



ធនាគារកុំព្យូទ័រ អាល់ហ្វា ប.ក
ALPHA COMMERCIAL BANK PLC.
澳 法 商 业 银 行



ANNUAL REPORT

2022

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MESSAGE FROM NEAK OKNHA LY KUNTHAI

Chairman of Boards of Alpha Commercial Bank PLC.



TO OUR VALUED CUSTOMER, EMPLOYEES, SHAREHOLDERS AND PARTNERS:

In mid-year 2019, Alpha Commercial Bank PLC. (“the Bank” or “AC Bank”) started entering into Cambodia’s market in banking industry and obtained a commercial bank

license from the National Bank of Cambodia in May 2021 (originally in March 2020).

BUSINESS ENVIRONMENT

Regardless the fact that year 2020 and 2021 are the years of disruption significantly due to COVID-19 and many corporates and individuals have suffered locally and globally, the Royal Government of Cambodia has set out strategies to prevent the spread of this deadly disease, including the effective vaccine provision to all Cambodians across the country as to save lives and to remarkably recover the national economy. We took this opportunity to prepared ourselves in the challenging year 2021-22 being ready to serve various financial services to customers from year 2023.

FINANCIAL PERFORMANCE

For year 2022, we expanded our financial performance as a result from the functioning of national economy recovery with the backbone support from the Royal Government of Cambodia.

- Total assets US\$ 158.7 million starting from the capital of US\$100 million.
- Total loan portfolio to US\$ 21.5 million (of which there was no non-performing loan)
- Total deposit portfolio to US\$ 55.3 million
- Total equity to US\$ 101.7 million
- Net profit for US\$1.7 million

NEW PRODUCTS AND SERVICES

As commitment to serve our customer, in 2023 we are aiming to launch ATM and Mobile Banking App equipped with latest technology and to open more branches in the provinces to make it convenient for the customers to use banking services with us.

COMPLIANCE

Business sustainability would not last long without strict compliance with laws and regulations applicable to financial services as per our primary business activities.

We take pride to receive certificate of tax compliance – Gold Award for year 2022-23 from the General Department of Taxation. Participating in such tax compliance is one of the critical success factors and it is support the economy growth and government revenue strategy.

We established various monitoring system and policy to maintain prudent ratio required by the NBC to meet the financial sustainability and public trust and confidence to the banking sector.

FINAL REMARK

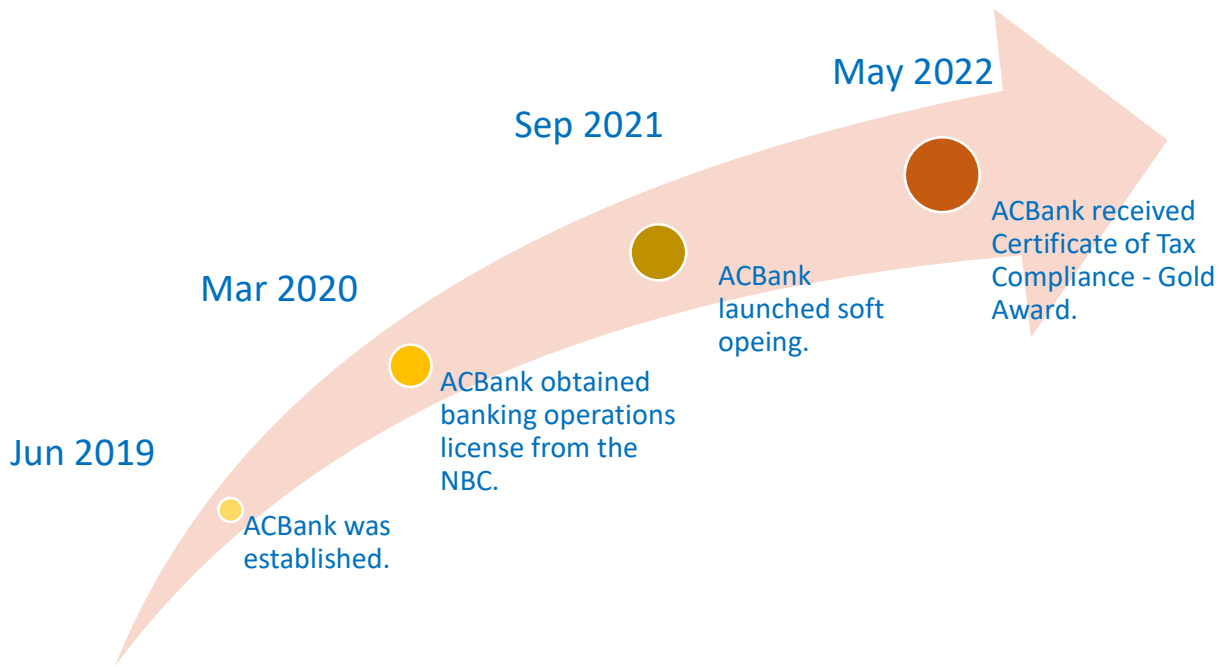
We would like to thank our customers, shareholders, employees and relevant authorities for their trust, support, and assistance to the operations of the Bank. We are committed to further enhancing our core values, including training our staff, increasing customers’ values and profits, contributing to corporate social responsibility, building a good reputation, striving forward in any challenging circumstance, and promoting the banking and financial sector in Cambodia to achieve new successes more sustainably.

Thank you.



Neak Oknha Ly Kunthai
Chairman

OUR STORY



OUR CONTRIBUTION

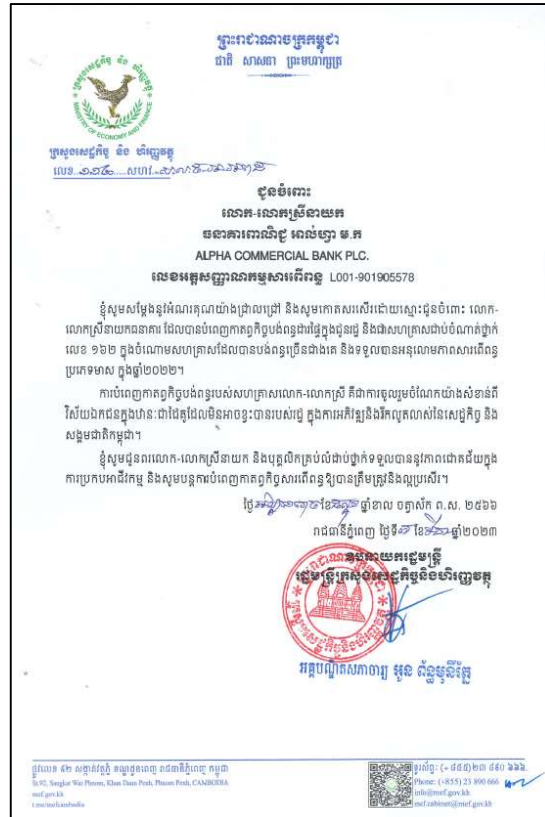
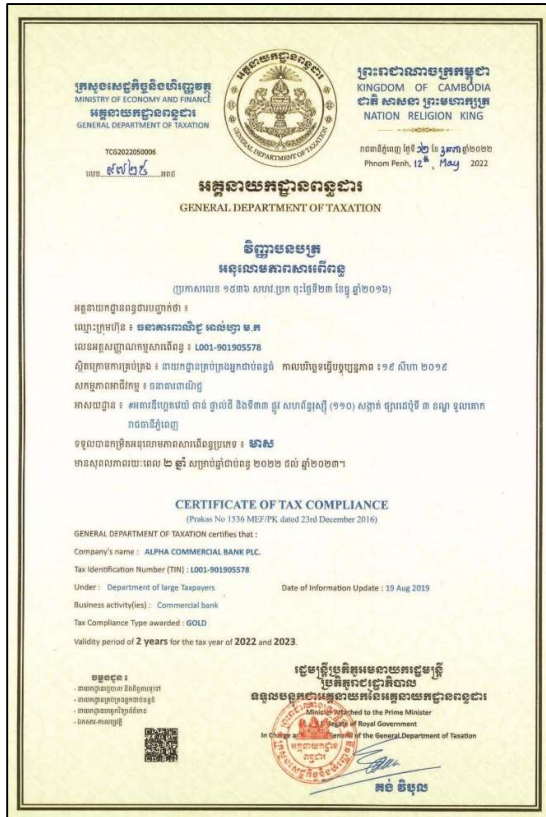
Donation to Cambodian Red Cross in 2022 for US\$ 10,000.









AWARDS AND RECOGNITION

1. Certificate of Tax compliance No. 9725 dated 12 May 2022, issued by the General Department of Taxation:
 - **Gold Award for 2 years from 2022 to 2023.**

2. Letter of appreciation No. 112 dated 7 March 2023, issued by the Ministry of Economy and Finance:
 - **Largest taxpayer for year 2022 ranked No. 162.**



OUR PRODUCTS AND SERVICES

DEPOSITS		LOANS	
Current account	<p>You can carry out your money anywhere and anytime with safety and convenient way by applying Cheque Account at AC Bank and using a cheque as your facility to meet your daily financial needs with a flexible way to manage your money.</p> 	SME and commercial loan	<p>Whether you are planning to expanding your business, renovating or constructing a business premise, investing on equipment and machinery, looking for a loan to fund a project, or supporting your working capital, we are really glad and cooperative to discuss your requirements and provide you with the amount of loan for your business needs.</p> 
Savings account	<p>Open saving account at AC Bank is your best choice of short to long-term needs, it is safe, secure and readily available when you need it.</p> 	Revolving loan	<p>Business Revolving Loan is such a convenient loan facility with the available credit line up to 12 months. This loan purpose is to support business working capital in a short run, and it provides the borrower with the ability to drawdown, repay, and withdraw again within the loan period. This Revolving Loan is considered as a flexible financing tool due to its repayment and re-borrowing accommodations.</p> 
Fixed deposit account	<p>Save your future by deposit your money with Fixed Deposit at AC Bank that offers you the competitive Interest. You can save and earn money at the same time. We offer a higher interest rate with flexible tenure which gives you a fixed rate of interest until maturity.</p> 	Personal loan	<p>To purchase, enhance or upgrade your living accommodation, apply with us to make your dream house come true and enjoy a new living standard.</p> 

VISION, MISSION, AND VALUE



The Bank's vision is to become a high-quality international bank.

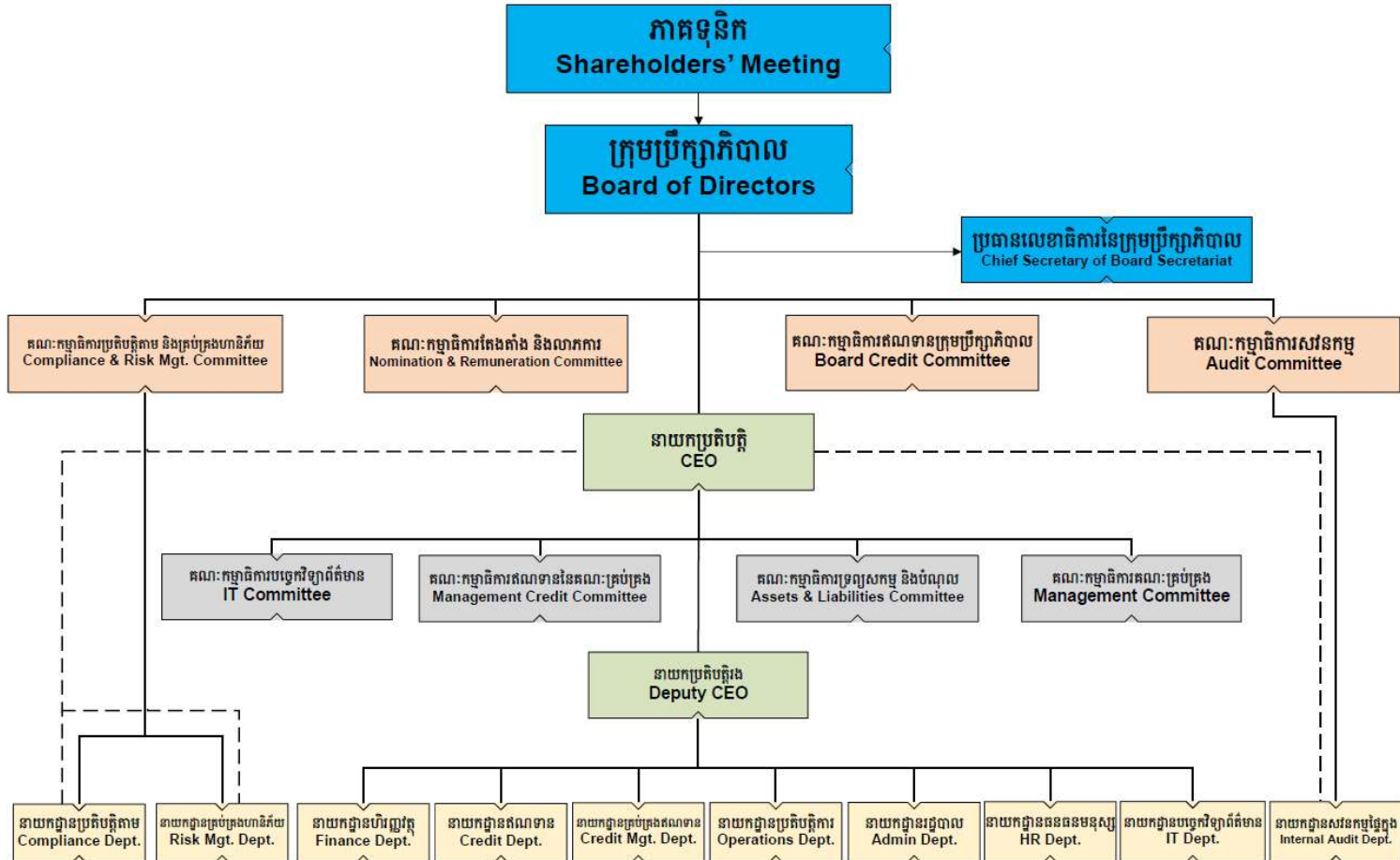


We are freshly and professionalism. We aim to provide a good service with high technological banking to our customers.



The Bank's value is Bonus Point for Life.

ORGANISATIONAL CHART



BOARD OF DIRECTORS

1.	Neak Oknha Ly Kunthai	Chairman
2.	Mr. Lin Wen Cheng	Vice chairman
3.	Mr. Chang Ching Tsung	Director
4.	Mr. Chen Chih Che	Independent director
5.	Mrs. Chhim Sopheap	Independent director

MANAGEMENT TEAM

1.	Mr. Cheng Kuang Min	Chief Executive Officer
2.	Mr. You Sokleng	Head of finance
3.	Mr. Sok Keo	SME Credit Manager / Acting deputy head of credit
4.	Mr. Heng Bunnang	Deputy head of credit management
5.	Mrs. Teav Bouylay	Head of operations
6.	Ms. Chheang Sophy	Administrative manager
7.	Mrs. Pheng Raksmeay	Human resource manager
8.	Mr. Chrek Sineth	Head of IT
9.	Mr. Chem Samthearith	Compliance manager
10.	Mrs. Sem Samphors	Head of risk management
11.	Mr. Yath Sovann	Head of internal audit

INTERNAL CONTROL REPORT

INTRODUCTION

Pursuant to Prakas No. B-7-010-172 on Internal Control of Bank and Financial Institutions issued by the National Bank of Cambodia on 28 September 2010, the Bank has established organized and effective internal control system.

RISK MANAGEMENT

Risk management is at center of operating structure of the Bank, and it is everyone's responsibility. The Bank has set up that supervises overall risk management which exercise independently from the day-to-day business of the Bank. Head of Risk Management is responsible for risk management function of the Bank and to provides an oversight of the management of risk inherent in the Bank's activities by identity current and emerging risks, develop risk assessment and measurement system, develop risk tolerance limits, establish policies, procedures and other control mechanism to manage risks, monitor positions against approved risk tolerance limits and report results of risk monitoring to senior management, risk management and compliance committee and the Board on a regularly basis.

COMPLIANCE MANAGEMENT

Compliance management is aiming for managing all type of compliance risks to ensure the soundness of internal control system. Compliance function is to ensure policies and procedures are implemented in the Bank to manage compliance risk, provide regulatory compliance advisory and consultation to senior management, responsible for AML/CFT matter and provide training to all staff. Head of Compliance is designed as Compliance Officer and reports to risk management and compliance committee and the Board on a regularly basis.

INTERNAL AUDIT

Internal Audit provides the professional and independent review on operation of the Bank by adding values through improving efficiency and effectiveness of internal control system, risk management, and compliance with applicable law and regulation. Internal Audit reviews all operations of the Bank based on internal audit plan, risk-based approach, and internal audit procedure to identify gaps in the business processes and provide recommendation for improvement. Head of Internal Audit reports to audit committee and the Board on a regularly basis.

BUSINESS UNIT

All Business units are risk owners and responsible for internal control application to comply with internal policies and procedures and applicable law and regulation. The Bank has disseminated and provided training to deliver awareness of related policies and procedures to staff to facilitate the implementation. All policies and procedures are reviewed and approved by level of authority. For confidential and sensitive documents are to be kept in the safe place and made available to parties involved, where necessary.

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors (“the Board”) has pleasure in submitting its report together with the audited financial statements of Alpha Commercial Bank PLC. (“the Bank”) for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

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

FINANCIAL RESULTS

The results of financial performance for the year ended 31 December 2022 are set out in the statements of profit or loss and other comprehensive income on page 16.

DIVIDENDS

No dividends were declared or paid during the periods.

SHARE CAPITAL

As at 31 December 2022, the registered, issued and paid up share capital of the Bank was 100,000 shares at a par value of US\$1,000 per share.

RESERVES AND PROVISIONS

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

EXPECTED CREDIT LOSS ALLOWANCE ON FINANCIAL ASSETS

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

At the date of this report and to the best of knowledge, the Board is not aware of any circumstances which would render the amount of the allowance for expected credit losses on financial assets in the financial statements of the Bank inadequate to any material extent.

ASSETS

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

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

At the date of this report, the Board is not aware of:

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

At the date of this report, the Board is not aware that any contingent or other liability of the Bank has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the periods which, in the opinion of the Board, will or may substantially affect the ability of the Bank to meet its obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

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

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

EVENTS AFTER THE REPORTING DATE

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

THE BOARD'S RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Board is responsible for ascertaining that the financial statements as set out on pages 15 to 54 present fairly, in all material respects, the financial position of the Bank as at 31 December 2022, and its financial performance and its cash flows for the year then ended. In preparing of these financial statements, the Board is required to:

- (i) adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- (ii) comply with the disclosure requirements of Cambodian International Financial Reporting Standards ("CIFRSs"), or if there have been any departures in the interests of fair presentation, these have been appropriately disclosed, explained and quantified in the financial statements;
- (iii) maintain adequate accounting records 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 foreseeable future; and
- (v) effectively control and direct the Bank and involved in all material decisions affecting the operations and performance and ascertain that such have been properly reflected in the financial statements.

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

The Board confirms that the Bank has complied with the above requirements in preparing the financial statements.

APPROVAL OF THE FINANCIAL STATEMENTS

I, on behalf of the Board, hereby approve the accompanying financial statements which in our opinion, present fairly, in all material respects, the financial position of the Bank as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with CIFRSs.

Signed in accordance with the resolution of the Board:



Neak Oknha Ly Kunthai
Chairman

Phnom Penh, Kingdom of Cambodia

Date: 28 March 2023



KPMG CAMBODIA LTD.

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REPORT OF THE INDEPENDENT AUDITORS

To the shareholders of Alpha Commercial Bank PLC.

OPINION

We have audited the financial statements of Alpha Commercial Bank PLC. (“the Bank”), which comprise the statement of financial position as at 31 December 2022, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information as set out on pages 15 to 54 (hereafter referred to as “the financial statements”).

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

BASIS FOR OPINION

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

OTHER MATTER

The financial statements of the Bank for the year ended 31 December 2021 were audited by another firm of auditors who expressed an unmodified opinion on those financial statements on 16 March 2022.

OTHER INFORMATION

Management is responsible for the other information. The other information comprises the Report of the Board Directors on pages 11 to 12, and the annual report, which is expected to be made available to us after the date of auditors’ report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

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

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

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

For KPMG Cambodia Ltd



Yim Lundy
Director

Phnom Penh, Kingdom of Cambodia

28 March 2023

STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2022		31 December 2021	
		US\$	KHR'm (Note 2.4.c)	US\$	KHR'm (Note 2.4.c)
ASSETS					
Cash on hand	4	1,007,938	4,150	1,076,014	4,384
Deposits and placements with the National Bank of Cambodia	5	7,204,887	29,663	5,106,577	20,804
Deposits and placements with other banks	6	101,740,623	418,866	102,393,135	417,150
Statutory deposits with the National Bank of Cambodia	7	14,199,174	58,458	12,554,001	51,145
Loans to customers	8	21,592,566	88,897	6,141,032	25,019
Investment securities	9	10,395,881	42,800	-	-
Property and equipment	10	700,742	2,885	557,656	2,272
Right-of-use assets	11	839,794	3,457	1,145,174	4,665
Intangible assets	12	746,363	3,073	480,000	1,956
Other assets		123,454	508	114,098	465
Deferred tax assets, net	22(c)	159,405	656	81,976	334
Total assets		158,710,827	653,413	129,649,663	528,194
LIABILITIES AND EQUITY					
LIABILITIES					
Deposits from customers	13	55,336,168	227,819	28,180,381	114,807
Other liabilities		164,065	676	83,074	339
Current income tax liabilities	22(b)	522,896	2,153	169,991	693
Lease liabilities	14	891,889	3,672	1,170,670	4,770
Provision for off-balance sheet items	15	588	2	1,056	4
Total liabilities		56,915,606	234,322	29,605,172	120,613
EQUITY					
Share capital	16	100,000,000	400,000	100,000,000	400,000
Retained earnings / (accumulated losses)		1,188,343	4,868	(592,254)	(2,410)
Regulatory reserves	27	606,878	2,473	636,745	2,595
Currency translation reserves		-	11,750	-	7,396
Total equity		101,795,221	419,091	100,044,491	407,581
Total liabilities and equity		158,710,827	653,413	129,649,663	528,194

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2022		2021	
		US\$	KHR'm (Note 2.4.c)	US\$	KHR'm (Note 2.4.c)
Interest income	17	5,269,909	21,538	3,162,016	12,863
Interest expense	18	(148,514)	(607)	(75,631)	(308)
Net interest income		5,121,395	20,931	3,086,385	12,555
Fee and commission income		229	1	145	1
Fee and commission expense		-	-	(90)	-
Net fee and commission income		229	1	55	1
Other income		4,606	19	69	-
Impairment losses on financial instrument	19	(290,482)	(1,187)	(139,778)	(568)
Personnel expenses	20	(1,505,054)	(6,151)	(1,484,790)	(6,040)
Depreciation and amortisation		(493,025)	(2,015)	(280,822)	(1,142)
Other operating expenses	21	(595,149)	(2,432)	(526,202)	(2,141)
Profit before income tax		2,242,520	9,166	654,917	2,665
Income tax expense	22(a)	(491,790)	(2,010)	(186,709)	(760)
Net profit for the year		1,750,730	7,156	468,208	1,905
Other comprehensive income:					
Currency translation differences		-	4,354	-	2,890
Total comprehensive income for the year		1,750,730	11,510	468,208	4,795
Profit attributable to:					
Owners of the Bank		1,750,730	7,156	468,208	1,905
Total comprehensive income attributable to:					
Owners of the Bank		1,750,730	11,510	468,208	4,795

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

STATEMENT OF CHANGES IN EQUITY

	Share capital		Retained earnings / (Accumulated losses)		Regulatory reserves		Currency translation reserves		Total	
	US\$	KHR'm (Note 2.4.c)	US\$	KHR'm (Note 2.4.c)	US\$	KHR'm (Note 2.4.c)	US\$	KHR'm (Note 2.4.c)	US\$	KHR'm (Note 2.4.c)
At 1 January 2022	100,000,000	400,000	(592,254)	(2,410)	636,745	2,595	-	7,396	100,044,491	407,581
Total Comprehensive income										
Net profit for the year	-	-	1,750,730	7,156	-	-	-	-	1,750,730	7,156
Other comprehensive income										
- Currency translation differences	-	-	-	-	-	-	-	4,354	-	4,354
	-	-	1,750,730	7,156	-	-	-	4,354	1,750,730	11,510
Transactions recognised directly in equity										
Transfer from regulatory reserves to retained earnings	-	-	29,867	122	(29,867)	(122)	-	-	-	-
At 31 December 2022	100,000,000	400,000	1,188,343	4,868	606,878	2,473	-	11,750	101,795,221	419,091
At 1 January 2021	100,000,000	400,000	(970,003)	(3,947)	546,286	2,227	-	4,506	99,576,283	402,786
Total Comprehensive income										
Net profit for the year	-	-	468,208	1,905	-	-	-	-	468,208	1,905
Other comprehensive income										
- Currency translation differences	-	-	-	-	-	-	-	2,890	-	2,890
	-	-	468,208	1,905	-	-	-	2,890	468,208	4,795
Transactions recognised directly in equity										
Transfer from accumulated losses to regulatory reserves	-	-	(90,459)	(368)	90,459	368	-	-	-	-
At 31 December 2021	100,000,000	400,000	(592,254)	(2,410)	636,745	2,595	-	7,396	100,044,491	407,581

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

STATEMENT OF CASH FLOWS

	Notes	2022		2021	
		US\$	KHR'm (Note 2.4.c)	US\$	KHR'm (Note 2.4.c)
Cash flows from operating activities					
Profit before income tax		2,242,520	9,166	654,917	2,665
<i>Adjustments for:</i>					
Depreciation and amortisation		493,025	2,015	280,822	1,142
Written-off of property and equipment		2,281	10	-	-
Impairment losses on financial instrument		290,482	1,187	139,778	568
interest income	17	(5,269,909)	(21,538)	(3,162,016)	(12,863)
Interest expense	18	148,514	607	75,631	308
		(2,093,087)	(8,553)	(2,010,868)	(8,180)
<i>Changes in:</i>					
Reserve requirement deposits with the National Bank of Cambodia		(1,645,173)	(6,724)	(2,554,001)	(10,390)
Loans to customers		(15,597,888)	(63,749)	(6,217,706)	(25,294)
Other assets		36,655	150	(68,740)	(280)
Deposits from customers		27,150,684	110,965	28,176,261	114,621
Other liabilities		80,990	331	46,870	191
Cash generated from operations		7,932,181	32,420	17,371,816	70,668
Interest received		4,388,075	17,934	2,773,728	11,284
Interest paid		(143,411)	(586)	(71,510)	(291)
Income tax paid	22(b)	(216,314)	(884)	(30,778)	(125)
Net cash generated from operating activities		11,960,531	48,884	20,043,256	81,536
Cash flows from investing activities					
Balances with other banks					
- original maturity more than three months		(10,000,000)	(40,870)	(2,500,000)	(10,170)
Acquisition of property and equipment		(293,922)	(1,201)	(300,122)	(1,221)
Acquisition of intangible assets		(305,453)	(1,248)	(240,000)	(976)
Acquisition of investment securities		(10,000,000)	(40,870)	-	-
Net cash used in investing activities		(20,599,375)	(84,189)	(3,040,122)	(12,367)
Cash flows from financing activities					
Principal payment of lease liabilities		(278,781)	(1,139)	(152,643)	(621)
Net cash used in financing activities		(278,781)	(1,139)	(152,643)	(621)
Net (decrease)/increase in cash and cash equivalents		(8,917,625)	(36,444)	16,850,491	68,548
Cash and cash equivalents at 1 January		24,375,397	99,306	7,524,906	30,438
Currency translation differences		-	778	-	320
Cash and cash equivalents at 31 December	25	15,457,772	63,640	24,375,397	99,306

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

NOTES TO THE FINANCIAL STATEMENTS

1 CORPORATE INFORMATION

Alpha Commercial Bank PLC. (“the Bank”) was incorporated in Cambodia under the Registration No. 00043962 dated on 24 June 2019 issued by the Ministry of Commerce. The Bank subsequently received a banking license No. B-52 dated 4 May 2021 (originally dated 23 March 2020) issued by the National Bank of Cambodia (“the NBC”).

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

The registered office of the Bank is located at the Gateway Building, Ground and 33rd Floor, Russian Federation Blvd (St. 110), Sangkat Phsar Depou Ti3, Khan Toul Kork, Phnom Penh, Cambodia.

2 SUMMARY OF SIGNIFICANT

ACCOUNTING POLICIES

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

2.1. Basis of preparation

The financial statements are prepared in accordance with Cambodian International Financial Reporting Standards (“CIFRSs”) which are based on all standards published by the International Accounting Standard Board including other interpretations and amendments that may occur in any circumstances to each standard.

The financial statements were authorised for issue by the Board of Directors on 28 March 2023.

The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with CIFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimations are significant to the financial statements are disclosed in Note 3.

2.2. New and amended standards adopted by the Bank

A number of new standards, amendments to standards and interpretations that are effective for annual periods beginning after 1 January 2022 and earlier application is permitted; however, there is no significant impact to the Bank.

Effective date	New and amended standards
1 April 2021	COVID-19-related rent concessions beyond 30 June 2021 (Amendment to CIFRS 16).
1 January 2022	Onerous contracts – cost of fulfilling a contract (Amendment to CIAS 37).
	Annual Improvements to CIFRS Standards 2018 – 2020.
	Property, Plant and Equipment: Proceed before intended Use – Amendments to CIAS 16.
	Reference to Conceptual Framework – Amendments to CIFRS 3.

2.3. New standards and interpretations not yet adapted

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

Effective date	New and amended standards
1 January 2023	CIFRS 17 Insurance contracts and amendments to CIRS 17.
	Disclosure of Accounting Policies – Amendments to CIAS 1 and CIFRS Practice Statement 2.
	Definition of Accounting Estimated – Amendments to CIAS 8.
	Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to CIAS 12) *
1 January 2024	Lease liability in sale and leaseback (Amendment to CIFRS 16).
	Classification of liabilities as current or non-current (Amendment to CIAS 1).

* The Bank assessment of **Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to CIAS 12)** is as follows:

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary difference – e.g. leases. The amendments apply for annual reporting periods beginning on or after 1 January 2023. For leases, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other component of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

The Bank’s accounts for deferred tax on leases applying the “integrally linked” approach, resulting in a similar outcome to the amendments, except that the deferred tax impacts are presented net in the statement of financial position.

Under the amendments, the table below analyses the impact of the adapting this amendment, of which it separates deferred tax asset and liabilities as at 31 December 2021 and 2022. There will be no impact on retained earnings on adoption of the amendments.

	Right-of-use asset	Lease liability	Net amount	
	US\$	US\$	US\$	KHR'm (Note 4.2.c)
Year 2022				
Carrying amount	839,794	(891,889)	(52,095)	(214)
Tax base	-	-	-	-
Taxable/(deductible) temporary differences	839,794	(891,889)	(52,095)	(214)
Deferred tax liabilities/(asset) at 20% tax rate	167,959	(178,378)	(10,419)	(43)
Year 2021				
Carrying amount	1,145,174	(1,170,670)	(25,496)	(104)
Tax base	-	-	-	-
Taxable/(deductible) temporary differences	1,145,174	(1,170,670)	(25,496)	(104)
Deferred tax liabilities/(asset) at 20% tax rate	229,035	(234,134)	(5,099)	(21)

2.4. Foreign currency translation

(a) Functional and presentation currency

The national currency of Cambodia is the Khmer Riel (“KHR”). However, as the Bank transacts and maintains its accounting record primarily in United States Dollars (“US\$”), management have determined the US\$ to be the Bank’s functional and presentation currency as it reflects the economic substance of the underlying events and circumstances of the Bank.

The financial statements are presented in US\$, which is the Bank’s functional currency.

(b) Foreign currency transactions

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

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

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

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

(c) Presentation in Khmer Riel

The financial statements are expressed in United States Dollars (“US\$”) which is the Bank’s functional currency. The translation of US\$ amounts into Khmer Riel (“KHR”) meets the presentation requirements pursuant to Law on Accounting and Auditing and has been done in compliance with *CIAS21 – the Effects of Changes in Foreign Exchange Rate*.

Assets and liabilities are translated at the closing rate as at the reporting date and share capital and other equity account are translated at the historical rate. The statement of profit or loss and other comprehensive income and cash flows are translated into KHR at the average rate for the year, which has been deemed to approximate the exchange rate on the date of transactions as exchange rates did not fluctuate significantly during the year. Exchange differences arising from the translation are recognised as “Currency Translation Differences” in other comprehensive income.

The Bank uses the following exchange rates:

		Closing Rate	Average rate
Year 2022	US\$ 1 =	KHR 4,117	KHR 4,087
Year 2021	US\$ 1 =	KHR 4,074	KHR 4,068

These convenience translations should not be construed as representations that the US\$ amounts have been, could have been, or could in the future be, convert into KHR at this or any other rate of exchange.

All amounts have been rounded to the nearest dollars (“US\$”) or million riels (“KHR’m”), unless otherwise indicated.

2.5. Financial instruments

2.5.1. Recognition and initial measurement

The Bank initially recognises loans to customers on the date on which they originated. All other financial instruments are recognised when the Bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. The fair value of a financial instrument at initial recognition is generally its transaction price.

2.5.2. Classification of financial assets

The Bank classifies financial assets, on initial recognition, as measured at Amortised Cost ("AmrtC"), Fair Value through Other Comprehensive Income ("FVOCI") or Fair Value through Profit or Loss ("FVTPL") on the basis of both:

- the Bank's business model for managing the financial assets and
- the contractual cash flow characteristics of the financial asset.

The measurement classification is summarised as follows:

Business model		Contractual cash flow characteristics	Measurement classification
Held-to-collect	Financial asset is held to collect contractual cash flows.	Cash flows are solely payments of principal and interest ("SPPI")	AmrtC
Both held-to-collect and sales	Financial asset is held to collect contractual cash flows and selling financial assets.		FVOCI
Other business model	Other than above	Not SPPI	FVTPL

The financial assets are not reclassified subsequent to their initial recognition, except in the period when the Bank changed its business model for managing financial asset.

2.5.3. Classification of financial liabilities

The Bank classifies its financial liabilities, on initial recognition, as measured at amortised cost, except for derivatives held for risk management which are measured at FVTPL.

The Bank does not reclassify any financial liability.

2.5.4. Business model assessment

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

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

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

2.5.5. SPPI Assessment

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.

2.5.6. Derecognition

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

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

The Bank derecognises a financial liability when its contractual obligations are cancelled or expired.

2.5.7. 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.

2.5.8. 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 measure date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

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

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

2.5.9. Impairment

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

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

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 the significant increase in credit risk base on day past due (“DPD”). 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. Refer to Note 26.1.(ii), for the detail.

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

Definition of default

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

- The borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held); or
- The Bank considers that a significant increase in credit risk occurs no later than when an asset is more than or equal to 30 days past due for long-term facilities or more than or equal to 15 days past due for short-term facilities.
- Asset is considered as credit impaired when as asset is more than or equal to 90 days past due for long-term facilities or more than or equal to 31 days for short-term facilities.

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 Bank in accordance with the contract and the cash flows that the Bank expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross

carrying amount and the present value of estimated future cash flows; and

- Trade facilities 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.

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters by benchmarking the value using BASEL internal ratings-based framework (“IRBF”) parameter set between 5% and 50% based on types of credit exposure.

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 trade facilities and undrawn loan 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. The Bank applied Credit Conversion Factor (“CCF”) to estimate the EAD of these off-balance sheet items.

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

Restructured financial assets

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

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

Credit-impaired financial assets

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

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

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

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.

2.5.10. Presentation of allowance for ECL

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

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments: generally, as a provision.

2.5.11. Write-off

Loans 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.

2.6. Cash and cash equivalents

Cash and cash equivalents includes cash on hand, the non-restricted deposits and placements with NBC and with other banks with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.7. Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure 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.

Subsequent expenditures relating to an item of property and equipment that has already been recognised are added to the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Bank. All other subsequent expenditures are recognised as expenses in the year in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the cost of assets less their residual values over the estimated useful lives.

Construction in progress is not depreciated. The estimated useful lives are as follows:

No.	Class	Depreciation method	Useful life	Annual depreciation rate
1	Office renovation	Straight-line	5 years	20%
2	IT and office equipment	Straight-line	5 years	20%
3	Furniture and fixture	Straight-line	5 years	20%
4	Vehicles	Straight-line	5 years	20%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

An asset's carrying amount is written down to its recoverable value immediately if the asset's carrying amount is greater than its estimated recoverable value.

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are included in profit or loss.

2.8. Lease

The Bank as a lessee

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

Contracts may contain both lease and non-lease components. The Bank allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different term and conditions. The lease agreements do not impose any covenants other than the security interests in the lease assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use.

Assets and liabilities arising from a lease are initially measured on a present value basis.

(i) Lease liabilities

Lease liabilities include the net present value of the lease payments from fixed payments (including in-substance fixed payments), less any lease incentives receivable.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Bank, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Bank uses its recent borrowing rate as a starting point, making specific adjustments to the lease such as term, country, currency and security. Lease payments are allocated between principal and interest expense. The interest expense is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(ii) Right-of-use assets

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration cost if any.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Bank is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Subsequently the right-of-use asset is measured at cost less depreciation and any accumulated impairment losses.

(iii) Recognition exemptions

Payments associated with short-term leases (a lease term of 12 month or less) and all leases of low-value assets are recognised as an expense in profit or loss.

2.9. Intangible assets

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

Amortisation is calculated using the straight-line method to allocate the costs over their estimated useful lives of 10 years from which the asset is ready for use.

Work in progress are not amortised.

Costs associated with maintaining computer software programs are recognised as expense when incurred.

2.10. Impairment of non-financial assets

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (“CGU”) exceed its estimated recoverable amount.

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

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

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

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

2.11. Interest income and expense

Interest income and expense from financial instruments at amortised cost are recognised within “interest income” and “interest expense” respectively in the statement of profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instruments or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

Interest income is calculated by applying effective interest rate to the gross carrying amount of a financial asset except for:

- Purchased or originated credit-impaired financial assets (“POCI”), for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial assets.
- Financial assets that are not ‘POCI’ but have subsequently become credit-impaired (or “stage 3”), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision).

2.12. 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.

2.13. Income tax

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

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

Current tax

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

Deferred tax

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

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

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

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

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

2.14. Short-term employee benefits

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

2.15. Share capital

Share capital is classified as equity. Incremental costs directly attributable to the issue of ordinary share are recognised in equity as a deduction, net of any tax effects, from the proceeds.

2.16. Regulatory reserve

Banks and financial institutions are required to compute regulatory provisions, according to the NBC's:

- Prakas No. B7-017-344 dated 1 December 2017 on Credit Risk Grading and Impairment Provisioning;
- Circular No. B7-018-001 dated 16 February 2018 on Implementation of Prakas on Credit Grading and Impairment Provision; and
- Circular No. B7-021-002 dated 27 December 2021 on the classification and provisioning requirements for restructured loans

If the accumulated regulatory provision is higher than the accumulated impairment based on CIFRS 9, the "topping up" will be recorded as regulatory reserves presented under equity. The reserve is subsequently reversed (up to zero) should the accumulated regulatory provision equal or be lower than accumulated impairment based on CIFRS 9. The regulatory reserve is set aside as a buffer, is non-distributable, and is not allowed to be included in the net worth calculation.



3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Bank makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next period are addressed below.

3.1. Judgements

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

- **Note 2.5.2:** Classification of financial asset: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.
- **Note 2.5.9:** significant increase in credit risk: establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval model used to measure ECL.

3.2. Assumption and estimation uncertainties

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

- **Note 2.5.9:** Impairment of financial instruments: determining input into the ECL measurement model, including key assumption used in estimating recoverable cash flows, and incorporation of forward-looking information.
- **Note 2.5.8:** Determination of the fair value of financial instruments with significant unobservable inputs.
- **Note 22(c):** Recognition and measurement of contingencies: key assumptions about the likelihood and magnitude of outflow of resource.

4 CASH ON HAND

	31 December 2022		31 December 2021	
	US\$	KHR'm (Note 2.4.c)	US\$	KHR'm (Note 2.4.c)
<i>By currency</i>				
US Dollar	800,160	3,294	1,026,082	4,180
Khmer Riel	207,778	856	49,932	204
	1,007,938	4,150	1,076,014	4,384

5 DEPOSITS AND PLACEMENTS WITH THE NATIONAL BANK OF CAMBODIA

	31 December 2022		31 December 2021	
	US\$	KHR'm (Note 2.4.c)	US\$	KHR'm (Note 2.4.c)
Current account	7,204,887	29,663	5,106,577	20,804
	7,204,887	29,663	5,106,577	20,804

The current account is a non-interest bearing account.

No impairment loss allowance is created against the balance with the National Bank of Cambodia ("NBC") as the Bank determines that the credit risk on these facilities is minimal.

6 DEPOSITS AND PLACEMENTS WITH OTHER BANKS

	31 December 2022		31 December 2021	
	US\$	KHR'm (Note 2.4.c)	US\$	KHR'm (Note 2.4.c)
<i>Local bank</i>				
Current accounts	5,241,669	21,580	18,182,022	74,074
Savings accounts	3,278	13	10,784	44
Term deposits	95,000,000	391,115	83,000,000	338,142
Total principal amounts	100,244,947	412,708	101,192,806	412,260
Accrued interest receivables	2,083,808	8,579	1,671,933	6,811
Gross amount	102,328,755	421,287	102,864,739	419,071
Less: ECL allowance	(588,132)	(2,421)	(471,604)	(1,921)
Net amount	101,740,623	418,866	102,393,135	417,150

The movements of the ECL allowance during the year were as follows:

	2022		2021	
	US\$	KHR'm (Note 2.4.c)	US\$	KHR'm (Note 2.4.c)
At 1 January	471,604	1,921	338,359	1,369
Addition during the year	116,528	477	133,245	542
Currency translation differences	-	23	-	10
At 31 December	588,132	2,421	471,604	1,921

The gross principal amounts above are analysed as follows:

	31 December 2022		31 December 2021	
	US\$	KHR'm (Note 2.4.c)	US\$	KHR'm (Note 2.4.c)
a. By currency				
US Dollar	97,599,533	401,817	100,600,133	409,845
Khmer Riel	2,645,414	10,891	592,673	2,415
	100,244,947	412,708	101,192,806	412,260
b. By maturity				
Within 1 month	7,244,947	29,827	18,192,806	74,118
> 1 to 3 months	12,000,000	49,404	20,000,000	81,480
> 3 to 6 months	40,000,000	164,680	38,500,000	156,849
> 6 to 12 months	41,000,000	168,797	24,500,000	99,813
	100,244,947	412,708	101,192,806	412,260
c. By interest rate				
Current accounts	0.00% to 3.00%		0.00% to 1.00%	
Savings accounts	0.00% to 1.00%		0.00% to 1.00%	
Term deposits	3.20% to 7.50%		3.00% to 4.80%	

7 STATUTORY DEPOSITS WITH THE NATIONAL BANK OF CAMBODIA

		31 December 2022		31 December 2021	
		US\$	KHR'm (Note 2.4.c)	US\$	KHR'm (Note 2.4.c)
Reserve requirement	(i)	4,199,174	17,288	2,554,001	10,405
Capital guarantee	(ii)	10,000,000	41,170	10,000,000	40,740
		14,199,174	58,458	12,554,001	51,145

(i) Reserve requirement

The reserve requirement represents the minimum reserve which is calculated at 7% (2021: 7%) of both customers' deposits and borrowings in Khmer Riel (KHR) and other currencies, respectively. The reserve requirement on customers' deposits and borrowings bear no interest.

On 18 March 2020, as part of the Government's policy, among others, to mitigate the impact of COVID-19 on Cambodia's economy and to increase liquidity of banks and financial institutions, the NBC issued Prakas No. B7-020-230 on the Maintenance of Reserve Requirements against Banks and Financial Institutions' Deposits and Borrowings, which requires banks and financial institutions to maintain reserve requirements against their deposits and borrowings at an average daily balance equal to 7% in both local and foreign currencies with the NBC.

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

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

(ii) Capital guarantee

In accordance with NBC's Prakas No. B7-01-136 dated 15 October 2001 on "Bank's capital guarantee", the Bank is required to deposit 10% of the Bank's registered share capital with the NBC. 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.

This deposit earned an interest rate at 1.19% (2021: 0.04%) per annum.

8 LOANS TO CUSTOMERS

	31 December 2022		31 December 2021	
	US\$	KHR'm (Note 2.4.c)	US\$	KHR'm (Note 2.4.c)
Term loans	21,815,594	89,815	6,217,706	25,331
Accrued interest receivables	55,067	227	5,686	23
Deferred loan processing fee	(182,450)	(751)	(76,883)	(313)
Fair value adjustment of loan to staff at below-market rate	(44,249)	(182)	-	-
Gross amount	21,643,962	89,109	6,146,509	25,041
Less: ECL allowance	(51,396)	(212)	(5,477)	(22)
Net amount	21,592,566	88,897	6,141,032	25,019

The movement of ECL allowance on Loans to customers during the year were as follows:

	2022		2021	
	US\$	KHR'm (Note 2.4.c)	US\$	KHR'm (Note 2.4.c)
At 1 January	5,477	22	-	-
Addition during the year	45,919	188	5,477	22
Currency translation differences	-	2	-	-
At 31 December	51,396	212	5,477	22

The amounts of term loans above are analysed as follows:

	31 December 2022		31 December 2021	
	US\$	KHR'm (Note 2.4.c)	US\$	KHR'm (Note 2.4.c)
a. By currency				
US Dollar	18,258,078	75,169	5,223,597	21,281
Khmer Riel	3,557,516	14,646	994,109	4,050
	21,815,594	89,815	6,217,706	25,331
b. By maturity				
Within 1 month	219,660	904	3,231	13
> 1 to 3 months	474,889	1,955	6,520	27
> 3 to 6 months	791,169	3,257	9,928	41
> 6 to 12 months	1,702,153	7,008	489,539	1,994
> 1 to 5 years	8,736,555	35,968	4,753,890	19,367
> 5 years	9,891,168	40,723	954,598	3,889
	21,815,594	89,815	6,217,706	25,331

	31 December 2022		31 December 2021	
	US\$	KHR'm (Note 2.4.c)	US\$	KHR'm (Note 2.4.c)
c. By residency				
Resident	21,815,594	89,815	6,217,706	25,331
	21,815,594	89,815	6,217,706	25,331
d. By relationship				
Non-related parties	21,547,315	88,710	6,217,706	25,331
Related parties	268,279	1,105	-	-
	21,815,594	89,815	6,217,706	25,331
e. By exposure				
Non large exposures	21,815,594	89,815	6,217,706	25,331
	21,815,594	89,815	6,217,706	25,331
f. By security				
Secured	21,815,594	89,815	6,217,706	25,331
	21,815,594	89,815	6,217,706	25,331
g. By performance				
Standard	21,815,594	89,815	6,217,706	25,331
	21,815,594	89,815	6,217,706	25,331
h. By industry				
Manufacturing	4,863,743	20,024	503,191	2,050
Wholesale trade	1,873,854	7,714	223,597	911
Retail trade	2,622,721	10,798	-	-
Hotel and Restaurant	1,311,530	5,400	-	-
Real estate	9,292,218	38,256	5,000,000	20,370
Other	1,851,528	7,623	490,918	2,000
	21,815,594	89,815	6,217,706	25,331
i. By interest rate				
Term loan	5.00% to 11.00%		7.00% to 8.00%	

9 INVESTMENT SECURITIES

	31 December 2022		31 December 2021	
	US\$	KHR'm (Note 2.4.c)	US\$	KHR'm (Note 2.4.c)
Investment in corporate bond	10,000,000	41,170	-	-
Accrued interest receivables	524,384	2,159	-	-
Gross amount	10,524,384	43,329	-	-
Less: ECL allowance	(128,503)	(529)	-	-
Net amount	10,395,881	42,800	-	-

On 14 January 2022, the Bank entered into a US\$10,000,000 New Phnom Penh International Airport Guarantee Bond Agreement with Cambodia Airport Investment Co., Ltd. (the bond issuer) and Overseas Cambodian Investment Corporation Ltd (the bond guarantor).

The bond has a term of 3 years with maturity on 17 January 2025 and bears interest rate 5.50% per annum.

The movement of ECL allowance on investment in corporate bond during the year were as follows:

	2022		2021	
	US\$	KHR'm (Note 2.4.c)	US\$	KHR'm (Note 2.4.c)
At 1 January	-	-	-	-
Addition during the year	128,503	525	-	-
Currency translation differences	-	4	-	-
At 31 December	128,503	529	-	-

10 PROPERTY AND EQUIPMENT

	Office Renovation	Office equipment	IT equipment	Furniture and fixture	Vehicle	Construction in progress	Total	
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	KHR'm (Note 2.4.c)
Year 2022								
Cost								
At 1 January	2,774	108,004	313,291	66,274	228,000	3,400	721,743	2,940
Addition	2,000	1,920	20,978	2,382	-	266,642	293,922	1,201
Transfer	21,838	-	46,354	-	-	(68,192)	-	-
Write off	-	-	(3,071)	-	-	-	(3,071)	(13)
Currency translation differences	-	-	-	-	-	-	-	41
At 31 December	26,612	109,924	377,552	68,656	228,000	201,850	1,012,594	4,169
Less: Accumulated depreciation								
At 1 January	324	12,298	37,093	11,772	102,600	-	164,087	668
Depreciation charge	1,349	21,784	66,423	13,399	45,600	-	148,555	607
Write off	-	-	(790)	-	-	-	(790)	(3)
Currency translation differences	-	-	-	-	-	-	-	12
At 31 December	1,673	34,082	102,726	25,171	148,200	-	311,852	1,284
Carrying amount at 31 December	24,939	75,842	274,826	43,485	79,800	201,850	700,742	2,885
Year 2021								
Cost								
At 1 January	-	4,285	11,000	21,342	228,000	156,994	421,621	1,705
Addition	2,774	40,169	22,523	11,230	-	229,036	305,732	1,244
Transfer	-	63,550	279,768	33,702	-	(377,020)	-	-
Adjustment	-	-	-	-	-	(5,610)	(5,610)	(23)
Currency translation differences	-	-	-	-	-	-	-	14
At 31 December	2,774	108,004	313,291	66,274	228,000	3,400	721,743	2,940
Less: Accumulated depreciation								
At 1 January	-	(712)	(733)	(2,958)	(57,000)	-	(61,403)	(248)
Depreciation charge	(324)	(11,586)	(36,360)	(8,814)	(45,600)	-	(102,684)	(418)
Currency translation differences	-	-	-	-	-	-	-	(2)
At 31 December	(324)	(12,298)	(37,093)	(11,772)	(102,600)	-	(164,087)	(668)
Carrying amount at 31 December	2,450	95,706	276,198	54,502	125,400	3,400	557,656	2,272

11 RIGHT-OF-USE ASSETS

	2022		2021	
	US\$	KHR'm (Note 2.4.c)	US\$	KHR'm (Note 2.4.c)
<i>Office space</i>				
Cost				
At 1 January	1,323,312	5,391	-	-
Addition	-	-	1,323,312	5,383
Currency translation differences	-	57	-	8
At 31 December	1,323,312	5,448	1,323,312	5,391
Less: Accumulated depreciation				
At 1 January	178,138	726	-	-
Depreciation charge	305,380	1,248	178,138	725
Currency translation differences	-	17	-	1
At 31 December	483,518	1,991	178,138	726
Carrying amount at 31 December	839,794	3,457	1,145,174	4,665

12 Intangible assets

	Computer software	Work in progress	Total	
	US\$	US\$	US\$	KHR'm (Note 2.4.c)
<i>Year 2022</i>				
Cost				
At 1 January	-	480,000	480,000	1,956
Addition	-	305,453	305,453	1,249
Transfer	560,261	(560,261)	-	-
Currency translation differences	-	-	-	29
At 31 December	560,261	225,192	785,453	3,234
Less: Accumulated depreciation				
At 1 January	-	-	-	-
Depreciation charge	39,090	-	39,090	160
Currency translation differences	-	-	-	1
At 31 December	39,090	-	39,090	161
Carrying amount at 31 December	521,171	225,192	746,363	3,073

Intangible assets as at 31 December 2021 consist of only work in progress amounting to US\$480,000, which represents the progress payments that the Bank paid to supplier.

13

DEPOSITS FROM CUSTOMERS

	31 December 2022		31 December 2021	
	US\$	KHR'm (Note 2.4.c)	US\$	KHR'm (Note 2.4.c)
Current account	420,368	1,731	495,327	2,018
Savings account	54,786,577	225,556	27,680,934	112,772
Fixed deposit	120,000	494	-	-
Total principal	55,326,945	227,781	28,176,261	114,790
Accrued interest payables	9,223	38	4,120	17
	55,336,168	227,819	28,180,381	114,807

The total principal amounts above are analysed as follows:

	31 December 2022		31 December 2021	
	US\$	KHR'm (Note 2.4.c)	US\$	KHR'm (Note 2.4.c)
a. By currency				
US Dollar	55,179,311	227,173	27,688,659	112,804
Khmer Riel	147,634	608	487,602	1,986
	55,326,945	227,781	28,176,261	114,790
b. By maturity				
Within 1 month	55,206,945	227,287	28,176,261	114,790
> 6 to 12 months	120,000	494	-	-
	55,326,945	227,781	28,176,261	114,790
c. By residency				
Resident	11,788,234	48,532	2,610,140	10,634
Non-resident	43,538,711	179,249	25,566,121	104,156
	55,326,945	227,781	28,176,261	114,790
d. By relationship				
Non-related parties	34,619,319	142,528	23,365,214	95,190
Related parties (Note 24(b))	20,707,626	85,253	4,811,047	19,600
	55,326,945	227,781	28,176,261	114,790
e. By interest rate				
Current account	0.00%		0.00%	
Savings account	0.10% to 0.20%		0.10% to 0.20%	
Fixed deposit	0.75% to 4.50%		N/A	

14

LEASE LIABILITIES

	2022			2021		
	Contractual cash flow	Finance charge	Carrying amount	Contractual cash flow	Finance charge	Carrying amount
	US\$	US\$	US\$	US\$	US\$	US\$
Matured in						
Year 1	360,000	(58,069)	301,931	360,000	(81,219)	278,781
Year 2	360,000	(32,996)	327,004	360,000	(58,069)	301,931
Year 3	270,000	(7,046)	262,954	360,000	(32,996)	327,004
Year 4	-	-	-	270,000	(7,046)	262,954
Year 5	-	-	-	-	-	-
After year 5	-	-	-	-	-	-
	990,000	(98,111)	891,889	1,350,000	(179,330)	1,170,670
In KHR'm equivalent (Note 2.4.c)	4,076	(404)	3,672	5,500	(731)	4,770

	2022		2021	
	US\$	KHR'm (Note 2.4.c)	US\$	KHR'm (Note 2.4.c)
Movements of lease liabilities:				
At 1 January	1,170,670	4,770	-	-
Addition	-	-	1,323,313	5,383
Interest expense	81,219	332	57,357	233
Interest paid	(81,219)	(332)	(57,357)	(233)
Principal portion of lease payments	(278,781)	(1,139)	(152,643)	(621)
Currency translation differences	-	41	-	8
At 31 December	891,889	3,672	1,170,670	4,770
Amounts recognised in profit or loss:				
Interest expense on lease liabilities	81,219	332	57,357	233
Leases of short-term and low-value assets	8,068	33	16,510	67
Total charge to profit or loss	89,287	365	73,867	300
Amounts recognised in statement of cash flows				
Total lease payments	360,000	1,471	210,000	854
Lease of short-term or low value assets	8,068	33	16,510	67
Total cash outflow for leases	368,068	1,504	226,510	921

15 PROVISION FOR OFF-BALANCE SHEET ITEM

The movement of ECL allowance on off balance sheet item (see Note 23 (a)) during the year were as follows:

	2022		2021	
	US\$	KHR'm (Note 2.4.c)	US\$	KHR'm (Note 2.4.c)
At 1 January	1,056	4	-	-
Addition / (reversal) during the year	(468)	(2)	1,056	4
At 31 December	588	2	1,056	4

16 SHARE CAPITAL

	31 December 2021 and 2022			
	Ownership %	No. of shares	Amount US\$	Amount KHR'm (Note 2.4.c)
1. Neak Oknha Ly Kunthai	51%	51,000	51,000,000	204,000
2. Mr. Chen Cheng Ku	7%	7,000	7,000,000	28,000
3. Mr. Chen Ching Feng	7%	7,000	7,000,000	28,000
4. Mr. Huang Jui Cheng	7%	7,000	7,000,000	28,000
5. Mr. Wei Chien Hua	7%	7,000	7,000,000	28,000
6. Mr. Hsiao Ching Yang	7%	7,000	7,000,000	28,000
7. Mr. Hsieh Chin Mu	7%	7,000	7,000,000	28,000
8. Mr. Chien Kun Cheng	7%	7,000	7,000,000	28,000
	100%	100,000	100,000,000	400,000

The par value of the share is US\$1,000 per share. All the registered shares of 100,000 have been fully paid up. The registered capital in US\$ was translated into KHR using the historical exchange rate of US\$1 equal to KHR4,000.

17 INTEREST INCOME

	2022		2021	
	US\$	KHR'm (Note 2.4.c)	US\$	KHR'm (Note 2.4.c)
Loans to customers	1,020,012	4,169	108,514	442
Deposits and placements with the NBC	36,734	150	4,992	20
Deposits and placements with the other banks	3,688,779	15,076	3,048,510	12,401
Investment securities	524,384	2,143	-	-
	5,269,909	21,538	3,162,016	12,863

18 INTEREST EXPENSE

	2022		2021	
	US\$	KHR'm (Note 2.4.c)	US\$	KHR'm (Note 2.4.c)
Deposits from customers	67,295	275	18,274	75
Lease liabilities	81,219	332	57,357	233
	148,514	607	75,631	308

19 IMPAIRMENT LOSSES ON FINANCIAL INSTRUMENT

	2022		2021	
	US\$	KHR'm (Note 2.4.c)	US\$	KHR'm (Note 2.4.c)
Deposits and placements with other banks	116,528	476	133,245	542
Loans to customers	45,919	188	5,477	22
Off-balance sheet items	(468)	(2)	1,056	4
Investment securities	128,503	525	-	-
	290,482	1,187	139,778	568

20 PERSONNEL EXPENSES

	2022		2021	
	US\$	KHR'm (Note 2.4.c)	US\$	KHR'm (Note 2.4.c)
Salaries and wages	884,175	3,614	822,486	3,346
BoD's fees (note 24 (c))	360,000	1,471	360,000	1,464
Bonus and incentive expenses	108,866	445	133,008	541
Seniority payment	52,311	214	52,995	216
Allowances	23,790	97	60,321	245
Training	12,665	52	1,259	5
Others	63,247	258	54,721	223
	1,505,054	6,151	1,484,790	6,040

21 OTHER OPERATING EXPENSES

	2022		2021	
	US\$	KHR'm (Note 2.4.c)	US\$	KHR'm (Note 2.4.c)
Other tax expense	172,225	704	176,393	718
Marketing expense	38,407	157	91,838	374
License fees	65,168	266	66,220	269
Professional fee	83,630	342	55,865	227
Rental and utilities expense	64,982	266	45,707	186
Office supplies expense	21,583	88	28,402	116
Communication expense	37,949	155	17,891	73
Travel and entertainment expense	12,633	52	8,872	36
Registration expense	2,243	9	7,034	29
Repairs and maintenance expense	32,251	132	514	2
Other expense	64,078	261	27,466	111
	595,149	2,432	526,202	2,141

22 INCOME TAX

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

(a) Income tax expense

	2022		2021	
	US\$	KHR'm (Note 2.4.c)	US\$	KHR'm (Note 2.4.c)
Current income tax	569,219	2,326	211,047	859
Deferred tax	(77,429)	(316)	(24,338)	(99)
	491,790	2,010	186,709	760

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

	2022			2021		
	%	US\$	KHR'm (Note 2.4.c)	%	US\$	KHR'm (Note 2.4.c)
Profit before income tax		2,242,520	9,166		654,917	2,665
Income tax at statutory tax rate	20	448,504	1,833	20	130,983	533
Non-deductible expense	2	43,286	177	9	55,726	227
Income tax expense	22	491,790	2,010	29	186,709	760

(b) Current income tax liabilities

	2022		2021	
	US\$	KHR'm (Note 2.4.c)	US\$	KHR'm (Note 2.4.c)
At 1 January	169,991	693	(10,278)	(42)
Current income tax expense	569,219	2,326	211,047	859
Income tax paid	(216,314)	(884)	(30,778)	(125)
Currency translation differences	-	18	-	1
At 31 December	522,896	2,153	169,991	693

(c) Deferred tax asset, net

	31 December 2022		31 December 2021	
	US\$	KHR'm (Note 2.4.c)	US\$	KHR'm (Note 2.4.c)
Deferred tax assets	200,632	826	116,103	473
Deferred tax liabilities	(41,227)	(170)	(34,127)	(139)
Net deferred tax assets	159,405	656	81,976	334

Net deferred tax assets are reconciled and attributable to the followings:

	Impairment losses	Depreciation and amortisation	Unearned revenue	Leases	Total
	US\$	US\$	US\$	US\$	US\$
Year 2022					
At 1 January	95,628	(34,127)	15,377	5,098	81,976
Recognise in profit or loss	58,096	(7,100)	21,113	5,320	77,429
At 31 December	153,724	(41,227)	36,490	10,418	159,405
In KHR'm equivalent (Note 2.4.c)	633	(170)	150	43	656
Year 2021					
At 1 January	67,672	(10,033)	-	-	57,639
Recognise in profit or loss	27,956	(24,094)	15,377	5,098	24,338
At 31 December	95,628	(34,127)	15,377	5,098	81,976
In KHR'm equivalent (Note 2.4.c)	389	(139)	63	21	334

(d) Tax contingency

On 17 May 2022, the Bank received the notification letter from the General Department of Taxation (“GDT”) for comprehensive tax audit for the period from 1 January 2019 to 31 December 2021. As at the date of these financial statements, the comprehensive tax audits are still ongoing.

Taxes are calculated on the basis of current interpretation of the tax regulations enacted as at reporting date. The management periodically evaluates position taken in tax returns with respect to situations in which applicable tax regulation is subjected to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

However, these regulations are subject to periodic variation and the ultimate determination of tax liabilities will be made following inspection by the tax authorities. Where the final tax outcome of these matters is different from the amounts initially recorded, such differences will impact the taxes liabilities and balances in the period in which the determination is made.

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COMMITMENTS

(a) Credit commitments

	31 December 2022		31 December 2021	
	US\$	KHR'm (Note 2.4.c)	US\$	KHR'm (Note 2.4.c)
Undrawn loan commitment	500,000	2,059	2,400,000	9,778
	500,000	2,059	2,400,000	9,778

(b) Lease commitments

The lease commitment from the short-term leases and leases of low-value assets, which are exempted from lease liability recognition, is not material so the lease commitments are not disclosed.

(c) Capital commitments

	31 December 2022		31 December 2021	
	US\$	KHR'm (Note 2.4.c)	US\$	KHR'm (Note 2.4.c)
Purchasing property and equipment	461,649	1,901	-	-
Purchasing intangible assets	990,488	4,077	320,000	1,304
	1,452,137	5,978	320,000	1,304

24

RELATED PARTY BALANCES AND TRANSACTIONS

The Bank is owned by a number of individual shareholders (Note 16).

(a) List of related parties

Individual	Shareholders, board of directors and key management personnel (including their close family members)
Related companies	All entities under the same common control from shareholders and board of directors.
Key management personnel	The key managements are those persons having the authority and responsibility for planning, directing and controlling the activities of the Bank either directly or indirectly. The key management personnel of the Bank include all Directors of the Bank, Chief Executive Officer, and Deputy Chief Executive Officer of the Bank and designated level in each department (including their close family members).

(b) Balance with related parties

	Related Companies	Shareholders and directors	Key management personnel	Total	
	US\$	US\$	US\$	US\$	KHR'm (Note 2.4.c)
Year 2022					
Loans to customers (*) (Note 8)	-	-	268,279	268,279	1,105
Prepaid expense	13,785	-	-	13,785	57
Security deposit	-	30,000	-	30,000	124
Deposits from customers (*) (Note 13)	45,504	20,658,651	3,471	20,707,626	85,253
Lease liabilities	-	891,889	-	891,889	3,672
Year 2021					
Loans to customers	-	-	-	-	-
Prepaid expense	10,679	-	-	10,679	44
Security deposit	-	30,000	-	30,000	122
Deposits from customers (*) (Note 13)	94,990	4,703,135	12,922	4,811,047	19,600
Lease liabilities	-	1,170,670	-	1,170,670	4,769

(*) The loans and deposits to related parties are disclosed at principal amounts.

(c) Transactions with related parties

	Related Companies	Shareholders and directors	Key management personnel	Total	
	US\$	US\$	US\$	US\$	KHR'm (Note 2.4.c)
Year 2022					
Interest incomes	-	-	8,429	8,429	34
Interest expense	92	100,141	27	100,260	410
Remuneration	-	360,000	571,755	931,755	3,808
Capital expenditure	23,838	-	-	23,838	97
Insurance expenses	20,721	-	-	20,721	85
Other expense	5,743	-	-	5,743	23
Lease payment	-	360,000	-	360,000	1,471
Year 2021					
Interest incomes	-	-	-	-	-
Interest expense	1	60,911	24	60,936	248
Remuneration	-	360,000	286,419	646,419	2,629
Capital expenditure	83,246	-	-	83,246	339
Insurance expenses	11,522	-	-	11,522	47
Other expense	149	-	-	149	1
Lease payment	-	210,000	-	210,000	854

25 CASH AND CASH EQUIVALENTS

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

	31 December 2022		31 December 2021	
	US\$	KHR'm (Note 2.4.c)	US\$	KHR'm (Note 2.4.c)
Cash on hand	1,007,938	4,150	1,076,014	4,384
Deposits and placements with the NBC	7,204,887	29,663	5,106,577	20,804
Deposits and placements with other banks (*)	7,244,947	29,827	18,192,806	74,118
	15,457,772	63,640	24,375,397	99,306

(*) Included in the deposits and placements with other banks is the term deposit with other banks, with original term up to 3 months amounting to US\$2,000,000 (2021: Nil).

26 FINANCIAL RISK MANAGEMENT

The Bank embraces risk management as an integral part of the Bank's business, operations and decision-making process. In ensuring that the Bank achieves optimum returns whilst operating within a sound business environment, the risk management teams are involved at the early stage of the risk-taking process by providing independent inputs, including relevant valuations, credit evaluations, new product assessments and quantification of capital requirements. These inputs enable the business units to assess the risk-vs-reward of their propositions, thus enabling risk to be priced appropriately in relation to the return.

Generally, the objectives of the Bank's risk management activities are to:

- identify the various risk exposures and capital requirements;
- ensure risk-taking activities are consistent with risk policies and the aggregated risk position are within the risk appetite as approved by the Board; and
- create shareholders' value through sound risk management framework.

The Bank holds the following financial assets and financial liabilities, which measured at amortised cost:

	31 December 2022		31 December 2021	
	US\$	KHR'm (Note 2.4.c)	US\$	KHR'm (Note 2.4.c)
Financial assets				
Cash on hand	1,007,938	4,150	1,076,014	4,384
Deposits and placements with the NBC	7,204,887	29,663	5,106,577	20,804
Deposits and placements with other banks	101,740,623	418,866	102,393,135	417,150
Statutory deposits with the NBC	14,199,174	58,458	12,554,001	51,145
Loans to customers	21,592,566	88,897	6,141,032	25,019
Investment securities	10,395,881	42,800	-	-
Other assets	31,400	129	31,100	127
	156,172,469	642,963	127,301,859	518,629
Financial liabilities				
Customer deposits	55,336,168	227,819	28,180,381	114,807
Other liabilities	143,797	592	57,039	232
Lease liabilities	891,889	3,672	1,170,670	4,770
Provision for off-balance sheet items	588	2	1,056	4
	56,372,442	232,085	29,409,146	119,813

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

- Credit risk
- Market risk
- 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.

Functional and governance structure

The Bank's Board has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established the Compliance and Risk Management Committee, which is responsible for developing and monitoring the Bank's risk management policies.

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

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

26.1. Credit risk

Credit risk is the risk of suffering financial loss, should any of the Bank's customers or market counterparties fail to fulfil their contractual obligations to the Bank. Credit risk arises from deposits and placements with the National Bank of Cambodia and other banks, loans and advances, other financial assets, and credit commitments and financial guarantee contract. Credit exposure arises principally in lending activities.

Measurement

For loans to customers and credit commitments, the estimation of credit exposure for risk management purposes requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of default occurring, of the associated loss ratios and of default correlations between counterparties. The Bank measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) for the purposes of measuring ECL under CIFRS 9.

Deposits and placements with the National Bank of Cambodia and other banks are considered to be low credit risk. The credit ratings of these assets are monitored for credit deterioration. Measurement for impairment is limited to 12-month expected credit loss. Other financial assets at amortised cost are monitored for its credit rating deterioration, and the measurement of impairment follows three-stage approach.

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. The credit policy documents the lending policy, collateral policy, and credit approval processes, including the Bank's own internal credit risk rating system, and procedures implemented to ensure compliance with the NBC Guidelines.

The Bank has established the Credit Policy which is designed to govern the Bank's risk undertaking activities. Extension of credit is governed by credit programs that set out the plan for a particular product or portfolio, including the target market, terms and conditions, documentation and procedures under which a credit product will be offered and measured.

Credit risk ratings are reviewed and updated on an annual basis, and in events of (i) change of loan terms and conditions including extension; (ii) repayment irregularities or delinquencies and (iii) adverse information relating to the borrower or transaction.

Risk limit control and mitigation

The Bank employs 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 for loans to customers, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral. The principal collateral types to secure for loans to customers are:

- Hypothec/mortgages over residential and business properties (land, buildings and other properties); and
- Cash in the form of fixed and margin deposits.

(i) Concentration of risk

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

	Maximum credit exposure		Subject to collateral / credit enhancement		
	US\$	KHR'm (Note 2.4.c)	Full %	Partial %	None %
31 December 2022					
On-balance sheet item					
Cash on hand	1,007,938	4,150	-	-	100%
Deposits and placements with the NBC	7,204,887	29,663	-	-	100%
Deposits and placements with other banks	101,740,623	418,866	-	-	100%
Statutory deposits with the NBC	14,199,174	58,458	-	-	100%
Loans to customers	21,592,566	88,897	100%	-	-
Investment securities	10,395,881	42,800	-	-	100%
Other assets	31,400	129	-	-	100%
Off-balance sheet item					
Undrawn loan commitment	500,000	2,059	100%	-	-
	156,672,469	645,022	14%	-	86%
31 December 2021					
On-balance sheet item					
Cash on hand	1,076,014	4,384	-	-	100%
Deposits and placements with the NBC	5,106,577	20,804	-	-	100%
Deposits and placements with other banks	102,393,135	417,150	-	-	100%
Statutory deposits with the NBC	12,554,001	51,145	-	-	100%
Loans to customers	6,141,032	25,019	100%	-	-
Other assets	31,100	127	-	-	100%
Off-balance sheet item					
Undrawn loan commitment	2,400,000	9,778	100%	-	-
	129,701,859	528,407	7%	-	93%

The above table represents a worst-case scenario of credit risk exposure to the Bank, since collateral held and/or other credit enhancement attached were not taken into account. The exposures set out above are based on net carrying amounts.

Deposits and placements with other banks are held with local banks and management has done proper risk assessment and believe there will be no material loss from these local banks.

(ii) Credit quality of financial asset

Pursuant to the NBC guideline Prakas B7-017-344, the Bank have 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 weaknesses 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 Bank. 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 weaknesses 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.
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 as Loss when it is not collectable, and little or nothing can be done to recover the outstanding amount from the counterparty.

The credit quality of financial instruments other than loans, advances and financing are determined based on the ratings of counterparties as defined equivalent ratings of other international rating agencies as defined below:

Sovereign	Refers to financial assets issued by the NBC / government or guarantee by the NBC / government.
Investment grade	Refers to the credit quality of the financial assets that the issuer is able to meet payment obligation and exposure bondholder to low credit risk of default.
Non-investment grade	Refers to low credit quality of the financial assets that are highly exposed to default risk.
No rating	Refers to financial assets which are currently not assigned with ratings due to unavailability of ratings models.
Credit impaired	Refers to the financial assets that are being impaired.

Recognition of ECL

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

Three-stage approach	Stage 1 Performing	Stage 2 Underperforming	Stage 3 Nonperforming
Recognition of ECL	12-month ECL	Lifetime ECL	
Criterion	No significant increase in credit risk	Credit risk increased significantly	Credit impaired assets
Basic calculation of profit revenue	On gross carrying amount		On net carrying amount

The Bank measures 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 financial assets. At each reporting date, the Bank will assess credit risk of each account as compared to the risk level at origination date.

Below is a table showing a summary of credit risk status and period for ECL calculation by stages:

Stage	Credit risk status	Grade	DPD		Default indicator
			Short term facility (1 year or less)	Long term facility (More than 1 year)	
1	No significant increase in credit risk	Normal	$0 \leq \text{DPD} \leq 14$	$0 \leq \text{DPD} < 30$	Performing
2	Credit risk increased significantly	Special mention	$15 \leq \text{DPD} \leq 30$	$30 \leq \text{DPD} < 90$	Underperforming
3	Credit impaired assets	Substandard	$31 \leq \text{DPD} \leq 60$	$90 \leq \text{DPD} < 180$	Nonperforming
		Doubtful	$61 \leq \text{DPD} \leq 90$	$180 \leq \text{DPD} < 360$	
		Loss	$\text{DPD} \geq 91$	$\text{DPD} \geq 360$	

The Bank will use the day past due (“DPD”) information and the NBC’s classification for staging criteria. Also, the Bank will incorporate credit scoring or more forward-looking elements in the future when information is more readily available. Upon the implementation of credit scoring 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.

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 International Monetary Fund, and selected private-sector and academic forecasters.

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

ANALYSIS OF CREDIT QUALITY	31 December 2022				31 December 2021			
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$
<i>Deposits and placements with other banks:</i>								
Sovereign	-	-	-	-	-	-	-	-
Investment grade	-	-	-	-	-	-	-	-
Non-investment grade	11,514	-	-	11,514	9,004	-	-	9,004
No rating	102,317,241	-	-	102,317,241	102,855,735	-	-	102,855,735
Credit impaired	-	-	-	-	-	-	-	-
Gross carrying amount	102,328,755	-	-	102,328,755	102,864,739	-	-	102,864,739
ECL allowance	(588,132)	-	-	(588,132)	(471,604)	-	-	(471,604)
Net carrying amount (US\$)	101,740,623	-	-	101,740,623	102,393,135	-	-	102,393,135
In KHR'm equivalent (Note 2.4.c)	418,866	-	-	418,866	417,150	-	-	417,150
<i>Loans to customers:</i>								
Standard	21,643,962	-	-	21,643,962	6,146,509	-	-	6,146,509
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-
Gross carrying amount	21,643,962	-	-	21,643,962	6,146,509	-	-	6,146,509
ECL allowance	(51,396)	-	-	(51,396)	(5,477)	-	-	(5,477)
Net carrying amount (US\$)	21,592,566	-	-	21,592,566	6,141,032	-	-	6,141,032
In KHR'm equivalent (Note 2.4.c)	88,897	-	-	88,897	25,019	-	-	25,019
<i>Investment securities</i>								
Sovereign	-	-	-	-	-	-	-	-
Investment grade	-	-	-	-	-	-	-	-
Non-investment grade	-	-	-	-	-	-	-	-
No rating	10,524,384	-	-	10,524,384	-	-	-	-
Credit impaired	-	-	-	-	-	-	-	-
Gross carrying amount	10,524,384	-	-	10,524,384	-	-	-	-
ECL allowance	(128,503)	-	-	(128,503)	-	-	-	-
Net carrying amount (US\$)	10,395,881	-	-	10,395,881	-	-	-	-
In KHR'm equivalent (Note 2.4.c)	42,800	-	-	42,800	-	-	-	-
<i>Off-balance sheet items</i>								
Standard	500,000	-	-	500,000	2,400,000	-	-	2,400,000
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-
Gross carrying amount	500,000	-	-	500,000	2,400,000	-	-	2,400,000
ECL allowance	(588)	-	-	(588)	(1,056)	-	-	(1,056)
Net carrying amount (US\$)	499,412	-	-	499,412	2,398,944	-	-	2,398,944
In KHR'm equivalent (Note 2.4.c)	2,056	-	-	2,056	9,773	-	-	9,773

(iii) Amounts arising from ECL

The following table shows reconciliation from the opening to the closing balance of the loss allowance of:

ANALYSIS OF ECL MOVEMENT	2022				2021			
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$
<i>Deposits and placements with other banks:</i>								
At 1 January	471,604	-	-	471,604	338,359	-	-	338,359
Derecognition during the year	(455,445)	-	-	(455,445)	(336,841)	-	-	(336,841)
Remeasurement of loss allowance	(11,741)	-	-	(11,741)	14,640	-	-	14,640
New financial assets originated or purchased	583,714	-	-	583,714	455,446	-	-	455,446
At 31 December (US\$)	588,132	-	-	588,132	471,604	-	-	471,604
In KHR'm equivalent (Note 2.4.c)	2,421	-	-	2,421	1,921	-	-	1,921
<i>Loans to customers:</i>								
At 1 January	5,477	-	-	5,477	-	-	-	-
Remeasurement of loss allowance	11,456	-	-	11,456	-	-	-	-
New financial assets originated or purchased	34,463	-	-	34,463	5,477	-	-	5,477
At 31 December (US\$)	51,396	-	-	51,396	5,477	-	-	5,477
In KHR'm equivalent (Note 2.4.c)	212	-	-	212	22	-	-	22
<i>Investment securities</i>								
At 1 January	-	-	-	-	-	-	-	-
New financial assets originated or purchased	128,503	-	-	128,503	-	-	-	-
At 31 December (US\$)	128,503	-	-	128,503	-	-	-	-
In KHR'm equivalent (Note 2.4.c)	529	-	-	529	-	-	-	-
<i>Off balance sheet items</i>								
At 1 January	1,056	-	-	1,056	-	-	-	-
Remeasurement of loss allowance	(468)	-	-	(468)	-	-	-	-
New financial assets originated or purchased	-	-	-	-	1,056	-	-	1,056
At 31 December (US\$)	588	-	-	588	1,056	-	-	1,056
In KHR'm equivalent (Note 2.4.c)	2	-	-	2	4	-	-	4

26.2. Market risk

The Bank takes on exposure to market risk, which is the risk that the fair value or future cash flow of a financial instrument, will fluctuate because of changes in market prices. Market risk arises from open positions in interest rates, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

The Bank does not use derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge its risk exposure.

(i) Price risk

The Bank is not exposed to a securities price risk because it does not have any investment held and classified on the statement of financial position at fair value.

(ii) 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.

The table below summarises the Bank's exposure to interest rate risk including the Bank's interest rate gap position. The table indicates the periods in which the financial instruments reprice or mature, whichever is earlier. The instruments are mature in short- and long-term and the interest rates are fixed and so they are subject to low interest rate risk.

	Within 1 month	>1 to 3 months	>3 to 6 months	>6 to 12 months	>1 to 5 years	> 5 years	Non- interest bearing	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
31 December 2022								
Financial assets								
Cash on hand	-	-	-	-	-	-	1,007,938	1,007,938
Deposits and placements with the NBC	-	-	-	-	-	-	7,204,887	7,204,887
Deposits and placements with other banks	2,432,403	12,388,383	41,044,824	41,067,881	-	-	4,807,132	101,740,623
Statutory deposits with the NBC	-	-	-	-	-	10,000,000	4,199,174	14,199,174
Loans to customers	270,019	465,826	777,867	1,677,222	8,608,897	9,792,735	-	21,592,566
Investment securities	517,981	-	-	-	9,877,900	-	-	10,395,881
Other assets	-	-	-	-	-	-	31,400	31,400
	3,220,403	12,854,209	41,822,691	42,745,103	18,486,797	19,792,735	17,250,531	156,172,469
Financial liabilities								
Deposits from customers	54,795,800	-	-	120,000	-	-	420,368	55,336,168
Other liabilities	-	-	-	-	-	-	143,797	143,797
Lease liabilities	24,251	48,989	74,715	153,976	589,958	-	-	891,889
Provision for off-balance sheet items	588	-	-	-	-	-	-	588
	54,820,639	48,989	74,715	273,976	589,958	-	564,165	56,372,442
Interest maturity gap (US\$)	(51,600,236)	12,805,220	41,747,976	42,471,127	17,896,839	19,792,735	16,686,366	99,800,027
In KHR'm equivalent (Note 2.4.c)	(212,438)	52,719	171,876	174,854	73,681	81,487	68,698	410,877
31 December 2021								
Financial assets								
Cash on hand	-	-	-	-	-	-	1,076,014	1,076,014
Deposits and placements with the NBC	-	-	-	-	-	-	5,106,577	5,106,577
Deposits and placements with other banks	14,482,189	20,578,052	39,178,734	24,459,701	-	-	3,694,459	102,393,135
Statutory deposits with the NBC	-	-	-	-	-	10,000,000	2,554,001	12,554,001
Loans to customers	6,810	2,276	3,460	476,021	4,709,434	943,031	-	6,141,032
Other assets	-	-	-	-	-	-	31,100	31,100
	14,488,999	20,580,328	39,182,194	24,935,722	4,709,434	10,943,031	12,462,151	127,301,859
Financial liabilities								
Deposits from customers	27,685,054	-	-	-	-	-	495,327	28,180,381
Other liabilities	-	-	-	-	-	-	57,039	57,039
Lease liabilities	22,392	45,233	68,986	142,170	891,889	-	-	1,170,670
Provision for off-balance sheet items	1,056	-	-	-	-	-	-	1,056
	27,708,502	45,233	68,986	142,170	891,889	-	552,366	29,409,146
Interest maturity gap (US\$)	(13,219,503)	20,535,095	39,113,208	24,793,552	3,817,545	10,943,031	11,909,785	97,892,713
In KHR'm equivalent (Note 2.4.c)	(53,856)	83,660	159,347	101,009	15,553	44,582	48,520	398,815

The Bank did not have variable rate instruments. Therefore, no cash flow sensitivity analysis was prepared or presented.

(iii) Foreign exchange risk

Foreign currency exchange risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Bank's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines.

The table below summarises the Bank's exposure to foreign currency exchange rate risk. Included in the table are and Bank's financial instruments at their carrying amounts by currency in US\$ equivalent.

	US\$ equivalents 2022			US\$ equivalents 2021		
	USD	KHR	Total	USD	KHR	Total
Financial assets						
Cash on hand	800,160	207,778	1,007,938	1,026,082	49,932	1,076,014
Deposits and placements with the NBC	6,767,520	437,367	7,204,887	5,057,485	49,092	5,106,577
Deposits and placements with other banks	99,095,735	2,644,888	101,740,623	101,800,988	592,147	102,393,135
Statutory deposits with the NBC	14,000,000	199,174	14,199,174	12,500,000	54,001	12,554,001
Loans to customers	18,065,631	3,526,935	21,592,566	5,155,718	985,314	6,141,032
Investment securities	10,395,881	-	10,395,881	-	-	-
Other assets	31,400	-	31,400	31,100	-	31,100
	149,156,327	7,016,142	156,172,469	125,571,373	1,730,486	127,301,859
Financial liabilities						
Deposits from customers	55,188,534	147,634	55,336,168	27,692,779	487,602	28,180,381
Other liabilities	143,797	-	143,797	57,039	-	57,039
Lease liabilities	891,889	-	891,889	1,170,670	-	1,170,670
Provision for off-balance sheet items	588	-	588	1,056	-	1,056
	56,224,808	147,634	56,372,442	28,921,544	487,602	29,409,146
Net position gap (US\$)	92,931,519	6,868,508	99,800,027	96,649,829	1,242,884	97,892,713
In KHR'm equivalent (Note 2.4.c)	382,598	28,279	410,877	393,751	5,064	398,815

Sensitivity analysis

The table below indicates the currencies to which the Bank had significant exposure at the end of the reported periods on its net position gap. The analysis calculates the effect of a reasonably possible movement of the currency rate on the profit or loss and other component of equity. As the Bank does not adapt currency hedge as of current reporting date, there would be no impact on the change in fair value of currency swaps and forward foreign exchange contracts used as cash flow hedges; thus impact on other component of equity is nil.

A negative amount in the table reflects a potential net reduction in the Bank's profit, while a positive amount reflects a net potential increase.

	2022		2021	
	Increase by 1%	Decrease by 1%	Increase by 1%	Decrease by 1%
KHR				
Possible outcome in US\$				
Impact on net profit after tax	(53,922)	55,537	(9,811)	10,206

26.3. Liquidity risk

Liquidity risk is the risk of the Bank being unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The Bank is not exposed to significant risk in respect of liquidity as the Bank does not incur significant financial liability and there is still cash surplus maintained in the banks. Financial liabilities are mainly deposits from customers, accruals and other payables which are short-term in nature.

The Bank evaluates its ability to meet its obligations on an ongoing basis. The Bank maintains prudent liquidity risk management, i.e. sufficient cash and cash equivalents to meet working capital requirements and to meet capital expenditure requirements.

The table below summarises the Bank's assets and liabilities based on remaining contractual maturities. The expected cash flows of these assets and liabilities could vary significantly from what is shown in the table. For example, deposits from customers are not all expected to be withdrawn immediately. Analysis of the assets and liabilities of the Bank by relevant maturity based on the remaining year at the reporting date to the contractual or estimated maturity dates is as follow:

	Carrying amount	Gross nominal inflow/ (outflow)	Within 1 month	>1 to 3 months	>3 to 6 months	>6 to 12 months	>1 to 5 years	> 5 years
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
31 December 2022								
Financial assets								
Cash on hand	1,007,938	1,007,938	1,007,938	-	-	-	-	-
Deposits and placements with the NBC	7,204,887	7,204,887	7,204,887	-	-	-	-	-
Deposits and placements with other Banks	101,740,623	105,621,914	7,247,402	12,508,000	42,051,740	43,814,773	-	-
Loans to customers	21,592,566	29,420,687	357,300	745,754	1,185,423	2,442,714	12,862,713	11,826,783
Investment securities	10,395,881	11,650,000	550,000	-	-	-	11,100,000	-
Other assets	31,400	31,400	31,400	-	-	-	-	-
	141,973,295	154,936,826	16,398,927	13,253,754	43,237,163	46,257,487	23,962,713	11,826,783
Financial liabilities								
Deposits from customers	(55,336,168)	(55,341,568)	(55,216,168)	-	-	(125,400)	-	-
Other liabilities	(143,797)	(143,797)	(143,797)	-	-	-	-	-
Lease liabilities	(891,889)	(990,000)	(30,000)	(60,000)	(90,000)	(180,000)	(630,000)	-
	(56,371,854)	(56,475,365)	(55,389,965)	(60,000)	(90,000)	(305,400)	(630,000)	-
Liquidity gap (US\$)	85,601,441	98,461,461	(38,991,038)	13,193,754	43,147,163	45,952,087	23,332,713	11,826,783
In KHR'm equivalent (Note 2.4.c)	352,421	405,366	(160,526)	54,319	177,637	189,185	96,061	48,691
31 December 2021								
Financial assets								
Cash on hand	1,076,014	1,076,014	1,076,014	-	-	-	-	-
Deposits and placements with the NBC	5,106,577	5,106,577	5,106,577	-	-	-	-	-
Deposits and placements with other Banks	102,393,135	104,409,417	18,192,806	20,742,500	39,948,106	25,526,005	-	-
Loans to customers	6,141,032	7,597,100	43,190	86,380	129,569	725,183	5,481,637	1,131,141
Other assets	31,100	31,100	31,100	-	-	-	-	-
	114,747,858	118,220,208	24,449,687	20,828,880	40,077,675	26,251,188	5,481,637	1,131,141
Financial liabilities								
Deposits from customers	(28,180,381)	(28,180,381)	(28,180,381)	-	-	-	-	-
Other liabilities	(57,039)	(57,039)	(57,039)	-	-	-	-	-
Other liabilities	(1,170,670)	(1,350,000)	(30,000)	(60,000)	(90,000)	(180,000)	(990,000)	-
	(29,408,090)	(29,587,420)	(28,267,420)	(60,000)	(90,000)	(180,000)	(990,000)	-
Liquidity gap (US\$)	85,339,768	88,632,788	(3,817,733)	20,768,880	39,987,675	26,071,188	4,491,637	1,131,141
In KHR'm equivalent (Note 2.4.c)	347,674	361,090	(15,553)	84,612	162,910	106,214	18,299	4,608

26.4. Fair value of financial assets and liabilities

(a) Financial instruments measured at fair value

The Bank did not have financial instruments measured at fair value.

(b) Financial instruments not measured at fair value

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

As at the reporting date, the fair values of financial instruments of the Bank approximate their carrying amounts. The estimated fair values are based on the following methodologies and assumptions:

1	Deposits and placements with the NBC and other banks	The carrying amounts of deposits and placements with National Bank of Cambodia and other banks approximate their fair values, since these accounts consist mostly of current, savings and short-term deposits.
2	Loans to customers	For fixed rate loans with remaining period to maturity of less than one year, the carrying amounts are generally reasonable estimates of their fair values. For fixed rate loans with remaining period to maturity of one year and above, fair values are estimated by discounting the estimated future cash flows using a current lending rate as the prevailing market rates of loans with similar credit risks and maturities have been assessed as insignificantly different to the contractual lending rates. As a result, the fair value of non-current loans to customers is approximate to their carrying value as reporting date.
3	Deposits from banks and non-bank customers	The fair value of deposits from banks and non-bank customers with maturities of less than one year approximate their carrying amount due to the relatively short maturity of these instruments. The fair value of deposits from banks and non-bank customers with remaining maturities of more than one year are expected to approximate their carrying amount due to the Bank offered similar interest rate of the instrument with similar maturities and terms. The estimated fair value of deposits with no stated maturities, which includes non-interest bearing deposits, deposits payable on demand is the amount payable at the reporting date.
4	Other financial assets and other financial liabilities	The carrying amounts of other financial assets and other financial liabilities are assumed to approximate their fair values as these items are not materially sensitive to the shift in market interest rates and have a short duration.

26.5. Capital management

(i) Regulatory capital

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of the balance sheet, 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 NBC requires all licensed commercial banks to (i) fulfil the minimum capital requirements, and (ii) comply with solvency, liquidity and other requirements.

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

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

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

The below table summarises the composition of the regulatory capital:

	31 December 2022		31 December 2021	
	US\$	KHR'm (Note 2.4.c)	US\$	KHR'm (Note 2.4.c)
Tier 1 capital				
Share capital	100,000,000	411,700	100,000,000	407,400
Add: Audited net profit for the last financial year	1,750,730	7,208	468,208	1,907
Less: Accumulated losses	(592,254)	(2,438)	(970,003)	(3,952)
Less: Intangible assets	(746,363)	(3,073)	(480,000)	(1,956)
Less: Loans to related parties - gross	(269,490)	(1,109)	-	-
Total Tier 1 capital	100,142,623	412,288	99,018,205	403,399
Tier 2 complementary capital				
General provision	1,352,239	5,567	1,114,882	4,542
Total Tier 2 capital	1,352,239	5,567	1,114,882	4,542
Total regulatory capital	101,494,862	417,855	100,133,087	407,941

(ii) Capital allocation

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

27

REGULATORY RESERVES





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

As at 31 December 2022, the Bank transferred from regulatory reserves to retained earnings of US\$29,867 (31 December 2021: US\$90,459 transfer from accumulated losses to regulatory reserves).

	Balances with other banks	Loans to customers	Investment securities	Off balance sheet item	Total	
	US\$	US\$	US\$	US\$	US\$	KHR'm (Note 2.4.c)
31 December 2022						
Allowance per NBC	1,023,287	218,707	105,245	5,000	1,352,239	5,567
Less: Allowances per CIFRS 9	588,132	51,396	128,503	588	768,619	3,164
Currency translation differences	-	-	-	-	-	70
Regulatory reserve (A)	435,155	167,311	-	4,412	606,878	2,473
31 December 2021						
Allowance per NBC	1,028,647	62,235	-	24,000	1,114,882	4,543
Less: Allowances per CIFRS 9	471,604	5,477	-	1,056	478,137	1,948
Regulatory reserve (B)	557,043	56,758	-	22,944	636,745	2,595
Transfer from regulatory reserves to retained earnings (A - B)					29,867	122



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