MB Cambodia

ANNUAL REPORT 2023

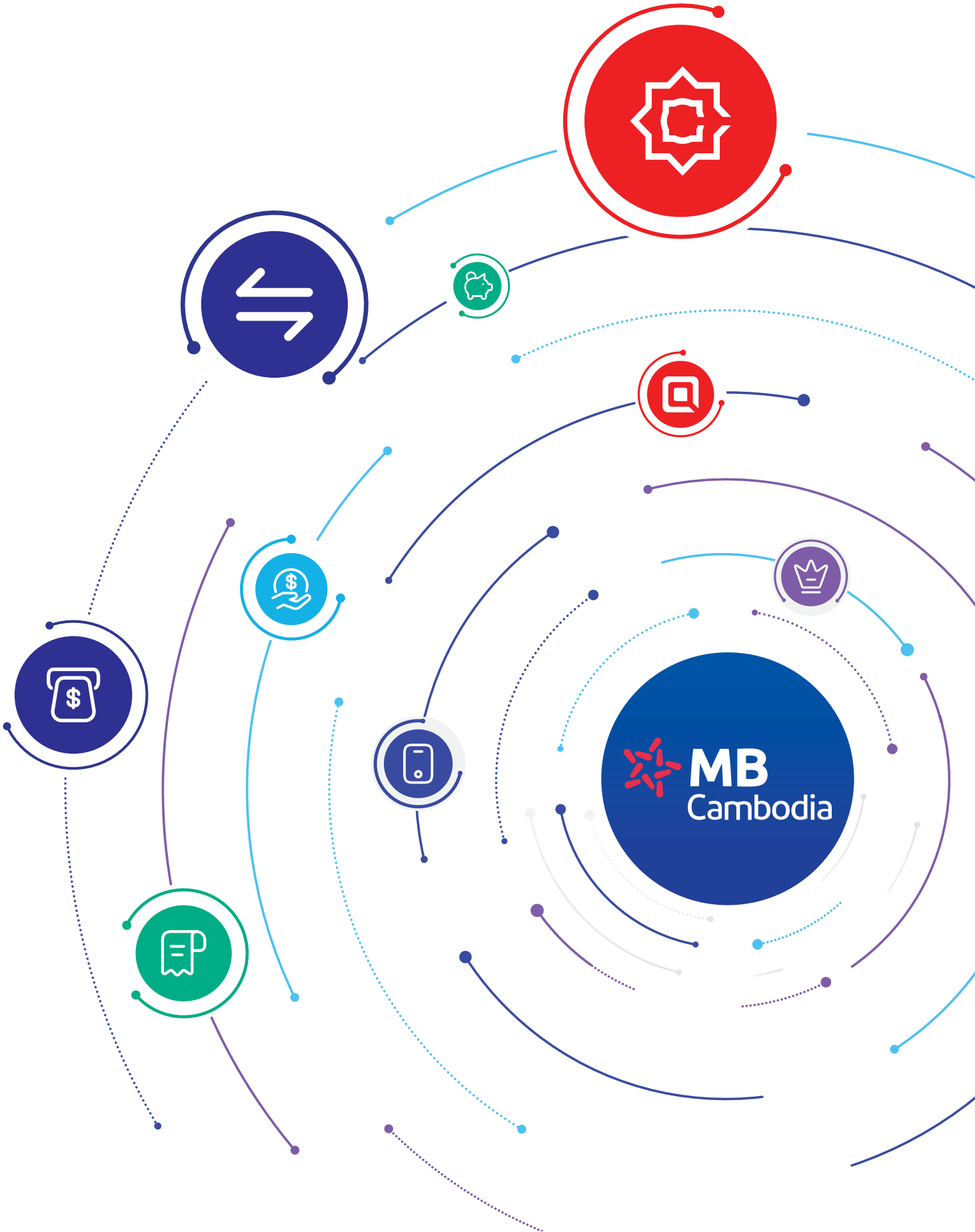


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Message From
The Chairman of Board of Director of MBCambodia

Dear Respected Shareholders, Investors, and Partners,

Cambodia stands as a beacon of economic openness and growth in Southeast Asia, characterized by its youthful population embracing modern consumption trends, thereby attracting global investors. Despite facing significant challenges in 2023, including national elections, new leadership transitions, a protracted trade war, protectionist policies, and the uncertainties from hostilities in Russia and Ukraine, Cambodia has shown remarkable resilience against the global economic downturn. Post-pandemic, Cambodia's growth trajectory has not only rebounded but is now among the highest in Southeast Asia. Political and economic stability have catalyzed expansion in key sectors such as transportation, tourism, telecommunications, along with steady progress in the garment, non-apparel, and service industries. Recent political and economic developments signal the new seventh-term government's ambition to elevate Cambodia to a high-middle-income country by 2030 and a high-income country by 2050.

In line with our strategy of continental expansion, MB Group has elevated its operations in Cambodia by converting MB Bank Cambodia Branch into a commercial bank. We proudly launched MB BANK (CAMBODIA) PLC in early January 2023, leveraging our extensive experience since 2011 as a branch of "MB Bank," one of Vietnam's Top 3 markets in terms of efficiency. MB BANK (CAMBODIA) PLC is poised to harness local insights and capitalize on MB Group's strengths in finance, technology, and management, committed to delivering exceptional and convenient financial services to our Cambodian customers. With significant achievements to our credit, MBCambodia continues to bolster its strengths and innovation, enhancing service quality, and customer experience, and leading the digital transformation in Cambodia's financial and banking sector. This commitment aligns with our strategic MBCambodia's long-term vision aims to deliver top banking products and services to customers with efficiency and safety.

Our successes are attributed to the collective effort, synergy, and rapid response of MBCambodia's Board of Directors, making timely decisions amidst complex developments in the Cambodian and global markets. Continuous updates from the enhanced supervision and stress testing of the financial system by the National Bank of Cambodia (NBC) have enabled us to adapt swiftly. MBCambodia has earned the trust and collaboration - of leading industry in Telecommunication, Real Estate Investor and Developers, large Import-Export Enterprise, along with numerous small and medium enterprises and household businesses. This collective effort has significantly contributed to the nation's economic growth during our inaugural year as a commercial bank in Cambodia.

Looking ahead to 2024, MBCambodia is set on achieving its vision to become the most convenient bank through digital technologies while adhering to NBC regulations. To reach these goals, we are committed to investing in IT infrastructure and digital solutions to enhance customer experience, offering a market-leading digital banking platform that is secure, confidential, safe, and convenient. Additionally, we will expand our CRM machine system to provide automated banking services to our customers.

In conclusion, I am confident that with the strength of our team, the resilience of our business model, and the trust of our stakeholders, MBCambodia will continue to thrive and remain a trusted partner. Grounded in our core values of Integrity, Customer Centricity, Synergy, Agility, and Innovation, we will keep investing in our people and technologies to deliver fast and convenient banking solutions, maximizing the growth of Cambodian wealth.

On behalf of the Board of Directors of MBCambodia, I extend our sincere gratitude for the invaluable contributions and support from the leaders of the National Bank of Cambodia, government officials at all levels, our partners, and loyal customers. We appreciate the cooperation, commitment, and support of our shareholders and staff. As we embark on the next phase of development, we look forward to your continued support and assistance in helping MBCambodia swiftly grow into a leading technology-driven bank, introducing new products, services, and customer experiences to the Cambodian market.



Mr. Dinh Quang Huy
Chairman of Board of Director of MBCambodia



Letter From
The CEO of MBCambodia



Dear Respected Shareholders, Investors, and Partners,

MBCambodia's commitment to the sustainable development in Cambodia

In 2023, the world faced numerous economic and social challenges. From the ongoing geopolitical conflicts in the Russia-Ukraine region to the rising tensions in the Israel-Palestine area, inflationary pressures and obstacles in global supply chains were disrupted. Despite these challenges, Cambodia's GDP growth rate has reached 5.5%, showing signs of positive recovery. However, the financial market still faces many difficulties, as credit growth in Cambodia in 2023 was at 4.8% - the lowest in the past two decades, and the total industry's NPL ratio increased significantly to 5.3%.

The year 2023 marked a pivotal milestone for MBCambodia. After 11 years of operation in Cambodia, the MB Branch in Cambodia officially transformed into MB Bank (Cambodia) Plc. with 100% investment from the MB Group. In its first year as an independent entity, MBCambodia immediately introduced a wide range of high-quality financial products and services, meeting the growing demands of customers and contributing positively to Cambodia's economic development. MBCambodia achieved impressive growth in 2023 (total assets increased by 71.4%, loans grew by 73.4%, and deposits rose by 52.6%) with a NPL ratio is 0.5%, one of the lowest in the market. With a vision to become the leading bank in terms of efficiency and safety in Cambodia, alongside its main growth objectives, MBCambodia continuously enhances its risk control processes and service quality to ensure safety and reliability for its customers.

In the year 2023, MBCambodia was also honored with the "Best Company to Work for in Asia 2023" award by HR Asia. This recognition highlights the Bank's dedication to outstanding human resource management, an exemplary workplace culture, and a strong focus on the well-being and welfare of its employees.

Moreover, MBCambodia is dedicated not only to financial objectives but also to actively contributing to sustainable development and the social community. We have engaged in numerous charitable activities and social initiatives aimed at advancing a better living environment for the community and fostering Cambodia's development.

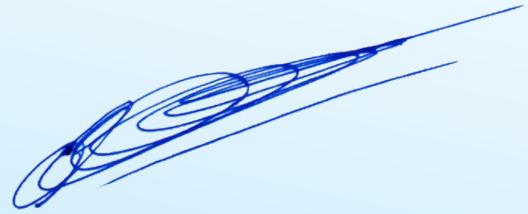
The brand new bank with a New start - New strategy

The strengths of MB Group in Vietnam, including digital banking services and advancing customer experience, have also been brought to MBCambodia and applied in the Cambodian market. The IT infrastructure at MBCambodia has been strongly invested in to enhance service capabilities and ensure customer safety. By digitizing almost all customer service processes, MBCambodia has become one of the banks with the shortest Turn-Around-Time (TAT) in the market, offering a distinctive service experience to customers and significantly improving employee productivity.

In 2023, MBCambodia also launched the advanced MyBank App platform with biometric payment updates, bringing an exciting new conveniences to our 17,779 MBCambodia customers in Cambodia. MBCambodia has also brought high-standard transaction banking models from MB Group in Vietnam to the Cambodian market by implementing and operating Smart Branches (Smartbank) equipped by CRM machines for convenient cash withdrawal and deposit activities, providing maximum convenience for customers transacting in the digital era.

As of the end of 2023, MBCambodia has provided credit to customers in Cambodia with a total new disbursement reach to USD 143.9 million, of which 59.1% was credit for individual customers and 40.9% for corporate customers. The loan portfolio primarily focused on 87.7% for production and business loans, affirming MBCambodia's commitment to supporting Cambodian business customers with the goal of advancing prosperity to the country and the people of Cambodia. In 2024, in addition to our traditional banking products, MBCambodia will continue to enhance and comprehensively develop new commercial banking products to offer to our corporate customers, including treasury management, cash management, payroll services, guarantees, and trade finance, aiming to provide even better support for the people and businesses of Cambodia.

Lastly, we would like to express our sincere gratitude and profound appreciation to our investors, customers, and valuable partners, who have always placed their trust and accompanied MBCambodia. In 2024, with unity and empowered as a team, we are determined to overcome all challenges. MBCambodia looks forward to continued receiving the understanding, supports, and collaboration from our customers, investors, and entires staff in this promising new journey. Together, we will diligently serve our customers, steadily achieve our set objectives, and deliver meaningful value to the nation and the people of Cambodia.



Mr. Nguyen Anh Khanh
Chief Executive Officer of MBCambodia

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GENERAL INFORMATION

FULL NAME IN ENGLISH

MB Bank (Cambodia) Plc.

FULL NAME IN KHMER

ធនាគារ អ៊ឹមប៊ី (ខេមបូឌា) ម.ក

SHORT NAME IN ENGLISH

MBCambodia

DATE OF ESTABLISHMENT

January 2nd, 2023

CHARTER CAPITAL

76,552,197 USD

LICENSE

MB Bank (Cambodia) Plc.

License number 34 was approved by the National Bank of Cambodia (NBC).



ADDRESS AND BRANCHES NETWORK

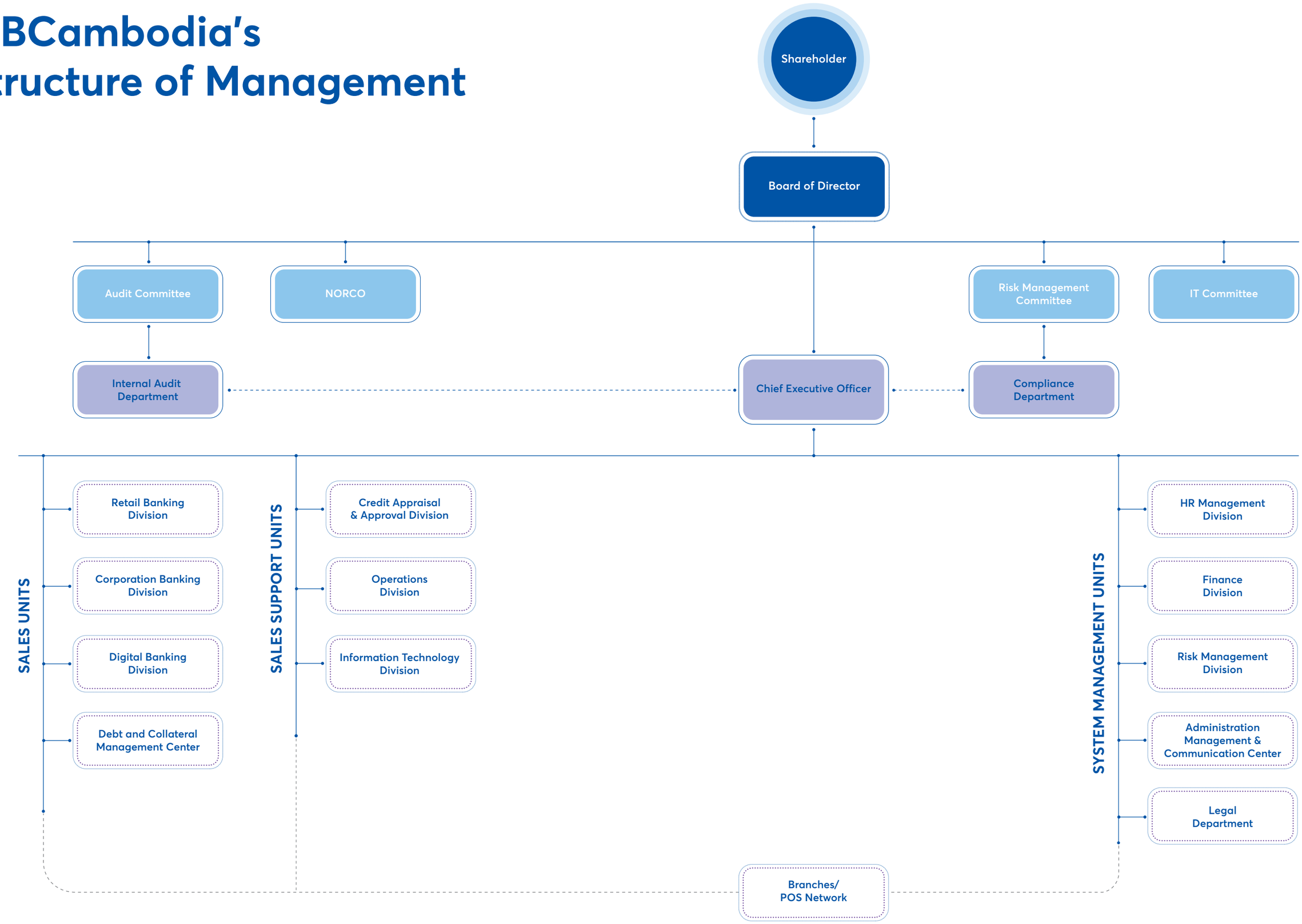
HEAD OFFICE
Building 146, 7th & 8th Floor, Preah Norodom Blv,
Sangkat Tonle Basak, Khan Chamkar Mon, Phnom Penh,
Cambodia

KHAN CHAMKARMON BRANCH – SANGKAT TONLE BASAK
Building 146, Ground Floor, Preah Norodom Blv,
Sangkat Tonle Basak, Khan Chamkar Mon, Phnom Penh,
Cambodia

OU RUESSEI BRANCH
#439, Preah Monivong Blvd (St.93) corner St.214,
Sangkat Boeung Prolit, Khan 7 Makara, Phnom Penh,
Cambodia.

Contact: 023 968 686
Fax: 023 238 164
Email: info@mbcambodia.com
Website: www.mbcambodia.com

MBCambodia's Structure of Management



KEY MILESTONES

During 11 years of presence in the Cambodian market, the Bank has contributed to economic development, creating jobs, actively participating in social activities, contributing to building the friendship and solidarity between Vietnam and Cambodia.

Est in 2011



Established as MB Branch in Cambodia

Main activities of the bank include mobilizing and receiving short, medium and long term deposits from organizations and individuals; providing credit to organizations and individuals based on the nature and ability of the Bank to provide capital; Perform payment, treasury and other banking services authorized by the National Bank of Cambodia and other business activities in accordance with the provisions of law.

2018



Increase our charter capital from 39M to 75M dollars

The large level of charter capital allows the bank to increase the size of its assets to expand its ability to mobilize capital in the society, expand investment, network operations, innovate banking technology.

Witnessing Cambodia's macroeconomic stability and the fast development of the banking sector. As the interbank market is still at its developmental stage, the NBC has continued developing monetary policy tools to facilitate and improve liquidity.

2019



Open new sub branch and change location of Head Office near the heart of Phnom Penh Capital

The opening of a new office at #146, Preah Norodom Blvd, Sangkat Tonle Bassac, Khan Chamkamorn, Phnom Penh, Kingdom of Cambodia, marks an important milestone in the development strategies and business expansion of MB Bank. This is a crucial step taken by MB Bank Cambodia to raise its brand awareness and better serve growing demand of local customer.

2021



Set up Project transform
MB Bank Plc., Cambodia Branch into a commercial bank, MB Bank (Cambodia) PLC.

The development of technology makes business no longer limited by border barriers, opening up a global market with limitless potential. Accordingly, enterprises owning foreign companies will solve the problem of managing and maximizing foreign cash flows.

In parallel with the process of establishing a bank with 100% capital, MB promoted to find qualified investors to become strategic partners of the bank to negotiate a joint venture plan. The joint venture with major partners will help the new bank improve its competitiveness in the market and quickly achieve the set strategic goals.

2022



In July 2022, MB Group was approved by the State Bank of Vietnam to establish a bank with 100% capital in Cambodia on the basis of converting MB's branch in Cambodia.

The Branch, under the guidance and direction of MB Group, has continued to maintain its development momentum and achieve certain results, especially the Branch is always in the top of banks with lowest NPLs ratio in the market. This shows that the Branch always adheres to the motto "Sustainable Safety" in its business activities. In addition, the BOD and the BOM are always concerned about the life and health of employees, ensuring that the income level of employees in the bank is always at a competitive level compared to the market.

2023



In January 2023, MBCambodia has received the license from National Bank of Cambodia as a fully functioning commercial bank in Cambodia.

MBCambodia promises with a focus on enhancing its banking services through digital technology, offering customers a more seamless and convenient banking experience. This move towards digitalization is expected to improve accessibility, speed, and efficiency, ultimately leading to a better overall banking experience for the customers.

MBCambodia's Organizational Structure & Human Resource

MEMBER OF THE BOARD OF MANAGEMENT



Mr. **NGUYEN ANH KHANH**
Member of BOD cum
Chief Executive Officer

Birth Year: 1989
Appointment Date: December 16, 2022

Education:

- Bachelor's degree of Economics at Foreign Trade University (Vietnam).

Experience:
has over 13 years of experience in the fields of Finance and Banking, working at Top Banks in Vietnam and foreign countries, most recently in Laos. He joined MB since 2011, and held positions in Corporate Banking, Customer Service, Business Development, including 9 years of experience in Board of Management positions, and got many excellent awards from the bank. As one of the pioneers of the younger generation management, he is assigned to the Country of Temple to set up and implement trends in digital transformation with Digital Banking, Retail Banking, and Professional Banking by Sector to the successful implementation of the MBCambodia Strategy under the motto of market growth "Distinctive, Safety, and Efficiency".



Mr. **TRAN TRONG THANG**
Deputy Chief Executive Officer

Birth Year: 1988
Appointment Date: January 02, 2023
(Resigned on October 11, 2023)

Education:

- Bachelor's degree at Banking Academy of Vietnam.
- Bachelor's degree in Law from Hanoi Law University.
- Bachelor's degree in English language from Hanoi University.

Experience:
has more than 14 years in Finance & Banking Business sector at Big Bank. He has many years of experience serving all 03 customer groups including Large Corporates, SMEs and Individual Customers. He has joined MBCambodia project for 02 years before being appointed as Deputy-Chief Executive Officer on January 02, 2023 and resigned on October 11, 2023.



Mr. **NGUYEN HOANG MINH**
Deputy Chief Executive Officer
cum Chief Financial Officer

Birth Year: 1982
Appointment Date: April 03, 2024

Education:

- Chartered Financial Analyst (CFA)
- Master's degree of Economic at National Economics University (Vietnam).
- Bachelor's degree at National Economics University (Vietnam).

Experience:
has nearly 20 years in Finance & Banking sector at Big firm. He has joined MBCambodia project for 02 years before being appointed as Member of Board of Management cum Chief Finance Officer on January 02, 2023 and appointed as Deputy-Chief Executive Officer on April 03, 2024.



Mr. **NGUYEN NGOC HAI**
Member of BOM cum
Chief Information Officer

Birth Year: 1977
Appointment Date: April 03, 2024

Education:

- Bachelor's degree of Mathematics – Informatics at Hanoi University of Science and Technology (Vietnam).

Experience:
has over 24 years of experience in the fields of Technology and Finance and Banking, working at Top Banks and financial consumer in Vietnam such as VIBank, MCredit, SHB Finance, the most recent, he worked as the CIO in SHB Finance. Prior to being named CIO, he worked on the MBCambodia project for 02 years. On April 3, 2024, he became a member of the BOM.

IMPRESSIVE HR STATISTICS OF MBCAMBODIA

NUMBER OF EMPLOYEES

(*) as of 31/December/2023

129

↑ 2x

compared to 2022

AVERAGE AGE OF EMPLOYEES

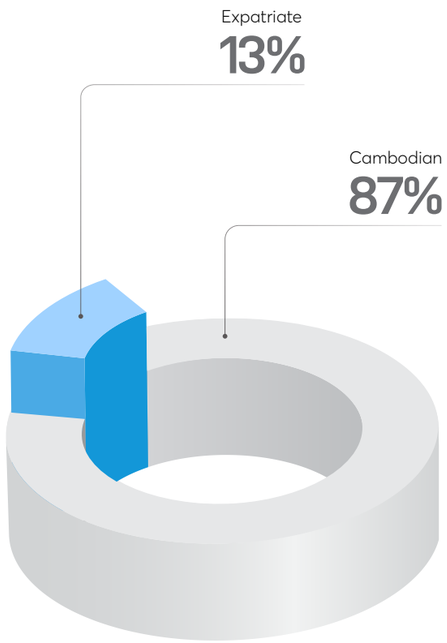
~34

Years old

KEY PLAYERS IN THE WORKFORCE

80s-90s

DYNAMIC CULTURE



The Gender Ratio of Total Workforce

62% MALE

38% FEMALE

The average age of MBCambodia employees of ~ 34 years old is a very suitable age for the development of the organization. They are mature and young and always full of energy and creative thinking.

The key workforce at MBCambodia is the 90s generation (accounting for ~53% of the total employees) and the 80s generation (accounting for ~40% of the total employees). The numbers prove that MBCambodia is an attractive workplace, timely adapting to the trend of younger workforce.

We are building a diversified and inclusive organization that energize our staff. Women represented 27.9% of those employed in Head of department and higher management roles. Additionally, in 2023, over 56% of our senior leaders have identified as being from an Cambodian heritage background.

MBCAMBODIA'S CORE WORKFORCE

90s Generation is accounting for **53%** while **80s Generation** is accounting for **40%** of total employees as of 31/12/2023. MBCambodia is dedicated to support professional growth and fulfilling caeers of young talents.

53% 90s GENERATION

40% 80s GENERATION

OTHERS

INTERNAL HUMAN RESOURCES DEVELOPMENT RATE

Ratio of internal human resources development is at

10%

of staffs promoted to higher position

HR ASIA BEST COMPANIES TO WORK FOR IN ASIA 2023

We strive to offer our staff with safeguard health, safety, and wellbeing towards enhancing productivity and motivating performance. We remain focused on operationalising inclusive and agile policies and processes that contribute to a stronger performance culture, improving employee experience.



CHARTER CAPITAL

The Bank's charter capital as of 31 December 2023 remain:

US$ 76,552,197

BUSINESS PERFORMANCE IN 2023

TOTAL ASSETS
US$ 177,791,540

CHARTER CAPITAL
US$ 76,552,197

LOANS
US$ 116,495,887

NPLS RATIO
0.50%

ROE
-0.16%

DEPOSITS
US$ 97,074,799

PROFIT BEFORE TAX
US$ 70,855

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MB BANK (CAMBODIA) PLC.

Financial Statements
for the year ended 31 December 2023
and
Report of the Independent Auditors

CORPORATE INFORMATION

BANK	MB Bank (Cambodia) Plc.
REGISTRATION NO.	2000222327
REGISTERED OFFICE	Building 146, Preah Norodom Boulevard, Sangkat Tonle Basak Khan Chamkar Mon, Phnom Penh, Kingdom of Cambodia.
SHAREHOLDERS	Military Commercial Joint Stock Bank

BOARD OF DIRECTORS

Mr. Dinh Quang Huy	Chairman	Appointed on 16 December 2022
Mr. Nguyen Anh Khanh	BOD member	Appointed on 16 December 2022
Mrs. Do Thi Minh Hanh	BOD member	Appointed on 16 December 2022
Mr. Nguyen Doan Hung	Independent Director	Appointed on 16 December 2022
Mr. Bui Luong Thanh	Independent Director	Appointed on 16 December 2022

BOARD OF MANAGEMENT

Mr. Nguyen Anh Khanh	Chief Executive Officer	Re-appointed on 16 December 2022
Mr. Tran Trong Thang	Deputy-Chief Executive Officer	Appointed on 02 January 2023 and resigned on 10 October 2023
Mr. Nguyen Hoang Minh	Deputy-Chief Executive Officer BOM member	appointed on 03 April 2024 Appointed on 02 January 2023
Mr. Nguyen Ngoc Hai	BOM member	Appointed on 03 April 2024

AUDITORS	KPMG Cambodia Ltd.

REPORT OF THE BOARD OF MANAGEMENT

The Board of Management ("BOM") of MB Bank (Cambodia) Plc. ("The Bank") is pleased to present this report and the Bank's financial statements as at 31 December 2023 and for the year then ended.

MB BANK (CAMBODIA) PLC.

MB Bank (Cambodia) Plc. ("the Bank") was launched in early January 2023 after operating the banking business in Cambodia since 2011 as a foreign branch of Military Commercial Joint Stock Bank (MB Bank) - a bank incorporated in Vietnam, under Banking License No. B34 issued by the Governor of the National Bank of Cambodia ("NBC") dated 15 December 2011 and Certificate of Incorporation with Registration No. 0019719 issued by the Ministry of Commerce dated 23 November 2011 and its subsequent amended license. The Bank operates in the Kingdom of Cambodia under Banking License No. 34 issued by the Governor of the National Bank of Cambodia ("NBC") dated 16 December 2022 and Certificate of Incorporation with Registration No. 2000222327 issued by the Ministry of Commerce dated 2 January 2023.

The Bank's head office is located at Building 146, Preah Norodom Boulevard, Sangkat Tonle Basak, Khan Chamkar Mon, Phnom Penh, Kingdom of Cambodia. In addition, the Bank has two branches, Ou Ruessei Branch, which is located at No. 439, Preah Monivong Boulevard, Sangkat Boeng Proluet, Khan Prampir Meakkakra, Phnom Penh, Kingdom of Cambodia and Khan Chamkar Mon – Sangkat Tonle Basak Branch, which is located at Building 146, Ground Floor, Preah Norodom Blv, Sangkat Tonle Basak, Khan Chamkar Mon, Phnom Penh, Kingdom of Cambodia.

PRINCIPAL ACTIVITIES

The Bank is engaged in the provision of commercial banking and related financial services in the Kingdom of Cambodia.

PAID-UP CAPITAL

The total paid-up capital of the Bank as at 31 December 2023 is US$76,552,197 or KHR'000 310,333,829 (31 December 2022: US$76,552,197 or KHR'000 310,333,829).

FINANCIAL RESULTS

The financial results of the Bank for year ended 31 December 2023 were disclosed in the statement of profit or loss and other comprehensive income.

	2023		*2022*	
	US$	*KHR'000* *(Note 2.1.1)*	*US$*	*KHR'000* *(Note 2.1.1)*
	(Restated – Note 32)		*(Restated – Notes 31, 32)*	
Profit before income tax	70,855	291,215	203,935	833,482
Income tax expense	(196,228)	(806,497)	(101,786)	(415,999)
Net (loss)/profit for the year	**(125,373)**	**(515,282)**	**102,149**	**417,483**

DIVIDENDS

No dividends were declared or paid during the year and the BOM does not recommend any dividends to be paid as at the reporting date.

RESERVES AND PROVISIONS

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

WRITTEN OFF AND EXPECTED CREDIT LOSSES ON FINANCIAL ASSETS

Before the financial statements of the Bank were prepared, the BOM took reasonable steps to ascertain that actions had been taken in relation to the writing-off of financial assets that have no reasonable expectations of recovering the contractual cash flows in their entirety or a portion thereof and to recognize allowance for expected credit losses on financial assets, and satisfied themselves that all known financial assets that have no reasonable expectations of recovering the contractual cash flows were written off and that reasonable allowance for expected credit losses on financial assets have been recognized.

At the date of this report, the BOM is not aware of any circumstances, which would render the amount written off for bad financial assets or the amount of the allowance for expected credit losses in the financial statements of the Bank inadequate in any material respect.

ASSETS

Before the financial statements of the Bank were prepared, the BOM took reasonable steps to ensure that any assets, other than debts, which were unlikely to be realized in the ordinary course of business at their value as shown in the accounting records of the Bank had been written down to an amount which they are expected to be realized.

At the date of this report, the BOM is not aware of any circumstances, which would render the values attributed to the assets in the financial statements of the Bank misleading in any material respect.

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there is:

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

No contingent or other liability of the Bank has become enforceable or is likely to become enforceable within the year after the end of the reporting year which, in the opinion of the BOM, will or may have a material effect on the ability of the Bank to meet its obligations as and when they become due.

CHANGE OF CIRCUMSTANCES

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

ITEMS OF UNUSUAL NATURE

The results of the operations of the Bank for the reporting year were not, in the opinion of the BOM, substantially affected by any item, transaction or event of a material and unusual nature.

ITEMS OF UNUSUAL NATURE *(Continued)*

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

SUBSEQUENT EVENTS

No significant events occurred after the statement of financial position date requiring disclosure or adjustment other than those already disclosed in the accompanying notes to the financial statements.

THE BOARD OF DIRECTORS

The members of the BOD during the year and at the date of this report are:

Mr. Dinh Quang Huy	Chairman	Appointed on 16 December 2022
Mr. Nguyen Anh Khanh	BOD member	Appointed on 16 December 2022
Mrs. Do Thi Minh Hanh	BOD member	Appointed on 16 December 2022
Mr. Nguyen Doan Hung	Independent Director	Appointed on 16 December 2022
Mr. Bui Luong Thanh	Independent Director	Appointed on 16 December 2022

THE BOARD OF MANAGEMENT

The members of the BOM during the year and at the date of this report are:

Mr. Nguyen Anh Khanh	Chief Executive Officer	Re-appointed on 16 December 2022
Mr. Tran Trong Thang	Deputy-Chief Executive Officer	Appointed on 02 January 2023 and resigned on 10 October 2023
Mr. Nguyen Hoang Minh	Deputy-Chief Executive Officer BOM member	appointed on 03 April 2024 Appointed on 02 January 2023
Mr. Nguyen Ngoc Hai	BOM member	Appointed on 03 April 2024

AUDITOR

KPMG Cambodia Ltd is the auditor of the Bank.

THE BOARD OF MANAGEMENT'S INTERESTS

No member of the BOM holds a direct interest or indirectly in the equity of the Bank during the financial year.

THE BOARD OF MANAGEMENT'S BENEFITS

During and at the end of the year, no arrangement existed, to which the Bank was a party, whose object was to enable the BOM of the Bank to acquire benefits by means of the acquisition of shares in or debentures of the Bank or any other corporate body.

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

STATEMENT OF THE BOARD OF MANAGEMENT'S RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The BOM is responsible for ensuring that the financial statements as set out on page 33 to 117 give a true and fair view of the financial position of the Bank as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with Cambodian International Financial Reporting Standards ("CIFRSs"). The BOM oversees the preparation of these financial statements by management who is required to:

- Adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- Comply with CIFRSs or, if there has been any departure in the interest of fair presentation, ensure this has been appropriately disclosed, explained and quantified in the financial statements;
- Oversee the Bank's financial reporting process and maintain adequate accounting records and an effective system of internal controls;
- Assess the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so; and
- Control and direct effectively the Bank in all material decisions affecting the operations and performance and ascertain that such have been properly reflected in the financial statements.

The BOM is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Bank and to ensure that the accounting records comply with the registered accounting system. It is 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 BOM confirms that they have complied with the above requirements in preparing the financial statements as at 31 December 2023 and for the year then ended.

APPROVAL OF THE FINANCIAL STATEMENTS

The BOM does hereby approve the accompanying financial statements which give a true and fair view of the financial position of the Bank as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with CIFRSs.

On behalf of the Board of Management



Mr. Nguyen Anh Khanh
Chief Executive Officer

Phnom Penh, Kingdom of Cambodia
30 April 2024, except for the impact of the adjustments as presented in Note 32 which were authorised to issue on 12 August 2024.

REPORT OF THE INDEPENDENT AUDITORS

Reference: 61468409/67060245

TO THE SHAREHOLDERS OF
MB BANK (CAMBODIA) PLC.

OPINION

We have audited the financial statements of MB Bank (Cambodia) Plc. ("the Bank"), which comprise the statement of financial position as at 31 December 2023, the statement of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information as set out on page 33 to 117 (hereafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with Cambodian International Financial Reporting Standards ("CIFRSs").

BASIS FOR OPINION

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

EMPHASIS OF MATTER

We draw attention to:

- Note 31 to the financial statements which indicates that the comparative information presented as at and for the year ended 31 December 2022, and as at 1 January 2022 has been restated.
- Note 32 to the financial statements which indicates that after issuing the financial statements for the year ended 31 December 2023 on 30 April 2024, the Management has identified certain errors in the audited financial statements of the Bank for the year ended 31 December 2023. Therefore, the Management decided to adjust certain items in the financial statements of the Bank for the year ended 31 December 2023 to correct those errors

Our opinion is not modified in respect of these matters.

OTHER MATTERS

The Bank's financial statements for the years ended 31 December 2022 and 31 December 2021 (from which the statement of financial position as at 1 January 2022 has been derived), excluding the adjustments described in Note 31 to the financial statements, were audited by another firm of auditors who expressed an unmodified opinion on those financial statements on 31 March 2023 and 13 September 2022, respectively.

As part of our audit of the financial statements as at and for the year ended 31 December 2023, we audited the adjustments described in Note 31 to the financial statements that were applied to restate the comparative information presented as at and for the year ended 31 December 2022 and the statement of financial position as at 1 January 2022.

OTHER MATTERS
(Continued)

We were not engaged to audit, review or apply any procedures to the financial statements for the year ended 31 December 2022 or 31 December 2021 (not presented herein) or the statement of financial position as at 1 January 2022, other than with respect to the adjustments described in Note 31 to the financial statements. Accordingly, we do not express an opinion or any other form of assurance on those respective financial statements taken as a whole. However, in our opinion, such adjustments described in Note 31 to the financial statements are appropriate and have been properly applied.

Previously, we issued our audit report dated 30 April 2024 on the financial statements for year ended 31 December 2023 which was authorised to issue by the Bank's Board of Management on 30 April 2024. For the purpose of this audit report, except for the audit procedures to evaluate the appropriateness of the adjustments presented in Note 32 which were completed on 12 August 2024, we have not performed any additional audit procedures since the date of previous audit report on 30 April 2024.

OTHER INFORMATION

Management is responsible for the other information. The other information comprises the Report of the Board of Management on pages 1 to 4, and the annual report, which is expected to be made available to us after the date of auditors' report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

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

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

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

(Continued)

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

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

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

For **KPMG Cambodia Ltd**



Yim Lundy
Director

Phnom Penh, Kingdom of Cambodia
30 April 2024, except for Note 32, as to which the date is 12 August 2024.

STATEMENT OF FINANCIAL POSITION

for the year ended 31 December 2023

	Notes	31 December 2023		31 December 2022		31 December 2021	
		US$	KHR'000 (Note 2.1.1)	US$	KHR'000 (Note 2.1.1)	US$	KHR'000 (Note 2.1.1)
			(Restated – Note 32)		(Restated – Notes 31, 32)		(Restated – Notes 31, 32)
ASSETS							
Cash on hand	3	1,499,326	6,124,747	2,130,548	8,771,466	2,631,562	10,720,984
Balances with the National Bank of Cambodia ("the NBC")	4	35,333,360	144,336,776	26,541,705	109,272,199	48,053,672	195,770,660
Balances with other banks and financial institutions	5	12,682,265	51,807,053	3,008,902	12,387,650	2,051,078	8,356,092
Loans and advances to customers	6	114,920,528	469,450,357	66,236,263	272,694,695	80,167,270	326,601,458
Property and equipment	7	4,889,294	19,972,766	163,601	673,545	287,708	1,172,122
Right-of-use assets	8	2,035,703	8,315,847	2,802,885	11,539,478	1,613,309	6,572,621
Intangible assets	9	2,387,689	9,753,710	1,586,202	6,530,394	38,881	158,401
Deferred tax assets	15.2	584,782	2,388,834	317,093	1,305,472	354,086	1,442,546
Other assets	10	3,458,593	14,128,352	769,051	3,166,183	853,276	3,476,246
TOTAL ASSETS		**177,791,540**	**726,278,442**	**103,556,250**	**426,341,082**	**136,050,842**	**554,271,130**

STATEMENT OF FINANCIAL POSITION (Continued)

for the year ended 31 December 2023

	Notes	31 December 2023 US$	31 December 2023 KHR'000 (Note 2.1.1)	31 December 2022 US$	31 December 2022 KHR'000 (Note 2.1.1)	31 December 2021 US$	31 December 2021 KHR'000 (Note 2.1.1)
		(Restated – Note 32)		(Restated – Notes 31, 32)		(Restated – Notes 31, 32)	
LIABILITIES AND EQUITY							
LIABILITIES							
Deposits from banks and other financial institutions	11	74,628,547	304,857,614	74,403,009	30,478,188	9,196,366	37,465,995
Deposits from customers	12	19,346,141	79,028,986	14,459,787	59,530,943	25,892,727	105,486,970
E-money	13	3,100,111	12,663,953	247,640	1,019,534	21,236,938	86,519,285
Lease liabilities	14	1,309,652	5,349,928	1,831,447	7,540,067	454,210	1,850,452
Deferred tax liabilities	15.2	172,683	705,410	-	-	-	-
Provision for off-balance sheet items		41,000	167,485	1,012	4,166	-	-
Other liabilities	16	217,987	890,477	512,563	2,110,222	271,958	1,107,957
TOTAL LIABILITIES		**98,816,121**	**403,663,853**	**24,455,458**	**100,683,120**	**57,052,199**	**232,430,659**
EQUITY							
Bank capital	17	76,552,197	310,333,829	76,552,197	310,333,829	75,000,000	303,990,000
Retained earnings	17	2,298,839	9,329,535	2,518,573	10,232,641	3,977,903	16,196,923
Regulatory reserves	17	124,383	507,269	30,022	119,445	20,740	81,509
Currency translation reserves		-	2,443,956	-	4,972,047	-	1,572,039
TOTAL EQUITY		**78,975,419**	**322,614,589**	**79,100,792**	**325,657,962**	**78,998,643**	**321,840,471**
TOTAL LIABILITIES AND EQUITY		**177,791,540**	**726,278,442**	**103,556,250**	**426,341,082**	**136,050,842**	**554,271,130**

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2023

	Notes	2023 US$	2023 KHR'000 (Note 2.1.1)	2022 US$	2022 KHR'000 (Note 2.1.1)
		(Restated – Note 32)		(Restated – Notes 31, 32)	
Interest income	18	6,026,684	24,769,671	3,561,752	14,556,880
Interest expense	19	(1,615,140)	(6,638,225)	(490,651)	(2,005,291)
Net interest income		**4,411,544**	**18,131,446**	**3,071,101**	**12,551,589**
Fees and commission income	20	372,041	1,529,089	260,037	1,062,771
Fees and commission expense	20	(108,986)	(447,932)	(60,315)	(246,507)
Net fees and commission income		**263,055**	**1,081,157**	**199,722**	**816,264**
Net foreign exchange gain/(loss)		70,099	288,107	(43,822)	(179,101)
Other income	21	2,781,050	11,430,116	705,841	2,884,772
Total operating income		**7,525,748**	**30,930,826**	**3,932,842**	**16,073,524**
Personnel expenses	22	(2,700,771)	(11,100,169)	(1,515,920)	(6,195,565)
General and administrative expenses	23	(3,028,887)	(12,448,726)	(1,587,431)	(6,487,830)
Net impairment losses on financial instruments	24	(667,454)	(2,743,236)	(17,919)	(73,235)
Depreciation and amortization	25	(1,057,781)	(4,347,480)	(607,637)	(2,483,412)
Profit before income tax		**70,855**	**291,215**	**203,935**	**833,482**
Income tax expense	15.1	(196,228)	**(806,497)**	**(101,786)**	**(415,999)**
Net (loss)/profit for the year		**(125,373)**	**(515,282)**	**102,149**	**417,483**
Other comprehensive income					
Item that will not be classified to profit or loss					
Currency translation differences		-	(2,528,091)	-	3,400,008
Total comprehensive income for the year		**(125,373)**	**(3,043,373)**	**102,149**	**3,817,491**

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

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2023

	Share capital		Retained earnings		Regulatory reserves		Currency translation reserves	Total	
	US$	KHR'000	US$	KHR'000	US$	KHR'000	KHR'000	US$	KHR'000
		(Note 2.1.1)		(Note 2.1.1)		(Note 2.1.1)	(Note 2.1.1)		(Note 2.1.1)
Balance as at 1 January 2023 (Restated – Notes 31, 32)	76,552,197	310,333,829	2,518,573	10,232,641	30,022	119,445	4,972,047	79,100,792	325,657,962
Total comprehensive income									
Total comprehensive income (Restated – Note 32)	-	-	(125,373)	(515,282)	-	-	-	(125,373)	(515,282)
Currency translation differences	-	-	-	-	-	-	(2,528,091)	-	(2,528,091)
	-	-	(125,373)	(515,282)	-	-	(2,528,091)	(125,373)	(3,043,373)
Transactions recognized directly in equity									
Transfer to regulatory reserves	-	-	(94,361)	(387,824)	94,361	387,824	-	-	-
Balance as at 31 December 2023 (Restated – Note 32)	**76,552,197**	**310,333,829**	**2,298,839**	**9,329,535**	**124,383**	**507,269**	**2,443,956**	**78,975,419**	**322,614,589**

STATEMENT OF CHANGES IN EQUITY (Continued)

for the year ended 31 December 2023

	Share capital		Retained earnings		Regulatory reserves		Currency translation reserves	Total	
	US$	KHR'000	US$	KHR'000	US$	KHR'000	KHR'000	US$	KHR'000
		(Note 2.1.1)		(Note 2.1.1)		(Note 2.1.1)	(Note 2.1.1)		(Note 2.1.1)
Balance as at 1 January 2022 (Restated – Notes 31, 32)	75,000,000	303,990,000	3,977,903	16,196,923	20,740	81,509	1,572,039	78,998,643	321,840,471
Total comprehensive income									
Total comprehensive income (Restated – Notes 31, 32)	-	-	102,149	417,483	-	-	-	102,149	417,483
Currency translation differences	-	-	-	-	-	-	3,400,008	-	3,400,008
	-	-	102,149	417,483	-	-	3,400,008	102,149	3,817,491
Transactions recognized directly in equity									
Conversion of retained earnings to capital	1,552,197	6,343,829	(1,552,197)	(6,343,829)	-	-	-	-	-
Transfer to regulatory reserves	-	-	(9,282)	(37,936)	9,282	37,936	-	-	-
	1,552,197	6,343,829	(1,561,479)	(6,381,765)	9,282	37,936	-	-	-
Balance as at 31 December 2022 (Restated – Notes 31, 32)	**76,552,197**	**310,333,829**	**2,518,573**	**10,232,641**	**30,022**	**119,445**	**4,972,047**	**79,100,792**	**325,657,962**

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

STATEMENT OF CASH FLOWS

for the year ended 31 December 2023

	Notes	2023 US$	2023 KHR'000 (Note 2.1.1)	2022 US$	2022 KHR'000 (Note 2.1.1)
		(Restated – Note 32)		(Restated – Notes 31, 32)	
Net interest income					
Profit before income tax		70,855	291,215	203,935	833,482
Adjustment for:					
Depreciation and amortisation	25	1,057,781	4,347,480	607,637	2,483,412
Net interest income	18,19	(4,411,544)	(18,131,446)	(3,071,101)	(12,551,589)
Impairment losses on financial instruments	24	667,454	2,743,236	17,919	73,235
		(2,615,454)	(10,749,515)	(2,241,610)	(9,161,460)
Changes in:					
Balances with the NBC and financial institutions		(6,863,235)	(28,207,896)	(264,420)	(1,080,685)
Loans and advances to customers		(49,225,676)	(202,317,528)	13,851,938	56,612,871
Other assets		(2,677,386)	(11,004,056)	173,394	708,661
Deposits from other banks and financial institutions		67,001,722	275,377,077	(1,834,523)	(7,497,696)
Deposits from customers		4,694,046	19,292,529	(11,646,729)	(47,600,181)
E-money		2,852,471	11,723,656	(20,989,298)	(85,783,261)
Other liabilities		(322,833)	(1,326,844)	147,400	602,424
Cash generated from/(used in) operations		12,843,655	52,787,423	(22,803,848)	(93,199,327)
Interest received		5,951,995	24,462,699	3,559,776	14,548,805
Interest paid		(1,199,890)	(4,931,548)	(194,414)	(794,570)
Income tax paid	15.1	(303,391)	(1,246,933)	(153,962)	(629,243)
Net cash generated from/(used in) operating activities		17,292,369	71,071,641	(19,592,448)	(80,074,335)

STATEMENT OF CASH FLOWS (Continued)

for the year ended 31 December 2023

	Notes	2023 US$	2023 KHR'000 (Note 2.1.1)	2022 US$	2022 KHR'000 (Note 2.1.1)
		(Restated – Note 32)		(Restated – Notes 31, 32)	
Cash flows from investing activities					
Acquisition of property and equipment and intangible assets	20	(5,789,521)	(23,794,931)	(1,574,598)	(6,435,382)
Net cash used in investing activities		(5,789,521)	(23,794,931)	(1,574,598)	(6,435,382)
Cash flows from financing activities					
Payment of principal portion of lease liabilities	14	(520,921)	(2,140,985)	(215,657)	(881,390)
Net cash used in financing activities		(520,921)	(2,140,985)	(215,657)	(881,390)
Net increase/(decrease) in cash and cash equivalents		10,981,927	45,135,725	(21,382,703)	(87,391,107)
Cash and cash equivalents at 1 January	3	17,314,965	71,285,711	38,697,668	157,654,299
Currency translation differences		-	(828,632)	-	1,022,519
Cash and cash equivalents at 31 December	3	28,296,892	115,592,804	17,314,965	71,285,711

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

01

CORPORATE INFORMATION

MB Bank (Cambodia) Plc. ("the Bank") was incorporated and registered in the Kingdom of Cambodia.

ESTABLISHMENT AND OPERATIONS

MB Bank (Cambodia) Plc. ("the Bank") was launched in early January 2023 after operating the banking business in Cambodia since 2011 as a foreign branch of Military Commercial Joint Stock Bank (MB Bank) - a bank incorporated in Vietnam, under Banking License No. B34 issued by the Governor of the National Bank of Cambodia ("NBC") dated 15 December 2011 and Certificate of Incorporation with Registration No. 0019719 issued by the Ministry of Commerce dated 23 November 2011 and its subsequent amended license. The Bank operates in the Kingdom of Cambodia under Banking License No. 34 issued by the Governor of the National Bank of Cambodia ("NBC") dated 16 December 2022 and Certificate of Incorporation with Registration No. 2000222327 issued by the Ministry of Commerce dated 2 January 2023.

The principal activities of the Bank are to provide banking and related financial services in Cambodia.

The Bank's head office is located at Building 146, Preah Norodom Boulevard, Sangkat Tonle Basak, Khan Chamkar Mon, Phnom Penh, Kingdom of Cambodia. In addition, the Bank has two branches, Ou Ruessei Branch, which is located at No. 439, Preah Monivong Boulevard, Sangkat Boeng Proluet, Khan Prampir Meakkakra, Phnom Penh, Kingdom of Cambodia and Khan Chamkar Mon – Sangkat Tonle Basak Branch, which is located at Building 146, Ground Floor, Preah Norodom Blv, Sangkat Tonle Basak, Khan Chamkar Mon, Phnom Penh, Kingdom of Cambodia.

The Bank is 100% owned by Military Commercial Joint Stock Bank (the "parent bank"), a bank incorporated in Vietnam.

As at 31 December 2023, the Bank had 129 employees (31 December 2022: 62 employees).

Statement of compliance

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

The financial statements were authorized for issue by the Board of Managements ("BOM") on 12 August 2024.

02

MATERIAL ACCOUNTING POLICIES

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

2.1 Basis of preparation

2.1.1 Functional and presentation currency

The national currency of Cambodia is the Khmer Riel ("KHR"). However, as the Bank transacts its business and maintains its accounting records primarily in United States dollar ("US$"), management has determined the US$ to be the Bank's functional and presentation currency as it reflects the economic substance of the underlying events and circumstances of the Bank.

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

Translation of US$ into KHR

The financial statements are expressed in United States Dollars which is the Bank's functional currency. The translation of United States Dollars amount into thousands Khmer Riel ("KHR'000") meets the presentation requirements pursuant to Law on Accounting and Auditing and has been done in compliance with CIAS 21- The Effects of Changes in Foreign Exchange Rates.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2023

02

MATERIAL ACCOUNTING POLICIES

(Continued)

Translation of US$ into KHR *(Continued)*

Assets and liabilities are translated at the closing rate as at the reporting date and equity accounts are translated at the historical rate. The statements of profit or loss and other comprehensive income and cash flows are translated into KHR at the average rate for the year, which have been deemed to approximate the exchange rates at the date of transaction as exchange rates have not fluctuated significantly during the year. Exchange differences arising from the translation are recognised as "Currency translation differences" in the statement of comprehensive income.

The Bank uses the following exchange rates:

Financial year end		Closing Rate	Average Rate
31 December 2023	US$1 =	KHR4,085	KHR4,110
31 December 2022	US$1 =	KHR4,117	KHR4,087

2.1.2 Fiscal year

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

2.1.3 Presentation of financial statements

The accompanying financial statements, including their utilization, are not designed for those who are not informed about the Kingdom of Cambodia's accounting principles, procedures and practices and furthermore are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than the Kingdom of Cambodia.

The accounting policies set out below have been consistently applied by the Bank during the year.

2.2 Material accounting judgments and estimates

The preparation of the financial statements in compliance with CIFRSs requires the Bank to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosures of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

2.2.1 Judgments

2.2.1.1 Classification of financial assets

On initial recognition, a financial asset is classified as measured at amortised cost, FVOCI or FVTPL.

The Bank classifies its financial assets depending on the results of the 'solely payments of principal and interest' (SPPI) tests and on the "business model" used for managing those financial assets.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2023

02

MATERIAL ACCOUNTING POLICIES

(Continued)

2.2.1.1 Classification of financial assets *(Continued)*

The SPPI test is the first of two tests that determine the classification of a financial asset. When performing the SPPI test, the Bank assesses whether the contractual terms of these financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk) does not meet the amortized cost criteria.

The business model assessment (BMA) is the second test. The BMA reflects how financial assets are managed in order to generate net cash inflows. The Bank performs BMA based on the following factors:

- Business objectives and strategies for holding financial assets;
- Performance measures and benchmarks being used to evaluate the Bank's key management personnel accountable to the financial assets;
- Attendant risks and the tools applied in managing them;
- Compensation structure, including whether based on fair value changes of the investments managed or on the generated cash flows from transaction;
- Frequency and timing of disposals.

2.2.1.2 Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recognized or disclosed in the statements of financial position cannot be derived from active markets, these are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. These judgments may include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

2.2.1.3 Leases

The Bank determines the lease term as the non-cancellable term of the lease, together with any years covered by an option to extend the lease if it is reasonably certain to be exercised, or any years covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Extension and termination options

The Bank has several lease contracts that include extension and termination options. The Bank applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors such as leasehold improvements and location that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Bank reassess the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

Estimating the incremental borrowing rate (IBR) for lease liabilities

The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR for lease liabilities is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2023

02

MATERIAL ACCOUNTING POLICIES

(Continued)

2.2.1.3 Leases *(Continued)*

Estimating the incremental borrowing rate (IBR) for lease liabilities *(Continued)*

The Bank estimates the IBR for lease liabilities using observable inputs by reference to interest rates of deposits from customers having term similar as lease term.

2.2.2 Estimates

2.2.2.1 Impairment of financial assets

The measurement of impairment losses under CIFRS 9 across all categories of financial assets requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Bank's expected credit losses (ECL) calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgments and estimates include:

- Criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as Gross domestic product (GDP), Consumer Price Index (CPI), Unemployment Rate, other factors and the effect on probability of defaults (PDs), exposure at defaults (EADs) and loss given defaults (LGDs);
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget and do not include restructuring activities that the Bank is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

2.2.2.2 Estimated useful lives of property and equipment and intangible assets

The useful life of each item of property and equipment and intangible assets is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of similar businesses, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed yearly and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any item of property and equipment and intangible assets would increase the recorded operating expenses and decrease the carrying value of these nonfinancial assets. There is no change in the estimated useful lives of property and equipment and intangible assets during the year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2023

02

MATERIAL ACCOUNTING POLICIES

(Continued)

2.2.2.3 Recognition of deferred tax assets

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

2.2.2.4 Going concern

The Bank's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt on the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

2.3 Summary of material accounting policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements, unless otherwise stated (Note 2.4).

The Bank has consistently applied the following accounting policies to all year presented in these financial statements, unless otherwise indicated.

The Bank also adopted Disclosure of Accounting Policies (Amendments to CIAS 1 and CIFRS Practice Statement 2) from 1 January 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Management reviewed the accounting policies and made updates to the information disclosed in Material accounting policies (2022: Significant accounting policies) in certain instances in line with the amendments.

2.3.1 Financial assets

a. Date of recognition

All financial assets are initially recognized on the trade date, i.e., the date that the Bank becomes a party to the contractual provisions of the instrument. This includes regular way trades, purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

b. Initial recognition and subsequent measurement

All financial assets are measured initially at their fair value plus directly attributable transaction costs, except in the case of financial assets recorded at fair value through profit or loss. The Bank classify all of its financial assets based on the business model for managing the assets and the asset's contractual cash flow characteristics, measured at either:

- Amortised cost, as explained in Note 2.3.1(b)(1);
- Fair value through other comprehensive income ("FVOCI"), as explained in Note 2.3.1(b)(2); and
- Fair value through profit or loss ("FVTPL"), as explained in Note 2.3.1(b)(3).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2023

02

MATERIAL ACCOUNTING POLICIES

(Continued)

2.3.1 Financial assets *(Continued)*

b. Initial recognition and subsequent measurement (Continued)

Included in financial assets are the following:

(1) Financial assets at amortised cost (debt instruments)

The Bank measure financial assets at amortised cost if both of the following conditions are met:

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

The details of these conditions are outlined below:

(i) The SPPI test

As a first step of its classification process, the Bank assess the contractual terms of financial assets to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgment and consider relevant factors such as the currency in which the financial asset is denominated, and the year for which the interest rate is set.

In contrast, contractual terms that introduce a more than the minimine exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

(ii) Business model assessment

The Bank determines its business model at the level that best reflects how groups of financial assets are managed to achieve its business objective.

The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

a. How the performance of the business model and the financial assets held within that business model are evaluated and reported to the key management personnel
b. The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
c. How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)
d. The expected frequency, value and timing of sales are also important aspects of the Bank's assessment.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2023

02

MATERIAL ACCOUNTING POLICIES

(Continued)

2.3.1 Financial assets *(Continued)*

b. Initial recognition and subsequent measurement (Continued)

(1) Financial assets at amortised cost (debt instruments) (Continued)

(ii) Business model assessment (Continued)

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Bank's original expectations, the Bank do not change the classification of the remaining financial assets held in that business model but incorporate such information when assessing newly originated or newly purchased financial assets going forward.

As at 31 December 2023 and 31 December 2022, the Bank classified its financial assets at amortised cost for the following Financial assets: cash on hand and other cheque items, placements with other financial institutions and loans to customers, inter bank balances, other assets as disclosed in the respective notes to the financial statements.

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

(2) Fair value through other comprehensive income ("FVOCI") (debt/equity instruments)

The Bank classifies debt instruments measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial assets meet the SPPI test.

Financial assets at FVOCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in Other Comprehensive Income ("OCI"). Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. Where the Bank holds more than one investment in the same security, they are deemed to be disposed off on a first–in first–out basis. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

The Bank has no debt instrument at FVOCI as of 31 December 2023 and 31 December 2022.

Equity instruments are normally measured at FVTPL. However, for non-traded equity instruments, with an irrevocable option at inception, the Bank measures the changes through FVOCI (without recycling profit or loss upon derecognition).

The Bank has no equity instrument at FVOCI as of 31 December 2023 and 31 December 2022.

(3) Financial assets at fair value through profit or loss ("FVTPL")

Financial assets at FVTPL are those that are held-for-trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under CIFRS 9. Management designates an instrument at FVTPL upon initial recognition when one of the following criteria is met:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2023

02

MATERIAL ACCOUNTING POLICIES

(Continued)

2.3.1 Financial assets *(Continued)*

b. Initial recognition and subsequent measurement (Continued)

(3) Financial assets at fair value through profit or loss ("FVTPL") (Continued)

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis; or
- The assets and liabilities are part of a group of financial assets, financial liabilities or both, which is managed, and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

Such designation is determined on an instrument-by-instrument basis:

Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Subsequent to initial recognition, financial assets at FVTPL are recorded in the statement of financial position at fair value. Changes in fair value are recognised in the statement of comprehensive income under the caption of 'other operating income'.

c. Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired; or
- The Bank retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- The Bank has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risk and rewards of the asset but has transferred control of the asset.

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control over the asset, the asset is recognized to the extent of the Bank's continuing involvement in the asset. In that case, the Bank also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2023

02

MATERIAL ACCOUNTING POLICIES

(Continued)

2.3.1 Financial assets *(Continued)*

c. Derecognition (Continued)

The Bank derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded.

The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be purchased or originated credit-impaired ("POCI").

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original effective interest rate ("EIR"), the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

d. Impairment of financial assets

The Bank records the allowance for expected credit losses for all loans and receivables and other debt financial assets not held at FVTPL all referred to as 'financial instruments'. Equity instruments are not subject to impairment under CIFRS 9.

ECL represents credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. ECL allowances are measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a significant increase in credit risk (SICR) since initial recognition (General Approach). The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that results from all possible default events over the expected life of a financial instrument.

(i) Staging assessment

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

3-Stage approach	*Stage 1*	*Stage 2*	*Stage 3*
	Performing	*Under-performing*	*Non-performing*
ECL Approach	12-month ECL	Lifetime ECL	Lifetime ECL
Criterion	No significant increase in credit risk	Credit risk increased significantly	Credit-impaired assets
Recognition of interest/profit income	On gross carrying amount	On gross carrying amount	On net carrying amount
Overdue day	Short-term (one year or less): 0-14 days Long-term (more than one year): 0-29 days	Short-term (one year or less): 15-29 days Long-term (more than one year): 30-89 days	Short-term (one year or less): 30 days and above Long-term (more than one year): 90 days and above

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2023

02

MATERIAL ACCOUNTING POLICIES

(Continued)

2.3.1 Financial assets *(Continued)*

d. Impairment of financial assets (Continued)

(ii) Definition of "default" and "restored"

The Bank classifies loans, investments, receivables, or any financial asset as in default when it is credit impaired, becomes past due on its contractual payments for more than 29 days for short-term loans and past due more than 89 days for long-term loans, restructure loans, considered non-performing, under litigation or is classified as doubtful or loss. As part of a qualitative assessment of whether a customer is in default, the Bank considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Bank carefully considers whether the event should result in treating the customer as defaulted. An instrument is considered to be no longer in default (i.e. restored) if there is sufficient evidence to support that full collection is probable and payments are received for at least six months for long-term loans and at least three months for short-term loans.

(iii) Credit risk at initial recognition

At each reporting date, the Bank shall assess whether the credit risk on a loan or credit exposure has increased significantly since initial recognition. The Bank's assessment of SICR involves looking at if unpaid for at least 5 days for short-term loans and 10 days for long-term loans ("backstop").

(iv) ECL parameters and methodologies

ECL is a function of the probability of default (PD), loss given default (LGD) and exposure at default (EAD), with the timing of the loss also considered, and is estimated by incorporating forward-looking economic information and through the use of experienced credit judgment.

The PD is an estimate of the likelihood of default over a 12-month horizon for Stage 1 or lifetime horizon for Stages 2 and 3. The PD for each individual instrument is modelled based on historic data and is estimated based on current market conditions and reasonable and supportable information about future economic conditions. The Bank segments its credit exposures based on homogenous risk characteristics and developed a corresponding PD methodology for each portfolio. The PD methodology for each relevant portfolio is determined based on the underlying nature or characteristic of the portfolio, behaviour of the accounts and materiality of the segment as compared to the total portfolio.

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It makes use of defaulted accounts that have either been identified as cured, restructured, or liquidated. The Bank segmented its LGD based on homogenous risk characteristics and calculated the corresponding segment-level averages.

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2023

02 MATERIAL ACCOUNTING POLICIES (Continued)

2.3.1 Financial assets *(Continued)*

d. Impairment of financial assets (Continued)

(u) Forward-looking information

The Bank incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. A broad range of forward-looking information are considered as economic inputs, such as GDP growth, consumption, exchange rate, import, inflation rate and other economic indicators. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

The key forward-looking economic variables used in each of the economic scenarios for the ECL calculations are Gross domestic product (GDP), Consumer Price Index (CPI), Unemployment Rate, Exchange Rate.

The Bank applies the following three alternative macroeconomic scenarios to reflect an unbiased probability-weighted range of possible future outcomes in estimating ECL:

- Base scenario: This scenario reflects those current macroeconomic conditions continue to prevail;
- Upside and Downside scenarios: These scenarios are set relative to the base scenario; reflecting best and worst-case macroeconomic conditions based on subject matter expert's best judgment from current economic conditions.

2.3.2 Financial liabilities

a. Date of recognition

All financial liabilities are initially recognised on the trade date i.e. the date that the Bank becomes a party to the contractual provision of the instruments.

b. Initial recognition and subsequent measurement

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability. All financial liabilities are measured initially at fair value plus directly attributable transaction costs, except in the case of financial liabilities at FVTPL.

Financial liabilities are classified as either financial liabilities at FVTPL or financial liabilities at amortised cost.

(1) Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held-for-trading ("HFT") and financial liabilities designated upon initial recognition at FVTPL.

Financial liabilities held-for-trading

Financial liabilities are classified as held-for-trading if they are incurred for the purpose of repurchasing in the near term. This category includes derivatives entered into by the Bank that do not meet the hedge accounting criteria.

Gains or losses on financial liabilities HFT are recognised in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2023

02 MATERIAL ACCOUNTING POLICIES (Continued)

2.3.2 Financial liabilities *(Continued)*

b. Initial recognition and subsequent measurement (Continued)

(1) Financial liabilities at FVTPL

Financial liabilities designated at fair value.

Financial liabilities designated upon initial recognition at FVTPL are designated at the initial date of recognition, and only if the criteria are satisfied.

The changes in fair value are presented differently as follows:

i. Change in fair value due to own credit risk - presented in other comprehensive income
ii. Change in fair value due to market risk or other factors - presented in the statement of profit or loss and other comprehensive income.

As of 31 December 2023, the Bank has not designated any financial liability as at fair value through profit or loss.

(2) Financial liabilities at amortized cost

This accounting policy relates to the statement of financial position captions 'Due to other financial institutions', 'Due to customer', 'Other liabilities'.

Financial liabilities at amortized cost pertain to issued financial instruments that are not classified or designated as financial liabilities at FVTPL and contain contractual obligations to deliver cash or other financial assets to the holder or to settle the obligation other than the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

c. Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such as exchange or modification is treated as derecognition of the original liability and the recognition of a new liability. The difference between the carrying amount of the original financial liability and the consideration paid is recognized in the statement of profit or loss and other comprehensive income.

d. Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position of the Bank if there is a current legally enforceable right to offset the recognized amount and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2023

02

MATERIAL ACCOUNTING POLICIES

(Continued)

2.3.3 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., an exit price). The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Bank.
The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

If the asset or liability measured at fair value has a bid and ask price, the price within the bid-ask spread that is most representative of fair value in the circumstances shall be used to measure fair value, regardless of where the input is categorized within the fair value hierarchy.

A fair value measurement of a non-financial asset 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.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

2.3.4 Cash and cash equivalents

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

2.3.5 Balances with the National Bank of Cambodia

Capital guarantee deposit and reserve balances are maintained with the NBC in compliance with the Cambodian Law on Banking and Financial Institutions determined at defined percentages of minimum capital and total deposits from customers, respectively. This account also includes current account carried at cost and interest-bearing term deposit.

2.3.6 Balances with other banks and financial institutions

Balances with other banks are carried at cost less ECL.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2023

02

MATERIAL ACCOUNTING POLICIES

(Continued)

2.3.7 Loans and advances to customers

Loans to customers are measured at amortized cost less impairment based on ECL, they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortized cost using the effective interest method.

Loans are written off when there is no realistic prospect of recovery. Recoveries of loans to customers previously written off, or provided for, decrease the amount of the provision allowance for expected credit losses in the income statement.

Recoveries on loans previously written off and reversal of previous allowances are disclosed as other income in the statement of income.

2.3.8 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The cost of a property and equipment item comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Where an item of property and equipment comprises major components having different estimated useful lives, the components are accounted for as separate items of property and equipment.

Subsequent expenditure relating to an item of property and equipment that has already been recognized is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Bank. All other subsequent expenditure is recognized as an expense in the year in which it is incurred.

Gain or loss arising from the retirement or disposal of an item of property and equipment is determined as the difference between the estimated net disposal proceeds and the carrying amount of the assets and is recognized in the statement of profit or loss and other comprehensive income. on the date of retirement or disposal.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Leasehold building	4 – 5 years
Furniture and fittings	4 – 5 years
Computer and office equipment	2 – 4 years
Equipment	4 – 5 years
Motor vehicles	4 years
Other fixed assets	5 years

Construction in progress is not depreciated until such time as the relevant assets are completed and put into operational use.

Fully depreciated assets are retained in the financial statements until they are no longer in use or no further charge for depreciation is made in respect of these assets.

If there is any indication that there has been a significant change in depreciation or amortization rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2023

02

MATERIAL ACCOUNTING POLICIES

(Continued)

2.3.9 Intangible assets

Intangible assets include software and licence which are stated at cost less accumulated amortization and accumulated impairment losses, if any. It is amortized on a straight-line basis over the estimated useful life of the asset as follows.

If there is an indication that there has been a significant change in amortization rate, useful life or residual value of software, the amortization is revised prospectively to reflect the new expectations. Software development cost is not amortized until such time as the relevant assets are completed and put into operational use.

2.3.10 Leases

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

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

- The contract involves the use of an identified asset - this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right throughout the year of use, then the asset is not identified;
- The Bank has the right to obtain substantially all of the economic benefits from use of the asset throughout the year of use; and
- The Bank has the right to direct the use of the asset. The Bank has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In cases where all the decisions about how and for what purpose the asset is used are predetermined, the Bank has the right to direct the use of the asset if either:
  - The Bank has the right to operate the asset; or
  - The Bank designed the asset in a way that predetermines how and for what purpose It will be used.

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

Leases in which the Bank is a lessee

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

- The Bank had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
- The Bank had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2023

02

MATERIAL ACCOUNTING POLICIES

(Continued)

2.3.10 Leases *(Continued)*

- Facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

The Bank recognizes a right-of-use asset and a lease liability at the lease commencement date.

Right-of-use asset.

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

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

The estimated useful of building and office for the current year is 1 - 7 years.

Lease liability

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2023

02 MATERIAL ACCOUNTING POLICIES (Continued)

2.3.10 Leases *(Continued)*

Short-term leases and leases of low-value assets

The Bank applies the short-term lease recognition exemption to its short-term leases of transportation equipment (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), included for short-term leases of ATM spaces. It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below US$5,000). 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.

Security deposits paid under leases

To the extent that the deposit is a true deposit and not a prepaid lease payment, the deposit gives the lessee a right to receive the money back in cash from the lessor and is therefore a financial asset for the lessee and a financial liability for the lessor.

Security deposit is initially accounted for at fair value. The excess of the principal amount of the deposit over its fair value is accounted as a prepaid lease payment. The lessee includes this amount in the cost of its right-of-use asset at the lease commencement date. Interest on the deposit, meanwhile, is accounted for using the effective interest method by both the lessee and the lessor. The fair value of the deposit is determined based on the prevailing market rate of interest for a similar loan to the lessor, considering the lessor's credit-worthiness and, depending on facts and circumstances, any additional security available to the lessee.

2.3.11 Other assets

Other assets are carried at estimated realizable value. An estimate is made for doubtful receivables based on a review of outstanding amounts at the reporting date.

2.3.12 Deposits from banks and other financial institutions, deposits from customers and E-money

Deposits from banks and other financial institutions, deposits from customers and E-money are stated at placement value.

2.3.13 Equity

Bank capital

This represents the contributed capital of the Bank recognized based on the face value of contributions.

Retained earnings and Regulatory reserves

Retained earnings represent accumulated earnings of the Bank less dividends declared.

Regulatory reserves are set up for the difference between allowance for expected credit losses in accordance with CIFRS 9 and regulatory allowance in accordance with National Bank of Cambodia's Prakas No. B7-017-344 dated 1 December 2017 and Circular No. B7-018-001 Sor Ror Chor Nor dated 16 February 2018 on credit risk classification and provision on impairment for banks and financial institutions. On 16 February 2018, NBC issued Circular No. B7-018-001 clarifying on Implementation of Prakas on Credit Risk Grading and Impairment Provisioning. According to this circular, the Bank is required to calculate the allowance for impaired facilities in accordance with regulatory provision of which facilities are classified into five classes with provision rates as follows:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2023

02 MATERIAL ACCOUNTING POLICIES (Continued)

2.3.13 Equity *(Continued)*

Retained earnings and Regulatory reserves (Continued)

Classifications	Number of days past due	Allowance
General allowance		
Short-term facilities (one year or less):		
Normal	0 - 14 days	1%
Long-term facilities (more than one year):		
Normal	0 - 29 days	1%
Specific allowance		
Short-term facilities (one year or less):		
Special mention	15-30 days	3%
Sub-standard	31-60 days	20%
Doubtful	61-90 days	50%
Loss	91 days & above	100%
Long-term facilities (more than one year):		
Special mention	30-89 days	3%
Sub-standard	90-179 days	20%
Doubtful	180-359 days	50%
Loss	360 days & above	100%

In accordance with Prakas B7.17.344, Article 73, the Bank shall compare the allowance calculated in accordance with Article 49 to 71 and the allowance calculated in accordance with Article 72, and record:

i. In case that the regulatory allowance calculated in accordance with Article 72 is lower than allowance calculated in accordance with Article 49 to 71, the entity records the allowance calculated in accordance with CIFRS; and

ii. In case that the regulatory allowance calculated in accordance with Article 72 is higher than allowance calculated in accordance with Article 49 to 71, the Bank records the alowance calculated in accordance with CIFRS 9 and transfer the difference from retained earnings or accumulated loss account into regulatory reserve in the equity section of the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2023

02 MATERIAL ACCOUNTING POLICIES (Continued)

2.3.13 Equity *(Continued)*

In December 2021, the NBC issued Circular No. B7-021-2314 to provide additional guidance to banks and financial institutions in classifying their loans which have been restructured up to 31 December 2021 and in providing the regulatory allowance. This circular now requires banks and financial institutions to classify their restructured loans as follows:

- Special mention, if a restructured loan is "viable" or deemed as "performing";
- Substandard, if a first-time restructured loan will need another restructuring;
- Doubtful, if a second-time restructured loan will need another restructuring; and
- Loss, if a restructured loan is "non-viable" or deemed as "non-performing".

2.3.14 Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made on the amount of the obligation.

2.3.15 Revenue recognition

Interest income/expense

(i) Effectiue interest rate method

Interest income is recorded using the EIR method for all financial assets measured at amortised cost. Interest expense is also calculated using the EIR method for all financial liabilities held at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or liability or, when appropriate, a shorter period, to the gross carrying amount of the financial asset or amortised cost of the financial liability.

The EIR (and therefore, the amortised cost of the financial asset) is calculated by taking into account transaction costs and any discount or premium on the acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR. The Bank amortizated interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, the EIR calculation also takes into account the effect of potentially different interest rates that may be charged at various stages of the financial asset's expected life, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

(ii) Interest and similar income/expense

Net interest income comprises interest income and interest expense calculated using both the effective interest method and other methods. These are disclosed separately on the face of the statement of profit or loss and other comprehensive income for both interest income and interest expense to provide symmetrical and comparable information.

The Bank calculates interest income on financial assets, other than those considered credit-impaired, by applying the EIR to the gross carrying amount of the financial asset.

When a financial asset becomes credit-impaired and is therefore regarded as 'Stage 3', the Bank calculates interest income by applying the EIR to the net amortised cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2023

02 MATERIAL ACCOUNTING POLICIES (Continued)

2.3.15 Revenue recognition *(Continued)*

Interest income/expense (Continued)

(ii) Interest and similar income/expense (Continued)

Fees and commissions from proviiding remittance seruices

Fee and commission income and expense that are integral to the effective interest rate of a financial asset or financial liability are included in the effective interest rate.
Other fee and commission income, including accounting service fees, are recognized as the related services are performed.

A contract with a customer that results in a recognized financial instrument in the Bank's financial statements may be partially in the scope of CIFRS 9 and partially in the scope of CIFRS 15. If this is the case, then the Bank first applies CIFRS 9 to separate and measure the part of the contract that is in the scope of CIFRS 9 and then applies CIFRS 15 to the residual.

Other income

Recoveries on loans previously written off and reversal of previous allowances are recorded as other income in the statement of profit or loss and other comprehensive income.

2.3.16 Expense recognition

Expenses are recognized when it is probable that decrease in future economic benefits related to a decrease in asset or increase in liability has occurred and that the decrease in economic benefits can be measured reliably. Expenses that may arise in the course of ordinary regular activities of the Bank include, among others, the operating expenses on the Bank's operations. Expenses are recognized as incurred.

i. Fee and commission expense is charged to the statement of profit or loss and other comprehensive income when the expense is incurred.
ii. Operating expenses are recognized on an accrual basis.

2.3.17 Related parties

For the purposes of these financial statements, parties are considered to be related to the Bank if the Bank has the ability, directly or indirectly, to 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 or common significant influence. Related parties may be individuals or other entities.

The Bank has related party relationships with its substantial shareholders, companies under common control and key management personnel.
Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Bank either directly or indirectly. The key management personnel include all the Directors of the Bank, and certain senior management members of the Bank.

Key management have banking relationships with Bank entities which are entered into in the normal course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with other persons of a similar standing or, where applicable, with other employees. These transactions did not involve more than the normal risk of repayment or present other unfavourable features.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2023

02 MATERIAL ACCOUNTING POLICIES (Continued)

2.3.18 Income tax

Income tax expense comprises current and deferred tax. It is recognized in profit and loss except items recognized directly in equity or in other comprehensive income.
The Bank has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore has accounted for them under CIAS 37 Provisions, Contingent Liabilities and Contingent Assets and has recognized the related expenses in "other expenses".

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income for the period using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous period. It is measured using tax rates exacted or substantively enacted at the reporting date. Current tax assets and liabilities are offset only if certain criteria are met.

(ii) Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax asset is recognized for unused tax losses and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Bank expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

2.3.19 Presentation and rounding of amounts

Certain corresponding figures in the financial statements have been reclassified or restated to conform with current year's presentation. Except as indicated otherwise, amounts in the financial statements have been rounded off to the nearest dollar and nearest thousands ("KHR'000") for US$ and KHR amounts, respectively.

2.4 New and amended CIFRS Standards that are effective for the current year

(i) Deferred tax related to assets and liabilities arising from a single transaction

The Bank has adopted Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to CIAS 12) from 1 January 2023. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decommissioning liabilities. For leases and decommissioning liabilities, an entity is required to recognise the associated deferred tax assets and liabilities from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, an entity applies the amendments to transactions that occur on or after the beginning of the earliest period presented.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2023

02 MATERIAL ACCOUNTING POLICIES (Continued)

2.4 New and amended CIFRS Standards that are effective for the current year *(Continued)*

(i) Deferred tax related to assets and liabilities arising from a single transaction (Continued)

The Bank previously accounted for deferred tax on leases and decommissioning liabilities by applying the 'integrally linked' approach, resulting in a similar outcome as under the amendments, except that the deferred tax asset or liability was recognised on a net basis. Following the amendments, the Bank has recognised a separate deferred tax asset in relation to its lease liabilities and a deferred tax liability in relation to its right-of-use assets. However, there was no impact on the statement of financial position because the balances qualify for offset under paragraph 74 of CIAS 12. There was also no impact on the opening retained earnings as at 1 January 2023 as a result of the change. The key impact for the Bank relates to disclosure of the deferred tax assets and liabilities recognised (see Note 15.2).

(ii) Material accounting policy information

The Bank also adopted Disclosure of Accounting Policies (Amendments to CIAS 1 and CIFRS Practice Statement 2) from 1 January 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.
Management reviewed the accounting policies and noted that there is no any update to the information disclosed in Note 2 Material accounting policies (2022: accounting policies) as all accounting policies are in line with the amendments.

2.5 New accounting standards, amendments and interpretations not yet adopted

A number of new accounting standards, amendments to accounting standards and interpretations that are effective for annual years beginning after 1 January 2023 and earlier application is permitted; however, the Bank has not early adopted the new or amended standards in preparing these financial statements.

The following amended accounting standards and interpretations are not expected to have a significant impact on the Bank's financial statements:

- Non-current liabilities with Covenants and Classification of Liabilities as Current or Non-current (Amendments to CIAS 1); Disclosure of Accounting Policies - Amendments to CIAS 1 and CIFRS Practice Statement 2;
- Lease liability in a Sale and Leaseback (Amendments to CIFRS 16);
- Supplier Finance Arrangements (Amendments to CIAS 7 and CIFRS 7); and
- Lack of Exchangeability (Amendments to CIAS 21).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2023

03 CASH ON HAND

Cash on hand by currency comprises the following:

	31 December 2023		31 December 2022	
	US$	KHR'000	US$	KHR'000
		(Note 2.1.1)		(Note 2.1.1)
USD	1,314,223	5,368,602	2,033,977	8,373,883
KHR	185,103	756,145	96,571	397,583
	1,499,326	**6,124,747**	**2,130,548**	**8,771,466**

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

	31 December 2023		31 December 2022	
	US$	KHR'000	US$	KHR'000
		(Note 2.1.1)		(Note 2.1.1)
Cash on hand	**1,499,326**	**6,124,747**	**2,130,548**	**8,771,466**
Balances with the NBC	**22,277,652**	**91,004,208**	**12,175,448**	**50,126,319**
Current accounts	22,277,652	91,004,208	4,664,915	19,205,455
Term deposits (three months or less)	-	-	7,510,533	30,920,864
Balances with other banks	**4,519,914**	**18,463,849**	**3,008,969**	**12,387,926**
Current accounts	1,484,839	6,065,568	74,793	307,923
Term deposits (three months or less)	3,035,075	12,398,281	2,934,176	12,080,003
	28,296,892	**115,592,804**	**17,314,965**	**71,285,711**

04 BALANCES WITH THE NATIONAL BANK OF CAMBODIA

	31 December 2023		31 December 2022	
	US$	KHR'000	US$	KHR'000
		(Note 2.1.1)		(Note 2.1.1)
Current accounts	22,277,652	91,004,208	4,664,915	19,205,455
Negotiable Certificate of deposits (term deposits) (i)	-	-	11,523,604	47,442,677
Statutory deposits – US$ (ii)	7,655,220	31,271,575	7,655,220	31,516,541
Reserve deposits – US$ (iii)	5,400,488	22,060,993	2,697,966	11,107,526
	35,333,360	**144,336,776**	**26,541,705**	**109,272,199**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2023

04 BALANCES WITH THE NATIONAL BANK OF CAMBODIA (Continued)

(i) Negotiable Certificate of Deposit (NCD)

The Bank has pledged Negotiable Certificates of Deposits ("NCD") of US$0 (31 December 2022: US$11,471,581) with the NBC as collateral against the overdraft facilities with the NBC in connection with the Fast and Secure Transfer "Fast". As at 31 December 2023, the Bank had not utilised the overdraft on settlement clearing facility yet.

(ii) Statutory deposits

Under the NBC's Prakas No. B7-01-136 dated 15 October 2001, the Bank is required to maintain a statutory deposit at 10% of its registered capital. This deposit is not available for use in the Bank's day-to-day operations and is refundable should the Bank voluntarily ceases its operations in Cambodia.

(iii) Reserve deposits

On 9 January 2023, the NBC repealed the Prakas No. B7-020-230 on the Maintenance of Reserve Requirements against Banks and Financial Institutions' Deposits and Borrowings and issued new Prakas No. B7-023-005, which requires Banking and Financial Institutions to maintain reserve requirement against deposits and borrowings at daily average balance with the NBC as follows:

- For local currency (Khmer Riel):
  - Reserve requirement shall be maintained at 7%.
- For foreign currencies (other than Khmer Riel):
  - From 1 January 2023 to 31 December 2023, reserve requirement shall be maintained at 9%.
  - From 1 January 2024 onwards, reserve requirement shall be maintained at 12.5%.

On 23 November 2023, the NBC issued the letter No. B7-023-2621 allowing Banking and Financial Institutions to maintain reserve requirement in foreign currency at 7% until 31 December 2024. The reserve requirement on customers' deposits and borrowings bears no interest.

Annual interest rates of balances with the NBC were summarized as follows:

	31 December 2023	31 December 2022
Current accounts		
USD	0.00%	0.00%
KHR	0.00%	0.00%
Term deposits		
USD	1.01% - 3.26%	2.44% - 3.23%
KHR	1.48% - 1.97%	1.97%
Statutory deposits		
Reserve deposits – KHR	0.00%	0.00%
Reserve deposits - USD	0.00%	0.00%

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2023

05 BALANCES WITH OTHER BANKS AND FINANCIAL INSTITUTIONS

	31 December 2023		31 December 2022	
	US$	KHR'000	US$	KHR'000
		(Note 2.1.1)		(Note 2.1.1)
Current accounts	1,484,839	6,065,568	74,793	307,923
Term accounts	11,197,891	45,743,385	2,934,176	12,080,003
Gross deposits with other banks	**12,682,730**	**51,808,953**	**3,008,969**	**12,387,926**
Allowance for ECL	(465)	(1,900)	(67)	(276)
Net deposits with other banks	**12,682,265**	**51,807,053**	**3,008,902**	**12,387,650**
In which:				
Due from Parent Bank	1,447,978	5,914,990	51,047	210,160

The movements of allowance for ECL on balances with other banks and financial institutions were as follows:

	2023		2022	
	US$	KHR'000	US$	KHR'000
		(Note 2.1.1)		(Note 2.1.1)
Balance at 1 January	67	276	-	-
Change in allowance for ECL (Note 24)	398	1,626	67	276
Currency translation differences	-	(2)	-	-
Balance at 31 December	**465**	**1,900**	**67**	**276**

Annual interest rates of balances with other banks were summarized below:

	31 December 2023	31 December 2022
Demand deposits	0.00%	0.00%
Term deposits (average)	3.10% - 6.90%	5.00%

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2023

05 BALANCES WITH OTHER BANKS AND FINANCIAL INSTITUTIONS (Continued)

Balances with other banks and financial institutions by currency are as follows:

	31 December 2023		31 December 2022	
	US$	KHR'000	US$	KHR'000
		(Note 2.1.1)		(Note 2.1.1)
KHR	10,353	42,292	2,943,645	12,118,987
USD	12,594,153	51,447,117	65,324	268,939
EUR	48,132	196,619	-	-
GBP	322	1,315	-	-
HKD	273	1,115	-	-
THB	17	69	-	-
VND	29,480	120,426	-	-
	12,682,730	**51,808,953**	**3,008,969**	**12,387,926**

06 LOANS AND ADVANCES TO CUSTOMERS

Loans to customers are categorized as follows:

	31 December 2023		31 December 2022	
	US$	KHR'000	US$	KHR'000
		(Note 2.1.1)		(Note 2.1.1)
Individual loans	70,359,685	287,419,313	9,832,404	40,480,007
Corporation loans	46,136,202	188,466,385	57,352,150	236,118,801
Gross loans to customers	**116,495,887**	**475,885,698**	**67,184,554**	**276,598,808**
Allowance for ECL	(1,575,359)	(6,435,341)	(948,291)	(3,904,113)
Net loans to customers	**114,920,528**	**469,450,357**	**66,236,263**	**272,694,695**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2023

06

LOANS AND ADVANCES TO CUSTOMERS

(Continued)

An analysis of changes in the gross carrying amount and the corresponding ECL allowances follows:

	2023			
	Stage 1 US$	*Stage 2* US$	*Stage 3* US$	*Total* US$
Gross carrying amount as at 1 January	66,388,892	652,579	143,083	67,184,554
Recognised during the year	49,052,407	(183,673)	442,599	49,311,333
New financial assets originated	109,443,015	117,763	43,060	109,603,838
Remeasurement of loss allowance	(1,180,630)	(470,871)	(61,896)	(1,713,397)
Assets derecognized or repaid (excluding write offs)	(58,768,438)	178,997	10,333	(58,579,108)
Transfers to Stage 1	101,639	(101,639)	-	-
Transfers to Stage 2	(94,419)	94,419	-	-
Transfers to Stage 3	(448,760)	(2,342)	451,102	-
Balance at 31 December	**115,441,299**	**468,906**	**585,682**	**116,495,887**
KHR'000 *(Note 2.1.1)*	**471,577,707**	**1,915,479**	**2,392,512**	**475,885,698**
ECL allowance as at 1 January under CIFRS 9	814,924	124,195	9,172	948,291
Recognised during the year (Note 24)	212,790	(27,372)	441,650	627,068
New financial assets originated	986,191	34,929	42,879	1,063,999
Remeasurement of loss allowance	287,670	(71,520)	69,575	285,725
Assets derecognized (excluding write offs)	(711,259)	(5,022)	(6,375)	(722,656)
Transfers to Stage 1	741	(741)	-	-
Transfers to Stage 2	(16,578)	16,578	-	-
Transfers to Stage 3	(333,975)	(1,596)	335,571	-
Balance at 31 December	**1,027,714**	**96,823**	**450,822**	**1,575,359**
KHR'000 *(Note 2.1.1)*	**4,198,212**	**395,523**	**1,841,606**	**6,435,341**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2023

06

LOANS AND ADVANCES TO CUSTOMERS

(Continued)

	2022			
	Stage 1 US$	*Stage 2* US$	*Stage 3* US$	*Total* US$
Gross carrying amount as at 1 January	80,364,115	553,720	179,874	81,097,709
Recognised during the year	(13,975,223)	98,859	(36,791)	(13,913,155)
New financial assets originated	46,178,814	7,875	5,492	46,192,181
Remeasurement of loss allowance	(1,219,387)	(131,173)	(31,902)	(1,382,462)
Assets derecognized or repaid (excluding write offs)	(58,695,160)	(13,012)	(14,702)	(58,722,874)
Transfers to Stage 1	132,174	-	(132,174)	-
Transfers to Stage 2	(371,664)	371,664	-	-
Transfers to Stage 3	-	(136,495)	136,495	-
Balance at 31 December	**66,388,892**	**652,579**	**143,083**	**67,184,554**
KHR'000 *(Note 2.1.1)*	**273,323,067**	**2,686,668**	**589,073**	**276,598,808**
ECL allowance as at 1 January under CIFRS 9	711,434	128,593	90,412	930,439
Recognised during the year (Note 24)	103,490	(4,398)	(81,240)	17,852
New financial assets originated	559,907	53	797	560,757
Remeasurement of loss allowance	94,407	(61,291)	(78,457)	(45,341)
Assets derecognized (excluding write offs)	(486,370)	(4,252)	(6,942)	(497,564)
Transfers to Stage 1	1,736	-	(1,736)	-
Transfers to Stage 2	(66,190)	70,264	(4,074)	-
Transfers to Stage 3	-	(9,172)	9,172	-
Balance at 31 December	**814,924**	**124,195**	**9,172**	**948,291**
KHR'000 *(Note 2.1.1)*	**3,355,041**	**511,311**	**37,761**	**3,904,113**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2023

06

LOANS AND ADVANCES TO CUSTOMERS

(Continued)

Further analysis of loans to customers are set out below.

(a) By staging of loans to customers

	31 December 2023		*31 December 2022*	
	US$	*KHR'000*	*US$*	*KHR'000*
		(Note 2.1.1)		*(Note 2.1.1)*
Stage 1	115,441,299	471,577,707	66,388,892	273,323,067
Stage 2	468,906	1,915,479	652,579	2,686,668
Stage 3	585,682	2,392,512	143,083	589,073
Total gross loans	**116,495,887**	**475,885,698**	**67,184,554**	**276,598,808**

(b) By security

	31 December 2023		*31 December 2022*	
	US$	*KHR'000*	*US$*	*KHR'000*
		(Note 2.1.1)		*(Note 2.1.1)*
Secured	**105,046,499**	**429,114,948**	**66,864,156**	**275,279,729**
Machinery	1,049,518	4,287,281	54,127,049	222,841,060
Real estate	34,109,952	139,339,154	9,244,285	38,058,721
Vehicle	649,594	2,653,591	237,839	979,183
Others	69,237,435	282,834,922	3,254,983	13,400,765
Unsecured	**11,449,388**	**46,770,750**	**320,398**	**1,319,079**
	116,495,887	**475,885,698**	**67,184,554**	**276,598,808**

(c) By maturity

	31 December 2023		*31 December 2022*	
	US$	*KHR'000*	*US$*	*KHR'000*
		(Note 2.1.1)		*(Note 2.1.1)*
Within 1 month	33,244	135,802	19,574	80,586
Greater than 1 month to 12 months	43,351,115	177,089,305	3,205,467	13,196,908
Greater than 1 year to 5 years	25,565,206	104,433,867	54,778,571	225,523,376
More than 5 years	47,546,322	194,226,724	9,180,942	37,797,938
	116,495,887	**475,885,698**	**67,184,554**	**276,598,808**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2023

06

LOANS AND ADVANCES TO CUSTOMERS

(Continued)

(d) By exposures

	31 December 2023		*31 December 2022*	
	US$	*KHR'000*	*US$*	*KHR'000*
		(Note 2.1.1)		*(Note 2.1.1)*
Large exposures (*)	42,314,069	172,852,972	-	-
Non-large exposures	74,181,818	303,032,726	67,184,554	276,598,808
	116,495,887	**475,885,698**	**67,184,554**	**276,598,808**

(e) By residency, relationship, currency and industry sector

	31 December 2023		*31 December 2022*	
	US$	*KHR'000*	*US$*	*KHR'000*
		(Note 2.1.1)		*(Note 2.1.1)*
Residency				
Residents	**116,495,887**	**475,885,698**	**67,184,554**	**276,598,808**
Relationship				
External customers	116,028,985	473,978,404	66,864,156	275,279,729
Staff loans	466,902	1,907,294	320,398	1,319,079
	116,495,887	**475,885,698**	**67,184,554**	**276,598,808**
Currency				
US Dollar	111,532,327	455,609,555	67,184,554	276,598,808
Khmer Riel	4,963,560	20,276,143	-	-
	116,495,887	**475,885,698**	**67,184,554**	**276,598,808**
Industry sector				
Wholesale, retail, commercial and fixing	56,403,471	230,408,179	3,225,100	13,277,736
Individual	21,543,700	88,006,015	9,832,405	40,480,011
Real estates and consultancy	13,664,193	55,818,228	-	-
Financial	9,939,024	40,600,913	-	-
Manufacturing	154,182	629,833	-	-
Information and technology	-	-	54,127,049	222,841,061
Others	14,791,317	60,422,530	-	-
	116,495,887	**475,885,698**	**67,184,554**	**276,598,808**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2023

06 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(f) Annual interest rates

	31 December 2023	*31 December 2022*
Short-term loans	6.00% - 9.00%	2.80% - 7.00%
Medium-term loans	8.00%	4.10% - 10.00%
Long-term loans	4.00% - 11.00%	4.50% - 15.00%

(g) By concession

	31 December 2023		*31 December 2022*	
	US$	*KHR'000*	*US$*	*KHR'000*
		(Note 2.1.1)		*(Note 2.1.1)*
Restructured loan (**)	424,045	1,732,224	292,445	1,203,996
Non-restructured	116,071,842	474,153,474	66,892,109	275,394,812
	116,495,887	**475,885,698**	**67,184,554**	**276,598,808**

(*) A "large exposure" is defined under the NBC's Prakas as the overall gross exposure of the aggregate balance of loans and advance with one single beneficiary, which exceeds 10% of the Bank's net worth.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2023

07 PROPERTY AND EQUIPMENT

Movements of property and equipment for the year ended 31 December 2023 were as follow:

	Leasehold building	*Furniture and fittings*	*Computer and office equipment*	*Equipment*	*Motor vehicles*	*Other fixed assets*	*Construction in progress*	*Total*
	US$	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*
Cost								
At 1 January 2023	437,319	252,643	488,821	-	230,850	-	-	1,409,633
Reclassification	(43,534)	(118,562)	(238,692)	243,493	-	157,295	-	-
Additions	474,217	128,610	83,247	25,406	160,000	30,475	4,045,539	4,947,494
Disposals	-	-	-	-	(60,650)	-	-	(60,650)
At 31 December 2023	**868,002**	**262,691**	**333,376**	**268,899**	**330,200**	**187,770**	**4,045,539**	**6,296,477**
Less: **Accumulated depreciation**								
At 1 January 2023	373,660	245,561	411,654	-	215,157	-	-	1,246,032
Reclassification	(29,984)	(117,897)	(168,914)	222,603	-	94,192	-	-
Depreciation for the year	76,727	20,788	23,242	17,049	49,885	34,110	-	221,801
Disposals	-	-	-	-	(60,650)	-	-	(60,650)
At 31 December 2023	**420,403**	**148,452**	**265,982**	**239,652**	**204,392**	**128,302**	**-**	**1,407,183**
Net book value								
At 1 January 2023	**63,659**	**7,082**	**77,167**	**-**	**15,693**	**-**	**-**	**163,601**
At 31 December 2023	**447,599**	**114,239**	**67,394**	**29,247**	**125,808**	**59,468**	**4,045,539**	**4,889,294**
KHR'000 *(Note 2.1.1)*								
At 1 January 2023	**262,083**	**29,157**	**317,697**	**-**	**64,608**	**-**	**-**	**673,545**
At 31 December 2023	**1,828,442**	**466,666**	**275,304**	**119,474**	**513,926**	**242,927**	**16,526,027**	**19,972,766**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2023

07 PROPERTY AND EQUIPMENT (Continued)

Movements of property and equipment during the year ended 31 December 2022 were as follow:

	Leasehold building	*Furniture and fittings*	*Computer and office equipment*	*Equipment*	*Motor vehicles*	*Other fixed assets*	*Construction in progress*	*Total*
	US$	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*
Cost								
At 1 January 2022	437,319	253,356	486,929	-	230,850	-	-	1,408,454
Additions	-	-	6,657	-	-	-	-	6,657
Disposals	-	(713)	(4,765)	-	-	-	-	(5,478)
At 31 December 2022	**437,319**	**252,643**	**488,821**	**-**	**230,850**	**-**	**-**	**1,409,633**
Less: **Accumulated depreciation**								
At 1 January 2022	332,470	237,329	367,790	-	183,157	-	-	1,120,746
Depreciation for the year	41,190	8,555	47,421	-	32,000	-	-	129,166
Disposals	-	(323)	(3,557)	-	-	-	-	(3,880)
At 31 December 2022	**373,660**	**245,561**	**411,654**	**-**	**215,157**	**-**	**-**	**1,246,032**
Net book value								
At 1 January 2022	**104,849**	**16,027**	**119,139**	**-**	**47,693**	**-**	**-**	**287,708**
At 31 December 2022	**63,659**	**7,082**	**77,167**	**-**	**15,693**	**-**	**-**	**163,601**
KHR'000 *(Note 2.1.1)*								
At 1 January 2022	**427,155**	**65,294**	**485,372**		**194,301**	**-**	**-**	**1,172,122**
At 31 December 2022	**262,083**	**29,157**	**317,697**		**64,608**	**-**	**-**	**673,545**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2023

08 RIGHT-OF-USE ASSETS

Information about the Bank's leases are disclosed within this note and Note 13.

	31 December 2023		*31 December 2022*	
	US$	*KHR'000*	*US$*	*KHR'000*
		(Note 2.1.1)		*(Note 2.1.1)*
			(Restated – Notes 31, 32)	
Right-of-use assets	2,035,703	8,315,847	2,802,885	11,539,478

Information about leases for which the Bank is a lessee is presented below:

2023	*Office space*	
	US$	*KHR'000*
		(Note 2.1.1)
Cost		
At 1 January 2023 *(Restated – Notes 31, 32)*	4,950,009	20,379,189
Additions	28,258	116,140
Currency translation differences	**-**	**(159,107)**
At 31 December 2023	**4,978,267**	**20,336,222**
Less: **Accumulated depreciation**		
At 1 January 2023 *(Restated – Notes 31, 32)*	2,147,124	8,839,711
Depreciation *(Restated – Note 32)*	795,440	3,269,258
Currency translation differences	-	(88,594)
At 31 December 2023	**2,942,564**	**12,020,375**
Net book value		
At 1 January 2023 *(Restated – Notes 31, 32)*	**2,802,885**	**11,539,478**
At 31 December 2023	**2,035,703**	**8,315,847**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2023

08 RIGHT-OF-USE ASSETS (Continued)

Information about leases for which the Bank is a lessee is presented below:

2022 (Restated)	*Office space*	
	US$	*KHR'000*
		(Note 2.1.1)
Cost		
At 1 January 2022	3,302,582	13,454,719
Additions (restated)	1,647,427	6,733,034
Currency translation differences	-	191,436
At 31 December 2022 *(Restated – Notes 31, 32)*	**4,950,009**	**20,379,189**
Less: **Accumulated depreciation**		
At 1 January 2022	1,689,273	6,882,098
Depreciation *(Restated – Notes 31, 32)*	457,851	1,871,237
Currency translation differences	-	86,376
At 31 December 2022 ***(Restated – Notes 31, 32)***	**2,147,124**	**8,839,711**
Net book value		
At 1 January 2022	**1,613,309**	**6,572,621**
At 31 December 2022 *(Restated – Notes 31, 32)*	**2,802,885**	**11,539,478**

The Bank's leased assets include 2 office buildings. The remaining lease terms are from 1 to 8 years.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2023

09 INTANGIBLE ASSETS

2023	*Computer software*	*Construction in progress*	*Other intangible assets*	*Total*
	US$	*US$*	*US$*	*US$*
Cost				
At 1 January 2023	182,909	1,537,941	38,203	1,759,053
Additions	42,567	799,460	-	842,027
At 31 December 2023	**225,476**	**2,337,401**	**38,203**	**2,601,080**
Less: **Accumulated amortization**				
At 1 January 2023	136,875	-	35,976	172,851
Amortization	38,892	-	1,648	40,540
At 31 December 2023	**175,767**	**-**	**37,624**	**213,391**
Net book value				
At 1 January 2023	**46,034**	**1,537,941**	**2,227**	**1,586,202**
At 31 December 2023	**49,709**	**2,337,401**	**579**	**2,387,689**
KHR'000 *(Note 2.1.1)*				
At 1 January 2023	**189,522**	**6,331,704**	**9,168**	**6,530,394**
At 31 December 2023	**203,061**	**9,548,283**	**2,366**	**9,753,710**
2022				
Cost				
At 1 January 2022	152,909	-	38,203	191,112
Additions	30,000	1,537,941	-	1,567,941
At 31 December 2022	**182,909**	**1,537,941**	**38,203**	**1,759,053**
Less: **Accumulated amortization**				
At 1 January 2022	117,906	-	34,325	152,231
Amortization	18,969	-	1,651	20,620
At 31 December 2022	**136,875**	**-**	**35,976**	**172,851**
Net book value				
At 1 January 2023	**35,003**	**-**	**3,878**	**38,881**
At 31 December 2023	**46,034**	**1,537,941**	**2,227**	**1,586,202**
KHR'000 *(Note 2.1.1)*				
At 1 January 2023	**142,602**	**-**	**15,799**	**158,401**
At 31 December 2023	**189,522**	**6,331,704**	**9,168**	**6,530,394**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2023

10 OTHER ASSETS

	31 December 2023		31 December 2022	
	US$	KHR'000	US$	KHR'000
		(Note 2.1.1)		(Note 2.1.1)
Prepayments and refundable deposits	2,309,873	9,435,831	646,287	2,660,764
Income tax credits (Note 15.1)	114,433	467,459	102,276	421,070
Receivables from advance	1,034,287	4,225,062	15,466	63,674
Others	-	-	5,022	20,675
	3,458,593	**14,128,352**	**769,051**	**3,166,183**

11 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2023		31 December 2022	
	US$	KHR'000	US$	KHR'000
		(Note 2.1.1)		(Note 2.1.1)
Demand deposits	17,896,014	73,105,217	375,315	1,545,172
Term deposits	56,732,533	231,752,397	7,027,694	28,933,016
	74,628,547	**304,857,614**	**7,403,009**	**30,478,188**

(a) By relationship:

	31 December 2023		31 December 2022	
	US$	KHR'000	US$	KHR'000
		(Note 2.1.1)		(Note 2.1.1)
Parent bank	47,474,217	193,932,176	370,970	1,527,283
Non-related parties	27,154,330	110,925,438	7,032,039	28,950,905
	74,628,547	**304,857,614**	**7,403,009**	**30,478,188**

(b) By term:

	31 December 2023		31 December 2022	
	US$	KHR'000	US$	KHR'000
		(Note 2.1.1)		(Note 2.1.1)
Less than 1 month	12,884,889	52,634,771	375,315	1,545,172
From 1 to 3 months	56,732,533	231,752,399	7,027,694	28,933,016
From 3 to 12 months	5,011,125	20,470,444	-	-
	74,628,547	**304,857,614**	**7,403,009**	**30,478,188**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2023

11 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS (Continued)

(c) By currency:

	31 December 2023		31 December 2022	
	US$	KHR'000	US$	KHR'000
		(Note 2.1.1)		(Note 2.1.1)
USD	69,616,112	284,381,818	7,403,009	30,478,188
KHR	5,012,435	20,475,796	-	-
	74,628,547	**304,857,614**	**7,403,009**	**30,478,188**

(d) Interest rates are as follows:

	31 December 2023		31 December 2022	
	US$	KHR'000	US$	KHR'000
		(Note 2.1.1)		(Note 2.1.1)
Current accounts				
USD	0.00%		0.00%	
KHR	0.00%		Nil	
Term deposits				
USD	2.50% - 4.75%		3.75% - 4.00%	
KHR	5.00%		Nil	

12 DEPOSITS FROM CUSTOMERS

	31 December 2023		31 December 2022	
	US$	KHR'000	US$	KHR'000
		(Note 2.1.1)		(Note 2.1.1)
Current accounts	6,081,767	24,844,021	9,301,516	38,294,342
Term deposits	13,262,585	54,177,658	5,156,482	21,229,236
Margin deposits	1,789	7,307	1,789	7,365
	19,346,141	**79,028,986**	**14,459,787**	**59,530,943**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2023

12 DEPOSITS FROM CUSTOMERS (Continued)

Deposits from customers are further analysed as follows

(a) By relationship:

	31 December 2023		31 December 2022	
	US$	KHR'000	US$	KHR'000
		(Note 2.1.1)		(Note 2.1.1)
Non-related parties	**19,346,141**	**79,028,986**	**14,459,787**	**59,530,943**

(b) By term:

	31 December 2023		31 December 2022	
	US$	KHR'000	US$	KHR'000
		(Note 2.1.1)		(Note 2.1.1)
Less than 1 month	6,308,043	25,768,359	9,304,391	38,306,178
From 1 to 3 months	2,725,241	11,132,608	556,498	2,291,102
From 3 to 12 months	10,297,683	42,066,034	4,004,545	16,486,712
Over 12 months	15,174	61,985	594,353	2,446,951
	19,346,141	**79,028,986**	**14,459,787**	**59,530,943**

(c) By currency:

	31 December 2023		31 December 2022	
	US$	KHR'000	US$	KHR'000
		(Note 2.1.1)		(Note 2.1.1)
USD	19,107,226	78,053,018	14,211,181	58,507,432
KHR	238,779	975,414	248,476	1,022,976
EUR	136	554	130	535
	19,346,141	**79,028,986**	**14,459,787**	**59,530,943**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2023

12 DEPOSITS FROM CUSTOMERS (Continued)

(d) Range of annual interest rates per annum:

	31 December 2023		31 December 2022	
	US$	KHR'000	US$	KHR'000
		(Note 2.1.1)		(Note 2.1.1)
Current accounts				
USD	0.00% - 0.50%		0.50%	
KHR	0.75%		0.75%	
Term deposits				
USD	2.75% - 5.75%		2.25% - 5.25%	
KHR	3.50% - 6.75%		3.75% - 6.75%	

13 E-MONEY

	31 December 2023		31 December 2022	
	US$	KHR'000	US$	KHR'000
		(Note 2.1.1)		(Note 2.1.1)
E-money wallet trust account	3,100,111	12,663,953	247,640	1,019,534

This balance is the non-interest E-money wallet trust account in both US$ and KHR.

14 LEASE LIABILITIES

	2023		2022	
	US$	KHR'000	US$	KHR'000
		(Note 2.1.1)		(Note 2.1.1)
	(Restated – Note 32)		(Restated – Notes 31, 32)	
As at 1 January	1,831,447	7,540,067	454,210	1,850,450
Additions	-	-	1,647,427	6,733,034
Interest expense (Note 19)	77,052	316,683	24,811	101,403
Interest paid	(77,926)	(320,276)	(16,471)	(67,317)
Principal portion of lease payments	(520,921)	(2,140,985)	(215,657)	(881,390)
Reverse from rental expense	-	-	(62,873)	(256,962)
Currency translation differences	-	(45,561)	-	60,849
As at 31 December	**1,309,652**	**5,349,928**	**1,831,447**	**7,540,067**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2023

14 LEASE LIABILITIES (Continued)

Present value of lease liabilities	*31 December 2023*		*31 December 2022*	
	US$	*KHR'000*	*US$*	*KHR'000*
		(Note 2.1.1)		*(Note 2.1.1)*
			(Restated – Notes 31, 32)	
Maturity analysis - contractual undiscounted cash flows				
Within one year	367,838	1,502,620	598,846	2,465,449
One to five years	1,058,080	4,322,257	1,425,918	5,870,506
More than five years	16,364	66,847	16,364	67,371
Total undiscounted lease liabilities	**1,442,282**	**5,891,724**	**2,041,128**	**8,403,326**
Present value of lease liabilities				
Within one year	311,296	1,271,644	542,507	2,233,500
Beyond one year	998,356	4,078,284	1,288,940	5,306,567
	1,309,652	**5,349,928**	**1,831,447**	**7,540,067**

Amounts recognized in profit or loss:

	2023		*2022*	
	US$	*KHR'000*	*US$*	*KHR'000*
		(Note 2.1.1)		*(Note 2.1.1)*
	(Restated – Note 32)		*(Restated – Notes 31, 32)*	
Interest on lease liabilities	77,052	316,683	24,811	101,403

15 INCOME TAX

The Bank's tax returns are subject to examination by the General Department of Taxation ("GDT"). Because the application of tax laws and regulations to many types of transactions is susceptible to varying interpretations, the amounts reported in the financial statements could change at a later date upon final determination by the GDT.

Applicable tax rates

In accordance with Cambodian tax law, the Bank has the obligation to pay tax on income ("TOI") at the rate of 20% of taxable income or minimum tax at 1% of turnover inclusive of all taxes except value-added tax, whichever is higher.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2023

15 INCOME TAX (Continued)

15.1 Income tax expense

Income tax expense comprised of:

	2023		*2022*	
	US$	*KHR'000*	*US$*	*KHR'000*
		(Note 2.1.1)		*(Note 2.1.1)*
	(Restated – Note 32)		*(Restated – Notes 31, 32)*	
Current income tax expense	291,234	1,196,969	64,793	264,808
Deferred tax (income)/expense	(95,006)	(390,472)	36,993	151,191
	196,228	**806,497**	**101,786**	**415,999**

Movements of income tax credit were follows

	2023		*2022*	
	US$	*KHR'000*	*US$*	*KHR'000*
		(Note 2.1.1)		*(Note 2.1.1)*
			(Restated – Note 31)	
As at 1 January	(102,276)	(421,070)	(13,107)	(53,398)
Income tax expense	291,234	1,196,969	64,793	264,808
Income tax paid	(303,391)	(1,246,933)	(153,962)	(629,243)
Currency translation differences	-	3,575	-	(3,237)
As at 31 December	**(114,433)**	**(467,459)**	**(102,276)**	**(421,070)**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2023

15 INCOME TAX (Continued)

15.1 Income tax expense *(Continued)*

The reconciliation of income tax expense shown in profit or loss is as follows:

		2023			2022	
	%	US$	KHR'000	%	US$	KHR'000
			(Note 2.1.1)			(Note 2.1.1)
		(Restated – Note 32)			(Restated – Notes 31, 32)	
Profit before income tax		**70,855**	**291,215**		**203,935**	**833,482**
Income tax expense at applicable tax rate of 20%	20	14,171	58,243	20	40,787	166,696
Add (less):						
Other adjustment	56	39,298	161,515	(20)	(41,813)	(170,892)
Non-deductible expenses	201	142,759	586,739	50	102,812	420,195
Effective income tax	**277**	**196,228**	**806,497**	**50**	**101,786**	**415,999**

15.2 Deferred tax

Deferred tax relates to the following:

	2023		2022	
	US$	KHR'000	US$	KHR'000
		(Note 2.1.1)		(Note 2.1.1)
	(Restated – Note 32)		(Restated – Notes 31, 32)	
Deferred tax assets				
Unamortized loan fees	33,640	137,419	13,560	55,827
Property and equipment	-	-	61,901	254,847
Lease liabilities	261,930	1,069,984	84,739	348,870
Allowances for ECL on loans to customers	275,192	1,124,159	156,893	645,928
Unrealised foreign exchange gain	14,020	57,272	-	-
	584,782	2,388,834	317,093	1,305,472
Deferred tax liabilities:				
Property and equipment	(4,452)	(18,186)	-	-
Right-of use assets	(168,231)	(687,224)	-	-
	(172,683)	**(705,410)**	**-**	**-**
Deferred tax assets, net	**412,099**	**1,683,424**	**317,093**	**1,305,472**

15 INCOME TAX (Continued)

15.2 Deferred tax *(Continued)*

The movement of deferred tax is as follows:

	2023		2022	
	US$	KHR'000	US$	KHR'000
		(Note 2.1.1)		(Note 2.1.1)
	(Restated – Note 32)		(Restated – Notes 31, 32)	
At 1 January	317,093	1,305,472	354,086	1,442,546
Recognised in profit or loss	95,006	390,472	(36,993)	(151,191)
Currency translation differences	-	(12,520)	-	14,117
At 31 December	**412,099**	**1,683,424**	**317,093**	**1,305,472**

16 OTHER LIABILITIES

	31 December 2023		31 December 2022	
	US$	KHR'000	US$	KHR'000
		(Note 2.1.1)		(Note 2.1.1)
			(Restated – Notes 31)	
Employee payables	1,488	6,078	17,356	71,455
Other tax payable	113,755	464,689	379,202	1,561,173
Others	102,744	419,710	116,005	477,594
	217,987	**890,477**	**512,563**	**2,110,222**

17 EQUITY

Bank capital

This represents the paid-up capital contributed by Military Commercial Joint Stock Bank, a bank incorporated in Vietnam.

In 2022, the Bank converted its retained earnings amounting to US$1,552,197 or KHR'000 6,343,829 to the Banks' capital following the approval by the BOD on 5 April 2021 and approval by the NBC on 5 July 2022.

Retained earnings and Regulatory reserves.

In Transfers between retained earnings and regulatory reserves were made to comply with the requirement of B7-017-344 Prokor, Article 73 issued by the NBC.

Regulatory reserves represented the variance between impairment losses on financial instruments in accordance with CIFRSs and the regulatory provision in accordance with the requirement of the National Bank of Cambodia.

As at 31 December 2023, the Bank transferred retained earnings to regulatory reserves of US$94,361 or KHR'000 387,824 (2022: Transferred from retained earnings to regulatory reserves US$9,282 or KHR'000 37,936).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2023

17 EQUITY (Continued)

Retained earnings and Regulatory reserves.

	Balances with other banks and financial institutions	*Loans and advances to customers*	*Off-balance sheet items*	*Total*
31 December 2023	*US$*	*US$*	*US$*	*US$*
Allowance per NBC	124,848	1,406,823	41,000	1,572,671
Allowance per CIFRS 9	465	1,575,359	41,000	1,616,824
Regulatory reserves (A)	**124,383**	**-**	**-**	**124,383**
KHR'000 *(Note 2.1.1)*				**507,269**
31 December 2022				
Allowance per NBC	30,089	817,952	1,012	849,053
Allowance per CIFRS 9	67	948,291	1,012	949,370
Regulatory reserves (B)	**30,022**	**-**	**-**	**30,022**
Transfer from regulatory reserves to retained earnings (A – B)				**94,361**
KHR'000 *(Note 2.1.1)*				**387,824**

18 INTEREST INCOME

	2023		*2022*	
	US$	*KHR'000*	*US$*	*KHR'000*
		(Note 2.1.1)		*(Note 2.1.1)*
Loans to customers	5,518,946	22,682,868	3,300,975	13,491,084
Balances with NBC	193,656	795,926	169,190	691,480
Balances with other banks	314,082	1,290,877	91,587	374,316
	6,026,684	**24,769,671**	**3,561,752**	**14,556,880**

19 INTEREST EXPENSE

	2023		*2022*	
	US$	*KHR'000*	*US$*	*KHR'000*
		(Note 2.1.1)		*(Note 2.1.1)*
	(Restated – Note 32)		*(Restated – Notes 31, 32)*	
Deposits from customers	531,128	2,182,936	346,721	1,417,049
Deposits from banks and other financial institutions	1,006,960	4,138,606	119,119	486,839
Accretion of lease liabilities (Note 14)	77,052	316,683	24,811	101,403
	1,615,140	**6,638,225**	**490,651**	**2,005,291**

20 NET FEES AND COMMISSION INCOME

	2023		*2022*	
	US$	*KHR'000*	*US$*	*KHR'000*
		(Note 2.1.1)		*(Note 2.1.1)*
Fees and commission income				
Fees and commission income from remittance services	174,418	716,858	231,071	944,387
Letter of credit fees	178,226	732,509	27,115	110,819
Other fees and commission	19,397	79,722	1,851	7,565
	372,041	**1,529,089**	**260,037**	**1,062,771**
Fees and commission expense				
Commission and fees for remittances	(108,391)	(445,487)	(59,755)	(244,218)
Clearing house to NBC	(595)	(2,445)	(560)	(2,289)
	(108,986)	**(447,932)**	**(60,315)**	**(246,507)**
Net fees and commission income	**263,055**	**1,081,157**	**199,722**	**816,264**

21 OTHER INCOME

	2023		*2022*	
	US$	*KHR'000*	*US$*	*KHR'000*
		(Note 2.1.1)		*(Note 2.1.1)*
Recovered loans	2,768,593	11,378,917	705,841	2,884,772
Others	12,457	51,199	-	-
	2,781,050	**11,430,116**	**705,841**	**2,884,772**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2023

22 PERSONNEL EXPENSES

	2023		2022	
	US$	KHR'000	US$	KHR'000
		(Note 2.1.1)		(Note 2.1.1)
Salaries and wages	2,577,909	10,595,206	1,329,021	5,431,709
Employee benefits	100,386	412,586	121,371	496,043
Bonuses and incentive	21,260	87,379	53,050	216,815
Staff uniform	1,216	4,998	12,478	50,998
	2,700,771	**11,100,169**	**1,515,920**	**6,195,565**

23 GENERAL AND ADMINISTRATIVE EXPENSES

	2023		2022	
	US$	KHR'000	US$	KHR'000
		(Note 2.1.1)		(Note 2.1.1)
Professional fees (*)	1,237,525	5,086,228	238,745	975,751
Communications	358,403	1,473,036	136,793	559,073
Marketing and promotions	325,331	1,337,110	209,119	854,669
Utilities	243,712	1,001,656	139,352	569,532
Other taxes	216,722	890,727	318,614	1,302,175
Travelling	137,317	564,373	59,602	243,593
Repairs and maintenance	126,038	518,016	113,549	464,075
License fees	99,201	407,716	90,145	368,423
Building expense	66,359	272,735	143,932	588,250
Rental	63,934	262,769	42,109	172,099
Printing and stationery	41,499	170,561	6,245	25,523
Transportation	27,265	112,059	33,770	138,018
Office supplies	5,973	24,549	9,824	40,151
Appraiser Fee	5,455	22,420	1,208	4,937
Other expenses	74,153	304,771	44,424	181,561
	3,028,887	**12,448,726**	**1,587,431**	**6,487,830**

(*) Professional fee including audit fee amounting to US$36,300 inclusive of VAT for fiscal year ended 31 December 2023 (2022: US$25,850).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2023

24 NET IMPAIRMENT LOSSES ON FINANCIAL INSTRUMENTS

	2023		2022	
	US$	KHR'000	US$	KHR'000
		(Note 2.1.1)		(Note 2.1.1)
Expected credit loss from:				
Balances with other banks (Note 5)	398	1,636	67	274
Loans and advances (Note 6)	627,068	2,577,249	17,852	72,961
Off-balance sheet	39,988	164,351	-	-
	667,454	**2,743,236**	**17,919**	**73,235**

25 DEPRECIATION AND AMORTIZATION

Depreciation and amortization are summarized as follows:

	2023		2022	
	US$	KHR'000	US$	KHR'000
		(Note 2.1.1)		(Note 2.1.1)
	(Restated – Note 32)		(Restated – Notes 31, 32)	
Property and equipment (Note 7)	221,801	911,602	129,166	527,897
Right-of-use assets (Note 8)	795,440	3,269,258	457,851	1,871,237
Intangible assets (Note 9)	40,540	166,620	20,620	84,278
	1,057,781	**4,347,480**	**607,637**	**2,483,412**

26 COMMITMENTS

	2023		2022	
	US$	KHR'000	US$	KHR'000
		(Note 2.1.1)		(Note 2.1.1)
Credit-related commitments				
Undrawn approved credit facilities	7,691,730	31,420,717	179,862	740,492
Guarantees	4,099,950	16,748,296	114,300	470,573
	11,791,680	48,169,013	294,162	1,211,065
Capital expenditure	1,433,486	5,855,790	3,794,992	15,623,982
	13,225,166	**54,024,803**	**4,089,154**	**16,835,047**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2023

27

RELATED PARTY TRANSACTIONS AND BALANCES

A. Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Bank if the Bank has the ability, directly or indirectly, to 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 or common significant influence. Related parties may be individuals or other entities.

The Bank has related party relationships with its substantial shareholders, companies under common control and key management personnel.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Bank either directly or indirectly. The key management personnel include all the Directors of the Bank, and certain senior management members of the Bank.

Key management have banking relationships with entities which are entered into in the normal course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with other persons of a similar standing or, where applicable, with other employees. These transactions did not involve more than the normal risk of repayment or present other unfavourable features.

B. Balance with related parties

Balances with related parties at the reporting date were as follows:

	31 December 2023		*31 December 2022*	
	US$	*KHR'000*	*US$*	*KHR'000*
		(Note 2.1.1)		*(Note 2.1.1)*
			(Restated)	
Due from related parties				
Key management personal				
- Loans to related parties	294,570	1,203,318	-	-
Parent bank				
- Demand deposits (Note 5)	1,447,978	5,914,990	51,047	210,160
Due to related parties				
Key management personal				
- *Demand deposits*	189	772	-	-
Parent bank (Note 11)				
- *Demand deposits*	12,878,029	52,606,749	370,970	1,527,283
- *Term deposits*	34,596,188	141,325,427	-	-
	47,474,217	**193,932,176**	**370,970**	**1,527,283**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2023

27

RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

C. Significant transactions during the year

	2023		*2022*	
	US$	*KHR'000*	*US$*	*KHR'000*
		(Note 2.1.1)		*(Note 2.1.1)*
			(Restated)	
Parent bank				
Interest income	293	1,204	-	-
Interest expense	476,953	1,960,277	23,593	96,425
Key management personnel				
Loan disbursed	300,000	1,233,000	-	-
Loan collection	7,496	30,809	-	-
Interest received	5,814	23,896	-	-
Interest income	7,880	24,911	-	-
Remuneration	287,208	1,180,425	258,430	1,056,203

28

FINANCIAL RISK MANAGEMENT

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

The Bank intends to comply with the NBC's regulations for financial risk management purposes. The Bank, however, recognizes that international best practices on risk management are yet to be fully implemented. The Board of Management has established an asset and liability management committee and risk management committee to formulate broad parameters of acceptable risk for the Bank and monitor the activities against these parameters.

The Bank holds the following financial assets and liabilities:

	31 December 2023		*31 December 2022*	
	US$	*KHR'000*	*US$*	*KHR'000*
		(Note 2.1.1)		*(Note 2.1.1)*
Financial assets			*(Restated – Notes 32)*	
Cash on hand	1,499,326	6,124,747	2,130,548	8,771,466
Balances with the NBC	35,333,360	144,336,776	26,541,705	109,272,199
Balances with other banks	12,682,265	51,807,053	3,008,902	12,387,650
Loans to customers - gross	114,920,528	469,450,357	66,236,263	272,694,695
Other assets	2,809,839	11,478,192	522,662	2,151,800
Total financial assets	**167,245,318**	**683,197,125**	**98,440,080**	**405,277,810**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2023

28

FINANCIAL RISK MANAGEMENT (Continued)

	31 December 2023		31 December 2022	
	US$	KHR'000	US$	KHR'000
		(Note 2.1.1)		(Note 2.1.1)
Financial liabilities			(Restated – Notes 32)	
Deposits from banks and other financial institutions	74,628,547	304,857,614	7,403,009	30,478,188
Deposits from customers	19,346,141	79,028,986	14,459,787	59,530,943
Lease liabilities	1,309,652	5,349,928	1,831,447	7,540,067
E-money	3,100,111	12,663,953	247,640	1,019,534
Other liabilities	145,232	593,273	134,373	553,215
Total financial liabilities	**98,529,683**	**402,493,754**	**24,076,256**	**99,121,947**

Capital management

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

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

On 22 February 2018, the NBC issued a Prakas on Capital Buffer in Banking and Financial Institutions. According to Article 22 of this Prakas, the institution shall comply with the provisions related to the capital conservation buffer at least 50% of the conservation buffer by 1 January 2019 and fully comply by 1 January 2020. On 7 March 2018, the NBC issued a circular on the implementation of Prakas on Capital Buffer in Banking and Financial Institutions, which determines the countercyclical capital buffer at a level of 0% until a new announcement is released.

Subsequently, on 9 January 2023, the NBC issued a circular on the implementation of Prakas on Capital Buffer in Banking and Financial Institutions, which the institution shall rebuild the capital conservation buffer ratio by 1.25% and 2.5% by 30 June 2023 and 31 December 2023, respectively. For the countercyclical capital buffer, the institution shall keep at level of 0%. On 23 November 2023, the NBC issued the letter No. B7-023-2621 allowing Banking and Financial Institutions to maintain the Capital Conservation Buffer at 1.25% until 31 December 2024.

On 23 November 2023, the NBC has announced to waive the implementation of Capital Conservation Buffer at 2.5% and maintain at 1.25% until 31 December 2024. For the countercyclical capital buffer, the institution shall keep at level of 0%.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2023

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FINANCIAL RISK MANAGEMENT (Continued)

Capital management *(Continued)*

The below table summarises the composition of the regulatory capital:

	31 December 2023		31 December 2022	
	US$	KHR'000	US$	KHR'000
		(Note 2.1.1)		(Note 2.1.1)
	(Restated – Note 32)		(Restated – Notes 31, 32)	
Tier 1 capital				
Share capital	76,552,197	310,333,829	76,552,197	310,333,829
Retained earnings (*)	2,518,573	10,232,641	3,977,903	16,196,923
Audited net profit for the last financial year	-	-	102,149	417,483
Less: Intangible assets	(50,288)	(205,426)	(48,261)	(198,691)
Less: Loans to related parties	(294,570)	(1,203,318)	-	-
	78,725,912	**319,157,726**	**80,583,988**	**326,749,544**
Tier 2 complementary capital				
General provision	1,152,089	4,706,282	662,619	2,728,002
Subordinated debts approved by the National Bank of Cambodia	-	-	-	-
Less: Equity participation in banking or financial institutions	-	-	-	-
	1,152,089	**4,706,282**	**662,619**	**2,728,002**
	79,878,001	**323,864,008**	**81,246,607**	**329,477,546**

(*) Retained earnings are cap at 20% of Tier 1 Capital before deduction of intangible assets and loans to the related parties.

28.1 Credit risk

The Bank takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss to the Bank by failing to discharge an obligation. Credit risk is the most important risk for the Bank's business. Credit exposure arises principally in lending activities that lead to loans to customers. The credit risk management is carried out by the credit committee.

(a) Credit risk measurement

The Bank assesses the probability of default of individual counterparties in accordance with its credit policy, procedures and practices. The credit committee is responsible for determining the appropriateness and sufficiency of its credit policies.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2023

28 FINANCIAL RISK MANAGEMENT (Continued)

28.1 Credit risk *(Continued)*

(b) Risk limit control and mitigation policy

The Bank operates and provides loans to individuals within the Kingdom of Cambodia. The Bank manages limits and controls the concentration of credit risk whenever it is identified. Large exposure is defined by the NBC as overall credit exposure to any single beneficiary which exceeds 2% for individual loan and 3% for group loan of the Bank's net worth under the conditions of Prakas No. B7-07-163.

The Bank also 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 also accepts personal guarantee for the village bank loans. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans to customers are:

- Mortgages over residential properties (land, building and other properties); and
- Charges over business assets such as land and buildings.
- Customers' fixed deposits placed with the Bank; and
- Cash in the form of margin deposit.

The table below shows the Bank's maximum exposure to credit risk before taking into account any collateral held and other credit enhancement:

	31 December 2023		*31 December 2022*	
	US$	*KHR'000*	*US$*	*KHR'000*
		(Note 2.1.1)		*(Note 2.1.1)*
Balances with the NBC	35,333,360	144,336,776	26,541,705	109,272,199
Balance with other banks	12,682,265	51,807,053	3,008,902	12,387,650
Loans to customers	114,920,528	469,450,357	66,236,263	272,694,695
Other financial assets	2,809,839	11,478,192	522,662	2,151,800
	165,745,992	**677,072,378**	**96,309,532**	**396,506,344**

(c) Maximum exposure to credit risk

The maximum exposure to credit risks for the other financial assets is limited to the carrying value as of 31 December 2023 and 31 December 2022.

The Bank holds collateral against loans to customer in the form of real estate mortgages, guarantees, and other registered securities over assets. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and are regularly updated according to internal lending policies and regulatory guidelines.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2023

28 FINANCIAL RISK MANAGEMENT (Continued)

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

Concentrations arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographic location.

The distribution of financial assets by industry sector of the Bank, before taking into account collateral held or other credit enhancements (maximum exposure) follows:

	31 December 2023				
	Balances with the NBC *US$*	*Balances with other banks* *US$*	*Loans to customer* *US$*	*Others* *US$*	*Total* *US$*
Financial intermediaries	35,333,360	12,682,730	9,939,024	-	57,955,114
Manufacturing	-	-	1,049,518	-	1,049,518
Real estate	-	-	34,109,952	-	34,109,952
Others - community, social and personal activities	-	-	71,397,393	2,809,839	74,207,232
	35,333,360	**12,682,730**	**116,495,887**	**2,809,839**	**167,321,816**
Less: Allowance for ECL	-	(465)	(1,575,359)	-	(1,575,824)
	35,333,360	**12,682,265**	**114,920,528**	**2,809,839**	**165,745,992**
Equivalent in KHR'000 *(Note 2.1.1)*	**144,336,776**	**51,807,053**	**469,450,357**	**11,478,192**	**677,072,378**

	31 December 2022				
	Balances with the NBC *US$*	*Balances with other banks* *US$*	*Loans to customer* *US$*	*Others* *US$*	*Total* *US$*
Financial intermediaries	26,541,705	3,008,969	-	-	29,550,674
Information and Technology	-	-	54,127,049	-	54,127,049
Others - community, social and personal activities	-	-	13,057,505	522,662	13,580,167
	26,541,705	**3,008,969**	**67,184,554**	**522,662**	**97,257,890**
Less: Allowance for ECL	-	(67)	(948,291)	-	(948,358)
	26,541,705	3,008,902	66,236,263	522,662	96,309,532
Equivalent in KHR'000 *(Note 2.1.1)*	**109,272,199**	**12,387,650**	**272,694,695**	**2,151,800**	**396,506,344**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2023

28

FINANCIAL RISK MANAGEMENT

(Continued)

28.1 Credit risk *(Continued)*

(e) Credit quality per class of financial assets

The table below shows the credit quality per class of financial assets based on Bank's rating system:

	31 December 2023			
	Stage 1 US$	*Stage 2* US$	*Stage 3* US$	*Total* US$
Balances with other banks	12,682,730	-	-	12,682,730
Balances with the NBC	35,333,360	-	-	35,333,360
Loans to customer	115,441,299	468,906	585,682	116,495,887
Other assets	2,809,839	-	-	2,809,839
	166,267,228	**468,906**	**585,682**	**167,321,816**
Less: Allowance for ECL	(1,028,179)	(96,823)	(450,822)	(1,575,824)
	165,239,049	**372,083**	**134,860**	**165,745,992**
Equivalent in KHR'000 *(Note 2.1.1)*	**675,001,517**	**1,519,960**	**550,905**	**677,072,382**

	31 December 2022			
	Stage 1 US$	*Stage 2* US$	*Stage 3* US$	*Total* US$
Balances with other banks	3,008,969	-	-	3,008,969
Balances with the NBC	26,541,705	-	-	26,541,705
Loans to customer	66,388,892	652,579	143,083	67,184,554
Other assets	522,662	-	-	522,662
	96,462,228	**652,579**	**143,083**	**97,257,890**
Less: Allowance for ECL	(814,991)	(124,195)	(9,172)	(948,358)
	95,647,237	**528,384**	**133,911**	**96,309,532**
Equivalent in KHR'000 *(Note 2.1.1)*	**393,779,675**	**2,175,357**	**551,312**	**396,506,344**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2023

28

FINANCIAL RISK MANAGEMENT

(Continued)

28.2 Operational risk

The operational risk losses which would result from inadequate or failed internal processes, people and systems or from external factors are 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 board of management.

The operational risk management entails the establishment of clear organizational structure, roles and control policies. Various internal control policies and measures have been implemented. These include the establishment of signing authorities, defining system parameters controls, streamlining procedures and documentation. These are reviewed continually to address the operational risks of its business.

28.3 Market risk

The Bank takes on exposure to market risk, which is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in market prices. Market risk arises from open positions in interest rates, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

i. Foreign exchange risk

The Bank operates in the Kingdom of Cambodia and transacts in US$, KHR and other foreign currencies.

Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the Bank's functional currency.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

as at 31 December 2022 and for the year then ended

28 FINANCIAL RISK MANAGEMENT (Continued)

28.3 Market risk *(Continued)*

i. Foreign exchange risk (Continued)

The balances in monetary assets and liabilities denominated in their respective currencies, expressed in US$, are as follows:

	31 December 2023				*31 December 2022*			
	US$	*KHR*	*Others*	*Total*	*US$*	*KHR*	*Others*	*Total*
Financial assets								
Cash on hand	1,314,223	185,103	-	1,499,326	2,033,977	96,571	-	2,130,548
Balances with the NBC	34,840,990	492,370	-	35,333,360	24,984,886	1,556,819	-	26,541,705
Balances with other banks	12,593,688	10,353	78,224	12,682,265	65,181	2,943,721	-	3,008,902
Loans to customers	109,957,861	4,962,667	-	114,920,528	66,236,263	-	-	66,236,263
Other assets	2,100,890	708,949	-	2,809,839	522,662	-	-	522,662
Total financial assets	**160,807,652**	**6,359,442**	**78,224**	**167,245,318**	**93,842,969**	**4,597,111**	**-**	**98,440,080**
Financial liabilities								
Deposits from banks and other financial institutions	69,616,112	5,012,435	-	74,628,547	7,403,009	-	-	7,403,009
Deposits from customers	19,107,226	238,779	136	19,346,141	14,211,181	248,476	130	14,459,787
Lease liabilities	1,309,652	-	-	1,309,652	1,831,447	-	-	1,831,447
E-money	3,100,000	111	-	3,100,111	247,640	-	-	247,640
Other liabilities	145,232	-	-	145,232	133,873	500	-	134,373
TOTAL FINANCIAL LIABILITIES	**93,278,222**	**5,251,325**	**136**	**98,529,683**	**23,827,150**	**248,976**	**130**	**24,076,256**
	67,529,430	**1,108,117**	**78,088**	**68,715,635**	**70,015,819**	**4,348,135**	**(130)**	**74,363,824**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2023

28 FINANCIAL RISK MANAGEMENT (Continued)

28.3 Market risk *(Continued)*

ii. Price risk

The Bank is not exposed to securities price risk because it does not hold any investment classified in the statement of financial position either as available for sale or at fair value through profit or loss.

iii. Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Interest margins may increase as a result of changes and may reduce losses in the event that unexpected movements arise. The board of management of the Bank, at this stage, does not have a policy to set limits on the level of mismatch of interest rate re-pricing that may be undertaken; however, management regularly monitors the mismatch.

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Bank is exposed to interest rate risk as a result of mismatches of interest rate re-pricing of assets and liabilities. The Bank manages this risk by matching the re-pricing of assets and liabilities through risk management strategies.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2023

28

FINANCIAL RISK MANAGEMENT

(Continued)

28.3 Market risk *(Continued)*

iii. Interest rate risk (Continued)

	Up to 1 month	*>1 to 3 months*	*>3 to 12 months*	*>1 to 5 years*	*Over 5 years*	*Non-interest sensitive*	*Total*
31 December 2023	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*
Financial assets							
Cash on hand	-	-	-	-	-	1,499,326	1,499,326
Balances with the NBC	27,678,140	-	-	-	-	7,655,220	35,333,360
Balances with other banks	4,484,828	3,000,000	5,197,437	-	-	-	12,682,265
Loans to customers – gross	33,004	42,015	42,857,677	25,304,880	46,682,952	-	114,920,528
Other assets	-	-	-	-	-	2,809,839	2,809,839
	32,195,972	**3,042,015**	**48,055,114**	**25,304,880**	**46,682,952**	**11,964,385**	**167,245,318**
Financial liabilities							
Deposits from banks and other financial institutions	12,884,889	56,732,533	5,011,125	-	-	-	74,628,547
Deposits from customers	6,308,043	2,725,241	10,297,683	15,174	-	-	19,346,141
Lease liabilities	25,273	50,857	235,166	986,195	12,161	-	1,309,652
E-MONEY	-	-	-	-	-	3,100,111	3,100,111
Other liabilities	-	-	-	-	-	145,232	145,232
	19,218,205	**59,508,631**	**15,543,974**	**1,001,369**	**12,161**	**3,245,343**	**98,529,683**
Maturity gap	**12,977,767**	**(56,466,616)**	**32,511,140**	**24,303,511**	**46,670,791**	**8,719,042**	**68,715,635**
KHR'000 equivalent *(Note 2.1.1)*	**53,014,178**	**(230,666,126)**	**132,808,007**	**99,279,842**	**190,650,181**	**35,617,287**	**280,703,369**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2023

28

FINANCIAL RISK MANAGEMENT

(Continued)

28.3 Market risk *(Continued)*

iii. Interest rate risk (Continued)

	Up to 1 month	*>1 to 3 months*	*>3 to 12 months*	*>1 to 5 years*	*Over 5 years*	*Non-interest sensitive*	*Total*
31 December 2022 (Restated – Notes 31, 32)	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*
Financial assets							
Cash on hand	-	-	-	-	-	2,130,548	2,130,548
Balances with the NBC	11,375,952	7,510,533	-	-	-	7,655,220	26,541,705
Balances with other banks	74,726	2,934,176	-	-	-	-	3,008,902
Loans to customers – gross	16,406	-	3,176,219	54,102,615	8,941,023	-	66,236,263
Other assets	-	-	-	-	-	522,662	522,662
	11,467,084	**10,444,709**	**3,176,219**	**54,102,615**	**8,941,023**	**10,308,430**	**98,440,080**
Financial liabilities							
Deposits from banks and other financial institutions	375,315	7,027,694	-	-	-	-	7,403,009
Deposits from customers	9,304,391	556,498	4,004,545	594,353	-	-	14,459,787
Lease liabilities	43,368	85,506	393,500	1,297,491	11,582	-	1,831,447
E-MONEY	-	-	-	-	-	247,640	247,640
Other liabilities	-	-	-	-	-	134,373	134,373
	9,723,074	**7,669,698**	**4,398,045**	**1,891,844**	**11,582**	**382,013**	**24,076,256**
Maturity gap	**1,744,010**	**2,775,011**	**(1,221,826)**	**52,210,771**	**8,929,441**	**9,926,417**	**74,363,824**
KHR'000 equivalent *(Note 2.1.1)*	**7,180,089**	**11,424,720**	**(5,030,258)**	**214,951,743**	**36,762,508**	**40,867,059**	**306,155,861**

28

FINANCIAL RISK MANAGEMENT

(Continued)

28.4 Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence of this may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

Management monitors statement of financial position liquidity and manages the concentration and profile of debt maturities. Monitoring and reporting take the form of the daily cash position and projection for the next day, week and month, respectively, as these are key years for liquidity management. Management monitors the movements of the main depositors and projection of their withdrawals.

The following tables present an analysis of the assets and liabilities of the Bank by relevant maturity based on the remaining period at the statement of financial position date to the contractual or estimated maturity dates.

	Carrying amount	*Gross nominal inflow/(outflow)*	*Up to 1 month*	*>1 to 3 months*	*>3 to 12 months*	*>1 to 5 years*	*Over 5 years*
31 December 2023	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*
Financial assets							
Cash on hand	1,499,326	1,499,326	1,499,326	-	-	-	-
Balances with the NBC	27,678,140	27,678,140	27,678,140	-	-	-	-
Balances with other banks	12,682,265	12,682,730	4,484,840	3,000,000	5,197,890	-	-
Loans to customers	114,920,528	174,126,535	774,950	1,525,163	49,014,426	49,045,389	73,766,607
Other assets	2,809,839	2,809,839	2,809,839	-	-	-	-
Total financial assets	**159,590,098**	**218,796,570**	**37,247,095**	**4,525,163**	**54,212,316**	**49,045,389**	**73,766,607**
Financial liabilities							
Deposits from banks and other financial institutions	74,628,547	75,325,677	12,884,889	57,184,865	5,255,923	-	-
Deposits from customers	19,346,141	19,865,082	6,906,620	12,958,462	-	-	-
Lease liabilities	1,309,652	1,442,283	30,560	61,120	276,159	1,058,080	16,364
E-money	3,100,111	3,100,111	3,100,111	-	-	-	-
Other liabilities	145,232	145,232	145,232	-	-	-	-
Total financial liabilities	**98,529,683**	**99,878,385**	**23,067,412**	**70,204,447**	**5,532,082**	**1,058,080**	**16,364**
Net liquidity surplus (gap)	**61,060,415**	**118,918,185**	**14,179,683**	**(65,679,284)**	**48,680,234**	**47,987,309**	**73,750,243**
KHR'000 equivalent *(Note 2.1.1)*	**249,431,795**	**485,780,784**	**57,924,006**	**(268,299,877)**	**198,858,756**	**196,028,157**	**301,269,742**

28

FINANCIAL RISK MANAGEMENT

(Continued)

28.4 Liquidity risk *(Continued)*

The following tables present an analysis of the assets and liabilities of the Bank by relevant maturity based on the remaining period at the statement of financial position date to the contractual or estimated maturity dates. *(Continued)*

	Carrying amount	*Gross nominal inflow/(outflow)*	*Up to 1 month*	*>1 to 3 months*	*>3 to 12 months*	*>1 to 5 years*	*Over 5 years*
31 December 2022 (Restated – Notes 31, 32)	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*
Financial assets							
Cash on hand	2,130,548	2,130,548	2,130,548	-	-	-	-
Balances with the NBC	18,886,485	18,886,485	7,362,881	7,510,533	4,013,071	-	-
Balances with other banks	3,008,902	3,008,969	74,793	2,934,176	-	-	-
Loans to customers	66,236,263	74,339,225	14,264,923	1,579,072	43,626,920	5,149,312	9,718,998
Other assets	522,662	522,662	522,662	-	-	-	-
Total financial assets	**90,784,860**	**98,887,889**	**24,355,807**	**12,023,781**	**47,639,991**	**5,149,312**	**9,718,998**
Financial liabilities							
Deposits from banks and other financial institutions	7,403,009	7,403,009	375,315	7,027,694	-	-	-
Deposits from customers	14,459,787	14,459,787	9,304,391	556,498	4,004,545	594,353	-
Lease liabilities	1,831,447	2,041,128	49,903	99,808	754,733	1,120,320	16,364
E-money	247,640	247,640	247,640	-	-	-	-
Other liabilities	134,373	134,373	134,373	-	-	-	-
Total financial liabilities	**24,076,256**	**24,285,937**	**10,111,622**	**7,684,000**	**4,759,278**	**1,714,673**	**16,364**
Net liquidity surplus (gap)	**66,708,604**	**74,601,952**	**14,244,185**	**4,339,781**	**42,880,713**	**3,434,639**	**9,702,634**
KHR'000 equivalent *(Note 2.1.1)*	**274,639,323**	**307,136,238**	**58,643,309**	**17,866,881**	**176,539,894**	**14,140,410**	**39,945,744**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2023

28

FINANCIAL RISK MANAGEMENT

(Continued)

28.5 Fair value of financial assets and liabilities

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

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

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

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

The methods and assumptions used by the Bank in estimating the fair value of the financial instruments are:

- *Cash on hand, Balances with the NBC and with other banks*

  The carrying amounts approximate the fair values due to the short-term nature of these accounts.

- *Loans to customers*

  The fair value is estimated by discounting the estimated future cash flows using the prevailing market rates of financing with similar credit risks and maturities.

- *Deposits and borrowings*

  The estimated fair value of demand deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. The estimated fair value of long-term fixed interest-bearing deposits and other borrowings without quoted market price is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

- *Other assets and liabilities*

  Due to their short duration, the carrying amounts of other liabilities in the statement of financial position are considered to be reasonable approximation of their fair values.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2023

28

FINANCIAL RISK MANAGEMENT

(Continued)

28.5 Fair value of financial assets and liabilities *(Continued)*

Fair value hierarchy

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

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

During the year ended 31 December 2023 and the year ended 31 December 2022, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2023

29 MATURITY PROFILE OF ASSET AND LIABILITIES

Analysis of financial assets and liabilities expected date of recovery and settlement from the balance sheet date is as follows:

31 December 2023 (Restated – Notes 31, 32)	*Within one year*	*Beyond one year*	*Total*
	US$	*US$*	*US$*
Financial assets			
Cash on hand	1,499,326	-	1,499,326
Balances with the NBC	35,333,360	-	35,333,360
Balances with other banks	12,682,730	-	12,682,730
Loans to customers	43,384,359	73,111,528	116,495,887
Other assets	2,809,839	-	2,809,839
Non-financial assets			
Property and equipment	-	4,889,294	4,889,294
Right-of-use assets	-	2,035,703	2,035,703
Intangible assets	-	2,387,689	2,387,689
Deferred tax assets	-	584,782	584,782
Other assets	648,754	-	648,754
Total	**96,358,368**	**83,008,996**	**179,367,364**
KHR'000 equivalent *(Note 2.1.1)*	**393,623,934**	**339,091,749**	**732,715,683**
Allowance for ECLs on:			
Balance with other banks	(465)	-	(465)
Loans to customers	(1,027,714)	(547,645)	(1,575,359)
Net	**95,330,189**	**82,461,351**	**177,791,540**
KHR'000 equivalent *(Note 2.1.1)*	**389,423,823**	**336,854,619**	**726,278,442**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2023

29 MATURITY PROFILE OF ASSET AND LIABILITIES (Continued)

Analysis of financial assets and liabilities expected date of recovery and settlement from the balance sheet date is as follows: *(Continued)*

31 December 2023 (Restated – Note 32)	*Within one year*	*Beyond one year*	*Total*
	US$	*US$*	*US$*
Financial liabilities			
Deposits from banks	74,628,547	-	74,628,547
Deposits from customers	19,330,967	15,174	19,346,141
Lease liabilities	311,296	998,356	1,309,652
E-money	3,100,111	-	3,100,111
Other liabilities	145,232	-	145,232
Non-financial liabilities			
Deferred tax liabilities	-	172,683	172,683
Other liabilities	113,755	-	113,755
Total	**97,629,908**	**1,186,213**	**98,816,121**
KHR'000 equivalent *(Note 2.1.1)*	**398,818,174**	**4,845,679**	**403,663,853**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2023

29 MATURITY PROFILE OF ASSET AND LIABILITIES (Continued)

Analysis of financial assets and liabilities expected date of recovery and settlement from the balance sheet date is as follows: *(Continued)*

31 December 2022 (Restated)	*Within one year* US$	*Beyond one year* US$	*Total* US$
Financial assets			
Cash on hand	2,130,548	-	2,130,548
Balances with the NBC	26,541,705	-	26,541,705
Balances with other banks	3,008,969	-	3,008,969
Loans to customers	3,225,041	63,959,513	67,184,554
Other assets	522,662	-	522,662
Non-financial assets			
Property and equipment	-	163,601	163,601
Right-of-use assets	-	2,802,885	2,802,885
Intangible assets	-	1,586,202	1,586,202
Deferred tax assets	-	317,093	317,093
Other assets	246,389	-	246,389
Total	**35,675,314**	**68,829,294**	**104,504,608**
KHR'000 equivalent *(Note 2.1.1)*	**146,875,268**	**283,370,203**	**430,245,471**
Allowance for ECLs on			
Balance with other banks	(67)	-	(67)
Loans to customers	(32,415)	(915,876)	(948,291)
Net	**35,642,832**	**67,913,418**	**103,556,250**
KHR'000 equivalent *(Note 2.1.1)*	**146,741,540**	**279,599,542**	**426,341,082**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2023

29 MATURITY PROFILE OF ASSET AND LIABILITIES (Continued)

Analysis of financial assets and liabilities expected date of recovery and settlement from the balance sheet date is as follows: *(Continued)*

31 December 2022 (Restated)	*Within one year* US$	*Beyond one year* US$	*Total* US$
Financial liabilities			
Deposits from banks	7,403,009	-	7,403,009
Deposits from customers	13,865,434	594,353	14,459,787
Lease liabilities	522,374	1,309,073	1,831,447
E-money	247,640	-	247,640
Other liabilities	134,373	-	134,373
Non-financial liabilities			
Other liabilities	379,202	-	379,202
Total	**22,552,032**	**1,903,426**	**24,455,458**
KHR'000 equivalent (Note 2.1.1)	**92,846,714**	**7,836,406**	**100,683,120**

30 TAX CONTINGENCY

Comprehensive tax reassessment for the period from 1 January 2020 to 31 December 2022

On 15 June 2023, the Bank received a tax reassessment notification for comprehensive tax audit for the period from 1 January 2020 to 31 December 2022. As of the date of these financial statements, the comprehensive tax audit is still on going.

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. The application of tax laws and regulations to many types of transactions are susceptible to varying interpretations.

These facts may create tax risks in Cambodia substantially more significant than in other countries. Management believes that it has adequately provided tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have different interpretations and the effects could be significant.

Besides, the Bank was under a tax audit by GDT for years from 2015 to 2019. As a result of the tax audit, the Bank had to declare additional income tax and other taxes as described in Note 31 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2023

31 COMPARATIVE INFORMATION

During the preparation of the financial statements for the year ended 31 December 2023, the management has identified errors in the prior years' financial statements relating to the following:

A. Leases;
B. Measurement of current tax income liabilities and deferred tax; and
C. Presentation of statement of cash flows.

The details of the adjustments are as follows:

A. Leases

(i) Recognition and measurement of right-of-use assets and lease liabilities

In accordance with Paragraph 22 of CIFRS 16, a lessee shall recognise a right-of-use asset and a lease liability at the commencement date of the lease. However, the Bank did not recognize the right-of use asset and lease liability for a lease contract, which had commenced on 1 November 2022, until January 2023. As a result, the following items were impacted:

As at 31 December 2022:

- *Right-of-use assets were understated by US$1,541,103.*
- *Other liabilities were understated by US$67,232.*
- *Lease liabilities were understated by US$1,592,020 (non-current was overstated by US$1,230,692 and current was understated by US$355,739).*

For the year ended 31 December 2022:

- *Depreciation expense was understated by US$106,324.*
- *Interest expenses were understated by US$7,466.*

B. Measurement of current tax income liabilities and deferred tax

The Bank identified errors in their calculation of current income tax and deferred tax for the years ended 31 December 2022 and 2021 together with the impact from the restatements mentioned herein this Note. Consequently, the following items were impacted:

As at 31 December 2021:

- *Deferred tax asset was overstated by US$27,516.*
- *Other assets (including tax advance) were overstated by US$203,314.*
- *Deferred tax liabilities were understated by US$322,662.*
- *Other liabilities were understated by US$159,252 (including withholding tax US$12,112 and the accrual penalty payable being understated by US$147,140 recognised in G&A exp).*

As at 31 December 2022:

- *Other assets (including tax advance) were overstated by US$147,978 (including US$203,314 for 2021 minus US$55,336 adjusted over income tax expense for 2022).*
- *Deferred tax asset was understated by US$225,302.*
- *Deferred tax liability was understated by US$601,432.*
- *Other liabilities were understated by US$225,472.*

For the year ended 31 December 2022:

- *Income tax expense was understated by US$29,384.*

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2023

31 COMPARATIVE INFORMATION (Continued)

B. Measurement of current tax income liabilities and deferred tax *(Continued)*

Corresponding impacts to retained earnings

As a result of items A and B, the retained earnings were impacted as follows:

- *As at 31 December 2021, retained earnings were overstated by US$712,744.*
- *As at 31 December 2022, retained earnings were overstated by US$801,509.*

C. Presentation of statement of cash flows

There were certain errors in the presentation of statement cash flows for the year ended 31 December 2022. Besides, as a result of items A and B, the statements of cash flows for the year ended 31 December 2022 was restated, as described below, to reflect the correction.

These above adjustments do not include the impact of the errors identified after issuing the financial statements for the year ended 31 December 2023 on 30 April 2024. Impact of the errors identified after 30 April 2024 are presented in Note 32.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2023

31 COMPARATIVE INFORMATION (Continued)

A summary of the line items effected by the restatements of the comparative information and correction of those errors is as follows: *(Continued)*

Statement of financial position

		1 January 2022					
		Previously reported	*Adjustments*				*As restated*
	Items	*US$*	*US$*		*US$*	*KHR'000*	*KHR'000*
						(Note 2.1.1)	
ASSETS							
Right-of-use assets	A	1,613,309	-		1,613,309	6,572,621	11,327,823
Deferred tax assets	B	354,086	(27,516)		326,570	1,330,446	2,233,040
Other assets	B	1,056,590	(203,314)		853,276	3,476,246	3,166,183
TOTAL ASSETS		**136,254,156**	**(230,830)**		**136,023,326**	**554,159,030**	**427,056,995**
ASSETS							
Right-of-use assets	A	454,210	-		454,210	1,850,452	7,536,469
Deferred tax assets	B	-	322,662		322,662	1,314,525	2,476,096
Other assets	A	112,706	159,252		271,958	1,107,957	2,110,222
TOTAL ASSETS		**56,892,947**	**481,914**		**57,374,861**	**233,745,184**	**103,155,618**
EQUITY							
Retained earnings	C	4,340,469	(712,744)		3,627,725	14,772,527	8,495,638
TOTAL EQUITY		**79,361,209**	**(712,744)**		**78,648,465**	**320,413,846**	**323,901,377**

		31 December 2022					
		Previously reported	*Adjustments*				*As restated*
	Items	*US$*	*US$*		*US$*	*KHR'000*	*KHR'000*
						(Note 2.1.1)	
ASSETS							
Right-of-use assets	A	1,210,372	1,541,103		2,751,475	11,207,475	11,327,823
Deferred tax assets	B	317,093	225,302		542,395	2,208,395	2,233,040
Other assets	B	917,029	(147,978)		769,051	3,132,051	3,166,183
TOTAL ASSETS		**102,111,715**	**1,618,427**		**103,730,142**	**422,442,142**	**427,056,995**
ASSETS							
Right-of-use assets	A	238,553	1,592,020		1,830,573	7,454,673	7,536,469
Deferred tax assets	B	-	601,432		601,432	2,449,232	2,476,096
Other assets	A	287,091	225,472		512,563	2,087,563	2,110,222
TOTAL ASSETS		**22,636,080**	**2,419,936**		**25,056,016**	**102,045,916**	**103,155,618**
EQUITY							
Retained earnings	C	2,893,416	(801,509)		2,091,907	8,520,907	8,495,638
TOTAL EQUITY		**79,475,635**	**(801,509)**		**78,674,126**	**320,613,226**	**323,901,377**

Statement of profit or loss

		Year ended 31 December 2022			
		Previously reported	*Adjustments*		*As restated*
	Items	*US$*	*US$*	*US$*	*KHR'000*
					(Note 2.1.1)
Interest income		3,561,752	-	3,561,752	14,556,880
Interest expense	A	(482,311)	(7,466)	(489,777)	(2,001,719)
Net interest income		**3,079,441**	**(7,466)**	**3,071,975**	**12,555,161**
Fees and commission income		260,037	-	260,037	1,062,771
Fees and commission expense		(60,315)	-	(60,315)	(246,507)
Net fees and commission income		**199,722**	**-**	**199,722**	**816,264**
Net foreign exchange gain		(43,822)	-	(43,822)	(179,101)
Other income		705,841	-	705,841	2,884,772
Total operating income		**3,941,182**	**(7,466)**	**3,933,716**	**16,077,096**
Personnel expenses		(1,515,920)	-	(1,515,920)	(6,195,565)
General and administrative expenses		(1,583,072)	(4,359)	(1,587,431)	(6,487,830)
Net impairment losses on financial instruments		(17,919)	-	(17,919)	(73,235)
Depreciation and amortization	A	(552,723)	(106,324)	(659,047)	(2,693,525)
Profit before income tax		**271,548**	**(118,149)**	**153,399**	**626,941**
Income tax expense		(157,122)	29,384	(127,738)	(522,065)
Net profit/(loss) for the year		**114,426**	**(88,765)**	**25,661**	**104,876**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2023

31

COMPARATIVE INFORMATION (Continued)

A summary of the line items effected by the restatements of the comparative information and correction of those errors is as follows: *(Continued)*

Statement of cash flows

		Year ended 31 December 2022			
		Previously reported	*Adjustments*		*As restated*
	Items	*US$*	*US$*	*US$*	*KHR'000*
					(Note 2.1.1)
Cash flows from investing activities					
Profit before income tax	A, B	271,548	(118,149)	153,399	626,941
Adjustments for:					
Net interest income	D	-	(3,071,975)	(3,071,975)	(12,555,161)
Depreciation and amortisation charges (Note 9)	A	552,723	106,324	659,047	2,693,525
Net impairment losses on financial instruments		17,919	-	17,919	73,235
		842,190	**(3,083,800)**	**(2,241,610)**	**(9,161,460)**
Changes in working capital					
Loans to customers	D	13,913,088	(61,150)	13,851,938	56,612,871
Balance with NBC and other banks	D	(327,613)	63,193	(264,420)	(1,080,685)
Other assets	A, D	80,506	92,888	173,394	708,661
Deposits from banks and other financial institutions	D	(1,793,357)	(41,166)	(1,834,523)	(7,497,696)
Deposits from customers	D	(11,432,940)	(213,789)	(11,646,729)	(47,600,181)
E-money	D	-	(20,989,298)	(20,989,298)	(85,783,261)
Other liabilities	A, D	(20,721,727)	20,869,127	147,400	602,424
Cash used in operations		**(19,439,853)**	**(3,363,995)**	**(22,803,848)**	**(93,199,327)**
Interest received	D	-	3,559,776	3,559,776	14,548,805
Interest paid	A, D	-	(194,414)	(194,414)	(794,570)
Income tax paid		(153,962)	-	(153,962)	(629,243)
Cash used in operating activities		**(19,593,815)**	**1,367**	**(19,592,448)**	**(80,074,335)**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2023

31

COMPARATIVE INFORMATION (Continued)

A summary of the line items effected by the restatements of the comparative information and correction of those errors is as follows: *(Continued)*

Statement of cash flows *(Continued)*

	Year ended 31 December 2022			
	Previously reported	*Adjustments*		*As restated*
Items	*US$*	*US$*	*US$*	*KHR'000*
				(Note 2.1.1)
Cash flows from investing activities				
Purchases of property and equipment	(5,290)	(1,367)	(6,657)	(27,207)
Purchases of intangible assets	(1,567,941)	-	(1,567,941)	(6,408,175)
Net cash used in investing activities	**(1,573,231)**	**(1,367)**	**(1,574,598)**	**(6,435,382)**
Net decrease in cash and cash equivalents	(21,382,703)	-	(21,382,703)	(87,391,107)
Cash and cash equivalents at beginning of year	**38,697,668**	**-**	**38,697,668**	**157,654,299**
Currency translation differences	-	-	-	1,022,519
Cash and cash equivalents at end of year	**17,314,965**	**-**	**17,314,965**	**71,285,711**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2023

32 RESTATEMENT OF PREVIOUSLY REPORTED INFORMATION

The Bank's Board of Management had prepared and issued the financial statements of the Bank for the year ended 31 December 2023 on 30 April 2024.

After issuing the financial statements for the year ended 31 December 2023 on 30 April 2024, Board of Management has identified certain errors in the audited financial statements of the Bank for the year ended 31 December 2023 relating to the following:

- Calculation of deferred tax assets and deferred tax liabilities; and
- Recognition of right-of-use assets, corresponding lease liabilities and depreciation.

Therefore, Board of Management decided to adjust certain items in the financial statements of the Bank for the year ended 31 December 2023 to correct those errors.

A comparison of the amounts previously reported and as adjusted is as follows:

Statement of financial position

	31 December 2023			
	Previously reported	*Adjustments*	*As adjusted*	
	US$	*US$*	*US$*	*KHR'000*
				(Note 2.1.1)
LIABILITIES				
Deferred tax liabilities	411,592	(238,909)	172,683	705,410
TOTAL LIABILITIES	**99,055,030**	**(238,909)**	**98,816,121**	**403,663,853**
EQUITY				
Retained earnings	2,059,930	238,909	2,298,839	9,329,535
TOTAL EQUITY	**78,736,510**	**238,909**	**78,975,419**	**322,614,589**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2023

32 RESTATEMENT OF PREVIOUSLY REPORTED INFORMATION (Continued)

Statement of financial position *(Continued)*

	31 December 2022			
	Previously reported	*Adjustments*	*As adjusted*	
	US$	*US$*	*US$*	*KHR'000*
				(Note 2.1.1)
ASSETS				
Right-of-use assets	2,751,475	51,410	2,802,885	11,539,478
Deferred tax assets	542,395	(225,302)	317,093	1,305,472
TOTAL ASSETS	**103,730,142**	**(173,892)**	**103,556,250**	**426,341,082**
LIABILITIES				
Lease liabilities	1,830,573	874	1,831,447	7,540,067
Deferred tax liabilities	601,432	(601,432)	-	-
TOTAL LIABILITIES	**25,056,016**	**(600,558)**	**24,455,458**	**100,683,120**
EQUITY				
Retained earnings	2,091,907	426,666	2,518,573	10,232,641
TOTAL EQUITY	**78,674,126**	**426,666**	**79,100,792**	**325,657,962**

	31 December 2021			
	Previously reported	*Adjustments*	*As adjusted*	
	US$	*US$*	*US$*	*KHR'000*
				(Note 2.1.1)
ASSETS				
Deferred tax assets	326,570	27,516	354,086	1,442,546
TOTAL ASSETS	**136,023,326**	**27,516**	**136,050,842**	**554,271,130**
LIABILITIES				
Deferred tax liabilities	322,662	(322,662)	-	-
TOTAL LIABILITIES	**57,374,861**	**(322,662)**	**57,052,199**	**232,430,659**
EQUITY				
Retained earnings	3,627,725	350,178	3,977,903	16,196,923
TOTAL EQUITY	**78,648,465**	**350,178**	**78,998,643**	**321,840,471**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2023

32

RESTATEMENT OF PREVIOUSLY REPORTED INFORMATION (Continued)

Statement of profit or loss

	Year ended 31 December 2023			
	Previously reported	*Adjustments*	*As adjusted*	
	US$	*US$*	*US$*	*KHR'000*
				(Note 2.1.1)
Interest expense	(1,616,014)	874	(1,615,140)	(6,638,225)
Net interest income	**4,410,670**	**874**	**4,411,544**	**18,131,446**
Total operating income	**7,524,874**	**874**	**7,525,748**	**30,930,826**
Depreciation and amortization	(1,006,371)	(51,410)	(1,057,781)	(4,347,480)
Profit before income tax	**121,391**	**(50,536)**	**70,855**	**291,215**
Income tax expense	(59,007)	(137,221)	(196,228)	(806,497)
Net loss for the year	**62,384**	**(187,757)**	**(125,373)**	**(515,282)**

	Year ended 31 December 2022			
	Previously reported	*Adjustments*	*As adjusted*	
	US$	*US$*	*US$*	*KHR'000*
				(Note 2.1.1)
Interest expense	(489,777)	(874)	(490,651)	(2,005,291)
Net interest income	**3,071,975**	**(874)**	**3,071,101**	**12,551,589**
Total operating income	**3,933,716**	**(874)**	**3,932,842**	**16,073,524**
Depreciation and amortization	(659,047)	51,410	(607,637)	(2,483,412)
Profit before income tax	**153,399**	**50,536**	**203,935**	**833,482**
Income tax expense	(127,738)	25,952	(101,786)	(415,999)
Net profit for the year	**25,661**	**76,488**	**102,149**	**417,483**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2023

32

RESTATEMENT OF PREVIOUSLY REPORTED INFORMATION (Continued)

Statement of cash flows

	Year ended 31 December 2023			
	Previously reported	*Adjustments*	*As adjusted*	
	US$	*US$*	*US$*	*KHR'000*
				(Note 2.1.1)
Cash flows from operating activities				
Profit before income tax	121,391	(50,536)	70,855	291,215
Adjustments for:				
Depreciation and amortisation	1,006,371	51,410	1,057,781	4,347,480
Net interest income	(4,410,670)	(874)	(4,411,544)	(18,131,446)
	(2,615,454)	**-**	**(2,615,454)**	**(10,749,515)**

	Year ended 31 December 2022			
	Previously reported	*Adjustments*	*As adjusted*	
	US$	*US$*	*US$*	*KHR'000*
				(Note 2.1.1)
Cash flows from operating activities				
Profit before income tax	153,399	50,536	203,935	833,482
Adjustments for:				
Depreciation and amortisation	659,047	(51,410)	607,637	2,483,412
Net interest income	(3,071,975)	874	(3,071,101)	(12,551,589)
	(2,241,610)	**-**	**(2,241,610)**	**(9,161,460)**

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