



របាយការណ៍ប្រចាំឆ្នាំ ANNUAL REPORT 2020



ធនាគារឯកទេស អ៊ីអន (ខេមបូឌា) ភីអិលស៊ី
AEON SPECIALIZED BANK (CAMBODIA) PLC.



**Simple,
Fast & Convenient!**

AEON, we always bring you simple,
fast and convenient financial services

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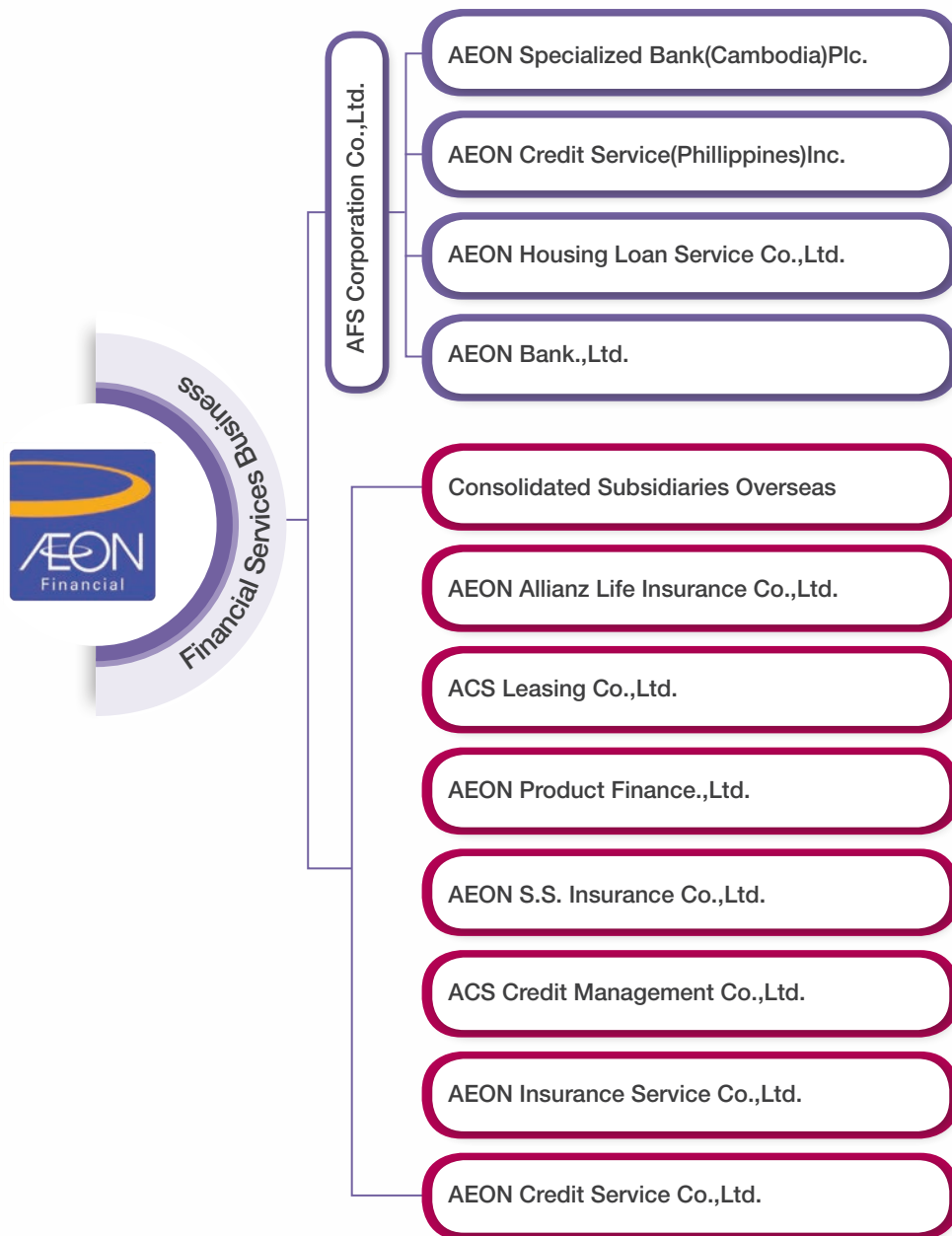
AEON FINANCIAL SERVICE GROUP NETWORK

“Support customers Lifestyle and enable each individual to maximize future opportunities through effective use of credit”



CHART OF AEON GROUP / AFS GROUP





2020 FINANCIAL HIGHLIGHTS

OUR BACKGROUND

The company was incorporated as a public limited the company in Cambodia on 5th October, 2011 under Registration No. Co. 2380 E/2011, issued by the Ministry of Commerce and has re-registered through online business registration with the new Registration Number 00006388. On 7th October, 2011 the Company obtained its license as a micro-finance institution from National Bank of Cambodia. As a microfinance institution, the company was the first to offer unsecured Installment Service such as home appliances, motorbike, mobile phone, personal loan and agriculture machinery.

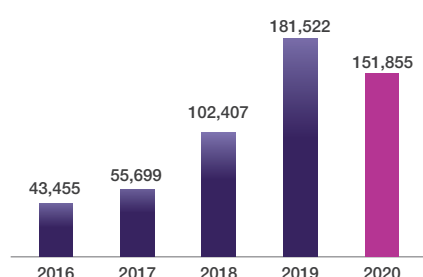
On 26th October, 2015, the Company obtained a specialized bank's license from the National Bank of Cambodia. Since then the Company has transformed into a specialized bank and started issuing Credit Card, AEON Wallet, AEON Card Mobile(m-Visa) as our business expansion.

2019 AEON Thana Sinsap (Thailand) Pcl., a listed company in Thailand, owns 50% shares of the company while another 50% is owned by AEON AFS Corporation Co., Ltd a private company 100% owned by AEON Financial Service Co., Ltd. which is listed in Japan Stock Exchange.

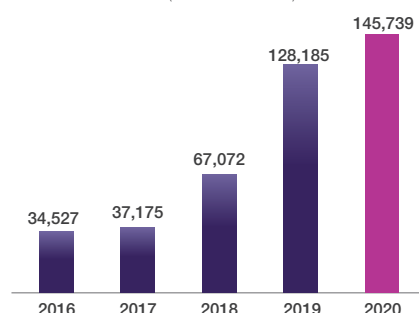
KEY FINANCIAL DATA

Per Annual report

Total Sales (Unit: '000 USD)

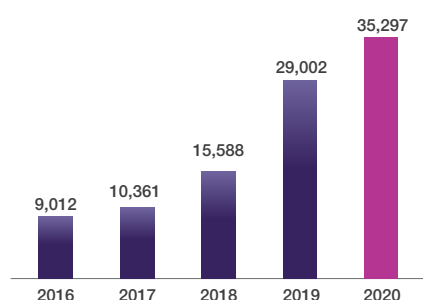


Total Receivable (Unit: '000 USD)

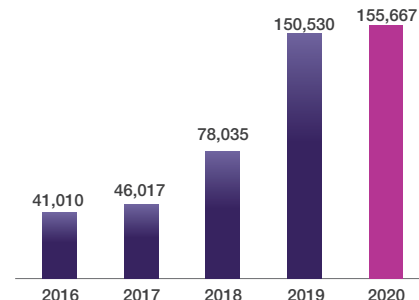


The financial statements for the year ended 31 December 2020 have been prepared in accordance with Cambodia International Financial Reporting Standards ("CIFRSs"). The first set of CIFRSs financial statements were prepared for the financial year ended 31 December 2019.

Total Revenue (Unit: '000 USD)

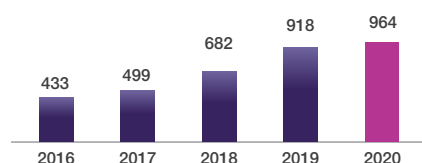


Total Assets (Unit: '000 USD)

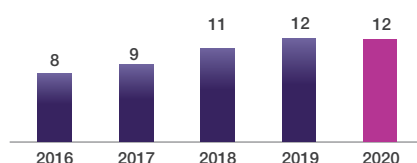


Note: For all years up to the year ended 31 December 2018, the financial statements were prepared in accordance with Cambodian Accounting Standards ("CAS") and relevant accounting regulations and guidelines issued by the National Bank of Cambodia ("NBC").

Manpower



Branch



MESSAGE FROM MANAGEMENT

We would like to introduce AEON Specialized Bank (Cambodia) Plc. products and services in Cambodian market as a slogan

“SIMPLE, FAST and CONVENIENT”



Mr. Taketo Ando
Vice-Chairman of the
Board and Managing
Director

Dear readership,

We, AEON Specialized Bank (Cambodia) Plc. have been established in Cambodia in October 2011 as Microfinance which offer first product is unsecured installment service. We have obtained a specialized bank license from the National Bank of Cambodia in October 2015.

For 2021 as the year of new opportunities and challenges, we have continued focusing on our products and service to customers such as Installment service, Car Loan product, Agriculture Loan, Personal Loan both of Khmer Riel & USD currency, unsecured Credit Card, AEON Card Mobile (Scan to Pay), Smartphone Application (AEON Wallet) in local currency Khmer Riel, equipped with QR Code payment. The products are “SIMPLE, FAST and CONVENIENT”.

We have noticed that consumer behavior has changed significantly since 2020. There is a strong need for online shopping that avoids contact with people. We strived to provide services that take customer's needs and covid-19 situation into consideration.

Finally, we continue to reinforce our commitment to connect with our customers. And, we are trusted that the AEON Specialized Bank (Cambodia) Plc. is well positioned to bring further value to customers. We would like to thank all our customers, and colleagues for their necessary support and contribution to our development in the year 2020.

A handwritten signature in blue ink, consisting of stylized characters.

Mr. Taketo Ando

Vice-Chairman of the Board
and Managing Director

BOARD OF DIRECTORS



| Mr. Tsutomu Omodera

Position : Chairman of the Board
Born (year) : 1964



| Mr. Taketo Ando

Position : Vice Chairman of the Board and Managing Director.
Born (year) : 1967



| Mr. Keiichi Nambu

Position : Executive Director
Born (year) : 1972



| Mr. Jun Kuroda

Position : Non- Executive Director
Born (year) : 1953

2021 – Present :

Chairman of the Board of AEON Specialized Bank (Cambodia) Plc.

2020 – Present :

Vice Chairman of the Board and Managing Director of AEON Thana Sinsap (Thailand) Public Company Limited

2020 – Present :

Non-Executive Director (Chairman) of ACS Servicing (Thailand) Co., Ltd

2018 - 2020 :

Managing Director of ACS Credit Management Co., Ltd. (Japan)

2019:

Non-Executive Director of AEON Credit Service Co., Ltd.

2015 – 2019 :

Director and Executive Officer of AEON Credit Service Co., Ltd.

2017 – Present :

Vice-chairman of the Board and Managing Director, AEON Specialized Bank (Cambodia) Plc.

2015 – 2017 :

Managing Director, ACS Servicing (Thailand) Co., Ltd.

2014 – 2015 :

Executive Director, AEON Thana Sinsap (Thailand) Pcl.

2013 – 2014 :

Project Team Leader of Makuhari-Shintoshin Branch Project, AEON Credit Service Co., Ltd.

2012 – 2013 :

Regional Head of South Kanto Region, AEON Credit Service Co., Ltd.

2016 – Present :

Executive Director, AEON Specialized Bank (Cambodia) Plc.

2012 – 2016 :

Resident Officer AEON Credit Service India Private Limited

2011 – 2012 :

Resident Officer, AEON Credit Service Co., Ltd Representative Office India

2008 – 2011 :

Officer of Overseas Division AEON Credit Service Co., Ltd

2019 – Present :

AEON Specialized Bank (Cambodia) Plc. (Non-Executive Director)

2019 – Present :

AFS Corporation Co., Ltd. Director

2018 – 2019 :

AEON Financial Service Co.,Ltd., Adviser (Assistant to President and CEO)

2016 – 2018 :

AEON Financial Service Co.,Ltd., Head of Management Audit Department

2013 – 2016 :

AEON Financial Service Co., Ltd., Head of Overseas Audit Department

2011 – 2013 :

AEON Housing Loan Service Co., Ltd., Auditor

2011 – 2012 :

AEON Community Bank Co. Ltd., Auditor

2010 – 2013 :

AEON Bank Co. Ltd. Head of Audit Department,

2007 – 2009 :

AEON Bank Co., Ltd., Director



| Mr. Om Sengbora

Position : Independent Director
Born (year) : 1977
Education : Honorary Doctoral Degree of Business Administration



| Mrs. Khieu Mealy

Position : Independent Director
Born (year) : 1964
Education : Double Master Degree from University Libre de Bruxelles (ULB) and Royal University of Law and Economics in collaboration with University of Montreal, and University of Geneva (LLM) and LLB from Royal University of Law and Economics; Bachelor of Law at National Institute of Management and Royal University of Law and Economic.

2019 – PRESENT :

Chairman of CEO Master Club Investment Plc.

2015 – PRESENT :

Chairman of CEO Institute including CEO Master Club, Real Estate School of Cambodia, and Faculty of International Business Management

2013 – PRESENT :

Independent Board of Director of Phnom Penh Water Supply Authority

2012 – PRESENT :

Advisory Member of Cambodia Chamber of Commerce

2011 – PRESENT :

Independent Board of Director of AEON Specialized Bank (Cambodia) Plc.

2020 – Present :

Member of Asia Global Advisory Council of INTA

2019 – present

Vice President is in addition as founding member of NCAC.

2017 – Present :

Member of APAA and Council Member of APAA-Cambodian Group

2016 – Present :

Member of ASEAN IPA- Country Head of Cambodian Group

2014 – Present :

Independent Director, AEON Specialized Bank (Cambodia) Plc.

2013 – Present :

Founding Member of the National Commercial Arbitration Center

2010 – present :

Partner of SokSiphana&associates, a member of ZICOLAW

2009 – Present :

Authorized Trade Mark Agent

2009 – Present :

Founding Member of Intellectual Property Association of Cambodia (IPAC)

2004 – Present :

Member of Bar Association of the Kingdom of Cambodia

ADVISORY



| H.E. Dr. Sok Siphana

Position : Advisory
Born (year) : 1960
Education : Juris Doctor (J.D.), Widener University School of Law, Delaware, (USA), Doctor of Philosophy (Ph.D.), Bond University School of Law, Queensland (Australia); Currently pursuing another Ph.D. degree at the University of Paris 2, Pantheon Assas on Comparative Laws.

2018 – PRESENT :

Senior Advisor to the Royal Government of Cambodia attached to the Ministry of Foreign Affairs and International Cooperation.

2014 – PRESENT :

Advisory, AEON Specialized Bank (Cambodia) Plc.

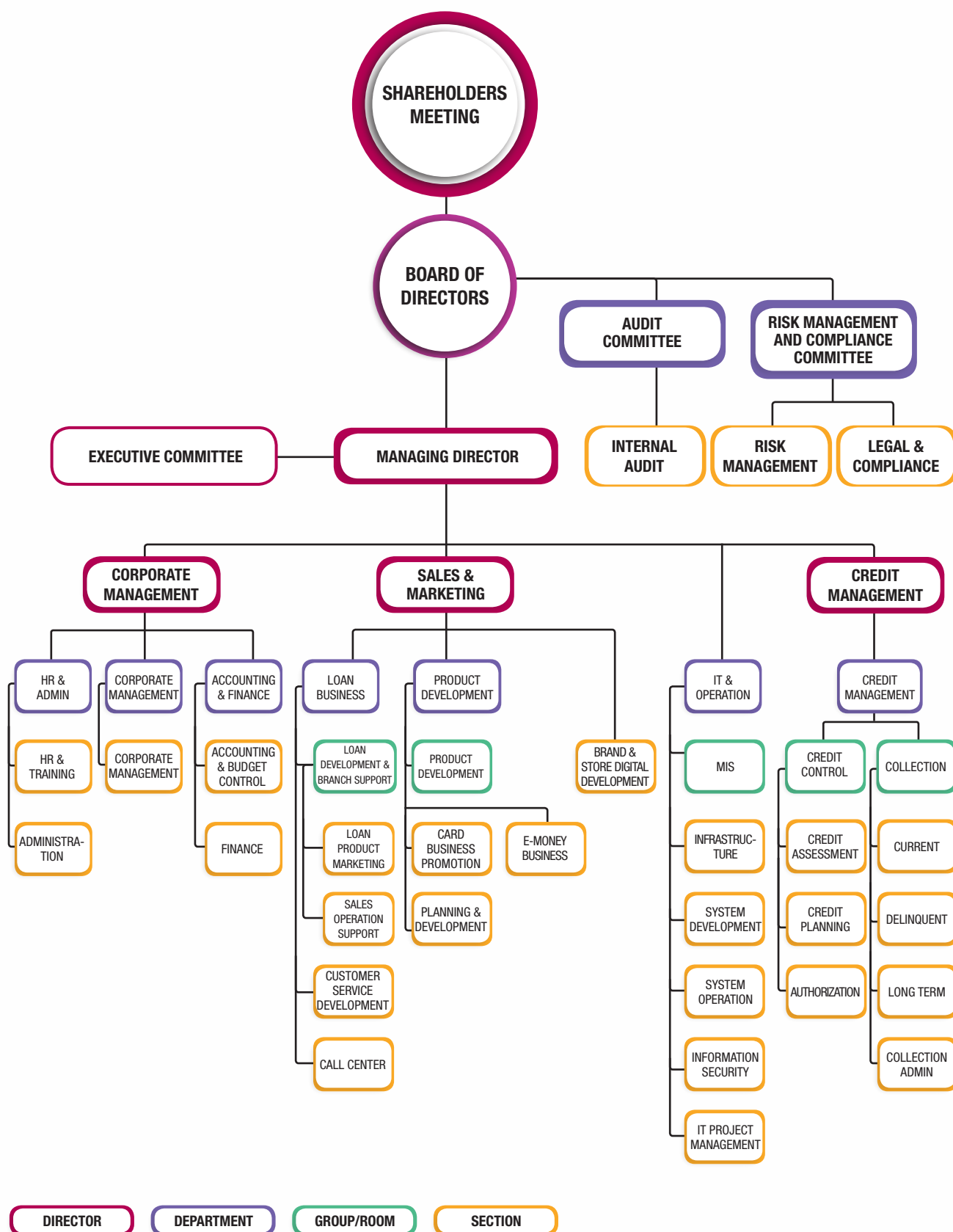
2009 – PRESENT :

Managing Partner, SokSiphana&associates, a member of ZICOLAW.

2009 – PRESENT :

Occasional Lecturer of Laws and Policies at the Royal University of Law and Economics (RULE)

ORGANIZATION CHART



CORPORATE HISTORY

2013



- Apr** Positive turnaround in monthly basis
- May** Launch Agriculture Machinery any installment service
- Jun** Siem Reap branch opening
- Sep** Launching Member Card
- Dec** Chamkamon branch opening

2015



- Mar** Launch Insurance installment with FORTE
- Oct** Obtain the Specialized Bank License
- Nov** Launch Tablet application

2017



- Jan** Pochentong branch opening
- Jul** Battambang branch relocation/renovation
- Aug** Head office renovation
- Oct** Siem Reap branch relocation/renovation
- Dec** AEON card receive VISA award

2019



- Apr** Head Office relocation
- Jun** Banteay Meanchey branch relocation
- Jul** Relocation and conversion of Sovanna Branch to Stueng Mean Chey Branch
- Aug** Takeo branch relocation/renovation
- Nov** Chba Ampov branch opening

2014



- Mar** Launch personal loan service
- May** Battambang branch opening
- May** Phnom Penh Head Office relocation
- Jun** AEON Mall branch opening
- Jun** Start the point card service provider business for AEON Phnom Penh
- Sep** Start Agriculture installment seasonal payment
- Oct** Kampong Cham branch opening

2016



- Feb** Transformed to Specialized Bank
- Apr** AEON Mall branch renovation
- Apr** Start issuing Gold Credit Card
- Jul** Start issuing violet Credit Card

2018



- Apr** Launched electronic money (AEON Wallet)
- Apr** Started Car Loan
- Jun** Mall Sen Sok City branch open
- Aug** Takeo branch Opening
- Aug** Bonteymeachey branch Opening
- Dec** Launch AEON Card Mobile (Scan to Pay)

2020



- May** Pochentong branch renovation
- Aug** Battambang branch renovation
- Sep** AEON Mall Phnom Penh branch renovation
- Dec** VISA Award 2020

ACCOMPLISHMENT 2020

Accomplishments

1. Dealer development/Merchant development

- 1.1. We have developed additional new 452 corporate dealer shop as our partners in 2020, making the accumulated partner to 3,502. The growth was the efforts from penetration activities within the operation area and engaging more with qualified dealer.
- 1.2. Developed and Renewal of Alliance Partner, as a result, we have developed 438 brands which is 533 outlet in FY2020. Accumulated 807 brands, 1,136 outlets.
- 1.3. AEON Card Mobile's merchant development: 638 brands, 736 outlets in FY2020. Accumulated 1,025 brands, 1,238 outlets.
- 1.4. AEON Wallet merchant: 255 merchants developed in FY2020. Accumulated 831 as of FY2020 inside both AEON Mall Phnom Penh and AEON Mall Sen Sok City and outside.

2. Customer Service Capability Enhancement

- 2.1. In order to serve our customer better, we have enhanced & upgraded our call center capability to a more robust system, which allows our agents to responsively answer customer call.
- 2.2. Besides the system, we have leverage more access channels for our customers to express their feedback or suggest through many channels, i.e. Facebook, website, In-branch walk-in, suggestion box. More information on these channel access are fully available & displayed on our website itself.

3. Personal Loan and installment as main focus products, but slow down from 2019

- 3.1. Though facing challenges by the pandemic in early 2020 and other economic situation, including seasonal flood in fourth quarter, we still continue to our loan to our target customers. This to ensure we still join force with government to leverage our people living and follow our business principles.
- 3.2. Personal loan, by doing referral promotion, online and offline advertisement, sales achieved almost USD 35 million, 12% drop from last year. In Year 2020, about 50% of personal loan were disbursed in Khmer Riel to promote our local currency. This ratio was increasing about +13ppt from year 2019 and KHR loan receivable was contributing 12.79% of our total loan receivable in year 2020.
- 3.3. Purpose loan achieved almost USD 23 million, 26% drop from last year. The drop has been minimized by keeping in touch and working closely with key partner such as Samsung, iPhone distributor and other key home appliance partners.
- 3.4. Motor loan also suffer the decline, achieved only about USD 21 million, 11% drop from last year. The most sever hit was sales of rickshaw, which driven by the negative impact of transportation sector during pandemics.
- 3.5. Car Loan sales achieved about USD 19 million , 34% drop from last year. The server hit was impacted most in first-3 quarters of Y2020, where we managed loan disbursement at the precautious manner to minimize bad debt and provision. However, the loan disbursement was relax in Q4 when the pandemic situation was improving.



ពង្រីកអាជីវកម្ម
របស់លោកអ្នកជាមួយ
សេវាកម្មកម្ចីសាច់ប្រាក់
របស់ អ៊ីអិន

BUSINESS HIGHLIGHT 2020

CAR LOAN

Though facing economic challenges during the pandemic since early 2020, car loan was still maintaining its demanding in the market for both new car and used car. Our target customer was continuing to seek for our services to get their preferred vehicle, thanks for our simple criteria, less document requirement, and our speedy service in assessment process. We continued to offer our service to customer almost from everywhere of the country. Our professional

credit officers and assessment team were always fully ready to see our customer both in towns and from provinces. In year 2020, some preferred brands are such as Mitsubishi, MG, Mazda for branch new cars. For used cars, most popular models are such as Prius, Highlander, Lexus and so on. We are looking to expand our partnership with many more car dealers to offer more choices to our target customer in many more years ahead.

ផ្តល់ភាពកក់ក្តៅ និងសុវត្ថិភាព
ដល់គ្រួសាររបស់អ្នក
ជាមួយ រថយន្ត ក្នុងក្តីស្រមៃ



គ្រប់គ្រង អ៊ីអនកាត

នៅចុងម្រាមដៃរបស់លោកអ្នក



BUSINESS PERSPECTIVE 2021

CREDIT CARD

By supporting from AEON CARD cardholders, Alliance/ Merchant and putting great effort from all member from AEON Specialized Bank (Cambodia) Plc. we're issued 63,109 card as of December 2020. As well as show a significant growth and standing number 2 in payment volume. (Per VISA reported Q42020).

AEON Specialized Bank (Cambodia) Plc. still standing number 1 and cover 46% share of total VISA credit card issuing in Cambodia.(per visa Q42020 report)

AEON Specialized Bank (Cambodia) Plc. have improved our "Happy Plus Point" redemption with many choice for customer such as cash voucher, premium gift, credit the value to customer card. We have conducted many activities to keep customer active and enjoy the benefit up to 50% discount from 1,136 Privilege merchant's outlets. Merchant network expansion to support small business and cashless payment, we have developed 1,025 brands, 1,238 outlets as of December 2020 (The top privilege merchant is F&B: 46%, fashion 21%, wellness 8%, 124% is other categories). Majority of the merchant are small business; small ticket spend which we can increase the mobile payment and reduce cashless payment in the market.

In year 2021 AEON Specialized Bank (Cambodia) Plc. Continue to improve our product/feature to provide a very good service to cardholder not only AEON Card but also AEON Card Mobile to make our AEON Cardholder feel SIMPLE to register, CONVENIENT managing AEON Card account which allow to view credit balance, transaction history, monthly billing statements, happy plus point and so on. Also FAST payment via Scan to Pay by just scanning QR Code from cardholder's smartphone. Plus above, contactless features also allowed cardholder to make payment faster by just tap and pay.

KHMER RIEL LOAN

With the tireless and strong effort by our government, tremendous supports by various local/international institutions, better awareness of our citizen to combat against covid19, we strongly hope the pandemic will be soon controllable and our economic situation will be soon back to normal. AEON Specialized Bank (Cambodia) Plc. will full support our government and regulator in helping our customer throughout these difficult times. Besides amicable approach of loan repayment collection, AEON Specialized Bank (Cambodia) Plc. will continue to offer loans to our target customers so that they can optimize the facilities to improve their business and livings. Personal Loan still our key hero in our product portfolio. Besides offering Khmer Riel for personal loan product, we will extend this approach to other installment products. We will work on various approaches to encourage our target customers and corporate partners to collaborate and leverage local currency usage.



INTERNAL CONTROL

COMPANY'S COMPLIANCE

Effective internal controls are the foundation of safe and sound banking. A proper designed and consistently enforced system of operational and financial internal control helps AEON Specialized Bank (Cambodia) Plc. Board of Directors and Management safeguard the Bank's resources, produce reliable financial reports, and comply with laws and regulations. Effective internal control also reduces the possibility of significant errors and irregularities and assists in their timely detection when they do occur. Meanwhile, Compliance Function takes part and plays a very important role in AEON Specialized Bank (Cambodia) Plc. permanent control activities. Acting as the second line defense, the Compliance Function, which is separate from other internal control functions, is independent and does not involve in any business operation to prevent from potential conflicts of interests. The main functions of Compliance is to ensure the Bank complies with prevailing laws and regulations, professional and ethical standards, specific regulations issued by market authorities, relating to banking and financial activities and with policies and instructions issued by the decision-making body. Within 2020, Compliance has updated the Policies, Regulations and Procedure relevant with Compliance Framework and Anti-Money Laundering and Combating the Financing of Terrorism to align with the development of the Bank's Products, Services, the market trend and especially the Laws and Regulations. Moreover, the new training materials were developed, and refreshment training has been conducted to existing staffs to ensure that their knowledge and understanding reflecting to minimize the risk of non-compliance and legal issue and money laundering and financing of terrorism. In year 2021, we have planned to established the full compliance program including update all related compliance Policies, Regulations and Procedures, establish the Compliance Checklist with monitoring plan, training program and report mechanism to strengthen our Compliance Function to help our Bank's internal control more effectively.



RISK MANAGEMENT

The company considers risk management as an important element of the business and embeds strong risk culture in its day-to-day business operations. Understanding the importance of risk management to sustainable growth, the Risk Management team is involved in all stages of the risk management process to provide an independent view and input including overseeing, planning and conducting its own risk management. The company has been conduct monthly regional risk management meeting amongst Japan, Thailand, Myanmar and Laos which are Aeon group companies.





CORPORATE SOCIAL RESPONSIBILITY

Reflection Point for FY2020

2020 was the first time of initiative support AEON 1% scholarship. The main of activities well digging and tree planting, which are the main activities of the AEON Group activities have been suspended due to the covid-19, one of our main activities Clean City also suspended.

- Jan** CEO Master Club Institute of Cambodia Sponsorship
- Mar** “39th Anniversary of Khmer Riel Currency event” Sponsorship
- Apr** ABC donation for “Covid outbreak”
- Apr** AEON Group Donation “Khmer-soviet friendship hospital”
- Jul** CJCC sponsorship “Japan-Cambodia Kizuna Festival “
- Oct** ABC donation for “Flood Damage “
- Nov** Cambodian Red Cross donation for “Flood Damage”
- Dec** AEON 1% club scholarship “ Universities NUM and CJCC”



INDEPENDENT AUDITOR'S REPORT

To the Shareholders of AEON Specialized Bank (Cambodia) Plc.

Opinion

We have audited the financial statements of AEON Specialized Bank (Cambodia) Plc. (the "Bank"), which comprise the statement of financial position as at 31 December 2020, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 9 to 74.

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

Basis for Opinion

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

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

Management is responsible for the other information. The other information comprises the Corporate

Information and the Report of the Board of Directors as set out on pages 1 and 2 to 5, respectively, but does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of Management and the Board of Directors 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 Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 judgement 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 Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

For Deloitte (Cambodia) Co., Ltd.



Kimleng Khoy

Partner

Phnom Penh, Kingdom of Cambodia

Date: 30 March 2021

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

		31 December 2020		31 December 2019	
	Note	US\$	KHR'000	US\$	KHR'000
ASSETS					
Cash on hand	3	964,643	3,901,981	999,105	4,071,353
Balances with the NBC	4	7,299,304	29,525,685	10,703,250	43,615,744
Balances with other banks	5	2,125,552	8,597,858	3,137,636	12,785,867
Loans to customers	6	133,213,192	538,847,362	124,801,783	508,567,266
Other assets	7	3,056,742	12,364,521	2,261,119	9,214,059
Property and equipment	8	1,741,727	7,045,286	2,408,090	9,812,967
Intangible assets	9	2,235,248	9,041,578	2,430,008	9,902,283
Right-of-use assets	10	2,399,188	9,704,715	2,667,032	10,868,155
Deferred tax assets	11(a)	2,631,622	10,644,911	1,122,113	4,572,610
TOTAL ASSETS		155,667,218	629,673,897	150,530,136	613,410,304
LIABILITIES					
Current income tax liabilities	11(b)	1,451,045	5,869,477	1,701,207	6,932,419
Amounts due to related parties		138,492	560,200	222,515	906,749
Other liabilities	12	3,885,781	15,717,984	3,914,179	15,950,279
Provision for off-balance-sheet items	13	258,187	1,044,366	-	-
Borrowings	14	113,453,212	458,918,243	112,664,019	459,105,877
Subordinated debts	15	8,125,082	32,865,957	4,000,812	16,303,309
Lease liabilities	16	2,346,802	9,492,814	2,555,117	10,412,102
Employee benefit obligations	18	155,792	630,179	174,074	709,352
TOTAL LIABILITIES		129,814,393	525,099,220	125,231,923	510,320,087
EQUITY					
Share capital	19	20,000,000	80,900,000	20,000,000	81,500,000
Retained earnings		5,852,825	23,758,182	5,298,213	21,497,030
Currency translation differences		-	(83,505)	-	93,187
TOTAL EQUITY		25,852,825	104,574,677	25,298,213	103,090,217
TOTAL LIABILITIES AND EQUITY		155,667,218	629,673,897	150,530,136	613,410,304

The accompanying notes from pages 14 to 74 form an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Year ended 31 December 2020		Year ended 31 December 2019	
		US\$	KHR'000	US\$	KHR'000
Interest income	20	32,781,506	133,650,200	26,481,726	107,303,954
Interest expense	20	(3,979,737)	(16,225,388)	(2,738,570)	(11,096,686)
Net interest income		28,801,769	117,424,812	23,743,156	96,207,268
Fee and commission income	21	2,306,435	9,403,335	2,300,654	9,322,250
Other income	22	216,042	880,803	159,870	647,793
Operating profit		31,324,246	127,708,950	26,203,680	106,177,311
Personnel expenses	23	(7,921,620)	(32,296,445)	(6,612,488)	(26,793,801)
Depreciation and amortisation	24	(2,347,973)	(9,572,686)	(2,209,460)	(8,952,732)
Other operating expenses	25	(6,069,623)	(24,745,853)	(6,020,967)	(24,396,959)
Impairment losses on financial assets		(14,165,068)	(57,750,982)	(4,622,322)	(18,729,649)
Profit before tax		819,962	3,342,984	6,738,443	27,304,170
Income tax expense	11(c)	(265,350)	(1,081,832)	(1,505,680)	(6,101,015)
Profit for the year		554,612	2,261,152	5,232,763	21,203,155
Other comprehensive income					
Currency translation differences		-	(176,692)	-	124,084
Total comprehensive income for the year		554,612	2,084,460	5,232,763	21,327,239

The accompanying notes from pages 14 to 74 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital		Retained earnings		Currency translation differences	Total	
	US\$	KHR'000	US\$	KHR'000	KHR'000	US\$	KHR'000
Balance as at 1 January 2019	20,000,000	80,360,000	65,450	293,875	(30,897)	20,065,450	80,622,978
Profit for the year	-	-	5,232,763	21,203,155	-	5,232,763	21,203,155
Other comprehensive income - currency translation differences	-	-	-	-	124,084	-	124,084
Total comprehensive income	-	-	5,232,763	21,203,155	124,084	5,232,763	21,327,239
Currency translation differences	-	1,140,000	-	-	-	-	1,140,000
Balance as at 31 December 2019	<u>20,000,000</u>	<u>81,500,000</u>	<u>5,298,213</u>	<u>21,497,030</u>	<u>93,187</u>	<u>25,298,213</u>	<u>103,090,217</u>
Balance as at 1 January 2020	20,000,000	81,500,000	5,298,213	21,497,030	93,187	25,298,213	103,090,217
Profit for the year	-	-	554,612	2,261,152	-	554,612	2,261,152
Other comprehensive income - currency translation differences	-	-	-	-	(176,692)	-	(176,692)
Total comprehensive income	-	-	554,612	2,261,152	(176,692)	554,612	2,084,460
Currency translation differences	-	(600,000)	-	-	-	-	(600,000)
Balance as at 31 December 2020	<u>20,000,000</u>	<u>80,900,000</u>	<u>5,852,825</u>	<u>23,758,182</u>	<u>(83,505)</u>	<u>25,852,825</u>	<u>104,574,677</u>

The accompanying notes from pages 14 to 74 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

		Year ended 31 December 2020		Year ended 31 December 2019	
	Note	US\$	KHR'000	US\$	KHR'000
Cash flows from operating activities					
Profit before tax		819,962	3,342,984	6,738,443	27,304,170
<i>Adjustments for:</i>					
Employee benefit obligations		(18,282)	(74,536)	(3,704)	(15,009)
Depreciation and amortisation	24	2,347,973	9,572,686	2,209,460	8,952,732
Derecognised one lease		(13,954)	(56,890)	-	-
Impairment losses on financial assets		14,165,068	57,750,982	4,622,322	18,729,649
Losses on disposals and write-off of property and equipment		6,741	27,483	18,402	74,565
Interest income	20	(32,781,506)	(133,650,200)	(26,481,726)	(107,303,954)
Interest expense	20	3,979,737	16,225,388	2,738,570	11,096,686
Effect of currency translation of monetary items		98,287	397,571	-	-
		(11,395,974)	(46,464,532)	(10,158,233)	(41,161,161)
<i>Changes in:</i>					
Balances with the NBC		(1,035,894)	(4,223,340)	(2,887,000)	(11,698,124)
Loans to customers		(21,881,204)	(89,209,669)	(62,672,734)	(253,949,918)
Other assets		(795,623)	(3,243,755)	380,993	1,543,784
Other liabilities		(28,398)	(115,779)	1,751,341	7,096,434
Amounts due to related parties		(84,023)	(342,562)	46,751	189,435
Cash used in operations		(35,221,116)	(143,599,637)	(73,538,882)	(297,979,550)
Interest received		32,343,923	131,866,174	25,272,908	102,405,823
Interest paid		(3,971,045)	(16,189,950)	(2,690,787)	(10,903,069)
Income tax paid	11(b)	(2,025,021)	(8,256,011)	(634,477)	(2,570,901)
Net cash used in operating activities		(8,873,259)	(36,179,424)	(51,591,238)	(209,047,697)
Cash flows from investing activities					
Purchases of property and equipment		(335,166)	(1,366,472)	(1,519,020)	(6,155,069)
Purchases of intangible assets		(246,971)	(1,006,901)	(410,793)	(1,664,533)
Proceeds from disposals of property and equipment		337	1,374	2,073	8,400
Net cash used in investing activities		(581,800)	(2,371,999)	(1,927,740)	(7,811,202)

STATEMENT OF CASH FLOWS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Year ended 31 December 2020		Year ended 31 December 2019	
		US\$	KHR'000	US\$	KHR'000
Cash flows from financing activities					
Proceeds from borrowings		71,615,020	291,974,437	78,504,295	318,099,403
Repayments of borrowings		(70,932,806)	(289,193,050)	(20,000,000)	(81,040,000)
Proceeds from subordinated debts		4,124,270	16,814,649	4,000,000	16,208,000
Payments of lease liabilities		(838,308)	(3,417,782)	(930,440)	(3,770,143)
Net cash from financing activities		3,968,176	16,178,254	61,573,855	249,497,260
Net (decrease)/increase in cash and cash equivalents		(5,486,883)	(22,373,169)	8,054,877	32,638,361
Cash and cash equivalents at the beginning of the year	26	10,969,929	44,702,461	2,915,052	11,712,679
Currency translation differences		-	(150,371)	-	351,421
Cash and cash equivalents at the end of the year	26	5,483,046	22,178,921	10,969,929	44,702,461

The accompanying notes from pages 14 to 74 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1. GENERAL INFORMATION

AEON Specialized Bank (Cambodia) Plc. (the “Bank”) is a licensed specialized bank incorporated and registered in the Kingdom of Cambodia.

The Bank was incorporated as a public limited liability company in Cambodia on 5 October 2011 under Registration No. 00006388 issued by the Ministry of Commerce. The Bank obtained its license as a micro-finance institution from the NBC dated 21 November 2011. The Bank was initially wholly-owned by AEON Thana Sinsap (Thailand) Public Company Limited, a company registered in Thailand.

On 26 October 2015, the Bank obtained a specialized banking license from the NBC to operate as a specialized bank with the permanent validity. On 1 February 2016, the Bank obtained the approval from the Ministry of Commerce (“MoC”) on the changes in the Bank’s name from AEON Microfinance (Cambodia) Co., Ltd. to AEON Specialized Bank (Cambodia) Plc. and shareholding structure is 80% owned by AEON Thana Sinsap (Thailand) Public Company Limited and 20% owned by AEON Financial Service Co., Ltd. (“AFS”), a company incorporated in Japan.

On 4 September 2018, the Bank obtained the approval from the MoC to change the shareholding structure to 50% equally owned by AEON Thana Sinsap (Thailand) Public Company Limited and AFS.

On 1 April 2019, AFS fully transferred its shares of the Bank to AFS Corporation Co., Ltd., a bank holding company incorporated in Japan. AFS Corporation Co., Ltd. is a wholly-owned subsidiary of AFS. The ultimate holding company of the Bank is AEON Co., Ltd., a company incorporated in Japan.

On 7 December 2020, the Bank received approval from the NBC on changing the shareholder and on the Amendment of Articles of Incorporation.

On 10 March 2021, the Bank received approval from the Ministry of Commerce on the Amendment of the Articles of Incorporation.

The principal activities of the Bank are as follows:

- Credit card service;
- Lending services in the form of hire-purchase (instalment) and loan; and
- Other business-related services subject to the approval by the NBC.

The Bank’s registered office is located at 6th Floor (S603), Diamond Twin Tower, Street Sopheak Monkul, corner of Koh Pich, Sangkat Tonle Basak, Khan Chamkarmon, Phnom Penh, Cambodia.

The financial statements were authorised for issue by the Board of Directors on 26 March 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The financial statements have been prepared in accordance with Cambodian International Financial Reporting Standards (“CIFRSs”).

The financial statements have been prepared on the historical cost basis as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

3. CASH ON HAND

	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
US Dollars	459,089	1,857,015	632,436	2,577,177
Khmer Riel	505,554	2,044,966	366,669	1,494,176
	964,643	3,901,981	999,105	4,071,353

4. BALANCES WITH THE NBC

	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
Current accounts	2,733	11,055	4,958,573	20,206,185
Term deposits with original maturity of 3 months or less *	2,372,000	9,594,740	1,856,000	7,563,200
	2,374,733	9,605,795	6,814,573	27,769,385
Statutory capital deposit **	1,000,000	4,045,000	1,000,000	4,075,000
Term deposits with original maturity more than 3 months *	3,924,571	15,874,890	2,888,677	11,771,359
	7,299,304	29,525,685	10,703,250	43,615,744

* This represents the negotiable certificates of deposit (NCDs) with the NBC with the term of three months to twelve months. These NCDs are pledged as collateral against the borrowing from the NBC through liquidity-providing collateralised operation (LPCO) mechanism.

** Under Prakas No. B7-00-05 on the Licensing of Specialized Banks dated 11 January 2000, the Bank is required to maintain a capital guarantee deposit equivalent to 5% of registered capital with the National Bank of Cambodia. This deposit is not available for use in the Bank's day-to-day operations but is refundable when the Bank ceases the operation.

5. BALANCES WITH OTHER BANKS

	31 December 2020		31 December 2019	
	US\$	KHR'00	US\$	KHR'000
Local banks:				
Current accounts	1,757,532	7,109,217	1,976,177	8,052,921
Overseas banks:				
Current accounts	386,138	1,561,928	1,180,074	4,808,802
	2,143,670	8,671,145	3,156,251	12,861,723
Impairment loss allowance	(18,118)	(73,287)	(18,615)	(75,856)
	2,125,552	8,597,858	3,137,636	12,785,867

6. LOANS TO CUSTOMERS

	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
Loans to customers at amortised cost	149,881,076	606,268,952	130,849,667	533,212,393
Modification loss *	(608,633)	(2,461,920)	-	-
Gross carry amount	149,272,443	603,807,032	130,849,667	533,212,393
Impairment loss allowance	(16,059,251)	(64,959,670)	(6,047,884)	(24,645,127)
Carrying amount	133,213,192	538,847,362	124,801,783	508,567,266

* During the year ended 31 December 2020, a number of loans to customers with liquidity constraints arising mainly as a direct result of the COVID-19 pandemic were restructured. Modification loss is recognised with respect of these restructured loans by recalculating the present value of the modified contractual cash flows discounted at the original EIR.

	31 December 2020			31 December 2019		
	Gross carrying amount	ECL allowance & modification	Carrying amount	Gross carrying amount	ECL allowance	Carrying amount
	US\$	US\$	US\$	US\$	US\$	US\$
Long-term loans	31,926,292	(3,434,916)	28,491,376	38,967,111	(2,565,113)	36,401,998
Short-term loans	117,346,151	(12,624,335)	104,721,816	91,882,556	(3,482,771)	88,399,785
	149,272,443	(16,059,251)	133,213,192	130,849,667	(6,047,884)	124,801,783

7. OTHER ASSETS

	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
Accounts receivable	1,306,517	5,284,861	590,785	2,407,449
Advances and deposits	974,202	3,940,647	912,493	3,718,409
Prepayments	319,204	1,291,180	289,628	1,180,234
Others	456,819	1,847,833	468,213	1,907,967
	3,056,742	12,364,521	2,261,119	9,214,059

8. PROPERTY AND EQUIPMENT

	Leasehold improve- ments	Furniture and fixtures	Equipment	IT equip- ment and computer	Work in progress	Total	
	US\$	US\$	US\$	US\$	US\$	US\$	KHR'000
Year ended 31 December 2020							
Cost							
At 1 January 2020	1,974,705	358,822	929,322	2,186,565	45,225	5,494,639	22,390,655
Additions	86,490	23,596	97,113	204,796	-	411,995	1,679,704
Transfers	-	-	5,600	-	(45,225)	(39,625)	(161,551)
Disposals	(8,183)	(13,644)	(150)	-	-	(21,977)	(89,600)
Write-off	(1,050)	(3,095)	(10,931)	(9,367)	-	(24,443)	(99,654)
Currency translation differences	-	-	-	-	-	-	(175,271)
At 31 December 2020	2,051,962	365,679	1,020,954	2,381,994	-	5,820,589	23,544,283
Less: Accumulated depreciation							
At 1 January 2020	(1,002,802)	(187,109)	(453,654)	(1,442,984)	-	(3,086,549)	(12,577,688)
Depreciation	(393,864)	(50,651)	(242,389)	(308,216)	-	(995,120)	(4,057,104)
Adjustment	(37,204)	-	-	-	-	(37,204)	(151,681)
Disposals	5,491	11,931	150	-	-	17,572	71,641
Write-off	705	2,066	10,472	9,196	-	22,439	91,484
Currency translation differences	-	-	-	-	-	-	124,351
At 31 December 2020	(1,427,674)	(223,763)	(685,421)	(1,742,004)	-	(4,078,862)	(16,498,997)
Carrying amount							
At 31 December 2020	624,288	141,916	335,533	639,990	-	1,741,727	7,045,286

8. PROPERTY AND EQUIPMENT (continued)

	Leasehold improve- ments	Furniture and fixtures	Equipment	IT equip- ment and computer	Work in progress	Total	
	US\$	US\$	US\$	US\$	US\$	US\$	KHR'000
Year ended 31 December 2019							
Cost							
At 1 January 2019	1,769,566	275,889	506,671	2,029,523	29,584	4,611,233	18,527,935
Additions	254,147	109,757	426,536	147,774	580,806	1,519,020	6,155,069
Transfers	484,188	11,764	43,623	25,590	(565,165)	-	-
Disposals	(69,800)	-	-	-	-	(69,800)	(282,830)
Write-Off	(463,396)	(38,588)	(47,508)	(16,322)	-	(565,814)	(2,292,678)
Currency translation differences	-	-	-	-	-	-	283,159
At 31 December 2019	1,974,705	358,822	929,322	2,186,565	45,225	5,494,639	22,390,655
Less: Accumulated depreciation							
At 1 January 2019	(1,090,841)	(171,790)	(284,305)	(1,195,427)	-	(2,742,363)	(11,018,815)
Depreciation	(438,773)	(49,682)	(212,107)	(263,854)	-	(964,416)	(3,907,814)
Disposals	69,744	-	-	-	-	69,744	282,603
Write-off	457,068	34,363	42,758	16,297	-	550,486	2,230,569
Currency translation differences	-	-	-	-	-	-	(164,231)
At 31 December 2019	(1,002,802)	(187,109)	(453,654)	(1,442,984)	-	(3,086,549)	(12,577,688)
Carrying amount							
At 31 December 2019	971,903	171,713	475,668	743,581	45,225	2,408,090	9,812,967

9. INTANGIBLE ASSETS

	Computer Software	Work in Progress	Total	
	US\$	US\$	US\$	KHR'000
Year ended 31 December 2020				
Cost				
At 1 January 2020	4,581,179	31,383	4,612,562	18,796,189
Additions	207,346	-	207,346	845,350
Transfer	56,548	(16,923)	39,625	161,551
Written off	(1,800)	-	(1,800)	(7,339)
Currency translation differences	-	-	-	(146,221)
At 31 December 2020	4,843,273	14,460	4,857,733	19,649,530
Less: Accumulated amortisation				
At 1 January 2020	(2,182,554)	-	(2,182,554)	(8,893,906)
Amortisation	(441,062)	-	(441,062)	(1,798,210)
Written off	1,131	-	1,131	4,611
Currency translation differences	-	-	-	79,553
At 31 December 2020	(2,622,485)	-	(2,622,485)	(10,607,952)
Carrying amount				
At 31 December 2020	2,220,788	14,460	2,235,248	9,041,578

	Computer Software	Work in Progress	Total	
	US\$	US\$	US\$	KHR'000
Year ended 31 December 2019				
Cost				
At 1 January 2019	4,373,884	27,953	4,401,837	17,686,581
Additions	356,425	54,368	410,793	1,664,533
Transfer	48,738	(48,738)	-	-
Written off	(197,868)	(2,200)	(200,068)	(810,676)
Currency translation differences	-	-	-	255,751
At 31 December 2019	4,581,179	31,383	4,612,562	18,796,189
Less: Accumulated amortisation				
At 1 January 2019	(1,938,073)	-	(1,938,073)	(7,787,177)
Amortisation	(439,460)	-	(439,460)	(1,780,692)
Written off	194,979	-	194,979	790,055
Currency translation differences	-	-	-	(116,092)
At 31 December 2019	(2,182,554)	-	(2,182,554)	(8,893,906)
Carrying amount				
At 31 December 2019	2,398,625	31,383	2,430,008	9,902,283

10. RIGHT OF USE ASSETS

Office Lease

	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
Cost				
At the beginning of year	3,900,234	15,893,453	1,390,634	5,587,567
Additions	734,639	2,995,123	2,509,600	10,168,899
Derecognised lease	(104,646)	(426,642)	-	-
Currency translation differences	-	(137,166)	-	136,987
At the end of year	4,530,227	18,324,768	3,900,234	15,893,453
Less: Accumulated depreciation				
At the beginning of year	(1,233,202)	(5,025,298)	(427,618)	(1,718,169)
Depreciation	(911,791)	(3,717,372)	(805,584)	(3,264,226)
Derecognised lease	13,954	56,890	-	-
Currency translation differences	-	65,727	-	(42,903)
At the end of year	(2,131,039)	(8,620,053)	(1,233,202)	(5,025,298)
Carrying amount				
At 31 December	2,399,188	9,704,715	2,667,032	10,868,155

The Bank leases assets include office buildings. The average lease term is 5 years (2019:5 years).

Amounts recognised in profit or loss.

	Year ended 31 December 2020		Year ended 31 December 2019	
	US\$	KHR'000	US\$	KHR'000
Depreciation expense on right-of-use assets	911,791	3,717,372	805,584	3,264,226
Interest expense on lease liabilities	155,039	632,094	155,354	629,495
Expense relating to leases of low value assets	61,526	250,842	87,215	353,395
	1,128,356	4,600,308	1,048,153	4,247,116

11. INCOME TAX

(a) Deferred tax assets, net

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset deferred tax assets against deferred tax liabilities and when deferred taxes relate to the same fiscal authority. The offset amounts are as follows:

	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
Deferred tax assets	2,644,873	10,698,511	1,122,113	4,572,610
Deferred tax liabilities	(13,251)	(53,600)	-	-
	2,631,622	10,644,911	1,122,113	4,572,610

11.INCOME TAX (continued)

(a) Deferred tax assets, net (continued)

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

	Impairment loss allowance on financial assets	Deprecia- ble assets	Unearned revenue	Employee benefits obligations	Accruals	Unrealised exchange (gains)/ losses	Leases	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
At 1 January 2020	858,592	58,613	91,242	34,815	69,169	9,682	-	1,122,113
Credited/(charged) to profit or loss	1,436,454	35,606	12,756	(3,657)	32,148	(14,278)	10,480	1,509,509
At 31 December 2020	2,295,046	94,219	103,998	31,158	101,317	(4,596)	10,480	2,631,622
At 31 December 2020 in KHR'000	9,283,461	381,116	420,672	126,034	409,827	(18,591)	42,392	10,644,911

	Impairment loss allowance on financial assets	Depreciable assets	Unearned revenue	Employee benefits obligations	Accruals	Unrealised exchange (gain)/loss US\$	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
At 1 January 2019	447,667	71,404	60,343	35,556	41,386	385	656,741
Credited/(charged) to profit or loss	410,925	(12,791)	30,899	(741)	27,783	9,297	465,372
At 31 December 2019	858,592	58,613	91,242	34,815	69,169	9,682	1,122,113
At 31 December 2019 in KHR'000	3,498,762	238,848	371,811	141,871	281,864	39,454	4,572,610

(b) Current income tax liabilities

	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
At the beginning of year	1,701,207	6,932,419	364,632	1,465,091
Income tax expense	1,774,859	7,236,100	1,971,052	7,986,703
Income tax paid	(2,025,021)	(8,256,011)	(634,477)	(2,570,901)
Currency translation differences	-	(43,031)	-	51,526
At the end of year	1,451,045	5,869,477	1,701,207	6,932,419

11. INCOME TAX (continued)

(c) Income tax expense

	Year ended 31 December 2020		Year ended 31 December 2019	
	US\$	KHR'000	US\$	KHR'000
Current income tax	1,774,859	7,236,100	1,971,052	7,986,703
Deferred tax	(1,509,509)	(6,154,268)	(465,372)	(1,885,688)
Income tax expense	265,350	1,081,832	1,505,680	6,101,015

In accordance with Cambodian law on taxation, the Bank has an obligation to pay corporate income tax of either the profit tax at the rate of 20% of taxable profits or the minimum tax at 1% of gross revenues, whichever is higher.

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

	Year ended 31 December 2020		Year ended 31 December 2019	
	US\$	KHR'000	US\$	KHR'000
Profit before tax	819,961	3,342,980	6,738,443	27,304,170
Income tax using tax rate of 20%	163,992	668,595	1,347,689	5,460,834
Effect of non-deductible expenses	100,068	407,977	79,630	322,662
Effect of deferred tax assets not recognised	1,290	5,260	78,361	317,519
Income tax expense	265,350	1,081,832	1,505,680	6,101,015

The calculation of taxable income is subject to the review and approval of the tax authorities.

12. OTHER LIABILITIES

	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
Payable to dealers and suppliers	2,030,821	8,214,671	2,317,404	9,443,421
Accrued other staff benefits	783,540	3,169,419	835,566	3,404,931
Accrued expenses	416,897	1,686,348	408,460	1,664,475
Other tax liabilities	108,909	440,537	104,844	427,239
Others	545,614	2,207,009	247,905	1,010,213
	3,885,781	15,717,984	3,914,179	15,950,279

13. PROVISION FOR OFF-BALANCE-SHEET ITEMS

	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
Provision for off-balance-sheet items	258,187	1,044,366	-	-

14.BORROWINGS

	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
<i>At amortised cost</i>				
Secured *	6,106,633	24,701,330	4,515,337	18,399,998
Unsecured **	107,346,579	434,216,913	108,148,682	440,705,879
At 31 December	113,453,212	458,918,243	112,664,019	459,105,877

(*) This represents currency purchase from the NBC through its LPCO mechanism against the NCDs.

(**) This represents bank loans obtained from various banks with terms ranging from three month to three years (2019: one to three years).

15.SUBORDINATED DEBTS

	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
AEON Thana Sinsap (Thailand) Public Company Limited	4,000,812	16,183,285	4,000,812	16,303,309
AEON Financial Service Co., Ltd	4,124,270	16,682,672	-	-
	8,125,082	32,865,957	4,000,812	16,303,309

The first subordinated loan amounting to US\$4,000,000 from AEON Thana Sinsap (Thailand) Public Company Limited was approved by National Bank of Cambodia on 30 December 2019. The interest is repayable semi-annually and the principal is repayable in five equal consecutive instalments. The subordinated debt has no collateral and will be matured in 2026.

The second subordinated loan amounting to US\$4,000,000 from AEON Financial Service Co., Ltd. The interest is repayable semi-annually and the principal is repayable in five equal consecutive instalments. The subordinated debt has no collateral and will be matured in 2027. This was approved by National Bank of Cambodia on 5 March 2020.

Subordinated debt is treated as part of the liabilities and included in the Bank's net worth computation under the NBC's guidelines and initially measured at fair value minus incremental direct transaction costs, and subsequently measured at amortised cost using effective interest method.

16.LEASE LIABILITIES

	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
Maturity Analysis:				
Year 1	1,018,871	4,121,333	902,601	3,678,099
Year 2	881,822	3,566,970	724,218	2,951,188
Year 3	538,869	2,179,725	692,465	2,821,795
Year 4	99,311	401,713	504,403	2,055,442
Year 5	30,800	124,586	45,732	186,359
	2,569,673	10,394,327	2,869,419	11,692,883
Less: Unearned interest	(222,871)	(901,513)	(314,302)	(1,280,781)
	2,346,802	9,492,814	2,555,117	10,412,102

17. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Non-cash changes				31 December 2020
	1	Financing	Lease	Other	
	January 2020	cash flows (i)	liabilities (ii)	changes (iii)	
	US\$	US\$	US\$	US\$	US\$
Borrowings	112,776,772	789,193	-	(112,753)	113,453,212
Subordinated debts	4,000,812	4,124,270	-	-	8,125,082
Lease liabilities	2,555,117	(838,308)	629,993	-	2,346,802
Total liabilities from financing activities	119,332,701	4,075,155	629,993	(112,753)	123,925,096

	Non-cash changes				31 December 2019
	1	Financing	Lease	Other	
	January 2019	cash flows (i)	liabilities (ii)	changes (iii)	
	US\$	US\$	US\$	US\$	US\$
Borrowings	54,112,753	58,504,295	-	46,971	112,664,019
Subordinated debts	-	4,000,000	-	812	4,000,812
Lease liabilities	975,957	(930,440)	2,509,600	-	2,555,117
Total liabilities from financing activities	55,088,710	61,573,855	2,509,600	47,783	119,219,948

- (i) The cash flows from borrowings, subordinated debts and lease liabilities make up the net amount of proceeds from and repayments of borrowings and subordinated debts and the payments of lease liabilities in the statement of cash flows.
- (ii) Non-cash change pertains to additions of right-of-use assets during the year.
- (iii) Non-cash change pertains to differences between interest accruals and payments.

18. EMPLOYEE BENEFIT OBLIGATIONS

Movements of provision for employee benefit obligations were as follows:

	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
Current pay				
At the beginning of year	-	-	-	-
Recognised in profit or loss	327,407	1,334,838	226,237	916,712
Payments made during the year	(327,407)	(1,334,838)	(226,237)	(916,712)
At the end of year	-	-	-	-
Back pay				
At the beginning of year	174,074	709,352	177,778	714,312
Reversal in profit or loss	(18,282)	(74,536)	(3,704)	(15,009)
Currency translation difference	-	(4,637)	-	10,049
At the end of year	155,792	630,179	174,074	709,352

19.SHARE CAPITAL

	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
Registered, issued and fully paid of US\$1 each	20,000,000	80,900,000	20,000,000	81,500,000

Details of shareholdings were as follows:

	31 December 2020		31 December 2019	
	Holding %	Number of shares	Holding %	Number of shares
AEON Thana Sinsap (Thailand) Public Company Limited	50%	10,000,000	50%	10,000,000
AFS Corporation Co., Ltd.	50%	10,000,000	50%	10,000,000
	100%	20,000,000	100%	20,000,000

20.NET INTEREST INCOME

	Year ended 31 December 2020		Year ended 31 December 2019	
	US\$	KHR'000	US\$	KHR'000
Interest income				
Loans to customers	32,732,190	133,449,139	26,457,173	107,204,465
Balances with the NBC	49,316	201,061	24,553	99,489
	32,781,506	133,650,200	26,481,726	107,303,954
Interest expense				
Borrowings	3,161,698	12,890,243	2,582,272	10,463,366
Subordinated debts	663,000	2,703,051	944	3,825
Lease liabilities	155,039	632,094	155,354	629,495
	3,979,737	16,225,388	2,738,570	11,096,686
Net interest income	28,801,769	117,424,812	23,743,156	96,207,268

21.FEE AND COMMISSION INCOME

	Year ended 31 December 2020		Year ended 31 December 2019	
	US\$	KHR'000	US\$	KHR'000
Cash advance fees	1,101,076	4,489,087	1,045,880	4,237,906
Penalty fees	608,678	2,481,580	682,456	2,765,312
Other fees	596,681	2,432,668	572,318	2,319,032
	2,306,435	9,403,335	2,300,654	9,322,250

22.OTHER INCOME

	Year ended 31 December 2020		Year ended 31 December 2019	
	US\$	KHR'000	US\$	KHR'000
Recovery from loans written off	200,218	816,289	219,897	891,023
Gains/(losses) on foreign exchange	15,824	64,514	(60,027)	(243,230)
	216,042	880,803	159,870	647,793

23.PERSONNEL EXPENSES

	Year ended 31 December 2020		Year ended 31 December 2019	
	US\$	KHR'000	US\$	KHR'000
Salaries and wages	7,329,397	29,881,952	6,029,496	24,431,518
Seniority payments	309,125	1,260,303	222,533	901,704
Staff housing and related costs	78,134	318,552	77,960	315,894
Medical costs	12,045	49,107	10,103	40,937
Trainings	7,369	30,043	86,948	352,313
Other personnel costs	185,550	756,488	185,448	751,435
	7,921,620	32,296,445	6,612,488	26,793,801

24.DEPRECIATION AND AMORTISATION

	Year ended 31 December 2020		Year ended 31 December 2019	
	US\$	KHR'000	US\$	KHR'000
Property and equipment (Note 8)	995,120	4,057,104	964,416	3,907,814
Right-of-use assets (Note 10)	911,791	3,717,372	805,584	3,264,226
Intangible assets (Note 9)	441,062	1,798,210	439,460	1,780,692
	2,347,973	9,572,686	2,209,460	8,952,732

25. OTHER OPERATING EXPENSES

	Year ended 31 December 2020		Year ended 31 December 2019	
	US\$	KHR'000	US\$	KHR'000
Repairs and maintenance	1,445,097	5,891,660	1,615,225	6,544,892
Promotion and advertising	1,011,848	4,125,304	1,063,732	4,310,242
Vehicle rental and running costs	523,392	2,133,869	378,880	1,535,222
Stationeries and printing	496,232	2,023,138	450,031	1,823,526
Communication	408,439	1,665,206	442,117	1,791,458
Credit card and ATM operation	376,221	1,533,853	400,520	1,622,907
Taxes and licenses	360,570	1,470,044	311,868	1,263,689
Professional fees	312,065	1,272,289	291,590	1,181,523
Utilities	232,012	945,913	205,638	833,245
Travel	221,060	901,262	330,892	1,340,774
Management fees	160,503	654,371	134,964	546,874
Insurance	150,766	614,673	135,604	549,467
Board of director fees	21,000	85,617	-	-
Losses on disposals of property and equipment	6,741	27,484	18,402	74,565
Others	343,677	1,401,170	241,504	978,575
	<u>6,069,623</u>	<u>24,745,853</u>	<u>6,020,967</u>	<u>24,396,959</u>

26. CASH AND CASH EQUIVALENTS

	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
Cash on hand	964,643	3,901,981	999,105	4,071,353
Balances with the NBC	2,374,733	9,605,795	6,814,573	27,769,385
Balances with other banks	2,143,670	8,671,145	3,156,251	12,861,723
	<u>5,483,046</u>	<u>22,178,921</u>	<u>10,969,929</u>	<u>44,702,461</u>

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value.

27. COMMITMENTS

Loans and other commitments

In the normal course of business, the Bank provides credit card facilities to customers which gives rise to commitments regarding to the undrawn portion. No material losses are anticipated from these transactions.

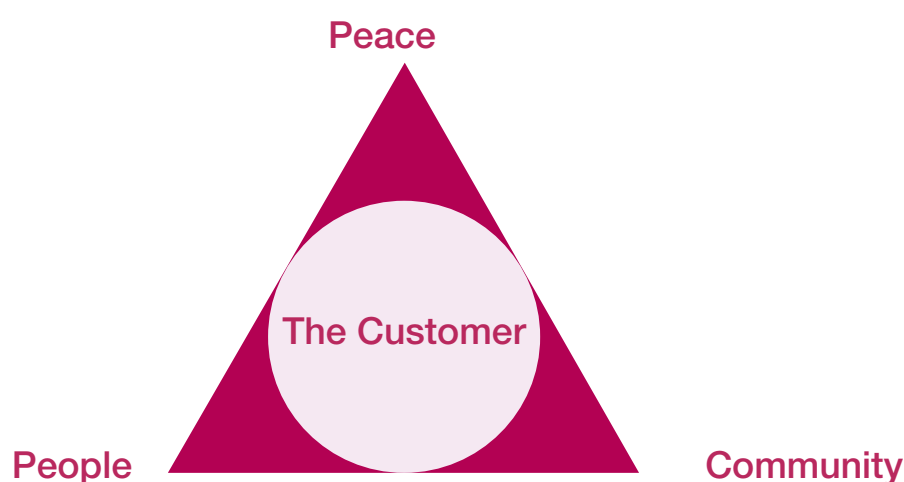
	31 December 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
Undrawn portion of credit cards	<u>19,691,611</u>	<u>79,652,565</u>	<u>15,852,667</u>	<u>64,599,618</u>

ABOUT THE AEON GROUP

AEON Basic Principles



Pursuing peace, respecting humanity, and contributing to local communities, always with the customer's point of view as its core.



The word aeon (AEON) has its origins in a Latin root meaning “eternity.” The customers’ beliefs and desires comprise the central core of our philosophy. At Acon, our eternal mission as a corporate group is to benefit our customers, and our operations are thus customer-focused to the highest degree.

Aeon Basic Principles are the following:

- “Peace”** Aeon is a corporate group whose operations are dedicated to the pursuit of peace through prosperity.
- “People”** Aeon is a corporate group that respects human dignity and values personal relationships.
- “Community”** Aeon is a corporate group rooted in local community life and dedicated to making a continuing contribution to the community

On the basis of the Aeon Basic Principles, Acon practices its “Customer-First” philosophy with its everlasting innovative spirit.



ធនាគារឯកទេស អ៊ីអន (ខេមបូឌា) ភីអិលស៊ី
AEON SPECIALIZED BANK (CAMBODIA) PLC.

ANNUAL REPORT 2020

