



**UCB**  
**2020**  
**ANNUAL**  
**REPORT**





**Union Commercial Bank Plc.**  
**FINANCIAL STATEMENTS**  
For the year ended 31 December 2020



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# 1 - Message from Management Team

2020 年全球經濟受疫情影響，UCB 以嚴謹的風險管理面對變動的總體環境，秉持長期在地深耕的決心，縱有諸多挑戰，UCB 仍戮力培育在地人才、重視企業社會責任、厚植顧客關係，為長期發展持續努力。

In 2020, while global economy was impacted by COVID-19, UCB faced the uncertainty of macro economy with prudent risk management and had the determination to develop and localize the business in a long-term manner. Despite challenges ahead, UCB still cultivated local talents, emphasized corporate social responsibility and deepened customer relationship for long-term development.

在業務方面，不管是優質人力的培育、對顧客服務的重視以及風險管理的落實，都是我們在地長期發展的基礎工程；另外，我們會持續調整現有分行服務網，讓服務能往金邊外圍延伸以方便新都會區顧客。

In terms of business, cultivation of talents, emphasis on customer service and implementation of risk management, all belong to our infrastructure of long-term local development; in addition, we keeps optimizing branch location for better serving customers in the new metropolitan area around Phnom Penh.

取之於社會、用之於社會，即使因疫情全球經濟處於重整態勢，UCB 選擇用正面的能量，點亮一盞燈，照亮動盪社會中需要溫暖的角落。在 2020 年，我們沒有忘記過去持續扶持的偏鄉孩童，這一年總共造訪了 7 家孤兒院，我們相信兒童是國家未來的希望，透過發揮世界公民的精神，共同為這片土地創造價值。

What is taken from the society shall be used in it. Even in the uncertain atmosphere of COVID-19 worldwide, UCB chose to positively lighten the corners in this turbulent period of time. In 2020, we didn't forget the children we had supported and visited 7 orphanages totally. We highly believe that children are the hope of a country, and through spirit of global citizenship, we can create value for this land together.



東國對外新 FTA 影響下的產業結構、本地顧客需求、境外投資者關注項目也會持續調整中，對金融業而言是充滿挑戰與機會，我們深信 UCB 的風險管理能力、顧客關係經營將會使我們更有競爭力。

For financial sector, there are challenges and opportunities, including industry structure impacted by new FTA launched by Cambodia government, local customers' need, and continuous adjustment of offshore investors' consideration. It is firmly believed that UCB's risk management competency and customer relationship maintain will make it even more competitive.



## 2 - Company Profile

### 母公司：玉山銀行

Parent Company: E.SUN Commercial Bank, Ltd.

玉山銀行創立於1992年，在創辦人、現任金控董事長黃永仁先生帶領下，與一群志同道合的金融菁英團隊，以「玉山」為名，秉持著「專業、服務、責任」的經營理念，以「培育最專業的人才、提供顧客最好的服務，是玉山的責任」作為實踐經營的行動準則，矢志成為「金融業的模範生，服務業的標竿」。

E.SUN Bank was founded on January 16th 1992 and commenced its business on February 21st 1992. Under the leadership of the founder and the incumbent Chairman of E.SUN Financial Holding Company, Mr. Yong Ren Huang, a team of financial elites beheld a shared goal – in the name of E.SUN, committed to the philosophy of “expertise, service, business”, engaged in the action principal of “E.SUN’s responsibility - nurturing talents and providing the best services”, and dedicated to be the “role model in finance and benchmark in service”.

「建立制度」、「培育人才」、「發展資訊」是奠定玉山發展百年志業的三大基礎工程，始終以「心清如玉，義重如山」的核心理念，提供顧客專業親切的暖心服務，以及奉獻愛與關懷的企業社會責任，奠定永續發展的基礎，讓玉山人成為世界第一等的公民、玉山成為世界第一等的企業公民，更期待玉山銀行成為員工的最愛、顧客的最愛、股東的最愛，以及這塊土地的最愛。

“Building system, cultivating talent, and developing IT” are the three main infrastructure for E.SUN’s lasting mission. E.SUN is committed to its core value, “pure as jade, sturdy as mountain”, providing professional and heartwarming service to the customers. Moreover, E.SUN employees strive to be first class citizens, while E.SUN strives to be the first class corporate citizen with its love and caring CSR initiatives.

面對變幻莫測的市場、競爭劇烈的環境，玉山將延續穩健的經營策略、領先的金融創新以及優質的服務品質，從挑戰中嶄露頭角、超群出眾，打造顧客的全方位金融服務網。玉山國內分行通路已擴張至139家，透過虛實整合的力量讓實體通路和虛擬通路可以發揮到最大效用，以創新求變的思維並運用科技的力量實踐數位轉型的規劃，全方面解決顧客問題及滿足需求，打造強而有力的金融服務網；在海外通路方面，玉山現有柬埔寨聯合商業銀行 (UCB) 子行、中國子行與香港、洛杉磯、新加坡、越南、緬甸、雪梨、東京、布里斯本等8家分行，共計9個國家，28個

據點。積極布局海外市場，建構高效率的亞洲金融服務網，提供優質在地服務，滿足顧客跨境金融需求。

Confronting the unpredictable market and competitive environment, E.SUN will sustain its prudent strategy, its leading financial innovation, and its quality services to excel in the challenges, building a comprehensive financial service network for customers. Having increased domestic branches to 139, E.SUN Bank is proactive to have them complemented by virtual channels so as to bring about a higher level of efficiency. Drawing on technological advancement, it also adopts an innovative, flexible approach to solving problems and meeting needs while providing customers with a full spectrum of financial services. When it comes to expanding abroad, the Bank has two subsidiaries—Union Commercial Bank (UCB)—in Cambodia and a subsidiary in China; established eight branches, which are Hong Kong, Los Angeles, Singapore, Vietnam, Myanmar, Sydney, Tokyo and Brisbane Branch. Preparations are now under way to expand our network in China and other parts of Southeast Asia, There are currently 28 branches in 9 countries, E.SUN Bank aims to establish a high-efficiency financial service network in Asia and provide premium local services to fulfill our customers' needs for cross-border financial services.

## 聯合商業銀行 Union Commercial Bank PLC.

聯合商業銀行(UCB)於1994年3月31日創立，目前由玉山銀行百分之百持股。UCB是全功能之商業銀行，在金邊有10家分行，外省地區有4家分行，員工人數超逾500人。身為玉山銀行的子公司，UCB秉持母行的核心價值與經營理念，以「專業、服務、責任」的精神，提供顧客最優質的服務體驗，貢獻柬埔寨社會與經濟發展。展望未來，UCB將持續精進產品、服務與金融創新，同時發展以人為本的精神，培育在地人才，促進各國菁英的交流與合作，以創造多元價值，讓UCB成為柬埔寨最具特色的外資銀行。

Union Commercial Bank PLC was founded on 31 March 1994, and is currently 100%-owned by E.SUN Bank. UCB is a full-licensed commercial bank with 10 branches in Phnom Penh and 4 branches in other provinces, with more than 500 employees. As the subsidiary of E.SUN Bank, UCB insists on E.SUN's core values and vision, and upholds a business philosophy of "expertise, service, and business" to providing an extraordinary service experience and contributing to Cambodia society. In the future, UCB will keep enhancing financial products, services and innovation, and accelerating education and cooperation among multicultural elites for becoming a most distinctive foreign bank in Cambodia.



# 3 - Business Review

## 1. Financial Highlights

	2020	2019	2018
<b>Operating Result (USD)</b>			
Operating Income	32,115,290	34,475,773	32,265,374
Profit before Tax	12,918,112	25,883,163	9,698,743
Net Profit	8,011,350	22,009,698	7,779,309
<b>Key Balance Sheet Data (USD)</b>			
Total Assets	854,641,144	706,999,367	516,704,719
Loan to Customers (net)	505,614,128	476,237,953	311,150,749
Deposit from Customer	567,692,232	447,163,797	332,897,354
Total Liabilities	752,631,212	612,959,966	444,804,320
Paid-up Capital	80,000,000	80,000,000	80,000,000
Shareholder's Equity	102,009,932	94,039,401	71,900,399
Return on Asset (ROA)	0.94%	3.11%	1.51%
Return on Equity (ROE)	7.85%	23.40%	10.82%
Non-performing Loan % (NPL %)	0.67%	0.81%	3.44%
<b>Statutory Ratios</b>			
Solvency Ratio	22.40%	23.37%	30.79%
Liquidity Coverage Ratio (LCR)	511.72%	156.42%	110%

❖ The figures in Year 2020, 2019 and 2018 are all Adjusted by CIFRS initially implement.

## 2. Operational Highlights

### ○ IT Infrastructure Development

“Building system, cultivating talent, and developing IT” as the three pillars of its quest for long-term sustainability as well as the core value of both UCB and Parents company. In 2019, the Bank focused on several vital IT projects which support our business operation in multi-dimensions, including (1) participating in Cambodian Shared Switch (CSS) mechanism for customers’ better convenience; (2) inspecting the Bank’s core system to improve its stability and efficiency; (3) constructing internet banking platform for corporate customers to manage their capital; (4) enhancing the function of Mobile Banking App. More than the projects mentioned above, the Bank also focuses on the aspects including upgrading program developing competency, enhancing information safety, and strengthening database management.

### ○ Transnational Human Resource

“Talent is a key and leading indicator.” is what we always believe in. The Bank has put tons of effort in talent cultivation, especially for young talents, which will be a strong foundation of the country’s future. While cultivating talent, the Bank not only emphasizes on the expertise, but also characteristics to be a better person, including honesty, integrity, diligence, etc. The Bank will leverage the resource of its parent company, E.SUN Bank, to build up a human resource

combining advantages of E.SUN Bank and Cambodian culture in aspects of personnel recruitment, training environment, career development, and a fair evaluation system.

In the end of the year, over 90% employee are Cambodian instead of foreigner workers. Meanwhile, more than 80% of department heads and deputy heads in Headquarters are Cambodian as well.

#### ○ **Risk Management & Compliance**

An independent risk management department has kept monitoring all kinds of risk including but not limited to Capital Adequacy, Credit Risk, Market Risk, Liquidity Risk, and Operational Risk, since 2017. In 2020, the NPL ratio of the Bank was kept below 1%, while Liquidity Coverage Ratio was above 500%, which was way much higher than the authority requirement (100%). In terms of compliance, the Bank has organized periodic training regarding related topics for all staffs. The Bank also strengthened Due Diligence process in order to better manage risk and comply with AML/CFT regulation.

#### ○ **Leading Services**

UCB continues to provide premium and leading financial services for our valued customers and create its unique market reputation.

For worldwide integration and localization service, the Bank offers services and financial products in three areas:

- (1) Personal Banking: Saving Deposit, Demand Deposit, Fixed Deposit, Housing Loan, Credit Card, Debit Card, Online/Mobile Banking, ATM Service, etc.
- (2) Corporate Banking: Term Loan, Working Capital Loan, Business Cheque Account, Escrow Account, Payroll Service, Acquiring Services, etc.
- (3) International Banking: Money Transfer, Trade Finance, Import & Export L/C, D/A & D/P, Guarantee & Standby L/C, Check Discounted, Trade Finance Loan, etc.

#### ○ **CIFRS Implementation**

Due to the CIFRS implement from the financial year 2019, the major difference to the number shown on the financial statement is related to the credit provision. According to the KPMG's audited financial statement approved by Board of Directors dated at 27th February 2020, there are the large adjustments for provision among 2017~2019. However, the total accumulated profit is remain unchanged among these three years, these adjustment are because of accounting standard of the first implement of CIFRS. In 2020, the Bank kept reviewing the methodology of CIFRS implementation to make it better fit to the business practice.

All financial figures reported in Annual Report are adjusted in accordance with CIFRS standards.

#### ○ **Social Contribution**

Despite high economy uncertainty, the Bank still devoted itself to the charity activities. Being a citizen of the world and a lifelong volunteer of society is always one of the core values of the Bank and E.SUN FHC. In 2020, the Bank resisted against the pandemic together with Cambodia and donated medical mask to Kantha Bopha Hospital. On the other hand, as usual,

the Bank visited and donated materials to 7 orphanages in provinces outside Phnom Penh, including Sihanoukville, Siem Reap, Battambang, Kampong Speu, and Kampot.

### 3. Looking Forward for 2021

According to Asia Development Bank's report in October 2020, Cambodia's economic growth shrank with smaller recession than expected previously in 2020 and may recover to 5.9 percent in 2021, which is the condition ranked at the middle-level among other countries in South East Asia.

COVID-19 is still the most tremendous concern continuing in 2021, especially due to the outbreak of local pandemic cases in community and the late vaccination action. Besides COVID-19, other issues still bother the local economy, including "EBA" trade terms withdrawing from EU, slowing-down FDI (especially the amount from China), etc. On the other side, Cambodia actively signed FTA with China and negotiated with Korea in October 2020 and February 2021, respectively. Meanwhile, due to the depreciation of US Dollar, the return of US Dollar cash inflow in Cambodia will be a foundation of economy recovery.

Risk in the financial sector continues due to market uncertainty and overdue raised. Serious impact have been imposed on industries such as traveling agency, restaurant, hotel, transportation, etc. At the same time, slowing-down foreign investment on real estate leads to higher concern for related developers.

Overall, it seems in 2021 the business cycle still moves downward, global as well as local market are full of uncertainty, and the future path may be clearer as time goes by.

#### ○ Deposit and Branch Services

- ❖ Absorbing current/saving deposits not only from VIP but also mass depositors will be one of the key points in the following years. Providing multi-channel services including mobile banking, warm in-branch service, comfortable atmosphere, more easy-to-reach branches, ATMs, etc, will encourage our customers to better utilize their bank account. Meanwhile, the Bank's commercial banking service will keep moving forward through enhancing cash management service such as internet banking, mobile banking and Chinese language service.

#### ○ Loan Services

- ❖ The bank's loan balance growth target has been set in a relatively conservative level due to the external circumstance, which further leads us to put more effort into credit risk management and internal operation process improvement. At the same time, the Bank will strengthen the capacity of bad debt recovery via alert mechanism on impaired loans and offering more education training to our staff.



- ❖ In corporate loan, the bank will set more careful selection process of customers and stricter credit review; meanwhile, large exposure loan and customers from high risk sectors will be further avoided. In terms of housing loan, considering the booming of middle class and population growth in Cambodia, especially in the capital, the Bank will focus on the service for family needs in Phnom Penh area.

#### ○ **Cards Services**

- ❖ Rather than just offering cash discount, the Bank will combine credit card business with other products to form synergy both for customers and the Bank. The Bank also keeps expanding VIP customer base and deepening VIPs' relationship with the Bank through seamless service. For internal management, the Bank will continue to develop IT system and re-engineer the business process to strengthen organizational efficiency and risk management competency in order to enhance card users' experience.
- ❖ Even under market uncertainty, the Bank will keep devoting itself to the Debit Card charity activity as before. The Bank will donate to orphanages in proportion to the amount the customers spent with UCB Debit Card, and invite VIPs of neighboring branches to join the charity activities, by which VIPs and the Bank both fulfill their love for this land.

#### ○ **National Currency**

- ❖ The Bank shall leave no effort to support the policy of usage of National Currency (KHR), especially for the loan business. The Bank will fortify the National Currency funds replacement with other FIIs to ensure there is enough liquidity for supporting loan business. The Bank's main targets includes (1) MFI/ MDI which are specialized in province area; (2) local manufacturer and its supply chain; (3) Local Borey developer. The purpose of developing the KHR business is not solely for regular compliance but also the health growth of national monetary market.



## 4 - Activity and Sponsorship

Beyond business, we show our love for this land and the determination of being deeply involved in Cambodia. We believe that children are the hope of a country, which leads us to dedicate ourselves to the field. This year, we also leverage Taiwan's medical strength to resist the pandemic with Cambodia. All mentioned above shows that we can create more value through spirit of global citizenship.



Charity Event: Medical Mask Donation to Kantha Bopha Hospital

**Corporate  
Social  
Responsibility  
is Always What  
We Care**



Charity Event: Medical Mask Donation to Kantha Bopha Hospital





Spirit of Global  
Citizenship is  
Our DNA

Charity Activity in Sihanoukville in July 2020



Charity Activity in Siem Reap in August 2020





Charity Activity in Siem Reap in August 2020



Charity Activity in Siem Reap in August 2020





Charity Activity in Battambang in September 2020



Charity Activity in Kampong Speu in November 2020

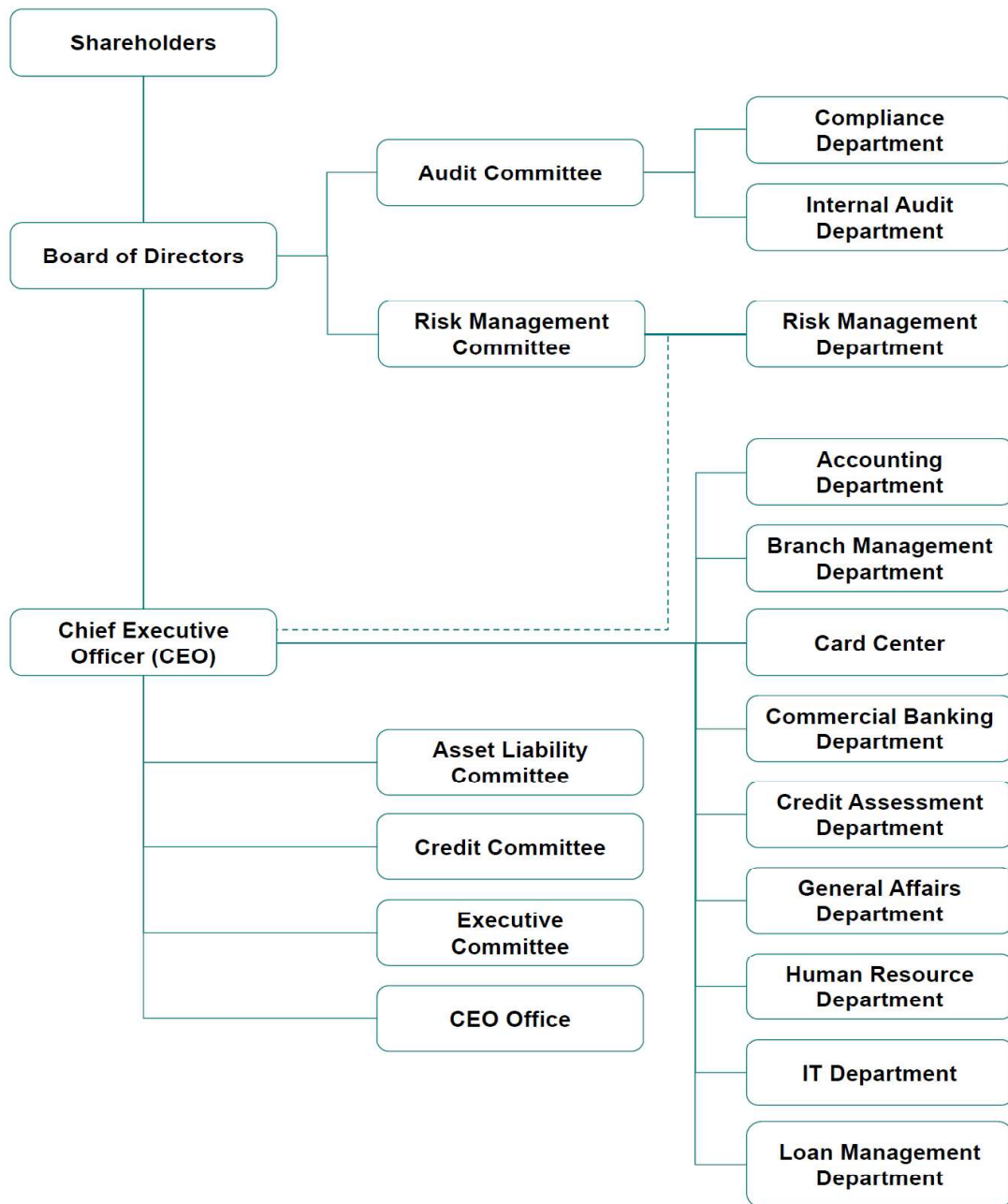


Charity Activity in Kampot in December 2020

# 5 - Corporate Governance

## UCB Organizational Structure

The chart below details the organizational structure of Union Commercial Bank, PLC.



Base Date: 2020/12/31



## UCB Board of Directors

The below table provides details of the members of the UCB Board of Directors:

N°	Name	Position	Date of Appointment	Current Share Holding		Education
				Share	Ratio	
1	Mr. Mao-Chin Chen	Chairman	19-March-2020	E.SUN Bank holds 8,000 shares (100%)		Master of Economics National Taiwan University
2	Ms. I-Yen Kuo	Director	19-March-2020			Master of Economics National Taiwan University
3	Mr. Chi-Kan Chung	Director (CEO)	19-March-2020			Bachelor of Economic Fu Ren University
4	Mr. Chien-Hung Chen	Director	19-March-2020			Master of Business Administration Drexel University
5	Ms. Hun Phalin	Director	19-March-2020			Bachelor of Art Option Chinese Language Beijing Language and Culture University
6	Mr. Tung-Lung Kuo	Independent Director	19-March-2020			Bachelor of Law in Public Administration National Taipei University
7	Mr. Chuan-Hsing Huang	Independent Director	19-March-2020			Doctor Degree of Philosophy Tamkang University

UCB's Chairman, CEO, Managers or person responsible for financial and accounting matters, within the past year worked in the CPA firm or its affiliates:

**No**

From last fiscal year to the date of this report, the Directors have different opinions and written statement on the resolutions passed by the board:

**All resolutions are passed and approved by all directors present, no disagreement.**

## UCB Audit Committee

The below table contains the details of the members of the UCB Audit Committee:

Nº	Position	Name	Date of Appointment	Education
1	Committee Chairman	Mr. Tung-Lung Kuo	19-March-2020	Bachelor of Law in Public Administration National Taipei University
2	Member	Mr. Mao-Chin Chen	19-March-2020	Master of Economics National Taiwan University
3	Member	Mr. Chuan-Hsing Huang	19-March-2020	Doctor Degree of Philosophy Tamkang University
4	Member	Ms. I-Yen Kuo	19-March-2020	Master of Economics National Taiwan University

## UCB Risk Committee

The below table contains the details of the members of the UCB Risk committee:

Nº	Position	Name	Date of Appointment	Education
1	Committee Chairman	Mr. Chuan-Hsing Huang	19-March-2020	Doctor Degree of Philosophy Tamkang University
2	Member	Mr. Mao-Chin Chen	19-March-2020	Master of Economics National Taiwan University
3	Member	Mr. Chi-Kan Chung	19-March-2020	Bachelor of Economic Fu Ren University
4	Member	Mr. Chien-Hung Chen	19-March-2020	Master of Business Administration Drexel University

# 6 - Director's Report

## Report of the Board of Directors

The Board of Directors ("the Directors") has pleasure in submitting their report together with the consolidated financial statements of Union Commercial Bank Plc. ("the Bank") and its subsidiary (collectively referred to as "the Group"), and the separate financial statements of the Bank for the year ended 31 December 2020 (collectively referred to as "the financial statements").

### Principal activities

The Bank is a commercial bank operating under the supervision of the National Bank of Cambodia ("NBC") in accordance with the Banking License No. 08 issued by the NBC. The Bank's license was renewed on 28 November 2006 for an indefinite period following the Prakas No. B7-06-207 dated 13 September 2006.

The Bank's main activities are mobilising and receiving short, medium and long term deposits from various organisations and individuals; lending on a short, medium and long term loans and advances to various organisations and individuals; conducting foreign currency transactions; providing international trade finance services; discounting of commercial notes, providing transaction services between customers; and other banking services as approved by the NBC, through its head office and branches in the Kingdom of Cambodia.

### The subsidiary

URE Land Holding Co., Ltd. ("the Subsidiary") was incorporated on 25 July 2013. The principal activity of the Subsidiary is to hold parcels of land for the Group's and for the Bank's use.

### Financial results

The financial results of the Group and of the Bank were as follows:

Group	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Profit before income tax	12,918,112	25,883,163	52,667,142	104,878,576
Income tax expense	<u>(4,906,762)</u>	<u>(3,873,465)</u>	<u>(20,004,869)</u>	<u>(15,695,281)</u>
Net profit for the year	<u>8,011,350</u>	<u>22,009,698</u>	<u>32,662,273</u>	<u>89,183,295</u>



## Union Commercial Bank Plc. and its subsidiary

### Financial results (continued)

Bank	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Profit before income tax	12,657,763	25,881,202	51,605,700	104,870,630
Income tax expense	<u>(4,851,156)</u>	<u>(3,848,875)</u>	<u>(19,778,163)</u>	<u>(15,595,642)</u>
Net profit for the year	<u>7,806,607</u>	<u>22,032,327</u>	<u>31,827,537</u>	<u>89,274,988</u>

### Dividends

No dividend was declared or paid, and the Directors did not recommend any dividend to be paid for the year.

### Share capital

There was no changes in the registered and paid up share capital of the Bank during the year.

### Reserves and provisions

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

### Loans and advances

Before the financial statements of the Group and the Bank were prepared, the Directors took reasonable steps to ascertain that actions had been taken in relation to the writing off of any bad loans and advances and the making of allowance for doubtful loans and advances, and satisfied themselves that all known bad loans and advances had been written off and adequate allowance had been made for doubtful loans and advances.

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

## **Union Commercial Bank Plc. and its subsidiary**

### **Assets**

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

At the date of this report, the Director are not aware of any circumstances, which would render the values attributed to the assets in the financial statements of the Group and of the Bank misleading.

### **Valuation methods**

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

### **Contingent and other liabilities**

At the date of this report, there does not exist:

- (a) any charge on the assets of the Group and of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person, or
- (b) any contingent liability in respect of the Group and of the Bank that has arisen since the end of the financial year other than in the ordinary course of banking business.

No contingent or other liability of the Group and of the Bank has become enforceable or is likely to become enforceable within the period of 12 months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Bank to meet its obligations as and when they fall due.

### **Items of unusual nature**

The results of the operations of the Group and of the Bank for the financial year were not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature, except for:

#### ***Coronavirus and impact on ECL***

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

## **Union Commercial Bank Plc. and its subsidiary**

### **Items of unusual nature (continued)**

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

### **Change of circumstances**

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

### **The Board of Directors**

The Directors who served during the year and at the date of this report are:

Mr. Mao-Chin Chen	Chairman
Mr. Chi-Kan Chung	Director
Ms. I-Yen Kuo	Director
Mrs. Hun Phalin	Director
Mr. Chien-Hung Chen	Director
Mr. Tung-Lung Kuo	Independent Director
Mr. Chuan-Hsing Huang	Independent Director

### **Directors' interests**

None of the Directors held or dealt directly in the shares of the Bank and its subsidiary during the financial year.

### **Directors' benefits**

During and at the end of the financial year, no arrangements existed to which the Group and the Bank is a party with the object of enabling Directors of the Group and of the Bank to acquire benefits by means of the acquisition of shares in or debentures of the Group and of the Bank or any other body corporate.

During the financial year, no Director of the Group and of the Bank has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as disclosed in the financial statements) by reason of a contract made by the Group and the Bank or a related corporation with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than as disclosed in the financial statements.



## Union Commercial Bank Plc. and its subsidiary

### Directors' responsibility in respect of the financial statements

The Board of Directors is responsible for ascertaining that the financial statements present fairly, in all material respects, the financial positions of the Group and of the Bank as at 31 December 2020, and their financial performance and their cash flows for the year then ended. In preparing these financial statements, the Board of Directors is required to:

- (i) adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- (ii) comply with Cambodian International Financial Reporting Standards ("CIFRSs") or, if there have been any departures in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the financial statements;
- (iii) oversee the Group's and the Bank's financial reporting process and maintain adequate accounting records and an effective system of internal controls;
- (iv) assess the Group's and the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intends to liquidate the Group and the Bank or to cease operations, or has no realistic alternative but to do so; and
- (v) control and direct effectively the Group and the Bank in all material decisions affecting the operations and performance and ascertain that such have been properly reflected in the financial statements.

The Board of Directors confirms that they have complied with the above requirements in preparing the financial statements.

### Approval of the financial statements

We, on behalf of the Board of Directors, do hereby approve the accompanying financial statements together with the notes thereto, in our opinion, present fairly, in all material respects, the financial positions of the Group and of the Bank as at 31 December 2020, and their financial performances and their cash flows for the year then ended in accordance with CIFRSs.

*Signed on behalf of the Board of Directors,*

  
\_\_\_\_\_  
**Mr. Mao-Chin Chen**  
*Chairman*

  
\_\_\_\_\_  
**Mr. Chi-Kan Chung**  
*Chief Executive Officer*

Phnom Penh, Kingdom of Cambodia

Date: 10 MAR 2021

# 7 - Independent Auditor's Report

## Report of the Independent Auditors

To the shareholder of  
Union Commercial Bank Plc.

### ***Opinion***

We have audited the consolidated financial statements of Union Commercial Bank Plc. ("the Bank") and its subsidiary (collectively referred to as "the Group") and the separate financial statements of the Bank, which comprise the consolidated and the separate statements of financial position as at 31 December 2020, the consolidated and the separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information (hereafter referred to as "the financial statements") as set out on pages 24 to 137.

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

### ***Basis for Opinion***

We conducted our audit in accordance with Cambodian International Standards on Auditing ("CISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group and of the Bank in accordance with the ethical requirements that are relevant to our audit of the financial statements in Cambodia, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Other Information***

Management is responsible for the other information. The other information obtained at the date of this auditors' report is the Report of the Board of Directors on pages 16 to 20, and the annual report, which is expected to be made available to us after that date. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

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

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

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

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

For KPMG Cambodia Ltd

Lim Chew Teng  
Partner

Phnom Penh, Kingdom of Cambodia

10 March 2021

# 8 - Financial Report

## Union Commercial Bank Plc. and its subsidiary

### Consolidated statement of financial position as at 31 December 2020

	Note	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
<b>ASSETS</b>					
Cash and cash equivalents, net	6	207,986,801	88,980,744	841,306,610	362,596,532
Statutory deposits	7	47,372,664	74,236,961	191,622,426	302,515,616
Placements with other banks	8	43,440,000	12,400,000	175,714,800	50,530,000
Equity investments at FVOCI		567,672	488,172	2,296,233	1,989,301
Loans and advances to customers, net	9	505,614,128	476,237,953	2,045,209,148	1,940,669,658
Property and equipment	10	39,511,349	42,429,500	159,823,407	172,900,213
Intangible assets	11	570,860	98,530	2,309,129	401,510
Right-of-use assets	12	3,363,964	2,865,025	13,607,234	11,674,977
Deferred tax assets, net	16C	1,838,955	5,784,521	7,438,573	23,571,923
Other assets	13	4,374,751	3,477,961	17,695,868	14,172,691
<b>TOTAL ASSETS</b>		<b>854,641,144</b>	<b>706,999,367</b>	<b>3,457,023,428</b>	<b>2,881,022,421</b>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>					
<b>Liabilities</b>					
Deposits from banks and other financial institutions	14	40,847,852	11,089,153	165,229,561	45,188,298
Deposits from customers	15	567,692,232	447,163,797	2,296,315,078	1,822,192,473
Allowance for financial guarantee contracts	31A	463,816	555,212	1,876,136	2,262,489
Borrowings	17	97,827,737	101,094,950	395,713,196	411,961,921
Subordinated debts	18	29,092,643	29,185,429	117,679,741	118,930,623
Lease liabilities	19	3,877,933	3,341,697	15,686,239	13,617,415
Employee benefit obligations	20	367,845	372,210	1,487,933	1,516,756
Current income tax liabilities/Minimum tax payable	16B	531,894	-	2,151,511	-
Other liabilities	21	11,929,260	20,157,518	48,253,858	82,141,887
<b>Total liabilities</b>		<b>752,631,212</b>	<b>612,959,966</b>	<b>3,044,393,253</b>	<b>2,497,811,862</b>

## Union Commercial Bank Plc. and its subsidiary

### Consolidated statement of financial position (continued) as at 31 December 2020

	Note	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
<b>Shareholder's equity</b>					
Share capital	22	80,000,000	80,000,000	320,000,000	320,000,000
Regulatory reserves		1,466,276	1,549,187	5,939,278	6,277,306
Non-distributable reserve		25,622,772	25,622,772	103,644,113	103,644,113
Fair value reserve		431,863	368,263	1,749,746	1,490,449
Accumulated losses		(5,510,979)	(13,500,821)	(21,892,709)	(54,469,904)
Currency translation reserves		-	-	3,189,747	6,268,595
<b>Total shareholder's equity</b>		<u>102,009,932</u>	<u>94,039,401</u>	<u>412,630,175</u>	<u>383,210,559</u>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>		<u>854,641,144</u>	<u>706,999,367</u>	<u>3,457,023,428</u>	<u>2,881,022,421</u>

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



## Union Commercial Bank Plc. and its subsidiary

### Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020

	Note	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Interest income	23	37,656,439	29,993,332	153,525,301	121,532,981
Interest expense	24	(11,660,791)	(9,121,199)	(47,541,046)	(36,959,098)
<b>Net interest income</b>		25,995,648	20,872,133	105,984,255	84,573,883
Fee and commission income	25	3,394,164	4,980,096	13,838,007	20,179,349
Fee and commission expense	26	(562,844)	(691,743)	(2,294,715)	(2,802,943)
<b>Net fee and commission income</b>		2,831,320	4,288,353	11,543,292	17,376,406
Other income	27	3,288,322	9,315,287	13,406,488	37,745,543
<b>Total operating income</b>		32,115,290	34,475,773	130,934,035	139,695,832
Personnel expenses	28	(7,656,352)	(6,523,905)	(31,214,947)	(26,434,864)
Depreciation and amortisation	29	(3,535,843)	(3,438,033)	(14,415,631)	(13,930,910)
Other operating expenses	30	(4,930,837)	(4,483,871)	(20,103,022)	(18,168,645)
Impairment losses on financial instruments	9A(ii)	(3,074,146)	6,295,031	(12,533,293)	25,507,466
Minimum tax expense	16B	-	(441,832)	-	(1,790,303)
<b>Profit before income tax</b>		12,918,112	25,883,163	52,667,142	104,878,576
Income tax expense	16A	(4,906,762)	(3,873,465)	(20,004,869)	(15,695,281)
<b>Net profit for the year</b>		8,011,350	22,009,698	32,662,273	89,183,295
<b>Other comprehensive income</b>					
Unrealised gain on equity investments at FVOCI, net of tax		63,600	117,763	259,297	477,176
Currency translation differences		-	-	(3,078,848)	4,607,521
<b>Total comprehensive income for the year</b>		8,074,950	22,127,461	29,842,722	94,267,992

## Union Commercial Bank Plc. and its subsidiary

### Consolidated statement of profit or loss and other comprehensive income (continued) for the year ended 31 December 2020

	Note	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
<b>Net profit attributable to:</b>					
Equity holder of the Bank		7,906,931	22,021,239	32,239,167	89,230,059
Non-controlling interest		<u>104,419</u>	<u>(11,541)</u>	<u>423,106</u>	<u>(46,764)</u>
		<u>8,011,350</u>	<u>22,009,698</u>	<u>32,662,273</u>	<u>89,183,295</u>
<b>Total comprehensive income attributable to:</b>					
Equity holder of the Bank		7,970,531	22,139,002	29,419,616	94,314,756
Non-controlling interest		<u>104,419</u>	<u>(11,541)</u>	<u>423,106</u>	<u>(46,764)</u>
		<u>8,074,950</u>	<u>22,127,461</u>	<u>29,842,722</u>	<u>94,267,992</u>

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

## Union Commercial Bank Plc. and its subsidiary

### Consolidated statement of changes in equity for the year ended 31 December 2020

	Share capital	Regulatory reserves	Non-distributable reserve	Fair value reserve	Accumulated losses	Currency translation reserves	Total
	US\$ KHR'000 (Note 5)	US\$ KHR'000 (Note 5)	US\$ KHR'000 (Note 5)	US\$ KHR'000 (Note 5)	US\$ KHR'000 (Note 5)	US\$ KHR'000 (Note 5)	US\$ KHR'000 (Note 5)
<b>For the year ended 31 December 2020</b>							
At 1 January 2020	80,000,000	1,549,187	25,622,772	368,263	1,490,449	-	94,039,401
<b>Transaction recognised directly in equity</b>							
Transfers from regulatory reserves to accumulated losses	-	(82,911)	-	-	82,911	-	-
<b>Total comprehensive income</b>							
Net profit for the year	-	-	-	-	7,906,931	-	7,906,931
Unrealised gain on equity investments at FVOCI, net of tax	-	-	-	63,600	259,297	-	63,600
Currency translation differences	-	-	-	-	-	(3,078,848)	(3,078,848)
At 31 December 2020	80,000,000	1,466,276	25,622,772	431,863	1,749,746	-	102,009,932
<b>For the year ended 31 December 2019</b>							
At 1 January 2019	80,000,000	-	25,622,772	250,500	1,013,273	-	71,900,399
<b>Transaction recognised directly in equity</b>							
Transfers from accumulated losses to regulatory reserves	-	1,549,187	-	-	(1,549,187)	-	-
<b>Total comprehensive income</b>							
Net profit for the year	-	-	-	-	22,021,239	-	22,021,239
Unrealised gain on equity investments at FVOCI, net of tax	-	-	-	117,763	477,176	-	117,763
Currency translation differences	-	-	-	-	-	4,607,521	4,607,521
At 31 December 2019	80,000,000	1,549,187	25,622,772	368,263	1,490,449	-	94,039,401

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



## Union Commercial Bank Plc. and its subsidiary

### Consolidated statement of cash flows for the year ended 31 December 2020

	Note	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
<b>Cash flows from operating activities</b>					
Net profit for the year		8,011,350	22,009,698	32,662,273	89,183,295
<i>Adjustments for:</i>					
Income tax expense	16A	4,906,762	3,873,465	20,004,869	15,695,281
Depreciation and amortisation	29	3,535,843	3,438,033	14,415,631	13,930,910
Net interest income		(25,995,648)	(20,872,133)	(105,984,255)	(84,573,883)
Minimum tax expense	16B	-	441,832	-	1,790,303
Net impairment loss on loans and advances to customers	9A(ii)	2,592,142	(6,397,768)	10,568,162	(25,923,756)
Net impairment loss on balances with other banks and financial institutions	9A(ii)	573,400	(130,386)	2,337,752	(528,324)
Net impairment loss on guarantee contracts	9A(ii)	(91,396)	233,123	(372,621)	944,614
Dividends from equity investments at FVOCI		-	(29,441)	-	(119,295)
Intangible assets written off	11	98	-	400	-
Property and equipment written off	10	342,498	-	1,396,364	-
Gains on disposals of property and equipment		(16,415)	-	(66,924)	-
		(6,141,366)	2,566,423	(25,038,349)	10,399,145
<i>Changes in:</i>					
Placements with other banks		(31,040,000)	(11,200,000)	(126,550,080)	(45,382,400)
Statutory deposits		26,864,297	(12,352,799)	109,525,739	(50,053,542)
Loans and advances to customers		(31,671,957)	(158,780,127)	(129,126,569)	(643,377,075)
Other assets		(871,099)	207,928	(3,551,471)	842,524
Deposits from banks and other financial institutions		29,476,235	6,221,689	120,174,610	25,210,284
Deposits from customers		118,720,441	114,266,443	484,023,238	463,007,627
Other liabilities		(8,332,677)	(869,559)	(33,972,324)	(3,523,453)
Cash generated from/(used in) operations		97,003,874	(59,940,002)	395,484,794	(242,876,890)
Employee benefit obligation paid	20	(4,365)	(43,818)	(17,796)	(177,551)
Interest income received		37,347,552	30,084,023	152,265,970	121,900,461
Interest expense paid		(9,131,621)	(8,122,141)	(37,229,619)	(32,910,915)
Income tax paid	16B	(445,202)	(118,873)	(1,815,089)	(481,673)
Withholding tax credit	16B	-	(45,295)	-	(183,535)
Income tax/Minimum tax paid	16B	-	(478,915)	-	(1,940,564)
<b>Cash generated from/(used in) operating activities</b>		<u>124,770,238</u>	<u>(38,665,021)</u>	<u>508,688,260</u>	<u>(156,670,667)</u>

## Union Commercial Bank Plc. and its subsidiary

### Consolidated statement of cash flows (continued) for the year ended 31 December 2020

	Note	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
<b>Cash flows from investing activities</b>					
Proceeds from disposals of property and equipment		19,402	-	79,102	-
Purchases of property and equipment	10	(839,706)	(4,036,193)	(3,423,481)	(16,354,654)
Purchases of intangible assets	11	(151,730)	-	(618,603)	-
<b>Cash used in investing activities</b>		<u>(972,034)</u>	<u>(4,036,193)</u>	<u>(3,962,982)</u>	<u>(16,354,654)</u>
<b>Cash flows from financing activities</b>					
Payments for borrowings		(251,371,410)	(86,205,882)	(1,024,841,239)	(349,306,234)
Proceeds from borrowings		247,942,147	133,987,730	1,010,860,133	542,918,282
Payments for lease liabilities	19	(789,484)	(605,259)	(3,218,726)	(2,452,509)
<b>Cash (used in)/generated from financing activities</b>		<u>(4,218,747)</u>	<u>47,176,589</u>	<u>(17,199,832)</u>	<u>191,159,539</u>
<b>Net increase in cash and cash equivalents</b>		119,579,457	4,475,375	487,525,446	18,134,218
<b>Cash and cash equivalents at 1 January</b>		89,060,796	84,585,421	362,922,744	339,864,222
Currency translation differences		-	-	(6,498,367)	4,924,304
<b>Cash and cash equivalents at 31 December</b>	6	<u>208,640,253</u>	<u>89,060,796</u>	<u>843,949,823</u>	<u>362,922,744</u>

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

## Union Commercial Bank Plc.

### Separate statement of financial position as at 31 December 2020

	Note	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
<b>ASSETS</b>					
Cash and cash equivalents, net	6	207,905,062	88,960,410	840,975,976	362,513,671
Statutory deposits	7	47,372,664	74,236,961	191,622,426	302,515,616
Placements with other banks	8	40,940,000	10,400,000	165,602,300	42,380,000
Equity investments at FVOCI		567,672	488,172	2,296,233	1,989,301
Loans and advances to customers, net	9	505,614,128	476,237,953	2,045,209,148	1,940,669,658
Investment in subsidiary		490	490	1,982	1,997
Property and equipment	10	30,420,818	33,301,095	123,052,209	135,701,962
Intangible assets	11	570,645	98,100	2,308,259	399,758
Right-of-use assets	12	8,102,822	7,714,517	32,775,915	31,436,657
Deferred tax assets, net	16C	1,836,112	5,781,678	7,427,073	23,560,338
Other assets	13	4,321,163	3,433,026	17,479,104	13,989,581
<b>TOTAL ASSETS</b>		<b>847,651,576</b>	<b>700,652,402</b>	<b>3,428,750,625</b>	<b>2,855,158,539</b>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>					
<b>Liabilities</b>					
Deposits from banks and other financial institutions	14	40,847,852	11,089,153	165,229,561	45,188,298
Deposits from customers	15	568,268,536	448,004,023	2,298,646,228	1,825,616,394
Allowance for financial guarantee contracts	31A	463,816	555,212	1,876,136	2,262,489
Borrowings	17	85,813,057	89,090,993	347,113,816	363,045,796
Subordinated debts	18	29,092,643	29,185,429	117,679,741	118,930,623
Lease liabilities	19	9,820,230	9,294,923	39,722,830	37,876,811
Employee benefit obligations	20	367,845	372,210	1,487,933	1,516,756
Current income tax liabilities/Minimum tax payable	16B	477,789	-	1,932,657	-
Other liabilities	21	11,183,189	19,614,047	45,235,999	79,927,243
<b>Total liabilities</b>		<b>746,334,957</b>	<b>607,205,990</b>	<b>3,018,924,901</b>	<b>2,474,364,410</b>

## Union Commercial Bank Plc.

### Separate statement of financial position (continued) as at 31 December 2020

	Note	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
<b>Shareholder's equity</b>					
Share capital	22	80,000,000	80,000,000	320,000,000	320,000,000
Regulatory reserves		1,466,276	1,549,187	5,939,278	6,277,306
Non-distributable reserve		25,622,772	25,622,772	103,644,113	103,644,113
Fair value reserve		431,863	368,263	1,749,746	1,490,449
Accumulated losses		(6,204,292)	(14,093,810)	(24,700,516)	(56,866,081)
Currency translation reserves		-	-	3,193,103	6,248,342
<b>Total shareholder's equity</b>		<u>101,316,619</u>	<u>93,446,412</u>	<u>409,825,724</u>	<u>380,794,129</u>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>		<u>847,651,576</u>	<u>700,652,402</u>	<u>3,428,750,625</u>	<u>2,855,158,539</u>

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



## Union Commercial Bank Plc.

### Separate statement of profit or loss and other comprehensive income for the year ended 31 December 2020

	Note	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Interest income	23	37,425,355	29,788,929	152,583,172	120,704,740
Interest expense	24	<u>(11,677,734)</u>	<u>(8,945,046)</u>	<u>(47,610,122)</u>	<u>(36,245,326)</u>
<b>Net interest income</b>		25,747,621	20,843,883	104,973,050	84,459,414
Fee and commission income	25	3,394,164	4,980,096	13,838,007	20,179,349
Fee and commission expense	26	<u>(562,844)</u>	<u>(691,743)</u>	<u>(2,294,715)</u>	<u>(2,802,943)</u>
<b>Net fee and commission income</b>		2,831,320	4,288,353	11,543,292	17,376,406
Other income	27	<u>3,336,493</u>	<u>9,362,094</u>	<u>13,602,882</u>	<u>37,935,205</u>
<b>Total operating income</b>		31,915,434	34,494,330	130,119,224	139,771,025
Personnel expenses	28	(7,656,237)	(6,529,645)	(31,214,478)	(26,458,122)
Depreciation and amortisation	29	(3,608,388)	(3,505,683)	(14,711,398)	(14,205,028)
Other operating expenses	30	(4,918,900)	(4,430,999)	(20,054,355)	(17,954,408)
Impairment losses on financial instruments	9A(ii)	(3,074,146)	6,295,031	(12,533,293)	25,507,466
Minimum tax expense	16B	<u>-</u>	<u>(441,832)</u>	<u>-</u>	<u>(1,790,303)</u>
<b>Profit before income tax</b>		12,657,763	25,881,202	51,605,700	104,870,630
Income tax expense	16A	<u>(4,851,156)</u>	<u>(3,848,875)</u>	<u>(19,778,163)</u>	<u>(15,595,642)</u>
<b>Net profit for the year</b>		<u>7,806,607</u>	<u>22,032,327</u>	<u>31,827,537</u>	<u>89,274,988</u>
<b>Other comprehensive income</b>					
Unrealised gain on equity investments at FVOCI, net of tax		63,600	117,763	259,297	477,176
Currency translation differences		<u>-</u>	<u>-</u>	<u>(3,055,239)</u>	<u>4,573,343</u>
<b>Total comprehensive income for the year</b>		<u>7,870,207</u>	<u>22,150,090</u>	<u>29,031,595</u>	<u>94,325,507</u>

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

## Union Commercial Bank Plc.

### Separate statement of changes in equity for the year ended 31 December 2020

#### For the year ended 31 December 2020

At 1 January 2020	80,000,000	320,000,000	1,549,187	6,277,306	25,622,772	103,644,113	368,263	1,490,449	(14,093,810)	(56,866,081)	-	6,248,342	93,446,412	380,794,129
<b>Transaction recognised directly in equity</b>														
Transfers from regulatory reserves to accumulated losses	-	-	(82,911)	(338,028)	-	-	-	-	82,911	338,028	-	-	-	-
<b>Total comprehensive income</b>														
Net profit for the year	-	-	-	-	-	-	-	-	7,806,607	31,827,537	-	-	7,806,607	31,827,537
Unrealised gain on equity investments at FVOCI, net of tax	-	-	-	-	-	-	63,600	259,297	-	-	-	-	63,600	259,297
Currency translation differences	-	-	-	-	-	-	-	-	-	-	-	(3,055,239)	-	(3,055,239)
	-	-	-	-	-	-	63,600	259,297	7,806,607	31,827,537	-	(3,055,239)	7,870,207	29,031,595
At 31 December 2020	80,000,000	320,000,000	1,466,276	5,939,278	25,622,772	103,644,113	431,863	1,749,746	(6,204,292)	(24,700,516)	-	3,193,103	101,316,619	409,825,724

#### For the year ended 31 December 2019

At 1 January 2019	80,000,000	320,000,000	-	-	25,622,772	103,644,113	250,500	1,013,273	(34,576,950)	(139,863,763)	-	1,674,999	71,296,322	286,468,622
<b>Transaction recognised directly in equity</b>														
Transfers from accumulated losses to regulatory reserves	-	-	1,549,187	6,277,306	-	-	-	-	(1,549,187)	(6,277,306)	-	-	-	-
<b>Total comprehensive income</b>														
Net profit for the year	-	-	-	-	-	-	-	-	22,032,327	89,274,988	-	-	22,032,327	89,274,988
Unrealised gain on equity investments at FVOCI, net of tax	-	-	-	-	-	-	117,763	477,176	-	-	-	-	117,763	477,176
Currency translation differences	-	-	-	-	-	-	-	-	-	-	-	4,573,343	-	4,573,343
	-	-	-	-	-	-	117,763	477,176	22,032,327	89,274,988	-	4,573,343	117,763	5,050,519
At 31 December 2019	80,000,000	320,000,000	1,549,187	6,277,306	25,622,772	103,644,113	368,263	1,490,449	(14,093,810)	(56,866,081)	6,248,342	93,446,412	380,794,129	

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

## Union Commercial Bank Plc.

### Separate statement of cash flows for the year ended 31 December 2020

	Note	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
<b>Cash flows from operating activities</b>					
Net profit for the year		7,806,607	22,032,327	31,827,537	89,274,988
<i>Adjustments for:</i>					
Income tax expense	16A	4,851,156	3,848,875	19,778,163	15,595,642
Depreciation and amortisation	29	3,608,388	3,505,683	14,711,398	14,205,028
Net interest income		(25,747,621)	(20,843,883)	(104,973,050)	(84,459,414)
Minimum tax expense	16B	-	441,832	-	1,790,303
Net impairment loss on loans and advances to customers	9A(ii)	2,592,142	(6,397,768)	10,568,162	(25,923,756)
Net impairment loss on balances with other banks and financial institutions	9A(ii)	573,400	(130,386)	2,337,752	(528,324)
Net impairment loss on guarantee contracts	9A(ii)	(91,396)	233,123	(372,621)	944,614
Dividends from equity investments at FVOCI		-	(29,441)	-	(119,295)
Intangible assets written off	11	98	-	400	-
Property and equipment written off	10	342,498	-	1,396,364	-
Gains on disposals of property and equipment		(16,415)	-	(66,924)	-
		(6,081,143)	2,660,362	(24,792,819)	10,779,786
<i>Changes in:</i>					
Placements with other banks		(30,540,000)	(9,200,000)	(124,511,580)	(37,278,400)
Statutory deposits		26,864,297	(12,352,799)	109,525,739	(50,053,542)
Loans and advances to customers		(31,671,957)	(158,780,127)	(129,126,569)	(643,377,075)
Other assets		(883,098)	248,008	(3,600,391)	1,004,928
Deposits from banks and other financial institutions		29,734,590	6,924,661	121,227,923	28,058,726
Deposits from customers		119,031,816	112,166,088	485,292,714	454,496,989
Other liabilities		(8,430,858)	(948,919)	(34,372,608)	(3,845,020)
Cash generated from/(used in) operations		98,023,647	(59,282,726)	399,642,409	(240,213,608)
Employee benefit obligation paid	20	(4,365)	(43,818)	(17,796)	(177,551)
Interest income received		37,123,956	29,879,620	151,354,369	121,072,220
Interest expense paid		(9,527,219)	(8,185,240)	(38,842,472)	(33,166,592)
Income tax/Minimum tax paid	16B	(443,701)	(478,915)	(1,808,969)	(1,940,564)
<b>Cash generated from/(used in) operating activities</b>		<b>125,172,318</b>	<b>(38,111,079)</b>	<b>510,327,541</b>	<b>(154,426,095)</b>

## Union Commercial Bank Plc.

### Separate statement of cash flows (continued) for the year ended 31 December 2020

	Note	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
<b>Cash flows from investing activities</b>					
Proceeds from disposals of property and equipment		19,402	-	79,102	-
Purchases of property and equipment	10	(839,706)	(4,036,193)	(3,423,481)	(16,354,654)
Purchases of intangible assets	11	(151,730)	-	(618,603)	-
<b>Cash used in investing activities</b>		<u>(972,034)</u>	<u>(4,036,193)</u>	<u>(3,962,982)</u>	<u>(16,354,654)</u>
<b>Cash flows from financing activities</b>					
Payments for borrowings		(251,371,410)	(86,205,882)	(1,024,841,239)	(349,306,234)
Proceeds from borrowings		247,942,147	133,987,730	1,010,860,133	542,918,282
Payments for lease liabilities	19	(1,252,969)	(353,066)	(5,108,355)	(1,430,623)
<b>Cash (used in)/generated from financing activities</b>		<u>(4,682,232)</u>	<u>47,428,782</u>	<u>(19,089,461)</u>	<u>192,181,425</u>
<b>Net increase in cash and cash equivalents</b>		119,518,052	5,281,510	487,275,098	21,400,676
<b>Cash and cash equivalents at 1 January</b>		89,040,462	83,758,952	362,839,883	336,543,469
Currency translation differences		-	-	(6,495,792)	4,895,738
<b>Cash and cash equivalents at 31 December</b>	6	<u>208,558,514</u>	<u>89,040,462</u>	<u>843,619,189</u>	<u>362,839,883</u>

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



# Union Commercial Bank Plc. and its subsidiary

## Notes to the financial statements for the year ended 31 December 2020

### 1. Reporting entity

Union Commercial Bank Plc. ("the Bank"), established on 31 March 1994, is duly registered with the Ministry of Commerce under the registration No. Co. 6800KH/2004, and was granted a renewal of banking license by the National Bank of Cambodia ("NBC") on 28 November 2006 for an indefinite period following the Prakas No. B7-06-207, dated 13 September 2006. On 29 August 2016, the Bank has obtained the Re-Registration No. 00007085 from the Ministry of Commerce. The Bank is a subsidiary of E.Sun Commercial Bank Ltd., a bank incorporated in Taiwan, Republic of China. The ultimate parent is E.Sun Financial Holding Company Ltd., an entity incorporated in Taiwan and listed on Taiwan Stock Exchange.

The Bank's main activities are mobilising and receiving short, medium and long term deposits from various organisations and individuals; lending on a short, medium and long term basis to various organisations and individuals based on the nature and ability of the Bank's capital resources; conducting foreign currency transactions; providing international trade finance services, discounting of commercial notes, bonds and valued documents; providing transaction services between customers; and other banking services as approved by the NBC, through the Bank's head office at Phnom Penh and its provincial branches in Cambodia.

URE Land Holding Co., Ltd., the Subsidiary, was incorporated on 25 July 2013 by the Bank and Cambodian individual. The principal activity of the Subsidiary is to hold parcels of land for the Group's and the Bank's use.

The registered office of the Bank is located at No. 61, 130 Road, Phnom Penh, the Kingdom of Cambodia.

As at 31 December 2020, the Group and the Bank had 558 employees, respectively (31 December 2019: 523 employees).

The consolidated financial statements comprise the Bank and its Subsidiary (collectively referred to as "the Group").

### 2. Basis of accounting

The consolidated financial statements of the Group and separate financial statements of the Bank (hereafter referred to as "the financial statements") have been prepared in accordance with the Cambodian International Financial Reporting Standards ("CIFRSs").

The accounting policies and methods of computation have been applied consistently to all periods presented in these financial statements.

Details of the Group's and of the Bank's accounting policies are included in Note 35.

The financial statements were authorised for issue by the Bank's Board of Directors on 10 March 2021.

# Union Commercial Bank Plc. and its subsidiary

## Notes to the financial statements (continued) for the year ended 31 December 2020

### 3. Functional and presentation currency

The Bank and its subsidiary transact their business and maintain their accounting records in United States Dollars ("US\$"). Management has determined the US\$ to be the Bank and its subsidiary's functional and presentation currency as it reflects the economic substance of the underlying events and circumstances of the entities.

These financial statements are presented in US\$, which is the Bank and its subsidiary's functional currency. All amounts have been rounded to the nearest dollar or thousand riels, except when otherwise indicated.

### 4. Use of judgments and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's and of the Bank's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

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

- Note 35D(ii): classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.
- Note 35D(vii): establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of models used to measure ECL.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment for the year ended 31 December 2020 are included in the following notes:

- Note 35D(vi): determination of the fair value of financial instruments with significant unobservable inputs.
- Note 35D(vii): impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information.
- Note 35D(vii): impairment of financial instruments: key assumptions used in estimating recoverable cash flows.

## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 5. Translation of United States Dollars into Khmer Riel

The financial statements are expressed in United States Dollars. The translations of United States Dollars amounts into Khmer Riel are included solely for compliance with the requirements of the Laws on Accounting and Auditing.

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

The Group and the Bank uses the following exchange rates:

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

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

#### 6. Cash and cash equivalents, net

<b>Group</b>	<b>2020 US\$</b>	<b>2019 US\$</b>	<b>2020 KHR'000 (Note 5)</b>	<b>2019 KHR'000 (Note 5)</b>
Cash on hand	74,018,889	36,407,594	299,406,406	148,360,946
Cash equivalents with other banks	<u>134,621,364</u>	<u>52,653,202</u>	<u>544,543,417</u>	<u>214,561,798</u>
	208,640,253	89,060,796	843,949,823	362,922,744
Less: Allowance for impairment losses	<u>(653,452)</u>	<u>(80,052)</u>	<u>(2,643,213)</u>	<u>(326,212)</u>
	<u>207,986,801</u>	<u>88,980,744</u>	<u>841,306,610</u>	<u>362,596,532</u>

## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 6. Cash and cash equivalents, net (continued)

	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
<b>Bank</b>				
Cash on hand	74,018,889	36,407,594	299,406,406	148,360,946
Cash equivalents with other banks	134,539,625	52,632,868	544,212,783	214,478,937
	<u>208,558,514</u>	<u>89,040,462</u>	<u>843,619,189</u>	<u>362,839,883</u>
Less: Allowance for impairment losses	(653,452)	(80,052)	(2,643,213)	(326,212)
	<u>207,905,062</u>	<u>88,960,410</u>	<u>840,975,976</u>	<u>362,513,671</u>

Movements of allowance for impairment losses of cash and cash equivalents were as follows:

	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
<b>Group and Bank</b>				
At 1 January	80,052	210,438	326,212	845,540
Additions/(Reversals)	573,400	(130,386)	2,337,752	(528,324)
Currency translation difference	-	-	(20,751)	8,996
At 31 December	<u>653,452</u>	<u>80,052</u>	<u>2,643,213</u>	<u>326,212</u>

#### 7. Statutory deposits

		2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
<b>Group and Bank</b>					
Capital guarantee deposit	A	8,000,000	8,000,000	32,360,000	32,600,000
Reserve requirements on customers' deposits	B	39,372,664	66,236,961	159,262,426	269,915,616
		<u>47,372,664</u>	<u>74,236,961</u>	<u>191,622,426</u>	<u>302,515,616</u>



## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 7. Statutory deposits (continued)

##### A. Capital guarantee deposit

Under the NBC's Prakas No. B7-01-136 dated 15 October 2001, the Bank is required to maintain a statutory deposit 10% of its capital. This deposit is not available for use in the Bank's day-to-day operations and is refundable should the Bank voluntarily cease its operations in Cambodia. Capital guarantee deposit earned interest at rates of 0.46% - 0.62% (2019: 0.46% - 0.62%) per annum.

##### B. Reserve requirements on customers' deposits

The reserve requirements represent the minimum reserve which is calculated based on Reserve Requirements Rate ("RRR") of 8% for KHR and 12.50% for other currencies of the total amount of deposits from customers, non-residential banks and financial institution deposits, and non-residential borrowings. Pursuant to the National Bank of Cambodia's Prakas No. B7-018-282 on the maintenance of reserve requirements against commercial banks' deposits and borrowings, reserve requirements both in KHR and in other currencies bear no interest effective from 29 August 2018.

On 17 March 2020, the NBC announced the reduction of the RRR to 7% for both local and foreign currencies deposits and borrowings in order to help mitigate the impact of the COVID-19 pandemic on Cambodia's economy.

#### 8. Placements with other banks

	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
<b>Group</b>				
Term deposits with banks (non-cash equivalents)	<u>43,440,000</u>	<u>12,400,000</u>	<u>175,714,800</u>	<u>50,530,000</u>
<b>Bank</b>				
Term deposits with banks (non-cash equivalents)	<u>40,940,000</u>	<u>10,400,000</u>	<u>165,602,300</u>	<u>42,380,000</u>

The term deposits are matured from over 3 to 12 months and earn interest rate from 0.12% to 8.00% (2019: from 2% to 8%) per annum.

## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 9. Loans and advances to customers, net

Group and Bank	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Commercial loans:				
Term loans	80,736,728	64,943,401	326,580,065	264,644,359
Overdraft	3,300,654	2,581,663	13,351,145	10,520,277
Trust receipts	6,439,498	11,438,711	26,047,769	46,612,747
Other commercial loans	16,085,616	27,289,095	65,066,317	111,203,062
Consumer loans:				
Term loans	237,953,907	200,291,662	962,523,554	816,188,523
Overdraft	17,448,165	22,910,505	70,577,827	93,360,308
Credit card facilities	2,870,581	5,090,177	11,611,500	20,742,471
Other consumer loans	148,039,079	148,771,710	598,818,076	606,244,718
	512,874,228	483,316,924	2,074,576,253	1,969,516,465
Less: Allowance of impairment losses	(7,260,100)	(7,078,971)	(29,367,105)	(28,846,807)
Loans and advances – net	505,614,128	476,237,953	2,045,209,148	1,940,669,658

Gross amounts of loans and advances to customers by maturity are as follows:

	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Within 1 month	26,719,534	47,457,326	108,080,515	193,388,603
> 1 to 3 months	4,692,601	26,398,508	18,981,571	107,573,920
> 3 to 6 months	11,297,914	11,552,187	45,700,062	47,075,162
> 6 to 12 months	10,988,704	13,622,683	44,449,308	55,512,433
> 1 to 5 years	159,191,218	142,760,083	643,928,477	581,747,338
Over 5 years	299,984,257	241,526,137	1,213,436,320	984,219,009
	512,874,228	483,316,924	2,074,576,253	1,969,516,465

For additional analysis of gross amount of loans and advances to customers, refer to Note 33B.

## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 9. Loans and advances to customers, net (continued)

##### A. Allowance for impairment losses

- (i) Movements of allowance for impairment losses of loans and advances to customers were analysed as follows:

	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
At 1 January	7,078,971	18,859,470	28,846,807	75,777,350
Additions/(Reversals) during the year	2,592,142	(6,397,768)	10,568,162	(25,923,756)
Amounts written off	(2,411,013)	(5,382,731)	(9,829,700)	(21,810,826)
Currency translation difference	-	-	(218,164)	804,039
At 31 December	<u>7,260,100</u>	<u>7,078,971</u>	<u>29,367,105</u>	<u>28,846,807</u>

- (ii) Allowance for impairment losses recognised in profit or loss were summarised as follows:

	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Net impairment loss on loans and advances to customers	2,592,142	(6,397,768)	10,568,162	(25,923,756)
Net impairment loss on balances with other banks and financial institutions (Note 6)	573,400	(130,386)	2,337,752	(528,324)
Net impairment loss on financial guarantee contracts (Note 31)	<u>(91,396)</u>	<u>233,123</u>	<u>(372,621)</u>	<u>944,614</u>
	<u>3,074,146</u>	<u>(6,295,031)</u>	<u>12,533,293</u>	<u>(25,507,466)</u>

# Union Commercial Bank Plc. and its subsidiary

## Notes to the financial statements (continued) for the year ended 31 December 2020

### 10. Property and equipment

Group	Construction in progress US\$	Freehold land US\$	Buildings US\$	Building improvements US\$	Office equipment US\$	Motor vehicles US\$	IT equipment and computers US\$	Total US\$	KHR'000 (Note 5)
<b>2020</b>									
<b>Cost</b>									
At 1 January 2020	1,666,941	8,579,170	25,699,735	10,239,808	3,023,117	1,551,191	3,206,493	53,966,455	219,913,304
Additions	-	-	-	384,377	306,123	12,100	137,106	839,706	3,423,481
Disposals	-	-	-	-	(18,977)	-	(13,614)	(32,591)	(132,874)
Write off	-	-	-	(424,280)	(1,235,066)	(88,593)	(210,319)	(1,988,258)	(7,983,818)
Transfers and reclassifications	(1,666,941)	-	-	760,662	160,430	-	199,849	(546,000)	(2,226,042)
Currency translation difference	-	-	-	-	-	-	-	-	(1,564,684)
At 31 December 2020	-	8,579,170	25,699,735	10,960,567	2,235,627	1,474,698	3,319,515	52,269,312	211,429,367
<b>Less: Accumulated depreciation</b>									
At 1 January 2020	-	-	2,466,613	3,025,347	2,300,647	1,310,958	2,433,390	11,536,955	47,013,091
Depreciation for the year	-	-	1,253,605	1,018,521	268,590	89,551	236,105	2,866,372	11,686,199
Disposals	-	-	-	-	(15,993)	-	(13,611)	(29,604)	(120,696)
Write off	-	-	-	(401,542)	(942,628)	(88,593)	(182,997)	(1,615,760)	(6,587,454)
Currency translation difference	-	-	-	-	-	-	-	-	(385,180)
At 31 December 2020	-	-	3,720,218	3,642,326	1,610,616	1,311,916	2,472,887	12,757,963	51,605,960
<b>Carrying amounts</b>									
At 31 December 2020	-	8,579,170	21,979,517	7,318,241	625,011	162,782	846,628	39,511,349	159,823,407



# Union Commercial Bank Plc. and its subsidiary

## Notes to the financial statements (continued) for the year ended 31 December 2020

### 10. Property and equipment (continued)

Group	Construction in progress US\$	Freehold land US\$	Buildings US\$	Building improvements US\$	Office equipment US\$	Motor vehicles US\$	IT equipment and computers US\$	Total US\$	KHR'000 (Note 5)
<b>2019</b>									
<b>Cost</b>									
At 1 January 2019	3,934,233	8,579,170	25,396,130	5,692,926	2,452,453	1,608,191	2,473,198	50,136,301	201,447,657
Additions	2,454,972	-	303,605	60,939	356,204	119,000	741,473	4,036,193	16,354,654
Disposals	-	-	-	-	(1,590)	(176,000)	-	(177,590)	(719,595)
Write off	-	-	-	-	(9,271)	-	(8,178)	(17,449)	(70,703)
Transfers and reclassifications	(4,722,264)	-	-	4,485,943	225,321	-	-	(11,000)	(44,572)
Currency translation difference	-	-	-	-	-	-	-	-	2,945,863
At 31 December 2019	1,666,941	8,579,170	25,699,735	10,239,808	3,023,117	1,551,191	3,206,493	53,966,455	219,913,304
<b>Less: Accumulated depreciation</b>									
At 1 January 2019	-	-	1,214,682	2,208,885	1,986,418	1,378,095	2,238,600	9,026,680	36,269,200
Depreciation for the year	-	-	1,251,931	816,462	325,090	108,863	202,968	2,705,314	10,961,932
Disposals	-	-	-	-	(1,590)	(176,000)	-	(177,590)	(719,595)
Write off	-	-	-	-	(9,271)	-	(8,178)	(17,449)	(70,703)
Currency translation difference	-	-	-	-	-	-	-	-	572,257
At 31 December 2019	-	-	2,466,613	3,025,347	2,300,647	1,310,958	2,433,390	11,536,955	47,013,091
<b>Carrying amounts</b>									
At 31 December 2019	1,666,941	8,579,170	23,233,122	7,214,461	722,470	240,233	773,103	42,429,500	172,900,213

# Union Commercial Bank Plc. and its subsidiary

## Notes to the financial statements (continued) for the year ended 31 December 2020

### 10. Property and equipment (continued)

Bank	Construction in progress US\$	Buildings US\$	Building improvements US\$	Office equipment US\$	Motor vehicles US\$	IT equipment and computers US\$	Total US\$	KHR'000 (Note 5)
<b>2020</b>								
<b>Cost</b>								
At 1 January 2020	1,666,941	24,942,255	10,239,808	3,023,117	1,551,191	3,206,493	44,629,805	181,866,455
Additions	-	-	384,377	306,123	12,100	137,106	839,706	3,423,481
Disposals	-	-	-	(18,977)	-	(13,614)	(32,591)	(132,874)
Write off	-	-	(424,280)	(1,235,066)	(88,593)	(210,319)	(1,958,258)	(7,983,818)
Transfers and classifications	(1,666,941)	-	760,662	160,430	-	199,849	(546,000)	(2,226,042)
Currency translation difference	-	-	-	-	-	-	-	(1,284,584)
At 31 December 2020	-	24,942,255	10,960,567	2,235,627	1,474,698	3,319,515	42,932,662	173,662,618
<b>Less: Accumulated depreciation</b>								
At 1 January 2020	-	2,258,366	3,025,347	2,300,647	1,310,960	2,433,390	11,328,710	46,164,493
Depreciation for the year	-	1,215,731	1,018,521	268,590	89,551	236,105	2,828,498	11,531,786
Disposals	-	-	-	(15,993)	-	(13,611)	(29,604)	(120,696)
Write off	-	-	(401,542)	(942,628)	(88,593)	(182,997)	(1,615,760)	(6,587,454)
Currency translation difference	-	-	-	-	-	-	-	(377,720)
At 31 December 2020	-	3,474,097	3,642,326	1,610,616	1,311,918	2,472,887	12,511,844	50,610,409
<b>Carrying amounts</b>								
At 31 December 2020	-	21,468,158	7,318,241	625,011	162,780	846,628	30,420,818	123,052,209

# Union Commercial Bank Plc. and its subsidiary

## Notes to the financial statements (continued) for the year ended 31 December 2020

### 10. Property and equipment (continued)

Bank	Construction in progress US\$	Buildings US\$	Building improvements US\$	Office equipment US\$	Motor vehicles US\$	IT equipment and computers US\$	Total US\$	KHR'000 (Note 5)
<b>2019</b>								
<b>Cost</b>								
At 1 January 2019	3,934,233	24,638,650	5,692,926	2,452,453	1,608,191	2,473,198	40,799,651	163,932,998
Additions	2,454,972	303,605	60,939	356,204	119,000	741,473	4,036,193	16,354,654
Disposals	-	-	-	(1,590)	(176,000)	-	(177,590)	(719,595)
Write off	-	-	-	(9,271)	-	(8,178)	(17,449)	(70,703)
Transfers and classifications	(4,722,264)	-	4,485,943	225,321	-	-	(11,000)	(44,572)
Currency translation difference	-	-	-	-	-	-	-	2,413,673
At 31 December 2019	1,666,941	24,942,255	10,239,808	3,023,117	1,551,191	3,206,493	44,629,805	181,866,455
<b>Less: Accumulated depreciation</b>								
At 1 January 2019	-	1,049,206	2,208,885	1,986,418	1,378,097	2,238,600	8,861,206	35,604,326
Depreciation for the year	-	1,209,160	816,462	325,090	108,863	202,968	2,662,543	10,788,624
Disposals	-	-	-	(1,590)	(176,000)	-	(177,590)	(719,595)
Write off	-	-	-	(9,271)	-	(8,178)	(17,449)	(70,703)
Currency translation difference	-	-	-	-	-	-	-	561,941
At 31 December 2019	-	2,258,366	3,025,347	2,300,647	1,310,960	2,433,390	11,328,710	46,164,493
<b>Carrying amounts</b>								
At 31 December 2019	1,666,941	22,683,889	7,214,461	722,470	240,231	773,103	33,301,095	135,701,962

## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 11. Intangible assets

Group	Software			
	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
<b>Cost</b>				
At 1 January	2,894,741	2,883,741	11,796,070	11,586,871
Additions	151,730	-	618,603	-
Transfers from property and equipment	546,000	11,000	2,226,042	44,572
Write off	(89,842)	-	(366,286)	-
Currency translation difference	-	-	(106,295)	164,627
At 31 December	3,502,629	2,894,741	14,168,134	11,796,070
<b>Less: Accumulated amortisation</b>				
At 1 January	2,796,211	2,461,926	11,394,560	9,892,018
Amortisation for the year	225,302	334,285	918,556	1,354,523
Write off	(89,744)	-	(365,886)	-
Currency translation difference	-	-	(88,225)	148,019
At 31 December	2,931,769	2,796,211	11,859,005	11,394,560
<b>Carrying amounts</b>				
At 31 December	570,860	98,530	2,309,129	401,510
<b>Bank</b>				
<b>Cost</b>				
At 1 January	2,893,883	2,882,883	11,792,573	11,583,424
Addition	151,730	-	618,603	-
Transfers from property and equipment	546,000	11,000	2,226,042	44,572
Write off	(89,842)	-	(366,286)	164,577
Currency translation difference	-	-	(106,268)	-
At 31 December	3,501,771	2,893,883	14,164,664	11,792,573
<b>Less: Accumulated amortisation</b>				
At 1 January	2,795,783	2,461,712	11,392,815	9,891,159
Amortisation for the year	225,087	334,071	917,680	1,353,656
Write off	(89,744)	-	(365,886)	-
Currency translation difference	-	-	(88,204)	148,000
At 31 December	2,931,126	2,795,783	11,856,405	11,392,815
<b>Carrying amounts</b>				
At 31 December	570,645	98,100	2,308,259	399,758

## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 12. Right-of-use assets

	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
<b>Group</b>				
Right-of-use assets	<u>3,363,964</u>	<u>2,865,025</u>	<u>13,607,234</u>	<u>11,674,977</u>
<b>Bank</b>				
Right-of-use assets	<u>8,102,822</u>	<u>7,714,517</u>	<u>32,775,915</u>	<u>31,436,657</u>

The Group and the Bank leases the office spaces. Information about leases for which the Group and the Bank is a lessee is presented below.

	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
<b>Group</b>				
<b>Right-of-use assets</b>				
<b>Cost</b>				
At 1 January	4,875,378	4,516,060	19,867,165	18,145,529
Additions	943,108	359,318	3,845,051	1,455,957
Currency translation difference	-	-	(176,440)	265,679
At 31 December	<u>5,818,486</u>	<u>4,875,378</u>	<u>23,535,776</u>	<u>19,867,165</u>
<b>Accumulated amortisation</b>				
At 1 January	2,010,353	1,611,919	8,192,188	6,476,690
Amortisation for the year	444,169	398,434	1,810,876	1,614,455
Currency translation difference	-	-	(74,522)	101,043
At 31 December	<u>2,454,522</u>	<u>2,010,353</u>	<u>9,928,542</u>	<u>8,192,188</u>
<b>Carrying amounts</b>				
At 31 December	<u>3,363,964</u>	<u>2,865,025</u>	<u>13,607,234</u>	<u>11,674,977</u>



## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 12. Right-of-use assets (continued)

Bank	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
<b>Right-of-use assets</b>				
<b>Cost</b>				
At 1 January	11,841,556	11,482,238	48,254,341	46,135,632
Additions	943,108	359,318	3,845,051	1,455,957
Currency translation difference		-	(385,426)	662,752
At 31 December	<u>12,784,664</u>	<u>11,841,556</u>	<u>51,713,966</u>	<u>48,254,341</u>
<b>Accumulated amortisation</b>				
At 1 January	4,127,039	3,617,970	16,817,684	14,537,003
Amortisation for the year	554,803	509,069	2,261,932	2,062,748
Currency translation difference	-	-	(141,565)	217,933
At 31 December	<u>4,681,842</u>	<u>4,127,039</u>	<u>18,938,051</u>	<u>16,817,684</u>
<b>Carrying amounts</b>				
At 31 December	<u>8,102,822</u>	<u>7,714,517</u>	<u>32,775,915</u>	<u>31,436,657</u>

Information about the Group's and the Bank's leases is disclosed within this note and Note 19.

#### 13. Other assets

Group	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Prepayments and deposits	3,161,019	1,934,929	12,786,322	7,884,836
Other investments	150,000	150,000	606,750	611,250
Others	<u>1,063,732</u>	<u>1,393,032</u>	<u>4,302,796</u>	<u>5,676,605</u>
	<u>4,374,751</u>	<u>3,477,961</u>	<u>17,695,868</u>	<u>14,172,691</u>

## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 13. Other assets (continued)

	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
<b>Bank</b>				
Prepayments and deposits	3,161,019	1,934,929	12,786,322	7,884,836
Other investments	150,000	150,000	606,750	611,250
Others	1,010,144	1,348,097	4,086,032	5,493,495
	<u>4,321,163</u>	<u>3,433,026</u>	<u>17,479,104</u>	<u>13,989,581</u>

#### 14. Deposits from banks and other financial institutions

	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
<b>Group and Bank</b>				
Current accounts	2,259,997	1,776,012	9,141,688	7,237,249
Savings accounts	27,922,551	8,211,156	112,946,719	33,460,461
Term deposits	10,665,304	1,101,985	43,141,154	4,490,588
	<u>40,847,852</u>	<u>11,089,153</u>	<u>165,229,561</u>	<u>45,188,298</u>

Deposits from banks and other financial institutions are analysed as follows:

	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
<b>A. By maturity:</b>				
Within 1 month	30,182,548	10,589,930	122,088,407	43,153,965
2 to 3 months	60,000	60,784	242,700	247,695
4 to 6 months	200,000	-	809,000	-
7 to 12 months	10,405,304	438,439	42,089,454	1,786,638
	<u>40,847,852</u>	<u>11,089,153</u>	<u>165,229,561</u>	<u>45,188,298</u>

## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 14. Deposits from banks and other financial institutions (continued)

Deposits from banks and other financial institutions are analysed as follows (continued):

	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
<b>B. By residency status:</b>				
Residents	<u>40,847,852</u>	<u>11,089,153</u>	<u>165,229,561</u>	<u>45,188,298</u>
<b>C. By relationship:</b>				
Non-related parties	<u>40,847,852</u>	<u>11,089,153</u>	<u>165,229,561</u>	<u>45,188,298</u>

#### D. Interest rates

These deposits from banks and other financial institutions earn interest at annual rates as follows:

	2020	2019
Current accounts	Nil	Nil
Saving accounts	0.5%	1%
Term deposits	<u>1.5%-3%</u>	<u>1.5%-3%</u>

#### 15. Deposits from customers

Group	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Current accounts	118,345,015	72,846,887	478,705,586	296,851,065
Savings accounts	209,267,056	217,310,606	846,485,242	885,540,719
Term deposits	234,240,161	155,145,041	947,501,450	632,216,042
Margin and guarantee deposits	<u>5,840,000</u>	<u>1,861,263</u>	<u>23,622,800</u>	<u>7,584,647</u>
	<u>567,692,232</u>	<u>447,163,797</u>	<u>2,296,315,078</u>	<u>1,822,192,473</u>

## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 15. Deposits from customers (continued)

	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
<b>Bank</b>				
Current accounts	118,358,368	72,854,650	478,759,599	296,882,699
Savings accounts	209,830,007	217,643,069	848,762,379	886,895,506
Term deposits	234,240,161	155,645,041	947,501,450	634,253,542
Margin and guarantee deposits	5,840,000	1,861,263	23,622,800	7,584,647
	<u>568,268,536</u>	<u>448,004,023</u>	<u>2,298,646,228</u>	<u>1,825,616,394</u>

Deposits from customers are analysed as follows:

	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
<b>A. By maturity:</b>				
<b>Group</b>				
Within 1 month	379,618,371	315,071,965	1,535,556,311	1,283,918,257
> 1 to 3 months	51,086,910	22,913,250	206,646,551	93,371,494
> 3 to 6 months	52,381,262	27,280,236	211,882,205	111,166,962
> 6 to 12 months	56,553,584	53,184,112	228,759,247	216,725,256
> 12 months	28,052,105	28,714,234	113,470,764	117,010,504
	<u>567,692,232</u>	<u>447,163,797</u>	<u>2,296,315,078</u>	<u>1,822,192,473</u>
<b>Bank</b>				
Within 1 month	379,631,724	315,412,191	1,535,610,324	1,285,304,678
> 1 to 3 months	51,649,861	23,413,250	208,923,688	95,408,994
> 3 to 6 months	52,381,262	27,280,236	211,882,205	111,166,962
> 6 to 12 months	56,553,584	53,184,112	228,759,247	216,725,256
> 12 months	28,052,105	28,714,234	113,470,764	117,010,504
	<u>568,268,536</u>	<u>448,004,023</u>	<u>2,298,646,228</u>	<u>1,825,616,394</u>

## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 15. Deposits from customers (continued)

Deposits from customers are analysed as follows: (continued)

	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
<b>B. By residency status:</b>				
<b>Group</b>				
Residents	355,553,681	288,343,653	1,438,214,639	1,175,000,386
Non-residents	212,138,551	158,820,144	858,100,439	647,192,087
	<u>567,692,232</u>	<u>447,163,797</u>	<u>2,296,315,078</u>	<u>1,822,192,473</u>
<b>Bank</b>				
Residents	356,129,985	289,183,879	1,440,545,789	1,178,424,307
Non-residents	212,138,551	158,820,144	858,100,439	647,192,087
	<u>568,268,536</u>	<u>448,004,023</u>	<u>2,298,646,228</u>	<u>1,825,616,394</u>
<b>C. By relationship:</b>				
<b>Group</b>				
Related parties	935,628	1,432,729	3,784,615	5,838,371
Non-related parties	566,756,604	445,731,068	2,292,530,463	1,816,354,102
	<u>567,692,232</u>	<u>447,163,797</u>	<u>2,296,315,078</u>	<u>1,822,192,473</u>
<b>Bank</b>				
Related parties	1,511,932	2,272,955	6,115,765	9,262,292
Non-related parties	566,756,604	445,731,068	2,292,530,463	1,816,354,102
	<u>568,268,536</u>	<u>448,004,023</u>	<u>2,298,646,228</u>	<u>1,825,616,394</u>
<b>D. By interest rate (per annum):</b>				
		2020		2019
Current accounts		Nil		Nil
Savings accounts		0.50%-1.25%		1.00% - 1.25%
Term deposits		2.00%-4.50%		2.03% - 3.24%
Margin and guarantee deposits		1.50%-3.00%		1.50% - 3.00%



## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 16. Income tax

##### A. Income tax expense

Group	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Current tax	977,096	25,595	3,983,621	103,712
Deferred tax	<u>3,929,666</u>	<u>3,847,870</u>	<u>16,021,248</u>	<u>15,591,569</u>
Income tax expense	<u>4,906,762</u>	<u>3,873,465</u>	<u>20,004,869</u>	<u>15,695,281</u>
<b>Bank</b>				
Current tax	921,490	-	3,756,915	-
Deferred tax	<u>3,929,666</u>	<u>3,848,875</u>	<u>16,021,248</u>	<u>15,595,642</u>
Income tax expense	<u>4,851,156</u>	<u>3,848,875</u>	<u>19,778,163</u>	<u>15,595,642</u>

**Notes to the financial statements (continued)  
for the year ended 31 December 2020**

**A. Income tax expense (continued)**

Group	2020		2019	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Profit before income tax	12,918,112	52,667,142	25,883,163	104,878,576
Tax calculated at 20%	2,583,623	10,533,431	5,176,632	20,975,713
Expenses not deductible for tax purposes	425,595	1,735,152	278,814	1,129,754
Unrecognised deferred tax asset	-	-	32,982	133,643
Under/(Over) provision in respect of prior year	1,897,544	7,736,286	(1,614,963)	(6,543,829)
Income tax expense	4,906,762	20,004,869	3,873,465	15,695,281
				14.97%
<b>Bank</b>				
Profit before income tax	12,657,763	51,605,700	25,881,202	104,870,630
Tax calculated at 20%	2,531,553	10,321,142	5,176,240	20,974,124
Expenses not deductible for tax purposes	422,059	1,720,735	261,158	1,058,212
Under/(Over) provision in respect of prior year	1,897,544	7,736,286	(1,588,523)	(6,436,694)
Income tax expense	4,851,156	19,778,163	3,848,875	15,595,642
				14.87%

## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 16. Income tax (continued)

##### B. Current income tax liabilities/minimum tax payable

###### Current income tax liabilities

Movements of current income tax liabilities were as follow:

Group	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
At 1 January	-	138,573	-	556,787
Current income tax expense	977,096	25,595	3,983,621	103,712
Payments for income tax during the year	(445,202)	(118,873)	(1,815,089)	(481,673)
Withholding tax credit	-	(45,295)	-	(183,535)
Currency translation difference	-	-	(17,021)	4,709
At 31 December	<u>531,894</u>	<u>-</u>	<u>2,151,511</u>	<u>-</u>

###### Bank

At 1 January	-	-	-	-
Current income tax expense	921,490	-	3,756,915	-
Payments for income tax during the year	(443,701)	-	(1,808,969)	-
Currency translation difference	-	-	(15,289)	-
At 31 December	<u>477,789</u>	<u>-</u>	<u>1,932,657</u>	<u>-</u>

###### Minimum tax payable

Movements of minimum tax payable were as follows:

Group and Bank	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
At 1 January	-	37,083	-	148,999
Minimum tax expense	-	441,832	-	1,790,303
Payments for minimum tax during the year	-	(478,915)	-	(1,940,564)
Currency translation difference	-	-	-	1,262
At 31 December	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 16. Income tax (continued)

##### C. Deferred tax assets – net

The movements of deferred tax assets – net were as follows:

Group	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
At 1 January	5,784,521	9,632,391	23,571,923	38,702,947
Charge to profit or loss	(3,929,666)	(3,847,870)	(16,021,248)	(15,591,569)
Charge to other comprehensive income	(15,900)	-	(64,825)	-
Currency translation difference	-	-	(47,277)	460,545
At 31 December	<u>1,838,955</u>	<u>5,784,521</u>	<u>7,438,573</u>	<u>23,571,923</u>

##### Bank

At 1 January	5,781,678	9,630,553	23,560,338	38,695,562
Charge to profit or loss	(3,929,666)	(3,848,875)	(16,021,248)	(15,595,642)
Charge to other comprehensive income	(15,900)	-	(64,825)	-
Currency translation difference	-	-	(47,192)	460,418
At 31 December	<u>1,836,112</u>	<u>5,781,678</u>	<u>7,427,073</u>	<u>23,560,338</u>

Deferred tax assets/(liabilities) are attributable to the following:

Group	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Impairment loss on financial instruments	1,329,000	1,045,410	5,375,804	4,260,046
Unearned revenue	596,882	502,917	2,414,388	2,049,387
Leases	150,425	122,649	608,469	499,795
Property and equipment	(222,988)	(234,147)	(901,986)	(954,149)
Others	(14,364)	33,058	(58,102)	134,711
Tax loss carried forward	-	4,314,634	-	17,582,133
	<u>1,838,955</u>	<u>5,784,521</u>	<u>7,438,573</u>	<u>23,571,923</u>

## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 16. Income tax (continued)

##### C. Deferred tax assets – net (continued)

Deferred tax assets/(liabilities) are attributable to the following: (continued)

Bank	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Impairment loss on financial instruments	1,329,000	1,045,410	5,375,804	4,260,046
Unearned revenue	596,882	502,917	2,414,388	2,049,387
Leases	150,425	122,649	608,469	499,795
Property and equipment	(225,831)	(236,990)	(913,486)	(965,734)
Others	(14,364)	33,058	(58,102)	134,711
Tax loss carried forward	-	4,314,634	-	17,582,133
	<u>1,836,112</u>	<u>5,781,678</u>	<u>7,427,073</u>	<u>23,560,338</u>

#### 17. Borrowings

Group	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Immediate parent entity	55,008,827	55,027,322	222,510,705	224,236,337
Other banks:				
Local	30,603,476	34,063,671	123,791,060	138,809,459
Overseas	12,215,434	12,003,957	49,411,431	48,916,125
	<u>97,827,737</u>	<u>101,094,950</u>	<u>395,713,196</u>	<u>411,961,921</u>
<b>Bank</b>				
Immediate parent entity	55,008,827	55,027,322	222,510,705	224,236,337
Other banks:				
Local	30,603,476	34,063,671	123,791,060	138,809,459
Overseas	200,754	-	812,051	-
	<u>85,813,057</u>	<u>89,090,993</u>	<u>347,113,816</u>	<u>363,045,796</u>

Borrowings are unsecured and bear interest rates ranging from 2.55% to 4.89% (2019: 2.13% to 4.22%) per annum. For further analysis, refer to Note 33C.



## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 18. Subordinated debts

	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
<b>Group and Bank</b>				
Immediate parent entity	<u>29,092,643</u>	<u>29,185,429</u>	<u>117,679,741</u>	<u>118,930,623</u>

Subordinated debts are unsecured and bear interest rates ranging from 4.06% to 4.33% (2019: 4.06% to 4.33%) per annum. The Group and the Bank have obtained the approval from the NBC on 30 December 2016. For further analysis, refer to Note 33C.

#### 19. Lease liabilities

The Group and the Bank leases the office spaces. Information about leases for which the Group and the Bank is a lessee is presented below.

	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
<b>Group</b>				
<b>Maturity analysis –contractual undiscounted cash flows</b>				
Less than one year	644,907	696,240	2,608,647	2,837,178
One to five years	1,964,806	638,958	7,947,642	2,603,752
More than five years	<u>2,077,811</u>	<u>3,770,406</u>	<u>8,404,744</u>	<u>15,364,405</u>
Total undiscounted lease payments	<u>4,687,524</u>	<u>5,105,604</u>	<u>18,961,033</u>	<u>20,805,335</u>
<b>Present value of lease payments</b>				
Current	449,352	680,501	1,817,629	2,773,041
Non-current	<u>3,428,581</u>	<u>2,661,196</u>	<u>13,868,610</u>	<u>10,844,374</u>
	<u>3,877,933</u>	<u>3,341,697</u>	<u>15,686,239</u>	<u>13,617,415</u>

## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 19. Lease liabilities (continued)

The Group and the Bank leases the office spaces. Information about leases for which the Group and the Bank is a lessee is presented below. (continued)

<b>Bank</b>	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
<b>Maturity analysis –contractual undiscounted cash flows</b>				
Less than one year	1,188,226	1,245,508	4,844,397	5,075,446
One to five years	4,138,084	1,188,226	16,870,967	4,842,021
More than five years	22,671,857	26,370,201	92,433,164	107,458,571
Total undiscounted lease payments	<u>27,998,167</u>	<u>28,803,935</u>	<u>114,148,528</u>	<u>117,376,038</u>
<b>Present value of lease payments</b>				
Current	463,955	691,510	1,876,698	2,817,903
Non-current	9,356,275	8,603,413	37,846,132	35,058,908
	<u>9,820,230</u>	<u>9,294,923</u>	<u>39,722,830</u>	<u>37,876,811</u>

The followings are the transactions related to leases:

<b>Group</b>	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
<b>Amounts recognised in profit or loss</b>				
Interest on lease liabilities	382,612	262,102	1,559,910	1,062,037
Expenses relating to short-term leases	68,067	116,755	277,509	473,091
	<u>450,679</u>	<u>378,857</u>	<u>1,837,419</u>	<u>1,535,128</u>
<b>Amounts recognised in the consolidated statement of cash flows</b>				
Total cash outflow for leases	<u>(789,484)</u>	<u>(605,259)</u>	<u>(3,218,726)</u>	<u>(2,452,509)</u>
Payments for principal of lease liabilities	<u>(406,872)</u>	<u>(343,157)</u>	<u>(1,658,817)</u>	<u>(1,390,472)</u>

## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 19. Lease liabilities (continued)

The followings are the transactions related to leases: (continued)

Bank	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
<b>Amounts recognised in profit or loss</b>				
Interest on lease liabilities	835,168	715,378	3,404,980	2,898,712
Expenses relating to short-term leases	68,067	116,755	277,509	473,091
	<u>903,235</u>	<u>832,133</u>	<u>3,682,489</u>	<u>3,371,803</u>
<b>Amounts recognised in the separate statement of cash flows</b>				
Total cash outflow for leases	<u>(1,252,969)</u>	<u>(1,066,865)</u>	<u>(5,108,355)</u>	<u>(4,322,937)</u>
Payments for principal of lease liabilities	<u>(417,801)</u>	<u>(351,487)</u>	<u>(1,703,375)</u>	<u>(1,424,225)</u>

#### 20. Employee benefit obligations

Group and Bank	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
At 1 January	372,210	416,028	1,516,756	1,671,601
Payments during the year	(4,365)	(43,818)	(17,796)	(177,551)
Currency translation differences	-	-	(11,027)	22,706
At 31 December	<u>367,845</u>	<u>372,210</u>	<u>1,487,933</u>	<u>1,516,756</u>

## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 21. Other liabilities

Group	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Funds held under escrow*	513,000	5,058,437	2,075,085	20,613,131
Cheques under clearing accounts	3,695,265	4,237,150	14,947,347	17,266,386
Sundry creditors	2,593,637	5,834,653	10,491,262	23,776,211
Other tax payables	221,855	132,440	897,403	539,693
Order cheques	2,031,153	766,048	8,216,014	3,121,646
Accounts payable	784,271	1,867,453	3,172,376	7,609,871
Other liabilities	2,090,079	2,261,337	8,454,371	9,214,949
	<u>11,929,260</u>	<u>20,157,518</u>	<u>48,253,858</u>	<u>82,141,887</u>
<b>Bank</b>				
Funds held under escrow*	513,000	5,058,437	2,075,085	20,613,131
Cheques under clearing accounts	3,695,265	4,237,150	14,947,347	17,266,386
Sundry creditors	2,593,637	5,834,653	10,491,262	23,776,211
Other tax payables	210,452	114,068	851,278	464,827
Order cheques	2,031,153	766,048	8,216,014	3,121,646
Accounts payable	784,271	1,867,453	3,172,376	7,609,871
Other liabilities	1,355,411	1,736,238	5,482,637	7,075,171
	<u>11,183,189</u>	<u>19,614,047</u>	<u>45,235,999</u>	<u>79,927,243</u>

\* Funds held under escrow represent the selling price of a sale purchase agreement where the Bank acts as the escrow agent.

## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 22. Share capital

	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Share capital – paid-up	<u>80,000,000</u>	<u>80,000,000</u>	<u>320,000,000</u>	<u>320,000,000</u>
	80,000 of shares at par value of US\$1,000 each			
	2020		2019	
	Ownership %	Amount US\$	Ownership %	Amount US\$
E. Sun Commercial Bank Ltd.	<u>100</u>	<u>80,000,000</u>	<u>100</u>	<u>80,000,000</u>

All authorised shares were issued and fully paid. There was no change in shareholding of the Bank during the financial year.

#### 23. Interest income

Group	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
<i>Interest income from:</i>				
Loans and advances to customers	35,528,880	27,674,088	144,851,244	112,135,405
Balances with the National Bank of Cambodia and other financial institutions	<u>2,127,559</u>	<u>2,319,244</u>	<u>8,674,057</u>	<u>9,397,576</u>
	<u>37,656,439</u>	<u>29,993,332</u>	<u>153,525,301</u>	<u>121,532,981</u>
<b>Bank</b>				
<i>Interest income from:</i>				
Loans and advances to customers	35,542,044	27,687,940	144,904,913	112,191,533
Balances with the National Bank of Cambodia and other financial institutions	<u>1,883,311</u>	<u>2,100,989</u>	<u>7,678,259</u>	<u>8,513,207</u>
	<u>37,425,355</u>	<u>29,788,929</u>	<u>152,583,172</u>	<u>120,704,740</u>



## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 24. Interest expense

Group	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
<i>Interest expense on:</i>				
Deposits from banks and other financial institutions	282,464	1,516,862	1,151,606	6,146,325
Deposits from customers	8,365,532	5,940,201	34,106,274	24,069,694
Borrowings and subordinated debts	2,630,183	1,402,034	10,723,256	5,681,042
Lease liabilities	382,612	262,102	1,559,910	1,062,037
	<u>11,660,791</u>	<u>9,121,199</u>	<u>47,541,046</u>	<u>36,959,098</u>
<b>Bank</b>				
<i>Interest expense on:</i>				
Deposits from banks and other financial institutions	282,464	1,516,862	1,151,606	6,146,325
Deposits from customers	8,365,532	5,940,201	34,106,274	24,069,694
Borrowings and subordinated debts	2,194,570	772,605	8,947,262	3,130,595
Lease liabilities	835,168	715,378	3,404,980	2,898,712
	<u>11,677,734</u>	<u>8,945,046</u>	<u>47,610,122</u>	<u>36,245,326</u>

#### 25. Fee and commission income

Group and Bank	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Loan processing fees	1,201,062	965,706	4,896,730	3,913,041
Settlement services	1,212,416	1,613,327	4,943,020	6,537,201
Income from ATM/credit card	283,690	1,084,424	1,156,604	4,394,086
Fees and commission from credit card	249,015	574,533	1,015,234	2,328,008
Telecommunication	201,250	114,660	820,496	464,602
Guarantee activities	32,631	78,143	133,037	316,635
Other fees and commission	214,100	549,303	872,886	2,225,776
	<u>3,394,164</u>	<u>4,980,096</u>	<u>13,838,007</u>	<u>20,179,349</u>

## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 26. Fee and commission expense

	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
<b>Group and Bank</b>				
Loan processing fees	400,240	519,736	1,631,778	2,105,970
Telecommunication	87,990	54,755	358,735	221,867
Guarantee activities	44,322	43,561	180,701	176,509
Other fees and commission	30,292	73,691	123,501	298,597
	<u>562,844</u>	<u>691,743</u>	<u>2,294,715</u>	<u>2,802,943</u>

#### 27. Other income

	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
<b>Group</b>				
Foreign exchange gain-net	232,744	206,918	948,897	838,432
Recovery of loans written off	2,661,853	8,840,728	10,852,375	35,822,630
Others	393,725	267,641	1,605,216	1,084,481
	<u>3,288,322</u>	<u>9,315,287</u>	<u>13,406,488</u>	<u>37,745,543</u>
<b>Bank</b>				
Foreign exchange gain-net	232,744	206,918	948,897	838,432
Recovery of loans written off	2,661,853	8,840,728	10,852,375	35,822,630
Others	441,896	314,448	1,801,610	1,274,143
	<u>3,336,493</u>	<u>9,362,094</u>	<u>13,602,882</u>	<u>37,935,205</u>

#### 28. Personnel expenses

	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
<b>Group</b>				
Salaries and wages	6,112,019	5,463,215	24,918,701	22,136,947
Bonuses, incentives and other related costs	1,309,607	910,131	5,339,268	3,687,851
Other employee benefits	234,726	150,559	956,978	610,066
	<u>7,656,352</u>	<u>6,523,905</u>	<u>31,214,947</u>	<u>26,434,864</u>

## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 28. Personnel expenses (continued)

	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
<b>Bank</b>				
Salaries and wages	6,112,019	5,468,955	24,918,701	22,160,206
Bonuses, incentives and other related costs	1,309,607	910,131	5,339,268	3,687,851
Other employee benefits	234,611	150,559	956,509	610,065
	<u>7,656,237</u>	<u>6,529,645</u>	<u>31,214,478</u>	<u>26,458,122</u>

#### 29. Depreciation and amortisation

	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
<b>Group</b>				
Depreciation of property and equipment	2,866,372	2,705,314	11,686,199	10,961,932
Amortisation of intangible assets	225,302	334,285	918,556	1,354,523
Amortisation of right-of-use assets	444,169	398,434	1,810,876	1,614,455
	<u>3,535,843</u>	<u>3,438,033</u>	<u>14,415,631</u>	<u>13,930,910</u>
<b>Bank</b>				
Depreciation of property and equipment	2,828,498	2,662,543	11,531,786	10,788,624
Amortisation of intangible assets	225,087	334,071	917,680	1,353,656
Amortisation of right-of-use assets	554,803	509,069	2,261,932	2,062,748
	<u>3,608,388</u>	<u>3,505,683</u>	<u>14,711,398</u>	<u>14,205,028</u>

## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 30. Other operating expenses

Group	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Repairs and maintenance	1,267,194	854,678	5,166,350	3,463,155
Other taxes	1,250,890	869,226	5,099,879	3,522,104
Utilities	479,017	477,330	1,952,952	1,934,141
Security	397,033	387,186	1,618,704	1,568,878
Stationery and printing	284,534	235,566	1,160,045	954,513
License fees	277,219	289,942	1,130,222	1,174,845
Business and public relations	249,216	296,124	1,016,054	1,199,894
Telecommunication	184,745	167,496	753,205	678,694
Motor vehicle and running costs	130,494	136,851	532,024	554,520
Court fees	89,958	82,947	366,759	336,101
Building rentals	68,067	116,755	277,509	473,091
Promotion	49,247	71,402	200,780	289,321
Travelling and transportation	26,309	89,803	107,262	363,882
Charity and donation	23,636	12,641	96,364	51,221
Professional and other related costs	(103,774)	147,176	(423,087)	596,357
Others	257,052	248,748	1,048,000	1,007,928
	<u>4,930,837</u>	<u>4,483,871</u>	<u>20,103,022</u>	<u>18,168,645</u>
<b>Bank</b>				
Repairs and maintenance	1,267,194	854,678	5,166,350	3,463,155
Other taxes	1,246,991	814,816	5,083,982	3,301,635
Utilities	479,017	477,330	1,952,952	1,934,141
Security	397,033	387,186	1,618,704	1,568,878
Stationery and printing	284,534	235,566	1,160,045	954,513
License fees	277,219	289,942	1,130,222	1,174,845
Business and public relations	249,216	296,124	1,016,054	1,199,894
Telecommunication	184,745	167,496	753,205	678,694
Motor vehicle and running costs	130,494	136,851	532,024	554,520
Court fees	89,958	82,947	366,759	336,101
Building rentals	68,067	116,755	277,509	473,091
Promotion	49,247	71,402	200,780	289,321
Travelling and transportation	26,309	89,803	107,262	363,882
Charity and donation	23,636	12,641	96,364	51,221
Professional and other related costs	(111,142)	148,449	(453,126)	601,515
Others	256,382	249,013	1,045,269	1,009,002
	<u>4,918,900</u>	<u>4,430,999</u>	<u>20,054,355</u>	<u>17,954,408</u>

## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 31. Commitments and contingencies

##### A. Commitments to extend credit

Group and Bank	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
Unused portion of loan, overdraft and credit card	35,840,314	38,327,703	144,974,070	156,185,390
Payment guarantee	1,037,759	1,000,000	4,197,734	4,075,000
Bid, performance and warranty bonds	2,524,572	2,380,238	10,211,895	9,699,470
Letters of credits	2,033,882	3,243,022	8,227,054	13,215,315
Other commitment and guarantee	1,612,597	2,134,410	6,522,954	8,697,721
	<u>43,049,124</u>	<u>47,085,373</u>	<u>174,133,707</u>	<u>191,872,896</u>
Less: Allowance for impairment losses	<u>(463,816)</u>	<u>(555,212)</u>	<u>(1,876,136)</u>	<u>(2,262,489)</u>
	<u>42,585,308</u>	<u>46,530,161</u>	<u>172,257,571</u>	<u>189,610,407</u>

Movements of allowance for impairment losses for financial guarantee contracts were as follows:

Group and Bank	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
At 1 January	555,212	322,089	2,262,489	1,294,154
(Reversals)/Additions during the year	(91,396)	233,123	(372,621)	944,614
Currency translation difference	-	-	(13,732)	23,721
At 31 December	<u>463,816</u>	<u>555,212</u>	<u>1,876,136</u>	<u>2,262,489</u>

##### B. Taxation contingencies

Taxes are subject to review and investigation by a number of authorities, who are enabled by law to impose additional tax payments. The application of tax laws and regulations to many types of transactions are susceptible to varying interpretations.

These facts create risks of additional taxes through reassessment are substantially more significant in Cambodia than in other countries. Management believes that the Group and the Bank have adequately provided for tax liabilities based on its interpretation of current tax legislation.

## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 32. Related party transactions and balances

##### A. Related parties and relationship

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

Relationship	Related party
Ultimate parent entity	E.Sun Financial Holding Company Ltd.
Immediate parent entity	E.Sun Commercial Bank Ltd.
Subsidiary	URE Land Holding Co., Ltd.
Key management personnel	All directors of the Bank who make critical decisions in relation to the strategic direction of the Bank and senior management staff (including their close family members)

##### B. Bank balance with related parties

	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
<b>Group and Bank</b>				
Immediate parent entity	<u>935,625</u>	<u>640,627</u>	<u>3,784,601</u>	<u>2,610,555</u>

##### C. Loans and advances to related parties

	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
<b>Group and Bank</b>				
Loans	<u>189,066</u>	<u>3,377,298</u>	<u>764,773</u>	<u>13,762,489</u>
Interest income	<u>42,393</u>	<u>145,779</u>	<u>172,836</u>	<u>590,697</u>



## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 32. Related party transactions and balances (continued)

##### D. Deposit balances/transactions from related parties

Group	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
<i>Deposits</i>				
Key management personnel	<u>935,628</u>	<u>1,432,729</u>	<u>3,814,555</u>	<u>5,838,371</u>
<i>Interest expense</i>				
Key management personnel	<u>36,835</u>	<u>16,446</u>	<u>150,176</u>	<u>66,639</u>
<b>Bank</b>				
<i>Deposits</i>				
- Subsidiary	576,304	840,226	2,331,150	3,423,921
- Key management personnel	<u>935,628</u>	<u>1,432,729</u>	<u>3,784,615</u>	<u>5,838,371</u>
	<u>1,511,932</u>	<u>2,272,955</u>	<u>6,115,765</u>	<u>9,262,292</u>
<i>Interest expense</i>				
- Subsidiary	13,164	3,863	53,670	15,653
- Key management personnel	<u>36,835</u>	<u>16,446</u>	<u>150,176</u>	<u>66,639</u>
	<u>49,999</u>	<u>20,309</u>	<u>203,846</u>	<u>82,292</u>

Deposits carry interest at rates ranging from 1.00% to 3.75% (2019: 1.00% to 3.75%) per annum.

##### E. Borrowings and subordinated debts from related parties

Group and Bank	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
<i>Immediate parent entity:</i>				
Borrowing and subordinated debts	<u>84,101,470</u>	<u>118,276,422</u>	<u>340,190,446</u>	<u>481,976,420</u>
Interest expense	<u>1,052,213</u>	<u>1,918,333</u>	<u>4,256,203</u>	<u>7,773,085</u>

## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 32. Related party transactions and balances (continued)

##### F. Key management personnel's remuneration

	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
<b>Group and Bank</b>				
Salaries and short-term benefits	<u>2,122,815</u>	<u>1,877,574</u>	<u>8,654,716</u>	<u>7,607,930</u>

##### G. Board of Directors' fee

	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
<b>Group and Bank</b>				
Board of Directors' fee	<u>84,000</u>	<u>86,250</u>	<u>342,468</u>	<u>349,485</u>

##### H. Other transactions with related parties

	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
<b>Group</b>				
Immediate parent entity (Maintenance expense)	<u>220,000</u>	<u>220,000</u>	<u>896,940</u>	<u>891,440</u>
<b>Bank</b>				
- Immediate parent entity (Maintenance expense)	220,000	220,000	896,940	891,440
- Subsidiary (Rental expenses)	<u>515,019</u>	<u>598,818</u>	<u>2,441,382</u>	<u>2,426,412</u>
	<u>735,019</u>	<u>818,818</u>	<u>3,338,322</u>	<u>3,317,852</u>

## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

## 33. Financial risk management

### A. Introduction and overview

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

- credit risk;
- market risk;
- liquidity risk; and
- operational risk.

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

For the purpose of preserving the financial stability and reduce the burden of the borrowers who are losing their primary incomes and facing difficulties in repayment during the impact of the COVID-19 pandemic, the Group and the Bank work constructively with affected borrowers and allows for loan restructuring. Loan restructuring is carried out by the Group and the Bank's special unit that is independent from the lending department. This special unit shall regularly conduct a portfolio review of affected borrowers to measure the impact on their financial conditions during the pandemic.

### B. Credit risk

Credit risk is the risk of financial loss to the Group and the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's and the Bank's loans and advances to customers and other banks, and investment debt securities. For risk management reporting purposes, the Group and the Bank considers and consolidates all elements of credit risk exposure – e.g. individual obligor default risk, country and sector risk.

Credit risk is the potential loss of revenue and principal losses arising mainly from loans and advances and loan commitments as a result of default by the borrowers or counterparties through its lending activities.

#### (i). *Management of credit risk*

The Bank has established the Core Credit Risk Policy, which is designed to govern the Bank's risk undertaking activities. Extension of credit is governed by credit programs which set out the plan for a particular product or portfolio, including the target market, terms and conditions, documentation and procedures under which a credit product will be offered and measured.

The Bank also ensures that there is a clear segregation of duties between loan originators, evaluators and approving authorities.

The Bank manages, limits and controls concentration of credit risk whenever they are identified, in particular, to individual counterparties and groups, and to industries.

## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 33. Financial risk management (continued)

##### B. Credit risk (continued)

###### (i). *Management of credit risk (continued)*

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower or group of borrowers, and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product and industry sector are approved by the Board of Directors.

Large exposure is defined by the National Bank of Cambodia as overall credit exposure to any single beneficiary which exceeds 10% of the Bank's net worth. The Bank is required, under the conditions of Prakas No. B7-06-226 of the National Bank of Cambodia, to maintain at all times a maximum ratio of 20% between the Bank's overall credit exposure to any single beneficiary and the Bank's net worth. The aggregate of large credit exposure must not exceed 300% of the Bank's net worth.

The Bank employs a range of policies and practices to mitigate credit risk, including requiring borrowers to pledge collateral against loans and advances granted by the Bank.

###### (ii). *Concentration of risk*

The Board of Directors created the Bank Credit Committee for the oversight of credit risk. A separate Bank Credit department, reporting to the Bank Credit Committee, is responsible for managing the Group's and the Bank's credit risk, including the following.

The following table presents the Group's and the Bank's maximum exposure to credit risk of on-balance sheet and off-balance sheet financial instruments, without taking into account of any collateral held or other credit enhancements. For on-balance sheet assets, the exposure to credit risk equals their carrying amount. For contingent liabilities, the maximum exposure to credit risk is the maximum amount that the Group and the Bank would have to pay if the obligations of the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers.

# Union Commercial Bank Plc. and its subsidiary

## Notes to the financial statements (continued) for the year ended 31 December 2020

### 33. Financial risk management (continued)

#### B. Credit risk (continued)

##### (ii). Concentration of risk (continued)

##### Type of credit exposure

Group	Maximum credit exposure US\$	Maximum credit exposure KHR'000 (Note 5)	Fully subject to collateral/credit enhancement %	Partially subject to collateral/ credit enhancement %	Unsecured and not subject to collateral/ credit enhancement %
<b>31 December 2020</b>					
<b>On-balance sheet items</b>					
Cash equivalents with other banks, gross	134,621,364	544,543,417	-	-	100%
Placements with other banks	43,440,000	175,714,800	-	-	100%
Loans and advances to customers, gross	512,874,228	2,074,576,253	83%	-	17%
Equity investments at FVOCI	567,672	2,296,233	-	100%	-
Other assets	1,213,732	4,909,546	-	-	100%
<b>Total</b>	<b>692,716,996</b>	<b>2,802,040,249</b>			
<b>Off-balance sheet items</b>					
Commitments, gross	43,049,124	174,133,707	-	-	100%
<b>Total</b>	<b>735,766,120</b>	<b>2,976,173,956</b>			

# Union Commercial Bank Plc. and its subsidiary

## Notes to the financial statements (continued) for the year ended 31 December 2020

### 33. Financial risk management (continued)

#### B. Credit risk (continued)

##### (ii). Concentration of risk (continued)

##### Type of credit exposure (continued)

Bank	Maximum credit exposure US\$	Maximum credit exposure KHR'000 (Note 5)	Fully subject to collateral/credit enhancement %	Partially subject to collateral/ credit enhancement %	Unsecured and not subject to collateral/ credit enhancement %
<b>31 December 2020</b>					
<b>On-balance sheet items</b>					
Cash equivalents with other banks, gross	134,539,625	544,212,783	-	-	100%
Placements with other banks	40,940,000	165,602,300	-	-	100%
Loans and advances to customers, gross	512,874,228	2,074,576,253	83%	-	17%
Equity investments at FVOCI and subsidiary	568,162	2,298,215	-	100%	-
Other assets	1,160,144	4,692,782	-	-	100%
<b>Total</b>	<b>690,082,159</b>	<b>2,791,382,333</b>			
<b>Off-balance sheet items</b>					
Commitments, gross	43,049,124	174,133,707	-	-	100%
<b>Total</b>	<b>733,131,283</b>	<b>2,965,516,040</b>			



# Union Commercial Bank Plc. and its subsidiary

## Notes to the financial statements (continued) for the year ended 31 December 2020

### 33. Financial risk management (continued)

#### B. Credit risk (continued)

##### (ii). Concentration of risk (continued)

##### Type of credit exposure (continued)

Group	Maximum credit exposure US\$	Maximum credit exposure KHR'000 (Note 5)	Fully subject to collateral/credit enhancement %	Partially subject to collateral/ credit enhancement %	Unsecured and not subject to collateral/ credit enhancement %
<b>31 December 2019</b>					
<b>On-balance sheet items</b>					
Cash equivalents with other banks, gross	52,653,202	214,561,798	-	-	100%
Placements with other banks	12,400,000	50,530,000	-	-	100%
Loans and advances to customers, gross	483,316,924	1,969,516,465	81%	-	19%
Equity investments at FVOCI	488,172	1,989,301	-	100%	-
Other assets	1,543,032	6,287,855	-	-	100%
<b>Total</b>	<b>550,401,330</b>	<b>2,242,885,419</b>			
<b>Off-balance sheet items</b>					
Commitments, gross	47,085,373	191,872,896	-	-	100%
<b>Total</b>	<b>597,486,703</b>	<b>2,434,758,315</b>			

# Union Commercial Bank Plc. and its subsidiary

## Notes to the financial statements (continued) for the year ended 31 December 2020

### 33. Financial risk management (continued)

#### B. Credit risk (continued)

##### (ii). Concentration of risk (continued)

##### Type of credit exposure (continued)

Bank	Maximum credit exposure US\$	Maximum credit exposure KHR'000 (Note 5)	Fully subject to collateral/credit enhancement %	Partially subject to collateral/ credit enhancement %	Unsecured and not subject to collateral/ credit enhancement %
<b>31 December 2019</b>					
<b>On-balance sheet items</b>					
Cash equivalents with other banks, gross	52,632,868	214,478,937	-	-	100%
Placements with other banks	10,400,000	42,380,000	-	-	100%
Loans and advances to customers, gross	483,316,924	1,969,516,465	81%	-	19%
Equity investments at FVOCI and subsidiary	488,662	1,991,298	-	100%	-
Other assets	1,498,097	6,104,745	-	-	100%
<b>Total</b>	<b>548,336,551</b>	<b>2,234,471,445</b>			
<b>Off-balance sheet items</b>					
Commitments, gross	47,085,373	191,872,896	-	-	100%
<b>Total</b>	<b>595,421,924</b>	<b>2,426,344,341</b>			

## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 33. Financial risk management (continued)

##### B. Credit risk (continued)

##### (ii). Concentration of risk (continued)

##### Concentration risk by industrial sectors

31 December 2020	Cash equivalents with other banks, gross US\$	Placements with other banks US\$	Loans and advances to customers, gross US\$	Equity investments at FVOCI US\$	Other assets US\$	Total US\$
<b>Group</b>						
Financial institutions	134,621,364	43,440,000	33,186,866	-	-	211,248,230
Corporate business loans	-	-	202,554,544	-	-	202,554,544
Retail business loans	-	-	277,132,818	-	-	277,132,818
Others	-	-	-	567,672	1,213,732	1,781,404
Total (US\$)	134,621,364	43,440,000	512,874,228	567,672	1,213,732	692,716,996
Total (KHR'000 – Note 5)	544,543,417	175,714,800	2,074,576,253	2,296,233	4,909,546	2,802,040,249

## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 33. Financial risk management (continued)

##### B. Credit risk (continued)

##### (ii). Concentration of risk (continued)

##### Concentration risk by industrial sectors (continued)

31 December 2020	Cash equivalents with other banks, gross US\$	Placements with other banks US\$	Loans and advances to customers, gross US\$	Equity investments at FVOCI and subsidiary US\$	Other assets US\$	Total US\$
<b>Bank</b>						
Financial institution	134,539,625	40,940,000	33,186,866	-	-	208,666,491
Corporate business loans	-	-	202,554,544	-	-	202,554,544
Retail business loans	-	-	277,132,818	-	-	277,132,818
Others	-	-	-	568,162	1,160,144	1,728,306
Total (US\$)	134,539,625	40,940,000	512,874,228	568,162	1,160,144	690,082,159
Total (KHR'000 – Note 5)	544,212,783	165,602,300	2,074,576,253	2,298,215	4,692,782	2,791,382,333

## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 33. Financial risk management (continued)

##### B. Credit risk (continued)

##### (ii). Concentration of risk (continued)

##### Concentration risk by industrial sectors (continued)

31 December 2019	Group	Cash equivalents with other banks, gross US\$	Placements with other banks US\$	Loans and advances to customers, gross US\$	Equity investments at FVOCI US\$	Other assets US\$	Total US\$
Financial institutions		52,653,202	12,400,000	42,153,504	-	-	107,206,706
Corporate business loans		-	-	232,725,096	-	-	232,725,096
Retail business loans		-	-	208,438,324	-	-	208,438,324
Others		-	-	-	488,172	1,543,032	2,031,204
Total (US\$)		52,653,202	12,400,000	483,316,924	488,172	1,543,032	550,401,330
Total (KHR'000 – Note 5)		214,561,798	50,530,000	1,969,516,465	1,989,301	6,287,855	2,242,885,419

## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 33. Financial risk management (continued)

##### B. Credit risk (continued)

##### (ii). Concentration of risk (continued)

##### Concentration risk by industrial sectors (continued)

31 December 2019		Cash equivalents with other banks, gross US\$	Placements with other banks US\$	Loans and advances to customers, gross US\$	Equity investments at FVOCI and subsidiary US\$	Other assets US\$	Total US\$
Bank							
Financial institution		52,632,868	10,400,000	42,153,504	-	-	105,186,372
Corporate business loans		-	-	232,725,096	-	-	232,725,096
Retail business loans		-	-	208,438,324	-	-	208,438,324
Others		-	-	-	488,662	1,498,097	1,986,759
Total (US\$)		52,632,868	10,400,000	483,316,924	488,662	1,498,097	548,336,551
Total (KHR'000 – Note 5)		214,478,937	42,380,000	1,969,516,465	1,991,298	6,104,745	2,234,471,445

## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 33. Financial risk management (continued)

##### B. Credit risk (continued)

##### (ii). Concentration of risk (continued)

Concentration risk by residency and relationship, and large-exposures for gross loans and advances:

Group and Bank	2020 US\$	2019 US\$	2020 KHR'000 (Note 5)	2019 KHR'000 (Note 5)
<b>By residency status:</b>				
Non-residents	12,494,876	6,104,934	50,541,774	24,877,606
Residents	500,379,352	477,211,990	2,024,034,479	1,944,638,859
	<u>512,874,228</u>	<u>483,316,924</u>	<u>2,074,576,253</u>	<u>1,969,516,465</u>
<b>By relationship:</b>				
Related parties	189,066	3,377,298	764,773	13,762,489
Non related parties	512,685,162	479,939,626	2,073,811,480	1,955,753,976
	<u>512,874,228</u>	<u>483,316,924</u>	<u>2,074,576,253</u>	<u>1,969,516,465</u>
<b>By exposure:</b>				
Large exposures (*)	65,365,184	60,132,648	264,402,169	245,040,541
Non-large exposures	447,509,044	423,184,276	1,810,174,084	1,724,475,924
	<u>512,874,228</u>	<u>483,316,924</u>	<u>2,074,576,253</u>	<u>1,969,516,465</u>
<b>By concession:</b>				
Restructured (**)	24,966,239	2,595,092	100,988,437	10,575,000
Non-restructured	487,907,989	480,721,832	1,973,587,816	1,958,941,465
	<u>512,874,228</u>	<u>483,316,924</u>	<u>2,074,576,253</u>	<u>1,969,516,465</u>

(\*) A "large exposure" is defined under the NBC's Prakas as the overall gross exposure of the aggregate balance of loans and advances with one single beneficiary, which exceeds 10% of the Group's and the Bank's net worth. The exposure is the higher of the outstanding loans or commitments and the authorised loans or commitments.

(\*\*) A "restructured loan" is a loan that original contractual terms have been modified to provide for concessions for the borrowers for reasons related to real temporary financial difficulties.



## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 33. Financial risk management (continued)

##### B. Credit risk (continued)

###### *(iii). Collateral*

Whilst the Group's and the Bank's maximum exposure to credit risk is the carrying amount of the assets or, in the case of off-balance sheet instruments, the amount guaranteed, committed, accepted or endorsed, the likely exposure may be lower due to offsetting collateral, credit guarantees and other actions taken to mitigate the Group's and the Bank's exposure.

The description of collateral for each class of financial asset is set out below.

##### **Cash equivalents with other banks, placements with other banks, investments and other assets**

Collateral is generally not sought for these assets.

##### **Loans and advances to customers, contingent liabilities and commitments**

Certain loans and advances to customers, contingent liabilities and commitments are typically collateralised to a substantial extent. In particular, residential mortgage exposures are generally fully secured by residential properties.

## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 33. Financial risk management (continued)

##### B. Credit risk (continued)

##### (iii). Collateral (continued)

The table below summarises the Group's and the Bank's security coverage of its financial assets:

Group	Collateral/credit enhancement				Unsecured credit exposure US\$	Total US\$
	Properties US\$	Floating assets US\$	Fixed deposits US\$	Others US\$		
31 December 2020						
Loans and advances to customers, gross	417,537,521	-	9,723,077	-	85,613,631	512,874,228
Commitments, gross	-	-	-	-	43,049,124	43,049,124
	<u>417,537,521</u>	<u>-</u>	<u>9,723,077</u>	<u>-</u>	<u>128,662,755</u>	<u>555,923,352</u>
31 December 2019						
Loans and advances to customers, gross	386,059,290	-	7,000,000	-	90,257,634	483,316,924
Commitments, gross	-	-	-	-	50,117,103	50,117,103
	<u>386,059,290</u>	<u>-</u>	<u>7,000,000</u>	<u>-</u>	<u>140,374,737</u>	<u>533,434,027</u>

## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 33. Financial risk management (continued)

##### B. Credit risk (continued)

##### (iii). Collateral (continued)

The table below summarises the Group's and the Bank's security coverage of its financial assets: (continued)

Bank	Collateral/credit enhancement				Unsecured credit exposure US\$	Total US\$
	Properties US\$	Floating assets US\$	Fixed deposits US\$	Others US\$		
31 December 2020						
Loans and advances to customers, gross	417,537,521	-	9,723,077	-	85,613,631	512,874,228
Commitments, gross	-	-	-	-	43,049,124	43,049,124
	<u>417,537,521</u>	<u>-</u>	<u>9,723,077</u>	<u>-</u>	<u>128,662,755</u>	<u>555,923,352</u>
31 December 2019						
Loans and advances to customers, gross	386,059,290	-	7,000,000	-	90,257,634	483,316,924
Commitments, gross	-	-	-	-	47,542,033	47,542,033
	<u>386,059,290</u>	<u>-</u>	<u>7,000,000</u>	<u>-</u>	<u>137,799,667</u>	<u>530,858,957</u>

## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 33. Financial risk management (continued)

##### B. Credit risk (continued)

##### *(iv). Credit quality of gross loans and advances to customers*

From 27 March 2020, the Group and the Bank have applied Circular No. B7-020-001 issued by the NBC on loan restructuring to support customers affected by COVID-19 by:

- reducing the amount of loan principal or amount to be repaid at the maturity;
- lowering interest rate than original contractual terms;
- deferring the repayment of principal or interest or capitalised interest;
- extending the maturity date; adding and/modifying co-borrower and/or guarantor, when applicable;
- changing an instalment loan to an interest payment only where the principal is repaid at the maturity (bullet loan);
- releasing collaterals or accepting lower level of collateralisation; and
- easing of covenants or/and providing grace period for repayment up to 6 months from the effective signing date of the new contract

Accordingly, for customers who paid principle payment or interest, or both payments not past due more than 90 days (performing loan) and are expected to be experiencing only temporary financial and repayment difficulties. NBC allows loan restructuring to all sectors impacted by COVID-19 pandemic and floods based on the bank's own valuation. The Group and the Bank do loan restructuring until 30 June 2021 and up to 3 times without impacting the loan classification during the referred period.

Pursuant to the NBC guideline Prakas B7-017-344, it has defined each credit grading according to its credit quality as follows:

##### **Normal:**

Outstanding facility is repaid on timely manner and is not in doubt for the future repayment. Repayment is steadily made according with the contractual terms and the facility does not exhibit any potential weakness in repayment capability, business, cash flow and financial position of the counterparty.

## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 33. Financial risk management (continued)

##### B. Credit risk (continued)

###### (iv). Credit quality of gross loans and advances to customers (continued)

###### Special mention:

A facility in this class is currently protected and may not be past due but it exhibits potential weaknesses that may adversely affect repayment of the counterparty at the future date, if not corrected in a timely manner, and close attention by the Institution.

Weaknesses include but are not limited to a declining trend in the business operations of the counterparty or in its financial position, and adverse economic and market conditions that all might affect its profitability and its future repayment capacity, or deteriorating conditions on the collateral. This class has clearly its own rational and should not be used as a compromise between Normal and Substandard.

###### Substandard

A facility ranked in this class exhibits noticeable weakness and is not adequately protected by the current business or financial position and repayment capacity of the counterparty. In essence, the primary source of repayment is not sufficient to service the debt, not taking into account the income from secondary sources such as the realization of the collateral.

Factors leading to a substandard classification include:

- Inability of the counterparty to meet the contractual repayments' terms,
- Unfavourable economic and market conditions that would adversely affect the business and profitability of the counterparty in the future,
- Weakened financial condition and/or inability of the counterparty to generate enough cash flow to service the payments,
- Difficulties experienced by the counterparty in repaying other facilities granted by the Institution or by other institutions when the information is available, and
- Breach of financial covenants by the counterparty.

## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 33. Financial risk management (continued)

##### B. Credit risk (continued)

##### (iv). Credit quality of gross loans and advances to customers (continued)

###### Doubtful

A facility classified in this category exhibits more severe weaknesses than one classified Substandard such that its full collection on the basis of existing facts, conditions or collateral value is highly questionable or improbable. The prospect of loss is high, even if the exact amount remains undetermined for now.

###### Loss

A facility is classified Loss when it is not collectable, and little or nothing can be done to recover the outstanding amount from the counterparty.

###### Recognition of ECL

The Group and the Bank apply a three-stage approach based on the change in credit quality since initial recognition:

3-Stage approach	Stage 1	Stage 2	Stage 3
	Performing	Underperforming	Nonperforming
Recognition of expected credit losses	12 months expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses
Criterion	No significant increase in credit risk	Credit risk increased significantly	Credit impaired assets
Basic of calculation of profit revenue	On gross carrying amount	On gross carrying amount	On net carrying amount

The Group and the Bank will measure ECL by using the general approach. The general approach consists of segregating the customers into three different stages according to the staging criteria by assessing the credit risk. 12-month ECL will be computed for stage 1, while lifetime ECL will be computed for stage 2 and stage 3. At each reporting date, the Group and the Bank will assess credit risk of each account as compared to the risk level at origination date.

## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 33. Financial risk management (continued)

##### B. Credit risk (continued)

##### (iv). Credit quality of gross loans and advances to customers (continued)

##### Recognition of ECL (continued)

##### Long-term facilities (more than one year)

Stages	Credit Risk Status	Grades	DPD	Default Indicator
1	No significant increase in credit risk	Normal	$0 \leq \text{DPD} < 30$	Performing
2	Credit risk increased significantly	Special mention	$30 \leq \text{DPD} < 90$	Underperforming
3	Credit impaired assets	Substandard	$90 \leq \text{DPD} < 180$	Nonperforming
		Doubtful	$180 \leq \text{DPD} < 360$	
		Loss	$\text{DPD} \geq 360$	

##### Short-term facilities (one year or less)

Stages	Credit Risk Status	Grades	DPD	Default Indicator
1	No significant increase in credit risk	Normal	$0 \leq \text{DPD} \leq 14$	Performing
2	Credit risk increased significantly	Special mention	$15 \leq \text{DPD} \leq 30$	Underperforming
3	Credit impaired assets	Substandard	$31 \leq \text{DPD} \leq 60$	Nonperforming
		Doubtful	$61 \leq \text{DPD} \leq 90$	
		Loss	$\text{DPD} \geq 91$	

The Group and the Bank will use the day past due (DPD) information and NBC's classification for staging criteria. Also, the Group and the Bank will incorporate credit scoring or more forward looking elements in the future when information is more readily available. Upon the implementation of credit scoring system, if the risk level drops by two or more notches as compared to the risk level at origination, the accounts have to be classified under stage 2.

As for financial assets that are short term in nature, simplified approach will be adopted where no staging criteria is required. In this case, it will be either performing (stage1) or non-performing.



## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 33. Financial risk management (continued)

##### B. Credit risk (continued)

##### (iv). Credit quality of gross loans and advances to customers (continued)

##### Recognition of ECL (continued)

The table below summarises the credit quality of the Group's and the Bank's gross financing according to the above classifications.

Group and Bank	31 December 2020			
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$
<b>Loans and advances to customers at amortised cost</b>				
Normal	479,021,769	-	-	479,021,769
Special Mention	20,983,272	9,433,676	-	30,416,948
Substandard	159,016	39,318	174,233	372,567
Doubtful	167,023	9,705	2,799,075	2,975,803
Loss	24,874	62,267	-	87,141
	500,355,954	9,544,966	2,973,308	512,874,228
Loss allowance	4,927,304	1,433,552	899,244	7,260,100
Carrying amount (US\$)	495,428,650	8,111,414	2,074,064	505,614,128
Carrying amount (KHR'000 - Note 5)	2,004,008,889	32,810,670	8,389,589	2,045,209,148

Group and Bank	31 December 2019			
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$
<b>Loans and advances to customers at amortised cost</b>				
Normal	455,246,148	-	-	455,246,148
Special Mention	20,970,443	3,185,783	-	24,156,226
Substandard	53,917	-	756,163	810,080
Doubtful	1,821,113	-	8,592	1,829,705
Loss	100,051	-	1,174,714	1,274,765
	478,191,672	3,185,783	1,939,469	483,316,924
Loss allowance	6,038,523	256,324	784,124	7,078,971
Carrying amount (US\$)	472,153,149	2,929,459	1,155,345	476,237,953
Carrying amount (KHR'000 - Note 5)	1,924,024,082	11,937,545	4,708,031	1,940,669,658

## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 33. Financial risk management (continued)

##### B. Credit risk (continued)

##### *(iv). Credit quality of gross loans and advances to customers (continued)*

###### *Incorporation of forward-looking information*

The Group and the Bank incorporate 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 Bank operates, supranational organisations such as the International Monetary Fund, Basel's Minimum Capital Requirements and other accredited research institutes. The Group and the Bank calculated the difference between Cambodia's GDP and World's GDP to compare the deviations of economic outlook which will be used to determine the forward-looking information.

The Bank 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.

In response to the recent COVID-19 pandemic, the Group and the Bank have determined that the economic outlook for the upcoming years is highly impacted by the pandemic and therefore sets forth of new set of economic (and loss) scenarios and applies management overlay where necessary.

The Bank has revised its economic forecasts used as an input into ECL as at 31 December 2020 down from 2019.

For the purpose of ECL computation, to reflect the current climate, the Group and the Bank have taken into account the stressed economic scenarios during this COVID-19 pandemic by revisiting its probability weightage outcome (PWO) to generate the upper, neutral and lower bound of ECL. The Group and the Bank's Management has applied scenario probability weights across the three scenarios to determine the expected ECL as at 31 December 2020.

## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 33. Financial risk management (continued)

##### B. Credit risk (continued)

##### (v). Amounts arising from ECL

##### Loss allowance

The following tables show reconciliation from the opening to the closing balance of the loss allowance by class of financial instrument.

Group and Bank	2020			
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$
<b>Loans and advances to customers at amortised cost</b>				
At 1 January	6,038,523	256,324	784,124	7,078,971
- Transfer to Stage 1	69	(69)	-	-
- Transfer to Stage 2	(99,654)	99,654	-	-
- Transfer to Stage 3	(9,503)	(11,318)	20,821	-
Net remeasurement of loss allowance	353,993	(643)	1,794,295	2,147,645
New financial assets originated or purchased	3,570,894	520,038	574,002	4,664,934
Financial assets that been derecognised	(4,757,853)	(243,079)	-	(5,000,932)
Write-offs	-	-	(2,394,704)	(2,394,704)
Changes in models/risk parameters	(169,165)	812,645	120,706	764,186
At 31 December (US\$)	4,927,304	1,433,552	899,244	7,260,100
At 31 December (KHR'000 – Note 5)	19,930,945	5,798,718	3,637,442	29,367,105

## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 33. Financial risk management (continued)

##### B. Credit risk (continued)

##### (v). Amounts arising from ECL (continued)

##### Loss allowance (continued)

Group and Bank	2019			
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$
<b>Loans and advances to customers at amortised cost</b>				
At 1 January	12,032,041	3,338,474	3,488,955	18,859,470
- Transfer to Stage 1	3,466,459	(1,277,026)	(2,189,433)	-
- Transfer to Stage 2	(12,725)	15,339	(2,614)	-
- Transfer to Stage 3	(44,348)	(76,205)	120,553	-
Net remeasurement of loss allowance	(4,107,947)	(116,150)	5,922,904	1,698,807
New financial assets originated or purchased	2,762,635	17,830	-	2,780,465
Financial assets that been derecognised	(7,152,346)	(707,351)	(1,173,062)	(9,032,759)
Write-offs	-	-	(5,382,969)	(5,382,969)
Changes in models/risk parameters	(905,247)	(938,588)	(208)	(1,844,043)
At 31 December (US\$)	6,038,522	256,323	784,126	7,078,971
At 31 December (KHR'000 – Note 5)	24,606,981	1,044,516	3,195,310	28,846,807

##### C. Market risk

Market risk is the risk that changes in market prices – e.g. interest rates, foreign exchange rates and equity prices – will affect the Group's and the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

##### (i). Interest rate risk

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

# Union Commercial Bank Plc. and its subsidiary

## Notes to the financial statements (continued) for the year ended 31 December 2020

### 33. Financial risk management (continued)

#### C. Market risk (continued)

##### (i). Interest rate risk (continued)

The table below summarises the Group's and the Bank's exposure to interest rate risk. The table indicates the periods in which the financial instruments reprice or mature, whichever is earlier.

Group	Up to 1 month US\$	> 1-3 months US\$	> 3-6 months US\$	> 6-12 months US\$	> 1 to 5 years US\$	Over 5 years US\$	Non-interest bearing US\$	Total US\$	Interest rate p.a %
<b>As at 31 December 2020</b>									
<b>Financial assets</b>									
Cash and cash equivalents, gross	101,151,638	24,900,000	-	-	-	35,171,975	47,416,640	208,640,253	1.67% - 2.75%
Placements with other banks	-	22,670,000	-	20,770,000	-	-	-	43,440,000	0.12% - 8.00%
Loans and advances to customers, gross	26,719,534	4,692,601	11,297,914	10,988,704	159,191,218	299,984,257	-	512,874,228	6.52% - 24.00%
Equity investments at FVOCI	-	-	-	-	-	-	567,672	567,672	-
Other assets	-	-	-	-	-	-	1,213,732	1,213,732	-
	127,871,172	52,262,601	11,297,914	31,758,704	159,191,218	335,156,232	49,198,044	766,735,885	
<b>Financial liabilities</b>									
Deposits from banks and FIs	27,922,551	60,000	200,000	10,405,304	-	-	2,259,997	40,847,852	0.50% - 3.00%
Deposits from customers	45,589,996	51,086,910	52,381,262	56,553,584	28,052,105	-	334,028,375	567,692,232	0.50% - 4.50%
Borrowings	40,454,590	20,123,456	14,833,127	22,416,564	-	-	-	97,827,737	2.55% - 4.89%
Subordinated debts	-	-	-	-	29,092,643	-	-	29,092,643	4.06% - 4.33%
Lease liabilities	-	-	-	449,352	3,428,581	-	-	3,877,933	7.50% - 9.08%
Other liabilities	-	-	-	-	-	-	11,194,405	11,194,405	
	113,967,137	71,270,366	67,414,389	89,824,804	60,573,329	-	347,482,777	750,532,802	
Interest sensitivity gap	13,904,035	(19,007,765)	(56,116,475)	(58,066,100)	98,617,889	335,156,232	(298,284,733)	16,203,083	
(KHR'000 - Note 5)	56,241,822	(76,886,409)	(226,991,141)	(234,877,375)	398,909,361	1,355,706,958	(1,206,561,745)	65,541,470	

# Union Commercial Bank Plc. and its subsidiary

## Notes to the financial statements (continued) for the year ended 31 December 2020

### 33. Financial risk management (continued)

#### C. Market risk (continued)

##### (i). Interest rate risk (continued)

The table below summarises the Group's and the Bank's exposure to interest rate risks which includes assets and liabilities at carrying amounts.

Group	Up to 1 month US\$	> 1-3 months US\$	> 3-6 months US\$	> 6-12 months US\$	> 1 to 5 years US\$	Over 5 years US\$	Non-interest bearing US\$	Total US\$	Interest rate p.a %
<b>As at 31 December 2019</b>									
<b>Financial assets</b>									
Cash and cash equivalents, gross	52,653,202	-	-	-	-	-	36,407,594	89,060,796	1.00%
Placements with other banks	-	12,400,000	-	-	-	-	-	12,400,000	2.50%
Loans and advances to customers, gross	47,457,326	26,398,508	11,552,187	13,622,683	142,760,083	241,526,137	-	483,316,924	6.52% - 24.00%
Equity investments at FVOCI	-	-	-	-	-	-	488,172	488,172	-
Other assets	-	-	-	-	-	-	1,543,032	1,543,032	-
	100,110,528	38,798,508	11,552,187	13,622,683	142,760,083	241,526,137	38,438,798	586,808,924	
<b>Financial liabilities</b>									
Deposits from banks and FIs	8,813,918	60,784	-	438,439	-	-	1,776,012	11,089,153	1.00% - 3.00%
Deposits from customers	22,212,983	23,413,250	27,280,236	53,184,112	28,714,234	-	292,358,982	447,163,797	1.00% - 3.24%
Borrowings	25,013,565	24,813,332	9,344,570	25,012,419	16,911,064	-	-	101,094,950	2.55% - 4.89%
Subordinated debts	-	-	-	-	29,185,429	-	-	29,185,429	4.06% - 4.33%
Lease liabilities	-	-	-	29,529	1,115,610	2,196,558	-	3,341,697	7.50% - 9.08%
Other liabilities	-	-	-	-	-	-	14,966,641	14,966,641	
	56,040,466	48,287,366	36,624,806	78,664,499	75,926,337	2,196,558	309,101,635	606,841,667	
Interest sensitivity gap	44,070,062	(9,488,858)	(25,072,619)	(65,041,816)	66,833,746	239,329,579	(270,662,837)	(20,032,743)	
(KHR'000 - Note 5)	179,585,503	(38,667,096)	(102,170,922)	(265,045,400)	272,347,515	975,268,034	(1,102,951,061)	(81,633,428)	

# Union Commercial Bank Plc. and its subsidiary

## Notes to the financial statements (continued) for the year ended 31 December 2020

### 33. Financial risk management (continued)

#### C. Market risk (continued)

##### (i). Interest rate risk (continued)

The table below summarises the Group's and the Bank's exposure to interest rate risk. The table indicates the periods in which the financial instruments reprice or mature, whichever is earlier.

Bank	Up to 1 month US\$	> 1-3 months US\$	> 3-6 months US\$	> 6-12 months US\$	> 1 to 5 years US\$	Over 5 years US\$	Non-interest bearing US\$	Total US\$	Interest rate p.a. %
<b>At 31 December 2020</b>									
<b>Financial assets</b>									
Cash and cash equivalents, gross	101,151,638	24,900,000	-	-	-	35,090,236	47,416,640	208,558,514	1.67% - 2.75%
Placements with other banks	45,603,349	22,670,000	-	18,270,000	-	-	-	40,940,000	0.12% - 2.50%
Loans and advances to customers, gross	26,719,534	4,692,601	11,297,914	10,988,704	159,191,218	299,984,257	-	512,874,228	6.52% - 24.00%
Equity investments at FVOCI	-	-	-	-	-	-	568,162	568,162	
Other assets	-	-	-	-	-	-	1,160,144	1,160,144	
	127,871,172	52,262,601	11,297,914	29,258,704	159,191,218	335,074,493	49,144,946	764,101,048	
<b>Financial liabilities</b>									
Deposits from banks and FIs	27,922,551	60,000	200,000	10,405,304	-	-	2,259,997	40,847,852	0.50% - 3.00%
Deposits from customers	45,603,349	51,649,861	52,381,262	56,553,584	28,052,105	-	334,028,375	568,268,536	0.50% - 4.50%
Borrowings	40,454,590	8,108,776	14,833,127	22,416,564	-	-	-	85,813,057	2.55% - 4.89%
Subordinated debts	-	-	-	-	29,092,643	-	-	29,092,643	4.06% - 4.33%
Lease liabilities	-	-	-	463,955	9,356,275	-	-	9,820,230	7.50% - 9.08%
Other liabilities	-	-	-	-	-	-	10,459,737	10,459,737	
	113,980,490	59,818,637	67,414,389	89,839,407	66,501,023	-	346,748,109	744,302,055	
Interest sensitivity gap	13,890,682	(7,556,036)	(56,116,475)	(60,580,703)	92,690,195	335,074,493	(297,603,163)	19,798,993	
(KHR'000 - Note 5)	56,187,809	(30,564,166)	(226,991,141)	(245,048,943)	374,931,839	1,355,376,324	(1,203,804,795)	80,086,927	



# Union Commercial Bank Plc. and its subsidiary

## Notes to the financial statements (continued) for the year ended 31 December 2020

### 33. Financial risk management (continued)

#### C. Market risk (continued)

##### (i). Interest rate risk (continued)

The table below summarises the Group's and the Bank's exposure to interest rate risks which includes assets and liabilities at carrying amounts.

Bank	Up to 1 month US\$	> 1-3 months US\$	> 3-6 months US\$	> 6-12 months US\$	> 1 to 5 years US\$	Over 5 years US\$	Non-Interest bearing US\$	Total US\$	Interest rate p.a. %
<b>At 31 December 2019</b>									
<b>Financial assets</b>									
Cash and cash equivalents, gross	52,632,868	-	-	-	-	-	36,407,594	89,040,462	1.00%
Placements with other banks	-	10,400,000	-	-	-	-	-	10,400,000	2.50%
Loans and advances to customers, gross	47,457,326	26,398,508	11,552,187	13,622,683	142,760,083	241,526,137	-	483,316,924	6.52% - 24.00%
Equity investments at FVOCI	-	-	-	-	-	-	488,662	488,662	
Other assets	-	-	-	-	-	-	1,498,097	1,498,097	
	100,090,194	36,798,508	11,552,187	13,622,683	142,760,083	241,526,137	38,394,353	584,744,145	
<b>Financial liabilities</b>									
Deposits from banks and FIs	8,813,918	60,784	-	438,439	-	-	1,776,012	11,089,153	1.00% - 3.00%
Deposits from customers	23,053,209	23,413,250	27,280,236	53,184,112	28,714,234	-	292,358,982	448,004,023	1.00% - 3.24%
Borrowings	25,013,565	12,809,375	9,344,570	25,012,419	16,911,064	-	-	89,090,993	2.55% - 4.89%
Subordinated debts	-	-	-	-	29,185,429	-	-	29,185,429	4.06% - 4.33%
Lease liabilities	-	-	-	29,529	1,115,610	8,149,784	-	9,294,923	7.50% - 9.08%
Other liabilities	-	-	-	-	-	-	14,441,542	14,441,542	
	56,880,692	36,283,409	36,624,806	78,664,499	75,926,337	8,149,784	308,576,536	601,106,063	-
Interest sensitivity gap	43,209,502	515,099	(25,072,619)	(65,041,816)	66,833,746	233,376,353	(270,182,183)	(16,361,918)	
(KHR 000 - Note 5)	176,078,721	2,099,028	(102,170,922)	(265,045,400)	272,347,515	951,008,638	(1,100,992,396)	(66,674,816)	

## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 33. Financial risk management (continued)

##### C. Market risk (continued)

##### (i). Interest rate risk (continued)

A change of 100 basis points in interest rates at the reporting date would have increased/ (decreased) equity and profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Group	Profit or loss		Equity	
	100 bp Increase US\$	100 bp Decrease US\$	100 bp Increase US\$	100 bp Decrease US\$
<b>2020</b>				
Variable rate instruments	<u>(673,279)</u>	<u>673,279</u>	<u>(673,279)</u>	<u>673,279</u>
KHR'000 – Note 5	<u>(2,723,414)</u>	<u>2,723,414</u>	<u>(2,723,414)</u>	<u>2,723,414</u>
<b>2019</b>				
Variable rate instruments	<u>(840,690)</u>	<u>840,690</u>	<u>(840,690)</u>	<u>840,690</u>
KHR'000 – Note 5	<u>(3,425,812)</u>	<u>3,425,812</u>	<u>(3,425,812)</u>	<u>3,425,812</u>
<b>Bank</b>				
<b>2020</b>				
Variable rate instruments	<u>(643,242)</u>	<u>643,242</u>	<u>(643,242)</u>	<u>643,242</u>
KHR'000 – Note 5	<u>(2,601,914)</u>	<u>2,601,914</u>	<u>(2,601,914)</u>	<u>2,601,914</u>
<b>2019</b>				
Variable rate instruments	<u>(810,680)</u>	<u>810,680</u>	<u>(810,680)</u>	<u>810,680</u>
KHR'000 – Note 5	<u>(3,303,521)</u>	<u>3,303,521</u>	<u>(3,303,521)</u>	<u>3,303,521</u>

## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 33. Financial risk management (continued)

##### C. Market risk (continued)

##### (ii). Foreign currency exchange risk

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

##### Concentration of currency risk

The amounts of financial assets and liabilities, by currency denomination, are as follows:

Group	Denomination US\$ equivalents			
31 December 2020	KHR	US\$	Others	Total
<b>Financial assets</b>				
Cash and cash equivalents, gross	11,725,328	196,857,636	57,289	208,640,253
Placements with banks	-	43,440,000	-	43,440,000
Loans and advances to customers, gross	57,038,359	453,237,591	2,598,278	512,874,228
Equity investments at FVOCI	-	567,672	-	567,672
Other assets	-	1,213,732	-	1,213,732
	<u>68,763,687</u>	<u>695,316,631</u>	<u>2,655,567</u>	<u>766,735,885</u>
<b>Financial liabilities</b>				
Deposits from banks and FIs	10,372,650	30,475,202	-	40,847,852
Deposits from customers	3,937,145	563,753,487	1,600	567,692,232
Borrowings	30,603,476	67,224,261	-	97,827,737
Subordinated debts	-	29,092,643	-	29,092,643
Lease liabilities	-	3,877,933	-	3,877,933
Other liabilities	-	11,194,405	-	11,194,405
	<u>44,913,271</u>	<u>705,617,931</u>	<u>1,600</u>	<u>750,532,802</u>
<b>Net asset/(liability) position</b>	<u>23,850,416</u>	<u>(10,301,300)</u>	<u>2,653,967</u>	<u>16,203,083</u>
<b>KHR'000 – Note 5</b>	<u>96,474,932</u>	<u>(41,668,759)</u>	<u>10,735,297</u>	<u>65,541,470</u>

## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 33. Financial risk management (continued)

##### C. Market risk (continued)

##### (ii). Foreign currency exchange risk (continued)

##### Concentration of currency risk (continued)

The amounts of financial assets and liabilities, by currency denomination, are as follows:  
(continued)

Group	Denomination US\$ equivalents			
	KHR	US\$	Others	Total
<b>At 31 December 2019</b>				
<b>Financial assets</b>				
Cash and cash equivalents, gross	3,379,987	85,465,321	215,488	89,060,796
Placements with banks	-	12,400,000	-	12,400,000
Loans and advances to customers, gross	56,385,201	423,604,728	3,326,995	483,316,924
Equity investments at FVOCI	-	488,172	-	488,172
Other assets	-	1,543,032	-	1,543,032
	<u>59,765,188</u>	<u>523,501,253</u>	<u>3,542,483</u>	<u>586,808,924</u>
<b>Financial liabilities</b>				
Deposits from banks and FIs	1,492,903	9,596,250	-	11,089,153
Deposits from customers	5,747,298	441,414,981	1,518	447,163,797
Borrowings	34,063,671	67,031,279	-	101,094,950
Subordinated debts	-	29,185,429	-	29,185,429
Lease liabilities	-	3,341,697	-	3,341,697
Other liabilities	-	14,966,641	-	14,966,641
	<u>41,303,872</u>	<u>565,536,277</u>	<u>1,518</u>	<u>606,841,667</u>
<b>Net asset/(liability) position</b>	<u>18,461,316</u>	<u>(42,035,024)</u>	<u>3,540,965</u>	<u>(20,032,743)</u>
<b>KHR'000 – Note 5</b>	<u>75,229,863</u>	<u>(171,292,723)</u>	<u>14,429,432</u>	<u>(81,633,428)</u>

## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 33. Financial risk management (continued)

##### C. Market risk (continued)

##### (ii). Foreign currency exchange risk (continued)

##### Concentration of currency risk (continued)

The amounts of financial assets and liabilities, by currency denomination, are as follows:  
(continued)

Bank	Denomination US\$ equivalents			
	KHR	US\$	Others	Total
<b>At 31 December 2020</b>				
<b>Financial assets</b>				
Cash and cash equivalents, gross	11,725,328	196,775,897	57,289	208,558,514
Placements with banks	-	40,940,000	-	40,940,000
Loans and advances to customers, gross	57,038,359	453,237,591	2,598,278	512,874,228
Equity investments at FVOCI	-	568,162	-	568,162
Other assets	-	1,160,144	-	1,160,144
	<u>68,763,687</u>	<u>692,681,794</u>	<u>2,655,567</u>	<u>764,101,048</u>
<b>Financial liabilities</b>				
Deposits from banks and FIs	10,372,650	30,475,202	-	40,847,852
Deposits from customers	3,937,145	564,329,791	1,600	568,268,536
Borrowings	30,603,476	55,209,581	-	85,813,057
Subordinated debts	-	29,092,643	-	29,092,643
Lease liabilities	-	9,820,230	-	9,820,230
Other liabilities	-	10,459,737	-	10,459,737
	<u>44,913,271</u>	<u>699,387,184</u>	<u>1,600</u>	<u>744,302,055</u>
<b>Net asset/(liability) position</b>	<u>23,850,416</u>	<u>(6,705,390)</u>	<u>2,653,967</u>	<u>19,798,993</u>
<b>KHR'000 – Note 5</b>	<u>96,474,932</u>	<u>(27,123,302)</u>	<u>10,735,297</u>	<u>80,086,927</u>

## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 33. Financial risk management (continued)

##### C. Market risk (continued)

##### (ii). Foreign currency exchange risk (continued)

##### Concentration of currency risk (continued)

The amounts of financial assets and liabilities, by currency denomination, are as follows:  
(continued)

Bank	Denomination US\$ equivalents			
At 31 December 2019	KHR	US\$	Others	Total
<b>Financial assets</b>				
Cash and cash equivalents, gross	3,379,987	85,444,987	215,488	89,040,462
Placements with banks	-	10,400,000	-	10,400,000
Loans and advances to customers, gross	56,385,201	423,604,728	3,326,995	483,316,924
Equity investments at FVOCI	-	488,662	-	488,662
Other assets	-	1,498,097	-	1,498,097
	<u>59,765,188</u>	<u>521,436,474</u>	<u>3,542,483</u>	<u>584,744,145</u>
<b>Financial liabilities</b>				
Deposits from banks and FIs	1,492,903	9,596,250	-	11,089,153
Deposits from customers	5,747,298	442,255,207	1518	448,004,023
Borrowings	34,063,671	55,027,322	-	89,090,993
Subordinated debts	-	29,185,429	-	29,185,429
Lease liabilities	-	9,294,923	-	9,294,923
Other liabilities	-	14,441,542	-	14,441,542
	<u>41,303,872</u>	<u>559,800,673</u>	<u>1,518</u>	<u>601,106,063</u>
<b>Net asset/(liability) position</b>	<u>18,461,316</u>	<u>(38,364,199)</u>	<u>3,540,965</u>	<u>(16,361,918)</u>
<b>KHR'000 – Note 5</b>	<u>75,229,863</u>	<u>(156,334,111)</u>	<u>14,429,432</u>	<u>(66,674,816)</u>

## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 33. Financial risk management (continued)

##### C. Market risk (continued)

##### (ii). Foreign currency exchange risk (continued)

##### Sensitivity analysis

Considering that other risk variables remain constant, the foreign currency revaluation sensitivity for the Group and the Bank as at reporting date is summarised as follows (only exposures in currencies that accounts for more than 5 percent of the net open positions are shown in its specific currency in the table below. For other currencies, these exposures are grouped as 'Others'):

Group	2020		2019	
	- 1% Depreciation US\$	+ 1% Appreciation US\$	- 1% Depreciation US\$	+ 1% Appreciation US\$
KHR	(238,504)	238,504	(378,675)	378,675
Others	<u>(26,540)</u>	<u>26,540</u>	<u>2,140</u>	<u>(2,140)</u>
	<u>(265,044)</u>	<u>265,044</u>	<u>(376,535)</u>	<u>376,535</u>
KHR'000 – Note 5	<u>(1,072,103)</u>	<u>1,072,103</u>	<u>(1,534,380)</u>	<u>1,534,380</u>
<b>Bank</b>				
KHR	(238,504)	238,504	(378,675)	378,675
Others	<u>(26,540)</u>	<u>26,540</u>	<u>2,140</u>	<u>(2,140)</u>
	<u>(265,044)</u>	<u>265,044</u>	<u>(376,535)</u>	<u>376,535</u>
KHR'000 – Note 5	<u>(1,072,103)</u>	<u>1,072,103</u>	<u>(1,534,380)</u>	<u>1,534,380</u>



## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 33. Financial risk management (continued)

##### D. Liquidity risk

'Liquidity risk' is the risk that the Group and the Bank will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises from mismatches in the timing and amounts of cash flows, which is inherent to the Group's and the Bank's operations and investments.

##### Management of liquidity risk

The Group and the Bank manages its liquidity through its Asset Liability Management Committee which is responsible for establishing the liquidity policy as well as monitoring liquidity on an ongoing basis. A Minimum Liquid Asset requirement has been established to ensure that the ratio of liquid assets to qualifying liabilities is subject to a minimum threshold at all times.

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

# Union Commercial Bank Plc. and its subsidiary

## Notes to the financial statements (continued) for the year ended 31 December 2020

### 33. Financial risk management (continued)

#### D. Liquidity risk (continued)

Group At 31 December 2020	Up to 1 month US\$	> 1-3 months US\$	> 3-6 months US\$	> 6-12 months US\$	> 1 to 5 years US\$	Over 5 years US\$	No fixed maturity date US\$	Total US\$
<b>Financial liabilities</b>								
Deposits from banks and FIs	27,922,551	60,000	200,000	10,405,304	-	-	2,259,997	40,847,852
Deposits from customers	45,589,996	51,086,910	52,381,262	56,553,584	28,052,105	-	334,028,375	567,692,232
Borrowings	40,454,590	20,123,456	14,833,127	22,416,564	-	-	-	97,827,737
Subordinated debts	-	-	-	-	29,092,643	-	-	29,092,643
Lease liabilities	-	-	-	449,352	3,428,581	-	-	3,877,933
Other liabilities	-	-	-	-	-	-	11,194,405	11,194,405
	<u>113,967,137</u>	<u>71,270,366</u>	<u>67,414,389</u>	<u>89,824,804</u>	<u>60,573,329</u>	<u>-</u>	<u>347,482,777</u>	<u>750,532,802</u>
<b>Financial assets</b>								
Cash and cash equivalents, gross	101,151,638	24,900,000	-	-	-	35,171,975	47,416,640	208,640,253
Placements with other banks	-	22,670,000	-	20,770,000	-	-	-	43,440,000
Loans and advances to customers, gross	26,719,534	4,692,601	11,297,914	10,988,704	159,191,218	299,984,257	-	512,874,228
Equity investments at FVOCI	-	-	-	-	-	-	567,672	567,672
Other assets	-	-	-	-	-	-	1,213,732	1,213,732
	<u>127,871,172</u>	<u>52,262,601</u>	<u>11,297,914</u>	<u>31,758,704</u>	<u>159,191,218</u>	<u>335,156,232</u>	<u>49,198,044</u>	<u>766,735,885</u>
Maturity analysis gap	<u>13,904,035</u>	<u>(19,007,765)</u>	<u>(56,116,475)</u>	<u>(58,066,100)</u>	<u>98,617,889</u>	<u>335,156,232</u>	<u>(298,284,733)</u>	<u>16,203,083</u>
(KHR'000 equivalents - Note 5)	<u>56,241,822</u>	<u>(76,886,409)</u>	<u>(226,991,141)</u>	<u>(234,877,375)</u>	<u>398,909,361</u>	<u>1,355,706,958</u>	<u>(1,206,561,745)</u>	<u>65,541,470</u>

# Union Commercial Bank Plc. and its subsidiary

## Notes to the financial statements (continued) for the year ended 31 December 2020

### 33. Financial risk management (continued)

#### D. Liquidity risk (continued)

Group At 31 December 2019	Up to 1 month US\$	> 1-3 months US\$	> 3-6 months US\$	> 6-12 months US\$	> 1 to 5 years US\$	Over 5 years US\$	No fixed maturity date US\$	Total US\$
<b>Financial liabilities</b>								
Deposits from banks and FIs	8,813,918	60,784	-	438,439	-	-	1,776,012	11,089,153
Deposits from customers	22,212,983	23,413,250	27,280,236	53,184,112	28,714,234	-	292,358,982	447,163,797
Borrowings	25,013,565	24,813,332	9,344,570	25,012,419	16,911,064	-	-	101,094,950
Subordinated debts	-	-	-	-	29,185,429	-	-	29,185,429
Lease liabilities	-	-	-	29,529	1,115,610	2,196,558	-	3,341,697
Other liabilities	-	-	-	-	-	-	14,966,641	14,966,641
	56,040,466	48,287,366	36,624,806	78,664,499	75,926,337	2,196,558	309,101,635	606,841,667
<b>Financial assets</b>								
Cash and cash equivalents, gross	52,653,202	-	-	-	-	-	36,407,594	89,060,796
Placements with other banks	-	12,400,000	-	-	-	-	-	12,400,000
Loans and advances to customers, gross	47,457,326	26,398,508	11,552,187	13,622,683	142,760,083	241,526,137	-	483,316,924
Equity investments at FVOCI	-	-	-	-	-	-	488,172	488,172
Other assets	-	-	-	-	-	-	1,543,032	1,543,032
	100,110,528	38,798,508	11,552,187	13,622,683	142,760,083	241,526,137	38,438,798	586,808,924
Maturity analysis gap	44,070,062	(9,488,858)	(25,072,619)	(65,041,816)	66,833,746	239,329,579	(270,662,837)	(20,032,743)
(KHR'000 equivalents - Note 5)	179,585,503	(38,667,096)	(102,170,922)	(265,045,400)	272,347,515	975,268,034	(1,102,951,061)	(81,633,428)

# Union Commercial Bank Plc. and its subsidiary

## Notes to the financial statements (continued) for the year ended 31 December 2020

### 33. Financial risk management (continued)

#### D. Liquidity risk (continued)

Bank	Up to 1 month US\$	> 1-3 months US\$	> 3-6 months US\$	> 6-12 months US\$	> 1 to 5 years US\$	Over 5 years US\$	No fixed maturity date US\$	Total US\$
<b>At 31 December 2020</b>								
<b>Financial liabilities</b>								
Deposits from banks and FIs	27,922,551	60,000	200,000	10,405,304	-	-	2,259,997	40,847,852
Deposits from customers	45,603,349	51,649,861	52,381,262	56,553,584	28,052,105	-	334,028,375	568,268,536
Borrowings	40,454,590	8,108,776	14,833,127	22,416,564	-	-	-	85,813,057
Subordinated debts	-	-	-	-	29,092,643	-	-	29,092,643
Lease liabilities	-	-	-	463,955	9,356,275	-	-	9,820,230
Other liabilities	-	-	-	-	-	-	10,459,737	10,459,737
	<u>113,980,490</u>	<u>59,818,637</u>	<u>67,414,389</u>	<u>89,839,407</u>	<u>66,501,023</u>	<u>-</u>	<u>346,748,109</u>	<u>744,302,055</u>
<b>Financial assets</b>								
Cash and cash equivalents, gross	101,151,638	24,900,000	-	-	-	35,090,236	47,416,640	208,558,514
Placements with other banks	-	22,670,000	-	18,270,000	-	-	-	40,940,000
Loans and advances to customers, gross	26,719,534	4,692,601	11,297,914	10,988,704	159,191,218	299,984,257	-	512,874,228
Equity investments at FVOCI and subsidiary	-	-	-	-	-	-	568,162	568,162
Other assets	-	-	-	-	-	-	1,160,144	1,160,144
	<u>127,871,172</u>	<u>52,262,601</u>	<u>11,297,914</u>	<u>29,258,704</u>	<u>159,191,218</u>	<u>335,074,493</u>	<u>49,144,946</u>	<u>764,101,048</u>
Maturity analysis gap	<u>13,890,682</u>	<u>(7,556,036)</u>	<u>(56,116,475)</u>	<u>(60,580,703)</u>	<u>92,690,195</u>	<u>335,074,493</u>	<u>(297,603,163)</u>	<u>19,798,993</u>
(KHR'000 equivalents - Note 5)	<u>56,187,809</u>	<u>(30,564,166)</u>	<u>(226,991,141)</u>	<u>(245,048,943)</u>	<u>374,931,839</u>	<u>1,355,376,324</u>	<u>(1,203,804,795)</u>	<u>80,086,927</u>

# Union Commercial Bank Plc. and its subsidiary

## Notes to the financial statements (continued) for the year ended 31 December 2020

### 33. Financial risk management (continued)

#### D. Liquidity risk (continued)

Bank	Up to 1 month US\$	> 1-3 months US\$	> 3-6 months US\$	> 6-12 months US\$	> 1 to 5 years US\$	Over 5 years US\$	No fixed maturity date US\$	Total US\$
<b>At 31 December 2019</b>								
<b>Financial liabilities</b>								
Deposits from banks and FIs	8,813,918	60,784	-	438,439	-	-	1,776,012	11,089,153
Deposits from customers	23,053,209	23,413,250	27,280,236	53,184,112	28,714,234	-	292,358,982	448,004,023
Borrowings	25,013,565	12,809,375	9,344,570	25,012,419	16,911,064	-	-	89,090,993
Subordinated debts	-	-	-	-	29,185,429	-	-	29,185,429
Lease liabilities	-	-	-	29,529	1,115,610	8,149,784	-	9,294,923
Other liabilities	-	-	-	-	-	-	14,441,542	14,441,542
	<u>56,880,692</u>	<u>36,283,409</u>	<u>36,624,806</u>	<u>78,664,499</u>	<u>75,926,337</u>	<u>8,149,784</u>	<u>308,576,536</u>	<u>601,106,063</u>
<b>Financial assets</b>								
Cash and cash equivalents, gross	52,632,868	-	-	-	-	-	36,407,594	89,040,462
Placements with other banks	-	10,400,000	-	-	-	-	-	10,400,000
Loans and advances to customers, gross	47,457,326	26,398,508	11,552,187	13,622,683	142,760,083	241,526,137	-	483,316,924
Equity investments at FVOCI and subsidiary assets	-	-	-	-	-	-	488,662	488,662
	<u>100,090,194</u>	<u>36,798,508</u>	<u>11,552,187</u>	<u>13,622,683</u>	<u>142,760,083</u>	<u>241,526,137</u>	<u>38,394,353</u>	<u>584,744,145</u>
Maturity analysis gap	<u>43,209,502</u>	<u>515,099</u>	<u>(25,072,619)</u>	<u>(65,041,816)</u>	<u>66,833,746</u>	<u>233,376,353</u>	<u>(270,182,183)</u>	<u>(16,361,918)</u>
(KHR'000 equivalents - Note 5)	<u>176,078,721</u>	<u>2,099,028</u>	<u>(102,170,922)</u>	<u>(265,045,400)</u>	<u>272,347,515</u>	<u>951,008,638</u>	<u>(1,100,992,396)</u>	<u>(66,674,816)</u>

## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 33. Financial risk management (continued)

##### E. Operational risk

The operational risk is the risk of losses arising from inadequate or failed internal processes, people or systems or from external factors. This risk is managed through established operational risk management processes, proper monitoring and reporting of the business activities by control and oversight provided by the senior Management. This includes legal, compliance, accounting and fraud risk.

The operational risk management entails the establishment of clear organizational structures, roles and control policies. Various internal control policies and measures have been implemented. These include the establishment of signing authorities, defining system parameters controls, streaming procedures and documentation ensuring compliance with regulatory and legal requirements. These are reviewed continually to address the operational risks of its banking business.

##### F. Capital management

###### (i). *Regulatory capital*

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

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

The Group's and the Bank's policy is to maintain a strong capital base so as to maintain market confidence and to sustain further development of the business. The impact of the level of capital on shareholders' return is also recognised and the Group and the Bank recognised the need to maintain a balance between the higher returns that might be possible with greater gearing and advantages and security afforded by a sound capital position.

The above regulated capital is calculated in accordance with the guidance issued by the NBC which may be different in some material respects compared to generally accepted principles applied by financial institutions in other jurisdiction. The above regulated capital information is therefore not intended for users who are not informed about the guidance issued by the NBC.

###### (ii). *Capital allocation*

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

## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### **34. Fair values of financial assets and liabilities**

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

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

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

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

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

**(i) Cash at banks**

The fair values of balances with other banks and financial institutions with maturity of less than one year approximate their carrying amounts.

**(ii) Loans and advances to customers**

For fixed rate loans with remaining period to maturity of less than one year, the carrying amounts are generally reasonable estimates of their fair values. The fair values of fixed rate loans with remaining maturity of more than one year are estimated based on discounted cash flows using prevailing market rates for financing with similar credit risks and maturities.

**(iii) Deposits from banks, other financial institutions and customers**

The fair values of deposits payable on demand (current and savings accounts), or deposits with remaining maturity of less than one year are estimated to approximate their carrying amounts. The fair values of deposits with remaining maturity of more than one year are estimated based on discounted cash flows using prevailing market rates for similar deposits from banks and customers.



## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 34. Fair values of financial assets and liabilities (continued)

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

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

##### Fair value hierarchy

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

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

The Group and the Bank's financial assets and liability, except debt investments at FVOCI, are not measured at fair value. As verifiable market prices are not available, market prices are not available for a significant proportion of the Group's and of the Bank's financial assets and liabilities, the 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 statement of financial position are a reasonable estimation of their fair values.

## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 35. Significant accounting policies

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

##### A. Basis of measurement

The financial statements have been prepared on a historical cost except equity investments which are measured at fair value through other comprehensive income ("FVOCI").

##### B. Basis of consolidation

The consolidated financial statements include the financial statements of the Bank and its subsidiary made up to the end of the financial year. A subsidiary is a company in which the Group has power to exercise control over the financial and operating policies of an enterprise so as to obtain benefits from its activities.

Subsidiary is consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of the subsidiary during the period are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiary's net assets are determined and these values are reflected in the consolidated financial statements.

Inter-company transactions, balances and unrealised gain or loss arising from inter-company transactions are eliminated and the consolidated financial statements reflect external transactions only. Losses resulting from intra-group transactions, which indicate an impairment loss, will be recognised in the consolidated financial statements. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. The gain or loss on disposal of a subsidiary, which is the difference between net disposal proceeds and the Group's share of its net assets as of the date of disposal is recognised in the profit or loss.

Non-controlling interest ("NCI") are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

URE Land Holding Co., Ltd., the Subsidiary has different class of shares. The individuals own Class A shares and the Bank owns Class B shares, representing 51% and 49% interest in the Subsidiary, respectively. Furthermore, the right to appoint members of the Board of Directors was granted only to holders of Class B shares. The Bank has assessed that they maintain a control over the Subsidiary and therefore prepared these consolidated financial statements.

## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 35. Significant accounting policies (continued)

##### C. Foreign currencies

Transactions in foreign currencies are translated into the functional currency of at the spot exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the spot exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

Foreign currency differences arising on translation are generally recognised in profit or loss.

##### D. Financial assets and financial liabilities

###### (i). *Recognition and initial measurement*

The Group and the Bank initially recognises loans and advances, borrowings and subordinated liabilities on the date on which they are originated. All other financial assets and liabilities are initially recognised on the date on which the Group and the Bank becomes a party to the contractual provisions of the instrument.

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

###### (ii). *Classification*

###### **Financial assets**

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

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

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

## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 35. Significant accounting policies (continued)

##### D. Financial assets and financial liabilities (continued)

###### (ii). *Classification (continued)*

###### **Financial assets (continued)**

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

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

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

###### **All other financial assets are classified as measured at FVTPL**

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

###### ***Business model assessment***

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

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

## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 35. Significant accounting policies (continued)

##### D. Financial assets and financial liabilities (continued)

###### (ii). *Classification (continued)*

###### Financial assets (continued)

###### *Business model assessment (continued)*

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

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

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

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

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

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

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

## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 35. Significant accounting policies (continued)

##### D. Financial assets and financial liabilities (continued)

###### (ii). *Classification (continued)*

###### Financial assets (continued)

###### *Non-recourse loans*

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

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

###### **Reclassifications**

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

###### (iii). *Derecognition*

###### Financial assets

The Group and the Bank derecognises 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 Group and the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 35. Significant accounting policies (continued)

##### D. Financial assets and financial liabilities (continued)

###### *(iii). Derecognition (continued)*

###### **Financial assets (continued)**

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

###### **Financial liabilities**

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

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

###### **Financial assets**

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

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

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit and 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 maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Group and the Bank plan to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 35. Significant accounting policies (continued)

##### D. Financial assets and financial liabilities (continued)

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

###### Financial assets (continued)

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

###### Financial liabilities

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

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

###### (v). *Offsetting*

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



## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 35. Significant accounting policies (continued)

##### D. Financial assets and financial liabilities (continued)

###### (vi). *Fair value measurement*

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

When one is available, the Group and the Bank 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 Group and the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise 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 Group and the Bank 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 recognised in profit and 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 Group and the Bank 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 Group and the Bank 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.

## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 35. Significant accounting policies (continued)

##### D. Financial assets and financial liabilities (continued)

###### (vi). *Fair value measurement (continued)*

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

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

###### (vii). *Impairment*

The Group and the Bank recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

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

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

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

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

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

At each reporting date, the Group and the Bank 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.

## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 35. Significant accounting policies (continued)

##### D. Financial assets and financial liabilities (continued)

###### *(vii). Impairment (continued)*

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group and the Bank 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 Group's and the Bank's historical experience and informed credit assessment and includes forward-looking 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 12-month ECLs.

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

###### **Determining whether credit risk has increased significantly**

The Group and the Bank 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 Group and the Bank considers that a significant increase in credit risk occurs no later than when an asset is more than 15 days or 30 days past due depends on the facilities' term. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

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

###### **Definition of default**

The Group and the Bank considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group and the Bank in full, without recourse by the Group and the Bank to actions such as realising security (if any is held); or
- The Group and the Bank considers that a significant increase in credit risk occurs no later than when an asset is more than or equal to 30 days past due for long-term facilities or more than or equal to 15 days past due for short-term facilities.

## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 35. Significant accounting policies (continued)

##### D. Financial assets and financial liabilities (continued)

###### (vii). Impairment (continued)

###### Credit-impaired financial assets

At each reporting date, the Group and the Bank assesses whether financial assets carried at amortised 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 Group and the Bank on terms that the Group and the Bank would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

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

###### Measurement of ECL

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

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

## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 35. Significant accounting policies (continued)

##### D. Financial assets and financial liabilities (continued)

###### (vii). *Impairment (continued)*

###### Measurement of ECL (continued)

###### *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 statistical model has been employed to analyse data collected and generate estimate of remaining lifetime PD of exposure and how these are expected to change as result of passage of time.

LGD is the magnitude of the likely loss if there is a default. The Group and the Bank 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. For loans secured by retail property, loan-to-value ("LTV") ratios are a key parameter in determining LGD. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Group and the Bank 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 Group and the Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Group and the Bank considers a longer period. The maximum contractual period extends to the date at which the Group and the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 35. Significant accounting policies (continued)

##### D. Financial assets and financial liabilities (continued)

###### (vii). *Impairment (continued)*

###### **Measurement of ECL (continued)**

###### ***Restructured financial assets***

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

###### **Presentation of allowance for ECL in the statement of financial position**

Loss allowances for ECL are presented in the statement of financial position for financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets.

Provision for financial guarantee contracts is presented as a separate liability in the statement of financial position.

###### **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 Group and the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are generally included in 'impairment losses on financial instruments' in the statement of profit and loss and OCI. In the event such recoveries are material, a separate line item will be included in "other income".

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

## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 35. Significant accounting policies (continued)

##### E. Cash and cash equivalents

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

##### F. Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of the ordinary share are recognised as a deduction from equity, net of any tax effects. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument. Distributions to holders of a financial instrument classified as an equity instrument are charged directly to equity.

##### G. Non-distributable reserves and regulatory reserves

The non-distributable reserves are set up for any overall financial risk. The Board of Directors exercises its discretion for the use and maintenance of the general reserves. The transfer from retained earnings/accumulated losses to general reserves is subject to the approval of Board of Directors of the Bank.

Regulatory reserves are set up for the variance of provision between loan impairment in accordance with CIFRSs and regulatory provision in accordance with National Bank of Cambodia's Prakas No. B7-017-344 dated 1 December 2017 and Circular No. B7-018-001 Sor Ror Chor Nor dated 16 February 2018 on credit risk classification and provision on impairment for banks and financial institutions. In accordance with Article 73, the entity is shall compare the provision calculated in accordance with Article 49 to 71 and the provision calculated in accordance with Article 72, and the record:

- (i) In case that the regulatory provision calculated in accordance with Article 72 is lower than provision calculated in accordance with Article 49 to 71, the entity records the provision calculated in accordance with CIFRSs; and
- (ii) In case that the regulatory provision calculated in accordance with Article 72 is higher than provision calculated in accordance with Article 49 to 71, the entity records the provision calculated in accordance with CIFRSs and transfer the difference from retained earnings or accumulated losses account into regulatory reserve in shareholders' equity.

The regulatory reserves are not an item to be included in the calculated of the Institution net worth.

## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 35. Significant accounting policies (continued)

##### H. Placements with banks

Placements with banks are stated at amortised cost less impairment for any uncollectable amounts.

##### I. Statutory deposits

Statutory deposits include in balances with the NBC are maintained in compliance with the Cambodian Law on Banking and Financial Institutions and are determined by the defined percentage of the minimum share capital and the customers' deposits as required by NBC.

##### J. Loans and advances

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

##### K. Other assets

Other assets are carried at amortised cost less impairment if any.

##### L. Property and equipment

###### (i) *Recognition and measurement*

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.



## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 35. Significant accounting policies (continued)

##### L. Property and equipment (continued)

###### (ii). *Subsequent costs*

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of property and equipment and is recognised net within “other income” and “other expenses” respectively in profit or loss.

The cost of replacing a component of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group and the Bank, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

###### (iii). *Depreciation*

The cost of replacing a component of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group and the Bank, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight line basis over the estimated useful lives of each component of an item of property and equipment.

Depreciation is recognised from the date that the property and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for the current period are as follows:

	Years
Buildings	20
Building improvements	10
Office equipment	4
Motor vehicles	4
IT equipment and computers	4

## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 35. Significant accounting policies (continued)

##### L. Property and equipment (continued)

###### (iii). Depreciation (continued)

Freehold land and construction in progress are not depreciated.

Depreciation methods, useful lives and residual values are reassessed at end of the reporting date and adjusted, if appropriate.

##### M. Intangible assets

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

Intangible assets are amortised over their estimated useful lives from 4 years using the straight-line method.

Costs associated with the development or maintenance of computer software are recognised as expenses when incurred.

##### N. Leases

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

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

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right throughout the period of use, then the asset is not identified;
- the Group and the Bank has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 35. Significant accounting policies (continued)

##### N. Leases (continued)

To assess whether a contract conveys the right to control the use of an identified asset, the Group and the Bank assesses whether: (continued)

- the Group and the Bank has the right to direct the use of the asset. The Group and the Bank has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In cases where all the decisions about how and for what purpose the asset is used are predetermined, the Group and the Bank has the right to direct the use of the asset if either:
  - the Group and the Bank has the right to operate the asset; or
  - the Group and the Bank designed the asset in a way that predetermines how and for what purpose It will be used.

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

##### Leases in which the Group and the Bank is a lessee

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

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

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

## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 35. Significant accounting policies (continued)

##### N. Leases (continued)

###### Leases in which the Group and the Bank is a lessee (continued)

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

The estimated useful lives for the right-of-use assets are as follows:

- Buildings and branches' offices 3 – 10 years

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

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

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

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

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

## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 35. Significant accounting policies (continued)

##### N. Leases (continued)

###### **Short-term leases and leases of low-value assets**

The Group and the Bank has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Group and the Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

##### O. Deposits, borrowings and subordinated debts

Deposits, borrowings and subordinated debts are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at amortised cost using effective interest method.

##### P. Employee benefits

###### **(i). Short-term employee benefits**

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group and the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

###### **(ii). Other long-term employee benefits**

The Group's and the Bank's net obligation in respect of long-term employee benefits is the amount of the benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit and loss in the period in which they arise.

##### Q. Provisions

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

## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 35. Significant accounting policies (continued)

##### R. Interest

###### ***Effective interest rate***

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

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

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

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

###### ***Amortised cost and gross carrying amount***

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

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

###### ***Calculation of interest income and expense***

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

## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 35. Significant accounting policies (continued)

##### R. Interest (continued)

###### *Calculation of interest income and expense (continued)*

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

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

###### *Presentation*

Interest income calculated using the effective interest method presented in the statement of profit and loss and other comprehensive income includes interest on financial assets and financial liabilities measured at amortised cost.

Interest expense presented in the statement of profit and loss and other comprehensive income includes financial liabilities measured at amortised cost.

##### S. Fee and commission

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

Other fee and commission income – including account servicing fees is recognised as the related services are performed.

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

## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 35. Significant accounting policies (continued)

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

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

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

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

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

##### U. Income tax

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

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



## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### 35. Significant accounting policies (continued)

##### U. Income tax (continued)

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

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

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

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

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

##### V. Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

##### W. Contingent assets

Where it is not possible that there is an inflow of economic benefits, or the amount cannot be estimated reliably, the asset is not recognised in the statements of financial position and is disclosed as a contingent asset, unless the probability of inflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets unless the probability of inflow of economic benefits is remote.

## Union Commercial Bank Plc. and its subsidiary

### Notes to the financial statements (continued) for the year ended 31 December 2020

#### **36. New standards, amendments and interpretations not yet adopted**

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

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

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

# 9 - Services & Financial Product

## 1. Personal Banking

- Saving Deposit
- Demand Deposit
- Time Deposit
- Housing Loan
- Credit Card
- Online Banking
- ATM Service

## 2. Corporate Banking

- Term Loan
- Working Capital Loan
- Business Check Account
- Escrow Account
- Payroll Service
- Acquiring Service

## 3. International Banking

- Money Transfer
- Trade Finance
- Import & Export L/C
- D/P & D/A
- Guarantee & Standby L/C
- Check Discounted
- Trade Finance Loan

# 10 - Contact Information

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**Union Commercial Bank Plc.**

**FINANCIAL STATEMENTS**

For the year ended 31 December 2020



**ធនាគារ សហពាណិជ្ជ ក.អ**  
**UNION COMMERCIAL BANK PLC.**  
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