BRED BANK CAMBODIA

The smarter way to bank.

2021 ANNUAL REPORT

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Message from our CEO

MR. GUILLAUME CLAUDE PERDON

Chief Executive Officer of BRED Bank (Cambodia) Plc.

Economic Outlook

Following the unexpected arrival of 2020's Covid pandemic, 2021 very much became a year when the country – and, indeed, the world – learned how to live with Covid. From dealing with lockdowns to taking part in an efficient and rapid vaccination program (leading to the second highest rate of vaccination in the Asia-Pacific region) through to the relaxation of travel and other restrictions since November, Cambodia gradually reopened for business.

After regularly achieving a high economic growth rate of around 7% p.a. before Covid, a rate of -3.1% in 2020 set the nation back. Yet, in 2021, economic growth has rebounded quickly at +3% for the year. Of course, that's less than would be expected in normal times as key drivers like tourism, retail and the wholesale sectors initially struggled. At the same time, construction activity remained sluggish in 2021 while traditional sources of growth, especially the garment and manufacturing industries, as well as agriculture, have shown positive signs of support for the economic recovery.

Despite a recovery of manufacturing exports and an expansion of agricultural commodity exports, the trade deficit has widened significantly Real GDP growth is projected to reach 4.5% in 2022 according to The World Bank while medium term prospects are good with growth expected to trend back to 6%+.

Thankfully, the Banking sector is still booming with a +23% increase in the loan portfolio in 2021 and a +16% rise in deposits. The central bank maintained the reserve requirement ratio at 7%. It also allowed the banking sector to continue to restructure loans until the end of 2021, accounting for 12% of the loan portfolio at the end of 2021.

BRED Bank Cambodia in 2021

Despite the challenges of the pandemic and the economic slowdown, BRED Bank Cambodia pushed ahead with its plans in 2021. In September, our parent company, BRED Group showed its commitment to the Kingdom by sanctioning a Tier 1 capital increase of USD35m in September 2021.

While this significant investment provides the platform for our continuing expansion, we also introduced our new **Target 2025** strategic plan which is designed to accelerate growth over the next three years, opening new branches, extending our product range and recruiting more customers and staff.

We're building on a strong base, with close to 9,000 clients including 700 businesses. Income from our retail segment is also an increasingly significant part of the bank's activities with an overall 28% share.

Despite the challenging times, only 6% of our loan portfolio was restructured due to Covid with a low Non-Performing Loan rate of just 0.2%.

Overall, BRED Bank Cambodia showed faster growth than the market: +34% loans, +16% deposits. We also broke even for the first time since our launch in 2017 with a positive net profit of USD0.8m.

Other significant developments during the year included the launch of our premier banking Platinum package (Q4), the recruitment of our Premier Banking Team and the opening of our HQ Lounge for Premier Clients as well as opening two new branches and expanding our bill payment capabilities.

Our focus throughout the year has, as ever, been driven by innovation and quality. We remain committed to the highest standards of customer service and value delivery. These are key differentiators for BRED Bank Cambodia in this market and our vision of banking is based on a long-term, win-win relationship between customers and the Bank where trust is essential. Indeed, the trust of our customers, regulators, communities and staff is paramount. We follow the Banking Without Distance approach of our BRED Group which promises our customers a global model of proximity through a targeted physical network supported by exceptional digital solutions. This relationship model is built on being able to offer appropriate and tailored solutions on a long-term basis to meet all the needs of our customers, whatever they need at every phase of their lives or their businesses. It's a model that our customers appreciate and it is supported at the heart of our development strategy by a continuing and sustainable program of investment.

Closing

As 2021's business concludes, we are confident about the year ahead. The bank's executive team has worked hard to develop a robust three-year plan of accelerated growth which is already underway with the enthusiastic support of our exceptional staff.

Importantly, we're building on a strong financial base with the backing of one of the world's largest international banking groups. BRED Group's unwavering commitment to Cambodia is a strong asset to face the challenges of any future global economic issues that may arise.

Perhaps most significantly, however, we continue to progress because of the support of our customers and we are eternally grateful to them for partnering with us.

Guillaume Claude Perdon
Chief Executive Officer
28 March 2022

About BRED Bank (Cambodia) Plc.

The Bank

BRED Bank (Cambodia) Plc. ("the Bank") is 100% owned by BRED Banque Populaire ("BRED"), a French regional cooperative bank incorporated under the laws of France. The Bank was incorporated in Cambodia under registration number 00002982 issued by the Ministry of Commerce on 1 April 2016. The Bank obtained its license to conduct banking operations from the National Bank of Cambodia ("NBC") on 10 January 2017 and commenced operations on the 2 March 2017.

The Bank's registered office is located at 30 Norodom Boulevard, Sangkat Phsar Thmey 3, Khan Daun Penh, Phnom Penh, Kingdom of Cambodia. The Bank had 310 employees as at 31 December 2021 (2020: 240 employees).

The Group

BRED is a member of the Banque Populaire group of cooperative banks. It consists of 200,000 cooperative members, owns €5.8 billion of equity capital and employs 6,000 employees, 25% of whom are located outside France or in the French overseas territories. Its core business is commercial banking in France through its regional operations in Greater Paris, in Normandy, in Seine-et-Marne/Aisne and in the French overseas departments, as well as through its commercial banking subsidiaries in Southeast Asia, the South Pacific, the Horn of Africa and Switzerland. A local bank committed to its communities, its network consists of 475 agencies, including 75 outside France. It maintains long-term relationships with more than one million clients.

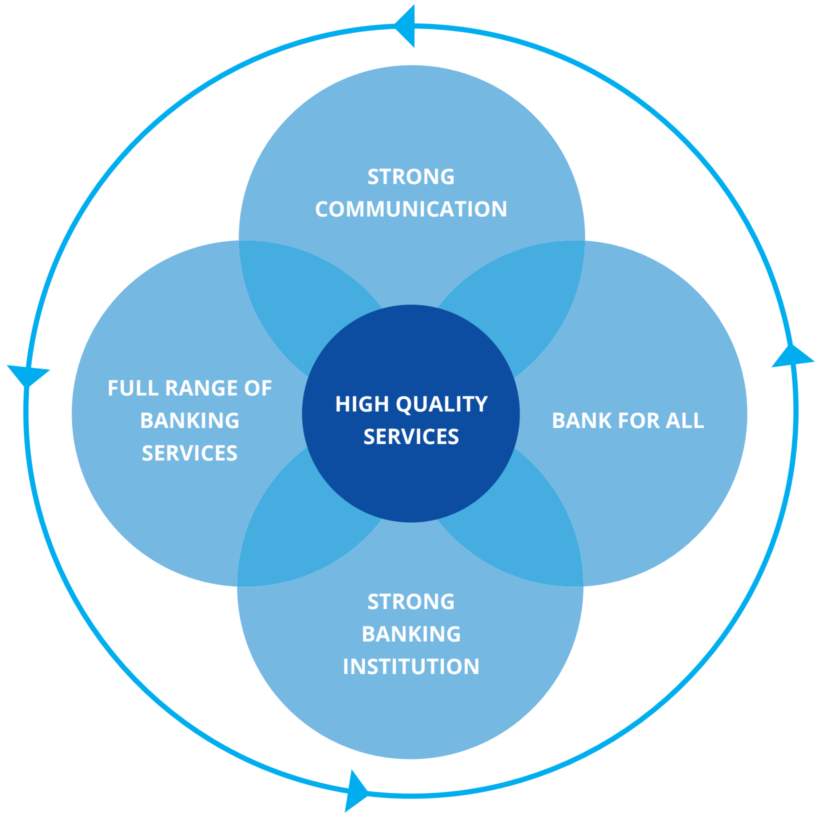
BRED Banque Populaire, a member of the BPCE Group, is engaged in a range of diversified businesses – retail banking, corporate and institutional banking, private banking, asset management, securities trading, an insurance company and international trade. It also carries out its commercial banking business through its banking subsidiaries in Southeast Asia, the Pacific and the Horn of Africa.

In 2020, BRED recorded consolidated Net Banking Income (NBI) of €1,456 million (+13.5%). It recorded a record level of net profit of €412.4 million, an increase of 52.7%.

BPCE Group is the second largest banking group in France, serving more than 31.2 million customers, employing more than 100,000 people worldwide, and counting 9 million cooperative shareholders. BPCE Group has an A/A+ rating, and is one of the banks with the highest international standards.

Our strategy

Our strategy is to be a leading bank in the next 10 years by providing a high quality banking experience to our customers with a full range of banking services for all following the international standards.



Our commitment to the highest quality services	
Streamlined processes	• Be fast in making decisions • Continuously innovate our processes • Move toward digitalisation (online, remote channel,..)
Customer relationship	• Commit ourselves to transparency • Ensure fair pricing • Hold on mechanism for resolution • Provide best banking experience and appoint a dedicated point of contact for each customer • Promote employees' ethical behaviors
Branch network	• Develop sufficient physical branch network • Set up queuing management/express lanes • Extend operational hours • Locate our branches in convenient and accessible areas • Dedicated areas (VIP, Business, Private banking)
Remote access	• Respond quickly to customers through hotline, call centre or chat • Live information through website, Facebook and SMS • Provide intuitive customer experience on online banking and mobile App • Innovate new products such as mobile wallet and agent banking

Financial highlight

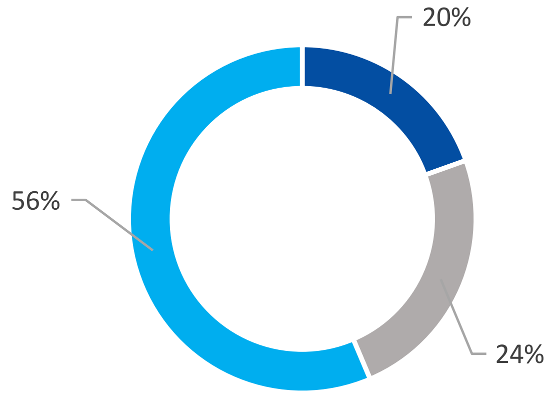
	2021 US$	2020 US$	2019 US$
Balance Sheet			
Deposits from customers	255,350,246	230,127,647	195,779,640
Loans and advances - net	385,323,227	288,232,795	220,740,598
Equity	96,124,704	60,246,411	63,032,964
Total assets	531,128,995	414,004,902	322,787,907
Income statement			
Net interest income	15,352,746	12,143,785	7,579,707
Net fee & commission	385,813	415,383	421,163
General information			
Branch	10	9	7
Staff	282	240	193
ATMs	62	48	42
Depositors	8,926	7,128	5,289
Borrowers	1553	1223	886
Number of issued cards	7,239	6,465	5,130

Gross deposits in USD millions

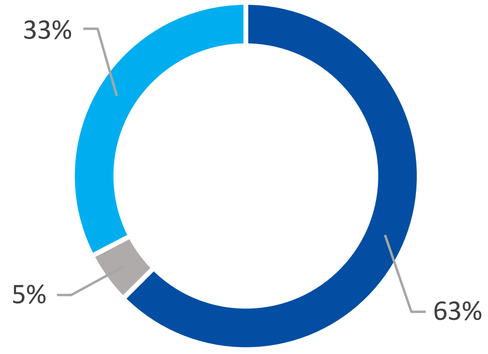
Corporate	20%	65,740,479.00
Other financial institutions	24%	80,894,160.00
Individual	56%	189,609,768.00
	1.00	336,244,407.00
Included banks		336,244,407.00

Gross loans in USD millions

Corporate	63%	245,394,372.00
Other financial institutions	5%	19,074,651.00
Individual	33%	127,997,824.00
	1.00	392,466,847.00
Gross loan		392,466,847.00



- Corporate
- Other financial institutions
- Individual



- Corporate
- Other financial institutions
- Individual

Achievements in 2017

Licenses

The Bank was incorporated in Cambodia on 1 April 2016 and obtained banking license from the National Bank of Cambodia on 10 January 2017 with the commencement of operations on the same date.

ATM

The Bank is fast and efficient to deliver easy access to customers. By end of 2017, 9 ATMs were installed and located both on and off sites in Phnom Penh, and are operating 24 hours a day and 7 days a week.

Internet Banking

We introduced Internet Banking in July 2017 helping our customers to access their accounts any time and perform various banking transactions after office hours. It is secure, simple and easy to operate.

VISA Debit

In September 2017, we launched Visa Debit. To enhance security in transactions through Visa card, 3D Secure was added into the feature of Visa. With BRED Bank Platinum Visa Debit card customers have access to many promotions with commercial partners.

Mobile App

We launched Mobile Apps (App Store and Google Play) in November 2017. Customers can access internet banking through mobile when needed. The Mobile Apps provide all the range of services available on the Bank's Internet Banking.

Achievements in 2018

Branches

- Tuol Kouk Branch Grand Opening in September 2018
- Siem Reap Branch Grand Opening in October 2018
- Mao Tse Toung Branch Grand Opening in November 2018

Mastercard Acquisition

In December 2018, we launched MasterCard Acquisition allowing MasterCard cardholders to withdraw cash from our ATMs.

Extra Cash

In order to facilitate cash withdrawals by international travelers coming to Cambodia, BRED Bank Cambodia provided a new service called Extra Cash from September 2018. This allowed travelers to withdraw additional money in need after exceeding the withdrawal amount allowed by the ATM.
This service was made available at all BRED Bank Cambodia branches.

Women initiative

In 2018, BRED Bank Cambodia decided to initiate a women-dedicated programme, with the ambition of becoming "The Bank of Choice for Women" in Cambodia and to better serve the women of this country, especially women entrepreneurs.

As BRED Bank Cambodia has grown, we have recognised that women may have specific requirements and that their bank needs to adapt by developing new products and services that are tailored to their needs. In 2018, along with the International Finance Corporation (IFC), BRED Bank undertook an extensive survey with more than 150 Cambodian business women to understand their needs and challenges.

BRED Bank's Women Initiative is addressing their main concerns in various ways, mainly through the development for Non-Financial Services, specifically designed to take into account women's needs.

Achievements in 2019

Branches

- Battambang Branch Opening Grand Opening in February 2019
- Cham Chao Branch Opening Grand Opening in August 2019
- Olympic Branch: soft opening in December 2019

POS

POS Available for **VISA** and **Mastercard transactions**.

Mobile app enhancement

- Fingerprint features
- New currencies available for transfers
- Khmer language available
- Schedule future dated and recurring transfer

Shine
BETTER BUSINESS ACADEMY

Shine Initiative Learning Academy Training

Learning Academy

As part of our new program at the Women Initiative Learning Academy, the first training sessions on Active Listening were held on Saturday, May 25th at BRED Bank Headquarters. This training aimed to help businesswomen leaders how to motivate, influence, persuade and engage with their employees by actively listening to them.

It was a great success for the Bank. 24 women leaders from different companies were delighted to attend, to share their feedback and to await further training.

Breakfast Talk

The first talk falls under the "**Shine Initiative**" program and had a topic of '**Understanding and overcoming your fear of public speaking**'. The Shine Initiative, based on extensive research with Cambodia businesswomen, has been developed to empower, inform and inspire all Cambodian entrepreneurs to help build better businesses.

Internet Banking enhancements

- The available balance is now automatically updated after a transfer or a transaction
- When a customer sends us an email through our Internet Banking, it is directly forwarded to their RM
- It's possible to have several levels of validation for the needs of corporates
- A new unauthorised account is no longer displayed

Extra cash (update)

Extra cash service available for Mastercards

Achievements in 2020

Retail products and services

Daily Banking

- Packages of current accounts, Visa debit, saving products
- Mobile and e-banking

Lending

- 8 new partnerships with high-end borey and condo developers
- Car dealer partnership: Hyundai

Business products and services

Daily Banking

- Business packages
- Cash management products
- Tax payment

Merchant Banking

- POS: Visa & MasterCard acquiring
- Apple | Samsung | Google Pay acquiring

Digital

- Internet banking
- Digital payroll

Lending

- Working capital
- Asset financing, equipment financing
- Trade finance

Develop a multi-channel distribution network

Branches & ATM

- 9 Branches in PP, SR, BTB + 50 ATMs
- 8am-8pm 7/7 in HQ
- Queuing management system in HQ (2020)

Call Centre

Call Centre with basic functions and standard operating hours

Mobile & Online

- 130 POS
- Retail mobile and e-banking
- Corporate m- and e-banking (basic)

Organisation

- Specialized RM by segments: tellers and Call Center to serve non CMP
- Sales KPIs and Incentive plan to boost productivity
- Segregated and centralised back office operations
- Dedicated Credit Analysts per customer segments

Achievements in 2021

Products and services

Retail
- Packages reshape (Platinum)
- M-banking reshape
- BBC QR Code
- Bill Payment

Business
- QR Code payment
- Payment gateway
- Upgrade POS touch screen
- Pension schemes
- Escrow account & security agent services

Distribution Channels

- 2 new branches
- Priority lounges
- Business counters in HQ
- Call center expansion function

Moving the bank forward with new branding

To attract the kind of customers that will make us successful in the future, we need to be very clear on what makes BRED Bank Cambodia different from other banks here and show potential customers why they should bank with us. So we moved to a fresh positioning that better reflects our ambitions for the future and the needs of our customers.

Major Challenge: Covid-19

Health
- Hygiene/health recommendation
- Provision of disposable gloves, masks, and sanitisers
- Temperature check at the entrance of each branch
- Implementation of enhanced cleaning schedule
- Quarantine after trips/sick leave

Continuity
- **HQ Teams are split** between TK Branch and HQ
- **Social Distancing Implementation:** relocation in other Branches, home working, video meetings only...

Client Support
- **Prefer Remote Solutions:** promotions on online local transactions, remote transactions facilitations...
- **Lending Relief Plan:** up to 6 months capital & interest deferment for all business & individuals, on all products

2022 Development

Retail products and services

Daily Banking
- Reshape packages to better match market
- Loyalty program
- Apple | Samsung | Google Pay compatibility with BBC VISA Card
- Bill Payment in m-banking, QR Code Payment
- Bakong Project
- CSS Project

Digital
- Credit Card
- Partnership expansion to schools, hospitals, general appliances resellers

Business products and services

Daily Banking
- FX Dealing Room
- Pension schemes for staff, Escrow Service, Cash Collection, Bakong Project, CSS project

Merchant Banking
- Merchant portal
- QR code payment and bill payment
- Touch screen POS, UPI & JCB acquiring

Digital
- E-payment portal
- Swift FileAct
- Upgrade of corporate e-banking, host to host

Lending
- Interest rate / FX swap
- Security agent service
- Syndications

Develop a multi-channel distribution network

Branches & ATM
- 10 more branches, 20 more ATMs
- Priority Lounge in selected branches
- Extended opening hours in selected branches
- Queuing management system in all branches

Mobile & Online
- 1,000 POS
- Enhanced e-banking
- Leverage on digital: client onboarding, loan applications etc

Call Centre

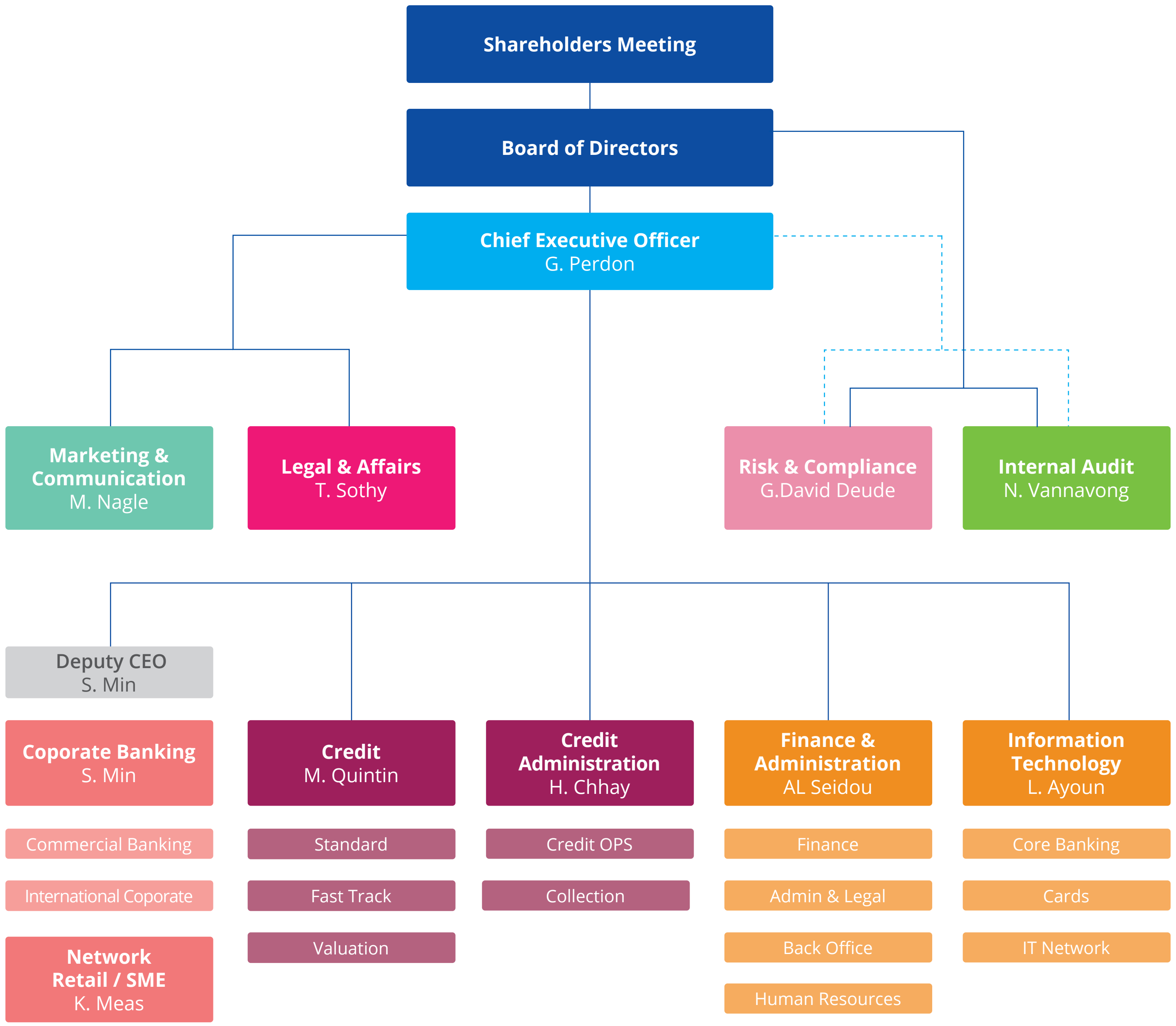
Advanced Call Centre with extending operating hours.

Organisation

- Improve account opening process
- Loan origination workflow system, improved credit scoring
- Branch portal: 360° customer view, CRM
- Accurate sizing of customer portfolio per RM level
- Core banking new functionalities (Credit Collection etc.)

Organisational Chart

October 2021



Corporate governance

I. The Board of Directors

The roles and responsibilities of the Board of Directors are set out in the Memorandum and Articles of Associations and broadly defined as follows:

- The Board is responsible for determining the strategy of the Bank and for supervising the conduct of its business and affairs. The Board shall act in the best interest of the Bank;
- Appoint and remove officers and/or managers for the day-to-day management of the Bank and determine the specific powers for such officers and/or managers;
- Set the salaries and other compensation for officers and/or managers of the Banks;
- Propose the salary or other compensation for all directors and submit such proposal to the shareholders for approval;
- Issue notes, bonds, debentures and other forms of debt and the terms of such instruments;
- Propose to the shareholders amendments to the MAA;
- Propose to the shareholders the increase or decrease of the capital;
- Propose to the shareholders an agreement of merger or consolidation between the Bank and any other person;
- Propose to the shareholders the sale of all or a major part of the Bank's assets;
- Propose to the shareholders the dissolution or liquidation of the Bank;
- Declare dividends in accordance with accounting principles and the terms of payment of each class of shares; entitled to receive dividends;
- Issue shares in the Bank to the extent permitted under the MAA and in accordance with the laws of Cambodia;
- Borrow money on behalf of the Bank;
- Issue, reissue or sell securities in the Bank;
- Give a guarantee on behalf of the Bank;
- Mortgage, hypothecate, pledge or otherwise create a security interest in any or all property of the Bank to secure; any obligation of the Bank; and
- Prepare financial statements each fiscal year (defined below) for submission to the shareholders for approval.

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

Mr. Nicolas Hollanders	Chairman
Mr. Olivier Jean Klein	Director
Mr. Balthazar Gonzalves	Director
Mr. Guillaume Claude Perdon	Director and Chief Executive Officer
Mr. Bernard Ramanantsoa	Independent Director
Mr. Guillaume Massin	Independent Director

II. Audit Committee

The roles and responsibilities of the Audit Committee is to ensure that management properly develops and adheres to a sound system of internal controls, that procedures are in place to objectively assess management's practices and internal controls, and that the outside auditors, through their own review, objectively assess the Company's financial reporting practices.

The Audit Committee during the financial year and at the date of this report are:

Mr. Bernard, Marie, Albert Ramanantsoa	Chairman
Mr. Baltasar Gonzalez Collado	Member
Mr. Nicolas Hollanders	Member

III. Risk Management Committee

The roles and responsibilities of Risk Management Committee is to oversee policies and set risk management activities and provide communication to the Board.

The Risk Management Committee during the financial year and at the date of this report are:

Mr. Baltasar Gonzalez Collado	Chairman
Mr. Bernard, Marie, Albert Ramanantsoa	Member
Mr. Nicolas Hollanders	Member

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BRED BANK (CAMBODIA) PLC.

Financial Statements for the year ended 31 December 2021 and Report of the Independent Auditors

Corporate information

Bank	BRED Bank (Cambodia) Plc.	
Registration No.	00002982	
Registered office	No. 30 Norodom Boulevard Sangkat Phsar Thmey 3 Khan Daun Penh, Phnom Penh Kingdom of Cambodia	
Shareholder	BRED Banque Populaire ("BRED")	
Board of Directors	Nicolas Christian Romain Hollanders	Chairman (appointed on 22 September 2021)
	Jerome Zerbib	Chairman (resigned on 22 September 2021)
	Baltasar Jean Gonzalez Collado	Director (appointed on 22 September 2021)
	Olivier Jean Klein	Director
	Olivier Lendrevie	Director (term ended on 21 September 2021)
	Bernard Marie Albert Ramanantsoa	Independent Director
	Guillaume Jean Marie Henri Massin	Independent Director
	Bruno Corrado Edmondo Moschetto	Independent Director (term ended on 21 September 2021)
Management team	Guillaume Claude Perdon	Chief Executive Officer
	Sopha Min	Deputy Chief Executive Officer
	Anne-Laure Seidou	Chief Finance Officer
	Guillaume David Deude	Chief Risk & Compliance Officer
	Marion Quintin	Head of Credit
	Chhay Huoy	Head of Credit Administration
	Kunthea Meas	Head of Network
	Laurent Ayoun	Information Technology Manager
	Mary Nagle	Head of Marketing & Communication
	Nicolas Vannavong	Head of Internal Audit
	Tolasatia Sothy	Head of Legal
	Chantana Rithy	Head of Human Resource
Auditors	KPMG Cambodia Ltd	

BRED Bank (Cambodia) Plc.

Contents

Report of the Directors

The Directors have pleasure in submitting their report together with the audited financial statements of BRED Bank (Cambodia) Plc. (“the Bank”) for the year ended 31 December 2021.

Principal activities

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

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

Financial results

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

	2021 US$	2020 US$	2021 KHR’000 (Note 5)	2020 KHR’000 (Note 5)
Profit/(Loss) before income tax	823,688	(3,210,553)	3,350,763	(13,089,424)
Income tax benefit	54,605	424,000	222,133	1,728,648
Net profit/(loss) for the year	878,293	(2,786,553)	3,572,896	(11,360,776)

Dividends

No dividend was declared or paid and the Directors does not recommend any dividend to be paid for the financial year under review.

Share capital

On 22 July 2021, the Bank requested to the National Bank of Cambodia (“NBC”) to increase the share capital from US$75,000,000 to US$110,000,000. On 23 August 2021, the Bank obtained approval from the NBC on this increase in share capital.

As of the date of this report, the amendment to the Memorandum and Articles of Association (M&AA) is still in process by the Ministry of Commerce.

Reserves and provisions

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

Loans and advances to customers

Before the financial statements of the Bank were prepared, the Directors took reasonable steps to ascertain that actions had been taken in relation to the writing off of any bad loans and advances to customers and the making of allowance for doubtful loans and advances to customers, and satisfied themselves that all known bad loans and advances to customers had been written off and adequate allowance had been made for doubtful loans and advances to customers.

At the date of this report, the Directors are not aware of any circumstances, which would render the amount written off for bad loans and advances to customers, or the amount of allowance for doubtful loans and advances to customers 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 ensure that any assets, other than loans and advances, which were unlikely to be realised in the ordinary course of business at their value as shown in the accounting records of the Bank had been written down to an amount which they might be expected to realise.

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

Valuation methods

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

(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, or

(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 banking business.

No contingent or other liability of the Bank has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the 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 unusual nature

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

Coronavirus and impact on ECL

The ECL was estimated based on a range of forecast economic conditions as at reporting date. The Novel Coronavirus (COVID-19) outbreak has spread across mainland China, Cambodia and beyond, causing disruption to business and economic activity. The impact on GDP and other key indicators has been considered when determining the severity and likelihood of downside economic scenarios that are used to estimate ECL in which the calculation of the ECL in this current environment is subject to significant uncertainty. Management provides its best estimate on the possible outcomes of COVID-19 on the Bank; however, this estimate may move materially as events unfold.

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

The Directors

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

Nicolas Christian Romain Hollanders	Chairman (appointed on 22 September 2021)
Jerome Zerbib	Chairman (resigned on 22 September 2021)
Baltasar Jean Gonzalez Collado	Director (appointed on 22 September 2021)
Olivier Jean Klein	Director
Olivier Lendrevie	Director (term ended on 21 September 2021)
Bernard Marie Albert Ramanantsoa	Independent Director
Guillaume Jean Marie Henri Massin	Independent Director
Bruno Corrado Edmondo Moschetto	Independent Director (term ended on 21 September 2021)

Directors' interests

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

Directors' benefits

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

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

Directors' responsibility in respect of the financial statements

The Directors are responsible for ascertaining that the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2021, and its financial performance and its cash flows for the year then ended. In preparing these financial statements, the Directors are required to:

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

(ii) comply with Cambodian International Financial Reporting Standards ("CIFRSs") or, if there have been any departures in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the financial statements;

(iii) oversee the Bank's financial reporting process and maintain adequate accounting records and an effective system of internal controls;

(iv) assess the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so; and

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

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

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Approval of the financial statements

We, hereby approve the accompanying financial statements together with the notes thereto as set out on pages 9 to 97 which, in our opinion, present fairly, in all material respects, the financial position of the Bank as at 31 December 2021, and its financial performance and its cash flows for the year then ended, in accordance with CIFRSs.

Signed in accordance with a resolution of the Board of Directors,

BRED BANK (CAMBODIA) PLC.
KINGDOM OF CAMBODIA

Guillaume Claude Perdon
Chief Executive Officer

Phnom Penh, Kingdom of Cambodia

18 April 2022

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Report of the Independent Auditors

To the shareholder of BRED Bank (Cambodia) Plc.

Opinion

We have audited the financial statements of BRED Bank (Cambodia) Plc., ("the Bank"), which comprise the statement of financial position as at 31 December 2021, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information (hereafter referred to as "the financial statements") as set out on pages 9 to 97.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with Cambodian International Financial Reporting Standards ("CIFRSs").

Basis for Opinion

We conducted our audit in accordance with Cambodian International Standards on Auditing ("CISAs"). Our responsibilities under those standards are further described in the *Auditors' 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.

Other Information

Management is responsible for the other information. The other information comprises the Report of the Directors on pages 1 to 5, and the annual report, which is expected to be made available to us after the date of auditors' report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the 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 **KPMG Cambodia Ltd**

KPMG CAMBODIA LTD.

Guek Teav

Partner

Phnom Penh, Kingdom of Cambodia

18 April 2022

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Statement of financial position
as at 31 December 2021

	Note	31 December 2021 US$	31 December 2020 US$	31 December 2021 KHR'000 (Note 5)	31 December 2020 KHR'000 (Note 5)
ASSETS					
Cash and cash equivalents	6	77,784,075	68,054,378	316,892,322	275,279,959
Placements with the NBC	7	14,712,662	13,930,219	59,939,385	56,347,736
Statutory deposits	8	35,614,180	27,174,567	145,092,169	109,921,124
Financial assets at FVOCI	9	140,000	140,000	570,360	566,300
Loans and advances to customers	10	385,323,227	288,232,795	1,569,806,827	1,165,901,656
Derivatives held for risk management	11	364,500	-	1,484,973	-
Other assets	12	1,221,684	1,631,229	4,977,141	6,598,321
Intangible assets	13	789,201	799,738	3,215,205	3,234,940
Property and equipment	14	5,741,132	4,887,768	23,389,372	19,771,022
Right-of-use assets	15	7,622,059	7,662,105	31,052,268	30,993,215
Deferred tax assets – net	22 (A)	1,816,275	1,492,103	7,399,504	6,035,557
Total assets		531,128,995	414,004,902	2,163,819,526	1,674,649,830
LIABILITIES AND SHAREHOLDER'S EQUITY					
Liabilities					
Deposits from customers	16	255,350,246	230,127,647	1,040,296,902	930,866,332
Deposits from other banks	17	80,894,161	27,114,621	329,562,812	109,678,642
Borrowings	18	85,916,978	86,763,949	350,025,768	350,960,174
Derivatives held for risk management	11	744,471	-	3,032,975	-
Lease liabilities	19	7,617,795	6,690,300	31,034,897	27,062,264
Other liabilities	20	2,812,369	1,608,390	11,457,591	6,505,939
Provision for impairment of off-balance sheet items	34(B)(v)	1,582,260	1,390,683	6,446,128	5,625,313
Provision for employee benefits	21	61,000	42,810	248,514	173,166
Current income tax liability	22 (B)	25,011	20,091	101,895	81,268
Total liabilities		435,004,291	353,758,491	1,772,207,482	1,430,953,098

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	Note	31 December 2021 US$	31 December 2020 US$	31 December 2021 KHR'000 (Note 5)	31 December 2020 KHR'000 (Note 5)
Shareholder's equity					
Share capital	23	110,000,000	75,000,000	442,870,000	300,000,000
Regulatory reserves	24	-	-	-	-
Accumulated losses		(13,875,296)	(14,753,589)	(56,165,421)	(59,738,317)
Currency translation reserves		-	-	4,907,465	3,435,049
Total shareholder's equity		96,124,704	60,246,411	391,612,044	243,696,732
Total liabilities and shareholder's equity		531,128,995	414,004,902	2,163,819,526	1,674,649,830

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

Statement of profit or loss and other comprehensive income for the year ended 31 December 2021

	Note	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Operating income					
Interest income	25	25,403,581	20,228,462	103,341,768	82,471,440
Interest expense	26	(10,050,835)	(8,084,677)	(40,886,797)	(32,961,228)
Net interest income		15,352,746	12,143,785	62,454,971	49,510,212
Net fee and commission income	27	385,813	415,383	1,569,487	1,693,516
Other income	28	429,570	387,413	1,747,491	1,579,483
Net losses from other financial instruments at FVTPL	29	(379,971)	-	(1,545,722)	-
Total operating profit		15,788,158	12,946,581	64,226,227	52,783,211
Personnel expenses	30	(5,482,854)	(4,524,611)	(22,304,250)	(18,446,839)
Other operating expenses	31	(8,704,085)	(7,346,066)	(35,408,218)	(29,949,911)
Total operating expenses		(14,186,939)	(11,870,677)	(57,712,468)	(48,396,750)
Operating profit before impairment		1,601,219	1,075,904	6,513,759	4,386,461
Impairment losses on financial instruments	10	(777,531)	(4,286,457)	(3,162,996)	(17,475,885)
Profit/(Loss) before income tax		823,688	(3,210,553)	3,350,763	(13,089,424)
Income tax benefit	22(C)	54,605	424,000	222,133	1,728,648
Net profit/(loss) for the year		878,293	(2,786,553)	3,572,896	(11,360,776)
Other comprehensive income/(loss)					
Currency translation differences		-	-	1,472,416	(1,801,820)
Total comprehensive income/(loss) for the year		878,293	(2,786,553)	5,045,312	(13,162,596)

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

Statement of changes in equity for the year ended 31 December 2021

	Share capital US$	Share capital KHR'000 (Note 5)	Accumulated losses US$	Accumulated losses KHR'000 (Note 5)	Currency translation reserves US$	Currency translation reserves KHR'000 (Note 5)	Total US$	Total KHR'000 (Note 5)
At 1 January 2020	75,000,000	300,000,000	(11,967,036)	(48,377,541)	-	5,236,869	63,032,964	256,859,328
Total Comprehensive loss								
Net loss for the year	-	-	(2,786,553)	(11,360,776)	-	-	(2,786,553)	(11,360,776)
Currency translation differences	-	-	-	-	-	(1,801,820)	-	(1,801,820)
At 31 December 2020	75,000,000	300,000,000	(14,753,589)	(59,738,317)	-	3,435,049	60,246,411	243,696,732
At 1 January 2021	75,000,000	300,000,000	(14,753,589)	(59,738,317)	-	3,435,049	60,246,411	243,696,732
Transaction with shareholders								
Additional share capital contribution	35,000,000	142,870,000	-	-	-	-	35,000,000	142,870,000
Total Comprehensive income								
Net profit for the year	-	-	878,293	3,572,896	-	-	878,293	3,572,896
Currency translation differences	-	-	-	-	-	1,472,416	-	1,472,416
At 31 December 2021	110,000,000	442,870,000	(13,875,296)	(56,165,421)	-	4,907,465	96,124,704	391,612,044

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

Statement of cash flows
for the year ended 31 December 2021

	Note	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Cash flows from operating activities					
Net profit/(Loss) for the year		878,293	(2,786,553)	3,572,896	(11,360,776)
Adjustment for:					
Depreciation and amortisation		2,592,440	2,300,345	10,546,047	9,378,507
Interest income		(25,403,581)	(20,228,462)	(103,341,768)	(82,471,440)
Interest expense		10,050,835	8,084,677	40,886,797	32,961,228
Income tax benefit		(54,605)	(424,000)	(222,133)	(1,728,648)
Net impairment loss on financial instruments	10	777,531	4,286,457	3,162,996	17,475,885
Net losses in derivative		379,971	-	1,545,722	-
Provision for employee benefits, net		18,190	(18,270)	73,997	(74,487)
Gain on disposal of property and equipment		(3,714)	-	(15,109)	-
		(10,764,640)	(8,785,806)	(43,790,555)	(35,819,731)
Changes in:					
Placements with the NBC		(758,313)	(2,581,847)	(3,084,817)	(10,526,190)
Loans and advances		(97,192,978)	(71,033,165)	(395,381,035)	(289,602,214)
Statutory deposits		(4,939,613)	8,238,930	(20,094,346)	33,590,118
Other assets		351,937	392,938	1,431,680	1,602,008
Deposits from customers		28,644,953	41,538,540	116,527,669	169,352,628
Deposits from other banks		48,231,704	15,109,740	196,206,572	61,602,410
Other liabilities		2,045,489	(718,727)	8,321,049	(2,930,250)
Cash used in operations		(34,381,461)	(17,839,397)	(139,863,783)	(72,731,221)
Interest received		25,057,855	20,062,985	101,935,354	81,796,790
Interest paid for lease liabilities		(276,730)	(199,915)	(1,125,738)	(815,053)
Interest paid		(7,712,829)	(14,941,705)	(31,375,788)	(60,917,331)
Income tax/minimum tax paid	21 (B)	(264,647)	(210,125)	(1,076,584)	(856,680)
Net cash used in operating activities		(17,577,812)	(13,128,157)	(71,506,539)	(53,523,495)

	Note	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Cash flows from investing activities					
Capital guarantee		(3,500,000)	-	(14,238,000)	-
Purchase of property and equipment and intangible assets		(2,390,470)	(2,201,920)	(9,724,432)	(8,977,228)
Proceed from sale of property and equipment		25,000	-	101,700	-
Net cash used in investing activities		(5,865,470)	(2,201,920)	(23,860,732)	(8,977,228)
Cash flows from financing activities					
Proceeds from borrowings		101,846,498	91,132,407	414,311,554	371,546,823
Injection of share capital		35,000,000	-	142,380,000	-
Repayment of borrowings		(102,629,263)	(47,462,346)	(417,495,842)	(193,503,985)
Payment of lease liabilities		(940,052)	(1,232,874)	(3,824,132)	(5,026,427)
Net cash generated from financing activities		33,277,183	42,437,187	135,371,580	173,016,411
Net increase in cash and cash equivalents		9,833,901	27,107,110	40,004,309	110,515,688
Cash and cash equivalents at beginning of the year		68,299,457	41,192,347	276,271,304	167,858,814
Currency translation differences		-	-	2,039,688	(2,103,198)
Cash and cash equivalents at end of the year	6	78,133,358	68,299,457	318,315,301	276,271,304

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

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Notes to the financial statements for the year ended 31 December 2021

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

1. Reporting entity

BRED Bank (Cambodia) Plc. ("the Bank") was incorporated in Cambodia under registration number 00002982 issued by the Ministry of Commerce on 1 April 2016.

The Bank obtained its license to conduct its banking operations from the National Bank of Cambodia ("NBC") on 10 January 2017 and commenced operations on the same date.

The registered office is located at No. 30 Norodom Boulevard, Sangkat Phsar Thmey 3, Khan Daun Penh, Phnom Penh, Kingdom of Cambodia.

The immediate and ultimate parent bank is BRED Banque Populaire, a Bank incorporated in France.

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

As at 31 December 2021, the Bank had 282 employees (2020: 240 employees).

2. Statement of compliance

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

Details of the Bank's significant accounting policies are included in Note 36.

The financial statements were authorised for issue by the Board of Directors on 18 April 2022.

3. Functional and presentation currency

The Bank transacts its business and maintains its accounting records in 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.

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

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4. Use of judgments and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Bank's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes.

- Note 36C(ii): classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.
- Note 36C(vii): establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of models used to measure ECL.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are included in the following notes:

- Note 36C(vi): determination of the fair value of financial instruments with significant unobservable inputs.
- Note 36C(vii): impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information.
- Note 36C(vii): impairment of financial instruments: key assumptions used in estimating recoverable cash flows.

5. Translation of United States Dollars into Khmer Riel

The financial statements are expressed in United States Dollar which is the Bank's functional currency. The translations of United States Dollars amount into Khmer Riel ("KHR") meets the presentation requirements pursuant to Law on Accounting and Auditing and has been done in compliance with *CIAS 21-The Effects of Changes in Foreign Exchange Rates.*

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

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

The Bank uses the following exchange rates:

Financial year end			**Closing rate**	**Average rate**
31 December 2021	US$1	=	KHR4,074	KHR4,068
31 December 2020	US$1	=	KHR4,045	KHR4,077

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

6. Cash and cash equivalents

	31 December 2021 US$	31 December 2020 US$	31 December 2021 KHR'000 (Note 5)	31 December 2020 KHR'000 (Note 5)
Cash on hand	21,708,930	17,249,123	88,442,181	69,772,703
Cash equivalents with other banks	50,228,935	40,288,413	204,632,681	162,966,631
Cash equivalents with NBC	6,195,493	10,761,921	25,240,439	43,531,970
	78,133,358	68,299,457	318,315,301	276,271,304
Less: Allowance for impairment losses	(349,283)	(245,079)	(1,422,979)	(991,345)
	77,784,075	68,054,378	316,892,322	275,279,959

The movements of allowance for impairment losses on cash equivalents with other banks were as follows:

	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
At 1 January	245,079	132,347	991,345	539,314
Allowance for the year	104,204	112,732	423,902	459,608
Currency translation differences	-	-	7,732	(7,577)
At 31 December	349,283	245,079	1,422,979	991,345

7. Placements with the NBC

	31 December 2021 US$	31 December 2020 US$	31 December 2021 KHR'000 (Note 5)	31 December 2020 KHR'000 (Note 5)
Negotiable certificates of deposits	14,712,662	13,930,219	59,939,385	56,347,736

The Bank has pledged negotiable certificates of deposits (NCD) of US$14,712,662 (31 December 2020: US$13,930,219) with the NBC as collateral for Liquidity Providing Collateralised Operation (LPCO). As at 31 December 2021, the Bank had not yet utilised the overdraft on settlement clearing facility yet.

Negotiation certificates of deposits are maturing from 6 to 12 months and earned interest at rates ranging from 0.04% - 0.27% (2020: 0.07% - 0.8%) per annum.

8. Statutory deposits

	31 December 2021 US$	31 December 2020 US$	31 December 2021 KHR'000 (Note 5)	31 December 2020 KHR'000 (Note 5)
Statutory capital deposit	11,000,000	7,500,000	44,814,000	30,337,500
Reserve requirements on customers' deposits	24,614,180	19,674,567	100,278,169	79,583,624
	35,614,180	27,174,567	145,092,169	109,921,124

A. Statutory capital deposit

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

B. Reserve requirements on customers' deposits

The reserve requirement represents the minimum reserve which is calculated at 8% for KHR and 12.50% for other currencies of the total amount of deposits from customers, non-residential banks and financial institution deposits, and non-residential borrowings. Pursuant to the National Bank of Cambodia's Prakas No. B7-018-282 on the maintenance of reserve requirement against commercial banks' deposits and borrowings, reserve requirements both in KHR and in other currencies bear no interest effective from 29 August 2018.

8. Statutory deposits (continued)

B. Reserve requirements on customers' deposits (continued)

On 18 March 2020, the NBC announced the reduction of the Reserve Requirements Rate ("RRR") to 7% for both local and foreign currencies deposits and borrowings.

C. By interest rate (per annum):

	2021	2020
Statutory capital deposit	0.04%	0.09%

9. Financial assets at FVOCI

	31 December		31 December	
	2021	2020	2021	2020
	US$	US$	KHR'000	KHR'000
			(Note 5)	(Note 5)
Investment in Credit Bureau Cambodia	140,000	140,000	570,360	566,300

The Bank designated the investment in Credit Bureau Cambodia ("CBC") to be measured at fair value through other comprehensive income ("FVOCI") as it is not held for trading and the Bank has irrevocably elected at initial recognition to classify this investment as the financial assets at FVOCI. This is a strategic investment and the Bank considers this classification to be more relevant.

The fair value of the investment at 31 December 2021 was US$140,000 (2020: US$140,000).

Dividend during the year was US$6,480 (2020: US$Nil). There is no gain/loss recognised in other comprehensive income due to fair value approximate the carrying amount. There is no loss allowance for this FVOCI as at 31 December 2021 (2020: Nil).

10. Loans and advances to customers

	31 December		31 December	
	2021	2020	2021	2020
	US$	US$	KHR'000	KHR'000
			(Note 5)	(Note 5)
Commercial loans:				
Overdrafts	26,873,230	18,192,743	109,481,539	73,589,645
Short-term loans	33,826,793	25,758,621	137,810,355	104,193,622
Long-term loans	200,722,897	164,595,613	817,745,082	665,789,255
Trust receipts	3,046,103	3,977,370	12,409,824	16,088,462
Consumer loans	127,997,824	82,441,009	521,463,135	333,473,881
Gross loans and advances to customers at amortised cost	392,466,847	294,965,356	1,598,909,935	1,193,134,865
Less: Allowance for impairment losses				
- General	(4,620,473)	(4,545,722)	(18,823,807)	(18,387,445)
- Impacts from Covid -19	(2,523,147)	(2,186,839)	(10,279,301)	(8,845,764)
	(7,143,620)	(6,732,561)	(29,103,108)	(27,233,209)
Loans and advances – net	385,323,227	288,232,795	1,569,806,827	1,165,901,656

The movements of allowance for impairment losses on loans and advances were as follows:

	2021	2020	2021	2020
	US$	US$	KHR'000	KHR'000
			(Note 5)	(Note 5)
At 1 January	6,732,561	3,197,846	27,233,209	13,031,222
Allowance for the year				
- General allowance	74,751	1,347,876	304,087	5,495,290
- Impacts from Covid -19	336,308	2,186,839	1,368,101	8,915,743
Currency translation differences	-	-	197,711	(209,046)
At 31 December	7,143,620	6,732,561	29,103,108	27,233,209

10. Loans and advances to customers (continued)

Allowance for impairment losses on financial instruments recognised in profit and loss are as follows:

	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Net impairment loss on balances with other banks (Note 6)	104,204	112,732	423,902	459,608
Net impairment loss on loans and advances to customers	411,059	3,534,715	1,672,188	14,411,033
Net impairment for off-balance sheet items (Note 32B(v))	191,577	604,333	779,335	2,463,866
Written off of uncollectable loans not covered by impairment loss	70,691	34,677	287,571	141,378
	777,531	4,286,457	3,162,996	17,475,885

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

	31 December		31 December	
	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Within 1 month	459,107	15,068	1,870,402	60,950
> 1 to 3 months	9,388,183	7,808,356	38,247,458	31,584,800
> 3 to 6 months	23,326,949	19,809,595	95,033,990	80,129,812
> 6 to 12 months	9,353,349	7,100,910	38,105,544	28,723,181
> 1 to 3 years	43,828,246	34,317,591	178,556,274	138,814,656
> 3 to 5 years	24,793,944	23,274,003	101,010,528	94,143,342
Over 5 years	281,317,069	202,639,833	1,146,085,739	819,678,124
	392,466,847	294,965,356	1,598,909,935	1,193,134,865

For additional analysis of gross amount of loans and advances to customers, refer to Note 32B.

11. Derivatives held for risk management

	31 December		31 December	
	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Derivative assets				
Interest rate swap (*)	364,500	-	1,484,973	-
Derivative liabilities				
Interest rate swap (*)	(364,500)	-	(1,484,973)	-
Foreign exchange swap (**)	(379,971)	-	(1,548,002)	-
	(744,471)	-	(3,032,975)	-

(*) On 4 February 2021, the Bank entered into interest rate swap arrangements with Bred Banque Populaire and ACLEDA Bank Plc with the nominal amount of US$20 million each, effective from 21 March 2021 to 28 April 2025.

(**) On 5 November 2021, the Bank entered into a Foreign exchange swap agreement with Chip Mong Commercial Bank Plc. amounting to US$20 million, effective from 5 November 2021 to 5 November 2022.

12. Other assets

	31 December		31 December	
	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Guarantee deposits	401,531	329,298	1,635,837	1,332,010
Prepayments	718,151	1,179,151	2,925,748	4,769,666
Others	102,002	122,780	415,556	496,645
	1,221,684	1,631,229	4,977,141	6,598,321

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13. Intangible assets

2021	Computer software US$	Website design US$	Total US$	Total KHR'000 (Note 5)
Cost				
At 1 January 2021	2,591,810	181,684	2,773,494	11,218,783
Transferred from work in progress	442,174	146,550	588,724	2,394,929
Currency translation differences	-	-	-	83,964
At 31 December 2021	3,033,984	328,234	3,362,218	13,697,676
Less: **Accumulated amortisation**				
At 1 January 2021	1,860,379	113,377	1,973,756	7,983,843
Amortisation for the year	538,051	61,210	599,261	2,437,794
Currency translation differences	-	-	-	60,834
At 31 December 2021	2,398,430	174,587	2,573,017	10,482,471
Carrying amounts				
At 31 December 2021	635,554	153,647	789,201	3,215,205

2020	Computer software US$	Website design US$	Total US$	Total KHR'000 (Note 5)
Cost				
At 1 January 2020	2,368,483	149,784	2,518,267	10,261,939
Transferred from work in progress	223,327	31,900	255,227	1,040,560
Currency translation differences	-	-	-	(83,716)
At 31 December 2020	2,591,810	181,684	2,773,494	11,218,783
Less: **Accumulated amortisation**				
At 1 January 2020	1,284,853	66,314	1,351,167	5,506,006
Amortisation for the year	575,526	47,063	622,589	2,538,295
Currency translation differences	-	-	-	(60,458)
At 31 December 2020	1,860,379	113,377	1,973,756	7,983,843
Carrying amounts				
At 31 December 2020	731,431	68,307	799,738	3,234,940

14. Property and equipment

2021	Furniture and fixture US$	Equipment US$	Computer equipment US$	Motor vehicles US$	Work-in progress US$	Total US$	Total KHR'000 (Note 5)
Cost							
At 1 January 2021	1,766,272	975,261	2,066,938	589,447	1,307,836	6,705,754	27,124,775
Additions	-	-	-	25,000	2,365,470	2,390,470	9,724,432
Transferred from work in progress	213,075	96,287	419,042	125,330	(1,442,458)	(588,724)	(2,394,929)
Disposal	-	-	-	(63,855)	-	(63,855)	(259,762)
Currency translation differences	-	-	-	-	-	-	204,894
At 31 December 2021	1,979,347	1,071,548	2,485,980	675,922	2,230,848	8,443,645	34,399,410
Less: **Accumulated depreciation**							
At 1 January 2021	226,301	302,803	1,041,544	247,338	-	1,817,986	7,353,753
Depreciation	183,103	178,361	434,564	131,068	-	927,096	3,771,427
Disposal	-	-	-	(42,569)	-	(42,569)	(173,171)
Currency translation differences	-	-	-	-	-	-	58,029
At 31 December 2021	409,404	481,164	1,476,108	335,837	-	2,702,513	11,010,038
Carrying amounts							
At 31 December 2021	1,569,943	590,384	1,009,872	340,085	2,230,848	5,741,132	23,389,372

14. Property and equipment (continued)

2020	Furniture and fixture US$	Equipment US$	Computer equipment US$	Motor vehicles US$	Work-in progress US$	Total US$	Total KHR'000 (Note 5)
Cost							
At 1 January 2020	1,082,789	586,628	1,692,943	517,308	879,393	4,759,061	19,393,174
Additions	-	-	-	-	2,201,925	2,201,925	8,977,248
Transferred from work in progress	683,483	388,633	373,995	72,139	(1,773,482)	(255,232)	(1,040,581)
Currency translation differences	-	-	-	-	-	-	(205,066)
At 31 December 2020	1,766,272	975,261	2,066,938	589,447	1,307,836	6,705,754	27,124,775
Less: **Accumulated depreciation**							
At 1 January 2020	94,782	178,446	663,661	139,959	-	1,076,848	4,388,156
Depreciation	131,519	124,357	377,883	107,379	-	741,138	3,021,620
Currency translation differences	-	-	-	-	-	-	(56,023)
At 31 December 2020	226,301	302,803	1,041,544	247,338	-	1,817,986	7,353,753
Carrying amounts							
At 31 December 2020	1,539,971	672,458	1,025,394	342,109	1,307,836	4,887,768	19,771,022

15. Right-of-use assets

Information about the Bank's leases is disclosed within this note and Note 18.

	31 December 2021 US$	31 December 2020 US$	31 December 2021 KHR'000 (Note 5)	31 December 2020 KHR'000 (Note 5)
Right-of-use assets	7,622,059	7,662,105	31,052,268	30,993,215

The Bank leases many assets including office spaces. Information about leases for which the Bank is a lessee is presented below.

	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Right-of-use assets				
Cost				
At 1 January	9,940,163	7,835,985	40,207,959	31,931,639
Additions	1,026,037	2,104,178	4,173,919	8,578,734
Currency translation differences	-	-	294,421	(302,414)
At 31 December	10,966,200	9,940,163	44,676,299	40,207,959
Less: **Accumulated amortisation**				
At 1 January	2,278,058	1,341,440	9,214,744	5,466,368
Amortisation for the year	1,066,083	936,618	4,336,826	3,818,592
Currency translation differences	-	-	72,461	(70,216)
At 31 December	3,344,141	2,278,058	13,624,031	9,214,744
Carrying amounts				
At 31 December	7,622,059	7,662,105	31,052,268	30,993,215

16. Deposits from customers

	31 December		31 December	
	2021	2020	2021	2020
	US$	US$	KHR'000	KHR'000
			(Note 5)	(Note 5)
Saving accounts	12,184,493	13,126,155	49,639,624	53,095,297
Fixed deposits	172,842,789	145,823,834	704,161,522	589,857,409
Demand deposits	70,322,964	71,177,658	286,495,756	287,913,626
	255,350,246	230,127,647	1,040,296,902	930,866,332

Deposits from customers are analysed as follows:

	31 December		31 December	
	2021	2020	2021	2020
	US$	US$	KHR'000	KHR'000
			(Note 5)	(Note 5)
A. By maturity:				
Within 1 month	82,507,465	94,349,779	336,135,412	381,644,856
> 1 to 3 months	8,883,320	10,041,952	36,190,646	40,619,696
> 3 to 6 months	13,621,123	20,564,710	55,492,455	83,184,252
> 6 to 12 months	81,020,385	41,276,977	330,077,048	166,965,372
> 1 to 3 years	11,492,395	9,630,316	46,820,017	38,954,628
> 3 to 5 years	39,047,116	37,580,092	159,077,951	152,011,472
Over 5 years	18,778,442	16,683,821	76,503,373	67,486,056
	255,350,246	230,127,647	1,040,296,902	930,866,332
B. By customer type:				
Individuals	189,609,767	119,104,558	772,470,191	481,777,937
Business enterprises	65,740,479	111,023,089	267,826,711	449,088,395
	255,350,246	230,127,647	1,040,296,902	930,866,332
C. By residency status:				
Residents	222,074,910	225,993,588	904,733,183	914,144,063
Non-residents	33,275,336	4,134,059	135,563,719	16,722,269
	255,350,246	230,127,647	1,040,296,902	930,866,332

	2021	2020
D. By interest rate (per annum):		
Saving accounts	0.30% - 1.50%	0.30% - 2.60%
Fixed deposits	0.50% - 6.00%	0.70% - 6.00%
Demand deposits	0.30% - 1.50%	0% - 2.5%

17. Deposits from other banks

	31 December		31 December	
	2021	2020	2021	2020
	US$	US$	KHR'000	KHR'000
			(Note 5)	(Note 5)
Fixed deposits	70,502,575	26,841,826	287,227,491	108,575,186
Demand deposits	10,391,586	272,795	42,335,321	1,103,456
	80,894,161	27,114,621	329,562,812	109,678,642

Deposits from other banks are analysed as follows:

	31 December		31 December	
	2021	2020	2021	2020
	US$	US$	KHR'000	KHR'000
			(Note 5)	(Note 5)
A. By maturity:				
> 1 to 3 months	14,408,558	4,047,532	58,700,465	16,372,267
> 3 to 6 months	25,164,589	13,059,056	102,520,536	52,823,882
> 6 to 12 months	33,206,712	10,008,033	135,284,145	40,482,493
> 12 months	8,114,302	-	33,057,666	-
	80,894,161	27,114,621	329,562,812	109,678,642
B. By relationship:				
Related parties (Note 33C)	59,296,771	-	241,575,045	-
Non-related parties	21,597,390	27,114,621	87,987,767	109,678,642
	80,894,161	27,114,621	329,562,812	109,678,642

17. Deposits from other banks (continued)

	2021	2020
C. By interest rate (per annum):		
Fixed deposits	2.25% - 3.75%	2.90% - 4.50%
Demand deposits	0.00% - 0.25%	0.00% - 0.35%

18. Borrowings

	31 December		31 December	
	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Related parties (i)	70,025,839	68,019,444	285,285,268	275,138,651
Non-related parties (ii)	15,891,139	18,744,505	64,740,500	75,821,523
	85,916,978	86,763,949	350,025,768	350,960,174

(i) This represents a short-term unsecured borrowing from BRED Banque Populaire – Head Office with principal outstanding as at 31 December 2021 of US$70,000,000 (2020: US$68,000,000) based on the approval from the credit committee dated 9 December 2019 with the following terms and conditions.

Total credit facilities	US$70,000,000
Maturity	23 December 2021 – 19 January 2022 The borrowing was subsequently renewed to 30 April 2022.
Principal repayment	At maturity date
Interest repayment	At maturity date
Interest rate	Libor+ 1%

(ii) These borrowings are unsecured and bear interest at rates ranging from 2.50% to 5.85% (2020: 2.5% to 6.12%) per annum.

18. Borrowings (continued)

Further analysis by maturity period is as follows:

	31 December		31 December	
	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Within 1 month	70,025,839	-	285,285,268	-
> 1 to 3 months	1,482,548	72,970,452	6,039,901	295,165,478
> 3 to 6 months	9,453,537	6,459,792	38,513,710	26,129,859
> 6 to 12 months	4,955,054	7,333,705	20,186,889	29,664,837
	85,916,978	86,763,949	350,025,768	350,960,174

The movements of borrowings were as follows:

	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
At 1 January	86,516,687	42,846,626	349,959,999	174,600,001
Additions	101,846,498	91,132,407	414,311,554	371,546,823
Repayments	(102,629,263)	(47,462,346)	(417,495,842)	(193,503,985)
	85,733,922	86,516,687	346,775,711	349,959,999
Accrued interest payables	183,056	247,262	745,770	1,000,175
Currency translation difference	-	-	2,504,287	(2,682,840)
	85,916,978	86,763,949	350,025,768	350,960,174

19. Lease liabilities

	31 December		31 December	
	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Maturity analysis – contractual undiscounted cash flows				
Less than one year	984,085	275,450	4,009,162	1,114,195
One to five years	5,316,495	4,874,101	21,659,401	19,715,739
More than five years	2,245,554	2,626,904	9,148,387	10,625,827
Total undiscounted lease liabilities	8,546,134	7,776,455	34,816,950	31,455,761

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19. Lease liabilities (continued)

	31 December 2021 US$	31 December 2020 US$	31 December 2021 KHR'000 (Note 5)	31 December 2020 KHR'000 (Note 5)
Present value of lease liabilities				
Current	761,043	156,940	3,100,489	634,822
Non-current	6,856,752	6,533,360	27,934,408	26,427,442
	7,617,795	6,690,300	31,034,897	27,062,264

	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
A. Amounts recognised in profit or loss				
Interest on lease liabilities	276,730	199,915	1,125,738	815,053
B. Amounts recognised in the statement of cash flows				
Total cash outflow for leases	940,052	1,232,874	3,824,132	5,026,427

20. Other liabilities

	31 December 2021 US$	31 December 2020 US$	31 December 2021 KHR'000 (Note 5)	31 December 2020 KHR'000 (Note 5)
Accruals and other payables	2,213,690	1,518,815	9,018,573	6,143,607
Amount due to related parties (Note 31C)	500,000	-	2,037,000	-
Other tax payables	98,679	89,575	402,018	362,332
	2,812,369	1,608,390	11,457,591	6,505,939

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21. Provision for employee benefits

	31 December 2021 US$	31 December 2020 US$	31 December 2021 KHR'000 (Note 5)	31 December 2020 KHR'000 (Note 5)
Provision for seniority indemnity	61,000	42,810	248,514	173,166

This represents provision for seniority indemnity payments required by Prakas No. 443 issued by the Ministry of Labour and Vocational Training ("MoLVT") on 21 September 2018, and subsequently amended by Instruction No. 042/19 dated 22 March 2019. It requires all employers to settle the seniority indemnity to their employee as follows:

- Current pay: starting from 2019 onwards at the amounts equal to 15 days of wages and other benefits per year.
- Retrospective (back-pay): starting from 2021 onwards at the amounts equal to 6 days of net wages per year. The provision of back-pay seniority indemnity is calculated at a maximum amount of 6 months net wages (depends on the length of the service employee served) to the employee who has seniority before 2019.

Payments will be made twice a year, in June and December respectively. Employee does not entitle to the remaining back-pay seniority indemnity, which is not yet due, if he/she resigns from the Bank.

The movements of provision for employee benefits were as follows:

	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
At 1 January	42,810	61,080	173,166	248,901
Provision for the year	26,574	-	108,103	-
Paid during the year	(8,384)	(18,270)	(34,106)	(74,487)
Currency translation difference	-	-	1,351	(1,248)
At 31 December	61,000	42,810	248,514	173,166

22. Income tax (expense)/benefit

A. Deferred tax assets – net

	31 December		31 December	
	2021	2020	2021	2020
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
Deferred tax assets	1,992,048	3,215,391	8,115,604	13,006,257
Deferred tax liabilities	(175,773)	(1,723,288)	(716,100)	(6,970,700)
Deferred tax assets – net	1,816,275	1,492,103	7,399,504	6,035,557

Deferred tax assets are attributable to the following:

	31 December		31 December	
	2021	2020	2021	2020
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
Allowance for impairment losses on loans and advances to customers	1,360,108	1,318,778	5,541,080	5,334,458
Allowance of off balance sheet items	268,152	278,137	1,092,451	1,125,064
Allowance for placements with other banks	118,157	87,205	481,372	352,744
Right-of-use assets	(853)	(194,361)	(3,475)	(786,190)
Deferred income from loan	245,631	193,211	1,000,701	781,538
Depreciation and amortisation	(174,920)	(190,867)	(712,625)	(772,057)
	1,816,275	1,492,103	7,399,504	6,035,557

The movements of deferred tax are as follows:

	2021	2020	2021	2020
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
At 1 January	1,492,103	854,468	6,035,557	3,481,957
Recognised in profit or loss	324,172	637,635	1,318,732	2,599,638
Currency translation differences	-	-	45,215	(46,038)
	1,816,275	1,492,103	7,399,504	6,035,557

22. Income tax (expense)/benefit (continued)

B. Current income tax liability

	2021	2020	2021	2020
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
At 1 January	20,091	16,581	81,268	67,568
Income tax expense	269,567	213,635	1,096,599	870,990
Income tax paid	(264,647)	(210,125)	(1,076,584)	(856,680)
Currency translation differences	-	-	612	(610)
At 31 December	25,011	20,091	101,895	81,268

C. Income tax (expense)/benefit

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

	2021	2020	2021	2020
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
Minimum tax expense	269,567	213,635	1,096,599	870,990
Deferred tax income	(324,172)	(637,635)	(1,318,732)	(2,599,638)
	(54,605)	(424,000)	(222,133)	(1,728,648)

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

	2021	2020	2021	2020
	US$	US$	KHR'000 (Note 5)	KHR'000 (Note 5)
Profit/(Loss) before income tax	823,688	(3,210,553)	3,350,763	(13,089,424)
Income tax rate of 20%	164,738	(642,111)	670,153	(2,617,885)
Utilised tax losses	(661,245)	-	(2,689,945)	-
Effect of non-deductible expenses	172,335	46,362	701,060	189,018
	(324,172)	(637,635)	(1,318,732)	(2,599,638)
Minimum tax expense	269,567	213,635	1,096,599	870,990
Income tax benefit	(54,605)	(424,000)	(222,133)	(1,728,648)

The calculation of taxable income is subject to the final review and approval of the tax authorities.

23. Share capital

	31 December		31 December	
	2021	2020	2021	2020
	US$	US$	KHR'000	KHR'000
			(Note 5)	(Note 5)
Contributed capital	110,000,000	75,000,000	442,870,000	300,000,000

The total authorised number of shares are 110,000 (2020: 75,000) with par value of US$1,000 per share. All share capital are issued and fully paid.

On 22 July 2021, the Bank requested to National Bank of Cambodia ("NBC") to increase the share capital from US$75,000,000 to US$110,000,000. The requested was approved by NBC on 23 August 2021.

As of the reporting date, the amendment to the Memorandum and Articles of Association (M&AA) is still in process to the by Ministry of Commerce.

The movements of share capital are as follows:

	31 December		31 December	
	2021	2020	2021	2020
	US$	US$	KHR'000	KHR'000
			(Note 5)	(Note 5)
Contributed capital	75,000,000	75,000,000	300,000,000	300,000,000
Injection during the year	35,000,000	-	142,870,000	-
	110,000,000	75,000,000	442,870,000	300,000,000

24. Regulatory reserves

Regulatory reserves represented the variance between impairment losses on financial instruments in accordance with CIFRSs and the regulatory provision in accordance with the National Bank of Cambodia.

25. Interest income

	2021	2020	2021	2020
	US$	US$	KHR'000	KHR'000
			(Note 5)	(Note 5)
Loans and advances to customers	25,375,693	20,091,409	103,228,319	81,912,675
Placements with the NBC	24,130	128,472	98,161	523,780
Placements with other banks	3,758	8,581	15,288	34,985
	25,403,581	20,228,462	103,341,768	82,471,440

26. Interest expense

	2021	2020	2021	2020
	US$	US$	KHR'000	KHR'000
			(Note 5)	(Note 5)
Fixed deposits	7,904,573	6,181,450	32,155,803	25,201,772
Demand deposits	402,135	420,102	1,635,885	1,712,756
Saving accounts	131,494	175,608	534,918	715,954
Borrowings	1,335,903	1,107,602	5,434,453	4,515,693
Lease liabilities	276,730	199,915	1,125,738	815,053
	10,050,835	8,084,677	40,886,797	32,961,228

27. Net fee and commission income

	2021	2020	2021	2020
	US$	US$	KHR'000	KHR'000
			(Note 5)	(Note 5)
Inward and outward remittance	551,253	504,035	2,242,497	2,054,950
Other fees	1,095,155	1,047,081	4,455,090	4,268,949
	1,646,408	1,551,116	6,697,587	6,323,899
Fee and commission expenses	(1,260,595)	(1,135,733)	(5,128,100)	(4,630,383)
	385,813	415,383	1,569,487	1,693,516

28. Other income

	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Foreign exchange gain	419,375	361,613	1,706,017	1,474,296
Income from equity investment	6,480	-	26,361	-
Other income	3,715	25,800	15,113	105,187
	429,570	387,413	1,747,491	1,579,483

29. Net losses from other financial instruments at FVTPL

	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Income from derivatives held for risk management				
Interest rate swaps	364,500	-	1,482,786	-
Loss from derivatives held for risk management				
Interest rate swaps	(364,500)	-	(1,482,786)	-
Foreign exchange swaps	(379,971)	-	(1,545,722)	-
	(744,471)	-	(3,028,508)	-
Net losses from other financial instruments at FVTPL	(379,971)	-	(1,545,722)	-

30. Personnel expenses

	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Salaries and wages	3,831,405	3,153,641	15,586,156	12,857,394
Fringe benefits – management	243,475	213,417	990,456	870,101
Other benefits	1,407,974	1,157,553	5,727,638	4,719,344
	5,482,854	4,524,611	22,304,250	18,446,839

31. Other operating expenses

	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Depreciation and amortisation	2,592,440	2,300,345	10,546,047	9,378,507
Professional fees	2,147,336	1,759,998	8,735,363	7,175,512
Other tax expenses	1,148,055	884,270	4,670,288	3,605,169
Public relations, marketing and advertising	671,777	675,280	2,732,789	2,753,117
Low value lease and short-term rental	196,279	298,024	798,463	1,215,044
License fees	235,420	215,131	957,688	877,089
Utilities expenses	165,453	152,831	673,063	623,092
Repairs and maintenance	287,058	193,868	1,167,752	790,400
Insurance expense	152,499	125,329	620,366	510,966
Communication	134,831	118,399	548,493	482,713
Travelling and accommodation	42,226	27,200	171,775	110,894
Office supplies	116,261	99,147	472,949	404,222
Other expenses	814,450	496,244	3,313,182	2,023,186
	8,704,085	7,346,066	35,408,218	29,949,911

32. Commitments and contingencies

A. Commitments

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

	31 December		31 December	
	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Foreign exchange contracts	39,980,363	-	162,880,000	-
- *Foreign exchange commitments - sell*	20,000,000	-	81,480,000	-
- *Foreign exchange commitments - buy*	19,980,363	-	81,400,000	-
Unused portion of credit facilities	81,320,521	48,101,129	331,299,803	194,569,067
Letters of credits	854,000	7,635,672	3,479,196	30,886,293
Bankers' guarantees	11,770,606	12,938,903	47,953,449	52,337,863
	133,925,490	68,675,704	545,612,448	277,793,223

See note 34B(v) for the reconciliation of loss allowance on off balance sheet items.

32. Commitments and contingencies (continued)

B. Taxation contingencies

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

33. Related parties

A. Identity of related parties

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

The Bank have related party relationships with its substantial shareholders, companies under common control and key management personnel.

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

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

33. Related parties (continued)

B. Transactions with related parties

	2021 US$	2020 US$	2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
BRD (Cambodia) Limited				
Rental expense (building and meeting room)	708,774	633,178	2,883,293	2,581,467
Electricity	96,488	92,861	392,513	378,594
Access cards - fitness registration	-	2,625	-	10,702
Maintenance services	25,890	19,418	105,321	79,167
Prepaid rent	-	707,850	-	2,885,904
Interest paid / Account maintenance fees	12	2,548	49	10,388
Interest expense	1,351	1,585	5,496	6,462
Bred IT				
IT maintenance fees	1,571,845	1,162,906	6,394,265	4,741,168
BRED Banque Populaire				
Share capital injection	35,000,000	-	142,380,000	-
Representative office of Compagnie Financiere de la BRED				
Interest expense	1,291	2,178	5,252	8,880
Banque Pour Le Commerce Et L'industrie Mer Rouge				
Interest expense	859,930	621,185	3,498,195	2,532,571
Key Management remuneration				
Salary for management	555,794	532,726	2,260,970	2,171,924
Benefits for management	27,610	34,988	112,317	142,646

33. Related parties (continued)

C. Balances with related parties

	31 December 2021 US$	2020 US$	31 December 2021 KHR'000 (Note 5)	2020 KHR'000 (Note 5)
Amount due to related party				
Bred IT	500,000	-	2,037,000	-
Deposits from related parties (Note 17B)				
Representative office of Compagnie Financiere de la BRED	316,371	692,028	1,288,895	2,799,254
BRD (Cambodia) Limited	518,633	499,351	2,112,911	2,019,874
Banque Pour Le Commerce Et L'industrie Mer Rouge	58,461,767	-	238,173,239	-
	59,296,771	1,191,379	241,575,045	4,819,128
Borrowings from a related party				
BRED Banque Populaire (Note 18)	70,025,839	68,019,444	285,285,268	275,138,651

Amounts due from/(to) related parties are unsecured, interest free and have no fixed term of repayments. Refer to Note 17 and 18 for the term and conditions of deposits from related parties and borrowings.

34. Financial risk management

A. Introduction and overview

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

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

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

34. Financial risk management (continued)

A. Introduction and overview (continued)

For the purpose of preserving the financial stability and reduce the burden of the borrowers who are losing their primary income and facing difficulties in repayment during the impact of the COVID-19 pandemic, the Bank works constructively with affected borrowers and allows for loan restructuring. Loan restructuring is carried out by the Bank's Credit Monitoring Committee that is independent from the Credit department. The Credit Monitoring Committee shall regularly conduct a portfolio review of affected borrowers to measure the impact on their financial conditions during the pandemic.

Risk management functional and governance structure

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

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

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

B. Credit risk

'Credit risk' is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Bank's loans and advances to customers and other banks, and investment debt securities. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure – e.g. individual obligor default risk, country and sector risk.

Credit risk is the potential loss of revenue and principal losses arising mainly from loans and advances and loan commitments as a result of default by the borrowers or counterparties through its lending activities.

34. Financial risk management (continued)

B. Credit risk (continued)

(i). Management of credit risk

BRED's credit risk management is based on the strict independence of the Commitments Department from the commercial business lines. The Commitments Department is involved in the decision-making process and subsequent monitoring of commitments. It has collaborators in the regional operational directorates, that, besides making credit decisions, ensure promotion good practices in order to satisfactorily control risk.

The Commitments Department proposes BRED's credit policy, as validated by its staff managers and approved by the Board of Directors. It validates the credit policies of the subsidiaries, once they have been approved by their respective surveillance departments. It monitors the dissemination and correct implementation of these policies within the BRED Group. The Credit Risk Department (DRC) is under the Head of Risk, Compliance and Permanent Control, which itself is directly under the General Management and reports to the Board of Directors.

The Credit Risk Department, which is totally independent from the commercial business lines and from the Commitments Department, is responsible for second level permanent control of credit risk. It validates the credit policies once they have been set by the head of department, before to be approved by BRED HQ Credit risk department and approved by the Board of Directors.

Management of credit risk is mainly based on:

- a system of delegation of powers to specific persons, reviewed annually by the Commitments Department and Credit Risk Department;
- an internal rating system that is highly integrated into the decision-making process;
- risk-spreading criteria;
- the following up on commitments on a continuous flow basis, with the help of an automated system of "position monitoring", of close-outs for depreciable trials and of defective accounts;
- reinforced detection and prevention of risks with retail, professional and corporate customers via the action of branch network employees and their hierarchy of monitoring tools; and
- permanent control conducted by the Credit Risk Department on regular basis, through a sample selection.

34. Financial risk management (continued)

B. Credit risk (continued)

(ii). Concentration of risk

The Board of Directors created the Bank Credit Committee for the oversight of credit risk. A separate Bank Credit department, reporting to the Bank Credit Committee, is responsible for managing the Bank's credit risk.

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

34. Financial risk management (continued)

B. Credit risk (continued)

(ii). Concentration of risk (continued)

Type of credit exposure

	Maximum credit exposure US$	Maximum credit exposure KHR'000 (Note 5)	Fully subject to collateral/credit enhancement %	Partially subject to collateral/ credit enhancement %	Unsecured and not subject to collateral/ credit enhancement %
31 December 2021					
On Balance sheet items					
Cash equivalents	56,424,428	229,873,120	-	-	100%
Placements with the NBC	14,712,662	59,939,385	-	-	100%
Loans and advances to customers-gross	392,466,847	1,598,909,935	91%	-	9%
Derivatives held for risk management	364,500	1,484,973	-	-	100%
Other assets	401,531	1,635,837	-	-	100%
Total	464,369,968	1,891,843,250			
Off-Balance sheet items					
Commitments	133,925,490	545,612,448	95%	-	5%

34. Financial risk management (continued)

B. Credit risk (continued)

(ii). Concentration of risk (continued)

Type of credit exposure (continued)

	Maximum credit exposure US$	Maximum credit exposure KHR'000 (Note 5)	Fully subject to collateral/credit enhancement %	Partially subject to collateral/ credit enhancement %	Unsecured and not subject to collateral/ credit enhancement %
31 December 2020					
On Balance sheet items					
Cash equivalents with other banks	51,050,334	206,498,601	-	-	100%
Placements with NBC	13,930,219	56,347,736	-	-	100%
Loans and advances to customers	294,965,356	1,193,134,865	89%	-	11%
Other assets	329,298	1,332,010	-	-	100%
Total	360,275,207	1,457,313,212			
Off-Balance sheet items					
Commitments	68,675,704	277,793,223	88%	-	12%

34. Financial risk management (continued)

B. Credit risk (continued)

(ii). Concentration of risk (continued)

Concentration risk by industrial sectors

31 December 2021	Cash and cash equivalents US$	Placements with the NBC US$	Loans and advances to customers US$	Other assets US$	Derivatives held for risk management US$	Total US$
Banking	56,424,428	14,712,662	4,894,350	-	364,500	76,395,940
Microfinance Institutions	-	-	14,180,301	-	-	14,180,301
Manufacturing	-	-	26,519,407	-	-	26,519,407
Printing	-	-	3,617,587	-	-	3,617,587
Water, Sewerage and Drainage	-	-	1,232,910	-	-	1,232,910
Construction Services	-	-	14,399,635	-	-	14,399,635
Import and Export	-	-	75,899,737	-	-	75,899,737
Other Wholesale Trade	-	-	43,111,861	-	-	43,111,861
Retail Trade	-	-	59,681,935	-	-	59,681,935
Hotels and Restaurants	-	-	20,982,245	-	-	20,982,245
Transport and Storage	-	-	5,596,894	-	-	5,596,894
Real Estate Loan	-	-	91,879,703	-	-	91,879,703
Other Retail Lending	-	-	1,014,445	-	-	1,014,445
Others	-	-	29,455,837	401,531	-	29,959,370
Total (US$)	56,424,428	14,712,662	392,466,847	401,531	364,500	29,857,368
Total (KHR'000 – Note 5)	229,873,120	59,939,385	1,598,909,935	1,635,837	1,484,973	1,891,843,250

34. Financial risk management (continued)

B. Credit risk (continued)

(ii). Concentration of risk (continued)

Concentration risk by industrial sectors (continued)

31 December 2020	Cash and cash equivalents US$	Placements with the NBC US$	Loans and advances to customers US$	Other assets US$	Total US$
Banking	51,050,334	13,930,219	-	-	64,980,553
Microfinance Institutions	-	-	11,589,605	-	11,589,605
Manufacturing	-	-	21,941,961	-	21,941,961
Printing	-	-	3,261,166	-	3,261,166
Water, Sewerage and Drainage	-	-	436,106	-	436,106
Construction Services	-	-	10,063,101	-	10,063,101
Import and Export	-	-	71,229,916	-	71,229,916
Other Wholesale Trade	-	-	21,346,888	-	21,346,888
Retail Trade	-	-	40,228,164	-	40,228,164
Hotels and Restaurants	-	-	19,000,340	-	19,000,340
Transport and Storage	-	-	5,908,860	-	5,908,860
Real Estate Loan	-	-	60,574,865	-	60,574,865
Other Retail Lending	-	-	1,203,258	-	1,203,258
Others	-	-	28,181,126	329,298	28,510,424
Total (US$)	51,050,334	13,930,219	294,965,356	329,298	360,275,207
Total (KHR'000 – Note 5)	206,498,601	56,347,736	1,193,134,865	1,332,010	1,457,313,212

34. Financial risk management (continued)

B. Credit risk (continued)

(ii). Concentration of risk (continued)

Concentration risk by residency status, relationship, large exposures and by concession for loans and advances to customers:

	31 December 2021 US$	31 December 2020 US$	31 December 2021 KHR'000 (Note 5)	31 December 2020 KHR'000 (Note 5)
By residency status:				
Residents	392,466,847	294,965,356	1,598,909,935	1,193,134,865
By relationship:				
External customers	385,104,607	290,361,561	1,568,916,169	1,174,512,514
Staff loans	7,362,240	4,603,795	29,993,766	18,622,351
	392,466,847	294,965,356	1,598,909,935	1,193,134,865
By exposure:				
Large exposures (*)	43,932,359	55,376,137	178,980,431	223,996,475
Non-large exposures	348,534,488	239,589,219	1,419,929,504	969,138,390
	392,466,847	294,965,356	1,598,909,935	1,193,134,865
By concession:				
Restructured (**)	21,557,258	9,405,687	87,824,269	38,046,004
Non-restructured	370,909,589	285,559,669	1,511,085,666	1,155,088,861
	392,466,847	294,965,356	1,598,909,935	1,193,134,865

(*) A "large exposure" is defined under the NBC's Prakas as the overall gross exposure of the aggregate balance of loans and advances with one single beneficiary, which exceeds 10% of the Bank's net worth.

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

34. Financial risk management (continued)

B. Credit risk (continued)

(iii). Collateral

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

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

Cash and cash equivalents, placements with NBC, statutory deposits and other assets

Collateral is generally not sought for these assets.

Loans and advances to customers, contingent liabilities, and commitments

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

34. Financial risk management (continued)

B. Credit risk (continued)

(iii). Collateral (continued)

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

	Collateral/credit enhancement			Unsecured credit exposure	
	Properties US$	Fixed deposits US$	Others US$	US$	Total US$
31 December 2021					
Loans and advances to customers	353,901,157	4,757,036	-	33,808,654	392,466,847
Commitments	82,694,225	6,465,215	-	44,766,050	133,925,490
	436,595,382	11,222,251	-	78,574,704	526,392,337
31 December 2020					
Loans and advances to customers	263,279,528	575,050	4,570,190	26,540,588	294,965,356
Commitments	54,471,644	7,677,527	30,450	6,496,083	68,675,704
	317,751,172	8,252,577	4,600,640	33,036,671	363,641,060

34. Financial risk management (continued)

B. Credit risk (continued)

(iv). Credit quality of gross Loans and advances to customers

Pursuant to the NBC guideline Prakas B7.017.344, it has defined each credit grading according to its credit quality as follows:

Normal:

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

Special Mention:

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

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

Substandard

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

Factors leading to a substandard classification include:

- Inability of the counterparty to meet the contractual repayments' terms,
- Unfavourable economic and market conditions that would adversely affect the business and profitability of the counterparty in the future,
- Weakened financial condition and/or inability of the counterparty to generate enough cash flow to service the payments,
- Difficulties experienced by the counterparty in repaying other facilities granted by the Institution or by other institutions when the information is available, and
- Breach of financial covenants by the counterparty.

34. Financial risk management (continued)

B. Credit risk (continued)

(iv). Credit quality of gross Loans and advances to customers (continued)

Doubtful

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

Loss

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

Recognition of ECL

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

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

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

34. Financial risk management (continued)

B. Credit risk (continued)

(iv). Credit quality of gross Loans and advances to customers (continued)

Long-term facilities (more than one year)

Stages	Credit Risk Status	Grades	DPD	Default Indicator
1	No significant increase in credit risk	Normal	0 ⩽ DPD < 30	Performing
2	Credit risk increased significantly	Special Mention	30 ⩽ DPD < 90	Underperforming
3	Credit impaired assets	Substandard	90 ⩽ DPD < 180	Nonperforming
		Doubtful	180 ⩽ DPD <360	
		Loss	DPD ⩾ 360	

Short-term facilities (one year or less)

Stages	Credit Risk Status	Grades	DPD	Default Indicator
1	No significant increase in credit risk	Normal	0 ⩽ DPD ⩽ 14	Performing
2	Credit risk increased significantly	Special Mention	15 ⩽ DPD ⩽ 30	Underperforming
3	Credit impaired assets	Substandard	31 ⩽ DPD ⩽ 60	Nonperforming
		Doubtful	61 ⩽ DPD ⩽ 90	
		Loss	DPD ⩾ 91	

The Bank will use the day past due (DPD) information and NBC's classification for staging criteria.

As for financial assets that are short term in nature, simplified approach will be adopted where no staging criteria is required. In this case, it will be either performing (Stage1) or non-performing.

34. Financial risk management (continued)

B. Credit risk (continued)

(iv). Credit quality of gross Loans and advances to customers (continued)

Recognition of ECL (continued)

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

	31 December 2021			
	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$
Loans and advances to customers at amortised cost				
Normal	366,434,537	25,061,885	53,167	391,549,589
Special Mention	50,258	11,761	-	62,019
Substandard	-	-	419,948	419,948
Doubtful	-	-	178,943	178,943
Loss	-	-	256,348	256,348
	366,484,795	25,073,646	908,406	392,466,847
Impairment losses				
- General	(2,756,796)	(1,379,511)	(484,166)	(4,620,473)
- Impacts from Covid-19	(1,681,646)	(841,501)	-	(2,523,147)
Carrying amounts (US$)	362,046,353	22,852,634	424,240	385,323,227
Carrying amounts (KHR'000)	1,474,976,842	93,101,631	1,728,354	1,569,806,827

	31 December 2020			
	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$
Loans and advances to customers at amortised cost				
Normal	292,403,043	2,056,982	37,172	294,497,197
Special Mention	17,875	211,377	-	229,252
Substandard	-	-	54,116	54,116
Doubtful	-	-	95,718	95,718
Loss	-	-	89,073	89,073
	292,420,918	2,268,359	276,079	294,965,356
Impairment losses				
- General	(3,960,580)	(413,098)	(172,044)	(4,545,722)
- Impacts from Covid-19	(1,980,290)	(206,549)	-	(2,186,839)
	(5,940,870)	(619,647)	(172,044)	(6,732,561)
Carrying amounts (US$)	286,480,049	1,648,711	104,035	288,232,795
Carrying amounts (KHR'000)	1,158,811,798	6,669,036	420,822	1,165,901,656

34. Financial risk management (continued)

B. Credit risk (continued)

(iv). Credit quality of gross Loans and advances to customers (continued)

Recognition of ECL (continued)

Incorporation of forward-looking information

The Bank incorporates forward-looking information into the measurement of ECL.

External information considered includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Bank operates, supranational organisations such as the International Monetary Fund, and selected private-sector and academic forecasters.

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

In response to the recent Covid-19 pandemic, the Bank has determined that the economic outlook for the upcoming years is highly impacted by the pandemic and therefore sets forth of new set of economic (and loss) scenarios.

For a better understanding of the impact on impairment losses caused by the anticipated modification of the risk (forward-looking method), the impairment losses are analysed between:

- impairment corresponding to the intrinsic risk of a stable environments and
- a Covid-19 impairment corresponding to the specific risk of the anticipated changes.

34. Financial risk management (continued)

B. Credit risk (continued)

(v). Amounts arising from ECL

Loss allowance

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

	2021			
	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$
Loans and advances to customers at amortised cost				
Balance at 1 January	5,940,869	619,648	172,044	6,732,561
- Transfer to Stage 1	28,623	(14,569)	(14,054)	-
- Transfer to Stage 2	(446,351)	446,387	(36)	-
- Transfer to Stage 3	(10,927)	(57,970)	68,897	-
Net remeasurement of loss allowance	(2,274,576)	1,057,418	299,281	(917,877)
New financial assets originated or purchased	2,277,558	307,875	19,676	2,605,109
Financial assets that have been derecognised	(1,076,754)	(137,777)	(2,152)	(1,216,683)
Written off	-	-	(59,490)	(59,490)
Balance at 31 December (US$)	4,438,442	2,221,012	484,166	7,143,620
Balance at 31 December (KHR'000)	18,082,213	9,048,403	1,972,492	29,103,108

	2020			
	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$
Loans and advances to customers at amortised cost				
Balance at 1 January	3,024,520	104,180	69,146	3,197,846
- Transfer to Stage 2	(26,760)	26,760	-	-
- Transfer to Stage 3	(1,214)	(5,666)	6,880	-
Net remeasurement of loss allowance	746,956	318,621	779,838	1,845,415
New financial assets originated or purchased	2,838,595	246,241	27,896	3,112,732
Financial assets that have been derecognised	(641,228)	(70,488)	(711,716)	(1,423,432)
Balance at 31 December (US$)	5,940,869	619,648	172,044	6,732,561
Balance at 31 December (KHR'000)	24,030,815	2,506,476	695,918	27,233,209

34. Financial risk management (continued)

B. Credit risk (continued)

(v). Amounts arising from ECL (continued)

Loss allowance (continued)

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

Placements with other banks

	2021				
	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$	KHR'000 (Note 5)
At 1 January	245,079	-	-	245,079	991,345
Changes in loss allowance	104,204	-	-	104,204	423,902
Currency translation differences	-	-	-	-	7,732
At 31 December	349,283	-	-	349,283	1,422,979

	2020				
	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$	KHR'000 (Note 5)
At 1 January	132,347	-	-	132,347	539,314
Changes in loss allowance	112,732			112,732	459,608
Currency exchange differences	-	-	-	-	(7,577)
At 31 December	245,079	-	-	245,079	991,345

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34. Financial risk management (continued)

B. Credit risk (continued)

(v). *Amounts arising from ECL (continued)*

Loss allowance (continued)

The following tables show the reconciliation from the opening to the closing balance of the loss allowance by class of financial instrument (continued):

Off balance sheet

2021	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$	Total KHR'000 (Note 5)
At 1 January	1,390,683	-	-	1,390,683	5,625,313
Changes in loss allowance	191,577	-	-	191,577	779,335
Currency translation differences	-	-	-	-	41,480
At 31 December	1,582,260	-	-	1,582,260	6,446,128

2020	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$	Total KHR'000 (Note 5)
At 1 January	786,350	-	-	786,350	3,204,376
Changes in loss allowance	604,333	-	-	604,333	2,463,866
Currency exchange differences	-	-	-	-	(42,929)
At 31 December	1,390,683	-	-	1,390,683	5,625,313

C. Market risk

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

(i). *Interest rate risk*

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

34. Financial risk management (continued)

C. Market risk (continued)

(i). *Interest rate risk (continued)*

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

As at 31 December 2021	Up to 1 month US$	> 1-3 months US$	> 3-6 months US$	> 6-12 months US$	> 1 to 5 years US$	Over 5 years US$	Non-interest bearing US$	Total US$
Financial assets								
Cash and cash equivalents	50,228,935	6,195,493	-	-	-	-	21,708,930	78,133,358
Placement with the NBC	2,812,000	5,821,000	1,013,000	5,063,000	-	-	3,662	14,712,662
Loans and advances to customers	17,786,005	22,014,478	23,689,703	15,130,135	52,730,043	259,859,604	1,256,879	392,466,847
Derivatives held for risk management	-	-	-	-	-	-	364,500	364,500
Other assets	-	-	-	-	401,531	-	-	401,531
	70,826,940	34,030,971	24,702,703	20,193,135	53,131,574	259,859,604	23,333,971	486,078,898
Financial liabilities								
Deposits from customers	112,484,781	14,285,128	16,935,793	53,047,764	52,685,516	-	5,911,264	255,350,246
Deposits from other banks	12,391,585	27,000,000	-	33,000,000	8,000,000	-	502,576	80,894,161
Borrowings	73,772,095	6,025,016	983,252	4,685,938	-	-	450,677	85,916,978
Derivative liabilities	-	-	-	-	-	-	744,471	744,471
Lease liabilities	168,821	756,103	132,591	278,602	3,250,820	3,030,858	-	7,617,795
Other liabilities	-	-	-	-	-	-	2,713,690	2,713,690
	198,817,282	48,066,247	18,051,636	91,012,304	63,936,336	3,030,858	10,322,678	433,237,341
Interest sensitivity gap	(127,990,342)	(14,035,276)	6,651,067	(70,819,169)	(10,804,762)	256,828,746	13,011,293	52,841,557
(KHR'000 equivalents - Note 5)	(521,432,653)	(57,179,714)	27,096,447	(288,517,295)	(44,018,600)	1,046,320,311	53,008,009	215,276,505

34. Financial risk management (continued)

C. Market risk (continued)

(i). Interest rate risk (continued)

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

As at 31 December 2020	Up to 1 month US$	> 1-3 months US$	> 3-6 months US$	> 6-12 months US$	> 1 to 5 years US$	Over 5 years US$	Non-interest bearing US$	Total US$
Financial assets								
Cash and cash equivalents	45,933,245	5,117,089	-	-	-	-	17,249,123	68,299,457
Placement with the NBC	4,051,347	5,049,892	4,828,980	-	-	-	-	13,930,219
Loans and advances to customers	15,328,041	20,644,387	11,192,167	10,062,250	51,997,248	184,863,585	877,678	294,965,356
Other assets	-	-	-	-	329,298	-	-	329,298
	65,312,633	30,811,368	16,021,147	10,062,250	52,326,546	184,863,585	18,126,801	377,524,330
Financial liabilities								
Deposits from customers	103,573,534	13,317,986	36,502,001	18,646,346	37,347,819	16,495,900	4,244,061	230,127,647
Deposits from other banks	3,743,237	13,054,292	10,000,000	-	-	-	317,092	27,114,621
Borrowings	71,930,779	9,888,752	4,697,157	-	-	-	247,261	86,763,949
Lease liabilities	122,689	134,525	154,362	-	4,012,668	2,266,056	-	6,690,300
Other liabilities	-	-	-	-	-	-	1,518,815	1,518,815
	179,370,239	36,395,555	51,353,520	18,646,346	41,360,487	18,761,956	6,327,229	352,215,332
Interest sensitivity gap	(114,057,606)	(5,584,187)	(35,332,373)	(8,584,096)	10,966,059	166,101,629	11,799,572	25,308,998
(KHR'000 equivalents - Note 5)	(461,363,016)	(22,588,036)	(142,919,449)	(34,722,668)	44,357,709	671,881,089	47,729,269	102,374,898

34. Financial risk management (continued)

C. Market risk (continued)

(i). Interest rate risk (continued)

A change of 100 basis points in interest rates at the reporting date would have increased/ (decreased) equity and profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss		Equity	
	100 bp Increase US$	100 bp Decrease US$	100 bp Increase US$	100 bp Decrease US$
31 December 2021				
Variable rate instruments	700,000	(700,000)	700,000	(700,000)
(KHR'000 – Note 5)	2,847,600	(2,847,600)	2,847,600	(2,847,600)

	Profit or loss		Equity	
	100 bp Increase US$	100 bp Decrease US$	100 bp Increase US$	100 bp Decrease US$
31 December 2020				
Variable rate instruments	680,000	(680,000)	680,000	(680,000)
(KHR'000 – Note 5)	2,772,360	(2,772,360)	2,772,360	(2,772,360)

34. Financial risk management (continued)

C. Market risk (continued)

(i). Interest rate risk (continued)

Interest rate benchmark reform

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates ("IBORs") with alternative nearly risk-free rates (referred to as "IBOR reform").

The following table contains details of non-derivative financial instruments held by the Bank at 31 December 2021 which are subject to the IBOR reform and have not transitioned to an alternative benchmark interest rate:

	31 December 2021 US$	31 December 2020 US$	31 December 2021 KHR'000 (Note 5)	31 December 2020 KHR'000 (Note 5)
Non-derivative financial instruments				
Financial liabilities that reference to US$ LIBOR				
Borrowings	70,025,839	68,019,444	285,285,268	275,138,651

The Bank holds derivatives for trading and risk management purposes. The Bank's derivative instruments are governed by ISDA's 2006 definitions. The following table contains details of derivative financial instruments held by the Bank at 31 December 2021 which are subject to the reform and have not transitioned to an alternative benchmark interest rate:

	31 December 2021 US$	31 December 2020 US$	31 December 2021 KHR'000 (Note 5)	31 December 2020 KHR'000 (Note 5)
Derivatives held for risk management				
Derivative assets that reference to US$ LIBOR				
Interest rate swap	364,500	-	1,484,973	-
Derivative liabilities that reference to US$ LIBOR				
Interest rate swap	(364,500)	-	(1,484,973)	-

34. Financial risk management (continued)

C. Market risk (continued)

(ii). Foreign currency exchange risk

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

Concentration of currency risk

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

	Denomination US$ equivalents					
31 December 2021	KHR	US$	EUR	THB	CHF	Total
Financial assets						
Cash and cash equivalents	3,503,793	65,141,889	9,392,927	94,749	-	78,133,358
Placements with the NBC	-	14,712,662	-	-	-	14,712,662
Loans and advances to customers	39,372,181	353,091,805	2,861	-	-	392,466,847
Derivatives held for risk management	-	364,500	-	-	-	364,500
Other assets	196	401,335	-	-	-	401,531
	42,876,170	433,712,191	9,395,788	94,749	-	486,078,898

34. Financial risk management (continued)

C. Market risk (continued)

(ii). Foreign currency exchange risk (continued)

Concentration of currency risk (continued)

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

	Denomination US$ equivalents					
31 December 2021	KHR	US$	EUR	THB	CHF	Total
Financial liabilities						
Deposits from customers	6,576,873	240,373,400	8,351,609	48,364	-	255,350,246
Deposits from other banks	25,362	80,868,799	-	-	-	80,894,161
Borrowings	15,891,140	70,025,838	-	-	-	85,916,978
Derivative liabilities	379,971	364,500	-	-	-	744,471
Lease liabilities	-	7,617,795	-	-	-	7,617,795
Other liabilities	2,865	2,707,337	3,488	-	-	2,713,690
	22,876,211	401,957,669	8,355,097	48,364	-	433,237,341
Net asset position	19,999,959	31,754,522	1,040,691	46,385	-	52,841,557
KHR'000 equivalents (Note 5)	81,479,833	129,367,924	4,239,775	188,972	-	215,276,504

34. Financial risk management (continued)

C. Market risk (continued)

(ii). Foreign currency exchange risk (continued)

Concentration of currency risk (continued)

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

	Denomination US$ equivalents					
31 December 2020	KHR	US$	EUR	THB	CHF	Total
Financial assets						
Cash and cash equivalents	2,472,778	57,386,253	7,692,617	235,230	512,579	68,299,457
Placements with the NBC	-	13,930,219	-	-	-	13,930,219
Loans and advances to customers	30,819,889	264,145,343	120	4	-	294,965,356
Other assets	-	329,298	-	-	-	329,298
	33,292,667	335,791,113	7,692,737	235,234	512,579	377,524,330

34. Financial risk management (continued)

C. Market risk (continued)

(ii). Foreign currency exchange risk (continued)

Concentration of currency risk (continued)

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

	Denomination US$ equivalents					
31 December 2020	KHR	US$	EUR	THB	CHF	Total
Financial liabilities						
Deposits from customers	5,461,138	216,755,869	7,208,069	179,509	523,062	230,127,647
Deposits from other banks	8,828,748	18,285,873	-	-	-	27,114,621
Borrowings	18,744,505	68,019,444	-	-	-	86,763,949
Lease liabilities	-	6,690,300	-	-	-	6,690,300
Other liabilities	13,446	1,501,462	3,907	-	-	1,518,815
	33,047,837	311,252,948	7,211,976	179,509	523,062	352,215,332
Net asset/(liability) position	244,830	24,538,165	480,761	55,725	(10,483)	25,308,998
KHR'000 equivalents (Note 5)	990,338	99,256,878	1,944,678	225,408	(42,404)	102,374,898

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34. Financial risk management (continued)

D. Liquidity risk

'Liquidity risk' is the risk that the Bank will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises from mismatches in the timing and amounts of cash flows, which is inherent to the Bank's operations and investments.

Management of liquidity risk

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

34. Financial risk management (continued)

D. Liquidity risk (continued)

As at 31 December 2021	Up to 1 month US$	> 1-3 months US$	> 3-6 months US$	> 6-12 months US$	> 1 to 5 years US$	Over 5 years US$	Total US$
Financial assets							
Cash and cash equivalents	71,937,865	6,195,493	-	-	-	-	78,133,358
Placements with the NBC	2,813,004	5,822,236	1,013,052	5,064,370	-	-	14,712,662
Loans and advances to customers	17,860,067	22,062,442	23,747,846	15,149,739	52,882,659	260,764,094	392,466,847
Derivatives held for risk management	-	-	-	364,500	-	-	364,500
Other assets	-	-	-	-	401,531	-	401,531
	92,610,936	34,080,171	24,760,898	20,578,609	53,284,190	260,764,094	486,078,898
Financial liabilities							
Deposits from customers	113,038,039	14,693,257	17,238,322	53,371,049	57,009,579	-	255,350,246
Deposits from other banks	12,337,935	27,172,808	-	33,269,117	8,114,301	-	80,894,161
Borrowings	73,780,848	6,197,824	983,252	4,955,054	-	-	85,916,978
Derivative liabilities	-	-	-	364,500	379,971	-	744,471
Lease liabilities	168,821	756,103	132,591	278,602	3,250,820	3,030,858	7,617,795
Other liabilities	2,713,690	-	-	-	-	-	2,713,690
	202,039,333	48,819,992	18,354,165	92,238,322	68,754,671	3,030,858	433,237,341
Maturity gap – US$	(109,428,397)	(14,739,821)	6,406,733	(71,659,713)	(15,470,481)	257,733,236	52,841,557
(KHR'000 equivalents - Note 5)	(445,811,288)	(60,050,031)	26,101,030	(291,941,671)	(63,026,740)	1,050,005,205	215,276,505

34. Financial risk management (continued)

D. Liquidity risk (continued)

As at 31 December 2020	Up to 1 month US$	> 1-3 months US$	> 3-6 months US$	> 6-12 months US$	> 1 to 5 years US$	Over 5 years US$	Total US$
Financial assets							
Cash and cash equivalents	63,182,368	5,117,089	-	-	-	-	68,299,457
Placements with the NBC	4,051,347	5,049,892	4,828,980	-	-	-	13,930,219
Loans and advances to customers	16,205,719	20,644,387	11,192,167	10,062,250	51,997,248	184,863,585	294,965,356
Other assets	-	-	-	-	329,298	-	329,298
	83,439,434	30,811,368	16,021,147	10,062,250	52,326,546	184,863,585	377,524,330
Financial liabilities							
Deposits from customers	107,817,595	13,317,986	36,502,001	18,646,346	37,347,819	16,495,900	230,127,647
Deposits from other banks	4,060,329	13,054,292	10,000,000	-	-	-	27,114,621
Borrowings	72,178,040	9,888,752	4,697,157	-	-	-	86,763,949
Lease liabilities	122,689	134,525	154,362	-	4,012,668	2,266,056	6,690,300
Other liabilities	1,518,815	-	-	-	-	-	1,518,815
	185,697,468	36,395,555	51,353,520	18,646,346	41,360,487	18,761,956	352,215,332
Maturity gap – US$	(102,258,034)	(5,584,187)	(35,332,373)	(8,584,096)	10,966,059	166,101,629	25,308,998
(KHR'000 equivalents - Note 5)	(413,633,748)	(22,588,036)	(142,919,449)	(34,722,668)	44,357,709	671,881,090	102,374,898

34. Financial risk management (continued)

E. Operational risk

The operational risk is the risk of losses arising from inadequate or failed internal processes, people or systems or from external factors. This risk is managed through established operational risk management processes, proper monitoring and reporting of the business activities by control and oversight provided by the senior Management. This includes legal, compliance, accounting and fraud risk.

The operational risk management entails the establishment of clear organizational structures, roles and control policies. Various internal control policies and measures have been implemented. These include the establishment of signing authorities, defining system parameters controls, streaming procedures and documentation ensuring compliance with regulatory and legal requirements. These are reviewed continually to address the operational risks of its banking business.

F. Capital management

(i). Regulatory capital

The Bank's objectives when managing capital, which is a broader concept than the "equity" on the face of the statement of financial position, are:

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

The Bank's policy 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 shareholders' 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.

(ii). Capital allocation

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

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35. Fair values of financial assets and liabilities

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

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

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

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

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

Financing, advances and others

The fair value is estimated by discounting the estimated future cash flows using the prevailing market rates of financing with similar credit risks and maturities.

Fair value hierarchy

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

- Level 1 – Quoted price (unadjusted) in active markets for the identical assets or liabilities. This level includes listed equity securities and debt instruments.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

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

Fair value hierarchy (continued)

- Level 3 – Inputs for asset or liability that are not based on observable market data (unobservable inputs). This level includes equity instruments and debt instruments with significant unobservable components.

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

36. Significant accounting policies

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

A. Basis of measurement

The financial statements, except for financial instruments at FVTPL and financial assets at FVOCI, which are measured at FV, have been prepared on a historical cost basis.

B. Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency at the spot exchange rates at the date of the transactions.

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

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

36. Significant accounting policies (continued)

C. Financial assets and financial liabilities

(i). Recognition and initial measurement

The Bank initially recognises loans and advances, borrowings and subordinated liabilities on the date on which they are originated. All other financial instruments are recognised on the trade date, which is the date on which the Bank becomes a party to the contractual provisions of the instrument.

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

(ii). Classification

Financial assets

On initial recognition, a financial asset is classified as measured at amortised cost, FVOCI or FVTPL.

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

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

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

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

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

36. Significant accounting policies (continued)

C. Financial assets and financial liabilities (continued)

(ii). Classification (continued)

Financial assets (continued)

All other financial assets are classified as measured at FVTPL

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

Business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

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

36. Significant accounting policies (continued)

C. Financial assets and financial liabilities (continued)

(ii). Classification (continued)

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

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

In assessing whether the contractual cash flows are SPPI, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making the assessment, the Bank considers:

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

36. Significant accounting policies (continued)

C. Financial assets and financial liabilities (continued)

(ii). Classification (continued)

Reclassifications

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

(iii). Derecognition

Financial assets

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

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

Financial liabilities

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

36. Significant accounting policies (continued)

C. Financial assets and financial liabilities (continued)

(iv). Modifications of financial assets and financial liabilities

Financial assets

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

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised (see (iii)) and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit and loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit and loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

36. Significant accounting policies (continued)

C. Financial assets and financial liabilities (continued)

(iv). Modifications of financial assets and financial liabilities (continued)

Financial liabilities

The Bank derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit and loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit and loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

Interest rate benchmark reform

If the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changes as a result of interest rate benchmark reform, then the Bank updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

If changes are made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, then the Bank first updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. After that, the Bank applies the policies on accounting for modifications set out above to the additional changes.

36. Significant accounting policies (continued)

C. Financial assets and financial liabilities (continued)

(v). Offsetting

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

(vi). Fair value measurement

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

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Bank determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit and loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

36. Significant accounting policies (continued)

C. Financial assets and financial liabilities (continued)

(vi). Fair value measurement (continued)

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(vii). Impairment

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

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

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:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

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

Life-time ECL are the ECL that result 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'.

36. Significant accounting policies (continued)

C. Financial assets and financial liabilities (continued)

(vii). Impairment (continued)

At each reporting date, the Bank assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

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

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Bank is exposed to credit risk.

Determining whether credit risk has increased significantly

The Bank assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower, and the geographical region.

The Bank considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due for long term facilities or more than or equal to 15 days past due for short-term facilities. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL.

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).

36. Significant accounting policies (continued)

C. Financial assets and financial liabilities (continued)

(vii). Impairment (continued)

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

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

Inputs, assumptions and techniques used for estimating impairment

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

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

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD (for Stage 2 and Stage 3).

As Stage 2 exposures encompass Watch List exposures, prudential PD used for credit risk own funds requirements on Watch list exposures is taken into account. The bank credit granting policy follows general principles and rules defined in accordance with BRED Group credit granting approach. One shall remind that a significant part of the credit exposures, including the biggest files, are even presented to BRED credit committee for decision making. As a consequence, watch listed items are expected to process from similar credit granting processes and display similar behavior in terms of defaulting.

As per BRED Group Watch List methodology, credit exposures ranked on credit grades 14 and higher are included in the Watch List. Such exposures bear a PD at least equal to 11.73%. That grade 14 PD is therefore considered for Stage 2 consistently with BRED Group credit practices.

36. Significant accounting policies (continued)

C. Financial assets and financial liabilities (continued)

(vii). Impairment (continued)

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

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters by setting default value set at 25% (2020:45%) which corresponds to the Basel IRBF parameter for senior claims on corporates, sovereigns and banks not secured by recognised collateral.

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

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

Restructured financial assets

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

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

36. Significant accounting policies (continued)

C. Financial assets and financial liabilities (continued)

(vii). Impairment (continued)

Credit-impaired financial assets

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

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

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

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

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL except for allowance for expect credit losses of off-balance sheet items which is presented in other liabilities; are presented in the statement of financial position for financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets.

Write-off

Loans and advances are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank 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. This assessment is carried out at the individual asset level.

36. Significant accounting policies (continued)

C. Financial assets and financial liabilities (continued)

(vii). Impairment (continued)

Write-off (continued)

Recoveries of amounts previously written off are recognised when cash is received and are included in 'impairment losses on financial instruments' in the statement of profit and loss and OCI.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

D. Cash and cash equivalents

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

E. Share capital

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

F. Regulatory reserves

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

(i) In case that the regulatory provision calculated in accordance with Article 72 is lower than provision calculated in accordance with Articles 49 to 71, the entity records the provision calculated in accordance with CIFRSs; and

36. Significant accounting policies (continued)

F. Regulatory reserves (continued)

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

The regulatory reserves are not an item to be included in the calculation of the Bank's net worth.

On 28 December 2021, the NBC issued a new Circular, No. B7-021-2314 CL on Classification and Provisioning Requirement on Restructure Loans, which aims at phasing out the forbearance period for the existing restructured loans and phasing the classification and provisioning arrangements complying with the current regulation, Prakas No.B7-017-344 dated 01 December 2017 on Credit Risk Grading and Impairment Provisioning. In this regard, all restructured loans by 31 December 2021 shall be classified and provisioned based on the requirements under this circular. For loans that were still in the assessment period, they shall be kept at the same classification as before the restructured terms of contract.

Following the NBC's workshop on "the Circular on Classification and Provisioning Requirement or Restructured Loans" held on 18 January 2022, the NBC issued a communication on 4 February 2022 allowing banking and financial institutions ("BFIs") to defer the implementation of the new Circular until January 2022 onward though early adoption is encouraged. The Bank chose to defer the implementation of the new Circular in preparing the financial statements for the year ended 31 December 2021.

G. Deposits and Placements with banks

Deposits and placements with banks are stated at amortised cost less allowance for impairment for any uncollectable amounts.

H. Statutory deposits

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

I. Loans and advances to customers

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

36. Significant accounting policies (continued)

J. Derivatives held for risk management

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives are measured at fair value in the statement of financial position.

K. Other assets

Other assets are carried at cost less impairment if any.

L. Property and equipment

(i) Recognition and measurement

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

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

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

(ii). Subsequent costs

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

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

36. Significant accounting policies (continued)

L. Property and equipment (continued)

(iii). Depreciation

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

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

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Bank will obtain ownership by the end of the lease term.

Depreciation is recognised from the date that the property and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

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

	Years
Furniture and fixture	5 to 10
Equipment	5 to 10
Computer equipment	5
Motor vehicles	5

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

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

M. Intangible assets

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

36. Significant accounting policies (continued)

M. Intangible assets (continued)

Intangible assets are amortised over their estimated useful lives from 5 to 20 years using the straight-line method.

Costs associated with the development or maintenance of computer software are recognised as expenses when incurred.

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

N. Leases

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

Leases in which the Bank is a lessee

At inception or on modification of a contract that contains a lease component, the Bank allocates consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of land and buildings, the Bank has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

36. Significant accounting policies (continued)

N. Leases (continued)

Leases in which the Bank is a lessee (continued)

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

- Building and office branches 3 – 10 years

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

The bank determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustment to reflect the terms of the lease and type of asset leased.

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

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

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

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

The Bank determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustment to reflect the terms of the lease and type of asset leased. The Bank uses incremental borrowing rate ranging from 3-4% (2020: 3-4%).

36. Significant accounting policies (continued)

N. Leases (continued)

Short-term leases and leases of low-value assets

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

O. Deposits from customers and other banks

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

P. Borrowings

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

Q. Employee Benefits

(i). Short-term employee benefits

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

(ii). Other long-term employee benefits

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

36. Significant accounting policies (continued)

R. Provisions

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

S. Interest income and expense

(i). Effective interest rate

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

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

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

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

(ii). Amortised cost and gross carrying amount

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

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

36. Significant accounting policies (continued)

S. Interest income and expense (continued)

(iii). Calculation of interest income and expense

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

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

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

(iv). Presentation

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

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

T. Fee and commission

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

Other fee and commission income – including account servicing fees is recognised as the related services are performed.

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

36. Significant accounting policies (continued)

U. Net gains/losses from other financial instruments at fair value through profit or loss (FVTPL)

Net gains/losses from other financial instruments at FVTPL relates to non-trading derivatives held for risk management purposes that do not form part of qualifying hedging relationships, financial assets and financial liabilities designated as at FVTPL and also non-trading assets mandatorily measured at FVTPL. The line item includes fair value changes, interest, and foreign exchange differences.

V. Impairment of non-financial assets

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

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

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

Impairment losses are recognised in profit and loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

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

36. Significant accounting policies (continued)

W. Income tax

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

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

(i). Current tax

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

(ii). Deferred tax

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

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

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

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

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

36. Significant accounting policies (continued)

X. Contingent liabilities

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

Y. Contingent assets

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

37. Change in accounting policies

The Bank has initially adopted *Interest Rate Benchmark Reform – Phase 2* (Amendments to CIFRS 9, CIAS 39, CIFRS 7, CIFRS 4 and CIFRS 16) from 1 January 2021.

The Bank applied the Phase 2 amendments retrospectively. However, in accordance with exceptions provided in the Phase 2 amendments, the Bank has elected not to restate the prior period to reflect the application of these amendments, including not providing additional disclosures for 2020. There is no impact on opening equity balances as a result of retrospective application.

The Phase 2 amendments provide practical relief from certain requirements in the standards. These reliefs relate to modifications of financial instruments when a benchmark interest rate in a contract is replaced with a new alternative benchmark rate. When the basis for determining the contractual cash flows of a financial instrument is changed as a direct consequence of interest rate benchmark reform and is made on an economically equivalent basis, the Phase 2 amendments provide a practical expedient to update the effective interest rate of a financial instrument before applying the existing requirements in the standards.

The adoption of the Phase 2 amendments does not have a material effect on the Bank's financial statements. A number of other new standards are also effective from 1 January 2021 that do not have a material effect on the Bank's financial statements.

38. New standards, amendments and interpretations not yet adopted

A number of new standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted; however, the Bank has not early adopted the new or amended standards in preparing these financial statements.

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

- *Onerous contracts – cost of fulfill a contract (Amendments to CIAS 37);*
- *COVID-19-Related Rent Concessions beyond 30 June 2021* (Amendment to CIFRS 16);
- *Annual Improvements to CIFRS Standard 2018 – 2020;*
- *Property, Plant and Equipment: Proceeds before Intended Use (Amendments to CIAS 16);*
- *Reference to Conceptual Framework (Amendments to CIFRS 3);*
- *Classification of Liabilities as Current or Non-current (Amendments to CIAS 1);*
- *Disclosure of Accounting Policies (Amendments to CIAS 1 and CIFRS Practice Statement 2) and*
- *Definition of Accounting Estimates (Amendments to CIAS 8).*

Notes

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