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ALPHA COMMERCIAL BANK PLC.

ANNUAL REPORT

2019-20

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MESSAGE FROM OKNHA LY KUNTHAI
Chairman of Boards of Alpha Commercial Bank PLC.

To our valued Customer, Employees, Shareholders and Partners:

Alpha Commercial Bank PLC is a bank fully licensed by the National Bank of Cambodia (NBC) on 23 March 2020, under the license references no. B-52. We take pride in being one of the banking sectors in Cambodia and we will try to achieve remarkable growth and contribute significantly to the development in this industry. Our vision is to become a high-quality international bank in Cambodia. Our mission is to offer various bank products, and to provide our customers with quality service and user friendly experience.



*Oknha Ly Kunthai, Chairman of Boards
of Alpha Commercial Bank PLC.*

With the steady upward trend from the favorable business environments and potential investment opportunities in Cambodia as reflected through Cambodia's economy which will maintain a sustainable growth in the near future, we plan to expand more branches in Phnom Penh and in potential provinces to fulfill customers' needs.

A financial sector has the obligation to cultivate a stable financial and economic environment, and to provide service to the real economy. This is also the basic principle supporting a financial section's growth. In order to serve the real economy, we will give high priority to sector of transportation, infrastructure development, property development, manufacturing, trading, production and supply regardless the heavy blow from the sudden of COVID-19 outbreak which has caused widespread negative effects on businesses across the country and throughout the world. We will face any difficulties bravely during COVID-19 and expand steadily during this worldwide hardship with strong resilience and great potential as long as the Cambodia's economy fundamentals for sustained growth have not changed.

Finally, we will continue to uphold our core values, including cultivating outstanding talents, creating increased wealth and values for our customers, assisting with social development, and building superior brand name, while at the same time move forward with the time and with the determination to face all challenges.

Thank you.

.....
 Oknha Ly Kunthai
 Chairman

Date: 12 May 2021

VISION, MISSION, AND VALUE

VISION

The Bank's vision is to become a high-quality international bank.

MISSION

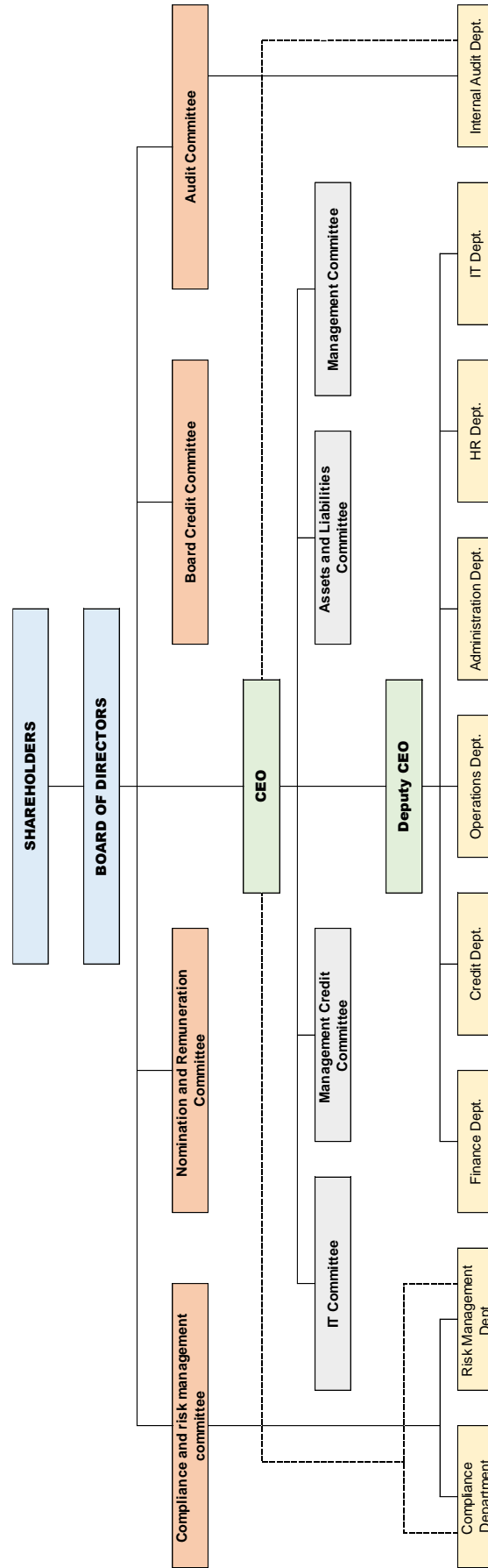
We are freshly and professionalism. We aim to provide a good service with high technological banking to our customers.

VALUE

The Bank's value is Bonus Point for Life.



ORGANSIATIONAL CHART



BOARD OF DIRECTORS

- | | | |
|----|-----------------------|----------------------|
| 1. | Oknha Ly Kunthai | Chairman |
| 2. | Mr. Lin Wen Cheng | Vice chairman |
| 3. | Mr. Chang Ching Tsung | Director |
| 4. | Mr. Chen Chih Che | Independent director |
| 5. | Mrs. Chhim Sopheap | Independent director |

MANAGEMENT TEAM

- | | | |
|-----|---------------------|--------------------------------|
| 1. | Mr. Cheng Kuang Min | Chief Executive Officer |
| 2. | Mr. Liu Ming Kuei | Deputy Chief Executive Officer |
| 3. | Ms. Chea Soline | Head of Compliance |
| 4. | Ms. Sok Thy | Deputy Head of Risk Management |
| 5. | Mr. You Sokleng | Head of Finance |
| 6. | Mrs. Teav Bouylay | Head of Operations |
| 7. | Mr. Wu Kuan Yen | Head of Administration |
| 8. | Mrs. Pheng Raksmeay | Assistant Manager HR |
| 9. | Mr. Krean Simeng | Manager IT |
| 10. | Mr. Yath Sovann | Head of Internal Audit |

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors (“the BoD”) has pleasure in submitting its report together with the audited financial statements of Alpha Commercial Bank PLC. (“the Bank”) for the period from 24 June 2019 (date of incorporation) to 31 December 2019 and for the year ended 31 December 2020 (“the Periods”).

PRINCIPAL ACTIVITIES

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

FINANCIAL RESULTS

The results of financial performance for the period from 24 June 2019 (date of incorporation) to 31 December 2019 and for the year ended 31 December 2020 are set out in the statements of profit or loss and other comprehensive income on page 9.

DIVIDENDS

No dividends were declared or paid during the periods.

SHARE CAPITAL

As at 31 December 2019 and 2020, the registered and paid up share capital of the Bank was 100,000 shares at a par value of US\$1,000 per share.

RESERVES AND PROVISIONS

There were no material movements in reserves and provisions during the periods other than those disclosed in the financial statements.

ALLOWANCE FOR FINANCIAL ASSETS

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

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

ASSETS

Before the financial statements of the Bank were prepared, the BoD took reasonable steps to ascertain that management took appropriate actions so that any assets, which were unlikely to be realised in the ordinary course of business at their values as shown in the accounting records of the Bank had been written down to amounts which they might be expected to realise.

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

At the date of this report, the BoD is not aware of:

- (a) any charge on the assets of the Bank which has arisen since the end of the year which secures the liabilities of any other person except as disclosed in the financial statements; and
- (b) any contingent liability in respect of the Bank that has arisen since the end of the year other than in the ordinary course of its business operations.

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

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Bank for the Periods, in the opinion of the BoD, were not 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 periods and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Bank for the Periods in which this report is made.

EVENTS AFTER THE REPORTING DATE

At the date of this report, to the best knowledge of the BoD, there have been no significant events occurring after reporting date which would require adjustments or disclosures other than those disclosed in the financial statements.

THE BO D'S RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The BoD is responsible for ascertaining that the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2019 and 2020, and its financial performance and its cash flows for the period from 24 June 2019 (date of incorporation) to 31 December 2019 and for the year ended 31 December 2020. The BoD oversees the preparation of these financial statements by management who 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 Cambodian International Financial Reporting Standards ("CIFRS"), or if there have been any departures in the interests of fair presentation, these have been appropriately disclosed, explained and quantified in the financial statements;
- (iii) maintain adequate accounting records and an effective system of internal controls;
- (iv) prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Bank will continue operations in the foreseeable future; and
- (v) effectively control and direct the Bank and is involved in all material decisions affecting the operations and performance and ascertain that such have been properly reflected in the financial statements.

Management is responsible for ensuring that the above requirements have been fulfilled and is also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The BoD confirms that the Bank has complied with the above requirements in preparing the financial statements.

APPROVAL OF THE FINANCIAL STATEMENTS

I, on behalf of the BoD, hereby approve the accompanying financial statements, together with the notes thereto, in our opinion, present fairly, in all material respects, the financial position of the Bank as at 31 December 2019 and 2020, and its financial performance and its cash flows for the period from 24 June 2019 (date of incorporation) to 31 December 2019 and for the year ended 31 December 2020 in accordance with CIFRS.

Signed in accordance with the resolution of the BoD:



.....
Oknha Ly Kunthai
Chairman



Phnom Penh, Kingdom of Cambodia

23 March 2021

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Alpha Commercial Bank PLC.

OUR OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of Alpha Commercial Bank PLC. (the Bank) as at 31 December 2019 and 2020, and its financial performance and its cash flows for the period from 24 June 2019 (date of incorporation) to 31 December 2019 and the year ended 31 December 2020 in accordance with Cambodian International Financial Reporting Standards (CIFRS).

What we have audited

The Bank's financial statements comprise:

- the statements of financial position as at 31 December 2019 and 2020;
- the statements of profit or loss and other comprehensive income for the period from 24 June 2019 (date of incorporation) to 31 December 2019 and the year ended 31 December 2020;
- the statements of changes in equity for the period from 24 June 2019 (date of incorporation) to 31 December 2019 and the year ended 31 December 2020;
- the statements of cash flows for the period from 24 June 2019 (date of incorporation) to 31 December 2019 and the year ended 31 December 2020; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Kampuchea Institute of Certified Public Accountants and Auditors' Code of Ethics for Certified Public Accountants and Auditors (KICPAA Code) that are relevant to our audit of the financial statements in Cambodia. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the KICPAA Code.

OTHER INFORMATION

Management is responsible for the other information. The other information obtained at the date of this auditor's report are corporation information, report of the Board of Directors and the supplementary financial information and other disclosures required by the National Bank of Cambodia but do not include the financial statements and our auditor's report thereon.

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

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

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

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

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

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

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

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 CISA's 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 CISA's, 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 the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

For PricewaterhouseCoopers (Cambodia) Ltd.


By Lim Kuy
Partner



Phnom Penh, Kingdom of Cambodia
23 March 2021

STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2020		31 December 2019	
		US\$	KHR'000	US\$	KHR'000
ASSETS					
Cash on hand		1,991	8,054	11,317	46,117
Deposits and placements with the central bank	4	770,835	3,118,028	90,011,096	366,795,216
Deposits and placements with other banks	5	88,126,169	356,470,354	-	-
Statutory deposits with the central bank	6	10,000,000	40,450,000	10,000,000	40,750,000
Property and equipment	7	360,218	1,457,082	341,947	1,393,434
Intangible assets		240,000	970,800	240,000	978,000
Income tax credit	15(b)	10,278	41,575	-	-
Other assets		45,358	183,471	10,311	42,017
Deferred tax assets, net	9	57,639	233,150	56,046	228,387
Total assets		99,612,488	402,932,514	100,670,717	410,233,171
LIABILITIES AND EQUITY					
LIABILITIES					
Borrowings	8	-	-	925,043	3,769,550
Other liabilities		36,205	146,449	42,246	172,152
Total liabilities		36,205	146,449	967,289	3,941,702
EQUITY					
Share capital	10	100,000,000	400,000,000	100,000,000	400,000,000
Accumulated losses		(970,003)	(3,947,289)	(296,572)	(1,201,710)
Regulatory reserve		546,286	2,227,208	-	-
Currency translation reserve		-	4,506,146	-	7,493,179
		99,576,283	402,786,065	99,703,428	406,291,469
Total liabilities and equity		99,612,488	402,932,514	100,670,717	410,233,171

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December 2020		Period from 24 June 2019 (date of incorporation) to 31 December 2019	
		US\$	KHR'000	US\$	KHR'000
Interest income	11	1,549,351	6,316,704	11,096	44,961
Other operating income		150	612	-	-
Credit impairment losses	12	(338,359)	(1,379,490)	-	-
Net other operating income		1,211,142	4,937,826	11,096	44,961
Personnel expenses	13	(997,806)	(4,068,055)	(289,802)	(1,174,278)
Depreciation and amortisation charges		(49,956)	(203,671)	(11,447)	(46,383)
Other operating expenses	14	(289,254)	(1,179,289)	(62,465)	(253,108)
Loss before income tax		(125,874)	(513,189)	(352,618)	(1,428,808)
Income tax (expense)/benefit	15(a)	(1,271)	(5,182)	56,046	227,098
Loss for the year/period		(127,145)	(518,371)	(296,572)	(1,201,710)
Other comprehensive income:					
Currency translation difference		-	(2,987,033)	-	7,493,179
Other comprehensive income for the year/period, net of tax		-	(2,987,033)	-	7,493,179
Total comprehensive loss for the year/period		(127,145)	(3,505,404)	(296,572)	6,291,469
Loss attributable to:					
Owners of the Bank		(127,145)	(518,371)	(296,572)	(1,201,710)
Total comprehensive loss attributable to:					
Owners of the Bank		(127,145)	(3,505,404)	(296,572)	6,291,469

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

STATEMENT OF CHANGES IN EQUITY

	Share capital		Accumulated losses		Regulatory reserve		Currency translation reserve		Total	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
Balance at 24 June 2019 (date on incorporation)	-	-	-	-	-	-	-	-	-	-
Comprehensive income										
Loss for the period	-	-	(296,572)	(1,201,710)	-	-	-	-	(296,572)	(1,201,710)
Other comprehensive income										
- currency translation difference	-	-	-	-	-	-	-	7,493,179	-	7,493,179
Total comprehensive loss for the period	-	-	(296,572)	(1,201,710)	-	-	-	7,493,179	(296,572)	6,291,469
Transactions with owners in their capacity as owners:										
Issue of share capital	100,000,000	400,000,000	-	-	-	-	-	-	100,000,000	400,000,000
Total transactions with owners	100,000,000	400,000,000	-	-	-	-	-	-	100,000,000	400,000,000
Balance at 31 December 2019	100,000,000	400,000,000	(296,572)	(1,201,710)	-	-	-	7,493,179	99,703,428	406,291,469
Balance at 1 January 2020	100,000,000	400,000,000	(296,572)	(1,201,710)	-	-	-	7,493,179	99,703,428	406,291,469
Comprehensive income										
Loss for the year	-	-	(127,145)	(518,371)	-	-	-	-	(127,145)	(518,371)
Other comprehensive income										
- currency translation difference	-	-	-	-	-	-	-	(2,987,033)	-	(2,987,033)
Total comprehensive loss for the year	-	-	(127,145)	(518,371)	-	-	-	(2,987,033)	(127,145)	(3,505,404)
Transactions with owners in their capacity as owners:										
Transfer from accumulated losses to regulatory reserves	-	-	(546,286)	(2,227,208)	546,286	2,227,208	-	-	-	-
Total transactions with owners	-	-	(546,286)	(2,227,208)	546,286	2,227,208	-	-	-	-
Balance at 31 December 2020	100,000,000	400,000,000	(970,003)	(3,947,289)	546,286	2,227,208	-	4,506,146	99,576,283	402,786,065

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

STATEMENT OF CASH FLOWS

	Notes	Year ended 31 December 2020		Period from 24 June 2019 (date of incorporation) to 31 December 2019	
		US\$	KHR'000	US\$	KHR'000
Cash flows from operating activities					
Loss before income tax		(125,874)	(513,189)	(352,618)	(1,428,808)
<i>Adjustments for:</i>					
Depreciation and amortisation		49,956	203,671	11,447	46,383
Credit impairment losses		338,359	1,379,490	-	-
Net interest income	11	(1,549,351)	(6,316,704)	(11,096)	(44,961)
<i>Changes in:</i>					
Other assets		(35,047)	(142,887)	(10,311)	(41,780)
Other liabilities		(6,041)	(24,629)	42,246	171,181
Cash used in operations		(1,327,998)	(5,414,248)	(320,332)	(1,297,985)
Interest received		336,903	1,373,554	11,096	44,961
Income tax paid	15	(13,142)	(53,580)	-	-
Net cash used in operating activities		(1,004,237)	(4,094,274)	(309,236)	(1,253,024)
Cash flows from investing activities					
Capital guarantee deposits	6	-	-	(10,000,000)	(40,520,000)
Balances with other banks - original maturity more than three months		(80,500,000)	(328,198,500)	-	-
Purchases of property and equipment		(68,227)	(278,161)	(353,394)	(1,431,952)
Purchases of intangible assets		-	-	(240,000)	(972,480)
Net cash used in investing activities		(80,568,227)	(328,476,661)	(10,593,394)	(42,924,432)
Cash flows from financing activities					
Issuance of share capital	10	-	-	100,000,000	405,200,000
Proceed from the borrowing		790,000	3,220,830	925,043	3,748,274
Repayment of the borrowing		(1,715,043)	(6,992,230)	-	-
Net cash (used in)/generated from financing activities		(925,043)	(3,771,400)	100,925,043	408,948,274
Net (decrease)/ increase in cash and cash equivalents		(82,497,507)	(336,342,335)	90,022,413	364,770,818
Beginning cash and cash equivalents		90,022,413	366,841,333	-	-
Currency translation difference		-	(60,753)	-	2,070,515
Ending Cash and cash equivalents	18	7,524,906	30,438,245	90,022,413	366,841,333

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

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Alpha Commercial Bank PLC. (the “Bank”) was incorporated in Cambodia under the Registration No. 00043962 dated on 24 June 2019 issued by the Ministry of Commerce. The Bank subsequently received a banking license No. B-52 dated 23 March 2020 issued by the National Bank of Cambodia (“the NBC” or “the Central Bank”).

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

The registered office of the Bank is located at the Gateway Building Floor 33, Russian Blvd (St. 110), Sangkat Phsar Depo Ti3, Khan Toul Kork, Phnom Penh, Cambodia.

The financial statements were authorised for issue by the BoD on 23 March 2021.

2. 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 periods presented, unless otherwise stated.

2.1. Basis of preparation

The financial statements are prepared in accordance with Cambodian International Financial Reporting Standards (CIFRS) which are based on all standards published by the International Accounting Standard Board including other interpretations and amendments that may occur in any circumstances to each standard.

The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with CIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimations are significant to the financial statements are disclosed in Note 3.

The financial statements for the period from 24 June 2019 (date of incorporation) to 31 December 2019 are the first set financial statements of the Bank.

An English version of the financial statements have been prepared from the statutory financial statements that are in the Khmer language. In the event of a conflict or a difference in interpretation between the two languages, the Khmer language statutory financial statements shall prevail.

2.2. New and amended standards adopted by the Bank

The Bank has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

- Definition of Material – amendments to CIAS 1 and CIAS 8
- Definition of a Business – amendments to CIFRS 3
- Interest Rate Benchmark Reform – Amendments to IFRS 7, IFRS 9 and IAS 39
- Revised Conceptual Framework for Financial Reporting
- COVID-19 Related Rent Concessions – Amendments to CIFRS 16

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2.3. New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods 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.

2.4. 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 functional currency is the US\$ because of the significant influence of the US\$ on its operations. The financial statements are presented in United States dollars ("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 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 currencies other than US\$ are recognised in profit or loss.

(c) Presentation in Khmer Riel

In compliance with the Law on Accounting and Auditing, the financial statements shall be expressed in Khmer Riel. The statement of profit or loss and other comprehensive income and the statement of cash flows are translated into KHR using the average exchange rates for the year/period. Assets and liabilities for each statement of financial position presented are translated at the closing rates as at the reporting date. Share capital is translated at historical rate, which is the date of transaction. Resulting exchange differences arising from the translation are recognised in the other comprehensive income.

The Bank has used the official exchange rate published by the National Bank of Cambodia. As at the reporting date, the yearly average rate and the closing rate were:

		<u>Closing Rate</u>	<u>Average rate</u>
Year 2020	USD 1 =	KHR 4,045	KHR 4,077
Year 2019	USD 1 =	KHR 4,075	KHR 4,052

All amounts have been rounded to the nearest dollar or thousand riels, except when otherwise indicated.

2.5 Financial instruments

2.5.1 Recognition and initial measurement

The Bank initially recognises loans to customers on the date on which they originated. All other financial instruments are recognised when the Bank becomes a party to the contractual provisions of the instrument.

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

2.5.2 Classification and subsequent measurement of financial assets

The Bank classifies financial assets as subsequently measured at Amortised Cost ("AmrtC"), Fair Value through Other Comprehensive Income ("FVOCI") or Fair Value through Profit or Loss ("FVTPL") on the basis of both:

- the Bank's business model for managing the financial assets and
- the contractual cash flow characteristics of the financial asset.

The measurement classification is summarised as follows:

Business model		Contractual cash flow characteristics	Measurement classification
Held-to-collect	Financial asset is held to collect contractual cash flows.	Cash flows are solely payments of principal and interest ("SPPI")	AmrtC
Both held-to-collect and sales	Financial asset is held to collect contractual cash flows and selling financial assets.		FVOCI
Other business model	Other than above	Not SPPI	FVTPL

The Bank reclassifies financial assets only when the business model changes.

2.5.3 Classification and subsequent measurement of financial liabilities

The Bank classifies its financial liabilities as measured at AmrtC, except for derivatives held for risk management which are measured at FVTPL.

The Bank does not reclassify any financial liability.

2.5.4 Derecognition

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.

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

2.5.5 Offsetting

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

2.5.6 Fair value measurement

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

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

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

2.5.7 Impairment

The Bank recognises loss allowances for Expected Credit Losses ("ECL") on the following financial instruments that are not measured at FVTPL:

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

No impairment loss is recognised on equity investments.

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

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

Measurement of ECL

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

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

Presentation of allowance for ECL

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

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

2.6. Cash and cash equivalents

Cash and cash equivalents includes cash on hand, the non-restricted deposits and placements with NBC and with other banks with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.7. Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent expenditures relating to an item of property and equipment that has already been recognised are added to the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Bank. All other subsequent expenditures are recognised as expenses in the year in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the cost of assets less their residual values over the estimated useful lives.

Land and construction in progress are not depreciated. The estimated useful lives are as follows:

No.	Class	Depreciation method	Useful life	Annual depreciation rate
1	Building	straight-line	20 years	5%
2	Office renovation	straight-line	5 years	20%
3	Furniture and fixture	straight-line	5 years	20%
4	IT and office equipment	straight-line	5 years	20%
5	Motor vehicles	straight-line	5 years	20%
6	Machinery	straight-line	5 years	20%
7	Others	straight-line	5 years	20%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

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

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are included in the statement of profit or loss and other comprehensive income.

2.8. Intangible assets

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

Amortisation is calculated using the straight-line method to allocate the costs over their estimated useful lives of 10 years from which the asset is ready for use.

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

2.9. Impairment of non-financial assets

Assets that have an indefinite useful life or assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An 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 value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

2.10. 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).

2.11. Leases

The Bank as a lessee

As 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 term 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 uses its recent borrowing rate as a starting point, making specific adjustments to the lease such as term, country, currency and security. Lease payments are allocated between principal and interest expense. The interest expense is 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 costs, and
- restoration costs 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 short-term leases and all leases of low-value assets are recognised as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

2.12 Provisions

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

2.13 Income tax

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

The Bank has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore has accounted for them under CIAS 37 Provisions, Contingent Liabilities and Contingent Assets and has recognised the related expenses in 'other expenses' in other comprehensive income or directly in equity, respectively.

Current tax

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

Deferred tax

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

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

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

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

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

2.14 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.

2.15 Share capital

Share capital is classified as equity. Incremental costs directly attributable to the issue of new share are shown in equity as a deduction, net of tax, from the proceeds.

2.16. Regulatory reserve

Banks and financial institutions are required to compute regulatory provisions, according to the NBC's:

- Prakas No. B7-017-344 dated 1 December 2017 on Credit Risk Grading and Impairment Provisioning; and
- Circular No. B7-018-001 dated 16 February 2018 on Implementation of Prakas on Credit Grading and Impairment Provision.

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, is non-distributable, and is not allowed to be included in the net worth calculation.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Bank makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next period are addressed below.

Minimum tax

Effective 2017, a company may be exempted from Minimum Tax if they comply with the conditions governing the maintenance of proper accounting records. The tax regulations also defined five criteria of improper accounting records. Management believes that the Bank has maintained proper accounting records in accordance with the tax regulations and concluded that they are exempted from Minimum Tax; hence it was not considered probable that the Minimum Tax will be paid and therefore not recognised as expense.

4. DEPOSITS AND PLACEMENTS WITH THE CENTRAL BANK

<i>Current</i>	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
Current account	770,835	3,118,028	90,011,096	366,795,216

The current account is a non-interest bearing account.

No impairment loss allowance is created against the balance with the central bank (or the NBC) as the Bank determines that the credit risk on these facilities is minimal.

5. DEPOSITS AND PLACEMENTS WITH OTHER BANKS

	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
Local bank				
Current accounts	1,751,079	7,083,115	-	-
Savings accounts	1,001	4,049	-	-
Term deposits	85,500,000	345,847,500	-	-
Gross principal amounts	87,252,080	352,934,664	-	-
Accrued interest receivables	1,212,448	4,904,352	-	-
	88,464,528	357,839,016	-	-
Less: ECL allowance	(338,359)	(1,368,662)	-	-
	88,126,169	356,470,354	-	-

The gross principal amounts above are analysed as follows:

	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
a. By currency				
US Dollar	87,247,760	352,917,190	-	-
Khmer Riel	4,320	17,474	-	-
	87,252,080	352,934,664	-	-
b. By maturity				
Within 1 month	1,752,080	7,087,164	-	-
> 1 to 3 months	25,000,000	101,125,000	-	-
> 3 to 6 months	59,500,000	240,677,500	-	-
> 6 to 12 months	1,000,000	4,045,000	-	-
	87,252,080	352,934,664	-	-
c. By interest rate				
Current accounts	0.00% - 1.00%		N/A	
Savings accounts	0.00% - 1.00%		N/A	
Term deposits	1.50% - 4.50%		N/A	

Reconciliation of the ECL allowance is as follows:

	Year ended 31 December 2020		Period from 24 June 2019 (date of incorporation) to 31 December 2019	
	US\$	KHR'000	US\$	KHR'000
Beginning balance	-	-	-	-
Addition during the year/period	338,359	1,379,490	-	-
Currency translation difference	-	(10,828)	-	-
Ending balance	338,359	1,368,662	-	-

6. STATUTORY DEPOSITS WITH THE CENTRAL BANK

<i>Non-current</i>	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
Capital guarantee deposit	10,000,000	40,450,000	10,000,000	40,750,000

Capital guarantee deposit

In accordance with NBC's Prakas No. B7-01-136 dated 15 October 2001 on "Bank's capital guarantee", the Bank is required to deposit 10% of the Bank's registered share capital with the NBC. This deposit is not available for use in the Bank's day-to-day operations and is refundable should the Bank voluntarily cease its operations in Cambodia.

This deposit earned an interest rate at 0.06% (2019: 0.48%) per annum.

7. PROPERTY AND EQUIPMENT

<i>Non-current</i>	Office equipment	IT equipment	Furniture and fixture	Vehicle	Construction in progress	Total	
	US\$	US\$	US\$	US\$	US\$	US\$	KHR'000
Year 2019							
Cost							
At 24 June 2019 (date of incorporation)	-	-	-	-	-	-	-
Addition	790	-	-	228,000	124,604	353,394	1,431,952
Currency translation difference	-	-	-	-	-	-	8,129
At 31 December 2019	790	-	-	228,000	124,604	353,394	1,440,081
Less: Accumulated depreciation							
At 24 June 2019 (date of incorporation)	-	-	-	-	-	-	-
Depreciation charge	(47)	-	-	(11,400)	-	(11,447)	(46,384)
Currency translation difference	-	-	-	-	-	-	(263)
At 31 December 2019	(47)	-	-	(11,400)	-	(11,447)	(46,647)
Carrying amount							
At 31 December 2019	743	-	-	216,600	124,604	341,947	1,393,434

<i>Non-current</i>	Office equipment	IT equipment	Furniture and fixture	Vehicle	Construction in progress	Total	
	US\$	US\$	US\$	US\$	US\$	US\$	KHR'000
Year 2020							
Cost							
At 1 January 2020	790	-	-	228,000	124,604	353,394	1,440,081
Addition	3,495	-	11,042	-	56,812	71,349	290,890
Transfer	-	11,000	10,300	-	(21,300)	-	-
Adjustment	-	-	-	-	(3,122)	(3,122)	(12,728)
Currency translation difference	-	-	-	-	-	-	(12,786)
At 31 December 2020	4,285	11,000	21,342	228,000	156,994	421,621	1,705,457
Less: Accumulated depreciation							
At 1 January 2020	(47)	-	-	(11,400)	-	(11,447)	(46,647)
Depreciation charge	(665)	(733)	(2,958)	(45,600)	-	(49,956)	(203,671)
Currency translation difference	-	-	-	-	-	-	1,943
At 31 December 2020	(712)	(733)	(2,958)	(57,000)	-	(61,403)	(248,375)
Carrying amount							
At 31 December 2020	3,573	10,267	18,384	171,000	156,994	360,218	1,457,082

8. BORROWINGS

	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
Current (note 17(d))	-	-	925,043	3,769,550

During 2019, the Bank entered into a borrowing agreement with Mr. Lin Wen Cheng, the Bank's Director. The borrowing is unsecured and interest free. The Bank paid back to Mr. Lin Wen Cheng in full in 2020.

9. DEFERRED TAX

	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
<i>Non-current</i>				
Deferred tax assets	67,672	273,733	65,188	265,641
Deferred tax liabilities	(10,033)	(40,583)	(9,142)	(37,254)
Net deferred tax assets	57,639	233,150	56,046	228,387

The movement of net deferred tax assets is as follows:

	Year ended 31 December 2020		Period from 24 June 2019 (date of incorporation) to 31 December 2019	
	US\$	KHR'000	US\$	KHR'000
Beginning balance	56,046	228,387	-	-
Recognise in profit or loss (note 15)	1,593	6,495	56,046	227,098
Currency translation difference	-	(1,732)	-	1,289
Ending balance	57,639	233,150	56,046	228,387

Net deferred tax assets are reconciled and attributable to the followings:

	Un-utilised tax losses	Impairment losses	Accelerated tax depreciation	Total
	US\$	US\$	US\$	US\$
At 24 June 2019 (date of incorporate)	-	-	-	-
Recognise in profit or loss	65,188	-	(9,142)	56,046
At 31 December 2019	65,188	-	(9,142)	56,046
In KHR'000 equivalent	265,641	-	(37,254)	228,387
At 1 January 2020	65,188	-	(9,142)	56,046
Recognise in profit or loss	(65,188)	67,672	(891)	1,593
At 31 December 2020	-	67,672	(10,033)	57,639
In KHR'000 equivalent	-	273,733	(40,583)	233,150

10. SHARE CAPITAL

	31 December 2019 and 2020			
	Ownership %	No. of shares	Amount US\$	Amount KHR'000
1. Oknha Ly Kunthai	51%	51,000	51,000,000	204,000,000
2. Mr. Chen Cheng Ku	7%	7,000	7,000,000	28,000,000
3. Mr. Chen Ching Feng	7%	7,000	7,000,000	28,000,000
4. Mr. Huang Jui Cheng	7%	7,000	7,000,000	28,000,000
5. Mr. Wei Chien Hua	7%	7,000	7,000,000	28,000,000
6. Mr. Hsiao Ching Yang	7%	7,000	7,000,000	28,000,000
7. Mr. Hsieh Chin Mu	7%	7,000	7,000,000	28,000,000
8. Mr. Chien Kun Cheng	7%	7,000	7,000,000	28,000,000
	100%	100,000	100,000,000	400,000,000

The par value of the share is US\$1,000 per share. All the registered shares of 100,000 have been fully paid up.

The registered capital in US\$ was translated into KHR using the historical exchange rate of US\$1 equal to KHR4,000.

11. INTEREST INCOME

	Year ended 31 December 2020		Period from 24 June 2019 (date of incorporation) to 31 December 2019	
	US\$	KHR'000	US\$	KHR'000
Interest income from: Deposits and placements with the central bank and other banks	1,549,351	6,316,704	11,096	44,961

12. CREDIT IMPAIRMENT LOSSES

	Year ended 31 December 2020		Period from 24 June 2019 (date of incorporation) to 31 December 2019	
	US\$	KHR'000	US\$	KHR'000
Allowance for impairment losses on deposits and placements with other banks	338,359	1,379,490	-	-

13. PERSONNEL EXPENSES

	Year ended 31 December 2020		Period from 24 June 2019 (date of incorporation) to 31 December 2019	
	US\$	KHR'000	US\$	KHR'000
Salaries and wages	511,602	2,085,801	121,304	491,524
BoD' fees (note 17 (e))	360,000	1,467,720	150,000	607,800
Bonus and incentive expenses	44,440	181,182	-	-
Allowances	42,414	172,922	9,628	39,013
Training	207	844	105	425
Others	39,143	159,586	8,765	35,516
	<u>997,806</u>	<u>4,068,055</u>	<u>289,802</u>	<u>1,174,278</u>

14. OTHER OPERATING EXPENSES

	Year ended 31 December 2020		Period from 24 June 2019 (date of incorporation) to 31 December 2019	
	US\$	KHR'000	US\$	KHR'000
Other tax expense	124,664	508,255	41,789	169,329
License fees	46,085	187,889	-	-
Rental and utilities expense	29,992	122,277	9,637	39,049
Registration expense	27,777	113,247	150	608
Professional fee	14,920	60,829	-	-
Marketing expense	4,778	19,480	-	-
Office supplies expense	3,477	14,176	4,432	17,958
Travel and entertainment expense	1,924	7,844	741	3,003
Communication expense	1,919	7,824	1,321	5,353
Repair and maintenance expense	523	2,132	100	405
Other expense	33,195	135,336	4,295	17,403
	<u>289,254</u>	<u>1,179,289</u>	<u>62,465</u>	<u>253,108</u>

15. INCOME TAX**(a) Income tax expense**

	Year ended 31 December 2020		Period from 24 June 2019 (date of incorporation) to 31 December 2019	
	US\$	KHR'000	US\$	KHR'000
Current income tax	2,864	11,677	-	-
Deferred tax (note 9)	(1,593)	(6,495)	(56,046)	(227,098)
	<u>1,271</u>	<u>5,182</u>	<u>(56,046)</u>	<u>(227,098)</u>

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

	Year ended 31 December 2020		Period from 24 June 2019 (date of incorporation) to 31 December 2019	
	US\$	KHR'000	US\$	KHR'000
Loss before tax	(125,874)	(513,189)	(352,618)	(1,428,808)
Income tax using statutory rate 20%	(25,175)	(102,638)	(70,524)	(285,763)
Tax effects of reconciling items:				
Expenses not deductible for tax purpose	26,446	107,820	14,478	58,665
Income tax expense/(benefit)	<u>1,271</u>	<u>5,182</u>	<u>(56,046)</u>	<u>(227,098)</u>

(b) Current income tax credit/ (liabilities)

The movement of net current tax is as follows:

	Year ended 31 December 2020		Period from 24 June 2019 (date of incorporation) to 31 December 2019	
	US\$	KHR'000	US\$	KHR'000
Beginning balance	-	-	-	-
Current income tax expense	(2,864)	(11,677)	-	-
Income tax paid	13,142	53,580	-	-
Currency translation differences	-	(328)	-	-
Ending balance (*)	<u>10,278</u>	<u>41,575</u>	<u>-</u>	<u>-</u>

(*) This represents a tax credit from the 1% monthly prepayment of profit tax that has not been utilised in liquidating income tax payable as at 31 December 2020, which can be carried forward as a tax credit against future income tax payment, but subject to a tax reassessment by the tax authorities.

(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.

16. COMMITMENTS AND CONTINGENCIES**(a) Credit commitments and financial guarantee contracts**

As at 31 December 2020, the bank has no credit commitments and financial guarantee contracts (31 December 2019: Nil).

(b) Lease commitments

The Bank entered into an agreement with a lessor to lease the office from the period of 5 years on 01 October 2020, but the office is still under construction as at year end and there was no rental payment up to the reporting date while the short term leases of office and equipment is exempted from lease liability recognition, so the lease commitments are disclosed as follows:

	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
Not later than one year	397,232	1,606,803	1,288	5,249
Later than one year and not later than five years	1,485,000	6,006,825	-	-
Later than five years	-	-	-	-
	<u>1,882,232</u>	<u>7,613,628</u>	<u>1,288</u>	<u>5,249</u>

(c) Capital commitments

	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
Purchasing property and equipment	155,136	627,523	159,501	649,967
Purchasing intangible assets	560,000	2,265,200	560,000	2,282,000
	<u>715,136</u>	<u>2,892,723</u>	<u>719,501</u>	<u>2,931,967</u>

17. RELATED PARTY DISCLOSURE

The Bank is owned by a number of individual shareholders (note 10).

(a) List of related parties**Related party - Individual**

	Relationship
1. Oknha Ly Kunthai	Chairman of BoD
2. Mr. Chang Ching Tsung	Director
3. Mr. Lin Wen Cheng	Director
4. Mr. Chen Chih Che	Independent director
5. Mrs. Chhim Sopheap	Independent director

Related party - Entity

	Relationship
1. Newa Insurance (Cambodia) PLC.	Oknha Ly Kunthai is the chairman of this entity.

Key management personnel

	Relationship
1. Mr. Cheng Kuang Min	Chief Executive Officer of the Bank
2. Mr. Liu Ming Kuei	Deputy Chief Executive Officer of the Bank

(b) Balance with related parties

	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
Borrowing from a director	-	-	925,043	3,769,550
Accrued BoD's fee	-	-	30,000	122,250
Prepaid insurance:				
- Newa insurance (Cambodia) PLC.	4,494	18,178	2,243	9,139
Security deposit made to:				
- Mr. Chen Cheng Ku	30,000	121,350	-	-
	<u>34,494</u>	<u>139,528</u>	<u>959,537</u>	<u>3,909,978</u>

(c) Transactions with related parties

	Year ended 31 December 2020		Period from 24 June 2019 (date of incorporation) to 31 December 2019	
	US\$	KHR'000	US\$	KHR'000
<i>Newa insurance (Cambodia) PLC.</i>				
- Insurance expense	3,837	15,642	449	1,817
	<u>3,837</u>	<u>15,642</u>	<u>449</u>	<u>1,817</u>

(d) Borrowing from RPT

	Year ended 31 December 2020		Period from 24 June 2019 (date of incorporation) to 31 December 2019	
	US\$	KHR'000	US\$	KHR'000
<i>Borrowing from a director:</i>				
Beginning balance	925,043	3,769,550	-	-
Additions	790,000	3,220,830	925,043	3,748,274
Repayments	(1,715,043)	(6,992,230)	-	-
Currency translation difference	-	1,850	-	21,276
Ending balance	-	-	925,043	3,769,550

(e) Key management remuneration

	Year ended 31 December 2020		Period from 24 June 2019 (date of incorporation) to 31 December 2019	
	US\$	KHR'000	US\$	KHR'000
BoD's fees	360,000	1,467,720	150,000	607,800
Salaries and other short-term benefits	237,406	967,903	88,051	356,783
	597,406	2,435,623	238,051	964,583

18. CASH AND CASH EQUIVALENTS

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

	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
Cash on hand	1,991	8,054	11,317	46,117
Deposits and placements with the central bank	770,835	3,118,028	90,011,096	366,795,216
Deposits and placements with other banks	6,752,080	27,312,163	-	-
	7,524,906	30,438,245	90,022,413	366,841,333

19. 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:

	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
Financial assets				
Cash on hand	1,991	8,054	11,317	46,117
Deposits and placements with the central bank	770,835	3,118,028	90,011,096	366,795,216
Deposits and placements with other banks	88,126,169	356,470,354	-	-
Other assets	30,300	122,564	300	1,223
	<u>88,929,295</u>	<u>359,719,000</u>	<u>90,022,713</u>	<u>366,842,556</u>
Financial liabilities				
Borrowings	-	-	925,043	3,769,550
Other liabilities	36,205	146,449	42,246	172,152
	<u>36,205</u>	<u>146,449</u>	<u>967,289</u>	<u>3,941,702</u>

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

- Credit risk
- Market risk
- Liquidity risk

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

Functional and governance structure

The Bank's BoD has overall responsibility for the establishment and oversight of the Bank's risk management framework. The BoD has established the Risk Management Committee, which is responsible for developing and monitoring the Bank's risk management policies.

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

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

19.1. Credit risk

Financial instruments that potentially subject the Bank to concentrations of credit risk are primarily cash and cash equivalents, and deposits and placements with other banks.

Those financial instruments have low credit risk and are monitored for credit deterioration because the Bank limits its deposits and placements with other banks and financial institutions that are of high performance and sizable.

Measurement

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.

(i) Concentration of risk

The following table presents the Bank's maximum exposure to credit risk of the financial instruments, without taking into account of any collateral held or other credit enhancements.

	Maximum credit exposure		Fully subject to collateral/ credit enhancement	Partially subject to collateral/ credit enhancement	Unsecured and not subject to collateral/ credit enhancement
	US\$	KHR'000	%	%	%
31 December 2020					
On-balance sheet item					
Cash on hand	1,991	8,054	0%	0%	100%
Deposits and placements with the central bank	770,835	3,118,028	0%	0%	100%
Deposits and placements with other banks	88,126,169	356,470,354	0%	0%	100%
Other assets	30,300	122,564	0%	0%	100%
	<u>88,929,295</u>	<u>359,719,000</u>	<u>0%</u>	<u>0%</u>	<u>100%</u>
31 December 2019					
On-balance sheet item					
Cash on hand	11,317	46,117	0%	0%	100%
Deposits and placements with the central bank	90,011,096	366,795,216	0%	0%	100%
Deposits and placements with other banks	-	-	0%	0%	100%
Other assets	300	1,223	0%	0%	100%
	<u>90,022,713</u>	<u>366,842,556</u>	<u>0%</u>	<u>0%</u>	<u>100%</u>

The above table 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. The exposures set out above are based on net carrying amounts.

Deposits and placements with other banks are held with local banks and management has done proper risk assessment and believe there will be no material loss from these local banks.

(ii) Credit quality of financial assets

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

31 December 2020	Stage 1 12-month ECL	Stage 2 Lifetime ECL not Credit-Impaired	Stage 3 Lifetime ECL Credit-Impaired	Total
	US\$	US\$	US\$	US\$
Deposits and placements with other banks				
Investment grade	-	-	-	-
Non-investment grade	4,322	-	-	4,322
No rating	88,460,206	-	-	88,460,206
Gross carrying amount	88,464,528	-	-	88,464,528
Loss allowance (ECL)	(338,359)	-	-	(338,359)
Net carrying amount	88,126,169	-	-	88,126,169
In KHR'000 equivalent	356,470,354	-	-	356,470,354

As at 31 December 2019, The Bank has nil balance of deposits and placements with other banks.

(iii) Amounts arising from ECL**Loss allowance**

The following table shows reconciliation from the opening to the closing balance of the loss allowance of deposits and placements with other banks.

31 December 2020	Stage 1 12-month ECL	Stage 2 Lifetime ECL not Credit-Impaired	Stage 3 Lifetime ECL Credit-Impaired	Total
	US\$	US\$	US\$	US\$
Expected Credit Losses				
At 1 January 2020	-	-	-	-
New financial assets originated or purchased	338,359	-	-	338,359
At 31 December 2020	338,359	-	-	338,359
In KHR'000 equivalent	1,368,662	-	-	1,368,662
Gross carrying amount				
At 1 January 2020	-	-	-	-
New exposure	88,464,528	-	-	88,464,528
At 31 December 2020	88,126,169	-	-	88,126,169
In KHR'000 equivalent	356,470,354	-	-	356,470,354

As at 31 December 2019, The Bank has nil balance of deposits and placements with other banks.

19.2. 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 contracts and interest rate swaps to hedge its risk exposure.

(i) 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.

(ii) Interest rate risk

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

The table below summarises the Bank's exposure to interest rate risk. The table indicates the periods in which the financial instruments reprice or mature, whichever is earlier. The instruments are mature in short-term and the interest rates are fixed and so they are subject to low interest rate risk.

31 December 2020

	Within 1 month	>1 to 3 months	>3 to 6 months	>6 to 12 months	>1 to 5 years	More than 5 years	Non- interest bearing	Total	Interest rate
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	%
Financial assets									
Cash on hand	-	-	-	-	-	-	1,991	1,991	0%
Deposits and placements with the central bank	-	-	-	-	-	-	770,835	770,835	0%
Deposits and placements with other banks	1,735,284	25,223,981	60,158,372	993,253	-	-	15,279	88,126,169	0-4.5%
Other assets	-	-	-	-	-	-	30,300	30,300	0%
	<u>1,735,284</u>	<u>25,223,981</u>	<u>60,158,372</u>	<u>993,253</u>	<u>-</u>	<u>-</u>	<u>818,405</u>	<u>88,929,295</u>	
Financial liabilities									
Other liabilities	-	-	-	-	-	-	(36,205)	(36,205)	0%
Interest sensitivity gap (US\$)	<u>1,735,284</u>	<u>25,223,981</u>	<u>60,158,372</u>	<u>993,253</u>	<u>-</u>	<u>-</u>	<u>782,200</u>	<u>88,893,090</u>	
In KHR'000 equivalent	<u>7,019,224</u>	<u>102,031,003</u>	<u>243,340,615</u>	<u>4,017,708</u>	<u>-</u>	<u>-</u>	<u>3,163,999</u>	<u>359,572,549</u>	

31 December 2019

	Within 1 month	>1 to 3 months	>3 to 6 months	>6 to 12 months	>1 to 5 years	More than 5 years	Non-interest bearing	Total	Interest rate
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	%
Financial assets									
Cash on hand	-	-	-	-	-	-	11,317	11,317	0.0%
Deposits and placements with the central bank	-	-	-	-	-	-	90,011,096	90,011,096	0.0%
Deposits and placements with other banks	-	-	-	-	-	-	-	-	0.0%
Other assets	-	-	-	-	-	-	300	300	0.0%
	-	-	-	-	-	-	90,022,713	90,022,713	
Financial liabilities									
Borrowings	-	-	-	-	-	-	(925,043)	(925,043)	0.0%
Other liabilities	-	-	-	-	-	-	(42,246)	(42,246)	0.0%
	-	-	-	-	-	-	(967,289)	(967,289)	
Interest sensitivity gap (US\$)	-	-	-	-	-	-	89,055,424	89,055,424	
In KHR'000 equivalent	-	-	-	-	-	-	362,900,853	362,900,853	

(iii) Foreign exchange risk

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

The Bank'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.

	US\$ equivalents		
	US\$	KHR	Total
31 December 2020			
Financial assets			
Cash on hand	1,991	-	1,991
Deposits and placements with the central bank	770,835	-	770,835
Deposits and placements with other banks	88,121,852	4,317	88,126,169
Other assets	30,300	-	30,300
	<u>88,924,978</u>	<u>4,317</u>	<u>88,929,295</u>
Financial liabilities			
Other liabilities	(36,205)	-	(36,205)
Net position gap (US\$)	<u>88,888,773</u>	<u>4,317</u>	<u>88,893,090</u>
In KHR'000 equivalent	<u>359,555,087</u>	<u>17,462</u>	<u>359,572,549</u>
31 December 2019			
Financial assets			
Cash on hand	11,317	-	11,317
Deposits and placements with the central bank	90,011,096	-	90,011,096
Other assets	300	-	300
	<u>90,022,713</u>	<u>-</u>	<u>90,022,713</u>
Financial liabilities			
Borrowing	(925,043)	-	(925,043)
Other liabilities	(42,246)	-	(42,246)
	<u>(967,289)</u>	<u>-</u>	<u>(967,289)</u>
Net position gap (US\$)	<u>89,055,424</u>	<u>-</u>	<u>89,055,424</u>
In KHR'000 equivalent	<u>362,900,853</u>	<u>-</u>	<u>362,900,853</u>

19.3. Liquidity risk

Liquidity risk is the risk of the Bank being unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The Bank is not exposed to significant risk in respect of liquidity as the Bank does not incur significant financial liability and there is still cash surplus maintained in the banks. Financial liabilities are mainly accruals and other payables which are short-term in nature.

The Bank evaluates its ability to meet its obligations on an ongoing basis. The Bank maintains prudent liquidity risk management, i.e. sufficient cash and cash equivalents to meet working capital requirements and to meet capital expenditure requirements.

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

31 December 2020

	Within 1 month	>1 to 3 months	>3 to 6 months	>6 to 12 months	>1 to 5 years	More than 5 years	Total	Interest rate
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	
Financial assets								
Cash on hand	1,991	-	-	-	-	-	1,991	0.0%
Deposits and placements with the central bank	770,835	-	-	-	-	-	770,835	0.0%
Deposits and placements with other banks	1,752,081	25,350,925	61,319,079	1,045,000	-	-	89,467,084	0.0%-4.5%
Other assets	30,300	-	-	-	-	-	30,300	0.0%
	<u>2,555,207</u>	<u>25,350,925</u>	<u>61,319,079</u>	<u>1,045,000</u>	<u>-</u>	<u>-</u>	<u>90,270,210</u>	
Financial liabilities								
Other liabilities	(36,205)	-	-	-	-	-	(36,205)	0.0%
Liquidity gap (US\$)	<u>2,519,002</u>	<u>25,350,925</u>	<u>61,319,079</u>	<u>1,045,000</u>	<u>-</u>	<u>-</u>	<u>90,234,005</u>	
Equivalent in KHR'000	<u>10,189,363</u>	<u>102,544,490</u>	<u>248,035,674</u>	<u>4,227,025</u>	<u>-</u>	<u>-</u>	<u>364,996,552</u>	

31 December 2019

	Within 1 month	>1 to 3 months	>3 to 6 months	>6 to 12 months	>1 to 5 years	More than 5 years	Total	Interest rate
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	
Financial assets								
Cash on hand	11,317	-	-	-	-	-	11,317	0.0%
Deposits and placements with the central bank	90,011,096	-	-	-	-	-	90,011,096	0.0%
Deposits and placements with other banks	-	-	-	-	-	-	-	0.0%
Other assets	300	-	-	-	-	-	300	0.0%
	<u>90,022,713</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>90,022,713</u>	
Financial liabilities								
Borrowings	(925,043)	-	-	-	-	-	(925,043)	0.0%
Other liabilities	(42,246)	-	-	-	-	-	(42,246)	0.0%
	<u>(967,289)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(967,289)</u>	
Liquidity gap (US\$)	<u>89,055,424</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>89,055,424</u>	
Equivalent in KHR'000	<u>362,900,853</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>362,900,853</u>	

19.4 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 reporting 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 central bank and other banks approximate their fair values, since these accounts consist mostly of current, savings and short-term deposits.

ii. Other financial assets and other financial liabilities

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

iii. Borrowings

Borrowings are not quoted in active market and their fair value approximates their carrying amount.

19.5. Capital management

(i) Regulatory capital

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

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

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

(ii) Capital allocation

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

