

ANNUAL REPORT

2021

Investing In The Future

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CORPORATE PROFILE

Status:

Commercial Bank

Ownership Structure:

State 10%, Private enterprise and Individual 90%.

Registered Capital:

- US\$38.5 million on 19 Jun 2011
- US\$75 million on 13 Jan 2017
- US\$ 79.5 Million on 07 Feb 2019

Bank's Licenses:

- No. 16 dated 04 Jan 2001
- No. B 11 dated 05 Oct 2015

Commercial Registration:

- No. Co. 8835M/2006 dated 21 Jun 2006

1979

FTB Establishment

Operated as a department under National Bank of Cambodia

1999

Privatization

FTB was authorized to conduct autonomous business operations with equal status to other commercial bank.

2000

State-owned Commercial Bank

FTB was changed legal status to state-owned commercial bank

2002

Shareholder Transferring

National Bank of Cambodia (NBC) has transferred 80% shares to Ministry of Economic and Finance (MEF). NBC remaining hold 20% shares.

2005

Commercial bank

Joint venture between state and private enterprises. Canadia Bank Plc., ING Holding and MEF.

2009

Canadia Bank Plc reduced share

Canadia Bank Plc. sold 30.78% share to Individual Shareholders

2011

Canadia Bank Plc. Sold final share

Canadia Bank Plc. Sold 15.22% share to individual shareholders.

2015

Reduced share of ING Holding

ING Holding sold 33% to Individual shareholder.

SHAREHOLDERS

Name of Shareholder	Number of Shares	%	Amount in USD
Lok Oknha MAK Kim Hong	26,235	33	26,235,000
Mrs. KIM Tiek	18,285	23	18,285,000
Mrs. CHHAY Kimbuoy	18,285	23	18,285,000
ING Holding Co.,Ltd	8,745	11	8,745,000
Ministry of Economy & Finance	7,950	10	7,950,000
Total	79,500	100	79,500,000

VISION, MISSION, AND CORE VALUES

ABOUT FTB

First commercial bank in Cambodia,
a truly local bank trusted since 1979.

1979

Establishment of Foreign Trade
Bank of Cambodia, 42 years of
sustainable growth

16

Total Branches

524

Total Employees

VISION, MISSION AND CORE VALUES



VISION

To be the preferred commercial bank in Cambodia



MISSION

- To provide innovative banking products and services.
 - To deliver timely and convenient solutions which are responsive to our customers' needs in order to grow together.
 - To operate in a socially and environmentally responsible manner.
-



CORE VALUES

Foreign Trade Bank of Cambodia's values are the operating philosophies and principles that guide our staff's internal conduct and relationship with our customers, partners and other stakeholders. Our values are the guiding principles of our decision making.



Confidentiality:

We conduct business professionally and protect our customer information.



Result Oriented:

We focus on the outcome and deliver results and add value to our customers and stakeholders.



Team Work:

We collaborate, respect, and work together to succeed.



Reliability:

We concentrate on consistency in the quality of every job/task. We take ownership and responsibility for what we do.



Integrity:

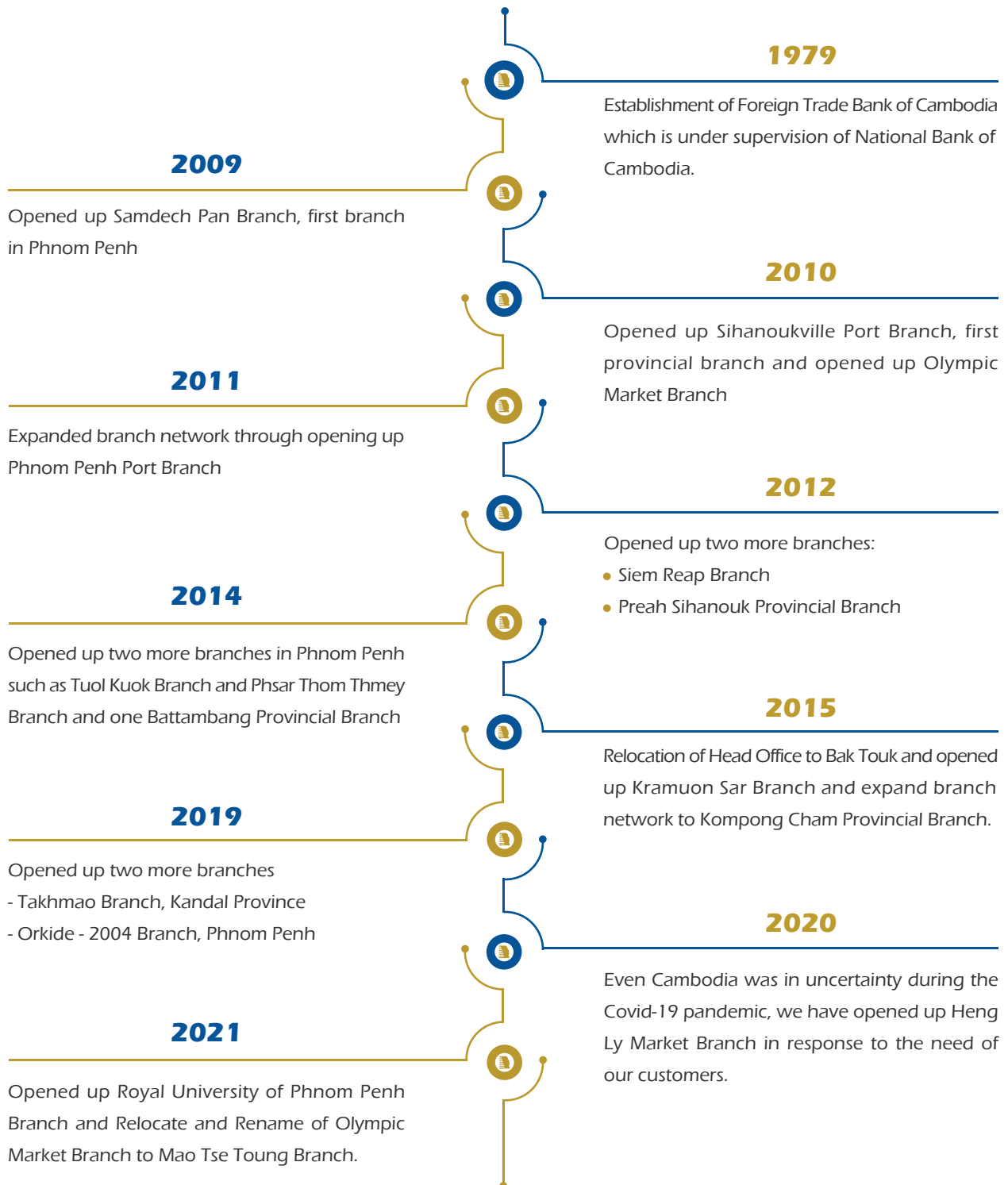
We display the highest personal and ethical standard, at all levels.



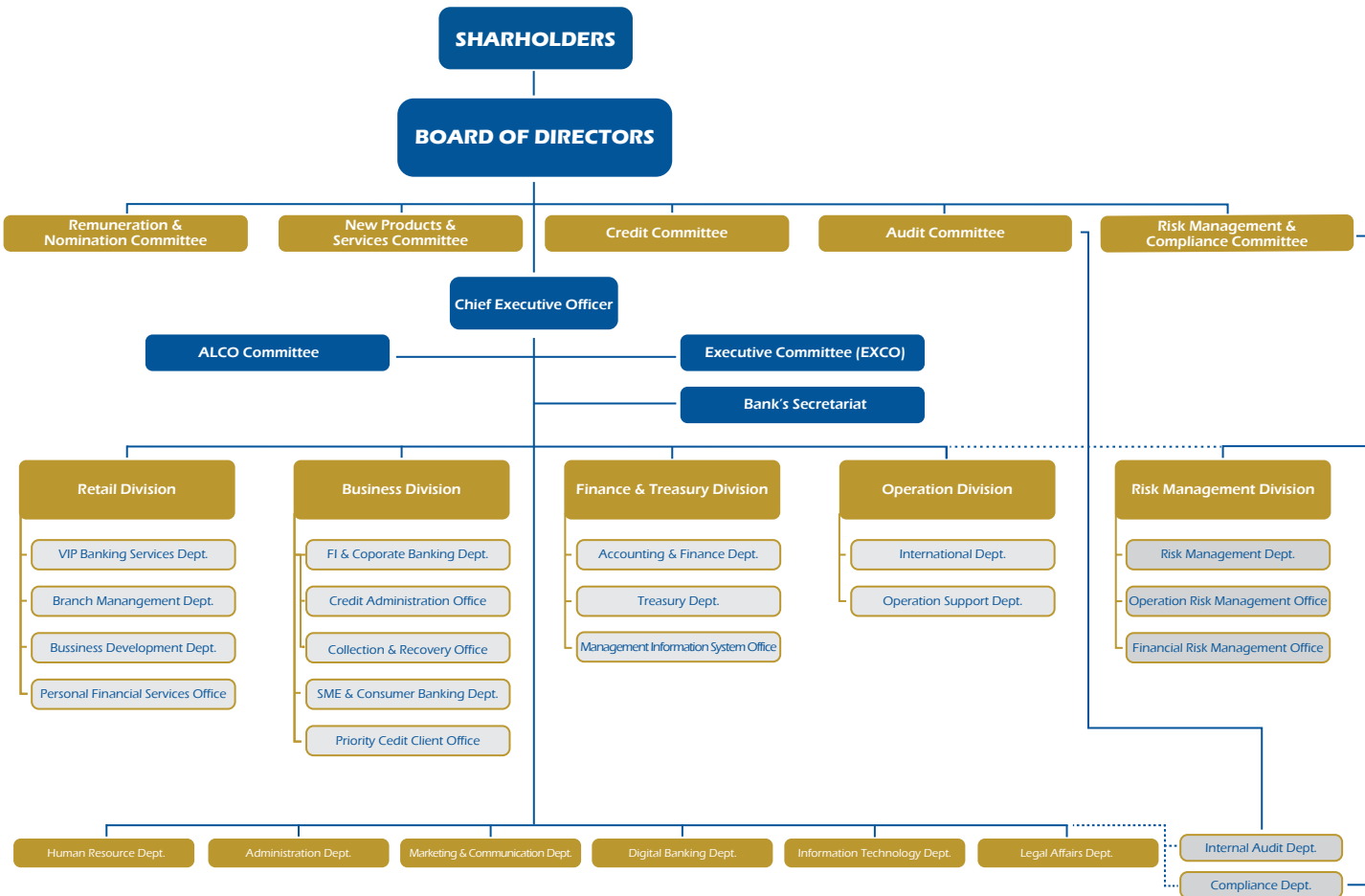
Trust:

We are trustworthy and committed to quality, competence, truth and fair dealing.

A BRIEF HISTORY OF FTB'S PROGRESS



ORGANIZATIONAL CHART



FINANCIAL HIGHLIGHTS

Summary of the balance sheet (US Dollar)

	2021	2020
Total assets	1,711,841,127	1,513,527,901
Loans and advances to customers - net	1,149,024,261	1,011,984,545
Other assets	562,816,866	501,543,356
Total liabilities	1,531,247,863	1,353,851,895
Deposits	1,477,084,849	1,292,075,391
Other liabilities	54,163,014	61,776,504
Total shareholders' equity	180,593,264	159,676,006
Share capital	79,500,000	79,500,000
Reserved and retained earnings	101,093,264	80,176,006

Summary of the income statement (US Dollar)

Interest income	99,200,888	91,276,301
Interest expense	55,264,339	54,330,055
Net interest income	43,936,549	36,946,246
Fee and commission income	1,360,220	2,772,873
Other operating expenses	16,383,925	16,118,835
(Reversals)/impairment losses on financial instruments	4,385,550	5,548,596
Profit before income tax	26,313,601	23,253,103
Net profit for the year	20,917,258	19,761,685

Key Ratios

Return on capital	26.31%	24.86%
Return on assets	1.22%	1.30%
Return on shareholders' equity	11.58%	12.38%
Solvency ratio	18.41%	18.78%
Liquidity coverage ratio	147.83%	113.04%
Interest income to total assets	5.79%	6.03%
Total loans (gross) to total deposits	78.07%	77.15%
Non-performing loans ratio	0.44%	1.31%
Growth in interest income	8.68%	20.78%
Growth in total deposits	14.32%	-0.35%
Growth in total loans (gross)	12.52%	13.95%
Growth in shareholders' equity	13.10%	14.12%
Growth in total assets	13.10%	1.64%

FINANCIAL HIGHLIGHT 2021

ASSET
IN MILLION13 %
▲

Growth from 2020

2021
1,7122020
1,5142019
1,489

PHYSICAL EXPANSION 2021

BRANCH

1

Growth from 2020

2019
142020
152021
16EQUITY
IN MILLION14 %
▲

Growth from 2020

2021
1812020
1602019
140

ATM

3

Growth from 2020

2019
542020
662021
69LOAN
IN MILLION13 %
▲

Growth from 2020

2021
1,1532020
1,0222019
899

STAFF

34

Growth from 2020

2019
4332020
4902021
524DEPOSIT
IN MILLION14 %
▲

Growth from 2020

2021
1,4772020
1,2922019
1,297NUMBER OF
CARDS
IN THOUSAND

2

Growth from 2020

2019
362020
362021
38

PRODUCTS AND SERVICES

FOREIGN TRADE BANK OF CAMBODIA PRODUCTS AND SERVICES



Deposits



Safe Deposit Box



Tax Payment Services



VIP Banking



Bill Payment Services



Payroll Service



Mobile Banking App



Debit & Prepaid Card



Internet Banking



QR Scan



ATM & POS Services



Trade Finance



Foreign Exchange



Loans



Bank Guarantee



Letter of Credit



Fund Transfers



Currency Swap

INTERBANK PAYMENT



Easy Cash



Bakong App



FAST Payment



Retail Pay



Cambodia Share Switch (CSS)

CORRESPONDENT BANKS

No.	Country of Correspondent Bank	Name and Address Bank	Currency
01	CHINA	BANK OF CHINA (SHANGHAI RMB TRADING UNIT) SHANGHAI, CHINA Swift Code: BKCHCNBJ500 A/C No. 433861149292	CNY
02	UNITED KINGDOM	STANDARD CHARTERED BANK 37 Gracechurch St., LONDON EC3V, UNITED KINGDOM Swift Code: SCBLGB2L A/C No. 01-7022166-01	GBP
03	FRANCE	NATIXIS 221 Bld. Haussmann 75427-PARIS - Cedex-09 FRANCE Swift Code: NATXFRPP A/C No. 300079999906126068000	USD/EUR
04	KOREA	KOOKMIN BANK, HEAD OFFICE SEOUL KOREA Swift Code: CZNBRKSE A/C No. 836-8-USD-01-0	USD
05	KOREA	KEB HANA BANK (FORMERLY KOREA EXCHANGE BANK) Swift Code: KOEXKRSE A/C No. 0963THR051230019	USD
06	KOREA	Woori Bank SEOUL KOREA Swift Code: HVBKKRSE A/C No. 300009886811	USD
07	SINGAPORE	STANDARD CHARTERED BANK SINGAPORE Swift Code: SCBLSG22 A/C No. 77.0.001775.2	USD
08	THAILAND	BANGKOK BANK PUBLIC COMPANY LIMITED BANGKOK, THAILAND Swift Code: BKKBTHBK A/C No. 555-293-008-0	USD
09	THAILAND	SIAM COMMERCIAL BANK PLC BANGKOK, THAILAND Swift Code: SICOTHBK A/C No. 111-3-00231-1	THB
10	USA	STANDARD CHARTERED BANK NEW YORK, USA Swift Code: SCBLUS33 A/C No. 3582.062596.001	USD
11	VIETNAM	JOINT STOCK COMMERCIAL BANK FOR FOREIGN TRADE OF VIETNAM HANOI, VIETNAM Swift Code: BFTVNVX A/C No. 0681370007155	USD
12	VIETNAM	BANK FOR INVESTMENT AND DEVELOPMENT OF VIETNAM (BIDV) 18th FL BIDV Tower, 35 Hang Voi Street, HANOI, VIETNAM Swift Code: BIDVNVX A/C No. 99010370000199	USD

CHAIRMAN'S MESSAGE



On behalf of the shareholders and being a Chairman of the Board of Directors of Foreign Trade Bank of Cambodia (FTB), I am pleased to present the Annual Report 2021. Covid-19, in 2021, continued spreading around the world, and led to a multiple lockdown in our country. This also impacted many businesses; however, with the most effective actions taken quickly, the Royal Government of Cambodia's efforts fighting against Covid-19 has boosted the business and market activities to resume as normal from the fourth quarter of 2021. Likewise, FTB has been very careful in its efforts to prevent the spread of this pandemic and has continued to strengthen its business base for sustainable growth in order to achieve its long-term vision.

I am proud of how FTB responded to the challenges during that unprecedented time and were able

to achieve remarkable results. With the support and guidance of the Board of Directors, the bank's executive management members resolved and made efforts to implement the work actively, carefully and attentively in dealing with the actual circumstance. We strived to maintain the quality of service and support our customers, and also prioritize the well-being of our employees, customers and our community by taking precaution actions and timely deploying our Business Continuing Plan to ensure effective responses to any challenges caused by this pandemic.

For 2021, we opened Mao Tse Toung branch and flagged a number of new locations for future branch network expansion. We achieved impressive growth in assets, credit and profits. Meanwhile, we continue to enhance our governance and risk management process. We have fully complied with the regulatory

requirements from the National Bank of Cambodia and prudently managed our capital and liquidity to sustain our operations.

I would like to thank the executive management members, who demonstrated the ability to lead and adapt to the unpredictable and unnerving event of 2021, and the employees for working tirelessly and for their contribution to the achievement of the long-term success for our bank. The professional level and hard work of every employee are the pride of the Foreign Trade Bank of Cambodia. I would also like to express my sincere gratitude to the shareholders for their support and patience during these tumultuous times.

Finally, I would like to thank all the customers for their

loyalty and trust in FTB. I would like to express my gratitude to the National Bank of Cambodia and all relevant institutions for their continuous support and trust. We will continue to move cautiously in the coming year, and the Board is confident that FTB will continue to emerge even stronger and more successful.

Yours sincerely,



Roth Savuth

Chairman

CEO'S MESSAGE



The year 2021 may be one of the most challenging years for the global and domestic economy. The health crisis and the economic challenges caused by Covid-19 required more efforts and an appropriate response to overcome. The Cambodian market was uncertain in the first semester of 2021, but the effective responses taken by relevant authorities boosted economic and market activities to resume to normal, especially from the fourth quarter of 2021, which was a significant positive sign for the business environment in the coming years.

In an uncertainty business environment due to Covid-19 pandemic, Foreign Trade Bank of Cambodia (FTB) identified a number of key priorities, including improving customer service, keeping our employees healthy and safe, and proactive risk management that may impact the bank's operations, as well as being prepared to

seize opportunities that may arise when the market gradually begins to improve. The guidance of the Board of Directors, as well as the diligent and professional contribution from our employees, were the key motivating factors that helped FTB overcome all the challenges in 2021 and achieved healthy growth and resilience.

Although Covid-19, in 2021, brought some setbacks, FTB continued to expand its branch network and promoted the development of digital banking aiming to continue providing the best customer experience in line with long term plan. Priorities for modernization of technology and digital banking have been evolving as planned, and mobile banking updates with diversified functions will be officially launched in 2022. Various National Bank of Cambodia's digital projects that the Bank achieved and some are ongoing

including Bakong Project, which FTB is a founding member, the promotion of interbank payments, the implementation of KHQR projects for local and international payments, CSS, Retail Pay and so on. In addition, FTB also provided loans to Small and Medium Enterprises through the SME Bank's Co-financing scheme, and participated in the Business Recovery Guarantee Scheme (BRGS) offered by Credit Guarantee Corporation of Cambodia (CGCC) of Ministry of Economy and Finance to provide credit guarantee scheme in order to support business and economic recovery during the Covid-19 crisis.

Furthermore, FTB in accordance with the Prakas of the National Bank of Cambodia offered loan restructuring to some customers impacted by Covid-19.

Being the first local commercial bank operated since 1979 and based on financial strength, FTB, in 2022 and in the coming years, will continue to pursue its long-term strategic plan and defined vision by building competitive capabilities, enhancing the quality of customer service, continuing to build human resource capacity, prudent risk management, and continuing to further invest in digitalization, and to expand business foundation. I would like to take this opportunity to thank our customers, business

partners, National Bank of Cambodia and all relevant institutions who always support and trust in FTB. I would like to express my special thanks and deep gratitude to the shareholders and the Board of Directors for their continued encouragement, support and guidances that have helped all the management and staff to be actively involved together in the process of growing the business in a healthy and sustainable manner during the challenging period of Covid-19 crisis. Last but not least, I would like to express my deep gratitude to all the management members and staff who have cooperated and united well in performing their duties diligently to achieve great results for 2021.

Yours sincerely,



Dith Sochal

Chief Executive Officer

CORPORATE GOVERNANCE

The Board of Directors and management of FTB are committed to fulfill the responsibilities toward our shareholders and are devoted to leadership in corporate governance. To ensure the focus on creating long term shareholder values, we have designed the corporate governance policies and practices to meet the applicable legal requirements, and continuously monitor all proposed new rules to modify our policies and practicable to meet the additional requirements. An overview of our corporate governance structure is set out below.

BOARD OF DIRECTORS

FTB is led by the Board of Directors who are appointed by the shareholders to act on their behalf. The Board of Directors are responsible for the supervision and management of business affairs and situation of the bank on behalf of the shareholders in compliance with the Articles of Association and the Law on Commercial Enterprises. The Board of Directors consists of seven members as at 31st December 2021.



Mr. Roth Savuth
Chairman



Mr. Gui Anvanith
Vice-Chairman



Mr. Dith Sochal
Chief Executive Officer and Board Member



Oknha Lim Bunsour
Board Member



H.E. Chou Vannak
Board Member



Mrs. Sok Chan Sona
Independent Board Member



Mr. Ly Tayseng
Independent Board Member

COMMITTEES UNDER BOARD LEVEL

CREDIT COMMITTEE

The Credit Committee is established to oversee, direct, and review the management of credit risk of the loan portfolio of FTB. The Committee is composed of 5 members:

- | | |
|-------------------------------|-----------|
| 1. Mrs. Sok Chan Sona | Chairman |
| 2. Mr. Gui Anvanith | Member |
| 3. Mr. Dith Sochal | Member |
| 4. Mr. Mean Channarith | Member |
| 5. Mr. Ok Seiha | Member |
| 6. Mr. Chea San | Secretary |

RISK MANAGEMENT AND COMPLIANCE COMMITTEE

The purpose of the committee is to assist the Board in its review of the risk management principles, policies, strategies, processes and controls in relation to business, market, operational, reputational risk management and make recommendations where appropriate. The Risk Management and Compliance Committee is composed of 7 members:

- | | |
|---|----------------------|
| 1. Mr. Ly Tayseng | Chairman |
| 2. Mr. Gui Anvanith | Member |
| 3. Mr. Dith Sochal | Member |
| 4. H.E. Chou Vannak | Member |
| 5. Ms. Nuon Borany | Member |
| 6. Head of Compliance Department | Member |
| 7. Mrs. Yorn Sithan | Member and Secretary |

AUDIT COMMITTEE

The Audit Committee is responsible for ensuring the compliance with legal and regulatory requirements, and assessing the relevance of the accounting methods used to prepare the individual and consolidated accounts, if any. It reviews and assesses the quality of the internal control procedures, in particular whether the systems for measuring, monitoring and controlling risk are consistent, and recommends further actions where appropriate. The Committee is composed of 4 members:

- | | |
|-------------------------------|----------------------|
| 1. Mr. Roth Savuth | Chairman |
| 2. Mr. Ok Seiha | Member |
| 3. Mrs. Chea Samrach | Member |
| 4. Mrs. Vicheth Dalina | Member and Secretary |

REMUNERATION AND NOMINATION COMMITTEE

Remuneration and Nomination Committee is established by the Board of Directors to provide independent advices on matters pertaining to the nomination and remuneration of Board members, members of key executive committee, and the Senior Management team of the bank as well as the remuneration schemes for the staff of the bank. The committee also ensures that the remuneration policy is aligned with the Bank's long term strategy and its core values. The Committee is composed of 5 members:

- | | |
|-------------------------------|----------------------|
| 1. Mr. Roth Savuth | Chairman |
| 2. Mr. Ly Tayseng | Member |
| 3. Mr. Mean Channarith | Member |
| 4. Mrs. Vicheth Dalina | Member |
| 5. Mr. Pich Rathpiseth | Member and Secretary |

NEW PRODUCTS AND SERVICES COMMITTEE

The New Products and Services Committee is responsible for making decisions regarding new products, extensions of existing products, and prioritization of approved ideas for the product launch. The decisions should include considerations around branding, thought leadership/innovation, market demand and available resources. In addition, the Committee is responsible for ensuring that an effective and efficient governance process of the new product is in place and functioning.

The Committee is composed of 7 members:

- | | |
|--|----------------------|
| 1. Mr. Gui Anvanith | Chairman |
| 2. Oknha Lim Bunsour | Member |
| 3. Mr. Dith Sochal | Member |
| 4. Ms. Nuon Borany | Member |
| 5. Head of Retail Banking Division | Member |
| 6. Head of Marketing and Communication Department | Member |
| 7. Mr. Soi Sathya | Member and Secretary |

COMMITTEES UNDER EXECUTIVE LEVEL

EXECUTIVE COMMITTEE (EXCO)

The Executive Committee is established to ensure that the Bank's operations are in accordance with its strategies, policies and regulations. The Committee is empowered to administer and manage the Bank's business, and perform tasks assigned by the Board of Directors, with an aim to accomplish the Bank's vision and be in alignment with the Bank's mission, as well as to promote management practices that are in compliance with the Bank's core values.

The Committee is composed as following members:

- | | |
|-----------------------------------|-----------|
| 1. Mr. Dith Sochal | Chairman |
| 2. Ms. Nuon Borany | Member |
| 3. Mr. Mean Channarith | Member |
| 4. Mr. Ok Seiha | Member |
| 5. All Head of Divisions | Member |
| 6. All Head of Departments | Member |
| 7. Secretary to CEO | Secretary |

ASSETS & LIABILITIES COMMITTEE (ALCO)

The ALCO Committee is established to provide the framework to strategically manage FTB's overall short-term and long-term assets and liabilities. The committee is composed as following members:

- | | |
|--|----------------------|
| 1. Mr. Dith Sochal | Chairman |
| 2. Ms. Nuon Borany | Member |
| 3. Mr. Mean Channarith | Member |
| 4. Mr. Ok Seiha | Member |
| 5. Mr. Chea San | Member |
| 6. Mr. Sann Men | Member |
| 7. Mr. Pou Vannal | Member |
| 8. Head of Operation Support Department | Member |
| 9. Head of Retail Banking Division | Member |
| 10. Mrs. Sok Vuochlang | Member and Secretary |

IT GOVERNANCE RISK MANAGEMENT COMMITTEES

The principal roles of the Committees are to ensure that bank has wide and versatile qualifications and experience on IT governance in order to promote financial service sustainability.

IT STRATEGY COMMITTEE

1. Chief Executive Officer
2. Chief Operation Officer
3. Chief Finance Officer
4. Chief Business Officer
5. Head, Information Technology Department
6. Head, Digital Banking Department

IT STEERING COMMITTEE

1. Chief Business Officer
2. Head, Information Technology Department
3. Head, Legal Affairs Department
4. Head, Human Resource Department
5. Head, Branch Management Department
6. Head, Risk Management Department
7. Head, Digital Banking Department

IT RISK MANAGEMENT COMMITTEE

1. Head, Risk Management Department
2. Head, Information Technology Department
3. IT Security Manager
4. Representative, Operation Division
5. Representative, Finance and Treasury Division

COMPLIANCE WITH LAWS AND REGULATIONS

- The Implementation of the new Chart of Account of the National Bank of Cambodia, Prakas No. B7.02.219 Prokor
- Liquidity Coverage Ratio- Prakas-B7-015-349 Prokor
- New Capital requirement, Prakas No. B7-38-193
- Net Worth, Prakas No. B7-010-182 Prokor
- The Banks' Solvency Ratio, Prakas No. B7-00-46, No. B7-04-206, B7-07-135, and B7-012-185
- Assets Classification and Provisioning, Prakas No. B7-09-074
- Fixed Assets, Prakas No. B7-01-186
- Net Open Position in Foreign Currency, Prakas No. B7-07-134
- Large Exposures, Prakas No. B7-06-226
- Loans to Related Parties, Prakas No. B7-01-137, B7-02-146 Prokor
- Maintenance of Minimum Reserve Requirement. Prakas No. B7-09-075 Prokor
- Prepaid Prepayments on Rental and Leases, Prakas No. B7-04-037
- Prakas on Credit Risk Grading and Impairment Provision, Prakas No. B7-017-344 Prokor
- Prakas on Khmer Riel Loan of Banking and Financial Institution, Prakas No. B7-016-334
- Prakas on Resolution on Consumer Complaints, Prakas No. B7-017-299 Prokor
- Prakas on Liquidity Risk Management Framework for Banking and Financial Institution, Prakas No. B7-017-301 Prokor
- Prakas on External Audit of Banking and Financial Institutions, Prakas No. B7-017-335 Prokor
- Prakas on Capital Buffer in Banking and Financial Institutions, Prakas No. B7-018-068 Pro Kor
- Circulation Implementation on Prakas on Credit Risk Grading and Impairment Provision Circular No. B7-018-001 Sor.Ro.Cho.Nor
- Prakas on Official Launch on the usage of Bakong Rule & Procedures, Prakas No. B14-020-349 Prokor
- Prakas on Reserved Requirement on Deposits and Loans of Banking and Financial Institution, Prakas No. B7-020-230 Prokor
- Prakas on Credit Reporting, Prakas No. B7-020-352 Prokor
- Prakas on Condition for Bancassurance Business of Banks and Financial Institutions, Prakas No. B7-021-105 Prokor
- Prakas on using SOFR instead of LIBOR, Prakas No. B5-021-288 Prokor

SIGNIFICANT ACHIEVEMENTS

CREDIT

In 2021, Covid-19 continues to spread throughout the Kingdom and it caused an obstacle to high growth of the economy, however, the bank continues to keep growing of its credit to boost the economy of our country and help our clients who impacted by Covid-19, and this practice is in line with the National Bank of Cambodia's Prakas. The bank has achieved its credit growth by 13.5%, with a total loan amount of US \$1,153 million. The growth of its loan portfolio is generated from owner-occupied housing loans, construction, real estate activities, agricultural, wholesale trade, financial institutions, utilities, and personal loan.

TRADE FINANCE

As the first commercial bank in Cambodia offering trade finance service in the Kingdom of Cambodia, FTB's Trade Finance service remains stable in 2021 compared to 2020. FTB had worked closely with both government and private sectors to provide outstanding services to anticipate customer's needs, and we have participated in significant trade finance projects and selected as a leading guarantor in the Kingdom. FTB has been supporting the infrastructure construction, agriculture (rice export), tourism, which are parts of contribution to the growth of Cambodia's Economy.

INTERNATIONAL REMITTANCE AND FINANCE INSTITUTIONS

International remittance plays a very important role to the growth of the Bank. Due to the Covid-19 pandemic, our inward-outward remittance has remained stable in 2021 compared to 2020. FTB has complied with KYC standards and other regulations, and as part of AML/CFT procedures, FTB has performed World Check and implemented filtering system to screen all inward-outward transactions. Besides International remittance services, FTB has been keeping good relationship with customers, local financial institutions, correspondent banks and local partners, and further expansion to increase numbers of our correspondent bank both in region and worldwide.

DIGITAL BANKING SERVICE

MOBILE AND INTERNET BANKING APPLICATION

We strongly believe that the advancements in digital technology will enable us to provide a better customer experience, while the bank foresees on reducing the expense and data collection that allowing our bank to study, analyze, understand customer needs, and the market trend. These will help us to design and develop products and services to meet market needs from customer's perspective.

As part of the digital evolution, the Bank has considered improving our mobile and internet banking services through the development of its functions and additional features, meanwhile ensuring information security and safety to our customers. In fact, we have announced the pilot test of FTB Mobile and Internet Banking Application to our employees in early November 2021 to experience the new functions and features before launching officially to customer. In order to serve our customer and letting them aware of FTB's corporate brand identity, the bank has replaced "MohaBot" by "FTB Mobile".

"MohaBot" is card-based function, whereas "FTB Mobile" expands its capabilities by offering addition options that allows customers to register via their saving or current accounts. This additional option will enable us to provide a wider range of services as the number of customers using the account more than the number of customers using cards and the use of digital banking application will become the core element of bank account usage due to the varieties features of FTB Mobile have fulfilled the customer's daily needs. For example, fund transfers within the local or overseas bank as well as payment services to merchants, etc.

VISA DEBIT CARD AND CASHCARD

Although mobile banking offers a vital role in the payments sector for customers, card payments remain an indispensable option due to the presence of existing payment infrastructure. Card payments fill the gap where digital banking applications are incapable such as cross-border payments to overseas online merchants or direct payments at overseas stores. Our debit and prepaid card (CashCard) are payment tool offered by VISA, international institutions offer almost unlimited worldwide payments.

We continue to issue these cards to our customers, and customers can use these cards with our digital banking software to make payments easier and wider usage. Despite the Covid-19 outbreak, the card issuance continues increase significantly. Moreover, the use of cards has also increased for local payment which is a significant change from the past trend where customers mostly use cards when traveling abroad or pay by online only.

BAKONG, CSS, RETAIL PAY, AND SCAN QR

The National Bank of Cambodia has defined a strategic direction in order to promote the financial inclusion in the Cambodia to all generations. This strategy reflects the development of Baking systems and application, retail payment and other systems. This eco-payment system also enable banks and member institutions to provide financial services to their customers throughout the country, such as fund transfers between banks or financial institutions to bank account users, phone numbers, e-wallet, or scan QR for payment to merchants.

As FTB is member bank in eco-payment systems, we have integrated these functions into our mobile and internet banking applications, and customers can use all of these functions according to their payment needs; for example, customers, mobile banking user, can transfer their money almost unlimited on the purchase of goods or services, and merchants also receive payment settlement for their goods and services from these payment function devices.

BRANCH EXPANSION

Despite the uncertain situation caused by Covid-19 pandemic, the Bank, in 2021, continues to expand its branch network to get closer to the customers, and the Royal University of Phnom Penh Branch was opened to serve our existing and potential customers. The opening of new branch, located at the campus of the Royal University of Phnom Penh, aiming to provide convenient access with friendly and helpful staff. In addition to branch expansion, renovation to the existing branches have been performed as part of its routine physical branch management practice, while the quality of customer service has been improved to be in line with one of its mission to deliver timely and convenient solutions which are responsive to our customer's need in order to grow together.

ATM NETWORK EXPANSION

In line with the National Bank of Cambodia's strategic direction and responding to customer's need, FTB has embedded withdrawal, balance inquiry, and fund transfer from Cambodia Share Switch (CSS) Card to its ATM in order to provide convenience to both its customers and other banks' customers. These functions' UAT were completed and approved by the National Bank of Cambodia in November 2021. This service will be officially launched in the near future.

Branch's ATM and Strategic Partners: FTB has expanded its ATM network in branches, public places and its strategic business partners' building premise aiming of providing banking services to both its partner employees and customers. Our ATMs accept all types of VISA card which is determined by the issuer bank, FTB's VISA debit and CashCard card.

NEW SERVICE OFFERING

Another successful step in the milestone of Foreign Trade Bank of Cambodia is the establishment of new payment service that the bank has partnered with Royal Government of Cambodia, represented by the Ministry of Economy and Finance to sign on Memorandum of Understanding (MOU) between the Ministry of Economy and Finance and FTB on the collection of revenue on behalf of General Department of Customs and Excise of Cambodia and General Department of Taxation. Customers can pay all kinds of taxes at any FTB counters in Phnom Penh and provinces.

RISK PREVENTION MEASURES DURING COVID-19

The Risk Management and Compliance Committee has been established to review of the risk management policies, business continuity plan, strategies, processes and controls in relation to business, market, operational, reputation risk management and makes recommendation where appropriate. The business contingency plan plays a critical role during Covid-19 pandemic in helping the Bank to minimize financial loss; continue to serve customers and financial market participants; and mitigate the negative effects that can have on the Bank's strategic plans, reputation, operations, liquidity, credit quality, market position, and ability to remain in compliance with applicable laws and regulations.

PREVENTIVE ACTIONS TAKEN DURING 2021 IN RESPONSE TO COVID-19:

- Premise routine cleaning
- Temperature screening (staff, visitors and customers...)
- Self-hygienic enforcement and personal health monitoring
- Respiratory & public etiquette
- Mandatory sick leave and self-disclosure
- Information handling (sensitive internal info).
- Social & office distancing
- Split operation and alternative site
- Visitors' Restricted Access
- Encourage staffs to get Covid-19 Vaccination

SPECIFIC MEASURES FOR STAFF WITH HIGH RISK EXPOSURES:

- Remote work (work from home mode): Some functions can be performed on a "Remote work"/"Work from-home" basis to ensure that the functions remain operational while minimizing social contacts that can potentially lead to transmissions.
- Leadership team established to assess, monitor and proactively deal with evolving covid-19 situation.
- Reinforce all staffs to stay at home and reduce external movement where necessary.



SUSTAINABILITY STATEMENT

FTB manages Environmental and Social Risks associated with the provision of financial services to its customers and with impacts from its day to day operations. We recognize that the Bank's major E&S exposures are within its lending and investment, our goal to lead by example will be demonstrated by communities in which we operate. We expect that integrating these consideration in our business will enable us to achieve our strategic objectives, developmental goal of the Cambodian government and respond to the needs of the Cambodian people while ensuring a sustainable return on investment for our shareholders.

ESMS - ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM

- Environmental and Social risk management policies and procedure in place
- Integration of ESRM in credit process is undergoing
- ESRM Coordinator Function under Risks management
- Responsibilities report and ESRM transparency is on annual report

ADOPTION OF CAMBODIAN SUSTAINABLE FINANCE PRINCIPLES

FTB has signed to voluntarily adopt the nine Cambodian Sustainable Finance Principles introduced by Association of Banks in Cambodia (ABC). FTB has also contributed to leadership of ABC Sustainable Finance Committee since 2019 until now. Recently, the Bank also participated in the signing ceremony of the Memorandum of Understanding on "Promoting Sustainable Finance with the Business Sector in Cambodia" on 27 August 2020.



FINANCIAL INCLUSION AND DIGITAL BANKING

FTB Mobile Banking App and Internet Banking enhancement, Prepaid Visa Card with Contactless technology and secured payment with 3DS, and ATM network expansion, Virtual Card, Scan to Pay, QR scanning, Bill Payment and Cash By Code are all part of our digital banking.

Access to Finance Project (AFD): FTB has been lending to small sized water entrepreneurs and electrification entrepreneurs with more than 45 operators at a concessional rate, long term up to 10 years, and required almost non-property collaterals. The project had benefited over 75 thousands families who live in rural area and they are able to access to reliable clean water and electricity to improve their basic needs of living. **26**

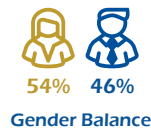
RESOURCE EFFICIENCY

FTB has commitments to improve resource efficiency through various sustainable ways including saving and reducing the usage of utility, paper, toilet paper, and plastic.

CARBON EMISSION

FTB commits to avoid financing of activities that contribute significantly to the emission of greenhouse gases.

E&S FOOTPRINT REPORT



SUPPLIERS AND CONTRACTORS

We integrate E&S value in dealing with vendors and supplier/contractors by including in our procurement process, particularly the impact assessment criteria into the selection and pre-qualification process including health & safety concerns, waste management, environmental certificate (if required), information on human right abuses, workforce, and adverse media on past performance.

CORPORATE SOCIAL RESPONSIBILITY

In line with one of the FTB's missions to operate in socially and environmentally responsible manner, we will continue playing a crucial role as the first commercial bank in Cambodia and active contributor to the sustainable development of the country in order to make positive impact to our community. As CSR has been embedded into its mission, FTB has annually sponsored and donated fund, both in cash and in kind to Cambodian Red Cross, Royal University of Phnom Penh (RUPP)'s Charity Events, Kuntha Bopha Children's Hospital etc.

In 2021, the Bank continues to support social activities and donated in cash and in kind like alcohol, and facial masks to Government Bodies, Hospitals, Universities and Humanitarian Organizations etc. During the outbreak of Covid-19, most of our communities has been impacted, FTB offered food and funds to the monks who live at Wat Rithy Sovannaram also known as Wat Ta Meas. Another new aspect in addition to the social activities, FTB participated in the "Tree Planting and Clean City Event" via Association of Banks in Cambodia (ABC). The event took place in Bokor City, Kampot Province and the donation Khmer traditional instruments including Chapei dong veng and Khmer Harp (Pin) to the Royal University of Fine Arts for students' daily study. In addition to its efforts, FTB Bank, through the Association of Banks in Cambodia, has contributed the fund for Covid-19 Vaccination in order to maintain public health and communities' safety.

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors (“BOD”) of Foreign Trade Bank of Cambodia (“the Bank”) is pleased to present its report and the Bank’s financial statements as at 31 December 2021 and for the year then ended.

THE BANK

The Bank was originally established following sub-decree No. 1213 dated 10 October 1979 under the former regime of the State of Cambodia. In 2000, the Bank was separated from the direct management of the National Bank of Cambodia (“NBC” or “the Central Bank”). The Bank is recognized as a public limited company by the Ministry of Commerce (“MOC”) under the registration number Co.8835 M/2006 dated 21 June 2006.

The Bank holds a commercial banking license from NBC that was renewed for an indefinite period on 21 December 2006.

The principal activities of the Bank consist of the provision of various types of banking and related financial services in the Kingdom of Cambodia.

The registered office of the Bank is located at No.33C-D Tchecoslovaquie Blvd., Sangkat Veal Vong, Khan 7 Makkara, Phnom Penh, the Kingdom of Cambodia.

FINANCIAL RESULTS

The Bank’s financial performance for the year ended 31 December 2021 are set out in the statement of comprehensive income.

DIVIDENDS

No dividend was declared or paid and the Directors do not recommend any dividend to be paid for the year under audit.

SHARE CAPITAL

There was no movement in the registered and issued share capital during the year.

RESERVES AND PROVISIONS

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

EXPECTED CREDIT LOSSES FOR LOANS AND ADVANCES TO CUSTOMERS

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

At the date of this report and based on the best of knowledge, the BOD is not aware of any circumstances which would render the amount written off for bad loans and advances to customers 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 BOD took reasonable steps to ensure that any assets which were unlikely to be realized in the ordinary course of business at their value as shown in the accounting records of the Bank, had been written down to an amount which they are expected to be realized.

At the date of this report and based on the best of knowledge, the BOD 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 other than those already disclosed in the accompanying notes to the financial statements.

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there is:

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

No contingent or other liabilities of the Bank has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the period which, in the opinion of the BOD, will or may have a material effect on the ability of the Bank to meet its obligations as and when they become due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the BOD 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 in any material respect.

The results of the operations of the Bank for the reporting period were not, in the opinion of the BOD, 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 reporting period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the BOD, to affect substantially the results of the operations of the Bank for the current reporting period in which this report is made.

ITEMS OF UNUSUAL NATURE

The results of the operations of the Bank for the period were not, in the opinion of the BOD, materially affected by any items, transactions or events of a material and unusual nature. There has not arisen in the interval between the end of the year and the date of this report any items, transactions or events of a material and unusual nature likely, in the opinion of the BOD, to substantially affect the results of the operations of the Bank for the year in which this report is made other than those already disclosed in the accompanying notes to the financial statements.

EVENTS AFTER THE REPORTING PERIOD

There have been no significant events occurring during the period between the end of the reporting period and the date of authorisation of these financial statements, which would require adjustments or disclosures to be made in the financial statements.

THE BOARD OF DIRECTORS

The members of Board of Directors and Executive Management who served during the year and at the date of this report are:

Board of Directors

Mr. Roth Savuth	Chairman, Independent and Non-Executive Director
Mr. Gui Anvanith	Vice Chairman, Non-Executive Director and Non-Independent
Mr. Dith Sochal	Executive Director
Oknha Lim Bunsour	Non-Executive Director
H.E. Chou Vannak	Non-Executive Director
Ms. Sok Chansona	Independent and Non-Executive Director
Mr. Ly Tayseng	Independent and Non-Executive Director

Executive Management

Mr. Dith Sochal	Chief Executive Officer
Ms. Nuon Borany	Chief Operation Officer
Mr. Mean Channarith	Chief Business Officer
Mr. Ok Seiha	Chief Finance Officer

DIRECTORS' INTERESTS

No member of the BOD holds a direct interest in the equity of the Bank.

DIRECTORS' BENEFITS

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

No director of the Bank has received or become entitled to receive any benefit by reason of a contract made by the Bank or with a firm in which the director is a member, or with a company which the director has a material financial interest other than those disclosed in the financial statements.

STATEMENT OF THE BOD'S RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The BOD is responsible for ensuring that the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2021 and its financial performance and cash flows for the year ended 31 December 2021 in accordance with the Cambodian International Financial Reporting Standards ("CIFRSs").

The BOD oversees preparation of these financial statements by management who is required to:

- Adopt appropriate accounting policies which are supported by reasonable and prudent judgements and estimates and then apply them consistently;
- Comply with the disclosure requirements and guidelines issued by CIFRSs or, if there has been any departure in the interests of fair presentation, ensure this has been appropriately disclosed, explained and quantified in the financial statements;
- Maintain adequate accounting records and an effective system of internal controls;
- Prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Bank will continue operations in the foreseeable future; and
- Set overall policies for the Bank, ratify all decisions and actions by management that have a material effect on the operations and performance of the Bank, and ensure they have been properly reflected in the financial statements.

Management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Bank and to ensure that the accounting records comply with the registered accounting system. It is also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The BOD confirms that the Bank has complied with the above requirements 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 respective financial position of the Branch as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with CIFRSs.

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



Mr. Dith Sochal

Executive Director and Chief Executive Officer

Mr. Ok Seiha

Chief Finance Officer

Phnom Penh, Kingdom of Cambodia

30 March 2022

REPORT OF THE INDEPENDENT AUDITORS

TO: THE SHAREHOLDERS OF FOREIGN TRADE BANK OF CAMBODIA

We have audited the financial statements of Foreign Trade Bank of Cambodia (“the Bank”), which comprise the statement of financial position as at 31 December 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

We conducted our audit in accordance with Cambodian International Standards on Auditing (“CISAs”). Our responsibilities under those standards are further described in the 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.

OTHER MATTER

The financial statements of the Bank as at and for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on 29 March 2021.

OTHER INFORMATION

The other information obtained at the date of the auditor’s report comprises the Report of the Board of Directors as set out in pages 28 to 32. 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 report 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 in accordance with CIFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

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

Emmanuel A. Guelas

Partner



Ernst & Young (Cambodia) Ltd.

Certified Public Accountant

Registered Auditors

Phnom Penh, Kingdom of Cambodia

30 March 2022

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

NOTES		2021		2020	
		US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
As reclassified (Note 36)					
ASSETS					
Cash on hand	4	41,382,860	168,593,772	45,587,762	184,402,497
Balances with other banks and financial institutions	5	38,658,962	157,496,611	42,435,584	171,651,937
Balances with the National Bank of Cambodia ("NBC")	6	405,530,296	1,652,130,426	366,734,029	1,483,439,147
Loans and advances to customers	7	1,149,024,261	4,681,124,839	1,011,984,545	4,093,477,485
Other assets	8	2,207,518	8,993,430	2,368,111	9,579,009
Other investment	9	20,103,889	81,903,244	-	-
Foreclosed properties	10	28,690,723	116,886,006	32,796,742	132,662,821
Intangible assets	11	903,323	3,680,138	1,475,161	5,967,026
Property and equipment	12	16,172,520	65,886,846	7,038,322	28,470,012
Right-of-use assets	13	7,054,352	28,739,430	2,074,957	8,393,201
Deferred tax assets	21	2,112,423	8,606,011	1,032,688	4,177,223
TOTAL ASSETS		1,711,841,127	6,974,040,753	1,513,527,901	6,122,220,358
LIABILITIES AND SHAREHOLDERS' EQUITY					
LIABILITIES					
Deposits from customers	14	1,373,978,145	5,597,586,963	1,227,103,181	4,963,632,367
Deposits from other financial institutions	15	103,106,704	420,056,712	64,972,210	262,812,589
Borrowings	16	7,973,509	32,484,076	23,177,933	93,754,739
Subordinated debts	17	27,184,550	110,749,857	27,184,550	109,961,505
Lease liabilities	18	7,521,960	30,644,465	2,585,723	10,459,250
Other liabilities	19	2,281,316	9,294,082	2,402,403	9,717,719
Provision for employee benefits	20	3,003,828	12,237,595	2,913,459	11,784,942
Provision for off-balance sheet commitments	31	851,853	3,470,449	668,071	2,702,347
Income tax payable	21	5,345,998	21,779,596	2,844,365	11,505,456
TOTAL LIABILITIES		1,531,247,863	6,238,303,795	1,353,851,895	5,476,330,914
SHAREHOLDERS' EQUITY					
Share capital	22	79,500,000	318,000,000	79,500,000	318,000,000
Reserves	23	81,972,975	333,209,200	9,575,520	38,696,353
Retained earnings		19,120,289	76,799,680	70,600,486	286,221,120
		-	7,728,078	-	2,971,971
CUMULATIVE TRANSLATION DIFFERENCES		180,593,264	735,736,958	159,676,006	645,889,444
TOTAL SHAREHOLDERS' EQUITY		1,711,841,127	6,974,040,753	1,513,527,901	6,122,220,358

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

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	NOTES	2021		2020	
		US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
Operating income					
Interest income	24	99,200,888	403,549,212	91,276,301	372,133,479
Interest expense	25	(55,264,339)	(224,815,331)	(54,330,055)	(221,503,634)
Net interest income		43,936,549	178,733,881	36,946,246	150,629,845
Net fee and commission income	26	1,360,220	5,533,375	2,772,873	11,305,004
Other income	27	1,786,307	7,266,697	5,201,415	21,206,169
Total operating profit		47,083,076	191,533,953	44,920,534	183,141,018
Personnel expenses	28	(9,071,066)	(36,901,096)	(7,722,155)	(31,483,226)
Depreciation and amortisation	29	(2,980,707)	(12,125,516)	(2,813,155)	(11,469,233)
General and administrative expenses	30	(4,332,152)	(17,623,194)	(5,583,525)	(22,764,032)
Total operating expenses		(16,383,925)	(66,649,806)	(16,118,835)	(65,716,491)
Operating profit before impairment		30,699,151	124,884,147	28,801,699	117,424,527
Provision for expected credit losses	7	(4,385,550)	(17,840,417)	(5,548,596)	(22,621,626)
Profit before income tax		26,313,601	85,091,407	23,253,103	94,802,901
Income tax expense	21	(5,396,343)	(21,952,323)	(3,491,418)	(14,234,511)
Net profit for the year		20,917,258	85,091,407	19,761,685	80,568,390
Other comprehensive income (loss)					
Currency translation differences		-	4,756,107	-	(4,829,804)
Total comprehensive income for the year		20,917,258	89,847,514	19,761,685	75,738,586

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital		Non-distributable reserves		General reserves		Regulatory reserves		Retained earnings		Cumulative translation differences	Total	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
As at 1 January 2021	79,500,000	318,000,000	-	-	195,590	797,029	9,379,930	37,899,324	70,600,486	286,221,120	2,971,971	159,676,006	645,889,444
Transfers to non-distributable reserves (Note 23)	-	-	70,600,486	287,202,777	-	-	-	-	(70,600,486)	(287,202,777)	-	-	-
Transfers to regulatory reserves (Note 23)	-	-	-	-	-	-	1,796,969	7,310,070	(1,796,969)	(7,310,070)	-	-	-
Total comprehensive income	-	-	-	-	-	-	-	-	20,917,258	85,091,407	4,756,107	20,917,258	89,847,514
As at 31 December 2021	79,500,000	318,000,000	70,600,486	287,202,777	195,590	797,029	11,176,899	45,209,394	19,120,289	76,799,680	7,728,078	180,593,264	735,736,958
As at 1 January 2020	79,500,000	318,000,000	-	-	195,590	797,029	13,485,783	54,638,887	46,732,948	188,913,167	7,801,775	139,914,321	570,150,858
Transfers to regulatory reserves (Note 23)	-	-	-	-	-	-	(4,105,853)	(16,739,563)	4,105,853	16,739,563	-	-	-
Total comprehensive income	-	-	-	-	-	-	-	-	19,761,685	80,568,390	(4,829,804)	19,761,685	75,738,586
As at 31 December 2020	79,500,000	318,000,000	-	-	195,590	797,029	9,379,930	37,899,324	70,600,486	286,221,120	2,971,971	159,676,006	645,889,444

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

NOTES		2021		2020	
		US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
Profit before income tax		26,313,601	107,043,730	23,253,103	94,802,901
Adjustments for:					
- Depreciation	12, 13	2,350,730	9,562,770	2,207,643	9,000,560
- Amortization	11	629,977	2,562,746	605,512	2,468,672
Provision for expected credit losses	7	4,385,550	17,840,417	5,548,596	22,621,626
Loss on fixed asset write-off	12	9,468	38,515	-	-
Gain on the disposal of foreclosed properties	10	-	-	(3,024,773)	(12,332,000)
		33,689,326	137,048,178	28,590,081	116,561,759
Changes in working capital:					
Balances with other financial institutions		(4,211,690)	(17,133,155)	12,657,805	51,605,871
Balances with the National Bank of Cambodia ("NBC")		(7,953,606)	(32,355,269)	63,218,065	257,740,051
Loans and advances to customers		(141,257,499)	(574,635,506)	(125,728,966)	(512,596,993)
Other assets		56,704	230,672	91,238	371,977
Deposits from customers		146,874,964	597,487,354	(29,366,064)	(119,725,443)
Deposits from other financial institutions		38,134,495	155,131,126	25,340,182	103,311,922
Other liabilities		(121,087)	(492,582)	(778,303)	(3,173,141)
Provision for employee benefits		90,369	367,621	195,090	795,382
Cash provided by operations		65,301,976	265,648,439	(25,780,872)	(105,108,615)
Income tax paid	21	(3,974,445)	(16,168,042)	(5,878,712)	(23,967,509)
Net cash provided by (used in) operating activities		61,327,531	249,480,397	(31,659,584)	(129,076,124)

NOTES		2021		2020	
		US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
Cash flows from investing activities					
Acquisitions of:					
- Other investment	9	(20,000,000)	(81,360,000)	-	-
- Property and equipment	12	(6,416,089)	(26,100,649)	(1,059,024)	(4,317,641)
- Intangible assets	11	(58,139)	(236,509)	(195,429)	(796,764)
Proceeds from disposals of foreclosed properties	10	-	-	4,242,005	17,294,654
Net cash (used in) provided by investing activities		(26,474,228)	(107,697,158)	2,987,552	12,180,249
Cash flows from financing activities					
Repayments of:					
- Borrowings	16	(24,068,686)	(97,911,415)	(6,763,940)	(27,576,583)
- Principal portion of lease liabilities	18	(1,015,447)	(4,130,838)	(919,182)	(3,747,505)
Proceeds from borrowings	16	9,004,688	36,631,071	20,224,509	82,455,323
Net cash (used in) provided by financing activities		(16,079,445)	(65,411,182)	12,541,387	51,131,235
Net increase (decrease) in cash and cash equivalents		18,773,858	76,372,057	(16,130,645)	(65,764,640)
Cash and cash equivalents at beginning of the year		338,105,471	1,367,636,629	354,236,116	1,443,512,172
Exchange rate differences		(140,426)	(571,253)	-	-
Currency translation differences		-	9,916,858	-	(10,110,903)
Cash and cash equivalents at end of the year	5	356,738,903	1,453,354,291	338,105,471	1,367,636,629
Additional information on operational cash flows from interest:					
Interest received		99,724,516	405,679,329	89,020,251	362,935,564
Interest paid		52,963,387	215,455,057	54,376,598	221,693,391

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1. REPORTING ENTITY

The Bank was originally established following sub-decree No. 1213 dated 10 October 1979 under the former regime of the State of Cambodia. In 2000, the Bank was separated from the direct management of the National Bank of Cambodia (“NBC” or “the Central Bank”). The Bank is recognised as a public limited company by the Ministry of Commerce (“MOC”) under the registration number Co.8835 M/2006 dated 21 June 2006.

The Bank holds a commercial banking license from NBC that was renewed for an indefinite period on 21 December 2006.

The principal activities of the Bank consist of the provision of various types of banking and related financial services in the Kingdom of Cambodia.

The registered office of the Bank is located at No.33C-D Tchecoslovaquie Blvd., Sangkat Veal Vong, Khan 7 Makkara, Phnom Penh, the Kingdom of Cambodia.

As at 31 December 2021, the Bank had 524 employees (2020: 490 employees).

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 BASIS OF PREPARATION

Compliance with CIFRSs

The financial statements of the Bank have been prepared in accordance with CIFRSs and they have been prepared on a historical cost basis except for equity instrument that are measured at fair value. The Bank maintains records and prepares financial statements in Khmer riel (“KHR”), Thai Baht (“THB”) and United States dollar (“US\$”). Management has determined the US\$ to be the Bank’s measurement and presentation currency as it reflects the economic substance of the underlying events and circumstances of the Bank.

The preparation of financial statements in accordance with CIFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of incomes and expenses during the reporting period. It also requires management to exercise its judgement in the process of applying

the Bank's accounting policies. Although these estimates and judgements are based on the management's best knowledge of current event and actions, actual results ultimately may differ from those estimates.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3 to the financial statements.

Functional and presentation currency

CIAS 21, The Effects of Changes in Foreign Exchange Rates, 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.

Based on the economic substance of underlying circumstances relevant to the Bank, the functional currency of the Bank has been determined to be the US\$. The US\$ is the currency of the primary economic environment in which the Bank operates; and it is the currency that mainly influences the revenue and the expenses.

Translation of United States Dollar ("US\$") into Khmer Riel ("KHR")

The financial statements are presented in US\$ and KHR. Balance sheet items are translated at the closing rate as at the statement of financial position date while the items in the statements of comprehensive income and cash flows are translated into KHR using the average rate for the year. Exchange differences arising from the translation are recognized and accumulated in the cumulative translation differences presented under equity in the statement of financial position. The translation of the US\$ amounts into KHR is included solely for meeting the presentation requirement pursuant to the Law on Accounting and Auditing.

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

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

Presentation of financial statements

The Bank presents its statement of financial position in order of liquidity based on the Bank's intention and perceived ability to recover/settle the majority of assets/liabilities of the corresponding financial statement line item. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 35.

2.2 NEW AND AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS

The standards and amendments that are issued, but not yet effective, up to the date of issuance of the Branch's financial statements are disclosed below. These standards and amendments to CIFRSs issued but not yet

- 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
- AIP IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
- AIP IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
- AIP 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

2.3 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

2.3.1 RECOGNITION AND INITIAL MEASUREMENT

The Bank initially recognizes loans and advances, borrowings and subordinated liabilities on the date on which they are originated. All other financial the date on which the Bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit and loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue.

2.3.2 CLASSIFICATION

(i) Financial assets

On initial recognition, a financial asset is classified as measured at: amortized cost, fair value through other comprehensive income' ("FVOCI") or 'fair value through profit or loss' ("FVTPL").

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments for principal and interest ("SPPI").

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in 'other comprehensive income' ("OCI"). This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL

In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

(ii) Business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or 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.

(iii) Assessment of whether contractual cash flows are solely payments of principal and interest

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

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

In making the assessment, the Bank considers:

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

(iv) Non-recourse loans

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

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

(v) Reclassifications

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.

(vi) Derecognition

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 the statement of comprehensive income.

Financial liabilities

The Bank derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

(vii) Modifications of financial assets and financial liabilities

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 (see (iii)) 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.

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 the statement of comprehensive income. 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.

(viii) Offsetting

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

(ix) 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 the statement of comprehensive

income on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

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

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

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

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

(x) Impairment

The Bank recognizes loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

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

No impairment loss is recognized on equity investments.

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognized are referred to as 'Stage 1 financial instruments'.

Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognized but which are not credit-impaired are referred to as 'Stage 2 financial instruments'.

At each reporting date, the Bank assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECL.

The maximum period considered when estimating ECL is the maximum contractual period over which the Bank is exposed to credit risk.

Determining whether credit risk has increased significantly

The Bank assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower, and the geographical region.

The Bank considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days and 14 days past due for long term and short term asset, respectively. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

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

Definition of default

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

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realizing security (if any is held); or
- The Bank considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due for long-term facilities or more than 14 days past due for short-term facilities.

Measurement of ECL

ECL is a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows; and
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive.

Inputs, assumptions and techniques used for estimating impairment

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default ("PD");
- Loss given default ("LGD"); and
- Exposure at default ("EAD").

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortization. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EAD is potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Bank measures ECL considering the risk of default over the maximum contractual period (including any

borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

Restructured financial assets

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

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

Credit-impaired financial assets

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

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

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

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a long term or short term loan that is overdue for 91 days or 31 days, respectively or more is considered credit-impaired even when the regulatory definition of default is different.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position for financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets.

Write-off

Loans and advances are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'expected credit losses on financial instruments' in the statement of comprehensive income.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

2.4 CASH AND CASH EQUIVALENTS

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

Balances with other banks and financial institutions are carried at amortized cost in the statement of financial position.

2.5 STATUTORY DEPOSITS

Statutory deposits included in balances with the NBC are maintained in compliance with the Cambodian Law on Banking and Financial Institutions and are determined by the defined percentage of the minimum share capital and the customers' deposits as required by NBC.

2.6 LOANS AND ADVANCES TO CUSTOMERS

Loans and advances' captions in the statement of financial position include loans and advances measured at amortized cost; they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortized cost using the effective interest method.

2.7 OTHER ASSETS

Other assets are carried at amortized cost using the effective interest rate method in the statement of financial position.

2.8 OTHER INVESTMENT

Other investment is carried at amortized cost using the effective interest rate method in the statement of financial position.

2.9 FORECLOSED PROPERTIES

Foreclosed properties consisting of immovable properties are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

2.10 INTANGIBLE ASSETS

Intangible assets comprise acquired computer software licenses and related costs for the core banking system and other systems. They are stated at cost less accumulated amortisation and impairment loss. Acquired computer software licenses are capitalized on the basis of the cost incurred to acquire the specific software and bring it into use. These costs are amortised over their estimated useful lives of three to five years using the straight-line method.

Work in progress is not amortised until such time as the items are completed and put into operational use.

Costs incurred in planning or evaluating software proposals, or in maintaining systems after implementation, are not capitalised.

2.11 PROPERTY AND EQUIPMENT

2.11.1 RECOGNITION AND MEASUREMENT

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labor. For qualifying assets, borrowing costs are capitalized in accordance with the accounting policy on borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property and equipment. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

2.11.2 SUBSEQUENT COSTS

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of property and equipment and is recognized net within “other income” and “other expenses” respectively in the statement of comprehensive income.

The cost of replacing a component of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Bank, and its cost can be measured reliably. The carrying amount of the replaced component is derecognized to profit or loss. The costs of the day-to-day servicing of property and equipment are recognized in the statement of comprehensive income as incurred.

2.11.3 DEPRECIATION

The cost of replacing a component of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Bank, and its cost can be measured reliably. The carrying amount of the replaced component is derecognized to the statement of comprehensive income. The costs of the day-to-day servicing of property and equipment are recognized in the statement of comprehensive income as incurred.

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognized as an expense in profit or loss on a straight-line over the estimated useful lives of each component of an item of property and equipment. Work in progress is not depreciated until such time as the items are completed and put into operational use.

Depreciation is recognized from the date that the property and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives are as follows:

	YEARS
Buildings	20 years
Leasehold improvement	Shorter of lease period and its economic lives
Computer equipment	3 – 5 years
Furniture and office equipment	3 – 5 years
Motor vehicles	5 years

Depreciation methods, useful lives and residual values are reassessed at end of the reporting period and adjusted if appropriate.

2.12 LEASES

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

To assess whether a contract conveys the right to control the use of an identified asset, the Bank assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right throughout the period of use, then the asset is not identified;
- the Bank has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Bank has the right to direct the use of the asset. The Bank has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In cases where all the decisions about how and for what purpose the asset is used are predetermined, the Bank has the right to direct the use of the asset if either:
 - the Bank has the right to operate the asset; or
 - the Bank designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after 1 January 2018.

At inception or on reassessment of a contract that contains a lease and non-lease component, the Bank allocates the consideration in the contract to each lease component and aggregate of non-lease components on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Bank has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Leases in which the Bank is a lessee

An arrangement conveyed the right to use the asset if one of the following was met:

- the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
- the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or

- facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

The Bank recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The estimated useful lives are as follows:

	YEARS
Building and office branches	3 – 10 years
ATM spaces	2 – 10 years

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, to the lessee's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in the lease term, a change in the assessment of the option to purchase the underlying asset, a change in future lease payments arising from a change in an index or rate, or if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Bank has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Bank recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2.13 INCOME TAX

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

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore has accounted for them under CIAS 37 Provisions, Contingent Liabilities and Contingent Assets and has recognized the related expenses in 'Other expenses'.

Current tax

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

Deferred tax

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

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

profits improves.

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

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

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

2.14 BORROWINGS

Borrowings are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at amortized cost using effective interest method.

2.15 SUBORDINATED DEBTS

Subordinated debts are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at amortized cost using effective interest method.

2.16 EMPLOYEE BENEFITS

2.16.1 SHORT-TERM EMPLOYEE BENEFITS

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

Seniority payment

In 2018, the Ministry of Labour and Vocational Training's ("MoLVT") Prakas No 443 dated 21 September 2018 mandated the payment of seniority indemnity for unspecified duration contracted employees with implementation guidelines issued on 22 March 2019. The said Prakas requires seniority payment equal to fifteen days per year payable as follows:

- Equal to 7.5 days in June; and
- Equal to 7.5 days in December.

2.16.2 OTHER LONG-TERM EMPLOYEE BENEFITS

The Bank's net obligation in respect of long-term employee benefits is the amount of the benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine

its present value. Remeasurements are recognized in the statement of comprehensive income in the period in which they arise.

Retrospective seniority indemnity

In 2018, the Ministry of Labour and Vocational Training's ("MoLVT") Prakas No. 443 dated 21 September 2018 mandated the implementation of payment of seniority indemnity for unspecified duration contracted employees. The said Prakas requires retroactive seniority payment equal to fifteen days per year of employees' wages which shall be paid to them every year for a maximum not exceeding 6 months of the average net wages of each year of service beginning 2019.

On 22 March 2019, the MoLVT issued Clarification No. 042 dated 22 March 2019 which now defers the payment of the retroactive seniority indemnity from June 2019 to December 2021 and reduces the semi-annual payment from seven and half to three days due as follows:

- Equal to three days payable every December, and
- Equal to three days payable every June.

2.16.3 PROVIDENT FUNDS

The Bank provides its employees with benefits under the provident fund. The fund is sourced from the following:

- (i) A monthly contribution which is based on the monthly salary of an employee and contributed by the Bank and its employees at a rate of 5% and 5%, respectively. The Bank's contribution is recognized in the statement of comprehensive income.
- (ii) The Bank contributes interest on the cumulative balance of the provident fund computed at 6% per annum. Interest is accrued on a monthly basis.

The provident funds will be fully paid to the employee, who contributed to the fund, upon termination of employment with the Bank.

2.17 PROVISIONS

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

2.18 SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of the ordinary share are recognised as a deduction from equity, net of any tax effects. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument. Distributions to holders of a financial instrument classified as an equity instrument are charged directly to equity.

2.19 RESERVES

General reserve

The general reserves are set up for any overall financial risk. The Board of Directors exercises its discretion for the use and maintenance of the general reserves. The transfer from retained earnings to general reserves is subject to the approval of Board of Directors of the Bank. Allocations to the general reserve are no longer allowed under the Bank's Memorandum and Articles of Association dated 23 May 2006 and the amendment on 30 May 2007.

Non-distributable reserve

The non-distributable reserve is transferred from retained earnings and maintained as reserve following the approval on 5 July 2021 from the NBC on the request of the Bank to comply with the NBC's Prakas No. B7-10-182 dated 15 October 2010 on Net worth and Prakas No. B7-00-46 dated 16 February 2000 on Solvency ratio. Any movement requires approval from the Board of Directors and the NBC.

Regulatory reserve

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

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

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

CLASSIFICATION	NUMBER OF DAYS PAST DUE	ALLOWANCE RATE
Standard	0 to 14 days (short-term)	1%
	0 to 29 days (long-term)	
Special mention	15 days to 30 days (short-term)	3%
	30 days to 89 days (long-term)	
Substandard	31 days to 60 days (short-term)	20%
	90 days to 179 days (long-term)	
Doubtful	61 days to 90 days (short-term)	50%
	180 days to 359 days (long-term)	
Loss	From 91 days (short-term)	100%
	360 days or more (long-term)	

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

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

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. The Bank chose to defer the Circular’s implementation to 2022.

2.20 INTEREST

2.20.1 EFFECTIVE INTEREST RATE

Interest income and expense are recognized in profit and loss using the effective interest method. The ‘effective interest rate’ is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortized cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Bank/ estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received. A contractual interest rate is used in replacement of the effective interest rate when management assesses that transaction costs and fees are not an integral part of the effective interest rate and that the impact is not material to the financial statements. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

2.20.2 AMORTIZED COST AND GROSS CARRYING AMOUNT

The 'amortized cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' is the amortized cost of a financial asset before adjusting for any expected credit loss allowance.

2.20.3 CALCULATION OF INTEREST INCOME AND EXPENSE

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date amortization of the hedge adjustment begins.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

2.20.4 PRESENTATION

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

Interest expense presented in the statement of comprehensive income includes financial liabilities measured at amortized cost.

2.21 FEE AND COMMISSION

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.

2.22 IMPAIRMENT OF NON-FINANCIAL ASSETS

The carrying amounts of the Bank's non-financial assets, other than inventories, contract assets and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognized if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

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

For the purpose of impairment testing, assets that cannot be tested individually are grouped together 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 CGUs.

Impairment losses are recognized in the statement of comprehensive income. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

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

2.23 CONTINGENT LIABILITIES

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognized in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2.24 CONTINGENT ASSETS

Where it is not possible that there is an inflow of economic benefits, or the amount cannot be estimated reliably, the asset is not recognized in the statements of financial position and is disclosed as a contingent asset, unless the probability of inflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets unless the probability of inflow of economic benefits is remote.

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS

Estimates, assumptions and judgments are continually evaluated and based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Bank makes estimates, assumptions and judgments concerning the future. The results of accounting estimates will, by definition, seldom equal the related actual results. The areas involving significant estimates, assumptions and judgments are:

(i) Measurement of allowance for expected credit losses

The measurement of the allowance for expected credit losses for financial assets measured at amortized cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

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

- Determining criteria for significant increase in credit risk
- Choosing appropriate models and assumptions for the measurement of ECL
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL
- Establishing groups of similar financial assets for the purposes of measuring ECL

(ii) Determination of functional currency

Based on the economic substance of underlying circumstances relevant to the Bank, the functional currency of the Bank has been determined to be the US\$. The US\$ is the currency of the primary economic environment in which the Bank operates; and it is the currency that mainly influences the revenue and the expenses.

(iii) Classification of financial assets

The Bank classifies its financial assets depending on the business model for managing those financial assets and whether the contractual terms of the financial asset are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

In performing the SPPI test, the Bank applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, the period for which the interest rate is set, contingent events that would change the amount and timing of cash flows, leverage features, prepayment and extension terms and other features that may modify the consideration for the time value of money.

(iv) Effective interest rate ("EIR") method

The Bank's EIR method recognizes interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of loans and deposits and recognizes the effect of potentially different interest rates charged at various stages and other characteristics of the product life cycle (including prepayments and penalty interest and charges). This estimation, by nature, requires an element of judgment regarding the expected behaviour and life-cycle of the instruments, as well expected changes to the Bank's base rate and other fee income or expense that are integral parts of the instrument.

(v) Recognition of deferred tax assets

Deferred tax assets are recognized for all 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.

4. CASH ON HAND

	2021		2020	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
	As reclassified (Note 36)			
US Dollars	10,184,160	41,490,268	10,741,190	43,448,114
Khmer Riel	31,198,700	127,103,504	34,846,572	140,954,383
	41,382,860	168,593,772	45,587,762	184,402,497

5. BALANCES WITH OTHER BANKS AND FINANCIAL INSTITUTIONS

	2021		2020	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
	As reclassified (Note 36)			
Time deposits	38,660,508	157,502,909	42,453,145	171,722,971
Allowance for expected credit losses	(1,546)	(6,298)	(17,561)	(71,034)
	38,658,962	157,496,611	42,435,584	171,651,937

The movements in allowance for expected credit losses in balances with other banks and financial institutions are as follows:

	2021		2020	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
	As reclassified (Note 36)			
At 1 January	17,561	71,034	81,512	332,161
Provision for expected credit losses (Note 7)	(16,015)	(65,149)	(63,951)	(260,728)
Currency translation differences	-	413	-	(399)
At 31 December	1,546	6,298	17,561	71,034

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

	2021		2020	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
	As reclassified (Note 36)			
Cash on hand (Note 4)	41,382,860	168,593,772	45,587,762	184,402,497
Balances with other banks and financial institutions - gross	38,660,508	157,502,909	42,453,145	171,722,971
Balances with the NBC (Note 6)	276,695,535	1,127,257,610	250,064,564	1,011,511,161
	356,738,903	1,453,354,291	338,105,471	1,367,636,629

During the year, interest income from balances with the other banks and financial institutions amounted to US\$ 109,261 or KHR'000 444,474 (2020: US\$ 294,867 or KHR'000 1,202,173) Note 24.

6. BALANCES WITH THE NBC

	2021		2020	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
	As reclassified (Note 36)			
Statutory deposit (i)	7,951,594	32,394,794	7,953,597	32,172,300
Reserve requirement deposit (ii)	96,936,573	394,919,598	88,980,964	359,927,999
Current accounts (Note 5)	276,695,535	1,127,257,610	250,064,564	1,011,511,161
Time deposits (more than three months)	23,946,594	97,558,424	19,734,904	79,827,687
	405,530,296	1,652,130,426	366,734,029	1,483,439,147

(i) STATUTORY DEPOSIT

Under the NBC's Prakas No. B7-01-136 dated 15 October 2001, the Bank is required to maintain a statutory deposit 10% of its capital. This deposit is not available for use in the Bank's day-to-day operations and is refundable should the Bank voluntarily cease its operations in Cambodia.

(ii) RESERVE REQUIREMENT DEPOSIT

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. The reserve requirement on customers' deposits and borrowings bears no interest.

	2021	2020
Capital guarantee	0.04% to 0.06%	0.06% to 0.48%
Current accounts	Nil	Nil
Time deposits	0.02% to 0.80%	0.06% to 0.48%

During the year, interest income from balances with the NBC amounted to US\$ 588,697 or KHR'000 2,394,819 (2020: US\$ 1,605,310 or KHR'000 6,544,848) Note 24.

7. LOANS AND ADVANCES TO CUSTOMERS

	2021		2020	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
Commercial loans:				
- Long term loans	461,440,021	1,879,906,644	372,523,500	1,506,857,558
- Overdrafts	259,568,847	1,057,483,483	224,373,006	907,588,809
- Loans to other banks and micro-finance institutions	68,172,731	277,735,706	78,101,097	315,918,938
- Short term loans	63,776,029	259,823,542	49,732,282	201,167,081
	852,957,628	3,474,949,375	724,729,885	2,931,532,386
Consumer loans:				
- Housing loans	293,954,847	1,197,572,047	3294,244,648	1,190,219,601
- Staff loans	6,280,873	25,588,277	5,876,475	23,770,341
	300,235,720	1,223,160,324	300,121,123	1,213,989,942
Carrying amount- gross	1,153,193,348	4,698,109,699	1,024,851,008	4,145,522,328
Allowance for expected credit losses	(4,169,087)	(16,984,860)	(12,866,463)	(52,044,843)
Carrying amount- net	1,149,024,261	4,681,124,839	1,011,984,545	4,093,477,485

- (i) The movements of allowance for expected credit losses on loans and advances to customers were as follows:

	2021		2020	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
At 1 January				
(Reversal on) provision	12,866,463	52,044,843	6,588,696	26,848,936
on expected credit losses	(8,586,084)	(34,928,190)	6,277,767	25,594,456
Write-off	(111,292)	(452,736)	-	-
Currency translation differences	-	320,943	-	(398,549)
At 31 December	4,169,087	16,984,860	12,866,463	52,044,843

- (ii) Provision for losses on financial instruments recognized in the statement of comprehensive income were summarized as follows:

	2021		2020	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
(Reversal on) Provision for expected credit losses on:				
- Loans and advances to customers	(8,697,376)	(35,380,926)	6,277,767	25,594,456
- Balances with other banks and financial institutions (Note 5)	(16,015)	(65,149)	(63,951)	(260,728)
- Off- balance sheet commitments (Note 31)	183,782	747,625	(653,958)	(2,666,187)
Written-off expense on loans and advances	12,915,159	52,538,867	(11,262)	(45,915)
	4,385,550	17,840,417	5,548,596	22,621,626

(iii) Gross carrying amount of loans and advances to customers are analyzed as follows:

	2021		2020	
	ដុល្លារអាមេរិក	ពាន់រៀល (កំណត់សម្គាល់លេខ 2.1)	ដុល្លារអាមេរិក	ពាន់រៀល (កំណត់សម្គាល់លេខ 2.1)
A. By maturity:				
Within 1 month	50,527,746	(205,850,037	108,571,951	439,173,542
Within 1 to 3 months	111,182,720	452,958,401	69,145,826	279,694,866
Within 3 to 12 months	212,372,227	865,204,453	166,324,972	672,784,512
Within 1 to 5 years	425,595,634	1,733,876,612	363,842,919	1,471,744,607
Within 5 years	353,515,021	1,440,220,196	316,965,340	1,282,124,801
	1,153,193,348	4,698,109,699	1,024,851,008	4,145,522,328
B. By relationship:				
Staff loans	5,508,092	22,439,967	5,129,719	20,749,713
Related parties	772,781	3,148,310	746,756	3,020,628
Non-related parties	1,146,912,475	4,672,521,422	1,018,974,533	4,121,751,987
	1,153,193,348	4,698,109,699	1,024,851,008	4,145,522,328

Interest rates

	2021	2020
US\$	6.5% - 15%	7% - 18%
KHR	6% - 18%	6% - 18%

During the year, interest income from loans and advances to customers amounted to US\$ 98,399,041 or KHR'000 400,287,299 (2020: US\$ 89,376,124 or KHR'000 364,386,458) Note 24.

8. OTHER ASSETS

	2021		2020	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
Advances and prepayments	1,892,018	7,708,081	2,088,871	8,449,483
Investment in Credit Bureau Holding (Cambodia) Ltd	25,000	101,850	25,000	101,125
Others	290,500	1,183,499	254,240	1,028,401
	2,207,518	8,993,430	2,368,111	9,579,009

9. OTHER INVESTMENT

This represents a long-term bond investment with Cambodia Airport Investment Co., Ltd. based on the agreements dated 22 November 2021 and 1 December 2021 with the following terms and conditions:

Total investment	US\$ 20,000,000
Maturity	3 years starting from the date of signed of each contract
Principal repayment	At maturity date
Interest repayment	Interest will be paid annually and calculated on the basis of actual of days in
Interest rate	a year 5.50% per annum (Net)

The details of investment and related outstanding amounts were as follow:

Subscription date	Maturity date	Interest per annum
22 November 2021	21 November 2024	5.50%
1 December 2021	30 November 2024	5.50%

	2021		2020	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
At 1 January	-	-	-	-
Addition	20,000,000	81,360,000	-	-
Interest income (Note 24)	103,889	422,620	-	-
Currency translation differences	-	120,624	-	-
At 31 December	20,103,889	81,903,244	-	-

10. FORECLOSED PROPERTIES

Foreclosed properties consist of immoveable properties acquired through foreclosure of collaterals from default on loans and advances to customers that have devolved to the Bank as part of settlement of debts.

These assets are not held for operational purposes and have to be disposed of in order to recover the outstanding amount within the maximum allowable period of twelve months as per the guidelines No. B-7-01-186 Prakas issued by the National Bank of Cambodia.

On 21 July 2020, the Bank submitted a request letter to the NBC to delay the period of holding the properties and has not received approval yet as at the issuance date of these financial statements.

The gross movements of the foreclosed properties during the year were as follows:

	2021		2020	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
At 1 January	32,796,742	132,662,821	34,013,974	138,606,944
Transfers (Note 12)	(4,106,019)	(16,703,285)	-	-
Sale	-	-	(1,217,232)	(4,962,655)
Currency translation differences	-	926,470	-	(981,468)
At 31 December	28,690,723	116,886,006	32,796,742	132,662,821

During the year, the Bank transferred foreclosed properties amounting to US\$ 4,106,019 or KHR'000 16,703,285 for operational use of the Bank (Note 12). In 2020, the Bank sold foreclosed properties with book value amounting to US\$ 1,217,232 or KHR'000 4,962,655 for total proceeds of US\$ 4,242,005 or KHR'000 17,294,654 resulting to a gain on the sale of foreclosed properties of US\$3,024,773 or KHR'000 12,332,000 (Note 27).

11. INTANGIBLE ASSETS

2021			
	SOFTWARE	WORK IN PROGRESS	TOTAL
At 1 January	3,628,108	100,548	3,728,656
Additions	58,139	-	58,139
Transfers	100,548	(100,548)	-
At 31 December	3,786,795	-	3,786,795
Less: Accumulated amortization			
At 1 January	2,253,495	-	2,253,495
Amortization (Note 29)	629,977	-	629,977
At 31 December	2,883,472	-	2,883,472
Carrying amounts	903,323	-	903,323
KHR'000 (Note 2.1)	3,680,138	-	3,680,138

2020			
	SOFTWARE	WORK IN PROGRESS	TOTAL
At 1 January	3,432,679	100,548	3,533,227
Additions	195,429	-	195,429
At 31 December	3,628,108	100,548	3,728,656
Less: Accumulated amortization			
At 1 January	1,647,983	-	1,647,983
Amortization (Note 29)	605,512	-	605,512
At 31 December	2,253,495	-	2,253,495
Carrying amounts	1,374,613	100,548	1,475,161
KHR'000 (Note 2.1)	5,560,310	406,716	5,967,026

12. PROPERTY AND EQUIPMENT

2021									
	Land	Booths (*)	Buildings	Leasehold improvement	Computer equipment	Furniture and office equipment	Motor vehicles	Work in progress	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Cost									
At 1 January	1,707,879	1,527,000	1,521,896	1,359,245	3,288,237	5,773,046	1,834,317	486,136	17,497,756
Additions	6,840,626	-	1,502,688	10,636	198,579	436,329	72,324	1,460,926	10,522,108
Transfers	-	-	-	443,230	399,736	225,946	-	(1,068,912)	-
Write-off	-	-	-	-	-	-	-	(9,468)	(9,468)
At 31 December 2021	8,548,505	1,527,000	3,024,584	1,813,111	3,886,552	6,435,321	1,906,641	868,682	28,010,396
Less: Accumulated depreciation									
At 1 January	-	-	725,347	1,053,924	2,293,864	5,097,554	1,288,745	-	10,459,434
Depreciation (Note 29)	-	-	16,067	210,778	517,892	449,000	184,705	-	1,378,442
At 31 December 2021	-	-	741,414	1,264,702	2,811,756	5,546,554	1,473,450	-	11,837,876
Carrying amounts									
At 31 December 2021	8,548,505	1,527,000	2,283,170	548,409	1,074,796	888,767	433,191	868,682	16,172,520
KHR'000 (Note 2.1)	34,826,609	6,220,998	9,301,635	2,234,218	4,378,719	3,620,837	1,764,820	3,539,010	65,886,846

(*) Booths represent the ownership of number of land space at the market.

The cost of fully depreciated assets still in use amounted to US\$ 9,262,722 or KHR'000 37,680,753 (2020: US\$ 7,766,121 or KHR'000 31,662,475).

Included in the additions to property and equipment are the transfers from foreclosed properties amounting to US\$ 4,106,019 or KHR'000 16,703,285 (2020: nil) Note 10.

2020									
	Land	Booths (*)	Buildings	Leasehold improvement	Computer equipment	Furniture and office equipment	Motor vehicles	Work in progress	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Cost									
At 1 January	1,707,879	1,527,000	1,461,380	1,356,150	2,918,202	5,420,643	1,605,135	442,343	16,438,732
Additions	-	-	60,516	3,095	370,035	352,403	229,182	43,793	1,059,024
At 31 December 2020	1,707,879	1,527,000	1,521,896	1,359,245	3,288,237	5,773,046	1,834,317	486,136	17,497,756
Less: Accumulated depreciation									
At 1 January	-	-	1601,177	1983,139	1,781,628	4,684,491	1,038,660	-	9,089,095
Depreciation (Note 29)	-	-	124,170	70,785	512,236	413,063	250,085	-	1,370,339
At 31 December 2020	-	-	725,347	1,053,924	2,293,864	5,097,554	1,288,745	-	10,459,434
Carrying amounts									
At 31 December 2020	1,707,879	1,527,000	796,549	305,321	994,373	675,492	545,572	486,136	7,038,322
KHR'000 (Note 2.1)	6,908,371	6,176,715	3,222,041	1,235,023	4,022,239	2,732,365	2,206,839	1,966,419	28,470,012

(*) Booths represented the ownership of number of land space at the market.

13. RIGHT-OF-USE ASSETS

The Bank leases various assets including ATM spaces, building and branch offices. Information about leases for which the Bank is a lessee is presented below:

	Office space	ATM space	Total
	US\$	US\$	US\$
2021			
At 1 January	998,350	1,076,607	2,074,957
Additions	5,951,683	-	5,951,683
Depreciation (Note 29)	(944,602)	(27,686)	(972,288)
At 31 December	6,005,431	1,048,921	7,054,352
KHR'000 (Note 2.1)	24,466,126	4,273,304	28,739,430
2020			
At 1 January	1,733,882	1,140,533	2,874,415
Additions	37,846	-	37,846
Depreciation (Note 29)	(773,378)	(63,926)	(837,304)
At 31 December	998,350	1,076,607	2,074,957
KHR'000 (Note 2.1)	4,038,326	4,354,875	8,393,201

14. DEPOSITS FROM CUSTOMERS

	2021		2020	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
Fixed deposits	921,025,379	3,752,257,394	3851,143,690	3,442,876,226
Savings accounts	246,717,392	1,005,126,655	180,295,969	729,297,195
Current accounts	205,702,692	838,032,767	194,100,475	785,136,421
Margin deposits	485,727	1,978,852	934,200	3,778,839
Other deposits	46,955	191,295	628,847	2,543,686
	1,373,978,145	5,597,586,963	1,227,103,181	4,963,632,367

Deposits from customers are analyzed as follows:

	2021		2020	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
By maturity:				
Within 1 month	518,798,712	2,113,585,953	477,647,198	1,932,082,917
Within 1 to 3 months	98,575,058	401,594,786	96,682,249	391,079,697
Within 3 to 6 months	166,892,138	679,918,570	92,554,569	374,383,232
Within 6 to 12 months	289,438,805	1,179,173,692	204,904,189	828,837,445
Within 1 to 5 years	266,247,799	1,084,693,533	288,687,019	1,167,738,992
Over 5 years	34,025,633	138,620,429	66,627,957	269,510,084
	1,373,978,145	5,597,586,963	1,227,103,181	4,963,632,367
By customer type				
Individuals	948,343,616	3,863,551,892	832,957,532	3,369,313,217
Domestic corporations	413,666,597	1,685,277,716	373,203,584	1,509,608,497
Foreign corporations	11,930,202	48,603,643	20,313,419	82,167,780
Other	37,730	153,712	628,646	2,542,873
	1,373,978,145	5,597,586,963	1,227,103,181	4,963,632,367
By residency status				
Residents	1,359,786,420	5,539,769,875	1,203,741,313	4,869,133,611
Non-residents	14,191,725	57,817,088	23,361,868	94,498,756
	1,373,978,145	5,597,586,963	1,227,103,181	4,963,632,367
By relationship				
Non-related parties	1,373,762,552	5,596,708,637	1,226,484,317	4,961,129,062
Related parties	215,593	878,326	618,864	2,503,305
	1,373,978,145	5,597,586,963	1,227,103,181	4,963,632,367
By currency				
Khmer Riel	1,212,451,907	4,939,529,069	1,080,272,968	4,369,704,156
US Dollars	161,281,589	657,061,194	146,771,599	593,691,118
Other	244,649	996,700	58,614	237,093
	1,373,978,145	5,597,586,963	1,227,103,181	4,963,632,367
By interest rate (per annum)				
Current accounts		0% - 0.50%		0% - 0.50%
Saving accounts		0% - 7.31%		0% - 7.31%
Fixed deposits		0.50% - 7.75%		0.50% - 7.75%

15. DEPOSITS FROM OTHER BANKS AND FINANCIAL INSTITUTIONS

	2021		2020	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
Time deposits	89,753,510	365,655,800	55,782,622	225,640,706
Current accounts	13,182,526	53,705,611	7,750,829	31,352,103
Savings accounts	170,668	695,301	1,438,759	5,819,780
	103,106,704	420,056,712	64,972,210	262,812,589

Deposits from banks and financial institutions are analyzed as follows:

	2021		2020	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
By maturity:				
Within 1 month	17,393,665	70,861,791	12,580,248	50,887,103
Within 1 to 3 months	26,625,754	108,473,322	15,002,705	60,685,942
Within 3 to 6 months	30,628,546	124,780,696	12,251,803	49,558,543
Within 6 to 12 months	28,458,739	115,940,903	25,137,454	101,681,001
	103,106,704	420,056,712	64,972,210	262,812,589
By customer type:				
Domestic corporations	103,106,704	420,056,712	64,972,210	262,812,589
By residency:				
Residents	103,106,704	420,056,712	64,972,210	262,812,589
By currency:				
US Dollars	101,223,273	412,383,614	58,834,724	237,986,459
Khmer Riel	1,883,190	7,672,116	6,041,012	24,435,894
Other	241	982	96,474	390,236
	103,106,704	420,056,712	64,972,210	262,812,589

Deposits from banks and financial institutions were analyzed as follows:

	2021	2020
By interest rate (per annum)		
Current accounts	0% - 0.15%	0% - 0.25%
Saving accounts	0% - 0.15%	0.50% - 1.30%
Fixed deposits	0.60% - 5.75%	0.60% - 4.00%

16. BORROWINGS

	2021		2020	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
Agence Francaise de Development ("AFD") (i)	2,109,592	8,594,478	2,953,424	11,946,600
Liquidity Providing Collateralised Operation ("LPCO") (ii)	3,756,330	15,303,288	19,451,462	78,681,164
SME Specialised Bank Plc. (iii)	2,107,587	8,586,310	773,047	3,126,975
	7,973,509	32,484,076	23,177,933	93,754,739

- (i) On 28 April 2014, the Bank entered into an agreement with AFD for a total facility of US\$ 15,000,000. In accordance with the agreement, the Bank shall undertake to make long-term loans available to finance the Rural Electrification Enterprise and Small Water Enterprise Project. During the year, the Bank has made principal and interest repayment of US\$ 903,683 or KHR'000 3,676,182 (2020: US\$ 6,924,493 or KHR'000 28,168,838).

The details of drawdown and related outstanding amounts were as follows:

Drawdown date	Maturity	Interest per annum	Principal	Outstanding balance	
		US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
3 December 2014	1 March 2024	2.46%	5,000,000	1,800,601	
6 April 2016	1 March 2024	1.97%	5,000,000	154,381	
21 June 2017	1 March 2024	2.41%	5,000,000	154,610	
			15,000,000	2,109,592	

- (ii) LPCO represents short-term borrowings from the National Bank of Cambodia ("NBC") in which the Negotiable Certificates of Deposit ("NCD") were collateralized. These borrowings bear interest at rates of 2.40% per annum with maturity date from 29 April 2021 to 28 April 2022.

During the year, the Bank made additional drawdown of LPCO amounting to US\$ 7,363,770 KHR'000 29,955,816 and made payment amounting to US\$ 23,339,641 or KHR'000 94,945,660.

- (iii) This represents the borrowings from SME Bank Plc., bearing the interest at 2% per annum with the maturity date from 17 June 2024 to 1 November 2027

The gross movements of the borrowings during the year were as follows:

	2021		2020	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
At 1 January	23,177,933	93,754,739	9,717,364	39,598,258
Additions	9,004,688	36,631,071	20,224,509	82,455,323
Interest expense (Note 25)	481,867	1,960,235	229,482	935,598
Payments	(24,550,553)	(99,871,650)	(6,993,422)	(28,512,181)
Exchange rate differences	(140,426)	(571,253)	-	-
Currency translation differences	-	580,934	-	(722,259)
At 31 December	7,973,509	32,484,076	23,177,933	93,754,739

Borrowings were analyzed by maturity as follows:

	2021		2020	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
Within 1 month	122,828	500,401	6,374	25,783
Within 1 to 3 months	492,590	2,006,812	4,988,637	20,179,037
Within 3 to 6 months	3,780,648	15,402,360	2,523,152	10,206,150
Within 6 to 12 months	613,606	2,499,831	12,949,365	52,380,181
Within 1 to 5 years	2,739,775	11,161,843	2,647,664	10,709,801
Over 5 years	224,062	912,829	62,741	253,787
	7,973,509	32,484,076	23,177,933	93,754,739

17. SUBORDINATED DEBTS

This represents a long-term and unsecured borrowings from shareholders based on subordinated loan agreements dated 10 April 2019 and 9 August 2019 with the following terms and conditions:

Total credit facilities	US\$ 27,184,550
Maturity	5 years starting from the date of signed of each contract
Principal repayment	At maturity date and the amount is only repaid after all other secured and unsecured creditors are repaid in full
Interest repayment	Interest will be paid every end of month and calculated on the basis of actual of days in a year of 360 days
Interest rate	12% per annum

	2021		2020	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
At 1 January	27,184,550	109,961,505	27,184,550	110,777,041
Interest expense (Note 25)	3,307,454	13,454,723	3,316,515	13,521,432
Payments	(3,307,454)	(13,454,723)	(3,316,515)	(13,521,432)
Currency translation differences	-	788,352	-	(815,536)
At 31 December	27,184,550	110,749,857	27,184,550	109,961,505

The Bank obtained an approval from the NBC allowing to include the above subordinated debts in Tier II capital for the purpose of Net Worth calculation.

18. LEASE LIABILITIES

	2021		2020	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
Present value of lease liabilities				
Within one year	1,176,098	4,791,423	763,087	3,086,687
Beyond one year	6,345,862	25,853,042	1,822,636	7,372,563
	7,521,960	30,644,465	2,585,723	10,459,250
Maturity analysis – contractual undiscounted cash flows				
Within one year	1,603,373	6,532,142	911,060	3,685,238
One to five years	4,125,137	16,805,808	1,887,100	7,633,320
More than five years	4,908,289	19,996,369	234,200	947,339
Total undiscounted lease liabilities	10,636,799	43,334,319	3,032,360	12,265,897

The movements of lease liabilities during the year were as follows:

	2021		2020	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
At 1 January	2,585,723	10,459,250	3,467,059	14,128,265
Additions	5,951,684	24,211,451	37,846	154,298
Interest expense (Note 25)	274,397	1,116,247	203,392	829,229
Payments	(1,289,844)	(5,247,085)	(1,122,574)	(4,576,734)
Currency translation differences	-	104,602	-	(75,808)
At 31 December	7,521,960	30,644,465	2,585,723	10,459,250

Amounts recognized in the statement of comprehensive income

	2021		2020	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
Depreciation expense of right-of-use assets (Note 13)	972,288	3,955,268	837,304	3,413,688
Interest expense on lease liabilities (Note 25)	274,397	1,116,247	203,392	829,229
Expenses relating to leases of short term and low-value assets (Note 30)	217,968	886,694	168,787	688,145
	1,464,653	5,958,209	1,209,483	4,931,062

The Bank has total cash outflow for lease as follows:

	2021		2020	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
Payments on lease liabilities	1,289,844	5,247,085	1,122,574	4,576,734
Expenses relating to lease of short-term and low-value asset	217,968	886,694	168,787	688,145
Total cash outflow for leases	1,507,812	6,133,779	1,291,361	5,264,879

19. OTHER LIABILITIES

	2021		2020	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
Accrued expenses	1,549,857	6,314,117	1,941,722	7,854,265
Tax payables	293,156	1,194,318	173,295	700,978
Others	438,303	1,785,647	287,386	1,162,476
	2,281,316	9,294,082	2,402,403	9,717,719

20. PROVISION FOR EMPLOYEE BENEFITS

	2021		2020	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
Provident fund (i)	2,574,200	10,487,291	2,384,746	9,646,298
Other post-employment benefits (ii)	429,628	1,750,304	528,713	2,138,644
	3,003,828	12,237,595	2,913,459	11,784,942

(i) The movements of the provident fund were as follows:

	2021		2020	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
At 1 January	2,384,746	9,646,298	2,021,745	8,238,611
Additions				
Staffs' contribution	228,361	928,973	191,243	779,698
Bank's contribution (Note 28)	228,361	928,973	191,243	779,698
Interest expense (Note 25)	157,743	641,699	127,789	520,996
Payments	(425,011)	(1,728,945)	(147,274)	(600,436)
Currency translation differences	-	70,293	-	(72,269)
At 31 December	2,574,200	10,487,291	2,384,746	9,646,298

(ii) The movements of other post-employment benefits were as follows:

	2021		2020	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
At 1 January	528,713	2,138,644	568,835	2,318,003
Payments	(99,085)	(403,672)	(40,122)	(163,577)
Currency translation differences	-	15,332	-	(15,782)
At 31 December	429,628	1,750,304	528,713	2,138,644

This represents the provision of the backpay seniority indemnity payment, which is calculated at a maximum amount of six-month wages (depending on the length of service the employee has served) to the employee who has seniority before 2019, and the current seniority indemnity payment for 2020 as required by Prakas No. 443 issued by the Ministry of Labour and Vocational Training on 21 September 2018, and subsequently amended by Instruction No. 042/19 dated 22 March 2019.

On 23 December 2020, the Royal Government of Cambodia ("RGC") offered an option to factories, enterprises and business in all sectors to defer payments of the backpay seniority indemnity before 2019 and the current seniority indemnity for 2020 and 2021 until 2022. The Bank chose to comply with the regulation for backpay seniority indemnity, but choose to pay the current seniority indemnity for 2020 and 2021 in June and December in each respective year.

21. TAXATION

21.1 DEFERRED TAX ASSETS – NET

Deferred tax is calculated on the temporary differences under the liability method using the tax rate of 20%.

The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

	2021		2020	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
Deferred tax assets	3,572,883	14,555,925	1,482,324	5,996,001
Deferred tax liabilities	(1,460,460)	(5,949,914)	(449,636)	(1,818,778)
Deferred tax assets – net	2,112,423	8,606,011	1,032,688	4,177,223

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

	2021		2020	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
Deferred tax assets				
Lease liabilities	1,504,392	6,128,893	517,145	2,091,852
Deferred fees	814,775	3,319,393	108,129	437,382
Employee benefits	600,766	2,447,521	582,692	2,356,989
Expected credit losses	420,260	1,712,139	127,615	516,203
Accelerated tax depreciation and amortization	203,317	828,313	146,743	593,575
	3,543,510	14,436,259	1,482,324	5,996,001

	2021		2020	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
Deferred tax liabilities				
Right-of-use assets	(1,410,870)	(5,747,884)	(414,991)	(1,678,639)
Unrealized foreign exchange	(20,217)	(82,364)	(34,645)	(140,139)
	(1,431,087)	(5,830,248)	(449,636)	(1,818,778)
	2,112,423	8,606,011	1,032,688	4,177,223

21.2 CURRENT INCOME TAX LIABILITY

	2021		2020	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
At 1 January	2,844,365	11,505,456	5,111,487	20,829,310
Income tax expense	6,476,078	26,344,685	3,611,590	14,724,452
Income tax paid	(3,974,445)	(16,168,042)	(5,878,712)	(23,967,509)
Currency translation differences	-	97,497	-	(80,797)
At 31 December	5,345,998	21,779,596	2,844,365	11,505,456

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

21.3 INCOME TAX EXPENSE

	2021		2020	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
Current tax	6,476,078	26,344,685	3,611,590	14,724,452
Deferred tax	(1,079,735)	(4,392,362)	(120,172)	(489,941)
	5,396,343	21,952,323	3,491,418	14,234,511

The reconciliation of income tax computed at the statutory tax rate of 20% to taxation as disclosed in the statement of comprehensive income as follows:

	2021		2020	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
Operating profit	26,313,601	107,043,730	23,253,103	94,802,901
Tax calculated at 20%	5,262,720	21,408,745	4,650,621	18,960,582
Tax effect in respect of:				
- Expense not deductible for tax purpose	133,623	543,578	(901,365)	(3,674,865)
- Over provision in prior year	-	-	(257,838)	(1,051,206)
Income tax expense	5,396,343	21,952,323	3,491,418	14,234,511

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

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

22. SHARE CAPITAL

The registered capital of the Bank is US\$ 79,500,000 or KHR'000 318,000,000 divided into 79,500 shares with a per value of US\$ 1,000 or KHR'000 4,000 per share. All registered and authorized capital has been fully paid. There were no changes in shareholders and shareholding structure during the year. As at reporting date, the shareholding structure is as follows:

	2021			2020		
	Number of shares	Amount US\$	%	Number of shares	Amount US\$	%
Oknha Mok Kimhong	26,235	26,235,000	33	26,235	26,235,000	33
Mrs. Kim Tiek	18,285	18,285,000	23	18,285	18,285,000	23
Mrs. Chhay Kimbouy	18,285	18,285,000	23	18,285	18,285,000	23
ING Holdings Company Ltd.	8,745	8,745,000	11	8,745	8,745,000	11
Ministry of Economy and Finance	7,950	7,950,000	10	7,950	7,950,000	10
	79,500	79,500,000	100	79,500	79,500,000	100

23. RESERVES

	2021		2020	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
Non-distributable reserves (i)	70,600,486	287,202,777	-	-
Regulatory reserves (ii)	11,176,899	45,209,394	9,379,930	37,899,324
General reserves (iii)				
General reserves	135,092	550,500	135,092	550,500
Reserves for banking risks	60,498	246,529	60,498	246,529
	81,972,975	333,209,200	9,575,520	38,696,353

(i) Non-distributable reserves

The non-distributable reserve of US\$ 70,600,486 or KHR 287.20 billion was transferred from retained earnings to reserves following approval from the NBC on 5 July 2021 as requested by the Bank to comply with the NBC's Prakas No. B7-10-182 dated 15 October 2010 on Net worth and Prakas No. B7-00-46 dated 16 February 2000 on Solvency ratio. Any movement requires approval from the Board of Directors and the NBC.

(ii) Regulatory reserves

These represent the reserves transferred from retained earnings by the Bank to comply with the Article 73 of NBC's Prakas No. B7-017-344 dated 1 December 2017.

During the year, the Bank transferred from regulatory reserves to the retained earnings amounting to US\$ 1,796,969 or KHR'000 7,310,070 (2020: transfer from retained earnings to regulatory reserves amounting to US\$ 4,105,853 or KHR'000 16,739,563).

(iii) General reserves

- The general reserves were previously allocated from profit after tax with an amount equal to 6% of net profit after tax. The use of the general reserves is at the discretion of the Board of Directors. The general reserves are set up for any overall financial risk. The Board of Directors exercises its discretion for the use and maintenance of the general reserves. The transfer from retained earnings to general reserves is subject to the approval of Board of Directors. Allocations to the general reserves are no longer allowed under the Bank's Memorandum and Articles of Association dated 23 May 2006 and the amendment on 30 May 2007. There was no transaction related to general reserves during the year.

- The reserves for banking risks was initially established based on a resolution by the Board of Directors dated 19 June 2000. This account represents a general-purpose reserve established to cover the risks for banking operations in Cambodia, in particular the general risks on loan delinquency, losses not covered by the provision for bad and doubtful loans and advances to customers and currency risk. There was no transaction related to reserves for banking risks during the year.

24. INTEREST INCOME

	2021		2020	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
Loans and advances to customers (Note 7)	98,399,041	400,287,299	89,376,124	364,386,458
Balances with the NBC (Note 6)	588,697	2,394,819	1,605,310	6,544,848
Balances with other banks and financial institutions (Note 5)	109,261	444,474	294,867	1,202,173
Other investment (Note 9)	103,889	422,620	-	-
	99,200,888	403,549,212	91,276,301	372,133,479

25. INTEREST EXPENSE

	2021		2020	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
Time deposits	48,296,645	196,470,751	48,125,062	196,205,877
Subordinated debts (Note 17)	3,307,454	13,454,723	3,316,515	13,521,432
Savings deposits	2,746,233	11,171,676	2,327,815	9,490,502
Borrowings (Note 16)	481,867	1,960,235	229,482	935,598
Lease liabilities (Note 18)	274,397	1,116,247	203,392	829,229
Provident funds (Note 20)	157,743	641,699	127,789	520,996
	55,264,339	224,815,331	54,330,055	221,503,634

26. NET FEE AND COMMISSION INCOME

	2021		2020	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
Fee and commission income:				
Fund remittance fees	889,881	3,620,036	1,144,680	4,666,860
Commission from issuing letters of credit and guarantee	341,049	1,387,387	1,404,380	5,725,657
Commission fees	246,309	1,001,985	325,664	1,327,732
Visa fees	182,166	741,051	314,603	1,282,636
Fees on currency swap	-	-	64,602	263,382
Other service charges	254,363	1,034,749	298,573	1,217,284
Total fee and commission income	1,913,768	7,785,208	3,552,502	14,483,551
Fee and commission expense	(553,548)	(2,251,833)	(779,629)	(3,178,547)
Net fee and commission income	1,360,220	5,533,375	2,772,873	11,305,004

27. OTHER INCOME

	2021		2020	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
Foreign exchange gains	1,238,855	5,039,662	1,278,358	5,211,866
Rental income	61,500	250,182	12,150	49,536
Gains on sale of foreclosed properties (Note 10)	-	-	3,024,773	12,332,000
Other income	485,952	1,976,853	886,134	3,612,767
Total other income	1,786,307	224,815,331	5,201,415	21,206,169

28. PERSONNEL EXPENSES

	2021		2020	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
Salaries and wages	6,835,110	27,805,227	5,848,764	23,845,411
Bonuses and incentives	657,259	2,673,730	682,090	2,780,881
Provident funds (Note 20)	228,361	928,973	191,243	779,698
Board of directors' fee (Note 32)	185,852	756,046	200,814	818,719
Other benefits	1,164,484	4,737,120	799,244	3,258,517
	9,071,066	36,901,096	7,722,155	31,483,226

29. DEPRECIATION AND AMORTIZATION

	2021		2020	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
Depreciation on:				
Property and equipment (Note 12)	1,378,442	5,607,502	1,370,339	5,586,872
Right-of-use assets (Note 13)	972,288	3,955,268	837,304	3,413,689
Amortization on intangible assets (Note 11)	629,977	2,562,746	605,512	2,468,672
	2,980,707	12,125,516	2,813,155	11,469,233

30. GENERAL AND ADMINISTRATIVE EXPENSES

	2021		2020	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
Professional fees	1,044,717	4,249,909	2,373,675	9,677,473
Repairs and maintenances	920,015	3,742,621	876,881	3,575,044
License fees	283,180	1,151,976	270,351	1,102,221
Utilities	267,821	1,089,496	288,955	1,178,070
Rental (Note 18)	217,968	886,694	168,787	688,145
Marketing	208,976	850,114	142,526	581,079
Security	200,002	813,608	204,213	832,576
Office supplies	186,584	759,024	268,911	1,096,350
Taxes	178,353	725,540	27,228	111,009
Communication	171,954	699,509	253,326	1,032,810
Insurance	144,956	589,681	107,747	439,285
Travelling	90,914	369,838	202,992	827,598
Others	416,712	1,695,184	397,933	1,622,372
	4,332,152	17,623,194	5,583,525	22,764,032

Others pertain to expenses on low value leases, donations, entertainment and membership dues.

31. COMMITMENTS AND CONTINGENCIES

31.1 OPERATIONS

In the normal course of business, the Bank makes various commitments and incurs certain contingencies with legal recourse to its customers. No material losses are anticipated from these transactions, which consist of:

	2021		2020	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
Unused portion of approved credit facilities	148,096,682	603,345,882	134,168,645	542,712,169
Letters of guarantees	12,987,648	52,911,678	167,077,681	675,829,223
Letters of credits	8,005,376	32,613,902	12,583,613	50,900,712
	169,089,706	688,871,462	313,829,939	1,269,442,104

The impairment allowance for off-balance sheet commitment following the National Bank of Cambodia's Prakas No. B7-017-344 and Circular No. B7-018-001 Sor Ror Chor Nor on credit risk classification and provision on impairment for banks as stated in Note 2.17 and its movements are analyzed as follows:

	2021		2020	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
At 1 January	668,071	2,702,347	1,322,029	5,387,268
Provision for (Reversal on) expected credit losses (Note 7)	183,782	748,728	(653,958)	(2,666,187)
Currency translation differences	-	19,374	-	(18,734)
At 31 December	851,853	3,470,449	668,071	2,702,347

31.2 LEASE COMMITMENTS

The Bank has operating lease commitments in respect of low-value assets and short-term lease as follows:

	2021		2020	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
Current	61,974	252,482	302,241	1,222,566
Non-current	71,337	290,627	162,149	655,895
	133,311	543,109	464,390	1,878,461

31.3 TAXATION CONTINGENCIES

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. The application of tax laws and regulations to many types of transactions are susceptible to varying interpretations.

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 could be significant.

32.1 IDENTITY OF RELATED PARTIES

For the purposes of these financial statements, parties are considered to be related to the Bank if the Bank has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Bank and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Bank has related party relationships with its substantial shareholders, associates and key management personnel.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Bank either directly or indirectly. The key management personnel include all the Directors of the Bank, and certain senior management members of the Bank.

Key managements have banking relationships with Bank entities which are entered into in the normal course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with other persons of a similar standing or, where applicable, with other employees. These transactions did not involve more than the normal risk of repayment or present other unfavourable features.

32.2 BALANCES WITH RELATED PARTIES

	2021		2020	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
Deposits from related parties				
Shareholders	79,162	322,507	126,813	512,959
Key management personnel	136,431	555,819	492,051	1,990,346
	215,593	878,326	618,864	2,503,305
Subordinated debt	27,184,550	110,749,857	27,184,550	109,961,505
Loans and advances to customers				
Key management personnel	772,781	3,148,310	746,756	3,020,628

32.3 TRANSACTIONS WITH RELATED PARTIES

	2021		2020	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
Interest income	49,313	200,605	49,772	202,920
Interest expense	1,991	8,099	2,137	8,713
Compensations of directors' fees and key management:				
Directors' fees (Note 28)	185,852	756,046	200,814	818,719
Key management compensation – salaries and other benefits	1,727,816	7,028,755	2,582,027	10,526,924
	1,913,668	7,784,801	2,782,841	11,345,643

33. FINANCIAL RISK MANAGEMENT

33.1 INTRODUCTION AND OVERVIEW

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

- credit risk;
- market risk;
- liquidity risk; and
- operational risk

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

Risk management functional and governance structure

The Bank's Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board of Directors has established the Bank Asset and Liability Management Committee ("ALCO"), which is responsible for approving and monitoring Bank's risk management policies.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Bank's activities.

The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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

33.2 CREDIT RISK

'Credit risk' is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers and other banks, and investment debt securities. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure – e.g. individual obligor default risk, country and sector risk. Credit risk is the potential loss of revenue and principal losses arising mainly from loans and advances and loan commitments as a result of default by the borrowers or counterparties through its lending activities.

(i) Management of credit risk

The Board of Directors created the Bank Credit Committee for the oversight of credit risk. A separate Bank Credit department, reporting to the Bank Credit Committee, is responsible for managing the Bank's credit risk, including the following.

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorization structure for the approval and renewal of credit facilities. Authorization limits are allocated to business unit Credit Officers. Larger facilities require approval by Bank Credit, the Head of Bank Credit, the Bank Credit Committee or the Board of Directors, as appropriate.
- Reviewing and assessing credit risk: Bank Credit assesses all credit exposures in excess of designated limits, before facilities are committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.
- Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances, financial guarantees and similar exposures), and by issuer, credit rating band, market liquidity and country (for investment securities).
- Developing and maintaining the Bank's risk gradings to categories exposures according to the degree of risk of default. The current risk grading framework consists of 12 grades reflecting varying degrees of risk of default. The responsibility for setting risk grades lies with the final approving executive or committee, as appropriate. Risk grades are subject to regular reviews by Bank 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 Bank Credit, which 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.

Each business unit is required to implement Bank credit policies and procedures, with credit approval authorities delegated from the Bank Credit Committee. Each business unit has a Chief Credit Risk Officer who reports on all credit-related matters to local management and the Bank Credit Committee. Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to central approval.

Regular audits of business units and Bank Credit processes are undertaken by Internal Audit.

The Board of Directors created the Bank Credit Committee for the oversight of credit risk. A separate Bank Credit department, reporting to the Bank Credit Committee, is responsible for managing the Bank's credit risk, including the following.

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

(ii) Concentration of risk

Type of credit exposure

	2021				
	Maximum credit exposure	Maximum credit exposure	Fully subject to collateral/credit enhancement	Partially subject to collateral/ credit enhancement	Unsecured and not subject to collateral/credit enhancement
	US\$	KHR'000 (Note 2.1)	%	%	%
Balance sheet items					
Balances with other banks and financial institutions – gross	38,660,508	157,502,909	0%	0%	100%
Balances with the NBC	300,642,129	1,224,816,034	100%	0%	0%
Loans and advances to customers – gross	1,153,193,348	4,698,109,699	100%	0%	0%
Other assets	315,500	1,285,349	0%	0%	100%
Other investment	20,103,889	81,903,244	0%	0%	100%
	1,512,915,374	6,163,617,235			
Off-balance sheet items					
Contingent liabilities	169,089,706	688,871,462			
Commitments	227,076	925,108			
	169,316,782	689,796,570			
Total	1,682,232,156	6,853,413,805			

2020					
	Maximum credit exposure	Maximum credit exposure	Fully subject to collateral/credit enhancement	Partially subject to collateral/ credit enhancement	
	US\$	KHR'000 (Note 2.1)	%	%	%
Balance sheet items					
Balances with other banks and financial institutions – gross	42,453,145	171,722,971	0%	0%	100%
Balances with the NBC	269,799,468	1,091,338,848	100%	0%	0%
Loans and advances to customers – gross	1,024,851,008	4,145,522,328	100%	0%	0%
Other assets	279,240	1,129,526	0%	0%	100%
	1,337,382,861	5,409,713,673			
Off-balance sheet items					
Contingent liabilities	313,829,940	1,269,442,108	58%	1%	41%
Commitments	464,391	1,878,461	0%	0%	100%
	314,294,331	1,271,320,569			
Total	1,651,677,192	6,681,034,242			

Concentration risk by industrial sectors

2021						
	Cash and cash equivalents - gross	Placement with banks and financial institutions - gross	Loans and advances to customers - gross	Other assets	Other investment	Total
	US\$	US\$	US\$	US\$	US\$	US\$
Financial institutions	38,660,508	300,642,129	68,172,731	-	-	407,475,368
Owner-occupied housing	-	-	299,201,883	-	-	299,201,883
Construction	-	-	219,651,205	-	-	219,651,205
Personal loans	-	-	138,591,508	-	-	138,591,508
Real estate	-	-	140,234,395	-	-	140,234,395
Wholesale trade	-	-	117,631,460	-	-	117,631,460
Agriculture	-	-	60,565,943	-	-	60,565,943
Utilities	-	-	27,233,928	-	-	27,233,928
Import/Export	-	-	1,474,595	-	-	1,474,595
Others	-	-	80,435,700	315,500	20,103,889	100,855,089
Total	38,660,508	300,642,129	1,153,193,348	315,500	20,103,889	1,512,915,374
KHR'000 (Note 2.1)	157,502,909	1,224,816,034	4,698,109,699	1,285,349	81,903,244	6,163,617,235

2020					
	Cash and cash equivalents - gross	Placement with banks and financial institutions - gross	Loans and advances to customers - gross	Other assets	Total
Financial institutions	42,453,145	269,799,468	78,101,097	-	390,353,710
Owner-occupied housing	-	-	299,041,131	-	299,041,131
Construction	-	-	179,355,876	-	179,355,876
Personal loans	-	-	134,385,033	-	134,385,033
Real estate	-	-	113,420,253	-	113,420,253
Wholesale trade	-	-	79,127,175	-	79,127,175
Agriculture	-	-	64,033,703	-	64,033,703
Utilities	-	-	27,444,952	-	27,444,952
Import/Export	-	-	9,791,561	-	9,791,561
Others	-	-	40,150,227	279,240	40,429,467
Total	42,453,145	269,799,468	1,024,851,008	279,240	1,337,382,861
KHR'000 (Note 2.1)	171,722,971	1,091,338,848	4,145,522,328	1,129,526	5,409,713,673

Concentration risk by residency and relationship, and large-exposures for loans and advances:

	2021		2020	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
By residency status:				
Residents	1,153,193,348	4,698,109,699	1,024,851,008	4,145,522,328
By relationship:				
Related parties	772,781	3,148,310	746,756	3,020,628
Non-related parties	1,152,420,567	4,694,961,389	1,024,104,252	4,142,501,700
	1,153,193,348	4,698,109,699	1,024,851,008	4,145,522,328
By exposure:				
Large exposures*	337,301,186	1,374,165,032	304,724,853	1,232,612,030
Non-large exposures	815,892,162	3,323,944,667	720,126,155	2,912,910,298
	1,153,193,348	4,698,109,699	1,024,851,008	4,145,522,328

* A "large exposure" is defined under the NBC's Prakas as the overall gross exposure of the aggregate balance of loans and advances 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 commitments.

(iii) Collateral

Whilst the Bank's maximum exposure to credit risk is the carrying amount of the assets or, in the case of off-balance sheet instruments, the amount guaranteed, committed, accepted or endorsed, the likely exposure may be lower due to offsetting collateral, credit guarantees and other actions taken to mitigate the Bank's exposure.

The description of collateral for each class of financial asset is set out below.

Cash and cash equivalents, balances with NBC, placements with other banks and financial institutions, and other assets

Collateral is generally not sought for these assets.

Loans and advances to customers, contingent liabilities and commitments

Certain loans and advances to customers, contingent liabilities and commitments are typically collateralised to a substantial extent. In particular, residential mortgage exposures are generally fully secured by residential properties.

The table below summarises the Bank's security coverage of its financial assets:

2021					
	Properties	Fixed deposits	Others	Unsecured credit exposure	Total
	US\$	US\$	US\$	US\$	US\$
Balances with other banks and financial institutions - gross	-	-	-	38,660,508	38,660,508
Balances with the NBC	-	-	-	300,642,129	300,642,129
Loan and advances to customers - gross	1,051,151,400	75,532,301	4,490,560	22,019,087	1,153,193,348
Contingent liabilities	44,057,020	101,071,567	961,841	22,999,278	169,089,706
Commitments	-	-	-	227,076	227,076
Others	-	-	-	315,500	315,500
	1,095,208,420	176,603,868	5,452,401	384,863,578	1,662,128,267

2020					
	Properties	Fixed deposits	Others	Unsecured credit exposure	Total
	US\$	US\$	US\$	US\$	US\$
Balances with other banks and financial institutions - gross	-	-	-	42,453,145	42,453,145
Balances with the NBC	-	-	-	269,799,468	269,799,468
Loan and advances to customers - gross	857,438,451	97,354,483	25,747,936	44,310,138	1,024,851,008
Contingent liabilities	66,539,350	93,712,223	1,570,050	152,008,317	313,829,940
Commitments	-	-	-	464,391	464,391
Others	-	-	-	279,240	279,240
	923,977,801	191,066,706	27,317,986	509,314,699	1,651,677,192

(iv) Credit quality of gross loans and advances to customers

Pursuant to the NBC guideline Prakas B7.017-344, it has defined each credit grading according to its credit quality as follows:

Normal

Outstanding facility is repaid on timely manner and is not in doubt for the future repayment. Repayment is steadily made according with the contractual terms and the facility does not exhibit any potential weakness in repayment capability, business, cash flow and financial position of the counterparty.

Special mention

A facility in this class is currently protected and may not be past due but it exhibits potential weaknesses that may adversely affect repayment of the counterparty at the future date, if not corrected in a timely manner, and close attention by the Institution.

Weaknesses include but are not limited to a declining trend in the business operations of the counterparty or in its financial position, and adverse economic and market conditions that all might affect its profitability and its future repayment capacity, or deteriorating conditions on the collateral. This class has clearly its own rational and should not be used as a compromise between Normal and Substandard.

Substandard

A facility ranked in this class exhibits noticeable weakness and is not adequately protected by the current business or financial position and repayment capacity of the counterparty. In essence, the primary source of repayment is not sufficient to service the debt, not taking into account the income from secondary sources such as the realization of the collateral.

Factors leading to a substandard classification include:

- Inability of the counterparty to meet the contractual repayments' terms,
- Unfavourable economic and market conditions that would adversely affect the business and profitability of the counterparty in the future,
- Weakened financial condition and/or inability of the counterparty to generate enough cash flow to service the payments,
- Difficulties experienced by the counterparty in repaying other facilities granted by the Institution or by other institutions when the information is available, and
- Breach of financial covenants by the counterparty.

Doubtful

A facility classified in this category exhibits more severe weaknesses than one classified Substandard such that its full collection on the basis of existing facts, conditions or collateral value is highly questionable or improbable. The prospect of loss is high, even if the exact amount remains undetermined for now.

Loss

A facility is classified Loss when it is not collectable, and little or nothing can be done to recover the outstanding amount from the counterparty.

Restructured loans

National Bank of Cambodia has issued a circular on loan restructuring during Covid-19 pandemic outbreak which requires the institutions to work constructively with affected borrowers and allows for loan restructuring for priority sectors. As a result, the Bank has provided a restructuring loan amounting to US\$37,406,108 and the staging of the restructured loan should be downgraded when the borrowers' credit risk has increased significantly.

Recognition of ECL

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

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

The Bank will measure ECL by using the general approach. The general approach consists of segregating the customers into three different stages according to the staging criteria by assessing the credit risk. 12-month ECL will be computed for stage 1, while lifetime ECL will be computed for stage 2 and stage 3. At each reporting date, the Bank will assess credit risk of each account as compared to the risk level at origination date.

Long-term facilities (more than one year)

Stages	Credit Risk Status	Grades	DPD	Default Indicator
1	No significant increase in credit risk	Normal	$0 \leq \text{DPD} \leq 30$	Performing
2	Credit risk increased significantly	Special Mention	$31 \leq \text{DPD} \leq 90$	Underperforming
		Substandard	$91 \leq \text{DPD} < 180$	
3	Credit impaired assets	Doubtful	$180 \leq \text{DPD} < 360$	Nonperforming
		Loss	$\text{DPD} \geq 360$	

Short-term facilities (one year or less)

Stages	Credit Risk Status	Grades	DPD	Default Indicator
1	No significant increase in credit risk	Normal	$0 \leq \text{DPD} \leq 14$	Performing
2	Credit risk increased significantly	Special Mention	$15 \leq \text{DPD} \leq 30$	Underperforming
		Substandard	$31 \leq \text{DPD} \leq 60$	
3	Credit impaired assets	Doubtful	$61 \leq \text{DPD} \leq 90$	Nonperforming
		Loss	$\text{DPD} \geq 91$	

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

. As for financial assets that are short term in nature, simplified approach will be adopted where no staging criteria is required. In this case, it will be either performing (stage1) or non-performing.

The table below summarises the credit quality of the Bank’s gross financing according to the above classifications.

2021				
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$
Loans and advances to customers at amortized cost				
Normal	1,049,386,076	62,195	-	1,049,448,271
Special Mention	89,413,532	9,499,186	54,884	98,967,602
Substandard	-	-	779,353	779,353
Doubtful	188,091	-	633,520	821,611
Loss	-	-	3,176,511	3,176,511
	1,138,987,699	9,561,381	4,644,268	1,153,193,348
Allowance for expected credit losses	(2,776,741)	(368,213)	(1,024,133)	(4,169,087)
Carrying amount	1,136,210,958	9,193,168	3,620,135	1,149,024,261
KHR'000 (Note 2.1)	4,628,923,443	37,452,966	14,748,430	4,681,124,839

2020				
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$
Loans and advances to customers at amortised cost				
Normal	998,111,433	134,942	-	998,246,375
Special Mention	4,125,739	6,499,920	-	10,625,659
Substandard	3,789	-	469,623	473,412
Doubtful	-	-	400,492	400,492
Loss	-	-	15,105,070	15,105,070
	1,002,240,961	6,634,862	15,975,185	1,024,851,008
Allowance for expected credit losses	(7,425,253)	(947,954)	(4,493,256)	(12,866,463)
Carrying amount	994,815,708	5,686,908	11,481,929	1,011,984,545
KHR'000 (Note 2.1)	4,024,029,539	23,003,543	46,444,403	4,093,477,485

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 Company operates, supranational organisations such as the International Monetary Fund, and selected private-sector and academic forecasters.

The Company 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.

	2021			
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$
Loans and advances to customers at amortised cost				
Balance at 1 January	7,425,253	947,954	4,493,256	12,866,463
- Transfer to Stage 1	951,982	(937,938)	(14,044)	-
- Transfer to Stage 2	(177)	48,091	(47,914)	-
- Transfer to Stage 3	(1,511)	(9,998)	11,510	-
Net remeasurement of loss allowance	(6,200,490)	320,122	(2,558,522)	(8,438,890)
New financial assets originated or purchased	1,558,056	-	-	1,558,056
Financial assets that been derecognized	(956,372)	(17)	(748,861)	(1,705,250)
Write-off	-	-	(111,292)	(111,292)
Balance at 31 December	2,776,741	368,213	1,024,133	4,169,087
KHR'000 (Note 2.1)	11,312,443	1,500,100	4,172,318	16,984,860

	2020			
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$
Loans and advances to customers at amortised cost				
Balance at 1 January	5,560,242	17,831	1,010,623	6,588,696
- Transfer to Stage 1	2,273	(2,273)	-	-
- Transfer to Stage 2	(1,287)	1,287	-	-
- Transfer to Stage 3	(332,446)	(8,354)	340,800	-
Net remeasurement of loss allowance	3,032,765	946,646	3,274,178	7,253,589
New financial assets originated or purchased	81,838	16	-	81,854
Financial assets that been derecognized	(918,132)	(7,199)	(132,345)	(1,057,676)
Balance at 31 December	7,425,253	947,954	4,493,256	12,866,463
KHR'000 (Note 2.1)	30,035,148	3,834,474	18,175,221	52,044,843

33.3 Market risk

Market risk is the risk that changes in market prices – e.g. interest rates, foreign exchange rates and equity prices – will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Interest rate risk

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

The table below summarises the Bank's exposure to interest rate risk. The table indicates the periods in which the financial instruments reprice or mature, whichever is earlier.

2021									
	Up to 1 month	1-3 months	3-6 months	6-12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total	Interest rate
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	%
Financial assets									
Balances with other banks and financial institutions - gross	38,660,508	-	-	-	-	-	-	38,660,508	1.95%
Balances with the NBC	144,916,294	4,000,000	3,940,000	20,000,000	-	-	127,785,835	300,642,129	3.26%
Loans and advances to customers - gross	50,527,746	111,182,720	93,824,470	118,547,757	425,595,634	353,515,021	-	1,153,193,348	9.69%
Other assets	-	-	-	-	-	-	315,500	315,500	
Other investment	-	-	-	-	20,103,889	-	-	20,103,889	5.50%
	234,104,548	115,182,720	97,764,470	138,547,757	445,699,523	353,515,021	128,101,335	1,512,915,374	
Financial liabilities									
Deposits from customers	65,845,947	81,709,635	179,247,334	283,408,299	276,610,763	34,203,401	452,952,766	1,373,978,145	1.42%
Deposits from banks and financial institution	4,040,471	26,625,754	30,628,546	28,458,740	-	-	13,353,193	103,106,704	1.68%
Borrowings	48,383	492,590	3,855,093	613,606	2,739,775	224,062	-	7,973,509	2.28%
Subordinated debts	-	-	-	-	27,184,550	-	-	27,184,550	12.00%
Lease liabilities	-	2,100	-	34,664	7,485,196	-	-	7,521,960	6.32%
Other liabilities	-	-	-	-	-	-	1,988,160	1,988,160	
	69,934,801	108,830,079	213,730,973	312,515,309	314,020,284	34,427,463	468,294,119	1,521,753,028	
Interest sensitivity gap	164,169,747	6,352,641	(115,966,503)	(173,967,552)	131,679,239	319,087,558	(340,192,784)	(8,837,654)	
KHR'000 (Note 2.1)	668,827,549	25,880,659	(472,447,533)	(708,743,807)	536,461,220	1,299,962,711	(1,385,945,403)	(36,004,602)	

The table below summarises the Bank's exposure to interest rate risks which includes assets and liabilities at carrying amounts.

2020								
	Up to 1 month	1-3 months	3-6 months	6-12 months	1 to 5 years	Over 5 years	Non-interest bearing	Interest rate
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	%
Financial assets								
Balances with other banks and financial institutions - gross	38,563,145	3,890,000	-	-	-	-	42,453,145	0.78%
Balances with the NBC	89,898,655	29,575,000	2,550,000	12,600,000	-	-	135,175,813	4.21%
Loans and advances to customers - gross	108,299,037	69,262,550	48,654,088	115,468,080	333,365,721	349,801,532	1,024,851,008	9.91%
Other assets	-	-	-	-	-	-	279,240	
	236,760,837	102,727,550	51,204,088	128,068,080	333,365,721	349,801,532	135,455,053	1,337,382,861
Financial liabilities								
Deposits from customers	302,985,881	88,726,131	129,519,751	157,963,706	287,111,437	66,695,800	194,100,475	1.42%
Deposits from banks and financial institutions	4,829,419	15,002,705	12,251,803	25,137,454	-	-	7,750,829	1.68%
Borrowings	1,131,853	3,510,507	2,472,188	12,360,939	3,461,397	241,049	23,177,933	2.28%
Subordinated debts	-	-	-	-	27,184,550	-	27,184,550	12.00%
Lease liabilities	78,100	156,750	210,825	317,337	1,558,643	264,068	2,585,723	6.32%
Other liabilities	-	-	-	-	-	-	2,229,108	
	309,025,253	107,396,093	144,454,567	195,779,436	319,316,027	67,200,917	204,080,412	1,347,252,705
	(72,264,416)	(4,668,543)	(93,250,479)	(67,711,356)	14,049,694	282,600,615	(68,625,359)	(9,869,844)
Interest sensitivity gap								
KHR'000 (Note 2.1)	(292,309,563)	(18,884,256)	(377,198,188)	(273,892,435)	56,831,012	1,143,119,488	(277,589,578)	(39,923,519)

A change of 100 basis points in interest rates at the reporting date would have increased/ (decreased) equity and profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular foreign currency rates, remain constant.

2021				
	Profit or loss		Equity	
	100 bp Decrease US\$	100 bp Decrease US\$	100 bp Decrease US\$	100 bp Decrease US\$
Variable rate instruments	2,340,850	(2,340,850)	2,340,850	(2,340,850)
KHR'000 (Note 2.1)	9,536,623	(9,536,623)	9,536,623	(9,536,623)

2020				
	Profit or loss		Equity	
	100 bp Decrease US\$	100 bp Decrease US\$	100 bp Decrease US\$	100 bp Decrease US\$
Variable rate instruments	1,751,245	(1,751,245)	1,751,245	(1,751,245)
KHR'000 (Note 2.1)	7,083,786	(7,083,786)	7,083,786	(7,083,786)

(ii) Foreign currency exchange risk

Foreign currency exchange risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

The Bank has no material exposures to foreign currency exchange risk as it transacts essentially in US Dollars. Therefore, no sensitivity analysis for foreign currency exchange risk was presented.

Concentration of currency risk

The amounts of financial assets and liabilities, by currency denomination, are as follows:

	2021			
	Denomination US\$ equivalents			
	US\$	KHR	Others	Total
Financial assets				
Balances with other banks and financial institutions - gross	38,184,597	58,638	417,273	38,660,508
Balances with the NBC	266,475,774	34,166,355	-	300,642,129
Loans and advances to customers - gross	1,032,746,490	120,446,858	-	1,153,193,348
Other assets	315,500	-	-	315,500
Other investment	20,103,889	-	-	20,103,889
	1,357,826,250	154,671,851	417,273	1,512,915,374
Financial liabilities				
Deposits from customers	1,212,442,464	161,281,589	254,092	1,373,978,145
Deposits from banks and financial institutions	101,223,273	1,883,190	241	103,106,704
Borrowings	3,551,184	4,422,325	-	7,973,509
Subordinated debts	27,184,550	-	-	27,184,550
Lease liabilities	7,521,960	-	-	7,521,960
Other liabilities	1,988,160	-	-	1,988,160
	1,353,911,591	167,587,104	254,333	1,521,753,028
Net asset (liability) position	3,914,659	(12,915,253)	162,940	(8,837,654)
KHR'000 (Note 2.1)	15,948,321	(52,616,741)	663,817	(36,004,602)

2020				
	Denomination US\$ equivalents			
	US\$	KHR	Others	Total
Financial assets				
Balances with other banks and financial institutions - gross	41,909,133	224,642	319,370	42,453,145
Balances with the NBC	226,828,154	42,971,314	-	269,799,468
Loans and advances to customers - gross	910,555,693	114,295,315	-	1,024,851,008
Other assets	279,240	-	-	279,240
	1,179,572,220	157,491,271	319,370	1,337,382,861
Financial liabilities				
Deposits from customers	1,080,272,968	146,771,599	58,614	1,227,103,18
Deposits from banks and financial institutions	58,834,724	6,041,012	96,474	64,972,210
Borrowings	3,450,522	19,727,411	-	23,177,933
Subordinated debts	27,184,550	-	-	27,184,550
Lease liabilities	2,585,723	-	-	2,585,723
Other liabilities	2,229,108	-	-	2,229,108
	1,174,557,595	172,540,022	155,088	1,347,252,705
Net asset (liability) position	5,014,625	(15,048,751)	164,282	(9,869,844)
KHR'000 (Note 2.1)	20,284,158	(60,872,198)	664,521	(39,923,519)

Sensitivity analysis

Considering that other risk variables remain constant, the foreign currency revaluation sensitivity for the Bank as at reporting date is summarised as follows (only exposures in currencies that accounts for more than 1 percent of the net open positions are shown in its specific currency in the table below. For other currencies, these exposures are grouped as 'Others'):

	2021		2020	
	- 1% Depreciation US\$	+ 1% Appreciation US\$	- 1% Depreciation US\$	+ 1% Appreciation US\$
US Dollar	39,147	(39,147)	50,146	(50,146)
KHR	(129,153)	129,153	(150,488)	150,488
Others	1,629	(1,629)	1,643	(1,643)
	(88,377)	88,377	(98,699)	98,699
KHR'000 (Note 2.1)	(360,048)	360,048	(399,237)	399,237

33.4 LIQUIDITY RISK

'Liquidity risk' is the risk that the Bank will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises from mismatches in the timing and amounts of cash flows, which is inherent to the Bank's operations and investments.

Management of liquidity risk

The Bank manages its liquidity through its Asset Liability Management Committee which is responsible for establishing the liquidity policy as well as monitoring liquidity on an ongoing basis. A Minimum Liquid Asset requirement has been established to ensure that the ratio of liquid assets to qualifying liabilities is subject to a minimum threshold at all times.

The table below summarizes the Bank's assets and liabilities based on remaining contractual maturities. The expected cash flows of these assets and liabilities could vary significantly from what is shown in the table. For example, deposits from customers are not all expected to be withdrawn immediately.

2021								
	Up to 1 Month	1-3 months	3-6 months	6-12 months	1 to 5 months	Over 5 years	Non-interest bearing	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	%
Financial assets								
Cash on hand	41,382,860	-	-	-	-	-	-	41,382,860
Balances with other banks and financial institutions - gross	38,660,508	-	-	-	-	-	-	38,660,508
Balances with the NBC	144,916,294	4,000,000	3,940,000	20,000,000	-	-	127,785,835	300,642,129
Loans and advances to customers - gross	50,527,746	111,182,720	93,824,470	118,547,757	425,595,634	353,515,021	-	1,153,193,348
Other assets	-	-	-	-	-	-	315,500	315,500
Other investment	-	-	-	-	20,103,889	-	-	20,103,889
	275,487,408	115,182,720	97,764,470	138,547,757	445,699,523	353,515,021	128,101,335	1,554,298,234
KHR'000 (Note 2.1)	1,122,335,700	469,254,401	398,292,451	564,443,562	1,815,779,857	1,440,220,196	521,884,839	6,332,211,005
Financial liabilities								
Deposits from customers	101,687,707	96,682,249	92,554,569	204,904,189	288,687,019	66,627,957	375,959,491	1,227,103,181
Deposits from banks and financial institutions	3,390,661	15,002,705	12,251,803	25,137,454	-	-	9,189,587	64,972,210
Borrowings	6,374	4,988,637	2,523,152	12,949,365	2,647,664	62,741	-	23,177,933
Subordinated debts	-	-	-	-	27,184,550	-	-	27,184,550
Lease liabilities	78,100	156,750	210,825	317,337	1,558,643	264,068	-	2,585,723
Other liabilities	-	-	-	-	-	-	2,229,108	2,229,108
	105,162,842	116,830,341	107,540,349	243,308,345	320,077,876	66,954,766	387,378,186	1,347,252,705
KHR'000 (Note 2.1)	428,433,418	475,966,809	438,119,382	991,238,198	1,303,997,267	272,773,717	1,578,178,730	5,488,707,520

2021								
	Up to 1 Month	1-3 months	3-6 months	6-12 months	1 to 5 months	Over 5 years	Non-interest bearing	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	%
Financial assets								
Cash on hand	45,587,762	-	-	-	-	-	-	45,587,762
Balances with other banks and financial institutions - gross	38,563,145	3,890,000	-	-	-	-	-	42,453,145
Balances with the NBC	89,898,655	29,575,000	2,550,000	12,600,000	-	-	135,175,813	269,799,468
Loans and advances to customers - gross	108,299,037	69,262,550	48,654,088	115,468,080	333,365,721	349,801,532	-	1,024,851,008
Other assets	-	-	-	-	-	-	279,240	279,240
	282,348,599	102,727,550	51,204,088	128,068,080	333,365,721	349,801,532	135,455,053	1,382,970,623
KHR'000 (Note 2.1)	1,142,100,083	415,532,940	207,120,536	518,035,384	1,348,464,341	1,414,947,197	547,915,689	5,594,116,170

Financial liabilities

Deposits from customers	101,687,707	96,682,249	92,554,569	204,904,189	288,687,019	66,627,957	375,959,491	1,227,103,181
Deposits from banks and financial institutions	3,390,661	15,002,705	12,251,803	25,137,454	-	-	9,189,587	64,972,210
Borrowings	6,374	4,988,637	2,523,152	12,949,365	2,647,664	62,741	-	23,177,933
Subordinated debts	-	-	-	-	27,184,550	-	-	27,184,550
Lease liabilities	78,100	156,750	210,825	317,337	1,558,643	264,068	-	2,585,723
Other liabilities	-	-	-	-	-	-	2,229,108	2,229,108
	105,162,842	116,830,341	107,540,349	243,308,345	320,077,876	66,954,766	387,378,186	1,347,252,705
KHR'000 (Note 2.1)	425,383,697	472,578,729	435,000,712	984,182,256	1,294,715,008	270,832,028	1,566,944,764	5,449,637,192

33.5 OPERATIONAL RISK

The operational risk is the risk of losses arising from inadequate or failed internal processes, people or systems or from external factors. This risk is managed through established operational risk management processes, proper monitoring and reporting of the business activities by control and oversight provided by the senior Management. This includes legal, compliance, accounting and fraud risk.

The operational risk management entails the establishment of clear organizational structures, roles and control policies. Various internal control policies and measures have been implemented. These include the establishment of signing authorities, defining system parameters controls, streaming procedures and documentation ensuring compliance with regulatory and legal requirements. These are reviewed continually to address the operational risks of its banking business.

33.6 CAPITAL MANAGEMENT

(i) Regulatory capital

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

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

The Bank's policy is to maintain a strong capital base so as to maintain market confidence and to sustain further development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognised the need to maintain a balance between the higher returns that might be possible with greater gearing and advantages and security afforded by a sound capital position.

The above regulated capital is calculated in accordance with the guidance issued by the NBC which may be different in some material respects compared to generally accepted principles applied by financial institutions in other jurisdiction. The above regulated capital information is therefore not intended for users who are not informed about the guidance issued by the NBC.

(ii) Capital allocation

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

34. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Financial instruments comprise financial assets, financial liabilities and off-balance sheet instruments. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The information presented herein represents the estimates of fair values as at the financial position date.

Quoted and observable market prices, where available, are used as the measure of fair values of the financial instruments. Where such quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors.

Fair value information for non-financial assets and liabilities are excluded as they do not fall within the scope of CIFRS 7: Financial Instruments Disclosures which requires the fair value information to be disclosed.

The methods and assumptions used by the Group in estimating the fair value of the financial instruments are:

- Cash on hand, Balances with the NBC and other banks
The carrying amounts approximate the fair values due to the short-term nature of these accounts.
- Loans and advances

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

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

Financing, advances and others

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

Fair value hierarchy

CIFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources and unobservable inputs reflect the Bank's market assumptions. The fair value hierarchy is as follows:

- Level 1 – Quoted price (unadjusted) in active markets for the identical assets or liabilities. This level includes listed equity securities and debt instruments.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

- Level 3 – Inputs for asset or liability that are not based on observable market data (unobservable inputs).
This level includes equity instruments and debt instruments with significant unobservable components.

The Bank's financial assets and liability are not measured at fair value. 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 values, therefore, have been based on management assumptions according to the profile of the asset and liability base. 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.

	2021		2020	
	Carrying amount	Fair value – Level 3	Carrying amount	Fair value – Level 3
	US\$	US\$	US\$	US\$
Loans and advances to customers	1,149,024,261	1,152,890,813	1,011,984,545	1,022,026,435
KHR'000 (Note 2.1)	4,681,124,839	4,696,877,172	4,093,477,485	4,134,096,930
Borrowings	7,973,509	7,973,745	23,177,933	23,177,247
KHR'000 (Note 2.1)	32,484,076	32,485,037	93,754,739	93,754,820
Subordinated debt	27,184,550	27,184,291	27,184,550	27,184,300
KHR'000 (Note 2.1)	110,749,857	110,748,802	109,961,505	109,960,494

The table below summarizes the fair value hierarchy of financial asset and liability which are not measured at fair value in the statement of financial position but for which fair value is disclosed.

35. MATURITY PROFILE OF ASSETS AND LIABILITIES

	2021			2020		
	Less than one year	More than one year	Total	Less than one year	More than one year	Total
Financial assets						
Cash on hand	41,382,860	-	41,382,860	45,587,762	-	45,587,762
Balances with other banks and financial institutions	38,660,508	-	38,660,508	42,453,145	-	42,453,145
Balances with the National Bank of Cambodia	172,856,294	127,785,835	300,642,129	134,623,655	135,175,813	269,799,468
Loans and advances to customers	374,082,693	779,110,655	1,153,193,348	344,042,749	680,808,259	1,024,851,008
Other assets	315,500	-	315,500	279,240	-	279,240
Other investment	-	20,103,889	20,103,889	-	-	-
	627,297,855	927,000,379	1,554,298,234	566,986,551	815,984,072	1,382,970,623
Non-financial assets						
Balances with the National Bank of Cambodia	-	104,888,167	104,888,167	-	96,934,561	96,934,561
Other assets	1,892,018	-	1,892,018	2,088,871	-	2,088,871
Foreclosed properties	-	28,690,723	28,690,723	-	32,796,742	32,796,742
Intangible assets	-	3,786,795	3,786,795	-	3,728,656	3,728,656
Property and equipment	-	28,010,396	28,010,396	-	17,497,756	17,497,756
Right-of-use assets	-	8,026,640	8,026,640	-	2,912,261	2,912,261
Deferred tax assets	-	2,112,423	2,112,423	-	1,032,688	1,032,688
	1,892,018	175,515,144	177,407,162	2,088,871	154,902,664	156,991,535
	629,189,873	1,102,515,523	1,731,705,396	569,075,422	970,886,736	1,539,962,158
Less: Allowance for expected credit losses			4,170,633			12,884,024
Accumulated depreciation			15,693,636			13,550,233
Total assets			1,711,841,127			1,513,527,901
KHR'000 (Note 2.1)			6,974,040,751			6,122,220,360

	2021			2020		
	Less than one year	More than one year	Total	Less than one year	More than one year	Total
Financial liabilities						
Deposits from customers	610,211,215	763,766,930	1,373,978,145	495,828,714	731,274,467	1,227,103,181
Deposits from other financial institutions	89,753,511	13,353,193	103,106,704	55,782,623	9,189,587	64,972,210
Borrowings	5,009,672	2,963,837	7,973,509	20,467,528	2,710,405	23,177,933
Subordinated debts	-	27,184,550	27,184,550	-	27,184,550	27,184,550
Lease liabilities	36,764	7,485,196	7,521,960	152,486	2,433,237	2,585,723
Other liabilities	-	1,987,528	1,987,528	-	2,229,108	2,229,108
	705,011,162	816,741,234	1,521,752,396	572,231,351	775,021,354	1,347,252,705
Non-financial liabilities						
Other liabilities	293,156	-	293,156	173,295	-	173,295
Provision for employee benefits	-	3,003,828	3,003,828	-	2,913,459	2,913,459
Provision for off-balance sheet commitments	-	851,853	851,853	-	668,071	668,071
Current income tax liability	5,346,630	-	5,346,630	2,844,365	-	2,844,365
	5,639,786	3,855,681	9,495,467	3,017,660	3,581,530	6,599,190
Total liabilities	710,650,948	820,596,915	1,531,247,863	575,249,011	778,602,884	1,353,851,895
KHR'000 (Note 2.1)	2,895,191,962	3,343,111,832	6,238,303,794	2,326,882,249	3,149,448,666	5,476,330,915

36. RECLASSIFICATION OF CORRESPONDING FIGURES

Certain corresponding figures have been reclassified to conform with this year's presentation, as follows:

	As previously presented	Reclassification	As reclassified	
	US\$	KHR'000 (Note 2.1)	US\$	KHR'000 (Note 2.1)
Statement of financial position				
Cash and cash equivalents	338,086,082	(338,086,082)	-	-
Cash on hand	-	45,587,762	45,587,762	184,402,497
Balances with other banks and financial institutions	19,736,731	22,698,853	42,435,584	171,651,937
Balances with the NBC	96,934,561	269,799,468	366,734,029	1,483,439,147

37. SUBSEQUENT EVENTS

The continuous development of the coronavirus outbreak has brought about unprecedented impact and changing circumstances in Cambodia. Based on the management's assessment, the potential impact of the disease outbreak could be minimal due to availability of loan protection measures in controlling credit risks of the portfolio. Management will continuously pay close attention to the development of the COVID-19 in Cambodia, its impact to its customers, as well as their customers' ability to service the debts.

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

38. TAX CONTINGENCY


The taxation system in Cambodia has undergone numerous changes and is characterized by either often unclear, contradictory and/or different interpretations exist among numerous taxation authorities and jurisdictions. Taxes are subject to review and investigation by a number of authorities, which 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 different interpretations and the effects to the Bank and its subsidiaries could be significant.

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