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SME BANK

SMALL AND MEDIUM ENTERPRISE BANK OF CAMBODIA

ANNUAL REPORT 2021


Congratulations!
SME Bank of Cambodia Awarded
“SME BANK OF THE YEAR – CAMBODIA”
From Asian Banking & Finance
ASIAN BANKING & FINANCE
RETAIL BANKING
AWARDS 2021
SME Bank of the Year - Cambodia
SME Bank of Cambodia PLC.

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SME Bank of Cambodia

Small and Medium Enterprises (SMEs) are the vital driver for economic growth in developing countries like Cambodia. However, some SMEs are facing some challenges accessing affordable financial services due to collateral requirements and higher interest rates. To better support this segment, the Royal Government of Cambodia has established the SME Bank of Cambodia.

SME Bank of Cambodia was officially licensed as a commercial bank by the National Bank of Cambodia (NBC) on the 27th February 2020. With the technical and financial guidance of the Ministry of Economy and Finance (MEF), the bank's strategic intent and direction are coherent with the policies set by The Royal Government of Cambodia, assuring reliable and sustainable banking to all small and medium enterprises.

SME Bank of Cambodia has been established in the Cambodian market for almost 2 years and was recognized as the policy bank which provides affordable financial services to SMEs in Cambodia by focusing on the priority sectors including food processing, manufacturing of consumer goods and spare parts, research and development in information and technology, manufacturing of medical equipment and medicines, and other business supporting priority sectors.

Currently, SME Bank of Cambodia is focusing on implementing co-financing schemes with participating financial institutions (PFIs) and direct credit schemes. As of December 2021, SME Bank of Cambodia has launched 4 direct financing schemes including Cambodia SME Scheme (CSS), Cambodia Digital and Automation Scheme (CDAS), Cambodia Women Entrepreneurs Scheme (CWES), and Cambodia Recovery Support Scheme (CRSS). Alongside the Royal Government of Cambodia's policy to develop economic growth through the Ministry of Economy and Finance, SME Bank of Cambodia has launched Co-Financing Schemes 1 and 2 by cooperating with PFIs. As end of 2021, both financing schemes have provided 1,701 SMEs in the amount of 218 million US Dollars.

As of January 2021, SME Bank of Cambodia has been awarded "SME Bank of the Year - Cambodia" by Asian Banking and Finance.

VISION

To be the Best and Preferred SME Bank in Cambodia, providing affordable financing, easy accessibility, technical support and excellent customer experience.

MISSION

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

Introducing Our New Head Office Building

In June 2022, SME Bank of Cambodia will move its Head Office to the newly built "MEF Business Development Center" on OCIC Street, Khan Chraoy Chongva, Phnom Penh, Cambodia.

Our new head office will be located on the 20th floor and the ground floor for the Main Branch, which was designed in December 2020 with a total spacing area of 1,631 sqm. It will be equipped with modern office equipment, security, fire suppression, and good telecommunications systems with the latest technology.

Core Values

"IPACE" Principle

- **Integrity:** We will ingrain integrity in our DNA to ensure a high level of trust and reputation in our business.
- **People:** We consider all employees as our core asset and will respect, value and actively engage them in all our business dealings.
- **Accountability:** We will be professional by being accountable to all our stake-holders and responsible in discharging our duties.
- **Customer:** As customers are the main purpose for our existence, we will provide excellent and consistent customer experience.
- **Efficiency:** We strive for operational excellence to ensure profitability, growth and sustainability for all our stakeholders.

Milestones

In 2020

Received **license** as a commercial bank on 27th February 2020

Launched SME Co-Financing **Scheme 1 with a total fund of 100 million US dollars** by cooperating with 33 financial institutions and completed on 27th October 2020

Launched **direct credit schemes** including Cambodia SME Scheme (CSS), Cambodia Digital and Automation Scheme (CDAS), Cambodia Women Entrepreneurs Scheme (CWES), and Cambodia Recovery Support Scheme (CRSS).

Achieved **100 million US dollars'** worth of **total assets**

In 2021

Awarded as **"SME Bank of the Year - Cambodia" from Asian Banking & Finance**

Memorandum of Understanding
Promoting accessible and affordable financing for SMEs through developing partnership with FASMEC, KE, BanhJi, ect.

Launched SME Co-Financing **Scheme 2 with a total fund of 240 million US dollars** by cooperating with 28 financial institutions and providing financing to 981 enterprises.

Achieved **149 million US dollars'** worth of **total asset**

Chairman's Statement

"The economic recovery after the global Covid-19 pandemic has been demonstrated through the "Strategic framework and programs for economic recovery and to promote Cambodia's economic growth in living with Covid-19 in the new normal for 2021-2023."

For the past two years, every country, including Cambodia, has faced the unfortunate events of the global Covid-19 pandemic that saw an unprecedented public health crisis and socio-economic conditions. Evidently, in 2020 Cambodia's economy dropped by -3.1% resulting from the plunge in economic activity that spanned all important sectors primarily tourism, service, construction, real-estate, and small and medium enterprises.

Nevertheless, the Cambodian economy will be set to regain its strength to around 3% of growth from the opening of all socio-economic activities in the fourth trimester of 2021.

This outcome is the by-product of the effective measures implemented by the Royal Government of Cambodia under the supervision and direction of **Samdech Akka Moha Sena Padei Techo Hun Sen, Prime Minister of the Kingdom of Cambodia** in implementing the health and administrative policies; providing vaccinations to fight against Covid-19 and increase herd immunity leading to a remarkable drop in the fatality level; incentive tax on profit to lighten the burden for private enterprises that suffered the most due to Covid-19, provide funds for workers who lost their employment and people in poverty; and other programs as well.

The economic recovery after the global Covid-19 pandemic was demonstrated from the **"Strategic framework and programs for economic recovery and to promote Cambodia's economic growth in living with Covid-19 in the new normal for 2021-2023"** to restore Cambodia's economic growth in the short and medium term to return to potential growth and strengthen resilience for developing socio-economic with sustainable and effect that is both sustainable and environmentally friendly in the long term. To accomplish the goal of the strategy and the programs that are in place to recover the economy, the Royal Government has implemented physical demonstrations including the financial policy to sustain SMEs that are in urgent need of financial solutions and to expand its operations through Small and Medium Enterprise Bank of Cambodia Plc. (SME Bank of Cambodia).

Under the direction of the Royal Government during the global pandemic Covid-19, SME Bank of Cambodia, acting as commanding officer on behalf of the Ministry of Economy and Finance, has implemented first phase of SME Co-Financing Scheme (SCFS I) with the cooperation from participating financial institutions under the projected capital of 100 million US dollars.

Moreover, the first step of the financing scheme has been continually praised for its role in assisting SMEs in need of financial solutions and support has been pouring from numerous participating financial institutions. Thus, SME Bank of Cambodia implemented the SCFS II scheme on 16th Aug 2021.

Finally, the Board of Directors of SME Bank of Cambodia would like to express our sincerest gratitude towards all government officials working tirelessly in their commitment to making SME Bank of Cambodia grow and prosper further. Furthermore, we would also like to express our most earnest gratefulness towards our customers. Trusting in SME Bank even during the global pandemic Covid-19 and continually instilling trust in our services is the foundation that motivates us to move forward to the future. We will unceasingly be the support that helps to sustain SMEs.

Dr. PHAN Phalla
Chairman of Board of Directors

CEO's Statement

"Providing affordable financial services with favorable terms and expanding more distribution channels close to potential customers, as well as professional service from the staff is our bank's strategic directions."

SME Bank of Cambodia is a commercial and policy bank that is initiated by the Royal Government of Cambodia with the technical and financial guardians of Ministry of Economy and Finance (MEF); and under the supervision of the National Bank of Cambodia (NBC).

Even if SME Bank is a new financial institution in the situation of the global Covid-19 pandemic, as well as Cambodia is seriously affected by the Covid-19 pandemic, we are committed to providing affordable financing to all Small and Medium Enterprises (SMEs) where appropriate and responsive with the policy of the Royal Government of Cambodia.

SME Bank of Cambodia has been in the Cambodian market for almost 2 years and was recognized as the only state-owned and policy bank which provides affordable financing services to SMEs.

Moreover, the Royal Government of Cambodia considered SMEs the backbone of the Cambodian economy, playing a significant role in the growth of national products and creating job opportunities. Through recognizing the struggles faced by Cambodian SMEs in receiving financial aid appropriately with low interest rates from financial institutions to maintain and expand their business, the government decided to implement financial assistance via SME Bank of Cambodia.

SME Bank of Cambodia has launched 4 direct financing schemes: 1. Cambodia SME Scheme (CSS), 2. Cambodia Digital and Automation Scheme (CDAS), 3. Cambodia Women Entrepreneurs Scheme (CWES), and 4. Cambodia Recovery Support Scheme (CRSS).

The above financing scheme focuses on priority sectors including food manufacturing and processing, manufacturing of consumer goods and spare parts, research and development in IT, and manufacturing medical equipment and medicines.

In 2021, SME Bank of Cambodia had achieved 150 million US dollars of total assets which increased 50 million US dollars from 2020. SME Co-financing Phase 1 has been a successful completed in October 2020 in the amount of 100 million US dollars. SME Co-financing Scheme Phase 2 is currently being implemented, starting from 100 million US dollars and growing to 240 million US dollars. As of the end of 2021, SME Bank has provided financial support to SME owners totaling 1,700 enterprises and amounts to 111 million US dollars.

Moreover, to fulfill our customers' needs, SME Bank of Cambodia has been developing our products and services digitalization and finding solutions to provide efficiency to our customers in receiving our services faster, safer and more effectively. In addition, SME Bank of Cambodiahas entered to partnership with SME clusters or associations to extend our products/services to small and medium enterprises during the financial crisis due to the spread of the Covid-19 pandemic.

I would like to express my sincere respect and deep gratitude to the Royal Government of Cambodia and the Ministry of Economy and Finance and the National Bank of Cambodia, which has always supported SME Bank of Cambodia.

On behalf of SME Bank of Cambodia management and colleagues, I would like to express my most profound appreciation towards the board of directors that have provided us with their best advisory opinions and my gratitude for our SME Bank of Cambodia employees that have diligently fulfilled their duties tirelessly. Especially, customers and business partners always trust and collaborate with SME Bank of Cambodia on every matter.

Dr. LIM Aun
Chief Executive Officer

Board of Directors

H.E Dr. PHAN Phalla

Secretary of State of Ministry of Economy and Finance
(Chairman of Board of Directors)

H.E Dr. PHAN Phalla has joined the Ministry of Economy and Finance and the Supreme National Economic Council since 2004. He has participated in the development of the Financial Management Information System (FMIS), strengthening the Public Financial Management Program (PFMRP), preparation of National and Sectoral Strategies, Revenue Collection Strategy, Macro-economic management and analysis, and strategic framework and programs for economic recovery and promoting Cambodia's economic growth in living with COVID-19 in the new normal for 2021-2023, etc. Currently, He is a member of the Supreme National Economic Council, a member of Sihanoukville Autonomous Port, director of the General Department of Economics and Finance Policy, Secretary of State of the Ministry of Economy and Finance, and Chairman of the Board of Directors of SME Bank of Cambodia. He holds a Doctoral Degree in Economics from Australia.

H.E TEP Phiyorin

Member of Board of Directors

H.E TEP Phiyorin is an Under Secretary of State, Ministry of Economy and Finance. Prior to this, he was a Director General, Economic and Public Finance Policy Department. He was an Adviser to Executive Director, The World Bank Constituency Office, The World Bank Group, Washington, D.C., USA. He joined the Ministry of Economic and Finance in 1999 as a Budget Officer. He was in charge of various roles within the ministry including Head of Macroeconomics Office, Deputy Director, and Director, Economic and Public Finance Policy Department. He holds a master's degree in Public Economic Management and Finance from the University of Birmingham, UK, and a master's degree in Economics from the Kharkov State University of Economics, Ukraine. Currently, he is monitoring macro-economic development, policy, and analysis of development issues. He is also responsible for managing the macro-economic framework, fiscality in medium term, and advising on the economic, financial, and public administration sectors.

Mrs. CHHORN Dalis

Member of Board of Directors

Mrs. CHHORN Dalis was appointed as a Member of the Board of Directors of SME Bank of Cambodia in 2020. She has over 20 years of working experience in Accounting, Small and Medium Enterprises in various sectors including Agri-industry and Clean Water Supplied.

She holds a master's degree in Business Administration from Asian Institute of Technology, Thailand and a master's degree in International Finance from Ceram Sophia Antipolis, France in 2002.

H.E CHAN Sokty

Member of Board of Directors

H.E CHAN Sokty is a Royal Delegation in charge of CEO and Board Director of Green Trade State Owned Enterprise, Ministry of Commerce. He was a Director of the General Department of Domestic Trade and Manager of Agricultural Market Information System (AMIS).

He joined the Ministry of Commerce in 1997 as Laboratory Officer at Camcontrol Directorate-General. He was in charge of various roles in the ministry including Deputy Director of Chong Ty Dry Port, Deputy Director of General Department and Deputy CEO of General Department of Domestic Trade. He holds a bachelor's degree in Food Chemistry Engineering from Institute of Technology of Cambodia and a master's degree in Agriculture from The University of Tokyo, Japan.

Currently, he manages the Royal Government's food strategy, domestic and international agriculture trade, and product price inflation prevention.

H.E SON Senghuot

Member of Board of Directors

H.E SON Senghuot is an Under Secretary of State of Ministry of Industry, Science, Technology, and Innovation. Since 2013, he was a Director of Ministry of Mines and Energy Cambodia. From 2013 to 2014, he was appointed as a Deputy Director of General Department of Small Medium Enterprise and Handicraft. From 2014 to present, he has been an Under Secretary of State of Ministry of Industry, Science, Technology, and Innovation in charge of General Department of Small Medium Enterprise and Handicraft, General Department of Industry Affairs. He holds a bachelor's degree in Small and Medium Enterprises Administration from Vietnam and One Village, One Product Administration from Japan. He has attended SMEs Administration training in Singapore and South Korea. He also holds a master's degree in Public Administration from Asia Euro University.

Dr. LIM Aun

Member of Board of Directors

Mr. NEAV Sokun

Member of Board of Directors

Executive Management

Mr. DEN Davuth	Dr. LIM Aun	Mr. NEAV Sokun	Mr. OEUR Vibol
Chief Technology Officer	Chief Executive Officer	Chief Operating Officer	Chief Risk Officer

EXECUTIVE MANAGEMENT

Dr. LIM Aun

Chief Executive Officer / Member of Board of Directors

Dr. Lim Aun has over 24 years of professional experience with leading financial institutions and International Audit firms. Prior to joining SME Bank of Cambodia, from 1997 to 2021, he served as Senior Auditor at KPMG in Cambodia and Malaysia, Deputy General Manager at Vattanac Bank, and lastly as Chief Executive Officer at SATHAPANA Bank.

The Royal Government of Cambodia appointed him as Chief Executive Officer and Board Member of SME Bank of Cambodia in early 2021.

Dr. Lim Aun holds a bachelor's degree in Accounting from the National University of Management and a doctoral's degree in Management from European International University, France.

Mr. NEAV Sokun

Chief Operating Officer

Mr. Neav Sokun has over 17 years of professional experience in banking and finance sector. He joined the financial industry in 2003. Prior to this, he was a Head of Branch Management, Head of Credit, and Branch Manager with many leading banks in Cambodia. In August 2021, he was appointed as Chief Operating Officer of SME Bank of Cambodia, managing the operation of Business Department, Operation and Admin Department, Marketing Department, and Branches.

He holds a master's degree in Business Administration from Norton University and a bachelor's degree in Education Specializes in Teaching English as Foreign Language from Build Bright University. He has been certified in many executives and management training courses from Italy, Turkey, India, Vietnam, and others.

Mr. DEN Davuth

Chief Technology Officer

Mr. Den Davuth started his career in 2005 with a local bank in Information Technology. He joined SME Bank of Cambodia in July 2021 with key responsibilities to execute Bank's IT strategy, business process re-engineering initiatives, and strengthen IT governance and control.

In 2010 he was part of the pioneer group to set a bank, of the biggest regional banks in Cambodia, where he headed the Information Technology & Operations departments. From 2018-2019, he drove a project team to set up a new local bank's IT and digital banking infrastructure. From 2020-2021, he was Chief Technology & Information Officer at Sathapana Bank.

Mr. Den Davuth graduated with a bachelor's degree in Computer Science and Engineering from the Royal University of Phnom Penh in 2004, a bachelor's degree in Public Communication from the Institute of Foreign Languages in 2009 and received his Management and Leadership certificate from Nanyang Technological University in 2013.

Mr. OEUR Vibol

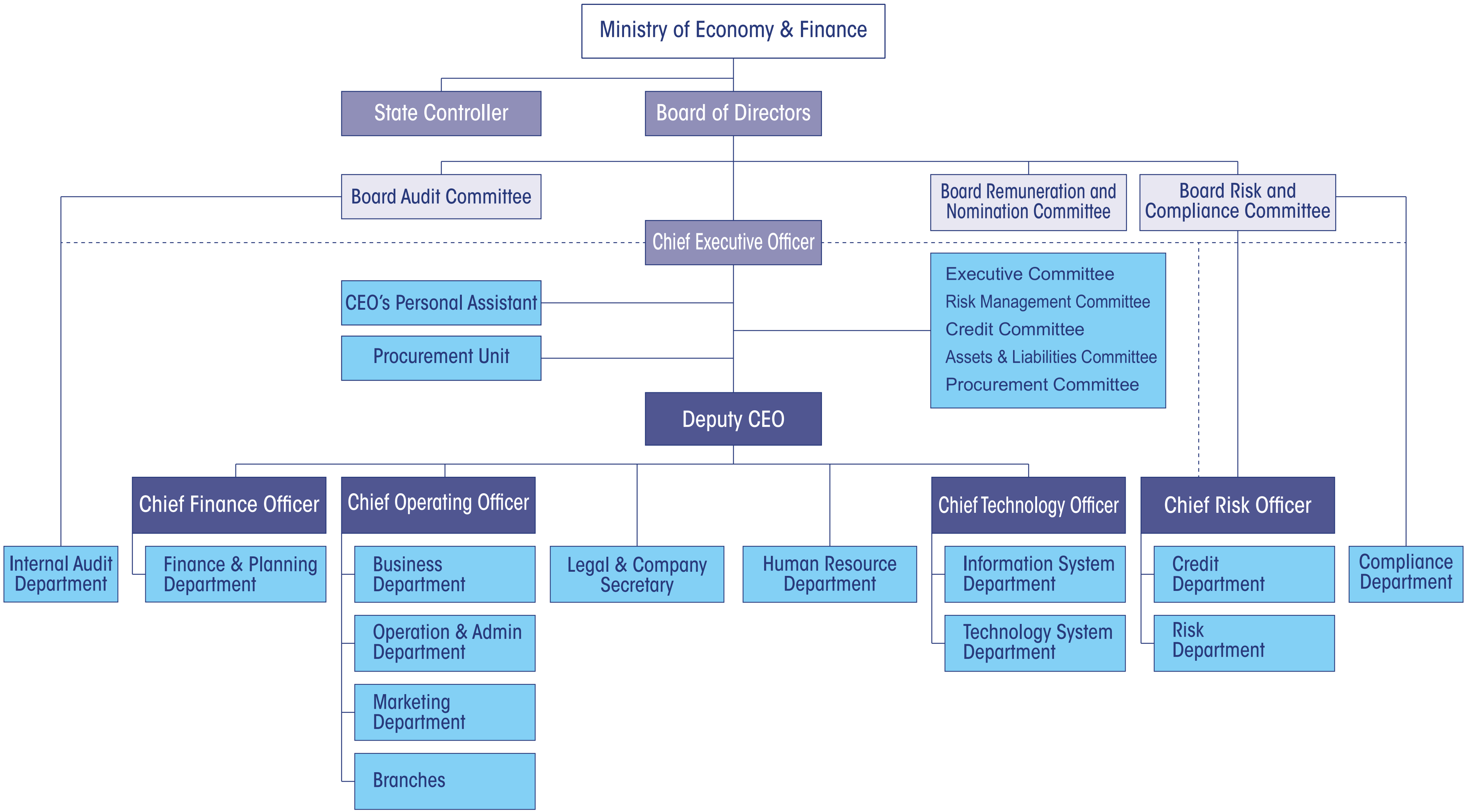
Chief Risk Officer

Mr. Oeur Vibol has over 17 years of professional experience in banking. Starting his career in one of the leading local banks in 2004, he has held numerous roles in accounting and finance. In 2010, he moved to a regional bank as a pioneer in setting up the bank where he had the opportunity to expand his professional experience in accounting, finance, and risk management. His last role was as Head of Risk Analytics & Management, where his main responsibilities were development and implementation of risk management framework and policies to suit operations and regulations.

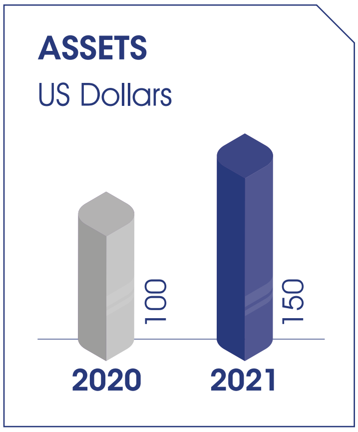
In August 2020, he joined SME Bank of Cambodia as Chief Risk Officer to oversee risk management including but not limited to credit risk, operational risk, and liquidity risk.

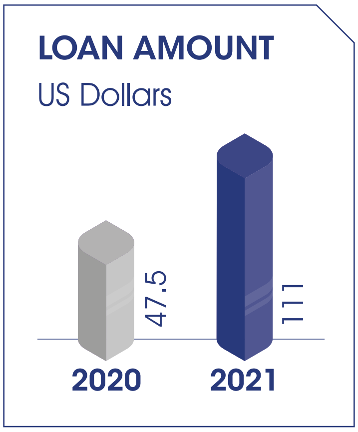
Mr. Oeur Vibol holds a bachelor's degree in Accounting and Finance from the National University of Management in 2004.

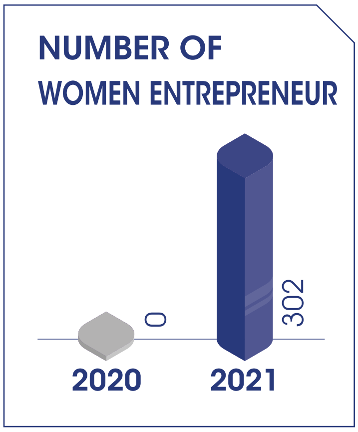
CORPORATE STRUCTURE

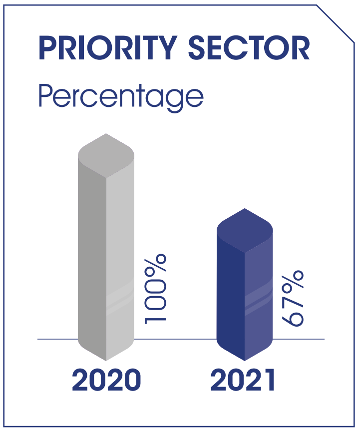


SME BANK HIGHLIGHTS



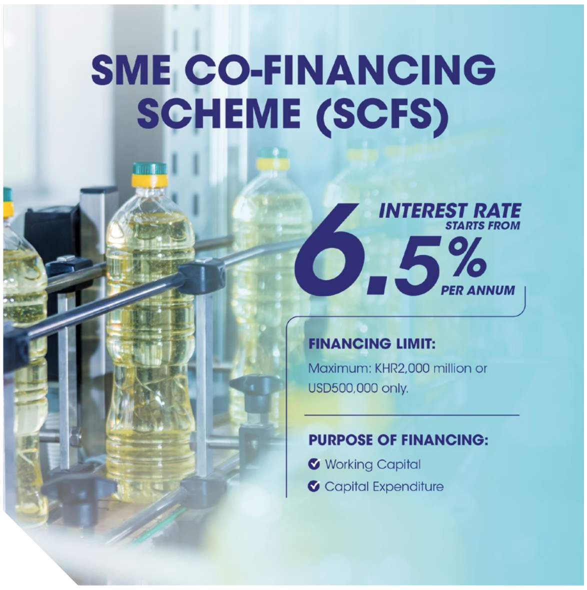


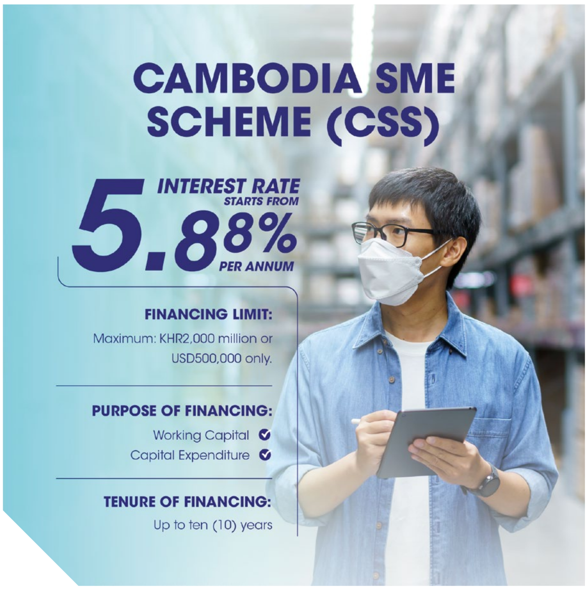


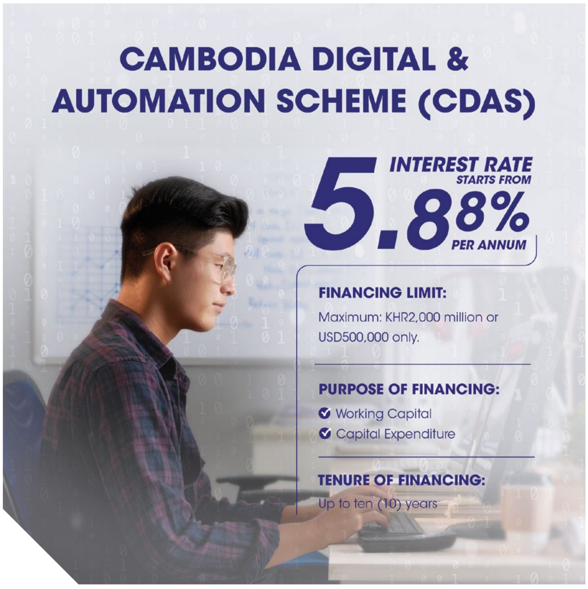


Executive Management and Middle Management

LOAN SERVICES





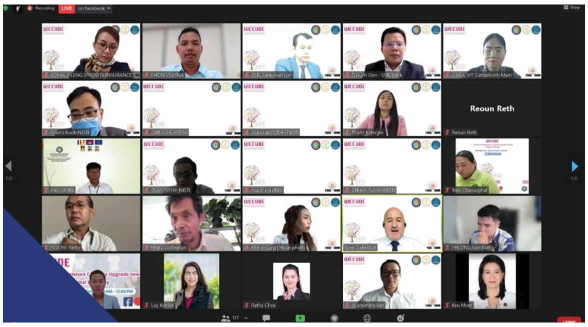


PURPOSE OF FINANCING:	INTEREST RATE PER ANNUM		TENURE OF FINANCING:
Working Capital Capital Expenditure	7.5% p.a. for registered businesses under priority list	8.5% p.a. for unregistered businesses or businesses under normal list	7 Years

EVENTS AND PARTNERSHIPS

Dr. LIM Aun, CEO of SME Bank of Cambodia, as Honorable Speaker for Workshop Series 2 on Promoting Entrepreneurship to Youth under the topic "Youth and Start-Up Business" Organized by UYFC.

Dr. LIM Aun, CEO of SME Bank of Cambodia, joined as an Honorable Speaker in the 8th Annual Macroeconomic Conference on **"Challenges and Policy Options for SMEs Development in Cambodia"** Organized by the National Bank of Cambodia.



The Executive Management of SME Bank of Cambodia has joined as an Honorable Speaker in a virtual workshop on "Women Entrepreneurs Capacity Upgrades Toward Digital Economy" Organized by the Ministry of Industry, Science, Technology, and Innovation, Cambodia Women Entrepreneurs Association, and Khmum Technology Co., Ltd.

Virtual Meeting on Signing Memorandum of Understanding to Provide SME Co-Financing Scheme 2 under representative of H.E Dr. PHAN Phalla, Secretary of State of Ministry of Economy and Finance and Chairman of the Board of Director of SME Bank of Cambodia.

Memorandum of Understanding between SME Bank of Cambodia and Federation of Associations For Small and Medium Enterprises of Cambodia (FASMEC) to Provide Accessible and Affordable Financing to SMEs in Cambodia.

Memorandum of Understanding between SME Bank of Cambodia and BanhJi FinTech Co., Ltd. to Provide Accessible and Affordable Financing to SMEs in Cambodia.

SME Bank of Cambodia has organized an annual general meeting at Kep Province to review the achievement of 2021 and to set a business strategies plan for 2022.

Dr. LIM Aun, CEO of SME Bank of Cambodia, joined as an Honorable Speaker at the Annual Micro Finance Conference 2021 on the topic of "Microfinance Sector Resilience and Economic Recovery amid the COVID-19 Pandemic: Challenges and Opportunities" Organized by Cambodia Microfinance Association.

Memorandum of Understanding between SME Bank of Cambodia and Khmer Enterprise to Provide Accessible and Affordable Financing to SMEs in Cambodia.

Dr. LIM Aun, CEO of SME Bank of Cambodia, joined as an Honorable Speaker at the 2nd Annual Forum on "Strengthening Resilience and Sustainability of the Microfinance Sector in Cambodia" organized by the Cambodia Microfinance Association.

SME Bank of Cambodia's Participating Financial Institutions (PFIs) on the SME Co-Financing Scheme 1 and 2

ACLEDA BANK, ABA BANK (National Bank of Canada Group), AMK, Amret (Microfinance Institution "Amret"), APD BANK (Asia-Pacific Development Bank), Industrial Bank of Korea, Chamroeun Microfinance, Cambodia Post Bank Plc., Hattha Bank, Canadia Bank, Chip Mong Bank, CIMB Bank, RHB, Prasac, Daun Penh Specialized Bank Plc., DGB Bank, Hong Leong Bank, Prince Bank, Maybank, Phillip Bank, BRED Bank Cambodia, PPCBank, Sathapana Bank, FTB (Foreign Trade Bank of Cambodia), SBI LY HOUR Bank, UCB, Vattanac Bank, Bank of China, Sacombank, LOLC, CAB Bank, ICBC, KB Kookmin Bank Cambodia, Wing, OWBank (Oxley-Worldbridge Specialized Bank), Shinhan Bank, Angkor Capital Specialized Bank, WB Finance

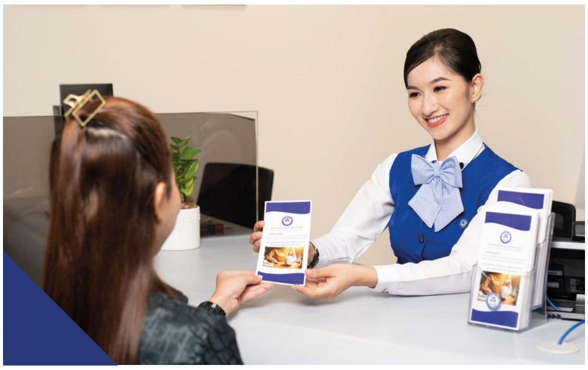
Social Mandate

Our social mandate is to provide financing and commercial banking services effectively and sustainably to support local SMEs, increase economic diversification and expand export volumes. To achieve this, the SME Bank of Cambodia differentiates itself from other existing commercial banks and MFIs in Cambodia in that we provide:

Better Access to Financing: SME Bank of Cambodia provides better financing to assist all local SMEs. Today, many SMEs in Cambodia need financing but cannot afford the rates and/or do not have collateral to use to increase their business turnover. The SME Bank of Cambodia will work toward solving such problems.

Cheaper Cost of Financing: SME Bank of Cambodia provides a more affordable cost of financing. The bank can get access to a cheaper cost of financing only if the bank leverages the support of the Royal Government of Cambodia and other global institutions such as ADB, World Bank, and the like to raise affordable and sustainable funding.

Productivity and Efficiency: SME Bank of Cambodia is active in helping SMEs significantly enhance their productivity and efficiency.



SME Bank of Cambodia has contributed to the launching of investment opportunities for small and medium enterprises in Cambodia.

SME Bank of Cambodia, CYEA, OBOR, and 4 other financial institutions held and participated in the forum on "Preparation for Investments on Small and Medium Enterprises in Cambodia" to create opportunities for small and medium enterprises as well as equip themselves to be better in expanding their financial partnership to increase business productivity.

Corporate Governance

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

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

I Board of Directors

The Board of Directors (The Board) has seven members, with two Executive Directors and five Non-Executive Directors. The Board is responsible for setting the goal and overseeing the overall management and affairs of the Bank in accordance with the Royal Government of Cambodia's policy direction. It is primarily accountable to the Ministry of Economic and Finance (sole shareholder) for the proper conduct of the business of the Bank. The Bank has established three Board-level committees which are under the direct control of the Board, these are (1) Board Risk and Compliance Committee, (2) Board Nomination and Remuneration Committee, and (3) Board Audit Committee. The Bank also has five executive Committees under the supervision of the Chief Executive Officer; they are 1) Executive Committee, 2). Risk Management Committee, 3). Asset and Liability Management Committee, 4). Credit Committee, and 5). Procurement Committee.

A total of five Board meetings were held in 2021 and the Directors' attendance at the meetings are as follows:

No.	Directors	Composition
1	H.E Dr. Phan Phalla	Chairman / Non-Executive Director
2	H.E Tep Phiyorin	Member / Non-Executive Director
3	H.E Son Senghout	Member / Independent Non-Executive Director
4	H.E Chan Sokty	Member / Independent Non-Executive Director
5	Mrs. Chhorn Dalis	Member / Independent Non-Executive Director
6	Dr. Lim Aun	Member / Executive Director
7	Mr. Neav Sokun	Member / Executive Director
8	H.E Dr. Kong Marry	State Controller

II Board-Level Committees

A. Board Risk and Compliance Committee

The Board Risk and Compliance Committee (BRCC) shall be appointed by the Board and comprise three Non-Executive Directors. The Board authorizes the BRCC to seek any information that it requires in connection with its purpose and responsibilities from all employees of the Bank. All employees are directed to co-operate with any request made by BRCC.

The BRCC oversees credit, liquidity, and operational risks, including a review of strategic risks, policies, guidelines, assessment methodology, and risk management reports.

A total of twelve BRCC meetings were held in 2021 and the Directors' attendance at the meetings are as follows:

No.	Directors	Composition
1	H.E Tep Phiyorin	Chairman / Non-Executive Director
2	H.E Son Seng Huot	Member / Independent Non-Executive Director
3	Mrs. Chhorn Dalis	Independent Non-Executive Director

The terms of reference of Board Risk and Compliance Committee are as follows:

Risk Management

- To review, formulate and recommend policies for the Board's approval.
- To review and consider the adequacy of risk management policies and frameworks, identifying, measuring, monitoring, and controlling risk and the extent to which these are operating effectively;
- To ensure infrastructure, resources and systems are in place for risk management i.e. to ensure that the staff responsible for implementing risk management systems perform those duties independently of the Bank's risk-taking activities;
- To review management's periodic reports on risk exposure, risk portfolio composition, risk rating systems, risk appetite, stress testing, and risk management activities;
- To review and approve risk-taking activities as delegated;
- To establish and keep under review any sub-committee as may be helpful to its functions and responsibilities.

Compliance

- Discuss compliance, anti-money laundering and combating the financing of the terrorism risks, and ensure the risks are resolved effectively and efficiently.
- Review and comply with all regulations and policies on anti-money laundering and combating the financing of the terrorism, and all necessary amendments to the compliance.
- To receive and review, at least annually, a report on anti-money laundering and combating the financing of the terrorism crime produced by Compliance Officer and any specific actions taken by senior management concerning the report;
- To review reports from Compliance Officer on the arrangements established by management for ensuring adherence to internal compliance policies, procedures and compliance with specific laws and regulations, as requested by the Committee or required by laws and regulations;
- Review and advise on the fundamental activities that require by the Board of Directors

B. Board Audit Committee

The Board Audit Committee (BAC) is appointed by the Board. BAC has composed of four members who are Non-Executive Directors to provide oversight of the internal audit, financial statements, internal control system, and risk management framework to ensure compliance with regulatory requirements in the Bank.

A total of four BAC meetings were held in 2021 and the Directors' attendance at the meetings are as follows:

No.	Directors	Composition
1	Mrs. Chhorn Dalis	Chairwoman / Independent Non-Executive Director
2	H.E Tep Phiyorin	Independent Non-Executive Director
3	H.E Son Senghuot	Independent Non-Executive Director
4	H.E Chan Sokty	Independent Non-Executive Director

The BAC performs the roles and responsibilities as follows:

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

C. Board Nomination and Remuneration Committee

The Board Nomination and Remuneration Committee (BRNC) consists of five members with one Executive Director and four Non-Executive Directors, who the Board shall appoint to ensure that the Remuneration Policy is consistent with the long-term objectives and corporate values of the Bank.

The Nomination and Remuneration Committee consists of members following:

No.	Directors	Composition
1	H.E Son Senghuot	Chairman / Independent Non-Executive Director
2	H.E Tep Phiyorin	Member / Non-Executive Director
3	H.E Chan Sokty	Member / Independent Non-Executive Director
4	Mrs. Chhorn Dalis	Member / Independent Non-Executive Director
5	Mr. Neav Sokun	Member / Executive Director

Note: Board Nomination and Remuneration Committee was established and approved by the Board on 08th December 2021.

The specific duties of BRNC are as follow:

- Review and recommend on the nomination for CEO, Chief Level Officer including key role in the bank such as Head of Internal Audit and Compliance Manager;
- Review and recommend on proposal for remuneration and other benefits for all Board's members and management;
- Recommend to the Board of Directors on all aspects of remuneration and annual benefits for the upcoming year; and
- Review and recommend on proposal for new/update human resource related policies for the Board of Directors' approval.

III Risk Management Division

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

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

Key Roles of Risk Management:

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

The Credit Management unit within Risk Management Division provides an independent evaluation of credit applications prior to submissions for decisions. Besides independent credit evaluation. Credit Management also performs the role of alerting and following up to make sure the approved terms and conditions are properly monitored. Develop staffs' competencies on credit risk management is one of the crucial part for minimizing credit risk.

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

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

Liquidity risk undertaken by the Bank is governed by an established liquidity risk appetite that defines the level of liquidity risk the Bank is willing to accept in pursuit of its strategic and business objectives. The risk appetite takes into account the growth, revenue and commercial aspirations of the Bank, as well as the risk management capabilities and strengths.

Risk Management is responsible for independently monitoring the Bank's liquidity risk profile and provides regular reports to the Risk Management Committee and the Board Risk and Compliance Committee for the Bank to manage its liquidity position to meet its daily operational needs and regulatory requirements.

Operational risk refers to the risk of loss resulting from inadequate or failed internal processes, people and systems or external events. It includes legal risk but not strategic and reputational risk. One of the key requirements of a robust risk management structure is having effective Operational Risk Management (ORM) tools to identify comprehensively, measure, monitor, control, and report the entity's operational risk exposures.

IV Compliance Department

Compliance performed a regular assessment on various the Bank's operations to ensure adherence to regulatory bodies and the National Bank of Cambodia prudential regulations, especially AML/CFT regulations requirements, as well as internal policies and procedures. Any deviation or breaches are reported to the Board Risk and Compliance Committee and the Board is informed of the cause and the remedial measures are taken.

Key Roles of Compliance:

- The compliance role is critically important in identifying, evaluating, and addressing compliance and regulatory risks. It will help the Bank to oversee the business lines and activities.
- To review compliance policies and oversee management's implementation of the policies.
- To regularly discuss and deliberate compliance issues (including AML/CFT issues) and ensure such issues are resolved effectively and expeditiously.
- Review and monitor to ensure proper compliance with relevant local, international laws and regulations to mitigate legal risk.
- To review annually the effectiveness of the Bank's overall management, practices of compliance risk, regarding the assessments of senior management and internal audit and interactions with the Compliance Officer.
- To assure the independence of the compliance function and compliance with laws and regulations.

V Internal Audit Department

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

Key Roles of Internal Audit:

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

Financial Report

The Board of Directors of Small and Medium Enterprise Bank of Cambodia Plc. ("the Bank") presents its report and the Bank's financial statements for the initial period from 13 January to 31 December 2020 and for the year ended 31 December 2021 ("the periods").

THE BANK

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

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

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

The Bank's registered office address is located at No. 30, Street Pasteur Corner Street Prey Nokor, Sangkat Phsar Thmei Ti Muoy, Khan Daun Penh, Phnom Penh, Kingdom of Cambodia.

FINANCIAL RESULTS

The Bank's financial performances for the periods are set out in the statement of comprehensive income.

DIVIDENDS

No dividend was declared or paid, and the Board of Directors does not recommend any dividend to be paid for the periods.

EXPECTED CREDIT LOSSES ON LOANS AND ADVANCES

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

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

ASSETS

Before the financial statements of the Bank were prepared, the Board of Directors ascertained that management took reasonable steps to ensure that any assets, which were unlikely to be realized in the ordinary course of business at their values as shown in the accounting records of the Bank had been written down to amounts which they might be expected to realize.

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

(A) any charge on the assets of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; and

(B) any contingent liability in respect of the Bank that has arisen since the end of the financial year other than in the ordinary course of its business operations.

No contingent or other liability of the Bank has become enforceable or is likely to become enforceable within the period of 12 months after the end of the financial year which, in the opinion of the Board of Directors, will or may have a material effect on the ability of the Bank to meet its obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

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

There has not arisen in the interval between the end of the financial years and the date of this report any item, transaction, or event of a material and unusual nature likely, in the opinion of the Board of Directors, which affect substantially the financial performances of the Bank for the periods in which this report is made.

EVENTS AFTER THE REPORTING PERIOD

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

THE BOARD OF DIRECTORS

The members of the Board of Directors holding office during the periods and at the date of this report are:

Name	Position
H.E Dr. Phan Phalla	Secretary of State, Ministry of Economy and Finance
H.E Tep Phiyorin	Member
H.E Chan Sokty	Member
H.E Son Senghuot	Member
Mrs. Chhorn Dalis	Member
Dr. Lim Aun	Chief Executive Officer and Member
Ms. Tan Linna	Member, resigned on 1 November 2021

DIRECTORS' INTERESTS

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

DIRECTORS' BENEFITS

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

During the financial year, no director of the Bank has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments receivable by the directors as disclosed in the financial statements) because of a contract made by the Bank or a related corporation with a firm of which the director is a member, or with a company in which the director has a substantial financial interest other than as disclosed in the financial statements.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS IN RESPECT OF THE FINANCIAL STATEMENTS

The Board of Directors is responsible for ascertaining that the financial statements give a true and fair view of the financial position of the Bank as of 31 December 2020 and 2021, and its financial performance and its cash flow for the initial period from 13 January to 31 December 2020 and for the year ended 31 December 2021. The Board of Directors oversees the reparation of these financial statements by management who is required to:

- adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- comply with the disclosure requirements of Cambodian International Financial Reporting Standards ("CIFRSs"), or 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 statement;
- oversee the Bank's financial reporting process and maintains adequate accounting records and an effective system of internal controls;
- assess the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concerned and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations or has no realistic alternative but to do so; and
- effectively control and direct the Bank in all material decisions affecting the operations and performance and ascertain that such have been properly reflected in the financial statements.

The Board of Directors confirms that they have fulfilled and complied with the above responsibilities in preparing the financial statements.

APPROVAL OF THE FINANCIAL STATEMENTS

We hereby approve the accompanying financial statements which give a true and fair view of the financial positions of the Bank as of 31 December 2020 and 2021, its financial performances, and its cash flow for the initial period from 13 January to 31 December 2020 and for the year ended 31 December 2021 in accordance with CIFRSs.

On behalf of the Board of Directors:

H.E Dr. Phan Phalla
Chairman of Board of Director

Dr. Lim Aun
Chief Executive Officer

Phnom Penh, Kingdom of Cambodia
30 March 2022

INDEPENDENT AUDITOR'S REPORT

To:The Shareholder of Small and Medium Enterprise Bank of Cambodia Plc

Opinion

We have audited the accompanying financial statements of Small and Medium Enterprise Bank of Cambodia Plc. ("the Bank") which comprise the statement of financial positions as of 31 December 2020 and 2021, and the statement of comprehensive income, statement of changes in equity, and statement of cash flows for the initial period from 13 January to 31 December 2020 and for the year ended 31 December 2021, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial positions of the Bank as of 31 December 2020 and 2021, and its financial performance and its cash flow for the initial period from 13 January to 31 December 2020 and for the year ended 31 December 2021 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 are independent of the Bank in accordance with the Code of Ethics for Professional Accountants and Auditors issued by the Ministry of Economy and Finance of Cambodia, together with the ethical requirements that are relevant to our audit of the financial statements in Cambodia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

The other information obtained at the date of the auditor's report comprises the Report of the Board of Directors. Management is responsible for the other information.

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

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view by CIFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit following 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 to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Sinratana Lan
Partner

Ernst & Young (Cambodia) Ltd.
Certified Public Accountants
Registered Auditors

Phnom Penh, Kingdom of Cambodia
30 March 2022

STATEMENT OF FINANCIAL POSITIONS

as at 31 December 2020 and 2021

	Notes	31 December 2021		31 December 2020	
		US$	KHR'000 equivalent (Note 2.3)	US$	KHR'000 equivalent (Note 2.3)
ASSETS					
Cash on hand	5	384,731	1,567,394	364,390	1,473,958
Balances with the National Bank of Cambodia	6	31,570,769	128,619,313	18,059,471	73,050,560
Balances with other banks	7	6,003,213	24,457,090	33,127,919	134,002,432
Loans and advances					
to customers – net	8	109,311,651	445,335,666	46,821,512	189,393,016
Other assets	9	53,455	217,776	76,459	309,276
Intangible assets	10	907,182	3,695,859	706,816	2,859,071
Property and equipment	11	847,587	3,453,069	1,198,878	4,849,462
Right-of-use asset	12	112,238	457,258	246,923	998,804
Statutory deposit	13	22,946	93,482	5,989	24,226
TOTAL ASSETS		**149,213,772**	**607,896,907**	**100,608,357**	**406,960,805**
LIABILITIES AND SHAREHOLDER'S EQUITY					
LIABILITIES					
Deposits from other financial institutions	15	15,839	64,528	3,691	14,930
Deposits from customers	16	504,980	2,057,289	9,602	38,840
Income tax liability	14	9,889	40,288	7,194	29,100
Other liabilities	17	369,507	1,505,371	460,917	1,864,411
Lease liability	12	97,277	396,306	220,321	891,198
Total Liabilities		**997,492**	**4,063,782**	**701,725**	**2,838,479**
SHAREHOLDER'S EQUITY					
Share capital	18	150,000,000	600,000,000	100,000,000	400,000,000
Contributions from Ministry of Economy and Finance	19	1,308,082	5,232,328	1,308,082	5,232,328
Accumulated losses		(3,091,802)	(12,590,063)	(1,438,492)	(5,864,731)
Regulatory reserve	20	-	-	37,042	151,020
Cumulative exchange differences on translation		-	11,190,860	-	4,603,709
Total Shareholder's Equity		**148,216,280**	**603,833,125**	**99,906,632**	**404,122,326**
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		**149,213,772**	**607,896,907**	**100,608,357**	**406,960,805**

The accompanying notes from 1 to 28 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

for the initial period from 13 January to 31 December 2020
and for the year ended 31 December 2021

	Notes	For the year ended 31 December 2021		For the initial period from 13 January to 31 December 2020	
		US$	KHR'000 equivalent (Note 2.3)	US$	KHR'000 equivalent (Note 2.3)
Operating income					
Interest income	21	2,182,518	8,878,483	888,217	3,621,261
Interest expense	21	(6,381)	(25,958)	(3,616)	(14,742)
Net interest income		**2,176,137**	**8,852,525**	**884,601**	**3,606,519**
Net fee and commission		46,289	188,304	-	-
Foreign exchange (loss) gain		(192,500)	(783,090)	628,244	2,561,351
Total operating income		**2,029,926**	**8,257,739**	**1,512,845**	**6,167,870**
Personnel expenses	22	(1,266,645)	(5,152,712)	(1,068,556)	(4,356,503)
Depreciations and amortization	10,11,12	(770,884)	(3,135,956)	(467,581)	(1,906,328)
General and administrative expenses	23	(627,216)	(2,551,515)	(598,299)	(2,439,265)
Provision for expected credit losses	8	(1,032,998)	(4,202,236)	(766,000)	(3,122,982)
Loss before income tax		**(1,667,817)**	**(6,784,680)**	**(1,387,591)**	**(5,657,208)**
Income tax expense	14	(22,535)	(91,672)	(13,859)	(56,503)
Net loss		**(1,690,352)**	**(6,876,352)**	**(1,401,450)**	**(5,713,711)**
Other comprehensive income item:					
Exchange difference on translation		-	6,587,151	-	4,603,709
Total comprehensive loss for the year/period		**(1,690,352)**	**(289,201)**	**(1,401,450)**	**(1,110,002)**

The accompanying notes from 1 to 28 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the initial period from 13 January to 31 December 2020 and for the year ended 31 December 2021

	Share capital	Contributions from Ministry of Economy and Finance	Accumulated losses	Regulatory reserve	Total
	US$	US$	US$	US$	US$
As at 1 January 2021	100,000,000	1,308,082	(1,438,492)	37,042	99,906,632
Capital injection	50,000,000	-	-	-	50,000,000
Net loss for the year	-	-	(1,690,352)	-	(1,690,352)
Transfer from regulatory reserve	-	-	37,042	(37,042)	-
As at 31 December 2021	**150,000,000**	**1,308,082**	**(3,091,802)**	**-**	**148,216,280**
As at 13 January 2020	-	-	-	-	-
Capital injection	100,000,000	-	-	-	100,000,000
Contributions	-	1,308,082	-	-	1,308,082
Net loss for the period	-	-	(1,401,450)	-	(1,401,450)
Transfer to regulatory reserve	-	-	(37,042)	37,042	-
As at 31 December 2020	**100,000,000**	**1,308,082**	**(1,438,492)**	**37,042**	**99,906,632**

	Share capital	Contributions from Ministry of Economy and Finance	Accumulated losses	Regulatory reserve	Cumulative exchange differences on translation	Total
	KHR'000 equivalent (Note 2.3)	KHR'000 equivalent (Note 2.3)	KHR'000 equivalent (Note 2.3)	KHR'000 equivalent (Note 2.3)	KHR'000 equivalent (Note 2.3)	KHR'000 equivalent (Note 2.3)
As at 1 January 2021	400,000,000	5,232,328	(5,864,731)	151,020	4,603,709	404,122,326
Capital injection	200,000,000	-	-	-	-	200,000,000
Net loss for the year	-	-	(6,876,352)	-	-	(6,876,352)
Transfer from regulatory reserve	-	-	151,020	(151,020)	-	-
Exchange difference on translation	-	-	-	-	6,587,151	6,587,151
As at 31 December 2021	**600,000,000**	**5,232,328**	**(12,590,063)**	**-**	**11,190,860**	**603,833,125**
As at 13 January 2020	-	-	-	-	-	-
Capital injection	400,000,000	-	-	-	-	400,000,000
Contributions	-	5,232,328	-	-	-	5,232,328
Net loss for the period	-	-	(5,713,711)	-	-	(5,713,711)
Transfer to regulatory reserve	-	-	(151,020)	151,020	-	-
Exchange difference on translation	-	-	-	-	4,603,709	4,603,709
As at 31 December 2020	**400,000,000**	**5,232,328**	**(5,864,731)**	**151,020**	**4,603,709**	**404,122,326**

The accompanying notes from 1 to 28 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

for the initial period from 13 January to 31 December 2020 and for the year ended 31 December 2021

	Notes	For the year ended 31 December 2021 US$	For the year ended 31 December 2021 KHR'000 equivalent (Note 2.3)	For the initial period from 13 January to 31 December 2020 US$	For the initial period from 13 January to 31 December 2020 KHR'000 equivalent (Note 2.3)
OPERATING ACTIVITIES					
Loss before income tax		(1,667,817)	(6,784,680)	(1,387,591)	(5,657,208)
Adjustments for:					
Start-up costs incurred by MEF transferred to the Bank in form of contribution	19	-	-	499,942	2,038,264
Depreciations and amortisation	10,11,12	770,884	3,135,956	467,580	1,906,324
Expected credit losses on loans and advances	8	1,798,998	7,318,324	766,000	3,122,982
Interest expense on lease liability	21	6,031	24,534	3,608	14,710
Changes in:					
Statutory deposit		(16,957)	(68,981)	(5,989)	(24,417)
Balance with other banks with original maturity more than 3 months	7	(2,634,000)	(10,715,112)	-	-
Loan and advances	8	(64,289,137)	(261,528,209)	(47,587,512)	(194,014,286)
Other assets	9	23,004	93,580	(76,459)	(311,723)
Deposits from other financial institutions	15	12,148	49,418	3,691	15,048
Deposits from customers	16	495,378	2,015,198	9,602	39,147
Other liabilities	17	(91,410)	(371,856)	460,917	1,879,159
Cash used in operations		**(65,592,878)**	**(266,831,828)**	**(46,846,211)**	**(190,992,000)**
Income tax paid	14	(19,840)	(80,709)	(6,665)	(27,173)
Net cash used in operating activities		**(65,612,718)**	**(266,912,537)**	**(46,852,876)**	**(191,019,173)**
INVESTING ACTIVITIES					
Purchases of:					
Software	10	(316,194)	(1,286,277)	(737,600)	(3,007,195)
Property and equipment	11	(169,080)	(687,817)	(767,744)	(3,130,092)
Net cash used in investing activities		**(485,274)**	**(1,974,094)**	**(1,505,344)**	**(6,137,287)**
FINANCING ACTIVITIES					
Proceeds from capital injection	18	50,000,000	203,400,000	100,000,000	407,700,000
Lease payments	12	(129,075)	(525,077)	(90,000)	(366,930)
Net cash provided by financing activities		**49,870,925**	**202,874,923**	**99,910,000**	**407,333,070**
Net (decrease) increase in cash and cash equivalents		**(16,227,067)**	**(66,011,708)**	**51,551,780**	**210,176,610**
Cash and cash equivalents at the beginning of year		51,551,780	208,526,950	-	-
Exchange difference on translation		-	1,397,639	-	(1,649,660)
Cash and cash equivalents at the end of year/period	5	**35,324,713**	**143,912,881**	**51,551,780**	**208,526,950**
Additional information on operational cash flow from interest:			**2021**		**2020**
Interest received		2,140,528	8,707,668	742,996	3,029,195
Interest paid		6,089	24,770	3,616	14,742

The accompanying notes from 1 to 28 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the initial period from 13 January to 31 December 2020 and for the year ended 31 December 2021

1.CORPORATE INFORMATION

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

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

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

The Bank's registered office address is located at No. 30, Street Pasteur Corner Street Prey Nokor, Sangkat Phsar Thmei Ti Muoy, Khan Daun Penh, Phnom Penh, Kingdom of Cambodia.

As of 31 December 2021, the Bank had 52 employees (2020: 61 employees).

Approval of the Bank's financial statements

The financial statements were authorized for issue by the Board of Directors on 30 March 2022.

2.BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

2.1.Basis of preparation

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

2.2.Fiscal year

The Bank's fiscal year starts on 1 January and ends on 31 December. The initial period of the Bank covers the period from 13 January 2020, the date of incorporation, to 31 December 2020.

2.3. Functional and presentation currency

Presentation currency

The financial statements are presented in US$, which is the Bank's functional and presentation currency.

Transactions and balances

Transactions in currencies other than US$ are translated into US$ at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in currencies other than US$ which are outstanding at the reporting date are translated into US$ at the rate of exchange ruling at that date. Exchange differences arising on translation are recognized in profit or loss.

Translation of US$ in KHR

The translation of the US$ amounts into thousands KHR ("KHR'000") is presented in the financial statements to comply with the Law on Accounting and Audit dated 11 April 2016 using the closing and average rates for the periods.

Assets and liabilities included in the statement of financial position are translated at the closing rate prevailing at the end of each reporting date, whereas income and expense items presented in the statement of comprehensive income are translated at the average rate for the year then ended. All resulting exchange differences are recognized in the statement of comprehensive income. Such translation should not be construed as a representation that the US$ amounts represent, or have been, or could be, converted into KHR at that or any other rate. All values in KHR are rounded to the nearest thousand ("KHR'000"), except if otherwise indicated.

The financial statements are presented in KHR based on the applicable exchange rates per US$1 as follows:

	2021	2020
Closing rate	4,074	4,045
Average rate	4,068	4,077

2.4. Rounding of amounts

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

2.5. Standards issued but not yet effective

The standards and amendments that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. These standards and amendments to CIFRSs issued but not yet effective are not expected to have a significant impact on the financial position or performance of the Bank.

- Reference to the Conceptual Framework- Amendment to IFRS3
- Property, Plant and Equipment: Proceeds before Intended Use – Amendment to IAS16
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
- IAS 41 Agriculture – Taxation in fair value measurements
- IFRS 17 Insurance Contracts
- Classification of Liabilities as Current or Non-current - Amendments to IAS 1
- Definition of Accounting Estimates - Amendments to IAS 8
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. Cash and cash equivalents

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

3.2. Financial instruments

The Bank's financial assets and liabilities include cash on hand, balances with the NBC (except statutory deposit), balances with other banks, loans and advances to customers, other assets (except for non-refundable deposits and prepayments), deposits from other financial institutions, deposits from customers, and other liabilities (except for tax payable) which are measured at amortized cost following the business model discussed in Note 3.2.1.

Initial recognition and measurement

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

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

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

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

3.2.1 Business model

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

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

The details of these conditions are outlined below.

The Bank assesses the objective of a business model in which an asset is held at a portfolio level that best reflects how the assets are managed. Factors considered include:

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

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

3.2.2 Solely payments of principal and interest ("SPPI")

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

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

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

In making the assessment, the Bank considers:

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

Non-recourse loans

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

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

Reclassification of financial assets and liabilities

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

3.2.3 Derecognition of financial assets and liabilities

Financial assets

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

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

Financial liabilities

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

3.2.4 Modifications and forbearance of financial assets

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

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

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

3.2.5 Offsetting

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Bank has a legal right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

3.2.6 Fair value measurement

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

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

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

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received.

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

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

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

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

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

3.2.7 Expected credit losses ("ECLs")

The Bank recognizes an allowance for ECLs on the following financial instruments that are not measured at FVTPL:

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

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

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

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

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

- for undrawn loan commitments, the ECL is the difference between the present value of the difference between the contractual cash flows that are due to the Bank if the holder of the commitment draws down the loan and the cash flows that the Bank expects to receive if the loan is drawn down; and
- for financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Bank expects to receive from the holder, the debtor, or any other party.

The Bank measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR, regardless of whether it is measured on an individual basis or a collective basis.

Credit-impaired financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit impairment includes observable data about the following events:

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

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

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment.

For financial assets where concessions are contemplated but not granted the asset is deemed credit-impaired when there is observable evidence of credit impairment including meeting the definition of default.

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

Definition of default

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

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

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

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

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

Significant increase in credit risk

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

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

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

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

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

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

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

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

Write-off

Loans and debt securities are written off when the Bank has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Bank may apply enforcement activities to financial assets written off. Recoveries resulting from the Bank's enforcement activities will result in impairment gains, which will be presented in 'net impairment loss on financial assets/other income' in profit or loss.

Presentation of allowance for ECL in the statement of financial position

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

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

3.2.8 Financial liabilities and equity

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

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

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

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

Other financial liabilities

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

Other financial liabilities

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 EIR is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. For details on EIR, see the "net interest income section" below.

Foreign exchange gains and losses

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

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

Modification and derecognition of financial liabilities

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

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

3.3. Property and equipment

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

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

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

	Useful life based on number of years
Leasehold improvements	*3*
Equipment	*4*
Computer equipment	*3*
Motor vehicles	*5*

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

Work in progress is not depreciated until they are ready for use as intended by the management.

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

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

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

3.4 Software

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

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

3.5 Leases

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

Right-of-use asset

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

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

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

Lease liability

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 its incremental borrowing rate which is interest that the Bank would have to pay to borrow over a similar term and with a similar security the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

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

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

The lease liability is presented as a separate line in the statement of financial position.
The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

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

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

Short-term leases and leases of low-value assets

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

3.6 Impairment of non-financial assets

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

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

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

3.7 Employee benefits

Short-term employee benefits

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

3.8 Provisions

Provisions are recognized in the statement of financial position when the Bank has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

3.9 Contributions from MEF

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

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

3.10 Effective interest method

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

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

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

3.10.1 Interest income

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

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

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

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

3.10.2 Interest expense

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

3.11 Other fees and income

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

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

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

3.12 Income tax

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

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

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

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

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

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

3.13 Regulatory reserve

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

(i) In case the regulatory allowance is lower than the allowance in accordance with CIFRS 9, the entity records the allowance based on CIFRS 9; and

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

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

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

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

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

While the application of the above Circular is encouraged for the current year's financial statements, subsequent clarifications and guidance issued by the NBC allowed deferral of its implementation to 2022. There is no impact to the Bank regarding the regulatory allowance as the Bank does not have any restructured loans during the periods.

3.14 Related parties

Parties are considered to be related to the Bank if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or where the Bank and the other party are subject to common control or significant influence. Related parties may be individuals or corporate entities and include close family members of any individual considered to be a related party.

3.15 Dividend

Provision is made for any dividend declared, being appropriately authorized and no longer at the discretion of the Bank, on or before the end of the reporting period but not distributed at the end of the reporting period.

3.16 Rounding of amounts

All amounts disclosed in the financial statements and notes have been rounded off to the nearest KHR'000 and all amounts in US$ are in whole currency unit, unless otherwise stated.

4. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATION

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

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

4.1 Judgments

The following are the critical judgements, apart from those involving estimation (Note 4.2), that management has made in the process of applying the Bank's accounting policies that have the most significant effect on the amounts recognized in the financial statements.

(i) Significant increase in credit risk

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

(ii) Business model assessment

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

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

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

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics.Note 3.2 provides details of the characteristics considered in this judgement. The Bank monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar.

This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets.

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

(iv) Models and assumptions used

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

(v) Leases

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

(vi) Functional currency

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

(i) The currency that mainly influences prices for financial instruments and services (this will often be the currency in which prices for its financial instruments and services are denominated and settled);

(ii) The currency in which funds from financing activities are generated; and

(iii) The currency in which receipts from operating activities are usually retained.

4.2 Estimation

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

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

(i) Taxes

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

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

(ii) Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and determining the forward-looking information relevant to each scenario:

When measuring ECL, the Bank uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Note 3.2 provides more details regarding the estimated forward-looking information.

(iii) Probability of default

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. Note 3.2 provides more details, including analysis of the sensitivity of the reported ECL to changes in PD resulting from changes in economic drivers.

(iv) Loss given default ("LGD")

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. See note 3.2 for more details, including analysis of the sensitivity of the reported ECL to changes in LGD resulting from changes in economic drivers.

(v) Estimating the IBR

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

5. CASH ON HAND

	31 December 2021		31 December 2020	
	US$	KHR'000 equivalent (Note 2.3)	US$	KHR'000 equivalent (Note 2.3)
Cash on hand				
US dollar	225,315	917,933	338,754	1,370,260
Khmer riel	159,416	649,461	25,636	103,698
	384,731	**1,567,394**	**364,390**	**1,473,958**

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

	31 December 2021		31 December 2020	
	US$	KHR'000 equivalent (Note 2.3)	US$	KHR'000 equivalent (Note 2.3)
Cash on hand	384,731	1,567,394	364,390	1,473,958
Balances with NBC	31,570,769	128,619,313	18,059,471	73,050,560
Balances with other banks	3,369,213	13,726,174	33,127,919	134,002,432
	35,324,713	**143,912,881**	**51,551,780**	**208,526,950**

6. BALANCES WITH THE NBC

These represent current accounts with the NBC denominated in US$ and KHR.

	31 December 2021		31 December 2020	
	US$	KHR'000 equivalent (Note 2.3)	US$	KHR'000 equivalent (Note 2.3)
Current accounts				
US dollar	19,774,014	80,559,333	17,639,710	71,352,627
Khmer Riel	11,796,755	48,059,980	419,761	1,697,933
	31,570,769	**128,619,313**	**18,059,471**	**73,050,560**

7. BALANCES WITH OTHER BANKS

	31 December 2021		31 December 2020	
	US$	KHR'000 equivalent (Note 2.3)	US$	KHR'000 equivalent (Note 2.3)
Current accounts	3,369,213	13,726,174	2,213,847	8,955,011
Time deposits with original maturity:				
Less than 3 months	-	-	30,799,427	124,583,682
More than 3 months	2,586,939	10,539,189	-	-
Accrued interest receivable	47,061	191,727	114,645	463,739
	6,003,213	**24,457,090**	**33,127,919**	**134,002,432**

Interest rates

Annual interest rates on balances with banks are as follows:

	2021	2020
Current accounts	Nil	Nil
Time deposits	1.50% - 4.00%	1.25% - 5.00%

8. LOANS AND ADVANCES TO CUSTOMERS

	31 December 2021		31 December 2020	
	US$	KHR'000 equivalent (Note 2.3)	US$	KHR'000 equivalent (Note 2.3)
Long-term loans	110,693,530	450,965,441	47,370,176	191,612,362
Staff loans	276,969	1,128,372	-	-
Short-term loans	-	-	186,760	755,444
Total loans and advances to customers – principal	**110,970,499**	**452,093,813**	**47,556,936**	**192,367,806**
Accrued interest receivable	140,150	570,971	30,576	123,680
Loans and advances to customers - gross	**111,110,649**	**452,664,784**	**47,587,512**	**192,491,486**
Allowance for ECLs	(1,798,998)	(7,329,118)	(766,000)	(3,098,470)
Loans and advances to customers - net	**109,311,651**	**445,335,666**	**46,821,512**	**189,393,016**

Breakdown of allowance for ECLs on loans and advances to customers is as follows:

	31 December 2021		31 December 2020	
	US$	KHR'000 equivalent (Note 2.3)	US$	KHR'000 equivalent (Note 2.3)
Stage 1	1,798,998	7,329,118	766,000	3,098,470
Stage 2	-	-	-	-
Stage 3	-	-	-	-
Total	**1,798,998**	**7,329,118**	**766,000**	**3,098,470**

Additional analysis of loans and advances to customers is as follows:

(i) Staging of gross loan portfolio

	31 December 2021		31 December 2020	
	US$	KHR'000 equivalent (Note 2.3)	US$	KHR'000 equivalent (Note 2.3)
Stage 1	111,110,649	452,664,784	47,587,512	192,491,486
Stage 2	-	-	-	-
Stage 3	-	-	-	-
Total	**111,110,649**	**452,664,784**	**47,587,512**	**192,491,486**

(ii) Refer to Note 27.2 on Credit risk for analysis of loan quality.

(iii) Refer to Note 27.2 on Credit risk for analysis of loans by maturity, type, currency, security, residency, relationship, and exposure

(iv) By interest rate (annum):

	2021	2020
Interest rate per annum	2.00% - 7.50%	2.00%

9. OTHER ASSETS

	31 December 2021		31 December 2020	
	US$	KHR'000 equivalent (Note 2.3)	US$	KHR'000 equivalent (Note 2.3)
Advances and prepayments	44,986	183,273	69,107	279,538
Others	8,469	34,503	7,352	29,738
	53,455	**217,776**	**76,459**	**309,276**

10. INTANGIBLE ASSETS

	2021			
	Computer software	Other intangible assets	Software in progress	Total
	US$	US$	US$	US$
Cost				
As at 1 January 2021	461,000	276,600	-	737,600
Additions	80,000	231,200	4,994	316,194
Transfer	276,600	(276,600)	-	-
At 31 December 2021	**817,600**	**231,200**	**4,994**	**1,053,794**
Accumulated amortization				
As at 1 January 2021	30,784	-	-	30,784
Charge during the year	115,054	-	774	115,828
As at 31 December 2021	**145,838**	**-**	**774**	**146,612**
Net book value				
As at 31 December 2021	**671,762**	**231,200**	**4,220**	**907,182**
KHR'000 equivalent (Note 2.3)	**2,736,758**	**941,909**	**17,192**	**3,695,859**

	2020		
	Computer software	Software in progress	Total
	US$	US$	US$
Cost			
Additions	461,000	276,600	737,600
Accumulated amortization			
Charge during the year	30,784	-	30,784
Net book value			
As at 31 December	**430,216**	**276,600**	**706,816**
In KHR'000 equivalent (Note 2.3)	**1,740,224**	**1,118,847**	**2,859,071**

11. PROPERTY AND EQUIPMENT

	2021				
	Leasehold improvements	Equipment	Computer equipment	Motor vehicles	Total
	US$	US$	US$	US$	US$
Cost					
As at 1 January	838,140	44,278	522,656	140,810	1,545,884
Additions	-	-	169,080	-	169,080
As at 31 December	**838,140**	**44,278**	**691,736**	**140,810**	**1,714,964**
Accumulated depreciation					
As at 1 January	215,245	6,239	105,061	20,461	347,006
Charge during the year	279,143	11,054	201,922	28,252	520,371
As at 31 December	**494,388**	**17,293**	**306,983**	**48,713**	**867,377**
Net book value					
As at 31 December	**343,752**	**26,985**	**384,753**	**92,097**	**847,587**
In KHR'000 equivalent (Note 2.3)	**1,400,446**	**109,937**	**1,567,483**	**375,203**	**3,453,069**

	2020				
	Leasehold improvements	Equipment	Computer equipment	Motor vehicles	Total
Cost	US$	US$	US$	US$	US$
Additions	838,140	44,278	522,656	140,810	1,545,884
Accumulated depreciations					
Charge during the period	215,245	6,239	105,061	20,461	347,006
Net book value					
As at 31 December 2020	**622,895**	**38,039**	**417,595**	**120,349**	**1,198,878**
In KHR'000 equivalent (Note 2.3)	**2,519,610**	**153,868**	**1,689,172**	**486,812**	**4,849,462**

Leasehold improvements include capitalized expenditures of US$778,140 or KHR'0003,112,560 contributed by MEF (Note 19) during the initial period from 13 January to 31 December 2020.

12. LEASES

Right-of-use asset

The Bank entered into a lease contract for office premise used in its operations with a lease term of three years.

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

	Right-of-use asset			
	2021		2020	
	US$	KHR'000 equivalent (Note 2.3)	US$	KHR'000 equivalent (Note 2.3)
At the beginning of year/period	246,923	998,804	-	-
Addition	-	-	336,713	1,372,779
Charge during the year	(134,685)	(547,899)	(89,790)	(366,074)
Exchange difference on translation	-	6,353	-	(7,901)
At the end of year/period	**112,238**	**457,258**	**246,923**	**998,804**

	Lease liability			
	2021		2020	
	US$	KHR'000 equivalent (Note 2.3)	US$	KHR'000 equivalent (Note 2.3)
At the beginning of year/period	220,321	891,198	-	-
Addition	-	-	336,713	1,372,779
Accretion of interest	6,031	24,534	3,608	14,710
Payments	(129,075)	(525,077)	(90,000)	(366,930)
Payment on behalf by MEF	-	-	(30,000)	(122,310)
Exchange difference on translation	-	5,651	-	(7,051)
At the end of year/period	**97,277**	**396,306**	**220,321**	**891,198**
Current and non-current portion				
Current	97,277	396,306	123,044	497,713
Non-current	-	-	97,277	393,485
	97,277	**396,306**	**220,321**	**891,198**
Maturity analysis - contractual undiscounted cash flows				
Less than one year	110,250	449,159	118,050	477,512
One to five years	-	-	110,250	445,961
Total undiscounted lease liability	**110,250**	**449,159**	**228,300**	**923,473**

The following amounts were recognized in profit or loss:

	2021		2020	
	US$	KHR'000 equivalent (Note 2.3)	US$	KHR'000 equivalent (Note 2.3)
Depreciation of right-of-use asset	134,685	547,899	89,790	366,074
Accreted interest on lease liability	6,031	24,534	3,608	14,710
Total lease expenses	**140,716**	**572,433**	**93,398**	**380,784**

13. STATUTORY DEPOSIT

	31 December 2021		31 December 2020	
	US$	KHR'000 equivalent (Note 2.3)	US$	KHR'000 equivalent (Note 2.3)
Reserve requirement				
US$	2,946	12,002	989	4,001
KHR	20,000	81,480	5,000	20,225
	22,946	**93,482**	**5,989**	**24,226**

Reserve requirement

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

Capital guarantee

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

14. INCOME TAX

(i) Income tax liability

	2021		2020	
	US$	KHR'000 equivalent (Note 2.3)	US$	KHR'000 equivalent (Note 2.3)
As at 1 January	7,194	29,100	-	-
Income tax expense	22,535	91,672	13,859	56,503
Income tax paid	(19,840)	(80,888)	(6,665)	(27,173)
Exchange difference on translation	-	404	-	(230)
As at 31 December	**9,889**	**40,288**	**7,194**	**29,100**

(ii) Income tax expense

	For the year ended 31 December 2021		For the initial period from 13 January to 31 December 2020	
	US$	KHR'000 equivalent (Note 2.3)	US$	KHR'000 equivalent (Note 2.3)
Income tax expense	**22,535**	**91,672**	**13,859**	**56,503**

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

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

	For the year ended 31 December 2021		For the initial period from 13 January to 31 December 2020	
	US$	KHR'000 equivalent (Note 2.3)	US$	KHR'000 equivalent (Note 2.3)
Profit before tax	(1,667,817)	(6,784,680)	(1,387,591)	(5,657,208)
Income tax at statutory rate of 20%	(333,563)	(1,356,936)	(277,518)	(1,131,442)
Non-deductible expenses	7,303	29,711	109,069	444,676
Unrecognized tax loss	-	-	63,040	257,014
Unrecognized deferred tax	326,260	1,327,225	105,409	429,752
Minimum tax	22,535	91,672	13,859	56,503
Income tax expense	**22,535**	**91,672**	**13,859**	**56,503**

(iii) Tax loss carried forward

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

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

Tax loss is subject to assessment by GDT and may not be utilized due to the criteria mentioned above.

The details of the unused tax loss for the year are as follows:

Originating Year	Can be utilized up to	Tax loss amount	Utilized	Forfeited	Unutilized as at 31 December 2021
		US$	US$	US$	US$
2020	2025	315,201	-	-	315.201
KHR'000 (Note 2)		**315.201**	**-**	**-**	**315.201**

(iv) Deferred tax assets

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

	2021		2020	
	US$	KHR'000 equivalent (Note 2.3)	US$	KHR'000 equivalent (Note 2.3)
Deferred tax assets (liability)				
Lease liabilities under CIFRS 16	19,455	79,261	44,064	178,240
ROU under CIFRS 16	(22,448)	(91,452)	(49,385)	(199,761)
ECLs under CIFRS 9	359,800	1,465,824	153,200	619,694
Provision for seniority indemnity	-	-	5,605	22,670
Unrealized exchange (loss)/gain	37,117	151,213	(33,112)	(133,937)
Tax loss carried forward	63,040	256,826	63,040	254,997
Property and equipment	37,745	153,772	(14,963)	(60,527)
Deferred tax assets – net	**494,709**	**2,015,444**	**168,449**	**681,376**

15. DEPOSITS FROM OTHER FINANCIAL INSTITUTIONS

These are non-interest-bearing demand deposits from other financial institutions.

16. DEPOSITS FROM CUSTOMERS

Deposits from customers comprise:

	2021		2020	
	US$	KHR'000 equivalent (Note 2.3)	US$	KHR'000 equivalent (Note 2.3)
Demand deposits	488,405	1,989,762	7,317	29,597
Savings deposits	6,591	26,852	2,285	9,243
Time deposits	9,692	39,485	-	-
Interest payable	292	1,190	-	-
	504,980	**2,057,289**	**9,602**	**38,840**

Further analyses of deposits from customers are as follows:

(i) Interest rates

Savings deposits and term deposits from other banks bear interest as follows:

	2021	2020
Savings dieposits	0.80%	0.80%
Term deposits	3.70% - 4.00%	Not applicable

(ii) Maturity analysis

Refer to Note 27.4 on Liquidity risk.

(iii) Type of customers

	2021		2020	
	US$	KHR'000 equivalent (Note 2.3)	US$	KHR'000 equivalent (Note 2.3)
Domestic corporations	430,065	1,752,085	-	-
Individuals	74,915	305,204	9,602	38,840
	504,980	**2,057,289**	**9,602**	**38,840**

17. OTHER LIABILITES

	31 December 2021		31 December 2020	
	US$	KHR'000 equivalent (Note 2.3)	US$	KHR'000 equivalent (Note 2.3)
Account payables	292,074	1,189,909	396,426	1,603,544
Accrued expenses	52,804	215,123	26,321	106,469
Accrued severance pays	15,836	64,516	28,023	113,353
Withholding tax payable	8,793	35,823	10,147	41,045
	369,507	**1,505,371**	**460,917**	**1,864,411**

18. SHARE CAPITAL

	31 December 2021		31 December 2020	
	US$	KHR'000 equivalent (Note 2.3)	US$	KHR'000 equivalent (Note 2.3)
Registered, issued and fully paid ordinary shares of US$250 each	**150,000,000**	**600,000,000**	**100,000,000**	**400,000,000**

On 11 October 2021, the Bank obtained approval from the NBC for the increase of US$ 50,000,000 to share capital. The additional capital was paid up on 31 July 2021.The amendment of the Bank's memorandum and articles of association was endorsed by the Ministry of Commerce on 24 December 2021.

19. CONTRIBUTIONS FROM MEF

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

20. REGULATORY RESERVE

The movements in regulatory reserve are as follows

	2021		2020	
	US$	KHR'000 equivalent (Note 2.3)	US$	KHR'000 equivalent (Note 2.3)
Balance as at 1 January	37,042	151,020	-	-
Transfer from/to regulatory reserve	(37,042)	(151,020)	37,042	151,020
Balance as at 31 December	**-**	**-**	**37,042**	**151,020**

21. NET INTEREST INCOME

	For the year ended 31 December 2021		For the initial period from 13 January to 31 December 2020	
	US$	KHR'000 equivalent (Note 2.3)	US$	KHR'000 equivalent (Note 2.3)
Interest income				
Loans and advances to customers	1,311,872	5,336,695	314,152	1,280,798
Balances with the NBC and other banks	870,646	3,541,788	574,065	2,340,463
	2,182,518	**8,878,483**	**888,217**	**3,621,261**
Interest expense				
Customer deposits	350	1,424	8	33
Lease liabilities (Note 12)	6,031	24,534	3,608	14,709
	6,381	**25,958**	**3,616**	**14,742**
Net interest income	**2,176,137**	**8,852,525**	**884,601**	**3,606,519**

22. PERSONNEL EXPENSES

	For the year ended 31 December 2021		For the initial period from 13 January to 31 December 2020	
	US$	KHR'000 equivalent (Note 2.3)	US$	KHR'000 equivalent (Note 2.3)
Salaries and bonuses	1,241,941	5,052,216	1,004,594	4,095,730
Other staff related costs	24,704	100,496	63,962	260,773
	1,266,645	**5,152,712**	**1,068,556**	**4,356,503**

23. OTHER OPERATING EXPENSES

	For the year ended 31 December 2021		For the initial period from 13 January to 31 December 2020	
	US$	KHR'000 equivalent (Note 2.3)	US$	KHR'000 equivalent (Note 2.3)
Repairs and IT maintenance	206,551	840,249	5,333	21,743
Professional services	140,478	571,465	2,500	10,193
Office supplies	60,657	246,753	28,606	116,627
License and membership fee	44,701	181,844	41,141	167,732
Advertising	39,158	159,295	320,695	1,307,474
Other tax	30,967	125,974	101,412	413,457
Utilities	24,935	101,436	12,834	52,324
Communication	20,822	84,704	33,464	136,433
Business meal and entertainment	15,032	61,150	3,720	15,166
Security	15,092	61,394	11,109	45,291
Insurance	12,613	51,310	10,594	43,192
Transportation	9,072	36,905	4,847	19,761
Others	7,138	29,036	22,044	89,872
	627,216	**2,551,515**	**598,299**	**2,439,265**

24. RELATED PARTY TRANSACTIONS AND BALANCES

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

	For the year ended 31 December 2021		For the initial period from 13 January to 31 December 2020	
	US$	KHR'000 equivalent (Note 2.3)	US$	KHR'000 equivalent (Note 2.3)
MEF				
Proceed from capital injection	50,000,000	200,000,000	100,000,000	400,000,000
Contributions	-	-	1,308,082	5,232,328
Key management compensation				
Key management compensation	492,047	2,001,647	394,223	1,603,699

25. COMMITMENT AND CONTINGENCY

25.1 Credit commitment

There was no credit commitment as at the end of reporting period.

25.2 Tax contingency

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

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

26. MATURITY PROFILE OF ASSETS AND LIABILITIES

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

	31 December 2021			31 December 2020		
	Within one year	Beyond one year	Total	Within one year	Beyond one year	Total
	US$	US$	US$	US$	US$	US$
Financial assets						
Cash on hand	384,731	-	384,731	364,390	-	364,390
Balances with the NBC	31,570,769	-	31,570,769	18,059,471	-	18,059,471
Balances with other banks	6,003,213	-	6,003,213	33,127,919	-	33,127,919
Loans and advances to customers	126,410	110,984,239	111,110,649	186,877	47,400,635	47,587,512
Other assets	2,163	-	2,163	38,550	-	38,550
	38,087,286	**110,984,239**	**149,071,525**	**51,777,207**	**47,400,635**	**99,177,842**
Non-financial assets						
Other assets	51,292	-	51,292	37,909	-	37,909
Statutory deposit	-	22,946	22,946	-	5,989	5,989
Property and equipment	-	847,587	847,587	-	1,198,878	1,198,878
Right-of-use asset	-	112,238	112,238	-	246,923	246,923
Intangible assets	-	907,182	907,182	-	706,816	706,816
	51,292	**1,889,953**	**1,941,245**	**37,909**	**2,158,606**	**2,196,515**
Total financial and non-financial assets			**151,012,770**			**101,374,357**
Allowance for ECLs			(1,798,998)			(766,000)
Total assets			**149,213,772**			**100,608,357**
In KHR'000 equivalent (Note 2.3)			**607,896,907**			**406,960,805**
Financial liabilities						
Deposits from other financial institutions	15,839	-	15,839	3,691	-	3,691
Deposits from customers	504,980	-	504,980	9,602	-	9,602
Lease liability	97,277	-	97,277	123,044	97,277	220,321
Other liabilities	369,507	-	369,507	460,917	-	460,917
	987,603	**-**	**987,603**	**597,254**	**97,277**	**694,531**
Non-financial liabilities						
Other liabilities	-	-	-	-	-	-
Income tax liability	9,889	-	9,889	7,194	-	7,194
	9,889	**-**	**9,889**	**7,194**	**-**	**7,194**
Total liabilities	**997,492**	**-**	**997,492**	**604,448**	**97,277**	**701,725**
In KHR'000 equivalent (Note 2.3)			**4,063,782**			**2,838,478**

27. FINANCIAL RISK MANAGEMENT

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

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

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

Risk management functional and governance structure

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

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

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

27.1 Operational risk

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

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

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

27.2 Credit risk

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

(a) Credit risk measurement

The Bank assesses the probability of default of individual counterparties using internal rating tool. Local credit committee is responsible for determining the risk rating policies. Risk ratings are reviewed and updated regularly, and in events of (i) change of loan terms and conditions including extension; (ii) repayment irregularities or delinquencies and (iii) adverse information relating to the borrower or transaction.

(b) Risk limit control and mitigation policies

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

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

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security in the form of collateral for loans and advances to customers, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types to secure for loans and advances to customers are:

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

(c) Management of credit risk

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

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

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

	31 December 2021		31 December 2020	
	US$	KHR'000 equivalent (Note 2.3)	US$	KHR'000 equivalent (Note 2.3)
On-balance sheet financial assets				
Balances with the NBC	31,570,769	128,619,313	18,059,471	73,050,560
Balances with other banks	6,003,213	24,457,090	33,127,919	134,002,432
Loans and advances to customers, gross	111,110,649	452,664,784	47,587,512	192,491,486
Other assets	53,455	217,776	76,459	309,276
Total credit exposure	**148,738,086**	**605,958,963**	**98,851,361**	**399,853,754**

(e) Concentration of risk

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographic location.

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

	31 December 2021		31 December 2020	
	US$	KHR'000 equivalent (Note 2.3)	US$	KHR'000 equivalent (Note 2.3)
By maturity:				
Within 1 month	-	-	-	-
1 to 3 months	-	-	-	-
3 to 12 months	126,410	514,994	186,877	755,917
1 to 3 years	3,065,446	12,488,627	694,119	2,807,711
3 to 5 years	22,822,129	92,977,354	6,633,271	26,831,581
Over 5 years	85,096,664	346,683,809	40,073,245	162,096,277
	111,110,649	**452,664,784**	**47,587,512**	**192,491,486**
By security:				
Secured	196,529	800,659	-	-
Unsecured	110,914,120	451,864,125	47,587,512	192,491,486
	111,110,649	**452,664,784**	**47,587,512**	**192,491,486**

	31 December 2021		31 December 2020	
	US$	KHR'000 equivalent (Note 2.3)	US$	KHR'000 equivalent (Note 2.3)
By economic sector:				
Financial Institutions	106,172,280	432,545,869	47,587,512	192,491,486
Manufacturing	1,145,560	4,667,011	-	-
Wholesale trade	901,694	3,673,501	-	-
Utilities	875,331	3,566,098	-	-
Other Non-Financial Services	837,188	3,410,704	-	-
Construction	25,000	101,850	-	-
Hotel and tourism	230,223	937,929	-	-
Retail trade	151,031	615,300	-	-
Information media and telecommunication	495,241	2,017,612	-	-
Personal loans	277,101	1,128,910	-	-
	111,110,649	**452,664,784**	**47,587,512**	**192,491,486**
By currency:				
US dollar	99,696,653	406,164,164	43,343,402	175,324,061
Khmer riel	11,413,996	46,500,620	4,244,110	17,167,425
	111,110,649	**452,664,784**	**47,587,512**	**192,491,486**
By residency:				
Residents	**111,110,649**	**452,664,784**	**47,587,512**	**192,491,486**
By relationship:				
External customers	110,833,548	451,535,875	47,587,512	192,491,486
Staffs	277,101	1,128,909	-	-
	111,110,649	**452,664,784**	**47,587,512**	**192,491,486**
By exposure:				
Large exposures	43,798,875	178,436,617	30,137,431	121,905,908
Non-large exposures	67,311,774	274,228,167	17,450,081	70,585,578
Total	**111,110,649**	**452,664,784**	**47,587,512**	**192,491,486**
Interest rates (per annum)	**2.00% - 7.50%**		**2.00%**	

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

	Stage 1	Stage 2	Stage 3	Total
	31 December 2021			
	US$	US$	US$	US$
Balances with the NBC – gross	31,570,769	-	-	31,570,769
Balances with other banks - gross	6,003,213	-	-	6,003,213
Loans and advances to customers - gross	111,110,649	-	-	111,110,649
Other assets	2,163	-	-	2,163
	148,686,794	-	-	**148,686,794**
Allowance for ECLs	(1,798,998)	-	-	(1,798,998)
	146,887,796	-	-	**146,887,796**
In KHR'000 equivalent (Note 2.3)	**598,420,881**	-	-	**598,420,881**
	31 December 2020			
Balances with the NBC – gross	18,059,471	-	-	18,059,471
Balances with other banks - gross	33,127,919	-	-	33,127,919
Loans and advances to customers - gross	47,587,512	-	-	47,587,512
Other assets	38,550	-	-	38,550
	80,753,981	-	-	**80,753,981**
Allowance for ECLs	(766,000)	-	-	(766,000)
	79,987,981	-	-	**79,987,981**
In KHR'000 equivalent (Note 2.3)	**323,551,383**	-	-	**323,551,383**

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

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

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

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

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

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

(iii Stage 3: Lifetime ECL – credit-impaired

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

(iv) Incorporation of forward-looking information

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

External information considered includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Bank operates, supranational organizations such as the International Monetary Fund, and selected private-sector and academic forecasters.

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

(f) Repossessed collateral

During the year, the Bank did not repossess any collateral held as security.

27.3 Market risk

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

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

(i) Foreign exchange risk

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

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

(ii) Price risk

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

(iii) Interest rate risk

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

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

27.4 Liquidity risk

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

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

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

Analysis of financial assets and financial liabilities by contractual maturity

	31 December 2021							
	On demand	Up to 1 month	> 1 – 3months	> 3 – 12 months	> 1 – 3years	> 3 – 5years	Over 5years	Total
	US$	US$	US$	US$	US$	US$	US$	US$
Financial assets								
Cash on hand	384,731	-	-	-	-	-	-	384,731
Balances with the NBC	31,570,769	-	-	-	-	-	-	31,570,769
Balances with other banks	6,003,213	-	-	-	-	-	-	6,003,213
Loans and advances to customers	-	-	-	126,410	3,065,446	22,822,129	85,096,664	111,110,649
Other assets	2,163	-	-	-	-	-	-	2,163
	37,960,876	**-**	**-**	**126,410**	**3,065,446**	**22,822,129**	**85,096,664**	**149,071,525**
Financial liabilities								
Deposits from customers	494,995	-	-	9,985	-	-	-	504,980
Deposits from other banks	15,839	-	-	-	-	-	-	15,839
Lease liability	-	-	21,520	75,757	-	-	-	97,277
Other liabilities	369,507	-	-	-	-	-	-	369,507
	880,341	**-**	**21,520**	**85,742**	**-**	**-**	**-**	**987,603**
Maturity gap	**37,080,535**	-	**(21,520)**	**40,668**	**3,065,446**	**22,822,129**	**85,096,664**	**148,083,922**
In KHR'000 equivalent (Note 2.3)	**151,066,100**	-	**(87,672)**	**165,681**	**12,488,627**	**92,977,354**	**346,683,809**	**603,293,899**

	31 December 2020							
	On demand	Up to 1 month	> 1 - 3months	> 3 - 12 months	> 1 - 3years	> 3 - 5years	Over 5years	Total
	US$	US$	US$	US$	US$	US$	US$	US$
Financial assets								
Cash on hand	364,390	-	-	-	-	-	-	364,390
Balances with the NBC	18,059,471	-	-	-	-	-	-	18,059,471
Balances with other banks	33,127,919	-	-	-	-	-	-	33,127,919
Loans and advances to customers - gross	-	-	-	186,877	694,119	6,633,271	40,073,245	47,587,512
Other assets	38,550	-	-	-	-	-	-	38,550
	51,590,330	**-**	**-**	**186,877**	**694,119**	**6,633,271**	**40,073,245**	**99,177,842**
Financial liabilities								
Deposits from other banks	3,691	-	-	-	-	-	-	3,691
Deposits from customers	9,602	-	-	-	-	-	-	9,602
Lease liability	-	-	20,799	102,245	97,277	-	-	220,321
Other liabilities	460,917	-	-	-	-	-	-	460,917
	474,210	**-**	**20,799**	**102,245**	**97,277**	**-**	**-**	**694,531**
Maturity gap	**51,116,120**	**-**	**(20,799)**	**84,632**	**596,842**	**6,633,271**	**40,073,245**	**98,483,311**
In KHR'000 equivalent (Note 2.3)	**206,764,705**	**-**	**(84,132)**	**342,336**	**2,414,226**	**26,831,581**	**162,096,277**	**398,364,993**

27.5 Fair value of financial assets and liabilities

Fair value represents the amount at which an asset could be exchanged or a liability settled on an arms-length basis. As verifiable market prices are not available, market prices are not available for a significant proportion of the Bank's financial assets and liabilities. The fair value of the Bank's financial assets and liabilities such as cash on hand, balances with the NBC, balances with other banks, other assets, deposits from other financial institutions, deposits from customers, and other liabilities are not materially sensitive to shifts in market profit rate because of the limited-term to maturity of these instruments. In making this assessment, the management also assumes that loans and advances are mainly held to maturity with fair values equal to the book value of loans adjusted for allowance for loan losses, if any.

In the opinion of the management, the carrying amounts of the financial assets and liabilities included in the statement of financial position are a reasonable estimation of their fair values (Level 3).

28. EVENTS AFTER REPORTING PERIOD

With the coronavirus outbreak, many countries have required entities to limit or suspend business operations and implemented travel restrictions and quarantine measures. These measures and policies have significantly disrupted (or are expected to disrupt) the activities of many entities. The condition of the coronavirus outbreak has continued to evolve beyond 31 December 2021. Amid the outbreak, Cambodia is among those affected countries that signify economic slowdown due to the global recession.

Based on management's assessment forward-looking to 2022, the impact of the potential disease outbreak could be minimal due to the availability of loan protection measures in controlling credit risks of the portfolio. Management will continuously pay attention to the formation of COVID-19 in Cambodia, operations of its loans and advances to customers, as well as their ability to service debts.

Other than as disclosed elsewhere in these financial statements, at the date of this report, there were no events that occurred subsequent to 31 December 2021 that had a significant impact on the financial position of the Bank as of 31 December 2021.

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