southerncapital

Annual Report

2024

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CHAIRMAN'S MESSAGE

As we reflect on the year 2024, I am pleased to present our annual report, which showcases both our achievements and the challenges we have faced in an evolving economic landscape.

2024 Review

The Cambodian banking sector experienced significant headwinds in 2024, with the economy continuing to recover at a slower pace than anticipated. Despite these challenges, our bank has remained resilient, adapting to the changing environment while maintaining our commitment to serving our customers and contributing to Cambodia's economic growth.

Financial Performance

One of the most pressing issues we encountered was the increase in non-performing loans (NPLs) and loan non-payments. Our NPL rose to US$4.19 million in 2024, reflecting the broader trend in the Cambodian banking sector. This increase can be attributed to several factors, including the lingering effects of the pandemic on key sectors such as real estate and manufacturing.

To address this challenge, we have implemented stringent asset quality management and monitoring practices. We have also increased our loan loss provisions to buffer against economic uncertainties, maintaining a high coverage ratio and a robust capital base that exceeds the National Bank of Cambodia's requirements.

Despite these challenges, our bank has continued to grow and continued in enhancing accessibility for our customers and promoting financial inclusion across Cambodia. Our focus on supporting small and medium-sized enterprises (SMEs) remains strong, as we believe they are crucial to the country's economic recovery and long-term growth.

2025 Prospect

Looking ahead to 2025, we anticipate a gradual improvement in economic conditions, with Cambodia's GDP growth projected to reach 6%. However, we remain cautious and vigilant, as some forecasts suggest that NPLs in the broader financial system may continue to rise, potentially peaking at 7.7% in 2026.

In response to these projections, we are committed to:

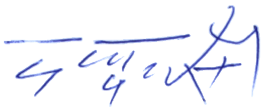
1. Strengthening our risk management practices
2. Diversifying our loan portfolio to reduce sector-specific risks
3. Supporting our customers through tailored financial solutions

Acknowledgements

I would like to express my sincere gratitude to our dedicated employees, loyal customers, and supportive shareholders for their unwavering commitment during these challenging times. Your trust and confidence in our bank have been instrumental in our ability to navigate through this period.

As we move forward, we remain optimistic about the future of Cambodia's banking sector and our role in it. We are confident that by staying true to our values of prudence, innovation, and customer-centricity, we will emerge stronger and continue to contribute positively to Cambodia's economic development.

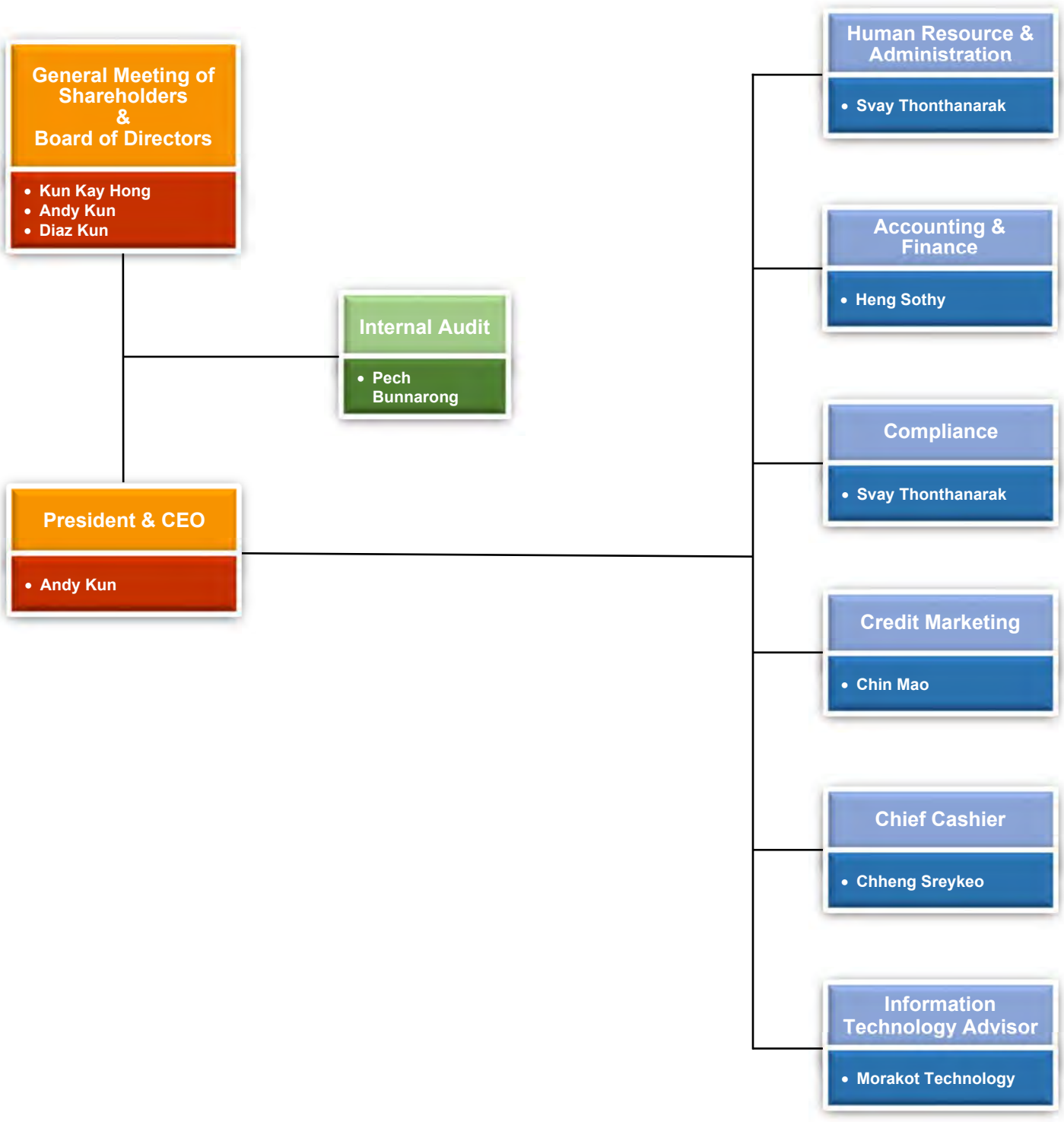
Thank you for your continued support and trust in our bank.



Kun Kay Hong
Chairman
25 April 2024

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. 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 2024.

1. Background and principal activities

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 operate as a specialized banking business.

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

The Bank's head office is located at No.294, Moa Tse Toung Blvd (245), Sangkat Tomnoub Teuk, Khan Chamkarmorn, Phnom Penh, Kingdom of Cambodia.

2. Results of operations

The results of the Bank's operations for the year ended 31 December 2024 and the state of its affairs as at that date are set out in the financial statements.

The board of directors do not recommend the payment of a dividend for the year ended 31 December 2024.

3. Directors

The director's member of the Bank during the year and to the date of this report were as follows:

Name	**Position**
Kun Swee Tiong Andy	Director, President and CEO
Kun Swee Yi Diaz	Director and Executive Vice President
Kun Kay Hong	Chairman

4. Auditors

The financial statements for the year ended 31 December 2024 have been audited by Cam Accounting & Tax Service Co., Ltd.

5. 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 2024 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 ("CIFRS") which are supported by reasonable and appropriate judgments and estimates and then apply them consistently;

ii. comply with the disclosure requirements CIFRS, 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 are also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

6. 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 financial year which, in the opinion of the directors, will or may substantially affect the ability of the Bank to meet its obligations when they fall due.

7. Approval of the Financial Statements

On behalf of the board of directors of Southern Capital Specialized Bank Plc., I do hereby state that the accompanying financial statements present fairly, in all material respects, the statement of financial position of the Bank as at 31 December 2024 and statement of profit & loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, in accordance with Cambodian International Financial Reporting Standards (CIFRS).

On behalf of Board of Directors

Mr. Kun Swee Tiong Andy
President and Chief Executive Officer

Phnom Penh, Kingdom of Cambodia
Date: 17 March 2025

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 2024 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 37.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2024, and its financial performance and its cash flows for the year then ended in accordance with Cambodian International Financial Reporting Standards ("CIFRS").

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.

Independence

We are independent of the Bank in accordance with the international code of ethics for professional accountants issued by the international Ethics Standards Board for Accountants (IESBA Code) and ethical requirements of the Kampuchea Institute of Certified Public Accountants and Auditors' Code of Ethics for Certified Public Accountants and Auditors (KICPAA's Code) that are relevant to our audit of the Bank's financial statements in Cambodia. We have fulfilled our other ethical responsibilities in accordance with the IESBA code and the KICPAA code.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the bank financial statement as of 31 December 2024. We determine one key audit matter: the allowance for impairment losses on loans to customers. This matter was addressed in the context of our audit financial statement as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Key audit matter	**How our audit addressed the key audit matter**
Allowance for impairment losses on loans to customers: Loans to customers constitute approximately 64% and 77% of the bank total asset respectively, as at 31 December 2024 and 31 December 2023. The detail of loan to customers portfolio, term, products were mentioned in Note 6.	Our audit procedures included the followings: 1. We updated the controls over the loans to customer and allowance for impairment losses. These controls, among others included: -Review loan applications, update credit default, identify of significant increase in credit risk;

Allowance for impairment losses on loans to customers (continued): The Bank's excepted credit loss (ECL) models are significant to our audit as this required the significant assumptions about future economic conditions and credit behaviours. The ECL models require considerable judgement and interpretation in its implementation of the requirement of CIFRS 9, Financial instrument, which brings about a high degree of estimation uncertainty. The significant judgement in applying the accounting requirements for measuring ECL as following: -Update the information of loans to customers, credit risk characteristics for the purpose of measuring ECL; -Review the appropriate model and assumption to measure ECL; -Determining criteria for identifying loans to customers that have history a significant increase in credit risk (SICR), and; -Applying the assumptions and analysis on expected future cash flows, existing market and forward-looking information. The detail of the accounting policy, significant accounting judgements and estimates uncertainty, and credit risk measurement use by the bank have been disclose in note 3.3 (a.) and 22 (i).	2. We assessed whether the methodology and assumptions use in ECL models are consistent with the requirement of CIFRS 9. 3. We evaluated the process of the ECL model update by management and validated the reasonableness of the publicly available information. Additionally, we assessed the accuracy of the default rate selected from macroeconomic factors. 4. We tested the completeness of loans to customers, accuracy data input of ECL model. 5. We recomputed the ECL and compare to the ECL model. 6. We assessed the adequacy of disclosure to ensure compliance with CIFRS 9. Based on the results of these procedures and the key assumption, we noted that the bank's ECL model calculation by management did not update macroeconomic factors to assess the credit default rate in Note 6. However, we performed a comparison between the management's ECL model with macroeconomic factors rate and the difference in credit default rates was not statistically significant. Therefore, management's estimate on ECL model were reasonable based on available evidence.

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 CIFRS. 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 Cam Accounting & Tax Service Co., Ltd.
Certified Public Accountants and Auditors

Keat Heng, CPA, FCCA
Audit Partner

Phnom Penh, Kingdom of Cambodia
Date: 17 March 2025

Statement of financial position
As at 31 December 2024

	Notes	2024		2023	
Assets		**USD**	**KHR'000**	USD	KHR'000
Cash on hand	4	**138**	**555**	458	1,871
Deposits and placements with financial institutions	5	**3,405,715**	**13,708,003**	2,414,229	9,862,125
Loans to customers	6	**8,883,557**	**35,756,317**	11,285,306	46,100,475
Other assets	7	**160,486**	**645,956**	96,875	395,734
Statutory deposits with NBC	8	**750,000**	**3,018,750**	750,000	3,063,750
Right-of-use assets	9	**37,868**	**152,419**	6,528	26,667
Property and equipment	10	**19,068**	**76,749**	22,728	92,844
Deferred tax assets	18 (a)	**595,543**	**2,397,061**	82,794	338,213
Total assets		**13,852,375**	**55,755,810**	14,658,918	59,881,679
Liabilities					
Other liabilities	11	**494,035**	**1,988,491**	296,885	1,212,775
Lease liabilities	20 (a)	**31,506**	**126,812**	-	-
Total liabilities		**525,541**	**2,115,303**	296,885	1,212,775
Equity					
Share capital	12	**15,000,000**	**60,000,000**	15,000,000	60,000,000
Accumulated losses		**(1,673,166)**	**(6,863,793)**	(637,967)	(2,649,498)
Translation reserve		**-**	**504,300**	-	1,318,402
Total equity		**13,326,834**	**53,640,507**	14,362,033	58,668,904
Total liabilities and equity		**13,852,375**	**55,755,810**	14,658,918	59,881,679

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

Statement of profit & loss and other comprehensive income

For the year ended 31 December 2024

	Notes	2024		2023	
		USD	**KHR'000**	USD	KHR'000
Interest income	13	**1,073,853**	**4,371,656**	1,145,651	4,708,626
Fee and commission income		**70,369**	**286,472**	85,909	353,086
Total income		**1,144,222**	**4,658,128**	1,231,560	5,061,712
Employee expenses	14	**(815,818)**	**(3,321,195)**	(763,661)	(3,138,647)
Depreciation and amortization	15	**(21,602)**	**(87,942)**	(22,906)	(94,144)
Allowance for expected credit losses ("ECL")	16	**(1,589,258)**	**(6,469,869)**	(970,846)	(3,990,177)
General and administrative expenses	17	**(253,955)**	**(1,033,851)**	(262,145)	(1,077,416)
Loss before taxes		**(1,536,411)**	**(6,254,729)**	(787,998)	(3,238,672)
Income taxes	18 (c)	**501,212**	**2,040,434**	(13,573)	(55,785)
Loss for the year		**(1,035,199)**	**(4,214,295)**	(801,571)	(3,294,457)
Other comprehensive income		**-**	**-**	-	-
Currency translation differences		**-**	**(814,102)**	-	(465,198)
Total comprehensive income for the year		**(1,035,199)**	**(5,028,397)**	(801,571)	(3,759,655)

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

Statement of changes in equity
For the year ended 31 December 2024

	Share capital USD	Accumulated losses USD	Total USD
At 01 January 2023	15,000,000	163,604	15,163,604
Loss for the year	-	(801,571)	(801,571)
Balance at 31 December 2023	15,000,000	(637,967)	14,362,033
Loss for the year	**-**	**(1,035,199)**	**(1,035,199)**
Balance at 31 December 2024	**15,000,000**	**(1,673,166)**	**13,326,834**

	Share capital KHR'000	Accumulated losses KHR'000	Translation reserve KHR'000	Total KHR'000
At 01 January 2023	60,000,000	644,959	1,783,600	62,428,559
Loss for the year	-	(3,294,457)	-	(3,294,457)
Translation differences	-	-	(465,198)	(465,198)
Balance at 31 December 2023	60,000,000	(2,649,498)	1,318,402	58,668,904
Loss for the year	**-**	**(4,214,295)**	**-**	**(4,214,295)**
Translation differences	**-**	**-**	**(814,102)**	**(814,102)**
Balance at 31 December 2024	**60,000,000**	**(6,863,793)**	**504,300**	**53,640,507**

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

Statement of cash flows
For the year ended 31 December 2024

	Notes	2024		2023	
		USD	**KHR'000**	USD	KHR'000
Cash flow from operating activities					
Loss before taxes		**(1,536,411)**	**(6,254,729)**	(787,998)	(3,238,672)
Adjustment for:					
Depreciation	15	**21,602**	**87,942**	22,906	94,144
Allowance for ECL	16	**1,589,258**	**6,469,869**	970,846	3,990,177
Interest expense on lease liabilities	20(b)	**1,432**	**5,829**	555	2,280
Operating profit before working capital changes		**75,881**	**308,911**	206,309	847,929
Changes in:					
Loans to customers	6	**992,472**	**4,040,354**	(351,750)	(1,445,693)
Other assets	7	**(242,624)**	**(987,722)**	(296,308)	(1,217,826)
Other liabilities	11	**197,150**	**802,598**	259,307	1,065,752
Cash flow used in operating activities		**1,022,879**	**4,164,141**	(182,442)	(749,838)
Income taxes paid	18(c)	**(11,537)**	**(46,967)**	(11,823)	(48,593)
Net cash flow used in operating activities		**1,011,342**	**4,117,174**	(194,265)	(798,431)
Cash flow from investing activities					
(Placement)/ Withdrawal of fixed deposits	20(c)	**(739,402)**	**(3,010,106)**	46,117	189,541
Acquisition of PPE		**(2,273)**	**(9,253)**	-	-
Net cash flow used in investing activities		**(741,675)**	**(3,019,359)**	46,117	189,541
Cash flows from financing activities					
Finance charge on lease	20(b)	**(1,432)**	**(5,829)**	(555)	(2,280)
Repayment of lease liabilities	20(b)	**(15,503)**	**(63,113)**	(16,380)	(67,322)
Net cash generated from financing activities		**(16,935)**	**(68,942)**	(16,935)	(69,602)
Net changes in cash and cash equivalents		**252,732**	**1,028,873**	(165,083)	(678,492)
Cash and cash equivalents at 01 January		**408,961**	**1,670,606**	574,044	2,363,340
Currency translation differences		**-**	**(36,165)**	-	(14,242)
Cash and cash equivalents at 31 December	20(c)	**661,693**	**2,663,314**	408,961	1,670,606

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

Notes to the financial statements

1. Background and principal activities

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 operate as a specialized banking business for an indefinite period.

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

The Bank's head office is located at No.294, Moa Tse Toung Blvd (245), Sangkat Tomnoub Teuk, Khan Chamkarmorn, Phnom Penh, Kingdom of Cambodia.

2. Statement of compliance with CIFRS

The financial statements of the Bank have been prepared in accordance with Cambodian International Financial Reporting Standards ("CIFRS").

3. Significant accounting policies

3.1 New and amended standards and interpretations

3.1.1 Accounting standards effective on or after 01 January 2024

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

- Classification of Liabilities as Current or Non-Current and Non-current Liabilities with Covenants (Amendments to CIAS 1)
- Lease Liability in a Sale and Leaseback (Amendments to CIFRS 16)
- Supplier Finance Arrangements (Amendments to CIAS 7 and CIFRS 7)

3.1.2 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:

- Lack of Exchangeability (Amendments to CIAS 21)
- Amendments to the Classification and Measurement of Financial Instruments (Amendments to CIFRS 9 and 7)
- CIFRS 18 'Presentation and Disclosure in Financial Statements'

3.2 The basis of preparation of financial statements

The financial statements have been prepared in accordance with the historical cost convention, except for certain items that are measured at fair value, as disclosed in the significant accounting policies. In compliance with the CIFRS, the preparation of these financial statements requires the use of certain critical accounting estimates. This also necessitates that management exercise judgment in applying the bank's accounting policies. Areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are particularly important. These areas are disclosed to ensure transparency and to provide users with a clear understanding of the potential impact on the financial statements.

3.3 Significant accounting judgments and estimates uncertainty

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, liabilities, income and expenses within the next financial year other than as disclosed below:

a. Impairment of loans to customers

The loss allowances for loans to customers 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.

d. Lease liabilities

Lease liabilities are measured at the present value of lease payments to be made over the lease term. In calculating the lease liabilities, the Group and the Bank use its average incremental borrowing rate which is based on average borrowing interest rate at the time of the commencement of the lease term.

3.4 Functional and foreign currencies

The national currency of Cambodia is the Khmer Riel ("KHR"). As the Bank transacts its business and maintains its accounting records primarily in USD, Management has determined the USD to be the Bank's currency for measurement and presentation currency as it reflects the economic substance of the underlying events and circumstances of the Bank.

The translation of the USD amounts into Khmer Riel ("KHR") is presented in the financial statements which is required by the Law on Accounting and Auditing by using exchange rate announced by the National Bank of Cambodia. Assets and liabilities are translated at the closing rate as at the reporting date and equity is translated at historical rate. The statements of profit or loss and other comprehensive income and cash flows are translated into KHR using the average rate for the year. Exchange differences arising from the translation are recognised as "Currency translation reserves" in the other comprehensive income.

The Bank uses the following exchange rates:

			Closing rate	**Average rate**
31 December 2024	US$1	=	KHR4,025	KHR4,071
31 December 2023	US$1	=	KHR4,085	KHR4,110

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

3.5 Operation and administration expense

Operation and administration expenses are recognised in profit or loss upon utilisation of the service or as incurred.

3.6 Income taxes

Tax expense recognised in the profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction affects tax or accounting profit.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided those rates are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that the underlying tax loss or deductible temporary difference will be able to be utilised against future taxable income. This is assessed based on the Bank's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Bank has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income (such as revaluation of land) or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity respectively.

3.7 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.

Depreciation

Depreciation is calculated by using the annual rates as follows:

Items	**Method**
Leasehold improvement	20% (Double-Declining)
Furniture and fixtures	25% (Double-Declining)
Computer equipment	50% (Double-Declining)
Equipment and others	20%-25% (Double-Declining)
Motor vehicles	25% (Double-Declining)

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.

An item of property and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the statement of comprehensive income in the year which the asset is disposed of.

3.8 Impairment testing of property and equipment and intangible asset

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at the cash-generating unit level.

An impairment loss is recognised for the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, Management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Bank's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles as assessed by Management.

All assets are periodically reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge would be reversed if the cash-generating unit's recoverable amount exceeded it carrying amount.

3.9 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Bank as a lessee

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

Right-of-use assets

The Bank recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use asset comprises leasehold building which is depreciated on a straight-line basis over 3-year period being the shorter of the lease term and the estimated useful lives of the asset. If ownership of the leased asset transfers to the Bank at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

Lease liability

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

Short-term leases and leases of low-value assets

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

3.10 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.

3.11 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.

3.12 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.

Classification

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

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 (FVOCI)

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 (FVTPL)

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 (FVTPL)

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.

3.13 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 to customers

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.

NBC's Announcement No. B30-025-170, dated February 5, 2025, states that the loan impairment provision calculation shall include Accrued Interest Receivable (AIR), applying the provision rate as per the previous 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 to customers 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 to customers classified as substandard, doubtful or loss are considered as non-performing loans.

Regulatory reserves

Regulatory reserves are set up for the variance of provision between impairment in accordance with CIFRS (on loans to customers, deposits and placements with other banks, other receivables, investments in debt securities and off-balance sheet commitments) and regulatory provision (on loans and advances, deposits and placements with other banks, other receivables and off-balance sheet commitments based on the prescribed credit grading rates from the NBC). It is transferred between retained earnings and regulatory reserves when the total accumulated regulatory provision is higher than the accumulated impairment based on CIFRS 9.

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.

3.14 Provisions, contingent liabilities, and contingent assets

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.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised but it will disclose as contingent liabilities.

Possible inflows of economic benefits to the Company that does not yet meet the recognition criteria of an asset are considered contingent assets.

3.15 Equity and Accumulated losses

Share capital represents the nominal value of shares that have been issued. Accumulated losses include all current and prior period losses.

3.16 Employee benefits

Short-term employee benefits

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

3.17 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.

3.18 Revenue

Revenue 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 to customers, 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.

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.

3.19 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

Parties are considered to be related to the Company if:

a. directly or indirectly, a party controls, is controlled by, or is under common control with the Company; has an interest in the Company that gives it significant influence over the Company; or has joint control over the Company;
b. a party is a jointly-controlled entity;
c. a party is an associate;
d. a party is a member of the key management personnel of the Company; or of a parent of the reporting entry;
e. a party is a close family member of the above categories.

4. Cash on hand

Cash on hand as at 31 December 2024 and 31 December 2023 amounting to USD 138 and USD 458 respectively.

5. Deposits and placements with financial institutions

	2024		2023	
In Cambodia:	**USD**	**KHR'000**	USD	KHR'000
Term deposits	**2,747,482**	**11,058,615**	2,008,079	8,203,003
Current deposits	**661,192**	**2,661,298**	407,661	1,665,295
Saving deposits	**362**	**1,457**	842	3,440
	3,409,036	**13,721,370**	2,416,582	9,871,738
Less: Loss allowance for ECL	**(3,321)**	**(13,367)**	(2,353)	(9,613)
	3,405,715	**13,708,003**	2,414,229	9,862,125

Movements in the loss allowance for ECL are as follows:

In Cambodia:	2024 USD	2024 KHR'000	2023 USD	2023 KHR'000
At 01 January	**(2,353)**	**(9,613)**	(2,568)	(10,573)
Loss allowance for ECL	**(968)**	**(3,941)**	215	884
Translation differences	**-**	**187**	-	76
At 31 December	**(3,321)**	**(13,367)**	(2,353)	(9,613)

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:

a) By maturity:	2024 USD	2024 KHR'000	2023 USD	2023 KHR'000
Within 1 month	**661,555**	**2,662,759**	408,503	1,668,735
6 to 12 months	**2,747,481**	**11,058,611**	2,008,079	8,203,003
	3,409,036	**13,721,370**	2,416,582	9,871,738

b) By currency:	2024 USD	2024 KHR'000	2023 USD	2023 KHR'000
Khmer Riels	**384,661**	**1,548,261**	324,287	1,324,713
US Dollars	**3,024,375**	**12,173,109**	2,092,295	8,547,025
	3,409,036	**13,721,370**	2,416,582	9,871,738

c) By interest rate (per annum):	2024		2023	
Saving accounts	**1%**	**1%**	0.5% - 1%	0.5% - 1%
Term deposits	**6%-8.25%**	**6%-8.25%**	5.9%-8%	5.9%-8%

6. Loans to customers

	2024 USD	2024 KHR'000	2023 USD	2023 KHR'000
Short term	**7,526,692**	**30,294,935**	3,744,090	15,294,608
Long term	**5,141,238**	**20,693,483**	9,916,312	40,508,134
	12,667,930	**50,988,418**	13,660,402	55,802,742
Interest receivable from loans	**512,898**	**2,064,415**	333,885	1,363,920
Gross loans at amortised cost	**13,180,828**	**53,052,833**	13,994,287	57,166,662
Less: Loss allowance for ECL	**(4,297,271)**	**(17,296,516)**	(2,708,981)	(11,066,187)
Net loans at amortised cost	**8,883,557**	**35,756,317**	11,285,306	46,100,475

Movements in the 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 2023	285,327	140,361	1,312,233	1,737,921
Changes in expected credit losses due to transferred within stages:				
Transferred to Stage 2	(249,200)	249,200	-	-
Transferred to Stage 3	-	(971,762)	971,762	-
Net remeasurement of allowances	200,973	707,018	(48,292)	859,699
New financial assets originated or purchased	5,523	105,838	-	111,361
At 31 December 2023	242,623	230,655	2,235,703	2,708,981
Changes in expected credit losses due to transferred within stages:				

Transferred to Stage 2	**(6,915)**	**6,915**	**-**	**-**
Transferred to Stage 3	**(1,013,386)**	**(1,065,329)**	**2,078,715**	**-**
Net remeasurement of allowances	**810,241**	**834,674**	**(1,159,686)**	**485,229**
New financial assets originated or purchased	**141,765**	**53,528**	**907,768**	**1,103,061**
At 31 December 2024	**174,328**	**60,443**	**4,062,500**	**4,297,271**

The Loans to customers are analysed as follows:

	2024		2023	
a) By maturity:	**USD**	**KHR'000**	USD	KHR'000
1 to 3 months	**4,985,567**	**20,066,907**	3,377,094	13,795,429
4 to 6 months	**1,878,066**	**7,559,216**	2,584,510	10,557,723
7 to 12 months	**3,016,340**	**12,140,769**	3,829,223	15,642,376
1 to 5 years	**1,824,459**	**7,343,447**	2,628,879	10,738,971
Over 5 years	**963,498**	**3,878,079**	1,240,696	5,068,243
	12,667,930	**50,988,418**	13,660,402	55,802,742

	2024		2023	
b) By industry:	**USD**	**KHR'000**	USD	KHR'000
Retail trade	**1,539,255**	**6,195,501**	1,513,449	6,182,439
Construction	**1,506,152**	**6,062,262**	1,668,362	6,815,259
Hotel and restaurants	**3,840,503**	**15,458,025**	4,620,000	18,872,700
Manufacturing and printing	**2,252,484**	**9,066,248**	2,249,510	9,189,248
Personal	**2,159,819**	**8,693,271**	2,405,667	9,827,150
Whole sale	**430,000**	**1,730,750**	410,000	1,674,850
Real estate activities	**751,297**	**3,023,970**	647,280	2,644,139
Others	**188,420**	**758,391**	146,134	596,957
	12,667,930	**50,988,418**	13,660,402	55,802,742

	2024		2023	
c) By currency:	**USD**	**KHR'000**	USD	KHR'000
US Dollars	**12,113,506**	**48,756,862**	13,091,860	53,480,248
Khmer Riels	**554,424**	**2,231,556**	568,542	2,322,494
	12,667,930	**50,988,418**	13,660,402	55,802,742

	2024		2023	
d) By residency status:	**USD**	**KHR'000**	USD	KHR'000
Residents	**12,667,930**	**50,988,418**	13,660,402	55,802,742
	12,667,930	**50,988,418**	13,660,402	55,802,742

	2024		2023	
e) By relationship:	**USD**	**KHR'000**	USD	KHR'000
External customers	**12,667,930**	**50,988,418**	13,660,402	55,802,742
	12,667,930	**50,988,418**	13,660,402	55,802,742

	2024		2023	
f) By exposure:	**USD**	**KHR'000**	USD	KHR'000
Non-large	**12,667,930**	**50,988,418**	13,660,402	55,802,742
	12,667,930	**50,988,418**	13,660,402	55,802,742

g) By performance and security	2024 USD	2024 KHR'000	2023 USD	2023 KHR'000
Secured	**12,667,930**	**50,988,418**	13,641,664	55,726,197
Unsecured	**-**	**-**	18,738	76,545
	12,667,930	**50,988,418**	13,660,402	55,802,742

h) By interest rate (per annum):	2024	2023
Term loans	**7.8%-11%**	7.8%-11%
Consumer loans:		
Loans to third party	**6%-12%**	6%-12%

7. Other assets

	2024 USD	2024 KHR'000	2023 USD	2023 KHR'000
Interest receivable from deposits and placements with financial institutions	**141,872**	**571,035**	78,262	319,700
Prepayments and deposits	**18,614**	**74,921**	18,613	76,034
	160,486	**645,956**	96,875	395,734

8. Statutory deposits with NBC

	2024 USD	2024 KHR'000	2023 USD	2023 KHR'000
Capital guarantee deposit	**750,000**	**3,018,750**	750,000	3,063,750
	750,000	**3,018,750**	750,000	3,063,750

Capital guarantee deposit

Under NBC Prakas No. B7-01-136 dated 15 October 2001, banks are required to maintain a capital guarantee of 5% 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.

9. Right-of-use assets

	2024 USD	2024 KHR'000	2023 USD	2023 KHR'000
Cost				
At 01 January	**47,009**	**195,557**	47,009	193,536
Additions	**47,009**	**189,211**	-	-
Derecognised	**(47,009)**	**(189,211)**	-	-
Translation difference	**-**	**6,346**	-	2,021
At 31 December	**47,009**	**201,903**	47,009	195,557
Accumulated depreciation				
At 01 January	**40,481**	**168,890**	24,811	102,147
Depreciation	**15,669**	**63,788**	15,670	64,404
Derecognised	**(47,009)**	**(191,374)**	-	-
Translation difference	**-**	**8,180**	-	2,339
At 31 December	**9,141**	**49,484**	40,481	168,890
Carrying amount at 31 December	**37,868**	**152,419**	6,528	26,667

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10. 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 2024	**17,497**	**2,802**	**-**	**11,015**	**156,500**	**187,814**
Additions	**2,273**	**-**	**-**	**-**	**-**	**2,273**
At 31 December 2024	**19,770**	**2,802**	**-**	**11,015**	**156,500**	**190,087**
Accumulated depreciation						
At 01 January 2024	**14,562**	**2,521**	**-**	**9,462**	**138,541**	**165,086**
Depreciation	**1,042**	**70**	**-**	**331**	**4,490**	**5,933**
At 31 December 2024	**15,604**	**2,591**	**-**	**9,793**	**143,031**	**171,019**
Carrying amount						
At 31 December 2024	**4,166**	**211**	**-**	**1,222**	**13,469**	**19,068**
In KHR'000	**16,768**	**849**	**-**	**4,919**	**54,213**	**76,749**

	Leasehold improvement USD	Furniture and fixtures USD	Computer equipment USD	Equipment and others USD	Motor vehicles USD	Total USD
Cost						
At 01 January 2023	17,497	2,802	5,639	11,015	156,500	193,453
Additions	-	-	-	-	-	-
Write-off	-	-	(5,639)	-	-	(5,639)
At 31 December 2023	17,497	2,802	-	11,015	156,500	187,814
Accumulated depreciation						
At 01 January 2023	13,828	2,428	5,639	9,040	132,555	163,490
Depreciation	734	93	-	422	5,986	7,235
Write-off	-	-	(5,639)	-	-	(5,639)
At 31 December 2023	14,562	2,521	-	9,462	138,541	165,086
Carrying amount						
At 31 December 2023	2,935	281	-	1,553	17,959	22,728
In KHR'000	12,083	1,153	-	5,671	73,937	92,844

11. Other liabilities

	2024		2023	
	USD	**KHR'000**	USD	KHR'000
Accrual expenses	**3,464**	**13,943**	10,342	42,247
Other tax payables	**25,259**	**101,667**	23,834	97,362
Other liabilities	**465,312**	**1,872,881**	262,709	1,073,166
	494,035	**1,988,491**	296,885	1,212,775

12. Share capital

	2024		2023	
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

13. Interest income

	2024		2023	
	USD	**KHR'000**	USD	KHR'000
Loans to customers	**831,685**	**3,385,790**	1,001,244	4,115,113
Deposits and placements with banks and other financial institutions	**242,168**	**985,866**	144,407	593,513
	1,073,853	**4,371,656**	1,145,651	4,708,626

14. Employee expenses

	2024		2023	
	USD	**KHR'000**	USD	KHR'000
Salaries, allowances and bonus	**812,406**	**3,307,305**	758,990	3,119,449
Other employee expenses	**3,412**	**13,890**	4,671	19,198
	815,818	**3,321,195**	763,661	3,138,647

15. Depreciation

	2024		2023	
	USD	**KHR'000**	USD	KHR'000
Depreciation of right-of-use asset	**15,669**	**63,788**	15,670	64,404
Depreciation of property & equipment	**5,933**	**24,154**	7,236	29,740
	21,602	**87,942**	22,906	94,144

16. Allowance for expected credit losses ("ECL")

	2024		2023	
	USD	**KHR'000**	USD	KHR'000
Allowance for ECL:				
Loans to customers	**1,588,290**	**6,465,928**	971,061	3,991,061
Deposits and placements financial institutions	**968**	**3,941**	(215)	(884)
	1,589,258	**6,469,869**	970,846	3,990,177

17. General and administrative expenses

	2024		2023	
	USD	**KHR'000**	USD	KHR'000
Management fee	**120,000**	**488,520**	120,000	493,200
Loss on exchange rate	**52,101**	**212,103**	69,807	286,907
Other tax expense	**24,110**	**98,153**	1,046	4,300
License and membership fees	**17,119**	**69,691**	17,003	69,882
Office expense	**12,730**	**51,824**	13,166	54,112
Investigation fee	**4,721**	**19,219**	4,666	19,177
Utilities expense	**4,054**	**16,504**	3,830	15,741
Communication expense	**3,540**	**14,411**	3,803	15,630
Transportation expense	**3,174**	**12,921**	4,159	17,093
Security expense	**3,135**	**12,763**	3,135	12,885
Non capitalize fixed assets	**562**	**2,288**	-	-
Other expenses	**8,709**	**35,454**	9,980	41,018
Legal and professional fees	**-**	**-**	11,550	47,471
	253,955	**1,033,851**	262,145	1,077,416

18. Income taxes

a) Deferred tax assets/(liabilities)

Deferred tax assets and liabilities attributable from:

2024	**At 01 January USD**	**Recognized in Profit or loss USD**	**At 31 December USD**
Property and equipment	**-**	**-**	**-**
Allowance for ECL	**82,794**	**512,749**	**595,543**
Total	**82,794**	**512,749**	**595,543**
In KHR'000	**333,246**	**2,063,815**	**2,397,061**

2023	At 01 January USD	Recognized in Profit or loss USD	At 31 December USD
Property and equipment	**-**	**-**	**-**
Allowance for ECL	84,544	(1,750)	82,794
Total	84,544	(1,750)	82,794
In KHR'000	345,362	(7,149)	338,213

b) Income taxes payable

	2024		2023	
	USD	**KHR'000**	USD	KHR'000
At 01 January	**-**	**-**	-	-
Current income taxes	**11,537**	**46,967**	11,823	48,593
Income taxes paid during the year	**(11,537)**	**(46,967)**	(11,823)	(48,593)
Translation difference	**-**	**-**	-	-
At 31 December	**-**	**-**	-	-

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c) Income taxes expense

	2024		2023	
	USD	**KHR'000**	USD	KHR'000
Current tax:				
For the financial year	**11,537**	**46,967**	11,823	48,593
	11,537	**46,967**	11,823	48,593
Deferred tax liability				
For the current financial year	**(512,749)**	**(2,087,401)**	1,750	7,192
	(501,212)	**(2,040,434)**	13,573	55,785

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:

	2024		2023	
Loss before taxes	**(1,536,411)**	**(6,254,729)**	(787,998)	(3,238,672)
Tax at the corporate tax rate of 20%	**(307,282)**	**(1,250,946)**	(157,600)	(647,734)
Non-deductible expenses	**30,480**	**124,084**	3,502	14,393
Income taxes at 20% (A)	**-**	**-**	-	-
Minimum tax at 1% of revenue (B)	**11,537**	**46,967**	11,823	48,593
Deferred taxes (B)	**(512,749)**	**(2,087,401)**	1,750	7,192
Estimated current income tax expense (Higher of A or B)	**(501,212)**	**(2,040,434)**	13,573	55,785

19. 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.

20. Cash flow information

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

	2024		2023	
	USD	**KHR'000**	USD	KHR'000
At 01 January	**-**	**-**	16,380	67,436
Changes in financing cash flows				
Repayment of principal	**(15,503)**	**(63,113)**	(16,380)	(67,436)
Repayment of finance charge on lease	**(1,432)**	**(5,829)**	(555)	(2,280)
	(16,935)	**(68,942)**	(16,935)	(69,716)

Non-cash changes				
Acquisition of new lease	**47,009**	**191,374**	-	-
Finance charge on lease recognised in profit or loss	**1,432**	**5,829**	555	2,280
Translation difference	**-**	**(1449)**	-	-
	48,441	**200,077**	555	2,280
Translation difference	**-**	**-**	-	-
At 31 December	**31,506**	**126,812**	-	-

b) The total cash outflows for leases as a lessee are as follows:

	2024		2023	
	USD	**KHR'000**	USD	KHR'000
Payment of lease liabilities	**(15,503)**	**(63,113)**	(16,380)	(67,436)
Finance charge on lease	**(1,432)**	**(5,829)**	(555)	(2,280)
	(16,935)	**(68,942)**	(16,935)	(69,716)

c) The cash and cash equivalents comprise the following:

	2024		2023	
	USD	**KHR'000**	USD	KHR'000
Cash on hand	**138**	**555**	458	1,871
Deposits and placements with financial institutions	**3,409,036**	**13,721,370**	2,416,582	9,871,738
	3,409,174	**13,721,925**	2,417,040	9,873,609
Less: Deposits with tenure of more than 3 months	**2,747,481**	**11,058,611**	2,008,079	8,203,003
	661,693	**2,663,314**	408,961	1,670,606

21. 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:

	2024		2023	
Key management personnel compensation:	**USD**	**KHR'000**	USD	KHR'000
Short term employee benefits	**683,610**	**2,751,530**	637,680	2,604,923
Director fee	**120,000**	**488,520**	120,000	493,200

22. Financial risk management

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.

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 to customers

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 to customers

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 to customers 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 to customers

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

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

Generally, the Bank considers loans to customers 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 to customers when they are payable, the Bank considers the loans to customers 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 to customers 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 to customers are summarised below:

		Allowance for ECL			
2024	**Gross amount USD**	**12-month ECL (Stage 1) USD**	**Lifetime ECL not credit impaired (Stage 2) USD**	**Lifetime ECL credit impaired (Stage 3) USD**	**Carrying amount USD**
1 – 30 days past due	**7,866,969**	**(174,328)**	**-**	**-**	**7,692,641**
30 – 90 days past due	**610,591**	**-**	**(60,443)**	**-**	**550,148**
more than 90 days	**4,190,370**	**-**	**-**	**(4,062,500)**	**127,870**
	12,667,930	**(174,328)**	**(60,443)**	**(4,062,500)**	**8,370,659**
In KHR'000	**50,988,418**	**(701,670)**	**(243,283)**	**(16,351,563)**	**33,691,902**
2023					
1 – 30 days past due	10,166,231	(242,623)	-	-	9,923,608
30 – 90 days past due	1,219,174	-	(230,655)	-	988,519
more than 90 days	2,274,997	-	-	(2,235,703)	39,294
	13,660,402	(242,623)	(230,655)	(2,235,703)	10,951,421
In KHR'000	55,802,742	(991,115)	(942,226)	(9,132,846)	44,736,555

The movement is the allowance for ECL in respect of loans to customers are disclosed in Note 6.

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 allowance for ECL in respect of cash and bank balances are disclosed in Note 5.

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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:

	2024		2023	
	USD	**KHR'000**	USD	KHR'000
Deposits and placements with financial institutions	**3,409,036**	**13,727,370**	2,416,582	9,871,738
Loans to customers – gross	**12,667,930**	**50,988,418**	13,660,402	55,802,742
Other assets*	**141,872**	**571,035**	78,262	319,700
	16,218,838	**65,280,823**	16,155,246	65,994,180
Credit risks exposures relating to off-balance sheet items:				
Unused portion of credit facilities	**-**	**-**	-	-
Total maximum credit risk exposure	**16,218,838**	**65,280,823**	16,155,246	65,994,180

*Excluded prepayment

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 to customers 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 to customers. 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 to customers 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):

2024	**Weighted Average Effective Interest rate %**	**Carrying amount USD**	**Contractual cash flow USD**	**Contractual undiscounted 1 Year USD**	**Within 1 year- 5 year USD**	**Over 5 years USD**
Non-derivative financial liabilities						
Other liabilities	**N/A**	**494,035**	**494,035**	**494,035**	**-**	**-**
Lease liabilities	**8.0%**	**31,506**	**33,868**	**16,934**	**16,934**	**-**
		525,541	**527,903**	**510,969**	**16,934**	**-**
In KHR'000		**2,115,303**	**2,124,810**	**2,056,650**	**68,159**	**-**

2023	Weighted Average Effective Interest rate %	Carrying amount USD	Contractual cash flow USD	Contractual undiscounted 1 Year USD	Within 1 year- 5 year USD	Over 5 years USD
Non-derivative financial liabilities						
Other liabilities	N/A	296,885	296,885	296,885	-	-
Lease liabilities	8.0%	-	-	-	-	-
		296,885	296,885	296,885	-	-
In KHR'000		1,212,775	1,212,775	1,212,775	-	-

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22.1. 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.

22.2. Classification of financial instruments

	2024		2023	
Financial assets	**USD**	**KHR'000**	USD	KHR'000
Amortised cost				
Cash on hand	**138**	**555**	458	1,871
Deposits and placements with financial institutions	**3,405,715**	**13,708,003**	2,414,229	9,862,125
Loans to customers	**8,883,557**	**35,756,317**	11,285,306	46,100,475
Other assets*	**141,872**	**571,035**	78,262	319,700
Statutory deposits with National Bank of Cambodia	**750,000**	**3,018,750**	750,000	3,063,750
	13,181,282	**53,054,660**	14,528,255	59,347,921

	2024		2023	
Financial liabilities	**USD**	**KHR'000**	USD	KHR'000
Amortised cost				
Other liabilities	**494,035**	**1,988,491**	296,885	1,212,775
Lease liabilities	**31,506**	**126,812**	-	-
	525,541	**2,115,303**	296,885	1,212,775

*Excluded prepayment

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22.3. Gains or losses arising from financial instruments

	2024		2023	
Financial assets	**USD**	**KHR'000**	USD	KHR'000
Amortised cost				
Net gain recognised in profit or loss*	**(515,405)**	**(2,098,214)**	174,805	718,449
	(515,405)	**(2,098,214)**	174,805	718,449

*Total interest income excluded expected credit losses.

	2024		2023	
Financial liabilities	**USD**	**KHR'000**	USD	KHR'000
Amortised cost				
Net losses recognised in profit or loss	**(1,432)**	**(5,829)**	(555)	(2,280)
	(1,432)	**(5,829)**	(555)	(2,280)

*Interest expense of lease liability.

22.4. 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.

23. Events after the reporting date

No adjusting or significant non-adjusting events have occurred between the reporting date and date of authorisation of these financial statements.

24. Authorisation of the financial statements

The financial statements for the year ended 31 December 2024 were authorised for issue by the director on 17 March 2025.

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