

Sacombank

**INNER
STRENGTH
SUSTAINABLE
FUTURE**

SACOMBANK (CAMBODIA) PLC.
ANNUAL REPORT 2023



KHMER VERSION

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EDITORIAL TEAM

Chief Editor

. **Mr. PHUNG THAI PHUNG**

Member of BODs and General Director

Graphic Designer

. **Mr. TANG CHHENG**

Communication - Branding Officer

. **Mr. CHHORM RATH**

Communication - Branding Officer

MISSION

- To be the leading Vietnamese bank and top retail bank in Cambodia.

VISION

- Constantly maximize value for clients and shareholders.
- Bring value to staff in terms of career development and wealth.
- Contribute to the development of the community.

CORE VALUES

1. Pioneering to be an explorer and accept challenges to discover new horizons;
2. Novel, Dynamic and Innovative to turn difficulties and challenges into growth opportunities;
3. High Commitment with the highest professionalism, dedication and prestige towards clients and partners.
4. Social Responsibility under its slogan: Sacombank and the Community - "Growing Together".
5. Making a Difference with innovative breakthroughs in Products, Business Methods and Corporate Governance Models.



Sacombank

SACOMBANK (CAMBODIA) PLC. MILESTONES

23 JUNE 2009

Sacombank opened its Phnom Penh Branch, making it the 27th foreign bank to operate in Cambodia and the first Vietnamese bank to invest in the country. In pioneering the entry into the Cambodian banking sector, Sacombank Phnom Penh branch has contributed to an increase in cross-border trade between Cambodia and Vietnam. This event marks another miles in the bank's growth in Indochina region.

08 DECEMBER 2010

Sacombank celebrated the grand opening of the first sub-branch in Phnom Penh - Olympic sub-branch, located at one of the busiest trading areas in the city. The sub-branch supports to fulfil a high demand of financial services in the Olympic Supermarket area by providing key products and services such as trade finance, business loan, and money transfer.

30 AUGUST 2011

Sacombank continued to expand branch network as a part of its expansion strategy in Phnom Penh by opening the second sub-branch, located at Vietnamese Supermarket. The new branch creates significant opportunities for individual and business clients in the surroundings (Supermarket) through diversified products and services and its convenient location particularly.

05 SEPTEMBER 2011

Sacombank opened its third sub-branch in the western part of Phnom Penh city, located at Chbar Ampeou market area. As one of the crowded area in the city, where economic development is growing rapidly, Chbar Ampeou sub-branch has the opportunity to contribute to the improvement of the business conditions of market vendors.

01 OCTOBER 2011

The Board of Directors announced to transform its Phnom Penh branch into wholly-owned subsidiary of Sacombank under the approval of National Bank of Cambodia and support of State Bank of Vietnam. This important event marked the transition to a new phase in the development and performance improvement strategy of Sacombank in Cambodia, thus further promoting the good trading relationship of the business communities between Vietnam and Cambodia.

22 MARCH 2012

For the first time, Sacombank (Cambodia) Plc. started outreaching to one of the busiest trading hubs outside the capital city by opening a branch in Kampong Cham province. Besides the key products and services to meet the financial demands of local clients, the newest branch provides quick money transfer services between Kampong Cham and Phnom Penh, increasing the trading capacity between the country's two biggest economic hubs.

26 NOVEMBER 2012

In the response to strong demands from the bank's clients, Sacombank Cambodia moved its Vietnamese Supermarket Branch to a larger office located at 537 A-B Monivong Boulevard, Phnom Penh under the name of Preah Monivong branch. The creation of a new transaction office in the city centre is the right thing to support the continuous expansion of the bank. The new office has a perfect location where the economic development, strategy and growth potential exist.



06 December 2012

Sacombank Cambodia kicked-off cross-border trade payment service, aims to streamline the process for settling cross-border trade in the Vietnam Dong and enables Cambodian enterprises to conduct cross-border trade in Vietnam Dong electronically without holding an account in the currency. Vice versa, Cambodia suppliers can also receive their payment from Vietnam buyer directly in Khmer Riel.

17 January 2013

As a focal point for network expansion strategy, Sacombank Cambodia continued to expand its branch network in Phnom Penh by inaugurating Phsar Heng Ly branch, bringing its broad range of banking products & services to the surrounding community of the major market.

24 June 2013

Sacombank Cambodia announced the opening of Pochentong branch in the western part of Phnom Penh city. This branch is Sacombank Cambodia's 7th entity in the country, complementing Head Office and 5 branches: Olympic, Preah Monivong, Chbar Ampeou, Kampong Cham, Phsar Heng Ly.

23 April 2014

In order to support the business economy development of one of the most active city in the southern of Phnom Penh. Sacombank Cambodia announced the opening of Takhmao Branch. This is the eighth entity in the country and is the second entity outside Phnom Penh. Continued showing our commitment to expand in the country.

28 September 2017

In order to further expand network and banking services in Cambodia, Sacombank Cambodia organized the Grand Opening of Siem Reap Branch. Sacombank Cambodia now have 1 Head Office and 8 Branches, this will make customer easier in using our service and the daily trade payment of enterprises in Cambodia with Sacombank and therefore enhance their trading capacity.

22 June 2019

Sacombank Cambodia successfully organized the "10th Anniversary". It's been 10 years since Sacombank opened its first Phnom Penh branch on 23/06/2009, making it the first Vietnamese bank to expand its business in Cambodia. This pioneering step is a fundamental condition for Sacombank to build an impressive featured brand in this country and provide comprehensive financial solutions to clients and support the Cambodian - Vietnamese business community.

29 August 2020

Sacombank Cambodia officially launches Sacombank Cambodia Mobile Banking (SC mBanking) – the mobile banking application with the latest modern technology. With SC mBanking, clients will be able to do online banking transaction anytime, anywhere without going to the bank. SC mBanking is now available for downloading at Apple's App Store and Google's Play Store and completely free of charge.

01 AUGUST 2023

Membership and announce of the launch of Bakong and KHQR systems on SC mBanking. Customers can transfer money instantly from any Bakong member bank account to your bank account at Sacombank Cambodia.



MESSAGE FROM THE CHAIRMAN



“

In 2024, with guidance from the National Bank of Cambodia, direction from the Parent Bank and Board of Directors, and the responsible implementation from the Board of Management with a personnel team full of enthusiasm and youth, inheriting the essence from previous generations, promoting internal strength. Sacombank Cambodia will develop confidently and sustainably with the desire to reach further, get new successes, and bring customers and partners new, modern and full-utility experiences, contributing to the overall development of the banking sector in Cambodia and the success of the entire Sacombank in particular.

Dear valued customers, esteemed partners, employees of Sacombank Cambodia

Despite the numerous difficulties and challenges faced in 2023, including widespread conflict, a global economic slowdown, and negative impacts on Cambodia. The economic difficulties across various sectors, a stagnant real estate market, declining consumer demand, and high deposit interest rates have significantly affected our operations. However, we have proactively implemented solutions, leveraging our existing platforms to quickly adapt, mitigate impacts, and overcome obstacles. This has allowed us to stabilize and continue to develop our business.

In response to these challenges, Sacombank Cambodia has continuously innovated and acted decisively under the direction of the Board of Directors. The dedicated implementation of strategies by the Board of Management, combined with the solidarity of our employees and the trust of our customers and partners, has been instrumental in our success. As a result, Sacombank Cambodia has overcome difficulties, maintained operational efficiency, and achieved most of the business targets set by the mother bank.

To enhance customer experience and satisfaction while improving employee productivity, we are progressively deploying and promoting digitalization across all business activities, support functions, and control processes. Sacombank Cambodia has proactively launched promotional programs to attract new customers and nurture existing ones, alongside internal competition initiatives designed to motivate staff and achieve business targets.

Over the past year, Sacombank Cambodia has upgraded its systems and developed numerous internal application features to stay abreast of global technology trends and enhance competitiveness with other banks. These advancements align with business needs, enhance customer experience, and improve management, operational efficiency, and employee productivity. We have successfully implemented KHQR scanning for payments, expanded merchant partnerships, upgraded Mobile Banking features, and actively integrated advanced technology into our business processes to bring top-quality products to customers quickly and conveniently.

On behalf of the Board of Directors, I would like to sincerely thank to our partners, customers and all employees who have accompanied us through the ages. Above all, we would like to sincerely thank to the profound guidance, valuable support and special attention from the Management of the National Bank of Cambodia, the management of Parent Bank, which has helped Sacombank Cambodia become more and more successful, strong and sustainable development.

We wish all of you good health, happiness, and success!

Best regards,

TRAN NGOC CUONG (Mr.)
Chairman of BODs



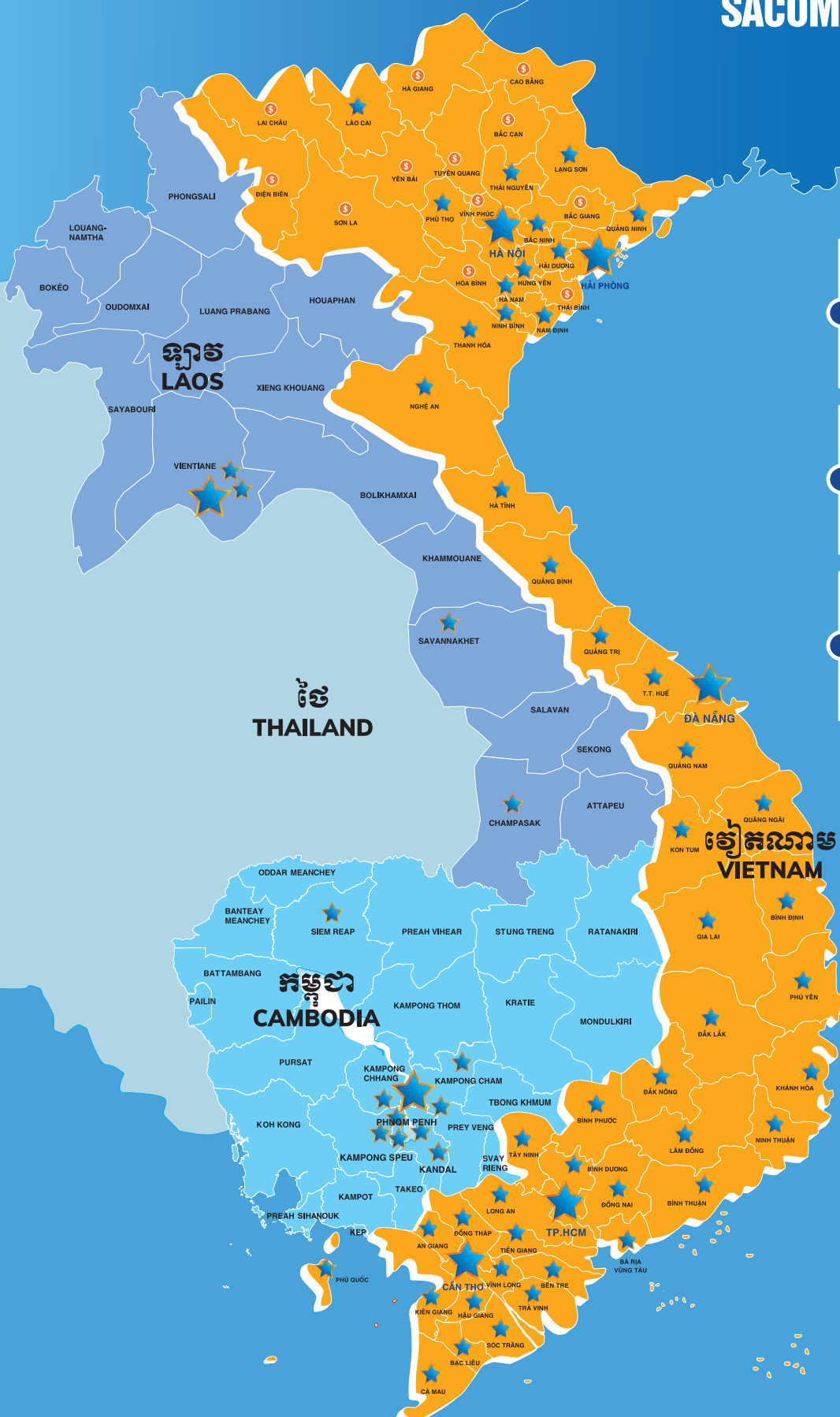
ABOUT SACOMBANK (CAMBODIA) PLC.

Sacombank (Cambodia) Plc. is a 100% subsidiary of Sacombank Vietnam which has 566 Branches/ Transaction offices throughout Indochina (Vietnam, Cambodia, Laos) with more than 18,514 employees.

Established in 2009 and to be the first Vietnamese bank in Cambodia, Sacombank (Cambodia) Plc. now has 265 employees with 9 branches in Phnom Penh and other important economic provinces of Cambodia serving over 27,500 customers.

Sacombank (Cambodia) Plc. provides a diversified range of banking products & services to individuals, self-employed customers, and SME enterprises such as loans, deposits, remittances, transfer services, L/C, DA, DP, mobile banking, cards, bank guarantee, and bancassurance,...

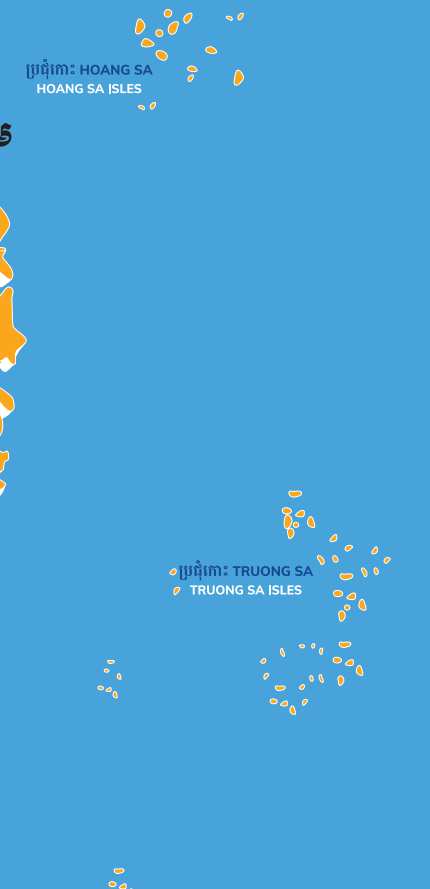
SACOMBANK'S NETWORK



VIETNAM 552 LOCATIONS
984 ATM/CDM/STM

CAMBODIA 9 LOCATIONS
25 ATM

LAOS 5 LOCATIONS
5 ATM



EVENT HIGHLIGHTS

SACOMBANK CAMBODIA CONTINUE TO SHARE LOVE VIA THE “AM TINH MUA XUAN” CHARITY PROGRAM

On the morning of January 11, 2023 at the headquarters of Khmer – Vietnam Association in Cambodia, Sacombank Cambodia held the 20th charity program “Am Tinh Mua Xuan”. Through the program, Sacombank Cambodia’s Management Board visited and handed over 100 gifts with a total budget of USD 4,200, each gift worth USD 42, including: cash USD 10 and rice, essential necessities worth USD 32 to families with difficulties currently living in the wards and districts of Phnom Penh capital.



SACOMBANK CAMBODIA HAD ORGANIZED A CEREMONY TO HAND OVER THE GENERAL DIRECTOR

On July 04, 2023, Sacombank Cambodia had organized a ceremony to hand over the General Director. The ceremony was honored to welcome the presence of Madam Nguyen Duc Thach Diem – Standing Vice Chairwomen cum CEO of Sacombank, BoDs of Sacombank, BoDs & BoMs, and management staff of Sacombank Cambodia.

Mr. Phung Thai Phung has officially received the Decision to appoint as the new General Director of Sacombank Cambodia. With all the enthusiasm of youth, creativity, and high responsibility in operating as well as the understanding completely of Sacombank Cambodia’s business, Mr. Phung Thai Phung has committed to leading Sacombank Cambodia firmly in order to overcome all challenges and reach new level of success in this coming years.



WORKSHOP ON SHARING ABOUT SACOMBANK CAMBODIA’S OPERATIONAL ORIENTATION

On the morning of September 17, 2023, Sacombank Cambodia organized a workshop regarding to its operational orientation with the participation of all employees. Despite of the short duration, Staffs have listened to the enthusiastic sharing from the Board of Directors about business orientation, executive management, working culture, management responsibilities... and especially the extremely attractive welfare policies and incentives mechanisms for employees only available at Sacombank Cambodia.



SACOMBANK CAMBODIA ORGANIZED THE SALES SKILLS WORKSHOP

On October 21, 2023, Sacombank Cambodia organized the Sales Skills Workshop presented by Mr. Chhoun Chhen – Deputy General Director and Mr. Song Nam Khorng – Head of Business Department with the participation of all the Managers and Sales staffs of 09 Branches as well as Business Department at Head Office.

The workshop focused on the purpose of helping Sales employees to understand Sales capability and modern Sales trend, the importance of Sales methods as well as the professional Sales procedure.

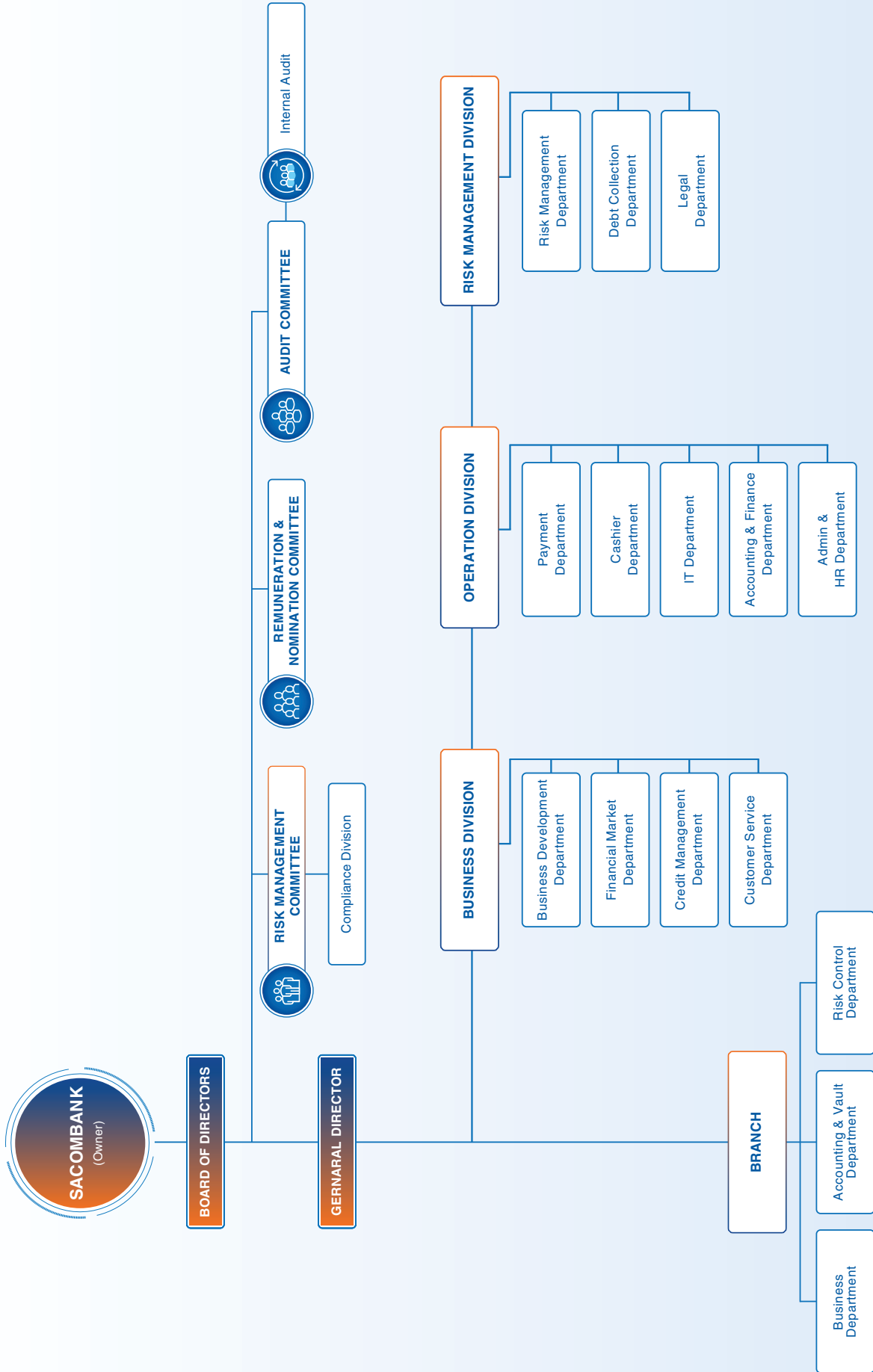


YEAR END CONFERENCE TO IMPLEMENT THE BUSINESS PLAN IN 2024

In the morning of Sunday, January 28th, 2024, Sacombank Cambodia has successfully held the Year End Conference to review the 2023's results and the implementation of Business Plan in 2024 at the Sun & Moon Riverside Hotel. At the conference, We are honored to welcome the presence of Senior managements of Sacombank with the participation of Board members, Management's members, Heads of Division, Branch Managers and all Sacombank Cambodia's employees. 2023 officially ended with challenges, constant volatility of the global economy that affected to the economy of Cambodia, while Sacombank Cambodia has achieved encouraging results. Entering the year 2024, under the theme "Consolidation of operations – Business acceleration", the management of Sacombank, Sacombank Cambodia has come up with a series of solutions and directions for the implementation, especially focus on the solutions to enhance the digital banking experience of customer. Taking this opportunity, Sacombank Cambodia has honoured of appreciation to employees who have contributed and achieved excellent performance in 2023.



ORGANIZATION CHART



BOARD OF DIRECTORS



Mr. TRAN NGOC CUONG

Chairman

- Over 19 year's experience
- Finance and Banking



Mr. NGUYEN NHI THANH

Vice Chairman

- Over 34 year's experience
- Finance and Banking



Mr. PHUNG THAI PHUNG

*Member
and General Director*

- Over 21 year's experience
- Finance and Banking



Mr. PHAN HOANG ANH

*Member
and Deputy General Director*

- Over 20 year's experience
- Finance and Banking



Mr. CHHUON CHHEN

*Member
and Deputy General Director*

- Over 21 year's experience
- Finance and Banking



Mr. LOI QUOC KHAN

Member

- Over 29 year's experience
- Finance and Banking



Mr. PHUNG NGUYEN AU DE

Independent Member

- Over 16 year's experience
- Finance and Banking



Mr. LY ROTH A

Independent Member

- Over 9 year's experience
- Finance and Banking

BOARD OF MANAGEMENT



Mr. PHUNG THAI PHUNG

General Director

- Over 21 year's experience
- Finance and Banking
- Bachelor of Business Administration



Mr. PHAN HOANG ANH

Deputy General Director

- Over 20 year's experience
- Finance and Banking
- Bachelor Degree of Banking



Mr. CHHUON CHHEN

Deputy General Director

- Over 21 year's experience
- Finance and Banking
- Bachelor of Business Administration

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors of Sacombank (Cambodia) Plc. (“the Bank”) is pleased to present its report and the Bank’s financial statements as at 31 December 2023 and for the year then ended.

THE BANK

Sacombank (Cambodia) Plc. (“the Bank”) is a public limited company which is wholly owned by Saigon Thuong Tin Commercial Joint Stock Bank (“Parent Bank”), a commercial bank incorporated and registered in Vietnam. The Bank was established and operates in the Kingdom of Cambodia under indefinite banking license No. 27 issued by the National Bank of Cambodia (“NBC”) on 19 June 2009 and the latest registration number 00002054 dated 20 September 2011.

The Bank’s registered office is located at No.60, Preah Norodom Blvd, Sangkat Chey Chumneas, Khan Daun Penh Pnom Penh, Kingdom of Cambodia.

PRINCIPAL ACTIVITIES

The Bank was established to conduct banking activities which include lending to individuals and organizations, acceptance of deposits from individuals and organizations, remittance, foreign currency transactions and other banking services as approved by the NBC.

There were no significant changes to these principal activities during the year.

FINANCIAL RESULTS

The financial performance of the Bank during the year are as follows:

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
Profit before income tax	8,755,219	35,975,195	7,315,885	29,900,024
Income tax expense	(2,215,900)	(9,105,133)	(1,733,060)	(7,083,016)
Net profit for the year	6,539,319	26,870,062	5,582,825	22,817,008
Other comprehensive (loss) income	-	(2,422,707)	-	2,972,041
Total comprehensive income for the year	6,539,319	24,447,355	5,582,825	25,789,049

BANK CAPITAL

There were no movements in share capital of the Bank during the year.

RESERVES AND PROVISIONS

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

REPORT OF THE BOARD OF DIRECTORS (continued)

WRITE OFF AND ALLOWANCE FOR EXPECTED CREDIT LOSSES ON FINANCIAL ASSETS

Before the financial statements of the Bank were drawn up, the Board of Directors took reasonable steps to ascertain that action had been taken to write off financial assets that have no reasonable expectations of recovering the contractual cashflow in their entirety or a portion thereof and to recognize allowance for expected credit losses on financial assets, and satisfied themselves that all known financial assets that have no reasonable expectations of recovering the contractual cash flows were written off and that adequate allowance for expected credit losses on financial assets have been recognized.

At the date of this report and on the best knowledge, the Board of Directors is not aware of any circumstances which would render the amount of allowance for expected credit losses on financial assets in the financial statements of the Bank inadequate in any material respect.

ASSETS

Before the financial statements of the Bank were drawn up, the Board of Directors took reasonable steps to ensure that any assets which were unlikely to be realized in the ordinary course of business at their value as shown in the accounting records of the Bank had been written down to an amount which they might be expected to be realized.

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there is:

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

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

CHANGE OF CIRCUMSTANCES

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

The results of the operations of the Bank for the reporting year were not, in the opinion of the Board of 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 reporting year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Board of Directors, to affect substantially the results of the operations of the Bank for the current reporting year in which this report is made.

REPORT OF THE BOARD OF DIRECTORS (continued)

SUBSEQUENT EVENTS

There have been no significant events occurring during the period between the end of the reporting year and the date of authorization of these financial statements, which would require adjustments or disclosures other than those reflected in the financial statements.

THE BOARD OF DIRECTORS

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

<i>Name</i>	<i>Position</i>
Mr. TRAN NGOC CUONG (*)	Chairman (Appointed on 1 April 2024)
Mr. TRINH VAN TY	Chairman (Resigned on 1 April 2024)
Mr. NGUYEN NHI THANH	Vice Chairman
Mr. PHUNG THAI PHUNG	Member
Mr. PHAN HOANG ANH	Member
Mr. CHHUON CHHEN	Member
Mr. LOI QUOC KHAN	Member (Appointed on 19 August 2023)
Mr. LY ROTH A	Independent Member
Mr. PHUNG NGUYEN AU DE	Independent Member (Appointed on 19 August 2023)

(*) Appointed by the Parent bank. The Bank has submitted proposal for the change and is awaiting approval from National Bank of Cambodia.

MANAGEMENT

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

<i>Name</i>	<i>Position</i>
Mr. PHUNG THAI PHUNG	General Director (Appointed on 3 July 2023)
Mr. NGUYEN NHI THANH	General Director (Resigned on 3 July 2023)
Mr. PHAN HOANG ANH	Deputy General Director
Mr. CHHUON CHEN	Deputy General Director (Appointed on 1 August 2023)
Mr. PHUNG THAI PHUNG	Deputy General Director (Resigned on 3 July 2023)
Mr. CHENG BUNKRY	Deputy General Director (Resigned on 1 January 2024)

AUDITOR

Ernst & Young (Cambodia) Ltd. is the auditor of the Bank.

DIRECTORS' INTEREST

No member of the Board of Directors holds a direct interest in the equity of the Bank.

REPORT OF THE BOARD OF DIRECTORS (continued)

DIRECTORS' BENEFITS

As at 31 December 2023 and for the year then ended, no arrangement existed, to which the Bank was a party, whose object was to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Bank or any other corporate body.

No member of the Board of Directors of the Bank has received or become entitled to receive any benefit by reason of a contract made by the Bank or with a firm in which the director is a member, or with a company which the directors has a material financial interest other than those disclosed in the financial statements.

STATEMENT OF THE BOARD OF DIRECTORS' RESPONSIBILITY IN RESPECT TO THE FINANCIAL STATEMENTS

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

- Adopt appropriate material accounting policy information which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- Comply with CIFRSs or, if there has been any departure in the interests of fair presentation, ensure this has been appropriately disclosed, explained and quantified in the financial statements;
- Maintain adequate accounting records and an effective system of internal control;
- Prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Bank will continue operation in the foreseeable future; and
- Set overall policies for the Bank, ratify all decisions and actions by management that have a material effect on the operations and performance of the Bank, and ensure they have been properly reflected in the financial statements.

Management of the Bank is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Bank and to ensure that the accounting records comply with the applicable accounting system. It is also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board of Directors confirms that the management has complied with the above requirements in preparing the accompanying financial statements.

APPROVAL OF THE FINANCIAL STATEMENTS

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

On behalf of the Board of Directors



Mr. PHUNG THAI PHUNG
General Director

Phnom Penh, Kingdom of Cambodia
12 April 2024

INDEPENDENT AUDITOR'S REPORT

To: The Owner of Sacombank (Cambodia) Plc.

Opinion

We have audited the financial statements of Sacombank (Cambodia) Plc. ("the Bank"), which comprise the statement of financial position as at 31 December 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with Cambodian International Financial Reporting Standards ("CIFRSs").

Basis for Opinion

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

Information other than the Financial Statement and Auditor's Report Thereon

The other information obtained at the date of the auditor's report is the Report of the Board of Directors. Management is responsible for the other information.

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

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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



Hong-Khav
Partner

Ernst & Young (Cambodia) Ltd.

Certified Public Accountants

Registered Auditors

Phnom Penh, Kingdom of Cambodia

12 April 2024

STATEMENT OF FINANCIAL POSITION

as at 31 December 2023

	Notes	31 December 2023		31 December 2022	
		US\$	KHR'000 (Note 2.1.3)	US\$	KHR'000 (Note 2.1.3)
ASSETS					
Cash on hand	3	7,897,632	32,261,827	11,833,191	48,717,247
Balances with the National Bank of Cambodia	4	43,434,984	177,431,910	35,349,071	145,532,125
Balances with other banks	5	24,703,629	100,914,324	27,199,009	111,978,320
Equity instruments at fair value through other comprehensive income ("FVOCI")	6	25,000	102,125	25,000	102,925
Loans to customers	7	180,262,536	736,372,460	175,260,550	721,547,684
Other assets	8	1,155,145	4,718,766	1,618,014	6,661,365
Property and equipment	9	910,257	3,718,400	1,286,916	5,298,233
Right-of-use assets	10	1,150,229	4,698,685	1,293,835	5,326,719
Intangible assets	11	707,716	2,891,020	916,467	3,773,095
Prepayment tax on income	15.1	-	-	31,251	128,660
Deferred tax assets	15.2	-	-	949,719	3,909,993
TOTAL ASSETS		260,247,128	1,063,109,517	255,763,023	1,052,976,366
LIABILITIES AND EQUITY					
LIABILITIES					
Deposits and borrowings from other banks	12	6,973,545	28,486,931	1,932,620	7,956,597
Deposits from customers	13	172,247,014	703,629,052	180,221,096	741,970,252
Lease liabilities	14	1,237,350	5,054,575	1,385,376	5,703,593
Income tax payable	15.1	220,405	900,354	-	-
Deferred tax liabilities	15.2	770,686	3,148,252	-	-
Other liabilities	16	1,453,686	5,938,307	1,418,808	5,841,233
OTHER LIABILITIES		182,902,686	747,157,471	184,957,900	761,471,675
EQUITY					
Paid-up capital	17	75,000,000	305,625,000	75,000,000	305,625,000
Accumulated losses		(4,367,157)	(17,285,585)	(4,771,250)	(18,946,003)
Regulatory reserve	17	6,711,599	27,558,644	576,373	2,349,000
Cumulative translation differences		-	53,987	-	2,476,694
TOTAL EQUITY		77,344,442	315,952,046	70,805,123	291,504,691
TOTAL LIABILITIES AND EQUITY		260,247,128	1,063,109,517	255,763,023	1,052,976,366

The attached notes 1 to 31 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2023

	Notes	2023		2022	
		US\$	KHR'000 (Note 2.1.3)	US\$	KHR'000 (Note 2.1.3)
Interest income	18	16,030,331	65,868,630	15,544,031	63,528,455
Interest expense	19	(8,407,668)	(34,547,108)	(6,679,809)	(27,300,379)
Net interest income		7,622,663	31,321,522	8,864,222	36,228,076
Fees and commission income	20	3,452,220	14,185,172	7,080,806	28,939,254
Fees and commission expense	20	(201,617)	(828,444)	(116,454)	(475,947)
Net fees and commission income		3,250,603	13,356,728	6,964,352	28,463,307
Other operating (expenses) income	21	293,169	1,204,631	(24,705)	(100,969)
Total operating income		11,166,435	45,882,881	15,803,869	64,590,414
Personnel expenses	22	(5,462,899)	(22,447,052)	(4,907,291)	(20,056,098)
General and administrative expenses	23	(2,462,249)	(10,117,381)	(1,788,713)	(7,310,470)
Depreciation and amortization	24	(1,116,716)	(4,588,586)	(1,034,233)	(4,226,910)
Operating profit		2,124,571	8,729,862	8,073,632	32,996,936
Provision for expected credit losses	25	6,630,648	27,245,333	(757,747)	(3,096,912)
Profit before income tax		8,755,219	35,975,195	7,315,885	29,900,024
Income tax expense	15.1	(2,215,900)	(9,105,133)	(1,733,060)	(7,083,016)
Net profit for the year		6,539,319	26,870,062	5,582,825	22,817,008
Other comprehensive income		-	(2,422,707)	-	2,972,041
Total comprehensive income for the year		6,539,319	24,447,355	5,582,825	25,789,049

The attached notes 1 to 31 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2023

	Paid-up capital		Accumulated losses		Regulatory reserve		Cumulative translation differences		Total	
	US\$	KHR'000 (Note 2.1.3)	US\$	KHR'000 (Note 2.1.3)	US\$	KHR'000 (Note 2.1.3)	US\$	KHR'000 (Note 2.1.3)	US\$	KHR'000 (Note 2.1.3)
Balance as at										
1 January 2023	75,000,000	305,625,000	(4,771,250)	(18,946,003)	576,373	2,349,000	2,476,694	70,805,123	291,504,691	
Net profit for the year	-	-	6,539,319	26,870,062	-	-	-	6,539,319	26,870,062	
Exchange differences on translation	-	-	-	-	-	-	(2,422,707)	-	(2,422,707)	
Total comprehensive income for the year	-	-	6,539,319	26,870,062	-	-	(2,422,707)	6,539,319	24,447,355	
Transfer from regulatory reserve to retained earnings	-	-	(6,135,226)	(25,209,644)	6,135,226	25,209,644	-	-	-	
Balance as at										
31 December 2023	75,000,000	305,625,000	(4,367,157)	(17,285,585)	6,711,599	27,558,644	53,987	77,344,442	315,952,046	
Balance as at										
1 January 2022	75,000,000	305,625,000	(10,400,156)	(41,951,345)	622,454	2,537,334	(495,347)	65,222,298	265,715,642	
Net profit for the year	-	-	5,582,825	22,817,008	-	-	-	5,582,825	22,817,008	
Exchange differences on translation	-	-	-	-	-	-	2,972,041	-	2,972,041	
Total comprehensive income for the year	-	-	5,582,825	22,817,008	-	-	2,972,041	5,582,825	25,789,049	
Transfer from retained earnings to regulatory reserve	-	-	46,081	188,334	(46,081)	(188,334)	-	-	-	
Balance as at										
31 December 2022	75,000,000	305,625,000	(4,771,250)	(18,946,003)	576,373	2,349,000	2,476,694	70,805,123	291,504,691	

The attached notes 1 to 31 form part of these financial statements.

STATEMENT OF CASH FLOWS

for the year ended 31 December 2023

	Notes	2023		2022	
		US\$	KHR'000 (Note 2.1.3)	US\$	KHR'000 (Note 2.1.3)
Cash flows from operating activities					
Profit before income tax		8,755,219	35,975,195	7,315,885	29,900,024
<i>Adjustments for:</i>					
Depreciation and amortization	24	1,116,716	4,588,586	1,034,233	4,226,910
Provision for expected credit losses	25	(6,630,648)	(27,245,333)	757,747	3,096,912
Dividend income	21	(67,828)	(278,705)	(19,626)	(80,211)
Gain on disposals of property and equipment	21	(243,839)	(1,001,934)	(261,325)	(1,068,035)
Operating profit before changes in working capital		2,929,620	12,037,809	8,826,914	36,075,600
<i>Changes in working capital:</i>					
Decrease (increase) in operating assets					
Balances with the NBC		818,095	3,361,552	1,174,448	4,799,969
Balances with other banks		3,160,957	12,988,372	17,627,273	72,042,665
Loans to customers		1,613,249	6,628,840	(32,215,737)	(131,665,717)
Other assets		(566,815)	(2,329,043)	(1,002,676)	(4,097,937)
(Decrease) increase in operating liabilities					
Deposits and borrowings from other banks		5,040,925	20,713,161	(7,985,015)	(32,634,756)
Deposits from customers		(7,974,082)	(32,765,503)	(3,170,768)	(12,958,929)
Other liabilities		1,061,397	4,361,280	623,452	2,548,048
Net cash used in operating activities		6,083,346	24,996,468	(16,122,109)	(65,891,057)

STATEMENT OF CASH FLOWS

for the year ended 31 December 2023

	Notes	2023		2022	
		US\$	KHR'000 (Note 2.1.3)	US\$	KHR'000 (Note 2.1.3)
Cash flows from investing activities					
Dividend received	21	67,828	278,705	19,626	80,211
Acquisitions of:					
Property and equipment	9	(48,317)	(198,535)	(623,896)	(2,549,863)
Computer software	11	(49,134)	(201,892)	(513,000)	(2,096,631)
Net cash used in investing activities		(29,623)	(121,722)	(1,117,270)	(4,566,283)
Cash flows from financing activity					
Repayment of principal portion of lease liabilities		(438,275)	(1,800,872)	(431,446)	(1,763,320)
Net increase (decrease) in cash and cash equivalents		5,615,448	23,073,874	(17,670,825)	(72,220,660)
Cash and cash equivalents at beginning of year	3	49,004,162	201,750,134	66,674,987	271,633,897
Exchange difference on translation		-	(1,702,901)	-	2,336,897
Cash and cash equivalents at end of year	3	54,619,610	223,121,107	49,004,162	201,750,134
Additional information on operational cash flows from interest:					
Interest received		16,285,683	66,917,871	14,523,283	59,356,658
Interest paid		(9,437,525)	(38,778,789)	(6,983,572)	(28,541,857)

The attached notes 1 to 31 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2023 and for the year then ended

1. BANK INFORMATION

Sacombank (Cambodia) Plc. (“the Bank”) was incorporated and registered in the Kingdom of Cambodia.

Establishment and operations

Sacombank (Cambodia) Plc. (“the Bank”) is a public limited company which is wholly owned by Saigon Thuong Tin Commercial Joint Stock Bank (“Parent Bank”), a commercial bank incorporated and registered in Vietnam. The Bank was established and operates in the Kingdom of Cambodia under indefinite banking license No. 27 issued by the National Bank of Cambodia (“NBC”) on 19 June 2009 and the latest registration number 00002054 dated 20 September 2011.

The Bank is established to conduct banking activities which include lending to individuals and organizations, acceptance of deposits from individuals and organizations, remittance, foreign currency transactions and other banking services as approved by the NBC.

There were no significant changes to these principal activities during the year.

Bank Capital

The capital of the Bank as at 31 December 2023 is US\$75,000,000 or KHR305,625,000,000 (2022: US\$75,000,000 or KHR305,625,000,000).

Location

The Bank’s registered office is located at No.60, Preah Norodom Boulevard, Sangkat Chey Chumneas, Khan Daun Penh, Phnom Penh, Kingdom of Cambodia.

Employees

As at 31 December 2023, the Bank had 272 employees (2022: 263 employees).

Approval of the financial statements

The financial statements were authorized for issue by the Board of Directors on 12 April 2024.

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2023 and for the year then ended

2. MATERIAL ACCOUNTING POLICY INFORMATION

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

2.1 Functional and presentation currency

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

2.1.1 Basis of preparation

The financial statements have been prepared on a historical cost basis, except for financial assets at fair value through other comprehensive income (“FVOCI”) which have been measured at fair value.

2.1.2 Functional and presentation currency

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

2.1.3 Translation of United States Dollar into Khmer Riel

The translation of the US\$ amounts into thousands KHR (“KHR’000”) is presented in the financial statements to comply with the Law on Accounting and Auditing using the closing and average rates for the year then ended, as announced by the NBC. This translation should not be construed as a representation that the US\$ amounts have been, could have been, or could in the future be, converted into KHR at this or any other rate of exchange.

Assets and liabilities for each statement of financial position presented are translated at the closing rate prevailing at each reporting date, whereas income and expense items presented in the statement of comprehensive income are translated at the average rate for the year. All resulting exchange differences are recognized in other comprehensive income (“OCI”).

The Bank’s charter capital is translated at the historical rates of exchange at KHR 4,000 per US\$1.

The financial statements are presented based on applicable exchange rates per US\$1 as follows:

	<i>Closing</i>	<i>Average</i>
31 December 2023	4,085	4,109
31 December 2022	4,117	4,087

2.1.4 Fiscal year

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

2.1.5 Presentation of financial statements

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2023 and for the year then ended

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.2 *New and amended accounting standards and interpretations*

The material accounting policy information adopted in the preparation of financial statements are consistent with those followed in the previous year, except for the adoption, where applicable, of the following amendments to CIFRSs which became effective beginning on or after 1 January 2023. The Bank has not early adopted other standard or amendments that has been issued but is not yet effective.

Adoption of below amendments did not have any significant impact on the Bank's financial position and performance.

- CIFRS 17 - Insurance Contracts
- Disclosure of material accounting policy information - Amendments to CIAS 1 and CIFRS Practice Statement 2
- Definition of Accounting Estimates - Amendments to CIAS 8
- Amendments to CIAS 1: Classification of Liabilities as Current or Non-current
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to CIAS 12
- International Tax Reform-Pillar Two Model Rules - Amendment to CIAS 12

The amendments listed above did not have any significant impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2.3 *Standard and interpretations issued but not yet effective*

The standard and amendments that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. These standards and interpretations to CIFRSs issued but not yet effective are not expected to have any significant impact on the financial position or performance of the Bank.

Effective beginning on or after 1 January 2024

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

Effective beginning on or after 1 January 2025

- Lack of exchangeability - Amendments to CIAS 21
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to CIFRS 10 and CIAS 28

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2023 and for the year then ended

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Summary of material accounting policy information

2.4.1 Revenue recognition

2.4.1.1 The effective interest rate method

Under IFRS 9, revenue from loan to customer is recorded using the effective interest rate (“EIR”) method for all financial instruments measured at amortized cost. Interest expense is also calculated using the EIR method for all financial liabilities held at amortized cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the gross carrying amount of the financial instrument.

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

If expectations regarding the cash flows on the fixed rate financial asset or liabilities are revised for reasons other than credit risk, then changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The adjustment is booked as a positive or negative adjustment to the carrying amount of the asset or liability in the balance sheet with an increase or decrease in interest income/expense calculated using the effective interest method.

For floating-rate financial instruments, periodic re-estimation of cash flows to reflect the movements in the market rates of interest also alters the effective interest rate, but when instruments were initially recognized at an amount equal to the principal, re-estimating the future interest payments does not significantly affect the carrying amount of the asset or the liability.

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2023 and for the year then ended

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Summary of material accounting policy information (continued)

2.4.1 Revenue recognition (continued)

2.4.1.2 Interest and similar income/expense

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

In its Interest income/expense calculated using the effective interest method, the Bank only includes interest on those financial instruments that are set out in Note 2.4.1.1 above.

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

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

2.4.1.3 Fee and commission income

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate.

Other fee and commission income, including account servicing fees, are recognized as the related services are performed.

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

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

2.4.2 Expense recognition

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

- (a) Fee and commission expense are charged to profit or loss when the expense is incurred. Fees on deposits are amortized on a straight-line basis over the term of the related deposits.
- (b) Operating expenses are recognized on an accrual basis.

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2023 and for the year then ended

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Summary of material accounting policy information (continued)

2.4.3 Financial instruments

2.4.3.1 Date of recognition

Financial assets and liabilities, with the exception of loans to customers and deposits, are initially recognized on the trade date, i.e., the date that the Bank becomes a party to the contractual provisions of the instrument. This includes regular way trades - purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace. Loans to customers are recognized when funds are transferred to the customers' accounts. The Bank recognizes balances deposits when funds are transferred to the Bank.

2.4.3.2 Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described in Notes 2.4.5.1. Financial instruments are initially measured at their fair value (as defined in Note 2.4.4), except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Bank accounts for the 'Day 1' profit or loss, as described below.

2.4.3.3 'Day 1' profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Bank recognized the difference between the transaction price and fair value in profit or loss. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognized in profit or loss when the inputs become observable, or when the instrument is derecognized.

2.4.3.4 Measurement categories of financial assets and liabilities

The Bank classifies all of its financial assets based on the business model for managing the assets and the assets' contractual terms, measured at either:

- Amortized cost, as explained in Note 2.4.5.1
- FVOCI, as explained in Note 2.4.5.3
- FVPL

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortized cost or at FVPL when they are held for trading and derivative instruments or the fair value designation is applied.

As at 31 December 2023, the Bank classified its financial assets at amortized cost and FVOCI and financial liabilities were measured at amortized cost.

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2023 and for the year then ended

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Summary of material accounting policy information (continued)

2.4.4 Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., an exit price). In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as recognized below:

- Level 1 financial instruments - Those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the Bank access to at the measurement date. The Bank considers markets as active only if there are sufficient trading activities with regards to the volume and liquidity of the identical assets or liabilities and when there are binding and exercisable price quotes available at the reporting date.
- Level 2 financial instruments - Those where the inputs that are used for valuation are significant and are derived from directly or indirectly observable market data available over the entire period of the instrument's life. Such inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads. In addition, adjustments may be required for the condition or location of the asset or the extent to which it relates to items that are comparable to the valued instrument. However, if such adjustments are based on unobservable inputs which are significant to the entire measurement, the Bank will classify the instruments as Level 3.
- Level 3 financial instruments - Those that include one or more unobservable input that is significant to the measurement as whole.

The Bank evaluates the levelling at each reporting period on an instrument-by-instrument basis and reclassifies instruments when necessary, based on the facts at the end of the reporting period.

2.4.5 Financial assets and liabilities

2.4.5.1 Balance with other banks, loans to customers and other financial assets at amortized cost

The Bank only measures due from banks, loans to customers and other financial investments at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order 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 (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below.

a. Business model assessment

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- Business strategy for the portfolios;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected); and
- The expected frequency, value and timing of sales are also important aspects of the Bank's assessment.

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2023 and for the year then ended

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Summary of material accounting policy information (continued)

2.4.5 Financial assets and liabilities (continued)

2.4.5.1 Balance with other banks, loans to Customers and other financial assets at amortised cost (continued)

b. The SPPI test

As a second step of its classification process, the Bank assesses the contractual terms of the financial asset to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or recognized of the premium/discount).

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

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

2.4.5.2 Deposit from other banks and customers

After initial measurement, deposit from other banks and customer are subsequently measured at amortized cost. Amortized cost is calculated by taking into account any discount or premium on issued funds, and costs that are an integral part of the EIR.

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

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

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

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

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

The Bank measures its equity instruments at FVTOCI as of 31 December 2023 and 31 December 2022.

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2023 and for the year then ended

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Summary of material accounting policy information (continued)

2.4.6 *Reclassification of financial assets and liabilities*

During the year, the Bank does not reclassify its financial assets subsequent to the Bank's initial recognition, apart from the exceptional circumstances in which the Bank acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

2.4.7 *Derecognition of financial assets and financial liabilities*

2.4.7.1 *Derecognition due to substantial modification of terms and conditions*

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

When assessing whether or not to derecognise a loan to a customer, amongst others, the Bank considers the following factors:

- Change in the currency of the loan;
- Introduction of an equity feature;
- Change in counterparty; and
- If the modification is such that the instrument would no longer meet the SPPI criterion.

2.4.7.2 *Derecognition other than for substantive modification*

a. Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when the rights to receive cash flows from the asset have expired. The Bank also derecognized the financial assets if they have both transferred the financial asset, and the transfer qualifies for de-recognition.

The Bank has transferred the financial asset if, and only if, either:

- The Bank has transferred its contractual rights to receive cash flows from the financial asset; or
- It retains the rights to the cash flows but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement.

Pass-through arrangements are transactions where the Bank retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Bank has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances by the entity with the right of full recovery of the amount lent plus accrued interest;
- The Bank cannot sell or pledge the original asset other than as security to the eventual recipients for the obligation to pay them cash flows; and
- The Bank has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Bank is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents, including interest earned, during the short settlement period from the collection date to the date of required remittance to the eventual recipients.

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2023 and for the year then ended

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Summary of material accounting policy information (continued)

2.4.7 Derecognition of financial assets and financial liabilities (continued)

2.4.7.2 Derecognition other than for substantive modification (continued)

a. Financial assets (continued)

- The Bank has transferred substantially all the risks and rewards of the asset; or
- The Bank has neither transferred nor retained substantially all the risks and rewards of the asset, however, has transferred control of the asset.

In relation to the above, the Bank considers the control to be transferred if, and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

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

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

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the Bank's continuing involvement is the amount of the transferred asset that the Bank may repurchase. However, in the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

b. Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in profit or loss.

c. Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2023 and for the year then ended

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Summary of material accounting policy information (continued)

2.4.8 Impairment of financial assets

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

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

(i) Staging assessment

A three-stage approach for impairment of financial assets is used, based on whether there has been a significant deterioration in the credit risk of a financial asset. These three stages then determine the amount of impairment to be recognized.

For non-credit-impaired financial instruments:

- Stage 1 is comprised of all financial instruments which have not experienced a SICR since initial recognition or is considered of low credit risk as of the reporting date. The criteria for determining whether an account should be assessed under Stage 1 are as follow: (i) current or past due up to less than 10 days; instruments with credit risk improved and reclassified from stage 2; or (ii) no significant increase in the probability of default ("PD"). The Bank recognizes a 12-month ECL for Stage 1 financial instruments;
- Stage 2 is comprised of all financial instruments which have experienced a SICR as of reporting date compared to initial recognition. A SICR is generally deemed present in accounts with: (i) from 10 days up to 30 days past due for short-term and up to 90 days past due for long-term; (ii) special mentioned or substandard for short-term and special mentioned for long-term instruments; instruments with credit risk improved and instruments reclassified from Stage 3. The Bank recognizes a lifetime ECL for Stage 2 financial instruments.
- Stage 3 is comprised of all financial instruments that have objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of an instrument or a portfolio of instruments. The Bank's criteria for Stage 3 accounts are generally aligned with the definition of "default" which is explained in the next paragraph. The Bank recognizes a lifetime ECL for Stage 3 financial instruments.

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2023 and for the year then ended

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Summary of material accounting policy information (continued)

2.4.8 Impairment of financial assets (continued)

(ii) Definition of “default” and “restored”

The Bank classifies loans, receivables, or any financial asset as in default when it is credit impaired, becomes past due on its contractual payments for more than 60 days for short-term loans and 90 days for long-term loans, considered non-performing, refinanced or restructured payments term or is classified as substandard for long-term loans or doubtful or loss for both types. As part of a qualitative assessment of whether a customer is in default, the Bank considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Bank carefully considers whether the event should result in treating the customer as defaulted. An instrument is considered to be no longer in default (i.e. restored) if there is sufficient evidence to support that full collection is probable and payments are received for at least six months.

(iii) Determining a significant increase in credit risk since initial recognition

At each reporting date, the Bank shall assess whether the credit risk on a loan or credit exposure has increased significantly since initial recognition. The Bank’s assessment of SICR involves looking at (a) quantitative element, (b) qualitative element (i.e. unpaid for at least 10 days for both of short-term loans and long-term loans).

(iv) ECL parameters and methodologies

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2023 and for the year then ended

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Summary of material accounting policy information (continued)

2.4.8 Impairment of financial assets (continued)

(v) Forward-looking information

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

The key forward-looking economic variables used in each of the economic scenarios for the ECL calculations are Government debt and Interest rate for Long-term government bond.

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

Base scenario: This scenario reflects that current macroeconomic conditions continue to prevail;

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

2.4.9 Cash and cash equivalents

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

2.4.10 Balances with the NBC

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

2.4.11 Property and equipment

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2023 and for the year then ended

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 Summary of material accounting policy information (continued)

2.4.11 Property and equipment (continued)

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

Depreciation is calculated on a straight-line basis over the respective estimated useful lives of these assets, which are as follows:

	Years
Leasehold buildings	2 - 17
Computer equipment	4 - 5
Furniture and equipment	4 - 15
Motor vehicles	4 - 5

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

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

2.4.12 Intangible assets

Intangible assets include software which is stated at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortized on a straight-line method over 4 to 5 years.

2.7.13 Leases

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2023 and for the year then ended

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4.13 Leases (continued)

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

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

Short-term leases and leases of low-value assets

The Bank applies the short-term lease recognition exemption to its short-term leases of transportation equipment, ATM spaces and photocopy machine (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below USD 5,000). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Security deposits paid under leases

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

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

2.4.14 Other assets

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

2.4.15 Deposits from banks and deposits from customers

Deposits from bank and deposits from customer are the Bank's sources of debt funding.

Deposits from bank and deposits from customers are initially measured at fair value minus incremental direct transactions cost, and subsequently measured at their amortized cost using the effective interest method.

This account also includes current account and interest-bearing term deposit.

2.4.16 Provisions

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2023 and for the year then ended

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4.17 Equity

Paid-up capital

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

Accumulated losses

This account represents cumulative periodic losses of the Bank.

2.4.18 Regulatory reserves

A regulatory reserve is established for the difference between the allowance for expected credit losses as determined in accordance with Cambodian International Financial Reporting Standard (CIFRS) 9 - Financial Instruments, and the regulatory allowance in accordance with NBC Prakas No. B7-017-344 dated 1 December 2017 and Circular No. B7-018-001 dated 16 February 2018 on credit risk classification and provisioning for banks and financial institutions. The Bank shall compare the regulatory allowance with the allowance calculated in accordance with CIFRS 9, and:

- (i) In case the regulatory allowance calculated is lower than the allowance calculated in accordance with CIFRS 9, the entity shall records the allowance based on CIFRS 9; and
- (ii) In case the regulatory allowance calculated is higher than the allowance calculated in CIFRS 9, the Bank shall record the allowance based on CIFRS 9 and transfer the difference from the retained earnings or accumulated loss account to regulatory reserve in the equity section of the statement of financial position.

This Prakas on regulatory provisioning, requires banks and financial institutions to classify their loan portfolio into five classes and provide general and specific allowance based on the loan classification as follows:

Classification	Number of days past due	Allowance rate
Standard	0 to 14 days (short-term)	1%
	0 to 29 days (long-term)	
Special mention	15 days to 30 days (short-term)	3%
	30 days to 89 days (long-term)	
Sub-standard	31 days to 60 days (short-term)	20%
	90 days to 179 days (long-term)	
Doubtful	61 days to 90 days (short-term)	50%
	180 days to 359 days (long-term)	
Loss	From 91 days (short-term)	100%
	360 days or more (long-term)	

2.4.19 Employee benefits

In 2018, the Ministry of Labour and Vocational Training's ("MoLVT") Prakas No. 443 dated 21 September 2018 mandated the payment of seniority indemnity for unspecified duration contracted employees with implementation guidelines issued on 22 March 2019.

The said Prakas requires retroactive seniority payment equal to fifteen days per year of employee service for a maximum period not exceeding 6 months based on the average net wages for each year. Payment shall be spread over a period beginning December 2021 and every June and December thereafter as follows:

- Equal to three days payable every June, and
- Equal to three days payable every December.

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2023 and for the year then ended

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.7.20 Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets, other than inventories, contract assets and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognized if the carrying amount of an asset or its related cash-generating unit ("CGU") exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs 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 recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

Impairment losses recognized 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 recognized.

2.4.21 Related parties

Parties are considered to be related if the Bank has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or vice-versa, or where the Bank and the party are subject to common control or significant influence. Related parties may be individuals or corporate entities and include close family members of any individual considered to be a related party.

Related parties, as defined in Article 49 and 50 of the Cambodian Law on Banking and Financial Institutions, include the following:

- (a) any person holding directly or indirectly at least ten percent (10%) of the capital or voting rights;
- (b) any company of which the Bank directly or indirectly holds at least 10% of the capital or voting rights;
- (c) any individual who participates in the administration, direction, management or internal control; and,
- (d) the external auditors.

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2023 and for the year then ended

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4.22 *Income tax*

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amounts expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted at the statement of financial position date.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it becomes probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

2.4.23 *Presentation and rounding of amounts*

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2023 and for the year then ended

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES, AND ASSUMPTIONS

The preparation of the Bank financial statements requires management to make judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Bank's accounting policies, the General Director has made the following judgments and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Existing circumstances and assumptions about future developments may change due to circumstances beyond the Bank's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognized in the financial statements with substantial management judgment and/or estimates are collated below with respect to judgments/estimates involved.

2.5.1 *Expected credit losses on financial assets*

The measurement of impairment losses under CIFRS 9 across all categories of financial assets in scope requires judgment, in particular, the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgments and estimates include:

- The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on an ECL basis;
- The segmentation of financial assets when their ECL or elements of ECL are assessed on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios and economic inputs, such as Government debt and Interest rate for Long-term government bond, and the effect on PDs;
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models;
- The post-model overlays based on a sensitive analysis and Bank's senior management's judgment.

It has been the Bank's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

2.5.2 *Going concern*

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2023 and for the year then ended

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES, AND ASSUMPTIONS (continued)

2.5.3 *Fair value of financial instruments*

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgments and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility.

2.5.4 *Effective Interest Rate (EIR) method*

The Bank's EIR, as explained in Note 2.4.1.1, recognized interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of loans and recognized the effect of potentially different interest rates charged at various stages and other characteristics of the product life cycle (including prepayments and penalty interest and charges). This estimation, by nature, requires an element of judgment regarding the expected recognized and life-cycle of the instruments, as well expected changes to the base rate and other fee income/expense that are integral parts of the instrument.

2.5.5 *Deferred tax assets*

Deferred tax assets are recognized in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the tax losses can be recognized. Judgment is required to determine the amount of deferred tax assets that can be recognized, based on the likely timing and level of future taxable profits, together with future tax-planning strategies.

2.5.6 *Determination of the lease term for lease contracts with renewal and termination options (the Bank as a lessee)*

The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Bank has several lease contracts that include extension and termination options. The Bank applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate.

2.5.7 *Estimating the incremental borrowing rate*

The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Bank 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Bank estimates the IBR using observable inputs by reference to interest rates of deposits from customers having term similar as lease term.

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2023 and for the year then ended

3. CASH ON HAND

Cash on hand by currency comprises the following:

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 2.1.3)	US\$	KHR'000 (Note 2.1.3)
US\$	7,560,756	30,885,688	11,474,487	47,240,463
KHR	242,453	990,421	267,701	1,102,125
Other currencies	94,423	385,718	91,003	374,659
	7,897,632	32,261,827	11,833,191	48,717,247

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

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 2.1.3)	US\$	KHR'000 (Note 2.1.3)
Cash on hand	7,897,632	32,261,827	11,833,191	48,717,247
Balances with the NBC	22,424,104	91,602,465	12,465,568	51,320,743
<i>In which:</i>				
<i>Current accounts</i>	22,424,104	91,602,465	12,465,568	51,320,743
<i>Term deposits (up to three months)</i>	1,443,191	5,895,435	2,497,719	10,283,109
Balances with other banks				
<i>In which: Current accounts</i>	22,854,683	93,361,380	22,207,684	91,429,035
	54,619,610	223,121,107	49,004,162	201,750,134

4. BALANCES WITH THE NATIONAL BANK OF CAMBODIA

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 2.1.3)	US\$	KHR'000 (Note 2.1.3)
Current accounts	22,424,104	91,602,465	12,465,568	51,320,743
Term deposits (i)	1,443,191	5,895,435	2,497,719	10,283,109
Capital guarantee deposit (ii)	7,500,000	30,637,500	7,500,000	30,877,500
Reserve requirement (iii)	12,067,689	49,296,510	12,885,784	53,050,773
	43,434,984	177,431,910	35,349,071	145,532,125

(i) *Term deposits*

The balance represents deposits with the NBC with original maturities of three months.

(ii) *Capital guarantee deposit*

Under NBC Prakas No. B7-01-136 on the Bank's Capital dated 15 October 2001, banks are required to maintain a statutory deposit of 10.00% of registered capital with the NBC. This deposit is not available for use in the Bank's day-to-day operations, but it is refundable when the Bank voluntarily ceases to operate the business in Cambodia.

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2023 and for the year then ended

4. BALANCES WITH THE NATIONAL BANK OF CAMBODIA (“NBC”) (continued)

(iii) Reserve requirement

Under the NBC Prakas No. B7-020-230 dated 18 March 2020, commercial banks are required to maintain certain cash reserves with the NBC in the form of compulsory deposits, computed at 7.00% of customer deposits and borrowings in KHR. The reserve requirements do not earn any interest based on the NBC Prakas No. B7-018-282 dated 29 August 2018.

Under the NBC Prakas No. B7-023-005 dated 9 January 2023, commercial banks are required to maintain reserve requirement against deposits and borrowings at a daily average balance with NBC in accordance with the dates and rates as follow:

- From 1 January 2023 to 31 December 2023, reserve requirement in foreign currencies (i.e. currencies other than KHR) shall be at the rate of 9%.
- From 1 January 2024 onwards, reserve requirement in foreign currencies (currency other than KHR) shall be at the rate of 12.5%.

On 23 November 2023, the NBC responded a letter to the Association of Banks in Cambodia allowing commercial banks to maintain reserve requirement in foreign currencies at rate of 7% until 31 December 2024.

Balances with the NBC by currency were as follows:

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 2.1.3)	US\$	KHR'000 (Note 2.1.3)
US\$	38,928,791	159,024,112	34,295,863	141,196,068
KHR	4,506,193	18,407,798	1,053,208	4,336,057
	43,434,984	177,431,910	35,349,071	145,532,125

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

	31 December 2023 % p.a.	31 December 2022 % p.a.
Capital guarantee deposits - US\$	1.33%	1.19%
Reserve deposits - US\$	Nil	Nil
Term deposits - US\$	1.02%	2.75%
Term deposits - KHR	1.33%	1.56%
Current deposits - US\$	Nil	Nil
Current deposits - KHR	Nil	Nil

5. BALANCES WITH OTHER BANKS

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 2.1.3)	US\$	KHR'000 (Note 2.1.3)
Balance with other banks				
Current accounts	22,854,683	93,361,380	22,207,684	91,429,035
Term deposits	1,850,106	7,557,683	5,011,063	20,630,546
Gross balances with other banks	24,704,789	100,919,063	27,218,747	112,059,581
Allowance for expected credit losses	(1,160)	(4,739)	(19,738)	(81,261)
	24,703,629	100,914,324	27,199,009	111,978,320

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2023 and for the year then ended

5. BALANCES WITH OTHER BANKS (continued)

Balances with other banks by currency were as follows:

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 2.1.3)	US\$	KHR'000 (Note 2.1.3)
US\$	23,338,255	95,336,772	23,967,073	98,672,440
KHR	944,378	3,857,784	2,828,696	11,645,741
Other currencies	422,156	1,724,507	422,978	1,741,400
	24,704,789	100,919,063	27,218,747	112,059,581

Annual interest rates of balances with other banks were as follows:

	2023	2022
Current deposits	Nil	Nil
Term deposits	7.50%	4.50% - 5.50%

Movements of allowance for expected credit losses on balance with other banks were as follows:

	2023		2022	
	US\$	KHR'000 (Note 2.1.3)	US\$	KHR'000 (Note 2.1.3)
As at 1 January	19,738	81,261	40,476	164,899
Reversal during the year	(18,578)	(76,337)	(20,738)	(84,756)
Exchange difference on translation	-	(185)	-	1,118
As at 31 December	1,160	4,739	19,738	81,261

6. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI")

	31 December 2023			31 December 2022		
	US\$	KHR'000 (Note 2.1.3)	% owned by the Bank	US\$	KHR'000 (Note 2.1.3)	% owned by the Bank
Unlisted equity securities (*)	25,000	102,125	1%	25,000	102,925	1%

(*) These are equity securities of a local economic entity which the Bank has no intention to dispose as at 31 December 2023 and elect the option to measure this investment at FVOCI.

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2023 and for the year then ended

7. LOANS TO CUSTOMERS

Loans to Customers were categorized as follows:

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 2.1.3)	US\$	KHR'000 (Note 2.1.3)
Individual loans	166,621,095	680,647,173	160,776,428	661,916,553
Corporation loans	30,250,584	123,573,636	37,708,500	155,245,895
Total gross amount	196,871,679	804,220,809	198,484,928	817,162,448
Allowance for expected credit losses on loans to customers	(16,609,143)	(67,848,349)	(23,224,378)	(95,614,764)
Net loans to customers	180,262,536	736,372,460	175,260,550	721,547,684

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

	2023			
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$
Gross carrying amount as at 1 January 2023	153,015,978	1,585,933	43,883,017	198,484,928
New financial assets originated	65,986,468	2,500,958	829,205	69,316,631
Derecognized or repaid financial assets	(54,211,331)	(746,220)	(15,972,329)	(70,929,880)
Transfers to Stage 1	10,604,777	(245,121)	(10,359,656)	-
Transfers to Stage 2	(2,262,781)	2,434,881	(172,100)	-
Transfers to Stage 3	(9,565,688)	(545,191)	10,110,879	-
Balance at 31 December 2023	163,567,423	4,985,240	28,319,016	196,871,679
KHR'000 (Note 2.1.3)	668,172,924	20,364,705	115,683,180	804,220,809
CIFRS 9, ECL allowance as at 1 January 2023	169,138	56,811	22,998,429	23,224,378
New financial assets originated	286,532	234,213	186,814	707,559
Derecognized or repaid financial assets	(63,596)	(8,404)	(9,926,456)	(9,998,456)
Net remeasurement of loss allowance	(2,752,051)	187,621	5,240,092	2,675,662
Transfers to Stage 1	3,022,938	(4,698)	(3,018,240)	-
Transfers to Stage 2	(1,974)	50,185	(48,211)	-
Transfers to Stage 3	(10,349)	(40,722)	51,071	-
Balance at 31 December 2023	650,638	475,006	15,483,499	16,609,143
KHR'000 (Note 2.1.3)	2,657,856	1,940,400	63,250,093	67,848,349

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2023 and for the year then ended

7. LOANS TO CUSTOMERS (continued)

	2022			
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$
Gross carrying amount as at 1 January 2022	129,976,634	1,583,691	34,682,838	166,243,163
New financial assets originated	87,366,595	471,712	2,381,381	90,219,688
Derecognized or repaid financial assets	(53,715,604)	(607,624)	(3,654,695)	(57,977,923)
Transfers to Stage 1	961,447	(465,281)	(496,166)	-
Transfers to Stage 2	(936,061)	970,262	(34,201)	-
Transfers to Stage 3	(10,637,033)	(366,827)	11,003,860	-
Balance at 31 December 2022	153,015,978	1,585,933	43,883,017	198,484,928
KHR'000 (Note 2.1.3)	629,966,781	6,529,286	180,666,381	817,162,448
CIFRS 9, ECL allowance as at 1 January 2022	234,180	119,618	22,086,805	22,440,603
New financial assets originated	97,762	21,977	85,282	205,021
Derecognized or repaid financial assets	(110,170)	(26,872)	(879,484)	(1,016,526)
Net remeasurement of loss allowance	(81,983)	12,420	1,664,843	1,595,280
Transfers to Stage 1	46,823	(30,411)	(16,412)	-
Transfers to Stage 2	(1,315)	11,578	(10,263)	-
Transfers to Stage 3	(16,159)	(51,499)	67,658	-
Balance at 31 December 2022	169,138	56,811	22,998,429	23,224,378
KHR'000 (Note 2.1.3)	696,341	233,891	94,684,532	95,614,764

Further analyses of gross amount of loans to Customers are set out below:

(a) By grading of loans to Customers

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 2.1.3)	US\$	KHR'000 (Note 2.1.3)
Stage 1	163,567,423	668,172,924	153,015,978	629,966,781
Stage 2	4,985,240	20,364,705	1,585,933	6,529,286
Stage 3	28,319,016	115,683,180	43,883,017	180,666,381
	196,871,679	804,220,809	198,484,928	817,162,448

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2023 and for the year then ended

7. LOANS TO CUSTOMERS (continued)

(b) By security

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 2.1.3)	US\$	KHR'000 (Note 2.1.3)
Secured	193,393,086	790,010,757	195,814,152	806,166,863
Real estate	172,390,726	704,216,116	168,142,776	692,243,808
Machinery and Transport	8,400,217	34,314,886	11,905,498	49,014,935
Deposit hold-out	177,686	725,847	311,281	1,281,544
License	-	-	5,500,000	22,643,500
Others	12,424,457	50,753,908	9,954,597	40,983,076
Unsecured	3,478,593	14,210,052	2,670,776	10,995,585
	196,871,679	804,220,809	198,484,928	817,162,448

(c) By maturity

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 2.1.3)	US\$	KHR'000 (Note 2.1.3)
Within one month	2,988,224	12,206,895	1,983,870	8,167,593
More than one month to three months	-	-	-	-
More than three months to twelve months	13,483,664	55,080,767	13,082,114	53,859,063
More than one year to five years	38,367,393	156,730,800	46,980,077	193,416,977
More than five years	142,032,398	580,202,347	136,438,867	561,718,815
	196,871,679	804,220,809	198,484,928	817,162,448

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

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 2.1.3)	US\$	KHR'000 (Note 2.1.3)
<i>Residency</i>				
Residents	196,871,679	804,220,809	198,484,928	817,162,448
<i>Relationship</i>				
Related parties	937,770	3,830,790	942,119	3,878,704
Non-related parties	195,933,909	800,390,019	197,542,809	813,283,744
	196,871,679	804,220,809	198,484,928	817,162,448
<i>Currency</i>				
US\$	176,801,496	722,234,111	184,181,435	758,274,967
KHR	20,070,183	81,986,698	14,303,493	58,887,481
	196,871,679	804,220,809	198,484,928	817,162,448

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2023 and for the year then ended

7. LOANS TO CUSTOMERS (continued)

Annual interest rates of loans to Customers were as follows:

	2023	2022
Individual loans	4.20% - 16.80%	3.65% - 16.80%
Corporation loans	5.30% - 9.50%	5.30% - 9.50%

(f) By industry sector

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 2.1.3)	US\$	KHR'000 (Note 2.1.3)
Consumers	87,391,741	356,995,262	91,346,542	376,073,712
Wholesale and retail	40,757,417	166,494,048	40,768,765	167,845,006
Real estate & construction	21,197,961	86,593,671	20,964,185	86,309,550
Mining	19,752,602	80,689,379	16,789,144	69,120,906
Import & Export	4,276,669	17,470,193	7,122,272	29,322,394
Credit card	2,698,224	11,022,245	1,983,870	8,167,593
Services	1,499,981	6,127,422	1,040,020	4,281,762
Other industries	19,297,084	78,828,589	18,470,130	76,041,525
	196,871,679	804,220,809	198,484,928	817,162,448

8. OTHER ASSETS

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 2.1.3)	US\$	KHR'000 (Note 2.1.3)
Financial assets				
Rental deposits	249,588	1,019,567	237,010	975,770
Receivables on express and remittance	60,685	247,898	37,262	153,408
Non-financial assets				
Prepaid for system maintenance	355,443	1,451,985	142,569	586,957
Advances to employees	139,954	571,712	85,446	351,781
Prepaid insurance	2,395	9,784	17,892	73,661
Sundry debit	347,080	1,417,820	1,097,835	4,519,788
	1,155,145	4,718,766	1,618,014	6,661,365

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2023 and for the year then ended

9. PROPERTY AND EQUIPMENT

	2023				
	<i>Building and lease hold improvement</i>	<i>Computer equipment</i>	<i>Furniture and equipment</i>	<i>Motor vehicles</i>	<i>Total</i>
Cost	US\$	US\$	US\$	US\$	US\$
As at 1 January	1,207,188	3,171,977	981,926	720,999	6,082,090
Additions	3,043	36,115	9,159	-	48,317
Disposals	-	(80,805)	-	-	(80,805)
Exchange difference on translation	-	-	-	-	(193,847)
As at 31 December	1,210,231	3,127,287	991,085	720,999	6,049,602
Less: accumulated depreciation					
As at 1 January	1,029,656	2,200,153	941,701	623,664	4,795,174
Disposals	58,963	303,432	26,571	36,010	424,976
Depreciation	-	(80,805)	-	-	(80,805)
Exchange difference on translation	-	-	-	-	(161,705)
As at 31 December	1,088,619	2,422,780	968,272	659,674	5,139,345
Net book value	121,612	704,507	22,813	61,325	910,257
					3,718,400
					KHR '000 (Note 2.1.3)

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2023 and for the year then ended

9. PROPERTY AND EQUIPMENT (continued)

	2022					KHR'000 (Note 2.1.3)
	Building and lease hold improvement	Computer equipment	Furniture and equipment	Motor vehicles	Total	
	US\$	US\$	US\$	US\$	US\$	
Cost						
As at 1 January	1,200,219	2,636,957	974,418	646,600	5,458,194	22,236,682
Additions	6,969	535,020	7,508	74,399	623,896	2,549,863
Exchange difference on translation	-	-	-	-	-	253,419
As at 31 December	1,207,188	3,171,977	981,926	720,999	6,082,090	25,039,964
Less: accumulated depreciation						
As at 1 January	968,884	1,969,227	851,140	593,951	4,383,202	17,857,165
Depreciation	60,772	230,926	90,561	29,713	411,972	1,683,730
Exchange difference on translation	-	-	-	-	-	200,836
As at 31 December	1,029,656	2,200,153	941,701	623,664	4,795,174	19,741,731
Net book value	177,532	971,824	40,225	97,335	1,286,916	5,298,233

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2023 and for the year then ended

10. RIGHT-OF-USE ASSETS

Information about the Bank's leases are disclosed within this note and Note 14.

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 2.1.3)	US\$	KHR'000 (Note 2.1.3)
Right-of-use assets	1,150,229	4,698,685	1,293,835	5,326,719

The Bank leases its offices and ATM spaces for periods ranging from 2 to 10 years, renewable upon mutual agreement of both parties. Information about leases for which the Bank is a lessee is presented below:

	2023			
	Office building	ATM space	Total	
	US\$	US\$	US\$	KHR'000 (Note 2.1.3)
Cost				
As at 1 January	2,355,382	177,857	2,533,239	10,429,345
Additions	275,237	15,012	290,249	1,185,667
Termination	(144,295)	(74,352)	(218,647)	(893,173)
Exchange difference on translation	-	-	-	(81,064)
As at 31 December	2,486,324	118,517	2,604,841	10,640,775
Less: accumulated amortization				
As at 1 January	1,148,091	91,313	1,239,404	5,102,626
Amortization	367,245	66,610	433,855	1,782,710
Termination	(144,295)	(74,352)	(218,647)	(898,421)
Exchange difference on translation	-	-	-	(44,825)
As at 31 December	1,371,041	83,571	1,454,612	5,942,090
Net book value	1,115,283	34,946	1,150,229	4,698,685
	2022			
	Office building	ATM space	Total	
	US\$	US\$	US\$	KHR'000 (Note 2.1.3)
Cost				
As at 1 January	2,397,927	242,188	2,640,115	10,755,829
Additions	495,889	98,234	594,123	2,428,181
Termination	(538,434)	(162,565)	(700,999)	(2,864,983)
Exchange difference on translation	-	-	-	110,318
As at 31 December	2,355,382	177,857	2,533,239	10,429,345
Less accumulated amortization				
As at 1 January	1,336,480	184,029	1,520,509	6,194,554
Amortization	350,045	69,849	419,894	1,716,106
Termination	(538,434)	(162,565)	(700,999)	(2,864,983)
Exchange difference on translation	-	-	-	56,949
As at 31 December	1,148,091	91,313	1,239,404	5,102,626
Net book value	1,207,291	86,544	1,293,835	5,326,719

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2023 and for the year then ended

11. INTANGIBLE ASSETS

	2023		2022	
	<i>Computer software</i>		<i>Computer software</i>	
	<i>US\$</i>	<i>KHR'000</i> <i>(Note 2.1.3)</i>	<i>US\$</i>	<i>KHR'000</i> <i>(Note 2.1.3)</i>
Cost				
As at 1 January	2,292,104	9,436,592	1,779,104	7,248,070
Additions	49,134	201,892	513,000	2,096,631
Foreign exchange differences	-	(74,527)	-	91,891
As at 31 December	2,341,238	9,563,957	2,292,104	9,436,592
Less accumulated amortization				
As at 1 January	1,375,637	5,663,497	1,173,270	4,779,902
Amortization	257,885	1,059,650	202,367	827,074
Foreign exchange differences	-	(50,210)	-	56,521
As at 31 December	1,633,522	6,672,937	1,375,637	5,663,497
Net book value	707,716	2,891,020	916,467	3,773,095

12. DEPOSITS AND BORROWINGS FROM OTHER BANKS

	31 December 2023		31 December 2022	
	<i>US\$</i>	<i>KHR'000</i> <i>(Note 2.1.3)</i>	<i>US\$</i>	<i>KHR'000</i> <i>(Note 2.1.3)</i>
	Deposit from other banks	6,702,503	27,379,724	1,657,800
Borrowings from other banks	271,042	1,107,207	274,820	1,131,434
	6,973,545	28,486,931	1,932,620	7,956,597

12.1 Deposit from other banks

	31 December 2023		31 December 2022	
	<i>US\$</i>	<i>KHR'000</i> <i>(Note 2.1.3)</i>	<i>US\$</i>	<i>KHR'000</i> <i>(Note 2.1.3)</i>
	Current deposits	1,702,503	6,954,724	1,657,800
Term deposits	5,000,000	20,425,000	-	-
	6,702,503	27,379,724	1,657,800	6,825,163

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2023 and for the year then ended

12. DEPOSITS AND BORROWINGS FROM OTHER BANKS (continued)

12.1 Deposit from other banks (continued)

Deposit from other banks by currency were as follows:

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 2.1.3)	US\$	KHR'000 (Note 2.1.3)
US\$	6,203,849	25,342,722	1,166,949	4,804,329
Other currencies	498,654	2,037,002	490,851	2,020,834
	6,702,503	27,379,724	1,657,800	6,825,163

Annual interest rates of deposit from other banks were as follows:

	2023	2022
Current deposits	Nil	Nil
Term deposits	5.25%	Not applicable

12.2 Borrowings from other banks

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 2.1.3)	US\$	KHR'000 (Note 2.1.3)
Borrowings from domestic bank in foreign currency	271,042	1,107,207	274,820	1,131,434

Borrowings from other banks by currency were as follows:

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 2.1.3)	US\$	KHR'000 (Note 2.1.3)
US\$	271,042	1,107,207	274,820	1,131,434

Annual interest rates of borrowings from other banks were as follows:

	2023	2022
Borrowings	2.00% - 2.50%	2.00% - 2.50%

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2023 and for the year then ended

13. DEPOSITS FROM CUSTOMERS

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 2.1.3)	US\$	KHR'000 (Note 2.1.3)
Current accounts	6,318,020	25,809,112	6,885,681	28,348,348
Term deposits	143,630,373	586,730,074	138,273,100	569,270,353
Savings deposits	22,298,621	91,089,866	35,062,315	144,351,551
	172,247,014	703,629,052	180,221,096	741,970,252

Deposits from customers were further analysed as follows:

(a) By types of customer

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 2.1.3)	US\$	KHR'000 (Note 2.1.3)
Resident individuals	155,916,000	636,916,860	163,914,872	674,837,527
Domestic corporations	8,664,159	35,393,090	7,737,014	31,853,287
Non-resident individuals	7,666,855	31,319,102	8,569,210	35,279,438
	172,247,014	703,629,052	180,221,096	741,970,252

(b) By currency

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 2.1.3)	US\$	KHR'000 (Note 2.1.3)
US\$	161,603,998	660,152,331	174,336,850	717,744,811
KHR	10,634,807	43,443,187	5,876,346	24,192,916
Other currencies	8,209	33,534	7,900	32,525
	172,247,014	703,629,052	180,221,096	741,970,252

(c) By relationship

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 2.1.3)	US\$	KHR'000 (Note 2.1.3)
Non-related parties	172,180,336	703,356,672	180,188,627	741,836,577
Related parties	66,678	272,380	32,469	133,675
	172,247,014	703,629,052	180,221,096	741,970,252

(d) Annual interest rates of deposits from Customers were as follows:

	2023	2022
Current accounts	0.00% - 3.50%	0.00% - 3.00%
Term deposits	0.00% - 7.50%	0.00% - 6.50%
Savings deposits	0.00% - 3.50%	0.00% - 3.00%

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2023 and for the year then ended

14. LEASE LIABILITIES

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 2.1.3)	US\$	KHR'000 (Note 2.1.3)
Maturity analysis - contractual undiscounted cash flows				
Less than one year	472,675	1,930,877	487,544	2,007,219
One to five years	841,758	3,438,581	974,213	4,010,835
More than five years	81,000	330,885	113,400	466,868
Total undiscounted lease liabilities	1,395,433	5,700,343	1,575,157	6,484,922
Present value of lease liabilities				
As at 1 January	1,385,376	5,703,593	1,222,699	4,981,276
Additions	290,249	1,185,667	594,123	2,446,004
Accretion of interest	77,240	317,379	71,794	293,422
Payments	(515,515)	(2,105,879)	(503,240)	(2,071,839)
Exchange difference on translation	-	(46,185)	-	54,730
As at 31 December	1,237,350	5,054,575	1,385,376	5,703,593
Within one year	358,278	1,463,566	88,245	363,305
Beyond one year	879,072	3,591,009	1,297,131	5,340,288

Amounts recognized in profit and loss on leases during the year were as follows:

	2023 US\$	2023 US\$
Depreciation expense on right-of-use assets	433,855	419,894
Expenses relating to short-term leases and leases of low-value assets	90,132	82,637
Interest expense on lease liabilities	77,240	71,794
	601,227	574,325
KHR'000 (Note 2.1.3)	2,456,012	2,339,800

15. INCOME TAX

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

Applicable tax rates

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2023 and for the year then ended

15. INCOME TAX (continued)

15.1 Income tax expense

Income tax expense comprises:

	2023		2022	
	US\$	KHR'000 (Note 2.1.3)	US\$	KHR'000 (Note 2.1.3)
Current income tax	495,495	2,035,989	226,248	924,676
Deferred tax	1,720,405	7,069,144	1,506,812	6,158,340
	2,215,900	9,105,133	1,733,060	7,083,016

Movements of income tax payable were as follows:

	2023		2022	
	US\$	KHR'000 (Note 2.1.3)	US\$	KHR'000 (Note 2.1.3)
As at 1 January	(31,251)	(128,660)	3,826	15,587
Current income tax expense	495,495	2,035,989	226,248	924,676
Income tax paid	(243,839)	(1,001,934)	(261,325)	(1,068,035)
Exchange difference on translation	-	(5,041)	-	(888)
As at 31 December	220,405	900,354	(31,251)	(128,660)

The reconciliation of statutory income tax and effective income tax was as follows:

	2023		2022	
	US\$	KHR'000 (Note 2.1.3)	US\$	KHR'000 (Note 2.1.3)
Profit before income tax	8,755,219	35,975,195	7,315,885	29,900,024
Income tax expense at applicable tax rate of 20%	1,751,044	7,195,040	1,463,177	5,980,004
Adjust for:				
Non-deductible expenses	94,536	388,449	78,717	321,716
Unrealized gain on exchange	(42,437)	(174,374)	(31,157)	(127,339)
Dividend income	(13,566)	(55,743)	(3,925)	(16,041)
Accounting gain on disposal	(72)	(296)	-	-
Tax losses forfeited	426,395	1,752,057	-	-
Current income tax (minimum tax effect)	-	-	226,248	924,676
Effective income tax expense	2,215,900	9,105,133	1,733,060	7,083,016

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2023 and for the year then ended

15. INCOME TAX (continued)

15.2 Deferred tax

Details of net deferred income tax assets were as follows:

	2023		
	1 January 2023 US\$	Recognized in profit or loss during the year US\$	31 December 2023 US\$
<i>Deferred tax asset on</i>			
Lease accounting	18,308	(884)	17,424
Amortized loan processing fees	221,043	(44,839)	176,204
Tax loss carried forward	426,395	(426,395)	-
Allowance for ECL	331,214	(331,214)	-
	996,960	(803,332)	193,628
<i>Deferred tax liability on:</i>			
Allowance for ECL	-	(916,886)	(916,886)
Property and equipment	(47,241)	(187)	(47,428)
	(47,241)	(917,073)	(964,314)
Net deferred tax assets/(liabilities)	949,719	(1,720,405)	(770,686)
KHR'000 (Note 2.1.3)	3,909,993	(7,058,245)	(3,148,252)
	2022		
	1 January 2022 US\$	Recognized in profit or loss during the year US\$	31 December 2022 US\$
<i>Deferred tax asset on</i>			
Lease accounting	20,619	(2,311)	18,308
Amortized loan processing fees	279,011	(57,968)	221,043
Tax loss carried forward	1,641,658	(1,215,263)	426,395
Allowance for ECL	512,486	(181,272)	331,214
	2,453,774	(1,456,814)	996,960
<i>Deferred tax liability on:</i>			
Property and equipment	2,757	(49,998)	(47,241)
	2,757	(49,998)	(47,241)
Net deferred tax assets	2,456,531	(1,506,812)	949,719
KHR'000 (Note 2.1.3)	10,007,907	(6,097,914)	3,909,993

15.3 Tax reassessment

On 2 May 2023, the Department of Enterprise Audit (“DEA”) of General Department of Taxation (“GDT”) issued a notice of tax reassessments in respect of comprehensive tax audits for the fiscal years 2019 and 2020 with reassessed taxes totalling of US\$341,031.57 (including interest and penalty) which was fully settled on 24 May 2023.

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2023 and for the year then ended

16. OTHER LIABILITIES

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 2.1.3)	US\$	KHR'000 (Note 2.1.3)
Financial liabilities				
Payable to employees	1,050,790	4,292,477	1,126,169	4,636,438
Payables on remittance	194,667	795,215	12,190	50,186
Allowance for expected credit losses on commitments	21,786	88,996	18,621	76,663
Non-financial liabilities				
Allowance for expected credit losses on commitments	99,724	407,373	127,987	526,922
Others	86,719	354,246	133,841	551,024
	1,453,686	5,938,307	1,418,808	5,841,233

Movements of allowance for credit loss on commitments were as follows:

	2023		2022	
	US\$	KHR'000 (Note 2.1.3)	US\$	KHR'000 (Note 2.1.3)
As at 1 January	18,621	76,663	23,912	97,417
Reversal during the year	3,165	13,005	(5,291)	(21,621)
Foreign exchange differences	-	(672)	-	867
As at 31 December	21,786	88,996	18,621	76,663

17. EQUITY

Paid-up capital

As at 31 December 2023 and 2022, the authorized share capital comprises 75 million ordinary shares, fully issued and paid at par value of US\$1 per share. There were no movements in the paid-up capital during the year.

Regulatory reserves

	2023 US\$	2023 US\$
Allowance per NBC	23,343,688	23,839,111
Less: Allowance per CIFRS 9	(16,632,089)	(23,262,738)
Difference	6,711,599	576,373
KHR'000 (Note 2.1.3)	27,558,644	2,349,000

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2023 and for the year then ended

18. INTEREST INCOME

	2023		2022	
	US\$	KHR'000 (Note 2.1.3)	US\$	KHR'000 (Note 2.1.3)
Loans to Customers	15,705,915	64,535,604	14,651,228	59,879,569
Balances with other banks	181,226	744,658	854,816	3,493,633
Balances with NBC	143,190	588,368	37,987	155,253
	16,030,331	65,868,630	15,544,031	63,528,455

19. INTEREST EXPENSE

	2023		2022	
	US\$	KHR'000 (Note 2.1.3)	US\$	KHR'000 (Note 2.1.3)
Deposits from Customers	8,306,607	34,131,849	6,587,266	26,922,156
Lease liabilities	77,240	317,379	71,794	293,422
Deposits from other banks	23,821	97,880	20,749	84,801
	8,407,668	34,547,108	6,679,809	27,300,379

20. NET FEES AND COMMISSION INCOME

	2023		2022	
	US\$	KHR'000 (Note 2.1.3)	US\$	KHR'000 (Note 2.1.3)
Settlement services	3,295,995	13,543,243	6,913,719	28,256,369
Other services	156,225	641,929	167,087	682,885
Total fees and commission income	3,452,220	14,185,172	7,080,806	28,939,254
Fees and commission expenses	(201,617)	(828,444)	(116,454)	(475,947)
Net fees and commission income	3,250,603	13,356,728	6,964,352	28,463,307

21. OTHER OPERATING INCOME (EXPENSES)

	2023		2022	
	US\$	KHR'000 (Note 2.1.3)	US\$	KHR'000 (Note 2.1.3)
Net foreign exchange gain (loss)	224,981	924,447	(44,331)	(181,180)
Dividend income	67,828	278,705	19,626	80,211
Gain on disposal of property and equipment	360	1,479	-	-
	293,169	1,204,631	(24,705)	(100,969)

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2023 and for the year then ended

22. PERSONNEL EXPENSES

	2023		2022	
	US\$	KHR'000 (Note 2.1.3)	US\$	KHR'000 (Note 2.1.3)
Salaries and wages	5,267,718	21,645,053	4,757,672	19,444,605
Other employee benefits	195,181	801,999	149,619	611,493
	5,462,899	22,447,052	4,907,291	20,056,098

23. GENERAL AND ADMINISTRATIVE EXPENSES

	2023		2022	
	US\$	KHR'000 (Note 2.1.3)	US\$	KHR'000 (Note 2.1.3)
License fees	508,705	2,090,269	354,731	1,449,786
Repairs and maintenance	342,656	1,407,974	311,765	1,274,184
Printing and stationery	239,055	982,277	114,334	467,283
Marketing and promotions	207,399	852,202	120,354	491,887
Other taxes	184,419	757,778	207,901	849,691
Communications	179,000	735,511	143,368	585,945
Utilities	133,579	548,876	130,254	532,348
Office supplies	113,898	468,007	109,979	449,484
Rental expenses	90,132	370,352	82,637	337,737
Transportation	67,251	276,334	55,356	226,240
Travelling	66,356	272,657	29,414	120,215
Professional fees (*)	62,082	255,095	24,158	98,734
Other expenses	267,717	1,100,049	104,462	426,936
	2,462,249	10,117,381	1,788,713	7,310,470

(*) Professional fees include audit service fees amounted to US\$ 28,000 or KHR'000 114,380 for the year ended 31 December 2023 (2022: US\$ 25,000 or KHR'000 102,925).

24. DEPRECIATION AND AMORTIZATION

	2023		2022	
	US\$	KHR'000 (Note 2.1.3)	US\$	KHR'000 (Note 2.1.3)
Property and equipment (Note 9)	424,976	1,746,226	411,972	1,683,730
Right-of-use assets (Note 10)	433,855	1,782,710	419,894	1,716,106
Intangible assets (Note 11)	257,885	1,059,650	202,367	827,074
	1,116,716	4,588,586	1,034,233	4,226,910

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2023 and for the year then ended

25. PROVISION FOR EXPECTED CREDIT LOSSES

	2023		2022	
	US\$	KHR'000 (Note 2.1.3)	US\$	KHR'000 (Note 2.1.3)
<i>(Reversal of) Provision for expected credited losses:</i>				
Loans to Customers	(6,615,235)	(27,182,001)	783,775	3,203,289
Commitments	(18,578)	(76,337)	(20,738)	(84,756)
Others	3,165	13,005	(5,290)	(21,621)
	(6,630,648)	(27,245,333)	757,747	3,096,912

26. COMMITMENTS

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 2.1.3)	US\$	KHR'000 (Note 2.1.3)
Undrawn credit facilities	12,472,542	50,950,334	14,165,391	58,318,915
Allowance for expected credit losses on off-balance sheet commitments	(21,786)	(88,996)	(18,621)	(76,663)
	12,450,756	50,861,338	14,146,770	58,242,252

27. RELATED PARTY TRANSACTIONS AND BALANCES

Significant transactions with related parties during the year were as follows:

Related party	Transaction	2023		2022	
		US\$	KHR'000 (Note 2.1.3)	US\$	KHR'000 (Note 2.1.3)
Sacombank Remittance Express Co., Ltd	Fee and commission expenses	(1,149)	(4,721)	(2,045)	(8,358)
	Interest income on loans	26,800	110,121	65,539	267,858
Key management personnel	Interest expense on deposits	(45)	(185)	(25)	(102)
	Salaries and employee benefits	(517,763)	(2,127,488)	(538,702)	(2,201,675)

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2023 and for the year then ended

27. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

Related party	Account	2023		2022	
		US\$	KHR'000 (Note 2.1.3)	US\$	KHR'000 (Note 2.1.3)
Parent Bank	Due from	20,225,496	82,621,151	20,569,482	84,684,557
	Due to	(1,699,425)	(6,942,151)	(1,654,723)	(6,812,495)
	Other receivables	138,413	565,417	457,059	1,881,712
	Other payables	(184,830)	(755,031)	(597,945)	(2,461,740)
Sacombank Lao Co., Ltd.	Due from	(124)	(507)	(124)	(511)
Sacombank Remittance Express Co., Ltd.	Receivables on remittance	11,726	47,901	39,772	163,741
Key management personnel	Loans-gross	937,770	3,830,790	942,119	3,878,704
	Deposits	(66,678)	(272,380)	(32,469)	(133,675)

28. FINANCIAL RISK MANAGEMENT

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

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

The Bank holds the following financial assets and liabilities:

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 2.1.3)	US\$	KHR'000 (Note 2.1.3)
Financial assets				
Cash on hand	7,897,632	32,261,827	11,833,191	48,717,247
Balances with the NBC	23,867,295	97,497,900	14,963,287	61,603,853
Balances with other banks	24,703,629	100,914,324	27,199,009	111,978,320
Equity instruments at FVOCI	25,000	102,125	25,000	102,925
Loans to customers	180,262,536	736,372,460	175,260,550	721,547,684
Other financial assets	310,273	1,267,465	274,272	1,129,178
Total financial assets	237,066,365	968,416,101	229,555,309	945,079,207
Financial liabilities				
Deposits and borrowings from other banks	6,973,545	28,486,931	1,932,620	7,956,597
Deposits from customers	172,247,014	703,629,052	180,221,096	741,970,252
Lease liabilities	1,237,350	5,054,575	1,385,376	5,703,593
Other liabilities	1,267,243	5,176,688	1,156,980	4,763,287
Total financial liabilities	181,725,152	742,347,246	184,696,072	760,393,729

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2023 and for the year then ended

28. FINANCIAL RISK MANAGEMENT (continued)

Capital management

The primary objectives of the Bank's capital management are to ensure that it complies with externally imposed capital requirements and maintains strong financial position and healthy capital ratios to support its business and to maximize owner's value.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to owner or return on capital. No changes were made in the objectives, policies and processes from previous years.

Net worth and risk-weighted assets are computed based on NBC regulations. Management believes the Bank is compliant with the solvency ratio prescribed by the NBC and all externally imposed capital requirements.

28.1 Credit risk

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

(a) Credit risk measurement

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

(b) Risk limit control and mitigation policy

The Bank operates and provides loans and advances to individuals or enterprises within the Kingdom of Cambodia. The Bank manages, limits and controls the concentration of credit risk whenever it is identified. Large exposure is defined by the NBC as overall credit exposure to any individual beneficiary which exceeds 10% of the Bank's net worth, and shall maintain at all times a ratio not exceeding 20%. The Bank also maintain at all times a maximum ratio of 300% between the total of large exposures and net worth.

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

The principal collateral types for loans to customers are:

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

(c) Maximum exposure to credit risk before collateral held or other credit enhancements

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2023 and for the year then ended

28. FINANCIAL RISK MANAGEMENT (continued)

28.1 Credit risk (continued)

	31 December 2023		31 December 2022	
	US\$	KHR'000 (Note 2.1.3)	US\$	KHR'000 (Note 2.1.3)
Balances with the NBC - gross	23,867,295	97,497,900	14,963,287	61,603,853
Balance with other banks - gross	24,704,789	100,919,063	27,218,747	112,059,581
Loans to Customers - gross	196,871,679	804,220,809	198,484,928	817,162,448
Other financial assets	310,273	1,267,465	274,272	1,129,178
Off-balance sheet commitments - gross	12,472,542	50,950,334	14,165,391	58,318,915
	258,226,578	1,054,855,571	255,106,625	1,050,273,975

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

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

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

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

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

	Balances with the NBC US\$	Balances with other banks US\$	Loans to Customers US\$	Other financial assets US\$	Total US\$
<i>31 December 2023</i>					
Financial intermediaries	23,867,295	24,704,789	-	-	48,572,084
Consumers	-	-	87,391,741	-	87,391,741
Wholesale and retail	-	-	40,757,417	-	40,757,417
Real estate & Construction	-	-	21,197,961	-	21,197,961
Mining	-	-	19,752,602	-	19,752,602
Import & Export	-	-	4,276,669	-	4,276,669
Services	-	-	1,499,981	-	1,499,981
Other industries	-	-	21,995,308	310,273	22,305,581
	23,867,295	24,704,789	196,871,679	310,273	245,754,036
Less: Allowance for expected credit losses on financial assets	-	(1,160)	(16,609,143)	-	(16,610,303)
	23,867,295	24,703,629	180,262,536	310,273	229,143,733
KHR'000 (Note 2.1.3)	97,497,900	100,914,324	736,372,460	1,267,465	936,052,149

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2023 and for the year then ended

28. FINANCIAL RISK MANAGEMENT (continued)

28.1 Credit risk (continued)

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

	Balances with the NBC US\$	Balances with other banks US\$	Loans to Customers US\$	Other financial assets US\$	Total US\$
31 December 2022					
Financial intermediaries	14,963,287	27,218,747	-	-	42,182,034
Consumers	-	-	91,346,542	-	91,346,542
Wholesale and retail	-	-	40,768,765	-	40,768,765
Real estate & Construction	-	-	16,789,144	-	16,789,144
Mining	-	-	20,964,185	-	20,964,185
Import & Export	-	-	7,122,272	-	7,122,272
Services	-	-	1,040,020	-	1,040,020
Other industries	-	-	20,454,000	274,272	20,728,272
	14,963,287	27,218,747	198,484,928	274,272	240,941,234
Less: Allowance for expected credit losses on financial assets	-	(19,738)	(23,224,378)	-	(23,244,116)
	14,963,287	27,199,009	175,260,550	274,272	217,697,118
KHR'000 (Note 2.1.3)	61,603,853	111,978,320	721,547,684	1,129,178	896,259,035

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2023 and for the year then ended

28. FINANCIAL RISK MANAGEMENT (continued)

28.1 Credit risk (continued)

(e) Credit quality per class of financial assets

The table below shows the credit quality per class of financial assets based on staging transition policy of the Bank:

	31 December 2023			
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$
Balances with the NBC - gross	23,867,295	-	-	23,867,295
Balances with other banks - gross	24,704,789	-	-	24,704,789
Loans to customer - gross	163,567,423	4,985,240	28,319,016	196,871,679
Other financial assets	310,273	-	-	310,273
	212,449,780	4,985,240	28,319,016	245,754,036
Less: Allowance for expected credit losses on financial assets	(651,798)	(475,006)	(15,483,499)	(16,610,303)
	211,797,982	4,510,234	12,835,517	229,143,733
KHR'000 (Note 2.1.3)	865,194,756	18,424,306	52,433,087	936,052,149
	31 December 2022			
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$
Balances with the NBC - gross	14,963,287	-	-	14,963,287
Balances with other banks - gross	27,218,747	-	-	27,218,747
Loans to customer - gross	153,015,978	1,585,933	43,883,017	198,484,928
Other financial assets	274,272	-	-	274,272
	195,472,284	1,585,933	43,883,017	240,941,234
Less: Allowance for expected credit losses on financial assets	(188,876)	(56,811)	(22,998,429)	(23,244,116)
	195,283,408	1,529,122	20,884,588	217,697,118
KHR'000 (Note 2.1.3)	803,981,791	6,295,395	85,981,849	896,259,035

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2023 and for the year then ended

28. FINANCIAL RISK MANAGEMENT (continued)

28.2 Operational risk

The operational risk losses which would result from inadequate or failed internal processes, people and systems or from external factors are managed through established operational risk management processes, proper monitoring and reporting of the business activities by control and support units which are independent of the business units and oversight provided by the management.

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

28.3 Market risk

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

(i) Foreign exchange risk

The Bank operates in the Kingdom of Cambodia and transacts in US\$, KHR and other currencies. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the Bank's functional currency.

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

	31 December 2023			
	US\$	KHR	Other currencies	Total
Financial assets				
Cash on hand	7,560,756	242,453	94,423	7,897,632
Balances with the NBC	19,361,102	4,506,193	-	23,867,295
Balances with other banks	23,337,135	944,349	422,145	24,703,629
Equity instruments at FVOCI	25,000	-	-	25,000
Loans to customers	160,702,332	19,560,204	-	180,262,536
Other assets	291,854	18,419	-	310,273
Total financial assets	211,278,179	25,271,618	516,568	237,066,365
Financial liabilities				
Deposits and borrowings from other banks	6,474,891	-	498,654	6,973,545
Deposits from customers	161,603,998	10,634,807	8,209	172,247,014
Lease liabilities	1,237,350	-	-	1,237,350
Other liabilities	1,267,008	235	-	1,267,243
Total financial liabilities	170,583,247	10,635,042	506,863	181,725,152
Net foreign exchange gap	40,694,932	14,636,576	9,705	55,341,213

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2023 and for the year then ended

28. FINANCIAL RISK MANAGEMENT (continued)

28.3 Market risk (continued)

(i) Foreign exchange risk (continued)

	31 December 2022			
	US\$	KHR	Other currencies	Total
Financial assets				
Cash on hand	11,474,487	267,701	91,003	11,833,191
Balances with the NBC	13,910,079	1,053,208	-	14,963,287
Balances with other banks	23,952,347	2,823,703	422,959	27,199,009
Equity instruments at FVOCI	25,000	-	-	25,000
Loans to customers	161,130,464	14,130,086	-	175,260,550
Other assets	274,272	-	-	274,272
Total financial assets	210,766,649	18,274,698	513,962	229,555,309
Financial liabilities				
Deposits and borrowings from other banks	1,441,769	-	490,851	1,932,620
Deposits from customers	174,336,850	5,876,346	7,900	180,221,096
Lease liabilities	1,385,376	-	-	1,385,376
Other liabilities	1,156,980	-	-	1,156,980
Total financial liabilities	178,320,975	5,876,346	498,751	184,696,072
Net foreign exchange gap	32,445,674	12,398,352	15,211	44,859,237

(ii) Price risk

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

(iii) Interest rate risk

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2023 and for the year then ended

28. FINANCIAL RISK MANAGEMENT (continued)

28.3 Market risk (continued)

(iii) Interest rate risk (continued)

	Overdue US\$	Non-interest bearing US\$	Up to 1 month US\$	From 1 to 3 months US\$	From 3 to 12 months US\$	From 1 to 5 years US\$	Over 5 years US\$	Total US\$
<i>31 December 2023</i>								
Financial assets								
Cash on hand	-	7,897,632	-	-	-	-	-	7,897,632
Balances with the NBC	-	22,424,104	1,443,191	-	-	-	-	23,867,295
Balances with other banks	-	22,854,033	-	-	1,849,596	-	-	24,703,629
Equity instruments at FVOCI	-	25,000	-	-	-	-	-	25,000
Loans to customers	22,881,961	-	3,514,533	4,961,209	148,904,833	-	-	180,262,536
Other assets	-	310,273	-	-	-	-	-	310,273
Total financial assets	22,881,961	53,511,042	4,957,724	4,961,209	150,754,429	-	-	237,066,365
Financial liabilities								
Deposits and loans from other banks and credit institutions	-	-	6,702,503	-	-	-	271,042	6,973,545
Deposits from customers	-	47,751	41,103,324	31,464,426	95,607,178	4,019,331	5,004	172,247,014
Lease liabilities	-	-	-	3,620	14,500	934,432	284,798	1,237,350
Other liabilities	-	1,267,243	-	-	-	-	-	1,267,243
Total financial liabilities	-	1,314,994	47,805,827	31,468,046	95,621,678	4,953,763	560,844	181,725,152
Interest sensitive gap	22,881,961	52,196,048	(42,848,103)	(26,506,837)	55,132,751	(4,953,763)	(560,844)	55,341,213
KHR '000 (Note 2.1.3)	93,472,811	213,220,856	(175,034,501)	(108,280,429)	225,217,288	(20,236,122)	(2,291,048)	226,068,855

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2023 and for the year then ended

28. FINANCIAL RISK MANAGEMENT (continued)

28.3 Market risk (continued)

(iii) Interest rate risk (continued)

	Overdue US\$	Non-interest bearing US\$	Up to 1 month US\$	From 1 to 3 months US\$	From 3 to 12 months US\$	From 1 to 5 years US\$	Over 5 years US\$	Total US\$
<i>31 December 2022</i>								
Financial assets								
Cash on hand	-	11,833,191	-	-	-	-	-	11,833,191
Balances with the NBC	-	12,465,567	2,497,720	-	-	-	-	14,963,287
Balances with other banks	-	22,206,763	-	2,979,137	2,013,109	-	-	27,199,009
Equity instruments at FVOCI	-	25,000	-	-	-	-	-	25,000
Loans to customers	9,648,985	-	5,892,102	5,689,560	154,029,903	-	-	175,260,550
Other assets	-	-	37,862	3,455	19,370	204,585	9,000	274,272
Total financial assets	9,648,985	46,530,521	8,427,684	8,672,152	156,062,382	204,585	9,000	229,555,309
Financial liabilities								
Deposits and loans from other banks and credit institutions	-	-	1,657,800	-	-	-	274,820	1,932,620
Deposits from customers	-	158,584	78,205,177	30,556,840	65,403,878	5,896,617	-	180,221,096
Lease liabilities	-	-	-	1,018	29,827	1,155,832	198,699	1,385,376
Other liabilities	-	1,156,980	-	-	-	-	-	1,156,980
Total financial liabilities	-	1,315,564	79,862,977	30,557,858	65,433,705	7,052,449	473,519	184,696,072
Interest sensitive gap	9,648,985	45,214,957	(71,435,293)	(21,885,706)	90,628,677	(6,847,864)	(464,519)	44,859,237
KHR'000 <small>(Note 2.1.3)</small>	39,724,871	186,149,978	(294,099,101)	(90,103,452)	373,118,263	(28,192,656)	(1,912,425)	184,685,478

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2023 and for the year then ended

28. FINANCIAL RISK MANAGEMENT (continued)

28.4 Liquidity risk

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

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

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

	Overdue		Current					Total US\$
	Above 3 months US\$	Up to 3 months US\$	Up to 1 month US\$	From 1 to 3 months US\$	From 3 to 12 months US\$	From 1 to 5 years US\$	Over 5 years US\$	
31 December 2023								
Financial assets								
Cash on hand	-	-	7,897,632	-	-	-	-	7,897,632
Balances with the NBC	-	-	22,424,104	1,443,191	-	-	-	23,867,295
Balances with other banks	-	-	22,854,033	-	1,849,596	-	-	24,703,629
Equity instruments at FVOCI	-	-	-	-	-	-	25,000	25,000
Loans to customers	12,708,304	10,173,657	3,514,533	4,961,209	41,341,523	21,492,218	86,071,092	180,262,536
Other assets	-	-	38,867	2,800	129,126	120,480	19,000	310,273
Total financial assets	12,708,304	10,173,657	56,729,169	6,407,200	43,320,245	21,612,698	86,115,092	237,066,365
Financial liabilities								
Deposits and loans from other banks and credit institutions	-	-	6,702,503	-	-	-	-	271,042
Deposits from customers	-	-	41,151,075	31,464,426	95,607,178	4,019,331	5,004	172,247,014
Lease liabilities	-	-	-	3,620	14,500	934,432	284,798	1,237,350
Other liabilities	-	-	1,095,457	150,000	21,786	-	-	1,267,243
Total financial liabilities	-	-	48,949,035	31,618,046	95,643,464	4,953,763	560,844	181,725,152
Net liquidity gap	12,708,304	10,173,657	7,780,134	(25,210,846)	(52,323,219)	16,658,935	85,554,248	55,341,213
KHR'000 <small>(Note 2.1.3)</small>	51,913,422	41,559,389	31,781,848	(102,986,306)	(213,740,350)	68,051,749	349,489,103	226,068,855

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2023 and for the year then ended

28. FINANCIAL RISK MANAGEMENT (continued)

28.4 Liquidity risk (continued)

	Overdue					Current					
	Above 3 months US\$	Up to 3 months US\$	Up to 1 month US\$	From 1 to 3 months US\$	From 3 to 12 months US\$	From 1 to 5 years US\$	Over 5 years US\$	Total US\$			
<i>31 December 2022</i>											
Financial assets											
Cash on hand	-	-	11,833,191	-	-	-	-	-	-	-	11,833,191
Balances with the NBC	-	-	12,465,568	2,497,719	-	-	-	-	-	-	14,963,287
Balances with other banks	-	-	22,206,763	2,979,137	2,013,109	-	-	-	-	-	27,199,009
Equity instruments at FVOCI	-	-	-	-	-	-	-	25,000	-	-	25,000
Loans to customers	1,381,789	8,267,195	5,892,102	5,689,561	47,830,330	25,394,586	80,804,987	175,260,550	-	-	385,555,309
Other assets	-	-	37,862	3,455	19,370	204,585	9,000	274,272	-	-	335,073
Total financial assets	1,381,789	8,267,195	52,435,486	11,169,872	49,862,809	25,599,171	80,838,987	229,555,309			
Financial liabilities											
Deposits and loans from other banks and credit institutions	-	-	1,657,800	-	-	-	274,820	1,932,620	-	-	3,864,240
Deposits from customers	-	-	78,363,761	30,556,840	65,403,878	5,896,617	-	180,221,096	-	-	324,985,132
Lease liabilities	-	-	-	1,018	29,827	1,155,832	198,699	1,385,376	-	-	3,079,832
Other liabilities	-	-	937,298	201,061	18,621	-	-	1,156,980	-	-	2,133,900
Total financial liabilities	-	-	80,958,859	30,758,919	65,452,326	7,052,449	473,519	184,696,072			
Net liquidity gap	1,381,789	8,267,195	(28,523,373)	(19,589,047)	(15,589,517)	18,546,722	80,365,468	44,859,237			
KHR'000 <small>(Note 2.1.3)</small>	5,688,825	34,036,042	(117,430,727)	(80,648,106)	(64,182,041)	76,356,854	330,864,631	184,685,478			

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2023 and for the year then ended

28. FINANCIAL RISK MANAGEMENT (continued)

28.5 Fair value of financial assets and liabilities

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

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

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

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

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

- *Cash on hand, balances with the NBC and with other financial institutions*
The carrying amounts approximate the fair values due to the short-term nature of these accounts.
- *Loans to customers*
The fair value is estimated by discounting the estimated future cash flows using the prevailing market rates of financing with similar credit risks and maturities.
- *Due to other financial institutions and customers*
The estimated fair value of demand deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. The estimated fair value of long-term fixed interest-bearing deposits from other financial institutions and customers without quoted market price is based on discounted cash flows using interest rates for new debts with similar remaining maturity.
- *Other assets and liabilities*
Due to their short duration, the carrying amounts of other liabilities in the statement of financial position are considered to be reasonable approximation of their fair values.

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2023 and for the year then ended

28. FINANCIAL RISK MANAGEMENT (continued)

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

Fair value hierarchy

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

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

Financial instruments not recognised at fair value

Fair value of financial instruments not measured at fair value is as below:

- Financial assets being balances with the NBC, balances with other financial institutions are short term (less than or equal to 3 months) with interest rates in line with the rates applied by other financial institutions and interbank rates. Therefore, their carrying amount approximates their fair value.
- Loans to customers: most of the Bank's loan portfolio earns interest at rates which are floating in line with the market rates and periodically reviewed. Hence, carrying amount of loans to customers which is carried at amortised cost are equivalent to estimated fair value based on discounted cash flows using prevailing money-market interest rates for similar financial instruments maturity.
- Deposits from customers, deposits from other banks: the majority of the deposits and other borrowed funds by the Bank bear interest at rates which are similar to prevailing market rates (which is the average interest rates of deposits issued in the current year). Hence, the carrying value of these financial liabilities shall be a reasonable approximation of the fair value.

28.6 *Capital management*

The main regulatory capital requirement of the Bank is for the banking operations to which the Bank's lead regulator, NBC, sets and monitors capital requirements for the banks as a whole.

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain further development of the business. The Bank recognizes the impact of the level of capital on owner's return and the need to maintain a balance between the possible higher return with greater gearing, advantages and security afforded by a sound capital position.

The Bank has complied with all externally imposed capital requirement throughout the year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2023 and for the year then ended

29. MATURITY PROFILE OF ASSETS AND LIABILITIES

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

	31 December 2023		
	<i>Within 12 months US\$</i>	<i>Over 12 months US\$</i>	<i>Total US\$</i>
Financial assets			
Cash on hand	7,897,632	-	7,897,632
Balances with the NBC	23,867,295	-	23,867,295
Balances with other banks - gross	24,704,789	-	24,704,789
Equity instruments at FVOCI	-	25,000	25,000
Loans to customers - gross	63,237,720	133,633,959	196,871,679
Other assets	170,793	139,480	310,273
Non - financial assets			
Balances with the NBC	19,567,689	-	19,567,689
Property and equipment	30,223	880,034	910,257
Right-of-use assets	24,094	1,126,135	1,150,229
Intangible assets	535	707,181	707,716
Other assets	844,872	-	844,872
Total assets	140,345,642	136,511,789	276,857,431
KHR'000 equivalent	573,311,948	557,650,658	1,130,962,606
<i>Allowance for ECL on:</i>			
Balances with other banks			(1,160)
Loan to Customers			(16,609,143)
Net			260,247,128
KHR'000 equivalent			1,063,109,517
Financial liabilities			
Deposits and loans from other banks and credit institutions	6,702,503	271,042	6,973,545
Deposits from customers	168,222,679	4,024,335	172,247,014
Lease liabilities	18,120	1,219,230	1,237,350
Other liabilities	1,267,243	-	1,267,243
Non - financial liabilities			
Income tax payable	220,405	-	220,405
Deferred tax liabilities	770,686	-	770,686
Other liabilities	186,443	-	186,443
Total liabilities	177,388,079	5,514,607	182,902,686
KHR'000 (Note 2.1.3)	724,630,301	22,527,170	747,157,471

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2023 and for the year then ended

29. MATURITY PROFILE OF ASSETS AND LIABILITIES (continued)

	31 December 2022		
	Within 12 months US\$	Over 12 months US\$	Total US\$
Financial assets			
Cash on hand	11,833,191	-	11,833,191
Balances with the NBC	14,963,287	-	14,963,287
Balances with other banks - gross	27,218,747	-	27,218,747
Equity instruments at FVOCI	-	25,000	25,000
Loans to customers - gross	74,397,354	124,087,574	198,484,928
Other assets	60,687	213,585	274,272
Non - financial assets			
Balances with the NBC	20,385,784	-	20,385,784
Property and equipment	48,361	1,238,555	1,286,916
Right-of-use assets	29,637	1,264,198	1,293,835
Intangible assets	-	916,467	916,467
Income tax payable	949,719	-	949,719
Deferred tax liabilities	31,251	-	31,251
Other assets	1,343,742	-	1,343,742
Total assets	151,261,760	127,745,379	279,007,139
KHR'000 equivalent	622,744,666	520,434,678	1,143,179,344
<i>Allowance for ECL on:</i>			
Balances with other banks			(19,738)
Loan to Customers			(23,224,378)
Net			255,763,023
KHR'000 equivalent			1,052,976,366
Financial liabilities			
Deposits and loans from other banks and credit institutions	1,657,800	274,820	1,932,620
Deposits from customers	174,324,479	5,896,617	180,221,096
Lease liabilities	30,845	1,354,531	1,385,376
Other liabilities	1,156,980	-	1,156,980
Non - financial liabilities			
Other liabilities	261,828	-	261,828
Total liabilities	177,431,932	7,525,968	184,957,900
KHR'000 (Note 2.1.3)	730,487,265	30,984,410	761,471,675

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2023 and for the year then ended

30. TAX CONTINGENCY

The taxation system in Cambodia has undergone numerous changes and is characterized by either often unclear, contradictory and/or different interpretations exist among numerous taxation authorities and jurisdictions. Taxes are subject to review and investigation by a number of authorities, which are enabled by law to impose severe fines, penalties and interest charges. These facts may create tax risks in Cambodia substantially more significant than in other countries.

Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have different interpretations and the effects to the Bank and its subsidiaries could be significant.

31. SUBSEQUENT EVENTS

Other than as disclosed elsewhere in the financial statements, at the date of this report, there were no events which occurred subsequent to the reporting period that had significant impact on the statement of financial position of the Bank as at 31 December 2022.

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