

អេស៊ីលីដា
ACLEDA BANK



Annual Report

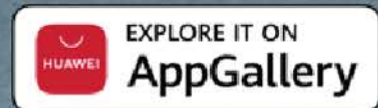
31 December 2020

ACLEDA

mobile



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Our Vision

ACLEDA Bank's vision is to be Cambodia's leading commercial bank providing superior financial services to all segments of the community.

Our Mission

Our mission is to provide micro, small and medium entrepreneurs with the wherewithal to manage their financial resources efficiently and by doing so to improve the quality of their lives. By achieving these goals we will ensure a sustainable and growing benefit to our shareholders, our staff and the community at large. We will at all times observe the highest principles of ethical behaviour, respect for society, the law and the environment.

Our Slogan

The bank you can trust, the bank for the people.

This report has been prepared and issued by ACLEDA Bank Plc., to whom any comments or requests for further information should be sent.

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Khan Daun Penh, Phnom Penh, Kingdom of Cambodia.

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SWIFT Code: ACLBKHPP

Call Centre (24/7):

Tel: +855 (0)23 994 444, +855 (0)15 999 233

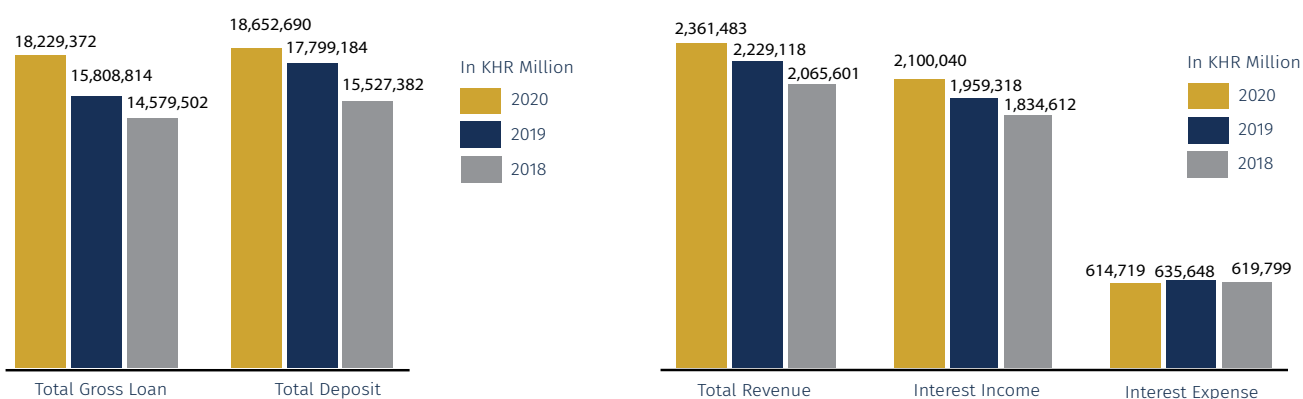
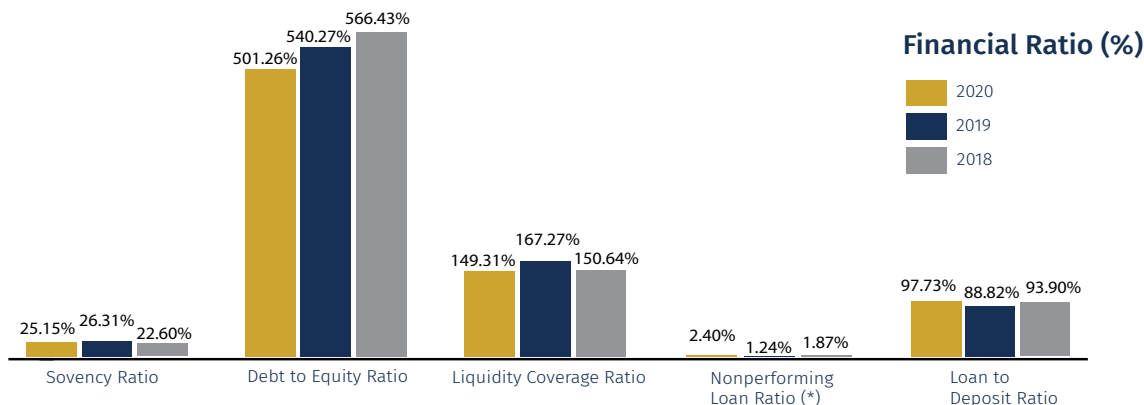
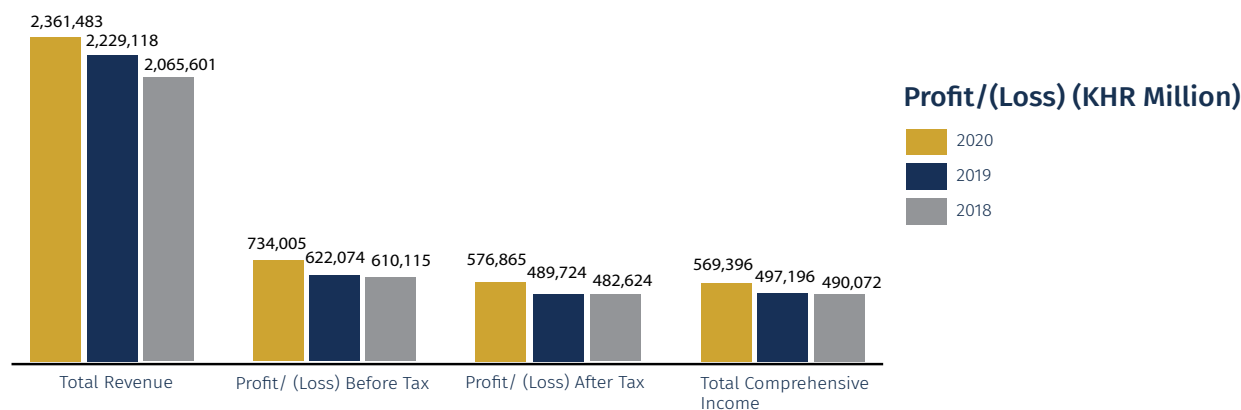
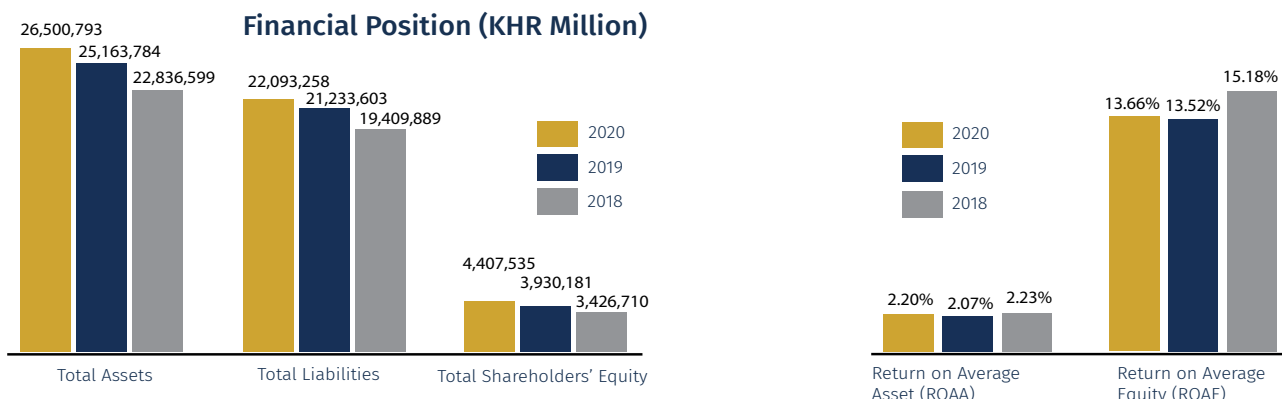
E-mail: inquiry@acledabank.com.kh

FINANCIAL HIGHLIGHT

| Description | 2020 | 2019 | 2018 |
|--|------------|------------|------------|
| Financial Position (in KHR million) | | | |
| Total assets | 26,500,793 | 25,163,784 | 22,836,599 |
| Total liabilities | 22,093,258 | 21,233,603 | 19,409,889 |
| Total shareholders' equity | 4,407,535 | 3,930,181 | 3,426,710 |
| Profit / (Loss) (in KHR million) | | | |
| Total revenue | 2,361,483 | 2,229,118 | 2,065,601 |
| Profit/ (Loss) before Tax | 734,005 | 622,074 | 610,115 |
| Profit/ (Loss) after Tax | 576,865 | 489,724 | 482,624 |
| Total Comprehensive Income | 569,396 | 497,196 | 490,072 |
| Financial Ratios | | | |
| Solvency ratio | 25.15% | 26.31% | 22.60% |
| Debt to equity ratio | 501.26% | 540.27% | 566.43% |
| Liquidity Coverage Ratio | 149.31% | 167.27% | 150.64% |
| Non-performing loans ratio (*) | 2.40% | 1.24% | 1.87% |
| Loan to deposit ratio | 97.73% | 88.82% | 93.90% |
| Return on average assets (ROAA) | 2.20% | 2.07% | 2.23% |
| Return on average equity (ROAE) | 13.66% | 13.52% | 15.18% |
| Interest Coverage ratio (Times) | 2.19 | 1.98 | 1.98 |
| Earnings per share (KHR) | 1,320 | 1,203 | 1,306 |
| Dividend per share (KHR) | - | 311 | 432 |
| Other Important Ratios | - | - | - |

(*) Non-performing loan = loan in stage 3

FINANCIAL SUMMARY AND ANNUAL STATISTICAL SUMMARY (CHARTS)



BOARD OF DIRECTORS

The Directors are appointed by the Shareholders for three-year terms to act on their behalf. The Articles provide that the Board shall consist of ten Directors and that:

- The Board of Directors is responsible for determining the strategy of the Bank and for conducting or supervising the conduct of its business and affairs. Its members shall act in the best interests of the Bank.
- The powers of the Board of Directors are to be exercised collectively and no individual Director shall have any power to give directions to the officers or employees of the Bank, to sign any contracts, or to otherwise direct the operations of the Bank unless specifically empowered to do so by a resolution of the Board of Directors.
- Each Director shall have unlimited access to the books and records of the Bank during ordinary business hours.

The Board of Directors shall elect, by majority vote, one of its members to serve as Chairman who shall preside over meetings of the Board of Directors as well as the Annual General Meeting.

The Board of Directors assumes responsibility for corporate governance and for promoting the success of the Bank by directing and supervising its business operations and affairs. It appoints

and may remove the President & Group Managing Director, Group Chief Internal Audit Officer, and Head of Compliance Division. It also ensures that the necessary human resources are in place, establishes with management the strategies and financial objectives to be implemented by management, and monitors the performance of management both directly and through the Board Committees.

The Board of Directors established three Committees: Audit, Remuneration and Nomination, Risk Management and IT, and may establish such other committees as it deems necessary or desirable to carry on the business and operations of the Bank. These Board Committees shall exist at the pleasure of the Board of Directors and all members of such Committees shall be approved by the Board. The Committees themselves will not exercise any of the powers of the Board, except insofar as the Board may formally delegate such powers, but may make recommendations to the Board for their collective action. Whilst membership on Board Committees is restricted to Directors themselves, they may invite members of management and others so as to provide operational information and explanation when considered necessary. All Board Committees are chaired by Independent Directors.

BOARD OF DIRECTORS



Mr. Chhay Soeun, Chairman



Dr. In Channy, Director



Mr. Rath Yumeng, Director



Drs. Pieter Kooi, Director



Mr. Ian S. Lydall, Director



Mr. Van Sou Ieng, Director



Mr. Kenichiro Mori, Director



Mr. Stéphane MANGIAVACCA, Director



Ms. Mirjam Janssen, Director

MESSAGE FROM CHAIRMAN

Mr. Chhay Soeun

Chairman

On behalf of ACLEDA Bank Plc. (“the Bank”) and the Board of Directors, I am pleased to present the 2020 Annual Report to all stakeholders.



The year 2020 is a difficult year to most sectors, especially travel and tourism. COVID-19 pandemic is negatively impacting businesses significantly in all industries around the world—Cambodia is not an exception. The Royal Government of Cambodia has handled the situation very well and worthy of compliment. As a result, major industries are well protected from the impact of this terrifying pandemic. Financial industry growth was still at the rate of previous years; and the health of the sector is considered well-maintained. There are signs that economic activity is beginning to grow in 2021 mainly due to effective vaccine being injected around the world.

Given the Bank’s operations under the global pandemic for the whole year 2020, and in order to provide even more quality services to the public at large to meet their needs during the difficult time, the Bank has widened its self-service network innovation and rebranded digital banking services as the **ACLEDA mobile** App to be more convenient, fast, and highly secured. As a result, the Bank achieved positive outcomes as below:

As of 31 December 2020, total deposit increased by USD243.40 million while total loan outstanding grew by USD627.18 million compared to the year ended 2019.

The annual performance 2020 compared to the year 2019, the Bank achieved net profit after tax of USD141.49 million, an increase of 17.07% equivalent to USD20.63 million. Return on Average Assets (ROAA) was 2.23%, an increase of 0.19%, and Return on Average Equity (ROAE) was 13.79%, an increase of 0.49%.

From the listing date of the Bank up to the end of the year 2020, the public investors of the Bank increased by 42.63% (from 2,496 to 3,560). Per the monthly newsletter of the Cambodia Securities Exchange (CSX) issued in December 2020, the total market capitalization enlarged to 2.45 billion dollars, growing nearly 250% from that of 2019. The listing of ACLEDA Bank Plc., the largest local bank, enhanced the trading activity in the CSX, driving daily trade to 1 million dollars for several consecutive days.

Finally, I would like to express my sincerest gratitude to all shareholders, customers, employees, and especially the relevant authorities who always support and contribute to the good performance of the Bank, especially for the year 2020.

A handwritten signature in blue ink, appearing to read 'Chhay Soeun', written over a horizontal blue line. The signature is fluid and cursive.

Mr. Chhay Soeun
Chairman, Board of Directors,
ACLEDA Bank Plc.

24 March 2021

MESSAGE FROM PRESIDENT & GROUP MANAGING DIRECTOR

Dr. In Channy

President & Group Managing Director



Amid the global impact of the COVID-19 pandemic, we revisited our brand image to reflect the real nature of our bank. The year 2020 has enriched our experiences in two important ways. Firstly, we strengthen ourselves by overturning the negative circumstance to our advantage. Remarkably, the bank continued to grow while maintaining good assets quality. Secondly, as the first listed bank on the Cambodia Securities Exchange (CSX), we had to transform our operation and reporting standard to fulfil the requirement and enormous requirements of the National Bank of Cambodia (NBC), the Securities and Exchange Regulator of Cambodia (SERC), and the CSX. Prior to listing on the CSX in May 2020, we had only eight institutional shareholders. After listed, the shareholders were increased with nearly 4,000 shareholders—both institutional and the public—who placed enormous trust in us.

Thanks to the digital technologies we have developed and adopted over the many years, we were able to achieve both good business performance and strong engagement with so many regulators and shareholders at the same time.

Performance in 2020

Competitive Environment

Digital solution is increasingly becoming the primary choice for banks and financial institutions in reaching out to their customers during this COVID-19 pandemic. There is a serious health concern from the public in general. Digital technology is also believed to be one of the most effective tools to compete in the current market environment amongst financial institutions. ACLEDA Bank (“The Bank”) at all times strives to serve its customers to grow together not only in Cambodia but also abroad via QR Code Cross border payments.

Operational Highlights in 2020

- Total loan outstanding at the end of 2020 was US\$4,506.64 million, of which US\$894.65 million (or 19.85%) was lent to the agriculture sector. In 2019, lending to agriculture was US\$757.04 million. By the end of December 2020, the number of Bank’s small business loans reached 449,352 active customers.
- Non-performing loan (NPL) remained at a controllable rate of 2.40%, given the COVID-19 crisis.
- Total deposit was US\$4,611.30 million from 2,894,907 active accounts.
- The Bank posted net profit after tax and other comprehensive income of US\$141.66 million.
- The Bank constantly minimized cost and risk to maximize income.
- Financial technology (FinTech) products integrated the Bank’s electronic banking infrastructure, offering the Bank’s customers a range of choices to manage their financial resources.

Retail and Small Business

Lending in “Small” business category grew by 10.10% or US\$202.83 million; and “Personal & Others” category grew by 32.20% or US\$38.55 million. “Housing Loan” decreased by US\$160.80 million, or 12.27%. The total loan outstanding was at US\$4,506.64 million as of the end of 2020.

ACLEDA Bank’s deposit balance was US\$4,611.30 million (grew by 5.57% or US\$243.40 million) and total number of accounts, was over 2.89 million. The retail sector was the largest of all the deposit growth with a large percentage coming from first-time depositors: employee payrolls paid through the Bank’s Payroll Service and non-bank customers in rural areas used E-Wallet **ACLEDA mobile** App. Financial products and services via FinTech solution has contributed to this strong growth.

The Bank maintains a diversified infrastructure of choices with 263 traditional branches (or offices), gradually transforming them to self-service centres with 790 ATMs and 4,287 POS terminals. It’s interesting to note that ACLEDA Bank issued 1.39 million debit cards. Moreover, the digitized **ACLEDA mobile** has proved very popular, registered by more than 1.7 million users as at the end of 2020.

Medium and Corporate Businesses

In this product category and in 2020, the value of loan outstanding grew by 30.81%, accounted for 35.06% of total loans outstanding. Cash management increased strongly through our arrangement with the public sector particularly the Social Security Fund, government payroll direct deposit, and vehicle stamp tax collection. In addition to private sector business entities and garment factories were also in the arrangement. As a custodian of the Social Security Fund, ACLEDA Bank now receives saving deposits from all provinces and cities. Several new accounts were acquired, the most significant of which were from the expansion of the Bank’s ATM networks and the **ACLEDA mobile** bill payment for public utilities, as well as via ACLEDA Internet Banking service. This has had a positive impact on the Bank’s local currency cash flow and has enabled ACLEDA Bank to entirely fund its local Khmer Riel currency loan portfolio from deposits. Demand for payroll service was particularly strong in 2020 with a number of organisations signed up such as, the public sector, local and international companies. They provided excellent opportunities for cross-selling of other products.

ACLEDA Bank and its subsidiaries continued to collaborate with its long-term, experienced and strategic partners representing hundreds of years of combined experience in banking and financial services. These companies assist our mutual common customers to manage their financial resources effectively and efficiently. At the same time, this collaboration helped boost revenue while enhancing long-term source of fund for the Bank. These partnerships significantly contributed to the Bank’s long-term funding; and the joint efforts also provided a useful source of off-balance sheet revenue, and built in to the international expertise in the Bank’s management and staffs.

Treasury and International

Foreign Exchange (FX) earning continued to grow and made a valuable contribution to our non-interest income. Based on its risk management policy, the Bank does not trade speculatively or take a position as its FX business is to support customers’ businesses only. This is a low risk and stable source of income, which has grown consistently over time, producing good margin and built up long-standing relationships with customers.

The Bank's balance sheet has been further strengthened by robust inflows of customer deposits, resulting in a healthy loan-to-deposit ratio, which provides a solid platform to support the Bank's business growth in selected market operations.

The Bank contributed to the promotion for the use of Khmer Riel (KHR) by providing local currency loans to customers, amounting to more than 14% of its total loan portfolio, exceeding the regulatory requirement of 10%. We actively participated in the Liquidity Providing Collateralized Operation (LPCO) to seek further funding support in local currency.

To support its long-term source of funding, the Bank diversified its funding options by maintaining and gradually expanding good relationship with its strategic partners globally, especially in Europe, USA, and Asia.

The Bank continued to strengthen the relationship with other financial institutions and did some review on the substantial international correspondent network during the year. At the end of 2020, the Bank had 274 correspondent banks residing in 44 countries. In addition, the Bank has a dominant market share in terms of accounts from local banks and microfinance institutions, and we provide fund-transfer service to them throughout the country.

The Bank managed to comply with all its internal risk policies, regulatory requirements and lenders' covenants.

Strategic Priorities for 2021

1. Continue to develop Financial Technology (FinTech) services in **ACLEDA mobile** App to cover regional financial services network and enrich self-service applications;
2. Develop banking self-service areas to serve the public and customers 24 hours per day and 7 days per week;
3. Rebrand and further strengthen the image of the Bank;
4. Enhance the capacity of both local and foreign subsidiaries for competitive edge;
5. Digitalize administrative process and documentation to support the digital bank;
6. Enrich IT systems and security for robust digital functions;
7. Partner with reputational institutions for business growth;
8. Act as the custodian to diversify funding from the Cambodia Securities Exchange and worldwide investors; and
9. Centre **ACLEDA mobile** App as the common means of broader payment in all markets.

The Challenges for 2021

As a listed company, ACLEDA Bank is accountable to two regulators: the NBC and the SERC and it is also accountable to the public at large and the individual investors. In its long history, the Bank created trust from its good corporate governance, rich experience of the management team and the culture of transparency.

Digital infrastructure and FinTech products narrow the gap of finance and financial service access. It will eliminate distances within the financial market and enable customers to make choices between banks and financial institutions irrespective of their location. It will stimulate strong competition in both service quality and pricing. "**ACLEDA mobile**" was fully upgraded. The look and feel is appealing to all ages. It is built with customers' experiences and user-friendliness in mind. It is highly secure and downloadable at any spot where there is WiFi or internet available. It is the solution to place ACLEDA ahead of the competition.

The prolongation of COVID-19 pandemic and the slow pace of the COVID-19 vaccine in arms continue to instil fear to the public and likewise may still impact the global economic growth as well as Cambodia's whether it is for the short or the longer term.

Compliance with the CIFRS Financial Reports requires a sophisticated system as well as regulatory guidelines in place in time of need. The Bank has successfully developed it, and I am pleased to present it and make it available to the stakeholders.

To all our customers, my colleagues on the Board of Directors, management and staff, and not least the Royal Government, the NBC, and the SERC, I offer my sincerest thanks for your support in 2020 and in anticipation of a happy and prosperous 2021.



Dr. In Channy

***President & Group Managing Director,
ACLEDA Bank Plc.***

24 March 2021

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PART 1

GENERAL INFORMATION OF ACLEDA BANK PLC.

A. IDENTITY OF ACLEDA BANK PLC.

| | |
|---|--|
| Entity Name in Khmer | ធនាគារ អេស៊ីលីដា ភីអិលស៊ី |
| In Latin | ACLEDA Bank Plc. |
| Standard Code | KH1000100003 |
| Address | #61, Preah Monivong Blvd, Sangkat Srah Chork, Khan Daun Penh, Phnom Penh, Cambodia |
| Phone number | +855 (0)23 998 777 / 430 999 |
| Fax | +855 (0)23 430 555 |
| Website | www.acledabank.com.kh |
| Email | acledabank@acledabank.com.kh |
| Company registration number | 00003077 dated 05 June 2000, issued by Ministry of Commerce |
| License number | 06 dated 28 November 2006, issued by National Bank of Cambodia |
| Disclosure Document registration number | 053/20 SECC/SSR dated 19 March 2020, issued by Securities and Exchange Committee of Cambodia (Currently known as the Securities and Exchange Regulator of Cambodia "SERC") |
| Representative of ACLEDA Bank Plc. | Dr. In Channy |

B. NATURE OF BUSINESS

ACLEDA Bank Plc. is a commercial bank with the largest branch and office network in the Kingdom of Cambodia. It has listed on the CSX since 25th May 2020. Currently, it has 4 wholly-owned subsidiaries: ACLEDA Bank Lao Ltd., ACLEDA Securities Plc., ACLEDA Institute of Business and ACLEDA MFI Myanmar Co, Ltd. and 1 representative office in Myanmar.

C. GROUP STRUCTURE OF ACLEDA BANK PLC.

| No | Company name | Type of relation | Percentage of share holding | Core business | Company registration date | Business address |
|----|---|------------------|--|--|---------------------------|--|
| 1 | ACLEDA Bank Lao Ltd. | Subsidiary | ACLEDA Bank Plc. holding 99.90% and ACLEDA Institute of business Co., Ltd. holding 0.10% | Operate as a Commercial Bank, through-out the Lao PDR, providing banking and financial services | 19 June 2008 | #398, Corner of Dongpalane and Dongpaina Road, Unit 20, PhonesavanhNeua Village, Sisattanak District, Vientiane Capital Lao PDR. |
| 2 | ACLEDA Securities Plc. | Subsidiary | ACLEDA Bank Plc holding 100% | Operate as a brokerage, providing as a brokerage business and also has other business activities | 01 March 2010 | 5th floor ACLEDA Building #61, Preah Monivong Blvd, Sangkat Srah Chork, Khan Daun Penh, Phnom Penh, Kingdom of Cambodia. |
| 3 | ACLEDA Institute of Business Co., Ltd. | Subsidiary | ACLEDA Bank Plc. holding 100% | Operate as an educational services | 08 June 2011 | #1397, Phnom Penh-Hanoi Friendship Blvd., Phum Anlong Kngan, Sangkat khmuonh, Khan Saensokh, Phnom Penh, Kingdom of Cambodia. |
| 4 | ACLEDA MFI Myanmar Co., Ltd. | Subsidiary | ACLEDA Bank Plc. holding 99.99% and ACLEDA Institute of Business Co., Ltd. holding 0.01% | Operate as a deposit taking MFI, providing lending and microfinance services | 06 September 2012 | # 186(B) Shwe Gone Taing Road, Yae Tar Shae Block, Bahan Township, Yangon Myanmar. |
| 5 | Representative Office of ACLEDA Bank Plc. | Rep-Office | ACLEDA Bank Plc. holding 100% | Advertising ABC's product and services | 06 May 2016 | # 186(B) Shwe Gone Taing Road, Yae Tar Shae Block, Bahan Township, Yangon Myanmar. |

D. ACLEDA BANK PLC.'S MILESTONES

- ACLEDA Bank Plc. is a public limited company, formed under the Banking and Financial Institutions Law of the Kingdom of Cambodia. Originally, it was founded in January 1993, as a national NGO for micro and small enterprises' development and credit.
- ACLEDA Bank Limited was licensed by the National Bank of Cambodia as a Specialised Bank on 07 October 2000. On 01 December 2003, ACLEDA Bank, once again, was licensed by the National Bank of Cambodia as a Commercial Bank to enable it to provide full banking services according to the needs of the customers and the market and it was renamed ACLEDA Bank Plc.
- ACLEDA Bank Plc. is the first bank in Cambodia that assigned ratings by the top international ratings agencies — Standard & Poor's and GIIRS. On 16 December 2020, Global Ratings Agency — Standard & Poor's (S&P) upgraded the Bank's Stand-Alone Credit Profile (SACP) to 'bb' from 'bb-'. The stable outlook reflects the view that the Bank will maintain its financial profile, with sufficient buffers to stabilize the business.
- ACLEDA Bank Plc., the Cambodia's leading commercial bank, has been nominated as a World Economic Forum Global Growth Companies 2014 candidate, and has become the member of the World Economic Forum.
- ACLEDA Bank Plc. has bought a comprehensive insurance package from Jardine Lloyd Thompson Asia, the largest UK insurance broker and Forte Insurance (Cambodia) Plc.

- Before the listing on the CSX on 25 May 2020, ACLEDA Bank Plc. was 51% owned by Cambodia interests, including its staff, with the remaining 49% taken up by Sumitomo Mitsui Banking Corporation (18.25%), COFIBRED (12.25%), ORIX Corporation (12.25%), and the three investment funds (Triodos Sustainable Finance Foundation, Triodos Fair Share Fund, and Triodos Microfinance Fund) managed by Triodos Investment Management (6.25%).
- ACLEDA Bank Plc. has four subsidiaries which are (1) ACLEDA Bank Lao Ltd., (2) ACLEDA Securities Plc., (3) ACLEDA Institute of Business, and (4) ACLEDA MFI Myanmar Co., Ltd.
- At the end of July, 2020, ACLEDA Bank Plc. has extended to 263 branches, which are located in all provinces and towns in Cambodia.
- ACLEDA Bank Plc. officially listed its equity securities on the Cambodia Securities Exchange (CSX) on 25 May 2020. Investors can trade the Bank's shares on the CSX from Monday to Friday from 8:00 am until 3:00 pm, except public holidays. The listing on the CSX marks a new chapter of the 27 years of ACLEDA Bank success story in Cambodia and become the 1st commercial bank listed on the CSX.
- The Bank received an award of Gold Certificate on Tax Compliance validity for 2-year period (2020 and 2021) from General Department of Taxation for complying with applicable laws and regulations on tax payment.
- It launched Remittance Services from Japan to Cambodia with SBI Remit Co., Ltd. Under this partnership, people are living in Japan and especially Cambodian workers are able to have an additional choice for sending money back to Cambodia with SBI Remit Co., Ltd. and ACLEDA Bank Plc.
- It updated the functions of **ACLEDA mobile** App with the new version 4.0 which offers customers' experiences with more convenience and secure, and especially it's more friendly and attractive for young generation customers.
- It had contributed to social and humanitarian activities combating and preventing from the COVID-19 spread, supporting charitable causes of the Cambodia Kantha Bopha Foundation and to support humanitarian activities of the Cambodian Red Cross.
- The Bank signed a USD 130,000,000 Long-Term Facility Agreement with CHINA DEVELOPMENT BANK (CDB), the world's largest development finance institution. This fund is the one of other funding sources to support the long term growth of the Bank and the development of SMEs in Cambodia.
- The Bank further reduced its interest rate from 0.4% to 1% per annum from its current rates for all credit products to contribute to the growth of our customers' businesses.
- It launched fund transfer service and cardless cash deposit/withdrawal with KESS INNOVATION Plc. The cooperation service enables both ACLEDA Bank Plc. and KESS INNOVATION Plc. to broadly expand fund transfer service and cardless cash deposit/withdrawal throughout country and to enhance the development and usage of FinTech to be even more convenient, effective, efficient and safe.
- It collaborated with the Ministry of Public Works and Transport to launch the public service payment of the Ministry of Public Works and Transport via **ACLEDA mobile** App.
- ACLEDA Bank Plc. donated USD 250,000 to help the Cambodian people who are affected by severe raining flood in the country. It was the main concern of Cambodian people across the country.
- The Bank held its Shareholders' Extraordinary General Meeting on 23 November 2020. It was the first time that the Bank held its General Meeting with the attendant of public shareholders.
- The Bank donated 1 billion Riels to the Royal Government of Cambodia to purchase COVID-19 vaccine to improve public welfare.
- The Bank celebrated the official launch of its new logo, but retains its original spirit, identity and value which was accumulated over 29 years since its existence. The new logo is a symbol of "Mythological Bird" standing in the middle of a blue circle, denoting sustainable strengths and prosperity of the Bank.
- In addition to the launch of the new logo, the Bank's mobile banking application also got a new look and rebranded as the **ACLEDA mobile** App from the Unity ToanChet mobile banking application. The ACLEDA mobile's new look was designed by experienced professionals, who incorporated the latest technology into the app, and it is equipped with world-class ISO security and Payment card industry (PCI) compliance, which ensures the highest level of security. With this new **ACLEDA mobile** App branding is intended to help the mobile service align with the latest developments in global technology and further the Bank's positioning in the digital era.

E. MARKET SITUATION

To date, the banking sector has been developed rapidly and contributed actively to support economic growth and reduce poverty. As of December 2020, ACLEDA Bank's market share was around 14.69% and 13.91% respectively for deposits and loans. Although the global epidemic has negatively affected to all sectors throughout the country, as of 31 December 2020, ACLEDA Bank Plc. still achieve total deposits increased by USD243.40 million and total loan outstanding increased by USD627.18 million if compared to 2019.

For the price situation in banking institutions, the interest rate on KHR and USD Loan was up to 11.59% and 9.88% higher than in 2019, which was respectively 10.47% and 8.77%, while microfinance continue to drop from 17.92% and 15.95% in 2019 to 16.56% and 14.86% in 2020, individually. The interest rate on KHR deposit in banking sector was slightly lower from 6.35% to 5.93% and the USD was 4.93%, a bit difference if compared to 4.83% in 2019, while microfinance drop respectively from 7.93% and 7.71% in 2019 to 7.31% and 7.25% in 2020. (1)

F. COMPETITIVE SITUATION

The banks and microfinance institutions continues to grow remarkably. By December 2020, there were 53 commercial banks (22 local incorporated banks, 17 subsidiary banks, and 14 foreign branch banks), 14 specialized banks (06 locally Incorporated, and 08 foreign Banks), 81 microfinance institutions (06 MDI, and 75 MFI), 15 leasing companies, 6 Representative Offices of Foreign Banks in Cambodia, 24 payment service providers, and 246 rural credit operator.

Simultaneously, the credit balance of customers was up to KHR151.3 trillion (of which the banking sector KHR122.4 trillion, microfinance sector KHR27.6 trillion, financial leasing sector KHR1.3 trillion and rural credit operator KHR285.3 billion) increased by 14.8% (of which the banking sector by 15.3%, the microfinance by 12.5% and the financial leasing by 12.1%) with total customer credit accounts of 3.2 million (of which 1.2 million in the banking sector, 1.9 million in the microfinance sector, 0.1 million in the financial leasing sector and 194,015 accounts in rural credit operator). The customer deposit balance also continued to grow up to KHR136.9 trillion (of which the banking sector KHR121.7 trillion and microfinance sector KHR15.2 trillion) increased by 15.4% (banking sector grew by 15.5%) with 8.9 million accounts (of which 6.3 million in the banking sector and 2.7 million in the microfinance sector). (Source: NBC Report, CMA Report, and Actually Updated)

The customers, market, price and competition situation in the banking sector has been changed significantly, but ACLEDA Bank continues to maintain a competitive advantage in all products-services, operating network, source of fund, and technical resources, and continues to grow well. As of December 2020, ACLEDA Bank's loans increased by 3.43% and 16.17%, respectively, in term of number of loan and total loan outstanding if compared to 2019, while ACLEDA Bank's deposits increased by 10.46% and 5.57% for both number of account and total deposit balance. In particular, the total transactions used by customers with ACLEDA Bank continued to increase 45.55% (of which at the bank counter increased by 19.85% and the digital services increased by 59.51%) and the total transactions done by customers with ACLEDA Bank and its subsidiaries increased by 47.09% (of which at the bank counter increased by 23.23% and the digital services increased by 60.04%) if compared to 2019.

G. FUTURE PLAN

ACLEDA Bank plans to keep on improving and making its digital service to be more easily for customer usage by continuing to innovate new products and services and continuing to update all existing digital product and services. Additionally, ACLEDA Bank will continue to remodel the existing offices to become modern and digital office and equipped with machines and enable serve clients 24/7, around Phnom Penh and provinces.

H. RISK FACTORS

1. Analyst

The COVID-19 pandemic onset has significantly impacted to the society, global economy, and Cambodia's economy especially on priority sectors such as tourism, garment & footwear, construction and real estate and transportation. Meanwhile, the COVID-19 pandemic also caused the risk to ACLEDA BANK such as:

1-1 Credit Risk

The material risks and challenges from the COVID-19 pandemic has significantly impacted to the economy which have caused the customers or business partners could not fulfil the loan repayment obligation and would impact on the cash flow and the prospects of the Bank. COVID-19 pandemic has caused the customers to loss their profits or get impact to their businesses leading to impact on the fulfilling of the loan repayment obligation to the Bank and increase of the loan restructuring.

1-2 Liquidity Risk

The COVID-19 pandemic may lead to the turmoil for the public and depositor's panic causing to the liquidity risk to the Bank.

1-3 Operational Risk

The COVID-19 pandemic onset would affect or disrupt the Bank's operations partly or wholly in the event of any infections to any staff or customers at any branch or the measures to close the commune/district/city/location within the Bank's operational areas due to the COVID-19 pandemic which would lead to the closure of the Bank's office operation as well.

2. Management opinion and Risk mitigation

However, the Bank's management believes that these risk factors can be effectively managed and mitigated as well as turn into the opportunities:

2-1 Credit Risk Management Measures

- Cautiously implement the National Bank of Cambodia's guideline on loan restructuring during the COVID-19 outbreak by developing strategies, policies, procedures and establishing an independent working group to study, analyse and evaluate on the proposals for loan restructuring of clients affected by COVID-19 outbreak before submitting to the Management Credit Committee for review and approval.
- The Bank continues to provide loans and various payment services to priority sectors especially hotel, guesthouse, tourism, construction, apparel, garment and footwear sector and reduce the interest rate of small loan in order to ensure business continuity.
- Gently solve the loan problem caused by the impacts from COVID-19 and based on the real circumstance with the encouragement to credit officer to contact and solve the loan problem via cell-phone to mitigate the impact.
- Promote for the use of self-service including ACLEDA POS Machine, ATM and CDM, ACLEDA Internet Banking, ACLEDA E-Commerce, **ACLEDA mobile**, remittance and other payment service in order to reduce the operation at counters and the infections from the use of banknotes.

2-2 Liquidity Risk Management Measures

In line with the measures of the National Bank of Cambodia for providing an additional liquidity to the banks and financial institutions to mitigate the impact of COVID-19, ACLEDA BANK also introduced risk management measures to mitigate the liquidity risk and ensure the business continuity by maintaining the high level of fund to support business growth and to respond the unprecedented events timely.

2-3 Operational Risk Management Measures

In accordance with the guidelines of the government as well as the Ministry of Health on the prevention and control of the COVID-19 pandemic, ACLEDA BANK has prudently implemented and introduced measures and guidelines to prevent the COVID-19 pandemic to ensure business continuity such as:

- Strengthen and pay attention to the prevention of eventual transmission of COVID-19 virus to employees and customers in accordance with the guidelines of the Ministry of Health and the National Bank of Cambodia.
- Strengthen to monitor carefully on the situation and activities of the staff that may cause the spread of COVID-19 disease, as well as receive reports by all means regarding the infection cases of the staff who get involved directly or indirectly. Prepare and allow relevant staff to work from home and implement in accordance with the instructions of the Ministry of Health and the National Bank of Cambodia.
- Develop contingency plan to ensure the continuity of operations in the event that a provincial or municipal branch offices are closed due to the COVID-19 pandemic, the Bank is still able to continue the operation without hindrance. ACLEDA BANK has been operating on the basis of three strong foundations such as extensive branch network; all branches are connected to online Real-Time (self-service) such as ACLEDA POS, ACLEDA ATM and CDM, ACLEDA Internet Banking, ACLEDA E-Commerce; and digital services such as **ACLEDA mobile** where customers can operate from home and from anywhere at any time.
- Develop the business continuity plan if headquarters or offices are closed due to the COVID-19 pandemic, the Bank will resume the operation at the nearest reserved office. If the employees are infected or in quarantine, they are required to work online from home without hindrance. If senior managements are sick or in quarantine, the Bank has proxy guideline in place for working smoothly.

PART 2

INFORMATION ON BUSINESS OPERATION PERFORMANCE

A. BUSINESS OPERATION PERFORMANCE INCLUDING BUSINESS SEGMENTS INFORMATION

As of December 2020, the sale and revenue of the Bank and its subsidiaries had performed well. The main keys performance are as follows:

| Key Performance | Actual Data | |
|--------------------------------------|-------------|------------|
| | 2020 | 2019 |
| LOAN | | |
| Number of Loan | 555,323 | 536,891 |
| Total Loan Outstanding (Million KHR) | 18,229,372 | 15,808,814 |
| DEPOSIT | | |
| Number of Account | 2,894,907 | 2,620,778 |
| Deposit Balance (Million KHR) | 18,652,690 | 17,799,184 |
| ATM CARD | | |
| Number of Card | 1,396,778 | 1,277,725 |
| Number of Txn | 19,768,223 | 20,403,200 |
| Value of Txn (Million KHR) | 13,775,918 | 12,548,066 |
| MOBILE BANKING | | |
| Number of Register | 1,782,814 | 1,276,528 |
| Number of Txn | 48,749,599 | 28,264,972 |
| Value of Txn (Million KHR) | 59,211,279 | 37,303,137 |
| INTERNET BANKING | | |
| Number of User | 11,679 | 11,331 |
| Number of Txn | 886,990 | 510,297 |
| Value of Txn (Million KHR) | 11,285,948 | 5,235,616 |
| E-COMMERCE | | |
| Number of partners | 51 | 48 |
| Number of Txn | 447,929 | 467,668 |
| Value of Txn (Million KHR) | 360,000 | 213,262 |
| ATM MACHINE | | |
| Number of Machine | 790 | 683 |
| Number of Txn | 26,574,678 | 24,181,231 |
| Value of Txn (Million KHR) | 20,198,724 | 15,929,197 |
| POS MACHINE | | |
| Number of Machine | 4,287 | 4,289 |
| Number of Txn | 2,457,626 | 2,412,938 |
| Value of Txn (Million KHR) | 657,506 | 849,392 |
| QR MERCHANT | | |
| Number of merchants | 63,714 | 30,989 |
| Number of Txn | 1,842,913 | 735,312 |
| Value of Txn (Million KHR) | 186,691 | 90,886 |

| Key Performance | Actual Data | |
|--|-------------|--------|
| | 2020 | 2019 |
| NETWORK OPERATIONS AND STAFFS | | |
| ACLEDA BANK PLC. | | |
| Number of Branch Operation | 263 | 262 |
| Number of Staff | 12,013 | 11,997 |
| SUBSIDIARIES (LOCAL & OVERSEAS) | | |
| Number of branch Office | 56 | 53 |
| Number of Staff | 1,691 | 1,658 |

The following table was the total transactions at counter and digital used by customer:

| Key Performance | Actual Data | |
|------------------------------------|-------------|-------------|
| | 2020 | 2019 |
| AT COUNTER: | | |
| Number of Txn | 33,911,358 | 27,517,943 |
| Value of Txn (Million KHR) | 248,015,779 | 247,781,348 |
| VIA DIGITAL (SELF-SERVICE): | | |
| Number of Txn | 81,204,412 | 50,741,542 |
| Value of Txn (Million KHR) | 87,818,823 | 52,853,670 |

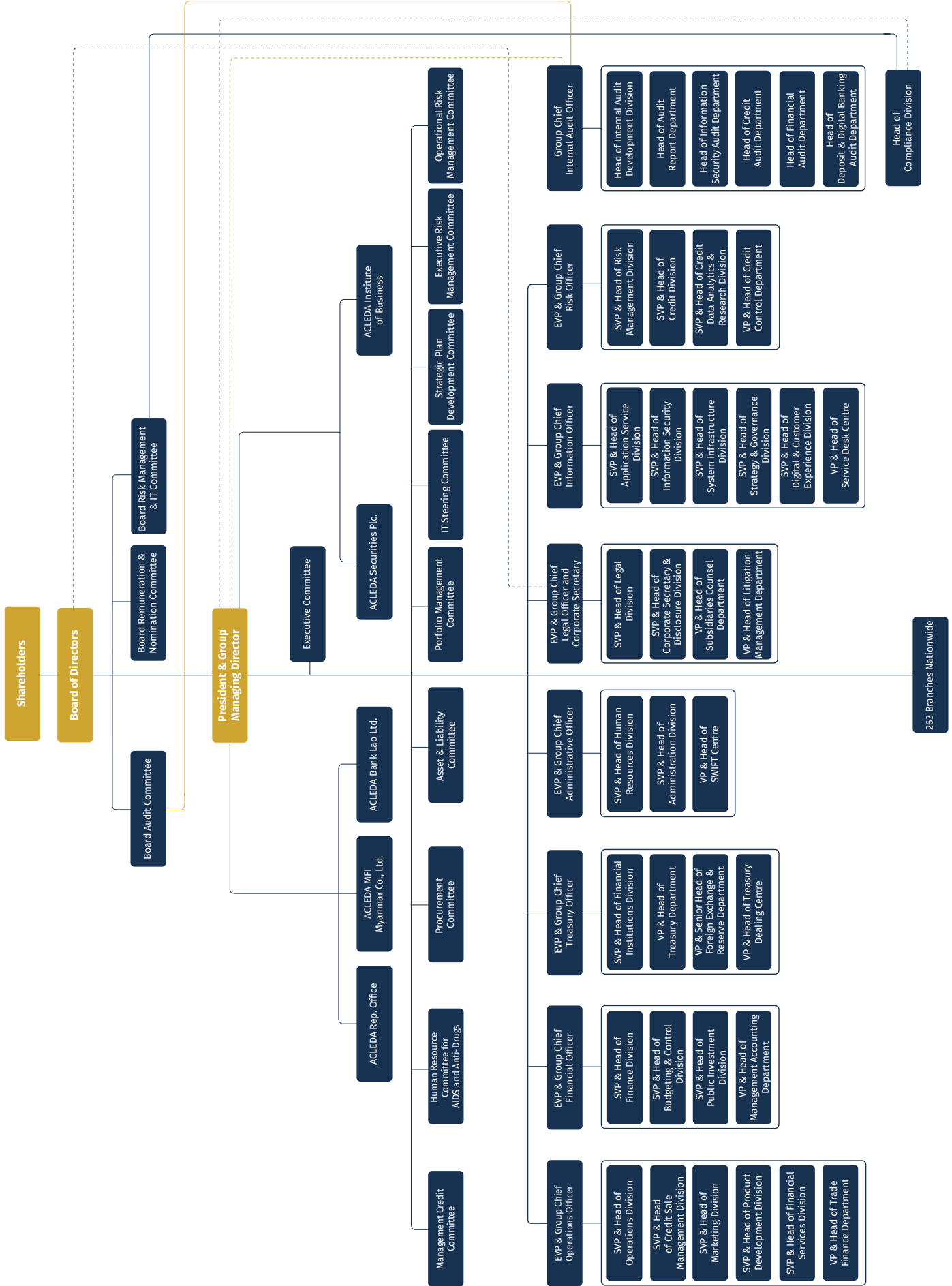
B. REVENUE STRUCTURE

| Source of Revenue (in KHR million) | 2020 | | 2019 | | 2018 | |
|------------------------------------|------------------|-------------|------------------|-------------|------------------|-------------|
| | Amount | Percentage | Amount | Percentage | Amount | Percentage |
| Interest Income | 2,100,040 | 88.93% | 1,959,318 | 87.90% | 1,834,612 | 88.82% |
| Fee and commission Income | 186,625 | 7.90% | 197,473 | 8.86% | 173,290 | 8.39% |
| Other Income | 74,818 | 3.17% | 72,327 | 3.24% | 57,699 | 2.79% |
| TOTAL REVENUE | 2,361,483 | 100% | 2,229,118 | 100% | 2,065,601 | 100% |

PART 3

INFORMATION ON CORPORATE GOVERNANCE

A. ORGANIZATION STRUCTURE



B. BOARD OF DIRECTORS

Board Composition

| No | Name | Position | Date of term being Director | Expired Date of being Director |
|----|---------------------------------|------------------------|-----------------------------|--------------------------------|
| 1 | Mr. Chhay Soeun | Chairman | 18 August 2014 | 18 August 2023 |
| 2 | Dr. In Channy | Executive Director | 18 August 2014 | 18 August 2023 |
| 3 | Mr. Rath Yumeng | Executive Director | 18 August 2014 | 18 August 2023 |
| 4 | Drs. Pieter Kooi | Independent Director | 12 January 2004 | 12 January 2022 |
| 5 | Mr. Van Sou Ieng | Independent Director | 02 September 2020 | 02 September 2023 |
| 6 | Mr. Ian Samuel Lydall | Independent Director | 21 August 2015 | 21 August 2021 |
| 7 | Mr. Kenichiro Mori | Non-Executive Director | 24 October 2019 | 06 December 2022 |
| 8 | Mr. Stéphane MANGIAVACCA | Non-Executive Director | 21 April 2020 | 21 August 2021 |
| 9 | Ms. Mirjam Janssen | Non-Executive Director | 20 January 2020 | 12 January 2022 |

Corporate Secretary Name: **Mrs. Buth Bunseyha, Mr. Yin Virak, Mr. Sen Sokla, Mrs. Tep Sarchenda**

C. EXECUTIVE MANAGEMENT

| No | Name | Gender | Position |
|----|---------------------------|--------|--|
| 1 | Dr. In Channy | M | President & Group Managing Director |
| 2 | Dr. So Phonnary | F | Executive Vice President & Group Chief Operations Officer |
| 3 | Mrs. Mar Amara | F | Executive Vice President & Group Chief Financial Officer |
| 4 | Mr. Rath Yumeng | M | Executive Vice President & Group Chief Treasury Officer |
| 5 | Mr. Ly Thay | M | Executive Vice President & Group Chief Administrative Officer |
| 6 | Mrs. Buth Bunseyha | F | Executive Vice President & Group Chief Legal Officer and Corporate Secretary |
| 7 | Mr. Mach Theary | M | Executive Vice President & Group Chief Information Officer |
| 8 | Dr. Loeung Sopheap | M | Executive Vice President & Group Chief Risk Officer |

Note: Detailed information of the corporate governance, please see the attached appendix.

PART 4

**INFORMATION ON SECURITIES'
TRADING AND SHAREHOLDERS
OF ACLEDA BANK PLC.**

A. INFORMATION ON SECURITIES

1. Information on Equity Securities (for equity listed entity)

| Information | Description |
|--|---|
| Name of equity securities | ACLEDA Bank Plc. |
| Equity securities' symbol | ABC |
| Class of equity securities | Common Share |
| Par value per equity securities | KHR 4,000 |
| IPO Price | KHR 16,200 |
| The total number of outstanding shares | 433,163,019 Shares |
| Market capitalization (Million Riel) | 7,407,088 |
| Permitted Securities Market | Cambodia Securities Exchange, Listing date: 25 May 2020 |

2. Information on Debt Securities (for debt listed entity): N/A

B. SECURITIES' PRICE AND TRADING VOLUME

| | Common Share | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|----------------|--------------|---------|---------|---------|--------|--------|--------|--------|--------|
| Trading Price | Maximum | 23,600 | 22,950 | 18,360 | 17,900 | 17,600 | 17,460 | 17,300 | 17,300 |
| | Average | 19,626 | 18,985 | 17,522 | 17,310 | 17,318 | 17,257 | 17,185 | 17,099 |
| | Minimum | 16,180 | 17,600 | 16,500 | 17,020 | 17,200 | 17,100 | 16,900 | 16,900 |
| Trading Volume | Maximum | 793,159 | 305,529 | 133,552 | 30,873 | 14,585 | 14,211 | 15,354 | 17,089 |
| | Average | 266,247 | 79,382 | 25,706 | 13,921 | 7,046 | 7,198 | 6,423 | 5,659 |
| | Minimum | 15,888 | 12,853 | 2,648 | 3,686 | 2,543 | 1,732 | 1,780 | 1,592 |

C. CONTROLLING SHAREHOLDER (30% OR MORE): N/A

D. SUBSTANTIAL SHAREHOLDER (5% OR MORE)

| Name | National | Number of Shares | Percentage |
|-------------------------------------|-----------|--------------------|-----------------|
| ACLEDA Financial Trust | Cambodian | 111,492,719 | 25.7392% |
| ASA, Plc. | Cambodian | 107,204,547 | 24.7492% |
| Sumitomo Mitsui Banking Corporation | Japanese | 78,259,310 | 18.0669% |
| COFIBRED | French | 52,530,223 | 12.1271% |
| ORIX Corporation | Japanese | 52,530,223 | 12.1271% |
| Total | | 402,017,022 | 92.8096% |

E. INFORMATION ON DIVIDEND DISTRIBUTION IN THE LAST 3 (THREE) YEARS (FOR EQUITY LISTED ENTITY)

| Detail of dividend distribution | 2020 | 2019 | 2018 |
|---------------------------------------|---------|---------|---------|
| Net profit (in KHR million) | 576,865 | 489,724 | 482,624 |
| Total Cash dividend (in KHR million) | - | 133,395 | 34,060 |
| Total share dividend (in KHR million) | - | - | 136,761 |
| Other dividend | - | - | - |
| Dividend payout ratio (%) | - | 26.83% | 34.86% |
| Dividend yield (%) | - | - | - |
| Dividend per share (KHR) | - | 311 | 432 |

PART 5

INTERNAL CONTROL AUDIT REPORT BY INTERNAL AUDITOR

I. INTRODUCTION

Internal Audit provides independent and objective assurance and consultancy to the effective governance, risk management, and internal control process to add value to and improve the bank operations.

To ensure the scope of independent assurance, the internal audit function of the ACLEDA Bank Plc. and subsidiaries is led by the Group Chief Internal Officer, who is authorized to communicate and interact directly with the Board Audit Committee.

II. SCOPE OF INTERNAL AUDIT ENGAGEMENTS

The scope of Internal Audit activities consists of three core engagements to apply the systematic and disciplined approach to examine and evaluate internal control, risk management perspectives and the processes of the bank's operation.

- **Assurance Review:** To review the bank's policies, operating manuals, procedures and conduct the control testing to ensure the effectiveness of compliance control in monitoring of compliance with regulatory requirements and adequate risk management processes to mitigate risks.
- **Information Security Audit:** To carry out audit techniques to ensure the reliability, effectiveness and integrity of the management information systems including relevance, accuracy, completeness, availability, confidentiality and comprehensiveness of data.
- **Investigate Assessment:** To conduct comprehensive examination on the red flags of common internal/ external fraud schemes including misappropriation, bribery and corruption to ensure the effective and strong control on the conflict of interest and adequacy of procedures to safeguard the bank's assets.

III. SUMMARY OF PERFORMING INTERNAL AUDIT ENGAGEMENT IN 2020

The activities of internal audit consisted of defining the scope of assessment, submitting the audit plan to the Board Audit Committee for approval, performing engagements, communicating the results, providing a written engagement report, and monitoring corrective actions taken by management.

An annual internal audit plan of the year 2020 was established based on the comprehensive risk assessment method to align with the bank strategy to define the audit objective and scope of each engagement. The Board Audit Committee approved the annual internal audit plan, including the budget to support the internal audit activities, human resources and professional knowledge development.

The 2020 internal audit plan approved by the Board Audit Committee was successfully performed, including 42 Assurance Review engagements, 15 Information Security Audit engagements and 34 Investigate Assessment engagements to cover the entire bank locations at both Head Office and branch levels. The engagements also covered the following audit areas, namely Risk Management Audit, Human Resource Audit, Office Management Audit, Credit Audit, Information Security Audit, Financial Audit, Digital banking and counter audit, and AML audit.

Where material issues have been identified through internal audit reviews, recommendations have been communicated to management and Internal Audit have ensured that management have set up the appropriate corrective actions with proper timelines for improvement such as updating/developing policy, operating manual and procedures, strengthening and training management and staff.

The monthly consolidation of internal audit reports is submitted to the Board Audit Committee and copied to senior managements. The content of the audit reports includes management's actions to be taken and these actions are the subject of follow up audits to monitor the correction of audit findings.

IV. CONCLUSION

The internal audit engagement plan in 2020 was completely achieved and strictly applied the risk based approach to all the audit areas and audit locations to provide the recommendation on effective control on risk management, internal control process and procedure and compliance control. There were no material findings related to financial reports.

To respond to the internal audit recommendation, management set up the corrective action plan to enhance the control environment for the day to day bank operation.

Based on the results of internal audit engagements in 2020, it would appear that the bank's framework of governance, risk management and management control are adequately designed for the system to perform in accordance with the internal policies, procedures and regulations.

Read and Agreed

Date: 25 February 2021



Mr. Ian S. Lydall
Chair of Board Audit Committee

Date: 25 February 2021



Ms. Kim Sotheavy
Group Chief Internal Audit Officer

PART 6

FINANCIAL STATEMENT AUDITED BY THE INDEPENDENT AUDITOR

PLEASE REFER TO THE ANNEX

FOR FINANCIAL STATEMENTS AUDITED BY INDEPENDENT AUDITOR

PART 7

INFORMATION ON RELATED PARTY TRANSACTION AND CONFLICT OF INTEREST

The Listed entity shall disclose material transactions information, with related parties in the last 2 (two) years, specifying name, relation between the listed entity and related parties, size of transaction and the type of interest which arise from that relationship as follows:

A. Material Transactions with shareholder who hold at least 5% or more shares of outstanding equity securities.

ACLEDA Bank Plc. (ABC) has 5 shareholders who hold at least 5% or more shares of outstanding equity securities including: ACLEDA Financial Trust, ASA, Plc., Sumitomo Mitsui Banking Corporation, COFIBRED and ORIX Corporation.

As at 31 December 2020, ACLEDA Bank has material transactions with shareholders who hold at least 5% or more of the securities currently circulating in market as below:

| Description | 2020 | | 2019 | |
|--------------------------------------|-------------------|-------------------|------------------|-------------------|
| | USD | KHR '000 | USD | KHR '000 |
| Balances with related parties | 412,162 | 1,667,195 | 487,356 | 1,985,976 |
| Sumitomo Mitsui Banking Corporation | 412,162 | 1,667,195 | 487,356 | 1,985,976 |
| Interest income | 16,989 | 69,264 | - | - |
| Sumitomo Mitsui Banking Corporation | 16,989 | 69,264 | - | - |
| Account Payable | 500 | 2,023 | 1,474 | 6,007 |
| ASA, Plc. | 500 | 2,023 | 1,474 | 6,007 |
| Deposits | 13,117,596 | 53,060,676 | 4,506,230 | 18,362,888 |
| ACLEDA Financial Trust | 12,794,610 | 51,754,197 | 4,122,676 | 16,799,905 |
| Current Accounts | 12,794,610 | 51,754,197 | 4,122,676 | 16,799,905 |
| ASA, Plc. | 250,212 | 1,012,108 | 326,152 | 1,329,070 |
| Saving accounts | 99,712 | 403,335 | 24,678 | 100,563 |
| Fixed deposits | 150,500 | 608,773 | 301,474 | 1,228,507 |
| Sumitomo Mitsui Banking Corporation | 72,774 | 294,371 | 57,402 | 233,913 |
| Current accounts | 72,774 | 294,371 | 57,402 | 233,913 |
| Fee and commission income | 28,063 | 114,413 | 28,063 | 114,357 |
| ACLEDA Financial Trust | 26,400 | 107,633 | 26,400 | 107,580 |
| ASA, Plc. | 1,663 | 6,780 | 1,663 | 6,777 |
| Interest expenses | 201,670 | 822,208 | 15,501 | 63,167 |
| ACLEDA Financial Trust | 184,498 | 752,198 | - | - |
| ASA, Plc. | 17,172 | 70,010 | 15,501 | 63,167 |

B. Material Transactions with Director and Senior Officer

As of 31 December 2020, ABC has material transactions with directors and senior officer as below:

| Description | 2020 | | 2019 | |
|------------------------------|------------|------------|-----------|------------|
| | USD | KHR '000 | USD | KHR '000 |
| Loans and advances | 11,537,220 | 46,668,055 | 5,095,022 | 20,762,215 |
| Interest income | 1,074,031 | 4,378,824 | 132,479 | 539,852 |
| Deposit | 3,094,221 | 12,516,124 | 2,157,137 | 8,790,333 |
| Interest expense | 135,704 | 553,265 | 133,304 | 543,214 |
| Interest payable | 22,588 | 91,369 | 16,828 | 68,574 |
| Fee and remuneration expense | 6,518,241 | 26,574,868 | 6,410,084 | 26,121,092 |

C. Transactions with Director and Shareholder related to buy/Sell asset and service

As of 31 December 2020, there was no transaction with the director and shareholder related to buy/sell asset and service.

D. Material transactions with immediate family members of the director, Senior Officer and Shareholder who hold at least 5% or more shares

As of 31 December 2020, ABC has material transactions with immediate family members of the director, Senior Officer and Shareholder who hold at least 5% or more shares as below:

| Description | 2020 | | 2019 | |
|--------------------|-----------|-----------|---------|----------|
| | USD | KHR '000 | USD | KHR '000 |
| Loans and advances | 1,458,949 | 5,901,449 | 171,895 | 700,472 |
| Deposit | 1,419,631 | 5,742,407 | - | - |
| Interest payable | 5,787 | 23,408 | - | - |

E. Material transactions with the person, who associated with director of the listed entity, its Subsidiary or Holding Company, whose relationship has occurred in any transactions or have been made by the listed entity

As at 31 December 2020, ACLEDA Bank has material transactions with subsidiaries as below:

| Description | 2020 | | 2019 | |
|--------------------------------------|------------------|-------------------|------------------|-------------------|
| | USD | KHR '000 | USD | KHR '000 |
| Loans and advances | 6,440,590 | 26,052,187 | 4,975,201 | 20,273,944 |
| ACLEDA Institute of Business | 6,440,590 | 26,052,187 | 4,975,201 | 20,273,944 |
| Balances with related parties | 502,678 | 2,033,333 | - | - |
| ACLEDA Bank Lao Ltd. | 502,678 | 2,033,333 | - | - |
| Interest income | 399,524 | 1,628,859 | 253,145 | 1,031,566 |
| ACLEDA Bank Lao Ltd. | 6,720 | 27,397 | 23,978 | 97,710 |
| ACLEDA Institute of Business | 392,804 | 1,601,462 | 229,167 | 933,856 |
| Account receivable | 169,544 | 685,806 | 163,206 | 665,064 |
| ACLEDA Bank Lao Ltd. | 2,678 | 10,833 | 617 | 2,514 |
| ACLEDA MFI Myanmar Co., Ltd. | 166,866 | 674,973 | 162,193 | 660,936 |
| ACLEDA Institute of Business | - | - | 396 | 1,614 |
| Account payable | 2,187 | 8,846 | 38,565 | 157,153 |
| ACLEDA Securities Plc. | 2,187 | 8,846 | 16,595 | 67,625 |
| ACLEDA Institute of Business | - | - | 21,970 | 89,528 |
| Deposits | 3,517,321 | 14,227,563 | 8,818,221 | 35,934,251 |
| ACLEDA Bank Lao Ltd. | 1,597,921 | 6,463,590 | 5,303,651 | 21,612,378 |
| Current accounts | 1,597,921 | 6,463,590 | 5,303,651 | 21,612,378 |
| ACLEDA Securities Plc. | 1,880,097 | 7,604,992 | 1,819,503 | 7,414,475 |
| Saving accounts | 180,135 | 728,646 | 142,908 | 582,350 |
| Fixed deposits | 1,699,962 | 6,876,346 | 1,676,595 | 6,832,125 |
| ACLEDA Institute of Business | 39,303 | 158,981 | 1,680,455 | 6,847,854 |
| Current accounts | 39,303 | 158,981 | 473,605 | 1,929,940 |
| Fixed deposits | - | - | 1,206,850 | 4,917,914 |
| ACLEDA Property Ltd. | - | - | 14,612 | 59,544 |
| Saving accounts | - | - | 14,612 | 59,544 |
| Fee and commission income | 12,288 | 50,099 | 7,570 | 30,848 |
| ACLEDA Bank Lao Ltd. | 14 | 57 | 14 | 57 |
| Bank service fee | 14 | 57 | 14 | 57 |
| ACLEDA Securities Plc. | 501 | 2,043 | 470 | 1,915 |
| Bank service fee | 501 | 2,043 | 470 | 1,915 |
| ACLEDA Institute of Business | 11,773 | 47,999 | 7,076 | 28,835 |
| Bank service fee | 11,773 | 47,999 | 7,076 | 28,835 |
| ACLEDA Property Ltd. | - | - | 10 | 41 |
| Bank service fee | - | - | 10 | 41 |
| Interest expense | 95,393 | 388,917 | 104,564 | 426,098 |
| ACLEDA Securities Plc. | 91,114 | 371,472 | 86,525 | 352,589 |
| ACLEDA Institute of Business | 4,279 | 17,445 | 18,039 | 73,509 |
| Fee and commission expense | 2,200,796 | 8,972,645 | 1,411,007 | 5,749,854 |
| ACLEDA Institute of Business | 2,200,796 | 8,972,645 | 1,411,007 | 5,749,854 |
| Other commitments | 370,448 | 1,510,316 | 448,343 | 1,826,998 |
| ACLEDA Institute of Business | 370,448 | 1,510,316 | 448,343 | 1,826,998 |

F. Material transactions with former director or person who involved with former director

As of 31 December 2020, there was no material transaction with former director or person who involved with former director.

G. Material transactions with director who is holding any position in a non-profit organization or in any other company other than the listed entity

As of 31 December 2020, there was no material transaction with director who is holding any position in a non-profit organization or in any other company other than the listed entity.

H. Material transactions with director who get benefit either finance or non-financial from the listed entity

As of 31 December 2020, ACLEDA Bank has 2 executive directors who get benefit either finance or non-financial from the bank and other directors are non-executive director and independent director who get benefit either finance or non-financial from the bank as below:

| Description | 2020 | | 2019 | |
|------------------------------|-----------|------------|-----------|-----------|
| | USD | KHR '000 | USD | KHR '000 |
| Loans and advances | 749,824 | 3,033,038 | 710,516 | 2,895,353 |
| Deposit | 2,582,851 | 10,447,632 | 2,122,461 | 8,649,029 |
| Interest payable | 18,787 | 75,993 | 16,664 | 67,906 |
| Fee and remuneration expense | 527,704 | 2,151,449 | 577,284 | 2,352,432 |

PART 8

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis focused on the operational and financial results based on Financial Statements as of 31 December 2020 audited by Independent Auditors. The Audited Financial Statements had been prepared in accordance with Cambodian International Financial Reporting Standards (“CIFRS”). Only the key components of the Audited Financial Statements and key factors that affect ACLEDA Bank Plc.’s profitability were discussed and analysed.

A. OVERVIEW OF OPERATION

1. Revenue Analysis

ACLEDA Bank Plc. had three main sources of revenue including Interest Income, Fee & Commission Income and Other Incomes.

- Interest Income includes the interest income from loans and advances to customers, deposits and placements with banks and financial investments.
- Fee & Commission Income mainly includes commission fees, Commission fee collected for assurance agency, ATM fee, early loan redemption fees, Deposit fee charged, Fee income from guarantee and training income.
- Other Incomes include foreign exchange gains, gain on disposals of property and equipment, dividend on financial investments and other income.

2. Revenue by segment analysis

| Source of Revenue (in KHR million) | 2020 | | 2019 | | 2018 | |
|---------------------------------------|-----------|------------|-----------|------------|-----------|------------|
| | Amount | Percentage | Amount | Percentage | Amount | Percentage |
| Interest Income | 2,100,040 | 88.93% | 1,959,318 | 87.90% | 1,834,612 | 88.82% |
| Fee and commission Income | 186,625 | 7.90% | 197,473 | 8.86% | 173,290 | 8.39% |
| Other Income | 74,818 | 3.17% | 72,327 | 3.24% | 57,699 | 2.79% |
| Total revenue | 2,361,483 | 100% | 2,229,118 | 100% | 2,065,601 | 100% |

The total revenue of KHR 2.36 trillion in 2020 was mainly from interest income which accounted for 88.93% of its total revenue and total revenue increased by KHR 132.37 billion or 5.94% compared to 2019.

3. Gross profit margin analysis

The statement of Profit/ (Loss) and Other Comprehensive Income of the Bank prepared in the format (the gross profit margin) was not presented. The net interest income resulted from the total interest income less total interest expense was illustrated in the next point of the Profit/ (Loss) before Tax Analysis as below.

4. Profit/ (Loss) before tax analysis

| Statement of Profit or loss (in KHR million) | 2020 | 2019 | Variance | |
|--|------------------|------------------|-----------------|----------------|
| | | | Amount | Percentage |
| Interest Income | 2,100,040 | 1,959,318 | 140,722 | 7.18% |
| Interest expense | (614,719) | (635,648) | 20,929 | -3.29% |
| Net interest income | 1,485,321 | 1,323,670 | 161,651 | 12.21% |
| Fee and commission income | 186,625 | 197,473 | (10,848) | -5.49% |
| Fee and commission expense | (7,103) | (4,039) | (3,064) | 75.86% |
| Net fee and commission income | 179,523 | 193,433 | (13,910) | -7.19% |
| Allowances for impairment losses on loans and advances, deposits and placements with other banks and other receivables | (84,777) | (94,862) | 10,085 | -10.63% |
| Allowance for impairment losses on off-balance sheet commitments | 221 | 357 | (136) | 38.10% |
| Net impairment losses | (84,556) | (94,506) | 9,950 | -10.53% |
| Net income after allowance for impairment | 1,580,287 | 1,422,598 | 157,689 | 11.08% |
| Other incomes | 74,818 | 72,327 | 2,491 | 3.44% |
| General and administrative expenses | (921,101) | (872,851) | (48,250) | 5.53% |
| Profit before income tax | 734,005 | 622,074 | 111,931 | 17.99% |

In 2020, the profit before tax increased by KHR 111.93 billion or 17.99% comparing to 2019. The interest income increased by 7.18% while the interest expense decreased by 3.29%, leading to an increase in net interest income by 12.21%.

5. Profit/ (Loss) after tax analysis

| Statement of Profit or loss (in KHR million) | 2020 | 2019 | Variance | |
|--|----------------|----------------|---------------|---------------|
| | | | Amount | Percentage |
| Profit before income tax | 734,005 | 622,074 | 111,931 | 17.99% |
| Income tax expense | (157,139) | (132,350) | (24,789) | 18.73% |
| Profit for the period | 576,865 | 489,724 | 87,141 | 17.79% |

In 2020, the profit for the period was KHR 87.14 billion or 17.79% more than 2019. This increase was mainly due to an increase in net interest income of 12.21% equivalent to KHR 161.65 billion compared to 2019.

6. Total comprehensive income (loss) analysis

| Total comprehensive income (in KHR million) | 2020 | 2019 | Variance | |
|--|----------------|----------------|---------------|---------------|
| | | | Amount | Percentage |
| Net Profit for the period | 576,865 | 489,724 | 87,141 | 17.79% |
| Other comprehensive income: | | | | |
| Items that will not be reclassified to profit or loss: | | | | |
| Re-measurement of employee benefit obligations | 691 | 141 | 550 | 390.07% |
| Items that are or may be reclassified subsequently to profit or loss: | | | | |
| Currency translation differences | (8,160) | 7,330 | (15,490) | -211.32% |
| Total comprehensive income for the period | 569,396 | 497,196 | 72,200 | 14.52% |

7. Factors and trends analysis affecting financial conditions and results

Global outbreak of COVID-19 has had significant impact on almost all industries including banking and finance. Tourism industry including hotels, guesthouses, restaurant, and food related items got heavily affected. However, ACLEDA Bank has made the plus out of the minus by making loans application simple and high user experience by digital means via ACLEDA App 'ACLEDA mobile' and this also applicable to deposit (current, saving and fixed/term), including flexible interest rate.

B. SIGNIFICANT FACTORS AFFECTING PROFIT

1. Demand and supply conditions analysis

ACLEDA Bank is successful in the market that brings profit due to two factors:

- The growth of loan portfolio due to high demand in the market for the Bank's loan products especially in the SME segment.
- The growth of Bank's deposits and other transactional products and services.

Both of these factors are associated with the continuous development of the bank's digital platform, which provides customers with innovative and modern financial products and services.

Enriching customer experience and strengthening cyber security are at the heart of ACLEDA Bank's focus at present. To achieve solid progress in pursuing these objectives, we will continue to enhance our robust information technology infrastructure by investing in advanced technologies, fortify the Bank's human resource capacities, and expand and improve business processes. Strategically, the Bank is developing a platform to enable licensed partners of all sizes, locally as well as internationally, to join forces in servicing our customers mutually and beyond borders. This will not only benefit to our valued customers directly but their own business partners as well, recognizing that they are an important link for extending the Bank's outreach and growth together.

ACLEDA mobile has been extensively improved and redesigned to be more modern, convenient and highly secure with many unique features. Now, users can make deposits (current, saving and fixed/term) through **ACLEDA mobile** immediately and get high interest rates. You can also easily make your own fixed/term deposit with the Fixed Deposit Machine.

The Bank has also significantly invested and keeps ongoing to invest in the enhancement of its self-banking facilities by installing additional ATMs, CRMs, POS Machine and expanding its network of QR code payments.

In order to support the bank and financial institutions (during the outbreak of COVID-19) to have more liquidity to meet its funding needs, the NBC has relaxed certain ratios such as solvency, capital buffer, reserve requirement, etc. and the MEF reduced the withholding tax on interest of borrowing as well as create additional liquidity in the market with lower cost. They open opportunity for price competition that may impact the revenue of the Bank for short term, however, it will help strong for long term.

2. Fluctuations in prices of raw materials analysis

None Applicable.

3. Tax Analysis

The Bank and its subsidiaries are under Law on Taxation of respective country jurisdictions; therefore, the Bank and its subsidiaries have their obligation to pay taxes in according to the tax regulations of their jurisdictions.

Tax payment commitment to the tax departments not just a role model awarded with Certificate of Gold 2020-2021, but also a contributor to society and economic growth.

4. Exceptional and extraordinary items analysis

The Bank did not experience any items, transactions or events of a material and unusual nature. However, economic conditions that impacted by COVID-19 may affect the repayment capacity of customer as result the Bank loan quality may be slightly impacted.

C. MATERIAL CHANGES IN SALES AND REVENUE

In order to support the business growth of customers, ACLEDA Bank Plc. has reduced the interest rate from 0.4% to 1% per annum on all new loan applications and by making it easier for its customers, all loan applications can be made through **ACLEDA mobile**. As a result, gross loan outstanding in 2020 increased by 2.42 trillion riels, equivalent to 15.31% compared to 2019.

D. IMPACT OF FOREIGN EXCHANGE, INTEREST RATES AND COMMODITY PRICES

The Khmer Riel (KHR) exchange rate against the US dollar (USD) has remained fairly stable, fluctuated between KHR4,050 and KHR4,110 per USD during the impact of Covid-19 disease during 2020. By the year-end 2020, the value of KHR remained stable at around KHR 4,065 per USD, and it is expected to stay the same during 2021. ACLEDA Bank Plc. has strictly followed the regulatory requirements and its internal risk policy with regards to the FX Net Open Position. Therefore, the impact of exchange rate fluctuations on the Bank's business is minimal. The affects are measured, monitored and managed on a daily basis for taking timely action if necessary.

The average interest rate of Bank deposits in 2020 remained stable, compared to the previous year (4.03% at the year-end 2019 and 4.06% at the year-end 2020). In 2020, the average interest rate of the Bank's loans decreased slightly (-0.5%), compared to the previous year (from 11.93% as at year-end 2019 to 11.43% as at year-end 2020). This change was within expectation of the Bank's business due to competition in the current domestic market. In summary, the impact of the interest rate fluctuations on the Bank's business is minimal and within control as the Bank operates its business based on fixed interest rate regime (both deposits and loans), which are not directly linked with the interest rate movements in the international financial markets. In addition, the interest rate risk is measured, monitored and managed on a monthly basis in order to take timely and remedial action to avoid adverse effects on result of the Bank's business performance.

The Bank has not involved in dealing with any commodity items.

E. IMPACT OF INFLATION

The inflation rate for 2020 has been low (an average of 2.9%), even during the Covid-19 epidemic. Inflation for 2021 is projected to remain more or less the same. Thus, the impact of inflation on the Bank's business is also minimal.

F. ECONOMIC / FISCAL / MONETARY POLICY OF ROYAL GOVERNMENT

- **Economic:**

Cambodia's economic growth in 2020 is projected to be slower than expected at the beginning of the year, with growth rates expected to be -3.1%. The lower-than-expected decline was mainly due to a slowdown in tourism, which continued to decline sharply in the second half, while garment exports, which accounted for up to 70% of total exports, remained downward slopping. The inflation rate for 2020 was 2.9% on average, slightly higher than the previous year (1.9%) and the riel exchange rate against the US dollar will remain stable, with an average of around 4,090 riel per US dollar higher than last year (4,061 riels).

In a context where vaccines are effective in preventing the spread of Covid-19 for the first half of the year, the National Bank of Cambodia has projected that the Cambodian economy in 2021 will recover by around 3.5% and inflation is expected to be manageable below 3% with stable exchange rate and high maintenance of international reserves. Meanwhile, International financial institutions have forecast that Cambodia's economic growth rate could reach 4% to 6.8%, depending on the effectiveness of the vaccine, the speed of recovery in economic partners and the strengthening of the domestic economic base.

In this context, further strengthening of domestic economic activity will support and reduce the impact on Cambodia's economic growth due to the external downturn. Therefore, the implementation of the Royal Government's policy to improve the development of small and medium enterprises, the pushing of innovation and the use of new technologies in all areas are the key to strengthen the growth base of domestic activities. At the same time, the agriculture will continue to be an important and high-potential sector that can help absorb some of the crisis effects, such as unemployment or poor lives supporting. On the other hand, accelerating the diversification of the economic base and the implementation of industrial development strategies will help the Cambodian economy recover faster from the current crisis. In addition, starting to generate revenue from oil production in Cambodia will provide another source of funding for the development of priority sectors in the future. ^{(1) (2)}

- **Fiscal:**

According to the General Department of Taxation (GDT), in the first 12 months of 2020, the tax revenue collected by the General Department of Taxation (via GDT's online revenue management system) was KHR11,700.52 billion (approximately USD 2,889.02 million) equal to 101.36% of the annual plan compared to tax revenue collected in the same period in 2019 it increases of KHR423.20 billion (approximately USD 104.49 million) equal 3.73%, although the global economic situation as well as the Cambodian economy is not yet certain, especially severely affected by the spread of COVID-19 disease. For December 2020 showed that the tax revenue collected by the General Department of Taxation was KHR972.27 billion, equivalent to about USD 240.07 million or equal 8.42% of the annual plan, compared to tax revenue in December 2019 it increases KHR192.11 billion, equivalent to USD 47.43 million or equal 24.62%.

For 2021, **H.E. Dr. Aun Porn Moniroth**, Deputy Prime Minister and Minister of Economy and Finance, supported the measures issued by the General Department of Taxation and made the important recommendations such as: (1) Carefully examine and study the possibility of other potential revenue collection, taking into account both fiscal and non-fiscal revenue aspects to ensure full fiscal compliance and revenue collection, including revenue from e-commerce, new potential petroleum, mineral and some other potential resources. (2) Revise regulations to define small and medium enterprises and facilitate those into the system in order to improve and create economic opportunities. (3) Strengthen tax registration and push the fulfilment of tax obligations for all entities in the casino sector to ensure maximum tax transparency and tax revenue management. (4) Continue to implement institutional reformation, tax administration modernization and information technology system, ensuring user friendly for taxpayers and tax officers, as well as strengthening tax compliance to be more efficiency and interconnection in the tax revenue collection management. (5) Continue to carefully implement the Royal Government's revenue collection strategy 2019-2023. (6) Continue to strengthen the effective implementation of business registration through information technology (IT Platform) in accordance with the content of sub-decree No. 84 អនក្រឹត្យ ០៧ ចុះថ្ងៃទី ១០ ខែ មិថុនា ២០២០. (7) Strengthen and pay attention to the auditing in accordance with the content of proclamation No. 270 សម្រេចចេញថ្ងៃទី ១៣ ខែ មីនា ២០១៩ លើការត្រួតពិនិត្យការងារពន្ធដារ, which is a scale to measure the compliance of enterprises and avoid causing difficulties for taxpayers. (8) Continue to improve and mainstream the culture of paying taxes, strengthen the dissemination and implementation of new tax-related regulations to tax enforcement officer, taxpayer and the public to explain and address the difficulties and questions of the people. (9) Continue to cooperate and consult with relevant sectors to receive any objects into the study, preparation and improve the necessary relevant regulations. ⁽³⁾⁽⁴⁾⁽⁵⁾

- **Monetary:**

As of the quarter 4 of year 2020, the general currency M2 increased by 14.7%, lower than the increase of the previous year (18.2%), which resulted in a lower growth of the currency in circulation and total deposits of residents in both KHR and USD, effected by the suspension of the intervention to buy the US dollar from May 2020, combined with the response to the high demand for the riel in 2019. In the implementation of monetary policy, the National Bank of Cambodia has increased the level of liquidity in the banking system and strengthened confidence in the banking and riel sector by selling USD 80.2 million (4 times) to financial institutions and money changers and sold of 69.5 billion riel (USD 17 million) to meet the demand. Meanwhile, the National Bank sold 147.1 million US dollars to state institutions. The National Bank of Cambodia has reduced the reserve requirement rate in KHR and USD to 7% from April 2020 from 8% for KHR deposits and 12.5% for foreign currency deposits. The Negotiable Certificate of Deposit (NCD) denominated in USD was USD 30.8 billion, up 45.3% from a year earlier due to higher liquidity of banking institution, and KHR was 10.9 trillion riel, increased of only 4%. The NCD interest rate has also been reduced to an appropriate level. On the other hand, the Liquidity-Providing Collateralized Operation (LPCO) were carried out 23 times, providing liquidity in the total amount of 5.9 trillion riels, up 24.5% from the previous year, with an average winning bid rate of 3.03% for 3-month maturity loan, 3.44% for 6-month and loan 3.77% for 1-year loan. The amount of LPCO in maturity as of the end of December 2020 was 3.9 trillion riels. It should be noted that the minimum bid interest rate of LPCO is reduced by 0.5% for all loans. This policy is excerpted from the National Bank of Cambodia's 2020 Annual Report.

For 2021, the National Bank of Cambodia has set 4 monetary policies to implement such as (1) Managing monetary supply at an appropriate level, (2) Maintaining a stable exchange rate to contribute to the price stability and public trust, (3) Pushing the use of the riel through market mechanisms and (4) Promoting the development of the interbank market by increasing the necessary monetary policy instruments in order to improve the effectiveness of monetary policy. ⁽¹⁾

Reference:

- (1) https://www.nbc.org.kh/download_files/publication/annual_rep_kh/Ann_Report_2020_KHR.pdf
- (2) https://www.nbc.org.kh/download_files/other_reports/khmer/Macroeconomic_2020_and_outlook_2021.pdf
- (3) <https://dap-business.com/finance/2021/01/13/4567/>
- (4) <https://www.kampuchearthmey.com/business-economic/45563/>
- (5) <https://cambojanews.com/tax-collections-rise-in-2020-despite-covid-19-pandemic/>

SIGNATURE OF DIRECTORS

24 March 2021

Read and Approved

Mr. Chhay Soeun, Chairman

24 March 2021

Read and Approved

Dr. In Channy, Director

24 March 2021

Read and Approved

Mr. Rath Yumeng, Director

24 March 2021

Read and Approved

Drs. Pieter Kooi, Director

24 March 2021

Read and Approved

Mr. Ian Samuel Lydall,
Director, proxy to

Mr. Chhay Soeun, Chairman

24 March 2021

Read and Approved

Mr. Stéphane MANGIAVACCA,
Director, proxy to

Mr. Chhay Soeun, Chairman

24 March 2021

Read and Approved

Mr. Kenichiro Mori,
Director, proxy to

Dr. In Channy, Director

24 March 2021

Read and Approved

Ms. Mirjam Janssen,
Director, proxy to

Mr. Chhay Soeun, Chairman

24 March 2021

Read and Approved

Mr. Van Sou Ieng, Director

**ANNUAL REPORT APPENDIX
FOR ACLEDA BANK PLC.**

ANNUAL CORPORATE GOVERNANCE REPORT

PART 1

SHAREHOLDERS

A. SHAREHOLDERS STRUCTURE (BY 31 DECEMBER 2020)

1. Shareholder Information

| Description | Nationality | Type of Shareholder | Number of Shareholders | Number of Shares | Percentage |
|--------------------------|---------------|---------------------|------------------------|------------------|------------|
| Less than 5% | Cambodian | Individual | 3,341 | 4,026,156 | 0.9295% |
| | | Legal Person | 1 | 247 | 0.0001% |
| | Non Cambodian | Individual | 218 | 318,462 | 0.0735% |
| | | Legal Person | 3 | 26,801,132 | 6.1873% |
| From 5% to less than 30% | Cambodian | Individual | - | - | - |
| | | Legal Person | 2 | 218,697,266 | 50.4884% |
| | Non Cambodian | Individual | - | - | - |
| | | Legal Person | 3 | 183,319,756 | 42.3212% |
| From 30% | Cambodian | Individual | - | - | - |
| | | Legal Person | - | - | - |
| | Non Cambodian | Individual | - | - | - |
| | | Legal Person | - | - | - |
| Total | | | 3,568 | 433,163,019 | 100.0000% |

2. Shareholders Who are Directors, Senior Officials and Employees

| Shareholders | Number of Shareholders | Number of Shares | Percentage |
|---------------------------|------------------------|------------------|------------|
| Director | - | - | - |
| Senior Officials (Note-1) | 8 | 69,048 | 3.2929% |
| Employees | 1,855 | 2,027,834 | 96.7071% |
| Total | 1,863 | 2,069,882 | 100.0000% |

Note-1: Included 1 shareholder who is holding 2 positions (Director & Senior Official) in the Bank.

B. SHAREHOLDERS' AND PROTECTION OF SHAREHOLDERS' RIGHTS

1. Rights of Shareholders

Any holder of each share shall be entitled to have:

- The rights to join General Meeting of Shareholders;
- The rights to vote directly or by proxy at any meeting of Shareholders;
- The rights to receive any dividend or benefits distributed by the Bank;
- The rights to receive the remaining property of the Bank on dissolution; and
- The rights to obtain all kind of information including the Bank's business information, the Bank's accounting records and to check the shareholder names list at the Bank's Headquarters during working hours or at the General Meeting of Shareholders.

2. Protection of Shareholders' Rights and the Company's Practice of the Protection of Shareholders' Rights

The rights of Shareholders are protected by the Memorandum and Articles of Association (MAOA) of ACLEDA Bank Plc. ("the Bank"). In accordance with Article 14 (14.1 point 1) of the MAOA of the Bank, "The ordinary share of the Bank provides the holder 1 (one) vote in General Meeting of Shareholders".

3. Protection of Minority Shareholders' Rights and the Company's Practice of the Protection of Shareholders' Rights

Each ordinary share has one vote. The rights of minority shareholders are protected by the MAOA of the Bank.

C. GENERAL SHAREHOLDER MEETING

1. Procedure of General Shareholder Meeting and Voting

The Bank has adopted a General Meeting Voting Policy, which is to provide clear rules and guidance to the Shareholders on how the voting process is to be conducted.

Quorum

The quorum for any shareholders' meetings shall be shareholders present in person or by proxy, holding at least 51% (fifty-one percent) of total voting shares.

Notice

The written notice will be provided to all shareholders addressed in different ways: hard copy and/or electronic version at least twenty (20) days, but no more than fifty (50) days, in advance of the scheduled meeting. The notice of the Shareholders meeting clearly specify the date and time and place at which the general meeting is held.

During the meeting and voting process

The Chairman will start the meeting with a welcome speech, determine whether a quorum is present, and announce the agenda. The Chairman would need to clarify the voting procedures to all shareholders presented at the Shareholders meeting before any resolution is put to the vote.

The Bank appoints their staff in advance to facilitate the voting process. The result will be announced after the counting of ballots.

After the meeting

The Bank is subject to continuous disclosure and reporting obligations under Prakas 007/18 K.M.K/BB.K. dated 30th October 2018 of Securities and Exchange Commission of Cambodia (Currently known as the Securities and Exchange Regulator of Cambodia "SERC") on Corporate Disclosure and in accordance with Corporate Disclosure Policy of the Bank.

2. Information of General Shareholder Meeting

| No | Date | Type of Meeting | Quorums | Agendas | Resolutions |
|----|------------------|--|---------|--|--|
| 01 | 28 January 2020 | Special Shareholders Meeting by E-Mail | 100% | Approval of annual increase of 5% (five percent), per 01 January 2020, of the gross salary of Mr. Chhay Soeun, Chairman of the Board. | The shareholders approved annual increase of 5% (five percent), per 01 January 2020, of the gross salary of Mr. Chhay Soeun, Chairman of the Board of Director. |
| 02 | 12 February 2020 | Special Shareholders Meeting by E-Mail | 100% | Approval of new Price Range of the Bank's share for IPO. | The shareholders approved the new Price Range of the Bank's share for IPO from US\$3.75 (P/B 2019E=1.74x, P/E 2019E=13.02x) equivalent to KHR15,000 to US\$4.35 (P/B 2019E=2.02x, P/E 2019E=15.11x) equivalent to KHR17,400 per share. |
| 3 | 20 February 2020 | Extraordinary General Meeting (EGM) | 100% | Matters for Decision | The shareholders passed the following resolutions: |
| | | | | <ul style="list-style-type: none"> Approval of 2019 audited FS which have been audited by the external auditor, KPMG. | <ul style="list-style-type: none"> The Shareholders approved the Special Purpose Consolidated and Separate Financial Statements for the year ended 31 December 2019 of ACLEDA Bank Plc. and Subsidiaries which have been issued by KPMG Cambodia Ltd. |
| | | | | <ul style="list-style-type: none"> Approval of the distribution of Dividend and transfer of the remaining balance of the Net Profit After Tax to the General Reserve. | <ul style="list-style-type: none"> The Shareholders approved the contribution of cash dividend at 25% of 2019 Net Profit After Tax (NPAT) of USD130,855,163 equal to USD32,718,825.15 at USD0.0763 per share and transfer the remaining balance of the NPAT to the General Reserve. |
| | | | | <ul style="list-style-type: none"> Approval and recognition of the appointment of new director | <ul style="list-style-type: none"> The Shareholders recognised and approved the resignation of Mr. Marc ROBERT as a member of Board of Directors in the ACLEDA Bank Plc. and nomination of Mr. Stéphane Mangiavacca as a new member of Board of Directors in ACLEDA Bank Plc. The Shareholders granted the full and final discharges of all duties and responsibilities of Mr. Marc ROBERT in respect of his position as a member of Board of Directors in the ACLEDA Bank Plc. |
| | | | | <ul style="list-style-type: none"> Approval and recognition of the appointment of shareholder representative | <ul style="list-style-type: none"> The Shareholders recognised and approved the resignation of Mr. Marc ROBERT as a shareholder representative of COFIBRED S.A. in the ACLEDA Bank Plc. and nomination of Ms. Quitterie DE LA ROCHEFOREDIERE as a new shareholder representative of COFIBRED S.A. in ACLEDA Bank Plc. with the effective date from 21 February 2020 and subject to competent authorities' approval. The Shareholders granted the full and final discharges of all duties and responsibilities of Mr. Marc ROBERT in respect of his position as a shareholder representative of COFIBRED S.A. in ACLEDA Bank Plc. with the effective date from 21 February 2020 with subject to competent authorities' approval. |
| | | | | <ul style="list-style-type: none"> Approval of the revised SSA and MAOA. | <ul style="list-style-type: none"> The Shareholders approved a new Subscription and Shareholders' Agreement (SSA) and MAOA of ACLEDA Bank Plc. |

| No | Date | Type of Meeting | Quorums | Agendas | Resolutions |
|----|---------------|------------------------------|---------|---|--|
| | | | | <ul style="list-style-type: none"> • Discussion and Approval of Director Nomination Policy. | <ul style="list-style-type: none"> • The Shareholders approved the Director Nomination Policy. |
| | | | | <ul style="list-style-type: none"> • Approval of existing shareholders to join and sell their share at IPO. | <ul style="list-style-type: none"> • The Shareholders approved that the existing shareholders are allowed to join and sell their shares at IPO up to 3% (13,127,086 shares) of total post new issuing shares (437,569,545 shares). |
| | | | | Matters for Discussion | |
| | | | | <ul style="list-style-type: none"> • Discussion on nationality of ACLEDA Bank Plc. • IPO/Listing scenario | |
| 4 | 07 April 2020 | Annual General Meeting (AGM) | 100% | Matters for Decision | The shareholders passed the following resolutions: |
| | | | | <ul style="list-style-type: none"> • Approval of the consolidated and separate Financial Statements of ACLEDA Bank Plc. for the year ended 31 December 2018 and 31 December 2019 in accordance with Cambodian International Financial Reporting Standards (CIFRS) which have been audited by the external auditor, KPMG. | 1- The Shareholders approved the Consolidated and Separate Financial Statements of ACLEDA Bank Plc. for the year ended 31 December 2018 and 31 December 2019 and Report of the independent Auditors and Management Letter in accordance with Cambodian International Financial Reporting Standards (CIFRS) which have been audited by the external auditor, KPMG Cambodia Ltd. |
| | | | | <ul style="list-style-type: none"> • Approval of the appointment and nomination of new Director of ACLEDA Bank Plc. to replace a retirement Director | 2- The Shareholders approved and nominated Mr. Van Sou Ieng as an independent director of ACLEDA Bank Plc. subject to relevant competent authorities' approval. |
| | | | | <ul style="list-style-type: none"> • Reappointment of Directors for the next 3 years terms | 3- The Shareholders approved the extension of Dr. In Channy, Mr. Chhay Soeun, and Mr. Rath Yumeng as Board of Director members in the Bank for a three- years term. |
| | | | | <ul style="list-style-type: none"> • Approval of amendment to MAOA based on the agenda 2.2 | 4- The Shareholders approved the revised appendix I "List of Composition of Board of Directors of ACLEDA Bank Plc." of the Bank's MAOA provided that Mr. Van Sou Ieng will be approved by other relevant competent authorities as an independent director to replace Mr. Cornelius Obert who was reach the retirement age of 70 years on 24 September 2020, the members of the Board shall be remain the same. |
| | | | | <ul style="list-style-type: none"> • Approval of 2019 Annual Report of ACLEDA Bank Plc. | 5- The Shareholders approved the 2019 Annual Report of ACLEDA Bank Plc. |
| | | | | <ul style="list-style-type: none"> • Approval of the Bank's Remuneration and Nomination Policy. | 6- The Shareholders unanimously approved the revised Remuneration and Nomination Policy. |

| No | Date | Type of Meeting | Quorums | Agendas | Resolutions |
|----|------------------|---|---------|--|---|
| | | | | Matters for Reporting/ Presentation | |
| | | | | <ul style="list-style-type: none"> • Report of Chairman for 2019 and Cambodia economic and its outlook. | |
| | | | | <ul style="list-style-type: none"> • Report of Group Managing Director for 2019 and Strategic plans for ACLEDA Bank Plc. and Group. | |
| | | | | <ul style="list-style-type: none"> • Progress report on process of ACLEDA Bank Plc.'s IPO/ listing. | |
| 05 | 22 May 2020 | Special Shareholders Meeting by E-Mail | 100% | <ul style="list-style-type: none"> • Approval of the Bank to continue listing as plan in next week (25 May 2020). | <ul style="list-style-type: none"> • The shareholders voted 81.50% in favour to continue the Bank's listing in next week (25 May 2020) as advised by the authorities. |
| 6 | 23 November 2020 | Extraordinary General Meeting of the Shareholders (EGM) Physical meeting with public shareholders and Video Conference Call with existing Shareholders | 100% | Matters for Decision | The shareholders passed the following resolutions: |
| | | | | <ul style="list-style-type: none"> • Approval of the change of ACLEDA Bank Plc.'s logo | 1- The Shareholders approved the new logo of ACLEDA Bank Plc. to replace the existing logo to improve its brand and identity. |
| | | | | <ul style="list-style-type: none"> • Approval of AFT's investment in AIB | 2- The Shareholders approved the AFT's investment in AIB in amount of US\$10M to take up 6,047,046 shares equal to 23.3910% of total post new shares issued. The Shareholders voted 99.99% in favour. |
| | | | | <ul style="list-style-type: none"> • Approval of ceasing AIB's investment in AMM | 3- The Shareholders approved to cease the AIB's investment in AMM. |
| | | | | <ul style="list-style-type: none"> • Approval of nomination of Mr. Albertus Bruggink from ORIX as a new director in the Bank to replace Mr. Ryoji Nishimura | 4- The Shareholders recognized and approved Mr. Albertus Bruggink from ORIX Corporation as a member of Board of Directors in ACLEDA Bank Plc. to replace Mr. Ryoji Nishimura. |
| | | | | <ul style="list-style-type: none"> • Approval and recognition of the retirement of a director nominated by the Triodos Bank in ACLEDA Bank Plc. | 5- The Shareholders recognized and approved the resignation of Ms. Mirjam Janssen from Triodos as a director in the Bank. |

| No | Date | Type of Meeting | Quorums | Agendas | Resolutions |
|----|------|-----------------|---------|--|--|
| | | | | <ul style="list-style-type: none"> Approval of nomination of a new director in the Bank. | 6-The Shareholders approved and recognized the nomination of Mr. Kay Lot as the second nominee director from ASA, Plc. in the Board of ACLEDA Bank Plc. |
| | | | | <ul style="list-style-type: none"> Approval and recognition of nomination of Mr. Hideomi Shigematsu from SMBC as a new shareholder representative in ACLEDA Bank Plc. to replace Mr. Yuichi Nishimura | 7- The Shareholders approved and recognized of the nomination of Mr. Hideomi Shigematsu from SMBC as a new Shareholder Representative in the Bank to replace Mr. Yuichi Nishimura; |
| | | | | <ul style="list-style-type: none"> Approval of amendment to MAOA of ACLEDA Bank Plc. | 8-The Shareholders approved the amendment to article 5.2, article 6.1, article 8, Appendix 1, and Appendix 2, and adding article 7.9 & Appendix 3 "List of Public Shareholders of ACLEDA Bank Plc." of the Memorandum and Articles of Association of ACLEDA Bank Plc.. |
| | | | | <ul style="list-style-type: none"> Approval of selection of the Bank's external auditor for the year 2021. | 9- The Shareholders approved of the selection of Grant Thornton as external auditor of the Bank for the financial year 2021, and the fee for the Group audit is USD252,300 (excluding out of pocket expenses and VAT). |

D. DIVIDEND DISTRIBUTION

1. Dividend Policy

The Bank put in place a Dividend Policy to set the principles to guide the determination of dividends to the shareholders properly and effectively. The Bank classifies dividends into the following categories:

- Cash dividend;
- Stock dividend; and
- Other forms determined by the decisions of the Board of Directors and Shareholders, and permitted by applicable laws, regulations and international best practices.

2. Historical Information of Dividend Distribution of the last 3 years.

| No | Detail of Dividend Distribution | 2020 | 2019 | 2018 |
|----|--|-------------------------|--|--|
| 1 | Announcement Date of Dividend Distribution | 20 February 2020 | 25 April 2019 | 10 May 2018 |
| 2 | Record Date | 31 December 2019 | 31 December 2018 | 31 December 2017 |
| 3 | Dividend Payment Date | 20 February 2020 (Cash) | 25 April 2019 (Cash) 19 June 2019 (Share) | 10 May 2018 (Cash) 19 July 2018 (Share) |

PART 2

BOARD OF DIRECTORS

A. BOARD OF DIRECTORS

1. Board Composition

| No | Name | Position | Appointment Date | Ending Date |
|----|--------------------------|------------------------|-------------------|-------------------|
| 1 | Mr. Chhay Soeun | Chairman | 18 August 2014 | 18 August 2023 |
| 2 | Dr. In Channy | Executive Director | 18 August 2014 | 18 August 2023 |
| 3 | Mr. Rath Yumeng | Executive Director | 18 August 2014 | 18 August 2023 |
| 4 | Drs. Pieter Kooi | Independent Director | 12 January 2004 | 12 January 2022 |
| 5 | Mr. Van Sou Ieng | Independent Director | 02 September 2020 | 02 September 2023 |
| 6 | Mr. Ian Samuel Lydall | Independent Director | 21 August 2015 | 21 August 2021 |
| 7 | Mr. Kenichiro Mori | Non-Executive Director | 24 October 2019 | 06 December 2022 |
| 8 | Mr. Stéphane MANGIAVACCA | Non-Executive Director | 21 April 2020 | 21 August 2021 |
| 9 | Ms. Mirjam Janssen | Non-Executive Director | 20 January 2020 | 12 January 2022 |

2. Director Biography

Mr. Chhay Soeun, Chairman

Board Committees: Audit

Cambodian. Born 10 April 1954. Mr. Soeun joined ACLEDA Bank Plc. Board in August 2014. He obtained his Executive Master's of Business Administration in Finance and Accounting from Preston University, California, USA. He is a Graduate of the Australian Institute of Company Directors (GAICD). He joined ACLEDA in January 1993 until his retirement on 10 April 2014. His last job in ACLEDA Bank Plc. was as Executive Vice President & Group Chief Financial Officer. From 1980 to 1992, he was an accountant and deputy chief accountant at the Kampot Provincial Department of Commerce.

At present, he is Chairman of the Board of Directors of ACLEDA Bank Plc., Cambodia, a Board member of ACLEDA Bank Lao Ltd., and a Board member of ACLEDA MFI Myanmar Co., Ltd.

Dr. In Channy, Director

Cambodian. Born June 1960. Dr. In Channy is a President & Group Managing Director of ACLEDA Bank Plc., a position he has held since it was established as a bank in 2000. He became a member of the Board of Directors of ACLEDA Bank Plc. in August 2014. He was one of the founders of the Association of Cambodian Local Economic Development Agencies (ACLEDA) in January 1993. As President of the Executive Committee he leads the Executive Management Team which is responsible for overall strategic planning and running the day-to-day business of ACLEDA Bank Plc. and its group as well as implementation of its business plan. He is directly accountable to the Board of Directors.

His other responsibilities within the group include Chairman of ACLEDA Bank Lao Ltd. and ACLEDA MFI Myanmar Co. Ltd., Shareholder Representative for ACLEDA Bank Lao Ltd., ACLEDA Securities Plc., ACLEDA Institute of Business, and ACLEDA MFI Myanmar Co., Ltd. He is also the Chairman of ACLEDA Financial Trust.

Outside ACLEDA Bank, he is one the board members of the Entrepreneurship Development Fund (EDF), the Royal Government established Trust. He is the Chairman of the Association of Banks in Cambodia. He also represents ACLEDA Bank Plc. as one of the members of the World Economic Forum.

He completed an Executive Course on Financial Institutions for Private Enterprise Development (FIPED) at Harvard University, USA in 1998. He holds a Doctorate of Business Administration and is also a Graduate of the Australian Institute of Company Directors (GAICD).

Mr. Rath Yumeng, Director

Cambodian. Born in 1962. Mr. Rath Yumeng joined ACLEDA Bank Plc. in January 1999. From January 1999 to August 2008 he held various positions in the Bank including as Chief Accountant/Deputy Head of Finance (January 1999 - May 2007), Head of Finance Division (June 2007 - August 2008), Head of Treasury Division (September 2008 - May 2015) and Executive Vice President and Group Chief Treasury Officer (June 2015 till the present).

He is responsible for leading a group of treasury management and control functions, which consists of the Financial Institution Division, Foreign Exchange and Reserve Department, Treasury Department and Treasury Dealing Centre. He also provides technical support to the Bank's subsidiaries in terms of fund management.

In addition, he holds positions as chair and member of the Bank's various management committees: Assets and Liabilities Committee (ALM) and member of Management Credit Committee (MCC).

From 2001 until September 2014, he was the Shareholder Representative of ASA, Plc., one of the local shareholders of the Bank. In August 2014, he became a member of the Board of Directors of the Bank.

He holds a Master's Degree in Finance and Banking from Western University, Phnom Penh, Cambodia, and is also a Graduate of the Australian Institute of Company Directors (GAICD).

Drs. Pieter Kooi, Director

Board Committees: Risk Management and IT (Chair), Remuneration and Nomination, Audit.

Dutch. Born in 1958. Drs. Kooi joined the Board in October 2000. He obtained his Master's Degree with distinction in Corporate Finance and Sociology from Erasmus University in Rotterdam, the Netherlands. Starting in 1993, he advised ACLEDA as a microfinance consultant over a period of seven years in its course from a development program into a commercial bank. From 1999, he worked as a short-term microfinance consultant on projects in 15 countries located mainly in Africa and Asia. From September 2002 until December 2005, he was Director of the Microfinance Unit of UNCDF in New York. From March 2006 till May 2011, Drs. Kooi supported ACLEDA Bank Plc. as a part-time consultant in the establishment of ACLEDA Bank Lao Ltd., ACLEDA Training Center Ltd. (currently ACLEDA Institute of Business) and ACLEDA Securities Plc. At present Drs. Kooi serves on several boards within the ACLEDA Bank Group. He is a Graduate of the Australian Institute of Company Directors (GAICD).

Mr. Van Sou Ieng, Director

Board Committees: Remuneration and Nomination (Chair).

Cambodian. Born in 1953. Mr. Van Sou Ieng joined the Board in September 2020. He graduated from ACADEMIES DE CRETEIL at Fontainebleau, MATHEMATICS and PHYSICAL SCIENCES Paris Versailles in 1972. He also graduated "est diplômé de l'INSTITUT SUPERIEUR DE GESTION", 1976, Paris, France.

Outside ACLEDA Bank, he is the President of Cambodia Federation of Employers and Business Associations (CAMFEBA), Chairman of Garment Manufacturers Association in Cambodia (GMAC), Member of ASEAN Business Advisory Council (ABAC), Member of ASEAN Federation of Textile Industries (AFTEX), Honorary President of Cambodia Federation of Equestrian (CFE), Vice Chairman of National Training Board (NTB), Co-chair of the Government-Private Sector Working Group, member of the Labor Advisory Committee (LAC), Vice Chairman of labor Dispute Resolution Advisory Committee, Member of the National Social Security Fund (NSSF) Board, Member of Committee of the Review of Cambodia's Implementation of the UN Convention on Anti-Corruption Law, and Member of the Inception Committee of the National Commercial Arbitration NAC.

He is also Vice Chairman of Asia Insurance Cambodia Co., Ltd., Vice Chairman of Asia properties Cambodia Ltd, Chairman of PPS Garment Factory, President of PPS Industrial Estate Holding Co., Ltd., President of the Cambodian Country Club (CCC), President of Golden Sorya Mall Co. and the President of a boutique Hotel named La Plantation Resort and SPA.

Mr. Ian Samuel Lydall, Director

Board Committees: Audit (Chair), Remuneration and Nomination, Risk Management and IT.

British. Born in 1955. He joined the Board in August 2015. Mr. Lydall was the CEO and then Chairman of PwC Vietnam, retiring from the firm on 30 June 2015. He contributes to the Bank by drawing on his experience of financial reporting, corporate governance, risk management, strategy and related areas. Mr. Lydall has extensive and in-depth experience in financial services.

Mr. Kenichiro Mori, Director

Board Committees: Risk Management and IT.

Japanese. Born in 1973. Mr. Kenichiro Mori joined the Board in October 2019. He graduated from Tokyo University with a Bachelor of Engineering in April 1996. He began his career with Sumitomo Bank (currently Sumitomo Mitsui Banking Corporation (SMBC)) as a Marketing officer at the Ikebukuro Branch in Tokyo and later held various positions in credit portfolio management and corporate planning at the Bank. In December 2009, Mr. Mori was appointed to the Office of Special Staff to Chairman at the Japanese Bankers Association, where he led efforts to expand sound practices in the Japanese banking sector, through the adoption of international standards and best practices. In April 2014, Mr. Mori was assigned as Senior Vice President of Planning Dept., International Banking Unit. In April 2016, he was promoted to the Head of Strategic Planning Group. Mr. Mori is currently the Joint General Manager of Planning Department, Asia Pacific Division at SMBC, a position he has held since April 2019.

4. Board Roles, Duties, and Responsibilities and Performance

The Directors are appointed by the Shareholders for three-year terms to act on their behalf. The Board shall consist of ten Directors and that:

- The Board of Directors is responsible for determining the strategy of the Bank and for conducting or supervising the conduct of its business and affairs. Its members shall act in the best interests of the Bank.
- The powers of the Board of Directors are to be exercised collectively and no individual Director shall have any power to give directions to the officers or employees of the Bank, to sign any contracts, or to otherwise direct the operations of the Bank unless specifically empowered to do so by a resolution of the Board of Directors.
- Each Director shall have unlimited access to the books and records of the Bank during ordinary business hours.

The Board of Directors shall elect, by majority vote, one of its members to serve as Chairman who shall preside over meetings of the Board of Directors as well as the Annual General Meeting.

The Board of Directors assumes responsibility for corporate governance and for promoting the success of the Bank by directing and supervising its business operations and affairs. It appoints and may remove the President & Group Managing Director, Group Chief Internal Audit Officer, and Head of Compliance Division. It also ensures that the necessary human resources are in place, establishing with management the strategies and financial objectives to be implemented by management, and monitors the performance of management both directly and through the Board Committees.

The Board of Directors established three Committees: Audit, Remuneration and Nomination, Risk Management and IT, and may establish such other committees as it deems necessary or desirable to carry on the business and operations of the Bank. These Board Committees shall exist at the pleasure of the Board of Directors and all members of such Committees shall be approved by the Board. The Committees themselves will not exercise any of the powers of the Board, except insofar as the Board may formally delegate such powers, but may make recommendations to the Board for their collective action. Whilst membership on Board Committees is restricted to Directors themselves, they may invite members of management and others so as to provide operational information and explanation when considered necessary. All Board Committees are chaired by Independent Directors.

A complete list of existing Board Committees, their membership and their activities during 2020 appears on pages 59-63 of this report.

5. Board Meetings

| No | Date | Type of Meeting | Name of Directors Attending the Meeting |
|----|------------------|---------------------------|---|
| 01 | 03 February 2020 | Special meeting by e-mail | Mr. Chhay Soeun Dr. In Channy Mr. Rath Yumeng Drs. Pieter Kooi Mr. Cornelius Obert Mr. Ian S. Lydall Mr. Kenichiro Mori Mr. Marc Robert Mr. Ryoji Nishimura Ms. Mirjam Janssen |
| 02 | 04 February 2020 | Special meeting by e-mail | Mr. Chhay Soeun Dr. In Channy Mr. Rath Yumeng Drs. Pieter Kooi Mr. Cornelius Obert Mr. Ian S. Lydall Mr. Kenichiro Mori Mr. Marc Robert Mr. Ryoji Nishimura Ms. Mirjam Janssen |
| 03 | 05 February 2020 | Special meeting by e-mail | Mr. Chhay Soeun Dr. In Channy Mr. Rath Yumeng Drs. Pieter Kooi Mr. Cornelius Obert Mr. Ian S. Lydall Mr. Kenichiro Mori Mr. Marc Robert Mr. Ryoji Nishimura Ms. Mirjam Janssen |

| No | Date | Type of Meeting | Name of Directors Attending the Meeting |
|----|------------------|---------------------------|--|
| 04 | 11 February 2020 | Special meeting by e-mail | Mr. Chhay Soeun Dr. In Channy Mr. Rath Yumeng Drs. Pieter Kooi Mr. Cornelius Obert Mr. Ian S. Lydall Mr. Kenichiro Mori Mr. Marc Robert Mr. Ryoji Nishimura Ms. Mirjam Janssen |
| 05 | 12 February 2020 | Special meeting by e-mail | Mr. Chhay Soeun Dr. In Channy Mr. Rath Yumeng Drs. Pieter Kooi Mr. Cornelius Obert Mr. Ian S. Lydall Mr. Kenichiro Mori Mr. Marc Robert Mr. Ryoji Nishimura Ms. Mirjam Janssen |
| 06 | 18 February 2020 | Special meeting by e-mail | Mr. Chhay Soeun Dr. In Channy Mr. Rath Yumeng Drs. Pieter Kooi Mr. Cornelius Obert Mr. Ian S. Lydall Mr. Kenichiro Mori Mr. Marc Robert Mr. Ryoji Nishimura Ms. Mirjam Janssen |
| 07 | 5 & 6 March 2020 | Physical meeting | Mr. Chhay Soeun Dr. In Channy Drs. Pieter Kooi Mr. Cornelius Obert Mr. Ian S. Lydall Mr. Kenichiro Mori Mr. Ryoji Nishimura (join via con-call) Ms. Mirjam Janssen Mr. Rath Yumeng (giving his proxy to Dr. In Channy) |
| 08 | 23 March 2020 | Special meeting by e-mail | Mr. Chhay Soeun Dr. In Channy Mr. Rath Yumeng Drs. Pieter Kooi Mr. Cornelius Obert Mr. Ian S. Lydall Mr. Kenichiro Mori Mr. Ryoji Nishimura Ms. Mirjam Janssen |
| 09 | 27 March 2020 | Special meeting by e-mail | Mr. Chhay Soeun Dr. In Channy Mr. Rath Yumeng Drs. Pieter Kooi Mr. Cornelius Obert Mr. Ian S. Lydall Mr. Kenichiro Mori Mr. Ryoji Nishimura Ms. Mirjam Janssen |

| No | Date | Type of Meeting | Name of Directors Attending the Meeting |
|----|---------------|---------------------------|--|
| 10 | 31 March 2020 | Physical meeting | Mr. Chhay Soeun Dr. In Channy Mr. Rath Yumeng Drs. Pieter Kooi Mr. Cornelius Obert (join via con-call) Mr. Ian S. Lydall (join via con-call) Mr. Kenichiro Mori (join via con-call) Mr. Ryoji Nishimura (join via con-call) Ms. Mirjam Janssen (join via con-call) |
| 11 | 02 April 2020 | Special meeting by e-mail | Mr. Chhay Soeun Dr. In Channy Mr. Rath Yumeng Drs. Pieter Kooi Mr. Cornelius Obert Mr. Ian S. Lydall Mr. Kenichiro Mori Mr. Ryoji Nishimura Ms. Mirjam Janssen |
| 12 | 07 April 2020 | Special meeting by e-mail | Mr. Chhay Soeun Dr. In Channy Mr. Rath Yumeng Drs. Pieter Kooi Mr. Cornelius Obert Mr. Ian S. Lydall Mr. Kenichiro Mori Mr. Ryoji Nishimura Ms. Mirjam Janssen |
| 13 | 18 May 2020 | Physical meeting | Mr. Chhay Soeun Dr. In Channy Mr. Rath Yumeng Drs. Pieter Kooi Mr. Cornelius Obert (join via con-call) Mr. Ian S. Lydall (join via con-call) Mr. Kenichiro Mori (join via con-call) Mr. Ryoji Nishimura (join via con-call) Ms. Mirjam Janssen (join via con-call) Mr. Stéphane Mangiavacca (join via con-call) |
| 14 | 25 May 2020 | Special meeting by e-mail | Mr. Chhay Soeun Dr. In Channy Mr. Rath Yumeng Drs. Pieter Kooi Mr. Cornelius Obert Mr. Ian S. Lydall Mr. Kenichiro Mori Mr. Ryoji Nishimura Ms. Mirjam Janssen Mr. Stéphane Mangiavacca |
| 15 | 28 May 2020 | Special meeting by e-mail | Mr. Chhay Soeun Dr. In Channy Mr. Rath Yumeng Drs. Pieter Kooi Mr. Cornelius Obert Mr. Ian S. Lydall Mr. Kenichiro Mori Mr. Stéphane Mangiavacca Mr. Ryoji Nishimura Ms. Mirjam Janssen |

| No | Date | Type of Meeting | Name of Directors Attending the Meeting |
|----|-------------------|---------------------------|--|
| 16 | 09 June 2020 | Special meeting by e-mail | Mr. Chhay Soeun Dr. In Channy Mr. Rath Yumeng Drs. Pieter Kooi Mr. Cornelius Obert Mr. Ian S. Lydall Mr. Kenichiro Mori Ms. Mirjam Janssen Mr. Stéphane Magiavacca |
| 17 | 17 June 2020 | Physical meeting | Mr. Chhay Soeun Dr. In Channy Mr. Rath Yumeng Drs. Pieter Kooi Mr. Cornelius Obert (join via con-call) Mr. Ian S. Lydall (join via con-call) Mr. Kenichiro Mori (join via con-call) Ms. Mirjam Janssen (join via con-call) Mr. Stéphane Magiavacca (join via con-call) |
| 18 | 04 August 2020 | Special meeting by e-mail | Mr. Chhay Soeun Dr. In Channy Mr. Rath Yumeng Drs. Pieter Kooi Mr. Ian S. Lydall Mr. Kenichiro Mori Mr. Stéphane Magiavacca Ms. Mirjam Janssen |
| 19 | 10 August 2020 | Special meeting by e-mail | Mr. Chhay Soeun Dr. In Channy Mr. Rath Yumeng Drs. Pieter Kooi Mr. Ian S. Lydall Mr. Kenichiro Mori Mr. Stéphane Magiavacca Ms. Mirjam Janssen |
| 20 | 11 August 2020 | Special meeting by e-mail | Mr. Chhay Soeun Dr. In Channy Mr. Rath Yumeng Drs. Pieter Kooi Mr. Ian S. Lydall Mr. Kenichiro Mori Mr. Stéphane Magiavacca Ms. Mirjam Janssen |
| 21 | 13 August 2020 | Special meeting by e-mail | Mr. Chhay Soeun Dr. In Channy Mr. Rath Yumeng Drs. Pieter Kooi Mr. Ian S. Lydall Mr. Kenichiro Mori Mr. Stéphane Magiavacca Ms. Mirjam Janssen |
| 22 | 03 September 2020 | Special meeting by e-mail | Mr. Chhay Soeun Dr. In Channy Mr. Rath Yumeng Drs. Pieter Kooi Mr. Ian S. Lydall Mr. Kenichiro Mori Mr. Stéphane Magiavacca Ms. Mirjam Janssen |

| No | Date | Type of Meeting | Name of Directors Attending the Meeting |
|-----------|-------------------|---------------------------|---|
| 23 | 29 September 2020 | Physical meeting | Mr. Chhay Soeun Dr. In Channy Mr. Rath Yumeng Drs. Pieter Kooi Mr. Ian S. Lydall (join via con-call) Mr. Van Sou leng Mr. Kenichiro Mori (join via con-call) Mr. Stéphane Magiavacca (join via con-call) Ms. Mirjam Janssen (join via con-call) |
| 24 | 20 October 2020 | Special meeting by e-mail | Mr. Chhay Soeun Dr. In Channy Mr. Rath Yumeng Drs. Pieter Kooi Mr. Ian S. Lydall Mr. Van Sou leng Mr. Kenichiro Mori Mr. Stéphane Magiavacca Ms. Mirjam Janssen |
| 25 | 21 October 2020 | Special meeting by e-mail | Mr. Chhay Soeun Dr. In Channy Mr. Rath Yumeng Drs. Pieter Kooi Mr. Ian S. Lydall Mr. Van Sou leng Mr. Kenichiro Mori Mr. Stéphane Magiavacca Ms. Mirjam Janssen |
| 26 | 05 November 2020 | Special meeting by e-mail | Mr. Chhay Soeun Dr. In Channy Mr. Rath Yumeng Drs. Pieter Kooi Mr. Ian S. Lydall Mr. Van Sou leng Mr. Kenichiro Mori Mr. Stéphane Magiavacca Ms. Mirjam Janssen |
| 27 | 10 November 2020 | Special meeting by e-mail | Mr. Chhay Soeun Dr. In Channy Mr. Rath Yumeng Drs. Pieter Kooi Mr. Ian S. Lydall Mr. Van Sou leng Mr. Kenichiro Mori Mr. Stéphane Magiavacca Ms. Mirjam Janssen |
| 28 | 11 November 2020 | Special meeting by e-mail | Mr. Chhay Soeun Dr. In Channy Mr. Rath Yumeng Drs. Pieter Kooi Mr. Ian S. Lydall Mr. Van Sou leng Mr. Kenichiro Mori Mr. Stéphane Magiavacca Ms. Mirjam Janssen |
| 29 | 16 November 2020 | Special meeting by e-mail | Mr. Chhay Soeun Dr. In Channy Mr. Rath Yumeng Drs. Pieter Kooi Mr. Ian S. Lydall Mr. Van Sou leng Mr. Kenichiro Mori Mr. Stéphane Magiavacca Ms. Mirjam Janssen |

| No | Date | Type of Meeting | Name of Directors Attending the Meeting |
|----|------------------|---------------------------|---|
| 30 | 18 November 2020 | Special meeting by e-mail | Mr. Chhay Soeun Dr. In Channy Mr. Rath Yumeng Drs. Pieter Kooi Mr. Ian S. Lydall Mr. Van Sou Ieng Mr. Kenichiro Mori Mr. Stéphane Magiavacca Ms. Mirjam Janssen |
| 31 | 16 December 2020 | Physical meeting | Mr. Chhay Soeun Dr. In Channy Mr. Rath Yumeng Drs. Pieter Kooi Mr. Ian S. Lydall (join via con-call) Mr. Van Sou Ieng Mr. Kenichiro Mori (join via con-call) Mr. Stéphane Magiavacca (join via con-call) Ms. Mirjam Janssen (join via con-call) |

B. BOARD COMMITTEE

1. Board Committee Structure

On 26 June 2019, the Board revised Board Committees structure and composition with reference to Cambodian law and the requirements of the National Bank of Cambodia, the best practice and any other factors specific to the Bank's situation. The latest composition of Board Committees has been revised on 29 September 2020.

1.1 Board Audit Committee (BACO)

| No | Name | Position | Appointing Date | Number of Attending the Meeting | Total Number of Meetings |
|----|-------------------|----------|-----------------|---------------------------------|--------------------------|
| 1 | Mr. Ian S. Lydall | Chairman | 26 June 2019 | 22 | 22 |
| 2 | Drs. Pieter Kooi | Member | 26 June 2019 | 22 | 22 |
| 3 | Mr. Chhay Soeun | Member | 26 June 2019 | 22 | 22 |

Roles and Responsibilities of BACO

The duties of the Board Audit Committee are as follows:

- i. Make recommendations to the Board for shareholders' approval on the appointment, reappointment, and removal of the external auditors as well as the remuneration and terms of engagement of the external auditors;
- ii. Review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements, and assess the service quality provided by external auditors;
- iii. Discuss and review issues the external auditors' Management Letter and management response.
- iv. Develop and implement policy on the engagement of the external auditors to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external auditors; and to report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;
- v. Review and monitor the management's process to develop and change the accounting estimates and accounting principles to ensure that the judgments determine the recognizing amount estimates and unusual transactions are appropriate and reasonable;
- vi. Ensure that the financial and risk-related information is clear and assessing the relevance of accounting and valuation methods used for the establishment of individual and, where applicable, consolidated accounts and financial statement. Assessing the relevance of the accounting methods used to prepare the individual and consolidated accounts, if any.
- vii. Ensure that the information provided to the public and NBC is clear, accurate, and reliable.
- viii. Assess the quality of internal control procedures, in particular where the systems for measuring and controlling risks are consistent, and recommending further action where appropriate.
- ix. Review the effectiveness of the Bank's system of internal financial control and to report to the Board on an annual basis;
- x. Review and monitor the effectiveness of the internal audit function and ensure that its reporting processes are adequate and timely;
- xi. Approve (and amend as necessary during the year) the internal audit plan;

- xii. Review and recommend to the BRESCO for appointment and removal of the Group Chief of Internal Audit with subject to get final approval from the Board;
- xiii. Set the annual incentive criteria of the Group Chief Internal Audit Officer and recommend to BRESCO. Then BRESCO endorses to the Board for final approval.
- xiv. Propose the annual incentive of the Group Chief Internal Audit Officer and recommend to Board for approval.
- xv. Evaluate and grade the annual performance of the Group Chief Internal Audit Officer and recommend to the Board for final approval. Then inform to the President & GMD for performance grading and incentive payment.
- xvi. Follow up effective corrective action's implementation, notably by tracking pending and outstanding recommendations issued by Internal Auditor and further supporting the work of internal audit.
- xvii. Consider other topics as requested by the Board from time to time.

Results of BACO Performance

- Reviewed, approved and endorsed to the Board of Directors for final approval, the financial audited statements of 2019.
- Reviewed and monitored management's process of IFRS implementation and development.
- Reviewed and approved the internal control report 2019 for submission to the National Bank of Cambodia.
- Reviewed the internal audit reports and analysed any unusual trends or incidents.
- Reviewed and approved the job description for Group Chief Internal Audit Officer.
- Reviewed and approved the incentive scheme targets for Group Chief Internal Audit Officer and endorsed to the Board for final approval.
- Reviewed and approved the internal audit plan for fiscal year 2021.
- Reviewed and approved TOR of BACO and recommended to the Board for final approval.
- Discussed and selected audit firm as the Bank's external auditor of the year 2021.
- Reviewed the following policies: Audit Policy, Dividend Policy, Internal Control Policy and Corporate Disclosure Policy.
- Reviewed and approved 2020 interim financial statement for March, June and September and endorsed to the Board of Directors for final approval.

1.2 Board Remuneration and Nomination Committee (BRESCO)

| No | Name | Position | Appointing Date | Number of Attending the Meeting | Total Number of Meetings |
|----|-------------------|----------|-------------------|---------------------------------|--------------------------|
| 1 | Mr. Van Sou Ieng | Chairman | 29 September 2020 | 02 | 05 |
| 2 | Drs. Pieter Kooi | Member | 29 September 2020 | 05 | 05 |
| 3 | Mr. Ian S. Lydall | Member | 26 June 2019 | 05 | 05 |

Roles and Responsibilities of BRESCO

In performing its duties, the Board Remuneration and Nomination Committee (BRESCO) will maintain an effective working relationship with the Board and Management while refraining from interfering in any business decisions.

The BRESCO's responsibility is also to ensure that The Remuneration Policy is consistent with the long term objectives and corporate values of the Bank and reasonable in the light of the Bank's objectives, compensation for a similar function in other companies, and other relevant factors with due regard to the interests of the shareholders and to the financial and commercial needs of the Bank.

The duties of the Committee are as follows:

Director's Compensation:

- i. Recommend to the Board a formal and transparent policy for determining the directors fees and expenses, including membership of Board Committees and such other activities connected with Board working for the Bank and subsidiaries. The recommendations should be made in consultation with the Chairman of the Board and submitted for endorsement by the entire Board;
- ii. Review proposals submitted by the President & Group Managing Director for the engagement of directors in extramural work such as advisory or consulting roles, including their terms and conditions, and make appropriate recommendations to the Board for submission to the shareholders for final approval;
- iii. Cover all aspects of remuneration, including but not limited to directors' fees, salaries, allowances, expenses, consultancy fees (where applicable) and benefits in kind, and;
- iv. Recommend the remuneration of the directors of the Bank and subsidiaries through the Board of Directors. Approval of the Parent Bank remuneration will be at the AGM.

Key Senior Management's Remuneration

- i. Be responsible for reviewing and defining a framework of remuneration for the Group Chief Internal Audit Officer (GCIAO) and Head of Compliance Division.
- ii. Be responsible for recommending to the Board a framework of remuneration and the specific remuneration package for the President & Group Managing Director. The recommendations should be submitted for endorsement by the Board;
- iii. Recommend to the Board the performance targets and incentive plan, including bonus and any other scheme designed to encourage long-term corporate value creation, for the President & Group Managing Director for the coming year;
- iv. Recommend to the Board the performance targets and incentive plan, including bonus and any other scheme designed to encourage long-term corporate value creation, for the Group Chief Internal Audit Officer, and Head of Compliance Division for the coming year;
- v. Consult with the other Board members in evaluating the performance and achievements of the President & Group Managing Director in the previous year and recommend to the Board the quantum of bonus award, salary increase, and other benefits;
- vi. Review the adequacy and form of compensation to key executives to ensure that it is realistically commensurate with the responsibilities and risks involved in being an effective member of the management team;
- vii. Cover all aspects of remuneration, including but not limited to salaries, allowances, pensions, bonuses, options and benefits in kind, and;
- viii. Review the pay and employment conditions within the industry and those from the peer companies to ensure that key executives are adequately remunerated.

Pension and Retirement Benefits:

- i. Review the employees' pension and retirement benefits plan submitted by management.
- ii. Retain competent professional actuaries, if deemed necessary, to ensure that the Bank's long term contingent liability can be reasonably predicted and provided for;
- iii. Recommend the plan, and any future amendments thereto, to the Board of Directors.
- iv. Review and approve the audit report prepared by the auditors in connection with the pension and retirement benefits plan, and;
- v. Satisfy themselves that all relevant laws and regulations have been observed.

Nomination:

- i. Having regard for the needs of balanced and effective Boards and regulatory and legal requirements, identify, evaluate and recommend to the Board suitable candidates for directorship taking into account personal character and integrity, relevant experience and knowledge, and independence of mind;
- ii. Where required by the Board, conduct preliminary interviews and shortlist candidates;
- iii. Recommend candidates for the role of the chair and membership of Board Committees;
- iv. Identify, evaluate and recommend to the Board suitable candidates as President & Group Managing Director, Group Chief Internal Audit Officer, and Head of Compliance;
- v. Recommend on qualifications and procedures for selecting and replacing board members and senior management.
- vi. Approve the nomination of the President & Group Managing Director, Group Chief Internal Audit Officer, and Head of Compliance for recommendation to the Board.

Other Duties:

- i. Review and guide the evaluation of the effectiveness of the Board of Directors and the Board committees at least once per year.
- ii. Review and update the Corporate Governance Policy at least once a year for approval by the Board.
- iii. Any such other matters consistent with these Terms of Reference as the Board of Directors may reasonably request.

Results of BRENCO Performance

The BRENCO met five times in 2020 in March, June, September, October and December. The main proceedings were:

- Reviewed and endorsed to the Board for approval of increasing the gross fee of the Chair of the Board and increasing the gross salary of the President & Group Managing Director.
- Reviewed and endorsed to the Board for approval of annual incentive of the Senior Management of the Bank.
- Reviewed and endorsed to the Board for approval of 2020 incentive criteria for the Senior Management.
- Reviewed and endorsed the General Meeting Voting Policy to the Board for approval.
- Reviewed and endorsed the Corporate Governance Policy to the Board for approval.
- Interviewed independent director candidates and recommended to the Board for approval.
- Endorsed nominee director from ORIX to the Board for approval.
- Reviewed update on succession planning of senior positions of ACLEDA Bank Group.
- Reviewed and endorsed the amendment of TOR of BRENCO and Remuneration and Nomination Policy to the Board for approval.
- Reviewed and endorsed 2019 BRENCO annual report to the Board for approval.

- Reviewed Board composition plan for 2020.
- Endorsed to the Board for final approval of 2019 inflation rate for payment to the Bank's employees from 01 April 2020 and 31 March 2021.
- Discussed the result of Board annual self-assessment for 2019 and reported to the Board.
- Reviewed proposal of the President & Group Managing Director and recommended to the Board.
- Reviewed and endorsed employees' pension and retirement benefits plan to the Board for approval.
- Reviewed actual the level and composition of the employment costs for the year to date and review management's proposals for employment costs in the budget proposed for the next year.
- Prepared and endorsed a guideline for increase in Board fee to the Board for consideration and approval.
- Reviewed President & GMD, GIAO, and Head of COD performance criteria for 2021.
- Made annual review of policies.
- Made annual self-assessment of BRENCO.
- Reviewed annual self-appraisal format of the Board.

1.3 Board Risk and IT Committees (BRIC)

| No | Name | Position | Appointing Date | Number of Attending the Meeting | Total Number of Meetings |
|----|--------------------|----------|-------------------|---------------------------------|--------------------------|
| 1 | Drs. Pieter Kooi | Chairman | 29 September 2020 | 12 | 12 |
| 2 | Mr. Kenichiro Mori | Member | 29 September 2020 | 12 | 12 |
| 3 | Mr. Ian S. Lydall | Member | 29 September 2020 | 12 | 12 |

Roles and Responsibilities of BRIC

The duties of Board Risk Management and IT Committee ("BRIC") are as follows:

Risk Management:

- Will have the oversight and promote of the risk management and risk governance of the Bank, including facilitating development of IT related enterprise risk management expertise. As to fulfill this task it conducts annually review the adequacy of the risk management framework outlining the Bank wide high-level policies which include the risk identification, risk assessment, risk treatment and monitoring and reporting and division of authority and responsibility of risk management throughout the Bank;
- Regularly monitor the implementation of the risk management policy as approved by the Board and, at least once a year, review and recommend any changes it considers necessary to the Board for approval;
- Monitor that credit policies are in place, up to date, appropriate to the business and consistent with sound lending practices and review any amendments to those policies deemed required;
- Give input to the management's proposal regarding the risk appetite and risk tolerance and internal targets. The final proposal has to be endorsed by the committee for final approval by the Board and advise on any changes deemed appropriate; including the oversight of the strategies for capital and liquidity management as well as for all relevant risks of the Bank, such as credit, market, operational, and reputational risks;
- Review and approve management's risk assessment, its plan for risk control or mitigation through appropriate risk management practices, and ensure that risks are managed within tolerance level of the Bank. It includes change in system, environmental or operational condition that would potentially affect the Bank;
- Review the effective risk management practices and internal controls aim of achieving data confidentiality, system security, reliability, resiliency and recoverability in the Bank;
- Review on the effectiveness and the result of the implementation of its customer complaint management framework;
- Review and advise on stress tests and reverse stress tests conducted by management; and
- Review quarterly risk management reports submitted by management;

Compliance:

- Review and recommend to the BRENCO for appointment and removal of the Head of Compliance Division with subject to get final approval from the Board;
- Set the annual incentive criteria of the Head of Compliance Division and recommend to BRENCO. Then BRENCO endorses to the Board for final approval;
 - Propose the annual incentive of the Head of Compliance Division and recommend to the Board for final approval;
- Evaluate and grade the annual performance of the Head of Compliance Division and recommend to the Board for final approval. Then inform to the President & GMD for performance grading and incentive payment;

- iv. Review and monitor legal compliance with relevant local and international laws and regulations to mitigate legal risk;
- v. Review and monitor the effectiveness of the implementation of anti-money laundering and combating financing of terrorism; including review the policy and procedure on AML measures in line with changes and developments in its products, services and technology systems and conflict of interest policy to ensure that the implementation is effectively complied;
- vi. Review and consider compliance and whistle-blower protection policy and management's response; and
- vii. Approve (and amend as necessary during the year) the Compliance Division's annual budget plan.

Information Technology (IT):

- i. Endorse IT governance policies and procedures to the Board for approval;
- ii. Ensure that management has put an effective IT governance process in place;
- iii. Ascertain that management has implemented processes and practices that ensure that the IT functions delivers value to the business;
- iv. Ensure IT investments represent a balance of risks and benefits and that budgets are adequate; and
- v. Continues improvement programme and effective monitoring of IT risk.

Results of BRIC Performance

In September 2020, the Board Risk Management and IT Committee was restructured in accordance with the international best practices and the job effectiveness. The duties of BRIC have been further extended to absorb the IT risk which was previously under the duties of the Board Information Technology Committee that had been dissolved.

The Board Risk Management and IT Committee had 12 times regular and special meetings in 2020, in March, June, September, and December.

- At each meeting the Group's overall risk profile was presented by the EVP & Group CRO and discussed with the members and participants to ensure that the key risk indicators were fully complied with the internal targets, risk appetite/risk tolerance.
- Assessed and discussed the potential future risks for ACLEDA BANK and its subsidiaries.
- Further refined the risk analysis process and undertook a series of stress test scenarios and reverse stress tests allowing for simultaneous occurrence of risks including potential contagion effects.
- Assessed the developed credit portfolio by various criteria particularly, the credit quality. The Committee ensured that the provisioning was in line with NBC rules, CIFRS and CAS.
- Oversight of the IFC's risk management consultancy project to ensure that the project has run effectively and timely manner.
- Monitored and discussed the restructuring of credit, refinancing of credit, and credit write-off.
- Analysed the impacts of possible risk scenarios on the balance sheet, income statement and prudential ratios.
- Reviewed the potential risks that could negatively impact on the high standard of business conduct towards the community and the environment.
- Reviewed and analysed the development of the banking industry in Cambodia to assess competitive risks.
- Reviewed and discussed the development of the market of digital financial services, small and medium business credit, and real estate & construction credit, which has been growing fast while becoming increasingly competitive.
- Discussed strategies to optimally manage these potential risk events in the long-term interest of ACLEDA BANK and its customers.
- Reviewed the liquidity stress testing results and the contingency funding plan for 2021 from management before they were submitted to the NBC.
- Reviewed and approved management's funding proposals to support funding needs.
- Reviewed the compliance division report and received analyses of any suspicious transactions.
- Reviewed and approved the incentive scheme targets for Compliance Division and endorsed to the Board for final approval.
- Reviewed and approved the Compliance Division budget plan for fiscal year 2021.
- Reviewed and approved TOR of BRIC and recommended to the Board for final approval.
- Reviewed and endorsed the following policies: Risk Management Policy, Credit Policy, Environment, Social and Community Policy, Liquidity Risk Management Framework, Internal Control Policy, Compliance Policy, Whistle Blower's Protection Policy, Anti-Money Laundering and Combating the Financing of Terrorism Policy, Know Your Customer (KYC)/Customer Due Diligence (CDD) Policy, Related Party Transactions Policy, Conflict of Interest Policy, Insider Trading Policy, IFRS9 Impairment Policy, Credit Scoring Policy, Information Security Policy, and IT Governance Policy.
- Conducted an annual self-assessment of its performance relative to the Board Risk Management and IT Committee's purpose, duties, and responsibilities in order to ensure the effective discharge of its responsibility.

2. Changes of Committee Member

| No | Committee | Name | Reason |
|----|-----------|---------------------|--|
| 1 | BACO | Mr. Cornelius Obert | Mr. Cornelius Obert resigned from member of BACO. |
| | | Mr. Ryoji Nishimura | Mr. Ryoji Nishimura requested to resign from his position as a director since he has a new assignment. |
| 2 | BRESCO | Mr. Cornelius Obert | Mr. Cornelius Obert reaches retirement age in line with MAOA of ACLEDA Bank Plc. |
| | | Mr. Van Sou Ieng | Mr. Van Sou Ieng is a new independent director appointed as a chair of BRESCO. |
| 3 | BRIC | Mr. Cornelius Obert | Mr. Cornelius Obert resigned from chair of BRIC. |
| | | Drs. Pieter Kooi | Drs. Pieter Kooi becomes as a chair to replace Mr. Cornelius Obert. |

C. REMUNERATION AND COMPENSATION

1. Brief Policies of Remuneration or Compensation for Directors and Senior Officers

Director

- The Shareholders of ACLEDA Bank Plc. and its subsidiaries determine the remuneration and benefits of directors from time to time through the Shareholders' Agreement, based on the proposal of the Board of Directors.
- The Shareholders of ACLEDA Bank Plc. and its subsidiaries nominate the Directors of the Board as stipulated in their respective Memorandum Articles of Association.

Senior Officers

- The Board of ACLEDA Bank Plc. shall appoint a suitably qualified person as its Present & Group Managing Director (President & GMD), Group Chief International Audit Officer (GCIAO) and Head of Compliance Division (Head of COD) of the Bank.
- The Board of ACLEDA Bank Plc. approve the remuneration of the President & GMD, GCIAO and head of COD of the Bank.
- The Boards of ACLEDA Bank Plc. and its subsidiaries shall approve the overall annual budget for the remuneration of the Directors and employees.
- The Boards of ACLEDA Bank Plc. and its subsidiaries will evaluate its own performance on an annual basis.

2. Remuneration and Compensation Receivers

| No | Remuneration and Compensation Receiver | Remuneration and Compensation Amount | Other |
|----|---|--------------------------------------|-------|
| 1 | Directors | \$ 429,700.37 | |
| 2 | Executive Directors and Senior Officer | \$ 2,434,548.54 | |
| 3 | Top 5 Employees Receiving Remuneration and Compensation Receivers | \$ 92,123.77 | |

D. ANNUAL PERFORMANCE EVALUATION OF BOARD OF DIRECTORS, DIRECTORS, COMMITTEE AND CEO

| No | Description | Evaluation Process | Marking Criteria |
|----|-------------------------------------|--|---|
| 1 | Board of Directors | The Board makes self-assessment of their performances | <ul style="list-style-type: none"> • Authorities, roles and responsibilities stipulated in their Board charter, Memorandum and Articles of Association and applicable law • Participation in the Board meetings |
| 2 | Directors | The Directors make self-assessment of their performances | <ul style="list-style-type: none"> • Authorities, roles and responsibilities stipulated in their Board charter, Memorandum and Articles of Association and applicable law • Participation in the Board meetings |
| 3 | Committees | The Board committees make self-assessment of their performances | <ul style="list-style-type: none"> • Authorities, roles and responsibilities stipulated in their Terms of References • Participation in the Board meetings |
| 4 | President & Group Managing Director | The performance of President & Group Managing Director is evaluated by Board Remuneration and Nomination Committee and is recommended to the Board for final approval. | Performance criterion (Both quantitative and qualitative) set by BRESCO and recommend to the Board for final approval. |

E. TRAINING FOR DIRECTORS AND SENIOR OFFICERS

During the year of 2020, the directors and senior officers of the Bank participated the following training courses from SERC:

| No | Name | Position | Training Courses |
|----|--------------------|---|--|
| 1 | Mr. Chhay Soeun | Chairman | <ul style="list-style-type: none"> • SECC Webinar, Board Committees • Prakas on Corporate Disclosure |
| 2 | Dr. In Channy | Executive Director/President & Group Managing Director | <ul style="list-style-type: none"> • SECC Webinar, Board Committees • Prakas on Corporate Disclosure |
| 3 | Mr. Rath Yumeng | Executive Director/EVP & Group Chief Treasury Officer | SECC Webinar, Board Committees |
| 4 | Mrs. Mar Amara | EVP & Group Chief Financial Officer | Prakas on Corporate Disclosure |
| 5 | Mrs. Buth Bunsayha | EVP & Group Chief Legal Officer and Corporate Secretary | Prakas on Corporate Disclosure |

PART 3

CODE OF BUSINESS CONDUCTS PRACTICES

A. CODE OF BUSINESS CONDUCTS PRACTICES FOR DIRECTORS AND SENIOR OFFICERS POLICIES

• Law Enforcement

ACLEDA Bank Plc. conducts its business in compliance with applicable laws and regulations and in accordance with the highest ethical principles. ACLEDA Bank Group requires all directors and employees to comply with all local laws/regulations applicable to the Bank wherever it does business. Further, each of us must have an understanding of the Bank policies, laws, rules and regulations that apply to our specific roles. Hence, ACLEDA Bank Plc. put in place a Compliance Policy to ensure that, at all times, the Bank complies with the spirit of the legal environment and the Bank's policies.

• Build Trust and Credibility

Trust and credibility we earn from our stakeholders including but not limit to employees, customers and shareholders are part of our success in business. We gain credibility by adhering to our commitments, and reaching company goals solely through honorable conduct.

• Code of Conduct Policy

The Bank set up its Code of Conduct Policy to set ethical standards for all staff members of the Bank with the following important principles:

1. **Honesty, Fairness and Integrity:** All staff shall act honestly and with integrity in all of their dealings, and staff members will not discriminate on the grounds of people's race, religion, gender, marital status, or disability.
2. **Personal Transactions:** Shall not use the name of ACLEDA Bank Plc. to further any personal or other business transaction.
3. **Confidentiality of Information:** Ensure the confidential information relating to customers, staff and ACLEDA Bank Plc.'s operations, and respect the privacy of others.
4. **Ensuring the Integrity of Records and Internal Controls.**
5. **Abiding by the Law:** Staff members shall observe and abide by the law, rules and regulations of the kingdom of Cambodia and internal policies of ACLEDA Bank Plc. at all times.

• Avoid Conflicts of Interest (Conflict of Interest Policy)

The Bank created its conflict of interest policy to enable all staff members of ACLEDA Bank Plc. easily identify, prevent, and manage conflict of interest which may arise in the course of the Bank's business.

• Corporate Disclosure Policy

The Bank put in place the Corporate Disclosure Policy to ensure that Corporate Information is disclosed to the relevant authorities, investors, customers, creditors, employees and the general public in a timely, accurate, complete, understandable, convenient and affordable manner.

• Insider Trading Policy

The Insider Trading Policy of the Bank is designed:

- To protect the interests of investors and the reputation of the Bank
- To prevent misuse of Material Non-public information (MNI)
- Ensure compliance to the regulatory requirements.

Under this policy, Insiders (directors and employees) who receive or have access to MNI are prohibited from purchase/ sale/ engage in any transactions, directly or indirectly, involving the Securities listed on the CSX/ other permitted securities markets. (Securities: refers to securities issued by the Bank or other listed companies if Insiders have MNI about these through their work with the Bank.)

• Liquidity Risk Management Framework

The Bank has set up this framework in order to:

- Ensure that the Bank maintains at all times a stable and diversified funding base, which enables the Bank to meet its daily liquidity needs and covers both expected and unexpected funding requirements at a reasonable cost.
- Manage the Bank's liquidity and funding in a way that creates long term value for the shareholders.
- Reduce the severity of potential liquidity problems, lower their impact on the Bank and protect all stakeholders.

- **Whistle Blower’s Protection Policy**

The Bank has adopted a Whistle Blower’s Protection Policy:

- To protect each whistle blower who expresses a concern in good faith, without malice and with no expectations of personal gain.
- To encourage all employees to inform the relevant level of management of any activity or matter which is detrimental to the best interests of the Bank and the general public.

- **Environmental, Social and Community (“ESC”) Policy**

The Bank has adopted the ESC policy:

- To ensure that the Bank will at all times strive to provide financial services particularly to projects and initiatives that are sustainable with respect to nature and the environment.
- To provide a framework of guidelines within which the Bank can operate in a sustainable manner so that our impact on the environment, society and community in which we operate is managed in a responsible way.
- To comply with the environmental laws and guidelines of Cambodia.

- **Fighting against corruption**

The Bank prohibits offering or receiving bribes or corrupt payments in any form. Such prohibition has been raised and mentioned some part in Collective Labor agreement, Internal Regulation, Code of Conduct, Detail in Misconduct and Operating Manual of Gift Commission and Persuasion of the Bank. All employees shall comply with laws and regulation in force. ACLEDA Bank Group is strongly committed to conducting our business with honesty, integrity and in accordance with all applicable laws including anti-corruption law. Any employee who violates the laws and terms of relevant policy will be subject to disciplinary action.

- **Policy on Anti-Money Laundering and Combating the Financing of Terrorism (AML & CFT)**

In our day to day business activities, we must apply the principles and procedures set out in the AML & CFT Policy. All levels of the Bank management and staff are obligated to report all types of suspicious transactions and shall be required to keep confidentiality of any information obtained on suspected customer’s transaction and record has been made. Head of Compliance Division obliges to independently submit the information of suspicious transactions to the Cambodian Financial Intelligence Unit within 24 hours after having received a report and there is a reasonable ground of suspicion. Head of Compliance Division shall record his/her opinion if such reasonable grounds do not exist.

- **Related working policy/internal rules**

We respect all applicable law, including local laws and regulations that apply to our business. The Bank has a clear collective labor agreement which is made pursuant to the Chapter V of the Labour Laws of the Kingdom of Cambodia.

The collective labor agreement of the Bank set forth the terms and detail conditions of employment, productivity of employees, and monitor the relationship between Employer and Employees as well as Employer and Shop Stewards.

- **Conflict Resolution**

The best approach to resolve a conflict in the workplace is to prevent it from happening in the first place. The collective labor agreement of the Bank also stipulated the grievance procedures for presenting and settling workplace disputes. Raising and recognizing the problems to debate to clear all unreasonable doubtful and misunderstandings that is a priority work shall be taken action by ACLEDA Bank and the Shop Stewards.

- **Fair Dealing**

The Bank committed to conducting our business in a transparent, fair and honest manner and also committed to deliver fair dealing outcomes for our customers by ensuring that all products and services we offer comply with the laws and regulations and are suitable for our customers.

B. PUBLISHING OF CODE OF BUSINESS CONDUCTS PRACTICES

The Boards approved the Code of Conduct Policy and it had been implemented since 2014.

C. MECHANISMS AND PROCEDURES FOR ASSESSING CODE OF BUSINESS CONDUCTS PRACTICES

In order for employees to understand the code of business conduct and the scope of implement, the Bank has set up the procedure as follows:

New Recruit

All new selected recruits and nominated to work in ACLEDA Bank Plc. or subsidiaries, must be prepared code of conduct when sign works contract. S/he must read all points of code of conduct content and clarify understanding and claim the implement by stamping a right thumbprint as a proof.

Existing Employees

- All changed position staffs, nominated and promoted employees, the latest direct management have to prepare new code of conduct to employee for rereading all points of content and stamp right thumbprint as a proof.
- All employees come to test at Human Resources Division have to write code of conduct of new position.
- Employees who is earlier or meet the deadline of working appraisal, have to do as below:
- Direct management has to give code of conduct to employees for reading deeply the meaning and content stated in the letter attached with performance appraisal.
- After reading the meaning of code of conduct, employees have to stamp right thumbprint as a proof.

D. RELATED PARTIES TRANSACTIONS

1. Related Parties Transactions Policies

| No | Related Parties | Policies |
|----|--|---|
| 1 | Holding Company | None |
| 2 | Joint Venture | None |
| 3 | Subsidiary | Operating Manual on Related Party Transaction |
| 4 | Majority Shareholders and Controlling Shareholders | Operating Manual on Related Party Transaction |
| 5 | Directors and Their Family | Operating Manual on Related Party Transaction |
| 6 | Employees and Their Family | Operating Manual on Related Party Transaction |
| 7 | Other | None |

2. Important Transactions with Related Parties

| No | Name | Type of Transactions | Transaction Size | | Transaction Summary |
|----|--|--|------------------|------------|---|
| | | | USD | KHR'000 | |
| 1 | Shareholder who hold at least 5% or more shares of outstanding equity securities | Balance with related parties | 412,162 | 1,667,195 | Deposit with shareholders |
| | | Deposit from related parties | 13,117,596 | 53,060,676 | Deposit from shareholders |
| | | Account Payable | 500 | 2,023 | Account payable to shareholders |
| | | Interest Income | 16,989 | 69,264 | Interest income from shareholders |
| | | Fee and commission income from related parties | 28,063 | 114,413 | Fee and commission income from shareholders |
| | | Interest Expense | 201,670 | 822,208 | Interest expense to shareholders |

| No | Name | Type of Transactions | Transaction Size | | Transaction Summary |
|----|--|------------------------------|------------------|------------|---|
| | | | USD | KHR'000 | |
| 2 | Director and Senior Officer | Loans and advances | 11,537,220 | 46,668,055 | Loans and advance to director and senior officer |
| | | Deposit from related parties | 3,094,221 | 12,516,124 | Deposit from director and senior officer |
| | | Interest Income | 1,074,031 | 4,378,824 | Interest income from director and senior officer |
| | | Interest Expense | 135,704 | 553,265 | Interest expense to director and senior officer |
| | | Fee and Commission Expense | 6,518,241 | 26,574,868 | Fee and commission expense to director and senior officer |
| | | Interest Payable | 22,588 | 91,369 | Interest payable to director and senior officer |
| 3 | Immediate family members of the director, Senior Officer and Shareholder who hold at least 5% or more shares | Loans and advances | 1,458,949 | 5,901,449 | Loans and advance to the immediate family members of the director, Senior Officer and shareholder |
| | | Deposit | 1,419,631 | 5,742,407 | Deposit from the immediate family members of the director, Senior Officer and shareholder |
| | | Interest Payable | 5,787 | 23,408 | Interest payable to the immediate family members of the director, Senior Officer and shareholder |
| 4 | Subsidiary | Loans and advances | 6,440,590 | 26,052,187 | Loans and advance to subsidiary |
| | | Balance with related parties | 502,678 | 2,033,333 | Deposit with subsidiary |
| | | Deposit | 3,517,321 | 14,227,563 | Deposit from subsidiary |
| | | Account Receivable | 169,544 | 685,806 | Account receivable from subsidiary |
| | | Interest Income | 399,524 | 1,628,859 | Interest income from subsidiary |
| | | Fee and Commission Income | 12,288 | 50,099 | Fee and commission income from subsidiary |
| | | Interest Expense | 95,393 | 388,917 | Interest expense to subsidiary |
| | | Fee and Commission Expense | 2,200,796 | 8,972,645 | Fee and commission expense to subsidiary |
| | | Account Payable | 2,187 | 8,846 | Account payable to subsidiary |
| | | Other commitment | 370,448 | 1,510,316 | ECL on financial guarantee on AIB's borrowing |

PART 4

RISK MANAGEMENT, INTERNAL CONTROL AND AUDITING

A. BRIEF RISK MANAGEMENT SYSTEM OR RISK MANAGEMENT POLICIES

ACLEDA BANK is constantly pursuing efficient risk management system to enhance its effectiveness of risk oversight and control function where the safety and soundness of the Bank rely on. The Bank's risk management approach consists of the identification, assessment and mitigation of key risk and controls is undertaken across all business areas of the Bank. In addition, the Bank supports strong risk governance applied consistently to a strong emphasis on the concept of "Three Lines Model". The governance structure encompasses accountability, responsibility, independence, reporting, communication and transparency, both internally and with our relevant external stakeholders. Responsibility for risk management resides at all levels of the Bank. This is a functional approach to risk management built on formal control processes which rely on individual responsibility and independent oversight. Every manager is accountable for managing risk in his or her business area. They must understand and control the key risks inherent in the business undertaken effectively.

B. BRIEF INTERNAL CONTROL SYSTEM

ACLEDA Bank Plc. has established an adequate internal control system by issuing internal control policy, operating manual and other guidelines for effective risk management and daily activities. The bank sets up appropriate internal control structure as the Board has the responsibility to establish the general framework for an appropriate Internal Control system to comply with the present Prakas and regulations.

Senior Management has responsibility for implementing strategies approved by the Board to set appropriate internal control operating manuals and procedures and monitor effective daily operation.

Compliance officer has responsibility to support management in managing compliance risk and monitor the effectiveness of compliance including corrective action of any compliance breaches.

An effective internal control system and complying with control policies and procedures have been monitored and evaluated by internal audit and the financial reports were examined independently by an external audit.

C. AUDITING

1. Internal Audit

1.1 Roles and Responsibilities of Internal Auditors

The Role of internal audit is to periodically monitor and comprehensively review the effectiveness of internal control system and implementation of internal control policy, operating manual and other guidelines for effective risk management and daily activities. Internal audit plan has been set, performed and reported to the Board Audit Committee.

All audit issues and concerns shall be clearly documented and accompanied by recommendations to Board and management. Pending audit recommendations shall be periodically, and at least twice a year, reported to the Board Audit Committee's members.

Internal audit function has been placed under responsibility of Group Chief Internal Audit officer who is a secretary and reports to the Board Audit Committee directly.

Group Chief Internal Audit officer is appointed, evaluated and removed by the Board Audit Committee.

1.2 New Appointment and Remove/Resignation of head and/or Deputy of Internal Auditors

In the year of 2020, position of Group Chief Internal Audit officer was no new appointment and resignation.

2. External Auditors

The appointment or removal of external audit shall be approved by the Board with the recommendation of the Board Audit committee.

| No | Name of Audit Firms | Appointment Date | Auditing Fees | Non-audit Fees |
|----|------------------------------|------------------|-----------------|-----------------|
| 1 | KPMG Cambodia Ltd | 9 April 2020 | US\$ 295,900.00 | - |
| 2 | Deloitte (Cambodia) Co., Ltd | 27 April 2020 | - | US\$ 217,800.00 |
| 3 | Grant Thornton Cambodia | 3 November 2020 | US\$ 190,000.00 | - |

- KPMG for consolidated and separate financial Statement Audit Engagement letter and Quarterly reviews of the condensed consolidated and separate interim financial statements for the quarters in 2020.
- Deloitte for Basel Implementation and Asset Liability Management Advisory Services and
- Grant Thornton for Audit of Consolidated Financial Statements of ACLEDA Bank Plc. and its subsidiaries for each of the four quarters and the year ending 31 December 2021.

PART 5

STAKEHOLDERS

A. IDENTIFY POLICIES AND ACTIVITIES RELATED TO THE FOLLOWING:

| No | Contents | Policies | Actions |
|----|------------------|---|--|
| 1 | Customer Welfare | <p>1- Letter No: MKD 099/17 Decision on the Official Launch of the Procedures for Customer Retention and Cross-Selling & Up-Selling</p> | <p>1- Customer Retention</p> <ul style="list-style-type: none"> • There is a system to manage safely and accurately customers' data • There are clear categories of customer types to take care of customers including: <ul style="list-style-type: none"> ▪ Potential customers (Top 20): Platinum to be served first as priority ▪ Potential customers (Top 21-100): Gold to be served as a second priority ▪ Normal customer: Classic to be served as normal • In order to be most effective in caring above customers, we define customer retention methods according to their preferences along with following means: giving special rate, giving customers greeting cards on national holidays, offering souvenirs and inviting customers for lunch / dinner reception and so on. • Have an effective and clear plan to visit customers including: <ul style="list-style-type: none"> ▪ Direct and indirect customer visit (via telephone or other electronic means) ▪ Analysis on customers' needs and transactions with high efficiency. • Identify responsible officials to follow up and lead in implementing plan to visit and caring customers at branches clearly and professionally • Have reports of customer retention for management on daily results • There are skilled officials of the Marketing Division to monitor and promote customer retention to achieve planned target. <p>2- Cross-Selling & Up-Selling</p> <ul style="list-style-type: none"> • Have an effective and clear plan on Cross-Selling & Up-Selling plan to be the basis for promoting sales with potential customers and regular customers effectively. • Identify responsible officials for promoting sales of all products - services with all types of customers, both inside and outside the office to achieve in accordance with the business plan. • There is a system to store the results of Cross-Selling and Up-Selling so that the responsible officers could easily monitor daily with high efficiency. • There are professional officers of the Marketing Division to monitor and lead the sales promotion to the responsible officers in the branches to achieve the strategic plan. |
| | | <p>2- Decision Letter No. 131/19 dated on 24 January 2019 for the Customer Service's Operating Manual of ACLEDA Bank Plc. (CCR)</p> | <ul style="list-style-type: none"> • Be attentive to serve customer • Means and problem, complaint solving for customer • Customer Service Model • Security protection (all both internal and external customer's information and bank transactions are kept secret which not leak to the third party). |

| No | Contents | Policies | Actions |
|----|---------------------------------------|---|--|
| 2 | Supplier and Subcontractors Selection | <ul style="list-style-type: none"> • Operating Manual on Procurement • Guideline on Procurement | <ul style="list-style-type: none"> • Business Plan Preparation (CapEx Plan) • Requirement Business Analysis Report by Project Management Office • PMC meeting and approval • Budgetary Approval • Procurement/Bidding Process <ul style="list-style-type: none"> ▪ Announcement for quotation ▪ Check list legal document of supplier ▪ Manufacturer Authorization letter ▪ Onsite visit if any ▪ Evaluation and Assessment Criteria for Selecting Supplier (Legal documents, Tax payment declaration receipt, Financial report, Human resource, Consultant personal/CVs, Approach & Methodology, Reputation, Account settlement) • Procurement Committee meeting and approval • Legal Process (Agreement/Contract) • Product delivery and payment |
| 3 | Management and Protection of Employee | <ol style="list-style-type: none"> 1- Internal Regulation and Collective Labour Agreement 2- Employee Welfare Operating Manual 3- Whistleblower's Protection | <ol style="list-style-type: none"> 1- Working day, working hours, overtimes compensation, Leaves, job security, Employees' rights to self-defence, Anti-harassment, Employee Representative 2- Protect employee health, well-being, work atmosphere, hygiene, health protection equipment, emergency accident support, health treatment and travelling. 3- Employee could report any problems could be detrimental of the bank benefit and to all segments of the community with his/her general knowledge. The main issues shall include: <ul style="list-style-type: none"> ▪ Non-compliance provisions of law and regulatory framework. ▪ Non-adherence to internal policies and procedures of ACLEDA Bank. ▪ Exploitation, stealing, deception or other commission. ▪ Corruption, fraud or mismanagement, non-transparency, nepotism. ▪ Behaviour that causes danger to health and safety to other people. ▪ Improper or unethical behaviour. ▪ Abuse authority, force or any forms of interruption and other harassment. ▪ Criminal or other illegal activities, etc. |

| No | Contents | Policies | Actions |
|----|------------------------|---|---|
| 4 | Environment Protection | HQ-386/18 Decision of Promulgation of Environmental, Social and Community Policy. | <ul style="list-style-type: none"> • The Bank will comply with the relevant environmental laws, regulations on environmental protection and natural resource management and other compulsory requirements applicable in each country in which we operate. • The Bank operates in a sustainable manner, minimizing the negative footprints on the environmental and society through improving the practices of relevant framework and guidelines. • The Bank will not lend to, or otherwise provide financial services to, clients who engage in activities harmful to the environment or which are listed in ACLEDA Bank's Exclusion List and/or other relevant policies. • The Bank works with regulatory agencies and advisers as necessary in the implementation of effective environmental policies, and, where no regulations exist, we will set our own guidelines according to internationally accepted best practice. • The Bank gives priority to the resource use efficiency and manage all generated waste and pollution from its operation activities. • The Bank gives priority to the renewable energy and energy efficiency sources by financing services. • The Bank continues to introduce energy efficient systems into our buildings and to manage sensibly our energy requirements wherever we operate. |
| 5 | Community Interaction | HQ-386/18 Decision of Promulgation of Environmental, Social and Community Policy. | <ul style="list-style-type: none"> • ACLEDA recognizes that support for community in which we live is not just morally sound but good business as well – our “good health” and prosperity are mutually interdependent. • ACLEDA believes that the Bank can achieve this, by ensuring that our activities conform to the needs of the community in a sustainable manner by: <ul style="list-style-type: none"> ▪ Providing appropriate products and services carefully selected and developed for the particular needs of Cambodian society; ▪ Increasing outreach: opening up banking services to new communities in new locations by expanding our network in the provinces and extending on-line banking services to mobilize savings; ▪ Participate in programs to educate the public in financial matters so that they can manage their resources more effectively, improve their business skills and be better equipped to qualify for bank finance; ▪ Provide internships and other forms of training to students to promote financial inclusion to a broader audience; ▪ Consciously seek to set new and ever higher standards in good governance, best practice and transparency to improve the financial environment; ▪ Work with community groups, authorities and stakeholders to develop new products and services specifically tailored to their needs, and; ▪ Selectively participate in charitable programs, where the aim is to 'help the people help themselves' or facilitate access to education, whether through direct financial support or 'pro-bono' community work. |

| No | Contents | Policies | Actions |
|----|------------------------------|---|--|
| 6 | Creditors' Rights Protection | <ul style="list-style-type: none"> Code of Conduct Policy Corporate Disclosure Policy | <ul style="list-style-type: none"> All staff members of the Bank shall pursue the highest standard of ethical conduct in the best interest of all stake holders of the Bank. The Bank ensures that Corporate Information is disclosed to all stakeholders including creditors. |
| 7 | Anti Corruption Program | <ul style="list-style-type: none"> Collective Labor Agreement Internal Regulation Details of Misconducts | Notice and train all employees related to Anti-corruption |

B. CORPORATE SOCIAL RESPONSIBILITIES OF ACLEDA BANK PLC.

| No | Beneficiaries | Amount | Purposes of CSR |
|----|--|--------------------------|---|
| 1 | The Royal Government of Cambodia | KHR 1,000,000,000 | Donation to The Royal Government of Cambodia to support the purchase of Covid-19's vaccine. |
| 2 | The Royal Government of Cambodia | KHR 800,000,000 | Donation to The Royal Government of Cambodia for the effort of coordinating and combating the COVID-19. |
| 3 | Cambodia Kantha Bopha Foundation | KHR 1,200,000,000 | Donation to the Cambodia Kantha Bopha Foundation. |
| 4 | Royal Government of Cambodia and the Association of Bank in Cambodia | US\$ 200,000 | Donation to the Royal Government of Cambodia and the Association of Bank in Cambodia to help flood victims. |
| 5 | Cambodian Red Cross | KHR 800,000,000 | Donation to the Cambodian Red Cross on their 157th anniversary of World Red Cross Day on 8 May 2020. |

PART 6

DISCLOSURE AND TRANSPARENCY

A. IDENTIFY THE FOLLOWING INFORMATION IN THE ANNUAL REPORT:

| No | Information | Yes/No |
|----|--|--------|
| 1 | Visions/ Missions/ Objectives | Yes |
| 2 | Financial Indicator | Yes |
| 3 | Non-financial Indicator | Yes |
| 4 | Main Risk Factors | Yes |
| 5 | Dividend Policy | Yes |
| 6 | Biography of Directors | Yes |
| 7 | Training of Directors | Yes |
| 8 | Number of Board Meetings | Yes |
| 9 | Attendance of Directors in Board Meetings | Yes |
| 10 | Remuneration or Compensation for Directors and Senior Officers | Yes |

B. MECHANISM OF DISCLOSURE INCLUDING MEANS, PROCEDURES AND RESPONSIBLE PERSON IN CHARGE OF DISCLOSURE

The Bank has adopted a Corporate Disclosure Policy, which is outlined toward the determination of material information and to ensure that Corporate Information is disclosed to the relevant authorities, investors, customers, creditors, employees and the general public in a timely, accurate, complete, understandable, convenient and affordable manner.

In compliance with Prakas 007/18 K.M.K/BB.K. of the SECC (Currently known as the Securities and Exchange Regulator of Cambodia "SERC"), dated 30 October 2018 on Corporate Disclosure, the Bank appointed and SERC also recognized the following Public Relation Officer, Disclosure Officer, and Assistants of Disclosure Officer:

Public Relation Officer

| No | Name | Position |
|----|----------------|-------------------------------------|
| 1 | Mrs. Mar Amara | EVP & Group Chief Financial Officer |

Disclosure Officer

| No | Name | Position |
|----|--------------------|--|
| 1 | Mrs. Buth Bunseyha | EVP & Group Chief of Legal Officer and Corporate Secretary |

Assistant of Disclosure Officer

| No | Name | Position |
|----|---------------------|---|
| 1 | Mr. Song Phannou | ASVP of Corporate Secretary & Disclosure Division |
| 2 | Mrs. Leang Chandara | ASVP of Corporate Secretary & Disclosure Division |
| 3 | Mr. Ly Sothearith | AVP & Manager of Corporate Disclosure Unit |

C. INVESTOR RELATIONS

1. Demonstrate Mechanisms and Procedures for Investor Relations

ACLEDA Bank has a wide range of networks to communicate with its customers as well as investors, including homepage, emails, phone calls, face-to-face meetings and invitations shareholders to shareholders' general meeting.

2. Briefly Describe Investor Relations for the Last Year

ACLEDA Bank is the first commercial bank listed its shares on the Cambodia Securities Exchange on 25 May 2020, attracting a lot of interest from the public, local and foreign investors. From the listing on the Cambodia Securities Exchange until 31 December 2020, ACLEDA Bank has received and answered questions from the public, investors and invited shareholders to attend the Extraordinary General Meeting which was held on 23 November 2020.

**ACLEDA BANK PLC.
AND ITS SUBSIDIARIES**

**Consolidated and Separate
Financial Statements
for the year ended 31 December 2020
and
Report of the Independent Auditors**

ACLEDA Bank Plc.

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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Report of The Board of Directors

The Board of Directors (“the Board” or “the Directors”) hereby submits their report together with the consolidated financial statements of ACLEDA Bank Plc. (“the Bank”) and its subsidiaries (collectively referred to as “the Group”) and the separate financial statements of the Bank for the year ended 31 December 2020 (hereafter collectively referred to as (“the financial statements”).

The Bank

Prior to 1 December 2003, the Bank was a public limited company formed under the laws of the Kingdom of Cambodia to operate as a specialised bank with its Head Office located in Phnom Penh and 14 branches in the Kingdom of Cambodia. On 1 December 2003, the National Bank of Cambodia (“NBC”) issued a license for the Bank to become a private commercial bank for a period of three years commencing 1 December 2003. The Bank’s license was renewed for an indefinite period on 28 November 2006. The registered office of the Bank is located at No 61, Preah Monivong Boulevard, Sangkat Srah Chork, Khan Daun Penh, Phnom Penh, the Kingdom of Cambodia. The Bank may open additional offices in Cambodia and in other countries, and may change the location of its main registered office upon registering the change with the Ministry of Commerce (“MoC”) and receiving approval from NBC.

Principal activities

The Bank operates under regulations by NBC with special focus on providing lending and other financial services to the citizenry and small and medium size enterprises, and to engage in all other activities which the Directors believe support these objectives.

Significant event

Initial Public Offering (“IPO”)

On 25 February 2020, the Bank obtained approval in principle for the Bank’s IPO from the Board of the Securities and Exchange Commission of Cambodia (“SECC”). The Bank and Yuanta Securities (Cambodia) Plc. (“YSC”), the underwriter, conducted the Book Building process from 3 to 14 March 2020. On 20 March 2020, the result of the Book Building was released, with 2,180 investors participated, in which 95.55% and 4.45% are local and foreign investors, respectively. The final offering price has been set at KHR16,200 (US\$3.97) in accordance with the Book Building and Subscription Procedure approved by the SECC.

The Subscription phase started from 24 March 2020 to 24 April 2020 and the result was released on 30 April 2020 with 4,344,865 shares were subscribed.

The shares of the Bank were listed on the Cambodia Securities Exchange (“CSX”) on 25 May 2020.

ACLEDA Bank Plc.

Financial performance

The audited financial performance of the Group and the Bank for the year ended 31 December 2020 are set out in the consolidated statement of profit or loss and other comprehensive income and separate statement of profit or loss and other comprehensive income on pages 13 – 14 and 20, respectively.

Share capital and share premiums

Share capital and share premium are classified as equity. Incremental costs directly attributable to the issue of new share capital are shown in equity as a deduction, net of tax, from the proceeds. The details of the shares capital are as follows:

| | Amounts | |
|--|--------------------|----------------------|
| | US\$ | KHR'000 (Note 4) |
| At 1 January 2020 | 428,818,154 | 1,747,433,978 |
| <i>Proceeds from new shares issued</i> | <i>17,082,105</i> | <i>69,643,742</i> |
| <i>Transaction costs</i> | <i>(1,031,025)</i> | <i>(4,203,488)</i> |
| Cash proceed – net | 16,051,080 | 65,440,252 |
| Reclassification to share premium | (11,706,215) | (47,726,239) |
| Currency translation difference | - | (13,003,581) |
| At 31 December 2020 | <u>433,163,019</u> | <u>1,752,144,412</u> |

On 25 May 2020, the Bank was successfully listed on the Cambodia Securities Exchange (“CSX”). The number of new issued shares are 4,344,865 shares with a par value of KHR4,000 (US\$0.98) per share, at an offering price of KHR16,200 (US\$3.97) per share. All issued shares were fully paid.

Reserves and provisions

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

Bad and doubtful loans

Before the financial statements of the Group and 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 provisions for doubtful loans and advances, and satisfied themselves that all known bad loans and advances had been written off and that adequate provisions have been made for bad and doubtful loans and advances.

ACLEDA Bank Plc.

Bad and doubtful loans (continued)

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 provisions for bad and doubtful loans and advances in the financial statements of the Group and the Bank inadequate to any material extent.

Assets

Before the financial statements of the Group and the Bank were drawn up, 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 Group and 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 Group and the Bank misleading in any material respect.

Valuation methods

At the date of this report and based on the best of knowledge, the Directors are not aware of any circumstances that have arisen which would render adherence to the existing method of valuation of assets and liabilities in the financial statements of the Group and the Bank misleading or inappropriate in any material respect.

Contingent and other liabilities

At the date of this report, there is:

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

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

Change of circumstances

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

ACLEDA Bank Plc.

Items of an unusual nature

The results of the operations of the Group and the Bank for the financial year were not, in the opinion of the Directors, materially affected by any items, transactions or events of a material and unusual nature except for the outbreak of the Novel Coronavirus (Covid-19).

There has not arisen in the interval between the end of the financial period and the date of this report any items, transactions or events of a material and unusual nature likely, in the opinion of the Directors, to substantially affect the results of the operations of the Group and the Bank for the period in which this report is made.

Coronavirus and impact on ECL

The ECL was estimated based on a range of forecast economic conditions as at reporting date. The Novel Coronavirus (Covid-19) outbreak has spread across mainland China, Cambodia and beyond, causing disruption to business and economic activity. The impact on GDP and other key indicators has been considered when determining the severity and likelihood of downside economic scenarios that are used to estimate ECL in which the calculation of the ECL in this current environment is subject to significant uncertainty. Management provides its best estimate on the possible outcomes of Covid-19 on the Group and the Bank, however, this estimate may move materially as events unfold. See Note 3(b) for further details.

The Board of Directors and the Executive Committee

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

- | | |
|----------------------------|--|
| ▪ Mr. Chhay Soeun | Chairman (Non-executive Director) |
| ▪ Dr. In Channy | Member (Executive Director) |
| ▪ Mr. Rath Yumeng | Member (Executive Director) |
| ▪ Mr. Kenichiro Mori | Member (Non-executive Director) |
| ▪ Ms. Mirjam Janssen | Member (Non-executive Director) |
| ▪ Mr. Stéphane Mangiavacca | Member (Non-executive Director) |
| ▪ Drs. Pieter Kooi | Member (Independent Director) |
| ▪ Mr. Ian Samuel Lydall | Member (Independent Director) |
| ▪ Mr. Van Sou Ieng | Member (Independent Director) (appointed on 2 September 2020) |

ACLEDA Bank Plc.

The Board of Directors and the Executive Committee (continued)

The members of the Executive Committee during the year and at the date of this report are:

- Dr. In Channy President & Group Managing Director
- Dr. So Phonnary EVP & Group Chief Operations Officer
- Mrs. Mar Amara EVP & Group Chief Financial Officer
- Mr. Rath Yumeng EVP & Group Chief Treasury Officer
- Mr. Ly Thay EVP & Group Chief Administrative Officer
- Mrs. Buth Bunsayha EVP & Group Chief Legal Officer and Corporate Secretary
- Mr. Mach Theary EVP & Group Chief Information Officer
- Dr. Loeung Sopheap EVP & Group Chief Risk Officer

The President & Group Managing Director's responsibilities in respect of the financial statements

The President & Group Managing Director, with the advice of the Executive Committee, is responsible for ensuring that the financial statements are properly drawn up so as to present fairly, in all material respects, the financial position of the Group and the Bank as at 31 December 2020 and the financial performance and cash flows for the year then ended in accordance with Cambodian International Financial Reporting Standards ("CIFRSs").

In preparing these financial statements, the President & Group Managing Director with the advice of the Executive Committee is required to:

- i) adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- ii) comply with the disclosure requirements of CIFRSs or if there have been any departures in the interest of true and fair presentation, this has 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 Group and the Bank will continue operations in the foreseeable future; and
- v) effectively control and direct the Group and the Bank in all material decisions affecting the operations and performance and ascertain that such have been properly reflected in the financial statements.

ACLEDA Bank Plc.

The President & Group Managing Director confirms that the Group and the Bank have complied with the above requirements in preparing the financial statements.



Mrs. Mar Amara
Executive Vice President & Group Chief Financial Officer



Dr. In Channy
President & Group Managing Director

Phnom Penh, Kingdom of Cambodia

Date: 25 FEB 2021

ACLEDA Bank Plc.

Approval of the financial statements

The accompanying financial statements, together with the notes thereto set out on pages 12 to 171, which present fairly, in all material respects, the financial positions of the Group and of the Bank as at 31 December 2020 and the financial performance and cash flows of the Group and of the Bank for the year then ended in accordance with CIFRSs, were approved by the Board of Directors.

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



Mr. Chhay Soeun
Chairman

Phnom Penh, Kingdom of Cambodia

Date: 25 FEB 2021



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REPORT OF THE INDEPENDENT AUDITORS

To the shareholders

ACLEDA Bank Plc.

Opinion

We have audited the consolidated financial statements of ACLEDA Bank Plc. and its subsidiaries (“the Group”) and the separate financial statements of the ACLEDA Bank Plc. (“the Bank”), which comprise the consolidated and separate statements of financial position of the Group and the Bank as at 31 December 2020, and the consolidated and the separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information as set out on pages 12 to 171 (hereafter referred to as “the financial statements”).

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

Basis for Opinion

We conducted our audit in accordance with Cambodian International Standards on Auditing (“CISAs”). Our responsibilities under those standards are further described in the *Auditors’ Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group and Bank in accordance 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current year. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| <p>Expected Credit Loss:</p> <p>At 31 December 2020, the Group's and Bank's loans to customers comprised 68.25% and 67.29% of Total Assets, respectively.</p> <p>CIFRS 9 "Financial Instruments", introduces the expected credit loss (ECL) impairment model. ECL applies to financial assets measured at amortised cost.</p> <p>The Group and the Bank had developed quantitative models to determine the ECL allowances for credit exposures. Significant judgement is applied in developing the models and in determining the relevant inputs and applicable assumptions.</p> <p>In respect of non-credit impaired exposures, significant judgement and assumptions are required in areas including:</p> <ul style="list-style-type: none"> • Development of ECL model parameters, including the probability of default (PD), loss given default (LGD) and exposure at default (EAD) for each portfolio; • Selection of criteria to determine whether a credit exposure has exhibited "significant increase in credit risk", thus requiring lifetime ECL allowance; and • Determination of relevant macroeconomic factors to incorporate into the models. <p>In respect of credit-impaired exposures, management judgement and estimation are applied in (i) identifying impaired exposures; (ii) estimating the related recoverable amounts; and (iii) where applicable, determining collateral values and timing of expected cash flows.</p> <p>As a result of the significance of loans to customers and the related estimation uncertainty over ECL allowances, the impairment of loans to customers is considered a key audit matter.</p> | <p>We tested the design, implementation and operating effectiveness of key controls surrounding the determination of ECL allowances.</p> <p>We involved our Information Technology (IT) specialists to test the (i) general and specific IT controls over loan overdue report, including access rights and change management controls.</p> <p>In order to ascertain the accuracy of key inputs to the loan overdue report, we checked a sample of loan against source documentation.</p> <p>We assessed the reasonableness of the criteria used for determination of "significant increase in credit risk".</p> <p>We involved our ECL specialists in the following areas:</p> <ul style="list-style-type: none"> • Review the Group's and Bank's classification of the financial instruments; • Review the Group's and Bank's segmentations in ECL modelling; • Assess the Group's and Bank's ECL modelling methodology for a sample of key portfolios against the requirements of CIFRS 9; and • Review the computation of ECL for selected loans. <p>We also assessed the reasonableness of the probability weighting of the economic scenarios applied, including the use of management overlay for impaired (stage 3) and non-impaired (stage 1 and stage 2) accounts.</p> <p>For a sample of loans, we independently re-calculated the ECL allowance to test the mathematical accuracy of the modelled calculations produced by the Group and the Bank.</p> |

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditors' report is the information included in the Report of the Board of Directors as set out on pages 1 to 7.



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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the subsidiaries within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matter. We describe this matter in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

For KPMG Cambodia Ltd

Nge Huy
Engagement Partner

Phnom Penh, Kingdom of Cambodia

25 February 2021

ACLEDA Bank Plc.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

| | Note | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) |
|---|-------|----------------------|----------------------|-----------------------------|-----------------------------|
| ASSETS | | | | | |
| Cash on hand | 5 | 412,759,051 | 421,527,238 | 1,669,610,361 | 1,717,723,495 |
| Deposits and placements with other banks | 6 | 534,653,146 | 587,730,531 | 2,162,671,976 | 2,395,001,914 |
| Financial investments | 7 | 566,674,523 | 527,474,976 | 2,292,198,446 | 2,149,460,527 |
| Loans and advances, net | 8 | 4,471,300,618 | 3,846,020,519 | 18,086,411,000 | 15,672,533,615 |
| Other assets | 9 | 22,766,913 | 17,529,833 | 92,092,163 | 71,434,070 |
| Statutory deposits | 10 | 360,377,008 | 587,336,099 | 1,457,724,997 | 2,393,394,603 |
| Property and equipment | 12 | 127,546,441 | 131,159,792 | 515,925,354 | 534,476,153 |
| Intangible assets | 13 | 14,690,675 | 8,998,993 | 59,423,780 | 36,670,896 |
| Right-of-use assets | 14 | 29,529,768 | 32,569,457 | 119,447,912 | 132,720,537 |
| Deferred tax assets, net | 15 | 11,195,845 | 14,814,354 | 45,287,193 | 60,368,494 |
| TOTAL ASSETS | | <u>6,551,493,988</u> | <u>6,175,161,792</u> | <u>26,500,793,182</u> | <u>25,163,784,304</u> |
| LIABILITIES AND EQUITY | | | | | |
| LIABILITIES | | | | | |
| Deposits and placements of other banks and financial institutions | 16 | 317,009,459 | 285,175,145 | 1,282,303,262 | 1,162,088,716 |
| Deposits from customers | 17 | 4,294,286,048 | 4,082,722,853 | 17,370,387,064 | 16,637,095,626 |
| Other liabilities | 18 | 63,751,108 | 58,810,875 | 257,873,232 | 239,654,316 |
| Borrowings | 19 | 542,398,916 | 564,971,701 | 2,194,003,615 | 2,302,259,682 |
| Subordinated debts | 20 | 167,158,623 | 139,302,580 | 676,156,630 | 567,658,014 |
| Current income tax liabilities | 29(a) | 30,292,370 | 30,459,303 | 122,532,637 | 124,121,660 |
| Lease liabilities | 21 | 28,617,902 | 30,915,939 | 115,759,414 | 125,982,451 |
| Employee benefits | 22 | 18,354,055 | 18,341,796 | 74,242,152 | 74,742,819 |
| TOTAL LIABILITIES | | <u>5,461,868,481</u> | <u>5,210,700,192</u> | <u>22,093,258,006</u> | <u>21,233,603,284</u> |
| EQUITY | | | | | |
| Share capital | 23 | 433,163,019 | 428,818,154 | 1,752,144,412 | 1,747,433,978 |
| Share premiums | 23 | 11,706,215 | - | 47,351,640 | - |
| Reserves | 33 | 503,094,236 | 414,748,726 | 2,048,708,997 | 1,708,085,266 |
| Retained earnings | | 141,662,037 | 120,894,720 | 559,330,127 | 474,661,776 |
| TOTAL EQUITY | | <u>1,089,625,507</u> | <u>964,461,600</u> | <u>4,407,535,176</u> | <u>3,930,181,020</u> |
| Non-controlling interests | | - | - | - | - |
| TOTAL LIABILITIES AND EQUITY | | <u>6,551,493,988</u> | <u>6,175,161,792</u> | <u>26,500,793,182</u> | <u>25,163,784,304</u> |

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

ACLEDA Bank Plc.

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

| | Note | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) |
|--|---------|---------------------|---------------------|-----------------------------|-----------------------------|
| Interest income calculated using the effective interest method | 24 | 515,094,476 | 483,543,466 | 2,100,040,179 | 1,959,318,124 |
| Interest expense | 25 | (150,777,317) | (156,872,680) | (614,719,121) | (635,648,099) |
| Net interest income | | <u>364,317,159</u> | <u>326,670,786</u> | <u>1,485,321,058</u> | <u>1,323,670,025</u> |
| Fee and commission income | 26 | 45,775,165 | 48,734,619 | 186,625,348 | 197,472,676 |
| Fee and commission expense | | (1,742,125) | (996,897) | (7,102,644) | (4,039,427) |
| Net fee and commission income | | <u>44,033,040</u> | <u>47,737,722</u> | <u>179,522,704</u> | <u>193,433,249</u> |
| Allowances for impairment losses on loans and advances, deposits and placements with other banks and other receivables | 35.1(f) | (20,794,031) | (23,411,205) | (84,777,264) | (94,862,203) |
| Allowance for impairment losses on off-balance sheet commitments | | 54,156 | 87,989 | 220,794 | 356,531 |
| Net impairment losses | | <u>(20,739,875)</u> | <u>(23,323,216)</u> | <u>(84,556,470)</u> | <u>(94,505,672)</u> |
| Net income after allowance for impairment | | <u>387,610,324</u> | <u>351,085,292</u> | <u>1,580,287,292</u> | <u>1,422,597,602</u> |
| Other incomes | 27 | 18,351,358 | 17,849,723 | 74,818,487 | 72,327,078 |
| General and administrative expenses | 28 | (225,926,220) | (215,412,394) | (921,101,199) | (872,851,020) |
| Profit before income tax | | <u>180,035,462</u> | <u>153,522,621</u> | <u>734,004,580</u> | <u>622,073,660</u> |
| Income tax expense | 29(b) | (38,542,872) | (32,662,809) | (157,139,291) | (132,349,702) |
| Profit for the year (carried forward to next page) | | <u>141,492,590</u> | <u>120,859,812</u> | <u>576,865,289</u> | <u>489,723,958</u> |

ACLEDA Bank Plc.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

| Note | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) |
|---|--------------------|--------------------|-----------------------------|-----------------------------|
| Profit for the year (brought forward from previous page) | 141,492,590 | 120,859,812 | 576,865,289 | 489,723,958 |
| Other comprehensive income: | | | | |
| <i>Items that will not be reclassified to profit or loss:</i> | | | | |
| Remeasurement of employee benefit obligations | 169,447 | 34,908 | 690,835 | 141,447 |
| <i>Items that are or may be reclassified subsequently to profit or loss:</i> | | | | |
| Currency translation differences | - | - | (8,160,026) | 7,330,165 |
| Other comprehensive income for the year | 169,447 | 34,908 | (7,469,191) | 7,471,612 |
| Total comprehensive income for the year | <u>141,662,037</u> | <u>120,894,720</u> | <u>569,396,098</u> | <u>497,195,570</u> |
| Profit for the year attributable to: | | | | |
| Owners of the Bank | 141,492,590 | 120,859,812 | 576,865,289 | 489,723,958 |
| Non-controlling interests | - | - | - | - |
| | <u>141,492,590</u> | <u>120,859,812</u> | <u>576,865,289</u> | <u>489,723,958</u> |
| Total comprehensive income attributable to: | | | | |
| Owners of the Bank | 141,662,037 | 120,894,720 | 569,396,098 | 497,195,570 |
| Non-controlling interests | - | - | - | - |
| | <u>141,662,037</u> | <u>120,894,720</u> | <u>569,396,098</u> | <u>497,195,570</u> |
| The earnings per share attributable to shareholders of Bank during the year are as follows: | | | | |
| Basic earnings per share | 30 | 0.33 | 0.29 | 1.32 |
| Diluted earnings per share | 30 | 0.33 | 0.29 | 1.20 |

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

ACLEDA Bank Plc.

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

| | Attributable to equity holders of the Parent | | | | | | | | | | | | | |
|---|--|---------------|----------------|------------|-------------|---------------|-------------------|---------------|---------------|---------------|--------------------------|----------|---------------|---------------|
| | Share capital | | Share premiums | | Reserves | | Retained earnings | | Total | | Non-controlling interest | | Total equity | |
| | US\$ | KHR'000 | US\$ | KHR'000 | US\$ | KHR'000 | US\$ | KHR'000 | US\$ | KHR'000 | US\$ | KHR'000 | US\$ | KHR'000 |
| | (Note 4) | (Note 4) | (Note 4) | (Note 4) | (Note 4) | (Note 4) | (Note 4) | (Note 4) | (Note 4) | (Note 4) | (Note 4) | (Note 4) | (Note 4) | (Note 4) |
| As at 1 January 2020 | 428,818,154 | 1,747,433,978 | - | - | 414,748,726 | 1,708,085,266 | 120,894,720 | 474,661,776 | 964,461,600 | 3,930,181,020 | - | - | 964,461,600 | 3,930,181,020 |
| Profit for the year | - | - | - | - | - | - | 141,492,590 | 576,865,289 | 141,492,590 | 576,865,289 | - | - | 141,492,590 | 576,865,289 |
| <i>Other comprehensive income:</i> | | | | | | | | | | | | | | |
| Remeasurement of employee benefit obligations | - | - | - | - | - | - | 169,447 | 690,835 | 169,447 | 690,835 | - | - | 169,447 | 690,835 |
| Currency translation differences | - | - | - | - | - | (8,160,026) | - | - | - | (8,160,026) | - | - | - | (8,160,026) |
| Total comprehensive income for the year | - | - | - | - | - | (8,160,026) | 141,662,037 | 577,556,124 | 141,662,037 | 569,396,098 | - | - | 141,662,037 | 569,396,098 |
| Transaction with owners: | | | | | | | | | | | | | | |
| Conversion of retained earnings to share capital | - | - | - | - | (4,451,864) | (18,150,250) | 4,451,864 | 18,150,250 | - | - | - | - | - | - |
| Dividend paid | - | - | - | - | - | - | (32,718,825) | (133,394,650) | (32,718,825) | (133,394,650) | - | - | (32,718,825) | (133,394,650) |
| Transfers from retained earnings to general reserves | - | - | - | - | 66,285,795 | 270,247,186 | (66,730,585) | (272,060,595) | (444,790) | (1,813,409) | - | - | (444,790) | (1,813,409) |
| Share issued | 4,344,865 | 17,714,015 | 11,706,215 | 47,726,239 | - | - | - | - | 16,051,080 | 65,440,254 | - | - | 16,051,080 | 65,440,254 |
| Transfer from retained earnings to regulatory reserves | - | - | - | - | 25,897,174 | 105,582,778 | (25,897,174) | (105,582,778) | - | - | - | - | - | - |
| Currency translation differences - foreign subsidiaries | - | - | - | - | 614,405 | 2,504,929 | - | - | 614,405 | 2,504,929 | - | - | 614,405 | 2,504,929 |
| Currency translation differences | - | (13,003,581) | - | (374,599) | - | (11,400,886) | - | - | - | (24,779,066) | - | - | - | (24,779,066) |
| Total transactions with owners: | 4,344,865 | 4,710,434 | 11,706,215 | 47,351,640 | 88,345,510 | 348,783,757 | (120,894,720) | (492,887,773) | (16,498,130) | (92,041,942) | - | - | (16,498,130) | (92,041,942) |
| As at 31 December 2020 | 433,163,019 | 1,752,144,412 | 11,706,215 | 47,351,640 | 503,094,236 | 2,048,708,997 | 141,662,037 | 559,330,127 | 1,089,625,507 | 4,407,535,176 | - | - | 1,089,625,507 | 4,407,535,176 |

ACLEDA Bank Plc.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

| | Attributable to equity holders of the Parent | | | | | | Non-controlling interest | | Total equity | | | |
|---|--|---------------|--------------|---------------|-------------------|---------------|--------------------------|---------------|--------------|---------|--------------|---------------|
| | Share capital | | Reserves | | Retained earnings | | Total | | US\$ | KHR'000 | | |
| | US\$ | KHR'000 | US\$ | KHR'000 | US\$ | KHR'000 | US\$ | KHR'000 | | | | |
| | (Note 4) | (Note 4) | (Note 4) | (Note 4) | (Note 4) | (Note 4) | (Note 4) | (Note 4) | (Note 4) | | | |
| As at 1 January 2019 | 395,224,105 | 1,588,010,454 | 377,798,286 | 1,529,226,903 | 79,817,291 | 309,472,482 | 852,839,682 | 3,426,709,839 | - | - | 852,839,682 | 3,426,709,839 |
| Adjustment on initial application of CIFRS 16, net of tax | - | - | - | - | - | - | - | - | - | - | - | - |
| Restated balance at 1 January 2019 | 395,224,105 | 1,588,010,454 | 377,798,286 | 1,529,226,903 | 79,817,291 | 309,472,482 | 852,839,682 | 3,426,709,839 | - | - | 852,839,682 | 3,426,709,839 |
| Profit for the year | - | - | - | - | 120,859,812 | 489,723,958 | 120,859,812 | 489,723,958 | - | - | 120,859,812 | 489,723,958 |
| <i>Other comprehensive income:</i> | | | | | | | | | | | | |
| Remeasurement of employee benefit obligations | - | - | - | - | 34,908 | 141,447 | 34,908 | 141,447 | - | - | 34,908 | 141,447 |
| Currency translation differences | - | - | - | 7,330,165 | - | - | - | 7,330,165 | - | - | - | 7,330,165 |
| Total comprehensive income for the year | - | - | - | 7,330,165 | 120,894,720 | 489,865,405 | 120,894,720 | 497,195,570 | - | - | 120,894,720 | 497,195,570 |
| Transaction with owners: | | | | | | | | | | | | |
| Dividends in share capital | 33,594,049 | 136,761,373 | - | - | (33,594,049) | (136,761,373) | - | - | - | - | - | - |
| Dividend paid | - | - | - | - | (8,418,273) | (34,060,333) | (8,418,273) | (34,060,333) | - | - | (8,418,273) | (34,060,333) |
| Transfers from retained earnings to general reserves | - | - | 50,210,960 | 204,408,818 | (50,210,960) | (204,408,818) | - | - | - | - | - | - |
| Transfer from regulatory reserves to retained earnings | - | - | (12,405,991) | (50,554,413) | 12,405,991 | 50,554,413 | - | - | - | - | - | - |
| Acquisition of non-controlling interest in AMM | - | - | 14,279,344 | 58,188,327 | - | - | 14,279,344 | 58,188,327 | - | - | 14,279,344 | 58,188,327 |
| Currency translation differences - foreign subsidiaries | - | - | (15,133,873) | (61,670,532) | - | - | (15,133,873) | (61,670,532) | - | - | (15,133,873) | (61,670,532) |
| Currency translation differences | - | 22,662,151 | - | 21,155,998 | - | - | - | 43,818,149 | - | - | - | 43,818,149 |
| Total transactions with owners: | 33,594,049 | 159,423,524 | 36,950,440 | 171,528,198 | (79,817,291) | (324,676,111) | (9,272,802) | 6,275,611 | - | - | (9,272,802) | 6,275,611 |
| As at 31 December 2019 | 428,818,154 | 1,747,433,978 | 414,748,726 | 1,708,085,266 | 120,894,720 | 474,661,776 | 964,461,600 | 3,930,181,020 | - | - | 964,461,600 | 3,930,181,020 |

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

ACLEDA Bank Plc.

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

| | Note | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) |
|---|-------|----------------------|----------------------|-----------------------------|-----------------------------|
| Cash flows from operating activities | | | | | |
| Profit for the year | | 141,492,590 | 120,859,812 | 576,865,289 | 489,723,958 |
| <i>Adjustments for:</i> | | | | | |
| Depreciation | 12 | 21,249,218 | 21,426,470 | 86,633,062 | 86,820,056 |
| Amortisation | 13 | 3,667,583 | 3,537,457 | 14,952,736 | 14,333,776 |
| Depreciation on right-of-use assets | 14 | 10,627,120 | 10,469,819 | 43,326,768 | 42,423,707 |
| Adjustments of property and equipment | | 18,534 | 47,552 | 75,563 | 192,681 |
| Adjustments of intangible assets | | 290,284 | 405,017 | 1,183,488 | 1,641,129 |
| Provident fund expenses | | - | 229,211 | - | 928,763 |
| Allowances for impairment losses | 8 | 20,739,875 | 23,323,216 | 84,556,470 | 94,505,672 |
| Retirement benefits | 22(a) | 1,697,341 | 1,557,654 | 6,920,060 | 6,311,615 |
| Seniority indemnity benefits | 22(c) | 6,563,719 | 3,233,915 | 26,760,282 | 13,103,824 |
| Income tax expense | 29(b) | 38,542,872 | 32,662,809 | 157,139,291 | 132,349,702 |
| Currency translation reserves | | 614,405 | (854,529) | 2,504,929 | (3,462,552) |
| Net interest income | | (364,317,159) | (326,670,786) | (1,485,321,058) | (1,323,670,025) |
| Gains on disposals of property and equipment, and intangible assets | | (369,528) | (76,481) | (1,506,566) | (309,901) |
| Unrealised exchange gains | | (262,358) | (1,098,279) | (1,069,635) | (4,450,225) |
| | | <u>(119,445,504)</u> | <u>(110,947,143)</u> | <u>(486,979,321)</u> | <u>(449,557,820)</u> |
| <i>Changes in:</i> | | | | | |
| Loans and advances | | (646,063,530) | (274,262,158) | (2,634,001,012) | (1,111,310,264) |
| Deposits and placements with other banks | | 181,602,086 | (1,127,269) | 740,391,705 | (4,567,694) |
| Statutory deposits | | 43,449,288 | (46,761,126) | 177,142,747 | (189,476,083) |
| Other assets | | (5,560,237) | 4,933,119 | (22,669,086) | 19,988,998 |
| Deposits from customers | | 211,563,195 | 500,799,381 | 862,543,146 | 2,029,239,092 |
| Deposits and placements from other banks and financial institutions | | 31,834,314 | (3,627,445) | 129,788,498 | (14,698,407) |
| Provident fund | | - | 210,110 | - | 851,366 |
| Career development | | 1,312,641 | 1,385,493 | 5,351,637 | 5,614,018 |
| Other liabilities | | 10,301,728 | (6,520,957) | 42,000,145 | (26,422,918) |
| | | <u>(291,006,019)</u> | <u>64,082,005</u> | <u>(1,186,431,541)</u> | <u>259,660,288</u> |
| Net cash (used in)/generated from operations | | | | | |
| Interest received | | 515,468,173 | 481,469,555 | 2,101,563,741 | 1,950,914,637 |
| Interest paid | | (154,011,306) | (147,723,120) | (627,904,095) | (598,574,082) |
| Income tax paid | 29(a) | (35,064,652) | (19,216,756) | (142,958,586) | (77,866,295) |
| Provident fund paid | | - | (430,973) | - | (1,746,303) |
| Retirement benefits paid | 22(a) | (216,840) | (195,444) | (884,057) | (791,939) |
| Career development paid | 22(b) | (2,085,315) | (1,465,393) | (8,501,829) | (5,937,772) |
| Seniority benefits paid | 22(c) | (6,998,257) | (6,225,869) | (28,531,894) | (25,227,221) |
| | | <u>26,085,784</u> | <u>370,294,005</u> | <u>106,351,739</u> | <u>1,500,431,313</u> |
| Net cash generated from operating activities | | | | | |

ACLEDA Bank Plc.

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

| | Note | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) |
|---|------|----------------------|----------------------|-----------------------------|-----------------------------|
| Cash flows from investing activities | | | | | |
| Financial investments | | 22,946,576 | 22,407,441 | 93,553,190 | 90,794,951 |
| Purchases of property and equipment | 12 | (17,704,489) | (14,830,497) | (72,181,202) | (60,093,174) |
| Purchases of intangible assets | 13 | (9,689,231) | (2,027,251) | (39,502,995) | (8,214,421) |
| Proceeds from disposals of property and equipment | | 408,958 | 361,117 | 1,667,322 | 1,463,246 |
| Net cash (used in)/generated from investing activities | | <u>(4,038,186)</u> | <u>5,910,810</u> | <u>(16,463,685)</u> | <u>23,950,602</u> |
| Cash flows from financing activities | | | | | |
| Payments of dividends | | (32,718,825) | (8,418,273) | (133,394,650) | (34,110,842) |
| Payment tax on ABL's increase capital | | (444,790) | - | (1,813,409) | - |
| Repayments of borrowings | | (201,163,263) | (454,555,076) | (820,142,623) | (1,841,857,168) |
| Proceeds from borrowings | | 178,590,478 | 229,266,385 | 728,113,379 | 928,987,392 |
| Repayments of subordinated debts | | (7,143,957) | (32,000,000) | (29,125,913) | (129,664,000) |
| Proceeds from subordinated debts | | 35,000,000 | 93,833,667 | 142,695,000 | 380,214,019 |
| Proceeds from share issuance | | 4,344,865 | - | 17,714,015 | - |
| Proceeds from share premium | | 11,706,215 | - | 47,726,239 | - |
| Payments of lease liabilities | 21 | (11,833,274) | (11,282,470) | (48,244,258) | (45,716,568) |
| Net cash used in financing activities | | <u>(23,662,551)</u> | <u>(183,155,767)</u> | <u>(96,472,220)</u> | <u>(742,147,167)</u> |
| Net (decrease)/increase in cash and cash equivalents | | <u>(1,614,953)</u> | <u>193,049,048</u> | <u>(6,584,166)</u> | <u>782,234,748</u> |
| Cash and cash equivalents at the beginning of the year | | 1,498,720,457 | 1,305,671,409 | 6,107,285,862 | 5,246,187,721 |
| Currency translation difference | | - | - | (44,909,932) | 78,863,393 |
| Cash and cash equivalents at the end of the year | 31 | <u>1,497,105,504</u> | <u>1,498,720,457</u> | <u>6,055,791,764</u> | <u>6,107,285,862</u> |

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

ACLEDA Bank Plc.

SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

| | Note | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) |
|---|-------|----------------------|----------------------|-----------------------------|-----------------------------|
| ASSETS | | | | | |
| Cash on hand | 5 | 400,816,126 | 410,955,867 | 1,621,301,230 | 1,674,645,158 |
| Deposits and placements with other banks | 6 | 507,629,407 | 558,612,340 | 2,053,360,951 | 2,276,345,286 |
| Financial investments | 7 | 566,674,523 | 527,474,976 | 2,292,198,446 | 2,149,460,527 |
| Loans and advances, net | 8 | 4,292,649,159 | 3,686,578,943 | 17,363,765,848 | 15,022,809,193 |
| Other assets | 9 | 20,256,110 | 15,667,540 | 81,935,965 | 63,845,226 |
| Statutory deposits | 10 | 356,753,756 | 583,195,741 | 1,443,068,943 | 2,376,522,645 |
| Investments in subsidiaries | 11 | 91,115,571 | 91,135,571 | 368,562,485 | 371,377,452 |
| Property and equipment | 12 | 90,836,422 | 92,911,344 | 367,433,327 | 378,613,728 |
| Intangible assets | 13 | 13,884,558 | 7,915,362 | 56,163,037 | 32,255,100 |
| Right-of-use assets | 14 | 26,182,172 | 28,847,850 | 105,906,886 | 117,554,989 |
| Deferred tax assets, net | 15 | 12,685,947 | 14,007,743 | 51,314,656 | 57,081,553 |
| TOTAL ASSETS | | 6,379,483,751 | 6,017,303,277 | 25,805,011,774 | 24,520,510,857 |
| LIABILITIES AND EQUITY | | | | | |
| LIABILITIES | | | | | |
| Deposits and placements of other banks and financial institutions | 16 | 296,764,554 | 274,277,721 | 1,200,412,621 | 1,117,681,713 |
| Deposits from customers | 17 | 4,180,268,737 | 3,982,146,559 | 16,909,187,041 | 16,227,247,228 |
| Other liabilities | 18 | 62,408,882 | 56,597,551 | 252,443,928 | 230,635,021 |
| Borrowings | 19 | 507,352,916 | 518,068,128 | 2,052,242,545 | 2,111,127,622 |
| Subordinated debts | 20 | 167,158,623 | 139,302,580 | 676,156,630 | 567,658,014 |
| Current income tax liabilities | 29(a) | 27,950,334 | 29,175,560 | 113,059,101 | 118,890,407 |
| Lease liabilities | 21 | 25,772,385 | 27,789,168 | 104,249,297 | 113,240,860 |
| Employee benefits | 22 | 17,781,763 | 17,667,477 | 71,927,231 | 71,994,969 |
| TOTAL LIABILITIES | | 5,285,458,194 | 5,045,024,744 | 21,379,678,394 | 20,558,475,834 |
| EQUITY | | | | | |
| Share capital | 23 | 433,163,019 | 428,818,154 | 1,752,144,412 | 1,747,433,978 |
| Share premiums | 23 | 11,706,215 | - | 47,351,640 | - |
| Reserves | 33 | 510,741,554 | 425,709,612 | 2,079,357,802 | 1,752,368,656 |
| Retained earnings | | 138,414,769 | 117,750,767 | 546,479,526 | 462,232,389 |
| TOTAL EQUITY | | 1,094,025,557 | 972,278,533 | 4,425,333,380 | 3,962,035,023 |
| TOTAL LIABILITIES AND EQUITY | | 6,379,483,751 | 6,017,303,277 | 25,805,011,774 | 24,520,510,857 |

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

ACLEDA Bank Plc.

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

| | Note | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) |
|---|---------|--------------------|--------------------|-----------------------------|-----------------------------|
| Interest income calculated using the effective interest method | 24 | 478,739,341 | 452,651,289 | 1,951,820,293 | 1,834,143,023 |
| Interest expense | 25 | (139,856,147) | (146,483,987) | (570,193,511) | (593,553,115) |
| Net interest income | | <u>338,883,194</u> | <u>306,167,302</u> | <u>1,381,626,782</u> | <u>1,240,589,908</u> |
| Fee and commission income | 26 | 42,354,094 | 46,048,224 | 172,677,641 | 186,587,404 |
| Fee and commission expense | | (1,526,370) | (667,992) | (6,223,010) | (2,706,704) |
| Net fee and commission income | | <u>40,827,724</u> | <u>45,380,232</u> | <u>166,454,631</u> | <u>183,880,700</u> |
| Allowances for impairment losses for loans and advances, deposits and placements with other banks and other receivables | 35.1(f) | (16,247,676) | (21,780,632) | (66,241,775) | (88,255,121) |
| Allowances for impairment losses on off-balance sheet commitments | | 132,082 | (360,354) | 538,498 | (1,460,154) |
| Net impairment losses | | (16,115,594) | (22,140,986) | (65,703,277) | (89,715,275) |
| Net income after allowance for impairment | | <u>363,595,324</u> | <u>329,406,548</u> | <u>1,482,378,136</u> | <u>1,334,755,333</u> |
| Other incomes | 27 | 16,662,748 | 16,233,764 | 67,934,024 | 65,779,212 |
| General and administrative expenses | 28 | (208,103,757) | (197,413,910) | (848,439,017) | (799,921,163) |
| Profit before income tax | | <u>172,154,315</u> | <u>148,226,402</u> | <u>701,873,143</u> | <u>600,613,382</u> |
| Income tax expenses | 29(b) | (33,812,139) | (30,339,623) | (137,852,091) | (122,936,153) |
| Profit for the year | | <u>138,342,176</u> | <u>117,886,779</u> | <u>564,021,052</u> | <u>477,677,229</u> |
| Other comprehensive income: | | | | | |
| <i>Items that will not be reclassified to profit or loss:</i> | | | | | |
| Remeasurement of employee benefit obligations | | 72,593 | (136,012) | 295,962 | (551,121) |
| Currency translation differences | | - | - | (7,961,797) | 7,153,755 |
| Other comprehensive income during the year | | <u>72,593</u> | <u>(136,012)</u> | <u>(7,665,835)</u> | <u>6,602,634</u> |
| Total comprehensive income for the year | | <u>138,414,769</u> | <u>117,750,767</u> | <u>556,355,217</u> | <u>484,279,863</u> |
| Profit attributable to: | | | | | |
| Equity holders of the Bank | | <u>138,342,176</u> | <u>117,886,779</u> | <u>564,021,052</u> | <u>477,677,229</u> |
| Total comprehensive income attributable to: | | | | | |
| Equity holders of the Bank | | <u>138,414,769</u> | <u>117,750,767</u> | <u>556,355,217</u> | <u>484,279,863</u> |

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

ACLEDA Bank Plc.

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

| | Attributable to equity holders of the Bank | | | | | | | | | |
|--|--|----------------------|-------------------|---------------------|--------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | Share capital | | Share premium | | Reserves | | Retained earnings | | Total equity | |
| | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) |
| As at 1 January 2020 | 428,818,154 | 1,747,433,978 | - | - | 425,709,612 | 1,752,368,656 | 117,750,767 | 462,232,389 | 972,278,533 | 3,962,035,023 |
| Profit for the year | - | - | - | - | - | - | 138,342,176 | 564,021,052 | 138,342,176 | 564,021,052 |
| <i>Other comprehensive income:</i> | | | | | | | | | | |
| Remeasurement of employee benefit obligations | - | - | - | - | - | - | 72,593 | 295,962 | 72,593 | 295,962 |
| Currency translation difference | - | - | - | - | - | (7,961,797) | - | - | - | (7,961,797) |
| Total comprehensive income for the year | - | - | - | - | - | (7,961,797) | 138,414,769 | 564,317,014 | 138,414,769 | 556,355,217 |
| Transaction with owners: | | | | | | | | | | |
| Dividend paid | - | - | - | - | - | - | (32,718,825) | (133,394,650) | (32,718,825) | (133,394,650) |
| Transfer from retained earnings to general reserves | - | - | - | - | 66,949,305 | 272,952,316 | (66,949,305) | (272,952,316) | - | - |
| Share issued | 4,344,865 | 17,714,015 | 11,706,215 | 47,726,239 | - | - | - | - | 16,051,080 | 65,440,254 |
| Transfer from retained earnings to regulatory reserves | - | - | - | - | 18,082,637 | 73,722,911 | (18,082,637) | (73,722,911) | - | - |
| Currency translation difference | - | (13,003,581) | - | (374,599) | - | (11,724,284) | - | - | - | (25,102,464) |
| Total transactions with owners: | <u>4,344,865</u> | <u>4,710,434</u> | <u>11,706,215</u> | <u>47,351,640</u> | <u>85,031,942</u> | <u>334,950,943</u> | <u>(117,750,767)</u> | <u>(480,069,877)</u> | <u>(16,667,745)</u> | <u>(93,056,860)</u> |
| As at 31 December 2020 | <u>433,163,019</u> | <u>1,752,144,412</u> | <u>11,706,215</u> | <u>47,351,640</u> | <u>510,741,554</u> | <u>2,079,357,802</u> | <u>138,414,769</u> | <u>546,479,526</u> | <u>1,094,025,557</u> | <u>4,425,333,380</u> |

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

ACLEDA Bank Plc.

SEPARATE STATEMENT OF CHANGES IN EQUITY (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

| | Attributable to equity holders of the Bank | | | | | | | |
|---|--|---------------------|--------------|---------------------|-------------------|---------------------|--------------|---------------------|
| | Share capital | | Reserves | | Retained earnings | | Total equity | |
| | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) |
| As at 1 January 2019 | 395,224,105 | 1,588,010,454 | 389,730,923 | 1,576,960,188 | 77,991,011 | 302,346,542 | 862,946,039 | 3,467,317,184 |
| Adjustment on initial application of CIFRS 16, net of tax | - | - | - | - | - | - | - | - |
| Restated balance as at 1 January 2019 | 395,224,105 | 1,588,010,454 | 389,730,923 | 1,576,960,188 | 77,991,011 | 302,346,542 | 862,946,039 | 3,467,317,184 |
| Profit for the year | - | - | - | - | 117,886,779 | 477,677,229 | 117,886,779 | 477,677,229 |
| <i>Other comprehensive income:</i> | | | | | | | | |
| Remeasurement of employee benefit obligations | - | - | - | - | (136,012) | (551,121) | (136,012) | (551,121) |
| Currency translation difference | - | - | - | 7,153,755 | - | - | - | 7,153,755 |
| Total comprehensive income for the year | - | - | - | 7,153,755 | 117,750,767 | 477,126,108 | 117,750,767 | 484,279,863 |
| Transaction with owners: | | | | | | | | |
| Dividends in share capital | 33,594,049 | 136,761,373 | - | - | (33,594,049) | (136,761,373) | - | - |
| Dividend paid | - | - | - | - | (8,418,273) | (34,060,333) | (8,418,273) | (34,060,333) |
| Transfers from retained earnings to general reserves | - | - | 48,650,597 | 198,056,580 | (48,650,597) | (198,056,580) | - | - |
| Transfer from regulatory reserves to retained earnings | - | - | (12,671,908) | (51,638,025) | 12,671,908 | 51,638,025 | - | - |
| Currency translation difference | - | 22,662,151 | - | 21,836,158 | - | - | - | 44,498,309 |
| Total transaction with owners | 33,594,049 | 159,423,524 | 35,978,689 | 168,254,713 | (77,991,011) | (317,240,261) | (8,418,273) | 10,437,976 |
| As at 31 December 2019 | 428,818,154 | 1,747,433,978 | 425,709,612 | 1,752,368,656 | 117,750,767 | 462,232,389 | 972,278,533 | 3,962,035,023 |

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

ACLEDA Bank Plc.

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

| | Note | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) |
|---|-------|---------------|---------------|-----------------------------|-----------------------------|
| Cash flows from operating activities | | | | | |
| Profit for the year | | 138,342,176 | 117,886,779 | 564,021,052 | 477,677,229 |
| <i>Adjustments for:</i> | | | | | |
| Depreciation charge | 12 | 19,181,151 | 19,275,787 | 78,201,553 | 78,105,489 |
| Amortisation charge | 13 | 3,339,510 | 3,182,821 | 13,615,182 | 12,896,791 |
| Depreciation charge on right-of-use assets | 14 | 9,770,638 | 9,647,871 | 39,834,891 | 39,093,173 |
| Adjustments of property and equipment | | 18,534 | 42,797 | 75,563 | 173,413 |
| Adjustments of intangible assets | | 290,284 | 391,150 | 1,183,488 | 1,584,940 |
| Allowances for impairment losses | 8 | 16,115,594 | 22,140,986 | 65,703,277 | 89,715,275 |
| Retirement benefits | 22(a) | 1,577,677 | 1,402,077 | 6,432,189 | 5,681,218 |
| Seniority indemnity benefits | 22(c) | 6,378,738 | 3,171,116 | 26,006,115 | 12,849,362 |
| Income tax expense | | 33,812,139 | 30,339,623 | 137,852,091 | 122,936,153 |
| Net interest income | | (338,883,194) | (306,167,302) | (1,381,626,782) | (1,240,589,908) |
| Gains on disposals of property and equipment, and intangible assets | | (326,299) | (84,637) | (1,330,321) | (342,949) |
| Unrealised exchange gains | | (227,794) | (1,019,390) | (928,716) | (4,130,570) |
| | | (110,610,846) | (99,790,322) | (450,960,418) | (404,350,384) |
| <i>Changes in:</i> | | | | | |
| Loans and advances | | (622,248,079) | (248,474,859) | (2,536,905,418) | (1,006,820,129) |
| Deposits and placements with other banks | | 181,359,387 | - | 739,402,221 | - |
| Statutory deposits | | 42,047,558 | (45,242,469) | 171,427,894 | (183,322,484) |
| Other assets | | (4,910,075) | 4,473,609 | (20,018,376) | 18,127,064 |
| Deposits from customers | | 198,122,178 | 480,664,056 | 807,744,120 | 1,947,650,755 |
| Deposits and placements of other banks and financial institutions | | 22,486,833 | (10,286,581) | 91,678,818 | (41,681,226) |
| Career development | | 1,312,641 | 1,385,493 | 5,351,637 | 5,614,018 |
| Other liabilities | | 11,583,756 | (6,460,668) | 47,226,973 | (26,178,627) |
| Net cash (used in)/generated from operations | | (280,856,647) | 76,268,259 | (1,145,052,549) | 309,038,987 |
| Interest received | | 479,113,715 | 452,668,423 | 1,953,346,616 | 1,834,212,450 |
| Interest paid | | (143,620,714) | (138,672,994) | (585,541,651) | (561,902,972) |
| Income tax paid | 29(a) | (33,715,569) | (17,140,531) | (137,458,375) | (69,453,432) |
| Retirement benefits paid | 22(a) | (143,004) | (148,350) | (583,027) | (601,114) |
| Career development paid | 22(b) | (2,085,315) | (1,465,393) | (8,501,829) | (5,937,772) |
| Seniority benefits paid | 22(c) | (6,815,248) | (6,112,312) | (27,785,766) | (24,767,088) |
| Net cash generated from operating activities | | 11,877,218 | 365,397,102 | 48,423,419 | 1,480,589,059 |

ACLEDA Bank Plc.

SEPARATE STATEMENT OF CASH FLOWS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

| | Note | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) |
|---|------|----------------------|----------------------|-----------------------------|-----------------------------|
| Cash flows from investing activities | | | | | |
| Financial investments | | 22,946,576 | 22,407,441 | 93,553,190 | 90,794,951 |
| Purchases of property and equipment | 12 | (17,093,791) | (13,172,435) | (69,691,386) | (53,374,707) |
| Purchases of intangible assets | 13 | (9,603,297) | (1,750,656) | (39,152,642) | (7,093,658) |
| Investment in subsidiaries | | 20,000 | (7,965,290) | 81,540 | (32,275,355) |
| Proceeds from disposals of property and equipment | | 348,105 | 339,449 | 1,419,224 | 1,375,447 |
| Net cash used in investing activities | | <u>(3,382,407)</u> | <u>(141,491)</u> | <u>(13,790,074)</u> | <u>(573,322)</u> |
| Cash flows from financing activities | | | | | |
| Payments of dividends | | (32,718,825) | (8,418,273) | (133,394,650) | (34,110,842) |
| Repayments of borrowings | | (186,213,293) | (429,912,785) | (759,191,596) | (1,742,006,605) |
| Proceeds from borrowings | | 175,498,081 | 194,388,451 | 715,505,676 | 787,662,003 |
| Repayments of subordinated debts | | (7,143,957) | (32,000,000) | (29,125,913) | (129,664,000) |
| Proceeds from subordinated debt | | 35,000,000 | 93,833,667 | 142,695,000 | 380,214,019 |
| Proceeds from share issuance | | 4,344,865 | - | 17,714,015 | - |
| Proceeds from share premium | | 11,706,215 | - | 47,726,239 | - |
| Payment of lease liabilities | 21 | (10,883,406) | (10,452,195) | (44,371,646) | (42,352,294) |
| Net cash used in financing activities | | <u>(10,410,320)</u> | <u>(192,561,135)</u> | <u>(42,442,875)</u> | <u>(780,257,719)</u> |
| Net (decrease)/increase in cash and cash equivalents | | (1,915,509) | 172,694,476 | (7,809,530) | 699,758,018 |
| Cash and cash equivalents at the beginning of the year | | 1,459,613,448 | 1,286,918,972 | 5,947,924,801 | 5,170,840,429 |
| Currency translation difference | | - | - | (43,727,108) | 77,326,354 |
| Cash and cash equivalents at the end of the year | 31 | <u>1,457,697,939</u> | <u>1,459,613,448</u> | <u>5,896,388,163</u> | <u>5,947,924,801</u> |

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

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. Background information

Prior to 1 December 2003, ACLEDA Bank Plc. (“the Bank”) was a public limited company formed under the Laws of the Kingdom of Cambodia to operate as a specialised bank with a Head Office located in Phnom Penh and 14 branches in the Kingdom of Cambodia. On 1 December 2003, the National Bank of Cambodia (“NBC”) issued a license for the Bank to become a private commercial bank for a period of three years commencing 1 December 2003. The Bank’s license was renewed for an indefinite period on 28 November 2006.

The registered office of the Bank is located at No 61, Preah Monivong Boulevard, Sangkat Srah Chork, Khan Daun Penh, Phnom Penh, the Kingdom of Cambodia.

The Bank operates under the supervision of the National Bank of Cambodia (“NBC”) with special focus on providing lending and other financial services to the citizenry and small and medium enterprises and to engage in all other activities which the Board believes support these objectives.

The principal activities of the subsidiaries are disclosed in Note 11 to the financial statements.

As at 31 December 2020, the Bank and its subsidiaries had 13,704 employees (2019: 13,655 employees).

The financial statements were authorised for issue by the Board of Directors on 25 February 2021.

2. Summary of significant accounting policies

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

(a) Basis of preparation

The financial statements of the Group and the Bank have been prepared in accordance with Cambodian International Financial Reporting Standards (“CIFRSs”). The consolidated financial statements have been prepared on a historical cost basis.

The preparation of financial statements in conformity with CIFRSs requires the use of certain critical accounting estimates. It also requires the Directors to exercise judgment in the process of applying the Group’s and the Bank’s 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.

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

2. Summary of significant accounting policies (continued)

(b) Standards issued but not yet adopted

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

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

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

(c) Consolidation

(i) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct relevant activities of the entity.

The consolidated financial statements include the financial statements of the Bank and all its subsidiaries made up to the end of the financial year.

Subsidiaries are consolidated from the date on which control is transferred to the Group and deconsolidated from the date that control ceases.

All material transactions and balances between group companies are eliminated and the consolidated financial statements reflect external transactions only. Where necessary, the accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss in control are accounted for as equity transactions that is, as transactions with the owners in their capacity as owners. For purchases from non-controlling interest, the difference between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary acquired is deducted from equity. For disposals to non-controlling interests, differences between any proceeds received and the relevant share of non-controlling interest are also recognised in equity.

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

2. Summary of significant accounting policies (continued)

(c) Consolidation (continued)

(iii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in statement of profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for retained interest as an associate, joint venture or financial assets. In addition, any amount previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to statement of profit or loss.

(iv) Investments in subsidiaries

In the Bank's separate financial statements, investments in subsidiaries are carried at cost less any accumulated impairment losses. On disposal of investments in subsidiaries, the difference between disposal proceeds and the carrying amounts of investments are recognised in the statement of profit or loss.

The amounts due from subsidiaries of which the Bank does not expect repayment in foreseeable future are considered as part of the Bank's investments in subsidiaries.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in United States Dollars ("US\$"), which is the Group's and the Bank's functional and presentation currency.

(ii) Transactions and balances

Transactions in currencies other than US\$ 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 currencies other than US\$ are recognised in the statement of profit or loss.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

2. Summary of significant accounting policies (continued)

(d) Foreign currency translation (continued)

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the Bank's presentation currency are translated into the presentation currency as follows:

- a) assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of reporting period,
- b) income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- c) all resulting exchange differences are recognised as separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign operations are recognised in other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences are reclassified to the statement of profit or loss as part of gain or loss on sale.

(e) Financial assets and financial liabilities

(i). Recognition and initial measurement

The Group/the Bank initially recognises loans and advances, deposits and placements with other banks, borrowings and subordinated liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Group or 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 fair value through profit and loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue.

(ii). Classification

On initial recognition, a financial asset is classified as: amortised cost, fair value through other comprehensive income ("FVOCI") or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

2. Summary of significant accounting policies (continued)

(e) Financial assets and financial liabilities (continued)

(ii). *Classification (continued)*

- the contractual terms of the financial asset give rise on specified dates to cash flows that are 'solely payment for principal and interest' ("SPPI").

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Group or the Bank may irrevocably elect to present subsequent changes in fair value in other comprehensive income ("OCI"). This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL

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

Business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's or the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

2. Summary of significant accounting policies (continued)

(e) Financial assets and financial liabilities (continued)

(ii). Classification (continued)

Business model assessment (continued)

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

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

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

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

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

In making the assessment, the Group/the Bank considers:

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

The Group or the Bank holds a portfolio of long-term fixed-rate loans for which the Group or the Bank has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision in which the Group or the Bank has an option to either accept the revised rate or redeem the loan at par without penalty. The Group or the Bank has determined that the contractual cash flows of these loans are SPPI because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

2. Summary of significant accounting policies (continued)

(e) Financial assets and financial liabilities (continued)

(ii). Classification (continued)

Non-recourse loans

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

- whether the contractual arrangement specifically defines the amounts and dates of the cash payments of the loan;
- the fair value of the collateral relative to the amount of the secured financial asset;
- the ability and willingness of the borrower to make contractual payments, notwithstanding a decline in the value of collateral;
- whether the borrower is an individual or a substantive operating entity or is a special-purpose entity;
- the Group or the Bank's risk of loss on the asset relative to a full-recourse loan;
- the extent to which the collateral represents all or a substantial portion of the borrower's assets; and
- whether the Group or the Bank will benefit from any upside from the underlying assets.

Reclassifications

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

Financial liabilities

The Group/the Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or FVTPL.

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

2. Summary of significant accounting policies (continued)

(e) Financial assets and financial liabilities (continued)

(iii). *Derecognition*

Financial assets

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

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

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities, as explained in statement of profit or loss and other comprehensive income. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group or the Bank is recognised as a separate asset or liability.

Financial liabilities

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

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

Financial assets

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

2. Summary of significant accounting policies (continued)

(e) Financial assets and financial liabilities (continued)

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

Financial assets (continued)

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

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

If such a modification is carried out because of financial difficulties of the borrower (see (vii)), then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method (see (Note 2(q))).

Financial liabilities

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

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

2. Summary of significant accounting policies (continued)

(e) Financial assets and financial liabilities (continued)

(v). *Offsetting*

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group or the Bank currently has a legally enforceable 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.

Income and expenses are presented on a net basis only when permitted under CIFRS, or for gains and losses arising from a group of similar transactions such as in the Group or the Bank's trading activity.

(vi). *Fair value measurement*

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group or 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 Group or 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.

(vii). *Impairment*

The Group or the Bank recognises loss allowances for the expected credit loss ("ECL") on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- lease receivables;
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognised on equity investments.

The Group or 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.

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

2. Summary of significant accounting policies (continued)

(e) Financial assets and financial liabilities (continued)

(vii). *Impairment (continued)*

Loss allowances for lease receivables are always measured at an amount equal to lifetime ECL.

The Group or the Bank considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Group or the Bank does not apply the low credit risk exemption to any other financial instruments.

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

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

Measurement of ECL

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

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group or 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;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group or the Bank if the commitment is drawn down and the cash flows that the Group or the Bank expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group or the Bank expects to recover.

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

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

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

2. Summary of significant accounting policies (continued)

(e) Financial assets and financial liabilities (continued)

(vii). *Impairment (continued)*

Measurement of ECL (continued)

Probability of Default (“PD”) provides an estimate of the likelihood that a customer will be unable to meet its debt obligation or default over a particular time horizon. Financial assets under the general approach, which required staging will require both 12-month PD and lifetime PD estimation according to historical data using the migration approach or external credit rating approach.

LGD is the magnitude of the likely loss if there is a default. Loss Given Default (“LGD”) is defined as the percentage of exposure the Bank might lose in case the customer defaults. These losses are usually shown as a percentage of Exposure at Default (“EAD”), and depend, amongst others, on the type and amount of collateral as well as the type of customer and the expected recovery from the customers.

With accurate collateral value, which is updated from time to time, the Bank can consider to take collateral into LGD calculation for ECL computation. In the event of over-collateralised, a floor LGD shall be applied for ECL calculation.

EAD is simply the amount outstanding at the point of default. However, EAD is different following the natures of products:

- Amortised facilities: the current amount allowed under the contract and arising from amortisation
- Revolving facilities: utilisation rate
- Off-balance sheet: credit conversion factors (“CCF”)

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

However, for credit card facilities that include both a loan and an undrawn commitment component, the Group or the Bank measures ECL over a period longer than the maximum contractual period if the Group’s or the Bank’s contractual ability to demand repayment and cancel the undrawn commitment does not limit the Group or the Bank’s exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Group or the Bank can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management, but only when the Group or the Bank becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Group or the Bank expects to take, and that serve to mitigate ECL. These include a reduction in limits, cancellation of the facility and/or turning the outstanding balance into a loan with fixed repayment terms.

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

2. Summary of significant accounting policies (continued)

(e) Financial assets and financial liabilities (continued)

(vii). *Impairment (continued)*

Restructured financial assets

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

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

2. Summary of significant accounting policies (continued)

(e) Financial assets and financial liabilities (continued)

(vii). *Impairment (continued)*

Presentation of allowance for ECL in the statement of financial position

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

- 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;
- where a financial instrument includes both a drawn and an undrawn component, and the Group or the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Group or the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write-off

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

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

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

Non-integral financial guarantee contracts

The Group or the Bank assesses whether a financial guarantee contract held is an integral element of a financial asset that is accounted for as a component of that instrument or is a contract that is accounted for separately. The factors that the Group or the Bank considers when making this assessment include whether:

- the guarantee is implicitly part of the contractual terms of the debt instrument;
- the guarantee is required by laws and regulations that govern the contract of the debt instrument;
- the guarantee is entered into at the same time as and in contemplation of the debt instrument; and
- the guarantee is given by the parent of the borrower or another company within the borrower's group.

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

2. Summary of significant accounting policies (continued)

(e) Financial assets and financial liabilities (continued)

(vii). Impairment (continued)

Presentation of allowance for ECL in the statement of financial position (continued)

Non-integral financial guarantee contracts (continued)

If the Group or the Bank determines that the guarantee is an integral element of the financial asset, then any premium payable in connection with the initial recognition of the financial asset is treated as a transaction cost of acquiring it. The Group or the Bank considers the effect of the protection when measuring the fair value of the debt instrument and when measuring ECL.

If the Group or the Bank determines that the guarantee is not an integral element of the debt instrument, then it recognises an asset representing any prepayment of guarantee premium and a right to compensation for credit losses. A prepaid premium asset is recognised only if the guaranteed exposure neither is credit-impaired nor has undergone a significant increase in credit risk when the guarantee is acquired. These assets are recognised in 'other assets'. The Group or the Bank presents gains or losses on a compensation right in profit or loss in the line item 'impairment losses on financial instruments'.

(f) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances and deposit placements with original maturities of three months or less when purchased, and that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(g) Loans and advances

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

(h) Financial investments

The 'financial securities' caption in the statement of financial position includes:

- debt investment securities measured at amortised cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- debt securities measured at FVOCI; and
- equity investment securities designated as at FVOCI.

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

2. Summary of significant accounting policies (continued)

(h) Financial investments (continued)

For debt securities measured at FVOCI, gains and losses are recognised in OCI, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- interest revenue using the effective interest method;
- ECL and reversals; and
- foreign exchange gains and losses.

When debt security measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

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

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

(i) Share capital

Ordinary shares are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument. Distributions to holders of a financial instrument classified as an equity instrument are charged directly to equity.

(j) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. 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 probable that future economic benefits associated with the item will flow to the Group or the Bank and the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All repairs and maintenance are charged to the statements of profit or loss during the financial period in which they are incurred.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

2. Summary of significant accounting policies (continued)

(j) Property and equipment (continued)

Land is not depreciated. Other property and equipment are depreciated on a straight-line basis to write off the cost of the assets to their residual values over their estimated useful lives, summarised as follows:

| | Years |
|--------------------------|--------|
| Land improvement | 3 - 20 |
| Building and improvement | 3 - 30 |
| Leasehold improvements | 1 - 3 |
| Office equipment | 1 - 10 |
| Computer equipment | 1 - 10 |
| Motor vehicles | 3 - 5 |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Depreciation on assets under construction commences when the assets are ready for their intended use.

Property and equipment are reviewed for indication of impairment at each statements of financial position date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in other income.

(k) Intangible asset

Intangible assets include acquired computer software licenses and related costs. An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Group and the Bank.

Intangible assets are stated at historical cost less accumulated amortisation and accumulated impairment losses, if any. Intangible assets are amortised using the straight-line method based on estimated useful lives over the life of the assets. Useful life of computer software are five years except for license of core banking system which has useful lives of ten years.

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

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

2. Summary of significant accounting policies (continued)

(l) Impairment of non-financial assets

Assets that have an indefinite useful life 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 to sell 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 flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. Impairment losses are recognised in the statement of profit or loss.

(m) Reserves

Reserves comprise of general reserves, regulatory reserves and other reserves.

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

Regulatory reserves are set up for the variance of provision between impairment in accordance with CIFRSs and regulatory provision. It is transferred between retained earnings and regulatory reserves.

Other reserves are for currency translation difference of the net investment in foreign operations.

(n) Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in statement of 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 recognised in other comprehensive income or directly in equity, respectively.

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and generates taxable income and includes all taxes based upon the taxable profits.

Deferred income tax is recognised in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences and unused tax losses or unused tax credits can be utilised.

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

2. Summary of significant accounting policies (continued)

(o) Employee benefits

(i) Short-term employee benefits

The Group and the Bank recognise a liability and an expense for bonuses. The Group and the Bank recognise a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Wages, salaries, bonuses, and other short-term benefits are recognised as an expense in the year in which the associated services are rendered by employees of the Group and the Bank.

(ii) Post-employment benefits

The Group and the Bank have various post-employment benefit schemes. These benefit plans are below.

Seniority benefits

In accordance with Prakas No. 443 MoLVT dated 21 September 2018 and Notification Letter No. 042 MoLVT dated 22 March 2019 issued by the Ministry of Labour and Vocational Training (“MoLVT”), the Bank and its subsidiaries, except for ACLEDA Bank Lao Ltd. and ACLEDA MFI Myanmar Co., Ltd, are required seniority indemnity to its employees as follows:

- Current Seniority Indemnity: Employees who have worked from 1 month to 6 months (not including probation period) by June 30, or December 31, will receive seniority indemnity equal to 7.5 days.
- Back Pay Seniority Indemnity: Employees who have worked under permanent contract from 1 month to 6 months in fiscal year will receive payment of seniority indemnity equal to 3 days, in case over 3 months will receive seniority indemnity equal to 15 days. The maximum seniority to be paid shall not exceed 6 days of the average base salary of each year that shall be compensated from 2008 to 2018 but shall not exceed 156 days. The payment will be made from December 2021.

The liability was recognised at the present value of defined obligation at the reporting period using the projected unit credit method to better estimate the ultimate cost to the Group and the Bank of the benefit that employees have earned in return for their service in the periods from 2008 to 2018. The Group and the Bank attributes benefit to periods in which the obligation to provide back pay seniority indemnity. That obligation arises as employees render services in return for back pay seniority indemnity that the Group and the Bank expects to pay in future reporting periods.

The present value of the back pay seniority indemnity is determined by discounting the estimated future payments by reference to the Bank’s sixty-months fixed deposit interest rate.

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

2. Summary of significant accounting policies (continued)

(o) Employee benefits (continued)

(ii) *Post-employment benefits (continued)*

Retirement benefits

The Bank and its subsidiaries, except ACLEDA MFI Myanmar Co., Ltd, provide an unfunded retirement benefit plan, which is a defined benefit plan for eligible employees, upon reaching the retirement age, as follows:

- When employees, who have worked for the Group or the Bank for 15 years or more, reach a retirement age of 58 years and 60 years for unskilled and skilled respectively, are entitled to the retirement benefits equivalent to 12 months of last salary; or
- When employees, who have worked for the Group or the Bank for 15 years or more, reach the early retirement age of 55 years and 57 years for unskilled and skilled respectively, are entitled to the retirement benefits equivalent to 6 months of last salary.

No separate fund is maintained and interest contributed for the retirement benefits.

The liability is recognised in the statement of financial position at the present value of defined obligation at the reporting period using the projected unit credit method to estimate the ultimate cost to the Group and the Bank of the benefit that employees have earned in return for their service in the current and prior periods. The Group and the Bank attributes benefit to periods in which the obligation to provide retirement benefit arises. That obligation arises as employees render services in return for retirement benefits that the Group and the Bank expect to pay in future reporting periods.

The present value of the retirement benefit obligations is determined by discounting the estimated future payments by reference to the Bank's six years fixed deposit interest rate, as there is no deep high-quality corporate bond market nor government bonds.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income and directly in the retained earnings in the period in which they arise. The cost associated with providing these benefits is recognised in other comprehensive income so as to spread the cost over the period of employment in which the entitlement to the benefit is earned. Past-service costs are recognised immediately in the statement of profit or loss.

Career development benefits

The Bank provides career development benefits to employees as they reach management position as below.

| Management position level | Benefits |
|---------------------------|------------------------|
| Level 6 | US\$1,250 |
| Level 7 | US\$2,500 |
| Level 8 | US\$3,375 to US\$3,750 |

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

2. Summary of significant accounting policies (continued)

(o) Employee benefits (continued)

(ii) *Post-employment benefits (continued)*

Career development benefits (continued)

They are eligible to receive membership unless they have been working since their date of appointment in a management position for two years continuously and their performance evaluation has been high (i.e. evaluation score equal to or higher than 700 and no warning letter). They will automatically be entitled to membership on the first day of their third year.

The liability is recognised in the statement of financial position at the present value of benefits obligation at the end of each reporting period using the projected unit credit method. The present value is determined by discounting the estimated future payments by reference to three years fixed deposit interest rate, as the period of benefit entitlement is three years.

(p) Provisions

Provisions are recognised when the Group and the Bank have 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 of obligation can be reliably estimated.

Where 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 provisions due to the passage of time is recognised as interest expense.

(q) Interest

Effective interest rate

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

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

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

2. Summary of significant accounting policies (continued)

(q) Interest (continued)

Effective interest rate (continued)

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

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount

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

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

Calculation of interest income and expense

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

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

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

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

2. Summary of significant accounting policies (continued)

(q) Interest (continued)

Presentation

Interest income calculated using the effective interest method presented in the statement of profit or loss and OCI includes:

- interest on financial assets and financial liabilities measured at amortised cost;
- interest on debt instruments measured at FVOCI;
- the effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows, in the same period as the hedged cash flows affect interest income/expense; and
- the effective portion of fair value changes in qualifying hedging derivatives designated in fair value hedges of interest rate risk.

Interest expense presented in the statement of profit or loss and OCI includes:

- financial liabilities measured at amortised cost; and
- the effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows, in the same period as the hedged cash flows affect interest income/expense.

Interest income and expense on other financial assets and financial liabilities at FVTPL are presented in net income from other financial instruments at FVTPL.

(r) Fee and commission

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

Other fee and commission income – including account servicing fees, investment management fees, sales commission, placement fees and syndication fees – is recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

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

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

2. Summary of significant accounting policies (continued)

(s) Recognition of fee and other income

(i) *Dividends*

Dividends are recognised when the right to receive payment is established. Usually, this is the ex-dividend date for quoted equity securities.

The dividends on equity instruments designated as at FVOCI that clearly represent a recovery of part of the cost of the investment are presented in OCI.

(ii) *Training and consultancy services*

The Group and the Bank recognise service revenue when it is probable that economic benefits will flow to the Group or the Bank and the amount of revenue can be reliably measured. Revenue from training services and consultancy services are recognised when services are delivered.

(t) Leases

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

This policy is applied to contracts entered into (or changed) on or after 1 January 2019.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Group and the Bank allocate the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

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

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

2. Summary of significant accounting policies (continued)

(t) Leases (continued)

As a lessee (continued)

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group and the Bank by the end of the lease term or the cost of the right-of-use asset reflects that the Group and the Bank will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

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

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

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's and the Bank's estimate of the amount expected to be payable under a residual value guarantee, if the Group and the Bank change its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

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

The Group and the Bank present right-of-use assets and lease liabilities separately in the statement of financial position.

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

2. Summary of significant accounting policies (continued)

(t) Leases (continued)

As a lessee (continued)

Short-term leases and leases of low-value assets

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

(u) Contingent assets and contingent liabilities

Contingent assets arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the Group and the Bank. As this may result in the recognition of income that may never be realised, contingent assets are not recognised in the Group's and the Bank's financial statements.

Contingent liabilities, which include certain guarantees and letters of credit pledged as collateral security, are possible obligations that arise from past events whose existence will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future events not wholly within the control of the Group and the Bank; or are present obligations that have arisen from past events but are not recognised because it is not probable that settlement will require the outflow of economic benefits, or because the amount of the obligations cannot be reliably measured.

Contingent liabilities are not recognised in the financial statements but are disclosed unless the probability of settlement is remote.

3. Critical accounting estimates and judgements in applying accounting policies

The Group and the Bank make 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 Group's and 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:

(a) Judgements

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

- Note 2(e)(ii): classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

3. Critical accounting estimates and judgements in applying accounting policies (continued)

(a) Judgements (continued)

- Note 35.1(f): establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of models used to measure ECL.

(b) Assumptions and estimation uncertainties

- Note 35.1(f): impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information.
- Note 35.4: determination of the fair value of financial instruments with significant unobservable inputs.
- Note 22(a)(iv): measurement of defined benefit obligations: key actuarial assumptions.
- Note 32: recognition and measurement of contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.
- Note 2(e)(vii): impairment of financial instruments: key assumptions used in estimating recoverable cash flows.

Coronavirus and impact on ECL

The ECL was estimated based on a range of forecast economic conditions as at reporting date. The Novel Coronavirus (Covid-19) outbreak has spread across mainland China, Cambodia and beyond, causing disruption to business and economic activity. The impact on GDP and other key indicators will be considered when determining the severity and likelihood of downside economic scenarios that are used to estimate ECL. Management estimates that the additional ECL of US\$7.4 million recorded as at 31 December 2020 resulting from the overlay has been determined based on possible forward-looking scenarios, considering the facts, circumstances and forecast of the future economic conditions and supportable information that is available as at the reporting date.

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

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

3. Critical accounting estimates and judgements in applying accounting policies (continued)

(b) Assumptions and estimation uncertainties (continued)

Retirement benefits

The present value of the retirement benefit obligation depends on a number of factors that are determined by management using a number of assumptions such as salary growth rates, turnover rates and mortality rates. The assumptions used in determining the net cost for retirement benefits include discount rate. Any changes in these assumptions will impact the value of retirement benefit obligation.

In the absence of a bond market and government bonds, the management used their six year fixed deposit interest rate as a discount rate to determine the present value of the estimated future cash outflows expected to be required to settle the retirement benefit obligation.

Taxes

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.

4. Translation of United States Dollars into Khmer Riel

The financial statements are expressed in United States Dollars ("US\$"). The translations of US\$ amounts into Khmer Riel ("KHR") are included solely for compliance with the Law on Accounting and Auditing.

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

The Group and the Bank have used the exchange rates:

| | | | Closing rate | Average rate |
|------------------|-------|---|-------------------------|-------------------------|
| 31 December 2020 | US\$1 | = | KHR4,045 | KHR4,077 |
| 31 December 2019 | US\$1 | = | <u>KHR4,075</u> | <u>KHR4,052</u> |

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

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

5. Cash on hand

| | The Group | | | | The Bank | | | |
|---------------------|--------------------|--------------------|-----------------------------|-----------------------------|--------------------|--------------------|-----------------------------|-----------------------------|
| | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) |
| By currency: | | | | | | | | |
| In US\$ | 284,892,098 | 328,112,584 | 1,152,388,536 | 1,337,058,780 | 283,028,828 | 326,481,164 | 1,144,851,609 | 1,330,410,743 |
| In KHR | 103,488,247 | 73,832,938 | 418,609,959 | 300,869,222 | 103,480,325 | 73,824,417 | 418,577,915 | 300,834,499 |
| In Thai Baht | 12,247,160 | 9,820,413 | 49,539,762 | 40,018,183 | 9,927,044 | 7,846,913 | 40,154,893 | 31,976,170 |
| In Euro | 2,967,502 | 1,697,804 | 12,003,546 | 6,918,551 | 2,965,106 | 1,640,057 | 11,993,854 | 6,683,232 |
| In other currencies | 9,164,044 | 8,063,499 | 37,068,558 | 32,858,759 | 1,414,823 | 1,163,316 | 5,722,959 | 4,740,514 |
| | <u>412,759,051</u> | <u>421,527,238</u> | <u>1,669,610,361</u> | <u>1,717,723,495</u> | <u>400,816,126</u> | <u>410,955,867</u> | <u>1,621,301,230</u> | <u>1,674,645,158</u> |

6. Deposits and placements with other banks

| | The Group | | | | The Bank | | | |
|--------------------------------------|--------------------|--------------------|-----------------------------|-----------------------------|--------------------|--------------------|-----------------------------|-----------------------------|
| | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) |
| Balances with local banks: | | | | | | | | |
| The National Bank of Cambodia | 264,197,563 | 448,591,990 | 1,068,679,142 | 1,828,012,359 | 264,197,563 | 448,591,990 | 1,068,679,142 | 1,828,012,359 |
| Other banks | 10,803,730 | 1,579,492 | 43,701,088 | 6,436,430 | 3,318,751 | 452,223 | 13,424,348 | 1,842,809 |
| | <u>275,001,293</u> | <u>450,171,482</u> | <u>1,112,380,230</u> | <u>1,834,448,789</u> | <u>267,516,314</u> | <u>449,044,213</u> | <u>1,082,103,490</u> | <u>1,829,855,168</u> |
| Balances with overseas banks: | | | | | | | | |
| Bank of Laos | 19,771,444 | 19,037,298 | 79,975,491 | 77,576,989 | - | - | - | - |
| Other banks | 240,462,853 | 119,111,707 | 972,672,240 | 485,380,206 | 240,254,636 | 109,613,368 | 971,830,003 | 446,674,475 |
| | <u>260,234,297</u> | <u>138,149,005</u> | <u>1,052,647,731</u> | <u>562,957,195</u> | <u>240,254,636</u> | <u>109,613,368</u> | <u>971,830,003</u> | <u>446,674,475</u> |
| | 535,235,590 | 588,320,487 | 2,165,027,961 | 2,397,405,984 | 507,770,950 | 558,657,581 | 2,053,933,493 | 2,276,529,643 |
| Allowance for impairment losses | (582,444) | (589,956) | (2,355,985) | (2,404,070) | (141,543) | (45,241) | (572,542) | (184,357) |
| | <u>534,653,146</u> | <u>587,730,531</u> | <u>2,162,671,976</u> | <u>2,395,001,914</u> | <u>507,629,407</u> | <u>558,612,340</u> | <u>2,053,360,951</u> | <u>2,276,345,286</u> |

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

6. Deposits and placements with other banks (continued)

| | The Group | | | | The Bank | | | |
|-------------|--------------------|--------------------|-----------------------------|-----------------------------|--------------------|--------------------|-----------------------------|-----------------------------|
| | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) |
| Current | 534,653,146 | 587,730,531 | 2,162,671,976 | 2,395,001,914 | 507,629,407 | 558,612,340 | 2,053,360,951 | 2,276,345,286 |
| Non-current | - | - | - | - | - | - | - | - |
| | <u>534,653,146</u> | <u>587,730,531</u> | <u>2,162,671,976</u> | <u>2,395,001,914</u> | <u>507,629,407</u> | <u>558,612,340</u> | <u>2,053,360,951</u> | <u>2,276,345,286</u> |

a) By account types

| | The Group | | | | The Bank | | | |
|-------------------------------|--------------------|--------------------|-----------------------------|-----------------------------|--------------------|--------------------|-----------------------------|-----------------------------|
| | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) |
| Balances with local banks: | | | | | | | | |
| Current accounts | 270,348,210 | 449,044,213 | 1,093,558,509 | 1,829,855,168 | 264,481,054 | 449,044,213 | 1,069,825,863 | 1,829,855,168 |
| Fixed deposits | 4,653,083 | 1,127,269 | 18,821,721 | 4,593,621 | 3,035,260 | - | 12,277,627 | - |
| | <u>275,001,293</u> | <u>450,171,482</u> | <u>1,112,380,230</u> | <u>1,834,448,789</u> | <u>267,516,314</u> | <u>449,044,213</u> | <u>1,082,103,490</u> | <u>1,829,855,168</u> |
| Balances with overseas banks: | | | | | | | | |
| Current accounts | 260,234,297 | 137,313,244 | 1,052,647,731 | 559,551,469 | 239,751,958 | 108,777,608 | 969,796,670 | 443,268,753 |
| Savings accounts | - | 835,761 | - | 3,405,726 | - | 835,760 | - | 3,405,722 |
| Fixed deposits | - | - | - | - | 502,678 | - | 2,033,333 | - |
| | <u>260,234,297</u> | <u>138,149,005</u> | <u>1,052,647,731</u> | <u>562,957,195</u> | <u>240,254,636</u> | <u>109,613,368</u> | <u>971,830,003</u> | <u>446,674,475</u> |
| | 535,235,590 | 588,320,487 | 2,165,027,961 | 2,397,405,984 | 507,770,950 | 558,657,581 | 2,053,933,493 | 2,276,529,643 |
| Allowance for impairment loss | (582,444) | (589,956) | (2,355,985) | (2,404,070) | (141,543) | (45,241) | (572,542) | (184,357) |
| | <u>534,653,146</u> | <u>587,730,531</u> | <u>2,162,671,976</u> | <u>2,395,001,914</u> | <u>507,629,407</u> | <u>558,612,340</u> | <u>2,053,360,951</u> | <u>2,276,345,286</u> |

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

6. Deposits and placements with other banks (continued)

b) By interest rate (per annum)

| | The Group | | The Bank | |
|------------------|---------------|---------------|---------------|---------------|
| | 2020 | 2019 | 2020 | 2019 |
| Current accounts | Nil | Nil | Nil | Nil |
| Savings accounts | 0.20% - 0.50% | 0.00% - 0.50% | Nil | 0.00% - 0.50% |
| Fixed deposits | 0.12% - 7.50% | 1.00% - 8.25% | 0.12% - 3.30% | 1.00% - 8.25% |

7. Financial investments

| Note | The Group | | | | The Bank | | | |
|--|--------------------|--------------------|-----------------------------|-----------------------------|--------------------|--------------------|-----------------------------|-----------------------------|
| | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) |
| Unlisted equity securities – at FVOCI: | | | | | | | | |
| Credit Bureau Holding (Cambodia) Ltd (a) | 153,529 | 153,529 | 621,025 | 625,631 | 153,529 | 153,529 | 621,025 | 625,631 |
| Total financial investments at FVOCI | 153,529 | 153,529 | 621,025 | 625,631 | 153,529 | 153,529 | 621,025 | 625,631 |
| Unquoted: | | | | | | | | |
| Negotiable Certificate of Deposit with NBC (b) | 566,520,994 | 527,321,447 | 2,291,577,421 | 2,148,834,896 | 566,520,994 | 527,321,447 | 2,291,577,421 | 2,148,834,896 |
| Total financial investments at amortised cost | 566,520,994 | 527,321,447 | 2,291,577,421 | 2,148,834,896 | 566,520,994 | 527,321,447 | 2,291,577,421 | 2,148,834,896 |
| | 566,674,523 | 527,474,976 | 2,292,198,446 | 2,149,460,527 | 566,674,523 | 527,474,976 | 2,292,198,446 | 2,149,460,527 |

- (a) This represents the Bank's equity investment in Credit Bureau Holding (Cambodia) Ltd. ("CBC"), directly at 5% and indirectly at 1% through the Association of Banks in Cambodia ("ABC").
- (b) The Bank has pledged negotiable certificate of deposit ("NCD") amounting to US\$14,374,871 (31 December 2019: US\$36,899,080) with the National Bank of Cambodia ("NBC") as collateral for settlement clearing facility. The other NCD amounting to US\$552,146,123 (31 December 2019: US\$490,422,367) with NBC is for the purpose of earning interest. The terms of the NCD are for a period of less than or equal to three months. As at 31 December 2020, the Bank had yet to utilise the overdraft on settlement clearing facility.

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

8. Loans and advances, net

| | The Group | | | | | | | | | | | |
|------------------------|-----------------------|-------------------|----------------------|----------------------|-------------------|----------------------|-----------------------|--------------------|-----------------------|-----------------------|--------------------|-----------------------|
| | 2020 | | | 2019 | | | 2020 | | | 2019 | | |
| | Gross carrying amount | ECL allowance | Carrying amount | Gross amount | ECL allowance (*) | Carrying amount | Gross carrying amount | ECL allowance | Carrying amount | Gross carrying amount | ECL allowance (*) | Carrying amount |
| | US\$ | US\$ | US\$ | US\$ | US\$ | US\$ | KHR'000 | KHR'000 | KHR'000 | KHR'000 | KHR'000 | KHR'000 |
| | | | | | | (Note 4) | (Note 4) | (Note 4) | (Note 4) | (Note 4) | (Note 4) | |
| Small Loan | 2,211,197,272 | 17,353,773 | 2,193,843,499 | 2,008,369,258 | 9,463,573 | 1,998,905,685 | 8,944,292,965 | 70,196,012 | 8,874,096,953 | 8,184,104,726 | 38,564,060 | 8,145,540,666 |
| Staff Housing Loan | 25,239,763 | 17,009 | 25,222,754 | 33,180,111 | 916,490 | 32,263,621 | 102,094,841 | 68,801 | 102,026,040 | 135,208,952 | 3,734,697 | 131,474,255 |
| Public Housing Loan | 135,555,361 | 1,032,605 | 134,522,756 | 150,111,757 | 264,862 | 149,846,895 | 548,321,435 | 4,176,887 | 544,144,548 | 611,705,410 | 1,079,313 | 610,626,097 |
| Staff Loan | 221,923,761 | 225,841 | 221,697,920 | 169,349,467 | 870,973 | 168,478,494 | 897,681,613 | 913,527 | 896,768,086 | 690,099,078 | 3,549,215 | 686,549,863 |
| Overdraft Loan | 58,036,302 | 352,950 | 57,683,352 | 47,931,865 | 847,009 | 47,084,856 | 234,756,842 | 1,427,683 | 233,329,159 | 195,322,350 | 3,451,562 | 191,870,788 |
| Home Improvement Loan | 47,780,295 | 334,644 | 47,445,651 | 74,837,579 | 219,986 | 74,617,593 | 193,271,293 | 1,353,635 | 191,917,658 | 304,963,134 | 896,443 | 304,066,691 |
| Personal & Others Loan | 158,300,284 | 1,061,972 | 157,238,312 | 119,745,789 | 356,437 | 119,389,352 | 640,324,649 | 4,295,676 | 636,028,973 | 487,964,090 | 1,452,480 | 486,511,610 |
| Credit Card Loan | 25,641,962 | 667,345 | 24,974,617 | 16,891,237 | 767,318 | 16,123,919 | 103,721,736 | 2,699,411 | 101,022,325 | 68,831,791 | 3,126,821 | 65,704,970 |
| Trade Loan | 9,632,656 | 21,578 | 9,611,078 | 12,462,385 | 72,255 | 12,390,130 | 38,964,094 | 87,283 | 38,876,811 | 50,784,219 | 294,439 | 50,489,780 |
| Revolving Loan | 33,296,272 | 23,512 | 33,272,760 | 38,731,317 | 3,825,256 | 34,906,061 | 134,683,420 | 95,106 | 134,588,314 | 157,830,117 | 15,587,918 | 142,242,199 |
| Medium Loan | 1,580,039,237 | 14,251,318 | 1,565,787,919 | 1,207,852,809 | 15,838,896 | 1,192,013,913 | 6,391,258,714 | 57,646,581 | 6,333,612,133 | 4,922,000,197 | 64,543,501 | 4,857,456,696 |
| | <u>4,506,643,165</u> | <u>35,342,547</u> | <u>4,471,300,618</u> | <u>3,879,463,574</u> | <u>33,443,055</u> | <u>3,846,020,519</u> | <u>18,229,371,602</u> | <u>142,960,602</u> | <u>18,086,411,000</u> | <u>15,808,814,064</u> | <u>136,280,449</u> | <u>15,672,533,615</u> |

(*): In 2019, included allowance for impairment loss on off-balance sheet commitments amounting US\$207,479. See Note 35.1(f) for the detail movements of ECL allowance.

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

8. Loans and advances, net (continued)

| | The Bank | | | | | | | | | | | |
|------------------------|-------------------------------|-----------------------|-------------------------|----------------------|---------------------------|-------------------------|--|--------------------------------------|--|-------------------------------------|--|--|
| | 2020 | | | 2019 | | | 2020 | | | 2019 | | |
| | Gross carrying amount US\$ | ECL allowance US\$ | Carrying amount US\$ | Gross amount US\$ | ECL allowance (*) US\$ | Carrying amount US\$ | Gross carrying amount KHR'000 (Note 4) | ECL allowance KHR'000 (Note 4) | Carrying amount KHR'000 (Note 4) | Gross amount KHR'000 (Note 4) | ECL allowance (*) KHR'000 (Note 4) | Carrying amount KHR'000 (Note 4) |
| Small Loan | 2,048,936,412 | 13,343,552 | 2,035,592,860 | 1,864,513,590 | 8,357,249 | 1,856,156,341 | 8,287,947,787 | 53,974,668 | 8,233,973,119 | 7,597,892,879 | 34,055,790 | 7,563,837,089 |
| Staff Housing Loan | 25,108,879 | 16,907 | 25,091,972 | 32,995,773 | 916,314 | 32,079,459 | 101,565,416 | 68,389 | 101,497,027 | 134,457,775 | 3,733,980 | 130,723,795 |
| Public Housing Loan | 135,084,056 | 1,016,789 | 134,067,267 | 149,985,838 | 264,595 | 149,721,243 | 546,415,007 | 4,112,912 | 542,302,095 | 611,192,290 | 1,078,225 | 610,114,065 |
| Staff Loan | 214,389,121 | 209,906 | 214,179,215 | 163,227,924 | 848,346 | 162,379,578 | 867,203,994 | 849,070 | 866,354,924 | 665,153,790 | 3,457,010 | 661,696,780 |
| Overdraft Loan | 57,948,236 | 351,432 | 57,596,804 | 47,931,865 | 847,009 | 47,084,856 | 234,400,615 | 1,421,542 | 232,979,073 | 195,322,350 | 3,451,562 | 191,870,788 |
| Home Improvement Loan | 44,261,421 | 294,401 | 43,967,020 | 73,114,585 | 213,423 | 72,901,162 | 179,037,448 | 1,190,852 | 177,846,596 | 297,941,934 | 869,699 | 297,072,235 |
| Personal & Others Loan | 157,228,541 | 1,083,793 | 156,144,748 | 118,408,444 | 481,072 | 117,927,372 | 635,989,448 | 4,383,941 | 631,605,507 | 482,514,409 | 1,960,366 | 480,554,043 |
| Credit Card Loan | 25,641,962 | 667,345 | 24,974,617 | 16,891,237 | 767,318 | 16,123,919 | 103,721,736 | 2,699,411 | 101,022,325 | 68,831,791 | 3,126,821 | 65,704,970 |
| Trade Loan | 9,632,656 | 21,578 | 9,611,078 | 12,462,385 | 72,255 | 12,390,130 | 38,964,094 | 87,283 | 38,876,811 | 50,784,219 | 294,439 | 50,489,780 |
| Revolving Loan | 33,296,272 | 23,512 | 33,272,760 | 38,731,317 | 3,825,256 | 34,906,061 | 134,683,420 | 95,106 | 134,588,314 | 157,830,117 | 15,587,918 | 142,242,199 |
| Medium Loan | 1,572,330,992 | 14,180,174 | 1,558,150,818 | 1,201,161,387 | 16,252,565 | 1,184,908,822 | 6,360,078,861 | 57,358,804 | 6,302,720,057 | 4,894,732,651 | 66,229,202 | 4,828,503,449 |
| | <u>4,323,858,548</u> | <u>31,209,389</u> | <u>4,292,649,159</u> | <u>3,719,424,345</u> | <u>32,845,402</u> | <u>3,686,578,943</u> | <u>17,490,007,826</u> | <u>126,241,978</u> | <u>17,363,765,848</u> | <u>15,156,654,205</u> | <u>133,845,012</u> | <u>15,022,809,193</u> |

(*) In 2019, included allowance for impairment loss on off-balance sheet commitments amounting US\$655,822. See Note 35.1(f) for the detail movements of ECL allowance.

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

8. Loans and advances, net (continued)

(a) Loans and advances in gross amount by maturity

| | The Group | | | | The Bank | | | |
|--|----------------------|----------------------|-----------------------------|-----------------------------|----------------------|----------------------|-----------------------------|-----------------------------|
| | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) |
| Within one year | 1,199,583,002 | 1,109,302,433 | 4,852,313,243 | 4,520,407,415 | 1,114,810,801 | 1,028,250,540 | 4,509,409,690 | 4,190,120,951 |
| Later than one year but not later than three years | 1,669,992,109 | 1,485,415,071 | 6,755,118,081 | 6,053,066,414 | 1,607,487,035 | 1,426,804,862 | 6,502,285,057 | 5,814,229,813 |
| Later than three years but not later than five years | 1,074,597,753 | 933,058,442 | 4,346,747,911 | 3,802,213,151 | 1,049,075,704 | 913,087,341 | 4,243,511,223 | 3,720,830,915 |
| Later than five years | 562,470,301 | 351,687,628 | 2,275,192,367 | 1,433,127,084 | 552,485,008 | 351,281,602 | 2,234,801,856 | 1,431,472,527 |
| | <u>4,506,643,165</u> | <u>3,879,463,574</u> | <u>18,229,371,602</u> | <u>15,808,814,064</u> | <u>4,323,858,548</u> | <u>3,719,424,345</u> | <u>17,490,007,826</u> | <u>15,156,654,206</u> |

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

8. Loans and advances, net (continued)

During the year, the Group and the Bank recognised the allowance for impairment losses as follows:

| | The Group | | | | The Bank | | | |
|---|--------------|--------------|-----------------------------|-----------------------------|--------------|--------------|-----------------------------|-----------------------------|
| | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) |
| Allowance for/(reversal of) impairments on: | | | | | | | | |
| Loans and advances | 20,852,357 | 22,600,280 | 85,015,059 | 91,576,335 | 16,204,462 | 21,462,297 | 66,065,592 | 86,965,228 |
| Deposit and placement with other banks | (7,786) | 523,753 | (31,744) | 2,122,248 | 96,083 | 31,153 | 391,730 | 126,232 |
| Other receivables | (50,540) | 287,172 | (206,051) | 1,163,620 | (52,869) | 287,182 | (215,547) | 1,163,661 |
| | 20,794,031 | 23,411,205 | 84,777,264 | 94,862,203 | 16,247,676 | 21,780,632 | 66,241,775 | 88,255,121 |
| Off-balance sheet commitments | (54,156) | (87,989) | (220,794) | (356,531) | (132,082) | 360,354 | (538,498) | 1,460,154 |
| | 20,739,875 | 23,323,216 | 84,556,470 | 94,505,672 | 16,115,594 | 22,140,986 | 65,703,277 | 89,715,275 |

Movements of impairment losses during the year were as follows:

| | The Group | | | | The Bank | | | |
|---|--------------|--------------|-----------------------------|-----------------------------|--------------|--------------|-----------------------------|-----------------------------|
| | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) |
| At the beginning of the year | 33,443,055 | 34,188,330 | 136,280,449 | 138,462,737 | 32,845,402 | 32,845,673 | 133,845,012 | 131,865,791 |
| ECL on off-balance sheet commitment | (207,479) | - | (839,253) | - | (655,822) | - | (2,652,800) | - |
| Allowance for impairment loss during the year | 20,852,357 | 22,512,291 | 85,015,059 | 91,219,804 | 16,204,462 | 21,822,651 | 66,065,592 | 88,425,382 |
| Written off during the year | (18,676,459) | (23,994,329) | (76,143,923) | (97,225,021) | (17,158,054) | (22,436,319) | (69,953,386) | (90,911,965) |
| Currency translation difference | (68,927) | 736,763 | (281,015) | 2,985,364 | (26,599) | 613,397 | (108,444) | 2,485,484 |
| Exchange differences | - | - | (1,070,715) | 837,565 | - | - | (953,996) | 1,980,320 |
| At the end of the year | 35,342,547 | 33,443,055 | 142,960,602 | 136,280,449 | 31,209,389 | 32,845,402 | 126,241,978 | 133,845,012 |

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

9. Other assets

| | The Group | | | | The Bank | | | |
|-------------------------------|-------------------|-------------------|-----------------------------|-----------------------------|-------------------|-------------------|-----------------------------|-----------------------------|
| | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) |
| Prepayments and advances | 12,866,459 | 11,368,223 | 52,044,827 | 46,325,509 | 10,782,460 | 9,913,152 | 43,615,051 | 40,396,094 |
| Stationery supplies | 2,423,780 | 1,855,397 | 9,804,190 | 7,560,743 | 2,248,392 | 1,651,725 | 9,094,746 | 6,730,779 |
| Receivable from Western Union | 3,755,064 | 922,302 | 15,189,234 | 3,758,381 | 3,666,021 | 904,263 | 14,829,055 | 3,684,872 |
| Others | 3,721,610 | 3,383,911 | 15,053,912 | 13,789,437 | 3,559,237 | 3,198,400 | 14,397,113 | 13,033,481 |
| | <u>22,766,913</u> | <u>17,529,833</u> | <u>92,092,163</u> | <u>71,434,070</u> | <u>20,256,110</u> | <u>15,667,540</u> | <u>81,935,965</u> | <u>63,845,226</u> |

| | The Group | | | | The Bank | | | |
|-------------|-------------------|-------------------|-----------------------------|-----------------------------|-------------------|-------------------|-----------------------------|-----------------------------|
| | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) |
| Current | 17,170,584 | 17,178,153 | 69,455,012 | 70,000,973 | 15,353,807 | 15,441,828 | 62,106,149 | 62,925,449 |
| Non-current | 5,596,329 | 351,680 | 22,637,151 | 1,433,097 | 4,902,303 | 225,712 | 19,829,816 | 919,777 |
| | <u>22,766,913</u> | <u>17,529,833</u> | <u>92,092,163</u> | <u>71,434,070</u> | <u>20,256,110</u> | <u>15,667,540</u> | <u>81,935,965</u> | <u>63,845,226</u> |

10. Statutory deposits

| | | The Group | | | | The Bank | | | |
|-------------------------|-----|--------------------|--------------------|-----------------------------|-----------------------------|--------------------|--------------------|-----------------------------|-----------------------------|
| | | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) |
| With the Central Bank | (a) | 357,000,975 | 583,195,741 | 1,444,068,944 | 2,376,522,645 | 356,753,756 | 583,195,741 | 1,443,068,943 | 2,376,522,645 |
| With other central bank | (b) | 3,376,033 | 3,894,959 | 13,656,053 | 15,871,958 | - | - | - | - |
| Others | (c) | - | 245,399 | - | 1,000,000 | - | - | - | - |
| | | <u>360,377,008</u> | <u>587,336,099</u> | <u>1,457,724,997</u> | <u>2,393,394,603</u> | <u>356,753,756</u> | <u>583,195,741</u> | <u>1,443,068,943</u> | <u>2,376,522,645</u> |

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

10. Statutory deposits (continued)

(a) With the Central Bank

(i) Reserve requirement

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

On 18 March 2020, NBC issued a press release announcing the reduction of the Reserve Requirement Rate ("RRR") on KHR from 8% to 7%. For foreign currencies, the RRR is reduced from 12.50% to 7%. in order to mitigate the impact of the COVID-19 pandemic on Cambodia's economy.

(ii) Capital guarantee

Pursuant to the National Bank of Cambodia's Prakas No. B7-01-136 on Bank's Capital Guarantee dated 15 October 2001; the banks are required to maintain 10% of its registered 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.

(b) With other central bank

These are the statutory deposits of ACLEDA Bank Lao Ltd maintained with the Bank of Lao ("BOL") in compliance with BOL's regulations. These statutory deposits comprise of reserve requirement calculated at 4% of customers' deposits in local currency and 8% of foreign currency deposits and capital guarantee of the share capital. These statutory deposits do not bear interest.

(c) Others

In compliance with Securities and Exchange Commission of Cambodia ("SECC")'s Prakas No. 009 on the licensing of securities firms and securities representatives, ACLEDA Securities Plc. is required to place a security deposit into SECC's bank account maintained with the National Bank of Cambodia amounting to KHR1,000,000,000 (equivalent to US\$247,709) for operating as a securities broker in the Kingdom of Cambodia.

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

11. Investments in subsidiaries

| | | The Bank | | | |
|--|-----|-------------------|-------------------|---------------------|---------------------|
| | | 2020 | 2019 | 2020 | 2019 |
| | | US\$ | US\$ | KHR'000 (Note 4) | KHR'000 (Note 4) |
| Unquoted ordinary shares, at cost | | | | | |
| ACLEDA Bank Lao Ltd. | (a) | 49,389,566 | 49,389,566 | 199,780,794 | 201,262,481 |
| ACLEDA Securities Plc. | (b) | 2,010,000 | 2,010,000 | 8,130,450 | 8,190,750 |
| ACLEDA Institute of Business | (c) | 19,805,000 | 19,805,000 | 80,111,225 | 80,705,375 |
| ACLEDA MFI Myanmar Co., Ltd. | (d) | 19,911,005 | 19,911,005 | 80,540,016 | 81,137,346 |
| ACLEDA Properties Ltd. | (e) | - | 20,000 | - | 81,500 |
| Total investments in subsidiaries - Non-current | | 91,115,571 | 91,135,571 | 368,562,485 | 371,377,452 |

(a) ACLEDA Bank Lao Ltd.

ACLEDA Bank Lao Ltd. ("ABL") was established in Lao PDR on 13 December 2007 under a preliminary license from the Bank of Lao PDR ("BOL"). The Bank owned 99.90% of ACLEDA Lao's shares.

ABL obtained approval from the Bank of Lao PDR for the Capital Injection for the 1st of Year 2020 amounting to Kip40,000,000,000 (Forty billion Kip) (equivalent to US\$4,451,864), resulting in an increase in ABL's registered capital from Kip300,000,000,000 (Three Hundred billion Kip) (equivalent to US\$ 36,409,467) to be Kip340,000,000,000 (Three Hundred and Forty billion Kip) (equivalent to US\$40,861,331) through a conversion of the retained earnings with approval from the Bank of Lao PDR on 6 May 2020.

ACLEDA Bank Lao's principal business is providing banking and related financial services in Lao PDR.

(b) ACLEDA Securities Plc.

On 1 March 2010, ACLEDA Securities Plc. ("ACS") was established in the Kingdom of Cambodia and registered with the Ministry of Commerce ("MoC") under the Registration No. Co.0448KH/2010. On 20 October 2010, the Securities and Exchange Commission of Cambodia ("SECC") granted a brokerage license to ACLEDA Securities. The registered share capital of ACLEDA Securities is US\$2,010,000, divided into 2,010,000 shares with par value of US\$1 each. ACS is wholly owned by ACLEDA Bank Plc.

ACLEDA Securities' principal business is providing securities brokerage and other services approved by SECC.

(c) ACLEDA Institute of Business

ACLEDA Institute of Business ("AIB") (previously known as ACLEDA Training Center Ltd.) was established in the Kingdom of Cambodia under a primary license from MoC under the Registration No. Co.1332KH/2011 dated 8 June 2011. The registered share capital of AIB is US\$17,805,000, divided into 17,805,000 shares with par value of US\$1 each. AIB is wholly owned by ACLEDA Bank Plc. In 2018, AIB increased its share capital by US\$2,000,000 to US\$19,805,000. The revised Memorandum and Articles of Association was endorsed by the Ministry of Commerce ("MoC") on 14 December 2018.

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

11. Investments in subsidiaries (continued)

(d) ACLEDA Institute of Business (continued)

AIB is recognised as the establishment of a private higher education institution under the sub-decree No. 13 ANKr. BK dated 25 January 2016 from the Royal Government of Cambodia (“RGC”). AIB provides training and education for Associate’s degree, Bachelor’s degree, and Master’s degree of Business Administration, majoring in Banking and Finance. AIB can open branches, new colleges, new departments, new specialties, new levels or classes, new types of education and training, change to a new name and location by sending relevant documents to request for approval from the Ministry of Education, Youth and Sport (“MoEYS”).

(e) ACLEDA MFI Myanmar Co., Ltd.

ACLEDA MFI Myanmar Co., Ltd. (“ACLEDA MFI”) was incorporated in the Republic of Union of Myanmar under the Republic of the Union of Myanmar Companies Law on 6 September 2012 to provide services per the Registration No. 143715094. The financial year of the statutory financial statements of ACLEDA MFI is from 1 October to 30 September.

ACLEDA MFI is permitted to operate as a deposit-taking microfinance institution providing microfinance services to lower income segments of the Myanmar market and other activities allowed by the Microfinance Supervisory Authority at 45 townships in Yangon Region, 28 townships in Bago Region, 3 townships in Mon State and 25 townships in Magway Region.

ACLEDA Bank Plc. acquired 3,600,000 ordinary shares (45%) of ACLEDA MFI from KFW, COFIBRED S.A, and IFC for a consideration of US\$6,193,321 as approved by the Board of Directors of ACLEDA MFI on 25 April 2018. The approval on the share transfers, appointment of representative of shareholders, and changing the Board Members are obtained on 27 September 2018 by secretary of Microfinance Business Supervisory Committee, The Republic of the Union of Myanmar Government.

ACLEDA MFI started its operations on 18 February 2013. The Bank owns 99.99% of common stock MYR20,140,000,000 of ACLEDA MFI shares (2019: 99.99% of MYR8,000,000,000).

On 23 September 2019, ACLEDA Bank Plc. injected cash capital amounting to US\$3,969,923.20, equivalent MYR6,099,390,000 and on 3 December 2019, injected additional cash capital of US\$3,995,366.50 equivalent MYR6,039,396,000.

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

11. Investments in subsidiaries (continued)

(f) ACLEDA Properties Ltd.

ACLEDA Properties Ltd. (“ACLEDA Properties”) was established in the Kingdom of Cambodia with MoC under the Registration No. Co.0651KH/2015 dated 16 February 2015 with the registered capital of KHR20 million (equivalent to US\$5,000) by issuing 5,000 shares at KHR4,000 each. ACLEDA Properties is wholly owned by ACLEDA Bank Plc. In 2018, ACLEDA Properties increased its share capital by US\$15,000 to US\$20,000. The revised Memorandum and Articles of Association was endorsed by MoC on 4 May 2018.

ACLEDA Properties’s principal business is purchasing, selling, renting of movable and immovable assets, purchasing, selling and supplying office supplies; other businesses permitted by laws aiming to improve the progress of the ACLEDA Properties, and all other activities reasonably incident to that objective in the judgment of the Board of Directors.

On 26 April 2019, the Board of Directors of ACLEDA Properties approved to liquidate the Company, and the Company obtained approval from National Bank of Cambodia and General Department of Taxation (“GDT”) on 19 June 2019 and 2 December 2019, respectively. The Company filed for the liquidation and is awaiting the final approval from MoC.

On 19 June 2019, the Bank obtained approval from the NBC through Letter No: B7-019-717 Chhor.Tor, dated 19 June 2019 on ACLEDA Bank Plc. requests for processing procedure for voluntary dissolution of ACLEDA Properties Ltd.

On 11 July 2019, ACP requested to the General Department of Taxation (“GDT”) for voluntary dissolution and liquidation of ACP. On 02 December 2019, ACP obtained Certificate No: 26680 GDT of Tax Situation for the complete closure of the company from the GDT.

On 10 February 2020, ACP noticed to the MOC on the intention to dissolve and liquidate the company. On 3 September 2020, ACP obtained approval from the MOC on “File Article of Dissolution”.

(g) ACLEDA Bank Plc. (Representative Office)

On 7 April 2016, ACLEDA Bank Plc. received the foreign bank representative office registration certificate FB/R.O-1/(04)2016 from the central bank of Myanmar and received certificate of incorporation as representative office from the Ministry of Planning and Finance in the Republic of the Union of Myanmar on 6 May 2016 with permit N° 58FC/2016-2017 (YGN), the validity of certificate is until 5 May 2021. The representation office is permit on the following activities:

- a. Marketing, promotion, negotiation and documentation for business purposes for customers of ACLEDA Bank Plc;
- b. Referring customer of ACLEDA Bank Plc. to banks operating in Myanmar; and monitoring and supervising offshore loans granted by ACLEDA Bank Plc.

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

12. Property and equipment

| 2020 | The Group | | | | | | | | |
|--|-------------------|-----------------------------|-------------------------------------|----------------------------------|-----------------------------|-------------------------------|---------------------------|--------------------------------|--------------------|
| | Land US\$ | Land improvement US\$ | Building and improvement US\$ | Leasehold improvement US\$ | Office equipment US\$ | Computer equipment US\$ | Motor vehicles US\$ | Capital in progress US\$ | Total US\$ |
| Cost | | | | | | | | | |
| As at 1 January | 14,542,280 | 1,747,179 | 98,787,485 | 4,963,887 | 61,119,729 | 70,923,892 | 18,205,263 | 1,658,194 | 271,947,909 |
| Additions | - | 4,755 | 18,875 | 331,388 | 4,785,198 | 6,621,164 | 1,921,732 | 4,021,377 | 17,704,489 |
| Disposals/written off | - | - | - | (178,518) | (999,004) | (1,157,711) | (1,032,407) | - | (3,367,640) |
| Reclassifications | - | - | - | 100,327 | 121,063 | 20,790 | 54,000 | (296,180) | - |
| Currency translation difference | - | - | - | (12,631) | (50,480) | (290,420) | (47,339) | - | (400,870) |
| Adjustments | - | - | - | 800 | (800) | - | - | (18,534) | (18,534) |
| As at 31 December | 14,542,280 | 1,751,934 | 98,806,360 | 5,205,253 | 64,975,706 | 76,117,715 | 19,101,249 | 5,364,857 | 285,865,354 |
| Less: Accumulated depreciation | | | | | | | | | |
| As at 1 January | - | 427,535 | 17,527,768 | 4,267,941 | 45,436,998 | 57,210,873 | 15,917,002 | - | 140,788,117 |
| Charge for the year | - | 224,770 | 4,609,099 | 360,291 | 6,986,939 | 7,787,738 | 1,280,381 | - | 21,249,218 |
| Disposals | - | - | - | (171,136) | (975,097) | (1,137,236) | (1,027,207) | - | (3,310,676) |
| Currency translation difference | - | (115) | (11,694) | (14,589) | (88,375) | (235,903) | (57,070) | - | (407,746) |
| Adjustments | - | - | - | 800 | (800) | - | - | - | - |
| As at 31 December | - | 652,190 | 22,125,173 | 4,443,307 | 51,359,665 | 63,625,472 | 16,113,106 | - | 158,318,913 |
| Carrying value | <u>14,542,280</u> | <u>1,099,744</u> | <u>76,681,187</u> | <u>761,946</u> | <u>13,616,041</u> | <u>12,492,243</u> | <u>2,988,143</u> | <u>5,364,857</u> | <u>127,546,441</u> |
| In KHR' 000 equivalent (Note 4) | <u>58,823,523</u> | <u>4,448,464</u> | <u>310,175,401</u> | <u>3,082,072</u> | <u>55,076,886</u> | <u>50,531,123</u> | <u>12,087,038</u> | <u>21,700,847</u> | <u>515,925,354</u> |

As at 31 December 2020, the fully depreciated property and equipment with historical costs amounting to US\$107,342,671 (2019: US\$91,082,789) are still in active use.

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

12. Property and equipment (continued)

| 2019 | The Group | | | | | | | | |
|--|--------------|-----------------------------|-------------------------------------|----------------------------------|-----------------------------|-------------------------------|---------------------------|--------------------------------|---------------|
| | Land US\$ | Land improvement US\$ | Building and improvement US\$ | Leasehold improvement US\$ | Office equipment US\$ | Computer equipment US\$ | Motor vehicles US\$ | Capital in progress US\$ | Total US\$ |
| Cost | | | | | | | | | |
| As at 1 January | 14,542,280 | 1,685,934 | 98,763,743 | 4,768,777 | 57,239,460 | 64,615,575 | 18,254,256 | 776,023 | 260,646,048 |
| Additions | - | 66,000 | 23,742 | 242,783 | 5,032,595 | 7,359,632 | 669,261 | 1,436,484 | 14,830,497 |
| Disposals/written off | - | - | - | (219,500) | (1,137,585) | (1,087,781) | (680,729) | - | (3,125,595) |
| Reclassifications | - | - | - | 205,033 | 39,119 | 265,532 | 9,697 | (519,381) | - |
| Currency translation difference | - | - | - | (25,334) | (53,860) | (229,066) | (47,222) | - | (355,482) |
| Adjustments | - | (4,755) | - | (7,872) | - | - | - | (34,932) | (47,559) |
| As at 31 December | 14,542,280 | 1,747,179 | 98,787,485 | 4,963,887 | 61,119,729 | 70,923,892 | 18,205,263 | 1,658,194 | 271,947,909 |
| Less: Accumulated depreciation | | | | | | | | | |
| As at 1 January | - | 206,737 | 12,899,157 | 4,141,969 | 39,623,449 | 50,414,594 | 15,498,045 | - | 122,783,951 |
| Charge for the year | - | 220,858 | 4,634,160 | 359,384 | 7,000,991 | 8,062,194 | 1,148,883 | - | 21,426,470 |
| Disposals/written off | - | - | - | (208,623) | (1,123,100) | (1,081,929) | (673,012) | - | (3,086,664) |
| Currency translation difference | - | (60) | (5,549) | (24,782) | (64,342) | (183,986) | (56,914) | - | (335,633) |
| Adjustments | - | - | - | (7) | - | - | - | - | (7) |
| As at 31 December | - | 427,535 | 17,527,768 | 4,267,941 | 45,436,998 | 57,210,873 | 15,917,002 | - | 140,788,117 |
| Carrying value | 14,542,280 | 1,319,644 | 81,259,717 | 695,946 | 15,682,731 | 13,713,019 | 2,288,261 | 1,658,194 | 131,159,792 |
| <i>In KHR' 000 equivalent (Note 4)</i> | 59,259,791 | 5,377,549 | 331,133,347 | 2,835,980 | 63,907,129 | 55,880,552 | 9,324,664 | 6,757,141 | 534,476,153 |

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

12. Property and equipment (continued)

| 2020 | The Bank | | | | | | | | |
|--|------------------|-----------------------------|-------------------------------------|----------------------------------|-----------------------------|-------------------------------|---------------------------|--------------------------------|--------------------|
| | Land US\$ | Land improvement US\$ | Building and improvement US\$ | Leasehold improvement US\$ | Office equipment US\$ | Computer equipment US\$ | Motor vehicles US\$ | Capital in progress US\$ | Total US\$ |
| Cost | | | | | | | | | |
| As at 1 January | 2,328,344 | 282,726 | 76,874,326 | 4,075,689 | 58,357,695 | 63,010,144 | 16,796,997 | 1,597,366 | 223,323,287 |
| Additions | - | - | 18,875 | 306,764 | 4,675,924 | 6,290,587 | 1,891,851 | 3,909,790 | 17,093,791 |
| Disposals/written off | - | - | - | (165,474) | (929,740) | (1,068,364) | (941,978) | - | (3,105,556) |
| Reclassifications | - | - | - | 100,327 | 70,167 | 20,790 | 54,000 | (245,284) | - |
| Currency translation difference | - | - | - | - | - | - | - | - | - |
| Adjustments | - | - | - | 800 | (800) | - | - | (18,534) | (18,534) |
| As at 31 December | 2,328,344 | 282,726 | 76,893,201 | 4,318,106 | 62,173,246 | 68,253,157 | 17,800,870 | 5,243,338 | 237,292,988 |
| Less: Accumulated depreciation | | | | | | | | | |
| As at 1 January | - | 108,392 | 16,672,292 | 3,565,265 | 43,454,637 | 52,041,450 | 14,569,907 | - | 130,411,943 |
| Charge for the year | - | 39,175 | 3,874,782 | 347,009 | 6,678,042 | 6,995,015 | 1,247,128 | - | 19,181,151 |
| Disposals | - | - | - | (159,341) | (924,023) | (1,055,872) | (940,242) | - | (3,079,478) |
| Currency translation difference | - | (115) | (11,694) | (1,026) | (19,473) | (21,042) | (3,700) | - | (57,050) |
| Adjustments | - | - | - | 800 | (800) | - | - | - | - |
| As at 31 December | - | 147,452 | 20,535,380 | 3,752,707 | 49,188,383 | 57,959,551 | 14,873,093 | - | 146,456,566 |
| Carrying value | <u>2,328,344</u> | <u>135,274</u> | <u>56,357,821</u> | <u>565,399</u> | <u>12,984,863</u> | <u>10,293,606</u> | <u>2,927,777</u> | <u>5,243,338</u> | <u>90,836,422</u> |
| In KHR' 000 equivalent (Note 4) | <u>9,418,151</u> | <u>547,183</u> | <u>227,967,386</u> | <u>2,287,040</u> | <u>52,523,771</u> | <u>41,637,636</u> | <u>11,842,858</u> | <u>21,209,302</u> | <u>367,433,327</u> |

As at 31 December 2020, the fully depreciated property and equipment with historical costs amounting to US\$99,652,456 (2019: US\$85,190,502) are still in active use.

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

12. Property and equipment (continued)

| 2019 | The Bank | | | | | | | Total US\$ | |
|--|------------------|-----------------------------|-------------------------------------|----------------------------------|-----------------------------|-------------------------------|---------------------------|------------------|--------------------------------|
| | Land US\$ | Land improvement US\$ | Building and improvement US\$ | Leasehold improvement US\$ | Office equipment US\$ | Computer equipment US\$ | Motor vehicles US\$ | | Capital in progress US\$ |
| Cost | | | | | | | | | |
| As at 1 January | 2,328,344 | 282,726 | 76,858,608 | 3,825,002 | 54,612,838 | 57,668,077 | 16,783,184 | 570,488 | 212,929,267 |
| Additions | - | - | 15,718 | 188,157 | 4,750,129 | 5,991,671 | 645,569 | 1,581,191 | 13,172,435 |
| Disposals/written off | - | - | - | (134,631) | (1,044,391) | (915,136) | (641,453) | - | (2,735,611) |
| Reclassifications | - | - | - | 205,033 | 39,119 | 265,532 | 9,697 | (519,381) | - |
| Adjustments | - | - | - | (7,872) | - | - | - | (34,932) | (42,804) |
| As at 31 December | <u>2,328,344</u> | <u>282,726</u> | <u>76,874,326</u> | <u>4,075,689</u> | <u>58,357,695</u> | <u>63,010,144</u> | <u>16,796,997</u> | <u>1,597,366</u> | <u>223,323,287</u> |
| Less: Accumulated depreciation | | | | | | | | | |
| As at 1 January | - | 66,393 | 12,775,218 | 3,388,187 | 37,782,563 | 45,767,306 | 14,109,478 | - | 113,889,145 |
| Charge for the year | - | 42,059 | 3,902,623 | 308,834 | 6,721,394 | 7,197,424 | 1,103,453 | - | 19,275,787 |
| Disposals | - | - | - | (131,306) | (1,039,411) | (913,051) | (641,453) | - | (2,725,221) |
| Currency translation difference | - | (60) | (5,549) | (443) | (9,909) | (10,229) | (1,571) | - | (27,761) |
| Adjustments | - | - | - | (7) | - | - | - | - | (7) |
| As at 31 December | <u>-</u> | <u>108,392</u> | <u>16,672,292</u> | <u>3,565,265</u> | <u>43,454,637</u> | <u>52,041,450</u> | <u>14,569,907</u> | <u>-</u> | <u>130,411,943</u> |
| Carrying value | <u>2,328,344</u> | <u>174,334</u> | <u>60,202,034</u> | <u>510,424</u> | <u>14,903,058</u> | <u>10,968,694</u> | <u>2,227,090</u> | <u>1,597,366</u> | <u>92,911,344</u> |
| In KHR' 000 equivalent (Note 4) | <u>9,488,002</u> | <u>710,411</u> | <u>245,323,289</u> | <u>2,079,979</u> | <u>60,729,961</u> | <u>44,697,428</u> | <u>9,075,392</u> | <u>6,509,266</u> | <u>378,613,728</u> |

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

13. Intangible assets

| 2020 | The Group | | | The Bank | | |
|--|---------------------------|--------------------------|-------------------|---------------------------|--------------------------|-------------------|
| | Computer software US\$ | Work in progress US\$ | Total US\$ | Computer software US\$ | Work in progress US\$ | Total US\$ |
| Cost | | | | | | |
| As at 1 January | 31,080,505 | 1,659,641 | 32,740,146 | 27,573,361 | 1,572,896 | 29,146,257 |
| Additions | 8,948,687 | 740,544 | 9,689,231 | 8,885,500 | 717,797 | 9,603,297 |
| Disposals | (880,227) | - | (880,227) | (880,227) | - | (880,227) |
| Reclassifications | 276,996 | (276,996) | - | 259,286 | (259,286) | - |
| Currency translation difference | (156,883) | - | (156,883) | - | - | - |
| Adjustments | - | (290,284) | (290,284) | - | (290,284) | (290,284) |
| As at 31 December | <u>39,269,078</u> | <u>1,832,905</u> | <u>41,101,983</u> | <u>35,837,920</u> | <u>1,741,123</u> | <u>37,579,043</u> |
| Less: Accumulated amortisation | | | | | | |
| As at 1 January | 23,741,153 | - | 23,741,153 | 21,230,895 | - | 21,230,895 |
| Charge for the year | 3,667,583 | - | 3,667,583 | 3,339,510 | - | 3,339,510 |
| Disposals | (865,291) | - | (865,291) | (865,291) | - | (865,291) |
| Currency translation difference | (132,137) | - | (132,137) | (10,629) | - | (10,629) |
| Adjustments | - | - | - | - | - | - |
| As at 31 December | <u>26,411,308</u> | <u>-</u> | <u>26,411,308</u> | <u>23,694,485</u> | <u>-</u> | <u>23,694,485</u> |
| Carrying value | <u>12,857,770</u> | <u>1,832,905</u> | <u>14,690,675</u> | <u>12,143,435</u> | <u>1,741,123</u> | <u>13,884,558</u> |
| In KHR' 000 equivalent (Note 4) | <u>52,009,680</u> | <u>7,414,101</u> | <u>59,423,780</u> | <u>49,120,195</u> | <u>7,042,843</u> | <u>56,163,037</u> |

As at 31 December 2020, the fully amortised intangible assets with historical costs amounting to US\$14,290,466 and US\$13,996,797 (2019: US\$13,596,110 and US\$12,348,410, respectively) are still in active use by the Group and the Bank, respectively.

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

13. Intangible assets (continued)

| 2019 | The Group | | | The Bank | | |
|---|---------------------------|--------------------------|-------------------|---------------------------|--------------------------|-------------------|
| | Computer software US\$ | Work in progress US\$ | Total US\$ | Computer software US\$ | Work in progress US\$ | Total US\$ |
| Cost | | | | | | |
| As at 1 January | 32,596,750 | 1,518,857 | 34,115,607 | 29,200,608 | 1,438,832 | 30,639,440 |
| Additions | 558,382 | 1,468,869 | 2,027,251 | 303,948 | 1,446,708 | 1,750,656 |
| Disposals | (2,854,263) | - | (2,854,263) | (2,852,689) | - | (2,852,689) |
| Reclassifications | 921,494 | (921,494) | - | 921,494 | (921,494) | - |
| Currency translation difference | (126,427) | - | (126,427) | - | - | - |
| Adjustments | (15,431) | (406,591) | (422,022) | - | (391,150) | (391,150) |
| As at 31 December | <u>31,080,505</u> | <u>1,659,641</u> | <u>32,740,146</u> | <u>27,573,361</u> | <u>1,572,896</u> | <u>29,146,257</u> |
| Less: Accumulated amortisation | | | | | | |
| As at 1 January | 22,917,720 | - | 22,917,720 | 20,652,904 | - | 20,652,904 |
| Charge for the year | 3,537,457 | - | 3,537,457 | 3,182,821 | - | 3,182,821 |
| Disposals | (2,600,357) | - | (2,600,357) | (2,600,357) | - | (2,600,357) |
| Currency translation difference | (96,662) | - | (96,662) | (4,473) | - | (4,473) |
| Adjustments | (17,005) | - | (17,005) | - | - | - |
| As at 31 December | <u>23,741,153</u> | <u>-</u> | <u>23,741,153</u> | <u>21,230,895</u> | <u>-</u> | <u>21,230,895</u> |
| Carrying value | <u>7,339,352</u> | <u>1,659,641</u> | <u>8,998,993</u> | <u>6,342,466</u> | <u>1,572,896</u> | <u>7,915,362</u> |
| <i>In KHR' 000 equivalent (Note 4)</i> | <u>29,907,859</u> | <u>6,763,037</u> | <u>36,670,896</u> | <u>25,845,549</u> | <u>6,409,551</u> | <u>32,255,100</u> |

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

14. Right-of-use assets

| | The Group | | | | The Bank | | | |
|---------------------|--------------|--------------|-----------------------------|-----------------------------|--------------|--------------|-----------------------------|-----------------------------|
| | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) |
| Right-of-use assets | 29,529,768 | 32,569,457 | 119,447,912 | 132,720,537 | 26,182,172 | 28,847,850 | 105,906,886 | 117,554,989 |

The Group and the Bank lease office building and cars for its operations. Information about leases for which the Group or the Bank is a lessee is presented below:

| | The Group | | | | The Bank | | | |
|-----------------------------------|--------------|--------------|-----------------------------|-----------------------------|--------------|--------------|-----------------------------|-----------------------------|
| | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) |
| At the beginning of the year | 32,569,457 | 30,621,838 | 132,720,537 | 123,038,545 | 28,847,850 | 26,889,967 | 117,554,989 | 108,043,887 |
| Additions during the year | 7,966,867 | 13,068,149 | 32,480,917 | 52,952,140 | 7,404,513 | 12,239,172 | 30,188,200 | 49,593,125 |
| Depreciation for the year | (10,627,120) | (10,469,819) | (43,326,768) | (42,423,707) | (9,770,638) | (9,647,871) | (39,834,891) | (39,093,173) |
| Lease termination during the year | (426,655) | (678,486) | (1,739,472) | (2,749,225) | (311,776) | (665,335) | (1,271,111) | (2,695,937) |
| Exchange differences | 47,219 | 27,775 | 192,512 | 112,544 | 12,223 | 31,917 | 49,833 | 129,328 |
| Currency translation difference | - | - | (879,814) | 1,790,240 | - | - | (780,134) | 1,577,759 |
| At the end of the year | 29,529,768 | 32,569,457 | 119,447,912 | 132,720,537 | 26,182,172 | 28,847,850 | 105,906,886 | 117,554,989 |

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

15. Deferred tax assets, net

| | The Group | | | | The Bank | | | |
|--------------------------|-------------------|-------------------|-----------------------------|-----------------------------|-------------------|-------------------|-----------------------------|-----------------------------|
| | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) |
| Deferred tax assets | 32,324,548 | 28,701,473 | 130,752,797 | 116,958,502 | 31,015,663 | 27,538,165 | 125,458,357 | 112,218,023 |
| Deferred tax liabilities | (21,128,703) | (13,887,119) | (85,465,604) | (56,590,008) | (18,329,716) | (13,530,422) | (74,143,701) | (55,136,470) |
| | <u>11,195,845</u> | <u>14,814,354</u> | <u>45,287,193</u> | <u>60,368,494</u> | <u>12,685,947</u> | <u>14,007,743</u> | <u>51,314,656</u> | <u>57,081,553</u> |

The movements in net deferred tax assets during the year were as follows:

| | The Group | | | | The Bank | | | |
|--------------------------------------|-------------------|-------------------|-----------------------------|-----------------------------|-------------------|-------------------|-----------------------------|-----------------------------|
| | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) |
| At the beginning of the year | 14,814,354 | 11,616,105 | 60,368,494 | 46,673,510 | 14,007,743 | 10,933,258 | 57,081,553 | 43,929,831 |
| Charged/(credited) to profit or loss | (3,645,153) | 3,198,249 | (14,861,291) | 12,959,305 | (1,321,796) | 3,074,485 | (5,388,963) | 12,457,813 |
| Exchange differences | 26,644 | - | (220,010) | 735,679 | - | - | (377,934) | 693,909 |
| At the end of the year | <u>11,195,845</u> | <u>14,814,354</u> | <u>45,287,193</u> | <u>60,368,494</u> | <u>12,685,947</u> | <u>14,007,743</u> | <u>51,314,656</u> | <u>57,081,553</u> |

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

15. Deferred tax assets, net (continued)

The components and movements of deferred tax assets and liabilities during the year were as follows:

Deferred tax assets of the Group:

| | Unamortised loan fees US\$ | Unearned revenue US\$ | Provision for loan loss US\$ | Other provision US\$ | Staff bonus US\$ | Unrealised exchange loss US\$ | Accelerated depreciation US\$ | Lease US\$ | Others US\$ | Total US\$ |
|--------------------------------------|----------------------------------|-----------------------------|------------------------------------|----------------------------|---------------------|-------------------------------------|-------------------------------------|------------------|-------------------|--------------------|
| As at 31 December 2020 | | | | | | | | | | |
| As at 1 January 2020 | 6,641,624 | - | 7,866,254 | 6,754,038 | 426,528 | 656,882 | 1,188,937 | 190,389 | 4,976,821 | 28,701,473 |
| Credited/(charged) to profit or loss | 919,039 | 50,295 | 1,560,602 | 581,216 | (165,094) | 157,404 | 413,647 | 126,820 | (20,931) | 3,623,075 |
| As at 31 December 2020 | 7,560,663 | 50,295 | 9,426,856 | 7,335,254 | 261,434 | 814,286 | 1,602,584 | 317,209 | 4,955,890 | 32,324,548 |
| <i>In KHR000 equivalent (Note 4)</i> | <u>30,582,882</u> | <u>203,444</u> | <u>38,131,633</u> | <u>29,671,102</u> | <u>1,057,501</u> | <u>3,293,787</u> | <u>6,482,452</u> | <u>1,283,111</u> | <u>21,329,685</u> | <u>130,752,797</u> |
| As at 31 December 2019 | | | | | | | | | | |
| As at 1 January 2019 | 5,806,687 | 56,087 | 7,222,846 | 6,853,483 | 433,084 | 594,279 | 1,213,116 | - | 324,780 | 22,504,362 |
| Credited/(charged) to profit or loss | 834,937 | (56,087) | 643,408 | (99,445) | (6,556) | 62,603 | (24,179) | 190,389 | 4,652,041 | 6,197,111 |
| As at 31 December 2019 | 6,641,624 | - | 7,866,254 | 6,754,038 | 426,528 | 656,882 | 1,188,937 | 190,389 | 4,976,821 | 28,701,473 |
| <i>In KHR000 equivalent (Note 4)</i> | <u>27,064,618</u> | <u>-</u> | <u>32,054,985</u> | <u>27,522,706</u> | <u>1,738,102</u> | <u>2,676,794</u> | <u>4,844,919</u> | <u>775,835</u> | <u>20,280,543</u> | <u>116,958,502</u> |

Deferred tax assets of the Bank:

| | Unamortised loan fees US\$ | Provision for loan loss US\$ | Other provision US\$ | Staff bonus US\$ | Unrealised exchange loss US\$ | Accelerated depreciation US\$ | Lease US\$ | Others US\$ | Total US\$ |
|--------------------------------------|----------------------------------|------------------------------------|-------------------------|---------------------|-------------------------------------|-------------------------------------|------------------|-------------------|--------------------|
| As at 31 December 2020 | | | | | | | | | |
| As at 1 January 2020 | 6,641,624 | 7,866,254 | 6,646,409 | 416,745 | 609,664 | 1,182,635 | 161,750 | 4,013,084 | 27,538,165 |
| Credited/(charged) to profit or loss | 919,039 | 1,560,602 | 573,834 | (155,311) | 204,622 | 418,107 | 108,419 | (151,814) | 3,477,498 |
| As at 31 December 2020 | 7,560,663 | 9,426,856 | 7,220,243 | 261,434 | 814,286 | 1,600,742 | 270,169 | 3,861,270 | 31,015,663 |
| <i>In KHR000 equivalent (Note 4)</i> | <u>30,582,882</u> | <u>38,131,633</u> | <u>29,205,883</u> | <u>1,057,501</u> | <u>3,293,787</u> | <u>6,475,001</u> | <u>1,092,834</u> | <u>15,618,836</u> | <u>125,458,357</u> |
| As at 31 December 2019 | | | | | | | | | |
| As at 1 January 2019 | 5,806,687 | 7,222,846 | 6,713,298 | 433,084 | 593,813 | 1,203,762 | - | (913,974) | 21,059,516 |
| Credited/(charged) to profit or loss | 834,937 | 643,408 | (66,889) | (16,339) | 15,851 | (21,127) | 161,750 | 4,927,058 | 6,478,649 |
| As at 31 December 2019 | 6,641,624 | 7,866,254 | 6,646,409 | 416,745 | 609,664 | 1,182,635 | 161,750 | 4,013,084 | 27,538,165 |
| <i>In KHR000 equivalent (Note 4)</i> | <u>27,064,618</u> | <u>32,054,985</u> | <u>27,084,117</u> | <u>1,698,236</u> | <u>2,484,381</u> | <u>4,819,238</u> | <u>659,131</u> | <u>16,353,317</u> | <u>112,218,023</u> |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

15. Deferred tax assets, net (continued)

Deferred tax liabilities of the Group:

| | Accelerated depreciation US\$ | Unrealised exchange US\$ | Others US\$ | Total US\$ |
|---------------------------------------|-------------------------------------|--------------------------------|-------------------|-------------------|
| As at 31 December 2020 | | | | |
| As at 1 January 2020 | - | 640,179 | 13,246,940 | 13,887,119 |
| Credited to profit or loss | 295,901 | (640,179) | 7,585,822 | 7,241,585 |
| As at 31 December 2020 | <u>295,901</u> | <u>-</u> | <u>20,832,761</u> | <u>21,128,703</u> |
| <i>In KHR'000 equivalent (Note 4)</i> | <u>1,196,920</u> | <u>-</u> | <u>84,268,518</u> | <u>85,465,604</u> |
| As at 31 December 2019 | | | | |
| As at 1 January 2019 | 239,665 | - | 10,648,592 | 10,888,257 |
| Credited to profit or loss | (239,665) | 640,179 | 2,598,348 | 2,998,862 |
| As at 31 December 2019 | <u>-</u> | <u>640,179</u> | <u>13,246,940</u> | <u>13,887,119</u> |
| <i>In KHR'000 equivalent (Note 4)</i> | <u>-</u> | <u>2,608,729</u> | <u>53,981,279</u> | <u>56,590,008</u> |

Deferred tax liabilities of the Bank:

| | Accelerated depreciation US\$ | Unrealised exchange US\$ | Others US\$ | Total US\$ |
|---------------------------------------|-------------------------------------|--------------------------------|-------------------|-------------------|
| As at 31 December 2020 | | | | |
| As at 1 January 2020 | - | 639,392 | 12,891,030 | 13,530,422 |
| Charged to profit or loss | - | (639,392) | 5,438,686 | 4,799,294 |
| As at 31 December 2020 | <u>-</u> | <u>-</u> | <u>18,329,716</u> | <u>18,329,716</u> |
| <i>In KHR'000 equivalent (Note 4)</i> | <u>-</u> | <u>-</u> | <u>74,143,701</u> | <u>74,143,701</u> |
| As at 31 December 2019 | | | | |
| As at 1 January 2019 | 21,127 | - | 10,105,131 | 10,126,258 |
| Credited to profit or loss | (21,127) | 639,392 | 2,785,899 | 3,404,164 |
| As at 31 December 2019 | <u>-</u> | <u>639,392</u> | <u>12,891,030</u> | <u>13,530,422</u> |
| <i>In KHR'000 equivalent (Note 4)</i> | <u>-</u> | <u>2,605,522</u> | <u>52,530,948</u> | <u>55,136,470</u> |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

16. Deposits and placements of other banks and financial institutions

| | The Group | | | | The Bank | | | |
|------------------|--------------------|--------------------|-----------------------------|-----------------------------|--------------------|--------------------|-----------------------------|-----------------------------|
| | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) |
| Current accounts | 106,606,626 | 103,433,585 | 431,223,802 | 421,491,859 | 108,155,568 | 108,664,584 | 437,489,273 | 442,808,180 |
| Savings deposits | 47,551,861 | 47,739,916 | 192,347,278 | 194,540,158 | 46,816,912 | 46,465,723 | 189,374,409 | 189,347,821 |
| Fixed deposits | 162,850,972 | 134,001,644 | 658,732,182 | 546,056,699 | 141,792,074 | 119,147,414 | 573,548,939 | 485,525,712 |
| | <u>317,009,459</u> | <u>285,175,145</u> | <u>1,282,303,262</u> | <u>1,162,088,716</u> | <u>296,764,554</u> | <u>274,277,721</u> | <u>1,200,412,621</u> | <u>1,117,681,713</u> |

The deposits and placements of other banks and financial institutions are analysed as follows:

a) By maturity

| | The Group | | | | The Bank | | | |
|--|--------------------|--------------------|-----------------------------|-----------------------------|--------------------|--------------------|-----------------------------|-----------------------------|
| | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) |
| Within six months | 195,717,857 | 192,616,757 | 791,678,732 | 784,913,285 | 183,717,176 | 187,268,370 | 743,135,977 | 763,118,608 |
| Later than six months but not later than one year | 30,105,199 | 6,614,117 | 121,775,530 | 26,952,527 | 21,860,975 | 2,809,351 | 88,427,644 | 11,448,105 |
| Later than one year but not later than three years | 5,648,815 | 6,194,271 | 22,849,457 | 25,241,654 | 5,648,815 | 4,450,000 | 22,849,457 | 18,133,750 |
| Later than three years | 85,537,588 | 79,750,000 | 345,999,543 | 324,981,250 | 85,537,588 | 79,750,000 | 345,999,543 | 324,981,250 |
| | <u>317,009,459</u> | <u>285,175,145</u> | <u>1,282,303,262</u> | <u>1,162,088,716</u> | <u>296,764,554</u> | <u>274,277,721</u> | <u>1,200,412,621</u> | <u>1,117,681,713</u> |

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

16. Deposits and placements of other banks and financial institutions (continued)

The deposits and placements of other banks and financial institutions are analysed as follows: (continued)

b) By relationship

| | The Group | | | | The Bank | | | |
|---------------------|--------------------|--------------------|-----------------------------|-----------------------------|--------------------|--------------------|-----------------------------|-----------------------------|
| | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) |
| Related parties | 72,774 | - | 294,371 | - | 1,670,695 | 5,303,651 | 6,757,961 | 21,612,378 |
| Non-related parties | 316,936,685 | 285,175,145 | 1,282,008,891 | 1,162,088,716 | 295,093,859 | 268,974,070 | 1,193,654,660 | 1,096,069,335 |
| | <u>317,009,459</u> | <u>285,175,145</u> | <u>1,282,303,262</u> | <u>1,162,088,716</u> | <u>296,764,554</u> | <u>274,277,721</u> | <u>1,200,412,621</u> | <u>1,117,681,713</u> |

c) By interest (per annum)

| | The Group | | The Bank | |
|------------------|---------------|---------------|---------------|---------------|
| | 2020 | 2019 | 2020 | 2019 |
| Current accounts | Nil | Nil | Nil | Nil |
| Savings deposits | 0.00% - 1.90% | 0.00% - 1.90% | 0.00% - 0.50% | 0.00% - 0.50% |
| Fixed deposits | 1.00% - 7.95% | 0.75% - 7.95% | 1.00% - 7.95% | 0.75% - 7.95% |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

17. Deposits from customers

| | The Group | | | | The Bank | | | |
|------------------|----------------------|----------------------|-----------------------------|-----------------------------|----------------------|----------------------|-----------------------------|-----------------------------|
| | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) |
| Current accounts | 525,179,976 | 489,596,024 | 2,124,353,003 | 1,995,103,798 | 515,353,012 | 479,925,715 | 2,084,602,934 | 1,955,697,289 |
| Savings deposits | 1,866,624,777 | 1,766,834,632 | 7,550,497,223 | 7,199,851,125 | 1,824,684,515 | 1,732,155,639 | 7,380,848,863 | 7,058,534,229 |
| Margin deposits | 13,134,176 | 16,434,050 | 53,127,742 | 66,968,754 | 13,134,176 | 16,407,246 | 53,127,741 | 66,859,527 |
| Fixed deposits | 1,889,347,119 | 1,809,858,147 | 7,642,409,096 | 7,375,171,949 | 1,827,097,034 | 1,753,657,959 | 7,390,607,503 | 7,146,156,183 |
| | <u>4,294,286,048</u> | <u>4,082,722,853</u> | <u>17,370,387,064</u> | <u>16,637,095,626</u> | <u>4,180,268,737</u> | <u>3,982,146,559</u> | <u>16,909,187,041</u> | <u>16,227,247,228</u> |

The deposits from customers are analysed as follows:

a) By maturity

| | The Group | | | | The Bank | | | |
|--|----------------------|----------------------|-----------------------------|-----------------------------|----------------------|----------------------|-----------------------------|-----------------------------|
| | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) |
| Within six months | 3,120,269,849 | 3,023,328,814 | 12,621,491,539 | 12,320,064,917 | 3,048,458,637 | 2,965,667,840 | 12,331,015,187 | 12,085,096,448 |
| Later than six months but not later than one year | 618,538,572 | 642,364,991 | 2,501,988,524 | 2,617,637,338 | 601,304,341 | 627,119,253 | 2,432,276,059 | 2,555,510,956 |
| Later than one year but not later than three years | 405,355,305 | 259,821,698 | 1,639,662,209 | 1,058,773,419 | 387,858,729 | 239,505,383 | 1,568,888,559 | 975,984,436 |
| Later than three years | 150,122,322 | 157,207,350 | 607,244,792 | 640,619,952 | 142,647,030 | 149,854,083 | 577,007,236 | 610,655,388 |
| | <u>4,294,286,048</u> | <u>4,082,722,853</u> | <u>17,370,387,064</u> | <u>16,637,095,626</u> | <u>4,180,268,737</u> | <u>3,982,146,559</u> | <u>16,909,187,041</u> | <u>16,227,247,228</u> |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

17. Deposits from customers (continued)

The deposits from customers are analysed as follows: (continued)

b) By relationship

| | The Group | | | | The Bank | | | |
|---------------------|----------------------|----------------------|-----------------------------|-----------------------------|----------------------|----------------------|-----------------------------|-----------------------------|
| | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) |
| Related parties | 18,251,604 | 6,663,367 | 73,827,738 | 27,153,221 | 19,478,074 | 10,177,937 | 78,788,809 | 41,475,093 |
| Non-related parties | 4,276,034,444 | 4,076,059,486 | 17,296,559,326 | 16,609,942,405 | 4,160,790,663 | 3,971,968,622 | 16,830,398,232 | 16,185,772,135 |
| | <u>4,294,286,048</u> | <u>4,082,722,853</u> | <u>17,370,387,064</u> | <u>16,637,095,626</u> | <u>4,180,268,737</u> | <u>3,982,146,559</u> | <u>16,909,187,041</u> | <u>16,227,247,228</u> |

c) By interest rate

| | The Group | | The Bank | |
|------------------|----------------|----------------|---------------|---------------|
| | 2020 | 2019 | 2020 | 2019 |
| Current accounts | Nil | Nil | Nil | Nil |
| Margin deposits | Nil | Nil | Nil | Nil |
| Savings deposits | 0.00% - 15.00% | 0.00% - 15.00% | 0.00% - 0.50% | 0.00% - 0.50% |
| Fixed deposits | 0.50% - 12.00% | 0.05% - 13.25% | 0.50% - 8.25% | 0.05% - 8.25% |

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

18. Other liabilities

| | The Group | | | | The Bank | | | |
|----------------------|-------------------|-------------------|-----------------------------|-----------------------------|-------------------|-------------------|-----------------------------|-----------------------------|
| | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) |
| Accrued annual leave | 20,063,310 | 18,076,954 | 81,156,089 | 73,663,588 | 19,626,620 | 17,648,290 | 79,389,678 | 71,916,782 |
| Accrued bonuses | 11,046,280 | 9,718,649 | 44,682,203 | 39,603,495 | 10,454,999 | 9,500,000 | 42,290,471 | 38,712,500 |
| Fund transfers | 16,060,460 | 16,373,343 | 64,964,561 | 66,721,373 | 16,026,656 | 15,744,953 | 64,827,824 | 64,160,683 |
| Tax payables | 1,563,901 | 1,472,101 | 6,325,980 | 5,998,812 | 1,478,413 | 1,352,880 | 5,980,181 | 5,512,986 |
| Others | 15,017,157 | 13,169,828 | 60,744,399 | 53,667,048 | 14,822,194 | 12,351,428 | 59,955,774 | 50,332,070 |
| | <u>63,751,108</u> | <u>58,810,875</u> | <u>257,873,232</u> | <u>239,654,316</u> | <u>62,408,882</u> | <u>56,597,551</u> | <u>252,443,928</u> | <u>230,635,021</u> |
| | | | | | | | | |
| | The Group | | | | The Bank | | | |
| | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) |
| Current | 44,050,514 | 40,733,921 | 178,184,329 | 165,990,728 | 42,782,263 | 38,949,261 | 173,054,254 | 158,718,238 |
| Non-current | 19,700,594 | 18,076,954 | 79,688,903 | 73,663,588 | 19,626,619 | 17,648,290 | 79,389,674 | 71,916,783 |
| | <u>63,751,108</u> | <u>58,810,875</u> | <u>257,873,232</u> | <u>239,654,316</u> | <u>62,408,882</u> | <u>56,597,551</u> | <u>252,443,928</u> | <u>230,635,021</u> |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

19. Borrowings

The Group and the Bank have entered into borrowing agreements with various lenders. The repayments of principal and interest are made either on quarterly, semi-annual or annual basis based on the repayment schedule for each of the borrowing agreements. The Group and the Bank did not pledged any collaterals for borrowings.

| | The Group | | | | The Bank | | | |
|-------------------|--------------------|--------------------|-----------------------------|-----------------------------|--------------------|--------------------|-----------------------------|-----------------------------|
| | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) |
| Unsecured: | | | | | | | | |
| Current | 124,629,071 | 183,682,266 | 504,124,592 | 748,505,234 | 104,886,698 | 166,692,481 | 424,266,693 | 679,271,860 |
| Non-current | 417,769,845 | 381,289,435 | 1,689,879,023 | 1,553,754,448 | 402,466,218 | 351,375,647 | 1,627,975,852 | 1,431,855,762 |
| | <u>542,398,916</u> | <u>564,971,701</u> | <u>2,194,003,615</u> | <u>2,302,259,682</u> | <u>507,352,916</u> | <u>518,068,128</u> | <u>2,052,242,545</u> | <u>2,111,127,622</u> |

The borrowings are analysed as follows:

a) By relationship

| | The Group | | | | The Bank | | | |
|---------------------|--------------------|--------------------|-----------------------------|-----------------------------|--------------------|--------------------|-----------------------------|-----------------------------|
| | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) |
| Related parties | - | 699,680 | - | 2,851,196 | - | - | - | - |
| Non-related parties | 542,398,916 | 564,272,021 | 2,194,003,615 | 2,299,408,486 | 507,352,916 | 518,068,128 | 2,052,242,545 | 2,111,127,622 |
| | <u>542,398,916</u> | <u>564,971,701</u> | <u>2,194,003,615</u> | <u>2,302,259,682</u> | <u>507,352,916</u> | <u>518,068,128</u> | <u>2,052,242,545</u> | <u>2,111,127,622</u> |

b) By interest rate

| | The Group | | The Bank | |
|-----------------------|-----------------------|-----------------------|----------------------|----------------------|
| | 2020 | 2019 | 2020 | 2019 |
| Annual interest rates | <u>2.00% - 14.50%</u> | <u>2.50% - 13.00%</u> | <u>2.00% - 8.00%</u> | <u>2.60% - 7.69%</u> |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

20. Subordinated debts

These are subordinated debts from non-related parties. The subordinated debts are approved by the National Bank of Cambodia to be included as a Tier II line item in the calculation of the Bank's net worth in accordance with the Prakas No. B7-010-182 of the National Bank of Cambodia. The Group and the Bank did not pledge any collaterals for subordinated debts.

| | The Group | | | | The Bank | | | |
|-------------|--------------------|--------------------|-----------------------------|-----------------------------|--------------------|--------------------|-----------------------------|-----------------------------|
| | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) |
| Current | 11,408,413 | 7,374,945 | 46,147,031 | 30,052,901 | 11,408,413 | 7,374,945 | 46,147,031 | 30,052,901 |
| Non-current | 155,750,210 | 131,927,635 | 630,009,599 | 537,605,113 | 155,750,210 | 131,927,635 | 630,009,599 | 537,605,113 |
| | <u>167,158,623</u> | <u>139,302,580</u> | <u>676,156,630</u> | <u>567,658,014</u> | <u>167,158,623</u> | <u>139,302,580</u> | <u>676,156,630</u> | <u>567,658,014</u> |

The subordinated debts are analysed as follows:

a) By relationship

| | The Group | | | | The Bank | | | |
|---------------------|--------------------|--------------------|-----------------------------|-----------------------------|--------------------|--------------------|-----------------------------|-----------------------------|
| | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) |
| Related parties | - | - | - | - | - | - | - | - |
| Non-related parties | 167,158,623 | 139,302,580 | 676,156,630 | 567,658,014 | 167,158,623 | 139,302,580 | 676,156,630 | 567,658,014 |
| | <u>167,158,623</u> | <u>139,302,580</u> | <u>676,156,630</u> | <u>567,658,014</u> | <u>167,158,623</u> | <u>139,302,580</u> | <u>676,156,630</u> | <u>567,658,014</u> |

b) By interest rate

| | The Group | | The Bank | |
|-----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2020 | 2019 | 2020 | 2019 |
| Annual interest rates | <u>5.38% - 8.48%</u> | <u>7.00% - 8.48%</u> | <u>5.38% - 8.48%</u> | <u>7.00% - 8.48%</u> |

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

21. Lease liabilities

| | The Group | | | | The Bank | | | |
|---|-------------------|-------------------|-----------------------------|-----------------------------|-------------------|-------------------|-----------------------------|-----------------------------|
| | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) |
| Undiscounted lease liabilities | | | | | | | | |
| Less than one year | 10,261,902 | 10,068,098 | 41,509,394 | 41,027,499 | 9,655,602 | 9,300,532 | 39,056,910 | 37,899,668 |
| One to five years | 20,581,294 | 23,121,979 | 83,251,334 | 94,222,064 | 18,888,896 | 21,444,212 | 76,405,584 | 87,385,164 |
| More than five years | 3,816,462 | 4,760,054 | 15,437,589 | 19,397,220 | 655,929 | 1,373,972 | 2,653,233 | 5,598,936 |
| Total undiscounted lease liabilities | 34,659,658 | 37,950,131 | 140,198,317 | 154,646,783 | 29,200,427 | 32,118,716 | 118,115,727 | 130,883,768 |
| Present value of lease liabilities | | | | | | | | |
| Current | 10,309,865 | 9,755,994 | 41,703,404 | 39,755,676 | 9,711,879 | 9,023,433 | 39,284,551 | 36,770,489 |
| Non-current | 18,308,037 | 21,159,945 | 74,056,010 | 86,226,775 | 16,060,506 | 18,765,735 | 64,964,746 | 76,470,371 |
| Total present value of lease liabilities | 28,617,902 | 30,915,939 | 115,759,414 | 125,982,451 | 25,772,385 | 27,789,168 | 104,249,297 | 113,240,860 |

Amounts recognised in the statement of profit or loss and other comprehensive income:

| | The Group | | | | The Bank | | | |
|-------------------------------|--------------|--------------|-----------------------------|-----------------------------|--------------|--------------|-----------------------------|-----------------------------|
| | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) |
| Interest on lease liabilities | 2,109,253 | 2,091,046 | 8,599,425 | 8,472,918 | 1,875,776 | 1,858,700 | 7,647,538 | 7,531,453 |

Amounts recognised in the statement of cash flows:

| | The Group | | | | The Bank | | | |
|--|--------------|--------------|-----------------------------|-----------------------------|--------------|--------------|-----------------------------|-----------------------------|
| | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) |
| Total cash outflow for leases payments | 11,833,274 | 11,282,470 | 48,244,258 | 45,716,568 | 10,883,406 | 10,452,195 | 44,371,646 | 42,352,294 |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

22. Employee benefits (continued)

(a) Retirement benefits (continued)

(ii) The movements in the defined benefit obligation over the year were as follows:

| | The Group | | | | The Bank | | | |
|--|--------------|--------------|-----------------------------|-----------------------------|--------------|--------------|-----------------------------|-----------------------------|
| | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) |
| At 1 January | 9,723,367 | 8,415,302 | 39,622,721 | 33,812,684 | 9,143,295 | 7,756,116 | 37,258,926 | 31,164,074 |
| Current service cost | 827,768 | 800,914 | 3,374,810 | 3,245,304 | 799,408 | 729,554 | 3,259,186 | 2,956,153 |
| Interest cost | 662,553 | 584,396 | 2,701,229 | 2,367,973 | 637,591 | 541,818 | 2,599,459 | 2,195,447 |
| Benefits paid | (216,840) | (195,444) | (884,057) | (791,939) | (143,004) | (148,350) | (583,027) | (601,114) |
| Settlement loss | 207,020 | 172,344 | 844,021 | 698,338 | 140,678 | 130,705 | 573,544 | 529,617 |
| Remeasurement gain arising during the year | (169,447) | (34,908) | (690,835) | (141,447) | (72,593) | 136,012 | (295,962) | 551,121 |
| Currency translation difference | (23,950) | (19,237) | (97,644) | (77,948) | (7,185) | (2,560) | (29,293) | (10,373) |
| Exchange differences | - | - | (332,890) | 509,756 | - | - | (317,655) | 474,001 |
| At 31 December | 11,010,471 | 9,723,367 | 44,537,355 | 39,622,721 | 10,498,190 | 9,143,295 | 42,465,178 | 37,258,926 |

(iii) The amounts recognised in the statement of profit or loss are as follows:

| | The Group | | | | The Bank | | | |
|----------------------|--------------|--------------|-----------------------------|-----------------------------|--------------|--------------|-----------------------------|-----------------------------|
| | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) |
| Current service cost | 827,768 | 800,914 | 3,374,810 | 3,245,304 | 799,408 | 729,554 | 3,259,186 | 2,956,153 |
| Interest cost | 662,553 | 584,396 | 2,701,229 | 2,367,973 | 637,591 | 541,818 | 2,599,459 | 2,195,447 |
| Settlement loss | 207,020 | 172,344 | 844,021 | 698,338 | 140,678 | 130,705 | 573,544 | 529,618 |
| | 1,697,341 | 1,557,654 | 6,920,060 | 6,311,615 | 1,577,677 | 1,402,077 | 6,432,189 | 5,681,218 |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

22. Employee benefits (continued)

(a) Retirement benefits (continued)

(iv) The principal assumptions used to determine estimated costs and obligations are as follows:

| | <u>2020</u> | <u>2019</u> |
|---|-------------|-------------|
| Salary growth rate | 3.46% | 3.44% |
| Inflation rate | 1.20% | 1.20% |
| Discount rates | 7.00% | 7.00% |
| Mortality rate (*) and staff turnover rate (**) | | |

(*) Mortality rate table is as follows:

| Age | 2020 | | 2019 | |
|-------|------------------------------|----------|------------------------------|----------|
| | Mortality rate (% per annum) | | Mortality rate (% per annum) | |
| | Females | Males | Females | Males |
| 18-29 | 0 - 0.49 | 0 - 0.42 | 0 - 0.22 | 0 - 0.42 |
| 30-39 | 0 - 0.10 | 0 - 0.32 | 0 - 0.10 | 0 - 0.58 |
| 40-49 | - | - | - | - |
| 50-59 | - | 0 - 6.67 | - | - |
| 60 | - | - | - | - |

(**) Staff turnover rate table is as follows:

| Age | 2020 | | 2019 | |
|-------|-----------------------------------|-------------|-----------------------------------|-------------|
| | Staff turnover rate (% per annum) | | Staff turnover rate (% per annum) | |
| | Females | Males | Females | Males |
| 18-29 | 2.3 - 9.10 | 4.29 - 9.24 | 0 - 7.39 | 4.42 - 7.38 |
| 30-39 | 1.68 - 4.68 | 2.74 - 5.76 | 2.31 - 5.26 | 2.82 - 5.40 |
| 40-49 | 0 - 6.67 | 0 - 4.38 | 0 - 14.07 | 0 - 5.02 |
| 50-59 | - | 0 - 8.33 | - | 0 - 6.06 |
| 60 | - | - | - | - |

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

22. Employee benefits (continued)

(a) Retirement benefits (continued)

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

| | Change in assumption | | Impact on defined benefit obligation | | | | | |
|---------------------|----------------------|-------|--------------------------------------|--------|------------------------|-------------|--------|--------|
| | | | Increase in assumption | | Decrease in assumption | | | |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Salary growth rate | 1% | 1% | Increase by | 20.80% | 20.79% | Decrease by | 16.67% | 16.59% |
| Discount rate | 1% | 1% | Decrease by | 16.61% | 16.54% | Increase by | 20.75% | 20.74% |
| Inflation rate | 1% | 1% | Increase by | 20.84% | 20.83% | Decrease by | 16.69% | 16.62% |
| Mortality rate | 0.10% | 0.10% | Decrease by | 1.91% | 1.91% | Increase by | 0.09% | 0.06% |
| Staff turnover rate | 1% | 1% | Decrease by | 12.73% | 12.79% | Increase by | 7.39% | 7.85% |

(b) Career development benefits

Movements in career development benefits were as follows:

| | The Group | | | | The Bank | | | |
|---------------------------------|--------------|--------------|-----------------------------|-----------------------------|--------------|--------------|-----------------------------|-----------------------------|
| | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) |
| At 1 January | 2,083,726 | 2,165,423 | 8,491,183 | 8,700,670 | 2,083,726 | 2,165,423 | 8,491,185 | 8,700,670 |
| Additions (Note 28) | 1,312,641 | 1,385,493 | 5,351,637 | 5,614,018 | 1,312,641 | 1,385,493 | 5,351,637 | 5,614,018 |
| Benefits paid | (2,085,315) | (1,465,393) | (8,501,829) | (5,937,772) | (2,085,315) | (1,465,393) | (8,501,829) | (5,937,772) |
| Currency translation difference | (3,880) | (1,797) | (15,819) | (7,281) | (3,880) | (1,797) | (15,821) | (7,281) |
| Exchange differences | - | - | (37,661) | 121,548 | - | - | (37,661) | 121,550 |
| At 31 December | 1,307,172 | 2,083,726 | 5,287,511 | 8,491,183 | 1,307,172 | 2,083,726 | 5,287,511 | 8,491,185 |

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

22. Employee benefits (continued)

(c) Seniority indemnity benefits

Movements in Seniority indemnity benefits were as follows:

| | The Group | | | | The Bank | | | |
|---------------------------------|--------------|--------------|-----------------------------|-----------------------------|--------------|--------------|-----------------------------|-----------------------------|
| | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) |
| At 1 January | 6,498,800 | 9,499,738 | 26,482,610 | 38,169,947 | 6,440,456 | 9,390,636 | 26,244,858 | 37,731,575 |
| Additions (Note 28) | 6,563,719 | 3,233,915 | 26,760,282 | 13,103,824 | 6,378,738 | 3,171,116 | 26,006,115 | 12,849,362 |
| Benefits paid | (6,998,257) | (6,225,869) | (28,531,894) | (25,227,221) | (6,815,248) | (6,112,312) | (27,785,766) | (24,767,088) |
| Currency translation difference | (27,850) | (8,984) | (113,544) | (36,403) | (27,545) | (8,984) | (112,301) | (36,403) |
| Exchange differences | - | - | (180,168) | 472,463 | - | - | (178,364) | 467,412 |
| At 31 December | 6,036,412 | 6,498,800 | 24,417,286 | 26,482,610 | 5,976,401 | 6,440,456 | 24,174,542 | 26,244,858 |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

23. Share capital and share premium

As at 31 December 2020, the authorised share capital comprised 433,163,019 ordinary shares (2019: 428,818,154) at par value of US\$1 each. All issued shares are fully paid by the following shareholders and their respective interest in the Bank are:

Share capital

| | As at 31 December 2020 | | | As at 31 December 2019 | | |
|--|------------------------|----------------------|-------------------|------------------------|----------------------|-------------------|
| | Number of shares | US\$ | % of shareholding | Number of shares | US\$ | % of shareholding |
| ACLEDA Financial Trust | 111,492,719 | 111,492,719 | 25.7392% | 111,492,719 | 111,492,719 | 26.0000% |
| ASA Plc. | 107,204,547 | 107,204,547 | 24.7492% | 107,204,547 | 107,204,547 | 25.0000% |
| SMBC | 78,259,310 | 78,259,310 | 18.0669% | 78,259,310 | 78,259,310 | 18.2500% |
| COFIBRED S.A | 52,530,223 | 52,530,223 | 12.1271% | 52,530,223 | 52,530,223 | 12.2500% |
| ORIX Corporation | 52,530,223 | 52,530,223 | 12.1271% | 52,530,223 | 52,530,223 | 12.2500% |
| Triodos Microfinance Fund | 10,938,339 | 10,938,339 | 2.5252% | 10,938,339 | 10,938,339 | 2.5508% |
| Triodos Fair Share Fund | 9,354,157 | 9,354,157 | 2.1595% | 9,354,157 | 9,354,157 | 2.1814% |
| Triodos Sustainable Finance Foundation | 6,508,636 | 6,508,636 | 1.5026% | 6,508,636 | 6,508,636 | 1.5178% |
| Other investors in CSX | 4,344,865 | 4,344,865 | 1.0031% | - | - | - |
| | <u>433,163,019</u> | <u>433,163,019</u> | <u>100%</u> | <u>428,818,154</u> | <u>428,818,154</u> | <u>100%</u> |
| <i>In KHR'000 equivalent (Note 4)</i> | | <u>1,752,144,412</u> | | | <u>1,747,433,978</u> | |

Share premium

The share premium mainly represents the excess amount received by the Bank over the par value of its shares pursuant to the issuance of shares, net of transaction costs directly distributable to the issuance.

On 25 May 2020, the Bank was successfully listed on the Cambodia Securities Exchange (“CSX”). The number of new issued shares are 4,344,865 shares with a par value of KHR4,000 (US\$0.98) per share, at an offering price of KHR16,200 (US\$3.97) per share. The Bank received the proceeds from the IPO amounting to US\$17,082,105 and incurred IPO costs of US\$1,031,025, resulting in share premium of US\$11,706,215 (KHR47,726,239 thousand).

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

24. Interest income calculated using the effective interest method

| | The Group | | | | The Bank | | | |
|---|--------------------|--------------------|-----------------------------|-----------------------------|--------------------|--------------------|-----------------------------|-----------------------------|
| | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) |
| Loans and advances: | | | | | | | | |
| - Interest income | 512,683,813 | 475,961,781 | 2,090,211,906 | 1,928,597,137 | 476,367,776 | 445,071,958 | 1,942,151,423 | 1,803,431,574 |
| Financial Investments | 1,464,244 | 5,582,893 | 5,969,723 | 22,621,882 | 1,464,244 | 5,576,930 | 5,969,723 | 22,597,720 |
| Deposits and placements with other banks: | | | | | | | | |
| - Banks outside Cambodia | 527,686 | 1,894,524 | 2,151,376 | 7,676,611 | 534,098 | 1,912,027 | 2,177,519 | 7,747,533 |
| - Banks inside Cambodia | 418,733 | 104,268 | 1,707,174 | 422,494 | 373,223 | 90,374 | 1,521,628 | 366,196 |
| | <u>515,094,476</u> | <u>483,543,466</u> | <u>2,100,040,179</u> | <u>1,959,318,124</u> | <u>478,739,341</u> | <u>452,651,289</u> | <u>1,951,820,293</u> | <u>1,834,143,023</u> |

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

25. Interest expense

| | The Group | | | | The Bank | | | |
|---|--------------------|--------------------|-----------------------------|-----------------------------|--------------------|--------------------|-----------------------------|-----------------------------|
| | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) |
| Deposits and placements of other banks and financial institutions: | | | | | | | | |
| Fixed deposits | 8,190,938 | 7,490,473 | 33,394,454 | 30,351,397 | 7,147,400 | 6,781,482 | 29,139,950 | 27,478,565 |
| Savings deposits | 38,667 | 37,923 | 157,645 | 153,664 | 23,553 | 21,970 | 96,026 | 89,022 |
| Deposits from customers: | | | | | | | | |
| Fixed deposits | 87,880,604 | 82,093,075 | 358,289,223 | 332,641,140 | 83,847,163 | 78,679,634 | 341,844,884 | 318,809,877 |
| Savings deposits | 6,003,502 | 5,862,572 | 24,476,278 | 23,755,142 | 4,700,755 | 4,809,851 | 19,164,978 | 19,489,516 |
| Current accounts | 47,316 | 48,178 | 192,907 | 195,217 | 47,316 | 48,178 | 192,907 | 195,217 |
| Subordinated debts | 12,058,447 | 7,526,693 | 49,162,288 | 30,498,160 | 12,058,447 | 7,526,693 | 49,162,288 | 30,498,160 |
| Borrowings | 34,448,590 | 51,722,720 | 140,446,901 | 209,580,461 | 30,155,737 | 46,757,479 | 122,944,940 | 189,461,305 |
| Interest expenses on lease | 2,109,253 | 2,091,046 | 8,599,425 | 8,472,918 | 1,875,776 | 1,858,700 | 7,647,538 | 7,531,453 |
| | <u>150,777,317</u> | <u>156,872,680</u> | <u>614,719,121</u> | <u>635,648,099</u> | <u>139,856,147</u> | <u>146,483,987</u> | <u>570,193,511</u> | <u>593,553,115</u> |

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

26. Fee and commission income

| | The Group | | | | The Bank | | | |
|---|-------------------|-------------------|-----------------------------|-----------------------------|-------------------|-------------------|-----------------------------|-----------------------------|
| | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) |
| Commission fees | 16,297,957 | 17,728,899 | 66,446,771 | 71,837,499 | 15,848,285 | 17,489,501 | 64,613,458 | 70,867,458 |
| Commission fee collected for assurance agency | 4,367,568 | 7,807,088 | 17,806,575 | 31,634,321 | 4,155,100 | 7,627,351 | 16,940,343 | 30,906,026 |
| ATM Fee | 7,260,221 | 7,254,974 | 29,599,921 | 29,397,155 | 7,178,009 | 7,156,586 | 29,264,743 | 28,998,486 |
| Early loan redemption fees | 6,762,569 | 6,482,079 | 27,570,994 | 26,265,384 | 5,382,843 | 5,449,183 | 21,945,851 | 22,080,090 |
| Deposit fee charged | 1,462,641 | 1,552,286 | 5,963,187 | 6,289,863 | 1,341,315 | 1,512,200 | 5,468,541 | 6,127,434 |
| Fee income from guarantee | 1,059,745 | 633,402 | 4,320,580 | 2,566,545 | 1,057,581 | 632,494 | 4,311,758 | 2,562,866 |
| Training fees | 1,101,889 | 1,053,824 | 4,492,401 | 4,270,095 | 26,417 | 25,548 | 107,702 | 103,520 |
| Others | 7,462,575 | 6,222,067 | 30,424,919 | 25,211,814 | 7,364,544 | 6,155,361 | 30,025,245 | 24,941,524 |
| | <u>45,775,165</u> | <u>48,734,619</u> | <u>186,625,348</u> | <u>197,472,676</u> | <u>42,354,094</u> | <u>46,048,224</u> | <u>172,677,641</u> | <u>186,587,404</u> |

There were settlement fees amounting to KHR6,073,600 (equivalent to US\$1,502) and US\$12,169 for operation of cash settlement agent.

27. Other incomes

| | The Group | | | | The Bank | | | |
|--|-------------------|-------------------|-----------------------------|-----------------------------|-------------------|-------------------|-----------------------------|-----------------------------|
| | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) |
| Foreign exchange gain | 9,834,586 | 9,383,469 | 40,095,607 | 38,021,816 | 9,820,545 | 9,339,015 | 40,038,362 | 37,841,689 |
| Recovery from loans and advances written off | 6,403,750 | 6,938,680 | 26,108,089 | 28,115,531 | 5,460,909 | 6,427,702 | 22,264,126 | 26,045,049 |
| Gain on disposals of property and equipment | 369,528 | 76,481 | 1,506,566 | 309,901 | 326,299 | 84,637 | 1,330,321 | 342,949 |
| Dividends on financial investments | 174,479 | - | 711,351 | - | 174,479 | - | 711,351 | - |
| Others | 1,569,015 | 1,451,093 | 6,396,874 | 5,879,830 | 880,516 | 382,410 | 3,589,864 | 1,549,525 |
| | <u>18,351,358</u> | <u>17,849,723</u> | <u>74,818,487</u> | <u>72,327,078</u> | <u>16,662,748</u> | <u>16,233,764</u> | <u>67,934,024</u> | <u>65,779,212</u> |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

28. General and administrative expenses

| | The Group | | | | The Bank | | | |
|-------------------------------------|--------------------|--------------------|-----------------------------|-----------------------------|--------------------|--------------------|-----------------------------|-----------------------------|
| | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) |
| Salaries and wages | 104,491,311 | 99,255,909 | 426,011,075 | 402,184,943 | 95,451,391 | 90,560,200 | 389,155,321 | 366,949,930 |
| Other employee benefits | 35,479,412 | 32,314,297 | 144,649,563 | 130,937,531 | 34,870,101 | 31,616,916 | 142,165,402 | 128,111,744 |
| Seniority indemnity | 6,563,719 | 3,233,915 | 26,760,282 | 13,103,824 | 6,378,738 | 3,171,116 | 26,006,115 | 12,849,362 |
| Retirement benefits | 1,697,381 | 1,558,012 | 6,920,222 | 6,313,065 | 1,577,677 | 1,402,382 | 6,432,189 | 5,682,452 |
| Career development expense | 1,312,641 | 1,385,493 | 5,351,637 | 5,614,018 | 1,312,641 | 1,385,493 | 5,351,637 | 5,614,018 |
| Depreciation of right-of-use assets | 10,627,120 | 10,472,238 | 43,326,768 | 42,433,509 | 9,770,638 | 9,648,626 | 39,834,891 | 39,096,232 |
| Depreciation charges | 21,249,218 | 21,426,470 | 86,633,062 | 86,820,056 | 19,181,151 | 19,275,787 | 78,201,553 | 78,105,489 |
| Repairs and maintenance | 11,581,510 | 11,538,393 | 47,217,816 | 46,753,568 | 11,053,765 | 10,730,382 | 45,066,200 | 43,479,508 |
| Utilities | 5,203,989 | 5,345,689 | 21,216,663 | 21,660,732 | 4,812,487 | 4,875,541 | 19,620,509 | 19,755,692 |
| Amortisation charges | 3,667,583 | 3,537,457 | 14,952,736 | 14,333,776 | 3,339,510 | 3,182,821 | 13,615,182 | 12,896,791 |
| Communication | 3,717,757 | 4,573,061 | 15,157,295 | 18,530,043 | 2,755,106 | 3,745,992 | 11,232,567 | 15,178,760 |
| Office supplies | 5,280,235 | 5,206,046 | 21,527,518 | 21,094,898 | 4,677,362 | 4,533,968 | 19,069,605 | 18,371,638 |
| Travelling expenses | 2,011,396 | 2,438,327 | 8,200,461 | 9,880,101 | 1,733,487 | 2,015,788 | 7,067,426 | 8,167,973 |
| License fees | 1,175,271 | 1,132,371 | 4,791,580 | 4,588,367 | 1,135,316 | 1,108,699 | 4,628,683 | 4,492,448 |
| Others | 11,867,677 | 11,994,716 | 48,384,521 | 48,602,589 | 10,054,387 | 10,160,199 | 40,991,737 | 41,169,126 |
| | <u>225,926,220</u> | <u>215,412,394</u> | <u>921,101,199</u> | <u>872,851,020</u> | <u>208,103,757</u> | <u>197,413,910</u> | <u>848,439,017</u> | <u>799,921,163</u> |

There were salaries and wages expenses of ACLEDA Bank's staff who is responsible for operation of cash settlement agent amounting to US\$35,701.

Above expenses include costs incurred for operation of cash settlement agent, consisting of the repairs and maintenance amounting to US\$8,101, office supplies amounting to US\$630, furniture and fixtures amounting to US\$512 and membership fees amounting to US\$12,773 (KHR51,666,667).

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

29. Taxation

(a) Current income tax liabilities

| | The Group | | | | The Bank | | | |
|---------------------------------|--------------|--------------|-----------------------------|-----------------------------|--------------|--------------|-----------------------------|-----------------------------|
| | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) |
| At 1 January | 30,459,303 | 13,810,997 | 124,121,660 | 55,492,586 | 29,175,560 | 12,901,983 | 118,890,407 | 51,840,168 |
| Income tax expense | 34,897,719 | 35,861,058 | 142,278,000 | 145,309,007 | 32,490,343 | 33,414,108 | 132,463,128 | 135,393,966 |
| Income tax paid | (35,064,652) | (19,216,756) | (142,958,586) | (77,866,295) | (33,715,569) | (17,140,531) | (137,458,375) | (69,453,432) |
| Currency translation difference | - | 4,004 | - | 16,224 | - | - | - | - |
| Exchange difference | - | - | (908,437) | 1,170,138 | - | - | (836,059) | 1,109,705 |
| At 31 December | 30,292,370 | 30,459,303 | 122,532,637 | 124,121,660 | 27,950,334 | 29,175,560 | 113,059,101 | 118,890,407 |

(b) Income tax expense

| | The Group | | | | The Bank | | | |
|--------------------------------|--------------|--------------|-----------------------------|-----------------------------|--------------|--------------|-----------------------------|-----------------------------|
| | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) |
| Current income tax | 34,897,719 | 35,861,058 | 142,278,000 | 145,309,007 | 32,490,343 | 33,414,108 | 132,463,128 | 135,393,966 |
| Deferred tax expense/(benefit) | 3,645,153 | (3,198,249) | 14,861,291 | (12,959,305) | 1,321,796 | (3,074,485) | 5,388,963 | (12,457,813) |
| | 38,542,872 | 32,662,809 | 157,139,291 | 132,349,702 | 33,812,139 | 30,339,623 | 137,852,091 | 122,936,153 |

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

29. Taxation (continued)

c) Reconciliation between income tax expense and accounting profit

| | The Group | | | | The Bank | | | |
|---|-------------------|-------------------|-----------------------------|-----------------------------|-------------------|-------------------|-----------------------------|-----------------------------|
| | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) |
| Profit before income tax | 180,035,462 | 153,522,621 | 734,004,580 | 622,073,660 | 172,154,315 | 148,226,402 | 701,873,143 | 600,613,382 |
| Tax calculated at domestic tax rates applicable to profits in the respective countries | 36,455,146 | 30,886,544 | 148,627,630 | 125,152,276 | 34,430,863 | 29,645,280 | 140,374,628 | 120,122,675 |
| Effect of non-deductible expense | 2,087,726 | 1,447,340 | 8,511,661 | 5,864,622 | (618,724) | 694,343 | (2,522,537) | 2,813,478 |
| Utilisation of tax losses | - | 328,925 | - | 1,332,804 | - | - | - | - |
| | <u>38,542,872</u> | <u>32,662,809</u> | <u>157,139,291</u> | <u>132,349,702</u> | <u>33,812,139</u> | <u>30,339,623</u> | <u>137,852,091</u> | <u>122,936,153</u> |

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

29. Taxation (continued)

c) Reconciliation between income tax expense and accounting profit (continued)

Having been successfully listed on CSX, the Bank is entitled to a reduction at 50% on the tax on profit for a period of 3 years after listing (proportion based on percentage of listed shares taking 20.0001% as a base in accordance with the Prakas No. 183 on the implementation guidance on the incentive on tax on profit for the IPO enterprise) and waiver of other tax liabilities, including tax on profit and withholding taxes for the period from year N-3 to N-10, where N is the IPO year ("N-3 to N-10"), in accordance with the Sub-decree No. 01 of the Royal Government of Cambodia ("RGC") dated 4 January 2019, and temporary postponement on the prepayment of profit tax for a period of 3 years after listing in accordance with Prakas No. 855 of the Ministry of Economy and Finance ("MEF") dated 24 July 2015. The Bank shall fulfil the forms and submit to GDT through the Securities and Exchange Commission of Cambodia ("SECC") in order to be granted tax incentives.

On 28 May 2020, the Bank submitted a letter to the SECC requesting for their assistance in facilitating with the GDT for the written approval on tax incentive related to the waiver of the tax liabilities for the period from N-3 to N-10. Subsequently on 20 October 2020, the SECC submitted a letter to the GDT requesting for written approval for the said tax incentive for the period from N-3 to N-10. The actual amounts of tax liabilities to be waived will be determined by the GDT. As of the date of these financial statements, the Bank is awaiting written approval from the GDT.

On 27 October 2020, the Bank submitted a letter to the SECC requesting for their assistance in facilitating with the GDT for the written approval on temporary postponement on the prepayment of profit tax for the period of 3 years after listing. On 15 December 2020, GDT approved temporarily postponing on paying prepayment of profit tax for the Bank from November 2020 until the end of tax incentive period.

In addition, on 6 January 2021, the Bank submitted a letter to the SECC requesting for their assistance in facilitating with the GDT for the written approval on tax incentive following the Prakas No. 183 on the implementation guidance on the incentive on tax on profit for the IPO enterprise. As of the date of these financial statements, the Bank is awaiting response from the SECC.

d) Other tax matters

The Bank's and its subsidiaries' tax returns are subject to periodic examination by the respective tax authorities. Some areas of tax laws and regulations may be open to different interpretation; therefore tax amounts reported in the financial statements could be changed at a later date, upon final determination by the respective tax authorities.

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

30. Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of Bank by the weighted average numbers of ordinary shares in issue during the respective year.

| | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) |
|-------------------------------------|--------------|--------------|-----------------------------|-----------------------------|
| Profit attributable to shareholders | 141,662,037 | 120,894,720 | 569,396,098 | 497,195,570 |
| Weighted average numbers of shares | 431,441,693 | 413,263,649 | 431,441,693 | 413,263,649 |
| Basic earnings per share | <u>0.33</u> | <u>0.29</u> | <u>1.32</u> | <u>1.20</u> |
| Diluted earnings per share | <u>0.33</u> | <u>0.29</u> | <u>1.32</u> | <u>1.20</u> |

Diluted earnings per share are calculated by adjusting the weighted average numbers of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

The Bank had no dilutive potential ordinary shares as at each of the year end. As such, the diluted earnings per share were equivalent to the basic earnings per share.

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

31. Cash and cash equivalents

| | The Group | | | | The Bank | | | |
|--|----------------------|----------------------|-----------------------------|-----------------------------|----------------------|----------------------|-----------------------------|-----------------------------|
| | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) |
| Cash on hand (Note 5) | 412,759,051 | 421,527,238 | 1,669,610,361 | 1,717,723,495 | 400,816,126 | 410,955,867 | 1,621,301,230 | 1,674,645,158 |
| Deposits and placements with other banks: | | | | | | | | |
| <i>Balances with the National Bank of Cambodia:</i> | | | | | | | | |
| - Current accounts | 284,119,485 | 467,629,288 | 1,149,263,317 | 1,905,589,349 | 264,197,563 | 448,591,990 | 1,068,679,142 | 1,828,012,359 |
| - Negotiable certificate of deposits, maturities of three months or less | 552,146,123 | 490,000,000 | 2,233,431,068 | 1,996,750,000 | 552,146,123 | 490,000,000 | 2,233,431,068 | 1,996,750,000 |
| <i>Balances with other banks:</i> | - | - | - | - | - | - | - | - |
| - Current accounts | 246,463,022 | 118,728,169 | 996,942,924 | 483,817,288 | 240,035,449 | 109,229,831 | 970,943,391 | 445,111,562 |
| - Savings accounts | - | 835,762 | - | 3,405,730 | - | 835,760 | - | 3,405,722 |
| - Fixed deposits, maturities of three months or less | 1,617,823 | - | 6,544,094 | - | 502,678 | - | 2,033,332 | - |
| | <u>1,497,105,504</u> | <u>1,498,720,457</u> | <u>6,055,791,764</u> | <u>6,107,285,862</u> | <u>1,457,697,939</u> | <u>1,459,613,448</u> | <u>5,896,388,163</u> | <u>5,947,924,801</u> |

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

32. Commitment and contingencies

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

(a) Loan commitment, guarantee and other financial liabilities

| | The Group | | | | The Bank | | | |
|------------------------------|--------------------|--------------------|-----------------------------|-----------------------------|--------------------|--------------------|-----------------------------|-----------------------------|
| | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) |
| Unused portion of overdrafts | 120,937,607 | 93,060,063 | 489,192,620 | 379,219,757 | 120,108,962 | 93,060,063 | 485,840,751 | 379,219,757 |
| Bank guarantees | 47,038,166 | 38,432,397 | 190,269,381 | 156,612,018 | 46,831,662 | 38,405,593 | 189,434,073 | 156,502,791 |
| Letters of credit | 7,862,818 | 8,948,350 | 31,805,099 | 36,464,526 | 7,862,818 | 8,948,350 | 31,805,099 | 36,464,526 |
| | <u>175,838,591</u> | <u>140,440,810</u> | <u>711,267,100</u> | <u>572,296,301</u> | <u>174,803,442</u> | <u>140,414,006</u> | <u>707,079,923</u> | <u>572,187,074</u> |

No material losses are anticipated as a result of these transactions.

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

32. Commitments and contingencies (continued)

(b) Capital expenditure commitments

| | The Group | | | | The Bank | | | |
|---|------------------|------------------|-----------------------------|-----------------------------|------------------|------------------|-----------------------------|-----------------------------|
| | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) |
| Not later than 1 year | 4,601,832 | 2,700,631 | 18,614,410 | 11,005,071 | 4,589,155 | 2,182,187 | 18,563,132 | 8,892,412 |
| Later than 1 but not later than 5 years | 146,498 | - | 592,584 | - | - | - | - | - |
| | <u>4,748,330</u> | <u>2,700,631</u> | <u>19,206,994</u> | <u>11,005,071</u> | <u>4,589,155</u> | <u>2,182,187</u> | <u>18,563,132</u> | <u>8,892,412</u> |

The balances of these commitments are related to the purchases of property and equipment and intangible assets at the Bank amounting to US\$4,589,155, the construction contract to build AIB's building and purchases of other equipment amounting to US\$12,677, the purchases of computer software at ACLEDA Bank Laos Ltd. amounting to US\$146,498.

(c) Other commitments

On 30 May 2016, the Bank guaranteed to IFC to secure the borrowing obtained by its subsidiary, AIB, amounting to US\$13,000,000 maturing on 15 June 2026. The Bank has made allowance for impairment loss of US\$370,448 (2019: US\$448,343) with respect to this guarantee.

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

33. Reserves

| | The Group | | | | | | | | | | |
|---|--------------------|----------------------|---------------------|---------------------|-------------------------------|---------------------|--|---------------------|---------------------|--------------------|----------------------|
| | General reserves | | Regulatory reserves | | Currency translation reserves | | Transactions with non-controlling interest | | Other reserves | Total | |
| | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) |
| As at 1 January 2020 | 398,373,767 | 1,623,373,099 | 38,630,578 | 157,419,606 | (22,255,619) | (90,691,647) | - | - | 17,984,208 | 414,748,726 | 1,708,085,266 |
| Comprehensive income: | | | | | | | | | | | |
| Other comprehensive income - currency translation difference | - | - | - | - | - | - | - | - | (8,160,026) | - | (8,160,026) |
| Total comprehensive income for the year | - | - | - | - | - | - | - | - | (8,160,026) | - | (8,160,026) |
| Transactions with owners: | | | | | | | | | | | |
| Conversion of retained earnings to share capital | (4,451,864) | (18,150,250) | - | - | - | - | - | - | - | (4,451,864) | (18,150,250) |
| Transfers from retained earnings to general reserves | 66,285,795 | 270,247,186 | - | - | - | - | - | - | - | 66,285,795 | 270,247,186 |
| Transfer from retained earnings to regulatory reserves | - | - | 25,897,174 | 105,582,778 | - | - | - | - | - | 25,897,174 | 105,582,778 |
| Currency translation difference - foreign subsidiaries | - | - | - | - | 614,405 | 2,504,929 | - | - | - | 614,405 | 2,504,929 |
| Currency translation differences | - | (13,929,899) | - | (1,987,626) | - | 648,007 | - | - | 3,868,632 | - | (11,400,886) |
| Total transactions with owners: | 61,833,931 | 238,167,037 | 25,897,174 | 103,595,152 | 614,405 | 3,152,936 | - | - | 3,868,632 | 88,345,510 | 348,783,757 |
| As at 31 December 2020 | 460,207,698 | 1,861,540,136 | 64,527,752 | 261,014,758 | (21,641,214) | (87,538,711) | - | - | 13,692,814 | 503,094,236 | 2,048,708,997 |

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

33. Reserves (continued)

| | The Group | | | | | | | | | | |
|--|------------------|---------------------|---------------------|---------------------|-------------------------------|---------------------|--|---------------------|---------------------|--------------|---------------------|
| | General reserves | | Regulatory reserves | | Currency translation reserves | | Transactions with non-controlling interest | | Other reserves | Total | |
| | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) |
| As at 1 January 2019 | 348,162,807 | 1,398,918,155 | 51,036,569 | 205,064,934 | (7,121,746) | (28,615,175) | (14,279,344) | (57,374,404) | 11,233,393 | 377,798,286 | 1,529,226,903 |
| Comprehensive income: | | | | | | | | | | | |
| Other comprehensive income - currency translation differences | - | - | - | - | - | - | - | - | 7,330,165 | - | 7,330,165 |
| Total comprehensive income for the year | - | - | - | - | - | - | - | - | 7,330,165 | - | 7,330,165 |
| Transactions with owners: | | | | | | | | | | | |
| Transfers from retained earnings to general reserves | 50,210,960 | 204,408,818 | - | - | - | - | - | - | - | 50,210,960 | 204,408,818 |
| Transfer from regulatory reserves to retained earnings | - | - | (12,405,991) | (50,554,413) | - | - | - | - | - | (12,405,991) | (50,554,413) |
| Acquisition of non-controlling interest in AMIM | - | - | - | - | - | - | 14,279,344 | 58,188,327 | - | 14,279,344 | 58,188,327 |
| Currency translation differences - foreign subsidiaries | - | - | - | - | (15,133,873) | (61,670,532) | - | - | - | (15,133,873) | (61,670,532) |
| Currency translation differences | - | 20,046,126 | - | 2,909,085 | - | (405,940) | - | (813,923) | (579,350) | - | 21,155,998 |
| Total transactions with owners: | 50,210,960 | 224,454,944 | (12,405,991) | (47,645,328) | (15,133,873) | (62,076,472) | 14,279,344 | 57,374,404 | (579,350) | 36,950,440 | 171,528,198 |
| As at 31 December 2019 | 398,373,767 | 1,623,373,099 | 38,630,578 | 157,419,606 | (22,255,619) | (90,691,647) | - | - | 17,984,208 | 414,748,726 | 1,708,085,266 |

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

33. Reserves (continued)

| | The Bank | | | | | | |
|--|--------------------|----------------------|---------------------|---------------------|---------------------|--------------------|----------------------|
| | General reserves | | Regulatory reserves | | Other reserves | Total | |
| | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) |
| Balance at 1 January 2020 | 388,464,324 | 1,582,992,120 | 37,245,288 | 151,774,549 | 17,601,987 | 425,709,612 | 1,752,368,656 |
| Comprehensive income: | | | | | | | |
| Other comprehensive income-currency translation difference | - | - | - | - | (7,961,797) | - | (7,961,797) |
| Total comprehensive income for the year | - | - | - | - | (7,961,797) | - | (7,961,797) |
| Transactions with owners: | | | | | | | |
| Transfers from retained earnings to general reserves | 66,949,305 | 272,952,316 | - | - | - | 66,949,305 | 272,952,316 |
| Transfer from retained earnings to regulatory reserves | - | - | 18,082,637 | 73,722,911 | - | 18,082,637 | 73,722,911 |
| Currency translation differences | - | (13,796,307) | - | (1,696,001) | 3,768,024 | - | (11,724,284) |
| Total transactions with owners: | <u>66,949,305</u> | <u>259,156,009</u> | <u>18,082,637</u> | <u>72,026,910</u> | <u>3,768,024</u> | <u>85,031,942</u> | <u>334,950,943</u> |
| As at 31 December 2020 | <u>455,413,629</u> | <u>1,842,148,129</u> | <u>55,327,925</u> | <u>223,801,459</u> | <u>13,408,214</u> | <u>510,741,554</u> | <u>2,079,357,802</u> |
| As at 1 January 2019 | 339,813,727 | 1,365,371,554 | 49,917,196 | 200,567,294 | 11,021,340 | 389,730,923 | 1,576,960,188 |
| Comprehensive income: | | | | | | | |
| Other comprehensive income-currency translation difference | - | - | - | - | 7,153,755 | - | 7,153,755 |
| Total comprehensive income for the year | - | - | - | - | 7,153,755 | - | 7,153,755 |
| Transactions with owners: | | | | | | | |
| Transfers from retained earnings to general reserves | 48,650,597 | 198,056,580 | - | - | - | 48,650,597 | 198,056,580 |
| Transfer from regulatory reserves to retained earnings | - | - | (12,671,908) | (51,638,025) | - | (12,671,908) | (51,638,025) |
| Currency translation differences | - | 19,563,986 | - | 2,845,280 | (573,108) | - | 21,836,158 |
| Total transactions with owners: | <u>48,650,597</u> | <u>217,620,566</u> | <u>(12,671,908)</u> | <u>(48,792,745)</u> | <u>(573,108)</u> | <u>35,978,689</u> | <u>168,254,713</u> |
| As at 31 December 2019 | <u>388,464,324</u> | <u>1,582,992,120</u> | <u>37,245,288</u> | <u>151,774,549</u> | <u>17,601,987</u> | <u>425,709,612</u> | <u>1,752,368,656</u> |

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

34. Related party transactions and balances

(a) Related parties and relationships

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

| Related parties | Relationship |
|--|---|
| ACLEDA Bank Plc. | Holding company |
| Subsidiaries of the Bank as disclosed in Note 11 | Subsidiaries |
| Shareholders as disclosed in Note 23 | Shareholders |
| Key management personnel | The key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group and the Bank either directly or indirectly. The key management personnel of the Group and the Bank include all Directors of the Group and the Bank and members of senior management of the Group and the Bank. |

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

34. Related party transactions and balances (continued)

(b) Related parties balances

| | The Group | | | | The Bank | | | |
|---|-------------------|------------------|-----------------------------|-----------------------------|-------------------|-------------------|-----------------------------|-----------------------------|
| | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) |
| i). Loans and advances | | | | | | | | |
| Key management personnel | 13,988,651 | 5,835,258 | 56,584,093 | 23,778,676 | 12,996,169 | 5,266,917 | 52,569,504 | 21,462,687 |
| Subsidiaries | - | - | - | - | 6,440,590 | 4,975,201 | 26,052,187 | 20,273,944 |
| | <u>13,988,651</u> | <u>5,835,258</u> | <u>56,584,093</u> | <u>23,778,676</u> | <u>19,436,759</u> | <u>10,242,118</u> | <u>78,621,691</u> | <u>41,736,631</u> |
| ii). Balances with related parties | | | | | | | | |
| Shareholder | 412,162 | 487,356 | 1,667,195 | 1,985,976 | 412,162 | 487,356 | 1,667,195 | 1,985,976 |
| Subsidiaries | - | - | - | - | 502,678 | - | 2,033,333 | - |
| | <u>412,162</u> | <u>487,356</u> | <u>1,667,195</u> | <u>1,985,976</u> | <u>914,840</u> | <u>487,356</u> | <u>3,700,528</u> | <u>1,985,976</u> |
| iii). Receivables from/(payables to) related parties | | | | | | | | |
| Key management loan | | | | | | | | |
| Interest receivables | - | 12,329 | - | 50,241 | - | 10,908 | - | 44,450 |
| Key management deposit | | | | | | | | |
| Interest payables | (28,375) | (16,830) | (114,777) | (68,582) | (28,375) | (16,828) | (114,777) | (68,574) |
| Shareholders | | | | | | | | |
| Other payables | (500) | (1,474) | (2,023) | (6,007) | (500) | (1,474) | (2,023) | (6,007) |
| Subsidiaries | | | | | | | | |
| Other receivables | - | - | - | - | 169,544 | 163,206 | 685,806 | 665,064 |
| Other payables | - | - | - | - | (2,187) | (38,565) | (8,846) | (157,153) |
| | <u>(28,875)</u> | <u>(5,975)</u> | <u>(116,800)</u> | <u>(24,348)</u> | <u>138,482</u> | <u>117,247</u> | <u>560,160</u> | <u>477,780</u> |

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

34. Related party transactions and balances (continued)

(b) Related parties balances (continued)

| | The Group | | | | The Bank | | | |
|--|-------------------|------------------|-----------------------------|-----------------------------|-------------------|-------------------|-----------------------------|-----------------------------|
| | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) |
| iv). Deposits from related parties | | | | | | | | |
| Key management personnel | 5,206,782 | 2,219,783 | 21,061,433 | 9,045,616 | 4,513,852 | 2,157,137 | 18,258,531 | 8,790,333 |
| Shareholders | | | | | | | | |
| Current accounts | 12,867,384 | 4,180,078 | 52,048,568 | 17,033,818 | 12,867,384 | 4,180,078 | 52,048,568 | 17,033,818 |
| Saving accounts | 99,712 | 24,678 | 403,335 | 100,563 | 99,712 | 24,678 | 403,335 | 100,563 |
| Fixed deposits | 150,500 | 301,474 | 608,773 | 1,228,507 | 150,500 | 301,474 | 608,773 | 1,228,507 |
| Subsidiaries | | | | | | | | |
| Current accounts | - | - | - | - | 1,637,224 | 5,777,256 | 6,622,571 | 23,542,318 |
| Saving accounts | - | - | - | - | 180,135 | 157,520 | 728,646 | 641,894 |
| Fixed deposits | - | 23,445 | - | 95,539 | 1,699,962 | 2,883,445 | 6,876,346 | 11,750,039 |
| | <u>18,324,378</u> | <u>6,749,458</u> | <u>74,122,109</u> | <u>27,504,043</u> | <u>21,148,769</u> | <u>15,481,588</u> | <u>85,546,770</u> | <u>63,087,472</u> |
| v). Borrowings from related parties | | | | | | | | |
| Shareholders | - | 699,680 | - | 2,851,196 | - | - | - | - |

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

34. Related party transactions and balances (continued)

(c) Related parties transactions

| | The Group | | | | The Bank | | | |
|--|------------------|------------------|-----------------------------|-----------------------------|------------------|------------------|-----------------------------|-----------------------------|
| | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) |
| i). Interest income from related parties | | | | | | | | |
| Loans and advances to key management | 1,118,336 | 188,530 | 4,559,456 | 768,260 | 1,074,031 | 132,479 | 4,378,824 | 539,852 |
| Deposit from shareholder | 16,989 | - | 69,264 | - | 16,989 | - | 69,264 | - |
| Deposits with subsidiary | - | - | - | - | 6,720 | 23,978 | 27,397 | 97,710 |
| Loan to subsidiary | - | - | - | - | 392,804 | 229,167 | 1,601,462 | 933,856 |
| | <u>1,135,325</u> | <u>188,530</u> | <u>4,628,720</u> | <u>768,260</u> | <u>1,490,544</u> | <u>385,624</u> | <u>6,076,947</u> | <u>1,571,418</u> |
| ii). Fee and commission income from related parties | | | | | | | | |
| Shareholders | 28,063 | 28,063 | 114,413 | 114,357 | 28,063 | 28,063 | 114,413 | 114,357 |
| Subsidiaries | - | - | - | - | 12,288 | 7,570 | 50,099 | 30,848 |
| | <u>28,063</u> | <u>28,063</u> | <u>114,413</u> | <u>114,357</u> | <u>40,351</u> | <u>35,633</u> | <u>164,512</u> | <u>145,205</u> |
| iii). Interest expenses to related parties | | | | | | | | |
| Deposits of key management | 147,282 | 136,889 | 600,469 | 557,823 | 135,704 | 133,304 | 553,265 | 543,214 |
| Borrowing from shareholders | 44,373 | 219,350 | 180,909 | 893,851 | - | - | - | - |
| Deposits of shareholders | 201,670 | 15,501 | 822,208 | 63,167 | 201,670 | 15,501 | 822,208 | 63,167 |
| Deposits of subsidiaries | - | - | - | - | 95,393 | 104,564 | 388,917 | 426,098 |
| | <u>393,325</u> | <u>371,740</u> | <u>1,603,586</u> | <u>1,514,841</u> | <u>432,767</u> | <u>253,369</u> | <u>1,764,390</u> | <u>1,032,479</u> |
| iv). Fee and remuneration expenses to related parties | | | | | | | | |
| Board of Directors | 829,387 | 1,022,611 | 3,381,411 | 4,167,140 | 527,704 | 577,284 | 2,151,449 | 2,352,432 |
| Key management | 7,682,706 | 7,592,063 | 31,322,392 | 30,937,657 | 5,990,537 | 5,832,800 | 24,423,419 | 23,768,660 |
| Subsidiary | - | - | - | - | 2,200,796 | 1,411,007 | 8,972,645 | 5,749,854 |
| | <u>8,512,093</u> | <u>8,614,674</u> | <u>34,703,803</u> | <u>35,104,797</u> | <u>8,719,037</u> | <u>7,821,091</u> | <u>35,547,513</u> | <u>31,870,946</u> |
| v). Other commitments | | | | | | | | |
| ECL on financial guarantee on AIB's debt from IFC | - | 448,343 | - | 1,826,998 | 370,448 | 448,343 | 1,510,316 | 1,826,998 |

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

35. Financial risk management

(a) Introduction and overview

For the purpose of the risk management policy, risk is defined as the possibility that the outcome of an action or event could adversely affect the ability to meet business objectives or capital of the Bank.

The Bank's approach to the identification and assessment of key risk and controls is undertaken across all business areas of the Bank. This risk management process is effected by the Group's and the Bank's Board of Directors, management, and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within the risk appetite, provide reasonable assurance regarding the achievement of objectives.

Changes in certain macro-economic variables represent environmental stresses which may reveal systemic credit, market risk sensitivities and risk contagion. These stress tests do include worst case scenarios to test the (combined) risks that could break the Bank and to test what combined set of events would be needed to break the Bank (reverse stress test).

(b) Objective and principles

The objective of the risk management policy is to set standards for the Bank's enterprise-wide risk management in a way that optimally balances managing risk while adding value to the Bank, and this policy is applicable to all levels of the Bank.

Risk appetite is defined as the amount and type of risk, on a broad level, an organization is willing to accept in pursuit of long-term shareholder value. Risk tolerance refers to the variation amount of maximum of risk which can be accepted, taking into account the appropriate measure to reduce the risk.

The Bank's risk appetite and tolerance statement is prepared in accordance with its business strategy and the role of the Bank in the financial system.

The Board approves the Bank's risk appetite and tolerance statement with considering the most significant risk which the Bank is exposed and provides an outline of the approach to manage these risks.

The risk management policy distinguishes different risk categories in line with the categories identified by the Basel Accords as issued by the Basel Committee on Banking Supervision. The policy sets risk tolerance/internal targets per individual risk category.

At all times the Bank shall adhere to the prudential ratios and requirements as stipulated by the superintendent.

At all times, unless specifically mentioned otherwise, the Bank shall adhere to the risk tolerance/internal targets, as set by the Board in the risk management policy, in order to limit potential loss.

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

35. Financial risk management (continued)

The Group's and the Bank's activities expose it to a variety of financial risks: credit risk, market risk (including currency risk, and interest rate risk), and liquidity risk. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business.

The Group and the Bank hold the following financial assets and liabilities:

| | The Group | | | | The Bank | | | |
|---|----------------------|----------------------|-----------------------------|-----------------------------|----------------------|----------------------|-----------------------------|-----------------------------|
| | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) |
| Financial assets | | | | | | | | |
| Cash on hand | 412,759,051 | 421,527,238 | 1,669,610,361 | 1,717,723,495 | 400,816,126 | 410,955,867 | 1,621,301,230 | 1,674,645,158 |
| Deposits and placements with other banks | 534,653,146 | 587,730,531 | 2,162,671,976 | 2,395,001,914 | 507,629,407 | 558,612,340 | 2,053,360,951 | 2,276,345,286 |
| Financial investments | 566,674,523 | 527,474,976 | 2,292,198,446 | 2,149,460,527 | 566,674,523 | 527,474,976 | 2,292,198,446 | 2,149,460,527 |
| Loans and advances | 4,471,300,618 | 3,846,020,519 | 18,086,411,000 | 15,672,533,615 | 4,292,649,159 | 3,686,578,943 | 17,363,765,848 | 15,022,809,193 |
| Other assets | 6,921,852 | 5,918,866 | 27,998,891 | 24,119,379 | 6,923,222 | 5,935,692 | 28,004,433 | 24,187,945 |
| Total financial assets | 5,992,309,190 | 5,388,672,130 | 24,238,890,674 | 21,958,838,930 | 5,774,692,437 | 5,189,557,818 | 23,358,630,908 | 21,147,448,109 |
| Financial liabilities | | | | | | | | |
| Deposits and placements of other banks and financial institutions | 317,009,459 | 285,175,145 | 1,282,303,262 | 1,162,088,716 | 296,764,554 | 274,277,721 | 1,200,412,621 | 1,117,681,713 |
| Deposits from customers | 4,294,286,048 | 4,082,722,853 | 17,370,387,064 | 16,637,095,626 | 4,180,268,737 | 3,982,146,559 | 16,909,187,041 | 16,227,247,228 |
| Other liabilities | 28,699,228 | 27,251,397 | 116,088,377 | 111,049,443 | 28,488,959 | 26,115,905 | 115,237,839 | 106,422,313 |
| Lease liabilities | 28,617,902 | 30,915,939 | 115,759,414 | 125,982,451 | 25,772,385 | 27,789,168 | 104,249,297 | 113,240,860 |
| Borrowings | 542,398,916 | 564,971,701 | 2,194,003,615 | 2,302,259,682 | 507,352,916 | 518,068,128 | 2,052,242,545 | 2,111,127,622 |
| Subordinated debts | 167,158,623 | 139,302,580 | 676,156,630 | 567,658,014 | 167,158,623 | 139,302,580 | 676,156,630 | 567,658,014 |
| Total financial liabilities | 5,378,170,176 | 5,130,339,615 | 21,754,698,362 | 20,906,133,932 | 5,205,806,174 | 4,967,700,061 | 21,057,485,973 | 20,243,377,750 |
| Net financial assets | 614,139,014 | 258,332,515 | 2,484,192,312 | 1,052,704,998 | 568,886,263 | 221,857,757 | 2,301,144,935 | 904,070,359 |

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

35. Financial risk management (continued)

35.1 Credit risk

Credit risk is the risk that a counterparty would fail to meet its obligations in accordance with agreed terms. While loans are the most obvious source of credit risk, other sources of credit risk exist throughout the activities of an institution, including in the banking book and the trading book, in both on and off-balance sheets. Institutions are facing credit risks in various financial instruments other than loans, including acceptance, trade financing, the commitment and guarantee, interbank transaction, the settlement of transactions, foreign exchange transactions, bonds, equities and financial derivative instruments.

Principles of the credit risk:

- The Board recognises that the loan book is the main sources of income for the Bank and, conversely, also constitutes the greatest risk of losses.
- The Board considers that lending to the lower segments of the market of small business loans, provided the existing policies are implemented properly, carries a credit risk which is smaller than for larger loans as history has shown that losses due to default on these loans have been minimal. The Board considers the risk return equation favourable for loans provided to the lower segments in the market and considers this the core product of the Bank.
- The Board considers that management has freedom to adjust, adapt or develop existing products and product lines but requires that new product lines need to be approved by the Board.
- The day-to-day responsibility for the credit risk lies with the senior management of the Credit Division and with branch management and branch credit officers.
- The credit risk is regularly measured by calculating the expected loss taking probability of customer defaults, exposure in the event of default and severity of loss given default of the customer base where credit scoring is applied for.
- The Board requires that credit risk is spread across different sectors (like trade, agriculture, services, industrial, infrastructure etc.) and products to avoid undue over exposure to one particular sector or industry.
- Systemic risk is the risk of system wide breakdown of the financial sector. The Board requires that credit risk on counterparty financial institutions should be subject to the same principles of the prudential assessment and controls as with other forms of lending and prudential position limits should be set to sufficiently protect the Bank for a systemic risk.

Internal targets of the credit risk:

The internal targets on credit products should be set by the Board Risk Management Committee and approved by the Board. The internal targets will be in line with the risk appetite of the Board.

The Risk Management Division regularly reviews all internal targets as set and approved by the Board and advises on any change deemed appropriate.

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

35. Financial risk management (continued)

35.1 Credit risk (continued)

In order to maintain the credit growth in a prudent and reasonable way and to ensure the maintenance of portfolio quality, various control limits have been imposed to credit products, which must be strictly complied with:

- Loan exposure ratio: defined as the aggregate amount of loan assets in arrears > 30 days minus loan loss reserves divided by the Bank's net worth should be less than 25%.
- Ceilings on lending to sectors and by product to put limits on concentration risk.
- The maximum exposure to a single client or group of clients is up to 5% of the Bank's net worth.
- Counterparty financial institutions.

(a) Credit risk management

The Boards of Directors has delegated responsibility for oversight of credit risk to its Board of Risk Management and IT Committee ("BRIC"). Credit Division is responsible for management of the credit risk based on the following:

- Separation of roles between the persons involved in dealing with the clients that are responsible for the credit application and the persons involved in the authorisation of the credits.
- Separation of roles between the persons involved in dealing directly with clients and the credit administration.
- Principle of double authorisation to ensure a good balance of the interests of the clients and objectivity in the risk assessment process.
- Timely and full documentation of the agreements made with the client together with all needed information, which is relevant in the assessment and control phase of the credit process.
- Careful credit control systems, with periodical reviews, through which timely signals can be derived, for relevant information regarding risk management.
- Independent control to ensure conformity with approved procedures and regulations in the credit process (formal control) but also monitoring the quality of risk aspects and credit control (material control).
- The Bank will maintain a diversified loan assets portfolio in terms of industry sector, geographical area, and currency and loan size.
- Loan analysis will strongly focus on the client's ability and willingness to repay the loan through character and cash flow based on assessment and in applying green-lining methodology.
- The Bank's total exposure to a single client or group of clients (one obligor principle) acting in concert shall not exceed 5% of the Bank's net worth. "Exposure" includes the aggregate of (i) the face amount of the assets of the Borrower with respect to which such Person is the obligor and (ii) any claim of such Person against the Borrower comprising any commitment to provide funds or credit to, or on behalf of such Person including, but not limited to, loan guarantees, letters of credit and derivatives.

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONITNUED) FOR THE YEAR ENDED 31 DECEMBER 2020

35. Financial risk management (continued)

35.1 Credit risk (continued)

(b) Internal targets and mitigation policies

The Group and the Bank operates and provides loans and advances to individuals or enterprises within the Kingdom of Cambodia, Lao PDR, and the Republic of the Union of Myanmar. The Group and the Bank manages limits and controls concentration of credit risk whenever they are identified. Large exposure is defined by the National Bank of Cambodia as overall exposure to any individual beneficiary which exceeds 10% of the net worth.

The Bank is required, under the conditions of Prakas No. B7-06-226 of the National Bank of Cambodia, to maintain at all times a maximum ratio of 20% between the Bank's overall credit exposure to any individual beneficiary and the Bank's net worth. The aggregation of large credit exposure must not exceed 300% of the Bank's net worth.

The Group and 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 collateral for loans and advances to customers, which is common practice. The Group and the Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types to secure for loans and advances to customers are:

- Mortgages over residential properties (land, building and other properties);
- Charges over business assets such as land and buildings;
- Cash in the form of margin deposits.

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

For financial assets reflected in the balance sheet, the exposure to credit risk equals their carrying amount. For financial guarantees and similar contract granted, it is the maximum amount that the Group and the Bank would have to pay if the guarantees were called upon. For credit related commitments and contingents that are irrevocable over the life of the respective facilities, it is generally the full amount of the committed facilities.

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONITNUED) FOR THE YEAR ENDED 31 DECEMBER 2020

35. Financial risk management (continued)

35.1 Credit risk (continued)

(c) Maximum exposure to credit risk before collateral held or other credit enhancements (continued)

| | The Group | | | | The Bank | | | |
|---|----------------------|----------------------|-----------------------------|-----------------------------|----------------------|----------------------|-----------------------------|-----------------------------|
| | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) |
| Credit exposure for on-balance sheet financial assets: | | | | | | | | |
| Cash on hand | 412,759,051 | 421,527,238 | 1,669,610,361 | 1,717,723,495 | 400,816,126 | 410,955,867 | 1,621,301,230 | 1,674,645,158 |
| Deposits and placements with other banks | 534,653,146 | 587,730,531 | 2,162,671,976 | 2,395,001,914 | 507,629,407 | 558,612,340 | 2,053,360,951 | 2,276,345,286 |
| Financial investments | 566,674,523 | 527,474,976 | 2,292,198,446 | 2,149,460,527 | 566,674,523 | 527,474,976 | 2,292,198,446 | 2,149,460,527 |
| Loans and advances | 4,471,300,618 | 3,846,020,519 | 18,086,411,000 | 15,672,533,615 | 4,292,649,159 | 3,686,578,943 | 17,363,765,848 | 15,022,809,193 |
| Other assets | 6,921,852 | 5,918,866 | 27,998,891 | 24,119,379 | 6,923,222 | 5,935,692 | 28,004,433 | 24,187,945 |
| | <u>5,992,309,190</u> | <u>5,388,672,130</u> | <u>24,238,890,674</u> | <u>21,958,838,930</u> | <u>5,774,692,437</u> | <u>5,189,557,818</u> | <u>23,358,630,908</u> | <u>21,147,448,109</u> |
| Credit exposure for off-balance sheet items: | | | | | | | | |
| Unused portion of loan commitment | 120,937,607 | 93,060,063 | 489,192,620 | 379,219,757 | 120,108,962 | 93,060,063 | 485,840,751 | 379,219,757 |
| Bank guarantees | 47,038,166 | 38,432,397 | 190,269,381 | 156,612,018 | 46,831,662 | 38,405,593 | 189,434,073 | 156,502,791 |
| Letters of credit | 7,862,818 | 8,948,350 | 31,805,099 | 36,464,526 | 7,862,818 | 8,948,350 | 31,805,099 | 36,464,526 |
| | <u>175,838,591</u> | <u>140,440,810</u> | <u>711,267,100</u> | <u>572,296,301</u> | <u>174,803,442</u> | <u>140,414,006</u> | <u>707,079,923</u> | <u>572,187,074</u> |
| Total maximum credit risk exposure | <u>6,168,147,781</u> | <u>5,529,112,940</u> | <u>24,950,157,774</u> | <u>22,531,135,231</u> | <u>5,949,495,879</u> | <u>5,329,971,824</u> | <u>24,065,710,831</u> | <u>21,719,635,183</u> |

The above table represents a worst case scenario of credit risk exposure to the Group and the Bank at 31 December 2020 and 31 December 2019, without taking into account any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures set out above are based on net carrying amounts.

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONITNUED) FOR THE YEAR ENDED 31 DECEMBER 2020

35. Financial risk management (continued)

35.1 Credit risk (continued)

- (c) Maximum exposure to credit risk before collateral held or other credit enhancements (continued)

As shown above, 72.49% for the Group and 72.15% for the Bank of total maximum exposure is derived from loans and advances to customers (2019: 69.56% and 69.17% for the Group and for the Bank).

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Group resulting from its loans and advances on the followings. Approximately 98.59% of loans and advances of the Bank are collateralised. According to Credit Operating Manual, loan size must not exceed 75% of estimated saleable value of the pledged collateral.

- (d) Concentration of financial assets with credit risk exposure

A concentration of credit risk exists when a number of counterparties are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The Group and the Bank analysed the concentration of credit risk by geographic purpose and industry sector as follows:

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

35. Financial risk management (continued)

35.1 Credit risk (continued)

(d) Concentration of risks of financial assets with credit risk exposure (continued)

(i) *Geographical sector*

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty as at 31 December 2020 and 31 December 2019 are as follows:

| | The Group | | | | | | | | Total US\$ |
|---|-----------------------|------------------|------------------|--------------------|-------------------|--------------------|--------------------|-------------------|-----------------------|
| | Cambodia US\$ | France US\$ | Germany US\$ | Lao US\$ | Singapore US\$ | USA US\$ | Myanmar US\$ | Other US\$ | |
| As at 31 December 2020 | | | | | | | | | |
| Credit exposure for on-balance sheet financial assets: | | | | | | | | | |
| Cash on hand | 400,829,300 | - | - | 11,624,911 | - | - | 304,840 | - | 412,759,051 |
| Deposits and placements with other banks | 269,022,932 | 631,569 | 568,916 | 20,612,267 | 263,969 | 232,975,901 | 4,823,475 | 5,754,117 | 534,653,146 |
| Financial investments | 566,674,523 | - | - | - | - | - | - | - | 566,674,523 |
| Loans and advances | 4,286,426,601 | - | - | 140,902,367 | - | - | 43,971,650 | - | 4,471,300,618 |
| Other assets | 6,774,532 | - | - | 147,320 | - | - | - | - | 6,921,852 |
| | <u>5,529,727,888</u> | <u>631,569</u> | <u>568,916</u> | <u>173,286,865</u> | <u>263,969</u> | <u>232,975,901</u> | <u>49,099,965</u> | <u>5,754,117</u> | <u>5,992,309,190</u> |
| Credit exposure for off-balance sheet items: | | | | | | | | | |
| Unused portion of loan commitment | 120,108,962 | - | - | 828,645 | - | - | - | - | 120,937,607 |
| Bank guarantees | 46,831,662 | - | - | 206,504 | - | - | - | - | 47,038,166 |
| Letters of credit | 7,862,818 | - | - | - | - | - | - | - | 7,862,818 |
| | <u>174,803,442</u> | <u>-</u> | <u>-</u> | <u>1,035,149</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>175,838,591</u> |
| Total maximum credit risk exposure | <u>5,704,531,330</u> | <u>631,569</u> | <u>568,916</u> | <u>174,322,014</u> | <u>263,969</u> | <u>232,975,901</u> | <u>49,099,965</u> | <u>5,754,117</u> | <u>6,168,147,781</u> |
| In KHR'000 equivalent (Note 4) | <u>23,074,829,230</u> | <u>2,554,697</u> | <u>2,301,265</u> | <u>705,132,547</u> | <u>1,067,755</u> | <u>942,387,520</u> | <u>198,609,358</u> | <u>23,275,403</u> | <u>24,950,157,775</u> |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

35. Financial risk management (continued)

35.1 Credit risk (continued)

(d) Concentration of risks of financial assets with credit risk exposure (continued)

(i) *Geographical sector (continued)*

| | The Group | | | | | | | | |
|---|-----------------------|------------------|------------------|--------------------|-------------------|--------------------|--------------------|-------------------|-----------------------|
| | Cambodia US\$ | France US\$ | Germany US\$ | Lao US\$ | Singapore US\$ | USA US\$ | Myanmar US\$ | Other US\$ | Total US\$ |
| As at 31 December 2019 | | | | | | | | | |
| Credit exposure for on-balance sheet financial assets: | | | | | | | | | |
| Cash on hand | 410,967,945 | - | - | 9,921,052 | - | - | 638,241 | - | 421,527,238 |
| Deposits and placements with other banks | 448,941,957 | 2,151,232 | 706,870 | 20,994,697 | 1,234,919 | 96,971,492 | 6,636,667 | 10,092,697 | 587,730,531 |
| Financial investments | 527,474,976 | - | - | - | - | - | - | - | 527,474,976 |
| Loans and advances | 3,682,243,140 | - | - | 127,268,578 | - | - | 36,508,801 | - | 3,846,020,519 |
| Other assets | 5,869,891 | - | - | 48,975 | - | - | - | - | 5,918,866 |
| | <u>5,075,497,909</u> | <u>2,151,232</u> | <u>706,870</u> | <u>158,233,302</u> | <u>1,234,919</u> | <u>96,971,492</u> | <u>43,783,709</u> | <u>10,092,697</u> | <u>5,388,672,130</u> |
| Credit exposure for off-balance sheet items: | | | | | | | | | |
| Unused portion of loan commitment | 93,060,063 | - | - | - | - | - | - | - | 93,060,063 |
| Bank guarantees | 38,405,593 | - | - | 26,804 | - | - | - | - | 38,432,397 |
| Letters of credit | 8,948,350 | - | - | - | - | - | - | - | 8,948,350 |
| | <u>140,414,006</u> | <u>-</u> | <u>-</u> | <u>26,804</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>140,440,810</u> |
| Total maximum credit risk exposure | <u>5,215,911,915</u> | <u>2,151,232</u> | <u>706,870</u> | <u>158,260,106</u> | <u>1,234,919</u> | <u>96,971,492</u> | <u>43,783,709</u> | <u>10,092,697</u> | <u>5,529,112,940</u> |
| <i>In KHR'000 equivalent (Note 4)</i> | <u>21,254,841,054</u> | <u>8,766,270</u> | <u>2,880,495</u> | <u>644,909,932</u> | <u>5,032,295</u> | <u>395,158,830</u> | <u>178,418,614</u> | <u>41,127,740</u> | <u>22,531,135,230</u> |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

35. Financial risk management (continued)

35.1 Credit risk (continued)

(d) Concentration of risks of financial assets with credit risk exposure (continued)

(i) *Geographical sector (continued)*

| | The Bank | | | | | | | | Total US\$ |
|---|-----------------------|------------------|------------------|------------------|-------------------|--------------------|-----------------|-------------------|-----------------------|
| | Cambodia US\$ | France US\$ | Germany US\$ | Lao US\$ | Singapore US\$ | USA US\$ | Myanmar US\$ | Other US\$ | |
| As at 31 December 2020 | | | | | | | | | |
| Credit exposure for on-balance sheet financial assets: | | | | | | | | | |
| Cash on hand | 400,816,126 | - | - | - | - | - | - | - | 400,816,126 |
| Deposits and placements with other banks | 267,444,421 | 631,569 | 568,916 | 499,861 | 263,969 | 232,975,901 | 46,873 | 5,197,897 | 507,629,407 |
| Financial investments | 566,674,523 | - | - | - | - | - | - | - | 566,674,523 |
| Loans and advances | 4,292,649,159 | - | - | - | - | - | - | - | 4,292,649,159 |
| Other assets | 6,756,356 | - | - | - | - | - | 166,866 | - | 6,923,222 |
| | <u>5,534,340,585</u> | <u>631,569</u> | <u>568,916</u> | <u>499,861</u> | <u>263,969</u> | <u>232,975,901</u> | <u>213,739</u> | <u>5,197,897</u> | <u>5,774,692,437</u> |
| Credit exposure for off-balance sheet items: | | | | | | | | | |
| Unused portion of loan commitment | 120,108,962 | - | - | - | - | - | - | - | 120,108,962 |
| Bank guarantees | 46,831,662 | - | - | - | - | - | - | - | 46,831,662 |
| Letters of credit | 7,862,818 | - | - | - | - | - | - | - | 7,862,818 |
| | <u>174,803,442</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>174,803,442</u> |
| Total maximum credit risk exposure | <u>5,709,144,027</u> | <u>631,569</u> | <u>568,916</u> | <u>499,861</u> | <u>263,969</u> | <u>232,975,901</u> | <u>213,739</u> | <u>5,197,897</u> | <u>5,949,495,879</u> |
| In KHR'000 equivalent (Note 4) | <u>23,093,487,589</u> | <u>2,554,697</u> | <u>2,301,265</u> | <u>2,021,938</u> | <u>1,067,755</u> | <u>942,387,520</u> | <u>864,574</u> | <u>21,025,493</u> | <u>24,065,710,831</u> |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

35. Financial risk management (continued)

35.1 Credit risk (continued)

(d) Concentration of risks of financial assets with credit risk exposure (continued)

(i) *Geographical sector (continued)*

| | The Bank | | | | | | | | Total US\$ |
|---|-----------------------|------------------|------------------|--------------|-------------------|--------------------|-----------------|-------------------|-----------------------|
| | Cambodia US\$ | France US\$ | Germany US\$ | Lao US\$ | Singapore US\$ | USA US\$ | Myanmar US\$ | Other US\$ | |
| As at 31 December 2019 | | | | | | | | | |
| Credit exposure for on-balance sheet financial assets: | | | | | | | | | |
| Cash on hand | 410,955,867 | - | - | - | - | - | - | - | 410,955,867 |
| Deposits and placements with other banks | 448,876,239 | 2,151,232 | 706,870 | - | 1,234,919 | 96,971,492 | 46,944 | 8,624,644 | 558,612,340 |
| Financial investments | 527,474,976 | - | - | - | - | - | - | - | 527,474,976 |
| Loans and advances | 3,686,578,943 | - | - | - | - | - | - | - | 3,686,578,943 |
| Other assets | 5,772,701 | - | - | 798 | - | - | 162,193 | - | 5,935,692 |
| | <u>5,079,658,726</u> | <u>2,151,232</u> | <u>706,870</u> | <u>798</u> | <u>1,234,919</u> | <u>96,971,492</u> | <u>209,137</u> | <u>8,624,644</u> | <u>5,189,557,818</u> |
| Credit exposure for off-balance sheet items: | | | | | | | | | |
| Unused portion of loan commitment | 93,060,063 | - | - | - | - | - | - | - | 93,060,063 |
| Bank guarantees | 38,405,593 | - | - | - | - | - | - | - | 38,405,593 |
| Letters of credit | 8,948,350 | - | - | - | - | - | - | - | 8,948,350 |
| Forward foreign exchange | - | - | - | - | - | - | - | - | - |
| | <u>140,414,006</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>140,414,006</u> |
| Total maximum credit risk exposure | <u>5,220,072,732</u> | <u>2,151,232</u> | <u>706,870</u> | <u>798</u> | <u>1,234,919</u> | <u>96,971,492</u> | <u>209,137</u> | <u>8,624,644</u> | <u>5,329,971,824</u> |
| <i>In KHR'000 equivalent (Note 4)</i> | <u>21,271,796,383</u> | <u>8,766,270</u> | <u>2,880,495</u> | <u>3,252</u> | <u>5,032,295</u> | <u>395,158,830</u> | <u>852,233</u> | <u>35,145,424</u> | <u>21,719,635,182</u> |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

35. Financial risk management (continued)

35.1 Credit risk (continued)

(d) Concentration of risks of financial assets with credit risk exposure (continued)

(ii) *Industry sectors*

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) at carrying amount as at 31 December 2020 and 31 December 2019 based on the industry sectors of the counterparty are as follows:

| | The Group | | | | | | | |
|---|--------------------------------|------------------------------|----------------------|--------------------|-----------------------|----------------------|----------------------|-----------------------|
| | Financial institutions US\$ | Wholesale and retail US\$ | Services US\$ | Housing US\$ | Manufacturing US\$ | Agriculture US\$ | Other US\$ | Total US\$ |
| As at 31 December 2020 | | | | | | | | |
| Credit exposure for on-balance sheet financial assets: | | | | | | | | |
| Cash on hand | 412,759,051 | - | - | - | - | - | - | 412,759,051 |
| Deposits and placements with other banks | 534,653,146 | - | - | - | - | - | - | 534,653,146 |
| Financial investments | 566,520,994 | - | - | - | - | - | 153,529 | 566,674,523 |
| Loans and advances | 22,672,936 | 1,511,327,042 | 1,086,409,481 | 160,232,558 | 130,933,136 | 888,839,788 | 670,885,677 | 4,471,300,618 |
| Other assets | 3,787,686 | - | - | - | - | - | 3,134,166 | 6,921,852 |
| | <u>1,540,393,813</u> | <u>1,511,327,042</u> | <u>1,086,409,481</u> | <u>160,232,558</u> | <u>130,933,136</u> | <u>888,839,788</u> | <u>674,173,372</u> | <u>5,992,309,190</u> |
| Credit exposure for off-balance sheet items: | | | | | | | | |
| Unused portion of loan commitment | - | - | - | - | - | - | 120,937,607 | 120,937,607 |
| Bank guarantees | - | - | - | - | - | - | 47,038,166 | 47,038,166 |
| Letters of credit | - | - | - | - | - | - | 7,862,818 | 7,862,818 |
| | - | - | - | - | - | - | 175,838,591 | 175,838,591 |
| Total maximum credit risk exposure | <u>1,540,393,813</u> | <u>1,511,327,042</u> | <u>1,086,409,481</u> | <u>160,232,558</u> | <u>130,933,136</u> | <u>888,839,788</u> | <u>850,011,963</u> | <u>6,168,147,781</u> |
| <i>In KHR'000 equivalent (Note 4)</i> | <u>6,230,892,974</u> | <u>6,113,317,885</u> | <u>4,394,526,351</u> | <u>648,140,697</u> | <u>529,624,535</u> | <u>3,595,356,942</u> | <u>3,438,298,390</u> | <u>24,950,157,774</u> |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

35. Financial risk management (continued)

35.1 Credit risk (continued)

(d) Concentration of risks of financial assets with credit risk exposure (continued)

(ii) *Industry sectors (continued)*

| | The Group | | | | | | | Total US\$ |
|---|-----------------------------------|---------------------------------|----------------------|--------------------|-----------------------|----------------------|----------------------|-----------------------|
| | Financial institutions US\$ | Wholesale and retail US\$ | Services US\$ | Housing US\$ | Manufacturing US\$ | Agriculture US\$ | Other US\$ | |
| As at 31 December 2019 | | | | | | | | |
| Credit exposure for on-balance sheet financial assets: | | | | | | | | |
| Cash on hand | 421,527,238 | - | - | - | - | - | - | 421,527,238 |
| Deposits and placements with other banks | 587,730,531 | - | - | - | - | - | - | 587,730,531 |
| Financial investments | 527,321,447 | - | - | - | - | - | 153,529 | 527,474,976 |
| Loans and advances | 7,892,238 | 1,348,508,445 | 1,042,121,138 | 183,308,546 | 103,528,643 | 751,254,104 | 409,407,405 | 3,846,020,519 |
| Other assets | 3,996,131 | - | - | - | - | - | 1,922,735 | 5,918,866 |
| | <u>1,548,467,585</u> | <u>1,348,508,445</u> | <u>1,042,121,138</u> | <u>183,308,546</u> | <u>103,528,643</u> | <u>751,254,104</u> | <u>411,483,669</u> | <u>5,388,672,130</u> |
| Credit exposure for off-balance sheet items: | | | | | | | | |
| Unused portion of loan commitment | - | - | - | - | - | - | 93,060,063 | 93,060,063 |
| Bank guarantees | - | - | - | - | - | - | 38,432,397 | 38,432,397 |
| Letters of credit | - | - | - | - | - | - | 8,948,350 | 8,948,350 |
| | - | - | - | - | - | - | 140,440,810 | 140,440,810 |
| Total maximum credit risk exposure | <u>1,548,467,585</u> | <u>1,348,508,445</u> | <u>1,042,121,138</u> | <u>183,308,546</u> | <u>103,528,643</u> | <u>751,254,104</u> | <u>551,924,479</u> | <u>5,529,112,940</u> |
| In KHR'000 equivalent (Note 4) | <u>6,310,005,409</u> | <u>5,495,171,913</u> | <u>4,246,643,637</u> | <u>746,982,325</u> | <u>421,879,220</u> | <u>3,061,360,474</u> | <u>2,249,092,252</u> | <u>22,531,135,230</u> |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

35. Financial risk management (continued)

35.1 Credit risk (continued)

(d) Concentration of risks of financial assets with credit risk exposure (continued)

(ii) *Industry sectors (continued)*

| | The Bank | | | | | | Total US\$ |
|---|-----------------------------------|---------------------------------|----------------------|--------------------|-----------------------|----------------------|-----------------------|
| | Financial institutions US\$ | Wholesale and retail US\$ | Services US\$ | Housing US\$ | Manufacturing US\$ | Agriculture US\$ | |
| As at 31 December 2020 | | | | | | | |
| Credit exposure for on-balance sheet financial assets: | | | | | | | |
| Cash on hand | 400,816,126 | - | - | - | - | - | 400,816,126 |
| Deposits and placements with other banks | 507,629,407 | - | - | - | - | - | 507,629,407 |
| Financial investments | 566,520,994 | - | - | - | - | 153,529 | 566,674,523 |
| Loans and advances | 22,672,936 | 1,433,948,336 | 1,056,238,093 | 159,289,851 | 124,058,057 | 848,241,547 | 4,292,649,159 |
| Other assets | 3,832,887 | - | - | - | - | 3,090,335 | 6,923,222 |
| | <u>1,501,472,350</u> | <u>1,433,948,336</u> | <u>1,056,238,093</u> | <u>159,289,851</u> | <u>124,058,057</u> | <u>848,241,547</u> | <u>5,774,692,437</u> |
| Credit exposure for off-balance sheet items: | | | | | | | |
| Unused portion of loan commitment | - | - | - | - | - | 120,108,962 | 120,108,962 |
| Bank guarantees | - | - | - | - | - | 46,831,662 | 46,831,662 |
| Letters of credit | - | - | - | - | - | 7,862,818 | 7,862,818 |
| | - | - | - | - | - | <u>174,803,442</u> | <u>174,803,442</u> |
| Total maximum credit risk exposure | <u>1,501,472,350</u> | <u>1,433,948,336</u> | <u>1,056,238,093</u> | <u>159,289,851</u> | <u>124,058,057</u> | <u>848,241,547</u> | <u>5,949,495,879</u> |
| <i>In KHR'000 equivalent (Note 4)</i> | <u>6,073,455,656</u> | <u>5,800,321,019</u> | <u>4,272,483,086</u> | <u>644,327,447</u> | <u>501,814,841</u> | <u>3,431,137,058</u> | <u>24,065,710,831</u> |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

35. Financial risk management (continued)

35.1 Credit risk (continued)

(d) Concentration of risks of financial assets with credit risk exposure (continued)

(ii) *Industry sectors (continued)*

| | The Bank | | | | | | | Total US\$ |
|---|-----------------------------------|---------------------------------|----------------------|--------------------|-----------------------|----------------------|----------------------|-----------------------|
| | Financial institutions US\$ | Wholesale and retail US\$ | Services US\$ | Housing US\$ | Manufacturing US\$ | Agriculture US\$ | Other US\$ | |
| As at 31 December 2019 | | | | | | | | |
| Credit exposure for on-balance sheet financial assets: | | | | | | | | |
| Cash on hand | 410,955,867 | - | - | - | - | - | - | 410,955,867 |
| Deposits and placements with other banks | 558,612,340 | - | - | - | - | - | - | 558,612,340 |
| Financial investments | 527,321,447 | - | - | - | - | - | 153,529 | 527,474,976 |
| Loans and advances | 7,892,238 | 1,277,549,332 | 1,014,175,262 | 181,800,701 | 97,393,627 | 715,961,507 | 391,806,276 | 3,686,578,943 |
| Other assets | 4,127,246 | - | - | - | - | - | 1,808,446 | 5,935,692 |
| | <u>1,508,909,138</u> | <u>1,277,549,332</u> | <u>1,014,175,262</u> | <u>181,800,701</u> | <u>97,393,627</u> | <u>715,961,507</u> | <u>393,768,251</u> | <u>5,189,557,818</u> |
| Credit exposure for off-balance sheet items: | | | | | | | | |
| Unused portion of loan commitment | - | - | - | - | - | - | 93,060,063 | 93,060,063 |
| Bank guarantees | - | - | - | - | - | - | 38,405,593 | 38,405,593 |
| Letters of credit | - | - | - | - | - | - | 8,948,350 | 8,948,350 |
| | - | - | - | - | - | - | 140,414,006 | 140,414,006 |
| Total maximum credit risk exposure | <u>1,508,909,138</u> | <u>1,277,549,332</u> | <u>1,014,175,262</u> | <u>181,800,701</u> | <u>97,393,627</u> | <u>715,961,507</u> | <u>534,182,257</u> | <u>5,329,971,824</u> |
| <i>In KHR'000 equivalent (Note 4)</i> | <u>6,148,804,737</u> | <u>5,206,013,528</u> | <u>4,132,764,193</u> | <u>740,837,857</u> | <u>396,879,030</u> | <u>2,917,543,141</u> | <u>2,176,792,697</u> | <u>21,719,635,183</u> |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

35. Financial risk management (continued)

35.1 Credit risk (continued)

(e) Write-off policy

It can be written off under the judgment of the Management Credit Committee (MCC) in case when the Bank loses control on its contractual rights over that facility or when all or part of the facility is deemed uncollectable; this is particularly the case when there is no realistic prospect of recovery for the counterparty or when the Bank has lost control over its contractual rights on the facility due to any decision of a court of law. Circumstances where a facility should be written off also include, but are not limited to:

- a) All forms of securities or collateral have been called and realized but proceeds failed to cover the entire outstanding amount of the facility;
- b) The Bank is unable to collect, or there is no longer reasonable assurance that the Bank will collect all amounts due according to the contractual terms of the facility's agreement;
- c) The counterparty has become bankrupt or is undergoing other forms of financial restructuring the consequence of which it is unlikely that it may service the facility;
- d) The facility has been classified under loss category.

(f) Credit quality of financial assets

CIFRS 9 introduces the concept of ECL of which the Bank expects to experience on an account over either a 12-month horizon (Stage 1) or a lifetime horizon (Stage 2 & 3). The change in approach to provisioning introduced by CIFRS 9 is designed to:

- Ensure a timely recognition of credit losses, which is more reflective than the previous Incurred Loss Model;
- Distinguish between financial instruments that have significantly deteriorated in credit quality and those that have not; and
- Provide a better estimate of ECLs given the macroeconomic environment.

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

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

35. Financial risk management (continued)

35.1 Credit risk (continued)

(f) Credit quality of financial assets (continued)

Recognition of ECL

Financial assets will be classified and recognised into three different categories which are:

- Financial assets measured at amortised cost;
- Financial assets measured at fair value through other comprehensive income;
- Financial assets measured at fair value through profit and loss.

Financial assets and debts that are measured at amortised cost or through other comprehensive income will be subjected to impairment assessment.

The Bank measured ECL by using the general approach and the simplified approach.

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

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

Long-term facilities (more than one year)

| Stages | Credit Risk Status | Grades | DPD | Default Indicator |
|--------|--|-----------------|-----------------------------|-------------------|
| 1 | No significant increase in credit risk | Normal | $0 \leq \text{DPD} < 30$ | Performing |
| 2 | Credit risk increased significantly | Special Mention | $30 \leq \text{DPD} < 90$ | Underperforming |
| 3 | Credit impaired assets | Substandard | $90 \leq \text{DPD} < 180$ | Nonperforming |
| | | Doubtful | $180 \leq \text{DPD} < 360$ | |
| | | Loss | $\text{DPD} \geq 360$ | |

Short-term facilities (one year or less)

| Stages | Credit Risk Status | Grades | DPD | Default Indicator |
|--------|--|-----------------|------------------------------|-------------------|
| 1 | No significant increase in credit risk | Normal | $0 \leq \text{DPD} \leq 14$ | Performing |
| 2 | Credit risk increased significantly | Special Mention | $15 \leq \text{DPD} \leq 30$ | Underperforming |
| 3 | Credit impaired assets | Substandard | $31 \leq \text{DPD} \leq 60$ | Nonperforming |
| | | Doubtful | $61 \leq \text{DPD} \leq 90$ | |
| | | Loss | $\text{DPD} \geq 91$ | |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

35. Financial risk management (continued)

35.1 Credit risk (continued)

(f) Credit quality of financial assets (continued)

Recognition of ECL (continued)

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

As for financial assets that are short term in nature, simplified approach will be adopted where no staging criteria is required. In this case, it will be either performing (stage1) or non-performing (stage 3).

Credit classification for financial assets

The Bank followed the mandatory loan classification and provisioning as required by the National Bank of Cambodia’s Prakas No.B7-017-344 dated 1 December 2017 and Circular No. B7-018-001 Sor Ror Chor Nor dated 16 February 2018 on Credit Risk Grading and Impairment Provisioning. Loans and advances, other financial assets are classified into five classifications as described below:

| CLASSES/CRITERIA | PAYMENT EXPERIENCED | |
|---|--|--|
| | As for facilities, which have an original term of more than one year | As for facilities that have an original term of one year or less |
| 1- NORMAL Timely repayment of an outstanding facility classified in this class is not in doubt. Repayment is steadily made according with the contractual terms and the facility does not exhibit any potential weakness in repayment capacity, business, cash flow and financial position of the counterparty. | - Punctual | - Punctual |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

35. Financial risk management (continued)

35.1 Credit risk (continued)

(f) Credit quality of financial assets (continued)

Credit classification for financial assets (continued)

| CLASSES/ CRITERIA | PAYMENT EXPERIENCED | |
|--|---|---|
| | As for facilities, which have an original term of more than one year | As for facilities that have an original term of one year or less |
| <p>2- SPECIAL MENTION A facility in this class is currently protected and may not be past due but it exhibits potential weaknesses that, if not corrected in a timely manner, may adversely affect repayment by the counterparty at a future date, and warrant close attention by the Bank. Examples of such weaknesses include, but are not limited to a declining trend in the operations of the counterparty or in its financial position, adverse economic and market conditions that all might affect its profitability and its future repayment capacity, or deteriorating conditions on the collateral. This class has clearly its own rational and should not be used as a compromise between Normal and Substandard.</p> | <ul style="list-style-type: none"> - When any facility is past due from 30 days to 89 days. - When interest payments for 30 to 89 days have been capitalized, refinanced, or rolled over into a new facility. | <ul style="list-style-type: none"> - When any facility is past due for maximum 30 days. - When interest payments for maximum 30 days have been capitalized, refinanced, or rolled over into a new facility. - In case of overdrafts, excess of the approval limit is for maximum 30 days, or the current account has been inactive for maximum 30 days, or the net inflows on the current account have not been enough to cover capitalized interests for maximum 30 days. |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

35. Financial risk management (continued)

35.1 Credit risk (continued)

(f) Credit quality of financial assets (continued)

Credit classification for financial assets (continued)

| CLASSES/CRITERIA | PAYMENT EXPERIENCED | |
|---|---|---|
| | As for facilities, which have an original term of more than one year | As for facilities that have an original term of one year or less |
| <p>3- SUB-STANDARD</p> <p>A facility in this class exhibits noticeable weakness and is not adequately protected by the current business or financial position of the counterparty and his repayment capacity. In essence, the primary source of repayment is not sufficient to service the debt and the Bank must look to secondary sources such as the realization of the collateral, in relation with the counterparty. Factors leading to a Substandard classification include:</p> <ul style="list-style-type: none"> ▪ Inability of the counterparty to meet the contractual repayments' terms, ▪ Unfavourable economic and market conditions that would affect the business and profitability of the counterparty in the future, ▪ Weakened financial condition and/or inability of the counterparty to generate enough cash flow to service the payments. ▪ Difficulties experienced by the counterparty in repaying other facilities granted by the bank or by other institutions when the information is available. ▪ Breach of financial covenants by the counterparty. | <ul style="list-style-type: none"> - When any facility is past due from 90 days to 179 days. - When interest payments for 90 to 179 days have been capitalized, refinanced, or rolled over into a new facility. | <ul style="list-style-type: none"> - When any facility is past due for maximum 60 days. - When interest payments for maximum 60 days have been capitalized, refinanced, or rolled over into a new facility. - In case of overdrafts, excess of the approval limit is for maximum 60 days, or the current account has been inactive for maximum 60 days. - The overdraft that has had no net inflow for 60 days must be modified into a term loan. |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

35. Financial risk management (continued)

35.1 Credit risk (continued)

(f) Credit quality of financial assets (continued)

Credit classification for financial assets (continued)

| CLASSES/CRITERIA | PAYMENT EXPERIENCED | |
|--|---|--|
| | As for facilities, which have an original term of more than one year | As for facilities that have an original term of one year or less |
| <p>4- DOUBTFUL A facility classified in this category faces similar but more severe weaknesses than one classified as Substandard such that its full collection on the basis of existing facts, conditions or collateral value is highly questionable or improbable. The prospect of loss is high, even if the exact amount remains undetermined for now.</p> | <ul style="list-style-type: none"> - When any facility is past due from 180 days to 359 days. - When interest payment for 180 to 359 days have been capitalized or rolled over into a new facility. | <ul style="list-style-type: none"> - When any facility is past due for maximum 90 days. - When interest payment for maximum 90 days have been capitalized or rolled over into a new facility. - In case of overdrafts, excess of the approval limit is for maximum 90 days, or the current account has been inactive for maximum 90 days. |
| <p>5- LOSS A facility is classified Loss when it is not collectable, and little or nothing can be done to recover the outstanding amount from the counterparty.</p> | <ul style="list-style-type: none"> - When any facility is past due from 360 days. - When interest payment for 360 days or more have been capitalized or rolled over into a new facility. | <ul style="list-style-type: none"> - When any facility is past due for maximum 180 days. - When interest payment for maximum 180 days have been capitalized or rolled over into a new facility. - In case of overdrafts, excess of the approval limit is for maximum 180 days, or the current account has been inactive for maximum 180 days. |

With regard to facilities with repayments on a quarterly, semi-annual or longer basis, facilities must be classified as Substandard or worse depending on the situation of the counterparty as soon as a default occurs. For the purpose of the Table above, the default will be considered as having occurred 5 working days after the payment due date. The classification as substandard will be allowed only in case where the counterparty has clearly demonstrated that its inability to pay in due time is only temporary.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

35. Financial risk management (continued)

35.1 Credit risk (continued)

(f) Credit quality of financial assets (continued)

Credit classification for financial assets (continued)

Facilities that are classified Substandard, Doubtful or Loss will be considered as "non-performing" facilities. Other facilities will be considered as "performing".

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

| Loans and advances at amortised cost | 2020 | | | 2019 | |
|---|--------------------------|---|---|-----------------------|-----------------------|
| | Stage 1: 12-month ECL | Stage 2: Lifetime ECL not credit impaired | Stage 3: Lifetime ECL credit impaired | Total | Total |
| | US\$ | US\$ | US\$ | US\$ | US\$ |
| The Group | | | | | |
| Normal | 4,372,663,965 | - | 2,598,060 | 4,375,262,025 | 3,828,981,539 |
| Special mention | 963 | 25,757,483 | 711,864 | 26,470,310 | 2,815,219 |
| Substandard | - | - | 32,985,705 | 32,985,705 | 8,860,402 |
| Doubtful | - | - | 50,125,889 | 50,125,889 | 9,084,696 |
| Loss | - | - | 21,799,236 | 21,799,236 | 29,721,718 |
| | <u>4,372,664,928</u> | <u>25,757,483</u> | <u>108,220,754</u> | <u>4,506,643,165</u> | <u>3,879,463,574</u> |
| ECL allowance | (11,905,500) | (3,303,698) | (20,133,349) | (35,342,547) | (33,235,577) |
| Carrying amount | <u>4,360,759,428</u> | <u>22,453,785</u> | <u>88,087,405</u> | <u>4,471,300,618</u> | <u>3,846,227,997</u> |
| <i>In KHR'000 equivalent (Note 4)</i> | <u>17,639,271,886</u> | <u>90,825,560</u> | <u>356,313,553</u> | <u>18,086,411,000</u> | <u>15,673,379,088</u> |
| The Bank | | | | | |
| Normal | 4,198,757,317 | - | - | 4,198,757,317 | 3,671,937,563 |
| Special mention | 963 | 23,944,531 | - | 23,945,494 | 2,163,641 |
| Substandard | - | - | 31,773,683 | 31,773,683 | 8,241,134 |
| Doubtful | - | - | 48,178,299 | 48,178,299 | 8,004,588 |
| Loss | - | - | 21,203,755 | 21,203,755 | 29,077,419 |
| | <u>4,198,758,280</u> | <u>23,944,531</u> | <u>101,155,737</u> | <u>4,323,858,548</u> | <u>3,719,424,345</u> |
| ECL allowance | (10,839,155) | (2,906,941) | (17,463,293) | (31,209,389) | (32,189,580) |
| Carrying amount | <u>4,187,919,125</u> | <u>21,037,590</u> | <u>83,692,444</u> | <u>4,292,649,159</u> | <u>3,687,234,765</u> |
| <i>In KHR'000 equivalent (Note 4)</i> | <u>16,940,132,861</u> | <u>85,097,052</u> | <u>338,535,936</u> | <u>17,363,765,848</u> | <u>15,025,481,666</u> |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

35. Financial risk management (continued)

35.1 Credit risk (continued)

(f) Credit quality of financial assets (continued)

Credit classification for financial assets (continued)

| Financial investments at amortised cost | 2020 | | | 2019 | |
|--|--------------------------|---|---|----------------------|----------------------|
| | Stage 1: 12-month ECL | Stage 2: Lifetime ECL not credit impaired | Stage 3: Lifetime ECL credit impaired | Total | Total |
| | US\$ | US\$ | US\$ | US\$ | US\$ |
| The Group | | | | | |
| Normal | 566,520,994 | - | - | 566,520,994 | 527,321,447 |
| Special mention | - | - | - | - | - |
| Substandard | - | - | - | - | - |
| Doubtful | - | - | - | - | - |
| Loss | - | - | - | - | - |
| Total gross carrying amount | 566,520,994 | - | - | 566,520,994 | 527,321,447 |
| ECL allowance | - | - | - | - | - |
| Carrying amount – fair value | 566,520,994 | - | - | 566,520,994 | 527,321,447 |
| <i>In KHR'000 equivalent (Note 4)</i> | <u>2,291,577,421</u> | <u>-</u> | <u>-</u> | <u>2,291,577,421</u> | <u>2,148,834,897</u> |
| The Bank | | | | | |
| Normal | 566,520,994 | - | - | 566,520,994 | 527,321,447 |
| Special mention | - | - | - | - | - |
| Substandard | - | - | - | - | - |
| Doubtful | - | - | - | - | - |
| Loss | - | - | - | - | - |
| Total gross carrying amount | 566,520,994 | - | - | 566,520,994 | 527,321,447 |
| ECL allowance | - | - | - | - | - |
| Carrying amount – fair value | 566,520,994 | - | - | 566,520,994 | 527,321,447 |
| <i>In KHR'000 equivalent (Note 4)</i> | <u>2,291,577,421</u> | <u>-</u> | <u>-</u> | <u>2,291,577,421</u> | <u>2,148,834,897</u> |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

35. Financial risk management (continued)

35.1 Credit risk (continued)

(f) Credit quality of financial assets (continued)

Credit classification for financial assets (continued)

| Cash and deposit and placement with other banks | 2020 | | | 2019 | |
|--|--------------------------|---|---|----------------------|----------------------|
| | Stage 1: 12-month ECL | Stage 2: Lifetime ECL not credit impaired | Stage 3: Lifetime ECL credit impaired | Total | Total |
| | US\$ | US\$ | US\$ | US\$ | US\$ |
| The Group | | | | | |
| Normal | 1,308,371,649 | - | - | 1,308,371,649 | 1,597,183,824 |
| Special Mention | - | - | - | - | - |
| Substandard | - | - | - | - | - |
| Doubtful | - | - | - | - | - |
| Loss | - | - | - | - | - |
| | <u>1,308,371,649</u> | <u>-</u> | <u>-</u> | <u>1,308,371,649</u> | <u>1,597,183,824</u> |
| ECL allowance | (582,444) | - | - | (582,444) | (589,956) |
| Carrying amount | <u>1,307,789,205</u> | <u>-</u> | <u>-</u> | <u>1,307,789,205</u> | <u>1,596,593,868</u> |
| <i>In KHR'000 equivalent (Note 4)</i> | <u>5,290,007,334</u> | <u>-</u> | <u>-</u> | <u>5,290,007,334</u> | <u>6,506,120,012</u> |
| The Bank | | | | | |
| Normal | 1,265,340,832 | - | - | 1,265,340,832 | 1,552,809,189 |
| Special Mention | - | - | - | - | - |
| Substandard | - | - | - | - | - |
| Doubtful | - | - | - | - | - |
| Loss | - | - | - | - | - |
| | <u>1,265,340,832</u> | <u>-</u> | <u>-</u> | <u>1,265,340,832</u> | <u>1,552,809,189</u> |
| ECL allowance | (141,543) | - | - | (141,543) | (45,241) |
| Carrying amount | <u>1,265,199,289</u> | <u>-</u> | <u>-</u> | <u>1,265,199,289</u> | <u>1,552,763,948</u> |
| <i>In KHR'000 equivalent (Note 4)</i> | <u>5,117,731,124</u> | <u>-</u> | <u>-</u> | <u>5,117,731,124</u> | <u>6,327,513,088</u> |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

35. Financial risk management (continued)

35.1 Credit risk (continued)

(f) Credit quality of financial assets (continued)

Credit classification for financial assets (continued)

| Other Receivables | 2020 | | | 2019 | |
|---------------------------------------|--------------------------|---|---|-------------------|-------------------|
| | Stage 1: 12-month ECL | Stage 2: Lifetime ECL not credit impaired | Stage 3: Lifetime ECL credit impaired | Total | Total |
| | US\$ | US\$ | US\$ | US\$ | US\$ |
| The Group | | | | | |
| Normal | 6,921,852 | - | - | 6,921,852 | 5,918,866 |
| Special mention | - | - | - | - | - |
| Substandard | - | - | - | - | - |
| Doubtful | - | - | - | - | - |
| Loss | - | - | - | - | - |
| | 6,921,852 | - | - | 6,921,852 | 5,918,866 |
| ECL allowance | (199,393) | - | - | (199,393) | (295,027) |
| Carrying amount | 6,722,459 | - | - | 6,722,459 | 5,623,839 |
| <i>In KHR'000 equivalent (Note 4)</i> | <u>27,192,347</u> | <u>-</u> | <u>-</u> | <u>27,192,347</u> | <u>22,917,144</u> |
| The Bank | | | | | |
| Normal | 6,923,222 | - | - | 6,923,222 | 5,935,692 |
| Special mention | - | - | - | - | - |
| Substandard | - | - | - | - | - |
| Doubtful | - | - | - | - | - |
| Loss | - | - | - | - | - |
| | 6,923,222 | - | - | 6,923,222 | 5,935,692 |
| ECL allowance | (197,045) | - | - | (197,045) | (295,009) |
| Carrying amount | 6,726,177 | - | - | 6,726,177 | 5,640,683 |
| <i>In KHR'000 equivalent (Note 4)</i> | <u>27,207,386</u> | <u>-</u> | <u>-</u> | <u>27,207,386</u> | <u>22,985,783</u> |

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

35. Financial risk management (continued)

35.1 Credit risk (continued)

(f) Credit quality of financial assets (continued)

Credit classification for financial assets (continued)

| Financial guarantee contracts | 2020 | | | 2019 | |
|---------------------------------------|--------------------------|---|---|--------------------|--------------------|
| | Stage 1: 12-month ECL | Stage 2: Lifetime ECL not credit impaired | Stage 3: Lifetime ECL credit impaired | Total | Total |
| | US\$ | US\$ | US\$ | US\$ | US\$ |
| The Group | | | | | |
| Normal | 44,810,466 | - | - | 44,810,466 | 38,788,330 |
| Special mention | - | - | - | - | - |
| Substandard | - | - | - | - | - |
| Doubtful | - | - | - | - | - |
| Loss | - | - | - | - | - |
| Total gross carrying amount | 44,810,466 | - | - | 44,810,466 | 38,788,330 |
| ELC allowance | (154,907) | - | - | (154,907) | (207,479) |
| Carrying amount – fair value | 44,655,559 | - | - | 44,655,559 | 38,580,851 |
| <i>In KHR'000 equivalent (Note 4)</i> | <u>180,631,736</u> | <u>-</u> | <u>-</u> | <u>180,631,736</u> | <u>157,216,968</u> |
| The Bank | | | | | |
| Normal | 57,603,962 | - | - | 57,603,962 | 51,788,330 |
| Special mention | - | - | - | - | - |
| Substandard | - | - | - | - | - |
| Doubtful | - | - | - | - | - |
| Loss | - | - | - | - | - |
| Total gross carrying amount | 57,603,962 | - | - | 57,603,962 | 51,788,330 |
| ECL allowance | (525,324) | - | - | (525,324) | (655,822) |
| Carrying amount – fair value | 57,078,638 | - | - | 57,078,638 | 51,132,508 |
| <i>In KHR'000 equivalent (Note 4)</i> | <u>230,883,091</u> | <u>-</u> | <u>-</u> | <u>230,883,091</u> | <u>208,364,970</u> |

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

35. Financial risk management (continued)

35.1 Credit risk (continued)

- (g) Amounts arising from ECL

Significant increase in credit risk

The Bank considers that a significant increase in credit risk occurs no later than when an asset is more than or equal to 30 days past due for long-term facilities or more than or equal to 15 days past due for short-term facilities. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Bank determines a probation period during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

The Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 or 15 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD (Stage 2).

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

35. Financial risk management (continued)

35.1 Credit risk (continued)

(g) Amounts arising from ECL (continued)

Definition of default

The Bank considers a financial asset to be in default, aligning the NBC Prakas on Credit Risk Grading & Impairment Provisioning as stated in Article 17 and Article 19, when:

- 1) The default definition / NPL definition for long-term facilities where original tenure is more than a year as follow:

| Day Past Due | Classification | Default Indicator |
|-----------------------------|-----------------|--------------------------|
| $0 \leq \text{DPD} < 30$ | Normal | Not Default / Performing |
| $30 \leq \text{DPD} < 90$ | Special Mention | |
| $90 \leq \text{DPD} < 180$ | Substandard | Default / Non-performing |
| $180 \leq \text{DPD} < 360$ | Doubtful | |
| $\text{DPD} \geq 360$ | Loss | |

- 2) The default definition / NPL definition for short-term facilities where original tenure is less than or equal to a year as follow:

| Day Past Due | Classification | Default Indicator |
|------------------------------|-----------------|--------------------------|
| $0 \leq \text{DPD} \leq 14$ | Normal | Not Default / Performing |
| $15 \leq \text{DPD} \leq 30$ | Special Mention | |
| $31 \leq \text{DPD} \leq 60$ | Substandard | Default / Non-performing |
| $61 \leq \text{DPD} \leq 90$ | Doubtful | |
| $\text{DPD} \geq 91$ | Loss | |

- 3) In addition to the classification according to day past due information, the Bank also perform manual classification when there is a sign of deterioration in the credit profile, the Bank might classify the loan into substandard, doubtful or loss even though the DPD is less than 90 days for long term and less than 30 days for short term.

Incorporation of forward-looking information

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

The Group formulates three economic scenarios: a base case, which is the median scenario assigned a 55% probability of occurring, and two less likely scenarios, 20% for one upside and 25% for one downside, each assigned a 20% probability of occurring. The base case is aligned with information used by the Group for other purposes such as strategic planning and budgeting.

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

35. Financial risk management (continued)

35.1 Credit risk (continued)

(g) Amounts arising from ECL (continued)

Incorporation of forward-looking information (continued)

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

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

The economic scenarios of the Bank's portfolio used as at 31 December 2020 included the following key indicators for Cambodia for the years ending 31 December 2019 to 2022:

| Exposure | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|------------|--------|--------|--------|--------|
| 1- Small Loan | | | | | |
| - Domestic Private Sector Credit to GDP (%) | | | | | |
| Base | 62.08% | 63.76% | 64.37% | 50.87% | 50.87% |
| Upside | 35.79% | 37.46% | 38.07% | 24.57% | 24.57% |
| Downside | 88.38% | 90.06% | 90.67% | 77.17% | 77.17% |
| - FDI (% of GDP) | | | | | |
| Base | 10.69% | 10.62% | 10.68% | 11.20% | 11.20% |
| Upside | 13.35% | 13.28% | 13.34% | 13.86% | 13.86% |
| Downside | 8.03% | 7.96% | 8.02% | 8.54% | 8.54% |
| 2- Medium Loan | | | | | |
| - Cambodia Commodity Imports Total Imports (in KHR billion) | | | | | |
| Base | 4,311 | 4,337 | 4,337 | 3,263 | 3,263 |
| Upside | 2,835 | 2,862 | 2,862 | 1,788 | 1,788 |
| Downside | 5,787 | 5,813 | 5,813 | 4,739 | 4,739 |
| - Nominal GDP (in KHR billions) | | | | | |
| Base | 9.45% | 9.40% | 9.40% | 9.52% | 9.52% |
| Upside | 12.97% | 12.92% | 12.91% | 13.04% | 13.04% |
| Downside | 5.94% | 5.89% | 5.88% | 6.01% | 6.01% |
| 3- Revolving | | | | | |
| - US 1 Year Treasury Yield Curve Rates | | | | | |
| Base | 0.96743 | | | | |
| Upside | (0.37254) | | | | |
| Downside | 2.30741 | | | | |
| - Current account balance/GDP | | | | | |
| Base | 0.17000 | | | | |
| Upside | 14.24917 | | | | |
| Downside | (13.90917) | | | | |

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

35. Financial risk management (continued)

35.1 Credit risk (continued)

(g) Amounts arising from ECL (continued)

Incorporation of forward-looking information (continued)

| Exposure | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---------------|---------|---------|---------|---------|
| 4- Trade Loan | | | | | |
| - FDI Net Inflow (USD) | | | | | |
| Base | 1,956,347,705 | | | | |
| Upside | 2,435,773,490 | | | | |
| Downside | 1,476,921,919 | | | | |
| - Nominal GDP (in KHR billions) | | | | | |
| Base | 74,100 | | | | |
| Upside | 92,739 | | | | |
| Downside | 55,460 | | | | |
| 5- Credit Card | | | | | |
| - Interest rate fixed deposit 12 months (%) | | | | | |
| Base | -11.92% | -11.90% | -11.79% | 1.20% | 1.20% |
| Upside | 4.55% | 4.57% | 4.67% | 17.66% | 17.66% |
| Downside | -28.38% | -28.36% | -28.25% | -15.26% | -15.26% |
| - Domestic Private Sector Credit to GDP (%) | | | | | |
| Base | 62.08% | 63.76% | 64.37% | 48.90% | 48.90% |
| Upside | 35.50% | 37.17% | 37.78% | 22.31% | 22.31% |
| Downside | 88.67% | 90.35% | 90.96% | 75.49% | 75.49% |
| 6- Personal Loan & Other | | | | | |
| - GDP at Current Price, Industry (YOY,%) | | | | | |
| Base | 17.12% | 17.40% | 17.41% | 15.88% | 15.88% |
| Upside | 21.42% | 21.69% | 21.70% | 20.18% | 20.18% |
| Downside | 12.82% | 13.10% | 13.11% | 11.59% | 11.59% |
| - Interest rate fixed deposit 12 months (%) | | | | | |
| Base | 1.39% | 1.53% | 1.40% | 0.79% | 0.79% |
| Upside | 8.98% | 9.13% | 8.99% | 8.39% | 8.39% |
| Downside | -6.21% | -6.07% | -6.20% | -6.81% | -6.81% |
| - Total Unemployment Cambodia (ILO Est) | | | | | |
| Base | 5.19% | 1.41% | 4.35% | 9.18% | 9.18% |
| Upside | -85.63% | -89.41% | -86.47% | -81.64% | -81.64% |
| Downside | 96.01% | 92.23% | 95.16% | 100.00% | 100.00% |
| 7- Home Improvement Loan | | | | | |
| - Current account balance/GDP | | | | | |
| Base | -8.01% | -8.00% | -7.97% | -1.05% | -1.05% |
| Upside | 12.23% | 12.24% | 12.28% | 19.19% | 19.19% |
| Downside | -28.26% | -28.24% | -28.21% | -21.30% | -21.30% |
| - Nominal GDP (in KHR billions) | | | | | |
| Base | 9.45% | 9.40% | 9.40% | 9.82% | 9.82% |
| Upside | 13.75% | 13.70% | 13.69% | 14.11% | 14.11% |
| Downside | 5.16% | 5.11% | 5.10% | 5.53% | 5.53% |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

35. Financial risk management (continued)

35.1 Credit risk (continued)

(g) Amounts arising from ECL (continued)

Incorporation of forward-looking information (continued)

| Exposure | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|-------------|-------------|-------------|-------------|-------------|
| 8- Overdraft | | | | | |
| - Crude Oil Brent (USD) | | | | | |
| Base | 21.61% | | | | |
| Upside | -31.67% | | | | |
| Downside | 74.90% | | | | |
| - Interest rate fixed deposit 12 months (%) | | | | | |
| Base | -0.60% | | | | |
| Upside | 7.21% | | | | |
| Downside | -8.41% | | | | |
| - Interest rate loans 12 months (%) | | | | | |
| Base | -19.87% | | | | |
| Upside | -67.51% | | | | |
| Downside | 27.76% | | | | |
| 9- Staff Loan | | | | | |
| - US 1 Year Treasury Yield Curve Rates | | | | | |
| Base | 1.448000 | 1.493200 | 1.514680 | 0.231905 | 0.231905 |
| Upside | 1.138767 | 1.183967 | 1.205447 | (0.077328) | (0.077328) |
| Downside | 1.757233 | 1.802433 | 1.823913 | 0.541137 | 0.541137 |
| 10- Public Housing Loan | | | | | |
| - GDP at Current Price, Industry (YOY,%) | | | | | |
| Base | 16.59% | 16.48% | 16.36% | 15.88% | 15.88% |
| Upside | 20.89% | 20.77% | 20.65% | 20.18% | 20.18% |
| Downside | 12.29% | 12.18% | 12.06% | 11.59% | 11.59% |
| - Crude Oil Brent (USD) | | | | | |
| Base | 21.61% | 23.81% | 24.38% | -12.39% | -12.39% |
| Upside | -30.02% | -27.82% | -27.25% | -64.02% | -64.02% |
| Downside | 73.24% | 75.45% | 76.01% | 39.24% | 39.24% |
| - Total Unemployment Cambodia (ILO Est) | | | | | |
| Base | 3.33% | 6.56% | 6.73% | 9.18% | 9.18% |
| Upside | -87.49% | -84.26% | -84.09% | -81.64% | -81.64% |
| Downside | 94.15% | 97.38% | 97.55% | 100.00% | 100.00% |
| 11- Staff Housing Loan | | | | | |
| - USDKHR BGN Currency | | | | | |
| Base | 4,072.57036 | 4,079.59914 | 4,085.50377 | 4,050.81903 | 4,050.81903 |
| Upside | 3,995.78516 | 4,002.81395 | 4,008.71857 | 3,974.03384 | 3,974.03384 |
| Downside | 4,149.35556 | 4,156.38434 | 4,162.28896 | 4,127.60423 | 4,127.60423 |
| - FDI (% of GDP) | | | | | |
| Base | 10.69% | 10.62% | 10.68% | 11.24% | 11.24% |
| Upside | 13.34% | 13.27% | 13.33% | 13.89% | 13.89% |
| Downside | 8.04% | 7.97% | 8.03% | 8.59% | 8.59% |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

35. Financial risk management (continued)

35.1 Credit risk (continued)

(g) Amounts arising from ECL (continued)

Incorporation of forward-looking information (continued)

| Exposure | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|------------------|------|------|------|------|
| 12- Guarantee | | | | | |
| - Domestic Private Sector Credit to GDP (%) | | | | | |
| Base | 62.08% | | | | |
| Upside | 35.79% | | | | |
| Downside | 88.38% | | | | |
| - FDI (% of GDP) | | | | | |
| Base | 10.69% | | | | |
| Upside | 13.35% | | | | |
| Downside | 8.03% | | | | |
| 13- Import Loan | | | | | |
| - FDI Net Inflow (USD) | | | | | |
| Base | 1,956,347,704.70 | | | | |
| Upside | 2,435,773,490.17 | | | | |
| Downside | 1,476,921,919.23 | | | | |
| - Nominal GDP (in KHR billions) | | | | | |
| Base | 74,099.53 | | | | |
| Upside | 92,739.47 | | | | |
| Downside | 55,459.58 | | | | |

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analysing available historical data over the past 7 years.

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out in Note 2(f)(iv).

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

35. Financial risk management (continued)

35.1 Credit risk (continued)

(g) Amounts arising from ECL (continued)

Modified financial assets (continued)

When modification results in derecognition, a new loan is recognised and allocated to Stage 1 (assuming it is not credit-impaired at that time).

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants.

Loss allowance

During the year, the allowance for/(reversal of) impairment loss recognised on the profit or loss were as follows:

| Type | The Group | | | | The Bank | | | |
|-----------------------------------|-------------------|-------------------|-----------------------------|-----------------------------|-------------------|-------------------|-----------------------------|-----------------------------|
| | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) |
| Deposit and placements with banks | (7,786) | 523,753 | (31,744) | 2,122,247 | 96,083 | 31,153 | 391,730 | 126,232 |
| Loans and advances to customers | 20,852,357 | 22,600,278 | 85,015,059 | 91,576,326 | 16,204,462 | 21,462,295 | 66,065,592 | 86,965,219 |
| Other assets | (50,540) | 287,174 | (206,051) | 1,163,630 | (52,869) | 287,184 | (215,547) | 1,163,670 |
| | <u>20,794,031</u> | <u>23,411,205</u> | <u>84,777,264</u> | <u>94,862,203</u> | <u>16,247,676</u> | <u>21,780,632</u> | <u>66,241,775</u> | <u>88,255,121</u> |
| Financial guarantee contracts | (54,156) | (87,989) | (220,794) | (356,531) | (132,082) | 360,354 | (538,498) | 1,460,154 |
| Total | <u>20,739,875</u> | <u>23,323,216</u> | <u>84,556,470</u> | <u>94,505,672</u> | <u>16,115,594</u> | <u>22,140,986</u> | <u>65,703,277</u> | <u>89,715,275</u> |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

35. Financial risk management (continued)

35.1 Credit risk (continued)

(g) Amounts arising from ECL (continued)

Loss allowance (continued)

The following tables show balance of the loss allowance by class of financial instrument:

| Loans and advances at amortised cost | 2020 | | | | 2019 | | | |
|---|-------------------|-------------------|-------------------|--------------------|--------------------|------------------|-------------------|--------------------|
| | Stage 1 US\$ | Stage 2 US\$ | Stage 3 US\$ | Total US\$ | Stage 1 US\$ | Stage 2 US\$ | Stage 3 US\$ | Total US\$ |
| The Group | | | | | | | | |
| As at 1 January | 24,627,422 | 344,453 | 8,263,701 | 33,235,576 | 14,976,248 | 862,530 | 18,061,054 | 33,899,832 |
| Allowance for impairment loss during the year | (12,721,922) | 2,959,245 | 30,615,034 | 20,852,357 | 9,651,174 | (518,077) | 13,467,181 | 22,600,278 |
| Written off during the year | - | - | (18,676,459) | (18,676,459) | - | - | (23,994,329) | (23,994,329) |
| Currency translation difference | - | - | (68,927) | (68,927) | - | - | 729,796 | 729,796 |
| At 31 December | 11,905,500 | 3,303,698 | 20,133,349 | 35,342,547 | 24,627,422 | 344,453 | 8,263,702 | 33,235,577 |
| <i>In KHR'000 equivalent (Note 4)</i> | <u>48,157,748</u> | <u>13,363,458</u> | <u>81,439,397</u> | <u>142,960,602</u> | <u>100,356,745</u> | <u>1,403,646</u> | <u>33,674,586</u> | <u>135,434,977</u> |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

35. Financial risk management (continued)

35.1 Credit risk (continued)

(g) Amounts arising from ECL (continued)

Loss allowance (continued)

The following tables show balance of the loss allowance by class of financial instrument: (continued)

| Loans and advances at amortised cost | 2020 | | | | 2019 | | | |
|---|-------------------|-------------------|-------------------|--------------------|-------------------|------------------|-------------------|--------------------|
| | Stage 1 US\$ | Stage 2 US\$ | Stage 3 US\$ | Total US\$ | Stage 1 US\$ | Stage 2 US\$ | Stage 3 US\$ | Total US\$ |
| The Bank | | | | | | | | |
| As at 1 January | 24,066,137 | 286,202 | 7,837,241 | 32,189,580 | 14,137,285 | 818,920 | 17,600,970 | 32,557,175 |
| Allowance for impairment loss during the year | (13,226,982) | 2,620,739 | 26,810,704 | 16,204,462 | 9,928,852 | (532,718) | 12,066,161 | 21,462,295 |
| Written off during the year | - | - | (17,158,054) | (17,158,054) | - | - | (22,436,319) | (22,436,319) |
| Currency translation difference | - | - | (26,599) | (26,599) | - | - | 606,429 | 606,429 |
| At 31 December | 10,839,155 | 2,906,941 | 17,463,293 | 31,209,389 | 24,066,137 | 286,202 | 7,837,241 | 32,189,580 |
| <i>In KHR'000 equivalent (Note 4)</i> | <u>43,844,382</u> | <u>11,758,576</u> | <u>70,639,020</u> | <u>126,241,978</u> | <u>98,069,508</u> | <u>1,166,273</u> | <u>31,936,757</u> | <u>131,172,538</u> |

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

35. Financial risk management (continued)

35.1 Credit risk (continued)

(g) Amounts arising from ECL (continued)

Measurement of ECL (continued)

Loss allowance (continued)

The following tables show balance of the loss allowance by class of financial instrument: (continued)

| Cash and deposit and placement with other banks | 2020 | | | 2019 | |
|---|------------------|-----------------|-----------------|------------------|------------------|
| | Stage 1 US\$ | Stage 2 US\$ | Stage 3 US\$ | Total US\$ | Total US\$ |
| The Group | | | | | |
| At 1 January | 589,956 | - | - | 589,956 | 69,999 |
| Allowance for impairment loss during the year | (7,786) | - | - | (7,786) | 523,753 |
| Currency translation difference | 274 | - | - | 274 | (3,796) |
| At 31 December | <u>582,444</u> | <u>-</u> | <u>-</u> | <u>582,444</u> | <u>589,956</u> |
| <i>In KHR'000 equivalent (Note 4)</i> | <u>2,355,986</u> | <u>-</u> | <u>-</u> | <u>2,355,986</u> | <u>2,404,071</u> |
| The Bank | | | | | |
| At 1 January | 45,241 | - | - | 45,241 | 14,059 |
| Loss allowance during the year | 96,083 | - | - | 96,083 | 31,153 |
| Currency translation difference | 219 | - | - | 219 | 29 |
| At 31 December | <u>141,543</u> | <u>-</u> | <u>-</u> | <u>141,543</u> | <u>45,241</u> |
| <i>In KHR'000 equivalent (Note 4)</i> | <u>572,541</u> | <u>-</u> | <u>-</u> | <u>572,541</u> | <u>184,357</u> |
| Other assets - other receivables | | | | | |
| | Stage 1 US\$ | Stage 2 US\$ | Stage 3 US\$ | Total US\$ | Total US\$ |
| The Group | | | | | |
| At 1 January | 295,027 | - | - | 295,027 | 7,858 |
| Loss allowance during the year | (50,540) | - | - | (50,540) | 287,174 |
| Currency translation difference | (45,094) | - | - | (45,094) | (5) |
| At 31 December | <u>199,393</u> | <u>-</u> | <u>-</u> | <u>199,393</u> | <u>295,027</u> |
| <i>In KHR'000 equivalent (Note 4)</i> | <u>806,545</u> | <u>-</u> | <u>-</u> | <u>806,545</u> | <u>1,202,235</u> |
| The Bank | | | | | |
| At 1 January | 295,009 | - | - | 295,009 | 7,830 |
| Loss allowance during the year | (52,869) | - | - | (52,869) | 287,184 |
| Currency translation difference | (45,095) | - | - | (45,095) | (5) |
| At 31 December | <u>197,045</u> | <u>-</u> | <u>-</u> | <u>197,045</u> | <u>295,009</u> |
| <i>In KHR'000 equivalent (Note 4)</i> | <u>797,047</u> | <u>-</u> | <u>-</u> | <u>797,047</u> | <u>1,202,162</u> |

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

35. Financial risk management (continued)

35.1 Credit risk (continued)

(g) Amounts arising from ECL (continued)

Measurement of ECL (continued)

Loss allowance (continued)

| Financial guarantee contracts | 2020 | | | 2019 | |
|---|-----------------|-----------------|-----------------|---------------|---------------|
| | Stage 1 US\$ | Stage 2 US\$ | Stage 3 US\$ | Total US\$ | Total US\$ |
| The Group | | | | | |
| At 1 January | 207,479 | - | - | 207,479 | 288,498 |
| Reversal of allowance for impairment loss during the year | (54,156) | - | - | (54,156) | (87,989) |
| Currency translation difference | 1,584 | - | - | 1,584 | 6,970 |
| At 31 December | 154,907 | - | - | 154,907 | 207,479 |
| <i>In KHR'000 equivalent (Note 4)</i> | 626,599 | - | - | 626,599 | 845,476 |
| The Bank | | | | | |
| At 1 January | 655,822 | - | - | 655,822 | 288,498 |
| Loss allowance during the year | (132,082) | - | - | (132,082) | 360,354 |
| Currency translation difference | 1,584 | - | - | 1,584 | 6,970 |
| At 31 December | 525,324 | - | - | 525,324 | 655,822 |
| <i>In KHR'000 equivalent (Note 4)</i> | 2,124,936 | - | - | 2,124,936 | 2,672,474 |

(h) COVID-19 Outbreak and Impact on ECL

The COVID-19 outbreak on the economic growth resulting the economic variables that are used in the models are out of the bounds for which CIFRS 9 models have been built and recalibrated to operate. Furthermore, the current government support programs and regulatory on loan restructuring, designed to mitigate the adverse impact of COVID-19 and related economic consequences, have partially been factored into the modelling. This results CIFRS 9 models under the current economic conditions could not measure the accurate outcomes. Hence, the post-model overlays based on a sensitive analysis and ACLEDA Bank's senior management's judgment are necessary to reflect ECL in a way to avoid underestimation or overestimation in these conditions.

Models will be recalibrated over time in order to overcome observed impacts of Covid-19. Therefore, we anticipate significant post-model adjustments over 2020 and for the foreseeable future when the economy resumes positive GDP growth.

The Group and the Bank also perform the identification and periodic review of customers experiencing increases in credit risk and credit impairment, particularly where those customers have accepted payment deferrals and other reliefs designed to address short-term liquidity issues, or have extended those deferrals, given limitations in the available credit information on these customers.

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

35. Financial risk management (continued)

35.1 Credit risk (continued)

(h) COVID-19 Outbreak and Impact on ECL (continued)

Economic forecasts are subject to high degree of uncertainty in the current environment. This have resulted the forecasts and economic models may not be applicable. This requires a greater reliance on the forecast by the National Bank of Cambodia, Ministry of Economics and Finance, World Bank, or Asia Development Bank to incorporate into the analysis and assessment of ECL outcomes.

The Group and the Bank also generate three economic scenarios to reflect economic conditions, starting with baseline, good, and bad. Each scenario is consistent with a probability of 55%, 20% and 25%, according to the decision of ACLEDA Bank's senior management since COVID-19 outbreak in Mar-2020.

35.2 Market risk

The Group and the Bank take on exposure to market risk, which is the risk of changes in the level or volatility of market rates or prices such as interest rates, credit spreads, foreign currency exchange rates, commodity prices and equity prices that could adversely affect the Group's and the Bank's future earnings, capital, or ability to meet business objectives.

The primary categories of market risk for the Group and the Bank are:

- (i) Interest rate risk: can lead to losses when there is an imbalance between assets and liabilities on which interest rates change periodically or at different intervals.
- (ii) Foreign exchange rate risk: can lead to losses when there is an imbalance between assets and liabilities in any particular currency.

The Board Risk Management and IT Committee ("BRIC") is established by the board of directors to assist the Board in the effective discharge of its responsibilities for risk management and to regularly review management's ability to assess and manage the Bank's risks. The market risk is managed based on the following principles and internal targets.

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

35. Financial risk management (continued)

35.2 Market risk (continued)

Principles of the market risk:

- In line with sound banking principles the Group and the Bank will actively manage currencies and interest rate risk positions to hedge positions by matching assets and liabilities.
- The Group and the Bank shall not engage in activities to derive income from proprietary trading or speculation on the movements of exchange rates, interest rates or value of securities.
- The position limits as set by the central banks are meant to limit the adverse impact of market risk and are not meant to create an opportunity for proprietary trading.
- The day to day responsibility for market risk lies with the senior management of the treasury group.

Internal targets of the market risk:

- The regulatory limits on foreign exchange currency mismatch per currency and cumulative should be observed at all times.
- The Bank will have, at all times, internal targets that are lower than the regulatory limits to allow for a safety margin to ensure permanent full compliance with regulatory limits.
- Setting the level of the internal targets is at the discretion of the Assets and Liabilities Committee ("ALCO") and needs to be both 1) stated and motivated in the ALCO minutes and 2) formally approved by the President & Group Managing Director.

Internal targets of the market risk: (continued)

- Relevant divisions and departments should regularly assess and monitor the perceived risks of non-compliance to the targets. Any breaches of internal targets should be reported to the ALCO and President & Group Managing Directors.
- Any change in level of internal targets will need to be reported by e-mail to the Chair of the Board Risk Management and IT Committee ("BRIC") on the same day the change has been made.
- At all time, the Bank will have a contingency plan to be executed when it is perceived by the President & Group Managing Director that the safety margin may not be sufficient and there is a risk that the regulatory limit on foreign exchange currency mismatch could be reached. Such contingency plan should be sufficient to ensure that the regulatory limits on foreign exchange currency mismatch will not be breached.

As of 31 December 2020 and 31 December 2019, the Group and the Bank did not have financial instruments carried at fair value. The Group uses derivative financial instruments such as foreign exchange contract and interest rate swaps to hold its risk exposures.

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

35. Financial risk management (continued)

35.2 Market risk (continued)

(i) *Interest rate risk*

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of the changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of the changes in the 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 Group and 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 Group's and the Bank's interest rate risk arise from borrowings. Borrowings issued at variable rates expose the Group and the Bank to cash flow interest rate risk. The Group and the Bank manage cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates and recognising the interest expense based on that fixed interest rate. The Group and the Bank raise borrowings at floating rates and swaps them into fixed rate that are lower than those available if the Group and the Bank borrowed at fixed rates directly. Under the interest rate swaps, the Group agreed with other parties to exchange, at specified intervals (primarily semi-annually), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional amounts.

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

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

35. Financial risk management (continued)

35.2 Market risk (continued)

(i) Interest rate risk (continued)

| | The Group | | | | | | Total US\$ |
|---|--------------------------|-------------------------|--------------------------|------------------------|-------------------------|---------------------------------|----------------------|
| | Up to 1 month US\$ | 1 - 3 months US\$ | 3 - 12 months US\$ | 1 - 5 years US\$ | Over 5 years US\$ | Non-interest bearing US\$ | |
| As at 31 December 2020 | | | | | | | |
| Financial assets | | | | | | | |
| Cash on hand | - | - | - | - | - | 412,759,051 | 412,759,051 |
| Deposits and placements with other banks | 234,738,355 | 4,076,310 | - | - | - | 295,838,481 | 534,653,146 |
| Financial investments | 566,138,442 | - | 372,497 | - | - | 163,584 | 566,674,523 |
| Loans and advances | | | | | | | |
| - Performing | 114,672,830 | 239,865,582 | 845,044,589 | 2,744,589,864 | 454,249,545 | - | 4,398,422,410 |
| - Non performing | - | - | - | - | - | 108,220,753 | 108,220,753 |
| - Loss allowance | - | - | - | - | - | (35,342,545) | (35,342,545) |
| Other assets | - | - | - | - | - | 6,921,852 | 6,921,852 |
| Total financial assets | 915,549,627 | 243,941,892 | 845,417,086 | 2,744,589,864 | 454,249,545 | 788,561,176 | 5,992,309,190 |
| Financial liabilities | | | | | | | |
| Deposits and placements of other banks and financial institutions | 68,526,232 | 8,347,174 | 40,716,070 | 18,855,000 | 71,556,029 | 109,008,954 | 317,009,459 |
| Deposits from customers | 1,998,279,203 | 254,562,597 | 923,043,532 | 532,634,286 | 21,296,683 | 564,469,747 | 4,294,286,048 |
| Other liabilities | - | - | - | - | - | 28,699,228 | 28,699,228 |
| Lease liabilities | 1,722,414 | 1,483,344 | 7,104,107 | 16,334,766 | 1,973,271 | - | 28,617,902 |
| Borrowings | 1,784,756 | 74,857,377 | 121,085,450 | 332,042,951 | 5,860,858 | 6,767,524 | 542,398,916 |
| Subordinated debts | - | - | 10,973,591 | 98,753,000 | 56,997,210 | 434,822 | 167,158,623 |
| Total financial liabilities | 2,070,312,605 | 339,250,492 | 1,102,922,750 | 998,620,003 | 157,684,051 | 709,380,275 | 5,378,170,176 |
| Net interest sensitivity gap | (1,154,762,978) | (95,308,600) | (257,505,664) | 1,745,969,861 | 296,565,494 | 79,180,901 | 614,139,014 |
| In KHR'000 equivalent (Note 4) | (4,671,016,246) | (385,523,287) | (1,041,610,411) | 7,062,448,088 | 1,199,607,423 | 320,286,745 | 2,484,192,312 |
| Unused portion of overdrafts | - | - | - | - | - | 120,937,607 | 120,937,607 |
| Guarantees, acceptances and other financial facilities | - | - | - | - | - | 54,900,984 | 54,900,984 |
| Net interest sensitivity gap | - | - | - | - | - | 175,838,591 | 175,838,591 |
| In KHR'000 equivalent (Note 4) | - | - | - | - | - | 711,267,100 | 711,267,100 |

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

35. Financial risk management (continued)

35.2 Market risk (continued)

(i) Interest rate risk (continued)

| | The Group | | | | | | |
|---|------------------------|----------------------|------------------------|----------------------|----------------------|------------------------------|----------------------|
| | Up to 1 month US\$ | 1 - 3 months US\$ | 3 - 12 months US\$ | 1 - 5 years US\$ | Over 5 years US\$ | Non-interest bearing US\$ | Total US\$ |
| As at 31 December 2019 | | | | | | | |
| Financial assets | | | | | | | |
| Cash on hand | - | - | - | - | - | 421,527,238 | 421,527,238 |
| Deposits and placements with other banks | 101,015,402 | 1,127,269 | - | - | - | 485,587,860 | 587,730,531 |
| Financial investments | 177,298,469 | 330,089,942 | 19,933,035 | - | - | 153,530 | 527,474,976 |
| Loans and advances | | | | | | | |
| - Performing | 113,123,281 | 228,380,504 | 767,798,648 | 2,417,544,191 | 305,180,685 | - | 3,832,027,309 |
| - Non performing | - | - | - | - | - | 48,075,664 | 48,075,664 |
| - Loss allowance (*) | - | - | - | - | - | (34,082,454) | (34,082,454) |
| Other assets | - | - | - | - | - | 5,918,866 | 5,918,866 |
| Total financial assets | 391,437,152 | 559,597,715 | 787,731,683 | 2,417,544,191 | 305,180,685 | 927,180,704 | 5,388,672,130 |
| Financial liabilities | | | | | | | |
| Deposits and placements of other banks and financial institutions | 69,219,725 | 9,732,929 | 16,835,620 | 15,794,271 | 70,150,000 | 103,442,600 | 285,175,145 |
| Deposits from customers | 1,906,967,792 | 270,961,829 | 983,609,388 | 400,528,294 | 15,795,723 | 504,859,827 | 4,082,722,853 |
| Other liabilities | - | - | - | - | - | 27,251,397 | 27,251,397 |
| Lease liabilities | 1,058,400 | 1,354,080 | 7,343,514 | 18,337,639 | 2,822,306 | - | 30,915,939 |
| Borrowings | 26,053,241 | 33,059,455 | 134,562,903 | 367,062,751 | 4,233,351 | - | 564,971,701 |
| Subordinated debts | - | - | 81,243,447 | 25,964,271 | 32,094,862 | - | 139,302,580 |
| Total financial liabilities | 2,003,299,158 | 315,108,293 | 1,223,594,872 | 827,687,226 | 125,096,242 | 635,553,824 | 5,130,339,615 |
| Net interest sensitivity gap | (1,611,862,006) | 244,489,422 | (435,863,189) | 1,589,856,965 | 180,084,443 | 291,626,880 | 258,332,515 |
| In KHR'000 equivalent (Note 4) | (6,568,337,674) | 996,294,395 | (1,776,142,495) | 6,478,667,132 | 733,844,105 | 1,188,379,536 | 1,052,704,999 |
| Unused portion of overdrafts | - | - | - | - | - | 93,060,063 | 93,060,063 |
| Guarantees, acceptances and other financial facilities | - | - | - | - | - | 47,380,747 | 47,380,747 |
| Net interest sensitivity gap | - | - | - | - | - | 140,440,810 | 140,440,810 |
| In KHR'000 equivalent (Note 4) | - | - | - | - | - | 572,296,301 | 572,296,301 |

(*) Included provision for off balance sheet commitment.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

35. Financial risk management (continued)

35.2 Market risk (continued)

(i) Interest rate risk (continued)

| | The Bank | | | | | | Total US\$ |
|---|--------------------------|-----------------------|------------------------|----------------------|-------------------------|---------------------------------|----------------------|
| | Up to 1 month US\$ | 1-3 months US\$ | 3-12 months US\$ | 1-5 years US\$ | Over 5 years US\$ | Non-interest bearing US\$ | |
| As at 31 December 2020 | | | | | | | |
| Financial assets | | | | | | | |
| Cash on hand | - | - | - | - | - | 400,816,126 | 400,816,126 |
| Deposits and placements with other banks | 234,700,199 | 3,000,000 | - | - | - | 269,929,208 | 507,629,407 |
| Financial investments | 566,138,442 | - | 372,497 | - | - | 163,584 | 566,674,523 |
| Loans and advances | | | | | | | |
| - Performing | 105,939,266 | 220,918,625 | 787,952,910 | 2,656,562,739 | 451,329,271 | - | 4,222,702,811 |
| - Non performing | - | - | - | - | - | 101,155,737 | 101,155,737 |
| - Loss allowance | - | - | - | - | - | (31,209,389) | (31,209,389) |
| Other assets | - | - | - | - | - | 6,923,222 | 6,923,222 |
| Total financial assets | 906,777,907 | 223,918,625 | 788,325,407 | 2,656,562,739 | 451,329,271 | 747,778,488 | 5,774,692,437 |
| Financial liabilities | | | | | | | |
| Deposits and placements of other banks and financial institutions | 67,683,651 | 6,356,000 | 22,429,557 | 18,855,000 | 71,556,029 | 109,884,317 | 296,764,554 |
| Deposits from customers | 1,955,317,026 | 246,232,704 | 896,537,310 | 511,760,130 | 17,564,763 | 552,856,804 | 4,180,268,737 |
| Other liabilities | - | - | - | - | - | 28,488,959 | 28,488,959 |
| Lease liabilities | 1,620,943 | 1,443,572 | 6,647,364 | 15,123,119 | 937,387 | - | 25,772,385 |
| Borrowings | 193,560 | 71,157,818 | 107,238,207 | 318,846,331 | 3,753,850 | 6,163,150 | 507,352,916 |
| Subordinated debts | - | - | 10,973,591 | 98,753,000 | 56,997,210 | 434,822 | 167,158,623 |
| Total financial liabilities | 2,024,815,180 | 325,190,094 | 1,043,826,029 | 963,337,580 | 150,809,239 | 697,828,052 | 5,205,806,174 |
| Net interest sensitivity gap | (1,118,037,273) | (101,271,469) | (255,500,622) | 1,693,225,159 | 300,520,032 | 49,950,436 | 568,886,263 |
| <i>In KHR'000 equivalent (Note 4)</i> | (4,522,460,769) | (409,643,092) | (1,033,500,016) | 6,849,095,768 | 1,215,603,529 | 202,049,515 | 2,301,144,935 |
| Unused portion of overdrafts | - | - | - | - | - | 120,108,962 | 120,108,962 |
| Guarantees, acceptances and other financial facilities | - | - | - | - | - | 54,694,480 | 54,694,480 |
| Net interest sensitivity gap | - | - | - | - | - | 174,803,442 | 174,803,442 |
| <i>In KHR'000 equivalent (Note 4)</i> | - | - | - | - | - | 707,079,923 | 707,079,923 |

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

35. Financial risk management (continued)

35.2 Market risk (continued)

(i) Interest rate risk (continued)

| | The Bank | | | | | | Total US\$ |
|---|--------------------------|-------------------------|--------------------------|------------------------|-------------------------|---------------------------------|----------------------|
| | Up to 1 month US\$ | 1 - 3 months US\$ | 3 - 12 months US\$ | 1 - 5 years US\$ | Over 5 years US\$ | Non-interest bearing US\$ | |
| As at 31 December 2019 | | | | | | | |
| Financial assets | | | | | | | |
| Cash on hand | - | - | - | - | - | 410,955,867 | 410,955,867 |
| Deposits and placements with other banks | 100,430,774 | - | - | - | - | 458,181,566 | 558,612,340 |
| Financial investments | 177,298,469 | 330,089,942 | 19,933,035 | - | - | 153,530 | 527,474,976 |
| Loans and advances | | | | | | | |
| - Performing | 104,137,506 | 210,501,398 | 713,611,636 | 2,339,892,203 | 305,551,912 | - | 3,673,694,655 |
| - Non performing | - | - | - | - | - | 45,729,690 | 45,729,690 |
| - Loss allowance (*) | - | - | - | - | - | (32,845,402) | (32,845,402) |
| Other assets | - | - | - | - | - | 5,935,692 | 5,935,692 |
| Total financial assets | 381,866,749 | 540,591,340 | 733,544,671 | 2,339,892,203 | 305,551,912 | 888,110,943 | 5,189,557,818 |
| Financial liabilities | | | | | | | |
| Deposits and placements of other banks and financial institutions | 67,367,305 | 7,631,767 | 6,405,050 | 14,050,000 | 70,150,000 | 108,673,599 | 274,277,721 |
| Deposits from customers | 1,875,484,798 | 265,335,713 | 960,119,470 | 376,717,663 | 11,928,271 | 492,560,644 | 3,982,146,559 |
| Other liabilities | - | - | - | - | - | 26,115,905 | 26,115,905 |
| Lease liabilities | 1,001,066 | 1,336,787 | 6,685,580 | 16,988,942 | 1,776,793 | - | 27,789,168 |
| Borrowings | 25,698,680 | 28,185,890 | 122,807,911 | 341,375,647 | - | - | 518,068,128 |
| Subordinated debts | - | - | 81,243,447 | 25,964,271 | 32,094,862 | - | 139,302,580 |
| Total financial liabilities | 1,969,551,849 | 302,490,157 | 1,177,261,458 | 775,096,523 | 115,949,926 | 627,350,148 | 4,967,700,061 |
| Net interest sensitivity gap | (1,587,685,100) | 238,101,183 | (443,716,787) | 1,564,795,680 | 189,601,986 | 260,760,795 | 221,857,757 |
| <i>In KHR'000 equivalent (Note 4)</i> | (6,469,816,783) | 970,262,321 | (1,808,145,907) | 6,376,542,396 | 772,628,093 | 1,062,600,240 | 904,070,360 |
| Unused portion of overdrafts | - | - | - | - | - | 93,060,063 | 93,060,063 |
| Guarantees, acceptances and other financial facilities | - | - | - | - | - | 47,353,943 | 47,353,943 |
| Net interest sensitivity gap | - | - | - | - | - | 140,414,006 | 140,414,006 |
| <i>In KHR'000 equivalent (Note 4)</i> | - | - | - | - | - | 572,187,074 | 572,187,074 |

(*) Included provision for off balance sheet commitment.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

35. Financial risk management (continued)

35.2 Market risk (continued)

(i) *Interest rate risk (continued)*

Fair value sensitivity analysis for fixed-rate instruments

The Group and the Bank do not account for any fixed-rate financial assets or financial liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect statement of profit or loss.

Cash flow sensitivity analysis for variable-rate instruments

Statement of profit or loss is sensitive to higher/lower interest expenses from borrowings as a result of changes in interest rates. The change of 25 basis points (“bp”) in interest rates of borrowings at the reporting date would not have material effect on statement of profit or loss of the Group and the Bank.

(ii) *Foreign exchange risk*

The Group operates in Cambodia, Lao PDR, and Republic of the Union of Myanmar and transacts in many currencies. It is exposed to various currency risks, primarily with respect to Khmer Riel, Euro, Thai Baht, LAK, JPY, AUD, VND, CAD, Kyat and others.

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

Management monitors their foreign exchange risk against functional currencies. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, the Group use forward contracts.

The table below summarises the Group's and the Bank's exposure to foreign currency exchange rate risk at 31 December 2020 and 31 December 2019. Included in the table are the financial instruments at carrying amount by currency in US\$ equivalent.

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

35. Financial risk management (continued)

35.2 Market risk (continued)

(ii) Foreign exchange risk (continued)

| | The Group | | | | | | | Total |
|---|--------------------|----------------------|-------------------|------------------|------------------|--------------------|--------------------|----------------------|
| | In US\$ equivalent | | | | | | | |
| | KHR | USD | THB | EUR | AUD | LAK | Others | |
| As at 31 December 2020 | | | | | | | | |
| Financial assets | | | | | | | | |
| Cash on hand | 103,488,247 | 284,892,098 | 12,247,160 | 2,967,502 | 226,620 | 7,446,734 | 1,490,690 | 412,759,051 |
| Deposits and placements with other banks | 78,882,898 | 431,103,914 | 4,323,331 | 1,200,340 | 78,488 | 15,945,738 | 3,118,437 | 534,653,146 |
| Financial investments | 32,362,619 | 534,311,904 | - | - | - | - | - | 566,674,523 |
| Loans and advances | 605,355,296 | 3,653,522,729 | 27,594,434 | - | - | 140,856,509 | 43,971,650 | 4,471,300,618 |
| Other assets | 112,607 | 6,661,885 | 23,341 | - | - | 124,019 | - | 6,921,852 |
| Total financial assets | 820,201,667 | 4,910,492,530 | 44,188,266 | 4,167,842 | 305,108 | 164,373,000 | 48,580,777 | 5,992,309,190 |
| Financial liabilities | | | | | | | | |
| Deposits and placements of other banks and financial institutions | 34,696,856 | 260,231,181 | 272,131 | - | - | 21,809,291 | - | 317,009,459 |
| Deposits from customers | 731,620,195 | 3,415,853,729 | 39,841,991 | 3,824,001 | - | 94,515,122 | 8,631,010 | 4,294,286,048 |
| Other liabilities | 1,156,153 | 27,287,797 | 34,800 | 112,286 | - | 96,196 | 11,996 | 28,699,228 |
| Lease liabilities | - | 27,913,335 | 141,356 | - | - | 410,237 | 152,974 | 28,617,902 |
| Borrowings | 40,101,721 | 477,440,120 | - | - | - | 10,910,412 | 13,946,663 | 542,398,916 |
| Subordinated debts | - | 167,158,623 | - | - | - | - | - | 167,158,623 |
| Total financial liabilities | 807,574,925 | 4,375,884,785 | 40,290,278 | 3,936,287 | - | 127,741,258 | 22,742,643 | 5,378,170,176 |
| Net on-balance sheet position | 12,626,742 | 534,607,745 | 3,897,988 | 231,555 | 305,108 | 36,631,742 | 25,838,134 | 614,139,014 |
| <i>In KHR'000 equivalent (Note 4)</i> | 51,075,171 | 2,162,488,329 | 15,767,361 | 936,640 | 1,234,162 | 148,175,396 | 104,515,253 | 2,484,192,312 |
| Unused portion of overdrafts | 2,331,747 | 116,705,275 | 1,071,940 | - | - | 828,645 | - | 120,937,607 |
| Guarantees, acceptances and other financial facilities | 5,551,196 | 45,784,145 | 2,810,817 | 349,515 | - | 205,141 | 200,170 | 54,900,984 |
| Credit commitment | 7,882,943 | 162,489,420 | 3,882,757 | 349,515 | - | 1,033,786 | 200,170 | 175,838,591 |
| <i>In KHR'000 equivalent (Note 4)</i> | 31,886,504 | 657,269,704 | 15,705,752 | 1,413,788 | - | 4,181,664 | 809,688 | 711,267,100 |

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

35. Financial risk management (continued)

35.2 Market risk (continued)

(ii) Foreign exchange risk (continued)

| | The Group | | | | | | | |
|---|--------------------|----------------------|-------------------|--------------------|------------------|--------------------|-------------------|----------------------|
| | In US\$ equivalent | | | | | | | |
| | KHR | USD | THB | EUR | AUD | LAK | Others | Total |
| As at 31 December 2019 | | | | | | | | |
| Financial assets | | | | | | | | |
| Cash on hand | 73,832,938 | 328,112,584 | 9,820,413 | 1,697,804 | 259,264 | 6,253,302 | 1,550,933 | 421,527,238 |
| Deposits and placements with other banks | 134,547,685 | 425,145,989 | 9,133,078 | 2,857,189 | - | 14,830,882 | 1,215,708 | 587,730,531 |
| Financial investments | 49,132 | 527,425,844 | - | - | - | - | - | 527,474,976 |
| Loans and advances | 490,616,838 | 3,163,835,145 | 27,858,301 | - | - | 127,201,433 | 36,508,802 | 3,846,020,519 |
| Other assets | 137,705 | 5,729,950 | 2,418 | - | - | 48,793 | - | 5,918,866 |
| Total financial assets | 699,184,298 | 4,450,249,512 | 46,814,210 | 4,554,993 | 259,264 | 148,334,410 | 39,275,443 | 5,388,672,130 |
| Financial liabilities | | | | | | | | |
| Deposits and placements of other banks and financial institutions | 28,342,365 | 240,639,132 | 371,838 | - | - | 15,821,810 | - | 285,175,145 |
| Deposits from customers | 592,801,497 | 3,358,536,818 | 41,962,783 | 4,009,451 | 96 | 79,724,173 | 5,688,035 | 4,082,722,853 |
| Other liabilities | 3,647,241 | 21,854,120 | 609,168 | 1,022,705 | - | 104,186 | 13,977 | 27,251,397 |
| Lease liabilities | - | 30,062,178 | 131,805 | - | - | 417,690 | 304,266 | 30,915,939 |
| Borrowings | 65,414,272 | 464,694,714 | - | - | - | 17,950,971 | 16,911,744 | 564,971,701 |
| Subordinated debts | - | 139,302,580 | - | - | - | - | - | 139,302,580 |
| Total financial liabilities | 690,205,375 | 4,255,089,542 | 43,075,594 | 5,032,156 | 96 | 114,018,830 | 22,918,022 | 5,130,339,615 |
| Net on-balance sheet position | 8,978,923 | 195,159,970 | 3,738,616 | (477,163) | 259,168 | 34,315,580 | 16,357,421 | 258,332,515 |
| <i>In KHR'000 equivalent (Note 4)</i> | 36,589,111 | 795,276,878 | 15,234,860 | (1,944,439) | 1,056,110 | 139,835,989 | 66,656,490 | 1,052,704,999 |
| Unused portion of overdrafts | 1,498,045 | 91,495,024 | 66,994 | - | - | - | - | 93,060,063 |
| Guarantees, acceptances and other financial facilities | 4,229,904 | 42,756,751 | 43,550 | 70,000 | - | - | 280,542 | 47,380,747 |
| Credit commitment | 5,727,949 | 134,251,775 | 110,544 | 70,000 | - | - | 280,542 | 140,440,810 |
| <i>In KHR'000 equivalent (Note 4)</i> | 23,341,392 | 547,075,983 | 450,467 | 285,250 | - | - | 1,143,209 | 572,296,301 |

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

35. Financial risk management (continued)

35.2 Market risk (continued)

(ii) Foreign exchange risk (continued)

| | The Bank | | | | | | | Total |
|---|--------------------|----------------------|-------------------|------------------|------------------|---------------|------------------|----------------------|
| | In US\$ equivalent | | | | | | | |
| | KHR | USD | THB | EUR | AUD | LAK | Others | |
| As at 31 December 2020 | | | | | | | | |
| Financial assets | | | | | | | | |
| Cash on hand | 103,480,325 | 283,028,828 | 9,927,044 | 2,965,106 | 226,023 | 3,227 | 1,185,573 | 400,816,126 |
| Deposits and placements with other banks | 78,882,898 | 426,153,616 | 613,723 | 1,200,340 | 78,488 | - | 700,342 | 507,629,407 |
| Financial investments | 32,362,619 | 534,311,904 | - | - | - | - | - | 566,674,523 |
| Loans and advances | 605,355,297 | 3,659,699,428 | 27,594,434 | - | - | - | - | 4,292,649,159 |
| Other assets | 111,994 | 6,811,221 | 7 | - | - | - | - | 6,923,222 |
| Total financial assets | 820,193,133 | 4,910,004,997 | 38,135,208 | 4,165,446 | 304,511 | 3,227 | 1,885,915 | 5,774,692,437 |
| Financial liabilities | | | | | | | | |
| Deposits and placements of other banks and financial institutions | 34,696,856 | 261,794,286 | 273,412 | - | - | - | - | 296,764,554 |
| Deposits from customers | 731,889,478 | 3,411,404,278 | 33,150,980 | 3,824,001 | - | - | - | 4,180,268,737 |
| Other liabilities | 1,150,276 | 27,196,955 | 29,335 | 112,286 | - | - | 107 | 28,488,959 |
| Lease liabilities | - | 25,772,385 | - | - | - | - | - | 25,772,385 |
| Borrowings | 40,101,721 | 467,251,195 | - | - | - | - | - | 507,352,916 |
| Subordinated debts | - | 167,158,623 | - | - | - | - | - | 167,158,623 |
| Total financial liabilities | 807,838,331 | 4,360,577,722 | 33,453,727 | 3,936,287 | - | - | 107 | 5,205,806,174 |
| Net on-balance sheet position | 12,354,802 | 549,427,275 | 4,681,481 | 229,159 | 304,511 | 3,227 | 1,885,808 | 568,886,263 |
| <i>In KHR'000 equivalent (Note 4)</i> | 49,975,174 | 2,222,433,327 | 18,936,591 | 926,948 | 1,231,747 | 13,053 | 7,628,095 | 2,301,144,935 |
| Unused portion of overdrafts | 2,331,747 | 116,705,275 | 1,071,940 | - | - | - | - | 120,108,962 |
| Guarantees, acceptances and other financial facilities | 5,551,196 | 45,782,782 | 2,810,817 | 349,515 | - | - | 200,170 | 54,694,480 |
| Credit commitment | 7,882,943 | 162,488,057 | 3,882,757 | 349,515 | - | - | 200,170 | 174,803,442 |
| <i>In KHR'000 equivalent (Note 4)</i> | 31,886,504 | 657,264,191 | 15,705,752 | 1,413,788 | - | - | 809,688 | 707,079,923 |

ACLEDA Bank Plc.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

35. Financial risk management (continued)

35.2 Market risk (continued)

(ii) Foreign exchange risk (continued)

| | The Bank | | | | | | | |
|---|--------------------|----------------------|-------------------|--------------------|------------------|--------------|------------------|----------------------|
| | In US\$ equivalent | | | | | | | |
| | KHR | USD | THB | EUR | AUD | LAK | Others | Total |
| As at 31 December 2019 | | | | | | | | |
| Financial assets | | | | | | | | |
| Cash on hand | 73,824,417 | 326,481,164 | 7,846,913 | 1,640,057 | 255,318 | 1,533 | 906,465 | 410,955,867 |
| Deposits and placements with other banks | 134,547,685 | 416,769,673 | 3,254,084 | 2,857,189 | - | - | 1,183,709 | 558,612,340 |
| Financial investments | 49,132 | 527,425,844 | - | - | - | - | - | 527,474,976 |
| Loans and advances | 490,616,838 | 3,168,103,804 | 27,858,301 | - | - | - | - | 3,686,578,943 |
| Other assets | 110,416 | 5,822,858 | 2,418 | - | - | - | - | 5,935,692 |
| Total financial assets | 699,148,488 | 4,444,603,343 | 38,961,716 | 4,497,246 | 255,318 | 1,533 | 2,090,174 | 5,189,557,818 |
| Financial liabilities | | | | | | | | |
| Deposits and placements of other banks and financial institutions | 28,342,365 | 242,258,492 | 3,676,864 | - | - | - | - | 274,277,721 |
| Deposits from customers | 592,856,864 | 3,355,015,800 | 30,264,348 | 4,009,451 | 96 | - | - | 3,982,146,559 |
| Other liabilities | 3,646,652 | 21,433,839 | 11,342 | 1,022,705 | - | 181 | 1,186 | 26,115,905 |
| Lease liabilities | - | 27,789,168 | - | - | - | - | - | 27,789,168 |
| Borrowings | 65,414,272 | 452,653,856 | - | - | - | - | - | 518,068,128 |
| Subordinated debts | - | 139,302,580 | - | - | - | - | - | 139,302,580 |
| Total financial liabilities | 690,260,153 | 4,238,453,735 | 33,952,554 | 5,032,156 | 96 | 181 | 1,186 | 4,967,700,061 |
| Net on-balance sheet position | 8,888,335 | 206,149,608 | 5,009,162 | (534,910) | 255,222 | 1,352 | 2,088,988 | 221,857,757 |
| <i>In KHR'000 equivalent (Note 4)</i> | 36,219,966 | 840,059,653 | 20,412,335 | (2,179,758) | 1,040,030 | 5,509 | 8,512,626 | 904,070,360 |
| Unused portion of overdrafts | 1,498,045 | 91,495,024 | 66,994 | - | - | - | - | 93,060,063 |
| Guarantees, acceptances and other financial facilities | 4,229,904 | 42,729,947 | 43,550 | 70,000 | - | - | 280,542 | 47,353,943 |
| Credit commitment | 5,727,949 | 134,224,971 | 110,544 | 70,000 | - | - | 280,542 | 140,414,006 |
| <i>In KHR'000 equivalent (Note 4)</i> | 23,341,392 | 546,966,757 | 450,467 | 285,250 | - | - | 1,143,208 | 572,187,074 |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

35. FINANCIAL RISK MANAGEMENT (continued)

35.2 Market risk (continued)

(ii) *Foreign exchange risk (continued)*

Sensitivity analysis

The Group and the Bank is exposed to changes in US dollar and other foreign currencies exchange rate. Due to a reasonably possible strengthening (weakening) of the US dollar against foreign currencies, the Group and the Bank's exposure to other foreign exchange movement is not material.

(iii) *Price risk*

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

35.3 Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its obligations or payment or offset positions in a given economic and financial context and specific market situation. Typically, it is the risk of loss arising from situation where 1) the Bank has not enough cash and/or cash equivalents to meet the needs of depositors, borrowers, and contingent liabilities, 2) the sale of illiquid assets lower than market price, and 3) illiquid assets would not be sold at the desired time due to a lack of buyers.

The objective of the Group's liquidity risk management is to ensure that the Group can meet its cash obligations in a timely and cost-effective manner. To this end, the Group's liquidity and funding management policy is to maintain high quality and well diversified portfolios of liquid assets and sources of funds under both normal business and stress conditions. Due to its large distribution network and strategic marketing focus, the Group is able to maintain a diversified core deposit base comprising savings, demand, and fixed deposits. This provides the Group a large stable funding base.

(a) Liquidity risk management process

The day-to-day responsibility for liquidity risk management and control is delegated to the ALCO which monthly report to executive committee.

For day-to-day liquidity management, the treasury operations will ensure sufficient funding to meet its intraday payment and settlement obligations on a timely basis. Besides, the process of managing liquidity risk also includes:

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

35. Financial risk management (continued)

35.3 Liquidity risk (continued)

a) Liquidity risk management process (continued)

Principles of the liquidity risk:

- At all times the related senior management of the treasury group shall ensure that the Bank's operations can meet its current and future funding needs. The Treasury Department shall stress-test its liquidity position on a daily basis
- The related senior management of treasury group has established a risk control framework and procedures to ensure it maintains sufficient liquidity at all time, including the holding of unencumbered eligible assets, to withstand a range of stress events, including the loss of funding sources such as deposits, borrowings, capital raising that liquidity risk is managed in accordance with the requirements of the Board.
- Stress testing is performed regularly to assess various scenarios includes short, medium and long-term, institution-specific and market-wide stress which may put the Bank's liquidity at risk.
- The Treasury Department identifies, monitors, manages and controls the risk associated intraday liquidity as well as short, medium and long-term liquidity as these are key periods for liquidity management. The Treasury Department develops and implements stress tests on the projected cash flows. The outputs are used to inform the Bank's contingency funding plan.
- The Bank incorporates liquidity cost, benefits and risks in the internal pricing, performance measurement, and new products/services approval process for all significant business activities (both on and off balance sheet) in order to align with the benefits from accepting risks of each business unit and liquidity risks affecting the business activities of the Bank.

Internal targets of the liquidity risk:

- The regulatory limit on the Liquidity Coverage Ratio (LCR) should be observed at all times.
- The Bank will have, at all times, an internal targets that is higher than the regulatory limit to allow for a safety margin to ensure permanent full compliance with regulatory limit.
- Setting the level of the internal targets is at the discretion of the ALCO and needs to be both 1) stated and motivated in the ALCO minutes and 2) formally approved by the President & Group Managing Director.
- The risk tolerance/internal targets must be reviewed at least once a year to reflect the financial condition and the funding mobilization capacity
- Relevant divisions and departments should regularly assess and monitor the perceived risks of non-compliance to the targets. Any breaches of internal targets should be reported to the ALCO for remedial actions and President & Group Managing Director for approval.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

35. Financial risk management (continued)

35.3 Liquidity risk (continued)

a) Liquidity risk management process (continued)

Internal targets of the liquidity risk: (continued)

- Any change level of internal targets will need to be reported by e-mail to the Chair of the BRIC on the same day the change has been made.
- At all time, the Bank will have a contingency plan to be executed when it is perceived by the Bank that the safety margin may not be sufficient and there is a risk that the regulatory limit on liquidity could be breached. Such contingency plan should be sufficient to ensure that the regulatory limits on liquidity will not be breached.
- In case, the Bank experiences a severe liquidity, the Bank must immediately notify NBC and advise the action that is being taken to address the situation.

The Bank has put in place a robust and comprehensive liquidity risk management framework in accordance with National Bank of Cambodia's Prakas No. B7-017-301 dated on 27 September 2017 on Liquidity Risk Management Framework (LRMF), which consists of risk appetite, risk tolerance, policies, early warning indicators, and monitoring mechanism which are reviewed and endorsed by BRMC and approved by the Board. The key elements of the framework are to ensure that the Bank maintains sufficient liquidity at all times, including the holding of unencumbered eligible assets, to withstand a range of stress events, including the loss of funding sources, either internally (as with deposits) or externally (as with borrowings or raising additional capital), and other issues. The Bank ensures that the business activities are mainly funded with stable sources of funding on an ongoing basis.

The management designs a set of early warning indicators to aid its daily liquidity risk management processes in identifying the emergence of increased risk or vulnerabilities in its liquidity risk position or potential funding needs.

The Bank's contingency liquidity plan (CLP) is in place to alert and to enable the management to act effectively and efficiently during a liquidity crisis and under adverse market conditions. The objective of contingency liquidity plan is to ensure that the bank has a framework for managing the liquidity sufficiently and robustly in the event of liquidity crisis based on the result of liquidity stress testing.

The Group is measuring, monitoring and managing its liquidity positions to comply with the regulatory Liquidity Coverage Ratio (LCR). The Bank shall calculate Liquidity Coverage Ratio (LCR) using new reporting template from 1 January 2016 via a phase-in period until fully comply by 1 January 2020. The Bank shall, at all time, maintain an adequate stock of eligible liquid assets to fulfil the LCR limits as determined in accordance with the following timeline:

| With effect from | 1 September 2016 | 1 September 2017 | 1 September 2018 | 1 June 2019 | 1 January 2020 |
|------------------|------------------|------------------|------------------|-------------|----------------|
| Minimum LCR | 60% | 70% | 80% | 90% | 100% |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

35. Financial risk management (continued)

35.3 Liquidity risk (continued)

a) Liquidity risk management process (continued)

The purpose of the LCR aims at promoting short-term resilience of each institution's liquidity risk profile, ensuring that each institution has an adequate stock of unencumbered liquid assets that can be converted into cash at no or little loss of value in markets, to meet its liquidity needs for a 30-day liquidity stress scenario, and ensuring that prompt corrective actions are taken by the institution's management when the LCR potentially falls below the minimum requirement.

The Bank also uses a range of tools such as liquidity ratio, liquidity gap analysis, safety margin, and monthly cash flow projection to measure, monitor and manage its liquidity positions. In addition, The Bank also performs daily and monthly liquidity stress test in order to identify and quantify its exposures to possible future liquidity stresses, analysing possible impacts on the Bank's cash flows, liquidity position, profitability and solvency.

(b) Funding approach

The Group's main sources of liquidities arise from shareholder's paid-up capital, borrowings, subordinated debts, due to other banks and financial institutions and deposits from customers. The sources of liquidity are regularly reviewed daily through management's review of maturity of fixed deposits and key depositors. For borrowings and subordinated debts are also regularly reviewed daily via management's review of interest and principal repayments and maturity.

(c) Non-derivative cash flows

The table below presents the cash flows payable under non-derivative financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Group manages the inherent liquidity risk based on contractual undiscounted cash flows.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

35. Financial risk management (continued)

35.3 Liquidity risk (continued)

c) Non-derivative cash flows (continued)

| | The Group | | | | | | |
|---|--------------------------|--------------------------|--------------------------|---------------------------|-------------------------|-------------------------|-----------------------|
| | Up to 1 month US\$ | 1 to 3 months US\$ | 3 to 6 months US\$ | 6 to 12 months US\$ | 1 to 5 years US\$ | Over 5 years US\$ | Total US\$ |
| As at 31 December 2020 | | | | | | | |
| Financial liabilities | | | | | | | |
| Deposits and placements of other banks and financial institutions | 175,970,349 | 9,215,069 | 13,017,546 | 33,584,422 | 40,747,725 | 103,351,755 | 375,886,866 |
| Deposits from customers | 2,531,089,539 | 272,332,376 | 336,468,086 | 653,630,934 | 592,339,778 | 25,243,282 | 4,411,103,995 |
| Other liabilities | 28,620,226 | 63,785 | 12,677 | 2,540 | - | - | 28,699,228 |
| Lease liabilities | 1,170,306 | 1,535,260 | 2,503,107 | 5,053,229 | 20,581,294 | 3,816,462 | 34,659,658 |
| Borrowings | 3,385,091 | 64,831,199 | 10,292,464 | 67,477,276 | 445,672,141 | 5,985,745 | 597,643,916 |
| Subordinated debts | - | 45,834 | 4,558,596 | 16,776,922 | 127,967,578 | 69,556,379 | 218,905,309 |
| Total financial liabilities (contractual maturity dates) | <u>2,740,235,511</u> | <u>348,023,523</u> | <u>366,852,476</u> | <u>776,525,323</u> | <u>1,227,308,516</u> | <u>207,953,623</u> | <u>5,666,898,972</u> |
| <i>In KHR'000 equivalent (Note 4)</i> | <u>11,084,252,642</u> | <u>1,407,755,151</u> | <u>1,483,918,265</u> | <u>3,141,044,932</u> | <u>4,964,462,947</u> | <u>841,172,405</u> | <u>22,922,606,342</u> |
| Assets held for managing liquidity risk (contractual maturity dates) | <u>1,669,790,664</u> | <u>317,803,320</u> | <u>423,641,084</u> | <u>718,599,200</u> | <u>3,405,850,353</u> | <u>620,482,217</u> | <u>7,156,166,838</u> |
| <i>In KHR'000 equivalent (Note 4)</i> | <u>6,754,303,236</u> | <u>1,285,514,429</u> | <u>1,713,628,185</u> | <u>2,906,733,764</u> | <u>13,776,664,678</u> | <u>2,509,850,568</u> | <u>28,946,694,860</u> |
| As at 31 December 2019 | | | | | | | |
| Financial liabilities | | | | | | | |
| Deposits and placements of other banks and financial institutions | 172,835,944 | 10,288,815 | 11,750,142 | 9,602,863 | 36,520,215 | 105,936,955 | 346,934,934 |
| Deposits from customers | 2,402,381,760 | 279,218,632 | 359,057,249 | 673,746,233 | 448,897,971 | 19,882,611 | 4,183,184,456 |
| Other liabilities | 26,675,519 | 236,497 | 339,381 | - | - | - | 27,251,397 |
| Lease liabilities | 1,042,790 | 1,367,706 | 2,576,174 | 5,081,428 | 23,121,979 | 4,760,054 | 37,950,131 |
| Borrowings | 26,184,654 | 27,992,072 | 75,895,128 | 80,685,179 | 423,525,392 | 5,318,536 | 639,600,961 |
| Subordinated debts | - | - | 4,325,282 | 12,555,044 | 101,690,664 | 79,406,271 | 197,977,261 |
| Total financial liabilities (contractual maturity dates) | <u>2,629,120,667</u> | <u>319,103,722</u> | <u>453,943,356</u> | <u>781,670,747</u> | <u>1,033,756,221</u> | <u>215,304,427</u> | <u>5,432,899,140</u> |
| <i>In KHR'000 equivalent (Note 4)</i> | <u>10,713,666,718</u> | <u>1,300,347,667</u> | <u>1,849,819,176</u> | <u>3,185,308,294</u> | <u>4,212,556,601</u> | <u>877,365,540</u> | <u>22,139,063,996</u> |
| Assets held for managing liquidity risk (contractual maturity dates) | <u>1,343,277,244</u> | <u>632,545,967</u> | <u>404,176,750</u> | <u>663,729,352</u> | <u>3,005,271,271</u> | <u>369,127,493</u> | <u>6,418,128,077</u> |
| <i>in KHR'000 equivalent (Note 4)</i> | <u>5,473,854,769</u> | <u>2,577,624,816</u> | <u>1,647,020,256</u> | <u>2,704,697,109</u> | <u>12,246,480,429</u> | <u>1,504,194,534</u> | <u>26,153,871,913</u> |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

35. Financial risk management (continued)

35.3 Liquidity risk (continued)

c) Non-derivative cash flows (continued)

| | The Bank | | | | | | |
|---|--------------------------|--------------------------|--------------------------|---------------------------|-------------------------|-------------------------|-----------------------|
| | Up to 1 month US\$ | 1 to 3 months US\$ | 3 to 6 months US\$ | 6 to 12 months US\$ | 1 to 5 years US\$ | Over 5 years US\$ | Total US\$ |
| As at 31 December 2020 | | | | | | | |
| Financial liabilities | | | | | | | |
| Deposits and placements of other banks and financial institutions | 176,671,075 | 7,124,445 | 2,186,170 | 25,015,940 | 40,747,725 | 103,351,754 | 355,097,109 |
| Deposits from customers | 2,477,890,696 | 263,366,379 | 325,733,156 | 635,073,701 | 567,433,640 | 19,756,459 | 4,289,254,031 |
| Other liabilities | 28,434,359 | 54,600 | - | - | - | - | 28,488,959 |
| Lease liabilities | 1,082,083 | 1,494,995 | 2,374,137 | 4,704,387 | 18,888,896 | 655,929 | 29,200,427 |
| Borrowings | 1,442,209 | 60,301,229 | 3,999,653 | 58,135,533 | 430,242,996 | 3,753,850 | 557,875,470 |
| Subordinated debts | - | 45,834 | 4,558,596 | 16,776,922 | 127,967,578 | 69,556,379 | 218,905,309 |
| Total financial liabilities (contractual maturity dates) | <u>2,685,520,422</u> | <u>332,387,482</u> | <u>338,851,712</u> | <u>739,706,483</u> | <u>1,185,280,835</u> | <u>197,074,370</u> | <u>5,478,821,304</u> |
| <i>In KHR'000 equivalent (Note 4)</i> | <u>10,862,930,107</u> | <u>1,344,507,365</u> | <u>1,370,655,175</u> | <u>2,992,112,724</u> | <u>4,794,460,978</u> | <u>797,165,827</u> | <u>22,161,832,176</u> |
| Assets held for managing liquidity risk (contractual maturity dates) | | | | | | | |
| | <u>1,622,393,307</u> | <u>296,587,899</u> | <u>398,341,665</u> | <u>685,014,808</u> | <u>3,318,881,281</u> | <u>614,987,111</u> | <u>6,936,206,071</u> |
| <i>In KHR'000 equivalent (Note 4)</i> | <u>6,562,580,927</u> | <u>1,199,698,051</u> | <u>1,611,292,035</u> | <u>2,770,884,898</u> | <u>13,424,874,782</u> | <u>2,487,622,864</u> | <u>28,056,953,557</u> |
| As at 31 December 2019 | | | | | | | |
| Financial liabilities | | | | | | | |
| Deposits and placements of other banks and financial institutions | 176,209,427 | 8,164,348 | 5,010,927 | 5,657,352 | 34,612,283 | 105,936,955 | 335,591,292 |
| Deposits from customers | 2,358,491,961 | 273,218,232 | 350,178,997 | 657,013,977 | 421,325,292 | 14,204,400 | 4,074,432,859 |
| Other liabilities | 26,115,905 | - | - | - | - | - | 26,115,905 |
| Lease liabilities | 987,076 | 1,350,145 | 2,290,717 | 4,672,594 | 21,444,212 | 1,373,972 | 32,118,716 |
| Borrowings | 25,752,724 | 22,647,953 | 69,429,074 | 72,502,200 | 391,929,778 | - | 582,261,729 |
| Subordinated debts | - | - | 4,325,282 | 12,555,044 | 101,690,664 | 79,406,271 | 197,977,261 |
| Total financial liabilities (contractual maturity dates) | <u>2,587,557,093</u> | <u>305,380,678</u> | <u>431,234,997</u> | <u>752,401,167</u> | <u>971,002,229</u> | <u>200,921,598</u> | <u>5,248,497,762</u> |
| <i>In KHR'000 equivalent (Note 4)</i> | <u>10,544,295,154</u> | <u>1,244,426,263</u> | <u>1,757,282,613</u> | <u>3,066,034,756</u> | <u>3,956,834,083</u> | <u>818,755,512</u> | <u>21,387,628,381</u> |
| Assets held for managing liquidity risk (contractual maturity dates) | | | | | | | |
| | <u>1,293,027,835</u> | <u>608,704,366</u> | <u>374,962,240</u> | <u>624,041,709</u> | <u>2,909,086,466</u> | <u>367,983,735</u> | <u>6,177,806,351</u> |
| <i>In KHR'000 equivalent (Note 4)</i> | <u>5,269,088,428</u> | <u>2,480,470,291</u> | <u>1,527,971,128</u> | <u>2,542,969,964</u> | <u>11,854,527,349</u> | <u>1,499,533,720</u> | <u>25,174,560,880</u> |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

35. Financial risk management (continued)

35.3 Liquidity risk (continued)

(d) Off-balance sheet items

i. Loan commitments and guarantee

The dates of the contractual amounts of the Group's and the Bank's off-balance sheet financial instruments that commit it to extend credit to customers and other facilities (Note 32) are summarised in table below:

| | The Group | | | | | Total US\$ |
|---|--------------------------|--------------------------|---------------------------|-------------------------|-------------------------|--------------------|
| | Up to 1 month US\$ | 1 to 3 months US\$ | 3 to 12 months US\$ | 1 to 5 years US\$ | Over 5 years US\$ | |
| At 31 December 2020 | | | | | | |
| Unused portion of overdrafts | 120,937,607 | - | - | - | - | 120,937,607 |
| Bank guarantees | 2,525,862 | 8,901,002 | 20,652,127 | 14,959,175 | - | 47,038,166 |
| Letters of credit | 2,025,994 | 5,528,555 | 308,269 | - | - | 7,862,818 |
| Gross settled (interest rate swap - cash flow hedges) | | | | | | |
| - (inflow) | - | (55,905) | (497,068) | (1,022,263) | (7,569) | (1,582,805) |
| - outflow | - | 526,497 | 2,200,304 | 4,501,866 | 12,583 | 7,241,250 |
| Net | - | 470,592 | 1,703,236 | 3,479,603 | 5,014 | 5,658,445 |
| Total | 125,489,463 | 14,900,149 | 22,663,632 | 18,438,778 | 5,014 | 181,497,036 |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

35. Financial risk management (continued)

35.3 Liquidity risk (continued)

(d) Off-balance sheet items (continued)

i. *Loan commitments and guarantee (continued)*

| | The Group | | | | | Total US\$ |
|---|--------------------------|--------------------------|---------------------------|-------------------------|-------------------------|--------------------|
| | Up to 1 month US\$ | 1 to 3 months US\$ | 3 to 12 months US\$ | 1 to 5 years US\$ | Over 5 years US\$ | |
| At 31 December 2019 | | | | | | |
| Unused portion of overdrafts | 93,060,063 | - | - | - | - | 93,060,063 |
| Bank guarantees | 4,160,581 | 8,694,805 | 21,218,165 | 4,358,846 | - | 38,432,397 |
| Letters of credit | 1,596,300 | 3,982,916 | 3,369,134 | - | - | 8,948,350 |
| Gross settled (interest rate swap - cash flow hedges) | | | | | | |
| - (inflow) | (207,366) | (51,621) | (1,805,889) | (1,197,379) | - | (3,262,255) |
| - outflow | 150,582 | 39,248 | 2,100,484 | 1,702,899 | - | 3,993,213 |
| Net | <u>(56,784)</u> | <u>(12,373)</u> | <u>294,595</u> | <u>505,520</u> | - | <u>730,958</u> |
| Total | <u>98,760,160</u> | <u>12,665,348</u> | <u>24,881,894</u> | <u>4,864,366</u> | - | <u>141,171,768</u> |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

35. Financial risk management (continued)

35.3 Liquidity risk (continued)

(d) Off-balance sheet items (continued)

i. *Loan commitments and guarantee (continued)*

| | The Bank | | | | | Total US\$ |
|---|--------------------------|--------------------------|---------------------------|-------------------------|-------------------------|--------------------|
| | Up to 1 month US\$ | 1 to 3 months US\$ | 3 to 12 months US\$ | 1 to 5 years US\$ | Over 5 years US\$ | |
| At 31 December 2020 | | | | | | |
| Unused portion of overdrafts | 120,108,962 | - | - | - | - | 120,108,962 |
| Bank guarantees | 2,525,862 | 8,901,002 | 20,446,986 | 14,957,812 | - | 46,831,662 |
| Letters of credit | 2,025,994 | 5,528,555 | 308,269 | - | - | 7,862,818 |
| Gross settled (interest rate swap - cash flow hedges) | | | | | | |
| - (inflow) | - | (55,905) | (497,068) | (1,022,263) | (7,569) | (1,582,805) |
| - Outflow | - | 526,497 | 2,200,304 | 4,501,866 | 12,583 | 7,241,250 |
| Net | - | 470,592 | 1,703,236 | 3,479,603 | 5,014 | 5,658,445 |
| Total | 124,660,818 | 14,900,149 | 22,458,491 | 18,437,415 | 5,014 | 180,461,887 |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

35. Financial risk management (continued)

35.3 Liquidity risk (continued)

(d) Off-balance sheet items (continued)

i. *Loan commitments and guarantee (continued)*

| | The Bank | | | | | Total US\$ |
|---|--------------------------|--------------------------|---------------------------|-------------------------|-------------------------|--------------------|
| | Up to 1 month US\$ | 1 to 3 months US\$ | 3 to 12 months US\$ | 1 to 5 years US\$ | Over 5 years US\$ | |
| At 31 December 2019 | | | | | | |
| Unused portion of overdrafts | 93,060,063 | - | - | - | - | 93,060,063 |
| Bank guarantees | 4,160,581 | 8,670,727 | 21,215,439 | 4,358,846 | - | 38,405,593 |
| Letters of credit | 1,596,300 | 3,982,916 | 3,369,134 | - | - | 8,948,350 |
| Gross settled (interest rate swap - cash flow hedges) | | | | | | |
| - (inflow) | (207,366) | (51,621) | (1,805,889) | (1,197,379) | - | (3,262,255) |
| - outflow | 150,582 | 39,248 | 2,100,484 | 1,702,899 | - | 3,993,213 |
| Net | (56,784) | (12,373) | 294,595 | 505,520 | - | 730,958 |
| Total | 98,760,160 | 12,641,270 | 24,879,168 | 4,864,366 | - | 141,144,964 |

ii. *Other financial facilities*

Other financial facilities are also included as above based on the earliest contractual date.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

35. Financial risk management (continued)

35.3 Liquidity risk (continued)

(e) COVID-19 pandemic and impact on liquidity

In line with the additional measures of the National Bank of Cambodia which set out to provide an additional liquidity to the banking and financial sector to mitigate the impact of COVID-19 pandemic, the Bank has also continued to place greater emphasis on liquidity management with introduced risk management measures to reduce liquidity risk and maintain business continuity such as:

- The Bank has maintained the optimal level of fund or cash-on-hand for operation at headquarters, branches, and ATMs in order to deal with the unprecedented events resulted from the COVID-19 pandemic;
- As part of the implementation of the contingency funding plan, the Bank has signed facility agreements with lenders for long-term loans (senior loans);
- Additionally, the Bank has communicated and negotiated with potential lenders for acquiring long-term loans (senior loans) for the year of 2021.

35.4 Fair value of financial instruments

Financial instruments comprise financial assets and financial liabilities. The Group and the Bank have an established framework and policies which provide guidance concerning the practical considerations, principles and analytical approaches for the establishment of prudent valuation for financial instruments measured at fair value.

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.

The valuation of financial instruments are determined by reference to quoted prices in active markets or by using valuation techniques based on observable inputs or unobservable inputs. Management judgment is exercised in the selection and application of appropriate parameters, assumptions and modelling techniques where some or all of the parameter inputs are not observable in deriving fair value.

Valuation adjustment is also an integral part of the valuation process. Valuation adjustment is to reflect the uncertainty in valuations generally for products that are less standardised, less frequently traded and more complex in nature. In making a valuation adjustment, the Group and the Bank follow methodologies that consider factors such as liquidity, bid-offer spread, and unobservable prices and inputs in the market and uncertainties in the assumptions and parameters.

The Group and the Bank continuously enhance its design, validation methodologies and processes to ensure the valuations are reflective. The valuation models are validated both internally and externally, with periodic reviews to ensure the model remains suitable for its intended use.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

35. Financial risk management (continued)

35.4 Fair value of financial instruments (continued)

Determination of fair value:

The Group and the Bank classify its financial instruments measured at fair value according to the following hierarchy, reflecting the significance of the inputs in making the fair value measurements:

Level 1 Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets and liabilities in active markets; or
- Quoted prices for identical or similar assets and liabilities in non-active markets; or
- Inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 One or more inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Assets and liabilities are classified as Level 1 when the valuation is based on quoted prices for identical assets or liabilities in active markets.

Assets and liabilities are regarded as being quoted in an active market if the prices are readily available from a published and reliable source and those prices represent actual and regularly occurring market transactions on an arm's length basis.

When fair value is determined using quoted prices of similar assets and liabilities in active markets or quoted prices of identical or similar assets and liabilities in non-active markets, such assets and liabilities are classified as Level 2. In cases where quoted prices are generally not available, the Group and the Bank determine fair value based upon valuation techniques that use market parameters as inputs. Most valuation techniques employ observable market data, including but not limited to yield curves, equity prices, volatilities and foreign exchange rates.

Assets and liabilities are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data. Such inputs are determined based on observable inputs of a similar nature, historical observations or other analytical techniques.

If prices or quotes are not available for an instrument or a similar instrument, fair value will be established by using valuation techniques or Mark-to-Model. Judgment may be required to assess the need for valuation adjustments to appropriately reflect unobservable parameters. The valuation models shall also consider relevant transaction data such as maturity. The inputs are then benchmarked and extrapolated to derive the fair value.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

35. Financial risk management (continued)

35.4 Fair value of financial instruments (continued)

Determination of fair value: (continued)

(a) Financial instruments measured at fair value

The Group and the Bank did not have significant amounts of 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 Group and the Bank approximate their carrying amounts.

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

i. Deposits and placements with other banks

Deposits and placements with other banks include current accounts which are non-interest bearing, savings deposits and short-term deposits. The fair value of deposits and placements with other banks approximate their carrying values at the reporting date due to the relatively short maturity of these instruments.

ii. Financial investments

- *Financial investments at FVOCI*

This represents the Bank's investment in Credit Bureau Holding (Cambodia) Ltd. with 5% as Equity Cash Investment and 1% through the Association of Banks in Cambodia. No fair value disclosures are provided for equity investment securities of US\$153,529 (2019: US\$153,529) that are measured at cost because their fair value cannot be reliably measured. The investment is neither redeemable nor transferable and there is no market for them. The Group and the Bank do not intend to dispose of the investment.

- *Financial investments at amortised cost*

Financial investments at amortised cost include negotiable certificate of deposits ("NCD") with the National Bank of Cambodia with maturities of less than one year. The fair value of financial investments approximates their carrying values at the reporting date due to the relatively short maturity of these instruments.

iii. Loans and advances

The fair value of loans and advances is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. Input into the valuation techniques includes expected lifetime credit losses, interest rates, prepayment rates and primary origination or secondary market spreads. For collateral-dependent impaired loans, the fair value is measured based on the value of the underlying collateral.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

35. Financial risk management (continued)

35.4 Fair value of financial instruments (continued)

(b) Financial instruments not measured at fair value (continued)

iii. Loans and advances (continued)

Input into the models may include data from third party and information obtained from other market participants, which includes observed primary and secondary transactions. Its carrying value approximates to fair value at the reporting date.

iv. Deposits and placements of other banks and financial institutions and deposits from customers

The fair value of deposits and placements of other banks and financial institutions and deposits from customers with maturities of less than one year approximates their carrying amount due to the relatively short maturity of these instruments. The fair value of deposits and placements of other banks and financial institutions and deposits from customers with remaining maturities of more than one year are expected to approximates their carrying amount due to the Group and 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.

v. Other assets and other liabilities

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

vi. Borrowings and subordinated debts

The fair value of borrowings and subordinated debts are estimated by discounting the expected future cash flows using the applicable prevailing market interest rates for borrowings with similar risk profiles. However, only the contractual interest rates which are confirmed and provided by all lenders are available at the reporting date instead of the applicable prevailing market interest rates. The Group and the Bank believed that the contractual interest rates were not significantly different to the prevailing market interest rates on the ground that there was no change to interest rates following the lenders' consideration on the Group's and the Bank's credit risk profile as at reporting date. On this basis, the fair value of borrowings and subordinated debts approximates their carrying values at the reporting date.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

35. Financial risk management (continued)

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 National Bank of Cambodia;
- 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 National Bank of Cambodia 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 ratio, liquidity coverage ratio and other prudential ratios.

The table below summarises the composition of regulatory capital follows requirement of the National Bank of Cambodia, and the amounts are based on the separate financial statements for the year ended 31 December 2020.

| | The Bank | | | |
|---|----------------------|----------------------|-----------------------------|-----------------------------|
| | 2020 US\$ | 2019 US\$ | 2020 KHR'000 (Note 4) | 2019 KHR'000 (Note 4) |
| Tier 1 capital | | | | |
| Share capital | 433,163,019 | 428,818,154 | 1,752,144,412 | 1,747,433,978 |
| Share Premium | 11,706,215 | - | 47,351,640 | - |
| Retained earnings | 138,414,769 | 117,886,779 | 559,887,741 | 480,388,624 |
| General reserves | 455,413,629 | 388,464,324 | 1,842,148,129 | 1,582,992,120 |
| Less: Intangible assets | (13,884,558) | (7,915,362) | (56,163,037) | (32,255,100) |
| Less: Loans to related parties | (19,436,759) | (10,242,118) | (78,621,690) | (41,736,631) |
| | <u>1,005,376,315</u> | <u>917,011,777</u> | <u>4,066,747,195</u> | <u>3,736,822,991</u> |
| Tier 2 complementary capital | | | | |
| General provision | 44,467,660 | 37,843,403 | 179,871,685 | 154,211,867 |
| Subordinated debts (*) | 166,723,802 | 138,887,498 | 674,397,779 | 565,966,554 |
| Less: Equity participation in banking or financial institutions | (71,310,571) | (71,310,571) | (288,451,260) | (290,590,577) |
| | <u>139,880,891</u> | <u>105,420,330</u> | <u>565,818,204</u> | <u>429,587,844</u> |
| | <u>1,145,257,206</u> | <u>1,022,432,107</u> | <u>4,632,565,399</u> | <u>4,166,410,835</u> |

(*) This represents subordinated debts approved by the National Bank of Cambodia.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

36. Tax contingencies

On 24 December 2018, the Bank obtained the letter on Tax Reassessment for the financial years ended 2009 to 2013 from Department of Enterprise Tax Audit (“DETA”) of the General Department of Taxation (“GDT”) which has requested the Bank to pay the tax liabilities on various tax matters.

On 11 January 2019, the Bank lodged the administrative protests against the reassessment in accordance with the tax provisions. The protest letter was prepared by the Bank and submitted to the GDT on the grounds that the reassessment is not appropriate.

On 17 September 2019, the Bank received Notification Letter for Tax Collection from GDT, requesting for payment on tax in arrears resulted from above Tax Reassessment. On 23 September 2019, the protest letter was prepared by the Bank again and submitted to the GDT on the grounds that the reassessment is not appropriate. On 10 February 2020, the Bank received the Notification Letter from GDT on the temporary delay over tax collection related to above tax re-assessment.

Additionally, on 10 March 2020, the Bank received the Notification Letter from GDT to conduct tax audit for the fiscal years from 2015 to 2018 in which the Bank provided some requested documents to GDT on 2 July 2020. There has been no official response on the protest letter above as well as the outcome of the tax audit for the fiscal years from 2015 to 2018 from GDT as at date of these financial statements. Management believes that the tax liability recorded by the Bank is adequate.

37. Significant event

Initial Public Offering (“IPO”)

On 25 February 2020, the Bank obtained approval in principle for the Bank’s IPO from the Board of the Securities and Exchange Commission of Cambodia (“SECC”). The Bank and Yuanta Securities (Cambodia) Plc. (“YSC”), the underwriter, conducted the Book Building process from 3 to 14 March 2020. On 20 March 2020, the result of the Book Building was released, with 2,180 investors participated, in which 95.55% and 4.45% are local and foreign investors, respectively. The final offering price has been set at KHR16,200 (US\$3.97) in accordance with the Book Building and Subscription Procedure approved by the SECC.

The Subscription phase started from 24 March 2020 to 24 April 2020 and the result was released on 30 April 2020 with 4,344,865 shares were subscribed.

The shares of the Bank were listed on the Cambodia Securities Exchange (“CSX”) on 25 May 2020.

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