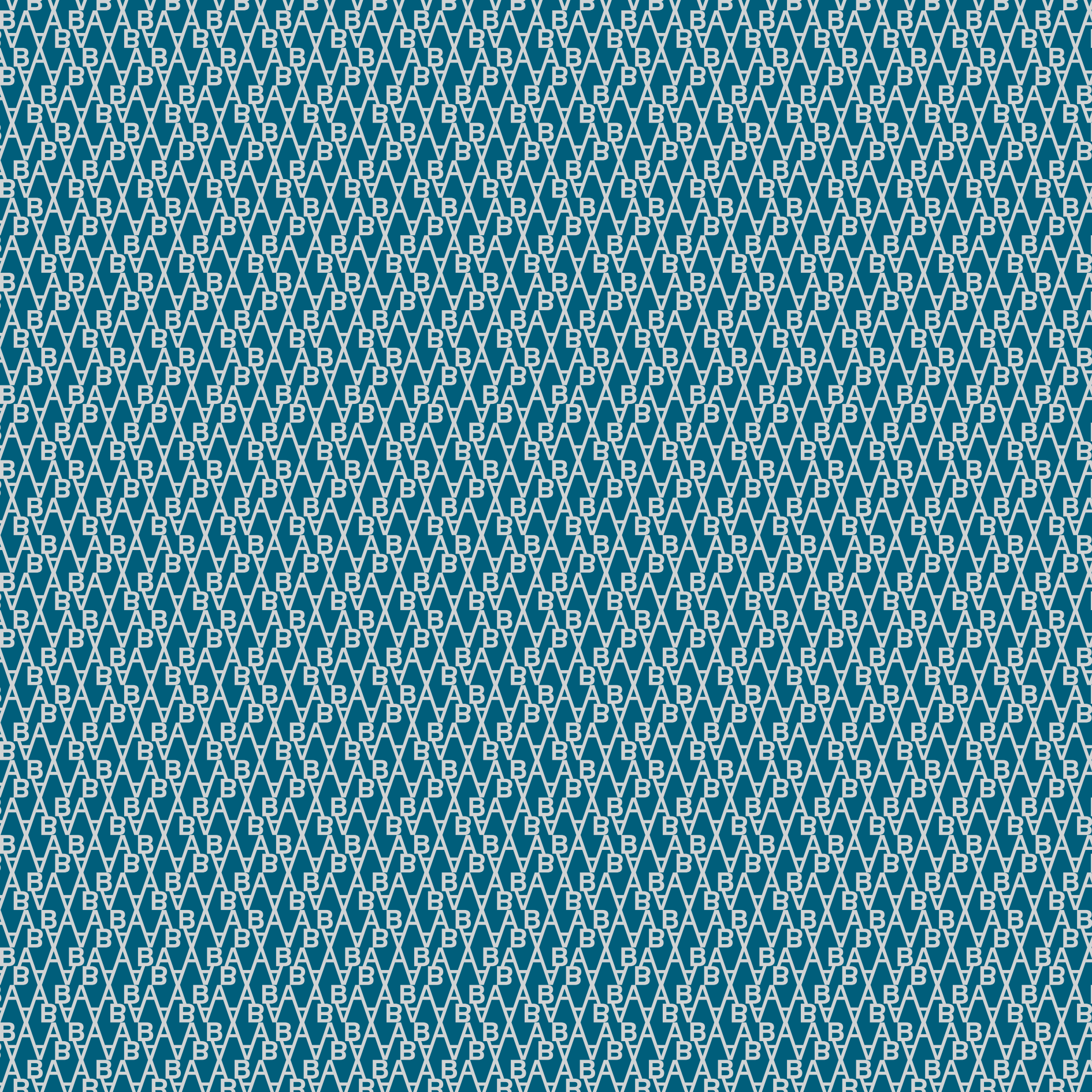


# 2022

## ANNUAL REPORT





**ANNUAL  
REPORT  
2022**

# ABA BANK AT A GLANCE

Founded in 1996, Advanced Bank of Asia Limited (ABA Bank) is the largest commercial bank in the country in terms of total assets, customer deposits, loans, and net profit.

We offer the entire spectrum of services to customer segments covering SMEs, micro businesses, and individuals through 85 branches, 1200+ 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**

**\$9.0B** Total Assets

**\$7.4B** Total Deposits

**\$262M** Net Profit

**7,778** Employees

**85** Branches

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# 1

Message from the CEO



Dear shareholders, investors, and customers, It gives me pleasure to present ABA Bank's major accomplishments in 2022 and plans for 2023.

I would like to start with ABA's landslide achievement – the Bank became the largest Cambodian commercial bank by total assets, loans, deposits, and profitability in 2022 based on the latest Annual Supervision Report from the National Bank of Cambodia.

I now want to go through ABA's progress and achievements in 2022 and start with the great physical network expansion this year. We opened four new branches in Phnom Penh and provinces, totaling 85 offices. I would like to thank all front office staff in branches, deputy branch managers, and branch managers for their energetic and self-dedicated work this year.

Of course, we renovated our existing locations or even moved some branches to bigger premises, following our customer base growth. Additionally, the Bank significantly expanded its network of ABA 24/7 self-banking spots.



Let's see the progress in the digitalization of our services. Here, we continue our exciting journey of bringing innovative digital solutions and reliable self-banking facilities to customers to make their lives easier.

Our flagship product in the retail segment, the ABA Mobile application, has dramatically grown its user base. We also see that our customers use the application very actively: the number of transactions grew even faster! ABA Mobile was significantly enhanced to achieve that, and many new useful features were introduced.

I would specifically mention another milestone achievement of ABA. In February 2022, we became the first bank in the country to offer instant card issuance via Card Machines. With the multi-language interface, our Card Machine enables customers to issue Visa, Mastercard, UPI, and local CSS cards in just two minutes at the bank branches and ABA 24/7 spots without human interaction. The ABA Mobile app allows customers to order and print their cards without queueing at the branch counters.

It has been a challenging period for our credit team as the Covid-related restrictions and limitations significantly impacted many businesses. To support borrowers affected by the pandemic, during 2020 and 2021, we actively restructured the loans following the relief measures announced by NBC. However, in 2022 the relief measures were canceled, which resulted in the increased NPL and overdue. A big challenge lies ahead in 2023 to handle these two metrics. Of course, the Bank also continued distributing new loans to customers during the year, as access to capital is vital for people and businesses at all times.

When we operate, we always think about giving back to our communities. Corporate social responsibility is our core value. And this year, we participated in and launched

several financial inclusion and literacy projects, donated funds to TYDA and AMT foundations, the Cambodian Red Cross, local referral hospital, and supported the important demining project initiated by the Prime Minister. It is a privilege to contribute back to the country via this specific aid we provided, and we hope that our modest contribution will help these organizations in their meaningful work.

In 2022, ABA was again awarded numerous top-notch titles for its remarkable performance and accomplishments in all aspects of banking. We became the Best Bank in Cambodia 2022 by The Banker, Global Finance, Euromoney, Asiamoney, and Asian Banking and Finance magazines. The judging panels of all magazines praised ABA for innovative banking solutions, solid expansion, and remarkable growth. Our significant development and enhancement of its state-of-the-art digital platform also supported the decisions.

Talking about our financial results this year, we demonstrated remarkable growth on all key metrics:

- Our total assets grew 15% compared to the end of 2021 and reached \$9 billion.
- We increased our customers' deposits by 14%, which now equals \$7.2 billion.
- At the same time, our loan portfolio reached 6.5 billion, representing a 21% growth from 2021.
- This tremendous growth is also reflected in our equity, which grew 23% to \$1.3 billion.

This impressive financial performance in 2022 is the direct result of our concerted efforts and commitment to deliver value to our stakeholders and customers.

Looking ahead to 2023, we can say that this year will bring challenges, and we must stay strong to grow further. The post-pandemic world still needs time to recover from the Coronavirus and its restrictions. The international conflicts and interest rate hikes add up uncertainty globally. Cambodia is part of the world economy, and we will witness inevitable repercussions on the local economy in 2023 and beyond.

Hence, we will remain adamant in our development and increase our stress resilience. With the hard work that our employees have shown and the solid foundation of our vision, mission and values, I am confident that we will be able to handle any challenge the future may bring. We have an iconic brand. We have a robust financial profile. We keep investing in infrastructure more than ever to fuel future growth. We have talents, technology, and data to support the critical decision-making needed by our customers. All these things make me optimistic about our future.

In closing, I thank the whole staff of the Bank for dedication to serving our customers on the highest level.

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

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

<SIGNED>

**Askhat Azhikhanov**  
Chief Executive Officer





# 2

About ABA Bank





ABA Bank is Cambodia's leading private financial institution with 27 years of steady development and unique expertise in the market.

1996

Advanced Bank of Asia Ltd. was founded

27

Years of development and growth

1

ABA is the largest commercial bank in Cambodia by assets, deposits, loans, and net profit

## WHO WE ARE

ABA Bank is the Cambodian leading private financial institution founded in 1996 as the Advanced Bank of Asia Limited. In more than 25 years of development and growth, ABA has significantly strengthened its position in the market and became the largest commercial bank of the country by total assets, customer deposits, loans, and net profit as per Annual Supervision Report 2022 of the National Bank of Cambodia.

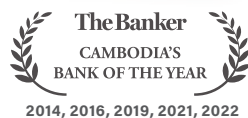
With 85 branches, more than 1,200 self-banking machines across the country, and advanced online banking and mobile banking platforms, ABA reaches out to a large number of SMEs, microbusinesses, and individuals with the entire spectrum of modern financial services and digital banking solutions.

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

The Bank owns the long-term issuer credit rating **"B+"** with **Stable outlook** from Standard&Poor's Global Ratings Agency (S&P).

- *The Banker* magazine granted ABA the title "Cambodia's Bank of The Year" in 2014, 2016, 2019, 2021, 2022;
- *Euromoney* magazine awarded the "Best Bank in Cambodia" title to ABA in 2014 – 2022;
- *Global Finance* magazine named ABA "The Best Bank in Cambodia" in 2015 – 2023.



ABA is a subsidiary of National Bank of Canada ([www.nbc.ca](http://www.nbc.ca)), a financial institution with around US\$314.4 billion in assets as of 31 January 2023 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.

# 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

**2022**  
(audited)

**2021**  
(audited)

<b>Balance Sheet (US\$ million)</b>		
Total Deposits	7,353.62	6,303.73
Total Gross Loans	6,521.97	5,325.41
Equity	1,312.09	1,049.81
Total Assets	9,031.82	7,861.06
<b>P&amp;L Account (US\$ million)</b>		
Net Interest Income	479.26	391.74
Net Fee, Commission and other Income	49.88	39.19
Net Profit	262.28	212.02
<b>Key Performance Indicators (%)</b>		
ROAE	22.18	23.84
ROAA	3.10	3.02
Cost/Income	30.96	31.66
Liquidity Ratio	127.79	149.32
Credit Deposit Ratio	88.85	84.49
Solvency Ratio	19.01	16.84
<b>General Information</b>		
Operating Branches	85	81
Staff	7,778	6,678
ATMs	849	570
POS Terminals	5,858	3,290
Accounts	3,167,978	2,085,172
Borrowers	103,203	91,235

## SIMPLIFIED FINANCIAL RESULTS

### ASSETS

in USD Millions

14.9%▲

INCREASE FROM 2021

9,032  
2022

7,861  
2021

### SHAREHOLDERS' EQUITY

in USD Millions

25%▲

INCREASE FROM 2021

1,312  
2022

1,050  
2021

### DEPOSITS

in USD Millions

16.7%▲

INCREASE FROM 2021

7,354  
2022

6,304  
2021

### LOANS

in USD Millions

22.5%▲

INCREASE FROM 2021

6,522  
2022

5,325  
2021

### NET PROFIT

in USD Millions

23.7%▲

INCREASE FROM 2021

262  
2022

212  
2021

### STAFF

16.5%▲

INCREASE FROM 2021

7,778  
2022

6,678  
2021



## 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	PCBCCNBJGPS
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, 148ABCD and 162A, Preah Sihanouk Blvd, No.15 and 153ABC, Street 278, and No.171, Street Preah Trasak Paem, Sangkat Boeung Keng Kang 1, Khan Boeung Keng Kang, Phnom Penh, Kingdom of Cambodia

1 800 203 203 (Toll-free)  
Fax: (+855) 23 216 333

info@ababank.com  
www.ababank.com

P.O. Box 2277  
SWIFT: ABAKHPP

AEON Mall (Sen Sok City)	098 203 149	Kampong Speu	098 203 949	Operational Hall of Head Office	098 203 179	Siem Reap	098 203 829
AEON Mall (Mean Chey)	081 205 720	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	Pailin	081 204 659	S'ang District	098 203 369
Bakan District	081 204 209	Kandal Stueng District	098 203 619	Paoy Paet	098 203 019	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	Kep	081 205 707	Phsar Leu (Siem Reap)	098 203 679	Stung Mean Chey	098 203 889
Bavet	098 203 389	Kien Svay District	098 203 479	Preah Netr Preah District	081 204 262	Stung Treng	081 204 090
Borei Keyla	098 203 869	Koh Kong	081 204 123	Preah Vihear	081 204 590	Svay Chrum District	098 203 349
Central	098 203 199	Kaoh Thum District	081 204 186	Prey Chhor District	081 204 189	Svay Rieng	098 203 029
Central Market	098 203 979	Kratie	098 203 049	Prey Nob	081 204 297	Takeo	098 203 909
Chamkar Doung	098 203 579	Krong Siem Reap (Angkor)	098 203 089	Prey Veng	098 203 059	Takhmao	098 203 919
Chamkar Leu District	081 204 053	Mao Tse Tong	098 203 809	Pursat	098 203 969	Tboung Khmum	098 203 769
Chbar Ampov	098 203 929	Mondulkiri	081 204 567	Rattanakiri	098 203 499	Tmar Kol District	098 203 789
Chhuk District	098 203 729	Memot District	098 203 639	Russey Keo	098 203 659	Tram Kak District	098 203 709
Chraoy Chongvar	098 203 189	Mongkol Borei District	081 204 029	Saensokh	098 203 779	Toek Thla	098 203 849
Cheung Prey District	098 203 749	Mittapheap	081 204 307	Santhormok	098 203 469	Toul Kork	098 203 859
Chom Chao	098 203 939	Moung Ruessei District	098 203 459	Samdech Monireth	081 204 019	Toul Kork 2	098 203 637
Chaom Chau 2	081 204 420	Mukh Kampul District	098 203 159	Samdech Sothearos	098 203 983		
Chaom Chau 3	081 205 721	Oddar Meanchey	081 204 693	Samraong Kraom	081 205 735		
Independence Monument	098 203 001	Odongk District	098 203 379	Samraong Tong District	098 203 719		

# 3

**Corporate Governance**

## SHAREHOLDERS

As of the end of 2022, the shareholding structure of ABA Bank is as follows:

Name of Shareholder	Number of Shares	Amount in USD
National Bank of Canada	659,999	659,999,000
Natcan Trust Company	1	1,000
<b>Total</b>	<b>660,000</b>	<b>660,000,000</b>

1 share = USD 1,000

### National Bank of Canada

ABA is a subsidiary of National Bank of Canada ([www.nbc.ca](http://www.nbc.ca)), a financial institution with around US\$314.4 billion in assets as of 31 January 2023 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

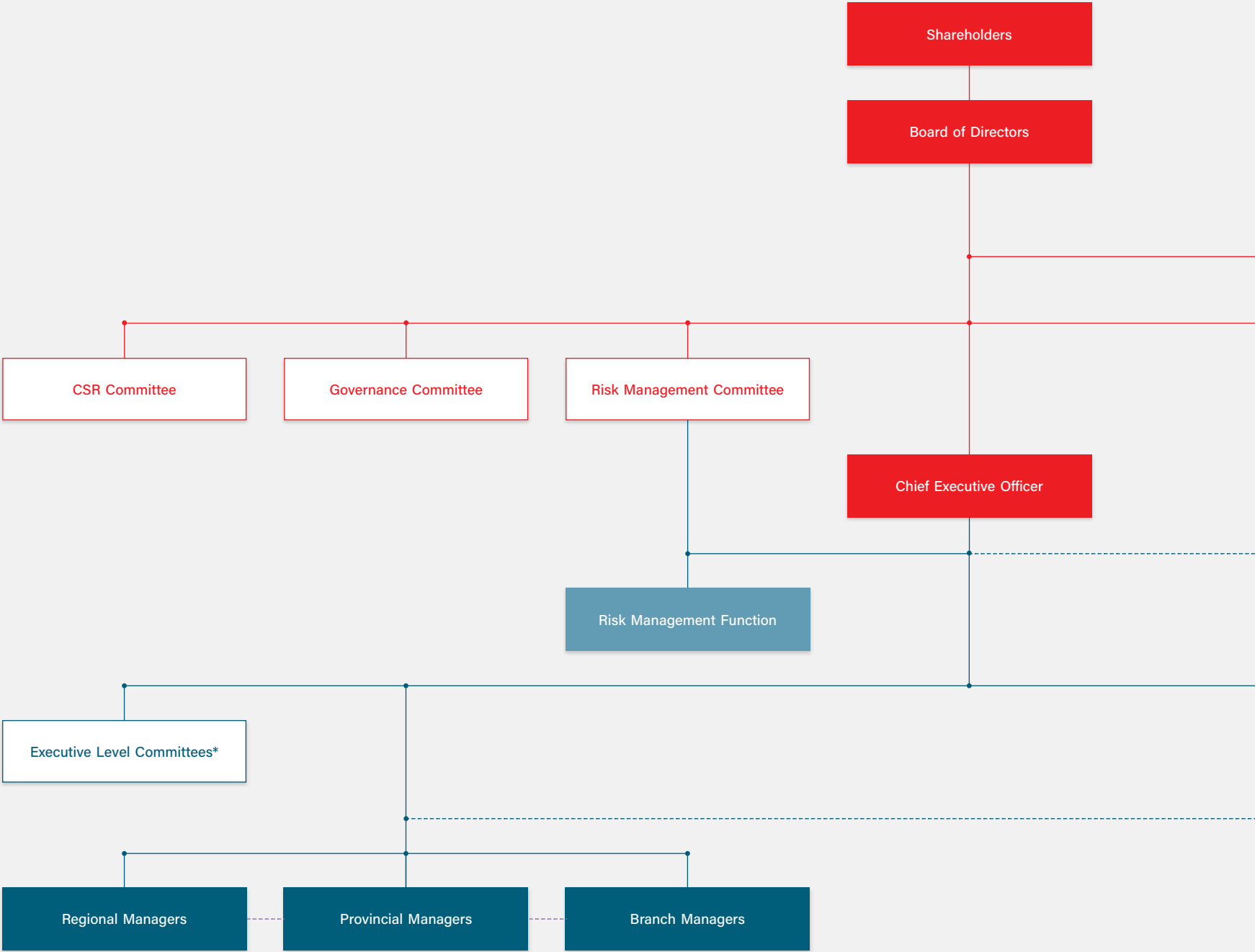
ABA Bank holds its Annual General Meeting of Shareholders following the Law on Commercial Enterprises, the Articles of Association, and other relevant regulations.

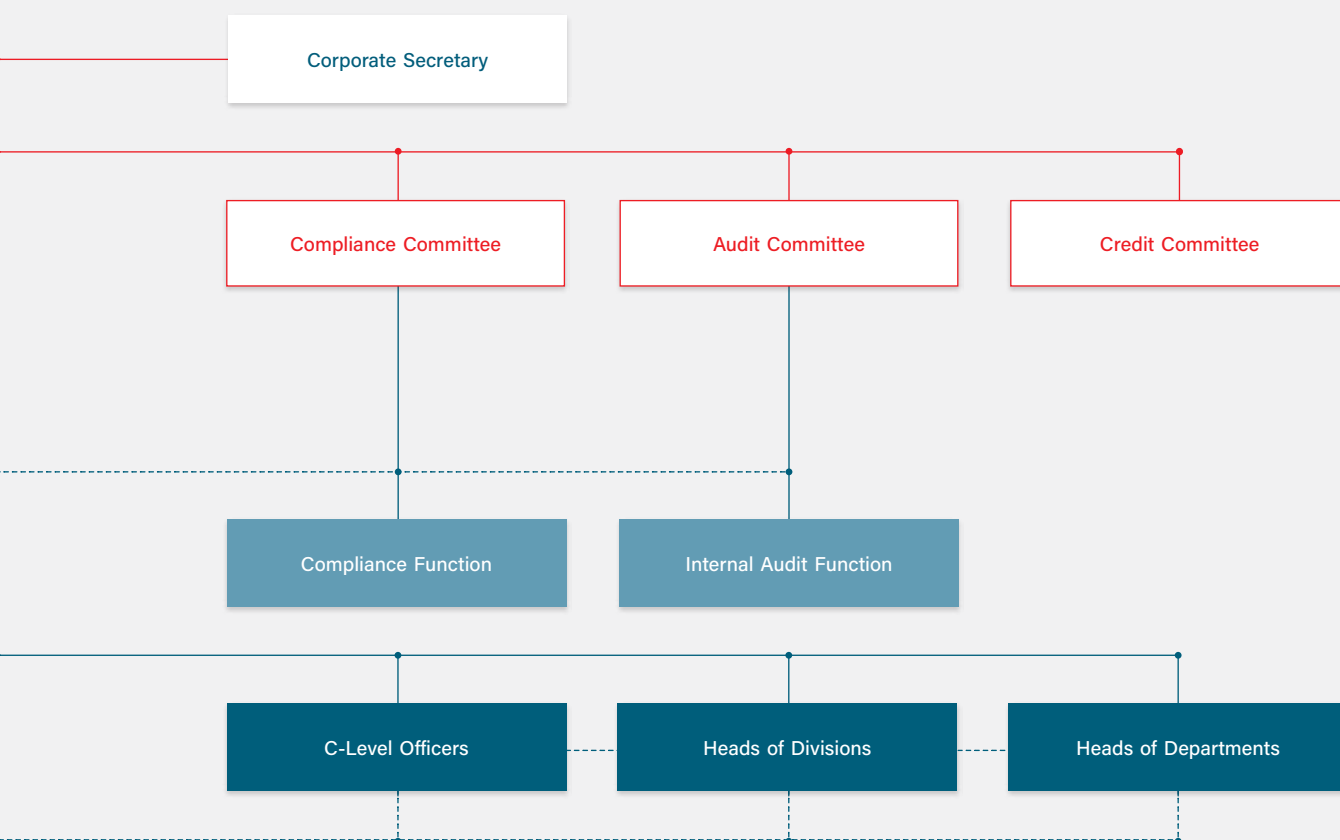
In 2022, the Annual General Meeting of Shareholders was held on 18 April with the participation of the representatives of the Bank shareholders. The decisions made at the meeting:

1. The Annual General Meeting of Shareholders considered the financial results of ABA Bank for the year ended 31 December 2022 positively.
2. The Annual General Meeting of Shareholders approved the Audited Financial Statements of ABA Bank for the year ended 31 December 2022.

# CORPORATE GOVERNANCE STRUCTURE CHART

(AS OF THE END OF 2022)





\* Executive Level Committees are as follows:

- Assets and Liabilities Committee
- Human Resources 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

## 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	February 23	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	May 4	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 17	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	October 26	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

**Corporate Social Responsibility**

# TECHO VOLUNTARY YOUTH DOCTOR ASSOCIATION

ABA signed an MoU with Samdech Techo Voluntary Youth Doctor Association (TYDA) to provide financial support to the Association. The charitable contribution of **US\$ 100,000** from ABA to TYDA is given for its essential work on providing free medical treatment and healthcare to rural communities across the country.

TYDA is a non-profit charitable organization that dedicates its resources to observing medical needs in Cambodia's poor communities and releasing people's medical burdens.



# UPGRADE OF KROCH CHHMAR REFERRAL HOSPITAL

ABA contributed **US\$ 35,000** to the Kroch Chhmar Referral Hospital in the Tboung Khmum province. The funds are donated to upgrade the Hospital from Level 1 to Level 2 to provide treatment for around 469,000 people (239,000 of which are females) living in four nearby districts and improve the quality of diagnostics.

The Kroch Chhmar District Referral Hospital was established in 1966. Its vision is to implement the Royal Government's health policy and health strategy in the Tboung Khmum province.



## SAMDECH TECO PROJECT – MINE ACTION

ABA donated **US\$ 200,000** to the Cambodian Mine Action and Victim Assistance Authority (CMAA) for the Samdech Techo Project for Mine Action initiated by Prime Minister Hun Sen. This fund will be used to boost the mine clearance work to achieve the country's goal of becoming a mine-free nation by 2025.

CMAA was established in 2000 under the direct leadership of Prime Minister for regulating, monitoring, and coordinating all demining activities.



## CAMBODIAN RED CROSS

ABA contributed **US\$ 200,000** to the Cambodian Red Cross (CRC). The donation from ABA will be used to support the humanitarian activities of CRC throughout the country. CRC has been running their mission in Cambodia for many decades and became player during the Covid-19 pandemic and vaccination campaign organized by the Royal Government of Cambodia.

CRC is a leading philanthropic organization in Cambodia established in 1955. It is officially recognized by the Royal Government as the primary auxiliary to the public authorities in humanitarian services. It has been involved in various disaster relief programs, humanitarian efforts, and welfare activities in Cambodia.





## MUSIC4CHILDREN CHARITY

ABA Bank sponsored the music4Children charity event to support the Angkor Hospital for Children.

The event featured live music performances by a popular singer, Morm Picherith, to raise funds for the hospital's efforts.

ABA Bank's sponsorship demonstrates its commitment to supporting healthcare initiatives in the country.



## ASEAN YOUNG ENTREPRENEURS CARNIVAL

ABA Bank supported the ASEAN Young Entrepreneurs (AYE) Carnival 2022 held in conjunction with the Cambodia ASEAN Chairmanship 2022. The sponsorship amount equalled US\$ 10,000.

AYE Carnival gathers young entrepreneurs from ASEAN Young Entrepreneurs Council (AYEC) Association members and its Dialogue Partners. The Carnival aims to call for businesses and young entrepreneurs to overcome the disruptions brought by Covid-19 through digitalization, leadership, collaboration, and inclusive involvement of women in addressing the grand challenges of our times.

Through the sponsorship support, ABA contributes to MSMEs' development and building of the entrepreneurship ecosystem in Cambodia, especially supporting young entrepreneurs and start-ups, which are considered essential pillar of sustainable economic progress.



## FINANCIAL LITERACY FOR KIDS PROJECT

ABA contributed **US\$ 15,000** to the Financial Literacy workshop initiated by the National Bank of Cambodia. The donation was used to produce 5,000 “Let’s Talk about Money” kid’s comic books and hand over to the Muk Neak primary school students in Siem Reap.

The workshop aims to integrate financial education into the school curriculum, such as budget planning and savings culture, making students think critically about how secure and beneficial it is to save money with a financial institution.



## FINANCIAL LITERACY FOR INDIGENOUS MINORITIES PROGRAM

Empowering Indigenous Minorities through Financial Literacy, a financial literacy program designed and conducted by ABA Bank and the Canadian company Angkor Resources Corp. to develop knowledge and skills of local indigenous communities at Ratanakiri province to grow their economies and finances wisely and healthily.

The Program has changed the lives of those indigenous people with essential financial skills such as long-term planning, household budgeting, debt and repayment management, and managing daily budgets and investments.





## ASEAN SAVINGS DAY

ABA became Diamond Sponsor of the ASEAN Savings Day 2022 under the theme “Little Saving is better than none”. Organized by the National Bank of Cambodia, the event aimed to promote public awareness of the importance of saving and financial inclusion in the ASEAN region.

ASEAN Savings Day aims to encourage Cambodian people to start building healthy financial habits and understand the importance of saving for the future.



## ASEAN SUMMIT – FINTECH STAGE

ABA Bank provided **US\$ 20,000** in sponsorship of the FinTech Stage at Cambodia Tech Expo (CTX) 2022 CTX that was held on the margins of the 40th and 41st ASEAN Summits in Phnom Penh.

This event aimed to support and foster the digital economy and fintech development in Cambodia. It allowed fintech start-ups and companies to share their knowledge, lessons learned, and best practices with the public, regulators, and fintech experts.





## OTHER INITIATIVES AND SUPPORT



Monetary support for Tennis Cambodia's campaign to the 2021 and 2022 Davis Cup.



Monetary and in-kind support to EmbraceAbility NPO to help disadvantaged communities.



Monetary and in-kind support to Little Hearts Organisation NPO to help underprivileged children.



Staff's participation in TYDA's missions in Kandal Province and Phnom Penh's Dangkor area.



Monetary support to the communities affected by the unprecedented flooding in Kampong Thom and Siem Reap provinces through the Association of Banks in Cambodia under the initiative from the National Bank of Cambodia.



In-kind donation of educational materials to support Sipar NGO's Youth Employability project launched to promote youth employability and civic engagement in the rural areas.



Monetary donation to the Khmer Enterprise Investment Readiness Program initiated by Khmer Enterprise, a unit under the Ministry of Economy and Finance in charge of implementing support programs for start-ups and SMEs in Cambodia.



Sponsorship of the "Women Entrepreneurship Challenge" program, an initiative of WE Act Cambodia aimed to engage young women entrepreneurs and female university students in developing their business ideas.

# 5

**Audited Financial Statements**

## CORPORATE INFORMATION

BANK	Advanced Bank of Asia Limited	
REGISTRATION NO.	00010593	
REGISTERED OFFICE	No. 141, 146, 148, 148ABCD and 162A, Preah Sihanouk Blvd, No.15 and 153ABC, Street 278, and No.171, Street Preah Trasak Paem, Sangkat Boeung Keng Kang 1, Khan Boeung Keng Kang, Phnom Penh, Kingdom of Cambodia	
SHAREHOLDERS	National Bank of Canada Natcan Trust Company	
BOARD OF DIRECTORS	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. Etienne Chenevier	Independent Director
	Mr. Henri Calvet	Independent Director
KEY MANAGEMENT TEAM	Mr. Guy Quaden	Independent Director
	Mr. Askhat Azhikhanov	Chief Executive Officer
	Mr. Zhiger Atchabarov	Chief Operating Officer
	Mr. Babu Ram Gyawali	Chief Financial Officer
	Mr. Galymzhan Temirov	Chief Information Officer
	Mr. Bibhu Pandey	Chief Credit Officer
	Mr. Sanzhar Abdullayev	Chief Card and E-Payments Officer
	Mr. Zokhir Rasulov	Chief Digital Officer
	Mr. Igor Zimarev	Chief Marketing and CSR Officer, Corporate Secretary
	Mr. Torsten Kleine Buening	Chief Risk Officer and Compliance Advisor to the CEO
	Ms. Romny Theam	Chief External Affairs Officer
	Ms. Ninlida Long	Chief Cash Management Officer
	Ms. Vithiea Ly	Chief Human Resources Officer
	Mr. Vichet Chhun	Chief Retail Banking Officer
	Mr. Chanrith Sar	Chief Micro Business Loan Officer
	Mr. Sinak Noy	Chief Loan Recovery and Monitoring Officer
	Mr. Lida Sem	Chief Medium and Large Business Lending Officer
	Mr. Sosen Eang	Chief Legal Officer
	Mr. Dalen Ath	Chief Administrative Officer
	Ms. Polinda Hean	Chief International Business Officer
	Mr. Kimkhun Pech	Chief Security Officer
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 2022.

## 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 2022 were as follows:

	Year ended 31 December 2022		Year ended 31 December 2021	
	US\$	KHR Million	US\$	KHR Million
Profit before tax	338,316,382	1,382,698	264,710,786	1,076,845
Income tax expense	(76,038,145)	(310,768)	(52,686,608)	(214,329)
<b>Profit for the year</b>	<b>262,278,237</b>	<b>1,071,930</b>	<b>212,024,178</b>	<b>862,516</b>

## 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 (2021: nil).

## SHARE CAPITAL

The Bank issued additional shares during the year as follows:

	31 December 2022		31 December 2021	
	US\$	KHR Million	US\$	KHR Million
Balance at the beginning of the year	520,000,000	2,118,480	335,000,000	1,355,075
Conversion of retained earnings (*)	140,000,000	572,180	115,000,000	467,820
Issued share capital	–	–	70,000,000	284,760
Currency translation differences	–	26,560	–	10,825
	<b>660,000,000</b>	<b>2,717,220</b>	<b>520,000,000</b>	<b>2,118,480</b>

\* On 7 April 2022, the National Bank of Cambodia approved the conversion of US\$140 million of the Bank's retained earnings to share capital, bringing the total share capital to US\$660 million, which is equivalent to 660,000 shares with par value of US\$1,000 per share.

The details of shareholdings were as follows:

	31 December 2022			31 December 2021		
	% of Ownership	Number of shares	US\$	% of Ownership	Number of shares	US\$
National Bank of Canada	99.9998%	659,999	659,999,000	99.9998%	519,999	519,999,000
Natcan Trust Company	0.0002%	1	1,000	0.0002%	1	1,000
	100%	660,000	660,000,000	100%	520,000	520,000,000

## 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 35, 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 35.
- 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.



## 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 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. Etienne Chenevier   | Independent Director |
| ■ Mr. Henri Calvet        | Independent Director |
| ■ Mr. Guy Quaden          | 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 2022, and its financial performance and its cash flows for the year then ended in accordance with 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 Advanced Bank of Asia Limited as at 31 December 2022, 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  
15 March 2023

# 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 2022, 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 38 to 102.

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

## BASIS FOR OPINION

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

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Corporate Information and the Report of the Board of Directors as set out on page 31 and pages 32 to 35, 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.

For Deloitte (Cambodia) Co., Ltd.

<SIGNED>

**Kimleng Khoy**  
*Partner*

Phnom Penh, Kingdom of Cambodia  
15 March 2023

# STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Note	31 December 2022		31 December 2021	
		US\$	KHR Million	US\$	KHR Million
<b>ASSETS</b>					
Cash on hand	4	461,874,069	1,901,536	478,829,834	1,950,753
Balances with the NBC	5	1,384,213,047	5,698,805	1,353,953,769	5,516,008
Balances with other banks	6	483,070,473	1,988,801	557,456,114	2,271,076
Loans to customers	7	6,448,799,797	26,549,709	5,278,989,596	21,506,604
Investment securities	8	34,942,747	143,859	36,839,675	150,085
Property and equipment	9	66,067,387	271,999	47,643,783	194,101
Right-of-use assets	10	57,064,305	234,934	39,893,238	162,525
Intangible assets	11	16,296,439	67,092	15,887,348	64,725
Deferred tax assets	12(b)	–	–	10,875,555	44,307
Other assets	13	79,488,417	327,254	40,691,482	165,777
<b>TOTAL ASSETS</b>		<b>9,031,816,681</b>	<b>37,183,989</b>	<b>7,861,060,394</b>	<b>32,025,961</b>
<b>LIABILITIES</b>					
Deposits from banks and other financial institutions	14	142,662,081	587,340	95,531,742	389,196
Deposits from customers	15	7,210,953,614	29,687,496	6,208,198,343	25,292,200
Debt securities in issue	16	–	–	21,310,996	86,821
Borrowings	17	68,358,368	281,431	197,399,626	804,206
Subordinated debts	18	121,045,397	498,344	148,027,962	603,066
Current tax liabilities	12(a)	47,388,978	195,100	46,957,236	191,304
Lease liabilities	19	60,411,883	248,716	42,463,355	172,996
Deferred tax liabilities	12(b)	7,030,085	28,943	–	–
Other liabilities	20	61,875,549	254,742	51,358,645	209,236
<b>TOTAL LIABILITIES</b>		<b>7,719,725,955</b>	<b>31,782,112</b>	<b>6,811,247,905</b>	<b>27,749,025</b>
<b>EQUITY</b>					
Share capital	21	660,000,000	2,717,220	520,000,000	2,118,480
Regulatory reserves	22	117,119,294	482,180	43,637,909	177,781
Retained earnings		534,971,432	2,168,158	486,174,580	1,970,931
Currency translation differences		–	34,319	–	9,744
<b>TOTAL EQUITY</b>		<b>1,312,090,726</b>	<b>5,401,877</b>	<b>1,049,812,489</b>	<b>4,276,936</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>9,031,816,681</b>	<b>37,183,989</b>	<b>7,861,060,394</b>	<b>32,025,961</b>

The accompanying notes from pages 43 to 102 form an integral part of these financial statements.

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	Year ended 31 December 2022		Year ended 31 December 2021	
		US\$	KHR Million	US\$	KHR Million
Interest income	23	570,837,305	2,333,012	454,543,953	1,849,085
Interest expense	23	(91,580,099)	(374,288)	(62,805,959)	(255,495)
<b>Net interest income</b>		<b>479,257,206</b>	<b>1,958,724</b>	<b>391,737,994</b>	<b>1,593,590</b>
Fee and commission income	24	71,617,717	292,702	53,326,594	216,933
Fee and commission expense	24	(27,659,831)	(113,046)	(20,262,189)	(82,427)
<b>Net fee and commission income</b>		<b>43,957,886</b>	<b>179,656</b>	<b>33,064,405</b>	<b>134,506</b>
Other operating income	25	5,926,210	24,220	6,128,724	24,932
Personnel expenses	26	(98,756,492)	(403,618)	(84,630,129)	(344,275)
Depreciation and amortisation	27	(23,503,694)	(96,060)	(19,000,585)	(77,294)
Operating expenses	28	(41,565,653)	(169,879)	(32,789,403)	(133,387)
Net impairment losses on financial assets	29	(26,999,081)	(110,345)	(29,800,220)	(121,227)
<b>Profit before tax</b>		<b>338,316,382</b>	<b>1,382,698</b>	<b>264,710,786</b>	<b>1,076,845</b>
Income tax expense	12(c)	(76,038,145)	(310,768)	(52,686,608)	(214,329)
<b>Profit for the year</b>		<b>262,278,237</b>	<b>1,071,930</b>	<b>212,024,178</b>	<b>862,516</b>
Other comprehensive income		–	24,575	–	11,909
<b>Total comprehensive income for the year</b>		<b>262,278,237</b>	<b>1,096,505</b>	<b>212,024,178</b>	<b>874,425</b>

The accompanying notes from pages 43 to 102 form an integral part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital		Regulatory reserves		Retained earnings		Currency translation differences	Total	
	US\$	KHR Million	US\$	KHR Million	US\$	KHR Million	KHR Million	US\$	KHR Million
<b>Year ended 31 December 2021</b>									
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
<b>At 31 December 2021</b>	<b>520,000,000</b>	<b>2,118,480</b>	<b>43,637,909</b>	<b>177,781</b>	<b>486,174,580</b>	<b>1,970,931</b>	<b>9,744</b>	<b>1,049,812,489</b>	<b>4,276,936</b>
<b>Year ended 31 December 2022</b>									
At 1 January 2022	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
Conversion of retained earnings	140,000,000	572,180	-	-	(140,000,000)	(572,180)	-	-	-
	660,000,000	2,690,660	43,637,909	177,781	346,174,580	1,398,751	9,744	1,049,812,489	4,276,936
Profit for the year	-	-	-	-	262,278,237	1,071,930	-	262,278,237	1,071,930
Other comprehensive income – currency translation differences	-	-	-	-	-	-	24,575	-	24,575
	-	-	-	-	262,278,237	1,071,930	24,575	262,278,237	1,096,505
Transfers from retained earnings to regulatory reserves	-	-	73,481,385	302,523	(73,481,385)	(302,523)	-	-	-
Currency translation differences	-	26,560	-	1,876	-	-	-	-	28,436
<b>At 31 December 2022</b>	<b>660,000,000</b>	<b>2,717,220</b>	<b>117,119,294</b>	<b>482,180</b>	<b>534,971,432</b>	<b>2,168,158</b>	<b>34,319</b>	<b>1,312,090,726</b>	<b>5,401,877</b>

The accompanying notes from pages 43 to 102 form an integral part of these financial statements.



# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	Year ended 31 December 2022		Year ended 31 December 2021	
		US\$	KHR Million	US\$	KHR Million
<b>Cash flows from operating activities</b>					
Profit before income tax		338,316,382	1,382,698	264,710,786	1,076,845
<b>Adjustments for:</b>					
Depreciation and amortisation	27	23,503,694	96,060	19,000,585	77,294
Net impairment losses on financial assets	29	26,999,081	110,345	29,800,220	121,227
Losses/(gains) on disposals of property and equipment and intangible assets		203,260	831	(103,165)	(420)
Gains on lease modification		(98,080)	(401)	(47,017)	(191)
Net interest income	23	(479,257,206)	(1,958,724)	(391,737,994)	(1,593,590)
		<b>(90,332,869)</b>	<b>(369,191)</b>	<b>(78,376,585)</b>	<b>(318,835)</b>
<b>Changes in:</b>					
Balances with the NBC		(42,757,356)	(174,749)	174,934,949	711,635
Balances with other banks		(169,026,498)	(690,811)	(18,230,597)	(74,162)
Loans to customers		(1,187,267,626)	(4,852,363)	(1,483,785,055)	(6,036,038)
Other assets		(39,463,805)	(161,289)	(11,479,916)	(46,700)
Deposits from banks and other financial institutions		45,656,685	186,599	26,723,633	108,712
Deposits from customers		984,919,321	4,025,365	1,406,259,742	5,720,664
Other liabilities		10,433,330	42,641	14,442,209	58,750
<b>Net (cash used in)/generated from operations</b>		<b>(487,838,818)</b>	<b>(1,993,798)</b>	<b>30,488,380</b>	<b>124,026</b>
Interest received		552,015,044	2,256,085	444,736,021	1,809,186
Interest paid		(73,759,304)	(301,454)	(59,477,517)	(241,955)
Income tax paid		(57,700,763)	(235,823)	(47,153,861)	(191,822)
<b>Cash (used in)/generated from operating activities</b>		<b>(67,283,841)</b>	<b>(274,990)</b>	<b>368,593,023</b>	<b>1,499,435</b>

	Note	Year ended 31 December 2022		Year ended 31 December 2021	
		US\$	KHR Million	US\$	KHR Million
<b>Cash flows from investing activities</b>					
Purchase of investment securities		(1,212,831)	(4,957)	(30,000,000)	(122,040)
Proceeds on sales of investment securities		3,086,425	12,614	–	–
Purchases of property and equipment		(29,874,607)	(122,098)	(15,451,126)	(62,855)
Purchases of intangible assets		(3,158,843)	(12,910)	(8,986,856)	(36,559)
Proceeds on disposals of property and equipment		152,743	624	103,501	421
<b>Net cash used in investing activities</b>		<b>(31,007,113)</b>	<b>(126,727)</b>	<b>(54,334,481)</b>	<b>(221,033)</b>
<b>Cash flows from financing activities</b>					
Issuance of share capital		–	–	70,000,000	284,760
Repayments of debt securities in issue		(20,698,045)	(84,593)	–	–
Proceeds from borrowings		195,581,512	799,342	395,456,806	1,608,718
Repayments of borrowings		(320,902,324)	(1,311,528)	(442,171,933)	(1,798,755)
Proceeds from subordinated debts		–	–	50,000,000	203,400
Repayments of subordinated debts		(27,000,000)	(110,349)	(19,000,000)	(77,292)
Principal elements of lease payments		(10,948,907)	(44,748)	(8,439,552)	(34,332)
<b>Net cash (used in)/generated from financing activities</b>		<b>(183,967,764)</b>	<b>(751,876)</b>	<b>45,845,321</b>	<b>186,499</b>
Net (decrease)/increase in cash and cash equivalents		(282,258,718)	(1,153,593)	360,103,863	1,464,901
Cash and cash equivalents at the beginning of the year		955,324,251	3,891,991	595,220,388	2,407,666
Currency translation differences		–	32,612	–	19,424
<b>Cash and cash equivalents at the end of the year</b>	<b>30</b>	<b>673,065,533</b>	<b>2,771,010</b>	<b>955,324,251</b>	<b>3,891,991</b>

#### Significant non-cash transactions

In 2022, there was a conversion of US\$140 million of the Bank's retained earnings to share capital (2021: US\$115 million).

The accompanying notes from pages 43 to 102 form an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 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, 148 ABCD and 162A 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 14 March 2023.

## 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 CIAS 37	Onerous Contracts – Cost of fulfilling a contract
Annual Improvements to CIFRS standards 2018–2020 Cycle	■ 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

## 2.3 New and revised CIFRS in issue but not yet effective

Amendments to CIAS 1	Classification of Liabilities as Current or Non-current
Amendments to CIAS 1	Non-current Liabilities with Covenants
Amendments to CIFRS 16	Lease Liability in a Sale and Leaseback
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 CIFRS 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 2022	4,117	4,087
31 December 2021	4,074	4,068

### *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 has an internal credit rating of E or is past due more than 89 days for long term loans and 59 (2021: 30 days) days for short term loans; 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 is 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 or 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
<b>General allowance</b>		
Short-term facilities (one year or less):		
Normal	0-14 days	1%
Long-term facilities (more than one year):		
Normal	0-29 days	1%
<b>Specific allowance</b>		
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%
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. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

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 liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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 in 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 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, significant measurement uncertainty exists in determining ECLs, and measurement is subject to significant judgment. Further information on the credit quality analysis of the Bank and impact of COVID-19 is provided in note 34.1 and 35 respectively.

### ***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. Further information on the credit quality analysis of the Bank and impact of COVID-19 is provided in note 34.1 and 35 respectively.

### ***Management overlay***

The Bank provides management overlay as an additional ECL under stressed scenarios due to uncertainties under COVID-19 environment based on two assumptions that (1) multiple restructured loans and loans under grace period for both principal and interest repayment have higher risk of turning default; (2) the expected adjustments to increase ECL resulted from the model enhancement that will take place in 2023. Further information on the credit quality analysis of the Bank and impact of COVID-19 is provided in note 34.1 and 35 respectively.

### 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. Further information on the credit quality analysis of the Bank and impact of COVID-19 is provided in note 34.1 and 35 respectively.

### 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. Further information on the credit quality analysis of the Bank and impact of COVID-19 is provided in note 34.1 and 35 respectively.

### 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. Further information on the tax contingencies is provided in note 36.

## 4. CASH ON HAND

	31 December 2022		31 December 2021	
	US\$	KHR Million	US\$	KHR Million
Cash on hand	424,308,563	1,746,878	457,489,181	1,863,811
Cash items in process of collection	37,565,506	154,658	21,340,653	86,942
	<b>461,874,069</b>	<b>1,901,536</b>	<b>478,829,834</b>	<b>1,950,753</b>

## 5. BALANCES WITH THE NBC

	31 December 2022		31 December 2021	
	US\$	KHR Million	US\$	KHR Million
Capital guarantee deposit (i)	66,216,263	272,612	52,009,920	211,888
Reserve requirement (ii)	493,599,842	2,032,151	432,275,528	1,761,091
Current accounts	158,545,814	652,733	178,520,955	727,294
Negotiable Certificate of Deposit ("NCD")(iii)	665,851,128	2,741,309	691,147,366	2,815,735
	<b>1,384,213,047</b>	<b>5,698,805</b>	<b>1,353,953,769</b>	<b>5,516,008</b>

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 0.08% to 0.65% per annum (2021: 0.04% to 0.06% 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.

## (iii) Negotiable Certificate of Deposit

The Bank has pledged negotiable certificate of deposits amounting US\$ 63,799,000 as collateral for Liquidity-Providing Collateralised Operations (2021: US\$ 167,997,000).

## 6. BALANCES WITH OTHER BANKS

	31 December 2022		31 December 2021	
	US\$	KHR Million	US\$	KHR Million
Balances with other banks at amortised cost	483,717,992	1,991,467	558,440,003	2,275,084
Impairment loss allowance	(647,519)	(2,666)	(983,889)	(4,008)
	<b>483,070,473</b>	<b>1,988,801</b>	<b>557,456,114</b>	<b>2,271,076</b>

The gross carrying amounts are analysed as follows:

	31 December 2022		31 December 2021	
	US\$	KHR Million	US\$	KHR Million
<b>(a) By type</b>				
Current accounts	27,297,085	112,382	56,821,708	231,491
Savings deposits	287,976	1,186	800,837	3,263
Term deposits	456,132,931	1,877,899	500,817,458	2,040,330
	<b>483,717,992</b>	<b>1,991,467</b>	<b>558,440,003</b>	<b>2,275,084</b>

	31 December 2022		31 December 2021	
	US\$	KHR Million	US\$	KHR Million
<b>(b) By currency</b>				
US Dollars	482,911,049	1,988,146	557,341,157	2,270,607
Khmer Riel	370,258	1,524	699,036	2,848
Singapore Dollars	76,800	316	41,407	169
Thai Baht	76,533	315	27,779	113
Japanese Yen	66,043	272	120,002	489
Australian Dollars	63,313	261	87,485	356
Euro	55,705	229	10,503	43
Vietnamese Dong	39,522	163	8,043	33
Canadian Dollars	27,025	111	15,139	62

	31 December 2022		31 December 2021	
British Pound	21,967	90	15,054	61
Chinese Yuan	9,777	40	74,398	303
	<b>483,717,992</b>	<b>1,991,467</b>	<b>558,440,003</b>	<b>2,275,084</b>

	31 December 2022		31 December 2021	
	US\$	KHR Million	US\$	KHR Million
<b>(c) By maturity</b>				
Within 1 month	101,728,839	418,818	274,426,994	1,118,015
>1 to 3 months	45,216,656	186,157	39,606,676	161,358
>3 to 12 months	336,772,497	1,386,492	244,406,333	995,711
	<b>483,717,992</b>	<b>1,991,467</b>	<b>558,440,003</b>	<b>2,275,084</b>

	31 December 2022		31 December 2021	
<b>(d) By interest rate (per annum)</b>				
Savings deposits		0% - 0.25%		0% - 0.25%
Current accounts		0.14% - 4.38%		0.10% - 0.25%
Term deposits		2.00% - 6.50%		0.40% - 5.00%

## 7. LOANS TO CUSTOMERS

	31 December 2022		31 December 2021	
	US\$	KHR Million	US\$	KHR Million
<b>At amortised cost</b>				
Commercial loans	5,480,080,316	22,561,491	4,602,348,015	18,749,966
Overdrafts	883,045,000	3,635,496	608,488,971	2,478,984
<b>Consumer loans:</b>				
Housing loans	119,767,394	493,082	87,125,933	354,951
Vehicle loans	11,136,925	45,851	8,003,563	32,607
Staff loans	22,183,298	91,329	16,747,084	68,228
Personal loans	2,148,108	8,844	1,224,577	4,989
Credit cards	3,613,059	14,875	1,467,264	5,977
<b>Total gross carrying amount</b>	<b>6,521,974,100</b>	<b>26,850,968</b>	<b>5,325,405,407</b>	<b>21,695,702</b>
<b>Impairment loss allowance</b>	<b>(73,174,303)</b>	<b>(301,259)</b>	<b>(46,415,811)</b>	<b>(189,098)</b>
<b>Net carrying amount</b>	<b>6,448,799,797</b>	<b>26,549,709</b>	<b>5,278,989,596</b>	<b>21,506,604</b>

## 8. INVESTMENT SECURITIES

	31 December 2022		31 December 2021	
	US\$	KHR Million	US\$	KHR Million
Investment securities at amortised cost (*)	35,534,966	146,297	37,450,310	152,573
Impairment loss allowance	(592,219)	(2,438)	(610,635)	(2,488)
	<b>34,942,747</b>	<b>143,859</b>	<b>36,839,675</b>	<b>150,085</b>

\* Included in the investment securities is an investment of US\$30 million or about KHR 123,510 million on 20 December 2021 in Corporate Bond issued by Cambodia Airport Investment Co., Ltd. for construction and development of Techo International Airport of the Cambodian Government with the term 3 years and interest rate 5.50% per annum.

## 9. PROPERTY AND EQUIPMENT

31 December 2022	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
<b>Cost</b>							
At 1 January 2022	28,453,942	15,801,453	1,796,171	41,274,900	360,947	87,687,413	357,239
Additions	335,804	1,712,995	536,640	16,681,745	10,607,423	29,874,607	122,098
Transfers	7,005,147	490,767	–	2,640	(7,498,554)	–	–
Disposals	–	–	(334,580)	(72,325)	–	(406,905)	(1,663)
Write off	(1,649,238)	(174,908)	–	(256,098)	–	(2,080,244)	(8,502)
Currency translation differences	–	–	–	–	–	–	4,591
<b>At 31 December 2022</b>	<b>34,145,655</b>	<b>17,830,307</b>	<b>1,998,231</b>	<b>57,630,862</b>	<b>3,469,816</b>	<b>115,074,871</b>	<b>473,763</b>
<b>Accumulated depreciation</b>							
At 1 January 2022	12,453,780	9,694,061	1,214,695	16,681,094	–	40,043,630	163,138
Depreciation	3,677,896	2,581,909	246,830	4,637,942	–	11,144,577	45,548
Disposals	–	–	(295,552)	(72,326)	–	(367,878)	(1,504)
Write off	(1,398,720)	(160,404)	–	(253,721)	–	(1,812,845)	(7,409)
Currency translation differences	–	–	–	–	–	–	1,991
<b>At 31 December 2022</b>	<b>14,732,956</b>	<b>12,115,566</b>	<b>1,165,973</b>	<b>20,992,989</b>	<b>–</b>	<b>49,007,484</b>	<b>201,764</b>
<b>Carrying amounts</b>							
<b>At 31 December 2022</b>	<b>19,412,699</b>	<b>5,714,741</b>	<b>832,258</b>	<b>36,637,873</b>	<b>3,469,816</b>	<b>66,067,387</b>	<b>271,999</b>

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
<b>Cost</b>							
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
<b>At 31 December 2021</b>	<b>28,453,942</b>	<b>15,801,453</b>	<b>1,796,171</b>	<b>41,274,900</b>	<b>360,947</b>	<b>87,687,413</b>	<b>357,239</b>
<b>Accumulated depreciation</b>							
At 1 January 2021	8,859,653	7,196,606	1,190,907	13,536,674	–	30,783,840	124,521
Depreciation	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
<b>At 31 December 2021</b>	<b>12,453,780</b>	<b>9,694,061</b>	<b>1,214,695</b>	<b>16,681,094</b>	<b>–</b>	<b>40,043,630</b>	<b>163,138</b>
<b>Carrying amounts</b>							
<b>At 31 December 2021</b>	<b>16,000,162</b>	<b>6,107,392</b>	<b>581,476</b>	<b>24,593,806</b>	<b>360,947</b>	<b>47,643,783</b>	<b>194,101</b>

## 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 2022	Buildings	Motor vehicles		Total
	US\$	US\$	US\$	KHR Million
<b>Cost</b>				
At 1 January 2022	60,512,705	3,147,646	63,660,351	259,352
Additions	25,802,714	948,171	26,750,885	109,331
Lease modification	(1,172,316)	(128,287)	(1,300,603)	(5,316)
Currency translation differences	–	–	–	3,501
<b>At 31 December 2022</b>	<b>85,143,103</b>	<b>3,967,530</b>	<b>89,110,633</b>	<b>366,868</b>
<b>Accumulated depreciation</b>				
At 1 January 2022	21,474,846	2,292,267	23,767,113	96,827
Depreciation	8,809,606	849,336	9,658,942	39,476

<b>31 December 2022</b>	<b>Buildings</b>	<b>Motor vehicles</b>	<b>Total</b>	
Lease modification	(1,330,163)	(49,564)	(1,379,727)	(5,639)
Currency translation differences	-	-	-	1,270
<b>At 31 December 2022</b>	<b>28,954,289</b>	<b>3,092,039</b>	<b>32,046,328</b>	<b>131,934</b>
<b>Carrying amounts</b>				
<b>At 31 December 2022</b>	<b>56,188,814</b>	<b>875,491</b>	<b>57,064,305</b>	<b>234,934</b>

<b>31 December 2021</b>	<b>Buildings</b>	<b>Motor vehicles</b>	<b>Total</b>	
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>KHR Million</b>
<b>Cost</b>				
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
<b>At 31 December 2021</b>	<b>60,512,705</b>	<b>3,147,646</b>	<b>63,660,351</b>	<b>259,352</b>
<b>Accumulated depreciation</b>				
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
<b>At 31 December 2021</b>	<b>21,474,846</b>	<b>2,292,267</b>	<b>23,767,113</b>	<b>96,827</b>
<b>Carrying amounts</b>				
<b>At 31 December 2021</b>	<b>39,037,859</b>	<b>855,379</b>	<b>39,893,238</b>	<b>162,525</b>

The average lease term is 8 years (2021: 8 years) for office buildings and 2 years for motor vehicles (2021: 2 years).

Approximately 17% (2021: 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\$10.9 million in 2022 (2021: US\$8.4 million). The maturity analysis of lease liabilities is presented in Note 19.

#### Amount recognised in profit or loss

	<b>Year ended 31 December 2022</b>		<b>Year ended 31 December 2021</b>	
	<b>US\$</b>	<b>KHR Million</b>	<b>US\$</b>	<b>KHR Million</b>
Depreciation expense on right-of-use assets (Note 27)	9,658,942	39,476	7,430,750	30,228
Interest expense on lease liabilities (Note 23)	2,827,147	11,555	1,905,613	7,752
Expenses relating to leases of low-value assets and short-term lease	3,599,936	14,713	3,388,511	13,784
	<b>16,086,025</b>	<b>65,744</b>	<b>12,724,874</b>	<b>51,764</b>

At 31 December 2022, the Bank is committed to US\$51,163 (2021: US\$42,465) for short-term leases. The total cash outflow for leases amounted to US\$10,948,907 (2021: US\$8,439,552).

As at 31 December 2022, the Bank entered into 4 lease agreements with lease term ranging from 10 to 15 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 2022 (2021: 12 agreements with lease term ranging from 5 to 10 years). The aggregate future cash outflows to which the Bank is exposed in respect of these contracts are as followed:

	31 December 2022		31 December 2021	
	US\$	KHR Million	US\$	KHR Million
Within 1 year	367,778	1,514	1,362,889	5,552
From 1 to 5 years	1,609,999	6,628	7,838,742	31,935
More than 5 years	4,354,221	17,926	19,164,898	78,078
	<b>6,331,998</b>	<b>26,068</b>	<b>28,366,529</b>	<b>115,565</b>

## 11. INTANGIBLE ASSETS

	31 December 2022		31 December 2021	
	US\$	KHR Million	US\$	KHR Million
<b>Software Cost</b>				
At 1 January	21,840,695	88,979	12,853,839	51,994
Additions	3,158,843	12,910	8,986,856	36,559
Write off	(288,575)	(1,179)	–	–
Currency translation differences	–	1,025	–	426
<b>At 31 December</b>	<b>24,710,963</b>	<b>101,735</b>	<b>21,840,695</b>	<b>88,979</b>
<b>Accumulated amortisation</b>				
At 1 January	5,953,347	24,254	3,922,409	15,866
Amortisation	2,700,175	11,036	2,030,938	8,262
Write off	(238,998)	(977)	–	–
Currency translation differences	–	330	–	126
<b>At 31 December</b>	<b>8,414,524</b>	<b>34,643</b>	<b>5,953,347</b>	<b>24,254</b>
<b>Carrying amounts</b>				
<b>At 31 December</b>	<b>16,296,439</b>	<b>67,092</b>	<b>15,887,348</b>	<b>64,725</b>



## 12. INCOME TAX

### (a) Current tax liabilities

	31 December 2022		31 December 2021	
	US\$	KHR Million	US\$	KHR Million
At the beginning of the year	46,957,236	191,304	36,217,048	146,498
Current income tax expense	58,132,505	237,588	57,894,049	235,513
Current income tax paid	(57,700,763)	(235,823)	(47,153,861)	(191,822)
Currency translation differences	–	2,031	–	1,115
<b>At the end of the year</b>	<b>47,388,978</b>	<b>195,100</b>	<b>46,957,236</b>	<b>191,304</b>

### (b) Deferred tax

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 2022		31 December 2021	
	US\$	KHR Million	US\$	KHR Million
Deferred tax assets	7,799,760	32,112	13,509,136	55,036
Deferred tax liabilities	(14,829,845)	(61,055)	(2,633,581)	(10,729)
<b>Net deferred tax (liabilities)/assets</b>	<b>(7,030,085)</b>	<b>(28,943)</b>	<b>10,875,555</b>	<b>44,307</b>

	1 January 2021	Recognised in profit or loss during the year	31 December 2021	Recognised in profit or loss during the year	31 December 2022
	US\$	US\$	US\$	US\$	US\$
<b>Deferred tax assets/(liabilities)</b>					
Impairment loss allowance	129,286	3,761,928	3,891,214	(11,594,152)	(7,702,938)
Deferred revenue from processing fees recognised	3,438,729	1,169,593	4,608,322	555,683	5,164,005
Deferred card fees	552,557	171,827	724,384	86,159	810,543
Management bonuses	2,952,037	1,296,308	4,248,345	(3,061,060)	1,187,285
Depreciable assets	(1,229,301)	(818,382)	(2,047,683)	(2,120,016)	(4,167,699)
Unrealised exchange gain or loss	(185,555)	201,909	16,354	596,771	613,125
Interest in suspense	–	(584,981)	(584,981)	(2,374,226)	(2,959,207)
Unearned pinless top-up	10,361	9,239	19,600	5,201	24,801
	<b>5,668,114</b>	<b>5,207,441</b>	<b>10,875,555</b>	<b>(17,905,640)</b>	<b>(7,030,085)</b>
<b>In KHR Million equivalent</b>	<b>22,928</b>	<b>21,184</b>	<b>44,307</b>	<b>(73,180)</b>	<b>(28,943)</b>

(c) Income tax expense

	Year ended 31 December 2022		Year ended 31 December 2021	
	US\$	KHR Million	US\$	KHR Million
Current income tax	58,132,505	237,588	57,894,049	235,513
Deferred tax expense/(benefit)	17,905,640	73,180	(5,207,441)	(21,184)
<b>Income tax expense</b>	<b>76,038,145</b>	<b>310,768</b>	<b>52,686,608</b>	<b>214,329</b>

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 2022		Year ended 31 December 2021	
	US\$	KHR Million	US\$	KHR Million
Profit before tax	338,316,382	1,382,698	264,710,786	1,076,845
Income tax at the rate of 20%	67,663,276	276,540	52,942,157	215,369
Tax effect of non-deductible expenses	6,143,239	25,107	555,719	2,261
Unrecognised temporary differences	1,492,510	6,100	220,593	897
Under/(over) provision in prior year	739,120	3,021	(527,814)	(2,147)
Tax incentive *	–	–	(504,047)	(2,051)
<b>Income tax expense</b>	<b>76,038,145</b>	<b>310,768</b>	<b>52,686,608</b>	<b>214,329</b>

\* 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. 2021 was the last year that the Bank received tax incentives.

### 13. OTHER ASSETS

	31 December 2022		31 December 2021	
	US\$	KHR Million	US\$	KHR Million
Deposits and advance payments	35,782,033	147,314	20,685,279	84,272
Bakong receivables	25,218,004	103,823	7,644,840	31,145
Mastercard/Visa Card/UPI and MoneyGram receivables	5,423,901	22,330	3,479,050	14,174
Prepayment	8,858,207	36,469	4,021,096	16,382
Other receivables	2,501,375	10,298	2,371,628	9,662
Card supplies	2,686,067	11,059	3,465,532	14,119
Other investments	76,185	314	76,185	310
Impairment allowance of deposits and other receivables	(1,057,355)	(4,353)	(1,052,128)	(4,287)
	<b>79,488,417</b>	<b>327,254</b>	<b>40,691,482</b>	<b>165,777</b>

## 14. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2022		31 December 2021	
	US\$	KHR Million	US\$	KHR Million
Demand deposits	34,877,849	143,592	62,589,953	254,991
Savings deposits	9,343,969	38,469	6,022,943	24,537
Fixed deposits	98,440,263	405,279	26,918,846	109,668
	<b>142,662,081</b>	<b>587,340</b>	<b>95,531,742</b>	<b>389,196</b>

The above amounts are analysed as follows:

	31 December 2022		31 December 2021	
	US\$	KHR Million	US\$	KHR Million
<b>(a) By currency</b>				
US Dollars	123,371,407	507,920	82,066,814	334,340
Khmer Riel	19,290,674	79,420	13,464,928	54,856
	<b>142,662,081</b>	<b>587,340</b>	<b>95,531,742</b>	<b>389,196</b>

	31 December 2022		31 December 2021	
	US\$	KHR Million	US\$	KHR Million
<b>(b) By maturity</b>				
Within 1 month	44,735,714	184,177	71,968,456	293,199
>1 to 3 months	5,163,968	21,260	-	-
>3 to 12 months	78,723,216	324,103	22,243,814	90,621
More than 12 months	11,983,621	49,337	1,319,472	5,376
Over 5 years	2,055,562	8,463	-	-
	<b>142,662,081</b>	<b>587,340</b>	<b>95,531,742</b>	<b>389,196</b>

	31 December 2022		31 December 2021	
	US\$	KHR Million	US\$	KHR Million
<b>(c) By relationship</b>				
Non-related parties	142,662,081	587,340	95,531,742	389,196

	31 December 2022		31 December 2021	
<b>(d) By interest rate (per annum)</b>				
Demand deposits		0.00% - 2.00%		0.00% - 0.25%
Savings deposits		0.00% - 2.50%		0.00% - 0.25%
Fixed deposits		2.25% - 7.75%		2.50% - 6.00%

## 15. DEPOSITS FROM CUSTOMERS

	31 December 2022		31 December 2021	
	US\$	KHR Million	US\$	KHR Million
Demand deposits	1,124,098,661	4,627,914	1,168,992,043	4,762,474
Savings deposits	4,219,743,401	17,372,684	4,033,653,706	16,433,105
Fixed deposits	1,861,307,503	7,663,003	1,003,918,626	4,089,964
Margin deposits	5,804,049	23,895	1,633,968	6,657
	<b>7,210,953,614</b>	<b>29,687,496</b>	<b>6,208,198,343</b>	<b>25,292,200</b>

The above amounts are analysed as follows:.

	31 December 2022		31 December 2021	
	US\$	KHR Million	US\$	KHR Million
<b>(a) By currency</b>				
US Dollars	6,674,255,090	27,477,908	5,925,881,386	24,142,040
Khmer Riel	536,697,703	2,209,585	282,316,052	1,150,156
Euro	821	3	905	4
	<b>7,210,953,614</b>	<b>29,687,496</b>	<b>6,208,198,343</b>	<b>25,292,200</b>

	31 December 2022		31 December 2021	
	US\$	KHR Million	US\$	KHR Million
<b>(b) By maturity</b>				
Within 1 month	5,533,130,949	22,779,900	5,359,476,628	21,834,508
>1 to 3 months	276,835,941	1,139,734	214,681,028	874,611
>3 to 12 months	1,283,620,259	5,284,665	597,573,513	2,434,514
More than 12 months	117,366,465	483,197	36,467,174	148,567
	<b>7,210,953,614</b>	<b>29,687,496</b>	<b>6,208,198,343</b>	<b>25,292,200</b>

	31 December 2022		31 December 2021	
	US\$	KHR Million	US\$	KHR Million
<b>(c) By relationship</b>				
Non-related parties	7,206,651,357	29,669,784	6,204,834,359	25,278,495
Related parties	4,302,257	17,712	3,363,984	13,705
	<b>7,210,953,614</b>	<b>29,687,496</b>	<b>6,208,198,343</b>	<b>25,292,200</b>

	31 December 2022	31 December 2021
<b>(d) By interest rate (per annum)</b>		
Demand deposits	0.00% - 5.00%	0.00% - 1.25%
Savings deposits	0.00% - 4.00%	0.00% - 1.25%
Fixed deposits	1.00% - 9.50%	0.50% - 7.25%

## 16. DEBT SECURITIES IN ISSUE

	31 December 2022		31 December 2021	
	US\$	KHR Million	US\$	KHR Million
<b>Corporate bonds</b>	-	-	21,310,996	86,821

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\$20,602,623) with tenor 3 years and coupon rate 7.75% per annum. On 14 August 2022, the bond was repaid to 65 investors.

## 17. BORROWINGS

	31 December 2022		31 December 2021	
	US\$	KHR Million	US\$	KHR Million
Borrowing at amortised cost				
LPCO (i)	62,723,879	258,234	167,276,789	681,486
Bank loan (ii)	5,634,489	23,197	30,122,837	122,720
	<b>68,358,368</b>	<b>281,431</b>	<b>197,399,626</b>	<b>804,206</b>

(i) This represents 34 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 5 to 8 years (2021: 3 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 2.00% to 6.76% per annum (2021: 0.63% to 6.84%).

## 18. SUBORDINATED DEBTS

	31 December 2022		31 December 2021	
	US\$	KHR Million	US\$	KHR Million
<b>National Bank of Canada</b>	<b>121,045,397</b>	<b>498,344</b>	<b>148,027,962</b>	<b>603,066</b>

The principal amounting to US\$27,000,000 were repaid to the National Bank of Canada during the year (2021: US\$19,000,000) and there was no new drawn down during the year (2021: US\$50,000,000).

The above subordinated debts are unsecured and bear interest rates ranging from 7.04% to 9.40% per annum (2021: 6.67% to 8.98% per annum), which have 7-year term.

## 19. LEASE LIABILITIES

	31 December 2022		31 December 2021	
	US\$	KHR Million	US\$	KHR Million
Maturity Analysis				
Year 1	11,718,431	48,245	8,763,586	35,703
Year 2	10,335,250	42,550	7,926,335	32,292
Year 3	9,870,302	40,636	7,511,021	30,600
Year 4	9,015,221	37,116	6,802,752	27,714
Year 5	8,171,294	33,641	6,022,372	24,535
Onwards	24,257,108	99,867	13,207,817	53,809
	<b>73,367,606</b>	<b>302,055</b>	<b>50,233,883</b>	<b>204,653</b>
Less: Unearned interest	(12,955,723)	(53,339)	(7,770,528)	(31,657)
	<b>60,411,883</b>	<b>248,716</b>	<b>42,463,355</b>	<b>172,996</b>

## 20. OTHER LIABILITIES

	31 December 2022		31 December 2021	
	US\$	KHR Million	US\$	KHR Million
Accrued expenses	40,389,187	166,282	40,196,387	163,760
Remittance in process	8,955,550	36,870	2,590,166	10,552
Other payables	5,310,104	21,862	3,756,872	15,307
Unearned income	4,176,721	17,196	3,719,920	15,155
Other tax payable	2,687,699	11,065	822,585	3,351
Provision for off-balance sheets	356,288	1,467	272,715	1,111
	<b>61,875,549</b>	<b>254,742</b>	<b>51,358,645</b>	<b>209,236</b>

## 21. SHARE CAPITAL

	31 December 2022		31 December 2021	
	US\$	KHR Million	US\$	KHR Million
Shares of US\$1,000 each Issued and fully paid	<b>660,000,000</b>	<b>2,717,220</b>	<b>520,000,000</b>	<b>2,118,480</b>

The details of shareholding were as follows:

	31 December 2022			31 December 2021		
	% of Ownership	Number of shares	US\$	% of Ownership	Number of shares	US\$
National Bank of Canada	99.9998%	659,999	659,999,000	99.9998%	519,999	519,999,000
Natcan Trust Company	0.0002%	1	1,000	0.0002%	1	1,000
	<b>100%</b>	<b>660,000</b>	<b>660,000,000</b>	<b>100%</b>	<b>520,000</b>	<b>520,000,000</b>



	31 December 2022		31 December 2021	
	US\$	KHR Million	US\$	KHR Million
Balance at beginning of the year	520,000,000	2,118,480	335,000,000	1,355,075
Conversion of retained earnings (*)	140,000,000	572,180	115,000,000	467,820
Issuance of share capital	–	–	70,000,000	284,760
Currency translation differences	–	26,560	–	10,825
	<b>660,000,000</b>	<b>2,717,220</b>	<b>520,000,000</b>	<b>2,118,480</b>

\* On 4 April 2022, the National Bank of Cambodia approved the conversion of US\$140 million of the Bank's retained earnings to share capital, bringing the total share capital to US\$660 million, which is equivalent to 660,000 shares with par value of US\$1,000 per share. On 26 April 2022, Ministry of Commerce certified with the approval letter from National Bank of Cambodia.

## 22. REGULATORY RESERVES

	31 December 2022		31 December 2021	
	US\$	KHR Million	US\$	KHR Million
Balance at beginning of the year	43,637,909	177,781	42,141,887	170,464
Transfer from retained earnings	73,481,385	302,523	1,496,022	6,095
Currency translation differences	–	1,876	–	1,222
	<b>117,119,294</b>	<b>482,180</b>	<b>43,637,909</b>	<b>177,781</b>

## 23. NET INTEREST INCOME

	Year ended 31 December 2022		Year ended 31 December 2021	
	US\$	KHR Million	US\$	KHR Million
<b>Interest income from:</b>				
Loans to customers	548,076,029	2,239,987	445,268,326	1,811,352
Balances with the NBC and other banks	20,457,410	83,609	8,444,418	34,352
Investment securities	2,097,105	8,571	686,882	2,794
Others	206,761	845	144,327	587
	<b>570,837,305</b>	<b>2,333,012</b>	<b>454,543,953</b>	<b>1,849,085</b>
<b>Interest expense on:</b>				
Deposits from banks and other financial institutions	3,429,552	14,017	632,241	2,572
Deposits from customers	68,907,945	281,627	37,897,904	154,169
Debt securities	999,897	4,086	1,615,186	6,570
Borrowings	4,292,511	17,543	11,868,420	48,281
Subordinated debts	11,123,047	45,460	8,886,595	36,151
Lease liabilities	2,827,147	11,555	1,905,613	7,752

	Year ended 31 December 2022		Year ended 31 December 2021	
	US\$	KHR Million	US\$	KHR Million
Net interest income	479,257,206	1,958,724	391,737,994	1,593,590

## 24. NET FEE AND COMMISSION INCOME

	Year ended 31 December 2022		Year ended 31 December 2021	
	US\$	KHR Million	US\$	KHR Million
<b>Fee and commission income</b>				
Mastercard, Visa and UPI cards	29,162,112	119,186	18,888,539	76,839
Inward and outward remittances	12,675,949	51,807	10,584,926	43,059
Loan commissions and early settlement fees	8,049,796	32,900	7,262,345	29,543
Pin-less top up	6,242,996	25,515	4,955,724	20,160
Special account number fees	2,842,247	11,616	3,071,281	12,494
E-wallet	3,103,182	12,683	2,287,166	9,304
Commission fee from insurance	2,549,593	10,420	1,381,805	5,621
Dormant fees	1,649,931	6,743	1,084,826	4,413
Bakong transfers	1,604,909	6,559	439,853	1,789
Cable charges	896,085	3,662	841,357	3,423
Other fees	2,840,917	11,611	2,528,772	10,288
	<b>71,617,717</b>	<b>292,702</b>	<b>53,326,594</b>	<b>216,933</b>
<b>Fee and commission expense</b>				
Mastercard, Visa and UPI cards	24,338,957	99,473	16,766,528	68,206
Fees and commission paid to other banks and financial institutes ("FIs")	3,073,031	12,559	3,174,547	12,914
Other fees	247,843	1,014	321,114	1,307
	<b>27,659,831</b>	<b>113,046</b>	<b>20,262,189</b>	<b>82,427</b>
<b>Net fee and commission income</b>	<b>43,957,886</b>	<b>179,656</b>	<b>33,064,405</b>	<b>134,506</b>

Maintenance fee income amounting to US\$41,232 or KHR169 million for the operations of cash settlement agents was recognized during the year (2021: US\$1,206 or KHR5 million).

## 25. OTHER OPERATING INCOME

	Year ended 31 December 2022		Year ended 31 December 2021	
	US\$	KHR Million	US\$	KHR Million
Foreign exchange gains, net	5,808,177	23,738	6,058,740	24,647
Other income	118,033	482	69,984	285
	<b>5,926,210</b>	<b>24,220</b>	<b>6,128,724</b>	<b>24,932</b>

## 26. PERSONNEL EXPENSES

	Year ended 31 December 2022		Year ended 31 December 2021	
	US\$	KHR Million	US\$	KHR Million
Salaries and bonuses	90,021,467	367,918	77,607,915	315,709
Seniority payments	4,975,166	20,334	4,406,274	17,925
Other personnel expenses	3,759,859	15,366	2,615,940	10,641
	<b>98,756,492</b>	<b>403,618</b>	<b>84,630,129</b>	<b>344,275</b>

For the year ended 31 December 2022, personnel expense of the Bank's staff, who are responsible for the operations of cash settlement agents, amounting to US\$31,974 or KHR131 million (2021: US\$27,586 or KHR112 million).

## 27. DEPRECIATION AND AMORTISATION

	Year ended 31 December 2022		Year ended 31 December 2021	
	US\$	KHR Million	US\$	KHR Million
Property and equipment	11,144,577	45,548	9,538,897	38,804
Right-of-use assets	9,658,942	39,476	7,430,750	30,228
Intangible assets	2,700,175	11,036	2,030,938	8,262
	<b>23,503,694</b>	<b>96,060</b>	<b>19,000,585</b>	<b>77,294</b>

## 28. OPERATING EXPENSES

	Year ended 31 December 2022		Year ended 31 December 2021	
	US\$	KHR Million	US\$	KHR Million
Repairs and maintenance	11,711,767	47,866	7,574,892	30,815
Office supplies	5,954,672	24,337	5,096,566	20,733
Marketing and advertising	3,900,805	15,943	2,099,939	8,543
Rental expenses	3,599,936	14,713	3,388,511	13,784
Security expenses	3,424,460	13,996	2,769,889	11,268
Utilities expenses	2,620,954	10,712	2,223,348	9,045
Communication	2,103,444	8,597	2,319,623	9,436
Insurance expenses	1,328,033	5,428	1,056,877	4,299
Professional fees	1,197,585	4,895	1,393,369	5,668
Motor vehicle operation expenses	1,170,253	4,783	839,822	3,416
License fees	749,828	3,065	723,157	2,942
Donation	747,447	3,055	1,100,719	4,479
Travelling	566,917	2,317	289,919	1,179
Credit report (CBC) expenses	385,494	1,576	368,454	1,499

	Year ended 31 December 2022		Year ended 31 December 2021	
	US\$	KHR Million	US\$	KHR Million
Board of Director fees	356,512	1,457	498,106	2,026
Business meal and entertainment	348,439	1,424	295,510	1,202
Membership fees	110,185	450	154,741	629
Other expenses	1,288,922	5,265	595,961	2,424
	<b>41,565,653</b>	<b>169,879</b>	<b>32,789,403</b>	<b>133,387</b>

For the year ended 31 December 2022, membership fee incurred for the operations of cash settlement agents amounting to US\$9,676 or KHR40 million (2021: US\$9,823 or KHR40 million)

## 29. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	Year ended 31 December 2022		Year ended 31 December 2021	
	US\$	KHR Million	US\$	KHR Million
Balances with other banks	(336,370)	(1,375)	214,762	874
Loans to customers	27,265,066	111,432	27,849,689	113,293
Investment securities	(18,416)	(75)	577,130	2,348
Deposits and other receivables	5,227	21	1,020,323	4,151
Loan commitments and financial guarantee contracts	83,574	342	138,316	561
	<b>26,999,081</b>	<b>110,345</b>	<b>29,800,220</b>	<b>121,227</b>

## 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 2022		31 December 2021	
	US\$	KHR Million	US\$	KHR Million
Cash on hand	461,874,069	1,901,536	478,829,834	1,950,753
Balances with the NBC	178,563,458	735,146	196,294,992	799,706
Balances with other banks	32,628,006	134,328	280,199,425	1,141,532
	<b>673,065,533</b>	<b>2,771,010</b>	<b>955,324,251</b>	<b>3,891,991</b>

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 2022	Financing cash flows (i)	New leases	Other changes (ii)	31 December 2022
	US\$	US\$	US\$	US\$	US\$
Debt securities in issue	21,310,996	(20,698,045)	–	(612,951)	–
Borrowings	197,399,626	(125,320,812)	–	(3,720,446)	68,358,368
Subordinated debts	148,027,962	(27,000,000)	–	17,435	121,045,397
Lease liabilities	42,463,355	(10,948,907)	26,750,885	2,146,550	60,411,883
	<b>409,201,939</b>	<b>(183,967,764)</b>	<b>26,750,885</b>	<b>(2,169,412)</b>	<b>249,815,648</b>

	1 January 2021	Financing cash flows (i)	New leases	Other changes (ii)	31 December 2021
	US\$	US\$	US\$	US\$	US\$
Debt securities in issue	21,282,088	–	–	28,908	21,310,996
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
Lease liabilities	35,721,902	(8,439,552)	14,427,075	753,930	42,463,355
	<b>416,031,116</b>	<b>(24,154,679)</b>	<b>14,427,075</b>	<b>2,898,427</b>	<b>409,201,939</b>

(i) The cash flows from financing activities makes up the net amount of proceeds from and repayment of debt securities, borrowings, subordinated debts 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.
ATA IT Limited	Affiliate

#### (b) Related party balances

	31 December 2022		31 December 2021	
	US\$	KHR Million	US\$	KHR Million
Loans to management	8,177,466	33,667	5,252,542	21,399
Deposits and placements by directors and management	4,260,699	17,541	3,363,984	13,705
Subordinated debts from National Bank of Canada	121,045,397	498,344	148,027,962	603,066
Deposits and placements with National Bank of Canada	239,778,019	987,166	185,676,847	756,447

(c) Related party transactions

	Year ended 31 December 2022		Year ended 31 December 2021	
	US\$	KHR Million	US\$	KHR Million
Interest income on loans to management	358,583	1,466	263,420	1,072
Interest expense on deposits and placements to directors and management	44,857	183	88,508	360
Interest expense to National Bank of Canada	11,123,047	45,460	8,886,595	36,151
Interest income from National Bank of Canada	4,549,633	18,594	496,100	2,018
Purchases of property and equipment from affiliate	677,822	2,770	2,005,503	8,158
Service charged from affiliate	1,238,032	5,060	987,794	4,018

(d) Directors and key management personnel remuneration

	Year ended 31 December 2022		Year ended 31 December 2021	
	US\$	KHR Million	US\$	KHR Million
Salaries and benefits	25,865,612	105,713	24,003,742	97,647

## 32. LOAN COMMITMENTS AND FINANCIAL GUARANTEE CONTRACTS

	31 December 2022		31 December 2021	
	US\$	KHR Million	US\$	KHR Million
Unused portion of overdrafts	314,700,236	1,295,621	240,711,292	980,658
Payment guarantees	13,928,856	57,345	10,544,301	42,957
Performance bonds	13,674,091	56,296	12,164,233	49,557
Letter of credits	13,298,274	54,749	7,945,590	32,370
Unused portion of credit cards	12,527,776	51,577	9,860,070	40,170
Securities	4,400,000	18,115	4,400,000	17,926
Warranty bonds	346,241	1,425	782,048	3,186
Bid bonds	187,688	773	408,844	1,666
Other guarantees	237,000	976	237,000	966
	<b>373,300,162</b>	<b>1,536,877</b>	<b>287,053,378</b>	<b>1,169,456</b>

As at 31 December 2022, the Bank has provided ECL for loan commitments and financial guarantee contracts amounting to US\$ 356,289 or KHR 1,467 million (2021: US\$ 272,715 or KHR 1,111 million).

## 33. 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 and deferred tax liabilities are non-current liability.



## 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

### 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:

- balances with other banks
- loans to customers
- Investment securities
- 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 89 days for long term loans and equal or more than 59 days (2021: 30 days) for short term ones;
- where the borrower is 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 59 days (2021: 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

In 2021, 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 B: Good C: Satisfactory	0 - 29 days	Stage 1
	Short term	A, B, C		0 - 14 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	

During the year, the Bank revised criterion for staging purpose as follows:

Staging	Type of loans	Internal Credit rating	Days past due
Stage 1	All Loans	A, B, C	0 - 29
Stage 2	Long term	D	30 - 89
	Short term	D	30 - 59
Stage 3	Long term	E	> 89
	Short term	E	> 59

Apart from Days Past Due ("DPD"), the Bank use Internal Credit Rating depends on other financial and non-financial factors. The downgrade of internal credit risk would be dependent on the DPD information and others red flags such as restructuring loans or evidence of bankruptcy. Loans would only be upgraded after observation of at least 6 consecutive installments repayment of principal and interest for upgrade from Stage 3 to Stage 2 for long term loans. Upgrade of short term loans from Stage 3 to Stage 2 or from Stage 2 to Stage 1 for all loans requires observation periods of 3 consecutive installments repayment.

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.

- $\geq 30$  days,  $\leq 89$  days for long term and  $\geq 30$  days,  $\leq 59$  days (2021:  $\geq 15$  days,  $\leq 30$  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  $\geq 30$  days and  $\leq 89$  days for long-term and between  $\geq 30$  days and  $\leq 59$  days (2021:  $\geq 15$ ,  $\leq 30$  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  $\geq 30$  days and  $\leq 89$  days for long-term and between  $\geq 30$  days and  $\leq 59$  days (2021:  $\geq 15$ ,  $\leq 30$  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  $>89$  days for long term and  $>59$  (2021:  $>30$  days) 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  $> 89$  days past due days for long term loans and more than 59 days (2021:  $>30$  days) for short term loans 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 35(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<sub>t</sub>** = Marginal Probability of Default at time t;

**LGD<sub>t</sub>** = Loss Given Default at time t;

**EAD<sub>t</sub>** = Exposure at Default at time t; and

**D<sub>t</sub>** = 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 2022		31 December 2021	
	US\$	KHR Million	US\$	KHR Million
<b>Loss allowance by classes:</b>				
Balances with other banks	647,519	2,666	983,889	4,008
Loans to customers*	73,174,303	301,259	46,415,811	189,098
Investment securities	592,219	2,438	610,635	2,488
Deposits and other receivables	1,057,355	4,353	1,052,128	4,286
Loan commitments and financial guarantee contracts	356,288	1,467	272,715	1,111
	<b>75,827,684</b>	<b>312,183</b>	<b>49,335,178</b>	<b>200,991</b>

\* The contractual amount outstanding on financial assets that were written off during the year was US\$506,574 or KHR 2,070 million (2021: US\$206,016 or KHR 838 million).

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 2022		31 December 2021	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
	US\$	US\$	US\$	US\$
<b>Loans to customers:</b>				
0-29 days	6,350,090,184	41,884,666	5,266,084,388	35,333,674
30-59 days	28,883,226	4,786,806	4,656,997	750,137
60-89 days	19,124,919	3,203,662	6,279,551	1,094,529
90-179 days	32,582,724	5,782,128	13,021,701	2,519,107
More than 180 days	91,293,047	17,517,041	35,362,770	6,718,364
<b>Total</b>	<b>6,521,974,100</b>	<b>73,174,303</b>	<b>5,325,405,407</b>	<b>46,415,811</b>
<b>In KHR Million equivalent</b>	<b>26,850,966</b>	<b>301,259</b>	<b>21,695,702</b>	<b>189,098</b>

### 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 2022	Stage 1	Stage 2	Stage 3	Total	
	US\$	US\$	US\$	US\$	KHR Million
Balances with other banks:					
Grade A: Very good	483,717,992	–	–	483,717,992	1,991,467
Loss allowance	(647,519)	–	–	(647,519)	(2,666)
Carrying amount	483,070,473	–	–	483,070,473	1,988,801
Loans to customers:					
Grade A: Very good	5,825,568,586	–	–	5,825,568,586	23,983,866
Grade B: Good	243,276,065	–	–	243,276,065	1,001,568
Grade C: Satisfactory	206,046,990	–	–	206,046,990	848,295
Grade D: Watch list	–	58,024,551	–	58,024,551	238,887
Grade E: Default	–	–	189,057,908	189,057,908	778,351
	6,274,891,641	58,024,551	189,057,908	6,521,974,100	26,850,967
Loss allowance	(28,774,200)	(8,596,536)	(35,803,567)	(73,174,303)	(301,259)
Carrying amount	6,246,117,441	49,428,015	153,254,341	6,448,799,797	26,549,708
Investment securities:					
Grade A: Very good	35,534,966	–	–	35,534,966	146,297
Loss allowance	(592,219)	–	–	(592,219)	(2,438)



31 December 2022	Stage 1	Stage 2	Stage 3		Total
	US\$	US\$	US\$	US\$	KHR Million
<b>Carrying amount</b>	<b>34,942,747</b>	<b>-</b>	<b>-</b>	<b>34,942,747</b>	<b>143,859</b>
Deposits and other receivables:					
Grade A: Very good	19,152,372	-	-	19,152,372	78,850
Loss allowance	(1,057,355)	-	-	(1,057,355)	(4,353)
<b>Carrying amount</b>	<b>18,095,017</b>	<b>-</b>	<b>-</b>	<b>18,095,017</b>	<b>74,497</b>
<b>Loan commitments and financial guarantee contracts:</b>					
Grade A: Very good	360,754,276	-	-	360,754,276	1,485,226
Grade B: Good	2,279,996	-	-	2,279,996	9,387
Grade C: Satisfactory	5,600,256	-	-	5,600,256	23,056
Grade D: Watch list	-	19,541	-	19,541	80
Grade E: Default	-	-	9,092	9,092	37
	368,634,528	19,541	9,092	368,663,161	1,517,786
Loss allowance	(352,193)	(2,417)	(1,678)	(356,288)	(1,467)
<b>Total amount</b>	<b>368,282,335</b>	<b>17,124</b>	<b>7,414</b>	<b>368,306,873</b>	<b>1,516,319</b>
31 December 2021	Stage 1	Stage 2	Stage 3		Total
	US\$	US\$	US\$	US\$	KHR Million
<b>Balances with other banks:</b>					
Grade A: Very good	558,440,003	-	-	558,440,003	2,275,084
Loss allowance	(983,889)	-	-	(983,889)	(4,008)
<b>Carrying amount</b>	<b>557,456,114</b>	<b>-</b>	<b>-</b>	<b>557,456,114</b>	<b>2,271,076</b>
<b>Loans to customers:</b>					
Grade A: Very good	4,347,784,466	-	-	4,347,784,466	17,712,874
Grade B: Good	435,911,977	-	-	435,911,977	1,775,905
Grade C: Satisfactory	461,452,450	-	-	461,452,450	1,879,957
Grade D: Watch list	-	26,302,624	-	26,302,624	107,157
Grade E: Default	-	-	53,953,890	53,953,890	219,808
	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)
<b>Carrying amount</b>	<b>5,213,121,475</b>	<b>22,183,743</b>	<b>43,684,378</b>	<b>5,278,989,596</b>	<b>21,506,604</b>
<b>Investment securities:</b>					
Grade A: Very good	37,450,310	-	-	37,450,310	152,573
Loss allowance	(610,635)	-	-	(610,635)	(2,488)

31 December 2021	Stage 1	Stage 2	Stage 3		Total
	US\$	US\$	US\$	US\$	KHR Million
<b>Carrying amount</b>	<b>36,839,675</b>	<b>-</b>	<b>-</b>	<b>36,839,675</b>	<b>150,085</b>
<b>Deposits and other receivables:</b>					
Grade A: Very good	13,083,598	-	-	13,083,598	53,303
Loss allowance	(1,052,128)	-	-	(1,052,128)	(4,286)
<b>Carrying amount</b>	<b>12,031,470</b>	<b>-</b>	<b>-</b>	<b>12,031,470</b>	<b>49,017</b>
<b>Loan commitments and financial guarantee contracts:</b>					
Grade A: Very good	275,087,440	-	-	275,087,440	1,120,706
Grade B: Good	4,973,267	-	-	4,973,267	20,261
Grade C: Satisfactory	2,355,540	-	-	2,355,540	9,596
Grade D: Watch list	-	131	-	131	1
	282,416,247	131	-	282,416,378	1,150,564
Loss allowance	(272,699)	(16)	-	(272,715)	(1,111)
<b>Total amount</b>	<b>282,143,548</b>	<b>115</b>	<b>-</b>	<b>282,143,663</b>	<b>1,149,453</b>

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

31 December 2022	Stage 1	Stage 2	Stage 3		Total
	US\$	US\$	US\$	US\$	KHR Million
<b>Loans to customers:</b>					
Not overdue	6,209,281,667	14,872,829	47,308,288	6,271,462,784	25,819,612
Overdue ≤ 29 days	65,609,974	6,446,573	6,570,853	78,627,400	323,709
Overdue > 29 days	-	36,705,149	135,178,767	171,883,916	707,646
<b>Total</b>	<b>6,274,891,641</b>	<b>58,024,551</b>	<b>189,057,908</b>	<b>6,521,974,100</b>	<b>26,850,967</b>

31 December 2021	Stage 1	Stage 2	Stage 3		Total
	US\$	US\$	US\$	US\$	KHR Million
<b>Loans to customers:</b>					
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
<b>Total</b>	<b>5,245,148,893</b>	<b>26,302,625</b>	<b>53,953,889</b>	<b>5,325,405,407</b>	<b>21,695,702</b>

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 2022	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 2022	558,440,003	–	–	558,440,003	2,275,084
New financial assets originated	478,463,827	–	–	478,463,827	1,955,482
Financial assets that have been derecognised	(553,120,464)	–	–	(553,120,464)	(2,260,603)
Currency translation differences	(65,374)	–	–	(65,374)	21,504
Gross carrying amount as at 31 December 2022	483,717,992	–	–	483,717,992	1,991,467
<b>Loss allowance as at 31 December 2022</b>	<b>(647,519)</b>	<b>–</b>	<b>–</b>	<b>(647,519)</b>	<b>(2,666)</b>

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
<b>Loss allowance as at 31 December 2021</b>	<b>(983,889)</b>	<b>–</b>	<b>–</b>	<b>(983,889)</b>	<b>(4,008)</b>

## Loans to customers at amortised cost

31 December 2022	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 2022	5,245,148,895	26,302,624	53,953,888	5,325,405,407	21,695,702
Changes in gross carrying amount					
Transfer to stage 1	7,538,744	(5,877,878)	(1,660,866)	–	–
Transfer to stage 2	(44,800,600)	45,260,776	(460,176)	–	–
Transfer to stage 3	(114,512,644)	(12,763,990)	127,276,634	–	–
New financial assets originated	2,682,329,092	13,536,337	19,396,063	2,715,261,492	11,097,274

31 December 2022	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL		Total
Financial assets that have been derecognised	(1,500,572,585)	(8,374,819)	(9,238,821)	(1,518,186,225)	(6,204,827)
Write off	(239,259)	(58,499)	(208,816)	(506,574)	(2,070)
Currency translation differences	-	-	-	-	264,889
Gross carrying amount as at 31 December 2022	6,274,891,643	58,024,551	189,057,906	6,521,974,100	26,850,968
<b>Loss allowance as at 31 December 2022</b>	<b>(28,774,200)</b>	<b>(8,596,536)</b>	<b>(35,803,567)</b>	<b>(73,174,303)</b>	<b>(301,259)</b>

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	11,307,711
Financial assets that have been derecognised	(1,277,481,429)	(4,138,795)	(5,813,177)	(1,287,433,401)	(5,237,279)
Write off	(16,258)	(12,019)	(177,739)	(206,016)	(838)
Currency translation differences	-	-	-	-	120,120
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
<b>Loss allowance as at 31 December 2021</b>	<b>(32,027,418)</b>	<b>(4,118,881)</b>	<b>(10,269,512)</b>	<b>(46,415,811)</b>	<b>(189,098)</b>

#### Investment securities at amortised cost

31 December 2022	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 2022	37,450,310	-	-	37,450,310	152,573
New financial assets originated	1,220,388	-	-	1,220,388	4,988
Financial assets that have been derecognised	(3,086,425)	-	-	(3,086,425)	(12,614)
Other changes	(49,307)	-	-	(49,307)	(203)
Currency translation difference	-	-	-	-	1,553
Gross carrying amount as at 31 December 2022	35,534,966	-	-	35,534,966	146,297
<b>Loss allowance as at 31 December 2022</b>	<b>(592,219)</b>	<b>-</b>	<b>-</b>	<b>(592,219)</b>	<b>(2,438)</b>

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	7,467,591	–	–	7,467,591	30,206
New financial assets originated	30,322,479	–	–	30,322,479	123,352
Financial assets that have been derecognised	–	–	–	–	–
Other changes	(339,760)	–	–	(339,760)	(1,384)
Currency translation differences	–	–	–	–	399
Gross carrying amount as at 31 December 2021	37,450,310	–	–	37,450,310	152,573
<b>Loss allowance as at 31 December 2021</b>	<b>(610,635)</b>	<b>–</b>	<b>–</b>	<b>(610,635)</b>	<b>(2,488)</b>

#### Deposits and other receivables at amortised cost

31 December 2022	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 2022	13,083,598	–	–	13,083,598	53,303
New financial assets originated	6,362,231	–	–	6,362,231	26,002
Financial assets that have been derecognised	(163,177)	–	–	(163,177)	(667)
Other changes	(130,280)	–	–	(130,280)	(532)
Currency translation differences	–	–	–	–	744
Gross carrying amount as at 31 December 2022	19,152,372	–	–	19,152,372	78,850
<b>Loss allowance as at 31 December 2022</b>	<b>(1,057,355)</b>	<b>–</b>	<b>–</b>	<b>(1,057,355)</b>	<b>(4,353)</b>

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	40,957
Financial assets that have been derecognised	–	–	–	(99,790)	(406)
Other changes	(65,236)	–	–	(65,236)	(265)
Currency translation differences	–	–	–	–	152
Gross carrying amount as at 31 December 2021	13,083,598	–	–	13,083,598	53,303
<b>Loss allowance as at 31 December 2021</b>	<b>(1,052,128)</b>	<b>–</b>	<b>–</b>	<b>(1,052,128)</b>	<b>(4,287)</b>

## Loan commitments and financial guarantee contracts

31 December 2022	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 2022	282,416,247	131	–	282,416,378	1,150,564
Changes in gross carrying amount					
Transfer to stage 1	–	–	–	–	–
Transfer to stage 2	(73,373)	73,373	–	–	–
Transfer to stage 3	(37,392)	(30)	37,422	–	–
New loan commitments and new financial guarantees originated	135,318,194	–	–	135,318,194	553,045
Loan commitments and financial guarantees that have been derecognised	(48,752,148)	(53,933)	(28,330)	(48,834,411)	(199,586)
Currency translation differences	–	–	–	–	14,740
Total amounts committed and guaranteed amount as at 31 December 2022	368,871,528	19,541	9,092	368,900,161	1,518,763
<b>Loss allowance as at 31 December 2022</b>	<b>(352,193)</b>	<b>(2,417)</b>	<b>(1,678)</b>	<b>(356,289)</b>	<b>(1,467)</b>

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	582,320
Loan commitments and financial guarantees that have been derecognised	(22,377,643)	10	(2)	(22,377,635)	(91,032)
Currency translation differences	–	–	–	–	5,412
Total amounts committed and guaranteed as at 31 December 2021	282,416,247	131	–	282,416,378	1,150,564
<b>Loss allowance as at 31 December 2021</b>	<b>(272,699)</b>	<b>(16)</b>	<b>–</b>	<b>(272,715)</b>	<b>(1,111)</b>

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 2022	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 2022	983,889	–	–	983,889	4,008
New financial assets originated	641,799	–	–	641,799	2,623
Financial assets that have been derecognised	(962,194)	–	–	(962,194)	(3,932)
Other changes	(15,975)	–	–	(15,975)	(66)
Currency translation differences	–	–	–	–	33
<b>Loss allowance as at 31 December 2022</b>	<b>647,519</b>	<b>–</b>	<b>–</b>	<b>647,519</b>	<b>2,666</b>

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	3,911
Financial assets that have been derecognised	(671,299)	–	–	(671,299)	(2,731)
Other changes	(75,151)	–	–	(75,151)	(306)
Currency translation differences	–	–	–	–	23
<b>Loss allowance as at 31 December 2021</b>	<b>983,889</b>	<b>–</b>	<b>–</b>	<b>983,889</b>	<b>4,008</b>

#### Loss allowance – loans to customers at amortised cost

31 December 2022	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 2022	32,027,418	4,118,882	10,269,511	46,415,811	189,098
Changes in loss allowance					
Transfer to stage 1	1,168,671	(841,424)	(327,247)	–	–
Transfer to stage 2	(189,017)	286,721	(97,704)	–	–
Transfer to stage 3	(803,191)	(2,059,859)	2,863,050	–	–
Net remeasurement of loss allowance(1)	647,001	6,047,106	21,163,426	27,857,533	113,854
New financial assets originated	2,951,766	1,815,073	3,798,978	8,565,817	35,008
Financial assets that have been derecognised	(1,300,965)	(715,320)	(1,708,183)	(3,724,468)	(15,222)
Write off	(127,483)	(54,643)	(158,264)	(340,390)	(1,391)
Other changes(2)	(5,600,000)	–	–	(5,600,000)	(22,887)

31 December 2022	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL		Total
Currency translation differences	–	–	–	–	2,799
<b>Loss allowance as at 31 December 2022</b>	<b>28,774,200</b>	<b>8,596,536</b>	<b>35,803,567</b>	<b>73,174,303</b>	<b>301,259</b>

- (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 reversal of management overlay for the year ended 31 December 2022. Refer to Note 35(i) for more details.

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
Change 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	27,689
New financial assets originated	2,709,905	40,713	48,509	2,799,127	11,387
Financial assets that have been derecognised	(1,069,304)	(424,367)	(1,292,019)	(2,785,690)	(11,332)
Write off	(4,671)	(5,346)	(116,322)	(126,339)	(514)
Other changes(2)	20,950,000	–	–	20,950,000	85,225
Currency translation differences	–	–	–	–	710
<b>Loss allowance as at 31 December 2021</b>	<b>32,027,418</b>	<b>4,118,882</b>	<b>10,269,511</b>	<b>46,415,811</b>	<b>189,098</b>

- (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 year ended 31 December 2021.

#### Loss allowance – investment securities at amortised cost

31 December 2022	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 2022	610,635	–	–	610,635	2,488
Net remeasurement of loss allowance	(597,185)	–	–	(597,185)	(2,441)
New financial assets originated	578,769	–	–	578,769	2,366
Currency translation differences	–	–	–	–	25
<b>Loss allowance as at 31 December 2022</b>	<b>592,219</b>	<b>–</b>	<b>–</b>	<b>592,219</b>	<b>2,438</b>

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	2,356
Currency translation differences	–	–	–	–	5
<b>Loss allowance as at 31 December 2021</b>	<b>610,635</b>	<b>–</b>	<b>–</b>	<b>610,635</b>	<b>2,488</b>

#### Loss allowance – deposits and other receivables at amortised cost

31 December 2022	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 2022	1,052,128	–	–	1,052,128	4,287
New financial assets originated	5,227	–	–	5,227	21
Financial assets that have been derecognised	–	–	–	–	–
Currency translation differences	–	–	–	–	45
<b>Loss allowance as at 31 December 2022</b>	<b>1,057,355</b>	<b>–</b>	<b>–</b>	<b>1,057,355</b>	<b>4,353</b>

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	4,158
Financial assets that have been derecognised	(998)	–	–	(998)	(4)
Other changes	(653)	–	–	(653)	(3)
Currency translation differences	–	–	–	–	7
<b>Loss allowance as at 31 December 2021</b>	<b>1,052,128</b>	<b>–</b>	<b>–</b>	<b>1,052,128</b>	<b>4,287</b>

#### Loss allowance – loan commitments and financial guarantee contracts

31 December 2022	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 2022	272,700	15	–	272,715	1,111
Net remeasurement of loss allowance	(17,148)	2,411	1,678	(13,059)	(53)
New loan commitments and new financial guarantees assets originated	133,639	–	–	133,639	546

31 December 2022	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL		Total
	US\$	US\$	US\$	US\$	KHR Million
Loan commitments and financial guarantees that have been derecognised	(36,997)	(9)	–	(37,006)	(151)
Currency translation differences	–	–	–	–	14
<b>Loss allowance as at 31 December 2022</b>	<b>352,194</b>	<b>2,417</b>	<b>1,678</b>	<b>356,289</b>	<b>1,467</b>

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	572
Loan commitments and financial guarantees that have been derecognised	(22,141)	–	–	(22,141)	(91)
Currency translation differences	–	–	–	–	6
<b>Loss allowance as at 31 December 2021</b>	<b>272,700</b>	<b>15</b>	<b>–</b>	<b>272,715</b>	<b>1,111</b>

#### 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 2022	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	483,070,473	6,448,799,797	34,942,747	18,095,017	(356,289)	6,984,551,745	28,755,400
Amount committed	–	–	–	–	368,900,161	368,900,161	1,518,762
<b>Concentration by sector:</b>							
Financial institution	483,070,473	48,935,340	4,250,710	11,470,171	614,702	548,341,396	2,257,522
Agriculture	–	346,872,212	–	–	3,650,366	350,522,578	1,443,101
Construction and real estate operation	–	634,383,130	29,495,080	–	65,905,321	729,783,531	3,004,519
Real estate rental	–	781,456,224	–	5,486,937	5,998,921	792,942,082	3,264,543
Manufacturing	–	368,742,271	–	–	34,445,704	403,187,975	1,659,925
Wholesale and retail trade	–	3,112,814,132	–	–	197,560,717	3,310,374,849	13,628,813
Services	–	974,775,067	–	–	47,198,121	1,021,973,188	4,207,464

31 December 2022	Balances with other banks	Loans to customers	Investment securities	Deposits and other receivables	Loan commitments and financial guarantee contracts		Total
Individual	–	180,821,421	–	1,137,909	13,526,310	195,485,640	804,814
Other	–	–	1,196,957	–	–	1,196,957	4,928
	<b>483,070,473</b>	<b>6,448,799,797</b>	<b>34,942,747</b>	<b>18,095,017</b>	<b>368,900,162</b>	<b>7,353,808,196</b>	<b>30,275,629</b>
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
<b>Concentration by sector:</b>							
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
	<b>557,456,114</b>	<b>5,278,989,596</b>	<b>36,839,675</b>	<b>12,031,470</b>	<b>282,416,378</b>	<b>6,167,733,233</b>	<b>25,127,346</b>

## 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 2022	31 December 2021
At end of year	127.79%	149.32%
Average for the year	132.40%	163.51%
Maximum for the year	149.89%	173.69%
Minimum for the year	117.22%	149.32%

### 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 flows 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 2022	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\$
<b>Financial assets by type</b>								
Non-derivative assets								
Cash on hand	461,874,069	461,874,069	461,874,069	–	–	–	–	–
Balances with the NBC	1,384,213,047	1,393,175,414	202,511,766	160,805,846	470,257,960	–	–	559,599,842
Balances with other banks	483,070,473	495,312,989	101,385,968	45,596,629	348,330,392	–	–	–
Loans to customers	6,448,799,797	9,479,197,071	263,122,942	534,372,526	2,225,511,884	4,095,945,821	2,360,243,898	–
Investment securities	34,942,747	37,172,522	–	–	990,491	36,182,031	–	–
Other assets	50,319,842	50,319,842	32,249,653	18,960	149,953	2,182,424	4,246,750	11,472,102
<b>In US\$ equivalent</b>	<b>8,863,219,975</b>	<b>11,917,051,907</b>	<b>1,061,144,398</b>	<b>740,793,961</b>	<b>3,045,240,680</b>	<b>4,134,310,276</b>	<b>2,364,490,648</b>	<b>571,071,944</b>
<b>In KHR Million equivalent</b>	<b>36,489,877</b>	<b>49,062,503</b>	<b>4,368,732</b>	<b>3,049,849</b>	<b>12,537,256</b>	<b>17,020,955</b>	<b>9,734,608</b>	<b>2,351,103</b>

31 December 2022	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
<b>Financial liabilities by type</b>								
Non-derivative liabilities								
Deposits from banks and other financial institutions	(142,662,081)	(149,659,029)	(44,786,596)	(5,364,775)	(82,289,611)	(14,978,319)	(2,239,728)	–
Deposits from customers	(7,210,953,614)	(7,305,434,464)	(5,537,379,254)	(284,103,615)	(1,349,948,517)	(134,003,078)	–	–
Borrowings	(68,358,368)	(71,842,018)	(8,903,020)	(19,142,400)	(37,323,114)	(1,232,652)	(5,240,832)	–
Subordinated debts	(121,045,397)	(155,741,600)	–	–	(3,102,721)	(83,238,230)	(69,400,649)	–
Lease liabilities	(60,411,883)	(73,367,606)	(994,996)	(1,946,871)	(8,776,564)	(37,392,066)	(24,257,108)	–
Other liabilities	(54,654,841)	(54,654,841)	–	(29,670,768)	(14,377,717)	(10,208,119)	(398,237)	–
	(7,658,086,184)	(7,810,699,558)	(5,592,063,866)	(340,228,429)	(1,495,818,244)	(281,052,464)	(101,536,554)	–
Loan commitments and financial guarantee contracts	–	(368,900,161)	(30,321,827)	(58,447,747)	(257,397,829)	(22,720,258)	(12,500)	–
<b>In US\$ equivalent</b>	<b>(7,658,086,184)</b>	<b>(8,179,599,719)</b>	<b>(5,622,385,693)</b>	<b>(398,676,176)</b>	<b>(1,753,216,073)</b>	<b>(303,772,722)</b>	<b>(101,549,054)</b>	<b>–</b>
<b>In KHR Million equivalent</b>	<b>(31,528,341)</b>	<b>(33,675,413)</b>	<b>(23,147,362)</b>	<b>(1,641,350)</b>	<b>(7,217,991)</b>	<b>(1,250,632)</b>	<b>(418,077)</b>	<b>–</b>

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\$
<b>Financial assets by type</b>								
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
<b>In US\$ equivalent</b>	<b>7,730,599,370</b>	<b>9,604,328,162</b>	<b>1,179,674,678</b>	<b>497,761,943</b>	<b>1,947,228,851</b>	<b>3,553,982,243</b>	<b>1,935,573,965</b>	<b>490,106,482</b>
<b>In KHR Million equivalent</b>	<b>31,494,462</b>	<b>39,128,033</b>	<b>4,805,995</b>	<b>2,027,882</b>	<b>7,933,010</b>	<b>14,478,924</b>	<b>7,885,528</b>	<b>1,996,694</b>



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\$
<b>Financial liabilities by type</b>								
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)	–	–
<b>In US\$ equivalent</b>	<b>(6,759,475,449)</b>	<b>(7,140,636,493)</b>	<b>(5,513,798,282)</b>	<b>(313,526,692)</b>	<b>(1,000,227,857)</b>	<b>(221,552,267)</b>	<b>(91,531,395)</b>	<b>–</b>
<b>In KHR Million equivalent</b>	<b>(27,538,103)</b>	<b>(29,090,953)</b>	<b>(22,463,214)</b>	<b>(1,277,308)</b>	<b>(4,074,928)</b>	<b>(902,604)</b>	<b>(372,899)</b>	<b>–</b>

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

The significant mismatch in the timing and amount of cash flows in the one-month bucket highly made up of large deposits from customers under current and savings accounts. With the strong position of the Bank, the deposits could be retained and increased continuously to maintain the liquidity position.

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 and could obtain additional financial support from the parent bank, National Bank of Canada.

### 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 2022		31 December 2021	
	Carrying amount US\$	Fair value US\$	Carrying amount US\$	Fair value US\$
Cash on hand	461,874,069	461,874,069	478,829,834	478,829,834
Balances with the NBC	1,384,213,047	1,384,213,047	1,353,953,769	1,353,953,769
Balances with other banks	483,070,473	483,070,473	557,456,114	557,456,114
Investment securities	34,942,747	34,942,747	36,839,675	36,839,675
<b>Total liquidity reserves</b>	<b>2,364,100,336</b>	<b>2,364,100,336</b>	<b>2,427,079,392</b>	<b>2,427,079,392</b>
<b>In KHR Million equivalent</b>	<b>9,733,001</b>	<b>9,733,001</b>	<b>9,887,921</b>	<b>9,887,921</b>

### 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
<b>31 December 2022</b>						
Cash on hand	–	–	–	461,874,069	461,874,069	1,901,536
Balances with the NBC	63,799,000	559,599,842	755,176,856	5,637,349	1,384,213,047	5,698,805
Balances with other banks	–	–	–	483,070,473	483,070,473	1,988,801
Loans to customers	–	–	–	6,448,799,797	6,448,799,797	26,549,709
Investment securities	–	–	–	34,942,747	34,942,747	143,859
Other assets	–	–	–	50,319,842	50,319,842	207,166
	<b>63,799,000</b>	<b>559,599,842</b>	<b>755,176,856</b>	<b>7,484,644,277</b>	<b>8,863,219,975</b>	<b>36,489,876</b>
<b>31 December 2021</b>						
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
	<b>167,997,000</b>	<b>484,275,528</b>	<b>701,282,933</b>	<b>6,377,043,909</b>	<b>7,730,599,370</b>	<b>31,494,462</b>

\* Represents assets that are not pledged but that the Bank believes it is restricted from using to secure funding, for legal or other reasons. This includes capital guarantee deposit and reserve requirement.

\*\* 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 2022		31 December 2021	
	US\$	KHR Million	US\$	KHR Million
<b>Assets subject to market risk:</b>				
Cash on hand	461,874,069	1,901,536	478,829,834	1,950,753
Balances with the NBC	1,384,213,047	5,698,805	1,353,953,769	5,516,008
Balances with other banks	483,070,473	1,988,801	557,456,114	2,271,076
Loans to customers	6,448,799,797	26,549,709	5,278,989,596	21,506,604
Investment securities	34,942,747	143,859	36,839,675	150,085
Other assets	50,319,842	207,167	24,530,382	99,936
	<b>8,863,219,975</b>	<b>36,489,877</b>	<b>7,730,599,370</b>	<b>31,494,462</b>
<b>Liabilities subject to market risk:</b>				
Deposits from banks and other financial institutions	142,662,081	587,340	95,531,742	389,196
Deposits from customers	7,210,953,614	29,687,496	6,208,198,343	25,292,200
Debt securities in issue	–	–	21,310,996	86,821
Borrowings	68,358,368	281,431	197,399,626	804,206
Subordinated debts	121,045,397	498,344	148,027,962	603,066
Lease liabilities	60,411,883	248,716	42,463,355	172,996
Other liabilities	54,654,841	225,014	46,543,425	189,618
	<b>7,658,086,184</b>	<b>31,528,341</b>	<b>6,759,475,449</b>	<b>27,538,103</b>

#### 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 2022	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\$
<b>Financial assets</b>							
Cash on hand	461,874,069	–	–	–	–	–	461,874,069
Balances with the NBC	1,384,213,047	43,940,686	160,446,303	461,464,139	–	–	718,361,919
Balances with other banks	483,070,473	96,214,182	45,216,656	336,772,497	–	–	4,867,138
Loans to customers	6,448,799,797	68,866,547	169,493,238	690,433,826	1,000,847,418	4,519,158,768	–
Investment securities	34,942,747	–	–	1,004,875	33,937,872	–	–
Other assets	50,319,842	–	–	–	–	–	50,319,842
	<b>8,863,219,975</b>	<b>209,021,415</b>	<b>375,156,197</b>	<b>1,489,675,337</b>	<b>1,034,785,290</b>	<b>4,519,158,768</b>	<b>1,235,422,968</b>
<b>Financial liabilities</b>							
Deposits from banks and other financial institutions	142,662,081	44,735,714	5,163,968	78,723,216	11,983,621	2,055,562	–
Deposits from customers	7,210,953,614	5,177,549,348	276,835,941	1,283,620,259	117,366,465	–	355,581,601
Debt securities in issue	–	–	–	–	–	–	–
Borrowings	68,358,368	8,686,277	18,645,300	35,392,302	1,131,339	4,503,150	–
Subordinated debts	121,045,397	–	–	3,001,068	68,026,878	50,017,451	–
Lease liabilities	60,411,883	–	–	–	–	–	60,411,883
Other liabilities	54,654,841	–	–	–	–	–	54,654,841
	7,658,086,184	5,230,971,339	300,645,209	1,400,736,845	198,508,303	56,576,163	470,648,325
<b>Total</b>	<b>1,205,133,791</b>	<b>(5,021,949,924)</b>	<b>74,510,988</b>	<b>88,938,492</b>	<b>836,276,987</b>	<b>4,462,582,605</b>	<b>764,774,643</b>
<b>In KHR Million equivalent</b>	<b>4,961,536</b>	<b>(20,675,368)</b>	<b>306,762</b>	<b>366,160</b>	<b>3,442,952</b>	<b>18,372,453</b>	<b>3,148,577</b>

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\$
<b>Financial assets</b>							
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

31 December 2021	Carrying amount	Up to 1 month	> 1 – 3 months	> 3 – 12 months	> 1 – 5 years	Over 5 years	Non-interest sensitive
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
	<b>7,730,599,370</b>	<b>365,872,202</b>	<b>335,776,496</b>	<b>1,186,273,580</b>	<b>932,422,537</b>	<b>3,729,373,080</b>	<b>1,180,881,475</b>
<b>Financial liabilities</b>							
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
	<b>6,759,475,449</b>	<b>5,060,566,139</b>	<b>244,187,426</b>	<b>744,444,941</b>	<b>134,238,437</b>	<b>54,041,634</b>	<b>521,996,872</b>
<b>Total</b>	<b>971,123,921</b>	<b>(4,694,693,937)</b>	<b>91,589,070</b>	<b>441,828,639</b>	<b>798,184,100</b>	<b>3,675,331,446</b>	<b>658,884,603</b>
<b>In KHR Million equivalent</b>	<b>3,956,359</b>	<b>(19,126,183)</b>	<b>373,134</b>	<b>1,800,010</b>	<b>3,251,802</b>	<b>14,973,300</b>	<b>2,684,296</b>

## (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 2022	US\$ equivalent			Total
	KHR	Others	US\$	KHR Million
<b>Financial assets</b>				
Cash on hand	68,363,383	60,096	68,423,479	281,699
Balances with the NBC	52,127,674	–	52,127,674	214,610
Balances with other banks*	370,258	436,684	806,942	3,322
Loans to customers*	545,099,211	–	545,099,211	2,244,173
Investment securities*	1,220,387	–	1,220,387	5,024
Other assets	8,983,644	344	8,983,988	36,987
	<b>676,164,557</b>	<b>497,124</b>	<b>676,661,681</b>	<b>2,785,815</b>

31 December 2022	US\$ equivalent			Total
	KHR	Others	US\$	KHR Million
<b>Financial liabilities</b>				
Deposits from banks and other financial institutions	19,290,674	–	19,290,674	79,420
Deposits from customers	536,697,703	822	536,698,525	2,209,588
Borrowings	63,044,550	–	63,044,550	259,554
Other liabilities	5,516,186	245,231	5,761,417	23,720
	624,549,113	246,053	624,795,166	2,572,282
<b>Net foreign exchange gap</b>	<b>51,615,444</b>	<b>251,071</b>	<b>51,866,515</b>	<b>213,533</b>

\* Excluding impairment loss allowance.

31 December 2021	US\$ equivalent			Total
	KHR	Others	US\$	KHR Million
<b>Financial assets</b>				
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
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
	<b>637,547,425</b>	<b>440,220</b>	<b>637,987,645</b>	<b>2,599,162</b>
<b>Financial liabilities</b>				
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
<b>Net foreign exchange gap</b>	<b>152,157,896</b>	<b>439,315</b>	<b>152,597,211</b>	<b>621,681</b>

\* 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 (In US\$ equivalent)		Other currency impact (In US\$ equivalent)	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Profit or loss	2,580,772	7,607,895	12,554	21,966

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 (In US\$ equivalent)		Other currency impact (In US\$ equivalent)	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Profit or loss	(2,580,772)	(7,607,895)	(12,554)	(21,966)

## 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.

The Bank's Operational Risk Framework includes process, product 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.

On 7 December 2022, the NBC issued a letter No. B7-022-2378 requiring the Bank to always maintain its solvency ratio at minimum 16% until further notice as the NBC considers the Bank as a large institution that requires to maintain the solvency ratio at an appropriate level.

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

## 35. 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 million as at 31 December 2022 (2021: US\$25.6 million). This represents additional ECL under stressed scenario if certain portion of restructured portfolio defaulted based on the migration rate of the restructured portfolio which has passed the exemption period, due to economic uncertainties under COVID-19 environment, increase in global inflation and negative spillovers from the war in Ukraine.

## **(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.

## **36. TAX CONTINGENCIES**

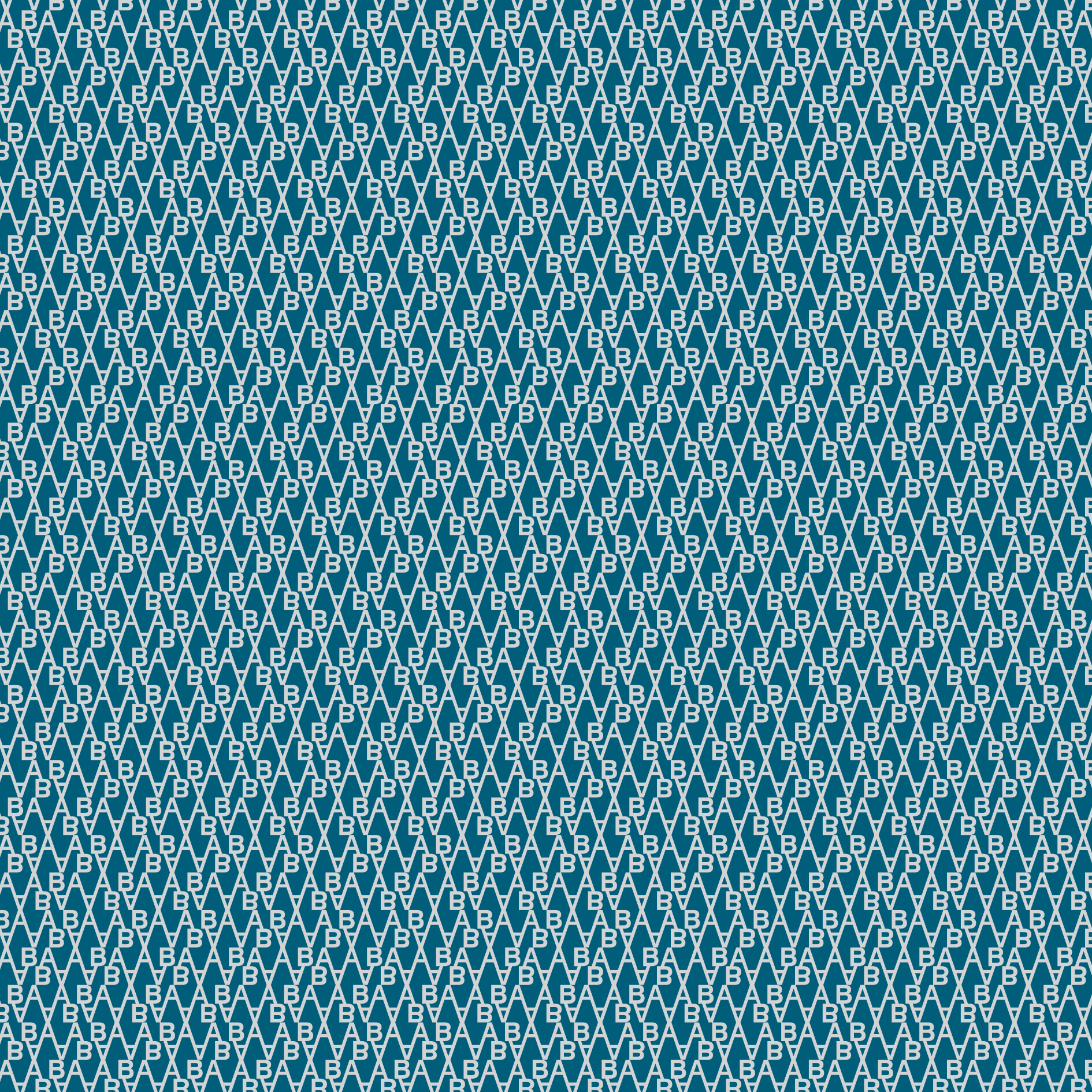
### **Tax audit for the year 2016:**

On 1 April 2022, the General Department of Taxation ("GDT") issued a notice of tax reassessment to the Bank as a result of the comprehensive tax audit for the period 1 January to 31 December 2016 on various items. The Bank has consulted and obtained a legal opinion of a professional law firm supporting the management decision to object the tax reassessment report in terms of capital gain of shareholders. Accordingly, the Bank submitted the objection letter dated 26 April 2022 to reject one of the items which management believes that the Bank should not pay any additional tax as reassessed by the tax auditor and requested to pay for the rest agreed items. On 5 August 2022, the GDT issued a revised tax reassessment which allowed the Bank to make a payment on the agreed items and the transaction was completed on 12 August 2022. As of date of this report, the GDT has yet to issue an official response on the objected item as stated in the protest letter.

### **Tax Audit for the year 2017 and onward:**

The tax audits for the period 1 January to 31 December of the year 2017 to 2020 are in progress and there is no notice of tax reassessment as at the date of this report. The fiscal years from 1 January 2021 to the date of this report have not been audited by the GDT.

Management believes that it has adequately provided for tax liabilities based on its interpretation of tax regulations.





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