Annual Report 2022

southerncapital

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CHAIRMAN’S MESSAGE

2022 Review

2022 poses a challenging year for SCB and for society more broadly. At the start of 2022, much of the world finally starts to see the light at the end of the tunnel, with many countries succeeded in suppressing Covid-19 and henceforth ease their restrictions and reopening their borders in hope to revive the economy. Unfortunately, with the breakout of the Russia-Ukraine war, it triggered a major blow to the global economy that hurt growth and lead the entire global economy to feel the effects of slower growth, faster inflation and raising prices for food and energy.

With the inflation turning out to be higher and to be more persistent than most central banks had expected, it causes monetary policies to be tightened through a series of rapid interest rates hikes. Such tightening of international financial conditions affected the borrowing capacity of banks, financial institutions and private sector in Cambodia and in turn lead to upward pressure in banks raising their interest rates. Overall, these conditions will curtail not just global growth but also Cambodia growth in 2023.

As a small export-oriented economy, Cambodia faces major challenges as world trade growth slows. Real estate market continued to be slowed as can be seen with many unfinished buildings in Phnom Penh and Sihanoukville which may be symptomatic of the Cambodian economy entering 2023. Nevertheless, with China lifting its zero covid policy, Cambodia can pin high hopes for the return of Chinese investors as well as Chinese tourists to boost the kingdom’s economy and also to the tourism sector.

Against this backdrop, SCB has continued to deliver good business momentum in enabling support for our customers and managed to deliver a slight improvement in our operating performance in 2022.

Financial Performance

Despite the macro-economic headwinds and uncertainty experienced in 2022, we still managed to deliver slight growth in our business, demonstrating our resilience and ability to continue growing our business.

In an increasingly competitive environment, we have concentrated on defending our existing customer base while at the same time, building new ones in growing our loan portfolio to US$11.57 million.

We have maintained our reputation as a stable and trustworthy bank in our commitment to serve and support our customers responsibly through good times and bad times that sees a 11% increase in the amount we lent to our Cambodian personal and business customers in 2022 which enabled them to buy homes and continue their business operations.

With a comparatively better credit environment in 2022 than in 2021, our net income increased by 3.48% to US$1.169 million. Regrettably, a few of our customers continue to default on their mortgage loans including on the interest due which leads to an increase in the provision on loss allowance for expected credit losses (ECL) to US$603,692. Eventually, we are confident to recover these loans since these loans are being secured with collateral.

Prospects for 2023

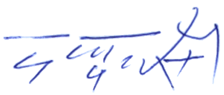
It is clear that the global economy will remain under pressure for as long as the Russia-Ukraine war, high inflation and raising interest rates persists and this will continue to impact on the growth in Cambodia economy. As a consequence, we anticipate ongoing caution in the approach of both our personal and business customers to borrowing, in an environment of increased competition for less business. In responding to these challenges, we will strengthen our focus in acquiring new customers while maintaining our attention in providing excellent customer service.

We remain confident that our resilience in a challenging environment and the commitment of our people, together with our clear strategic focus, will enable us to overcome the difficult period ahead.

A Word of Appreciation

On behalf of the Board, I wish to extend our sincere appreciation to our customers for their unflagging support and confidence in SCB. I would especially like to express my deep appreciation to our management team and staff for their contributions. I have always been humbled by the dedication of our management team and staff to the pursuit of our purpose and in how they embrace the challenges in the everchanging environment. Our successes would never have been possible without them.

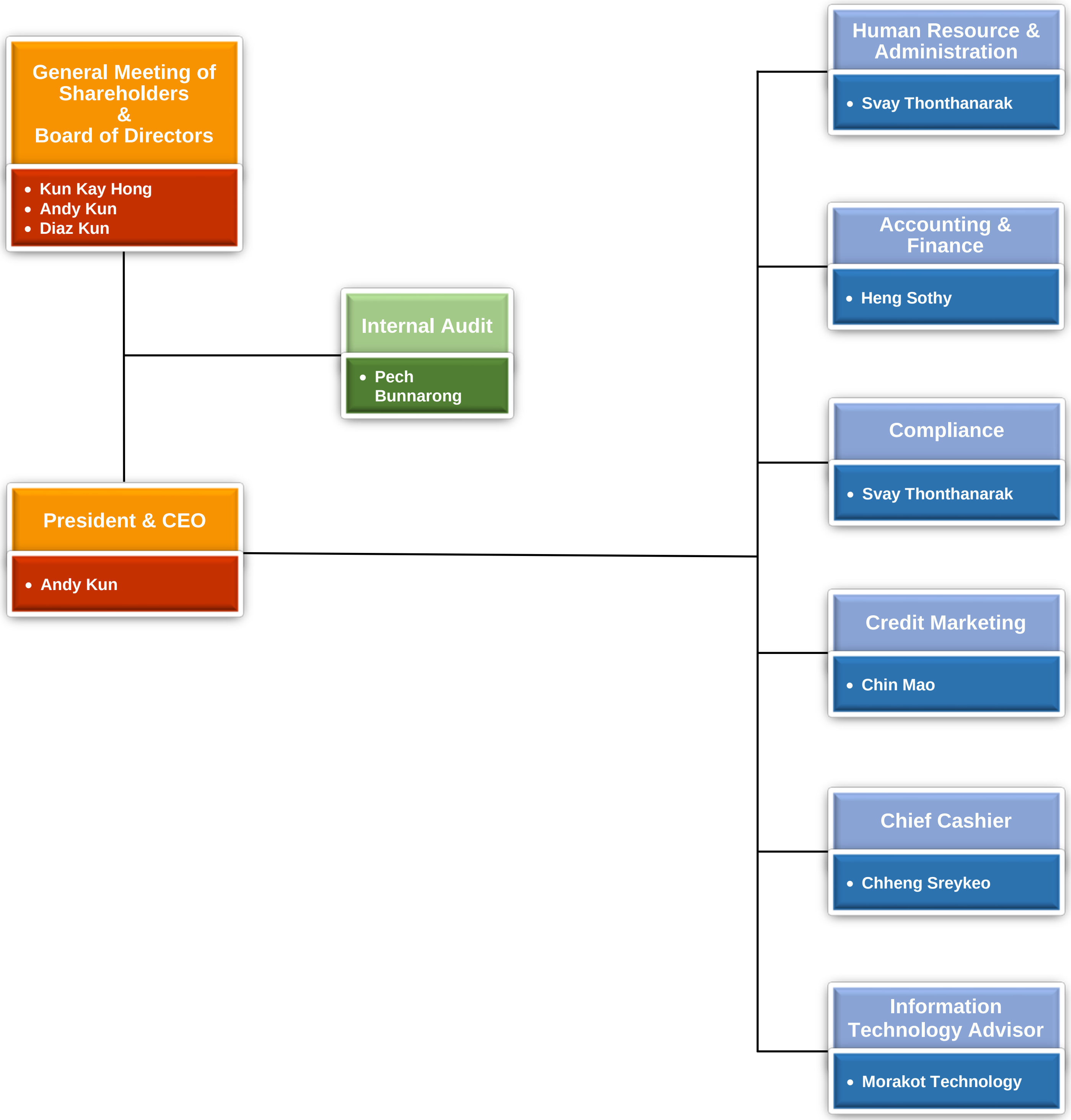
Finally, my deep gratitude goes to NBC and other authorities for their continued guidance and support.



Kun Kay Hong
Chairman
11 April 2023

CORPORATE INFORMATION

Shareholders	Kun Swee Tiong Andy Kun Swee Yi Diaz Kun Kay Hong
Registration No.	00011446
Registered office	Southern Capital Specialized Bank Plc. No. 294, Mao Tse Toung Blvd Unit 5 - 6 Regency Complex B Phnom Penh, Cambodia
Principle Bankers	APD Bank Plc. Hatha Kaksekar Limited LOLC (Cambodia) Plc. National Bank of Cambodia RHB Indochina Bank Sathapana Bank Plc.
Auditors	Kreston Cambodia (Trading as Cam Accounting & Tax Service Co., Ltd.)


General Meeting of Shareholders & Board of Directors
• Kun Kay Hong
• Andy Kun
• Diaz Kun
Internal Audit
• Pech Bunnarong
President & CEO
• Andy Kun
Human Resource & Administration
• Svay Thonthanarak
Accounting & Finance
• Heng Sothy
Compliance
• Svay Thonthanarak
Credit Marketing
• Chin Mao
Chief Cashier
• Chheng Sreykeo
Information Technology Advisor
• Morakot Technology

Directors' report

The directors hereby submit the report and the audited financial statements of the Southern Capital Specialized Bank Plc. ("the Bank") for the financial year ended 31 December 2022.

1. Directors

The names of directors of the Bank who served during the financial year and up to the date of this report are as follows:

Name	Position	Appointed on
Kun Swee Tiong Andy	Director, President and CEO	08 July 2015
Kun Swee Yi Diaz	Director and Executive Vice President	08 July 2015
Kun Kay Hong	Chairman	08 July 2015

2. Directors' responsibility for the financial statements

The directors are responsible for the financial statements of the Bank to be properly drawn up so as to give a true and fair view of the financial position of the Bank as at 31 December 2022 and of its financial performance and cash flows for the financial year then ended. In the preparation of these financial statements, the directors are required to:

i. adopt appropriate accounting policies in compliance with Cambodian International Financial Reporting Standards ("CIFRSs") which are supported by reasonable and appropriate judgments and estimates and then apply them consistently;

ii. comply with the disclosure requirements CIFRSs, 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. maintain adequate accounting records and an effective system of internal controls;

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

v. control and direct effectively the Bank in all material decisions affecting its operations and performance and ascertain that such decisions and/or instructions have been properly reflected in the financial statements.

The directors confirm that the Bank has complied with the above requirements in preparing the financial statements of the Bank.

3. Preparation of the financial statements

In the preparation of the financial statement, the directors have taken account of the following matters:

i. all material transfers to or from reserves or provisions during the financial year are disclosed in the financial statements;

ii. adequate allowance for impairment losses on receivable and current and non-current assets, if required, has been made;

iii. known bad debts had been written off , if any;

iv. existing methods of valuation of assets or liabilities is not misleading or inappropriate;

v. there are no known circumstances that would render any amount stated in the financial statements to be misleading;

vi. 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 Bank for the financial year in which this report is made;

vii. the results of the operations of the Bank during the financial years were not, in the opinion of the directors, substantially affected by any item, transactions or event of a material and unusual nature;

viii. no contingent or other liability of the Bank has become enforceable or is likely to become enforceable within the period of twelve months after the end of the Bank to meet its obligations when they fall due.

4. Approval of the Financial Statements

The directors hereby approve the accompanying financial statements which give a true and fair view of the financial position of the Bank as at 31 December 2022, its financial performance and cash flows for the financial year then ended in accordance with CIFRSs.

On behalf of Board of Directors

Mr. Kun Swee Tiong Andy
President and Chief Executive Officer

Phnom Penh, Kingdom of Cambodia
Date: 27 March 2023

Kreston Cambodia is trading under name of
Cam Accounting & Tax Service Co., Ltd.
Certified Public Accountants and Auditors
Tax Agent License (GDT Member)
Audit Firm License (KICPAA Member)
Financial Institution Audit License (NBC Member)

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E-mail: info@cam-at.com
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Independent auditor's report

To shareholders of Southern Capital Specialized Bank Plc.

Opinion

We have audited the financial statements of Southern Capital Specialized Bank Plc., ("the Bank") which comprise the statement of financial position as at 31 December 2022 of the Bank, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 6 to 39.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2022, and of its financial performance and its cash flows for the financial 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 ("CISA"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 7 to the financial statements, the Bank's loss allowance for ECL amounted to USD1,737,921 did not apply macroeconomic factor in the calculation. Our opinion is not modified with respect to that matter.

Other matters

The financial statements of Southern Capital Specialized Bank Plc. for the year ended 31 December 2021 were audited by another auditing firm whose report, dated 28 March 2022, expressed an unqualified opinion.

Independence and other ethical responsibilities

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.

Information other than the financial statements and auditors' report thereon

The directors of the Bank are responsible for the other information. The other information comprises the Directors' report, but does not include the financial statements of the Bank and our auditors' report thereon.

Our opinion on the financial statements of the Bank does not cover the Directors' report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Bank, our responsibility is to read the Directors' report and, in doing so, consider whether the Directors' report is materially inconsistent with the financial statements of the Bank 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 the Directors' report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of directors for the financial statements

The directors of the Bank are responsible for the preparation of financial statements that give a true and fair view in accordance with CIFRSs. The directors are also responsible for such internal controls as the directors determine are 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 of the Bank, the directors are 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 the directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Bank 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 CISA 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 a part of an audit in accordance with CISA, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements of the Bank, 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 the directors.

- conclude on the appropriateness of the directors' 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 auditors' report to the related disclosures in the financial statements of the Bank 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 Bank to cease to continue as a going concern.

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

We communicate with the directors 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.

On behalf of Kreston Cambodia
Trading as Cam Accounting & Tax Service Co., Ltd.
Certified Public Accountants and Auditor

Keat Heng, CPA, ACCA
Audit Partner

Phnom Penh, Kingdom of Cambodia
Date: 27 March 2023

Statement of financial position

	Notes	As at 31 December 2022 USD	As at 31 December 2022 KHR'000	As at 31 December 2021 USD	As at 31 December 2021 KHR'000
Assets					
Cash on hand	5	**535**	**2,203**	1,180	4,807
Deposits and placements financial institutions	6	**2,625,137**	**10,807,689**	4,163,796	16,963,305
Loans and advances	7	**11,570,731**	**47,636,700**	10,360,840	42,210,062
Other assets	8	**134,453**	**553,543**	154,815	630,716
Statutory deposits with NBC	9	**750,000**	**3,087,750**	750,000	3,055,500
Right-of-use assets	10	**22,198**	**91,389**	37,868	154,274
Property and equipment	11	**29,964**	**123,362**	39,895	162,532
Deferred tax assets	21 (a)	**84,544**	**348,068**	106,335	433,209
Intangible assets	12	**-**	**-**	7,562	30,808
Total assets		**15,217,562**	**62,650,704**	15,622,291	63,645,213
Liabilities					
Other liabilities	13	**37,578**	**154,709**	43,855	178,665
Lease liabilities	23 (a)	**16,380**	**67,436**	31,506	128,355
Income tax payable	21 (b)	**-**	**-**	7,000	28,518
Total liabilities		**53,958**	**222,145**	82,361	335,538
Equity					
Share capital	14	**15,000,000**	**60,000,000**	15,000,000	60,000,000
Retained earnings	15	**163,604**	**644,959**	539,930	2,183,003
Translation reserve		**-**	**1,783,600**	-	1,126,672
Total equity		**15,163,604**	**62,428,559**	15,539,930	63,309,675
Total liabilities and equity					

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

Statement of profit & loss and other comprehensive income

	Notes	For the year ended 31 December 2022		For the year ended 31 December 2021	
		USD	**KHR'000**	USD	KHR'000
Interest income	16	**1,134,710**	**4,637,560**	1,098,638	4,469,259
Non-interest income		**34,367**	**140,458**	31,121	126,600
Net income		**1,169,077**	**4,778,018**	1,129,759	4,595,859
Employee expenses	17	**(644,333)**	**(2,633,389)**	(540,282)	(2,197,867)
Depreciation and amortisation	18	**(33,163)**	**(135,537)**	(29,639)	(120,571)
General and administrative expenses	19	**(234,180)**	**(957,094)**	(240,133)	(976,861)
Operating profit before impairment losses		**257,401**	**1,051,998**	319,705	1,300,560
Loss allowance for expected credit losses ("ECL")	20	**(603,692)**	**(2,467,289)**	(463,624)	(1,886,022)
Loss before taxes		**(346,291)**	**(1,415,291)**	(143,919)	(585,462)
Income taxes	21 (c)	**(30,035)**	**(122,753)**	55,098	224,139
Loss for the year		**(376,326)**	**(1,538,044)**	(88,821)	(361,323)
Other comprehensive income		**-**	**-**	-	-
Currency translation differences		**-**	**656,928**	-	-
Total comprehensive income for the year		**(376,326)**	**(881,116)**	(88,821)	(361,323)

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

Statement of changes in equity

	Share capital USD	Retained earnings USD	Total USD
At 01 January 2021	15,000,000	628,751	15,628,751
Loss for the year	-	(88,821)	(88,821)
Balance at 31 December 2021	15,000,000	539,930	15,539,930
Loss for the year	**-**	**(376,326)**	**(376,326)**
Balance at 31 December 2022	**15,000,000**	**163,604**	**15,163,604**

	Share capital KHR'000	Retained earnings KHR'000	Translation reserve KHR'000	Total KHR'000
At 01 January 2021	60,000,000	2,544,326	673,972	63,218,298
Loss for the year	-	(361,323)	-	(361,323)
Translation differences	-	-	452,700	452,700
Balance at 31 December 2021	60,000,000	2,183,003	1,126,672	63,309,675
Loss for the year	**-**	**(1,538,044)**	**-**	**(1,538,044)**
Translation differences	**-**	**-**	**656,928**	**656,928**
Balance at 31 December 2022	**60,000,000**	**644,959**	**1,783,600**	**62,428,559**

Statement of cash flows

	Notes	For the year ended 31 December 2022		For the year ended 31 December 2021	
		USD	**KHR'000**	USD	KHR'000
Cash flow from operating activities					
Loss before taxes		**(346,291)**	**(1,415,291)**	(143,919)	(585,462)
Adjustment for:					
Depreciation and amortisation	18	**33,163**	**135,537**	29,639	120,571
Loss allowance for ECL	20	**603,692**	**2,467,289**	463,624	1,886,022
Right of use assets remeasurement		**-**	**-**	6,450	26,239
Interest expense on lease liabilities	23 (a)	**1,809**	**7,393**	1,432	5,825
Operating profit before working capital changes		**292,373**	**1,194,928**	357,226	1,453,195
Changes in:					
Loans and advances	7	**(1,815,101)**	**(7,418,318)**	416,484	1,694,257
Other assets	8	**20,362**	**83,219**	7,979	32,459
Other liabilities	13	**(6,277)**	**(25,654)**	651	2,648
Cash flow used in operating activities		**(1,508,643)**	**(6,165,825)**	782,340	3,182,559
Income taxes paid	21 (b)	**(15,244)**	**(62,302)**	(119,065)	(484,356)
Net cash flow used in operating activities		**(1,523,887)**	**(6,228,127)**	663,275	2,698,203
Cash flow from investing activities					
(Placement)/ Withdrawal of fixed deposits with tenure more than 3 months		**(844,196)**	**(3,450,229)**	122,302	497,525
Net cash flow used in investing activities		**(844,196)**	**(3,450,229)**	122,302	497,525
Cash flows from financing activities					
Finance charge on lease	23 (a)	**(1,809)**	**(7,393)**	(1,432)	(5,825)
Repayment of lease liabilities	23 (a)	**(15,126)**	**(61,820)**	(15,503)	(63,066)
Net cash generated from financing activities		**(16,935)**	**(69,213)**	(16,935)	(68,891)
Net changes in cash and cash equivalents		**(2,385,018)**	**(9,747,569)**	768,642	3,126,837
Currency translation differences		**-**	**55,691**	-	4,610
Cash and cash equivalents at 31 December	23 (b)	**574,044**	**2,363,340**	2,959,062	12,055,218

Notes to the financial statements

1. General information

Southern Capital Specialized Bank Plc. ("the Bank") was incorporated in Cambodia on 26 April 2016 under Registration No. 00011446. On 28 July 2016, the National Bank of Cambodia ("NBC") issued a license to conduct commercial banking business for an indefinite period.

Registered office and principle place of business: No.294, Moa Tse Toung Blvd (245), Sangkat Tomnoub Teuk, Khan Chamkarmorn, Phnom Penh.

2. Principal activities

The Bank is principally engaged in general banking business and the provision of related financial services.

There have been no significant changes in the nature of these activities during the financial year.

3. Basis of preparation

The financial statements of the Bank are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Cambodian International Financial Reporting Standards ("CIFRSs").

a. Standards and interpretations that are effective for the current financial year

The new standards are described below which have become effective this year as follows:

- Amendments to IFRS 3 Reference to the Conceptual Framework.
- Amendments to IAS 16 Property, Plant and Equipment - Proceeds before Intended use.
- Amendments to IAS 37 Onerous Contracts - Cost of Fulfilling a Contract.
- Annual Improvements (2018-2020 Cycle):
- Subsidiary as a First-time Adopter (Amendments to IFRS 1)
- Fees in the '10 percent' Test for Derecognition of Financial Liabilities (Amendments to IFRS 9)
- Lease Incentives (Amendments to IFRS 16)
- Taxation in Fair Value Measurements (Amendments to IAS 41).

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) did not have any material impact on the Bank's financial statements.

b. New accounting standards for application in future periods

Those standards, amendments and interpretations are not yet effective and have not been adopted early by the Bank include:

- Amendments to IAS 1 Classification of Liabilities as Current or Non-Current.
- IFRS 17 Insurance Contracts.
- IAS 8 Definition of Accounting Estimates
- IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Bank upon their initial application.

4. Significant accounting policies

4.1 Critical accounting estimates & judgements

Key Sources of Estimation Uncertainty

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed below:

a. Impairment of loan and advances

The loss allowances for loan to customer are based on assumptions about risk of default and expected loss rates. The Bank uses judgement in making these assumptions and selecting appropriate inputs to the impairment calculation, based on the past payment trends, existing market conditions as well as forward-looking estimates at the end of each reporting period.

b. Income taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Bank recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balances in the period in which such determination is made.

c. The useful life of depreciable assets

Management reviews its estimate of the useful life of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain property and equipment and software.

Critical Judgements Made in Applying Accounting Policies

Management believes that there are no instances of application of critical judgement in applying the Bank's accounting policies which will have a significant effect on the amounts recognised in the financial statements

The principal accounting policies adopted in the preparation of the financial statements are set out below. These accounting policies have been consistently applied by the Bank during the year.

4.2 Functional and foreign currencies

a. Functional and presentation currency

The financial statements of the Bank are presented in the currency of the primary economic environment in which the Bank operates, which is the functional currency.

The financial statements are presented in US dollar ("USD"), which is the Bank's functional and presentation currency.

For the sole regulatory purpose of complying with the National Bank of Cambodia's Prakas No. B7-07-164 dated 13 December 2007, a translation to Khmer Riel ("KHR") is provided for the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows and the notes to the financial statements as of and for the year ended 31 December 2022 using the official rates of exchange published by the National Bank of Cambodia as at the reporting dates. Such translation amounts are unaudited and should not be construed as representations that the USD amounts represent, or have been or could be, converted into Khmer Riel at that or any other rate. Amounts in these financial statements expressed in Khmer Riel are translations of US Dollars amounts at rates set by the National Bank of Cambodia.

The financial statements are presented in KHR based on the following applicable exchange rates per USD1:

			Closing rate	**Average rate**
31 December 2022	US$1	=	KHR4,117	KHR4,087
31 December 2021	US$1	=	KHR4,074	KHR4,068

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

b. Foreign currencies transactions and balances

Transactions in currencies other than the Bank's functional currency (foreign currencies) are recorded in the functional currency using the exchange rates prevailing at the date of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at the end of each reporting period. Non-monetary items carried at the fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in the terms of historical cost in a foreign currency are not translated.

4.3 Property and equipment

All items of property and equipment are initially measured at cost. Cost includes expenditures that are directly attributable to the acquisition of the asset and other cost directly attributable to bringing the asset to working condition for its intended use. Freehold land is stated at cost less impairment losses, if any and is not depreciated.

Subsequent to initial recognition, property and equipment are stated at cost less accumulated depreciation and any impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

Depreciation is charged to profit or loss and is calculated under the declining balance method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:

Leasehold improvement	20%
Furniture and fixtures	25%
Computer equipment	50%
Equipment and others	20%
Motor vehicles	25%

Construction work-in-progress represents assets under construction, and which are not ready for commercial use at the end of the reporting period. Construction work-InProgress is stated at cost, and is transferred to the relevant category of long-term assets and depreciated accordingly when the assets are completed and ready for commercial use.

Cost of construction work-in-progress includes direct cost, related expenditure and interest cost on borrowings taken to finance the construction or acquisition of the assets till the date that the assets are completed and put into use, net of interest income on the temporary investment of those borrowings.

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the terms of property and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Bank and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised.

The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Bank is obligated to incur when the asset is acquired, if applicable.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in profit or loss.

4.4 Intangible assets

Intangible assets represent the initial costs incurred in obtaining software at rate 25%.

Following initial recognition, intangible assets are stated at cost less accumulated amortisation and any accumulated impairment losses.

Intangible assets are assessed to have finite useful lives and are amortised over the license period using declining balance method. The intangible assets are also assessed for impairment whenever there is an indication that they may be impaired. The amortisation period and method are reviewed at least at the end of each reporting period.

4.5 Financial instruments

Financial assets and financial liabilities are recognised in the statements of financial position when the Bank has become a party to the contractual provisions of the instruments.

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in CIAS 32. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Bank has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value (other than trade receivables without significant financing component which are measured at transaction price as defined in CIFRS 15 – Revenue from Contracts with Customers at inception). Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

a. Financial assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value through profit or loss, or other comprehensive income, depending on the classification of the financial assets.

Debt instrument

i. Amortised cost

The financial asset is held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. When the asset has subsequently become credit-impaired, the interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), excluding expected credit losses, through the expected life of the financial asset or a shorter period (where appropriate).

ii. Fair value through other comprehensive income

The financial asset is held for both collecting contractual cash flows and selling the financial asset, where the asset's cash flows represent solely payments of principal and interest. Movements in the carrying amount are taken through other comprehensive income and accumulated in the fair value reserve, except for the recognition of impairment, interest income and foreign exchange difference which are recognised directly in profit or loss. Interest income is calculated using the effective interest rate method.

iii. Fair value through profit or loss

All other financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss.

The Bank reclassifies debt instruments when and only when its business model for managing those assets change.

Equity Investment

All equity investments are subsequent measured at fair value with gains and losses recognised in profit or loss except where the Bank has elected to present the subsequent changes in fair value in other comprehensive income and accumulated in the fair value reserve at initial recognition.

The designation at fair value through other comprehensive income is not permitted if the equity investment is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise.

Dividend income from this category of financial assets is recognised in profit or loss when the Bank's right to receive payment is established unless the dividends clearly represent a recovery of part of the cost of the equity investments.

b. Financial liabilities

i. Financial liabilities at fair value through profit or loss

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. The changes in fair value of these financial liabilities are recognised in profit or loss.

ii. Other financial liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), through the expected life of the financial liability or a shorter period (where appropriate).

c. Equity instruments

Equity instruments classified as equity are measured initially at cost and are not remeasured subsequently.

Ordinary shares are classified as equity and recorded at the proceeds received, net of directly attributable transaction costs.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

d. Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the carrying amount of the asset and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity to profit or loss. In contrast, there is no subsequent reclassification of the fair value reserve to profit or loss following the derecognition of an equity investment.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

4.6 Cash and cash equivalents

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

4.7 Statutory deposits with National Bank of Cambodia

Statutory deposits represent mandatory reserve deposits and cash maintained with the National Bank of Cambodia in compliance with the Law on Banking and Financial Institutions ("LBFI") and are not available to finance the Bank's day to day operations and hence are not considered as part of cash and cash equivalents for the purpose of cash flow statement.

4.8 Impairment

a. Impairment of financial assets

The Bank recognises a loss allowance for expected credit losses ("ECL") on investments in debt instruments that are measured at amortised cost and at fair value through other comprehensive income.

The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Bank in accordance with the contract and all the cash flows that the Bank expects to receive, discounted at the original effective interest rate.

12-month expected credit loss are the portion of lifetime expected credit loss that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which 12-month expected credit loss are recognised are referred to as 'Stage 1 financial instruments'. Financial instruments allocated to Stage 1 have not undergone a significant increase in credit risk since initial recognition and are not credit-impaired.

Lifetime expected credit loss are the expected credit loss that result from all possible default events over the expected life of the financial instrument or the maximum contractual period of exposure. Financial instruments for which lifetime expected credit loss are recognised but that are not credit-impaired are referred to as 'Stage 2 financial instruments'. Financial instruments allocated to Stage 2 are those that have experienced a significant increase in credit risk since initial recognition but are not credit-impaired.

Financial instruments for which lifetime expected credit loss are recognised and that are credit-impaired are referred to as 'Stage 3 financial instruments'.

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Bank recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Bank measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The Bank recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at fair value through other comprehensive income, for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Regulatory Provision for Loans and Advances

On 1 December 2017, the National Bank of Cambodia ("NBC") issued Prakas No. B7-017-344 on Credit Risk Grading and Impairment Provisioning which effectively repealed Prakas No. B7-09-074 on Asset Classification and Provisioning effective from the date of its issue. The Prakas requires banks and financial institutions to classify their loan portfolio into five classes. The NBC subsequently issued Circular No. B7-018-001 dated 16 February 2018 to clarify the mandatory level of general and specific allowance to be provided based on the loans and advances classification as follows:

Classification	Number of days past due	Regulatory Provision
Short term loans (less than or equal one year):		
Normal/Standard	0 to 14 days	1%
Special mention	15 days to 30 days	3%
Substandard	31 days to 60 days	20%
Doubtful	61 days to 90 days	50%
Loss	From 91 days	100%
Long term loans (more than one year):		
Normal/Standard	0 to 29 days	1%
Special mention	30 days to 89 days	3%
Substandard	90 days to 179 days	20%
Doubtful	180 days to 359 days	50%
Loss	From 360 days	100%

The regulatory provision applies to all on and off-balance sheet facilities of banks and financial institutions. Loans and advances classified as substandard, doubtful or loss are considered as non-performing loans.

The Prakas also requires the comparison of the regulatory provision with the impairment provision determined based on CIFRS. In case the regulatory provision calculated in accordance with Prakas is lower than expected credit loss determined based on CIFRS, the Bank shall recognise the expected credit loss calculated in accordance with CIFRS. In the case the regulatory provision is higher than expected credit loss, the Bank shall recognise the expected credit loss in accordance with CIFRS and transfer the difference from retained earnings into regulatory reserve. The Bank has presented the regulatory reserve in the statement of changes in equity.

An uncollectible loan or portion of a loan classified as bad is written off after taking into consideration the realizable value of the collateral, if any when in the judgment of the management, there is no prospect of recovery. Recoveries on loans previously written off are disclosed as other income in the statement of profit or loss.

b. Impairment of non-financial assets

The carrying values of assets, other than those to which CIAS 36 – Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when an annual impairment assessment is compulsory or there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of an asset is the higher of the asset's fair value less costs to sell and its value-in-use, which is measured by reference to discounted future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Bank determines the recoverable amount of the cash generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss immediately.

When there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

4.9 Provisions

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation. The discount rate shall be a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as interest expense in profit or loss.

4.10 Employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

4.11 Income taxes

a. Current tax

Current tax assets and liabilities are expected amount of income tax recoverable or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly in equity).

b. Deferred tax

Deferred tax is recognised using the liability method for temporary differences other than those that arise from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill or negative goodwill.

Current tax assets and liabilities or deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity (or on different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.

4.12 Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

4.13 Leases

The Bank assesses whether a contract is or contains a lease, at inception of the contract. The Bank recognises a right-of-use asset and corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for low-value assets and short-term leases with 12 months or less. For these leases, the Bank recognises the lease payments as an operating expense on a straight-line method over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The Bank recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use assets and the associated lease liabilities are presented as a separate line item in the statement of financial position.

The right-of-use asset is initially measured at cost. Cost includes the initial amount of the corresponding lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any incentives received.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses, and adjustment for any remeasurement of the lease liability.

The depreciation starts from the commencement date of the lease. If the lease transfers ownership of the underlying asset to the Bank or the cost of the right-of-use asset reflects that the Bank expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Otherwise, the Bank depreciates the right-of-use asset 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 the right-of-use assets are determined on the same basis as those plant and equipment. The right-of use assets is depreciated using straight-line method. The depreciation rate is 5.10% per annum.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Bank uses its incremental borrowing rate.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in the future lease payments (other than lease modification that is not accounted for as a separate lease) with the corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognised in profit or loss if the carrying amount has been reduced to zero.

4.14 Other credit related commitments

In the normal course of business, the Bank enter into other credit related commitments including loan commitments, letters of credit and guarantees. The accounting policy and regulatory provision followed the National Bank of Cambodia's Prakas No. B7-017-344 and Circular No. B7-018-001 in Note 4.8 (a) above.

4.15 Fair value measurements

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, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;

Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

4.16 Revenue from contracts with customers

Revenue from contracts with customers is measured based on the consideration specified in a contract with a customer in exchange for transferring services to a customer net of sales and service tax, returns, rebates and discounts. The Bank recognises revenue when (or as) it transfers control over a service to customer.

Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

a. Interest Income

Interest income is recognised on an accrual basis, based on the effective interest method. Interest income on performing loans and advances, and deposits and placements with banks are recognised on a daily accrual basis.

Interest on non-performing loans is recorded as interest in suspense rather than income until it is realised on cash basis.

For information on when customer's loan accounts are classified as nonperforming, see **Note** 4.8 (a).

The policy on the suspension of interest is in conformity with the National Bank of Cambodia's guidelines on the suspension of interest on nonperforming loans and provision for loan losses.

b. Fee and commission income

Loan arrangement fee and commissions are recognized in the statement of income when all the conditions precedent are fulfilled.

Service charges, processing fees and other operating income are recognized when the right to receive payment is established.

5. Cash on hand

	As at 31 December 2022		As at 31 December 2021	
	USD	KHR'000	USD	KHR'000
US Dollars	**535**	**2,203**	1,180	4,807
Khmer Riels	**-**	**-**	-	-
	535	**2,203**	1,180	4,807

6. Deposits and placements financial institutions

	As at 31 December 2022		As at 31 December 2021	
	USD	KHR'000	USD	KHR'000
In Cambodia:				
Current deposits	**571,998**	**2,354,916**	2,306,367	9,396,139
Saving deposits	**1,511**	**6,221**	1,015	4,135
Term deposits	**2,054,196**	**8,457,125**	1,860,500	7,579,677
	2,627,705	**10,818,262**	4,167,882	16,979,951
Less: Loss allowance for ECL	**(2,568)**	**(10,573)**	(4,086)	(16,646)
	2,625,137	**10,807,689**	4,163,796	16,963,305

Movements in the loss allowance for ECL are as follows:

	As at 31 December 2022		As at 31 December 2021	
	USD	KHR'000	USD	KHR'000
In Cambodia:				
At 01 January	**(4,086)**	**(16,646)**	(3,450)	(13,955)
Net remeasurement of allowances	**1,518**	**6,204**	(636)	(2,587)
Translation differences	**-**	**(131)**	-	(104)
At 31 December	**(2,568)**	**(10,573)**	(4,086)	(16,646)

The current, savings and term deposits are with financial institutions. The loss allowance relates to 12-month ECL (Stage 1), and there were no transfers from stage 1 to stage 2 and 3.

The above amounts are analyses as follows :

	As at 31 December 2022		As at 31 December 2021	
a) By maturity:	USD	KHR'000	USD	KHR'000
Within 1 month	**573,509**	**2,361,137**	2,957,882	12,050,411
6 to 12 months	**2,054,196**	**8,457,125**	1,210,000	4,929,540
	2,627,705	**10,818,262**	4,167,882	16,979,951

	As at 31 December 2022		As at 31 December 2021	
b) By currency:	USD	KHR'000	USD	KHR'000
Khmer Riels	**326,545**	**1,344,386**	306,925	1,250,412
US Dollars	**2,301,160**	**9,473,876**	3,860,957	15,729,539
	2,627,705	**10,818,262**	4,167,882	16,979,951

	As at 31 December 2022		As at 31 December 2021	
c) By interest rate (per annum):				
Current deposits	**-**	**-**	-	-
Saving accounts	**0.5% - 1%**	**0.5% - 1%**	0.5% - 1%	0.5% - 1%
Term deposits	**4.25% - 5.5%**	**4.25% - 5.5%**	4.25% - 5.5%	4.25% 5.5%

7. Loans and advances

	As at 31 December 2022 USD	KHR'000	As at 31 December 2021 USD	KHR'000
Term loans	**980,000**	**4,034,660**	1,000,000	4,074,000
Consumer loans	**12,328,652**	**50,757,060**	10,493,550	42,750,723
Gross loans and advances at amortised cost	**13,308,652**	**54,791,720**	11,493,550	46,824,723
Less: Loss allowance for ECL	**(1,737,921)**	**(7,155,020)**	(1,132,710)	(4,614,661)
Net loans and advances at amortised cost	**11,570,731**	**47,636,700**	10,360,840	42,210,062
Unearned interest revenue	**-**	**-**	-	-
	11,570,731	**47,636,700**	10,360,840	42,210,062

Movements in the Loss allowance for ECL are as follows:

	12-month ECL (Stage 1) USD	Lifetime ECL-not credit impaired (Stage 2) USD	Lifetime ECL-credit impaired (Stage 3) USD	Total USD
At 01 January 2021	299,933	-	369,789	669,722
Changes in expected credit losses due to transferred within stages:				
Transferred to Stage 2	(10,821)	10,821	-	-
Transferred to Stage 3	(3,636)	-	3,636	-
Net remeasurement of allowances	(186,582)	120,684	(123,443)	(189,341)
New financial assets originated or purchased	148,566	18,261	485,502	652,329
At 31 December 2021	247,460	149,766	735,484	1,132,710
Changes in expected credit losses due to transferred within stages:				
Transferred to Stage 2	**(140,361)**	**140,361**	**-**	**-**
Transferred to Stage 3	**-**	**(144,746)**	**144,746**	**-**
Net remeasurement of allowances	**29,642**	**(5,020)**	**432,003**	**456,625**
New financial assets originated or purchased	**148,586**	**-**	**-**	**148,586**
At 31 December 2022	**285,327**	**140,361**	**1,312,233**	**1,737,921**

The Loans and advances are analysed as follows:

a) By maturity:	As at 31 December 2022 USD	KHR'000	As at 31 December 2021 USD	KHR'000
1 to 3 months	**2,508,820**	**10,328,812**	1,113,751	4,537,422
4 to 6 months	**1,165,000**	**4,796,305**	870,000	3,544,380
7 to 12 months	**1,516,709**	**6,244,291**	2,020,000	8,229,480
1 to 5 years	**6,679,810**	**27,500,778**	6,167,521	25,126,481
Over 5 years	**1,438,313**	**5,921,534**	1,322,278	5,386,960
	13,308,652	**54,791,720**	11,493,550	46,824,723

b) By industry:	As at 31 December 2022 USD	As at 31 December 2022 KHR'000	As at 31 December 2021 USD	As at 31 December 2021 KHR'000
Retail trade	**1,452,539**	**5,980,103**	1,196,379	4,874,048
Construction	**1,525,360**	**6,279,907**	1,847,280	7,525,819
Hotel and restaurants	**4,321,869**	**17,793,135**	3,226,887	13,146,338
Manufacturing and printing	**2,247,960**	**9,254,851**	2,100,049	8,555,600
Personal	**1,957,016**	**8,057,035**	1,205,772	4,912,315
Whole sale	**660,000**	**2,717,220**	410,000	1,670,340
Real estate activities	**713,566**	**2,937,751**	1,010,773	4,117,889
Others	**430,342**	**1,771,718**	496,410	2,022,374
	13,308,652	**54,791,720**	11,493,550	46,824,723

c) By currency:	As at 31 December 2022 USD	As at 31 December 2022 KHR'000	As at 31 December 2021 USD	As at 31 December 2021 KHR'000
US Dollars	**12,699,310**	**52,283,059**	10,789,816	43,957,710
Khmer Riels	**609,342**	**2,508,661**	703,734	2,867,013
	13,308,652	**54,791,720**	11,493,550	46,824,723

d) By residency status:	As at 31 December 2022 USD	As at 31 December 2022 KHR'000	As at 31 December 2021 USD	As at 31 December 2021 KHR'000
Residents	**13,308,652**	**54,791,720**	11,493,550	46,824,723
	13,308,652	**54,791,720**	11,493,550	46,824,723

e) By relationship:	As at 31 December 2022 USD	As at 31 December 2022 KHR'000	As at 31 December 2021 USD	As at 31 December 2021 KHR'000
External customers	**13,308,652**	**54,791,720**	11,489,550	46,808,427
Staff loans	**-**	**-**	4,000	16,296
	13,308,652	**54,791,720**	11,493,550	46,824,723

f) By exposure:	As at 31 December 2022 USD	As at 31 December 2022 KHR'000	As at 31 December 2021 USD	As at 31 December 2021 KHR'000
Non-large	**13,308,652**	**54,791,720**	11,493,550	46,824,723
Large	**-**	**-**	-	-
	13,308,652	**54,791,720**	11,493,550	46,824,723

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g) By performance and security	As at 31 December 2022 USD	As at 31 December 2022 KHR'000	As at 31 December 2021 USD	As at 31 December 2021 KHR'000
Standard loans:				
Secured	**11,363,702**	**46,784,361**	9,958,161	40,569,548
Non-secured	**24,165**	**99,487**	4,000	16,296
Special mention:				
Secured	**600,000**	**2,470,200**	774,121	3,153,769
Unsecured	**-**	**-**	-	-
Substandard loans:				
Secured	**-**	**-**	190,000	774,060
Doubtful loans:				
Secured	**5,612**	**23,105**	-	-
Loss loans:				
Secured	**1,315,173**	**5,414,567**	567,268	2,311,050
Non secured	**-**	**-**	-	-
	13,308,652	**54,791,720**	11,493,550	46,824,723

h) By interest rate (per annum):	As at 31 December 2022		As at 31 December 2021	
Term loans	**7.8%-11%**	**7.8%-11%**	7.8%-11%	7.8%-11%
Consumer loans:				
Loans to third party	**6%-12%**	**6%-12%**	6%-12%	6%-12%
Loans to staff	**-**	**-**	6%	6%

8. Other assets

	As at 31 December 2022 USD	As at 31 December 2022 KHR'000	As at 31 December 2021 USD	As at 31 December 2021 KHR'000
Interest receivable from deposits and placements with financial institutions	**57,397**	**236,303**	54,292	221,186
Interest receivable from loans and advances	**58,442**	**240,606**	81,909	333,697
Prepayments	**18,614**	**76,634**	18,614	75,833
	134,453	**553,543**	154,815	630,716

9. Statutory deposits with National Bank of Cambodia

	As at 31 December 2022 USD	As at 31 December 2022 KHR'000	As at 31 December 2021 USD	As at 31 December 2021 KHR'000
Capital guarantee deposit	**750,000**	**3,087,750**	750,000	3,055,500
Reserve deposits	**-**	**-**	-	-
	750,000	**3,087,750**	750,000	3,055,500

Capital guarantee deposit

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

10. Right-of-use assets

	As at 31 December 2022		As at 31 December 2021	
Cost	**USD**	**KHR'000**	USD	KHR'000
At 01 January	**47,009**	**191,515**	52,890	213,940
Additions	**-**	**-**	47,009	191,515
Derecognition	**-**	**-**	(52,890)	(215,474)
Translation difference	**-**	**2,021**	-	1,534
At 31 December	**47,009**	**193,536**	47,009	191,515
Accumulated depreciation				
At 01 January	**9,141**	**37,241**	46,440	187,850
Depreciation	**15,670**	**64,043**	9,141	37,185
Derecognition	**-**	**-**	(46,440)	(188,918)
Translation difference	**-**	**863**	-	1,124
At 31 December	**24,811**	**102,147**	9,141	37,241
Carrying amount at 31 December	**22,198**	**91,389**	37,868	154,274

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11. Property and equipment

	Leasehold improvement USD	Furniture and fixtures USD	Computer equipment USD	Equipment and others USD	Motor vehicles USD	Total USD
Cost						
At 01 January 2022	**17,497**	**2,802**	**5,639**	**11,015**	**156,500**	**193,453**
Additions	**-**	**-**	**-**	**-**	**-**	**-**
At 31 December 2022	**17,497**	**2,802**	**5,639**	**11,015**	**156,500**	**193,453**
Accumulated depreciation						
At 01 January 2022	**12,910**	**2,304**	**5,387**	**8,383**	**124,574**	**153,558**
Depreciation	**917**	**125**	**252**	**655**	**7,982**	**9,931**
At 31 December 2022	**13,827**	**2,429**	**5,639**	**9,038**	**132,556**	**163,489**
Carrying amount						
At 31 December 2022	**3,670**	**373**	**-**	**1,977**	**23,944**	**29,964**
In KHR'000	**15,110**	**1,536**	**-**	**8,139**	**98,577**	**123,362**

	Leasehold improvement USD	Furniture and fixtures USD	Computer equipment USD	Equipment and others USD	Motor vehicles USD	Total USD
Cost						
At 01 January 2021	17,497	2,802	5,639	11,015	156,500	193,453
Additions	-	-	-	-	-	-
At 31 December 2021	17,497	2,802	5,639	11,015	156,500	193,453
Accumulated depreciation						
At 01 January 2021	11,763	2,138	5,135	7,655	113,931	140,622
Depreciation	1,147	166	252	728	10,643	12,936
At 31 December 2021	12,910	2,304	5,387	8,383	124,574	153,558
Carrying amount						
At 31 December 2021	4,587	498	252	2,632	31,926	39,895
In KHR'000	18,687	2,029	1,027	10,723	130,067	162,532

12. Intangible asset

	As at 31 December 2022		As at 31 December 2021	
	Software		Software	
Cost	**USD**	**KHR'000**	USD	KHR'000
At 01 January	**30,250**	**124,539**	30,250	123,239
Additions	**-**	**-**	-	-
At 31 December	**30,250**	**124,539**	30,250	123,239
Accumulated amortisation				
At 01 January	**22,688**	**93,406**	15,126	61,623
Amortisation	**7,562**	**31,133**	7,562	30,808
At 31 December	**30,250**	**124,539**	22,688	92,431
Carrying amount at 31 December				

13. Other liabilities

	As at 31 December 2022		As at 31 December 2021	
	USD	**KHR'000**	USD	KHR'000
Accrual expenses	**18,002**	**74,114**	26,860	109,428
Other tax payables	**19,576**	**80,595**	16,995	69,237
	37,578	**154,709**	43,855	178,665

14. Share capital

	As at 31 December 2022		As at 31 December 2021	
Issued and fully paid-up	**USD**	**KHR'000**	USD	KHR'000
Shares of USD1 each:				
15,000,000 Shares	**15,000,000**	**60,000,000**	15,000,000	60,000,000

15. Retained earnings

The Retained earnings are wholly distributable by way of dividends. With effect from 1 January 2012, the distribution of dividends to foreign shareholder is subject to withholding tax at the rate of 14%.

16. Interest income

	For the year ended 31 December 2022		For the year ended 31 December 2021	
	USD	**KHR'000**	USD	KHR'000
Loans and advances	**1,003,161**	**4,099,919**	992,739	4,038,462
Deposits and placements with banks and other financial institutions	**131,549**	**537,641**	105,899	430,797
	1,134,710	**4,637,560**	1,098,638	4,469,259

17. Employee expenses

	For the year ended 31 December 2022		For the year ended 31 December 2021	
	USD	**KHR'000**	USD	KHR'000
Salaries, allowances and bonus	**642,217**	**2,624,741**	536,336	2,181,815
Other employee expenses	**2,116**	**8,648**	3,946	16,052
	644,333	**2,633,389**	540,282	2,197,867

18. Depreciation and amortisation

	For the year ended 31 December 2022		For the year ended 31 December 2021	
	USD	**KHR'000**	USD	KHR'000
Depreciation of right-of-use asset	**15,670**	**64,043**	9,141	37,185
Depreciation of property & equipment	**9,931**	**40,588**	12,935	52,620
Amortisation of intangible asset	**7,562**	**30,906**	7,563	30,766
	33,163	**135,537**	29,639	120,571

19. General and administrative expenses

	For the year ended 31 December 2022		For the year ended 31 December 2021	
	USD	**KHR'000**	USD	KHR'000
Management fee	**120,000**	**490,440**	120,000	488,160
Loss on exchange rate	**42,315**	**172,941**	34,735	141,302
License and membership fees	**17,178**	**70,206**	17,263	70,226
Office expense	**12,358**	**50,507**	12,433	50,577
Legal and professional fees	**11,550**	**47,205**	10,450	42,511
Investigation fee	**5,222**	**21,342**	5,152	20,958
Transportation expense	**4,857**	**19,851**	5,190	21,113
Utilities expense	**3,413**	**13,949**	2,810	11,431
Communication expense	**3,200**	**13,078**	3,374	13,725
Security expense	**3,135**	**12,813**	3,135	12,753
Other tax expense	**1,043**	**4,263**	1,041	4,235
Other expenses	**9,909**	**40,499**	7,679	31,239
Advertising expense	**-**	**-**	1,045	4,251
Penalty expense	**-**	**-**	15,826	64,380
	234,180	**957,094**	240,133	976,861

20. Loss allowance for expected credit losses ("ECL")

	For the year ended 31 December 2022		For the year ended 31 December 2021	
	USD	**KHR'000**	USD	KHR'000
Loss allowance for ECL:				
Loans and advances	**605,210**	**2,473,493**	462,988	1,883,435
Deposits and placements financial institutions	**(1,518)**	**(6,204)**	636	2,587
	603,692	**2,467,289**	463,624	1,886,022

21. Income taxes

a) Deferred tax assets/(liabilities)

Deferred tax assets and liabilities and liabilities attributable from:

2021	At 01 January USD	Recognized in Profit or loss USD	At 31 December USD
Property and equipment	-	-	-
Loss allowance for ECL	62,335	44,000	106,335
Total	62,335	44,000	106,335
In KHR'000	253,953	179,256	433,209

2022	**At 01 January USD**	**Recognized in Profit or loss USD**	**At 31 December USD**
Property and equipment	**-**	**-**	**-**
Loss allowance for ECL	**106,335**	**(21,791)**	**84,544**
Total	**106,335**	**(21,791)**	**84,544**
In KHR'000	**437,781**	**(89,714)**	**348,068**

This represents deferred tax liabilities arising from the allowance for substandard, doubtful and loss of loans and advances which is deductible for computation of corporate income tax expense under the Prakas no.1535 MEF issued by the Ministry of Economy and Finance ("MEF") on 23 December 2016.

b) Income taxes payable

	As at 31 December 2022		As at 31 December 2021	
	USD	KHR'000	USD	KHR'000
At 01 January	**7,000**	**28,518**	137,163	554,824
Current income taxes	**11,777**	**48,133**	17,854	72,630
Income taxes paid during the year	**(15,244)**	**(62,302)**	(119,065)	(484,356)
Over provision in prior year	**(3,533)**	**(14,439)**	(28,952)	(117,777)
Translation difference	**-**	**90**	-	3,197
At 31 December	**-**	**-**	7,000	28,518

c) Income taxes expense

	For the year ended 31 December 2022		For the year ended 31 December 2021	
	USD	KHR'000	USD	KHR'000
Current tax:				
For the financial year	**11,777**	**48,133**	17,854	72,630
Over provision in the previous years	**(3,533)**	**(14,439)**	(28,952)	(117,777)
	8,244	**33,694**	(11,098)	(45,147)
Deferred tax liability				
For the current financial year	**21,791**	**89,059**	(44,000)	(178,992)
	30,035	**122,753**	(55,098)	(224,139)

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 revenue, whichever is higher.

A reconciliation of income tax expense applicable to the Profit before tax at the corporate tax rate to income tax expense at the effective tax of the Bank is as follows:

	For the year ended 31 December 2022		For the year ended 31 December 2021	
Loss before taxes	**(346,291)**	**(1,415,291)**	(143,919)	(585,462)
Tax at the corporate tax rate of 20%	**(69,258)**	**(283,058)**	(28,784)	(117,093)
Non-deductible expenses	**3,502**	**14,313**	2,829	11,508
Overprovision in prior year	**-**	**-**	(28,952)	(117,777)
Others	**-**	**-**	(191)	(777
Income taxes at 20% (A)	**(65,756)**	**(268,745)**	(55,098)	(224,139)
Estimated current income tax expense (Higher of A or B)	**30,035**	**122,753**	(55,098)	(224,139)

22. Tax contingencies

The taxation system in Cambodia is relatively new and is characterized by numerous taxes and frequently changing legislation, which is often unclear and subject to interpretation. Often different interpretation exists among numerous taxation authorities and jurisdictions. Taxes are subject to review and investigation by a number of authorities who are enabled by law to impose severe fines, penalties and interest charges.

These facts may create tax risks in Cambodia, substantially more compared to other countries. Management believes that tax liabilities have been adequately provided based on its interpretation of tax legislations. However, the relevant authorities may have differing interpretations and effects could be significant since the interpretation of the Bank.

23. Cash flow information

a) The reconciliation of liabilities arising from financing activities is as follows:

	For the year ended 31 December 2022		For the year ended 31 December 2021	
	USD	**KHR'000**	USD	KHR'000
At 01 January	**31,506**	**128,355**	-	-
Changes in financing cash flows				
Repayment of principal	**(15,126)**	**(61,820)**	(15,503)	(63,066)
Repayment of finance charge on lease	**(1,809)**	**(7,393)**	(1,432)	(5,825)
	(16,935)	**(69,213)**	(16,935)	(68,891)
Non-cash changes				
Acquisition of new lease	**-**	**-**	47,009	191,515
Finance charge on lease recognised in profit or loss	**1,809**	**7,393**	1,432	5,825
Translation difference	**-**	**901**	-	(94)
	1,809	**8,294**	48,441	197,246
Translation difference	**-**	**-**	-	-
At 31 December	**16,380**	**67,436**	31,506	128,355

b) The cash and cash equivalents comprise the following:

	For the year ended 31 December 2022		For the year ended 31 December 2021	
	USD	**KHR'000**	**USD**	**KHR'000**
Cash on hand	**535**	**2,203**	1,180	4,807
Deposits and placements with financial institutions	**2,627,705**	**10,818,262**	4,167,882	16,979,951
	2,628,240	**10,820,465**	4,169,062	16,984,758
Less: Deposits with tenure of more than 3 months	**2,054,196**	**8,457,125**	1,210,000	4,929,540
	574,044	**2,363,340**	2,959,062	12,055,218

24. Related party disclosures

a) Identities of related parties

Parties are considered to be related to the Bank if the Bank has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Bank and the party are subject to common control.

In addition to the information detailed elsewhere in the financial statements, the Bank has related party relationships with its directors, key management personnel and entities within the same group of companies.

b) Related party transactions

Other than those disclosed elsewhere in the financial statements, the Bank carried out the following significant transactions with the related parties during the financial year:

	As at 31 December 2022		As at 31 December 2021	
Key management personnel compensation:	**USD**	**KHR'000**	USD	KHR'000
Short term employee benefits	**476,004**	**1,945,428**	386,291	1,571,432
Management fee	**120,000**	**490,440**	120,000	488,160

25. Financial instruments

The main risks arising from the Bank's financial instruments in the normal course of business are operational risk, credit risk, market risk and liquidity risk.

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

These risks are limited by the Bank's financial management policies and practices described below.

25.1. Financial Instruments

The Bank's policies in respect of the major areas of treasury activity are as follows:

a) Operational risk

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

The operational risk losses is managed through established operational risk management processes, proper monitoring and reporting of the business activities by control and support units which are independent of the business units and oversight provided by the senior management of the Bank.

The Bank's operational risk management entails the establishment of clear organizational structures, roles and control policies. Various internal control policies and measures have been implemented including the establishment of signing authorities, defining system parameters controls, streamlining procedures and documentation and compliance with regulatory and other legal requirements.

b) Credit risk

Credit risk is the potential loss of revenue and principal losses in the form of specific provisions as a result of defaults by the borrowers or counterparties through its lending and investing activities.

The primary exposure to credit risk arises through its loans to customers. The amount of credit exposure in this regard is represented by the carrying amounts of the assets on the statement of financial position. The lending activities are guided by the Bank's credit policy to ensure that the overall objectives in the area of lending are achieved; i.e., that the loans portfolio is strong and healthy and credit risks are well diversified. The credit policy documents the lending policy, collateral policy and credit approval processes and procedures implemented to ensure compliance with NBC Guidelines.

The Bank holds collateral against loans to customers in the form of mortgage interests over property and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as doubtful.

i. Credit risk measurement

The measurement of expected credit loss allowance under the CIFRS 9's three-stage approach is to recognise lifetime expected credit loss allowance for financial instrument for which there has been a significant increase in credit risk since initial origination or is credit-impaired as at the reporting date. The financial instrument which has not undergone any significant deterioration in credit risk shall be recognised with 12-month expected credit loss allowance. Under the three-stage approach, the financial instrument is allocated into three stages based on the relative movement in the credit risk.

Stage 1 includes financial instruments that neither have a significant increase in credit risk since initial recognition nor credit-impaired as at reporting date. For these assets, 12-month expected credit loss allowance are recognised.

Stage 2 includes financial instruments that have had a significant increase in credit risk since initial recognition but do not have objective evidence of impairment. For these assets, lifetime expected credit loss allowance are recognised.

Stage 3 includes financial instruments that have objective evidence of impairment at the reporting date. For these assets, lifetime expected credit loss allowance are recognised.

Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their expected credit loss allowance is always measured on a lifetime basis (Stage 3).

The key judgements and assumptions adopted by the Bank in addressing the requirements of the standard on the measurement of allowances are:

1. Significant increase in credit risk ("SICR")

The assessment of SICR shall be a multifactor and holistic analysis and based on a mixture of quantitative and/or qualitative information. To determine whether the risk of default of a loan has increased significantly since initial recognition, the current risk of default at the reporting date is compared with the risk of default at initial recognition.

2. Definition of credit impaired

Loans and advances

The Bank classifies a loan and advance as impaired when it meets one or more of the following criteria:

- The principal or interest or both of the loan is past due for more than 3 months for short term loans and 1 year for long term loans.
- The loan is forced impaired due to various reasons, such as bankruptcy
- The loan is classified as "Loss" as per NBC's requirement.

3. Definition of default

Loans and advances

The Bank defines a financial instrument as in default when it meets one or more of the following criteria:

- Credit-impaired
- Write-off/charged-off accounts.

4. Measuring ECL – inputs, assumptions and estimation techniques

The ECL is measured on either a 12-month or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit impaired. The 12-month or Lifetime ECL reflects multiple forward-looking scenarios and is weighted based on the probability of occurrence for each scenario. The ECL can be assessed and measured either on collective or individual basis.

For collective assessment, the ECL is determined by projecting the Probability of Default ("PD"), Loss Given Default ("LGD") and Exposure at Default ("EAD") for each future month and for each individual exposure or collective segment. The three components are multiplied together to calculate an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

For individual assessment, the ECL allowance is determined by comparing the outstanding exposure with the present value of cash flow which is expected to be received from the borrower.

Probability of Default
The PD represents the likelihood of a borrower will be unable to meet its financial obligation either over the next 12 months (12-month PD) or over the remaining lifetime (Lifetime PD) of the obligation.

The PD is derived based on the modelling approach of which statistical analysis and expert judgement was performed to identify the risk parameters which correlate with the historical observed default. The model relies on the risk parameters and its correlation with the historical observed default to predict the 12-month PD. The Lifetime PD is developed using forecasted macro-economic variables (MEV) with the application of survival probabilities up to maturity of the loan facility.

Exposure at Default
EAD is the total amount that the Bank is exposed to at the time the borrower defaults.

The 12-month and lifetime EADs are determined based on the expected payment profile. For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12-month or remaining maturity.

Loss Given Default
LGD represents the Bank's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type.

- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.

- For unsecured products, LGD ' s are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGD's are influenced by collection strategies, including contracted debt sales and price.

The assumptions underlying the ECL calculation are monitored and reviewed periodically. There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

5. Forward-looking information incorporated into the ECL models

The estimation of ECL incorporates forward-looking information. The Bank has performed statistical analysis based on historical experience and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. The relationship of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of PD and LGD. These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgement has also been applied in this process. As with any economic forecasts, the projections and likelihoods of occurrence are subject to some degree of inherent uncertainty and therefore the actual outcomes may be different to those projected. The Bank considers these forecasts to represent its best estimate of the possible outcomes and are appropriately representative of the range of possible scenarios. The scenario weightage, number of scenarios and their attributes are reassessed periodically.

6. Grouping of exposure for ECL measured on collective basis

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

In performing this grouping, there must be sufficient information for the group to be statistically credible. Where sufficient information is not available internally, the Bank has considered benchmarking internal/external supplementary data to use for modelling purposes.

The appropriateness of groupings is monitored and reviewed on a periodic basis.

i. Risk limit control and mitigation policies

The Bank operates and provides loans and advances to individuals or enterprises within the Kingdom of Cambodia. The Bank manages limits and controls concentration of credit risk whenever they are identified.

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

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

ii. Impairment and provisioning policies

The Bank is required to follow the mandatory credit classification and provisioning in accordance with Prakas B7-017-344 and B7-018-001 dated 1 December 2017 and 16 February 2018 respectively on loan classification and provisioning. The impairment policy is set out in Note 4.8 (a).

At each reporting date, the Bank assesses whether any of financial assets at amortised cost are credit impaired.

Loans and advances

The Bank applies the 3-stage general approach to measuring expected credit losses for loans and advances.

The calculation of expected loss rates are based on the estimation techniques mentioned in Note 25.1 (b) (i).

Generally, the Bank considers loans and advances to related parties have low credit risks. The Bank assumes that there is a significant increase in credit risk when a related parties' financial position deteriorates significantly. As the Bank is able to determine the timing of payments of the related parties' loans and advances when they are payable, the Bank considers the loans and advances to be in default when the subsidiaries are not able to pay when demanded. The Bank considers a related party's loan or advance to be credit impaired when the subsidiary is unlikely to repay its loan or advance in full or the subsidiary is continuously loss making or the subsidiary is having a deficit in its total equity.

The Bank determines the probability of default for these loans and advances individually using internal and external information available.

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The information about the exposure to credit risk and the loss allowances calculated under CIFRS 9 for loans and advances are summarised below:

		Loss allowance for ECL			
	Gross amount	12-month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Carrying amount
2022	**USD**	**USD**	**USD**	**USD**	**USD**
1 – 30 days past due	**11,387,867**	**(285,327)**	**-**	**-**	**11,102,540**
30 – 90 days past due	**600,000**	**-**	**(140,361)**	**-**	**459,639**
more than 90 days	**1,320,785**	**-**	**-**	**(1,312,233)**	**8,552**
	13,308,652	**(285,327)**	**(140,361)**	**(1,312,233)**	**11,570,731**
In KHR'000	**54,791,720**	**(1,174,691)**	**(577,866)**	**(5,402,463)**	**47,636,700**
2021					
1 – 30 days past due	9,712,161	(247,460)	-	-	9,464,701
30 – 90 days past due	774,120	-	(149,766)	-	624,354
more than 90 days	1,007,269	-	-	(735,484)	271,785
	11,493,550	(247,460)	(149,766)	(735,484)	10,360,840
In KHR'000	46,824,723	(1,008,152)	(610,147)	(2,996,362)	42,210,062

The movement is the loss allowance for ECL in respect of loans and advances are disclosed in Note 7.

Other receivables

Other receivables are also subject to the impairment requirements of CIFRS 9, the identified impairment loss was immaterial and hence, it is not provided for.

Cash and Bank Balances

The movement is the loss allowance for ECL in respect of cash and bank balances are disclosed in Note 6.

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iii. Maximum exposure to credit risk before collateral held or other credit enhancements

The credit exposure arising from on and off-balance sheet activities are as follows:

Credit risks exposures relating to on-balance sheet assets:

	As at 31 December 2022 USD	As at 31 December 2022 KHR'000	As at 31 December 2021 USD	As at 31 December 2021 KHR'000
Bank balances – gross	**2,627,705**	**10,818,262**	4,167,882	16,979,951
Deposits and placements with National Bank of Cambodia – gross				
Loans and advances – gross	**13,308,652**	**54,791,720**	11,493,550	46,824,723
Other assets	**115,839**	**476,909**	136,201	554,883
	16,052,196	**66,086,891**	15,797,633	64,359,557
Credit risks exposures relating to off-balance sheet items:				
Unused portion of credit facilities	-	-	-	-
Total maximum credit risk exposure	**16,052,196**	**66,086,891**	15,797,633	64,359,557

iv. Exposure to credit risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position of the Bank after deducting any allowance for impairment losses (where applicable).

Loans with renegotiated terms/restructured loans

Loans with renegotiated terms are loans that have been rescheduled or refinanced in accordance with an agreement setting forth a new repayment schedule on a periodic basis occasioned by weaknesses in the borrower's financial condition and/or inability to repay the loan as originally agreed. Loans to be restructured are analyzed on the basis of the business prospects and repayment capacity of the borrower according to new cash flow projections supported by updated business perspectives and overall market conditions being based on realistic and prudent assumptions.

Once the loan is restructured it remains in the same category independent of satisfactory performance after restructuring. The classification is not improved unless there are no arrears in repayment of principal and interest within 3 installment periods and within a period of not less than 3 months.

Write-off policy

In compliance with NBC Guidelines, the Bank shall remove a loan/advance or a portion of a loan from its balance sheet when the Bank loses control of the contractual rights over the loan or when all or part of a loan is deemed uncollectible; or there is no realistic prospect of recovery.

Collateral

The Bank holds collateral against loans and advances in the form of mortgage interests over property and/or guarantees. Estimates of fair value are based on the value of collateral assessed on an annual basis. There were no non-financial assets obtained by the Bank during the year by taking possession of collateral held as security against loans and advances. The repossessed properties have to be sold within one year as the required by the NBC Guidelines and are classified in the statement of financial position as foreclosed property.

Concentration of credit risk

The analysis of concentrations of credit risk from loans and advances at the end of the reporting period is shown in Note 7 to the financial statements.

c) Market risk

Market risk is the risk of loss arising from adverse movement in the level of market prices or rates, the two key components being foreign currency exchange risk and interest rate risk. Market risk arising from the trading activities is controlled by marking to market the trading positions against their predetermined market risk limits.

i. Foreign currency risk

Foreign currency exchange risk refers to the adverse exchange rate movements on foreign currency exchange positions taken from time to time. The Bank maintains a policy of not exposing itself to large foreign exchange positions. Any foreign currency exchange open positions are monitored against the operating requirements, predetermined position limits and cut loss limits.

ii. 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, cost of funds and through interest rate sensitivity gap analysis. The potential reduction in net interest income from an unfavorable interest rate movement is monitored against the risk tolerance limits set.

The Bank’s exposure to interest rate risk based on the carrying amounts of the financial instruments at the end of the reporting period is disclosed in respective notes to the financial statements.

Fair value sensitivity analysis for fixed rate instruments

The Bank does not account for any fixed rate liabilities at fair value through profit or loss, and the Bank does not have derivatives as at the year end.

Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Sensitivity analysis for floating rate instruments

The Bank does not have significant floating rate instruments. Any reasonably possible change in the interest rates of floating rate instruments at the end of the reporting period does not have a material impact on the profit after tax and other comprehensive income of the Bank and hence, no sensitivity analysis is presented.

iii. Equity price risk

The Bank does not have any quoted investments and hence is not exposed to equity price risk.

d) Liquidity risk

Liquidity risk relates to the ability to maintain sufficient liquid assets to meet its financial commitments and obligations when they fall due at a reasonable cost.

In addition to full compliance of all liquidity requirements, the management of the Bank closely monitors all inflows and outflows and the maturity gaps through periodical reporting. Movements in loans and customers‟ deposits are monitored and liquidity requirements adjusted to ensure sufficient liquid assets to meet its financial commitments and obligations as and when they fall due.

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Maturity analysis

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):

2022	**Weighted Average Effective Interest rate %**	**Carrying amount USD**	**Contractual undiscounted cash flow USD**	**1 Year USD**	**Within 1 year- 5 year USD**	**Over 5 years USD**
Non-derivative financial liabilities						
Other liabilities	**N/A**	**37,578**	**37,578**	**37,578**	**-**	**-**
Lease liabilities	**8.0%**	**16,380**	**16,934**	**16,934**	**-**	**-**
		53,958	**54,512**	**54,512**	**-**	**-**
In KHR'000		**222,145**	**224,426**	**224,426**	**-**	**-**

2021	Weighted Average Effective Interest rate %	Carrying amount USD	Contractual undiscounted cash flow USD	1 Year USD	Within 1 year- 5 year USD	Over 5 years USD
Non-derivative financial liabilities						
Other liabilities	N/A	43,855	43,855	43,855	-	-
Lease liabilities	8.0%	31,506	33,868	16,934	16,934	-
		75,361	77,723	60,789	16,934	-
In KHR'000		307,021	316,644	247,654	68,989	-

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25.2. Capital risk management

a) Regulatory capital

The Banks 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 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 NBC requires all the Banks to (i) fulfill the minimum capital requirements, and (ii) comply with solvency, liquidity and other requirements.

b) 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.

There was no change in the Bank's approach to capital management during the financial year.

25.3. Classification of financial instruments

	As at 31 December 2022		As at 31 December 2021	
Financial assets	**USD**	**KHR'000**	USD	KHR'000
Amortised Cost				
Cash and bank balance	**535**	**2,203**	1,180	4,807
Deposits and placements with financial institutions	**2,625,137**	**10,807,689**	4,163,796	16,963,305
Loans and advances	**11,570,731**	**47,636,700**	10,360,840	42,210,062
Other assets	**115,839**	**476,909**	136,201	554,883
Statutory deposits with National Bank of Cambodia	**750,000**	**3,087,750**	750,000	3,055,500
	15,062,242	**62,011,251**	15,412,017	62,788,557

	As at 31 December 2022		As at 31 December 2021	
Financial liabilities	**USD**	**KHR'000**	USD	KHR'000
Amortised Cost				
Other liabilities	**37,578**	**154,709**	43,855	178,665
Lease liabilities	**16,380**	**67,436**	31,506	128,355
	53,958	**222,145**	75,361	307,020

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25.4. Gains or losses arising from financial instruments

	As at 31 December 2022		As at 31 December 2021	
Financial assets	**USD**	**KHR'000**	USD	KHR'000
Amortised Cost				
Net gain recognised in profit or loss	**531,018**	**2,170,271**	635,014	2,583,237
	531,018	**2,170,271**	635,014	2,583,237

	As at 31 December 2022		As at 31 December 2021	
Financial liabilities	**USD**	**KHR'000**	USD	KHR'000
Amortised Cost				
Net losses recognised in profit or loss	**(1,809)**	**(7,393)**	(1,432)	(5,825)
	(1,809)	**(7,393)**	(1,432)	(5,825)

25.5. Fair value information

The fair values of the financial assets and financial liabilities of the Bank which are maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments or repayable on demand terms.

26. Authorisation of the financial statements

The financial statements for the year ended 31 December 2022 were authorised for issue by the director on 27 March 2023.

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