

Head Office at Building No 1, 7th, 20th, 21st & 22nd Floor, Street No 360, Phum 8, Sangkat Boeng Keng Kang Ti Muoy, Khan Boeng Keng Kang, Phnom Penh. ♦ 023 991 555 www.kdsb.com.kh

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PART 1: Introduction





Dear Valued Stakeholders,

I wish you a prosperous year ahead!

As the CEO of KB Daehan Specialized Bank Plc., (KDSB), I would like to express my heartfelt gratitude and appreciation to our esteemed customers, dedicated employees, supportive business partners, helpful ministries and regulators, and all valued stakeholders for your endless support and interest in KDSB. You have played the most significant role in our success and growth. Now, I am pleased to share with you the highlights of our achievements in 2023, as well as our commitment for future years.

2023 has been another challenging year after the COVID-19 outbreak ended. However, it was also a remarkable year of growth for KDSB. In January 2023, KDSB's registered capital reached more than USD 73 million, this amount is less than the minimum registered capital of commercial banks which is only about USD 2 million. Moreover, in October 2023, KDSB received in-principal approval from the National Bank of Cambodia on a merger between KDSB and the newly acquired subsidiary, i-Finance Leasing Plc., (IFL), and now we are in the process of obtaining the official approval on the merger between both entities. This merger marks an important step as it drives us towards further improvement in our financial services by offering customers an even more comprehensive range of products and services to help them reach their financial goals.

As a member of KB Financial Group, the leading financial group with the largest customer base and most extensive branch network in South Korea, we are dedicated to providing our customers with a fast, flexible, and safe service, just as they are DRIVING A SUPERCAR ON A HIGHWAY. Not only an Auto Finance product, at KDSB, we provide many other kinds of loan and credit products, and these products were designed to fit with the needs of our customers in this modern age. We understand the unique requirements and financial goals of each customer, and we strive to offer the best solutions to both households, individuals and corporations.

Along the way, with our remarkable and successful 5-year journey, we have committed to sustainability and the development of society through various types of Corporate Social Responsibility. We always allocate an amount of our profit to pay back to society by our Book Donation project, Library Renovation/Construction, School Building Construction, an Agriculture Training Center, a Recycled Product Support Program, Traffic Mirror Installation, etc. We believe that a small contribution from each company, including KDSB, will make a big change for a better Cambodian society.

Without the support of our customers, employees, business partners, ministries and regulators and all stakeholders, both our business and Corporate Social Responsibility achievements would not have been possible. We are very grateful for your unwavering support, collaboration and contribution.

We promise to provide you with the best financial solutions and keep you on "Your New Highway in Finance" with KDSB.

Yours Sincerely,

Pak Du Ho

Chief Executive Officer



Regardless of whether it is dependent on the innovative and prosperous financial expertise of its parent companies, KDSB is unquestionably a reliable bank that can swiftly and easily meet the needs of the Cambodian credit market and contribute to the development of the country's financial society.

Over the last 5 years, in pursuit of sustainable success and the highest customer satisfaction, KDSB has already established an extensive service coverage network in its main location in the capital city. At the moment, KDSB has a Head Office and four branches – Saensokh Branch, Chbar Ampov Branch, Dangkao Branch and Tuek Thla Branch. And soon, after the merger with IFL, our networks and branches will be expanded to many major provinces in Cambodia. We promise to give our customers the best service through our extensive networks countrywide.

Bank Name	KB Daehan Specialized Bank Plc. (KDSB)
Registered Capital	USD 73,650,000
Shareholders	KB Kookmin Card Co., Ltd. 97.50% Indochina Bank Ltd. 2.50%
History	July 2008: Founded as Tomato Specialized Bank March 2018: Changed into KB Daehan Specialized Bank Plc.
Business Sector	Specializing in Auto Finance, General Loan, Agriculture Equipment Loan and Card Business
No. of employees	393
External Auditor	PricewaterhouseCoopers (Cambodia) Ltd.
Head Office	Building No. 1, 7 th , 20 th 21 st and 22 nd Floor, Street No. 360, Phum 8, Sangkat Boeng Keng Kang Ti Muoy, Khan Boeng Keng Kang, Phnom Penh, Cambodia
Contact Information	Tel: +855 23 991 555 E-mail: info@kdsb.com.kh Website: www.kdsb.com.kh



Shareholder's Profile (KB Financial Group)

KB Financial Group is Korea's leading financial services provider offering a broad range of financial products and services. The Group was founded in 2008 to better serve clients, enable growth and deliver value in a rapidly changing financial environment. The core strengths are its expertise, a broad customer base, a wide distribution network and a strong brand.



Subsidiaries

Currently, KB Financial Group has 11 fully owned subsidiaries, and it holds 100 percent of the shares in each subsidiary.

KB Kookmin Bank 100%	KB Securities 100%	KB Insurance 100%	KB Kookmin Card 100%	KB Life Insurance 100%	KB Asset Management 100%	KB Capital 100%	KB Real Estate Trust 100%	KB Savings Bank 100%	KB Investment 100%	KB Data Systems 100%	
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Global Network

KB Financial Group provides a wide range of financial products to global customers through extensive networks in 12 different countries.

Indonesia	7
Cambodia	3
Vietnam	7
Hongkong	2
China	4
Singapore	2
Japan	1
New Zealand	1
India	1
Myanmar	3
Thailand	1
Laos	1





Shareholder's Profile (KB Financial Group) (continued)

Credit Ratings

Moody's

A1
Stable

S&P
Stable

ESG Ratings



Morgan Stanley Capital International (MSCI)

The first Korean financial company to achieve AAA rating for two consecutive years.



DJSI

Listed on the DJSI World Index for eight straight year (2016–2023)



KCGS

The only Korean financial company to receive all A+ grades for four straight years (2020–2023)



Bloomberg Gender-Equality Index

The first Korean company to be listed for five straight years (2019–2023)



Carbon Disclosure Project (CDP)

Acquisition of 'Leadership A–' in the Climate Change Response Sector

Shareholder's Profile KB Kookmin Card

KB Kookmin Card is a **top-tier credit card company** having a customer base of over 20 million people in South Korea.

We desire to be a **"People's Happy Life Partner"** offering better financial products that can help customers' lives be easier and happier.

Establishment Date	September, 1987	
Business Sector	Credit Card and related business, Tele–Sales, Tourism, Insurance Sales, Lease, Instalment financing, and New technology financing	
Employees	1,562	
Cardholders	20.9 million (About 40% of South Korea population)	
Merchants	2.9 million	
Transaction Volume	KRW 174.3 trillion (USD 134.6 billion)	
Total Assets	KRW 29.4 trillion (USD 22.7 billion)	
Net Profit	KRW 351.1 billion (USD 271.1 million)	

Note: As of 31 December 2023, Exchange Rate: USD 1.00 = KRW 1,295.04

Awards in 2023

Korea Leading Finance ESG in Card Category Leader (Money S)

26.04.2023: 3rd Korea Leading Finance ESG Awards Card Category Leader (Money S)

Korea Brand Star in Check Card Category

28.03.2023: 2023 Korea Brand Star Check Card Category (9 consecutive years) (Brand Stock)

Customer Satisfaction Management in Finance/Card Category

12.01.2023: 2023 Customer Satisfaction Management Awards Finance/Card Category (16 consecutive years) (Korea Economic Daily)

Consumer's Most Trusted Brand in Credit Category

17.01.2023: 2023 Consumer's Most Trusted Brand Award Credit Category (8 Consecutive Years) (Digital Chosun Ilbo)

Edaily Korea Financial Consumer in Credit Finance Category

27.01.2023: 2023 Edaily Korea Financial Consumer Awards Credit Finance Category (Credit Finance Association)

Shareholder's Profile





Vision of the Bank

Indochina Bank is moving forward to establish a strong foothold in the country by making the most of the steady economic growth of the Lao People's Democratic Republic. The vision of the bank is:

"To be the No. 1 private bank in Laos, in term of business growth, customer service, products, profit as well as branding, and continually enhancing our services to meet our customer's highest level of satisfaction."

Main Branch

Address: Kolao Tower I, 23 Singha Road, Nongbone Village, Xaysettha District, Vientiane Capital, Lao PDR

Tel: +856 21 455 000 Fax: +856 21 455 111

Website: www.indochinabank.com

Indochina Bank or IB Bank is a foreign owned locally incorporated commercial bank. The bank was established in Lao People's Democratic Republic (Lao PDR) on 26th May 2008 under a Foreign Investment License No.070–08/PI granted by Ministry of Planning and Investment and under Banking Business License No.53/BOL granted by the Bank of the Lao PDR (BOL) on 28th November 2008.

Indochina Bank officially commenced its business on the 6th February 2009 with its Head Office located at Capital Tower, 23 Singha Road, Nongbone Village, Xaysettha District, Vientiane Capital. The bank's shareholders are reputable individuals and institutions with strong and stable financial backgrounds.

IB Bank was one of the very first banks in Laos that introduced automobile loans in the market and hence has enjoyed its first mover advantage, which reflects on its success today. With the continuous growth in business and customer base, the bank has steadily transformed itself into a more digitized bank with more advanced products being rolled out. It has always strived for more innovative product propositions. IB Cool Banking Application was introduced to the market in November 2020. Over the last 13 years, in pursuit of sustainable success and the highest customer satisfaction, IB Bank has already established an extensive service coverage network in key provinces from the north to south of Laos namely Vientiane Capital, Luangnamtha, Oudomxay, Xiengkhouang, Luangprabang, Khammouan, Bolikhamxay, Savannakhet and Champasack.

The bank's strategy remains focused on organic growth with emphasis on the right combination of retail and corporate banking. The bank is committed to sustaining its strong business performance and leading private banking market share to maintain its premier status in the Laos banking industry.

Indochina Bank is committed to its corporate social responsibility initiatives which focus on nation building, enhancement of the marketplace, promotion of the workplace and environment conservation. The bank supports the community by participating in programs involving education, health care as well as support of the underprivileged. The bank will continue to seek out ways to enrich the lives of those around the country by doing its part for the community.

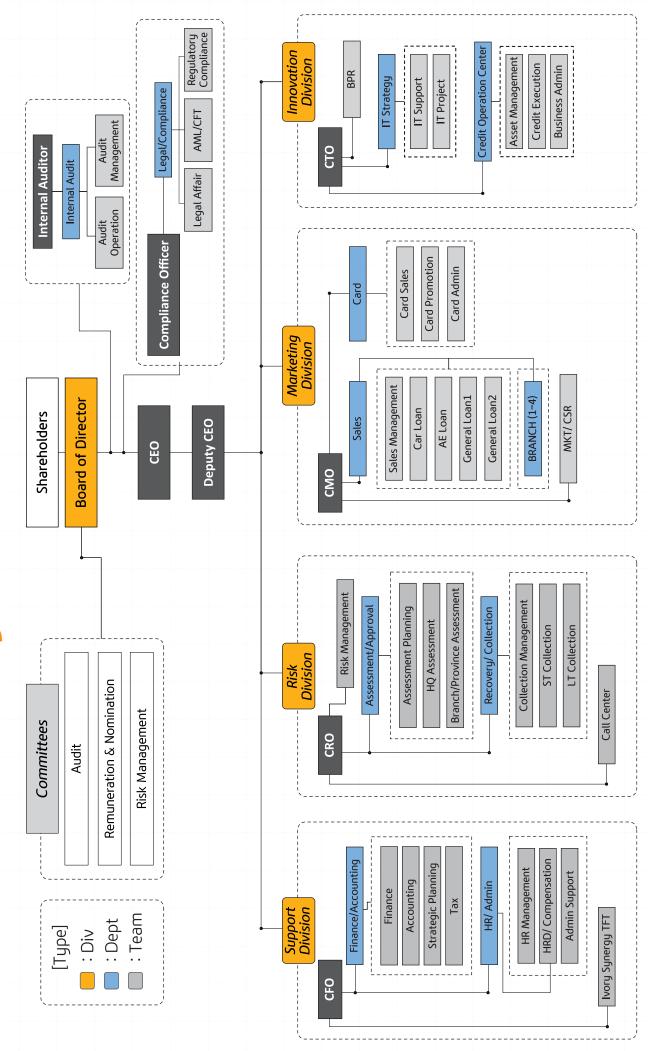
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Establishment Date	28th November 2008
Business Sector	Commercial bank, Deposits, Loans, Cards, and Remittance.
Employees	258
Shareholders	Mr. Oh Sei Young (Korean): 78.57% LVMC Investment Ltd. of Hong Kong: 11.00% Ms. Thavone Vongsombath: 10.43%
Total Assets	USD 1,003,568,553
Loans to customers	USD 650,468,924
Balances of customer deposits	USD 912,127,187
Net Operating Profit	USD 5,669,949

Vision, Mission & Core Values

KDSB's Vision is to be a specialized bank by using its successful experience in South Korea. **KDSB's Mission** is to make people feel excited by providing fast and flexible services such as being able to drive supercars on the highway.



Organization Chart



CORPORATE GOVERNANCE

Board Structure and Composition

The Board of Directors (BOD) of KDSB is comprised of four members, including one independent director. All were appointed at the general shareholder's meeting.

All directors are professionals in their respective fields with extensive experience in areas such as banking, business, management, and accounting. The chair is elected by the Board of Directors.

Board of Directors

Mr Joo Sung Soo Chairman of BOD

Mr Lee Sangin Member (Executive Director)

Mr Bounheng Souphida Member (Non-executive Director)

Mr Kim Kwang Hwan Member (Independent Director)

Committees

Audit Committee

The Audit Committee was established to assist the Board in the execution of its governance and oversight responsibilities.

Mr Kim Kwang Hwan Chair of Committee (Independent Director)

Mr Pak Du Ho Member
Mr Um Chanthan Member

Remuneration & Nomination Committee

The Committee shall establish a fair evaluation and compensation system in accordance with the performance of the management and staff and general environment of the remuneration.

Mr Kim Kwang Hwan Chair of Committee (Independent Director)

Mr Lee Sangin Member
Mr Yang Tae Wook Member

Risk Management Committee

The Committee acts as the highest decision–making body. It establishes and approves risk management strategies and guidelines to recognise, measure, monitor, and control all the risks that arise from the various transactions of banks in a timely manner.

Mr Kim Kwang Hwan Chair of Committee (Independent Director)

Mr Lee Sangin Member
Mr Yang Tae Wook Member



2023 FINANCIAL HIGHLIGHTS

2023 has been the most challenging year in KDSB's history because we faced so many difficulties from the impact of external factors such as the world economic crisis. Nevertheless, we could still manage the crisis well and maintain the following financial figures.





General Loan

A General Loan is a secured loan product well designed to finance customers for house purchase, land, to start or enhance businesses, to refinance and aid families. In addition to serving individuals, the General Loan provides tailored financing solutions, through the Financial Institution Program (FI), to other professional organizations.













KDSB Lucky Cards emerged in the Cambodia market as the first vertical card design, consisting of Debit and Credit Cards operating under VISA, with a robust security system acknowledged by the Payment Card Industry Data Security Standard (PCI DSS) and specifically designed to bring good luck to cardholders through its various benefits.

Agriculture Equipment Loan

Agriculture Equipment Loan is a loan product that helps aspiring and established farmers and agribusiness owners to cultivate success by providing the funding needed to acquire vital agriculture assets.





CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

Provincial Development Project - Establishment of an Agricultural Community Centre

According to the Food and Agriculture Organization of the United Nations, Agriculture is a key economic pillar of Cambodia, with 22% of Cambodia's GDP (2022) and with 2.6 million people employed in the sector. Seeing the importance of this sector to Cambodia's economy, KDSB has established the Agricultural Community Center, which is in the Agriculture, Natural Resources and Environment Office of Stoung District, Kampong Thom Province. By providing a proper place for discussion, consultation, and knowledge-sharing, this center is empowering farmers with new techniques, skills, and knowledge related to information on agriculture, which helps them transition from being family farmers to being modern and commercial farmers.



























Provincial Development Project - Library Operation Project at Wellcam International School

The Library Operation Project at Wellcam International School is another project conducted with an aim of promoting the reading habit in Cambodia. In October 2023, KDSB signed a donation agreement with Wellcam International School to operate a library in an area of the school, which is located at Achar Leak Commune, Stungsen District, Kampong Thom Province. The project was to decorate a space for an interesting and comfortable library and by placing many books and reading materials that can serve both students of Wellcam International School and the public.

Book Donation

KDSB continually promotes education by undertaking a CSR project at the Neak Oknha Moha Pheakdey Hun Neang Unlong Kangan Primary School, which is in Unlong Kangan Village, Sangkat Khmoun, Khan Sen Sok, Phnom Penh, Cambodia. Recognizing the importance of a conducive environment for students to thrive academically and emotionally, KDSB has put its efforts into renovating the school's library by painting the library with a joyful scheme, including the use of vibrant color and by donating an array of books, in the pursuit



of transforming it into an inviting and inspiring area where students can immerse themselves in an atmosphere of books and knowledge. This program was an initiative of KDSB with support from the staff volunteers and the bank charity fund – a fund for the purchase of bank's materials for donation by staff, customers, and the public.

Traffic Mirrors Installation

As a significant CSR initiative, KDSB has been diligently working on a project to install traffic mirrors on narrow roads in Phnom Penh since 2018. Until now, there have been 56 traffic mirrors and 2 school crossing signs installed in many places in Phnom Penh. This ambitious endeavor aims to reduce traffic accidents and enhance road safety for the local community. By addressing the challenges faced by drivers and pedestrians on these congested streets, KDSB showcases their commitment to the well-being and safety of the people in Phnom Penh. This CSR project has garnered widespread recognition and support, as it not only promotes a safer environment but also demonstrates the organization's dedication to giving back to the society they serve.



Recycled Product Support Program (Collaboration with Smart Craft)

KDSB continually demonstrates its commitment to CSR by collaborating with Smart Craft, a social and environmental enterprise providing employment opportunities to persons with disabilities. The collaboration focuses on designing and producing recycled materials, mostly made from inner tires and are skillfully handcrafted by disabled people. By doing so, KDSB aims to promote sustainability in the environment and significantly improve the quality of

and compassionate approach not only supports the cause of sustainability but also empowers the disabled community, fostering a more inclusive and compassionate society.



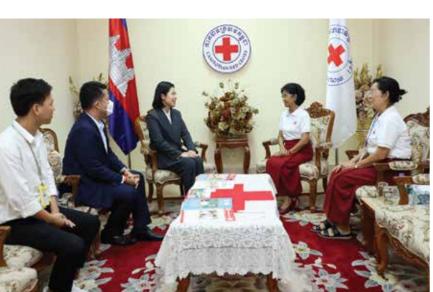


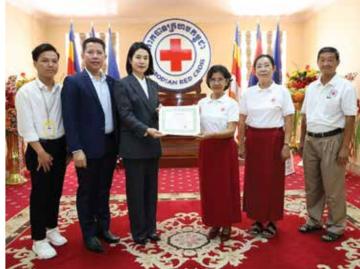




Donation to the Cambodian Red Cross

In honor of the momentous 160th Anniversary of the World Red Cross and Red Crescent Day in 2023, KDSB has contributed USD 1,000 to the Cambodian Red Cross (CRC). This donation demonstrates KDSB's support for the CRC's humanitarian efforts and aims to enhance community resilience.





This donation not only highlights KDSB's dedication to humanitarian causes but also serves as a testament to KDSB's continuing belief in the power of collaboration and the importance of uplifting those in need.

KDSB's Support to the Eco Study Trip 2023 of Students of Royal University of Law and Economics

KDSB contributed to the Eco Study Trip 2023, an educational-support initiative organized by students in the Economics and Management Department of the French Cooperation Center of the Royal University of Law and Economics (RULE). As the In-Kind Platinum Sponsor, KDSB has donated KDSB Diary Notebooks 2023 to students at Preah Sihanouk High School through the program. This contribution aimed to support the educational needs of the students and enhance their learning experience. By sponsoring these learning materials, KDSB reflects its dedication to promoting the learning environment and the growth of the youth in Cambodia. This act of generosity reflects the KDSB's steadfast commitment to community development and its belief in the power of education to shape a brighter future for the nation.









KxDSBank

KiDSBank is a combination of "KiDS" and "Bank" inspired by KDSB (KB Daehan Specialized Bank Plc.), situated on the 22nd floor of KDSB's head office.



KiDSBank is a vibrant library designed for children to engage in reading, drawing, painting, and using intellect-enhancing materials. KDSB envisions KiDSBank to develop passion in children to develop reading habits and foster personal and social growth through knowledge acquisition.











KDSB Gallery

The KDSB Gallery serves as a vital component of KDSB's culture, exhibiting corporate materials specifically designed for various essential purposes. These materials not only promote KDSB's identity and values but also facilitate connections with key stakeholders and business partners through thoughtfully curated gifts. Moreover, the corporate materials are offered for purchase by the public at the price of manufacturing costs, and the proceeds are specifically allocated to support the KDSB's comprehensive CSR initiatives.

















Employee Welfare Motivation Programs

Oversea Workshop

In acknowledgment of employees who performed excellent work, KDSB provides a bench-mark training program and overseas workshops in South Korea to the best performing staff. This initiative serves not only as a testament to their dedication and effort but also as an enriching cultural and professional experience. The trip encompasses various educational and vital activities designed to augment their skills and knowledge, while also immersing them in the vibrant South Korean culture, lifestyle, and business dynamics. This gesture underscored KDSB's steadfast commitment to developing employee growth and repeated the immense value the bank places on exceptional performance.



KDSB prioritizes employees' career and personal development. It provides comprehensive training programs to employees that are tailored to individual needs and enhance both hard and soft skills that support career progression and personal growth. Soft skills courses nurture communication, leadership, and problem–solving abilities, while hard skills courses tackle industry–specific topics. The programs are provided by experienced trainers, either through in–house or outside training, to ensure a productive and rewarding work environment and to empower employees to reach their career goals.









Quarterly Awards







KDSB consistently prepares a Quarterly Awards program to recognize high performing staff. The program features special and highly sought-after awards, which are given to selected employees who perform their roles outstandingly. KDSB believes that hard work and dedication should be celebrated, and the program is its way to express how employees' hard work and dedication are noticed and appreciated.











2022 Annual Awards

February 11th–12th, 2023 marked the KDSB Annual Best Staff Awards 2022 & Welcoming i–Finance Party. This spectacular event was specifically organized with synergy objectives to welcome the new subsidiary of KB Kookmin Card and KDSB, IFL, to have an official celebration for Best Staff and Promotion/ Elevation Staff from KDSB and IFL, and to have a year–end field trip with all employees from KDSB and IFL to Siem Reap, Cambodia. This 2–day–long field trip was certain to leave employees looking back on it with fond memories for many years to come.

















Other Activities KDSB 5th Anniversary

September 06th, 2023 marked a significant milestone for the KDSB as it celebrated its 5th anniversary of service in the community. To commemorate this special occasion, KDSB organized events to honor its dedicated business partners,

customers, and employees for being part of its growth and accomplishments. The event featured various engaging activities, such as celebrating the anniversary with a cake-cutting ceremony, distributing thoughtful presents to business partners, sharing souvenirs to customers, and rewarding employees through a loyalty program by sharing gifts of gratitude with loyal employees.







Sangkran KDSB

Sangkran KDSB was an exciting and meaningful event that took place to celebrate the arrival of the Khmer New Year, giving the opportunity to express gratitude and strengthen bonds between its most valued stakeholders, including key business partners, ministries and regulators, customers, and dedicated employees. In a display of gratitude and appreciation, KDSB has meticulously prepared thoughtful presents to express its heartfelt thanks to their esteemed key stakeholders and business partners for their endless support and invaluable contributions to KDSB.













Moreover, in celebration of the event, KDSB has extended the gesture of appreciation by presenting Sangkran T-Shirts to key stakeholders, including business partners, ministries and regulators, customers, and to dedicated employees, ensuring that the spirit of the occasion is commemorated with Memories. Furthermore, KDSB has conducted an online contest to let participants win exciting prizes and foster a sense of togetherness and appreciation among all participants.

Pchum Ben Gift Sharing

On the occasion of the Pchum Ben festival, KDSB took the opportunity to showcase its appreciation and gratitude towards its stakeholders and key business partners for their endless support and contributions. KDSB organized a special event where it curated thoughtful presents for each of these individuals and organizations.

This gesture not only served as a token of thanks but also helped strengthen the existing relationships between KDSB and those who have played a significant role in the KDSB's success. By acknowledging the efforts of its stakeholders and business partners, KDSB fostered partnership and mutual respect, which will likely continue to bring a more prosperous future together.







2024 PLAN

Merger between KDSB and i-Finance Leasing

After obtaining an in-principal approval from the National Bank of Cambodia (NBC), KDSB shall continue to complete the merger with IFL within six months from NBC's in-principal approval date, subject to final approval from NBC. This approval represents a significant step forward for a totally successful merger in 2024.













By combining the resources of both companies, KDSB will become a more trusted bank that can offer a comprehensive range of installment loan and leasing products with an extensive network throughout the country, further cementing its position as a major player in the credit market.





KB Daehan Specialized Bank Plc. FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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DIRECTORS' REPORT

The Board of Directors (the Directors) submits their report together with the audited financial statements of KB Daehan Specialized Bank Plc. (the Bank) for the year ended 31 December 2023.

THE BANK

The Bank was incorporated in Cambodia on 24 June 2008 under the registration number 00020218 issued by the Ministry of Commerce (MOC). The Bank obtained its specialised banking license from the National Bank of Cambodia (the NBC) on 10 July 2008 to operate as a specialised bank with indefinite

On 22 March 2018 with the approval from the NBC, the Bank has changed its name from Tomato Specialized Bank to KB Daehan Specialized Bank Plc.. The Bank also obtained a new banking license with the its new name which was approved by the NBC on 22 March 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Bank is to provide the car loans and general loans to residents and small and medium enterprises operating in the Kingdom of Cambodia.

FINANCIAL PERFORMANCE

The financial performance of the Bank for the year is set out in the statement of profit or loss and other comprehensive income on page 8.

On 27 March 2023, the Directors approved for a dividend payment to the shareholders amounting to US\$1,500,000 and received aproval from the National Bank of Cambodia (NBC) on 22 May 2023.

STATUTORY CAPITAL

On 10 November 2022, the Bank requested to the NBC to increase the share capital from US\$43,750,000 to US\$73,650,000 and this has been approved by the NBC on 13 January 2023. The amendment to the Memorandum and Articles of Association (MAA) is endorsed by the Ministry of Commerce on 17 March 2023.

BAD AND DOUBTFUL FINANCIAL FACILITIES

Before the financial statements of the Bank were drawn up, the Directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad loans and advances or making of allowance for impairment losses, and satisfied themselves that all known bad loans and advances had been written off and that adequate loss allowance has been made for bad and doubtful loans and advances.

At the date of this report and based on the best of knowledge, the Directors are not aware of any circumstances which would render the amount written off for bad loans and advances or the amount of the allowance for impairment losses in the financial statements of the Bank inadequate to any material extent.



ASSETS

Before the financial statements of the Bank were drawn up, the Directors took reasonable steps to ensure that any assets which were unlikely to be realised in the ordinary course of business at their value as shown in the accounting records of the Bank have been written down to an amount that might be expected to be realised.

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

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there is:

- (a) no charge on the assets of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person, and
- (b) no contingent liability in respect of the Bank that has arisen since the end of the financial year other than in the ordinary course of banking business.

No contingent or other liability of the Bank has become enforceable, or is likely to become enforceable within a period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may have a material effect on the ability of the Bank to meet its obligations as and when they become 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 financial year were not, in the opinion of the Directors, materially affected by any items, transactions or events of a material and unusual nature. There has not arisen in the interval between the end of the financial year and the date of this report any items. transactions or events of a material and unusual nature likely, in the opinion of the Directors, to substantially affect the results of the operations of the Bank for the year in which this report is made.

THE BOARD OF DIRECTORS

The members of the Board of Directors of the Bank during the year and as at the date of this report are:

Lee Sang In Joo Sungsoo Pak Du Ho

Chairman (appointed on 9 January 2024) Chairman (resigned on 9 January 2024) Member and Executive Director (appointed on 9 January 2024)

Bounheng Souphida Kim Kwang Hwan

Member and Non-Executive Director

Member and Independent Director

Head Office at Building No 1, 7th, 20th, 21st & 22nd Floor, Street No 360, Phum 8. Sangkat Boeng Keng Kang Ti Muoy, Khan Boeng Keng Kang, Phnom Penh.









THE DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for ascertaining that the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2023 and of its financial performance and its cash flows for the year then ended in accordance with the Cambodian International Financial Reporting Standards (CIFRS).

In preparing these financial statements, the Directors are required to:

- adopt appropriate accounting policies which are supported by reasonable and prudent judgments i) and estimates and then apply them consistently;
- comply with the disclosure requirements of CIFRS 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 controls; iii)
- prepare the financial statements on the going concern basis unless it is inappropriate to assume iv) that the Bank will continue operations in the foreseeable future; and
- effectively control and direct the Bank in all material decisions affecting its operations and V) performance and ascertain that such have been properly reflected in the financial statements.

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

APPROVAL OF THE FINANCIAL STATEMENTS

The accompanying financial statements, together with the notes thereto, which present fairly, in all material respects, the financial position of the Bank as at 31 December 2023 and its financial performance and its cash flows of the Bank for the year then ended in accordance with CIFRS, were approved by the Board of Directors.

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

Pak Du Ho

Chief Executive Officer

Phnom Penh, Kingdom of Cambodia 29 March 2024



Independent auditor's report

To the shareholders of KB Daehan Specialized Bank Plc.

Our opinion

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

What we have audited

The Bank's financial statements comprise:

- the statement of financial position as at 31 December 2023;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include material accounting policy information and other explanatory information.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Kampuchea Institute of Certified Public Accountants and Auditors' Code of Ethics for Certified Public Accountants and Auditors (KICPAA Code) that are relevant to our audit of the financial statements in Cambodia. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the KICPAA Code.



Other information

Management is responsible for the other information. The other information obtained at the date of this auditor's report are the directors' report and the supplementary financial information required by the National Bank of Cambodia but do not include the financial statements and our auditor's report thereon.

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 identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Responsibilities of management and those charged with governance for the financial statements

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

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

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

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 scepticism 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 the
 disclosures, and whether the financial statements represent the underlying transactions and
 events in a manner that achieves fair presentation.

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

For PricewaterhouseCoopers (Cambodia) Ltd.

By Hangsophath Molyzana

Partner

Phnom Penh, Kingdom of Cambodia 29 March 2024

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

		20:	23	20	22
	Notes	US\$	KHR'000	US\$	KHR'000
ASSETS					
Cash on hand	4	334,239	1,365,366	266,779	1,098,329
Deposits and placements with the					
central bank	5	98,093	400,710	30,046,285	123,700,555
Deposits and placements with other		0.444.770	04.000.005	47.740.000	70.000.070
banks	6	6,111,776	24,966,605	17,716,026	72,936,879
Statutory deposits with the central bank	7	3,682,500	15,043,013	2,187,500	9,005,938
Loans and advances at amortised cost	8	283,710,848	1,158,958,815	288,562,400	1,188,011,401
Financial assets at fair value through	O	203,710,040	1,130,930,013	200,302,400	1,100,011,401
other comprehensive income					
(FVOCI)	9	12,501	51,067	12,501	51,467
Property and equipment	10	1,796,839	7,340,087	2,006,437	8,260,501
Intangible assets	11	699,412	2,857,098	370,114	1,523,759
Right-of-use assets	12	3,351,158	13,689,480	2,578,707	10,616,537
Deferred tax assets	13	627,534	2,563,476	1,139,714	4,692,203
Other assets	14	5,029,955	20,547,366	6,506,011	26,785,247
	•				
TOTAL ASSETS		305,454,855	1,247,783,083	351,392,474	1,446,682,816
LIABILITIES AND EQUITY					
LIABILITIES					
Borrowings	15	208,465,590	851,581,935	256,278,631	1,055,099,124
Lease liabilities	12	3,074,171	12,557,989	2,191,572	9,022,702
Current income tax liabilities	16	299,530	1,223,580	1,699,385	6,996,368
Other liabilities	17	1,901,373	7,767,109	2,360,639	9,718,751
Provision for off-balance sheet					
commitment	29	7,798	31,855	18,751	77,198
TOTAL LIABILITIES		213,748,462	873,162,468	262,548,978	1,080,914,143
EQUITY	4.0			40 ==0 000	===
Share capital	18	73,650,000	300,860,250	43,750,000	180,118,750
Other capital	18	-	-	29,900,000	119,600,000
Regulatory reserves	19	2,377,419	9,711,757	479,965	1,960,657
Retained earnings		15,678,974	63,947,650	14,713,531	59,979,680
Other reserves	-		100,958	-	4,109,586
TOTAL EQUITY		91,706,393	374,620,615	88,843,496	365,768,673
TOTAL LIABILITIES AND EQUITY	=	305,454,855	1,247,783,083	351,392,474	1,446,682,816

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

		202	23	202	22
	Notes	US\$	KHR'000	US\$	KHR'000
				(Restated)	(Restated)
Interest income		36,801,971	151,256,101	32,103,188	131,205,729
Interest expense		(15,962,007)	(65,603,849)	(6,952,356)	(28,414,279)
Net interest income	20	20,839,964	85,652,252	25,150,832	102,791,450
Fee and commission income		1,071,436	4,403,602	896,929	3,665,749
Fee and commission expense		(607,318)	(2,496,077)	(616,471)	(2,519,517)
Net fee and commission income	21	464,118	1,907,525	280,458	1,146,232
Other income		56,215	231,044	74,331	303,790
Other gains/(losses) - net	22	254,000	1,043,940	(526,265)	(2,150,845)
Impairment losses on financial		201,000	1,010,010	(020,200)	(2,100,010)
instruments	23	(3,314,264)	(13,621,625)	(205,773)	(840,994)
Net losses on derecognition of financial assets measured at amortised cost		(2,501,951)	(10,283,019)	(4,252,500)	(17,379,968)
Net other operating losses		(5,506,000)	(22,629,660)	(4,910,207)	(20,068,017)
Net other operating losses		(3,300,000)	(22,023,000)	(4,510,201)	(20,000,017)
Expenses					
Personnel expenses	24	(6,319,914)	(25,974,847)	(5,975,695)	(24,422,665)
Depreciation and amortisation charges	25	(1,016,662)	(4,178,481)	(1,418,791)	(5,798,599)
Other operating expenses	26	(2,851,124)	(11,718,120)	(3,505,867)	(14,328,478)
Total operating expenses		(10,187,700)	(41,871,448)	(10,900,353)	(44,549,742)
Profit before income tax		5,610,382	23,058,669	9,620,730	39,319,923
Income tax expense	16	(1,247,485)	(5,127,163)	(2,186,753)	(8,937,260)
Profit for the year		4,362,897	17,931,506	7,433,977	30,382,663
Other comprehensive income: Items that will not be classified to profit					
or loss			(4.000.000)		4 000 000
Currency translation differences Other comprehensive income for the			(4,008,628)		4,099,690
year		<u> </u>	(4,008,628)		4,099,690
Total comprehensive income for the					
year		4,362,897	13,922,878	7,433,977	34,482,353
Profit attributable to:					
Owners of the Bank		4,362,897	17,931,506	7,433,977	30,382,663
Total comprehensive income attributable to:					
Owners of the Bank		4,362,897	13,922,878	7,433,977	34,482,353
	:				

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

				Attrib	Attributable to owners of the Bank	rs of the Bank						
	Share capital	capital	Other	Other capital	Regulatory reserves	reserves	Retained earnings	arnings	Other reserves	erves	Total	a
	\$SN	KHR'000	\$SN	KHR'000	\$SN	KHR'000	\$SN	KHR'000	\$SN	KHR'000	\$SN	KHR'000
Balance at 1 January 2022	43,750,000	43,750,000 178,281,250	ı	ı	ı	1	7,759,519	31,558,634	ı	968'6	51,509,519	209,849,780
Profit for the year Other comprehensive income	1 1	1 1	1 1	1 1	1 1	1 1	7,433,977	30,382,663	1 1	4,099,690	7,433,977	30,382,663 4,099,690
Total comprehensive income for the year				1			7,433,977	30,382,663		4,099,690	7,433,977	34,482,353
Transactions with owners in their capacity as owners: Other capital injection (note 18)	ı	ı	29,900,000	119,600,000	1	1	1	,	1	1	29,900,000	119,600,000
reserves (note 19) Currency translation differences	1 1	1,837,500	1 1	1 1	479,965	1,961,617 (960)	(479,965)	(1,961,617)	1 1	1 1	1 1	1,836,540
Total transactions with owners	1	1,837,500	29,900,000	119,600,000	479,965	1,960,657	(479,965)	(1,961,617)			29,900,000	121,436,540
Balance at 31 December 2022	43,750,000	180,118,750	29,900,000	119,600,000	479,965	1,960,657	14,713,531	59,979,680	 	4,109,586	88,843,496	365,768,673
Balance at 1 January 2023	43,750,000	180,118,750	29,900,000	119,600,000	479,965	1,960,657	14,713,531	59,979,680	ı	4,109,586	88,843,496	365,768,673
Profit for the year Other comprehensive income	1 1	1 1	1 1	1 1	1 1	1 1	4,362,897	17,931,506		- (4.008,628)	4,362,897	17,931,506 (4,008,628)
Total comprehensive income for the year	1	1	1	1		1	4,362,897	17,931,506	 	(4,008,628)	4,362,897	13,922,878
Transactions with owners in their capacity as owners: Transfer from other capital to share capital (note 18) Dividend paid to the shareholders Transfer from retained earnings to regulatory		29,900,000 119,600,000	(29,900,000)	(119,600,000)	1 1	1 1	- (1,500,000)	(6,165,000)	1 1	1 1	- (1,500,000)	- (6,165,000)
reserves (note 19) Currency translation differences	1 1 000	1,141,500	1 1 000 000	1 1 (000 000)	1,897,454	7,798,536 (47,436)	(1,897,454)	(7,798,536)			1 1 000	1,094,064
i otal transactions with owners	29,900,000	120,741,500	(29,900,000)	(119,600,000)	1,897,454	001,167,7	(3,397,434)	(13,903,030)	1	1	(חחח,טטפ,ו)	(056,070,6)
Balance at 31 December 2023	73,650,000	300,860,250			2,377,419	9,711,757	15,678,974	63,947,650	1	100,958	91,706,393	374,620,615

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023

		20:	23	202	22
	Notes	US\$	KHR'000	US\$	KHR'000
Cash flows from operating activities		(7.000.000)	(04 500 445)	(00.040.440)	(000 -000)
Cash used in operations	28	(7,686,889)	(31,593,115)	(88,942,448)	(363,507,783)
Interest received		36,108,932	148,407,711	31,187,492	127,463,280
Interest paid		(15,775,048)	(64,835,447)	(5,911,301)	(24,159,487)
Income tax paid	16	(2,135,160)	(8,775,508)	(2,211,028)	(9,036,471)
Net cash generated from/(used in) operating activities		10,511,835	43,203,641	(65,877,285)	(269,240,461)
Cash flows from investing activities					
Statutory deposits with the central bank		(1,495,000)	(6,144,450)	_	-
Purchases of property and equipment	10	(127,858)	(525,496)	(1,056,745)	(4,318,917)
Purchases of intangible assets	11	(370,823)	(1,524,083)	(368,478)	(1,505,970)
Purchases of financial assets at FVOCI		-	-	(1)	(4)
Deposits and placement with other banks		7,000,000	28,770,000	(7,000,000)	(28,609,000)
Net cash generated from/(used in)				<u> </u>	<u> </u>
investing activities		5,006,319	20,575,971	(8,425,224)	(34,433,891)
Cash flows from financing activities					
Proceeds from borrowings	15	122,500,000	503,475,000	125,000,518	510,877,117
Repayment of borrowings	15	(170,500,000)	(700,755,000)	(75,000,000)	(306,525,000)
Dividend paid		(1,500,000)	(6,165,000)	-	-
Proceeds from issuance of other capital		(500 474)	- (0.470.700)	29,900,000	119,600,000
Principal element of lease payments		(528,171)	(2,170,783)	(466,969)	(1,908,502)
Net cash (used in)/ generated from financing activities		(50,028,171)	(205,615,783)	79,433,549	322,043,615
Not (deereese)/increese in cash and					
Net (decrease)/increase in cash and cash equivalents		(34,510,017)	(141,836,171)	5,131,040	18,369,263
Cash and cash equivalents at the		(54,510,617)	(141,000,171)	5, 151,040	10,000,200
beginning of the year		41,058,535	169,037,988	35,927,495	146,644,779
Currency translation differences		-	(451,121)	-	4,023,946
•			· · · · · · · · · · · · · · · · · · ·		· · · · · · · · · · · · · · · · · · ·
Cash and cash equivalents at the					
end of year	27	6,548,518	26,750,696	41,058,535	169,037,988

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

1. BACKGROUND INFORMATION

The Bank was incorporated in Cambodia on 24 June 2008 under the registration number 00020218 issued by the Ministry of Commerce (MOC). The Bank obtained its specialised banking license from the National Bank of Cambodia (the NBC) on 10 July 2008 to operate as a specialised bank with indefinite term.

On 22 March 2018 with the approval from the NBC, the Bank has changed its name from Tomato Specialized Bank to KB Daehan Specialized Bank Plc.. The Bank also obtained a new banking license with the its new name which was approved by the NBC on 22 March 2018.

The financial statements were authorised for issue by the Board of Directors on 29 March 2024.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

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

2.1 Basis of preparation

The financial statements are prepared in accordance with Cambodian International Financial Reporting Standards (CIFRS) including other interpretations and amendments that may occur in any circumstances to each standard.

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

The Bank discloses the amount for each asset and liability that is expected to be recovered or settled no more than 12-month after the reporting period as current, and more than 12-month after the reporting period as non-current.

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

An English version of the financial statements have been prepared from the financial statements that are in the Khmer language. In the event of a conflict or a difference in interpretation between the two languages, the Khmer language financial statements shall prevail.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.2 New standards and interpretation

i) New and amended standards adopted by the Bank

The Bank has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2023:

- Disclosure of Accounting Policies Amendments to CIAS 1 and CIFRS Practice Statement 2
- Definition of Accounting Estimates Amendments to CIAS 8
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction Amendments to CIAS 12

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current and future periods.

ii) New standards and interpretations not yet adopted by the Bank

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2023 reporting period and have not been early adopted by the Bank. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.3 Foreign currency translation

i) 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 functional currency is United States dollars (US\$) because of the significant influence of the US\$ on its operations. The financial statements are presented in US\$ which is the Bank's functional and presentation currency.

ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using 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 at year-end exchange rates of monetary assets and liabilities denominated in currencies other than US\$ are recognised in profit or loss.

iii) Presentation in Khmer Riel

In compliance with the Law on Accounting and Auditing, the financial statements shall be expressed in Khmer Riel (KHR). The statement of profit or loss and other comprehensive income and the statement of cash flows are translated into KHR using the average exchange rates for the year. Assets and liabilities for each statement of financial position presented and shareholders' capital are translated at the closing rates as at the reporting date. Resulting exchange differences arising from the translation of shareholders' capital and reserves are recognised directly in equity; all other resulting exchange differences are recognised in the other comprehensive income.

The Bank has used the official rates of exchange published by the National Bank of Cambodia, and as at the reporting date, the average rate was US\$ 1 to KHR 4,110 (2022: US\$ 1 to KHR 4,087) and the closing rate was US\$ 1 to KHR 4,085 (2022: US\$ 1 to KHR 4,117).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.4 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents comprise cash on hand, unrestricted deposits and placements with the central bank and other banks, and other short-term highly liquid investments with original maturities of three months or less where the Bank has full ability to withdraw for general purpose whenever needed and subject to an insignificant risk of changes in value.

Deposits and placements with the central bank and other banks are carried at amortised cost in the statement of financial position.

2.5 Financial assets

a) Classification

The Bank classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through OCI, and
- those to be measured at amortised cost.

For investments in equity instruments that are not held for trading, the Bank has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Bank classifies its financial assets as measured at amortised cost and they are cash on hand, deposits and placements with the central bank and other banks, loans and advances at amortised cost and other financial assets.

The classification depends on the Bank's model for managing financial assets and the contractual terms of the financial assets cash flows.

The Bank classifies its financial assets at amortised cost only if both of the following criteria are met:

- The asset is held within a business model with the objective of collecting the contractual cash flows, and
- The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

b) Recognition and derecognition

Financial assets are recognised when the Bank becomes a party to the contractual provision of the instruments. Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the Bank commits to purchase or sell the assets.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Bank has transferred substantially all the risks and rewards of ownership. A gain or loss on derecognition of a financial asset measured at amortised cost is recognised in profit or loss when the financial asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.5 Financial assets (continued)

c) Measurement

At initial recognition, the Bank measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Bank's business model for managing the assets and the cash flow characteristics of the assets. The Bank classifies its debt instruments as financial assets measured at amortised cost.

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows are solely payments of principal and interest (SPPI), are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised. Interest income from these financial assets is included in finance income using the effective interest rate method.

For staff housing loans at an interest rate below the market rate, such loans are initially recognised at the present value of the future cash payments discounted at a market rate of interest for a similar loan. Differences between the amount of cash paid and the present value of the future cash receipts are recognised as advanced employee benefits in other assets and amortised to employee benefit expense to profit or loss over loan period.

d) Reclassification of financial assets

The Bank reclassifies financial assets when and only when their business model for managing those assets changes.

e) Impairment

The Bank assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instrument assets carried at amortised cost and with the exposure arising from credit commitments. The Bank recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Bank applies a three-stage approach to measuring expected credit losses for the following categories:

- Debt instruments measured at amortised cost; and
- Credit commitments (unused portion of approved credit facilities)

The three-stage approach is based on the change in credit risk since initial recognition:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.5 Financial assets (continued)

e) Impairment (continued)

i. Stage 1: 12-months ECL

Stage 1 includes financial assets which have not had a significant increase in credit risk since initial recognition or which have low credit risk at reporting date. 12-months ECL is recognised and interest income is calculated on the gross carrying amount of the financial assets.

ii. Stage 2: Lifetime ECL – not credit impaired

Stage 2 includes financial assets which have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but do not have objective evidence of impairment. Lifetime ECL is recognised and interest income is calculated on the gross carrying amount of the financial assets.

iii. Stage 3: Lifetime ECL – credit impaired

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. Lifetime ECL is recognised and interest income is calculated on the net carrying amount of the financial assets.

2.6 Financial liabilities

Financial liabilities are recognised when the Bank becomes a party to the contractual provision of the instruments. Financial liabilities of the Bank include borrowings, lease liabilities and other financial liabilities.

Financial liabilities are initially recognised at fair value less transaction costs for all financial liabilities not carried at fair value through profit or loss.

Financial liabilities that are not classified as fair value through profit or loss are measured at amortised cost. The financial liabilities measured at amortised cost are borrowings, and other financial liabilities.

Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

2.7 Credit commitments

Credit commitments provided by the Bank are measured at the amount of the loss allowance. The Bank has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For credit commitments, the expected credit losses are recognised as provisions (presented within other liabilities). However, for contracts that include both a loan and an undrawn commitment and that the Bank cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as a provision.

2.8 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.9 Property and equipment

Property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is possible that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Work-in-progress is not depreciated. Depreciation on other property and equipment are depreciated using the straight-line method to allocate their cost to their residual value over their estimated useful lives, as follows:

Depreciation on work-in-progress commences when the assets are ready for their intended use. The assets' useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

2.10 Intangible assets

Intangible assets, which comprise acquired computer software licences and related costs, are stated at cost less accumulated amortisation and impairment loss. Acquired computer software licences are capitalised based on the cost incurred to acquire the specific software and bring it into use. These costs are amortised over three years using the straight-line method, except for the license of the core banking system which has a useful life of ten years.

Work-in-progress is not amortised. Costs associated with maintaining intangible assets are recognised as an expense when incurred.

2.11 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Any impairment loss is charged to profit or loss in the period in which it arises. Reversal of impairment losses is recognised in profit or loss to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.12 Leases

The Bank as a lessee

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

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

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

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

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

i) Lease liabilities

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

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

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

To determine the incremental borrowing rate, the Bank where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

Lease payments are allocated between principal and interest expense. The interest expense was charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

ii) Right-of-use assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.12 Leases (continued)

ii) Right-of-use assets (continued)

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

iii) Recognition exemptions

Payments associated with all short-term and low value leases are charged to profit or loss on a straight-line basis over the period of the lease. Short-term leases are leases with a lease term of 12 months or less.

2.13 Income tax

The income tax expense is the tax payable on the current's period taxable income, based on the applicable income tax rate, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax law enacted or substantively enacted at the reporting date in the country where the Bank operates and generates taxable income.

Deferred tax is provided in full, using the liability method, providing for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates based on laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity.

The Bank has applied Deferred Tax related to Assets and Liabilities arising from a Single Transaction – amendments to CIAS 12 for its annual reporting period commencing 1 January 2023. The amendments above do not have an impact on the presentation of the financial statements but have an impact on disclosure of deferred tax resulting from leases. Hence, the Bank decided to re-disclose the deferred tax resulting from leases of the prior periods (note 13).

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.14 Provision

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.15 Regulatory reserves

Banks and financial institutions are required to compute regulatory provisions, according to Prakas No. B7-017-344 dated 1 December 2017, Circular No. B7-018-001 dated 16 February 2018 and Circular No. B7-021-2314 dated 28 December 2021 (implemented from 1 January 2022) on credit risk classification and provisions on impairment. If the accumulated regulatory provision is higher than the accumulated impairment based on CIFRS 9, the 'topping up' will be recorded as regulatory reserves presented under equity. The reserve is subsequently reversed (up to zero) should the accumulated regulatory provision equal or be lower than accumulated impairment based on CIFRS 9. The regulatory reserve is set aside as a buffer, and is non-distributable, and is not allowed to be included in the net worth calculation.

2.16 Employee benefits

i) Short-term employee benefits

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

ii) Pension obligations

The Bank pays monthly contributions for the compulsory pension scheme to NSSF, a publicly administered social security scheme for pension in Cambodia. The Bank has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due.

iii) Other employment benefits - seniority payments

In June 2018, the Cambodian government amended the Labour Law introducing the seniority pay scheme. Subsequently on 21 September 2018, Prakas No. 443 K.B/Br.K.Kh.L, was issued providing guidelines on the implementation of the law. In accordance with the law/Prakas, each entity is required to pay each employee with unspecified duration employment contract the following seniority scheme:

• Annual service - effective January 2019, 15 days of their average monthly salary and benefits each year payable every six months on 30 June and 31 December (7.5 days each payment).

The annual service pay is considered as short-term employee benefits. These are accrued in the year in which the associated services are rendered by the employees of the Bank.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.17 Interest income and expense

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

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

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

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

2.18 Fee and commission income

Fees and commissions are recognised as income when all conditions precedent is fulfilled (performance obligations are satisfied and control is transferred over time or point in time).

Commitment fees for loans, advances and financing that are likely to be drawn down are deferred (together with related direct costs) and income which forms an integral part of the effective interest rate of a financial instrument is recognised as an adjustment to the effective interest rate on the financial instrument.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Bank makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Bank's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are outlined below:

i) Expected credit loss allowance on financial assets at amortised cost

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

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

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

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL;
- Establishing groups of similar financial assets for the purposes of measuring ECL;
- For individual assessment management makes judgement on the future in respect of the estimation of amount and timing of cash flows from the net realisable value of the underlying collateral value

ii) Lease terms

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

iii) Contingencies

The General Department of Taxation (GDT) had issued a tax reassessment for desk audit for the from 1 March 2023 to 30 June 2023 with additional tax liability related to withholding tax on dividend to non resident. Management has lodged a contest and this remains ongoing. Management believes that it is not probable that the Bank will have to pay the amount specified in the assessment, but liability is not reliably estimated. Thus, management is of the opinion that the reassessed taxes should not be recognised as liability but disclosed as tax contingent liabilities (Note 32).

4. CASH ON HAND

2023		2022	
US\$	KHR'000	US\$	KHR'000
318,591	1,301,444	239,227	984,897
15,648	63,922	27,552	113,432
334,239	1,365,366	266,779	1,098,329
	318,591 15,648	US\$ KHR'000 318,591 1,301,444 15,648 63,922	US\$ KHR'000 US\$ 318,591 1,301,444 239,227 15,648 63,922 27,552

5. DEPOSITS AND PLACEMENTS WITH THE CENTRAL BANK

	20	2023		2022	
	US\$	KHR'000	US\$	KHR'000	
Current					
Total current	98,093	400,710	30,046,285	123,700,555	

This represents current accounts held at the National Bank of Cambodia which earns no interest.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

6. DEPOSITS AND PLACEMENTS WITH OTHER BANKS

(a) By residency status

2022	
KHR'000	
2,833,975	
279,079	
3,113,054	
(176, 175)	
2,936,879	

(b) By account types

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
Current				
Current accounts	6,115,962	24,983,705	6,617,333	27,243,560
Saving accounts	224	915	4,128,138	16,995,544
Fixed deposits	-	-	7,000,000	28,819,000
	6,116,186	24,984,620	17,745,471	73,058,104
Add:				
Accrued interest receivables	-	-	13,347	54,950
Less:				
Allowance for expected credit loss	(4,410)	(18,015)	(42,792)	(176,175)
	6,111,776	24,966,605	17,716,026	72,936,879

Annual interest rates on deposits and placements with other banks are as follows:

	2023	2022
Current accounts Savings accounts Fixed deposits	0% - 2.00% 0.2% - 1.25% N/A	0% - 2.00% 0% - 2.00% 5.80%

7. STATUTORY DEPOSITS WITH THE CENTRAL BANK

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
Non-current				
Capital guarantee deposit (*)	3,682,500	15,043,013	2,187,500	9,005,938
	3,682,500	15,043,013	2,187,500	9,005,938

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

7. STATUTORY DEPOSITS WITH THE CENTRAL BANK (continued)

(*) Capital guarantee deposits

Under the National Bank of Cambodia's Prakas No. B7-00-05 dated 11 January 2000 on licensing of specialised banks, and Prakas No. B7-06-208 dated 13 September 2006 on the amendment to Article 9 and Article 13 of Prakas No. B7-00-05, the specialised banks are required to maintain an amount equal to five percent of its paid-up capital in a permanent account with the National Bank of Cambodia.

This deposit is refundable should the Bank voluntarily ceases its operations in Cambodia and it's not available for use in the Bank's day-to-day operations.

8. LOANS AND ADVANCES AT AMORTISED COST

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
Car loan General Credit card	202,564,273 89,375,979 861,212	827,475,055 365,100,875 3,518,051	229,369,511 63,590,011 569,505	944,314,277 261,800,075 2,344,652
Total gross loans	292,801,464	1,196,093,981	293,529,027	1,208,459,004
Less: Allowance for expected credit loss	(9,090,616)	(37,135,166)	(4,966,627)	(20,447,603)
	283,710,848	1,158,958,815	288,562,400	1,188,011,401

a) Allowance for expected credit loss

Allowance for expected credit loss by stages are as follows:

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
12-month ECL (Stage 1) Lifetime ECL - not credit impaired	1,929,902	7,883,650	2,358,187	9,708,656
(Stage 2)	1,389,149	5,674,673	1,195,651	4,922,495
Lifetime ECL - credit impaired (Stage 3)	5,771,565	23,576,843	1,412,789	5,816,452
	9,090,616	37,135,166	4,966,627	20,447,603

b) By industry

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
Automotive	202,214,934	826,048,005	229,369,511	944,314,277
Mortgage	39,400,690	160,951,819	33,775,423	139,053,416
Wholesale and retails	33,936	138,629	70,054	288,412
Financial services	45,118,709	184,309,926	27,056,113	111,390,017
Agricultures	4,626,234	18,898,166	2,219,765	9,138,773
Manufacturing	118,513	484,126	225,360	927,807
Others	1,288,448	5,263,310	812,801	3,346,302
		-		
Total gross loans	292,801,464	1,196,093,981	293,529,027	1,208,459,004

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

8. LOANS AND ADVANCES AT AMORTISED COST (continued)

c) Analysis by loan classification

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
Performing				
Gross amount	271,127,546	1,107,556,025	280,537,752	1,154,973,925
Exposure at default	271,127,546	1,107,556,025	280,537,752	1,154,973,925
Allowance for expected credit loss	1,929,902	7,883,650	2,358,187	9,708,656
·				
Under-performing				
Gross amount	6,951,063	28,395,092	9,319,952	38,370,242
Exposure at default	6,951,063	28,395,092	9,319,952	38,370,242
Allowance for expected credit loss	1,389,149	5,674,674	1,195,651	4,922,495
Non-performing				
Gross amount	14,722,855	60,142,864	3,671,323	15,114,837
Exposure at default	14,722,855	60,142,864	3,671,323	15,114,837
Allowance for expected credit loss	5,771,565	23,576,842	1,412,789	5,816,452
Total				
Gross amount	292,801,464	1,196,093,981	293,529,027	1,208,459,004
Exposure at default	292,801,464	1,196,093,981	293,529,027	1,208,459,004
Allowance for expected credit loss	9,090,616	37,135,166	4,966,627	20,447,603

d) By maturity

_	2023		2022	
_	US\$	KHR'000	US\$	KHR'000
Not later than one year	11,619,963	47,467,550	6,121,956	25,204,093
Later than one year and no later than three years Later than three years and no later	72,877,836	297,705,960	52,945,736	217,977,595
than five years	104,379,370	426,389,726	104,769,096	431,334,368
Later than five years	103,924,295	424,530,745	129,692,239	533,942,948
Total gross loans	292,801,464	1,196,093,981	293,529,027	1,208,459,004

e) By exposure

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
Non-large exposure Large exposure	282,792,368 10,009,096	1,155,206,823 40,887,158	293,529,027	1,208,459,004
Total gross loans	292,801,464	1,196,093,981	293,529,027	1,208,459,004

Large exposure is defined by the central bank as overall credit exposure to any individual beneficiary which exceeds 10% of the Bank's net worth.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

8. LOANS AND ADVANCES AT AMORTISED COST (continued)

f) By relationship

Related parties loans

	20	23	2022		
	US\$	KHR'000	USS	KHR'000	
Related parties	8,039,341	32,840,709	2,923,278	3 12,035,136	
Non-related parties	284,762,123	1,163,253,272	290,605,749	9 1,196,423,868	
	000 004 404	4 400 000 004	000 500 00	7 4 000 450 004	
	292,801,464	1,196,093,981	293,529,02	7 1,208,459,004	
a) By regidency					
g) By residency					
	20	23	2022		
	US\$	KHR'000	USS	KHR'000	
Desidents	000 004 404	4 400 000 004	000 500 00	7 4 000 450 004	
Residents	292,801,464	1,196,093,981	293,529,02	7 1,208,459,004	
h) By interest rate					
,,					
			2023	2022	
General loans		6.0	0% - 18.00%	6.00% - 15.60%	
Car loan				7.00% - 18.00%	
Credit card Ioan		7.0	18.00%	18.00%	
Staff loan		6.0	0% - 18.00%	3.80% - 7.10%	

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

	202	23	2022		
_	US\$	KHR'000	US\$	KHR'000	
Investment in CBC Investment in i-Finance Leasing Plc.	12,500 1	51,063 4	12,500 1	51,463 4	
_	12,501	51,067	12,501	51,467	

9.00% - 9.50%

6.20%

The Bank has invested in i-Finance Leasing Plc. by taking part in 1 share (US\$1) and was approved by NBC on 30 November 2022.

The Bank designated investment in Credit Bureau Cambodia (CBC) and i-Finance Leasing Plc. to be measured at fair value through other comprehensive income (FVOCI) as they are not held for trading and the Bank has irrevocably elected at initial recognition to recognise as the financial assets at FVOCI. These are the strategic investments and the Bank considers this classification to be more relevant.

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In KHR'000 equivalents

Net book value

As at 31 December 2023 Cost

Closing net book value

Accumulated depreciation

KB DAEHAN SPECIALIZED BANK PLC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

10. PROPERTY AND EQUIPMENT

Non-current
For the year ended 31 December 2022
Opening net book value
Additions
Transfers
Depreciation charges

5,208,812	1,275,107	2,649,297 (1,374,190)	1,275,107	(164,754)	1,439,861	5,927,908	1,439,861	2,649,297 (1,209,436)	1,439,861	1,366,044 7,630 581,389 (515,202)	Leasehold improvements
1,018,873	249,418	866,330 (616,912)	249,418	(49) (85,408)	332,891 1,984	1,370,512	332,891	872,652 (539,761)	332,891	295,624 17,672 189,689 (170,094)	Office equipment, furniture and fixtures
586,251	143,513	670,404 (526,891)	143,513	(17) (30,302)	84,394 89,438	347,450	84,394	590,177 (505,783)	84,394	60,386 42,511 53,640 (72,143)	Computer equipment US\$
526,151	128,801	490,066 (361,265)	128,801	(56,926)	149,291 36,436	614,631	149,291	453,630 (304,339)	149,291	84,716 164,214 - (99,639)	Motor vehicles US\$
 					1 1					824,718 (824,718)	Work in progress
7,340,087	1,796,839	4,676,097 (2,879,258)	1,796,839	(66) (337,390)	2,006,437 127,858	8,260,501	2,006,437	4,565,756 (2,559,319)	2,006,437	1,806,770 1,056,745 - (857,078)	Total US

For the year ended 31 December 2023
Opening net book value
Additions
Write off/disposal
Depreciation charges

In KHR'000 equivalents

Net book value

As at 31 December 2022
Cost
Accumulated depreciation

Closing net book value

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

11. INTANGIBLE ASSETS

Non-current	Computer software US\$	Work in progress US\$	Total US\$
For the year ended 31 December 2022			
Opening net book value	4,792	-	4,792
Additions (*)	57,002	311,476	368,478
Amortisation charge	(3,156)		(3,156)
Closing net book value	58,638	311,476	370,114
As at 31 December 2022			
Cost	105,126	311,476	416,602
Accumulated amortisation	(46,488)		(46,488)
Closing net book value	58,638	311,476	370,114
In KHR'000 equivalents	241,413	1,282,346	1,523,759
For the year ended 31 December 2023			
Opening net book value	58,638	311,476	370,114
Additions (*)	-	370,823	370,823
Transfers	682,299	(682,299)	, -
Write off/disposal	(572)	-	(572)
Amortisation charge	(40,953)		(40,953)
Closing net book value	699,412		699,412
As at 31 December 2023			
Cost	778,481	_	778,481
Accumulated amortisation	(79,069)	_	(79,069)
/ Additional amortisation	(13,009)	<u>_</u>	(73,009)
Closing net book value	699,412		699,412
In KHR'000 equivalents	2,857,098	<u>-</u>	2,857,098

12. LEASES

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

The Bank leases various buildings for its head office and branch operation. Rental contracts are typically made for fixed periods more than one years. The lease has varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

12. LEASES (continued)

a) Amounts recognised in the statement of financial position

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
Rights-of-use assets - non-current:				
Office space	3,157,266	12,897,432	2,429,806	10,003,511
Logo	193,892	792,048	148,901	613,026
	3,351,158	13,689,480	2,578,707	10,616,537
Lease liabilities:				
Current	519,790	2,123,343	254,713	1,048,653
Non-current	2,554,381	10,434,646	1,936,859	7,974,049
	3,074,171	12,557,989	2,191,572	9,022,702

Additions to the right-of-use assets during the year were US\$1,412,165 (2022: US\$1,136,219).

b) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	202	23	2022		
	US\$	KHR'000	US\$	KHR'000	
Depreciation – right-of-use assets (note 25) Interest expense on lease liabilities	638,319	2,623,491	558,557	2,282,822	
(note 20)	99,813	410,231	64,272	262,680	
	738,132	3,033,722	622,829	2,545,502	

c) Amounts recognised in the statement of cash flows

	20	23	2022		
	US\$	KHR'000	US\$	KHR'000	
Total cash outflows for leases	627.984	2.581.014	531,241	2.171.182	
Total cash outliows for leases	027,904	2,301,014	331,241	2,171,102	

13. DEFERRED TAX ASSETS, NET

Because the Bank applied Deferred Tax related to Assets and Liabilities arising from a Single Transaction – amendments to CIAS 12 (note 2.2 i), the deferred tax resulting from leases was redisclosed, i.e the deferred tax asset from lease liabilities and deferred tax liabilities from right-of-use assets are separately disclosed in the note.

	202	3	2022		
Non-current	US\$	KHR'000	US\$	KHR'000	
Deferred tax assets Deferred tax liabilities	682,931 (55,397)	2,789,773 (226,297)	1,217,141 (77,427)	5,010,970 (318,767)	
Deferred tax assets, net	627,534	2,563,476	1,139,714	4,692,203	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

13. DEFERRED TAX ASSETS, NET (continued)

The movement of net deferred tax assets during the year are as follows:

	202	23	2022		
	US\$	KHR'000	US\$	KHR'000	
At 1 January Charged to profit or loss (note 16.b) Currency translation differences	1,139,714 (512,180)	4,692,203 (2,105,060) (23,667)	1,227,941 (88,227)	5,002,632 (360,584) 50,155	
At 31 December	627,534	2,563,476	1,139,714	4,692,203	

The movement of net deferred tax assets during the year are as follows:

a) Movement of deferred tax assets

	Allowance for expected credit loss US\$	Unamortised Ioan fee US\$		Accelerated depreciation US\$	Total US\$
2022 At 1 January 2022 (Charged)/credited to profit or	862,147	301,636	329,381	135,258	1,628,422
loss	(252,536)	95,021	108,933	75,615	27,033
At 31 December 2022	609,611	396,657	438,314	210,873	1,655,455
In KHR'000 equivalent	2,509,768	1,633,037	1,804,539	868,164	6,815,508
2023					
At 1 January 2023 (Charged)/credited to profit or	609,611	396,657	438,314	210,873	1,655,455
loss	(441,471)	(72,257)	176,520	(20,482)	(357,690)
At 31 December 2023	168,140	324,400	614,834	190,391	1,297,765
In KHR'000 equivalent	686,852	1,325,174	2,511,597	777,747	5,301,370

b) Movement of deferred tax liabilities

	Right-of-use assets US\$	Total US\$
2022 At 1 January 2022 Charged to profit or loss	(400,480) (115,261)	(400,480) (115,261)
At 31 December 2022	(515,741)	(515,741)
In KHR'000 equivalent	(2,123,305)	(2,123,305)
2023 At 1 January 2023 Charged to profit or loss	(515,741) (154,490)	(515,741) (154,490)
At 31 December 2023	(670,231)	(670,231)
In KHR'000 equivalent	(2,737,894)	(2,737,894)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

14. OTHER ASSETS

	202	23	2022		
	US\$	KHR'000	US\$	KHR'000	
Prepaid insurance	2,340,364	9,560,387	2,351,730	9,682,072	
Account receivable	1,344,758	5,493,336	1,134,256	4,669,732	
Rental and other deposits	443,219	1,810,550	222,398	915,613	
Prepaid employee benefits	435,183	1,777,723	2,358,737	9,710,920	
Prepaid licence fees	21,801	89,057	79,799	328,532	
Others	529,098	2,161,365	405,852	1,670,893	
	5,114,423	20,892,418	6,552,772	26,977,762	
Allowance for expected credit loss	(84,468)	(345,052)	(46,761)	(192,515)	
	5,029,955	20,547,366	6,506,011	26,785,247	
	202		202		
	US\$	KHR'000	US\$	KHR'000	
Current	4,824,036	19,706,189	6,245,499	25,712,719	
Non-current	290,387	1,186,229	307,273	1,265,043	
	5,114,423	20,892,418	6,552,772	26,977,762	

15. BORROWINGS

The borrowings are unsecured and guaranteed by the KB Kookmin Card Co., Ltd., shareholder's comfort letter. The principals are payable at maturity date.

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
Principals amount Interest payables	207,000,000 1,465,590	845,595,000 5,986,935	255,000,000 1,278,631	1,049,835,000 5,264,124
	208,465,590	851,581,935	256,278,631	1,055,099,124
a) By maturity				
	202	3	2022	
	US\$	KHR'000	US\$	KHR'000
Current Non-current	208,465,590	851,581,935 <u>-</u>	156,278,631 100,000,000	643,399,124 411,700,000
	208,465,590	851,581,935	256,278,631	1,055,099,124
b) By interest rate				
		2023		2022
Variable rate Variable rate Fixed rate	3 months SOFR to 2	2% margin	3 months SOFRS months Libor +0. 2 years swap	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

15. BORROWINGS (continued)

c) Reconciliation of movement of liabilities

	202	23	2022	
	US\$	KHR'000	US\$	KHR'000
Principal amount				
At 1 January	255,000,000	1,049,835,000	204,999,482	835,167,890
Additions	122,500,000	503,475,000	125,000,518	510,877,117
Payments	(170,500,000)	(700, 755, 000)	(75,000,000)	(306,525,000)
Currency translation differences	-	(6,960,000)	-	10,314,993
			_	
At 31 December	207,000,000	845,595,000	255,000,000	1,049,835,000
	202	23	202	22
	202 US\$	23 KHR'000	202 US\$	22 KHR'000
Interest payables				
<i>Interest payables</i> At 1 January				
	US\$	KHR'000	US\$	KHR'000
At 1 January	US\$ 1,278,631	KHR'000 5,264,124	US\$ 301,848	KHR'000 1,229,728
At 1 January Interest expense charges	1,278,631 15,862,194	5,264,124 64,828,787	301,848 6,888,084	1,229,728 28,151,599
At 1 January Interest expense charges Interest payments	1,278,631 15,862,194	5,264,124 64,828,787 (64,425,216)	301,848 6,888,084	1,229,728 28,151,599 (24,159,487)
At 1 January Interest expense charges Interest payments	1,278,631 15,862,194	5,264,124 64,828,787 (64,425,216)	301,848 6,888,084	1,229,728 28,151,599 (24,159,487)

16. TAXATION

a) Current income tax liabilities

The movement of the Bank's income tax liabilities are as follows:

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
At 1 January	1,699,385	6,996,368	1,811,887	7,381,628
Current income tax	642,270	2,639,729	2,098,526	8,576,676
Adjustment of current tax of prior				
period	93,035	382,374	-	-
Income tax paid	(2,135,160)	(8,775,508)	(2,211,028)	(9,036,471)
Currency translation differences		(19,383)	<u> </u>	74,535
At 31 December	299,530	1,223,580	1,699,385	6,996,368

b) Income tax expense

	2023		20	22
	US\$	KHR'000	US\$	KHR'000
Current income tax Adjustment of current tax of prior	642,270	2,639,729	2,098,526	8,576,676
period	93,035	382,374	-	-
	735,305	3,022,103	2,098,526	8,576,676
Deferred tax (note 13)	512,180	2,105,060	88,227	360,584
Income tax expense	1,247,485	5,127,163	2,186,753	8,937,260

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

16. TAXATION (continued)

c) Reconciliation of income tax expense and accounting profit

	2023		20	22
	US\$	KHR'000	US\$	KHR'000
Profit before income tax	5,610,382	23,058,669	9,620,731	39,319,927
Income tax at 20%	1,122,076	4,611,734	1,924,146	7,863,985
Tax effects in respect of: Expenses not deductible for tax purposes Adjustment of current tax of prior	32,374	133,055	262,607	1,073,275
period	93,035	382,374		
Income tax expense	1,247,485	5,127,163	2,186,753	8,937,260

Under the Law on Taxation, the Bank has an obligation to pay tax on profit at 20% of taxable profit.

d) Other matter

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

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

17. OTHER LIABILITIES

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
Accrued salaries and bonuses	80,448	328,630	396,089	1,630,697
Payables to suppliers	93,106	380,338	223,593	920,532
Advances from customers	654,330	2,672,938	616,803	2,539,378
Due to shareholders	541,475	2,211,925	450,683	1,855,463
Withholding tax payables	152,389	622,510	191,961	790,304
Other tax payables	11,507	47,006	100,000	411,700
Provision for restoration	348,281	1,422,728	340,083	1,400,122
Other payables	19,837	81,034	41,427	170,555
				_
	1,901,373	7,767,109	2,360,639	9,718,751
	2023	2023 2022		
	US\$	KHR'000	US\$	KHR'000
Current	1,553,091	6,344,377	2,020,555	8,318,625
Non-current	348,281	1,422,728	340,083	1,400,122
	1,901,372	7,767,105	2,360,638	9,718,747

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

18. SHARE CAPITAL

As at 31 December 2023, the registered capital of the Bank is 73,650,000 shares (31 December 2022: 43,750,000 shares) at a par value of US\$1 per share. All authorised shares are fully paid.

	2023			2022			
	% of ownership	Number of shares	Amount US\$		Number of shares	Amount US\$	
KB Kookmin Card Co., Ltd. Indochina Bank Ltd.	97.5% 2.5%	71,775,000 1,875,000	71,775,000 1,875,000	95.7% 4.3%	41,875,000 1,875,000	41,875,000 1,875,000	
At 31 December	100%	73,650,000	73,650,000	100%	43,750,000	43,750,000	

The movement of share capital is as below:

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
At 1 January Transfer from other capital to	43,750,000	180,118,750	43,750,000	178,281,250
share capital Currency translation differences	29,900,000	119,600,000 1,141,500	<u>-</u>	1,837,500
At 31 December	73,650,000	300,860,250	43,750,000	180,118,750

19. REGULATORY RESERVES

Regulatory reserves represented the variance of expected credit loss (ECL) on financial instruments in accordance with CIFRS and regulatory provision in accordance with National Bank of Cambodia (NBC).

As at 31 December 2023, the Bank transferred to retained earnings from regulatory reserves of US\$1,897,454 (2022: transfer from retained earnings to regulatory reserves US\$479,965).

As in note 2.15, the accumulated regulatory provision based on NBC's guidelines is higher than the accumulated impairment based on CIFRS 9, the 'topping up' is transferred from retained earnings to regulatory reserves presented under equity.

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
Regulatory provision based on NBC's guidelines	11,564,711	47,241,845	5,554,896	22,854,148
Expected credit losses based on CIFRS 9	(9,187,292)	(37,530,088)	(5,074,931)	(20,893,491)
Regulatory reserves transferred from retained earnings	2,377,419	9,711,757	479,965	1,960,657

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

19. REGULATORY RESERVES (continued)

The movement on regulatory reserves are as follows:

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
At 1 January Additional transfer to regulatory	479,965	1,960,657	-	-
reserves during the year Currency translation differences	1,897,454 	7,798,536 (47,436)	479,965 <u>-</u>	1,961,617 (960)
At 31 December	2,377,419	9,711,757	479,965	1,960,657

20. NET INTEREST INCOME

	2023		2022	
-	US\$	KHR'000	US\$	KHR'000
Interest income from financial assets at amortised cost:				
Loans and advances to customers Deposits and placements with the	35,942,881	147,725,240	31,761,230	129,808,147
other banks	745,180	3,062,690	118,399	483,897
Investment in debt security Deposits and placements with the	-	-	68,650	280,572
central bank	52,760	216,844	1,309	5,350
Loan processing fees	61,150	251,327	153,600	627,763
-	36,801,971	151,256,101	32,103,188	131,205,729
Interest expense on financial liabilities at amortised cost:				
Borrowings	15,862,194	65,193,618	6,888,084	28,151,599
Lease liabilities	99,813	410,231	64,272	262,680
-	15,962,007	65,603,849	6,952,356	28,414,279
_	20,839,964	85,652,252	25,150,832	102,791,450

21. NET FEE AND COMMISSION INCOME

	2023		20	22
	US\$	KHR'000	US\$	KHR'000
Penalty for late payments of loans				
and advances	327,142	1,344,554	134,791	550,891
Referal fee income	618,256	2,541,032	647,433	2,646,059
Other fees and commission	,	, ,	,	, ,
income	126,038	518,016	114,705	468,799
	1,071,436	4,403,602	896,929	3,665,749
Fee and commission expense	(319,788)	(1,314,329)	(436,042)	(1,782,104)
Others	(287,530)	(1,181,748)	(180,429)	(737,413)
	(607,318)	(2,496,077)	(616,471)	(2,519,517)
	464,118	1,907,525	280,458	1,146,232

Fee and commission income are recognised at a point in time

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

22. OTHER GAINS/(LOSSES) - NET

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
Foreign exchange gain/(loss) Losses on disposal	254,000 	1,043,940	(306,265) (220,000)	(1,251,705) (899,140)
	254,000	1,043,940	(526,265)	(2,150,845)

23. IMPAIRMENT LOSSES ON FINANCIAL INSTRUMENTS

	2023		2022	2
	US\$	KHR'000	US\$	KHR'000
Expected credit loss/(reversal):				
Loans and advances to customers	4,123,989	16,949,600	495,162	2,023,728
Recovery loan previously written				
off	(798,097)	(3,280,183)	(344,225)	(1,406,848)
Balances with other banks	(38,382)	(157,750)	18,765	76,693
Commitment and others assets	26,754	109,958	36,071	147,421
	3,314,264	13,621,625	205,773	840,994

24. PERSONNEL EXPENSES

	2023		202	22
	US\$	KHR'000	US\$	KHR'000
Salaries and wages	4,048,131	16,637,820	3,373,055	13,785,676
Bonuses and incentives	890,777	3,661,093	1,251,099	5,113,242
Seniority obligations	295,358	1,213,921	229,300	937,149
Pension fund expenses	28,549	117,336	6,974	28,503
Others	1,057,099	4,344,677	1,115,267	4,558,095
	6,319,914	25,974,847	5,975,695	24,422,665

25. DEPRECIATION AND AMORTISATION CHARGES

	2023		20	22
	US\$	KHR'000	US\$	KHR'000
Depreciation – property and				
equipment (note 10)	337,390	1,386,673	857,078	3,502,878
Depreciation – right-of-use assets (note 12.b) Amortisation – intangible assets	638,319	2,623,491	558,557	2,282,822
(note 11)	40,953	168,317	3,156	12,899
	1,016,662	4,178,481	1,418,791	5,798,599

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

26. OTHER OPERATING EXPENSES

	2023		20	22
	US\$	KHR'000	US\$	KHR'000
IT consultation and support	1,316,902	5,412,467	982,631	4,016,013
Legal and professional fees	286,933	1,179,295	471,653	1,927,646
Other tax expenses	220,256	905,252	366,286	1,497,011
Repairs and maintenance	27,112	111,430	47,182	192,833
Marketing expenses	82,351	338,463	199,124	813,820
Penalty expenses	-	-	191,748	783,674
Licence fees	133,944	550,510	139,628	570,660
Entertainment expenses	125,601	516,220	123,100	503,110
Utilities expenses	128,844	529,549	117,327	479,515
Office supplies	32,386	133,106	95,542	390,480
Rental expenses	60,759	249,719	74,713	305,352
Communication and public relation	57,063	234,529	58,903	240,737
Membership fees	43,263	177,811	51,526	210,587
Travelling expenses	69,308	284,856	48,649	198,828
Security expenses	36,779	151,162	34,568	141,279
Other expenses	229,623	943,751	503,287	2,056,933
- -				
<u>-</u>	2,851,124	11,718,120	3,505,867	14,328,478

Audit fee information:

The audit fee for the year ended 31 December 2023 paid or payable to PricewaterhouseCoopers (Cambodia) Ltd. amounting to US\$ 38,500. PwC was not the auditor of the Bank for the year ended 31 December 2022.

27. CASH AND CASH EQUIVALENTS

	2023		202	22
	US\$	KHR'000	US\$	KHR'000
Cash on hand Deposits and placements with the	334,239	1,365,366	266,779	1,098,329
central bank	98,093	400,710	30,046,285	123,700,555
Deposits and placements with other banks	6,116,186	24,984,620	10,745,471	44,239,104
	6,548,518	26,750,696	41,058,535	169,037,988

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

28. CASH FLOW FROM OPERATING ACTIVITIES

a) Cash flow from operation

	2023		202	22
	US\$	KHR'000	US\$	KHR'000
Profit before income tax Adjustments for:	5,610,382	23,058,669	9,620,730	39,319,923
Depreciation and amortisation charges(note 25)	1,016,662	4,178,481	1,418,791	5,798,599
Disposals of property and equipment	66	271	-	-
Disposals of intangible assets Impairment losses on financial	572	2,351	-	-
instruments	5,816,215	23,904,644	4,458,273	18,220,962
Net interest income	(20,839,964)	(85,652,252)	(25,150,832)	(102,791,450)
Change in working capital: Non-current assets held for sale	(8,396,067)	(34,507,836)	(9,653,038)	(39,451,966)
Loans and advances to customers	(269,905)	(1,109,310)	220,000 (80,570,000)	899,140 (329,289,590)
Other assets	1,438,349	5,911,614	724,227	2,959,916
Other liabilities	(459,266)	(1,887,583)	336,363	1,374,717
Cash used in operations	(7,686,889)	(31,593,115)	(88,942,448)	(363,507,783)

b) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the year presented.

Net Debt	2023		2023 2022			022
	US\$	KHR'000	US\$	KHR'000		
Cash and cash equivalents Borrowings	6,548,518 (208,465,590)	26,920,755 (851,581,935)	41,058,535 (256,278,631)	169,037,988 (1,055,099,124)		
Lease liabilities	(3,074,171)	(12,557,989)	(2,191,572)	(9,022,702)		
	(204,991,243)	(837,219,169)	(217,411,668)	(895,083,838)		
Cash and liquid investments Gross debt – fixed interest rates	6,548,518 (211,539,761)	26,920,755 (864,139,924)	41,058,535 (258,470,203)	169,037,988 (1,064,121,826)		
Net debt	(204,991,243)	(837,219,169)	(217,411,668)	(895,083,838)		

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

28. CASH FLOW FROM OPERATING ACTIVITIES (continued)

c) Net debt reconciliation (continued)

	Liabilities	from financing	Other assets Cash and		
	Borrowings US\$	Lease liabilities US\$	Sub-total US\$	cash equivalents US\$	Total US\$
Net debt as at 1 January 2022 Cash flows New leases Other changes (i)	(205,301,330) (50,000,518)	(1,646,907) 531,241 (1,075,906)	(206,948,237) (49,469,277) (1,075,906)	35,927,495 5,131,040	(171,020,742) (44,338,237) (1,075,906)
Interest expense Interest payments (presented as operating cash flows)	(6,888,084) 5,911,301	(64,272) 64,272	(6,952,356) 5,975,573	- 	(6,952,356) 5,975,573
Net debt as at 31 December 2022	(256,278,631)	(2,191,572)	(258,470,203)	41,058,535	(217,411,668)
In KHR'000 equivalent	(1,046,898,208)	(8,952,572)	(1,055,850,780)	169,037,988	(886,812,792)
Net debt as at 1 January 2023 Cash flows New leases Other changes (i) Interest expense	(256,278,631) 48,000,000 - (15,862,194)	(2,191,572) 622,238 (1,504,837) (99,813)	(258,470,203) 48,622,238 (1,504,837) (15,962,007)	41,058,535 (34,510,017) -	(217,411,668) 14,112,221 (1,504,837) (15,962,007)
Interest payments (presented as operating cash flows)	15,675,235	99,813	15,775,048		15,775,048
Net debt as at 31 December 2023	(208,465,590)	(3,074,171)	(211,539,761)	6,548,518	(204,991,243)
In KHR'000 equivalent	(851,581,935)	(12,557,989)	(864,139,924)	26,750,696	(837,389,228)

⁽i) Other changes include non-cash movements, including accrued interest expense which will be presented as operating cash flows in the statement of cash flows when paid.

29. COMMITMENTS

a) Credit commitments

The Bank had the contractual amounts of the Bank's off-balance sheet financial instruments that commit it to extend credit to customers as follows:

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
Instruments measured at amortised cost				
Unused portion of credit facilities Less:	2,020,324	8,253,024	1,434,371	5,905,305
Allowance for expected credit loss	(7,798)	(31,855)	(18,751)	(77,198)
	2,012,526	8,221,169	1,415,620	5,828,107

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

29. COMMITMENTS (continued)

b) Operating lease commitments

The Bank recognised right-of-use assets and lease liabilities for lease contracts where the Bank is a lessee, except for short-term leases, see note 2.12 and note 12 for further information. The lease commitments of short-term leases are insignificant.

30. RELATED-PARTY DISCLOSURES

a) Related parties and relationships

The Bank is owned by individual local shareholders and has related party relationships with its substantial shareholders, companies in common control and key management personnel.

Related party	Relationship
KB Kookmin Card Co., Ltd.	Parent Company
Kookmin Bank Hongkong Branch	Affiliate
KB Prasac Bank	Affiliate
i-Finance Leasing Plc.	Affiliate
Key management personnel	All directors of the Bank who make critical decisions in relation to the strategic direction of the Bank and General Manager (including their close family members)

b) Transactions with related parties

	20:	2023		22
	US\$	KHR'000	US\$	KHR'000
Guarantee fee expenses IT and royalty fee expense	322,069 1,316,902	1,323,704 5,412,467	436,042 982,631	1,782,104 4,016,013
	1,638,971	6,736,171	1,418,673	5,798,117

c) Loan and advances at amortised cost

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
Affiliates: Gross amount	8,039,341	32,840,708	2,923,278	12,035,136
Less: ECL	(51,468)	(210,247)	(25,046)	(103,114)
Net amount	7,987,873	32,630,461	2,898,232	11,932,022
Interest income	576,972	2,371,355	184,557	754,284

d) Deposit and placements with related parties

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
KB Prasac Bank	374,484	1,529,767	334,902	1,378,792

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

30. RELATED-PARTY DISCLOSURES (continued)

e) Borrowing

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
Kookmin Bank Hongkong Branch	132,825,810	542,593,434	140,994,504	580,474,373
Interest expense	8,801,339	36,173,503	3,992,388	16,316,891

The bank entered into various loan agreement with Kookmin Bank Hongkong Branch. The borrowing is unsecured with the detailed term below:

	2023	2022
Interest rate	3 months SOFRS + 1.65%	3 months SOFRS + 1.65%
Maturity	to 1.82% margin Repayable at maturity date	to 1.82% margin Repayable at maturity date
Maturity	Repayable at maturity date	Repayable at maturity date

f) Terms and conditions

Transactions with related parties were made on normal commercial terms and conditions and at market rate.

g) Key management personnel compensation

	202	2023		22
	US\$	KHR'000	US\$	KHR'000
Short-term benefits	920,543	3,783,432	724,697	2,961,837
	920,543	3,783,432	724,697	2,961,837

31. EVENT OCCURING AFTER THE REPORTING PERIOD

On 9 January 2024, shareholders of KDSB approved the final merger process between KDSB and i-Finance Leasing Plc. (IFL), which received principal approval from the NBC on 6 October 2023. KDSB shall continue to complete the merger within six months from NBC's principal approval date, subject to final approval from NBC.

The shareholders also approved on the same date for KDSB to sign the merger agreement and to amend the MAA. On 10 January 2024, a merger agreement was signed between KDSB as the surviving company, IFL as the constituent company and KB Kookmin Card Co., Ltd.

On 19 January 2024, KDSB submitted a letter to the NBC requesting final approval on the merger, amendment of the MAA, shareholders' structure and the Bank's share capital.

As of this report's date, the Bank has not yet received a response from the NBC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

32. CONTINGENT LIABILITIES

On 11 July 2023, the General Department of Taxation (GDT) issued tax reassessment from desk audit for the period from 1 March 2023 to 30 June 2023 with additional tax liability of 204 million Riel (approximately US\$ 50,000). The assessment is mainly on withholding tax on dividend to non-resident. The Bank submitted objection letter to the GDT on 2 August 2023 disagreed with the basis and the whole amount of the assessment.

In response to that, on 3 October 2023 and 4 January 2024, the GDT issued second and third reassessments with the same amount. The Bank still strongly disagreed with the result and the basis of the tax reassessment and submited another objection letters on 2 November 2023 and 7 February 2024 respectively.

No provision has been recorded and the management is of the view that the said tax has been declared and paid in accordance with the tax regulation and no material losses will arise in respect of the tax reassessment.

As of this report's date, the Bank has not received any further response from the GDT.

33. PRIOR YEAR RECLASSIFICATION

The statement of profit or loss and other comprehensive income of the prior year have been reclassified to provide information that is more relevant to its nature and consistent with current year's presentation.

	2022		Reclassifi	cation	2022	
	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000
	(Previously reported)	(Previously reported)			(Restated)	(Restated)
Statement of profit or loss and other comprehensive income (extract)						
Interest income Fee and commission	31,079,256	127,020,919	1,023,932	4,184,810	32,103,188	131,205,729
income	1,920,861	7,850,559	(1,023,932)	(4,184,810)	896,929	3,665,749
	33,000,117	134,871,478			33,000,117	134,871,478

Early loan prepayment penalty is the fee for compensation for interest and, therefore; should be presented together with interest income. So the balance of US\$1,023,932 was reclassified from 'fee and commission income' to 'interest income'.

34. FINANCIAL RISK MANAGEMENT

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

34. FINANCIAL RISK MANAGEMENT (continued)

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
Financial assets				
Financial assets at amortised costs				
Cash on hand	334,239	1,365,366	266,779	1,098,329
Deposits and placements with				
the central bank	98,093	400,710	30,046,285	123,700,555
Deposits and placements with				
other banks	6,111,776	24,966,605	17,716,026	72,936,879
Loans and advances at				
amortised cost	283,710,848	1,158,958,815	288,562,400	1,188,011,401
Other financial assets	4,134,039	16,887,548	1,430,447	5,889,150
	294,388,995	1,202,579,044	338,021,937	1,391,636,314
Financial assets at FVOCI	12,501	51,067	12,501	51,467
Total financial assets	294,401,496	1,202,630,111	338,034,438	1,391,687,781
Eta anada I Pak Meta a				
Financial liabilities				
Financial liabilities at amortised				
Cost	200 465 500	054 504 005	056 070 604	1 055 000 104
Borrowings	208,465,590	851,581,935	256,278,631	1,055,099,124
Lease liabilities Other financial liabilities	3,074,171	12,557,989	2,191,572	9,022,702
	722,363	2,950,853	1,106,132	4,553,945
Total financial liabilities	212,262,124	867,090,777	259,576,335	1,068,675,771
Net financial assets	82,139,372	335,539,334	78,458,103	323,012,010
Credit commitments	2,012,526	8,221,169	1,415,620	5,828,107

34.1 Credit risk

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

(a) Credit risk measurement

Credit risk is managed on a group basis.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

34. FINANCIAL RISK MANAGEMENT (continued)

34.1 Credit risk (continued)

(a) Credit risk measurement (continued)

Credit risk is managed on a group basis.

Deposits and placements with the central bank and other banks are considered to be low credit risk. The credit ratings of these assets are monitored for credit deterioration. Measurement for impairment is limited to 12-month expected credit loss. Other financial assets at amortised cost are monitored for its credit rating deterioration, and the measurement of impairment follows a three-stage approach in note 34.1 (c).

Central banks have no historical loss, and with strong capacity to meet obligations in near term, expected credit loss for deposits and placements with central banks are nil.

(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.

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

- Mortgages over residential properties (lands, buildings and other properties);
- Charges over business assets such as land and buildings.
- (c) Impairment (expected credit loss) policies

The measurement of expected credit loss allowance under the CIFRS 9's three-stage approach is to recognise lifetime expected credit loss allowance for financial instruments for which there has been a significant increase in credit risk since initial origination or is credit-impaired as at the reporting date. The financial instrument which has not undergone any significant deterioration in credit risk shall be recognised with 12-month expected credit loss allowance.

Under the three-stage approach, the financial instrument is allocated into three stages based on the relative movement in the credit risk.

- Stage 1 includes financial instruments that neither have a significant increase in credit risk since initial recognition nor credit impaired as at reporting date. For these assets, 12-month expected credit loss allowance are recognised.
- Stage 2 includes financial instruments that have had a significant increase in credit risk since
 initial recognition but do not have objective evidence of impairment. For these assets, lifetime
 expected credit loss allowance are recognised.
- Stage 3 includes financial instruments that have objective evidence of impairment at the reporting date. For these assets, lifetime expected credit loss allowance are recognised.
- Purchased or originated credit-impaired financial assets are those financial assets that are creditimpaired on initial recognition. Their expected credit loss allowance is always measured on a lifetime basis (Stage 3).

The key judgements and assumptions adopted by the Bank in addressing the requirements of the standard on the measurement of allowances are:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

34. FINANCIAL RISK MANAGEMENT (continued)

34.1 Credit risk (continued)

- (c) Impairment (expected credit loss) policies (continued)
- (i) Significant increase in credit risk (SICR)

The Bank considers a financial instrument to have experienced a significant increase in credit risk when is has been past due 30 days for long term facilities or more than or equal to 15 days past due for short term facilities on its contractual payment. In addition to the past due status, the Bank also considers loans that classified as special mention under regulatory provision guideline from NBC as SICR.

(ii) Definition of default and credit impaired

The Bank defines a financial instrument as in default which is also credit-impaired when it meets one of the following criteria:

- The principal or interest or both of the loan is past due 90 days for long term facilities or more than or equal to 60 days past due for short term facilities. For the purpose of ascertaining the period in arrears:
 - Repayment on each of the instalment amount must be made in full. A partial repayment made on an instalment amount shall be deemed to be in arrears.
 - Where a moratorium on loan repayment is granted in relation to the rescheduling and restructuring, the determination of period in arrears shall exclude the moratorium period granted. The moratorium shall be for a period of not more than 6 months from the date of the obligor's/counterparty's application for the moratorium.
 - Where repayments are scheduled on interval of 90 days for long term facilities or more than or equal to 60 days past due for short term facilities, the loan is classified as impaired as soon as a default occurs, unless it does not exhibit any weakness that would render it classified according to the credit risk grading policy.
- The loan is forced impaired due to various reasons, such as bankruptcy, significant financial difficulty, etc. In the event where a loan is not in default or past due but force impaired, the loan shall be classified as impaired upon approval by Credit Committee.
- Restructuring and rescheduling of a loan facility involves any modification made to the original repayment terms and conditions of the loan facility following an increase in the credit risk of an obligor/counterparty.
- When an obligor/counterparty has multiple loans with the Bank and cross default obligation applies, an assessment of provision is required under which default of one debt obligation triggers default on another debt obligation (cross default). Where there is no right to set off clause is available, assessment of provision needs to be performed on individual loan level instead of consolidated obligor/counterparty level.
- Write-off/charged-off accounts
- (iii) Measuring (ECL inputs, assumptions and estimation techniques)

The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. The ECL is assessed and measured on a collective basis and individual basis.

For collective assessment, the ECL allowance is determined by projecting the PD, LGD and EAD for each future month and for the collective segment. The three components are multiplied together to calculate an ECL for each future year, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

34. FINANCIAL RISK MANAGEMENT (continued)

34.1 Credit risk (continued)

- (c) Impairment (expected credit loss) policies (continued)
- (iii) Measuring (ECL inputs, assumptions and estimation techniques) (continued)

Probability of Default (PD)

The PD represents the likelihood that a borrower will be unable to meet its financial obligation either over the next 12 months (12-month PD) or over the remaining lifetime (lifetime PD) of the obligation.

The 12-month and lifetime PD represent the expected point-in-time probability of a default over the next 12 months and remaining lifetime of the financial instruments, respectively, based on conditions existing at the reporting date and future economic conditions that affect credit risk.

The PD is derived using historical default rates adjusted for forward-looking information and reflecting current portfolio composition and market data.

For portfolios without sufficient default data, the Bank used market default data. Market default data for the Bank refers to the default percentage of customers issued by CBC.

Exposure at Default (EAD)

EAD is the total amount that the Bank is exposed to at the time the borrower defaults.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12-month or remaining maturity.

Loss Given Default (LGD)

LGD represents the Bank's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default. LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

For portfolios without sufficient default data, Proxy LGD is used.

The assumptions underlying the ECL calculation are monitored and reviewed periodically. There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

(iv) Forward-looking information incorporated into the ECL models

The estimation of ECL incorporates forward-looking information. The Bank has performed statistical analysis based on historical experience to identify the key economic variables impacting credit risk and expected credit losses for each portfolio.

The analysis is performed on PD to understand the impact changes in these variables have had historically on default rate. Historical economic variables for analysis are sourced from external research houses. The statistical regression analysis shows relationships of these economic variables on historical default rate.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

34. FINANCIAL RISK MANAGEMENT (continued)

34.1 Credit risk (continued)

- (c) Impairment (expected credit loss) policies (continued)
- (iv) Forward-looking information incorporated into the ECL models (continued)

These economic variables and their associated impact on the PD vary by financial instrument. Expert judgement has also been applied in this process. The historical and forecasts of these economic variables are sourced from external research house. The impact of these economic variables on the PD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates (PD).

In addition, the Bank considers other possible scenarios along with scenario weightings. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of the complete distribution, the total of the weighting applied should be 100%. Previously, the Bank determined the weighting of each macro-economic variable, including GDP, Domestic Credit to Private Sector (DCPS) and Short-term interest rates as 80%, 10% and 10%, respectively. However, after re-performing the analysis in the correlation of PD and macro-economic variables above, the result of analysis clearly indicated that DCPS and short-term interest rate does not have strong correlation with the NPL ratio of Cambodia and only GDP growth rate showed the reasonably strong correlation with the NPL ratio. Therefore, the Bank decides to use GDP is the single independent macro-economic variable for the forward-looking PD estimation.

As with any economic forecasts, the projects and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Bank considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Bank's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

In performing this grouping, there must be sufficient information for the group to be statistically credible. Where sufficient information is not available internally, the Bank has considered benchmarking internal/external supplementary data to use for modelling purposes.

The appropriateness of groupings is monitored and reviewed on a periodic basis by the Credit Risk.

Macroeconomic variable assumptions

The most significant period-end assumptions used for the ECL estimate as at 31 December 2023 are set out below. The scenario base, best, and worst were used for all portfolios.

	31 December 2023	31 December 2022	
GDP	6.00%	6.20%	
DCPS	N/A	N/A	
IR	N/A	N/A	

The weightings assigned to each economic scenario as at December 2023, and 31 December December 2022 were as follow

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

34. FINANCIAL RISK MANAGEMENT (continued)

34.1 Credit risk (continued)

- (c) Impairment (expected credit loss) policies (continued)
- (iv) Forward-looking information incorporated into the ECL models (continued)

	31 December 2023 All portfolios weightings	31 December 2022 All portfolios weightings
GDP DCPS	100% N/A	100% N/A
IR	N/A N/A	N/A N/A

As with any economic forecasts, the projections and likelihoods of occurrence are subject to high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Bank considers these forecasts to represent its best estimate of the possible outcomes and are appropriately representative of the range of possible scenarios. The scenario weightage, number of scenarios and their attributes are reassessed periodically.

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have also been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. This reviewed and monitored for appropriateness periodically.

Sensitivity analysis

The most significant assumptions affecting the ECL allowance is GDP, given the significant impact on obligors' ability to meet contractual repayments, business performance, and collateral valuation.

Set out below are the changes to the ECL as at 31 December 2023 and 31 December 2022 that would result from reasonably possible changes in these parameters from the actual assumptions used in the Bank's economic variable assumptions:

	Changes
GDP	+/- 1%

	2023		2022	
	US\$	KHR'000	US\$	KHR'000
Annual growth rate increase by 1% Annual growth rate decrease by 1%	90,906 90,906	371,352 371,352	49,666 49,666	204,476 204,476

(v) Grouping of exposure for ECL measured on collective basis

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

In performing this grouping, there must be sufficient information for the group to be statistically credible. Where sufficient information is not available internally, the Bank has considered benchmarking internal/external supplementary data to use for modelling purposes.

The appropriateness of groupings is monitored and reviewed on a periodic basis by the Credit Risk.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

34. FINANCIAL RISK MANAGEMENT (continued)

34.1 Credit risk (continued)

- (c) Impairment (expected credit loss) policies (continued)
- (vi) Write off policy

Write-off is usually taken when relevant recovery actions have been exhausted or further recovery is not economically feasible or justifiable. When a loan or debt instrument is deemed uncollectible, it is written off against the related allowance for impairment. Such loans are either written off in full or partially after taking into consideration the realisable value of collateral (if any) and when in the judgement of the management, there is no prospect of recovery. All write-offs must be approved by the Board or its delegated authorities.

(vii) Modification of loans and advances

The Bank sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Bank assesses whether or not the new terms are substantially different to the original terms. The Bank does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

The risk of default of such loans after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original loans. The Bank monitors the subsequent performance of modified assets.

The Bank may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL). This is only the case for assets which have performed in accordance with the new terms for six consecutive months or more.

(viii) Off-balance sheet exposures

Off-balance sheet exposures is exposure of unused portion of approved credit facilities. The Bank applied internal Cash Conversion Factor (CCF) to estimate the EAD of off-balance sheet items. For operational simplification, the Bank assumes CCF for the off-balance sheet exposures as 50% for unused portion of approved credit facilities.

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

The maximum exposure to credit risk for financial assets recognised in the statements of financial position is their carrying amounts. For credit commitments, the maximum exposure to credit risk is the full amount of the unused portion of approved credit facilities. The table below shows the maximum exposure to credit risk for the Bank on financial instruments subject to impairment.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

34. FINANCIAL RISK MANAGEMENT (continued)

34.1 Credit risk (continued)

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

	20:	23	20	22
	US\$	KHR'000	US\$	KHR'000
Credit risk exposure relating to on- balance sheet assets: Deposits and placements with				
other banks Loans and advances at	6,116,186	24,984,620	17,758,818	73,113,054
amortised cost	292,801,464	1,196,093,981	293,529,027	1,208,459,004
Other financial assets	4,134,039	16,887,548	1,430,447	5,889,150
	303,051,689	1,237,966,149	312,718,292	1,287,461,208
Credit risk exposure relating to off- balance sheet items: Unused portion of loans and				
advances to customers	2,020,324	8,253,024	1,434,371	5,905,305
	305,072,013	1,246,219,173	314,152,663	1,293,366,513
Total maximum credit risk exposure that are subject to impairment Loss allowance (ECL) Total net credit exposure	305,072,013 (9,187,292) 295,884,721	1,246,219,173 (37,530,088) 1,208,689,085	314,152,663 (5,074,931) 309,077,732	1,293,366,513 (20,893,491) 1,272,473,022
Allowance for impairment losses on loans and advances Allowance for impairment losses on deposits and placements	(9,090,616)	(37,135,166)	(4,966,627)	(20,447,603)
with other banks	(4,410)	(18,015)	(42,792)	(176,175)
ECL on other asset	(84,468)	(345,052)	(46,761)	(192,515)
Allowance for impairment losses on commitments	(7,798)	(31,855)	(18,751)	(77,198)
Total net credit exposure	(9,187,292)	(37,530,088)	(5,074,931)	(20,893,491)

The above table represents a worst-case scenario of credit risk exposure to the Bank, since collateral held and/or other credit enhancement attached were not taken into account. For on-balance sheet assets, the exposures set out above are based on gross carrying amounts. As shown above, 96% (2022: 93%) of total maximum exposure is derived from loans and advances. Management is confident of its ability to continue to control and sustain minimal exposure on credit risk resulting from the Bank's loans and advances due to the followings:

- Almost all loans and advances are collateralised and loan to collateral value range from 50% to 80%
- The Bank has a proper credit evaluation process in place for granting of loans and advances to customers.
- The Deposits and placements with other banks were held with local banks and oversea banks and management has done proper risk assessment and believe there will be no material loss from these local banks.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

34. FINANCIAL RISK MANAGEMENT (continued)

34.1 Credit risk (continued)

(e) Credit quality of financial assets

The Bank assesses credit quality of loans, advances and financing using internal rating techniques tailored to the various categories of products and counterparties. The Bank uses assumptions of days past due (DPD) as staging criteria.

Credit quality description is summarised as follows:

Credit quality	Description
Standard monitoring	Obligors in this category exhibit strong capacity to meet financial commitments.
	The Bank monitors obligors in this category by delinquency status. Obligors that are less than 30 days past due on its contractual payments are in standard monitoring.
Special monitoring	Obligors in this category have a fairly acceptable capacity to meet financial commitments.
	The Bank monitors obligors in this category by delinquency status. Obligors that are more than 30 days past due on its contractual payments are included in special monitoring.
Default/Credit impaired	Obligors assessed to be impaired.

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

34. FINANCIAL RISK MANAGEMENT (continued)

34.1 Credit risk (continued)

(e) Credit quality of financial assets (continued)

		20	2023			2022	~ !	
	12-month ECL	Lifetime ECL not Credit- Impaired	time ECL ot Credit- Lifetime ECL Impaired Credit-Impaired	Total	12-month	Lifetime ECL not Credit- Impaired	Lifetime ECL Credit- Impaired	Total
	\$SO	\$SN	\$SN	\$SN	\$SN	\$SN	\$SN	\$SN
Deposits and placements with other banks								
Investment grade	41,632	•	•	41,632	1,582,820	•	•	1,582,820
Non-investment grade	5,444,781	•	•	5,444,781	1,515,033	•	•	1,515,033
No rating	629,773	•	•	629,773	14,660,965	•	•	14,660,965
Gross carrying amount	6,116,186		1	6,116,186	17,758,818	1	1	17,758,818
Less: Expected credit loss	(4,410)		1	(4,410)	(42,792)			(42,792)
Net carrying amount	6,111,776			6,111,776	17,716,026			17,716,026
In KHR'000 equivalents	24,966,605	'	'	24,966,605	72,936,879	1	'	72,936,879

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

34. FINANCIAL RISK MANAGEMENT (continued)

34.1 Credit risk (continued)

(e) Credit quality of financial assets (continued)

In KHR'000 equivalents	Net carrying amount	Less: Expected credit loss	Default Gross carrying amount	Loans and advances at amortised cost Standard monitoring Special monitoring		
1,099,672,376	269,197,644	(1,929,902)	271,127,546	271,127,546	12-month ECL US\$	
22,720,419	5,561,914	(1,389,149)	6,951,063	6,951,063	Lifetime ECL not Credit- Impaired US\$	2023
36,566,020	8,951,290	(5,771,565)	14,722,855 14,722,855	1 1	Lifetime ECL Credit-Impaired US\$	3
1,158,958,815	283,710,848	(9,090,616)	14,722,855 292,801,464	271,127,546 6,951,063	Total US\$	
1,145,265,269	278,179,565	(2,358,187)	280,537,752	280,537,752	12-month ECL US\$	
33,447,747	8,124,301	(1,195,651)	9,319,952	9,319,952	Lifetime ECL not Credit- Impaired US\$	2022
9,298,385	2,258,534	(1,412,789)	3,671,323		Lifetime ECL Credit- Impaired US\$	
1,188,011,401	288,562,400	(4,966,627)	3,671,323 293,529,027	280,537,752	Total US\$	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

34. FINANCIAL RISK MANAGEMENT (continued)

34.1 Credit risk (continued)

(e) Credit quality of financial assets (continued)

		2023	23			2022	61	
		Lifetime ECL not Credit-	Lifetime ECL			Lifetime ECL not Credit-	Lifetime ECL Credit-	
	12-month ECL US\$	Impaired US\$	Credit-Impaired US\$	Total US\$	12-month ECL US\$	Impaired US\$	Impaired US\$	Total US\$
Other assets Standard monitoring	3,121,700	ı	1	3,121,700	2,763,589	'	,	2,763,589
Gross carrying amount	3,121,700	1	 ' 	3,121,700	2,763,589	 - -	1	2,763,589
Less: Expected credit loss	(84,468)	1	1	(84,468)	(46,761)		•	(46,761)
Net exposure	3,037,232	1		3,037,232	2,716,828	1	"	2,716,828
In KHR'000 equivalents	12,407,093	•	'	12,407,093	11,185,181		•	11,185,181

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

34. FINANCIAL RISK MANAGEMENT (continued)

34.1 Credit risk (continued)

(e) Credit quality of financial assets (continued)

		12-m	Standard monitoring	Special monitoring	Default	Gross carrying amount	Less: Expected credit loss	Net carrying amount	In KHR'000 equivalents
		12-month ECL US\$	2,016,988	į	1	2,016,988	(7,798)	2,009,190	8,207,541
2023	Lifetime ECL not Credit-	Impaired US\$	1	3,336		3,336		3,336	13,628
ω	Lifetime ECL	Impaired Credit-Impaired US\$ US\$		•		ı	 	 	1
		Total	2,016,988	3,336	•	2,020,324	(7,798)	2,012,526	8,221,169
		12-month ECL US\$	1,431,314	1		1,431,314	(18,139)	1,413,175	5,818,041
2022	Lifetime ECL not Credit-	Impaired US\$		557		557	(49)	508	2,091
2	Lifetime ECL Credit-	Impaired	•		2,500	2,500	(563)	1,937	7,975
		Total	1,431,314	557	2,500	1,434,371	(18,751)	1,415,620	5,828,107

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

34. FINANCIAL RISK MANAGEMENT (continued)

- (f) Loss allowance
- (i) Expected credit loss reconciliation loans and advances at amortised cost

	Stage 1	Stage 2	Stage 3	
	12-month ECL US\$	Lifetime ECL not Credit- Impaired US\$	Lifetime ECL Credit- Impaired US\$	Total US\$
Expected credit losses				
Loss allowance as at 1 January 2023	2,358,187	1,195,651	1,412,789	4,966,627
Changes due to financial instruments recognised as at 1 January:				
Transfer to stage 1	409,089	(378,165)	(30,924)	-
Transfer to stage 2	(79,019)	138,213	(59,194)	-
Transfer to stage 3	(176,233)	(484,666)	660,899	
Net remeasurement of loss allowance	(656,719)	1,034,708	4,688,013	5,066,002
New financial assets originated or purchased	599,734	92,892	60,902	753,528
Financial assets derecognised during the period other than write off	(525,137)	(209,484)	(156,828)	(891,449)
Write-offs	(020,101)	(203,404)	(804,092)	(804,092)
			(000,000)	(00.,000)
Loss allowance as at 31 December 2023	1,929,902	1,389,149	5,771,565	9,090,616
In KHR'000 equivalent	7,883,650	5,674,674	23,576,842	37,135,166
	Stage 1	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
	Stage 1 12-month	Lifetime ECL not Credit-	Lifetime ECL Credit-	
	12-month ECL	Lifetime ECL not Credit- Impaired	Lifetime ECL Credit- Impaired	Total
	12-month	Lifetime ECL not Credit-	Lifetime ECL Credit-	Total US\$
Gross carrying amount	12-month ECL	Lifetime ECL not Credit- Impaired	Lifetime ECL Credit- Impaired	
Gross carrying amount Gross carrying amount as at 1 January 2023	12-month ECL	Lifetime ECL not Credit- Impaired	Lifetime ECL Credit- Impaired	
Gross carrying amount as at 1 January 2023 Changes due to financial instruments	12-month ECL US\$	Lifetime ECL not Credit- Impaired US\$	Lifetime ECL Credit- Impaired US\$	US\$
Gross carrying amount as at 1 January 2023 Changes due to financial instruments recognised as at 1 January:	12-month ECL US\$ 280,537,752	Lifetime ECL not Credit- Impaired US\$ 9,319,952	Lifetime ECL Credit- Impaired US\$	US\$
Gross carrying amount as at 1 January 2023 Changes due to financial instruments recognised as at 1 January: Transfer to stage 1	12-month ECL US\$ 280,537,752	Lifetime ECL not Credit- Impaired US\$ 9,319,952 (3,184,349)	Lifetime ECL Credit- Impaired US\$ 3,671,323	US\$
Gross carrying amount as at 1 January 2023 Changes due to financial instruments recognised as at 1 January:	12-month ECL US\$ 280,537,752 3,261,225 (6,498,533)	US\$ 9,319,952 (3,184,349) 6,662,233	Lifetime ECL Credit- Impaired US\$ 3,671,323 (76,876) (163,700)	US\$
Gross carrying amount as at 1 January 2023 Changes due to financial instruments recognised as at 1 January: Transfer to stage 1 Transfer to stage 2 Transfer to stage 3	12-month ECL US\$ 280,537,752	Lifetime ECL not Credit- Impaired US\$ 9,319,952 (3,184,349)	Lifetime ECL Credit- Impaired US\$ 3,671,323	293,529,027 - -
Gross carrying amount as at 1 January 2023 Changes due to financial instruments recognised as at 1 January: Transfer to stage 1 Transfer to stage 2	12-month ECL US\$ 280,537,752 3,261,225 (6,498,533) (10,275,663)	US\$ 9,319,952 (3,184,349) 6,662,233 (3,238,986)	Lifetime ECL Credit- Impaired US\$ 3,671,323 (76,876) (163,700) 13,514,649	US\$
Gross carrying amount as at 1 January 2023 Changes due to financial instruments recognised as at 1 January: Transfer to stage 1 Transfer to stage 2 Transfer to stage 3 New financial assets originated or purchased	12-month ECL US\$ 280,537,752 3,261,225 (6,498,533) (10,275,663)	US\$ 9,319,952 (3,184,349) 6,662,233 (3,238,986)	Lifetime ECL Credit- Impaired US\$ 3,671,323 (76,876) (163,700) 13,514,649	293,529,027 - -
Gross carrying amount as at 1 January 2023 Changes due to financial instruments recognised as at 1 January: Transfer to stage 1 Transfer to stage 2 Transfer to stage 3 New financial assets originated or purchased Financial assets derecognised during the	12-month ECL US\$ 280,537,752 3,261,225 (6,498,533) (10,275,663) 101,033,728	US\$ 9,319,952 (3,184,349) 6,662,233 (3,238,986) 419,381	Credit- Impaired US\$ 3,671,323 (76,876) (163,700) 13,514,649 149,916	293,529,027 101,603,025
Gross carrying amount as at 1 January 2023 Changes due to financial instruments recognised as at 1 January: Transfer to stage 1 Transfer to stage 2 Transfer to stage 3 New financial assets originated or purchased Financial assets derecognised during the period other than write off Write-offs	12-month ECL US\$ 280,537,752 3,261,225 (6,498,533) (10,275,663) 101,033,728	US\$ 9,319,952 (3,184,349) 6,662,233 (3,238,986) 419,381	Credit- Impaired US\$ 3,671,323 (76,876) (163,700) 13,514,649 149,916 (436,547)	293,529,027 101,603,025 (100,394,678)
Gross carrying amount as at 1 January 2023 Changes due to financial instruments recognised as at 1 January: Transfer to stage 1 Transfer to stage 2 Transfer to stage 3 New financial assets originated or purchased Financial assets derecognised during the period other than write off Write-offs Gross carrying amount as at 31 December	12-month ECL US\$ 280,537,752 3,261,225 (6,498,533) (10,275,663) 101,033,728 (96,930,963)	US\$ 9,319,952 (3,184,349) 6,662,233 (3,238,986) 419,381 (3,027,168)	Credit- Impaired US\$ 3,671,323 (76,876) (163,700) 13,514,649 149,916 (436,547) (1,935,910)	293,529,027 101,603,025 (100,394,678) (1,935,910)
Gross carrying amount as at 1 January 2023 Changes due to financial instruments recognised as at 1 January: Transfer to stage 1 Transfer to stage 2 Transfer to stage 3 New financial assets originated or purchased Financial assets derecognised during the period other than write off Write-offs	12-month ECL US\$ 280,537,752 3,261,225 (6,498,533) (10,275,663) 101,033,728	US\$ 9,319,952 (3,184,349) 6,662,233 (3,238,986) 419,381	Credit- Impaired US\$ 3,671,323 (76,876) (163,700) 13,514,649 149,916 (436,547)	293,529,027 101,603,025 (100,394,678)
Gross carrying amount as at 1 January 2023 Changes due to financial instruments recognised as at 1 January: Transfer to stage 1 Transfer to stage 2 Transfer to stage 3 New financial assets originated or purchased Financial assets derecognised during the period other than write off Write-offs Gross carrying amount as at 31 December	12-month ECL US\$ 280,537,752 3,261,225 (6,498,533) (10,275,663) 101,033,728 (96,930,963)	US\$ 9,319,952 (3,184,349) 6,662,233 (3,238,986) 419,381 (3,027,168)	Credit- Impaired US\$ 3,671,323 (76,876) (163,700) 13,514,649 149,916 (436,547) (1,935,910)	293,529,027 101,603,025 (100,394,678) (1,935,910)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

34. FINANCIAL RISK MANAGEMENT (continued)

34.1 Credit risk (continued)

- (f) Loss allowance (continued)
- (i) Expected credit loss reconciliation loans and advances at amortised cost (continued)

	Stage 1	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
	12-month	not Credit-	Credit-	
	ECL	Impaired	Impaired	Total
	US\$	US\$	US\$	US\$
Expected credit losses				
Loss allowance as at 1 January 2022	1,549,255	2,115,113	807,097	4,471,465
Changes due to financial instruments				
recognised as at 1 January:				
Transfer to stage 1	509,552	(509,552)	-	-
Transfer to stage 2	(32,251)	32,251	-	-
Transfer to stage 3	(14,459)	(162,165)	176,624	-
Net remeasurement of loss allowance	(499,244)	258,126	1,683,187	1,442,069
New financial assets originated or purchased	1,309,135	149,628	269,588	1,728,351
Financial assets derecognised during the				
period other than write off	(463,801)	(687,750)	(172,389)	(1,323,940)
Write-offs	<u> </u>	<u> </u>	(1,351,318)	(1,351,318)
Loss allowance as at 31 December 2022	2,358,187	1,195,651	1,412,789	4,966,627
In KHR'000 equivalent	9,708,656	4,922,495	5,816,452	20,447,603

(*) Impact of the measurement of ECL due to changes in EAD and PD during the year arising from regular refreshing of inputs to models.

	Stage 1 12-month	Stage 2 Lifetime ECL not Credit-	Stage 3 Lifetime ECL Credit-	
	ECL US\$	Impaired US\$	Impaired US\$	Total US\$
Gross carrying amount Gross carrying amount as at 1 January 2022	188,677,007	25,121,227	2,235,369	216,033,603
Changes due to financial instruments recognised as at 1 January:				
Transfer to stage 1	8,435,838	(8,435,838)	-	-
Transfer to stage 2	(2,107,497)	2,107,497		-
Transfer to stage 3	(1,520,236)	(1,580,104)	3,100,340	-
New financial assets originated or purchased Financial assets derecognised during the	153,151,816	704,809	664,538	154,521,163
period other than write off	(66,099,176)	(8,597,639)	1,129,267	(73,567,548)
Write-offs			(3,458,191)	(3,458,191)
Gross carrying amount as at 31 December				
2022	280,537,752	9,319,952	3,671,323	293,529,027
In KHR'000 equivalent	1,154,973,925	38,370,242	15,114,837	1,208,459,004

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

34. FINANCIAL RISK MANAGEMENT (continued)

- (f) Loss allowance (continued)
- (ii) Expected credit loss reconciliation deposits and placements with other banks

	Stage 1	Stage 2	Stage 3	
	12-month ECL US\$	Lifetime ECL not Credit- Impaired US\$	Lifetime ECL Credit- Impaired US\$	Total US\$
Expected credit loss Exposure amount as at 1 January 2023	42,792	-	-	42,792
Changes due to exposure as at 1 January: Transfer to stage 1 Transfer to stage 2	- -	- -	- -	- -
Transfer to stage 3 Exposure derecognised or expired	(38,382)	- -	- - -	(38,382) (38,382)
Loss allowance as at 31 December 2023	4,410			4,410
In KHR'000 equivalent	18,015		<u>-</u>	18,015
	Stage 1	Stage 2	Stage 3	
	Stage 1 12-month ECL US\$	Stage 2 Lifetime ECL not Credit- Impaired US\$	Stage 3 Lifetime ECL Credit- Impaired US\$	Total US\$
Gross carrying amount Exposure amount as at 1 January 2023	12-month ECL	Lifetime ECL not Credit- Impaired	Lifetime ECL Credit- Impaired	-
Exposure amount as at 1 January 2023 Changes due to exposure as at 1 January: Transfer to stage 1 Transfer to stage 2	12-month ECL US\$	Lifetime ECL not Credit- Impaired	Lifetime ECL Credit- Impaired	US\$
Exposure amount as at 1 January 2023 Changes due to exposure as at 1 January: Transfer to stage 1	12-month ECL US\$	Lifetime ECL not Credit- Impaired	Lifetime ECL Credit- Impaired	US\$
Exposure amount as at 1 January 2023 Changes due to exposure as at 1 January: Transfer to stage 1 Transfer to stage 2 Transfer to stage 3	12-month ECL US\$ 17,758,818	Lifetime ECL not Credit- Impaired	Lifetime ECL Credit- Impaired	US\$ 17,758,818 - (11,642,632)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

34. FINANCIAL RISK MANAGEMENT (continued)

- (f) Loss allowance (continued)
- (ii) Expected credit loss reconciliation deposits and placements with other banks (continued)

	Stage 1	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
	12-month ECL	not Credit- Impaired	Credit- Impaired	Total
	US\$	US\$	US\$	US\$
Expected credit loss				
Exposure amount as at 1 January 2022	24,027	-	-	24,027
Changes due to exposure as at 1 January:				
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
New exposures	18,765			18,765
	18,765			18,765
Loss allowance as at 31 December 2022	42,792			42,792
In KHR'000 equivalent	176,175	_	<u>-</u>	176,175
	Stage 1	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
	12-month	not Credit-	Credit-	
	ECL	Impaired		
		iiiipaiieu	Impaired	Total
	US\$	US\$	Impaired US\$	Total US\$
Gross carrying amount	US\$			
Gross carrying amount Exposure amount as at 1 January 2022	35,581,076			
Exposure amount as at 1 January 2022				US\$
				US\$
Exposure amount as at 1 January 2022 Changes due to exposure as at 1 January: Transfer to stage 1 Transfer to stage 2				US\$
Exposure amount as at 1 January 2022 Changes due to exposure as at 1 January: Transfer to stage 1 Transfer to stage 2 Transfer to stage 3	35,581,076			35,581,076 - -
Exposure amount as at 1 January 2022 Changes due to exposure as at 1 January: Transfer to stage 1 Transfer to stage 2	35,581,076 - - - (17,822,258)			35,581,076 - - (17,822,258)
Exposure amount as at 1 January 2022 Changes due to exposure as at 1 January: Transfer to stage 1 Transfer to stage 2 Transfer to stage 3	35,581,076			35,581,076 - -
Exposure amount as at 1 January 2022 Changes due to exposure as at 1 January: Transfer to stage 1 Transfer to stage 2 Transfer to stage 3 Exposure derecognised or expired	35,581,076 - - - (17,822,258)			35,581,076 - - (17,822,258)
Exposure amount as at 1 January 2022 Changes due to exposure as at 1 January: Transfer to stage 1 Transfer to stage 2 Transfer to stage 3	35,581,076 - - - (17,822,258)			35,581,076 - - (17,822,258)
Exposure amount as at 1 January 2022 Changes due to exposure as at 1 January: Transfer to stage 1 Transfer to stage 2 Transfer to stage 3 Exposure derecognised or expired Gross carrying amount as at 31 December	35,581,076 - - - (17,822,258) (17,822,258)			US\$ 35,581,076 - (17,822,258) (17,822,258)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

34. FINANCIAL RISK MANAGEMENT (continued)

- (f) Loss allowance (continued)
- (iii) Expected credit loss reconciliation other assets

	Stage 1	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
	12-month ECL US\$	not Credit- Impaired US\$	Credit- Impaired US\$	Total US\$
Expected credit loss Exposure amount as at 1 January 2023	46,761	-	-	46,761
Changes due to exposure as at 1 January: Transfer to stage 1 Transfer to stage 2	-	-	- -	-
Transfer to stage 3 New exposures	37,707 37,707	<u>-</u>		37,707 37,707
Loss allowance as at 31 December 2023	84,468			84,468
In KHR'000 equivalent	345,052		<u> </u>	345,052
	Stage 1 12-month ECL US\$	Stage 2 Lifetime ECL not Credit- Impaired US\$	Stage 3 Lifetime ECL Credit- Impaired US\$	Total US\$
Gross carrying amount Exposure amount as at 1 January 2023	12-month ECL	Lifetime ECL not Credit- Impaired	Lifetime ECL Credit- Impaired	
Exposure amount as at 1 January 2023 Changes due to exposure as at 1 January: Transfer to stage 1 Transfer to stage 2 Transfer to stage 3	12-month ECL US\$	Lifetime ECL not Credit- Impaired	Lifetime ECL Credit- Impaired	US\$ 6,552,772
Exposure amount as at 1 January 2023 Changes due to exposure as at 1 January: Transfer to stage 1 Transfer to stage 2	12-month ECL US\$	Lifetime ECL not Credit- Impaired	Lifetime ECL Credit- Impaired	US\$
Exposure amount as at 1 January 2023 Changes due to exposure as at 1 January: Transfer to stage 1 Transfer to stage 2 Transfer to stage 3	12-month ECL US\$ 6,552,772	Lifetime ECL not Credit- Impaired	Lifetime ECL Credit- Impaired	6,552,772 - - (1,438,349)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

34. FINANCIAL RISK MANAGEMENT (continued)

- (f) Loss allowance (continued)
- (iii) Expected credit loss reconciliation other assets (continued)

	Stage 1	Stage 2	Stage 3	
	12-month ECL US\$	Lifetime ECL not Credit- Impaired US\$	Lifetime ECL Credit- Impaired US\$	Total US\$
Expected credit loss Exposure amount as at 1 January 2022	16,733	-	-	16,733
Changes due to exposure as at 1 January: Transfer to stage 1 Transfer to stage 2 Transfer to stage 3	- -	- -	- -	
New exposures	30,028		<u>-</u>	30,028 30,028
Loss allowance as at 31 December 2022	46,761			46,761
In KHR'000 equivalent	192,515			192,515
	Stage 1	Stage 2 Lifetime ECL not Credit-	Stage 3 Lifetime ECL Credit-	T. (-)
		Lifetime ECL	Lifetime ECL	Total US\$
Gross carrying amount Exposure amount as at 1 January 2022	12-month ECL	Lifetime ECL not Credit- Impaired	Lifetime ECL Credit- Impaired	
	12-month ECL US\$	Lifetime ECL not Credit- Impaired	Lifetime ECL Credit- Impaired	US\$
Exposure amount as at 1 January 2022 Changes due to exposure as at 1 January: Transfer to stage 1	12-month ECL US\$	Lifetime ECL not Credit- Impaired	Lifetime ECL Credit- Impaired	US\$
Exposure amount as at 1 January 2022 Changes due to exposure as at 1 January: Transfer to stage 1 Transfer to stage 2 Transfer to stage 3	12-month ECL US\$ 4,451,258	Lifetime ECL not Credit- Impaired	Lifetime ECL Credit- Impaired	4,451,258 - - 2,101,514

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

34. FINANCIAL RISK MANAGEMENT (continued)

- (f) Loss allowance (continued)
- (iv) Expected credit loss reconciliation credit commitments

	Stage 1	Stage 2	Stage 3	
	12-month ECL US\$	Lifetime ECL not Credit- Impaired US\$	Lifetime ECL Credit- Impaired US\$	Total US\$
Expected credit loss				
Exposure amount as at 1 January 2023	18,139	49	563	18,751
Changes due to exposure as at 1 January: Transfer to stage 1 Transfer to stage 2 Transfer to stage 3 New exposures Exposure derecognised or expired	- - - 24,528 (34,869)	- - - 169 (218)	- - - - (563)	- - 24,697 (35,650)
	(10,341)	(49)	(563)	(10,953)
Loss allowance as at 31 December 2023	7,798			7,798
In KHR'000 equivalent	31,855			31,855
	Stage 1	Stage 2 Lifetime ECL not Credit-	Stage 3 Lifetime ECL Credit-	
	ECL US\$	Impaired US\$	Impaired US\$	Total US\$
Gross carrying amount Exposure amount as at 1 January 2023	1,431,314	557	2,500	1,434,371
Changes due to exposure as at 1 January: Transfer to stage 1 Transfer to stage 2 Transfer to stage 3	-	- - -	- - -	-
New exposures	4,411,174	25,744	497	4,437,415
Exposure derecognised or expired	(3,825,500) 585,674	(22,965) 2,779	(2,997) (2,500)	(3,851,462) 585,953
Gross carrying amount as at 31 December	2.016.000	2 226		
2023	2,016,988	3,336		2,020,324
In KHR'000 equivalent	8,239,396	13,628	_	8,253,024

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

34. FINANCIAL RISK MANAGEMENT (continued)

- (f) Loss allowance (continued)
- (iv) Expected credit loss reconciliation credit commitments (continued)

US\$ US\$ US\$ Expected credit loss	otal <u>JS\$</u> 351
Expected credit loss Exposure amount as at 1 January 2022 4,351 4,355 Changes due to exposure as at 1 January: Transfer to stage 1 Transfer to stage 2 Transfer to stage 3 New exposures 62,758 1,587 563 64,55 Exposure derecognised or expired (48,970) (1,538) - (50,555)	
Exposure amount as at 1 January 2022 4,351 - - 4,351 Changes due to exposure as at 1 January: -	351
Transfer to stage 1 - - - Transfer to stage 2 - - - Transfer to stage 3 - - - New exposures 62,758 1,587 563 64,9 Exposure derecognised or expired (48,970) (1,538) - (50,5	-
New exposures 62,758 1,587 563 64,5 Exposure derecognised or expired (48,970) (1,538) - (50,5)	-
Exposure derecognised or expired (48,970) (1,538) - (50,5	-
13,788 503	_
	100
Loss allowance as at 31 December 2022 18,139 49 563 18,	<u>751</u>
In KHR'000 equivalent <u>74,678</u> <u>202</u> <u>2,318</u> <u>77,</u>	198
Stage 1 Stage 2 Stage 3 Lifetime ECL Lifetime ECL	
12-month not Credit- Credit- ECL Impaired Impaired To	otal
	IS\$
Gross carrying amount Exposure amount as at 1 January 2022 376,871 - 376,871	 R71
= 570,071 570,071)/
Changes due to exposure as at 1 January: Transfer to stage 1	_
Transfer to stage 2	-
Transfer to stage 3	
New exposures 3,271,667 557 2,500 3,274,7	_
Exposure derecognised or expired (2,217,224) - (2,217,2 1,054,443 557 2,500 1,057,5	
	24)
Gross carrying amount as at 31 December 2022 1,431,314 557 2,500 1,434,3	24)
In KHR'000 equivalent 5,892,720 2,293 10,293 5,905,3	<u>24)</u> 500

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

34. FINANCIAL RISK MANAGEMENT (continued)

34.1 Credit risk (continued)

- (g) Concentration of financial assets with credit risk exposure
- (i) Geographical sector

The following table breaks down the Bank's main credit exposure at their gross carrying amount, as categorised by geographical region. For this table, the Bank has allocated exposure to countries based on the country of domicile of its counterparties.

	Cambodia US\$	Singapore US\$	Total US\$
At 31 December 2023			
Deposits and placements with other banks	6,070,146	41,630	6,111,776
Loans and advances at amortised cost	283,710,848	-	283,710,848
Other financial assets	4,134,039	-	4,134,039
Credit commitments	2,012,526		2,012,526
Total credit exposure	295,927,559	41,630	295,969,189
In KHR'000 equivalents	1,208,864,079	170,059	1,209,034,138
At 31 December 2022			
Deposits and placements with other banks	17,648,239	67,787	17,716,026
Loans and advances at amortised cost	288,562,400	_	288,562,400
Other financial assets	1,430,447	_	1,430,447
Total credit exposure	1,415,620	_	1,415,620
Net carrying amount	309,056,706	67,787	309,124,493
In KHR'000 equivalents	1,272,386,459	279,079	1,272,665,538

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

34. FINANCIAL RISK MANAGEMENT (continued)

34.1 Credit risk (continued)

- (g) Concentration of financial assets with credit risk exposure (continued)
- (ii) Industry sector

The following table breaks down the Bank's main credit exposure at their gross carrying amounts less impairment if any, as categorised by the industry sectors of its counterparties.

In KHR'000 equivalents	Total credit exposure	At 31 December 2022 Deposits and placements with other banks Loans and advances Other financial assets Credit commitements	In KHR'000 equivalents	Total credit exposure	At 31 December 2023 Deposits and placements with other banks Loans and advances Other financial assets Credit commitements	
183,389,287	44,544,398	17,716,026 26,828,372	208,080,300	50,937,650	6,111,776 44,825,874	Financial institutions
134,557,027	32,683,271	32,683,271	158,755,641	38,863,070	38,863,070	Mortgage US\$
286,300	69,541	69,541	137,146	33,573	33,573	Wholesale and retails
937,955,809	227,825,069	227,825,069	793,130,001	194,156,671	194,156,671	Automotive US\$
579,040	140,646	140,646	18,232,711	4,463,332	4,463,332	Agriculture
921,669	223,869	223,869	481,646	117,906	117,906	Manufacturing US\$
14,976,406	3,637,699	791,632 1,430,447 1,415,620	30,216,692	7,396,987	1,250,422 4,134,039 2,012,526	Others US\$
14,976,406 1,272,665,538	309,124,493	17,716,026 288,562,400 1,430,447 1,415,620	30,216,692 1,209,034,137	295,969,189	6,111,776 283,710,848 4,134,039 2,012,526	Total US\$

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

34. FINANCIAL RISK MANAGEMENT (continued)

34.2 Market risk

The Bank takes 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.

(i) Foreign exchange risk

The Bank operates in Cambodia and transacts in a few currencies, and is exposed to currency risks, mainly with respect to Khmer Riel.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the Bank's functional currency.

Management monitors foreign exchange risk against the Bank's functional currency. However, the Bank does not hedge its foreign exchange risk exposure arising from future commercial transactions and recognised assets and liabilities using forward contracts.

The Bank's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

34. FINANCIAL RISK MANAGEMENT (continued)

34.2 Market risk (continued)

(i) Foreign exchange risk (continued)

	In	US\$ equivaler	nt
	US\$	KHR	Total
As at 31 December 2023 Financial assets			
Cash on hand	318,591	15,648	334,239
Deposits and placements with the central bank	70,977	27,116	98,093
Deposits and placements with other banks Financial assets at fair value through other	3,796,318	2,315,458	6,111,776
comprehensive income	12,501	-	12,501
Loans and advances to customers	252,685,979	31,024,869	283,710,848
Other assets	4,113,698	20,341	4,134,039
Total financial assets	260,998,064	33,403,432	294,401,496
Financial liabilities			
Borrowings	208,465,590	_	208,465,590
Lease liabilities	3,074,171	_	3,074,171
Other liabilities	722,352	11	722,363
Total financial liabilities	212,262,113	11	212,262,124
Net on-balance sheet position	48,735,951	33,403,421	82,139,372
In KHR'000 equivalents	199,086,360	136,452,975	335,539,335
Off-balance sheet items			
Credit commitments	2,012,526		2,012,526
Net off-balance sheet position	2,012,526	<u>-</u>	2,012,526
In KHR'000 equivalents	8,221,169	-	8,221,169

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

34. FINANCIAL RISK MANAGEMENT (continued)

34.2 Market risk (continued)

(i) Foreign exchange risk (continued)

	In US\$ equivalent			
	US\$	KHR	Total	
As at 31 December 2022 Financial assets				
Cash on hand	239,227	27,552	266,779	
Deposits and placements with the central bank	30,000,187	46,098	30,046,285	
Deposits and placements with other banks	17,301,013	415,013	17,716,026	
Financial assets at fair value through other comprehensive income	12,501	-	12,501	
Loans and advances to customers	258,091,756	30,470,644	288,562,400	
Other assets	1,417,534	12,913	1,430,447	
Total financial assets	307,062,218	30,972,220	338,034,438	
Financial liabilities				
Borrowings	256,278,631	-	256,278,631	
Lease liabilities	2,191,572	-	2,191,572	
Other liabilities	1,106,086	46	1,106,132	
Total financial liabilities	259,576,289	46	259,576,335	
Net on-balance sheet position	47,485,929	30,972,174	78,458,103	
In KHR'000 equivalents	195,499,570	127,512,440	323,012,010	
Off-balance sheet items				
Credit commitments	1,415,620		1,415,620	
Net off-balance sheet position	1,415,620		1,415,620	
In KHR'000 equivalents	5,828,107		5,828,107	

Sensitivity analysis

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on their financial position and cash flows. The table below sets out the principal structure of foreign exchange exposures of the Bank:

	2023 US\$	2022 US\$
Asset/(Liability) Khmer Riel (KHR)	33,403,421	30,972,174
	33,403,421	30,972,174
In KHR'000 equivalent	136,452,975	127,512,440

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

34. FINANCIAL RISK MANAGEMENT (continued)

34.2 Market risk (continued)

(i) Foreign exchange risk (continued)

Sensitivity analysis (continued)

As shown in the table above, the Bank is primarily exposed to changes in US\$/KHR exchange rates. The sensitivity of profit or loss to changes in exchange rates arises mainly from KHR denominated financial instruments.

The analysis below is based on the assumption that the KHR exchange rate has increased or decreased by 5% which is based on the 3-year moving average of the exchange rate from 2021 to 2023.

An analysis of the exposures to assess the impact of 1% change in the foreign currency exchange rates to the profit after tax are as follows:

	Impad	et on	Impact	on
	post tax	profit	other compone	ent of equity
	US\$	KHR'000	US\$	KHR'000
2023 USD/KHR exchange rate- increase by 1% USD/KHR exchange rate- decrease by 1%	330,727 (337,408)	1,359,287 (1,386,748)	N/A N/A	N/A N/A
2022 USD/KHR exchange rate- increase by 5% USD/KHR exchange rate- decrease by 5%	1,474,863 (1,630,112)	6,027,766 (6,662,268)	N/A N/A	N/A N/A

(ii) Price risk

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

(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. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Interest margins may increase as a result of changes but may reduce losses in the event that unexpected movements arise.

The Bank's main interest rate risk arises from borrowings which are at fixed rates. The Bank does not have fair value interest rate risk as the interest rates of financial instruments measured at amortised cost are similar to prevailing market rates.

The management of the Bank at this stage does not have a policy to set limits on the level of mismatch of interest rate repricing that may be undertaken; however, the management regularly monitors the mismatch. In addition, the management regularly analyses and foresees the expected changes in the interest rates and manages cash flow interest rate risk by assessing its impacts and developing actions to respond to the interest rate risk.

The table below summarises the Bank's exposure to interest rate risks. It includes the Bank's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

34. FINANCIAL RISK MANAGEMENT (continued)

34.2 Market risk (continued)

(iii) Interest rate risk (continued)

As at 31 December 2023 and 31 December 2022, financial assets and liabilities classified by type of interest rate are as follows:

	Floating	Fixed	Non-interest	
	interest rates	interest rates	bearing	Total
	US\$	US\$	US\$	US\$
As at 31 December 2023				
Financial assets				
Cash on hand	-	-	334,239	334,239
Deposits and placements with National Bank of Cambodia	-		98,093	98,093
Deposits and placements with other banks	-	4,421,174	1,690,602	6,111,776
Financial assets at FVOCI	_	_	12,501	12,501
Loans and advances	-	283,710,848	-	283,710,848
Other financial assets	-	-	4,134,039	4,134,039
	-	288,132,022	6,269,474	294,401,496
Financial liabilities				
Borrowings	208,465,590	-	-	208,465,590
Lease liabilities	-	3,074,171	700.000	3,074,171
Other financial liabilities		- 0.074.474	722,363	722,363
	208,465,590	3,074,171	722,363	212,262,124
Total interest rate re-pricing gap	(208,465,590)	285,057,851	5,547,111	82,139,372
KHR'000 equivalents	(851,581,935)	1,164,461,321	22,659,949	335,539,335
Off-balance sheet				
Credit commitments			2,012,526	2,012,526
KHR'000 equivalents			8,221,169	8,221,169

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

34. FINANCIAL RISK MANAGEMENT (continued)

34.2 Market risk (continued)

(iii) Interest rate risk (continued)

As at 31 December 2023 and 31 December 2022, financial assets and liabilities classified by type of interest rate are as follows: (continued)

	Floating interest rates US\$	Fixed interest rates US\$	Non-interest bearing US\$	Total US\$
As at 31 December 2022		<u> </u>		
Financial assets				
Cash on hand	-	-	266,779	266,779
Deposits and placements with National				
Bank of Cambodia	-		30,046,285	30,046,285
Deposits and placements with other				
banks	-	14,899,156	2,816,870	17,716,026
Financial assets at FVOCI	-	-	12,501	12,501
Loans and advances	-	288,562,400	- 4 400 447	288,562,400
Other financial assets		- 000 404 550	1,430,447	1,430,447
		303,461,556	34,572,882	338,034,438
Financial liabilities				
Financial liabilities	226 262 562	20.045.060		256 279 624
Borrowings Lease liabilities	226,263,562	30,015,069	-	256,278,631 2,191,572
Other financial liabilities	-	2,191,572	1,106,132	1,106,132
Other infancial habilities	226,263,562	32,206,641	1,106,132	259,576,335
	220,203,302	32,200,041	1,100,132	259,570,555
Total interest rate re-pricing gap	(226,263,562)	271,254,915	33,466,750	78,458,103
KHR'000 equivalents	(931,527,085)	1,116,756,485	137,782,610	323,012,010
Off-balance sheet Credit commitments			1,415,620	1,415,620
KHR'000 equivalents			5,828,107	5,828,107

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

34. FINANCIAL RISK MANAGEMENT (continued)

34.2 Market risk (continued)

(iii) Interest rate risk (continued)

As at 31 December 2023 and 31 December 2022, financial assets and liabilities classified by type of interest rate are as follows: (continued)

	Up to 1 month US\$	1 to 3 months US\$	3 to 12 months US\$	1 to 5 years US\$	Over 5 years US\$	Non-interest rate sensitive US\$	Total US\$
As at 31 December 2023 Financial assets	,	,			•	334 239	334 230
Deposits and placements with the central bank		•			•	98,093	98,093
Deposits and placements with other banks	4,421,174	•	•	•	•	1,690,602	6,111,776
Financial assets at FVOCI		•	•	•	1	12,501	12,501
Loans and advances at amortised cost	2,683,169	130,344	9,501,191	171,451,406	99,944,738	. 00	283,710,848
Orner assets Total financial assets	7,104,343	130,344	9,501,191	171,451,406	99,944,738	6,269,474	4,134,039 294,401,496
Financial liabilities Borrowings	12.000.000	98.965.590	25.000.000	72.500.000	1	1	208.465.590
Lease liabilities Other financial liabilities	1 1	1 1	1 1		1 1	3,074,171	3,074,171
	12,000,000	98,965,590	25,000,000	72,500,000	'	3,796,534	212,262,124
Total interest rate repricing gap	(4,895,657)	(98,835,246)	(15,498,809)	98,951,406	99,944,738	2,472,940	82,139,372
In KHR'000 equivalents	(19,998,759)	(403,741,980)	(63,312,635)	404,216,494	408,274,255	10,101,960	335,539,335
Off-balance sheet items Credit commitement	,	•	1	1		2,012,526	2,012,526
	'	'	•	'	'	2,012,526	2,012,526
In KHR'000 equivalents		<u>'</u>	'	'		8,221,169	8,221,169

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

34. FINANCIAL RISK MANAGEMENT (continued)

34.2 Market risk (continued)

(iii) Interest rate risk (continued)

As at 31 December 2023 and 31 December 2022, financial assets and liabilities classified by type of interest rate are as follows: (continued)

In KHR'000 equivalents	Off-balance sheet items Credit commitments	In KHR'000 equivalents	Total interest rate repricing gap	Financial liabilities Borrowings Lease liabilities Other financial liabilities	As at 31 December 2022 Financial assets Cash on hand Deposits and placements with the central bank Deposits and placements with other banks Financial assets at FVOCI Loans and advances at amortised cost Other financial assets Total financial assets
		(9,039,330)	(2,195,611)	10,643,840 - - 10,643,840	Up to 1 month US\$ 7,899,156 549,073 8,448,229
		(72,210,443)	(17,539,578)	20,634,791 - - 20,634,791	1 to 3 months US\$
	,	(475,968,153)	(115,610,433)	125,000,000 - - 125,000,000	3 to 12 months US\$ 7,000,000 2,389,567 9,389,567
		228,021,634	55,385,386	100,000,000	1 to 5 years US\$
		523,448,394	127,143,161		Over 5 years US\$
1,415,620 5,828,108	1,415,620	128,759,908	31,275,178	2,191,572 1,106,132 3,297,704	Non-interest rate sensitive US\$ 266,779 30,046,285 2,816,870 12,501 1,430,447 1,430,447 34,572,882
1,415,620 5,828,108	1,415,620	323,012,010	78,458,103	256,278,631 2,191,572 1,106,132 259,576,335	Total US\$ 266,779 30,046,285 17,716,026 12,501 288,562,400 1,430,447 338,034,438

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

34. FINANCIAL RISK MANAGEMENT (continued)

34.2 Market risk (continued)

(iii) Interest rate risk (continued)

Sensitivity analysis

The interest rate sensitivity shows the impact on profit after tax and equity of financial assets and financial liabilities bearing floating interest rates and fixed rate financial assets and financial liabilities carried at fair value.

Profit or loss is sentitive to higher/lower interest expense from borrowing as a reuslt of changes in interest rate.

	Impad post tax		Impact other componer	
	US\$	KHR'000	US\$	KHR'000
2023				_
Interest rate increase by 100 basis point	(1,667,725)	(6,854,350)	N/A	N/A
Interest rate decrease by 100 basis point	1,667,725	6,854,350	N/A	N/A
2022				
Interest rate increase by 100 basis point	(1,810,108)	(7,397,911)	N/A	N/A
Interest rate decrease by 100 basis point	1,810,108	7,397,911	N/A	N/A

34.3 Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence of this may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

(a) Liquidity risk management process

The Bank's management monitors balance sheet liquidity and manages the concentration and profile of debt maturities. Monitoring and reporting take the form of the daily cash position and project for the next day, week and month respectively, as these are key periods for liquidity management. The management monitors the movement of the main depositors and projection of their withdrawals.

(b) Funding approach

The Bank's main sources of liquidities arise from shareholder's paid-up capital, borrowings, subordinated debts and deposits from banks and customers. The sources of liquidity are regularly reviewed daily through management's review of maturity of term deposits and key depositors.

(c) Non-derivative cash flows

The table below presents the cash flows payable by the Bank under non-derivative financial liabilities based on remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Bank manages the inherent liquidity risk based on expected undiscounted cash flows.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

34. FINANCIAL RISK MANAGEMENT (continued)

34.3 Liquidity risk (continued)

(c) Non-derivative cash flows (continued)

	Up to 1 month US\$	1 to 3 months US\$	3 to 12 months US\$	1 to 5 years US\$	Over 5 years US\$	Total US\$	Carrying amounts
As at 31 December 2023 Financial assets							
Cash on hand Deposits and placements with the central	334,239	1	1	ı		334,239	334,239
bank	98,093	Ī			1	98,093	98,093
Deposits and placements with other banks	6,111,776			1	•	6,111,776	6,111,776
Loans and advances to customers	17,529,520	13,430,539	65,088,856	169,605,534	129,126,622	394,781,071	283,710,848
Financial assets at FVOCI	12,501					12,501	12,501
Other assets	92,506	1	4,041,533	1	•	4,134,039	4,134,039
Total financial assets	24,178,635	13,430,539	69,130,389	169,605,534	129,126,622	405,471,719	294,401,496
Financial liabilities							
Borrowings	12,848,450	100,427,471	26,309,263	73,987,281	1	213,572,465	208,465,590
Lease liabilities	1,523	3,046	630,423	2,312,468	455,205	3,402,665	3,074,171
Total #5000010 100 1	42 072 202	100 050 064	27 440 803	017 000 37	4 E E O O E	247 607 402	040 000 404
i otal financial liabilities	12,973,382	100,858,264	27,110,893	/6,299,/49	455,205	217,697,493	212,262,124
Net financial (liabilities)/assets	11,205,253	(87,427,725)	42,019,496	93,305,785	128,671,417	187,774,226	82,139,372
In KHR'000 equivalents	45,773,459	(357,142,257)	171,649,641	381,154,132	525,622,738	767,057,713	335,539,335
Off-balance sheet items	2 012 526					3 043 536	2 042 526
	0010000					2000	0 040 500
	1,010					1,01	1,01
In KHR'000 equivalents	8,221,169					8,221,169	8,221,169

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

34. FINANCIAL RISK MANAGEMENT (continued)

34.3 Liquidity risk (continued)

(c) Non-derivative cash flows (continued)

	Up to 1 month US\$	1 to 3 months US\$	3 to 12 months US\$	1 to 5 years US\$	Over 5 years US\$	Total US\$	Carrying amounts US\$
As at 31 December 2022 Financial assets Cash on hand	266,779	ı	,	ı	ı	266,779	266,779
Deposits and placements with the central bank	23,046,285	1	7,000,000	ı	ı	30,046,285	30,046,285
Deposits and placements with other banks Loans and advances to customers Financial assets at EVOCI	17,716,026 17,529,520 12,501	- 16,491,773 -	59,662,952	163,481,404	152,644,714	17,716,026 409,810,363 12,501	17,716,026 288,562,400 12,501
Other assets	54,864	•	1,375,583	•	1	1,430,447	1,430,447
Total financial assets	58,625,975	16,491,773	68,038,535	163,481,404	152,644,714	459,282,401	338,034,438
Financial liabilities Borrowings	12,848,450	22.089.227	122.890.968	102,170,697	1	259.999.342	256.278.631
Lease liabilities Other financial liabilities	1,726	2,914	303,558	1,352,715	751,242	2,412,155	2,191,572
Total financial liabilities	13,055,436	22,604,747	123,582,792	103,523,412	751,242	263,517,629	259,576,335
Net financial (liabilities)/assets	45,570,539	(6,112,974)	(55,544,257)	59,957,992	151,893,472	195,764,772	78,458,103
In KHR'000 equivalents	187,613,907	(25,167,114)	(228,675,705)	246,847,053	625,345,424	805,963,565	323,012,010
Off-balance sheet items Credit commitments	1,415,620	"	'	1	1	1,415,620	1,415,620
Liquidity- off-balance sheet	1,415,620			,		1,415,620	1,415,620
In KHR'000 equivalents	5,828,108	•	•	•	'	5,828,108	5,828,108

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

34. FINANCIAL RISK MANAGEMENT (continued)

34.4 Fair value of financial assets and liabilities

(a) Financial instruments using significant oboservable inputs (level 3)

The unlisted equity securities are the investment in Credit Bureau Cambodia (CBC) to be measured at fair value through other comprehensive income as they are not held for trading and the Bank has irrevocably elected at initial recognition to recognize as the financial assets at FVOCI. These are the strategic investments and the Bank considers this classification to be more relevant.

The fair value of FVOCI have been determined based on present values and the discount rate used were adjusted for counterparty or own credit risk.

There is no gain/loss recognized in other comprehensive income due to fair value approximate the carrying amount.

(b) Financial instruments not measured at fair value

As at the balance sheet date, the fair values of financial instruments of the Bank approximate their carrying amounts.

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

i. Deposits and placements with the central bank and other banks

The carrying amounts of deposits and placements with the central bank and other banks approximate their fair values, since these accounts consist mostly of current, savings and short-term deposits.

ii. Loans and advances to customers

For fixed rate loans with a remaining period to maturity of less than one year, the carrying amounts are generally reasonable estimates of their fair values.

For fixed rate loans with remaining period to maturity of one year and above, fair values are estimated by discounting the estimated future cash flows using a current lending rate as the prevailing market rates of loans with similar credit risks and maturities have been assessed as insignificantly different to the contractual lending rates. As a result, the fair value of non-current loans and advances to customers might approximate their carrying value as at reporting date.

iii. Other financial assets and other financial liabilities

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

iv Borrowings

Borrowings are not quoted in the active market and their fair value approximates their carrying amount because the borrowing rates are similar to the prevailing market rates of the borrowing with similar term and maturities.

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Bank is the current bid price. These instruments are included in level 1.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

34. FINANCIAL RISK MANAGEMENT (continued)

34.4 Fair value of financial assets and liabilities

(b) Financial instruments not measured at fair value (continued)

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

33.5 Capital management

The Bank's objectives when managing capital, which is a broader concept than the 'equity' shown on the balance sheet, are:

- to safeguard the Bank's ability to continue as a going concern so that it can continue to provide a return for shareholders and benefits for other stakeholders; and

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

The table below summarises the composition of regulatory capital:

	202	23	202	22
	US\$	KHR'000	US\$	KHR'000
Tier 1 capital				
Share capital	73,650,000	300,860,250	43,750,000	180,118,750
Prior year retained earnings	11,316,077	46,016,144	7,759,519	31,558,634
Profit for the year	4,362,897	17,931,506	7,433,978	30,382,667
Less: Intangible assets	(699,412)	(2,857,098)	(370,114)	(1,523,759)
Less: Loans to related parties	(8,039,341)	(32,840,709)	(2,923,278)	(12,035,136)
	80,590,221	329,110,093	55,650,105	228,501,156
Tier 2 complementary capital				
General provision	2,780,217	11,357,186	2,998,821	12,346,146
Less: Equity participation in				
banking or financial institutions	(12,501)	(51,067)	(12,501)	(51,467)
	2,767,716	11,306,119	2,986,320	12,294,679
	83,357,937	340,416,212	58,636,425	240,795,835