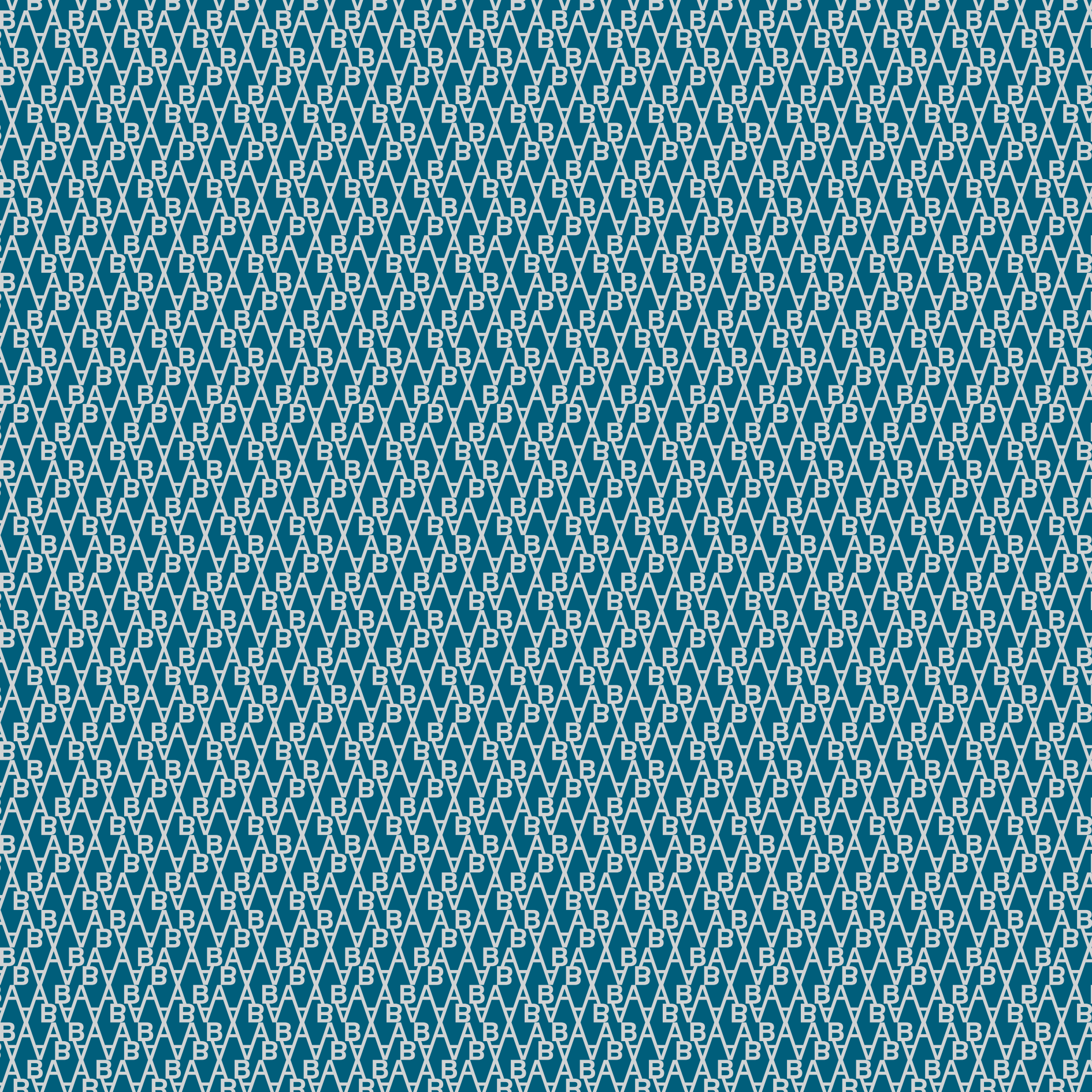


25
YEARS



ANNUAL REPORT 2021



ANNUAL REPORT 2021

ABA BANK AT A GLANCE

Founded in 1996, Advanced Bank of Asia Limited (ABA Bank) is one of Cambodia's premier banking institutions.

In over 25 years of development and growth, ABA has significantly strengthened its position in the market and is now one of the largest commercial banks of the country.

We offer the entire spectrum of services to customer segments covering SMEs, micro businesses, and individuals through 81 branches, 800+ self-banking machines across the country, and advanced online banking and mobile banking platforms.

**STANDARD
& POOR'S**

'B+' credit rating from Standard & Poor's (S&P) Global Ratings Agency
Outlook: **Stable**

2.1M Customers' Accounts

\$7.9B Total Assets

\$6.3B Total Deposits

\$212M Net Profit

6,678 Employees

81 Branches

808 Self-banking Machines

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Message from the CEO



The year of 2021 was filled with challenges, as well as multiple achievements of which we should be proud of.

The Covid-19 pandemic impacted the year and brought limitations on businesses and people. Unfortunately, Cambodia was no exception, especially after the 20 February outbreak that disrupted the economy and society. Even under such unfavorable circumstances, ABA Bank managed to solidify its growth in the market and continue serving its valued customers.

Following our Mission and Values, we kept deploying customer-centric solutions to make the financial lives of our customers better and easier. We brought our business process engineering to the next level, whereby most of our services can be self-operated through different channels and platforms. With such an approach and skillful team, we have opened 1.1 million new accounts. In 2021, 99.5% of the customers who joined ABA Bank became the ABA Mobile app users, which fully aligns with our goal of equipping all our customers with access to our best-in-class mobile banking solution.

This growth in our customer base contributed to the growth in the balance sheet, where total deposits increased to USD 6.8 billion as of the end of this year. We have also almost doubled the number of KHR accounts opened with ABA, supporting our local currency.

Our flagship digital banking platform developed tremendously through the year. ABA Mobile, the standard for banking apps in Cambodia, has received a myriad of new enhancements and features in 2021 to keep providing our customers with convenient and hassle-free banking. The great success came with the launch of the Instant Account feature, where Cambodians got an opportunity to open their first ABA account with just their smartphone and valid ID card. Almost 300,000 Instant Accounts have been opened within the year! It is a piece of clear evidence that people trust ABA and want to use it for their everyday banking.

Our mobile app users can now enjoy instant local and international money transfers, settle any bill, scan QRs to pay at almost 200,000 merchants, open savings and deposit accounts, including in Khmer Riel. All in their phones. No cash involved. As a result of this convenience, the customer base of ABA Mobile increased 67% since the end of 2020, reaching 1.6 million active users.

At the same time, our customers always need an opportunity to top up their ABA accounts in a modern and reliable way. And we provide multiple channels for that. Our network of ABA 24/7 self-banking spots received 11 new locations in Phnom Penh, Poipet, and Sihanoukville within the year. Since the launch in July 2020, these spots have been used more than 1 million times, which proves its convenience for customers. We also made it easy to top up ABA accounts directly from Wing, TrueMoney, PiPay, and, with the help of the Bakong system, from many other banks and MFIs. International money transfers can also be credited to customers' ABA accounts without cashing them out in our branches. The Bank envisions the self-banking and remote banking strategy, and we will keep moving forward in this direction.

We expanded our branch network further by opening two new branches in the Mondulkiri and Pailin provinces in the reporting period. The Bank's 24/7 self-banking network also extended its geographical presence by opening 11 spots in Phnom Penh, Poipet, and Sihanoukville.

The Bank played a significant role in developing the local eCommerce this year. Covid-19 has urged the adoption of online sales in addition to traditional ways of trading, and ABA Bank

was ready to offer merchants the complete set of reliable digital tools to boost their revenue. We launched and promoted the PayWay Mobile app, which turns any smartphone into a mobile POS terminal to generate QR codes and accept cashless payments. What is more, the app now offers the opportunity to share the payment link on a product or service via different messenger applications. PayWay Mobile comes with sophisticated monitoring, reporting, business management, and refund features that make running a business even better and easier. In total, 3.5 million transactions were processed through the PayWay platform in 2021 alone!

To support further MSMEs and large businesses, we significantly redesigned and rethought our Internet Banking for Business (IBB) platform with the latest business landscape changes in mind. With the newly introduced Host-to-Host solution, Virtual Account feature, integration with major online accounting platforms like, QuickBooks, and Xero, ABA IBB became a potent tool for businesses of any size to manage their finances securely and conveniently.

The advancements of our digital banking platform rest upon the reliable IT infrastructure and strict IT measures to protect customers' data and the Bank's own footing.

This year, we have built and fully equipped a new standalone Data Center in Phnom Penh to securely store our data backups, improve the resilience of our digital platforms, and cover the expansion of the Bank's IT infrastructure for the years to come.

Our IT team has also successfully deployed world's leading solutions to improve access to the Bank's platforms and applications and boost their performance. Our systems are now more protected and remain more accessible to customers.

In addition, the IT department implemented secure software development lifecycle, where our in-house developers now produce more secure software, while the IT Security team can detect vulnerabilities on coding and system levels and, more importantly, reduce inherent business risk for the Bank.

We also upgraded our security detection and response capabilities to ensure that the team covers all cyber threats and timely responses to cybersecurity alerts with the 24/7 monitoring system in place.

During the turbulent 2021, we kept providing loans to local businesses to support their operations and growth as access to capital is

vital at any time. This action indeed has played an important role in helping the economy. To maintain our robust growth with good assets quality, we have strategically decided to increase the share of Large SME loans in our portfolio. It also includes the cases when our business customers grow organically and we offer them larger loans as they grow. In general, we distributed 9,417 new loans worth USD 1.43 billion in 2021, having increased the Bank's gross loan portfolio by 38% to USD 5.3 billion.

At the same time, the ABA's loan team restructured the loans of our borrowers affected by the pandemic crisis. As of the end of the year, there are 13,640 restructured loans with USD 696 million outstanding. We will continue helping our borrowers overcome the time of hardship.

I would separately praise our International Operations team's intense dedication and efforts during the pandemic and especially during lockdowns and curfews this year. Their joint work allowed ABA to remain the leading Bank on retail and commercial payments and money transfers. During the year, the team has processed more than USD 5 billion worth of international SWIFT transfers, has completed hundreds of thousands of instant remittances to ensure people in Cambodia will receive and send money timely and accurately. The numbers are outstanding, but the quality of every payment and money transfer continued to be very high. It was recognized by one of the world's largest banks - JP Morgan Chase, who bestowed an award upon ABA, confirming the share of flawless transactions at a remarkable 99.5%.

Our Trade Finance team supported almost 1,000 import and export transactions, which significantly contributed to the recovery of the Cambodian economy and enhanced the country's international cooperation.

The Risk management team has done a great job having rolled out the revised operational risk framework, which became more pragmatic and risk-prevention oriented. As the situation with Covid-19 evolved, especially during the critical April-May period, the team was also leading the Business Continuity Plan execution and coordinated the work of the Head Office departments and branches so we could continue our operations and serve our valued customers seamlessly.

In Fraud and Compliance, the teams have implemented the Fraud Management function, enhanced the transaction monitoring and customer screening to be more effective and efficient, and cooperated with various

departments to ensure prudent business taking.

In September, the Ministry of Economy and Finance appointed ABA Bank to accept tax payments on behalf of the General Department of Taxation through various platforms. As a socially responsible enterprise, ABA is honored to assist the government in tax collection, contributing to the development of the effective cashless payment system in the country.

In December, the Bank contributed to the development of the new Phnom Penh International Airport, having invested 30 million USD in its corporate bond. We are proud to participate in the construction of this landmark achievement of Cambodia and believe that it will advance Cambodia on the economic map of the region and give an impulse to the further growth of the tourism and logistics sectors of the local economy.

Additionally, I want to mention the response of the Bank and staff to Covid. Since the beginning of the pandemic in Cambodia, the Bank has been coordinating fundraising activities and contributing funds through the National Bank of Cambodia, the Association of Banks in Cambodia, and the Royal Government. In April, we donated 1 million USD to support the government's efforts to stop the spread of the Covid outbreak. The donation was appreciated by Samdech Techo Hun Sen, who issued Appreciation Letter to the Bank's top management and staff.

Our development was praised by the international financial community accordingly. In 2021, ABA Bank has collected all major awards and titles as the Best Bank in Cambodia from The Banker, Euromoney, Global Finance, and Asian Banking and Finance.

On top of that, our credit rating from S&P Global Ratings was reaffirmed at 'B+' with Stable outlook. Despite pandemic challenges and economic slowdown, we managed to continue our substantial growth in the market share in terms of loans and deposits, physical and digital distribution network, and customer base, which reflected in the confirmation of our high-level rating.

These are only a few among our achievements that clearly show that 2021 was a year of spectacle development of ABA Bank.

The Bank follows its strategy of transformation into digital finance provider, and the whole team is well focused on keeping ABA at the forefront of the Cambodian banking sector, bringing further

value to the customers and shareholders.

I wish to thank the whole staff of the Bank for dedication and courage to continue serving customers on the highest level despite challenging times and different Covid-related limitations.

I also express gratitude to the National Bank of Cambodia for their guidance and support.

On top of all, I thank our valued customers for their confidence in ABA and continuous contribution to our development.

<SIGNED>

Askhat Azhikhanov
Chief Executive Officer

2

About ABA



ABA Bank is Cambodia's leading private financial institution with more than 25 years of steady development and unique expertise in the market.

1996

Advanced Bank of Asia Ltd. was founded

26

Years of development and growth

1

ABA is the largest commercial bank in Cambodia by assets

WHO WE ARE

Founded in 1996, Advanced Bank of Asia Limited (ABA Bank) is one of Cambodia's premier banking institutions.

In more than 25 years of development and growth, ABA has significantly strengthened its position in the market and is one of the largest commercial banks of the country. Today, we offer the entire spectrum of services to customer segments covering SMEs, micro businesses, and individuals through 81 branches, 900+ ATMs and cash-in machines, and advanced online banking and mobile banking platforms.

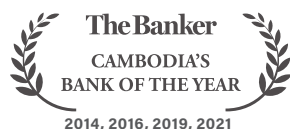
ABA Bank has an effective and well-synchronized professional team that is committed to maintaining and improving our performance. Our international management team brings invaluable expertise and allows ABA Bank to comply with international standards of service and security.

STANDARD & POOR'S

'B+' credit rating from Standard & Poor's (S&P) Global Ratings Agency
Outlook: **Stable**

The most renowned financial publications of the globe recognized ABA's efforts to bring the very best to its clients:

- *The Banker* magazine granted ABA the title "Cambodia's Bank of The Year" in 2014, 2016, 2019, 2021;
- *Euromoney* magazine awarded the "Best Bank in Cambodia" title to ABA in 2014 – 2021;
- *Global Finance* magazine named ABA "The Best Bank in Cambodia" in 2015 – 2022.



ABA Bank is a subsidiary of National Bank of Canada (www.nbc.ca), a financial institution with around US\$289 billion in assets as of January 31, 2022, and huge network of correspondent banks all over the world. Being a shareholder of ABA Bank from 2014, National Bank of Canada becomes the first major financial institution from the North American continent to enter the Cambodian banking sector. Headquartered in Montreal, it has branches in almost every Canadian province with 2.7 million personal clients. It is the sixth largest bank in Canada and the leading bank in Quebec province where it is the partner of choice among SMEs.

VISION, MISSION, VALUES

OUR VISION

The vision of our Bank is to be the country's number one supplier of dependable, easy-to-use, technologically advanced and easily accessible banking services. We want to be the bank that Cambodians trust to take care of all their personal and business banking needs.

OUR MISSION

Our mission is to help Cambodia, Cambodian businesses and people to build a bigger and brighter future by providing highly professional, technologically advanced banking services for all. We see ourselves as working in partnership with the Cambodian community as well as with private businesses and individuals. We are here to serve Cambodia.

OUR VALUES

Our values form the cornerstone of our business. We believe in the importance of:

Honesty & Respect

At ABA we make it our responsibility to treat each and every customer with honesty and respect. Strictly following this value, we earn respect and trust from our customers.

Service Quality

At ABA we strive to find solutions to all our banking needs. Our aim is to provide the most technologically advanced and reliable banking services to all our customers – be they personal or business account holders.

Trust & Partnership

At ABA we are always there to offer help and assistance. We see ourselves as dependable partner that our customer can always trust and rely on with their financial needs.

Contribution

At ABA we aim to make a positive contribution to Cambodia. We want to play a beneficial role in the lives of our customers as well as for the future of the country as a whole.

Ethics & Morals

At ABA we apply the highest ethical and moral standards to each and everything that we do – inside and outside the Bank. It is these homegrown principles that form the basis of every relationship, with the customers and communities we serve as well as with our staff.

Sustainability & Growth

At ABA we are always thinking about the future of our Bank, the Cambodian people and the country. We show the same level of commitment to our staff as we do to our customers. It is with this approach that we ensure the sustainable growth of the Bank.

FINANCIAL HIGHLIGHTS

FINANCIAL YEAR ENDED
31 DECEMBER

	2021 (audited)	2020 (audited)
Balance Sheet (US\$ million)		
Total Deposits	6,303.73	4,871.47
Total Gross Loans	5,325.41	3,833.37
Equity	1,049.81	767.79
Total Assets	7,861.06	6,128.28
P&L Account (US\$ million)		
Net Interest Income	391.74	295.80
Net Fee, Commission and other Income	39.19	27.71
Net Profit	212.02	151.41
Key Performance Indicators (%)		
ROAE	23.84	22.39
ROAA	3.02	2.93
Cost/Income	31.66	37.38
Liquidity Ratio	149.32	166.64
Credit Deposit Ratio	84.49	78.75
Solvency Ratio	16.84	18.08
General Information		
Operating Branches	81	79
Staff	6,678	6,266
ATMs	570	471
POS Terminals	3,290	1,647
Accounts	2,085,172	1,382,401
Borrowers	91,235	81,568

SIMPLIFIED FINANCIAL RESULTS

ASSETS

in USD Millions

28.3%▲

INCREASE FROM 2020

7,861
2021

6,128
2020

SHAREHOLDERS' EQUITY

in USD Millions

36.7%▲

INCREASE FROM 2020

1,050
2021

768
2020

DEPOSITS

in USD Millions

29.4%▲

INCREASE FROM 2020

6,304
2021

4,871
2020

LOANS

in USD Millions

38.9%▲

INCREASE FROM 2020

5,325
2021

3,833
2020

NET PROFIT

in USD Millions

40.4%▲

INCREASE FROM 2020

212
2021

151
2020

NUMBER OF ACCOUNTS

in Thousands

50.9%▲

INCREASE FROM 2020

2,085
2021

1,382
2020

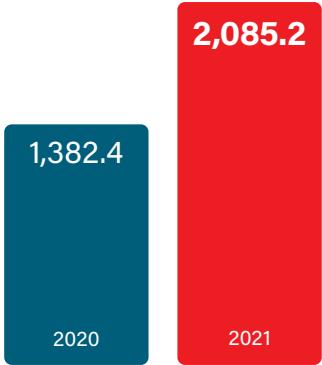
GENERAL INFORMATION

ACCOUNTS

in Thousands



2,085.2

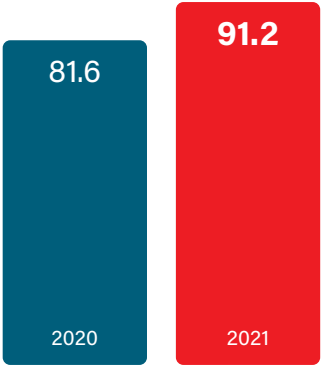


BORROWERS

in Thousands



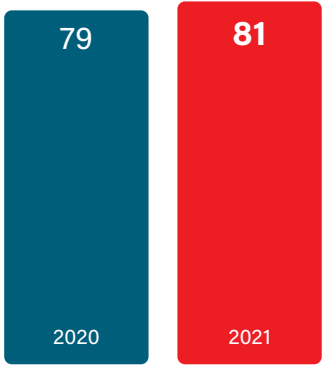
91.2



OPERATING BRANCHES



81

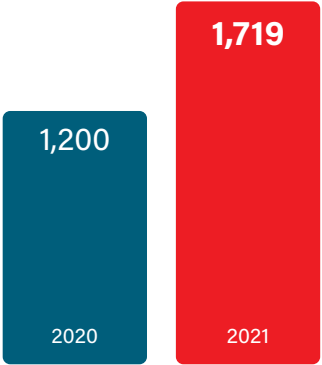


ACTIVE CARDS

in Thousands



1,719



STAFF



6,678

6,266

2020

6,678

2021

ABA MOBILE APP TRANSACTIONS

in Million



250

121

2020

250

2021

POS TERMINALS



3,290

1,647

2020

3,290

2021

SELF-BANKING MACHINES



808

659

2020

808

2021

MILESTONES

Since its incorporation in 1996, ABA Bank has gone through numerous considerable stages of its development.

Enlisted here are the major milestones of the Bank from the recent years.

2017

Logo of ABA updated to denote membership in National Bank of Canada Group

ABA Mobile app ranked #1 free financial app on iOS in Cambodia

Global Finance magazine recognized ABA as "Best Trade Finance Provider 2017"

Nine new branches entered ABA's branch network

PayWay e-commerce gateway launched to boost online businesses in Cambodia

Online Account Opening web service introduced to ease client onboarding process

ABA named "The Best Bank in Cambodia 2017" by Euromoney and Global Finance magazines

ABA became the first bank in Cambodia with two credit ratings

ABA joined IFC's Global Trade Finance Program to enhance support of Cambodian businesses

Long-term exclusive partnership agreement signed with Manulife Cambodia

2018

ABA opened 15 new branches and extended operation hours at 6 branches

ABA officially introduced Customer Acquisition Officers for off-site account opening

ABA received "The Best Bank in Cambodia 2018" award by Global Finance magazine

The Bank relaunched Head Office building and opened its Operation Hall

The Bank extended its loan repayment facilities via cooperation with TrueMoney, Speed Pay and SmartLuy

Standard & Poor's reaffirmed 'B' long-term and short-term issuer credit ratings of ABA with "Positive" outlook

Global Finance named ABA Bank "Best Trade Finance Provider 2018"

ABA received Euromoney's Best Bank title for the fifth time in a row

UnionPay (UPI) Platinum extended the lineup of privileged cards offered by ABA Bank

ABA partnered with Visa and other Cambodian commercial banks to officially introduce QR payments in Cambodia

2019

National Bank of Canada increased ownership in ABA Bank to 100% minus one share

ABA issued corporate bonds for KHR 84.8 billion (approx. USD 21 million) and listed it on the Cambodia Securities Exchange

S&P Global Ratings Agency upgraded the credit rating of ABA to 'B+' with "Stable" outlook

ABA opened 11 new branches and extended operation hours of 7 offices to 12/7 mode

The Bank added Cash Recycling Machines to its nationwide network of self-banking spots

ABA was named "The Best Bank in Cambodia 2019" by The Banker, Euromoney, and Global Finance magazines

ABA's PayWay online payment gateway received two eCommerce awards from Asia's Marketing magazine

ABA together with National Bank of Canada and the UN Association in Canada launched the Financial Literacy Internship Program for Cambodian students

Four new products in Khmer Riels were launched in the ABA Mobile app to promote the use of national currency

The Bank donated USD 300,000 to Cambodia Kantha Bopha Foundation for further enhancement of medical care of children

2020

ABA opened two new branches, bringing the total number of branches to 79

The network of ABA 24/7 self-banking spots was launched for round-the-clock banking without queuing at bank branches

ABA Mobile was upgraded with Visa Direct, Instant Loan, Ria and MoneyGram Money Transfers, Special Account Number, support of the Chinese language, and other features

ABA retained "B+" credit rating with Stable outlook from S&P Global Ratings Agency

ABA Bank became a member of Project Bakong to promote financial inclusion and the use of Riels

ABA Bank joined the SME Co-Financing Scheme 2020 aimed at providing affordable interest loans to support SMEs in the country

ABA Mobile won the prestigious award "Mobile Banking and Payment Initiative of the Year in Cambodia"

ABA released the PayWay Mobile app to boost cashless payments acceptance for businesses in Cambodia

PayWay online payment gateway won the second "Best eCommerce Payment Solution in Cambodia" award

ABA received the "Best Bank in Cambodia 2020" titles from the Euromoney and Global Finance magazines

The Bank organized various fundraising events and donated funds through the National Bank of Cambodia and the Association of Banks in Cambodia to fight the spread of Covid-19

2021

ABA Bank opened two new branches in Mondulkiri and Pailin, bringing the total of offices to 81

ABA expanded the network of ABA 24/7 self-banking spots with 11 more locations

ABA launched the Instant Account feature in the ABA Mobile app to allow customers open first accounts anywhere on the smartphone

ABA retained "B+" credit rating with Stable outlook from the S&P Global Ratings Agency

The Bank was recognized as one of Cambodia's top taxpayers in 2020

ABA started offering tax collection for the government via multiple channels

ABA integrated with QuickBooks Online and Xero to enhance its Internet Banking for Business platform

ABA donated 1 million USD to the Royal Government for the support of the fight against Covid-19

ABA invested \$30 million in the development of Techo International Airport

ABA announced the launch of the JCB cards acceptance in its network across Cambodia

ABA Bank partnered with Credit Guarantee Corporation of Cambodia Plc. to provide loan support to MSMEs on business expansion, investment, and working capital

JP Morgan recognized ABA's excellence in processing USD transfers for the second year in a row

ABA Bank received the Best Bank in Cambodia awards from Asiamoney, The Banker, Asian Banking and Finance, Euromoney, and Global Finance magazines

CORRESPONDENT BANKS

Currency	Correspondent Bank Name	SWIFT Code
USD	JPMorgan Chase Bank National Association, USA	CHASUS33
USD	Standard Chartered Bank, USA	SCBLUS33
USD	Standard Chartered Bank (Singapore) Limited	SCBLSG22
USD	Woori Bank, South Korea	HVBKKRSE
USD	Kookmin Bank, South Korea	CZNBKRSE
USD	KEB Hana Bank, South Korea	KOEXKRSE
USD	DBS Bank, Singapore	DBSSSGSG
USD	Oversea-Chinese Banking Corporation, Singapore	OCBCSGSG
USD	Joint Stock Commercial Bank for Foreign Trade of Vietnam, Vietnam	BFTVVNVX
VND	Joint Stock Commercial Bank for Foreign Trade of Vietnam, Vietnam	BFTVVNVX
CAD	National Bank of Canada, Canada	BNDCCAMMINT
USD	National Bank of Canada, Canada	BNDCCAMMINT
EUR	National Bank of Canada, Canada	BNDCCAMMINT
EUR	Commerzbank AG, Germany	COBADEFF
GBP	Standard Chartered Bank, UK	SCBLGB2L
SGD	DBS Bank, Singapore	DBSSSGSG
CNY	China Construction Bank Corporation, China	PCBCCNBGPS
THB	Standard Chartered Bank (Thai), Thailand	SCBLTHBX
THB	Kasikornbank Public Company Limited, Thailand	KASITHBK
KRW	Woori Bank, South Korea	HVBKKRSE
AUD	JPMorgan Chase Bank National Association, Australia	CHASAU2X
JPY	Sumitomo Mitsui Banking Corporation, Japan	SMBCJPJT

BRANCH NETWORK

HEAD OFFICE

No. 141, 146, 148, and 148 ABCD, Preah Sihanouk Blvd,
and No. 15 and 153 ABC, Street 278, Sangkat Boeung Keng Kang I,
Khan Boeung Keng Kang, Phnom Penh, Kingdom of Cambodia

1 800 203 203 (Toll-free)
(+855) 23 225 333

info@ababank.com
www.ababank.com

P.O. Box 2277
SWIFT: ABAKHPP

AEON Mall 2	098 203 149	Kampot	098 203 959	Ou Baek K'am	098 203 799	Sihanoukville	098 203 899
Angk Snuol District	098 203 489	Kampong Tralach District	081 204 149	Paoy Paet	098 203 019	S'ang District	098 203 369
Bakan District	081 204 209	Kandal Stueng District	098 203 619	Pailin	081 204 659	Snuol District	098 203 099
Bati District	098 203 649	Kampong Cham	098 203 879	Pea Reang District	081 204 292	Soutr Nikom District	081 204 283
Battambang	098 203 839	Kampong Chhnang	098 203 039	Peam Ro District	098 203 629	Stade Chas	098 203 819
Baray District	098 203 739	Kampong Thom	098 203 429	Phsar Derm Thkov	098 203 689	Stoung District	081 204 355
Banteay Meanchey	098 203 759	Kien Svay District	098 203 479	Phsar Leu (Siem Reap)	098 203 679	Stung Mean Chey	098 203 889
Bavet	098 203 389	Koh Kong	081 204 123	Preah Netr Preah District	081 204 262	Stung Treng	081 204 090
Borei Keyla	098 203 869	Kaoh Thum District	081 204 186	Prey Nob District	081 204 297	Svay Chrum District	098 203 349
Central	098 203 199	Kratie	098 203 049	Preah Vihear	081 204 590	Svay Rieng	098 203 029
Central Market	098 203 979	Krong Siem Reap (Angkor)	098 203 089	Prey Chhor District	081 204 189	Takeo	098 203 909
Chamkar Doung	098 203 579	Mao Tse Tong	098 203 809	Prey Veng	098 203 059	Takhmao	098 203 919
Chamkar Leu District	081 204 053	Memot District	098 203 639	Pursat	098 203 969	Tboung Khmum	098 203 769
Chbar Ampov	098 203 929	Mongkol Borei District	081 204 029	Rattanakiri	098 203 499	Tmar Kol District	098 203 789
Chhuk District	098 203 729	Mittapheap	081 204 307	Russey Keo	098 203 659	Tram Kak District	098 203 709
Chraoy Chongvar	098 203 189	Mondulkiri	081 204 567	Saensokh	098 203 779	Toek Thla	098 203 849
Cheung Prey District	098 203 749	Moung Ruessei District	098 203 459	Santhormok	098 203 469	Toul Kork	098 203 859
Chaom Chau	098 203 939	Mukh Kampul District	098 203 159	Samdech Monireth	081 204 019	Toul Kork 2	098 203 637
Chaom Chau 2	081 204 420	Odongk District	098 203 379	Samdech Sothearos	098 203 983		
Independence Monument	098 203 001	Oddar Meanchey	081 204 693	Samraong Tong District	098 203 719		
Kampong Speu	098 203 949	Operational Hall of Head Office	098 203 179	Siem Reap	098 203 829		

3

Corporate Governance

SHAREHOLDERS

As of the end of 2021, the shareholding structure of ABA Bank is as follows:

Name of Shareholder	Number of Shares	Amount in USD
National Bank of Canada	519,999	519,999,000
Natcan Trust Company	1	1,000
Total	520,000	520,000,000

1 share = USD 1,000

National Bank of Canada

ABA is a subsidiary of National Bank of Canada (www.nbc.ca), a financial institution with around US\$289 billion in assets as of January 31, 2022, and huge network of correspondent banks all over the world. Being a shareholder of ABA Bank from 2014, National Bank of Canada becomes the first major financial institution from the North American continent to enter the Cambodian banking sector. Headquartered in Montreal, it has branches in almost every Canadian province with 2.7 million personal clients. It is the sixth largest bank in Canada and the leading bank in Quebec where it is the partner of choice among SMEs.

Natcan Trust Company

Natcan Trust Company was incorporated in 1992 under the Trust and Loan Companies Act (Canada), and is an indirect wholly-owned subsidiary of National Bank of Canada (the "Ultimate Parent Company"). Its head office is located in Montreal, Quebec, Canada.

The primary financial activities of Natcan Trust Company consist of providing deposit products through the ultimate parent company's branch network and acting as a trustee.

ANNUAL GENERAL MEETING OF SHAREHOLDERS

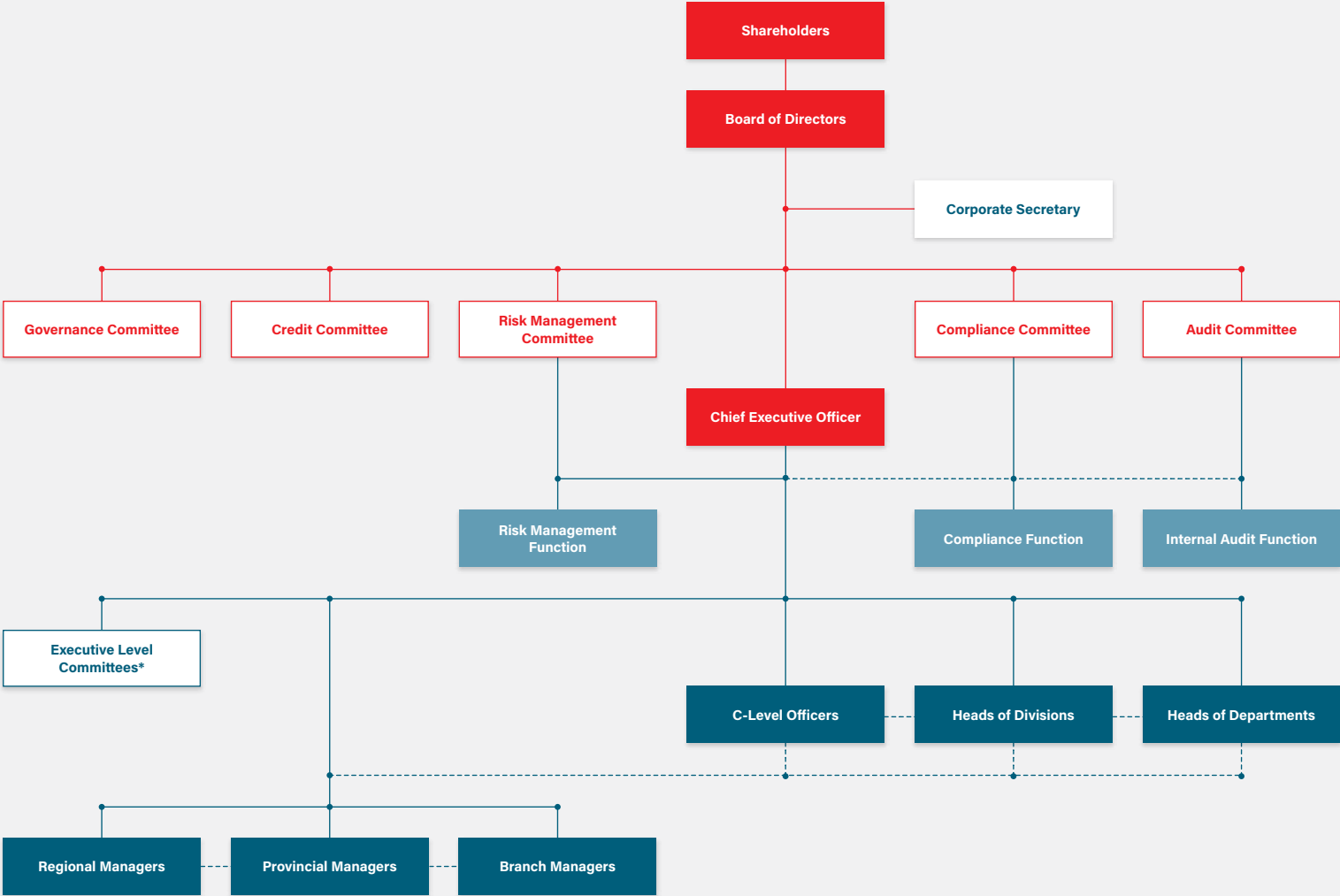
ABA Bank holds its Annual General Meeting of Shareholders following the Law on Commercial Enterprises, the Articles of Association, and other relevant regulations.

In 2021, the Annual General Meeting of Shareholders was held on 19 April with the participation of the representatives of the Bank shareholders. The decisions made at the meeting:

1. The Annual General Meeting of Shareholders considered the financial results of ABA Bank for the year ended 31 December 2020 positively.
2. The Annual General Meeting of Shareholders approved the Audited Financial Statements of ABA Bank for the year ended 31 December 2020.

CORPORATE GOVERNANCE STRUCTURE CHART

(AS AT FEBRUARY 1, 2022)



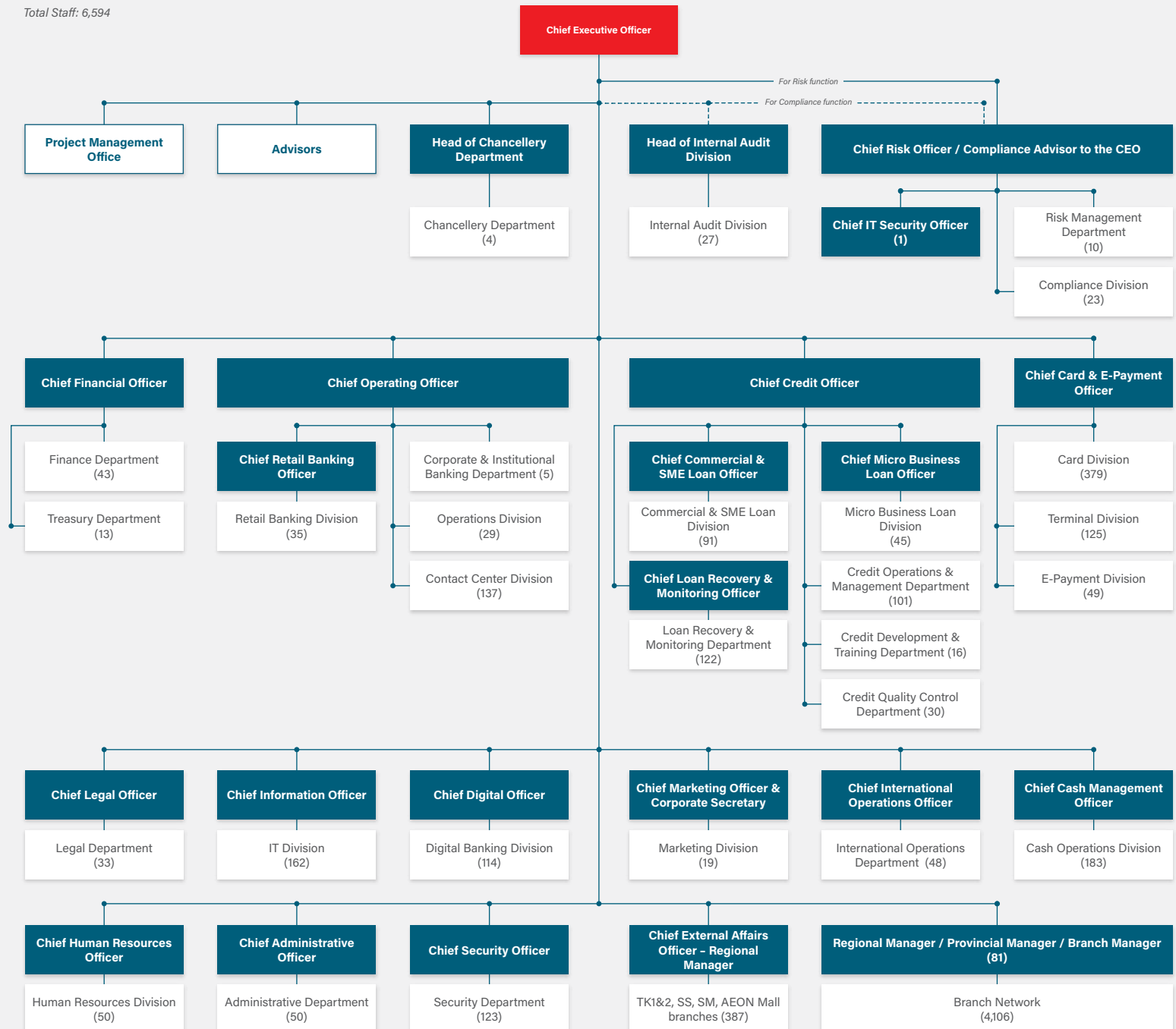
* Executive Level Committees are as follows:

- Assets and Liabilities Committee
- HR Committee
- Executive Compliance Committee
- Executive Credit Committee
- Complaint Resolution Committee
- IT&Digital Banking Development Committee
- Operational and Reputational Risk Committee
- Conventional Product and Business Process Committee

MANAGEMENT ORGANIZATION CHART

(AS AT FEBRUARY 1, 2022)

Total Staff: 6,594



BOARD OF DIRECTORS



YVES JACQUOT

Chairman

Yves Jacquot graduated from ESSEC in France. Between 1980 and 1993, he occupied different positions, including the position of CEO in different banks and financial institutions in France, as well as in retail banking sector, investment and financial markets sectors and asset management sector.

He entered BRED Banque Populaire in 1993 and then became the deputy CEO of the Bank and CEO of COFIBRED, the holding company owning the subsidiaries of the group.

Yves Jacquot is currently holding the position of the Head of International Development for the National Bank of Canada Group.

Mr. Jacquot joined the Board of Directors of ABA Bank in 2014.



DOMINIC JACQUES

Director

Dominic Jacques is a graduate of HEC in Canada, Chartered Accountant (CPA, CA) and CFA Charterholder.

Mr. Jacques holds the position of Deputy Vice-President, International Development at National Bank of Canada. He is responsible for managing the Bank's international investments portfolio as well as developing ancillary business opportunities.

He started his career at PriceWaterhouseCoopers. Then joined National Bank of Canada in 2010 in the Strategy and Corporate Development team. He was advising the Bank's senior management on strategic initiatives, partnerships and M&A activities.

Dominic Jacques has a sound knowledge of the banking industry and has been based in Montreal, London, Paris, as well as in USA.

In 2016, Mr. Jacques was appointed to the Board of Directors of ABA Bank.



MADI AKMAMBET

Executive Director

Madi Akmambet holds an Executive MBA with distinction from Cass Business School, City University London (2013) and a degree in Economics from the Kazakh State Academy of Management (1996).

Started career in 1997 in the Treasury Department of the Ministry of Finance of the Republic of Kazakhstan and then Banking Supervision Department of the National Bank of Kazakhstan.

Between 2000-2007, he held top management positions at several national companies, the Financial Institutions' Association and commercial banks in Kazakhstan.

His international working experience started in 2007 with business projects in Uzbekistan run by the Kazakhstan-based private equity firm Visor Holding.

In 2009, Mr. Akmambet was appointed the CEO of ABA Bank, where he had led a major turnaround of the Bank. Since 2012, he has been the Executive Director of the Board of Directors.



MARTIN OUELLET

Director

Having graduated from the École des Hautes Études Commerciales in Montreal, Martin Ouellet is a treasury management specialist, actively involved in the management of liquidity and funding, as well as financial risks related to interest rates and foreign exchange. Started his career in 1977 with Crédit Foncier Franco-Canadien and worked for more than 30 years at National Bank of Canada, where he raised to the position of Senior Vice-President and Corporate Treasurer.

Mr. Ouellet now acts as a corporate director. In that capacity, he served on the board or advisory board of various institutions, of which the Auditing and Assurance Standards Oversight Council and Assurance-vie Banque Nationale (Canada). He is also a member of the Institute of Corporate Directors (Canada).

Mr. Ouellet joined the Board of Directors of ABA Bank in 2019.



CHRISTIAN ST-ARNAUD

Director

Christian St-Arnaud graduated from the École des Hautes Études Commerciales in Montréal, Canada. Between 1983 and 2009, he occupied different positions in international and Canadian financial institutions in Canada, with a focus on credit capital market.

Joined National Bank of Canada in 2009 as Vice-President – Credit capital market and real estate and was appointed Senior Vice-President – Credit in 2012, overseeing all retail, commercial, and financial market credit activities of the Bank, including adjudication, portfolio management, and credit model development. He was also a member of numerous senior committees of the Bank, including the Global risk committee, the Risk management committee and the Model oversight committee.

Mr. St-Arnaud joined the Board of Directors of ABA Bank in 2019.



PAOLO PIZZUTO

Director

Paolo Pizzuto graduated from Université du Québec à Montréal in 2003, with a Master's Degree in Business Administration.

A career banker, he joined National Bank of Canada in 1986 where he occupied several positions within the organization until 2001, when he was appointed Vice-President Sales and Service.

Over the following years, he was assigned several executive functions that spanned across Retail and Commercial Banking, Payment Solutions, Process and IT Transformation.

Since 2015, Pizzuto holds the position of Senior Vice-President, Retail Banking. He also occupies the role of Chairman of the Board of Natbank, a US bank in the state of Florida and has been an acting governor for the Canadian Italian Foundation since 2004.

Mr. Pizzuto joined the Board of Directors of ABA Bank in 2020.



HENRI CALVET

Independent Director

Qualifications of Henri Calvet: Graduate of Ecole Normale Supérieure de Cachan and University degree (Economics, Paris-I Panthéon-Sorbonne).

Mr. Calvet is the founder of H2C CONSEIL, a company offering advisory and training services to credit institutions and securities firms, in the following main fields: banking accounting, internal control (including risk management and compliance control), and prudential rules.

Prior to setting up his own business, Mr. Calvet had spent 10 years with the French Banking Commission and had later worked for numerous banks, namely, Compagnie Financière Edmond de Rothschild Banque and Compagnie Parisienne de Reescompte, inter-alia.

Mr. Calvet joined the Board of Directors of ABA Bank in 2016.



ETIENNE CHENEVIER

Independent Director

A graduate from Ecole Poly-technique and Ecole des Ponts et Chaussées in France, Etienne Chenevier started his career at the French Ministry of Industry. He then joined the Air Liquide Group where he created in 1993 the first operations in China before being given responsibility of large supply contracts of industrial gases to the steel sector in Asia. After that, Etienne joined Rio Tinto where he developed a number of operations in Singapore, Australia, China and Japan.

He then partnered with the French private equity firm CityStar to create their Asian Division in 2005, of which he is Partner and Director.

In 2014, Mr. Chenevier was appointed as the member of the Board of Directors in ABA Bank.



GUY QUADEN

Independent Director

Guy Quaden graduated in economic and social sciences from the University of Liège (Belgium) and La Sorbonne (France). He obtained a PhD in economics at the University of Liège in 1973.

Between 1988 and 1996, he was a member of the Board of the National Bank of Belgium and later appointed as General Commissioner for the Euro of the Belgian government. After accomplishing this role, Quaden became the Governor of the National Bank of Belgium from 1999 until 2011. During the same period, he was a member of the Governing Council of the European Central Bank, IMF Governor for Belgium, and member of the Board of the Bank of International Settlements.

Mr. Quaden joined the Board of Directors of ABA Bank in 2019.

BOARD MEETINGS

No.	Date	Meeting Type	Names of Directors Attending the Meeting
1	March 25	Physical meeting with video conference broadcast	Yves Jacquot Dominic Jacques Madi Akmambet Martin Ouellet Christian St-Arnaud Paolo Pizzuto Etienne Chenevier Henri Calvet Guy Quaden
2	June 9	Physical meeting with video conference broadcast	Yves Jacquot Dominic Jacques Madi Akmambet Martin Ouellet Christian St-Arnaud Paolo Pizzuto Etienne Chenevier Henri Calvet Guy Quaden
3	August 11	Physical meeting with video conference broadcast	Yves Jacquot Dominic Jacques Madi Akmambet Martin Ouellet Christian St-Arnaud Paolo Pizzuto Etienne Chenevier Henri Calvet Guy Quaden
4	November 24	Physical meeting with video conference broadcast	Yves Jacquot Dominic Jacques Madi Akmambet Martin Ouellet Christian St-Arnaud Paolo Pizzuto Etienne Chenevier Henri Calvet Guy Quaden

BOARD COMMITTEES

1. AUDIT COMMITTEE

No.	Name	Position	Number of Meetings Attended	Total Number of Meetings
1	Etienne Chenevier	Chairman	4	4
2	Henri Calvet	Member	4	
3	Christian St-Arnaud	Member	4	
4	Paolo Pizzuto	Member	4	

Results of Audit Committee Performance

In 2021, Audit Committee convened 4 meetings; the meetings were convened every quarter.

The following activities have been made by the Committee:

- Discussed and resolved internal audit findings;
- Discussed the KPIs for the Internal Audit team, budgeting, and staffing matters;
- Reviewed implementation following recommendations from the Internal Audit Department and Audit Committee;
- Discussed the ECL calculation for the loans restructured due to Covid-19;
- Reviewed training report for internal auditors;
- Conducted meeting with external auditors;
- Approved annual reports to regulators;
- Reviewed and approved work plan of Internal Audit for 2022;
- Approved the appointment of external auditors;
- Evaluated annual performance of the Head of the Internal Audit Division;

2. GOVERNANCE COMMITTEE

No.	Name	Position	Number of Meetings Attended	Total Number of Meetings
1	Yves Jacquot	Chairman	4	4
2	Dominic Jacques	Member	4	
3	Etienne Chenevier	Member	4	

Results of Governance Committee Performance

In 2021, Governance Committee convened 4 meetings; the meetings were convened every quarter.

The following activities have been made by the Committee:

- Reviewed the information on Related Parties Transactions;
- Reviewed the Cost/Income Analysis Report by Business Lines;
- Discussed the schedule of the Board and its Committees meetings in 2021 and 2022;
- Discussed the remuneration amount for Heads of Departments and Talent Pool as per ABA Succession Plan 2021-2022;
- Discussed the Board meeting fees for BOD members.

3. RISK MANAGEMENT COMMITTEE

No.	Name	Position	Number of Meetings Attended	Total Number of Meetings
1	Dominic Jacques	Chairman	4	4
2	Martin Ouellet	Member	4	
3	Etienne Chenevier	Member	4	
4	Guy Quaden	Member	4	

Results of Risk Management Committee Performance

In 2021, Risk Management Committee convened 4 meetings; the meetings were convened every quarter.

The following activities have been made by the Committee:

- Discussed the Risk Profile of the Bank;
- Discussed the annual update of Risk Appetite Metrics;
- Discussed the implementation of Liquidity Risk Management Framework;
- Discussed Open Currency Position limit and special limits for FIs;
- Approved the updated Credit Limits Policy for Interbank Operations and new Market Risk Policy of the Bank;
- Reviewed the Bank's Information Security Profile and approved Information Security Policies of the Bank;
- Discussed the Bank's Business Continuity Management (BCP);
- Discussed Penetration Test reports and approved Penetration Test Annual Plan 2022;
- Evaluated annual performance of Head of Risk Management Department.

4. COMPLIANCE COMMITTEE

No.	Name	Position	Number of Meetings Attended	Total Number of Meetings
1	Henri Calvet	Chairman	4	4
2	Paolo Pizzuto	Member	4	
3	Dominic Jacques	Member	4	
4	Guy Quaden	Member	4	

Results of Compliance Committee Performance

In 2021, Compliance Committee convened 4 meetings; the meetings were convened every quarter.

The following activities have been made by the Committee:

- Discussed Compliance Profile of the Bank;
- Discussed and approved the updated AML/CFT Policy and new Compliance Management Policy and Insider Trading Policy of the Bank;
- Discussed FATCA reporting in 2021;
- Discussed Quality Control Department performance on Compliance;
- Approved revisions of the Anti-Bribery and Anti-Corruption Policy;
- Discussed Regulatory Compliance Risk Report;
- Evaluated annual performance of Chief Compliance Advisor to the CEO and the Head of the Compliance Department.
- Approved the FATCA Policy.

5. CREDIT COMMITTEE

No.	Name	Position	Number of Meetings Attended	Total Number of Meetings
1	Christian St-Arnaud	Chairman	4	4
2	Dominic Jacques	Member	4	
3	Martin Ouellet	Member	4	
4	Henri Calvet	Member	4	

Results of Credit Committee Performance

In 2021, Credit Committee convened 4 meetings; the meetings were convened every quarter.

The following activities have been made by the Committee:

- Discussed the Credit Portfolio of the Bank;
- Discussed the performance vs. regulatory requirements for loans in KHR;
- Discussed overlay ECL amount for the loans restructured due to Covid-19;
- Revised the Credit Risk Grading methodology;
- Discussed the lending strategy to LSMEs;
- Approved revisions to the Credit Policy of the Bank.

CHANGES OF COMMITTEE MEMBERSHIP

No.	Committee	Name	Reasons
1	Audit	N/A	N/A
2	Governance	N/A	N/A
3	Risk Management	N/A	N/A
4	Compliance	N/A	N/A
5	Credit	N/A	N/A

SENIOR MANAGEMENT TEAM



Askhat Azhikhanov
Chief Executive Officer



Babu Ram Gyawali
Chief Financial Officer



Galymzhan Temirov
Chief Information Officer



Bibhu Pandey
Chief Credit Officer



Sanzhar Abdullayev
Chief Card and E-Payments Officer



Zokhir Rasulov
Chief Digital Officer



Zhiger Atchabarov
Chief International Operations Officer



Polin Mey
Chief Operating Officer



Igor Zimarev
Chief Marketing and CSR Officer,
Corporate Secretary



Praseth Kong
Chief Audit Advisor to the CEO



Torsten Kleine Buening
Chief Risk Officer and
Compliance Advisor to the CEO



Long Ninlida
Chief Cash Management Officer



Ly Vithiea
Chief Human Resources Officer



Chhun Vichet
Chief Retail Banking Officer



Eang Sosen
Chief Legal Officer



Sem Lida
Chief Medium and
Large Business Lending Officer



Sar Chanrith
Chief Micro Business Loan Officer



Noy Sinak
Chief Loan Recovery Officer



Ath Dalen
Chief Administrative Officer



Pech Kimkhun
Chief Security Officer



Theam Romny
Chief External Affairs Officer,
Regional Manager

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Our Accomplishments

CUSTOMER SERVICE DEVELOPMENT

Following our Mission and Values, ABA kept deploying customer-centric solutions to make the financial lives of our customers better and easier.

We brought our business process engineering to the next level, whereby most of the Bank's services can be self-operated through different channels and platforms. With such an approach and skillful team, we acquired 1.1 million new accounts.

In 2021, 603,000 new customers joined ABA Bank, and 600,000 of them became ABA Mobile users, which fully aligns with our goal of

equipping all customers with access to the best-in-class mobile banking solution. This customer base growth contributed to the balance sheet growth, where total deposits increased to USD 6.8 billion as of the end of this year. ABA has also almost doubled the number of KHR accounts opened, supporting the use of our local currency.

We expanded our branch network further by opening two new branches in the Monduliri and Pailin provinces in the reporting period. The Bank's 24/7 self-banking network also extended its geographical presence by opening 11 spots in Phnom Penh, Poipet, and Sihanoukville. Since

the launch in July 2020, these spots have been used more than 1 million times, which proves their convenience for customers.

In September, the Ministry of Economy and Finance appointed ABA Bank to accept tax payments on behalf of the General Department of Taxation. As a socially responsible enterprise, ABA is honored to assist the government in tax collection, contributing to the development of the effective cashless payment system in the country.

ABA MOBILE APP ENHANCEMENT

ABA Mobile is the first full-scale mobile banking app in Cambodia with over 250 million transactions per year. It received a myriad of new enhancements and features in 2021 to keep providing our customers and ideal financial tool for those who want convenient and hassle-free banking.

The Bank made its services even more available to unbanked Cambodians via a breakthrough feature of ABA Mobile called Instant Account. With Instant Account, Cambodians can now open their first ABA account with just their smartphone and National ID without visiting the bank branch. The feature became very popular with more than 300,000 Instant Accounts opened during the year.

We also launched the Mobile Savings Account, Mobile Fixed Deposit Account, Mobile Flexi Account, and E-Cash service in Khmer Riels to support the use of local currency.

In addition to this, we enabled QR cash withdrawals from over 570 ATMs and CRMs across the country by simply using the ABA Mobile app to scan a QR code displayed on the machine without the use of a bank card for cash withdrawals.

In partnership with the largest telecom operator Smart Axiata, we introduced the secure and customer-friendly solution for users' identification and protection, IPification. It is a one-click registration, authentication and fraud-prevention system that enables end users to verify their phone number, register and log in within milliseconds. Developed with security, user experience and data privacy in mind, it allows us to enhance the user experience on our mobile banking app.

In 2021, we significantly enhanced our QR code cashless payment service, ABA PAY, by enabling static QR payments in USD and KHR, and

introduced the Default Account feature for better spending management. As for the acceptance of QR payments, we further extended the service to more than 180,000 merchants across the country who are now accepting cashless QR payments from ABA Mobile app users and other banks who support KHQR.

Other enhancements and upgrades in the ABA Mobile app also enable users to pay utility bills by scanning invoice's barcode, settle EDC payments in more provinces and districts, set scheduled payments and transfers for regular transactions, open trading account for brokerage activities. All digitally with no cash involved.

PAYWAY PLATFORM EXPANSION

During the Covid-19 pandemic, the local eCommerce industry saw a tremendous boost when many offline businesses shifted to online sales. PayWay, the Bank's own online payment gateway designed with deep understanding of the local market's needs, fills the gap to help local entrepreneurs bringing their products or services online and accept payments instantly.

The two-time winner of the "Best eCommerce Payment Solution in Cambodia" award by Asia eCommerce magazine is offered at competitive rates and becomes the best-in-class tool for various local businesses, such as airlines, online travel portals, online shops, food delivery, hotels, restaurants, and others.

In 2021, the PayWay online payment platform was upgraded to Merchant Portal 2.0 with greater user experience and performance. Additional payment options were added and

now embrace ABA PAY, KHQR, Visa, Mastercard, UPI, and JCB cards. We further improvised the checkout experience and several features of the checkout Sales Report where reports can now be downloaded according to the customized period, the transaction history filter can be personalized to identify specific payer, and more.

Following the partnership with the Royal Government of Cambodia to facilitate payment collection on Ministry of Economy and Finance's Single Portal for online payment collections announced in mid-2020, the PayWay platform is now aiding various ministries such as the General Department of Taxation, the Ministry of Industry, Science, Technology and Innovation, Ministry of Tourism, Ministry of Post and Telecommunications, and Real Estate Business and Pawnshop Regulator of the Non-Bank Financial Services Authority to collect taxes,

payments on registration, permits and others, from individuals and businesses using either ABA PAY or bank cards.

The mobile application version introduced in 2020, the PayWay Mobile app also received several enhancements. It is now available on both iOS and Android platforms. This improvement means more merchants can start accepting instant cashless payments in KHR and USD for their businesses via smartphones. We also introduced the Payment Link feature in the app to help merchants, especially social media sellers and service providers, to collect payments via a payment link, which can contain the item's price, description, and even a photo. Merchants can also use the app to monitor their sales with filtering options in real-time, view transaction history, and share e-receipts.

INTERNET BANKING FOR BUSINESS

2021 was an exceptional year for ABA's iBanking for Business (IBB) with several new features added to the product. The Bank relied on feedbacks from its corporate clients and market research to meet the needs of the market as well as improve the overall user experience.

One such feature is Virtual Accounts, which is designed for businesses who are receiving a large volume of payments and struggling with reconciliations. IBB's Virtual Accounts solution helps ABA Bank's corporate clients in eliminating human errors due to manual reconciliations while helping to reduce operational costs. This helps the Bank's corporate customers to save valuable

time spent so they can focus on their business operations. The Virtual Accounts feature was further enhanced by the integration with POS terminals. It improved visibility of the cashflow operations for businesses who are running multiple outlets with POS terminals.

To further improve the security and convenience for IBB users, ABA Bank launched the DigiGuard app. The use of the DigiGuard app brought extra convenience to IBB users so they can authorize any transaction using just their mobile device. It removes the need to carry a separate device for authorization, thereby vastly improving efficiency and security for IBB users.

Continuing ABA Bank's strategic focus on small businesses, the IBB platform announced its integration with Xero, a cloud-based accounting platform. Business owners who are using IBB can now link their ABA business account to the Xero account and reconcile transactions automatically. Xero is highly popular and it is officially recognized by Cambodia's General Department of Taxation as well as highly recommended by several established accounting firms in the country.

IT & CYBER SECURITY

The advancements of ABA Bank's digital banking platform rest upon the reliable IT infrastructure and strict IT measures to protect customers' data and the Bank's own IT infrastructure.

In 2021, we built and fully equipped a new standalone Data Center in Phnom Penh to securely store our data backups, improve the resilience of our IT platforms, and cover the expansion of the Bank's IT infrastructure for the years to come. Our IT team has also successfully deployed the Cloudflare Workers solution to improve access to the Bank's platforms and applications and boost their performance. With Cloudflare, our systems are now more protected and remain more accessible to customers.

With Secure Software Development Lifecycle, another significant enhancement in IT in 2021,

our in-house developers now produce more secure software, while the IT Security team can detect vulnerabilities on different levels and, more importantly, reduce inherent business risk for the Bank.

The implementation of Cisco Network Access Control strengthened our cyber security, allowing the Bank to monitor which devices are trying to use the Bank's network and block unauthorized access. This solution became handy as the pandemic impacted our operations and we had to adapt to the changes when our staff needed to access the Bank's corporate network from home during lockdowns and travel restrictions.

And with Advanced Security Detection Capability, we have upgraded our security detection and response capabilities to ensure

that the team covers all cyber threats and timely responses to cybersecurity alerts with the 24/7 monitoring system in place.

To ensure that we cover all security bases, we also repeatedly provided up-to-date security awareness reminders to our staff and conducted social engineering testing to assess our employees' adherence to the security policies and practices defined by the Bank.

These ongoing IT and cybersecurity efforts were part of our continuous plan to monitor, prevent and detect fraud, and maintain the security of our customers' information and the Bank's assets to ensure our customers' most secure banking experience.

INTERNATIONAL OPERATIONS

ABA's International Operations team in 2021 continued enhancing existing relationships with our correspondent banks and establishing new links to provide the best solutions for cross-border transactions for our customers.

During the year, the Bank processed more than USD 5.9 billion worth of international SWIFT transfers, having executed hundreds of thousands of instant remittances to ensure people in Cambodia will receive and send money timely and accurately. We also opened more correspondent accounts, bringing the total number of available currencies to 110. Thus, the number of incoming SWIFT transfers grew 36% comparing to 2020, while outgoing transfers increased 43%.

The numbers are outstanding, but the quality of every payment and money transfer continued to be very high. It was recognized for the second

time in a row by one of the world's largest banks JP Morgan Chase, who bestowed an award upon ABA, confirming the share of flawless transactions at a remarkable 99.5%.

In July, ABA Bank announced partnership with Thunes, a leading global payments network. It enables Cambodians overseas to send money back home quicker and cheaper from around the world. In a further boost to efficiency and transparency, locals and expats in Cambodia will also be able to receive real-time bank account transfers from Thunes' extensive network of sending partners, in addition to cash payouts already made available through Thunes.

Our Trade Finance team supported almost 1,000 import and export transactions, which significantly contributed to the recovery of the Cambodian economy and enhanced the country's international cooperation.

In December, the S&P Global Ratings Agency reaffirmed ABA's credit rating at 'B+' with Stable outlook, the highest possible notch in Cambodia. It reflects S&P's view that the Bank can sustainably manage rapid loan and deposit growth as the country emerges from the Covid-19 pandemic. The experts also noted that ABA's digital platforms are a competitive advantage that supports loan and deposit expansion. Compared with domestic peers, the Bank employs more sophisticated risk management systems, including cash flow analysis, to support its credit decisions.

RISK MANAGEMENT IMPROVEMENTS

Our Risk Management ensures an integrated approach to managing current and emerging threats. The function plays an essential role in business development and execution, where our risk appetite framework facilitates risk-return discussions and sets boundaries to prudent risk-taking.

In 2021, we continued to advance and improve our risk management framework and systems according to the National Bank of Canada's standards, regulatory requirements from the National Bank of Cambodia, and international best practices.

We focused on:

- implementing and rolling out advanced Operational and Fraud Risk Management;
- maintaining low levels of credit risk while supporting the Cambodian economy through loan restructuring; and
- measurement and monitoring of financial risks.

We strived to protect our customers and organization by investing in cybersecurity capabilities, helping us to execute business priorities and grow safely. We focus on controls to prevent, detect, and mitigate the impacts of

persistent and increasingly advanced cyber threats.

Throughout the pandemic, we have continued to support our customers and adapted our operational processes. We maintained high levels of service as our people, processes, and systems responded to the required changes while fully adhering to preventive health measures implemented by the Royal Government of Cambodia.

The Bank's growth strategy, balancing prudent risk-taking with growth, is supported by the continuous advancements and improvements of the Risk Management framework and systems.

INTERNAL AUDIT STANDARDS

In the reporting year, ABA Internal Audit Division commits to continuous improvement to fulfill the role as the GRC Partner, planned to be achieved by 2023. The main governance objective of Internal Audit Division is to enhance the current audit standards and practices which included the five pillars of self-assessment in internal audit function (Governance Processes, Audit Process, Audit Tools, Soft Skills, and Hard Skills).

In 2021, the division improved its actual implementations for both Head Office and branch audit mandates throughout the year via the following approaches:

- Continue to refine the audit risk-based approaches and techniques;
- Continue to coach and train all Internal Audit staff on the standards and practices; and
- Apply the quality control examination on the selected audit mandates continuously.

The impact from the Covid-19 outbreak does not deter the auditing process. To maintain high quality of auditing compliance while adapting to the situation, the Internal Audit Division conducted remote audit techniques for the

Branch audit in order to adhere the measure guidelines set by the Royal Government and the Bank.

In 2021, the Division conducted 31 planned audit mandates along with 82 surprise auditing activities at the Bank's Head Office and in branches. To maintain the high quality of the auditing, the Internal Audit Division regularly updates the procedures and practices to accustom with the changes of the Bank in order to ensure the proper and adequate objectives and scope of each audit mandate.

COMPLIANCE DEVELOPMENT

In 2021, the Compliance Division continued its efforts to advance the management of regulatory risks, enhanced the compliance risk management tools, reengineered the automated compliance systems, and revised the scope of responsibilities and work processes to improve its efficiency.

The Bank kept investing further in human resources, especially developing local talent, and technology for Compliance to proactively implement and maintain appropriate policies, frameworks, and procedures to be on track with the evolving regulatory obligations.

The Compliance Management function monitors regulatory and wider industry developments closely. It also engages with relevant regulators

to help ensure new regulatory requirements are implemented effectively and timely, adjusting our policies, procedures, and controls where required.

The pandemic situation, especially with the lockdowns and movement restrictions in the first half of 2021, posed a challenge to our customers. Compliance Management assisted the Bank's business teams in supporting our clients during this challenging period and helped to facilitate regulatory compliant conduct while fully adhering to preventive health measures.

STRATEGIC HUMAN RESOURCES MANAGEMENT

Standing firm and strong as one of the leading digital banks in Cambodia, ABA adheres to performance-based principles to reward and acknowledge our employees and stand by our internal talents to build their career aspirations with us through internal opportunities and exposures that accounted for 1,848 individuals among the total employees of 6,678 in 2021.

Despite the pandemic, we proactively executed talent acquisition strategies which a total of 2,691 vacancies were fulfilled mainly via virtual interviews and selections to provide workforce in a timely manner in response to the Bank's business expansion. Unceasingly, the Bank continues to offer opportunities for 249 aspiring candidates to obtain experience and exposure to the real banker's life through three-to-six-month Trainee and Internship Programs in various disciplines tailored for fresh graduates, undergraduates, and high school students.

On another milestone, 1,717 training classes were rolled out to all ABA employees on technical

skills, soft skills, and compliance courses to equip them with necessary skillsets, which resulted with an average score of 95/100. Owing to this strength of implementation, our employees were able to respond timely to the Bank's constant innovations and optimize organizational productivities with high-level of customer satisfaction. From the strategic point of view, we strive to maintain capacity development plan based on ABA's standard to manage their developments and positive contributions to the Bank.

With the Bank's commitments to ensure health and safety of our customers, employees, and their families, we adopted the New Normal caused by Covid-19 practices, during which preventative measures, medical support and supplies including but not limited to conduct frequent rapid tests, disinfect all workplaces, facilitate Covid-19 vaccination, and monitor end-to-end Covid-19 treatments of our employees. To maintain banking operations for our clients during the lockdown

restrictions, we progressively involved in Business Continuity Plan activation to facilitate internal communications as well as workforce deployment in compliance with relevant authorities while ensuring health and safety of all stakeholders.

Last but not least, our remuneration system remains competitive in the market following implementation of effective Performance Management and Reward Systems to acknowledge and compensate our high achievers. In accordance to our organization's core values, we strive to create a culture of diversity and inclusion in the workplace while promoting the values of equality, honesty and respect among our diverse employees.

CORPORATE SOCIAL RESPONSIBILITY

ABA Bank's CSR strategy in 2021 focused on the continuation efforts to relieve the impacts on businesses and people from the pandemic, especially after the February 20 community outbreak that disrupted the country's economy and society.

The Bank pursued its mission to make a positive contribution to local communities through sponsorship and CSR activities, and strategic partnerships to aid those affected by the economic slowdown due to the pandemic while continuing other efforts at empowering the underserved, supporting local sports culture, and promoting financial inclusion through digital financial solutions.

In 2021, ABA coordinated fundraising activities to fight Covid and contributing funds through the National Bank of Cambodia, the Association of Banks in Cambodia, and the Royal Government and donated USD 1 million to support the

government's efforts to stop the spread of the Covid-19 outbreak. The donation was appreciated by Samdech Techo Hun Sen, who issued Appreciation Letter to the Bank's top management and staff.

Throughout the year, ABA collaborated with local NGOs and brought meaningful contributions to support the well-being and sustainable future of Cambodian youths and children, such as a charitable contribution of USD 5,000 and in-kind support to EmbraceAbility to promote community empowerment and inclusion through education and sports, and promote the rights of disabled and disadvantaged children; a donation of USD 3,000 to Little Hearts Organisation to give the underprivileged and abandoned children a second chance of life, and to assist poverty-stricken local villages through poverty alleviation and community development projects; and an in-kind donation of educational materials to support

Sipar's Youth Employability project to promote youth employability and civic engagement in rural areas.

ABA continued its support towards the country's tennis movement and sports culture by contributing USD 10,000 for Tennis Cambodia's campaign to the 2021 Davis Cup by Rakuten in Isa Town, Bahrain. The fund was used to cover the team's travel and accommodation expenses, equipment, and general expenditures.

To further improve financial inclusion in the country, ABA launched Instant Account feature in ABA Mobile where any Cambodian adult got an opportunity to open their first ABA account with just their smartphone and valid ID card without travelling to any bank branch.

Also, 2021 is mainly dedicated to providing sustainable support to the MSMEs sector which impacted greatly by the global pandemic



and needed the necessary aid to help them put their feet back on the ground. ABA extended its participation in the SME Co-Financing Scheme 2021 to continue offering affordable interest loans to support SMEs under prioritized sectors. The Bank signed the Credit Guarantee Agreement which enabled ABA to support and assist more businesses who are financially viable but lack collateral via guarantees provided by Credit Guarantee Corporation of Cambodia Plc. (CGCC). Additionally, ABA became a sponsor of the Investment Readiness Program initiated by Khmer Enterprise to help high-potential SMEs, startups, and entrepreneurs be ready to secure the necessary capital for scaling up their businesses through practical training, coaching, and consulting.

Contributing towards the country's digital economy, ABA integrated its award-winning online payment platform, PayWay with the Ministry of Commerce's e-marketplace, CambodiaTrade.com to help Cambodian SMEs bring their businesses online and accept cashless payments in a convenient and secure way while providing knowledge-sharing and training for its registered SMEs. ABA also became the Fintech Participant of the Grand Online Shopping Fest by offering the complete set of its modern financial solutions to facilitate the first-of-its-kind event to help local MSMEs digitalize and engage in eCommerce with consumers.



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Audited Financial Statements

CORPORATE INFORMATION

BANK	Advanced Bank of Asia Limited	
REGISTRATION NO.	00010593	
REGISTERED OFFICE	No. 141, 146, 148, and 148 ABCD Preah Sihanouk Blvd., and No. 15 and 153 ABC, Street 278, and No. 171, Street Preah Trasak Paem, Phum 4, Sangkat Boeng Keng Kang Ti Muoy, Khan Boeng Keng Kang, Phnom Penh, Kingdom of Cambodia	
SHAREHOLDERS	National Bank of Canada Natcan Trust Company	
BOARD OF DIRECTORS	Mr. Yves Jacquot Mr. Dominic Jacques Mr. Madi Akmambet Mr. Martin Ouellet Mr. Christian St-Arnaud Mr. Paolo Pizzuto Mr. Guy Quaden Mr. Henri Calvet Mr. Etienne Chenevier	Chairman Director Executive Director Director Director Director Independent Director Independent Director Independent Director
KEY MANAGEMENT TEAM	Mr. Askhat Azhikhanov Mr. Babu Ram Gyawali Mr. Galymzhan Temirov Mr. Bibhu Pandey Mr. Sanzhar Abdullayev Mr. Zokhir Rasulov Mr. Zhiger Atchabarov Mr. Mey Polin Mr. Igor Zimarev Ms. Praseth Kong Mr. Torsten Kleine Buening	Chief Executive Officer Chief Financial Officer Chief Information Officer Chief Credit Officer Chief Card and E-Payments Officer Chief Digital Officer Chief International Operations Officer Chief Business Development Officer Chief Marketing Officer and Corporate Secretary Chief Audit Advisor to the CEO Chief Risk Officer and Compliance Advisor to the CEO
AUDITORS	Deloitte (Cambodia) Co., Ltd	

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors ("BOD" or "Directors") has pleasure in submitting its report together with the audited financial statements of Advanced Bank of Asia Limited (the "Bank") for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The Bank is principally engaged in all aspects of banking business and the provision of related financial services in the Kingdom of Cambodia. There were no significant changes to these principal activities during the year.

FINANCIAL RESULTS

The financial results of the Bank for the year ended 31 December 2021 were as follows:

	Year ended 31 December 2021		Year ended 31 December 2020	
	US\$	KHR Million	US\$	KHR Million
Profit before tax	264,710,786	1,076,845	188,870,923	770,025
Income tax expense	(52,686,608)	(214,329)	(37,462,774)	(152,736)
Profit for the year	212,024,178	862,516	151,408,149	617,289

RESERVES AND PROVISIONS

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

DIVIDENDS

No dividends were declared or paid during the year (2020: nil).

SHARE CAPITAL

The Bank issued additional shares during the year as follows:

	31 December 2021		31 December 2020	
	US\$	KHR Million	US\$	KHR Million
Balance at the beginning of the year	335,000,000	1,355,075	215,000,000	876,125
Conversion of retained earnings (*)	115,000,000	467,820	–	–
Issued share capital (**)	70,000,000	284,760	120,000,000	489,240
Currency translation differences	–	10,825	–	(10,290)
	520,000,000	2,118,480	335,000,000	1,355,075

(*) On 19 March 2021, the National Bank of Cambodia ("NBC") approved the conversion of US\$115 million of the Bank's retained earnings to share capital.

(**) On 26 August 2021, the NBC issued an approval letter allowing the Bank to inject US\$70 million in share capital, bringing the total share capital to US\$520 million, which is equivalent to 520,000 shares.

The details of shareholdings were as follows:

	31 December 2021			31 December 2020		
	% of Ownership	Number of shares	US\$	% of Ownership	Number of shares	US\$
National Bank of Canada	99.99%	519,999	519,999,000	99.99%	334,999	334,999,000
Natcan Trust Company	0.01%	1	1,000	0.01%	1	1,000
	100%	520,000	520,000,000	100%	335,000	335,000,000

WRITTEN OFF OF AND ALLOWANCE FOR FINANCIAL ASSETS

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

At the date of this report and on the best of knowledge, the Directors are not aware of any circumstances, except the high uncertainty related to Covid-19 as discussed below and in Notes 3.2 and 37, which would render the amount of the allowance for expected credit losses on financial assets in the financial statements of the Bank inadequate to any material extent.

ASSETS

Before the financial statements of the Bank were prepared, the Directors took reasonable steps to ascertain that management took appropriate actions so that any assets, which were unlikely to be realised in the ordinary course of business at their values as shown in the accounting records of the Bank had been written down to amounts which they might be expected to realise.

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

At the date of this report, the Directors are not aware of:

- (a) any charge on the assets of the Bank which has arisen since the end of the year which secures the liabilities of any other person except as disclosed in the financial statements; and
- (b) any contingent liability in respect of the Bank that has arisen since the end of the year other than in the ordinary course of its business operations.

At the date of this report, the Directors are not aware that any 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 year which, in the opinion of the 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 Directors are 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 AN UNUSUAL NATURE

To the best knowledge of the Directors:

- The results of the operations of the Bank for the year were not substantially affected by any item, transaction or event of a material and unusual nature except the impact of the pandemic Coronavirus (Covid-19) as described below and in Notes 3.2 and 37.
- There has not arisen in the interval between the end of the year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Bank for the current year in which this report is made.
- The NBC allowed the Banks and Financial Institutions ("BFIs") to defer the implementation of NBC Circular on Classification and Provisioning Requirement on Restructured Loans of BFIs issued on 28 December 2021, following the NBC's workshop for BFIs on 18 January 2022.

IMPACT OF COVID-19

The impact of the Coronavirus ("Covid-19") pandemic has spread across various geographies globally. The World Health Organisation declared an international health emergency due to the outbreak of Covid-19 in January 2020 and has characterised the spread of Covid-19 as a global pandemic since March 2020. The continuing spread of Covid-19 has caught the world off-guard, with significant implications for personal health and business continuity.

To support the economy and the financial sector, the National Bank of Cambodia ("NBC") and the Royal Government of Cambodia have taken numerous steps primarily to help businesses during this unprecedented time such as loan restructuring directive and establishment of SME Bank to facilitate the SME Co-Financing Scheme (SCFS).

The Bank has performed assessment of Covid-19 impact in light of the available guidance of the NBC and CIFRSs and estimated expected credit losses based on the reviewed ECL Model.

The Bank will continue to monitor the potential impact of Covid-19 and will take all steps to mitigate any effects on the Bank's operations in future.

EVENTS AFTER THE REPORTING PERIOD

At the date of this report, to the best knowledge of the Directors, there have been no significant events occurring after reporting date which would require adjustments or disclosures other than those disclosed in the financial statements.

THE BOARD OF DIRECTORS

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

- | | |
|---------------------------|----------------------|
| ■ Mr. Yves Jacquot | Chairman |
| ■ Mr. Dominic Jacques | Director |
| ■ Mr. Madi Akmambet | Executive Director |
| ■ Mr. Martin Ouellet | Director |
| ■ Mr. Christian St-Arnaud | Director |
| ■ Mr. Paolo Pizzuto | Director |
| ■ Mr. Guy Quaden | Independent Director |
| ■ Mr. Henri Calvet | Independent Director |
| ■ Mr. Etienne Chenevier | Independent Director |

DIRECTORS' INTERESTS

There were no Directors who held office at the end of the year who had any interests in the shares of the Bank.

DIRECTORS' BENEFITS

During and at the end of the year, no arrangement existed to which the Bank is a party with the objective of enabling Directors of the Bank to acquire benefits by means of the share purchase option.

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive any benefit by reason of a contract made by the Bank other than as disclosed in the financial statements.

THE BOARD OF DIRECTOR'S RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for ascertaining that the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2021, 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 the preparation of these financial statements by management who are required to:

- adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- comply with the disclosure requirements of CIFRSs, or if there have been any departures in the interests of fair presentation, these have been appropriately disclosed, explained and quantified in the financial statements;
- maintain adequate accounting records and an effective system of internal controls;
- 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
- effectively control and direct the Bank and is involved in all material decisions affecting the operations and performance and ascertain that such have been properly reflected in the financial statements.

Management is responsible for ensuring that the above requirements have been fulfilled and is also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

STATEMENT OF THE BOARD OF DIRECTORS

The accompanying financial statements, together with the notes thereto, present fairly, in all material respects, the financial position of the Bank as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with CIFRSs, and at the date of this statement, there are reasonable grounds to believe that the Bank will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors

<SIGNED>

Askhat Azhikhanov
Chief Executive Officer

Phnom Penh, Kingdom of Cambodia
23 March 2022

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ADVANCED BANK OF ASIA LIMITED



OPINION

We have audited the financial statements of Advanced Bank of Asia Limited (the "Bank"), which comprise the statement of financial position as at 31 December 2021, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 49 to 115.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2021, 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 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.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Allowance for impairment losses on loans to customers</p> <p>Refer to Note 2.5 for the Bank's accounting policy on impairment of loans to customers, Note 3 on critical accounting judgements and key sources of estimation uncertainty and Note 34.1 for the Bank's credit risk management disclosures.</p> <p>Loans to customers constitute approximately 67% of the Bank's total assets. The Bank's loan portfolio mainly comprises loans to customers in wholesale and retail trade, non-financial services and residential real estate operations sectors. The customers comprise of both corporates and individuals.</p> <p>The Bank adopted CIFRS 9 – "Financial Instruments" in 2019. CIFRS 9 introduces an expected credit loss ("ECL") impairment model, which requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. This complex accounting standard requires considerable judgement and interpretation in its implementation, especially during this unprecedented era – Covid-19 pandemic, which brings about a high degree of estimation uncertainty.</p>	<p>Our audit procedures include the following:</p> <ul style="list-style-type: none">■ We obtained an understanding, evaluated the design and implementation, and tested the operating effectiveness of the key controls over the allowance for impairment losses. These controls, among others, included:<ul style="list-style-type: none">– Loan applications and credit reviews– Identification of significant increase in credit risk– Subsequent annual review of the credit worthiness of the borrower– Accuracy of data inputs■ We assessed whether the methodology and assumptions, including the triggers of significant increase in credit risk, used in expected credit loss model are consistent with the requirements of CIFRSs, incorporating consideration of Covid-19 impacts.■ We tested a sample of loan reviews for the appropriateness of the loan grading and staging, and challenged management's evaluations and conclusions on the credit worthiness and classifications of the selected loans.

The significant judgements in applying the accounting requirements for measuring the ECL include the following:

- Building the appropriate collective assessment models used to calculate the ECL. The models are inherently complex, and judgement is applied in determining the appropriate construct of the models;
 - Timely identification of loans to customers and financing that have experienced a significant increase in credit risk;
 - Assumptions used in the ECL models such as expected future cash flows, forward-looking macroeconomic factors and data sets; and
 - Determination of management overlay as additional ECL under stressed scenario.
 - Effects of Covid-19 pandemic in relation to the significant judgements listed above.
- We evaluated the process used by management to develop forward-looking information. For a sample of significant forward-looking information variables, we compared it to independently derived forecasts and publicly available information.
 - We tested the accuracy of key inputs into the ECL model by comparing against source systems and documents.
 - We re-computed the ECL to test the mathematical accuracy of the ECL model.
 - We assessed the adequacy of disclosures to ensure compliance with CIFRS 9.
 - We performed analysis and stress testing and assessed if the management overlay is consistent with the stressed scenario.
 - We involved our specialists in the performance of the above procedures, when necessary, where their specific expertise was required.

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

Management is responsible for the other information. The other information comprises the Corporate Information and the Report of the Board of Directors set out on page 41 and pages 42 to 45, respectively but does not include the financial statements and our auditor's report thereon.

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 THE BOARD OF DIRECTORS FOR THE FINANCIAL STATEMENTS

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

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

The Board of Directors is responsible for overseeing the Bank's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

For Deloitte (Cambodia) Co., Ltd.

<SIGNED>

Ung Kimsopheaktra

Partner

Phnom Penh, Kingdom of Cambodia
23 March 2022

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Note	31 December 2021		31 December 2020	
		US\$	KHR Million	US\$	KHR Million
ASSETS					
Cash on hand	4	478,829,834	1,950,753	378,101,373	1,529,420
Balances with the NBC	5	1,353,953,769	5,516,008	1,481,626,701	5,993,180
Balances with other banks	6	557,456,114	2,271,076	325,956,497	1,318,494
Loans to customers	7	5,278,989,596	21,506,604	3,814,599,414	15,430,055
Investment securities	8	36,839,675	150,085	7,434,086	30,071
Property and equipment	9	47,643,783	194,101	41,731,890	168,805
Right-of-use assets	10	39,893,238	162,525	33,719,074	136,394
Intangible assets	11	15,887,348	64,725	8,931,430	36,128
Deferred tax assets	12(b)	10,875,555	44,307	5,668,114	22,928
Other assets	13	40,691,482	165,777	30,514,392	123,431
TOTAL ASSETS		7,861,060,394	32,025,961	6,128,282,971	24,788,906
LIABILITIES					
Deposits from banks and other financial institutions	14	95,531,742	389,196	68,718,728	277,968
Deposits from customers	15	6,208,198,343	25,292,200	4,802,749,648	19,427,122
Debt securities in issue	16	21,310,996	86,821	21,282,088	86,086
Borrowings	17	197,399,626	804,206	242,004,091	978,907
Subordinated debts	18	148,027,962	603,066	117,023,035	473,358
Current tax liabilities	12(a)	46,957,236	191,304	36,217,048	146,498
Lease liabilities	19	42,463,355	172,996	35,721,902	144,496
Other liabilities	20	51,358,645	209,236	36,778,120	148,767
TOTAL LIABILITIES		6,811,247,905	27,749,025	5,360,494,660	21,683,202
EQUITY					
Share capital	21	520,000,000	2,118,480	335,000,000	1,355,075
Regulatory reserves	22	43,637,909	177,781	42,141,887	170,464
Retained earnings		486,174,580	1,970,931	390,646,424	1,582,330
Currency translation differences		-	9,744	-	(2,165)
TOTAL EQUITY		1,049,812,489	4,276,936	767,788,311	3,105,704
TOTAL LIABILITIES AND EQUITY		7,861,060,394	32,025,961	6,128,282,971	24,788,906

The accompanying notes from pages 54 to 115 form an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	Year ended 31 December 2021		Year ended 31 December 2020	
		US\$	KHR Million	US\$	KHR Million
Interest income	23	454,543,953	1,849,085	354,791,877	1,446,486
Interest expense	23	(62,805,959)	(255,495)	(58,991,424)	(240,508)
Net interest income		391,737,994	1,593,590	295,800,453	1,205,978
Fee and commission income	24	53,326,594	216,933	40,439,052	164,870
Fee and commission expense	24	(20,262,189)	(82,427)	(16,108,850)	(65,676)
Net fee and commission income		33,064,405	134,506	24,330,202	99,194
Other operating income	25	6,128,724	24,932	3,383,117	13,793
Personnel expenses	26	(84,630,129)	(344,275)	(71,914,067)	(293,194)
Depreciation and amortisation	27	(19,000,585)	(77,294)	(19,619,284)	(79,988)
Operating expenses	28	(32,789,403)	(133,387)	(29,411,234)	(119,910)
Net impairment losses on financial assets	29	(29,800,220)	(121,227)	(13,698,264)	(55,848)
Profit before tax		264,710,786	1,076,845	188,870,923	770,025
Income tax expense	12(c)	(52,686,608)	(214,329)	(37,462,774)	(152,736)
Profit for the year		212,024,178	862,516	151,408,149	617,289
Other comprehensive income		–	11,909	–	(12,274)
Total comprehensive income for the year		212,024,178	874,425	151,408,149	605,015

The accompanying notes from pages 54 to 115 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital		Regulatory reserves		Retained earnings		Currency translation differences	Total	
	US\$	KHR Million	US\$	KHR Million	US\$	KHR Million	KHR Million	US\$	KHR Million
Year ended 31 December 2020									
At 1 January 2020	215,000,000	876,125	33,661,778	137,172	247,718,384	999,343	10,109	496,380,162	2,022,749
Issuance of share capital	120,000,000	489,240	-	-	-	-	-	120,000,000	489,240
	335,000,000	1,365,365	33,661,778	137,172	247,718,384	999,343	10,109	616,380,162	2,511,989
Profit for the year	-	-	-	-	151,408,149	617,289	-	151,408,149	617,289
Other comprehensive income – currency translation differences	-	-	-	-	-	-	(12,274)	-	(12,274)
	-	-	-	-	151,408,149	617,289	(12,274)	151,408,149	605,015
Transfers from retained earnings to regulatory reserves	-	-	8,480,109	34,302	(8,480,109)	(34,302)	-	-	-
Currency translation differences	-	(10,290)	-	(1,010)	-	-	-	-	(11,300)
At 31 December 2020	335,000,000	1,355,075	42,141,887	170,464	390,646,424	1,582,330	(2,165)	767,788,311	3,105,704
Year ended 31 December 2021									
At 1 January 2021	335,000,000	1,355,075	42,141,887	170,464	390,646,424	1,582,330	(2,165)	767,788,311	3,105,704
Conversion of retained earnings	115,000,000	467,820	-	-	(115,000,000)	(467,820)	-	-	-
Issuance of share capital	70,000,000	284,760	-	-	-	-	-	70,000,000	284,760
	520,000,000	2,107,655	42,141,887	170,464	275,646,424	1,114,510	(2,165)	837,788,311	3,390,464
Profit for the year	-	-	-	-	212,024,178	862,516	-	212,024,178	862,516
Other comprehensive income – currency translation differences	-	-	-	-	-	-	11,909	-	11,909
	-	-	-	-	212,024,178	862,516	11,909	212,024,178	874,425
Transfers from retained earnings to regulatory reserves	-	-	1,496,022	6,095	(1,496,022)	(6,095)	-	-	-
Currency translation differences	-	10,825	-	1,222	-	-	-	-	12,047
At 31 December 2021	520,000,000	2,118,480	43,637,909	177,781	486,174,580	1,970,931	9,744	1,049,812,489	4,276,936

The accompanying notes from pages 54 to 115 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	Year ended 31 December 2021		Year ended 31 December 2020	
		US\$	KHR Million	US\$	KHR Million
Cash flows from operating activities					
Profit before tax		264,710,786	1,076,845	188,870,923	770,025
Adjustments for:					
Depreciation and amortisation	27	19,000,585	77,294	19,619,284	79,988
Net impairment losses on financial assets	29	29,800,220	121,227	13,698,264	55,848
Gains on disposals of property and equipment		(103,165)	(420)	(21,726)	(89)
Gains on lease modification		(47,017)	(191)	-	-
Net interest income	23	(391,737,994)	(1,593,590)	(295,800,453)	(1,205,978)
		(78,376,585)	(318,835)	(73,633,708)	(300,206)
Changes in:					
Balances with the NBC		174,934,949	711,635	(615,873,532)	(2,510,916)
Balances with other banks		(18,230,597)	(74,162)	(190,071,073)	(774,920)
Loans to customers		(1,483,785,055)	(6,036,038)	(1,061,689,608)	(4,328,509)
Other assets		(11,479,916)	(46,700)	(9,381,355)	(38,248)
Deposits from banks and other financial institutions		26,723,633	108,712	39,877,286	162,580
Deposits from customers		1,406,259,742	5,720,664	1,434,367,126	5,847,914
Other liabilities		14,442,209	58,750	11,038,531	45,003
Cash generated from/(used in) operations		30,488,380	124,026	(465,366,333)	(1,897,302)
Interest received		444,736,021	1,809,186	347,056,762	1,414,950
Interest paid		(59,477,517)	(241,955)	(54,274,722)	(221,278)
Income tax paid		(47,153,861)	(191,822)	(16,953,902)	(69,121)
Net cash from/(used in) operating activities		368,593,023	1,499,435	(189,538,195)	(772,751)

	Note	Year ended 31 December 2021		Year ended 31 December 2020	
		US\$	KHR Million	US\$	KHR Million
Cash flows from investing activities					
Purchase of investment securities		(30,000,000)	(122,040)	(4,238,128)	(17,279)
Proceeds on sale of investment securities		–	–	29,813,431	121,549
Purchases of property and equipment		(15,451,126)	(62,855)	(12,993,514)	(52,975)
Purchases of intangible assets		(8,986,856)	(36,559)	(2,937,580)	(11,977)
Proceeds on disposals of property and equipment		103,501	421	22,882	93
Net cash (used in)/from investing activities		(54,334,481)	(221,033)	9,667,091	39,411
Cash flows from financing activities					
Issuance of share capital		70,000,000	284,760	120,000,000	489,240
Proceeds from borrowings		395,456,806	1,608,718	545,241,602	2,222,950
Repayments of borrowings		(442,171,933)	(1,798,755)	(583,788,033)	(2,380,104)
Proceeds from subordinated debts		50,000,000	203,400	–	–
Repayments of subordinated debts		(19,000,000)	(77,292)	(11,000,000)	(44,847)
Principal elements of lease payments		(8,439,552)	(34,332)	(7,243,776)	(29,533)
Net cash from financing activities		45,845,321	186,499	63,209,793	257,706
Net increase/(decrease) in cash and cash equivalents		360,103,863	1,464,901	(116,661,311)	(475,634)
Cash and cash equivalents at the beginning of the year		595,220,388	2,407,666	711,881,699	2,900,918
Currency translation differences		–	19,424	–	(17,618)
Cash and cash equivalents at the end of the year	30	955,324,251	3,891,991	595,220,388	2,407,666

Significant non-cash transactions

On 19 March 2021, the National Bank of Cambodia approved the conversion of US\$115 million of the Bank's retained earnings to share capital.

The accompanying notes from pages 54 to 115 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1. REPORTING ENTITY

Advanced Bank of Asia Limited ("the Bank") was incorporated in Cambodia on 25 October 1996 under the Registration No. Co. 322/97E (renewed to No. 00010593) dated 25 October 1996, granted by the Ministry of Commerce. On 28 November 2006, the Bank was granted a permanent banking license No. 14 from the National Bank of Cambodia ("NBC"). The parent and ultimate parent of the Bank is National Bank of Canada, a bank incorporated in Canada.

The Bank is principally engaged in all aspects of banking business and the provision of related financial services in the Kingdom of Cambodia. There have been no significant changes in the nature of these principal activities during the year.

The registered office of the Bank is located at No. 141, 146, 148, and 148 ABCD Preah Sihanouk Blvd., and No. 15 and 153 ABC, Street 278, and No. 171, Street Preah Trasak Paem, Phum 4, Sangkat Boeng Keng Kang Ti Muoy, Khan Boeng Keng Kang, Phnom Penh, Kingdom of Cambodia.

The financial statements of the Bank were authorised for issue by the Board of Directors on 23 March 2022.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of accounting

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

The financial statements have been prepared on a historical cost basis, except as disclosed in the accounting policies below. Historical cost is generally based on fair value of the consideration given in exchange for goods and services.

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

2.2 New and amended CIFRSs that are effective for the current period

The Bank adopted all the new and revised standards that are relevant to its operations. The adoption of these new/revised standards does not result in changes to the Bank's accounting policies and has no material effect on the disclosures or on the amounts reported for the current or prior years.

Amendments to CIFRS 9, CIAS 39 and CIFRS 7, CIFRS 4 and CIFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendments to CIFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021

The adoption of these amended standards does not have any significant impact on the financial statements of the Bank.

2.3 New and revised CIFRS in issue but not yet effective

Amendments to CIAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to CIFRS standards 2018–2020 Cycle	<ul style="list-style-type: none"> ■ Amendments to CIFRS 1, First-time Adoption of CIFRSs ■ Amendments to CIFRS 9, Financial Instruments ■ Amendments to Illustrative Examples accompanying CIFRS 16 ■ Amendments to CIAS 41 Agriculture
Amendments to CIAS 16	Property, Plant and Equipment (PPE) – Proceeds before Intended Use
Amendments to CIFRS 3	Reference to Conceptual Framework
Amendments to CIAS 1	Classification of Liabilities as Current or Non-current
CIFRS 17	Insurance Contracts
Amendments to CIFRS 10 and CIAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to CIAS 8	Definition of Accounting Estimates
Amendments to CIAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to CIAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Management does not expect that the adoption of the Standards listed above will have a significant impact on the financial statements of the Bank in future periods.

2.4 Functional and presentation currency

The Bank transacts its business and maintains its accounting records in two main currencies, Khmer Riel (“KHR”) and United States Dollars (“US\$”). Management has determined the US\$ to be the Bank’s functional and presentation currency as it reflects the economic substance of the underlying events and circumstances of the Bank.

Transactions in currencies other than US\$ are translated into US\$ at the exchange rate ruling at the dates of the transactions. Monetary assets and liabilities denominated in currencies other than US\$ at the reporting date are translated into US\$ at the rates of exchange ruling at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on translation are recognised in profit or loss.

Presentation in Khmer Riel

The translation of the US\$ amounts into Khmer Riel (“KHR”) is presented in the financial statements to comply with the Law on Accounting and Auditing dated 11 April 2016 using the closing and average rates for the year, as announced by the National Bank of Cambodia.

Assets and liabilities for each statement of financial position presented are translated at the closing rate ruling at each reporting date whereas income and expense items for each statement of profit or loss and other comprehensive income and cash flow items presented are translated at the average rate for the year then ended. All resulting exchange differences are recognised in other comprehensive income (“OCI”).

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

	Closing rate	Average rate
31 December 2021	4,074	4,068
31 December 2020	4,045	4,077

Rounding of amounts

Amounts in the financial statements have been rounded off to the nearest dollar and million Khmer Riel (“KHR Million”) for US\$ and KHR amounts, respectively.

2.5 Financial instruments

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

Financial assets

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

Classification and subsequent measurement

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

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

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Bank may make the following irrevocable election / designation at initial recognition of a financial asset:

- The Bank may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- The Bank may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

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

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Bank recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Impairment of financial assets

The Bank recognises loss allowances for expected credit losses ("ECL") on the following financial instruments:

- Balances with other banks;
- Loans to customers;
- Debt investment securities;
- Deposits and other receivables;
- Loan commitments issued; and
- Financial guarantee contracts issued.

No impairment loss is recognised on equity investments.

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL. More details on the determination of a significant increase in credit risk are provided in Note 34.1.

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

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

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

More information on measurement of ECL is provided in Note 34.1, including details on how instruments are grouped when they are assessed on a collective basis.

Credit impaired financial assets

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

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

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

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

Definition of default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the Probability of Default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk (please refer to Note 34.1).

The Bank considers the following as constituting an event of default:

- the borrower is past due more than 90 days on any material credit obligation to the Bank; or
- the borrower is unlikely to pay its credit obligations to the Bank in full.

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

When assessing if the borrower is unlikely to pay its credit obligation, the Bank takes into account both qualitative and quantitative indicators. The information assessed depends on the type of the asset, for example in corporate lending a qualitative indicator used is the breach of covenants, which is not relevant for retail lending. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis. The Bank uses a variety of sources of information to assess default which are either developed internally or obtained from external sources. More details are provided in Note 34.1. As noted in the definition of credit impaired financial assets above, default is evidence that an asset is credit impaired. Therefore, credit impaired assets will include defaulted assets, but will also include other non-defaulted given the definition of credit impaired is broader than the definition of default.

Significant increase in credit risk

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

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Bank compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the Bank considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Bank's historical experience and expert credit assessment including forward-looking information. See Note 34.1 for more details about forward-looking information.

Forward-looking information includes the future prospects of the industries in which the Bank's counterparties operate, obtained from International Monetary Funds, the World Bank and other similar organisations, as well as consideration of various internal and external sources of actual and forecast economic information. The Bank allocates its counterparties to a relevant internal credit risk grade depending on their credit quality. The quantitative information is a primary indicator of significant increase in credit risk and is based on the change in lifetime PD by comparing:

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

The PDs used are forward-looking and the Bank uses the same methodologies and data used to measure the loss allowance for ECL (please refer to Note 34.1).

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

More information about significant increase in credit risk is provided in Note 34.1.

Modification and derecognition of financial assets

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

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

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

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

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

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

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

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

Where a modification does not lead to derecognition the Bank calculates the modification loss by comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Then the Bank measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.

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

Write-off

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

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

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

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

Financial liabilities

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

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

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

Modification and derecognition financial liabilities

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

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss that incurs because specified debtor fails to make payments when due in accordance with the term of the debt instrument.

Financial guarantee contracts issued by the Bank are initially measured at their fair values and, if not designated at fair value through profit or loss, are subsequently measured at the higher of:

- amount of loss allowance determined with CIFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the Bank's revenue recognition policies.

The Bank has not designated any financial guarantee contracts at fair value through profit or loss.

Offsetting arrangements

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Bank has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

2.6 Leases

The Bank assesses whether a contract is or contains a lease, at inception of a contract. The Bank recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Bank recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using its incremental borrowing rate which is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use-asset in a similar economic environment.

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

- fixed lease payments, less any lease incentives;
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

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

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Bank re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

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

2.7 Property and Equipment

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of a property and equipment item comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

Subsequent expenditure is capitalised only when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Bank. Ongoing repairs and maintenance are expensed as incurred.

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is recognised in profit or loss.

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

	Useful lives
Leasehold improvement	1 - 15 years
Office equipment, furniture and fixture	5 years
Motor vehicles	5 years
Computer and IT equipment	5 - 10 years

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

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

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

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

2.8 Intangible assets

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

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

Software and licenses are amortised on a straight-line basis in profit or loss over its estimated useful life, from the date on which it is available for use. Software cost are amortised over the expected useful lives of 3 to 20 years.

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

2.9 Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets (other than deferred tax assets) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

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

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

An impairment loss is recognised if the carrying amount of an asset (or its cash-generating) unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit and loss.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.10 Provisions

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

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

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

2.11 Regulatory provisions and regulatory reserves

On 1 December 2017, the NBC issued a Prakas No. B7-017-344 on Credit Risk Grading and Impairment Provisioning for ensuring appropriate recognition, measurement, provisioning and reporting of impaired facilities of the institutions.

Facilities under this Prakas is defined as all loans and other financial products, whether reported on balance sheet or off-balance sheet, provided by an Institution to a counterparty, which give rise to credit risk exposure on the Institution.

According to the Prakas, the Bank is required to calculate the allowance for impaired facilities in accordance with the regulatory provision simultaneously with the calculation in accordance with CIFRSs. The allowance for impairment losses calculated in accordance with CIFRSs is to be recognised and recorded. Excess amount of allowance calculated in accordance with regulatory provision compared to the allowance calculated under CIFRSs shall be transferred from retained earnings to regulatory reserves of the equity as disclosed in Note 22.

On 16 February 2018, the NBC issued Circular No. B7-018-001 clarifying on Implementation of Prakas on Credit Risk Grading and Impairment Provisioning. According to the Circular, the Bank is required to calculate the allowance for impaired facilities in accordance with regulatory provision of which facilities are classified into five classes with allowance rates as follows:

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

Classifications	Number of days past due	Allowance
Long-term facilities (more than one year):		
Special mention	30 - 89 days	3%
Sub-standard	90 - 179 days	20%
Doubtful	180 - 359 days	50%
Loss	360 days or more	100%

The allowance is calculated as a percentage of the facility amount outstanding as at each reporting period.

Reversal of regulatory reserves

When the impairment loss allowance calculated in accordance with regulatory provision is subsequently less than that calculated under the CIFRSs, the regulatory reserve is reversed at the amount that does not exceed the amount that would have been determined had no regulatory reserve been recognised in prior years.

2.12 Net interest income

Interest income and expense for financial instruments are recognised in "Net interest income" as "Interest income" and "Interest expense" in the profit or loss account using effective interest method.

The EIR is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated taking into account all the contractual terms of the instrument.

The calculation of EIR include all fees paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premium or discounts.

The interest income/interest expense is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortised cost of the financial asset before adjusting for any expected credit loss allowance), or to the amortised cost of financial liabilities. For the credit-impaired financial assets, the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for ECLs).

2.13 Net fee and commission income

Fee and commission income and expense include fees other than those that are an integral part of EIR (please refer to Note 2.12).

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

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

2.14 Short-term and other long-term employee benefits

Short-term employee benefits are recognised in respect of wages and salaries in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service. A liability is recognised for the amount expected to be paid if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employees and the obligation can be estimated reliably.

Long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Bank in respect of the service provided by the employee up to the reporting date.

The Ministry of Labour and Vocational Training ("MoLVT") issued a Prakas No. 443 on Seniority Payments dated 21 September 2018 and Directive No. 042/19 on the Back Pay of Seniority Payment Before 2019 for the Enterprise and Institution Beside Textile, Garment and Footwear Sector dated 22 March 2019, requiring the Bank to pay past seniority payments to employees with undetermined duration contracts. All employees who have been working before 1 January 2019 and continue to work are entitled to a compensation of fifteen (15) days of their average wages of each year of service, totalling not exceeding 6 months, and shall be paid every year starting from December 2021 as follows:

- 3 days shall be made in June; and
- 3 days shall be made in December of each year.

Employees are not entitled to the remaining past seniority payment upon resignation.

The past seniority payment is recognised in full during the year 2018.

This Prakas also requires the Bank to pay its employees the seniority for the employment service from 2019 amounting to 15 days per annum of their wages and other benefits, 7.5 days of which shall be paid in June and in December of each year. This seniority will be recognised during the employees' periods of service.

For employees with determined duration contract, they are entitled to the severance pay at least 5% of their wages paid during the length of the contract.

2.15 Income tax

Income tax expense comprises current and deferred tax.

Current tax

Current tax is the expected tax payable 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 periods.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Bank supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Deferred tax

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

Deferred tax assets are recognised for unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. 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.

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority and the banks intends to settle its current tax assets and current tax liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

2.16 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, unrestricted balances held with the NBC, bank deposits and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in fair value, and are used by the Bank in the management of its short term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

3.1 Critical judgments in applying the accounting policies

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

Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test (please see Note 2.5). The Bank determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Bank monitors financial assets measured at amortised cost that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Bank's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Significant increase of credit risk

As explained in Note 34.1, ECLs are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased the Bank takes into account qualitative and quantitative reasonable and supportable forward-looking information.

Establishing groups of assets with similar credit risk characteristics

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

Models and assumptions used

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

Determination of life of revolving credit facilities

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

3.2 Key sources of estimation uncertainty

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

Covid-19 related uncertainty

On March 11, 2020, Covid-19 was declared a global pandemic by the World Health Organisation. As a result of the heightened uncertainty associated with the unprecedented nature of the Covid-19 pandemic, developing reliable estimates and applying judgment has become even more challenging. Accounting for expected credit losses (ECL) has become particularly difficult in the current circumstances and requires significant judgment. The ECL model is forward-looking and is based on a probability-weighted approach. Measurement of ECLs at each reporting period reflects reasonable and supportable information about past events, current conditions, and forecasts of future events and economic conditions. During this period of greater economic uncertainty, it is very difficult to forecast future events and the macroeconomic inputs used in ECL modelling. Determining macroeconomic scenarios and assigning probabilities to these scenarios requires significant judgment. Consideration is given both to the effects of Covid-19 and the significant government support measures. The Bank applies expert credit judgment to adjust modelled ECL results when it becomes evident that known or expected risk factors and information were not considered in the credit rating and modelling process. As a result of Covid-19 and the recent economic downturn, significant measurement uncertainty exists in determining ECLs, and measurement is subject to significant judgment.

Forward-looking information

The Bank establishes the number and relative weightings of forward-looking scenarios for each type of product and determines the forward-looking information relevant to each scenario. When measuring ECL the Bank uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Management overlay

The Bank provides management overlay as an additional ECL under stressed scenarios due to uncertainties under Covid-19 environment based on the assumptions that multiple restructured loans and loans under grace period for both principal and interest repayment have higher risk of turning default; therefore, the ECL overlay is being assessed by classifying these restructured loans to higher staging than they originally are.

Probability of Default (PD)

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

Loss Given Default (LGD)

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Taxes

The taxation system in Cambodia is characterised by numerous taxes and frequently changing legislation, which is often unclear, contradictory and subject to interpretation. Often, different interpretations exist among the numerous taxation authorities and jurisdictions. Taxes are subject to review and investigation by a number of authorities, which are empowered by law to impose fines, penalties and interest charges.

These factors may create potential tax exposures for the Bank. Management believes that they have understood relevant tax regulations and adequately provided for tax liabilities based on their interpretation of the current tax legislation. However, the relevant authorities may have different interpretations and the effects could be significant.

4. CASH ON HAND

	31 December 2021		31 December 2020	
	US\$	KHR Million	US\$	KHR Million
Cash on hand	457,489,181	1,863,811	360,160,946	1,456,851
Cash items in process of collection	21,340,653	86,942	17,940,427	72,569
	478,829,834	1,950,753	378,101,373	1,529,420

5. BALANCES WITH THE NBC

	31 December 2021		31 December 2020	
	US\$	KHR Million	US\$	KHR Million
Capital guarantee deposit (i)	52,009,920	211,888	33,515,158	135,569
Reserve requirement (ii)	432,275,528	1,761,091	349,501,480	1,413,733
Current accounts	178,520,955	727,294	138,612,043	560,686
Negotiable Certificate of Deposit ("NCD")	691,147,366	2,815,735	959,998,020	3,883,192
	1,353,953,769	5,516,008	1,481,626,701	5,993,180

No impairment loss allowance is created against the balance with the NBC as management determines that the credit risk on these facilities are minimal.

(i) Capital guarantee deposits

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

During the year, interest was earned at rates ranging from 0.04% to 0.06% per annum (2020: 0.06% to 0.47% per annum).

(ii) Reserve requirement

This is a reserve requirement which fluctuates depending on the level of the Bank's customers' deposits and non-residential borrowings. It is maintained in compliance with the NBC's Prakas No. B7-020-230 dated 18 March 2020 at the rate of 7.00% of customers' deposits in KHR and currency other than KHR. On 26 May 2021, the NBC issued a notification letter no. B13-021-363 on the outcome of 55th meeting of Monetary Policy Committee confirming the extension of reserve requirement maintenance at the rate of 7.00% for both KHR and other currencies.

6. BALANCES WITH OTHER BANKS

	31 December 2021		31 December 2020	
	US\$	KHR Million	US\$	KHR Million
Balances with other banks at amortised cost	558,440,003	2,275,084	326,725,625	1,321,605
Impairment loss allowance	(983,889)	(4,008)	(769,128)	(3,111)
	557,456,114	2,271,076	325,956,497	1,318,494

The gross carrying amounts are analysed as follows:

	31 December 2021		31 December 2020	
	US\$	KHR Million	US\$	KHR Million
(a) By type				
Current accounts	56,821,708	231,491	37,494,602	151,666
Savings deposits	800,837	3,263	3,332,769	13,481
Term deposits	500,817,458	2,040,330	285,898,254	1,156,458
	558,440,003	2,275,084	326,725,625	1,321,605

	31 December 2021		31 December 2020	
	US\$	KHR Million	US\$	KHR Million
(b) By currency				
US Dollars	557,341,157	2,270,607	324,132,700	1,311,118
Khmer Riel	699,036	2,848	2,267,853	9,173
Japanese Yen	120,002	489	45,351	183
Australian Dollars	87,485	356	49,852	202
Chinese Yuan	74,398	303	7,567	31
Singapore Dollars	41,407	169	30,968	125
Thai Baht	27,779	113	39,675	160
Canadian Dollars	15,139	62	8,728	35
British Pound	15,054	61	127,237	515
Euro	10,503	43	10,217	41
Vietnamese Dong	8,043	33	5,477	22
	558,440,003	2,275,084	326,725,625	1,321,605

	31 December 2021		31 December 2020	
	US\$	KHR Million	US\$	KHR Million
(c) By maturity				
Within 1 month	274,426,994	1,118,015	63,144,176	255,418
>1 to 3 months	39,606,676	161,358	27,962,234	113,107
>3 to 12 months	244,406,333	995,711	235,619,215	953,080
	558,440,003	2,275,084	326,725,625	1,321,605

	31 December 2021		31 December 2020	
(d) By interest rate (per annum)				
Current accounts		0%		0%
Savings deposits		0.10% – 0.25%		0%
Term deposits		0.40% – 5.00%		0.40% – 5.50%

7. LOANS TO CUSTOMERS

	31 December 2021		31 December 2020	
	US\$	KHR Million	US\$	KHR Million
At amortised cost				
Commercial loans	4,602,348,015	18,749,966	3,480,569,289	14,078,901
Overdrafts	608,488,971	2,478,984	288,643,431	1,167,563
Consumer loans:				
Housing loans	87,125,933	354,951	43,933,942	177,713
Vehicle loans	8,003,563	32,607	3,813,475	15,426
Staff loans	16,747,084	68,228	14,722,847	59,554
Personal loans	1,224,577	4,989	452,047	1,829
Credit cards	1,467,264	5,977	1,236,518	5,002
Total gross carrying amount	5,325,405,407	21,695,702	3,833,371,549	15,505,988
Impairment loss allowance	(46,415,811)	(189,098)	(18,772,135)	(75,933)
Net carrying amount	5,278,989,596	21,506,604	3,814,599,414	15,430,055

8. INVESTMENT SECURITIES

	31 December 2021		31 December 2020	
	US\$	KHR Million	US\$	KHR Million
Investment securities at amortised cost (*)	37,450,310	152,573	7,467,591	30,206
Impairment loss allowance	(610,635)	(2,488)	(33,505)	(135)
	36,839,675	150,085	7,434,086	30,071

(*) On 20 December 2021, the Bank invested US\$30 million in Corporate Bond issued by Cambodia Airport Investment Co., Ltd for construction and development of Techo International Airport of the Cambodia government with the term 3 years and interest rate 5.50% per annum.

9. PROPERTY AND EQUIPMENT

31 December 2021	Leasehold improvement	Office equipment, furniture and fixture	Motor vehicles	Computers and IT equipment	Work in progress	Total	
	US\$	US\$	US\$	US\$	US\$	US\$	KHR Million
Cost							
At 1 January 2021	25,270,673	14,326,772	1,729,615	31,042,869	145,801	72,515,730	293,326
Additions	134,973	1,302,287	285,925	10,292,105	3,435,836	15,451,126	62,855
Transfers	3,048,296	172,394	–	–	(3,220,690)	–	–
Disposals	–	–	(219,369)	(60,074)	–	(279,443)	(1,137)
Currency translation differences	–	–	–	–	–	–	2,195
At 31 December 2021	28,453,942	15,801,453	1,796,171	41,274,900	360,947	87,687,413	357,239
Accumulated depreciation							
At 1 January 2021	8,859,653	7,196,606	1,190,907	13,536,674	–	30,783,840	124,521
Depreciation for the year	3,594,127	2,497,455	243,157	3,204,158	–	9,538,897	38,804
Disposals	–	–	(219,369)	(59,738)	–	(279,107)	(1,135)
Currency translation differences	–	–	–	–	–	–	948
At 31 December 2021	12,453,780	9,694,061	1,214,695	16,681,094	–	40,043,630	163,138
Carrying amounts							
At 31 December 2021	16,000,162	6,107,392	581,476	24,593,806	360,947	47,643,783	194,101

31 December 2020	Leasehold improvement	Office equipment, furniture and fixture	Motor vehicles	Computers and IT equipment	Work in progress	Total	
	US\$	US\$	US\$	US\$	US\$	US\$	KHR Million
Cost							
At 1 January 2020	22,538,767	12,179,042	1,632,835	22,932,667	279,908	59,563,219	242,720
Additions	99,264	1,905,452	108,560	8,125,932	2,754,306	12,993,514	52,975
Transfers	2,636,271	252,142	-	-	(2,888,413)	-	-
Disposals	-	(1,466)	(11,780)	(7,281)	-	(20,527)	(84)
Written off	(3,629)	(8,398)	-	(8,449)	-	(20,476)	(83)
Currency translation differences	-	-	-	-	-	-	(2,202)
At 31 December 2020	25,270,673	14,326,772	1,729,615	31,042,869	145,801	72,515,730	293,326
Accumulated depreciation							
At 1 January 2020	5,589,733	4,751,982	992,461	7,780,285	-	19,114,461	77,891
Depreciation for the year	3,273,549	2,453,512	210,226	5,771,939	-	11,709,226	47,739
Disposals	-	(1,224)	(11,780)	(7,277)	-	(20,281)	(83)
Written off	(3,629)	(7,664)	-	(8,273)	-	(19,566)	(80)
Currency translation differences	-	-	-	-	-	-	(946)
At 31 December 2020	8,859,653	7,196,606	1,190,907	13,536,674	-	30,783,840	124,521
Carrying amounts							
At 31 December 2020	16,411,020	7,130,166	538,708	17,506,195	145,801	41,731,890	168,805

10. RIGHT-OF-USE ASSETS

The Bank leases assets including office buildings and motor vehicles. Information about leases for which the Bank is a lessee is presented below.

31 December 2021	Buildings	Motor vehicles	Total	
	US\$	US\$	US\$	KHR Million
Cost				
At 1 January 2021	47,852,233	2,203,204	50,055,437	202,474
Additions	13,358,732	1,068,343	14,427,075	58,689
Lease modification	(698,260)	(123,901)	(822,161)	(3,345)
Currency translation differences	-	-	-	1,534
At 31 December 2021	60,512,705	3,147,646	63,660,351	259,352

31 December 2021	Buildings	Motor vehicles	Total	
	US\$	US\$	US\$	KHR Million
Accumulated depreciation				
At 1 January 2021	14,695,437	1,640,926	16,336,363	66,080
Depreciation	6,804,921	701,186	7,506,107	30,535
Lease modification	(25,512)	(49,845)	(75,357)	(307)
Currency translation differences	–	–	–	519
At 31 December 2021	21,474,846	2,292,267	23,767,113	96,827
Carrying amounts				
At 31 December 2021	39,037,859	855,379	39,893,238	162,525

31 December 2020	Buildings	Motor vehicles	Total	
	US\$	US\$	US\$	KHR Million
Cost				
At 1 January 2020	42,560,267	1,583,956	44,144,223	179,888
Additions	5,291,966	619,248	5,911,214	24,100
Currency translation differences	–	–	–	(1,514)
At 31 December 2020	47,852,233	2,203,204	50,055,437	202,474
Accumulated depreciation				
At 1 January 2020	8,558,382	1,048,810	9,607,192	39,150
Depreciation	6,137,055	592,116	6,729,171	27,435
Currency translation differences	–	–	–	(505)
At 31 December 2020	14,695,437	1,640,926	16,336,363	66,080
Carrying amounts				
At 31 December 2020	33,156,796	562,278	33,719,074	136,394

The Bank leases assets including office buildings and motor vehicles. The average lease term is 8 years (2020: 8 years) for office buildings and 2 years for motor vehicles (2020: 2 years).

Approximately 11% of the leases expired in the current financial year. The expired contracts were replaced by new leases for identical underlying assets. This resulted in additions to right-of-use asset of US\$8.4 million in 2021 (2020: US\$4.1 million). The maturity analysis of lease liabilities is presented in Note 19.

Amount recognised in profit or loss

	Year ended 31 December 2021		Year ended 31 December 2020	
	US\$	KHR Million	US\$	KHR Million
Depreciation expense on right-of-use assets (Note 27)	7,430,750	30,228	6,729,171	27,435
Interest expense on lease liabilities (Note 23)	1,905,613	7,752	1,776,338	7,242

	Year ended 31 December 2021		Year ended 31 December 2020	
	US\$	KHR Million	US\$	KHR Million
Expenses relating to leases of low-value assets and short-term lease	3,388,511	13,784	3,350,576	13,660
	12,724,874	51,764	11,856,085	48,337

At 31 December 2021, the Bank is committed to US\$42,465 (2020: US\$23,233) for short-term leases. The total cash outflow for leases amounted to US\$8,439,552 (2020: US\$7,243,776).

As at 31 December 2021, the Bank entered into 12 lease agreements with lease term ranging from 5 to 10 years to rent properties, which had not commenced by the year-end and as a result, lease liabilities and right-of-use assets have not been recognised at 31 December 2021. The aggregate future cash outflows to which the Bank is exposed in respect of the contracts are as followed:

	31 December 2021		31 December 2020	
	US\$	KHR Million	US\$	KHR Million
Within 1 year	1,362,889	5,552	397,777	1,609
From 1 to 5 years	7,838,742	31,935	2,379,166	9,624
More than 5 years	19,164,898	78,078	2,187,365	8,848
	28,366,529	115,565	4,964,308	20,081

11. INTANGIBLE ASSETS

	31 December 2021		31 December 2020	
	US\$	KHR Million	US\$	KHR Million
Software Cost				
At 1 January	12,853,839	51,994	9,916,259	40,409
Additions	8,986,856	36,559	2,937,580	11,976
Currency translation differences	–	426	–	(391)
At 31 December	21,840,695	88,979	12,853,839	51,994
Accumulated amortisation				
At 1 January	3,922,409	15,866	2,741,522	11,172
Amortisation	2,030,938	8,262	1,180,887	4,814
Currency translation differences	–	126	–	(120)
At 31 December	5,953,347	24,254	3,922,409	15,866
Carrying amounts				
At 31 December	15,887,348	64,725	8,931,430	36,128

12. INCOME TAX

(a) Current tax liabilities

	31 December 2021		31 December 2020	
	US\$	KHR Million	US\$	KHR Million
At the beginning of the year	36,217,048	146,498	12,231,453	49,843
Current income tax expense	57,894,049	235,513	40,939,497	166,910
Current income tax paid	(47,153,861)	(191,822)	(16,953,902)	(69,121)
Currency translation differences	–	1,115	–	(1,134)
At the end of the year	46,957,236	191,304	36,217,048	146,498

(b) Deferred tax assets

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when deferred taxes relate to the same fiscal authority.

	31 December 2021		31 December 2020	
	US\$	KHR Million	US\$	KHR Million
Deferred tax assets	13,509,136	55,036	7,082,970	28,651
Deferred tax liabilities	(2,633,581)	(10,729)	(1,414,856)	(5,723)
Net deferred tax assets	10,875,555	44,307	5,668,114	22,928

Deferred tax assets/(liabilities)	1 January 2020	Recognised in profit or loss during the year	31 December 2020	Recognised in profit or loss during the year	31 December 2021
	US\$	US\$	US\$	US\$	US\$
Impairment loss allowance	(867,198)	996,484	129,286	3,761,928	3,891,214
Deferred revenue from processing fees recognised	2,990,832	447,897	3,438,729	1,169,593	4,608,322
Deferred card fees	443,649	108,908	552,557	171,827	724,384
Management bonuses	1,349,561	1,602,476	2,952,037	1,296,308	4,248,345
Depreciable assets	(1,259,789)	30,488	(1,229,301)	(818,382)	(2,047,683)
Unrealised exchange gain or loss	(301,080)	115,525	(185,555)	201,909	16,354
Interest in suspense	(173,264)	173,264	–	(584,981)	(584,981)
Unearned pinless top-up	8,680	1,681	10,361	9,239	19,600
	2,191,391	3,476,723	5,668,114	5,207,441	10,875,555
In KHR Million equivalent	8,930	14,175	22,928	21,184	44,307

(c) Income tax expense

	Year ended 31 December 2021		Year ended 31 December 2020	
	US\$	KHR Million	US\$	KHR Million
Current income tax	57,894,049	235,513	40,939,497	166,910
Deferred tax	(5,207,441)	(21,184)	(3,476,723)	(14,174)
Income tax expense	52,686,608	214,329	37,462,774	152,736

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

	Year ended 31 December 2021		Year ended 31 December 2020	
	US\$	KHR Million	US\$	KHR Million
Profit before tax	264,710,786	1,076,845	188,870,923	770,025
Income tax at the rate of 20%	52,942,157	215,369	37,774,185	154,005
Tax effect of non-deductible expenses	555,719	2,261	506,165	2,064
Unrecognised temporary differences	220,593	897	(185,294)	(756)
Over provision in prior year	(527,814)	(2,147)	(140,078)	(571)
Tax incentive*	(504,047)	(2,051)	(492,204)	(2,006)
Income tax expense	52,686,608	214,329	37,462,774	152,736

* On 11 March 2020, General Department of Taxation ("GDT") issued a letter (No. 6848 GDT), in accordance with Anukret 01 ANKR.BK dated 4 January 2019 on Tax Incentives in Securities Sector, to grant tax incentives to the Bank by reducing 50% of tax on income for the fiscal year 2019 as the Bank has been listed on Cambodian Stock Exchange for corporate bond issuance on 14 August 2019.

On 25 February 2020, the Ministry of Economy and Finance issued a Prakas No. 183 on Implementation Guidelines on Tax Incentives on Tax on Income to New Public Securities Issuing Enterprises. Among others, the enterprise issuing debt securities equal to or less more than 20% of its total assets is granted tax incentives on tax on income over 3 years by reducing the amount of tax on income based on the pro-rata percentage of value of debt securities over total assets.

On 31 January 2022, the GDT issued a letter (No. 1988 GDT) to the Bank on tax incentives entitlement for fiscal year 2021 as determined in accordance with the Prakas No. 183.

13. OTHER ASSETS

	31 December 2021		31 December 2020	
	US\$	KHR Million	US\$	KHR Million
Deposits and advance payments	20,685,279	84,272	13,365,301	54,063
Mastercard/Visa Card and MoneyGram and other receivables	13,495,518	54,981	10,108,141	40,887
Prepayment	4,021,096	16,382	3,961,188	16,023
Card supplies	3,465,532	14,119	3,085,979	12,483
Other investments	76,185	310	25,588	104
Impairment allowance of deposits and other receivables	(1,052,128)	(4,287)	(31,805)	(129)
	40,691,482	165,777	30,514,392	123,431

14. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2021		31 December 2020	
	US\$	KHR Million	US\$	KHR Million
Demand deposits	62,589,953	254,991	31,464,289	127,273
Savings deposits	6,022,943	24,537	23,853,562	96,488
Fixed deposits	26,918,846	109,668	13,400,877	54,207
	95,531,742	389,196	68,718,728	277,968

The above amounts are analysed as follows:

	31 December 2021		31 December 2020	
	US\$	KHR Million	US\$	KHR Million
(a) By currency				
US Dollars	82,066,814	334,340	66,154,128	267,593
Khmer Riel	13,464,928	54,856	2,564,600	10,375
	95,531,742	389,196	68,718,728	277,968

	31 December 2021		31 December 2020	
	US\$	KHR Million	US\$	KHR Million
(b) By maturity				
Within 1 month	71,968,456	293,199	55,369,796	223,971
>1 to 3 months	–	–	–	–
>3 to 12 months	22,243,814	90,621	9,393,415	37,996
More than 12 months	1,319,472	5,376	3,955,517	16,001
	95,531,742	389,196	68,718,728	277,968

	31 December 2021		31 December 2020	
	US\$	KHR Million	US\$	KHR Million
(c) By relationship				
Non-related parties	95,531,742	389,196	68,718,728	277,968

	31 December 2021		31 December 2020	
(d) By interest rate (per annum)				
Demand deposits		0.00% – 0.25%		0.00% to 0.25%
Savings deposits		0.00% – 0.25%		0.00% to 0.25%
Fixed deposits		2.50% – 6.00%		3.35% – 6.00%

15. DEPOSITS FROM CUSTOMERS

	31 December 2021		31 December 2020	
	US\$	KHR Million	US\$	KHR Million
Demand deposits	1,168,992,043	4,762,474	837,184,649	3,386,412
Savings deposits	4,033,653,706	16,433,105	3,014,745,632	12,194,646
Fixed deposits	1,003,918,626	4,089,964	950,746,797	3,845,770
Margin deposits	1,633,968	6,657	72,570	294
	6,208,198,343	25,292,200	4,802,749,648	19,427,122

The above amounts are analysed as follows:

	31 December 2021		31 December 2020	
	US\$	KHR Million	US\$	KHR Million
(a) By currency				
US Dollars	5,925,881,386	24,142,040	4,651,019,322	18,813,373
Khmer Riel	282,316,052	1,150,156	151,729,315	613,745
Euro	905	4	1,011	4
	6,208,198,343	25,292,200	4,802,749,648	19,427,122

	31 December 2021		31 December 2020	
	US\$	KHR Million	US\$	KHR Million
(b) By maturity				
Within 1 month	5,359,476,628	21,834,508	3,968,873,975	16,054,095
>1 to 3 months	214,681,028	874,611	205,470,554	831,128
>3 to 12 months	597,573,513	2,434,514	592,535,377	2,396,806
More than 12 months	36,467,174	148,567	35,869,742	145,093
	6,208,198,343	25,292,200	4,802,749,648	19,427,122

	31 December 2021		31 December 2020	
	US\$	KHR Million	US\$	KHR Million
(c) By relationship				
Non-related parties	6,204,834,359	25,278,495	4,799,339,832	19,413,329
Related parties	3,363,984	13,705	3,409,816	13,793
	6,208,198,343	25,292,200	4,802,749,648	19,427,122

	31 December 2021	31 December 2020
(d) By interest rate (per annum)		
Demand deposits	0.00% – 1.25%	0.00% to 1.25%
Savings deposits	0.00% – 1.25%	0.00% to 1.00%
Fixed deposits	0.50% – 7.25%	0.50% – 7.25%

16. DEBT SECURITIES IN ISSUE

	31 December 2021		31 December 2020	
	US\$	KHR Million	US\$	KHR Million
Corporate bonds	21,310,996	86,821	21,282,088	86,086

On 31 May 2019, the Bank obtained an approval letter from the NBC on the corporate bond issuance.

On 7 August 2019, the Bank received a final approval and registration from the Securities and Exchange Regulator of Cambodia (“SERC”) (previously known as Securities and Exchange Commission of Cambodia) on the Single Submission Form and the Disclosure Document for its Public Offering of the Bank’s Corporate Bond. The Bond was issued to 65 investors on 14 August 2019 in aggregate principal amount KHR 84,821 billion (approximately US\$20,820,079) with tenor 3 years and coupon rate 7.75% per annum.

The Bank did not have any defaults of principal or interest or others breaches with respect to its debt securities during the period.

The interest is payable semi-annually. For the year ended 31 December 2021, the Bank incurred interest expenses on debt securities to investors in aggregate amounting to KHR 6,580 million or approximately US\$1,615,186 (2020: KHR 6,513 million or approximately US\$1,610,150).

17. BORROWINGS

	31 December 2021		31 December 2020	
	US\$	KHR Million	US\$	KHR Million
Borrowing at amortised cost				
LPCO (i)	167,276,789	681,486	225,853,501	913,577
Bank loan (ii)	30,122,837	122,720	16,150,590	65,330
	197,399,626	804,206	242,004,091	978,907

(i) This represents 30 Liquidity-Providing Collateralised Operations (LPCOs) provided by the NBC. The principal and interest are payable on maturities with terms ranging from 3 to 12 months.

(ii) This represents bank loans obtained from various banks with terms ranging from 3 months to 7 years (2020: 2 months to 7 years).

The NCD in US dollars fully collateralise the LPCOs acquired from the NBC. Other borrowings are unsecured. All the borrowings bear fixed interest rates ranging from 0.63% to 6.84% per annum (2020: 0.42% to 6.84%)

18. SUBORDINATED DEBTS

	31 December 2021		31 December 2020	
	US\$	KHR Million	US\$	KHR Million
National Bank of Canada	148,027,962	603,066	117,023,035	473,358

The principal amounting to US\$19,000,000 were repaid to the National Bank of Canada during the year 2021 (2020: US\$11,000,000), and new drawn down US\$50,000,000 respectively with receipt of the approval from NBC.

The above subordinated debts are unsecured and bear interest rates ranging from 6.67% to 8.98% per annum (2020: 7.22% to 8.98% per annum), which have 7-year term.

19. LEASE LIABILITIES

	31 December 2021		31 December 2020	
	US\$	KHR Million	US\$	KHR Million
Maturity Analysis				
Year 1	8,763,586	35,703	7,505,622	30,360
Year 2	7,926,335	32,292	6,470,534	26,173
Year 3	7,511,021	30,600	6,262,674	25,333
Year 4	6,802,752	27,714	5,965,129	24,129
Year 5	6,022,372	24,535	5,490,824	22,210
Onwards	13,207,817	53,809	10,898,970	44,087
	50,233,883	204,653	42,593,753	172,292
Less: Unearned interest	(7,770,528)	(31,657)	(6,871,851)	(27,796)
	42,463,355	172,996	35,721,902	144,496

20. OTHER LIABILITIES

	31 December 2021		31 December 2020	
	US\$	KHR Million	US\$	KHR Million
Accrued expenses	40,196,387	163,760	27,732,108	112,176
Mastercard/Visa Card and MoneyGram and other payables	3,756,872	15,307	3,790,716	15,333
Unearned income	3,719,920	15,155	2,814,586	11,385
Remittance in process	2,590,166	10,552	1,592,606	6,442
Other tax payable	822,585	3,351	713,705	2,887
Provision for off-balance sheets	272,715	1,111	134,399	544
	51,358,645	209,236	36,778,120	148,767

21. SHARE CAPITAL

	31 December 2021		31 December 2020	
	US\$	KHR Million	US\$	KHR Million
Shares of US\$1,000 each Issued and fully paid	520,000,000	2,118,480	335,000,000	1,355,075

The details of shareholding were as follows:

	31 December 2021		31 December 2020	
	Number of shares	US\$	Number of shares	US\$
National Bank of Canada	519,999	519,999,000	334,999	334,999,000
Natcan Trust Company	1	1,000	1	1,000
	520,000	520,000,000	335,000	335,000,000

	31 December 2021		31 December 2020	
	US\$	KHR Million	US\$	KHR Million
Balance at beginning of the year	335,000,000	1,355,075	215,000,000	876,125
Conversion of retained earnings (*)	115,000,000	467,820	-	-
Issuance of share capital (**)	70,000,000	284,760	120,000,000	489,240
Currency translation differences	-	10,825	-	(10,290)
	520,000,000	2,118,480	335,000,000	1,355,075

(*) On 19 March 2021, the National Bank of Cambodia approved the conversion of US\$115 million of the Bank's retained earnings to share capital. On 18 May 2021, Ministry of Commerce certified with the approval letter from National Bank of Cambodia.

(**) On 26 August 2021, the National Bank of Cambodia issued an approval letter allowing the Bank to inject registered share capital by US\$70 million, bringing the total share capital to US\$520 million, which is equivalent to 520,000 shares. On 10 September 2021, Ministry of Commerce certified with the approval letter from National Bank of Cambodia.

22. REGULATORY RESERVES

	31 December 2021		31 December 2020	
	US\$	KHR Million	US\$	KHR Million
Balance at beginning of the year	42,141,887	170,464	33,661,778	137,172
Transfer from retained earnings	1,496,022	6,095	8,480,109	34,302
Currency translation differences	-	1,222	-	(1,010)
	43,637,909	177,781	42,141,887	170,464

23. NET INTEREST INCOME

	Year ended 31 December 2021		Year ended 31 December 2020	
	US\$	KHR Million	US\$	KHR Million
Interest income from:				
Loans to customers	445,268,326	1,811,352	345,374,334	1,408,091
Balances with the NBC and other banks	8,444,418	34,352	8,552,516	34,869
Investment securities	686,882	2,794	567,647	2,314
Others	144,327	587	297,380	1,212
	454,543,953	1,849,085	354,791,877	1,446,486

	Year ended 31 December 2021		Year ended 31 December 2020	
	US\$	KHR Million	US\$	KHR Million
Interest expense on:				
Deposits from banks and other financial institutions	632,241	2,572	922,125	3,760
Deposits from customers	37,897,904	154,169	36,190,683	147,549
Borrowings	11,868,420	48,281	8,422,522	34,339
Subordinated debts	8,886,595	36,151	10,069,606	41,054
Lease liabilities	1,905,613	7,752	1,776,338	7,241
Debt securities	1,615,186	6,570	1,610,150	6,565
	62,805,959	255,495	58,991,424	240,508
Net interest income	391,737,994	1,593,590	295,800,453	1,205,978

24. NET FEE AND COMMISSION INCOME

	Year ended 31 December 2021		Year ended 31 December 2020	
	US\$	KHR Million	US\$	KHR Million
Fee and commission income				
Mastercard, Visa and UPI cards	18,888,539	76,839	16,542,097	67,442
Inward and outward remittances	10,584,926	43,059	7,270,828	29,643
Loan commissions and early settlement fees	7,262,345	29,543	4,968,814	20,258
Pin-less top up	4,955,724	20,160	3,076,550	12,543
Special account number fees	3,071,281	12,494	2,269,542	9,253
E-wallet	2,287,166	9,304	1,082,246	4,412
Commission fee from insurance	1,381,805	5,621	1,559,625	6,359
Cable charges	841,357	3,423	760,210	3,099
Other fees	4,053,451	16,490	2,909,140	11,861
	53,326,594	216,933	40,439,052	164,870
Fee and commission expense				
Mastercard, Visa and UPI cards	16,766,528	68,206	14,027,848	57,193
Fees and commission paid to other banks and FIs	3,174,547	12,914	1,924,175	7,845
Other fees	321,114	1,307	156,827	638
	20,262,189	82,427	16,108,850	65,676
Net fee and commission income	33,064,405	134,506	24,330,202	99,194

25. OTHER OPERATING INCOME

	Year ended 31 December 2021		Year ended 31 December 2020	
	US\$	KHR Million	US\$	KHR Million
Foreign exchange gains, net	6,058,740	24,647	3,350,197	13,659
Other income	69,984	285	32,920	134
	6,128,724	24,932	3,383,117	13,793

26. PERSONNEL EXPENSES

	Year ended 31 December 2021		Year ended 31 December 2020	
	US\$	KHR Million	US\$	KHR Million
Salaries and bonuses	77,607,915	315,709	66,029,732	269,203
Seniority payments	4,406,274	17,925	3,106,271	12,664
Other personnel expenses	2,615,940	10,641	2,778,064	11,327
	84,630,129	344,275	71,914,067	293,194

27. DEPRECIATION AND AMORTISATION

	Year ended 31 December 2021		Year ended 31 December 2020	
	US\$	KHR Million	US\$	KHR Million
Property and equipment	9,538,897	38,804	11,709,226	47,739
Right-of-use assets	7,430,750	30,228	6,729,171	27,435
Intangible assets	2,030,938	8,262	1,180,887	4,814
	19,000,585	77,294	19,619,284	79,988

28. OPERATING EXPENSES

	Year ended 31 December 2021		Year ended 31 December 2020	
	US\$	KHR Million	US\$	KHR Million
Repairs and maintenance	7,574,892	30,815	8,012,250	32,666
Office supplies	5,096,566	20,733	4,831,982	19,700
Rental expenses	3,388,511	13,784	3,350,576	13,660
Security expenses	2,769,889	11,268	2,332,186	9,508
Communication	2,319,623	9,436	1,622,215	6,614
Utilities expenses	2,223,348	9,045	2,013,432	8,209
Marketing and advertising	2,099,939	8,543	2,010,479	8,197
Professional fees	1,393,369	5,668	1,363,376	5,558
Donation	1,100,719	4,479	174,881	713

	Year ended 31 December 2021		Year ended 31 December 2020	
	US\$	KHR Million	US\$	KHR Million
Insurance expenses	1,056,877	4,299	839,555	3,423
Motor vehicle operation expenses	839,822	3,416	752,911	3,070
License fees	723,157	2,942	703,201	2,867
Board of Director fees	498,106	2,026	343,235	1,399
Credit report (CBC) expenses	368,454	1,499	327,750	1,336
Business meal and entertainment	295,510	1,202	123,030	502
Travelling	289,919	1,179	336,735	1,373
Membership fees	154,741	629	66,888	273
Other expenses	595,961	2,424	206,552	842
	32,789,403	133,387	29,411,234	119,910

29. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	Year ended 31 December 2021		Year ended 31 December 2020	
	US\$	KHR Million	US\$	KHR Million
Loans to customers	27,849,689	113,293	12,866,813	52,458
Balances with other banks	214,762	874	708,385	2,888
Investment securities	577,130	2,348	11,925	49
Loan commitments and financial guarantee contracts	138,316	561	115,486	471
Deposits and other receivables	1,020,323	4,151	(4,345)	(18)
	29,800,220	121,227	13,698,264	55,848

30. NOTES TO THE STATEMENT OF CASH FLOWS

Cash and cash equivalents

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

	31 December 2021		31 December 2020	
	US\$	KHR Million	US\$	KHR Million
Cash on hand	478,829,834	1,950,753	378,101,373	1,529,420
Balances with the NBC	196,294,992	799,706	148,759,307	601,731
Balances with other banks	280,199,425	1,141,532	68,359,708	276,515
	955,324,251	3,891,991	595,220,388	2,407,666

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the reporting position as shown above.

Changes in liabilities arising from financing activities

The table below details change in the Bank's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Bank's statement of cash flows as cash flow from financing activities.

	1 January 2020	Financing cash flows (i)	New leases	Other changes (ii)	31 December 2020
	US\$	US\$	US\$	US\$	US\$
Borrowings	279,856,458	(38,546,431)	–	694,064	242,004,091
Subordinated debts	128,000,000	(11,000,000)	–	23,035	117,023,035
Debt securities in issue	20,939,337	–	–	342,751	21,282,088
Lease liabilities	36,513,407	(7,243,776)	5,911,214	541,057	35,721,902
	465,309,202	(56,790,207)	5,911,214	1,600,907	416,031,116

	1 January 2021	Financing cash flows (i)	New leases	Other changes (ii)	31 December 2021
	US\$	US\$	US\$	US\$	US\$
Borrowings	242,004,091	(46,715,127)	–	2,110,662	197,399,626
Subordinated debts	117,023,035	31,000,000	–	4,927	148,027,962
Debt securities in issue	21,282,088	–	–	28,908	21,310,996
Lease liabilities	35,721,902	(8,439,552)	14,427,075	753,930	42,463,355
	416,031,116	(24,154,679)	14,427,075	2,898,427	409,201,939

(i) The cash flows from financing activities makes up the net amount of proceeds from and repayment of borrowings, subordinated debts, debt securities, and lease liabilities in the statement of cash flows.

(ii) Other changes include interest accrual and repayment of interest.

31. RELATED PARTIES

(a) Related parties and relationships

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

Related parties	Relationships
National Bank of Canada	Ultimate parent shareholder
Key management personnel	Executive management team of the Bank who make critical decisions in relation to the strategic direction of the Bank.
Advanced Technology Asia IT Limited	Affiliate

(b) Related party balances

	31 December 2021		31 December 2020	
	US\$	KHR Million	US\$	KHR Million
Loans to management	5,252,542	21,399	4,648,955	18,805
Deposits and placements by directors and management	3,363,984	13,705	3,409,816	13,793
Subordinated debts from National Bank of Canada	148,027,962	603,066	117,023,035	473,358
Deposits and placements with National Bank of Canada	185,703,301	756,555	212,398	859

(c) Related party transactions

	Year ended 31 December 2021		Year ended 31 December 2020	
	US\$	KHR Million	US\$	KHR Million
Interest income on loans to management	263,420	1,072	268,645	1,095
Interest expense on deposits and placements to directors and management	88,508	360	91,407	373
Interest expense to National Bank of Canada	8,886,595	36,151	10,069,606	41,054
Interest income from National Bank of Canada	496,100	2,018	-	-
Purchases of property and equipment from affiliate	2,005,503	8,158	5,495	22
Service charged from affiliate	987,794	4,018	1,218,153	4,966

(d) Directors and key management personnel remuneration

	Year ended 31 December 2021		Year ended 31 December 2020	
	US\$	KHR Million	US\$	KHR Million
Salaries and benefits	24,003,742	97,647	17,290,947	70,495

32. LOAN COMMITMENTS AND FINANCIAL GUARANTEE CONTRACTS

	31 December 2021		31 December 2020	
	US\$	KHR Million	US\$	KHR Million
Unused portion of overdrafts	240,711,292	980,658	116,567,480	471,515
Performance bonds	12,164,233	49,557	13,635,793	55,157
Payment guarantees	10,544,301	42,957	8,903,461	36,015
Unused portion of credit cards	9,860,070	40,170	9,693,537	39,210
Letter of credits	7,945,590	32,370	10,455,894	42,294
Securities	4,400,000	17,926	4,400,000	17,798

	31 December 2021		31 December 2020	
	US\$	KHR Million	US\$	KHR Million
Warranty bonds	782,048	3,186	176,593	714
Bid bonds	408,844	1,666	2,214,644	8,958
Other guarantees	237,000	966	237,000	959
	287,053,378	1,169,456	166,284,402	672,620

As at 31 December 2021, the Bank has provided ECL for loan commitments and financial guarantee contracts amounting to US\$ 272,715 (2020: US\$ 134,399).

33. SEGMENT REPORTING

Segment reporting is not required for the Bank as the majority of the income is from the same business segment, which is credit and lending. All activities are carried out in the Kingdom of Cambodia.

34. FINANCIAL RISK MANAGEMENT

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 Credit, Governance, Compliance, Audit and Risk Committees, which are responsible for developing and monitoring the Bank's risk management policies in their specific areas. All committees have non-executive members and report regularly to the Board of Directors on their activities.

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 Audit, Compliance and Risk Committees are responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank.

Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee for Board of Directors' meeting.

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

34.1 Credit risk management

Credit risk refers to risk of financial loss to the Bank if a counterparty to a financial instrument fail to meet its obligations in accordance with the agreed terms and arises from balances with other banks, investment securities, deposits and other receivables, loans to customers, loan commitments, and financial guarantee contracts. The Bank considers all elements of credit risk exposure such as counterparty default risk, geographical risk and sector risk, product risk and business type risk for risk management purposes.

Credit Division is responsible for managing the Bank's credit risk by:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, in accordance with CIFRSs and relevant NBC's guidelines.
- Establishing the authorisation structure for the approval and renewal of credit facilities. The holders of credit approval discretion, i.e. Board Credit Committee, Management Credit Committee, Credit Committees in Head Office, and Branch Credit Committees are responsible for approving loans to customers.
- Reviewing and assessing credit risk by setting the limit and monitoring all credit exposures in excess of designated.
- Limiting concentrations of exposure to counterparties, geographies, industries, purposes, sectors (for loans to customers and similar exposures).
- Developing and maintaining the Bank's processes for measuring ECL that includes the 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 branches with agreed exposure limits, including those for selected industries and product types. Regular reports on the credit quality of portfolios may require appropriate corrective action to be taken. These include reports containing estimates of ECL allowances.
- Providing advice, guidance and specialist skills to branches to promote best practice throughout the Bank in the management of credit risk.

Each branch is required to implement credit policies and procedures, with credit approval authorities delegated from the Management Credit Committee.

Branch Managers and Lending Managers in branches report all risk-related matters to Head Office. Each branch 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 Head Office's approval.

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

34.1.1 Collateral held

The Bank holds collateral against loans to customers. The main type of collateral obtained by the bank are:

- Residential properties such as lands and houses for hard and soft titles;
- Cash deposits;
- Other movable assets;
- Financial guarantees.

The Bank set Loan to Collateral Value (LTV) < 80% as the maximum eligible ratio for loan disbursement to customers.

All financial instruments in the Banks subjected to the impairment requirements and recognition of loss allowance have been covered under the Bank's expected credit loss model regardless of the types of collateral held as at 31 December 2021.

34.1.2 Amounts arising from ECL

(a) Inputs, assumptions and techniques used for estimating impairment

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

- loans to customers;
- balances with other banks;
- financial assets that are debt instruments;
- deposits and other receivables;
- loan commitments; and
- financial guarantee contracts.

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

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

The Bank does not apply the low credit risk exemption to any other financial instruments.

12-month ECL is the portion of the lifetime ECL that represent the expected credit losses that result from default events on a financial instrument that are possible within 12 months after the reporting date.

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

Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost are creditimpaired (referred to as 'Stage 3 financial assets'). A financial asset is 'creditimpaired' 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:

- credit facility with internal credit risk rating of "E" or contractual payment is equal to or more than 90 days for long term loans and equal or more than 30 days for short term ones;
- where the borrower are declared disappeared, dead or suffering from a loss of capacity for civil conduct;
- significant financial difficulty of the borrower or issuer;
- the restructuring of a loan by the Bank on terms that the Bank would not consider otherwise; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is

overdue more than 89 days (long-term) and more than 30 days (short-term) per CIFRS rebuttable assumption is considered credit-impaired even when the regulatory definition of default is different.

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

Credit risk grades

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

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

The Bank uses internal credit risk rating and past due information as the staging transfer criteria as below:

Classifications	Type of loans	Internal Credit rating	Credit worthiness	Days past due	Staging
Normal	Long term	A, B, C	A: Very Good	0 – 30 days	Stage 1
	Short term	A, B, C	B: Good C: Satisfactory	0 – 15 days	
Special mentions	Long term	D	D: Watch list	31 – 89 days	Stage 2
	Short term	D		15 days – 30 days	
Non-performing loans	Long term	E	E: Default	> 89 days	Stage 3
	Short term	E		> 30 days	

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

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

(i) Significant increase in credit risk

The Bank considers the significant increase in credit risk into two stages as below:

Significant increases in credit risk in Stage 2

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

- ≥ 30 days, ≤ 89 days for long term and ≥ 15 , ≤ 30 days for short term days past due as backstop
- Use of quantitative indicators (change in PD at reporting date from the origination date)

The Bank uses between ≥ 30 days and ≤ 89 days for long-term and between ≥ 15 days and ≤ 30 days for short-term past due as backstop and applies the rebuttable assumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are between ≥ 30 days and ≤ 89 days for long-term and between ≥ 15 days and ≤ 30 days for short-term past due. In addition to this, all loans where credit rating is moved to "D" is classified under Stage 2. Moreover, loans which are restructured with credit rating "D" will be changed from Stage 1 to Stage 2.

Significant increases in credit risk in Stage 3

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

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

The Bank also applies ≥ 90 days for long term and ≥ 30 for short term DPD as a backstop in moving a facility from Stage 2 to Stage 3 and consider a facility as credit-impaired. In addition to this, all loans where credit rating is moved to "E" is classified from Stage 2 to Stage 3. Moreover, loans which are restructured and classified as substandard, doubtful or loss will be changed from Stage 2 to Stage 3.

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);
- the borrower is ≥ 90 days past due on any material credit obligation to the Bank; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

(ii) Incorporation of forward-looking information

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

Forward-looking information is used only for PD. For LGD, the forward-looking information is not considered as the default counts in the earlier quarters are not sufficient to undertake reliable forward-looking statistical analysis. See Note 37(i) for more details on the macroeconomic factors used for forward-looking PD.

(iii) Modified financial assets

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

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

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

(iv) Measurement of ECL

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

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Bank in accordance with the contract and the cash flows that the Bank expects to receive);

- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- Undrawn loan commitments a credit loss is the present value of the difference between the contractual cash flows that are due to the Bank if the holder of the loan commitment draws down the loan and the cash flows that the entity expects to receive if the loan is drawn down; and
- For financial guarantee contracts payment only arise in the event of default of the debtor in accordance with the terms of the debt instrument that is guaranteed. Accordingly, cash shortfalls are the expected payments to reimburse the holder of the debt instruments for a credit loss that incurs less any amount that the Bank expects to receive from the holder, the debtor or any party

The Bank calculates the ECL by taking the gross carrying amount of financial assets multiplying by the consolidated PD ratio and the LGD.

- ECL is the present value of all cash shortfalls over the remaining life, discounted at the EIR. For each year throughout the financial instrument's life, a forward-looking PD, LGD and EAD are estimated. The estimates are multiplied with each other to estimate the losses for each of the years. Then the estimates are discounted back to the reporting date using the EIR as the discount rate. Without having material effect, the Bank considered contractual rate as EIR.
- The ECL is calculated by using the formula below:

$$\text{Expected Credit Loss} = \sum_{t=1}^T \text{MPD}_t \times \text{LGD}_t \times \text{EAD}_t \times D_t$$

Where:

MPD_t = Marginal Probability of Default at time *t*;

LGD_t = Loss Given Default at time *t*;

EAD_t = Exposure at Default at time *t*; and

D_t = Discount factor at time *t*.

(b) Loss allowance

The following table summarises the loss allowance as of the year-end by class of exposure/assets.

	31 December 2021		31 December 2020	
	US\$	KHR Million	US\$	KHR Million
Loss allowance by classes:				
Loans to customers*	46,415,811	189,098	18,772,135	75,933
Balances with other banks	983,889	4,008	769,128	3,111
Investment securities	610,635	2,488	33,505	135
Deposits and other receivables	1,052,128	4,286	31,805	129
Loan commitments and financial guarantee contracts	272,715	1,111	134,399	544
	49,335,178	200,991	19,740,972	79,852

* The contractual amount outstanding on financial assets that were written off during the year was US\$206,013 (31 December 2020: US\$449,785).

Under the Bank's monitoring procedures, a significant increase in credit risk is identified before the exposure has defaulted, and at the latest when the exposure becomes 30 days past due. This is the case mainly for loans to customers. The table below provides an analysis of the gross carrying amount of loans to customers by past due status.

	31 December 2021		31 December 2020	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
	US\$	US\$	US\$	US\$
Loans to customers:				
0-29 days	5,266,084,388	35,333,674	3,797,649,348	12,153,643
30-59 days	4,656,997	750,137	3,263,138	489,529
60-89 days	6,279,551	1,094,529	2,021,729	358,216
90-179 days	13,021,701	2,519,107	5,496,386	1,000,470
More than 180 days	35,362,770	6,718,364	24,940,948	4,770,277
Total	5,325,405,407	46,415,811	3,833,371,549	18,772,135
In KHR Million equivalent	21,695,702	189,098	15,505,988	75,933

34.1.3 Credit quality analysis

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

31 December 2021	Stage 1	Stage 2	Stage 3	Total	
	US\$	US\$	US\$	US\$	KHR Million
Balances with other banks:					
Normal	558,440,003	–	–	558,440,003	2,275,084
Loss allowance	(983,889)	–	–	(983,889)	(4,008)
Carrying amount	557,456,114	–	–	557,456,114	2,271,076
Loans to customers:					
Normal	5,245,148,893	–	–	5,245,148,893	21,368,737
Special mention	–	26,302,624	–	26,302,624	107,157
Substandard	–	–	14,699,006	14,699,006	59,884
Doubtful	–	–	12,396,762	12,396,762	50,504
Loss	–	–	26,858,122	26,858,122	109,420
	5,245,148,893	26,302,624	53,953,890	5,325,405,407	21,695,702
Loss allowance	(32,027,418)	(4,118,881)	(10,269,512)	(46,415,811)	(189,098)
Carrying amount	5,213,121,475	22,183,743	43,684,378	5,278,989,596	21,506,604
Investment securities:					
Normal	37,450,310	–	–	37,450,310	152,573
Loss allowance	(610,635)	–	–	(610,635)	(2,488)
Carrying amount	36,839,675	–	–	36,839,675	150,085

31 December 2021	Stage 1	Stage 2	Stage 3	Total	
	US\$	US\$	US\$	US\$	KHR Million
Deposits and other receivables:					
Normal	13,083,598	–	–	13,083,598	53,303
Loss allowance	(1,052,128)	–	–	(1,052,128)	(4,286)
Carrying amount	12,031,470	–	–	12,031,470	49,017
Loan commitments and financial guarantee contracts:					
Normal	282,416,247	131	–	282,416,378	1,150,564
Loss allowance	(272,699)	(16)	–	(272,715)	(1,111)
Total amount	282,143,548	115	–	282,143,663	1,149,453
31 December 2020	Stage 1	Stage 2	Stage 3	Total	
	US\$	US\$	US\$	US\$	KHR Million
Balances with other banks:					
Normal	326,725,625	–	–	326,725,625	1,321,605
Loss allowance	(769,128)	–	–	(769,128)	(3,111)
Carrying amount	325,956,497	–	–	325,956,497	1,318,494
Loans to customers:					
Normal	3,778,342,566	–	–	3,778,342,566	15,283,396
Special mention	–	20,426,555	–	20,426,555	82,625
Substandard	–	–	8,087,091	8,087,091	32,712
Doubtful	–	–	11,420,535	11,420,535	46,196
Loss	–	–	15,094,802	15,094,802	61,059
	3,778,342,566	20,426,555	34,602,428	3,833,371,549	15,505,988
Loss allowance	(9,283,767)	(2,993,995)	(6,494,373)	(18,772,135)	(75,933)
Carrying amount	3,769,058,799	17,432,560	28,108,055	3,814,599,414	15,430,055
Investment securities:					
Normal	7,467,591	–	–	7,467,591	30,206
Loss allowance	(33,505)	–	–	(33,505)	(135)
Carrying amount	7,434,086	–	–	7,434,086	30,071
Deposits and other receivables:					
Normal	3,180,500	–	–	3,180,500	12,865
Loss allowance	(31,805)	–	–	(31,805)	(129)
Carrying amount	3,148,695	–	–	3,148,695	12,736

31 December 2020	Stage 1	Stage 2	Stage 3	Total	
	US\$	US\$	US\$	US\$	KHR Million
Loan commitments and financial guarantee contracts:					
Normal	161,647,302	101	–	161,647,403	653,864
Loss allowance	(134,391)	(8)	–	(134,399)	(544)
Total amount	161,512,911	93	–	161,513,004	653,320

The below table sets out information about the overdue status of loans to customers in Stage 1, 2 and 3.

31 December 2021	Stage 1	Stage 2	Stage 3	Total	
	US\$	US\$	US\$	US\$	KHR Million
Loans to customers:					
Not overdue	5,210,533,873	11,622,221	3,024,797	5,225,180,891	21,287,387
Overdue ≤ 29 days	34,615,020	5,512,720	775,756	40,903,496	166,641
Overdue > 29 days	–	9,167,684	50,153,336	59,321,020	241,674
Total	5,245,148,893	26,302,625	53,953,889	5,325,405,407	21,695,702

31 December 2020	Stage 1	Stage 2	Stage 3	Total	
	US\$	US\$	US\$	US\$	KHR Million
Loans to customers:					
Not overdue	3,746,950,964	12,617,186	2,868,261	3,762,436,411	15,219,055
Overdue ≤ 29 days	31,391,600	3,481,487	339,849	35,212,936	142,436
Overdue > 29 days	–	4,327,882	31,394,320	35,722,202	144,497
Total	3,778,342,564	20,426,555	34,602,430	3,833,371,549	15,505,988

The table below shows the changes in the gross carrying amount of financial assets during the period that contributed to changes in the loss allowance.

Balance with other banks at amortised cost

31 December 2021	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR Million
Gross carrying amounts as at 1 January 2021	326,725,625	–	–	326,725,625	1,321,605
New financial assets originated	500,828,868	–	–	500,828,868	2,040,377
Financial assets that have been derecognised	(286,083,824)	–	–	(286,083,824)	(1,165,505)
Other changes	16,997,640	–	–	16,997,640	69,248
Currency translation differences	(28,306)	–	–	(28,306)	9,359
Gross carrying amount as at 31 December 2021	558,440,003	–	–	558,440,003	2,275,084
Loss allowance as at 31 December 2021	(983,889)	–	–	(983,889)	(4,008)

31 December 2020	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR Million
Gross carrying amounts as at 1 January 2020	93,472,431	–	–	93,472,431	380,900
New financial assets originated	286,767,435	–	–	286,767,435	1,159,974
Financial assets that have been derecognised	(69,627,741)	–	–	(69,627,741)	(281,644)
Other changes	16,055,922	–	–	16,055,922	64,946
Currency translation differences	57,578	–	–	57,578	(2,571)
Gross carrying amount as at 31 December 2020	326,725,625	–	–	326,725,625	1,321,605
Loss allowance as at 31 December 2020	(769,128)	–	–	(769,128)	(3,111)

Loans to customers at amortised cost

31 December 2021	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR Million
Gross carrying amount as at 1 January 2021	3,778,342,566	20,426,555	34,602,428	3,833,371,549	15,505,988
Changes in gross carrying amount					
Transfer to stage 1	676,854	(641,727)	(35,127)	–	–
Transfer to stage 2	(18,493,069)	18,557,986	(64,917)	–	–
Transfer to stage 3	(16,944,120)	(8,319,213)	25,263,333	–	–
New financial assets originated	2,779,064,351	429,837	179,087	2,779,673,275	11,324,389
Financial assets that have been derecognised	(1,277,481,429)	(4,138,795)	(5,813,177)	(1,287,433,401)	(5,245,004)
Write off	(16,258)	(12,019)	(177,739)	(206,016)	(839)
Currency translation differences	–	–	–	–	111,168
Gross carrying amount as at 31 December 2021	5,245,148,895	26,302,624	53,953,888	5,325,405,407	21,695,702
Loss allowance as at 31 December 2021	(32,027,418)	(4,118,881)	(10,269,512)	(46,415,811)	(189,098)

31 December 2020	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR Million
Gross carrying amount as at 1 January 2020	2,732,372,680	10,667,510	21,386,175	2,764,426,365	11,265,037
Changes in gross carrying amount					
Transfer to stage 1	107,187	(107,187)	–	–	–
Transfer to stage 2	(17,225,706)	17,225,706	–	–	–
Transfer to stage 3	(12,999,441)	(3,730,311)	16,729,752	–	–
New financial assets originated	2,390,527,671	353,254	153,360	2,391,034,285	9,671,734

31 December 2020	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
Financial assets that have been derecognised	(1,314,369,171)	(3,910,964)	(3,358,841)	(1,321,638,976)	(5,346,030)
Write off	(70,654)	(71,453)	(308,018)	(450,125)	(1,821)
Currency translation differences	-	-	-	-	(82,932)
Gross carrying amount as at 31 December 2020	3,778,342,566	20,426,555	34,602,428	3,833,371,549	15,505,988
Loss allowance as at 31 December 2020	(9,283,767)	(2,993,995)	(6,494,373)	(18,772,135)	(75,933)

Investment securities at amortised cost

31 December 2021	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR Million
Gross carrying amount as at 1 January 2021	7,467,591	-	-	7,467,591	30,206
New financial assets originated	30,322,479	-	-	30,322,479	123,534
Other changes	(339,760)	-	-	(339,760)	(1,384)
Currency translation difference	-	-	-	-	217
Gross carrying amount as at 31 December 2021	37,450,310	-	-	37,450,310	152,573
Loss allowance as at 31 December 2021	(610,635)	-	-	(610,635)	(2,488)

31 December 2020	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR Million
Gross carrying amounts as at 1 January 2020	33,307,014	-	-	33,307,014	135,726
New financial assets originated	3,976,224	-	-	3,976,224	16,084
Financial assets that have been derecognised	(29,760,358)	-	-	(29,760,358)	(120,381)
Other changes	(55,289)	-	-	(55,289)	(224)
Currency translation differences	-	-	-	-	(999)
Gross carrying amount as at 31 December 2020	7,467,591	-	-	7,467,591	30,206
Loss allowance as at 31 December 2020	(33,505)	-	-	(33,505)	(135)

Deposits and other receivables at amortised cost

31 December 2021	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR Million
Gross carrying amount as at 1 January 2021	3,180,500	–	–	3,180,500	12,865
New financial assets originated	10,068,124	–	–	10,068,124	41,018
Financial assets that have been derecognised	(99,790)	–	–	(99,790)	(407)
Other changes	(65,236)	–	–	(65,236)	(266)
Currency translation differences	–	–	–	–	93
Gross carrying amount as at 31 December 2021	13,083,598	–	–	13,083,598	53,303
Loss allowance as at 31 December 2021	(1,052,128)	–	–	(1,052,128)	(4,286)

31 December 2020	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR Million
Gross carrying amount as at 1 January 2020	3,615,041	–	–	3,615,041	14,731
New financial assets originated	545,023	–	–	545,023	2,205
Financial assets that have been derecognised	(31,810)	–	–	(31,810)	(129)
Other changes	(947,754)	–	–	(947,754)	(3,834)
Currency translation differences	–	–	–	–	(108)
Gross carrying amount as at 31 December 2020	3,180,500	–	–	3,180,500	12,865
Loss allowance as at 31 December 2020	(31,805)	–	–	(31,805)	(129)

Loan commitments and financial guarantee contracts

31 December 2021	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR Million
Total amounts committed and guaranteed as at 1 January 2021	161,647,302	101	–	161,647,403	653,864
Changes in gross carrying amount					
Transfer to stage 1	–	–	–	–	–
Transfer to stage 2	(20)	20	–	–	–
Transfer to stage 3	(2)	–	2	–	–
New loan commitments and new financial guarantees originated	143,146,610	–	–	143,146,610	583,179
Loan commitments and financial guarantees that have been derecognised	(22,377,643)	10	(2)	(22,377,635)	(91,166)
Currency translation differences	–	–	–	–	4,687

31 December 2021	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
Total amounts committed and guaranteed amount as at 31 December 2021	282,416,247	131	–	282,416,378	1,150,564
Loss allowance as at 31 December 2021	(272,699)	(16)	–	(272,715)	(1,111)

31 December 2020	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR Million
Total amounts committed and guaranteed as at 1 January 2020	68,497,103	–	–	68,497,103	279,126
Changes in gross carrying amount					
Transfer to stage 1	–	–	–	–	–
Transfer to stage 2	(102)	102	–	–	–
Transfer to stage 3	–	–	–	–	–
New loan commitments and new financial guarantees originated	105,363,917	–	–	105,363,917	426,197
Loan commitments and financial guarantees that have been derecognised	(12,213,616)	(1)	–	(12,213,617)	(49,404)
Currency translation differences	–	–	–	–	(2,055)
Total amounts committed and guaranteed as at 31 December 2020	161,647,302	101	–	161,647,403	653,864
Loss allowance as at 31 December 2020	(134,391)	(8)	–	(134,399)	(544)

The tables below analyse the movement of the loss allowance during the year per class of assets.

Loss allowance – balance with other banks at amortised cost

31 December 2021	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR Million
Loss allowance as at 1 January 2021	769,128	–	–	769,128	3,111
New financial assets originated	961,211	–	–	961,211	3,916
Financial assets that have been derecognised	(671,299)	–	–	(671,299)	(2,735)
Other changes	(75,151)	–	–	(75,151)	(306)
Currency translation differences	–	–	–	–	22
Loss allowance as at 31 December 2021	983,889	–	–	983,889	4,008

31 December 2020	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR Million
Loss allowance as at 1 January 2020	60,742	–	–	60,742	248
New financial assets originated	671,299	–	–	671,299	2,715
Financial assets that have been derecognised	(35,778)	–	–	(35,778)	(145)
Other changes	72,865	–	–	72,865	295
Currency translation differences	–	–	–	–	(2)
Loss allowance as at 31 December 2020	769,128	–	–	769,128	3,111

Loss allowance – loans to customers at amortised cost

31 December 2021	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR Million
Loss allowance as at 1 January 2021	9,283,767	2,993,995	6,494,373	18,772,135	75,933
Changes in loss allowance					
Transfer to stage 1	110,296	(100,919)	(9,377)	–	–
Transfer to stage 2	(174,700)	189,221	(14,521)	–	–
Transfer to stage 3	(123,223)	(1,232,419)	1,355,642	–	–
Net remeasurement of loss allowance(1)	345,348	2,658,004	3,803,226	6,806,578	27,730
New financial assets originated	2,709,905	40,713	48,509	2,799,127	11,404
Financial assets that have been derecognised	(1,069,304)	(424,367)	(1,292,019)	(2,785,690)	(11,349)
Write off	(4,671)	(5,346)	(116,322)	(126,339)	(515)
Other changes(2)	20,950,000	–	–	20,950,000	85,350
Currency translation differences	–	–	–	–	545
Loss allowance as at 31 December 2021	32,027,418	4,118,882	10,269,511	46,415,811	189,098

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

(2) This represents additional management overlay for the period ended 31 December 2021. Refer to Note 37(i) for more details.

31 December 2020	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR Million
Loss allowance as at 1 January 2020	1,573,881	566,317	4,215,254	6,355,452	25,898
Change in loss allowance					
Transfer to stage 1	5,213	(5,213)	-	-	-
Transfer to stage 2	(10,641)	10,641	-	-	-
Transfer to stage 3	(8,242)	(227,994)	236,236	-	-
Net remeasurement of loss allowance(1)	780,419	2,712,889	2,636,001	6,129,309	24,793
New financial assets originated	2,962,641	37,385	35,473	3,035,499	12,279
Financial assets that have been derecognised	(610,851)	(50,727)	(422,916)	(1,084,494)	(4,387)
Write off	(58,653)	(49,303)	(205,675)	(313,631)	(1,269)
Other changes(2)	4,650,000	-	-	4,650,000	18,809
Currency translation differences	-	-	-	-	(190)
Loss allowance as at 31 December 2020	9,283,767	2,993,995	6,494,373	18,772,135	75,933

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

(2) This represents additional management overlay for the period ended 31 December 2020.

Loss allowance – investment in securities at amortised cost

31 December 2021	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR Million
Loss allowance as at 1 January 2021	33,505	-	-	33,505	135
Net remeasurement of loss allowance	(2,070)	-	-	(2,070)	(8)
New financial assets originated	579,200	-	-	579,200	2,360
Currency translation differences	-	-	-	-	1
Loss allowance as at 31 December 2021	610,635	-	-	610,635	2,488

31 December 2020	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR Million
Loss allowance as at 1 January 2020	21,580	-	-	21,580	88
Net remeasurement of loss allowance	(2,852)	-	-	(2,852)	(12)
New financial assets originated	14,777	-	-	14,777	59
Loss allowance as at 31 December 2020	33,505	-	-	33,505	135

Loss allowance – deposits and other receivables at amortised cost

31 December 2021	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR Million
Loss allowance as at 1 January 2021	31,805	–	–	31,805	129
New financial assets originated	1,021,974	–	–	1,021,974	4,164
Financial assets that have been derecognised	(998)	–	–	(998)	(4)
Other changes	(653)	–	–	(653)	(3)
Loss allowance as at 31 December 2021	1,052,128	–	–	1,052,128	4,286

31 December 2020	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR Million
Loss allowance as at 1 January 2020	36,150	–	–	36,150	147
New financial assets originated	5,450	–	–	5,450	22
Financial assets that have been derecognised	(318)	–	–	(318)	(1)
Other changes	(9,477)	–	–	(9,477)	(38)
Currency translation differences	–	–	–	–	(1)
Loss allowance as at 31 December 2020	31,805	–	–	31,805	129

Loss allowance – loan commitments and financial guarantee contracts

31 December 2021	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR Million
Loss allowance as at 1 January 2021	134,391	8	–	134,399	544
Net remeasurement of loss allowance	19,639	7	–	19,646	80
New loan commitments and new financial guarantees assets originated	140,811	–	–	140,811	574
Loan commitments and financial guarantees that have been derecognised	(22,141)	–	–	(22,141)	(90)
Currency translation differences	–	–	–	–	3
Loss allowance as at 31 December 2021	272,700	15	–	272,715	1,111

31 December 2020	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	US\$	US\$	US\$	US\$	KHR Million
Loss allowance as at 1 January 2020	18,916	–	–	18,916	77
Net remeasurement of loss allowance	36,335	8	–	36,343	147
New loan commitments and new financial guarantees assets originated	80,915	–	–	80,915	327
Loan commitments and financial guarantees that have been derecognised	(1,775)	–	–	(1,775)	(7)
Currency translation differences	–	–	–	–	–
Loss allowance as at 31 December 2020	134,391	8	–	134,399	544

34.1.4 Concentration of credit risk

The Bank monitors concentrations of credit risk by sector. An analysis of concentrations of credit risk from balances with other banks, loans to customers, investment securities, deposits and other receivables and loan commitments and financial guarantee contracts are shown below.

31 December 2021	Balances with other banks	Loans to customers	Investment securities	Deposits and other receivables	Loan commitments and financial guarantee contracts	Total	
	US\$	US\$	US\$	US\$	US\$	US\$	KHR Million
Carrying amount	557,456,114	5,278,989,596	36,839,675	12,031,470	(272,715)	5,885,044,140	23,975,670
Amount committed	–	–	–	–	282,416,378	282,416,378	1,150,564
Concentration by sector:							
Financial institution	557,456,114	65,741,683	7,368,458	5,829,973	1,110,251	637,506,479	2,597,201
Agriculture	–	271,676,906	–	–	1,031,378	272,708,284	1,111,014
Construction and real estate operation	–	466,484,585	29,471,217	–	53,996,276	549,952,078	2,240,505
Real estate rental	–	719,173,842	–	5,063,588	4,944,847	729,182,277	2,970,689
Manufacturing	–	277,496,310	–	–	23,064,213	300,560,523	1,224,484
Wholesale and retail trade	–	2,473,158,623	–	–	155,306,830	2,628,465,453	10,708,368
Services	–	859,125,419	–	–	32,252,241	891,377,660	3,631,473
Individual	–	146,132,228	–	1,137,909	10,710,342	157,980,479	643,612
	557,456,114	5,278,989,596	36,839,675	12,031,470	282,416,378	6,167,733,233	25,127,346

31 December 2020	Balances with other banks	Loans to customers	Investment securities	Deposits and other receivables	Loan commitments and financial guarantee contracts	Total	
	US\$	US\$	US\$	US\$	US\$	US\$	KHR Million
Carrying amount	325,956,497	3,814,599,414	7,434,086	3,148,695	(134,399)	4,151,004,293	16,790,812
Amount committed	–	–	–	–	161,647,403	161,647,403	653,864
Concentration by sector:							
Financial institution	325,956,497	75,700,368	7,434,086	–	6,703,385	415,794,336	1,681,888
Agriculture	–	188,556,966	–	–	572,411	189,129,377	765,028
Construction and real estate operation	–	283,912,442	–	–	26,038,109	309,950,551	1,253,750
Real estate rental	–	625,153,662	–	3,148,695	1,978,497	630,280,854	2,549,487
Manufacturing	–	185,379,164	–	–	15,244,456	200,623,620	811,523
Wholesale and retail trade	–	1,641,488,877	–	–	80,922,280	1,722,411,157	6,967,153
Services	–	697,905,481	–	–	19,355,246	717,260,727	2,901,320
Individual	–	116,502,454	–	–	10,833,019	127,335,473	515,071
	325,956,497	3,814,599,414	7,434,086	3,148,695	161,647,403	4,312,786,095	17,445,220

34.2 Liquidity risk

Liquidity risk is the risk that the Bank does not have sufficient financial resources to meet its obligations as they fall due, or will have to do so at an excessive cost. This risk arises from mismatches in the timing of cash flows which is inherent in all banking operations and can be affected by a range of Bank-specific and market-wide events.

34.2.1 Liquidity risk management

The Bank's Board of Directors sets the Bank's strategy for managing liquidity risk and oversight of the implementation is administered by Board Risk Management Committee (BRMC). BRMC approves the Bank's liquidity policies created by the Risk division and acknowledged by Asset-Liability Committee (ALCO). Treasury department manages the Bank's liquidity position on a day-to-day basis and reviews daily reports covering the liquidity position of Head office and branches. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation. The key elements of the Bank's liquidity strategy are as follows:

- Maintaining a diversified funding base consisting of customer deposits (both individual and corporate) and maintaining contingency facilities;
- Carrying a portfolio of highly liquid assets, diversified by currency and maturity;
- Monitoring maturity mismatches, behavioral characteristics of the Bank's financial assets and financial liabilities, and the extent to which the Bank's assets are encumbered and so not available as potential collateral for obtaining funding;
- Stress testing of the Bank's liquidity position against various exposures and country-specific events;
- Minimise cost of foregone earnings on idle liquidity.

Treasury department receives information from other business units regarding the liquidity profile of their financial assets and financial liabilities and details of other projected cash flows arising from projected future business. Treasury department then maintains a portfolio of short-term liquid assets, largely made up of inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank as a whole. The liquidity requirements of branches are met through funds from Treasury department to cover any short-term fluctuations and longer-term funding to address any structural liquidity requirements.

Finance department monitors compliance with local regulatory limits on a monthly basis.

Regular liquidity stress testing is conducted by Risk Management Department under a variety of scenarios covering historical depositors' runoff to test compliance with regulatory and risk appetite metrics under stressed conditions. Risk Management Department presented results of stress testing and relevant recommendations to BRMC on quarterly basis or an ad hoc basis.

34.2.2 Exposure to liquidity risk

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

	31 December 2021	31 December 2020
At end of year	149.32%	166.64%
Average for the year	163.51%	161.56%
Maximum for the year	173.69%	184.79%
Minimum for the year	149.32%	131.05%

34.2.3 Maturity analysis for financial assets and financial liabilities

The following tables set out the remaining contractual maturities of the Bank's financial assets and financial liabilities. The sum of the balances depicted in the maturity analysis do not reconcile with the carrying amount of the assets/liabilities as disclosed in the statement of financial position. This is because maturity analysis incorporates, on an undiscounted basis, all cash flow relating to principal. The amount for issued loan commitments and financial guarantees contract is the maximum amount that may be drawn down under the loan commitment, or called under the financial guarantees contract, both included in the earliest possible period under these could be paid. The undiscounted cash flows potentially payable under financial guarantees and similar contracts are classified on the basis of the earliest date they can be called.

31 December 2021	Carrying amount	Gross nominal inflow/(outflow)	Up to 1 month	> 1 – 3 months	> 3 – 12 months	> 1 – 5 years	Over 5 years	No specific maturity
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Financial assets by type								
Non-derivative assets								
Cash on hand	478,829,834	478,829,834	478,829,834	–	–	–	–	–
Balances with the NBC	1,353,953,769	1,354,356,035	248,392,089	199,509,292	422,179,126	–	–	484,275,528
Balances with other banks	557,456,114	562,531,669	273,665,344	39,827,626	249,038,699	–	–	–
Loans to customers	5,278,989,596	7,143,073,051	166,193,708	258,320,645	1,272,725,458	3,514,561,500	1,931,271,740	–
Investment securities	36,839,675	41,007,191	–	–	3,112,938	37,894,253	–	–
Other assets	24,530,382	24,530,382	12,593,703	104,380	172,630	1,526,490	4,302,225	5,830,954
In US\$ equivalent	7,730,599,370	9,604,328,162	1,179,674,678	497,761,943	1,947,228,851	3,553,982,243	1,935,573,965	490,106,482
In KHR Million equivalent	31,494,462	39,128,033	4,805,995	2,027,882	7,933,010	14,478,924	7,885,528	1,996,694

31 December 2021	Carrying amount	Gross nominal inflow/(outflow)	Up to 1 month	> 1 – 3 months	> 3 – 12 months	> 1 – 5 years	Over 5 years	No specific maturity
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Financial liabilities by type								
Non-derivative liabilities								
Deposits from banks and other financial institutions	(95,531,742)	(96,604,923)	(72,329,937)	–	(22,760,845)	(1,514,141)	–	–
Deposits from customers	(6,208,198,343)	(6,239,416,185)	(5,362,432,528)	(219,759,974)	(617,624,461)	(39,599,222)	–	–
Debt securities in issue	(21,310,996)	(22,428,129)	–	(806,580)	(21,621,549)	–	–	–
Borrowings	(197,399,626)	(205,268,414)	(63,522,423)	(30,883,195)	(105,708,740)	(475,089)	(4,678,967)	–
Subordinated debts	(148,027,962)	(197,725,156)	–	–	(2,131,801)	(122,981,219)	(72,612,136)	–
Lease liabilities	(42,463,355)	(50,233,883)	(780,721)	(1,487,122)	(6,495,743)	(28,262,480)	(13,207,817)	–
Other liabilities	(46,543,425)	(46,543,425)	(2,817)	(22,863,579)	(6,354,199)	(16,290,355)	(1,032,475)	–
	(6,759,475,449)	(6,858,220,115)	(5,499,068,426)	(275,800,450)	(782,697,338)	(209,122,506)	(91,531,395)	–
Loan commitments and financial guarantee contracts	–	(282,416,378)	(14,729,856)	(37,726,242)	(217,530,519)	(12,429,761)	–	–
In US\$ equivalent	(6,759,475,449)	(7,140,636,493)	(5,513,798,282)	(313,526,692)	(1,000,227,857)	(221,552,267)	(91,531,395)	–
In KHR Million equivalent	(27,538,103)	(29,090,953)	(22,463,214)	(1,277,308)	(4,074,928)	(902,604)	(372,899)	–
31 December 2020	Carrying amount	Gross nominal inflow/(outflow)	Up to 1 month	> 1 – 3 months	> 3 – 12 months	> 1 – 5 years	Over 5 years	No specific maturity
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Financial assets by type								
Non-derivative assets								
Cash on hand	378,101,373	378,101,373	378,101,373	–	–	–	–	–
Balances with the NBC	1,481,626,701	1,482,463,671	227,602,290	140,897,102	730,962,799	–	–	383,001,480
Balances with other banks	325,956,497	329,159,013	62,531,584	28,085,945	238,541,484	–	–	–
Loans to customers	3,814,599,414	4,925,131,069	74,208,223	134,659,696	635,309,114	2,763,621,205	1,317,332,831	–
Investment securities	7,434,086	8,921,826	–	–	–	8,921,826	–	–
Other assets	17,347,962	17,347,962	6,433,942	18,025	6,906,760	837,270	3,151,965	–

31 December 2020	Carrying amount	Gross nominal inflow/(outflow)	Up to 1 month	> 1 – 3 months	> 3 – 12 months	> 1 – 5 years	Over 5 years	No specific maturity
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
In US\$ equivalent	6,025,066,033	7,141,124,914	748,877,412	303,660,768	1,611,720,157	2,773,380,301	1,320,484,796	383,001,480
In KHR Million equivalent	24,371,392	28,885,850	3,029,209	1,228,308	6,519,408	11,218,323	5,341,361	1,549,241
Financial liabilities by type								
Non-derivative liabilities								
Deposits from banks and other financial institutions	(68,718,728)	(69,544,318)	(55,317,851)	–	(9,786,749)	(4,439,718)	–	–
Deposits from customers	(4,802,749,648)	(4,835,404,879)	(3,970,985,457)	(212,310,676)	(613,095,883)	(39,012,863)	–	–
Debt securities in issue	(21,282,088)	(24,041,289)	–	(806,580)	(806,580)	(22,428,129)	–	–
Borrowings	(242,004,091)	(260,392,244)	(3,830,605)	(65,192,233)	(183,997,232)	(6,117,277)	(1,254,897)	–
Subordinated debts	(117,023,035)	(156,286,668)	–	–	–	(100,381,437)	(55,905,231)	–
Lease liabilities	(35,721,902)	(42,593,753)	(644,918)	(1,274,527)	(5,586,177)	(24,189,161)	(10,898,970)	–
Other liabilities	(33,829,136)	(33,829,136)	(713,705)	(16,781,230)	(5,383,728)	(10,613,390)	(337,083)	–
	(5,321,328,628)	(5,422,092,287)	(4,031,492,536)	(296,365,246)	(818,656,349)	(207,181,975)	(68,396,181)	–
Loan commitments and financial guarantee contracts	–	(161,647,403)	(10,471,284)	(19,474,031)	(120,369,486)	(11,332,602)	–	–
In US\$ equivalent	(5,321,328,628)	(5,583,739,690)	(4,041,963,820)	(315,839,277)	(939,025,835)	(218,514,577)	(68,396,181)	–
In KHR Million equivalent	(21,524,774)	(22,586,227)	(16,349,744)	(1,277,570)	(3,798,360)	(883,891)	(276,663)	–

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

Type of financial instrument	Basis on which amounts are compiled
Financial assets	Undiscounted cash flows, which include estimated interest collections.
Financial liabilities	Undiscounted cash flows, which include estimated interest payments.
Loan commitments and financial guarantee contracts	Earliest possible contractual maturity.

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

The following table sets out the contractual amounts of non-derivative financial assets and financial liabilities expected to be recovered or settled less than 12 months after the reporting date.

	31 December 2021		31 December 2020	
	US\$	KHR Million	US\$	KHR Million
Financial assets				
Cash on hand	478,829,834	1,950,753	378,101,373	1,529,420
Balances with the NBC	870,080,507	3,544,708	1,099,462,191	4,447,325
Balances with other banks	562,531,669	2,291,754	329,159,013	1,331,448
Loans to customers	1,697,239,811	6,914,555	844,177,033	3,414,696
Investment securities	3,112,938	12,682	–	–
Other assets	12,870,713	52,435	13,358,727	54,036
	3,624,665,472	14,766,887	2,664,258,337	10,776,925
Financial liabilities				
Deposits from banks and other financial institutions	95,090,782	387,400	65,104,600	263,348
Deposits from customers	6,199,816,963	25,258,054	4,796,392,016	19,401,406
Debt securities in issue	22,428,129	91,372	1,613,160	6,525
Borrowings	200,114,358	815,266	253,020,070	1,023,466
Subordinated debts	2,131,801	8,685	–	–
Lease liabilities	8,763,586	35,703	7,505,622	30,360
Other liabilities	29,220,595	119,045	22,878,663	92,544
	6,557,566,214	26,715,525	5,146,514,131	20,817,649
Loan commitments	269,986,617	1,099,925	150,314,801	608,023
	6,827,552,831	27,815,450	5,296,828,932	21,425,672

The following table sets out the contractual amounts of non-derivative financial assets and financial liabilities expected to be recovered or settled more than 12 months after the reporting date.

	31 December 2021		31 December 2020	
	US\$	KHR Million	US\$	KHR Million
Financial assets				
Balances with other banks	–	–	–	–
Loans to customers	5,445,833,240	22,186,325	4,080,954,036	16,507,459
Investment securities	37,894,253	154,381	8,921,826	36,089
Other assets	5,828,715	23,746	3,989,235	16,136
	5,489,556,208	22,364,452	4,093,865,097	16,559,684

	31 December 2021		31 December 2020	
	US\$	KHR Million	US\$	KHR Million
Financial liabilities				
Deposits from banks and other financial institutions	1,514,141	6,169	4,439,718	17,959
Deposits from customers	39,599,222	161,327	39,012,863	157,807
Debt securities in issue	–	–	22,428,129	90,722
Borrowings	5,154,056	20,998	7,372,174	29,820
Subordinated debts	195,593,355	796,847	156,286,668	632,180
Lease liabilities	41,470,297	168,950	35,088,131	141,931
Other liabilities	17,322,830	70,573	10,950,473	44,295
	300,653,901	1,224,864	275,578,156	1,114,714
Loan commitments	12,429,761	50,639	11,332,602	45,840
	313,083,662	1,275,503	286,910,758	1,160,554

34.2.4 Liquidity reserves

The Bank maintains a pool of liquid assets which represents the primary source of liquidity in stress scenarios. Its composition is subject to limits designed to reduce concentration risks which are monitored on an ongoing basis. The Bank's liquidity reserves are analysed below.

	31 December 2021		31 December 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
	US\$	US\$	US\$	US\$
Cash on hand	478,829,834	478,829,834	378,101,373	378,101,373
Balances with the NBC	1,353,953,769	1,353,953,769	1,481,626,701	1,481,626,701
Balances with other banks	557,456,114	557,456,114	325,956,497	325,956,497
Investment securities	36,839,675	36,839,675	7,434,086	7,434,086
Total liquidity reserves	2,427,079,392	2,427,079,392	2,193,118,657	2,193,118,657
In KHR Million equivalent	9,887,921	9,887,921	8,871,165	8,871,165

34.2.5 Financial assets available to support future funding

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

	Encumbered		Unencumbered		Total	
	Pledged as collateral	Other*	Available as collateral	Other**		
	US\$	US\$	US\$	US\$	US\$	KHR Million
31 December 2021						
Cash on hand	–	–	–	478,829,834	478,829,834	1,950,753
Balances with the NBC	167,997,000	484,275,528	701,282,933	398,308	1,353,953,769	5,516,008
Balances with other banks	–	–	–	557,456,114	557,456,114	2,271,076
Loans to customers	–	–	–	5,278,989,596	5,278,989,596	21,506,604
Investment securities	–	–	–	36,839,675	36,839,675	150,085
Other assets	–	–	–	24,530,382	24,530,382	99,936
	167,997,000	484,275,528	701,282,933	6,377,043,909	7,730,599,370	31,494,462
31 December 2020						
Cash on hand	–	–	–	378,101,373	378,101,373	1,529,420
Balances with the NBC	229,206,000	383,001,480	730,137,454	139,281,767	1,481,626,701	5,993,180
Balances with other banks	–	–	–	325,956,497	325,956,497	1,318,494
Loans to customers	–	–	–	3,814,599,414	3,814,599,414	15,430,055
Investment securities	–	–	–	7,434,086	7,434,086	30,071
Other assets	–	–	–	17,347,962	17,347,962	70,172
	229,206,000	383,001,480	730,137,454	4,682,721,099	6,025,066,033	24,371,392

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

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

34.3 Market risk

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

34.3.1 Market risk management

Overall authority for market risk is vested in BRMC at Board level and ALCO at management level. BRMC sets up limits for each type of risk in aggregate and for portfolios (all portfolios are non-trading). The Risk Management Department is responsible for the development of detailed risk management policies (subject to review by BRMC and approval by Board of Directors). Treasury function implement and manage the day-to-day market risk in the daily operation.

The Bank employs a range of tools to monitor and limit market risk exposures.

The following table sets out the allocation of assets and liabilities subject to market risk.

	31 December 2021		31 December 2020	
	US\$	KHR Million	US\$	KHR Million
Assets subject to market risk:				
Cash on hand	478,829,834	1,950,753	378,101,373	1,529,420
Balances with the NBC	1,353,953,769	5,516,008	1,481,626,701	5,993,180
Balances with other banks	557,456,114	2,271,076	325,956,497	1,318,494
Loans to customers	5,278,989,596	21,506,604	3,814,599,414	15,430,055
Investment securities	36,839,675	150,085	7,434,086	30,071
Other assets	24,530,382	99,936	17,347,962	70,172
	7,730,599,370	31,494,462	6,025,066,033	24,371,392
Liabilities subject to market risk:				
Deposits from banks and other financial institutions	95,531,742	389,196	68,718,728	277,967
Deposits from customers	6,208,198,343	25,292,200	4,802,749,648	19,427,122
Debt securities in issue	21,310,996	86,821	21,282,088	86,086
Borrowings	197,399,626	804,206	242,004,091	978,907
Subordinated debts	148,027,962	603,066	117,023,035	473,358
Lease liabilities	42,463,355	172,996	35,721,902	144,495
Other liabilities	46,543,425	189,618	33,829,136	136,839
	6,759,475,449	27,538,103	5,321,328,628	21,524,774

34.3.2 Exposure to market risk

(i) Interest rate risk

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments or economic value of equity of the Bank because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands.

Risk Management Department conducts stress testing of interest rate risk and present its results and relevant recommendations to BRMC on quarterly basis or an ad hoc basis.

Interest rate sensitivity measured by the longer effective rate of duration, the more sensitive the fund is to shifts in the interest rate. Duration is an indicator of Net Asset Value will change as the interest rate change. The Bank has no significant financial assets and liabilities with floating interest rates. Balances with the NBC and with banks earn fixed interest for the period of the deposit and placement, and loans to customers earn fixed interest based on outstanding balance over the agreed term. Therefore, no sensitivity analysis for interest rate risk was presented.

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

31 December 2021	Carrying amount	Up to 1 month	> 1 – 3 months	> 3 – 12 months	> 1 – 5 years	Over 5 years	Non-interest sensitive
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Financial assets							
Cash on hand	478,829,834	–	–	–	–	–	478,829,834
Balances with the NBC	1,353,953,769	69,861,720	199,471,501	421,814,146	–	–	662,806,402
Balances with other banks	557,456,114	258,728,248	39,606,676	244,406,333	–	–	14,714,857
Loans to customers	5,278,989,596	37,282,234	96,698,319	516,940,163	898,695,800	3,729,373,080	–
Investment securities	36,839,675	–	–	3,112,938	33,726,737	–	–
Other assets	24,530,382	–	–	–	–	–	24,530,382
	7,730,599,370	365,872,202	335,776,496	1,186,273,580	932,422,537	3,729,373,080	1,180,881,475
Financial liabilities							
Deposits from banks and other financial institutions	95,531,742	71,968,456	–	22,243,814	1,319,472	–	–
Deposits from customers	6,208,198,343	4,926,486,535	214,681,028	597,573,513	36,467,175	–	432,990,092
Debt securities in issue	21,310,996	–	–	21,310,996	–	–	–
Borrowings	197,399,626	62,111,148	29,506,398	101,316,262	432,909	4,032,909	–
Subordinated debts	148,027,962	–	–	2,000,356	96,018,881	50,008,725	–
Lease liabilities	42,463,355	–	–	–	–	–	42,463,355
Other liabilities	46,543,425	–	–	–	–	–	46,543,425
	6,759,475,449	5,060,566,139	244,187,426	744,444,941	134,238,437	54,041,634	521,996,872
Total	971,123,921	(4,694,693,937)	91,589,070	441,828,639	798,184,100	3,675,331,446	658,884,603
In KHR Million equivalent	3,956,359	(19,126,183)	373,134	1,800,010	3,251,802	14,973,300	2,684,296

31 December 2020	Carrying amount	Up to 1 month	> 1 – 3 months	> 3 – 12 months	> 1 – 5 years	Over 5 years	Non-interest sensitive
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Financial assets							
Cash on hand	378,101,373	–	–	–	–	–	378,101,373
Balances with the NBC	1,481,626,701	88,982,350	140,844,151	730,171,520	–	–	521,628,680
Balances with other banks	325,956,497	34,574,043	27,962,234	235,619,215	–	–	27,801,005
Loans to customers	3,814,599,414	12,374,904	35,841,309	271,459,998	768,604,275	2,726,318,928	–
Investment securities	7,434,086	–	–	–	7,434,086	–	–
Other assets	17,347,962	–	–	–	–	–	17,347,962
	6,025,066,033	135,931,297	204,647,694	1,237,250,733	776,038,361	2,726,318,928	944,879,020
Financial liabilities							
Deposits from banks and other financial institutions	68,718,728	55,369,796	–	9,393,415	3,955,517	–	–
Deposits from customers	4,802,749,648	3,665,589,997	205,470,554	592,535,378	35,869,742	–	303,283,977
Debt securities in issue	21,282,088	–	–	–	21,282,088	–	–
Borrowings	242,004,091	3,765,887	63,410,226	171,673,863	2,047,170	1,106,946	–
Subordinated debts	117,023,035	–	–	–	77,015,702	40,007,333	–
Lease liabilities	35,721,902	–	–	–	–	–	35,721,902
Other liabilities	33,829,136	–	–	–	–	–	33,829,136
	5,321,328,628	3,724,725,680	268,880,780	773,602,656	140,170,219	41,114,279	372,835,015
Total	703,737,405	(3,588,794,383)	(64,233,086)	463,648,077	635,868,142	2,685,204,649	572,044,005
In KHR Million equivalent	2,846,618	(14,516,673)	(259,823)	1,875,456	2,572,087	10,861,653	2,313,918

(ii) Foreign exchange risk

The Bank transacts business in various foreign currencies and therefore is exposed to foreign exchange risk.

As at each reporting date, the carrying amounts of financial assets and financial liabilities denominated in currencies other than the Bank's functional currency are as follows.

31 December 2021	US\$ equivalent		Total	
	KHR	Others	US\$	KHR Million
Financial assets				
Cash on hand	39,672,311	40,111	39,712,422	161,788
Balances with the NBC	37,982,387	–	37,982,387	154,740

31 December 2021	US\$ equivalent		Total	
Balances with other banks*	699,036	399,810	1,098,846	4,477
Loans to customers*	558,481,525	–	558,481,525	2,275,254
Other assets	712,166	299	712,465	2,903
	637,547,425	440,220	637,987,645	2,599,162
Financial liabilities				
Deposits from banks and other financial institutions	13,464,928	–	13,464,928	54,856
Deposits from customers	281,974,434	905	281,975,339	1,148,768
Debt securities in issue	21,310,996	–	21,310,996	86,821
Borrowings	167,654,686	–	167,654,686	683,025
Other liabilities	984,485	–	984,485	4,011
	485,389,529	905	485,390,434	1,977,481
Net foreign exchange gap	152,157,896	439,315	152,597,211	621,681

* Excluding impairment loss allowance.

31 December 2020	US\$ equivalent		Total	
	KHR	Others	US\$	KHR Million
Financial assets				
Cash on hand	20,868,811	38,109	20,906,920	84,568
Balances with the NBC	27,246,072	–	27,246,072	110,210
Balances with other banks*	2,267,853	325,071	2,592,924	10,488
Loans to customers*	393,326,550	–	393,326,550	1,591,006
Other assets	63,247	255	63,502	258
	443,772,533	363,435	444,135,968	1,796,530
Financial liabilities				
Deposits from banks and other financial institutions	2,564,600	–	2,564,600	10,374
Deposits from customers	151,729,315	1,011	151,730,326	613,749
Debt securities in issue	21,587,215	–	21,587,215	87,320
Borrowings	228,917,342	–	228,917,342	925,971
Other liabilities	306,017	184	306,201	1,239
	405,104,489	1,195	405,105,684	1,638,653
Net foreign exchange gap	38,668,044	362,240	39,030,284	157,877

* Excluding impairment loss allowance.

Foreign currency sensitivity

The following table details the sensitivity to a 5% increase and decrease in the relevant foreign currencies against the functional currency of the Bank. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjust their translation at the period end for a 5% change in foreign currency rates.

If the relevant foreign currency strengthens by 5% against the functional currency of the Bank, profit or loss and other equity will increase (decrease) by:

	KHR impact		Other currency impact	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Profit or loss	7,607,895	1,933,402	21,966	18,112

If the relevant foreign currency weakens by 5% against the functional currency of the Bank, profit or loss and other equity will increase (decrease) by:

	KHR impact		Other currency impact	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Profit or loss	(7,607,895)	(1,933,402)	(21,966)	(18,112)

34.4 Operational risk

34.4.1 Operational risk management

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

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

Risk Management Department has revised and advanced the Operational Risk Framework in order to strengthen process and product level operational risk and fraud reviews to identify potential failure points where possible.

34.5 Capital risk

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

The Bank's strategy is to maintain a strong capital base so as to maintain market confidence and to sustain further development of the business. The impact of the level of capital on shareholder's return is also recognised and the Bank recognised the need to maintain a balance between the higher returns that might be possible with greater gearing and advantages and security afforded by a sound capital position.

The Bank's lead regulator, the NBC, sets and monitors capital requirements for the Bank as a whole.

34.5.1 Capital risk management

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

Capital risk is measured and monitored using limits set calculated in accordance with NBC's requirements.

On 22 February 2018, the NBC issued a Prakas on Capital Buffer in Banking and Financial Institutions. According to Article 22 of this Prakas, the institution shall comply with the provisions related to the capital conservation buffer at least 50% of the conservation buffer by 1 January 2019 and fully comply by 1 January 2020.

On 7 March 2018, the NBC issued a circular on the implementation of Prakas on Capital Buffer in Banking and Financial Institutions, which determines the countercyclical capital buffer at a level of 0% until a new announcement is released.

On 17 March 2020, the NBC issued an announcement No. B13-020-002 allowing Banks and Financial Institutions to delay and maintain Capital Conservation Buffer at 50% to reduce the impact from Covid-19 on Cambodian economic in accordance to Government policy.

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

35. CURRENT AND NON-CURRENT

Management presents the financial statements based on liquidity. Information about short-term and long-term of financial assets and financial liabilities are disclosed in the financial risk management section. Property and equipment, right-of-use assets, intangible assets and deferred tax assets are non-current assets. Provisions are non-current liability.

36. COMPARATIVE INFORMATION

Certain corresponding figures have been reclassified to conform to the current year's presentation and disclosure.

37. IMPACT OF COVID-19

The impact of the Coronavirus ("Covid-19") pandemic has spread across various geographies globally. The World Health Organisation declared an international health emergency due to the outbreak of Covid-19 in January 2020 and has characterised the spread of Covid-19 as a global pandemic since March 2020. The continuing spread of Covid-19 has caught the world off-guard, with significant implications for personal health and business continuity.

To support the economy and the financial sector, the NBC and the Royal Government of Cambodia have taken numerous steps primarily to help businesses during this unprecedented time such as loan restructuring directive and establishment of SME Bank to facilitate the SME Co-Financing Scheme (SCFS).

Management will continue to monitor the potential impact of Covid-19 and will take all steps to mitigate any effects on the Bank's operations.

The Bank has performed assessments of Covid-19 impacts in the light of the available guidance of the NBC and CIFRSs, which have resulted in the following:

(i) Expected credit losses

Probability of Default (PD)

PD is calculated using monthly migration matrices over past seven years data consisting of 72 matrices. More granular approach is adopted by breaking Stage-1 in to "Bucket 0" which 0 days past due and "Bucket-1" with 1-29 days past due loans.

Loss Given Default (LGD)

Active accounts for which the recovery is still ongoing have been included in LGD calculation based on the LGD period workout analysis. Exposure for LGD calculation has been taken as on the default period as revised from Exposure at Default (EAD) which used to increase over the period adopted in the previous model. Industry level LGD is calculated which aligns to the segmentation used for PD calculation.

Probability weighted outcome

Currently, base, upside and downside scenarios have been given weightages as 60%, 20% and 20%, respectively.

Forward-looking information

Forward-looking information is used only for PD. For LGD, the forward-looking information is not considered as the default counts in the earlier quarters are not sufficient to undertake reliable forward-looking statistical analysis.

Main macroeconomic factors

The following macroeconomic factors are identified and used for forward looking PD:

PD segment	Macroeconomic Factor(1)
Agriculture	Cambodia CPI – (cpi_2010_100)
Construction and Real Estate	GDP at Current Price, Industry (YOY,%) – (gdp_industry)
Real Estate Rentals	Cambodia GDP at Constant 2000 Price – (gdp_constant2000)
Manufacturing	FDI Net Inflow – (fdi)
Wholesale and Retail	Cambodia CPI – (cpi_2010_100)
Services	GDP at Current Price, Industry (YOY,%) – (gdp_industry)
Personal Loan	GDP at Current Price, Industry (YOY,%) – (gdp_industry)

(1) All macroeconomic factors are based in the Cambodia context unless otherwise indicated.

The forecasted macroeconomic factors in anticipation of the base, upside and downsides scenarios are as below:

Cambodia CPI (cpi_2010_100) - Agriculture

Forecasted MEV	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Base scenario	174.57	174.72	174.72	167.61	167.61	167.61	167.61	167.61	167.61	167.61
Upside scenario	163.55	163.70	163.71	156.59	156.59	156.59	156.59	156.59	156.59	156.59
Downside scenario	185.59	185.73	185.74	178.63	178.63	178.63	178.63	178.63	178.63	178.63

GDP at Current Price, Industry (YOY,%) - Construction and Real Estate

Forecasted MEV	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Base scenario	15.95%	15.96%	15.96%	16.89%	16.89%	16.89%	16.89%	16.89%	16.89%	16.89%
Upside scenario	17.53%	17.54%	17.55%	18.48%	18.48%	18.48%	18.48%	18.48%	18.48%	18.48%
Downside scenario	14.37%	14.38%	14.38%	15.31%	15.31%	15.31%	15.31%	15.31%	15.31%	15.31%

Cambodia GDP at Constant 2000 Price - Real Estate Rentals

Forecasted MEV	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Base scenario	1.76%	1.77%	1.78%	1.72%	1.72%	1.72%	1.72%	1.72%	1.72%	1.72%
Upside scenario	1.86%	1.87%	1.88%	1.83%	1.83%	1.83%	1.83%	1.83%	1.83%	1.83%
Downside scenario	1.66%	1.67%	1.68%	1.62%	1.62%	1.62%	1.62%	1.62%	1.62%	1.62%

FDI Net Inflow - Manufacturing

Forecasted MEV	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Base scenario	3.54%	3.52%	3.51%	3.54%	3.54%	3.54%	3.54%	3.54%	3.54%	3.54%
Upside scenario	9.74%	9.71%	9.70%	9.74%	9.74%	9.74%	9.74%	9.74%	9.74%	9.74%
Downside scenario	-2.65%	-2.68%	-2.69%	-2.66%	-2.66%	-2.66%	-2.66%	-2.66%	-2.66%	-2.66%

Cambodia CPI - (cpi_2010_100) - Wholesale and Retail

Forecasted MEV	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Base scenario	2.60%	2.63%	2.64%	2.38%	2.38%	2.38%	2.38%	2.38%	2.38%	2.38%
Upside scenario	0.55%	0.59%	0.59%	0.33%	0.33%	0.33%	0.33%	0.33%	0.33%	0.33%
Downside scenario	4.65%	4.68%	4.69%	4.42%	4.42%	4.42%	4.42%	4.42%	4.42%	4.42%

GDP at Current Price, Industry (YOY,%) - Services

Forecasted MEV	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Base scenario	15.95%	15.96%	15.96%	16.89%	16.89%	16.89%	16.89%	16.89%	16.89%	16.89%
Upside scenario	17.53%	17.54%	17.55%	18.48%	18.48%	18.48%	18.48%	18.48%	18.48%	18.48%
Downside scenario	14.37%	14.38%	14.38%	15.31%	15.31%	15.31%	15.31%	15.31%	15.31%	15.31%

GDP at Current Price, Industry (YOY,%) - Personal Loan

Forecasted MEV	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Base scenario	15.95%	15.96%	15.96%	16.89%	16.89%	16.89%	16.89%	16.89%	16.89%	16.89%
Upside scenario	17.53%	17.54%	17.55%	18.48%	18.48%	18.48%	18.48%	18.48%	18.48%	18.48%
Downside scenario	14.37%	14.38%	14.38%	15.31%	15.31%	15.31%	15.31%	15.31%	15.31%	15.31%

In addition, the Bank has given specific consideration to the relevant impact of Covid-19 on the qualitative and quantitative factors when determining significant increase in credit risk and assessing indicators for impairment for the exposure in the potentially affected sectors as highlighted by the NBC circular:

- Tourism;
- Garment manufacturing;
- Constructions;
- Transportation and logistics sector.

The Bank has also incorporated ECL overlay of US\$20.95 million during 2021, resulting in total overlay of US\$25.6 million as at 31 December 2021.

(ii) Accounting for modified financial assets

Considering the economic factors, the Bank has delayed loan repayments for borrowers involved in all sectors whose businesses are affected by the Covid-19 outbreak up to 12 months. The modification gain and loss on those financial assets was not considered to be material.

(iii) Valuations estimates and judgements

The Bank has considered potential impacts of the current economic volatility in determination of the reported amounts of the Bank's financial and non-financial assets and these are considered to represent management's best assessment based on observable information. Markets, however, remain volatile and the recorded amounts remain sensitive to market fluctuations.

38. EVENTS AFTER THE REPORTING PERIOD

Classification and Provisioning Requirement on Restructured Loans

On 28 December 2021, the NBC issued a Circular on Classification and Provisioning Requirement on Restructured Loans ("Circular") of Banks and Financial Institutions ("BFIs") effective from the signing date. Following the NBC's workshop for BFIs on 18 January 2022, the NBC allowed the BFIs to defer the implementation of the new circular to 1 January 2022 onwards.

According to the Circular, the Bank is required to classify and make provision for loans restructured as follows:

- Restructured loan that is "viable" shall be deemed as "performing" and shall be classified as special mention with 3% provisioning of gross amount regardless the number of restructurings.
- Restructured loan that needs "more restructuring" should be deemed as "non-performing" and shall:
 - (a) be classified as "substandard" for loan under the first restructuring with provisioning of 20% of gross amount;
 - (b) be classified as "doubtful" for loan under the second restructuring with provisioning of 50% of gross amount.
- Restructured loan that is "non-viable" shall be deemed as "non-performing" and classified as "loss" with provisioning of 100% of gross amount.

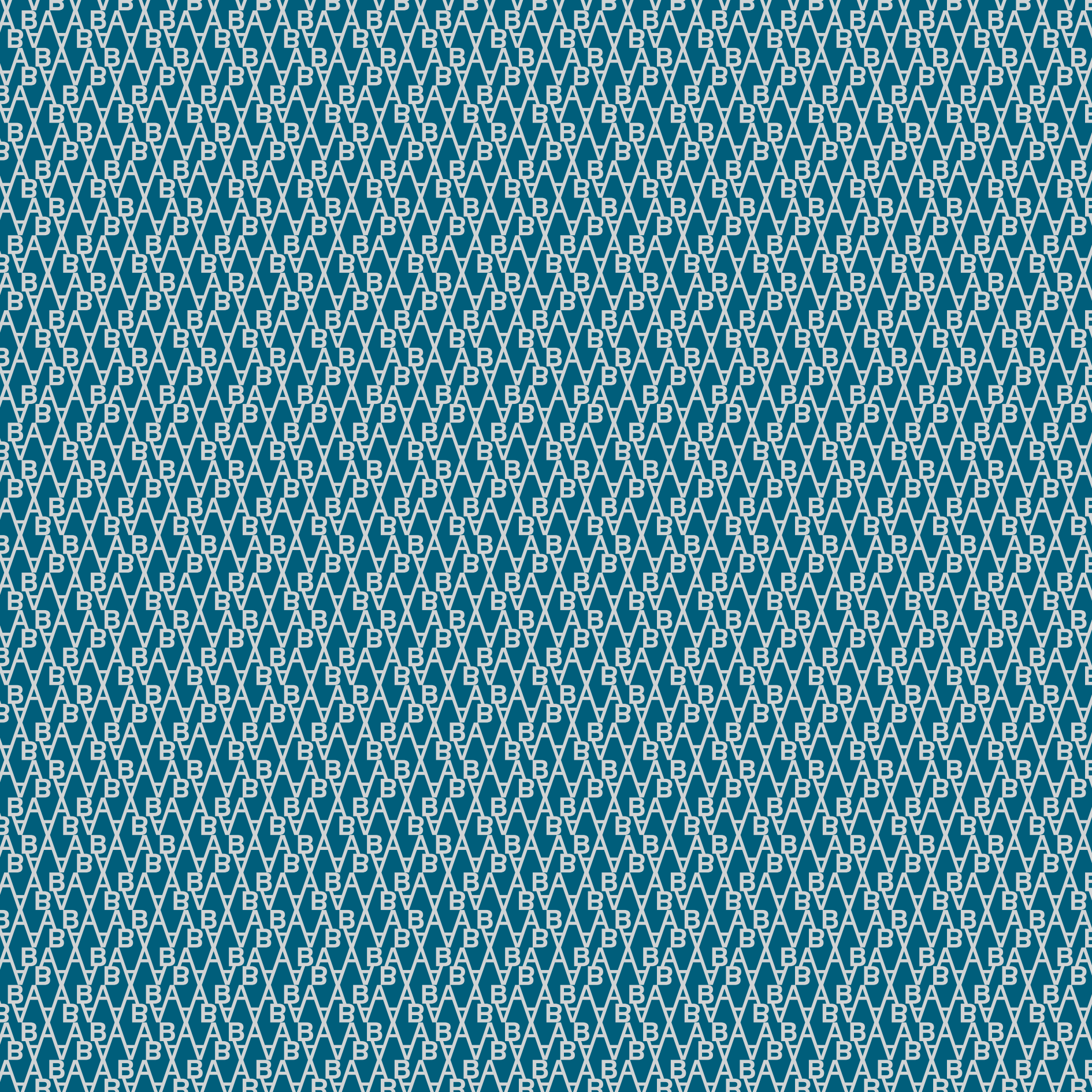
Following the implementation of the Circular, the Bank has to make additional transfers to its regulatory reserves of US\$17,822,452 (equivalent to KHR 72,609 million) from its retained earnings.

Financial reporting considerations related to the Russia-Ukraine War

On 24 February 2022, Russia started military operations over Ukraine. In response, a number of jurisdictions have imposed economic sanctions on Russia and Belarus. The war between Russia and Ukraine has widespread implications on economic and global financial markets and exacerbates ongoing economic challenges, including issues such as rising inflation and global supply-chain disruption. The Bank considers that it does not have direct exposures to this event, but is closely monitoring the indirect effects arising from the conflict between Russia and Ukraine, such as how operational disruptions and volatility in the financial and commodity markets may affect the carrying amounts of its balances.

As the situation is fluid and rapidly evolving, management does not consider it practicable to provide a quantitative estimate of the potential impact on the Bank's subsequent financial statements.

FOR NOTES





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