BRED BANK

CAMBODIA

The smarter way to bank.

2023 ANNUAL REPORT

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Message from our CEO

Economic outlook

We are fortunate that the Cambodian economy continues to make progress on a positive path. Despite the more gloomy global context there is a strong ambition for the Kingdom to become a high-middle-income country by 2030 and a high-income country by 2050.

In this regard the Royal Government of Cambodia has set out the first phase of its 'Pentagonal Strategy' which focuses on Growth, Employment, Equity, Efficiency and Sustainability and sets five key priorities: people, roads, water, electricity and technology.

With GDP growth of 5.4% in 2023 and forecasts of around 6% for 2024, the Cambodian economy is marching forward after the COVID crisis while inflation remains under control at 2.7%. One of the remaining challenges for the Kingdom has been the management of Non-Performing Loans. These increased, on average, from 3.1% in 2022 to 5.4% in December 2023.

Several sectors of the economy are still to return to their pre-COVID levels, so there is still room for improvement and expansion in future years. For example, the tourism sector, despite increasing figures for 2023, is still experiencing difficulties and must undergo a positive transformation by reducing its dependence on historic markets by targeting other growing markets. Fortunately, Cambodia has many assets that are powerful tourist attractions and this should enable this strategic sector to regain its position as a major contributor to economic growth.

The real estate and, by association, the construction industry, experienced a year of challenges in 2023. Indeed, there is excess supply in most sectors such as offices, commercial real estate and even hotels. As a result, there are fewer active construction projects and it will probably take some time to rebalance this market.

Mr. Nicolas Christian Romain Hollanders
Chief Executive Officer of BRED Bank (Cambodia) Plc.

Despite a significant increase in refinancing costs following the various US Federal Reserve interest rate increases since 2022, the local banking sector still managed to post positive developments including a 14.7% increase in the overall loan portfolio. Of course, higher interest rate levels provide benefits for savers and growth in deposits was very significant in 2023 at +22.3%. At the same time, the National Bank of Cambodia reduced the USD reserve rate to 7% for 2023, bringing more liquidity to the market.

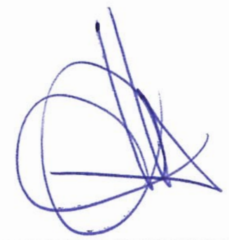
BRED Bank Cambodia in 2023

BRED Bank Cambodia continued to make positive progress in 2023 through the ongoing deployment of our 'TARGET 25' plan. Our parent company, BRED Group, also injected an additional USD 35 million in capital in April 2023, strengthening our fundamentals to allow us to continue our sustainable growth. Notably, we extended our branch network (which currently stands at 15, including 3 in key provinces) and expanded our range of products and services with the launches of our credit card and our new mobile app for corporate and SME customers. We also created our consumer financing centre and deployed a full digital financing request platform for our partners. In everything we do, we are fully customer-oriented and focused on their satisfaction through the quality of our advice, the availability of our staff and the relevance of the solutions we provide to meet their needs.

Looking forward

As we conclude our business for another year, we now look forward to a period of consolidation and sustainable growth in 2024. With the strong support of our parent company, we are extremely well positioned to continue our planned progress and to make a significant contribution to Cambodia's growing financial sector. We also have the opportunity to give something back to society. We take our corporate social responsibilities very seriously and we look forward to further strengthening our links with our CSR partners who are working hard to make a positive social impact in the Kingdom.

There is much to look forward to for our bank and I would like to take this opportunity to thank our staff for their dedication, commitment and hard work and all our customers for their ongoing support.



Mr. Nicolas Christian Romain Hollanders
Chief Executive Officer

Phnom Penh, Kingdom of Cambodia

21 June 2024

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 395 employees as of 31 December 2023 (2022: 374 employees).

The Group

BRED is a member of the Banque Populaire group of cooperative banks. BRED consists of 200,000 cooperative members, owns €6.2 billion of equity capital and employs 6,300 employees, 30% 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. BRED has a network of 475 branches (including 75 outside France) and maintains long-term relatioinships with more than 1.3 million clients.

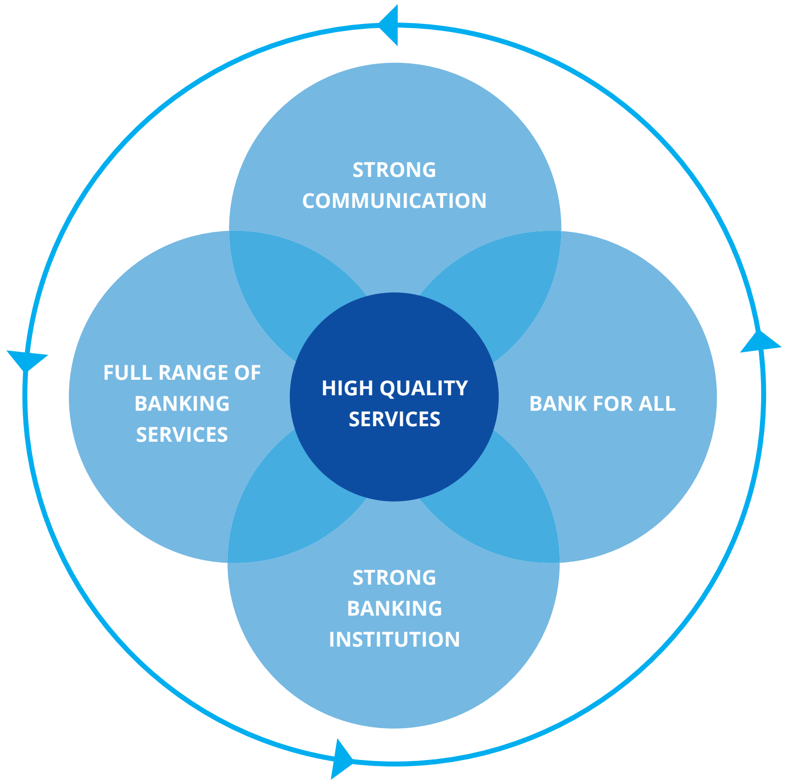
BRED Banque Populaire is engaged in a range of diversified businesses - retail banking, corporate and institutional banking, private banking, asset management, securities trading, insurance and international trade.

In 2023, BRED recorded consolidated Net Banking Income (NBI) of €1,336 million. It recorded a net profit of €319 million.

BRED Banque Populaire is also part of BPCE, the second largest banking group in France. It is present in over 50 countries, serves more than 35 million customers, employs more than 100,000 people and has over 9.5 million cooperative shareholders. BPCE Group has an A/A+ long-term credit rating and operates to 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.



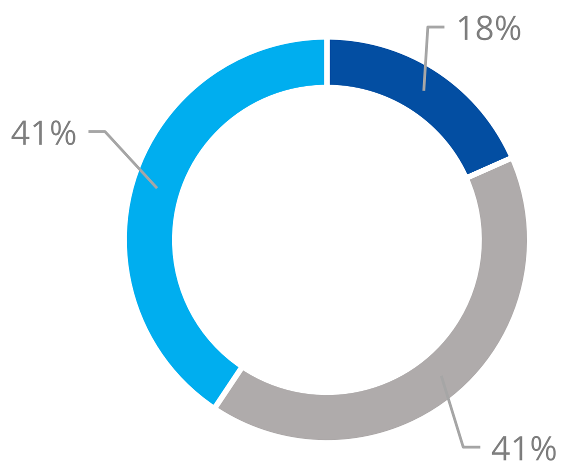
Our commitment to the highest quality services	
Streamlined processes	• Be fast in making decisions • Continuously innovate our processes • Move toward digitalisation (online, remote channel,..)
Customer relationships	• Commit ourselves to transparency • Ensure fair pricing • Develop a proactive approach to increase customer service and satisfaction • 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 • Adapt 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

	2023 US$	2022 US$	2021 US$	2020 US$
Balance sheet				
Deposits from customers	305,685,373	279,328,342	255,350,246	230,127,647
Loans and advances - net	541,072,267	536,235,448	385,323,227	288,232,795
Equity	126,254,233	97,852,369	96,124,704	60,246,411
Total assets	755,047,768	702,117,935	531,128,995	414,004,902
Income statement				
Net interest income	14,908,619	18,904,370	15,352,746	12,143,785
Net fees & commission	(58,251)	502,972	385,813	415,383
General information				
Branches	15	14	10	9
Staff	395	379	282	240
ATMs	79	79	62	48
Depositors	15,540	12,032	8,926	7,128
Borrowers	2,161	1,941	1,553	1,223
Number of issued cards	10,492	8,796	7,239	6,465

Gross deposits in USD

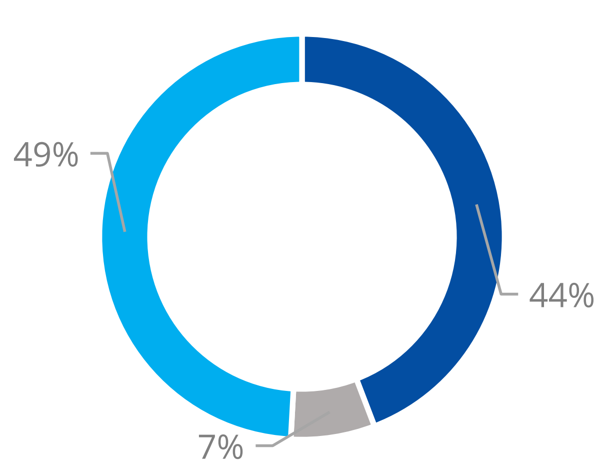
Corporate	18%	95,167,117
Other financial institutions	41%	212,539,905
Individual	41%	210,518,256
Total	100%	518,225,278



- Corporate
- Other financial institutions
- Individual

Gross loans in USD

Corporate	44%	242,305,897
Other financial institutions	7%	36,797,123
Individual	49%	269,372,737
Total	100%	548,475,757



- Corporate
- Other financial institutions
- Individual

Achievements in 2023

Develop a multi-channel distribution network

Branch & ATM networks
- Opened one new branch and increased ATMs to 79 units
- Created Priority Lounges and adapted opening hours in selected branches
- Established loan origination system (ADVANCE) through partnerships

Mobile & Online
- Enhaced existing retail e-banking platform
- Established new e-banking platform for Corporate and SME customers

Call Centre
Improved call centre service and extended opening hours

Organisation

- Improved account opening process
- Adapted branch network organisation and optimised the scale of each RM's customer portfolio

Business products & services

Daily Banking
- Opened new FX dealing room
- Evolved banking packages
- Introduced credit cards

Merchant Banking
- Expanded KHQR payment system
- Expanded bill payment system

Retail products & services

Daily Banking
- Improved banking packages
- Introduced credit cards
- Opened new FX dealing room
- Added new premium banking services

Digital
- Expanded bill payment in m-banking
- Expanded use of KHQR payments

2024 developments

Products & services

Daily Banking
- Introduce loyalty programme
- Add new bill payment options in m-banking
- Introduce CSS project

Digital
- Expand credit card offering
- Expand partnership offering to schools, hospitals and general appliance retailers

Business products & services

Daily Banking
- Expand FX dealing room services
- Introduce staff pension schemes
- Develop escrow and cash collection services
- Expand CSS project

Merchant Banking
- Introduce merchant portal
- Upgrade touch screen POS

Lending
- Offer syndications
- Upgrade trade finance expertise

Digital
- Improve e-payment portal
- Upgrade corporate e-banking

Develop a multi-channel distribution network

Branch & ATM networks
- Continue the expansion of the ATM and cash deposit machine network
- Enhance lounges in branches

Mobile & Online
- Increase POS deployment
- Introduce new e-banking functionality
- Leverage digital capabilities particularly for client onboarding, loan applications and more

Organisation

- Develop ADVANCE loan origination workflow
- Improve credit scoring process
- Introduce branch portal with 360° customer view and customer relationship management capabilities

Organisational Chart

31 December 2023

- **Shareholders Meeting**
  - **Board of Directors**
    - **Internal Audit** – ALEXANDRE CORMIER
    - **Risk & Compliance** – LOUIS-XAVIER FRETIN
    - **Chief Executive Officer** – NICOLAS HOLLANDERS
      - **Property Manager** – FREDERIC REYNAUD
      - **Deputy CEO** – SOPHA MIN
        - **Product** – SOPHA MIN
        - **Channels** – SOPHA MIN
          - Card Solutions
          - Consumer Lending & Partnerships
          - Merchant Solutions
          - Digital Channels
        - **Coporate Banking** – SOPHA MIN
          - Corporate Banking
          - Commercial Banking
          - International Corporate Banking
          - FX & Financial Institutions
        - **Branch Network** – VANNAK SAM
          - Retails & SME Banking
          - Branch Network Support
          - Premier Banking
          - Call Center & Payroll
      - **Marcom** – RYAN GIRMAN
      - **Credit** – MARION QUINTIN
        - Corporate Credit Assessment
        - Retail & SME Credit Assessment
        - Internal Valuation
        - Credit Collection
      - **Legal Affairs** – TOLASATIA SOTHY
      - **Deputy CEO** – JEAN BOURRELLY
        - **Finance** – JEAN BOURRELLY
          - Finance Banking
          - Finance Administration
        - **Operations** – ALEXANDRE BERTOCCI
          - Credit Administration
          - Local Back Office
          - International Back Office
        - **IT** – DAVID DA COSTA
          - Core & Digital Banking
          - Cards & Payments
          - Network, Infrastructure & Security
          - Project Management Office
        - **Human Resources** – RITHY CHANTANA
          - HR Operations
          - Recruitment & HR Compliance
          - Learning & Development
          - HR Business Partners

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. Guillaume Claude Perdon	Chairman
Mr. Baltasar Jean Gonzalez Collado	Director
Mr. Jean-Paul Arokiasamy Julia	Director (appointed on 30 June 2023)
Mr. Olivier Jean Klein	Director (term ended on 29 June 2023)
Mr. Bernard Marie Albert Ramanantsoa	Independent Director
Mr. Guillaume Jean Marie Henri Massin	Independent Director
Mr. Philippe de Fontaine Vive Curtaz	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 and independent director
Mr. Baltasar Gonzalez Collado	Member
Mr. Guillaume Claude Perdon	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. Philippe de Fontaine Vive Curtaz	Chairman and independent director
Mr. Bernard Marie Albert Ramanantsoa	Member and independent director
Mr. Baltasar Jean Gonzalez Collado	Member
Mr. Guillaume Claude Perdon	Member

BRED BANK (CAMBODIA) PLC.

Financial Statements
for the year ended 31 December 2023
and
Report of the Independent Auditors

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	Guillaume Claude Perdon	Chairman
	Baltasar Jean Gonzalez Collado	Director
	Jean-Paul, Arokiasamy Julia	Director (appointed on 30 June 2023)
	Olivier Jean Klein	Director (term ended on 29 June 2023)
	Bernard Marie Albert Ramanantsoa	Independent Director
	Guillaume Jean Marie Henri Massin	Independent Director
	Philippe de Fontaine Vive Curtaz	Independent Director
Management team	Nicolas Christian Romain Hollanders	Chief Executive Officer
	Sopha Min	Deputy Chief Executive Officer
	Jean Bourrelly	Deputy Chief Executive Officer
	Sam Vannak	Head of Branch Network (appointed 18 September 2023)
	Meas Kunthea	Head of Network (term ended on 1 September 2023)
	Marion Quintin	Head of Credit Department
	Alexandre BERTOCCI	Head of Operations Department (appointed on 1 April 2023)
	Chhay Huoy	Head of Credit Administration (term ended on 7 March 2023)
	Rithy Chantana	Head of Human Resource (term ended 31 December 2023)
	David Da Costa	Head of IT Department
	Tolasatia Sothy	Head of Legal
	Louis-Xavier Fretin	Chief Risk & Compliance Officer
	Alexandre CORMIER	Head of Internal Audit (appointed on 1 September 2023)
	Nicolas Vannavong	Head of Internal Audit (term ended 31 August 2023)
	Frederic Reynaud	Head of Property Management
Auditors	KPMG Cambodia Ltd	

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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 2023.

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 financial year.

Financial results

The financial results of the Bank for the year ended 31 December 2023 were as follows:

	2023 US$	2022 US$	2023 KHR'000 (Note 5)	2022 KHR'000 (Note 5)
(Loss)/profit before income tax	(7,314,856)	1,931,414	(30,064,058)	7,893,689
Income tax benefit/(expense)	716,720	(203,749)	2,945,719	(832,722)
Net (loss)/profit for the year	(6,598,136)	1,727,665	(27,118,339)	7,060,967

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 2 February 2023, the Bank requested to the National Bank of Cambodia ("NBC") to increase the share capital from US$110,000,000 to US$145,000,000 following their Board of Directors resolution dated on 7 December 2022. The request was approved by the NBC on 29 March 2023. The Memorandum and Articles of Association of the Bank had been updated to reflect this change and was endorsed by the MoC on 6 June 2023.

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

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 and the making of allowance for doubtful loans and advances, and satisfied themselves that all known bad loans and advances had been written off and adequate allowance had been made for doubtful loans and advances.

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, or the amount of allowance for doubtful loans and advances 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 financial year which secures the liabilities of any other person, or

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

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.

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 financial year were not, in the opinion of the Management, substantially affected by any item, transaction or event of a material and unusual nature.

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

The Directors

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

Guillaume Claude Perdon	Chairman
Baltasar Jean Gonzalez Collado	Director
Jean-Paul, Arokiasamy Julia	Director (appointed on 30 June 2023)
Olivier Jean Klein	Director (term ended on 29 June 2023)
Bernard Marie Albert Ramanantsoa	Independent Director
Guillaume Jean Marie Henri Massin	Independent Director
Philippe de Fontaine Vive Curtaz	Independent Director

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 objective 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 as set out on pages 8 to 111 present fairly, in all material respects, the financial position of the Bank as at 31 December 2023, and its financial performance and its cash flows for the year then ended. In 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.

Approval of the financial statements

We, hereby approve the accompanying financial statements together with the notes thereto which, in our opinion, present fairly, in all material respects, the financial position of the Bank as at 31 December 2023, and its financial performance and its cash flows for the year then ended, in accordance with CIFRSs.

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

BRED BANK (CAMBODIA) PLC.
KINGDOM OF CAMBODIA

Nicolas Christian Romain Hollanders
Chief Executive Officer

Phnom Penh, Kingdom of Cambodia

10 April 2024

KPMG Cambodia Ltd
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Sangkat Tonle Bassac, Khan Chamkar Mon
Phnom Penh, Cambodia
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The smarter way to bank.

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 of 31 December 2023, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information (hereafter referred to as "the financial statements") as set out on pages 8 to 111.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with Cambodian International Financial Reporting Standards ("CIFRSs").

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.

Emphasis of Matter – comparative information

We draw attention to Note 43 to the financial statements which indicates that the comparative information relating to the statement of cash flows presented for the year ended 31 December 2022 has been restated. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the Report of the Directors on pages 1 to 4, 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.

Yim Lundy
Director

Phnom Penh, Kingdom of Cambodia

10 April 2024

Statement of financial position
as at 31 December 2023

	Note	31 December 2023 US$	31 December 2022 US$	31 December 2023 KHR'000 (Note 5)	31 December 2022 KHR'000 (Note 5)
ASSETS					
Cash on hand	6	24,549,839	22,606,828	100,286,092	93,072,311
Balance with the National Bank of Cambodia	7	120,115,201	103,321,927	490,670,596	425,376,373
Balance with other banks and financial institutions	8	45,550,258	17,640,738	186,072,804	72,626,919
Financial assets at FVOCI	9	140,000	140,000	571,900	576,380
Loans and advances to other banks and financial institutions	10	36,575,255	42,885,602	149,409,917	176,560,024
Loans and advances to customers	11	504,497,012	493,349,846	2,060,870,294	2,031,121,316
Derivatives held for risk management	12	1,100,881	1,725,238	4,497,099	7,102,805
Other assets	13	2,814,634	1,309,060	11,497,780	5,389,400
Intangible assets	14	3,511,643	2,913,882	14,345,062	11,996,452
Property and equipment	15	5,910,086	6,399,259	24,142,701	26,345,749
Right-of-use assets	16	7,493,796	8,213,029	30,612,157	33,813,040
Income tax credit	23(B)	1,457,271	-	5,952,952	-
Deferred tax assets – net	23(A)	1,331,892	1,612,526	5,440,779	6,638,770
Total assets		755,047,768	702,117,935	3,084,370,133	2,890,619,539
LIABILITIES AND SHAREHOLDER'S EQUITY					
Liabilities					
Deposits from customers	17	305,685,373	279,328,342	1,248,724,749	1,149,994,784
Deposits from other banks and financial institutions	18	212,539,905	136,098,008	868,225,512	560,315,499
Borrowings	19	94,805,216	169,812,012	387,279,307	699,116,053
Derivatives held for risk management	12	1,100,881	2,083,612	4,497,099	8,578,231
Lease liabilities	20	7,564,760	8,593,073	30,902,045	35,377,682
Other liabilities	21	6,413,136	7,066,842	26,197,660	29,094,189
Provision for impairment of off-balance sheet items	38(B)(v)	658,731	1,199,978	2,690,916	4,940,310
Seniority indemnity obligations	22	25,533	48,652	104,302	200,300
Current income tax liability	23(B)	-	35,047	-	144,288
Total liabilities		628,793,535	604,265,566	2,568,621,590	2,487,761,336

Statement of financial position (continued)
as at 31 December 2023

	Note	31 December 2023 US$	31 December 2022 US$	31 December 2023 KHR'000 (Note 5)	31 December 2022 KHR'000 (Note 5)
Shareholder's equity					
Share capital	24	145,000,000	110,000,000	580,000,000	442,870,000
Reserves	25	21,133,063	9,986,437	86,628,710	40,814,568
Accumulated losses		(39,878,830)	(22,134,068)	(162,851,503)	(89,919,022)
Currency translation reserves		-	-	11,971,336	9,092,657
Total shareholder's equity		126,254,233	97,852,369	515,748,543	402,858,203
Total liabilities and shareholder's equity		755,047,768	702,117,935	3,084,370,133	2,890,619,539

Statement of profit or loss and other comprehensive income for the year ended 31 December 2023

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	Note	2023 US$	2022 US$	2023 KHR'000 (Note 5)	2022 KHR'000 (Note 5)
Operating income					
Interest income	26	43,357,145	34,361,457	178,197,866	140,435,275
Interest expense	27	(28,448,526)	(15,457,087)	(116,923,442)	(63,173,115)
Net interest income		14,908,619	18,904,370	61,274,424	77,262,160
Fee and commission income	28	2,502,085	2,078,257	10,283,569	8,493,836
Fee and commission expense	28	(2,560,336)	(1,575,285)	(10,522,981)	(6,438,190)
Net fee and commission (expense)/income		(58,251)	502,972	(239,412)	2,055,646
Other income	29	835,113	337,846	3,432,314	1,380,777
Net losses from other financial instruments at FVTPL	30	(889,566)	(292,752)	(3,656,116)	(1,196,477)
Total operating profit		14,795,915	19,452,436	60,811,210	79,502,106
Personnel expenses	31	(9,106,066)	(7,102,161)	(37,425,931)	(29,026,532)
Other operating expenses	32	(12,944,413)	(10,772,026)	(53,201,537)	(44,025,270)
Minimum tax expense	23(C)	-	(367,491)	-	(1,501,936)
Total operating expenses		(22,050,479)	(18,241,678)	(90,627,468)	(74,553,738)
Operating (loss)/profit before impairment		(7,254,564)	1,210,758	(29,816,258)	4,948,368
Net impairment losses/(gains) on financial instruments	36	(56,720)	720,656	(233,119)	2,945,321
Other expense		(3,572)	-	(14,681)	-
(Loss)/profit before income tax		(7,314,856)	1,931,414	(30,064,058)	7,893,689
Income tax benefit/(expense)	23(C)	716,720	(203,749)	2,945,719	(832,722)
Net (loss)/profit for the year		(6,598,136)	1,727,665	(27,118,339)	7,060,967
Other comprehensive income					
Items that are or may be reclassified subsequently to profit or loss					
Cash flow hedges-effective of change in fair value		65,622	(65,622)	268,197	(268,197)
Items that will not be reclassified to profit or loss					
Currency translation differences		-	-	8,679	4,185,192
		65,622	(65,622)	276,876	3,916,995
Total comprehensive (loss)/income for the year		(6,532,514)	1,662,043	(26,841,463)	10,977,962

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

Statement of changes in equity for the year ended 31 December 2023

	Share capital US$	Share capital KHR'000 (Note 5)	Reserves US$	Reserves 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 2023	110,000,000	442,870,000	9,986,437	40,814,568	(22,134,068)	(89,919,022)	-	9,092,657	97,852,369	402,858,203
Transaction recognised directly in equity										
Transfer from retained earnings to regulatory reserve (Note 25)	-	-	11,212,248	46,082,339	(11,212,248)	(46,082,339)	-	-	-	-
Transaction with the shareholder										
Capital injection	35,000,000	140,000,000	-	-	-	-	-	-	35,000,000	140,000,000
Total comprehensive loss										
Net loss for the year	-	-	-	-	(6,598,136)	(27,118,339)	-	-	(6,598,136)	(27,118,339)
Other comprehensive income										
Cash flow hedges – effective portion changes in fair value	-	-	(65,622)	(268,197)	65,622	268,197	-	-	-	-
Currency translation differences	-	(2,870,000)	-	-	-	-	-	2,878,679	-	8,679
At 31 December 2023	145,000,000	580,000,000	21,133,063	86,628,710	(39,878,830)	(162,851,503)	-	11,971,336	126,254,233	515,748,543
At 1 January 2022	110,000,000	442,870,000	-	-	(13,875,296)	(56,165,421)	-	4,907,465	96,124,704	391,612,044
Transaction recognised directly in equity										
Transfer from retained earnings to regulatory reserve (Note 25)	-	-	9,920,815	40,546,371	(9,920,815)	(40,546,371)	-	-	-	-
Total comprehensive income										
Net profit for the year	-	-	-	-	1,727,665	7,060,967	-	-	1,727,665	7,060,967
Other comprehensive income										
Cash flow hedges – effective portion changes in fair value	-	-	65,622	268,197	(65,622)	(268,197)	-	-	-	-
Currency translation differences	-	-	-	-	-	-	-	4,185,192	-	4,185,192
At 31 December 2022	110,000,000	442,870,000	9,986,437	40,814,568	(22,134,068)	(89,919,022)	-	9,092,657	97,852,369	402,858,203

Statement of cash flows
for the year ended 31 December 2023

	Note	2023 US$	2022 US$ (As restated)	2023 KHR'000 (Note 5)	2022 KHR'000 (Note 5) (As restated)
Cash flows from operating activities					
Net (loss)/profit for the year		(6,598,136)	1,727,665	(27,118,339)	7,060,967
Adjustment for:					
Depreciation and amortisation	32	3,079,758	2,689,393	12,657,805	10,991,549
Interest income	26	(43,357,145)	(34,361,457)	(178,197,866)	(140,435,275)
Dividend income		(67,378)	-	(276,924)	-
Interest expense	27	28,448,526	15,457,087	116,923,442	63,173,115
Minimum tax expense	23(C)	-	367,491	-	1,501,936
Income tax (benefit)/expense	23(C)	(716,720)	203,749	(2,945,719)	832,722
Net impairment losses/(gains) on financial instruments	36	56,720	(720,656)	233,119	(2,945,321)
Net unrealised losses in derivatives held for risk management		-	292,752	-	1,196,477
Seniority indemnity obligations, net		(23,119)	(12,348)	(95,019)	(50,466)
Gain from disposal of property and equipment		(1,382)	-	(5,680)	-
Write off of property and equipment		3,341	-	13,732	-
Write off of intangible assets	14	-	172,342	-	704,362
		(19,175,535)	(14,183,982)	(78,811,449)	(57,969,934)
Changes in:					
Balance with National Bank of Cambodia		(16,254,252)	(4,321,636)	(66,804,976)	(17,662,526)
Balance with other banks and financial institutions		(30,000,000)	(5,000,000)	(123,300,000)	(20,435,000)
Loans and advances to other banks and financial institutions		6,495,475	(14,181,516)	26,696,402	(57,959,856)
Loans and advances to customers		(11,647,055)	(123,397,594)	(47,869,396)	(504,325,967)
Other assets		(1,834,656)	(87,376)	(7,540,436)	(357,106)
Deposits from customers		28,913,832	56,518,978	118,835,850	230,993,063
Deposits from other banks and financial institutions		74,660,878	25,918,111	306,856,209	105,927,320
Derivatives held for risk management		(358,374)	-	(1,472,917)	-
Other liabilities		(653,706)	3,918,589	(2,686,732)	16,015,273
Cash generated from/(used in) operations		30,146,607	(74,816,426)	123,902,555	(305,774,733)

Statement of cash flows (continued)
for the year ended 31 December 2023

	Note	2023 US$	2022 US$ (As restated)	2023 KHR'000 (Note 5)	2022 KHR'000 (Note 5) (As restated)
Cash flows from operating activities (continued)					
Interest received		42,686,683	31,065,946	175,442,267	126,966,521
Interest paid for lease liabilities		(222,889)	(233,109)	(916,074)	(952,716)
Interest paid		(29,027,971)	(18,495,502)	(119,304,961)	(75,591,117)
Income tax paid	23(B)	(494,964)	(357,455)	(2,034,302)	(1,460,919)
Net cash generated from/(used in) operating activities		43,087,466	(62,836,546)	177,089,485	(256,812,964)
Cash flows from investing activities					
Capital guarantee		(3,500,000)	-	(14,385,000)	-
Dividend received		67,378	-	276,924	-
Purchase of property and equipment and intangible assets	14,15	(1,591,952)	(4,303,725)	(6,542,922)	(17,589,324)
Proceeds from disposals of property and equipment		1,991	-	8,183	-
Net cash used in investing activities		(5,022,583)	(4,303,725)	(20,642,815)	(17,589,324)
Cash flows from financing activities					
Proceeds from borrowings	19	2,131,082,725	328,110,811	8,758,750,000	1,340,988,885
Injection of share capital	24	35,000,000	-	143,850,000	-
Repayment of borrowings	19	(2,206,062,969)	(244,199,398)	(9,066,918,803)	(998,042,940)
Payment of principle portion of lease liabilities	20	(1,580,342)	(934,976)	(6,495,206)	(3,821,247)
Net cash (used in)/generated from financing activities		(41,560,586)	82,976,437	(170,814,009)	339,124,698
Net (decreased)/increase in cash and cash equivalents		(3,495,703)	15,836,166	(14,367,339)	64,722,410
Cash and cash equivalents at beginning of the year		87,774,032	71,937,866	361,365,690	293,074,866
Currency translation differences		-	-	(2,721,377)	3,568,414
Cash and cash equivalents at end of the year	35	84,278,329	87,774,032	344,276,974	361,365,690

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

Notes to the financial statements for the year ended 31 December 2023

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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 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.

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

As at 31 December 2023, the Bank had 395 employees (31 Deember 2022: 374 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 material accounting policies are included in Note 40.

The financial statements were authorised for issue by the Board of Directors on 10 April 2024.

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 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 40C(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 40C(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 40C(vi): determination of the fair value of financial instruments with significant unobservable inputs.
- Note 40C(vii): impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information.
- Note 40C(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 Differences" 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 2023	US$1	=	KHR4,085	KHR4,110
31 December 2022	US$1	=	KHR4,117	KHR4,087

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 on hand

	31 December 2023 US$	31 December 2022 US$	31 December 2023 KHR'000 (Note 5)	31 December 2022 KHR'000 (Note 5)
Cash on hand	16,400,548	13,935,803	66,996,239	57,373,701
Cash in ATM	8,149,291	8,671,025	33,289,853	35,698,610
	24,549,839	22,606,828	100,286,092	93,072,311

7. Balance with the National Bank of Cambodia

		31 December 2023 US$	31 December 2022 US$	31 December 2023 KHR'000 (Note 5)	31 December 2022 KHR'000 (Note 5)
Current accounts		49,481,072	42,682,556	202,130,179	175,724,083
Negotiable certificates of deposits ("NCD")	(A)	8,812,244	14,361,066	35,998,017	59,124,509
Statutory capital deposits	(B)	14,500,000	11,036,240	59,232,500	45,436,200
Reserves requirements on customers' deposits	(C)	47,321,885	35,242,065	193,309,900	145,091,581
		120,115,201	103,321,927	490,670,596	425,376,373

7. Balance with the National Bank of Cambodia (continued)

A. Negotiable certificates of deposits

Negotiable certificates of deposits are maturing from 6 to 12 months and earned interest at rates ranging from 1.02% - 1.07% (2022: 0.08% - 2.98%) per annum.

The Bank has pledged negotiable certificates of deposits (NCD) amounting to US$6,268,496 as at 31 December 2023 (31 December 2022: US$1,548,475) with the NBC as collateral for Liquidity Providing Collateralised Operation (LPCO) while the remaining NCD amounting to US$2,543,748 (31 December 2022:US$3,078,000) has pledged as collateral for overdraft facility. As at 31 December 2023, the Bank had not utilised the overdraft yet (31 December 2022: Nil).

B. Statutory capital deposits

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. On 7 April 2023, the Bank increased the capital guarantee to US$14.5 million, following the increase in share capital, which was approved by the NBC on 29 March 2023. 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.

C. Reserve requirements on customers' deposits

On 9 January 2023, the NBC repealed the Prakas No. B7-020-230 on the Maintenance of Reserve Requirements against Banks and Financial Institutions' Deposits and Borrowings and issued new Prakas No. B7-023-005, which requires Banking and Financial Institutions to maintain reserve requirement against deposits and borrowings at daily average balance with the NBC as follows:

- For local currency (Khmer Riel):
  - Reserve requirement shall be maintained at 7%.
- For foreign currencies (other than Khmer Riel):
  - From 1 January 2023 to 31 December 2023, reserve requirement shall be maintained at 9%.
  - From 1 January 2024 onwards, reserve requirement shall be maintained at 12.5%.

On 23 November 2023, the NBC issued the letter No. B7-023-2621 allowing Banking and Financial Institutions to maintain reserve requirement in foreign currency at 7% until 31 December 2024.

The reserve requirement on customers' deposits and borrowings bears no interest.

7. Balance with the National Bank of Cambodia (continued)

D. Interest rate (per annum):

Annual interest rates applicable to balances with the National Bank of Cambodia at the year end were as follows:

	31 December 2023	31 December 2022
Current accounts	Nil	Nil
Negotiable certificates of deposits ("NCD")	1.02% - 1.07%	0.80% - 2.98%
Statutory capital deposit	1.33%	0.65%
Reserves requirements on customers' deposits	Nil	Nil

8. Balance with other banks and financial institutions

	31 December 2023 US$	31 December 2022 US$	31 December 2023 KHR'000 (Note 5)	31 December 2022 KHR'000 (Note 5)
Balance with other banks and financial institutions at amortised cost	45,656,459	17,777,199	186,506,635	73,188,729
Less: Impairment loss allowance	(106,201)	(136,461)	(433,831)	(561,810)
	45,550,258	17,640,738	186,072,804	72,626,919

Movements of allowance for impairment losses on balance with other banks and financial institutions during the year were as follows:

	2023 US$	2022 US$	2023 KHR'000 (Note 5)	2022 KHR'000 (Note 5)
At 1 January	136,461	349,283	561,810	1,422,979
Recognised in profit or loss (Note 36)	(30,260)	(212,822)	(124,369)	(869,804)
Currency translation differences	-	-	(3,610)	8,635
At 31 December	106,201	136,461	433,831	561,810

8. Balance with other banks and financial institutions (continued)

Balance with other banks and financial institutions are analysed as follows:

A. By account types:

31 December 2023	Gross carrying amount US$	ECL allowance US$	Net carrying amount US$	Net carrying amount KHR'000 (Note 5)
Current accounts	10,247,418	(53,701)	10,193,717	41,641,334
Fixed deposits	35,409,041	(52,500)	35,356,541	144,431,470
	45,656,459	(106,201)	45,550,258	186,072,804

31 December 2022	Gross carrying amount US$	ECL allowance US$	Net carrying amount US$	Net carrying amount KHR'000 (Note 5)
Current accounts	12,768,404	(98,061)	12,670,343	52,163,802
Fixed deposits	5,008,795	(38,400)	4,970,395	20,463,117
	17,777,199	(136,461)	17,640,738	72,626,919

B. By interest rate (per annum):

Annual interest rates applicable to balances with the other banks and financial institutions at the year end were as follows:

	31 December 2023	31 December 2022
Current accounts	0.50% - 2.60%	0.50% - 2.60%
Fixed deposits	2.00% - 5.00%	0.20%

9. Financial assets at FVOCI

	31 December 2023 US$	31 December 2022 US$	31 December 2023 KHR'000 (Note 5)	31 December 2022 KHR'000 (Note 5)
Investment in Credit Bureau Cambodia	140,000	140,000	571,900	576,380

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.

Dividend received during the year was US$67,378 (2022: US$19,556). 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 2023 (2022: Nil).

10. Loans and advances to other banks and financial institutions

	31 December 2023 US$	31 December 2022 US$	31 December 2023 KHR'000 (Note 5)	31 December 2022 KHR'000 (Note 5)
Loans and advances to other banks and financial institutions at amortised cost	36,797,123	43,256,155	150,316,248	178,085,590
Less: Impairment loss allowance	(221,868)	(370,553)	(906,331)	(1,525,566)
Loans and advances to other banks and financial institutions – net	36,575,255	42,885,602	149,409,917	176,560,024

Movements of impairment loss allowance on loans and advances to other banks and financial institutions during the year were as follows:

	2023 US$	2022 US$	2023 KHR'000 (Note 5)	2022 KHR'000 (Note 5)
At 1 January	370,553	350,793	1,525,566	1,429,131
Recognised in profit or loss (Note 36)	(148,685)	19,760	(611,095)	80,759
Currency translation differences	-	-	(8,140)	15,676
At 31 December	221,868	370,553	906,331	1,525,566

10. Loans and advances to other banks and financial institutions (continued)

Loans and advances to other banks and financial institutions are analysed as follows:

A. By account types:

	31 December 2023 Gross carrying amounts US$	ECL allowance US$	Net carrying amounts US$	Net carrying amounts KHR'000 (Note 5)
Term loans	36,797,123	(221,868)	36,575,255	149,409,917

	31 December 2022 Gross carrying amounts US$	ECL allowance US$	Net carrying amounts US$	Net carrying amounts KHR'000 (Note 5)
Term loans	43,256,155	(370,553)	42,885,602	176,560,024

For additional analysis loans and advances to other banks and financial institutions, refer to Note 38B.

11. Loans and advances to customers

	31 December 2023 US$	31 December 2022 US$	31 December 2023 KHR'000 (Note 5)	31 December 2022 KHR'000 (Note 5)
Loans and advances to customers at amortised cost	511,678,634	499,852,543	2,090,207,220	2,057,892,920
Less: Impairment loss allowance	(7,181,622)	(6,502,697)	(29,336,926)	(26,771,604)
Loans and advances to customers – net	504,497,012	493,349,846	2,060,870,294	2,031,121,316

11. Loans and advances to customers (continued)

Movements of allowance for impairment losses on loans and advances to customers during the year were as follows:

	2023 US$	2022 US$	2023 KHR'000 (Note 5)	2022 KHR'000 (Note 5)
At 1 January	6,502,697	6,792,828	26,771,604	27,673,981
Recognised in profit or loss (Note 36)	776,912	(290,131)	3,193,108	(1,185,765)
Loan written-off during the year	(97,987)	-	(402,727)	-
Currency translation differences	-	-	(225,059)	283,388
At 31 December	7,181,622	6,502,697	29,336,926	26,771,604

Loans and advances to customers are analysed as follows:

A. By account types:

	31 December 2023			
	Gross carrying amounts US$	ECL allowance US$	Net carrying amounts US$	Net carrying amounts KHR'000 (Note 5)
Term loans	322,769,003	(5,145,352)	317,623,651	1,297,492,615
Housing loans	137,877,607	(1,391,133)	136,486,474	557,547,246
Overdrafts	39,352,888	(565,484)	38,787,404	158,446,545
Staff loans	9,970,956	(69,404)	9,901,552	40,447,840
Trust receipt	1,671,608	(10,030)	1,661,578	6,787,546
Credit card	36,572	(219)	36,353	148,502
	511,678,634	(7,181,622)	504,497,012	2,060,870,294

	31 December 2022			
	Gross carrying amounts US$	ECL allowance US$	Net carrying amounts US$	Net carrying amounts KHR'000 (Note 5)
Term loans	314,049,609	(4,624,353)	309,425,256	1,273,903,779
Housing loans	133,156,394	(1,298,116)	131,858,278	542,860,531
Overdrafts	36,502,125	(451,973)	36,050,152	148,418,475
Staff loans	10,347,325	(83,610)	10,263,715	42,255,715
Trust receipt	5,797,090	(44,645)	5,752,445	23,682,816
	499,852,543	(6,502,697)	493,349,846	2,031,121,316

For additional analysis of gross amount of loans and advances to customers, refer to Note 38B.

12. Derivatives held for risk management

	31 December 2023 US$	31 December 2022 US$	31 December 2023 KHR'000 (Note 5)	31 December 2022 KHR'000 (Note 5)
Derivative assets				
Interest rate swap (*)	1,100,881	1,725,238	4,497,099	7,102,805
Derivative liabilities				
Interest rate swap (*)	(1,100,881)	(1,725,238)	(4,497,099)	(7,102,805)
Currency swap designated in cash flow hedge (**)	-	(358,374)	-	(1,475,426)
	(1,100,881)	(2,083,612)	(4,497,099)	(8,578,231)

(*) 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.

(**) The Bank entered into four different foreign exchange rate swaps with other Banks with notional amount of US$50,000,000 which is included in the line of Loan and advance to customers in the statement of financial position. During the year, these swaps contracts have been expired resulting in total net loss on swaps amounting to US$889,566 in profit or loss. The previous hedge effective portion amounting to US$65,622 in the OCI was reclassified to profit or loss.

13. Other assets

	31 December 2023 US$	31 December 2022 US$	31 December 2023 KHR'000 (Note 5)	31 December 2022 KHR'000 (Note 5)
Prepaid staff benefits (*)	1,596,388	-	6,521,245	-
Refundable lease deposit	513,835	507,348	2,099,016	2,088,752
Prepayments	410,737	590,424	1,677,861	2,430,776
Others	293,674	211,288	1,199,658	869,872
	2,814,634	1,309,060	11,497,780	5,389,400

(*) This represents the staff benefit in a form of loan to staffs at lower interest rates as compared to prevailing market rate.

14. Intangible assets

2023	Computer software US$	Website design US$	Work-in progress US$	Total US$	Total KHR'000 (Note 5)
Cost					
At 1 January 2023	3,214,957	357,926	2,240,581	5,813,464	23,934,031
Additions	40,128	34,910	829,521	904,559	3,717,737
Transfers	1,606,967	134,464	(1,741,431)	-	-
Transfer from tangible work-in progress	-	-	42,888	42,888	176,270
Currency translation differences	-	-	-	-	(209,717)
At 31 December 2023	4,862,052	527,300	1,371,559	6,760,911	27,618,321
Less: **Accumulated amortisation**					
At 1 January 2023	2,644,540	255,042	-	2,899,582	11,937,579
Amortisation for the year	235,297	114,389	-	349,686	1,437,209
Currency translation differences	-	-	-	-	(101,529)
At 31 December 2023	2,879,837	369,431	-	3,249,268	13,273,259
Carrying amounts					
At 1 January 2023	570,417	102,884	2,240,581	2,913,882	11,996,452
At 31 December 2023	1,982,215	157,869	1,371,559	3,511,643	14,345,062

14. Intangible assets (continued)

2022	Computer software US$	Website design US$	Work-in progress US$	Total US$	Total KHR'000 (Note 5)
Cost					
At 1 January 2022	3,033,984	328,234	924,091	4,286,309	17,462,423
Additions	75,763	29,692	1,594,042	1,699,497	6,945,844
Transfers	105,210	-	(105,210)	-	-
Written off	-	-	(172,342)	(172,342)	(704,362)
Currency translation differences	-	-	-	-	230,126
At 31 December 2022	3,214,957	357,926	2,240,581	5,813,464	23,934,031
Less: **Accumulated amortisation**					
At 1 January 2022	2,398,430	174,587	-	2,573,017	10,482,471
Amortisation for the year	246,110	80,455	-	326,565	1,334,671
Currency translation differences	-	-	-	-	120,437
At 31 December 2022	2,644,540	255,042	-	2,899,582	11,937,579
Carrying amounts					
At 1 January 2022	635,554	153,647	924,091	1,713,292	6,979,952
At 31 December 2022	570,417	102,884	2,240,581	2,913,882	11,996,452

15. Property and equipment

2023	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 2023	2,680,208	1,321,746	3,004,127	960,402	2,157,299	10,123,782	41,679,610
Additions	143,452	63,695	97,307	26,000	356,939	687,393	2,825,185
Transfers	403,234	110,823	479,313	2,580	(995,950)	-	-
Transfer to intangible work-in progress	-	-	-	-	(42,888)	(42,888)	(176,270)
Disposal	-	(7,755)	(170,506)	-	-	(178,261)	(732,653)
Write-off	-	(6,868)	(42,658)	-	-	(49,526)	(203,552)
Currency translation differences	-	-	-	-	-	-	(334,377)
At 31 December 2023	3,226,894	1,481,641	3,367,583	988,982	1,475,400	10,540,500	43,057,943
Less: **Accumulated depreciation**							
At 1 January 2023	641,296	678,720	1,913,666	490,841	-	3,724,523	15,333,861
Depreciation for the year	306,121	229,999	430,861	162,747	-	1,129,728	4,643,182
Disposal	-	(7,755)	(169,897)	-	-	(177,652)	(730,150)
Write-off	-	(3,527)	(42,658)	-	-	(46,185)	(189,820)
Currency translation differences	-	-	-	-	-	-	(141,831)
At 31 December 2023	947,417	897,437	2,131,972	653,588	-	4,630,414	18,915,242
Carrying amounts							
At 1 January 2023	2,038,912	643,026	1,090,461	469,561	2,157,299	6,399,259	26,345,749
At 31 December 2023	2,279,477	584,204	1,235,611	335,394	1,475,400	5,910,086	24,142,701

15. Property and equipment (continued)

2022	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 2022	1,979,347	1,071,548	2,485,980	675,922	1,306,757	7,519,554	30,634,663
Additions	382,830	196,985	30,036	235,840	1,758,537	2,604,228	10,643,480
Transfers	318,031	53,213	488,111	48,640	(907,995)	-	-
Currency translation differences	-	-	-	-	-	-	401,467
At 31 December 2022	2,680,208	1,321,746	3,004,127	960,402	2,157,299	10,123,782	41,679,610
Less: **Accumulated depreciation**							
At 1 January 2022	409,404	481,164	1,476,108	335,837	-	2,702,513	11,010,038
Depreciation for the year	231,892	197,556	437,558	155,004	-	1,022,010	4,176,955
Currency translation differences	-	-	-	-	-	-	146,868
At 31 December 2022	641,296	678,720	1,913,666	490,841	-	3,724,523	15,333,861
Carrying amounts							
At 1 January 2023	1,569,943	590,384	1,009,872	340,085	1,306,757	4,817,041	19,624,625
At 31 December 2022	2,038,912	643,026	1,090,461	469,561	2,157,299	6,399,259	26,345,749

16. Right-of-use assets

Information about the Bank's leases is disclosed within this note and Note 20.

	31 December 2023 US$	2022 US$	31 December 2023 KHR'000 (Note 5)	2022 KHR'000 (Note 5)
Right-of-use assets	7,493,796	8,213,029	30,612,157	33,813,040

The Bank leases office spaces including its head office and branches. Information about leases for which the Bank is a lessee is presented below.

	2023 US$	2022 US$	2023 KHR'000 (Note 5)	2022 KHR'000 (Note 5)
Right-of-use assets				
Cost				
At 1 January	12,897,988	10,966,200	53,101,017	44,676,299
Additions	-	1,931,788	-	7,895,218
Lease remeasurement	881,111	-	3,621,366	-
Currency translation differences	-	-	(434,764)	529,500
At 31 December	13,779,099	12,897,988	56,287,619	53,101,017
Less: **Accumulated amortisation**				
At 1 January	4,684,959	3,344,141	19,287,977	13,624,031
Amortisation for the year	1,600,344	1,340,818	6,577,414	5,479,923
Currency translation differences	-	-	(189,929)	184,023
At 31 December	6,285,303	4,684,959	25,675,462	19,287,977
Carrying amounts				
At 1 January	8,213,029	7,622,059	33,813,040	31,052,268
At 31 December	7,493,796	8,213,029	30,612,157	33,813,040

17. Deposits from customers

	31 December 2023 US$	2022 US$	31 December 2023 KHR'000 (Note 5)	2022 KHR'000 (Note 5)
Saving accounts	20,487,688	12,628,472	83,692,205	51,991,419
Fixed deposits	223,824,627	150,657,883	914,323,601	620,258,504
Current deposits	61,373,058	116,041,987	250,708,943	477,744,861
	305,685,373	279,328,342	1,248,724,749	1,149,994,784

Deposits from customers are analysed as follows:

	31 December 2023 US$	2022 US$	31 December 2023 KHR'000 (Note 5)	2022 KHR'000 (Note 5)
A. By relationship:				
Related parties (Note 34C)	1,821,195	370,400	7,439,582	1,524,937
Non-related parties	303,864,178	278,957,942	1,241,285,167	1,148,469,847
	305,685,373	279,328,342	1,248,724,749	1,149,994,784
B. By customer type:				
Individuals	204,251,982	194,526,402	834,369,347	800,865,197
Business enterprises	101,433,391	84,801,940	414,355,402	349,129,587
	305,685,373	279,328,342	1,248,724,749	1,149,994,784
C. By residency status:				
Residents	290,108,871	240,239,941	1,185,094,738	989,067,837
Non-residents	15,576,502	39,088,401	63,630,011	160,926,947
	305,685,373	279,328,342	1,248,724,749	1,149,994,784

D. By interest rate (per annum):

Annual interest rates applicable to deposits from customers at the year end were as follows:

	2023	2022
Saving accounts	0.00% - 2.00%	0.30% - 1.50%
Fixed deposits	1.00% - 8.00%	0.65% - 6.00%
Current deposits	0.00% - 0.70%	0.30% - 1.50%

18. Deposits from other banks and financial institutions

	31 December 2023 US$	31 December 2022 US$	31 December 2023 KHR'000 (Note 5)	31 December 2022 KHR'000 (Note 5)
Fixed deposits	205,880,452	122,852,625	841,021,646	505,784,257
Current deposits	3,346,407	12,998,839	13,670,073	53,516,220
Saving accounts	3,313,046	246,544	13,533,793	1,015,022
	212,539,905	136,098,008	868,225,512	560,315,499

Deposits from other banks and financial institutions are analysed as follows:

	31 December 2023 US$	31 December 2022 US$	31 December 2023 KHR'000 (Note 5)	31 December 2022 KHR'000 (Note 5)
A. By relationship:				
Related parties (Note 34C)	61,293,989	59,183,487	250,385,945	243,658,416
Non-related parties	151,245,916	76,914,521	617,839,567	316,657,083
	212,539,905	136,098,008	868,225,512	560,315,499
B. By residency status:				
Residents	151,211,188	76,913,658	617,697,703	316,653,530
Non-residents	61,328,717	59,184,350	250,527,809	243,661,969
	212,539,905	136,098,008	868,225,512	560,315,499

C. By interest rate (per annum):

Annual interest rates applicable to deposits from other banks and financial institutions at the year end were as follows:

	2023	2022
Fixed deposits	3.50% - 7.50%	3.00% - 6.00%
Current deposits	0.00% - 0.35%	0.00% - 0.35%
Saving accounts	0.00% - 0.75%	Nil

19. Borrowings

	31 December 2023 US$	31 December 2022 US$	31 December 2023 KHR'000 (Note 5)	31 December 2022 KHR'000 (Note 5)
Related parties (i)	88,545,140	168,187,963	361,706,897	692,429,844
Accrued interest payable	74,965	100,622	306,232	414,261
	88,620,105	168,288,585	362,013,129	692,844,105
Non-related parties (ii)	6,119,951	1,457,372	25,000,000	6,000,001
Accrued interest payable	65,160	66,055	266,178	271,947
	6,185,111	1,523,427	25,266,178	6,271,948
	94,805,216	169,812,012	387,279,307	699,116,053

(i) This represents a short-term unsecured borrowing from BRED Banque Populaire – Head Office with principal outstanding as at 31 December 2023 of US$85,000,000 (31 December 2022: US$160,000,000) based on the approval from the credit committee dated 27 December 2023 and overdraft facilities with the following terms and conditions.

Total outstanding credit facilities	Asset liability management ("ALM")	Overdraft
	US$85,000,000	US$3,545,140
Maturity	27 December 2023 to 3 January 2024 The borrowing was subsequently extended to 10 January 2024	Nil
Principal repayment	At maturity date	Upon demand
Interest repayment	At maturity date	Quarterly
Interest rate	6.35%	SOFR + Spread

(ii) These borrowings represent LPCO from NBC with 1 year tenors and are unsecured and bear interest at rates ranging from 1.10% to 6.00% (2022: 1.10% to 6.00%) per annum.

The movements of borrowings were as follows:

	2023 US$	2022 US$	2023 KHR'000 (Note 5)	2022 KHR'000 (Note 5)
At 1 January	169,812,012	85,916,978	699,116,053	353,720,198
Additions	2,131,082,725	328,110,811	8,758,750,000	1,340,988,885
Principle paid	(2,206,062,969)	(244,199,398)	(9,066,918,803)	(998,042,940)
Interest expenses	8,129,178	3,397,509	33,410,922	13,885,620
Interest paid	(8,155,730)	(3,413,888)	(33,520,050)	(13,952,561)
Currency translation differences	-	-	(3,558,815)	2,516,851
At 31 December	94,805,216	169,812,012	387,279,307	699,116,053

20. Lease liabilities

	31 December		31 December	
	2023 US$	2022 US$	2023 KHR'000 (Note 5)	2022 KHR'000 (Note 5)
Maturity analysis –undiscounted contractual cash flows				
Up to 1 month	232,277	174,594	948,852	718,803
>1 – 3 months	675,651	434,327	2,760,034	1,788,124
>3 – 6 months	292,060	299,237	1,193,065	1,231,959
>6 – 12 months	635,228	771,766	2,594,906	3,177,361
One to five years	4,558,337	5,195,213	18,620,807	21,388,692
More than five years	1,947,470	2,522,183	7,955,415	10,383,827
Total undiscounted lease liabilities	8,341,023	9,397,320	34,073,079	38,688,766
Finance charges	(776,263)	(804,247)	(3,171,034)	(3,311,084)
Carrying amount	7,564,760	8,593,073	30,902,045	35,377,682
Present value of lease liabilities				
Current	1,659,263	1,470,013	6,778,090	6,052,044
Non-current	5,905,497	7,123,060	24,123,955	29,325,638
	7,564,760	8,593,073	30,902,045	35,377,682

Movements in lease liabilities during the year were as follow:

	31 December		31 December	
	2023 US$	2022 US$	2023 KHR'000 (Note 5)	2022 KHR'000 (Note 5)
Balance at 1 January	8,593,073	7,617,795	35,377,682	31,034,897
Additions	552,029	1,910,254	2,268,839	7,807,208
Interest expense	222,889	233,109	916,074	952,716
Interest paid	(222,889)	(233,109)	(916,074)	(952,716)
Principal portion of lease payments	(1,580,342)	(934,976)	(6,495,206)	(3,821,247)
Currency translation differences	-	-	(249,270)	356,824
Balance at 31 December	7,564,760	8,593,073	30,902,045	35,377,682

20. Lease liabilities (continued)

Amounts recognised in statement of profit or loss are as follows:

	2023 US$	2022 US$	2023 KHR'000 (Note 5)	2022 KHR'000 (Note 5)
Interest expense on lease	222,889	233,109	916,074	952,716
Expenses relating to short-term leases and lower-value assets	450,206	407,218	1,850,347	1,664,300

21. Other liabilities

	31 December		31 December	
	2023 US$	2022 US$	2023 KHR'000 (Note 5)	2022 KHR'000 (Note 5)
Fund held under escrow account (*)	2,639,907	4,040,000	10,784,020	16,632,680
Accruals and other payables	1,977,956	2,079,983	8,079,950	8,563,290
Amount due to related parties (Note 34C)	821,214	648,680	3,354,659	2,670,616
Other tax payables	974,059	298,179	3,979,031	1,227,603
	6,413,136	7,066,842	26,197,660	29,094,189

(*) Funds held under escrow account represents the funds held on behalf of two parties who entered into a sale and purchase agreement. The Bank acts as an agent. The account borne interest rate of 1% per annum (2022: 1%).

22. Seniority indemnity obligations

	31 December		31 December	
	2023 US$	2022 US$	2023 KHR'000 (Note 5)	2022 KHR'000 (Note 5)
Seniority indemnity	20,961	44,240	85,626	182,136
Other	4,572	4,412	18,676	18,164
	25,533	48,652	104,302	200,300

22. Seniority indemnity obligations (continued)

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 for the relevant year.
- Retrospective (back-pay): starting from 2021 onwards at the amounts equal to 6 days of net wages for the relevant 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 employee benefit obligations during the year were as follows:

	2023 US$	2022 US$	2023 KHR'000 (Note 5)	2022 KHR'000 (Note 5)
At 1 January	48,652	61,000	200,300	248,514
Recognised in profit or loss	9,271	4,412	38,104	18,032
Paid during the year	(32,390)	(16,760)	(133,123)	(68,498)
Currency translation differences	-	-	(979)	2,252
At 31 December	25,533	48,652	104,302	200,300

23. Income tax expense

A. Deferred tax assets – net

	31 December		31 December	
	2023 US$	2022 US$	2023 KHR'000 (Note 5)	2022 KHR'000 (Note 5)
Deferred tax assets	6,166,844	4,097,617	25,191,558	16,869,889
Deferred tax liabilities	(4,834,952)	(2,485,091)	(19,750,779)	(10,231,119)
Deferred tax assets – net	1,331,892	1,612,526	5,440,779	6,638,770

23. Income tax expense (continued)

A. Deferred tax assets – net (continued)

Deferred tax assets are attributable to the following:

	31 December		31 December	
	2023 US$	2022 US$	2023 KHR'000 (Note 5)	2022 KHR'000 (Note 5)
Deferred tax assets:				
Provision for employee benefits	5,107	8,848	20,862	36,427
Tax losses carried forward	4,297,790	2,022,045	17,556,472	8,324,759
Lease liabilities	1,512,952	1,718,615	6,180,409	7,075,538
Deferred income from loan and advances	350,995	348,109	1,433,815	1,433,165
	6,166,844	4,097,617	25,191,558	16,869,889
Deferred tax liabilities:				
Allowance for impairment losses on financial instruments	(2,935,064)	(647,149)	(11,989,736)	(2,664,312)
Right-of-use assets	(1,498,759)	(1,642,606)	(6,122,431)	(6,762,609)
Depreciation and amortisation	(401,129)	(195,336)	(1,638,612)	(804,198)
	(4,834,952)	(2,485,091)	(19,750,779)	(10,231,119)
Deferred tax assets – net	1,331,892	1,612,526	5,440,779	6,638,770

Movements of net deferred tax during the year were as follows:

	2023 US$	2022 US$	2023 KHR'000 (Note 5)	2022 KHR'000 (Note 5)
At 1 January	1,612,526	1,816,275	6,638,770	7,399,504
Recognised in profit or loss	(280,634)	(203,749)	(1,153,406)	(832,722)
Currency translation differences	-	-	(44,585)	71,988
At 31 December	1,331,892	1,612,526	5,440,779	6,638,770

23. Income tax expense (continued)

B. Current income tax (credit)/liability

	2023 US$	2022 US$	2023 KHR'000 (Note 5)	2022 KHR'000 (Note 5)
At 1 January	35,047	25,011	144,288	101,895
Income tax expense	-	367,491	-	1,501,936
Current income tax benefit	(997,354)	-	(4,099,125)	-
Income tax paid	(494,964)	(357,455)	(2,034,302)	(1,460,919)
Currency translation differences	-	-	36,187	1,376
At 31 December	(1,457,271)	35,047	(5,952,952)	144,288

C. Income tax /Minimum tax (benefit)/expenses

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.

The minimum tax can be exempted should the Bank maintains proper accounting records as defined in the Prakas No. 638 issued by the General Department of Taxation ("GDT") in which it is subject to be approved by the GDT. On 27 December 2023, the Bank received the latest Gold Certificate and a letter certifying that the Bank has maintained a proper accounting, which cover for the fiscal period of 2023 and 2024, from the GDT. The Bank is therefore exempted from the minimum tax during these periods.

	2023 US$	2022 US$	2023 KHR'000 (Note 5)	2022 KHR'000 (Note 5)
Income tax expense (benefit)/expenses				
Current income tax benefit (*)	(997,354)	-	(4,099,125)	-
Deferred tax expense	280,634	203,749	1,153,406	832,722
	(716,720)	203,749	(2,945,719)	832,722
Minimum tax expense	-	367,491	-	1,501,936

(*) This reflects the management's assessment regarding the recoverability of the minimum tax paid since 2019, during which the Bank obtained both a gold certificate and a letter certifying proper accounting records from GDT.

23. Income tax expense (continued)

C. Income tax /Minimum tax (benefit)/expenses (continued)

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:

	%	2023 US$	2023 KHR'000 (Note 5)	%	2022 US$	2022 KHR'000 (Note 5)
(Loss)/profit before income tax		(7,314,856)	(30,064,058)		1,931,414	7,893,689
Income tax rate of 20%	20	(1,462,971)	(6,012,812)	20	386,283	1,578,738
Effect of non-deductible expenses	(6.67)	487,607	2,004,066	14.91	288,070	1,177,342
Current income tax benefit	13.63	(997,354)	(4,099,125)	-	-	-
Unrecognised temporary differences (*)	(17.17)	1,255,998	5,162,152	-	-	-
Others	-	-	-	(20.37)	(470,604)	(1,923,358)
Income tax (benefit)/expense	(9.80)	(716,720)	(2,945,719)	14.54	203,749	832,722
Minimum tax expense		-	-		367,491	1,501,936

(*) This represents tax losses that are not fully recognised as deferred tax asset in the financial statements because it is not probable that future taxable profits will be available against which the Bank can use the benefits thereon.

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

24. Share capital

On 2 February 2023, the Bank requested to the National Bank of Cambodia ("NBC") to increase the share capital from US$110,000,000 to US$145,000,000 following their Board of Directors resolution dated on 7 December 2022. The request was approved by the NBC on 29 March 2023. The Memorandum and Articles of Association of the Bank had been updated to reflect this change and was endorsed by the MoC on 6 June 2023.

All 145,000 ordinary shares (2022: 110,000 ordinary shares) are registered, issued, and paid-up with a par value of US$1,000 or equivalent to KHR4,000,000 per share.

	31 December 2023 US$	31 December 2022 US$	31 December 2023 KHR'000 (Note 5)	31 December 2022 KHR'000 (Note 5)
BRED Banque Populaire	145,000,000	110,000,000	580,000,000	442,870,000

25. Reserves

	31 December 2023 US$	31 December 2022 US$	31 December 2023 KHR'000 (Note 5)	31 December 2022 KHR'000 (Note 5)
Regulatory reserves (*)	21,133,063	9,920,815	86,628,710	40,546,371
Cash flow hedge reserves	-	65,622	-	268,197
	21,133,063	9,986,437	86,628,710	40,814,568

(*) Regulatory reserves represented the variance between impairment loss on financial instruments in accordance with CIFRSs and the regulatory provision in accordance with the requirement of the National Bank of Cambodia.

25. Reserves (continued)

As at 31 December 2023, the Bank transferred from regulatory reserves to retained earnings as follows:

	Balances with other banks US$	Loans and advances to other financial institutions US$	Loans and advances to customers US$	Off-balance sheet items US$	Total US$
31 December 2023					
Allowance per the National Bank of Cambodia (i)	439,502	369,780	27,645,924	846,279	29,301,485
Allowance per CIFRS 9 (ii)	(106,201)	(221,868)	(7,181,622)	(658,731)	(8,168,422)
Regulatory reserves (A) = (i) + (ii)					21,133,063
31 December 2022					
Allowance per the National Bank of Cambodia (i)	99,680	514,349	16,043,187	1,473,288	18,130,504
Allowance per CIFRS 9 (ii)	(136,461)	(370,553)	(6,502,697)	(1,199,978)	(8,209,689)
Regulatory reserves (B) = (i) + (ii)					9,920,815
Transfer from accumulated losses to regulatory reserves (A – B)					11,212,248
In KHR'000 (Note 5)					46,082,339

26. Interest income

	2023 US$	2022 US$	2023 KHR'000 (Note 5)	2022 KHR'000 (Note 5)
Loans and advances to other banks and financial institutions	3,216,678	3,195,674	13,220,547	13,060,720
Loans and advances to customers	39,118,589	30,947,201	160,777,401	126,481,210
Balance with the National Bank of Cambodia	353,506	176,774	1,452,910	722,475
Balance with other banks and financial institutions	668,372	41,808	2,747,008	170,870
	43,357,145	34,361,457	178,197,866	140,435,275

27. Interest expense

	2023 US$	2022 US$	2023 KHR'000 (Note 5)	2022 KHR'000 (Note 5)
Fixed deposits	19,496,944	11,237,437	80,132,440	45,927,405
Demand deposits	339,222	383,370	1,394,202	1,566,833
Saving accounts	260,293	205,662	1,069,804	840,541
Borrowings	8,129,178	3,397,509	33,410,922	13,885,620
Lease liabilities	222,889	233,109	916,074	952,716
	28,448,526	15,457,087	116,923,442	63,173,115

28. Net fee and commission (expense)/income

	2023 US$	2022 US$	2023 KHR'000 (Note 5)	2022 KHR'000 (Note 5)
Inward and outward remittance	756,358	733,296	3,108,631	2,996,981
Other fees	1,745,727	1,344,961	7,174,938	5,496,855
Fee and commission income	2,502,085	2,078,257	10,283,569	8,493,836
Visa and Master card fee	(1,571,807)	(1,212,013)	(6,460,127)	(4,953,497)
SWIFT fee	(507,351)	(199,233)	(2,085,213)	(814,265)
Other fee	(481,178)	(164,039)	(1,977,641)	(670,428)
Fee and commission expenses	(2,560,336)	(1,575,285)	(10,522,981)	(6,438,190)
	(58,251)	502,972	(239,412)	2,055,646

29. Other income

	2023 US$	2022 US$	2023 KHR'000 (Note 5)	2022 KHR'000 (Note 5)
Foreign exchange gain,net	766,122	318,290	3,148,761	1,300,852
Dividend income from equity investment	67,378	19,556	276,924	79,925
Other income	1,613	-	6,629	-
	835,113	337,846	3,432,314	1,380,777

30. Net losses from other financial instruments at FVTPL

The below are derived from derivatives held for risk management excluding the effective portion of derivatives held for hedge accounting purpose:

	2023 US$	2022 US$	2023 KHR'000 (Note 5)	2022 KHR'000 (Note 5)
Income from derivatives held for risk management				
Interest rate swaps	624,357	1,725,238	2,566,108	7,051,048
Loss from derivatives held for risk management				
Interest rate swaps	(624,357)	(1,725,238)	(2,566,108)	(7,051,048)
Currency swap designated in cash flow hedge-released hedging costs	(889,566)	(292,752)	(3,656,116)	(1,196,477)
	(1,513,923)	(2,017,990)	(6,222,224)	(8,247,525)
Net losses from other financial instruments at FVTPL	(889,566)	(292,752)	(3,656,116)	(1,196,477)

31. Personnel expenses

	2023 US$	2022 US$	2023 KHR'000 (Note 5)	2022 KHR'000 (Note 5)
Salaries and wages	6,391,561	4,920,349	26,269,316	20,109,466
Other benefits	2,714,505	2,181,812	11,156,615	8,917,066
	9,106,066	7,102,161	37,425,931	29,026,532

32. Other operating expenses

	2023 US$	2022 US$	2023 KHR'000 (Note 5)	2022 KHR'000 (Note 5)
Depreciation and amortisation	3,079,758	2,689,393	12,657,805	10,991,549
Professional fees (*)	3,757,100	2,807,820	15,441,681	11,475,560
Other tax expenses	2,588,739	1,734,643	10,639,717	7,089,486
Public relations, marketing and advertising	864,460	797,241	3,552,931	3,258,324
Low value lease and short-term rental	450,206	407,218	1,850,347	1,664,300
License fees	281,407	267,276	1,156,583	1,092,357
Utilities expenses	234,589	205,814	964,161	841,162
Repairs and maintenance	343,143	332,663	1,410,318	1,359,594
Insurance expense	318,117	218,026	1,307,461	891,072
Communication	230,969	193,144	949,283	789,380
Travelling and accommodation	78,096	86,456	320,975	353,346
Office supplies	80,567	135,964	331,130	555,685
Other expenses	637,262	896,368	2,619,145	3,663,455
	12,944,413	10,772,026	53,201,537	44,025,270

(*) Professional fee includes audit fees expense to the auditor amounting to US$74,800 inclusive of VAT for the year ended 31 December 2023 (2022: US$58,080).

33. Commitments and contingencies

A. Commitments and other contingencies

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 2023 US$	31 December 2022 US$	31 December 2023 KHR'000 (Note 5)	31 December 2022 KHR'000 (Note 5)
Foreign exchange contracts				
- *Foreign exchange commitments - sell*	-	51,251,889	-	211,004,027
- *Foreign exchange commitments - buy*	-	(50,000,000)	-	(205,850,000)
Unused portion of credit facilities	73,223,276	113,999,058	299,117,082	469,334,122
Letters of credits	973,275	6,161,138	3,975,828	25,365,405
Bankers' guarantees	9,348,573	8,548,969	38,188,921	35,196,105
	83,545,124	129,961,054	341,281,831	535,049,659
Allowance for impairment losses	(658,731)	(1,199,978)	(2,690,916)	(4,940,310)
	82,886,393	128,761,076	338,590,915	530,109,349

See note 38B(v) for the reconciliation of loss allowance on off-balance sheet items.

33. Commitments and contingencies (continued)

B. Taxation contingencies

On 9 August 2021, the Bank received 2 tax notification letters from the General Department of Taxation ("GDT") for a comprehensive tax audit for the period from 1 January 2018 to 31 December 2018 and for the period from 1 January 2019 to 31 December 2020. As at the date of this report, the GDT has yet issued any result to the Company.

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.

C. Capital commitment

As at 31 December 2023, the Bank had capital commitments in connection with the acquisition of property and equipment and intangible assets of US$3,255,777 (31 December 2022: US$6,372,026).

34. 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.

34. Related parties (continued)

B. Transactions with related parties

	2023 US$	2022 US$	2023 KHR'000 (Note 5)	2022 KHR'000 (Note 5)
BRD (Cambodia) Limited				
Rental expense (building and meeting room)	859,155	861,309	3,531,127	3,520,170
Electricity charge	124,839	97,887	513,088	400,064
Maintenance services charges	57,882	50,035	237,895	204,493
Interest paid/Account maintenance fees	2,341	24	9,622	98
Access cards - fitness registration	3,260	-	13,399	-
Interest expense	2,341	1,491	9,622	6,094
Bred IT				
IT maintenance fees	2,944,849	2,169,498	12,103,329	8,866,738
BRED Banque Populaire				
Share capital injection	35,000,000	-	140,000,000	-
Interest expense	8,041,128	3,004,767	33,049,036	12,280,483
Representative office of Compagnie Financiere de la BRED				
Interest expense	3,727	1,827	15,318	7,467
Banque Pour Le Commerce Et L'industrie Mer Rouge				
Interest expense	1,939,215	280,000	7,970,174	1,144,360
Key Management remuneration				
Interest income from loan	(40,845)	-	(167,873)	-
Salary for management	982,712	539,239	4,038,946	2,203,870
Benefits for management	382,434	681,537	1,571,804	2,785,442
Board of Director fee	82,056	64,834	337,250	264,977

34. Related parties (continued)

C. Balances with related parties

	31 December 2023 US$	31 December 2022 US$	31 December 2023 KHR'000 (Note 5)	31 December 2022 KHR'000 (Note 5)
Amount due to related party				
Bred IT	821,214	648,680	3,354,659	2,670,616

Amounts due to related parties are unsecured, interest free and payable on demand.

	31 December 2023 US$	31 December 2022 US$	31 December 2023 KHR'000 (Note 5)	31 December 2022 KHR'000 (Note 5)
Deposits from related parties (Note 17A and 18A)				
Deposit from customers				
Representative office of Compagnie Financiere de la BRED	160,607	242,642	656,080	998,957
BRD (Cambodia) Limited	1,188,037	127,661	4,853,131	525,580
Bred IT	75	97	306	400
Key management personnel	472,476	-	1,930,065	-
	1,821,195	370,400	7,439,582	1,524,937
Deposit from other banks and financial institutions				
Banque Pour Le Commerce Et L'industrie Mer Rouge	61,293,989	59,183,487	250,385,945	243,658,416
Borrowings from a related party				
BRED Banque Populaire (Note 19)	88,620,105	168,288,585	362,013,129	692,844,105
Placement with related party				
BRED Banque Populaire	8,610,081	10,387,269	35,172,181	42,764,385
Loan to related parties				
Key management personnel	1,305,678	2,666,245	5,333,695	10,976,931

Refer to Note 17, 18 and 19 for the term and conditions of deposits and borrowings from related parties.

35. Cash and cash equivalents

	31 December 2023 US$	31 December 2022 US$	31 December 2023 KHR'000 (Note 5)	31 December 2022 KHR'000 (Note 5)
Cash on hand (Note 6)	24,549,839	22,606,828	100,286,092	93,072,311
Balances with the National Bank of Cambodia (Note 7)				
Current accounts	49,481,072	42,682,556	202,130,179	175,724,083
Unrestricted Negotiable certificates of deposits ("NCD")	-	9,716,244	-	40,001,777
Balances with other banks and financial institutions (Note 8)				
Current accounts	10,247,418	12,768,404	41,860,703	52,567,519
Cash and cash equivalents in the statement of cash flows	84,278,329	87,774,032	344,276,974	361,365,690

36. Impairment (losses)/gains of financial instruments

	31 December 2023 US$	31 December 2022 US$	31 December 2023 KHR'000 (Note 5)	31 December 2022 KHR'000 (Note 5)
Net impairment loss on balances with other banks and financial institutions (Note 8)	30,260	212,822	124,369	869,804
Net impairment loss on loans and advances to banks and other financial institutions (Note 10)	148,685	(19,760)	611,095	(80,759)
Net impairment loss on loans and advances to customers (Note 11)	(776,912)	290,131	(3,193,108)	1,185,765
Net impairment loss on off-balance sheet items (Note 38B(v))	541,247	382,282	2,224,525	1,562,387
Written off of uncollectable loans not covered by impairment loss	-	(144,819)	-	(591,876)
	(56,720)	720,656	(233,119)	2,945,321

37. Classification of financial assets and financial liabilities

The following table provides a reconciliation between line items in the statement of financial position and categories of financial instruments.

	Designated as at FVTPL US$	FVOCI – equity instruments US$	Amortised Cost US$	Total carrying amount US$	Total carrying amount KHR'000 (Note 5)
31 December 2023					
Cash on hand	-	-	24,549,839	24,549,839	100,286,092
Balances with the National Bank of Cambodia	-	-	120,115,201	120,115,201	490,670,596
Balances with other banks and financial institutions	-	-	45,550,258	45,550,258	186,072,804
Financial assets at FVOCI	-	140,000	-	140,000	571,900
Loans and advances to other banks and financial institutions	-	-	36,575,255	36,575,255	149,409,917
Loans and advances to customers	-	-	504,497,012	504,497,012	2,060,870,294
Derivative assets held for risk management	1,100,881	-	-	1,100,881	4,497,099
Other assets	-	-	807,509	807,509	3,298,674
Total financial assets	1,100,881	140,000	732,095,074	733,335,955	2,995,677,376
Deposits from customers	-	-	305,685,373	305,685,373	1,248,724,749
Deposits from other banks and financial institutions	-	-	212,539,905	212,539,905	868,225,512
Borrowings	-	-	94,805,216	94,805,216	387,279,307
Derivative liabilities held for risk management	1,100,881	-	-	1,100,881	4,497,099
Lease liabilities	-	-	7,564,760	7,564,760	30,902,045
Other liabilities	-	-	5,439,077	5,439,077	22,218,630
Total financial liabilities	1,100,881	-	626,034,331	627,135,212	2,561,847,342

37. Classification of financial assets and financial liabilities (continued)

The following table provides a reconciliation between line items in the statement of financial position and categories of financial instruments. (continued)

31 December 2022	Designated as at FVTPL US$	FVOCI – equity instruments US$	Amortised Cost US$	Total carrying amount US$	Total carrying amount KHR'000 (Note 5)
Cash on hand	-	-	22,606,828	22,606,828	93,072,311
Balances with the National Bank of Cambodia	-	-	103,321,927	103,321,927	425,376,373
Balances with other banks and financial institutions	-	-	17,640,738	17,640,738	72,626,919
Financial assets at FVOCI	-	140,000	-	140,000	576,380
Loans and advances to other banks and financial institutions	-	-	42,885,602	42,885,602	176,560,024
Loans and advances to customers	-	-	493,349,846	493,349,846	2,031,121,316
Derivative assets held for risk management	1,725,238	-	-	1,725,238	7,102,805
Other assets	-	-	718,536	718,536	2,958,213
Total financial assets	1,725,238	140,000	680,523,477	682,388,715	2,809,394,341
Deposits from customers	-	-	279,328,342	279,328,342	1,149,994,784
Deposits from other banks and financial institutions	-	-	136,098,008	136,098,008	560,315,499
Borrowings	-	-	169,812,012	169,812,012	699,116,053
Derivative liabilities held for risk management	2,083,612	-	-	2,083,612	8,578,231
Lease liabilities	-	-	8,593,073	8,593,073	35,377,682
Other liabilities	-	-	6,768,663	6,768,663	27,866,586
Total financial liabilities	2,083,612	-	600,600,098	602,683,710	2,481,248,835

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38. 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.

The Bank holds the following financial assets and liabilities:

	31 December 2023 US$	31 December 2022 US$	31 December 2023 KHR'000 (Note 5)	31 December 2022 KHR'000 (Note 5)
Financial assets				
Cash on hand	24,549,839	22,606,828	100,286,092	93,072,311
Balances with the National Bank of Cambodia	120,115,201	103,321,927	490,670,596	425,376,373
Balances with other banks and financial institutions	45,550,258	17,640,738	186,072,804	72,626,919
Financial assets at FVOCI	140,000	140,000	571,900	576,380
Loans and advances to other banks and financial institutions	36,575,255	42,885,602	149,409,917	176,560,024
Loans and advances to customers	504,497,012	493,349,846	2,060,870,294	2,031,121,316
Derivative assets held for risk management	1,100,881	1,725,238	4,497,099	7,102,805
Other assets	807,509	718,536	3,298,674	2,958,213
	733,335,955	682,388,715	2,995,677,376	2,809,394,341
Financial liabilities				
Deposits from customers	305,685,373	279,328,342	1,248,724,749	1,149,994,784
Deposits from other banks and financial institutions	212,539,905	136,098,008	868,225,512	560,315,499
Borrowings	94,805,216	169,812,012	387,279,307	699,116,053
Derivative liabilities held for risk management	1,100,881	2,083,612	4,497,099	8,578,231
Lease liabilities	7,564,760	8,593,073	30,902,045	35,377,682
Other liabilities	5,439,077	6,768,663	22,218,630	27,866,586
	627,135,212	602,683,710	2,561,847,342	2,481,248,835

38. Financial risk management (continued)

A. Introduction and overview (continued)

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 banks and other financial institutions, investment debt securities and off-balance sheet. 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.

(i). Management of credit risk

The management of credit risk of the Bank is integrated within BRED Group Credit Risk Management.

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.

38. Financial risk management (continued)

B. Credit risk (continued)

(i). Management of credit risk (continued)

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.

(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 such as unused portion of credit facilities, letters of credits and bankers' guarantees, 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.

38. 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 2023					
On Balance sheet items					
Cash on hand	24,549,839	100,286,092	-	-	100%
Balance with the National Bank of Cambodia	120,115,201	490,670,596	-	-	100%
Balance with other banks and financial institutions	45,656,459	186,506,635	-	-	100%
Financial assets at FVOCI	140,000	571,900	-	-	100%
Loans and advances to other banks and financial institutions	36,797,123	150,316,248	-	-	100%
Loans and advances to customers	511,678,634	2,090,207,220	98.53%	0.81%	0.66%
Derivatives held for risk management	1,100,881	4,497,099	-	-	100%
Other assets	807,509	3,298,674	-	-	100%
Total	740,845,646	3,026,354,464			
Off-Balance sheet items					
Contingent liabilities	10,321,848	42,164,749	84.46%	7.37%	8.17%
Commitments	73,223,276	299,117,082	78.45%	8.35%	13.20%
Total	83,545,124	341,281,831			

38. 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 2022					
On Balance sheet items					
Cash on hand	22,606,828	93,072,311	-	-	100%
Balance with the National Bank of Cambodia	103,321,927	425,376,373	-	-	100%
Balance with other banks and financial institutions	17,777,199	73,188,729	-	-	100%
Financial assets at FVOCI	140,000	576,380	-	-	100%
Loans and advances to other banks and financial institutions	43,256,155	178,085,590	3.38%	-	96.62%
Loans and advances to customers	499,852,543	2,057,892,920	95.09%	4.61%	0.30%
Derivatives held for risk management	1,725,238	7,102,805	-	-	100%
Other assets	718,536	2,958,213	-	-	100%
Total	689,398,426	2,838,253,321			
Off-Balance sheet items					
Contingent liabilities	15,961,996	65,715,537	94%	4%	2%
Commitments	113,999,058	469,334,122	42%	51%	7%
Total	129,961,054	535,049,659			

38. Financial risk management (continued)

B. Credit risk (continued)

(ii). Concentration of risk (continued)

Concentration risk by industrial sectors

31 December 2023	Cash on hand US$	Balance with National Bank of Cambodia US$	Balance with other banks and financial institutions US$	Financial assets at FVOCI US$	Loans and advance to banks and other financial institutions US$	Loans and advances to customers US$	Derivatives held for risk management US$	Other assets US$	Total US$
Banking	-	120,115,201	45,656,459	-	18,761,600	-	-	-	184,533,260
Microfinance institutions	-	`-	-	-	18,035,523	-	-	-	18,035,523
Manufacturing	-	-	-	-	-	55,494,266	-	-	55,494,266
Printing	-	-	-	-	-	2,125,321	-	-	2,125,321
Electricity	-	-	-	-	-	4,630,851	-	-	4,630,851
Water, sewerage and drainage	-	-	-	-	-	1,150,072	-	-	1,150,072
Construction services	-	-	-	-	-	11,293,394	-	-	11,293,394
Import and export	-	-	-	-	-	77,136,112	-	-	77,136,112
Other wholesale trade	-	-	-	-	-	47,122,323	-	-	47,122,323
Retail trade	-	-	-	-	-	21,931,341	-	-	21,931,341
Hotels and restaurants	-	-	-	-	-	24,059,904	-	-	24,059,904
Transport and storage	-	-	-	-	-	3,812,923	-	-	3,812,923
Real estate	-	-	-	-	-	148,572,902	-	-	148,572,902
Other retail lending	-	-	-	-	-	81,855,589	-	-	81,855,589
Others	24,549,839	-	-	140,000	-	32,493,636	1,100,881	807,509	59,091,865
Total (US$)	24,549,839	120,115,201	45,656,459	140,000	36,797,123	511,678,634	1,100,881	807,509	740,845,646
Total (KHR'000 – Note 5)	100,286,092	490,670,596	186,506,635	571,900	150,316,248	2,090,207,220	4,497,099	3,298,674	3,026,354,464

38. Financial risk management (continued)

B. Credit risk (continued)

(ii). Concentration of risk (continued)

Concentration risk by industrial sectors (continued)

31 December 2022	Cash on hand US$	Balance with National Bank of Cambodia US$	Balance with other banks and financial institutions US$	Financial assets at FVOCI US$	Loans and advance to banks and other financial institutions US$	Loans and advances to customers US$	Derivatives held for risk management US$	Other assets US$	Total US$
Banking	-	103,321,927	17,777,199	-	8,106,603	-	1,725,238	-	130,930,967
Microfinance institutions	-	-	-	-	35,149,552	-	-	-	35,149,552
Manufacturing	-	-	-	-	-	39,695,546	-	-	39,695,546
Printing	-	-	-	-	-	3,685,162	-	-	3,685,162
Electricity	-	-	-	-	-	4,831,689	-	-	4,831,689
Water, sewerage and drainage	-	-	-	-	-	1,184,967	-	-	1,184,967
Construction services	-	-	-	-	-	11,715,143	-	-	11,715,143
Import and export	-	-	-	-	-	76,359,936	-	-	76,359,936
Other wholesale trade	-	-	-	-	-	54,095,956	-	-	54,095,956
Retail trade	-	-	-	-	-	26,013,323	-	-	26,013,323
Hotels and restaurants	-	-	-	-	-	22,168,078	-	-	22,168,078
Transport and storage	-	-	-	-	-	4,812,322	-	-	4,812,322
Real estate	-	-	-	-	-	142,217,933	-	-	142,217,933
Other retail lending	-	-	-	-	-	73,187,682	-	-	73,187,682
Others	22,606,828	-	-	140,000	-	39,884,806	-	718,536	63,350,170
Total (US$)	22,606,828	103,321,927	17,777,199	140,000	43,256,155	499,852,543	1,725,238	718,536	689,398,426
Total (KHR'000 – Note 5)	93,072,311	425,376,373	73,188,729	576,380	178,085,590	2,057,892,920	7,102,805	2,958,213	2,838,253,321

38. 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 gross loans and advances to customers:

	31 December 2023 US$	31 December 2022 US$	31 December 2023 KHR'000 (Note 5)	31 December 2022 KHR'000 (Note 5)
By residency status:				
Residents	510,385,602	499,408,638	2,084,925,184	2,056,065,363
Non-Resident	1,293,032	443,905	5,282,036	1,827,557
	511,678,634	499,852,543	2,090,207,220	2,057,892,920
By relationship:				
External customers	501,707,678	489,505,238	2,049,475,865	2,015,293,065
Staff loans	9,970,956	10,347,305	40,731,355	42,599,855
	511,678,634	499,852,543	2,090,207,220	2,057,892,920
By exposure:				
Large exposures (*)	49,508,520	81,676,869	202,242,304	336,263,670
Non-large exposures	462,170,114	418,175,674	1,887,964,916	1,721,629,250
	511,678,634	499,852,543	2,090,207,220	2,057,892,920
By concession:				
Restructured (**)	31,178,554	27,395,977	127,364,393	112,789,236
Non-restructured	480,500,080	472,456,566	1,962,842,827	1,945,103,684
	511,678,634	499,852,543	2,090,207,220	2,057,892,920

(*) 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.

38. 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, loans and advances to other banks and financial institutions, and other assets

Collateral is generally not sought for these assets.

Loans and advances to customers, loans and advances to other banks and financial institutions, contingent liabilities, and commitments

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

(iv). Credit quality analysis

Pursuant to the NBC guideline Prakas B7.017.344, the Bank has followed and applied the following policy which 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.

38. Financial risk management (continued)

B. Credit risk (continued)

(iv). Credit quality analysis (continued)

Special Mention (continued)

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.

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.

38. Financial risk management (continued)

B. Credit risk (continued)

(iv). Credit quality analysis (continued)

Loss (continued)

Long-term facilities (more than one year)

Grades	DPD	Default Indicator
Normal	$0 \leq$ DPD < 30	Performing
Special Mention	$30 \leq$ DPD < 90	Underperforming
Substandard	$90 \leq$ DPD < 180	
Doubtful	$180 \leq$ DPD <360	Nonperforming
Loss	DPD ≥ 360	

Short-term facilities (one year or less)

Grades	DPD	Default Indicator
Normal	$0 \leq$ DPD ≤ 14	Performing
Special Mention	$15 \leq$ DPD ≤ 30	Underperforming
Substandard	$31 \leq$ DPD ≤ 60	
Doubtful	$61 \leq$ DPD ≤ 90	Nonperforming
Loss	DPD ≥ 91	

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

38. Financial risk management (continued)

B. Credit risk (continued)

(iv). Credit quality analysis (continued)

Recognition of ECL (continued)

The Bank measures ECL using 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.

Stage	Credit risk status	Grade	DPD		Default indicator
			Short term facility (1 year or less)	Long term facility (More than 1 year)	
1	No significant increase in credit risk	Normal	0 ≤ DPD ≤ 14	0 ≤ DPD ≤ 29	Performing
2	Significant increased Credit risk	Special mention	15 ≤ DPD ≤ 30	30 ≤ DPD ≤ 89	Underperforming
3	Credit impaired assets	Substandard	31 ≤ DPD ≤ 60	90 ≤ DPD ≤ 179	Nonperforming
		Doubtful	61 ≤ DPD ≤ 90	180 ≤ DPD ≤ 359	
		Loss	DPD ≥ 91	DPD ≥ 360	

Stages	Credit Risk Status	Criteria DPD	Default Indicator
1	No significant increase in credit risk	0 ≤ DPD < 30	Performing
2	Credit risk increased significantly	30 ≤ DPD < 90 or Watchlist clients	Underperforming
3	Credit impaired assets	> 90	Nonperforming

The Bank uses 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.

38. Financial risk management (continued)

B. Credit risk (continued)

(iv). Credit quality analysis (continued)

Recognition of ECL (continued)

The following tables set out information about the credit quality of financial assets measured at amortised cost without taking into account collateral or other credit enhancement. Unless specifically indicated, for financial assets the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

	31 December 2023			
	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$
Loans and advances to other banks and financial institutions at amortised cost				
Normal	36,797,123	-	-	36,797,123
Special mention	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
	36,797,123	-	-	36,797,123
Less: Impairment loss allowance	(221,868)	-	-	(221,868)
Carrying amounts (US$)	36,575,255	-	-	36,575,255
Carrying amounts (KHR'000)	149,409,917	-	-	149,409,917

	31 December 2022			
	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$
Loans and advances to other banks and financial institutions at amortised cost				
Normal	41,757,354	1,498,801	-	43,256,155
Special mention	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
	41,757,354	1,498,801	-	43,256,155
Less: Impairment loss allowance	(322,346)	(48,207)	-	(370,553)
Carrying amounts (US$)	41,435,008	1,450,594	-	42,885,602
Carrying amounts (KHR'000)	170,587,928	5,972,096	-	176,560,024

38. Financial risk management (continued)

B. Credit risk (continued)

(iv). Credit quality analysis (continued)

Recognition of ECL (continued)

	31 December 2023			
	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$
Loans and advances to customers at amortised cost				
Normal	464,740,977	6,879,910	92,949	471,713,836
Special Mention	49,095	1,250,163	-	1,299,258
Substandard	8,463	112,453	8,561,698	8,682,614
Doubtful	8,865	-	17,810,951	17,819,816
Loss	-	-	12,163,110	12,163,110
	464,807,400	8,242,526	38,628,708	511,678,634
Impairment losses	(2,807,031)	(720,854)	(3,653,737)	(7,181,622)
Carrying amounts (US$)	462,000,369	7,521,672	34,974,971	504,497,012
Carrying amounts (KHR'000)	1,887,271,507	30,726,030	142,872,757	2,060,870,294

	31 December 2022			
	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$
Loans and advances to customers at amortised cost				
Normal	460,637,225	4,293,460	357,182	465,287,867
Special Mention	512,746	179,860	-	692,606
Substandard	2,897,802	114,694	24,727,431	27,739,927
Doubtful	61,899	-	206,554	268,453
Loss	3,377	-	5,860,313	5,863,690
	464,113,049	4,588,014	31,151,480	499,852,543
Impairment losses	(3,573,116)	(591,091)	(2,338,490)	(6,502,697)
Carrying amounts (US$)	460,539,933	3,996,923	28,812,990	493,349,846
Carrying amounts (KHR'000)	1,896,042,904	16,455,332	118,623,080	2,031,121,316

38. Financial risk management (continued)

B. Credit risk (continued)

(iv). Credit quality analysis (continued)

Recognition of ECL (continued)

	31 December 2023			
	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$
Balances with other banks and financial institutions				
Normal	45,556,459	-	-	45,656,459
Less: Impairment loss allowance	(106,201)	-	-	(106,201)
Carrying amounts (US$)	45,450,258	-	-	45,550,258
Carrying amounts (KHR'000)	185,664,304	-	-	186,072,804

	31 December 2022			
	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$
Balances with other banks and financial institutions				
Normal	17,777,199	-	-	17,777,199
Less: Impairment loss allowance	(136,461)	-	-	(136,461)
Carrying amounts (US$)	17,640,738	-	-	17,640,738
Carrying amounts (KHR'000)	72,626,919	-	-	72,626,919

	31 December 2023			
	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$
Loan commitments and financial guarantee contracts				
Normal	81,861,116	1,613,951	-	83,475,067
Special mention	-	50,000	-	50,000
Substandard	-	-	-	-
Doubtful	-	-	20,057	20,057
Loss	-	-	-	-
Amounts committed and guaranteed (US$)	81,861,116	1,663,951	20,057	83,545,124
Impairment loss allowance (US$)	(491,167)	(167,061)	(503)	(658,731)
Carrying amounts (US$)	81,369,949	1,496,890	19,554	82,886,393
Carrying amounts (KHR'000)	332,396,242	6,114,795	79,878	338,590,915

38. Financial risk management (continued)

B. Credit risk (continued)

(iv). Credit quality analysis (continued)

Recognition of ECL (continued)

	31 December 2022			
	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$
Loan commitments and financial guarantee contracts				
Normal	128,046,780	1,704,804	-	129,751,584
Special mention	-	-	76,507	76,507
Substandard	-	-	406	406
Doubtful	-	-	132,557	132,557
Loss	-	-	-	-
Amounts committed and guaranteed (US$)	128,046,780	1,704,804	209,470	129,961,054
Impairment loss allowance (US$)	(973,785)	(199,811)	(26,382)	(1,199,978)
Carrying amounts (US$)	127,072,995	1,504,993	183,088	128,761,076
Carrying amounts (KHR'000)	523,159,520	6,196,056	753,773	530,109,349

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.

38. Financial risk management (continued)

B. Credit risk (continued)

(iv). Credit quality analysis (continued)

Recognition of ECL (continued)

Incorporation of forward-looking information (continued)

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
- an impairment corresponding to aniticipated risk defined through the combination of economic scenarios (baseline, optimistic and adverse).

The following table shows an analysis of counterparty credit exposures arising from derivative transactions. For further discussion of collateral and other credit enhancements, see Note 38B(ii) and 38B(iii).

	31 December 2023		31 December 2022	
	Notional amount US$	Fair value US$	Notional amount US$	Fair value US$
Derivative assets	20,000,000	1,100,881	40,000,000	1,725,238
Derivative liabilities	(20,000,000)	(1,100,881)	(50,000,000)	(2,083,612)

	31 December 2023		31 December 2022	
	Notional amount KHR'000 (Note 5)	Fair value KHR'000 (Note 5)	Notional amount KHR'000 (Note 5)	Fair value KHR'000 (Note 5)
Derivative assets	81,700,000	4,497,099	164,680,000	7,102,805
Derivative liabilities	(81,700,000)	(4,497,099)	(205,850,000)	(8,578,231)

38. Financial risk management (continued)

B. Credit risk (continued)

(v). Amounts arising from ECL

Recognition of ECL (continued)

Loss allowance

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

	2023			
	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$
Loans and advances to other banks and financial institutions at amortised cost				
Balance at 1 January	322,346	48,207	-	370,553
- Transfer to Stage 1	-	-	-	-
- Transfer to Stage 2	-	-	-	-
- Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	(141,600)	-	-	(141,600)
New financial assets originated or purchased	103,314	-	-	103,314
Financial assets that have been derecognised	(62,192)	(48,207)	-	(110,399)
Balance at 31 December (US$)	221,868	-	-	221,868
Balance at 31 December (KHR'000)	906,331	-	-	906,331

	2022			
	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$
Loans and advances to other banks and financial institutions at amortised cost				
Balance at 1 January	350,789	4	-	350,793
- Transfer to Stage 1	-	-	-	-
- Transfer to Stage 2	-	-	-	-
- Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	(123,163)	11	-	(123,152)
New financial assets originated or purchased	253,699	48,192	-	301,891
Financial assets that have been derecognised	(158,979)	-	-	(158,979)
Balance at 31 December (US$)	322,346	48,207	-	370,553
Balance at 31 December (KHR'000)	1,327,098	198,468	-	1,525,566

38. Financial risk management (continued)

B. Credit risk (continued)

(v). Amounts arising from ECL (continued)

Recognition of ECL (continued)

Loss allowance (continued)

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

	2023			
	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$
Loans and advances to customers at amortised cost				
Balance at 1 January	3,573,116	591,091	2,338,490	6,502,697
- Transfer to Stage 1	289,615	(285,066)	(4,549)	-
- Transfer to Stage 2	(50,259)	81,863	(31,604)	-
- Transfer to Stage 3	(62,293)	(4,274)	66,567	-
Net remeasurement of loss allowance	(1,049,388)	457,071	1,322,999	730,682
New financial assets originated or purchased	674,014	33,422	80,192	787,628
Financial assets that have been derecognised	(567,774)	(153,253)	(20,371)	(741,398)
Loan written off during the year	-	-	(97,987)	(97,987)
Balance at 31 December (US$)	2,807,031	720,854	3,653,737	7,181,622
Balance at 31 December (KHR'000)	11,466,722	2,944,689	14,925,515	29,336,926

	2022			
	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$
Loans and advances to customers at amortised cost				
Balance at 1 January	4,084,265	2,218,859	489,704	6,792,828
- Transfer to Stage 1	550,872	(479,454)	(71,418)	-
- Transfer to Stage 2	(165,836)	165,836	-	-
- Transfer to Stage 3	(112,115)	(1,154,521)	1,266,636	-
Net remeasurement of loss allowance	(1,581,000)	(148,517)	592,203	(1,137,314)
New financial assets originated or purchased	1,519,261	303,322	98,179	1,920,762
Financial assets that have been derecognised	(722,331)	(314,434)	(36,814)	(1,073,579)
Balance at 31 December (US$)	3,573,116	591,091	2,338,490	6,502,697
Balance at 31 December (KHR'000)	14,710,519	2,433,522	9,627,563	26,771,604

38. Financial risk management (continued)

B. Credit risk (continued)

(v). Amounts arising from ECL (continued)

Recognition of ECL (continued)

Loss allowance (continued)

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

	2023			
	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$
Balances with other banks and financial institutions				
Balance at 1 January	136,461	-	-	136,461
Net remeasurement of loss allowance	(45,173)	-	-	(45,173)
New financial assets originated or purchased	53,313	-	-	53,313
Financial assets that have been paid-off	(38,400)	-	-	(38,400)
Balance at 31 December (US$)	106,201	-	-	106,201
Balance at 31 December (KHR'000)	433,831	-	-	433,831

	2022			
	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$
Balances with other banks and financial institutions				
Balance at 1 January	349,283	-	-	349,283
Financial assets that have been derecognised	(212,822)	-	-	(212,822)
Balance at 31 December (US$)	136,461	-	-	136,461
Balance at 31 December (KHR'000)	561,810	-	-	561,810

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

	2023			
	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$
Loan commitments and financial guarantee contracts				
Balance at 1 January	1,199,978	-	-	1,199,978
- Transfer to Stage 1	-	-	-	-
- Transfer to Stage 2	(37,406)	37,406	-	-
- Transfer to Stage 3	(503)	-	503	-
Net remeasurement of loss allowance	(394,059)	-	-	(394,059)
New financial assets originated or purchased	81,447	129,655	-	211,102
Financial assets that have been derecognised	(358,290)	-	-	(358,290)
Balance at 31 December (US$)	491,167	167,061	503	658,731
Balance at 31 December (KHR'000)	2,006,417	682,444	2,055	2,690,916

	2022			
	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$
Loan commitments and financial guarantee contracts				
Balance at 1 January	1,582,260	-	-	1,582,260
New financial assets originated or purchased	140,782	-	-	140,782
Financial assets that have been derecognised	(523,064)	-	-	(523,064)
Balance at 31 December (US$)	1,199,978	-	-	1,199,978
Balance at 31 December (KHR'000)	4,940,310	-	-	4,940,310

38. Financial risk management (continued)

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.

38. 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.

	Carrying amount US$	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$
As at 31 December 2023								
Financial assets								
Cash on hand	24,549,839	-	-	-	-	-	-	24,549,839
Balance with the National Bank of Cambodia	120,115,201	52,024,820	-	-	6,268,496	-	14,500,000	47,321,885
Balance with other banks and financial institutions	45,550,258	15,222,381	-	10,096,233	20,231,644	-	-	-
Financial assets at FVOCI	140,000	-	-	-	-	-	-	140,000
Loans and advances to other banks and financial institutions	36,575,255	-	-	-	5,511,453	31,063,802	-	-
Loans and advances to customers	504,497,012	43,323,779	17,973,504	25,258,344	1,272,128	62,403,875	354,265,382	-
Derivative asset	1,100,881	1,100,881	-	-	-	-	-	-
Other assets	807,509	-	-	-	-	-	-	807,509
	733,335,955	111,671,861	17,973,504	35,354,577	33,283,721	93,467,677	368,765,382	72,819,233
Financial liabilities								
Deposits from customers	305,685,373	125,770,050	44,846,525	60,297,417	40,837,730	33,041,448	892,203	-
Deposits from other banks and financial institutions	212,539,905	41,780,559	56,226,912	10,366,302	34,742,204	62,390,720	7,033,208	-
Borrowings	94,805,216	88,620,105	-	-	6,185,111	-	-	-
Lease liabilities	7,564,760	215,481	642,452	248,558	552,772	4,149,468	1,756,029	-
Derivative liabilities	1,100,881	1,100,881	-	-	-	-	-	-
Other liabilities	5,439,077	-	-	-	-	-	-	5,439,077
	627,135,212	257,487,076	101,715,889	70,912,277	82,317,817	99,581,636	9,681,440	5,439,077
Interest sensitivity gap	106,200,743	(145,815,215)	(83,742,385)	(35,557,700)	(49,034,096)	(6,113,959)	359,083,942	67,380,156
(KHR'000 equivalents - Note 5)	433,830,035	(595,655,153)	(342,087,643)	(145,253,205)	(200,304,282)	(24,975,523)	1,466,857,903	275,247,937

38. 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 2022	Carrying amount US$	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$
Financial assets								
Cash on hand	22,606,828	-	-	-	-	-	-	22,606,828
Balance with the National Bank of Cambodia	103,321,927	53,947,277	-	3,096,345	-	-	11,036,240	35,242,065
Balance with other banks and financial institutions	17,640,738	12,670,343	4,970,395	-	-	-	-	-
Financial assets at FVOCI	140,000	-	-	-	-	-	-	140,000
Loans and advances to other banks and financial institutions	42,885,602	-	1,450,573	-	-	41,435,029	-	-
Loans and advances to customers	493,349,846	16,343,963	27,340,591	22,970,533	10,871,619	52,737,713	363,085,427	-
Derivatives assets	1,725,238	1,725,238	-	-	-	-	-	-
Other assets	718,536	-	-	-	-	-	-	718,536
	682,388,715	84,686,821	33,761,559	26,066,878	10,871,619	94,172,742	374,121,667	58,707,429
Financial liabilities								
Deposits from customers	279,328,342	145,638,853	26,744,577	26,594,283	38,296,505	27,757,681	639,638	13,656,805
Deposits from other banks and financial institutions	136,098,008	20,045,313	26,057,906	35,000,000	38,200,000	8,000,000	7,000,000	1,794,789
Borrowings	169,812,012	168,354,640	-	1,457,372	-	-	-	-
Lease liabilities	8,593,073	155,438	496,901	630,651	198,543	4,749,625	2,361,915	-
Derivatives liabilities	1,725,238	1,725,238	-	-	-	-	-	-
Other liabilities	6,768,663	-	-	-	-	-	-	6,768,663
	602,325,336	335,919,482	53,299,384	63,682,306	76,695,048	40,507,306	10,001,553	22,220,257
Effect of derivative held for risk management	(358,374)	-	-	-	-	(358,374)	-	-
Interest sensitivity gap	79,705,005	(251,232,661)	(19,537,825)	(37,615,428)	(65,823,429)	53,307,062	364,120,114	36,487,172
(KHR'000 equivalents - Note 5)	328,145,506	(1,034,324,864)	(80,437,226)	(154,862,719)	(270,995,056)	219,465,174	1,499,082,508	150,217,689

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38. 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 2023				
Variable rate instruments	35,451	(35,451)	28,361	(28,361)
(KHR'000 – Note 5)	144,819	(144,819)	115,855	(115,855)

	Profit or loss		Equity	
	100 bp Increase US$	100 bp Decrease US$	100 bp Increase US$	100 bp Decrease US$
31 December 2022				
Variable rate instruments	1,681,880	(1,681,880)	1,681,880	(1,681,880)
(KHR'000 – Note 5)	6,924,298	(6,924,298)	6,924,298	(6,924,298)

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 non-derivative financial instruments (i.e Overdraft from parent company) held by the Bank at 31 December 2023 which are subject to the IBOR reform and have completely transitioned to an alternative benchmark which is the Secured Overnight Financing rate ("SoFR rate").

Additionally, the Bank holds derivatives for trading and risk management purposes. The Bank's derivative instruments are governed by ISDA's 2006 definitions. As at 31 December 2023, the Bank has completely transitioned to SOFR 1 day rate plus 0.26161% spread.

38. 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 carrying amounts of financial assets and liabilities, by currency denomination, are as follows:

	Denomination US$ equivalents									
31 December 2023	KHR	US$	EUR	THB	CHF	JPY	AUD	GBP	HKD	Total
Financial assets										
Cash on hand	3,853,655	19,477,474	1,115,901	102,809	-	-	-	-	-	24,549,839
Balance with the National Bank of Cambodia	14,017,101	106,098,100	-	-	-	-	-	-	-	120,115,201
Balance with other banks and financial institutions	200,829	38,786,266	6,344,236	84,538	-	-	134,389	-	-	45,550,258
Financial assets at FVOCI	-	140,000	-	-	-	-	-	-	-	140,000
Loans and advances to other banks and financial institutions	35,338,437	1,236,818	-	-	-	-	-	-	-	36,575,255
Loans and advances to customers	20,563,251	483,933,737	24	-	-	-	-	-	-	504,497,012
Derivative asset	-	1,100,881	-	-	-	-	-	-	-	1,100,881
Other assets	-	807,509	-	-	-	-	-	-	-	807,509
	73,973,273	651,580,785	7,460,161	187,347	-	-	134,389	-	-	733,335,955
Financial liabilities										
Deposits from customers	11,983,086	286,540,351	6,908,179	132,286	-	83	121,187	96	105	305,685,373
Deposits from other banks and financial institutions	52,586,878	159,952,844	-	183	-	-	-	-	-	212,539,905
Borrowings	6,185,111	88,620,105	-	-	-	-	-	-	-	94,805,216
Lease liabilities	-	7,564,760	-	-	-	-	-	-	-	7,564,760
Derivative liabilities	-	1,100,881	-	-	-	-	-	-	-	1,100,881
Other liabilities	-	5,439,077	-	-	-	-	-	-	-	5,439,077
	70,755,075	549,218,018	6,908,179	132,469	-	83	121,187	96	105	627,135,212
Net asset position	3,218,198	102,362,767	551,982	54,878	-	(83)	13,202	(96)	(105)	106,200,743
KHR'000 equivalents (Note 5)	13,146,339	418,151,903	2,254,846	224,177	-	(339)	53,930	(392)	(429)	433,830,035

38. Financial risk management (continued)

C. Market risk (continued)

(ii). Foreign currency exchange risk (continued)

Concentration of currency risk (continued)

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

	Denomination US$ equivalents									
31 December 2022	KHR	US$	EUR	THB	CHF	JPY	AUD	GBP	HKD	Total
Financial assets										
Cash on hand	3,019,435	18,410,511	1,090,939	85,943	-	-	-	-	-	22,606,828
Balance with the National Bank of Cambodia	17,628,657	85,693,270	-	-	-	-	-	-	-	103,321,927
Balance with other banks and financial institutions	21,497	7,244,654	10,307,494	67,093	-	-	-	-	-	17,640,738
Financial assets at FVOCI	-	140,000	-	-	-	-	-	-	-	140,000
Loans and advances to other banks and financial institutions	41,647,986	1,237,616	-	-	-	-	-	-	-	42,885,602
Loans and advances to customers	12,717,198	480,632,648	-	-	-	-	-	-	-	493,349,846
Derivative asset	-	1,725,238	-	-	-	-	-	-	-	1,725,238
Other assets	6,242	712,294	-	-	-	-	-	-	-	718,536
	75,041,015	595,796,231	11,398,433	153,036	-	-	-	-	-	682,388,715
Financial liabilities										
Deposits from customers	6,898,204	260,955,824	11,395,289	78,614	-	86	136	90	99	279,328,342
Deposits from other banks and financial institutions	16,159,789	119,938,058	-	161	-	-	-	-	-	136,098,008
Borrowings	1,523,427	168,288,585	-	-	-	-	-	-	-	169,812,012
Lease liabilities	-	8,593,073	-	-	-	-	-	-	-	8,593,073
Derivative liabilities	-	1,725,238	-	-	-	-	-	-	-	1,725,238
Other liabilities	122,854	6,671,749	3,227	-	-	-	-	-	-	6,797,830
Total financial liabilities	24,704,274	566,172,527	11,398,516	78,775	-	86	136	90	99	602,354,503
Effect of derivative held for risk management	-	(358,374)	-	-	-	-	-	-	-	(358,374)
Net asset position	50,336,741	29,265,330	(83)	74,261	-	(86)	(136)	(90)	(99)	79,675,838
KHR'000 equivalents (Note 5)	207,236,363	120,485,364	(342)	305,733	-	(354)	(560)	(371)	(408)	328,025,425

38. Financial risk management (continued)

C. Market risk (continued)

(ii). Foreign currency exchange risk (continued)

Sensitivity analysis

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

	2023		2022	
	+ 1% Depreciation US$	- 1% Depreciation US$	+ 1% Depreciation US$	- 1% Appreciation US$
KHR	(25,583)	26,102	(397,077)	405,065
Others	4,927	(5,027)	582	(593)
	(20,656)	21,075	(396,495)	404,472
KHR'000 (Note 5)	(84,380)	86,091	(1,632,370)	1,665,211

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.

(i). 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.

38. Financial risk management (continued)

D. Liquidity risk (continued)

(ii). Maturity analysis for financial liabilities and financial assets

The following tables set out the remaining contractual maturities of the Bank's financial liabilities and financial assets.

31 December 2023	Carrying amount US$	Gross nominal Inflow/(outflow) US$	Up to 1 month US$	> 1-3 months US$	> 3 months to 6 months US$	> 6 months to 12 months	> 1 to 5 years US$	Over 5 years US$
Financial assets by type								
Cash on hand	24,549,839	24,549,839	24,549,839	-	-	-	-	-
Balances with the National Bank of Cambodia	105,615,201	105,655,823	52,026,619	-	-	6,307,319	-	47,321,885
Balances with other banks and financial institutions	45,550,258	46,505,070	15,289,693	-	10,202,344	21,013,033	-	-
Financial assets at FVOCI	140,000	140,000	-	-	-	-	-	140,000
Loans and advances to other banks and financial institutions	36,575,255	40,913,635	146,869	4,974,389	2,438,910	10,972,129	22,381,338	-
Loans and advances to customers	504,497,012	717,326,402	84,009,365	21,392,552	48,097,673	35,543,967	248,707,019	279,575,826
Derivative asset	1,100,881	1,100,881	1,100,881	-	-	-	-	-
Other assets	807,509	807,509	807,509	-	-	-	-	-
	718,835,955	936,999,159	177,930,775	26,366,941	60,738,927	73,836,448	271,088,357	327,037,711
Financial liabilities by type								
Deposits from customers	305,685,373	(312,296,742)	(125,143,039)	(45,264,668)	(61,797,056)	(42,852,070)	(36,047,546)	(1,192,363)
Deposits from other banks and financial institutions	212,539,905	(222,028,623)	(41,875,924)	(56,816,890)	(10,579,407)	(36,242,818)	(67,004,834)	(9,508,750)
Borrowings	94,805,216	(94,957,784)	(88,680,078)	-	-	(6,277,706)	-	-
Lease liabilities	7,564,760	(8,341,023)	(232,277)	(675,651)	(292,060)	(635,228)	(4,558,337)	(1,947,470)
Derivative liability	1,100,881	(1,100,881)	(1,100,881)	-	-	-	-	-
Other liabilities	5,439,077	(5,439,077)	(5,439,077)	-	-	-	-	-
	627,135,212	(644,164,130)	(262,471,276)	(102,757,209)	(72,668,523)	(86,007,822)	(107,610,717)	(12,648,583)
Net liquidity surplus/(gap)	91,700,743	292,835,029	(84,540,501)	(76,390,268)	(11,929,596)	(12,171,374)	163,477,640	314,389,128
KHR'000 equivalents (Note 5)	374,597,535	1,196,231,093	(345,347,946)	(312,054,245)	(48,732,400)	(49,720,063)	667,806,159	1,284,279,588

38. Financial risk management (continued)

D. Liquidity risk (continued)

(ii). Maturity analysis for financial liabilities and financial assets (continued)

The following tables set out the remaining contractual maturities of the Bank's financial liabilities and financial assets. (continued)

31 December 2022	Carrying amount US$	Gross nominal Inflow/(outflow) US$	Up to 1 month US$	> 1-3 months US$	> 3 months to 6 months US$	> 6 months to 12 months	> 1 to 5 years US$	Over 5 years US$
Financial assets by type								
Cash on hand	22,606,828	22,606,828	22,606,828	-	-	-	-	-
Balances with the National Bank of Cambodia	92,285,687	92,298,940	42,682,556	12,818,510	1,555,809	-	-	35,242,065
Balances with other banks and financial institutions	17,640,738	17,778,451	12,768,404	5,010,047	-	-	-	-
Financial assets at FVOCI	140,000	140,000	-	-	-	-	-	140,000
Loans and advances to other banks and financial institutions	42,885,602	82,969,111	5,919,376	13,490,321	7,274,723	10,871,619	45,413,072	-
Loans and advances to customers	493,349,846	691,714,982	16,821,678	27,766,474	22,454,183	12,043,286	61,664,311	550,965,050
Derivatives asset	1,725,238	1,725,238	-	-	-	-	1,725,238	-
Other assets	718,536	718,536	718,536	-	-	-	-	-
	671,352,475	909,952,086	101,517,378	59,085,352	31,284,715	22,914,905	108,802,621	586,347,115
Financial liabilities by type								
Deposits from customers	279,328,342	(283,525,914)	(152,762,825)	(35,288,701)	(21,235,478)	(61,129,301)	(13,102,846)	(6,763)
Deposits from other banks and financial institutions	136,098,008	(137,582,388)	(30,614,608)	(53,564,655)	(22,484,430)	(15,311,263)	(8,574,224)	(7,033,208)
Borrowings	169,812,012	(170,642,480)	(169,094,069)	-	(1,548,411)	-	-	-
Derivatives liabilities	2,083,612	(2,083,612)	-	-	-	(358,374)	(1,725,238)	-
Lease liabilities	8,593,073	(9,397,320)	(174,594)	(434,327)	(299,237)	(771,766)	(5,195,213)	(2,522,183)
Other liabilities	6,768,663	(6,768,663)	(6,768,663)	-	-	-	-	-
	602,683,710	(610,000,377)	(359,414,759)	(90,836,094)	(44,019,145)	(77,570,704)	(28,597,521)	(9,562,154)
Net asset position	68,668,765	299,951,709	(257,897,381)	(31,750,742)	(12,734,430)	(54,655,799)	80,205,100	576,784,961
KHR'000 equivalents (Note 5)	282,709,306	1,234,901,186	(1,061,763,518)	(130,717,805)	(52,427,648)	(225,017,924)	330,204,397	2,374,623,684

38. Financial risk management (continued)

D. Liquidity risk (continued)

(ii). Maturity analysis for financial liabilities and financial assets (continued)

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

Type of financial instrument	Basis on which amounts are compiled
Non-derivative financial assets and liabilities	Undiscounted cash flows, which include estimated interest payments.
Derivative financial liabilities and derivative financial assets held for risk management purposes	Contractual undiscounted cash flows. The amounts shown are the gross nominal inflows and outflows for derivatives that have simultaneous gross settlement (e.g. forward exchange contracts and currency swaps) and the net amounts for derivatives that are net settled.
Issued financial guarantee contracts and issued loan commitments	Earliest possible contractual maturity.

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38. Financial risk management (continued)

D. Liquidity risk (continued)

(iii). Financial assets available to support future funding

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

31 December 2023	Encumbered: Pledged as collateral US$	Encumbered: Other (*) US$	Unencumbered: Available as collateral US$	Unencumbered: Other (**) US$	Total US$	Total KHR'000 (Note 5)
Cash on hand	-	-	24,549,839	-	24,549,839	100,286,092
Balances with the National Bank of Cambodia	70,634,129	-	49,481,072	-	120,115,201	490,670,596
Balances with other banks and financial institutions	-	-	45,550,258	-	45,550,258	186,072,804
Financial assets at FVOCI	-	140,000	-	-	140,000	571,900
Loans and advances to other banks and financial institutions	-	-	-	36,575,255	36,575,255	149,409,917
Loans and advances to customers	-	-	-	504,497,012	504,497,012	2,060,870,294
Derivative assets held for risk management	-	-	-	1,100,881	1,100,881	4,497,099
Other assets	-	-	-	807,509	807,509	3,298,674
	70,634,129	140,000	119,581,169	542,980,657	733,335,955	2,995,677,376

38. Financial risk management (continued)

D. Liquidity risk (continued)

(iii). Financial assets available to support future funding (continued)

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

31 December 2022	Encumbered: Pledged as collateral US$	Encumbered: Other (*) US$	Unencumbered: Available as collateral US$	Unencumbered: Other (**) US$	Total US$	Total KHR'000 (Note 5)
Cash on hand	-	-	22,606,828	-	22,606,828	93,072,311
Balances with the National Bank of Cambodia	50,923,127	-	52,398,800	-	103,321,927	425,376,373
Balances with other banks and financial institutions	-	-	17,640,738	-	17,640,738	72,626,919
Financial assets at FVOCI	-	140,000	-	-	140,000	576,380
Loans and advances to other banks and financial institutions	-	-	-	42,885,602	42,885,602	176,560,024
Loans and advances to customers	-	-	-	493,349,846	493,349,846	2,031,121,316
Derivative assets held for risk management	-	-	-	1,725,238	1,725,238	7,102,805
Other assets	-	-	-	718,536	718,536	2,958,213
	50,923,127	140,000	92,646,366	538,679,222	682,388,715	2,809,394,341

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

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

38. 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.

On 22 February 2018, the NBC issued a Prakas on Capital Buffer in Banking and Financial Institutions. According to Article 22 of this Prakas, the institution shall comply with the provisions related to the capital conservation buffer at least 50% of the conservation buffer by 1 January 2019 and fully comply by 1 January 2020. On 7 March 2018, the NBC issued a circular on the implementation of Prakas on Capital Buffer in Banking and Financial Institutions, which determines the countercyclical capital buffer at a level of 0% until a new announcement is released.

Subsequently, on 9 January 2023, the NBC issued a circular on the implementation of Prakas on Capital Buffer in Banking and Financial Institutions, which the institution shall rebuild the capital conservation buffer ratio by 1.25% and 2.5% by 30 June 2023 and 31 December 2023, respectively. For the countercyclical capital buffer, the institution shall keep at level of 0%. On 23 November 2023, the NBC has announced to waive the implementation of Capital Conservation Buffer at 2.5% and maintain at 1.25% until 31 December 2024. For the countercyclical capital buffer, the institution shall keep at level of 0%.

38. Financial risk management (continued)

F. Capital management (continued)

(i). Regulatory capital (continued)

The below table summarises the composition of the regulatory capital:

	31 December 2023 US$	31 December 2022 US$
Tier 1 capital		
Share capital	145,000,000	110,000,000
Retained earnings	-	-
Audited net profit for the last financial year	-	1,662,043
Less: Accumulated losses	(39,878,830)	(23,796,111)
Less: Intangible assets	(3,511,643)	(2,913,882)
Less: Loans to related parties	(1,305,678)	(2,666,245)
	100,303,849	82,285,805
Tier 2 complementary capital		
General provision	6,036,692	6,692,382
Less: Equity participation in banking or financial institutions	(140,000)	(140,000)
	5,896,692	6,552,382
Total regulatory capital	106,200,541	88,838,187
KHR'000 equivalents (Note 5)	435,257,453	365,746,816

(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.

39. Fair values of financial instruments

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 banks, 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:

A. Balances with other banks and financial institutions, and balances with the National Bank of Cambodia

The fair values of balances with other banks and financial institutions, and balances with the National Bank of Cambodia approximate their carrying amounts due to the short-term nature of these accounts.

B. Loans and advances to other banks and financial institutions, loans and advances to customers measured at amortised cost

The fair value of loans to other banks and financial institutions, loans and advances to customers is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. Input into the valuation techniques includes expected lifetime credit losses, interest rates, prepayment rates and primary origination or secondary market spreads.

Input into the models may include data from third party and information obtained from other market participants, which includes observed primary and secondary transactions. Its carrying value approximates to fair value at the reporting date.

39. Fair values of financial instruments (continued)

C. Financial assets at FVOCI

For fixed rate Financial assets at FVOCI with remaining period to maturity of less than or more than one year, the carrying amounts are generally reasonable estimates of their fair values.

D. Deposits from other banks and financial institutions and deposits from customers

The fair value of deposits from banks and other financial institutions and deposits from customers with maturities of less than one year approximates their carrying amount due to the relatively short maturity of these instruments. The fair value of deposits and placements of other banks and financial institutions and deposits from customers with remaining maturities of more than one year are expected to approximate their carrying amount because the Company offered similar interest rate of the instrument with similar maturities and terms.

The estimated fair value of deposits with no stated maturities, which includes non-interest bearing current accounts and savings deposits, is the amount payable at the reporting date.

E. Other financial assets and liabilities

The carrying amounts of other financial assets and other financial liabilities are assumed to approximate their fair values as these items are not materially sensitive to the shift in market interest rates and have a short duration.

Fair value hierarchy

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

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

39. Fair values of financial instruments (continued)

E. Other financial assets and liabilities (continued)

Fair value hierarchy (continued)

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.

40. Material 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.

Foreign currency differences arising on translation are generally recognised in profit or loss.

40. Material accounting policies (continued)

C. Financial assets and financial liabilities

(i). Recognition and initial measurement

The Bank initially recognises loans and advances, deposits, 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.

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.

40. Material accounting policies (continued)

C. Financial assets and financial liabilities (continued)

(ii). Classification (continued)

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.

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.

40. Material 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 (continued)

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).

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.

40. Material 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.

40. Material 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 or 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 or 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.

40. Material 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.

Income and expenses are presented on a net basis only when permitted under CIFRS, or for gains and losses arising from a group of similar transactions.

(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.

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.

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.

40. Material accounting policies (continued)

C. Financial assets and financial liabilities (continued)

(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:

- Financial assets at FVOCI 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'.

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.

40. Material accounting policies (continued)

C. Financial assets and financial liabilities (continued)

(vii). Impairment (continued)

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).

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.

40. Material accounting policies (continued)

C. Financial assets and financial liabilities (continued)

(vii). Impairment (continued)

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).

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 one-year PD at least equal to 11.73%. That grade 14 PD is therefore considered for Stage 2 consistently with BRED Group credit practices.

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters by setting default value set at 20% (2022:20%) based on the average net risk calculation of the whole credit portfolio, taking into account collateral valuation as per BBC Credit Policy. For stage 3 exposures, the bank assesses individually each credit and adapt the provision to the potential recovery at assessment date.

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.

40. Material accounting policies (continued)

C. Financial assets and financial liabilities (continued)

(vii). Impairment (continued)

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

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.

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.

40. Material accounting policies (continued)

C. Financial assets and financial liabilities (continued)

(vii). Impairment (continued)

Credit-impaired financial assets (continued)

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 are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and

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.

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.

40. Material accounting policies (continued)

D. Cash and cash equivalents

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

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

E. Balances with the National Bank of Cambodia, and balances with other banks and financial institutions

Balances with the National Bank of Cambodia, and balances with other banks are stated at amortised cost less allowance for impairment for any uncollectable amounts.

F. 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.

G. Loans and advances

Loans and advances to other banks and financial institutions and Loans and advances to customers measured at amortised cost. They are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using effective interest method.

H. Derivatives held for risk management

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

The Bank designates certain derivatives held for risk management as hedging instruments in qualifying hedging relationships.

40. Material accounting policies (continued)

H. Derivatives held for risk management (continued)

Policy applicable generally to hedging relationship

On initial designation of the hedge, the Bank formally documents the relationship between the hedging instrument and hedge item, including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Bank makes an assessment, both on inception of the hedging relationship and on an ongoing basis, of whether the hedging instrument is expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged item during the period for which the hedge is designated, and whether the actual results of each hedge are within the range of 80% to 120%. For a cash flow hedge of a forecast transaction, the Bank makes an assessment of whether the forecast transaction is highly probable to occur and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

The Bank normally designates a portion of the cash flow of a financial instrument for cash flow or fair value changes attributable to a benchmark interest rate risk, if the portion is separately identifiable an reliably measurable.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in OCI and presented in the hedging reserve within equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. The amount recognised in the hedging reserve is classified from OCI to profit or loss as reclassification adjustment in the same period as the hedged cash flows affect profit or loss, and the same line item in the statement of profit or loss and OCI.

If the hedging derivative expired or sold, terminated or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. However, if the derivative is novated to a central counter party ("CCP") by both parties as a consequence of laws or regulations without changes in the terms except for those that are necessary for the novation, then the derivative is not considered expired or terminated. If the hedged cash flows are no longer expected to occur then the Bank immediately reclassifies the amounting in the hedging reserve from OCI to profit or loss. For terminated hedging relationships, if the hedged cash flows are still expected to occur, then the amount accumulated in the hedging reserve is not classified until the hedged cash flows affect profit or loss; if the hedged cash flows are expected to affect profit or loss in multiple reporting periods, then the Bank reclassifies the amount in the hedging reserve from OCI to profit or loss on a straight-line basis.

40. Material accounting policies (continued)

I. Other assets

Other assets are carried at cost less impairment if any.

J. 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.

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.

(ii). Subsequent costs

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.

(iii). Depreciation

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

40. Material accounting policies (continued)

J. Property and equipment (continued)

(iii). Depreciation (continued)

The estimated useful lives for the current and cumulative 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.

K. 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.

Subsequent expenditure on intangible assets are capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as it is incurred.

Intangible assets are amortised on a straight-line basis in profit or loss over its estimated useful life, from the date which it is available to use. The estimated useful life of software for the current and comparative period is from 2 to 5 years.

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

L. 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.

40. Material accounting policies (continued)

L. Leases (continued)

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.

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

- Building and office branches 3 – 20 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 the following:

- 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.

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40. Material accounting policies (continued)

L. Leases (continued)

Leases in which the Bank is a lessee (continued)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change, 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, if the bank change its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

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% (2022: 3-4%).

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.

M. Deposits from customers and other banks and financial institutions

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

N. Borrowings

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

O. 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.

40. Material accounting policies (continued)

O. Employee benefits (continued)

(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 including seniority. That benefit is discounted to determine its present value. Remeasurements are recognised in profit and loss in the period in which they arise.

(iii). Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided and recognised as personnel expenses in profit or loss. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

P. 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.

Q. 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.

R. 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 Bank shall compare the provision calculated in accordance with Articles 49 to 71 and the provision calculated in accordance with Article 72.

40. Material accounting policies (continued)

R. Regulatory reserves (continued)

(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 Bank shall recognise the provision calculated in accordance with CIFRSs; and

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

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

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.

40. Material 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 or loss and OCI includes interest on financial assets and financial liabilities measured at amortised cost.

Interest expense presented in the statement of profit or 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.

40. Material 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.

W. Income tax

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

40. Material accounting policies (continued)

W. Income tax (continued)

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 substantively 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.

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.

40. Material accounting policies (continued)

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.

41. Change in accounting policies

(i) Deferred tax related to assets and liabilities arising from a single transaction

The Bank has adopted ***Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to CIAS 12)*** from 1 January 2023. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences - e.g. leases. For leases, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earning or other component of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

The Bank previously accounted for deferred tax on leases by applying the "integrally linked" approach, resulting in a similar outcome as under the amendments, except that the deferred tax asset or liability was recognised on a net basis. Following the amendments, the Bank has recognised separate deferred tax asset of US$1,512,952 (31 December 2022: US$1,718,615) in relation to its lease liabilities and deferred tax liability of US$1,498,759 (31 December 2022:US$1,642,606) in relation to its right-of-use assets. However, there was no impact on the statement of financial position because the balances qualify for offsetting under paragraph 74 of CIAS 12. There was also no impact on the opening retained earnings as at 1 January 2022 and 31 December 2022 as a result of the change.

(ii) Material accounting policy information

The Bank also adopted ***Disclosure of Accounting Policies (Amendments to CIAS 1 and CIFRS Practice Statement 2)*** from 1 January 2023. Although the amendments did not result in any changes to the accounting policies themselves, it impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of "material", rather than "significant", accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting the entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

41. Change in accounting policies (continued)

(ii) Material accounting policy information (continued)

Management reviewed the accounting policies and made update to the information disclosed in ***Note 40 Material accounting policies*** (2022: Summary of significant accounting policies) in certain instances in line with the amendments.

42. Accounting standards issued but not yet effective

A number of new standards and amendments to standard are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted; however, the Bank has not early adopted any of the new or amended standards in preparing these financial statements.

Effective date	New accounting standards or amendment
1 January 2024	Classification of liabilities as current or non-current (Amendment to CIAS 1)
	Non-current liabilities with covenants (Amendment to CIAS 1)
	Supplier finance arrangements (amendment to CIAS 7 and CIFRS 7)
	Lease liability in sale and leaseback (Amendment to CIFRS 16)
1 January 2025	Lack of exchangeabilities (Amendment to CIAS 21)

43. Comparative information

During the preparation of the financial statements for the year ended 31 December 2023, the management has identified errors in the prior year's statement of cash flows relating to the presentation of operating and investing activities as required by CIAS 7 – *Statement of Cash Flows*. The details of the adjustments are as follows:

Cash flow from investing activities

CIAS 7 required the entity to report separately major classes of gross cash receipts and gross cash payments arising from investing activities. The placement of fixed deposit with original maturity more than 3 months but within 12 months was mistakenly recorded as cash receipt under investing activities amounting to US$5,000,000, with the corresponding impact to change in Loans and advances to customers, instead of change in Balance with other banks and financial institutions. As a result,

Operating activities

- Cash outflow for Loan and advance to customers was overstated by US$10,000,000.
- Cash outflow for Balance with other banks and financial institutions was understated by US$5,000,000.

Investing activities

- Cash inflow for Fixed deposit was overstated by US$5,000,000.

43. Comparative information (continued)

Cash flow from investing activities (continued)

The following reconciliations summarise the adjustments to the comparative information for the year ended 31 December 2022 in the Company's statement of cash flows:

	For the year ended 31 December 2022			
	As previously reported US$	Adjustments US$	As restated US$	As restated KHR'000 (Note 5)
Cash flows from operating activities				
Changes in:				
Balance with other banks and financial institutions	-	(5,000,000)	(5,000,000)	(20,435,000)
Loans and advances to customers	(133,397,594)	10,000,000	(123,397,594)	(504,325,967)
Net cash used in operating activities	(67,836,546)	5,000,000	(62,836,546)	(256,812,964)
Cash flows from investing activities				
Fixed deposit	5,000,000	(5,000,000)	-	-
Net cash generated from investing activities	696,275	(5,000,000)	(4,303,725)	(17,589,324)

There is no net impact to the balance of cash and cash equivalents.

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