423</b>	<b>59,536,173</b>	<b>3,695,146</b>	<b>85,736,116</b>	<b>334,846,374</b>
<b>Total interest repricing gap</b>	<b>974,332</b>	<b>68,491,539</b>	<b>(159,928,248)</b>	<b>(26,108,922)</b>	<b>283,784,498</b>	<b>32,066,602</b>	<b>199,279,801</b>
<b>In KHR'000 equivalent</b>	<b>3,941,173</b>	<b>277,048,275</b>	<b>(646,909,763)</b>	<b>(105,610,589)</b>	<b>1,147,908,294</b>	<b>129,709,405</b>	<b>806,086,795</b>

	1 month US\$	1 to 3 month US\$	3 to 12 month US\$	1 to 5 years US\$	Over 5 years US\$	Non-interest bearing US\$	Total US\$
<b>As at 31 December 2019</b>							
<b>Financial assets</b>							
Cash on hand	-	-	-	-	-	8,311,993	8,311,993
Deposits and placements with the Central Bank	-	99,080	-	-	-	596,274	695,354
Deposits and placements with other banks	-	38,623,736	-	-	-	9,481,424	48,105,160
Loan and advances	1,068,622	2,073,284	15,971,863	38,452,751	245,412,090	-	302,978,610
Other financial assets	-	-	-	-	-	1,378,497	1,378,497
<b>Total financial assets</b>	<b>1,068,622</b>	<b>40,796,100</b>	<b>15,971,863</b>	<b>38,452,751</b>	<b>245,412,090</b>	<b>19,768,188</b>	<b>361,469,614</b>
<b>Financial liabilities</b>							
Deposits from customers	23,753,459	8,874,995	2,774,341	-	-	6,232,046	41,634,841
Borrowings	-	-	-	35,086,943	-	58,432,504	93,519,447
Lease liabilities	75,763	268,380	816,672	5,286,723	6,395,298	-	12,842,836
Other financial liabilities	-	-	-	-	-	13,769,424	13,769,424
<b>Total financial liabilities</b>	<b>23,829,222</b>	<b>9,143,375</b>	<b>3,591,013</b>	<b>40,373,666</b>	<b>6,395,298</b>	<b>78,433,974</b>	<b>161,766,548</b>
<b>Total interest repricing gap</b>	<b>(22,760,600)</b>	<b>31,652,725</b>	<b>12,380,850</b>	<b>(1,920,915)</b>	<b>239,016,792</b>	<b>(58,665,786)</b>	<b>199,703,066</b>
<b>In KHR'000 equivalent</b>	<b>(92,749,445)</b>	<b>128,984,854</b>	<b>50,451,964</b>	<b>(7,827,729)</b>	<b>973,993,427</b>	<b>(239,063,078)</b>	<b>813,789,993</b>



**35.3. Liquidity risk**

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

**(a) Liquidity risk management process**

The Bank's management monitors its liquidity and manages the concentration and profile of debt maturities. Monitoring and reporting take the form of the daily cash position and project for the next day, week and month respectively, as these are key periods for liquidity management. The management monitors the movement of the main depositors and projection of their withdrawals.

**(b) Funding approach**

The Bank's main sources of liquidity arise from shareholder's paid-up capital, borrowings and customers' deposits. The sources of liquidity are regularly reviewed daily through management's review of maturity of term deposits and key depositors.

**(c) Non-derivative cash flows**

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

	1 month	1 to 3 month	3 to 12 month	1 to 5 years	Over 5 years	Total
	US\$	US\$	US\$	US\$	US\$	US\$
<b>As at 31 December 2020</b>						
<b>Financial assets</b>						
Cash on hand	19,696,246	-	-	-	-	19,696,246
Deposits and placements with the Central Bank	81,252,113	7,034,858	-	-	-	88,286,971
Deposits and placements with other banks	13,995,427	54,146,874	-	-	-	68,142,301
Loans and advances	1,865,713	9,238,618	14,076,513	40,959,541	484,032,461	550,172,846
Investment securities	-	1,235,962	3,777,196	-	-	5,013,158
Other financial assets	2,858,932	-	-	-	-	2,858,932
<b>Total financial assets by remaining contractual maturities</b>	<b>119,668,431</b>	<b>71,656,312</b>	<b>17,853,709</b>	<b>40,959,541</b>	<b>484,032,461</b>	<b>734,170,454</b>
<b>Financial liabilities</b>						
Deposits from customers	16,871,613	7,423,965	179,163,821	1,155,198	-	204,614,597
Borrowings	-	-	1,577,255	118,133,129	-	119,710,384
Lease liabilities	105,141	356,959	1,144,601	8,262,323	3,695,146	13,564,170
Employee benefits	64,950	-	-	-	-	64,950
Other financial liabilities	8,999,997	-	-	-	-	8,999,997
<b>Total financial liabilities by remaining contractual maturities</b>	<b>26,041,701</b>	<b>7,780,924</b>	<b>181,885,677</b>	<b>127,550,650</b>	<b>3,695,146</b>	<b>346,954,098</b>
<b>Net liquidity surplus/(gap)</b>	<b>93,626,730</b>	<b>63,875,388</b>	<b>(164,031,968)</b>	<b>(86,591,109)</b>	<b>480,337,315</b>	<b>387,216,356</b>
<b>In KHR'000 equivalent</b>	<b>378,720,123</b>	<b>258,375,944</b>	<b>(663,509,311)</b>	<b>(350,261,036)</b>	<b>1,942,964,439</b>	<b>1,566,290,160</b>
<b>Off-balance sheet</b>						
Credit commitments	7,129,728	-	-	-	-	7,129,728
Financial guarantee contracts	-	-	2,692,245	-	-	2,692,245
<b>Liquidity- off-balance sheet</b>	<b>7,129,728</b>	<b>-</b>	<b>2,692,245</b>	<b>-</b>	<b>-</b>	<b>9,821,973</b>
<b>In KHR'000 equivalent</b>	<b>28,839,750</b>	<b>-</b>	<b>10,890,131</b>	<b>-</b>	<b>-</b>	<b>39,729,881</b>

	1 month	1 to 3 month	3 to 12 month	1 to 5 years	Over 5 years	Total
	US\$	US\$	US\$	US\$	US\$	US\$
<b>As at 31 December 2019</b>						
<b>Financial assets</b>						
Cash on hand	8,311,993	-	-	-	-	8,311,993
Deposits and placements with the Central Bank	596,274	99,080	-	-	-	695,354
Deposits and placements with other banks	9,481,424	38,623,736	-	-	-	48,105,160
Loans and advances	1,091,795	2,130,147	16,727,487	48,151,227	417,952,786	486,053,442
Other financial assets	1,378,497	-	-	-	-	1,378,497
<b>Total financial assets by remaining contractual maturities</b>	<b>20,859,983</b>	<b>40,852,963</b>	<b>16,727,487</b>	<b>48,151,227</b>	<b>417,952,786</b>	<b>544,544,446</b>
<b>Financial liabilities</b>						
Deposits from customers	29,987,681	8,925,137	3,618,171	10,489	-	42,541,478
Borrowings	-	-	998,630	97,719,447	-	98,718,077
Lease liabilities	75,763	268,380	816,672	5,286,723	6,395,298	12,842,836
Other financial liabilities	13,769,424	-	-	-	-	13,769,424
<b>Total financial liabilities by remaining contractual maturities</b>	<b>43,832,868</b>	<b>9,193,517</b>	<b>5,433,473</b>	<b>103,016,659</b>	<b>6,395,298</b>	<b>167,871,815</b>
<b>Net liquidity surplus/(gap)</b>	<b>(22,972,885)</b>	<b>31,659,446</b>	<b>11,294,014</b>	<b>(54,865,432)</b>	<b>411,557,488</b>	<b>376,672,631</b>
<b>In KHR'000 equivalent</b>	<b>(93,614,506)</b>	<b>129,012,242</b>	<b>46,023,107</b>	<b>(223,576,635)</b>	<b>1,677,096,764</b>	<b>1,534,940,972</b>
<b>Off-balance sheet</b>						
Credit commitments	12,997,879	-	-	-	-	12,997,879
Financial guarantee contracts	-	-	811,141	-	-	811,141
<b>Liquidity- off-balance sheet</b>	<b>12,997,879</b>	<b>-</b>	<b>811,141</b>	<b>-</b>	<b>-</b>	<b>13,809,020</b>
<b>In KHR'000 equivalent</b>	<b>52,966,357</b>	<b>-</b>	<b>3,305,400</b>	<b>-</b>	<b>-</b>	<b>56,271,757</b>

#### **35.4. Fair value of financial assets and liabilities**

##### **(a) Financial instruments measured at fair value**

The Bank did not have financial instruments measured at fair value.

##### **(b) Financial instruments not measured at fair value**

As at the balance sheet date, the fair values of financial instruments of the Bank approximate their carrying amounts.

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

##### **(i) Deposits and placements with the Central Bank and other banks**

The carrying amounts of deposits and placements with the Central Bank and other banks approximate their fair values, since these accounts consist mostly of current, savings and short-term deposits.

##### **(ii) 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.

For fixed rate loans with remaining period to maturity of one year and above, fair values are estimated by discounting the estimated future cash flows using a current lending rate as the prevailing market rates of loans with similar credit risks and maturities have been assessed as insignificantly different from the contractual lending rates. As a result, the fair value of non-current loans and advances to customers approximate to their carrying value as at reporting date.

##### **(iii) Deposits from customers**

The fair value of deposits from customers with maturities of less than one year approximate their carrying amounts due to the relatively short maturity of these instruments. The fair value of deposits from customers with remaining maturities of more than one year approximate their carrying amounts due to the Bank offered similar interest rate of the instrument with similar maturities and terms.

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

##### **(iv) Other financial assets and other financial liabilities**

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

##### **(v) Borrowings**

Borrowings are not quoted in active market and their fair values approximate their carrying amounts.

### 35.5. Capital management

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

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

The Central Bank requires all commercial banks to i) hold minimum capital requirement, ii) maintain the Bank's net worth at least equal to minimum capital and iii) comply with solvency, liquidity and other prudential ratios.

The table below summarises the composition of regulatory capital:

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
<b>Tier 1 capital</b>				
Share capital	250,000,000	1,011,250,000	250,000,000	1,018,750,000
Retained earnings	(5,086,718)	(20,575,774)	(7,109,751)	(28,766,248)
Less: Intangible assets	(5,272,216)	(21,326,114)	(3,541,957)	(14,433,475)
Less: Loans to related parties	(1,059,221)	(4,284,550)	(1,099,508)	(4,480,495)
	<b>238,581,845</b>	<b>965,063,562</b>	<b>238,248,784</b>	<b>971,069,782</b>
<b>Tier 2 complementary capital</b>				
General provision	4,069,160	16,459,752	3,631,616	14,798,835
Less: Equity participation in banking or financial institutions	-	-	-	-
	<b>4,069,160</b>	<b>16,459,752</b>	<b>3,631,616</b>	<b>14,798,835</b>
<b>Total Capital Tier I + Tier II</b>	<b>242,651,005</b>	<b>981,523,314</b>	<b>241,880,400</b>	<b>985,868,617</b>

### 36. Subsequent events to the reporting period

There is no any adjusting events or material events not adjusted, which occurs between the end of the reporting period and the date when the financial statements are authorized for issue.

### 37. Authorisation of financial statements

The financial statements as at 31 December 2020 and for the year then ended were approved for issue by the Board of Directors on 19 March 2021.



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