PhillipBank

ANNUAL REPORT 2022

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OVERVIEW

BACKGROUND

Phillip Bank Plc is a member of PhillipCapital which is headquartered in Singapore, and established since 1975.

PhillipCapital operates in the financial hubs of 15 countries including Australia, Cambodia, China (as well as Hong Kong), Spain, India, Indonesia, Japan, Malaysia, Singapore, Thailand, Turkey, UK, UAE, USA and Vietnam.

It offers a full range of quality innovative products and services to retail and high-net-worth individuals, corporate and institutional customers. These include securities brokering, futures, foreign exchange, bonds, precious metals and commodities, unit trusts, contracts for difference, exchange traded funds, fund management, managed accounts, insurance planning, regular savings plan, investment research, equity financing and property consultancy.

Since 1975, the PhillipCapital network has grown into a global presence, an integrated Asian financial house with over 5,000 employees and more than one million clients worldwide and assets under custody/management exceeding US$ 35 billion, and shareholder's funds in excess of US$ 1.5 billion.

From its first foray into Cambodia in 2009 investing in First Finance Microfinance, PhillipCapital expanded its investment by also buying into KREDIT Microfinance in 2012, then purchasing Hwang DBS Bank in 2014 and changing its name to Phillip Bank. Our status as a significant financial solutions provider in Cambodia has been enhanced with the addition of Phillip Life Assurance (Cambodia) Plc, Phillip General Insurance (Cambodia) Plc, and Phillip Trustee (Cambodia) Co., Ltd.

Phillip Bank currently has more than 70 branches across Cambodia and is planning to expand its presence throughout the Kingdom of Cambodia.

CORPORATE VISION AND MISSION

CORPORATE VISION

- Delighting Customers
- Growing People
- Benefiting Communities

CORPORATE MISSION

To build convenient, integrated, innovative, and trusted financial solutions by leveraging technology platforms and engaging our staff, business partners, and customers to sustainably improve the economic well-being of families in rural and urban communities.

CHAIRMAN'S STATEMENT

MR. LIM HUA MIN

Cambodia, like the rest of the world, is coming out of a period of unexpected disruption and uncertainty which has led to significant economic pressures. However, these challenges bring with them unexpected opportunities triggered by an increasingly rapid pace of change. Phillip Bank is positioning itself to capitalise on those opportunities in order to fulfill its vision to delight customers, grow people, and benefit communities.

After two years of adapting to the Covid-19 pandemic, Cambodia is progressing towards a new normal where people are using digital currency as a means of daily payment, as compared to using physical currency notes. According to data from the National Bank of Cambodia (NBC), the number of Bakong users increased significantly in only 7 months from 288,000 as of December 2021 to 445,000 as of July 2022, with 12.7 million transactions valued at US$ 7.2 billion. As the number of Covid-19 patients recedes, the Cambodian government has opened its borders once again to welcome new businesspersons and tourists. As of October 2022, all measures related to COVID-19 had been lifted for international travelers.

In 2022, with our focus on digitalisation, Phillip Bank has focused its strategy on acquiring new customers and engaging them through our robust, customer-friendly financial ecosystem, and adding value to our key corporate partners and merchants by serving as a digital banking facilitator for one-stop convenience with access to a large product and payment network connected to NBC's Bakong and KHQR. We were among the very first banks to provide free transfer service from a Phillip Bank account to Bakong wallets, including cross-bank transfer through the Bakong gateway and cross-bank

CHAIRMAN'S STATEMENT

scan and pay which provides another level of convenience for end users. In addition, we have rolled out the Phillip Bank KHQR to more than 20,000 merchants, enabling them to accept payments from all banks in Cambodia without any hassle. The latest version of Phillip Mobile comes with enhanced security and performance, a new user interface and experience, and it allows users to create an account instantly without having to come to a branch.

Aside from its digital focus, Phillip Bank also launched a deposit campaign, giving new and existing depositors a chance to win various prizes including the 2021 Lexus LX570 Kuro Black Edition. The campaign concluded with three lucky draw events, with the final one officiated by a representative of the Singaporean Embassy in Cambodia. The campaign received tremendous support, with new deposits from the Cambodian public exceeding the bank's target. As a result, we have successfully promoted Phillip Bank to all provinces through our branches and earned the trust of the public in the bank's high standards of practice when it comes to securing the funds that customers save with us.

In 2022, we achieved operating revenue of US$ 76.26 million (compared to US$ 69.63 million in 2021) and recorded a pre-tax profit of US$ 13.78 million (as compared to a pre-tax profit of US$ 14.84 million in 2021). The pre-tax profit decreased by 7.12% or US$ 1.06 million because of increased cost of funds and higher operating expenses during the year due to branch office renovation from microfinance branches to full service commercial bank branches. Despite the slight drop in pre-tax profit, the Bank still managed to grow the loan portfolio by US$ 66.05 million, with US$ 89.36 million in customer deposits for the year 2022.

At Phillip Bank, we also aim to be a leading bank in terms of customer experience, with its first step of adjusting the opening time from 8:30 am to 8:00 am. We have also partnered with various large clients such as KOI bubble tea, Master Suki Soup, Singapore Medical Centre, provincial water supply authorities, private utilities billers, and some universities to extend our payment platform.

With paid-up capital of US$ 75 million which complies with regulatory requirements, the Bank remains steadfast in maintaining its strict compliance with the Prakas and regulations set by the NBC.

In 2023, we face uncertainty in the economy even as the Asian Development Bank is forecasting 5.5% GDP growth for Cambodia. We are impacted by global events such as the Ukraine war, and high inflation is driving up interest rates. Therefore, we will monitor the actions of the Bank closely and pursue a conservative growth strategy as below.

1. We will ensure that the Bank maintains a good liquidity position while continuing to grow our customers base through B2B2C initiatives and cross-selling of our products that provide friendly service to corporate and retail customers.

2. In order to better serve our existing and new customers, we will engage in strategic partnerships with more payment services providing public services and partner with payment aggregators for solutions such as cross-border scan and pay, international transfer from the Phillip Mobile app, and bill to Phillip Mobile.

CHAIRMAN'S STATEMENT

3. We will issue a physical Mastercard, UPI and VISA cards. We will also launch the card merchants' business.

4. We will continue to grow our loan portfolio, especially SME, MSME, and micro loans, and partnerships for loans for ESG products. We will maintain a rigorous lending process while working hard to monitor our NPL and find ways to support our existing customers in order to earn their loyalty and sustain and grow their business.

On behalf of the Board, I would like to take this opportunity to thank all the officials of the National Bank of Cambodia for their ongoing guidance, support, and advice. To all our customers, thank you for your continued confidence and support. We look forward to building strong and mutually beneficial partnerships in the coming years which demonstrate our commitment to delight customers, grow people, and benefit communities. And finally, our achievements are only possible because of the tireless efforts and commitment of our employees. They are our greatest asset, and they have our deepest appreciation.

Lim Hua Min
Chairman

BUSINESS REVIEW

BUSINESS PRIORITIES

FINANCIAL PERSPECTIVE

For the year ended 31 December 2022, the Bank recorded a total operating revenue of US$ 76.26 million (compared to US$ 69.63 million as at 31 December 2021) and recorded a pre-tax profit of US$ 13.78 million (as compared to pre-tax profit of US$ 14.84 million as at 31 December 2021). The pre-tax profit decreased 7.12% or US$ 1.06 million due to the increase in cost of funds and operating expenses during the year. Despite the slight drop in pre-tax profit, the bank still managed to grow US$ 66.05 million in loan portfolio and US$ 89.36 million in customer deposits.

The Bank will continue to pursue its strategies on satisfying the financial needs of small and medium scale enterprises and micro borrowers; and offering consumer products such as personal, housing and car loans. The Bank will also focus on increasing its loan base as well as growing its depositor base, especially in the Retail, Micro and SME segments.

CUSTOMER CENTRICITY

The Bank offers a wide range of products and services for small and medium scale enterprises and micro borrowers to meet retail and corporate financial needs while safeguarding the wealth of its customers for future generations. The Bank believes in going the extra mile to meet with the customers at their convenience, customise solutions that best fit their needs, and offer a great customer experience. We ensure that all transactions are successfully completed and help guide them through all their banking needs. This commitment is a key differentiator for the Bank and brings a whole new meaning to our standard of "Customer Experience and Customer Relationship Excellence" so that we live up to our vision of "Delighting Customers, Growing People and Benefiting Communities".

COMMUNITY PERSPECTIVE

The Bank also engages in and implements various CSR programmes to support communities. In past years, the Bank has sponsored many charity events. From 2018 until now, the Bank has placed great emphasis on the disabled community and on education by sponsoring and co-running events to help support the disabled community through the Epic Arts Organisation. In addition, we have supported the E2STEM Programme at Preah Yukuntor High School by providing scholarships and internship programmes to students to help foster science and technical education in Cambodia. The scholarship students also had a chance to conduct internships at Phillip Bank so they can experience the real working environment, which helps prepare them for the workplace as they graduate from the school.

The Bank will continue to give back to Cambodian society through many other initiatives and projects in the upcoming years including supporting health & sport, community donation, and many others. Phillip Bank is unique among banks in Cambodia as has its own local NGO which it supports to serve as the CSR arm of the Bank. This organisation, Koampia Phum Yoeung (KPY), which means "Caring for Our Village" in the Khmer language, was originally launched more than 10 years ago as a project of KREDIT Microfinance to help children, poor families and communities across Cambodia by providing training and consulting in financial literacy, agriculture, child rights, health and education.

BUSINESS PRIORITIES

INTERNAL PROCESS PERSPECTIVE

The Bank aims to position itself as a bank that Delights Customers, Grows People, and Benefits Communities while placing a high degree of importance on stringent risk management processes for the benefit of our clients and the community. The Bank has put in place policies and procedures following international banking standards and has invested substantially in technology and infrastructure security for our customers' added peace of mind.

HUMAN RESOURCE PERSPECTIVE

We believe that each person is unique and given distinct gifts and talents. Hence each person is obliged to develop oneself to their fullest potential, and we will avail opportunities for them in training, service and responsibility.

In Phillip Bank, we believe in nurturing and growing our people for growth and sustainability. Young people bring fresh ideas and energy to the workplace. They are a crucial part of the country's development and company's long-term talent pipeline. Our LEAP Programme is designed to provide learning and development opportunities to the youth in our structured internship and management trainee programmes. We work with local universities and universities in Singapore to provide internships to local and Singaporean students. Our people have ample of opportunities to learn and share with each other in cultural diversity. We aim to upskill young people to make a positive difference within the organisation and for communities.

Our people are at the heart of our commitment to be a responsible employer. We devoted a budget more than US$ 100,000 in 2022 for learning and development. We work closely with our partner IBF in skills and certification trainings for all levels of staff. Covid-19 has sped up digital and technology transformation. To ensure our people are equipped for digital transformation, we included all managers in agile and digitalisation training programmes with external expertise. Providing excellent customer experience is a new battleground, thus customer centricity is always our core focus. We piloted an in-house customer service programme, WE CARE, throughout the bank and covered all 3 parts of the programme in Phnom Penh and Siem Reap regions by end of 2022. The virtual quarterly Senior Mentoring session continues to add value in our managers' development since we piloted in year 2021. And as we continue to align our leaders to work towards the bank's goals, we have piloted another in-house learning programme, "Know Yourself", to provide all department heads understanding of mindset change. Learning, Unlearning and Relearning is a process of developing behaviors, new mindsets and new skills. Throughout the years, we regularly engage our people in learning and sharing through various communication platforms, such as virtual and face to face sessions.

Providing a positive employee experience is our priority in Phillip Bank, in the process of achieving our corporate goals, we will put every effort towards our people's growth. In November 2021, we conducted a biannual organisational HR survey to capture the perception of our employees. It included subjects such as management, work culture and processes. The online survey was sent out to 1860 employees with 79% response rate and with a scoring of 96% in job satisfaction.

BUSINESS PRIORITIES

EMPLOYER BRANDING

We are beginning to pay attention to the employer branding aspect of business, as it also forms an important part of the bank's image and profiling amongst stake-holders. We will be calibrating the efforts and resources to be devoted to this aspect of management and the likely benefits that will accrue to the bank.

SIGNIFICANT BUSINESS PLANS FOR FINANCIAL YEAR 2023

To provide customers with a more convenient way of banking, the Bank plans to introduce many new products in 2023. We plan to launch the new version of Phillip Mobile version that comes with new user interface and experience, enhanced security and performance. Besides equipping new functions and solutions on the mobile app, including account opening and international remittance, we are working with government authorities to provide more public services on our mobile app, including EDC auto-debit payment, Ministry of Public Works and Transport's services, and many others. All of these solutions will help save time for our customers who had to visit their branches for these services in the past.

Our physical Mastercard, including debit and prepaid multi-currency card will be available in the market by the third quarter of 2023. This provides another definition of how user-friendly it is when it comes to online shopping and payment as one travels. Our KHQR stand has been deployed to more than 25,000 merchants nation-wide and we are preparing a smoother process for our merchants through Merchant App, which allows them to refund or set the amount for their customers conveniently.

Our top-notch customer experience can be seen through the increase in the number of our priority customers. We have re-segmentised our Priority Customers into 3 Categories – Priority Customers with more than US$ 50,000 up to US$ 500,000; Priority Plus, between US$ 500,000 to US$ 1 million and Priority Premium for customers with excess of US$ 1 million deposited with us. We aim to dedicate a specific counter at our branches in the provinces to better serve our VIP customers who wish to receive banking services as they travel farther. Given the success of our Deposit Campaign in 2022, we will be offering another campaign which will be more advantageous for our high-net-worth customers. In addition, we will continue our ambition to acquire new customers which will increase customer transactions via our digital platforms.

Meanwhile, the Bank will also enhance its retail products, including personal loans, micro loans, car loans and housing loans to increase our customer base in retail segments.

CUSTOMER'S VOICE

MS. SIT HUN

I have been supported and served well by Phillip Bank's tailored professional services, products, affordable interest rates, and profitable business consultation. Their services and products are phenomenal! I am also impressed by the professionalism, efficiency, and values held by the Phillip Bank staff. Thanks to the kind support from Phillip Bank, I get to expand my business and increase my family income up to 70%!

MS. SUON SINA

Phillip Bank has always been my trusted financial partner for a decade. My business has grown on a bigger scale, and I have become the owner of Painting and Khmer Art leather carving shops thanks to the support of Phillip Bank. I would like to express my gratitude toward Phillip Bank for their assistance in helping me to have a stable income and a decent standard of living.

CUSTOMER'S VOICE

MS. NEOU CHANNA

Phillip Bank has earned my full trust and confidence because of their great service, products, and dedicated staff. I have received nothing less than the best expertise, professionalism, and top-notch communications from them. Having been a regular business customer of the Bank, I can assure you they do what they say. Phillip Bank upholds its reputation by professionally conducting its business.

MS. CHHOUK CHANBORAMEY

I cannot emphasise enough how dedicated and diligent the Phillip Bank staff is. Phillip Bank does not solely focus on policy or procedure, but rather on the customer's concerns. They always listen and provide effective advice to provide me the best banking service possible. All of my questions and concerns were addressed, and I received exceptional service, thanks to their attentive and prompt response. I believe I made the right decision in taking the loan from Phillip Bank.

CUSTOMER'S VOICE

MS. LY NAVY

Phillip Bank has consistently supported my business, and they have been instrumental in my growth over the years. I am grateful to Phillip Bank for assisting me in becoming the person I am today. I would like to recommend Phillip Bank to those who are looking for a supportive and trustworthy financial partner.

MR. PHAT THOMAS

I really praise Phillip Bank for their great service and product. Phillip Bank staff always show me kindness, respect, and a friendly smile. Thanks to the affordable interest rate and flexible loan conditions from Phillip Bank, I have been able to expand my business up to 100%-200% compared to before.

CORPORATE SOCIAL RESPONSIBILITY

Phillip Bank believes Corporate Social Responsibility (CSR) is not just a corporate obligation. It is built into our DNA and corporate culture to do good and give back to the communities we operate in.

We divide our CSR activities into two parts:

- Strategic CSR: these are specific areas in which the bank has chosen to contribute over an extended period. For Phillip Bank, Strategic CSR includes benefiting financial inclusion, education and disabled arts.

- Tactical CSR: These are short-term or one-off projects providing aid to specific segments of the community, in response to events such as disasters, flood relief, educational campaigns, children's enrichment programmes, and health.

In 2022, Phillip Bank supported communities and local charities through the activities below:

Koampia Phum Yoeung (KPY)

KPY is a local NGO working alongside Phillip Bank, as part of the Bank's CSR, to improve the lives of the vulnerable in Cambodia. Phillip Bank has supported this work for more than 10 years since it was a project of KREDIT Microfinance to help children, poor families, and communities in four target provinces in Cambodia by providing training and consulting in four areas including financial literacy, agriculture development, child rights, and education.

CORPORATE SOCIAL RESPONSIBILITY

Epic Arts Cambodia

Phillip Bank is a sponsor of disabled arts in Cambodia and has proudly contributed to performances by Epic Arts, a social and educational enterprise based in Kampot.

E2STEM Cambodia

Phillip Bank is a proud sponsor of a major educational initiative called E2STEM. Under the programme, scholarships are provided to needy students for their studies in science, technology and mathematics. In 2022, Phillip Bank sponsored four students for 3 years in high school and 2 years in technical school under the E2STEM Programme at Preah Yukunthor High School. In addition, Phillip Bank also arranged an internship programme for selected E2STEM students to make use of their skills in a real working environment.

CORPORATE SOCIAL RESPONSIBILITY

Community Radio Programme

Phillip Bank has collaborated with a media NGO, Trans World Cambodia (TWC), to address financial literacy through two community radio programmes. The radio talk shows are broadcast every weekend and feature discussion between expert speakers from various institutions on the importance of financial education.

Flying Bikes

Phillip Bank is one of the sponsors for Flying Bikes in promoting health and sport in Cambodia.

CORPORATE SOCIAL RESPONSIBILITY

True Vision Sponsorship

Phillip Bank has signed an MoU with True VISIONS International School of Cambodia (TVIS) to provide scholarships to three outstanding high school students, covering 50% of their annual tuition fee.

Online Video Learning by the Ministry of Education, Youth and Sport

In 2022, Phillip Bank was an exclusive sponsor for "The Production of Online Video Learning on Fundamental of Financial Literacy for Secondary School Students in Cambodia". The programme comes with a series of 30 videos on financial literacy which were later published on the social media page of the MoEYS and screened by selected students in several provinces including Kampot, Kampong Cham, Phnom Penh, and many others.

CORPORATE SOCIAL RESPONSIBILITY

Breast Cancer Awareness Charity Biking Event

Phillip Bank collaborated with Singapore Medical Centre (SGMC) to organise a charity biking event to celebrate Breast Cancer Awareness Month in October 2022. More than 30 participants attended this charity biking event and the funds raised from the event was donated to support the breast cancer programme of Sihanouk Hospital Centre of Hope.

Banker's Cycling 2022

Phillip Bank was a Platinum Sponsor of the 2022 Banker's Cycling organised by the Association of Banks in Cambodia. 25 Phillip Bank staff also participated in the ride around the Angkor complex. The purpose of the event was to promote the Khmer Riel and the sustainability of the banking sector as well as the ASEAN Savings Day and to raise awareness of economic and social activities as well as tourism in Siem Reap Province.

CORPORATE SOCIAL RESPONSIBILITY

Angkor Wat International Half Marathon

Phillip Bank contributed nearly US$ 2,000 by participating in the 27th Angkor Wat International Half Marathon, with more than 100 staff registered to join the event. The whole registration fee was donated via the event organiser to Kantha Bopha Children's Hospitals.

The Young SEAkers Education Fair

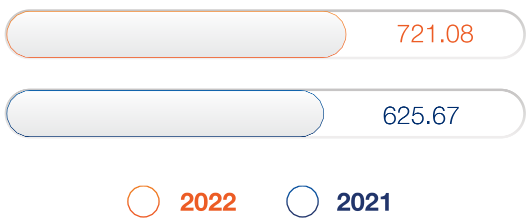
Phillip Bank was the main sponsor at the SEAkers Education Fair, organised by The Young SEAkers Cambodia Chapter. The fair was held on 19th & 20th December 2022 in Steung Treng and Ratanakiri Province to inspire high school graduates to pursue their education to a university degree. Phillip Bank staff in the two provinces participated in the event to share their experience of being a banker.

FINANCIAL HIGHLIGHTS

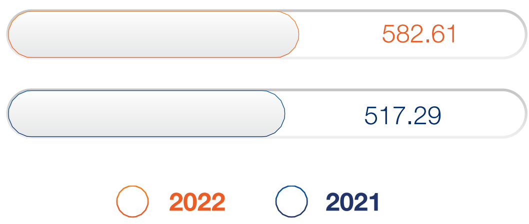
	2022	2021
OPERATING RESULTS (US$'000)		
Operating revenue	76,261	69,627
Profit before taxation	13,783	14,839
Net profit for the year	10,526	11,670
KEY BALANCE SHEET DATE (US$'000)		
Total asset	721,079	625,675
Loan and advances (net)	582,611	517,286
Total liabilities	569,188	484,309
Deposits	507,879	418,521
Statutory capital	75,000	75,000
Shareholder's funds	151,891	141,365
FINANCIAL RATIOS		
Earnings per share (US$)	0.14	0.16
Net assets per share (US$)	2.03	1.88
Return on shareholders' funds (%)	6.93	8.25
Return on assets (%)	1.46	1.87
Liquidity ratio (%)	154	138
Loan-to-deposit ratio (%)	116.37	125.43
Non-performing loans to total loans (%)	4.04	2.50
CAPITAL MANAGEMENT		
Net worth (US$'000)	144,730	138,598
Solvency ratio (%)	22.60	24.27

YEAR TO YEAR FINANCIAL SUMMARY

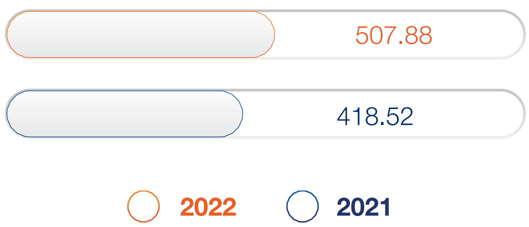
TOTAL ASSETS
(US$ Million)



LOAN AND ADVANCES
(US$ Million)

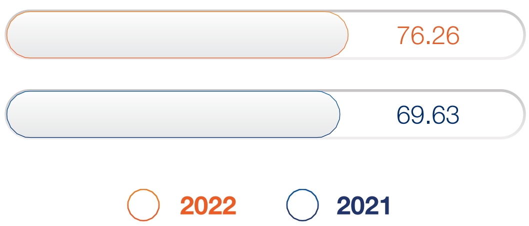


DEPOSITS
(US$ Million)



SHAREHOLDER'S FUNDS
(US$ Million)

OPERATING REVENUE
(US$ Million)



PROFIT BEFORE TAX
(US$ Million)

ANALYSIS OF FINANCIAL STATEMENTS

OPERATING REVENUE

Operating revenue of the Bank for the year ended 31 December 2022 is 9.54% higher at US$ 76.26 million, compared to US$ 69.63 million in the previous year ended 31 December 2021. Contributing to the higher operating revenue is primarily the significant increase in interest income from loans and advances to customers, on the back of significant growth in loan portfolio of the Bank as well as fee income. The key sources of operating revenue of the Bank for the year ended 31 December 2022 are interest income from loans and advances to customers (96.98%), with recovery from written off loans and foreign exchange gain/loss comprising (0.39%), and fees and commission income comprising (2.63%).

PROFIT BEFORE TAXATION AND EARNINGS PER SHARE

The Bank posted a slightly lower pre-tax profit of US$ 13.78 million for the year ended 31 December 2022 against pre-tax profit of US$ 14.84 million recorded in the preceding year due to the increase in cost of funds. Cost-to-income ratio for the Bank for the year 2022 was higher at 0.70:1 against 0.64:1 in the previous year. Components of operating expenses of the Bank for the current year under review are personnel expenses (56%), depreciation and amortisation expenses (13%), promotion and marketing related expenses (7%) and administrative and other operating expenses (24%).

The Bank posted a net profit for the year of US$ 10.53 million compared to a net profit of US$ 11.67 million in the year ended 31 December 2021, due to the increased cost of funds in the market. Profit per share of the Bank for year 2022 is US$ 0.14 versus US$ 0.16 for the previous year.

TAXATION

Taxation consists of income tax and deferred tax. As the Bank incurred pre-tax profit during the current year, the income tax of the Bank is subject to the 20% profit tax under Cambodian tax laws. The Bank is also recognising the deferred tax liabilities of US$ 0.78 million as of 31 December 2022.

TOTAL LIABILITIES

Total liabilities of the Bank have increased to US$ 569.19 million as at 31 December 2022 from US$ 484.31 million as at 31 December 2021.

Deposit placements from financial institutions and customers, and borrowings from social lenders are the key components of the Bank's total liabilities as at 31 December 2022, accounting for 97.27% of the total liabilities of the Bank.

TOTAL ASSETS

Total assets of the Bank stood at US$ 721.08 million as at 31 December 2022, representing a 15.25% increase from US$ 625.67 million as at 31 December 2021. The asset base of the Bank is largely supported by loans and advances to customers (80.80%), and cash equivalents (10.11%), placement with banks (0.04%), balance with the central bank (Statutory deposits: 5.90%), and other assets (3.15%).

DEPOSITS AND BORROWINGS

Deposits from financial institutions and customers represent 89.23% of total liabilities as at 31 December 2022. It consists of term deposits (80.74%), current

ANALYSIS OF FINANCIAL STATEMENTS

accounts (8.39%) and savings accounts (10.87%). Borrowing is also an essential component, representing 8.04% of total liabilities.

LOANS AND ADVANCES

Loans and advances are mainly comprised of secured long term loans to customers. Gross loans and advances to customers of the Bank have grown by 12.58% to US$ 591.01 million as at 31 December 2022 from US$ 524.96 million as at 31 December 2021.

STATUTORY CAPITAL

The paid-up statutory capital of the Bank as at 31 December 2022 amounted to US$ 75 million.

SHAREHOLDERS' FUNDS AND NET ASSETS PER SHARE

As at 31 December 2022, shareholders' funds of the Bank are marginally higher at US$ 151.89 million compared to US$ 141.37 million. Net assets, per share of the Bank as at 31 December 2022, stood at US$ 2.03 (2021: US$ 1.88).

RETURN ON SHAREHOLDERS' FUNDS AND RETURN ON ASSETS

The Bank recorded returns on shareholders' funds and assets for the year ended 31 December 2022 as follows: return on shareholders' funds was 6.93% (2021: 8.25%) and the return on assets was 1.46% (2021: 1.87%).

NON-PERFORMING LOANS TO TOTAL LOANS (%)

The non-performing loans to total loans ratio as at 31 December 2022 increased to 4.04%, compared to 2.50% as at 31 December 2021. Non-performing loans are mostly secured and the Bank is in the process of recovering the loans.

LIQUIDITY RATIO

The liquidity ratio of the Bank as at 31 December 2022 is higher at 154% compared to 138% as at 31 December 2021, mainly because the short term cash inflow is greater than cash outflow. The Bank is in compliance with the Central Bank's Prakas No.B7-015-349 which requires a liquidity ratio of 100%. The liquidity ratio of the Bank indicates that the Bank has the ability to honour withdrawals of deposits by its customers.

NET WORTH

As at 31 December 2022, the net worth of the Bank of US$ 144.73 million (2021:US$ 138.60 million) is in excess of the minimum regulatory capital requirement of US$ 75 million. The increase is due to the net profit generated in 2022.

LOAN-TO-DEPOSIT RATIO

The loan-to-deposit ratio of the Bank as at 31 December 2022 is stagnant at 116.37% as compared to 125.43% as at 31 December 2021, mainly attributed to the fact that the increase in deposits from financial institutions and customers was partly offset by the enlarged loan portfolio.

SOLVENCY RATIO

The solvency ratio provides a measure of the Bank's net worth as a percentage of its risk-weighted credit exposures. As at 31 December 2022, the solvency ratio of the Bank was 22.60% (2021: 24.27%) and is in compliance with Central Bank's Prakas No.B7-04-206 which requires a solvency ratio of at least 15%.

POLICIES AND PRACTICES

BOARD RESPONSIBILITIES AND OVERSIGHT

The Board of Directors of Phillip Bank (Board) is committed to the principles of good corporate governance and oversees the overall corporate practices and performance of the Bank. The responsibilities of the Board include:

- overseeing the conduct of the Bank's business;
- establishing business directions, plans and annual budget of the Bank;
- reviewing action plans that are implemented by the management to achieve business strategies and targets set by the Board;
- identifying principal risks and ensuring the implementation of appropriate systems to manage those risks;
- reviewing the adequacy and the integrity of the Bank's internal control systems and management Information systems, including systems for compliance with applicable laws, rules and guidelines issued by the National Bank of Cambodia.

COMPOSITION OF THE BOARD

The Bank is led and managed by an experienced Board comprising members with extensive experience in commercial and Investment banking activities as well as audit background. As at March 2023, the Board comprises seven (7) Directors: one (1) Chairman of The Board, two (2) Non-Independent Executive Directors, and four (4) Independent Non-Executive Directors.

The functions of Executive and Non-Executive Directors are separate and distinct. The Non-Executive Directors complement the skills and contribute to the formulation of strategies and policies of the Bank with the Executive Directors, and also provide effective checks and balances to ensure that the Bank operates within a proper governance framework, with the necessary internal controls and systems in place. The Executive Directors are responsible for making operational decisions and implementing strategic activities of the Bank. The Non-Executive Directors on the Board bring strong independent judgment and objective participation in the proceedings and decision-making process of the Board.

The Board agreed on the composition of the Board of Directors for the new term from 2023-2025 during a meeting in December 2022. The agreement for this new term was approved by the National Bank of Cambodia, acknowledging that all board members have prior experience with their respective obligation.

The composition of the Board reflects the Board's commitment to maintaining an appropriate balance of financial and management expertise to ensure a sufficiently wide and relevant mix of backgrounds, skills and experience to provide strong and effective leadership and control of the Bank.

The Board has set up three (3) Board Committees to assist the Board in the management of the Bank's business and discharge of its duties. The functions and terms of reference of the Committees as well as authority delegated by the Board to these Committees have been clearly defined by the Board. The three (3) Board Committees are:

Committee	Chaired By
Audit Committee	Independent Non - Executive Director
Risk Management Committee	Independent Non - Executive Director
Remuneration and Nomination Committee	Independent Non - Executive Director

POLICIES AND PRACTICES

(I) Audit Management Committee

The Audit Committee provides independent oversight of the Bank's financial reporting and internal control systems and ensures checks and balances within the Bank.

The Audit Committee is comprised of three (3) members from the Board as follows:

1. Ms. Seah Yen Goon (Chairperson)
2. Mr. Paul Gwee Choon Guan
3. Mr. Ong Teong Hoon

The duties of the Audit Committee include amongst others:

(a) ensure financial and risk-related information provided to the public and the National Bank of Cambodia are clear, accurate and reliable;
(b) assess the basis of preparation and accounting methodologies used for individual and consolidated financial statements;
(c) review the adequacy of the scope, functions, competency and resources of the internal audit functions and ensure that the internal audit functions have the necessary authority to carry out its work;
(d) review the scope of the internal audit programme;
(e) review the effectiveness of internal control systems and processes;
(f) ensure that there are proper checks and balances in place so that the provision of non-audit services does not interfere with the exercise of independent judgement of the external auditors;
(g) review the scope of audit, the plans for carrying out the audit, the extent of planned reliance on the work of the external auditors and the internal auditors;
(h) review audit reports as well as inspection reports issued by regulatory authorities and issue directives for necessary remedial actions to be taken;
(i) review all related party transactions and keep the Board informed of such transactions.

(II) Risk Management Committee

The Risk Management Committee oversees management's activities in managing credit, market, structural interest rate, liquidity, operational, legal, compliance and other risks to ensure that the risk management process is in place and functioning.

The Risk Management Committee is comprised of three (3) members from the Board as follows:

1. Mr. Paul Gwee Choon Guan (Chairperson)
2. Mr. Ong Teong Hoon
3. Ms. Seah Yen Goon

The Risk Management Committee is authorised by the Board to:

(a) review and recommend risk management strategies, policies and risk tolerance for the Board's approval;
(b) review and approve new products, after ensuring that the new products have undergone a proper evaluation process;
(c) review the asset and liability management and capital allocation functions including fund transfer pricing where relevant;
(d) set risk appetite capital for delegation to the Bank's Asset and Liability Committee;

(e) review and assess the adequacy of risk management policies and framework in identifying, measuring, monitoring and controlling risk and the extent to which those are operating effectively and independently;

(f) ensure that the infrastructure, resources and systems are in place for risk management; and

(g) review the management's periodic reports on risk exposure, risk portfolio composition and risk management activities.

(h) review compliance programme and reports prepared by the Head of Compliance relating to compliance with statutory and regulatory requirements and issue directives for necessary remedial actions to be taken.

(III) Remuneration and Nomination Committee

The Remuneration and Nomination Committee provides a formal and transparent procedure for the appointment of Directors, Board Committees members and key senior management officer(s) as well as assessment of the effectiveness of such individual Directors, the Board as a whole and the performance of the key senior management officer(s). The Committee also provides a formal and transparent procedure for developing remuneration policy for Directors and key senior management officer(s) and ensures that compensation is competitive and consistent with the Group's culture, objectives and strategy.

The Remuneration and Nomination Committee is comprised of three (3) members from the Board as follows:

1. Mr. Koh Yong Guan (Chairperson)
2. Mr. Lim Hua Min
3. Mr. Ong Teong Hoon

The Remuneration and Nomination Committee is authorised by the Board to:

(a) review the composition and size of the Board and determine the appropriate Board balance between Executive Director(s). Non-Executive Directors and Independent Directors;

(b) review and recommend to the Board the required mix of skills, experience, qualifications and other core competencies required of a Director;

(c) recommend and assess the nominees for directorship, Board committees as well as nominees for key senior management position(s);

(d) recommend to the Board the removal of a Director or key senior management officer(s) if they are ineffective, errant and negligent in discharging their respective responsibilities;

(e) establish a mechanism for the formal assessment of the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board, the contribution of the Board's various committees and the performance of the key senior management officer(s);

(f) oversee the appointment, management succession planning and performance evaluation of the key senior management officer(s); and

(g) recommend a framework for the remuneration of Directors and key senior management officer(s), reflecting the responsibility, experience and commitment of each Director and key senior management officer(s) concerned.

BOARD APPOINTMENT PROCESS

All nominees for appointment to the Board will in the first instance be assessed by the Remuneration and Nomination Committee which will make recommendations to the Board. The Board makes the final decision on appointments to the Board. When assessing nominees for appointment to the Board, considerations will include the nominees' qualifications, expertise and experience, fit and properness, core competencies required of the position and the appropriate Board balance.

POLICY AND PRACTICE GUIDELINES FOR CORPORATE GOVERNANCE

Board Meetings

Board Meetings are held at least once every quarter. During the financial year ended 31 December 2022, the Board met four (4) times.

Directors are provided with notices of the Board Meetings and board papers for each agenda item in advance of each meeting to ensure that Directors have sufficient time to study them and be prepared for discussion. The Board also has a formal schedule of matters reserved for deliberation and decision. Minutes of Meetings are recorded, maintained and distributed to all Board members and senior management.

The management of the Bank has adopted the Group's policy on information to be brought to the Board's attention. In accordance with the policy, all material information are to be tabled to the Board on a timely basis in order for the Board to be kept abreast with the performance and business activities of the Bank.

Directors have access to the advice and services of the Company Secretary who is responsible for ensuring that Board procedures are followed and all necessary information is obtained from Directors both for the Bank's own records and for the purposes of meeting statutory obligations. Details of Directors' attendance at Board Meetings during the financial year ended 31 December 2022 are outlined in the following table:

Name of Director	No. of Board meetings attend in office
Mr. Lim Hua Min (Chairman)	4/4
Mr. Koh Yong Guan	4/4
Mr. Ong Teong Hoon	4/4
Ms. Seah Yen Goon	4/4
Mr. Paul Gwee Choon Guan	4/4
Mr. Chan Mach	4/4

Responsibility

The Board recognises the importance of maintaining adequate accounting records and an effective system of internal controls to safeguard the shareholders' interest and the Bank's assets. The Board affirms its overall responsibility for the Bank's system of internal controls, which includes the establishment of an appropriate control environment and risk management framework as well as review of its adequacy and integrity. In view of the inherent limitations in any system of internal controls, the system is designed to manage risks and ensure that the risks are identified and managed at acceptable levels, rather than eliminate these risks to achieve its business objectives. The system can only provide reasonable but not absolute assurance against the risk of material misstatement of management and financial information or financial losses and fraud.

POLICIES AND PRACTICES

KEY INTERNAL CONTROL PROCESSES

The key processes that have been established in reviewing the adequacy and integrity of the system of internal controls are described below:

Organisational Structure

Organisational structure with delineated lines of responsibilities, reporting, delegation of authorities and accountability within the Bank assist in ensuring that effective communication of risk control objectives as well as establishment of authority and accountability is in accordance with management criteria.

Internal Policies and Procedures

Detailed internal policies and procedures manuals of business and support units have been established to serve as guidelines to ensure compliance with internal controls and applicable laws and regulations.

There are also documented Limits of Approving Authority for key aspects of the businesses, which have been approved by the Board. This provides a sound framework of authority and accountability and facilitates proper corporate decision-making at the appropriate level in the organisation's hierarchy. The delegation of limits is subject to periodic reviews as to its implementation and continuing suitability in meeting the Bank's business objectives and operational needs.

Financial Performance Review

On a regular basis, management provides comprehensive financial information, key variances and analysis of financial data to the Board for review and decision-making purposes.

Compliance Function

Compliance performs regular assessment on various operations of the Bank to ensure adherence to regulatory requirements, especially AML, CFT and CPF regulations, as well as internal policies and procedures. Any deviation or breaches are reported to the Risk Management Committee and the Board is kept informed of the cause and the remedial measures taken.

Internal Audit Function

Internal Audit monitors the effectiveness of the Bank's system of internal controls and compliance with relevant regulatory requirements by the Bank. The internal auditors undertake regular reviews of the Bank's operations and systems of internal controls. Internal Audit reports to the Board of Directors via the Audit Committee.

During 2022, the work of the internal auditors focused on areas of priority according to their annual risk assessment and in accordance with the annual audit plan approved by the Audit Committee of the Bank. The results of reviews together with recommendations for improvement are reported to the Audit Committee of the Bank. The Bank's Audit Committee convenes regular meetings to review the findings and recommendations for improvement by Internal Audit, actions taken to rectify the findings in a timely manner and to evaluate the effectiveness and adequacy of the internal control system.

The Board confirms that there is an ongoing process that has been in place throughout the financial year ended 31 December 2022 for identifying, evaluating and managing significant risks which will provide reasonable assurance that the Bank's assets are safeguarded against losses from unauthorised use and all transactions of the Bank are properly authorised and recorded.

POLICIES AND PRACTICES

Risk Management Function

The Bank continues to take steps to strengthen its risk management practices by appointing the Head of Risk and Head of Compliance to maintain a comprehensive risk management framework and compliance framework covering:

- **Operational risk**

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events. This includes legal, compliance, accounting and fraud risk.

- **Strategic risk**

Strategic risk arises from an institution's inability to implement appropriate business plans, strategies, decision-making, and resource allocation and its inability to adapt to changes in its business environment.

- **Credit risk**

Credit risk is the risk of suffering financial loss should any of the Bank's customers, clients or market counterparties fail to fulfill their contractual obligations to the Bank. Credit risk is the single largest risk for the Bank's business.

- **Market / Financial risk**

The Bank's activities expose it to a variety of financial risks, including liquidity risk, foreign exchange risk and interest rate risk.

- Liquidity risk is the risk that the Bank is unable to meet its obligations when they fall due as a result of customer deposits being withdrawn, cash requirements from contractual commitments, or other cash outflows.
- Foreign exchange risk is the potential impact of adverse currency rate movements on earnings and economic value.
- Interest rate risk is the adverse changes in future cash flows of a financial instrument arising from changes in market interest rates. Interest margins may increase or decrease due to unexpected movements in rates.

- **Compliance risk**

Compliance risk is the risk of legal or regulatory sanctions, material financial loss or damage to reputation that the Bank may suffer as a result of failure to comply with laws, regulations, rules, self-regulatory banking standards and codes of conduct applicable to its activities.

The Bank promotes risk awareness and visibility among its employees at all levels of the Bank. Training programmes are continuously held by the Risk Department and Compliance Department to educate employees on how to identify risks, promote methods to improve controls, and remain compliant with both internal and external policies and regulations. The Bank has implemented a dynamic ongoing Control Self-Assessment (CSA) process through which all departments will continue to identify, assess and mitigate operational risks. The Asset Liability Management Committee (ALCO) maintains oversight of the Bank's financial performance, risk-return positions, liquidity and capital management processes.

POLICIES AND PRACTICES

The Board of Directors' Risk Management Committee provides guidance on related issues and ensures that the Bank's risk appetite is appropriate to deliver the financial objectives of the Bank.

The Bank is continuing its risk management and compliance framework and believes that this robust framework will help to ensure its continued sustainability and ability to meet the needs of its target market.

Code of Ethics

The Bank's Code of Ethics has been put in place as a guideline for the acceptable behaviours of employees, especially when they handle sensitive issues like investments, interaction with others and handling grievances, both from outside and within the organisation. The Code of Ethics also sets out specific behaviour standards for employees related to potential ethical issues such as confidentiality and / or misuse of information or funds.

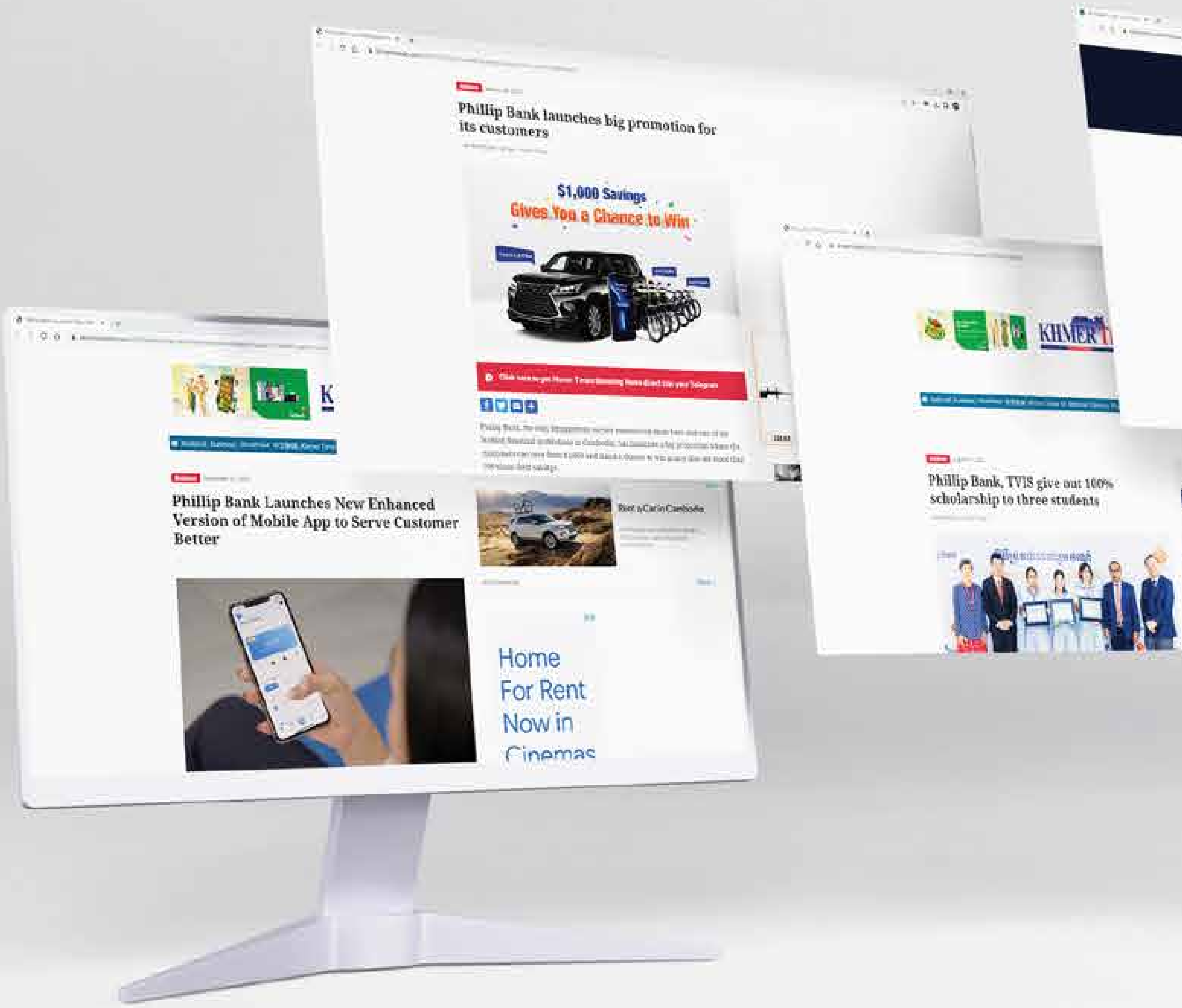
The Code of Ethics increases the confidence in the Bank as an organisation by showing potential customers and investors that the Bank is committed to maintaining the Bank's integrity by adhering to the highest ethical standards and acting in a responsible manner in the course of performing its business activities.

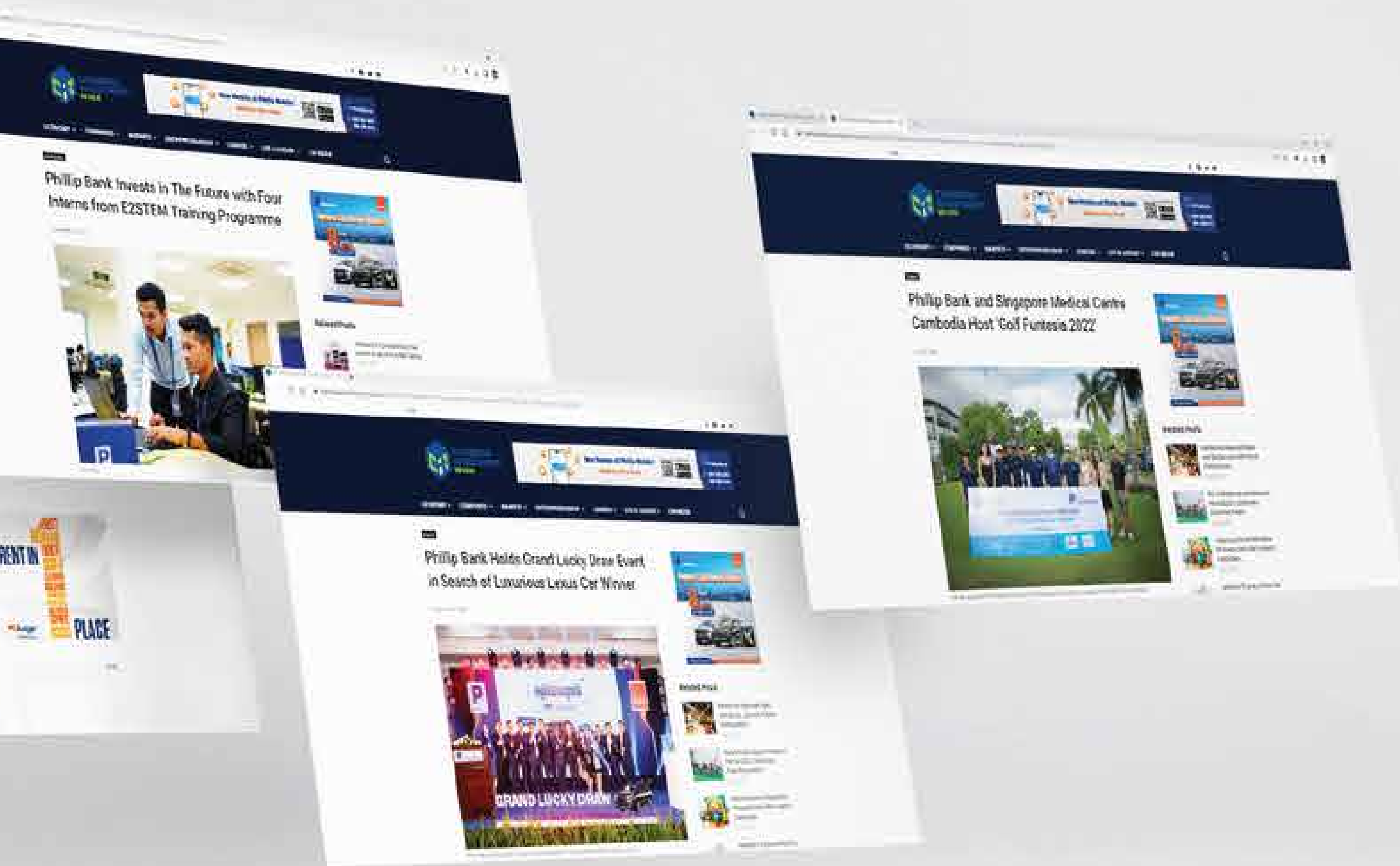
All new employees are briefed and required to sign their acceptance of the Code of Ethics as a guide to their conduct upon commencement of employment.

Independence and transparency

The Bank is independently managed by an experienced management team with oversight by the Board. The Bank practices transparency in dealings with customers and in its financial accountability and reporting.

PHILLIP BANK IN THE NEWS




Phillip Bank Invests in The Future with Four Interns from E2STEM Training Programme
Phillip Bank and Singapore Medical Centre Cambodia Host 'Golf Funtasia 2022'
Phillip Bank Holds Grand Lucky Draw Event in Search of Luxurious Lexus Car Winner
GRAND LUCKY DRAW
PLACE

CORPORATE GOVERNANCE

PROFILE OF DIRECTORS

MR. LIM HUA MIN
Chairman

MR. PAUL GWEE CHOON GUAN
Independent Director

Mr. Lim Hua Min is the Executive Chairman of PhillipCapital Group of Companies and was also appointed Chairman of IFS Capital Limited on 20 May 2003. He began his career holding senior positions in the Stock Exchange of Singapore ("SES") and the Securities Research Institute. He has served on a number of committees and sub-committees of SES. In 1997, he was appointed Chairman of SES Review Committee, which was responsible for devising a conceptual framework to make Singapore's capital markets more globalised, competitive and robust. For this service, he was awarded the Public Service Medal in 1999 by the Singapore Government. In 2014, he was also awarded "IBF Distinguished Fellow", the highest certification mark bestowed by The Institute of Banking and Finance on industry captains who are the epitome of professional stature, integrity and achievement. In 2018, he was named Businessman of the Year 2017 at the annual Singapore Business Awards, which is Singapore's most prestigious business accolade. Mr. Lim had also served as a Board Member in the Inland Revenue Authority of Singapore from 2004 to 2010.

Mr. Lim holds a Bachelor of Science Degree (Honours) in Chemical Engineering from the University of Surrey and obtained a Master's Degree in Operations Research and Management Studies from Imperial College London.

Mr. Paul Gwee Choon Guan's banking career spans over 25 years of experience in the universal and treasury/investment banking with asset/fund and wealth management industry across the Asia Pacific. His specialised skills include the fields of enterprise risk management (credit, market, liquidity and operational), control and compliance and back-room operations with a robust combination of strategic business finance and accounting reporting, mergers and acquisitions and capital management. He was the Head of Risk Management and Compliance in United Overseas Bank Group followed by as the Country CFO in Hong Kong and Shanghai Bank, Indonesia and as Chief Operating Officer in Bank of East Asia, Singapore. He is currently the Secretary-General of the ASEAN Bankers Association. Mr. Gwee holds a Master of Business Administration from the University of Chicago, Graduate School of Business, majoring in finance and was awarded the Bachelor of Commerce degree from the University of Newcastle.

He qualified as a Chartered Accountant in 1984 and is a Fellow of the Institute of Chartered Accountants in Australia and Institute of Singapore Chartered Accountants.

PROFILE OF DIRECTORS

MR. KOH YONG GUAN

Independent Director

Mr. Koh graduated with a Bachelor of Applied Science (Honours) degree in Mechanical Engineering in 1970 and a Master of Applied Science in Mechanical Engineering and Biomedical Engineering in 1972 from the University of Toronto on a Colombo Plan scholarship. He obtained a Master's Degree in Business Administration (with distinction) from the Catholic University of Leuven, Belgium in 1981. He was conferred an Honorary Doctorate by the University of Toronto in 2011.

Mr. Koh joined Singapore's Civil Service as a Biomedical Engineer in the Ministry of Health in 1972 and was absorbed into the Administrative Service in 1979. He served in the Ministry of Finance (Revenue Division), Education and Defence before being appointed Permanent Secretary in the Ministry of Defence in 1989.

Mr. Koh was the Commissioner of Inland Revenue from 1991 to 1997. In 1998, he was appointed Managing Director, Monetary Authority of Singapore (Governor of the Central Bank). He had also held the appointments of Permanent Secretary, Ministry of Health and National Development, and Second Permanent Secretary, Ministry of Finance (Budget and Revenue) between 1998 and 2001. He retired as the Managing Director, Monetary Authority of Singapore (MAS), in June 2005, and remained a member of the MAS Board until April 2011. He served as the Chairman of Central Provident Fund Board, the national pension fund for all employees in both the private and public sectors in Singapore, from 2005 to 2013. He was Singapore's Non-Resident High Commissioner to Canada from May 2008 to March 2013, and was Singapore's Ambassador (Non-Resident) to Greece since from May 2013 to May 2020.

He had also served as the Chairman of the SMRT Corp that operates the train system, and buses and taxi services in Singapore, and Chairman of the Cancer Sciences Institute of Singapore.

Mr. Koh is currently the Chairman of the Singapore Deposit Insurance Corporation.

PROFILE OF DIRECTORS

MS. SEAH YEN GOON

Independent Director

Ms. Seah Yen Goon has more than 30 years of working experience in financial institutions including GE Commercial Finance, which specialises in financing small and medium-sized enterprises. She held senior position in Finance, Operations, IT, overseeing operations in Singapore, Thailand and Hong Kong. She was the Chief Financial Officer in charge of the finance and controllership, strategic and financial planning, funding and compliance.

She conducts training workshops at various institutions and serves at the HR sub-committees of St. Luke's Hospital and the Singapore Christian Home.

Ms. Seah is a Chartered Accountant (Singapore) who holds a Bachelor of Accountancy degree from the University of Singapore, now called the National University of Singapore and an MBA degree (Business Law) from the Nanyang Technological University.

MR. ONG TEONG HOON

Director

Mr. Ong started working in the financial sector in 1977, first as a Money Broker and then, after a year, with Standard Chartered Bank, as a Management Trainee. For 25 years with the Bank, he had been through all aspects of Commercial Banking apart from Treasury function, and he ended his banking career as Country Manager for the Bank in Cambodia in 2002. This was after being the Bank's Chief Representative in Myanmar and before that, Regional Manager, Asia Pacific Region covering Financial Institutions.

Soon after that, he joined Phillip Securities Pte Ltd and covered various functions, including a stint in Phillip Securities Thailand PLC as its acting CEO, and was the Director of OTC Capital prior to being assigned to KREDIT Microfinance in 2012. He is currently serving as Chairman of Phillip General Insurance (Cambodia) Plc in addition to being shareholder representative for both Phillip General Insurance (Cambodia) Plc, Phillip Life Assurance (Cambodia) Plc, and Phillip Bank Plc. Mr. Ong is also the Chairman of Phillip Trustee (Cambodia) Co., Ltd.

Mr. Ong is a graduate from the University of Singapore with a Bachelor of Business Administration and is an Associate of the Chartered Institute of Bankers since 1978.

PROFILE OF MANAGEMENT

MR. CHAN MACH

Director & Chief Executive Officer

MR. LEE YONG MAN (MARK)

Member of Senior Management Team (SMT)

Mr. Mach, the first local CEO of KREDIT Microfinance and now Phillip Bank, was promoted from his position as Operations Manager in 2006. With a Bachelor of Mathematics and experience as a math teacher, Mr. Mach joined KREDIT Microfinance initially in 1999 as Auditor and Trainer. His managerial potential was recognised and he became the Phnom Penh Branch Manager in 2001. The branch flourished and in 2003 he was appointed Operational Director. Under his leadership, KREDIT Microfinance became sustainable and tripled the portfolio, until its merger with Phillip Bank.

Mr. Mach received the Omega Performance certificate of Commercial Loan to Business, and Advance Bank Risk qualification from Moody Analytics. He has completed two Master's Degrees: MBA and MFB. Mr. Mach is also a qualified member of the Chartered Banker Institute. He has attended numerous national and international courses related to microfinance and banking. He is also a member of the Association of Banks in Cambodia (ABC). After the merger between Phillip Bank and KREDIT Microfinance, Mr. Mach was designated as the Chief Executive Officer of the Bank.

Mr. Lee is a seasoned banker with more than 40 years of experience in the banking industry. His experience encompasses all aspects of banking including corporate, retail, investment and digital banking. As an international banker, Mr. Lee has worked in South Korea, Singapore, Hong Kong, and Cambodia. He established PPCBank, Cambodia in 2008 and DGB Bank, Cambodia in 2009, respectively, and served as CEO of DGB Bank until 2021. In March 2021, he joined Phillip Bank as a member of the Senior Management Team. In addition to his banking career, Mr. Lee is the current Chairman of the Korean Chamber of Commerce in Cambodia since 2018 and now in his third term of office.

He graduated from the School of Business Administration, Yonsei University, South Korea with a Master's Degree in Economics. As part of his career enhancement, Mr. Lee also successfully completed the Accelerated Development Program of Booth School of The University of Chicago in 2016.

PROFILE OF MANAGEMENT

MS. SOK CHANTHEARA

Chief Finance Officer

MS. SRON SREYNEANG

Head of Treasury Division

Ms. Chantheara has more than 10 years of experience in banking and finance. Before the merger, she was the CFO at KREDIT Microfinance. She also worked as an auditor with a Big Four accounting firm, in charge of financial services, corporate, garment factories, as well as local and international NGOs. Ms. Chantheara obtained two Bachelor Degrees in Accounting and English Teaching in 2006 from the Royal University of Law and Economics (RULE) and Institute of Foreign Languages (IFL) respectively. In June 2013, she completed the ACCA programme from the UK and was accepted as an ACCA member in the same year. In September 2018, she became a fellow member of FCCA.

Ms. Sreyneang graduated with a Bachelor's Degree in Accounting from the Royal University of Laws and Economics (RULE) in 2006 and completed her ACCA in 2019. Ms. Sreyneang started her career in 2006 and worked as an Auditor for 6.5 years. She has been involved in many industries including corporates, banks and NGOs. She also worked for PwC Malaysia for 14 months on the Secondment Programme. Ms. Sreyneang joined Phillip Bank in April 2015 as Finance Manager and was later redesignated as the Treasurer of the Bank.

PROFILE OF MANAGEMENT

MS. LILY SABRINA

Chief of Human Resources

Ms. Lily joined Phillip Bank Cambodia as Chief of Human Resources in May 2020. She oversees the HR and Learning & Development Departments. Lily brings with her over 25 years of strategic and operational human resources experience gained in both local and multinational companies, and diverse sectors such as banking, property development, property investment, manufacturing and healthcare.

Ms. Lily speaks English, Bahasa Malaysia, Mandarin, Hokkien and Cantonese (Chinese dialects) and she possesses skill sets in Change Management, Talent Management and Organisational Development, in addition to industrial relations experience.

Ms. Lily holds a Post Graduate Diploma in Human Resource Management from Glasgow University and a Master's Degree in Human Resource Management from Open University Malaysia.

MS. MAO SOKHOEURN

Chief of Card and E-Operations

Ms. Sokhoeurn joined Phillip Bank as Chief of Card and E-Operations in June 2022. Before joining Phillip Bank, she had over 21 years of experience with various positions at other Banks and MDI's, including Operations & Finance Supervisor, Head of Credit Card, Head of Product Development, Head of Digital Project Management, and Head of Card & E-Payment.

Ms. Sokhoeurn holds a BBA in Accounting & Finance from The National Institute of Management. She also obtained other training and skills certificates from national and international courses related to microfinance, banking, security, and compliance.

PROFILE OF MANAGEMENT

MR. SOK KIMCHHAY

Chief Information Officer

Mr. Kimchhay is the Chief Information Officer, focusing on delivering innovative technology solutions to make financial services that can be integrated seamlessly into everyday life.

He oversees the application development, infrastructure, security, and project management department with more than 80 IT staff by leveraging a new development methodologies framework for application development to deliver digital platforms such as payment gateway, merchant management, payment hub, data warehouse, customer 360 view, dashboards, analytics report, ML credit rating, and mobile platform to ensure the Bank's technology platform and resources are scaled according to the rapid growth in demand in a very competative market.

He holds an MSIT Degree from Norton University and a Bachelor's Degree in Computer Science from the Royal University of Phnom Penh. Besides this, he also obtained other training and skills certificates from both national and international courses related to microfinance, banking, security, and compliance. He received an ASEAN CIO AWARD as one of the most outstanding Chief Information Officers in 2015 from IDG.

MR. BUN SOPHEAKTRA

Chief Credit Officer

Mr. Sopheaktra is the Chief Credit Officer, responsible for overseeing Retail Loan Processing Center, Credit Risk Management and Credit Admin Departments. Mr. Sopheaktra started his career in banking sector in year 2005 and joined with Phillip Bank in March 2015.

Mr. Sopheaktra was a scholarship student with a Bachelor's Degree in Economics from Royal University of Law and Economics in year 2004 and earned a Master's Degree in Finance from Pannasastra University of Cambodia in year 2007. In addition to his working experience, he is also accredited with several nationally and internationally recognised courses related to Credit and ACCA Programmes.

PROFILE OF MANAGEMENT

MR. VINCENT YAP TONG YIN

Chief of Transaction Banking

Vincent is an accomplished banker with over 30 years in banking. He had held senior positions at leading financial institutions like Bank of America Merrill Lynch, Standard Chartered Bank, Bank of Tokyo Mitsubishi-UFJ, Fleet Boston Bank, and Malayan Banking. He has led and managed sales teams, relationship management, retail and corporate products development, virtual banking, branch banking, cash management, trade, and supply chain finance, and executed in-country business strategies under his portfolios.

Prior joining Phillip Bank, he held the position as the digital trade finance independent Consultant and Advisor to VCargo Cloud Singapore [a leading Inforcomm Technology (ICT) solutions and service provider in Asia], and Monetary Authority of Singapore [MAS] (2018-2019), where he provided consultations to the top global banks participated in the National Trade Project, namely BNPP, SCB, ANZ, ICBC, UOB, DBS, OCBC, MUFG, and HSBC to build a multi-bank trade finance single sign-in applications portal (the “CamelONE Platform”).

Vincent was also the Director for APAC to MITIGRAM AB, a Swedish company that provides a web-based digital marketplace for risk coverage and financing of global trade (the “MITIGRAM Platform”) as their Independent Consultant (2018-2019) before he releases himself from his independent consultancy obligations to join Phillip Bank.

Driven by his passion for building innovation in banking, he took up the new challenge when he was invited to join Phillip Bank in Nov 2019. Prior to his current new position, Vincent had helped to restore e-Channels Banking, bringing with him revolutionary strategies, changes, ideas, and desires to maximise customer’s experience in doing banking online with Phillip Bank (2019-2023).

Vincent graduated with a B.A. Economic Degree (Hon) from the University of York, United Kingdom (1982).

PROFILE OF MANAGEMENT

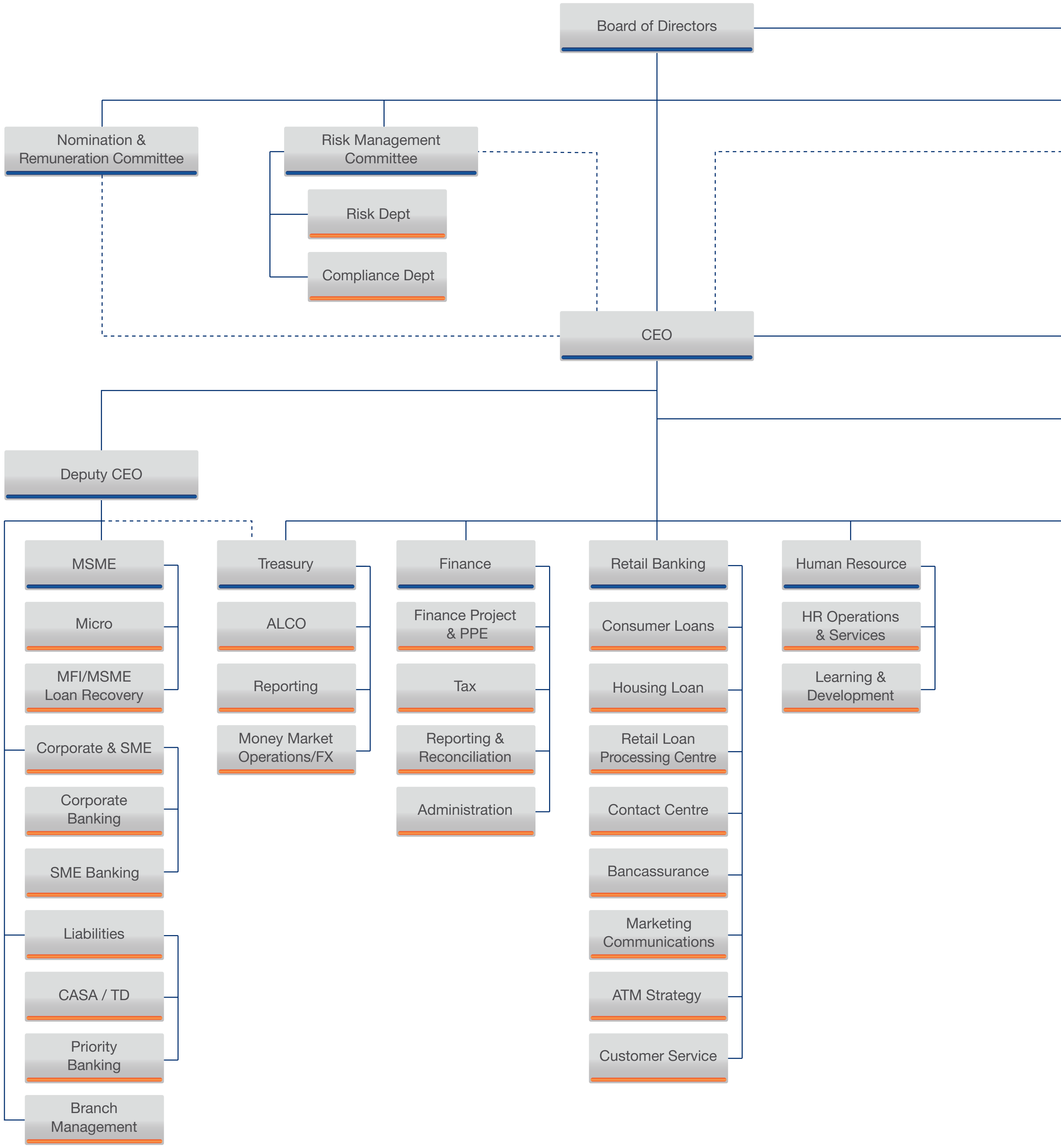
MR. ROM VANARA

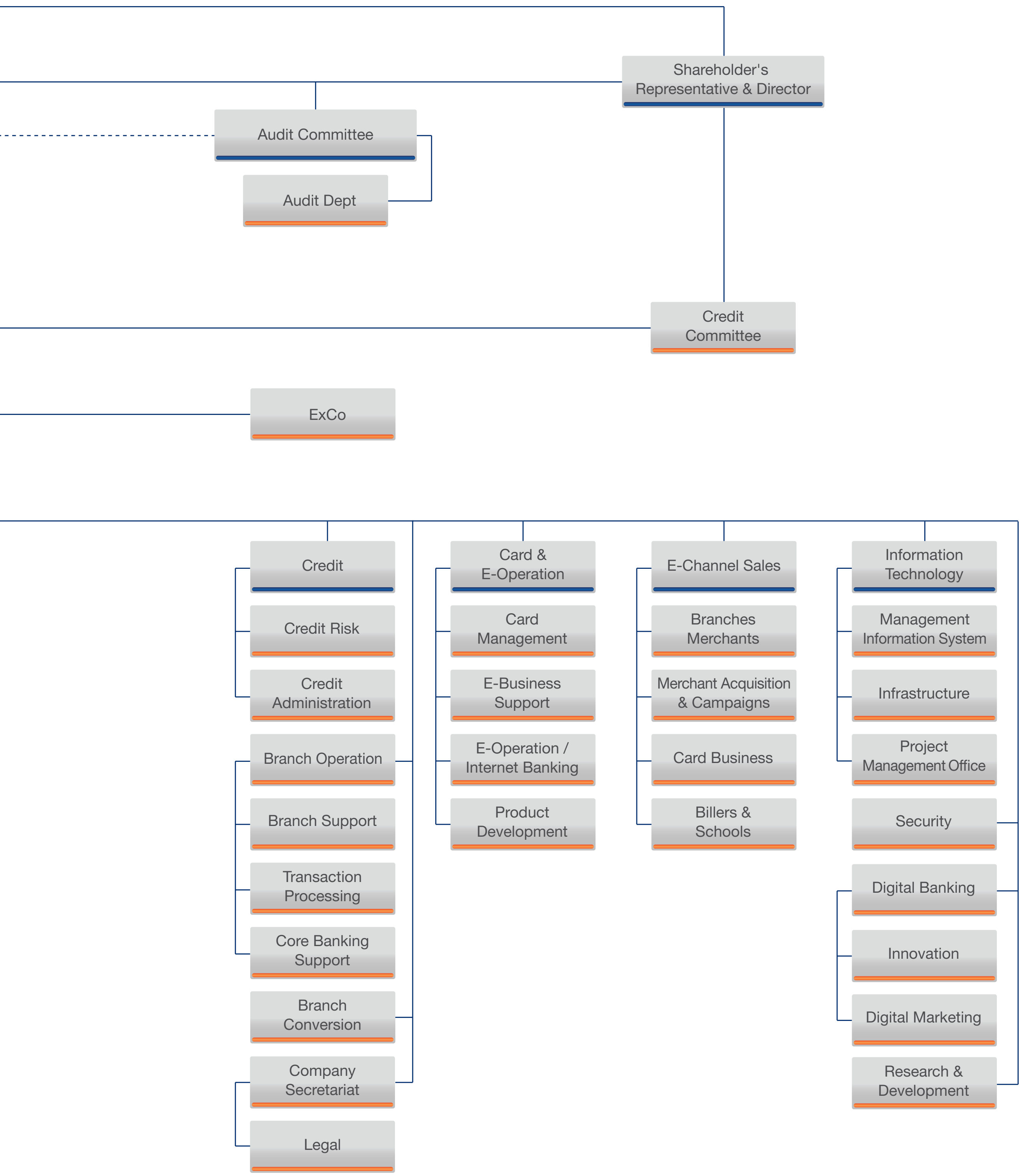
Chief of MSME and Provinces Branch Management

Mr. Vanara has more than 20 years of experience in micro finance and banking. After merged, he was promoted to be Chief of MSME and Provinces Branch Management, responsible for overseeing and supervising provinces branch performance management, MSME Loan department, Micro Loan department, Micro & MSME loan recovery department, and branches channel department which is responsible for growing the deposit and non-loan products in the provinces.

He obtained a Diploma in Accounting and Finance, and a Bachelor's Degree in English Literature at Build Bright University. In 2010, he graduated with a Master's Degree in Finance and Banking from Build Bright University and completed the recognition international course of Commercial Loan to Business which was certified by Omega Performance U.S and obtained a certificate from Moody's Analytics in 2019. He also attended numerous national, and international courses related to microfinance and banking such as Managing MFI/Bank, Banking Products and Services, Advanced Risk Management, Operations Management, Credit Risk Management, Branch Management, Advanced Management and Leadership, Business Development Process, Business Law and Contract Law, Digital Banking Transformation, Fund Management, and Data Analytics.

PHILLIP BANK ORGANISATION CHART




Shareholder's Representative & Director
Audit Committee
Audit Dept
Credit Committee
ExCo
Credit
Credit Risk
Credit Administration
Branch Operation
Branch Support
Transaction Processing
Core Banking Support
Branch Conversion
Company Secretariat
Legal
Card & E-Operation
Card Management
E-Business Support
E-Operation / Internet Banking
Product Development
E-Channel Sales
Branches Merchants
Merchant Acquisition & Campaigns
Card Business
Billers & Schools
Information Technology
Management Information System
Infrastructure
Project Management Office
Security
Digital Banking
Innovation
Digital Marketing
Research & Development

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FINANCIALS

Report of the Board of Directors and Audited financial statements in accordance with Cambodian International Financial Reporting Standards as at 31 December 2022 and for the year then ended

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors submits this report, together with the financial statements of Phillip Bank Plc. ("the Bank") as at 31 December 2022 and for the year then ended.

THE BANK

The Bank was incorporated on 26 June 2009 under the Cambodian Law on Commercial Enterprises and licensed under the regulations of the National Bank of Cambodia ("NBC"). The Bank is a wholly-owned subsidiary of Phillip MFIS Pte Ltd.

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

There was no significant change in the principal activities of the Bank during the year.

FINANCIAL RESULTS

The Bank's financial performance for the year ended 31 December 2022 is set out in the statement of comprehensive income.

DIVIDENDS

No dividend was declared or paid during the year, as the Board of Directors continues to re-invest in the growth of the company for the benefit of all stakeholders, including serving customers better.

SHARE CAPITAL

The Bank's share capital as at 31 December 2022 was US$ 75,000,000 or KHR'000 300,765,000 (2021: US$ 75,000,000 or KHR'000 300,765,000) by way of issuance of shares with par value of US$ 1 per share. All shares are issued and fully paid.

RESERVE AND PROVISIONS

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

REPORT OF THE BOARD OF DIRECTORS

EXPECTED CREDIT LOSSES ON LOANS AND ADVANCES TO CUSTOMERS

Before the financial statements of the Bank were prepared, the Board of Directors took reasonable steps to ascertain that actions had been taken in relation to writing off bad loans and in recognising the provision for expected credit losses, and satisfied themselves that all known bad loans had been written off and reasonable allowance had been made for expected credit losses.

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

ASSETS

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

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.

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

(a) any 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, or

(b) any contingent liability in respect of the Bank that has arisen since the end of the financial year other than in the ordinary course of banking business.

REPORT OF THE BOARD OF DIRECTORS

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 substantially affect the ability of the Bank to meet its obligations as and when they fall 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.

ITEMS OF UNUSUAL NATURE

The results of the operations of the Bank for the financial 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 financial year and the date of this report any item, transaction or event of a material and unusual nature that likely, in the opinion of the Board of Directors, to affect substantially the results of the operations of the Bank for the current financial year in which this report is made.

EVENTS AFTER THE REPORTING PERIOD

Other than as disclosed elsewhere in the financial statements, there have been no significant events occurring between the end of the reporting period and the date of authorisation of the financial statements, which would require adjustments or disclosures to be made in the financial statements.

THE BOARD OF DIRECTORS

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

Mr. Lim Hua Min	Chairman
Mr. Ong Teong Hoon	Director
Mr. Chan Mach	Director and Chief Executive Officer
Mr. Paul Gwee Choon Guan	Independent Director
Ms. Seah Yen Goon	Independent Director
Mr. Koh Yong Guan	Independent Director
Mr. Pen Chanda	Independent Director (Appointed on 21 March 2023)

REPORT OF THE BOARD OF DIRECTORS

AUDITOR

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

DIRECTORS' INTERESTS

Mr. Lim Hua Min, the Chairman of the Board of Directors, holds 85% share in Phillip MFIS PTE LTD.

DIRECTORS' BENEFITS

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

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

RESPONSIBILITIES OF THE BOARD OF DIRECTORS IN RESPECT OF THE FINANCIAL STATEMENTS

The Board of Directors is responsible for ascertaining that the financial statements give true and fair view of the financial position of the Bank as at 31 December 2022, 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:

(i) Adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;

(ii) Comply with CIFRSs or, if there have been any departures in the interest of fair presentation, these have been appropriately disclosed, explained and quantified in the financial statements;

(iii) Maintain adequate accounting records and an effective system of internal controls;

REPORT OF THE BOARD OF DIRECTORS

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

(v) Effectively control and direct the Bank in all material decisions affecting the operations and performance and ascertain that these have been properly reflected in the financial statements.

Management 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 for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

APPROVAL OF THE FINANCIAL STATEMENTS

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

On behalf of the Board of Directors:

ធនាគារ ហ្វីលីព ភីអិលស៊ី
ការិយាល័យកណ្តាល
Head Office
PHILLIP BANK PLC.

ONG TEONG HOON
Director and Shareholder's Representative
Phnom Penh, Kingdom of Cambodia
29 March 2023

INDEPENDENT AUDITOR'S REPORT *(To the Shareholders of Phillip Bank Plc.)*

Opinion

We have audited the financial statements of Phillip Bank Plc. ("the Bank"), which comprise the statement of financial position as at 31 December 2022, 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 a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2022, and 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 Statements and Auditor's Report Thereon

The other information obtained at the date of the auditor's report is the Report of 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 charge with governance is responsible for overseeing the Bank's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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.

INDEPENDENT AUDITOR'S REPORT *(To the Shareholders of Phillip Bank Plc.)*

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

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

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

Emmanuel A. Guelas
Partner

Ernst & Young (Cambodia) Ltd.
Certified Public Accountants
Registered Auditors

Phnom Penh, Kingdom of Cambodia
29 March 2023

STATEMENT OF FINANCIAL POSITION *(as at 31 December 2022)*

	Notes	31 December 2022 US$	31 December 2022 KHR'000 (Note 2.3.3)	31 December 2021 US$	31 December 2021 KHR'000 (Note 2.3.3)
ASSETS					
Cash and cash equivalents	5	72,913,894	300,186,502	53,894,350	219,565,582
Placements with other financial institutions	6	262,397	1,080,288	895,995	3,650,284
Statutory deposits	7	42,591,664	175,349,881	35,890,436	146,217,636
Loans and advances to customers	8	582,611,307	2,398,610,751	517,285,949	2,107,422,956
Investment in an associate	9	490,000	2,017,330	-	-
Financial assets at fair value through other comprehensive income		42,500	174,973	42,500	173,145
Property and equipment	10	7,209,764	29,682,598	4,884,500	19,899,453
Right-of-use assets	11	10,370,446	42,695,126	8,593,406	35,009,536
Intangible assets	12	1,833,235	7,547,428	1,848,726	7,531,710
Deferred tax assets	18	-	-	494,219	2,013,448
Other assets	13	2,753,675	11,336,880	1,844,683	7,515,239
TOTAL ASSETS		721,078,882	2,968,681,757	625,674,764	2,548,998,989
LIABILITIES AND SHAREHOLDER'S EQUITY					
LIABILITIES					
Deposits from other financial institutions	14	54,790,080	225,570,759	71,533,842	291,428,872
Deposits from customers	15	453,088,610	1,865,365,807	346,986,693	1,413,623,787
Borrowings	16	45,768,075	188,427,165	52,057,958	212,084,121
Lease liabilities	17	9,860,478	40,595,588	8,088,018	32,950,585
Income tax payable	18	1,194,668	4,918,448	2,002,306	8,157,395
Deferred tax liabilities	18	781,315	3,216,674	-	-
Other liabilities	19	3,704,681	15,252,172	3,640,497	14,831,386
TOTAL LIABILITIES		569,187,907	2,343,346,613	484,309,314	1,973,076,146
SHAREHOLDER'S EQUITY					
Share capital	20	75,000,000	300,765,000	75,000,000	300,765,000
Other reserves	20	25,490,274	103,923,847	25,490,274	103,923,847

STATEMENT OF FINANCIAL POSITION *(as at 31 December 2022)*

		31 December 2022		31 December 2021	
	Notes	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)
Regulatory reserve	20	13,044,620	53,120,272	7,679,453	31,192,834
Retained earnings		38,356,081	156,200,517	33,195,723	135,110,135
Cumulative exchange differences on translation		-	11,325,508	-	4,931,027
TOTAL SHAREHOLDER'S EQUITY		151,890,975	625,335,144	141,365,450	575,922,843
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		721,078,882	2,968,681,757	625,674,764	2,548,998,989

The attached notes 1 to 36 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME *(for the year ended 31 December 2022)*

	Notes	2022 US$	2022 KHR'000 (Note 2.3.3)	2021 US$	2021 KHR'000 (Note 2.3.3)
Interest income	21	73,954,309	302,251,261	67,714,212	275,461,414
Interest expense	22	(27,463,014)	(112,241,338)	(22,331,088)	(90,842,866)
Net interest income		46,491,295	190,009,923	45,383,124	184,618,548
Net fees and commission income	23	2,008,806	8,209,990	1,682,237	6,843,340
Other income	24	297,852	1,217,321	230,683	938,418
Total operating income		48,797,953	199,437,234	47,296,044	192,400,306
Personnel expenses	25	(18,876,861)	(77,149,731)	(17,758,055)	(72,239,768)
Depreciation and amortisation	26	(4,578,840)	(18,713,719)	(3,819,615)	(15,538,194)
Promotion and marketing	27	(2,307,513)	(9,430,806)	(1,648,467)	(6,705,964)
General and administrative expenses	28	(8,191,823)	(33,479,981)	(7,002,703)	(28,486,996)
Total operating expenses		(33,955,037)	(138,774,237)	(30,228,840)	(122,970,922)
Operating income before impairment		14,842,916	60,662,997	17,067,204	69,429,384
Provision for expected credit losses	5, 6, 8	(1,059,744)	(4,331,174)	(2,227,787)	(9,062,638)
INCOME BEFORE INCOME TAX		13,783,172	56,331,823	14,839,417	60,366,746
Income tax expense	18	(3,257,647)	(13,314,003)	(3,169,872)	(12,895,039)
NET INCOME FOR THE YEAR		10,525,525	43,017,820	11,669,545	47,471,707
Other comprehensive income					
Exchange difference on translation		-	6,394,481	-	3,831,200
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		10,525,525	49,412,301	11,669,545	51,302,907

The attached notes 1 to 36 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY *(for the year ended 31 December 2022)*

	Share capital		Other reserves		Regulated reserve		Retained earnings		Cumulative exchange differences on translation	Total	
	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)
As at 1 January 2022	75,000,000	300,765,000	25,490,274	103,923,847	7,679,453	31,192,834	33,195,723	135,110,135	4,931,027	141,365,450	575,922,843
Transfer to regulatory reserve	-	-	-	-	5,365,167	21,927,438	(5,365,167)	(21,927,438)	-	-	-
Total comprehensive income for the year	-	-	-	-	-	-	10,525,525	43,017,820	6,394,481	10,525,525	49,412,301
As at 31 December 2022	75,000,000	300,765,000	25,490,274	103,923,847	13,044,620	53,120,272	38,356,081	156,200,517	11,325,508	151,890,975	625,335,144
As at 1 January 2021	75,000,000	300,765,000	25,490,274	103,923,847	4,501,033	18,263,021	24,704,598	100,568,241	1,099,827	129,695,905	524,619,936
Transfer to regulatory reserve	-	-	-	-	3,178,420	12,929,813	(3,178,420)	(12,929,813)	-	-	-
Total comprehensive income for the year	-	-	-	-	-	-	11,669,545	47,471,707	3,831,200	11,669,545	51,302,907
As at 31 December 2021	75,000,000	300,765,000	25,490,274	103,923,847	7,679,453	31,192,834	33,195,723	135,110,135	4,931,027	141,365,450	575,922,843

The attached notes 1 to 36 form part of these financial statements.

STATEMENT OF CASH FLOWS

(for the year ended 31 December 2022)

	Note	2022 US$	2022 KHR'000 (Note 2.3.3)	2021 US$	2021 KHR'000 (Note 2.3.3)
OPERATING ACTIVITIES					
Income before income tax		13,783,172	56,331,823	14,839,417	60,366,746
Adjustments for:					
Depreciation and amortisation	26	4,578,840	18,713,719	3,819,615	15,538,194
Provision for expected credit losses	5,6,8	1,059,744	4,331,174	2,227,787	9,062,638
Loss on:					
Write off of property and equipment	10	19,790	80,882	12,007	48,844
Early termination of leases	11,17	41,723	170,522	3,481	14,161
Gains on disposal of property and equipment	10	(33,230)	(135,811)	(86,757)	(352,927)
Net cash flows from operating activities before changes in operating assets and liabilities		19,450,039	79,492,309	20,815,550	84,677,656
Changes in operating assets and liabilities:					
Placements with other financial institutions		641,732	2,622,759	99,800	405,986
Loans and advances to customers		(66,382,811)	(271,306,549)	(43,928,881)	(178,702,688)
Statutory deposits		(6,701,228)	(27,387,919)	4,045,843	16,458,489
Other assets		(1,345,334)	(5,498,380)	(1,146,605)	(4,664,389)
Deposits from other financial institutions		(16,743,762)	(68,431,755)	(17,786,917)	(72,357,178)
Deposits from customers		106,101,917	433,638,535	(15,292,338)	(62,209,231)
Other liabilities		64,184	262,320	664,500	2,703,186
Net cash provided by (used in) operations		35,084,737	143,391,320	(52,529,048)	(213,688,169)
Income taxes paid	18	(2,789,751)	(11,401,712)	(1,935,046)	(7,871,767)
Net cash provided by (used in) operating activities		32,294,986	131,989,608	(54,464,094)	(221,559,936)

STATEMENT OF CASH FLOWS

(for the year ended 31 December 2022)

	Note	2022 US$	2022 KHR'000 (Note 2.3.3)	2021 US$	2021 KHR'000 (Note 2.3.3)
INVESTING ACTIVITIES					
Acquisition of:					
Property and equipment	10	(4,380,843)	(17,904,505)	(2,410,059)	(9,804,120)
Intangible assets	12	(578,940)	(2,366,128)	(397,125)	(1,615,505)
Investment in an associate	9	(490,000)	(2,002,630)	-	-
Proceeds from disposal of property and equipment	10	33,230	135,811	86,757	352,927
Net cash used in investing activities		(5,416,553)	(22,137,452)	(2,720,427)	(11,066,698)
FINANCING ACTIVITIES					
Payment of principal portion of lease liabilities	17	(1,558,582)	(6,369,925)	(1,577,644)	(6,417,856)
Proceeds from borrowings	16	39,083,176	159,732,940	24,284,228	98,788,240
Repayments of borrowings	16	(45,373,059)	(185,439,692)	(25,805,195)	(104,975,533)
Net cash used in financing activities		(7,848,465)	(32,076,677)	(3,098,611)	(12,605,149)
Net increase (decrease) in cash and cash equivalents		19,029,968	77,775,479	(60,283,132)	(245,231,783)
Cash and cash equivalents at beginning of year		53,910,196	219,630,139	114,193,328	461,912,012
Exchange difference on translation		-	2,889,037	-	2,949,910
Cash and cash equivalents at end of year	5	72,940,164	300,294,655	53,910,196	219,630,139
OPERATIONAL CASH FLOWS FROM INTEREST					
Interest received		72,312,832	295,542,546	66,798,219	271,735,155
Interest paid		23,753,070	97,078,799	21,278,704	86,561,768

The attached notes 1 to 36 form part of these financial statements.

NOTE TO THE FINANCIAL STATEMENTS *(as at 31 December 2022 and for the year then ended)*

1. CORPORATE INFORMATION

Establishment and operations

The Bank was incorporated on 26 June 2009 under the Cambodian Law on Commercial Enterprises and licensed under the regulations of the National Bank of Cambodia ("NBC").

The Bank received the renewed NBC license for an indefinite period on 4 March 2015. The Bank is engaged in the provision of comprehensive banking and related financial services in the Kingdom of Cambodia in accordance with Registration No. Co. 5915/09E issued by the Ministry of Commerce. On 11 February 2016, the Bank obtained Registration No. 00000292 from the Ministry of Commerce.

There is no significant change in the principal activities of the Bank during the year.

Location

The registered office of the Bank is located at No. 27DEFG, Monivong Blvd, Sangkat Srah Chork, Khan Daun Penh, Phnom Penh, Kingdom of Cambodia.

Employees

As at 31 December 2022, the Bank had 1,966 employees (31 December 2021: 1,985 employees).

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Bank have been prepared on historical cost basis, except for any financial assets and financial liabilities that have been measured at fair value.

2.1. Basis of preparation

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

2.2. Fiscal year

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

2.3. Foreign currency translation

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 currency as it reflects the economic substance of the underlying events and circumstances of the Bank.

2.3.1. Presentation currency

The financial statements are presented in US$, which is the Bank's functional and presentation currency.

2.3.2. Transactions and balances

Transactions in currencies other than US$ are translated into US$ at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in currencies other than US$ which are outstanding at the reporting date are translated into US$ at the rate of exchange ruling at that date. Exchange differences arising on translation are recognized in profit or loss.

2.3.3. Translation of US$ in KHR

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.

Assets and liabilities included in the statement of financial position are translated at the closing rate prevailing at the end of each reporting date, whereas income and expense items presented in the statement of comprehensive income are translated at the average rate for the year then ended. All resulting exchange differences are recognized in the statement of comprehensive income. Such translation should not be construed as a representation that the US$ amounts represent, or have been or could be, converted into KHR at that or any other rate. All values in KHR are rounded to the nearest thousand ("KHR'000"), except if otherwise indicated.

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

	2022	2021
Closing rate	4,117	4,074
Average rate	4,087	4,068

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year, except that the Bank has adopted the following new accounting pronouncements starting 1 January 2022.

(i) Onerous Contract – Costs of Fulfilling a Contract – Amendments to CIAS 37

An onerous contract is a contract under which the unavoidable of meeting the obligations under the contract costs (i.e., the costs that the Company cannot avoid because it has the contract) exceed the economic benefits expected to be received under it.

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract and costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

(ii) Reference to Conceptual Framework – Amendments to CIFRS 3

The amendments replace a reference to a previous version of the Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements.

The amendments add an exception to the recognition principle of CIFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of CIAS 37 Provisions, Contingent Liabilities and Contingent Assets or C-IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

In accordance with the transitional provisions, the Company applies the amendments prospectively, i.e., to business combinations occurring after the beginning of the annual reporting period in which it first applies the amendments (the date of initial application).

These amendments had no impact on the financial statements of the Company as there were no contingent assets or contingent liabilities within the scope of these amendments that arose during the period.

(iii) Property, Plant and Equipment; Proceeds before Intended Use – Amendments to CIAS 16 Leases

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

In accordance with the transitional provisions, the Company applies the amendments retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment (the date of initial application).

These amendments had no impact on the financial statements of the Company as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

(iv) CIFRS 1 First-time Adoption of International Financial Reporting Standards - Subsidiary as a first-time adopter

The amendment permits a subsidiary that elects to apply paragraph D16(a) of CIFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to CIFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of CIFRS 1.

(v) CIFRS 9 Financial Instruments - Fees in the '10 per cent' test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for CIAS 39 Financial Instruments: Recognition and Measurement.

In accordance with the transitional provisions, the Company applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment (the date of initial application). These amendments had no impact on the financial statements of the Company as there were no modifications of the Company's financial instruments during the period.

(vi) CIAS 41 Agriculture – Taxation in fair value measurements

The amendment removes the requirement in paragraph 22 of CIAS 41 that entities exclude cash flows for taxation when measuring fair value of assets within the scope of CIAS 41.

These amendments had no impact on the consolidated financial statements of the Group as it did not have assets in scope of CIAS 41 as at the reporting date.

3.1. Cash and cash equivalents

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.

3.2. Placements with other financial institutions

Placements with other financial institutions comprise term deposits which are intended to be held for more than three (3) months. Placements are stated at amortized cost using the effective interest method less impairment for any uncollectable amounts.

3.3. Statutory deposits

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

3.4. Financial assets and financial liabilities

3.4.1. Recognition and initial measurement

The Bank initially recognizes loans and advances on the date on which they are originated. All other financial assets are recognized on the date on which the Bank become a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at financial assets at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

3.4.2. Classification

Financial assets

On initial recognition, a financial asset is classified and measured at: amortized cost, financial assets at fair value through other comprehensive income (FVOCI) or FVTPL.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investments that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest (SPPI), the Bank consider the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making the assessment, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

Business model assessment

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;

- How the performance of the portfolio is evaluated and reported to the Bank's management;

- The risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;

- How managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and

The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Non-recourse loans

In some cases, loans made by the Bank that are secured by collateral of the borrower limit the Bank's claim to cash flows of the underlying collateral (non-recourse loans). The Bank apply judgment in assessing whether the non-recourse loans meet the SPPI criterion. The Bank typically considers the following information when making this judgement:

- whether the contractual arrangement specifically defines the amounts and dates of the cash payments of the loan;
- the fair value of the collateral relative to the amount of the secured financial asset;

The Bank typically considers the following information when making this judgement:

- the ability and willingness of the borrower to make contractual payments, notwithstanding a decline in the value of collateral;
- whether the borrower is an individual or a substantive operating entity or is a special-purpose entity;
- the Bank's risk of loss on the asset relative to a full-recourse loan;
- the extent to which the collateral represents all or a substantial portion of the borrower's assets; and
- whether the Bank will benefit from any upside from the underlying assets.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets.

3.4.3. Derecognition

Financial assets

The Bank derecognize a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfer nor retain substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in OCI is recognized in profit and loss.

Financial liabilities

The Bank derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

3.4.4. Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, then the Bank evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognized at fair value plus any eligible transaction costs.

Any fees received as part of the modification are accounted for as follows:

- Fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- Other fees are included in profit and loss as part of the gain or loss on derecognition.
- If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plan to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see Note 3.5.9 for write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.
- If the modification of a financial asset measured at amortized cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculate the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognize the resulting adjustment as a modification gain or loss in profit and loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortized over the remaining term of the modified financial asset.
- If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

Financial liabilities

The Bank derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability derecognized and consideration paid is recognized in profit and loss.

Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability. If the modification of a financial liability is not accounted for as derecognition, then the amortized cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognized in profit and loss.

For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification.

Any costs and fees incurred are recognized as an adjustment to the carrying amount of the liability and amortized over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

3.4.5. Offsetting

Financial assets and financial liabilities are offset, and the net amount is presented in the statement of financial position when, and only when, the Bank have enforceable legal right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

3.4.6. Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank have access at that date.

The fair value of a liability reflects its non-performance risk. When one is available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank use valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Bank determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price.

Subsequently, that difference is recognized in profit and loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out. If an asset or a liability measured at fair value has a bid price and an ask price, then the Bank measure assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for the particular risk exposure.

Portfolio-level adjustments - e.g. bid-ask adjustment or credit risk adjustments that reflect the measurement on the basis of the net exposure – are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid. The Bank recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

3.4.7. Impairment

The Bank recognizes loss allowance for expected credit losses on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments; and
- loan commitments issued.

No impairment loss is recognized on equity investments.

Expected Credit Loss (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. The lifetime ECL is the ECL that results from all possible default events over the expected life of the financial instrument.

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 follows: (i) current or past due up to 14 days for short term financial assets; (ii) current or past due up to 29 days for long term financial assets; or (iii) 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) 15 to 29 days past due for short term financial assets; (ii) 30 to 89 days past due for long term financial assets; or (iii) with significant increase in PD. The Bank recognizes a lifetime ECL for Stage 2 financial instruments.

For credit-impaired financial instruments:

- Stage 3 is comprised of all financial assets 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 a loan or a portfolio of loans. 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.

Definition of default

The Bank considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held); or

- The Bank considers that a significant increase in credit risk occurs no later than when an asset is more than or equal to 14 days past due for short-term facilities or more than or equal to 29 days past due for long-term facilities.

Credit risk at initial recognition

The Bank uses internal credit assessment and approvals at various levels to determine the credit risk of exposures at initial recognition. Assessment can be quantitative or qualitative and depends on the materiality of the facility or the complexity of the portfolio to be assessed.

Significant increase in credit risk

The Bank assesses whether credit risk has increased significantly since initial recognition at each reporting date. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Bank consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and informed credit assessment and includes forward-looking information.

The Bank considers that a significant increase in credit risk occurs no later than when an asset is more than 29 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower. If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL.

Measurement of ECL

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

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

ECL parameters and methodologies

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default ("PD");
- Loss given default ("LGD"); and
- Exposure at default ("EAD").

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD. The statistical model has been employed to analyse data collected and generate estimate of remaining lifetime PD of exposure and how these are expected to change as result of passage of time.

LGD is the magnitude of the likely loss if there is a default. The Bank estimate LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset.

For loans secured by retail property, LTV ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Bank derive the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortization. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Bank consider a longer period. The maximum contractual period extends to the date at which the Bank have the right to require repayment of an advance or terminate a loan commitment or guarantee.

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, unemployment 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.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

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

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

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

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position for financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets.

Write-off

Loans and advances are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determine that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'other income' in the profit or loss. Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

3.5. Loans and advances

'Loans and advances' caption in the statement of financial position includes loans and advances measured at amortized cost initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortized cost using the effective interest method.

3.6. Investment in an associate

Associate pertains to the entity over which the Bank has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but not control or joint control over those policies. Investment in an associate is accounted for under the equity method of accounting.

3.7. Other assets

Other assets are carried at cost less impairment if any.

3.8. Property and equipment

3.8.1. Recognition and measurement

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

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalized in accordance with the accounting policy on borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. When significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of property and equipment and is recognized net within "other income" and "general and administrative expense" respectively in profit or loss.

3.8.2. Subsequent costs

The cost of replacing a component of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Bank, and its cost can be measured reliably. The carrying amount of the replaced component is derecognized to profit or loss. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

3.8.3. Depreciation

The cost of replacing a component of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Bank, and its cost can be measured reliably. The carrying amount of the replaced component is derecognized to profit or loss. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognized as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property and equipment.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Bank will obtain ownership by the end of the lease term. Freehold land is not depreciated.

The estimated useful lives are as follows:

	Year
Leasehold improvements	5
Office equipment	5
Furniture, fixtures and fittings	5
Computer equipment	3
Motor vehicles	5

Depreciation methods, useful lives and residual values are reassessed at end of the reporting period and adjusted if appropriate.

3.9. Intangible assets

Intangible assets, which comprise acquired computer software licenses and related costs, are stated at cost less accumulated amortization and impairment loss. Acquired computer software licenses are capitalized on the basis of the cost incurred to acquire the specific software and bring it to use.

Intangible assets are amortized over their estimated useful lives of 5 years using the straight-line method. Costs associated with the development or maintenance of computer software are recognized as expenses when incurred.

3.10. Impairment of non-financial assets

The Bank assesses at each statement of financial position date whether there is any indication that its non-financial assets may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Bank makes a formal estimate of recoverable amount.

Recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the CGU to which it belongs.

Where the carrying amount of an asset (or CGU) exceeds its recoverable amount, the asset (or CGU) is considered impaired and is written down to its recoverable amount. 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).

An impairment loss is charged to operations in the year in which it arises. An assessment is made at each statement of financial position date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset (or CGU) is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the profit or loss unless the asset (or CGU) is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation and amortization expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

3.11.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 have the right to direct the use of the asset if either:

    - the Bank has the right to operate the asset; or
    - the Bank designed the asset in a way that predetermines how and for what purpose It will be used.

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

3.11.1. Leases in which the Bank is a lessee

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

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

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

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

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

- Building and office branches 2 – 15 years

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

Lease payments included in the measurement of the lease liability comprise

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

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

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

3.11.2. Short-term leases and leases of low-value assets

The Bank elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3.12. Employee benefits

3.12.1. Provision for seniority indemnity

On 21 September 2018, the Ministry of Labor and Vocational Training ("MoLVT") issued Prakas No. 443 on Seniority Payment. This Prakas is applicable to all enterprises, establishments and those who are covered by the provisions of Article 89 (New) of the Labor Law. For enterprises other than textile, garment and footwear enterprise, the said Prakas requires retroactive seniority payment (prior to the release of the Prakas) equal to fifteen (15) days per year of employees' wages.

On 22 March 2019, the MoLVT issued guideline number 042/19 to delay the payment of the retroactive seniority payment starting from December 2021, which shall be paid as follows:

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

The retroactive seniority payment shall not exceed 6 months of an employee's average wage of each retrospective year. Employees are not entitled to the payment if they resign before receiving it.

The estimated amount of retroactive seniority payment was recognized under other liabilities (Note 19).

3.12.2. Short-term employee benefits

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

3.12.3. Other long-term employee benefits

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

3.13. Provisions

Provisions are recognized in the statement of financial position when the Bank have a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

3.14. Interest income/expense

3.14.1. Effective interest rate

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

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

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

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

3.14.2. Amortised cost and gross carrying amount

The ‘amortized cost’ of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The ‘gross carrying amount of a financial asset’ is the amortized cost of a financial asset before adjusting for any expected credit loss allowance.

3.14.3. Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability.

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

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

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

3.14.4. Presentation

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

Interest expense presented in the statement of comprehensive income includes financial liabilities measured at amortized cost.

3.15. Fee and commission

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 apply 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.

3.16. Income tax

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

The Bank has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore has accounted for them under CIAS 37 Provisions, Contingent Liabilities and Contingent Assets.

3.16.1. Current tax

Current tax comprises the expected tax payable or receivable on the taxable income for the period using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous period.

3.16.2. Deferred tax

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

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Bank expect, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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

3.17. Regulatory reserves

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

A regulatory reserve is established for the difference between the allowance for ECL as determined in accordance with CIFRS 9 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 compares 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 Bank records the allowance calculated in accordance with CIFRS 9; and

(ii) In case the regulatory allowance is higher than the allowance based on CIFRS 9, the Bank records the allowance calculated based on CIFRS 9 and transfer the difference from the retained earnings account to regulatory reserve in the equity section of the statement of financial position.

The said NBC 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)	
	0 to 29 days (long-term)	1%
Special mention	15 days to 30 days (short-term)	
	30 days to 89 days (long-term)	3%
Substandard	31 days to 60 days (short-term)	
	90 days to 179 days (long-term)	20%

Classification	Number of days past due	Allowance rate
Doubtful	61 days to 90 days (short-term)	
	180 days to 359 days (long-term)	50%
Loss	From 91 days (short-term)	
	360 days or more (long-term)	100%

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

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

3.18. Share capital

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

3.19. Contingent assets

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

3.20. Contingent liabilities

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

3.21. Events after the reporting period

Post year-end events that provide additional information about the Bank's position at the statement of financial position date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

3.22. Standards issued and amended but not yet effective

Standards issued but not yet effective up to the date of issuance of the Bank's financial statements are listed below. The listing consists of standards and interpretations issued, which the Bank reasonably expects to be applicable at a future date. The Bank intends to adopt these standards when they become effective.

Except as otherwise indicated, the Bank does not expect the adoption of these new and amended standards and interpretations to have significant impact on the financial statements.

- CIFRS 17, *Insurance Contracts*
- Amendments to CIAS 1, *First-time Adoption of Cambodian International Financial Reporting Standards* - Classification of liabilities as current and non-current
- Amendments to CIAS 1, *First-time Adoption of Cambodian International Financial Reporting Standards,* and CIFRS
- Practice Statement 2 *Making Materiality Judgments* - Disclosure of Accounting Policies
- Amendments to CIAS 8, Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates
- Amendments to CIAS 12, *Income Taxes* - Deferred Tax related to Assets and Liability arising from a Single Transaction.

The standard issued but not yet effective that is expected to have a significant impact on the Company's financial statements is as follows:

CIFRS 17, Insurance Contracts

In May 2017, the IASB issued CIFRS 17, Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, CIFRS 17 will replace CIFRS 4, Insurance Contracts that was issued in 2005. CIFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of CIFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers.

In contrast to the requirements in CIFRS 4, which are largely based on grandfathering previous local accounting policies, CIFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of CIFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach).
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

CIFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies CIFRS 9 and CIFRS 15 on or before the date it first applies CIFRS 17. Retrospective application is required. However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach. Currently, the effective date of this standard is under discussion between Insurance Regulator of Cambodia and Accounting Regulator of Cambodia.

The Company commenced a high-level impact assessment of CIFRS 17 in preparation for its implementation. The Company expects that this new standard will result in an important change to the accounting policies for insurance contract liabilities of the Company and is likely to have a significant impact on profit and total equity together with presentation and disclosure.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

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

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

Judgments

(i) Classification of financial assets

The Bank classifies its financial assets depending on the business model for managing those financial assets and whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.

The Bank performs the business model assessment based on observable factors such as:

- Performance of the business model and the financial assets held within that business model are evaluated and reported to the Bank's key management personnel;
- 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;

- Compensation of business units whether based on the fair value of the assets managed or on the contractual cash flows collected; and
- Expected frequency, value and timing of sales

In performing the SPPI test, the Bank applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, the period for which the interest rate is set, contingent events that would change the amount and timing of cash flows, leverage features, prepayment and extension terms and other features that may modify the consideration for the time value of money.

(ii) Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the statement of financial position or disclosed in the notes to financial statements cannot be derived from active markets, these are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

Estimates

Expected credit losses on financial assets

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, among others:

- Segmentation of the portfolio, where the appropriate model or ECL approach is used
- Criteria for assessing if there has been a SICR and so allowances for debt financial assets should be measured on a lifetime ECL basis and the qualitative assessment
- Segmentation of debt financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and economic inputs and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomics scenarios and their probability weightings, to derive the economic inputs into the ECL models

The allowance for ECL on cash and cash equivalents, placements with other financial institutions and loans and advances to customers of the Bank as of 31 December 2022 are disclosed in Notes 5, 6 and 8, respectively.

5. CASH AND CASH EQUIVALENTS

	31 December 2022		31 December 2021	
	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)
Cash on hand	24,332,771	100,178,018	21,860,429	89,059,388
Cash equivalents with the NBC	35,616,693	146,633,925	25,088,771	102,211,653
Cash equivalents with other banks	12,990,700	53,482,712	6,960,996	28,359,098
Gross cash and cash equivalents	72,940,164	300,294,655	53,910,196	219,630,139
Allowance for ECL	(26,270)	(108,153)	(15,846)	(64,557)
	72,913,894	300,186,502	53,894,350	219,565,582

Cash and cash equivalents earn annual interest rates ranging from 0.00% to 1.25% (2021: 0.04% to 2.50%). Interest earned from cash and cash equivalents amounted to US$ 56,855 or KHR'000 232,366 (2021: US$ 10,220 or KHR'000 41,575) (Note 21).

6. PLACEMENTS WITH OTHER FINANCIAL INSTITUTIONS

	31 December 2022		31 December 2021	
	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)
Term deposits (non-cash equivalents)	265,034	1,091,145	906,766	3,694,165
Allowance for ECL	(2,637)	(10,857)	(10,771)	(43,881)
	262,397	1,080,288	895,995	3,650,284

Placements with other financial institutions represent term deposits with various other banks and a microfinance institution in Cambodia with maturities between six (6) to twelve (12) months. Interest rates from term deposits range from 3.50% to 4.10% per annum in 2022 (2021: 3.50% to 4.25% per annum).

Interest earned from placements with other financial institutions amounted to US$ 230,617 or KHR'000 942,532 for the year ended 31 December 2022 (2021: US$ 41,197 or KHR'000 167,589) (Note 21).

7. STATUTORY DEPOSITS

	31 December 2022		31 December 2021	
	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)
Capital guarantee	7,500,000	30,877,500	7,500,000	30,555,000
Reserve requirements	35,091,664	144,472,381	28,390,436	115,662,636
	42,591,664	175,349,881	35,890,436	146,217,636

7.1. Capital guarantee deposit

Under the NBC's Prakas No. B7-01-136 dated 15 October 2001, the Bank is required to maintain a capital guarantee of 10% of its registered capital with the NBC. This deposit is not available for use in the Bank's day-to-day operations and is refundable when the Bank voluntarily ceases to operate the business in Cambodia. This deposit earned interest at 1.19% per annum (2021: 0.04%).

Interest earned from capital guarantee deposit amounted to US$ 27,551 or KHR'000 112,601 for the year ended 31 December 2022 (2021: US$ 3,745 or KHR'000 15,235) (Note 21).

7.2. Reserve requirements

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 and other currencies in 2022 (2021: 7.00%).

The reserve requirements do not earn any interest based on NBC Prakas No. B7-018-282 dated 29 August 2018.

8. LOANS AND ADVANCES TO CUSTOMERS

	31 December 2022		31 December 2021	
	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)
Term loans	564,607,458	2,324,488,904	501,546,804	2,043,301,679
Overdrafts	26,406,851	108,717,006	23,415,264	95,393,786
Gross loans and advances	591,014,309	2,433,205,910	524,962,068	2,138,695,465

	31 December 2022		31 December 2021	
	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)
Allowance for ECL	(8,403,002)	(34,595,159)	(7,676,119)	(31,272,509)
Loans and advances – net	582,611,307	2,398,610,751	517,285,949	2,107,422,956

The movements of allowance for ECL on loans and advances are as follows:

	2022		2021	
	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)
Balance at beginning of year	7,676,119	31,272,509	6,131,926	24,803,641
Provisions	1,057,453	4,321,812	2,278,227	9,267,827
Write-offs	(316,810)	(1,294,802)	(712,382)	(2,897,970)
Foreign exchange rate differences	(13,760)	(56,238)	(21,652)	(88,080)
Exchange difference on translation	-	351,878	-	187,091
Balance at end of year	8,403,002	34,595,159	7,676,119	31,272,509

Reconciliation of changes in gross carrying amounts and corresponding allowance for ECL by stage for loans and advances measured at amortised cost is as follows:

	2022							
	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying amount US$	ECL US$	Gross carrying amount US$	ECL US$	Gross carrying amount US$	ECL US$	Gross carrying amount US$	ECL US$
Balance at beginning of year	502,371,635	(3,113,908)	9,443,234	(417,374)	13,147,199	(4,144,837)	524,962,068	(7,676,119)
Newly-originated assets that remained in Stage 1 as at 31 December	273,293,703	(740,479)	-	-	-	-	273,293,703	(740,479)
Newly-originated assets that moved to Stage 2 and Stage 3 as at 31 December	-	-	1,698,488	(67,353)	915,021	(53,580)	2,613,509	(120,933)

2022

	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying amount US$	ECL US$	Gross carrying amount US$	ECL US$	Gross carrying amount US$	ECL US$	Gross carrying amount US$	ECL US$
Payments and assets derecognised	(150,097,708)	1,316,137	(2,502,835)	21,068	(5,130,852)	64,895	(157,731,395)	1,402,100
Transfers to stage 1	(15,415,214)	2,521,587	4,739,377	(292,214)	10,675,837	(2,229,373)	-	-
Transfers to stage 2	2,317,614	(34,413)	(3,838,017)	218,139	1,520,403	(183,726)	-	-
Transfers to stage 3	515,216	(3,480)	309,426	(25,471)	(824,642)	28,951	-	-
Net remeasurement due to change in credit risk	(53,472,548)	(1,835,685)	(2,253,711)	99,809	3,602,683	468,305	(52,123,576)	(1,267,571)
Balance at end of year	559,512,698	(1,890,241)	7,595,962	(463,396)	23,905,649	(6,049,365)	591,014,309	(8,403,002)

2021

	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying amount US$	ECL US$	Gross carrying amount US$	ECL US$	Gross carrying amount US$	ECL US$	Gross carrying amount US$	ECL US$
Balance at beginning of year	470,046,609	(2,469,238)	4,684,151	(1,021,656)	7,036,461	(2,641,032)	481,767,221	(6,131,926)
Newly-originated assets that remained in Stage 1 as at 31 December	245,974,821	(1,166,198)	-	-	-	-	245,974,821	(1,166,198)
Newly-originated assets that moved to Stage 2 and Stage 3 as at 31 December	-	-	1,251,508	(48,575)	1,701,802	(559,351)	2,953,310	(607,926)
Payments and assets derecognised	(160,625,500)	1,011,522	(1,072,490)	343,620	(2,316,256)	883,817	(164,014,246)	2,238,959
Transfers to stage 1	(12,542,714)	1,741,607	7,710,673	(328,752)	4,832,041	(1,412,855)	-	-
Transfers to stage 2	653,951	(9,588)	(3,247,372)	844,458	2,593,421	(834,870)	-	-
Transfers to stage 3	603,304	(11,219)	141,646	(4,220)	(744,950)	15,439	-	-
Net remeasurement due to change in credit risk	(41,738,836)	(2,210,794)	(24,882)	(202,249)	44,680	404,015	(41,719,038)	(2,009,028)
Balance at end of year	502,371,635	(3,113,908)	9,443,234	(417,374)	13,147,199	(4,144,837)	524,962,068	(7,676,119)

Gross amounts of loans and advances to customers by type are as follows:

	31 December 2022		31 December 2021	
	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)
Micro, small and medium enterprise loans	351,725,978	1,448,055,852	309,426,379	1,260,603,068
Commercial	200,905,995	827,129,981	188,828,065	769,285,537
Consumer loans	38,382,336	158,020,077	26,707,624	108,806,860
	591,014,309	2,433,205,910	524,962,068	2,138,695,465

Gross amounts of loans and advances to customers by maturity are as follows:

	31 December 2022		31 December 2021	
	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)
Within 1 month	5,906,959	24,318,950	7,481,521	30,479,717
> 1 to 3 months	11,365,723	46,792,682	14,371,991	58,551,491
> 3 to 6 months	9,560,194	39,359,319	6,513,228	26,534,891
> 6 to 12 months	19,167,928	78,914,360	19,163,442	78,071,863
> 1 to 5 years	219,670,395	904,383,016	208,476,851	849,334,691
Over 5 years	325,343,110	1,339,437,583	268,955,035	1,095,722,812
	591,014,309	2,433,205,910	524,962,068	2,138,695,465

For additional analysis of gross amount of loans and advances to customers, refer to Note 31.

9. INVESTMENT IN AN ASSOCIATE

This investment represents 49% equity interest in Phillip Trustee (Cambodia) Co., Ltd, a newly incorporated company in Cambodia. Its principal activities include real estate and trust. As at 31 December 2022, the associate is still in start-up phase.

10. PROPERTY AND EQUIPMENT

	2022							
	Leasehold improvements US$	Office equipment US$	Furniture fixtures and fittings US$	Computer equipment US$	Motor vehicles US$	Construction in progress US$	Total US$	Total KHR'000 (Note 2.3.3)
Cost								
Balance at beginning of year	3,372,907	5,455,877	1,625,090	3,545,490	1,548,229	392,403	15,939,996	64,939,544
Additions	419,809	749,924	73,924	869,745	194,190	2,073,251	4,380,843	17,904,505
Transfers	780,110	732,979	104,849	-	-	(1,617,938)	-	-
Write-offs	(16,973)	(85,522)	(149,523)	(203,000)	-	-	(455,018)	(1,859,659)
Disposals	-	(500)	-	-	(112,575)	-	(113,075)	(462,138)
Exchange difference on translation	-	-	-	-	-	-	-	799,803
Balance at end of year	4,555,853	6,852,758	1,654,340	4,212,235	1,629,844	847,716	19,752,746	81,322,055
Accumulated depreciation								
Balance at beginning of year	1,669,302	3,928,282	1,436,239	2,648,387	1,373,286	-	11,055,496	45,040,091
Depreciation *(Note 26)*	615,709	630,035	84,360	641,325	64,360	-	2,035,789	8,320,270
Write-offs	(6,373)	(84,108)	(144,577)	(200,170)	-	-	(435,228)	(1,778,777)
Disposals	-	(500)	-	-	(112,575)	-	(113,075)	(462,138)
Exchange difference on translation	-	-	-	-	-	-	-	520,011
Balance at end of year	2,278,638	4,473,709	1,376,022	3,089,542	1,325,071	-	12,542,982	51,639,457
Net book value	2,277,215	2,379,049	278,318	1,122,693	304,773	847,716	7,209,764	29,682,598

2021

	Leasehold improvements	Office equipment	Furniture fixtures and fittings	Computer equipment	Motor vehicles	Construction in progress	Total	
	US$	US$	US$	US$	US$	US$	US$	KHR'000 (Note 2.3.3)
Cost								
Balance at beginning of year	2,745,040	4,847,727	1,611,512	2,889,867	1,683,129	106,194	13,883,469	56,158,631
Additions	205,198	158,476	9,093	669,420	86,140	1,281,732	2,410,059	9,804,120
Transfers	434,736	511,452	49,335	-	-	(995,523)	-	-
Write-offs	(12,067)	(12,348)	(37,804)	(13,797)	-	-	(76,016)	(309,233)
Disposals	-	(49,430)	(7,046)	-	(221,040)	-	(277,516)	(1,128,935)
Exchange difference on translation	-	-	-	-	-	-	-	414,961
Balance at end of year	3,372,907	5,455,877	1,625,090	3,545,490	1,548,229	392,403	15,939,996	64,939,544
Accumulated depreciation								
Balance at beginning of year	1,249,041	3,503,433	1,374,166	2,251,471	1,538,002	-	9,916,113	40,110,676
Depreciation *(Note 26)*	423,250	486,016	104,606	410,713	56,323	-	1,480,908	6,024,334
Write-offs	(2,989)	(11,737)	(35,486)	(13,797)	-	-	(64,009)	(260,389)
Disposals	-	(49,430)	(7,046)	-	(221,040)	-	(277,516)	(1,128,935)
Exchange difference on translation	-	-	-	-	-	-	-	294,405
Balance at end of year	1,669,302	3,928,282	1,436,240	2,648,387	1,373,285	-	11,055,496	45,040,091
Net book value	1,703,605	1,527,595	188,850	897,103	174,944	392,403	4,884,500	19,899,453

The cost of fully depreciated items of property and equipment still in use amounted to US$ 9,012,283 or KHR'000 37,103,569 (2021: US$ 8,561,080 or KHR'000 34,877,840).

The Bank has written-off certain property and equipment with net book value of US$ 19,790 or KHR'000 80,882 (2021: US$ 12,007 or KHR'000 48,844) and recognized the corresponding loss under 'General and administrative expenses' in the statement of comprehensive income *(Note 28)*.

The Bank disposed certain property and equipment with net book value of nil (2021: nil) for total proceeds of US$ 33,230 or KHR'000 135,811 (2021: US$ 86,757 or KHR'000 352,927) resulting in a gain on sale amounting to US$ 33,230 or KHR'000 135,811 (2021: US$ 86,757 or KHR'000 352,927) recognized under 'Other income' in the statement of comprehensive income *(Note 24)*.

11. RIGHT-OF-USE ASSETS

The Bank leases various assets including ATM spaces, motor vehicles, generators and office spaces for periods ranging from two (2) to fifteen (15) years, renewable upon mutual agreement of both parties.

The Bank applies the short-term lease recognition exemption to its leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option, and low-value assets recognition exemption to its leases of machines and equipment that are considered of low value. The Bank recognized the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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

	2022		2021	
	US$	**KHR'000 (Note 2.3.3)**	**US$**	**KHR'000 (Note 2.3.3)**
Cost				
Balance at beginning of year	14,916,292	60,768,974	12,277,760	49,663,539
Additions	4,022,323	16,439,234	2,959,292	12,038,400
Terminations	(2,186,231)	(8,935,126)	(320,760)	(1,304,852)
Exchange difference on translation	-	696,483	-	371,887
Balance at end of year	16,752,384	68,969,565	14,916,292	60,768,974
Accumulated depreciation				
Balance at beginning of year	6,322,886	25,759,438	4,745,830	19,196,881
Depreciation *(Note 26)*	1,948,620	7,964,010	1,872,258	7,616,345
Terminations	(1,889,568)	(7,722,664)	(295,202)	(1,200,882)
Exchange difference on translation	-	273,655	-	147,094
Balance at end of year	6,381,938	26,274,439	6,322,886	25,759,438
Net book value	10,370,446	42,695,126	8,593,406	35,009,536

The amounts recognised in the statement of comprehensive income are as follows:

	2022		2021	
	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)
Depreciation of right-of-use assets *(Note 26)*	1,948,620	7,964,010	1,872,258	7,616,345
Interest on lease liabilities *(Notes 17 and 22)*	617,421	2,523,400	531,360	2,161,572
Rental expense of low-value assets *(Note 28)*	304,779	1,245,632	164,810	670,447
	2,870,820	11,733,042	2,568,428	10,448,364

12. INTANGIBLE ASSETS

	2022		2021	
	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)
Cost				
Balance at beginning of year	3,135,994	12,776,040	2,738,869	11,078,725
Additions	578,940	2,366,128	397,125	1,615,505
Write-offs	(5,228)	(21,367)	-	-
Exchange difference on translation	-	152,059	-	81,810
Balance at end of year	3,709,706	15,272,860	3,135,994	12,776,040
Accumulated amortisation				
Balance at beginning of year	1,287,268	5,244,330	820,819	3,320,213
Amortisation *(Note 26)*	594,431	2,429,439	466,449	1,897,515
Write-offs	(5,228)	(21,367)	-	-
Exchange difference on translation	-	73,030		26,602
Balance at end of year	1,876,471	7,725,432	1,287,268	5,244,330
Net book value	1,833,235	7,547,428	1,848,726	7,531,710

13. OTHER ASSETS

	31 December 2022		31 December 2021	
	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)
Prepayments	1,286,625	5,297,035	1,343,960	5,475,293
Others	1,467,050	6,039,845	500,723	2,039,946
	2,753,675	11,336,880	1,844,683	7,515,239

14. DEPOSITS FROM OTHER FINANCIAL INSTITUTIONS

	31 December 2022		31 December 2021	
	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)
Time deposits	43,135,960	177,590,747	62,159,730	253,238,740
Current accounts	11,577,717	47,665,461	9,196,866	37,468,032
Saving accounts	76,403	314,551	177,246	722,100
	54,790,080	225,570,759	71,533,842	291,428,872

Deposits from other financial institutions are analysed as follows:

(a) By maturity:

	31 December 2022		31 December 2021	
	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)
Within 1 month	13,713,062	56,456,676	11,431,151	46,570,509
> 1 to 3 months	3,477,513	14,316,921	8,085,606	32,940,759
> 3 to 6 months	10,432,165	42,949,223	16,584,978	67,567,200
> 6 to 12 months	14,253,792	58,682,862	25,522,107	103,977,064
> 1 to 5 years	12,913,548	53,165,077	8,910,000	36,299,340
Over 5 years	-	-	1,000,000	4,074,000
	54,790,080	225,570,759	71,533,842	291,428,872

(b) By interest rate (per annum):

	2022	2021
Time deposit	2.50% - 7.50%	2.00% - 6.50%
Current accounts	0.00% - 3.00%	0.00% - 2.00%
Saving accounts	0.50%	0.50%

15. DEPOSITS FROM CUSTOMERS

	31 December 2022		31 December 2021	
	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)
Time deposits	366,949,678	1,510,731,824	259,183,947	1,055,915,400
Demand deposits	31,021,533	127,715,651	41,256,868	168,080,480
Saving accounts	55,080,627	226,766,942	46,529,313	189,560,421
Wallet accounts	36,772	151,390	16,565	67,486
	453,088,610	1,865,365,807	346,986,693	1,413,623,787

Deposits from customers are analysed as follows:

(a) By maturity:

	31 December 2022		31 December 2021	
	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)
Within 1 month	123,844,819	509,869,121	108,786,049	443,194,364
> 1 to 3 months	110,899,345	456,572,603	52,049,791	212,050,849
> 3 to 6 months	79,745,935	328,314,014	44,827,597	182,627,630
> 6 to 12 months	110,028,446	452,987,112	117,982,745	480,661,703
> 1 Year to 5 Years	27,958,183	115,103,839	23,330,231	95,047,361
Over 5 years	611,882	2,519,118	10,280	41,880
	453,088,610	1,865,365,807	346,986,693	1,413,623,787

(b) By interest rate (per annum):

	2022	2021
Time deposits	0.00% - 12.00%	0.00% - 12.00%
Demand deposits	0.00% - 3.50%	0.00% - 3.00%
Saving accounts	0.00% - 5.00%	0.00% - 5.00%
Wallet accounts	0.00%	0.00%

16. BORROWINGS

	31 December 2022		31 December 2021	
	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)
Related parties	20,791,906	85,600,277	20,084,421	81,823,931
Non-related parties	24,976,169	102,826,888	31,973,537	130,260,190
	45,768,075	188,427,165	52,057,958	212,084,121

Borrowings are analysed as follows:

(a) By maturity:

	31 December 2022		31 December 2021	
	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)
Within 1 month	12,372,510	50,937,624	10,981,740	44,739,609
> 1 to 3 months	5,588,583	23,008,196	2,977,312	12,129,569
> 3 to 6 months	7,560,332	31,125,887	2,492,296	10,153,614
> 6 to 12 months	7,932,339	32,657,440	14,542,844	59,247,546
> 1 Year to 5 Years	11,805,539	48,603,404	20,788,446	84,692,129
Over 5 years	508,772	2,094,614	275,320	1,121,654
	45,768,075	188,427,165	52,057,958	212,084,121

(b) By interest rate (per annum):

	2022	2021
Interest rate per annum	2.00% - 10.47%	2.00% - 10.47%

(c) Borrowings movement:

	31 December 2022		31 December 2021	
	US$	**KHR'000 (Note 2.3.3)**	**US$**	**KHR'000 (Note 2.3.3)**
As at 1 January	52,057,958	212,084,121	53,578,925	216,726,752
Additions	36,225,956	148,055,482	20,693,362	84,180,597
Payments	(42,631,175)	(174,233,612)	(22,183,378)	(90,241,982)
Interest expense *(Note 22)*	2,857,220	11,677,458	3,590,866	14,607,643
Interest payment	(2,741,884)	(11,206,080)	(3,621,817)	(14,733,552)
Currency translation differences	-	2,049,796	-	1,544,663
	45,768,075	188,427,165	52,057,958	212,084,121

17. LEASE LIABILITIES

Movements of lease liabilities are as follows:

	2022		2021	
	US$	**KHR'000 (Note 2.3.3)**	**US$**	**KHR'000 (Note 2.3.3)**
Balance at beginning of year	8,088,018	32,950,585	7,019,280	28,392,988
Additions	3,585,982	14,655,908	2,668,459	10,855,291
Terminations	(254,940)	(1,041,940)	(22,077)	(89,809)
Accretion of interest *(Note 22)*	617,421	2,523,400	531,360	2,161,572
Payments	(2,176,003)	(8,893,324)	(2,109,004)	(8,579,428)
Exchange difference on translation	-	400,959	-	209,971
Balance at end of year	9,860,478	40,595,588	8,088,018	32,950,585

	31 December 2022		31 December 2021	
	US$	**KHR'000 (Note 2.3.3)**	**US$**	**KHR'000 (Note 2.3.3)**
Maturity analysis – contractual undiscounted cash flows				
Within one year	2,288,838	9,423,146	2,055,639	8,374,673
One to five years	7,699,857	31,700,311	4,364,026	17,779,042
More than five years	2,132,504	8,779,519	3,495,442	14,240,431
Total undiscounted lease liabilities	12,121,199	49,902,976	9,915,107	40,394,146
Present value of lease liabilities				
Within one year	1,719,522	7,079,272	1,575,736	6,419,548
Beyond one year	8,140,956	33,516,316	6,512,282	26,531,037
	9,860,478	40,595,588	8,088,018	32,950,585

Amount recognised in the statement of cash flows comprises:

	2022		2021	
	US$	**KHR'000 (Note 2.3.3)**	**US$**	**KHR'000 (Note 2.3.3)**
Payments of principal portion of lease liabilities	1,558,582	6,369,925	1,577,644	6,417,856

During the year, the Bank had non-cash additions to right-of-use assets and lease liabilities amounting to US$4,022,323 or KHR'000 16,439,234 and US$3,585,982 or KHR'000 14,655,908 respectively (2021: US$2,959,292 or KHR'000 12,038,400 and US$2,668,459 or KHR'000 10,855,291).

18. INCOME TAX

18.1. Deferred tax assets

	31 December 2022		31 December 2021	
	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)
Deferred tax assets	3,304,774	13,605,755	2,824,386	11,506,548
Deferred tax liabilities	(4,086,089)	(16,822,429)	(2,330,167)	(9,493,100)
Net deferred tax liabilities	(781,315)	(3,216,674)	494,219	2,013,448

Components of the Bank's net deferred tax assets are as follows:

	31 December 2022		31 December 2021	
	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)
Deferred tax asset on:				
Lease liabilities	1,972,096	8,119,119	1,617,604	6,590,119
Unamortized loan fees	1,071,183	4,410,060	994,729	4,052,526
Accumulated depreciation and amortization	150,635	620,164	123,710	503,995
Provision for employee benefits	37,347	153,758	28,832	117,462
Allowance for ECL on cash equivalents and placements with other financial institutions	5,781	23,800	-	-
Unrealized foreign exchange losses and others	67,732	278,854	59,511	242,448
	3,304,774	13,605,755	2,824,386	11,506,550
Deferred tax liability on:				
Right-of-use assets	(1,768,537)	(7,281,067)	(1,603,361)	(6,532,093)
Allowance for ECL on off financial guarantee and placements with other financial institutions	-	-	(33,649)	(137,086)
Allowance for ECL on loans and advances	(2,274,671)	(9,364,821)	(652,843)	(2,659,682)
Unamortized fee on borrowings	(42,881)	(176,541)	(40,314)	(164,241)
	(4,086,089)	(16,822,429)	(2,330,167)	(9,493,102)
Net deferred tax liabilities	(781,315)	(3,216,674)	494,219	2,013,448

Movements of net deferred tax assets are as follows:

	2022		2021	
	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)
Balance at beginning of year	494,219	2,013,448	1,027,906	4,157,880
Recognised in profit or loss	(1,275,534)	(5,213,107)	(533,687)	(2,171,038)
Exchange difference on translation	-	(17,015)	-	26,606
Balance at end of year	(781,315)	(3,216,674)	494,219	2,013,448

18.2. Income tax payable

	2022		2021	
	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)
Balance at beginning of year	2,002,306	8,157,395	1,301,167	5,263,221
Current tax expense	1,982,113	8,100,896	2,636,185	10,724,001
Income tax paid	(2,789,751)	(11,401,712)	(1,935,046)	(7,871,767)
Exchange difference on translation	-	61,869	-	41,940
Balance at end of year	1,194,668	4,918,448	2,002,306	8,157,395

18.3. Income tax expense

	2022		2021	
	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)
Current	1,982,113	8,100,896	2,636,185	10,724,001
Deferred	1,275,534	5,213,107	533,687	2,171,038
	3,257,647	13,314,003	3,169,872	12,895,039

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

	2022		2021	
	US$	**KHR'000 (Note 2.3.3)**	**US$**	**KHR'000 (Note 2.3.3)**
Profit before income tax	13,783,172	56,331,823	14,839,417	60,366,746
Income tax rate of 20%	2,756,634	11,266,363	2,967,884	12,073,352
Effect of non-deductible expenses	130,379	532,859	201,988	821,687
Others	370,634	1,514,781	-	-
	3,257,647	13,314,003	3,169,872	12,895,039

19. OTHER LIABILITIES

	31 December 2022		31 December 2021	
	US$	**KHR'000 (Note 2.3.3)**	**US$**	**KHR'000 (Note 2.3.3)**
Accruals and other payables	3,344,795	13,770,521	3,281,405	13,368,444
Banker's cheques	80,000	329,360	139,703	569,151
Other tax payables	279,886	1,152,291	219,389	893,791
	3,704,681	15,252,172	3,640,497	14,831,386

Other taxes payables consist withholding taxes, fringe benefit and value added tax reverse charge.

20. EQUITY

20.1. Share capital

	31 December 2022		31 December 2021	
	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)
Phillip MFIS PTE. LTD.	75,000,000	300,765,000	75,000,000	300,765,000

All shares are issued and fully paid with par value of US$ 1 per share.

20.2. Other reserves

Other reserves represent KREDIT MFI's share capital, other reserves and reserve capital amounting to US$ 18,395,200, US$ 6,470,362, and US$ 624,712, respectively, transferred to the Bank as per merger arrangement. Other reserves are classified under capital tier I as approved by the NBC on 17 June 2020.

20.3. Regulatory reserve

Regulatory reserve represents the variance in loan provisioning between CIFRSs and regulatory provisioning in accordance with the NBC's requirement.

21. INTEREST INCOME

	2022		2021	
	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)
Loans and advances	73,589,763	300,761,361	67,659,050	275,237,015
Placements with other financial institutions	230,617	942,532	41,197	167,589
Cash and cash equivalents	56,855	232,366	10,220	41,575
Refundable deposit	49,523	202,401	-	-
Capital guarantee deposit with the NBC	27,551	112,601	3,745	15,235
	73,954,309	302,251,261	67,714,212	275,461,414

22. INTEREST EXPENSE

	2022		2021	
	US$	**KHR'000 (Note 2.3.3)**	**US$**	**KHR'000 (Note 2.3.3)**
Fixed deposits	21,678,919	88,601,742	15,934,227	64,820,435
Borrowings	2,857,220	11,677,458	3,590,866	14,607,643
Saving accounts	1,540,058	6,294,217	1,239,132	5,040,789
Current deposits	769,396	3,144,521	1,035,503	4,212,427
Lease liabilities *(Note 17)*	617,421	2,523,400	531,360	2,161,572
	27,463,014	112,241,338	22,331,088	90,842,866

23. NET FEES AND COMMISSION INCOME

	2022		2021	
	US$	**KHR'000 (Note 2.3.3)**	**US$**	**KHR'000 (Note 2.3.3)**
Fees and commission income				
Commitment fees	364,980	1,491,673	69,283	281,843
Other fees	1,962,656	8,021,375	1,723,908	7,012,858
	2,327,636	9,513,048	1,793,191	7,294,701
Fees and commission expense	(318,830)	(1,303,058)	(110,954)	(451,361)
	2,008,806	8,209,990	1,682,237	6,843,340

24. OTHER INCOME

	2022		2021	
	US$	**KHR'000 (Note 2.3.3)**	**US$**	**KHR'000 (Note 2.3.3)**
Recovery of loans previously written-off	240,702	983,749	226,856	922,850
Foreign exchange loss	(186,360)	(761,653)	(250,757)	(1,020,079)
Gain on sale of property and equipment *(Note 10)*	33,230	135,811	86,757	352,927
Others *(Note 10)*	210,280	859,414	167,827	682,720
	297,852	1,217,321	230,683	938,418

Others include gain on sale of property and equipment, income from grants and other miscellaneous income.

25. PERSONNEL EXPENSES

	2022		2021	
	US$	**KHR'000 (Note 2.3.3)**	**US$**	**KHR'000 (Note 2.3.3)**
Salaries and wages	13,894,922	56,788,546	13,314,112	54,161,808
Seniority payment	1,103,958	4,511,876	876,482	3,565,529
Other benefits	3,877,981	15,849,309	3,567,461	14,512,431
	18,876,861	77,149,731	17,758,055	72,239,768

Other benefits include bonus and incentive compensation and employee training costs.

26. DEPRECIATION AND AMORTISATION

Details of depreciation and amortization follow:

	2022		2021	
	US$	**KHR'000 (Note 2.3.3)**	**US$**	**KHR'000 (Note 2.3.3)**
Property and equipment *(Note 10)*	2,035,789	8,320,270	1,480,908	6,024,334
Intangible assets *(Note 12)*	594,431	2,429,439	466,449	1,897,515
Right-of-use assets *(Note 11)*	1,948,620	7,964,010	1,872,258	7,616,345
	4,578,840	18,713,719	3,819,615	15,538,194

27. PROMOTION AND MARKETING

	2022		2021	
	US$	**KHR'000 (Note 2.3.3)**	**US$**	**KHR'000 (Note 2.3.3)**
Marketing	2,091,110	8,546,367	1,569,913	6,386,406
Others	216,403	884,439	78,554	319,558
	2,307,513	9,430,806	1,648,467	6,705,964

28. GENERAL AND ADMINISTRATIVE EXPENSES

	2022		2021	
	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)
Legal and professional fees	2,175,168	8,889,912	1,728,684	7,032,287
Insurance	1,010,184	4,128,622	972,530	3,956,252
License fees	761,170	3,110,902	634,571	2,581,435
Security expense	645,631	2,638,694	629,545	2,560,989
Duties and taxes	588,567	2,405,473	402,213	1,636,202
Utilities	532,586	2,176,679	460,775	1,874,433
Stationeries and printing	483,853	1,977,507	447,799	1,821,646
Travelling and accommodation	385,960	1,577,419	215,574	876,955
Repairs and maintenance	333,553	1,363,231	345,123	1,403,960
Rental expense of low-value assets *(Note 11)*	304,779	1,245,632	164,810	670,447
Communication	285,481	1,166,761	279,413	1,136,652
Directors' fees and meeting allowances	41,105	167,996	27,907	113,526
Loss on write off of property and equipment *(Note 10)*	19,790	80,882	12,007	48,844
Others	623,996	2,550,271	681,752	2,773,368
	8,191,823	33,479,981	7,002,703	28,486,996

Others include non-capitalizable purchases of property and equipment and intangible assets, entertainment expense, donations, dues and membership fees and other operating expenses.

29. COMMITMENTS AND CONTINGENCIES

29.1. Operations

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

	31 December 2022		31 December 2021	
	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)
Loan commitments or guarantees received from:				
Undrawn credit facilities	43,000,000	177,031,000	43,000,000	175,182,000
Payment guarantees	412,061	1,696,455	336,000	1,368,864
	43,412,061	178,727,455	43,336,000	176,550,864

	31 December 2022		31 December 2021	
	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)
Loan commitments in favor of:				
Unused portion of overdrafts	5,601,347	23,060,746	19,681,053	80,180,610
Undrawn credit facilities	2,658,746	10,946,057	5,660,945	23,062,690
Bank guarantees	3,724,566	15,334,038	1,531,543	6,239,506
	11,984,659	49,340,841	26,873,541	109,482,806
Foreign exchange commitment:				
Foreign exchange swap	12,553,444	51,682,529	5,074,865	20,675,000

29.2 Taxation contingencies

Taxes are subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges. The application of tax laws and regulations to many types of transactions are susceptible to varying interpretations.

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

30. NOTES TO CASH FLOW STATEMENTS

The following are the changes in liabilities arising from financing activities including both cash and non-cash changes:

	1 January 2022	Addition	Payment	Interest expense	Interest payment	Termination	Currency translation differences	31 December 2022
	US$	US$	US$	US$	US$	US$	US$	US$
Borrowings *(Note 16)*	52,057,958	36,225,956	(42,631,175)	2,857,220	(2,741,884)	-	-	45,768,075
Lease liabilities *(Note 17)*	8,088,018	3,585,982	(2,176,003)	617,421	-	(254,940)	-	9,860,478
Total	60,145,976	39,811,938	(44,807,178)	3,474,641	(2,741,884)	(254,940)	-	55,628,553
KHR'000 *(Note 2.3.3)*	245,034,706	162,711,391	(183,126,936)	14,200,858	(11,206,080)	(1,041,940)	2,450,754	229,022,753

	1 January 2021	Addition	Payment	Interest expense	Interest payment	Termination	Currency translation differences	31 December 2021
	US$	US$	US$	US$	US$	US$	US$	US$
Borrowings *(Note 16)*	53,578,925	20,693,362	(22,183,378)	3,590,866	(3,621,817)	-	-	52,057,958
Lease liabilities *(Note 17)*	7,019,280	2,668,459	(2,109,004)	531,360	-	(22,077)	-	8,088,018
Total	60,598,205	23,361,821	(24,292,382)	4,122,226	(3,621,817)	(22,077)	-	60,145,976
KHR'000 *(Note 2.3.3)*	245,119,739	95,035,888	(98,821,410)	16,769,215	(14,733,552)	(89,809)	1,754,635	245,034,706

31. RELATED PARTY TRANSACTIONS AND BALANCES

31.1. Identification of related parties

For purposes of these financial statements, parties are considered to be related to the Bank if the Bank has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Bank and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Bank has related party relationships with its subsidiaries, substantial shareholders, associates and key management personnel.

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

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

31.2. Transactions with related parties

	2022		2021	
	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)
Related parties				
Interest expense	1,844,241	7,537,414	1,496,137	6,086,285
Interest income	-	-	290,049	1,179,919
Borrowing repayment	26,057,231	106,495,903	554,083	2,254,010
Loan repayment	-	-	571,482	2,324,789
Key management personnel				
Salaries and benefits	995,344	4,067,971	1,001,581	4,074,432

31.3. Balances with related parties

	31 December 2022		31 December 2021	
	US$	KHR'000 (Note 2.3.3)	US$	KHR'000 (Note 2.3.3)
Related parties				
Deposits	17,086,943	70,346,944	16,129,001	65,709,550
Accrued interest payable on deposits	326,444	1,343,970	135,236	550,951
Loans	-	-	2,785,304	11,347,328
Accrued interest receivable on loans and advances	-	-	7,527	30,665
Borrowings	20,557,810	84,636,504	19,866,446	80,935,901
Accrued interest payable on borrowing	234,096	963,773	217,976	888,034
Key management personnel				
Loans	2,341,225	9,638,823	1,980,498	8,068,549
Deposits from customers	4,041,833	16,640,228	1,029,376	4,193,678

32. FINANCIAL RISK MANAGEMENT

32.1. Introduction and overview

The Bank has exposure to the following risks from financial instruments:

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

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital.

Risk management function & governance structure

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

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Bank's activities. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Bank's Audit Committee oversees how management monitors compliance with the Bank's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Bank. The Bank's Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Bank's Audit Committee.

32.2. Credit risk

Credit risk is the risk of potential of financial loss to the Bank if a borrower or counterparty fails to meet its contractual obligations, and arises principally from the extension of credit facilities to customers.

Credit risk is one of the most important risk for the Bank's business. Credit exposure arises principally in lending activities that involves providing loans to customers. There is also credit risk in off-balance sheet financial instruments, such as Bank Guarantee and Letter of Credit, loan commitments, and contingent liabilities. Credit risk is managed by the Bank's Credit Committee with overall oversight by the Bank's Risk Management Committee.

(i) Credit risk management

Extension of credit is governed by credit programmes that set out the plan for a particular product or portfolio, including the target market, terms and conditions, documentation and procedures under which a credit product will be offered and measured. The Bank has established the Core Credit Risk Policy which is designed to govern the Bank's risk undertaking activities, including the following.

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to business unit Credit Officers. Larger facilities require assessment by credit risk management and submit for approval based on updated credit DOA as appropriate.
- Reviewing and assessing credit risk: Bank Credit assesses all credit exposures in excess of designated limits, before facilities are committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.
- Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances, financial guarantees and similar exposures), and by issuer, credit rating band, market liquidity and country (for investments securities).
- Developing and maintaining the Bank's risk gradings to categorise exposures according to the degree of risk of default. The responsibility for setting risk grades lies with the final approving executive or committee, as appropriate. Risk grades are subject to regular reviews by Bank Risk.

- Developing and maintaining the Bank's processes for measuring ECL: This includes processes for:
  - initial approval, regular validation and back-testing of the models used;
  - determining and monitoring significant increase in credit risk; and
  - incorporation of forward-looking information.
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports on the credit quality of local portfolios are provided to Bank Credit, which may require appropriate corrective action to be taken. These include reports containing estimates of ECL allowances.
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Bank in the management of credit risk.

Each business unit is required to implement Bank credit policies and procedures, with credit approval authorities delegated from the Bank's Risk Management Committee. Each business unit has a Head of Credit or Chief Credit Officer who reports on all credit-related matters to Credit Committee and the Bank's Risk Management Committee. Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to central approval.

Regular audits of business units and credit processes are undertaken by Internal Audit.

(ii) Concentration of risk

Credit risk is managed by the Bank's Credit Committee with overall oversight by the Bank's Risk Management Committee.

The following table presents the Bank's maximum exposure to credit risk of on-balance sheet and off-balance sheet financial instruments, without taking into account of any collateral held or other credit enhancements. For on-balance sheet assets, the exposure to credit risk equals their carrying amount. For contingent liabilities, the maximum exposure to credit risk is the maximum amount that the Bank would have to pay if the obligations of the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers.

Type of credit exposure

	Maximum credit exposure	Maximum credit exposure	Fully subject to collateral/credit enhancement	Partially subject to collateral/ credit enhancement	Unsecured and not subject to collateral/ credit enhancement
	US$	KHR'000 (Note 2.3.3)	%	%	%
31 December 2022					
On-balance sheet items					
Cash and cash equivalents (excluding cash on hand)	48,607,393	200,116,637	0%	0%	100%
Placements with other financial institutions	265,034	1,091,145	0%	0%	100%
Loans and advances to customers - gross	591,014,309	2,433,205,910	97.10%	0.42%	2.48%
Investment in in an associate	490,000	2,017,330	0%	0%	100%
Financial assets at fair value through other comprehensive income	42,500	174,973	0%	0%	100%
Other assets	1,467,050	6,039,845	0%	0%	100%
Total	641,886,286	2,642,645,840			
Off-balance sheet items					
Commitments received from credit facilities	43,000,000	177,031,000	0.00%	0.00%	100.00%
Loan guarantees	412,061	1,696,455	0.00%	0.00%	100.00%
Commitments in favor of loans and advances	11,984,659	49,340,841	49.45%	15.59%	34.96%
Foreign exchange commitment	12,553,444	51,682,529	0.00%	0.00%	100.00%
	67,950,164	279,750,825			
31 December 2021					
On-balance sheet items					
Cash and cash equivalents (excluding cash on hand)	32,049,767	130,570,751	-	-	100.00%
Placements with other financial institutions	906,766	3,694,165	-	-	100.00%
Loans and advances to customers – gross	524,962,068	2,138,695,465	96.55%	0.93%	2.52%
Financial assets at fair value through other comprehensive income	42,500	173,145	-	-	100.00%
Other assets	500,723	2,039,946	-	-	100.00%
Total	558,461,824	2,275,173,472			
Off-balance sheet items					
Commitments received from credit facilities	43,000,000	175,182,000	-	-	100.00%
Loan guarantees	336,000	1,368,864	-	-	100.00%
Commitments in favor of loan and advances	26,873,541	109,482,806	81.23%	8.16%	10.61%
Foreign exchange commitment	5,074,865	20,675,000	-	-	100.00%
	75,284,406	306,708,670			

(iii) Collateral

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

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

Cash and cash equivalents, placements with other financial institutions, investment in equity instrument and other assets

Collateral is generally not sought for these assets.

Loans and advances to customers, contingent liabilities and commitments

Certain loans and advances to customers, contingent liabilities and commitments are typically collateralised to a substantial extent. In particular, residential mortgage exposures are generally fully secured by residential properties.

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

	Collateral/credit enhancement			
	Properties	**Fixed deposits**	**Unsecured credit exposure**	**Total**
	US$	**US$**	**US$**	**US$**
31 December 2022				
Cash and cash equivalents (excluding cash on hand)	-	-	48,607,393	48,607,393
Placements with other financial institutions	-	-	265,034	265,034
Loans and advances to customers - gross	573,877,715	2,467,429	14,669,165	591,014,309
Investment in an associate	-	-	490,000	490,000
Financial assets at fair value through other comprehensive income	-	-	42,500	42,500
Other assets	-	-	1,467,050	1,467,050
	573,877,715	2,467,429	65,541,142	641,886,286
31 December 2021				
Cash and cash equivalents (excluding cash on hand)	-	-	32,049,767	32,049,767
Placements with other financial institutions	-	-	906,766	906,766
Loan and advances to customers - gross	506,842,854	4,880,410	13,238,804	524,962,068
Financial assets at fair value through other comprehensive income	-	-	42,500	42,500
Other assets	-	-	500,723	500,723
	506,842,854	4,880,410	46,738,560	558,461,824

(iv) Credit quality of gross loans and advances to customers

Pursuant to the NBC guideline Prakas B7-017-344, the Bank has defined each credit grading according to its credit quality as follows:

Normal

Outstanding facility is repaid on timely manner and is not in doubt for the future repayment. Repayment is steadily made according with the contractual terms and the facility does not exhibit any potential weaknesses in repayment capability, business, cash flow and financial position of the counterparty.

Special mention

A facility in this class is currently protected and may not be past due but it exhibits potential weaknesses that may adversely affect repayment of the counterparty at the future date, if not corrected in a timely manner, and close attention by the Bank.

Weaknesses include but are not limited to a declining trend in the business operations of the counterparty or in its financial position, and adverse economic and market conditions that all might affect its profitability and its future repayment capacity, or deteriorating conditions on the collateral. This class has clearly its own rational and should not be used as a compromise between Normal and Substandard.

Substandard

A facility ranked in this class exhibits noticeable weaknesses and is not adequately protected by the current business or financial position and repayment capacity of the counterparty. In essence, the primary source of repayment is not sufficient to service the debt, not taking into account the income from secondary sources such as the realisation of the collateral.

Factors leading to a substandard classification include:

- Inability of the counterparty to meet the contractual repayments' terms,
- Unfavourable economic and market conditions that would adversely affect the business and profitability of the counterparty in the future,
- Weakened financial condition and/or inability of the counterparty to generate enough cash flow to service the payments,

- Difficulties experienced by the counterparty in repaying other facilities granted by the Institution or by other institutions when the information is available, and

Doubtful

A facility classified in this category exhibits more severe weaknesses than one classified Substandard such that its full collection on the basis of existing facts, conditions or collateral value is highly questionable or improbable. The prospect of loss is high, even if the exact amount remains undetermined for now.

Loss

A facility is classified as Loss when it is not collectable, and little or nothing can be done to recover the outstanding amount from the counterparty.

Recognition of ECL

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

3-stage approach	**Stage 1** **Performing**	**Stage 2** **Under-performing**	**Stage 3** **Non-performing**
Recognition of expected credit losses	12 months expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses
Criterion	No significant increase in credit risk	Credit risk increased significantly	Credit impaired assets
Basis of calculation of profit revenue	On gross carrying amount	On gross carrying amount	On net carrying amount

The Bank will measure ECL by using the general approach. The general approach consists of segregating the customers into three different stages according to the staging criteria by assessing the credit risk. 12-month ECL will be computed for stage 1, while lifetime ECL will be computed for stage 2 and stage 3. At each reporting date, the Bank will assess credit risk of each account as compared to the risk level at origination date.

Below is a table showing a summary of credit risk status and period for ECL calculation by stages:

Long-term facilities (more than one year)

Stage	Credit risk status	Grade	Days Past Due ("DPD")	Default indicator
1	No significant increase in credit risk	Normal	0 - 29	Performing
2	Credit risk increased significantly	Special mention	30 - 89	Under-performing
3	Credit impaired assets	Substandard	90 - 179	Non-performing
		Doubtful	180 - 359	
		Loss	360 and above	

Short-term facilities (one year or less)

Stage	Credit risk status	Grade	Days Past Due ("DPD")	Default indicator
1	No significant increase in credit risk	Normal	0 - 14	Performing
2	Credit risk increased significantly	Special mention	15 - 30	Under-performing
3	Credit impaired assets	Substandard	31 - 60	Non-performing
		Doubtful	61 - 90	
		Loss	91 and above	

The Bank is using DPD information and NBC's classification for staging criteria. The Bank also incorporated credit scoring or forward-looking elements if readily available. Upon the implementation of credit scoring system, if the risk level drops by two or more notches as compared to the risk level at origination, the accounts are classified under stage 2.

As for financial assets that are short-term in nature, simplified approach is adopted where no staging criteria is required. In this case, it will be either performing (stage 1) or non-performing.

The table below summarises the credit quality of the Bank's gross financing according to the above classifications.

	31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
	US$	US$	US$	US$
Loans and advances to customers at amortised cost				
Normal	559,512,698	-	-	559,512,698
Special mention	-	7,595,962	-	7,595,962
Substandard	-	-	4,608,097	4,608,097
Doubtful	-	-	9,217,333	9,217,333
Loss	-	-	10,080,219	10,080,219
	559,512,698	7,595,962	23,905,649	591,014,309
Allowance for ECL	(1,890,241)	(463,396)	(6,049,365)	(8,403,002)
Net carrying amount	557,622,457	7,132,566	17,856,284	582,611,307
KHR'000 *(Note 2.3.3)*	2,295,731,655	29,364,774	73,514,321	2,398,610,751

	31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
	US$	US$	US$	US$
Loans and advances to customers at amortised cost				
Normal	502,371,635	-	-	502,371,635
Special mention	-	9,443,234	-	9,443,234
Substandard	-	-	3,775,596	3,775,596
Doubtful	-	-	4,463,959	4,463,959
Loss	-	-	4,907,644	4,907,644
	502,371,635	9,443,234	13,147,199	524,962,068
Allowance for ECL	(3,113,908)	(417,374)	(4,144,837)	(7,676,119)
Net carrying amount	499,257,727	9,025,860	9,002,362	517,285,949
KHR'000 *(Note 2.3.3)*	2,033,975,980	36,771,354	36,675,623	2,107,422,956

Incorporation of forward-looking information

The Bank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL. External information considered includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Bank operates, supranational organisations such as the World Bank, International Monetary Fund, and selected private-sector and academic forecasters. The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments in accordance with each country and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

32.3. Market risk

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

(i) Interest rate risk

Interest rate risk refers to the volatility in net interest income as a result of changes in the levels of interest rate and shifts in the composition of the assets and liabilities. Interest rate risk is managed through close monitoring of returns on investments, market pricing and cost of funds. The potential reduction in net interest income from an unfavourable interest rate movement is regularly monitored against the risk tolerance limits set.

The table below summarises the Bank's exposure to interest rate risk. The table indicates the periods in which the financial instruments reprice or mature, whichever is earlier.

	31 December 2022								
	Up to 1 month US$	> 1-3 months US$	> 3-6 months US$	> 6-12 months US$	> 1 to 5 years US$	Over 5 years US$	Non-interest bearing US$	Total US$	Interest rate
Financial assets									
Cash and cash equivalents	552,424	-	-	-	-	-	72,387,740	72,940,164	0.00%-1.25%
Placements with other financial institutions	-	265,034	-	-	-	-	-	265,034	3.50%-4.10%
Loans and advances to customers	5,906,959	11,365,723	9,560,194	19,167,928	219,670,395	325,343,110	-	591,014,309	4.75%-18.00%
Investment in an associate	-	-	-	-	-	-	490,000	490,000	
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	42,500	42,500	
Other assets	-	-	-	-	-	-	1,467,050	1,467,050	

31 December 2022

	Up to 1 month US$	> 1-3 months US$	> 3-6 months US$	> 6-12 months US$	> 1 to 5 years US$	Over 5 years US$	Non-interest bearing US$	Total US$	Interest rate
Total financial assets	6,459,383	11,630,757	9,560,194	19,167,928	219,670,395	325,343,110	74,387,290	666,219,057	
Financial liabilities									
Deposits from other financial institutions	9,398,430	3,477,513	10,432,165	14,253,792	12,913,548	-	4,314,632	54,790,080	0.00%-7.50%
Deposits from customers	114,999,897	110,899,346	79,745,935	110,028,446	27,954,019	611,413	8,849,554	453,088,610	0.00%-12.00%
Borrowings	12,372,510	5,588,583	7,560,332	7,932,339	11,805,539	508,772	-	45,768,075	2.00%-10.47%
Lease liabilities	143,973	291,680	429,832	854,036	5,114,348	3,026,609	-	9,860,478	4.90%-7.14%
Other liabilities	-	-	30,053	23,354	98,644	34,686	3,238,058	3,424,795	
Total financial liabilities	136,914,810	120,257,122	98,198,317	133,091,967	57,886,098	4,181,480	16,402,244	566,932,038	
Interest sensitivity gap	(130,455,427)	(108,626,365)	(88,638,123)	(113,924,039)	161,784,297	321,161,630	57,985,046	99,287,019	
KHR'000 *(Note 2.3.3)*	(537,084,993)	(447,214,745)	(364,923,152)	(469,025,269)	666,065,951	1,322,222,431	238,724,434	408,764,657	

The table below summarises the Bank's exposure to interest rate risks which includes assets and liabilities at carrying amounts.

31 December 2021

	Up to 1 month US$	> 1-3 months US$	> 3-6 months US$	> 6-12 months US$	> 1 to 5 years US$	Over 5 years US$	Non-interest bearing US$	Total US$	Interest rate
Financial assets									
Cash and cash equivalents	458,631	-	-	-	-	-	53,451,565	53,910,196	0.04%-2.50%
Placements with other financial institutions	-	-	393,213	513,553	-	-	-	906,766	3.50%-4.25%
Loans and advances to customers	7,481,521	14,371,991	6,513,228	19,163,442	208,476,851	268,955,035	-	524,962,068	4.50%-18.00%
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	42,500	42,500	
Other assets	-	-	-	-	-	-	500,723	500,723	
Total financial assets	7,940,152	14,371,991	6,906,441	19,676,995	208,476,851	268,955,035	53,994,788	580,322,253	
Financial liabilities									
Deposits from other financial institutions	7,699,713	8,085,606	16,584,978	25,522,107	8,910,000	1,000,000	3,731,438	71,533,842	0.00%-6.50%
Deposits from customers	102,938,931	52,049,742	44,823,453	117,982,745	23,330,231	10,280	5,851,311	346,986,693	0.00%-12.00%
Borrowings	10,981,740	2,977,312	2,492,296	14,542,844	20,788,446	275,320	-	52,057,958	3.49%-10.47%

	31 December 2021								
	Up to 1 month US$	> 1-3 months US$	> 3-6 months US$	> 6-12 months US$	> 1 to 5 years US$	Over 5 years US$	Non-interest bearing US$	Total US$	Interest rate
Lease liabilities	136,047	263,601	397,887	779,299	4,237,973	2,273,211	-	8,088,018	6.16%-7.14%
Other liabilities	-	-	34,989	26,332	82,839	-	3,276,948	3,421,108	
Total financial liabilities	121,756,431	63,376,261	64,333,603	158,853,327	57,349,489	3,558,811	12,859,697	482,087,619	
Interest sensitivity gap	(113,816,279)	(49,004,270)	(57,427,162)	(139,176,332)	151,127,362	265,396,224	41,135,091	98,234,634	
KHR'000 *(Note 2.3.3)*	(463,687,521)	(199,643,396)	(233,958,258)	(567,004,377)	615,692,873	1,081,224,217	167,584,361	400,207,899	

(ii) Foreign currency exchange risk

Foreign currency exchange risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

Concentration of currency risk

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

	31 December 2022			
	KHR	US$	Other	Total
Financial assets				
Cash and cash equivalents	12,322,221	60,240,291	377,652	72,940,164
Placements with other financial institutions	-	-	265,034	265,034
Loans and advances to customers	63,132,888	527,873,260	8,161	591,014,309
Investment in an associate	-	490,000	-	490,000
Financial assets at fair value through other comprehensive income	-	42,500	-	42,500
Other assets	1,121,702	338,706	6,642	1,467,050
	76,576,811	588,984,757	657,489	666,219,057
Financial liabilities				
Deposits from other financial institutions	6,166,631	48,623,449	-	54,790,080
Deposits from customers	37,744,964	415,151,529	192,117	453,088,610
Borrowings	973,582	44,378,564	415,929	45,768,075
Lease liabilities	-	9,860,478	-	9,860,478
Other liabilities	156,422	3,268,373	-	3,424,795
	45,041,599	521,282,393	608,046	566,932,038
Net asset position	31,535,212	67,702,364	49,443	99,287,019
KHR'000 *(Note 2.3.3)*	129,830,466	278,730,634	203,557	408,764,657

	31 December 2021			
	KHR	**US$**	**Other**	**Total**
Financial assets				
Cash and cash equivalents	7,445,106	44,391,138	2,073,952	53,910,196
Placements with other financial institutions	-	-	906,766	906,766
Loans and advances to customers	63,544,511	456,857,033	4,560,524	524,962,068
Financial assets at fair value through other comprehensive income	-	42,500	-	42,500
Other assets	20,556	483,444	(3,277)	500,723
	71,010,173	501,774,115	7,537,965	580,322,253
Financial liabilities				
Deposits from other financial institutions	16,039,914	55,493,928	-	71,533,842
Deposits from customers	32,780,141	312,638,873	1,567,679	346,986,693
Borrowings	2,457,417	48,871,257	729,284	52,057,958
Lease liabilities	-	8,088,018	-	8,088,018
Other liabilities	57,352	3,363,756	-	3,421,108
	51,334,824	428,455,832	2,296,963	482,087,619
Net asset position	19,675,349	73,318,283	5,241,002	98,234,634
KHR'000 *(Note 2.3.3)*	80,157,372	298,698,685	21,351,842	400,207,899

Sensitivity analysis

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

	31 December 2022		31 December 2021	
	- 1% Depreciation US$	**+ 1% Appreciation US$**	**- 1% Depreciation US$**	**+ 1% Appreciation US$**
KHR	(315,352)	315,352	(196,753)	196,753
Other	(494)	494	(52,410)	52,410
	(315,846)	315,846	(249,163)	249,163
KHR'000 *(Note 2.3.3)*	(1,300,338)	1,300,338	(1,015,090)	1,015,090

32.4. Liquidity risk

Liquidity risk is the risk of the Bank being 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.

(i) Liquidity risk management process

The Bank's management monitor balance sheet liquidity and manages the concentration and profile of debt maturities through the gap analysis. Periodic reporting on the movement in loans and customers' deposits are monitored and liquidity requirements are adjusted to ensure sufficient liquid assets to meet financial commitments and obligation.

Monitoring and reporting take the form of the reviewing of the daily cash position and projections for the next day, week and month, as these are key years for liquidity management. Management monitors the movement of the main depositors and lenders and projections of their withdrawals.

(ii) Funding approach

The Bank's main sources of liquidity arise from the shareholders' paid-up capital, borrowings from social lenders and finance institutions, deposits from other financial institutions and deposits from customers. The sources of liquidity are reviewed regularly through management's review of the maturity of term deposits and key depositors.

(iii) Non-derivative cash flows

The table on the following page presents the cash flows payable by the Bank under non-derivative financial liabilities by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Bank manages the inherent liquidity risk based on the expected undiscounted cash flows.

The table below summarises the Bank's assets and liabilities based on remaining contractual maturities. The expected cash flows of these assets and liabilities could vary significantly from what is shown in the table. For example, deposits from other financial institutions and deposits from customers are not all expected to be withdrawn immediately.

Although the result from the table showed negative liquidity gap, based on experience, the management of the bank believes that customers will not withdraw their deposits according to the maturity. Some of the deposits keep rolling from one cycle to another, therefore, management believes that underlying liquidity risk is manageable.

31 December 2022

	Up to 1 month US$	> 1-3 months US$	> 3-6 months US$	> 6-12 months US$	> 1 to 5 year US$	Over 5 years US$	No maturity US$	Total US$
Financial assets								
Cash and cash equivalents	72,940,164	-	-	-	-	-	-	72,940,164
Placements with other financial institutions	-	265,034	-	-	-	-	-	265,034
Loans and advances to customers	5,906,959	11,365,723	9,560,194	19,167,928	219,670,395	325,343,110	-	591,014,309
Investment in an associate	-	-	-	-	-	-	490,000	490,000
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	42,500	42,500
Other assets	1,467,050	-	-	-	-	-	-	1,467,050
Total financial assets	80,314,173	11,630,757	9,560,194	19,167,928	219,670,395	325,343,110	532,500	666,219,057
Financial liabilities								
Deposits from other financial institutions	13,713,062	3,477,513	10,432,165	14,253,792	12,913,548	-	-	54,790,080
Deposits from customers	123,844,819	110,899,345	79,745,935	110,028,446	27,958,183	611,882	-	453,088,610
Borrowings	12,372,510	5,588,583	7,560,332	7,932,339	11,805,539	508,772	-	45,768,075
Lease liabilities	143,973	291,680	429,832	854,036	5,114,348	3,026,609	-	9,860,478
Other liabilities	1,758,574	1,247,960	30,053	23,354	98,644	-	79,473	3,238,058
Total financial liabilities	151,832,938	121,505,081	98,198,317	133,091,967	57,890,262	4,147,263	79,473	566,745,301
Maturity gap	(71,518,765)	(109,874,324)	(88,638,123)	(113,924,039)	161,780,133	321,195,847	453,027	99,473,756
KHR'000 *(Note 2.3.3)*	(294,442,756)	(452,352,592)	(364,923,154)	(469,025,267)	666,048,807	1,322,363,302	1,865,112	409,533,453

31 December 2021

	Up to 1 month US$	> 1-3 months US$	> 3-6 months US$	> 6-12 months US$	> 1 to 5 year US$	Over 5 years US$	No maturity US$	Total US$
Financial assets								
Cash and cash equivalents	53,910,196	-	-	-	-	-	-	53,910,196
Placements with other financial institutions	-	-	393,213	513,553	-	-	-	906,766
Loans and advances to customers	7,481,521	14,371,991	6,513,228	19,163,442	208,476,851	268,955,035	-	524,962,068
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	42,500	42,500
Other assets	500,723	-	-	-	-	-	-	500,723
Total financial assets	61,892,440	14,371,991	6,906,441	19,676,995	208,476,851	268,955,035	42,500	580,322,253
Financial liabilities								
Deposits from other financial institutions	11,431,151	8,085,606	16,584,978	25,522,107	8,910,000	1,000,000	-	71,533,842
Deposits from customers	108,786,049	52,049,791	44,827,597	117,982,745	23,330,231	10,280	-	346,986,693
Borrowings	10,981,740	2,977,312	2,492,296	14,542,844	20,788,446	275,320	-	52,057,958
Lease liabilities	136,047	263,601	397,887	779,299	4,237,973	2,273,211	-	8,088,018
Other liabilities	1,707,343	1,263,094	34,989	26,332	82,839	-	162,351	3,276,948
Total financial liabilities	133,042,330	64,639,404	64,337,747	158,853,327	57,349,489	3,558,811	162,351	481,943,459
Maturity gap	(71,149,890)	(50,267,413)	(57,431,306)	(139,176,332)	151,127,362	265,396,224	(119,851)	98,378,794
KHR'000 *(Note 2.3.3)*	(289,864,652)	(204,789,441)	(233,975,141)	(567,004,377)	615,692,873	1,081,224,217	(488,273)	400,795,207

32.5. Operational risk

Operational risk is the risk of direct or indirect loss arising from inadequate or failed internal processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. The operational risk losses is managed through established operational risk management processes, proper monitoring and reporting of the business activities by control and support units which are independent of the business units and oversight provided by the senior management of the Bank.

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

32.6. Capital management

(i) Regulatory capital

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of the balance sheet, are:

- To comply with the capital requirements set by the NBC;
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for share-holders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of the business.

The NBC requires all licensed commercial banks to (i) fulfil the minimum capital requirements, and (ii) comply with solvency, liquidity and other requirements.

(ii) Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital.

33. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

The fair values of other financial instruments are based on the following methodologies and assumptions:

Cash and cash equivalents, statutory deposits, other assets and other liabilities

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

Loans and advances to customers, deposits from customers and other financial institutions

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.

Investment in an associate and financial assets at fair value through other comprehensive income

The estimated fair values are generally based on quoted and observable market prices. Where there is no ready market in certain securities, fair values have been estimated by reference to market indicative yields or net tangible asset backing of the investee.

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.

The fair value of financial asset not carried at fair value in the statement of financial position at the reporting date analysed by various levels within the fair value hierarchy is as follows:

	2022		2021	
	Carrying amount US$	**Fair value Level 3 US$**	**Carrying amount US$**	**Fair value Level 3 US$**
Loans and advances to customers	582,611,307	590,396,026	517,285,949	523,375,513
KHR'000 (Note 2.3.3)	2,398,610,751	2,430,660,439	2,107,422,956	2,132,231,838
Deposits from customers and other financial institutions	507,878,690	512,437,115	418,520,535	422,644,460
KHR'000 (Note 2.3.3)	2,090,936,566	2,109,703,603	1,705,052,660	1,721,853,530

There have been no transfers between level 1 and level 2 fair value movements, and no transfers into and out of level 3 fair value measurement during the year ended 31 December 2022.

34. MATURITY PROFILE OF ASSETS AND LIABILITIES

The following tables show an analysis of assets and liabilities of the Bank analysed accordingly whether they are expected to be recovered or settled within one year or beyond one year from the statement of financial position date:

	2022			2021		
	Within one year	Beyond One Year	Total	Within one year	Beyond One Year	Total
Financial assets						
Cash and cash equivalents	72,940,164	-	72,940,164	53,910,196	-	53,910,196
Placements with other financial institutions	265,034	-	265,034	906,766	-	906,766
Loans and advances to customers	46,000,804	545,013,505	591,014,309	47,530,182	477,431,886	524,962,068
Investment in an associate	490,000	-	490,000	-	-	-
Financial assets at fair value through other comprehensive income	42,500	-	42,500	42,500	-	42,500
Other assets	1,467,050	-	1,467,050	500,723	-	500,723
	121,205,552	545,013,505	666,219,057	102,890,367	477,431,886	580,322,253
Non-financial assets						
Statutory deposits	-	42,591,664	42,591,664	-	35,890,436	35,890,436
Property and equipment	-	19,752,746	19,752,746	-	15,939,996	15,939,996
Right-of-use assets	-	16,752,384	16,752,384	-	14,916,292	14,916,292
Intangible assets	-	3,709,706	3,709,706	-	3,135,994	3,135,994
Deferred tax assets	-	-	-	-	494,219	494,219
Other assets	-	1,286,625	1,286,625	-	1,343,960	1,343,960
	-	84,093,125	84,093,125	-	71,720,897	71,720,897
	121,205,552	629,106,630	750,312,182	102,890,367	549,152,783	652,043,150
Less: Allowance for credit expected losses			8,431,909			7,702,736
Accumulated depreciation and amortization			20,801,391			18,665,650
Total assets			721,078,882			625,674,764
KHR'000 *(Note 2.3.3)*			2,968,681,757			2,548,998,989

	2022			2021		
	Within one year	Beyond One Year	Total	Within one year	Beyond One Year	Total
Financial liabilities						
Deposits from other banks	41,876,532	12,913,548	54,790,080	61,623,842	9,910,000	71,533,842
Deposits from customers	424,518,545	28,570,065	453,088,610	323,646,182	23,340,511	346,986,693
Borrowings	33,453,764	12,314,311	45,768,075	30,994,192	21,063,766	52,057,958
Lease liabilities	1,719,521	8,140,957	9,860,478	1,576,834	6,511,184	8,088,018
Other liabilities	3,326,151	98,644	3,424,795	3,258,757	162,351	3,421,108
	504,894,513	62,037,525	566,932,038	421,099,807	60,987,812	482,087,619
Non-financial liabilities						
Income tax payable	1,194,668	-	1,194,668	2,002,306	-	2,002,306
Deferred tax liabilities – net	781,315	-	781,315	-	-	-
Other liabilities	279,886	-	279,886	219,389	-	219,389
	2,255,869	-	2,255,869	2,221,695	-	2,221,695
Total liabilities	507,150,382	62,037,525	569,187,907	423,321,502	60,987,812	484,309,314
KHR'000 *(Note 2.3.3)*	2,087,938,123	255,408,490	2,343,346,613	1,724,611,799	248,464,346	1,973,076,146

35. EVENTS AFTER THE REPORTING PERIOD

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

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were authorized for issue by the Board of Directors on 29 March 2023.


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