



ធនាគារ អេហ្គ្រីប៊ែន សាខាកម្ពុជា

AGRIBANK CAMBODIA BRANCH

ANNUAL REPORT 2020

BRINGS PROSPERITY TO CUSTOMERS

TABLE OF CONTENTS

1. ABOUT US 02

2. CORE VALUES 03

3. MESSAGE 04

4. OVERVIEW 2020 07

5. ORGANIZATIONAL CHART 10

6. FINANCIAL STATEMENT AND AUDIT REPORT 13

ABOUT US

- Agribank Cambodia is a branch of Agribank that is open, doing business overseas and is one of five Vietnamese commercial banks operating in the Kingdom of Cambodia. To operate the business as well as to implement the operating mechanism as well as operating according to the regime prescribed by Agribank, but also to comply with laws, customs and culture of the host country as well as regulations of the NBC.
- After more than nine years of implementation of Agribank's guidelines, policies and management mechanism, Agribank Cambodia has put forth the right measures, identifying appropriate steps, in which the most focused credit quality has been improved in order to ensure the capital adequacy and effectiveness, which has made certain successes, creating a good image of Agribank on the international market, contributing to economic development is more prosperous and Vietnam-Cambodia solidarity stronger.
- As a Vietnamese foreign investor, Agribank Cambodia is committed to full compliance with the laws and regulations of NBC and is committed to providing our customers with modern banking products and services. We want to contribute to the economic development of Cambodia and promote a better and more sustainable traditional friendship and comprehensive cooperation between Cambodia and Vietnam.

Our Mission

Agribank is the state-owned commercial bank in Vietnam which plays a leading role in the investment for agricultural, rural areas and farmers and contributes to economic and social development.

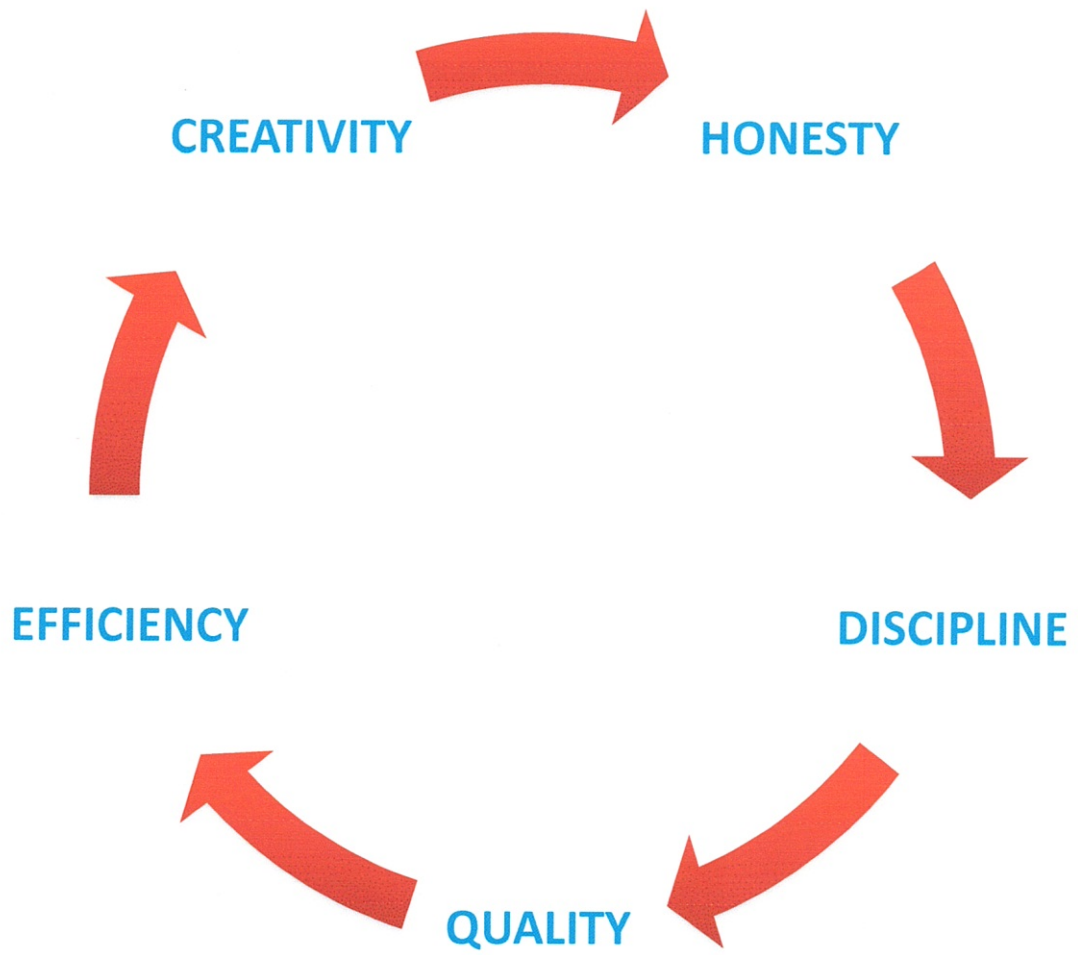
Our Vision

Developing a modern banking system with the philosophy "growth-safe- sustainable-effective", full capacity of competition and international economic integration.

Our Values

Honesty, Discipline, Quality, Efficiency, Creativity.

CORE VALUES



DIRECTOR'S MESSAGE



MR. NGUYEN THANH DUNG

Director

Agribank Cambodia Branch

Dear Valued Customers,

On behalf of the Management Board of Agribank Cambodia Branch, I have great pleasure in presenting the Bank's Annual Report and Financial Statements for the financial year ended in 31 December 2020.

The world is going through a health crisis that has plunged the economy into its worst since the Great Depression of the 1930s. The Covid-19 outbreak has changed the way people live, communicate and economic, while also leading to new norms in which the use of technology becomes more widespread and can be a source of new growth potential for the economy.

The Royal Government of Cambodia, under the long term and resolute leadership of Samdech Techo Hun Sen, Prime Minister of

The Kingdom of Cambodia, has effectively prevented the transmission and spread of Covid 19 disease. Some could not escape the positive effects of the crisis, especially as tourism drops, garment and footwear exports, and construction and growth in real estate slows. However, due to the growth of the agricultural and banking sectors, gain more exports of some products as a result of past diversification, the Cambodian economy is expected to shrink only (-1.9%) by 2020.

The year 2020 remarked Agribank Cambodia Branch's significant success after more than 10 years establishment. The past 12 months have been expressed our great efforts and creativity in overcoming challenges to reach earnings growth well. Agribank Cambodia Branch has achieved good results with the high recorded profit before tax for 2020 more than USD 1, 476, 985.

Total deposit from customers reached 7.67 million USD and total outstanding loan reached 37.13 million USD.

In 2021, Agribank Vietnam will be allowed to transform its legal form from a branch to a subsidiary and increase its legal capital from \$ 39 million to \$ 75 million. After raising capital, Agribank Cambodia will expand its business operations, strengthen its management capacity, personnel and technology.

On behalf of the Management Board of Agribank Cambodia Branch and myself, I would like to place on record our gratitude for all the guidance and co-operation received from the National Bank of Cambodia, other Government and regulatory agencies, as well as the support from our Head Office in Vietnam.

I am grateful to the Bank's customers and bankers for their continued support our products and services.

I would also like to take this opportunity to express my appreciation to the dedicated and committed team of employees for their contribution to the Bank and rendering high quality services to the customers. *M*

On behalf of the Board of Management



Mr. NGUYEN THANH DUNG

Director

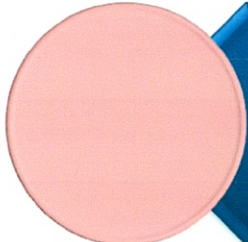
Phnom Penh, Kingdom of Cambodia

17 June, 2021

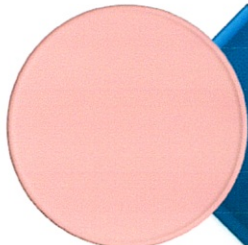
HIGHLIGHTS OF 2020



Total assets reach USD
49.75 million



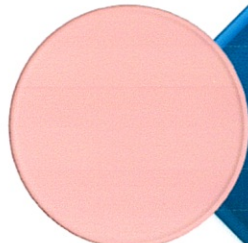
Loans reduced -1.30% to
USD 37.13 million



Bad loan have only 0.09%
total out standing loan



Net Profit Before Tax reached
USD1,476,985



Ratio Profit per
Outstanding loan
reached 3.98%

OVERVIEW 2020

BUSINESS ENVIROMENT

Cambodia is an economy based on the banking system. Commercial banks are the primary source of funding. The Cambodian banking system is a two-tier system comprising the Central Bank (National Bank of Cambodia), and private sectors such as commercial banks, specialized banks, microfinance institutions and some non-governmental organizations involve in the operation of credit supply for economy.

The banking system and other financial institutions in Cambodia, there are 52 commercial banks, 14 specialized banks, 81 microfinance Institutions including 75 microfinance Institutions and 06 microfinance taking deposit Institutions, 246 rural microfinances, 15 leasing companies, 04 Third-party processor, 24 payment service institutions, 1 credit bureau company, 6 representative officers and 2,889 money changers.

Some cambodia Key Economic Indicators can be list below:

Cambodia Key Economic Indicators

ITEM	2014	2015	2016	2017	2018	2019	2020
GDP (%) Change	7.20	6.9	7.00	7.00	7.30	7.10	(3.00)
GDP per Capital (USD)	1,138	1,228	1,325	1,422	1,563	1,621	1,572
Inflation (%)	3.9	1.2	2.9	3.7	2.5	1.9	2.9
Export (Billion USD)	7.41	8.56	9.86	9.55	13.60	14.53	17.22

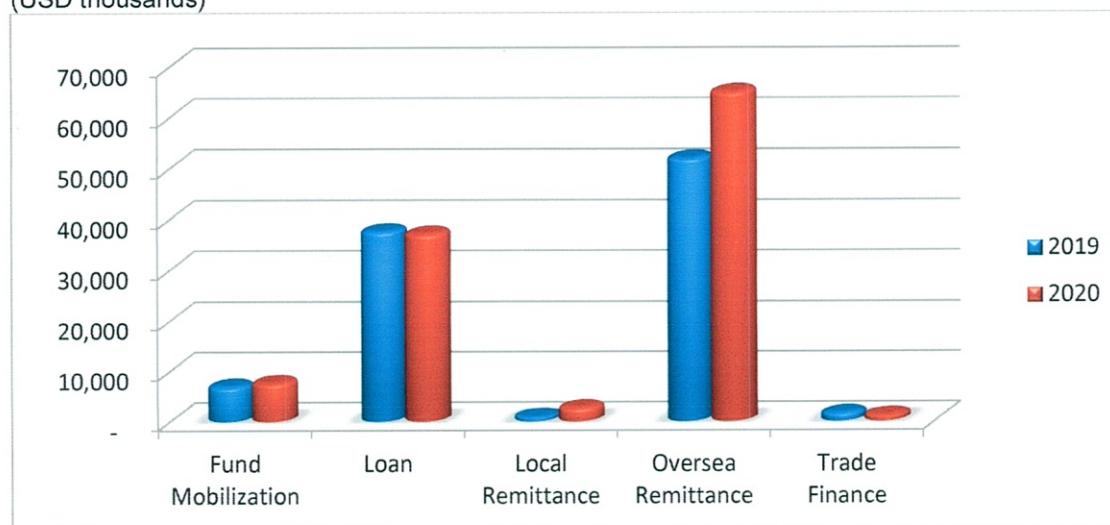
In addition, the business environment in Cambodia has improved, stable economic growth, the Cambodian government welcomes foreign investors, and this has brought advantages and great opportunities for banking activities. However, the shortcomings of the administrative procedure, the legal system will effect to long-term investments of banks in Cambodia if these issued are not resolved satisfactorily.

OVERVIEW 2020 (cont.)

BUSINESS PERFORMANCE

1. Main Business Activities

(USD thousands)



1.1. Fund mobilization

As of 31 December 2020, Agribank Cambodia total fund resources reached USD 7.67 million, increased by USD 0.67 million (9.57%) compared with the previous year.

1.2. Loan

As at 31 December 2020, the total outstanding loan was estimated USD 37.13 million, a decrease by USD 0.49 million (-1.30%) over 2019.

1.3. Local Remittance

In 2020, Agribank conducted internally payment orders worth USD 2.71 million.

1.4. Oversea Remittance

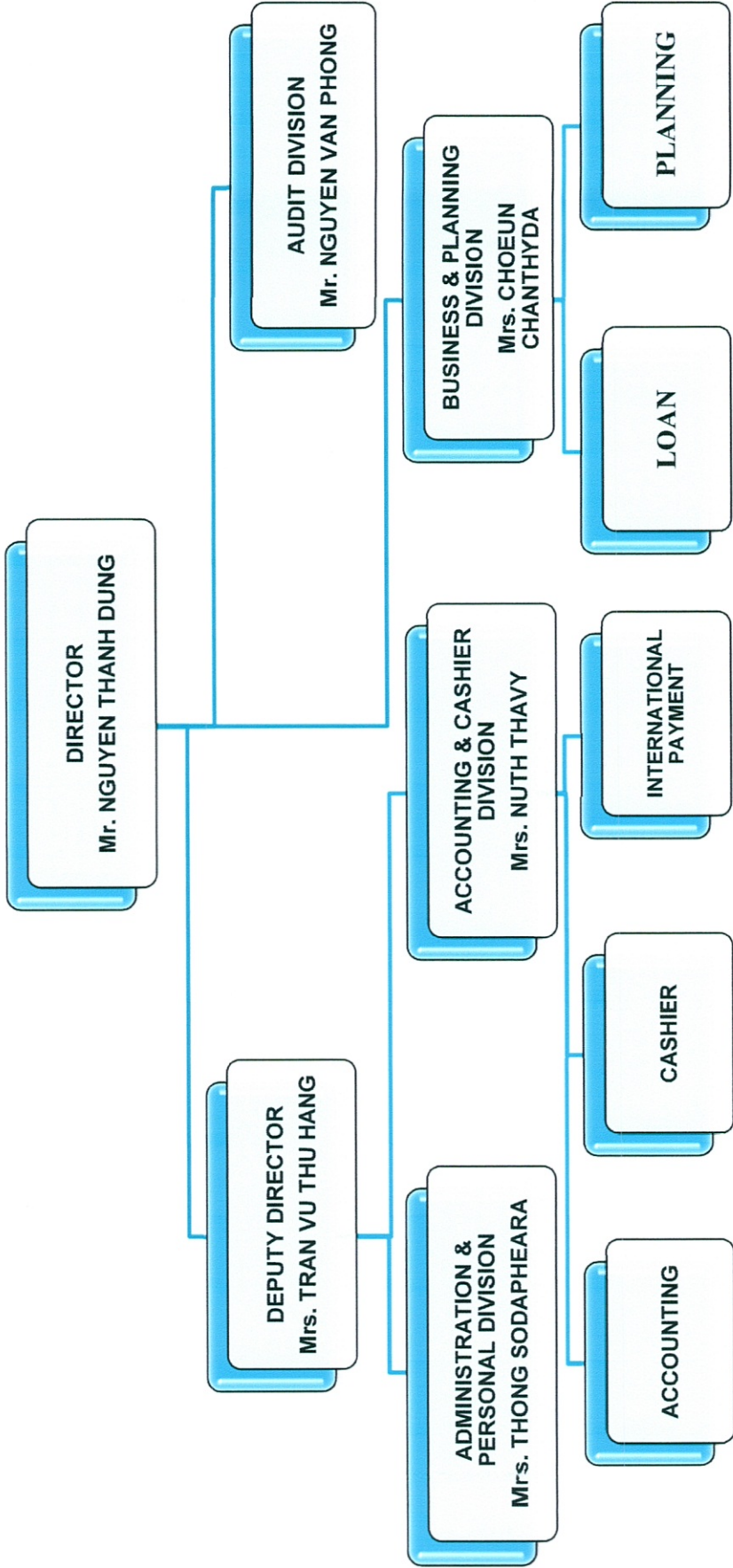
With correspondent relationship with 825 banks in 88 countries and territories, Agribank customers can benefit from fast, safe and convenient money transfer services. Especially, for remittances to Vietnam, Agribank Cambodia Branch can connect online with all Agribank branches (nearly 2,300 branches and transaction offices) in Vietnam so that customers can transfer money from Cambodia

to all areas across the S shape Vietnam in the fastest way, and cheapest fee through Agribank system. As of 31 December 2020, the total amount of remittances conducted by Agribank Cambodia was worth about USD 65 million.

1.5. Trade Finance

In 2020, the total volume of Agribank in Trade Finance services such as Letter of credit...was about USD 1,118,301, decrease 30.60% compare with previous year.

ORGANIZATIONAL CHART



Vietnam Bank for Agriculture and Rural Development - Cambodia Branch

REPORT OF THE BOARD OF MANAGEMENT (continued) MANAGEMENT

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

<i>Name</i>	<i>Position</i>	<i>Date of appointment/resignation</i>
Mr. Nguyen Thanh Dung	Director	Appointed on 16 September 2015
Ms. Tran Vu Thu Hang	Deputy Director	Appointed on 1 April 2017
Mr. Le Thanh Nang	Deputy Director	Resigned on 28 April 2020

AUDITOR

Ernst & Young (Cambodia) Co., Ltd. Is the auditor of the Branch.

THE BOARD OF MANAGEMENT'S BENEFITS

As at 31 December 2020 and for the year then ended, no arrangement existed, to which the Branch was a party, whose object was to enable the Board of Management to acquire benefits by means of the acquisition of shares in or debentures of the Branch or any other corporate.

No manager has received or become entitled to receive any benefit by reason of a contract made by the Branch or with a firm in which the management is a member, or with a company which the management has a material financial interest other than those disclosed in the financial statements.

STATEMENT OF THE MANAGEMENT'S RESPONSIBILITY IN RESPECT TO THE FINANCIAL STATEMENTS

The Board of Management is responsible for ensuring that the financial statements give a true and fair view of the financial position of the Branch as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with Cambodian International Financial Reporting Standards ("CIFRSs"). The Board of Management oversees preparation of these financial statements by management who is required to:

- ▶ Adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- ▶ Comply with CIFRSs or, if there has been any departure in the interest of fair presentation, ensure this has been appropriately disclosed, explained and quantified in the financial statements;
- ▶ Maintain adequate accounting records and an effective system of internal controls;
- ▶ Prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Branch will continue operations in the foreseeable future; and
- ▶ Set overall policies for the Branch, ratify all decisions and actions by management that have a material effect on the operations and performance of the Branch, and ensure they have been properly reflected in the financial statements.

The Board of Management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Branch and to ensure that the accounting records comply with the registered accounting system. It is also responsible for safeguarding the assets of the Branch and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board of Management confirms that the Branch has complied with the above requirements in preparing the financial statements as at 31 December 2020 and for the year then ended.

APPROVAL OF THE FINANCIAL STATEMENTS

The Board of Management does hereby approve the accompanying financial statements which give a true and fair view of the financial position of the Branch as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with CIFRSs. *me*

On behalf of the Board of Management

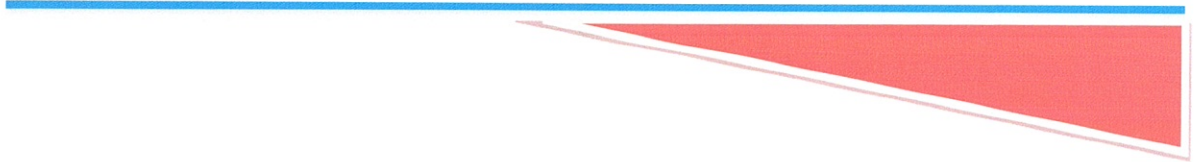


Mr. Nguyen Thanh Dung
Director

Phnom Penh, Kingdom of Cambodia

17 June 2021

FINANCIAL STATEMENT AND AUDIT REPORT



Vietnam Bank for Agriculture and Rural Development - Cambodia Branch

STATEMENT OF FINANCIAL POSITION as at 31 December 2020

	Notes	31 December 2020		31 December 2019	
		US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
ASSETS					
Cash on hand	7	1,397,533	5,653,021	363,304	1,480,464
Balances with the National Bank of Cambodia	8	6,607,740	26,728,308	5,845,185	23,819,129
Balance with other banks	9	3,629,183	14,680,045	3,365,980	13,716,369
Loans to customers	10	37,130,455	150,192,690	37,617,707	153,292,156
Property and equipment	11	81,838	331,035	24,085	98,416
Right-of-use assets	12	546,034	2,208,708	677,082	2,759,109
Deferred tax assets	18.2	174,134	704,372	211,307	861,077
Other assets	13	178,518	722,106	94,067	383,322
TOTAL ASSETS		49,745,435	201,220,285	48,198,717	196,409,772
LIABILITIES					
Deposits from other banks	14	1,821	7,366	1,812	7,384
Deposits from customers	15	7,671,795	31,032,411	7,002,231	28,534,092
Income tax payable	18.1	289,428	1,170,736	259,409	1,057,092
Lease liabilities	16	722,882	2,924,058	875,779	3,568,799
Other liabilities	17	51,563	208,572	162,806	663,434
TOTAL LIABILITIES		8,737,489	35,343,143	8,302,037	33,830,801
OWNERS' EQUITY					
Branch's capital	19	39,000,000	156,000,000	39,000,000	156,000,000
Regulatory reserves		137,550	556,390	46,362	188,925
Retained earnings		1,870,396	7,605,668	850,318	3,440,559
Currency translation differences		-	1,715,084	-	2,949,487
TOTAL OWNERS' EQUITY		41,007,946	165,877,142	39,896,680	162,578,971
TOTAL LIABILITIES AND OWNERS' EQUITY		49,745,435	201,220,285	48,198,717	196,409,772

Vietnam Bank for Agriculture and Rural Development - Cambodia Branch

STATEMENT OF COMPREHENSIVE INCOME as at 31 December 2020

	<i>Notes</i>	<i>2020</i>		<i>2019</i>	
		<i>US\$</i>	<i>KHR'000 equivalent</i>	<i>US\$</i>	<i>KHR'000 equivalent</i>
Interest income	20	2,620,379	10,691,146	2,777,108	11,252,842
Interest expenses	21	(121,639)	(496,287)	(123,579)	(500,742)
Net interest income		2,498,740	10,194,859	2,653,529	10,752,100
Fee and commission income		95,699	390,452	95,398	386,553
Fee and commission expenses		(76,337)	(311,455)	(91,095)	(369,117)
Net fee and commission income	22	19,362	78,997	4,303	17,436
Other operating income	23	32,178	131,286	3,963	16,058
TOTAL OPERATING INCOME		2,550,280	10,405,142	2,661,795	10,785,594
Reversal of (provision for) expected credit losses on loans to customers	10	90,981	371,202	(219,589)	(889,775)
Personnel expenses	24	(433,613)	(1,769,141)	(427,300)	(1,731,420)
Depreciation and amortisation	25	(168,208)	(686,289)	(202,283)	(819,651)
Other operating expenses	26	(562,455)	(2,294,816)	(753,124)	(3,051,658)
TOTAL OPERATING EXPENSES		(1,073,295)	(4,379,044)	(1,602,296)	(6,492,504)
PROFIT BEFORE INCOME TAX		1,476,985	6,026,098	1,059,499	4,293,090
Income tax expense	18.1	(365,719)	(1,492,134)	(223,182)	(904,333)
NET PROFIT FOR THE YEAR		1,111,266	4,533,964	836,317	3,388,757
Other comprehensive (expense) income		-	(1,234,403)	-	2,266,504
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,111,266	3,299,561	836,317	5,655,261

Vietnam Bank for Agriculture and Rural Development - Cambodia Branch

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

	Share capital		Retained earnings		Regulatory reserves		Currency translation differences		Total	
	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
Balance as at 1 January 2020	39,000,000	156,000,000	850,318	3,440,559	46,362	188,925	2,949,487	39,896,680	162,578,971	
<i>Net profit for the year</i>	-	-	1,111,266	4,533,964	-	-	-	1,111,266	4,533,964	
<i>Currency translation differences</i>	-	-	-	-	-	-	(1,234,403)	-	(1,234,403)	
Total comprehensive income for the year	-	-	1,111,266	4,533,964	-	-	(1,234,403)	1,111,266	3,299,561	
Transfer from retained earnings to regulatory reserves	-	-	(91,188)	(368,855)	91,188	368,855	-	-	-	
<i>Currency translation differences</i>	-	-	-	-	-	(1,390)	-	-	(1,390)	
Balance as at 31 December 2020	39,000,000	156,000,000	1,870,396	7,605,668	137,550	556,390	1,715,084	41,007,946	165,877,142	
Balance as at 1 January 2019	39,000,000	156,000,000	704,300	2,848,894	224,209	900,872	682,983	39,928,509	160,432,749	
<i>Net profit for the year</i>	-	-	836,317	3,388,757	-	-	-	836,317	3,388,757	
<i>Currency translation differences</i>	-	-	-	-	-	-	2,266,504	-	2,266,504	
Total comprehensive income for the year	-	-	836,317	3,388,757	-	-	2,266,504	836,317	5,655,261	
Profit transferred to Head Office	-	-	(868,146)	(3,517,728)	-	-	-	(868,146)	(3,517,728)	
Transfer from regulatory reserves to retained earnings	-	-	177,847	720,636	(177,847)	(720,636)	-	-	-	
<i>Currency translation differences</i>	-	-	-	-	-	8,689	-	-	8,689	
Balance as at 31 December 2019	39,000,000	156,000,000	850,318	3,440,559	46,362	188,925	2,949,487	39,896,680	162,578,971	

Vietnam Bank for Agriculture and Rural Development - Cambodia Branch

STATEMENT OF CASH FLOWS
as at 31 December 2020 and for the year ended

	Notes	2020		2019	
		US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
Cash flows from operating activities					
Profit before income tax		1,476,985	6,026,098	1,059,499	4,293,090
<i>Adjustments for:</i>					
Depreciation and amortisation	25	168,208	686,289	202,283	819,651
(Reversal of) provision for expected credit losses on loans to customers		(90,981)	(371,202)	219,589	889,775
Other personnel expenses		50,104	204,424	32,850	133,108
Loss on disposal of fixed assets		-	-	980	3,971
Operating profit before changes in working capital		1,604,316	6,545,609	1,515,201	6,139,595
<i>Changes in working capital:</i>					
Decrease (increase) in:					
Reserve requirements		378,424	1,543,970	(286,995)	(1,162,904)
Loans to customers		578,233	2,359,191	(3,096,213)	(12,545,855)
Other assets		(84,451)	(344,560)	2,004	8,120
Increase (decrease) in:					
Deposits from other banks		9	37	596	2,415
Deposits from customers		669,564	2,731,821	2,015,491	8,166,770
Other liabilities		(115,244)	(470,196)	(50,383)	(204,152)
Cash used in operations					
Income tax paid		(298,527)	(1,217,990)	(265,583)	(1,076,142)
Net cash provided by (used in) operating activities		2,732,324	11,147,882	(165,882)	(672,153)

Vietnam Bank for Agriculture and Rural Development - Cambodia Branch

STATEMENT OF CASH FLOWS (continued)
as at 31 December 2020 and for the year ended

Notes	2020		2019	
	USD	KHR'000 equivalent	USD	KHR'000 equivalent
Cash flows from investing activity				
Proceeds from disposal of property and equipment	-	-	10	41
Acquisitions of property and equipment	(94,913)	(387,245)	-	-
Cash (used in) provided by investing activities	(94,913)	(387,245)	10	41
Cash flows from financing activity				
Profit transferred to Head Office	-	-	(868,146)	(3,517,728)
Repayment of principal portion of lease liabilities	(199,000)	(811,920)	(84,000)	(340,368)
Cash used in financing activities	(199,000)	(811,920)	(952,146)	(3,858,096)
Net increase (decrease) in cash and cash equivalents	2,438,411	9,948,717	(1,118,018)	(4,530,208)
Cash and cash equivalents at beginning of year	4,913,018	20,020,549	6,031,036	24,232,702
Foreign exchange difference	-	(232,736)	-	318,055
Cash and cash equivalents at end of year	7,351,429	29,736,530	4,913,018	20,020,549
Additional information on operational cash flows from interest:				
Interest received	2,559,528	10,442,874	2,784,148	11,281,368
Interest paid	(150,153)	(612,624)	(77,676)	(314,743)

Vietnam Bank for Agriculture and Rural Development - Cambodia Branch

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2020 and for the year ended

1. GENERAL INFORMATION

Vietnam Bank for Agriculture and Rural Development (Agribank) - Cambodia Branch ("the Branch") was incorporated and registered in the Kingdom of Cambodia. The Branch is set up as a branch of Vietnam Bank for Agriculture and Rural Development ("Agribank Head Office"), incorporated in the Socialist Republic of Vietnam.

Establishment and operations

The Branch operates in the Kingdom of Cambodia under Banking License No. 29 issued by the National Bank of Cambodia ("NBC") dated 23 June 2010. The Branch officially started operations on 1 July 2010.

The Branch is a credit institution operating pursuant to the laws and regulations of the NBC. The Branch's operations are directly supported by Vietnam Bank for Agriculture and Rural Development ("Agribank Head Office"). The support of Agribank Head Office to the Branch extends to development and improvement of technology system, systems and processes and provision of advanced banking products and quality services. The Branch is principally engaged in all aspects of banking business and the provision of related financial services. There were no significant changes to these principal activities during the year.

Branch capital

The capital of the Branch as at 31 December 2020 was US\$39,000,000 or KHR156,000 million (31 December 2019: US\$39,000,000 or KHR156,000 million).

Location

The Branch's registered office is located at No. 364, Preah Monivong Blvd, Sangkat Boeung Keng Kang 1, Khan Chamkarmon, Phnom Penh, Kingdom of Cambodia.

Employees

As at 31 December 2020, the Branch had 24 employees (2019: 22 employees).

Fiscal year

The Branch's fiscal year starts on 1 January and ends on 31 December.

Approval of the financial statements

The financial statements were authorized for issue by the Board of Management on 19 May 2021.

Vietnam Bank for Agriculture and Rural Development - Cambodia Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year ended

2. BASIS OF PREPARATION

The financial statements have been prepared based on the historical cost basis.

2.1 *Functional and presentation currency*

The national currency of Cambodia is the Khmer Riel ("KHR"). However, as the Branch transacts its business and maintains its accounting records primarily in United States dollar ("US\$"), management has determined the US\$ to be the Company's functional and presentation currency as it reflects the economic substance of the underlying events and circumstances of the Branch.

2.2 *Translation of United States Dollar into Khmer Riel*

The translation of the US\$ amounts into thousands KHR ("KHR'000") is presented in the financial statements to comply with the Law on Accounting and Auditing using the closing and average rates for the year then ended, as announced by the NBC. This translation should not be construed as a representation that the US\$ amounts have been, could have been, or could in the future be, converted into KHR at this or any other rate of exchange.

Assets and liabilities for each statement of financial position presented are translated at the closing rate ruling at each reporting date whereas income and expense items for each statement of profit or loss and other comprehensive income and cash flow items presented are translated at the average rate for the year then ended. All resulting exchange differences are recognized in other comprehensive income ("OCI").

The Branch's charter capital are translated at the historical rates of exchange at KHR 4,000 per US\$1.

The financial statements are presented based on applicable exchange rates per US\$1 as follows:

	<u>Closing</u>	<u>Average</u>
31 December 2020	4,045	4,080
31 December 2019	4,075	4,052

2.3 *Fiscal year*

The Branch's fiscal year starts on 1 January and ends on 31 December.

2.4 *Presentation of financial statements*

The accompanying financial statements, including their utilization, are not designed for those who are not informed about the Kingdom of Cambodia's accounting principles, procedures and practices and furthermore are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than the Kingdom of Cambodia. The accounting policies set out below have been consistently applied by the Branch during the year.

3. STATEMENT OF COMPLIANCE

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

Vietnam Bank for Agriculture and Rural Development - Cambodia Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2020 and for the year ended

4. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

- Covid-19 - Related Rent Concessions (Amendments to CIFRS 16)
- Reference to Conceptual Framework (Amendments to CIFRS 3)
- Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform
- Amendments to IAS 1 and IAS 8 Definition of Material

5. 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.

5.1 Revenue recognition

5.1.1 The effective interest rate method

Under IFRS 9, revenue from loan to customer is recorded using the effective interest rate ("EIR") method for all financial instruments measured at amortised cost. Interest expense is also calculated using the EIR method for all financial liabilities held at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the gross carrying amount of the financial instrument.

The EIR (and therefore, the amortised cost of the financial asset) is calculated by taking into account transaction costs, any discount or premium on the acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR. The Branch recognized interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognized the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations regarding the cash flows on the fixed rate financial asset or liabilities are revised for reasons other than credit risk, then changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The adjustment is booked as a positive or negative adjustment to the carrying amount of the asset or liability in the balance sheet with an increase or decrease in interest income/expense calculated using the effective interest method.

For floating-rate financial instruments, periodic re-estimation of cash flows to reflect the movements in the market rates of interest also alters the effective interest rate, but when instruments were initially recognised at an amount equal to the principal, re-estimating the future interest payments does not significantly affect the carrying amount of the asset or the liability.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.1 Revenue recognition (continued)

5.1.2 Interest and similar income/expense

Net interest income comprises interest income and interest expense calculated using both the effective interest method and other methods. These are disclosed separately on the face of the income statement for both interest income and interest expense to provide symmetrical and comparable information.

Vietnam Bank for Agriculture and Rural Development - Cambodia Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2020 and for the year ended

In its Interest income/expense calculated using the effective interest method, the Branch only includes interest on those financial instruments that are set out in *Note 5.1.1* above.

The Branch calculates interest income on financial assets, other than those considered credit-impaired, by applying the EIR to the gross carrying amount of the financial asset.

When a financial asset becomes credit-impaired and is therefore regarded as 'Stage 3', the Branch calculates interest income by applying the EIR to the net amortised cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Branch reverts to calculating interest income on a gross basis.

5.1.3 Fee and commission income

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, are recognised as the related services are performed.

A contract with a customer that results in a recognised financial instrument in the Branch'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 Branch 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.

5.2 Expense recognition

Expenses are recognized when it is probable that decrease in future economic benefits related to a decrease in asset or increase in liability has occurred and that the decrease in economic benefits can be measured reliably. Expenses that may arise in the course of ordinary regular activities of the Branch include, among others, the operating expenses on the Branch's operations. Expenses are recognized as incurred.

- (i) Fee and commission expense is charged to the statement of profit or loss and other comprehensive income when the expense is incurred. Fees on deposits are amortized on a straight-line basis over the term of the related deposits.
- (ii) Operating expenses are recognized on an accrual basis.

5.3 Financial instruments - initial recognition

5.3.1 Date of recognition

Financial assets and liabilities, with the exception of loans to customers and deposits, are initially recognized on the trade date, i.e., the date that the Branch becomes a party to the contractual provisions of the instrument. This includes regular way trades - purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace. Loans to customers are recognized when funds are transferred to the customers' accounts. The Branch recognizes balances deposits when funds are transferred to the Branch.

Vietnam Bank for Agriculture and Rural Development - Cambodia Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year ended

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.3 *Financial instruments* (continued)

5.3.2 *Initial measurement of financial instruments*

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described in *Notes 5.5.1.1* and *5.5.1.2*. Financial instruments are initially measured at their fair value (as defined in *Note 5.4*), except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Branch accounts for the 'Day 1' profit or loss, as described below.

5.3.3 *'Day 1' profit or loss*

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Branch recognized the difference between the transaction price and fair value in profit or loss. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognized in profit or loss when the inputs become observable, or when the instrument is derecognised.

5.3.4 *Measurement categories of financial assets and liabilities*

The Branch classifies all of its financial assets based on the business model for managing the assets and the assets' contractual terms, measured at either:

- ▶ Amortised cost, as explained in *Note 5.5.1*
- ▶ FVOCI
- ▶ FVPL

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVPL when they are held for trading and derivative instruments or the fair value designation is applied.

As at 31 December 2020, the Branch classified its financial assets at amortised cost and financial liabilities were also measured at amortised cost.

5.4 *Determination of fair value*

In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as recognized below:

- Level 1 financial instruments - Those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the Branch access to at the measurement date. The Branch considers markets as active only if there are sufficient trading activities with regards to the volume and liquidity of the identical assets or liabilities and when there are binding and exercisable price quotes available at the reporting date.

Vietnam Bank for Agriculture and Rural Development - Cambodia Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year ended

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.4 *Determination of fair value* (continued)

- Level 2 financial instruments - Those where the inputs that are used for valuation are significant and are derived from directly or indirectly observable market data available over the entire period of the instrument's life. Such inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads. In addition, adjustments may be required for the condition or location of the asset or the extent to which it relates to items that are comparable to the valued instrument. However, if such adjustments are based on unobservable inputs which are significant to the entire measurement, the Branch will classify the instruments as Level 3.
- Level 3 financial instruments - Those that include one or more unobservable input that is significant to the measurement as whole.

The Branch evaluates the levelling at each reporting period on an instrument-by-instrument basis and reclassifies instruments when necessary, based on the facts at the end of the reporting period.

5.5 *Financial assets and liabilities*

5.5.1 *The Bank's cash, balances with the National Bank of Cambodia, balance with other banks, loans to customers and other financial assets at amortised cost*

The Branch only measures due from banks, loans to customers and other financial investments at amortised cost if both of the following conditions are met:

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

The details of these conditions are outlined below.

5.5.1.1 *Business model assessment*

The Branch determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Branch's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- ▶ Business strategy for the portfolios;
- ▶ The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- ▶ How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected); and
- ▶ The expected frequency, value and timing of sales are also important aspects of the Branch's assessment.

Vietnam Bank for Agriculture and Rural Development - Cambodia Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.5 *Financial assets and liabilities* (continued)

5.5.1 *Balance with other banks, loans to customers and other financial assets at amortised cost* (continued)

5.5.1.2 *The SPPI test*

As a second step of its classification process, the Branch assesses the contractual terms of the financial asset to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or recognized of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Branch applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

5.5.2 *Deposit from other banks and customers*

After initial measurement, deposit from other banks and customer are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on issued funds, and costs that are an integral part of the EIR.

5.6 *Reclassification of financial assets and liabilities*

From 1 January 2020, the Branch does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Branch acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

5.7 *Derecognition of financial assets and financial liabilities*

5.7.1 *Derecognition due to substantial modification of terms and conditions*

The Branch derecognises a financial asset, such as a loan to customers, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognized as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded.

When assessing whether or not to derecognise a loan to a customer, amongst others, the Branch considers the following factors:

- ▶ Change in the currency of the loan;
- ▶ Introduction of an equity feature;
- ▶ Change in counterparty; and
- ▶ If the modification is such that the instrument would no longer meet the SPPI criterion.

Vietnam Bank for Agriculture and Rural Development - Cambodia Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.7 *Derecognition of financial assets and financial liabilities* (continued)

5.7.2 *Derecognition other than for substantive modification*

5.7.2.1 *Financial assets*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the asset have expired. The Branch also derecognised the financial assets if they have both transferred the financial asset, and the transfer qualifies for de-recognition.

The Branch has transferred the financial asset if, and only if, either:

- ▶ The Branch has transferred its contractual rights to receive cash flows from the financial asset; or
- ▶ It retains the rights to the cash flows but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement.

Pass-through arrangements are transactions where the Branch retains the contractual rights to receive the cash flows of a financial asset (the ‘original asset’), but assumes a contractual obligation to pay those cash flows to one or more entities (the ‘eventual recipients’), when all of the following three conditions are met:

- ▶ The Branch has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances by the entity with the right of full recovery of the amount lent plus accrued interest;
- ▶ The Branch cannot sell or pledge the original asset other than as security to the eventual recipients for the obligation to pay them cash flows; and
- ▶ The Branch has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Branch is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents, including interest earned, during the short settlement period from the collection date to the date of required remittance to the eventual recipients.

A transfer only qualifies for de-recognition if either:

- ▶ The Branch has transferred substantially all the risks and rewards of the asset; or
- ▶ The Branch has neither transferred nor retained substantially all the risks and rewards of the asset, however, has transferred control of the asset.

In relation to the above, the Branch considers the control to be transferred if, and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

When the Branch has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Branch’s continuing involvement in it. In that case, the Branch also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Branch has retained.

Vietnam Bank for Agriculture and Rural Development - Cambodia Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.7 *Derecognition of financial assets and financial liabilities* (continued)

5.7.2 *Derecognition other than for substantive modification* (continued)

5.7.2.1 *Financial assets* (continued)

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Branch could be required to repay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the Branch's continuing involvement is the amount of the transferred asset that the Branch may repurchase. However, in the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

5.7.2.2 *Financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in profit or loss.

5.7.2.3 *Offsetting financial instruments*

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

5.8 *Impairment of financial assets*

The Branch records the allowance for expected credit losses for all loans and receivables and other debt financial assets not held at FVPL all referred to as 'financial instruments'. Equity instruments are not subject to impairment under CIFRS 9.

ECL represents credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. ECL allowances are measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a significant increase in credit risk ("SICR") since initial recognition (General Approach). The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that results from all possible default events over the expected life of a financial instrument.

Vietnam Bank for Agriculture and Rural Development - Cambodia Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.8 Impairment of financial assets (continued)

(i) Staging assessment

A three-stage approach for impairment of financial assets is used, based on whether there has been a significant deterioration in the credit risk of a financial asset. These three stages then determine the amount of impairment to be recognized.

For non-credit-impaired financial instruments:

- Stage 1 is comprised of all financial instruments which have not experienced a SICR since initial recognition or is considered of low credit risk as of the reporting date. The criteria for determining whether an account should be assessed under Stage 1 are as follows: (i) current or past due up to 29 days for long-term loan and 14 days for short-term loan; (ii) unclassified; or (iii) no significant increase in the probability of default ("PD"). The Group recognizes a 12-month ECL for Stage 1 financial instruments.
- Stage 2 is comprised of all financial instruments which have experienced a SICR as of reporting date compared to initial recognition. A SICR is generally deemed present in accounts with (i) from 15 days up to 30 days past due for short-term loans and from 30 days up to 90 days past due for long-term loans; (ii) loan especially mentioned; or (iii) with significant increase in PD. The Group recognizes a lifetime ECL for Stage 2 financial instruments.

For credit-impaired financial instruments:

- Stage 3 is comprised of all financial assets that have objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a loan or a portfolio of loans. The Group's criteria for Stage 3 accounts are generally aligned with the definition of "default" which is explained in the next paragraph. The Group recognizes a lifetime ECL for Stage 3 financial instruments.

(ii) Definition of "default" and "restored"

The Branch classifies loans, receivables, or any financial asset as in default when it is credit impaired, becomes past due on its contractual payments for more than 30 days for short-term loans and 90 days for long-term loans, considered non-performing, refinanced or restructured payments term more than 30 days for short-term loans and 90 days for long-term loans, under litigation or is classified as substandard, doubtful or loss. As part of a qualitative assessment of whether a customer is in default, the Branch considers a variety of instances that may indicate unlikelihood to pay. When such events occur, the Branch carefully considers whether the event should result in treating the customer as defaulted. An instrument is considered to be no longer in default (i.e. restored) if there is sufficient evidence to support that full collection is probable and payments are received for at least six months.

(iii) Credit risk at initial recognition

At each reporting date, the Branch shall assess whether the credit risk on a loan or credit exposure has increased significantly since initial recognition. The Branch's assessment of SICR involves looking at (a) quantitative element, (b) qualitative element, and (c) if unpaid for at least 10 days ("backstop").

Vietnam Bank for Agriculture and Rural Development - Cambodia Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.8 *Impairment of financial assets* (continued)

(iv) Significant increase in credit risk

The quantitative element is being looked through statistical models or credit ratings process or scoring process that captures certain information which the Branch shall consider as relevant in assessing changes in credit risk. The Branch may also look at the number of notches downgrade of credit risk rating ("CRR") or certain thresholds for the probabilities of default being generated from statistical models to determine whether SICR has occurred subsequent to initial recognition date.

(v) ECL parameters and methodologies

ECL is a function of the probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD"), with the timing of the loss also considered, and is estimated by incorporating forward-looking economic information and through the use of experienced credit judgment.

The PD is an estimate of the likelihood of default over a 12-month horizon for Stage 1 or lifetime horizon for Stages 2 and 3. The PD for each individual instrument is modelled based on historic data and is estimated based on current market conditions and reasonable and supportable information about future economic conditions. The Branch segments its credit exposures based on homogenous risk characteristics and developed a corresponding PD methodology for each portfolio. The PD methodology for each relevant portfolio is determined based on the underlying nature or characteristic of the portfolio, behaviour of the accounts and materiality of the segment as compared to the total portfolio.

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It makes use of defaulted accounts that have either been identified as cured, restructured, or liquidated. The Branch segmented its LGD based on homogenous risk characteristics and calculated the corresponding segment-level averages.

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.

(vi) Forward-looking information

The Branch incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. A broad range of forward-looking information are considered as economic inputs, such as GDP growth, exchange rate, interest rate, inflation rate and other economic indicators. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

The key forward-looking economic variables used in each of the economic scenarios for the ECL calculations are customer price index, government consumption, investment index, national exports, GDP growth, employment rate.

Vietnam Bank for Agriculture and Rural Development - Cambodia Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.8 *Impairment of financial assets* (continued)

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 Branch'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, the Branch anticipate significant post-model adjustments over 2020 and for the foreseeable future when the economy resumes positive GDP growth.

The Branch 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.

5.9 *Cash and cash equivalents*

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

5.10 *Balances with the NBC*

Capital guarantee deposit and reserve balances are maintained with the NBC in compliance with the Cambodian Law on Banking and Financial Institutions determined at defined percentages of minimum share capital and total deposits from customers, respectively. This account also includes current account carried at cost and interest-bearing term deposit.

5.11 *Property and equipment*

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The cost of a property and equipment item comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Where an item of property and equipment comprises, major components having different estimated useful lives, the components are accounted for as separate items of property and equipment.

Subsequent expenditure relating to an item of property and equipment that has already been recognized is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Branch. All other subsequent expenditure is recognized as an expense in the period in which it is incurred.

Gain or loss arising from the retirement or disposal of an item of property and equipment is determined as the difference between the estimated net disposal proceeds and the carrying amount of the assets and is recognized in statement of income on the date of retirement or disposal.

Vietnam Bank for Agriculture and Rural Development - Cambodia Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.11 *Property and equipment (continued)*

Depreciation of property and equipment is charged to the income statement. Depreciation charge of other property and equipment items is calculated using reducing balance method at the following rates:

Leasehold buildings	5%
Furniture, fixtures and equipment	25%
Information technology ("IT") equipment	50%
Motor vehicles	25%

Fully depreciated assets are retained in the financial statements until they are no longer in use or no further charge for depreciation is made in respect of these assets.

If there is any indication that there has been a significant change in depreciation or amortisation rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

5.12 *Leases*

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

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

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

Vietnam Bank for Agriculture and Rural Development - Cambodia Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2020 and for the year then ended

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.12 Leases (continued)

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

Leases in which the Branch is a lessee

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

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

The Branch recognizes a right-of-use asset and a lease liability at the lease commencement date.

Right-of-use asset

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

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

The estimated useful of building and office branches for the current period is 5 years.

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, to the lessee's incremental borrowing rate. Generally, the Branch uses its incremental borrowing rate as the discount rate.

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

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

Vietnam Bank for Agriculture and Rural Development - Cambodia Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.12 *Leases* (continued)

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

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

Security deposits paid under leases

To the extent that the deposit is a true deposit and not a prepaid lease payment, the deposit gives the lessee a right to receive the money back in cash from the lessor and is therefore a financial asset for the lessee and a financial liability for the lessor.

Security deposit is initially accounted for at fair value. The excess of the principal amount of the deposit over its fair value is accounted as a prepaid lease payment. The lessee includes this amount in the cost of its right-of-use asset at the lease commencement date. Interest on the deposit, meanwhile, is accounted for using the effective interest method by both the lessee and the lessor. The fair value of the deposit is determined based on the prevailing market rate of interest for a similar loan to the lessor, considering the lessor's credit-worthiness and, depending on facts and circumstances, any additional security available to the lessee.

5.13 *Other assets*

Other assets are carried at estimated realizable value. An estimate is made for doubtful receivables based on a review of outstanding amounts at the reporting date.

5.14 *Deposits from banks and deposits from customers*

Deposits from bank and deposits from customer are the Branch's sources of debt funding.

Deposits from bank and deposits from customers are initially measured at fair value minus incremental direct transactions cost, and subsequently measured at their amortised cost using the effective interest method.

This account also includes current account and interest-bearing term deposit.

5.15 *Provisions*

Provisions are recognized when the Branch has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made on the amount of the obligation.

Vietnam Bank for Agriculture and Rural Development - Cambodia Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.16 Regulatory reserves

Regulatory reserve is set up to account for the difference in provision between loan impairment determined in accordance with CIFRS and the regulatory provision computed in accordance with NBC Prakas No B7-017-344 dated 1 December 2017 and Circular No B7-018-001 dated 16 February 2018 on credit risk classification and provision on impairment for banks and financial institutions.

The regulatory provision requires banks and financial institutions to classify their loan portfolio into five classes and provide general and specific allowance based on the loan classification as follows:

<i>Classification</i>	<i>Number of days past due</i>	<i>Allowance rate</i>
Standard	0 to 14 days (short-term)	
	0 to 29 days (long-term)	1%
Special mention	15 days to 30 days (short-term)	
	30 days to 89 days (long-term)	3%
Substandard	31 days to 60 days (short-term)	
	90 days to 179 days (long-term)	20%
Doubtful	61 days to 90 days (short-term)	
	180 days to 359 days (long-term)	50%
Loss	From 91 days (short-term)	
	360 days or more (long-term)	100%

The Branch shall compare the provision calculated in accordance with CIFRS 9 and the regulatory provision, and:

- (i) In case that the regulatory provision calculated is lower than the provision calculated in accordance with CIFRS 9, the entity records the provision calculated in accordance with CIFRS 9; and
- (ii) In case that the regulatory provision calculated is higher than the provision calculated in accordance with CIFRS 9, the entity records the provision calculated in accordance with CIFRS 9 and transfer the difference from the retained earnings (accumulated losses) to regulatory reserve in the shareholders' equity of the statement of the financial position.

5.17 Employee benefits

In 2018, the Ministry of Labour and Vocational Training's ("MoLVT") Prakas No. 443 dated 21 September 2018 mandated the payment of seniority indemnity for unspecified duration contracted employees with implementation guidelines issued on 22 March 2019.

The said Prakas requires retroactive seniority payment equal to fifteen days per year of employee service for a maximum period not exceeding 6 months based on the average net wages for each year. Payment shall be spread over a period beginning December 2021 and every June and December thereafter as follows:

- Equal to three days payable every June, and
- Equal to three days payable every December.

Vietnam Bank for Agriculture and Rural Development - Cambodia Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2020 and for the year then ended

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.18 Impairment of non-financial assets

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

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

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

Impairment losses are recognised in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

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

5.19 Related parties

Parties are considered to be related if the Branch has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or vice-versa, or where the Branch and the party are subject to common control or significant influence. Related parties may be individuals or corporate entities and include close family members of any individual considered to be a related party.

Related parties, as defined in Article 49 and 50 of the Cambodian Law on Banking and Financial Institutions, include the following:

- (a) any person holding directly or indirectly at least ten percent (10%) of the capital or voting rights;
- (b) any company of which the Branch directly or indirectly holds at least 10% of the capital or voting rights;
- (c) any individual who participates in the administration, direction, management or internal control; and,
- (d) the external auditors.

Vietnam Bank for Agriculture and Rural Development - Cambodia Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2020 and for the year then ended

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.20 *Income tax*

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amounts expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted at the statement of financial position date.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it becomes probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Vietnam Bank for Agriculture and Rural Development - Cambodia Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

6. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES, AND ASSUMPTIONS

The preparation of the Branch financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Branch's accounting policies, the General Director has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Existing circumstances and assumptions about future developments may change due to circumstances beyond the Branch's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognized in the financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.

6.1 *Impairment losses on financial assets*

The measurement of impairment losses under CIFRS 9 across all categories of financial assets in scope requires judgement, in particular, the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Branch's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- ▶ The Branch's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on an ECL basis;
- ▶ The segmentation of financial assets when their ECL or elements of ECL are assessed on a collective basis;
- ▶ Development of ECL models, including the various formulas and the choice of inputs;
- ▶ Determination of associations between macroeconomic scenarios and economic inputs, such as GDP growth and the overdue rate, and the effect on PDs;
- ▶ Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.
- ▶ The post-model overlays based on a sensitive analysis and Branch's senior management's judgment.

It has been the Branch's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

6.2 *Going concern*

The Branch's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt on the Branch's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Vietnam Bank for Agriculture and Rural Development - Cambodia Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2020 and for the year then ended

6. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES, AND ASSUMPTIONS (continued)

6.3 *Fair value of financial instruments*

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility.

6.4 *Effective Interest Rate (EIR) method*

The Branch's EIR, as explained in *Note 5.1.1*, recognized interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of loans and recognized the effect of potentially different interest rates charged at various stages and other characteristics of the product life cycle (including prepayments and penalty interest and charges). This estimation, by nature, requires an element of judgement regarding the expected recognized and life-cycle of the instruments, as well expected changes to the base rate and other fee income/expense that are integral parts of the instrument.

6.5 *Deferred tax assets*

Deferred tax assets are recognized in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the tax losses can be recognized. Judgement is required to determine the amount of deferred tax assets that can be recognized, based on the likely timing and level of future taxable profits, together with future tax-planning strategies. (*Note 18.2*)

6.6 *Determination of the lease term for lease contracts with renewal and termination options (the Branch as a lessee)*

The Branch determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Branch has several lease contracts that include extension and termination options. The Branch applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Branch reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate.

6.7 *Estimating the incremental borrowing rate*

The Branch cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Branch would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Branch 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Branch estimates the IBR using observable inputs by reference to interest rates of deposits from customers having term similar as lease term.

Vietnam Bank for Agriculture and Rural Development - Cambodia Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

7. CASH ON HAND

	31 December 2020		31 December 2019	
	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
US\$	1,354,930	5,480,692	339,713	1,384,330
KHR	42,603	172,329	23,591	96,134
	1,397,533	5,653,021	363,304	1,480,464

8. BALANCES WITH THE NATIONAL BANK OF CAMBODIA

	31 December 2020		31 December 2019	
	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
Current accounts	2,312,249	9,353,047	1,171,351	4,773,255
Settlement accounts	12,464	50,417	12,383	50,461
Capital guarantee deposits (i)	3,900,000	15,775,500	3,900,000	15,892,500
Reserve deposits (ii)	383,027	1,549,344	761,451	3,102,913
	6,607,740	26,728,308	5,845,185	23,819,129

(i) Capital guarantee deposits

Under the NBC's Prakas No. B7-01-136 dated 15 October 2001, banks are required to maintain a statutory deposit of 10.00% of registered capital with the NBC. This deposit is not available for use in the Branch's day-to-day operations, but it is refundable when the Branch voluntarily ceases to operate the business in Cambodia.

(ii) Reserve deposits

Under the NBC's Prakas No. B7-012-140 dated 13 September 2012, banks are required to maintain certain cash reserves with the NBC in the form of compulsory deposits, computed at 8.00% and 12.50% of deposits from customers in KHR and in foreign currencies, respectively.

On 18 March 2020, NBC issued a press release announcing the reduction of the Reserve Requirement Rate ("RRR") on KHR from 8.00% to 7.00%. For foreign currencies, the RRR is reduced from 12.50% to 7.00% in order to mitigate the impact of the COVID-19 pandemic on Cambodia's economy.

The current accounts and settlement accounts are non-interest bearing. Annual interest rates on other balances with the NBC are summarized as follows:

	31 December 2020	31 December 2019
	%	%
Capital guarantee deposits - US\$	0.06 - 0.48	0.40 - 0.70
Reserve deposits - US\$	0.00	0.00 - 0.40
Reserve deposits - KHR	0.00	0.00

Vietnam Bank for Agriculture and Rural Development - Cambodia Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

9. BALANCES WITH OTHER BANKS

	31 December 2020		31 December 2019	
	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
Local financial institutions	3,176,005	12,846,940	2,304,556	9,391,066
Overseas financial institutions (i)	453,178	1,833,105	1,061,424	4,325,303
	3,629,183	14,680,045	3,365,980	13,716,369

(i) This is current account with Vietnam Bank of Agriculture and Rural Development - Transaction Office.

Balances with other banks by currency are as follows:

	31 December 2020		31 December 2019	
	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
	3,456,963	13,983,415	3,361,285	13,697,237
	153,863	622,376	4,693	19,122
EUR	18,357	74,254	2	10
	3,629,183	14,680,045	3,365,980	13,716,369

Annual interest rates on balances with other banks are summarised as follows:

	31 December 2020	31 December 2019
	%	%
Local financial institutions	0.00 - 0.50	0.00 - 0.50
Overseas financial institutions	0.10	0.10

The Board of Management of Branch has opted to apply the low credit exemption and assessed that the PD of balances with other banks is almost zero, hence no impairment loss allowance is recognized.

Vietnam Bank for Agriculture and Rural Development - Cambodia Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

10. LOANS TO CUSTOMERS

Loans to customers are categorized as follows:

	31 December 2020		31 December 2019	
	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
Retail customers	6,041,005	24,435,866	7,961,359	32,442,538
Corporation customers	31,400,631	127,015,552	30,058,510	122,488,428
Gross loans to customers	37,441,636	151,451,418	38,019,869	154,930,966
Allowance for losses on loans to customers	(311,181)	(1,258,728)	(402,162)	(1,638,810)
Net loans to customers	37,130,455	150,192,690	37,617,707	153,292,156

An analysis of changes in the gross carrying amount and the corresponding ECL allowances follow:

	2020			
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$
Gross carrying amount as at 1 January	37,985,413	-	34,456	38,019,869
New assets originated or pur- chased	21,778,096	42,193	-	21,820,289
Assets derecognized or repaid (excluding write offs)	(22,394,120)	(4,402)	-	(22,398,522)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(154,675)	154,675	-	-
Transfers to Stage 3	-	-	-	-
Balance at 31 December	37,214,714	192,466	34,456	37,441,636
KHR'000 equivalent	150,533,518	778,525	139,375	151,451,418
ECL allowance as at 1 Janu- ary under CIFRS 9	(397,073)	-	(5,089)	(402,162)
New assets originated or pur- chased	(188,520)	-	-	(188,520)
Assets derecognized or repaid (excluding write offs)	215,275	247	-	215,522
Net remeasurement of loss al- lowance	65,973	-	(1,994)	63,979
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	247	(247)	-	-
Transfers to Stage 3	-	-	-	-
Balance at 31 December	(304,098)	-	(7,083)	(311,181)
KHR'000 equivalent	(1,230,076)	-	(28,652)	(1,258,728)

Vietnam Bank for Agriculture and Rural Development - Cambodia Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

10. LOANS TO CUSTOMERS (continued)

	2019			Total US\$
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	
Gross carrying amount as at 1 January	34,667,458	-	256,198	34,923,656
New assets originated or pur- chased	27,282,189	-	-	27,282,189
Assets derecognized or repaid (excluding write offs)	(23,964,234)	-	(221,742)	(24,185,976)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Balance at 31 December	37,985,413	-	34,456	38,019,869
KHR'000 equivalent	154,790,558	-	140,408	154,930,966
ECL allowance as at 1 January under CIFRS 9	(137,015)	-	(45,558)	(182,573)
New assets originated or pur- chased	(312,233)	-	-	(312,233)
Assets derecognized or repaid (excluding write offs)	91,077	-	40,469	131,546
Net remeasurement of loss allow- ance	(38,902)	-	-	(38,902)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Balance at 31 December	(397,073)	-	(5,089)	(402,162)
KHR'000 equivalent	(1,618,072)	-	(20,738)	(1,638,810)

Changes in allowance during the year:

	Individual US\$	Collective US\$	Total US\$
As at 1 January 2020	5,089	397,073	402,162
Allowance reversal for the year	(5,088)	(85,893)	(90,981)
As at 31 December 2020	1	311,180	311,181
KHR'000 equivalent	4	1,258,724	1,258,728
As at 1 January 2019	45,558	137,015	182,573
Allowance (reversal)/charge for the year	(40,469)	260,058	219,589
As at 31 December 2019	5,089	397,073	402,162
KHR'000 equivalent	20,738	1,618,072	1,638,810

Vietnam Bank for Agriculture and Rural Development - Cambodia Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

10. LOANS TO CUSTOMERS (continued)

Further analyses of loans to customers are set out below:

(a) By grading of loans to customers

	31 December 2020		31 December 2019	
	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
Stage 1	37,214,714	150,533,518	37,985,413	154,790,558
Stage 2	192,466	778,525	-	-
Stage 3	34,456	139,375	34,456	140,408
	37,441,636	151,451,418	38,019,869	154,930,966

(b) By residency and relationship

	31 December 2020		31 December 2019	
	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
<i>Residency</i>				
Residents	37,441,636	151,451,418	38,019,869	154,930,966
<i>Relationship</i>				
External customers	37,441,636	151,451,418	38,019,869	154,930,966

(c) By industry

	31 December 2020		31 December 2019	
	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
Service	24,873,858	100,614,756	24,857,574	101,294,614
Agriculture and forestry	5,403,723	21,858,059	7,328,871	29,865,149
Real estate and Con- struction	3,717,390	15,036,843	2,793,505	11,383,533
Manufacturing and petroleum	3,446,665	13,941,760	3,039,919	12,387,670
	37,441,636	151,451,418	38,019,869	154,930,966

Vietnam Bank for Agriculture and Rural Development - Cambodia Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

10. LOANS TO CUSTOMERS (continued)

Further analyses of loans to customers are set out below: (continued)

(d) By maturity

	31 December 2020		31 December 2019	
	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
Within one month	3,414,369	13,811,124	192,104	782,824
From 1 to 3 months	2,177,824	8,809,298	2,598,295	10,588,052
From 3 to 12 months	18,198,870	73,614,429	16,458,651	67,069,003
From 1 to 5 years	10,954,766	44,312,028	15,305,629	62,370,438
Over 5 years	2,695,807	10,904,539	3,465,190	14,120,649
	37,441,636	151,451,418	38,019,869	154,930,966

(e) By currency

	31 December 2020		31 December 2019	
	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
US\$	36,426,387	147,344,736	37,999,810	154,849,226
KHR	1,015,249	4,106,682	20,059	81,740
	37,441,636	151,451,418	38,019,869	154,930,966

(f) Annual interest rates of loans to customers at the end of the year

	31 December 2020	31 December 2019
	%	%
Individual loans	6.50 - 13.20	6.50 - 13.20
Corporation loans	6.50 - 8.50	6.50 - 8.50

Vietnam Bank for Agriculture and Rural Development - Cambodia Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

11. PROPERTY AND EQUIPMENT

Movements of property and equipment during the current year are as follows:

	2020					Total
	Buildings and lease- hold improvements US\$	Furniture, fixtures and equipment US\$	IT equipment US\$	Motor vehicles US\$		US\$
Cost						
As at 1 January 2020	620,230	77,028	43,475	126,174		866,907
Purchase	-	-	-	94,913		94,913
Disposals	-	-	(3,169)	-		(3,169)
Reclassification	-	(4,117)	-	4,117		-
As at 31 December 2020	620,230	72,911	40,306	225,204		958,651
Accumulated depreciation						
As at 1 January 2020	610,596	70,683	43,399	118,144		842,822
Charge in the year	9,634	1,637	76	25,813		37,160
Disposals	-	-	(3,169)	-		(3,169)
Reclassification	-	(3,703)	-	3,703		-
As at 31 December 2020	620,230	68,617	40,306	147,660		876,813
Net book value						
As at 1 January 2020	9,634	6,345	76	8,030		24,085
As at 31 December 2020	-	4,294	-	77,544		81,838
KHR'000 equivalent						
As at 1 January 2020	39,259	25,856	310	32,721		98,146
As at 31 December 2020	-	17,370	-	313,665		331,035

Vietnam Bank for Agriculture and Rural Development - Cambodia Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

11. PROPERTY AND EQUIPMENT (continued)

	2019					
	Buildings and lease- hold improvements US\$	Furniture, fixtures and equipment US\$	IT equipment US\$	Motor vehicles US\$	Total US\$	
Cost						
As at 1 January 2019	620,230	82,817	43,475	130,290	876,812	
Disposals	-	(5,789)	-	(4,116)	(9,905)	
As at 31 December 2019	620,230	77,028	43,475	126,174	866,907	
Accumulated depreciation						
As at 1 January	544,227	73,780	43,322	119,173	780,502	
Charge in the year	66,369	2,115	77	2,674	71,235	
Disposals	-	(5,212)	-	(3,703)	(8,915)	
As at 31 December 2019	610,596	70,683	43,399	118,144	842,822	
Net book value						
As at 1 January 2019	76,003	9,037	153	11,117	96,310	
As at 31 December 2019	9,634	6,345	76	8,030	24,085	
KHR'000 equivalent						
As at 1 January 2019	305,380	36,311	615	44,668	386,974	
As at 31 December 2019	39,259	25,856	310	32,721	98,146	

Vietnam Bank for Agriculture and Rural Development - Cambodia Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

12. RIGHT-OF-USE ASSETS

Information about the Branch's leases are disclosed within this note and *Note 25*.

	31 December 2020		31 December 2019	
	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
Right of use assets	546,034	2,208,708	677,082	2,759,109

The Branch has only one lease asset which is the Branch's office. Information about leases for which the Branch is a lessee is presented below:

	2020		2019	
	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
Cost				
As at 1 January 2020	939,178	3,827,150	939,178	3,773,618
Currency translation differences	-	(28,175)	-	53,532
As at 31 December	939,178	3,798,975	939,178	3,827,150
Accumulated amortisation				
As at 1 January 2020	262,096	1,068,041	131,048	526,551
Charge for the year	131,048	534,676	131,048	531,006
Currency translation differences	-	(12,450)	-	10,484
As at 31 December 2020	393,144	1,590,267	262,096	1,068,041
Net book value				
As at 1 January 2020	677,082	2,759,109	808,130	3,247,067
As at 31 December 2020	546,034	2,208,708	677,082	2,759,109

13. OTHER ASSETS

	31 December 2020		31 December 2019	
	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
Building rental deposit	144,000	582,480	84,000	342,300
Tools	34,518	139,626	7,748	31,572
Others	-	-	2,319	9,450
	178,518	722,106	94,067	383,322

14. DEPOSITS FROM OTHER BANKS

	31 December 2020		31 December 2019	
	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
Demand deposits	1,821	7,366	1,812	7,384

This account pertains to demand deposit accounts maintained by other financial institutions which bear interest at 0.50% per annum (2019: 0.50% per annum).

Vietnam Bank for Agriculture and Rural Development - Cambodia Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

15. DEPOSITS FROM CUSTOMERS

	31 December 2020		31 December 2019	
	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
Demand deposits	6,543,996	26,470,464	5,163,493	21,041,234
Savings deposits	209,557	847,658	47,767	194,651
Term deposits	918,242	3,714,289	1,790,971	7,298,207
	7,671,795	31,032,411	7,002,231	28,534,092

Deposits from customers are further analysed as follows:

(a) By types of customer

	31 December 2020		31 December 2019	
	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
Domestic corporations	6,289,199	25,439,810	6,291,817	25,639,154
Resident individuals	1,143,548	4,625,652	520,877	2,122,574
Non-residents	239,048	966,949	189,537	772,364
	7,671,795	31,032,411	7,002,231	28,534,092

(b) By currency

	31 December 2020		31 December 2019	
	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
	7,643,686	30,918,710	7,001,171	28,529,772
	28,109	113,701	1,060	4,320
	7,671,795	31,032,411	7,002,231	28,534,092

(c) By relationship

	31 December 2020		31 December 2019	
	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
Non-related parties	7,657,969	30,976,485	6,989,171	28,480,872
Related parties	13,826	55,926	13,060	53,220
	7,671,795	31,032,411	7,002,231	28,534,092

Vietnam Bank for Agriculture and Rural Development - Cambodia Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

15. DEPOSITS FROM CUSTOMERS (continued)

(d) Annual interest rates of deposits from customers at the end of the year were as follow:

	<u>31 December 2020</u>	<u>31 December 2019</u>
	%	%
Demand deposits	0.50	0.50
Savings deposits	0.50	0.50
Term deposits	2.00 - 5.50	2.00 - 5.50

16. LEASE LIABILITIES

	<u>31 December 2020</u>		<u>31 December 2019</u>	
	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
Maturity analysis - contractual undiscounted cash flows				
Less than one year	154,815	626,227	136,897	557,855
One to five years	568,067	2,297,831	721,382	2,939,631
More than five years	-	-	17,500	71,313
Total undiscounted lease liabilities	722,882	2,924,058	875,779	3,568,799

	<u>2020</u>		<u>2019</u>	
	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
Present value of lease liabilities				
Balance as at 1 January	875,779	3,568,799	908,402	3,649,959
Interest expenses	46,103	188,100	51,377	208,180
Payments in the year	(199,000)	(811,920)	(84,000)	(340,368)
Foreign currency difference	-	(20,921)	-	51,028
Lease liabilities as at 31 December	722,882	2,924,058	875,779	3,568,799

17. OTHER LIABILITIES

	<u>31 December 2020</u>		<u>31 December 2019</u>	
	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
Payables to employees	33,943	137,299	33,973	138,440
Bonus	16,163	65,379	3,791	15,448
Withholding tax	1,181	4,777	124,783	508,491
Others	276	1,117	259	1,055
	51,563	208,572	162,806	663,434

18. INCOME TAX PAYABLE

The Branch's tax returns are subject to examination by the General Department of Taxation ("GDT"). Because the application of tax laws and regulations to many types of transactions is susceptible to varying interpretations, the amounts reported in the financial statements could change at a later date upon final determination by the GDT.

Vietnam Bank for Agriculture and Rural Development - Cambodia Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

18.1 Income tax expense

Applicable tax rates

In accordance with Cambodian tax law, the Branch has the obligation to pay tax on profit ("TOP") at the rate of 20% of taxable income or minimum tax at 1% of turnover inclusive of all taxes except value-added tax, whichever is higher.

Income tax expense comprises:

	2020		2019	
	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
Current tax expense	328,546	1,340,468	279,338	1,131,877
Deferred tax expense (income)	37,173	151,666	(56,156)	(227,544)
	365,719	1,492,134	223,182	904,333

Movements of income tax payable follow:

	2020		2019	
	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
Balance at 1 January	259,409	1,057,092	245,654	987,038
Current income tax expense	328,546	1,340,468	279,338	1,131,877
Income tax paid	(298,527)	(1,217,991)	(265,583)	(1,068,562)
Currency translation differences	-	(8,833)	-	6,739
Balance at 31 December	289,428	1,170,736	259,409	1,057,092

The reconciliation of income tax expense shown in profit or loss is as follows:

	2020		2019	
	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
Profit before tax	1,476,985	6,026,098	1,059,499	4,293,090
Income tax expense at applicable tax rate of 20%	295,397	1,205,220	211,900	858,619
Adjustment for under tax payment from prior year	40,324	164,522	5,095	20,644
Non-deductible expenses	31,355	127,928	31,836	128,999
Non-taxable income	(11,200)	(45,696)	40,321	163,381
Impact on deferred tax from previous GAAP	(27,330)	(111,506)	(9,814)	(39,766)
Current tax expense	328,546	1,340,468	279,338	1,131,877

Vietnam Bank for Agriculture and Rural Development - Cambodia Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

18. INCOME TAX PAYABLE (continued)

18.2 Deferred tax assets

Details of deferred income tax assets recognized during the year 2020 follow:

	1 January 2020 US\$	<i>Recognised in profit or loss during the year US\$</i>	31 December 2020 US\$	31 December 2020 KHR'000
<i>Deferred tax assets</i>				
Loan processing fee	28,086	(489)	27,597	111,630
Allowance for expected credit losses on loans to customers	73,541	(18,196)	55,345	223,870
Accumulated depreciation	63,145	(7,323)	55,822	225,800
Lease liabilities	39,740	(4,370)	35,370	143,072
Staff benefit unpaid within 60 days	6,795	(6,795)	-	-
Total	211,307	(37,173)	174,134	704,372

Details of deferred income tax assets recognized during the year 2019 follow:

	1 January 2019 US\$	<i>Recognised in profit or loss during the year US\$</i>	31 December 2019 US\$	31 December 2019 KHR'000
<i>Deferred tax assets</i>				
Loan processing fee	27,557	529	28,086	114,450
Allowance for expected credit losses on loans to customers	29,623	43,918	73,541	299,680
Accumulated depreciation	53,023	10,122	63,145	257,316
Lease liabilities	20,054	19,686	39,740	161,941
Staff benefit unpaid within 60 days	24,894	(18,099)	6,795	27,690
Total	155,151	56,156	211,307	861,077

Vietnam Bank for Agriculture and Rural Development - Cambodia Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

19. BRANCH CAPITAL

Share capital

The paid-up capital as at 31 December 2020 was US\$39,000,000 or KHR157,755,000 million which was fully contributed by Vietnam Bank for Agriculture and Rural Development.

On 22 March 2016, the NBC issued Prakas B7-016-117 on Minimum Registered Capital of Banking and Financial Institutions (“the Prakas”). The Prakas requires branches whose Agribank Head Office is rated “investment grade” by a reputable and international rating agency to have a minimum registered capital of KHR300.00 billion (approximately US\$75.00 million).

To implement the above Prakas, the NBC issued Circular B7-016-001 on 16 June 2016 requiring banks and financial institutions to inject half of the additional required capital by 31 March 2017 and to fully comply by 22 March 2018.

Agribank Head Office has submitted the application form to the SBV to increase the Branch’s registered capital and change the legal status of the Branch to a limited liability company.

On 20 November 2017, the NBC has issued the approval letter for the extension of the deadline to increase the Branch’s capital to 22 March 2018.

On 29 June 2018, the NBC has issued the approval letter for the extension of the deadline to increase the Branch’s capital to 31 December 2018.

On 31 January 2019, the SBV has sent the official letter to inform the NBC that the application form is in process of being approved and proposed to the NBC to allow the Branch to continue operating while waiting for the approval of the establishment of a limited liability company.

On 9 August 2019, NBC issued the approval letter for the extension of deadline to increase the Branch’s capital until 31 December 2019.

On 30 June 2020, the SBV has sent another letter to NBC to confirm that the SBV has received the application for the increase in charter capital and change in legal status of the Branch. The application is under consideration of the SBV and as such, the Branch was not able to meet the deadline for increasing its registered capital.

On 23 July 2020, the Branch received the approval letter from the NBC to continue its normal operations pending the completion of relevant procedures for the increase of its registered capital.

As at the date of this report, the Branch is awaiting for the SBV’s approval for the capital injection.

Vietnam Bank for Agriculture and Rural Development - Cambodia Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

20. INTEREST INCOME

	2020		2019	
	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
Loans to customer	2,602,534	10,618,338	2,748,724	11,137,830
Balances with the NBC and other banks	17,845	72,808	28,384	115,012
	2,620,379	10,691,146	2,777,108	11,252,842

21. INTEREST EXPENSES

	2020		2019	
	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
Deposits from customers	75,527	308,150	71,591	290,086
Lease liabilities	46,103	188,100	51,377	208,180
Deposits from banks and other financial institutions	9	37	611	2,476
	121,639	496,287	123,579	500,742

22. NET FEE AND COMMISSION INCOME

	2020		2019	
	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
Income from trade finance services	6,704	27,352	9,767	39,576
Income from fees for telex, fax and phone	11,314	46,161	12,287	49,787
Income from settlement services	76,781	313,266	60,955	246,990
Others	900	3,673	12,389	50,200
Fees and commission income	95,699	390,452	95,398	386,553
Expense from settlement services	(52,535)	(214,343)	(44,224)	(179,196)
Expense from treasury ser- vices	(7,353)	(30,000)	(31,162)	(126,268)
Expense from posted and telecommunication services	(12,870)	(52,510)	(14,776)	(59,872)
Others	(3,579)	(14,602)	(933)	(3,781)
Fees and commission expenses	(76,337)	(311,455)	(91,095)	(369,117)
Net fee and commission income	19,362	78,997	4,303	17,436

Vietnam Bank for Agriculture and Rural Development - Cambodia Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

23. OTHER OPERATING INCOME

	2020		2019	
	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
Net foreign exchange gain	30,439	124,191	1,325	5,369
Others	1,739	7,095	2,638	10,689
	32,178	131,286	3,963	16,058

24. PERSONNEL EXPENSES

	2020		2019	
	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
Salaries and wages	375,939	1,533,831	350,578	1,420,542
Seniority payments	20,104	82,024	21,292	86,275
Other employee benefits	37,570	153,286	55,430	224,603
	433,613	1,769,141	427,300	1,731,420

25. DEPRECIATION AND AMORTISATION

	2020		2019	
	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
Right-of-use assets	131,048	534,676	131,048	531,006
Property and equipment	37,160	151,613	71,235	288,645
	168,208	686,289	202,283	819,651

26. OTHER OPERATING EXPENSES

	2020		2019	
	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
Office supplies and non-capitalised purchases	230,221	939,302	229,515	929,995
Other taxes expense	96,307	392,933	71,081	288,020
Conference	82,538	336,755	44,105	178,713
Professional services	43,180	176,174	6,131	24,843
Marketing and advertising	39,237	160,087	48,567	196,793
Utilities	33,740	137,659	46,372	187,899
Repair and maintenance	11,961	48,801	8,960	36,306
Travelling and transportation	11,171	45,578	52,010	210,745
Communication	6,912	28,201	7,206	29,199
Charitable donation expense	-	-	220,000	891,440
Others	7,188	29,326	19,177	77,705
	562,455	2,294,816	753,124	3,051,658

Vietnam Bank for Agriculture and Rural Development - Cambodia Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

27. CASH AND CASH EQUIVALENTS

	2020		2019	
	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
Cash on hand	1,397,533	5,653,021	363,304	1,480,464
Balances with the NBC excluding statutory deposits	2,324,713	9,403,464	1,183,734	4,823,716
Balances with other banks	3,629,183	14,680,045	3,365,980	13,716,369
	7,351,429	29,736,530	4,913,018	20,020,549

28. COMMITMENTS

	2020		2019	
	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
Revocable loan commitments (*)	1,864,989	7,543,881	893,067	3,639,248
Letters of credit (**)	121,000	489,445	186,450	759,784
	1,985,989	8,033,326	1,079,517	4,399,032

(*) The Branch does not recognize loss allowance for ECLs on the Branch's revocable undrawn credit facilities which the Branch does not obligate to disburse for customers' withdrawal request without sufficient and appropriate supporting documents under the guideline of the NBC to other banks' concern.

(**) Letters of credit has expired within less than 1 month since reporting date and no default occurred, hence the Branch has opted to use low credit risk exemption and make no expected credit loss on these off-balance-sheet commitments.

Vietnam Bank for Agriculture and Rural Development - Cambodia Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

29. RELATED PARTY TRANSACTIONS AND BALANCES

Significant transactions with related parties during the year were as follows:

<i>Related party</i>	<i>Transaction</i>	2020		2019	
		<i>US\$</i>	<i>KHR'000 equivalent</i>	<i>US\$</i>	<i>KHR'000 equivalent</i>
Vietnam Bank for Agriculture and Rural Develop- ment	Transfer profit to Head Office	-	-	868,146	3,537,695
	Interest in- come	1,136	4,636	387	1,577
Vietnam Bank for Agriculture and Rural De- velopment - Transaction Office	Deposit to current ac- count	42,099,962	171,767,843	36,055,418	146,925,828
	Withdraw from current account	38,818,481	158,379,401	35,591,980	145,037,319
Key manage- ment personnel	Remuneration	152,856	623,652	129,240	526,653

Balances with related parties at the reporting year were as follows:

<i>Related party</i>	<i>Account</i>	2020		2019	
		<i>US\$</i>	<i>KHR'000 equivalent</i>	<i>US\$</i>	<i>KHR'000 equivalent</i>
Vietnam Bank for Agriculture and Rural De- velopment	Current ac- count	453,178	1,833,105	1,061,424	4,325,303

30. FINANCIAL RISK MANAGEMENT

The Branch's management has overall responsibility for the establishment and oversight of the Branch's risk management framework.

The Branch's activities are exposed 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 operational risks are an inevitable consequence of being in business.

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

Vietnam Bank for Agriculture and Rural Development - Cambodia Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

30. FINANCIAL RISK MANAGEMENT (continued)

The Branch holds the following financial assets and liabilities:

	<i>31 December 2020</i>		<i>31 December 2019</i>	
	<i>US\$</i>	<i>KHR'000 equivalent</i>	<i>US\$</i>	<i>KHR'000 equivalent</i>
Financial assets				
Cash on hand	1,397,533	5,653,021	363,304	1,480,464
Balances with the NBC	6,607,740	26,728,308	5,845,185	23,819,129
Balances with other banks	3,629,183	14,680,045	3,365,980	13,716,369
Loans to customers- gross	37,441,636	151,451,418	38,019,869	154,930,966
Other financial assets	144,000	582,480	86,319	342,300
Total financial assets	49,220,092	199,095,272	47,680,657	194,289,228
Financial liabilities				
Deposits from banks and other financial institutions	1,821	7,366	1,812	7,384
Deposits from customers	7,671,795	31,032,411	7,002,231	28,534,092
Lease liabilities	722,882	2,924,058	875,779	3,568,799
Other financial liabilities	276	1,117	259	1,055
Total financial liabilities	8,396,774	33,964,952	7,880,081	32,111,330
Net financial assets	40,823,318	165,130,320	39,800,576	162,177,898

Vietnam Bank for Agriculture and Rural Development - Cambodia Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2020 and for the year then ended

30. FINANCIAL RISK MANAGEMENT (continued)

30.1 Credit risk

The Branch takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss to the Branch by failing to discharge an obligation. Credit risk is the most important risk for the Branch's business. Credit exposure arises principally in lending activities that lead to loans to customers. The credit risk management is carried out by the credit committee.

(a) Credit risk measurement

The Branch assesses the probability of default of individual counterparties in accordance with its credit policy, procedures and practices. The credit committee is responsible for determining the appropriateness and sufficiency of its credit policies.

(b) Risk limit control and mitigation policy

The Branch operates and provides loans to individuals within the Kingdom of Cambodia. The Branch manages limits and controls the concentration of credit risk whenever it is identified. Large exposure is defined by the NBC as overall credit exposure to any single beneficiary which exceeds 2% for individual loan and 3% for group loan of the Branch's net worth under the conditions of Prakas No. B7-07-163.

The Branch also 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 to customers, which is common practice. The Branch also accepts personal guarantee for the village bank loans. The Branch implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans to customers are:

- Mortgages over residential properties (land, building and other properties); and
- Charges over business assets such as land and buildings.

(c) Impairment assessment

The references below show where the Branch's impairment assessment and measurement approach is set out in this report. It should be read in conjunction with the Summary of significant accounting policies.

To apply the expected loss model for the recognition of losses on impaired financial assets for these financial statements, the Branch developed its own models to calculate the expected credit loss. The models incorporated historical data in over 10 years since the Branch's establishment, current conditions and forecasts of future economic conditions. However, the IFRS 9 only requires the ECL to be measured in the way that reflects reasonable and supportable information that is available without undue cost or effort at the reporting date, the Branch applied its own historical data and will update the model in the future.

Definition of default

The Branch determine that financial asset which is considered as default if fails under any criteria in the following list:

- ▶ DPD > 90 days (for long-term loans) and DPD > 30 days (for short-term loans)
- ▶ Reschedule/restructure or extend maturity date for the 1st time (expect: Covid-19 Restructure).
- ▶ Customer with written off exposure or sold loan.

Vietnam Bank for Agriculture and Rural Development - Cambodia Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

30. FINANCIAL RISK MANAGEMENT (continued)

30.1 Credit risk (continued)

(c) Impairment assessment (continued)

Restructured facilities shall not get better classification unless counterparty fulfil all contractual terms of restructured facilities fully and implement as follows:

- ▶ fully repay principal and interest at least 06 months for facilities with monthly repayment or
- ▶ fully repay principal and interest at least 01 year for facilities with quarterly and semi-annual repayment.

Probability of default estimation process

The Branch applied the overdue date criterion to classify the customers to create the information sources for PD estimation. Based on historical data in over 10 years of operations, the Branch estimated the PD for each segmentation of customers and then incorporate forward looking information to obtain the PDs for IFRS 9 ECL calculations.

Result of PD rates for the Branch's loans is as follow:

Segment	IFRS 9 PD		
	Base Scenario	Best Scenario	Worst Scenario
Retail	0,79%	0,69%	0,97%
Corporate	4,83%	4,09%	5,70%

Exposure at default

The exposure at default (EAD) represents the amortized cost of the financial instruments subject to the impairment calculation.

Loss given default

The Branch applied historically collected loss data based on segmentation to construct the LGD rate for each group of financial instruments.

Significant increase in credit risk

The Branch continuously monitors all assets subject to ECLs. The Branch considers that if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

Forward looking and scenarios

The Branch 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 Branch formulates three economic scenarios: a base case, which is the median scenario assigned a 70% probability of occurring, and two less likely scenarios, 15% for best scenario and 15% for worst scenario.

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

Vietnam Bank for Agriculture and Rural Development - Cambodia Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

30. FINANCIAL RISK MANAGEMENT (continued)

30.1 Credit risk

(c) Impairment assessment (continued)

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 Branch'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 Branch 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. 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 expert judgement to incorporate into the analysis and assessment of ECL outcomes.

The Group and the Branch also generate three economic scenarios to reflect economic conditions, starting with base, good, and bad. Each scenario is consistent with a probability of 70%, 15% and 15%.

(d) Maximum exposure to credit risk

The table below shows the Branch's maximum exposure to credit risk on its financial assets after taking into account any collateral held and other credit enhancement:

	31 December 2020		31 December 2019	
	US\$	KHR'000 equivalent	US\$	KHR'000 equivalent
Cash on hand	1,397,533	5,653,021	363,304	1,480,464
Balances with the NBC	6,607,740	26,728,308	5,845,185	23,819,129
Balances with other banks	3,629,183	14,680,045	3,365,980	13,716,369
Loans to customers	37,441,636	151,451,418	38,019,869	154,930,966
Other financial assets	144,000	582,480	86,319	342,300
	49,220,092	199,095,272	47,680,657	194,289,228

The maximum exposure to credit risks for the other financial assets is limited to the carrying value as of 31 December 2020.

The Branch holds collateral against loans to customer in the form of real estate mortgages, guarantees and other registered securities over assets. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and are regularly updated according to internal lending policies and regulatory guidelines.

Vietnam Bank for Agriculture and Rural Development - Cambodia Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

30. FINANCIAL RISK MANAGEMENT (continued)

30.1 Credit risk (continued)

(e) Risk limit control and mitigation policy

Concentrations arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Branch's performance to developments affecting a particular industry or geographic location.

The distribution of financial assets by industry sector of the Branch, before taking into account collateral held or other credit enhancements (maximum exposure) follows:

	31 December 2020						Total US\$
	Financial inter- mediaries US\$	Agriculture US\$	Manufacturing US\$	Consumer items US\$	Construction US\$	Others US\$	
Balances with the NBC	6,607,740	-	-	-	-	-	6,607,740
Balances with other banks	3,629,183	-	-	-	-	-	3,629,183
Loans to customers	-	5,403,723	3,446,665	24,873,858	3,717,390	-	37,441,636
Other assets	-	-	-	-	-	144,000	144,000
Total financial assets	10,236,923	5,403,723	3,446,665	24,873,858	3,717,390	144,000	47,822,559
KHR'000 equivalent	41,408,354	21,858,060	13,941,760	100,614,756	15,036,843	582,480	193,442,253

Vietnam Bank for Agriculture and Rural Development - Cambodia Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

30. FINANCIAL RISK MANAGEMENT (continued)

30.1 Credit risk (continued)

(e) Risk limit control and mitigation policy (continued)

	31 December 2019						
	Financial inter- mediaries US\$	Agriculture US\$	Manufacturing US\$	Consumer items US\$	Construction US\$	Others US\$	Total US\$
Balances with the NBC	5,845,185	-	-	-	-	-	5,845,185
Balances with other banks	3,365,980	-	-	-	-	-	3,365,980
Loans to customers	-	7,310,281	2,980,012	23,230,559	4,499,017	-	38,019,869
Other assets	-	-	-	-	-	86,319	86,319
Total financial assets	9,211,165	7,310,281	2,980,012	23,230,559	4,499,017	86,319	47,317,353
KHR'000 equivalent	37,535,497	29,789,395	12,143,549	94,664,528	18,333,494	351,750	192,818,214

Vietnam Bank for Agriculture and Rural Development - Cambodia Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

30. FINANCIAL RISK MANAGEMENT (continued)

30.1 Credit risk (continued)

(e) Credit quality per class of financial assets

The table below shows the credit quality per class of financial assets based on the Branch's rating system:

	31 December 2020				
	Stage 1	Stage 2	Stage 3	Total	KHR'000
	US\$	US\$	US\$	US\$	equivalent
Balances with other banks					
Normal	3,629,183	-	-	3,629,183	14,680,045
Loss allowance	-	-	-	-	-
Carry amount	3,629,183	-	-	3,629,183	14,680,045
Loans to customer					
Normal	37,214,714	-	-	37,214,714	150,533,518
Special mention	-	192,466	-	192,466	778,525
Substandard	-	-	-	-	-
Doubtful	-	-	-	-	-
Loss	-	-	34,456	34,456	139,375
	37,214,714	192,466	34,456	37,441,636	151,451,418
Loss allowance	(304,098)	-	(7,083)	(311,181)	(1,258,728)
Carrying amount	36,910,616	192,466	27,373	37,130,455	150,192,690
	31 December 2019				
	Stage 1	Stage 2	Stage 3	Total	KHR'000
	US\$	US\$	US\$	US\$	equivalent
Balances with other banks					
- Normal	3,365,980	-	-	3,365,980	13,716,369
- Loss allowance	-	-	-	-	-
Carry amount	3,365,980	-	-	3,365,980	13,716,369
Loans to customer					
Normal	37,985,413	-	-	37,985,413	154,790,558
Special mention	-	-	-	-	-
Substandard	-	-	-	-	-
Doubtful	-	-	-	-	-
Loss	-	-	34,456	34,456	140,408
	37,985,413	-	34,456	38,019,869	154,930,966
Loss allowance	(397,073)	-	(5,089)	(402,162)	(1,638,810)
Carrying amount	37,588,340	-	29,367	37,617,707	153,292,156

Vietnam Bank for Agriculture and Rural Development - Cambodia Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

30. FINANCIAL RISK MANAGEMENT (continued)

30.2 *Operational risk*

The operational risk losses which would result from inadequate or failed internal processes, people and systems or from external factors are managed through established operational risk management processes, proper monitoring and reporting of the business activities by control and support units which are independent of the business units and oversight provided by the management.

The operational risk management entails the establishment of clear organizational structure, roles and control policies. Various internal control policies and measures have been implemented. These include the establishment of signing authorities, defining system parameters controls, streamlining procedures and documentation. These are reviewed continually to address the operational risks of its business.

30.3 *Market risk*

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

(i) *Foreign exchange risk*

The Branch operates in the Kingdom of Cambodia and transacts in USD, KHR.

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

Vietnam Bank for Agriculture and Rural Development - Cambodia Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

30. FINANCIAL RISK MANAGEMENT (continued)

30.3 Market risk (continued)

(i) Foreign exchange risk (continued)

The balances in monetary assets and liabilities denominated in their respective currencies, expressed in USD, are as follows:

	31 December 2020		
	In KHR US\$	In EUR US\$	Total US\$
Financial assets			
Cash on hand	42,603	-	42,603
Balances with the NBC	11,386	-	11,386
Balances with other banks	153,863	18,357	172,220
Loans to customers	1,015,249	-	1,015,249
Total financial assets	1,223,101	18,357	1,241,458
Financial liabilities			
Deposits from customers	28,109	-	28,109
Total financial liabilities	28,109	-	28,109
Net foreign exchange position	1,194,992	18,357	1,213,349
KHR'000 equivalent	4,833,743	74,254	4,907,997
	31 December 2019		
	In KHR US\$	In EUR US\$	Total US\$
Financial assets			
Cash on hand	23,591	-	23,591
Balances with the NBC	6,451	-	6,451
Balances with other banks	4,693	3	4,696
Loans to customers	20,059	-	20,059
Total financial assets	54,794	3	54,797
Financial liabilities			
Deposits from customers	1,059	-	1,059
Total financial liabilities	1,059	-	1,059
Net foreign exchange position	53,735	3	53,738
KHR'000 equivalent	218,970	12	218,982

Vietnam Bank for Agriculture and Rural Development - Cambodia Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

30. FINANCIAL RISK MANAGEMENT (continued)

30.3 *Market risk* (continued)

(ii) *Price risk*

The Branch is not exposed to securities price risk because it does not hold any investment classified in the statement of financial position either as available for sale or at fair value through profit or loss.

(iii) *Interest rate risk*

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

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Branch is exposed to interest rate risk as a result of mismatches of interest rate re-pricing of assets and liabilities. The Branch manages this risk by matching the re-pricing of assets and liabilities through risk management strategies.

The Branch has no significant financial assets and liabilities with floating interest rates. Balances with the NBC and balances with other banks earn fixed interest for the period of the deposit while loans to customers earn fixed interest based on the outstanding balance over the agreed term.

Vietnam Bank for Agriculture and Rural Development - Cambodia Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

30. FINANCIAL RISK MANAGEMENT (continued)

30.3 Market risk (continued)

(iii) Interest rate risk (continued)

	31 December 2020								
	Overdue US\$	Non- interest bearing US\$	Less than 1 month US\$	From 1 to 3 months US\$	From 3 to 6 months US\$	From 6 to 12 months US\$	From 1 to 5 years US\$	Over 5 years US\$	Total US\$
Financial assets									
Cash on hand	-	1,397,533	-	-	-	-	-	-	1,397,533
Balances with the NBC	-	2,707,740	-	-	-	-	-	3,900,000	6,607,740
Balances with other banks	-	-	3,629,183	-	-	-	-	-	3,629,183
Loans to customers	226,922	-	3,379,913	2,177,824	7,657,908	10,540,962	10,804,493	2,653,614	37,441,636
Other assets	-	178,518	-	-	-	-	-	-	178,518
Total financial assets	226,922	4,283,791	7,009,096	2,177,824	7,657,908	10,540,962	10,804,493	6,553,614	49,254,610
Financial liabilities									
Deposits from banks	-	-	1,821	-	-	-	-	-	1,821
Deposits from customers	-	-	6,824,213	73,846	563,301	180,336	30,099	-	7,671,795
Lease liabilities	-	-	-	-	-	-	-	722,882	722,882
Other liabilities	-	51,563	-	-	-	-	-	-	51,563
Total financial liabilities	-	51,563	6,826,034	73,846	563,301	180,336	30,099	722,882	8,448,061
Maturity gap	226,922	4,232,228	183,062	2,103,978	7,094,607	10,360,626	10,774,394	5,830,732	40,806,549
KHR'000 equivalent	917,899	17,119,362	740,486	8,510,591	28,697,685	41,908,732	43,582,424	23,585,311	165,062,490

Vietnam Bank for Agriculture and Rural Development - Cambodia Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

30. FINANCIAL RISK MANAGEMENT (continued)

30.3 Market risk (continued)

(iii) Interest rate risk (continued)

	31 December 2019								
	Overdue US\$	Non- interest bearing US\$	Less than 1 month US\$	From 1 to 3 months US\$	From 3 to 6 months US\$	From 6 to 12 months US\$	From 1 to 5 years US\$	Over 5 years US\$	Total US\$
Financial assets									
Cash on hand	-	363,304	-	-	-	-	-	-	363,304
Balances with the NBC	-	1,184,102	-	-	-	-	-	4,661,083	5,845,185
Balances with other banks	-	-	3,365,980	-	-	-	-	-	3,365,980
Loans to customers	34,456	-	157,648	2,598,295	7,019,534	9,439,116	15,305,629	3,465,190	38,019,869
Other assets	-	86,319	-	-	-	-	-	-	86,319
Total financial assets	34,456	1,633,725	3,523,628	2,598,295	7,019,534	9,439,116	15,305,629	8,126,273	47,680,657
Financial liabilities									
Deposits from banks	-	-	1,812	-	-	-	-	-	1,812
Deposits from custom- ers	-	-	5,248,581	83,975	1,543,652	98,786	27,237	-	7,002,231
Lease liabilities	-	-	-	-	-	-	-	875,779	875,779
Other liabilities	-	259	-	-	-	-	-	-	259
Total financial liabilities	-	259	5,250,393	83,975	1,543,652	98,786	27,237	875,779	7,880,081
Maturity gap	34,456	1,633,466	(1,726,765)	2,514,320	5,475,882	9,340,330	15,278,392	7,250,494	39,800,576
KHR '000 equivalent	140,408	6,656,374	(7,036,569)	10,245,855	22,314,220	38,061,846	62,259,448	29,545,765	162,187,347

Vietnam Bank for Agriculture and Rural Development - Cambodia Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

30. FINANCIAL RISK MANAGEMENT (continued)

30.4 Liquidity risk

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

Management monitors statement of financial position liquidity and manages the concentration and profile of debt maturities. Monitoring and reporting take the form of the daily cash position and projection for the next day, week and month, respectively, as these are key periods for liquidity management. Management monitors the movements of the main depositors and projection of their withdrawals.

The following tables present an analysis of the assets and liabilities of the Branch by relevant maturity based on the remaining period at the statement of financial position date to the contractual or estimated maturity dates.

	31 December 2020							Total US\$
	Overdue			Current				
	Above 3 months US\$	Up to 3 months US\$	Up to 1 month US\$	From 1 to 3 months US\$	From 3 to 12 months US\$	From 1 to 5 years US\$	Over 5 years US\$	
Financial assets								
Cash on hand	-	-	1,397,533	-	-	-	-	1,397,533
Balances with the NBC	-	-	2,324,713	-	-	-	4,283,027	6,607,740
Balances with other banks	-	-	3,629,183	-	-	-	-	3,629,183
Loans to customers	34,456	192,466	3,379,913	2,177,824	18,198,870	10,804,493	2,653,614	37,441,636
Other assets	-	-	-	53	2,940	173,205	2,320	178,518
Total financial assets	34,456	192,466	10,731,342	2,177,877	18,201,810	10,977,698	6,938,961	49,254,610
Financial liabilities								
Deposits from banks	-	-	1,821	-	-	-	-	1,821
Deposits from customers	-	-	6,824,213	73,846	743,636	30,100	-	7,671,795
Lease liabilities	-	-	-	57,296	97,519	568,067	-	722,882
Other liabilities	-	-	17,621	33,942	-	-	-	51,563
Total financial liabilities	-	-	6,843,655	165,084	841,155	598,167	-	8,448,061
Net liquidity surplus (gap)	34,456	192,466	3,887,687	2,012,793	17,360,655	10,379,531	6,938,961	40,806,549
KHR'000 equivalent	139,375	778,525	15,725,694	8,141,748	70,223,849	41,985,203	28,068,097	165,062,491

Vietnam Bank for Agriculture and Rural Development - Cambodia Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

30. FINANCIAL RISK MANAGEMENT (continued)

30.4 Liquidity risk (continued)

	31 December 2019							
	Overdue		Current					Total US\$
	Above 3 months US\$	Up to 3 months US\$	Up to 1 month US\$	From 1 to 3 months US\$	From 3 to 12 months US\$	From 1 to 5 years US\$	Over 5 years US\$	
Financial assets								
Cash on hand	-	-	363,304	-	-	-	-	363,304
Balances with the NBC	-	-	1,183,734	-	-	-	-	5,845,185
Balances with other banks	-	-	3,365,980	-	-	-	-	3,365,980
Loans to customers	34,456	-	157,648	2,598,295	16,458,651	15,305,629	3,465,190	38,019,869
Other assets	-	-	-	-	-	-	86,319	86,319
Total financial assets	34,456	-	5,070,666	2,598,295	16,458,651	15,305,629	8,212,960	47,680,657
Financial liabilities								
Deposits from banks	-	-	1,812	-	-	-	-	1,812
Deposits from customers	-	-	5,248,581	83,975	1,642,438	27,237	-	7,002,231
Lease liabilities	-	-	34,224	-	102,673	721,382	17,500	875,779
Other liabilities	-	-	-	99	160	-	-	259
Total financial liabilities	-	-	5,284,617	84,074	1,745,271	748,619	17,500	7,880,081
Net liquidity surplus (gap)	34,456	-	(213,951)	2,514,221	14,713,380	14,557,010	8,195,460	39,800,576
KHR'000 equivalent	140,408	-	(871,852)	10,245,452	59,957,022	59,319,816	33,396,502	162,187,347

Vietnam Bank for Agriculture and Rural Development - Cambodia Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

30. FINANCIAL RISK MANAGEMENT (continued)

30.5 Fair value of financial assets and liabilities

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

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

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

The fair value of The Branch's financial instruments such as cash and short-term funds, balances with NBC, balances with other banks, deposits from customers and banks, other assets, other liabilities are not materially sensitive to shifts in market profit rate because of the limited term to maturity of these instruments. As such, the carrying value of these financial assets and liabilities at financial position date approximate their fair values.

The methods and assumptions used by The Branch in estimating the fair value of the financial instruments are:

- *Cash on hand, Balances with the NBC and with other banks*

The carrying amounts approximate the fair values due to the short-term nature of these accounts.

- *Loans to customers*

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

- *Due to other financial institutions and customer*

The estimated fair value of demand deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. The estimated fair value of long-term fixed interest-bearing deposits from other financial institutions and customers without quoted market price is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

- *Other assets and liabilities*

Due to their short duration, the carrying amounts of other liabilities in the statement of financial position are considered to be reasonable approximation of their fair values.

Vietnam Bank for Agriculture and Rural Development - Cambodia Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

30. FINANCIAL RISK MANAGEMENT (continued)

30.5. Fair value of financial assets and liabilities (continued)

Fair value hierarchy

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

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

Financial instruments not recognised at fair value

Fair value of financial instruments not measured at fair value is as below:

- ▶ Financial assets being balances with the NBC, due from other financial institutions are short terms (less than or equal to 3 months) with interest rates in line with the rates applied by other financial institutions and interbank rates. Therefore, their carrying amount approximates their fair value.
- ▶ Loans to customers: As the Branch's policy, loans to customers' interest rate are periodically reviewed and adjusted following market trend. Hence, carrying amount of loans to customers which is carried at amortised cost are equivalent to estimated fair value based on discounted cash flows using prevailing money-market interest rates for similar financial instruments maturity.

Due to customers, other borrowed funds: the majority of the deposits and other borrowed funds by the Branch bear interest at rates which are similar to prevailing market rates (which is the average interest rates of deposits issued in the current year) and has 1-year term of maturity. Hence, the carrying value of these financial liabilities shall be a reasonable approximation of the fair value.

Vietnam Bank for Agriculture and Rural Development - Cambodia Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

30. FINANCIAL RISK MANAGEMENT (continued)

30.6 *Capital management*

The main regulatory capital requirement of the Branch is for the Branch's operations to which the Branch's lead regulator, NBC, sets and monitors capital requirements for the Branch as a whole.

The Branch's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain further development of the business. The Branch recognizes the impact of the level of capital on shareholders' return and the need to maintain a balance between the possible higher return with greater gearing, advantages and security afforded by a sound capital position.

On 22 March 2016, the National Bank of Cambodia ("the NBC") issued Prakas B7-016-117 on Minimum Registered Capital of Banking and Financial Institutions ("the Prakas"). The Prakas requires branches whose Head Office is rated "investment grade" by a reputable and international rating agency to have a minimum registered capital of KHR300.00 billion (approximately US\$75.00 million). On 30 June 2020, the ultimate parent company of the Branch, State Bank of Vietnam ("the SBV"), sent an official letter to inform the NBC that relevant legal procedures of the Branch's capital injection are under its review and as such, the Branch was not able to meet the deadline for increasing its registered capital. Also, the SBV proposed to the NBC to allow the Branch to continue its operations. On 23 July 2020, the Branch received the approval letter from the NBC to continue its normal operations pending the completion of relevant procedures for the increase of its registered capital. As at the date of this report, the Branch is awaiting for the SBV's approval for the capital injection.

Vietnam Bank for Agriculture and Rural Development - Cambodia Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

31. MATURITY PROFILE OF ASSET AND LIABILITIES

Analysis of assets and liabilities expected date of recovery and settlement from the balance sheet date is as follows:

	31 December 2020		
	<i>Within 12 months</i> US\$	<i>Over 12 months</i> US\$	<i>Total</i> US\$
Financial assets			
Cash on hand	1,397,533	-	1,397,533
Balances with the NBC	2,324,713	4,283,027	6,607,740
Balances with other banks	3,629,183	-	3,629,183
Loans to customers	23,983,529	13,458,107	37,441,636
Other assets	-	144,000	144,000
Non - financial assets			
Property and equipment	-	81,838	81,838
Right of use assets	-	546,034	546,034
Deferred tax assets	-	174,134	174,134
Other assets	34,518	-	34,518
Total financial assets	31,369,476	18,687,140	50,056,616
KHR'000 equivalent	126,889,530	75,589,481	202,479,011
<i>Allowance for ECL on:</i>			
<i>Loan to customers</i>	<i>(304,098)</i>	<i>(7,083)</i>	<i>(311,181)</i>
Net	31,065,378	18,680,057	49,745,435
KHR'000 equivalent	125,659,454	75,560,831	201,220,285
Financial liabilities			
Deposits from banks	1,821	-	1,821
Deposits from customers	7,641,695	30,100	7,671,795
Lease liabilities	154,815	568,067	722,882
Other liabilities	276	-	276
Non - financial liabilities			
Other liabilities	51,287	-	51,287
Current tax liabilities	289,428	-	289,428
Total financial liabilities	8,139,322	598,167	8,737,489
KHR'000 equivalent	32,923,557	2,419,586	35,343,143

Vietnam Bank for Agriculture and Rural Development - Cambodia Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

31. MATURITY PROFILE OF ASSET AND LIABILITIES (continued)

	31 December 2019		
	Within 12 months US\$	Over 12 months US\$	Total US\$
Financial assets			
Cash on hand	363,304	-	363,304
Balances with the NBC	1,183,734	4,661,451	5,845,185
Balances with other banks	3,365,980	-	3,365,980
Loans to customers	19,249,530	18,770,339	38,019,869
Other assets	-	86,319	86,319
Non - financial assets			
Property and equipment	-	24,085	24,085
Right of use assets	-	677,082	677,082
Deferred tax assets	-	211,307	211,307
Other assets	7,748	-	7,748
Total financial assets	24,170,296	24,430,583	48,600,879
KHR'000 equivalent	98,493,956	99,554,626	198,048,582
<i>Allowance for ECL on:</i>			
<i>Loan to customers</i>	(397,073)	(5,089)	(402,162)
Net financial assets	23,773,223	24,425,494	48,198,717
KHR'000 equivalent	96,875,884	99,533,888	196,409,772
Financial liabilities			
Deposits from banks	1,812	-	1,812
Deposits from customers	6,974,994	27,237	7,002,231
Lease liabilities	136,897	738,882	875,779
Other liabilities	259	-	259
Non - financial liabilities			
Other liabilities	162,547	-	162,547
Current tax liabilities	259,409	-	259,409
Total financial liabilities	7,535,918	766,119	8,302,037
KHR'000 equivalent	30,708,866	3,121,935	33,830,801

Vietnam Bank for Agriculture and Rural Development - Cambodia Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

32. RESTATEMENT OF CORRESPONDING FIGURES

During the current year, management made retrospective adjustments to correct prior periods' errors deriving from the application of incorrect exchange rate for the translation into KHR of the Branch's capital, with details as below.

Reconciliation of items in the statement of financial position as at 31 December 2019

<i>Notes</i>	<i>As previously stated</i>	<i>Restatements</i>	<i>As restated</i>
	<i>KHR'000 equivalent</i>	<i>KHR'000 equivalent</i>	<i>KHR'000 equivalent</i>
EQUITY			
Branch's capital	158,925,000	(2,925,000)	156,000,000
Regulatory reserve	188,925	-	188,925
Retained earnings	3,440,559	-	3,440,559
Currency translation differences	24,487	2,925,000	2,949,487
Total equity	162,578,971	-	162,578,971
TOTAL LIABILITIES AND EQUITY	196,409,772	-	196,409,772

Reconciliation of items in statement of comprehensive income year ended 31 December 2019

<i>Notes</i>	<i>As previously stated</i>	<i>Restatements</i>	<i>As restated</i>
	<i>KHR'000 equivalent</i>	<i>KHR'000 equivalent</i>	<i>KHR'000 equivalent</i>
Other comprehensive income	19,231	2,247,273	2,266,504
Net profit for the year	3,407,988	2,247,273	5,655,261

Vietnam Bank for Agriculture and Rural Development - Cambodia Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

32. RESTATEMENT OF CORRESPONDING FIGURES (continued)

Reconciliation of items in statement of changes in equity year ended 31 December 2019

	Share capital		Retained earnings		Regulatory reserves		Currency translation differences				Total	
	Restatements		As restated		As previously stated		Restatements		As restated		Restatements	
	As previously stated	KHR'000 equivalent	KHR'000 equivalent	KHR'000 equivalent	KHR'000 equivalent	KHR'000 equivalent	KHR'000 equivalent	KHR'000 equivalent	KHR'000 equivalent	KHR'000 equivalent	KHR'000 equivalent	KHR'000 equivalent
Balance as at 1 January 2019	156,702,000	(702,000)	156,000,000	2,848,894	900,872	(19,017)	702,000	682,983	160,432,749	-	160,432,749	
<i>Net profit for the year</i>	-	-	-	3,388,757	-	-	-	-	-	3,388,757	-	3,388,757
<i>Currency translation differences</i>	-	-	-	-	-	19,231	2,247,273	2,266,504	19,231	(2,247,273)	2,266,504	
Total comprehensive income for the year	-	-	-	3,388,757	-	19,231	2,247,273	2,266,504	3,407,988	(2,247,273)	5,655,261	
Profit transferred to Head Office	-	-	-	(3,517,728)	-	-	-	-	(3,517,728)	-	(3,517,728)	
Transfer from regulatory reserves to retained earnings	-	-	-	720,636	(720,636)	-	-	-	-	-	-	
Currency translation differences	2,223,000	(2,223,000)	-	-	8,689	24,273	(24,273)	-	2,255,962	2,247,273	8,689	
Balance as at 31 December 2019	158,925,000	(2,925,000)	156,000,000	3,440,559	188,925	24,487	2,925,000	2,949,487	162,578,971	-	162,578,971	

Vietnam Bank for Agriculture and Rural Development - Cambodia Branch

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

33. TAX CONTINGENCY

The taxation system in Cambodia is characterized by numerous taxes and frequently changing legislation, which is often unclear, contradictory and subject to interpretation. Often, differing interpretations exist among numerous taxation authorities and jurisdictions. Taxes are subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges. These facts may create tax risks in Cambodia substantially more significant than in other countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have differing interpretations and the effects since the incorporation of the Branch could be significant.

34. SUBSEQUENT EVENTS

With the Covid-19 pandemic, many countries have required entities to limit or suspend business operations and implemented travel restrictions and quarantine measures. These measures and policies have significantly disrupted (or are expected to disrupt) the activities of many entities. The condition of the coronavirus outbreak has continued to evolve throughout the timeline crossing 31 December 2020. Cambodia is among those affected countries that signifies economic slowdown due to global recession and lockdown in Phnom Penh and other certain areas. Amid the outbreak, the NBC advised all banks and financial institutions to delay or suspend all loan and interest payments as part of measures to soften the economic blow of coronavirus on business and household borrowers.

Based on management's assessment on forward-looking to 2021, the impact of the potential disease outbreak could be minimal due to availability of loan protection measures in controlling credit risks of the portfolio, management does not consider it practicable to provide a quantitative estimate of the potential impact of this pandemic on the Bank. Management will continuously pay attention to the situation of the COVID-19 in Cambodia, operations of its loan customers, as well as their ability to service debts.

Other than as disclosed elsewhere in these financial statements, at the date of this report, there were no events which occurred subsequent to 31 December 2020 that had significant impact on the financial position of the Bank as at 31 December 2020.