



# ANNUAL REPORT 2023



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## Message from the Chairman

“

By the end of 2023, SME Bank of Cambodia had extended financing to 3,400 targeted enterprises, totaling approximately USD 500 million through its two main financing solutions: direct lending and co-financing in collaboration with participating financial institutions (PFIs). Through its direct lending, the bank provided financing to customers amounting to USD 86 million.

”



On behalf of the Board of Directors of Small and Medium Enterprise Bank of Cambodia (SME Bank of Cambodia), I am honored to present the Annual Report, which summarizes the Bank's performance in 2023. These results are a testament to the commitment and efforts of SME Bank of Cambodia, serving as the Policy Bank of the Royal Government of Cambodia. Our mission is to support the development of SMEs which play an increasingly crucial role in contributing to stronger and more resilient economic growth, especially in the time of crises.

Indeed, the global economic situation has continued to pose high risks and uncertainties due to the effects of various crises and major events. These include the lingering impact of the Covid-19 crisis, the war between Russia and Ukraine, and the conflict that erupted between Israel and the Hamas in late 2023. Additionally, the continued tightening of the global monetary policy has further negatively impacted global economic trends and potential sectors, including finance and banking. As a result, global economic growth in 2023 slowed to approximately 3.2%. Meanwhile, Cambodia's economic growth remained consistent with that of 2022, at around 5%.

In this context, the financial sector in Cambodia, as well as in other countries in the region, has experienced a negative impact, reflected by a slowdown in credit growth from 19% in 2022 to 4.8% in 2023 and a rise in the non-performing loan ratio to 5.4% in 2023 compared to 3.1% in 2022. Despite the unfavorable conditions, SME Bank of Cambodia has persevered in its mission to support SME lending. In fact, by 2023, the Bank has disbursed loans through direct lending schemes to 365 enterprises in priority sectors, equivalent to a total of USD 86.15 million, an increase of about 60% compared to 2022. Additionally, co-financing schemes with

participating financial institutes (PFIs) provided support to a total of 3,095 enterprises, with a total amount of approximately USD 394 million.

Through our operations in recent years, we have observed that the challenges faced by SMEs are multifaceted, extending beyond mere financing requirements. Addressing these challenges requires coordinated support from various stakeholders, including public institutions, development partners, and notably, the private sector. It is crucial for these entities to unite in addressing these challenges, demonstrating a high degree of responsibility and ownership. In this context, SME Bank of Cambodia remains steadfast in its commitment to supporting SMEs. The Bank aims to enhance its financing schemes more effectively by relaxing its credit criteria, accelerating the disbursement process for customers, and offering lending schemes specifically tailored to target segments. These initiatives align with the priority policies of the Royal Government, as outlined in the Pentagonal Strategy - Phase 1.

Finally, I would like to express my sincere appreciation to all the customers who have placed their trust in us and consistently regarded SME Bank of Cambodia as a loyal partner in supporting the start-up and expansion of their businesses. In return for this trust, we, on behalf of the Board of Directors, management, and staff of SME Bank of Cambodia, are committed to remaining reliable partners. We pledge to continue offering SME lending to support business growth, thereby contributing to the socio-economic development of Cambodia.



**H.E. Dr. Phan Phalla**

Chairman

## Message from CEO

In 2023, the global economy experienced slower growth due to the prolonged Russian-Ukrainian war, the tightening of monetary policy in major developed countries, and escalating geopolitical tensions in the Middle East. Consequently, the global economy growth rate was expected to be lower than that of 2022.

The slowdown in both global and regional economic growth has exerted pressure on the Cambodian economy, particularly affecting garment exports and causing a slump in the construction and real estate sectors. However, the recovery of tourism, the rise of non-garment exports, and the growth of domestic demand have all contributed to the Cambodian economy growing at a rate of 5.5%, slightly higher than the 5.3% in 2022.

This growth achievement is largely attributable to the indispensable support of political stability, which serves as the foundation for trust and sustainable development.

At the same time, the banking system in Cambodia continues to be resilient and progressive, ensuring sustainable financing schemes and other necessary financial services to support economic and social activities. However, lending in 2023 has decreased to 4.8%, the lowest rate in more than two decades, following the National Bank of Cambodia's decision to cease its Covid-19 recovery lending schemes. As a result, the non-performing loan ratio continues to rise, necessitating banks and financial institutions to increase monitoring, evaluation, and restrictions on additional lending, as well as conducting regular stress tests to identify potential risks.

SME Bank of Cambodia is a policy bank that was established based on a clear vision, mission, and values to implement the Royal Government's financing policy. Its primary purpose is to support SMEs in promoting economic diversification and export in alignment with the Royal Government's policy. In 2023, SME Bank of Cambodia achieved the following major accomplishments:

- Total assets reached USD 322 million, showing a growth of approximately 15% from USD 281 million in 2022.
- The total loan balance amounted to USD 220 million, reflecting a modest increase of 3% from 2022. This growth was influenced by gradual repayments from customers participating in both phases of the co-financing schemes, which were fully implemented in 2021 and 2022. Meanwhile, direct lending from the Bank to the targeted segment surged by 61% compared to 2022, a total of USD 32.7 million.



- The establishment of an additional market segment, SME Plus, has allowed for an increase in the loan size per customer to USD 1 million. This expansion aims to better support larger enterprises aligning with Cambodia's economic growth. Additionally, the Bank has introduced and implemented Cambodia Micro Entrepreneurs Scheme (CMES), offering unsecured loans of up to USD 50,000 per customer. This initiative targets the densely populated microenterprise sector, which face the struggles of accessing finance due to a lack of collateral to meet the Bank's requirements.
  - The Tourism Financing Scheme for Siem Reap (TFSS), a direct lending initiative by SME Bank of Cambodia, has been launched with a funding budget of USD 50 million. This scheme is designed to bolster tourism in Siem Reap and is part of the comprehensive reform program initiated by the Royal Government.
  - SME Bank of Cambodia launched 4 new branches, including 1 flagship branch and 3 satellite branches in Tboung Khmum province, Banteay Meanchey, Kampong Speu, and Kampot province (scheduled to open at the beginning of 2024). This strategic expansion is intended to extend support for customers in these regions.
  - The bank also continued to strengthen its business partnerships by collaborating with six additional SME associations. This initiative was geared towards expanding the ecosystem to improving timely access to finance for the targeted segments. Furthermore, SME Bank has signed Memorandums of Understanding (MOUs) with some of the prominent banking and financial technology institutions to provide customers with a broader range of options for convenient and seamless loan repayment.
  - The number of employees at SME Bank increased to 222 in 2023, making a significant rise of 63% or an additional 86 staff members compared to 2022.
  - In addition, SME Bank actively collaborates with both public and private stakeholders to promote financial literacy among SMEs. The aim is to enhance their access to financing from formal financial institutions, emphasizing the importance of applying for loans with specific business purposes in mind. This initiative aims to foster sustainable and resilient business development.
- Overall, these accomplishment demonstrates the unwavering efforts and commitment of SME Bank of Cambodia to delivering value to its stakeholders. We remain committed to maintaining this high standard of responsibility.
- Finally, I would like to express my sincere gratitude and appreciation to the Royal Government of Cambodia, the Ministry of Economy and Finance, the National Bank of Cambodia, and all relevant institutions for their steadfast support. I am deeply grateful for the Board of Directors, management, and staff at all levels of SME Bank of Cambodia for their invaluable advice, guidance, and hard work. Their unity and strong sense of responsibility has been pivotal in fostering the sustainable growth and development of the Bank. Additionally, I wish to extend my gratitude to all our customers and partners who have collaborated with, supported, and placed their trust in SME Bank of Cambodia. Their contributions have been vital in advancing and nurturing the SME sector in Cambodia.

**Dr. Lim Aun**

Chief Executive Officer  
and Board Member





## About SME Bank of Cambodia

Small and medium enterprises (SMEs) play a crucial role in socio-economic development, ensuring inclusiveness and economic growth. In Cambodia, SMEs are perceived as the backbone of the national economy, fulfilling fundamental needs for goods and services, contributing to improved livelihoods, augmenting the gross domestic product, and bolstering exports. Challenges in managing and developing this sector are particularly prevalent in the informal economy, such as family-run businesses. These challenges include limited access to finance and constrained competitiveness due to inadequate expansion into regional and international markets. To address this, the Cambodian government has established SME Bank of Cambodia to improve access to finance for SMEs in priority sectors.

SME Bank of Cambodia was officially licensed as a commercial bank by the National Bank of Cambodia (NBC) on the 27th of February 2020 and under the technical and financial guidance of the Ministry of Economy and Finance (MEF). The bank's strategic plan and direction aim to provide effective and transparent financing schemes to support the development of SMEs to promote economic diversification and exports in line with the policies set by the Royal Government of Cambodia.

SME Bank of Cambodia has been operating for almost 4 years and is known as a state-owned policy bank. The bank has introduced and implemented affordable financing schemes to support SMEs in the following priority sectors:

- Food manufacturing and processing encompass the conversion of agricultural commodities or plant-based materials into consumable food for humans. This is achieved through primary or whole processing, employing both machinery and manual labor.
- Manufacturing enterprises that produce consumables, parts, or components to supply other manufacturers, process waste, and produce goods for the tourism industry.
- Research and development in the field of information technology, including the provision of innovative system management services. This refers to the creation and supply of IT services linked to business and e-commerce.
- Enterprises located in the SMEs Cluster Zone.
- Enterprises that produce medical products and medicines, referring to businesses that manufacture equipment, facilities, and pharmaceuticals for the healthcare sector.
- Enterprises that provide services to support other businesses in priority sectors, as defined by the government. This refers to businesses that distribute and provide services to other priority sectors, including those with potential growth and those impacted by COVID-19.

SME Bank of Cambodia has made a remarkable contribution to the Royal Government by addressing the lack of access to finance for SMEs. To achieve this goal, the Bank has continuously implemented co-financing schemes with Participating Financial Institutions (PFIs) and direct lending schemes which target specific segments of enterprises. It primarily focuses on the development of products and services. The Bank is also committed to expanding its distribution networks and developing its human resources.

# MISSION

To provide efficient and sustainable financing and commercial banking services to support SMEs to promote economic diversification and exports in line with government policy.

# VISION

To be the best and preferred bank for SMEs in Cambodia by offering favorable financial services, easy access to finance, technical support, and excellent customer service.

# CORE VALUES

## CORE VALUES IPACE

### EFFICIENCY

We strive for operational excellence to ensure profitability, growth, and sustainability for all our stakeholders.

### CUSTOMER

Since customers are central to our business development, we are committed to providing an excellent customer experience.

### ACCOUNTABILITY

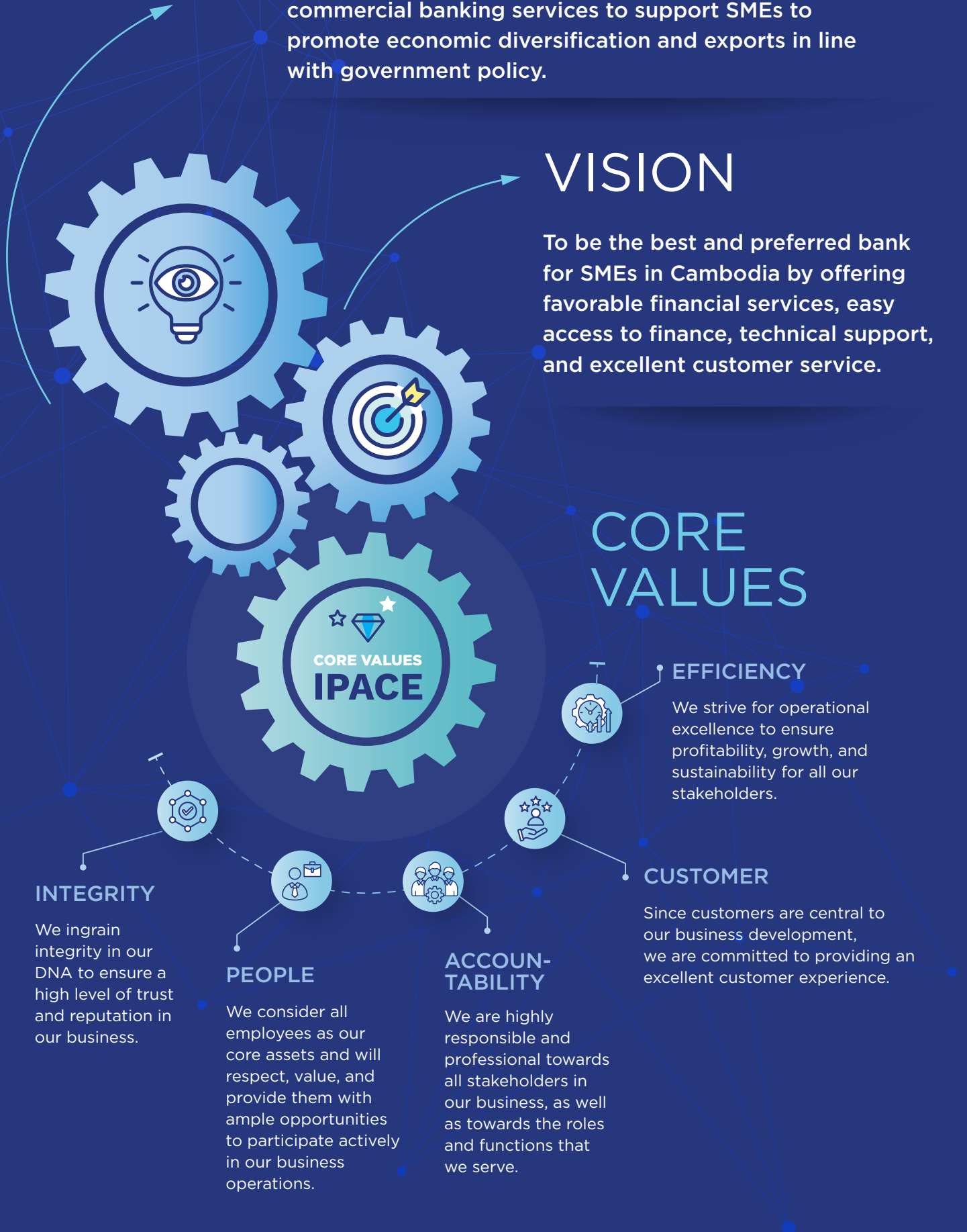
We are highly responsible and professional towards all stakeholders in our business, as well as towards the roles and functions that we serve.

### PEOPLE

We consider all employees as our core assets and will respect, value, and provide them with ample opportunities to participate actively in our business operations.

### INTEGRITY

We ingrain integrity in our DNA to ensure a high level of trust and reputation in our business.



# Achievement Report in 2023

NO. OF  
CUSTOMERS



+3400

LOAN  
OUTSTANDING



+219  
million dollars

TOTAL ASSETS



322  
million dollars



BUSINESS  
PARTNERS

10



NO. OF  
EMPLOYEES

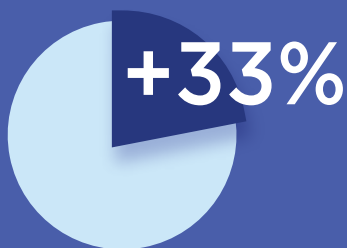
222



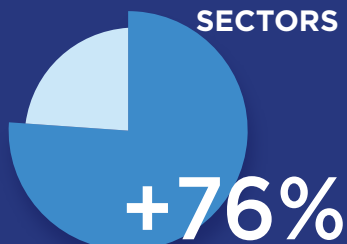
NO. OF  
BRANCHES

7

NO. OF WOMEN  
ENTREPRENEURS

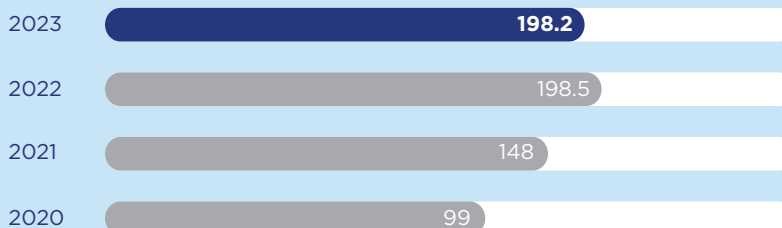


LOAN OUTSTANDING  
IN THE PRIORITY  
SECTORS



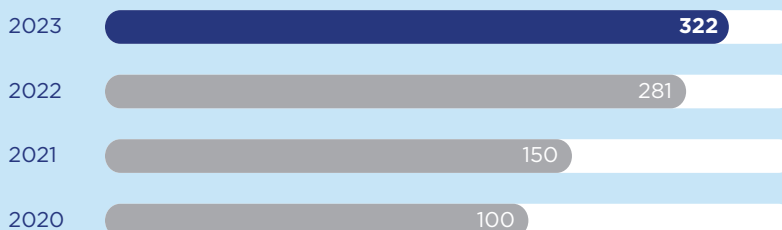
BANK EQUITY

(IN USD MILLION)



TOTAL ASSETS

(IN USD MILLION)





# Branch Networks



**HEAD OFFICE**

**MEF Business Development Center, # S, OCIC Street,**  
Phum Kien Khleang, Sangkat  
Chraoy Chongvar, Khan Chraoy  
Chongvar, Phnom Penh



**PHSAR THMEI  
BRANCH**

No 30, St. Pasteur corner  
Prey Nokor Street, Sangkat  
PhsarThmei Ti Muoy, Khan  
Daun Penh, Phnom Penh



**BATTAMBANG  
PROVINCIAL RANCH**

No. 161 & 162, National  
Road No. 5, Group 6, Phum  
Rumchek 5, Sangkat  
Rottanak, Krong Battambang,  
Battambang Province



**TBOUNG KHMUM  
PROVINCIAL RANCH**

National Road 7, Phum  
Suong Kaeut, Sangkat  
Suong, Krong Suong,  
Tboung Khmum Province



**KAMPONG SPEU  
PROVINCIAL RANCH**

#465, National Road No.4,  
Phum Peanicheakkam,  
Sangkat Rokar Thum,  
Krong Chbar Mon, Kampong  
Speu Province



**KAMPOT  
PROVINCIAL RANCH**

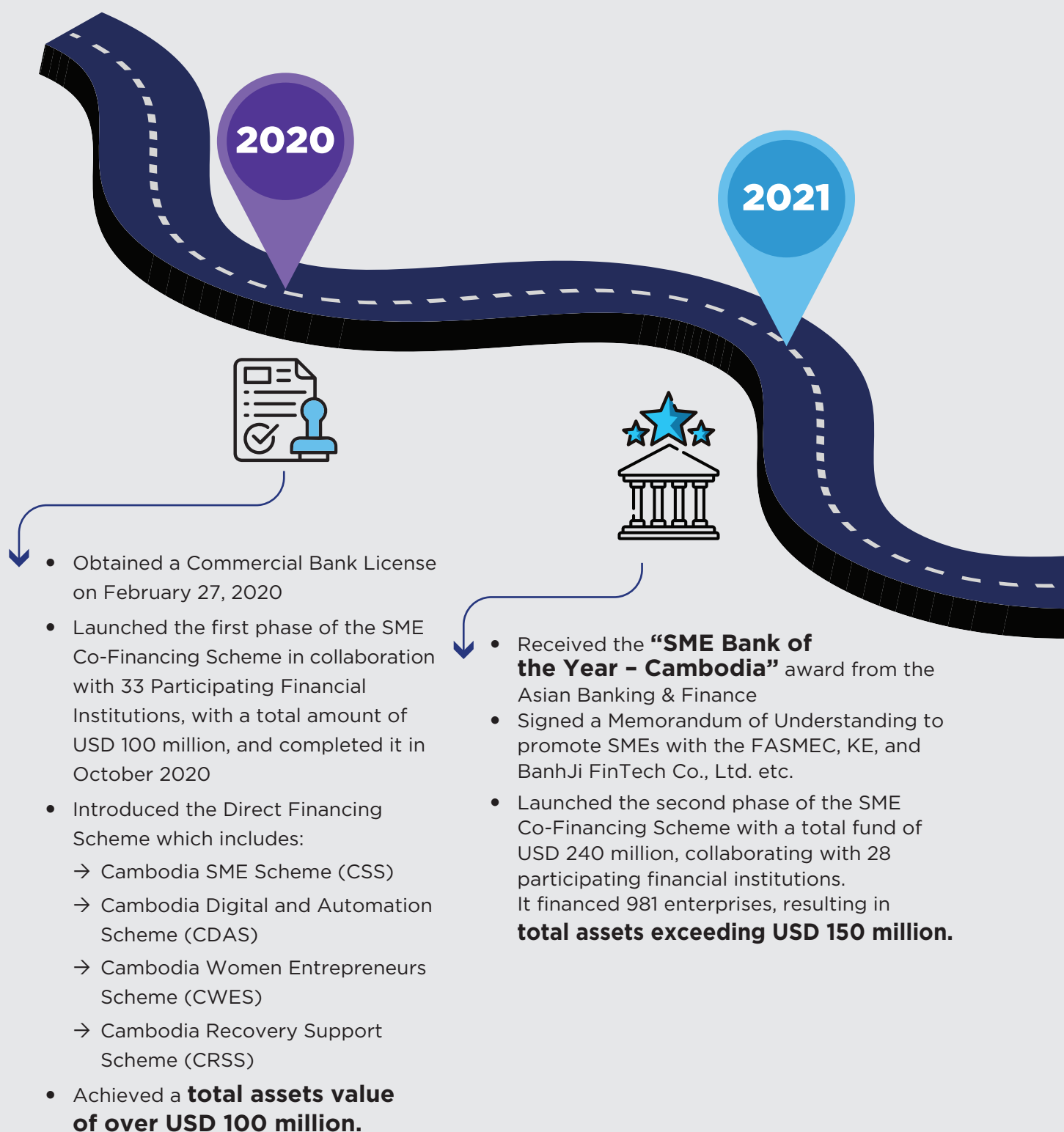
#413, Phum Svay Thom,  
Sangkat Krang Ampil, Krong  
Kampot, Kampot Province



**BANTEAY MEANCHHEY  
PROVINCIAL RANCH**

Phum Bei, Sangkat  
Preah Ponlea, Krong Serei  
Saophoan, Banteay  
Meanchey Province

# Corporate Milestones



- Launched a Co-Financing Scheme to support and boost the recovery of the tourism sector with a **total amount of USD 150 million** in collaboration with 24 Participating Financial Institutions
- Joined the Fast Payment service of the National Bank of Cambodia to enable customers to transfer money via the bank quickly
- Introduced the Cambodia Micro Enterprise Scheme (CMES), an Unsecured Loan
- Launched another two new branches at Phsar Thmei and in Battambang province

2022



- Launched four additional branches in Tboung Khmum, Kampot, Banteay Meanchey, and Kampong Speu provinces
- Established partnerships with the Cashew Nut Association of Cambodia and the Cambodia Cashew Federation, to promote direct lending and target prior segments
- Signed a Memorandum of Understanding with TrueMoney Cambodia Plc, ACLEDA Bank Plc, and ABA Bank for loan repayment by SME Bank of Cambodia's customers
- Signed a Memorandum of Understanding with the Policy Research Institute (PRI) of the Ministry of Finance, Japan, and the Micro Business and Individual Unit of the Japan Finance Corporation (JFC-Micro) to provide staff training on credit analysis for SMEs
- Implemented a Tourism Financing Scheme for Siem Reap with a budget of USD 50 million
- Achieved a **total asset value of over USD 322 million.**

2023



- Formed business partnerships with five additional SME associations to promote direct lending to target customers, including CEO Master Club of Life Education Co., Ltd., Young Entrepreneurs Association of Cambodia (YEAC), AgriBee (Cambodia) Plc., Cambodian Water Supply Association, and Cambodia Food Manufacture Association
- Achieved total asset of **over USD 281 million.**



# Strategic Partnerships

In an effort to provide comprehensive support to small and medium enterprises, SME Bank of Cambodia has been partnering with various institutions to effectively stimulate the growth and development of SMEs within Cambodia.



**Cambodia Women Entrepreneurs Association**




**Cambodian Water Supply Association**




**Young Entrepreneurs Association of Cambodia**




**Cambodia Cashew Federation**




**Cashew Nut Association of Cambodia**




**Cambodia Food Manufacture Association**




**Federation of Associations For Small and Medium Enterprises of Cambodia**




**Khmer Enterprise**




**BanhJi FinTech Co., Ltd**




**CEO Master Club of Life Education Co.,Ltd**



# Business Highlights

In 2023, the SME Bank of Cambodia disbursed a total of USD 46M in loans to approximately 200 enterprises. This loan disbursement was largely facilitated through two schemes: the Tourism Recovery Co-Financing Scheme (TRCS) and the Direct Lending Scheme (DL). By the end of 2023, the Bank's outstanding loans totaled USD 219M, comprised of USD 125M from the Co-financing Scheme, USD 86M from the Direct Lending Scheme, and USD 8M from other lending schemes. Non-Performing Loans (NPL) amounted to USD 9.7M, constituting a 4% NPL ratio to the total outstanding loans.



Loan  
Outstanding  
**USD 219M**



The  
Co-financing  
Scheme

**USD 125M**



The Direct  
Lending  
Scheme

**USD 86M**



# Tourism Recovery Co-Financing Scheme (TRCS)

The Tourism Recovery Co-Financing Scheme (TRCS) is one of the key components of the “ Strategic Framework and Program for Economic Recovery in the Context of Living with Covid-19 in the New Normal 2021-2023”. Implemented by the Government, the scheme was specifically designed to address the lack of financing support for businesses in the tourism sector as part of the revitalization efforts after the pandemic.

TRCS aims to assist tourism-related businesses in three main areas: (a) re-operating the business, (b) improving and modernizing facilities, and (c) strengthening and diversifying tourism services to attract national and international tourists in the post-Covid-19 era.

Launched in July 2022, TRCS has a total budget allocation of USD 150M, co-financed by the government of Cambodia and Partnering Financial Institutions (PFIs).

By the end of 2023, the scheme has garnered participation from 24 PFIs and has mobilized approximately USD 54M in financing support to 350 enterprises of the tourism industry including 60 hotels, 102 guesthouses, 133 restaurants, and 55 business supplying products and services supporting the tourism industry.





# Direct Lending Schemes

The outstanding balance of the Direct Lending Scheme increased by 62%, from USD 53M at the end of 2022 to USD 86M at the end of 2023. Notably, 76% of these loans were allocated towards the priority sector, and 50% were disbursed to enterprises in the manufacturing, food processing, and agro-industry sectors. These results were achieved following the launch of four direct lending schemes, namely: the Cambodia SME Scheme (CSS), the Cambodia Women Entrepreneur Scheme (CWES), the Cambodia Digital & Automation Scheme (CDAS), and the Cambodia Micro Enterprise Scheme (CMES).

# គម្រោងហិរញ្ញប្បទាន សហគ្រាសធុនតូច និងមធ្យម (CSS)

អត្រាការប្រាក់ប្រចាំឆ្នាំពី

## 5.88%

**៖ ដំណើរការប្រកប**

អនុវត្តបាន ៤០០០ គម្រោង  
ឬ ៥០០០០០០ អនុគម្រោង

**៖ ហេតុផលលក់**

បង្កើនចំណូលច្រើន ប្រចាំឆ្នាំបាន

**៖ ប្រកបបាន**

៦៧% ក្នុងរយៈពេល១ឆ្នាំ បាន  
បង្កើនចំណូលច្រើនជាង  
៥ លានរៀល បាន ២០០០០០  
នាក់ក្នុងតំបន់

**៖ អាចសហប្រតិបត្តិការ**

អាចសហប្រតិបត្តិការ  
ក្នុងតំបន់ក្រៅតំបន់បាន







**SME BANK OF CAMBODIA**



គម្រោងហិរញ្ញប្បទាន  
សហគ្រិនស្ត្រី (CWES)

អត្រាការប្រាក់ប្រចាំឆ្នាំចាប់ពី

**5.50%**

**៖ ទំហំហិរញ្ញប្បទាន**  
អប្បបរមា ៩.០០០ ដុល្លារអាមេរិក  
ឬ ២.០០០.០០០ រៀលកម្ពុជា

**៖ គោលបំណង**  
ប្រើប្រាស់ជាទុនបង្កើន ឬ ទុនវិនិយោគ

**៖ កម្រិតពា**  
ទំហំហិរញ្ញប្បទានអប្បបរមា ៥០%  
នៃសង្វែងចរន្តចរន្តចរន្តចរន្តចរន្ត  
ឬ អត្រាជួល ៥០% នៃសង្វែងចរន្ត  
ជាតាមស្របប្រព័ន្ធ

**៖ រយៈពេលហិរញ្ញប្បទាន**  
អប្បបរមា ៥ឆ្នាំ ឬ អប្បបរមា ៥០ ខែ  
ឬ ៥០ ខែ តាមស្របប្រព័ន្ធនិយោគ

**SME BANK OF CAMBODIA**

AFFORDABLE FINANCE  
To Support The Growth  
of SMEs

គម្រោងហិរញ្ញប្បទាន  
វិស័យឌីជីថល និងទំនើបកម្ម  
(CDAS)

5.88%

SME BANK OF CAMBODIA

# កម្រោងហិរញ្ញប្បទាន

## សហគ្រាសធុនតូច (CMES)

### ជាតិកម្រោងគ្មានទ្រព្យធានា

អត្រាការប្រាក់ស្របចំណុះបំណី

# 7.50%

**១. ទំហំហិរញ្ញប្បទាន**

អតិបរមា: ៥០ លានរៀល  
 អតិបរមា: ៥ លានដុល្លារអាមេរិក

**២. ប្រភេទប្រាក់**

ប្រាក់ប្រចាំខែ

**៣. រយៈពេលបំណុល**

ប្រាក់ប្រចាំខែ ៥ ឆ្នាំ ដល់ ១០ ឆ្នាំ

**៤. រយៈពេលបង់ប្រាក់**

ប្រចាំខែ ៥ ថ្ងៃ ដល់ ១០ ថ្ងៃ

**AFFORDABLE FINANCE**  
 To Support The Growth  
**of SMEs**

**SME BANK OF CAMBODIA**

## Tourism Financing Scheme for Siem Reap Province (TFSS)

To boost the recovery of the tourism sector in Siem Reap province, the Royal Government has introduced a sharp reform policy, as outlined in section 6.2.4 of the announcement from the 19th Royal Government-Private Sector Forum. SME Bank of Cambodia has been appointed to administer a direct lending scheme with an initial budget of USD 50M for tourism-related businesses in Siem Reap. The scheme offers favorable interest rates and flexible loan terms, providing businesses access to finance for reopening, upgrading, modernizing, and diversifying their products and services. The aim is to attract and warmly accommodate both national and international tourists.

**The TFSS supports the following enterprises:**



### Features

Items	Description
Type of Facility	Term Loan
Financing Size	from USD 20,000 to USD 600,000 or equivalent in KHR
Loan Purpose	Capital Expenditure or working capital
Tenor	Up to 8 years
Currency	KHR or USD
Interest rate	6.5% p.a
Processing fee	Free of charge
Grace period	Up to 24 months
Early partial settlement	No Charge

In response to the negative impacts of the global crisis on tourism-related businesses, SME Bank has made some adjustments to its credit assessment criteria as follows:

- Incorporating projected income into the calculation of the Debt-Service Coverage Ratio (DSCR)
- Lowering the DSCR requirements from 1.5 times to 1.2 times
- Accepting loans classified under 'Special Mention', provided that the Days Past Due does not exceed 60 days during the last 12-month period.



# Events





# Annual General Meeting 2023

Siem Reap, Saturday morning of 24 February 2024



SME Bank of Cambodia convened its 2024 Annual General Meeting under the theme of "Grow Strong, Grow Right" at Sokha Siem Reap Resort & Convention Center in Siem Reap province. The meeting was presided over by H.E. Dr. PHAN Phalla, Secretary of State of the Ministry of Economy and Finance and Chairman of the Board of Directors of SME Bank of Cambodia, along with the members of the Board of Directors, the Chief Executive Officer, Management, and approximately 210 staff members from all levels of SME Bank of Cambodia.

The purpose of this meeting was to review the progress and achievements of SME Bank of Cambodia in 2023, and to disseminate the business plan and strategy for 2024, as approved by the Board of Directors. This meeting provided an opportunity to guide the staff towards the effective execution of the plan.



# Employee Recognition Program 2023

Siem Reap, Saturday night of 24 February 2024



SME Bank of Cambodia held its Annual Gala Dinner under the theme of “Sparkling Night” at the Sokha Siem Reap Resort & Convention Center. The event was graced by H.E. Dr. PHAN Phalla, Secretary of State of the Ministry of Economy and Finance and Chairman of the Board of Directors, attended by members of the Board of Directors, the Chief Executive Officer, Management, and approximately 210 staff members from all levels of SME Bank of Cambodia.



SME Bank of Cambodia consistently prioritizes employee welfare and fosters professional growth by recognizing achievements and rewarding the best employees of the year for their dedicated efforts at work, demonstrating responsibility and professionalism.

The “Sparkling Night” was made even more sparkling with various programs including the announcement of the Best Employee of the Year, showcasing of Staff Talent Performance, a Lucky Draw, and a Dinner & Dance event.



# Event Highlights

## Launching Ceremony of the Battambang Provincial Branch

May 22, 2023

SME Bank of Cambodia officially launched its provincial branch in Battambang. The ceremony was presided over by H.E. Dr. PHAN Phalla, Secretary of State of the Ministry of Economy and Finance and Chairman of the Board of Directors of the SME Bank of Cambodia; H.E Sok Lou, the Governor of Battambang province; Undersecretaries of State; Excellencies; Lok Chumteavs; Members of the Board of Directors of the Bank; distinguished guests from relevant authorities from Battambang, Pursat, Banteay Meanchey, and Pailin; and approximately 140 SME enterprise owners.



## Launching Ceremony of Tboung Thmum Provincial Branch

October 02, 2023

SME Bank of Cambodia officially launched its provincial branch in Tboung Khmum. The ceremony was presided over by H.E SON Senghuot, the Secretary of State of the Ministry of Industry, Science, Technology and Innovation; H.E Dr. Cheam Chansophoan, Governor of Tboung Khmum Province; H.E Secretary of State, Undersecretary of State; Excellencies; Lok Chumteavs; Members of the Board of Directors of the Bank; distinguished guests; SME enterprise owners; and many other dignitaries. The event had approximately 150 attendees.



## SME Bank of Cambodia conducted a seminar and press conference on the Tourism Financing Scheme for Siem Reap Province.

December 29, 2023

The seminar was graced by the presence of Dr. LIM Aun, Chief Executive Officer of SME Bank of Cambodia; H.E NAK Neron, Deputy Governor of Siem Reap Province; H.E CHHUN Makara, Director of the Department of Travel Agency, Transport, and Tourism Guide and H.E CHHAY Sivlin, President of Cambodia Tourism Association. Approximately 160 business owners from all over Siem Reap province attended.

The seminar aimed to effectively promote the implementation of the Tourism Financing Scheme for Siem Reap Province and increase



access to finance by offering a favorable financing scheme in order to enable their businesses to reopen, enhance, and modernize their services. Additionally, it sought to expand and diversify tourism services to attract and accommodate both national and international tourists.



January 31, 2023

Sponsoring and Presenting Affordable Financing Schemes at 'Get Ready for First Round of Investment 2022', organized by Khmer Enterprise.



February 10, 2023

Sponsoring the 'Meeting to Review the Work Results for 2022 and Work Directions for 2023' for the Federation of Associations for Small and Medium Enterprises of Cambodia (FASMEC).

## Events



**February 22, 2023**

Sponsoring and Presenting Favorable Financing Schemes at Entrepreneurial Forum: 'Entrepreneurial Life'.



**February 27, 2023**

Sponsoring and Attending the Panel Discussion on 'Expanding Opportunities for Women Entrepreneurs in the Digital Economy and Society', organized by Ministry of Women Affairs.



**February 28, 2023**

Hosting the Delegation from the Ministry of Industry and Commerce of Laos for a Study Visit to Cambodia.



**February 25, 2023**

Attending in 'Gathering with Young Cambodian Entrepreneurs', organized by Young Cambodia Entrepreneurs.



**March 15, 2023**

Conducting a Seminar on 'Access to Finance for Developing Global Markets'.





**March 11, 2023**

Sponsoring and Presenting a Favorable Financing Scheme in 'Digital Platform Accelerator Cohort 2', organized by Techo Startup Center.



**March 27, 2023**

Attending a Workshop on 'Digital Transformation in the Industrial Sector in the Context of Industry 4.0', organized by Ministry of Industry, Science, Technology, and Innovation.



**March 26, 2023**

Sponsoring the '1st Cambodia-International Science, Technology & Innovation Expo 2023', organized by Ministry of Industry, Science, Technology, and Innovation.



**March 29, 2023**

Sponsoring and Attending the Opening Ceremony of 'CWEA Expo 2023', organized by Cambodia Women Entrepreneurs Association.



**March 31, 2023**

Sponsoring and Presenting Affordable Financing Schemes in 'Access to Finance', organized by Young Entrepreneurs Association of Cambodia.



## Events



**April 6, 2023**

Hosting Delegates from the Bank of Lao PDR (BoL), the representative of the Lao Access to Finance Fund (LAFF), the representatives of the MFIs from Laos, and the Cambodia Microfinance Association for a 'Practical Learning Visit of SME Bank's Financing'.



**May 21, 2023**

Sponsoring Women Entrepreneurs for 'Survival Strategies in the New Era of Entrepreneurial Innovation 4.0', organized by CamEd Business School.



**June 9, 2023**

Sponsoring and Attending the 'Paragon U's Career Fair', organized by Paragon University.



**June 22, 2023**

Sponsoring 'Digital Platform Accelerator Cohort 2 - Final Round', organized by Techo Startup Center.



**June 21, 2023**

Conducting a Seminar on 'Credit Analysis' organized by the Policy Research Institute (PRI), the Ministry of Finance, Japan; and the Micro Business and Individual Unit, Japan Finance Corporation (JFC-Micro).



**June 21, 2023**

Sponsoring 'National Day of Micro, Small and Medium Enterprises (MSME Day 2023)', organized by Ministry of Industry, Science, Technology, and Innovation.



**July 03, 2023**

Conducting a webinar on 'SME Access to Finance for Developing Global Markets'.



**July 5, 2023**

Conducting a seminar on 'Access to Finance: Prepare Your Business to Obtain a Loan from SME Bank of Cambodia'.



**July 29, 2023**

Sponsoring the 7th Business Dialogue on 'Family Business and Related Regulations', organized by National University of Management.



**August 18, 2023**

Attending as the Guest Speaker at the Seminar 'Supporting SMEs: Legal and Financial Insights for Sustainable Growth', organized by the Center for Advanced Research and Legal Studies ("CARLS") of AVI.



## Events



**September 7, 2023**

Hosting the Discussion on Relevant Financing to Support Agricultural Development Plan Projects in Cambodia.



**September 25, 2023**

Conducting the Initial Townhall Meeting.



**September 28, 2023**

Conducting a seminar on 'Access to Finances: Preparations that Enterprise Owners Should Undertake for the Financing Scheme from the SME Bank of Cambodia', organized by Department of Industry, Science, Technology, and Innovation.



**September 23, 2023**

Sponsoring and presenting at the Inaugural Meeting of the 'Enterprise Financial Day', organized by Khmer Enterprise.



**September 29, 2023**

Sponsoring and presenting at the '3rd SME and Financial Night 2023', organized by Young Entrepreneurs Association of Cambodia (YEAC), The Association of Banks in Cambodia (ABC), and Cambodia Microfinance Association (CMA).





**October 21, 2023**

Sponsoring and presenting at 'Youth Life Plan' event, organized by MeaKea.



**October 29, 2023**

Sponsoring and attending a Bankers' Cycling Event of The Association of Banks in Cambodia under the theme: 'Promote the Khmer Riel and Sustainability of the Banking Sector', organized by The Association of Banks in Cambodia.



**October 25, 2023**

Attending and presenting at the Workshop on 'National Cashew Policy 2022-2027', organized by the Ministry of Commerce.



**November 10, 2023**

Participating in the 'National Career and Productivity Fair 2023', organized by the Ministry of Labor and Vocational Training.



**November 14, 2023**

Conducting a training seminar for Start-Ups organized by the Policy Research Institute (PRI), the Ministry of Finance, Japan; and the Micro Business and Individual Unit, Japan Finance Corporation (JFC-Micro).



**December 14, 2023**

Conducting a 'Strategy Workshop 2024-2026'.

# Corporate Social Responsibility (CSR)



March 8, 2023

Participating in the International Women's Day Blood Donation Campaign, organized by The Association of Banks in Cambodia.



April 16, 2023

Contributing with fundraising to support Kantha Bopha Foundation of Cambodia.



September 9, 2023

Participating in the Charitable Blood Donation 'Giving Life', organized by Business Development Center.



# Memorandum of Understanding (MOU)



**June 1, 2023**

Signing Ceremony of the Memorandum of Understanding between SME Bank of Cambodia and the Cashew Nut Association of Cambodia: Promoting Access to Finance for SME Enterprises in the Cashew Nut Processing Industry.



**December 5, 2023**

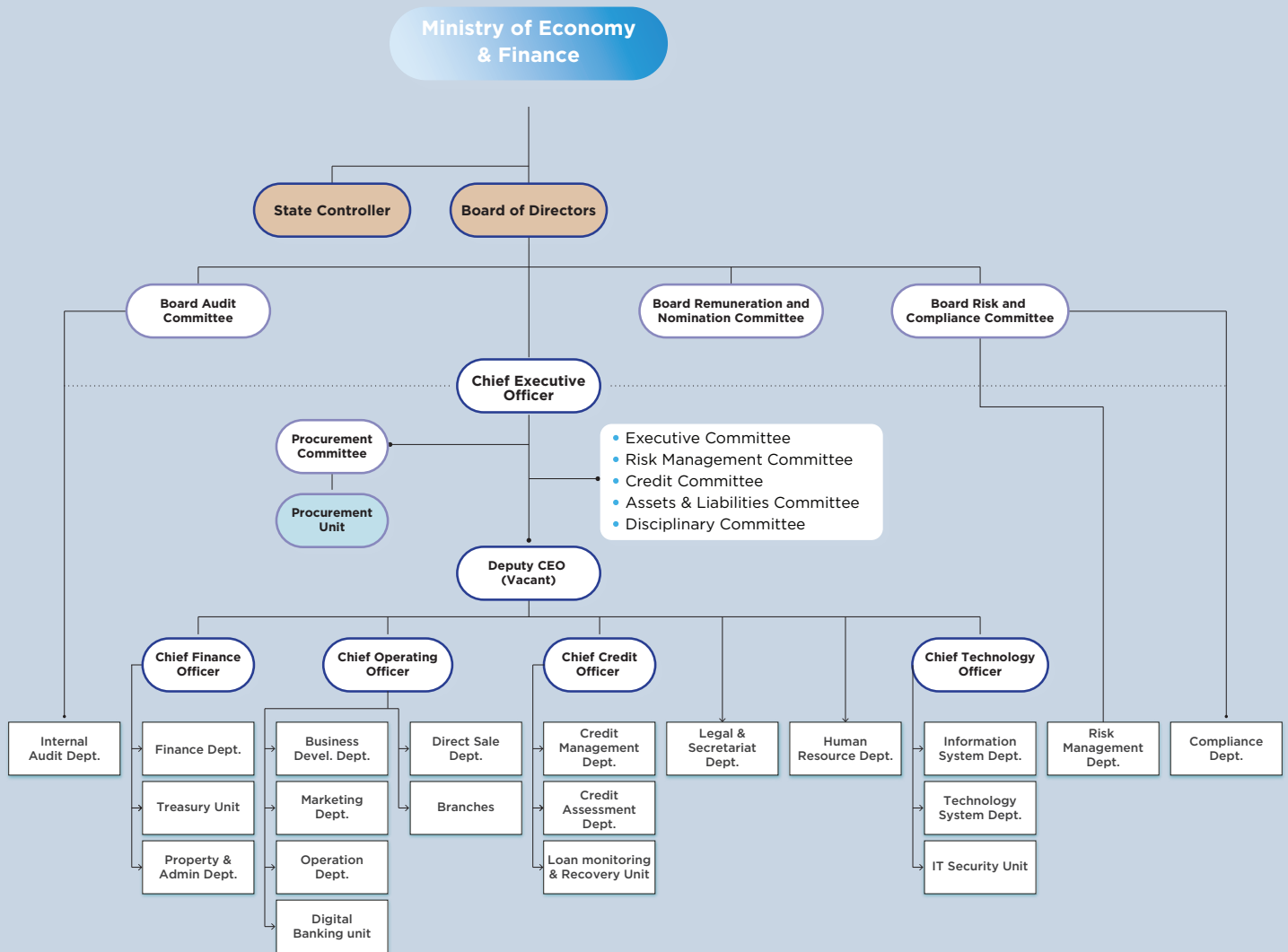
Signing Ceremony of the Memorandum of Understanding between SME Bank of Cambodia and the Cashew Nut Federation of Cambodia: Fostering Cashew Nut Processing in Cambodia and Facilitating Exports to the International Market.



**June 7, 2023**

Signing Ceremony of the Memorandum of Understanding between SME Bank of Cambodia, Policy Research Institute (PRI) of the Ministry of Finance, Japan, and Micro Business and Individual Unit of the Japan Finance Corporation (JFC-Micro): A Collaboration for Staff Training on SME Credit Analysis

# Organizational Structure







THE BOARD OF  
**DIRECTORS**



**H.E. Dr. PHAN Phalla**  
Secretary of State, Ministry of  
Economy and Finance, and  
Chairman of the Board

H.E. Dr. PHAN Phalla joined the Ministry of Economy and Finance and the Supreme National Economic Council in 2004. He has been actively involved in the development of the Financial Management Information System (FMIS) project, the Public Financial Management Reform Program (PFMRP), the preparation of national and sectoral strategies, revenue collection strategies, management, and macroeconomic analysis, development of strategic frameworks and programs to restore and promote Cambodia's economic growth in living with COVID-19 in the new normal path for 2021-2023, etc.

He is currently a member of the Supreme National Economic Council, a board member of the Sihanoukville Autonomous Port, the Secretary-General of the Economic and Financial Policy Committee, the Secretary of State of the Ministry of Economy and Finance, and the Chairman of SME Bank of Cambodia. He holds a PhD in Economics from Australia.





H.E. SON Seng Huot is the Secretary of State of the Ministry of Industry, Science, Technology, and Innovation. He has a lot of experience as, before 2013, he was Director of the Phnom Penh Department of Industry, Mines and Energy. From 2013 to 2014, he was the Deputy Director General of the Department of Small and Medium Enterprise and Handicrafts at the Ministry of Industry and Handicraft. From 2014 to the present, he has been the Secretary of State of the Ministry of Industry, Science, Technology, and Innovation in charge of the General Department of Small and Medium Enterprises and Handicrafts and the Department of Industrial Affairs of the General Department of Industry.

He graduated from Vietnam with Small and Medium Enterprise Management Skills and One Village One Product Management Skills from Japan. He underwent short-term training courses on small and medium enterprise management from Singapore and Korea. He holds a master's degree in public administration from Asia Europe University.



H.E. TEP Phiyorin is currently the Undersecretary of State at the Ministry of Economy and Finance. In the past, he was the Director General of the General Department of Policy. He also served as an advisor to the Executive Director of the World Bank Group, based in Washington D.C. in the United States. He joined the Ministry of Economy and Finance in 1999 as a Budget Officer, and since then he has held several positions in the Ministry of Economy and Finance, including Director of the Office of Macroeconomics, Deputy Head of Department, and Head of the Department of Economic Policy and Public Finance.

He holds a degree in Public Economics and Finance from the University of Birmingham in the United Kingdom and in Economics from the Kharkov State University of Economics in Ukraine. He is currently responsible for monitoring macroeconomic development, policy monitoring, and analysis of development issues. He is also in charge of the macroeconomic framework and medium-term taxes, and advises on economics, finance, and the public management sector.

## The board of Directors



Mrs. CHHORN Dalis has been appointed as an Independent Board Member of SME Bank of Cambodia in 2020. She has more than 20 years of experience as an Accountant and leads small and medium enterprises in various fields, including agro-industry and clean water.

She holds a Master of Business Administration from the Asian Institute of Technology in Thailand and a Master of International Finance from Ceram Sophia Antipolis in France in 2002.



H.E. CHAN Sok Ty is currently the Royal Government of Cambodia Delegate in charge of the CEO of the Green Trade Company, with the same status as Secretary of State under the Ministry of Commerce. He is also a Board Member of SME Bank of Cambodia.

He is a member of the Food Reserve System Management Committee of Cambodia (វិ.ស៊.ស.ក), which is responsible for managing the Royal Government's Food Reserve System.

He was also the Director General of Domestic Trade of the Ministry of Commerce and Director of Accelerating Inclusive Markets for Smallholders Project (AIMS).

He joined the Ministry of Commerce in 1997 as an Officer of the Laboratory Office of the General Department of CamControl, and since then held various positions in the Ministry of Commerce, including Chong Ty Deputy Branch Manager, Deputy Head of Department and Deputy Director General of the General Department of International Trade, Acting Director General of the General Department of Trade Promotion of the Ministry of Commerce.

He graduated with a degree in Food Chemistry Engineering from the Institute of Technology of Cambodia and a Master's degree in agriculture from the University of Tokyo, Japan.





H.E. Dr. KONG Marry is currently the Secretary of State of the Ministry of Economy and Finance, Chairman of Techo Startup Center's board of directors, Director of the Entrepreneurship Development Fund, Secretary General of the General Secretariat of the Digital Economy and Business Committee and member of board of directors of the Skills Development Fund.

His main roles at the Ministry involve driving reforms through the use of digital technology and platforms, developing startup and digital entrepreneurship and SMEs to go digital, and promoting innovation in financial technology (FinTech). He obtained his Master's and Doctoral Degrees in Telecommunications Technology and Information Technology from Waseda University, Japan.





SENIOR  
MANAGEMENT



Dr. LIM Aun has more than 25 years of experience in the field of Banking and international auditing companies. Before joining SME Bank of Cambodia, from 1997 to 2021, he served as a Senior Auditor at KPMG in Cambodia and Malaysia, as Deputy General Manager at Vattanac Bank, and lastly, as Chief Executive Officer at Sathapana Bank.

He was appointed as Chief Executive Officer and Board Member of SME Bank of Cambodia by the Royal Government in August 2021.

He holds a PhD in Business Administration from France.





Mr. NEAV Sokun has over 20 years of experience in the Banking and Financial sector, having progressed from entry-level positions to management and executive roles. His expertise ranges from strategy development, retail banking, SME banking, branch management, performance management, to customer service. He currently serves as Chief Operating Officer at SME Bank of Cambodia, overseeing the Bank's business development, operations, and marketing. Prior to this, he worked as the Head of Branch Management at Sathapana Bank for nearly 18 years.

He holds a Master's degree in Business Administration from Norton University and a Bachelor's degree in Teaching English as a Foreign Language (TEFL) from Build Bright University. He has also completed more than thirty training programs, both locally and internationally, focused on banking and microfinance management.



Mr. DEN Davuth, with his extensive 19 years of experience in the banking and financial sector, joined the SME Bank of Cambodia in July 2021. In his current role, he is entrusted with executing the Bank's IT strategy, driving business process re-engineering initiatives, and fortifying IT governance and control. His expertise and leadership are instrumental in the bank's technological advancement and operational efficiency.

He started his career in 2005 with a local bank in the Information Technology Department. In 2010, he was among the pioneers who set up one of the biggest regional banks in Cambodia, where he headed the Information Technology and Operations departments. From 2018-2019, he drove a project team to set up a new IT and Digital Banking infrastructure for a new local bank. From 2020-2021, he became the Chief Technology and Information Officer at Sathapana Bank.

He graduated with a bachelor's degree in computer science and engineering from the Royal University of Phnom Penh in 2004, a bachelor's degree in public communication from the Institute of Foreign Languages in 2009, and received his Management and Leadership certificate from Nanyang Technological University in 2013.



Mr. OEUR Vibol has more than 18 years of experience in the Banking sector. He started his career at one of the leading local banks in 2004 with experience in numerous roles in accounting and finance. In 2010, he moved to one of the regional banks as a pioneer in setting up the bank, where he had an opportunity to expand his professional experience in accounting, finance, and risk management. In his last role as Head of Risk Analytics and Management, his main responsibilities were developing and implementing risk management frameworks and policies to suit operations and regulations.

In August 2020, he joined SME Bank of Cambodia as a Chief Risk Officer to oversee risk management functions, including but not limited to credit, operational, liquidity, and market risks.

He graduated from the National University of Management with a degree in Accounting and Finance and participated in numerous courses in accounting, finance, risk management, and leadership.



After graduating with Master's degree in International and Development Economics from the Australian National University (ANU), Mr. Chea Sophak joined the Ministry of Economy and Finance (MEF) in 2015 as a Young Economist and lately served as the Deputy Director General of Policy and Deputy Secretary General of the Committee on Economic and Financial Policy. During his public career with MEF, he was appointed as Director's Advisor representing Cambodia at Asian Development Bank (ADB) based in Manila of the Philippines for 2 years.

He was appointed as Chief Finance Officer of SME Bank of Cambodia in January 2024.





# Corporate Governance

The Bank has a strong governance structure through the technical and financial guidance of the Ministry of Economy and Finance with further supervision from the National Bank of Cambodia. The bank is managed by the Chairman and Members of the Board appointed by the Sub-Decree of the Royal Government of Cambodia.

The Bank operates on the basis of the principles, regulations, procedures, validation and evaluation mechanisms established by the management and other relevant departments within the Bank and approved by the Board of Directors.



# Board of Directors' Meeting



The Board of Directors (The Board) consists of seven members, which is two Executive Directors and five Non-Executive Directors. The Board's primary responsibility is to establish the Bank's objectives and oversee its overall management and operations, in line with the policy direction of the Royal Government of Cambodia. The Board is primarily accountable to the Ministry of Economy and Finance (the sole shareholder) for the proper conduct of the Bank's business.

In 2023, the Board conducted five meetings to review and approve a number of important tasks. These included: reviewing the progress of banking operations on a regular basis, establishing new branches, reviewing and discussing to address the solutions to Non-Performing Loans (NPLs), approving the three-year business plan 2024-2026, approving the procurement plan for 2024 and approving the revisions and updates of other important policies.



## Board Risk and Compliance Committee

The Board appoints the Board Risk and Compliance Committee (BRCC) and comprises of four Non-Executive Directors. BRCC's responsibility is authorized by the Board to ensure that the integrated risk management functions within the Bank are effectively discharged.

The BRCC oversees credit, liquidity, market, and operational risks including a review of strategic risks, policies, guidelines, assessment methodology, and the risk management report. The BRCC reports to the Board of Directors on all risk and compliance matters of the Bank.

A total of nine BRCC meetings were held in 2023 and the Directors' attendance at the meetings was as follows:

No.	Directors	Composition
1	H.E. Tep Phiyorin	Chairman
2	H.E. Son Seng Huot	Member
3	H.E. Chan Sokty <sup>(1)</sup>	Member
4	Mrs. Chhorn Dalis	Member

(1) H.E. Chan Sokty is appointed as a BRCC member effective on 03 April 2024.

### Risk Management

- To review and provide prior endorsement on any product/policy deviation before the Board's approval;
- To review and provide prior endorsement on credit application before the Board's approval;
- To review and approve procedures to assist implementation of policy;
- To approve for policy review with no change or immaterial change or incidental change;
- To review and consider the adequacy of risk management policies and frameworks, identifying, measuring, monitoring, and controlling risk, and the extent to which these are effectively implemented;
- To ensure infrastructure, resources and systems are in place for risk management i.e., that the staff members are responsible for implementing risk management systems, performing those duties independently of the Bank's risk-taking activities;
- To review management's periodic reports on risk exposure, risk portfolio composition, asset quality, risk rating systems, risk appetite, stress testing, and risk management activities;
- To ensure that the Bank's overall impaired loans portfolio meets with the guidelines of regulatory authorities and approved policies and procedures;
- To review and approve risk-taking activities as delegated;
- To establish and keep under review any sub-committee;
- To undertake the risk-related tasks assigned by Board of Directors.

## Compliance

- Discuss compliance, anti-money laundering, and combating the financing of the terrorism and proliferation of weapons of mass destruction (“AML/CFT &PF) risk, and ensure the risks are mitigated effectively and expeditiously;
- Review and approve compliance AML/CFT & PF framework/policies and evaluate the effectiveness of the Bank’s overall management of compliance and AML/CFT &PF risk. To accord high attention and strengthen compliance functions, resources and infrastructure;
- Review/assist in leading and overseeing technical development of Foreign Account Tax Compliance Act (FATCA) compliance and reporting to relevant regulators;
- Review reports from the Compliance Officer for ensuring adherence to internal compliance policies and procedures and compliance with laws and regulations, as requested by the Committees or required by law and regulations;
- Report to the Board on its consideration of compliance-related matters, identifying those areas where action or improvement is needed, and making recommendations as appropriate;
- Consider and provide prior endorsement on recruitment, appointment, and removal of the Compliance Officer as per National Bank of Cambodia’s requirement; and
- Consider and examine such other matter as the BOD requires, the Committee considers appropriate, or which are otherwise brought to attention, and to make recommendations or/and reports to the Board as appropriate.

## Key Matters Reviewed/Deliberated/Approved

Throughout the financial year-end 2023, BRCC has committed to ensure the Bank’s structure remained resilient against unexpected economic shocks as set out below:

- Discussed Risk Management Report;
- Discussed Compliance and Regulatory Compliance Risk Report;
- Reviewed and endorsed Risk Appetite Statement;
- Reviewed and endorsed Proposal of New Branches Opening;
- Reviewed and endorsed Credit Delegated Approving Authority;
- Reviewed and endorsed Revolving Credit Product;
- Reviewed and endorsed Fraud Management Policy;
- Reviewed and endorsed Revised Whistleblowing Policy;
- Approved Brand Guideline;
- Approved Whistleblowing Guideline
- Approved Finance and Accounting Procedure;
- Approved Credit Procedures;
- Approved Check Clearing Operations Manual;
- Approved Remittance Operations Manual;
- Approved Stress Test Scenario Result and Analysis for Position as of 2023;

## Risk Management Department

Risk Management plays a vital role in the banking business and is even more crucial in challenging business environments. The role of Risk Management has also been broadened, and a strong risk culture needs to be embedded into business units to ensure adequate risk transparency for the sustainable growth of the Bank. Risk Management functions work independently and closely with all relevant business units to ensure the understanding of risk culture and awareness.

Overall, Risk Management Department is responsible for administrating the day-to-day risk management functions as well as the monitoring and control of the Bank’s risk exposures with regular reporting to the Risk Management Committee and the Board Risk and Compliance Committee (BRCC).



## Key Roles of Risk Management:



### Credit Risk

Credit Risk is the possibility of losses due to a borrower or market counterparty failing to perform its contractual obligations to the Bank.

The credit risk management is mainly focused on analyzing, approving and monitoring loans independently and professionally to ensure that the terms and conditions are met. Credit Management Department performs a follow-up role to ensure that approved terms and conditions are properly monitored. Credit management is also responsible for reviewing and monitoring the Bank's loan portfolio and any credit-related limit/threshold. Besides, Credit Management has also covered the scope for Credit Quality Control and Loan Monitoring and Recovery to strengthen the Bank's asset quality and its long-term sustainability.



### Liquidity Risk

Liquidity Risk is the risk that the Bank does not have sufficient financial resources available to fund increases in assets or to meet its obligations as they come without incurring unacceptable losses.

The Bank must maintain sufficient liquidity at all times so that its cash flow positions and/or liquefiable assets are readily available to meet financial and regulatory obligations under BAU and stress conditions.

Liquidity risk undertaken by the Bank is governed by an established liquidity risk appetite that defines the risk-taking level that the Bank is willing to accept in pursuit of its strategic and business objectives.

Risk Management is responsible for monitoring the Bank's liquidity risk profile and reports regularly to the Risk Management Committee and the BRCC to manage its liquidity position to meet its daily operational needs and regulatory requirements.



### Market Risk

Market Risk is defined as fluctuations in the value of financial instruments due to changes in market risk factors such as interest rates, currency exchange rates, credit spreads, equity prices, commodities prices, and their associated volatility.



### Operational Risk

Operational Risk refers to the risk of loss resulting from inadequate or failed internal processes, people and systems or external events. One of the key requirements of a robust risk management structure is having effective Operational Risk Management tools to identify comprehensively, measure, monitor, control, and report the entity's operational risk exposures.

# Board Audit Committee

The Board Audit Committee (“BAC”) is appointed by the Board. The Board Audit Committee is composed of four members who are Non-Executive Directors to provide oversight of the internal audit, financial statements, internal control system, and risk management framework to ensure compliance with regulatory requirements in the Bank. A total of five Board Audit Committee meetings were held in 2023 at the meetings are as follows:

No.	Directors	Composition
1	Mrs. Chhorn Dalis	Chairwoman
2	H.E. Tep Phiyorin	Member
3	H.E. Son Seng Huot	Member
4	H.E. Chan Sokty	Member

## The Board Audit Committee performs the roles and responsibilities as follows:

- Ensure the information provided to the Public and the National Bank of Cambodia is accurate and reliable.
- Ensure the internal auditors regularly audit the accounting methods, records, and financial statements to meet the expectations of the regulations and the Board.
- Evaluate, check, and approve the internal audit policies, procedures, and annual internal audit plans, mainly whether the system measuring, monitoring, and risk management are consistent and recommended on audit findings.
- Assist the Board in overseeing the implementation of accounting policies, preparing accurate and sufficient reports, and ensuring the effectiveness of internal control.
- Ensure corrective action between the internal auditor and senior management to comply with the target response.



## Results of the Board Audit Committee's performance achievement in 2023:

- Reviewed and advised on internal audit findings, and special audit findings;
- Discussed the KPIs for the Internal Audit team, budgeting, and staffing manpower;
- Reviewed the implementation following recommendations from the Internal Audit Department and the Board of Audit Committee;
- Reviewed and approved the Revise Internal Audit Methodology and Internal Audit Report Template;
- Reviewed and endorsed the External Auditor selection before the Board of Director approved;
- Conducted a meeting between senior management with External Auditors on findings;
- Reviewed and endorsed the Annual Audit Report 2022 before the Board of Director for submission to CAFIU;
- Reviewed and approved Internal Control Report 2022 for submission to NBC and CAFIU
- Reviewed training course for internal auditors;
- Reviewed and approved Annual Internal Audit Plan for 2023;
- Evaluated annual performance of the Head Internal Audit.

## Internal Audit Department

The Internal Audit Department is responsible for regularly evaluating, checking, and monitoring the implementation of the Bank's internal control system and governance to ensure the Bank's vision and main objectives' effectiveness. To ensure the transparency and independence of the audit work, the internal auditors must report directly to the Board Audit Committee and indirectly to the Chief Executive Officer on certain administrative matters.

### Internal Audit's Key Roles:

- Manage audit work, coordinate, review, and report on the internal audit's work, and provide the Audit Standards, criteria, and requirements of the internal audit.
- Plan, manage, and monitor the daily work activities of the Internal Audit Department and develop and maintain effective and efficient customers and staff.
- Ensure that Bank's management and employees fully implement all internal policies and procedures.
- Introduce management to the impact of risks related to new products and services or activities and plans to mitigate risks.
- Prepare and update an internal risk-based audit plan for evaluating the effectiveness of risk management and report the internal audit report to the Board Audit Committee.
- Ensure the management has responded and acted on the internal audit report and implemented the recommendation by the target date. Perform other tasks as assigned by the Board Audit Committee.
- Assist the Board Audit Committee and the Board of Directors in fulfilling their responsibilities for properly implementing accounting policies, reports, adequacy, and effectiveness of internal control.



# Board of Remuneration and Nomination Committee (BRNC)

The Board of Remuneration and Nomination (BRNC) Committee is appointed by the Board of Directors. The Board of Remuneration and Nomination Committee consists of 1 (one) executive director and 4 (four) non-executive directors to ensure that the Remuneration Policy is consistent with the long-term objectives and corporate values of the SME Bank and reasonable in the light of the SME Bank's objectives, compensation for a similar function in other banks and financial institutions, and other relevant factors with due regard to the interests of the shareholders and to the financial and commercial needs of the SME Bank. There were 5 (five) meetings held in 2022 with the participation of the members as follows:

No.	Directors	Composition
1	H.E. Son Seng Huot	Chairman
2	H.E. Tep Phiyorin	Member
3	H.E. Chan Sokty	Member
4	Mrs. Chhorn Dalis	Member
5	Mr. Neav Sokun	Member

## The BRNC performs the roles and responsibilities as follows:

- Cover all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, expenses, consultancy fees (where applicable) and benefits in kind; and
- Recommend the remuneration of the Directors of the SME Bank to the Board of Director.
- Recommend to the Board the performance targets and incentive plan (including bonus and any other scheme designed to encourage long-term corporate value creation) for the SME Bank Managements, the Head of Internal Audit, and the Compliance Manager for the coming year.
- Review the adequacy and form of compensation to the SME Bank Managements and Key Managers to ensure that it is realistically commensurate with the responsibilities and risks involved in being an effective member of the management team.
- Review and guide the evaluation of the effectiveness of the Board and the Board committee at least once per year.
- Review and update the relevant policies and procedures at least once a year for BOD's approval.



## Results of the Board of Remuneration and Nomination Committee in 2023:

- Reviewed and advised on the annual salary increment for employees prior to the approval of the Board of Directors
- Reviewed and approved BOD and BOD committee meeting allowance procedure.
- Reviewed and endorsed the form and KPI setting 2023
- Reviewed and endorsed the performance appraisal result 2023
- Reviewed and approved the recruitment procedure
- Reviewed and endorsed the revised Human Resources Policy prior to the approval of the Board of Directors

# FINANCIAL STATEMENTS





# Report of the Board of Directors

The Board of Directors of Small and Medium Enterprise Bank of Cambodia Plc. (“the Bank”) presents its report and the Bank’s financial statements as at 31 December 2023 and for the year then ended.

## Principal activity

The Bank was incorporated in the Kingdom of Cambodia as a state-owned bank organized under the Law on the General Statute of Public Enterprise with the registration certificate Co. 0001 M/2020 issued by the Ministry of Commerce on 13 January 2020. The Bank is under the technical and financial supervision of Ministry of Economy and Finance (“MEF”).

The Bank obtained its banking license from the National Bank of Cambodia (“NBC”) on 27 February 2020 to operate as a commercial bank.

The Bank’s principal business activities are provisions of financing and commercial banking services to support small and medium enterprises in the Kingdom of Cambodia.

The Bank’s registered office address is located at MEF Business Development Center, OCIC Street, Phum Kien Khleang, Sangkat Chraoy Chongvar, Khan Chraoy Chongvar, Phnom Penh, Cambodia.

## Results of operation and dividend

The results of the Bank’s operations for the year ended 31 December 2023, and the state of its affairs as at that date are set out in the accompanying financial statements.

There were no dividends proposed, declared or paid by the Bank during the year.

## Expected credit losses on loans and advances

Before the financial statements of the Bank were prepared, the Board of Directors took reasonable steps to ascertain that action had been taken in relation to writing off bad loans or recognition of allowance for expected credit losses and satisfied themselves that all known bad loans had been written off and that adequate allowance had been made for expected credit losses on loans and advances.

At the date of this report and based on the best of our knowledge, the Board of Directors is not aware of any circumstances which would render the amounts written off for bad loans or the amounts of the allowance for expected credit losses in the financial statements of the Bank inadequate to any material extent.

## Assets

Before the financial statements of the Bank were prepared, the Board of Directors took reasonable steps to ensure that any assets, which were unlikely to be realized 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 realize.

At the date of this report and based on the best of knowledge, the Board of Directors is not aware of any circumstances which would render the values attributed to the assets in the financial statements of the Bank misleading in any material respect.



## Financial Statements

## Valuation methods

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

## Contingent and other liabilities

At the date of this report, there are:

- (a) no charges on the assets of the Bank which has arisen since the end of the year which secures the liabilities of any other person except as disclosed in the financial statements; and,
- (b) no contingent liabilities in respect of the Bank that has arisen since the end of the year other than in the ordinary course of its business operations.

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

## Change of circumstances

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

## Items of an unusual nature

The results of the operations of the Bank for the year were not, in the opinion of the Board of Directors, 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, in the opinion of the Board of Directors, to affect substantially the results of the operations of the Bank for the current financial year in which this report is made.

## The Board of Directors

The members of the Board of Directors holding office during the year and to the date of this report are:

Name	Position
H.E. Dr. Phan Phalla	Secretary of State, Ministry of Economy and Finance and Chairman of the Board of Directors
H.E. Tep Phiyorin	Member
H.E. Son Seng Huot	Member
H.E. Chan Sokty	Member
Mrs. Chhorn Dalis	Member
Dr. Lim Aun	Chief Executive Officer and Member
Mr. Neav Sokun	Chief Operating Officer and Member

## Auditor

The financial statements as at 31 December 2023 and for the year then ended have been audited by the accounting firm of Grant Thornton (Cambodia) Limited.

## Directors' interests

No directors held any interest in the equity of the Bank. No arrangement existed to which the Bank is a party with the object of enabling the members to obtain an interest in the Bank or in any corporate body.

## Directors' benefits

During and at the end of the year, no arrangement existed to which the Bank was a party with the objective of enabling the directors of the Bank to acquire benefits by means of the acquisition of shares in or debentures of the Bank or any other body corporate.

During the financial year, no director of the Bank has received or become entitled to receive any benefit by reason of a contract made by the Bank or a related corporation with a firm of which the director is a member, or with a company in which the director has substantial financial interest other than as disclosed in the financial statements.

## Responsibilities of the Board of Directors and the Management in respect of the financial statements

The Management is responsible for the preparation of financial statements that present fairly, in all material respects, the financial position of the Bank as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with Cambodian International Financial Reporting Standards ("CIFRSs") and guidelines of the NBC. In preparing these financial statements, the Management is required to:

- adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- comply with the requirements of CIFRSs, or, if there have been any departures in the interest of fair presentation, these have been appropriately disclosed, explained, and quantified in the financial statements;
- maintain adequate accounting records and an effective system of internal control;
- assess the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so; and
- control and direct effectively the Bank in all material decisions affecting the operations and performance and ascertain that such decisions and/or instructions have been properly reflected in the financial statements.

The Board of Directors 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 of Directors confirm that the Bank has complied with the above requirements in preparing and reviewing the financial statements.

## Statement by the Board of Directors

In the opinion of the Board of Directors, the accompanying statements of financial position, statement of comprehensive income, changes in equity and cash flows, together with the notes thereto, have been properly drawn up, and present fairly, in all material respects, the financial position of the Bank as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with CIFRSs and guidelines of the NBC.

Signed on behalf of the Board of Directors:



**H.E. Dr. Phan Phalla**

Secretary of State, Ministry of Economy  
and Finance and Chairman of the  
Board of Directors



**Dr. Lim Aun**

Chief Executive Officer and Member

Phnom Penh, Kingdom of Cambodia  
22 March 2024



# Independent auditor's report

**To the Shareholders of  
Small and Medium Enterprise Bank of Cambodia Plc.**

## Opinion

We have audited the financial statements of Small and Medium Enterprise Bank of Cambodia Plc. ("the Bank"), which comprise the statement of financial position as at 31 December 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

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

## Basis for opinion

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

## Information other than the financial statements and auditor's report thereon

Management is responsible for the other information. The other information comprises the Report of the Board of Directors, but does not include the financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the annual report, which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

## Responsibilities of Management and the Board of Directors for the financial statements

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

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

The Board of Directors is responsible for overseeing the Bank's financial reporting process.

## Other matter

The Bank's financial statement as at 31 December 2022 and for the year then ended were audited by another auditor who expressed an unmodified opinion and those financial statements on 22 March 2023.

## Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with CISAs, we exercise professional 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including 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.

*Grant Thornton*  
**GRANT THORNTON (CAMBODIA) LIMITED**  
 Certified Public Accountants  
 Registered Auditors



*Ronald C. Almera*  
**Ronald C. Almera**  
 Partner – Audit and assurance

Phnom Penh, Kingdom of Cambodia  
 22 March 2024



# Statement of financial position

as at 31 December 2023

		31 December 2023		31 December 2022	
Notes		USD	KHR'000	USD	KHR'000
			(Note 4.2)		(Note 4.2)
Assets					
Cash on hand	6	1,998,634	8,164,420	570,750	2,349,778
Balances with the NBC	7	10,245,833	41,854,228	12,970,398	53,399,129
Balances with other banks	8	91,082,793	372,073,209	50,478,382	207,819,499
Loans and advances to customers – net	9	211,933,853	865,749,790	210,500,932	866,632,337
Intangible assets	11	614,419	2,509,902	789,727	3,251,306
Property and equipment	12	2,145,511	8,764,412	1,808,897	7,447,229
Right-of-use assets	13	2,034,601	8,311,345	2,295,191	9,449,301
Statutory deposits	14	338,272	1,381,841	321,965	1,325,530
Deferred tax assets	15	836,917	3,418,805	820,969	3,379,929
Other assets	10	386,677	1,579,575	182,939	753,159
Total assets		321,617,510	1,313,807,527	280,740,150	1,155,807,197
Equity and liabilities					
Equity					
Share capital	20	200,000,000	800,000,000	200,000,000	800,000,000
Contributions from Ministry of Economy and Finance	21	1,246,882	4,987,528	1,246,882	4,987,528
Regulatory reserves	4.16	1,259,584	5,145,401	-	-
Accumulated losses		(4,213,344)	(17,177,553)	(2,681,369)	(10,912,624)
Cumulative translation differences		-	17,072,027	-	23,419,313
Total equity		198,293,122	810,027,403	198,565,513	817,494,217
Liabilities					
Deposits from other financial institutions	16	52,855	215,913	49,461	203,631
Deposits from customers	17	3,964,860	16,196,453	4,660,524	19,187,377
Borrowings	18	116,511,573	475,949,776	74,016,274	304,725,000
Income tax liabilities	15.1	11,521	47,063	253,069	1,041,885
Lease liabilities	13	2,100,041	8,578,667	2,310,618	9,512,814
Other liabilities	19	683,538	2,792,252	884,691	3,642,273
Total liabilities		123,324,388	503,780,124	82,174,637	338,312,980
Total equity and liabilities		321,617,510	1,313,807,527	280,740,150	1,155,807,197

# Statement of comprehensive income

for the year ended 31 December 2023

	Notes	For the year ended 31 December 2023		For the year ended 31 December 2022	
		USD	KHR'000 (Note 4.2)	USD	KHR'000 (Note 4.2)
Interest income	22	10,780,483	44,307,785	6,387,859	26,107,180
Interest expense	22	(1,711,403)	(7,033,866)	(36,345)	(148,542)
<b>Net interest income</b>		9,069,080	37,273,919	6,351,514	25,958,638
Net fee and commission	23	203,594	836,771	24,062	98,341
Foreign exchange gain/(loss)		215,537	885,857	(527,795)	(2,157,098)
<b>Total operating income</b>		9,488,211	38,996,547	5,847,781	23,899,881
Provision for expected credit losses	9	(3,517,257)	(14,455,926)	(2,028,607)	(8,290,917)
Personnel expenses	24	(3,549,587)	(14,588,803)	(1,964,642)	(8,029,492)
Depreciation and amortisation	25	(1,247,950)	(5,129,075)	(1,025,148)	(4,189,780)
General and administrative expenses	26	(1,366,320)	(5,615,575)	(929,799)	(3,800,089)
<b>Loss before income tax</b>		(192,903)	(792,832)	(100,415)	(410,397)
Income tax (expense)/benefit	15.2	(79,488)	(326,696)	510,848	2,087,836
<b>Net (loss)/profit for the year</b>		(272,391)	(1,119,528)	410,433	1,677,439
<b>Other comprehensive (loss)/income -</b>					
Currency translation differences		-	(6,347,286)	-	12,228,453
<b>Total comprehensive (loss)/income for the year</b>		<b>(272,391)</b>	<b>(7,466,814)</b>	<b>410,433</b>	<b>13,905,892</b>

## Financial Statements

# Statement of changes in equity

for the year ended 31 December 2023

	Share capital	Contributions from Ministry of Economy and Finance	Accumulated losses	Regulatory reserves	Currency translation differences	Total equity	
	USD	USD	USD	USD	KHR'000	USD	KHR'000
						(Note 4.2)	
As at 1 January 2023	200,000,000	1,246,882	(2,681,369)	-	23,419,313	198,565,513	817,494,217
Net loss for the year	-	-	(272,391)	-	-	(272,391)	(1,119,528)
Transfer to regulatory reserves	-	-	(1,259,584)	1,259,584	-	-	-
Currency translation differences	-	-	-	-	(6,347,286)	-	(6,347,286)
<b>As at 31 December 2023</b>	<b>200,000,000</b>	<b>1,246,882</b>	<b>(4,213,344)</b>	<b>1,259,584</b>	<b>17,072,027</b>	<b>198,293,122</b>	<b>810,027,403</b>
As at 1 January 2022	150,000,000	1,308,082	(3,091,802)	-	11,190,860	148,216,280	603,833,125
Capital injection	50,000,000	-	-	-	-	50,000,000	200,000,000
Net profit for the year	-	-	410,433	-	-	410,433	1,677,439
Return of contribution to MEF	-	(61,200)	-	-	-	(61,200)	(244,800)
Currency translation differences	-	-	-	-	12,228,453	-	12,228,453
<b>As at 31 December 2022</b>	<b>200,000,000</b>	<b>1,246,882</b>	<b>(2,681,369)</b>	<b>-</b>	<b>23,419,313</b>	<b>198,565,513</b>	<b>817,494,217</b>



# Statement of cash flows

for the year ended 31 December 2023

		For the year ended 31 December 2023		For the year ended 31 December 2022		
	Notes	USD	KHR'000 (Note 4.2)	USD	KHR'000 (Note 4.2)	
<b>Cash flows from operating activities</b>						
Loss before income tax		(192,903)	(792,832)	(100,415)	(410,397)	
<b>Adjustments for:</b>						
Provision for expected credit losses		9	3,517,258	14,455,932	2,028,607	8,290,917
Interest expense on borrowings		18	1,547,539	6,360,385	-	-
Depreciation and amortisation		25	1,247,950	5,129,075	1,025,148	4,189,780
Currency revaluation on borrowings		18	579,809	2,383,015	-	-
Unrealised gain on foreign currency exchange			321,449	1,321,155	76,639	313,224
Interest expense on lease liabilities		13	52,022	213,810	24,264	99,167
<b>Operating profit before changes in working capital</b>			7,073,124	29,070,540	3,054,243	12,482,691
<b>Changes in working capital</b>						
<b>Net changes in:</b>						
Statutory deposits			(16,307)	(67,022)	(299,019)	(1,222,091)
Loans and advances to customers - net			(4,950,179)	(20,345,236)	(103,217,888)	(421,851,508)
Deposit from other financial institutions			3,394	13,949	33,622	137,413
Deposit from customers			(695,664)	(2,859,179)	4,155,544	16,983,708
Other assets			(529,807)	(2,177,507)	(229,436)	(937,705)
Other liabilities			(201,154)	(826,743)	515,184	2,105,557
<b>Cash generated from/(used) in operating activities</b>			683,407	2,808,802	(95,987,750)	(392,301,935)
Income tax paid		15.1	(336,984)	(1,385,004)	(66,941)	(273,588)
<b>Net cash from/ (used) in operating activities</b>			346,423	1,423,798	(96,054,691)	(392,575,523)
<b>Cash flows from investing activities</b>						
Placements in short-term deposits		8	(8,169,529)	(33,576,764)	(17,253,163)	(70,513,677)
Purchases of property and equipment		12	(915,976)	(3,764,661)	(1,527,644)	(6,243,481)

# Statement of cash flows (continued)

for the year ended 31 December 2023

	Notes	For the year ended 31 December 2023		For the year ended 31 December 2022	
		USD	KHR'000 (Note 4.2)	USD	KHR'000 (Note 4.2)
Purchases of intangible assets	11	(147,913)	(607,922)	(78,154)	(319,415)
<b>Net cash used in investing activities</b>		<b>(9,233,418)</b>	<b>(37,949,347)</b>	<b>(18,858,961)</b>	<b>(77,076,573)</b>
<b>Cash flows from financing activities</b>					
Proceeds from borrowings	18	41,467,082	170,429,707	74,016,274	302,504,512
Interest paid on borrowings	18	(1,099,131)	(4,517,429)	-	-
Payments of lease liabilities	13	(342,755)	(1,408,723)	(233,768)	(955,410)
Return of contribution to MEF	21	-	-	(61,200)	(250,124)
Proceeds from additional share capital	20	-	-	50,000,000	204,350,000
<b>Net cash generated from financing activities</b>		<b>40,025,196</b>	<b>164,503,555</b>	<b>123,721,306</b>	<b>505,648,978</b>
<b>Net increase in cash and cash equivalents</b>		<b>31,138,201</b>	<b>127,978,006</b>	<b>8,807,654</b>	<b>35,996,882</b>
Cash and cash equivalents at the beginning of year		44,132,367	181,692,955	35,324,713	143,912,881
Currency translation differences		-	(2,190,690)	-	1,783,192
<b>Cash and cash equivalents at the end of year</b>	<b>6</b>	<b>75,270,568</b>	<b>307,480,271</b>	<b>44,132,367</b>	<b>181,692,955</b>
<i>Additional information on operational cash flows from interest:</i>					
Interest received		10,252,711	42,138,642	5,729,664	23,417,137
<b>Interest paid</b>		<b>1,606,387</b>	<b>6,602,251</b>	<b>25,512</b>	<b>104,268</b>

# Notes to the financial statements

## 1. Corporate information

The Bank was incorporated in the Kingdom of Cambodia as a state-owned bank organized under Law on the General Statute of Public Enterprise with the registration certificate Co. 0001M/2020 issued by the Ministry of Commerce on 13 January 2020. The Bank is under technical and financial supervision of Ministry of Economy and Finance (“MEF”).

The Bank obtained its banking license from the National Bank of Cambodia (“NBC”) on 27 February 2020 to operate as a commercial bank with a permanent validity.

The Bank’s principal business activities are provisions of financing and commercial banking services to support small and medium enterprises in the Kingdom of Cambodia.

The Bank’s registered office address is located at MEF Business Development Center, OCIC Street, Phum Kien Khleang, Sangkat Chraoy Chongvar, Khan Chraoy Chongvar, Phnom Penh, Cambodia.

As at 31 December 2023, the Bank had 222 employees (2022: 144 employees).

## 2. Basis of preparation and statement of compliance with CIFRSs

These financial statements have been prepared in accordance with Cambodian International Financial Reporting Standards (“CIFRSs”).

The Accounting and Auditing Regulator, as mandated by Prakas (Circular) No. 068-MEF-Pr dated 8 January 2009 issued by the Ministry of Economy and Finance of Cambodia on the adoption of Cambodian Financial Reporting Standards, has decided to adopt International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) without modifications as CIFRSs.

## 3. Amended standards and interpretations

### 3.1. Amendments and interpretations to existing standards that are effective as at 1 January 2023

The Bank adopted all accounting standards and interpretations as at 31 December 2023. The amended accounting standards assessed to be applicable and have no material impact to the Bank’s financial statements are as follows:

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to CIAS 12, Income Taxes)

*The International Accounting Standards Board (“IASB”) amends CIAS 12 to provide a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying CIFRS 16, Leases,*



## Financial Statements

at the commencement date of a lease. Following the amendments to CIAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in CIAS 12.

- Disclosure of Accounting Policies (Amendments to CIAS 1, Presentation of Financial Statements, and CIFRS Practice Statement 2)

*The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, IASB has also developed guidance and examples to explain and demonstrate the application of the 'four- step materiality process' described in CIFRS Practice Statement 2.*

- Definition of Accounting Estimates (Amendments to CIAS 8, Accounting Policies, Changes in Accounting Estimates and Errors)

*The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty." Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.*

The application of these amendments is reflected in the Bank's financial statements under Notes 4 and 5.

### 3.2. Amendments to existing standards that are not yet effective and have not been adopted early by the Bank

At the date of authorization of these financial statements, the following new and revised accounting standards that have been issued but are not yet effective and have not been adopted early by the Bank:

- Classification of Liabilities as Current or Non-current (Amendments to CIAS 1)
- Non-current Liabilities with Covenants (Amendments to CIAS 1)
- Lack of Exchangeability (Amendments to CIAS 21, The Effects of Changes in Foreign Exchange Rates)
- Lease Liability in a Sale and Leaseback (Amendments to CIFRS 16)
- Supplier Finance Arrangements (Amendments to CIAS 7 and CIFRS 7)

These amendments are not expected to have a significant impact on the Bank's financial statement in the period of initial application and therefore the disclosures have not been made.

## 4. Material accounting policy information

### 4.1. Basis of preparation

The financial statements, expressed in United States dollar ("USD"), have been prepared on a historical cost basis, except otherwise indicated.

## 4.2. Functional and presentation currency

### *Functional and presentation currency*

Items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the Bank operates (“the functional currency”). The USD reflects the economic substance of underlying events and circumstances of the Bank. The financial statements are therefore presented in USD, which is the Bank’s functional and presentation currency.

### *Transactions and balances*

Transactions in currencies other than USD are translated into USD at the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in currencies other than USD at the year-end exchange rates, are recognised in statement of comprehensive income.

### *Presentation in Khmer Riel*

The translation of the USD amounts into thousands Khmer Riel (“KHR’000”) is presented in the financial statements to comply with the Law on Accounting and Audit dated 11 April 2016 using the closing and average rates for the year.

Assets and liabilities for each statement of financial position presented are translated into Khmer Riel (“KHR”) at the closing rate ruling at each reporting date whereas income and expense items for each statement of comprehensive income and cash flow items presented are translated at the average rates for the year then ended. All resulting exchange differences are recognised in other comprehensive income.

The translations of USD amounts into KHR as presented in the financial statements are included solely to comply with the requirement pursuant to the Law on Accounting and Auditing dated 11 April 2016, and have been made using the prescribed official exchange rate based on the following applicable exchange rate per USD1 as announced by the NBC:

	<b>2023</b>	<b>2022</b>
Closing rate	<b>4,085</b>	4,117
Average rate*	<b>4,110</b>	4,087

\* The average rate is calculated using the NBC daily rates during the period

Such translated amounts are unaudited and should not be construed as representations that the USD amounts represent, or have been or could be, converted into KHR at that or any other rate of exchange.

## 4.3. Rounding of amounts

Except as indicated otherwise, amounts in the financial statements have been rounded off to the nearest dollar for USD amounts and nearest thousand for KHR amounts.

## 4.4. Cash and cash equivalents

Cash and cash equivalents consists of cash on hand, unrestricted balance with the NBC, balances with other banks and highly-liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments.

## 4.5. Financial instruments

The Bank's financial assets and liabilities include cash on hand, balances with the NBC, balances with other banks, loans and advances to customers, other assets (except for non-refundable deposits and prepayments), deposits from other financial institutions, deposits from customers, borrowing, and other liabilities (except for tax payable) which are measured at amortized cost following the business model discussed in Note 4.5.1.

### *Initial recognition and measurement*

Financial assets and financial liabilities are recognized in the Bank's statement of financial position when the Bank becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

If the transaction price differs from fair value at initial recognition, the Bank will account for such difference as follows:

- If fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognized in profit or loss on initial recognition (i.e. day 1 profit or loss); and
- In all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e. day 1 profit or loss will be deferred by including it in the initial carrying amount of the asset or liability).

### 4.5.1. Business model

The Bank measures balances with the NBC, balances with other banks, loans and advances to customers, and other assets (except for non-refundable deposits and prepayments) at amortized cost based on the business model or management of the asset's contractual term when the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial asset in order to collect contractual cash flow; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payment of principal and interest ("SPPI") on the principal amount outstanding.

The details of these conditions are outlined below.

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level that best reflects how the assets are managed. Factors 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 realizing 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 realized.

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.

#### 4.5.2. Solely payments of principal and interest ("SPPI") test

As a second step of its classification process, the Bank assesses the contractual terms of the financial asset to identify whether they meet the SPPI test.

For 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.

#### ***Reclassification of financial assets and liabilities***

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

### 4.5.3. Derecognition of financial assets and liabilities

#### *Financial assets*

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

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) 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 recognized in OCI is recognised in profit and loss.

#### *Financial liabilities*

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in profit or loss.

### 4.5.4. Modifications and forbearance of financial assets

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

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

- Fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; Other fees are included in profit and loss as part of the gain or loss on derecognition. If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximize recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases;
- If the modification of a financial asset measured at amortized cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognizes the resulting adjustment as a modification gain or loss in profit and loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortized over the remaining term of the modified financial asset; and,

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

#### 4.5.5. Offsetting of financial instruments

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 realize the asset and settle the liability simultaneously.

#### 4.5.6. Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

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

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximize the use of relevant observable inputs and minimize 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 recognized in profit and loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

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

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

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



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

#### 4.5.7. Expected credit losses (“ECLs”)

The Bank recognizes allowance for ECLs on the following financial instruments that are measured at amortized cost:

- Balances with other banks;
- Loans and advances to customers; and
- Loan commitments and financial guarantee contracts issued.

ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- Full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL. More details on the determination of a significant increase in credit risk are provided below.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Bank under the contract and the cash flows that the Bank expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

- for undrawn loan commitments, the ECL is the difference between the present value of the difference between the contractual cash flows that are due to the Bank if the holder of the commitment draws down the loan and the cash flows that the Bank expects to receive if the loan is drawn down; and
- for financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Bank expects to receive from the holder, the debtor or any other party.
- The Bank measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR, regardless of whether it is measured on an individual basis or a collective basis.

#### ***Credit-impaired financial assets***

A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets.

Evidence of credit-impairment includes observable data about the following events:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- The disappearance of an active market for a security because of financial difficulties; or
- The purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event. Instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Bank assesses whether debt instruments that are financial assets measured at amortized cost or FVTOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Bank considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default.

The definition of default (see below) includes unlikelihood to pay indicators and a backstop if amounts are overdue for 90 days or more.

#### ***Definition of default***

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default ("PD") which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

The Bank considers the following as constituting an event of default:

- The borrower is past due more than 90 days on any material credit obligation to the Bank; or
- The borrower is unlikely to pay its credit obligations to the Bank in full.

This definition of default is used by the Bank for accounting purposes as well as for internal credit risk management purposes and is broadly aligned to the regulatory definition of default. The definition of default is appropriately tailored to reflect different characteristics of different types of assets. Overdrafts are considered as being past due once the customer has breached an advised limit or has been advised of a limit smaller than the current amount outstanding.

When assessing if the borrower is unlikely to pay its credit obligation, the Bank take into account both qualitative and quantitative indicators. The information assessed depends on the type of the asset, for example in corporate lending a qualitative indicator used is the breach of covenants, which is not relevant for retail lending. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis. The Bank uses a variety of sources of information to assess default which are either developed internally or obtained from external sources. As noted in the definition of credit impaired financial assets above, default is evidence that an asset is credit impaired. Therefore, credit impaired assets will include defaulted assets, but will also include other non-defaulted given the definition of credit impaired is broader than the definition of default.

#### ***Significant increase in credit risk***

The Bank monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Bank will measure the loss allowance based on lifetime rather than 12-month ECL. Financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk. As a result, the Bank monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to impairment for significant increase in credit risk.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Bank compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognized. In making this assessment, the Bank considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Bank's historical experience and expert credit assessment including forward-looking information.

Multiple economic scenarios form the basis of determining the probability of default at initial recognition and at subsequent reporting dates. Different economic scenarios will lead to a different probability of default. It is the weighting of these different scenarios that forms the basis of a weighted average probability of default that is used to determine whether credit risk has significantly increased.

For corporate lending, forward-looking information includes the future prospects of the industries in which the Bank's counterparties operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various internal and external sources of actual and forecast economic information. For retail, lending forward-looking information includes the same economic forecasts as corporate lending with additional forecasts of local economic indicators, particularly for regions with a concentration to certain industries, as well as internally generated information of customer payment behavior. The Bank allocates its counterparties to a relevant internal credit risk grade depending on their credit quality. The quantitative information is a primary indicator of significant increase in credit risk and is based on the change in lifetime PD by comparing:

- The remaining lifetime PD at the reporting date; with
- The remaining lifetime PD for this point in time that was estimated based on facts and circumstances at the time of initial recognition of the exposure.

The PDs used are forward-looking and the Bank uses the same methodologies and data used to measure the loss allowance for ECL. The qualitative factors that indicate significant increase in credit risk are reflected in PD models on a timely basis. However, the Bank still considers separately some qualitative factors to assess if credit risk has increased significantly. For corporate lending there is particular focus on assets that are included on a 'watch list' given an exposure is on a watch list once there is a concern that the creditworthiness of the specific counterparty has deteriorated. For retail lending, the Bank considers the expectation of forbearance and payment holidays, credit scores and events such as unemployment, bankruptcy, divorce or death.

Given that a significant increase in credit risk since initial recognition is a relative measure, a given change, in absolute terms, in the PD will be more significant for a financial instrument with a lower initial PD than compared to a financial instrument with a higher PD.

As a backstop when an asset becomes 30 days past due, the Bank considers that a significant increase in credit risk has occurred and the asset is in stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime ECL. In addition, loans that are individually assessed and are included on a watch list are in stage 2 of the impairment model. As noted if there is evidence of credit-impairment the assets are at stage 3 of the impairment model.

### **Write-off**

Loans and debt securities are written off when the Bank has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows



to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Bank may apply enforcement activities to financial assets written off. Recoveries resulting from the Bank's enforcement activities will result in impairment gains, which will be presented in 'net impairment loss on financial assets/other income' in profit or loss.

#### ***Presentation of allowance for ECL in the statement of financial position***

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

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

#### **4.5.8. Financial liabilities and equity**

Debt and equity instruments that are issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Bank or a contract that will or may be settled in the Bank's own equity instruments and is a non-derivative contract for which the Bank is or may be obliged to deliver a variable number of its own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Bank's own equity instruments.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Equity instruments issued by the Bank are recognized at the proceeds received, net of direct issue costs. Repurchase of the Bank's own equity instruments is recognized and deducted directly in equity. No gain/loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Bank's own equity instruments.

#### ***Other financial liabilities***

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortized cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortized cost of the instruments. These foreign exchange gains and losses are recognized in the 'other gains and losses' line item in profit or loss for financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk, foreign exchange gains and losses are recognized in other comprehensive income and accumulated in a separate component of equity.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognized in profit or loss for financial liabilities that are not part of a designated hedging relationship.

#### ***Modification and derecognition of financial liabilities***

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

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

## **4.6. Property and equipment**

Items of property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Where an item of property and equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

Any gains or losses on disposal of an item of property and equipment is recognized in profit or loss.

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognized in the statement of comprehensive income.

	<b>Useful life based on number of years</b>
Leasehold improvements	5
Equipment	4
Computer equipment	3
Furniture and fixture	4
Motor vehicles	5

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Fixed asset in progress is not depreciated until they are ready for use as intended by the Management.

Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Bank. Ongoing repairs and maintenance are expensed as incurred.

Gains or losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized net within “other income” in the statement of comprehensive income.

Fully depreciated property and equipment are retained in the statement of financial position until they are disposed of or written-off.

#### 4.7. Intangible assets

Computer software and related costs are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is recognized in the statement of comprehensive income on a straight-line basis at the rate of 20% per annum. If there is an indication that there has been a significant change in amortisation rate or useful life of an intangible asset, the amortisation is revised prospectively to reflect the new expectations.

Software in progress is not amortized until they are ready for use as intended by the Management.

#### 4.8 Leases

The Bank assesses whether a contract is or contains a lease, at inception of a contract.

The Bank recognizes a right-of-use assets and a corresponding lease liabilities with respect to all lease agreements in which it is the lessee, except for leases of low value assets. For these leases, the Bank recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.

##### ***Right-of-use assets***

The right-of-use assets comprise the initial measurement of the corresponding lease liabilities, lease payments made at or before the commencement day and initial direct costs, if any. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

##### ***Lease liabilities***

The lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using its incremental borrowing rate which is interest that the Bank would have to pay to borrow over a similar term and with a similar security the funds necessary to obtain an asset of a similar value to the right-of-use assets in a similar economic environment.

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

- Fixed lease payments, less any lease incentives; and,
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liabilities are presented as a separate line in the statement of financial position.

The lease liabilities are subsequently measured by increasing the carrying amount to reflect interest on the lease liabilities (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

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The Bank remeasures the lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- The lease term has changed in which case the lease liabilities are remeasured by discounting the revised lease payments using a revised discount rate.
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liabilities are remeasured by discounting the revised lease payments using a revised discount rate.

***Short-term leases and leases of low-value assets***

The Bank applies the short-term lease recognition exemption to its short-term leases of vehicles (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption, if any. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

**4.9. Impairment of non-financial assets**

The carrying amounts of the non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in the statement of comprehensive income.

**4.10. Employee benefits*****Short-term employee benefits***

Short term employee benefits are accrued in the period in which the associated services are rendered by the employees of the Bank.

**4.11. Provisions**

Provisions are recognized in the statement of financial position when the Bank has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying 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.

**4.12. Contributions from Ministry of Economy and Finance ("MEF")**

Contributions from MEF represents the Bank's start-up costs and leasehold improvement shouldered by MEF. The Bank recognised the start-up costs to profit or loss while capitalized expenditures are recognized in the statement of financial position and are depreciated over its useful life.

The start-up costs and leasehold improvement were fully transferred by MEF to the Bank with no refundable condition. Hence, the contributions from MEF are considered equity.



### 4.13. Effective interest method

Effective interest rate (“EIR”) is a rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortized cost of a financial liability.

When calculating the effective interest rate, the Bank estimates the expected cash flow by considering all the contractual terms of the financial instrument, but not considering the expected credit loss. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

#### 4.13.1. Interest income

Interest income are recognized in profit and loss using the effective interest method. It is calculated by applying the effective interest rate to the gross carrying amount of financial asset except for:

- Purchased or originated credit-impaired financial assets. Credit-adjusted EIR is applied to the amortized cost of the financial assets; and,
- Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. EIR to the amortized cost of the financial asset in subsequent reporting periods is applied.

Credit-adjusted effective interest rate is a rate that exactly discounts the estimated future cash payment or receipts through the expected life of the financial asset to the amortized cost of a financial assets that is a purchased or originated credit-impaired financial asset.

Interest income calculated using the effective interest method presented in the statement of comprehensive income includes interest on financial assets measured at amortized cost.

#### 4.13.2. Interest expense

Interest expense is also calculated using the EIR method for all financial liabilities held at amortized cost. Interest expense presented in the statement of comprehensive income includes financial liabilities measured at amortized cost.

### 4.14. Other fees and income

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

A contract with a customer that results in a recognized financial instrument in the Bank's financial statements may be partially in the scope of CIFRS 9 and partially in the scope of CIFRS 15. If this is the case, then the Bank first applies CIFRS 9 to separate and measure the part of the contract that is in the scope of CIFRS 9 and then applies CIFRS 15 to the residual. The Bank follows a five-step model to account for revenue arising from contracts with customers under CIFRS 15.

The five-step model is as follows:

- i) Identify the contract(s) with a customer
- ii) Identify the performance obligations in the contract
- iii) Determine the transaction price
- iv) Allocate the transaction price to the performance obligation in the contract
- v) Recognize revenue when (or as) the entity satisfies a performance obligation

Fees and commission income are recognized as the related services are performed.

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## 4.15. Income tax

Income tax on the statement of comprehensive income for the year comprises current and deferred tax. Income tax is recognized in the profit and loss except to the extent that it relates to items recognized directly to equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantially enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. 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 realized.

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

## 4.16. Regulatory reserve

A regulatory reserve is established for the difference between the allowance for expected credit losses as determined in accordance with CIFRS 9 and the regulatory allowance in accordance with NBC Prakas No. B7-017-344 dated 1 December 2017 and Circular No. B7-018-001 dated 16 February 2018 on credit risk classification and provisioning for banks and financial institutions. The Bank shall compare the regulatory allowance with the provision in accordance with CIFRS 9, and:

- i) In case the regulatory allowance is lower than the allowance in accordance with CIFRS 9, the entity records the allowance based on CIFRS 9; and
- ii) In case the regulatory allowance is higher than the allowance in accordance with CIFRS 9, the entity records the allowance based on CIFRS 9 and transfer the difference from the retained earnings (accumulated losses) to regulatory reserve in the equity section of the statement of financial position.

The Prakas on regulatory provisioning requires banks and financial institutions to classify their loan portfolio into five classes and provide general and specific allowance based on the following loan classification:

Classification	Number of days past due	Allowance rate
Standard	0 to 14 days (short-term)	1%
	0 to 29 days (long-term)	
Special mention	15 days to 30 days (short-term)	3%
	30 days to 89 days (long-term)	
Substandard	31 days to 60 days (short-term)	20%
	90 days to 179 days (long-term)	
Doubtful	61 days to 90 days (short-term)	50%
	180 days to 359 days (long-term)	
Loss	From 91 days (short-term)	100%
	360 days or more (long-term)	

In December 2021, the NBC issued Circular No. B7-021-2314 to provide additional guidance to banks and financial institutions in classifying their loans which have been restructured up to 31 December 2021 and in providing the regulatory allowance. This Circular requires banks and financial institutions to classify the restructured loans as follows:

- Special mention if a restructured loan is “viable” or deemed as “performing”
- Substandard if a first-time restructured loan will need another restructuring
- Doubtful if a second-time restructured loan will need another restructuring
- Loss if a restructured loan is “non-viable” or deemed as “non-performing”

Allowance for ECLs per CIFRS 9 of USD 7,344,863 or KHR'000 30,003,765 (2022: USD 3,827,605 or KHR'000 15,758,250) is lower than regulatory allowance of USD 8,604,447 or KHR'000 35,149,166 (2022: USD 2,843,927 or KHR'000 11,708,447). As such, there is a regulatory reserve amounted USD1,259, 584 or KHR'000 5,145,400 are required.

#### 4.17. Related parties

A related party is a person or entity that is related to the Bank. A related party transaction is a transfer of resources, services or obligations between the Bank and its related party, regardless of whether a price is charged. For the purpose of these financial statements, a person or entity is considered as a related party if:

- a. A person or a close member of that person's family is related to the Bank if that person:
  - i. Has control or joint control over the Bank;
  - ii. Has significant influence over the Bank; or
  - iii. Is a member of the key management personnel of the ultimate holding company of the Bank, or the Bank.
- b. An entity is related to the Bank if any of the following conditions applies:
  - i. The entity and the Bank are members of the same group.
  - ii. One entity is an associate or joint venture of the other entity.
  - iii. Both entities are joint ventures of the same third party.
  - iv. On entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - v. The entity is a post-employment benefit plan for the benefits of employees of either the Bank or an entity related to the Bank.
  - vi. The entity is controlled or jointly-controlled by a person identified in a. above.
  - vii. A person identified in a.i. above has significant influence over the entity or is a member of the key management personnel of the ultimate holding company or the entity.
  - viii. The entity, or any member of a Bank of which it is a part, provides key management personnel services to the Bank or to the parent of the Bank.

### 5. Critical accounting judgments and estimation

The preparation of financial statements in accordance with CIFRSs requires the use of judgments, estimates and assumptions that affect the reported amounts and disclosures of assets and liabilities at the date of financial statements and the reported amounts and disclosures of revenues and expenses during the reporting period. The resulting accounting judgments and estimates will, by definition, seldom equal the related actual results.

Judgments, estimates and assumptions are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

## 5.1. Judgments

The following are the critical judgements, apart from those involving estimation (Note 5.2), that Management has made in the process of applying the Bank's accounting policies that have the most significant effect on the amounts recognized in the financial statements.

### *(i) Significant increase in credit risk*

As explained in Note 4.5.7, ECLs are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. CIFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Bank takes into account qualitative and quantitative reasonable and supportable forward-looking information.

### *(ii) Business model assessment*

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Bank determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance is measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated.

The Bank monitors financial assets measured at amortized cost or fair value through other comprehensive income that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Bank's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

### *(iii) Establishing groups of assets with similar credit risk characteristics*

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. Note 4.5.7 provides details of the characteristics considered in this judgement. The Bank monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets.

Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

### *(iv) Models and assumptions used*

The Bank uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.



***(v) Recognition of deferred tax assets***

The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the bank's future taxable income against which the deductible temporary differences can be utilised. In additions, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

***(vi) Leases***

The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

***(vii) Functional currency***

CIAS 21 requires Management to use its judgment to determine the entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity. In making this judgment, the Bank considers the following:

- i. The currency that mainly influences prices for financial instruments and services (this will often be the currency in which prices for its financial instruments and services are denominated and settled);
- ii. The currency in which funds from financing activities are generated; and
- iii. The currency in which receipts from operating activities are usually retained.

**5.2. Estimation**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

The Bank based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Bank. Such changes are reflected in the assumptions when they occur.

***(i) Taxes***

Taxes are calculated on the basis of the tax laws and regulations and its current interpretation. However, these regulations are subject to periodic variation and the ultimate determination of tax expense will be made following inspection by the General Department of Taxation ("GDT"). The Bank's tax returns are subject to periodic examination by the GDT. As the application of tax laws and regulations to many types of transactions are susceptible to varying interpretations, amounts reported in the financial statements could be changed at a later date upon final determination by the GDT.

Deferred tax assets are recognized for all unused tax losses and temporary differences to the extent that it is probable that future taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable income together with future tax planning strategies.

***(ii) Calculation of expected credit loss allowance***

When measuring expected credit losses, the Bank establishes the number and relative weightings of forward-looking scenarios for each type of product and determines the forward-looking information

relevant to each scenario. The Bank uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

#### ***(iii) Estimating useful lives of assets***

The useful lives of the Bank's assets with definite life are estimated based on the period over which the assets are expected to be available for use. The estimated useful lives of Bank's property and equipment and right-of-use assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the Bank's assets. In addition, the estimation of the useful lives is based on the Bank's collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property and equipment and right of use assets would increase the recognised operating expenses and decrease non-current assets.

#### ***(iv) Incremental borrowing rate ("IBR")***

The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR for lease liabilities are the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment. The Bank estimates the IBR for lease liabilities using observable inputs (by reference to prevailing risk-free rates) adjusted to take into account the Bank's credit risk.

#### ***(v) Impairment of non-financial assets***

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget and do not include restructuring activities that the Bank is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model.

## 6. Cash on hand

	31 December 2023		31 December 2022	
	USD	KHR'000 (Note 4.2)	USD	KHR'000 (Note 4.2)
USD	1,615,220	6,598,174	325,228	1,338,964
KHR	383,414	1,566,246	245,522	1,010,814
	<b>1,998,634</b>	<b>8,164,420</b>	<b>570,750</b>	<b>2,349,778</b>

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

	31 December 2023		31 December 2022	
	USD	KHR'000 (Note 4.2)	USD	KHR'000 (Note 4.2)
Cash on hand	1,998,634	8,164,420	570,750	2,349,778
Balances with the NBC	10,245,833	41,854,228	12,970,398	53,399,129
Balances with other banks*	63,026,101	257,461,623	30,591,219	125,944,048
	<b>75,270,568</b>	<b>307,480,271</b>	<b>44,132,367</b>	<b>181,692,955</b>

(\*) Excluded from the balances with other banks are term deposits with maturity date of more than three months from the date of acquisition amounting to USD 28,056,692 (2022: USD 19,887,163).

## 7. Balances with the NBC

	31 December 2023		31 December 2022	
	USD	KHR'000 (Note 4.2)	USD	KHR'000 (Note 4.2)
USD	8,163,691	33,348,678	5,012,796	20,637,681
KHR	2,082,142	8,505,550	7,957,602	32,761,448
	<b>10,245,833</b>	<b>41,854,228</b>	<b>12,970,398</b>	<b>53,399,129</b>

The Company maintains current account with the NBC. The current accounts are non-interest bearing.

## 8. Balances with other banks

	31 December 2023		31 December 2022	
	USD	KHR'000 (Note 4.2)	USD	KHR'000 (Note 4.2)
Current accounts	4,125,123	16,851,128	3,386,944	13,944,048
Time deposits	86,031,824	351,440,001	46,635,900	192,000,000
Savings	5,017	20,494	-	-
Accrued interest receivable	920,829	3,761,586	455,538	1,875,451
	<b>91,082,793</b>	<b>372,073,209</b>	<b>50,478,382</b>	<b>207,819,499</b>

## Financial Statements

*(i) Analysis by currency*

	31 December 2023		31 December 2022	
	USD	KHR'000 (Note 4.2)	USD	KHR'000 (Note 4.2)
USD	67,543,259	275,914,214	2,176,091	8,958,967
KHR	23,539,534	96,158,995	48,302,291	198,860,532
	<b>91,082,793</b>	<b>372,073,209</b>	<b>50,478,382</b>	<b>207,819,499</b>

*(ii) Analysis by maturity*

	31 December 2023		31 December 2022	
	USD	KHR'000 (Note 4.2)	USD	KHR'000 (Note 4.2)
On demand	4,130,140	16,871,622	3,386,944	13,944,049
Three months or less	58,895,961	240,590,001	27,204,275	112,000,000
More than three months	28,056,692	114,611,586	19,887,163	81,875,450
	<b>91,082,793</b>	<b>372,073,209</b>	<b>50,478,382</b>	<b>207,819,499</b>

*(iii) Analysis by interest rates*

	31 December 2023		31 December 2022	
Current accounts	Nil		Nil	
Time deposits	3.75% - 6%		3.75% - 4.50%	
Saving accounts	0.25%		Nil	

**9. Loans and advances to customers - net**

	31 December 2023		31 December 2022	
	USD	KHR'000 (Note 4.2)	USD	KHR'000 (Note 4.2)
Long-term loans	215,643,245	880,902,656	212,633,405	875,411,728
Short-term loans	2,144,136	8,758,796	744,070	3,063,336
Staff loans	1,740,436	7,109,681	1,032,187	4,249,514
Accrued interest receivable	452,349	1,847,845	389,868	1,605,087
Total principal and accrued interest receivable	219,980,166	898,618,978	214,799,530	884,329,665
Unamortised loan processing fee	(701,450)	(2,865,423)	(470,993)	(1,939,078)
Gross carrying amount	219,278,716	895,753,555	214,328,537	882,390,587
Allowance for expected credit loss	(7,344,863)	(30,003,765)	(3,827,605)	(15,758,250)
<b>Net carrying amount</b>	<b>211,933,853</b>	<b>865,749,790</b>	<b>210,500,932</b>	<b>866,632,337</b>



Further analyses of loans and advances to customers are as follows:

**(i) Analysis by staging of gross loan portfolio**

	31 December 2023		31 December 2022	
	USD	KHR'000 (Note 4.2)	USD	KHR'000 (Note 4.2)
Stage 1	206,721,859	844,458,792	212,959,981	876,756,239
Stage 2	2,813,313	11,492,385	1,114,356	4,587,805
Stage 3	9,743,544	39,802,378	254,200	1,046,543
	<b>219,278,716</b>	<b>895,753,555</b>	<b>214,328,537</b>	<b>882,390,587</b>

**(ii) Analysis by industry**

	31 December 2023		31 December 2022	
	USD	KHR'000 (Note 4.2)	USD	KHR'000 (Note 4.2)
Financial institutions	131,818,143	538,477,114	160,204,713	659,562,806
Manufacturing	43,184,884	176,410,253	21,746,847	89,531,771
Utilities	14,533,564	59,369,611	9,160,559	37,714,019
Wholesale trade	11,398,329	46,562,175	7,131,519	29,360,465
Retail trade	5,838,751	23,851,296	3,243,502	13,353,497
Hotel and tourism	4,630,528	18,915,707	3,364,224	13,850,508
Other non-financial services	4,156,990	16,981,306	7,400,309	30,467,071
Personal loans	1,731,307	7,072,389	1,032,682	4,251,552
Transport and storage	967,679	3,952,969	-	-
Information media and telecommunication	617,455	2,522,303	674,290	2,776,051
Other lending	401,086	1,638,432	369,892	1,522,847
	<b>219,278,716</b>	<b>895,753,555</b>	<b>214,328,537</b>	<b>882,390,587</b>

**(iii) Analysis by maturity**

	For the year ended 31 December 2023		For the year ended 31 December 2022	
	USD	KHR'000 (Note 4.2)	USD	KHR'000 (Note 4.2)
<i>By maturity:</i>				
Within one month	259,004	1,058,032	-	-
One to three months	865,856	3,537,022	143,516	590,855
Three to twelve months	6,021,862	24,599,306	4,616,184	19,004,831
One to three years	14,744,521	60,231,368	5,154,838	21,222,469
Three to five years	89,045,404	363,750,475	48,843,575	201,088,998
Over five years	108,342,069	442,577,352	155,570,424	640,483,434
	<b>219,278,716</b>	<b>895,753,555</b>	<b>214,328,537</b>	<b>882,390,587</b>

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**(iv) Analysis by relationship**

	<b>31 December 2023</b>		<b>31 December 2022</b>	
	<b>USD</b>	<b>KHR'000</b>	<b>USD</b>	<b>KHR'000</b>
	<b>(Note 4.2)</b>		<b>(Note 4.2)</b>	
Related parties	1,028,345	4,200,789	642,594	2,645,559
Non-related parties	218,250,371	891,552,766	213,685,943	879,745,028
	<b>219,278,716</b>	<b>895,753,555</b>	<b>214,328,537</b>	<b>882,390,587</b>

**(v) Analysis by interest rates**

	<b>31 December 2023</b>		<b>31 December 2022</b>	
Long-term loans		2%-10%		2%-10%
Short-term loans		5.25%-7.50%		5.25%-7.50%
Staff loans		4.50%-5%		4.50%-5%

**(vi) Breakdown of allowance for expected credit loss on loans and advances to customers is as follows:**

	<b>31 December 2023</b>		<b>31 December 2022</b>	
	<b>USD</b>	<b>KHR'000</b>	<b>USD</b>	<b>KHR'000</b>
	<b>(Note 4.2)</b>		<b>(Note 4.2)</b>	
Stage 1	3,216,661	13,140,060	3,344,178	13,767,981
Stage 2	186,957	763,719	226,932	934,279
Stage 3	3,941,245	16,099,986	256,495	1,055,990
	<b>7,344,863</b>	<b>30,003,765</b>	<b>3,827,605</b>	<b>15,758,250</b>

Movements of allowance for expected credit loss are as follows:

	<b>2023</b>		<b>2022</b>	
	<b>USD</b>	<b>KHR'000</b>	<b>USD</b>	<b>KHR'000</b>
	<b>(Note 4.2)</b>		<b>(Note 4.2)</b>	
As at 1 January	3,827,605	15,758,250	1,798,998	7,329,118
Provision for expected credit losses	3,517,258	14,455,932	2,028,607	8,290,917
Currency translation differences	-	(210,417)	-	138,215
<b>As at 31 December</b>	<b>7,344,863</b>	<b>30,003,765</b>	<b>3,827,605</b>	<b>15,758,250</b>

**(vii) Reconciliation of allowance for credit losses on loans and advances are as follows:**

	Stage 1	Stage 2	Stage 3	Total	Total
	USD	USD	USD	USD	KHR'000 (Note 4.2)
As at 1 January 2023	3,344,178	226,932	256,495	3,827,605	15,758,250
Newly originated assets	1,014,819	-	-	1,014,819	4,170,906
Newly originated assets that moved to stage 2 and stage 3	(315,201)	57,523	257,678	-	-
Changes due to transfer between stages:					
Transfer to stage 2	(32,445)	32,445	-	-	-
Transfer to stage 3	(125,388)	(226,932)	352,320	-	-
Net remeasurement of loss allowance	(554,024)	96,988	3,074,752	2,617,716	10,758,814
Financial assets derecognized during the period other than write off	(115,277)	-	-	(115,277)	(473,789)
Currency translation differences	-	-	-	-	(210,416)
<b>As at 31 December 2023</b>	<b>3,216,662</b>	<b>186,956</b>	<b>3,941,245</b>	<b>7,344,863</b>	<b>30,003,765</b>

	Stage 1	Stage 2	Stage 3	Total	Total
	USD	USD	USD	USD	KHR'000 (Note 4.2)
As at 1 January 2022	1,798,998	-	-	1,798,998	7,329,118
Newly originated assets	2,466,008	-	-	2,466,008	10,078,575
Changes due to transfer between stages:					
Newly originated assets that moved to stage 2 and stage 3	(483,427)	226,932	256,495	-	-
Net remeasurement of loss allowance	(387,708)	-	-	(387,708)	(1,584,563)
Financial assets derecognized during the period other than write off	(49,693)	-	-	(49,693)	(203,095)
Currency translation differences	-	-	-	-	138,215
<b>As at 31 December 2022</b>	<b>3,344,178</b>	<b>226,932</b>	<b>256,495</b>	<b>3,827,605</b>	<b>15,758,250</b>

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## 10. Other assets

	31 December 2023		31 December 2022	
	USD	KHR'000 (Note 4.2)	USD	KHR'000 (Note 4.2)
<b>Financial assets</b>				
Security deposits	59,237	241,983	51,547	212,219
<b>Non-financial assets</b>				
Advances and prepayments	97,558	398,524	100,143	412,289
Others	229,882	939,068	31,249	128,651
	327,440	1,337,592	131,392	540,940
	<b>386,677</b>	<b>1,579,575</b>	<b>182,939</b>	<b>753,159</b>

## 11. Intangible assets

	Computer Software	Other intangible assets	Software in progress	Total	
	USD	USD	USD	USD	KHR'000 (Note 4.2)
<b>Cost</b>					
As at 1 January 2023	1,002,000	6,838	123,110	1,131,948	4,660,230
Additions	84,989	-	62,924	147,913	607,922
Transfer	-	7,150	(7,150)	-	-
Reclassification	-	-	(69,160)	(69,160)	(284,248)
Currency translation differences	-	-	-	-	(38,190)
<b>Balance as at 31 December 2023</b>	<b>1,086,989</b>	<b>13,988</b>	<b>109,724</b>	<b>1,210,701</b>	<b>4,945,714</b>
<b>Less: accumulated amortization</b>					
As at 1 January 2023	340,354	1,867	-	342,221	1,408,924
Charge during the year	251,562	2,499	-	254,061	1,044,191
Currency translation differences	-	-	-	-	(17,303)
<b>Balance as at 31 December 2023</b>	<b>591,916</b>	<b>4,366</b>	<b>-</b>	<b>596,282</b>	<b>2,435,812</b>
<b>Carrying amount as at 31 December 2023</b>	<b>495,073</b>	<b>9,622</b>	<b>109,724</b>	<b>614,419</b>	<b>2,509,902</b>



	Computer Software	Other intangible assets	Software in progress	Total	
	USD	USD	USD	USD	KHR'000 (Note 4.2)
Cost					
As at 1 January 2022	817,600	4,994	231,200	1,053,794	4,293,157
Additions	-	1,844	76,310	78,154	319,415
Transfer	184,400	-	(184,400)	-	-
Currency translation differences	-	-	-	-	47,658
<b>Balance as at 31 December 2022</b>	<b>1,002,000</b>	<b>6,838</b>	<b>123,110</b>	<b>1,131,948</b>	<b>4,660,230</b>
Less: accumulated amortization					
As at 1 January 2022	145,838	774	-	146,612	597,297
Charge during the year	194,516	1,093	-	195,609	799,454
Currency translation differences	-	-	-	-	12,173
Balance as at 31 December 2022	340,354	1,867	-	342,221	1,408,924
<b>Carrying amount as at 31 December 2022</b>	<b>661,646</b>	<b>4,971</b>	<b>123,110</b>	<b>789,727</b>	<b>3,251,306</b>

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## 12. Property and equipment

	Leasehold improvements	Equipment	Computer equipment	Furniture and fixture	Motor vehicles	Fixed asset in progress	Total	
	USD	USD	USD	USD	USD	USD	USD	KHR'000
								(Note 4.2)
As at 1 January 2023	1,544,888	386,164	884,874	41,873	384,810	-	3,242,609	13,349,821
Additions	205,310	178,585	404,153	47,545	86,700	(6,317)	915,976	3,764,661
Reclassification	-	-	-	-	-	69,160	69,160	284,248
Disposals	-	-	(541)	-	-	-	(541)	(2,224)
Currency translation differences	-	-	-	-	-	-	-	(128,378)
<b>Balance as at 31 December 2023</b>	<b>1,750,198</b>	<b>564,749</b>	<b>1,288,486</b>	<b>89,418</b>	<b>471,510</b>	<b>62,843</b>	<b>4,227,204</b>	<b>17,268,128</b>
<b>Less accumulated depreciation</b>								
As at 1 January 2023	763,235	55,165	516,405	4,944	93,963	-	1,433,712	5,902,592
Charge during the year	219,758	116,221	209,002	15,901	87,605	-	648,487	2,665,282
Disposals	-	-	(506)	-	-	-	(506)	(2,080)
Currency translation differences	-	-	-	-	-	-	-	(62,078)
<b>Balance as at 31 December 2023</b>	<b>982,993</b>	<b>171,386</b>	<b>724,901</b>	<b>20,845</b>	<b>181,568</b>	<b>62,843</b>	<b>2,081,693</b>	<b>8,503,716</b>
<b>Carrying amounts as at 31 December 2023</b>	<b>767,205</b>	<b>393,363</b>	<b>563,585</b>	<b>68,573</b>	<b>289,942</b>	<b>62,843</b>	<b>2,145,511</b>	<b>8,764,412</b>
<b>Cost</b>								
As at 1 January 2022	838,140	44,278	691,736	-	140,810	-	1,714,965	6,986,767
Additions	706,748	341,886	193,137	41,873	244,000	-	1,527,644	6,243,481
Currency translation differences	-	-	-	-	-	-	-	119,573
<b>Balance as at 31 December 2022</b>	<b>1,544,888</b>	<b>386,164</b>	<b>884,874</b>	<b>41,873</b>	<b>384,810</b>	<b>-</b>	<b>3,242,609</b>	<b>13,349,821</b>
<b>Less accumulated depreciation</b>								
As at 1 January 2022	494,388	17,293	306,983	-	48,714	-	867,378	3,533,698
Charge during the year	268,847	37,872	209,422	4,944	45,249	-	566,334	2,314,607
Currency translation differences	-	-	-	-	-	-	-	54,287
<b>Balance as at 31 December 2022</b>	<b>763,235</b>	<b>55,165</b>	<b>516,405</b>	<b>4,944</b>	<b>93,963</b>	<b>-</b>	<b>1,433,712</b>	<b>5,902,592</b>
<b>Carrying amount as at 31 December 2022</b>	<b>781,653</b>	<b>330,999</b>	<b>368,469</b>	<b>36,929</b>	<b>290,847</b>	<b>-</b>	<b>1,808,897</b>	<b>7,447,229</b>

### 13. Leases

This note provides information for leases where the Bank is a lessee.

The Bank leases various buildings for its head office and branch operations, with lease terms ranging from five to ten years. The Bank applies the 'short-term lease assets' recognition exemption for leases of vehicles.

Set out below are the carrying amounts of right-of-use assets and lease liabilities recognized and the movements during the year:

	Right-of-use assets			
	31 December 2023		31 December 2022	
	USD	KHR'000	USD	KHR'000
	(Note 4.2)		(Note 4.2)	
At beginning of the year	2,295,191	9,449,301	112,238	457,258
Additions	84,812	346,457	2,446,158	10,070,832
Charge during the year	(345,402)	(1,419,602)	(263,205)	(1,075,719)
Currency translation differences	-	(64,811)	-	(3,070)
<b>At end of the year</b>	<b>2,034,601</b>	<b>8,311,345</b>	<b>2,295,191</b>	<b>9,449,301</b>

	Lease liabilities			
	31 December 2023		31 December 2022	
	USD	KHR'000	USD	KHR'000
	(Note 4.2)		(Note 4.2)	
At beginning of the year	2,310,618	9,512,814	97,277	396,306
Additions	80,156	327,437	2,422,845	9,974,853
Accretion of interest	52,022	213,810	24,264	99,167
Payments	(342,755)	(1,408,723)	(233,768)	(955,410)
Currency translation differences	-	(66,671)	-	(2,102)
<b>At end of the year</b>	<b>2,100,041</b>	<b>8,578,667</b>	<b>2,310,618</b>	<b>9,512,814</b>

#### (i) Current and non-current portion

Current	374,600	1,530,241	279,287	1,149,824
Non-current	1,725,441	7,048,426	2,031,331	8,362,990
	<b>2,100,041</b>	<b>8,578,667</b>	<b>2,310,618</b>	<b>9,512,814</b>

#### (ii) Maturity analysis of contractual undiscounted cash flows

Less than one year	419,156	1,712,252	330,894	1,362,291
One to five years	1,182,823	4,831,832	1,379,288	5,678,529
More than five years	645,333	2,636,185	808,111	3,326,993
<b>Total undiscounted lease liabilities</b>	<b>2,247,312</b>	<b>9,180,269</b>	<b>2,518,293</b>	<b>10,367,813</b>

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The following amounts are recognized in profit or loss:

	31 December 2023		31 December 2022	
	USD	KHR'000 (Note 4.2)	USD	KHR'000 (Note 4.2)
Depreciation of right-of-use assets (Note 25)	345,402	1,419,602	263,205	1,075,719
Short-term leased assets (Note 26)	53,242	218,825	25,946	106,041
Interest on lease liabilities (Note 22)	52,022	213,810	24,264	99,167
	<b>450,666</b>	<b>1,852,237</b>	<b>313,415</b>	<b>1,280,927</b>

#### 14. Statutory deposit

	31 December 2023		31 December 2022	
	USD	KHR'000 (Note 4.2)	USD	KHR'000 (Note 4.2)
KHR	234,272	957,001	231,965	955,000
USD	104,000	424,840	90,000	370,530
	<b>338,272</b>	<b>1,381,841</b>	<b>321,965</b>	<b>1,325,530</b>

#### *Reserve requirement*

Under NBC Prakas No. B7-020-230 dated 18 March 2020, commercial banks are required to maintain certain cash reserves with the NBC in the form of compulsory deposits, computed at 7.0% of customer deposits and borrowings in KHR and other currencies.

#### *Capital guarantee*

Under NBC Prakas No. B7-01-136 dated 15 October 2001, Banks are required to maintain a capital guarantee of 10% of registered capital with the NBC. However, the Bank obtained approval from the NBC on 29 January 2020 on the exemption from such obligation.

#### 15. Income tax

##### *(i) Income tax liabilities*

	2023		2022	
	USD	KHR'000 (Note 4.2)	USD	KHR'000 (Note 4.2)
As at 1 January	253,069	1,041,885	9,889	40,288
Income tax expense	95,436	392,242	310,121	1,267,465
Income tax paid	(336,984)	(1,385,004)	(66,941)	(273,588)
Currency translation differences	-	(2,062)	-	7,720
<b>As at 31 December</b>	<b>11,521</b>	<b>47,063</b>	<b>253,069</b>	<b>1,041,885</b>



**(ii) Income tax expense**

	<b>For the year ended 31 December 2023</b>		<b>For the year ended 31 December 2022</b>	
	<b>USD</b>	<b>KHR'000</b>	<b>USD</b>	<b>KHR'000</b>
		<b>(Note 4.2)</b>		<b>(Note 4.2)</b>
Current income tax expense	95,436	392,242	310,121	1,267,465
Deferred tax benefit	(15,948)	(65,546)	(820,969)	(3,355,301)
<b>Income tax expense/(benefit)</b>	<b>79,488</b>	<b>326,696</b>	<b>(510,848)</b>	<b>(2,087,836)</b>

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

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

	<b>For the year ended 31 December 2023</b>		<b>For the year ended 31 December 2022</b>	
	<b>USD</b>	<b>KHR'000</b>	<b>USD</b>	<b>KHR'000</b>
		<b>(Note 4.2)</b>		<b>(Note 4.2)</b>
Loss before income tax	(192,903)	(792,832)	(100,415)	(410,397)
Add non-deductible expenses	6,266,810	25,756,589	2,666,126	10,896,457
Deduct non-taxable income	(6,776,111)	(27,849,816)	(857,294)	(3,503,761)
Estimated taxable income	(702,204)	(2,886,059)	1,708,417	6,982,299
Income tax at applicable rate of 20% (A)	-	-	341,683	1,396,460
Minimum tax at the rate of 1% of revenue (B)	95,436	392,242	64,119	262,055
Effect of deferred tax	(15,948)	(65,546)	(852,531)	(3,484,296)
<b>Estimated current income tax expense (higher of A or B)</b>	<b>79,488</b>	<b>326,696</b>	<b>(510,848)</b>	<b>(2,087,836)</b>

**(iii) Tax loss carried forward**

In accordance with the Prakas No. 098 on Tax on Income, for the tax losses to be carried forward for a period of five consecutive years and utilized against taxable profit in subsequent years, the following conditions should be met:

- Tax loss has been calculated based on the tax rules and reported in the annual tax return submitted to the GDT;
- The business activity of the Company must not have changed; and,
- No tax unilateral reassessment on the tax losses has been made by the GDT.

Tax loss is subject to assessment by GDT.

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The details of the tax loss and its utilization for the following years are as follows:

Originating year	Can be utilized up to	Tax loss amount	Utilized	Unutilized as at 31 December 2023	
		USD	USD	USD	KHR'000
2020	2025	315,201	-	315,201	1,287,596
2021	2026	-	(1,508)	(1,508)	(6,160)
2022	2027	-	(313,693)	(313,693)	(1,281,436)
2023	2028	702,204	-	702,204	2,868,503
		1,017,405	(315,201)	702,204	2,868,503

*(iv) Deferred tax assets*

Temporary differences recognized during the year giving rise to the net deferred tax assets are as follows:

	For the year ended 31 December 2023		For the year ended 31 December 2022	
	USD	KHR'000 (Note 4.2)	USD	KHR'000 (Note 4.2)
Deferred tax assets (liabilities)				
Lease liabilities under CIFRS 16	420,008	1,715,733	462,124	1,902,563
ROU under CIFRS 16	(406,920)	(1,662,269)	(459,038)	(1,889,860)
ECLs under CIFRS 9	494,744	2,021,030	738,859	3,041,884
Unrealized exchange gain/(loss)	64,290	262,624	(15,328)	(63,104)
Tax loss carried forward	139,489	569,813	-	-
Depreciation on property and equipment	125,306	511,874	88,144	362,888
Provision for seniority indemnity back-pay	-	-	6,208	25,556
<b>Deferred tax assets – net</b>	<b>836,917</b>	<b>3,418,805</b>	<b>820,969</b>	<b>3,379,927</b>

## 16. Deposits from other financial institutions

	31 December 2023		31 December 2022	
	USD	KHR'000 (Note 4.2)	USD	KHR'000 (Note 4.2)
<b>Demand deposits</b>	<b>52,855</b>	<b>215,913</b>	<b>49,461</b>	<b>203,631</b>

## 17. Deposits from customers

	31 December 2023		31 December 2022	
	USD	KHR'000 (Note 4.2)	USD	KHR'000 (Note 4.2)
Time deposits	2,937,577	12,000,002	2,914,744	12,000,001
Demand deposits	853,684	3,487,299	977,481	4,024,289
Savings deposits	57,458	234,716	757,174	3,117,285
Interest payable	116,141	474,436	11,125	45,802
	<b>3,964,860</b>	<b>16,196,453</b>	<b>4,660,524</b>	<b>19,187,377</b>

Further analyses of deposits from customers are as follows:

### (i) Analysis by interest rates

Annual interest rates for deposits from customers are as follows:

	31 December 2023	31 December 2022
Demand deposits	Nil	Nil
Savings deposits	0.80%	0.80%
<b>Term deposits</b>	<b>3.80%</b>	<b>3.80%</b>

### (ii) Analysis by maturity

Please refer to Note 30.4 on liquidity risk.

### (iii) Analysis by type of customers

	31 December 2023		31 December 2022	
	USD	KHR'000 (Note 4.2)	USD	KHR'000 (Note 4.2)
Domestic corporations	3,274,040	13,374,453	3,174,744	13,070,422
Individuals	690,811	2,821,963	1,485,769	6,116,909
Non-residents	9	37	11	46
	<b>3,964,860</b>	<b>16,196,453</b>	<b>4,660,524</b>	<b>19,187,377</b>

## 18. Borrowings

	31 December 2023		31 December 2022	
	USD	KHR'000 (Note 4.2)	USD	KHR'000 (Note 4.2)
Principal amount	116,063,165	474,118,029	74,016,274	304,725,000
Interest payable	448,408	1,831,747	-	-
	<b>116,511,573</b>	<b>475,949,776</b>	<b>74,016,274</b>	<b>304,725,000</b>

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On 27 April 2022, the Bank has requested for an additional funds amounting to KHR'000 304,725,000 or USD 74,016,274 from the MEF in order to support the Tourism Recovery Co-Financing Scheme (TRSC) which is part of its implementing strategies to restore and promote Cambodia's economic growth in living with Covid 19 in a new and financial normalization trajectory with interest rate charge of 1.7% per annum. The Bank was granted interest-free charges until the period ended 31 December 2022, but will incur charges starting from 1 January 2024.

On 26 April 2023, the Bank entered into another unsecured borrowing agreement with MEF amounting to USD 100,000,000 which is disbursed in instalments. As of 31 December 2023, the Bank has received funds for a total amount of USD 41,467,082 or KHR'000 170,429,707 with interest charge of 2% per annum.

Movement in the borrowings and interest payable are as follows:

	2023		2022	
	USD	KHR'000 (Note 4.2)	USD	KHR'000 (Note 4.2)
Balance as at 1 January	74,016,274	304,725,000	-	-
Additions	41,467,082	170,429,707	74,016,274	302,504,512
Accretion due to currency revaluation	579,809	2,383,015	-	-
Currency translation differences	-	(3,419,693)	-	2,220,488
<b>Balance as at 31 December</b>	<b>116,063,165</b>	<b>474,118,029</b>	<b>74,016,274</b>	<b>304,725,000</b>
<b>Interest payable</b>				
Balance as at 1 January	-	-	-	-
Interest charges (Note 22)	1,547,539	6,360,385	-	-
Interest paid	(1,099,131)	(4,517,429)	-	-
Currency translation differences	-	(11,209)	-	-
<b>Balance as at 31 December</b>	<b>448,408</b>	<b>1,831,747</b>	<b>-</b>	<b>-</b>

## 19. Other liabilities

	31 December 2023		31 December 2022	
	USD	KHR'000 (Note 4.2)	USD	KHR'000 (Note 4.2)
<b>Financial liabilities</b>				
AAccounts payable	307,610	1,256,587	621,918	2,560,436
Accrued bonuses	236,208	964,910	139,378	573,819
Accrued expenses	109,051	445,472	77,025	317,112
AAccrued severance payments	-	-	31,039	127,788
	652,869	2,666,969	869,360	3,579,155
<b>Non-financial liability</b>				
Withholding taxes payable	30,669	125,283	15,331	63,118
	<b>683,538</b>	<b>2,792,252</b>	<b>884,691</b>	<b>3,642,273</b>



## 20. Share capital

	31 December 2023		31 December 2022	
	USD	KHR'000 (Note 4.2)	USD	KHR'000 (Note 4.2)
Registered, issued and fully paid ordinary shares of USD 250 each par value per share	200,000,000	800,000,000	200,000,000	800,000,000

## 21. Contributions from Ministry of Economy and Finance

Contributions from MEF represents the Bank's start-up costs and capitalized expenditures shouldered by MEF amounting to USD 529,942 (KHR'000 2,119,768) and USD 778,140 (KHR'000 3,112,560), respectively.

MEF issued Deika No. 1686 dated 20 September 2021 requesting the Bank to refund USD 61,200 regarding rental deposits returned by lessor upon maturity. The Bank has returned the deposits to MEF on 16 November 2022.

## 22. Net interest income

	For the year ended 31 December 2023		For the year ended 31 December 2022	
	USD	KHR'000 (Note 4.2)	USD	KHR'000 (Note 4.2)
<b>Interest income</b>				
Loans and advances to customers	7,919,526	32,549,252	5,289,639	21,618,755
Balances with the NBC and other banks	2,860,957	11,758,533	1,098,220	4,488,425
	10,780,483	44,307,785	6,387,859	26,107,180
<b>Interest expense</b>				
Customer deposits	111,842	459,671	12,081	49,375
Lease liabilities (Note 13)	52,022	213,810	24,264	99,167
Borrowings (Note 18)	1,547,539	6,360,385	-	-
	1,711,403	7,033,866	36,345	148,542
<b>Net interest income</b>	<b>9,069,080</b>	<b>37,273,919</b>	<b>6,351,514</b>	<b>25,958,638</b>

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## 23. Net fee and commission income

	For the year ended 31 December 2023		For the year ended 31 December 2022	
	USD	KHR'000 (Note 4.2)	USD	KHR'000 (Note 4.2)
<b>Fee and commission income</b>				
Commercial loan fees	149,088	612,752	60,794	248,465
Miscellaneous loan charges	36,295	149,172	-	-
Others	18,665	76,713	11,533	47,135
	204,048	838,637	72,327	295,600
<b>Fee and commission expense</b>				
	(454)	(1,866)	(48,265)	(197,259)
	<b>203,594</b>	<b>836,771</b>	<b>24,062</b>	<b>98,341</b>

## 24. Personnel expense

	For the year ended 31 December 2023		For the year ended 31 December 2022	
	USD	KHR'000 (Note 4.2)	USD	KHR'000 (Note 4.2)
Salaries and bonuses	3,494,511	14,362,439	1,920,024	7,847,138
Other staff -related costs	55,076	226,364	44,618	182,354
	<b>3,549,587</b>	<b>14,588,803</b>	<b>1,964,642</b>	<b>8,029,492</b>

## 25. Depreciation and amortisation

	For the year ended 31 December 2023		For the year ended 31 December 2022	
	USD	KHR'000 (Note 4.2)	USD	KHR'000 (Note 4.2)
Intangible assets (Note 11)	254,061	1,044,191	195,609	799,454
Property and equipment (Note 12)	648,487	2,665,282	566,334	2,314,607
Right-of-use assets (Note 13)	345,402	1,419,602	263,205	1,075,719
	<b>1,247,950</b>	<b>5,129,075</b>	<b>1,025,148</b>	<b>4,189,780</b>

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## 26. General and administrative expenses

	For the year ended 31 December 2023		For the year ended 31 December 2022	
	USD	KHR'000 (Note 4.2)	USD	KHR'000 (Note 4.2)
Repairs and maintenance	395,030	1,623,573	296,766	1,212,883
Advertising	124,646	512,295	51,925	212,217
Licenses and membership fees	110,207	452,951	71,207	291,023
Security	107,183	440,522	63,288	258,658
Insurance	103,742	426,380	35,282	144,198
Transportation	83,657	343,830	51,276	209,565
Utilities	79,475	326,642	43,206	176,583
Business meal and entertainment	77,498	318,517	59,496	243,160
Other taxes	77,445	318,299	69,321	283,315
Office supplies	63,709	261,844	62,725	256,357
Short-term leased assets (Note 13)	53,242	218,825	25,946	106,041
Communication	40,057	164,634	27,135	110,901
Other low value assets	27,673	113,736	54,328	222,039
Others	22,756	93,527	17,898	73,149
	<b>1,366,320</b>	<b>5,615,575</b>	<b>929,799</b>	<b>3,800,089</b>

## 27. Related party balances and transactions

### 27.1 Outstanding balances with related parties

	For the year ended 31 December 2023		For the year ended 31 December 2022	
	USD	KHR'000 (Note 4.2)	USD	KHR'000 (Note 4.2)
<b>MEF:</b>				
Borrowing (Note 18)	116,511,573	475,949,776	74,016,274	304,725,000
<b>Key management personnel:</b>				
Loan (principal and accrued interest receivable) (Note 9)	1,028,345	4,200,789	642,594	2,645,559

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## Financial Statements

## 27.2 Transactions with related parties

Significant transactions with related parties during the year are as follows:

	For the year ended 31 December 2023		For the year ended 31 December 2022	
	USD	KHR'000 (Note 4.2)	USD	KHR'000 (Note 4.2)
<b>MEF:</b>				
Borrow Fund - TRCS Project	74,596,083	304,725,000	74,016,274	304,725,000
Borrow Fund - Direct Lending Project	41,915,490	171,224,776	-	-
Proceeds from additional capital	-	-	50,000,000	200,000,000
Return of contributions	-	-	(61,200)	(244,800)
<b>Key management personnel:</b>				
Salaries and benefits	634,429	2,607,502	466,024	1,904,640
<b>Interest income from loans</b>	<b>38,203</b>	<b>157,014</b>	<b>14,348</b>	<b>58,640</b>

## 28. Commitment and contingency

### 28.1 Credit commitment

#### (i) Loan commitments, guarantee and other financial facilities

The Bank had contractual off-balance sheet financial instruments that commit it to extend credit to customers, guarantee and other facilities as follows:

	31 December 2023		31 December 2022	
	USD	KHR'000 (Note 4.2)	USD	KHR'000 (Note 4.2)
Undisbursed portion of loans and advances	7,922,343	32,362,772	3,778,540	15,556,249
<b>Unpaid contract value</b>	<b>58,665,898</b>	<b>239,650,191</b>	<b>-</b>	<b>-</b>

The Bank's assessment of expected credit losses on off-balance-sheet financial instruments is based on historical experience, current economic conditions, and other relevant factors. Management will continue to monitor these factors and reassess the adequacy of our provisions for expected credit losses as necessary.

Given the immateriality of expected credit losses associated with off-balance-sheet financial instruments, no further disclosure is provided in these financial statements.

#### (ii) Operating lease commitments

The Bank recognized right-of-use assets and lease liabilities for lease contracts where the Bank is a lessee, except for short term leases (see Note 4.8 and Note 13 for further information). The lease commitments of short-term leases are insignificant.



**(iii) Capital commitments**

	For the year ended 31 December 2023		For the year ended 31 December 2022	
	USD	KHR'000 (Note 4.2)	USD	KHR'000 (Note 4.2)
Property and equipment	118,320	483,338	-	-
Intangible assets	14,659	59,883	-	-
	<b>132,980</b>	<b>543,221</b>	<b>-</b>	<b>-</b>

The Bank have capital commitments to procure satellite branch decoration and human resource management system.

**28.2 Tax contingency**

The taxation system in Cambodia has undergone numerous changes and is characterized by either often unclear, contradictory and/or differing interpretations existing among numerous taxation authorities and jurisdictions. Taxes are subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges. These facts may create tax risks in Cambodia substantially more significant than in other countries.

Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have differing interpretations and the effects since the incorporation of the Bank and its subsidiaries could be significant.

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## Financial Statements

## 29. Maturity profile of assets and liabilities

The following table shows an analysis of assets as to whether they are expected to be recovered or settled within one year or beyond one year from the end of reporting period:

	31 December 2023			31 December 2022		
	Within one year	Beyond one year	Total	Within one year	Beyond one year	Total
	USD	USD	USD	USD	USD	USD
<b>Financial assets</b>						
Cash on hand	1,998,634	-	1,998,634	570,750	-	570,750
Balances with the NBC	10,245,833	-	10,245,833	12,970,398	-	12,970,398
Balances with other banks	91,082,793	-	91,082,793	50,478,382	-	50,478,382
Loans and advances to customers	7,152,255	212,827,911	219,980,166	4,759,700	210,039,830	214,799,530
Statutory deposit	-	338,272	338,272	-	321,965	321,965
Other assets	-	59,237	59,237	-	51,547	51,547
	110,479,515	213,225,420	323,704,935	68,779,230	210,413,342	279,192,572
<b>Non-financial assets</b>						
Other assets	327,440	-	327,440	131,392	-	131,392
Property and equipment	-	2,145,511	2,145,511	-	1,808,897	1,808,897
Right-of-use assets	-	2,034,601	2,034,601	-	2,295,191	2,295,191
Intangible assets	-	614,419	614,419	-	789,727	789,727
Deferred tax assets	-	836,917	836,917	-	820,969	820,969
	327,440	5,631,448	5,958,888	131,392	5,714,784	5,846,176
<b>Total financial and non-financial assets</b>			329,663,823			285,038,748
Unamortised loan processing fee			(701,450)			(470,993)
Allowance for expected credit loss			(7,344,863)			(3,827,605)
<b>Total assets</b>			321,617,510			280,740,150
<b>In KHR'000 (Note 4.2)</b>			<b>1,313,807,527</b>			<b>1,155,807,197</b>

## 29. Maturity profile of assets and liabilities (continued)

The following table shows an analysis of liabilities as to whether they are expected to be recovered or settled within one year or beyond one year from the end of reporting period:

	31 December 2023			31 December 2022		
	Within one year	Beyond one year	Total	Within one year	Beyond one year	Total
	USD	USD	USD	USD	USD	USD
<b>Financial liabilities</b>						
Deposits from other financial institutions	52,855	-	52,855	49,461	-	49,461
Deposits from customers	1,027,284	2,937,576	3,964,860	1,745,780	2,914,744	4,660,524
Borrowings from the MEF	-	116,511,573	116,511,573	-	74,016,274	74,016,274
Lease liabilities	374,600	1,725,441	2,100,041	279,287	2,031,331	2,310,618
Other liabilities	652,869	-	652,869	869,360	-	869,360
	2,107,608	121,174,590	123,282,198	2,943,888	78,962,349	81,906,237
<b>Non-financial liabilities</b>						
Other liabilities	30,669	-	30,669	15,331	-	15,331
Income tax liability	11,521	-	11,521	253,069	-	253,069
	42,190	-	42,190	268,400	-	268,400
Total liabilities	2,149,798	121,174,590	123,324,388	3,212,288	78,962,349	82,174,637
<b>In KHR'000 (Note 4.2)</b>			<b>503,780,124</b>			<b>338,312,980</b>

### 30. Financial risk management

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

- Operational risk;
- Credit risk;
- Market risk; and,
- Liquidity risk.

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

#### Risk management functional and governance structure

The Bank's activities expose it to a variety of financial risks: credit risk, market risk (including currency risk, interest rate risk and price risk) and liquidity risk. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business.

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

The primary objective of the Bank in risk management is to comply with NBC's regulations. On the other hand, the Bank has recognized the importance of achieving international best practices on risk management. The Board of Directors has established a Credit Committee to formulate broad parameters of acceptable risk for the Bank and monitor the activities against these parameters.

#### 30.1 Operational risk

Operational risk is the risk of direct or indirect loss arising from inadequate or failed internal processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior.

The operational risk loss is managed through established operational risk management processes, proper monitoring and reporting of the business activities by control and support units which are independent of the business units and oversight provided by the senior management of the Bank.

The Bank's operational risk management entails the establishment of clear organizational structures, roles and control policies. Various internal control policies and measures have been implemented including the establishment of signing authorities, defining system parameters controls, streamlining procedures and documentation and compliance with regulatory and other legal requirements. These are continually reviewed to address the operational risks of the business unit as well as to assess the level of compliance with the Bank policies by a program of periodic reviews undertaken by the internal audit function. The results of internal audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Bank.

#### 30.2 Credit risk

The Bank takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss to the Bank by failing to discharge an obligation. Credit risk is the most important risk for the Bank's business. Credit exposure arises principally in lending activities that lead to loans and advances. There is also credit risk in off-balance sheet financial instruments, such as loan commitments. 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 credit risks are well diversified. The credit policy documents the lending policy, collateral policy and credit approval processes, including the Bank's own internal grading system, and procedures implemented to ensure compliance with the NBC's guidelines.

#### ***(a) Credit risk measurement***

The Bank assesses the probability of default of individual counterparties using internal rating tool. Local credit committee is responsible for determining the risk rating policies.

Risk ratings are reviewed and updated regularly, 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.

#### ***(b) Risk limit control and mitigation policies***

The Bank operates and provides loans and advances to individuals or enterprises within the Kingdom of Cambodia. The Bank manages, limits and controls the concentration of credit risk whenever it is identified. Large exposure is defined by the NBC as overall credit exposure to any individual beneficiary which exceeds 10% of the Bank's net worth.

The Bank is required, under the conditions of NBC Prakas No. B7-06-226, to maintain at all times a maximum ratio of 20% between the Bank's overall credit exposure to any single beneficiary and the Bank's net worth. The aggregate of large credit exposure must not exceed 300% of the Bank's net worth.

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 and advances to customers, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types to secure for loans and advances to customers are:

- Mortgages over residential properties (land, building and other properties);
- Charges over business assets such as land and buildings; and
- Cash in the form of margin deposits.

#### ***(c) Management of credit risk***

- Developing and maintaining the Bank's processes for measuring ECL: This includes processes for:
  - initial approval, regular validation and back-testing of the models used;
  - determining and monitoring significant increase in credit risk; and
  - incorporation of forward-looking information.
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports on the credit quality of local portfolios are provided to the Bank and may require appropriate corrective action to be taken. These include reports containing estimates of ECL allowances.
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Bank in the management of credit risk.

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**(d) Maximum exposure to credit risk before collateral held or other credit enhancements**

Details of maximum exposure to credit risk before collateral held or other credit enhancements are as follows:

	31 December 2023		31 December 2022	
	USD	KHR'000 (Note 4.2)	USD	KHR'000 (Note 4.2)
<b>On-balance sheet financial assets</b>				
Balances with the NBC	10,245,833	41,854,228	12,970,398	53,399,129
Balances with other banks	91,082,793	372,073,209	50,478,382	207,819,499
Loans and advances to customers - gross	219,278,716	895,753,555	214,328,537	882,390,587
Other financial assets	59,237	241,983	51,547	212,219
	320,666,579	1,309,922,975	277,828,864	1,143,821,434
<b>Off-balance sheet items</b>				
Credit commitments	66,588,241	272,012,963	3,778,540	15,556,249
<b>Total credit exposure</b>	<b>387,254,820</b>	<b>1,581,935,938</b>	<b>281,607,404</b>	<b>1,159,377,683</b>

**(e) Concentration of risk**

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographic location.

The Bank monitors concentration of credit risk of counterparty by industry. An analysis of concentration of the credit risk as at the reporting date for loans and advances to customer is shown below:

	31 December 2023		31 December 2022	
	USD	KHR'000 (Note 4.2)	USD	KHR'000 (Note 4.2)
<i>By maturity</i>				
Within 1 month	259,004	1,058,032	-	-
1 to 3 months	865,856	3,537,022	143,516	590,855
3 to 12 months	6,021,862	24,599,306	4,616,184	19,004,831
1 to 3 years	14,744,521	60,231,368	5,154,838	21,222,469
3 to 5 years	89,045,404	363,750,475	48,843,575	201,088,998
Over 5 years	108,342,069	442,577,352	155,570,424	640,483,434
	<b>219,278,716</b>	<b>895,753,555</b>	<b>214,328,537</b>	<b>882,390,587</b>
<i>By security:</i>				
Secured	86,021,705	351,398,664	53,290,882	219,398,561
Unsecured	133,257,011	544,354,890	161,037,655	662,992,028
	<b>219,278,716</b>	<b>895,753,554</b>	<b>214,328,537</b>	<b>882,390,589</b>

**(e) Concentration of risk (continued)**

	<b>31 December 2023</b>		<b>31 December 2022</b>	
	<b>USD</b>	<b>KHR'000</b> <b>(Note 4.2)</b>	<b>USD</b>	<b>KHR'000</b> <b>(Note 4.2)</b>
<i>By industry:</i>				
Financial institutions	131,818,143	538,477,114	160,204,713	659,562,806
Manufacturing	43,184,884	176,410,253	21,746,847	89,531,771
Utilities	14,533,564	59,369,611	9,160,559	37,714,019
Wholesale trade	11,398,329	46,562,175	7,131,519	29,360,465
Retail trade	5,838,751	23,851,296	3,243,502	13,353,497
Hotel and tourism	4,630,528	18,915,707	3,364,224	13,850,508
Other non-financial services	4,156,990	16,981,306	7,400,309	30,467,071
Personal loans	1,731,307	7,072,389	1,032,682	4,251,552
Transport and storage	967,679	3,952,969	-	-
Information media and telecommunication	617,455	2,522,303	674,290	2,776,051
Other lending	401,086	1,638,432	369,892	1,522,847
	<b>219,278,716</b>	<b>895,753,555</b>	<b>214,328,537</b>	<b>882,390,587</b>
<i>By currency:</i>				
USD	189,663,428	774,775,103	190,522,239	784,380,056
KHR	29,615,288	120,978,452	23,806,298	98,010,531
	<b>219,278,716</b>	<b>895,753,555</b>	<b>214,328,537</b>	<b>882,390,587</b>
<i>By residency:</i>				
<b>Residents</b>	<b>219,278,716</b>	<b>895,753,555</b>	<b>214,328,537</b>	<b>882,390,587</b>
<i>By relationship:</i>				
Related parties	1,028,345	4,200,789	642,594	2,645,559
Non-related parties	218,250,371	891,552,766	213,685,943	879,745,028
	<b>219,278,716</b>	<b>895,753,555</b>	<b>214,328,537</b>	<b>882,390,587</b>
<i>By exposure:</i>				
Large exposures*	37,496,651	153,173,822	64,728,574	266,487,540
Non-large exposures	181,782,065	742,579,733	149,599,963	615,903,047
	<b>219,278,716</b>	<b>895,753,555</b>	<b>214,328,537</b>	<b>882,390,587</b>
<i>By interest rates (per annum):</i>				
<b>Interest rates</b>	<b>2.00% - 7.50%</b>		<b>2.00% - 7.50%</b>	

\*A "large exposure" is defined under NBC Prakas as the overall gross exposure of the aggregate balance of loans and advances to customers with one single beneficiary, which exceeds 10% of the Bank's net worth. The exposure is the higher of the outstanding loans or commitments and the authorised loans or commitment.

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**(e) Concentration of risk (continued)**

	For the year ended 31 December 2023				For the year ended 31 December 2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	USD	USD	USD	USD	USD	USD	USD	USD
Balances with the NBC	10,245,833	-	-	10,245,833	12,970,398	-	-	12,970,398
Balances with other banks	91,082,793	-	-	91,082,793	50,478,382	-	-	50,478,382
Loans and advances to customers – gross	206,721,859	2,813,313	9,743,544	219,278,716	212,959,981	1,114,356	254,200	214,328,537
Other assets	59,237	-	-	59,237	51,547	-	-	51,547
	307,568,074	2,830,309	10,268,196	320,666,579	276,460,308	1,114,356	254,200	277,828,864
Allowance for expected credit loss	(3,216,661)	(186,957)	(3,941,245)	(7,344,863)	(3,344,178)	(226,932)	(256,495)	(3,827,605)
<b>Total</b>	<b>304,351,413</b>	<b>2,643,352</b>	<b>6,326,951</b>	<b>313,321,716</b>	<b>273,103,738</b>	<b>897,521</b>	<b>(2,295)</b>	<b>274,001,259</b>
<b>In KHR'000</b>								
<b>(Note 4.2)</b>	<b>1,243,275,522</b>	<b>10,798,093</b>	<b>25,845,595</b>	<b>1,279,919,210</b>	<b>1,126,307,168</b>	<b>3,695,094</b>	<b>-</b>	<b>1,130,002,261</b>

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

Allowance for impairment will be made based on the following three-stage approach which reflects the change in credit quality of the financial instrument since initial recognition:

**(i) Stage 1: 12-month ECL – not credit-impaired**

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired upon origination, the ECL associated with the probability of default events occurring within next 12 months will be recognized.

**(ii) Stage 2: Lifetime ECL – not credit-impaired**

For exposures where there has been a significant increase in credit risk since initial recognition but that are not credit-impaired, a lifetime ECL will be recognized.

**(iii) Stage 3: Lifetime ECL – credit-impaired**

Financial assets are assessed as credit-impaired when one or more events that have detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that are credit-impaired, a lifetime ECL will be recognized.

**(iv) 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 organizations 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.

**(f) Repossessed collateral**

The Bank does not utilise the repossessed collaterals for its business use.

The Bank did not obtain assets by taking possession of collateral held as security as at 31 December 2023 and 2022.

### 30.3 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 contract and interest rate swaps to hedge its risk exposure.

***(i) Foreign exchange risk***

Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the Bank's functional currency. The Bank maintains a policy of not exposing itself to large foreign exchange positions. Any foreign currency exchange open positions are monitored against the operating requirements, pre-determined position limits and cut-loss limits.

The balances in monetary assets and liabilities denominated in currencies other than USD are not significant. Therefore, no sensitivity analysis for foreign currency exchange risk was presented.

***(ii) Price risk***

The Bank is not exposed to price risk of securities because it does not hold any investments classified on the statement of financial position as marketable securities.

***(iii) Interest rate risk***

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest margins may increase as a result of changes and may reduce losses in the event that unexpected movements arise. The Management of the Bank at this stage does not have a policy to set limits on the level of mismatch of interest rate re-pricing that may be undertaken; however, Management regularly monitors the mismatch.

The Bank has no significant financial assets and liabilities with floating interest rates. Balances with the NBC, balances with other banks, and loans and advances earn fixed interest rates and deposits from other banks and customers have fixed interest rates.

**30.4 Liquidity risk**

Liquidity risk relates to the ability to maintain sufficient liquid assets to meet its financial commitments and obligations when they fall due at a reasonable cost.

In addition to full compliance of all liquidity requirements, the management of the Bank closely monitors all inflows and outflows and the maturity gaps through periodical reporting. Movements in loans and customers' deposits are monitored and liquidity requirements adjusted to ensure sufficient liquid assets to meet its financial commitments and obligations as and when they fall due.

The following table provides an analysis of the financial assets and liabilities of the Bank into relevant maturity groupings, including instalments due.

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### 30.4 Liquidity risk (continued)

Analysis for financial assets and financial liabilities by contractual maturity

31 December 2023								
	On demand	Up to 1 month	> 1 – 3 months	> 3 – 12 months	> 1 – 3 years	> 3 – 5 years	Over 5 years	Total
	USD	USD	USD	USD	USD	USD	USD	USD
<b>Financial assets</b>								
Cash on hand	1,998,634	-	-	-	-	-	-	1,998,634
Balances with the NBC	10,245,833	-	-	-	-	-	-	10,245,833
Balances with other banks	91,082,793	-	-	-	-	-	-	91,082,793
Statutory deposits	-	-	-	-	338,272	-	-	338,272
Loans and advances to customers - gross	-	259,004	1,035,167	5,852,551	14,744,521	89,236,381	108,151,092	219,278,716
Other assets	-	-	-	-	-	6,814	52,423	59,237
	103,327,260	259,004	1,035,167	5,852,551	15,082,793	89,243,195	108,203,515	323,003,485
<b>Financial liabilities</b>								
Deposits from customers	1,027,284	-	-	-	2,937,576	-	-	3,964,860
Deposits from other banks	52,855	-	-	-	-	-	-	52,855
Borrowings	-	-	-	-	25,313,769	24,865,361	66,332,443	116,511,573
Lease liabilities	-	30,846	61,892	281,862	721,527	372,563	631,351	2,100,041
Other liabilities	652,869	-	-	-	-	-	-	652,869
	1,733,008	30,846	61,892	281,862	28,972,872	25,237,924	66,963,794	123,282,198
<b>Net liquidity surplus/(gap)</b>	<b>101,594,252</b>	<b>228,158</b>	<b>973,275</b>	<b>5,570,689</b>	<b>(13,890,079)</b>	<b>64,005,271</b>	<b>41,239,721</b>	<b>199,721,287</b>

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## 30.4 Liquidity risk (continued)

In KHR'000								
(Note 4.2)	415,012,519	932,025	3,975,828	22,756,265	(56,740,973)	261,461,532	168,464,260	815,861,456
31 December 2022								
	On demand	Up to 1 month	> 1 - 3 months	> 3 - 12 months	> 1 - 3 years	> 3 - 5 years	Over 5 years	Total
	USD	USD	USD	USD	USD	USD	USD	USD
Financial assets								
Cash on hand	570,750	-	-	-	-	-	-	570,750
Balances with the NBC	12,970,398	-	-	-	-	-	-	12,970,398
Balances with other banks	50,478,382	-	-	-	-	-	-	50,478,382
Statutory deposits					321,965			321,965
Loans and advances to customers - gross	-	-	143,516	4,616,184	5,090,199	48,246,978	156,231,660	214,328,537
Other assets	-	-	-	-	-	42,844	8,703	51,547
	64,019,530	-	143,516	4,616,184	5,412,164	48,289,822	156,240,363	278,721,579
Financial liabilities								
Deposits from customers	1,745,780	-	-	-	2,914,744	-	-	4,660,524
Deposits from other banks	49,461	-	-	-	-	-	-	49,461
Borrowings	-	-	-	-	11,803,229	24,222,950	37,990,095	74,016,274
Lease liabilities	-	22,550	44,863	211,874	675,705	583,666	771,960	2,310,618
Other liabilities	869,360	-	-	-	-	-	-	869,360
	2,664,601	22,550	44,863	211,874	15,393,678	24,806,616	38,762,055	81,906,237
<b>Net liquidity surplus/ (gap)</b>	<b>61,354,929</b>	<b>(22,550)</b>	<b>98,653</b>	<b>4,404,310</b>	<b>(9,981,514)</b>	<b>23,483,206</b>	<b>117,478,308</b>	<b>196,815,342</b>
<b>In KHR'000 (Note 4.2)</b>	<b>252,598,243</b>	<b>(92,838)</b>	<b>406,154</b>	<b>18,132,544</b>	<b>(41,093,893)</b>	<b>96,680,359</b>	<b>483,658,194</b>	<b>810,288,763</b>

## 30.5 Fair value of financial assets and financial liabilities

The fair values of the Bank's financial instruments such as cash on hand, balances with the NBC and other banks, loans to customers, deposits from customers and banks, certain other assets, certain other liabilities, and 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 values of these financial assets and liabilities as reporting date approximate their fair values.

The methods and assumptions used by the Bank in estimating the fair values of the financial instruments are:

**Cash on hand and balances with the NBC and other banks**

The carrying amounts approximate the fair values due to the short-term nature of these accounts.

**Loans to customers**

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

**Deposits and borrowings**

The estimated fair value of demand deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. The estimated fair value of long-term fixed interest-bearing deposits, borrowings and subordinated debts without quoted market price is based on discounted cash flows using interest rates for new debts with similar remaining maturity. The carrying amounts approximate the fair values of these accounts.

**Other assets and liabilities**

Due to their short duration, the carrying amounts of other liabilities in the statement of financial position are considered to be reasonable approximation of their fair values.

In the opinion of the Management, the carrying amounts of the financial assets and liabilities included in the statement of financial position are a reasonable estimation of their fair values.



## Financial Statements

### 30.6 Capital management

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

- To comply with the capital requirement set by the Central Bank;
- 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 business.

The Central Bank requires all commercial banks to i) hold minimum capital requirement, ii) maintain the Bank's net worth at least equal to minimum capital, and iii) comply with solvency, liquidity and other ratios.

The table below summarises the composition of regulatory capital:

	31 December 2023		31 December 2022	
	USD	KHR'000 (Note 4.2)	USD	KHR'000 (Note 4.2)
<b>Tier 1 capital</b>				
Share capital	200,000,000	800,000,000	200,000,000	800,000,000
Accumulated losses	(2,953,760)	(12,032,152)	(2,681,369)	(10,912,624)
Less intangible assets (Note 11)	(614,419)	(2,509,902)	(789,727)	(3,251,306)
Less loans to related parties (Note 9)	(1,028,345)	(4,200,789)	(642,594)	(2,645,559)
	195,403,476	781,257,157	195,886,310	783,190,511
<b>Tier 2 complementary capital</b>				
General provision	8,604,447	35,149,166	2,843,927	11,708,447
Less equity participation in banking or financial institutions	-	-	-	-
	8,604,447	35,149,166	2,843,927	11,708,447
<b>Total capital Tier I + Tier II</b>	<b>204,007,923</b>	<b>816,406,323</b>	<b>198,730,237</b>	<b>794,898,958</b>

### 31. Events after the reporting date

At the date of this report, to the best knowledge of the Board of Directors, there have been no significant events occurring after end of the reporting period which would require adjustments or disclosures to be made in the financial statements.

### 32. Authorisation of financial statements

The financial statements as at 31 December 2023 and for the year then ended were approved for issue by the Board of Directors on 22 March 2024.



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