



ធនាគារ កាថេ យូណៃធីត
Cathay United Bank 國泰世華銀行

SUSTAINABLE FINANCE, ACTIVATE FUTURE



ANNUAL REPORT 2022

Cathay United Bank (Cambodia) Corporation Limited





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Cathay United Bank 國泰世華銀行

ENRICH YOUR LIFE

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CORPORATE INFORMATION

Name Cathay United Bank (Cambodia) Corporation Limited

Registered Office 00005929

Registered Office Building No. 48, Samdach Pan Street (St. 214),
Sangkat Boeng Reang, Khan Daun Penh,
Phnom Penh, Kingdom of Cambodia

Shareholders Cathay United Bank Co., Ltd.
(Incorporated in Taiwan)

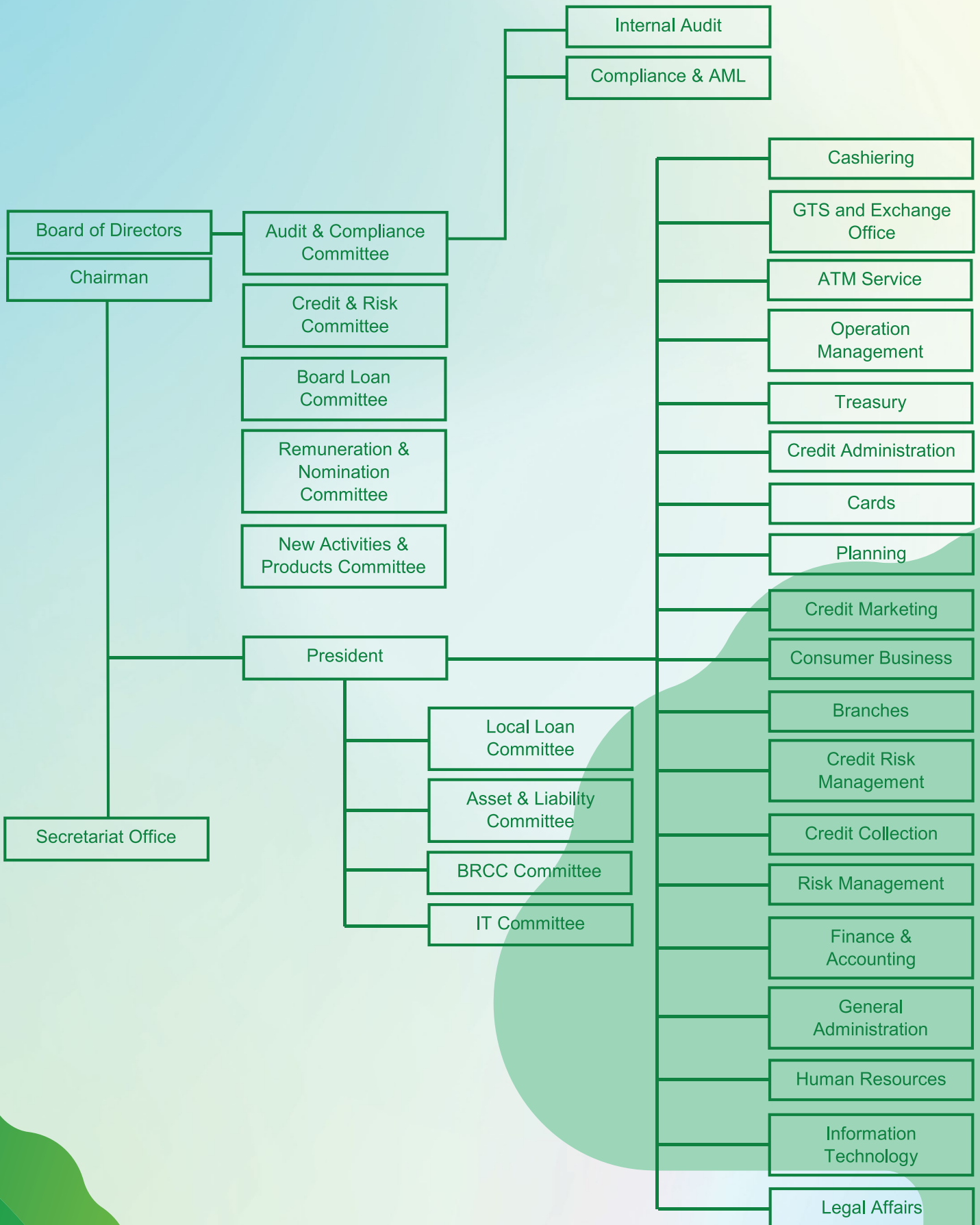
Board of Directors

Mr. Teng, Chung-Yi	Chairman
Ms. Chuang, Hsiu-Chu	Director and President
Mr. Sun, David Paul	Director
Mr. Miao, Hua-Ben	Director
Mr. Wang, Chih-Fong	Director
Mr. Hsia, Chang-Chuan	Independent Director
Mr. Hsieh, Po-Tsang	Independent Director (appointed on 3 June 2022)
Mr. Cheng, Wu-Shui	Independent Director (ended term on 2 June 2022)

Executive Management Mr. Teng, Chung-Yi, Daniel, Chairman
Ms. Chuang, Hsiu-Chu, Alice, President
Ms. Tseng, Pi-Chen, Becky, First Vice President

Auditors KPMG Cambodia Ltd

ORGANIZATION STRUCTURE



INTEGRITY

To build up the trust with customers, supervisors, and peers

ACCOUNTABILITY

OWNERSHIP
To pursue more and better

INNOVATION

To enhance the status quo for the better, faster, and efficient

MESSAGE FROM THE CHAIRMAN

Despite of this unpredictable Covid-19 situation, most of the countries have been recovered with almost fully vaccinated populations in year 2022. As of 23 March 2022, Ministry of Tourism issued an announcement to officially re-open the visa on arrival service, waiving the requirements for prior PCR Test and Antigen Rapid Test upon arrival for all vaccinated travelers. Obviously, these are the signs showing the recovery in the Kingdom and around the world, as well as more incoming trading and a positive chance to reach the economic prospects.

It also proved that all socioeconomic activities have been fully resumed since Cambodia's banking industry enjoyed robust growth in both loans and deposits in year 2022 based on the annual report of the National Bank of Cambodia (NBC) data showed. This indicated public confidence in the country's banking system with the strong support from the government and NBC. Accordingly, Cathay United Bank (Cambodia) Corporation Limited (CUBC) is able to pursue its expansion on business activities and has actively contributed in promoting the sustainability of business activities, investment and consumption of the country.

Financial Summary

Following the economic recovery during the year, CUBC has built a healthy business performance that enables us to accelerate growth for years to come. The significant changes to financial performance as of December 2022 such as total loan has reached USD438M approximately 37% increase compared to previous year while total deposit remained in good position at USD310M. Total asset has stood at USD569M as well as total equity remained stable at USD117M. By the end of the year 2022, non-performance loan (NPL) ratio has decreased to 1.27% which reflected Bank's effort and prudence on asset quality. Likewise, the net profit in year 2022 has reached at USD4.97M approximately 55% rose compared to year 2021 in consequence of the return to prosperity in the economy.

Furthermore, CUBC has achieved a favorable outcome of lending in national currency (KHR) to comply with 10% rule implementation of which the figure occupied at 13.59% of total loan portfolio as of December 2022, and this figure has presented the willingness of the Bank to fulfill the regulatory requirement. In addition, CUBC kept a good liquidity position with liquidity coverage ratio of 139.53% in year 2022 which was above the regulatory required of 100%.

Business Achievements and Future Plans

On October 2020, NBC has launched the use of Bakong System in which the customers/users will safely register online mobile applications with banks and financial institutions to make transactions. Subject to this convenient payment system, CUBC has obtained an approval from NBC to proceed Bakong system as of November 2022. By then, CUBC has also started the digital transformation on mobile banking App in line with Bakong project. The project is to update new App for CUBC mobile banking inclusively of brand-new and existing mobile banking functions such as digital account opening, Bakong transfer, KHQR payment, etc. CUBC new mobile banking is expected to go live in the first quarter of year 2023 with modern mobile technology. After becoming one of Bakong member, CUBC's customers will enjoy a particularly bank to bank fund transfer transaction with other banks and financial institutions including payment service providers as well.

Along the line of launching CUBC new mobile banking in upcoming year, CUBC will make effort to promote new App and acquire customers digitally by utilizing digital tools to provide customers with different experiences as a way of building CUBC's professional and technological image. CUBC will further involve in updating the new App functions to match the needs of local industry by expanding the payment cooperation with physical and online stores to meet the habits of consumers and earn more cash flow.

MESSAGE FROM THE CHAIRMAN (continued)

Besides, in year 2023, CUBC has planned to expand our product line by conducting the Bancassurance business service with insurance companies. We believe that this kind of cooperation will help us to absorb more customers from competitive market and increase customer's satisfaction.

On behalf of CUBC's Shareholder and Board of Directors, we would like to thanks to the government and NBC on their support and guidance. CUBC is firmly committed to demonstrate good performance and fulfil all the regulatory requirements imposed. Moreover, we would like to express sincerest gratitude towards our valued customers for continuously support and entrust our products and services throughout the journey. Last but not least, we would like to extend deeply appreciation and gratefulness towards our colleagues for their commitments and contribution to such a great achievement. Hopefully, all the dedications will lead us to accomplish more in the near future.

BOARD OF DIRECTORS

Mr. Teng, Chung-Yi, Daniel

Chairman

Mr. Teng, Chung-Yi was appointed as Chairman of Cathay United (Cambodia) on June 19, 2017 and a member to Remuneration & Nomination Committee as well.

Mr. Teng also sits on the Board of several companies in Taiwan, including Taiwan Real-Estate Management Corp. Currently, he is CEO of Corporate Banking in Cathay United Bank (Taiwan), as well as a Senior Executive Vice President of Cathay Financial Holdings, where he is involved in a variety of strategic planning and business development activities. Prior to joining Cathay Financial Holdings, from 1994 to 2013, Mr. Teng worked in the Cathay Life Insurance as a Senior Executive Vice President. Mr. Teng holds a Master degree from Massachusetts Institute of Technology, U.S.

Ms. Chuang, Hsiu-Chu, Alice

President & Director

Ms. Chuang, Hsiu-Chu has been appointed as the President and Board of Director since May 2019. She is also a member of Loan Committee, Credit & Risk Committee, and New Activities & Products Committee. Prior to joining Cathay United Bank (Cambodia), Ms. Chuang had been with banking business for more than 15 years in Taiwan as Executive Vice President of Cathay United Bank (Taiwan). Presently, Ms. Chuang is responsible for the supervision of Bank's business and operation. Ms. Chuang holds Master of Business Administration from New York Institute of Technology, USA.

Mr. Hsia, Chang-Chuan, Joseph

Independent Director

Mr. Hsia, Chang-Chuan is an Independent Director of the Bank. He is also the Chairman of the Credit & Risk Committee and New Activities & Products Committee, and a member of the Audit & Compliance Committee and Loan Committee. Mr. Hsia had been with banking business for almost 30 years before he retired from Cathay United Bank in Taiwan as an Executive Vice President in 2006. During his banking career, he had been worked with Chase Manhattan Bank, City Bank of Taipei and Bank of Kaohsiung. Currently he is a board member and CEO of a Charity foundation in Taiwan. Mr. Hsia has graduated from Tamkang University in Taiwan and he also holds a Master of Arts degree from the University of Minnesota, USA.

Mr. Hsieh, Po-Tsang, Fruiter

Independent Director

Mr. Hsieh, Po-Tsang is an Independent Director of the Bank. He is also the Chairman of the Audit & Compliance Committee as well as the Remuneration & Nomination Committee. Mr. Hsieh had been with banking business for more than 30 years. He joined Cathay United Bank in Taiwan as Senior Vice President in 2003 and became the Director of Cathay United Bank from 2013 to 2019. Prior to joining Cathay United Bank, Mr. Hsieh worked at United World Chinese Commercial Bank as Senior Vice President. Currently, Mr. Hsieh had retired from Cathay United Bank and being the independent director of Taiwan Finance Corporation from 2021. Mr. Hsieh holds Grade Two Civil Service Special Examination for Financial Business and a Bachelor of Business Administration Chinese Culture University.

BOARD OF DIRECTORS (continued)

Mr. Sun, David Paul

Director

Mr. Sun, David Paul is a Board of Director of the Bank, and he is also a member of Audit & Compliance Committee. Moreover, Mr. David P. Sun is a Senior Executive Vice President of Cathay Financial Holdings Co., Ltd. In this capacity, Mr. Sun is responsible for a variety of business planning activities and strategic projects. Mr. Sun joined Cathay Financial Holdings in September 2003 as a Senior VP and led the Corporate Planning Division from 2009 to 2013 where he was involved in a variety of strategic planning and business development activities and M&A transactions.

Prior to joining Cathay Financial Holdings, from 1994 to 2003, Mr. Sun worked in the Investment Banking Division of Morgan Stanley based in New York where he was involved in the execution of a broad range of public and private financing and M&A transactions. Mr. Sun received an MBA from Harvard Business School, an MA from Harvard Graduate School of Design and an AB from Harvard College.

Mr. Wang, Chih-Fong, Chris

Director

Mr. Wang, Chih-Fong is a Board of Director of the Bank, and he is also a member of New Activity & Product Committee. Mr. Wang has experienced in finance industry for more than 15 years. During his career, he had been worked as the Vice President, Senior Vice President and Executive Vice President of Cathay Life Insurance, Taiwan. Presently, Mr. Wang works as Executive Vice President of Cathay United Bank, Taiwan. Mr. Wang holds the MBA from Tsinghua University, Beijing China in year 2010.

Mr. Miao, Hua-Ben, Benny

Director

Mr. Miao, Hua-Ben is a Board of Director of the Bank, and he is also a member of Credit & Risk Committee, Remuneration & Nomination Committee, and the Chairman of Loan Committee. Mr. Miao has over than 10 years of experience in the banking industry. During his banking career, he had been worked as a Director in China-ASEAN Fund and in Asia Pacific Investment Advisors Limited Hong Kong as a Senior Portfolio Manager. Presently, Mr. Miao works as Executive Vice President of Cathay United Bank, Taiwan. Mr. Miao holds the MBA from Pennsylvania State, USA in year 2003.

AUDIT & COMPLIANCE COMMITTEE

Committee Members	Designation in Committee	Designation in Bank
Hsieh, Po-Tsang	Chairman	Independent Director
Sun, David Paul	Member	Director
Hsia, Chang-Chuan	Member	Independent Director

Purpose

The Audit and Compliance Committee shall provide assistance to the Board in fulfilling its Corporate Governance and oversight responsibilities in relation to the bank's financial reporting, internal accounting, internal controls, risk management systems, the internal and external audit functions, and legal compliance function of the bank.

Term of Reference

The functions of the Audit & Compliance Committee shall be to:

- i. Monitor the integrity of the financial reporting process and systems of internal controls of the bank;
- ii. Assess the appropriateness of the bank's accounting policies and principles and disclosures and any changes to them;
- iii. Review effectiveness of the bank's legal compliance management and to review the bank's code of ethics and code practice;
- iv. Approve and monitor the appropriateness of internal audit plan of the bank;
- v. Evaluate the Audit and Compliance department's performance annually;
- vi. Review and update internal audit policy annually;
- vii. Review the scope and results of the internal audit procedures; and ensure that internal audit undertake audit of the effectiveness and compliance with Anti-money laundering (AML) and Combating the Financing of Terrorism (CFT);
- viii. Ensure adequacy of review procedures of the financial statements and other financial information released by the bank;
- ix. Make recommendations to the Board about the appointment, re-appointment or replacement of the external auditor, the Head of Internal Auditor, Compliance Officer and complaint handling officer.
- x. Ensure that the roles and job responsibilities of internal auditor are clearly defined and documented in accordance and at least include
 - testing the effectiveness of the policies, procedures and control for AML/CPT measures;
 - ensuring the effectiveness of AML/CFT control mechanisms including staff training and awareness programs, employee screening mechanisms and AML/CFT internal manual; and
 - ensuring that measurement put in place is in line with current developments and change of the relevant AML/CFT requirement;
- xi. Ensure the bank has, at the minimum, policies on AML/CFT procedures and controls which policies are in line with the risks associated with the nature of business, and complexity and volume of the transactions undertaken by the bank;
- xii. Ensure the bank has an effective internal control system for AML/CFT compliant legal and regulatory requirements;
- xiii. Assess the implementation of approved AML/CFT and other compliance policies via periodic reports;
- xiv. Ensure effectiveness of Customer Complaint Handling Procedure including regular training to management and staff involve in customer complaint handling procedure;
- xv. Reviews annually on the effectiveness and result of customer complaint handling procedure;
- xvi. Other functions as may be agreed by the board of directors.

AUDIT & COMPLIANCE COMMITTEE (continued)

Member

The committee shall be comprised of members representing a balance of views, knowledge and experience and other attributes as determined by the Board and there shall be at least three (3) members. The chairperson and members of the committee shall be appointed by the Board. The committee shall be chaired by an independent board member and shall include at least an independent person with expertise in finance and accounting, and an independent person with expertise in legal issues and banking. The committee members must be able to read and understand financial statements and at least one member of the committee shall have financial expertise.

CREDIT & RISK COMMITTEE

Committee Members	Designation in Committee	Designation in Bank
Hsia, Chang-Chuan	Chairman	Independent Director
Miao, Hua-Ben	Member	Director
Chuang, Hsiu-Chu	Member	President

Purpose

The committee shall monitor the management of bank wide risk and in so doing shall provide assistance to the Board in fulfilling the risk management component of its Corporate Governance responsibilities.

Term of Reference

The functions of the Credit & Risk Committee shall be to:

- i. Review and endorse Risk Management Policy, including the risk management strategy, and significant variations to it;
- ii. Responsible for monitoring the implementation of risk management policies as defined by the Board and the performance of Risk Management department and Credit Risk Management department;
- iii. Review and endorse on risk appetite, risk tolerance and approach to conduct risk management in each material risk area, including market, liquidity, strategy, solvency, credit, legal, operational, and others;
- iv. Review limit and policy and delegation of authority (other than those matters which require Board approval) breaches to the extent that there are implications for the Risk Management Policy;
- v. Provide oversight of senior management's implementation of the risk management strategy, and constructively challenge senior management's proposals and decisions on risk management arising from the bank's activities;
- vi. Review any other matters that may be delegated to the committee by the Board.

Member

The committee shall be comprised of members representing a balance of views, knowledge and experience and other attributes as determined by the Board and there shall be at least three (3) members. The chairperson and members of the committee shall be appointed by the Board. The Committee shall be chaired by a person with expertise in finance and risk management and that person shall be independent from day-to-day operations.

REMUNERATION & NOMINATION COMMITTEE

Committee Members	Designation in Committee	Designation in Bank
Hsieh, Po-Tsang	Chairman	Independent Director
Teng, Chung-Yi	Member	Chairman
Miao, Hua-Ben	Member	Director

Purpose

The Remuneration & Nomination Committee ("R&N Committee" or "Committee") shall remunerate fairly and responsibly by ensuring that the level and composition of remuneration and nomination are sufficient and reasonable.

Term of Reference

The functions of the Remuneration & Nomination Committee shall be to:

- i. Oversee and review bank's policy/procedure/structure on remuneration, nomination, and performance valuation which is consistent with the long-term objectives and corporate values of the Bank;
- ii. Assess and review bank's implementation on remuneration and performance valuation
- iii. Review and recommend nominee, as member of the Board and all committees on Board level, to the Board;
- iv. Review and recommend nominee, as management team, to the Board;
- v. Perform other oversight functions as delegated and or requested by the Board.

Member

The Committee shall be comprised of members representing a balance of views, knowledge and experience and other attributes as determined by the Board and there shall be at least three (3) members. The members of the Committee shall meet the requirements of the NBC corporate governance rules and all other applicable laws, rules and regulations governing director independence, as determined by the Board and that the committee shall be chaired by an independent board member and it shall include at least one independent person with expertise in legal issues and banking. Members of the committee and the committee Chair shall be appointed by and may be removed by the Board. Membership period follows director's period if not additionally specified.

NEW ACTIVITIES & PRODUCTS COMMITTEE

Committee Members	Designation in Committee	Designation in Bank
Hsia, Chang-Chuan	Chairman	Independent Director
Wang, Chih-Fong	Member	Director
Chuang, Hsiu-Chu	Member	President

Purpose

The committee has been established pursuant to Prakas on Internal Control of Bank and Financial Institutions (B7 010-172 Prokor) for reviewing the new products/activities proposals, discuss and provide corresponding recommendations to the Board.

Term of Reference

The functions of the Remuneration & Nomination Committee shall be to:

- i. Ensure proper identification, analysis and control of various risks that arise in relation to the launch of new products, activities, services, change of procedures, and approval of new systems, while minimizing losses which may occur;
- ii. Review the new products/activities proposals in accordance with the Bank's relevant policies, including but not limited to Operational Risk Management Policy, AML and CFT Compliance Policy, Internal Control Policy and Interest Rate Risk Management in the Banking Book (IRRBB) Policy, as well as discuss and provide corresponding recommendations to the Board;
- iii. Review any other matters that may be delegated to the committee by the Board.

Member

The meeting shall meet on an ad-hoc basis as whichever unit that develops the new product/service submits a new product/activity proposal. A quorum for a meeting of the committee shall be at least three (3) members. The committee may invite expertise and management team to attend meetings of the committee.

LOAN COMMITTEE

Committee Members	Designation in Committee	Designation in Bank
Miao, Hua-Ben	Chairman	Director
Hsia, Chang-Chuan	Member	Independent Director
Chuang, Hsiu-Chu	Member	President

Purpose

The purpose of the Loan Committee (“Committee”) is mainly to approve loan/credit transactions exceeding President’s authority; AND to enhance portfolio quality.

Term of Reference

The functions of the Loan Committee shall be to:

- i. To approve loan/credit transactions exceeding President’s authority, with prudent and fair views.
- ii. To review loan/credit portfolio monitoring report (including quality, performance, sector concentration) prepared by management team.
- iii. To review bank’s implementation on loan/credit portfolio to meet NBC regulation.
- iv. To review other matters delegated to the Committee by the Board.

Member

The Committee shall consist of 3 members or more. Members of the Committee shall be appointed by the Board. Chairman of the Committee shall be appointed by the Board or be elected with majority votes by members of the Committee.

CORPORATE GOVERNANCE GUIDELINES

1. Objective:

This Corporate Governance Guidelines (hereinafter referred to “**CG Guidelines**”) aims to strengthen governance and enable good corporate governance within CUBC to achieve the goals, control risks and assure regulatory compliance in line with the implementation of CUBC’s core value “**Integrity, Accountability, Innovation**” (hereinafter referred to “**Core Value**”).

2. Scope:

The scope of this CG Guidelines applies to different levels of management including the Board of Directors, Board Committees, and Senior Management of CUBC in order to provide clear guidance rules to CUBC’s stakeholders and to define the relationship between the Board, management, all levels employees, and the rest of the institution for the purpose of transparency, interest protection, jobs efficiency enhancement and risks mitigation among CUBC.

3. Definitions:

i) Corporate Governance: refers to the development of clear structure & systems of rules and practices by which CUBC is governed and directed.

ii) Board of Directors or Board: refer to the decision-making body or the collegiate body that is responsible for supervising the management and situation of CUBC on behalf of Shareholder.

iii) Board Committees: refer to Board level’s committees that may be set up by the Board of Directors. The Board of Directors shall determine its composition, duties and responsibilities, as well as operating procedure. CUBC’s Board Committees consists of Audit & Compliance Committee, Credit & Risk Committee, Board Loan Committee, Remuneration & Nomination Committee, New Activities & Products Committee and other specialized committees as it deems necessary.

iv) Senior Management: refers to a group of key executives overseeing day to day management of the institution that is required approval from NBC, and that comprise of President, First-Vice President, and Vice President who has sufficient back up duty for First-Vice President and President.

v) Related Party: refers to any person holding directly or indirectly at least 10% of the capital or voting rights; any company of which the covered entity directly or indirectly holds at least 10% of the capital or voting rights; any individual who participates in the administration, direction, management, or internal control; and appointed external auditor.

4. Good Corporate Governance

In line with the growth of the Bank and market developments, CUBC aspires to the highest standards of ethical conduct and adhering to international best practices for Corporate Governance.

Good Corporate Governance is an integral part of our daily operations at CUBC. CUBC believes that we must follow sound commercial principles, supported by strong Corporate Governance practices in each of the activities of the Bank. We are fostering a culture that instills this good corporate governance and internalizes the goals of improved transparency, disclosure, independence and accountability through a variety of formalized and widely disseminated communications and programs. These include our Vision and Mission Statements, Management of Ethical Conduct, Standards of Conduct and annual disclosure required by regulatory compliance and our active committee system.

Our Procedures and Guidelines Conduct for Ethical Management and Code of Conduct section of Human Resources Policy stipulates the onerous responsibilities of CUBC’s employees to safeguard the Bank’s integrity and credibility. It also codifies the ethical standards of conduct expected of CUBC’s employees. At the same time, CUBC is taking steps to strengthen corporate governance towards boosting public confidence in the Cambodia banking industry.

CORPORATE GOVERNANCE GUIDELINES (continued)

5. Board Matters

Board of Directors

The Board of Directors' primary responsibility is to provide effective governance over the Bank's affairs for the benefit of its shareholders, and to maintain the interests of its customers, employees, suppliers and local communities. In all actions taken by the Board, the Directors are expected to exercise their business judgment in what they reasonably believe to be the best interests of the Bank and avoid conflicts of interest. In discharging that obligation, Directors may rely on the honesty and integrity of the Bank's Senior Managements and its outside advisors and auditors.

Number and Selection of Board Members

There are seven (7) Directors including Independent Directors supervising the Bank. Directors shall be appointed by the majority votes of Shareholders through ordinary resolution, Service terms of Directors is mandated for 2 years and it is eligible to be renewed after two (2) years. Appointments of these Directors will be notified to NBC for an approval.

The Board of Directors shall include 2 independent directors. The 2 independent directors shall be capable of exercising judgment independent of the managements' views, political interests or inappropriate outside interests.

The Board may also appoint honorary directors. Honorary directors are invited to Board meetings, but do not vote on issues presented to the Board.

Candidates for the Board shall be recommended to Shareholders for approval, taking into consideration the overall composition and diversity of the Board and areas of expertise that new Board members might be able to offer.

Qualifications for Director Candidates

The Directors shall be appointed by the Shareholders and then the Secretariat Office will submit the proposal to Board meeting based on Shareholder's instruction. The factors considered in its review of potential candidates include:

- i) Whether the candidate has exhibited behavior that indicates he or she is committed to the highest ethical standards and the values of the Bank;
- ii) Whether the candidate has had broad business, governmental, non-profit or professional experience that indicates that the candidate will be able to make a significant and immediate contribution to the Board's discussion and decision-making in the array of complex issues facing a financial services business;
- iii) Whether the candidate has special skills, expertise and background that add to and complement the range of skills, expertise and background of the existing Directors in order to follow up current market conditions and be knowledgeable of the competitive environment of the Bank;
- iv) Whether the candidate has had a successful career that demonstrates the ability to make the kind of important and sensitive judgments that the Board is called upon to make;
- v) Whether the candidate will effectively, consistently and appropriately take into account and balance the legitimate interests and concerns of all of the Bank's shareholders in reaching decisions;
- vi) Whether the candidate will be able to devote sufficient time and energy to the performance of his other duties as a director;
- vii) Whether the candidate will understand the overall regulatory environment in order to be knowledgeable of regulatory issue that could arise;
- viii) Whether the candidate will undergo the fit and proper testing process at the NBC which is part of the licensing processes;
- ix) Whether the candidate is to understand their role, including the institution's risk profile;
- x) Whether the candidate is to be trained if necessary so as to maintain a collective expertise;

CORPORATE GOVERNANCE GUIDELINES (continued)

5. Board Matters (continued)

- xi) Whether the candidate is to understand their duties to shareholders, to the institution, and to stakeholders;
- xii) Whether the candidate have time and energy to be able to act efficiently.

The Board shall exercise their judgment on the application of the above factors.

Independent Director

An Independent Director is a Non-Executive Director who is free from any business or other association - including those arising out of a substantial shareholding, involvement in past management or as a supplier, customer or adviser - that could materially interfere with the exercise of their independent judgment. The circumstances that will not meet this test of independence include, but are not limited to, those set out below.

A Director is not independent if the director:

- i) is a substantial shareholder of the Bank or an officer of, or otherwise associated directly with, a substantial shareholder of the Bank ("substantial shareholder" is consider as a person with a substantial holding that has 5% or more of the total number of votes attached to voting shares);
- ii) is employed, or has previously been employed in an executive capacity by the Bank, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- iii) has within the last three years been a principal of a material professional adviser or a material consultant to the Bank, or an employee materially associated with the service provided;
- iv) is a material supplier or customer of the Bank, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- v) has a material contractual relationship with the Bank other than as a Director.

Training and Development to the Board:

The Bank will provide continuing education opportunities for all members of the Board if necessary.

Board Meeting & Attendance

Directors are expected to attend the Bank's Annual General Meeting, Board meetings and meetings of Board Committees on which they serve, and to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities.

Information and materials that are important to the Board's understanding of the business to be conducted at a Board or Board Committee meeting should be distributed to the Directors prior to the meeting, in order to provide time for review.

The Chairman will establish a calendar of standard agenda items to be discussed at each meeting scheduled to be held over the course of the ensuing year, and shall also establish the agenda for each Board meeting. Each Board member is free to suggest items for inclusion on the agenda or to raise subjects that are not on the agenda for that meeting.

The Board holds regular and irregular meeting, if needed, where all decisions are made in this meeting. The Board shall meet at least 4 times a year. Directors shall be dismissed if he/she misses to attend ½ of total Board meeting or does not attend 3 consecutive Board meetings without an appropriate reason.

Annual Strategic Review

The Board reviews the Bank's long-term strategic plans and the principal issues that it expects the Bank may face in the future during at least 1 Board meeting each year.

CORPORATE GOVERNANCE GUIDELINES (continued)

5. Board Matters (continued)

Communications

The Board believes that Senior Management speaks for the Bank. Individual Board members may, from time to time, meet or otherwise communicate with various constituencies that are involved with the Bank, subject to prior consultation with the Chairman or the President.

Effective Board & Control

In addition to the formal Board meetings, directors shall regularly interact and direct questions with the Bank's management and internal auditors.

The key functions of the Board are:

- i) Guiding of the Bank's strategies and principal issues;
- ii) Approving annual budgets and targets;
- iii) Monitoring the performance and proper conduct of the Bank's business;
- iv) Overseeing the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance; and
- v) Appointing Senior Management to Board Committees and receiving reports of Board Committees.
- vi) Regularly assess their practices
- vii) Ensuring that Senior Management follows clear policies to implement the operations when facing non-transparent structures or jurisdictions
- viii) Ensuring that internal audit does not leave these structures or activities out of their regular reviews
- ix) Ensuring that outsourced key activities remain under sufficient control and that the corresponding risks are adequately identified and monitored

Board Committees

The standing committees of the Board are the Audit & Compliance Committee, Credit & Risk Management Committee, Board Loan Committee, Remuneration & Nomination Committee and New Activities & Products Committee.

Board Committee members shall be appointed by the Board. Each Board Committee shall have its own written charter. The charters shall set forth the mission and responsibilities of the Board Committees as well as qualifications for Board Committee membership, procedures for Board Committee member appointment and removal, Board Committee structure and operations and reporting to the Board.

The Chair of each Board Committee, in consultation with the appropriate members of the Board Committee and Senior Management, shall develop the Board Committee's agenda. The Board may, from time to time, establish or maintain additional Board Committees as necessary or appropriate.

6. Strategic Objectives & Corporate Values

Strategies & Values

The Bank has developed strategies, values, and major plans of action that are necessary to conduct the activities of the Bank. The Board is responsible for reviewing and guiding them by actively involving themselves in the process and also contribution to be made by the Senior Management.

The Board through the Senior Management nurtures the Bank culture in ensuring its employees understand and comply with its strategic objectives and values, including those regarding ethics and compliance rules. The members of the Boards act as role models for Senior Management and employees in implementing its said objectives and values. The Board will constantly check if the objectives and values are actually prevailing throughout the Bank by analyzing major incidents in which employees failed to meet the objectives and values. The Board shall ascertain that credit risk

CORPORATE GOVERNANCE GUIDELINES (continued)

6. Strategic Objectives & Corporate Values (continued)

assessment, controls, and procedures are appropriate to nature, complexity and size of the Bank's activities.

High Standards of Professional Conduct in Addressing Conflicts of Interest and Unethical Behavior

Monitoring related parties' transactions is an important policy goal to the Bank so as to ensure sound banking.

The Board has put in place the policies and procedures on related parties' transactions. The Board shall approve or disapprove materially important transactions respectively while requiring management to clearly prove that they are on market terms and conditions.

The Audit & Compliance Committee and Credit & Risk Committee monitor to ensure that any related parties transactions or lending to its officers and employees comply with its policy and procedures in order to prevent conflicts of interest.

Loans to related parties will be disclosed and reported to NBC.

7. Clear Lines of Responsibility

Responsibility & Accountability

The Board has clearly defined the authorities and key responsibilities for themselves and for the Senior Management and they have ultimate responsibilities in overseeing the Senior Management's actions.

Integrity & Fairness

The Board believes in conducting business with integrity and fairness in an honest and ethical manner. All transactions and decisions should be made in good faith in the best interest of the Bank so as to minimize inequalities of power. Also, all statements and actions should be made honestly and accurately so that they may be relied upon. Selective presentation of information or suppression of relevant information is not allowed since such action contributes to an act of dishonesty, or that may be construed to be views and judgments that are not balanced and diluting the integrity standards espoused at all times by the Board and the Bank's Senior Management.

Director Access to Senior Management

Directors have full and free access to Senior Management and other employees of the Bank. Any meetings or contacts that a Director wishes to initiate may be arranged through the President or directly by the Director. The Board welcomes regular attendance at each Board meeting by Senior Management of the Bank. If the President wishes to have additional Bank personnel attendees on a regular basis, this suggestion will be brought to the Board for approval.

Senior Management

The Senior Management is responsible for the day-to-day operations of the Bank, serving as a link between the Board and employee. The Senior Management is responsible for:

- i) Setting, developing and implementing the Bank's strategic and operational plan to ensure the Bank's profitable growth and success;
- ii) Keeping Directors adequately informed about the performance of the institution through financial and management reports and the reports prepared by internal auditors, external auditors and the compliance officer;
- iii) Advising the Board on the appropriate organizational structure, and ensuring that the quantity and quality of employee resources are available to carry out all tasks, including internal audit and compliance;

CORPORATE GOVERNANCE GUIDELINES (continued)

7. Clear Lines of Responsibility (continued)

- iv) Developing and motivating HoDs or above to ensure the leadership team is effective by setting agendas, delegating authority and responsibility for individual tasks and strategic initiatives, and providing overall management;
- v) Ensuring succession plans are in place to provide the continuity of leadership required by the Bank for the future;
- vi) Acting as a final decision-maker as per the Board's Delegation of Authority and ensure all operations are conducted in full compliance with laws, regulations and the Bank's Procedures and Guideline of Conduct for Ethical Management.
- vii) Implementing and maintaining risk management systems appropriate to the scale, nature and complexity of the institution;
- viii) Delineating and documenting the areas of responsibility for each employee member. Reporting lines must be clear and appropriate in the context of the scale, nature and complexity of the Bank;
- ix) Communicating the Bank's strategic direction, reporting lines and risk tolerances throughout the organization; and
- x) Overseeing management information systems to enable timely and accurate dissemination of information to the Board and regulators.

8. Promotion of Quality & Efficiency of Audit

Internal Control

The Board has overall responsibility for maintaining a system of internal controls which shall cover all of the Bank's business activities, such as financial and operational controls and risk management, under which suitable policies and internal procedures shall be stipulated in accordance with the organization rules, articles of incorporation, business guidelines, and handling manuals; Senior Management shall establish such a system by receiving instructions and supervision from the Board of Directors, complying with resolutions made in the Board of Directors such as business strategies, risk preferences and other strategies, developing risk-related procedures that are adequate to identify, measure, monitor, and control the Bank's risks. This system provides reasonable but not absolute assurance against materials misstatements, losses and fraud.

The Audit & Compliance Committee is entrusted with the responsibility of identifying and communicating to the Board on the critical risks that may be faced by the Bank, changes to the Bank's risk profile and management's action plans to manage the risks.

Internal Audit

The Audit & Compliance Committee assigns the task of monitoring the appropriateness and effectiveness of its systems and controls to the Internal Audit Department. The internal auditors report regularly to the Audit & Compliance Committee.

The Audit & Compliance Committee will:

- i) To monitor the integrity of the financial reporting process and systems of internal controls of the Bank;
- ii) To assess the appropriateness of the Bank's accounting policies and principles and disclosures and any changes to them;
- iii) To review effectiveness of the Bank's legal compliance management and to review the Bank's code of ethics and code of practice;
- iv) To review and evaluate the appropriateness of internal audit plan of the Bank;

CORPORATE GOVERNANCE GUIDELINES (continued)

8. Promotion of Quality & Efficiency of Audit (continued)

- v) To review the scope and results of the internal audit procedures; and ensure that internal audit undertake audit of the effectiveness and compliance with Anti-money laundering (AML) and Combating the Financing of Terrorism (CFT);
- vi) To ensure adequacy of review procedures of the financial statements and other financial information released by the Bank;
- vii) To make recommendations to the Board about the appointment, re-appointment or replacement of the external auditor, the Head of Internal Auditor, and Compliance Officer;
- viii) To ensure that the roles and job responsibilities of internal auditor are clearly defined and documented in accordance Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT);
- ix) To ensure the Bank has, at the minimum, policies on AML / CFT procedures and controls which policies are in line with the risks associated with the nature of business, and complexity and volume of the transactions undertaken by the Bank;
- x) To ensure the Bank has an effective internal control system for AML/CFT compliant with legal and regulatory requirements;
- xi) To assess the implementation of approved AML/CFT and other compliance policies via periodic reports;
- xii) Other functions as may be agreed by the board of directors.

Internal Auditor is to:

- i) assure the effectiveness of risk identification, measurement, monitoring, management, limitation and, where applicable, mitigation procedures and processes; and
- ii) assure the effectiveness of the internal control procedures and processes and appropriateness of processes established to prevent from conflict of interest situations or, when applicable, to resolve them in a prudent manner; and
- iii) assure the adequacy and effectiveness of compliance controls and the full adherence to the policies issued by the Board of Directors; and
- iv) Test the effectiveness of Anti-Money Laundering (AML) and Combating the Financing of Terrorism.

9. Compensation Policies

Director's Remuneration

The form and amount of the Director's remuneration is determined by the Board based upon the recommendations of the Remuneration & Nomination Committee. The Remuneration & Nomination Committee shall conduct an annual review of the Director's remuneration.

Remuneration of CUBC's Employee

As part of the Bank's value strategy, the objective of the Bank's compensation program is to attract, retain and motivate high performing employee to create sustainable shareholder value over the long term. To achieve this objective, the Bank's compensation program is based on the following principles:

- i) offer competitive compensation;
- ii) link compensation with individual performance, the achievement of specific strategic business objectives and the Bank's performance as a whole;
- iii) strive to ensure the Bank is a market leader on governance issues;
- iv) align employee compensation with current best practices;
- v) provide flexible, simple and accessible programs for employee.

CORPORATE GOVERNANCE GUIDELINES (continued)

10. Transparency (continued)

Disclosure of Information

The Bank ensures that reporting of financial and non-financial information to be accurate and such information is made available on a timely basis. The Bank's general web site which provides substantial information about the Bank and its programs and services, including financial statements and press releases are easily accessible by the public. Such information, along with other information made available periodically by the Bank through press releases and other media, provides transparency with respect to the operations and financial performance of the Bank.

The Bank is committed to providing disclosure to the public. By taking into account the requirements of NBC regulations and the unique structure of the Bank, the Bank issues reports that are consistent with the requirements. As a result, the Bank's disclosure produces transparency regarding its operating and financial performance and confirms the effectiveness of its corporate governance system.

Standards of Conduct & Management of Ethical Conduct

The Bank has adopted the Code of Conduct section in HR Policy and Procedure and Guideline of Conduct for Ethical Management, and other internal policies and guidelines designed to support the mission statement set forth above and to comply with the laws, rules and regulations that govern the Bank's business operations. The Code of Conduct determined in HR Policy and Procedure and Guideline of Conduct for Ethical Management apply to all employees of the Bank, including the directors of the Bank.

Transactions with Directors

To the extent transactions, including banking services and other financial services, between the Bank and any Director or family member of a Director are not otherwise specifically prohibited under these Corporate Governance Guidelines or other policies of the Bank. Such transactions shall be made in the ordinary course of business.

Loan Related Parties

The Bank may grant credit facilities to related parties either by referring to employee loan policy or credit policy.

11. Understanding of Institution's Structure

Risk Management

The Board is responsible for overseeing the establishment, implementation, review and monitoring of risk management systems and policies. The Bank has established an integrated framework of committee policies and controls to identify, assess, monitor and manage risk. The Senior Management is responsible for implementing the policies and controls.

Credit & Risk Committee shall be chaired by a person who is independent from day to day operations and expertise in finance and risk management and fully understand and assist to monitoring the implementation of risk management policies.

Financial Safeguards

The Board has established an Audit & Compliance Committee, with a charter setting out the responsibilities of the Committee. The Audit & Compliance Committee has oversight responsibility for the internal audit function, Compliance & AML function, and approves other relevant policies.

The Audit & Compliance Committee also has oversight responsibility in relation to the external auditor. Among other things it recommends to the Board the policy in relation to auditor independence and approves the annual audit engagement terms. It also conducts the annual fit and proper assessment of the auditor.

CORPORATE GOVERNANCE GUIDELINES (continued)

11. Understanding of Institution's Structure (continued)

The Chairman and President both provide annual signoffs to the Board in relation to financial matters, as mentioned in the annual report.

12. Amendments

The Board may amend these Corporate Governance Guidelines, or grant waivers in exceptional circumstances, provided that any such modification or waiver may not be a violation of any regulations of NBC or any other applicable law or rule provided that any such modification or waiver is appropriately disclosed.

13. Conclusion

The Bank's Corporate Governance Guidelines fully comply with all the requirements of NBC regarding Corporate Governance. The Bank has implemented many of the recognized best practices, standards, and procedures so that its Corporate Governance structure operates to ensure the prudent and effective management of the Bank in the interest of its members and the public.

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors (“the Directors”) have pleasure in submitting their report together with the consolidated financial statements of Cathay United Bank (Cambodia) Corporation Limited (the “Bank”) and its subsidiary (collectively referred to as “the Group”) and the separate financial statements of the Bank (collectively referred to as the “financial statements”) for the year ended 31 December 2022.

The group

The Bank

The Bank is a commercial bank operated under the supervision of the National Bank of Cambodia (“NBC”) in accordance with Banking License No. 12 issued by the NBC. On 25 December 2009, the Bank was granted an indefinite banking license from the NBC.

The Bank is a wholly-owned subsidiary of Cathay United Bank Limited (“the parent company”), a commercial bank incorporated in Taiwan.

The Bank is principally engaged in the operation of core banking business and the provision of related financial services in the Kingdom of Cambodia, through the Bank’s head office in Phnom Penh and its provincial branches.

The Subsidiary

CUBC Investment Co., Ltd (“the Subsidiary”) was incorporated on 14 August 2012 by the Bank and Printemps Co., Ltd., a Cambodian company.

The principal activity of the Subsidiary, CUBC Investment Co., Ltd., is to hold parcels of land for the Bank’s use.

Financial performance

The financial performance of the Group and the Bank for the year ended 31 December 2022 is set out in the consolidated and the separate statements of profit or loss and other comprehensive income on pages 11 and 17, respectively.

Dividends

No dividend was declared or paid, and the Directors do not recommend any dividend to be paid for the year (2021: Nil).

Share capital

The share capital of the Bank as at 31 December 2022 is US\$100,000,000 (2021: US\$100,000,000).

Reserves and provisions

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

REPORT OF THE BOARD OF DIRECTORS (continued)

Written off of and allowance for financial assets

Before the financial statements of the Group and the Bank were prepared, the Directors took reasonable steps to ascertain that action had been taken in relation to write off any financial assets that have no reasonable expectations of recovering the contractual cash flows in their entirety or a portion thereof and making of 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 adequate allowance for expected credit losses on financial assets have been made.

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

Assets

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

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

Valuation methods

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

Contingent and other liabilities

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

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

Contingent and other liabilities

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

Change of circumstances

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

REPORT OF THE BOARD OF DIRECTORS (continued)

Items of unusual nature

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

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

Events after the reporting date

At the date of this report, there have been no significant events occurring after balance sheet date, which would require adjustments or disclosures to be made in the financial statements.

The Board of Directors

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

Mr. Chung Yi Teng	Chairman
Ms. Hsiu Chu Chuang	Director and President
Mr. David Paul Sun	Director
Mr. Hua Ben Miao	Director
Mr. Chih Fong Wang	Director
Mr. Chang Chuan Hsia	Independent Director
Mr. Po Tsang Hsieh	Independent Director (appointed on 3 June 2022)
Mr. Wu Shui Cheng	Independent Director (ended term on 2 June 2022)

Directors' interests

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

Directors' benefits

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

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

Directors' responsibilities in respect of the financial statements

The Board of Directors is responsible for ascertaining that the financial statements present fairly, in all material respects, the financial position of the Group and the Bank as at 31 December 2022, and their financial performance and their cash flows for the year then ended. In preparing these financial statements, the Board of Directors is required to:

REPORT OF THE BOARD OF DIRECTORS (continued)

Directors' responsibilities in respect of the financial statements (continued)

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

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

Approval of the financial statements

We hereby approved the accompanying financial statements together with the notes thereto as set out on pages 9 to 168 which, in our opinion, present fairly, in all material respects, the financial position of the Group and the Bank as at 31 December 2022, and their financial performance and their cash flows for the year then ended, in accordance with CIFRSs.

Signed on behalf of the Board of Directors in accordance with the resolution of the Board,



Chung Yi Teng
Chairman



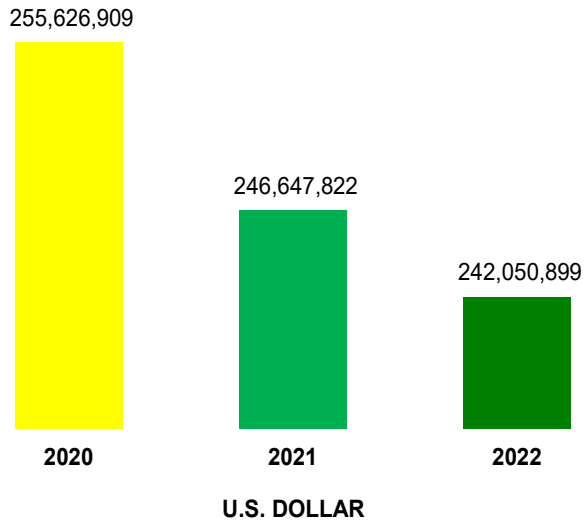
Hsiu Chu Chuang
President

Phnom Penh, Kingdom of Cambodia

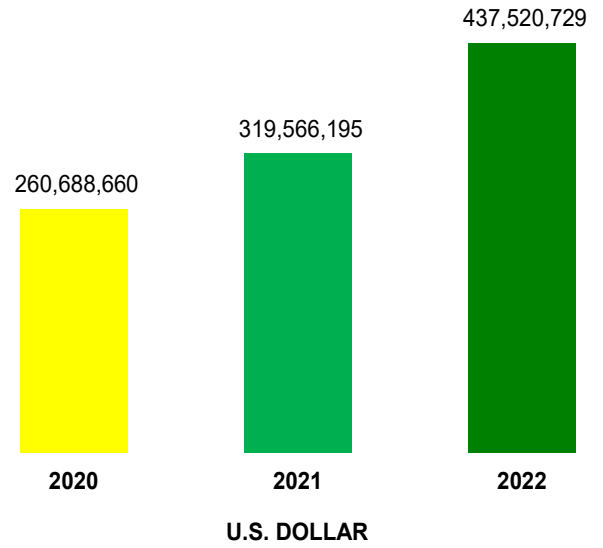
Date: 9 March 2023

FINANCIAL HIGHLIGHTS

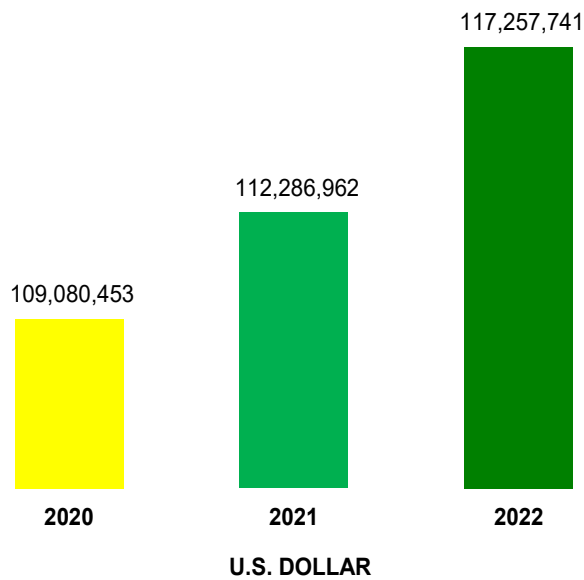
Customer Deposits



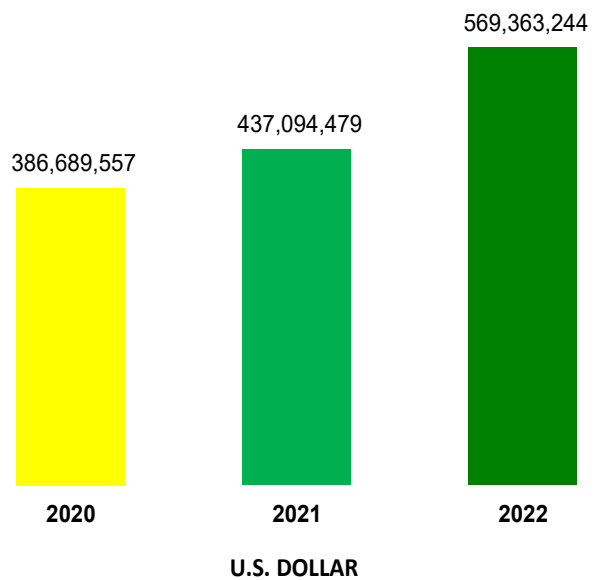
Gross Loan



Shareholder's Equity



Total Assets



REPORT OF THE INDEPENDENT AUDITORS

Opinion

We have audited the consolidated financial statements of Cathay United Bank (Cambodia) Corporation Limited (“the Bank”) and its subsidiary (collectively referred to as “the Group”) and the separate financial statements of the Bank, which comprise the consolidated and the separate statements of financial position as at 31 December 2022, the consolidated and the separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information (hereafter referred to as “the financial statements”) as set out on pages 31 to 173.

In our opinion, the accompanying consolidated and separate financial statements present fairly, in all material respects, the consolidated and unconsolidated financial position of the Group and the Bank as at 31 December 2022, and their consolidated and unconsolidated financial performance and their consolidated and unconsolidated cash flows for the year then ended in accordance with Cambodian International Financial Reporting Standards (“CIFRSs”).

Basis for Opinion

We conducted our audit in accordance with Cambodian International Standards on Auditing (“CISAs”). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group and 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.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditors’ report is the Report of the Directors on pages 1 to 5, 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 Group’s and the Bank’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group and the Bank or to cease operations, or has no realistic alternative but to do so.

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

REPORT OF THE INDEPENDENT AUDITORS (continued)

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

REPORT OF THE INDEPENDENT AUDITORS (continued)

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**



Guek Teav

Partner

Phnom Penh, Kingdom of Cambodia

9 March 2023

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2022

	Note	31 December 2022		31 December 2021	
		US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)
ASSETS					
Cash on hand	8	15,220,906	62,664,470	14,255,750	58,077,926
Balances with the National Bank of Cambodia	9	67,844,689	279,316,585	72,398,361	294,950,923
Balances with other banks	10	33,931,164	139,694,602	22,842,828	93,061,681
Loans and advances to other financial institutions	11	70,875,714	291,795,315	42,000,867	171,111,532
Loans and advances to customers	12	362,926,618	1,494,168,886	272,917,187	1,111,864,620
Investment securities	13	4,982,771	20,514,068	25,588	104,246
Property and equipment	15	6,407,088	26,377,981	5,632,054	22,944,988
Right-of-use assets	16	1,939,137	7,983,427	2,629,257	10,711,593
Intangible assets	17	1,519,049	6,253,925	1,188,724	4,842,862
Deferred tax assets – net	18D	626,479	2,579,214	318,516	1,297,634
Other assets	19	3,089,629	12,720,002	2,885,347	11,754,902
TOTAL ASSETS		<u>569,363,244</u>	<u>2,344,068,475</u>	<u>437,094,479</u>	<u>1,780,722,907</u>
LIABILITIES AND EQUITY					
Liabilities					
Deposits from other financial institutions	20	65,492,994	269,634,656	64,361,489	262,208,706
Deposits from customers	21	244,433,916	1,006,334,432	249,274,428	1,015,544,020
Borrowings	22	135,020,860	555,880,881	4,568,168	18,610,716
Current income tax liabilities	18C	1,885,308	7,761,813	1,132,743	4,614,795
Lease liabilities	23	2,163,047	8,905,264	2,826,418	11,514,827
Provisions	24	55,042	226,608	28,569	116,390
Other liabilities	25	3,054,336	12,574,701	2,615,702	10,656,370
Total liabilities		<u>452,105,503</u>	<u>1,861,318,355</u>	<u>324,807,517</u>	<u>1,323,265,824</u>
Equity					
Share capital	26	100,000,000	407,500,000	100,000,000	407,500,000
Regulatory reserves	27	3,688,393	14,985,028	3,276,531	13,289,392
Retained earnings		13,569,348	55,083,115	9,010,431	36,463,177
Currency translation reserves		-	5,181,977	-	204,514
Total equity		<u>117,257,741</u>	<u>482,750,120</u>	<u>112,286,962</u>	<u>457,457,083</u>
TOTAL LIABILITIES AND EQUITY		<u>569,363,244</u>	<u>2,344,068,475</u>	<u>437,094,479</u>	<u>1,780,722,907</u>

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2022

	Note	2022		2021	
		US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)
Interest income	28	31,032,317	126,829,080	23,515,725	95,661,969
Interest expense	28	(8,552,323)	(34,953,344)	(5,577,261)	(22,688,298)
Net interest income		<u>22,479,994</u>	<u>91,875,736</u>	<u>17,938,464</u>	<u>72,973,671</u>
Fee and commission income	29	1,950,375	7,971,182	1,753,212	7,132,066
Fee and commission expense	29	(689,843)	(2,819,388)	(654,327)	(2,661,802)
Net fee and commission income		<u>1,260,532</u>	<u>5,151,794</u>	<u>1,098,885</u>	<u>4,470,264</u>
Other income	30	616,061	2,517,841	832,167	3,385,255
Net impairment losses on financial instruments	31	(1,480,250)	(6,049,782)	(2,047,564)	(8,329,490)
Personnel expenses	32	(8,279,555)	(33,838,541)	(6,743,059)	(27,430,764)
Depreciation and amortisation	33	(2,194,497)	(8,968,909)	(2,232,658)	(9,082,453)
Other operating expenses	34	(5,622,175)	(22,977,829)	(4,587,083)	(18,660,254)
Profit before income tax		<u>6,780,110</u>	<u>27,710,310</u>	<u>4,259,152</u>	<u>17,326,229</u>
Income tax expense	18B	(1,809,331)	(7,394,736)	(1,052,643)	(4,282,152)
Net profit for the year		<u>4,970,779</u>	<u>20,315,574</u>	<u>3,206,509</u>	<u>13,044,077</u>
Other comprehensive income					
<i>Items that will not be reclassified to profit or loss</i>					
Currency translation difference		-	4,977,463	-	3,182,574
Total comprehensive income for the year		<u>4,970,779</u>	<u>25,293,037</u>	<u>3,206,509</u>	<u>16,226,651</u>

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2022

	Share capital		Regulatory reserves		Retained earnings		Currency translation reserves		Total	
	US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)
At 1 January 2022	100,000,000	407,500,000	3,276,531	13,289,392	9,010,431	36,463,177	-	204,514	112,286,962	457,457,083
Transactions recognised directly in equity										
Transfers from retained earnings to regulatory reserves (Note 27)	-	-	411,862	1,695,636	(411,862)	(1,695,636)	-	-	-	-
Total comprehensive income										
Net profit for the year	-	-	-	-	4,970,779	20,315,574	-	-	4,970,779	20,315,574
Other comprehensive income – currency translation difference	-	-	-	-	-	-	-	4,977,463	-	4,977,463
	-	-	-	-	4,970,779	20,315,574	-	4,977,463	4,970,779	25,293,037
At 31 December 2022	<u>100,000,000</u>	<u>407,500,000</u>	<u>3,688,393</u>	<u>14,985,028</u>	<u>13,569,348</u>	<u>55,083,115</u>	-	<u>5,181,977</u>	<u>117,257,741</u>	<u>482,750,120</u>
At 1 January 2021	100,000,000	407,500,000	3,534,142	14,338,899	5,546,311	22,369,593	-	(2,978,060)	109,080,453	441,230,432
Transactions recognised directly in equity										
Transfer from regulatory reserves to retained earnings (Note 27)	-	-	(257,611)	(1,049,507)	257,611	1,049,507	-	-	-	-
Total comprehensive income										
Net profit for the year	-	-	-	-	3,206,509	13,044,077	-	-	3,206,509	13,044,077
Other comprehensive income – currency translation difference	-	-	-	-	-	-	-	3,182,574	-	3,182,574
	-	-	-	-	3,206,509	13,044,077	-	3,182,574	3,206,509	16,226,651
At 31 December 2021	<u>100,000,000</u>	<u>407,500,000</u>	<u>3,276,531</u>	<u>13,289,392</u>	<u>9,010,431</u>	<u>36,463,177</u>	-	<u>204,514</u>	<u>112,286,962</u>	<u>457,457,083</u>

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2022

		2022		2021	
	Note	US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)
Cash flows from operating activities					
Net profit for the year		4,970,779	20,315,574	3,206,509	13,044,077
<i>Adjustments for:</i>					
Income tax expense	18B	1,809,331	7,394,736	1,052,643	4,282,152
Net interest income	28	(22,479,994)	(91,875,736)	(17,938,464)	(72,973,671)
Net impairment losses on financial instruments	31	1,480,250	6,049,782	2,047,564	8,329,490
Depreciation and amortisation	33	2,194,497	8,968,909	2,232,658	9,082,453
Loss/(Gain) on disposals of property and equipment		4,687	19,156	(4,361)	(17,741)
Loss on written-off of property and equipment		2,724	11,133	45,600	185,501
		(12,017,726)	(49,116,446)	(9,357,851)	(38,067,739)
<i>Changes in:</i>					
Balances with the National Bank of Cambodia		(4,067,194)	(16,622,622)	3,380,747	13,752,879
Balances with other banks		14,052,275	57,431,648	16,001,370	65,012,844
Loans and advances to other financial institutions		(28,914,468)	(118,173,431)	(3,113,784)	(12,666,873)
Loans and advances to customers		(90,921,589)	(371,596,534)	(56,440,074)	(229,598,221)
Other assets		(208,460)	(851,976)	(112,066)	(455,884)
Deposits from other financial institutions		1,058,737	4,327,058	60,243,703	245,071,384
Deposits from customers		(4,596,923)	(18,787,624)	(8,979,087)	(36,526,926)
Other liabilities		438,634	1,792,697	315,141	1,281,994
Cash (used in)/generated from operations		(125,176,714)	(511,597,230)	1,938,099	7,803,458
Interest received		30,597,410	125,051,614	23,459,243	95,432,201
Interest paid		(7,739,680)	(31,632,072)	(5,193,869)	(21,128,659)
Income tax paid	18C	(1,364,729)	(5,577,647)	(417,744)	(1,699,383)
Net cash (used in)/generated from operating activities		(103,683,713)	(423,755,335)	19,785,729	80,407,617

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

for the year ended 31 December 2022

	Note	2022		2021	
		US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)
Cash flows from investing activities					
Acquisition of investment securities		(5,000,000)	(20,435,000)	-	-
Purchases of property and equipment		(1,738,395)	(7,104,820)	(362,938)	(1,476,432)
Purchases of intangible assets		(791,584)	(3,235,204)	(339,298)	(1,380,264)
Proceeds from disposals of property and equipment		17,075	69,786	7,800	31,730
Net cash used in investing activities		<u>(7,512,904)</u>	<u>(30,705,238)</u>	<u>(694,436)</u>	<u>(2,824,966)</u>
Cash flows from financing activities					
Proceeds from borrowings		352,000,000	1,438,624,000	90,885,445	369,721,990
Repayment of borrowings		(222,418,262)	(909,023,437)	(95,836,775)	(389,864,001)
Principal elements of lease payments		(880,124)	(3,597,067)	(894,157)	(3,637,431)
Net cash generated from/ (used in) financing activities		<u>128,701,614</u>	<u>526,003,496</u>	<u>(5,845,487)</u>	<u>(23,779,442)</u>
Net increase in cash and cash equivalents		17,504,997	71,542,923	13,245,806	53,803,209
Cash and cash equivalents at 1 January		56,416,204	229,758,767	43,170,398	174,624,261
Currency translation difference		-	3,031,895	-	1,331,297
Cash and cash equivalents at 31 December	35A	<u>73,921,201</u>	<u>304,333,585</u>	<u>56,416,204</u>	<u>229,758,767</u>

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

SEPARATE STATEMENT OF FINANCIAL POSITION

as at 31 December 2022

	Note	31 December 2022		31 December 2021	
		US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)
ASSETS					
Cash on hand	8	15,220,906	62,664,470	14,255,750	58,077,926
Balances with the National Bank of Cambodia	9	67,844,689	279,316,585	72,398,361	294,950,923
Balances with other banks	10	33,931,164	139,694,602	22,842,828	93,061,681
Loans and advances to other financial institutions	11	70,875,714	291,795,315	42,000,867	171,111,532
Loans and advances to customers	12	362,926,618	1,494,168,886	272,917,187	1,111,864,620
Investment securities	13	4,982,771	20,514,068	25,588	104,246
Investment in subsidiary	14	1,548,400	6,374,763	1,548,400	6,308,182
Property and equipment	15	4,858,968	20,004,371	4,083,934	16,637,947
Right-of-use assets	16	2,905,250	11,960,914	3,618,934	14,743,537
Intangible assets	17	1,519,049	6,253,925	1,188,724	4,842,862
Deferred tax assets – net	18D	626,479	2,579,214	318,516	1,297,634
Other assets	19	3,083,583	12,695,112	2,882,689	11,744,074
TOTAL ASSETS		570,323,591	2,348,022,225	438,081,778	1,784,745,164
LIABILITIES AND EQUITY					
Liabilities					
Deposits from other financial institutions	20	65,492,994	269,634,656	64,361,489	262,208,706
Deposits from customers	21	244,620,073	1,007,100,841	249,506,993	1,016,491,489
Borrowings	22	135,020,860	555,880,881	4,568,168	18,610,716
Current income tax liabilities	18C	1,885,308	7,761,813	1,130,253	4,604,651
Lease liabilities	23	3,208,475	13,209,292	3,880,270	15,808,220
Provisions	24	55,042	226,608	28,569	116,390
Other liabilities	25	3,044,990	12,536,224	2,607,179	10,621,649
Total liabilities		453,327,742	1,866,350,315	326,082,921	1,328,461,821
Equity					
Share capital	26	100,000,000	407,500,000	100,000,000	407,500,000
Regulatory reserves	27	3,688,393	14,985,028	3,276,531	13,289,392
Retained earnings		13,307,456	54,023,256	8,722,326	35,296,185
Currency translation reserves		-	5,163,626	-	197,766
Total equity		116,995,849	481,671,910	111,998,857	456,283,343
TOTAL LIABILITIES AND EQUITY		570,323,591	2,348,022,225	438,081,778	1,784,745,164

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

SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2022

	Note	2022		2021	
		US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)
Interest income	28	31,032,317	126,829,080	23,515,725	95,661,969
Interest expense	28	(8,600,407)	(35,149,863)	(5,625,724)	(22,885,445)
Net interest income		<u>22,431,910</u>	<u>91,679,217</u>	<u>17,890,001</u>	<u>72,776,524</u>
Fee and commission income	29	1,950,378	7,971,195	1,753,212	7,132,066
Fee and commission expense	29	(689,843)	(2,819,388)	(654,314)	(2,661,749)
Net fee and commission income		<u>1,260,535</u>	<u>5,151,807</u>	<u>1,098,898</u>	<u>4,470,317</u>
Other income	30	616,082	2,517,927	832,110	3,385,023
Net impairment losses on financial assets	31	(1,480,250)	(6,049,782)	(2,047,564)	(8,329,490)
Personnel expenses	32	(8,279,555)	(33,838,541)	(6,743,059)	(27,430,764)
Depreciation and amortisation	33	(2,218,061)	(9,065,215)	(2,256,222)	(9,178,311)
Other operating expenses	34	(5,524,338)	(22,577,970)	(4,545,809)	(18,492,351)
Profit before income tax		<u>6,806,323</u>	<u>27,817,443</u>	<u>4,228,355</u>	<u>17,200,948</u>
Income tax expense	18B	(1,809,331)	(7,394,736)	(1,049,588)	(4,269,724)
Net profit for the year		<u>4,996,992</u>	<u>20,422,707</u>	<u>3,178,767</u>	<u>12,931,224</u>
Other comprehensive income					
<i>Items that will not be reclassified to profit or loss</i>					
Currency translation difference		-	4,965,860	-	3,174,855
Total comprehensive income for the year		<u>4,996,992</u>	<u>25,388,567</u>	<u>3,178,767</u>	<u>16,106,079</u>

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

SEPARATE STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2022

	Share capital		Regulatory reserves		Retained earnings		Currency translation reserves		Total	
	US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)
At 1 January 2022	100,000,000	407,500,000	3,276,531	13,289,392	8,722,326	35,296,185	-	197,766	111,998,857	456,283,343
Transactions recognised directly in equity										
Transfers from retained earnings to regulatory reserves (Note 27)	-	-	411,862	1,695,636	(411,862)	(1,695,636)	-	-	-	-
Total comprehensive income										
Net profit for the year	-	-	-	-	4,996,992	20,422,707	-	-	4,996,992	20,422,707
Other comprehensive income – currency translation difference	-	-	-	-	-	-	-	4,965,860	-	4,965,860
	-	-	-	-	4,996,992	20,422,707	-	4,965,860	4,996,992	25,388,567
At 31 December 2022	<u>100,000,000</u>	<u>407,500,000</u>	<u>3,688,393</u>	<u>14,985,028</u>	<u>13,307,456</u>	<u>54,023,256</u>	-	<u>5,163,626</u>	<u>116,995,849</u>	<u>481,671,910</u>
At 1 January 2021	100,000,000	407,500,000	3,534,142	14,338,899	5,285,948	21,315,454	-	(2,977,089)	108,820,090	440,177,264
Transactions recognised directly in equity										
Transfer from regulatory reserves to retained earnings (Note 27)	-	-	(257,611)	(1,049,507)	257,611	1,049,507	-	-	-	-
Total comprehensive income										
Net profit for the year	-	-	-	-	3,178,767	12,931,224	-	-	3,178,767	12,931,224
Other comprehensive income – currency translation difference	-	-	-	-	-	-	-	3,174,855	-	3,174,855
	-	-	-	-	3,178,767	12,931,224	-	3,174,855	3,178,767	16,106,079
At 31 December 2021	<u>100,000,000</u>	<u>407,500,000</u>	<u>3,276,531</u>	<u>13,289,392</u>	<u>8,722,326</u>	<u>35,296,185</u>	-	<u>197,766</u>	<u>111,998,857</u>	<u>456,283,343</u>

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

SEPARATE STATEMENT OF CASH FLOWS

for the year ended 31 December 2022

	Note	2022		2021	
		US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)
Cash flows from operating activities					
Net profit for the year		4,996,992	20,422,707	3,178,767	12,931,224
<i>Adjustments for:</i>					
Income tax expense	18B	1,809,331	7,394,736	1,049,588	4,269,724
Net interest income	28	(22,431,910)	(91,679,217)	(17,890,001)	(72,776,524)
Net impairment losses					
on financial instruments	31	1,480,250	6,049,782	2,047,564	8,329,490
Depreciation and amortisation	33	2,218,061	9,065,215	2,256,222	9,178,311
Loss/(Gain) on disposals of property and equipment		4,687	19,156	(4,361)	(17,741)
Loss on written-off of property and equipment		2,724	11,133	45,600	185,501
		<u>(11,919,865)</u>	<u>(48,716,488)</u>	<u>(9,316,621)</u>	<u>(37,900,015)</u>
<i>Changes in:</i>					
Balances with the National Bank of Cambodia		(4,067,194)	(16,622,622)	3,380,747	13,752,879
Balances with other banks		14,052,275	57,431,648	16,001,370	65,012,844
Loans and advances to other financial institutions		(28,914,468)	(118,173,431)	(3,113,784)	(12,666,873)
Loans and advances to customers		(90,921,589)	(371,596,534)	(56,440,074)	(229,598,221)
Other assets		(205,072)	(838,129)	(109,958)	(447,310)
Deposits from other financial institutions		1,058,737	4,327,058	60,243,703	245,071,384
Deposits from customers		(4,643,331)	(18,977,294)	(8,972,944)	(36,501,936)
Other liabilities		437,811	1,789,334	314,474	1,279,280
		<u>(125,122,696)</u>	<u>(511,376,458)</u>	<u>1,986,913</u>	<u>8,002,032</u>
Cash (used in)/generated from operations		(125,122,696)	(511,376,458)	1,986,913	8,002,032
Interest received		30,597,410	125,051,614	23,459,243	95,432,201
Interest paid		(7,739,680)	(31,632,072)	(5,193,869)	(21,128,659)
Income tax paid	18C	(1,362,239)	(5,567,471)	(410,050)	(1,668,083)
		<u>(103,627,205)</u>	<u>(423,524,387)</u>	<u>19,842,237</u>	<u>80,637,491</u>
Net cash (used in)/generated from operating activities					

SEPARATE STATEMENT OF CASH FLOWS (continued)

for the year ended 31 December 2022

	Note	2022		2021	
		US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)
Cash flows from investing activities					
Acquisition of investment securities		(5,000,000)	(20,435,000)	-	-
Purchases of property and equipment		(1,738,395)	(7,104,820)	(362,938)	(1,476,432)
Purchases of intangible assets		(791,584)	(3,235,204)	(339,298)	(1,380,264)
Proceeds from disposals of property and equipment		17,075	69,786	7,800	31,730
Net cash used in investing activities		<u>(7,512,904)</u>	<u>(30,705,238)</u>	<u>(694,436)</u>	<u>(2,824,966)</u>
Cash flows from financing activities					
Proceeds from borrowings		352,000,000	1,438,624,000	90,885,445	369,721,990
Repayment of borrowings		(222,418,262)	(909,023,437)	(95,836,775)	(389,864,001)
Principal elements of lease payments		(936,632)	(3,828,015)	(950,665)	(3,867,305)
Net cash generated from/ (used in) financing activities		<u>128,645,106</u>	<u>525,772,548</u>	<u>(5,901,995)</u>	<u>(24,009,316)</u>
Net increase in cash and cash equivalents		17,504,997	71,542,923	13,245,806	53,803,209
Cash and cash equivalents at 1 January		56,416,204	229,758,767	43,170,398	174,624,261
Currency translation difference		-	3,031,895	-	1,331,297
Cash and cash equivalents at 31 December	35A	<u>73,921,201</u>	<u>304,333,585</u>	<u>56,416,204</u>	<u>229,758,767</u>

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022

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

1. Reporting entity

Cathay United Bank (Cambodia) Corporation Limited (“the Bank”) is a commercial bank operating under the supervision of the National Bank of Cambodia, in accordance with Banking Licence No.12 issued by the National Bank of Cambodia. On 25 December 2009, the Bank was granted an indefinite banking license from the National Bank of Cambodia.

The Bank is wholly-owned subsidiary of Cathay United Bank Limited (the “parent company”), a commercial bank in Taiwan. Its ultimate parent company is Cathay Financial Holdings.

The Bank is principally engaged in the operation of core banking business and the provision of related financial services in the Kingdom of Cambodia, through the Bank’s head office in Phnom Penh and its provincial branches.

The address of the Bank’s registered office is located at No. 48, Samdach Pan Street (St. 214), Sangkat Boeng Reang, Khan Daun Penh, Phnom Penh, Kingdom of Cambodia.

CUBC Investment Co., Ltd. (“the Subsidiary”) was incorporated on 14 August 2012 by the Bank and PRINTEMPS Co., Ltd. (“PCL”), a Cambodian company. The principal activity of the Subsidiary is to hold parcels of land for the Bank’s use.

As at 31 December 2022, the Bank had 644 employees (31 December 2021: 568 employees).

2. Basis of accounting

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

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

Details of the Group’s and the Bank’s accounting policies are included in Note 5.

The financial statements were authorised for issue by the Group’s and the Bank’s Board of Directors on 9 March 2023.

3. Functional and presentation currency

The Group and the Bank transact their business and maintain their accounting records in United States Dollars (“US\$”). Management has determined the US\$ to be the Group’s and the Bank’s functional and presentation currencies as it reflects the economic substance of the underlying events and circumstances of the entities.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

4. Critical accounting judgments and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, and income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

A. Critical judgments in applying the accounting policies

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements included the followings:

(i). *Business model assessment*

Classification and measurement of financial assets depends on the results of the SPPI and the business model test (see Note 5D). The Group and the Bank determine the business model at a level that reflects how group of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group and the Bank monitor financial assets measured at amortised cost that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's and the Bank's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

(ii). *Significant increase of credit risk*

As explained in Note 39A, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased the Group and the Bank take into account qualitative and quantitative reasonable and supportable forward-looking information.

(iii). *Establishing groups of assets with similar credit risk characteristics*

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The Group and the Bank monitor the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

4. Critical accounting judgments and key sources of estimation uncertainty (continued)

A. Critical judgments in applying the accounting policies (continued)

(iv). Models and assumptions used

The Group and the Bank use various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

(v). Determination of life of revolving credit facilities

The Group and the Bank measure ECL considering the risk of default over the maximum contractual period. However, for financial instruments such as credit cards and overdraft facilities that include both a loan and an undrawn commitment component, the Group's and the Bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Group's and the Bank's exposure to credit losses to the contractual notice period. For such financial instruments the Group and the Bank measure ECL over the period that it is exposed to credit risk and ECL would be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period.

B. Key sources of estimation uncertainty

Information about key assumptions and estimation uncertainties that have the most significant effect on the amounts recognised in financial statements includes the followings:

Forward-looking information

Establishing the number and relative weightings of forward-looking scenarios for each type of product and determining the forward-looking information relevant to each scenario: when measuring ECL the Group and the Bank use reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Probability of default (PD)

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Loss Given Default (LGD)

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, taking into account cash flows from collateral and integral credit enhancements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

5. Significant accounting policies

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

A. Basis of measurement

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

B. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and an entity controlled by the Bank (its subsidiary) made up to 31 December each year. Control is achieved when the Bank:

- has the power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the Bank has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Bank considers all relevant facts and circumstances in assessing whether or not the Bank's voting rights in an investee are sufficient to give it power, including:

- the size of the Bank's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Bank, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Bank has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated profit or loss account from the date the Bank gains control until the date when the Bank ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiary to bring the accounting policies used into line with the Group's accounting policies.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

5. Significant accounting policies (continued)

C. Foreign currency

Transactions in foreign currencies are translated into the respective functional currencies of the Group and the Bank at the exchange rates at the date of the transactions.

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

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

Foreign currency differences arising on translation are generally recognised in profit or loss. However, foreign currency differences arising from the translation of equity investments in respect of which an election has been made to present subsequent changes in fair value in OCI are recognised in OCI.

D. Financial instruments

Financial assets and financial liabilities are recognised in the consolidated and separate statement of financial position when the Group and the Bank become a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

(i). Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs. For all financial assets the amount presented on the statement of financial position represent all amounts receivable including interest accruals.

Classification and subsequent measurement

A financial asset is measured at amortised cost if it meets both of the following conditions:

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

5. Significant accounting policies (continued)

D. Financial instruments (continued)

(i). Financial assets (continued)

Impairment of financial assets

The Group and the Bank recognise loss allowances for ECLs on the following financial instruments:

- Balances with other banks;
- Loans and advances to other financial institutions;
- Loans and advances to customers;
- Loan commitments issued;
- Financial guarantee contracts issued.

No impairment loss is recognised on equity investments.

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL. More details on the determination of a significant increase in credit risk are provided in Note 39A.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Group and the Bank under the contract and the cash flows that the Group and the Bank expect to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

- For undrawn loan commitments, the ECL is the difference between the present value of the difference between the contractual cash flows that are due to the Group and the Bank if the holder of the commitment draws down the loan and the cash flows that the Group and the Bank expect to receive if the loan is drawn down.
- For financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Group and the Bank expect to receive from the holder, the debtor or any other party.

The Group and the Bank measure ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR, regardless of whether it is measured on an individual basis or a collective basis.

More information on measurement of ECL is provided in Note 39A, including details on how instruments are grouped when they are assessed on a collective basis.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

5. Significant accounting policies (continued)

D. Financial instruments (continued)

(i). Financial assets (continued)

Credit impaired financial assets

A financial asset is “credit-impaired” when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as default or past due event;
- The lender of the borrower, for economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider; or
- The disappearance of an active market for a security because of financial difficulties.

It may not be possible to identify a single discrete event instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Group and the Bank assess whether debt instruments that are financial assets measured at amortised cost are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Group and the Bank consider factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower’s financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted the assets is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default. Please see below for definition of default.

Definition of default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk (see Note 39A).

The Group and the Bank consider the following as constituting an event of default:

- the borrower is past due more than 90 days and 30days on any for long-term and short-term material credit obligation, respectively, to the Group and the Bank; or
- the borrower is unlikely to pay its credit obligations to the Group and the Bank in full.

This definition of default is used by the Group and the Bank for accounting purposes as well as for internal credit risk management purposes and is broadly aligned to the regulatory definition of default.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

5. Significant accounting policies (continued)

D. Financial instruments (continued)

(i). Financial assets (continued)

Definition of default (continued)

When assessing if the borrower is unlikely to pay its credit obligation, the Group and the Bank take into account both qualitative and quantitative indicators. The information assessed depends on the type of the asset, for example in corporate lending a qualitative indicator used is the breach of covenants, which is not relevant for retail lending. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis.

The Group and the Bank use a variety of sources of information to assess default which are either developed internally or obtained from external sources. More details are provided in Note 39A. As noted in the definition of credit impaired financial assets above, default is evidence that an asset is credit impaired. Therefore, credit impaired assets will include defaulted assets, but will also include other non-defaulted given the definition of credit impaired is broader than the definition of default.

Significant increase in credit risk

The Group and the Bank monitor all financial assets, issued loan commitments and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Group and the Bank will measure the loss allowance based on lifetime rather than 12-month ECL. The Group's and the Bank's accounting policy is not to use the practical expedient that financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk. As a result, the Group and the Bank monitor all financial assets, issued loan commitments and financial guarantee contracts that are subject to impairment for significant increase in credit risk.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group and the Bank compare the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the Group and the Bank consider both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Group's historical experience and expert credit assessment including forward-looking information. See Note 39A for more details about forward-looking information.

Forward-looking information includes the future prospects of the industries in which the Group's and the Bank's counterparties operate, obtained from International Monetary funds and the World Bank other similar organisations, as well as consideration of various internal and external sources of actual and forecast economic information. The Group and the Bank allocate its counterparties to a relevant internal credit risk grade depending on their credit quality.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

5. Significant accounting policies (continued)

D. Financial instruments (continued)

(i). Financial assets (continued)

Significant increase in credit risk (continued)

The quantitative information is a primary indicator of significant increase in credit risk and is based on the change in lifetime PD by comparing:

- the remaining lifetime PD at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated based on facts and circumstances at the time of initial recognition of the exposure.

The PDs used are forward-looking and the Group uses the same methodologies and data used to measure the loss allowance for ECL (see Note 39A).

Given that a significant increase in credit risk since initial recognition is a relative measure, a given change, in absolute terms, in the PD will be more significant for a financial instrument with a lower initial PD than compared to a financial instrument with a higher PD.

More information about significant increase in credit risk is provided in Note 39A.

Modification and derecognition of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing terms of contract of an existing loan would constitute a modification even if these new or adjusted terms of contract do not yet affect the cash flows immediately but may affect the cash flows depending on whether the term of contracts is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

The Group and the Bank renegotiate loans and advances to customers in financial difficulty to maximise collection and minimise the risk of default. A loan forbearance is granted in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the borrower is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness) and amendments to terms of contracts.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

5. Significant accounting policies (continued)

D. Financial instruments (continued)

(i). Financial assets (continued)

Modification and derecognition of financial assets (continued)

When a financial asset is modified the Group and the Bank assess whether this modification results in derecognition. In accordance with the Group's and the Bank's policy a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms the Group and the Bank consider the following:

- Qualitative factors, such as contractual cash flows after modification are no longer SPPI, change in currency or when rights to cash flows between the original counterparties expire because a new debtor replaces the original debtor (unless both debtors are under common control), the extent of change in interest rates, and maturity. If these do not clearly indicate a substantial modification, then;
- A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective interest. If the Group and the Bank note a substantial difference based on the type of financial assets, it will be derecognised. When performing a quantitative assessment of a modification or renegotiation of a credit-impaired financial asset or a purchased or originated credit-impaired financial asset that was subject to a write-off, the Group and the Bank consider the expected (rather than the contractual) cash flows before modification or renegotiation and compares those with the contractual cash flows after modification or renegotiation.

In the case where the financial asset is derecognised the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new loan is considered to be originated credit-impaired. This applies only in the case where the fair value of the new loan is recognised at a significant discount to its revised par amount because there remains a high risk of default which has not been reduced by the modification. The Group and the Bank monitor credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms.

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Group determines if the financial asset's credit risk has increased significantly since initial recognition by comparing:

- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms; with
- the remaining lifetime PD at the reporting date based on the modified terms.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

5. Significant accounting policies (continued)

D. Financial instruments (continued)

(i). Financial assets (continued)

Modification and derecognition of financial assets (continued)

For financial assets modified as part of the Group's and the Bank's forbearance policy, where modification did not result in derecognition, the estimate of PD reflects the Group's and the Bank's ability to collect the modified cash flows taking into account the Group's and the Bank's previous experience of similar forbearance action, as well as various behavioural indicators, including the borrower's payment performance against the modified contractual terms. If the credit risk remains significantly higher than what was expected at initial recognition the loss allowance will continue to be measured at an amount equal to lifetime ECL. If a forbore loan is credit impaired due to the existence of evidence of credit impairment (see above), the Group and the Bank perform an ongoing assessment to ascertain if the problems of the exposure are cured, to determine if the loan is no longer credit-impaired. The loss allowance on forbore loans will generally only be measured based on 12-month ECL when there is evidence of the borrower's improved repayment behaviour following modification leading to a reversal of the previous significant increase in credit risk.

Where a modification does not lead to derecognition the Group and the Bank calculate the modification loss by comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Modification losses for financial assets are included in the profit or loss account in 'Losses on modification of financial assets'. Then the Group and the Bank measure ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.

The Group and the Bank derecognise a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Group and the Bank neither transfer nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group and the Bank recognise its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group and the Bank retain substantially all the risks and rewards of ownership of a transferred financial asset, the Group and the Bank continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Write-off

Loans and debt securities are written off in full when the Group and the Bank have no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Group and the Bank determine that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Group and the Bank may apply enforcement activities to financial assets written off. Recoveries resulting from the Group's and the Bank's enforcement activities will result in impairment gains, which will be presented in 'net impairment loss on financial assets' in the statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

5. Significant accounting policies (continued)

D. Financial instruments (continued)

(i). Financial assets (continued)

Presentation of allowance for ECL in the statement of financial position:

Loss allowances for ECL are presented in the statement of financial position as follows:

- for financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets; and
- for loan commitments and financial guarantee contracts: as a provision.

(ii). Financial liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group and the Bank.

Financial liabilities, including deposits from other financial institutions, deposits from customers, borrowings and lease liabilities, are initially measured at fair value, net of transaction costs. These financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The EIR is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Modification and derecognition of financial liabilities

The Group and the Bank derecognise financial liabilities when, and only when, the Group's and the Bank's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

E. Cash and cash equivalents

Cash and cash equivalents include cash on hand, 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, and are used by the Group and the Bank in the management of its short term commitments.

F. Balances with other banks

Balances with other banks are stated at amortised costs less impairment for any uncollectable amounts.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

5. Significant accounting policies (continued)

G. Statutory deposits

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

H. Loans and advances

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

I. Other assets

Other assets are carried at cost less impairment if any.

J. Investment securities

The 'investment securities' caption in the statement of financial position includes:

- equity investment securities designated at FVOCI.
- debt investment securities measured at amortised cost (see Note 5D(i)); these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

The Group and the Bank elect to present changes in the fair value of certain investments in equity instruments that are not held for trading in OCI. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

Fair value gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment.

K. Investment in subsidiary in the separate financial statements

In the Bank's separate financial statements, investment in subsidiary is carried at cost less any accumulated impairment losses. On disposal of investment, the difference between disposal proceeds and the carrying amounts of the investment is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

5. Significant accounting policies (continued)

L. Property and equipment

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

Where an item of property and equipment comprises major components having different useful lives, the components are accounted for as separate items of property and equipment.

Subsequent expenditure is capitalised only 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 Group and the Bank. Ongoing repairs and maintenance are expensed as incurred.

Land is not depreciated. Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives of significant items of property and equipment are as follows:

	Useful lives
Buildings	20 years
Building improvements	8 years
Furniture and fittings	8 years
Motor vehicles	3 – 8 years
Equipment	5 – 8 years

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

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Fully depreciated items of property and equipment are retained in the statements of financial position until disposed of or written off.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

M. Intangible assets

Intangible assets consist of software and licenses and are stated at cost less accumulated amortisation and accumulated impairment losses, if any.

Subsequent expenditure on software and licenses is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

5. Significant accounting policies (continued)

M. Intangible assets (continued)

Software and licenses are amortised on a straight-line basis in profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life of software for the current and comparative periods is range from 3 to 5 years.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

N. Leases

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

As a lessee

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

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

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. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

- Building and office branches 2 – 50 years

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

5. Significant accounting policies (continued)

N. Leases (continued)

As a lessee (continued)

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

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

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

The right-of-use assets are presented as a separate line in the statement of financial position.

The lease liability is presented as a separate line in the statement of financial position.

Short-term leases and leases of low-value assets

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

O. Impairment of non-financial assets

The carrying amounts of the Group's and the Bank's non-financial assets (other than deferred tax assets) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset (or its cash-generating unit "CGU") exceeds its estimated recoverable amount.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "CGU").

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

5. Significant accounting policies (continued)

O. Impairment of non-financial assets (continued)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses are recognised in profit and loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

P. Deposits from other financial institutions and Deposits from customers

Deposits from other financial institutions and Deposits from customers are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at amortised cost using effective interest method.

Q. Borrowings

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

R. Financial guarantees and loan commitments

'Financial guarantees' are contracts that require the Group and the Bank to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument.

'Loan commitments' are firm commitments to provide credit under pre-specified terms and conditions.

Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value. Subsequently, they are measured at the higher of the loss allowance determined in accordance with CIFRS 9 (see Note 5D(i)) and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of CIFRS 15. Other loan commitments issued are measured at the sum of (i) the loss allowance determined in accordance with CIFRS 9 (see Note 5D(i)) and (ii) the amount of any fees received, less, if the commitment is unlikely to result in a specific lending arrangement, the cumulative amount of income recognised (see Note 5X). Derecognition policies in Note 5D(i)) are applied to loan commitments issued and held.

The Group and the Bank have issued no loan commitments that are measured at FVTPL.

Liabilities arising from financial guarantees and loan commitments are included within provisions.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

5. Significant accounting policies (continued)

S. Employee benefits

(i). Short-term employee benefits

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

(ii). Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided and recognised as personnel expenses in profit or loss. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(iii). Other long-term employee benefits

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

T. Provisions

Provisions are recognised when the Group and the Bank have a present obligation (legal or constructive) as a result of a past event, it is probable that the Group and the Bank will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

U. Share capital

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

5. Significant accounting policies (continued)

V. Regulatory reserves

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

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

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

W. Interest income and expense

(i). *Effective interest rate*

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

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

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

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

(ii). *Amortised cost and gross carrying amount*

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

5. Significant accounting policies (continued)

W. Interest income and expense (continued)

(iii). Calculation of interest income and expense

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

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

(iv). Presentation

Interest income calculated using the effective interest method presented in the statement of profit and loss and other comprehensive income includes interest on financial assets and financial liabilities measured at amortised cost.

Interest expense presented in the statement of profit and loss and other comprehensive income includes interest on financial liabilities measured at amortised cost and lease liabilities.

X. Fee and commission

Fee and commission income and expense include fees other than those that are an integral part of EIR (see Note 5W).

Fee and commission income, including referral fees, renewal fees, commitment fees, remittance fees, service charges, other fees and commissions on loans, and other fee income are recognised as the related services are performed.

Fee and commission expense relates mainly to transaction and service fees, and are accounted as the services received.

Y. Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit and loss except items recognised directly in equity or in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

5. Significant accounting policies (continued)

Y. Income tax (continued)

The Group and the Bank have 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 recognised 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 substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous period.

(ii). Deferred tax

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

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

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

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

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

Z. Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statement of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

5. Significant accounting policies (continued)

AA. Contingent assets

Where it is not possible that there is an inflow of economic benefits, or the amount cannot be estimated reliably, the asset is not recognised in the statement of financial position and is disclosed as a contingent asset, unless the probability of inflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets unless the probability of inflow of economic benefits is remote.

AB. Changes in significant accounting policies

The Group and the Bank have adopted Onerous Contracts – Costs of Fulfilling a Contract (Amendments to CIAS 37) from 1 January 2022. This resulted in a change in accounting policy for performing an onerous contracts assessment. Previously, the Group and the Bank included only incremental costs to fulfil a contract when determining whether that contract was onerous. The revised policy is to include both incremental costs and an allocation of other direct costs.

The Group and the Bank have analysed all contracts exists as at 1 January 2022 and determined that none of them would be identified as onerous applying the revised accounting policy – i.e. there is no impact on the opening equity balances as at 1 January 2022 as a result of the change.

6. New standards, amendments and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2022 and earlier application is permitted; however, the Group and the Bank have not early adopted the new or amended standards in preparing these financial statements.

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

- Disclosure of Accounting Policies (Amendments to CIAS 1 and CIFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to CIAS 8);
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to CIAS 12);
- Classification of Liabilities as Current or Non-current (Amendments to CIAS 1); and
- Lease liabilities in a sale and lease back (Amendments to CIFRS 16).

7. Translation of United States Dollars into Khmer Riel

The financial statements are expressed in United States Dollars ("USD") which is the Group's and the Bank's functional currency. The translations of USD amounts into Khmer Riel ("KHR") meets the presentation requirements pursuant to Law on Accounting and Auditing and has been done in compliance with CIAS21 – *The Effects of Changes in Foreign Exchange Rates*.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

7. Translation of United States Dollars into Khmer Riel (continued)

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

The Group and the Bank use the following exchange rates:

Financial year end		Closing rate	Average rate
31 December 2022	US\$1 =	KHR4,117	KHR4,087
31 December 2021	US\$1 =	<u>KHR4,074</u>	<u>KHR4,068</u>

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

8. Cash on hand

Group and Bank	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)
Cash on hand	13,348,026	54,953,823	12,319,710	50,190,499
Cash in ATM	<u>1,872,880</u>	<u>7,710,647</u>	<u>1,936,040</u>	<u>7,887,427</u>
	<u>15,220,906</u>	<u>62,664,470</u>	<u>14,255,750</u>	<u>58,077,926</u>

9. Balances with the National Bank of Cambodia

Group and Bank	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)
<i>Statutory deposits:</i>				
Reserve requirement (A)	28,492,865	117,305,125	19,414,396	79,094,249
Capital guarantee (B)	<u>10,000,000</u>	<u>41,170,000</u>	<u>10,000,000</u>	<u>40,740,000</u>
	38,492,865	158,475,125	29,414,396	119,834,249
Current accounts	26,545,745	109,288,833	35,172,433	143,292,492
Negotiable Certificate of Deposits (“NCD”) (C)	<u>2,806,079</u>	<u>11,552,627</u>	<u>7,811,532</u>	<u>31,824,182</u>
	<u>67,844,689</u>	<u>279,316,585</u>	<u>72,398,361</u>	<u>294,950,923</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

9. Balances with the National Bank of Cambodia (continued)

A. Reserve requirement

Pursuant to the National Bank of Cambodia's Prakas No. B7-020-230, bank and financial institutions are required to maintain the reserve requirements, which is calculated at 7% for both KHR and other currencies of the total daily average amount of deposits from customers, and borrowings from banks and financial institutions, at the National Bank of Cambodia.

Subsequently, on 9 January 2023, the National Bank of Cambodia announced the increase of the Reserve Requirements Rate ("RRR") to 9% and 12.5% for foreign currencies deposits and borrowings, which is effective from 1 January 2023 to 31 December 2023, and from 1 January 2024 onward, respectively. However, the Reserve Requirement Rate for local currency deposits and borrowings still maintain at 7%.

B. Capital guarantee

Under the NBC Prakas No. B7-01-136, dated 15 October 2001, the Bank is required to maintain a capital guarantee deposit of 10% of paid-up capital. This deposit is refundable should the Bank voluntarily cease its operations in Cambodia and it is not available for use in the Bank's day-to-day operations. The capital guarantee deposits earn interest between 0.04% to 0.06% per annum for US\$, and 3% per annum for KHR (2021: 0.04% to 0.06% per annum for US\$, and 3% per annum for KHR).

C. Negotiable certificate of deposit

The Group and the Bank pledged Negotiable Certificate of Deposit ("NCD") with the National Bank of Cambodia as collateral for settlement clearing facility and Liquidity-Providing Collateralized Operation ("LPCO"). The term of the NCD pledged as collateral is for a period from seven days to twelve months while term of NCD pledged as collateral for LPCO is depending on the term of LPCO and it bears interest at 0.04% to 3.05% (2021: 0.04% to 1.63%) per annum.

10. Balances with other banks

Group and Bank	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)
Balances with other banks at amortised cost	34,191,591	140,766,780	23,072,087	93,995,682
Less: Impairment loss allowance	(260,427)	(1,072,178)	(229,259)	(934,001)
	<u>33,931,164</u>	<u>139,694,602</u>	<u>22,842,828</u>	<u>93,061,681</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

10. Balances with other banks (continued)

The movement of impairment loss allowance on balances with other banks is as follow:

Group and Bank	2022		2021	
	US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)
At 1 January	229,259	934,001	311,109	1,258,436
Allowance for the year (Note 31)	31,168	127,384	(81,850)	(332,966)
Currency translation difference	-	10,793	-	8,531
At 31 December	<u>260,427</u>	<u>1,072,178</u>	<u>229,259</u>	<u>934,001</u>

Balances with other banks are analysed as follows:

A. Account types:

Group and Bank	31 December 2022			
	Gross carrying amounts	ECL allowance	Carrying amounts	
	US\$	US\$	US\$	KHR'000 (Note 7)
Current accounts	7,100,684	(26)	7,100,658	29,233,409
Saving accounts	221	(2)	219	902
Term deposits	<u>27,090,686</u>	<u>(260,399)</u>	<u>26,830,287</u>	<u>110,460,291</u>
	<u>34,191,591</u>	<u>(260,427)</u>	<u>33,931,164</u>	<u>139,694,602</u>

Group and Bank	31 December 2021			
	Gross carrying amounts	ECL allowance	Carrying amounts	
	US\$	US\$	US\$	KHR'000 (Note 7)
Current accounts	4,986,651	-	4,986,651	20,315,616
Term deposits	<u>18,085,436</u>	<u>(229,259)</u>	<u>17,856,177</u>	<u>72,746,065</u>
	<u>23,072,087</u>	<u>(229,259)</u>	<u>22,842,828</u>	<u>93,061,681</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

10. Balances with other banks (continued)

B. By maturity:

Group and Bank	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)
Within 1 month	12,055,452	49,632,296	4,986,651	20,315,616
> 1 to 3 months	19,858,252	81,756,423	1,981,525	8,072,733
> 3 to 12 months	2,017,460	8,305,883	15,874,652	64,673,332
	<u>33,931,164</u>	<u>139,694,602</u>	<u>22,842,828</u>	<u>93,061,681</u>

C. Interest rates (per annum)

Annual interest rates applicable to balances with other banks at the year end were as follows:

Group and Bank	31 December 2022	31 December 2021
Current accounts	Nil	Nil
Saving	Nil	Nil
Term deposits	<u>1.50% to 5.70%</u>	<u>3.00% - 3.50%</u>

11. Loans and advances to other financial institutions

Group and Bank	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)
Loans and advances to other financial institutions at amortised cost	71,335,869	293,689,773	42,227,168	172,033,482
Less: Impairment losses allowance	<u>(460,155)</u>	<u>(1,894,458)</u>	<u>(226,301)</u>	<u>(921,950)</u>
	<u>70,875,714</u>	<u>291,795,315</u>	<u>42,000,867</u>	<u>171,111,532</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

11. Loans and advances to other financial institutions (continued)

The movement of impairment losses allowance on loans and advances to other financial institutions is as follows:

Group and Bank	2022		2021	
	US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)
At 1 January	226,301	921,950	165,545	669,630
Allowance for the year (Note 31)	233,854	955,761	60,756	247,155
Currency translation difference	-	16,747	-	5,165
At 31 December	<u>460,155</u>	<u>1,894,458</u>	<u>226,301</u>	<u>921,950</u>

Loans and advances to other financial institutions are analysed as follows:

A. By account types:

Group and Bank	31 December 2022			
	Gross carrying amounts US\$	ECL allowance US\$	Net carrying amounts US\$ KHR'000 (Note 7)	
Term loans	70,429,798	(455,571)	69,974,227	288,083,893
Overdrafts	906,071	(4,584)	901,487	3,711,422
	<u>71,335,869</u>	<u>(460,155)</u>	<u>70,875,714</u>	<u>291,795,315</u>

Group and Bank	31 December 2021			
	Gross carrying amounts US\$	ECL allowance US\$	Net carrying amounts US\$ KHR'000 (Note 7)	
Term loans	<u>42,227,168</u>	<u>(226,301)</u>	<u>42,000,867</u>	<u>171,111,532</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

11. Loans and advances to other financial institutions (continued)

B. By interest rates (per annum)

Annual interest rates applicable to Loans and advances to other financial institutions at the year end were as follows:

Group and Bank	31 December 2022	31 December 2021
Term loans	6.00% to 7.50%	6.00% to 7.50%
Overdrafts	6.25%	Nil

For additional analysis of gross amount of loans and advances to other financial institution, refer to Note 39.

12. Loans and advances to customers

Group and Bank	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)
Loans and advances to customers at amortised cost	366,125,855	1,507,340,145	277,230,073	1,129,435,317
Less: Impairment losses allowance	(3,199,237)	(13,171,259)	(4,312,886)	(17,570,697)
	<u>362,926,618</u>	<u>1,494,168,886</u>	<u>272,917,187</u>	<u>1,111,864,620</u>

The movement of impairment losses allowance on loans and advances to customers is as follows:

Group and Bank	2022		2021	
	US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)
At 1 January	4,312,886	17,570,697	3,289,703	13,306,849
Allowance for the year (Note 31)	1,085,253	4,435,429	2,098,873	8,538,215
Write-offs	(2,198,902)	(8,986,912)	(1,075,690)	(4,375,907)
Currency translation difference	-	152,045	-	101,540
At 31 December	<u>3,199,237</u>	<u>13,171,259</u>	<u>4,312,886</u>	<u>17,570,697</u>

Loans and advances to customers are analysed as follows:

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

12. Loans and advances to customers (continued)

A. By account types:

Group and Bank	31 December 2022			
	Gross carrying amounts US\$	ECL allowance US\$	Net carrying amounts US\$ KHR'000 (Note 7)	
Term loans	91,347,253	(2,084,226)	89,263,027	367,495,882
Housing loans	243,969,086	(891,166)	243,077,920	1,000,751,797
Overdrafts	20,853,998	(166,225)	20,687,773	85,171,561
Staff loans	8,367,317	(24,733)	8,342,584	34,346,418
Credit card	1,588,201	(32,887)	1,555,314	6,403,228
	<u>366,125,855</u>	<u>(3,199,237)</u>	<u>362,926,618</u>	<u>1,494,168,886</u>

Group and Bank	31 December 2021			
	Gross carrying amounts US\$	ECL allowance US\$	Net carrying amounts US\$ KHR'000 (Note 7)	
Term loans	101,309,962	(3,660,808)	97,649,154	397,822,654
Housing loans	143,662,217	(498,451)	143,163,766	583,249,183
Overdrafts	24,427,208	(104,920)	24,322,288	99,089,001
Staff loans	6,520,050	(14,553)	6,505,497	26,503,395
Credit card	1,310,636	(34,154)	1,276,482	5,200,387
	<u>277,230,073</u>	<u>(4,312,886)</u>	<u>272,917,187</u>	<u>1,111,864,620</u>

B. By interest rates (per annum)

Annual interest rates applicable to Loans and advances to customers at the year end were as follows:

Group and Bank	31 December 2022	31 December 2021
Term loans	6.50% - 12.00%	6.00% - 18.00%
Housing loans	4.00% - 12.00%	4.50% - 12.00%
Overdrafts	6.25% - 9.00%	6.25% - 10.00%
Staff loans	4.00% - 12.00%	4.50% - 12.00%
Credit card	<u>18.00% - 24.00%</u>	<u>18.00% - 24.00%</u>

For additional analysis of gross amount of loans and advances to customers, refer to Note 39.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

13. Investment securities

Group and Bank		31 December 2022		31 December 2021	
		US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)
Investment securities measured at amortised cost	A	4,957,183	20,408,722	-	-
Investment securities designated as at FVOCI – equity investments	B	25,588	105,346	25,588	104,246
		<u>4,982,771</u>	<u>20,514,068</u>	<u>25,588</u>	<u>104,246</u>

A. Investment securities measured at amortised cost

Group and Bank	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)
Investment in corporate bond at amortised cost	5,056,507	20,817,639	-	-
Less: Impairment losses allowance	<u>(99,324)</u>	<u>(408,917)</u>	<u>-</u>	<u>-</u>
	<u>4,957,183</u>	<u>20,408,722</u>	<u>-</u>	<u>-</u>

Investment in corporate bond is classified as measured at amortised cost. As at the reporting date, the Group and the Bank have invested in corporate bond issued by the Cambodia Airport Investment Co., Ltd. This corporate bond has maturity terms 3 years with the maturity date on 17 October 2025 and earn interest at rates of 5.5% per annum.

The movement of impairment losses allowance on investment in corporate bond is as follows:

Group and Bank	2022		2021	
	US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)
At 1 January	-	-	-	-
Allowance for the year (Note 31)	99,324	405,937	-	-
Currency translation difference	<u>-</u>	<u>2,980</u>	<u>-</u>	<u>-</u>
At 31 December	<u>99,324</u>	<u>408,917</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

13. Investment securities (continued)

B. Investment securities designated as at FVOCI – equity investments

The Group and the Bank have designated investment in CBC as equity instrument at FVOCI as the Group and the Bank hold this investment for long term. The table below shows the investment as well as the dividends income recognised during the year.

Carrying amount equivalent to FV

	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)
Group and Bank				
Investment in CBC	<u>25,588</u>	<u>105,346</u>	<u>25,588</u>	<u>104,246</u>

Dividend income

	2022		2021	
	US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)
Group and Bank				
Investment in CBC	<u>19,412</u>	<u>79,337</u>	<u>19,303</u>	<u>78,525</u>

14. Investment in subsidiary

This represents the Bank's 49% equity interest in CUBC Investment Co., Ltd.. The Bank controls the operations of its subsidiary through a proxy agreement with other major shareholder and the right to appoint members of its board of directors.

The financial information of the Subsidiary is as follows:

	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)
Bank				
Total assets	1,740,322	7,164,906	1,783,343	7,265,339
Total liabilities	9,347	38,482	11,015	44,875
Net (loss)/profit for the year	<u>(41,353)</u>	<u>(169,010)</u>	<u>12,221</u>	<u>49,715</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

15. Property and equipment

2022	Group							US\$	Total KHR'000 (Note 7)
	Freehold land US\$	Buildings US\$	Building improvements US\$	Furniture and fittings US\$	Motor vehicles US\$	Equipment US\$	Work in progress US\$		
Cost									
At 1 January 2022	1,548,120	931,880	2,033,887	510,012	899,040	5,401,616	145,677	11,470,232	46,729,725
Additions	-	-	11,847	3,266	29,600	189,384	1,504,298	1,738,395	7,104,820
Transfer	-	-	-	-	-	4,124	(4,124)	-	-
Transfer to intangible asset (Note 17)	-	-	-	-	-	-	(12,583)	(12,583)	(51,427)
Disposals	-	-	-	-	(211,100)	(89,217)	-	(300,317)	(1,227,396)
Write-offs	-	-	-	-	-	(35,884)	-	(35,884)	(146,658)
Currency translation difference	-	-	-	-	-	-	-	-	534,910
At 31 December 2022	<u>1,548,120</u>	<u>931,880</u>	<u>2,045,734</u>	<u>513,278</u>	<u>717,540</u>	<u>5,470,023</u>	<u>1,633,268</u>	<u>12,859,843</u>	<u>52,943,974</u>
Less: Accumulated depreciation									
At 1 January 2022	-	725,858	1,023,589	177,637	560,036	3,351,058	-	5,838,178	23,784,737
Depreciation for the year	-	33,985	227,046	61,348	89,439	514,474	-	926,292	3,785,755
Disposals	-	-	-	-	(197,412)	(81,143)	-	(278,555)	(1,138,454)
Write-offs	-	-	-	-	-	(33,160)	-	(33,160)	(135,525)
Currency translation difference	-	-	-	-	-	-	-	-	269,480
At 31 December 2022	<u>-</u>	<u>759,843</u>	<u>1,250,635</u>	<u>238,985</u>	<u>452,063</u>	<u>3,751,229</u>	<u>-</u>	<u>6,452,755</u>	<u>26,565,993</u>
Carrying amounts									
At 31 December 2022	<u>1,548,120</u>	<u>172,037</u>	<u>795,099</u>	<u>274,293</u>	<u>265,477</u>	<u>1,718,794</u>	<u>1,633,268</u>	<u>6,407,088</u>	<u>26,377,981</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

15. Property and equipment (continued)

2021	Group							US\$	Total KHR'000 (Note 7)
	Freehold land US\$	Buildings US\$	Building improvements US\$	Furniture and fittings US\$	Motor vehicles US\$	Equipment US\$	Work in progress US\$		
Cost									
At 1 January 2021	1,548,120	931,880	2,025,846	502,653	938,076	5,951,997	127,845	12,026,417	48,646,857
Additions	-	-	8,041	7,491	127,660	156,550	63,196	362,938	1,476,432
Transfer	-	-	-	-	-	45,364	(45,364)	-	-
Disposals	-	-	-	-	(130,000)	(33,000)	-	(163,000)	(663,084)
Write-offs	-	-	-	(132)	(36,696)	(719,295)	-	(756,123)	(3,075,908)
Currency translation difference	-	-	-	-	-	-	-	-	345,428
At 31 December 2021	<u>1,548,120</u>	<u>931,880</u>	<u>2,033,887</u>	<u>510,012</u>	<u>899,040</u>	<u>5,401,616</u>	<u>145,677</u>	<u>11,470,232</u>	<u>46,729,725</u>
Less: Accumulated depreciation									
At 1 January 2021	-	691,872	790,242	114,721	627,093	3,506,022	-	5,729,950	23,177,648
Depreciation for the year	-	33,986	233,347	62,956	88,230	559,793	-	978,312	3,979,773
Disposals	-	-	-	-	(130,000)	(29,561)	-	(159,561)	(649,094)
Write-offs	-	-	-	(40)	(25,287)	(685,196)	-	(710,523)	(2,890,408)
Currency translation difference	-	-	-	-	-	-	-	-	166,818
At 31 December 2021	<u>-</u>	<u>725,858</u>	<u>1,023,589</u>	<u>177,637</u>	<u>560,036</u>	<u>3,351,058</u>	<u>-</u>	<u>5,838,178</u>	<u>23,784,737</u>
Carrying amounts									
At 31 December 2021	<u>1,548,120</u>	<u>206,022</u>	<u>1,010,298</u>	<u>332,375</u>	<u>339,004</u>	<u>2,050,558</u>	<u>145,677</u>	<u>5,632,054</u>	<u>22,944,988</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

15. Property and equipment (continued)

2022	Bank						US\$	Total KHR'000 (Note 7)
	Buildings US\$	Building improvements US\$	Furniture and fittings US\$	Motor vehicles US\$	Equipment US\$	Work in progress US\$		
Cost								
At 1 January 2022	931,880	2,033,887	510,012	899,040	5,401,616	145,677	9,922,112	40,422,684
Additions	-	11,847	3,266	29,600	189,384	1,504,298	1,738,395	7,104,820
Transfers	-	-	-	-	4,124	(4,124)	-	-
Transfer to intangible asset (Note 17)	-	-	-	-	-	(12,583)	(12,583)	(51,427)
Disposals	-	-	-	(211,100)	(89,217)	-	(300,317)	(1,227,396)
Write-offs	-	-	-	-	(35,884)	-	(35,884)	(146,658)
Currency translation difference	-	-	-	-	-	-	-	468,341
At 31 December 2022	<u>931,880</u>	<u>2,045,734</u>	<u>513,278</u>	<u>717,540</u>	<u>5,470,023</u>	<u>1,633,268</u>	<u>11,311,723</u>	<u>46,570,364</u>
Less: Accumulated depreciation								
At 1 January 2022	725,858	1,023,589	177,637	560,036	3,351,058	-	5,838,178	23,784,737
Depreciation for the year	33,985	227,046	61,348	89,439	514,474	-	926,292	3,785,755
Disposals	-	-	-	(197,412)	(81,143)	-	(278,555)	(1,138,454)
Write-offs	-	-	-	-	(33,160)	-	(33,160)	(135,525)
Currency translation difference	-	-	-	-	-	-	-	269,480
At 31 December 2022	<u>759,843</u>	<u>1,250,635</u>	<u>238,985</u>	<u>452,063</u>	<u>3,751,229</u>	<u>-</u>	<u>6,452,755</u>	<u>26,565,993</u>
Carrying amounts								
At 31 December 2022	<u>172,037</u>	<u>795,099</u>	<u>274,293</u>	<u>265,477</u>	<u>1,718,794</u>	<u>1,633,268</u>	<u>4,858,968</u>	<u>20,004,371</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

15. Property and equipment (continued)

2021	Bank						US\$	Total KHR'000 (Note 7)
	Buildings US\$	Building improvements US\$	Furniture and fittings US\$	Motor vehicles US\$	Equipment US\$	Work in progress US\$		
Cost								
At 1 January 2021	931,880	2,025,846	502,653	938,076	5,951,997	127,845	10,478,297	42,384,711
Additions	-	8,041	7,491	127,660	156,550	63,196	362,938	1,476,432
Transfers	-	-	-	-	45,364	(45,364)	-	-
Disposals	-	-	-	(130,000)	(33,000)	-	(163,000)	(663,084)
Write-offs	-	-	(132)	(36,696)	(719,295)	-	(756,123)	(3,075,908)
Currency translation difference	-	-	-	-	-	-	-	300,533
At 31 December 2021	<u>931,880</u>	<u>2,033,887</u>	<u>510,012</u>	<u>899,040</u>	<u>5,401,616</u>	<u>145,677</u>	<u>9,922,112</u>	<u>40,422,684</u>
Less: Accumulated depreciation								
At 1 January 2021	691,872	790,242	114,721	627,093	3,506,022	-	5,729,950	23,177,647
Depreciation for the year	33,986	233,347	62,956	88,230	559,793	-	978,312	3,979,773
Disposals	-	-	-	(130,000)	(29,561)	-	(159,561)	(649,094)
Write-offs	-	-	(40)	(25,287)	(685,196)	-	(710,523)	(2,890,408)
Currency translation difference	-	-	-	-	-	-	-	166,819
At 31 December 2021	<u>725,858</u>	<u>1,023,589</u>	<u>177,637</u>	<u>560,036</u>	<u>3,351,058</u>	<u>-</u>	<u>5,838,178</u>	<u>23,784,737</u>
Carrying amounts								
At 31 December 2021	<u>206,022</u>	<u>1,010,298</u>	<u>332,375</u>	<u>339,004</u>	<u>2,050,558</u>	<u>145,677</u>	<u>4,083,934</u>	<u>16,637,947</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

16. Right-of-use-assets

The Group and Bank leases its headquarters, branch offices and motor vehicles.

	Group			Total KHR'000 (Note 7)
	Buildings US\$	Motor vehicles US\$	US\$	
2022				
Cost				
At 1 January 2022	5,019,444	-	5,019,444	20,449,215
Additions	71,792	32,451	104,243	426,041
Write-offs (expired)	(548,319)	-	(548,319)	(2,240,980)
Currency translation difference	-	-	-	202,514
At 31 December 2022	<u>4,542,917</u>	<u>32,451</u>	<u>4,575,368</u>	<u>18,836,790</u>
Less: Accumulated depreciation				
At 1 January 2022	2,390,187	-	2,390,187	9,737,622
Depreciation for the year	787,602	6,761	794,363	3,246,562
Write-offs (expired)	(548,319)	-	(548,319)	(2,240,980)
Currency translation difference	-	-	-	110,159
At 31 December 2022	<u>2,629,470</u>	<u>6,761</u>	<u>2,636,231</u>	<u>10,853,363</u>
Carrying amounts				
At 31 December 2022	<u>1,913,447</u>	<u>25,690</u>	<u>1,939,137</u>	<u>7,983,427</u>
2021				
Cost				
At 1 January 2021	4,975,155	-	4,975,155	20,124,502
Additions	160,618	-	160,618	653,394
Write-offs (expired)	(116,329)	-	(116,329)	(473,226)
Currency translation difference	-	-	-	144,545
At 31 December 2021	<u>5,019,444</u>	<u>-</u>	<u>5,019,444</u>	<u>20,449,215</u>
Less: Accumulated depreciation				
At 1 January 2021	1,725,161	-	1,725,161	6,978,276
Depreciation for the year	781,355	-	781,355	3,178,552
Write-offs (expired)	(116,329)	-	(116,329)	(473,226)
Currency translation difference	-	-	-	54,020
At 31 December 2021	<u>2,390,187</u>	<u>-</u>	<u>2,390,187</u>	<u>9,737,622</u>
Carrying amounts				
At 31 December 2021	<u>2,629,257</u>	<u>-</u>	<u>2,629,257</u>	<u>10,711,593</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

16. Right-of-use-assets (continued)

	Bank			
	Buildings US\$	Motor vehicles US\$	US\$	Total KHR'000
2022				
Cost				
At 1 January 2022	6,103,377	-	6,103,377	24,865,158
Additions	71,792	32,451	104,243	426,041
Write-offs (expired)	(548,319)	-	(548,319)	(2,240,980)
Currency translation difference	-	-	-	249,123
At 31 December 2022	<u>5,626,850</u>	<u>32,451</u>	<u>5,659,301</u>	<u>23,299,342</u>
Less: Accumulated depreciation				
At 1 January 2022	2,484,443	-	2,484,443	10,121,621
Depreciation for the year	811,166	6,761	817,927	3,342,868
Write-offs (expired)	(548,319)	-	(548,319)	(2,240,980)
Currency translation difference	-	-	-	114,919
At 31 December 2022	<u>2,747,290</u>	<u>6,761</u>	<u>2,754,051</u>	<u>11,338,428</u>
Carrying amounts				
At 31 December 2022	<u>2,879,560</u>	<u>25,690</u>	<u>2,905,250</u>	<u>11,960,914</u>
2021				
Cost				
At 1 January 2021	6,059,088	-	6,059,088	24,509,011
Additions	160,618	-	160,618	653,394
Write-offs (expired)	(116,329)	-	(116,329)	(473,226)
Currency translation difference	-	-	-	175,979
At 31 December 2021	<u>6,103,377</u>	<u>-</u>	<u>6,103,377</u>	<u>24,865,158</u>
Less: Accumulated depreciation				
At 1 January 2021	1,795,853	-	1,795,853	7,264,225
Depreciation for the year	804,919	-	804,919	3,274,410
Write-offs (expired)	(116,329)	-	(116,329)	(473,226)
Currency translation difference	-	-	-	56,212
At 31 December 2021	<u>2,484,443</u>	<u>-</u>	<u>2,484,443</u>	<u>10,121,621</u>
Carrying amounts				
At 31 December 2021	<u>3,618,934</u>	<u>-</u>	<u>3,618,934</u>	<u>14,743,537</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

17. Intangible assets

	Group and Bank			
	Software and license US\$	Work in progress US\$	Total US\$	Total KHR'000 (Note 7)
2022				
Cost				
At 1 January 2022	3,820,918	189,302	4,010,220	16,337,636
Additions	326,586	464,998	791,584	3,235,204
Transfer	269,738	(269,738)	-	-
Transfer from property and equipment (Note 15)	-	12,583	12,583	51,427
Currency translation difference	-	-	-	196,564
At 31 December 2022	<u>4,417,242</u>	<u>397,145</u>	<u>4,814,387</u>	<u>19,820,831</u>
Less: Accumulated amortisation				
At 1 January 2022	2,821,496	-	2,821,496	11,494,774
Amortisation	473,842	-	473,842	1,936,592
Currency translation difference	-	-	-	135,540
At 31 December 2022	<u>3,295,338</u>	<u>-</u>	<u>3,295,338</u>	<u>13,566,906</u>
Carrying amounts				
At 31 December 2022	<u>1,121,904</u>	<u>397,145</u>	<u>1,519,049</u>	<u>6,253,925</u>
2021				
Cost				
At 1 January 2021	3,670,922	-	3,670,922	14,848,879
Additions	149,996	189,302	339,298	1,380,264
Currency translation difference	-	-	-	108,493
At 31 December 2021	<u>3,820,918</u>	<u>189,302</u>	<u>4,010,220</u>	<u>16,337,636</u>
Less: Accumulated amortisation				
At 1 January 2021	2,348,505	-	2,348,505	9,499,702
Amortisation	472,991	-	472,991	1,924,128
Currency translation difference	-	-	-	70,944
At 31 December 2021	<u>2,821,496</u>	<u>-</u>	<u>2,821,496</u>	<u>11,494,774</u>
Carrying amounts				
At 31 December 2021	<u>999,422</u>	<u>189,302</u>	<u>1,188,724</u>	<u>4,842,862</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

18. Income tax

A. Applicable tax rates

In accordance with Cambodian Law on Taxation, the Bank has an obligation to pay corporate income tax of either the tax on income at the rate of 20% of taxable income or the minimum tax at 1% of annual turnover, whichever is higher.

B. Income tax expense

Group	2022		2021	
	US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)
Current income tax	2,117,294	8,653,381	1,392,073	5,662,953
Deferred tax	<u>(307,963)</u>	<u>(1,258,645)</u>	<u>(339,430)</u>	<u>(1,380,801)</u>
Income tax expense	<u>1,809,331</u>	<u>7,394,736</u>	<u>1,052,643</u>	<u>4,282,152</u>
Bank				
Current income tax	2,117,294	8,653,381	1,389,018	5,650,525
Deferred tax	<u>(307,963)</u>	<u>(1,258,645)</u>	<u>(339,430)</u>	<u>(1,380,801)</u>
Income tax expense	<u>1,809,331</u>	<u>7,394,736</u>	<u>1,049,588</u>	<u>4,269,724</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

18. Income tax (continued)

B. Income tax expense (continued)

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

	2022			2021		
	US\$	KHR'000 (Note 7)	%	US\$	KHR'000 (Note 7)	%
Group						
Profit before income tax	<u>6,780,110</u>	<u>27,710,310</u>		<u>4,259,152</u>	<u>17,326,229</u>	
Income tax using statutory rate 20%	1,356,022	5,542,062	20.0	851,830	3,465,244	20.0
Non-deductible expenses	298,254	1,218,964	4.4	200,813	816,908	4.7
Changes in estimates related to prior years	<u>155,055</u>	<u>633,710</u>	<u>2.3</u>	-	-	-
Income tax expense	<u><u>1,809,331</u></u>	<u><u>7,394,736</u></u>	<u><u>26.7</u></u>	<u><u>1,052,643</u></u>	<u><u>4,282,152</u></u>	<u><u>24.7</u></u>
Bank						
Profit before income tax	<u>6,806,323</u>	<u>27,817,443</u>		<u>4,228,355</u>	<u>17,200,948</u>	
Income tax using statutory rate 20%	1,361,265	5,563,490	20.0	845,671	3,440,190	20.0
Non-deductible expenses	293,011	1,197,536	4.3	203,917	829,534	4.8
Changes in estimates related to prior years	<u>155,055</u>	<u>633,710</u>	<u>2.3</u>	-	-	-
Income tax expense	<u><u>1,809,331</u></u>	<u><u>7,394,736</u></u>	<u><u>26.6</u></u>	<u><u>1,049,588</u></u>	<u><u>4,269,724</u></u>	<u><u>24.8</u></u>

The calculation of the taxable income for the Group and the Bank are subjects to the final review and approval of the tax authorities.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

18. Income tax (continued)

C. Current income tax liabilities

Group	2022		2021	
	US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)
At 1 January	1,132,743	4,614,795	158,414	640,785
Current income tax expense	2,117,294	8,653,381	1,392,073	5,662,953
Income tax paid	(1,364,729)	(5,577,647)	(417,744)	(1,699,383)
Currency translation difference	-	71,284	-	10,440
At 31 December	<u>1,885,308</u>	<u>7,761,813</u>	<u>1,132,743</u>	<u>4,614,795</u>

Bank

At 1 January	1,130,253	4,604,651	151,285	611,948
Current income tax expense	2,117,294	8,653,381	1,389,018	5,650,525
Income tax paid	(1,362,239)	(5,567,471)	(410,050)	(1,668,083)
Currency translation difference	-	71,252	-	10,261
At 31 December	<u>1,885,308</u>	<u>7,761,813</u>	<u>1,130,253</u>	<u>4,604,651</u>

D. Deferred tax assets - net

Group and Bank	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)
Deferred tax assets	836,488	3,443,821	585,698	2,386,129
Deferred tax liabilities	(210,009)	(864,607)	(267,182)	(1,088,495)
Deferred tax assets/(liabilities) - net	<u>626,479</u>	<u>2,579,214</u>	<u>318,516</u>	<u>1,297,634</u>

The movement of net deferred tax assets is as follows:

Group and Bank	2022		2021	
	US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)
At 1 January	318,516	1,297,634	(20,914)	(84,597)
Charged to profit or loss	307,963	1,258,645	339,430	1,380,801
Currency translation difference	-	22,935	-	1,430
At 31 December	<u>626,479</u>	<u>2,579,214</u>	<u>318,516</u>	<u>1,297,634</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

18. Income tax (continued)

D. Deferred tax assets – net (continued)

Deferred tax assets are attributable to the following:

Group and Bank	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)
Unused annual leave/accrued bonus	58,362	240,276	11,822	48,163
Deferred revenue	395,027	1,626,326	331,552	1,350,742
Loss allowance	285,391	1,174,955	153,832	626,712
Provision for seniority indemnity	37,063	152,588	36,224	147,576
Property and equipment	(162,103)	(667,378)	(264,802)	(1,078,799)
Unrealised foreign exchange gain	(47,906)	(197,229)	(2,380)	(9,696)
Leases	60,645	249,676	52,268	212,936
Deferred tax assets - net	<u>626,479</u>	<u>2,579,214</u>	<u>318,516</u>	<u>1,297,634</u>

19. Other assets

Group	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)
Credit card receivables	965,715	3,975,849	650,451	2,649,937
Deposits	1,313,582	5,408,017	1,341,350	5,464,660
Other receivables	254,209	1,046,577	132,880	541,353
Prepayment	537,403	2,212,488	731,946	2,981,947
Others	29,526	121,559	35,348	144,007
Less: Impairment loss allowance	(10,806)	(44,488)	(6,628)	(27,002)
	<u>3,089,629</u>	<u>12,720,002</u>	<u>2,885,347</u>	<u>11,754,902</u>
Bank				
Credit card receivables	965,715	3,975,849	650,451	2,649,937
Deposits	1,313,582	5,408,017	1,341,350	5,464,660
Other receivables	248,163	1,021,687	130,222	530,525
Prepayment	537,403	2,212,488	731,946	2,981,947
Others	29,526	121,559	35,348	144,007
Less: Impairment loss allowance	(10,806)	(44,488)	(6,628)	(27,002)
	<u>3,083,583</u>	<u>12,695,112</u>	<u>2,882,689</u>	<u>11,744,074</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

19. Other assets (continued)

The movement of impairment loss allowance on other assets is as follows:

Group and Bank	2022		2021	
	US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)
At 1 January	6,628	27,002	10,761	43,529
Allowance for the year (Note 31)	4,178	17,075	(4,133)	(16,813)
Currency translation difference	-	411	-	286
At 31 December	<u>10,806</u>	<u>44,488</u>	<u>6,628</u>	<u>27,002</u>

20. Deposits from other financial institutions

Group and Bank	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)
Current deposits	20,575,319	84,708,588	8,758,719	35,683,021
Saving deposits	37,734	155,351	5,656,721	23,045,481
Term deposits	44,879,941	184,770,717	49,946,049	203,480,204
	<u>65,492,994</u>	<u>269,634,656</u>	<u>64,361,489</u>	<u>262,208,706</u>

Deposits from other financial institutions are analysed as follows:

A. By maturity:

Group and Bank	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)
Within 1 month	30,477,373	125,475,345	14,415,514	58,728,804
> 1 to 3 months	14,910,353	61,385,923	45,014,401	183,388,670
> 3 to 12 months	20,105,268	82,773,388	4,931,574	20,091,232
	<u>65,492,994</u>	<u>269,634,656</u>	<u>64,361,489</u>	<u>262,208,706</u>

B. By residency status:

Group and Bank	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)
Residents	43,357,785	178,504,001	32,290,863	131,552,976
Non-residents	22,135,209	91,130,655	32,070,626	130,655,730
	<u>65,492,994</u>	<u>269,634,656</u>	<u>64,361,489</u>	<u>262,208,706</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

20. Deposits from other financial institutions (continued)

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

C. By relationship:

Group and Bank	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)
Related parties	22,567,851	92,911,842	32,070,626	130,655,730
Non-related parties	42,925,143	176,722,814	32,290,863	131,552,976
	<u>65,492,994</u>	<u>269,634,656</u>	<u>64,361,489</u>	<u>262,208,706</u>

D. By interest rate (per annum):

Annual interest rates applicable to deposits from other financial institutions at the year-end were as follows:

Group and Bank	31 December 2022	31 December 2021
Current deposits	0.5% - 0.70%	0.25%
Saving deposits	0.25 - 2.00%	0.25%
Term deposits	<u>2.50% - 5.54%</u>	<u>2.00% - 2.95%</u>

21. Deposits from customers

Group	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)
Demand deposits	39,889,151	164,223,635	53,559,424	218,201,093
Saving deposits	86,951,696	357,980,132	84,677,085	344,974,444
Term deposits	117,352,069	483,138,468	110,696,559	450,977,782
Margin deposits	241,000	992,197	341,360	1,390,701
	<u>244,433,916</u>	<u>1,006,334,432</u>	<u>249,274,428</u>	<u>1,015,544,020</u>

Bank	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)
Demand deposits	40,075,308	164,990,044	53,791,989	219,148,562
Saving deposits	86,951,696	357,980,132	84,677,085	344,974,444
Term deposits	117,352,069	483,138,468	110,696,559	450,977,782
Margin deposits	241,000	992,197	341,360	1,390,701
	<u>244,620,073</u>	<u>1,007,100,841</u>	<u>249,506,993</u>	<u>1,016,491,489</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

21. Deposits from customers (continued)

Deposits from customers are analysed as follows:

A. By maturity:

Group	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)
Within 1 month	152,247,555	626,803,184	138,238,032	563,181,743
> 1 to 3 months	26,220,611	107,950,255	5,224,799	21,285,831
> 3 to 12 months	65,795,750	270,881,103	105,811,597	431,076,446
> 1 to 5 years	170,000	699,890	-	-
	<u>244,433,916</u>	<u>1,006,334,432</u>	<u>249,274,428</u>	<u>1,015,544,020</u>
Bank				
Within 1 month	152,433,712	627,569,593	138,470,597	564,129,213
> 1 to 3 months	26,220,611	107,950,255	5,224,799	21,285,831
> 3 to 12 months	65,795,750	270,881,103	105,811,597	431,076,446
> 1 to 5 years	170,000	699,890	-	-
	<u>244,620,073</u>	<u>1,007,100,841</u>	<u>249,506,993</u>	<u>1,016,491,490</u>

B. By residency status:

Group	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)
Residents	186,964,955	769,734,720	165,572,959	674,544,235
Non-residents	57,468,961	236,599,712	83,701,469	340,999,785
	<u>244,433,916</u>	<u>1,006,334,432</u>	<u>249,274,428</u>	<u>1,015,544,020</u>
Bank				
Residents	187,151,112	770,501,129	165,805,524	675,491,705
Non-residents	57,468,961	236,599,712	83,701,469	340,999,785
	<u>244,620,073</u>	<u>1,007,100,841</u>	<u>249,506,993</u>	<u>1,016,491,490</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

21. Deposits from customers (continued)

C. By relationship:

Group	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)
Related parties	136,674	562,687	139,569	568,602
Non-related parties	<u>244,297,242</u>	<u>1,005,771,745</u>	<u>249,134,859</u>	<u>1,014,975,418</u>
	<u>244,433,916</u>	<u>1,006,334,432</u>	<u>249,274,428</u>	<u>1,015,544,020</u>
Bank				
Related parties	322,831	1,329,095	372,134	1,516,072
Non-related parties	<u>244,297,242</u>	<u>1,005,771,746</u>	<u>249,134,859</u>	<u>1,014,975,418</u>
	<u>244,620,073</u>	<u>1,007,100,841</u>	<u>249,506,993</u>	<u>1,016,491,490</u>

D. By interest rate (per annum):

Annual interest rates applicable to deposits from customers at the year end were as follows:

Group and Bank	31 December 2022	31 December 2021
Demand deposits	0.50%	Nil
Saving deposits	0.25% - 2.00%	0.50%
Term deposits	2.00% - 7.25%	2% - 6.25%
Margin deposits	<u>Nil</u>	<u>Nil</u>

The margin deposits are interest free and are encumbered for trade line and guarantee granted to customers.

22. Borrowings

Group and Bank	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)
National Bank of Cambodia ("LPCO")	-	-	4,568,168	18,610,716
Cathay United Bank Limited (CUB) (Note 36B)	<u>135,020,860</u>	<u>555,880,881</u>	<u>-</u>	<u>-</u>
	<u>135,020,860</u>	<u>555,880,881</u>	<u>4,568,168</u>	<u>18,610,716</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

22. Borrowings (continued)

Borrowings from NBC in the form of Liquidity-providing Collateralized Operation (“LPCO”) are secured by the Negotiable Certificate of Deposits with the National Bank of Cambodia (see Note 9). The LPCO bear interest rates ranging from 3.20% to 5.30% (2021: 2.20% to 5.30%) per annum. The amounts have been repaid on 13 January 2022 and 10 February 2022, respectively.

Borrowings from Cathay United Bank Limited (“CUB”) is unsecured and bear interest ranging from 2.20% to 5.50% per annum.

The Group and the Bank did not have any defaults of principal or interest or other breaches with respect to its borrowings during the financial year.

23. Lease liabilities

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

Group	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)
Maturity analysis – contractual undiscounted cash flows				
Less than 1 year	881,324	3,628,411	867,124	3,532,663
Between 2 years and 5 years	1,422,003	5,854,386	2,193,830	8,937,664
More than 5 years	-	-	14,716	59,953
Total undiscounted lease liabilities	2,303,327	9,482,797	3,075,670	12,530,280
Less: unearned interest	(140,280)	(577,533)	(249,252)	(1,015,453)
	<u>2,163,047</u>	<u>8,905,264</u>	<u>2,826,418</u>	<u>11,514,827</u>
Bank				
Maturity analysis – contractual undiscounted cash flows				
Less than 1 year	937,832	3,861,054	923,632	3,762,877
Between 2 years and 5 years	1,648,035	6,784,960	2,419,862	9,858,518
More than 5 years	2,034,288	8,375,164	2,105,512	8,577,856
Total undiscounted lease liabilities	4,620,155	19,021,178	5,449,006	22,199,251
Less: unearned interest	(1,411,680)	(5,811,886)	(1,568,736)	(6,391,031)
	<u>3,208,475</u>	<u>13,209,292</u>	<u>3,880,270</u>	<u>15,808,220</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

23. Lease liabilities (continued)

A. Amounts recognised in profit or loss

Group	2022		2021	
	US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)
Interest on lease liabilities (Note 28)	112,510	459,828	143,703	584,584
Expenses relating to short-term leases	260,022	1,062,710	243,997	992,580
	<u>372,532</u>	<u>1,522,538</u>	<u>387,700</u>	<u>1,577,164</u>
Bank				
Interest on lease liabilities (Note 28)	160,594	656,348	192,166	781,731
Expenses relating to short-term leases	260,022	1,062,710	243,997	992,580
	<u>420,616</u>	<u>1,719,058</u>	<u>436,163</u>	<u>1,774,311</u>

24. Provisions

Group and Bank	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)
Loan commitments and guarantees	<u>55,042</u>	<u>226,608</u>	<u>28,569</u>	<u>116,390</u>

The movement of provision for impairment loss allowance on loan commitments and guarantees is as follow:

Group and Bank	2022		2021	
	US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)
At 1 January	28,569	116,390	54,651	221,063
Allowance for the year (Note 31)	26,473	108,196	(26,082)	(106,102)
Currency translation difference	-	2,022	-	1,429
At 31 December	<u>55,042</u>	<u>226,608</u>	<u>28,569</u>	<u>116,390</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

25. Other liabilities

Group	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)
Accounts payables and other accruals	1,195,735	4,922,841	1,318,375	5,371,060
Accrued bonus	883,885	3,638,955	666,339	2,714,665
Provision for seniority indemnity	185,314	762,938	181,121	737,887
Pension fund	8,739	35,978	-	-
Others	780,663	3,213,989	449,867	1,832,758
	<u>3,054,336</u>	<u>12,574,701</u>	<u>2,615,702</u>	<u>10,656,370</u>
Bank				
Accounts payables and other accruals	1,186,389	4,884,364	1,309,852	5,336,338
Accrued bonus	883,885	3,638,955	666,339	2,714,665
Provision for seniority indemnity	185,314	762,938	181,121	737,887
Pension fund	8,739	35,978	-	-
Others	780,663	3,213,989	449,867	1,832,759
	<u>3,044,990</u>	<u>12,536,224</u>	<u>2,607,179</u>	<u>10,621,649</u>

26. Share capital

Group and Bank	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)
Registered, issued and fully paid 100,000,000 ordinary shares of US\$1 each	<u>100,000,000</u>	<u>407,500,000</u>	<u>100,000,000</u>	<u>407,500,000</u>

27. Regulatory reserves

Regulatory reserves represented the variance of impairment loss on financial instruments in accordance with CIFRS and regulatory provision in accordance with National Bank of Cambodia requirements.

As at 31 December 2022, the Group and the Bank transferred from retained earnings to regulatory reserves of US\$411,862 (2021: transferred from regulatory reserves to retained earnings of US\$257,611).

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

27. Regulatory reserves (continued)

Group and Bank	Balances with other banks US\$	Loans and advances to other financial institutions US\$	Loans and advances to customers US\$	Investment securities US\$	Other assets US\$	Off-balance sheet items US\$	Total US\$
31 December 2022							
Allowance per NBC	341,916	713,359	6,442,528	50,565	25,939	199,077	7,773,384
Allowance per CIFRS 9	<u>260,427</u>	<u>460,155</u>	<u>3,199,237</u>	<u>99,324</u>	<u>10,806</u>	<u>55,042</u>	<u>4,084,991</u>
Regulatory reserves (A)	<u>81,489</u>	<u>253,204</u>	<u>3,243,291</u>	<u>(48,759)</u>	<u>15,133</u>	<u>144,035</u>	<u>3,688,393</u>
31 December 2021							
Allowance per NBC	230,721	356,000	7,244,992	-	21,220	227,241	8,080,174
Allowance per CIFRS 9	<u>229,259</u>	<u>226,301</u>	<u>4,312,886</u>	<u>-</u>	<u>6,628</u>	<u>28,569</u>	<u>4,803,643</u>
Regulatory reserves (B)	<u>1,462</u>	<u>129,699</u>	<u>2,932,106</u>	<u>-</u>	<u>14,592</u>	<u>198,672</u>	<u>3,276,531</u>
Transfer from retained earnings to regulatory reserves (A - B)							<u>411,862</u>
In KHR'000 (Note 7)							<u>1,695,636</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

28. Net interest income

	Group				Bank			
	2022		2021		2022		2021	
	US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)
Interest income								
Balances with the National Bank of Cambodia	66,698	272,595	30,053	122,256	66,698	272,595	30,053	122,256
Balances with other banks	726,340	2,968,552	726,978	2,957,346	726,340	2,968,552	726,978	2,957,346
Loans and advances to other financial institutions	4,000,773	16,351,159	3,060,979	12,452,062	4,000,773	16,351,159	3,060,979	12,452,062
Loans and advances to customers	26,181,999	107,005,830	19,697,715	80,130,305	26,181,999	107,005,830	19,697,715	80,130,305
Investment securities at amortised cost	56,507	230,944	-	-	56,507	230,944	-	-
	<u>31,032,317</u>	<u>126,829,080</u>	<u>23,515,725</u>	<u>95,661,969</u>	<u>31,032,317</u>	<u>126,829,080</u>	<u>23,515,725</u>	<u>95,661,969</u>
Interest expense								
Deposits from other financial institutions	1,651,979	6,751,638	250,110	1,017,447	1,651,979	6,751,638	250,110	1,017,447
Deposits from customers	4,946,822	20,217,662	4,699,687	19,118,327	4,946,822	20,217,661	4,699,687	19,118,327
Borrowings	1,841,012	7,524,216	483,761	1,967,940	1,841,012	7,524,216	483,761	1,967,940
Lease liabilities	112,510	459,828	143,703	584,584	160,594	656,348	192,166	781,731
	<u>8,552,323</u>	<u>34,953,344</u>	<u>5,577,261</u>	<u>22,688,298</u>	<u>8,600,407</u>	<u>35,149,863</u>	<u>5,625,724</u>	<u>22,885,445</u>
Net interest income	<u>22,479,994</u>	<u>91,875,736</u>	<u>17,938,464</u>	<u>72,973,671</u>	<u>22,431,910</u>	<u>91,679,217</u>	<u>17,890,001</u>	<u>72,776,524</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

29. Net fee and commission income

	Group				Bank			
	2022		2021		2022		2021	
	US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)
Fee and commission income								
Loan and trade finance	403,914	1,650,797	422,348	1,718,112	403,914	1,650,797	422,348	1,718,112
Credit card	420,694	1,719,376	252,290	1,026,316	420,694	1,719,376	252,290	1,026,316
Remittance	900,097	3,678,696	828,888	3,371,915	900,097	3,678,696	828,888	3,371,915
Service charges and fees	225,670	922,313	249,686	1,015,723	225,673	922,326	249,686	1,015,723
	<u>1,950,375</u>	<u>7,971,182</u>	<u>1,753,212</u>	<u>7,132,066</u>	<u>1,950,378</u>	<u>7,971,195</u>	<u>1,753,212</u>	<u>7,132,066</u>
Fee and commission expense								
ATM and Credit Card	553,639	2,262,723	499,443	2,031,734	553,639	2,262,723	499,443	2,031,734
Swift charges	13,153	53,756	15,153	61,642	13,153	53,756	15,153	61,642
Bank charges	73,290	299,536	75,287	306,268	73,290	299,536	75,274	306,215
Others	49,761	203,373	64,444	262,158	49,761	203,373	64,444	262,158
	<u>689,843</u>	<u>2,819,388</u>	<u>654,327</u>	<u>2,661,802</u>	<u>689,843</u>	<u>2,819,388</u>	<u>654,314</u>	<u>2,661,749</u>
Net fee and commission income	<u>1,260,532</u>	<u>5,151,794</u>	<u>1,098,885</u>	<u>4,470,264</u>	<u>1,260,535</u>	<u>5,151,807</u>	<u>1,098,898</u>	<u>4,470,317</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

30. Other income

	Group				Bank			
	2022		2021		2022		2021	
	US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)
Recovery of loans previously written-off	808,495	3,304,319	741,141	3,014,961	808,495	3,304,319	741,141	3,014,961
Foreign exchange (losses)/gain	(216,670)	(885,531)	51,569	209,783	(216,649)	(885,445)	51,512	209,551
Others	24,236	99,053	39,457	160,511	24,236	99,053	39,457	160,511
	<u>616,061</u>	<u>2,517,841</u>	<u>832,167</u>	<u>3,385,255</u>	<u>616,082</u>	<u>2,517,927</u>	<u>832,110</u>	<u>3,385,023</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

31. Net impairment loss on financial instruments

Group and Bank	2022		2021	
	US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)
Net impairment loss on balances with other banks (Note 10)	31,168	127,384	(81,850)	(332,966)
Net impairment loss on loans and advances to other financial institutions (Note 11)	233,854	955,761	60,756	247,155
Net impairment loss on loans and advances to customers (Note 12)	1,085,253	4,435,429	2,098,873	8,538,216
Net impairment loss on investment in debt instruments at amortised cost (Note 13)	99,324	405,937	-	-
Net impairment loss on other assets (Note 19)	4,178	17,075	(4,133)	(16,813)
Net impairment loss on loan commitments and guarantees (Note 24)	26,473	108,196	(26,082)	(106,102)
	<u>1,480,250</u>	<u>6,049,782</u>	<u>2,047,564</u>	<u>8,329,490</u>

32. Personnel expenses

Group and Bank	2022		2021	
	US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)
Salaries and bonuses	7,117,238	29,088,152	5,936,569	24,149,963
Seniority payments	372,949	1,524,243	253,810	1,032,499
Other personnel expenses	789,368	3,226,146	552,680	2,248,302
	<u>8,279,555</u>	<u>33,838,541</u>	<u>6,743,059</u>	<u>27,430,764</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

33. Depreciation and amortisation

	Group				Bank			
	2022		2021		2022		2021	
	US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)
Property and equipment	926,292	3,785,755	978,312	3,979,773	926,292	3,785,755	978,312	3,979,773
Right-of-use assets	794,363	3,246,562	781,355	3,178,552	817,927	3,342,868	804,919	3,274,410
Intangible assets	473,842	1,936,592	472,991	1,924,128	473,842	1,936,592	472,991	1,924,128
	<u>2,194,497</u>	<u>8,968,909</u>	<u>2,232,658</u>	<u>9,082,453</u>	<u>2,218,061</u>	<u>9,065,215</u>	<u>2,256,222</u>	<u>9,178,311</u>

34. Other operating expenses

	Group				Bank			
	2022		2021		2022		2021	
	US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)
Repairs and maintenance	442,649	1,809,107	437,964	1,781,638	442,649	1,809,107	437,964	1,781,638
Utilities	258,174	1,055,157	238,701	971,036	258,174	1,055,157	238,701	971,036
Security	163,574	668,527	163,918	666,818	163,574	668,527	163,918	666,818
Communication	364,339	1,489,054	372,287	1,514,463	364,339	1,489,054	372,287	1,514,463
License fee and other taxes	577,843	2,361,644	600,240	2,441,776	577,843	2,361,644	600,240	2,441,776
Office supplies and non-capitalised purchases	174,644	713,770	116,170	472,580	174,644	713,770	116,170	472,580
Marketing and advertising	335,907	1,372,852	284,166	1,155,987	335,907	1,372,852	284,166	1,155,987
Leases and rental	260,022	1,062,710	243,997	992,580	260,022	1,062,710	243,997	992,580
Professional services	909,728	3,718,058	916,702	3,729,144	829,699	3,390,980	876,953	3,567,445
Minimum tax expense	565	2,309	-	-	-	-	-	-
Others	2,134,730	8,724,641	1,212,938	4,934,232	2,117,487	8,654,169	1,211,413	4,928,028
	<u>5,622,175</u>	<u>22,977,829</u>	<u>4,587,083</u>	<u>18,660,254</u>	<u>5,524,338</u>	<u>22,577,970</u>	<u>4,545,809</u>	<u>18,492,351</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

35. Notes to the statement of cash flows

A. Cash and cash equivalents

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

Group and Bank	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)
Cash on hand (Note 8)	15,220,906	62,664,470	14,255,750	58,077,926
Balances with the National Bank of Cambodia (Note 9)	26,545,745	109,288,833	35,172,433	143,292,492
Balances with other banks (Note 10)	<u>32,154,550</u>	<u>132,380,282</u>	<u>6,988,021</u>	<u>28,388,349</u>
	<u>73,921,201</u>	<u>304,333,585</u>	<u>56,416,204</u>	<u>229,758,767</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

35. Notes to the statement of cash flows (continued)

B. Changes in liabilities arising from financing and operating activities

The table below details changes in the Group and the Bank's liabilities arising from financing and operating activities:

Group	2022				2021			
	Borrowings US\$	Lease liabilities US\$	Total US\$	Total KHR'000 (Note 7)	Borrowings US\$	Lease liabilities US\$	Total US\$	Total KHR'000 (Note 7)
At 1 January	4,568,168	2,826,418	7,394,586	30,125,543	9,509,981	3,423,454	12,933,435	52,315,745
Changes from financing cash flows								
Proceeds from borrowings	352,000,000	-	352,000,000	1,438,624,000	90,885,445	-	90,885,445	369,721,990
Repayment of borrowings	(222,418,262)	-	(222,418,262)	(909,023,437)	(95,836,775)	-	(95,836,775)	(389,864,001)
Payment of lease liabilities	-	(880,124)	(880,124)	(3,597,067)	-	(894,157)	(894,157)	(3,637,431)
	<u>129,581,738</u>	<u>(880,124)</u>	<u>128,701,614</u>	<u>526,003,496</u>	<u>(4,951,330)</u>	<u>(894,157)</u>	<u>(5,845,487)</u>	<u>(23,779,442)</u>
Changes from operating cash flows								
New leases	-	104,243	104,243	426,041	-	153,418	153,418	624,104
Interest expense	1,841,012	112,510	1,953,522	7,984,044	483,761	143,703	627,464	2,552,524
Interest paid	(970,058)	-	(970,058)	(3,964,627)	(474,244)	-	(474,244)	(1,929,225)
Currency translation difference	-	-	-	4,211,648	-	-	-	341,837
	<u>870,954</u>	<u>216,753</u>	<u>1,087,707</u>	<u>8,657,106</u>	<u>9,517</u>	<u>297,121</u>	<u>306,638</u>	<u>1,589,240</u>
At 31 December	<u>135,020,860</u>	<u>2,163,047</u>	<u>137,183,907</u>	<u>564,786,145</u>	<u>4,568,168</u>	<u>2,826,418</u>	<u>7,394,586</u>	<u>30,125,543</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

35. Notes to the statement of cash flows (continued)

B. Changes in liabilities arising from financing and operating activities (continued)

The table below details changes in the Group and the Bank's liabilities arising from financing and operating activities: (continued)

Bank	2022				2021			
	Borrowings US\$	Lease liabilities US\$	Total US\$	Total KHR'000 (Note 7)	Borrowings US\$	Lease liabilities US\$	Total US\$	Total KHR'000 (Note 7)
At 1 January	4,568,168	3,880,270	8,448,438	34,418,936	9,509,981	4,485,351	13,995,332	56,611,118
Changes from financing cash flows								
Proceeds from borrowings	352,000,000	-	352,000,000	1,438,624,000	90,885,445	-	90,885,445	369,721,990
Repayment of borrowings	(222,418,262)	-	(222,418,262)	(909,023,437)	(95,836,775)	-	(95,836,775)	(389,864,001)
Payment of lease liabilities	-	(936,632)	(936,632)	(3,828,015)	-	(950,665)	(950,665)	(3,867,305)
	<u>129,581,738</u>	<u>(936,632)</u>	<u>128,645,106</u>	<u>525,772,548</u>	<u>(4,951,330)</u>	<u>(950,665)</u>	<u>(5,901,995)</u>	<u>(24,009,316)</u>
Changes from operating cash flows								
New leases	-	104,243	104,243	426,041	-	153,418	153,418	624,104
Interest expense	1,841,012	160,594	2,001,606	8,180,564	483,761	192,166	675,927	2,749,671
Interest paid	(970,058)	-	(970,058)	(3,964,627)	(474,244)	-	(474,244)	(1,929,225)
Currency translation difference	-	-	-	4,256,711	-	-	-	372,584
	<u>870,954</u>	<u>264,837</u>	<u>1,135,791</u>	<u>8,898,689</u>	<u>9,517</u>	<u>345,584</u>	<u>355,101</u>	<u>1,817,134</u>
At 31 December	<u>135,020,860</u>	<u>3,208,475</u>	<u>138,229,335</u>	<u>569,090,173</u>	<u>4,568,168</u>	<u>3,880,270</u>	<u>8,448,438</u>	<u>34,418,936</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

36. Related parties

A. Related parties and relationships

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

Related parties	Relationship
Cathay Financial Holdings	Ultimate parent company
Cathay United Bank Limited ("CUB")	Immediate parent company
CUBC Investment Co., Ltd.	Subsidiary of the Bank
Board of Directors	The Board of Directors are those person overseeing the activities of the Group.
Key management personnel	The key management personnel are those participating in the administration, direction, management or the design and implementation of the internal controls of the Group and the Bank. The key management personnel of the Group and the Bank include all EXCOM members appointed by the Board of Directors.

B. Related party balances

Group and Bank	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)
<i>Cathay United Bank Limited ("CUB")</i>				
Deposits with CUB	385,312	1,586,330	359,712	1,465,467
Deposits from CUB	22,567,851	92,911,843	32,070,626	130,655,730
Borrowings from CUB	135,020,860	555,880,881	-	-
<i>Key management</i>				
Deposits from key management	136,674	562,687	139,569	568,602
Bank				
<i>CUBC Investment Co., Ltd.</i>				
Deposits from CUBC Investment Co., Ltd.	186,157	766,408	232,565	947,470
Lease liabilities	2,316,828	9,538,381	2,373,336	9,668,971

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

36. Related parties (continued)

C. Related party transactions

Group and Bank	2022		2021	
	US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)
<i>Cathay United Bank Limited ("CUB")</i>				
Interest income	6,430	26,279	347	1,412
Interest expense	<u>2,367,845</u>	<u>9,677,383</u>	<u>54,685</u>	<u>222,459</u>
<i>Key management</i>				
Interest expense	<u>2,940</u>	<u>12,016</u>	<u>2,732</u>	<u>11,114</u>
Bank				
<i>CUBC Investment Co., Ltd.</i>				
Repayment of lease liabilities	<u>56,508</u>	<u>230,948</u>	<u>56,508</u>	<u>229,875</u>
<i>Key management</i>				
Interest expense	<u>2,940</u>	<u>12,016</u>	<u>2,732</u>	<u>11,114</u>

D. Shareholders, directors, and key management personnel remuneration

Group and Bank	2022		2021	
	US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)
Remuneration and benefits of key management	<u>253,310</u>	<u>1,035,278</u>	<u>247,599</u>	<u>1,007,233</u>

37. Commitments and contingencies

A. Loan commitments and financial guarantee contracts

In the normal course of business, the Group and the Bank make various commitments and incur certain contingencies with legal recourse to its customers. No material losses are anticipated from these transactions, which consist of:

Group and Bank	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)
Unused portion of loans and advances	8,741,733	35,989,715	12,233,701	49,840,098
Unused portion of credit card	10,765,904	44,323,227	9,749,110	39,717,874
Bank guarantees	<u>641,000</u>	<u>2,638,997</u>	<u>741,360</u>	<u>3,020,301</u>
	<u>20,148,637</u>	<u>82,951,939</u>	<u>22,724,171</u>	<u>92,578,273</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

37. Commitments and contingencies (continued)

B. Taxation contingencies

On 19 September 2022, 23 September 2022 and 29 September 2022, the General Department of Taxation (“GDT”) issued a Notice of Tax Reassessment (“NTR”) on the comprehensive tax audit to the Bank for the period from 1 January 2017 to 31 December 2017, period from 1 January 2018 to 31 December 2018, and period from 1 January 2019 to 31 December 2020, respectively, imposing additional tax including penalty and interest totalling to KHR6,170,947,571 equivalent to US\$1,498,894.

On 2 November 2022 and 11 November 2022, the Bank lodged an administrative protest letter to object the comprehensive tax audit case above to justify the ground on the calculation basis in NTR in accordance with the Cambodian Law on Taxation. As of date of these financial statements, there has not been any official response from the GDT to the protest letter yet. Nevertheless, the management decided to make provision of US\$440,427 for these tax liabilities in the 2022 financial statements. The management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation.

The tax returns of the Group and the Bank are subject to periodic examination by the tax authorities. As the application of tax laws and regulations to various types of transactions is susceptible to varying interpretations, amounts reported in the financial statements of the Group and the Bank could be changed at a later date, upon final determination by the tax authorities.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

38. Classification of financial assets and financial liabilities

The following table provides a reconciliation between line items in the statement of financial position and categories of financial instruments.

Group	31 December 2022				31 December 2021			
	FVOCI – equity instruments US\$	Amortised cost US\$	Total carrying amount US\$ KHR'000 (Note 7)		FVOCI – equity instruments US\$	Amortised cost US\$	Total carrying amount US\$ KHR'000 (Note 7)	
Financial assets								
Cash on hand	-	15,220,906	15,220,906	62,664,470	-	14,255,750	14,255,750	58,077,926
Balances with the National Bank of Cambodia	-	29,351,824	29,351,824	120,841,460	-	42,983,965	42,983,965	175,116,674
Balances with other banks	-	33,931,164	33,931,164	139,694,602	-	22,842,828	22,842,828	93,061,681
Loans and advances to other financial institutions	-	70,875,714	70,875,714	291,795,315	-	42,000,867	42,000,867	171,111,532
Loans and advances to customers	-	362,926,618	362,926,618	1,494,168,886	-	272,917,187	272,917,187	1,111,864,620
Investment securities:								
Measured at fair value	25,588	-	25,588	105,346	25,588	-	25,588	104,246
Measured at amortised cost	-	4,957,183	4,957,183	20,408,722	-	-	-	-
Other assets	-	2,522,700	2,522,700	10,385,956	-	2,118,053	2,118,053	8,628,948
Total financial assets	25,588	519,786,109	519,811,697	2,140,064,757	25,588	397,118,650	397,144,238	1,617,965,627

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

38. Classification of financial assets and financial liabilities (continued)

The following table provides a reconciliation between line items in the statement of financial position and categories of financial instruments. (continued)

Group	31 December 2022				31 December 2021			
	FVOCI – equity instruments US\$	Amortised cost US\$	Total carrying amount US\$ KHR'000 (Note 7)		FVOCI – equity instruments US\$	Amortised cost US\$	Total carrying amount US\$ KHR'000 (Note 7)	
Financial liabilities								
Deposits from other financial institutions	-	65,492,994	65,492,994	269,634,656	-	64,361,489	64,361,489	262,208,706
Deposits from customers	-	244,433,916	244,433,916	1,006,334,432	-	249,274,428	249,274,428	1,015,544,020
Borrowings	-	135,020,860	135,020,860	555,880,881	-	4,568,168	4,568,168	18,610,716
Lease liabilities	-	2,163,047	2,163,047	8,905,264	-	2,826,418	2,826,418	11,514,827
Other liabilities	-	2,272,656	2,272,656	9,356,525	-	2,164,815	2,164,815	8,819,456
Total financial liabilities	-	449,383,473	449,383,473	1,850,111,758	-	323,195,318	323,195,318	1,316,697,725

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

38. Classification of financial assets and financial liabilities (continued)

The following table provides a reconciliation between line items in the statement of financial position and categories of financial instruments. (continued)

Bank	31 December 2022				31 December 2021			
	FVOCI – equity instruments US\$	Amortised cost US\$	Total carrying amount US\$ KHR'000 (Note 7)		FVOCI – equity instruments US\$	Amortised cost US\$	Total carrying amount US\$ KHR'000 (Note 7)	
Financial assets								
Cash on hand	-	15,220,906	15,220,906	62,664,470	-	14,255,750	14,255,750	58,077,926
Balances with the National Bank of Cambodia	-	29,351,824	29,351,824	120,841,460	-	42,983,965	42,983,965	175,116,674
Balances with other banks	-	33,931,164	33,931,164	139,694,602	-	22,842,828	22,842,828	93,061,681
Loans and advances to other financial institutions	-	70,875,714	70,875,714	291,795,315	-	42,000,867	42,000,867	171,111,532
Loans and advances to customers	-	362,926,618	362,926,618	1,494,168,886	-	272,917,187	272,917,187	1,111,864,620
Investment securities:								
Measured at fair value	25,588	-	25,588	105,346	25,588	-	25,588	104,246
Measured at amortised cost	-	4,957,183	4,957,183	20,408,722	-	-	-	-
Investment in subsidiary	-	1,548,400	1,548,400	6,374,763	-	1,548,400	1,548,400	6,308,182
Other assets	-	2,516,654	2,516,654	10,361,065	-	2,115,395	2,115,395	8,618,119
Total financial assets	25,588	521,328,463	521,354,051	2,146,414,629	25,588	398,664,392	398,689,980	1,624,262,980

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

38. Classification of financial assets and financial liabilities (continued)

The following table provides a reconciliation between line items in the statement of financial position and categories of financial instruments. (continued)

Bank	31 December 2022				31 December 2021			
	FVOCI – equity instruments US\$	Amortised cost US\$	Total carrying amount US\$ KHR'000 (Note 7)		FVOCI – equity instruments US\$	Amortised cost US\$	Total carrying amount US\$ KHR'000 (Note 7)	
Financial liabilities								
Deposits from other financial institutions	-	65,492,994	65,492,994	269,634,656	-	64,361,489	64,361,489	262,208,706
Deposits from customers	-	244,620,073	244,620,073	1,007,100,841	-	249,506,993	249,506,993	1,016,491,489
Borrowings	-	135,020,860	135,020,860	555,880,881	-	4,568,168	4,568,168	18,610,716
Lease liabilities	-	3,208,475	3,208,475	13,209,292	-	3,880,270	3,880,270	15,808,220
Other liabilities	-	2,264,326	2,264,326	9,322,230	-	2,157,312	2,157,312	8,788,889
Total financial liabilities	-	450,606,728	450,606,728	1,855,147,900	-	324,474,232	324,474,232	1,321,908,020

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

39. Financial risk management

A. Introduction and overview

The Group's and the Bank's Board of Directors has overall responsibility for the establishment and oversight of the Group's and the Bank's risk management framework. The Board of Directors has established the Credit and Risk Committee, which is responsible for approving and monitoring the Group and the Bank risk management policies.

The Group's and the Bank's risk management policies are established to identify and analyse the risks faced by the Group and the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The risk management policies and procedures are reviewed regularly to reflect changes in market conditions and the Group's and the Bank's activities.

The policies and procedures adopted by the Group and the Bank to manage the risks that arise in the conduct of their business activities are as follows:

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

39. Financial risk management (continued)

A. Introduction and overview (continued)

The Group and the Bank hold the following financial assets and liabilities:

Group	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)
Financial assets				
Cash on hand	15,220,906	62,664,470	14,255,750	58,077,926
Balances with the National Bank of Cambodia	29,351,824	120,841,460	42,983,965	175,116,674
Balances with other banks	33,931,164	139,694,602	22,842,828	93,061,681
Loans and advances to other financial institutions	70,875,714	291,795,315	42,000,867	171,111,532
Loans and advances to customers	362,926,618	1,494,168,886	272,917,187	1,111,864,620
Investment securities	4,982,771	20,514,068	25,588	104,246
Other assets	2,522,700	10,385,956	2,118,053	8,628,948
	<u>519,811,697</u>	<u>2,140,064,757</u>	<u>397,144,238</u>	<u>1,617,965,627</u>
Financial liabilities				
Deposits from other financial institutions	65,492,994	269,634,656	64,361,489	262,208,706
Deposits from customers	244,433,916	1,006,334,432	249,274,428	1,015,544,020
Borrowings	135,020,860	555,880,881	4,568,168	18,610,716
Lease liabilities	2,163,047	8,905,264	2,826,418	11,514,827
Other liabilities	2,272,656	9,356,525	2,164,815	8,819,456
	<u>449,383,473</u>	<u>1,850,111,758</u>	<u>323,195,318</u>	<u>1,316,697,725</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

39. Financial risk management (continued)

A. Introduction and overview (continued)

The Group and the Bank hold the following financial assets and liabilities: (continued)

Bank	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)
Financial assets				
Cash on hand	15,220,906	62,664,470	14,255,750	58,077,926
Balances with the National Bank of Cambodia	29,351,824	120,841,460	42,983,965	175,116,674
Balances with other banks	33,931,164	139,694,602	22,842,828	93,061,681
Loans and advances to other financial institutions	70,875,714	291,795,315	42,000,867	171,111,532
Loans and advances to customers	362,926,618	1,494,168,886	272,917,187	1,111,864,620
Investment securities	4,982,771	20,514,068	25,588	104,246
Investment in subsidiary	1,548,400	6,374,763	1,548,400	6,308,182
Other assets	2,516,654	10,361,065	2,115,395	8,618,119
	<u>521,354,051</u>	<u>2,146,414,629</u>	<u>398,689,980</u>	<u>1,624,262,980</u>
Financial liabilities				
Deposits from other financial institutions	65,492,994	269,634,656	64,361,489	262,208,706
Deposits from customers	244,620,073	1,007,100,841	249,506,993	1,016,491,489
Borrowings	135,020,860	555,880,881	4,568,168	18,610,716
Lease liabilities	3,208,475	13,209,292	3,880,270	15,808,220
Other liabilities	2,264,326	9,322,230	2,157,312	8,788,889
	<u>450,606,728</u>	<u>1,855,147,900</u>	<u>324,474,232</u>	<u>1,321,908,020</u>

B. Credit risk

Credit risk refers to risk of financial loss to the Group and the Bank if a counterparty to a financial instrument fail to meet its obligations in accordance with the agreed terms and arises from deposits with other banks and Loans and advances to customers (including commitment to lend such loans). The Group and the Bank consider all elements of credit risk exposure such as counterparty default risk, geographical risk and sector risk, product risk and business type risk for risk management purposes.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

39. Financial risk management (continued)

B. Credit risk (continued)

(i). Credit risk management

The Group's and the Bank's Credit and risk committee are responsible for managing the Group's and the Bank's credit risk by:

- Ensuring that the Group and the Bank have appropriate credit risk practices, including an effective system of internal control, to consistently determine adequate allowances in accordance with the Group's and the Bank's stated policies and procedures, CIFRS and relevant supervisory guidance.
- Identifying, assessing and measuring credit risk across the Group and the Bank, from an individual instrument to a portfolio level.
- Creating credit policies to protect the Group and the Bank against the identified risks including the requirements to obtain collateral from borrowers, to perform robust ongoing credit assessment of borrowers and to continually monitor exposures against internal risk limits.
- Limiting concentrations of exposure by type of asset, counterparties, industry, credit rating, geographic location etc.
- Establishing a robust control framework regarding the authorisation structure for the approval and renewal of credit facilities.
- Developing and maintaining the Group's and the Bank's risk grading to categorise exposures according to the degree of risk of default. Risk grades are subject to regular reviews.
- Developing and maintaining the Group's and the Bank's processes for measuring ECL including monitoring of credit risk, incorporation of forward-looking information and the method used to measure ECL.
- Ensuring that the Group and the Bank have policies and procedures in place to appropriately maintain and validate models used to assess and measure ECL.
- Establishing a sound credit risk accounting assessment and measurement process that provides it with a strong basis for common systems, tools and data to assess credit risk and to account for ECL. Providing advice, guidance and specialist skills to business units to promote best practice throughout the Group and the Bank in the management of credit risk.

The internal audit function performs regular audits making sure that the established controls and procedures are adequately designed and implemented.

(ii). Credit quality analysis

The following table sets out information about the credit quality of financial assets measured at amortised cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments, the amounts in the table represent the amounts committed.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

39. Financial risk management (continued)

B. Credit risk (continued)

(ii). Credit quality analysis (continued)

Group and Bank	31 December 2022				
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	US\$	Total KHR'000 (Note 7)
Balances with other banks:					
Normal	34,191,591	-	-	34,191,591	140,766,780
Loss allowance	(260,427)	-	-	(260,427)	(1,072,178)
Carrying amounts	<u>33,931,164</u>	<u>-</u>	<u>-</u>	<u>33,931,164</u>	<u>139,694,602</u>
Loans and advances to other financial institutions:					
Normal	71,335,869	-	-	71,335,869	293,689,773
Loss allowance	(460,155)	-	-	(460,155)	(1,894,458)
Carrying amounts	<u>70,875,714</u>	<u>-</u>	<u>-</u>	<u>70,875,714</u>	<u>291,795,315</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

39. Financial risk management (continued)

B. Credit risk (continued)

(ii). Credit quality analysis (continued)

Group and Bank	31 December 2022				
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	US\$	Total KHR'000 (Note 7)
Loans and advances to customers:					
Normal	353,016,193	-	-	353,016,193	1,453,367,666
Special mention	-	7,299,279	-	7,299,279	30,051,132
Substandard	-	-	2,952,720	2,952,720	12,156,348
Doubtful	-	-	1,549,143	1,549,143	6,377,822
Loss	-	-	1,308,520	1,308,520	5,387,177
Gross loan	353,016,193	7,299,279	5,810,383	366,125,855	1,507,340,145
Loss allowance	(1,161,900)	(172,778)	(1,864,559)	(3,199,237)	(13,171,259)
Carrying amounts	<u>351,854,293</u>	<u>7,126,501</u>	<u>3,945,824</u>	<u>362,926,618</u>	<u>1,494,168,886</u>
Investment securities at amortised cost					
Normal	5,056,507	-	-	5,056,507	20,817,639
Loss allowance	(99,324)	-	-	(99,324)	(408,917)
Carrying amounts	<u>4,957,183</u>	<u>-</u>	<u>-</u>	<u>4,957,183</u>	<u>20,408,722</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

39. Financial risk management (continued)

B. Credit risk (continued)

(ii). Credit quality analysis (continued)

Group	31 December 2022				Total	KHR'000 (Note 7)
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	US\$		
Other assets						
Normal	2,533,506	-	-	2,533,506	10,430,444	
Loss allowance	(10,806)	-	-	(10,806)	(44,488)	
Carrying amounts	<u>2,522,700</u>	<u>-</u>	<u>-</u>	<u>2,522,700</u>	<u>10,385,956</u>	
Bank						
Other assets						
Normal	2,527,460	-	-	2,527,460	10,405,553	
Loss allowance	(10,806)	-	-	(10,806)	(44,488)	
Carrying amounts	<u>2,516,654</u>	<u>-</u>	<u>-</u>	<u>2,516,654</u>	<u>10,361,065</u>	

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

39. Financial risk management (continued)

B. Credit risk (continued)

(ii). Credit quality analysis (continued)

Group and Bank	31 December 2022				
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	US\$	Total KHR'000 (Note 7)
Loan commitments:					
Normal	8,741,733	-	-	8,741,733	35,989,715
Loss allowance	(37,579)	-	-	(37,579)	(154,713)
Carrying amounts	<u>8,704,154</u>	<u>-</u>	<u>-</u>	<u>8,704,154</u>	<u>35,835,002</u>
Guarantees:					
Normal	641,000	-	-	641,000	2,638,997
Loss allowance	(3,116)	-	-	(3,116)	(12,829)
Carrying amounts	<u>637,884</u>	<u>-</u>	<u>-</u>	<u>637,884</u>	<u>2,626,168</u>
Unused portion of credit card:					
Normal	10,601,189	-	-	10,601,189	43,645,095
Special mention	-	128,933	-	128,933	530,817
Substandard	-	-	32,586	32,586	134,157
Doubtful	-	-	980	980	4,035
Loss	-	-	2,216	2,216	9,123
Gross amounts	<u>10,601,189</u>	<u>128,933</u>	<u>35,782</u>	<u>10,765,904</u>	<u>44,323,227</u>
Loss allowance	<u>(13,895)</u>	<u>(452)</u>	<u>-</u>	<u>(14,347)</u>	<u>(59,066)</u>
Carrying amounts	<u>10,587,294</u>	<u>128,481</u>	<u>35,782</u>	<u>10,751,557</u>	<u>44,264,161</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

39. Financial risk management (continued)

B. Credit risk (continued)

(ii). Credit quality analysis (continued)

Group and Bank	31 December 2021				
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	US\$	Total KHR'000 (Note 7)
Balances with other banks:					
Normal	23,072,087	-	-	23,072,087	93,995,682
Loss allowance	(229,259)	-	-	(229,259)	(934,001)
Carrying amounts	<u>22,842,828</u>	<u>-</u>	<u>-</u>	<u>22,842,828</u>	<u>93,061,681</u>
Loans and advances to other financial institutions:					
Normal	42,227,168	-	-	42,227,168	172,033,482
Loss allowance	(226,301)	-	-	(226,301)	(921,950)
Carrying amounts	<u>42,000,867</u>	<u>-</u>	<u>-</u>	<u>42,000,867</u>	<u>171,111,532</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

39. Financial risk management (continued)

B. Credit risk (continued)

(ii). Credit quality analysis (continued)

Group and Bank	31 December 2021				
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	US\$	Total KHR'000 (Note 7)
Loans and advances to customers:					
Normal	254,938,301	-	-	254,938,301	1,038,618,639
Special mention	-	12,978,826	-	12,978,826	52,875,737
Substandard	-	-	2,723,195	2,723,195	11,094,296
Doubtful	-	-	5,822,006	5,822,006	23,718,852
Loss	-	-	767,745	767,745	3,127,793
Gross loan	254,938,301	12,978,826	9,312,946	277,230,073	1,129,435,317
Loss allowance	(668,379)	(519,670)	(3,124,837)	(4,312,886)	(17,570,697)
Carrying amounts	254,269,922	12,459,156	6,188,109	272,917,187	1,111,864,620

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

39. Financial risk management (continued)

B. Credit risk (continued)

(ii). Credit quality analysis (continued)

Group	31 December 2021				Total	KHR'000 (Note 7)
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	US\$		
Other assets						
Normal	2,124,681	-	-	2,124,681	8,655,950	
Loss allowance	(6,628)	-	-	(6,628)	(27,002)	
Carrying amounts	<u>2,118,053</u>	<u>-</u>	<u>-</u>	<u>2,118,053</u>	<u>8,628,948</u>	
Bank						
Other assets						
Normal	2,122,023	-	-	2,122,023	8,645,122	
Loss allowance	(6,628)	-	-	(6,628)	(27,002)	
Carrying amounts	<u>2,115,395</u>	<u>-</u>	<u>-</u>	<u>2,115,395</u>	<u>8,618,120</u>	

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

39. Financial risk management (continued)

B. Credit risk (continued)

(ii). Credit quality analysis (continued)

Group and Bank	31 December 2021				
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	US\$	Total KHR'000 (Note 7)
Loan commitments:					
Normal	12,233,701	-	-	12,233,701	49,840,098
Loss allowance	(15,507)	-	-	(15,507)	(63,176)
Carrying amounts	<u>12,218,194</u>	<u>-</u>	<u>-</u>	<u>12,218,194</u>	<u>49,776,922</u>
Guarantees:					
Normal	741,360	-	-	741,360	3,020,301
Loss allowance	(1,611)	-	-	(1,611)	(6,563)
Carrying amounts	<u>739,749</u>	<u>-</u>	<u>-</u>	<u>739,749</u>	<u>3,013,738</u>
Unused portion of credit card:					
Normal	9,679,033	-	-	9,679,033	39,432,380
Special mention	-	55,026	-	55,026	224,176
Substandard	-	-	10,956	10,956	44,635
Doubtful	-	-	499	499	2,033
Loss	-	-	3,596	3,596	14,650
Gross amounts	<u>9,679,033</u>	<u>55,026</u>	<u>15,051</u>	<u>9,749,110</u>	<u>39,717,874</u>
Loss allowance	<u>(11,133)</u>	<u>(318)</u>	<u>-</u>	<u>(11,451)</u>	<u>(46,651)</u>
Carrying amounts	<u>9,667,900</u>	<u>54,708</u>	<u>15,051</u>	<u>9,737,659</u>	<u>39,671,223</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

39. Financial risk management (continued)

B. Credit risk (continued)

(ii). Credit quality analysis (continued)

The table below summarises the loss allowance as of the year end by class of exposure.

Group and Bank	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)
Loans and advances to other financial institutions	460,155	1,894,458	226,301	921,950
Loans and advances to customers at amortised cost	3,199,237	13,171,259	4,312,886	17,570,697
Loan commitments and financial guarantee contracts	55,042	226,608	28,569	116,390
Balances with other banks at amortised cost	260,427	1,072,178	229,259	934,001
Investment securities at amortised cost	99,324	408,917	-	-
Other assets	10,806	44,488	6,628	27,002
	<u>4,084,991</u>	<u>16,817,908</u>	<u>4,803,643</u>	<u>19,570,040</u>

(iii). Collateral held

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

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

Cash and cash equivalents, balances with other banks, loans and advances to other financial institutions, investments and other assets

Collateral is generally not sought for these assets.

Small and Medium Entity (SME) Retail Loans and Mortgage Loans (secured loans)

The Group and the Bank hold properties as collaterals for majority of loans, and the collaterals include fixed deposits issued by the Bank, commercial real estate, residential real estate, industrial real estate, and land. The Group and the Bank set Loan-To-Collateral Value ("LTV") < 80% as the maximum eligible ratio for loan disbursement to customers.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

39. Financial risk management (continued)

B. Credit risk (continued)

(iii). Collateral held (continued)

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

Group and Bank	Collateral/credit enhancement				Unsecured credit exposure US\$	Total US\$
	Properties US\$	Floating assets US\$	Fixed deposits US\$	Others US\$		
31 December 2022						
Loans and advances to other financial institutions	1,931,684	-	-	-	69,404,185	71,335,869
Loans and advances to customers	358,056,155	-	-	108,408	7,961,292	366,125,855
Commitments	-	-	641,000	-	19,507,637	20,148,637
Total US\$	<u>359,987,839</u>	<u>-</u>	<u>641,000</u>	<u>108,408</u>	<u>96,873,114</u>	<u>457,610,361</u>
Total KHR'000 (Note 7)	<u>1,482,069,934</u>	<u>-</u>	<u>2,638,997</u>	<u>446,316</u>	<u>398,826,610</u>	<u>1,883,981,857</u>

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

Group and Bank	Collateral/credit enhancement				Unsecured credit exposure US\$	Total US\$
	Properties US\$	Floating assets US\$	Fixed deposits US\$	Others US\$		
31 December 2021						
Loans and advances to other financial institutions	2,507,406	-	-	-	39,719,762	42,227,168
Loans and advances to customers	262,376,553	-	1,368,921	114,618	13,369,981	277,230,073
Commitments	-	-	741,360	-	21,982,811	22,724,171
Total US\$	<u>264,883,959</u>	<u>-</u>	<u>2,110,281</u>	<u>114,618</u>	<u>75,072,554</u>	<u>342,181,412</u>
Total KHR'000 (Note 7)	<u>1,079,137,249</u>	<u>-</u>	<u>8,597,285</u>	<u>466,954</u>	<u>305,845,585</u>	<u>1,394,047,072</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

39. Financial risk management (continued)

B. Credit risk (continued)

(iv). Amounts arising from ECL

Inputs, assumptions and techniques used for estimating impairment

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

- balances with other banks,
- Loans and advances to customers;
- loan commitments; and
- Financial guarantee contracts issued.

No impairment loss is recognised on equity investments.

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

- balances with the NBC that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Group and the Bank do not apply the low credit risk exemption to any other financial instruments.

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

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

Credit-impaired financial assets

At each reporting date, the Group and the Bank assess whether financial assets carried at amortised cost are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

39. Financial risk management (continued)

B. Credit risk (continued)

(iv). Amounts arising from ECL (continued)

Credit-impaired financial assets (continued)

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan by the Group and the Bank on terms that the Group and the Bank would not consider otherwise; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a long-term loan that is overdue more than 90 days and 30 days for short-term loans per CIFRS rebuttable assumption is considered credit-impaired even when the regulatory definition of default is different.

Credit-impaired Loans and advances to customers are graded as substandard, doubtful and loss in the Group's and the Bank's internal credit risk grading system.

Credit risk grades

The Group and the Bank allocate each exposure to a credit risk grade based on the prudential definition of NBC which applies the number of days past due as the grading criteria. The grades are:

1. Standard
2. Special mention
3. Substandard
4. Doubtful
5. Loss

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

39. Financial risk management (continued)

B. Credit risk (continued)

(iv). Amounts arising from ECL (continued)

Credit risk grades (continued)

Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves the use of following data.

- Past repayment history;
- Financial conditions of counterparty;
- Business prospective and cash projection;
- Ability and willingness to pay;
- Economic environment; and
- Quality of documentation.

Significant increase in credit risk

The Group and the Bank consider the significant increase in credit risk into two stages as below:

Significant increases in credit risk in Stage 2

The change in levels of credit risk over the expected life of a financial instrument is assessed by comparing credit risk at each reporting date with the associated instrument's credit risk at initial recognition. The qualitative and quantitative measures to determine whether a significant increase in credit risk has occurred are outlined below.

- 30 days past due (DPD) for long-term loans and 15 days past due for short-term loans as backstop; and
- Use of other qualitative indicators

The Group and the Bank use 30 DPD for long-term loans and 15 DPD for short-term loans as a backstop and applies the rebuttable assumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 DPD for long-term loans and 15 DPD for short-term loans. Moreover, loans which are restructured and classified as special mention will be changed from Stage 1 to Stage 2.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

39. Financial risk management (continued)

B. Credit risk (continued)

(iv). Amounts arising from ECL (continued)

Significant increase in credit risk (continued)

Significant increases in credit risk in Stage 3

A financial instrument that has been credit-impaired since origination or purchase is automatically classified as a Stage 3 financial instrument. Evidence that a financial asset is credit-impaired includes observable data related to the following events:

- Significant financial difficulty of the issuer or the borrower;
- A breach of contract, such as a default or past due event;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for the financial asset because of financial difficulties for example debtor's business status, debtor during litigation process, frequency of entering debt restructuring etc.
- Fraudulent debtors
- Partially NPL sales or partially write off
- Deceased
- Trouble debt restructuring (TDR) unsuccessful.

The Group and the Bank also apply 90 DPD for long-term loans and 30 DPD for short-term loans as a backstop in moving a facility from Stage 2 to Stage 3 and consider a facility as credit-impaired. Moreover, loans which are restructured and classified as substandard, doubtful or loss will be changed from Stage 2 to Stage 3.

The Group and the Bank are monitoring the economic environment in response to the Covid-19 pandemic and is taking actions to limit its exposure to customers that are severely impacted. In 2022, certain loan limits have been reduced, particularly for customers operating in the impacted industries.

Definition of default

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

- the borrower is unlikely to pay its credit obligations to the Group and the Bank in full, without recourse by the Group and the Bank to actions such as realising security (if any is held);
- the borrower is on any material credit obligation to the Group and the Bank; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

39. Financial risk management (continued)

B. Credit risk (continued)

(iv). Amounts arising from ECL (continued)

Incorporation of forward-looking information

The Group and the Bank analysed forward-looking information by using the statistical regression model for assessment to see whether the credit risk of an instrument has increased significantly to the measurement of ECL.

External information considered includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Group and the Bank operate, supranational organisations such as International Monetary Fund.

The Group and the Bank have identified and documented the key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Modified financial assets

The Group and the Bank renegotiate Loans and advances to customers in financial difficulties (referred to as restructure activities) to maximise collection opportunities and minimise the risk of default. Under the Group's and the Bank's restructure policy, loan is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms. The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants.

For financial assets modified as part of the Group's and the Bank's restructure policy, the estimate of PD reflects whether the modification has improved or restored the Group's and the Bank's ability to collect interest and principal and the Group's and the Bank's previous experience. As part of this process, the Group and the Bank evaluate the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.

Generally, restructure is a qualitative indicator of a significant increase in credit risk and an expectation of restructure may constitute evidence that an exposure is credit-impaired. A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to Stage 1.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

39. Financial risk management (continued)

B. Credit risk (continued)

(iv). Amounts arising from ECL (continued)

Measurement of ECL

ECL is a probability-weighted estimate of credit losses. It is measured as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group and the Bank in accordance with the contract and the cash flows that the Group expects to receive);
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows; and
- Undrawn loan commitments: a credit loss is the present value of the difference between the contractual cash flows that are due to the Group and the Bank if the holder of the loan commitment draws down the loan and the cash flows that the entity expects to receive if the loan is drawn down.

There are two methodologies defined for ECL Computation:

- Sophisticated: PD/LGD approach. For each year throughout the financial instrument's life, a forward-looking PD, LGD and EAD are estimated. The estimates are multiplied with each other to estimate the losses for each of the years. Then the estimates are discounted back to the reporting date using the EIR or proxy rates as the discount rates.
- Simplified: ECL percentage approach. There could be exceptions in case of some portfolios such as deposits and placement. Considering the expected life, counterparty's credit quality of these assets, the ECL percentage approach would be used.

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

Loss allowance – Loans and advances to other financial institutions at amortised cost:

	31 December 2022				
	Stage 1 12-month ECL US\$	Stage 2 Lifetime ECL US\$	Stage 3 Lifetime ECL US\$	Total US\$	Total KHR'000 (Note 7)
Loss allowance					
as at 1 January 2022	226,301	-	-	226,301	921,950
Net remeasurement of loss allowances (*)	18,058	-	-	18,058	73,803
New financial assets originated	284,973	-	-	284,973	1,164,685
Financial assets that have been derecognised	(69,177)	-	-	(69,177)	(282,726)
Currency translation difference	-	-	-	-	16,746
Loss allowance as at 31 December 2022	460,155	-	-	460,155	1,894,458

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

39. Financial risk management (continued)

B. Credit risk (continued)

(iv). Amounts arising from ECL (continued)

Measurement of ECL (continued)

Loss allowance – Loans and advances to other financial institutions at amortised cost: (continued)

Group and Bank	31 December 2021				
	Stage 1	Stage 2	Stage 3	Total	
	12-month	Lifetime	Lifetime		
	ECL	ECL	ECL	US\$	KHR'000
	US\$	US\$	US\$	(Note 7)	
Loss allowance					
as at 1 January 2021	165,545	-	-	165,545	669,630
Net remeasurement of					
loss allowances (*)	13,098	-	-	13,098	53,283
New financial assets originated	53,992	-	-	53,992	219,639
Financial assets that have					
been derecognised	(6,334)	-	-	(6,334)	(25,767)
Currency translation difference	-	-	-	-	5,165
Loss allowance					
as at 31 December 2021	<u>226,301</u>	<u>-</u>	<u>-</u>	<u>226,301</u>	<u>921,950</u>
Group and Bank	31 December 2022				
	Stage 1	Stage 2	Stage 3	Total	
	12-month	Lifetime	Lifetime		
	ECL	ECL	ECL	US\$	KHR'000
	US\$	US\$	US\$	(Note 7)	
Loss allowance					
as at 1 January 2022	668,379	519,670	3,124,837	4,312,886	17,570,697
Changes in the loss allowance					
Transfer to stage 1	165,943	(158,423)	(7,520)	-	-
Transfer to stage 2	(3,994)	24,415	(20,421)	-	-
Transfer to stage 3	(1,456)	(19,445)	20,901	-	-
Net remeasurement of					
loss allowances (*)	76,049	(109,301)	430,040	396,788	1,621,673
New financial assets originated	428,683	33,124	932,219	1,394,026	5,697,384
Financial assets that have					
been derecognised	(171,704)	(117,262)	(416,595)	(705,561)	(2,883,628)
Write-offs	-	-	(2,198,902)	(2,198,902)	(8,986,912)
Currency translation difference	-	-	-	-	152,045
Loss allowance					
as at 31 December 2022	<u>1,161,900</u>	<u>172,778</u>	<u>1,864,559</u>	<u>3,199,237</u>	<u>13,171,259</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

39. Financial risk management (continued)

B. Credit risk (continued)

(iv). Amounts arising from ECL (continued)

Measurement of ECL (continued)

Loss allowance – Loans and advances to customers at amortised cost: (continued)

Group and Bank	31 December 2021				
	Stage 1	Stage 2	Stage 3	Total	
	12-month	Lifetime	Lifetime		
	ECL	ECL	ECL	US\$	KHR'000
	US\$	US\$	US\$		(Note 7)
Loss allowance					
as at 1 January 2021	455,085	100,679	2,733,939	3,289,703	13,976,478
Changes in the loss allowance					
Transfer to stage 1	27,644	(17,912)	(9,732)	-	-
Transfer to stage 2	(26,207)	159,799	(133,592)	-	-
Transfer to stage 3	(2,223)	(21,536)	23,759	-	-
Net remeasurement of					
loss allowances (*)	14,627	90,255	481,854	586,736	2,386,842
New financial assets originated	340,094	236,237	2,078,616	2,654,947	10,800,324
Financial assets that have					
been derecognised	(140,641)	(27,852)	(974,317)	(1,142,810)	(4,648,951)
Write-offs	-	-	(1,075,690)	(1,075,690)	(4,375,907)
Currency translation difference	-	-	-	-	(568,089)
Loss allowance					
as at 31 December 2021	<u>668,379</u>	<u>519,670</u>	<u>3,124,837</u>	<u>4,312,886</u>	<u>17,570,697</u>

(*) Includes the net remeasurement of loss allowances (after transfers) attributable mainly to changes in volume and in the credit quality of existing loans.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

39. Financial risk management (continued)

B. Credit risk (continued)

(iv). Amounts arising from ECL (continued)

Measurement of ECL (continued)

Loss allowance – Loan commitments and financial guarantee contracts:

Group and Bank	31 December 2022				
	Stage 1 12-month ECL US\$	Stage 2 Lifetime ECL US\$	Stage 3 Lifetime ECL US\$	Total	
				US\$	KHR'000 (Note 7)
Loss allowances as at 1 January 2022	28,251	318	-	28,569	116,390
Changes in the loss allowance					
Transfer to stage 1	139	(139)	-	-	-
Transfer to stage 2	(124)	124	-	-	-
Transfer to stage 3	(20)	(9)	29	-	-
Net remeasurement of loss allowances	23,706	221	(29)	23,898	97,671
New financial assets originated	7,698	38	-	7,736	31,617
Financial assets that have been derecognised	(5,060)	(101)	-	(5,161)	(21,093)
Currency translation difference	-	-	-	-	2,023
Loss allowances as at 31 December 2022	<u>54,590</u>	<u>452</u>	<u>-</u>	<u>55,042</u>	<u>226,608</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

39. Financial risk management (continued)

B. Credit risk (continued)

(iv). Amounts arising from ECL (continued)

Measurement of ECL (continued)

Loss allowance – Loan commitments and financial guarantee contracts: (continued)

Group and Bank	31 December 2021				
	Stage 1	Stage 2	Stage 3	Total	
	12-month ECL US\$	Lifetime ECL US\$	Lifetime ECL US\$	US\$	KHR'000 (Note 7)
Loss allowances as at 1 January 2021	47,419	7,232	-	54,651	221,063
Changes in the loss allowance					
Transfer to stage 1	5,685	(5,685)	-	-	-
Transfer to stage 2	(202)	202	-	-	-
Transfer to stage 3	(74)	(19)	93	-	-
Net remeasurement of loss allowances	(24,363)	(176)	(93)	(24,632)	(100,203)
New financial assets originated	6,268	48	-	6,316	25,693
Financial assets that have been derecognised	(6,482)	(1,284)	-	(7,766)	(31,592)
Currency translation difference	-	-	-	-	1,429
Loss allowances as at 31 December 2021	<u>28,251</u>	<u>318</u>	<u>-</u>	<u>28,569</u>	<u>116,390</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

39. Financial risk management (continued)

B. Credit risk (continued)

(iv). Amounts arising from ECL (continued)

Measurement of ECL (continued)

Loss allowance – Balances with other banks at amortised cost:

Group and Bank	31 December 2022				
	Stage 1	Stage 2	Stage 3	Total	
	12-month	Lifetime	Lifetime		
	ECL	ECL	ECL	US\$	KHR'000
	US\$	US\$	US\$		(Note 7)
Loss allowance					
as at 1 January 2022	229,259	-	-	229,259	934,001
Net remeasurement of					
loss allowance	-	-	-	-	-
New financial assets originated	31,168	-	-	31,168	127,384
Currency translation difference	-	-	-	-	10,793
Loss allowance					
as at 31 December 2022	<u>260,427</u>	<u>-</u>	<u>-</u>	<u>260,427</u>	<u>1,072,178</u>
Group and Bank	31 December 2021				
	Stage 1	Stage 2	Stage 3	Total	
	12-month	Lifetime	Lifetime		
	ECL	ECL	ECL	US\$	KHR'000
	US\$	US\$	US\$		(Note 7)
Loss allowance					
as at 1 January 2021	311,109	-	-	311,109	1,258,436
Net remeasurement of					
loss allowance	(101,682)	-	-	(101,682)	(413,642)
New financial assets originated	19,832	-	-	19,832	80,677
Currency translation difference	-	-	-	-	8,530
Loss allowance					
as at 31 December 2021	<u>229,259</u>	<u>-</u>	<u>-</u>	<u>229,259</u>	<u>934,001</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

39. Financial risk management (continued)

B. Credit risk (continued)

(iv). Amounts arising from ECL (continued)

Measurement of ECL (continued)

Loss allowance – Other assets:

Group and Bank	31 December 2022				
	Stage 1	Stage 2	Stage 3	Total	
	12-month	Lifetime	Lifetime		
	ECL	ECL	ECL	US\$	KHR'000
	US\$	US\$	US\$	(Note 7)	
Loss allowance					
as at 1 January 2022	6,628	-	-	6,628	27,002
Net remeasurement of					
loss allowance	-	-	-	-	-
New financial assets originated	4,178	-	-	4,178	17,075
Currency translation difference	-	-	-	-	411
Loss allowance					
as at 31 December 2022	<u>10,806</u>	<u>-</u>	<u>-</u>	<u>10,806</u>	<u>44,488</u>
Group and Bank	31 December 2021				
	Stage 1	Stage 2	Stage 3	Total	
	12-month	Lifetime	Lifetime		
	ECL	ECL	ECL	US\$	KHR'000
	US\$	US\$	US\$	(Note 7)	
Loss allowance					
as at 1 January 2021	10,761	-	-	10,761	43,529
Net remeasurement of					
loss allowance	(4,133)	-	-	(4,133)	(16,850)
New financial assets originated	-	-	-	-	-
Currency translation difference	-	-	-	-	323
Loss allowance					
as at 31 December 2021	<u>6,628</u>	<u>-</u>	<u>-</u>	<u>6,628</u>	<u>27,002</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

39. Financial risk management (continued)

B. Credit risk (continued)

(iv). Amounts arising from ECL (continued)

Measurement of ECL (continued)

Loss allowance – Investment securities as at amortised cost:

Group and Bank	31 December 2022				
	Stage 1	Stage 2	Stage 3	Total	
	12-month	Lifetime	Lifetime		
	ECL	ECL	ECL	US\$	KHR'000
	US\$	US\$	US\$		(Note 7)
Loss allowance					
as at 1 January 2022	-	-	-	-	-
Net remeasurement of					
loss allowance	-	-	-	-	-
New financial assets originated	99,324	-	-	99,324	405,937
Currency translation difference	-	-	-	-	2,980
Loss allowance					
as at 31 December 2022	<u>99,324</u>	<u>-</u>	<u>-</u>	<u>99,324</u>	<u>408,917</u>

There is no loss allowance for investment securities as amortised cost for the year ended 31 December 2021.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

39. Financial risk management (continued)

B. Credit risk (continued)

(iv). Amounts arising from ECL (continued)

Measurement of ECL (continued)

More information about the significant changes in the gross carrying amount of financial assets during the period that contributed to changes in the loss allowance, is provided at the table below:

Loans and advances to other financial institutions at amortised cost at amortised cost:

	31 December 2022				
	Stage 1 12-month US\$	Stage 2 Lifetime US\$	Stage 3 Lifetime US\$	US\$	Total KHR'000 (Note 7)
Group and Bank					
Gross carrying amounts as at 1 January 2022	42,227,168	-	-	42,227,168	172,033,482
Net remeasurement of loss allowances	(1,847,355)	-	-	(1,847,355)	(7,550,140)
New financial assets originated	43,915,357	-	-	43,915,357	179,482,064
Financial assets that have been derecognised	(12,959,301)	-	-	(12,959,301)	(52,964,663)
Currency translation difference	-	-	-	-	2,689,030
Gross carrying amounts as at 31 December 2022	71,335,869	-	-	71,335,869	293,689,773
Loss allowance as at 31 December 2022	(460,155)	-	-	(460,155)	(1,894,458)
Net carrying amounts as at 31 December 2022	70,875,714	-	-	70,875,714	291,795,315

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

39. Financial risk management (continued)

B. Credit risk (continued)

(iv). Amounts arising from ECL (continued)

Measurement of ECL (continued)

Loans and advances to other financial institutions at amortised cost: (continued)

	31 December 2021				
	Stage 1	Stage 2	Stage 3	Total	
	12-month US\$	Lifetime US\$	Lifetime US\$	US\$	KHR'000 (Note 7)
Group and Bank					
Gross carrying amounts as at 1 January 2021	45,416,440	-	-	45,416,440	183,709,500
Net remeasurement of loss allowances	(10,860,966)	-	-	(10,860,966)	(44,182,410)
New financial assets originated	10,143,507	-	-	10,143,507	41,263,786
Financial assets that have been derecognised	(2,471,813)	-	-	(2,471,813)	(10,055,335)
Currency translation difference	-	-	-	-	1,297,941
Gross carrying amounts as at 31 December 2021	42,227,168	-	-	42,227,168	172,033,482
Loss allowance as at 31 December 2021	(226,301)	-	-	(226,301)	(921,950)
Net carrying amounts as at 31 December 2021	42,000,867	-	-	42,000,867	171,111,532

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

39. Financial risk management (continued)

B. Credit risk (continued)

(iv). Amounts arising from ECL (continued)

Measurement of ECL (continued)

More information about the significant changes in the gross carrying amount of financial assets during the period that contributed to changes in the loss allowance, is provided at the table below:

Loans and advances to customers at amortised cost:

	31 December 2022				
	Stage 1 12-month US\$	Stage 2 Lifetime US\$	Stage 3 Lifetime US\$	US\$	Total KHR'000 (Note 7)
Group and Bank					
Gross carrying amounts as at 1 January 2022	254,938,301	12,978,826	9,312,946	277,230,073	1,129,435,317
Change in gross carrying amounts					
Transfer to stage 1	5,655,539	(5,588,439)	(67,100)	-	-
Transfer to stage 2	(3,067,395)	3,182,342	(114,947)	-	-
Transfer to stage 3	(888,021)	(770,183)	1,658,204	-	-
Net remeasurement of loss allowances	(19,891,911)	(250,878)	(132,496)	(20,275,285)	(82,865,090)
New financial assets originated	165,770,941	2,223,165	2,102,479	170,096,585	695,184,743
Financial assets that have been derecognised	(49,501,261)	(4,475,554)	(4,749,801)	(58,726,616)	(240,015,680)
Write-offs	-	-	(2,198,902)	(2,198,902)	(8,986,912)
Currency translation difference	-	-	-	-	14,587,767
Gross carrying amounts as at 31 December 2022	353,016,193	7,299,279	5,810,383	366,125,855	1,507,340,145
Loss allowance as at 31 December 2022	(1,161,900)	(172,778)	(1,864,559)	(3,199,237)	(13,171,259)
Net carrying amounts as at 31 December 2022	351,854,293	7,126,501	3,945,824	362,926,618	1,494,168,886

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

39. Financial risk management (continued)

B. Credit risk (continued)

(iv). Amounts arising from ECL (continued)

Measurement of ECL (continued)

Loans and advances to customers at amortised cost: (continued)

	31 December 2021				
	Stage 1 12-month US\$	Stage 2 Lifetime US\$	Stage 3 Lifetime US\$	US\$	Total KHR'000 (Note 7)
Group and Bank					
Gross carrying amounts as at 1 January 2021	199,714,595	6,556,202	9,133,615	215,404,412	871,310,847
Change in gross carrying amounts					
Transfer to stage 1	2,145,474	(2,112,836)	(32,638)	-	-
Transfer to stage 2	(6,131,199)	6,595,834	(464,635)	-	-
Transfer to stage 3	(2,992,272)	(994,796)	3,987,068	-	-
Net remeasurement of loss allowances	(16,262,985)	(559,895)	(2,223,359)	(19,046,239)	(77,480,100)
New financial assets originated	126,808,183	5,818,574	5,144,202	137,770,959	560,452,261
Financial assets that have been derecognised	(48,343,495)	(2,324,257)	(5,155,617)	(55,823,369)	(227,089,465)
Write-offs	-	-	(1,075,690)	(1,075,690)	(4,375,907)
Currency translation difference	-	-	-	-	6,617,681
Gross carrying amounts as at 31 December 2021	254,938,301	12,978,826	9,312,946	277,230,073	1,129,435,317
Loss allowance as at 31 December 2021	(668,379)	(519,670)	(3,124,837)	(4,312,886)	(17,570,697)
Net carrying amounts as at 31 December 2021	254,269,922	12,459,156	6,188,109	272,917,187	1,111,864,620

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

39. Financial risk management (continued)

B. Credit risk (continued)

(v). Concentration of credit risk

Concentration risk by industrial sectors

Group	31 December 2022							Total US\$	KHR'000 (Note 7)
	Balances with other banks US\$	Loans and advances to other financial institutions US\$	Loans and advances to customers US\$	Investment securities US\$	Other assets US\$	Loan commitments and financial guarantee contracts US\$	US\$		
Carrying amounts	33,931,164	70,875,714	362,926,618	4,982,771	2,522,700	(55,042)	475,183,925	1,956,332,219	
Amount committed	-	-	-	-	-	20,148,637	20,148,637	82,951,939	
Concentration by sector:									
External customers									
Depository institutions	33,931,164	29,025,954	-	-	-	-	62,957,118	259,194,455	
Other financial intuitions	-	41,849,760	-	-	-	-	41,849,760	172,295,462	
Agriculture, forestry and fishing	-	-	2,439,901	-	-	-	2,439,901	10,045,072	
Manufacturing	-	-	3,259,400	-	-	-	3,259,400	13,418,950	
Utilities	-	-	93,049	-	-	-	93,049	383,083	
Construction	-	-	57,584,386	-	-	-	57,584,386	237,074,917	
Wholesale trade	-	-	12,792,660	-	-	-	12,792,660	52,667,381	
Retail trade	-	-	10,015,902	-	-	8,741,733	18,757,635	77,225,183	
Subtotal	33,931,164	70,875,714	86,185,298	-	-	8,741,733	199,733,909	822,304,503	

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

39. Financial risk management (continued)

B. Credit risk (continued)

(v). Concentration of credit risk (continued)

Concentration risk by industrial sectors (continued)

31 December 2022								
Group	Balances with	Loans and	Loans and	Investment	Other assets	Loan commitments	Total	
	other banks	advances to	advances to	securities		and financial	US\$	KHR'000
	US\$	other financial	customers	US\$	US\$	guarantee		(Note 7)
		institutions	US\$			contracts		
		US\$				US\$		
Concentration by sector: (continued)								
Hotel and restaurant	-	-	1,238,433	-	-	-	1,238,433	5,098,629
Transport and storage	-	-	1,224,773	-	-	-	1,224,773	5,042,390
Rental and operational leasing activities, excluded real estate leasing and rentals	-	-	1,138,339	-	-	-	1,138,339	4,686,542
Real estate activities	-	-	7,257,793	-	-	-	7,257,793	29,880,334
Personal lending	-	-	8,291,280	-	-	10,765,904	19,057,184	78,458,427
Credit cards	-	-	1,555,314	-	-	-	1,555,314	6,403,228
Mortgages, owner-occupied housing only	-	-	250,599,030	-	-	-	250,599,030	1,031,716,207
Import/Export	-	-	5,436,358	-	-	641,000	6,077,358	25,020,483
Others	-	-	-	4,982,771	2,522,700	-	7,505,471	30,900,024
Subtotal	-	-	276,741,320	4,982,771	2,522,700	11,406,904	295,653,695	1,217,206,264
Grand total	33,931,164	70,875,714	362,926,618	4,982,771	2,522,700	20,148,637	495,387,604	2,039,510,767

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

39. Financial risk management (continued)

B. Credit risk (continued)

(v). Concentration of credit risk (continued)

Concentration risk by industrial sectors (continued)

Group	31 December 2021							Total	
	Balances with other banks US\$	Loans and advances to other financial institutions US\$	Loans and advances to customers US\$	Investment securities US\$	Other assets US\$	Loan commitments and financial guarantee contracts US\$	US\$	KHR'000 (Note 7)	
Carrying amounts	22,842,828	42,000,867	272,917,187	25,588	2,118,053	(28,569)	339,875,954	1,384,654,637	
Amount committed	-	-	-	-	-	22,724,171	22,724,171	92,578,273	
Concentration by sector:									
External customers									
Depository institutions	22,842,828	21,827,334	-	-	-	-	44,670,162	181,986,240	
Other financial intuitions	-	20,173,533	-	-	-	-	20,173,533	82,186,973	
Agriculture, forestry and fishing	-	-	1,504,908	-	-	-	1,504,908	6,130,995	
Manufacturing	-	-	3,135,791	-	-	-	3,135,791	12,775,213	
Construction	-	-	51,364,702	-	-	-	51,364,702	209,259,796	
Wholesale trade	-	-	13,791,298	-	-	-	13,791,298	56,185,748	
Retail trade	-	-	19,934,683	-	-	12,233,701	32,168,384	131,053,996	
Subtotal	22,842,828	42,000,867	89,731,382	-	-	12,233,701	166,808,778	679,578,961	

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

39. Financial risk management (continued)

B. Credit risk (continued)

(v). Concentration of credit risk (continued)

Concentration risk by industrial sectors (continued)

Group	31 December 2021							Total	
	Balances with other banks US\$	Loans and advances to other financial institutions US\$	Loans and advances to customers US\$	Investment securities US\$	Other assets US\$	Loan commitments and financial guarantee contracts US\$	US\$	KHR'000 (Note 7)	
Concentration by sector: (continued)									
Hotel and restaurant	-	-	2,888,502	-	-	-	2,888,502	11,767,757	
Transport and storage	-	-	251,076	-	-	-	251,076	1,022,884	
Rental and operational leasing activities, excluded real estate leasing and rentals	-	-	313,875	-	-	-	313,875	1,278,727	
Real estate activities	-	-	8,652,758	-	-	-	8,652,758	35,251,336	
Personal lending	-	-	9,430,919	-	-	9,749,110	19,180,029	78,139,438	
Credit cards	-	-	1,277,011	-	-	-	1,277,011	5,202,543	
Mortgages, owner-occupied housing only	-	-	149,026,495	-	-	-	149,026,495	607,133,941	
Import/Export	-	-	-	-	-	741,360	741,360	3,020,301	
Other lending	-	-	11,345,169	-	-	-	11,345,169	46,220,219	
Others	-	-	-	25,588	2,118,053	-	2,143,641	8,733,193	
Subtotal	-	-	183,185,805	25,588	2,118,053	10,490,470	195,819,916	797,770,339	
Grand total	22,842,828	42,000,867	272,917,187	25,588	2,118,053	22,724,171	362,628,694	1,477,349,300	

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

39. Financial risk management (continued)

B. Credit risk (continued)

(v). Concentration of credit risk (continued)

Concentration risk by industrial sectors (continued)

31 December 2022									
Bank	Balances with other banks US\$	Loans and advances to other financial institutions US\$	Loans and advances to customers US\$	Investment securities US\$	Investment in subsidiary US\$	Other assets US\$	Loan commitments and financial guarantee contracts US\$	US\$	Total KHR'000 (Note 7)
Carrying amounts	33,931,164	70,875,714	362,926,618	4,982,771	1,548,400	2,516,654	(55,042)	476,726,279	1,962,682,091
Amount committed	-	-	-	-	-	-	20,148,637	20,148,637	82,951,939
Concentration by sector:									
External customers									
Depository institutions	33,931,164	29,025,954	-	-	-	-	-	62,957,118	259,194,455
Other financial intuitions	-	41,849,760	-	-	-	-	-	41,849,760	172,295,462
Agriculture, forestry and fishing	-	-	2,439,901	-	-	-	-	2,439,901	10,045,072
Manufacturing	-	-	3,259,400	-	-	-	-	3,259,400	13,418,950
Utilities	-	-	93,049	-	-	-	-	93,049	383,083
Construction	-	-	57,584,386	-	-	-	-	57,584,386	237,074,917
Wholesale trade	-	-	12,792,660	-	-	-	-	12,792,660	52,667,381
Retail trade	-	-	10,015,902	-	-	-	8,741,733	18,757,635	77,225,183
Subtotal	33,931,164	70,875,714	86,185,298	-	-	-	8,741,733	199,733,909	822,304,503

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

39. Financial risk management (continued)

B. Credit risk (continued)

(v). Concentration of credit risk (continued)

Concentration risk by industrial sectors (continued)

31 December 2022									
Bank	Balances with other banks US\$	Loans and advances to other financial institutions US\$	Loans and advances to customers US\$	Investment securities US\$	Investment in subsidiary US\$	Other assets US\$	Loan commitments and financial guarantee contracts US\$	US\$	Total KHR'000 (Note 7)
Hotel and restaurant	-	-	1,238,433	-	-	-	-	1,238,433	5,098,629
Transport and storage	-	-	1,224,773	-	-	-	-	1,224,773	5,042,390
Rental and operational leasing activities, excluded real estate leasing and rentals	-	-	1,138,339	-	-	-	-	1,138,339	4,686,542
Real estate activities	-	-	7,257,793	-	-	-	-	7,257,793	29,880,334
Personal lending	-	-	8,291,280	-	-	-	10,765,904	19,057,184	78,458,427
Credit cards	-	-	1,555,314	-	-	-	-	1,555,314	6,403,228
Mortgages, owner-occupied housing only	-	-	250,599,030	-	-	-	-	250,599,030	1,031,716,207
Import/Export	-	-	5,436,358	-	-	-	641,000	6,077,358	25,020,483
Others	-	-	-	4,982,771	1,548,400	2,516,654	-	9,047,825	37,249,896
Subtotal	-	-	276,741,320	4,982,771	1,548,400	2,516,654	11,406,904	297,196,049	1,223,556,136
Grand total	33,931,164	70,875,714	362,926,618	4,982,771	1,548,400	2,516,654	20,148,637	496,929,958	2,045,860,639

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

39. Financial risk management (continued)

B. Credit risk (continued)

(v). Concentration of credit risk (continued)

Concentration risk by industrial sectors (continued)

31 December 2021									
Bank	Balances with other banks US\$	Loans and advances to other financial institutions US\$	Loans and advances to customers US\$	Investment securities US\$	Investment in subsidiary US\$	Other assets US\$	Loan commitments and financial guarantee contracts US\$	US\$	Total KHR'000 (Note 7)
Carrying amounts	22,842,828	42,000,867	272,917,187	25,588	1,548,400	2,115,395	(28,569)	341,421,696	1,390,951,990
Amount committed	-	-	-	-	-	-	22,724,171	22,724,171	92,578,273
Concentration by sector:									
External customers									
Depository institutions	-	21,827,334	-	-	-	-	-	21,827,334	88,924,559
Other financial intuitions	-	20,173,533	-	-	-	-	-	20,173,533	82,186,973
Agriculture, forestry and fishing	-	-	1,504,908	-	-	-	-	1,504,908	6,130,995
Manufacturing	-	-	3,135,791	-	-	-	-	3,135,791	12,775,213
Construction	-	-	51,364,702	-	-	-	-	51,364,702	209,259,796
Wholesale trade	-	-	13,791,298	-	-	-	-	13,791,298	56,185,748
Retail trade	22,842,828	-	19,934,683	-	-	-	12,233,701	55,011,212	224,115,678
Hotel and restaurant	-	-	2,888,502	-	-	-	-	2,888,502	11,767,757
Transport and storage	-	-	251,076	-	-	-	-	251,076	1,022,884
Subtotal	22,842,828	42,000,867	92,870,960	-	-	-	12,233,701	169,948,356	692,369,603

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

39. Financial risk management (continued)

B. Credit risk (continued)

(v). Concentration of credit risk (continued)

Concentration risk by industrial sectors (continued)

31 December 2021									
Bank	Balances with other banks US\$	Loans and advances to other financial institutions US\$	Loans and advances to customers US\$	Investment securities US\$	Investment in subsidiary US\$	Other assets US\$	Loan commitments and financial guarantee contracts US\$	US\$	Total KHR'000 (Note 7)
Concentration by sector: (continued)									
Rental and operational leasing activities, excluded real estate leasing and rentals	-	-	313,875	-	-	-	-	313,875	1,278,727
Real estate activities	-	-	8,652,758	-	-	-	-	8,652,758	35,251,336
Personal lending	-	-	9,430,919	-	-	-	9,749,110	19,180,029	78,139,438
Credit cards	-	-	1,277,011	-	-	-	-	1,277,011	5,202,543
Mortgages, owner-occupied housing only	-	-	149,026,495	-	-	-	-	149,026,495	607,133,941
Import/Export	-	-	-	-	-	-	741,360	741,360	3,020,301
Other lending	-	-	11,345,169	-	-	-	-	11,345,169	46,220,219
Others	-	-	-	25,588	1,548,400	2,115,395	-	3,689,383	15,030,546
Subtotal	-	-	180,046,227	25,588	1,548,400	2,115,395	10,490,470	194,226,080	791,277,051
Grand total	22,842,828	42,000,867	272,917,187	25,588	1,548,400	2,115,395	22,724,171	364,174,436	1,483,646,654

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

39. Financial risk management (continued)

B. Credit risk (continued)

(v). Concentration of credit risk (continued)

Concentration risk by residency and relationship, and large-exposures for net loans and advances to customers:

Group and Bank	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)
By residency status:				
Non-residents	-	-	-	-
Residents	362,926,618	1,494,168,886	272,917,187	1,111,864,620
	<u>362,926,618</u>	<u>1,494,168,886</u>	<u>272,917,187</u>	<u>1,111,864,620</u>
By relationship:				
Related parties	-	-	-	-
Non related parties	362,926,618	1,494,168,886	272,917,187	1,111,864,620
	<u>362,926,618</u>	<u>1,494,168,886</u>	<u>272,917,187</u>	<u>1,111,864,620</u>
By exposure:				
Large exposures (*)	-	-	-	-
Non-large exposures	362,926,618	1,494,168,886	272,917,187	1,111,864,620
	<u>362,926,618</u>	<u>1,494,168,886</u>	<u>272,917,187</u>	<u>1,111,864,620</u>
By concession:				
Restructure (**)	15,825,317	65,152,830	12,940,635	52,720,148
Non-restructure	347,101,301	1,429,016,056	259,976,552	1,059,144,472
	<u>362,926,618</u>	<u>1,494,168,886</u>	<u>272,917,187</u>	<u>1,111,864,620</u>

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

39. Financial risk management (continued)

C. Liquidity risk

Liquidity risk refers to risk which the institution cannot meet the obligation or cannot settle debt obligation or settle position in the specific economic and financial situation and market situation. Liquidity risk arises from mismatches in the timing and amounts of cash flows, which is inherent to the Group's and the Bank's operations and investments.

(i). *Liquidity risk management*

The Group and the Bank established a comprehensive policy and control framework for managing liquidity risk. The Group's and the Bank's Asset and Liability Management Committee (ALCO) is responsible for managing the Group's and the Bank's liquidity risk via a combination of policy formation, review and governance, analysis, stress testing, limit setting and monitoring. In order to effectively manage liquidity risk the Group and the Bank:

- maintains a portfolio of highly liquid assets, in a variety of currencies and tenors;
- ensures that there is diversity in its funding base;
- monitors the behavioural characteristics of financial assets and liabilities;
- monitors liquidity reports analysing the expected maturity profile of assets and liabilities;
- establishes early warning indicators of potential liquidity stress events and ensures that there are assets available to be used as collateral if needed;
- performs regular stress tests; and
- maintains a contingency funding plan designed to provide a framework where a liquidity stress could be effectively managed.

The Group and the Bank Treasury function executes the Group's and the Bank's liquidity and funding strategy in co-operation with other business units of the Group and the Bank. The Group's and the Bank's liquidity and funding strategy is determined in accordance with relevant local regulatory requirements. The Group's and the Bank's foreign operations determine a local liquidity strategy which needs to be in line with both local regulatory framework and the Group's and the Bank's central policy.

There are daily controls in place to define and monitor compliance with the Group's and the Bank's liquidity risk appetite. The principal metric used is the result of the Group's and the Bank's liquidity stress testing, supplemented by the results of key regulatory ratios including the Liquidity Coverage Ratio (which measures the ratio of high quality liquid assets to outflows in an extreme 30 days stress scenario).

Regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. The scenarios are developed taking into account both group-specific events (e.g. a rating downgrade) and market-related events (e.g. prolonged market illiquidity, reduced fungibility of currencies, natural disasters or other catastrophes). Moreover, stress scenarios may be based on past events (historical scenario) observed within the own institution, or more commonly, on crisis situations witnessed by other institutions of similar size, business model and regional footprint. Often, the Group and the Bank also combine crisis elements from various historical situations to develop a hypothetical but plausible crisis scenario that might be more relevant to their current business model and exposure profile.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

39. Financial risk management (continued)

C. Liquidity risk (continued)

(ii). Exposure to liquidity risk

The key measure used by the Group and the Bank for managing liquidity risk is Liquidity Risk Coverage Ratio. This ratio reflects the available cash inflows (including loans to be collected and balances with other banks); cash outflows matured within 30 days (including amount to be paid to lenders, deposits from financial institutions and corporates); and adjusted retail saving deposit as well as stock of eligible liquid assets (cash on hand, all current accounts and reserve requirements with the NBC).

	Group		Bank	
	2022	2021	2022	2021
At end of the year	140%	132%	140%	132%
Average for the year	165%	191%	165%	191%
Maximum for the year	327%	381%	327%	381%
Minimum for the year	101%	126%	101%	126%

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

39. Financial risk management (continued)

C. Liquidity risk (continued)

(iii). Maturity analysis for financial liabilities and financial assets

The following tables set out the remaining contractual maturities of the Group's and the Bank's financial liabilities and financial assets.

	Group							
	Carrying amount US\$	Gross nominal inflow/(outflow) US\$	Up to 1 month US\$	> 1 – 3 months US\$	> 3 – 12 months US\$	> 1 – 5 years US\$	Over 5 years US\$	No maturity US\$
31 December 2022								
Financial liabilities by type								
Non-derivative financial liabilities								
Deposits from other financial institutions	65,492,994	(66,458,196)	(30,484,420)	(15,031,535)	(20,942,241)	-	-	-
Deposits from customers	244,433,916	(246,412,797)	(151,877,689)	(26,405,340)	(68,129,768)	-	-	-
Borrowings	135,020,860	(136,581,098)	(25,069,743)	(49,368,722)	(62,142,633)	-	-	-
Lease liabilities	2,163,047	(2,276,727)	(65,478)	(166,711)	(632,335)	(1,412,203)	-	-
Other liabilities	2,272,656	(2,272,656)	(2,272,656)	-	-	-	-	-
	<u>449,383,473</u>	<u>(454,001,474)</u>	<u>(209,769,986)</u>	<u>(90,972,308)</u>	<u>(151,846,977)</u>	<u>(1,412,203)</u>	<u>-</u>	<u>-</u>
Loan commitments and guarantees	-	20,148,637	19,507,637	-	641,000	-	-	-
In US\$	<u>449,383,473</u>	<u>(433,852,837)</u>	<u>(190,262,349)</u>	<u>(90,972,308)</u>	<u>(151,205,977)</u>	<u>(1,412,203)</u>	<u>-</u>	<u>-</u>
In KHR'000 (Note 7)	<u>1,850,111,758</u>	<u>(1,786,172,130)</u>	<u>(783,310,091)</u>	<u>(374,532,992)</u>	<u>(622,515,007)</u>	<u>(5,814,040)</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

39. Financial risk management (continued)

C. Liquidity risk (continued)

(iii). Maturity analysis for financial liabilities and financial assets (continued)

The following tables set out the remaining contractual maturities of the Group's and the Bank's financial liabilities and financial assets. (continued)

	Group							
	Carrying amount US\$	Gross nominal inflow/(outflow) US\$	Up to 1 month US\$	> 1 – 3 months US\$	> 3 – 12 months US\$	> 1 – 5 years US\$	Over 5 years US\$	No maturity US\$
31 December 2022								
Financial assets by type								
Non-derivative financial assets								
Cash on hand	15,220,906	15,220,906	15,220,906	-	-	-	-	-
Balances with the National Bank of Cambodia	29,351,824	29,342,973	2,797,228	-	-	-	-	26,545,745
Balances with other banks	33,931,164	34,278,535	7,007,411	20,170,247	-	-	-	7,100,877
Loans and advances to other financial institutions	70,875,714	79,197,094	380,515	1,286,452	9,302,654	68,227,473	-	-
Loans and advances to customers	362,926,618	558,649,186	4,786,132	2,405,379	21,327,389	113,681,160	416,449,126	-
Investment securities	4,982,771	5,794,835	-	-	-	5,769,247	-	25,588
Other assets	2,522,700	2,522,700	2,522,700	-	-	-	-	-
In US\$	<u>519,811,697</u>	<u>725,006,229</u>	<u>32,714,892</u>	<u>23,862,078</u>	<u>30,630,043</u>	<u>187,677,880</u>	<u>416,449,126</u>	<u>33,672,210</u>
In KHR'000 (Note 7)	<u>2,140,064,757</u>	<u>2,984,850,646</u>	<u>134,687,209</u>	<u>98,240,175</u>	<u>126,103,890</u>	<u>772,669,831</u>	<u>1,714,521,052</u>	<u>138,628,489</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

39. Financial risk management (continued)

C. Liquidity risk (continued)

(iii). Maturity analysis for financial liabilities and financial assets (continued)

The following tables set out the remaining contractual maturities of the Group's and the Bank's financial liabilities and financial assets. (continued)

	Group							
	Carrying amount US\$	Gross nominal inflow/(outflow) US\$	Up to 1 month US\$	> 1 – 3 months US\$	> 3 – 12 months US\$	> 1 – 5 years US\$	Over 5 years US\$	No maturity US\$
31 December 2021								
Financial liabilities by type								
Non-derivative financial liabilities								
Deposits from other financial institutions	64,361,489	(64,581,022)	(17,415,695)	(42,145,690)	(5,019,637)	-	-	-
Deposits from customers	249,274,428	(300,309,417)	(210,732,081)	(28,382,759)	(61,194,577)	-	-	-
Borrowings	4,568,168	(4,579,860)	(2,584,683)	(1,995,177)	-	-	-	-
Lease liabilities	2,826,418	(3,075,670)	(69,164)	(176,351)	(621,609)	(2,193,830)	(14,716)	-
Other liabilities	2,164,815	(2,164,815)	(2,164,815)	-	-	-	-	-
	<u>323,195,318</u>	<u>(374,710,784)</u>	<u>(232,966,438)</u>	<u>(72,699,977)</u>	<u>(66,835,823)</u>	<u>(2,193,830)</u>	<u>(14,716)</u>	<u>-</u>
Loan commitments and guarantees	-	22,724,171	21,982,811	-	741,360	-	-	-
In US\$	<u>323,195,318</u>	<u>(351,986,613)</u>	<u>(210,983,627)</u>	<u>(72,699,977)</u>	<u>(66,094,463)</u>	<u>(2,193,830)</u>	<u>(14,716)</u>	<u>-</u>
In KHR'000 (Note 7)	<u>1,316,697,726</u>	<u>(1,433,993,461)</u>	<u>(859,547,296)</u>	<u>(296,179,706)</u>	<u>(269,268,842)</u>	<u>(8,937,663)</u>	<u>(59,954)</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

39. Financial risk management (continued)

C. Liquidity risk (continued)

(iii). Maturity analysis for financial liabilities and financial assets (continued)

The following tables set out the remaining contractual maturities of the Group's and the Bank's financial liabilities and financial assets. (continued)

	Group							
	Carrying amount US\$	Gross nominal inflow/(outflow) US\$	Up to 1 month US\$	> 1 – 3 months US\$	> 3 – 12 months US\$	> 1 – 5 years US\$	Over 5 years US\$	No maturity US\$
31 December 2021								
Financial assets by type								
Non-derivative financial assets								
Cash on hand	14,255,750	14,255,750	14,255,750	-	-	-	-	-
Balances with the National Bank of Cambodia	42,983,965	42,984,970	40,884,233	2,100,737	-	-	-	-
Balances with other banks	22,842,828	23,238,448	7,022,130	6,070,921	10,145,397	-	-	-
Loans and advances to other financial institutions	42,000,867	42,652,963	43,365	57,278	9,540,799	32,579,396	432,125	-
Loans and advances to customers	272,917,187	278,230,185	4,223,628	5,109,461	40,839,404	66,351,058	161,706,634	-
Investment securities	25,588	25,588	-	-	-	-	-	25,588
Other assets	2,118,053	2,118,053	2,118,053	-	-	-	-	-
In US\$	<u>397,144,238</u>	<u>403,505,957</u>	<u>68,547,159</u>	<u>13,338,397</u>	<u>60,525,600</u>	<u>98,930,454</u>	<u>162,138,759</u>	<u>25,588</u>
In KHR'000 (Note 7)	<u>1,617,965,626</u>	<u>1,648,011,103</u>	<u>283,388,968</u>	<u>54,340,625</u>	<u>246,581,294</u>	<u>403,042,666</u>	<u>660,553,304</u>	<u>104,246</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

39. Financial risk management (continued)

C. Liquidity risk (continued)

(iii). Maturity analysis for financial liabilities and financial assets (continued)

The following tables set out the remaining contractual maturities of the Group's and the Bank's financial liabilities and financial assets. (continued)

	Bank							
	Carrying amount US\$	Gross nominal outflow US\$	Up to 1 month US\$	> 1 – 3 months US\$	> 3 – 12 months US\$	> 1 – 5 years US\$	Over 5 years US\$	No maturity US\$
31 December 2022								
Financial liabilities by type								
Non-derivative financial liabilities								
Deposits from other financial institutions	65,492,994	(66,458,196)	(30,484,420)	(15,031,535)	(20,942,241)	-	-	-
Deposits from customers	244,620,073	(246,598,958)	(152,063,848)	(26,405,342)	(68,129,768)	-	-	-
Borrowings	135,020,860	(136,581,098)	(25,069,743)	(49,368,722)	(62,142,633)	-	-	-
Lease liabilities	3,208,475	(4,593,555)	(70,187)	(176,129)	(674,716)	(1,638,235)	(2,034,288)	-
Other liabilities	2,264,326	(2,264,326)	(2,264,326)	-	-	-	-	-
	<u>450,606,728</u>	<u>(456,496,133)</u>	<u>(209,952,524)</u>	<u>(90,981,728)</u>	<u>(151,889,358)</u>	<u>(1,638,235)</u>	<u>(2,034,288)</u>	<u>-</u>
Loan commitments and guarantees	-	20,148,637	19,507,637	-	641,000	-	-	-
In US\$	<u>450,606,728</u>	<u>(436,347,496)</u>	<u>(190,444,887)</u>	<u>(90,981,728)</u>	<u>(151,248,358)</u>	<u>(1,638,235)</u>	<u>(2,034,288)</u>	<u>-</u>
In KHR'000 (Note 7)	<u>1,855,147,899</u>	<u>(1,796,442,641)</u>	<u>(784,061,600)</u>	<u>(374,571,774)</u>	<u>(622,689,490)</u>	<u>(6,744,613)</u>	<u>(8,375,164)</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

39. Financial risk management (continued)

C. Liquidity risk (continued)

(iii). Maturity analysis for financial liabilities and financial assets (continued)

The following tables set out the remaining contractual maturities of the Group's and the Bank's financial liabilities and financial assets. (continued)

	Bank							
	Carrying amount US\$	Gross nominal inflow/(outflow) US\$	Up to 1 month US\$	> 1 – 3 months US\$	> 3 – 12 months US\$	> 1 – 5 years US\$	Over 5 years US\$	No maturity US\$
31 December 2022								
Financial assets by type								
Non-derivative financial assets								
Cash on hand	15,220,906	15,220,906	15,220,906	-	-	-	-	-
Balances with the National Bank of Cambodia	29,351,824	29,342,973	2,797,228	-	-	-	-	26,545,745
Balances with other banks	33,931,164	34,278,535	7,007,411	20,170,247	-	-	-	7,100,877
Loans and advances to other financial institutions	70,875,714	79,197,094	380,515	1,286,452	9,302,654	68,227,473	-	-
Loans and advances to customers	362,926,618	558,649,186	4,786,132	2,405,379	21,327,389	113,681,160	416,449,126	-
Investment securities	4,982,771	5,794,835	-	-	-	5,769,247	-	25,588
Investment in subsidiary	1,548,400	1,548,400	-	-	-	-	-	1,548,400
Other assets	2,516,654	2,516,654	2,516,654	-	-	-	-	-
In US\$	<u>521,354,051</u>	<u>726,548,583</u>	<u>32,708,846</u>	<u>23,862,078</u>	<u>30,630,043</u>	<u>187,677,880</u>	<u>416,449,126</u>	<u>35,220,610</u>
In KHR'000 (Note 7)	<u>2,146,414,628</u>	<u>2,991,200,516</u>	<u>134,662,319</u>	<u>98,240,175</u>	<u>126,103,887</u>	<u>772,669,832</u>	<u>1,714,521,052</u>	<u>145,003,251</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

39. Financial risk management (continued)

C. Liquidity risk (continued)

(iii). Maturity analysis for financial liabilities and financial assets (continued)

The following tables set out the remaining contractual maturities of the Group's and the Bank's financial liabilities and financial assets. (continued)

	Bank							
	Carrying amount US\$	Gross nominal outflow US\$	Up to 1 month US\$	> 1 – 3 months US\$	> 3 – 12 months US\$	> 1 – 5 years US\$	Over 5 years US\$	No maturity US\$
31 December 2021								
Financial liabilities by type								
Non-derivative financial liabilities								
Deposits from other								
financial institutions	64,361,489	(64,581,022)	(17,415,695)	(42,145,690)	(5,019,637)	-	-	-
Deposits from customers	249,506,993	(300,076,852)	(210,499,516)	(28,382,759)	(61,194,577)	-	-	-
Borrowings	4,568,168	(4,579,860)	(2,584,683)	(1,995,177)	-	-	-	-
Lease liabilities	3,880,270	(5,449,006)	(73,873)	(185,769)	(663,990)	(2,419,862)	(2,105,512)	-
Other liabilities	2,157,312	(2,157,312)	(2,157,312)	-	-	-	-	-
	<u>324,474,232</u>	<u>(376,844,052)</u>	<u>(232,731,079)</u>	<u>(72,709,395)</u>	<u>(66,878,204)</u>	<u>(2,419,862)</u>	<u>(2,105,512)</u>	<u>-</u>
Loan commitments and guarantees	-	22,724,171	21,982,811	-	741,360	-	-	-
In US\$	<u>324,474,232</u>	<u>(354,119,881)</u>	<u>(210,748,268)</u>	<u>(72,709,395)</u>	<u>(66,136,844)</u>	<u>(2,419,862)</u>	<u>(2,105,512)</u>	<u>-</u>
In KHR'000 (Note 7)	<u>1,321,908,021</u>	<u>(1,442,684,395)</u>	<u>(858,588,444)</u>	<u>(296,218,075)</u>	<u>(269,441,502)</u>	<u>(9,858,518)</u>	<u>(8,577,856)</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

39. Financial risk management (continued)

C. Liquidity risk (continued)

(iii). Maturity analysis for financial liabilities and financial assets (continued)

The following tables set out the remaining contractual maturities of the Group's and the Bank's financial liabilities and financial assets. (continued)

	Bank							
	Carrying amount US\$	Gross nominal inflow/(outflow) US\$	Up to 1 month US\$	> 1 – 3 months US\$	> 3 – 12 months US\$	> 1 – 5 years US\$	Over 5 years US\$	No maturity US\$
31 December 2021								
Financial assets by type								
Non-derivative financial assets								
Cash on hand	14,255,750	14,255,750	14,255,750	-	-	-	-	-
Balances with the National Bank of Cambodia	42,983,965	42,984,970	40,884,233	2,100,737	-	-	-	-
Balances with other banks	22,842,828	23,238,448	7,022,130	6,070,921	10,145,397	-	-	-
Loans and advances to other financial institutions	42,000,867	42,652,963	43,365	57,278	9,540,799	32,579,396	432,125	-
Loans and advances to customers	272,917,187	278,230,185	4,223,628	5,109,461	40,839,404	66,351,058	161,706,634	-
Investment securities	25,588	25,588	-	-	-	-	-	25,588
Investment in subsidiary	1,548,400	1,548,400	-	-	-	-	-	1,548,400
Other assets	2,115,395	2,115,395	2,115,395	-	-	-	-	-
In US\$	<u>398,689,980</u>	<u>405,051,699</u>	<u>68,544,501</u>	<u>13,338,397</u>	<u>60,525,600</u>	<u>98,930,454</u>	<u>162,138,759</u>	<u>1,573,988</u>
In KHR'000 (Note 7)	<u>1,612,700,969</u>	<u>1,638,434,114</u>	<u>277,262,507</u>	<u>53,953,812</u>	<u>244,826,052</u>	<u>400,173,682</u>	<u>655,851,280</u>	<u>6,366,781</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

39. Financial risk management (continued)

C. Liquidity risk (continued)

(iii). Maturity analysis for financial liabilities and financial assets (continued)

The amounts in the table above have been compiled as follows.

Type of financial instrument	Basis on which amounts are compiled
Non-derivative financial liabilities	Undiscounted cash flows, which include estimated interest payments.
Loan commitments	Earliest possible contractual maturity

As part of the management of liquidity risk arising from financial liabilities, the Group and the Bank hold liquid assets comprising cash and cash equivalents, which can be readily to meet liquidity requirements. In addition, the Group and the Bank maintain agreed lines of credit with other financial institutions.

(iv). Liquidity reserves

The following table sets out the components of the Group's and the Bank's liquidity reserves.

Group and Bank	31 December 2022		31 December 2021	
	Gross carrying amounts US\$	Fair value US\$	Gross carrying amounts US\$	Fair value US\$
Financial assets				
Cash on hand	15,220,906	15,220,906	14,255,750	14,255,750
Balances with the National Bank of Cambodia	26,545,745	26,545,745	35,172,433	35,172,433
Balances with other banks	31,913,704	31,913,704	6,968,176	6,968,176
Total liquidity reserves	<u>73,680,355</u>	<u>73,680,355</u>	<u>56,396,359</u>	<u>56,396,359</u>
In KHR'000 (Note 7)	<u>303,342,022</u>	<u>303,342,022</u>	<u>229,758,767</u>	<u>229,758,767</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

39. Financial risk management (continued)

C. Liquidity risk (continued)

(v). Financial assets available to support future funding

The following table sets out the availability of the Group's and the Bank's financial assets to support future funding.

	Group					
	Encumbered		Unencumbered		US\$	Total KHR'000 (Note 7)
	Pledged as collateral US\$	Other* US\$	Available as collateral US\$	Other** US\$		
31 December 2022						
Cash on hand	-	-	-	15,220,906	15,220,906	62,664,470
Balances with the National Bank of Cambodia	2,806,079	-	-	26,545,745	29,351,824	120,841,460
Balances with other banks	-	-	-	33,931,164	33,931,164	139,694,602
Loans and advances to other financial institutions	-	-	-	70,875,714	70,875,714	291,795,315
Loans and advances to customers	-	-	-	362,926,618	362,926,618	1,494,168,886
Investment securities	-	-	-	4,982,771	4,982,771	20,514,068
Other assets	-	-	-	2,522,700	2,522,700	10,385,956
	<u>2,806,079</u>	<u>-</u>	<u>-</u>	<u>517,005,618</u>	<u>519,811,697</u>	<u>2,140,064,757</u>

The following table sets out the availability of the Group's and the Bank's financial assets to support future funding. (continued)

	Group					
	Encumbered		Unencumbered		US\$	Total KHR'000 (Note 7)
	Pledged as collateral US\$	Other* US\$	Available as collateral US\$	Other** US\$		
31 December 2021						
Cash on hand	-	-	-	14,255,750	14,255,750	58,077,926
Balances with the National Bank of Cambodia	7,811,532	-	-	35,172,433	42,983,965	175,116,674
Balances with other banks	-	-	-	22,842,828	22,842,828	93,061,681
Loans and advances to other financial institutions	-	-	-	42,000,867	42,000,867	171,111,532
Loans and advances to customers	-	-	-	272,917,187	272,917,187	1,111,864,620
Investment securities	-	-	-	25,588	25,588	104,246
Other assets	-	-	-	2,118,053	2,118,053	8,628,948
	<u>7,811,532</u>	<u>-</u>	<u>-</u>	<u>389,332,706</u>	<u>397,144,238</u>	<u>1,617,965,627</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

39. Financial risk management (continued)

C. Liquidity risk (continued)

(v). Financial assets available to support future funding (continued)

The following table sets out the availability of the Group's and the Bank's financial assets to support future funding. (continued)

	Bank					
	Encumbered		Unencumbered		US\$	Total KHR'000 (Note 7)
	Pledged as collateral US\$	Other* US\$	Available as collateral US\$	Other** US\$		
31 December 2022						
Cash on hand	-	-	-	15,220,906	15,220,906	62,664,470
Balances with the National Bank of Cambodia	2,806,079	-	-	26,545,745	29,351,824	120,841,459
Balances with other banks	-	-	-	33,931,164	33,931,164	139,694,602
Loans and advances to other financial institutions	-	-	-	70,875,714	70,875,714	291,795,315
Loans and advances to customers	-	-	-	362,926,618	362,926,618	1,494,168,886
Investment securities	-	-	-	4,982,771	4,982,771	20,514,068
Investment in subsidiary	-	-	-	1,548,400	1,548,400	6,374,763
Other assets	-	-	-	2,516,654	2,516,654	10,361,065
	<u>2,806,079</u>	<u>-</u>	<u>-</u>	<u>518,547,972</u>	<u>521,354,051</u>	<u>2,146,414,629</u>

The following table sets out the availability of the Group's and the Bank's financial assets to support future funding. (continued)

	Bank					
	Encumbered		Unencumbered		US\$	Total KHR'000 (Note 7)
	Pledged as collateral US\$	Other* US\$	Available as collateral US\$	Other** US\$		
31 December 2021						
Cash on hand	-	-	-	14,255,750	14,255,750	58,077,926
Balances with the National Bank of Cambodia	7,811,532	-	-	35,172,433	42,983,965	175,116,674
Balances with other banks	-	-	-	22,842,828	22,842,828	93,061,681
Loans and advances to other financial institutions	-	-	-	42,000,867	42,000,867	171,111,532
Loans and advances to customers	-	-	-	272,917,187	272,917,187	1,111,864,620
Investment securities	-	-	-	25,588	25,588	104,246
Investment in subsidiary	-	-	-	1,548,400	1,548,400	6,308,182
Other assets	-	-	-	2,115,395	2,115,395	8,618,119
	<u>7,811,532</u>	<u>-</u>	<u>-</u>	<u>390,878,448</u>	<u>398,689,980</u>	<u>1,624,262,980</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

39. Financial risk management (continued)

C. Liquidity risk (continued)

(v). *Financial assets available to support future funding (continued)*

(*) Represents assets that are not pledged but the Group and the Bank believes it is restricted from using to secure funding, for legal or other reasons.

(**) Represents assets that are not restricted for use as collateral, but the Group and the Bank would not consider readily available to secure funding in the normal course of business.

D. Market risk

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

The Group and the Bank do not use derivative financial instruments such as foreign exchange contract and interest rate swaps to hedge its risk exposure.

(i). *Interest rate risk*

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments or economic value of equity of the Group and the Bank because of a change in market interest rates.

The following is a summary of the Group's and the Bank's interest rate gap position. The interest rate repricing gap table analyses the full-term structure of interest rate mismatches within the Group's and the Bank's balance sheet based on the maturity date.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

39. Financial risk management (continued)

D. Market risk (continued)

(i). Interest rate risk (continued)

	Group						
	Carrying amount US\$	Up to 1 month US\$	> 1 – 3 months US\$	> 3 – 12 months US\$	> 1 – 5 years US\$	Over 5 years US\$	Non-interest sensitive US\$
31 December 2022							
Financial assets							
Cash on hand	15,220,906	-	-	-	-	-	15,220,906
Balances with the National Bank of Cambodia	29,351,824	-	2,806,079	-	-	-	26,545,745
Balances with other banks	33,931,164	14,864,223	9,948,603	2,017,461	-	-	7,100,877
Loans and advances to other financial institutions	70,875,714	-	901,487	7,890,737	62,083,490	-	-
Loans and advances to customers	362,926,618	4,571,863	2,068,365	18,368,052	77,709,240	260,209,098	-
Investment securities	4,982,771	-	4,957,183	-	-	-	25,588
Other assets	2,522,700	-	-	-	-	-	2,522,700
	<u>519,811,697</u>	<u>19,436,086</u>	<u>20,681,717</u>	<u>28,276,250</u>	<u>139,792,730</u>	<u>260,209,098</u>	<u>51,415,816</u>
Financial liabilities							
Deposits from other financial institutions	65,492,994	30,477,373	14,910,353	20,105,268	-	-	-
Deposits from customers	244,433,916	152,247,555	26,220,611	65,795,750	170,000	-	-
Borrowings	135,020,860	30,042,688	74,582,472	30,395,700	-	-	-
Lease liabilities	2,163,047	57,435	151,526	569,160	1,384,926	-	-
Other liabilities	2,272,656	-	-	-	-	-	2,272,656
	<u>449,383,473</u>	<u>212,825,051</u>	<u>115,864,962</u>	<u>116,865,878</u>	<u>1,554,926</u>	<u>-</u>	<u>2,272,656</u>
In US\$	<u>70,428,224</u>	<u>(193,388,965)</u>	<u>(95,183,245)</u>	<u>(88,589,628)</u>	<u>138,237,804</u>	<u>260,209,098</u>	<u>49,143,160</u>
In KHR'000 (Note 7)	<u>289,952,998</u>	<u>(796,182,369)</u>	<u>(391,869,420)</u>	<u>(364,723,498)</u>	<u>569,125,039</u>	<u>1,071,280,856</u>	<u>202,322,390</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

39. Financial risk management (continued)

D. Market risk (continued)

(i). Interest rate risk (continued)

	Group						
	Carrying amount US\$	Up to 1 month US\$	> 1 – 3 months US\$	> 3 – 12 months US\$	> 1 – 5 years US\$	Over 5 years US\$	Non-interest sensitive US\$
31 December 2021							
Financial assets							
Cash on hand	14,255,750	-	-	-	-	-	14,255,750
Balances with the National Bank of Cambodia	42,983,965	5,710,960	2,100,572	-	-	-	35,172,433
Balances with other banks	22,842,828	2,032,411	6,046,668	9,777,098	-	-	4,986,651
Loans and advances to other financial institutions	42,000,867	-	-	9,503,965	32,496,902	-	-
Loans and advances to customers	272,917,187	4,149,202	3,646,450	39,012,531	64,839,768	161,269,236	-
Investment securities	25,588	-	-	-	-	-	25,588
Other assets	2,118,053	-	-	-	-	-	2,118,053
	<u>397,144,238</u>	<u>11,892,573</u>	<u>11,793,690</u>	<u>58,293,594</u>	<u>97,336,670</u>	<u>161,269,236</u>	<u>56,558,475</u>
Financial liabilities							
Deposits from other financial institutions	64,361,489	2,998,083	42,016,320	4,931,572	-	-	14,415,514
Deposits from customers	249,274,428	161,050,888	28,211,039	60,012,501	-	-	-
Borrowings	4,568,168	2,580,050	1,988,118	-	-	-	-
Lease liabilities	2,826,418	58,422	155,837	541,169	2,056,302	14,688	-
Other liabilities	2,164,815	-	-	-	-	-	2,164,815
	<u>323,195,318</u>	<u>166,687,443</u>	<u>72,371,314</u>	<u>65,485,242</u>	<u>2,056,302</u>	<u>14,688</u>	<u>16,580,329</u>
In US\$	<u>73,948,920</u>	<u>(154,794,870)</u>	<u>(60,577,624)</u>	<u>(7,191,648)</u>	<u>95,280,368</u>	<u>161,254,548</u>	<u>39,978,146</u>
In KHR'000 (Note 7)	<u>301,267,900</u>	<u>(630,634,300)</u>	<u>(246,793,240)</u>	<u>(29,298,775)</u>	<u>388,172,219</u>	<u>656,951,029</u>	<u>162,870,967</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

39. Financial risk management (continued)

D. Market risk (continued)

(i). Interest rate risk (continued)

	Bank						
	Carrying amounts US\$	Up to 1 month US\$	> 1 – 3 months US\$	> 3 – 12 months US\$	> 1 – 5 years US\$	Over 5 years US\$	Non-interest sensitive US\$
31 December 2022							
Financial assets							
Cash on hand	15,220,906	-	-	-	-	-	15,220,906
Balances with the National Bank of Cambodia	29,351,824	-	2,806,079	-	-	-	26,545,745
Balances with other banks	33,931,164	14,864,223	9,948,603	2,017,461	-	-	7,100,877
Loans and advances to other financial institutions	70,875,714	-	901,487	7,890,737	62,083,490	-	-
Loans and advances to customers	362,926,618	4,571,863	2,068,365	18,368,052	77,709,240	260,209,098	-
Investment securities	4,982,771	-	4,957,183	-	-	-	25,588
Investment in subsidiary	1,548,400	-	-	-	-	-	1,548,400
Other assets	2,516,654	-	-	-	-	-	2,516,654
	<u>521,354,051</u>	<u>19,436,086</u>	<u>20,681,717</u>	<u>28,276,250</u>	<u>139,792,730</u>	<u>260,209,098</u>	<u>52,958,170</u>
Financial liabilities							
Deposits from other financial institutions	65,492,994	30,477,373	14,910,353	20,105,268	-	-	-
Deposits from customers	244,620,073	152,433,712	26,220,611	65,795,750	170,000	-	-
Borrowings	135,020,860	30,042,688	74,582,472	30,395,700	-	-	-
Lease liabilities	3,208,475	58,154	152,973	575,813	1,424,546	996,989	-
Other liabilities	2,264,326	-	-	-	-	-	2,264,326
	<u>450,606,728</u>	<u>213,011,927</u>	<u>115,866,409</u>	<u>116,872,531</u>	<u>1,594,546</u>	<u>996,989</u>	<u>2,264,326</u>
In US\$	<u>70,747,323</u>	<u>(193,575,841)</u>	<u>(95,184,692)</u>	<u>(88,596,281)</u>	<u>138,198,184</u>	<u>259,212,109</u>	<u>50,693,844</u>
In KHR'000 (Note 7)	<u>291,266,729</u>	<u>(796,951,738)</u>	<u>(391,875,377)</u>	<u>(364,750,889)</u>	<u>568,961,924</u>	<u>1,067,176,253</u>	<u>208,706,556</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

39. Financial risk management (continued)

D. Market risk (continued)

(i). Interest rate risk (continued)

	Bank						
	Carrying amounts US\$	Up to 1 month US\$	> 1 – 3 months US\$	> 3 – 12 months US\$	> 1 – 5 years US\$	Over 5 years US\$	Non-interest sensitive US\$
31 December 2021							
Financial assets							
Cash on hand	14,255,750	-	-	-	-	-	14,255,750
Balances with the National Bank of Cambodia	42,983,965	5,710,960	2,100,572	-	-	-	35,172,433
Balances with other banks	22,842,828	2,032,411	6,046,668	9,777,098	-	-	4,986,651
Loans and advances to other financial institutions	42,000,867	-	-	9,503,965	32,496,902	-	-
Loans and advances to customers	272,917,187	4,149,202	3,646,450	39,012,531	64,839,798	161,269,206	-
Investment securities	25,588	-	-	-	-	-	25,588
Investment in subsidiary	1,548,400	-	-	-	-	-	1,548,400
Other assets	2,115,395	-	-	-	-	-	2,115,395
	<u>398,689,980</u>	<u>11,892,573</u>	<u>11,793,690</u>	<u>58,293,594</u>	<u>97,336,670</u>	<u>161,269,236</u>	<u>58,104,217</u>
Financial liabilities							
Deposits from other financial institutions	64,361,489	2,998,083	42,016,320	4,931,572	-	-	14,415,514
Deposits from customers	249,506,993	161,283,453	28,211,039	60,012,501	-	-	-
Borrowings	4,568,168	2,580,050	1,988,118	-	-	-	-
Lease liabilities	3,880,270	59,109	157,220	547,523	2,094,144	1,022,274	-
Other liabilities	2,157,312	-	-	-	-	-	2,157,312
	<u>324,474,232</u>	<u>166,920,695</u>	<u>72,372,697</u>	<u>65,491,596</u>	<u>2,094,144</u>	<u>1,022,274</u>	<u>16,572,826</u>
In US\$	<u>74,215,748</u>	<u>(155,028,122)</u>	<u>(60,579,007)</u>	<u>(7,198,002)</u>	<u>95,242,526</u>	<u>160,246,962</u>	<u>41,531,391</u>
In KHR'000 (Note 7)	<u>302,354,957</u>	<u>(631,584,569)</u>	<u>(246,798,875)</u>	<u>(29,324,660)</u>	<u>388,018,051</u>	<u>652,846,123</u>	<u>169,198,887</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

39. Financial risk management (continued)

D. Market risk (continued)

(ii). Foreign currency exchange risk

The Group and the Bank operate in the Kingdom of Cambodia and transacts in many currencies, and is exposed to various currency risks.

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

Concentration of currency risk

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

Group	Denomination US\$ equivalents			
	KHR	US\$	Others	Total
31 December 2022				
Financial assets				
Cash on hand	890,020	14,330,886	-	15,220,906
Balances with the National Bank of Cambodia	5,294,206	24,057,618	-	29,351,824
Balances with other banks	-	33,809,682	121,482	33,931,164
Loans and advances to other financial institutions	49,206,604	21,669,110	-	70,875,714
Loans and advances to customers	10,599,068	352,327,550	-	362,926,618
Investment securities	-	4,982,771	-	4,982,771
Other assets	-	2,522,700	-	2,522,700
	<u>65,989,898</u>	<u>453,700,317</u>	<u>121,482</u>	<u>519,811,697</u>
Financial liabilities				
Deposits from other financial institutions	12,724,530	52,768,464	-	65,492,994
Deposits from customers	26,819,114	217,614,802	-	244,433,916
Borrowings	-	135,020,860	-	135,020,860
Lease liabilities	-	2,163,047	-	2,163,047
Other liabilities	-	2,272,656	-	2,272,656
	<u>39,543,644</u>	<u>409,839,829</u>	<u>-</u>	<u>449,383,473</u>
Net asset position	<u>26,446,254</u>	<u>43,860,488</u>	<u>121,482</u>	<u>70,428,224</u>
In KHR'000 (Note 7)	<u>108,879,228</u>	<u>180,573,629</u>	<u>500,141</u>	<u>289,952,998</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

39. Financial risk management (continued)

D. Market risk (continued)

(ii). Foreign currency exchange risk (continued)

Concentration of currency risk (continued)

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

Group	Denomination US\$ equivalents			
	KHR	US\$	Others	Total
31 December 2021				
Financial assets				
Cash on hand	620,121	13,635,629	-	14,255,750
Balances with the National Bank of Cambodia	4,611,330	38,372,635	-	42,983,965
Balances with other banks	-	22,680,599	162,229	22,842,828
Loans and advances to other financial institutions	25,003,624	16,997,243	-	42,000,867
Loans and advances to customers	8,383,495	264,533,692	-	272,917,187
Investment securities	-	25,588	-	25,588
Other assets	-	2,118,053	-	2,118,053
	<u>38,618,570</u>	<u>358,363,439</u>	<u>162,229</u>	<u>397,144,238</u>
Financial liabilities				
Deposits from other financial institutions	8,377,022	55,984,467	-	64,361,489
Deposits from customers	26,479,925	222,794,503	-	249,274,428
Borrowings	4,568,168	-	-	4,568,168
Lease liabilities	-	2,826,418	-	2,826,418
Other liabilities	-	2,164,815	-	2,164,815
	<u>39,425,115</u>	<u>283,770,203</u>	<u>-</u>	<u>323,195,318</u>
Net (liability)/asset position	<u>(806,545)</u>	<u>74,593,236</u>	<u>162,229</u>	<u>73,948,920</u>
In KHR'000 (Note 7)	<u>(3,285,864)</u>	<u>303,892,843</u>	<u>660,921</u>	<u>301,267,900</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

39. Financial risk management (continued)

D. Market risk (continued)

(ii). Foreign currency exchange risk (continued)

Concentration of currency risk (continued)

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

Bank	Denomination			Total
	KHR	US\$	Others	
At 31 December 2022				
Financial assets				
Cash on hand	890,020	14,330,886	-	15,220,906
Balances with the National Bank of Cambodia	5,294,206	24,057,618	-	29,351,824
Balances with other banks	-	33,809,682	121,482	33,931,164
Loans and advances to other financial institutions	49,206,604	21,669,110	-	70,875,714
Loans and advances to customers	10,599,068	352,327,550	-	362,926,618
Investment securities	-	4,982,771	-	4,982,771
Investment in subsidiary	-	1,548,400	-	1,548,400
Other assets	-	2,516,654	-	2,516,654
	<u>65,989,898</u>	<u>455,242,671</u>	<u>121,482</u>	<u>521,354,051</u>
Financial liabilities				
Deposits from other financial institutions	12,724,530	52,768,464	-	65,492,994
Deposits from customers	26,819,114	217,800,959	-	244,620,073
Borrowings	-	135,020,860	-	135,020,860
Lease liabilities	-	3,208,475	-	3,208,475
Other liabilities	-	2,264,326	-	2,264,326
	<u>39,543,644</u>	<u>411,063,084</u>	<u>-</u>	<u>450,606,728</u>
Net asset position	<u>26,446,254</u>	<u>44,179,587</u>	<u>121,482</u>	<u>70,747,323</u>
In KHR'000 (Note 7)	<u>108,879,228</u>	<u>181,887,360</u>	<u>500,141</u>	<u>291,266,729</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

39. Financial risk management (continued)

D. Market risk (continued)

(ii). Foreign currency exchange risk (continued)

Concentration of currency risk (continued)

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

Bank	Denomination			Total
	KHR	US\$	Others	
At 31 December 2021				
Financial assets				
Cash on hand	620,121	13,635,629	-	14,255,750
Balances with the National Bank of Cambodia	4,611,330	38,372,635	-	42,983,965
Balances with other banks	-	22,680,599	162,229	22,842,828
Loans and advances to other financial institutions	25,003,624	16,997,243	-	42,000,867
Loans and advances to customers	8,383,495	264,533,692	-	272,917,187
Investment securities	-	25,588	-	25,588
Investment in subsidiary	-	1,548,400	-	1,548,400
Other assets	-	2,115,395	-	2,115,395
	<u>38,618,570</u>	<u>359,909,181</u>	<u>162,229</u>	<u>398,689,980</u>
Financial liabilities				
Deposits from other financial institutions	8,377,022	55,984,467	-	64,361,489
Deposits from customers	26,479,925	223,027,068	-	249,506,993
Borrowings	4,568,168	-	-	4,568,168
Lease liabilities	-	3,880,270	-	3,880,270
Other liabilities	-	2,157,312	-	2,157,312
	<u>39,425,115</u>	<u>285,049,117</u>	<u>-</u>	<u>324,474,232</u>
Net (liability)/asset position	<u>(806,545)</u>	<u>74,860,064</u>	<u>162,229</u>	<u>74,215,748</u>
In KHR'000 (Note 7)	<u>(3,285,864)</u>	<u>304,979,901</u>	<u>660,921</u>	<u>302,354,958</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

39. Financial risk management (continued)

D. Market risk (continued)

(ii). Foreign currency exchange risk (continued)

Sensitivity analysis

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

Group	2022		2021	
	- 1% Depreciation US\$	+ 1% Appreciation US\$	- 1% Depreciation US\$	+ 1% Appreciation US\$
KHR	(264,463)	264,463	8,065	(8,065)
Others	(1,215)	1,215	(1,622)	1,622
	<u>(265,678)</u>	<u>265,678</u>	<u>6,443</u>	<u>(6,443)</u>
In KHR'000 (Note 7)	<u>(1,093,796)</u>	<u>1,093,796</u>	<u>26,062</u>	<u>(26,062)</u>
Bank				
KHR	(264,463)	264,463	8,065	(8,065)
Others	(1,215)	1,215	(1,622)	1,622
	<u>(265,678)</u>	<u>265,678</u>	<u>6,443</u>	<u>(6,443)</u>
In KHR'000 (Note 7)	<u>(1,093,796)</u>	<u>1,093,796</u>	<u>26,062</u>	<u>(26,062)</u>

E. Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's and the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks – e.g. those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's and the Bank's operations.

The Group's and the Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's and the Bank's reputation with overall cost effectiveness and innovation. In all cases, the Group's and the Bank's policy requires compliance with all applicable legal and regulatory requirements.

Operational risk is defined as the risk of loss resulting from inadequate, failed or poor internal control/processes, people, systems and/or external events. This definition includes legal risk, but excludes strategic and reputational risk:

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

39. Financial risk management (continued)

E. Operational risk (continued)

To effectively manage operational risk, the Group and the Bank adopt the following operational risk management tools as key complementary:

- Risk Control Self Assessments (RCSAs) - are used to identify the key risk that pose a threat to achieving the predefined business objective and assess the effective control used by management and mitigate these risks.
- Key Risk Indicators (KRIs) - are used to help warn management of changes in previously identifies key risk. KRI serve as a monitoring function for the business.
- Operational Risk Event Report (OREP) - is a record of all type of losses events that have affected the business. All type of losses events are to be used to enhance the ongoing risk monitoring and operational risk.
- Standard Operating Procedures (SOPs) - are used to ensure the process, policy, guideline, and memo are smooth, bank's staff can implement well and ensure risks are identified and managed.
- Business Continuity Plan (BCP) - is a plan that covers a range of situations, crisis events that threaten to shut down business operations for an extended period of time, and any other financial situation or unexpected event that threatens to destroy or injure our bank.
- Other: Another risk that we can observe or received from another way.

F. Capital risk

Capital risk is the risk that the Group and the Bank have insufficient capital resources to meet the minimum regulatory requirements to support its credit rating and to support its growth and strategic options.

The Group's and the Bank's strategy 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 shareholder' return is also recognised and the Group and the Bank recognised the need to maintain a balance between the higher returns that might be possible with greater gearing and advantages and security afforded by a sound capital position.

The Group's and the Bank's lead regulator, the National Bank of Cambodia, sets and monitors capital requirements for the Group and the Bank as a whole.

(i). Capital risk management

As with liquidity and market risks, ARBC and ALRMC is responsible for ensuring the effective management of capital risk throughout the Group and the Bank.

Capital risk is measured and monitored using limits set calculated in accordance with the National Bank of Cambodia's requirements.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

39. Financial risk management (continued)

F. Capital risk (continued)

(i). Capital risk management (continued)

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%.

The below table summarises the composition of the regulatory capital:

Group	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)
Tier 1 capital				
Share capital	100,000,000	407,500,000	100,000,000	407,500,000
Retained earnings	9,010,431	36,463,177	5,546,311	22,369,593
Audited net profit for the last financial year	4,970,779	20,315,574	3,206,509	13,044,077
Less: Intangible assets	<u>(1,519,049)</u>	<u>(6,253,925)</u>	<u>(1,188,724)</u>	<u>(4,842,862)</u>
	<u>112,462,161</u>	<u>458,024,826</u>	<u>107,564,096</u>	<u>438,070,808</u>
Tier 2 complementary capital				
General provision	4,586,517	18,882,690	3,206,418	13,062,947
Less: Equity participation in banking or financial institutions	<u>(25,588)</u>	<u>(105,346)</u>	<u>(25,588)</u>	<u>(104,246)</u>
	<u>4,560,929</u>	<u>18,777,344</u>	<u>3,180,830</u>	<u>12,958,701</u>
Total	<u><u>117,023,090</u></u>	<u><u>476,802,170</u></u>	<u><u>110,744,926</u></u>	<u><u>451,029,509</u></u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

39. Financial risk management (continued)

F. Capital risk (continued)

(i). Capital risk management (continued)

The below table summarises the composition of the regulatory capital: (continued)

Bank	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 7)	US\$	KHR'000 (Note 7)
Tier 1 capital				
Share capital	100,000,000	407,500,000	100,000,000	407,500,000
Retained earnings	8,722,326	35,296,185	5,285,948	21,315,454
Audited net profit for the last financial year	4,996,992	20,422,707	3,178,767	12,931,224
Less: Intangible assets	(1,519,049)	(6,253,925)	(1,188,724)	(4,842,862)
	<u>112,200,269</u>	<u>456,964,967</u>	<u>107,275,991</u>	<u>436,903,816</u>
Tier 2 complementary capital				
General provision	4,586,517	18,882,690	3,206,418	13,062,947
Less: Equity participation in banking or financial institutions	(25,588)	(105,346)	(25,588)	104,246
	<u>4,560,929</u>	<u>18,777,344</u>	<u>3,180,830</u>	<u>13,167,193</u>
	<u>116,761,198</u>	<u>475,742,311</u>	<u>110,456,821</u>	<u>450,071,009</u>

40. Fair values of financial assets and liabilities

Financial instruments comprise financial assets, financial liabilities and off-balance sheet instruments. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group and the Bank have 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 subsidiary and property and equipment.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

40. Fair values of financial assets and liabilities (continued)

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

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

A. Balances with the National Bank of Cambodia, and balances with other banks

The fair values of balances with the National Bank of Cambodia, and balance with other banks and financial institutions with maturity of less than one year approximate their carrying amounts.

B. Loans and advances to other financial institutions and loans and advances to customers

For fixed rate loans with remaining period to maturity of less than or more than one year, the carrying amounts are generally reasonable estimates of their fair values.

C. Investment securities measured at amortised cost

For fixed rate investment securities with remaining period to maturity of less than or more than one year, the carrying amounts are generally reasonable estimates of their fair values.

D. Deposits from other financial institutions and deposits from customers

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

E. Other financial assets and liabilities

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

40. Fair values of financial assets and liabilities (continued)

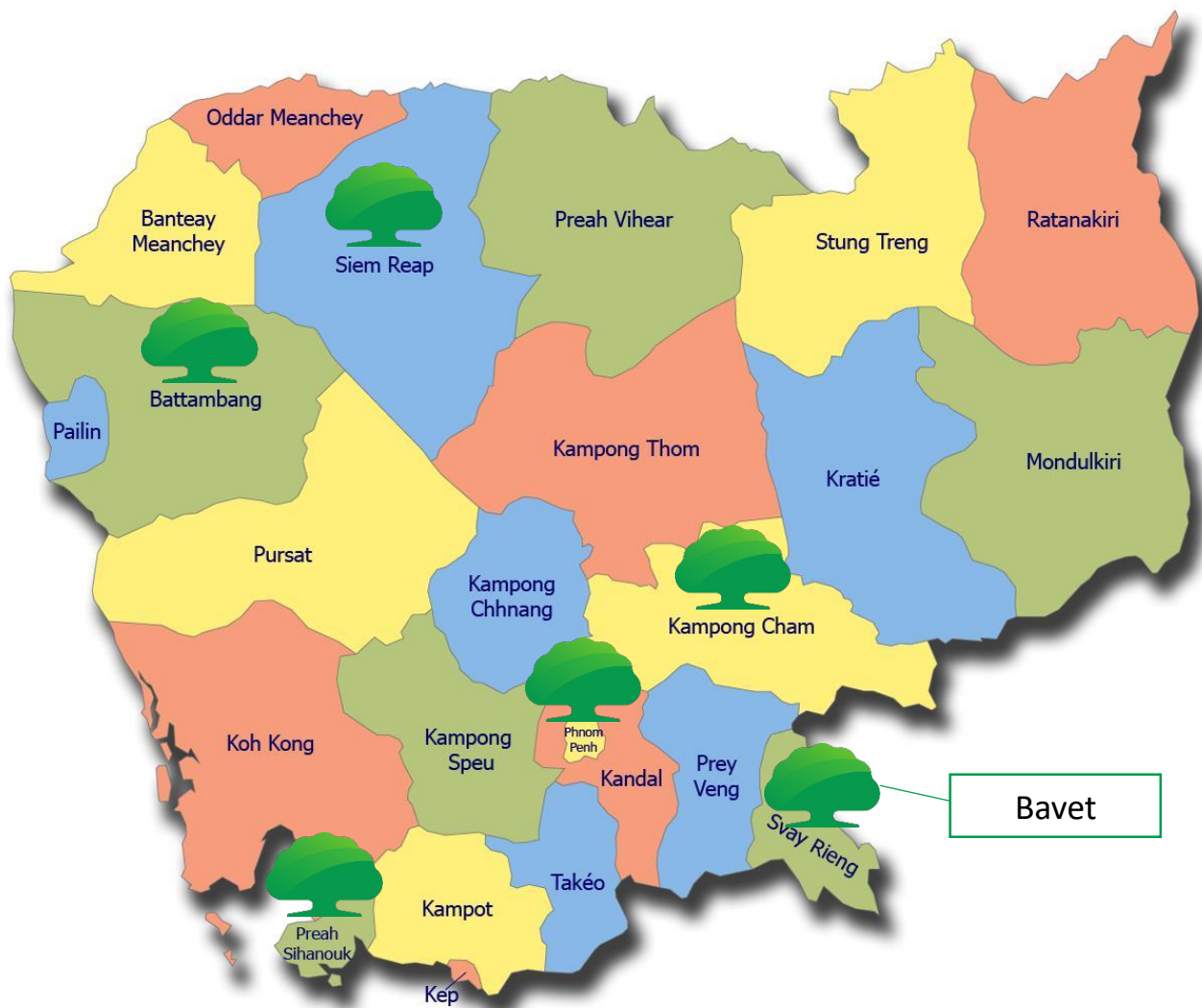
F. Fair value hierarchy

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

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

The Group and the Bank's financial assets and liability, except debt investments at FVOCI, are not measured at fair value. As verifiable market prices are not available, market prices are not available for a significant proportion of the Group's and of the Bank's financial assets and liabilities, the fair values, therefore, have been based on management assumptions according to the profile of the asset and liability base. In the opinion of the management, the carrying amounts of the financial assets and liabilities included in the statement of financial position are a reasonable estimation of their fair values.

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SERVICE NETWORK (continued)

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