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BOOYOUNG KHMER BANK

ANNUAL REPORT

2021



#86-88, Street 41, Preah Norodom Blvd, Sangkat Chey Chumneas, Khan Daun Penh Phnom Penh, Cambodia

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1. CORPORATION MISSION AND VISION



Build Your Dream with Booyoung Khmer Bank!

❖ MISSION

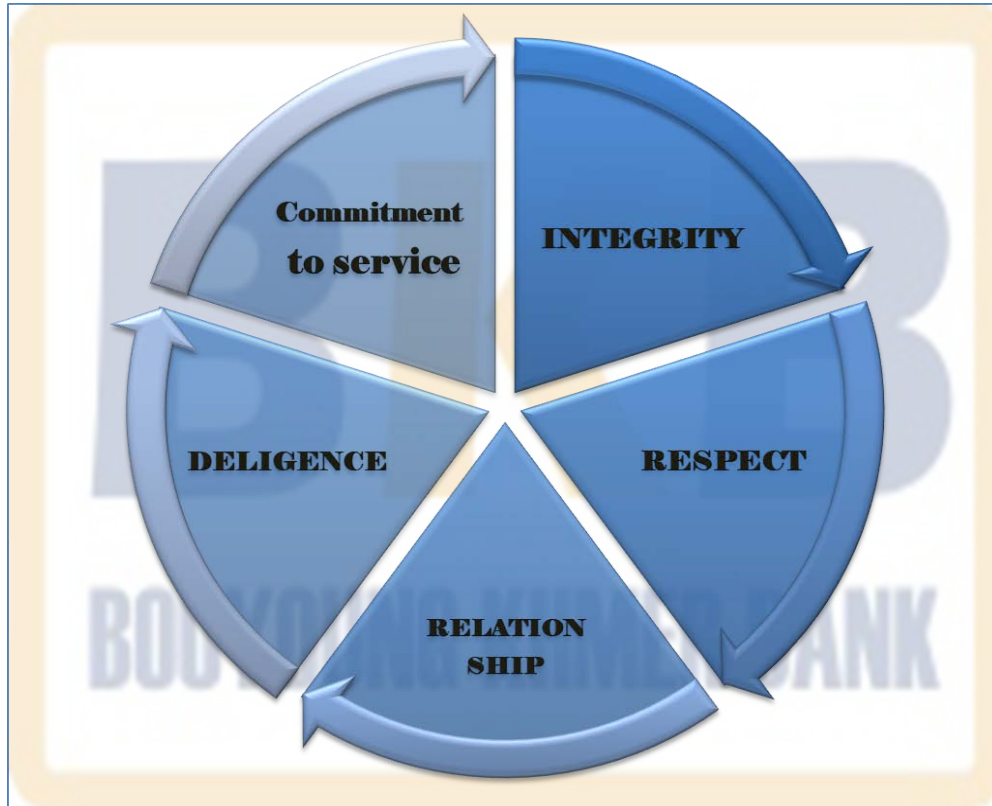
Booyoung Khmer Bank will strive to be the premier financial partner providing the best products and services for achievement of customers, shareholders, and the community's goals and dreams. On the solid foundation of Booyoung Group, Booyoung Khmer Bank promise to be the best financial service provider in Cambodia.

❖ VISION

To be a reputable and leading financial service provider focusing on commercial banking, investment banking and other financial service in Cambodia and in the region by offering innovative and quality financial products and services, as well as to be a profitable and well managed Financial Institution.

2. CORE VALUES/BELIEFS

Booyoung Khmer Bank has set up our core values and beliefs which will lead us to be a premier financial service provider throughout Cambodia. We treat our customers with integrity, respect, relationship, diligence and commitment to service.



3. CODE OF ETHIC

Booyoung Khmer Bank sets out the regulations to guide Executive officers and employees conduct based on key principles:

- i) Integrity,** Booyoung Khmer Bank expects that all employees will demonstrate honesty and commitment in all dealings.
- ii) Caring,** All employees should reflect both a personal commitment to your job and also taking care of the Bank's properties.
- iii) Fairness,** Bank's Executives and employees shall maintain a sense of individual respect for human dignity, good judgment, openness, understanding, and respect duty.
- IV) Responsibility,** Booyoung Khmer Bank demands a dedicated commitment the bank operation, to engender trust, faith and confidence from others. This is a strict conduct in accordance with the Bank's core values.
- V) Avoid conflict of interest,** Booyoung Khmer Bank avoid any problems that come up from conflict of interest.

4. CORPORATE PROFILE



Booyoung Khmer Bank has started its banking operation on 16th of July 2008 with full banking license from National Bank of Cambodia as commercial bank. The shareholders of Booyoung Khmer Bank are solely held by Booyoung Housing Co., ltd that belongs to Booyoung group which in Asset Size ranked at 17 largest Korea group in 2021. By the end of 2021, Booyoung Khmer Bank has two branches: Khan Meanchey branch established in 2017 and Siem Reap branch established in 2018. Booyoung Khmer Bank has continuously increased its registered capital. As of the end of 2020, Booyoung Khmer Bank has increased its registered capital by an additional USD30,000,000.00, bringing the registered capital of Booyoung Khmer Bank to USD105,000,000.00 with approval from the National Bank of Cambodia on November 05, 2020.

5. CORPORATE INFORMATION

Shareholders	Booyoung Housing Co., Ltd
Board of directors	<p>Mr. Lee, Joong Keun (Chairman)</p> <p>Mr. Lee, Se Hwi (Director)</p> <p>Mrs. Lee Seo Jeong (Director)</p> <p>Mr. An, Kio Byung (Independent Director)</p> <p>Mr. Koh Dong Ho (Independent Director)</p>
Registered office (HO)	No. 86-88, Street 41 Pheah Norodom Blvd, Sangkat Chey Chumneas, Khan Daun Penh, Phnom Penh, Cambodia.
MeanChey Branch	4 th floor, ANINA Building, No 240, St 271, Sangkat Beoung Tumpun, Khan Meanchey, Phnom Penh.
Siem Reap Provincial Branch	(Land Title No 3766) National Road 6A, Khna Village, Sangkat Chreav, Krong Siem Reap, Siemreap Province, Cambodia.
Auditors	Crowe (KH)Co.,Ltd.



Mr. Lee JoongKeun, Chairman of the Board of Directors

6. PRESIDENT & CEO'S MESSAGE

Dear valued customers!

In 2021, the world economy affected by the spread of Covid-19, and the International Monetary Fund estimates that: Global growth is expected to moderate from 5.9 in 2021 to 4.4 percent in 2022, and Cambodian economy is expected to be 2.2 percent due to the decrease of sectors that rely on external demand, including tourism, manufacturing, construction and real estate, but the banking sector in Cambodia has continued to grow and stabilize steady and has been actively involved in supporting the Cambodia economic activities.



In the context of the Covid-19 outbreak in Cambodia, Booyoung Khmer Bank has also contributed the activities to the Royal Government of Cambodia. In addition, in order to support the Royal Government of Cambodia and in accordance with the guidelines of the National Bank of Cambodia, Booyoung Khmer Bank has continued to provide loans to customers and also provide loan-restructure to customers that affected by Covid-19 to facilitate their business and financial situation.

Although, 2021 was a difficult year for all businesses that affected by the global pandemic of Covid-19, but Booyoung Khmer Bank still continue to strengthen its business. The annual net profit of Booyoung Khmer Bank increased by 35.07% compared to the previous year from USD 3,939,232 in 2020 to USD 5,320,660 in 2021, making the assets increased 8.78% from USD 133,728,121 in 2020 to USD 145,474,245 in 2021. In according to the growth of assets every year, Booyoung Khmer Bank will continue to developing the products and services through the provision of excellent financial services. Booyoung Khmer Bank will continue to contribute to the growth of the Cambodia economy and become a trusted provider of financial services to all customers.

So, I would like to say thank you to our shareholder and customers who have always supported and trusted in Booyoung Khmer Bank. In addition, I would like to appreciate to all staffs who have worked hard in accordance with their respective roles and their responsibilities. Finally, I would like to say thank you to all regulators, especially the National Bank of Cambodia, for always guiding and supporting Booyoung Khmer Bank.

Booyoung Khmer Bank is very proud to provide you with the financial services.



Lee Dongman
President and Chief Executive Officer

22 MAR 2022

7. PRODUCTS AND SERVICES

Booyoung Khmer Bank offers a wide range of financial products and services to individuals and corporates customer to meet their needs. Our products and services are:



Deposit product
Current Account
Saving Account
Fix Deposit

Loan product
SME Loan
Commercial Loan
Trade Finance
Local Transfer (Inward/Outward)
Oversea Transfer (Inward/Outward)
Other Services
Cheque Clearing
Fast Payment

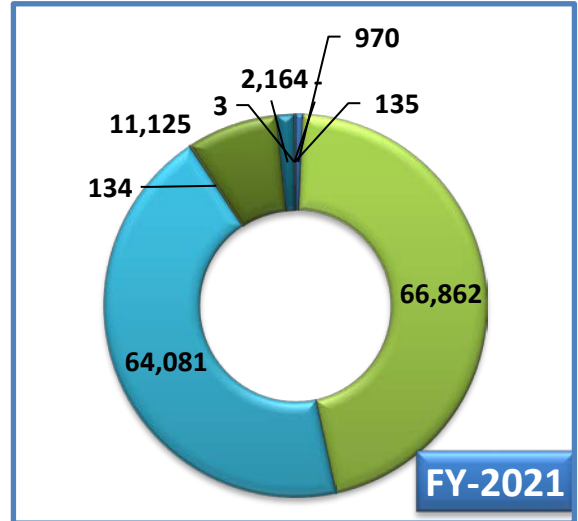
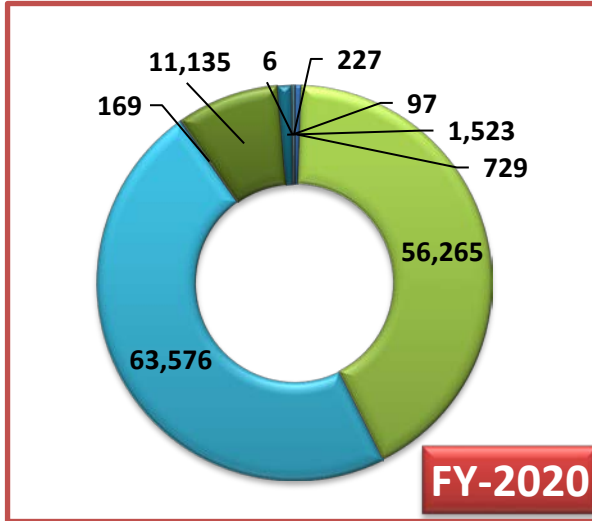
8. FINANCIAL HIGHLIGHTS

	Year Ended December 31	
	2020	2021
OPERATION RESULTS(USD)		
Profit Before Tax Expense	4,970,621	6,644,511
Profit After Tax Expense	3,939,232	5,320,660
KEY BALANCE SHEET DATA (USD)		
Total Assets	133,728,121	145,474,245
Loans and Advance	63,576,298	64,080,815
Total Liabilities	12,688,833	19,114,297
Deposits from Customers	10,839,391	17,776,298
Paid-up Capital	105,000,000	105,000,000
Shareholder's Equity	121,039,288	126,359,948
FINANCIAL RATIO		
Return on Assets	3.56%	3.11%
Return on Equity	3.94%	3.58%
Equity to Total Assets	90.51%	86.86%
Net Worth to Total Assets	87.57%	83.04%
Net interest margin to total assets	4.44%	5.19%
None-interest expense to gross income	20.30%	12.21%
Liquidity assets to total assets	42.62%	46.62%
Solvency Ratio	117.14%	87.43%
Deposit to total Loan	17.05%	27.74%
Quick Ratio	922.08%	762.88%

9. SIMPLIFIED BALANCE SHEET

Amount in USD' 000

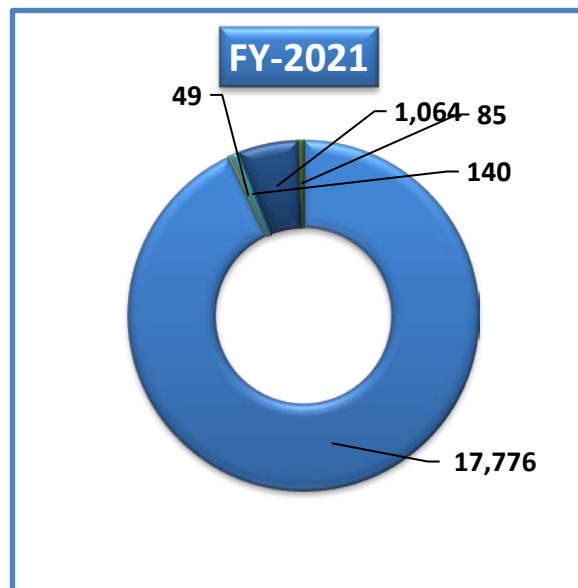
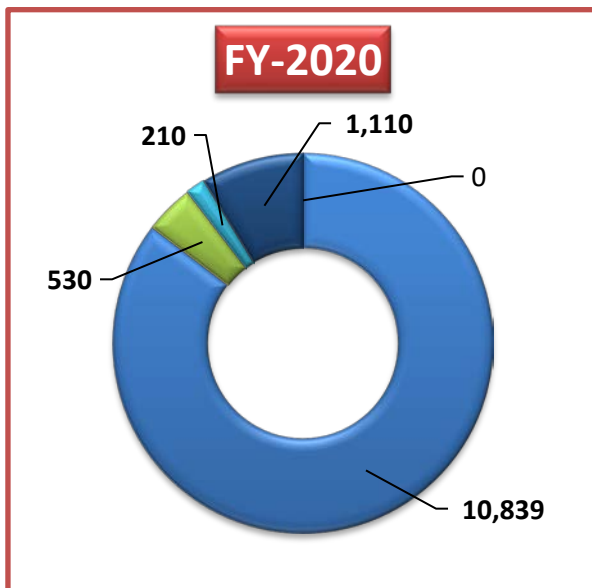
ASSETS



- Cash on hand
- Loan to Customer
- Statutory deposits
- Intangible assets
- Right of use assets

- Deposit and placements with Bank
- Property, plan and equipment
- Other Assets
- Deferred income tax assets

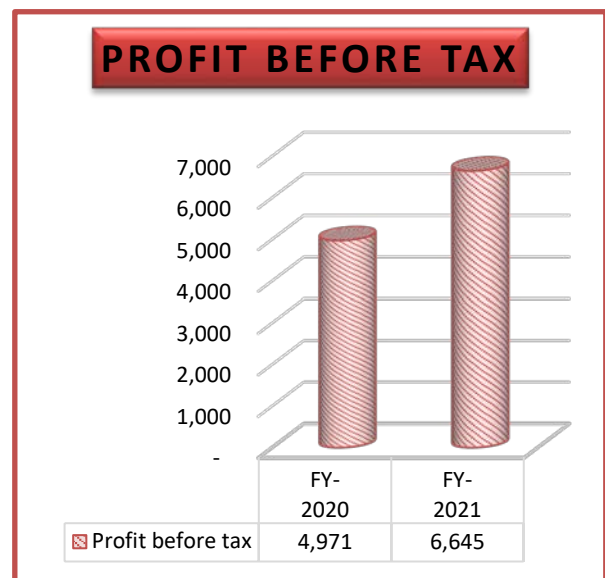
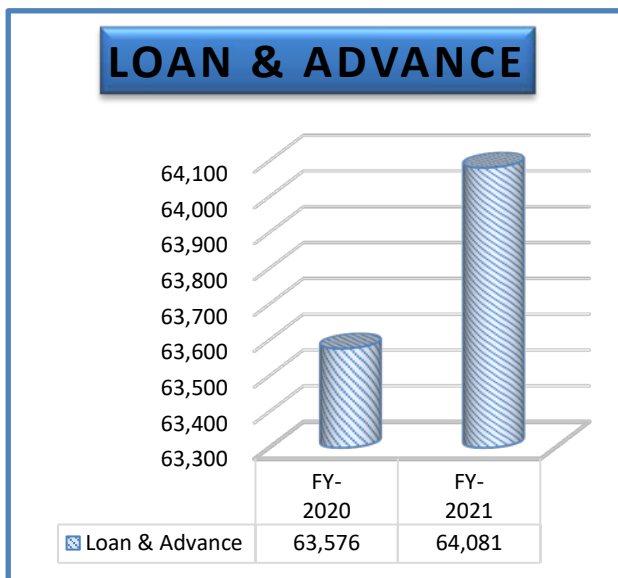
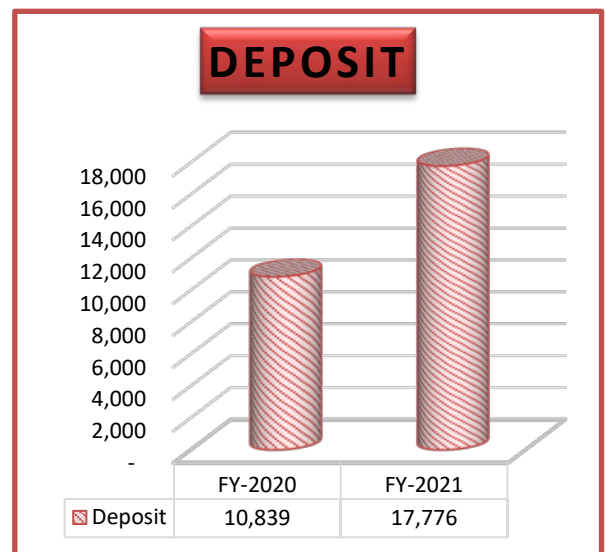
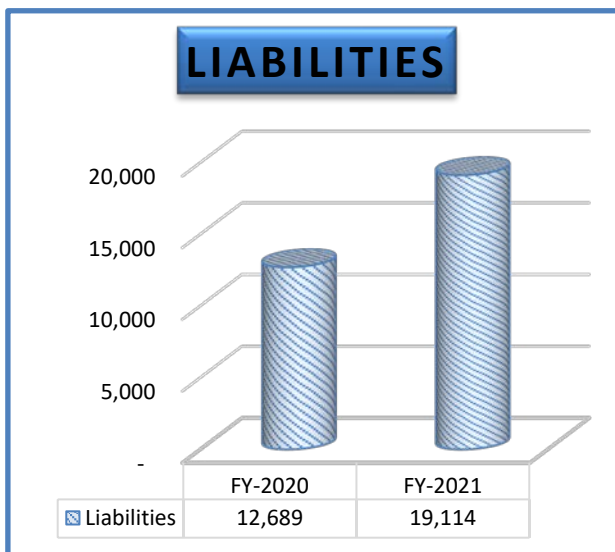
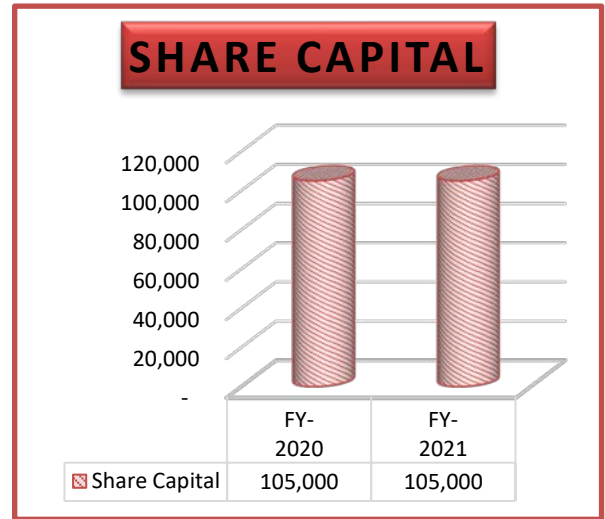
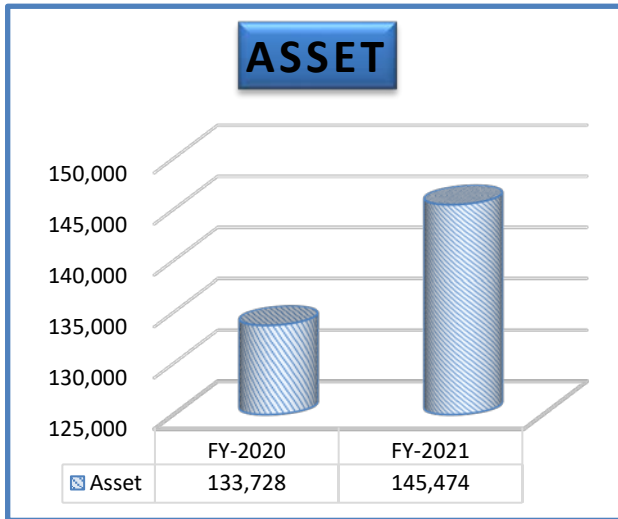
LIABILITIES



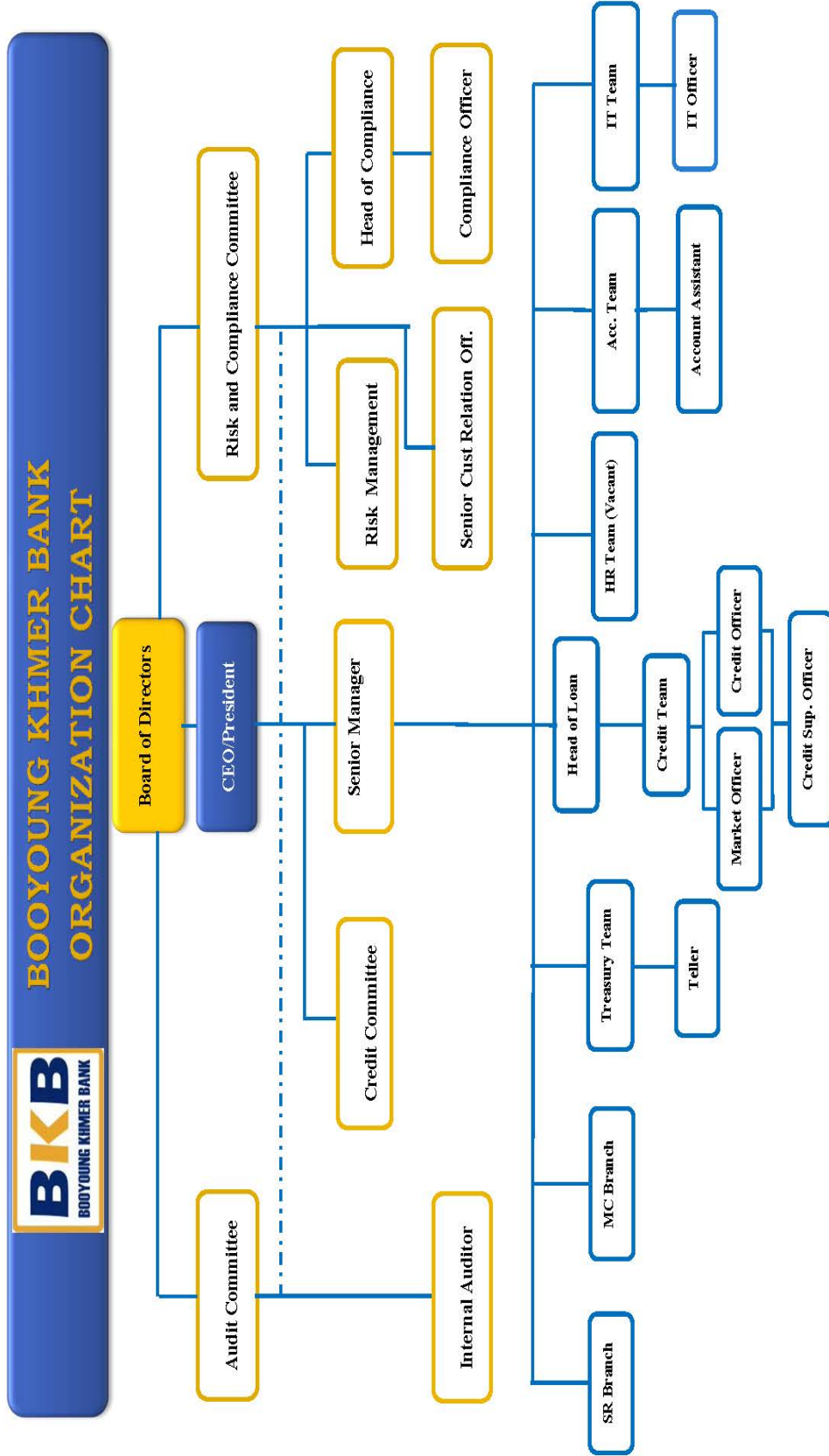
- Deposit
- Lease Liabilities
- Deferred tax liability

- Other Liabilities
- Income tax payable

10. SUMMARY OF TWO-YEAR GROWTH



11. ORGANIZATION CHAT



SOCIAL RESPONSIBILITY

As we all have witnessed that country is fighting the COVID-19 pandemic in the community transmission since February 20, the so-called Feb 20 community event, the spread and its affected COVID-19 has yet been slowdown while the new positive COVID-19 cases and the number of fatalities has been reported increased day by day which raise more concern on the public health.

Royal Government of Cambodia has decided to put Phnom Penh city and adjacent Takhmao town into lockdown to contain the spread of virus for two weeks (April15-28) in which many Cambodians had banned from leaving home or allowing to travel or work which affected their living standard especially the poor, and government has allocated a lot of resources to ease the hard-hit situation.

To actively participate in social activities and corporate social responsibility programs among many other Banks, the ABC Council has collectively decided to support the Government by contributing donations in either financial form or material such as rice, noodles, fish cane, face mask, hand sanitizer or any other contribution could help to relief some of people who are in lockdown or contribute to the government's activities to fight against the spread of COVID-19.

Booyoung Khmer Bank was contributed amount **20,000.00 (Twenty Thousand)** US Dollar in support to the Ministry of Health directly via the Association of Banks in Cambodia (ABC) Bank Account, under the coordination of ABC to purchase vaccine in fighting against Covid-19 pandemic in Cambodia.



12. DIRECTOR'S REPORT

The directors hereby submit the report and the audited financial statements of the Booyoung Khmer Bank (“the Bank”) for the financial year ended 31 December 2021

DIRECTORS

The names of directors of the Bank who served during the financial year and up to the date of this report are as follows: -

Mr. Lee Joong Keun,	Chairman
Mr. Lee Se Hwi,	Director
Mrs. Lee Seo Jeong,	Director
Mr. An Kio Byung,	Independent Director
Mr. Koh Dong Ho,	Independent Director

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for the financial statements of the Bank to be properly drawn up so as to give a true and fair view of the financial position of the Bank as at 31 December 2021 and of its financial performance and cash flows for the financial year then ended. In the preparation of these financial statements, the directors are required to:

- i) adopt appropriate accounting policies in compliance with Cambodian International Financial Reporting Standards (“CIFRSs”) which are supported by reasonable and appropriate judgments and estimates and then apply them consistently;
- ii) comply with the disclosure requirements CIFRSs, if there have been any departures in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the financial statements;
- iii) Maintain adequate accounting records and an effective system of internal controls;
- iv) Prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Bank will continue operations in the foreseeable future; and
- v) Control and direct effectively the Bank in all material decisions affecting its operations and performance and ascertain that such decisions and/or instructions have been properly reflected in the financial statements.

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

PREPARATION OF THE FINANCIAL STATEMENTS

- i) All material transfers to or from reserves or provisions during the financial year are disclosed in the statements;
- ii) Adequate allowance for impairment losses on receivables and other current and non-current assets, if required, has been made;
- iii) Known bad debts had been written off, if any;
- iv) Existing methods of valuation of assets or liabilities is not misleading or inappropriate;
- v) There are no known circumstances that would render any amount stated in the financial statements to misleading;
- vi) There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the bank for the financial year in which this report is made;
- vii) The results of the operations of the Bank during the financial year were not, in the opinion of the directors, substantially affected by any item, transition or event of a material and unusual nature;
- viii) No contingent or other liability or the Bank has become enforceable or is likely to become enforceable within the period or twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Bank to meet its obligations when they fall due.

APPROVAL OF THE FINANCIAL STATEMENTS

The directors hereby approve the accompanying financial statements which give a true and fair view of the financial position of the Bank as at 31 December 2021, its financial performance and cash flows for the financial year then ended in accordance with CIFRSs.



Lee Dongman
President and Chief Executive Officer

22 MAR 2022

13. INDEPENDENT AUDITORS' REPORT

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Booyoung Khmer Bank, (“the Bank”) which comprise the statement of financial position as at 31 December 2021 of the Bank, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 20 to 97.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2021, and of its financial performance and its cash flow for the financial year then ended in accordance with Cambodian International Financial Reporting Standards (“CIFRSs”).

Basis for Opinion

We conducted our audit in accordance with Cambodian International Standards on Auditing (CISAs). Our responsibilities under those standards are further described in the *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 and Other Ethical Responsibilities

We are independent of the Bank in accordance with the the ethical requirements that are relevant to our audit of the financial statements in Cambodia, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Information Other than the Financial Statements and Auditor's Report Thereon

The directors of the Bank are responsible for the other information. The other information comprises the Directors' Report, but does not include the financial statements of the Bank and our auditors' report thereon.

Our opinion on the financial statements of the Bank does not cover the Directors' Report and we do not express any form of assurance conclusion thereon.

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

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

Responsibilities of Directors for the Financial Statements

The directors of the Bank are responsible for the preparation of financial statements that give a true and fair view in accordance with CIFRSs. The directors are also responsible for such internal controls as the directors determine are 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 of the Bank, the directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Other Matters.

Our audit was conducted for the purpose of forming an opinion on the financial statements denominated in the functional currency of United States Dollar (“USD”). The translation of the financial statements from USD into Khmer Riel (“KHR”) using the closing and average rates as at 31 December 2021 and for the year then ended, respectively, is presented for the purpose of additional analysis and it does not form an integral part of the audited financial statements. The translation has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express any opinion on it.

Crowe (KH) Co., Ltd



Onn Kien Hoe

Director

22 MAR 2022

14. STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2021

	Note	2021	2020	2021	2020
		USD	USD	KHR'000	KHR'000
Assets					
Cash and bank balance	6	61,646,328	24,207,935	251,147,140	97,921,097
Deposits and placements with NBC	7	6,185,728	32,786,830	25,200,656	132,622,727
Loans and advances	8	64,080,815	63,576,298	261,065,240	257,166,125
Other assets	9	2,164,170	1,522,503	8,816,829	6,158,525
Statutory deposits with NBC	10	11,124,910	11,134,843	45,322,883	45,040,440
Right-of use assets	11	135,394	227,438	551,595	919,987
Equipment	12	133,723	169,410	544,788	685,263
Intangible assets	13	3,177	5,769	12,943	23,336
Deferred tax assets	26a	-	97,095	-	392,749
TOTAL ASSETS		<u>145,474,245</u>	<u>133,728,121</u>	<u>592,662,074</u>	<u>540,930,249</u>
LIABILITIES					
Deposits from customers	14	17,776,298	10,839,391	72,420,638	43,845,337
Other liabilities	15	49,298	530,033	200,840	2,143,983
Lease liabilities	29b	139,932	209,633	570,083	847,965
Income tax payable	26b	1,064,105	1,109,776	4,335,164	4,489,044
Deferred tax liability	26a	84,664	-	344,921	-
TOTAL LIABILITIES		<u>19,114,297</u>	<u>12,688,833</u>	<u>77,871,646</u>	<u>51,326,329</u>

14. STATEMENT OF FINANCIAL POSITION (CON'D)

AT 31 DECEMBER 2020

	Note	2021	2020	2021	2020
		USD	USD	KHR'000	KHR'000
Equity					
Share capital	16	105,000,000	105,000,000	420,000,000	420,000,000
Regulatory reserve	17	1,179,816	377,000	4,794,901	1,524,229
Retained profits	18	20,180,132	15,662,288	81,726,750	63,321,055
Translation reserve		-	-	8,268,777	4,758,636
TOTAL EQUITY		<u>126,359,948</u>	<u>121,039,288</u>	<u>514,790,428</u>	<u>489,603,920</u>
TOTAL LIABILITIES AND EQUITY		<u>145,474,245</u>	<u>133,728,121</u>	<u>592,662,074</u>	<u>540,930,249</u>

15. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME.

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

		2021	2020	2021	2020
	Note	USD	USD	KHR'000	KHR'000
INTEREST INCOME	19	7,636,181	6,207,181	31,109,801	25,108,047
INTEREST EXPENSE	20	(90,934)	(269,910)	(370,465)	(1,091,786)
NET INTEREST INCOME		7,545,247	5,300,653	30,739,336	24,016,261
NON INTEREST INCOME	21	391,219	554,952	1,593,826	2,244,781
NET INCOME		7,936,466	6,492,223	32,333,162	26,261,042
PERSONNEL COSTS	22	(490,342)	(467,089)	(1,997,653)	(1,889,375)
DEPRECIATION AND AMORTISATION	23	(229,475)	(219,061)	(934,881)	(886,102)
ADMINISTRATION AND GERNERAL EXPENSES	24	(212,672)	(573,918)	(866,426)	(2,321,498)
OPERATING PROFIT BEFORE IMPAIRMENTS LOSSES		7,003,977	5,232,155	28,534,202	21,164,067
LOSS ALLOWANCE FOR EXPECTED CREDIT LOSSES("ECL")	25	(359,466)	(261,534)	(1,464,465)	(1,057,905)
PROFIT BEFORE TAX		6,644,511	4,970,621	27,069,737	20,106,162
INCOME TAX EXPENSE	26	(1,323,851)	(1,031,389)	(5,393,370)	(4,171,969)
PROFIT AFTER TAX		5,320,660	3,939,232	21,676,367	15,934,193
OTHER COMPREHENSIVE		-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		<u>5,320,660</u>	<u>3,939,232</u>	<u>21,676,367</u>	<u>15,934,193</u>

16. STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENED 31 DECEMBER 2021

	Share Capital	Regulatory Reserve	Retained Profits	Total
	USD	USD	USD	USD
Balance at 1.1.2020	75,000,000	1,202,253	10,897,803	87,100,056
Profit after tax/ Total comprehensive income for the financial year	-	-	3,939,232	3,939,232
Additional share capital	30,000,000	-	-	30,000,000
Transfer	-	(825,253)	825,253	-
Balance at 31.12.2020/1.1.2021	105,000,000	377,000	15,662,288	121,039,288
Profit after tax/Total comprehensive income for the financial year	-	-	5,320,660	5,320,660
Transfer	-	802,815	(802,816)	-
Balance at 31.12.2021	<u>105,000,000</u>	<u>1,179,816</u>	<u>20,180,132</u>	<u>126,359,948</u>

	Share Capital	Regulatory Reserve	Retained Profits	Translation Reserve	Total
	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000
Balance at 1.1.2020	300,000,000	4,862,377	44,048,714	6,021,637	354,932,728
Profit after tax/Total comprehensive income for the financial year	-	-	15,934,193	-	15,934,193
Additional share capital	120,000,000	-	-	-	120,000,000
Transfer	-	(3,338,148)	3,338,148	-	-
Translation differences	-	-	-	(1,263,001)	(1,263,001)
Balance at 31.12.2020/1.1.2021	420,000,000	1,524,229	63,321,055	4,758,636	489,603,920
Profit after tax/Total comprehensive income for the financial year	-	-	21,676,367	-	21,676,367
Transfer	-	3,270,672	(3,270,672)	-	-
Translation differences	-	-	-	3,510,141	3,510,141
Balance at 31.12.2021	<u>420,000,000</u>	<u>4,794,901</u>	<u>81,726,750</u>	<u>8,268,777</u>	<u>514,790,428</u>

17. STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

		2021	2020	2021	2020
	Note	USD	USD	KHR'000	KHR'000
CASH FLOWS FROM/(FOR) INVESTING ACTIVITIES					
Profit before tax		6,644,511	4,970,621	27,069,737	20,106,162
Adjustments for – Depreciation and amortization	23	229,475	219,061	934,881	886,103
Loss allowance for ECL	25	359,466	261,534	1,464,465	1,057,905
Equipment written off		-	(80)	-	(324)
Other income from lease liabilities		(3,186)	-	(12,980)	-
Interest expense on lease liabilities		<u>9,240</u>	<u>12,009</u>	<u>37,644</u>	<u>48,576</u>
Operating profit before working capital changes		7,239,506	5,463,145	29,493,747	22,098,422
Working capital changes		(1,017,285)	(4,032,436)	(4,144,419)	(16,311,204)
-loans and advances					
-Other assets		(641,667)	(201,280)	(2,614,151)	(814,178)
-Statutory deposits with NBC		9,933	(3,080,118)	40,467	(12,459,077)
-deposits from customers		6,936,907	2,233,021	28,260,959	9,032,570
Other liabilities		<u>(480,735)</u>	<u>403,554</u>	<u>(1,958,514)</u>	<u>1,632,376</u>
Cash flows from (for) operation		12,046,659	785,886	49,078,089	3,178,909
Income tax paid		<u>(1,187,763)</u>	<u>(777,940)</u>	<u>(4,838,946)</u>	<u>(3,146,767)</u>
Net Cash From (for) Operation Activities		<u>10,858,896</u>	<u>7,946</u>	<u>44,239,143</u>	<u>32,142</u>
Cash flows from/(for) Investing Activities					
Purchase of equipment	12	(9,613)	(9,400)	(39,163)	(38,023)
(Placement) Withdrawal of fixed deposits with tenure more than 3 months		(7900,000)	3,500,000	(32,184,600)	14,157,500
Net cash from Investing Activities		<u>(7,909,613)</u>	<u>3,490,600</u>	<u>(32,223,763)</u>	<u>14,119,477</u>

17. STATEMENT OF CASH FLOWS (CON'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

		2021	2020	2021	2020
	Note	USD	USD	KHR'000	KHR'000
CASH FLOWS FROM/(FOR)FINANCING ACTIVITIES					
Proceeds from issuance of ordinary shares		-	30,000,000	-	120,000,000
Interest paid	28c	(9,240)	(12,009)	(37,644)	(48,576)
Repayment of lease liabilities	28c	<u>(156,054)</u>	<u>(153,411)</u>	<u>(635,764)</u>	<u>(620,547)</u>
Net Cash from /(for) Financing Activities		(165,294)	29,834,580	(673,408)	119,330,877
Net Increase /(Decrease)In cash and cash Equivalents		<u>2,783,989</u>	<u>33,333,126</u>	<u>11,341,972</u>	<u>133,482,496</u>
Cash and cash equivalents at Beginning of the Financial year		36,008,804	2,675,678	145,655,611	10,903,388
Effect of Currency translation		-	-	1,044,256	1,269,728
Cash and cash Equivalents at end of the Financial year	28d	<u>38,792,793</u>	<u>36,008,804</u>	<u>158,041,839</u>	<u>145,655,611</u>

18. NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

1. GENERAL INFORMATION

Booyoung Khmer Bank (“the Bank”) was incorporated in Cambodia on 18 June 2008 under Registration No. Co. 4995E /2008. On 3 July 2008, the National Bank of Cambodia (“NBC”) issued a license to conduct commercial banking business for an indefinite period. On 6 October 2016, the Bank obtained the new Registration No. 00020206 from the Ministry of Commerce.

On 3 April 2017, the Bank received a license to operate a branch located at No. 240 (4th Floor), Street 271, Sangkat Boeng Tumpun, Khan Mean Chey, Phnom Penh.

On 16 March 2018, the Bank received a license to operate a new branch located at Land Tittle No.3766, National Road No. 6A, Khnar Village, Sangkat Chreav, Krong Siem Reap, Siem Reap Province.

Registered office: No.86-88, Street 41 Preah Norodom Blvd
Sangkat, Chey Chumneas, Khan Daun Penh,
Phnom Penh, Kingdom of Cambodia.

Principle Place of business: No.86-88, Street 41 Preah Norodom Blvd
Sangkat, Chey Chumneas, Khan Daun Penh,
Phnom Penh, Kingdom of Cambodia.

The financial statements were authorized for issue by the director on 19 March 2022.

2. PRINCIPAL ACTIVITIES

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

There have been no significant changes in the nature of these activities during the financial year.

3. HOLDING COMPANY

The holding company is Booyoung Housing Co., Ltd, a company incorporated in The Republic of South Korea.

18. NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

4. BASIS OF PREPARATION

The financial statements of the Bank are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Cambodian International Financial Reporting Standards (“CIFRSs”).

This is the Bank’s first set of financial statements prepared in accordance with CIFRSs.

- (a) Standards and interpretations that are effective for the current financial year

During the current financial year, the Bank has adopted the following new accounting standards and interpretations: -

CIFRSs and/or IC Interpretations (Including the Consequential Amendments)

Amendments to CIFRS 16: COVID-19-Related Rent Concessions

Amendments to CIFRS 9, CIAS 39, CIFRS 7, CIFRS 4 and CIFRS 16: Interest Rate Benchmark Reform – Phase 2

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) did not have any material impact on the Bank’s financial statements.

- (b) New Accounting Standards for Application in Future Periods

The Bank has not applied in advance the following accounting standards and/or interpretation(s) (including the consequential amendments, if any) that have been issued by the National Accounting Council (“NAC”) but are not yet effective for the current financial year:

18. NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

4. BASIS OF PREPARATION (Cont'd)

CIFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
CIFRS 17 Insurance Contracts	1 January 2023
Amendments to CIFRS 3: Reference to the Conceptual Framework	1 January 2022
Amendments to CIFRS 10 and CIAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to CIFRS 17 Insurance Contracts	1 January 2023
Amendment to CIFRS 17: Initial Application of CIFRS 17 and CIFRS 9 – Comparative Information	1 January 2023
Amendments to CIAS 1: Classification of Liabilities as Current or non-current	1 January 2023
Amendments to CIAS 1: Disclosure of Accounting Policies	1 January 2023
Amendments to CIAS 8: Definition of Accounting Estimates	1 January 2023
Amendments to CIAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to CIAS 16: Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to CIAS 37: Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to CIFRS Standards 2018 – 2020	1 January 2022

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Bank upon their initial application.

18. NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

5. SIGNIFICANT ACCOUNTING POLICIES

5.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Key Sources of Estimation Uncertainty

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed below:-

(a) Impairment of Loan and Advances

The loss allowances for loan to customer are based on assumptions about risk of default and expected loss rates. The Bank uses judgment in making these assumptions and selecting appropriate inputs to the impairment calculation, based on the past payment trends, existing market conditions as well as forward-looking estimates at the end of each reporting period.

b) Income Tax

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Bank recognizes tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognized, such difference will impact the income tax expense and deferred tax balances in the period in which such determination is made.

The principal accounting policies adopted in the preparation of the financial statements are set out below. These accounting policies have been consistently applied by the Bank during the year.

Critical Judgments Made in Applying Accounting Policies

Management believes that there are no instances of application of critical judgment in applying the Bank's accounting policies which will have a significant effect on the amounts recognized in the financial statements

18. NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.2 FUNCTIONAL AND FOREIGN CURRENCIES

a) Functional and Presentation Currency

The financial statements of the Bank are presented in the currency of the primary economic environment in which the Bank operates, which is the functional currency.

The financial statements are presented in US dollar (“USD”), which is the Bank’s functional and presentation currency.

For the sole regulatory purpose of complying with the National Bank of Cambodia’s Prakas No. B7-07-164 dated 13 December 2007, a translation to Khmer Riel (“KHR”) is provided for the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows and the notes to the financial statements as of and for the year ended 31 December 2021 using the official rates of exchange published by the National Bank of Cambodia as at the reporting dates. Such translation amounts are unaudited and should not be construed as representations that the USD amounts represent, or have been or could be, converted into Khmer Riel at that or any other rate. Amounts in these financial statements expressed in Khmer Riel are translations of US Dollars amounts at rates set by the National Bank of Cambodia.

The financial statements are presented in KHR based on the following applicable exchange rates per USD1:

	2021	2020
Closing rate	4,074	4,045
Average rate for the year	4,074	4,045

Amounts in the financial statements have been rounded off to the nearest dollar and nearest thousand for USD and KHR amounts, respectively.

18. NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

5.2 FUNCTIONAL AND FOREIGN CURRENCIES (CONT'D)

(b) Foreign Currencies Transactions and Balances

Transactions in currencies other than the Bank's functional currency (foreign currencies) are recorded in the functional currency using the exchange rates prevailing at the date of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at the end of each reporting period. Non-monetary items carried at the fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in the terms of historical cost in a foreign currency are not translated.

5.3 EQUIPMENT

All items of equipment are initially measured at cost. Cost includes expenditures that are directly attributable to the acquisition of the asset and other cost directly attributable to bringing the asset to working condition for its intended use. Freehold land is stated at cost less impairment losses, if any and is not depreciated.

Subsequent to initial recognition, equipment is stated at cost less accumulated depreciation and any impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of parts that are replaced is derecognized.

The costs of day-to-day servicing of equipment are recognized in profit or loss as incurred.

Depreciation is charged to profit or loss and is calculated under the declining balance method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

18. NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

5.3 EQUIPMENT (CONT'D)

Furniture and fittings	25%
Renovation	25%
Computer equipment	25%
Motor vehicles	50%
Office equipment	25%

Construction work-in-progress represents assets under construction, and which are not ready for commercial use at the end of the reporting period. Construction work-in-progresses stated at cost, and is transferred to the relevant category of long-term assets and depreciated accordingly when the assets are completed and ready for commercial use.

Cost of construction work-in-progress includes direct cost, related expenditure and interest cost on borrowings taken to finance the construction or acquisition of the asset still the date that the assets are completed and put into use, net of interest income on the temporary investment of those borrowings.

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the terms of equipment.

Subsequent costs are included in the asset's carrying amount or recognized as separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Bank and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognized. The costs of the day-to-day servicing of equipment are recognized in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Bank is obligated to incur when the asset is acquired, if applicable.

An item of equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on recognition of the asset is included in profit or loss.

18. NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

5.4 INTANGIBLE ASSETS

Intangible assets represent the initial costs incurred in obtaining software.

Following initial recognition, intangible assets are stated at cost less accumulated amortization and any accumulated impairment losses.

Intangible assets are assessed to have finite useful lives and are amortized over the license period using declining balance method. The intangible assets are also assessed for impairment whenever there is an indication that they may be impaired.

The amortization period and method are reviewed at least at the end of each reporting period.

Intangible assets are amortized as below:

Software	50%
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5.5 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognized in the statements of financial position when the Bank has become a party to the contractual provisions of the instruments.

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in CIAS 32. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Bank has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

A financial instrument is recognized initially at its fair value (other than trade receivables without significant financing component which are measured at transaction price as defined in CIFRS 15 – Revenue from Contracts with Customer sat inception). Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognized immediately in profit or loss.

18. NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

5.5 FINANCIAL INSTRUMENTS (CONT'D)

Financial instruments recognized in the statements of financial position are disclosed in the individual policy statement associated with each item.

a) Financial assets

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value through profit or loss, or other comprehensive income, depending on the classification of the financial assets.

Debt instrument

(i) Amortized cost

The financial asset is held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), excluding expected credit losses, through the expected life of the financial asset or a shorter period (where appropriate).

(ii) Fair Value through Other Comprehensive Income

The financial asset is held for both collecting contractual cash flows and selling the financial asset, where the asset's cash flows represent solely payments of principal and interest. Movements in the carrying amount are taken through other comprehensive income and accumulated in the fair value reserve, except for the recognition of impairment, interest income and foreign exchange difference which are recognized directly in profit or loss. Interest income is calculated using the effective interest rate method.

(iii) Fair Value through Profit or Loss

All other financial assets that do not meet the criteria for amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss.

18. NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

5.5 FINANCIAL INSTRUMENTS (CONT'D)

a) Financial assets (Cont'd)

The Bank reclassifies debt instruments when and only when its business model for managing those assets change.

Equity Investment

All equity investments are subsequent measured at fair value with gains and losses recognised in profit or loss except where the Bank has elected to present the subsequent changes in fair value in other comprehensive income and accumulated in the fair value reserve at initial recognition.

The designation at fair value through other comprehensive income is not permitted if the equity investment is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise.

Dividend income from this category of financial assets is recognised in profit or loss when the Bank's right to receive payment is established unless the dividends clearly represent a recovery of part of the cost of the equity investments.

b) Financial liabilities

(i) Financial Liabilities at Fair Value through Profit or Loss

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. The changes in fair value of these financial liabilities are recognized in profit or loss

(ii) Other Financial Liabilities

Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral

18. NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

5.5 FINANCIAL INSTRUMENTS (CONT'D)

b) Financial liabilities (Cont'd)

(ii) Other Financial Liabilities (Cont'd)

part of the effective interest rate, transaction costs and other premiums or discounts), through the expected life of the financial liability or a shorter period (where appropriate).

(c) Equity Instruments

Equity instruments classified as equity are measured initially at cost and are not premeasured subsequently.

Ordinary shares are classified as equity and recorded at the proceeds received, net of directly attributable transaction costs.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

(d) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the carrying amount of the asset and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity to profit or loss. In contrast, there is no subsequent reclassification of the fair value reserve to profit or loss following the recognition of an equity investment.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

18. NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

5.6 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less.

5.7 STATUTORY DEPOSITS WITH NATIONAL BANK OF CAMBODIA

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

5.8 IMPAIRMENT

(a) Impairment of Financial Assets

The Bank recognises a loss allowance for expected credit losses (“ECL”) on investments in debt instruments that are measured at amortized cost and at fair value through other comprehensive income.

The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Bank in accordance with the contract and all the cash flows that the Bank expects to receive, discounted at the original effective interest rate.

12-month expected credit loss are the portion of lifetime expected credit loss that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which 12-month expected credit loss are recognised are referred to as ‘Stage 1 financial instruments. Financial instruments allocated to Stage 1 have not undergone a significant increase in credit risk since initial recognition and are not credit-impaired.

Lifetime expected credit loss are the expected credit loss that result from all possible default events over the expected life of the financial instrument or the maximum contractual period of exposure. Financial instruments for which lifetime expected credit loss are recognised but that are not credit-impaired are referred to as ‘Stage 2 financial instruments. Financial instruments allocated to Stage 2 are those

18. NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

5.8 IMPAIRMENT (CONT'D)

(a) Impairment of Financial Assets (Cont'd)

that have experienced a significant increase in credit risk since initial recognition but are not credit-impaired.

Financial instruments for which lifetime expected credit loss are recognised and that are credit-impaired are referred to as 'Stage 3 financial instruments.

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Bank recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Bank measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The Bank recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at fair value through other comprehensive income, for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Regulatory Provision for Loans and Advances

On 1 December 2017, the National Bank of Cambodia ("NBC") issued Prakas No. B7-017-344 on Credit Risk Grading and Impairment Provisioning which effectively repealed Prakas No. B7-09-074 on Asset Classification and Provisioning effective from the date of its issue. The Prakas requires banks and financial institutions to classify their loan portfolio into five classes. The NBC subsequently issued Circular No. B7-018-001 dated 16 February 2018 to clarify the mandatory level of general and specific allowance to be provided based on the loans and advances classification as follows:-

18. NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

5.8 IMPAIRMENT (CONT'D)

(a) Impairment of Financial Assets (Cont'd)

Classification	Number of days past due	Regulatory Provision
Short term loans (less than or equal one year):-		
Normal/Standard	0 to 14 days	1%
Special mention	15 days to 30 days	3%
Substandard	31 days to 60 days	20%
Doubtful	61 days to 90 days	50%
Loss	From 91 days	100%
Long term loans (more than one year):-		
Normal/Standard	0 to 29 days	1%
Special mention	30 days to 89 days	3%
Substandard	90 days to 179 days	20%
Doubtful	180 days to 359 days	50%
Loss	From 360 days	100%

The regulatory provision applies to all on and off-balance sheet facilities of banks and financial institutions. Loans and advances classified as substandard, doubtful or loss are considered as non-performing loans.

The Prakas also requires the comparison of the regulatory provision with the impairment provision determined based on CIFRS. In case the regulatory provision calculated in accordance with Prakas is lower than expected credit loss determined based on CIFRS, the Bank shall recognise the expected credit loss calculated in accordance with CIFRS. In the case the regulatory provision is higher than expected credit loss, the Bank shall recognise the expected credit loss in accordance with CIFRS and transfer the difference from retained earnings into regulatory reserve. The Bank has presented the regulatory reserve in the statement of changes in equity.

18. NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

5.8 IMPAIRMENT (CONT'D)

(a) Impairment of Financial Assets (Cont'd)

An uncollectible loan or portion of a loan classified as bad is written off after taking into consideration the realizable value of the collateral, if any when in the judgment of the management, there is no prospect of recovery. Recoveries on loans previously written off are disclosed as other income in the statement of profit or loss.

(b) Impairment of Non-financial Assets

The carrying values of assets, other than those to which CIAS 36 - Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when an annual impairment assessment is compulsory or there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of an asset is the higher of the asset's fair value less costs to sell and its value-in-use, which is measured by reference to discounted future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Bank determines the recoverable amount of the cash generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss immediately.

When there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortization and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

18. NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

5.9 PROVISION

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation. The discount rate shall be a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as interest expense in profit or loss.

5.10 EMPLOYEE BENEFITS

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

5.11 INCOME TAXES

(a) Current Tax

Current tax assets and liabilities are expected amount of income tax recoverable or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly in equity).

b) Deferred Tax

Deferred tax is recognised using the liability method for temporary differences other than those that arise from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

18. NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

5.11 INCOME TAXES (CONT'D)

b) Deferred Tax (Cont'd)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilized. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill or negative goodwill.

Current tax assets and liabilities or deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity (or on different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.

5.12 BORROWING COSTS

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

5.13 LEASES

The Bank assesses whether a contract is or contains a lease, at inception of the contract. The Bank recognises a right-of-use asset and corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for low-value assets and short-term leases with 12 months or less. For these leases, the Bank recognises the lease payments as an operating expense on a straight-line method over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

18. NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

5.13 LEASES (CONT'D)

The Bank recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use assets and the associated lease liabilities are presented as a separate line item in the statement of financial position.

The right-of-use asset is initially measured at cost. Cost includes the initial amount of the corresponding lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any incentives received.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses, and adjustment for any remeasurement of the lease liability. The depreciation starts from the commencement date of the lease. If the lease transfers ownership of the underlying asset to the Bank or the cost of the right-of-use asset reflects that the Bank expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Otherwise, the Bank depreciates the right-of-use asset to the earlier of the end of the useful life of the right-of use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those plant and equipment. The right-of use assets is depreciated using straight-line method. The depreciation rate is 5.10% per annum.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Bank uses its incremental borrowing rate.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in the future lease payments (other than lease modification that is not accounted for as a separate lease) with the corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognised in profit or loss if the carrying amount has been reduced to zero.

5.14 OTHER CREDIT RELATED COMMITMENT

In the normal course of business, the Bank enter into other credit related commitments including loan commitments, letters of credit and guarantees. The accounting policy and regulatory provision followed the National Bank of Cambodia's Prakas No. B7-017-344 and Circular No. B7-018-001 Sor Ror Chor Nor in Note 5.8(a) above.

18. NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

5.15 FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;

Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

5.16 REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue from contracts with customers is measured based on the consideration specified in a contract with a customer in exchange for transferring services to a customer net of sales and service tax, returns, rebates and discounts. The Bank recognises revenue when (or as) it transfers control over a service to customer. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

(a) Interest Income

Interest income is recognised on an accrual basis, based on the effective interest method. Interest income on performing loans and advances, and deposits and placements with banks are recognised on a daily accrual basis. Interest on non-performing loans is recorded as

18. NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

5.16 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONT'D)

(a) Interest Income (Cont'd)

interest in suspense rather than income until it is realised on cash basis.

For information on when customer's loan accounts are classified as nonperforming, see Note 5.8(a).

The policy on the suspension of interest is in conformity with the National Bank of Cambodia's guidelines on the suspension of interest on nonperforming loans and provision for loan losses.

(b) Fee and commission income

Loan arrangement fee and commissions are recognised in the statement of income when all the conditions precedent is fulfilled.

Service charges, processing fees and other operating income are recognised when the right to receive payment is established.

5.17 INTEREST EXPENSE

Interest expense on deposits of customers, settlement accounts of other banks and borrowings are recognised on a daily accrual basis.

18. NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

6. CASH AND BANK BALANCE

	2021	2020	2021	2020
	USD	USD	KHR'000	KHR'000
In Cambodia				
Current deposits	841,050	1,297,194	3,426,438	5,247,150
Saving deposits	46,856	536,119	190,891	2,168,601
Term deposits	29,100,000	21,200,000	118,553,400	85,754,000
Cash on hand	969,987	729,266	3,951,727	2,949,881
	<u>30,957,893</u>	<u>23,762,579</u>	<u>126,122,456</u>	<u>96,119,632</u>
Less: Expected credit losses	(29,988)	(212,031)	(122,171)	(857,665)
	<u>30,927,905</u>	<u>23,550,548</u>	<u>126,000,285</u>	<u>95,261,967</u>
Outside Cambodia				
Current deposits	30,749,172	659,395	125,272,127	2,667,253
Term deposits	-	-	-	-
	<u>30,749,172</u>	<u>659,395</u>	<u>125,272,127</u>	<u>2,667,253</u>
Less: Expected credit losses	(30,749)	(2,008)	(125,272)	(8,123)
	<u>30,718,423</u>	<u>657,387</u>	<u>125,146,855</u>	<u>2,659,130</u>
	<u>61,646,328</u>	<u>24,207,935</u>	<u>251,147,140</u>	<u>97,921,097</u>

18. NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

6. CASH AND BANK BALANCE (Cont'd)

Movements in the expected credit losses are as follows:

	2021	2020	2021	2020
	USD	USD	KHR'000	KHR'000
In Cambodia				
At 1 January -2020	212,031	212,031	864,026	864,026
Net remeasurement of allowances	-	-	-	-
At 31 /12 2020 01 /01 /2021	212,031	212,031	864,026	864,026
Net remeasurement of allowances.	(182,043)	-	(741,643)	-
Translation differences	=	=	(212)	=
At 31 /12/2021	<u>29,988</u>	<u>212,031</u>	<u>122,171</u>	<u>864,026</u>
Outside Cambodia:-				
At 1 /1/2020	2,008	2,008	8,183	8,183
Net remeasurement of allowances	-	-	-	-
At 31 /12/2020 1 /1/ 2021	2,008	2,008	8,183	8,183
Net remeasurement of allowances	28,741	-	117,091	-
Translation differences	-	-	(2)	-
At 31 /12/2021	<u>30,749</u>	<u>2,008</u>	<u>125,272</u>	<u>8,183</u>

The current, savings and term deposits are with financial institutions. The loss allowance relates to 12 month ECL (Stage 1), and there were no transfers from Stages 1, 2 and 3.

18. NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

6. CASH AND BANK BALANCE (Cont'd)

The above amounts are analyses as follows:-

	2021	2020	2021	2020
	USD	USD	KHR'000	KHR'000
a) By maturity:-				
Within 1 month	32,607,065	3,221,974	132,841,183	13,032,885
1 to 3 months	-	-	-	-
3 to 6 months	-	-	-	-
6 to 12 months	29,100,000	21,200,000	118,553,400	85,754,000
Over 12 months	-	-	-	-
	<u>61,707,065</u>	<u>24,421,974</u>	<u>251,394,583</u>	<u>98,786,885</u>
b) By Currency:-				
Khmer Riels	114,229	54,429	465,368	220,165
US Dollars	61,592,836	24,367,545	250,929,215	98,566,720
	<u>61,707,065</u>	<u>24,421,974</u>	<u>251,394,583</u>	<u>98,786,885</u>
b) By Currency(per annum):-				
Current deposits				
Saving accounts	0.18% - 1%	0.2% - 1%	0.18% - 1%	0.2% - 1%
Term deposits	2.50% - 4.20%	3.5% - 4.20%	2.50% - 4.20%	3.5% - 4.20%

18. NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

7. DEPOSITS AND PLACEMENTS WITH NATIONAL BANK OF CAMBODIA

	2021	2020	2021	2020
	USD	USD	KHR'000	KHR'000
Current accounts in:-				
Khmer Riels	549	49,847	2,237	201,631
US Dollars	6,086,087	32,637,539	24,794,718	132,018,845
Negotiable certificate of deposit (USD)	99,092	99,444	403,701	402,251
	<u>6,185,728</u>	<u>32,786,830</u>	<u>25,200,656</u>	<u>132,622,727</u>

Annual interest rates on deposits and placements with the NBC are as follow:-

	2021	2020	2021	2020
Current accounts	-	-	-	-
Negotiable certificate of deposit	0.07% - 1.55%	0.08 %-1.64%	0.07%-1.55%	0.08% - 1.64%

8. LOAN AND ADVANCE

	2021	2020	2021	2020
	USD	USD	KHR'000	KHR'000
Term loans	6,583,312	5,928,100	26,820,413	23,979,165
Consumer loans	<u>59,211,073</u>	<u>58,859,794</u>	<u>241,225,911</u>	<u>238,087,867</u>
Gross loans and advances at amortised cost	65,794,385	64,787,894	268,046,324	262,067,032
Less: Loss allowance for ECL	(1,500,031)	(987,263)	(6,111,126)	(3,993,479)
Translation differences	-	-	-	-

18. NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

8. LOAN AND ADVANCE (Cont'd)

	2021	2020	2021	2020
	USD	USD	KHR'000	KHR'000
Net loans and advances at amortised cost	64,294,354	63,800,631	261,935,198	258,073,553
Unearned interest revenue	<u>(213,539)</u>	<u>(224,333)</u>	<u>(869,958)</u>	<u>(907,428)</u>
	<u>64,080,815</u>	<u>63,576,298</u>	<u>261,065,240</u>	<u>257,166,125</u>

Movements in the expected credit losses are as follows:-

	12-month ECL	Lifetime ECL - not credit Impaired	Lifetime ECL - credit impaired	
	(Stage 1) USD	(Stage 2) USD	(Stage 3) USD	Total USD
At 1 January 2020	59,771	629	665,329	725,729
Changes in expected credit losses due to transferred within stages:-				
Transferred to Stage 2	(6,993)	6,993	-	-
Transferred to Stage 3	(77,674)	-	77,674	-
Net remeasurement of allowances	61,914	(629)	106,142	167,427
New financial assets originated or purchased	<u>48,847</u>	<u>7,863</u>	<u>37,397</u>	<u>94,701</u>
At 31 / 2020 1 / 1 / 2021	85,865	14,856	886,542	987,263
Changes in expected credit losses due to transferred within stages:-				
Transferred to Stage 2	(1,236)	1,236	-	-
Transferred to Stage 3	(4,639)	-	4,639	-

18. NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

8. LOAN AND ADVANCE (Cont'd)

	12-month ECL	Lifetime ECL - not credit Impaired	Lifetime ECL- credit impaired	
	(Stage 1) USD	(Stage 2) USD	(Stage 3) USD	Total USD
Net remeasurement of allowances	(50,184)	4,163	(32,522)	(78,543)
New financial assets originated or purchased	<u>49,800</u>	<u>49,969</u>	<u>491,542</u>	<u>591,311</u>
At 31 /12/ 2021	<u>79,606</u>	<u>70,224</u>	<u>1,350,201</u>	<u>1,500,031</u>

The Loans and advances are analysed as follows:-

	2021 USD	2020 USD	2021 KHR'000	2020 KHR'000
a) By maturity: -				
Within 1 month	1,962,174	2,542,484	7,993,897	10,284,349
1 to 3 months	4,660,639	4,497,820	18,987,443	18,193,682
3 to 12 months	18,586,056	22,519,226	75,719,592	91,090,269
More than 12 months	<u>40,585,516</u>	<u>35,228,364</u>	<u>165,345,392</u>	<u>142,498,732</u>
	<u>65,794,385</u>	<u>64,787,894</u>	<u>268,046,324</u>	<u>262,067,032</u>
b) By industry: -				
Construction	65,667,135	62,267,994	267,527,908	251,874,036
Housing loan	127,250	2,519,900	518,416	10,192,996
	<u>65,794,385</u>	<u>64,787,894</u>	<u>268,046,324</u>	<u>262,067,032</u>

18. NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

8. LOAN AND ADVANCE (Cont'd)

	2021	2020	2021	2020
	USD	USD	KHR'000	KHR'000
c) By currency: -				
US Dollars	55,920,144	57,124,141	227,818,667	231,067,150
Khmer Riels	9,874,241	7,663,753	40,227,657	30,999,882
	<u>65,794,385</u>	<u>64,787,894</u>	<u>268,046,324</u>	<u>262,067,032</u>
d) By residency status:-				
Residents	<u>65,794,385</u>	<u>64,787,894</u>	<u>268,046,324</u>	<u>262,067,032</u>
e) By relationship:-				
External customers	60,870,701	60,517,513	247,987,236	244,793,340
Related party	4,486,784	3,820,831	18,279,158	15,455,261
Staff loans	436,900	449,550	1,779,930	1,818,431
	<u>65,794,385</u>	<u>64,787,894</u>	<u>268,046,324</u>	<u>262,067,032</u>
f) By exposure: -				
Non-large	<u>65,794,385</u>	<u>64,787,894</u>	<u>268,046,324</u>	<u>262,067,032</u>
g) By types of customer:-				
Corporate	6,583,312	5,928,100	26,820,413	23,979,165
Individuals and sole traders	59,211,073	58,859,794	241,225,911	238,087,867
	<u>65,794,385</u>	<u>64,787,894</u>	<u>268,046,324</u>	<u>262,067,032</u>
h) By collaterals:-				
Non-collaterals	10,192,147	8,927,340	41,522,807	36,111,090
Real estate	55,602,238	55,860,554	226,523,517	225,955,942
	<u>65,794,385</u>	<u>64,787,894</u>	<u>268,046,324</u>	<u>262,067,032</u>

18. NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

8. LOAN AND ADVANCE (Cont'd)

	2021	2020	2021	2020
	USD	USD	KHR'000	KHR'000
i) By interest rate(per annum):-				
Term loans	<u>8.00%-10.00%</u>	<u>8.00% - 10.00%</u>	<u>8.00% - 10.00%</u>	<u>8.00% - 10.00%</u>
Consumer loans Loan to third party	<u>8.00%-10.00%</u>	<u>8.00% - 10.00%</u>	<u>8.00% - 10.00%</u>	<u>8.00% - 10.00%</u>
Staff loans	7%	7%	7%	7%
Loan to related party	<u>3.60% - 7.00%</u>	<u>3.60% - 7.00%</u>	<u>3.60% - 7.00%</u>	<u>3.60% - 7.00%</u>

9. OTHER ASSETS

	2021	2020	2021	2020
	USD	USD	KHR'000	KHR'000
Interest receivable from deposits and placements with financial institutions	814,872	577,625	3,319,790	2,336,493
Interest receivable from loans and advances	1,226,477	820,053	4,996,667	3,317,114
Prepayments	97,821	99,825	398,522	403,793
Other investment	25,000	25,000	101,850	101,125
	<u>2,164,170</u>	<u>1,522,503</u>	<u>8,816,829</u>	<u>6,158,525</u>

18. NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

10. STATUTORY DEPOSITS WITH NATIONAL BANK OF CAMBODIA

	2021	2020	2021	2020
	USD	USD	KHR'000	KHR'000
Capital guarantee deposit	10,500,000	10,500,000	42,777,000	42,472,500
Reserve deposits	<u>624,910</u>	<u>634,843</u>	<u>2,545,883</u>	<u>2,567,940</u>
	<u>11,124,910</u>	<u>11,134,843</u>	<u>45,322,883</u>	<u>45,040,440</u>

Capital guarantee

Under NBC Prakas No. B7-01-136 dated 15 October 2001; banks are required to maintain a capital guarantee of 10.0% of registered capital with the NBC. This deposit is not available for use in the Bank's day-to-day operations but is refundable when the Bank voluntarily ceases to operate the business in Cambodia.

Reserve deposits

Under Prakas No. B7-020-230 dated 18 March 2020, Bank shall maintain reserve requirement against deposits and borrowings at a daily average balance equal to 7% for both local and foreign currencies with the National Bank of Cambodia. This prakas is new regulation and measure of the NBC which allow banks and other financial institutions to have stronger liquidity and to reduce impacts from the COVID 19 to the banking and finance sector and the economy as whole.

Previously, under the Prakas No. B7-018-282 Prokor dated 29 August 2018 on the Maintenance of Reserve Requirement against Commercial Banks' Deposits and Borrowings, the reserve requirement rate was at 8% in KHR and 12.5% in foreign currencies with the National Bank of Cambodia. Therefore, the Prakas No. B7-018-282 dated 29 August 2018 on the Maintenance of Reserve Requirement against Commercial Banks' Deposits and Borrowings shall be abrogated.

18. NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

11. RIGHT-OF -USE ASSETS

	Building	Total	Building	Total
	USD	USD	KHR'000	KHR'000
2021				
COST AT 1.1.2021	674,443	674,443	2,728,122	2,728,122
Additions	114,245	114,245	465,434	465,434
Derecognised	(364,536)	(364,536)	(1,485,120)	(1,485,120)
Translation difference	-	-	19,559	19,559
AT 31.12.2021	<u>424,152</u>	<u>424,152</u>	<u>1,727,995</u>	<u>1,727,995</u>
Accumulated depreciation At 1.1.2021	447,005	447,005	1,808,135	1,808,135
Additions	181,583	181,583	739,769	739,769
Derecognised	(339,830)	(339,830)	(1,384,467)	(1,384,467)
Translation difference	-	-	12,963	12,963
At 31.12.2021	288,758	288,758	1,176,400	1,176,400
Net carrying amount At 31.12.2021	<u>135,394</u>	<u>135,394</u>	<u>551,595</u>	<u>551,595</u>
2020				
Cost At 1.1.2020	446,737	446,737	1,820,456	1,820,456
Additions	227,706	227,706	921,071	921,071
Translation difference	-	-	(13,405)	(13,405)
At 31.12.2020	674,443	674,443	2,728,122	2,728,122
Accumulated depreciation At 1.1.2020	293,907	293,907	1,197,674	1,197,674
Additions	153,098	153,098	619,281	619,281
Translation difference	-	-	(8,820)	(8,820)
At 31/12/2020	447,005	447,005	1,808,135	1,808,135
Net carrying amount At 31.12.20	227,438	227,438	919,987	919,987

18. NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

12. EQUIPMENT

	Furniture and Fittings	Renovation	Computer Equipment	Motor Vehicles	Office Equipment	Total
	USD	USD	USD	USD	USD	USD
Cost At 1.1.2021	24,449	205,730	103,766	103,490	64,815	502,250
Additions	451	1,152	2,829	-	5,181	9,613
At 31.12.2021	<u>24,900</u>	<u>206,882</u>	<u>106,595</u>	<u>103,490</u>	<u>69,996</u>	<u>511,863</u>
Accumulated depreciation At 1.1.2021	19,908	122,876	94,600	52,241	43,215	332,840
Additions	1,147	20,642	4,703	12,755	6,053	45,300
At 31.12.2021	<u>21,055</u>	<u>143,518</u>	<u>99,303</u>	<u>64,996</u>	<u>49,268</u>	<u>378,140</u>
Net carrying amount At 31.12.2021	<u>3,845</u>	<u>63,364</u>	<u>7,292</u>	<u>38,494</u>	<u>20,728</u>	<u>133,723</u>
Cost At 1.1.2020	23,633	204,990	102,411	103,490	58,246	492,770
Additions	736	740	1,355	-	6,569	9,400
Disposal	80	-	-	-	-	80
At 31.12.2020	24,449	205,730	103,766	103,490	64,815	502,250
Accumulated depreciation At 1.1.2020	18,379	95,454	85,939	35,158	37,715	272,645
Additions	1,529	27,422	8,661	17,083	5,500	60,195
At 31.12.2020	19,908	122,876	94,600	52,241	43,215	332,840
Net carrying amount At 31.12.2020	4,541	82,854	9,166	51,249	21,600	169,410

18. NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

12. EQUIPMENT (CONT'D)

	Furniture and Fittings	Renovation	Computer Equipment	Motor Vehicles	Office Equipment	Total
	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000
Cost At 1.1.2021	98,896	832,178	419,733	418,617	262,177	2,031,601
Additions	1,838	4,693	11,525	-	21,107	39,163
Translation difference	709	5,966	3,010	3,001	1,880	14,566
At 31.12.2021	<u>101,443</u>	<u>842,837</u>	<u>434,268</u>	<u>421,618</u>	<u>285,164</u>	<u>2,085,330</u>
Accumulated depreciation At 1.1.2021	80,528	497,033	382,657	211,315	174,805	1,346,338
Additions	4,672	84,096	19,160	51,964	24,660	184,552
Translation difference	578	3,563	2,743	1,515	1,253	9,652
At 31.12.2021	85,778	584,692	404,560	264,794	200,718	1,540,542
Net carrying amount At 31.12.2021	<u>15,665</u>	<u>258,145</u>	<u>29,708</u>	<u>156,824</u>	<u>84,446</u>	<u>544,788</u>
Cost At 1.1.2020	96,304	835,334	417,324	421,722	237,353	2,008,037
Additions	2,977	2,993	5,481	-	26,572	38,023
Disposal	324	-	-	-	-	324
Translation difference	(709)	(6,149)	(3,072)	(3,105)	(1,748)	(14,783)
At 31.12.2020	<u>98,896</u>	<u>832,178</u>	<u>419,733</u>	<u>418,617</u>	<u>262,177</u>	<u>2,031,601</u>

18. NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

12. EQUIPMENT (CONT'D)

2020						
Accumulated depreciation At 1.1.2020	74,894	388,975	350,201	143,269	153,689	1,111,028
Additions	6,185	110,922	35,034	69,101	22,247	243,489
Translation difference	(551)	(2,864)	(2,578)	(1,055)	(1,131)	(8,179)
At 31.12.2020	<u>80,528</u>	<u>497,033</u>	<u>382,657</u>	<u>211,315</u>	<u>174,805</u>	<u>1,346,338</u>
Net carrying amount At 31.12.2020	<u>18,368</u>	<u>335,145</u>	<u>37,076</u>	<u>207,302</u>	<u>87,372</u>	<u>685,263</u>

13. INTANGIBLE ASSETS

	2021	2020	2021	2020
	USD	USD	KHR'000	KHR'000
Software				
Cost:- At 1 January	173,226	173,226	705,896	705,896
Translation difference	-	-	(173)	-
At 31 December	173,226	173,226	705,723	705,896
Accumulated amortization- At 1 January	167,457	161,689	682,560	658,883
Amortisation during the financial year	2,592	5,768	10,560	23,332
Translation difference	-	-	(340)	345
At 31 December	170,049	167,457	692,780	682,560
	<u>3,177</u>	<u>5,769</u>	<u>12,943</u>	<u>23,336</u>

18. NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

14. DEPOSITS FROM CUSTOMERS

	2021	2020	2021	2020
	USD	USD	KHR'000	KHR'000
Current accounts	33,807	1,614,161	137,730	6,529,281
Saving accounts	17,742,491	2,684,869	72,828,908	10,860,296
Fixed deposits	-	6,540,361	-	26,455,760
	<u>17,776,298</u>	<u>10,839,391</u>	<u>72,420,638</u>	<u>43,845,337</u>

The above amounts are analysed as follows:-

a) By maturity:-				
Within 1 month	17,776,298	6,299,030	72,420,638	25,479,576
1 to 3 months	-	1,540,361	-	6,230,761
Above 3 months	-	3,000,000	-	12,135,000
	<u>17,776,298</u>	<u>10,839,391</u>	<u>72,420,638</u>	<u>43,845,337</u>
b) By types of customers:-				
Business enterprises	16,985,445	3,390,574	69,198,703	13,714,872
Individuals	777,177	935,125	3,166,219	3,782,581
Financial institutions	13,676	6,513,692	55,716	26,347,884
	<u>17,776,298</u>	<u>10,839,391</u>	<u>72,420,638</u>	<u>43,845,337</u>
c) By relationship:-				
External customers	1,015,855	9,505,830	4,138,593	38,451,082
Related parties	16,760,443	1,333,561	68,282,045	5,394,255
	<u>17,776,298</u>	<u>10,839,391</u>	<u>72,420,638</u>	<u>43,845,337</u>
d) By residency status:-				
Residents	17,775,508	10,838,501	72,417,420	43,841,737
Non-residents	790	890	3,218	3,600
	<u>17,776,298</u>	<u>10,839,391</u>	<u>72,420,638</u>	<u>43,845,337</u>

18. NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

14. DEPOSITS FROM CUSTOMERS (CONT'D)

e) By currency:-				
Khmer Riels	4,471	23,460	18,215	94,896
US Dollars	17,771,827	10,815,931	72,402,423	43,750,441
	<u>17,776,298</u>	<u>10,839,391</u>	<u>72,420,638</u>	<u>43,845,337</u>
f) By interest rate(per annum):-				
Saving accounts	0.5%	0.5%	0.5%	0.5%
Fixed deposits	-	1.5% - 4%	-	1.5% - 4%

15. OTHER LIABILITIES

	2021	2020	2021	2020
	USD	USD	KHR'000	KHR'000
Accrued expenses	44,185	30,692	-	124,149
Accrued interest payable	-	107,774	435,946	435,946
Withholding tax payable	5,113	6,085	20,830	24,614
Unearned revenue	-	106,207	-	429,607
Other payable	-	<u>279,275</u>	-	<u>1,129,667</u>
	<u>49,298</u>	<u>530,033</u>	<u>200,840</u>	<u>2,143,983</u>

16. SHARE CAPITAL

	2021	2020	2021	2020
	USD	USD	KHR'000	KHR'000
Issued and Fully Paid-Up				
Shares of USD1 each:-				
105,000,000 Shares	<u>105,000,000</u>	<u>105,000,000</u>	<u>420,000,000</u>	<u>420,000,000</u>

18. NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

16. SHARE CAPITAL (CONT'D)

According to Prakas B7-016-117 issued by the NBC on 22 March 2016 on the “Minimum foreign subsidiary, whether or not their parent bank is rated with “investment grade” and/or their parent bank owns 100% share of the bank, shall have minimum registered capital of KHR300 billion (equivalent to USD75 million). The Bank is required to increase its minimum registered capital by half of the difference between their current registered capital and new minimum registered capital at the latest by end of March 2017, and in full at the latest by 22 March 2018.

On 16 August 2016, the Board of Directors approved to increase share capital from USD37,500,000 to USD75,000,000 of which half of the incremental amount of USD18,750,000 was paid by end of March 2017 and the remaining of USD18,750,000 was paid by 22 March 2018.

On 1 March 2017, the Bank requested to the NBC to increase additional share capital of USD18, 750,000 through cash injection and was approved by the NBC on 25 April 2017.

On 7 March 2018, the Bank submitted a letter to request for another USD18,750,000 capital injection in order to meet the new minimum registered capital of USD75,000,000 by 22 March 2018. This request was approved by the NBC on 23 March 2018 while the capital was injected in cash to the Bank on 21 March 2018.

On 8 September 2020, the Bank submitted a letter to the NBC to increase additional share capital of USD 30,000,000. This request was approved by the NBC on 05 November 2020 while the capital was injected cash to the Bank on 09 December 2020.

17. REGULATORY RESERVE

	2021	2020	2021	2020
	USD	USD	KHR'000	KHR'000
At 1 January	377,000	1,202,253	1,524,229	4,862,377
Transfer(to) from retained profits	802,816	(825,253)	3,270,672	(3,338,148)
At 31 December	<u>1,179,816</u>	<u>377,000</u>	<u>4,794,901</u>	<u>1,524,229</u>

Regulatory reserve of the Bank is maintained as an additional credit risk absorbent to ensure robustness on the loan impairment assessment methodology with the adoption of CIFRS 9. This reserve is not included in the calculation of the Bank’s net worth.

18. NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

18. RETAINED PROFITS

The retained profits are wholly distributable by way of dividends. With effect from 1 January 2012, the distribution of dividends to foreign shareholder is subject to withholding tax at the rate of 14%.

19. INTEREST INCOME

Interest income was made from the following sources:

	2021	2020	2021	2020
	USD	USD	KHR'000	KHR'000
Loans and advances	6,613,887	5,356,089	26,944,975	21,665,380
Deposits and placements with banks and other financial institutions	1,022,294	851,092	4,164,826	3,442,667
	<u>7,636,181</u>	<u>6,207,181</u>	<u>31,109,801</u>	<u>25,108,047</u>

20. INTEREST EXPENSES

	2021	2020	2021	2020
	USD	USD	KHR'000	KHR'000
Saving deposits	16,763	19,886	68,292	80,439
Fixed deposits	64,931	238,015	264,644	962,771
Lease liabilities	9,240	12,009	37,644	48,576
	<u>90,934</u>	<u>269,910</u>	<u>370,485</u>	<u>1,091,786</u>

18. NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

21. NON-INTEREST INCOME

	2021	2020	2021	2020
	USD	USD	KHR'000	KHR'000
Service fees and penalty charges	368,156	167,608	1,499,867	677,975
Dividend income from other investment	19,435	29,121	79,178	117,794
Others	3,628	358,223	14,780	1,449,012
	<u>391,219</u>	<u>554,954</u>	<u>1,593,825</u>	<u>2,244,781</u>

22. PERSONNEL COSTS

	2021	2020	2021	2020
	USD	USD	KHR'000	KHR'000
Salaries, allowances and bonus	348,273	328,360	1,418,864	1,328,216
Overtime	33,590	27,849	136,846	112,649
Staff incentives and other staff payments	108,479	110,880	441,943	448,510
	<u>490,342</u>	<u>467,089</u>	<u>1,997,653</u>	<u>1,889,375</u>

At the end of the financial year, the total number of employees of the Bank is 40 (2020 – 39).

23. DEPRECIATION AND AMORTISATION

	2021	2020	2021	2020
	USD	USD	KHR'000	KHR'000
Depreciation of right-of-use assets	181,583	153,098	739,769	619,281
Depreciation of equipment	45,300	60,195	184,552	243,489
Amortisation of intangible assets	2,592	5,768	10,560	23,332
	<u>229,475</u>	<u>219,061</u>	<u>934,881</u>	<u>886,102</u>

18. NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

24. ADMINISTRATION AND GENERAL EXPENSES

	2021	2020	2021	2020
	USD	USD	KHR'000	KHR'000
Legal and professional fees	40,593	137,681	165,376	556,920
Tax and license fee	144,636	139,003	589,247	562,267
Communication	54,053	54,217	220,212	219,308
Donation and gift	500	20,000	2,037	80,900
Membership and registration	22,024	22,470	89,726	90,890
Utilities	34,179	38,571	139,245	156,020
Others	(83,313)	161,976	(339,417)	655,193
	<u>212,672</u>	<u>573,918</u>	<u>866,426</u>	<u>2,321,498</u>

25. LOSS ALLOWANCE FOR ECL

	2021	2020	2021	2020
	USD	USD	KHR'000	KHR'000
Loss allowance for ECL	512,768	261,534	2,089,017	1,057,905
-Loans and advances				
-Deposits and placements with banks and other financial institutions.	<u>(153,302)</u>	=	<u>(624,552)</u>	=
	<u>359,466</u>	<u>261,534</u>	<u>1,464,465</u>	<u>1,057,905</u>

18. NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

26. INCOME TAX

a) Deferred tax

Deferred tax assets and liabilities attributable from:-

	At 1.1.2021	Recognised in Profit or Loss	At 31.12.2021
	USD	USD	USD
2021			
Equipment	(23,565)	22,104	(1,461)
Loss allowance for ECL	120,660	(203,863)	(83,203)
	<u>97,095</u>	<u>(181,759)</u>	<u>(84,664)</u>

	At 1.1.2020	Recognised in Profit or Loss	At 31.12.2020
	USD	USD	USD
2020			
Equipment	(32,000)	8,435	(23,565)
Loss allowance for ECL	(39,305)	159,965	120,660
	<u>(71,305)</u>	<u>168,400</u>	<u>97,095</u>

	At 1.1.2021	Recognised in Profit or Loss	At 31.12.2021
	KHR'000	KHR'000	KHR'000
2021			
Equipment	(96,003)	90,051	(5,952)
Loss allowance for ECL	491,569	(830,538)	(338,969)
	<u>395,566</u>	<u>(740,487)</u>	<u>(344,921)</u>

18. NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

26. INCOME TAX (CONT'D)

a) Deferred tax (cont'd)

	At 1.1.2020	Recognised in Profit or Loss	At 31.12.2020
	KHR'000	KHR'000	KHR'000
2020			
Equipment	(129,440)	34,120	(95,320)
Loss allowance for ECL	(158,989)	647,058	488,069
	<u>(288,429)</u>	<u>681,178</u>	<u>392,749</u>

Deferred tax assets and liabilities attributable from :- (Cont'd)

* - This represents deferred tax liabilities arising from the allowance for substandard, doubtful and loss of loans and advances which is deductible for computation of corporate income tax expense under the Prakas no.1535 MEF issued by the Ministry of Economy and Finance ("MEF") on 23 December 2016.

b) Income tax payable

	2021	2020	2021	2020
	USD	USD	KHR'000	KHR'000
At 1 January	1,109,776	687,927	4,489,044	2,803,303
Current income tax expense	1,142,092	1,199,789	4,652,883	4,853,147
Income tax paid during the year	(1,187,763)	(777,940)	(4,838,946)	(3,146,767)
Translation difference	-	-	32,183	(20,639)
At 31 December	<u>1,064,105</u>	<u>1,109,776</u>	<u>4,335,164</u>	<u>4,489,044</u>

18. NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

26. INCOME TAX (CONT'D)

c) Income tax expense

	2021	2020	2021	2020
	USD	USD	KHR'000	KHR'000
Current tax:				
- for the financial year	1,142,092	1,199,789	4,652,883	4,853,147
- under provision in the previous financial years	-	-	-	-
	1,142,092	1,199,789	4,652,883	4,853,147
Deferred tax liability (Note 26(a)):				
- for the current financial year	181,759	(168,400)	740,487	(681,178)
	<u>1,323,851</u>	<u>1,031,389</u>	<u>5,393,370</u>	<u>4,171,969</u>

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

A reconciliation of income tax expense applicable to the Profit before tax at the corporate tax rate to income tax expense at the effective tax of the Bank is as follows:-

18. NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

26. INCOME TAX (CONT'D)

c) Income tax expense (cont'd)

	2021	2020	2021	2020
	USD	USD	KHR'000	KHR'000
Profit before tax	<u>6,644,511</u>	<u>4,970,621</u>	<u>20,106,162</u>	<u>20,106,162</u>
Tax at the corporate tax rate of 20%	1,328,902	994,124	5,413,947	4,021,232
Non-deductible expenses	48,757	27,801	198,636	112,455
Others	<u>(53,808)</u>	<u>9,464</u>	<u>(219,213)</u>	<u>38,282</u>
	<u>1,323,851</u>	<u>1,031,389</u>	<u>5,393,370</u>	<u>4,171,969</u>

27. TAX CONTINGENCIES

The taxation system in Cambodia is relatively new and is characterized by numerous taxes and frequently changing legislation, which is often unclear and subject to interpretation. Often different interpretation exists among numerous taxation authorities and jurisdictions. Taxes are subject to review and investigation by a number of authorities who are enabled by law to impose severe fines, penalties and interest charges

These facts may create tax risks in Cambodia, substantially more compared to other countries. Management believes that tax liabilities have been adequately provided based on its interpretation of tax legislations. However, the relevant authorities may have differing interpretations and effects could be significant since the interpretation of the Bank.

18. NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

28. CASH FLOW INFORMATION

(a) The cash disbursed for the purchase of equipment is as follows:-

	2021	2020	2021	2020
	USD	USD	KHR'000	KHR'000
Cash disbursed for purchase of equipment	<u>9,613</u>	<u>9,400</u>	<u>39,163</u>	<u>38,023</u>

(b) The reconciliation of liabilities arising from financing activities is as follows:-

	2021	2020	2021	2020
	USD	USD	KHR'000	KHR'000
At 1 January	209,633	135,338	847,965	551,502
<u>Changes in Financing Cash Flows</u>				
Repayment of principal	(156,054)	(153,411)	(635,764)	(620,547)
Repayment of interests	<u>(9,240)</u>	<u>(12,009)</u>	<u>(37,644)</u>	<u>(48,576)</u>
	(165,294)	(165,420)	(673,408)	(669,123)
<u>Non-cash Changes</u>				
Interest expense	<u>114,245</u>	<u>227,706</u>	<u>465,434</u>	<u>921,071</u>
recognized in profit or loss	9,240	12,009	37,644	48,576
Derecognised	(27,892)	-	(111,568)	-
	95,593	239,715	391,510	969,647
Translation difference	-	-	4,016	(4,061)
At 31 December	<u>139,932</u>	<u>209,633</u>	<u>570,083</u>	<u>847,965</u>

18. NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

28. CASH FLOW INFORMATION (Cont'd)

(c) The total cash outflows for leases as a lessee are as follows:-

	2021	2020	2021	2020
	USD	USD	KHR'000	KHR'000
Interest paid on lease liabilities	(9,240)	(12,009)	(37,644)	(48,576)
Payment of lease liabilities	<u>(156,054)</u>	<u>(153,411)</u>	<u>(635,764)</u>	<u>(620,547)</u>
	<u>(165,294)</u>	<u>(165,420)</u>	<u>(673,408)</u>	<u>(669,123)</u>

(d) The cash and cash equivalents comprise the following:-

	2021	2020	2021	2020
	USD	USD	KHR'000	KHR'000
Cash and bank balances	61,707,065	24,421,974	251,394,583	98,786,885
Deposits and placements with National Bank of Cambodia	<u>6,185,728</u>	<u>32,786,830</u>	<u>25,200,656</u>	<u>132,622,727</u>
	<u>67,892,793</u>	<u>57,208,804</u>	<u>276,595,239</u>	<u>231,409,612</u>
Less: Deposits with tenure of more than 3 months	<u>29,100,000</u>	<u>21,200,000</u>	<u>118,553,400</u>	<u>85,754,000</u>
	<u>38,792,793</u>	<u>36,008,804</u>	<u>158,041,839</u>	<u>145,655,612</u>

29. RELATED PARTY DISCLOSURES

a) Identities of Related Parties

Parties are considered to be related to the Bank if the Bank has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Bank and the party are subject to common control.

In addition to the information detailed elsewhere in the financial statements, the Bank has related party relationships with its directors, key management personnel and entities within the same group of companies.

18. NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

29. RELATED PARTY DISCLOSURES (Cont'd)

b) Significant Related Party Transactions

Other than those disclosed elsewhere in the financial statements, the Bank carried out the following significant transactions with the related parties during the financial year:-

	2021	2020	2021	2020
	USD	USD	KHR'000	KHR'000
Related companies:- Interest on deposits received/receivable from related companies	201,839	164,527	822,292	665,512
Interest on deposits paid/payable to related companies	13,746	10,519	56,001	42,549
Overhead expenses allocated to related companies	<u>132,000</u>	<u>132,000</u>	<u>537,768</u>	<u>533,940</u>
Key management personnel compensation:- Short term employee benefits	77,268	75,221	314,790	304,269

c) Related Party Balances

	2021	2020	2021	2020
	USD	USD	KHR'000	KHR'000
Related parties who have common shareholder Loans and advances (Note 8(e)(i))				
Booyoung Khmer I Co., Ltd	260,461	262,114	1,061,118	1,060,250
Booyoung Khmer II Co., Ltd	2,012,764	2,027,194	8,200,001	8,200,000
Camintel Co., Ltd	1,861,325	1,318,863	7,583,038	5,334,801
Siemreap Booyoung CC Co. Ltd	352,234	101,360	1,435,001	410,001
	<u>4,486,784</u>	<u>3,820,831</u>	<u>18,279,158</u>	<u>15,455,261</u>

18. NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

29. RELATED PARTY DISCLOSURES (Cont'd)

c) Related Party Balances (cont'd)

	2021	2020	2021	2020
	USD	USD	KHR'000	KHR'000
Deposits from customers (Note 14(c)(ii))				
Booyoung Khmer II Co., Ltd	16,674,350	925,385	67,931,302	3,743,182
Booyoung Khmer I Co., Ltd	7,784	285,278	31,712	1,153,950
Camintel Co., Ltd	2,050	950	8,352	3,843
Cambodia Branch of Booyoung Housing Co.,Ltd	41,578	2,456	169,389	9,935
Siemreap Booyoung CC Co.,Ltd	548	63,408	2,233	256,485
Staff	34,133	56,084	139,057	226,860
	<u>16,760,443</u>	<u>1,333,561</u>	<u>68,282,045</u>	<u>5,394,255</u>

(i) The secured and unsecured loans with related parties bore interest at the rates from 3.60% to 6% (2020: 3.60%-7.25%) per annum.

(ii) Deposits from related parties in saving accounts bore interest at the rate of 0.50 % (2020: 0.50%) per annum.

30. COMMITMENTS AND CONTINGENCIES

	2021	2020	2021	2020
	USD	USD	KHR'000	KHR'000
Lending Commitments				
Undisbursed portion of loans and advances	-	-	-	-

18. NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

31. FINANCIAL INSTRUMENTS

The main risks arising from the Bank's financial instruments in the normal course of business are operational risk, credit risk, market risk and liquidity risk.

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

These risks are limited by the Bank's financial management policies and practices described below.

31.1 FINANCIAL RISK MANAGEMENT POLICIES

The Bank's policies in respect of the major areas of treasury activity are as follows:-

(a) Operational risk

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

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

The Bank's operational risk management entails the establishment of clear organisational structures, roles and control policies. Various internal control policies and measures have been implemented including the establishment of signing authorities, defining system parameters controls, streamlining procedures and documentation and compliance with regulatory and other legal requirements.

(b) Credit risk

Credit risk is the potential loss of revenue and principal losses in the form of specific provisions as a result of defaults by the borrowers or counterparties through its lending and investing activities.

18. NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

31. FINANCIAL INSTRUMENTS (CONT'D)

31.1 FINANCIAL RISK MANAGEMENT POLICIES (Cont'd)

(b) Credit risk (Cont'd)

The primary exposure to credit risk arises through its loans to customers. The amount of credit exposure in this regard is represented by the carrying amounts of the assets on the statement of financial position. The lending activities are guided by the Bank's credit policy to ensure that the overall objectives in the area of lending are achieved; i.e., that the loans portfolio is strong and healthy and credit risks are well diversified. The credit policy documents the lending policy, collateral policy and credit approval processes and procedures implemented to ensure compliance with NBC Guidelines.

The Bank holds collateral against loans to customers in the form of mortgage interests over property and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as doubtful.

(i) Credit risk measurement

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 instrument 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.

18. NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

31. FINANCIAL INSTRUMENTS (CONT'D)

31.1 FINANCIAL RISK MANAGEMENT POLICIES (Cont'd)

(b) Credit risk (Cont'd)

(i) Credit risk measurement (cont'd)

- 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 credit-impaired on initial recognition. Their expected credit loss allowance is always measured on a lifetime basis (Stage 3).

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

(1) Significant increase in credit risk (“SICR”)

The assessment of SICR shall be a multifactor and holistic analysis and based on a mixture of quantitative and/or qualitative information. To determine whether the risk of default of a loan has increased significantly since initial recognition, the current risk of default at the reporting date is compared with the risk of default at initial recognition.

(2) Definition of credit impaired

Loans and advances

The Bank classifies a loan and advance as impaired when it meets one or more of the following criteria: -

- The principal or interest or both of the loans is past due for more than 3 months for short term loans and 1 year for long term loans;
- The loan is forced impaired due to various reasons, such as bankruptcy;
- The loan is classified as “Loss” as per NBC’s requirement.

18. NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

31. FINANCIAL INSTRUMENTS (CONT'D)

31.1 FINANCIAL RISK MANAGEMENT POLICIES (Cont'd)

(b) Credit risk (Cont'd)

(i) Credit risk measurement (cont'd)

The key judgements and assumptions adopted by the Bank in addressing the requirements of the standard on the measurement of allowances are (Cont'd):-

(3) Definition of default

Loans and advances

The Bank defines a financial instrument as in default when it meets one or more of the following criteria:-

- Credit-impaired;
- Write-off/charged-off accounts.

(4) 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 12-month or Lifetime ECL reflects multiple forward-looking scenarios and is weighted based on the probability of occurrence for each scenario. The ECL can be assessed and measured either on collective or individual basis.

For collective assessment, the ECL is determined by projecting the Probability of Default (“PD”), Loss Given Default (“LGD”) and Exposure at Default (“EAD”) for each future month and for each individual exposure or collective segment. The three components are multiplied discounted back to the reporting date and summed. The discount rate together to calculate an ECL for each future month, which is then used in the ECL calculation, is the original effective interest rate or an approximation thereof.

18. NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

31. FINANCIAL INSTRUMENTS (CONT'D)

31.1 FINANCIAL RISK MANAGEMENT POLICIES (Cont'd)

(b) Credit risk (Cont'd)

(i) Credit risk measurement (cont'd)

(4) Measuring ECL – inputs, assumptions and estimation techniques (Cont'd)

For individual assessment, the ECL allowance is determined by comparing the outstanding exposure with the present value of cash flow which is expected to be received from the borrower.

Probability of Default

The PD represents the likelihood of 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 key judgments and assumptions adopted by the Bank in addressing the requirements of the standard on the measurement of allowances are (Cont'd):-

The PD is derived based on the modelling approach of which statistical analysis and expert judgement was performed to identify the risk parameters which correlate with the historical observed default. The model relies on the risk parameters and its correlation with the historical observed default to predict the 12-month PD. The Lifetime PD is developed using forecasted macro-economic variables (“MEV”) with the application of survival probabilities up to maturity of the loan facility.

Exposure at Default

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

18. NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

31. FINANCIAL INSTRUMENTS (CONT'D)

31.1 FINANCIAL RISK MANAGEMENT POLICIES (Cont'd)

(b) Credit risk (Cont'd)

(i) Credit risk measurement (cont'd)

(4) Measuring ECL – inputs, assumptions and estimation techniques (Cont'd)

Loss Given Default

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.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type.

- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.
- For unsecured products, LGD's are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGD's are influenced by collection strategies, including contracted debt sales and price.

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.

18. NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

31. FINANCIAL INSTRUMENTS (CONT'D)

31.1 FINANCIAL RISK MANAGEMENT POLICIES (Cont'd)

(b) Credit risk (Cont'd)

(i) Credit risk measurement (cont'd)

(5) 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 and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. The relationship of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of PD and LGD. These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgment has also been applied in this process.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to some degree of inherent uncertainty and therefore the actual outcomes may be 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.

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

For expected credit loss provisions modeled 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 modeling purposes.

The appropriateness of groupings is monitored and reviewed on a periodic basis.

18. NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

31. FINANCIAL INSTRUMENTS (CONT'D)

31.1 FINANCIAL RISK MANAGEMENT POLICIES (Cont'd)

(b) Credit risk (Cont'd)

(ii) 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 concentration of credit risk whenever they are 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 collateral for loans to customers, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types secured for loans to customers are:-

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

(iii) Impairment and provisioning policies

The Bank is required to follow the mandatory credit classification and provisioning in accordance with Prakas B7-017-344 and B7-018-001 dated 1 December 2017 and 16 February 2018 respectively on loan classification and provisioning. The impairment policy is set out in Note 5.8(a).

At each reporting date, the Bank assesses whether any of financial assets at amortised cost are credit impaired.

Loans and advances

The Bank applies the 3-stage general approach to measuring expected credit losses for loans and advances.

The calculation of expected loss rates are based on the estimation techniques mentioned in Note 34.1(b)(i).

18. NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

31. FINANCIAL INSTRUMENTS (CONT'D)

31.1 FINANCIAL RISK MANAGEMENT POLICIES (Cont'd)

(b) Credit risk (Cont'd)

(iii) Impairment and provisioning policies (cont'd)

Generally, the Bank considers loans and advances to related parties have low credit risks. The Bank assumes that there is a significant increase in credit risk when a related parties' financial position deteriorates significantly. As the Bank is able to determine the timing of payments of the related parties' loans and advances when they are payable, the Bank considers the loans and advances to be in default when the subsidiaries are not able to pay when demanded. The Bank considers a related party's loan or advance to be credit impaired when the subsidiary is unlikely to repay its loan or advance in full or the subsidiary is continuously loss making or the subsidiary is having a deficit in its total equity.

The Bank determines the probability of default for these loans and advances individually using internal and external information available.

18. NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

31. FINANCIAL INSTRUMENTS (CONT'D)

31.1 FINANCIAL RISK MANAGEMENT POLICIES (Cont'd)

(c) Credit risk (Cont'd)

(d) (iii) Impairment and provisioning policies (cont'd)

Loans and advances (cont'd)

The information about the exposure to credit risk and the loss allowances calculated under CIFRS 9 for loans and advances are summarized below:-

← Loss Allowance for ECL →					
	Gross Amount	12-month ECL (Stage 1)	Lifetime ECL - not credit impaired (Stage 2)	Lifetime ECL - credit impaired (Stage 3)	Carrying amount
	USD	USD	USD	USD	USD
2021					
1 – 30 days past due	53,706,035	(79,606)	-	-	53,626,429
30 – 90 days past due	3,638,450	-	(70,224)	-	3,568,226
more than 90 days	8,449,900	-	-	(1,350,201)	7,099,699
	<u>65,794,385</u>	<u>(79,606)</u>	<u>(70,224)</u>	<u>(1,350,201)</u>	<u>64,294,354</u>
2020					
1 – 30 days past due	57,973,124	(85,865)	-	-	57,887,259
30 – 90 days past due	1,537,100	-	(14,856)	-	1,522,244
more than 90 days	5,277,670	-	-	(886,542)	4,391,128
	<u>64,787,894</u>	<u>(85,865)</u>	<u>(14,856)</u>	<u>(886,542)</u>	<u>63,800,631</u>

18. NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

31. FINANCIAL INSTRUMENTS (CONT'D)

31.1 FINANCIAL RISK MANAGEMENT POLICIES (Cont'd)

(b) Credit risk (Cont'd)

(iii) Impairment and provisioning policies (cont'd)

Loans and advances (cont'd)

The information about the exposure to credit risk and the loss allowances calculated under CIFRS 9 for loans and advances are summarized below:-

← Loss Allowance for ECL →					
	Gross Amount	12-month ECL (Stage 1)	Lifetime ECL - not credit impaired (Stage 2)	Lifetime ECL - credit impaired (Stage 3)	Carrying amount
	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000
2021					
1 – 30 days past due	218,798,386	(324,314)	-	-	218,474,072
30 – 90 days past due	14,823,045	-	(286,093)	-	14,536,952
more than 90 days	34,424,893	-	-	(5,500,719)	28,924,174
	<u>268,046,324</u>	<u>(324,314)</u>	<u>(286,093)</u>	<u>(5,500,719)</u>	<u>261,935,198</u>
2020					
1 – 30 days past due	234,501,287	(347,324)	-	-	234,153,963
30 – 90 days past due	6,217,570	-	(60,093)	-	6,157,477
more than 90 days	21,348,175	-	-	(3,586,062)	17,762,113
	<u>262,067,032</u>	<u>(347,324)</u>	<u>(60,093)</u>	<u>(3,586,062)</u>	<u>258,073,553</u>

18. NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

31. FINANCIAL INSTRUMENTS (CONT'D)

31.1 FINANCIAL RISK MANAGEMENT POLICIES (Cont'd)

(b) Credit risk (Cont'd)

(iii) Impairment and provisioning policies (cont'd)

Loans and advances (cont'd)

The movement is the loss allowance for ECL in respect of loans and advances are disclosed in Note 8.

Other receivables

Other receivables are also subject to the impairment requirements of CIFRS9, the identified impairment loss was immaterial and hence, it is not provided for.

Cash and Bank Balances

The movement is the loss allowance for ECL in respect of cash and bank balances are disclosed in Note 6.

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

The credit exposure arising from on and off balance sheet activities are as follows:-

18. NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

31. FINANCIAL INSTRUMENTS (CONT'D)

31.1 FINANCIAL RISK MANAGEMENT POLICIES (Cont'd)

(b) Credit risk (Cont'd)

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

The credit exposure arising from on and off-balance sheet activities are as follows:-

	2021	2020	2021	2020
	USD	USD	KHR'000	KHR'000
Credit risks exposures relating to on-balance sheet assets:-				
Bank balances – gross	60,737,078	23,692,708	247,442,856	95,837,004
Deposits and placements with National Bank of Cambodia – gross	6,185,728	32,786,830	25,200,656	132,622,727
Loans and advances – gross	65,794,385	64,787,894	268,045,324	262,067,031
Other assets	2,066,349	1,422,678	8,418,307	5,754,733
	<u>134,783,540</u>	<u>122,690,110</u>	<u>549,108,143</u>	<u>496,281,495</u>
Credit risks exposure relating to off-balance sheet items:-				
Unused portion of credit facilities	-	-	-	-
Total maximum credit risk exposure	<u>134,783,540</u>	<u>122,690,110</u>	<u>549,108,143</u>	<u>496,281,495</u>

18. NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

31. FINANCIAL INSTRUMENTS (CONT'D)

31.1 FINANCIAL RISK MANAGEMENT POLICIES (Cont'd)

(b) Credit risk (Cont'd)

(v) Exposure to credit risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position of the Bank after deducting any allowance for impairment losses (where applicable).

Loans with renegotiated terms/restructured loans

Loans with renegotiated terms are loans that have been rescheduled or refinanced in accordance with an agreement setting forth a new repayment schedule on a periodic basis occasioned by weaknesses in the borrower's financial condition and/or inability to repay the loan as originally agreed. Loans to be restructured are analyzed on the basis of the business prospects and repayment capacity of the borrower according to new cash flow projections supported by updated business perspectives and overall market conditions being based on realistic and prudent assumptions.

Once the loan is restructured it remains in the same category independent of satisfactory performance after restructuring. The classification is not improved unless there are no arrears in repayment of principal and interest within 3 installment periods and within a period of not less than 3 months.

Write-off policy

In compliance with NBC Guidelines, the Bank shall remove a loan/advance or a portion of a loan from its balance sheet when the Bank loses control of the contractual rights over the loan or when all or part of a loan is deemed uncollectible; or there is no realistic prospect of recovery.

Collateral

The Bank holds collateral against loans and advances in the form of mortgage interests over property and/or guarantees. Estimates of fair value are based on the value of collateral assessed on an annual basis. There were no non-financial assets obtained by the Bank during the year by taking possession of collateral held as security against loans and advances.

18. NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

31. FINANCIAL INSTRUMENTS (CONT'D)

31.1 FINANCIAL RISK MANAGEMENT POLICIES (Cont'd)

(b) Credit risk (Cont'd)

(v) Exposure to credit risk (Cont'd)

Loans with renegotiated terms/restructured loans (Cont'd)

The repossessed properties have to be sold within one year as the required by the NBC Guidelines and are classified in the statement of financial position as foreclosed property.

Concentration of credit risk

The analysis of concentrations of credit risk from loans and advances at the end of the reporting period is shown in Note 8 to the financial statements.

(c) Market Risk

Market risk is the risk of loss arising from adverse movement in the level of market prices or rates, the two key components being foreign currency exchange risk and interest rate risk. Market risk arising from the trading activities is controlled by marking to market the trading positions against their predetermined market risk limits.

(i) Foreign currency risk

Foreign currency exchange risk refers to the adverse exchange rate movements on foreign currency exchange positions taken from time to time. The Bank maintains a policy of not exposing itself to large foreign exchange positions. Any foreign currency exchange open positions are monitored against the operating requirements, predetermined position limits and cut loss limits.

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

The Bank's exposure to foreign currency exchange rate risk at the end of the reporting period is disclosed in the respective notes to the financial statements.

18. NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

31. FINANCIAL INSTRUMENTS (CONT'D)

31.1 FINANCIAL RISK MANAGEMENT POLICIES (Cont'd)

(c) Market Risk (Cont'd)

(i) Foreign currency risk (Cont'd)

Any reasonably possible change in the foreign currency exchange rates at the end of the reporting period against the functional currencies of the Bank does not have a material impact on the profit/loss after taxation and other comprehensive income of the Bank and hence, no sensitivity analysis is presented.

(ii) Interest rate risk

Interest rate risk refers to the volatility in net interest income as a result of changes in the levels of interest rate and shifts in the composition of the assets and liabilities. Interest rate risk is managed through close monitoring of returns on investment, market pricing, cost of funds and through interest rate sensitivity gap analysis. The potential reduction in net interest income from an unfavorable interest rate movement is monitored against the risk tolerance limits set.

The Bank's exposure to interest rate risk based on the carrying amounts of the financial instruments at the end of the reporting period is disclosed in respective notes to the financial statements.

Fair value sensitivity analysis for fixed rate instruments

The Bank does not account for any fixed rate liabilities at fair value through profit or loss, and the Bank does not have derivatives as at the year end. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Sensitivity analysis for floating rate instruments

The Bank does not have significant floating rate instruments. Any reasonably possible change in the interest rates of floating rate instruments at the end of the reporting period does not have a material impact on the profit after tax and other comprehensive income of the Bank and hence, no sensitivity analysis is presented.

18. NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

31. FINANCIAL INSTRUMENTS (CONT'D)

31.1 FINANCIAL RISK MANAGEMENT POLICIES (Cont'd)

(c) Market Risk (Cont'd)

(iii) Equity price risk

The Bank does not have any quoted investments and hence is not exposed to equity price risk.

(d) Liquidity Risk

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

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

Maturity Analysis

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

18. NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

31. FINANCIAL INSTRUMENTS (CONT'D)

31.1 FINANCIAL RISK MANAGEMENT POLICIES (Cont'd)

(d) Liquidity Risk (Cont'd)

Maturity Analysis (cont'd)

	Weighted Average Effective interest Rate %	Carrying Amount USD	Contractual undiscounted cash flow USD	Within 1 Year USD	1 - 5 Years USD	Over 5 Years USD
2021						
<u>Non- derivative Financial Liabilities</u>	1.5%-4%	17,776,298	17,776,298	17,776,298	-	-
Deposits from customers						
Other liabilities	n/a	49,298	49,298	49,298	-	-
Lease liabilities	5.1%	139,932	153,114	60,294	92,820	-
		<u>17,965,528</u>	<u>17,978,710</u>	<u>17,885,890</u>	<u>92,820</u>	<u>=</u>
2020						
<u>Non- derivative Financial Liabilities</u>	1.5%-4%	10,839,391	10,839,391	10,839,391	-	-
Deposits from customers						
Other liabilities	n/a	530,033	530,033	530,033	-	-
Lease liabilities	5.1%	209,633	217,190	166,620	50,570	-
		<u>11,579,057</u>	<u>11,586,614</u>	<u>11,536,044</u>	<u>50,570</u>	<u>=</u>

18. NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

31. FINANCIAL INSTRUMENTS (CONT'D)

31.1 FINANCIAL RISK MANAGEMENT POLICIES (Cont'd)

(d) Liquidity Risk (Cont'd)

Maturity Analysis (Cont'd)

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period) (Cont'd):-

	Weighted Average Effective interest Rate %	Carrying Amount KHR'000	Contractual undiscounted cash flow KHR'000	Within 1 Year KHR'000	1 - 5 Years KHR'000	Over 5 Years KHR'000
2021						
<u>Non-derivative Financial Liabilities</u>						
Deposits from customers	1.5%-4%	72,420,638	72,420,638	72,420,638	-	-
Other liabilities	n/a	200,840	200,840	200,840	-	-
Lease liabilities	5.1%	570,083	623,786	245,638	378,149	-
		<u>73,191,561</u>	<u>73,245,264</u>	<u>72,867,116</u>	<u>378,149</u>	=
2020						
<u>Non-derivative Financial Liabilities</u>						
Deposits from customers	1.5%-4%	43,845,337	43,845,337	43,845,337	-	-
Other liabilities	n/a	2,143,983	2,143,983	2,143,983	-	-
Lease liabilities	5.1%	847,965	878,534	673,978	204,556	-
		<u>46,837,285</u>	<u>46,867,854</u>	<u>46,663,298</u>	<u>204,556</u>	=

18. NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

31. FINANCIAL INSTRUMENTS (CONT'D)

31.2 CAPITAL RISK MANAGEMENT

(a) Regulatory Capital

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

- To comply with the capital requirements set by the NBC;
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of the business.

The NBC requires all the Banks to (i) fulfill the minimum capital requirements, and (ii) comply with solvency, liquidity and other requirements.

(b) Capital allocation

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

There was no change in the Bank's approach to capital management during the financial year.

18. NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

31. FINANCIAL INSTRUMENTS (CONT'D)

31.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	2021	2020	2021	2020
	USD	USD	KHR'000	KHR'000
Financial assets				
<u>Amortised Cost</u>				
Cash and bank balances	61,646,328	24,207,935	251,147,140	97,921,097
Deposits and placements with National Bank of Cambodia	6,185,728	32,786,830	25,200,656	132,622,727
Loans and advances	64,080,815	63,576,298	261,065,240	257,166,125
Other assets	2,041,349	1,397,678	8,316,457	5,653,608
Statutory deposits with NBC	11,124,910	11,134,843	45,322,883	45,040,440
	<u>145,079,130</u>	<u>133,103,584</u>	<u>591,052,376</u>	<u>538,403,997</u>
Financial Liabilities				
<u>Amortised Cost</u>				
Deposits from customers	17,776,298	10,839,391	72,420,638	43,845,337
Other Liabilities	44,185	417,741	180,010	1,689,762
Lease liabilities	139,932	209,633	570,083	847,965
	<u>17,960,415</u>	<u>11,466,765</u>	<u>73,170,731</u>	<u>46,383,064</u>

18. NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

31. FINANCIAL INSTRUMENTS (CONT'D)

31.4 GAINS OR LOSSES ARISING FROM FINANCIAL INSTRUMENTS

	2021	2020	2021	2020
	USD	USD	KHR'000	KHR'000
Financial assets				
<u>Amortised Cost</u>				
Net gain recognised in profit or loss	<u>7,276,715</u>	<u>5,945,647</u>	<u>29,645,336</u>	<u>24,050,142</u>
Financial liabilities				
<u>Amortised Cost</u>				
Net losses recognised in profit or loss	<u>(81,694)</u>	<u>(257,901)</u>	<u>(332,821)</u>	<u>(1,043,210)</u>

31.5 FAIR VALUE INFORMATION

The fair values of the financial assets and financial liabilities of the Bank which are maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments or repayable on demand terms.

As the Bank does not have any financial instruments carried at fair value, the following table sets out only the fair value profile of financial instruments that are not carried at fair value at the end of the reporting period:-

18. NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

31. FINANCIAL INSTRUMENTS (CONT'D)

31.5 FAIR VALUE INFORMATION (Cont'd)

Fair Value of Financial Instruments not Carried at Fair Value					
	Level 1	Level 2	Level 3	Total Fair Value	Carrying Amount
	USD	USD	USD	USD	USD
2021					
Financial Assets					
Financial investments at amortised cost	-	25,000	-	25,000	25,000
Cash and bank balance	-	61,646,328	-	61,646,328	61,646,328
Deposits and placements with NBC	-	6,185,728	-	6,185,728	6,185,728
Loans and advances	-	-	64,294,354	64,294,354	64,294,354
	-	67,857,056	64,294,354	132,151,410	132,151,410
Financial Liabilities					
Deposits from customers	=	<u>17,776,298</u>	=	<u>17,776,298</u>	<u>17,776,298</u>
2020					
Financial Assets					
Financial investments at amortised cost	-	25,000	-	25,000	25,000
Cash and bank balance	-	24,207,935	-	24,207,935	24,207,935
Deposits and placements with NBC	-	32,786,830	-	32,786,830	32,786,830
Loans and advances	-	-	63,800,631	63,800,631	63,800,631
	=	<u>57,019,765</u>	<u>63,800,631</u>	<u>120,820,396</u>	<u>120,820,396</u>
Financial Liabilities					
Deposits from customers	=	<u>10,839,391</u>	=	<u>10,839,391</u>	<u>10,839,391</u>

18. NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

31. FINANCIAL INSTRUMENTS (CONT'D)

31.5 FAIR VALUE INFORMATION (Cont'd)

As the Bank does not have any financial instruments carried at fair value, the following table sets out only the fair value profile of financial instruments that are not carried at fair value at the end of the reporting period (Cont'd):-

Fair Value of Financial Instruments not Carried at Fair Value					
	Level 1	Level 2	Level 3	Total Fair Value	Carrying Amount
	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000
2021					
Financial Assets					
Financial investments at amortised cost	-	101,850	-	101,850	101,850
Cash and bank balance	-	251,147,140	-	251,147,140	251,147,140
Deposits and placements with NBC	-	25,200,656	-	25,200,656	25,200,656
Loans and advances	-	-	261,935,198	261,935,198	261,935,198
	-	276,449,646	261,935,198	538,384,844	538,384,844
Financial Liabilities					
Deposits from customers	-	72,420,638	-	72,420,638	72,420,638

18. NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

31. FINANCIAL INSTRUMENTS (CONT'D)

31.5 FAIR VALUE INFORMATION (Cont'd)

Fair Value of Financial Instruments not Carried at Fair Value					
	Level 1	Level 2	Level 3	Total Fair Value	Carrying Amount
	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000
2020					
Financial Assets					
Financial investments at amortised cost	-	101,125	-	101,125	101,125
Cash and bank balance	-	97,921,097	-	97,921,097	97,921,097
Deposits and placements with NBC	-	132,622,727	-	132,622,727	132,622,727
Loans and advances	-	-	258,073,553	258,073,553	258,073,553
	=	<u>230,644,949</u>	<u>258,073,553</u>	<u>488,718,502</u>	<u>488,718,502</u>
Financial Liabilities					
Deposits from customers	-	43,845,337	-	43,845,337	43,845,337

