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CAMBODIA ASIA BANK
柬埔寨亚洲银行

Annual Report 2023

CAMBODIA ASIA BANK LIMITED.

CAB BANK

ANNUAL REPORT
YEAR 2023

Contents

Our Vision

CAB envisions itself as an established bank and contributes to the nation's building and securing the future of the people of Cambodia by providing commercial banking facilities at competitive rates and mobilizing savings to fund the economic growth of Cambodia.

Our Mission

CAB will remain a strong and stable commercial bank. Through a professional, friendly, courteous and knowledgeable staff, we will provide products and services needed by the market in a profitable and people-oriented manner. We will aggressively pursue and provide services for business and consumer market segments within our entire trade area.

Core Values

- Growth
- Innovation
- Integrity
- Synergy

Financial Highlights

As of the years ended December 31,	2023	2022	2021	2020	2019
OPERATING RESULTS (Thousand USD)					
Interest income - net	3,706	3,325	2,405	2,597	2,425
Non-interest income	4,884	4,101	2,354	4,924	6,408
Total operating income – net	8,591	7,427	4,759	7,520	8,834
Total other operating expenses	6,407	6,673	5,565	5,298	5,643
Operating profit before expected credit loss / and income tax expense	2,183	753	(807)	2,223	3,191
Expected credit loss / impairment loss on loans	626	128	136	824	350
Net Profit	1,367	719	(976)	510	2,182
FINANCIAL POSITION STATEMENT (Thousand USD)					
Loan	83,785	78,763	75,249	60,184	60,181
Allowance for expected credit loss / Allowance for doubtful accounts	2,691	2,065	1,935	1,801	975
Non-performing loans, gross NPL	5,218	2,497	1,598	2,917	918
Total assets	201,432	209,494	194,819	196,631	192,835
Deposits	128,515	117,682	104,266	95,678	98,943
Total liabilities	133,328	122,757	108,801	109,638	106,352
Total equity	88,104	86,736	86,018	86,993	86,483

As of the years ended December 31,	2023	2022	2021	2020	2019
PERFORMANCE INDICATORS					
Return on average assets (ROA)	0.62%	0.34%	-0.50%	0.27%	1.13%
Return on average equity (ROE)	1.55%	0.83%	-1.12%	0.61%	2.52%
Net interest margin (NIM)	41.02%	42.67%	50.53%	34.53%	27.45%
Cost to income ratio	70.90%	90.31%	116.95%	70.45%	63.88%
ASSET QUALITY RATIOS / FINANCIAL POLICY RATIOS					
Loans to deposits ratio	62.10%	66.93%	72.17%	62.90%	60.82%
NPL gross to total loans ratio	6.23%	3.17%	2.12%	4.85%	1.52%
Capital adequacy ratio	56.68%	72%	84.75%	91.21%	92.24%

CAMBODIA ASIA BANK
Bank of Sustainability

CAB Bank operates our business in line with the principle of a Bank of Sustainability, under good corporate governance, appropriate risk management and effective cost management in order to empower every customer's life and business. We prioritize the offering of total solutions, with attentive and inclusive services in adherence to the Customer Centricity strategy and resolve to deliver an excellent customer experience. Guided by CAB Bank strategy of achieving growth and creating sustainable long-term returns, development of international standards and practices is imagined in all of our operations as part of DNA, ensuring maximum benefits for all stakeholders.

Message from the Chairman

Welcome to Cambodia Asia Bank Annual Report 2023!

In 2023, Cambodia continued to face multiple challenges, more so than in the previous years. These challenges stemmed from a global economic downturn and uncertainties caused by high interest rates following the U.S. Federal Reserve and the European Central Bank's continuous policy rate hikes. Additionally, China's economic recovery was hampered by problems within its real estate sector and geopolitical tensions. These factors strained global value chains, impacting world merchandise trade volume, and led to volatile commodity prices. Domestically, Cambodia faced several major challenges, including high household debt, which curbed consumer spending and negatively affected private consumption, economic expansion, and the country's financial stability. Another challenge was the transition to an aging society which affected production, particularly in agriculture and services, as well as the tax base. Moreover, the proportion of public and private investments was persistently low. All these factors contributed to Cambodia's slower-and-lower-than-expected economic recovery.

Amid such uncertainties and challenges, Cambodia Asia Bank operated with caution, taking into consideration risks from all angles. We prioritized stringent asset quality management and monitoring while making provisions to buffer against economic uncertainties, maintaining a high coverage ratio and a robust capital base compared to the National Bank of Cambodia's requirements. This approach underpins our strong balance sheets and the ability to support new business ventures in the future.

In 2024, Cambodia Asia Bank will conduct its business with the theme "Reshaping Client Value Proposition and Promoting Sustainability with Innovation." This encompasses harnessing innovation to create value and constantly improve the lives of all Cambodian. We aim to leverage technological advancements to optimize business operations so that all dimensions of the Bank can grow together with society, thereby mitigating inequality. Moreover, we prioritize responsible lending practices, improving access to formal financial services, and encouraging positive financial habits. We aim to conduct business while promoting balances in social, environmental, and governance aspects to establish a robust foundation for the national economy and drive meaningful societal advancement towards strong growth.

On behalf of the Board of Directors, Executives, employees, and affiliated companies, I would like to express our deepest gratitude to our shareholders, business partners, and customers from both the public and private sectors for always believing and trusting in Cambodia Asia Bank. I sincerely hope that you will continue to support the Bank throughout our journey ahead.

Sincerely,

Va Dalot

Chairman of Board of Directors

Message from the Chief Executive Officer

Welcome to Cambodia Asia Bank Annual Report!

In 2023, Cambodia's economy, as well as the world economy as a whole, did not recover 100%. As we all know, for around three years, Cambodia and all countries around the world were severely affected by the COVID-19 outbreaks as well as the war between Russia and Ukraine. These factors continue to have a negative impact to this day and cause many difficulties that need to be addressed in almost every sector, including banking and finance.

In accordance with the above-mentioned conditions and problems, Cambodia Asia Bank has taken care to conduct its business operations prudently, closely managing the quality of its assets, maintaining a high level of coverage, and maintaining a high level of capital. In addition, we are ready to engage all clients in adapting to economic change by providing targeted solutions and assistance.

Cambodia Asia Bank commits to providing its customers with innovative and quality digital products and services that meet their specific needs. Cambodia Asia Bank always strives to strengthen and maintain customer relationships by always considering and paying attention to customer needs and resolving all customer issues to ensure that customers receive quality and reliable banking products and services. The trust and support of customers, shareholders, employees, and other stakeholders is a source of great pride for Cambodia Asia Bank Limited, which is a key factor in helping the bank achieve good results in 2023 and beyond.

Finally, we would like to thank all our customers for their trust and support in our products and services, which are an important part of helping the bank achieve acceptable results in the year 2023.

Sincerely,

Wong Tow Fock
CEO, Cambodia Asia Bank

Business Operations and Performance

1. Overview of Operating Environment

Corporate Profile

Cambodia Asia Bank (CAB Bank), one of Cambodia's longest well-established financial institutions, conducts business according to the principles of a Bank of Sustainability, under good corporate governance, as well as appropriate risk and cost management. In order to cultivate every customer's life and business, we prioritize offering total solutions, with attentive and innovative anytime, anywhere, responsive to the needs of customers and society. Our operations have surged balance in all dimensions to create sustainable returns over the long term and maximum benefits to all stakeholders.

CAB Bank engages in the commercial banking business, brokerage business and related businesses, as permitted under the National Bank of Cambodia and Cambodia Securities Exchange. CAB Bank offers financial products and services via branches and digital banking channels. CAB Bank's financial solutions aim to meet the needs of all customer segments by providing the most satisfying service experience.

CAB Bank has invested heavily in technology to facilitate its technology business strategy and meet the prevailing needs of customers that change significantly through technological advancements. In doing so, CAB Bank is tasked with conducting studies on and developing new information technologies to enhance the efficiency of technology and productivity of human capital as the bank advances to be one of the Bank of Choice in a new digital era of financial services.

Additionally, CAB Bank has expanded its Head Office to double the size of its current space to accommodate new hirings with the aim of providing greater convenience for its arms of business and upgrading banking facilities to cater to new business segments including VIP Banking clients and SME businesses and owners.

2. Business Operations

CAB Bank is well represented in Phnom Penh and all the major provincial urban centers. We have 8 branches situated in key commercial areas of Phnom Penh and provincial cities of Battambang, Siem Reap, Sihanoukville, Kampong Cham, and Kampot. We also have numerous outlets at key commercial and international transit hubs to serve our customers and offer convenient access to ATMs and services such as local/international money transfer and foreign currency exchange.

CAB Bank serves all segments of the market from mass to micro-businesses all the way to SMEs and corporations. This is in line with our mission to grow in a profitable and people-oriented manner by providing personalized financial products and services at fair terms and pricing. We aim to become the bank of choice for customers throughout the whole stages of life from birth to retirement.

Starting February 2021, CAB Bank has invested in IT infrastructure and our Digital-First Strategy will transform our digital banking in the upcoming years.

Technology transformation jump-started from Core Banking, Digital Payment, Virtual Intelligent Assistant and Self-Service Kiosks Deployment.

3. Performance

Financial

Income Structure of CAB Bank

Income structure of CAB Bank for the years ended December 31 is as follows:

(Thousand USD)

	2023		2022		2021	
	Amount	%	Amount	%	Amount	%
Interest income						
Interbank						
Deposits	1,740		1,193		943	
Loans	7,295		6,601		5,523	
Total interest income	9,037		7,794		6,466	
Total Interest expenses	5,330		4,469		4,061	
Total interest income – net	3,706	43%	3,325	44%	2,405	51%
Total non-interest income	4,884	57%	4,101	55%	2,354	49%
Total operating income – net	8,591	100%	7,427	100%	4,759	100%

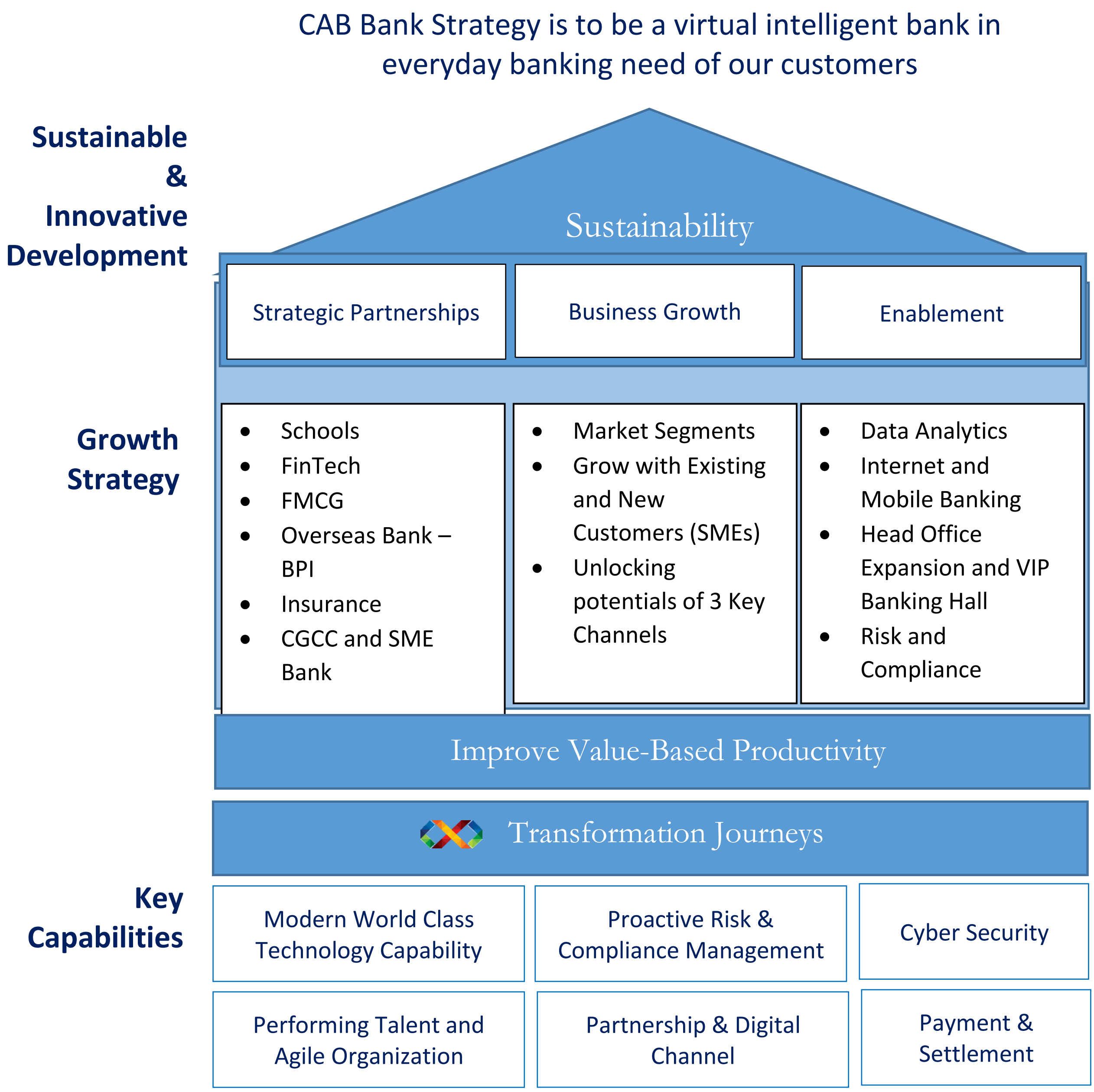
Non-Financial

In the year 2023, CAB Bank had played a vital role to contribute to ongoing economic activities and continued to provide loans to customers. We rolled out and successfully implemented key strategies such as:

1) upgrading IT infrastructure
2) expanding retail deposit portfolio
3) growing assets in the target group - micro and small-medium businesses that needed proper funding to sustain and expand their businesses.

Business Strategy

CAB BANK STRATEGY



1. Funding

In 2023, CAB Bank had effectively managed deposit growth in line with the customers' need to save and earn higher income. Instead of keeping money idle in the low interest accounts, customers shifted the money to high interest-earning accounts at CAB Bank.

2. Instant Loan

CAB Bank allocated a special funding package of USD 10 million for a programmed loan to support consumers and businesses that needed emergency funds for continuing business operations and provided employment to their employees. This programmed loan had helped customers to stay in business through the employment of new ways and technologies for doing business.

3. Customer Centricity

Customer Segments and Services

CAB Bank continues to strengthen its business model – Customer Centricity strategy which the bank focuses on delivering tailor-made services to meet our client segmentation's banking needs that we know best through our market research team. In 2023, we thus focused on providing assistance, either directly or indirectly, to all groups of our customers reeling from the viral transmission so that they could sustain their lives and businesses amidst uncertainty. Moreover, we provided attentive and inclusive services that responded to the demands of customers as a trusted financial partner and the main operating bank of customers.

Retail Business

CAB Bank prioritizes the use of data and data analytics to gain customer insights, allowing us to offer products and services that meet their needs. Major initiatives were as follows:

Small and Micro Business: We allocated a special funding package of USD 2 Million to provide assistance to our business customers and affordable and flexible programmed loan.

Affluent: CAB Bank is in a progress to make its VIP Banking concept into reality in 2022 and will introduce a new banking facility, experienced relationship-based management, and life insurance product that provides long-term coverage with short term premium payment for customers with saving potential who wish to establish financial security for their family.

Middle Income and Every Person: We launched new products and services as follows:

a) CAB iBanking: Enjoy the convenience of doing banking transactions at your own time and place. iBanking services include account balance management, online fund transfer, utilities payment, mobile phone top-up and Term Deposit placement.

b) CAB Mobile: With CAB Mobile, we provide multiple options to perform transactions electronically through our fingertips including fund transfer, mobile phone top-up, term deposit placement, open new accounts and scan QR and Bakong Transfer. CAB Mobile also provides a communication channel for our customers.

c) Super Saver: There is an easier way to grow your money. CAB super saver helps achieve savings plan by allowing to consistently save a small amount of money while earning the highest interest rate, Save Small, Earn Big! Customers can automatically transfer from a source account once a month or manually transfer / Deposit on any day of the month. With CAB Super Saver, you get rewarded not by the amount you save but by your commitment to savings.

d) Senior Citizen Fixed Deposit: CAB Bank provides this facility for senior citizens so that they have the privilege to earn a higher interest rate than general customers. Senior Citizen Fixed Deposits are term deposit plans with special interest rates offered to individuals who are over the age of 60 years old.

e) Step-Up 9 Plus Fixed Deposit: Step-Up 9 Plus is a fixed deposit account that provides customers with the highest interest rate up to 9.9% p.a. within a 9-month period. Step-up 9 Plus is purposely created for customers that are looking for a trusted bank to make a fixed deposit by offering the highest interest rate on a very short-term basis. Customers could also enjoy extra privileges provided by Cambodia Asia Bank.

f) Tuition Fee Deposit Account: Tuition Fee Account is a type of Flexi saving deposit that parents/guardians will deposit in the tuition fee account to pay for their children's school fee at the maturity which is basically at the school payment date. Customer segments under this product are parents and guardians of children/teenagers who study with any CAB partner school.

g) CAB Card: With our VISA Debit Card and UnionPay Credit Card, customers will enjoy cash withdrawals at any ATMs and Payments via any POS purchase in Cambodia and around the world wherever the VISA and UnionPay Logos are displayed.

Medium Business

Aspiring to be a Bank of Choice for companies, CAB Bank is determined to support clients beyond banking solutions in order to boost their competitiveness. Major initiatives were as follows:

(a) Smart SME Loan is aimed to provide easy funding needs of the business to prospective clients in key economic sectors and emerging sectors that are financially viable and have been operating through the stiff. This product is guaranteed by Credit Guarantee Scheme which provides ease of mind to the clients who need funds and do not need to provide collateral or assets to be pledged to CAB Bank.

(b) iBanking for Corporate provided a seamless online experience and interactive accountant-friendly system, particularly payment, receivables and reporting tools.

(c) Cambodia Asia Bank and SME Bank of Cambodia become Official Partnership on SMEs Co-Financing Program to Provide Affordable Financing to Local SMEs. the Cooperation between Cambodia Asia Bank and SME Bank of Cambodia has provided the financial solution to help SMEs in Cambodia. Cambodia Asia Bank is ready to assist our customers to get loans under this scheme with flexible terms and low-interest rates. We strongly believe that this agreement will help SMEs and Cambodia's economy to grow sustainably. We are optimistic about this co-financing scheme. We have come up with communication strategies especially through social media and presses to reach the target customers specifically our business owners that are trying to recover to their normal operations and looking for skilled employees to turn their businesses around through technology. We expect to have more customers getting to know the benefits of this co-financing scheme and be able to apply for a loan through Cambodia Asia Bank to support their cash flow.

Corporate Business

CAB Bank prioritized the offering of products and services that comprehensively meet the needs of customers in terms of their business operations, suppliers, owners and employees. We aimed to enhance their competitive capability and business management efficiency while also maintaining our status as their main banker. Meanwhile, we continued aiding pandemic-stricken clients in accordance with the National Bank of Cambodia’s guidelines and other assistance measures initiated by CAB Bank to help them maintain their liquidity.

In 2023, we are extending a corporate office and open a commercial banking facility on No. 75c.036, Preah Sihanouk Blvd., Sangkat Vealvong, Khan 7 Makara, Phnom Penh which is a commercial hub, one of the three financial districts in the capital city Phnom Penh of Cambodia. The VIP banking facility is conceptualized for our SMEs and influent clients with colossus fine-art architecture -providing a private meeting room for our clients and RMs and modern VTMs.

CAB Bank plans to roll out products and services as follows:

- Trade Finance for Import and Export
- Cash Management
- Payment Solutions
- International Fund Transfer
- Payrolls
- Dedicated RMs

Service Channels

In 2023, CAB Bank focused on providing seamless online and person-to-person services for both lines of business and our business partners to ensure a positive customer experience anywhere, anytime. We have orchestrated synergies and collaboration with partners while also developing our core service channels for enhanced efficiency in accessing customers to deliver them excellent services with the greatest cost-effectiveness.

Branch Network: Key initiatives for branch network management in 2023 included:

Branch network: CAB Bank focused on all service channels which provide value proposition through multiple services in harmony with customers' daily needs for a seamless customer experience anytime, anywhere. Along with this, we have eight branches and over a dozen of outlets while also partnering with TrueMoney and Wing to provide broader service coverage throughout the country. Along with this, we continued to focus on consolidating branches and outlets to reduce redundancy, especially those with relatively low traffic branches and outlets that the available number is appropriate for the 2025 aspiration. Along with this, we adjusted branch models to align with customers' needs in each area. In 2024and 2025, We plan to build a business partnership that will be a profit-sharing business model and share the space of our business partner. Moreover, we supported the application of technology for the development of services and internal processes within branches for enhanced efficiency and appropriate cost management along with a harmonized sales and service experience in line with consumers' increased use of digital channels.

Branches and Financial Service Network

	Number of Locations
Branch Network	
Branch	8
Outlet [1]	11

Note:

(1) Services including money exchange and Western Union – fund transfer and POS for VISA / MasterCard cash withdrawal.

Electronic Network:

(i) **CAB Bank ATMs:** Location of machines has been a major focus with sufficient service points to ensure broader coverage and meet customers' needs. Along with this, we prioritized machine efficiency enhancement for improved access to CAB Bank services.

(ii) **CAB Mobile and CAB Internet Banking:** In 2021, we rolled out CAB Mobile and Internet Banking. Our CAB Mobile provides multiple options to perform transactions electronically through our fingertips including fund transfer, mobile phone top-up, term deposit placement, open new accounts and scan QR, and Bakong Transfer. CAB Mobile also provides a communication channel for our customers.

(iii) **CAB Tele-Call Center**: CAB provides 24/7 customer care for every customer and plans to enrich the experience further and further in the far future. Our service supports KH/ENG/CN languages and gives customers transparency and engagement care throughout the communication. CAB has multiple channels for support e.g., Via Tele-call, Facebook, Instagram, Telegram, etc.…

Operations of CAB Bank

Human Resource Management

CAB Bank implemented the People Strategy, in alignment with our CAB Bank Strategy. Key initiatives were as follows:

- Ensure Suitable Great Leaders and Culture: We have established qualifications for purposeful and practical leadership in line with CAB Bank's expected behavioral guidelines which comprise self-awareness, result orientation, team building and integration. This is to ensure that actions will be taken with self-awareness, accounting for teamwork, customers and the organization throughout the work process. CAB Bank organized activities to promote leadership development on a continual basis, starting with the recruitment process. New interview selection and probation criteria have been established in conformity with the organization's expected behavioral guidelines regarding leadership values. We also held an executive seminar on purposeful and practical leadership for C-suit executives and other executives at higher positions wherein the participants learned from experiences of exemplary world-class leadership which could be further applied to their work in alignment with our expected behavioral guidelines.
- Enable Growth Strategy: CAB Bank conducted organizational restructuring and selected personnel to support CAB Bank's business development. We focused on the enhancement of employee skills, experience and abilities to cope with changes, and accounted for various opinions, especially of those engaged with business expansion within the region, data and analytics, and strategy formulation. Moreover, employees' capabilities have been enhanced to be aligned with an agile way of work amidst rapid technological changes. The performance evaluation has also been revised to accommodate this new work format. CAB Bank has established guidelines for an agile way of work which comprise four steps, accounting for employee engagement and the Code of Conduct to ensure a systematic and fair work environment.
  They are of the followings:

  1) Agile mindset/Skill set: Employees have been encouraged to work with flexibility, dare to be creative and innovative, and stay ahead of changes. To this end, we arranged learning courses on the agile way of work presented by experts from the Agile Center of Excellence.

  2) Common Way of Work: Focus has been on practical teamwork which is aligned with new work.

  3) Agile Way of Work: Our employees have been urged to embrace an agile way of work in order to maximize flexibility and speed of cross-departmental work. We also

organized the Staff Award activities to recognize outperforming employees and boost morale among colleagues.

4) Community of Practices: We have encouraged employees who have no experience in an agile way of work to learn from practices and from others, thus creating a community of practices where colleagues come together to share best practices with each other. To elevate the capabilities of employees engaged with the regional business, CAB Bank developed the Employee Value Proposition CAB Bank (Best Place to Work, Learn and Lead) program to support our drive in penetrating the regional market in alignment with our strategy of becoming the regional leader. Moreover, we highlighted the Free Trade Business World of Borderless Growth concept to communicate to the new generation about borderless growth opportunities, as we aspire to be an organization that serves as the foundation of the Cambodian society and the ASEAN Economic Community region, alike.

Risk Management

Risk Management is an integral part of our organizational culture. We have established a risk management policy and risk appetite, and risk management has been taken into account when formulating our strategies and business undertakings to support business growth. This is to ensure sustainable profitability and maximize stakeholders' returns. CAB Bank's risk management strategy has been established in line with international guidelines and principles and applied throughout the Bank. We engage in a consolidated risk management framework that emphasizes the management of risks, e.g., credit, market, liquidity, operational and strategic risks. CAB Bank's risk management structure clearly determines the duties and responsibilities of relevant units, including an independent risk management unit, while risk-adjusted measurement has been applied to each business unit.

CAB Bank's risk, capital and liquidity management is under the supervision of the Board of Directors, which is responsible for ensuring the appropriate level of capital and liquidity to accommodate our present and future business operation. Meanwhile, CAB Bank ensures that policies, processes and systems for controlling, monitoring and reporting risks, capital and liquidity are in place whereas segregation of duties and reporting lines are clearly defined in conformity with the good internal control principle. We also emphasize thorough, accurate and regular disclosures on risk, capital and liquidity are in place whereas segregation of duties and reporting lines are clearly defined in conformity with the good internal control principle. We also emphasize thorough, accurate and regular disclosures on risk, capital and liquidity management to the public.

Key Developments to Strengthen Risk Management

CAB Bank places great emphasis on effective and timely risk management. Risk management policies, tools and processes have been developed and are reviewed regularly to guard against risking risk trends in line with market volatility and to ensure that they are appropriate for changes in regulatory requirements, including domestic and global economic policies. Relevant actions taken were as follows:

(a) **Enhance impairment process and provision including Stress Test as per internal and NBC requirements:** Credit risk model, asset classification, provisions, economic factors, business case scenarios and economic indicators have factored into our standards. Along with this, we have complied with the regulatory requirements and provided a financial forecast to the top management of the bank's financial health and cost management mechanisms to minimize negative impacts that may hit our business operations and investment plans over the next two years.

(b) **Continuous upgrade of information security management to meet global standards:** CAB Bank's information security management system has been upgraded.

(c) **Strengthening of customers of data protection and privacy:** A working group has taken steps to ensure preparedness in compliance with data protection and privacy. The actions include policy revision, and process and technology updates covering control measures and relevant infrastructure to support consent management and customers' exercising rights. Moreover, we have continually communicated to employees and corporate partners to ensure that they recognize the importance of compliance with the data protection and privacy while the progress reports have been reviewed and presented to CAB Bank's management teams on a regular basis.

(d) **Establishment of End-to-End Product Management Framework** to ensure that all key products and services are managed efficiently, aligned with customers' needs and controlled with an acceptable risk level.

(e) **Establish operational guidelines and appropriate control for risk management and positive customer experience among risk-related units** to be more integrated and efficient by each department which is overseen by each head of the department who is a member of the Management

Committee. The enhancement is to ensure that the Bank can provide various products and services to align with customers' needs and prepare for business growth in the digital world more efficiently, while key risks and compliance issues are defined and managed securely and appropriately.

(f) **Enhancement of Business Partner and Third-Party Risk Management** which covers risk assessment, selection, process, contract preparation, risk monitoring and termination of service with business partners and third parties to ensure enhanced security for customers' transactions and increased efficiency in fraud detection in various forms for broader coverage.

(g) **Put in place market conduct management** accounting for customers' demand, financial status and understanding to ensure that customers receive fair service and treatment with complete and accurate information about products and services for a positive customer experience.

Risk Management

CAB Bank has placed an emphasis on comprehensive risk management such as credit risk, market risk, liquidity risk, operational risk and strategic risk, all of which are covered and properly managed.

Credit Risk Management

Credit risk refers to risk whereby a counterparty or borrower may default on contractual obligations or agreements, or have an intention not to abide by an agreement, resulting in losses to CAB Bank. CAB Bank thus places significance on credit risk management compatible with international standards and regulatory requirements, environmental impacts and climate change that may be caused by CAB Bank business operations, to ensure sustainable growth and reasonable returns to stakeholders.

In 2023, CAB Bank focused on customer service and credit risk management for every customer segment to ensure that risk levels are under an acceptable risk appetite. Meanwhile, digital disruption prompted CAB Bank to focus more on stringent customer screening criteria while prioritizing sustainable assistance measures – particularly for small and micro-businesses as well as retail customers – while also seeking to acquire customers with stronger financial status and sound debt servicing ability. Moreover, CAB Bank has a policy to integrate public health-related risk – which may affect customers' business operations through physical risk and transition risk, - as one of the factors for the credit underwriting process and use it as one of the components in assessing impacts on the Bank's credit portfolio.

CAB Bank also focused on portfolio management to maintain credit concentration with the established limits. Loan growth targets have been established in alignment with prevailing economic conditions, taking into account customer segments, product domains and industries, to maximize returns under a risk appetite. CAB Bank has emphasized customers' early warning sign detection and behavior monitoring to ensure efficient monitoring, recovery and collection processes. Moreover, CAB Bank has managed to appropriately set aside provisions to cover expected credit loss, which is in line with our prudent business operation amidst ongoing economic uncertainties.

Credit Risk Management Policy

To achieve sustainable growth, our credit strategy focuses on a balance between portfolio value creation and protection within our risk appetite. Credit policy and related credit procedures must comply with this strategy and must be in line with laws, regulations and fair lending management guidelines including how to cope with climate change impacts that may have on business operations in terms of risk and business opportunity.

Credit Policy and Process Review

CAB Bank has conducted a review of credit policy and process including credit proposal presentation, credit underwriting, agreement preparation, credit assessment and asset quality monitoring and review, to ensure credit policy and process consistency and efficiency in alignment with regulatory requirements. CAB Bank also utilized information from the review to support our credit management standard development.

Market Risk Management

Market risk may arise from changes in interest rate, foreign exchange and credit spread. These changes affect CAB Bank's present and future income, capital, the value of financial assets and liabilities as well as off-balance sheet items. CAB Bank engages in a consolidated risk management framework through the development of essential infrastructures and processes for timely and appropriate management of the market risk of financial products. In addition, we have established a product management process for both existing and new products based on the business plan, covering transaction objectives and processes, market risk-related factors, risk analysis and potential impacts as well as risk assessment and control guidelines.

Liquidity Risk Management

Liquidity risk is defined as the risk caused by a failure to obtain sufficient funds at appropriate costs to meet obligations when they come due, and/or an inability to convert assets into cash.

Liquidity in the banking system was ample when loans growth was stronger than deposits growth while banks tapped on their own retained earnings and debts to ease economic stress and provided relief to MSME and consumers to delay payments and reschedule their loan durations. CAB Bank has been fully equipped with tools for appropriate liquidity management to protect ourselves against liquidity shortages. Aside from efficient monitoring of liquidity risk in light of situations that may incur risk indirectly, we have also adopted a Business Continuity Plan to guard against disruptions to essential operations and systems, allowing us to fulfill our obligations in the event of an emergency.

CAB Bank has conducted liquidity risk assessment and analysis on a regular basis to ensure sufficient liquidity for our business operations through liquidity gap analyses, covering both normal and crisis situations, under three scenarios, i.e., liquidity crises that are either bank-specific, market-wide, or a combination of both circumstances.
CAB Bank has also developed tools to assess and analyze liquidity risks that meet international standards including Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NFSR). Moreover, the Bank has developed tools for liquidity risk assessment and analysis on a

continual basis in line with international standards. This allows us to devise an effective plan for overall liquidity management along with review and revision of liquidity risk management processes and adjustment of our funding structure in response to changing market conditions and liquidity in the banking system. We determine appropriate strategies to maintain a suitable level of foreign currency liquid assets, be consistent with growth in deposits and guard against any heightened liquidity risk stemming from volatility in the global economy and fast-changing financial markets, taking into account business growth potential.

Closely monitored factors that could affect our liquidity and interest rate risks include:

(a) Key policy rate trend of the National Bank of Cambodia and major central banks

(b) Direct and indirect foreign capital movements triggered by internal and external risks

(c) Intensified competition among financial institutions in savings and investment products that may affect overall liquidity in the banking system

(d) Increasing demand for loans which could generate pressure on liquidity in the system

Operational Risk Management

Operational risk refers to the risk of direct or indirect losses to a bank's revenue or capital resulting from incorrect or inadequate processes, personnel, operating and/or IT systems, or external events. CAB Bank has thus placed importance on operational risk management through the development of policies and operational risk frameworks to enhance our operational risk management as a unified standard, prompting enhancements that allow us to assess risk and proactively seek preventive measures.

CAB Bank has put in place a Bank-wide public health-related risk consideration process, namely the identification, assessment and mitigation of climate-related impacts on CAB Bank, to ensure business continuity and the protection of the lives and property of our customers, employees and other stakeholders. The risk consideration process has been undertaken as part of the overall risk management procedure every year or more than once a year to keep abreast of the latest trends, ensuring that we can cope with climate-related risks in a timely manner. In detail:

(a) Risk identification: To identify the risk event and/or major climate-related threats, both physical and transition risk, based on the megatrends and related rules and regulations.

(b) Risk assessment: To assess the overall risks in three levels, i.e., high, medium and low, by assessing risk impact, likelihood and effectiveness of control.

(c) Risk management: CAB Bank has in place risk management in order to prevent, monitor and respond to risks. Regarding high-level risk, additional analysis will be conducted for prevention and rectification or further establishment of risk management measures. Moreover, CAB Bank has prepared a business continuity plan (BCP) and IT disaster recovery plan to cope with risk incidents that may affect our work and business operations.

Strategic Risk Management

Strategic risk refers to risks that arise from the formulation and implementation of strategic and business plans that are unsuited to and inconsistent with internal factors and the external environment, which may affect earnings, capital fund or CAB Bank's stability. CAB Bank thus places emphasis on the integration of strategy formulation and implementation process. The process begins with systematic data collection and analysis for use in the review and determination of appropriate Bank-wide strategies, which are then translated into those for business and support units, objectives and key results. It also involves efficient resource allocation, or Bank-wide communication of strategic plans, the establishment of clear operational plans and monitoring processes, as well as identification of problems and solutions.

Meanwhile, the Bank has been exposed to the operational risk incurred from compliance with government policies, including new rules and regulations and standards concerning the supervision of financial institutions, in order to extend assistance to pandemic-hit businesses and retail customers amid volatilities in global capital flows, caused by divergent recoveries across many countries, especially economies.

CAB Bank prioritizes strategic risk management in times of uncertainty. Our strategic risk management can be divided into two parts, as follows:

(a) **Strategic Risk Management for Strategic Content:** Key Risk Indicators (KRIs) for Strategic Content have been set up to enable us to review and adjust Ban-wide strategies as well as business units' strategic plans appropriately and in a timely manner amidst changes in external and internal environments which affect business operations, including anticipation of upcoming changes for better preparedness regardless of circumstances.

(b) **Strategic Risk Management for Strategy Execution** is conducted by:

a. Preparing monthly financial performance reports and semiannual Balanced Scorecard (BSC) reports; we also arrange meetings regarding our strategies to address and manage specific issues, in order to achieve unified solutions.

b. Preparing and reporting performance of the business and support units and objectives and key results on a quarterly basis as a gauge for our practical guidelines, thus aligning with the established strategic plans.

c. Establishing KRIs for strategy execution that covers CAB Bank infrastructure and resources.

4. Digital First Strategy

Information Technology Management

In 2021, CAB Bank had invested in a new core banking system powered by Oracle Flexcube and launched new financial channel technology in response to the transition to a digital currency technology using the new era's technological infrastructure, and the search for innovations in line with CAB Bank's strategic direction. These endeavors were undertaken with efficient work processes under international standards and the latest cyber security control system. Effective management guidance has also been put in place to cope with short, medium- and long-term impacts during the transition, to achieve the CAB Bank Strategy of maintaining our competitiveness and becoming the trusted regional leader in the technological realm. Major initiatives can be summarized as follows:

Development of products and services: to reach our cutting-edge technology that can meet and be consistent with the ever-evolving customer behavior and technological innovation including CSS, CMS, CBS, NBC Bakong, NCS 2.0 and FAST 2.0.

5. Ecosystem and Harmonized Partnerships with International Players

In 2023, CAB Bank has partnered with key local international players including AIA Life Assurance (Cambodia) Plc., Bankograph Pte. Ltd., and Small and Medium Enterprise Bank of Cambodia.

Our partnerships are enriched by knowledge and best practices which are the art of doing business and training our CAB Bank employees.

Management of Impacts on Stakeholders with Value Chain

CAB Bank has disclosed data on management and value creation through our capitals. Key issues that influence the assessment of impacts on CAB Bank's ability to create value over the short, medium and long-term are identified. Analyses will shed light on financially material topics in order to manage existing capital in alignment with the operational framework and the policy of sustainable development and CAB Bank Strategy to ensure that CAB Bank can achieve the highest performance efficiency in alignment with our vision and business directions.

CAB Bank Value Creation Model

INPUT

Financial Capital

- Total Equity: USD 88.10 Millions
- Deposits: USD 131.52 Millions

Investment Capital

- Total Equity: USD 1.83 Millions

Human Capital

- Total Employees: 338

BUSINESS ACTIVITIES

CAB Bank Strategy

- Funding
- Instant Loan
- Customer Centricity
- Digital First Strategy
- Ecosystem and Harmonized Partnerships with International Players

Business Activities

CAB Bank has conducted commercial banking business with a full array of financial services and products serving all across the sectors and segments.

OUTPUT

Products and Services

- Instant Loan to Relieve Cash Flow for SMEs impacted by economy, Step-up 9 Plus, Digital Banking Products, Smart SME Loan, Bancassurance and Payment Solutions

Channels

- Branch: 8 branches
- Outlets: 11 outlets
- Self-Service Channel: 65

CSR Project Contribution in support to the public health and Humanitarian.

System

Flexcube Core Banking System

Management Discussion and Analysis

Executive Summary of Management Discussion and Analysis

We continued to bolster our capabilities and innovation in our service through the development of digital technology, both financial and non-financial, to be in step with changing consumer behavior while also offering new business opportunities business context accounting for proactive integrated risk management, as well as a risk-aware culture Bank-wide, so as to secure our status as a leading financial institution that is always prepared for potential economic volatility, under both normal and stressful situations.

The 2023 operating performance of CAB Bank thus met our business targets as expected in line with the economic conditions. Our operations have gained wide acceptance and recognition in the home country and by tourists from all over the world through our presence at international transit hubs, key tourism locations, entertainment centers and social platforms. All the above endeavors and performance of CAB Bank have thus far been undertaken with prudence and in step with the ever-changing customers' needs, together with an awareness of the economic uncertainty that was gradually reviving by the new normal. These efforts will allow us to devise plans to cope with any potential impacts upon our business while also giving our customers support in an efficient and timely manner.

CORPORATE GOVERNANCE

CAB Bank recognizes the importance of corporate governance and always develops good governance within the bank. The duties and responsibilities of the board of directors (BoDs) are often reviewed and constituted in order to ensure effective governance in the bank's operation, and the core duties for shareholders, clients, employees and other related parties. CAB Bank has independent directors. BoDs has full opportunity and authorization to practice proper deliberation and professional skepticism.

BOARD OF DIRECTORS

Each BoDs member is nominated by the shareholders to act as their agents.
The composition of BoDs is the followings:

Mr. Va Dalot	Chairman
Mr. Wong Tow Fock	Director and Chief Executive Officer
Mr. Top Ratheanin	Director
Mr. Chan Peng Leong	Independent Director
Mr. Rouer Jerome	Independent Director

The BoDs' performances are subject to review every year. At the end of each mandate; furthermore, membership will be renewed and approved based on each member's performance.
The duties and responsibilities of BoDs include:

- Promoting the gradual development of banking business for shareholders in an honest manner;
- Balancing the interests of all related parties, including shareholders, depositors, borrowers, employees, investment partners and so on to avoid conflict of interest;
- Determining and approving attractive policies, protect deposits and clients, as well as protect the benefit of the other related parties;
- Ensuring thorough management and strict inspection by studying, determining, inspecting and managing possible risks;
- Constituting and approving the business plan, budget package, risk management policy, internal inspection policy, major investments and the acceptable risk level;
- Approving the appointment of an external auditor;
- Convening a meeting with senior management and internal auditor;
- Examining and making decisions about the governance of the bank; and
- Constituting other necessary duties required by the laws and provisions.

The BoDs meeting is held at least twice a year. In addition to that, the chairman of BoDs may call for meetings in case needed. Each director has independence in making a decision and definitively avoids gaining benefits (including brides) from any third parties.
The BoDs has four supporting committees: Risk Management, Audit, Nomination and Remuneration and Asset and Liabilities Management which are established to act on behalf

of them in overseeing the banking operation. These committees are responsible for monitoring and controlling the risks (credit risk, market risk, liquidity risk, and operational risk) within the bank.

Risk Management Committee

Risk Management Committee consists of five members. Risk Management Committee shall carry out the following duties:

Examining the risk management activities that the bank may encounter such as financial, credit, liquidity, operational, reputation and legal risk and so on;

Examining regularly the policies and risk management procedures set out and implemented by the senior management;

Examining qualifications and biographical detail of senior risk officials and ensuring that the employees of the risk department are sufficiently qualified to perform the tasks;

Being responsible for the evaluation of local risks in the bank's common development strategy.

Audit Committee

Audit Committee is led by three independent directors. Audit Committee shall carry out the following duties:

- Examining the bank's financial report, the process of financial report preparation and the system of accounting and financial preparation and inspection in an honest manner;
- Examining the effectiveness of roles of internal inspection and risk management systems;
- Appointing internal auditors and regularly examine of the roles of the internal audit;
- Auditing the financial report annually and independently, including the provision of recommendations to the board of directors regarding the appointment of external auditors; evaluating capacity, independence and implementation of external auditors and determining the remuneration and duration of external auditors;
- Constituting and implementing policy with the external auditors regarding the offer of other services other than the annual and independent audit and reporting this issue to the board of directors; and
- Ensuring compliance with laws and provisions, including procedures and inspection of the disclosure of financial information.

Nomination and Remuneration Committee

Nomination and Remuneration Committee is also led by five members. Nomination and Remuneration Committee shall carry out the following duties:

- Determine remuneration for the bank's board of directors, executive director, senior management and employees;

- Evaluating the experience, knowledge and expertise of the member of the board of directors and senior management and determining the responsibilities of the board of directors' members to be appointed to perform any position;
- Evaluating the tasks implementation of all the committees and submitting a report to the board of directors;
- Making a remuneration plan and strategy and providing various interests to employees and ensuring the retention of highly qualified employees.

MANAGEMENT COMMITTEES

Two management committees: Operation and Credit are established to support Chief Executive Officer (CEO) in directing and controlling the bank's operations and implementing other works assigned by the CEO and report to the CEO.

Operation Committee

Operation Committee comprises of four members. Operation Committee is responsible for:

- Ensuring compliance with the provisions pertaining to the bank operations;
- Ensuring that the bank has annual business and budget plans;
- Examining the implementation of business activities regularly in compliance with the determined business and budget plans; and
- Reviewing all the matters related to the bank's operations.

Credit Committee

Credit Committee comprises of six members. Credit Committee is responsible for:

- Approving and granting of loans to the clients;
- Performing critical analysis in granting loans to prospective borrowers in order to determine a client's repayment capacity that would reduce credit risk;
- Reviewing loans and developing clear strategies and actions to collect non-performing loans.

Internal Control

CAB has continuously developed several lines of defense within the bank to ensure all activities, processes, systems, policies, and procedures are in place without internal control failing, assets are safeguarded from inappropriate use or loss, and fraud and liabilities are identified and managed.

The bank has proper and sufficient policies and procedures related to bank operation for implementation. Also, it has clear segregation between oversight and implementation functions.

BoDs often has a meeting with the bank's management, compliance officer and internal auditors to ensure that all approved policies and procedures are thoroughly implemented and risks are identified and managed. Audit Committee is also responsible for assisting BoDs with the oversight responsibilities for the integrity of the bank financial reports and the effectiveness of internal control. Besides this, Internal Audit Department periodically reviews whether management is setting and applying appropriate internal control procedures, including control over MIS, and is implementing recommendations on internal control of internal and external auditors and the National Bank of Cambodia.

All bank's records and processes are maintained properly to enable a flow of timely, relevant and reliable information from within and outside the bank.

CAB also has a compliant function to ensure compliance with internal policies and applicable laws and regulations with respect to the conduct of business.

Risk Management

CAB has clearly noted that better risk management helps the bank to align risk appetite and strategy, minimize operational losses and improve risk response decisions. Then, the bank has continuously developed a sound and acceptable risk management framework and system. It integrates the responsibilities of the BoDs which is the top body of the bank.

CAB also established Risk Management Committee and executive level committees such as Credit Committee and Operation Committee for credit risk, market risk, liquidity risk, and operational risk.

Credit Risk Management

CAB has created a credit policy and procedures to reduce the risk in providing credit to the public and also to comply with the Prakas of the National Bank of Cambodia. These policies and procedures set the standard for credit management, and they will be updated every year in accordance with the present economic condition of the Bank.

Market Risk Management

This risk is related to the interest rate and foreign exchange rate (FX) risks, which the bank discussed in ALCO meetings to monitor the interest rate and FX rates. The most important things are the rate-sensitive assets and rate-sensitive liabilities. Since CAB is one of the leading financial institutions in FX and money transfer, the bank has established the most effective policies and procedures for handling, monitoring, and controlling the exchange rate risk.

Liquidity Risk Management

The Operation Committee members manage and monitor the liquidity and aim to comply with the National Bank of Cambodia guidelines and maintain the trust and confidence of the bank's clients. The bank also has a liquidity contingency plan in place to counter market collapse in the banking system and any other occurrences that would affect the daily operation of the bank.

Operational Risk Management

CAB has established an operation manual for the employees and also implements an internal control system that aims to identify the risk associated with the daily operations as well as system risk within the bank.

Code of Conduct

To maintain and enhance our professional ethics, both management and employees are required to perform their work diligently, genuinely and transparently, and most importantly to put the enthusiasm of the bank as a priority. CAB's codes of ethics are as follows, which our management and employees have acknowledged and followed:

Treat customers fairly, honestly and impartially, and they are not allowed to get any gifts, commissions, or any valuable stuff from customers because gifts or entertainment can be a threat to an independent mind.

Staff must not engage in any business activity that conflicts with the interest of the bank.

Staff should not misuse their position in the bank for personal benefits.

Confidentiality, staff should not use confidential information about a client for personal gain.

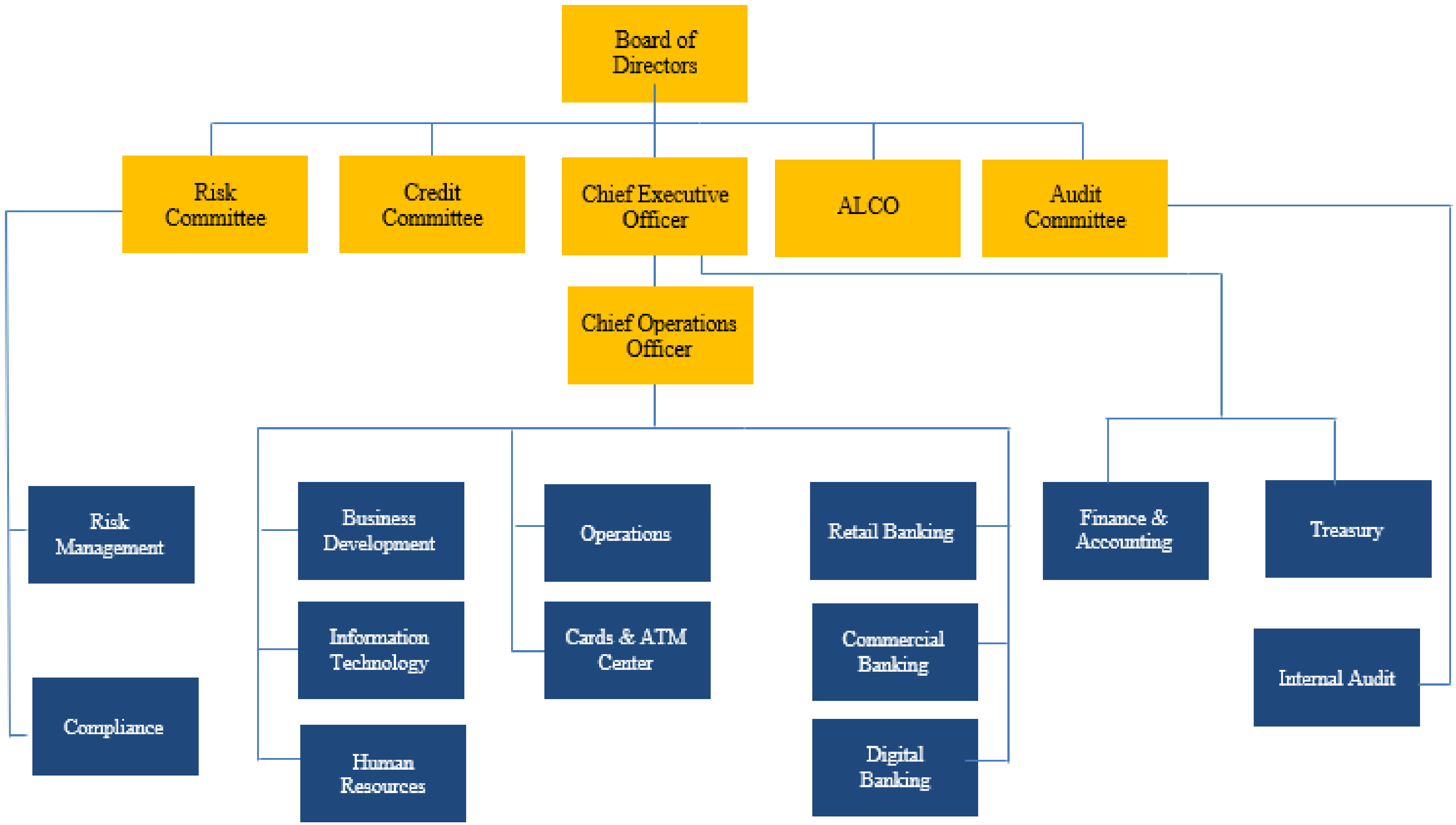
Compliance

CAB has an independent compliance function which is mainly handled by Compliance Department.

Compliance Department permanently reviews and obtains the updates from the audit regularly regarding compliance matters which affect the bank. Likewise, they review non-compliance issues raised by regulatory agencies and the National Bank of Cambodia and the rectification of those issues. Moreover, reviewing the effectiveness of the system by monitoring compliance with laws and regulations and the results of the follow-up of any instances of non-compliance is made regularly.

Regarding AML/CFT, the board established an ongoing process for identifying, evaluating, managing and preventing the significant risks. The bank has AML policies and standards approved by the board. The policies and standards specify roles, responsibilities and effective framework for AML/CFT which are mainly implemented by Compliance Department. Moreover, a member of the senior management was awarded the widely recognized Certified Anti-Money Laundering Specialist (CAMS) credential by the Association of Certified Anti-Money Laundering Specialists (ACAMS), the world's leading organization of professionals in the anti-money laundering field. This assures our bank and payment partners that they are working with a team equipped with the essential knowledge and background in anti-money laundering.

ORGANIZATION CHART



DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of Cambodia Asia Bank Limited (the "Bank") for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The principal activities of the Bank comprise of operations of core banking business and the provision of related financial services in Cambodia. There have been no significant changes in the nature of these principal activities during the year.

FINANCIAL RESULTS

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

	2023 USD	2023 KHR'000
Net profit for the year	1,367,200	5,619,192

DIVIDENDS

No dividend has been declared and the directors did not recommend the payment of any dividend in respect of the year ended 31 December 2023.

SHARE CAPITAL

The details of share capital and shareholding structure is disclosed in Note 17 to the financial statements.

RESERVES AND PROVISIONS

Transfers to or from reserves or provisions during the year are disclosed in Note 18 to the financial statements.

BAD AND DOUBTFUL DEBTS

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

At the date of this report, the directors are not aware of any circumstances, which would render the amount written off for doubtful debts, or the amount of allowance for doubtful debts 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 which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Bank had been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are 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 had arisen which would render adherence to the existing method of valuation of assets or liabilities of the Bank misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

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

(i) any charge on the assets of the Bank that had arisen since the end of the year to secure the liabilities of any other person; and

(ii) any contingent liabilities in respect of the Bank that had arisen since the end of the year other than in the ordinary course of Banking business.

In the opinion of the directors, no contingent or other liability of the Bank has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the year which will or may affect the ability of the Bank to meet its obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Bank, which would render any amount stated in the financial statements misleading.

ITEMS OF MATERIAL AND UNUSUAL NATURE

In the opinion of the directors,

(i) the results of the operations of the Bank for the year were not substantially affected by any item, transaction or event of material and unusual nature; and

(ii) no item, transaction or event of material and unusual nature had arisen in the interval between the end of the year and the date of this report which is likely to affect substantially the results of the operations of the Bank for the year in which this report is made.

ISSUANCE OF SHARES AND DEBENTURES

During the year, no new shares or debentures were issued by the Bank.

DIRECTORS

The directors in office during the year and during the period from the end of the year to the date of this report are:

Va Dalot	Chairperson
Wong Tow Fock	Director and Chief Executive Officer
Top Ratheanin	Director
Chan Peng Leong	Independent Director
Rouer Jerome	Independent Director

DIRECTORS' BENEFITS

Since the end of the previous year, the directors have not received or become entitled to receive any benefit by reason of a contract made by the Bank or a related corporation with the directors or with a firm of which the director is a member, or with a Bank in which the director has a substantial financial interest, except for any benefit which may be deemed to have arisen by virtue of those transactions as disclosed in Note 27 to the financial statements.

Neither during nor at the end of the year, was the Bank a party to any arrangements where the object is to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of the Bank or any other body corporate.

HOLDING COMPANIES

The directors regard Selvione Limited, a company incorporated in British Virgin Islands, and Quantum Symbol Sdn Bhd, a company incorporated in Malaysia, as the ultimate holding and immediate holding companies, respectively.

SUBSIDIARY

The details of the Bank's subsidiary is disclosed in Note 9 to the financial statements. The available Auditors' Reports on the account of the subsidiary did not contain any qualification.

SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE YEAR

There is no significant event subsequent to the end of the year.

AUDITORS

The auditors, Baker Tilly (Cambodia) Co., Ltd, have expressed their willingness to continue in office.

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors of the Bank are responsible for ascertaining that the financial statements of the Bank give a true and fair view of 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 of the Bank are required to:

(i) adopt appropriate accounting policies in accordance with Cambodian International Financial Reporting Standards ("CIFRSs"), which are supported by reasonable and prudent judgements and estimates, and then apply them consistently;

(ii) comply with the disclosure requirements of CIFRSs or, if there have been any departures from such standards, in the interest of fair presentation, ensure that this has been appropriately disclosed, explained and quantified in the financial statements;

(iii) maintain adequate accounting records that enable the Bank to prepare its financial statements under CIFRSs and an effective system of internal controls;

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

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

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

APPROVAL OF THE FINANCIAL STATEMENTS

In the opinion of the directors, the accompanying financial position of the Bank as at 31 December 2023, and the related statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements are presented fairly, in all material respects, in accordance with CIFRSs.

Signed on behalf of the Board of Directors,

CAMBODIA ASIA BANK LTD

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Wong Tow Fock
Director and Chief Executive Officer

Phnom Penh, Kingdom of Cambodia

Date: 27 March 2024

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CAMBODIA ASIA BANK LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Cambodia Asia Bank Limited (the "Bank"), which comprise the statement of financial position as at 31 December 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, as set out on pages 40 to 91.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2023, and of its financial performance and its cash flows for the financial year then ended in accordance with the 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 International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and the ethical requirements that are relevant to our audit of the financial statements in Cambodia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The financial statements of the Bank for the year ended 31 December 2022 was audited by another firm of Certified Public Accountants, whose report dated 30 March 2023 expressed an unqualified opinion on those statements.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Bank are responsible for the other information. The other information comprises the Annual Report and Directors' Report (but does not include the financial statements of the Bank and our auditors' report thereon). The Directors' Report was obtained prior to the date of this auditors' report, and other sections included in the annual report are expected to be made available to us after that date.

Our opinion on the financial statements of the Bank 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 of the Bank, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Bank 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 that we 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.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors, and respond to that matter in accordance with the requirements of CISA 720 (revised).

Responsibilities of the Directors for the Financial Statements

The directors of the Bank are responsible for the preparation of financial statements of the Bank that give a true and fair view in accordance with the CIFRSs. The directors are also responsible for such internal controls as the directors determine are necessary to enable the preparation of financial statements of the Bank that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Bank, the directors are 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 the directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

The directors of the Bank 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 of the Bank 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.

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

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

- identify and assess the risks of material misstatement of the financial statements of the Bank, 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 the directors;
- conclude on the appropriateness of the directors' 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 of the Bank 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 of the Bank, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors 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.

BAKER TILLY (CAMBODIA) CO., LTD.

Baker Tilly (Cambodia) Co., Ltd.
Certified Public Accountants
Phnom Penh, Kingdom of Cambodia

Oknha Tan Khee Meng
Certified Public Accountant

Date: 27 March 2024

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	Notes	2023 USD	2023 KHR'000	2022 USD (As reclassified – Note 33)	2022 KHR'000 (As reclassified – Note 33)
ASSETS					
Cash on hand	5	53,892,182	220,149,563	72,122,673	296,929,045
Balance with financial institutions	6	51,893,498	211,984,939	31,091,760	128,004,776
Balance with National Bank of Cambodia ("NBC")	7	6,480,982	26,474,811	4,890,516	20,134,254
Loans to customers	8	81,674,491	333,640,296	77,245,248	318,018,686
Investments	9	1,825,588	7,457,527	1,825,588	7,515,946
Other assets	10	3,806,355	15,548,960	2,315,785	9,534,087
Statutory deposits	11	18,600,958	75,984,913	16,803,679	69,180,746
Intangible assets	12	1,198,364	4,895,317	1,303,147	5,365,056
Property and equipment	13	1,532,893	6,261,868	1,456,144	5,994,945
Right-of-use assets		527,230	2,153,735	369,943	1,523,055
Deferred tax assets - net	16 (c)	-	-	69,884	287,712
TOTAL ASSETS		221,432,541	904,551,929	209,494,367	862,488,308
LIABILITIES					
Deposits from customers and financial institutions	14	131,520,800	537,262,468	120,302,483	495,285,323
Other liabilities	15	1,129,629	4,614,533	2,026,012	8,341,091
Lease liabilities		558,067	2,279,704	411,526	1,694,253
Current income tax liability	16 (b)	-	-	17,397	71,623
Deferred tax liabilities - net	16 (c)	119,896	489,775	-	-
TOTAL LIABILITIES		133,328,392	544,646,480	122,757,418	505,392,290
EQUITY					
Share capital	17	75,000,000	299,625,000	75,000,000	299,625,000
Regulatory reserves	18	2,160,910	8,869,042	459,781	1,877,402
Retained earnings		10,943,239	44,522,344	11,277,168	45,894,792
Exchange differences	19	-	6,889,063	-	9,698,824
TOTAL EQUITY		88,104,149	359,905,449	86,736,949	357,096,018
TOTAL LIABILITIES AND EQUITY		221,432,541	904,551,929	209,494,367	862,488,308

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

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 USD	2023 KHR'000	2022 USD (As reclassified – Note 33)	2022 KHR'000 (As reclassified – Note 33)
Operating income					
Interest income	20	9,037,318	37,143,377	7,794,786	31,857,290
Interest expense	21	(5,330,617)	(21,908,836)	(4,469,137)	(18,265,363)
Net interest income		3,706,701	15,234,541	3,325,649	13,591,927
Non-interest income	22	4,884,877	20,076,844	4,101,916	16,764,531
Total operating income		8,591,578	35,311,385	7,427,565	30,356,458
Personnel expenses	23	(3,321,601)	(13,651,780)	(3,465,553)	(14,163,715)
Other operating expenses	24	(2,220,066)	(9,124,470)	(2,387,379)	(9,757,219)
Depreciation and amortisation	25	(717,807)	(2,950,187)	(820,812)	(3,354,658)
Minimum tax expense	16 (a)	(148,269)	(609,386)	-	-
Operating profit before impairment losses		2,183,835	8,975,562	753,821	3,080,866
Impairment losses on financial instruments	26	(626,855)	(2,576,374)	(128,477)	(525,085)
Profit before tax		1,556,980	6,399,188	625,344	2,555,781
Income tax (expense)/benefit	16 (a)	(189,780)	(779,996)	94,084	384,521
Net profit for the year		1,367,200	5,619,192	719,428	2,940,302
Other comprehensive (loss)/income					
Exchange differences	19	-	(2,809,761)	-	4,095,335
Total comprehensive income for the year		1,367,200	2,809,431	719,428	7,035,637

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		Regulatory reserves		Retained earnings		Exchange differences	Total	
	Note	USD	KHR'000	USD	KHR'000	USD	KHR'000	KHR'000	USD	KHR'000
At 1 January 2022		75,000,000	299,625,000	328,471	1,340,738	10,689,050	43,491,154	5,603,489	86,017,521	350,060,381
Total comprehensive income										
Net profit for the year		-	-	-	-	719,428	2,940,302	-	719,428	2,940,302
Other comprehensive income		-	-	-	-	-	-	4,095,335	-	4,095,335
Total comprehensive income for the year		-	-	-	-	719,428	2,940,302	4,095,335	719,428	7,035,637
Transactions recognised directly in equity										
Transfers from retained earnings to regulatory reserve	18	-	-	131,310	536,664	(131,310)	(536,664)	-	-	-
At 31 December 2022/ 1 January2023		75,000,000	299,625,000	459,781	1,877,402	11,277,168	45,894,792	9,698,824	86,736,949	357,096,018
Total comprehensive income										
Net profit for the year		-	-	-	-	1,367,200	5,619,192	-	1,367,200	5,619,192
Other comprehensive loss		-	-	-	-	-	-	(2,809,761)	-	(2,809,761)
Total comprehensive income for the year		-	-	-	-	1,367,200	5,619,192	(2,809,761)	1,367,200	2,809,431
Transactions recognised directly in equity										
Transfers from retained earnings to regulatory reserve	18	-	-	1,701,129	6,991,640	(1,701,129)	(6,991,640)	-	-	-
At 31 December 2023		75,000,000	299,625,000	2,160,910	8,869,042	10,943,239	44,522,344	6,889,063	88,104,149	359,905,449

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 USD	2023 KHR'000	2022 USD (As reclassified – Note 33)	2022 KHR'000 (As reclassified – Note 33)
Cash flows from operating activities					
Profit before tax		1,556,980	6,399,188	625,344	2,555,781
Adjustments for:					
Depreciation and amortisation	25	717,807	2,950,187	820,812	3,354,658
Impairment losses on financial instruments	26	626,855	2,576,374	128,477	525,085
Write-off of property and equipment		75	308	-	-
Interest income	20	(9,037,318)	(37,143,377)	(7,794,786)	(31,857,290)
Interest expense	21	5,330,617	21,908,836	4,469,137	18,265,363
Operating loss before changes in working capital		(804,984)	(3,308,484)	(1,751,016)	(7,156,403)
Changes in working capital:					
Deposit from customers and financial institutions		10,832,703	44,522,409	15,204,328	62,140,089
Loans to customers		(5,022,040)	(20,640,584)	(3,514,513)	(14,363,815)
Statutory deposits		(1,746,994)	(7,180,145)	2,500,531	10,219,670
Other assets		(1,490,570)	(6,126,243)	907,415	3,708,605
Other liabilities		(896,383)	(3,684,134)	(1,818,760)	(7,433,272)
Cash generated from operating activities		871,732	3,582,819	11,527,985	47,114,874
Interest income received		9,072,558	37,288,213	6,890,119	28,159,916
Interest expense paid		(4,908,275)	(20,173,010)	(3,600,262)	(14,714,271)
Income tax paid	16 (b)	(17,397)	(71,502)	(126,383)	(516,527)
Net cash generated from operating activities		5,018,618	20,626,520	14,691,459	60,043,992
Cash flows from investing activities					
Withdrawal/(Placement) of fixed deposits		1,851,543	7,609,840	(25,855,728)	(105,672,360)
Purchase of intangible assets	12	(21,888)	(89,960)	(17,780)	(72,667)
Purchase of property and equipment	13	(391,143)	(1,607,598)	(435,083)	(1,778,183)
Net cash generated from/ (used in) investing activities		1,438,512	5,912,282	(26,308,591)	(107,523,210)
Cash flows from financing activity					
Payment of lease liabilities, represents net cash used in financing activity		(324,291)	(1,332,836)	(422,689)	(1,727,530)
Net increase/(decrease) in cash and cash equivalents		6,132,839	25,205,966	(12,039,821)	(49,206,748)
Cash and cash equivalents at the beginning of the year		80,924,489	333,166,121	92,964,310	378,736,599
Exchange differences		-	(2,742,904)	-	3,636,270
Cash and cash equivalents at the end of the year	28	87,057,328	355,629,183	80,924,489	333,166,121

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

1 CORPORATE INFORMATION

Cambodia Asia Bank (the "Bank") was incorporated in the Kingdom of Cambodia on 7 May 1996 with Registration number 00029165 issued by the Ministry of Commerce, and commenced operations after obtaining the license from the National Bank of Cambodia ("NBC").

The registered and head office of the Bank is currently located at No. 75C 036, Preah Sihanouk Boulevard, Sangkat Veal Vong, Khan 7 Makara, Phnom Penh, Kingdom of Cambodia. Currently, the Bank has eight branches; three branches are located in Phnom Penh and one branch each in Siem Reap, Sihanoukville, Battambang, Kampot and Kampong Cham provinces.

The principal activities of the Bank comprise of operations of core banking business and the provision of related financial services in Cambodia. There have been no significant changes in the nature of these activities during the year.

The financial statements were approved and authorised for issue by the Board of Directors on 27 March 2024.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

The financial statements of the Bank have been prepared as standalone financial statements. The financial statements of the subsidiary were not consolidated by the Bank.

2.2 Adoption of new CIFRSs and amendments/improvement to CIFRSs

(a) Amendments/Improvements to standards adopted during the year

- Disclosure of Accounting Policies – Amendments to CIAS 1 and CIFRS Practice Statement 2

  The amendments require an entity to disclose its material accounting policy information rather than significant accounting policies. The amendments, amongst others, also include examples of circumstances in which an entity is likely to consider an accounting policy information to be material to its financial statements. To support this amendments, CIFRS Practice Statement 2 was also amended to provide guidance on how to apply the concept of materiality to accounting policy information disclosures. The guidance and examples provided in the CIFRS Practice Statement 2 highlight the need to focus on entity-specific information and demonstrate how the four-step materiality process can address standardised (or boilerplate) information and duplication of requirements of CIFRSs in the accounting policy information disclosures.

  Although the amendments did not result in any changes to the accounting policy themselves, they impacted the accounting policy information disclosed in the financial statements.

The following amendments/improvements were adopted by the Bank but did not have significant impact on the current period or any prior period and it is not likely to affect the future periods.

2 BASIS OF PREPARATION (CONTINUED)

2.2 Adoption of new CIFRSs and amendments/improvement to CIFRSs (Continued)

- Definition of Accounting Estimates – Amendments to CIAS 8
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to CIAS 12

(b) Standards and amendments/improvements that have been issued but not yet effective

		Effective for financial periods beginning on or after
New Standard		
CIFRS 17	Insurance Contracts	1 January 2025
Amendments/Improvements		
CIAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
CIAS 1	Non-current Liabilities with Covenants	1 January 2024
CIFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
CIAS 7 and CIFRS 7	Supplier finance arrangements	1 January 2024
CIAS 17	Initial Application of CIFRS 17 and CIFRS 9 – Comparative Information	1 January 2025
CIFRS 10 and CIAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The above standards/amendments have been published but not yet effective for year beginning on or after 1 January 2023 and have not been early adopted by the Bank. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.3 Functional and presentation currency

The national currency of Cambodia is the Khmer Riel (“KHR”). However, as the Bank transacts its businesses and maintains its accounting records primarily in United States Dollar (“USD”), the Board of Directors have determined the USD to be the Bank’s currency for measurement and presentation purposes as it reflects the economic substance of the underlying events and circumstances of the Bank.

The translations of USD amounts into KHR presented in the financial statements are included solely to comply with the Law on Accounting and Auditing and have been using the prescribed official annual closing and average exchange rate of USD1 to 4,085 and USD1 to 4,110 respectively, for the year ended 31 December 2023 (2022: 4,117 and 4,087) as announced by the NBC.

These translations should not be construed as representations that the USD amounts represent, or have been or could be, converted into KHR at that or any other rate.

2.4 Basis of measurement

The financial statements of the Bank have been prepared on the historical cost basis, except as otherwise disclosed in Note 3 to the financial statements.

3 MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policy information adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Financial instruments

(a) Initial measurement

Financial assets and financial liabilities

Financial assets and liabilities are recognised when the Bank becomes a party to the contractual provisions of the instrument.

At initial recognition, the Bank measures financial assets and financial liabilities at fair value plus transaction costs that are directly attributable to the acquisition or issue of financial instruments are added to or deducted from the fair value of the financial instruments, as appropriate, on initial recognition.

(b) Classification

Financial assets

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

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.

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;

3 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.1 Financial instruments (continued)

- 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.

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

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

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

In making the assessment, the Bank considers:

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

Non-recourse loans

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

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

3 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.1 Financial instruments (continued)

Reclassifications

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

(c) 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 the consideration received (including any new asset obtained less any new liability assumed) and 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.

(d) Modifications of financial instruments

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 (c)) 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.

3 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.1 Financial instruments (continued)

If the modification of a financial asset measured at amortised cost 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.

Financial liabilities

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

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

(e) 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.

(f) 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.

3 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.1 Financial instruments (continued)

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

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

If an asset or a liability measured at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for the particular risk exposure. Portfolio-level adjustments – e.g. bid-ask adjustment or credit risk adjustments that reflect the measurement on the basis of the net exposure – are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

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

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

(g) Impairment

Financial assets

The Bank recognises loss allowances for Expected Credit Loss (“ECL”) on the following financial instruments that are not measured at FVTPL:

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

No impairment loss is recognised on equity investments.

3 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.1 Financial instruments (continued)

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

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

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

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

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

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

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

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

Determining whether credit risk has increased significantly

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

The Bank considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. 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.

3 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.1 Financial instruments (continued)

Definition of default

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

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held); or
- the borrower is more than or equal to 90 days past due for long-term facilities or more than or equal to 31 days past due for short-term facilities on any material obligation to the Bank; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

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 receive.

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.

The statistical model has been employed to analyse data collected and generate estimate of remaining lifetime PD of exposure and how these are expected to change as result of passage of time.

3 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.1 Financial instruments (continued)

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, loan-to-value ("LTV") ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

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

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

Restructured financial assets

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

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

On 28 December 2021, the NBC issued Circular No. B7.021.2314 on the Classification and Provisioning Requirements on Restructured Loans. On 18 January 2022, a workshop between all banks and financial institutions ("BFIs") under the Association of Banks in Cambodia and the NBC was held to assist BFIs in their application of the Circular and to discuss other related practical issues. Following this workshop, the NBC informed BFIs through letter No. B7.022.167 dated 20 January 2022, the deferment of monthly report submission to 10 February 2022, and the change in financial data to be used for reporting purposes to January 2022, among others.

3 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.1 Financial instruments (continued)

Credit-impaired financial assets

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

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

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

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

Presentation of allowance for ECL in the statement of financial position

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

Write-off

Financial assets

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 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.

3 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents comprise cash on hand, balance with financial institutions and balance with NBC, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and having been within three months of maturity at acquisition.

3.3 Other assets

Other assets are carried at cost less impairment if any.

3.4 Statutory deposits

Statutory deposits represent mandatory reserve deposits and cash maintained with the NBC in compliance with the Law on Banking and Financial Institutions ("LBFI") and are not available to finance the Bank's day to day operations and hence are not considered as part of cash and cash equivalents for the purpose of cash flow statement.

3.5 Intangible assets

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

Intangible assets are amortised over their estimated useful live of 10 years using the straight-line method.

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

3.6 Property and equipment

All items of property and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and any impairment in value. The cost of property and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Assets under construction included in property and equipment are not depreciated as these assets are not available for use.

3 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.6 Property and equipment (continued)

Property and equipment are depreciated on straight-line basis by allocating their depreciable amounts over the remaining useful life, at the following:

	Useful lives (years)
Leasehold improvement	20 years
Automated teller machines	8 years
Motor vehicles	4 years
Office equipment and furniture and fittings	4 years
Computer and IT equipment	4 years

The residual values, estimated useful lives and depreciation method of property and equipment are reviewed, and adjusted as appropriate, at each reporting period. The effects of any revision are recognised in profit or loss when the changes arise.

3.7 Impairment of non-financial assets

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset might be impaired, the carrying value of the asset (or cash-generating unit “CGU” to which the asset has been allocated) is tested for impairment.

An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s (or CGU’s) fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

3.8 Share capital

Ordinary shares are equity instruments. An equity instrument is a contract that evidences a residual interest in the assets of the Bank after deducting all of its liabilities. Ordinary shares are recorded at all proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

3.9 Regulatory reserves

Regulatory reserves are set up for the variance of allowance between loan impairment in accordance with CIFRS and regulatory allowance in accordance with NBC’s Prakas No. B7-017-344 dated 1 December 2017 and Circular No. B7-018-001 dated 16 February 2018 on credit risk classification and allowance on impairment for Banks and financial institutions.

3 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.9 Regulatory reserves (continued)

In accordance with the Prakas, the Bank shall compare the provision calculated in accordance with above requirements and the Bank's record which is under CIFRS.

a. In the case whereby the regulatory provision is lower than provision calculated in accordance with CIFRS, the Bank records the provision calculated in accordance with CIFRS; and

b. In the case whereby the regulatory provision is higher than provision calculated in accordance with CIFRS, the Bank records the provision calculated in accordance with CIFRS and transfer the differences from retained earnings or accumulated losses to the regulatory reserve in the shareholders' equity under the statement of the financial position.

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

3.10 Net interest income

Interest income and expenses relating to financial instruments measured at amortised cost are recognised in the profit and loss account using the effective interest rate method (EIR). The EIR is the rate that ensures the discounted value of estimated future cash flows through the expected life of the financial asset. The EIR measurement should take into accounts, if significant, all fees and commissions received or paid that are an integral part of the EIR of the contract and transaction costs.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortised cost of the financial asset before adjusting for any expected credit loss provision), except for:

- purchased or originated credit-impaired financial assets ('POCI'), for which the original credit-adjusted EIR is applied to the amortized cost of the financial assets.
- financial assets that are not 'POCI' but have subsequently become credit impaired (or 'stage 3'), for which interest income is calculated by applying the EIR to their amortised cost (i.e. the gross carrying amount less the expected credit loss provision).

Interest expenses are recognised by applying the effective interest rate to the gross carrying amount of financial liabilities.

3.11 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.

3.12 Other credit related commitments

In the normal course of business, the Bank enters into other credit related commitments including loan commitments, letters of credit and guarantees. The accounting policy and regulatory provision followed the National Bank of Cambodia's Prakas No. B7-017-344 and Circular No. B7-018-001 in Note 3.9 above.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity to CIFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reporting period. It also requires directors to exercise their judgement in the process of applying the Bank's accounting policies. Although these estimates and judgement are based on the directors' best knowledge of current events and actions, actual results may differ.

Significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have significant effect in determining the amount recognised in the financial year include the following:

(a) Measurement of income tax

Significant judgement is required in determining the Bank's estimation for current and deferred taxes because the ultimate tax liability for the Bank as a whole is uncertain. When the final outcome of the tax payable is determined with the tax authorities, the amounts might be different from the initial estimates of the tax payables. Such differences may impact the current and deferred taxes in the period when such determination is made. The Bank will make adjustments for current or deferred taxes in respect of prior years in the current period on those differences arise.

The income tax expense of the Bank is disclosed in Note 16 to the financial statements.

(b) Expected credit loss allowance on financial assets at amortised cost

The expected credit loss allowance for financial assets measured at amortised cost requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g., the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- determining criteria for significant increase in credit risk;
- choosing appropriate models and assumptions for the measurement of ECL
- establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL;
- establishing groups of similar financial assets for the purposes of measuring ECL.

The impact of provisioning on the Bank's loans to customers is disclosed in Note 8.

5 CASH ON HAND

	2023 USD	2023 KHR'000	2022 USD	2022 KHR'000
US Dollar	53,046,417	216,694,613	71,415,748	294,018,635
Khmer Riel	577,057	2,357,278	555,993	2,289,023
Others	268,708	1,097,672	150,932	621,387
	53,892,182	220,149,563	72,122,673	296,929,045

6 BALANCE WITH FINANCIAL INSTITUTIONS

	2023 USD	2023 KHR'000	2022 USD (As reclassified – Note 33)	2022 KHR'000 (As reclassified – Note 33)
In Cambodia:				
Term deposits	36,422,853	148,787,355	26,274,395	108,171,684
Current accounts	12,901,058	52,700,822	1,244,344	5,122,964
Savings accounts	241,017	984,554	227,673	937,331
	49,564,928	202,472,731	27,746,412	114,231,979
Outside Cambodia:				
Current accounts	1,543,040	6,303,319	2,439,283	10,042,528
Gross balance with financial institutions	51,107,968	208,776,050	30,185,695	124,274,507
Add: Accrued interest receivables	787,660	3,217,591	907,078	3,734,440
Balance with financial institutions at amortised cost	51,895,628	211,993,641	31,092,773	128,008,947
Less: Allowance for impairment loss	(2,130)	(8,702)	(1,013)	(4,171)
	51,893,498	211,984,939	31,091,760	128,004,776

The movements in the allowance for impairment loss are as follows:

	12-month ECL (Stage 1) USD	12-month ECL (Stage 1) KHR'000
In Cambodia:		
At 1 January 2022	(2,725)	(11,102)
Net remeasurement of allowances (Note 26)	1,712	6,997
Exchange differences	-	(66)
At 31 December 2022/1 January 2023	(1,013)	(4,171)
Net remeasurement of allowances (Note 26)	(1,117)	(4,590)
Exchange differences	-	59
At 31 December 2023	(2,130)	(8,702)

The balance with financial institutions are analysed as follows:

	2023 USD	2023 KHR'000	2022 USD	2022 KHR'000
a. By maturity:				
Within 1 month	26,685,115	109,008,695	8,911,300	36,687,822
More than 1 to 3 months	2,060,000	8,415,101	11,349,119	46,724,323
More than 3 to 12 months	22,362,853	91,352,254	9,925,276	40,862,362
	51,107,968	208,776,050	30,185,695	124,274,507

6 BALANCE WITH FINANCIAL INSTITUTIONS (CONTINUED)

The balance with financial institutions are analysed as follows: (continued)

	2023 USD	2023 KHR'000	2022 USD	2022 KHR'000
b. By currency:				
US Dollar	47,824,683	195,363,830	29,395,869	121,022,793
Khmer Riel	3,065,160	12,521,179	245,918	1,012,444
Others	218,125	891,041	543,908	2,239,270
	51,107,968	208,776,050	30,185,695	124,274,507

	2023	2022
c. By interest rate (per annum):		
Savings accounts	0% to 1%	0% to 1%
Term deposits	1.5% to 8%	1.5% to 6.35%

7 BALANCE WITH NATIONAL BANK OF CAMBODIA (“NBC”)

	2023 USD	2023 KHR'000	2022 USD	2022 KHR'000
Current accounts	5,406,591	22,085,924	4,890,516	20,134,254
Negotiable certificate of deposits (“NCD”)	1,073,439	4,384,998	-	-
Accrued interest receivables	952	3,889	-	-
	6,480,982	26,474,811	4,890,516	20,134,254

During the year, the Bank has pledged NCD sum of USD1,073,439 with the NBC as a collateral for Liquidity Providing Collateralised Operation (“LPCO”). NCD are maturing in 3 months and earn interest at rates ranging from 0.52% - 1.33% per annum.

8 LOANS TO CUSTOMERS

	2023 USD	2023 KHR'000	2022 USD	2022 KHR'000
Stage 1	77,797,978	317,804,740	76,307,567	314,158,253
Stage 2	2,262,936	9,244,094	696,107	2,865,873
Stage 3	3,724,475	15,214,480	1,759,675	7,244,582
Gross loans to customers	83,785,389	342,263,314	78,763,349	324,268,708
Add: Accrued interest receivables	580,494	2,371,318	547,553	2,254,276
Loans to customers at amortised cost	84,365,883	344,634,632	79,310,902	326,522,984
Less: Allowance for impairments loss	(2,691,392)	(10,994,336)	(2,065,654)	(8,504,298)
Net loans to customers	81,674,491	333,640,296	77,245,248	318,018,686

8 LOANS TO CUSTOMERS (CONTINUED)

Reconciliation of the accrued interest receivable were as follows:

	2023 USD	2023 KHR'000	2022 USD	2022 KHR'000
At 1 January	547,553	2,254,276	549,963	2,240,549
Add: Interest income (Note 20)	7,295,931	29,986,276	6,601,213	26,979,158
Less: Interest received	(7,262,990)	(29,850,889)	(6,603,623)	(26,989,007)
Exchange differences	-	(18,345)	-	23,576
At 31 December	580,494	2,371,318	547,553	2,254,276

The movement of allowance for impairment losses on loans to customers were as follows**:**

	2023 USD	2023 KHR'000	2022 USD	2022 KHR'000
At 1 January	2,065,654	8,504,298	1,935,465	7,885,084
Allowance during the year (Note 26)	625,738	2,571,784	130,189	532,082
Exchange differences	-	(81,746)	-	87,132
At 31 December	2,691,392	10,994,336	2,065,654	8,504,298

The gross loans to customers are analysed as follows:

	2023 USD	2023 KHR'000	2022 USD	2022 KHR'000
a. By relationships:				
External customers	83,014,732	339,115,180	78,232,379	322,082,704
Staff loans	770,657	3,148,134	530,970	2,186,004
	83,785,389	342,263,314	78,763,349	324,268,708
b. By maturity:				
1 to 3 months	16,786,399	68,572,440	14,419,836	59,366,465
3 to 6 months	3,315,481	13,543,740	1,822,920	7,504,962
6 to 12 months	20,324,116	83,024,014	9,456,336	38,931,735
1 to 3 years	14,410,153	58,865,475	17,536,528	72,197,886
3 to 5 years	2,796,560	11,423,948	4,385,089	18,053,411
Over 5 years	26,152,680	106,833,697	31,142,640	128,214,249
	83,785,389	342,263,314	78,763,349	324,268,708
c. By performance:				
Performing	76,260,833	311,525,503	75,768,970	311,940,849
Under-performing	2,306,099	9,420,414	497,366	2,047,656
Non-performing	5,218,457	21,317,397	2,497,013	10,280,203
	83,785,389	342,263,314	78,763,349	324,268,708

8 LOANS TO CUSTOMERS (CONTINUED)

The gross loans to customers are analysed as follows: (continued)

	2023		2022	
	USD	Percentage (%)	USD	Percentage (%)
d. By secured loans				
Secured	83,525,442	99.69	78,756,622	99.99
Unsecured	259,947	0.31	6,727	0.01
	83,785,389	100	78,763,349	100

Secured loans are collateralised by real properties such as land and building with hard or soft title deed. Soft title deed is not issued by cadastral department.

For additional analysis of gross loans to customers, refer to Note 29 (b).

9 INVESTMENTS

	2023		2022	
	USD	KHR'000	USD	KHR'000
Subsidiary	1,800,000	7,353,000	1,800,000	7,410,600
Investment in equity	25,588	104,527	25,588	105,346
	1,825,588	7,457,527	1,825,588	7,515,946

Investment in subsidiary represents 100% of share capital investment in CAB Security Limited, whose principal activities are related to securities underwriting, dealing and brokerage business. CAB Security Limited is licensed by the Security and Exchange Regulator of Cambodia.

Investment in equity represents 1% of share capital investment in Credit Bureau (Cambodia) Co., Ltd. to establish the Private Credit Bureau in Cambodia. The Bank designated such investment in unquoted equity shares at fair value through other comprehensive income.

10 OTHER ASSETS

	2023		2022	
	USD	KHR'000	USD	KHR'000
			(As reclassified – Note 33)	
Credit card receivables	1,396,823	5,706,022	674,058	2,775,097
Advance payments	1,096,254	4,478,198	712,894	2,934,985
Rental deposits	388,520	1,587,104	390,820	1,609,006
Prepayments	370,372	1,512,970	261,360	1,076,019
Western Union inbound	252,079	1,029,743	149,946	617,328
Other receivables	302,307	1,234,923	126,707	521,652
	3,806,355	15,548,960	2,315,785	9,534,087

11 STATUTORY DEPOSITS

	2023 USD	2023 KHR'000	2022 USD	2022 KHR'000
Reserve requirements - USD	11,000,000	44,935,000	9,253,400	38,096,247
Capital guarantee deposit	7,500,000	30,637,500	7,500,000	30,877,500
Reserve requirements - KHR	50,673	206,999	50,279	206,999
Accrued interest receivables	50,285	205,414	-	-
	18,600,958	75,984,913	16,803,679	69,180,746

Reserve requirements are required under NBC's Prakas No. B7-023-005 dated 9 January 2023 for banks and financial institutions to maintain the reserve requirements, in accordance with dates and rates as follows:

- from 1 January 2023 to 31 December 2023, the reserve requirements in foreign currencies shall be at the rate of 9%.
- from 1 January 2024 onwards, the reserve requirements in foreign currencies shall be at the rate of 12.5%.
- the financial institution shall maintain the reserve requirements in local currency (KHR) at the rate of 7%.

However, in the NBC Letter No. B7-023-2621 dated 23 November 2023, the reserve requirements against deposits in foreign currencies was changed at the rate of 7% until 31 December 2024. Previously, the reserve requirements were required under NBC's Prakas No. B7-020-230 dated 18 March 2020 for banks and financial institutions to maintain the reserve requirement, which is calculated at 7% for both KHR and other currencies of the total daily average amount of deposits from customers and financial institutions at the NBC.

Capital guarantee deposit is required under NBC's Prakas No. B7-01-136 dated 15 October 2001 for the Bank to maintain a statutory deposit of 10% of its capital. This deposit is not available for use in the Bank's day-to-day operations and is refundable should the Bank voluntarily cease its operations in Cambodia. Capital guarantee deposit earned interest at rates of 0.08% - 1.33% per annum.

12 INTANGIBLE ASSETS

	2023 USD	2023 KHR'000	2022 USD	2022 KHR'000
Cost				
At 1 January	1,490,039	6,134,491	45,000	183,330
Additions	21,888	89,960	17,780	72,667
Transfers from property and equipment	20,280	83,351	1,427,259	5,833,208
Exchange differences	-	(48,736)	-	45,286
At 31 December	1,532,207	6,259,066	1,490,039	6,134,491
Accumulated amortisation				
At 1 January	186,892	769,435	45,000	183,330
Amortisation charge (Note 25)	146,951	603,969	141,892	579,913
Exchange differences	-	(9,655)	-	6,192
At 31 December	333,843	1,363,749	186,892	769,435
Net carrying amount				
At 31 December	1,198,364	4,895,317	1,303,147	5,365,056

13 PROPERTY AND EQUIPMENT

	Computer and IT equipment USD	Office equipment and furniture and fittings USD	Automated teller machines USD	Motor vehicles USD	Leasehold improvements USD	Work in-progress USD	Total USD	KHR'000
Cost								
At 1 January 2023	664,932	294,015	673,984	139,250	182,415	527,384	2,481,980	10,218,312
Additions	34,104	16,555	-	50,000	59,500	230,984	391,143	1,607,598
Transfers	15,730	-	-	-	87,432	(103,162)	-	-
Transfers to intangible assets	-	-	-	-	-	(20,280)	(20,280)	(83,351)
Write-off	(1,380)	-	-	-	-	-	(1,380)	(5,672)
Exchange differences	-	-	-	-	-	-	-	(88,661)
At 31 December 2023	713,386	310,570	673,984	189,250	329,347	634,926	2,851,463	11,648,226
Accumulated depreciation								
At 1 January 2023	291,424	208,427	409,521	107,104	9,360	-	1,025,836	4,223,367
Depreciation (Note 25)	144,716	40,563	71,468	25,989	11,303	-	294,039	1,208,500
Write-off	(1,305)	-	-	-	-	-	(1,305)	(5,364)
Exchange differences	-	-	-	-	-	-	-	(40,145)
At 31 December 2023	434,835	248,990	480,989	133,093	20,663	-	1,318,570	5,386,358
Net carrying amount								
At 31 December 2023	278,551	61,580	192,995	56,157	308,684	634,926	1,532,893	6,261,868

13 PROPERTY AND EQUIPMENT (CONTINUED)

	Computer and IT equipment USD	Office equipment and furniture and fittings USD	Automated teller machines USD	Motor vehicles USD	Leasehold improvements USD	Work in-progress USD	Total USD	KHR'000
Cost								
At 1 January 2022	610,371	247,503	673,984	139,250	71,474	1,731,574	3,474,156	14,153,712
Additions	34,497	20,302	-	-	-	380,284	435,083	1,778,183
Transfers	20,064	26,210	-	-	110,941	(157,215)	-	-
Transfers to intangible assets	-	-	-	-	-	(1,427,259)	(1,427,259)	(5,833,208)
Exchange differences	-	-	-	-	-	-	-	119,625
At 31 December 2022	664,932	294,015	673,984	139,250	182,415	527,384	2,481,980	10,218,312
Accumulated depreciation								
At 1 January 2022	144,325	157,201	329,101	79,255	2,537	-	712,419	2,092,395
Depreciation charges (Note 25)	147,099	51,226	80,420	27,849	6,823	-	313,417	1,280,937
Exchange differences	-	-	-	-	-	-	-	850,035
At 31 December 2022	291,424	208,427	409,521	107,104	9,360	-	1,025,836	4,223,367
Net carrying amount								
At 31 December 2022	373,508	85,588	264,463	32,146	173,055	527,384	1,456,144	5,994,945

14 DEPOSITS FROM CUSTOMERS AND FINANCIAL INSTITUTIONS

	2023 USD	2023 KHR'000	2022 USD (As reclassified – Note 33)	2022 KHR'000 (As reclassified – Note 33)
Customers:				
Current accounts	16,692,651	68,189,479	14,827,598	61,045,221
Savings accounts	6,499,995	26,552,480	14,632,285	60,241,117
Fixed term deposits	73,315,049	299,491,975	65,270,852	268,720,098
	96,507,695	394,233,934	94,730,735	390,006,436
Banks and microfinance institutions:				
Current accounts	10,009,865	40,890,299	1,700	6,999
Fixed term deposits	21,997,577	89,860,102	22,950,000	94,485,150
	32,007,442	130,750,401	22,951,700	94,492,149
Gross deposits from customers and financial institutions	128,515,137	524,984,335	117,682,435	484,498,585
Add: Accrued interest payables	3,005,663	12,278,133	2,620,048	10,786,738
Net deposits from customers and financial institutions	131,520,800	537,262,468	120,302,483	495,285,323

Reconciliation of the accrued interest payables were as follows:

	2023 USD	2023 KHR'000	2022 USD	2022 KHR'000
At 1 January	2,620,048	10,786,738	1,788,162	7,284,972
Add: Interest expenses (Note 21)	5,293,889	21,757,884	4,432,148	18,114,189
Less: Interest paid	(4,908,274)	(20,173,006)	(3,600,262)	(14,714,271)
Exchange differences	-	(93,483)	-	101,848
At 31 December	3,005,663	12,278,133	2,620,048	10,786,738

The gross deposits from customers and financial institutions are analysed as follows:

	2023 USD	2023 KHR'000	2022 USD	2022 KHR'000
a. By maturity:				
Within 1 month	45,569,871	186,152,923	42,901,690	176,626,258
1 to 3 months	8,557,290	34,956,530	16,624,859	68,444,545
3 to 12 months	46,637,311	190,513,415	45,861,174	188,810,453
1 to 2 years	18,308,577	74,790,538	6,722,528	27,676,648
More than 2 years	9,442,088	38,570,929	5,572,184	22,940,681
	128,515,137	524,984,335	117,682,435	484,498,585
b. By currency:				
US Dollar	125,367,580	512,126,564	117,521,980	483,837,992
Khmer Riel	3,147,557	12,857,771	160,455	660,593
	128,515,137	524,984,335	117,682,435	484,498,585
c. By relationship:				
Related parties	1,242,788	5,076,789	1,150,000	4,734,550
Non-related parties	127,272,349	519,907,546	116,532,435	479,764,035
	128,515,137	524,984,335	117,682,435	484,498,585
d. By residency status:				
Residents	128,455,024	524,738,773	117,249,313	482,715,422
Non-residents	60,113	245,562	433,122	1,783,163
	128,515,137	524,984,335	117,682,435	484,498,585

15 OTHER LIABILITIES

	2023 USD	2023 KHR'000	2022 USD (As reclassified – Note 33)	2022 KHR'000 (As reclassified – Note 33)
Miscellaneous deposits	535,094	2,185,859	1,269,784	5,227,701
Accrued expenses	220,412	900,383	236,386	973,201
Credit card payables	196,730	803,642	191,561	788,657
Other tax payables	77,423	316,273	36,575	150,579
Other payables	99,970	408,376	291,706	1,200,953
	1,129,629	4,614,533	2,026,012	8,341,091

Miscellaneous deposits represent the deposit guarantee required from tourists upon entry into the country during the COVID-19 pandemic. The deposits are non-interest bearing; however, dormant deposit accounts will be charged with monthly fees as per the Bank's policy.

16 INCOME TAX

(a) Income/Minimum tax expense

In accordance with the 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.

	2023 USD	2023 KHR'000	2022 USD	2022 KHR'000
Minimum tax expense	148,269	609,386	-	-
Current income tax	-	-	135,687	554,553
Deferred tax liabilities/(assets)	189,780	779,996	(229,771)	(939,074)
Income tax expense/(benefit)	189,780	779,996	(94,084)	(384,521)

The reconciliation of income tax computed at the statutory tax rate to the Bank's income tax expense is as follows:

	2023 USD	2023 KHR'000	2022 USD	2022 KHR'000
Profit before tax	1,556,980	6,399,188	625,344	2,555,781
Calculated at tax rate of 20%	311,396	1,279,838	125,069	511,157
Effects of non-deductible expenses	206,368	848,172	166,572	680,780
Recognition of previously unrecognised deferred tax	-	-	144,521	590,657
Utilisation of tax loss carried forward	(10,359)	(42,575)	(155,954)	(637,384)
Over provision of deferred taxation	(317,625)	(1,305,439)	(374,292)	(1,529,731)
Income tax expense/(benefit)	189,780	779,996	(94,084)	(384,521)

16 INCOME TAX (CONTINUED)

(b) Current income tax liability

	2023 USD	2023 KHR'000	2022 USD	2022 KHR'000
At 1 January	17,397	71,623	8,093	32,971
Current income tax expense	-	-	135,687	554,553
Income tax paid during the year	(17,397)	(71,502)	(126,383)	(516,527)
Exchange differences	-	(121)	-	626
At 31 December	-	-	17,397	71,623

(c) Deferred tax (liabilities)/assets – net

	2023 USD	2023 KHR'000	2022 USD	2022 KHR'000
Deferred tax assets	149,173	609,372	122,989	506,345
Deferred tax liabilities	(269,069)	(1,099,147)	(53,105)	(218,633)
Deferred tax (liabilities)/ assets - net	(119,896)	(489,775)	69,884	287,712

Deferred tax was attributable to the following:

	2023 USD	2023 KHR'000	2022 USD	2022 KHR'000
Deferred tax liabilities:				
Right-of-use assets	(105,446)	(430,747)	-	-
Allowance for impairment losses	(163,623)	(668,400)	122,989	506,345
	(269,069)	(1,099,147)	122,989	506,345
Deferred tax assets:				
Depreciation and amortisation	37,559	153,429	(53,105)	(218,633)
Lease liabilities	111,614	455,943	-	-
	149,173	609,372	(53,105)	(218,633)
Deferred tax (liabilities)/ assets - net	(119,896)	(489,775)	69,884	287,712

The movements of net deferred tax (liabilities)/assets were as follows:

	2023 USD	2023 KHR'000	2022 USD	2022 KHR'000
At 1 January	69,884	287,712	(159,887)	(651,380)
Recognised in profit or loss	(189,780)	(779,996)	229,771	939,074
Exchange differences	-	2,509	-	18
At 31 December	(119,896)	(489,775)	69,884	287,712

17 SHARE CAPITAL

	2023 and 2022	
	USD	KHR'000
Ordinary shares, issued and fully paid at 1 January/31 December	75,000,000	299,625,000

Details of shareholder structure are as follows:

	Registered and issued ordinary shares with a par value of USD100 per share		
	31 December 2023 and 2022		
	Number of Shares	Amount USD	%
Shareholders			
Selvione Limited	450,000	45,000,000	60
Quantum Symbol Sdn Bhd	300,000	30,000,000	40
	750,000	75,000,000	100

18 REGULATORY RESERVES

Regulatory reserves represent the variance of provision between impairment in accordance with CIFRSs and regulatory provision in accordance with the National Bank of Cambodia.

	2023		2022	
	USD	KHR'000	USD	KHR'000
At 1 January	459,781	1,877,402	328,471	1,340,738
Transfers from retained earnings	1,701,129	6,991,640	131,310	536,664
At 31 December	2,160,910	8,869,042	459,781	1,877,402

The transfer from retained earnings to reserve pertains to impairment provision during the year when the provision under NBC's requirement is higher than CIFRSs.

	2023		2022	
	USD	KHR'000	USD	KHR'000
Impairment on credit facilities required by the NBC	4,852,302	19,942,961	2,525,435	10,321,453
Impairment loss on financial instruments under CIFRS (Note 8)	(2,691,392)	(10,994,336)	(2,065,654)	(8,504,298)
Exchange difference	-	(79,583)	-	60,247
At 31 December	2,160,910	8,869,042	459,781	1,877,402
At 1 January	459,781	1,877,402	328,471	1,340,738
Transfers from retained earnings	1,701,129	6,991,640	131,310	536,664

According to Article 73 of Prakas No. B7-017-344 Prokor on Credit Risk Grading and Impairment Provisioning, if the regulatory provision calculated in accordance with the Prakas is higher than the calculation in accordance with CIFRSs, the Institution shall record the provision calculated in accordance with CIFRSs and transfer the difference from retained earnings or accumulated loss account into regulatory reserve in shareholder’s equity in the statement of financial position.

19 EXCHANGE DIFFERENCES

Exchange differences arise from the translation of the financial statements from USD to amounts into KHR as per Note 2.3.

20 INTEREST INCOME

	2023 USD	2023 KHR'000	2022 USD	2022 KHR'000
Loans to customers (Note 8)	7,295,931	29,986,276	6,601,213	26,979,158
Balance with financial institutions	1,603,865	6,591,885	1,156,177	4,725,295
Balance with NBC	137,522	565,216	37,396	152,837
	9,037,318	37,143,377	7,794,786	31,857,290

21 INTEREST EXPENSE

	2023 USD	2023 KHR'000	2022 USD	2022 KHR'000
Deposits from customers and financial institutions (Note 14)	5,293,889	21,757,884	4,432,148	18,114,189
Lease liabilities	36,728	150,952	36,989	151,174
	5,330,617	21,908,836	4,469,137	18,265,363

22 NON-INTEREST INCOME

	2023 USD	2023 KHR'000	2022 USD	2022 KHR'000
Gains on foreign exchange	1,711,508	7,034,298	777,758	3,178,696
Recovery on loans previously written off	1,062,000	4,364,820	1,967,500	8,041,173
Fee and commission income	640,369	2,631,917	874,376	3,573,575
Visa and master card fees	326,728	1,342,852	152,642	623,849
Loan penalty fees	158,190	650,161	161,894	661,660
Loan processing fees	126,841	521,317	148,142	605,456
Dividends income	67,763	278,506	19,604	80,122
Other income	791,478	3,252,973	-	-
	4,884,877	20,076,844	4,101,916	16,764,531

23 PERSONNEL EXPENSES

	2023 USD	2023 KHR'000	2022 USD	2022 KHR'000
Salary and wages	2,801,534	11,514,305	2,954,422	12,074,723
Other employee benefits	520,067	2,137,475	511,131	2,088,992
	3,321,601	13,651,780	3,465,553	14,163,715

24 OTHER OPERATING EXPENSES

	2023 USD	2023 KHR'000	2022 USD (As reclassified – Note 33)	2022 KHR'000 (As reclassified – Note 33)
Short-term and low-value leases	444,009	1,824,877	469,317	1,918,099
License and patent fees	360,636	1,482,214	374,582	1,530,917
Penalty and other tax expenses	285,873	1,174,938	288,565	1,179,365
Repair and maintenance expenses	238,277	979,318	270,187	1,104,254
Marketing and advertising expenses	155,158	637,699	172,931	706,769
Office supplies	137,856	566,588	159,646	652,473
Utilities expenses	130,563	536,614	136,807	559,130
Communication expenses	91,881	377,631	96,316	393,643
Directors' fees	45,996	189,044	48,502	198,228
Other employee expenses	45,728	187,942	43,004	175,757
Professional fees	42,737	175,649	82,532	337,308
Transportation expenses	41,964	172,472	53,123	217,114
Charitable donation	5,000	20,550	25	102
Other expenses	194,388	798,934	191,842	784,060
	2,220,066	9,124,470	2,387,379	9,757,219

25 DEPRECIATION AND AMORTISATION

	2023 USD	2023 KHR'000	2022 USD	2022 KHR'000
Depreciation of property and equipment (Note 13)	294,039	1,208,500	313,417	1,280,937
Depreciation of right-of-use assets	276,817	1,137,718	365,503	1,493,808
Amortisation of intangible assets (Note 12)	146,951	603,969	141,892	579,913
	717,807	2,950,187	820,812	3,354,658

26 IMPAIRMENT LOSSES ON FINANCIAL INSTRUMENTS

	2023 USD	2023 KHR'000	2022 USD (As reclassified – Note 33)	2022 KHR'000 (As reclassified – Note 33)
Loss allowance for ECL				
Loans to customers (Note 8)	625,738	2,571,784	130,189	532,082
Balance with financial Institutions (Note 6)	1,117	4,590	(1,712)	(6,997)
	626,855	2,576,374	128,477	525,085

27 RELATED PARTY

(a) Related party balances

The Bank's related party balances are disclosed in Notes 9 and 14.

(b) Significant related party transactions

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions.

	2023 USD	2023 KHR'000	2022 USD	2022 KHR'000
Subsidiary - CAB Securities Limited:				
Rental income	12,000	49,320	12,300	50,270
Interest expenses	97,400	400,314	97,750	399,504

(c) Compensation of key management personnel

	2023 USD	2023 KHR'000	2022 USD	2022 KHR'000
Salaries and wages and other benefits	395,446	1,625,283	429,521	1,755,452

Key management personnel of the Bank refer to the directors of the Bank and certain senior management whereby the authority and responsibility for planning, directing and controlling the activities of the Bank, directing or indirectly lies.

28 CASH FLOWS INFORMATION

The cash and cash equivalents comprise the following:

	2023 USD	2023 KHR'000	2022 USD	2022 KHR'000
Cash on hand (Note 5)	53,892,182	220,149,563	72,122,673	296,929,045
Balance with financial institutions (Note 6)	51,107,968	208,776,050	30,185,695	124,274,507
Balance with NBC (Note 7)	6,480,030	26,470,922	4,890,516	20,134,254
	111,480,180	455,396,535	107,198,884	441,337,806
Less: Deposits with maturity of more than 3 months	(24,422,852)	(99,767,352)	(26,274,395)	(108,171,685)
At 31 December	87,057,328	355,629,183	80,924,489	333,166,121

29 FINANCIAL RISK MANAGEMENT

(a) Introduction and overview

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

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

(b) Credit risk

The Bank takes on exposure to credit risk, which is the risk that counterparties will cause a financial loss to the Bank by failing to discharge an obligation. Credit risk is the most important risk for the Bank's business. Credit exposure arises principally in lending activities that lead to loans to customers and balances with other banks. There is also credit risk in off-balance sheet financial instruments, such as loan commitments. The credit risk management is carried out by the Bank's credit committee.

The lending activities are guided by the Bank's credit policy to ensure that the overall objectives in the area of lending are achieved; i.e., that the loan portfolio is strong and healthy and credit risks are well diversified and controlled. The credit policy documents the lending policy, collateral policy, and credit approval processes and procedures implemented to ensure compliance with NBC guidelines. Customers with more than one account are subject to stringent and careful review and assessment. The Bank closely monitors concentration of credit risk by industries. Additional criteria for loan disbursement are also imposed for some specific risk areas.

(i) Credit risk measurement

The Bank assesses the probability of default of counterparties by focusing on borrowers' forecast profit and cash flow. The credit committee is responsible for approving loans to customers.

(ii) Risk limit control and mitigation policies

The Bank operates and provides loans to individuals within the Kingdom of Cambodia. The Bank manages limits and controls the concentration of credit risk whenever it is identified.

The Bank deploys a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security in the form of collateral in exchange for loans to customers. The Bank also assess the individual cash flow to ensure the repayment capacity.

(iii) Concentration of risk

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

The following table presents the Bank's maximum exposure to credit risk of on-balance sheet and off-balance sheet financial instruments, without taking into account of any collateral held or other credit enhancements. For on-balance sheet assets, the exposure to credit risk equals their carrying amount. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers.

29 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

Type of credit exposure

	Carrying amount		Fully subject to collateral/credit enhancement	Partially subject to collateral/ credit enhancement	Unsecured and not subject to collateral/ credit enhancement
	Maximum credit exposure USD	Maximum credit exposure KHR'000	%	%	%
At 31 December 2023					
On balance sheet items					
Cash on hand	53,892,182	220,149,563	-	-	100
Balance with financial institutions	51,895,628	211,993,641	-	-	100
Balance with NBC	6,480,982	26,474,811	-	-	100
Loans to customers	84,365,883	344,634,632	99.69	-	0.31
Investments	25,588	104,527	-	-	100
Other assets	1,951,209	7,970,688	-	-	100
Statutory deposits	18,600,958	75,984,913	-	-	100
Total	217,212,430	887,312,775			
Off-Balance sheet items					
Commitments	1,799,261	7,349,981	100	-	-
At 31 December 2022					
On balance sheet items					
Cash on hand	72,122,673	296,929,045	-	-	100
Balance with financial institutions	31,092,773	128,008,947	-	-	100
Balance with NBC	4,890,516	20,134,254	-	-	100
Loans to customers	79,310,902	326,522,984	99.99	-	0.01
Investments	25,588	105,346	-	-	100
Other assets	950,711	3,914,077	-	-	100
Statutory deposits	16,803,679	69,180,746	-	-	100
Total	205,196,842	844,795,399			
Off-Balance sheet items					
Commitments	1,659,798	6,833,388	100	-	-

29 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

Concentration risk by industrial sectors

The concentration risk by industrial sectors is analysed based on the gross amounts of the financial assets.

	Cash on hand USD	Balance with financial institutions USD	Balance with NBC USD	Statutory deposits USD	Loans to customers USD	Investments USD	Other assets USD	Total USD
31 December 2023								
Retail trade	-	-	-	-	36,845,815	-	-	36,845,815
Wholesale trade	-	-	-	-	14,185,220	-	-	14,185,220
Construction	-	-	-	-	13,893,334	-	-	13,893,334
Personal lending	-	-	-	-	7,964,833	-	-	7,964,833
Mortgage	-	-	-	-	4,046,618	-	-	4,046,618
Rental and operational leasing activities	-	-	-	-	1,890,742	-	-	1,890,742
Real estate	-	-	-	-	1,595,570	-	-	1,595,570
Restaurant	-	-	-	-	1,534,417	-	-	1,534,417
Transportation	-	-	-	-	1,084,757	-	-	1,084,757
Hotel	-	-	-	-	946,652	-	-	946,652
Human, health and social work activities	-	-	-	-	172,087	-	-	172,087
Agriculture	-	-	-	-	162,954	-	-	162,954
Machinery loan	-	-	-	-	42,884	-	-	42,884
Banking	-	51,895,628	6,480,982	18,600,958	-	-	-	76,977,568
Other categories	53,892,182	-	-	-	-	25,588	1,951,209	55,868,979
Total (USD)	53,892,182	51,895,628	6,480,982	18,600,958	84,365,883	25,588	1,951,209	217,212,430
Total (KHR'000)	220,149,563	211,993,641	26,474,811	75,984,913	344,634,632	104,527	7,970,688	887,312,775

29 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

31 December 2022	Cash on hand USD	Balance with financial institutions USD	Balance with NBC USD	Statutory deposits USD	Loans to customers USD	Investments USD	Other assets USD	Total USD
Retail trade	-	-	-	-	37,423,077	-	-	37,423,077
Construction	-	-	-	-	16,140,622	-	-	16,140,622
Personal lending	-	-	-	-	8,451,264	-	-	8,451,264
Wholesale trade	-	-	-	-	7,574,547	-	-	7,574,547
Mortgage	-	-	-	-	7,499,632	-	-	7,499,632
Restaurant	-	-	-	-	860,360	-	-	860,360
Transportation	-	-	-	-	734,264	-	-	734,264
Hotel	-	-	-	-	461,249	-	-	461,249
Real estate	-	-	-	-	90,810	-	-	90,810
Machinery loan	-	-	-	-	61,325	-	-	61,325
Agriculture	-	-	-	-	13,752	-	-	13,752
Banking	-	31,092,773	4,890,516	16,803,679	-	-	-	52,786,968
Other categories	72,122,673	-	-	-	-	25,588	950,711	73,098,972
Total (USD)	72,122,673	31,092,773	4,890,516	16,803,679	79,310,902	25,588	950,711	205,196,842
Total (KHR'000)	296,929,045	128,008,947	20,134,254	69,180,746	326,522,984	105,346	3,914,077	844,795,399

29 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

Concentration risk by currency, residency, large-exposures and concession for loans to customers:

	2023		2022	
	USD	KHR'000	USD	KHR'000
By currency:				
US Dollar	76,442,404	312,267,220	69,666,424	287,125,291
Khmer Riel	7,923,479	32,367,412	9,644,478	39,397,693
	84,365,883	344,634,632	79,310,902	326,522,984
By residency status:				
Residents	84,365,883	344,634,632	79,310,902	326,522,984
By exposure:				
Non-large exposures	84,365,883	344,634,632	79,310,902	326,522,984
By concession:				
Non-restructured	76,764,685	313,583,738	75,005,615	308,798,117
Restructure	7,601,198	31,050,894	4,305,287	17,724,867
	84,365,883	344,634,632	79,310,902	326,522,984

Currency

On 1 December 2016, the NBC issued a Prakas No. B7-016-334 on Provision of Credit in National Currency of Banking and Financial Institutions, required all institutions to maintain loans in national currency (KHR) at least 10% of the total loan portfolio.

Exposure

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. The exposure is the higher of the outstanding loans or commitments and the authorised loans or commitments.

(iv) 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, balance with financial institutions, balance with NBC investments and other assets

Collateral is generally not sought for these assets.

Loans to customers, contingent liabilities and commitments

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

29 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

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

	Secured-Property USD	Unsecured credit exposure USD	Total USD
At 31 December 2023			
Loan to customers	84,105,638	260,245	84,365,883
Commitments	1,795,230	4,031	1,799,261
	85,900,868	264,276	86,165,144
At 31 December 2022			
Loan to customers	79,304,129	6,773	79,310,902
Commitments	1,659,798	-	1,659,798
	80,963,927	6,773	80,970,700

	Secured-Property KHR'000	Unsecured credit exposure KHR'000	Total KHR'000
At 31 December 2023			
Loan to customers	343,571,531	1,063,101	344,634,632
Commitments	7,333,513	16,468	7,349,981
	350,905,044	1,079,569	351,984,613
At 31 December 2022			
Loan to customers	326,495,100	27,884	326,522,984
Commitments	6,833,388	-	6,833,388
	333,328,488	27,884	333,356,372

(v) Credit quality of gross loans to customers

NBC guideline Prakas B7-017-344 defined each credit grading according to its credit quality as follows:

Normal:

Outstanding facility is repaid on timely manner and is not in doubt for the future repayment. Repayment is steadily made according with the contractual terms and the facility does not exhibit any potential 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.

29 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (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 realisation of the collateral.

Factors leading to a substandard classification include:

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

Recognition of ECL

The Bank applies 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
Basic of calculation of profit revenue	On gross carrying amount	On gross carrying amount	On net carrying amount

29 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

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

Long-term facilities (more than one year)

Stages	Credit Risk Status	Grades	DPD	Default Indicator	Allowance
1	No significant increase in credit risk	Normal	0 ≤ DPD < 30	Performing	1%
2	Credit risk increased significantly	Special Mention	30 ≤ DPD < 90	Underperforming	3%
3	Credit impaired assets	Substandard	90 ≤ DPD < 180	Nonperforming	20%
		Doubtful	180 ≤ DPD <360		50%
		Loss	DPD ≥ 360		100%

Short-term facilities (one year or less)

Stages	Credit Risk Status	Grades	DPD	Default Indicator	Allowance
1	No significant increase in credit risk	Normal	0 ≤ DPD ≤ 14	Performing	1%
2	Credit risk increased significantly	Special Mention	15 ≤ DPD ≤ 30	Underperforming	3%
3	Credit impaired assets	Substandard	31 ≤ DPD ≤ 60	Nonperforming	20%
		Doubtful	61 ≤ DPD ≤ 90		50%
		Loss	DPD ≥ 91		100%

The Bank will use the day past due (DPD) information and NBC's classification for staging criteria. Also, the Bank will incorporate credit watch and control list or more forward-looking elements in the future when information is more readily available. Upon the implementation of internal credit rating system, if the risk level drops by two or more notches as compared to the risk level at origination, the accounts have to be classified under stage 2.

As a result of the adoption of CIFRS 9, the Bank recognises impairment loss for the placement with other banks based on the credit rating of the corresponding banks.

29 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

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

	31 December 2023			
	Stage 1 USD	Stage 2 USD	Stage 3 USD	Total USD
Loans to customers at amortised cost				
Normal	76,504,946	-	-	76,504,946
Special Mention	510,125	1,856,858	-	2,366,983
Substandard	1,044,038	336,293	441,887	1,822,218
Doubtful	-	136,695	461,868	598,563
Loss	-	-	3,073,173	3,073,173
Total	78,059,109	2,329,846	3,976,928	84,365,883
Less: loss allowance	(1,066,811)	(274,422)	(1,350,159)	(2,691,392)
Carrying amount (USD)	76,992,298	2,055,424	2,626,769	81,674,491
Carrying amount (KHR'000)	314,513,537	8,396,407	10,730,352	333,640,296

	31 December 2022			
	Stage 1 USD	Stage 2 USD	Stage 3 USD	Total USD
Loans to customers at amortised cost				
Normal	76,001,629	-	-	76,001,629
Special Mention	89,116	417,931	-	507,047
Substandard	461,930	211,403	123,477	796,810
Doubtful	-	84,440	833,332	917,772
Loss	-	-	1,087,644	1,087,644
Total	76,552,675	713,774	2,044,453	79,310,902
Less: loss allowance	(1,131,432)	(58,126)	(876,096)	(2,065,654)
Carrying amount (USD)	75,421,243	655,648	1,168,357	77,245,248
Carrying amount (KHR'000)	310,509,257	2,699,303	4,810,126	318,018,686

Incorporation of forward-looking information

The Bank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

External information considered includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Bank operates, supranational organisations such as the NBC 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.

29 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

Loss allowance

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

	31 December 2023			
	Stage 1 USD	Stage 2 USD	Stage 3 USD	Total USD
Loans to customers at amortised cost				
At 1 January	1,131,432	58,126	876,096	2,065,654
New financial assets originated or purchased	(64,621)	216,296	474,063	625,738
At 31 December (USD)	1,066,811	274,422	1,350,159	2,691,392
At 31 December (KHR'000)	4,357,923	1,121,014	5,515,400	10,994,336

	31 December 2022			
	Stage 1 USD	Stage 2 USD	Stage 3 USD	Total USD
Loans to customers at amortised cost				
At 1 January	1,066,302	89,479	779,684	1,935,465
New financial assets originated or purchased	65,130	(31,353)	96,412	130,189
At 31 December (USD)	1,131,432	58,126	876,096	2,065,654
At 31 December (KHR'000)	4,658,106	239,305	3,606,887	8,504,298

(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.

29 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market 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.

31 December 2023	Up to 1 month USD	> 1-3 months USD	> 3-12 months USD	> 1 to 5 years USD	Over 5 years USD	Non-interest bearing USD	Total USD	Interest rate %
Financial assets								
Cash on hand	-	-	-	-	-	53,892,182	53,892,182	-
Balance with financial institutions	12,318,423	2,176,339	22,956,768	-	-	14,444,098	51,895,628	0 - 8
Balance with NBC	6,480,982	-	-	-	-	-	6,480,982	0.52 - 1.33
Loans to customers	2,530,445	14,449,932	23,785,066	17,353,424	26,247,016	-	84,365,883	5 - 18
Investments	-	-	-	-	-	25,588	25,588	-
Other assets	-	-	-	-	-	1,951,209	1,951,209	-
Statutory deposits	-	-	11,050,285	-	7,500,000	50,673	18,600,958	0.08 - 1.33
	21,329,850	16,626,271	57,792,119	17,353,424	33,747,016	70,363,750	217,212,430	
Financial liabilities								
Deposits from customers and financial institutions	19,105,539	8,998,467	47,953,694	28,760,584	-	26,702,516	131,520,800	1 - 8
Other liabilities	-	-	-	-	-	1,052,206	1,052,206	-
Lease liabilities	20,601	38,329	149,804	349,333	-	-	558,067	6 - 8
	19,126,140	9,036,796	48,103,498	29,109,917	-	27,754,722	133,131,073	
Interest sensitivity gap	2,203,710	7,589,475	9,688,621	(11,756,493)	33,747,016	42,609,028	84,081,357	
KHR'000 equivalents	9,002,155	31,003,005	39,578,017	(48,025,274)	137,856,560	174,057,879	343,472,342	

29 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

31 December 2022	Up to 1 month USD	> 1-3 months USD	> 3-12 months USD	> 1 to 5 years USD	Over 5 years USD	Non-interest bearing USD	Total USD	Interest rate %
Financial assets								
Cash on hand	-	-	-	-	-	72,122,673	72,122,673	-
Balance with financial institutions	5,312,618	11,910,334	10,186,194	-	-	3,683,627	31,092,773	0 - 6.35
Balance with NBC	4,890,516	-	-	-	-	-	4,890,516	-
Loans to customers	1,187,991	13,238,795	11,336,125	22,077,635	31,470,356	-	79,310,902	5 - 18
Investments	-	-	-	-	-	25,588	25,588	-
Other assets	-	-	-	-	-	950,711	950,711	-
Statutory deposits	-	-	9,253,400	-	7,500,000	50,279	16,803,679	-
	11,391,125	25,149,129	30,775,719	22,077,635	38,970,356	76,832,878	205,196,842	
Financial liabilities								
Deposits from customers and financial institutions	28,503,720	17,292,886	46,959,057	12,717,522	-	14,829,298	120,302,483	1 - 8.5
Other liabilities	-	-	-	-	-	1,989,437	1,989,437	-
Lease liabilities	31,374	59,237	140,644	180,271	-	-	411,526	6 - 8
	28,535,094	17,352,123	47,099,701	12,897,793	-	16,818,735	122,703,446	
Interest sensitivity gap	(17,143,969)	7,797,006	(16,323,982)	9,179,842	38,970,356	60,014,143	82,493,396	
KHR’000 equivalents	(70,581,720)	32,100,274	(67,205,834)	37,793,410	160,440,956	247,078,227	339,625,311	

29 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

Sensitivity analysis

A change of 1% in interest rates at the reporting date would have increased/(decreased) in equity and profit or loss by the amounts shown below. The analysis assumes that all interest-bearing, in particular foreign currency rates, remain constant.

31 December 2023	Profit or loss +1% Increased USD	Profit or loss -1% Decreased USD	Equity +1% Increased USD	Equity -1% Decreased USD
Interest-bearing financial instruments	414,723	(414,723)	414,723	(414,723)
KHR'000 equivalents	1,694,143	(1,694,143)	1,694,143	(1,694,143)

31 December 2022	Profit or loss +1% Increased USD	Profit or loss -1% Decreased USD	Equity +1% Increased USD	Equity -1% Decreased USD
Interest-bearing financial instruments	224,793	(224,793)	224,793	(224,793)
KHR'000 equivalents	925,473	(925,473)	925,473	(925,473)

(ii) Foreign currency exchange risk

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

Concentration of currency risk

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

	Denomination USD equivalents			
31 December 2023	**KHR**	**USD**	**Others**	**Total**
Financial assets				
Cash on hand	577,057	53,046,417	268,708	53,892,182
Balance with financial institutions	3,195,218	48,484,415	215,995	51,895,628
Balance with NBC	269,458	6,211,524	-	6,480,982
Loans to customers	7,923,479	76,442,404	-	84,365,883
Other assets	180,306	1,770,903	-	1,951,209
Statutory deposits	50,673	18,550,285	-	18,600,958
	12,196,191	204,505,948	484,703	217,186,842
Financial liabilities				
Deposits from customers and financial institutions	3,264,009	128,256,791	-	131,520,800
Net asset position	8,932,182	76,249,157	484,703	85,666,042
KHR'000 equivalents	36,487,963	311,477,806	1,980,012	349,945,781

29 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

	Denomination USD equivalents			
31 December 2022	**KHR**	**USD**	**Others**	**Total**
Financial assets				
Cash on hand	555,993	71,415,748	150,932	72,122,673
Balance with financial institutions	245,918	30,303,960	542,895	31,092,773
Balance with NBC	167,406	4,723,110	-	4,890,516
Loans to customers	9,644,478	69,666,424	-	79,310,902
Other assets	114,450	836,261	-	950,711
Statutory deposits	50,279	16,753,400	-	16,803,679
	10,778,524	193,698,903	693,827	205,171,254
Financial liabilities				
Deposits from customers and financial institutions	165,162	120,137,321	-	120,302,483
Other liabilities	1,321	1,988,116	-	1,989,437
	166,483	122,125,437	-	122,291,920
Net asset position	10,612,041	71,573,466	693,827	82,879,334
KHR'000 equivalents	43,689,773	294,667,960	2,856,485	341,214,218

Sensitivity analysis

Considering that other risk variables remain constant, the foreign currency revaluation sensitivity for the Bank as at reporting date is summarised and shown in its specific currency in the table below:

	2023		2022	
	-1% Depreciation USD	+1% Appreciation USD	-1% Depreciation USD	+1% Appreciation USD
KHR	(89,322)	89,322	(106,120)	106,120
Others	(4,847)	4,847	(6,938)	6,938
	(94,169)	94,169	(113,058)	113,058
KHR'000 equivalents	(384,680)	384,680	(465,460)	465,460

(d) Liquidity risk

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

Management of liquidity risk

The Bank manages its liquidity through its Asset Liability Management Committee which is responsible for establishing the liquidity policy as well as monitoring liquidity on an ongoing basis. A Minimum Liquid Asset requirement has been established to ensure that the ratio of liquid assets to qualifying liabilities is subject to a minimum threshold at all times.

29 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

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.

31 December 2023	Up to 1 month USD	> 1-3 months USD	> 3-12 months USD	> 1 to 5 years USD	No maturity USD	Total USD
Financial liabilities						
Deposits from customers and financial institutions	12,604,973	8,998,467	47,953,694	28,760,584	33,203,082	131,520,800
Other liabilities	-	-	-	1,052,206	-	1,052,206
Lease liabilities	20,601	38,329	149,804	349,333	-	558,067
	12,625,574	9,036,796	48,103,498	30,162,123	33,203,082	133,131,073
KHR'000 equivalents	51,575,470	36,915,312	196,502,789	123,212,272	135,634,590	543,840,433

31 December 2022	Up to 1 month USD	> 1-3 months USD	> 3-12 months USD	> 1 to 5 years USD	No maturity USD	Total USD
Financial liabilities						
Deposits from customers and financial institutions	13,849,707	17,292,886	46,959,057	12,717,522	29,483,311	120,302,483
Other liabilities	-	-	-	1,989,437	-	1,989,437
Lease liabilities	31,374	59,237	140,644	180,271	-	411,526
	13,881,081	17,352,123	47,099,701	14,887,230	29,483,311	122,703,446
KHR'000 equivalents	57,148,410	71,438,690	193,909,469	61,290,726	121,382,792	505,170,087

29 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Capital management

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.

The above regulated capital is calculated in accordance with the guidance issued by the NBC which may be different in some material respects compared to generally accepted principles applied by financial institutions in other jurisdiction. The above regulated capital information is therefore not intended for users who are not informed about the guidance issued by the NBC.

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.

30 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 cash equivalent, balance with financial institutions, balance with NBC, other assets, and other liabilities are not materially sensitive to shifts in market profit rate because of the limited term to maturity of these instruments. As such, the carrying value of these financial assets and liabilities at financial position date approximate their fair values.

30 FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

Balance with financial institutions

Balance with financial institutions include non-interest bearing current accounts and savings deposits. The fair value of placements with other financial institutions approximates the carrying amount.

Loans to customers

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

Fair value hierarchy

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

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

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

31 TAXATION CONTIGENCIES

The taxation system in Cambodia is characterised by numerous taxes and frequently changing legislation, which is often unclear and subject to interpretation. Often different interpretation exists among numerous taxation authorities and jurisdiction. Taxes are subject to review and investigation by a number of authorities who are enabled by law to impose severe fines, penalties and interest charges. Management believes that tax liabilities have been adequately provided based on its interpretation of tax legislations. However, the relevant authorities may have differing interpretations and effects could be significant.

On 24 May 2023, General Department of Taxation ("GDT") has issued tax notification letter for limited tax audit in respect of the period from 1 January 2022 to 31 December 2023. As of to date, there has not been any official response from the GDT yet and management has considered that the potential tax liabilities resulting from the tax assessment is remote and will not give rise to any significant loss to the Bank in the future.

32 SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE YEAR

There is no significant event subsequent to the end of the year.

33 COMPARATIVE FIGURES

Certain amounts in the comparative financial statements and note disclosures have been reclassified to conform with the current year's presentation of the accounts. Management believes that these reclassifications would better reflect the nature of the transactions.

Summary of the changes arising from the reclassifications are shown below:

Statement of financial position

	As previously presented USD	Reclassifications USD	As reclassified USD
2022			
ASSETS			
Balance with financial institutions	30,184,682	907,078	31,091,760
Other assets	3,222,863	(907,078)	2,315,785
LIABILITIES			
Deposits from customers and financial institutions	117,682,435	2,620,048	120,302,483
Other liabilities	4,646,060	(2,620,048)	2,026,012

Statement of comprehensive income

	As previously presented USD	Reclassifications USD	As reclassified USD
2022			
Other operating expenses	(2,387,381)	2	(2,387,379)
Impairment losses on financial instruments	(128,475)	(2)	(128,477)

Statement of cash flows

	As previously presented USD	Reclassifications USD	As reclassified USD
2022			
Adjustments for:			
Impairment losses on financial instruments	128,475	2	128,477
Dividends on equity securities	(19,604)	19,604	-
Interest income	-	(7,794,786)	(7,794,786)
Rights-of-use asset derecognised	(3,564)	3,564	-
Lease liability derecognised	3,564	(3,564)	-
Interest expense from lease liabilities	36,989	(36,989)	-

33 COMPARATIVE FIGURES (CONTINUED)

Statement of cash flows (continued)

	As previously presented USD	Reclassifications USD	As reclassified USD
2022			
Changes in working capital:			
Deposit from customer and financial institutions	13,416,166	1,788,162	15,204,328
Loans to customers	(3,512,100)	(2,413)	(3,514,513)
Other assets	337	907,078	907,415
Other liabilities	(30,598)	(1,788,162)	(1,818,760)
Cash from operating activities:			
Interest income received	-	6,890,119	6,890,119
Interest expense paid	(3,637,251)	36,989	(3,600,262)
Cash flows from investing activities:			
Withdrawal/(Placement) of fixed deposits	(9,506,609)	(16,349,119)	(25,855,728)
Dividends received	19,604	(19,604)	-
Cash flows from financing activities:			
Payment of lease liabilities	(385,700)	(36,989)	(422,689)
Payment on interest expense of lease liabilities	(36,989)	36,989	-
Cash and cash equivalents at the end of the year (Note 28)	97,273,608	(16,349,119)	80,924,489

CAB BANK

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CAMBODIA ASIA BANK

柬 埔 寨 亚 洲 银 行

HEAD OFFICE #75c 036, Preah Sihanouk Boulevard, Sangkat Veal Vong,
Khan 7 Makara, Phnom Penh.

(855) 23 980 000 www.cab.com.kh