

Bank of China Limited Phnom Penh Branch Annual Report 2020



中国银行总行介绍

1912年2月，经孙中山先生批准，中国银行正式成立。中国银行是中国国际化和多元化程度最高的银行，截至目前，在中国内地及61个国家和地区为客户提供全面的金融服务。主要经营商业银行业务，包括公司金融业务、个人金融业务和金融市场业务，并通过全资子公司中银国际控股有限公司开展投资银行业务，通过全资子公司中银集团保险有限公司及中银保险有限公司经营保险业务，通过全资子公司中银集团投资有限公司经营直接投资和投资管理业务，通过控股中银基金管理有限公司经营基金管理业务，通过控股中银航空租赁有限公司经营飞机租赁业务。

中国银行金边分行

中国银行金边分行是经中国银监会批准设立，由中国银行总行直属发起设立，于2017年底因为区域化管理需要合并到中银香港。分行由柬埔寨中央银行核发营业执照，可经营全能商业银行业务。

金边分行成立于2010年12月8日，坐落在柬埔寨首都金边，经营柬埔寨国内及国际所有商业银行产品及服务，在柬埔寨全境有五家经营性机构，覆盖柬埔寨首都金边、主要出海口西哈努克港及吴哥窟所在地暹粒市。目前主要从事公司金融、贸易金融、个人金融及全球市场业务等，产品及服务包括公司及个人各类贷款业务、公司及个人各类存款业务、公司及个人各类外汇买卖业务、外币现钞买卖、国际汇出及汇入汇款、银行卡、收单业务、国际结算、贸易融资、保函、银行同业服务、全球现金管理、资金业务、投行业务、代理业务等。服务对象包括中柬两国公民、外籍人士、中资企业、与中国有贸易投资往来柬国公司及柬埔寨当地主流企业。

金边分行致力建设成为在柬一流银行、中资企业在柬标杆，遵规守法，依法纳税，开业以来积极推动中柬企业及民间交往与合作，搭建中柬企业交流合作平台，积极履行社会责任与推动社会公益，奖教助学，举办系列人民币国际化讲座，促进中柬民间文化交流。其中，2015年协助总行面向柬埔寨举办“一带一路”国际金融交流合作研修班，柬埔寨首相洪森亲王出席开班仪式，柬埔寨政要及企业家30人参加；2016年被柬埔寨税务局授予金牌纳税人称号，是全柬获此殊荣的20家企业之一；2018年5月，当选柬埔寨中国商会会长单位；2019年4月，协助洪森首相在第二届“一带一路”国际合作高峰论坛期间拜访中国银行总行，见证中国银行与柬埔寨政府部门及企业等签署一系列战略合作谅解备忘录。2020年，获得国内外汇交易中心CFETS会员资格，成为人民币兑柬币的区域市场报价行和参与行，并叙做在柬商业银行首单代客人民币兑柬币直接报价及交易业务。

中国银行金边分行与您一路同行、一起发展！

分行网站及网址：

网站：www.boc.cn/kh

地址：柬埔寨金边市莫尼旺大道与安良街拐角315号加华大厦一、二层

ABOUT BANK OF CHINA

Bank of China was formally established in February 1912 following the approval of Dr. Sun Yat-sen. As China's most internationalised and diversified bank, Bank of China provides a comprehensive range of financial services to customers across the Chinese mainland as well as 61 countries and regions. The Bank's core business is commercial banking, including corporate banking, personal banking and global markets services. BOC International Holdings Limited, a wholly owned subsidiary, is the Bank's investment banking arm. Bank of China Group Insurance Company Limited and Bank of China Insurance Company Limited, both wholly owned subsidiaries, run the Bank's insurance business. Bank of China Group Investment Limited, a wholly owned subsidiary, undertakes the Bank's direct investment and investment management business. Bank of China Investment Management Co., Ltd., a controlled subsidiary, operates the Bank's fund management business. BOC Aviation Limited, a controlled subsidiary, is in charge of the Bank's aircraft leasing business.

ABOUT BANK OF CHINA PHNOM PENH BRANCH

Bank of China Phnom Penh Branch was incorporated in Cambodia in November 2010 under the name Bank of China Limited, Phnom Penh Branch, becoming the first Chinese Bank to enter and launch operations in Cambodia. As part of the restructuring exercise of the Bank of China Group in the ASEAN Region, Bank of China Limited Phnom Penh Branch was acquired and operates as a subsidiary of Bank of China (Hong Kong) Holdings Limited in November 2017.

Bank of China Phnom Penh Branch is principally engaged in Corporate Banking, Personal Banking, International Settlement, Trade Financing and Financial Services.

As the first Chinese Bank to have a presence in Cambodia, with the purpose to enhance financial and economic services whilst exploring new innovations and technology for our advancement to meet the needs of our clients, our objective is to provide a strong support to facilitate commercial and investment activities between Chinese and Cambodian enterprises and for the local community. We are the trusted partner of Chinese Going Global Enterprises and clients dealing with China because of our extensive and close banking relationships with leading local and international banks and comprehensive product range. As at 31 December 2020, the Branches have a total of 193 employees.

We offer an efficient team of experts and well-trained workforce complement with multilingual ability, proficient in Cambodian, Chinese and English to effectively communicate and cater to the needs of a diverse set of clients. In response to an increased demand for services, Bank of China Phnom Penh Branch has expanded and set up branches in three big cities across Cambodia- Phnom Penh, Siem Reap and Sihanoukville. The five branches consist of Phnom Penh Main Branch, Intercon Sub-Branch, Olympic Sub-Branch, Siem Reap Sub-Branch and Sihanoukville Sub-Branch.

Since the establishment in 2010, we have achieved remarkable progress and continuous outstanding performance. We hold a strong market position in Cambodia, ranking fifth in Total Assets and Deposits and ninth in Profits and Loans.

Corporate Services: Loan, Settlement, International Remittance, e-Banking, Working Capital Loan, Overdraft, Trade Financing, Project Financing, Syndicated Loan, etc.

Personal Service: Loan, Settlement, International Remittance, Credit Card, ATM, e-Banking, Mobile Banking, Payroll, UnionPay Online Payment Transaction, etc.

Web-Site: www.boc.cn/kh

Address: Bank of China Limited Phnom Penh Branch
Canada Tower, 1st & 2nd Floor,
315 Ang Duong St., P.O.BOX 110
Phnom Penh, Cambodia.

MESSAGE FROM THE COUNTRY MANAGER



2020年是不平凡的一年。新冠疫情在全球肆虐，柬埔寨经济亦受到重大影响，主要经济领域，如成衣和制鞋业、旅游业和建筑业陷入萎缩，银行贷款不良率有所上升。但基于柬埔寨稳定的政治局势、自由的经济体制以及年轻的人口结构等优势，我们对柬埔寨在疫情之后的经济恢复充满信心。

2020年，我行积极抗疫，制定了完善的应急预案，根据疫情变化采取合理应对措施，有效保持了业务连续性；我行加强员工关爱，发放抗疫津贴，疫情期间出台多项员工关爱政策，确保了员工安全和稳定；我行积极承担社会责任，支持柬埔寨各界防疫、抗疫，累计捐赠物资、现金约86,000美元。

2020 has been an extraordinary year. The onslaught of the COVID-19 pandemic around the globe hit the Cambodian economy hard. Such major economic sectors as garment, shoemaking, tourism and construction shrunk, and the NPL ratio of banks increased. We, however, are still fully confident of the economic recovery of Cambodia after the crisis, for its political stability, free economic system and youthful population.

In 2020, we proactively fought against the pandemic. We formulated comprehensive Business Continuity Plan and took appropriate countermeasures in response to changing COVID-19 dynamics, effectively maintaining business continuity. We provided increased care for our employees by giving pandemic-related subsidies and introducing multiple employee care policies, which guaranteed the safety and stability of employees. We actively assumed social responsibilities to support all walks of life in Cambodia in pandemic prevention and control, with approximately USD86K donated in cash and in kind.

2020年，我行保持业务发展动能，积极服务中资“走出去”企业，重点在交通基础设施建设等涉及国计民生的领域加大投入；我行将继续支持本地重点企业发展，并通过与本地金融机构合作，支持柬埔寨中小企业发展。

2020年，我行加快业务创新，推广柬币产品，获得中国大陆外汇交易中心CFETS会员资格，成为人民币兑柬币的区域市场报价行和参与行，并叙做在柬商业银行首单代客人民币兑柬币直接报价及交易业务。

2020年，我行按照央行政策导向，为客户提供必要的纾困措施，帮助客户共渡难关。与此同时，我行坚持审慎的风险管理原则，资产质量保持稳健，贷款不良率低于市场整体水平。

因工作调动的原因，王化斌先生于今年初辞任分行行长。王化斌行长在任期间，在保持分行业务持续发展的同时，致力于改善分行的治理机制，提升合规管理和风险控制水平，为金边分行的长远发展奠定了坚实基础。在此，我向王化斌先生对分行做出的卓越贡献表示衷心的感谢，同时，也祝愿王化斌先生在新的岗位取得更大的成就。

最后，借此机会，我谨代表分行管理层，衷心感谢全行员工的辛勤工作，衷心感谢柬埔寨国家银行、广大客户及各界朋友的大力支持。我们将一如既往贯彻集团战略，深耕本地市场，服务中柬客户，担当社会责任，践行高质量可持续发展理念，回报社会各界的信任和支持。

In 2020, we maintained the momentum of business development. We served Chinese enterprises that pursue international operation, and increased investment in transportation infrastructure development and other areas related to the national welfare and the people's livelihood. We will continue to support the development of local key enterprises and facilitate the development of Cambodian SMEs in collaboration with local financial institutions.

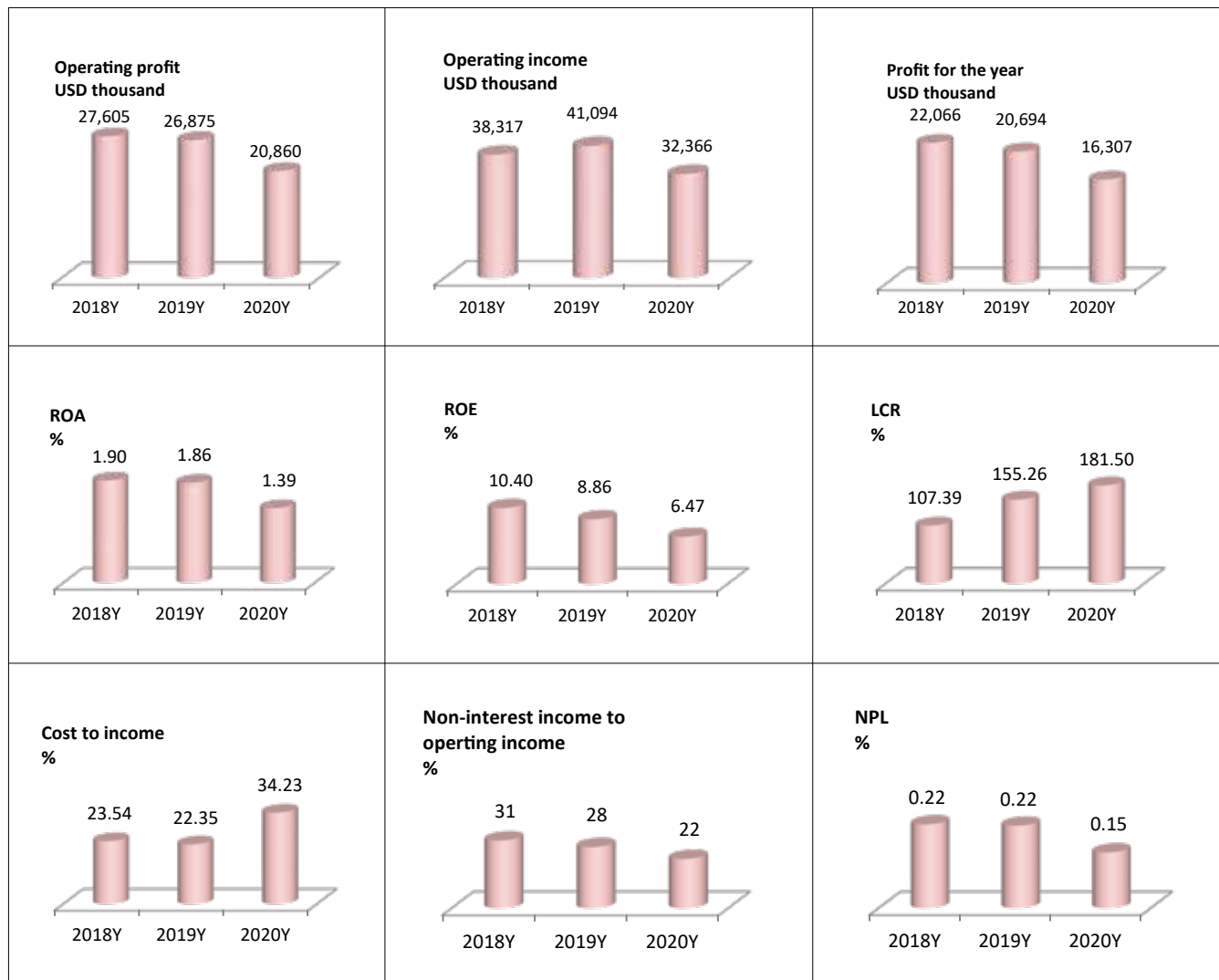
In 2020, we sped up business innovation and promoted KHR products. We obtained China Foreign Exchange Trade System (CFETS) membership. We were appointed as the quoting bank and participating bank for RMB to KHR in the regional market, and was the commercial bank in Cambodia to complete the first RMB to KHR direct quotation and exchange transaction on behalf of our customers as agent.

In 2020, following the policies of the National Bank of Cambodia, we took necessary bailout measures to help our customers tide over the difficulties. In the meantime, we adhered to prudent risk management policies and maintained stable asset quality and NPL ratio lower than the market level.

At the beginning of the year, Mr. Wang Huabin resigned as Country Manager due to job transfer. During his tenure, he was committed to improving the governance mechanism of the Branch and compliance management and risk control while maintaining sustainable business development, whose efforts have laid a solid foundation for the long-term development of Phnom Penh Branch. Here, I would like to express my heartfelt gratitude to Mr. Wang Huabin for his outstanding contribution to the Branch. I also wish Mr. Wang Huabin greater success in his new position.

At last, on behalf of the management, I would like to take this opportunity to express my sincere gratitude to all employees for their hard work, and to National Bank of Cambodia, our customers and friends from all circles for their strong support. We will implement strategies of the Group as always, continuously explore the local market, serve customers from China and Cambodia, assume social responsibilities, and practice the philosophies of high-quality and sustainable development, to give back to all sectors of the society for their trust and support.

Financial Highlights



NOTES

1. **Non-interest income** = net fee and commission income + net trading gains/(losses) + net gains/losses on investment securities + other operating income
2. **Operating income** = net interest income + non-interest income
3. **Return on average total assets** = profit for the year ÷ average total assets.
average total assets = (total assets at the beginning of the year + total assets at the year-end) ÷ 2
4. **Return on average equity** = profit attributable to equity holders of the bank ÷ weighted average capital and reserves attributable to equity holders of the bank
5. **net interest margin** = net interest income ÷ average balance of interest-earning assets.
 average balance is average daily balance derived from the bank's management accounts (unaudited).
6. **Non-interest income to operating income** = non-interest income ÷ operating income
7. **Provision Coverage** = impairment on loans ÷ balance of NPL.
average balance of loans = (balance of loans at the beginning of the year + balance of loans at the year-end) ÷ 2

Bank of China (Hong Kong) Limited - Phnom Penh Branch

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

EXECUTIVE MANAGEMENT COMMITTEE

- Ensure the implementation of applicable human resource management policies and procedures of the head office.
- Research, discuss and formulate the Bank's development strategy, annual budget, performance appraisal plan.
- Review and approve the annual financial budget and business development plan of the Branch, including the allocation of budget and business plan.
- Review and approve other important human resource management related issues, such as the overall headcount and personal expense budget, salary increase plan and annual bonus allocation plan.
- Consider and approve projects involving expenses expenditure and investment in fixed asset, etc.
- Research and discuss other important issues of the Bank.

THE RISK MANAGEMENT COMMITTEE

- Undertaking all decisions given by Head Office and Management Team of the Branch According to the development strategy of Branch, research and prepare policy, strategy, working plans, annual working pinpoints, risk management.
- Deliberating the important policies and system of risk management including revising the rules of the Committee.
- Researching important items of risk management, taking measurement and supervising on the implementation.
- Responsible for maintaining the overall operations of risk management , identifying the shortcomings and disadvantages of risk management , assessing the risk management system and effectiveness of the policies, monitoring the implementation of the relevant policies, reviewing the report of overall risk management and conditions of internal control regularly, propose measurement and implementation.
- Responsible for management of the whole bank's sudden significant risk event.
- Responsible for continuous management system and all kinds of contingency plans.
- Checking, assessing the validity of human resources and information technology support devices in risk management operating process and proposing adjustment demands.

THE OPERATION RISK AND INTERNAL CONTROL COMMITTEE

- Undertaking and implementing BOCHK and the Branch's GMO decisions.
- According to the development strategy of the branch, research and establish internal control, compliance and operational risk policy, strategy plan, working plan and working pinpoints, and ensure the regular review, and obtain Senior management's approval for the implementation.
- Promulgating and maintaining the branch's internal control, compliance and operational risk policies and procedures, and monitoring the implementation effectiveness.
- Establishing the mechanism for identify, measures, monitor, control and report of compliance, operational and reputation risk management.
- Research and discuss new requirements and development and measurement.
Examining and assessing the human resource and information technology setup effectiveness of internal control, compliance and operational risk management, and raise up any remediation requirements.
- Deliberating the branch's BCP policy and other relevant emergency plans.
- Obtain regarding the branch's internal control, compliance and operational risk management status, monitoring data and remediation internal/external findings and resolve the major issues.

Bank of China (Hong Kong) Limited - Phnom Penh Branch

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

CREDIT APPRAISAL COMMITTEE

- To perform the duty with full responsibility in relation to assess the credit application with the objectivity, honesty, carefully, thoroughly and follow the prudence principle of credit;
- To follow all the regulations and conditions stated in the Credit Risk Policy of Bank of China (Hong Kong) Phnom Penh Branch, Head Office Guidelines and National Bank of Cambodia Regulations.

THE ANTI-MONEY LAUNDERING COMMITTEE

- The Committee is to perform the responsibilities and rights in Improve employees' awareness of AML/CFT compliance, establish an effective AML/CFT risk management mechanism, monitor AML/CFT matters in a proactive and timely manner and urge each unit to implement relevant policies and legal requirements.
- Assess and decide on information technology and human resource allocation of the Branch's AML/CFT work, raise for any requests when necessary in order to ensure the AML/CFT target and effectiveness of the policies implementation.
- Formulate, review, deliberate and promote on AML/CFT policies and procedures, and monitor the effectiveness of the implementation. Research, decide and solve the material AML/CFT incidents.
- Publish and maintain the Branch's AML/CTF policies and systems and supervise the effective implementation thereof. Provide guidelines for the Branch's business management and internal control system and framework in terms of AML/CFT; urge each unit to formulate appropriate AML/CFT processes and control procedures within the scope of its functions.
- Ensure that employee will receive sufficient AML/CFT training.
- Supervise and discuss the local industry's legal requirements and development for AML/CFT and the international community's important new legal requirements and development for AML/CFT in respect of Hong Kong & Cambodia.
- Establish an AML/CFT monitoring model; promote and improve the Branch's AML/CFT supervision information system and delegate the management work to each unit.
- Report the operation, risk position and key monitoring data of AML/CFT on a quarterly basis to the General Management Office and supervise the progress of each relevant rectification and optimization project.
- Review the audit reports of internal/external auditors and the regulatory authority in respect of the Branch's AML/CFT work, ratify relevant responses and supervise the on-time completion of relevant rectification undertakings.
- Report, follow up and monitor AML/CFT focus and core matters raised by BOCHK AML Committee.

PROCUREMENT REVIEW COMMITTEE

- Responsible for monitoring and verifying executing Branch's procurement and ensuring that Branch's procurement procedures have been applied. Ensure consistent and correct application of procurement practices.
- Making decision to prequalify applicants for contracts estimated at \$10,000 or more; approval on an evaluation report on technical proposals in case of two-stage or two envelope bidding procedures, if the estimated contract value is \$10,000 or more; making a decision to award or rebid a contract valued at \$10,000 or more; making decision to cancel bidding for a contract valued at \$10,000 or more.

Bank of China (Hong Kong) Limited - Phnom Penh Branch

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

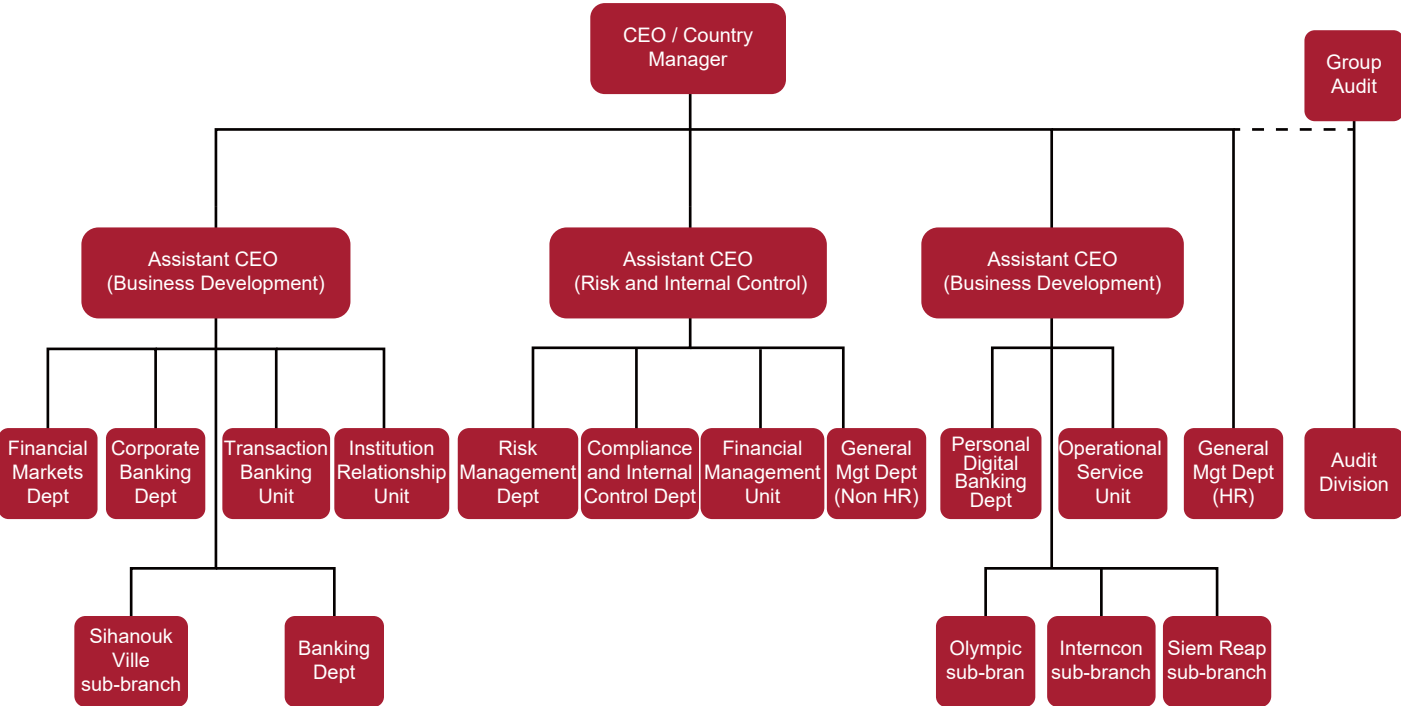
ASSET AND LIABILITY MANAGEMENT COMMITTEE

- The Asset and Liability Management Committee was established and separated as the special committee from the routine management meeting. Members of the Committee are the head of the departments and subbranches. The Committee may invite the person who is not member of the Committee to attend the Committee meetings if necessary. The Committee was held at quarterly basis and there were four meeting in 2018 to analysis the market trends and decide our strategy accordingly.

INTERNAL AUDIT

- Internal Audit: Audit Department (Phnom Penh), as the local audit team of BOCHK Group Audit (“Group Audit”) stationed in Phnom Penh Branch, is under the line management, supervision and guidance of Group Audit and reports directly to Group Audit. The duties of Audit Department (Phnom Penh) includes: performing riskbased audit and special reviews to appraise the appropriateness of and adherence to the Group’s internal policies, standards and procedures and compliance with external laws and regulations; making recommendations to improve control/procedures; monitoring and reporting progress in implementing agreed recommendations to the Management and Group Audit; examining bad-debt written-off; and conducting investigation on significant suspected fraudulent activities as requested by the Management and Group Audit.

BANK OF CHINA (HONG KONG) PHNOM PENH BRANCH ORGANIZATION CHART



Bank of China (Hong Kong) Limited - Phnom Penh Branch

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

CORPORATE INFORMATION

1. Executive Management Committee

No.	Members	Position	Nationality	Approval Date in committee	TOR	Others
1	Mr. Wang Haubin ¹	Chairman	Chinese	24/04/2019		
2	Mr. Wang Hongsong ²	Member	Chinese	24/04/2019		
3	Mr. Liu Daozhi ³	Chairman	Chinese	22/02/2021		
4	Mr. Liu Zheng	Member	Chinese	24/04/2019		
5	Ms. Gung Wing Hang Elsie	Member	Chinese(HK)	18/10/2020		

2. Credit Committee

No.	Members	Position	Nationality	Approval Date in committee	TOR	Others
1	Mr. Wang Hongsong	Chairman	Chinese	07/06/2019		
2	Mr. Liu Daozhi	Observer	Chinese	22/02/2021		
3	Mr. Wang Huanhao	Member	Chinese	2019/06/07		
4	Ms. Tian Xiaolin ⁴	Member	Chinese	14/09/2020		
5	Mr. Ouyang Chang	Member	Chinese	07/06/2019		
6	Mr. Wang Junwei	Member	Chinese	07/06/2019		
7	Mr. Wang Wenzhe	Member	Chinese	07/06/2019		
8	Mr. Si Zhengqiang	Member	Chinese	07/06/2019		
9	Ms. Zhang Yuan	Member	Chinese	07/06/2019		
10	Ms. Mao Yukha	Member	Cambodian	07/06/2019		
11	Mr. Liu Jianwu	Member	Chinese	07/06/2019		
12	Mr. Liu Xiaofeng	Member	Chinese	07/06/2019		
13	Ms. Chen Xi	Secretary	Chinese	07/06/2019		
14	Ms. Lu Ying	Secretary	Chinese	07/06/2019		
15	Ms. Mey Heang	Secretary	Cambodian	07/06/2019		
16	Ms. Liu Nian	Secretary	Chinese	07/06/2019		

3. Operational Risk Management and Internal Control Committee

No.	Members	Position	Nationality	Approval Date in committee	TOR	Others
1	Mr. Wang Hongsong	Chairman	Chinese	08/06/2018		
2	Mr. Wang Huabin	Observer	Chinese	28/06/2019		
3	Mr. Liu Daozhi	Observer	Chinese	22/02/2021		
4	Mr. Ouyang Chang	Member	Chinese	08/06/2018		
5	Ms. Zhang Yuan	Member	Chinese	08/06/2018		
6	Mr. Wang Huanhao	Member	Chinese	08/06/2018		
7	Ms. Tian Xiaolin	Member	Chinese	14/09/2020		
8	Mr. Huang Limao ⁵	Member	Chinese	08/06/2018		

1. On 31/12/2020 temporary handed over to Mr. Wang Hongsong.
2. From 01/01/2021 to 21/02/2021, Mr. Wang Hongsong was Acting CEO
3. On 22/02/2021, Mr. Wang Hongsong handed over to Mr. Liu Daozhi
4. On 14/09/2020 temporary handed over to Ms. Tian Xiaolin
5. On 29/05/2020 temporary handed over to Mr. Xu Wei

Bank of China (Hong Kong) Limited - Phnom Penh Branch

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

9	Mr. Xu Wei	Member	Chinese	29/05/2020
10	Mr. Wang Wenzhe	Member	Chinese	08/06/2018
11	Mr. Liu Xiao Feng	Member	Chinese	08/06/2018
12	Mr. Si Zhengqiang	Member	Chinese	28/06/2019
13	Mr. Cui Hongbo	Member	Chinese	28/06/2019
14	Mr. Wang Junwei	Member	Chinese	28/06/2019
15	Mr. Liu Jianwu	Member	Chinese	28/06/2019
16	Ms. Chhor Chhunvouch	Member	Cambodian	08/06/2018
17	Ms. Li Chunxiao	Observer	Chinese	08/06/2018
18	Ms. Han Weida	Secretary	Chinese	08/06/2018
19	Ms. Touch Kimleang	Minutes Taker	Cambodian	08/06/2018

4. Procurement Committee

No.	Members	Position	Nationality	Approval Date in committee	TOR	Others
1	Mr. Wang Hongsong	Chairman	Chinese	30/06/2019		
2	Ms. Zhang Yuan	Member	Chinese	28/02/2014		
3	Mr. Liu Xiao Feng	Member	Chinese	03/03/2012		
4	Mr. Ouyang Chang	Member	Chinese	19/04/2011		
5	Mr. Xu Wei	Member	Chinese	11/11/2020		
6	Mr. Cui Hongbo	Member	Chinese	31/01/2017		
7	Mr. Liu Jianwu	Member	Chinese	31/07/2018		
8	Mr. Si Zhengqiang	Member	Chinese	31/01/2019		
9	Ms. Tian Xiaolin	Member	Chinese	11/11/2020		
10	Mr. Guo Huafeng	Member	Chinese	23/04/2020		
11	Mr. Wang Wenzhe	Member	Chinese	31/01/2017		
12	Mr. Wang Junwei	Secretary	Chinese	05/05/2017		

5. Risk Management Committee

No.	Members	Position	Nationality	Approval Date in committee	TOR	Others
1	Mr. Wang Hongsong	Chairman	Chinese	07/06/2019		
2	Mr. Wang Huabin	Member	Chinese	07/06/2019		
3	Mr. Liu Zheng	Member	Chinese	07/06/2019		
4	Ms. Wing Hang Elsie Gung	Member	Chinese(HK)	11/11/2020		
5	Mr. Wang Huanhao	Member	Chinese	07/02/2018		
6	Mr. Ouyang Chang	Member	Chinese	07/02/2018		
7	Mr. Wang Junwei	Member	Chinese	07/02/2018		
8	Mr. Cui Hongbo	Member	Chinese	07/06/2019		
9	Mr. Liu Xiaofeng	Member	Chinese	07/02/2018		
10	Mr. Wang Wenzhe	Member	Chinese	07/02/2018		
11	Mr. Huang Limao	Member	Chinese	07/06/2019		
12	Ms. Li Chunxiao	Member	Chinese	07/06/2019		
13	Ms. Tan Sokim	Member	Cambodian	07/02/2018		

Bank of China (Hong Kong) Limited - Phnom Penh Branch

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

6. AML Committee

No.	Members	Position	Nationality	Approval Date in committee	TOR	Others
1	Mr. Wang Hongsong	Chairman	Chinese	28/03/2018		
2	Mr. Wang Huabin	Observer	Chinese	24/05/2019		
3	Mr. Liu Zheng	Member	Chinese	25/01/2019		
4	Ms. Wing Hang Elsie Gung	Member	Chinese(HK)	11/11/2020		
5	Mr. Liu Jianwu	Member	Chinese	28/03/2018		
6	Mr. Huang Limao	Member	Chinese	28/03/2018		
7	Mr. Ouyang Chang	Member	Chinese	28/03/2018		
8	Mr. Wang Wenzhe	Member	Chinese	28/03/2018		
9	Ms. Chhor Chhun Vouch	Member	Cambodian	28/03/2018		
10	Mr. Liu Xiaofeng	Member	Chinese	28/03/2018		
11	Ms. Zhang Yuan	Member	Chinese	12/10/2018		
12	Mr. Guo Huafeng	Member	Chinese	04/09/2020		
13	Mr. Liu Dehua	Member	Chinese	04/09/2020		
14	Mr. Cai Jiaxin	Member	Chinese	04/09/2020		
15	Ms. Chen Shaoling	Member	Chinese	04/09/2020		
16	Ms. Tan Sokim	Member	Cambodian	04/09/2020		
17	Ms. Li Chunxiao	Observer	Chinese	28/03/2018		

7. ALCO Committee

No.	Members	Position	Nationality	Approval Date in committee	TOR	Others
1	Mr. Liu Daozhi	Chairman	Chinese	22/02/2021		
2	Mr. Wang Haubin	Chairman	Chinese	Resigned on 02/01/2021		
3	Mr. Wang Hongsong	Member	Chinese	27/07/2017		
4	Mr. Liu Zheng	Member	Chinese	27/07/2017		
5	Ms. Wing Hang Elsie Gung	Member	Chinese(HK)	11/11/2020		
6	Mr. Xu Wei	Member	Chinese	11/11/2020		
7	Mr. Liu Xiaofeng	Member	Chinese	27/07/2017		
8	Mr. Guo Huafeng	Member	Chinese	23/04/2020		
9	Mr. Cui Hongbo	Member	Chinese	27/07/2017		
10	Mr. Wang Wenzhe	Member	Chinese	27/07/2017		
11	Mr. Liu Jianwu	Member	Chinese	01/05/2019		
12	Ms. Tian Xiaolin	Member	Chinese	11/11/2020		
13	Mr. Wang Junwei	Secretary	Chinese	27/07/2017		

Bank of China (Hong Kong) Limited Phnom Penh Branch

Report of the Executive Management
and
Audited financial statements in accordance with
Cambodian International Financial Reporting Standards
as at 31 December 2020 and for the year then ended

Bank of China (Hong Kong) Limited - Phnom Penh Branch

CONTENTS

	<i>Pages</i>
REPORT OF THE EXECUTIVE MANAGEMENT	1 - 4
AUDITED FINANCIAL STATEMENTS	
Independent auditor's report.....	5 - 6
Statement of financial position	7
Statement of comprehensive income	8
Statement of changes in head office's equity	9
Statement of cash flows	10
Notes to the financial statements	11 - 59

REPORT OF THE EXECUTIVE MANAGEMENT

The Executive Management of Bank of China (Hong Kong) Limited - Phnom Penh Branch (the Branch) submits its report and the Branch's financial statements as at 31 December 2020 and for the year then ended.

THE BRANCH

The Branch was incorporated in Cambodia on 12 July 2010 originally named Bank of China Limited - Phnom Penh Branch, a branch of Bank of China Limited, under Registration No. Co.0034Br/2010 and was granted a banking license from the National Bank of Cambodia ("NBC") on 11 November 2010 for an indefinite period. The Branch commenced its operations on 8 December 2010.

In 2017, the Branch was completely acquired by Bank of China (Hong Kong) Limited from Bank of China Limited. Subsequently, the Branch changed its name from Bank of China Limited - Phnom Penh Branch to Bank of China (Hong Kong) Limited - Phnom Penh Branch with new Registration No. 00014630 from the Ministry of Commerce. On 7 September 2017, the Branch obtained an updated banking license under the new name from the NBC to carry out banking operations for an indefinite period.

Its head office, Bank of China (Hong Kong) Limited ("BOCHK"), a bank incorporated and registered in Hong Kong, is listed on the Hong Kong Stock Exchange. BOCHK's core business is commercial banking, including corporate banking, personal banking and financial market services, providing a comprehensive range of financial services to customers across Hong Kong as well as in eight countries and regions.

The principal activities of the Branch are the operation of core banking business and the provision of related financial services in Cambodia.

The Branch's registered office address is at Canadia Tower, 1st and 2nd Floor, 315 Ang Doung Street (Corner of Monivong Blvd.), Phnom Penh, Cambodia.

FINANCIAL RESULTS

The Branch's financial performance for the year ended 31 December 2020 are set out in the statement of comprehensive income.

PAID-UP CAPITAL

There were no movements in the paid-up capital of the Branch during the year.

WRITTEN OFF AND ALLOWANCE ON LOANS AND ADVANCES

Before the financial statements of the Branch were prepared, the Executive Management took reasonable steps to ascertain that action had been taken in relation to writing off of bad loans or recognition of allowance for expected credit losses, and satisfied themselves that all known bad loans had been written off and that adequate allowance had been made for expected credit losses on loans and advances.

At the date of this report and based on the best of knowledge, the Executive Management is not aware of any circumstances which would render the amount written off for bad loans or the amount of the allowance for expected credit losses in the financial statements of the Branch inadequate to any material extent.

ASSETS

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

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there is:

- No charge on the assets of the Branch which has arisen since the end of the financial year which secures the liabilities of any other person, and
- No contingent liability in respect of the Branch that has arisen since the end of the financial year other than in the ordinary course of banking business.

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

CHANGE OF CIRCUMSTANCES

At the date of this report, the Executive Management is not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Branch, which would render any amount stated in the financial statements misleading in any material respect.

ITEMS OF AN UNUSUAL NATURE

The Branch's financial performances for the year were not, in the opinion of the Executive Management, materially affected by any items, transactions or events of a material and unusual nature.

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

EVENTS AFTER THE REPORTING PERIOD

There have been no significant events occurring during the period between the end of the reporting period and the date of authorisation of these financial statements, which would require adjustments or disclosures to be made in the financial statements.

Bank of China (Hong Kong) Limited -Phnom Penh Branch

REPORT OF THE EXECUTIVE MANAGEMENT (continued)

THE EXECUTIVE MANAGEMENT

The members of the Executive Management of the Branch during the year and as at the date of this report are:

Mr. Liu Daozhi	Chief Executive Officer (appointed on 22 February 2021)
Mr. Wang Huabin	Chief Executive Officer (resigned on 02 January 2021)
Mr. Wong Hong Song	Assistant Chief Executive Officer
Mr. Liu Zheng	Assistant Chief Executive Officer
Ms. Wing Hang Elsie Gung	Assistant Chief Executive Officer
Mr. Wang Junwei	Head of Financial Management Department
Mr. Xu Wei	Head of Corporate Banking Department
Mr. Wang Wenzhe	Head of Personal Digital Banking Department
Mr. Liu Xiao Feng	Head of Trade Finance Department
Mr. Si Zhengqiang	Head of General Management Department
Ms. Zhang Yuian	Head of Operation Department
Mr. Liu Jianwu	Head of Banking Department
Mr. Guo Huafeng	Head of Institution Relationship Department
Mr. Ouyang Chang	Head of Internal Control Department
Ms. Tian Xiaolin	Head of Risk Management Department
Mr. Cui Hongbo	Head of Financial Market Department

AUDITOR

Ernst & Young (Cambodia)Ltd. is the auditor of the Branch.

THE EXECUTIVE MANAGEMENT'S INTEREST

No management member held any interest in the equity of the Branch. No arrangement existed to which the Branch is a party with object of enabling the members to obtain an interest in the Branch or in any corporate body.

THE EXECUTIVE MANAGEMENT'S BENEFIT

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

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

STATEMENT OF THE EXECUTIVE MANAGEMENT'S RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Executive Management is responsible for ensuring that the financial statements give a true and fair view of the respective financial position of the Branch as at 31 December 2020, and its financial performance and its cash flows for the year then ended. The Executive Management oversees preparation of these financial statements by management who is required to:

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

STATEMENT OF THE EXECUTIVE MANAGEMENT'S RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS (continued)

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

iii) maintain adequate accounting records and an effective system of internal controls;

iv) prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Branch will continue operations in the foreseeable future; and

v) effectively control and direct the Branch in all material decisions affecting the operations and performance and ascertain that these have been properly reflected in the financial statements. 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 applicable accounting system. It is also responsible for safeguarding the assets of the Branch and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Executive Management confirms that the Branch have complied with the above requirements in preparing the financial statements.

APPROVAL OF THE FINANCIAL STATEMENTS

We hereby approve the accompanying financial statements which give a true and fair view of the respective 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.

On behalf of the Executive Management.


Liu Daozhi
Chief Executive Officer

Phnom Penh, Kingdom of Cambodia
28th April 2021

Reference: 61624159/22210318

INDEPENDENT AUDITOR'S REPORT

To: The Head Office of Bank of China (Hong Kong) Limited - Phnom Penh Branch

Opinion

We have audited the accompanying financial statements of Bank of China (Hong Kong) Limited – Phnom Penh Branch (“the Branch”), which comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive income, the statement of changes in head office's equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, 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”).

Basis for Opinion

We conducted our audit in accordance with Cambodian International Standards on Auditing (“CISAs”). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Branch in accordance with the Prakas on the Code of Ethics for Professional Accountants and Auditors issued by the Royal Government of Cambodia, and we have fulfilled our other ethical responsibilities in accordance with the requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditor's Report Thereon

The other information obtained at the date of the auditor's report is the Report of the Executive Management. Management is responsible for the other information.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Executive Management for the Financial Statements

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

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

The Executive Management is responsible for overseeing the Branch's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Branch's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Branch's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Branch to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



Sinratana Lan
Partner

Ernst & Young (Cambodia) Ltd.
Certified Public Accountants
Registered Auditors

Phnom Penh, Kingdom of Cambodia

28 April 2021

Bank of China (Hong Kong) Limited - Phnom Penh Branch

STATEMENT OF FINANCIAL POSITION as at 31 December 2020

	Notes	As at 31 December 2020		As at 31 December 2019	
		US\$	KHR'000 <i>equivalent (Note 2.3)</i>	US\$	KHR'000 <i>equivalent (Note 2.3)</i>
ASSETS					
Cash	5	35,990,292	145,580,731	34,351,169	139,981,014
Balances with National Bank of Cambodia	6	447,123,349	1,808,613,947	283,151,695	1,153,843,157
Balances with other banks	7	104,625,767	423,211,228	216,450,288	882,034,924
Loans and advances	8	640,176,291	2,589,513,097	576,342,301	2,348,594,877
Other assets	9	1,290,018	5,218,123	1,515,807	6,176,911
Deferred tax assets	15.2	2,269,568	9,180,403	2,321,543	9,460,288
Property and equipment	10	1,635,779	6,616,726	1,895,966	7,726,061
Right-of-use assets	11	2,844,940	11,507,782	2,039,905	8,312,613
TOTAL ASSETS		1,235,956,004	4,999,442,037	1,118,068,674	4,556,129,845
LIABILITIES AND HEAD OFFICE'S EQUITY					
Liabilities					
Deposits from other banks	12	835,291	3,378,752	21,380,480	87,125,456
Deposits from customers	13	880,504,794	3,561,641,892	795,095,096	3,240,012,516
Borrowings	14	80,899,690	327,239,246	43,317,737	176,519,778
Income tax payable	15	3,959,970	16,018,079	6,035,651	24,595,278
Other liabilities	16	6,670,671	26,982,864	6,255,950	25,492,995
Lease liabilities	11	2,905,299	11,751,934	2,110,098	8,598,649
TOTAL ASSETS		975,775,715	3,947,012,767	874,195,012	3,562,344,672
HEAD OFFICE'S EQUITY					
Branch capital	17	150,000,000	600,000,000	150,000,000	600,000,000
Retained earnings		110,180,289	445,937,025	93,873,662	379,454,906
Cumulative differences on exchange translation			6,492,245		14,330,267
TOTAL HEAD OFFICE'S EQUITY		260,180,289	1,052,429,270	243,873,662	993,785,173
TOTAL LIABILITIES AND HEAD OFFICE'S EQUITY		1,235,956,004	4,999,442,037	1,118,068,674	4,556,129,845

The attached notes 1 to 31 form part of these financial statements.

Bank of China (Hong Kong) Limited - Phnom Penh Branch

STATEMENT OF FINANCIAL POSITION as at 31 December 2020

	Notes	2020		2019	
		US\$	KHR'000	US\$	KHR'000
			<i>equivalent (Note 2.3)</i>		<i>equivalent (Note 2.3)</i>
OPERATING INCOME					
Interest income	18	32,797,960	133,717,283	37,384,047	151,480,158
Interest expense	19	(7,675,637)	(31,293,572)	(7,734,805)	(31,341,430)
NET INTEREST INCOME		25,122,323	102,423,711	29,649,242	120,138,728
Net fees and commission income	20	5,502,380	22,433,203	9,361,986	37,934,767
Foreign exchange income	21	1,741,704	7,100,927	2,082,800	8,439,506
TOTAL OPERATING INCOME		32,366,407	131,957,841	41,094,028	166,513,001
Personnel expenses	22	(6,985,356)	(28,479,296)	(5,021,160)	(20,345,740)
Depreciation expenses	23	(1,550,750)	(6,322,408)	(1,602,997)	(6,495,344)
Other operating expenses	24	(2,672,383)	(10,895,305)	(2,768,087)	(11,216,289)
Provisions for expected credit losses	25	(297,693)	(1,213,694)	(4,826,423)	(19,556,666)
INCOME BEFORE INCOME TAX		20,860,225	85,047,138	26,875,361	108,898,962
Income tax expense	15	(4,553,598)	(18,565,019)	(6,181,729)	(25,048,366)
NET INCOME FOR THE YEAR		16,306,627	66,482,119	20,693,632	83,850,596
Other comprehensive income:					
Exchange difference on translation		-	(7,838,022)	-	13,197,216
NET INCOME FOR THE YEAR		16,306,627	58,644,097	20,693,632	97,047,812

The attached notes 1 to 31 form part of these financial statements.

Bank of China (Hong Kong) Limited - Phnom Penh Branch

STATEMENT OF FINANCIAL POSITION as at 31 December 2020

	Share capital		Retained earnings		Regulatory reserve		Cumulative differences on exchange translation	Total	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	KHR'000	US\$	KHR'000
		<i>equivalent</i> <i>(Note 2.3)</i>		<i>equivalent</i> <i>(Note 2.3)</i>		<i>equivalent</i> <i>(Note 2.3)</i>	<i>equivalent</i> <i>(Note 2.3)</i>		<i>equivalent</i> <i>(Note 2.3)</i>
As at 1 January 2020	150,000,000	600,000,000	93,873,662	379,454,906	-	-	14,330,267	243,873,662	993,785,173
Net income for the year	-	-	16,306,627	66,482,119	-	-	-	16,306,627	66,482,119
Difference on exchange translation	-	-	-	-	-	-	(7,838,022)	-	(7,838,022)
AS AT 31 DECEMBER 2020	150,000,000	600,000,000	110,180,289	445,937,025			6,492,245	260,180,289	1,052,429,270
As at 1 January 2019	150,000,000	600,000,000	72,229,019	291,783,148	951,011	3,821,162	1,133,051	223,180,030	896,737,361
Net income for the year	-	-	20,693,632	83,850,596	-	-	-	20,693,632	83,850,596
Transfer from regulatory reserve to retained earnings	-	-	-	-	-	-	-	-	-
Difference on exchange translation	-	-	951,011	3,821,162	(951,011)	(3,821,162)	-	-	-
	-	-	-	-	-	-	13,197,216	-	13,197,216
AS AT 31 DECEMBER 2019	150,000,000	600,000,000	93,873,662	379,454,906			14,330,267	243,873,662	993,785,173



The attached notes 1 to 31 form part of these financial statements.

Bank of China (Hong Kong) Limited - Phnom Penh Branch

STATEMENT OF FINANCIAL POSITION as at 31 December 2020

	Notes	2020		2019	
		US\$	KHR'000	US\$	KHR'000
			equivalent (Note 2.3)		equivalent (Note 2.3)
OPERATING ACTIVITIES					
Income before income tax		20,860,225	85,047,138	26,875,361	108,898,962
Adjustment for:					
Interest expense on lease liabilities	11	60,431	246,377	81,638	330,797
Provision for expected credit losses	25	297,693	1,213,694	4,826,423	19,556,666
Depreciations	23	1,550,750	6,322,408	1,602,997	6,495,344
Changes in operating assets and liabilities:					
Balances with NBC		24,386,945	99,425,575	(17,671,999)	(72,013,396)
Balances with other banks		2,068	8,431	331	1,349
Loans and advances		(64,117,598)	(261,407,447)	(69,775,594)	(284,335,546)
Other assets		225,789	920,542	179,656	732,098
Deposits from other banks		(20,545,189)	(83,762,736)	352,796	1,437,644
Deposits from customers		85,409,698	348,215,339	63,472,120	258,648,889
Other liabilities		407,080	1,659,665	2,762,262	11,256,218
Income tax paid	15.1	(6,577,304)	(26,815,668)	(6,100,584)	(24,859,880)
NET CASH GENERATED FROM OPERATING ACTIVITIES		41,960,588	171,073,318	6,605,407	26,149,145
INVESTING ACTIVITIES					
Purchase of property and equipment	10	(505,711)	(2,061,784)	(195,132)	(795,163)
FINANCING ACTIVITIES					
Payment of lease liabilities	11	(855,117)	(3,486,312)	(724,234)	(2,951,254)
Proceeds from borrowings		50,290,448	205,034,156	17,881,330	72,866,420
Repayment of borrowings		(12,708,495)	(51,812,534)	(100,000,000)	(407,500,000)
NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES		36,726,836	149,735,310	(82,842,904)	(337,584,834)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		78,181,713	318,746,844	(76,432,629)	(312,230,852)
Cash and cash equivalents at beginning of the year		415,812,380	1,696,165,169	492,245,009	1,977,582,566
Difference on exchange translation		-	(16,705,905)	-	30,813,455
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	6	493,994,093	1,998,206,108	415,812,380	1,696,165,169
Additional information on operational cash flow from interest:					
Interest received		32,696,154	133,302,220	37,782,124	153,093,166
Interest paid		7,000,920	28,542,751	7,653,167	31,010,633

The attached notes 1 to 31 form part of these financial statements.

Bank of China (Hong Kong) Limited - Phnom Penh Branch

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

1. CORPORATE INFORMATION

The Branch was incorporated in Cambodia on 12 July 2010 originally named Bank of China Limited - Phnom Penh Branch, a branch of Bank of China Limited, under Registration No. 0034Br/2010 and was granted a banking license from the National Bank of Cambodia ("NBC") on 11 November 2010 for an indefinite period. The Branch commenced its operations on 8 December 2010.

In 2017, the Branch was completely acquired by Bank of China (Hong Kong) Limited from Bank of China Limited. Subsequently, the Branch changed its name from Bank of China Limited - Phnom Penh Branch to Bank of China (Hong Kong) Limited - Phnom Penh Branch with new Registration No. 00014630 from the Ministry of Commerce. On 7 September 2017, the Branch obtained an updated banking license under the new name from the NBC to carry out banking operations for an indefinite period.

Its head office, Bank of China (Hong Kong) Limited ("BOCHK"), a bank incorporated and registered in Hong Kong, is listed on the Hong Kong Stock Exchange. BOCHK's core business is commercial banking, including corporate banking, personal banking and financial market services, providing a comprehensive range of financial services to customers across Hong Kong as well as in eight countries and regions.

The principal activities of the Branch are the operation of core banking business and the provision of related financial services in Cambodia.

Location

The Branch's registered office address is at Canadia Tower, 1st and 2nd Floor, 315 Ang Dong Street Corner of Monivong Blvd., Phnom Penh, Cambodia. As at 31 December the Branch has two (4) sub-branches located in Phnom Penh, Siem Reap, and Preah Sihanouk province.

Employees

As at 31 December 2020, the Branch has a total of 191 employees (2019: 174 employees)

Approval of the Branch's financial statements

The financial statements were authorized for issue by Executive Management on 2021.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Branch, expressed in United States dollar ("US\$"), have been prepared on historical cost basis, except otherwise indicated.

2.1 ***Basis of preparation***

The Branch's financial statements are prepared in accordance with Cambodian International Financial Reporting Standards ("CIFRSs").

2.2 ***Fiscal year***

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

Bank of China (Hong Kong) Limited - Phnom Penh Branch

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

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

2.3 *Measurement 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 Branch's measurement and presentation currency as it reflects the economic substance of the underlying events and circumstances of the Branch.

Presentation currency

The financial statements are presented in US\$, which is the Branch's functional and presentation currency.

Transactions and balances

Transactions in currencies other than US\$ are translated into US\$ at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in currencies other than US\$ which are outstanding at the reporting date are translated into US\$ at the rate of exchange ruling at that date. Exchange differences arising on translation are recognized in profit or loss.

Translation of US\$ in KHR

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 Audit dated using the closing and average rates for the year then ended, as announced by the General Department of Taxation.

Assets and liabilities included in the statement of financial position are translated at the closing rate prevailing at the end of each reporting date, whereas income and expense items presented in the statement of comprehensive income are translated at the average rate for the year then ended. All resulting exchange differences are recognized in the statement of comprehensive income. Such translation should not be construed as a representation that the US\$ amounts represent, or have been or could be, converted into KHR at that or any other rate. All values in KHR are rounded to the nearest thousand ("KHR'000"), except if otherwise indicated.

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

	2020	2019
Closing rate	4,045	4,075
Average rate	4,077	4,052

2.4 *New and emended standards and interpretations*

Several amendments and interpretations apply for the first time in 2020, but do not have a significant impact on the financial statements of the Branch:

- Amendments to CIFRS 3, *Definition of a Business*
- Amendments to CIFRS 7, CIFRS 9 and CIAS 39, *Interest Rate Benchmark Reform*
- Amendments to CIAS 1 and CIAS 8, *Definition of Material*
- Conceptual Framework for Financial Reporting issued on 29 March 2018
- Amendments to CIFRS 16 Covid-19 Related Rent Concessions

Bank of China (Hong Kong) Limited - Phnom Penh Branch

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

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

2.5 Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Branch's financial statements are disclosed below. The Branch intends to adopt these standards, if applicable, when they become effective.

Effective beginning on or after 1 January 2022

- Property, Plant and Equipment: Proceeds before Intended Use - *Amendments to IAS 16*
- Onerous Contracts - Costs of Fulfilling a Contract - *Amendments to IAS 37*
- IFRS 9, *Financial Instruments* - Fees in the '10 per cent' test for derecognition of financial liabilities
- IAS 41, *Agriculture* - Taxation in fair value measurements
- Reference to the Conceptual Framework - *Amendments to IFRS 3*

Effective beginning on or after 1 January 2023

- IFRS 17, *Insurance Contracts*
- IFRS 1, *First-time Adoption of International Financial Reporting Standards* as a first-time adopter
- *Amendments to IAS 1: Classification of Liabilities as Current or Non-current*

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, unless otherwise indicated.

3.1 Financial instruments

3.1.1 Initial recognition and measurement of financial instruments

Financial assets and liabilities, with the exception of loans and advances to customers, are initially recognized on the date on which the Branch become a party to the contractual provision of the instrument. Loans and advances to customers are recognize are transferred to the customer's account.

The Branch classifies all its financial assets and financial liabilities based on its busin model for managing the assets' contractual terms measured at amortized cost. cost is an amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount a amount and, for financial assets, adjusted for any loss allowance.

Financial assets and liabilities of the Branch include balances with the NBC (except statutory deposits), balances with other banks, loans and advances to customers, and ot (except for non-refundable deposits and prepayments), deposits from banks, deposits from customers, borrowings, lease liabilities, and other liabilities (except for tax payable measured at amortised cost.

Bank of China (Hong Kong) Limited - Phnom Penh Branch

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 *Financial instruments* (continued)

3.1.2 *Financial assets*

The Branch measured financial assets at amortized cost only 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.
- The contractual terms of the financial asset give rise on specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding

3.1.3 *Business model assessment*

The Branch makes an assessment of the objective of a business model in which an asset is held at a portfolio level that best reflects how the assets are managed. Factors includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed
- How managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Branch's stated objective for managing the financial assets is achieved and how cash flows are realized.
- Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at fair value through other comprehensive income ("FVTOCI") because they are either held to collect contractual cash flows or held both to collect contractual cash flows and to sell financial assets.

3.1.4 *Solely payments of principal and interest ("SPPI") test*

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

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

In making the assessment, the Branch considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;

Bank of China (Hong Kong) Limited - Phnom Penh Branch

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 *Financial instruments* (continued)

3.1.4 *Solely payments of principal and interest ("SPPI") test* (continued)

In making the assessment, the Branch considers: (continued)

- prepayment and extension terms;
- terms that limit the Branch's claim to cash flows from specified assets (e.g. non loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

Non-recourse loans

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

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

Reclassification

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

3.1.5 *Derecognition of financial assets and liabilities*

Financial assets

The Branch derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Branch neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

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

Bank of China (Hong Kong) Limited - Phnom Penh Branch

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Financial instruments (continued)

3.1.5 Derecognition of financial assets and liabilities (continued)

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition 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.

3.1.6 Modifications and forbearance of financial assets

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

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

- Fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- Other fees are included in profit or loss as part of the gain or loss on derecognition.
- If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximize recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.
- If the modification of a financial asset measured at amortized cost or FVOCI does not result in derecognition of the financial asset, then the Branch first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognizes the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortized over the remaining term of the modified financial asset.
- If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.
- Loan restructuring during the Covid-19 crisis: In response to the economic situation caused by the COVID-19 pandemic, and in order to maintain financial stability and relieve the burden of borrowers whose main sources of income are impacted by the pandemic the NBC has issued Circular No. T7.020.001 directing banking and financial institutions in Cambodia to be flexible with regard to debt repayment by offering loan restructuring for customers. The loan restructuring applies to performing loans (those that a due more than 30 days) and non-performing loans for customers whose financial difficulties are expected to be temporary only, and is valid until 30 June 2021. In all cases, the loan classifications for non-performing loans remain the same.

Bank of China (Hong Kong) Limited - Phnom Penh Branch

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 *Financial instruments* (continued)

3.1.7 *Offsetting*

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

3.1.8 *Fair value measurement*

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

When one is available, the Branch measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as ‘active’ if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Branch uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Branch determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognized in profit loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Branch measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Branch on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for the particular risk exposure. Portfolio-level adjustments – e.g. bid-ask adjustment or credit risk adjustments that reflect the measurement on the basis of the net exposure – are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

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

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

Bank of China (Hong Kong) Limited - Phnom Penh Branch

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 *Financial instruments* (continued)

3.1.9 *Expected credit losses ("ECLs")*

The Branch recognizes allowance for ECLs on the following financial instruments that are not measured at fair value through profit or loss ("FVTPL"):

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

The Branch measures loss allowance at an amount equal to lifetime ECL except for financial instruments on which credit risk has not increased significantly since their initial recognition for which they are measured as 12-month ECL.

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

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

At each reporting date, the Branch assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Branch considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the historical experience and informed credit assessment and includes forward information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to the 12-month ECL.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Branch is exposed to credit risk.

Determining whether credit risk has increased significantly

The Branch assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower, and the geographical region.

The Branch considers that a significant increase in credit risk occurs no later than when an asset is more than 90 days past due. Days past due is determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due date is determined without considering any grace period that might be available to the borrower.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12 ECL.

Bank of China (Hong Kong) Limited - Phnom Penh Branch

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Financial instruments (continued)

3.1.9 Expected credit losses ("ECLs") (continued)

Definition of default

The Branch considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Branch, in full, without recourse by the Branch to actions such as realising security (if any is held); or
- The Branch considers that a significant increase in credit risk occurs no later than when an asset is more than or equal to 90 days past due
- When the account undergoes debt restructuring or rescheduling
- When account shows deterioration in its credit profile but its delinquency does not exceed 90 days past due (forced accounts)
- When accounts are crossed default by obligor(s) of the same borrower type within the same loan listing source

Measurement of ECL

ECL is a probability-weighted estimate of credit loss measured as follows:

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

Inputs, assumptions and techniques used for estimating impairment

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

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

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

The Branch adopts the delinquency based transition matrix, historical loss rate model and proxy models to estimate its PD.

LGD is the magnitude of the likely loss if there is a default. The Branch estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. The LGD is computed based on a workout style method. The workout style method is based on a set of derived estimated cash flows (i.e. collection or sale of collateral) during the workout period discounted by the effective interest rate to the date of default.

Bank of China (Hong Kong) Limited - Phnom Penh Branch

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 *Financial instruments* (continued)

3.1.9 *Expected credit losses ("ECLs")* (continued)

Inputs, assumptions and techniques used for estimating impairment (continued)

EAD represents the expected exposure in the event of a default. The Branch derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

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

Restructured financial assets

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

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

Credit-impaired financial assets

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

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

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

Bank of China (Hong Kong) Limited - Phnom Penh Branch

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Financial instruments (continued)

3.1.9 Expected credit losses (“ECLs”) (continued)

Credit-impaired financial assets (continued)

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

Presentation of allowance for ECLs in the statement of financial position

Allowance for ECLs is presented in the statement of financial position for financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets.

Write-off

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

Recoveries resulting from the Branch’s enforcement activities will result in impairment gains, which will be presented in ‘net impairment loss on financial assets/other income’ in profit or loss.

3.2 Cash and cash equivalents

For statement of cash flow purposes, cash and cash equivalents consist of cash, deposits with other banks, and highly-liquid short-term investments with an original maturity of less than ninety days that are readily convertible to known amounts of cash.

3.3 Deposits and placements with banks

Deposits and placements with banks are stated at cost less allowance for ECLs.

3.4 Statutory deposits

Capital guarantee and reserve requirements 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 and borrowings in KHR and other currencies.

3.5 Loans and advances

‘Loans and advances’ in the statement of financial position include loans and advances measured at amortized cost less impairment based on ECL. They are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortize using the effective interest method.

Bank of China (Hong Kong) Limited - Phnom Penh Branch

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Regulatory provision

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)	1%
	0 to 29 days (long-term)	
Special mention	15 days to 30 days (short-term)	3%
	30 days to 89 days (long-term)	
Substandard	31 days to 60 days (short-term)	20%
	90 days to 179 days (long-term)	
Doubtful	61 days to 90 days (short-term)	50%
	180 days to 359 days (long-term)	
Loss	From 91 days (short-term)	100%
	360 days or more (long-term)	

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 Branch 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 CIFRS 9, the Branch 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.

3.7 Other assets

Other assets are carried at cost less impairment if any.

3.8 Property and equipment

- (a) Property and equipment are stated at cost less accumulated depreciation and impairment, if any. The cost of an asset comprises its purchase price and any directly attributable cost of bringing the asset to its working condition and location for its intended use. The carrying amounts are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amount, and where carrying values exceed this recoverable amount, assets are written down to their recoverable amount.
- (b) Depreciation is charged in the income statement using a straight-line basis over the estimated useful lives of the individual assets, at the following annual rates:

Leasehold improvements	20%
Furniture and equipment	20%
Computer equipment	33%
Motor vehicles	17%

Bank of China (Hong Kong) Limited - Phnom Penh Branch

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 *Property and equipment* (continued)

- (c) Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Branch and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.
- (d) When assets are sold, their cost and accumulated depreciation are removed from the accounts. Any resulting gain or loss from their disposal is included in the income statement. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the income statement in operating income. When revalued assets are sold, the amounts included in the revaluation surplus are transferred to retained profits.
- (e) Fully depreciated items of property and equipment are retained in the financial statements until they are disposed of or written off.

3.9 *Leases*

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

The Branch as a lessee

The Branch applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Branch recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Branch recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. The Branch's leased assets are office rental for all the branches.

If ownership of the leased asset transfers to the Branch at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

Lease liabilities

At the commencement date of the lease, the Branch recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Branch uses its incremental borrowing rate ("IBR") at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Bank of China (Hong Kong) Limited - Phnom Penh Branch

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Leases (continued)

Short-term leases and leases of low-value assets

The Branch applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and lease of low-value assets. The Branch only leased photocopiers that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognized as expense on a straight-line basis over the lease term.

3.10 Employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Branch.

On 21 September 2018, the Ministry of Labor and Vocational Training (“MoLVT”) issued Prakas No. 443 on Seniority Payment to all enterprises, establishments and those who are covered by the provision of Article 89 (New) of the Labor Law. The said Prakas requires retroactive seniority payment. According to the clarification issued by MoLVT No. 042 dated 22 March 2019, the payment of retroactive seniority indemnity will be made from 2021 as follows:

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

The retroactive seniority payment shall not exceed six months of employee’s average wage of each retrospective year. Employees are not entitled to the payment if they resign before receiving it.

The estimated amount of retroactive seniority payment was recognized under other liabilities.

3.11 Provisions

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

3.12 Effective interest rate method

Effective interest rate (“EIR”) is a rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortized cost of a financial liability.

When calculating the effective interest rate, the Branch estimates the expected cash flow by considering all the contractual terms of the financial instrument, but not considering the ECL. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Bank of China (Hong Kong) Limited - Phnom Penh Branch

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 *Effective interest rate method* (continued)

Interest income

Interest income is recognized in profit or loss using the effective interest method financial assets measured at amortized cost. It is calculated by applying the effective interest rate to the gross carrying amount of financial asset except for:

- Purchased or originated credit-impaired financial assets. Credit-adjusted EIR is applied to the amortized cost of the financial assets.
- Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. EIR to the amortize of the financial asset in subsequent reporting periods is applied.

Credit-adjusted effective interest rate is a rate that exactly discounts the estimated future cash payment or receipts through the expected life of the financial asset to the amortized cost of a financial assets that is a purchased or originated credit-impaired financial asset.

Interest income calculated using the EIR method presented in the statement of comprehensive income includes interest on financial assets measured at amortized cost.

Interest expense

Interest expense is also calculated using the EIR method for all financial liabilities held at amortized cost. Interest expense presented in the statement of comprehensive income includes financial liabilities measured at amortized cost.

3.13 *Fee and commission*

A contract with a customer that results in a recognized 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. The Branch follows a five-step model to account for revenue arising from contracts with customers under CIFRS 15. The five-step model is as follows:

- i) Identify the contract(s) with a customer
- ii) Identify the performance obligations in the contract
- iii) Determine the transaction price
- iv) Allocate the transaction price to the performance obligation in the contract
- v) Recognize revenue when (or as) the entity satisfies a performance obligation

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 fees and commission income, including account servicing fees, are recognized as the related services are performed.

3.14 *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 time. An impairment loss is recognized if the carrying amount of an asset or its related 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 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.

Bank of China (Hong Kong) Limited - Phnom Penh Branch

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Impairment of non-financial assets (continued)

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 recognized 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 amortization, if no impairment loss had been recognized.

3.15 Income tax

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

The Branch has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore has accounted for them under IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, and has recognized the related expenses in 'other expenses'.

Following the adoption of CIFRSs, the tax authority has not indicated the changes to tax bases for tax computations for the tax effects of transition to CIFRSs. The Branch has made assumptions that management assessed to be reasonable and prudent in its assessment of tax payable and deferred taxes. The use of different assumptions could lead to a material impact on the financial statement. The final tax liabilities and deferred taxes of the Branch are subject to the determination and agreement with the tax authority.

(i) Current tax

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

(ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the end of the reporting period.

Deferred tax liabilities are recognized for all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that affects neither the accounting profit nor taxable profit or loss.

Bank of China (Hong Kong) Limited - Phnom Penh Branch

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 *Income tax* (continued)

(ii) *Deferred tax* (continued)

The carrying amount of deferred tax assets is reviewed at the end of 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. Unrecognized deferred tax assets are reassessed at the end of each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset when there is a legal right to offset its current tax assets and liabilities and it is the Branch's intention to settle on a net basis.

3.16 *Contingencies*

Contingent liabilities are not recognized in the financial statements but are disclosed in the notes unless the possibility of an outflow of resources embodying economic benefit is remote. Contingent assets are not recognized in the financial statements but are disclosed in the notes when inflows of economic benefits are probable.

3.17 *Rounding of amounts*

Amounts in the financial statements have been rounded off to the nearest dollar and nearest thousand KHR for US\$ and KHR amounts, respectively.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the financial statements in accordance with CIFRSs requires the Branch to make estimates and assumptions that affect the reported amounts of resources, liabilities, income and expenses and the disclosures of contingent resources and contingent liabilities.

Future events may occur which can cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

The following are the critical judgments, estimates and key assumptions that have a significant risk of material adjustment to the carrying amounts of assets and liabilities within the next financial year:

a. *Classification of financial assets*

The Branch classifies its financial assets depending on the business model for managing those financial assets and whether the contractual terms of the financial asset are SPPI on the principal amount outstanding. The Branch performs the business model assessment based on observable factors such as:

- Performance of the business model and the financial assets held within that business model are evaluated and reported to the Branch's key management personnel
- 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

Bank of China (Hong Kong) Limited - Phnom Penh Branch

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

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

a. *Classification of financial assets* (continued)

- Compensation of business units whether based on the fair value of the assets managed or on the contractual cash flows collected
- Expected frequency, value and timing of sales

In performing the SPPI test, the Branch applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, the period for which the interest rate is set, contingent events that would change the amount and timing of cash flows, leverage features, prepayment and extension terms and other features that may modify the consideration for the time value of money.

b. *Fair value of financial instruments*

Where the fair values of financial assets and financial liabilities recorded in the statement of financial position or disclosed in the notes to financial statements cannot be derived from active markets, these are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

c. *Leases*

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 option. The Branch applies judgment in evaluating whether it is reasonably certain whether not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors such as leasehold improvements and location 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 and affects its ability to exercise or not to exercise the option to renew or to terminate.

Estimating the IBR for lease liabilities

The Branch cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR for lease liabilities 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 in a similar economic environment. The Branch estimates the IBR for lease liabilities using observable inputs (by reference to prevailing risk-free rates) adjusted to take into account the entity's credit risk (i.e., credit spread).

d. *ECLs on financial assets*

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 judgments and estimates include, among others:

- Segmentation of the portfolio, where the appropriate model or ECL approach is used
- Criteria for assessing if there has been a significant increase in credit risk. Allowances for debt financial assets should be measured on a lifetime ECL basis and the qualitative assessment

Bank of China (Hong Kong) Limited - Phnom Penh Branch

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

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

d. ECLs on financial assets (continued)

- Segmentation of debt financial assets when their ECL is 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 and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomics scenarios and their probability weightings, to derive the economic inputs into the ECL models

e. Recognition of deferred tax assets

Deferred tax assets are recognized for all unused tax losses and temporary differences to the extent that it is probable that future taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable income together with future tax planning strategies.

f. Functional currency

CIAS 21 requires management to use its judgment to determine the entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity. In making this judgment, the Branch considers the following:

- The currency that mainly influences prices for financial instruments and services (this will often be the currency in which prices for its financial instruments and services are denominated and settled);
- The currency in which funds from financing activities are generated; and
- The currency in which receipts from operating activities are usually retained.

5. CASH

	2020		2019	
	US\$	KHR'000 <i>equivalent</i> <i>(Note 2.3)</i>	US\$	KHR'000 <i>equivalent</i> <i>(Note 2.3)</i>
Cash on hand and in vault	34,487,719	139,502,823	33,454,272	136,326,158
Cash in ATM	1,502,573	6,077,908	896,897	3,654,856
	35,990,292	145,580,731	34,351,169	139,981,014

Bank of China (Hong Kong) Limited - Phnom Penh Branch

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

5. CASH (continued)

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

	2020		2019	
	US\$	KHR'000 <i>equivalent</i> (Note 2.3)	US\$	KHR'000 <i>equivalent</i> (Note 2.3)
Cash	35,990,292	145,580,731	34,351,169	139,981,014
Balances with NBC (Note 6)				
Current accounts	173,376,845	701,309,339	128,524,027	523,735,410
Negotiable certificate of deposit ("NCDs") with an original maturity of less than 3 months	180,000,000	728,100,000	36,487,597	150,408,250
Balances with other banks (Note 7)				
Current deposits	44,626,956	180,516,038	33,877,050	138,048,979
Time deposits with an original maturity of less than 3 months	60,000,000	242,700,000	182,572,537	743,991,516
	493,994,093	1,998,206,108	415,812,380	1,696,165,169

6. BALANCES WITH NBC

Balances with NBC comprise:

	2020		2019	
	US\$	KHR'000 <i>equivalent</i> (Note 2.3)	US\$	KHR'000 <i>equivalent</i> (Note 2.3)
Current accounts	173,376,845	701,309,339	128,524,027	523,735,410
NCDs	187,300,000	757,628,500	36,910,000	150,408,250
Reserve requirements	71,526,610	289,325,137	102,791,152	418,873,944
Capital guarantee	15,000,000	60,675,000	15,000,000	61,125,000
	447,203,455	1,808,937,976	283,225,179	1,154,142,604
Allowance for ECL	(80,106)	(324,029)	(73,484)	(299,447)
	447,123,349	1,808,613,947	283,151,695	1,153,843,157

NCDs

NCDs have a term of one month, three months, and six months and bear interest ranging between 0.04%-0.78% per annum (2019: 0.71% - 0.98% per annum).

Reserve requirements

Under NBC Prakas No. B7-020-230 dated 18 March 2020, banks are required to maintain certain cash reserves with the NBC in the form of compulsory deposits, computed at 7.00% of customer deposits for both KHR and in currencies other than KHR (2019: 8% and 12.5% for KHR and US\$, respective).

Bank of China (Hong Kong) Limited - Phnom Penh Branch

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

6. BALANCES WITH NBC (continued)

Capital guarantee

Under NBC Prakas No. B7-01-136 dated 15 October 2001, banks are required to maintain a capital guarantee of 10% of registered capital with the NBC. This deposit is not available for use in the Branch's day-to-day operations but is refundable when the Branch voluntarily ceases to operate the business in Cambodia.

Interest rates

Annual interest rates on balances with NBC are as follows:

	2020	2019
Current accounts	Nil	Nil
Reserve deposits	Nil	Nil
Capital guarantee	0.09% - 0.47%	0.54% - 0.72%
NCD	0.04% - 0.78%	0.71% - 0.98%

7. BALANCES WITH OTHER BANKS

Balances with other banks are as follows:

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
		equivalent (Note 2.3)		equivalent (Note 2.3)
Local banks				
Current deposits	57,745	233,579	9,087,957	37,033,425
Term deposits	60,000,000	242,700,000	82,000,000	334,150,000
Overseas banks				
Current deposits	44,569,211	180,282,459	24,789,093	101,015,554
Term deposits	-	-	100,574,605	409,841,516
	104,626,956	423,216,038	216,451,655	882,040,495
Allowance for ECL	(1,189)	(4,810)	(1,367)	(5,571)
Balance with other banks – net	104,625,767	423,211,228	216,450,288	882,034,924

Current deposits with local banks do not earn interest while those maintained with overseas banks earn interest at rates ranging from 0.00% to 2.4% per annum (2019: 0.00% to 2.4% per annum).

Term deposits earn interest at rates ranging from 0.10% to 2.45% per annum (2019: 2.10% to 2.40% per annum) for local banks and from 0.04% to 2.75% for overseas banks (2019: 1.60% to 2.35%).

Balances with overseas banks are maintained with related parties (Note 27).

Bank of China (Hong Kong) Limited - Phnom Penh Branch

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

8. LOANS AND ADVANCES

The Branch's loans and advances are as follows:

	2020		2019	
	US\$	KHR'000 <i>equivalent</i> <i>(Note 2.3)</i>	US\$	KHR'000 <i>equivalent</i> <i>(Note 2.3)</i>
Long-term loans	617,037,556	2,495,916,914	534,983,476	2,180,057,665
Short term loans				
Overdraft	26,213,741	106,034,582	48,431,734	197,359,316
Trade financing	4,842,911	19,589,575	928,677	3,784,359
Credit cards	76,560	309,685	146,389	596,535
	648,170,768	2,621,850,756	584,490,276	2,381,797,875
Accrued interest receivable	4,452,827	18,011,685	4,191,701	17,081,182
Unamortized loan processing fees	(494,089)	(1,998,589)	(670,069)	(2,730,531)
Loans and advances -gross	652,129,506	2,637,863,852	588,011,908	2,396,148,526
Allowance for ECL	(11,953,215)	(48,350,755)	(11,669,607)	(47,553,649)
Loans and advances - net	640,176,291	2,589,513,097	576,342,301	2,348,594,877

Further analyses of loans and advances are as follows:

(i) Allowance for ECL on loans and advances and accrued interest receivable

	2020		2019	
	US\$	KHR'000 <i>equivalent</i> <i>(Note 2.3)</i>	US\$	KHR'000 <i>equivalent</i> <i>(Note 2.3)</i>
Stage 1	10,140,124	41,016,802	11,187,371	45,588,537
Stage 2	1,359,245	5,498,146	7,970	32,478
Stage 3	453,846	1,835,807	474,266	1,932,634
Total	11,953,215	48,350,755	11,669,607	47,553,649

Bank of China (Hong Kong) Limited - Phnom Penh Branch

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

8. LOANS AND ADVANCES (continued)

(i) Allowance for ECL on loans and advances and accrued interest receivable (continued)

Movement of ECL on loans and advances and accrued interest receivable follows:

	Stage 1	Stage 2	Stage 3	Stage 4
	US\$	US\$	US\$	US\$
As at 1 January 2020	11,187,371	7,970	474,266	11,669,607
Newly originated assets that remained in Stage 1 as at 31 December 2020	2,625,999	-	-	2,625,999
Newly originated assets that moved to Stage 2 and Stage 3 as at 31 December 2020	909	41	662	1,612
Effect of collections and other movements in loans and advances	(1,498,989)	(2,962)	(10,269)	(1,512,220)
Transfers to Stage 1	5,008	(5,008)	-	-
Transfers to Stage 2	(153,321)	156,326	(3,005)	-
Transfers to Stage 3	(9)	-	9	-
Impact on ECL of exposures transferred between stages	(2,026,844)	1,202,878	(7,817)	(831,783)
As at 31 December 2020	10,140,124	1,359,245	453,846	11,953,215

	Stage 1	Stage 2	Stage 3	Stage 4
	US\$	US\$	US\$	US\$
As at 1 January 2019	5,473,185	57,120	1,149,404	1 6,679,709
Newly originated assets that remained in Stage 1 as at 31 December 2019	1,773,955	-	-	1,773,955
Newly originated assets that moved to Stage 2 and Stage 3 as at 31 December 2019	-	-	-	-
Effect of collections and other movements in loans and advances	(1,192,083)	(904)	(1,149,404)	(2,342,391)
Transfers to Stage 1	(4,560)	4,560	-	-
Transfers to Stage 2	7,841	(7,841)	-	-
Transfers to Stage 3	(474,224)	(3,410)	477,634	-
Impact on ECL of exposures transferred between stages	5,603,257	(41,555)	(3,368)	5,558,334
As at 31 December 2019	11,187,371	7,970	474,266	11,669,607

Bank of China (Hong Kong) Limited - Phnom Penh Branch

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

8. LOANS AND ADVANCES (continued)

(ii) Grading of the gross loan portfolio, including interest receivable

	2020		2019	
	US\$	KHR'000 <i>equivalent</i> (Note 2.3)	US\$	KHR'000 <i>equivalent</i> (Note 2.3)
Stage 1	621,346,557	2,513,346,823	587,521,981	2,394,152,073
Stage 2	30,324,970	122,664,504	15,661	63,819
Stage 3	457,979	1,852,525	474,266	1,932,634
Total	652,129,506	2,637,863,852	588,011,908	2,396,148,526

Refer to Note 28.2 on Credit risk for analysis of loans quality.

(iii) Analysis of gross loans and advances by industry sector

	2020		2019	
	US\$	KHR'000 <i>equivalent</i> (Note 2.3)	US\$	KHR'000 <i>equivalent</i> (Note 2.3)
Construction	126,327,794	510,995,927	71,188,642	290,093,716
Real estate	110,732,202	447,911,757	118,019,070	480,927,710
Depository institutions	98,105,569	396,837,027	38,266,181	155,934,688
Manufacturing	44,866,795	181,486,186	65,563,788	267,172,436
Information and media	34,950,811	141,376,030	34,888,040	142,168,763
Wholesale/retail	28,369,623	114,755,125	41,299,867	168,296,958
Rental	28,022,426	113,350,713	22,408,928	91,316,382
Hotel and restaurants	23,413,766	94,708,683	24,889,954	101,426,563
Agriculture, forestry and fishing	22,263,952	90,057,686	23,952,010	97,604,441
Other non-financial Services	8,531,068	34,508,170	10,491,317	42,752,117
Other financial institutions	3,963,801	16,033,575	6,632,356	27,026,851
Transport and storage	2,178,989	8,814,011	2,289,332	9,329,028
Personal loan	1,611,232	6,517,433	1,608,278	6,553,733
Utilities	674,151	2,726,941	6,427,482	26,191,989
Others lending	118,117,327	477,784,588	120,086,663	489,353,151
Total	652,129,506	2,637,863,852	588,011,908	2,396,148,526

(iv) Analysis by currency

	2020		2019	
	US\$	KHR'000 <i>equivalent</i> (Note 2.3)	US\$	KHR'000 <i>equivalent</i> (Note 2.3)
US\$	605,020,630	2,447,308,448	529,266,643	2,156,761,570
KHR	46,320,056	187,364,627	58,745,265	239,386,956
Chinese Yuan	788,820	3,190,777	-	-
	652,129,506	2,637,863,852	588,011,908	2,396,148,526

Bank of China (Hong Kong) Limited - Phnom Penh Branch

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

8. LOANS AND ADVANCES (continued)

(v) *Analysis of loan portfolio by maturity*

Refer to Note 29.

(vi) *Analysis of loan portfolio by residency, relationship, exposure and annual interest rates range*

	2020		2019	
	US\$	KHR'000 <i>equivalent (Note 2.3)</i>	US\$	KHR'000 <i>equivalent (Note 2.3)</i>
Residency				
Residents	600,026,255	2,427,106,201	527,621,692	2,150,058,395
Non-residents	52,103,251	210,757,651	60,390,216	246,090,131
	652,129,506	2,637,863,852	588,011,908	2,396,148,526
Relationship				
External customers	651,015,224	2,633,356,581	586,907,125	2,391,646,534
Staffs	1,114,282	4,507,271	1,104,783	4,501,992
	652,129,506	2,637,863,852	588,011,908	2,396,148,526
Exposure				
Large	396,477,068	1,603,749,740	261,479,122	1,065,527,422
Non-large	255,652,438	1,034,114,112	326,532,786	1,330,621,104
	652,129,506	2,637,863,852	588,011,908	2,396,148,526

Annual interest rates

	2020	2019
Overdraft	3.50% - 8.50%	4.50% - 9.00%
Trade financing	6.00% - 7.50%	6.00% - 6.50%
Short-term loans	2.98% - 7.50%	4.25% - 7.00%
Long-term loans	1.18% - 13.45%	3.07% - 13.45%

9. OTHER ASSETS

	2020		2019	
	US\$	KHR'000 <i>equivalent (Note 2.3)</i>	US\$	KHR'000 <i>equivalent (Note 2.3)</i>
Fee receivable	602,042	2,435,260	660,715	2,692,414
Prepayments and others	616,725	2,494,653	448,403	1,827,241
Security deposits	48,350	195,576	224,468	914,706
Interest receivable on balances with NBC and other banks	22,901	92,634	182,221	742,550
	1,290,018	5,218,123	1,515,807	6,176,911

Bank of China (Hong Kong) Limited - Phnom Penh Branch

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

10. PROPERTY AND EQUIPMENT

	Leasehold improvements	Furniture and equipment	Computer equipment	Motor vehicles	Total
	US\$	US\$	US\$	US\$	US\$
Cost					
As at 1 January 2020	4,001,813	1,180,819	1,012,358	636,601	6,831,591
Additions	346,587	75,913	83,211	-	505,711
Disposal	-	(20,426)	(6,184)	-	(26,610)
As at 31 December 2020	4,348,400	1,236,306	1,089,385	636,601	7,310,692
Less: accumulated depreciation					
As at 1 January 2020	2,852,584	801,622	797,058	484,361	4,935,625
Depreciation	434,425	164,982	128,149	38,342	765,898
Disposal	-	(20,426)	(6,184)	-	(26,610)
As at 31 December 2020	3,287,009	946,178	919,023	522,703	5,674,913
Net book value					
As at 31 December 2020	1,061,391	290,128	170,362	113,898	1,635,779
KHR'000 equivalent (Note 2.3)	4,293,327	1,173,568	689,114	460,717	6,616,726

	Leasehold improvements	Furniture and equipment	Computer equipment	Motor vehicles	Total
	US\$	US\$	US\$	US\$	US\$
Cost					
As at 1 January 2019	3,998,348	1,106,625	894,885	636,601	6,636,459
Additions	3,465	74,194	117,473	-	195,132
As at 31 December 2019	4,001,813	1,180,819	1,012,358	636,601	6,831,591
Less: accumulated depreciation					
As at 1 January 2019	2,353,044	621,681	671,553	437,436	4,083,714
Depreciation	499,540	179,941	125,505	46,925	851,911
As at 31 December 2019	2,852,584	801,622	797,058	484,361	4,935,625
Net book value					
As at 31 December 2019	1,149,229	379,197	215,300	152,240	1,895,966
KHR'000 equivalent (Note 2.3)	4,683,108	1,545,228	877,348	620,377	7,726,061

Bank of China (Hong Kong) Limited - Phnom Penh Branch

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

11. LEASES

The Branch as lessee

The Branch has lease contracts for office buildings, ATM spaces, rental for business outlets and rental of vehicles. The Branch applies the 'short-term lease assets' recognition exemption for leases of business outlets and vehicles.

Right-of-use assets

Set out below are the carrying amounts of the right-of-use assets:

	Right-of-use assets		
	Office building US\$	ATM US\$	Total US\$
Cost			
As at 1 January 2020	3,336,869	63,087	3,399,956
Addition	1,550,857	39,030	1,589,887
As at 31 December 2020	4,887,726	102,117	4,989,843
Less: accumulated depreciation			
As at 1 January 2020	1,320,342	39,709	1,360,051
Depreciation expense	762,962	21,890	784,852
As at 31 December 2020	2,083,304	61,599	2,144,903
Net book value	2,804,422	40,518	2,844,940
KHR'000 equivalent	11,343,887	163,895	11,507,782
Cost			
As at 1 January 2019	3,336,869	54,015	3,390,884
Addition	-	9,072	9,072
As at 31 December 2019	3,336,869	63,087	3,399,956
Less: accumulated depreciation			
As at 1 January 2019	584,641	24,324	608,965
Depreciation expense	735,701	15,385	751,086
As at 31 December 2020	1,320,342	39,709	1,360,051
Net book value	2,016,527	23,378	2,039,905
KHR'000 equivalent (Note 2.3)	8,217,348	95,265	8,312,613

Bank of China (Hong Kong) Limited - Phnom Penh Branch

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

11. LEASES (continued)

Lease liabilities

Total undiscounted cash flows and present value of lease liabilities are as follow:

	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		<i>equivalent (Note 2.3.3)</i>		<i>equivalent (Note 2.3.3)</i>
Maturity analysis – contractual undiscounted cash flows				
Less than one year	856,889	3,466,116	814,296	3,318,256
One to five years	2,199,161	8,895,606	1,408,325	5,738,924
More than five years	-	-	56,654	230,865
Total undiscounted lease liabilities	3,056,050	12,361,722	2,279,275	9,288,045
Present value of lease liabilities				
Current	802,616	3,246,582	766,437	3,123,231
Non-current	2,102,683	8,505,352	1,343,661	5,475,418
	2,905,299	11,751,934	2,110,098	8,598,649

Movements of lease liabilities are as follows:

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
		<i>equivalent (Note 2.3)</i>		<i>equivalent (Note 2.3)</i>
As at 1 January	2,110,098	8,598,649	2,743,622	11,023,873
Additions	1,589,887	6,431,093	9,072	36,968
Accretion of interest	60,431	246,377	81,638	330,797
Payments	(855,117)	(3,486,312)	(724,234)	(2,951,254)
Exchange difference on translation	-	(37,873)	-	158,265
As at 31 December	2,905,299	11,751,934	2,110,098	8,598,649

The amounts recognized in the statement of comprehensive income are as follows:

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
		<i>equivalent (Note 2.3)</i>		<i>equivalent (Note 2.3)</i>
Depreciation of right-of-use assets (Note 23)	784,852	3,199,842	751,086	3,043,400
Finance cost on lease liabilities (Note 19)	60,431	246,378	81,638	330,794
Expense for leases of low-value assets (Note 24)	78,340	319,392	65,155	264,012
Total amount recognized in the statement of comprehensive income	923,623	3,765,612	897,879	3,638,206

Bank of China (Hong Kong) Limited - Phnom Penh Branch

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

12. DEPOSITS FROM OTHER BANKS

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
		<i>equivalent (Note 2.3)</i>		<i>equivalent (Note 2.3)</i>
Current deposits	835,291	3,378,752	1,380,480	5,625,456
Term deposits	-	-	20,000,000	81,500,000
	835,291	3,378,752	21,380,480	87,125,456

Further analyses of deposits from customers are as follows:

(i) Interest rate (per annum)

	2020	2019
Savings deposits	0.00% - 0.35%	0.00% - 0.25%
Term deposits	0.50% - 3.50%	0.75%

(ii) By currency

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
		<i>equivalent (Note 2.3)</i>		<i>equivalent (Note 2.3)</i>
US\$	278,821	1,127,831	21,264,182	86,651,542
KHR	547,506	2,214,662	107,884	439,627
Chinese Yuan	8,964	36,259	8,414	34,287
	835,291	3,378,752	21,380,480	87,125,456

(iii) By relationship

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
		<i>equivalent (Note 2.3)</i>		<i>equivalent (Note 2.3)</i>
Non-related parties	288,990	1,168,965	21,273,803	86,685,829
Related parties	546,301	2,209,787	106,677	439,627
	835,291	3,378,752	21,380,480	87,125,456

Bank of China (Hong Kong) Limited - Phnom Penh Branch

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

13. DEPOSITS FROM CUSTOMERS

Deposits from customers comprise:

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
		<i>equivalent (Note 2.3)</i>		<i>equivalent (Note 2.3)</i>
Current deposits	484,466,392	1,959,666,556	488,708,770	1,991,488,238
Savings deposits	109,286,629	442,064,414	121,804,730	496,354,275
Term deposits	283,054,570	1,144,955,736	181,818,257	740,909,397
Margin deposits	3,697,203	14,955,186	2,763,339	11,260,606
	880,504,794	3,561,641,892	795,095,096	3,240,012,516

Further analyses of deposits from customers are as follows:

(i) Interest rates

Savings deposits and term deposits from other banks bear interest per annum as follows:

	2020	2019
Current deposits	Nil	0.00% - 2.50%
Savings deposits	0.15% - 0.35%	0.00% - 0.35%
Term deposits	0.50% - 3.50%	0.50% - 3.50%
Margin deposits	Nil	Nil

(ii) Liquidity analysis

Refer to Note 29.

(iii) By type of customer, residency, and currency

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
		<i>equivalent (Note 2.3)</i>		<i>equivalent (Note 2.3)</i>
By type of customer				
Legal entities	646,155,162	2,613,697,630	551,997,014	2,249,387,832
Individuals	234,349,632	947,944,262	243,098,082	990,624,684
	880,504,794	3,561,641,892	795,095,096	3,240,012,516
By residency				
Residents	805,012,771	3,256,276,659	716,423,884	2,919,427,327
Non-residents	75,492,023	305,365,233	78,671,212	320,585,189
	880,504,794	3,561,641,892	795,095,096	3,240,012,516
By currency				
US\$	822,191,677	3,325,765,333	746,273,415	3,041,064,166
KHR	54,617,634	220,928,330	46,998,103	191,517,270
Chinese Yuan	3,691,606	14,932,546	1,820,752	7,419,564
Others	3,877	15,683	2,826	11,516
	880,504,794	3,561,641,892	795,095,096	3,240,012,516

Bank of China (Hong Kong) Limited - Phnom Penh Branch

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

14. BORROWINGS

Borrowings comprise of:

	2020		2019	
	US\$	KHR'000 <i>equivalent</i> <i>(Note 2.3)</i>	US\$	KHR'000 <i>equivalent</i> <i>(Note 2.3)</i>
Interbank borrowing				
Bank of China - Beijing	23,557,243	95,289,048	23,626,670	96,278,680
Bank of China - Hong Kong	50,000,000	202,250,000	-	-
Borrowings from the NBC	7,267,007	29,395,043	19,691,067	80,241,098
Others	75,440	305,155	-	-
	80,899,690	327,239,246	43,317,737	176,519,778

The unsecured borrowing from the Bank of China - Beijing bears interest at six-month LIBOR plus 110 basis points per annum and matures on 28 April 2022.

The borrowing from the NBC represents a so-called name as Liquidity-Providing Collateralized Operation (LPCO) in KHR for a one-year term from 19 March 2020 to 18 March 2021 with interest rate at 5.00% per annum. The LPCO is collateralized by NCD (Note 6).

15. INCOME TAX

Major components of income tax expense are as follows:

	2020		2019	
	US\$	KHR'000 <i>equivalent</i> <i>(Note 2.3)</i>	US\$	KHR'000 <i>equivalent</i> <i>(Note 2.3)</i>
Current tax	4,501,623	18,353,118	6,649,118	26,942,226
Deferred tax	51,975	211,901	(467,389)	(1,893,860)
	4,553,598	18,565,019	6,181,729	25,048,366

15.1 Current income tax

In accordance with the Cambodian tax regulations, current income tax is calculated at the higher of the taxable income for the year multiplied by the tax rate of 20% at the reporting date and 1% of turnover.

Details of estimated current income tax expense are as follows:

	2020		2019	
	US\$	KHR'000 <i>equivalent</i> <i>(Note 2.3)</i>	US\$	KHR'000 <i>equivalent</i> <i>(Note 2.3)</i>
Accounting profit before income tax	20,860,225	85,047,137	26,875,361	108,898,962
Income tax at applicable tax rate of 20%	4,172,045	17,009,428	5,375,072	21,779,792
Non-deductible expenses	381,553	1,555,591	806,657	3,268,574
Effective income tax	4,553,598	18,565,019	6,181,729	25,048,366

Bank of China (Hong Kong) Limited - Phnom Penh Branch

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

15. INCOME TAX (continued)

15.1 Current income tax (continued)

Details of movements of income tax payable are as follows:

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
		<i>equivalent (Note 2.3)</i>		<i>equivalent (Note 2.3)</i>
As at 1 January	6,035,651	24,595,278	5,487,117	22,047,236
Current tax	4,501,623	18,353,117	6,649,118	26,942,226
Payments during the year	(6,577,304)	(26,815,668)	(6,100,584)	(24,859,880)
Exchange difference on translation	-	(114,648)	-	465,696
As at 31 December	3,959,970	16,018,079	6,035,651	24,595,278

15.2 Deferred tax assets

Temporary differences recognized during the year giving rise to deferred tax assets (liabilities) are as follows:

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
		<i>equivalent (Note 2.3)</i>		<i>equivalent (Note 2.3)</i>
Allowance for ECLs	2,300,191	9,304,273	2,177,816	8,874,600
Deferred income	163,827	662,680	198,665	809,560
Provisions on other bad debts	5,905	23,886	5,905	24,063
Accrued bonus	-	-	1,426	5,811
Property and equipment	(91,113)	(368,552)	(62,269)	(253,746)
Right-of-use assets and finance lease liabilities- net	(109,242)	(441,884)	-	-
Deferred tax asset - Net	2,269,568	9,180,403	2,321,543	9,460,288

16. OTHER LIABILITIES

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
		<i>equivalent (Note 2.3)</i>		<i>equivalent (Note 2.3)</i>
Outward remittances	4,232,420	17,120,139	3,820,597	15,568,933
Accrued salaries and bonus	1,003,289	4,058,304	949,476	3,869,115
Allowance for ECL on off-balance sheet items	424,655	1,717,729	417,014	1,699,332
Unamortized loan processing fees on off-balance sheet items	325,045	1,314,807	323,254	1,317,260
Other taxes	261,695	1,058,556	302,873	1,234,207
Accruals and others	423,567	1,713,329	442,736	1,804,148
	6,670,671	26,982,864	6,255,950	25,492,995

Bank of China (Hong Kong) Limited - Phnom Penh Branch

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

17. BRANCH CAPITAL

Branch capital represents the equity invested by the head office.

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
		<i>equivalent (Note 2.3)</i>		<i>equivalent (Note 2.3)</i>
Branch capital	150,000,000	600,000,000	150,000,000	600,000,000

18. INTEREST INCOME

Interest income were generated from:

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
		<i>equivalent (Note 2.3)</i>		<i>equivalent (Note 2.3)</i>
Loans and advances	30,338,778	123,691,198	32,421,043	131,370,067
Balances with NBC and other banks	2,459,182	10,026,085	4,963,004	20,110,091
	32,797,960	133,717,283	37,384,047	151,480,158

19. INTEREST EXPENSE

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
		<i>equivalent (Note 2.3)</i>		<i>equivalent (Note 2.3)</i>
Deposits from customers	6,339,796	25,847,348	6,231,654	25,250,662
Borrowing from the NBC	704,771	2,873,351	97,892	396,658
Interbank borrowings	570,639	2,326,495	1,323,621	5,363,312
Lease liabilities	60,431	246,378	81,638	330,798
	7,675,637	31,293,572	7,734,805	31,341,430

20. NET FEES AND COMMISSION INCOME

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
		<i>equivalent (Note 2.3)</i>		<i>equivalent (Note 2.3)</i>
Fees and commission income from:				
Remittance	3,124,258	12,737,600	3,534,002	14,319,776
Loans and trade finance	2,337,833	9,531,345	5,830,809	23,626,438
Card products	155,072	632,229	226,381	917,296
Others	470,488	1,918,179	803,744	3,256,770
	6,087,651	24,819,353	10,394,936	42,120,280
Fees and commission expense	(585,271)	(2,386,150)	(1,032,950)	(4,185,513)
Net fees and commission income	5,502,380	22,433,203	9,361,986	37,934,767

Bank of China (Hong Kong) Limited - Phnom Penh Branch

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

21. FOREIGN EXCHANGE INCOME

This represents gain on foreign exchange for transactions in other currencies.

22. PERSONNEL EXPENSES

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
		<i>equivalent (Note 2.3)</i>		<i>equivalent (Note 2.3)</i>
Salaries and wages	5,080,222	20,712,065	3,334,532	13,511,524
Allowances	1,727,357	7,042,434	1,438,528	5,828,915
Other benefits	177,777	724,797	248,100	1,005,301
	6,985,356	28,479,296	5,021,160	20,345,740

23. DEPRECIATION EXPENSES

Depreciation expenses comprise of:

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
		<i>equivalent (Note 2.3)</i>		<i>equivalent (Note 2.3)</i>
Property and equipment (Note 10)	765,898	3,122,566	851,911	3,451,944
Right-of-use assets (Note 11)	784,852	3,199,842	751,086	3,043,400
	1,550,750	6,322,408	1,602,997	6,495,344

24. OTHER OPERATING EXPENSES

	2020		2019	
	US\$	KHR'000	US\$	KHR'000
		<i>equivalent (Note 2.3)</i>		<i>equivalent (Note 2.3)</i>
Network and telecommunication	242,168	987,319	234,365	949,647
Insurances	232,528	948,017	101,986	413,247
Social activities	224,543	915,462	256,098	1,037,709
Legal and professional fees	222,385	906,664	340,457	1,379,532
License fees	176,328	718,889	203,582	824,914
Outsource services	176,111	718,005	172,353	698,374
Advertising and marketing	170,001	693,094	98,183	397,838
Other taxes	149,209	608,325	260,092	1,053,893
Repairs and maintenance	134,181	547,056	140,260	568,334
Utilities	132,387	539,742	132,025	534,965
Management fees	119,765	488,282	90,981	368,655
Leases of low-value assets	78,340	319,392	65,15	264,012
Office supplies	65,313	266,281	114,835	465,311
Travelling	50,645	206,480	205,200	831,470
Others	498,479	2,032,297	352,515	1,428,388
	2,672,383	10,895,305	2,768,087	11,216,289

Bank of China (Hong Kong) Limited - Phnom Penh Branch

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

25. PROVISIONS FOR EXPECTED CREDIT LOSSES

	2020		2019	
	US\$	KHR'000 <i>equivalent</i> <i>(Note 2.3)</i>	US\$	KHR'000 <i>equivalent</i> <i>(Note 2.3)</i>
Provisions for (reversal of) ECLs:				
Balance with NBC (Note 6)	6,622	26,998	(422,403)	(1,711,577)
Balances with other banks (Note 7)	(178)	(726)	(2,068)	(8,380)
Loans and advances (Note 8)	283,608	1,156,270	4,989,898	20,219,067
Off-balance sheet items (Note 16)	7,641	31,152	260,996	1,057,556
	297,693	1,213,694	4,826,423	19,556,666

26. COMMITMENTS AND CONTINGENCIES

26.1 Lending commitments

To meet the financial needs of customers, the Branch enters into various lending commitments. No material losses are anticipated from these transactions, as follows:

	2020		2019	
	US\$	KHR'000 <i>equivalent</i> <i>(Note 2.3)</i>	US\$	KHR'000 <i>equivalent</i> <i>(Note 2.3)</i>
Loan commitments	56,932,923	230,293,674	43,664,308	177,932,055
Unutilized portion of overdraft	14,951,209	60,477,640	12,147,648	49,501,666
Letters of credit	9,055,198	36,628,276	16,768,531	68,331,764
Guarantees and others	87,623,114	354,435,496	102,228,146	416,579,695
Total	168,562,444	681,835,086	174,808,633	712,345,180

26.2 Tax contingency

The taxation system in Cambodia has undergone numerous changes and is characterized by either often unclear, contradictory and/or differing interpretations existing among numerous taxation authorities and jurisdictions. Taxes are subject to review and investigation by a number of tax authorities, who are enabled by law to impose severe fines, penalties and interest charges.

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 and its subsidiaries could be significant.

Bank of China (Hong Kong) Limited - Phnom Penh Branch

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

27. RELATED PARTY TRANSACTIONS AND BALANCES

Significant related party transactions of the Branch during the year and the outstanding balances at balance sheet date are as follows:

Related party	Nature of transaction	2020		2019	
		US\$	KHR'000 <i>equivalent (Note 2.3)</i>	US\$	KHR'000 <i>equivalent (Note 2.3)</i>
BOC Hong Kong (Head office)	Balances with other banks	35,652,347	144,213,744	93,984,075	382,985,104
	Interbank borrowings	50,000,000	202,250,000	-	-
	Accrued interest payable	1,000	4,077	-	-
	Interest expense	92,951	375,987	295,068	1,195,617
	Accrued interest receivable	-	-	20,768	84,629
BOC - Beijing (affiliate and former head office)	Interbank borrowings	23,500,000	95,057,500	23,500,000	95,762,500
	Balances with other banks	7,604,728	30,761,125	5,789,796	23,593,420
	Interest expense	56,243	229,303	868,680	3,519,893
	Accrued interest payable	524,873	2,123,111	126,670	516,180
BOC Cayman (affiliate)	IT fees (**)	128,988	521,756	78,053	318,222
	Balances with other banks	-	-	20,000,000	81,500,000
	Interest income	1,306	5,325	1,531,078	6,203,927
BOC - Shanghai (affiliate)	Accrued interest receivable	-	-	24,806	101,083
	Balances with other banks	84,619	342,284	49,279	200,813
BOC - Frankfurt (affiliate)	Balances with other banks	15,255	61,706	47,357	192,982
Key management personnel (*)	Compensation	3,255,186	13,271,393	2,513,990	10,186,689

(*) Include the Executive Management.

(**) Include IT fee incurred by the Branch. In 2020 and 2019, the Branch paid IT fee amounting to US\$ 207,041 and US\$ 251,911, respectively.

Bank of China (Hong Kong) Limited - Phnom Penh Branch

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

28. FINANCIAL RISK MANAGEMENT

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

- Operational risk
- Credit risk;
- Market risk;
- Liquidity risk; and

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

(i) Risk management functional and governance structure

The Branch's activities expose it to a variety of financial risks: credit risk, market risk (including currency risk, interest rate risk and price risk), and liquidity risk. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business.

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

A primary objective of the Branch in risk management is to comply with NBC's regulations. On the other hand, the Branch has recognized the importance of achieving international best practices on risk management. The Board of Directors has established a Risk Management Committee to formulate broad parameters of acceptable risk for the Branch and monitor the activities against these parameters.

The details of financial assets and liabilities are as follows:

	2020		2019	
	US\$	KHR'000 <i>equivalent</i> <i>(Note 2.3)</i>	US\$	KHR'000 <i>equivalent</i> <i>(Note 2.3)</i>
Financial assets				
Cash	35,990,292	145,580,731	34,351,169	139,981,014
Balances with the NBC	360,596,739	1,458,613,810	165,360,543	673,844,213
Balances with other banks	104,625,767	423,211,228	216,450,288	882,034,924
Loans and advances	640,176,291	2,589,513,097	576,342,301	2,348,594,877
Other assets	854,175	3,455,139	1,067,404	4,349,671
Total financial assets	1,142,243,264	4,620,374,005	993,571,705	4,048,804,699
Financial liabilities				
Deposits from other banks	835,291	3,378,752	21,380,480	87,125,456
Deposits from customers	880,504,794	3,561,641,892	795,095,096	3,240,012,516
Borrowings	80,899,690	327,239,246	43,317,737	176,519,778
Lease liabilities	2,905,299	11,751,934	2,110,098	8,598,649
Other liabilities	5,659,276	22,891,771	5,212,809	21,242,197
Total financial assets	970,804,350	3,926,903,595	867,116,220	3,533,498,596
Net financial assets	171,438,914	693,470,410	126,455,485	515,306,103

Bank of China (Hong Kong) Limited - Phnom Penh Branch

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

28. FINANCIAL RISK MANAGEMENT (continued)

28.1 Operational risk

Operational risk is the risk of direct or indirect loss arising from inadequate or failed internal processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior.

The operational risk loss is 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 senior management of the Branch.

The Branch's operational risk management entails the establishment of clear organizational structures, roles and control policies. Various internal control policies and measures have been implemented including the establishment of signing authorities, defining system parameters controls, streamlining procedures and documentation and compliance with regulatory and other legal requirements. These are continually reviewed to address the operational risks of the business unit as well as to assess the level of compliance with the Branch policies by a program of periodic reviews undertaken by the internal audit function. The results of internal audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Internal control and Operational Risk Committee and senior management of the Branch.

28.2 Credit risk

The Branch takes on exposure to credit risk, which is the risk that a 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 and advances. There is also credit risk in off-balance sheet financial instruments, such as loan commitments. The lending activities are guided by the Branch's credit policy to ensure that the overall objectives in the area of lending are achieved; i.e., that the loan portfolio is strong and credit risks are well diversified. The credit policy documents the lending policy, collateral policy and credit approval processes, including the Branch's own internal grading system, and procedures implemented to ensure compliance with the NBC's guidelines.

(a) Credit risk measurement

The Branch assesses the probability of default of individual counterparties using internal rating tool. Local credit committee is responsible for determining the risk rating policies.

Risk ratings are reviewed and updated regularly, and in events of (i) change of loan terms and conditions including extension; (ii) repayment irregularities or delinquencies and (iii) adverse information relating to the borrower or transaction.

(b) Risk limit control and mitigation policies

The Branch operates and provides loans and advances to individuals or enterprises 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 individual beneficiary which exceeds 10% of the Branch's net worth.

The Branch is required, under the conditions of NBC Prakas No. B7-06-226, to maintain at all times a maximum ratio of 20% between the Branch's overall credit exposure to any single beneficiary and the Branch's net worth. The aggregate of large credit exposure must not exceed 300% of the Branch's net worth. In case the ratio exceeded the 20% threshold, the Branch has secured approval from NBC before disbursing the loan.

Bank of China (Hong Kong) Limited - Phnom Penh Branch

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

28. FINANCIAL RISK MANAGEMENT (continued)

28.2 Credit risk

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

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

- Mortgages over residential properties (land, building and other properties);
- Charges over business assets such as land and buildings; and
- Cash in the form of margin deposits.

(c) Management of credit risk

- Developing and maintaining the Branch's processes for measuring ECL: This includes processes for:
 - initial approval, regular validation and back-testing of the models used;
 - determining and monitoring significant increase in credit risk; and
 - incorporation of forward-looking information.
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports on the credit quality of local portfolios are provided to Bank Credit, which may require appropriate corrective action to be taken. These include reports containing estimates of ECL allowances.
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Branch in the management of credit risk.

(d) Concentration of risk

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 Branch monitors concentration of credit risk of counterparty by industry. An analysis of concentration of the credit risk as at the balance sheet date in tables (e) and (f) below.

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

Details of maximum exposure to credit risk before collateral held or other credit enhancements are as follows:

	2020		2019	
	US\$	KHR'000 <i>equivalent</i> (Note 2.3)	US\$	KHR'000 <i>equivalent</i> (Note 2.3)
Balances with the NBC	360,676,845	1,458,937,839	165,434,027	674,143,660
Balances with other banks	104,626,956	423,216,038	216,451,655	882,040,495
Loans and advances, gross	652,129,506	2,637,863,852	588,011,908	2,396,148,526
Other assets	854,175	3,455,139	1,067,404	4,349,671
	1,118,287,482	4,523,472,868	970,964,994	3,956,682,352

Bank of China (Hong Kong) Limited - Phnom Penh Branch

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

28. FINANCIAL RISK MANAGEMENT (continued)

28.2 Credit risk (continued)

(f) Concentration of risks of financial assets with credit risk exposure

	2020				
	Balances with NBC US\$	Balances with other Banks US\$	Loans and advances US\$	Other assets US\$	Total US\$
Financial intermediaries	360,676,845	104,626,956	100,790,390	854,175	566,948,366
Manufacturing	-	-	65,690,863	-	65,690,863
Construction	-	-	125,768,582	-	125,768,582
Real estate	-	-	109,763,888	-	109,763,888
Others - community, social and personal activities	-	-	246,157,045	-	246,157,045
	360,676,845	104,626,956	648,170,768	854,175	1,114,328,744
Accrued interest receivable	-	-	4,452,827	-	4,452,827
Unrecognized processing fees	-	-	(494,089)	-	(494,089)
	360,676,845	104,626,956	652,129,506	854,175	1,118,287,482
Allowance for ECLs	(80,106)	(1,189)	(11,953,215)	-	(12,034,510)
	360,596,739	104,625,767	640,176,291	854,175	1,106,252,972
KHR'000 equivalent (Note 2.3)	1,458,613,810	423,211,228	2,589,513,097	3,455,139	4,474,793,274

	2019				
	Balances with NBC US\$	Balances with other Banks US\$	Loans and advances US\$	Other assets US\$	Total US\$
Financial intermediaries	165,434,027	216,451,655	44,352,925	1,067,404	427,306,011
Manufacturing	-	-	65,226,236	-	65,226,236
Construction	-	-	70,958,007	-	70,958,007
Real estate	-	-	116,448,476	-	116,448,476
Others - community, social and personal activities	-	-	287,504,632	-	287,504,632
	165,434,027	216,451,655	584,490,276	1,067,404	967,443,362
Accrued interest receivable	-	-	4,191,701	-	4,191,701
Unrecognized processing fees	-	-	(670,069)	-	(670,069)
	165,434,027	216,451,655	588,011,908	1,067,404	970,964,994
Allowance for ECLs	(73,484)	(1,367)	(11,669,607)	-	(11,744,458)
	165,360,543	216,450,288	576,342,301	1,067,404	959,220,536
KHR'000 equivalent (Note 2.3)	673,844,213	882,034,924	2,348,594,877	4,349,671	3,908,823,685

Bank of China (Hong Kong) Limited - Phnom Penh Branch

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

28. FINANCIAL RISK MANAGEMENT (continued)

28.2 Credit risk (continued)

(f) Concentration of risks of financial assets with credit risk exposure (continued)

	2020			
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Stage 4 US\$
Balances with NBC	360,676,845	-	-	360,676,845
Balances with other banks	104,626,956	-	-	104,626,956
Loans and advances including receivables	621,346,557	30,324,970	457,979	652,129,506
Other assets	854,175	-	-	854,175
	1,087,504,533	30,324,970	457,979	1,118,287,482
Allowance for ECLs	(10,221,419)	(1,359,245)	(453,846)	(12,034,510)
	1,077,283,114	28,965,725	4,133	1,106,252,972
KHR'000 equivalent (Note 2.3)	4,357,610,197	117,166,359	16,718	4,474,793,274

	2019			
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Stage 4 US\$
Balances with NBC	165,434,027	-	-	165,434,027
Balances with other banks	216,451,655	-	-	216,451,655
Loans and advances including receivables	587,521,981	15,661	474,266	588,011,908
Other assets	1,067,404	-	-	1,067,404
	970,475,067	15,661	474,266	970,964,994
Allowance for ECLs	(11,262,222)	(7,970)	(474,266)	(11,744,458)
	959,212,845	7,691	-	959,220,536
KHR'000 equivalent (Note 2.3)	3,908,792,344	31,341	-	3,908,823,685

The Branch applies a three-stage approach based on the change in credit quality since initial recognition:

Allowance for ECLs will be made based on the following three-stage approach which reflects the change in credit quality of the financial instrument since initial recognition:

(i) Stage 1: 12-month ECL – not credit-impaired

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired upon origination, the ECL associated with the probability of default events occurring within next 12 months will be recognized.

(ii) Stage 2: Lifetime ECL – not credit-impaired

For exposures where there has been a significant increase in credit risk since initial recognition but that are not credit-impaired, a lifetime ECL will be recognized.

Bank of China (Hong Kong) Limited - Phnom Penh Branch

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

28. FINANCIAL RISK MANAGEMENT (continued)

28.2 Credit risk (continued)

(f) Concentration of risks of financial assets with credit risk exposure (continued)

(iii) Stage 3: Lifetime ECL – credit-impaired

Financial assets are assessed as credit-impaired when one or more events that have detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that are credit-impaired, a lifetime ECL will be recognized.

Stage	Credit risk status	Default indicator
1	12-month ECL – not credit-impaired	0 to 29 days past due ("DPD")
2	Lifetime ECL – not credit-impaired	30 to 89 DPD More than 90 DPD Restructured and Rescheduled ("R&R") Forced default Related default
3	Lifetime ECL – credit-impaired	

The definition of default used for these purposes shall be applied consistently to all financial assets unless information becomes available that demonstrates that another default definition is more appropriate for a particular financial instrument.

Based on the Branch's definition of default, an account classified as default will be automatically tagged as "Yes" in the "Impairment Indicator" field when the "Default-Reason" field shows one of the four default reasons below:

- (a) Normal Turn: The account's delinquency exceeds 90 DPD and is applicable to all products except Trade Finance product which has definition of default 31DPD due to the short-term nature of the product.
- (b) R&R: When the account undergoes debt restructuring or rescheduling;
- (c) Forced: When account shows deterioration in its credit profile, but its delinquency does not exceed 90 DPD; and
- (d) Related: Refers to cross default by obligor(s) of the same borrower type within the same loan listing source.

(iv) Incorporation of forward-looking information

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.

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.

(g) Repossessed collateral

During the year, the Branch did not repossess any collateral held as security.

Bank of China (Hong Kong) Limited - Phnom Penh Branch

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

28. FINANCIAL RISK MANAGEMENT (continued)

28.3 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.

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

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the Branch's functional currency. The Branch maintains a policy of not exposing itself to large foreign exchange positions. Any foreign currency exchange open positions are monitored against the operating requirements, pre-determined position limits and cut-loss limits.

As at 31 December 2019, balances in monetary assets and liabilities denominated in currencies other than US\$ are not significant. Therefore, no sensitivity analysis for foreign currency exchange risk was presented.

(ii) Price risk

The Branch is not exposed to price risk of securities because it does not hold any investments classified on the balance sheet as marketable securities.

(iii) Interest rate risk

Interest rate risk is the risk that the future cash flows 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 maintains a policy to set limits on the level of mismatch of interest rate re-pricing that may be undertaken; moreover, management regularly monitors the mismatch.

The Branch has no significant financial assets and liabilities excepting loans and advances with floating interest rates. Balances with the NBC, balances with other banks earn fixed interest rates and deposits from other banks and customers have fixed interest rates.

28.4 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 fulfil commitments to lend.

The Branch's management monitors balance sheet 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. Most practicably, the Branch calculates liquidity coverage ratio as a main index to manage the liquidity risk and satisfy the potential outflow of funds. If there is any funding need, the Branch is supported by its Head Office.

Bank of China (Hong Kong) Limited - Phnom Penh Branch

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

28. FINANCIAL RISK MANAGEMENT (continued)

28.4 Liquidity risk (continued)

The table in Note 29 is an analysis of the financial assets and liabilities of the Branch by relevant maturity based on the remaining period at the balance sheet date to the contractual or estimated maturity dates.

28.5 Fair value of financial assets and liabilities

Fair value represents the amount at which an asset could be exchanged or a liability settled on an arms-length basis. As verifiable market prices are not available, market prices are not available for a significant proportion of the Branch's financial assets and liabilities. Fair values, therefore, have been based on management assumptions according to the profile of the asset and liability base. In the opinion of the management, the carrying amounts of the financial assets and liabilities included in the balance sheet are a reasonable estimation of their fair values. In making this assessment, the management assumes that loans and advances are mainly held to maturity with fair values equal to the book value of loans adjusted for allowance for ECLs, if any.

28.6 Capital management

Regulatory capital

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 market confidence and to sustain further development of the business.

The Branch has complied with all externally imposed capital requirement throughout the year.

Capital allocation

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

29. LIQUIDITY RISK

Financial assets

Analysis of financial assets into maturity groupings is based on the expected date on which these assets will be realized. For other assets, the analysis into maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date or if earlier the expected date the assets will be realized.

Financial liabilities

The maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date. When counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Branch can be required to pay.

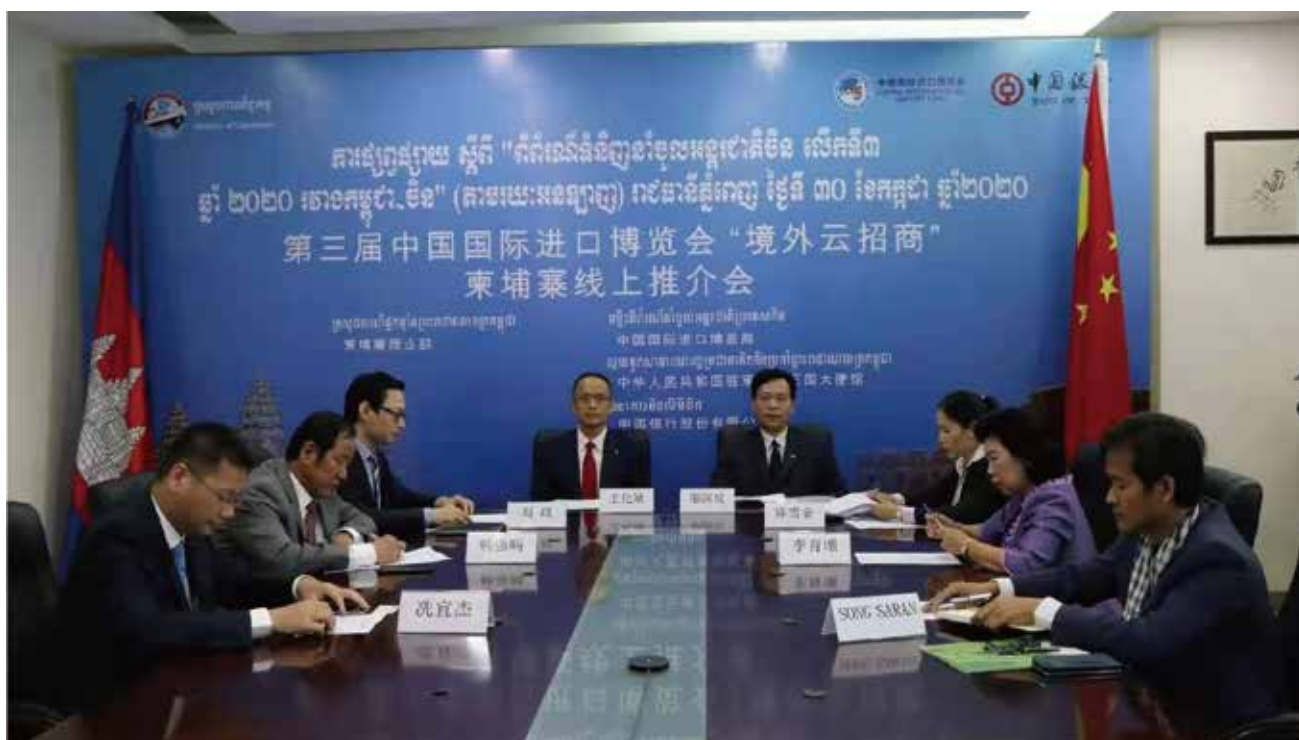
Bank of China (Hong Kong) Limited - Phnom Penh Branch

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

29. LIQUIDITY RISK (continued)

	2020						Total US\$
	On demand and up to 1 month US\$	>1-3 months US\$	>3-12 months US\$	>1 to 5 years US\$	Over 5 years US\$	No fixed maturity date US\$	
Financial assets							
Cash	35,990,292	-	-	-	-	-	35,990,292
Balances with the NBC	173,376,845	180,000,000	7,300,000	-	-	(80,106)	360,596,739
Balances with other banks	44,626,956	60,000,000	-	-	-	(1,189)	104,625,767
Loans and advances	35,615,104	18,463,004	113,880,312	329,043,604	155,127,482	(11,953,215)	640,176,291
Other assets	854,175	-	-	-	-	-	854,175
Total financial assets	290,463,372	258,463,004	121,180,312	329,043,604	155,127,482	(12,034,510)	1,142,243,264
Financial liabilities							
Deposits from other banks	835,291	-	-	-	-	-	835,291
Deposits from customers	739,194,084	72,738,746	66,931,815	1,640,149	-	-	880,504,794
Borrowings	-	57,267,007	23,632,683	-	-	-	80,899,690
Lease liabilities	164,773	87,352	550,491	2,102,683	-	-	2,905,299
Other liabilities	5,659,276	-	-	-	-	-	5,659,276
Total financial liabilities	745,853,424	130,093,105	91,114,989	3,742,832	-	-	970,804,350
Net liquidity surplus (gap)	(455,390,052)	128,369,899	30,065,323	325,300,772	155,127,482	(12,034,510)	171,438,914
KHR'000 equivalent (Note 2.3)	(1,842,052,760)	519,256,241	121,614,232	1,315,841,623	627,490,667	(48,679,593)	693,470,410

Up to one month comprise of current and savings deposits which represents 68% of the total deposits (2019: 77%). The mismatch does not reflect the cash outflow. Instead, the Branch is monitoring closely on liquidity coverage ratio at least on a monthly basis.



Bank of China (Hong Kong) Limited - Phnom Penh Branch

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

29. LIQUIDITY RISK (continued)

	2019						
	On demand and up to 1 month US\$	>1-3 months US\$	>3-12 months US\$	>1 to 5 years US\$	Over 5 years US\$	No fixed maturity date US\$	Total US\$
Financial assets							
Cash	34,351,169	-	-	-	-	-	34,351,169
Balances with the NBC	128,524,027	36,910,000	-	-	-	(73,484)	165,360,543
Balances with other banks	33,877,050	182,574,605	-	-	-	(1,367)	216,450,288
Loans and advances	20,869,527	11,790,732	95,912,317	297,933,965	161,505,367	(11,669,607)	576,342,301
Other assets	1,067,404	-	-	-	-	-	1,067,404
Total financial assets	218,689,177	231,275,337	95,912,317	297,933,965	161,505,367	(11,744,458)	993,571,705
Financial liabilities							
Deposits from other banks	21,380,480	-	-	-	-	-	21,380,480
Deposits from customers	675,112,603	54,171,298	58,058,614	7,752,581	-	-	795,095,096
Borrowings	-	19,817,737	-	23,500,000	-	-	43,317,737
Lease liabilities	170,733	74,642	521,062	1,081,130	262,531	-	2,110,098
Other liabilities	5,212,809	-	-	-	-	-	5,212,809
Total financial liabilities	701,876,625	74,063,677	58,579,676	32,333,711	262,531	-	867,116,220
Net liquidity surplus (gap)	(483,187,448)	157,211,660	37,332,641	265,600,254	161,242,836	(11,744,458)	126,455,485
KHR'000 equivalent (Note 2.3)	(1,968,988,851)	640,637,515	152,130,512	1,082,321,035	657,064,557	(47,858,665)	515,306,103

Bank of China (Hong Kong) Limited - Phnom Penh Branch

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

30. MATURITY PROFILE OF ASSETS AND LIABILITIES

	2020			2019		
	Within One Year	Beyond One Year	Total	Within One Year	Beyond One Year	Total
Financial Assets						
Cash	35,990,292	-	35,990,292	34,351,169	-	34,351,169
Balances with the NBC	360,676,845	-	360,676,845	165,434,027	-	165,434,027
Balances with other banks	104,626,956	-	104,626,956	216,451,655	-	216,451,655
Loans and advances - gross	167,958,420	484,171,086	652,129,506	128,572,576	459,439,332	588,011,908
Other assets	854,175	-	854,175	1,067,404	-	1,067,404
	670,106,688	484,171,086	1,154,277,774	545,876,831	459,439,332	1,005,316,163
Nonfinancial Assets						
Balances with the NBC	-	86,526,610	86,526,610	117,791,152	-	117,791,152
Property and equipment	-	7,310,692	7,310,692	-	6,831,591	6,831,591
Right-of-use asset	-	3,629,792	3,629,792	-	2,790,991	2,790,991
Deferred tax assets	-	2,269,568	2,269,568	-	2,321,543	2,321,543
Other assets	435,843	-	435,843	448,403	-	448,403
	435,843	99,736,662	100,172,505	118,239,555	11,944,125	130,183,680
	670,542,531	583,907,748	1,254,450,279	664,116,386	471,383,457	11,135,499,843
Less: Allowance for ECLs			(12,034,510)			(11,744,458)
Accumulated depreciations			(6,459,765)			(5,686,711)
Total Assets			1,235,956,004			1,118,068,674
Equivalent in KHR'000 (Note 2.3)			4,999,442,037			4,556,129,845

Bank of China (Hong Kong) Limited - Phnom Penh Branch

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

30. MATURITY PROFILE OF ASSETS AND LIABILITIES (continued)

	2020			2019		
	Within One Year	Beyond One Year	Total	Within One Year	Beyond One Year	Total
Financial Liabilities						
Deposits from other banks	835,291	-	835,291	21,380,480	-	21,380,480
Deposits from customers	878,864,645	1,640,149	880,504,794	787,342,515	7,752,581	795,095,096
Borrowings	80,899,690	-	80,899,690	19,817,73	23,500,000	43,317,737
Lease liabilities	802,616	2,102,683	2,905,299	766,437	1,343,661	2,110,098
Other liabilities	5,659,276	-	5,659,276	5,212,809	-	5,212,809
	967,061,518	3,742,832	970,804,350	834,519,978	32,596,242	867,116,220
Nonfinancial Liabilities						
Income tax payable	3,959,970	-	3,959,970	6,035,651	-	6,035,651
Other liabilities	261,695	749,700	1,011,395	302,873	740,268	1,043,141
	4,221,665	749,700	4,971,365	6,338,524	740,268	7,078,792
Total Assets	971,283,183	4,492,532	975,775,715	840,858,502	33,336,510	874,195,012
Equivalent in KHR'000 (Note 2.3)	3,928,840,475	18,172,292	3,947,012,767	3,426,498,395	135,846,277	3,562,344,672

Bank of China (Hong Kong) Limited - Phnom Penh Branch

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

31. EVENTS AFTER REPORTING PERIOD

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. 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 Branch. 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 Branch's financial position as at 31 December 2020 and its financial performance for year then ended.



