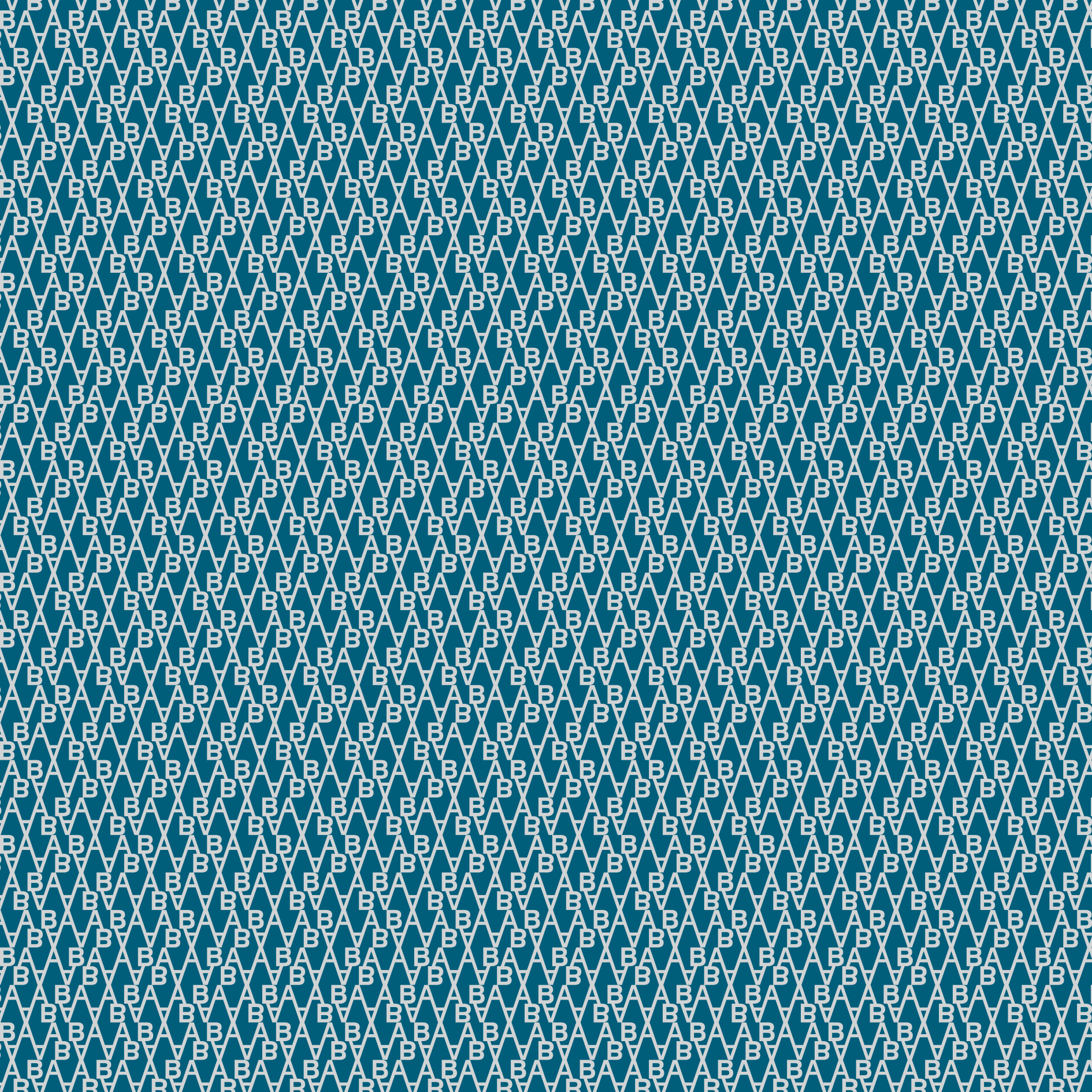




2023

ANNUAL
REPORT





**ANNUAL
REPORT
2023**

ABA BANK AT A GLANCE

Founded in 1996, Advanced Bank of Asia Ltd. (ABA Bank) is Cambodia's largest commercial bank in terms of total assets, customer deposits, loans, and net profit.

The Bank offers the entire spectrum of services to customer segments covering SMEs, micro-businesses, and individuals through 95 branches, 1,700+ self-banking machines across the country, and advanced online banking and mobile banking platforms.

**STANDARD
& POOR'S**

'B+' credit rating from Standard & Poor's (S&P) Global Ratings Agency
Outlook: **Stable**

\$11.5B Total Assets

\$9B Total Deposits

\$276.5M Net Profit

9,540 Employees

95 Branches

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Message from the CEO

Dear shareholders, investors, and customers! It gives me pleasure to present ABA Bank's significant accomplishments in 2023 and plans for 2024.

I would like to start with our continuous achievement – ABA Bank has retained the position of the largest Cambodian commercial bank by total assets, loans, deposits, and profitability in two executive years, 2021 and 2022, as per the Annual Supervision Report of the National Bank of Cambodia. We keep delivering more robust performance and remain dedicated to serving our valued stakeholders.

By the end of 2023, we opened ten new branches in Phnom Penh and provinces, totaling 95 offices, reflecting ABA's progress and achievements in the physical network expansion this year.

Additionally, the bank significantly expanded its network of ABA 24/7 self-banking spots, bringing the number of spots from 30 to 45 within the year. The bank's total number of self-banking machines reached 1,700 by the end of 2023.

ABA also made significant strides in expanding financial inclusion across Cambodia. Here are some key highlights.

Our flagship retail product, the ABA Mobile app, has grown its user base from 2.4 million in 2022 to 3.1 million at the end of 2023. In August, we successfully introduced the new version of ABA Mobile 5.0 with a more convenient interface and customizable features.

This year, we significantly expanded our digital ecosystem. More than 700,000 merchants now collect payments through our cashless payment methods using QR stands, lanyards, POS terminals, and the ABA Merchant app. This app allows businesses and sellers to collect payments through ABA KHQR, manage refunds, download transaction reports, analyze their sales, and more.

Through our partnership with TrueMoney Cambodia, which we launched this year, our customers can now top up their ABA loan accounts via 11,000 TrueMoney agents for free. This development made banking with ABA even more accessible, particularly for those far from our branches or ABA 24/7 self-banking spots.

In the corporate segment, we improved our market position by introducing new services and improving the existing proposition for our current and prospective customers.

In 2023, we relaunched our ABA Business online banking platform, which received new features and a modern interface. With Caltex Cambodia, we introduced the ABA Fleet Card – a credit card companies can use for fleet management and fuel expense control. It is a promising product that can help us bring more business to the ABA ecosystem.

The Oriental Desk we launched in 2022 to offer key services to Chinese customers received another expansion. In 2023, we added Korean- and Japanese-speaking staff to the Oriental Desk to offer ABA service to more foreign individuals and companies working in Cambodia. We are proud that ABA has become the bank of choice for hundreds of companies from these Asian countries.

Focusing on achieving our business targets, we never forget about our community. In the reporting period, we gladly became the Exclusive Bank Sponsor and Payment Provider of the historic SEA Games 2023, supporting the Cambodian national team and promoting the Games among our customers.

We continued financial inclusion and literacy projects through partnerships with TYDA, AMT, and the Cambodian Red Cross. Additionally, we initiated a school infrastructure improvement project, provided financial literacy training in rural areas, and backed the Cambodian Children's Fund. The bank supported 48 projects and initiatives from the government and NGO partners throughout the year. It is a privilege to contribute back to the country via this specific aid we provided, and we believe our contribution will bring lasting value.

Speaking about financial results, we are proud to report continued financial growth in 2023:

- Total assets grew 26% compared to the end of 2022, reaching US\$11.3 billion.
- Customers' deposits increased by 25%, equaling US\$9 billion.
- Gross loan portfolio reached US\$7.7 billion, representing an 18% growth from 2022.
- Shareholders' equity had the highest growth rate at 38.5%, reaching US\$1.8 billion by the end of 2023.

These figures demonstrate our robust financial performance and commitment to creating value for our stakeholders.

International recognition also underlines our stable market position and aspiration for modern finance. As such, we were named the Best Bank in Cambodia 2023 by The Banker, Global Finance, Euromoney, Asiamoney, and Asian Banking and Finance magazines, while the International Finance magazine praised ABA as the Best Digital Bank in Cambodia 2023.

Looking ahead to 2024, we foresee challenges arising from the current macroeconomic situation, geopolitical risks, the slow recovery of the local economy, and other negative factors. Hence, we must increase our stress resilience, and our liquidity position shall continue strengthening, creating a firm basis for increasing the loan portfolio, which generates most of our revenue.

ABA is a resilient bank with a strong foundation built on its vision, mission, and values. We possess a powerful brand, a solid financial profile, and a commitment to supporting Cambodia's economic growth and prosperity. These strengths, combined with the talent and dedication of our employees, position us to navigate any challenges that may arise.

In closing, I sincerely thank our entire staff for their dedication to exceptional customer service.

I also express my appreciation to the National Bank of Cambodia for their continuous guidance and support.

Most importantly, I thank our valued customers for their continued trust and partnership. We look forward to serving you even better in the years to come.

<SIGNED>

Askhat Azhikhanov
Chief Executive Officer



ABA ABA

ABA BANK

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About ABA Bank



ABA Bank is Cambodia's leading private financial institution, having 28 years of steady development and unique expertise in the market.

1996

Advanced Bank of Asia Ltd. was founded

28

Years of development and growth

1

ABA is the largest commercial bank in Cambodia by assets, deposits, loans, and net profit

WHO WE ARE

ABA Bank is the leading private financial institution founded in 1996 as the Advanced Bank of Asia Limited. In 28 years of development and growth, ABA has significantly strengthened its position in the market and become the country's largest commercial bank.

With 95 branches, over 1,700 self-banking machines across the country, and advanced online banking and mobile banking platforms, ABA reaches out to a large number of SMEs, microbusinesses, and individuals with the entire spectrum of modern financial services and digital banking solutions.

ABA Bank has an effective and well-synchronized professional team committed to maintaining and improving our performance. Our international management team brings invaluable expertise and allows ABA Bank to comply with international service and security standards.

STANDARD & POOR'S The bank owns the long-term issuer credit rating "B+" with **Stable outlook** from Standard&Poor's Global Ratings Agency (S&P). The rating was reaffirmed in August 2023.

The most renowned financial publications of the globe recognized ABA's efforts to bring the very best to its valued clients:

- *The Banker magazine* granted ABA the title "Cambodia's Bank of The Year" in 2014, 2016, 2019, and 2021-2023;
- *Euromoney magazine* awarded the "Best Bank in Cambodia" title to ABA consecutively in 2014-2023;
- *Global Finance magazine* named ABA "The Best Bank in Cambodia" in 2015-2023.



ABA is a subsidiary of National Bank of Canada, a financial institution with around US\$324 billion in assets as of 31 January 2024 and a vast network of correspondent banks worldwide.

Being a shareholder of ABA Bank since 2014, National Bank of Canada becomes the first major financial institution from North America to enter the Cambodian banking sector.

Headquartered in Montreal, it has branches in almost every Canadian province and serves around 2.8 million personal clients. It is the sixth-largest bank in Canada and the leading bank in Quebec where it is the partner of choice among SMEs. Visit www.nbc.ca for more info.

VISION, MISSION, VALUES

OUR VISION

The vision of our bank is to be the country's number one supplier of dependable, easy-to-use, technologically advanced, and easily accessible banking services. We want to be the bank that Cambodians trust to take care of all their personal and business banking needs.

OUR MISSION

Our mission is to help Cambodian businesses and people build a bigger and brighter future by providing highly professional, technologically advanced banking services for all. We see ourselves as working in partnership with the Cambodian community, private businesses, and individuals. We are here to serve Cambodia.

OUR VALUES

Our values form the cornerstone of our business. We believe in the importance of:

Honesty & Respect

At ABA, we make it our responsibility to treat each and every customer with honesty and respect. Strictly following this value, we earn respect and trust from our customers.

Service Quality

At ABA, we strive to find solutions to all our banking needs. Our aim is to provide the most technologically advanced and reliable banking services to all our customers – personal or business account holders.

Trust & Partnership

At ABA, we are always there to offer help and assistance. We see ourselves as dependable partners that our customers can always trust and rely on for their financial needs.

Contribution

At ABA, we aim to make a positive contribution to Cambodia. We want to play a beneficial role in the lives of our customers as well as for the future of the country as a whole.

Ethics & Morals

At ABA, we apply the highest ethical and moral standards to everything we do, inside and outside the bank. It is these homegrown principles that form the basis of every relationship with the customers and communities we serve and our staff.

Sustainability & Growth

At ABA, we always think about the future of our bank, the Cambodian people, and the country. We show the same level of commitment to our staff and customers. It is with this approach that we ensure the bank's sustainable growth.

FINANCIAL HIGHLIGHTS

FINANCIAL YEAR ENDED 31 DECEMBER
(audited except General Information)

	2023	2022
Balance Sheet (US\$ million)		
Total Deposits	9,232.71	7,353.62
Total Gross Loans	7,866.35	6,521.97
Equity	1,778.57	1,312.09
Total Assets	11,483.21	9,031.82
P&L Account (US\$ million)		
Net Interest Income	506.53	479.26
Net Fee, Commission and other Income	53.66	49.88
Net Profit	276.48	262.28
Key Performance Indicators (%)		
ROAE	17.82	22.18
ROAA	2.67	3.10
Cost/Income	33.92	30.96
Liquidity Ratio	133.05	127.79
Credit/Deposit Ratio	85.58	88.85
Solvency Ratio	19.70	19.01
General Information		
Operating Branches	95	85
Staff	9,540	7,778
Self-banking machines	1,599	1,194
POS Terminals	9,396	5,858
Accounts	4,332,085	3,167,978
Borrowers	121,845	103,203

SIMPLIFIED RESULTS

ASSETS

in US\$ Millions

27.1% ▲

INCREASE FROM 2022

11,483
2023

9,032
2022

SHAREHOLDERS' EQUITY

in US\$ Millions

35.6% ▲

INCREASE FROM 2022

1,779
2023

1,312
2022

DEPOSITS

in US\$ Millions

25.6% ▲

INCREASE FROM 2022

9,233
2023

7,354
2022

LOANS

in US\$ Millions

20.6% ▲

INCREASE FROM 2022

7,866
2023

6,522
2022

NET PROFIT

in US\$ Millions

5.5% ▲

INCREASE FROM 2022

276.5
2023

262.3
2022

CUSTOMER ACCOUNTS

in Millions

36.6% ▲

INCREASE FROM 2022

4.33
2023

3.17
2022

CORRESPONDENT BANKS

Currency	Correspondent Bank Name	SWIFT Code
USD	JPMorgan Chase Bank National Association, USA	CHASUS33
USD	Standard Chartered Bank, USA	SCBLUS33
USD	Standard Chartered Bank (Singapore) Limited	SCBLSG22
USD	Woori Bank, South Korea	HVBKKRSE
USD	Kookmin Bank, South Korea	CZNBKRSE
USD	KEB Hana Bank, South Korea	KOEXKRSE
USD	DBS Bank, Singapore	DBSSSGSG
USD	Oversea-Chinese Banking Corporation, Singapore	OCBCSGSG
USD	Joint Stock Commercial Bank for Foreign Trade of Vietnam, Vietnam	BFTVVNVX
VND	Joint Stock Commercial Bank for Foreign Trade of Vietnam, Vietnam	BFTVVNVX
CAD	National Bank of Canada, Canada	BNDCCAMMINT
USD	National Bank of Canada, Canada	BNDCCAMMINT
EUR	National Bank of Canada, Canada	BNDCCAMMINT
EUR	Commerzbank AG, Germany	COBADEFF
GBP	Standard Chartered Bank, UK	SCBLGB2L
SGD	DBS Bank, Singapore	DBSSSGSG
CNY	China Construction Bank Corporation, China	PCBCCNBJGPS
THB	Standard Chartered Bank (Thai), Thailand	SCBLTHBX
THB	Kasikornbank Public Company Limited, Thailand	KASITHBK
KRW	Woori Bank, South Korea	HVBKKRSE
AUD	JPMorgan Chase Bank National Association, Australia	CHASAU2X
JPY	Sumitomo Mitsui Banking Corporation, Japan	SMBCJPJT

BRANCH NETWORK

HEAD OFFICE

No. 141, 146, 148, 148ABCD and 162A, Preah Sihanouk Blvd, No. 15 and 153ABC, Street 278, and No. 171, Street Preah Trasak Paem, Sangkat Boeung Keng Kang 1, Khan Boeung Keng Kang, Phnom Penh, Kingdom of Cambodia

1 800 203 203 (Toll-free)
Fax: (+855) 23 216 333

info@ababank.com
www.ababank.com

P.O. Box 2277
SWIFT: ABAKHPP

AEON Mall (Sen Sok City)	098 203 149	Chom Chao 3	081 205 721	Mukh Kampul District	098 203 159	Samdech Sothearos	098 203 983
AEON Mall (Mean Chey)	081 205 720	Chrang Chamreh 1	098 206 729	Oddar Meanchey	081 204 693	Samraong Kraom	081 205 735
Angk Snuol District	098 203 489	Independence Monument	098 203 001	Odongk District	098 203 379	Samraong Tong District	098 203 719
Angkor Chey District	098 206 776	Kampong Speu	098 203 949	Operational Hall of Head Office	098 203 179	Siem Reap	098 203 829
Bakan District	081 204 209	Kampot	098 203 959	Ou Baek K'am	098 203 799	Sihanoukville	098 203 899
Bati District	098 203 649	Kampong Tralach District	081 204 149	Pailin	081 204 659	S'ang District	098 203 369
Bati 2 District	098 206 941	Kampong Trach Khaeut District	098 206 535	Paoy Paet	098 203 019	Snuol District	098 203 099
Battambang	098 203 839	Kandal Stueng District	098 203 619	Pea Reang District	081 204 292	Soutr Nikom District	081 204 283
Baray District	098 203 739	Kampong Cham	098 203 879	Peam Ro District	098 203 629	Stade Chas	098 203 819
Banteay Meanchey	098 203 759	Kampong Chhnang	098 203 039	Phsar Derm Thkov	098 203 689	Stoung District	081 204 355
Bavet	098 203 389	Kampong Thom	098 203 429	Phsar Leu (Siem Reap)	098 203 679	Stung Mean Chey	098 203 889
Bavel District	098 206 977	Kep	081 205 707	Preah Netr Preah District	081 204 262	Stung Mean Chey 2	098 206 180
Borei Keyla	098 203 869	Kien Svay District	098 203 479	Preaek Phnov	098 206 328	Stung Treng	081 204 090
Boeung Trabek	098 206 750	Koh Kong	081 204 123	Preah Vihear	081 204 590	Svay Chrum District	098 203 349
Central	098 203 199	Kaoh Thum District	081 204 186	Prey Chhor District	081 204 189	Svay Rieng	098 203 029
Central Market	098 203 979	Kratie	098 203 049	Prey Nob	081 204 297	Takeo	098 203 909
Chamkar Doung	098 203 579	Krong Siem Reap (Angkor)	098 203 089	Prey Veng	098 203 059	Takhmao	098 203 919
Chamkar Leu District	081 204 053	Krong Battambang	098 206 548	Pursat	098 203 969	Tboung Khmum	098 203 769
Chbar Ampov	098 203 929	Mao Tse Tong	098 203 809	Puok District	081 207 200	Tmar Kol District	098 203 789
Chhuk District	098 203 729	Mondulkiri	081 204 567	Rattanakiri	098 203 499	Tram Kak District	098 203 709
Chraoy Chongvar	098 203 189	Memot District	098 203 639	Russey Keo	098 203 659	Toek Thla	098 203 849
Cheung Prey District	098 203 749	Mongkol Borei District	081 204 029	Saensokh	098 203 779	Toul Kork	098 203 859
Chom Chao	098 203 939	Mittapheap	081 204 307	Santhormok	098 203 469	Toul Kork 2	098 203 637
Chom Chao 2	081 204 420	Moung Ruessei District	098 203 459	Samdech Monireth	081 204 019		

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Corporate Governance

SHAREHOLDERS

As of the end of 2023, the shareholding structure of ABA Bank is as follows:

Name of Shareholder	Number of Shares	Amount in US\$
National Bank of Canada	1,099,999	1,099,999,000
Natcan Trust Company	1	1,000
Total	1,100,000	1,100,000,000

1 share = US\$1,000

National Bank of Canada

ABA is a subsidiary of National Bank of Canada (www.nbc.ca), a financial institution with around US\$324 billion in assets as of 31 January 2024 and a vast network of correspondent banks worldwide. Headquartered in Montreal, it has branches in almost every Canadian province and serves around 2.8 million personal clients. It is the sixth-largest bank in Canada and the leading bank in Quebec where it is the partner of choice among SMEs.

Natcan Trust Company

Natcan Trust Company was incorporated in 1992 under the Trust and Loan Companies Act (Canada) and is an indirect wholly-owned subsidiary of National Bank of Canada (the "Ultimate Parent Company"). Its head office is located in Montreal, Quebec, Canada.

The primary financial activities of Natcan Trust Company consist of providing deposit products through the ultimate parent company's branch network and acting as a trustee.

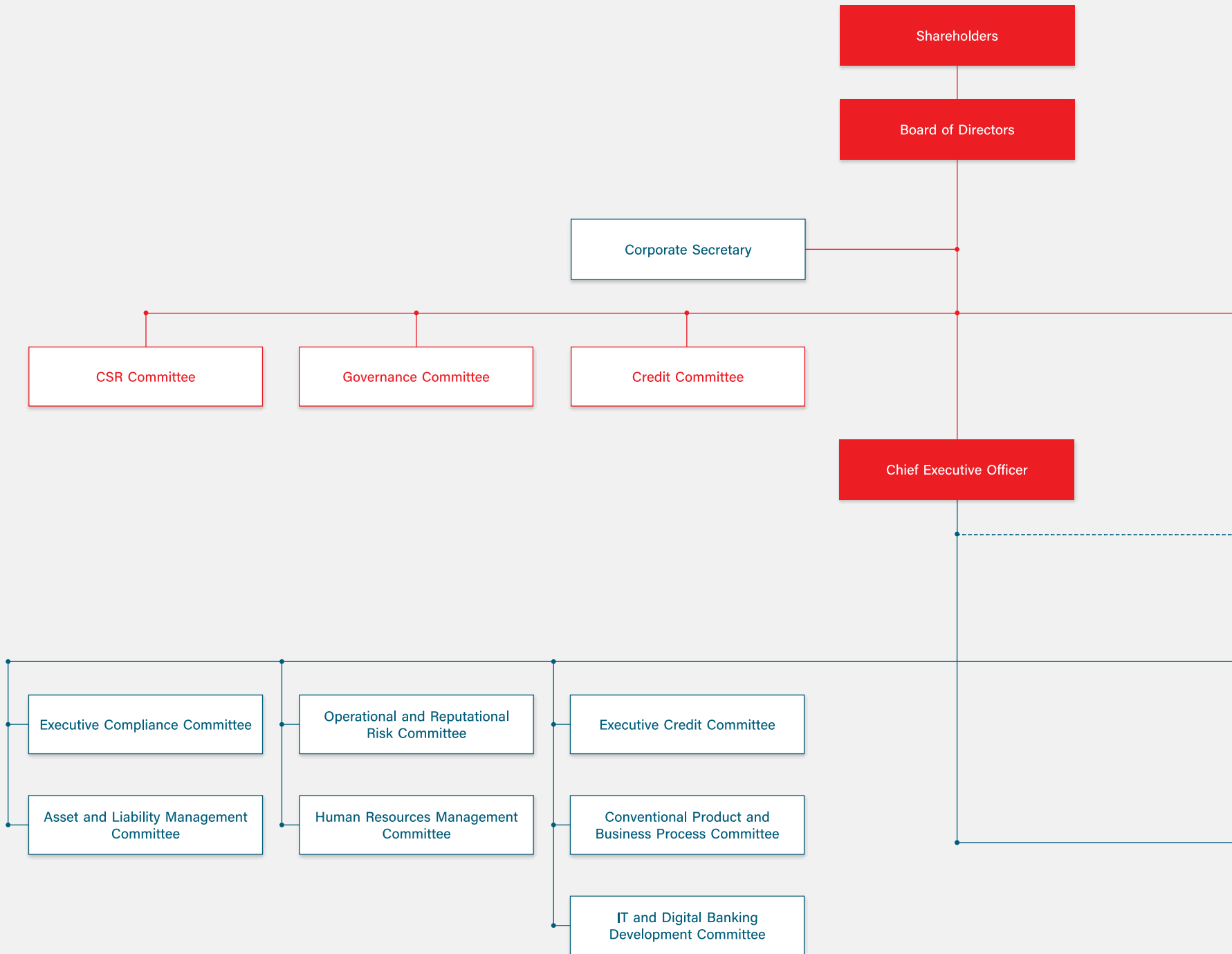
ANNUAL GENERAL MEETING OF SHAREHOLDERS

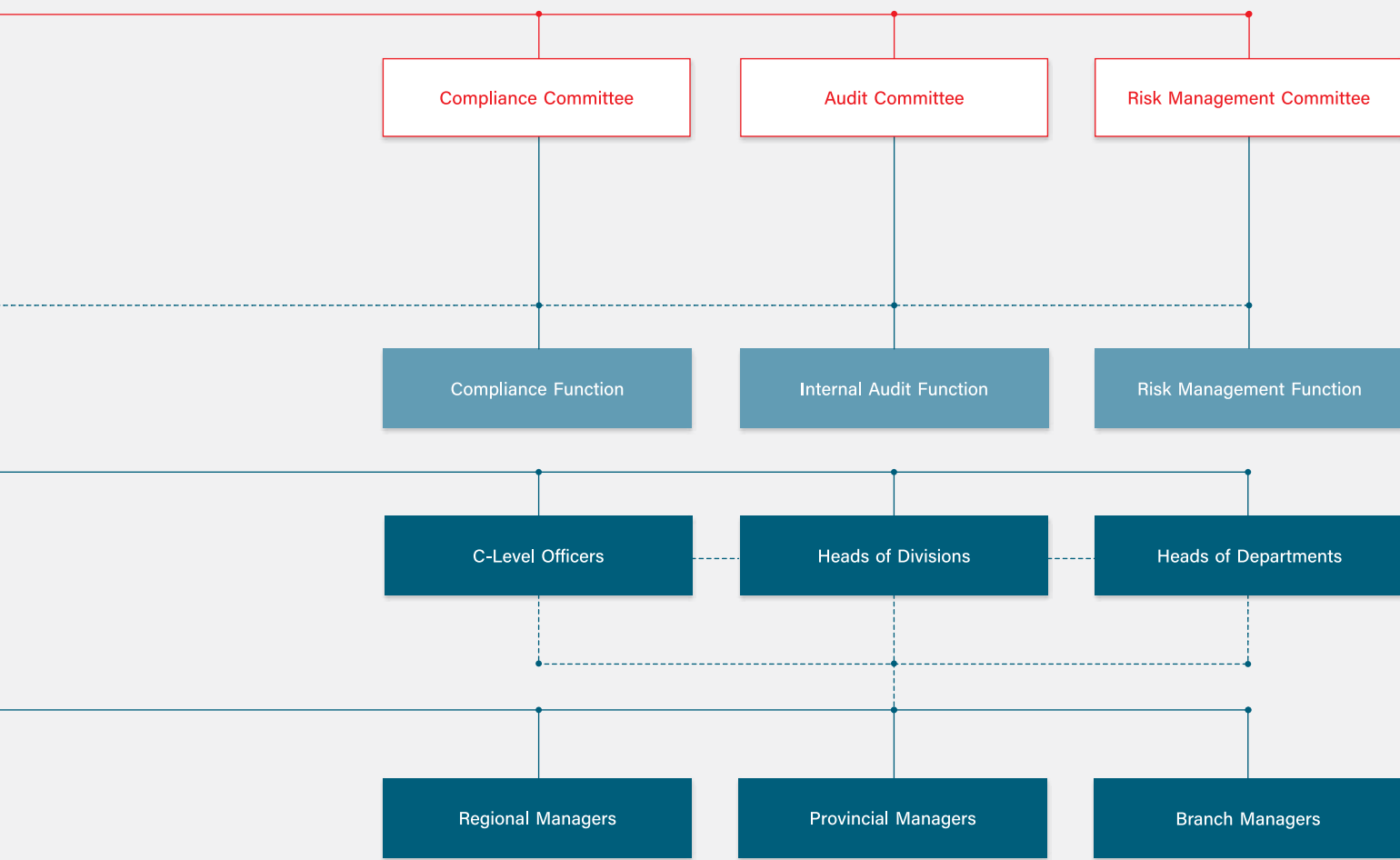
ABA Bank holds its Annual General Meeting of Shareholders following the Law on Commercial Enterprises, the Articles of Association, and other relevant regulations.

In 2023, the Annual General Meeting of Shareholders was held on 5 April with the participation of the representatives of the Bank shareholders. The decisions made at the meeting:

1. The Annual General Meeting of Shareholders positively considered the financial results of ABA Bank for the year ended 31 December 2023.
2. The Annual General Meeting of Shareholders approved the Audited Financial Statements of ABA Bank for the year ended 31 December 2023.

CORPORATE GOVERNANCE STRUCTURE CHART (AS OF THE END OF 2023)





BOARD OF DIRECTORS



YVES JACQUOT

Chairman

Yves Jacquot graduated from ESSEC in France. Between 1980 and 1993, he occupied different positions, including the position of CEO in different banks and financial institutions in France, as well as in retail banking sector, investment and financial markets sectors and asset management sector.

He entered BRED Banque Populaire in 1993 and then became the deputy CEO of the Bank and CEO of COFIBRED, the holding company owning the subsidiaries of the group.

Yves Jacquot is currently holding the position of the Head of International Development for the National Bank of Canada Group.

Mr. Jacquot joined the Board of Directors of ABA Bank in 2014.



DOMINIC JACQUES

Director

Dominic Jacques is a graduate of HEC in Canada, Chartered Accountant (CPA, CA) and CFA Charterholder.

Mr. Jacques holds the position of Deputy Vice-President, International Development at National Bank of Canada. He is responsible for managing the Bank's international investments portfolio as well as developing ancillary business opportunities.

He started his career at PriceWaterhouseCoopers. Then joined National Bank of Canada in 2010 in the Strategy and Corporate Development team. He was advising the Bank's senior management on strategic initiatives, partnerships and M&A activities.

Dominic Jacques has a sound knowledge of the banking industry and has been based in Montreal, London, Paris, as well as in USA.

In 2016, Mr. Jacques was appointed to the Board of Directors of ABA Bank.



MADI AKMAMBET

Executive Director

Madi Akmambet holds an Executive MBA with distinction from Cass Business School, City University London (2013) and a degree in Economics from the Kazakh State Academy of Management (1996).

Started career in 1997 in the Treasury Department of the Ministry of Finance of the Republic of Kazakhstan and then Banking Supervision Department of the National Bank of Kazakhstan.

Between 2000-2007, he held top management positions at several national companies, the Financial Institutions' Association and commercial banks in Kazakhstan.

His international working experience started in 2007 with business projects in Uzbekistan run by the Kazakhstan-based private equity firm Visor Holding.

In 2009, Mr. Akmambet was appointed the CEO of ABA Bank, where he had led a major turnaround of the Bank. Since 2012, he has been the Executive Director of the Board of Directors.



MARTIN OUELLET

Director

Having graduated from the École des Hautes Études Commerciales in Montreal, Martin Ouellet is a treasury management specialist, actively involved in the management of liquidity and funding, as well as financial risks related to interest rates and foreign exchange. Started his career in 1977 with Crédit Foncier Franco-Canadien and worked for more than 30 years at National Bank of Canada, where he raised to the position of Senior Vice-President and Corporate Treasurer.

Mr. Ouellet now acts as a corporate director. In that capacity, he served on the board or advisory board of various institutions, of which the Auditing and Assurance Standards Oversight Council and Assurance-vie Banque Nationale (Canada). He is also a member of the Institute of Corporate Directors (Canada).

Mr. Ouellet joined the Board of Directors of ABA Bank in 2019.



CHRISTIAN ST-ARNAUD

Director

Christian St-Arnaud graduated from the École des Hautes Études Commerciales in Montréal, Canada. Between 1983 and 2009, he occupied different positions in international and Canadian financial institutions in Canada, with a focus on credit capital market.

Joined National Bank of Canada in 2009 as Vice-President – Credit capital market and real estate and was appointed Senior Vice-President – Credit in 2012, overseeing all retail, commercial, and financial market credit activities of the Bank, including adjudication, portfolio management, and credit model development. He was also a member of numerous senior committees of the Bank, including the Global risk committee, the Risk management committee and the Model oversight committee.

Mr. St-Arnaud joined the Board of Directors of ABA Bank in 2019.



PAOLO PIZZUTO

Director

Paolo Pizzuto graduated from Université du Québec à Montréal in 2003, with a Master's Degree in Business Administration.

A career banker, he joined National Bank of Canada in 1986 where he occupied several positions within the organization until 2001, when he was appointed Vice-President Sales and Service.

Over the following years, he was assigned several executive functions that spanned across Retail and Commercial Banking, Payment Solutions, Process and IT Transformation.

Since 2015, Pizzuto holds the position of Senior Vice-President, Retail Banking. He also occupies the role of Chairman of the Board of Natbank, a US bank in the state of Florida and has been an acting governor for the Canadian Italian Foundation since 2004.

Mr. Pizzuto joined the Board of Directors of ABA Bank in 2020.



HENRI CALVET

Independent Director

Qualifications of Henri Calvet: Graduate of Ecole Normale Supérieure de Cachan and University degree (Economics, Paris-I Panthéon-Sorbonne).

Mr. Calvet is the founder of H2C CONSEIL, a company offering advisory and training services to credit institutions and securities firms, in the following main fields: banking accounting, internal control (including risk management and compliance control), and prudential rules.

Prior to setting up his own business, Mr. Calvet had spent 10 years with the French Banking Commission and had later worked for numerous banks, namely, Compagnie Financière Edmond de Rothschild Banque and Compagnie Parisienne de Reescompte, inter-alia.

Mr. Calvet joined the Board of Directors of ABA Bank in 2016.



ETIENNE CHENEVIER

Independent Director

A graduate from Ecole Poly-technique and Ecole des Ponts et Chaussées in France, Etienne Chenevier started his career at the French Ministry of Industry. He then joined the Air Liquide Group where he created in 1993 the first operations in China before being given responsibility of large supply contracts of industrial gases to the steel sector in Asia. After that, Etienne joined Rio Tinto where he developed a number of operations in Singapore, Australia, China and Japan.

He then partnered with the French private equity firm CityStar to create their Asian Division in 2005, of which he is Partner and Director.

In 2014, Mr. Chenevier was appointed as the member of the Board of Directors in ABA Bank.



GUY QUADEN

Independent Director

Guy Quaden graduated in economic and social sciences from the University of Liège (Belgium) and La Sorbonne (France). He obtained a PhD in economics at the University of Liège in 1973.

Between 1988 and 1996, he was a member of the Board of the National Bank of Belgium and later appointed as General Commissioner for the Euro of the Belgian government. After accomplishing this role, Quaden became the Governor of the National Bank of Belgium from 1999 until 2011. During the same period, he was a member of the Governing Council of the European Central Bank, IMF Governor for Belgium, and member of the Board of the Bank of International Settlements.

Mr. Quaden joined the Board of Directors of ABA Bank in 2019.

BOARD MEETINGS

Date	Meeting Type	Names of Directors Attending the Meeting
15 March	Physical meeting with video conference broadcast	Yves Jacquot Dominic Jacques Madi Akmambet Martin Ouellet Christian St-Arnaud Paolo Pizzuto Etienne Chenevier Henri Calvet Guy Quaden
7 June	Physical meeting with video conference broadcast	Yves Jacquot Dominic Jacques Madi Akmambet Martin Ouellet Christian St-Arnaud Paolo Pizzuto Etienne Chenevier Henri Calvet Guy Quaden
6 September	Physical meeting with video conference broadcast	Yves Jacquot Dominic Jacques Madi Akmambet Martin Ouellet Christian St-Arnaud Paolo Pizzuto Etienne Chenevier Henri Calvet Guy Quaden
6 December	Physical meeting with video conference broadcast	Yves Jacquot Dominic Jacques Madi Akmambet Martin Ouellet Christian St-Arnaud Paolo Pizzuto Etienne Chenevier Henri Calvet Guy Quaden

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Corporate Social Responsibility

SOCIAL RESPONSIBILITY INITIATIVES

ABA Bank is a leading financial institution and active social citizen of the country committed to giving back to its communities. In 2023, the Bank implemented a variety of social responsibility initiatives that supported financial inclusion, education, healthcare, entrepreneurship, and sports nationwide.



SPORTS

ABA served as the Exclusive Bank Sponsor and Cashless Payment Provider for the prestigious SEA Games held in Cambodia for the first time. The bank's significant sponsorship of US\$1,500,000 included both in-cash and in-kind participation, promoting the Games and fostering the national sports spirit. This initiative aligned with ABA Bank's commitment to supporting Cambodia's tourism and sports sectors.





EDUCATION

Boosting educational opportunities

ABA signed an MoU with the Association of Samdech Akka Moha Sena Padei Techo Hun Sen and Samdech Kittiprittbandit Scholarship Students (AMT) to support education in Cambodia. The Bank contributed US\$100,000 for scholarships, educational programs, and financial assistance schemes.

School Improvement Project

ABA initiated the school improvement project to create a more supportive and stimulating learning environment. This project aimed to empower students and equip them with the resources they need to succeed. The first phase revitalized a school in Kampong Ro, Svay Rieng province. The second phase focused on Sok An Thnol Bombek high school in Takeo province, creating a more conducive learning environment for over 1,200 students.

Youth and education empowerment

ABA Bank reaffirmed its dedication to fostering youth empowerment and education by donating IT equipment to Passerelles Numériques Cambodia (PNC), a distinguished NGO that provides underprivileged youth with education and training in digital technologies. This donation empowered PNC to equip their students with the necessary skills to thrive in the digital age, preparing them for future careers in the ever-evolving tech industry.



Uplifting underprivileged children

ABA Bank collaborated with the Cambodian Children's Fund (CCF) to develop a comprehensive program for underprivileged children. This impactful partnership encompassed internships, scholarships, financial support for school infrastructure development, cross-promotional activities, and volunteer programs, creating a holistic approach to supporting disadvantaged youth.



FINANCIAL INCLUSION

Raising currency awareness

ABA Bank actively participated in Riel Day events organized by the National Bank of Cambodia. These events aimed to promote the use of Khmer Riel, the country's national currency, and reduce reliance on foreign currency within the domestic economy.

Promoting financial literacy

ABA Bank, in collaboration with Canada-based Angkor Resources Corp., launched the third phase of the Financial Literacy Program in the rural areas of Ratanakiri province. This phase trains 22 community members as instructors in their native languages. Targeting 500 participants across districts and villages through 22 classes, the program aims to empower a wider population.

Expanding access to financial services

ABA Bank sponsored the Access to Finance Program (AFP) 2023. The program aimed to expand financial inclusion in Cambodia by facilitating greater access to financial services for individuals and businesses, particularly those in underserved communities.



HEALTHCARE

Humanitarian contribution

Marking the 160th anniversary, ABA Bank made a generous contribution of US\$200,000 to the Cambodian Red Cross (CRC) in support of its humanitarian programs. ABA Bank believes in the vital role the CRC plays in assisting vulnerable communities across Cambodia.

BeyondTheGames' Folding Heart Campaign

Extending support to Cambodian para-athletes, ABA Bank participated in the BeyondTheGames' Folding Heart Campaign with a US\$30,000 sponsorship. This campaign aimed to raise funds for the athletes competing in the upcoming Para Games 2023 and raise awareness about both the SEA Games and Para Games, held in Cambodia for the first time.



Bridging the community healthcare gap

ABA Bank reaffirmed its commitment to humanitarian efforts by signing an MoU with the Samdech Techo Voluntary Youth Doctor Association (TYDA). This collaboration extended crucial support to TYDA's healthcare projects in rural communities. ABA Bank pledged its contribution of US\$100,000, enabling TYDA to continue offering free medical treatment and healthcare services to those in need.



ENTREPRENEURSHIP

Supporting women entrepreneurs

ABA sponsored the Cambodian Women Entrepreneurs Association (CWEA) Expo 2023 to demonstrate its commitment to fostering women's empowerment. The event provided a valuable platform for women entrepreneurs to showcase their businesses, network with potential investors and customers, and gain valuable insights to propel their businesses forward.

Promoting digital platforms for MSMEs

Recognizing the growing importance of digital technologies for small and medium-sized enterprises (MSMEs), ABA Bank became a Platinum Sponsor for the Digital Platform Accelerator Cohort 2 (DPA). This initiative provided critical support to MSMEs by equipping them with the tools and skills required to leverage digital platforms for business growth and increased market reach.



SprintX Accelerator Program

ABA Bank further demonstrated its commitment to supporting Cambodian entrepreneurs by sponsoring the SprintX Accelerator Program under the Ministry of Economy and Finance. This program provided a platform for local tech startups and technology-driven SMEs to gain access to mentorship, funding opportunities, and networking connections.



FINTECH

The Turing Hackathon – Cycle 5

ABA Bank actively participated in fostering innovation within Cambodia's fintech sector by becoming a Diamond Sponsor of The Turing Hackathon - Cycle 5. This hackathon brought together talented developers and entrepreneurs to create tech solutions that addressed real-world challenges in the financial services industry.

CamTech Summit 2023

ABA Bank became the Gold Sponsor of CamTech Summit 2023. This leading tech conference served as a platform for showcasing emerging technologies, fostering dialogue and collaboration within the Cambodian tech ecosystem, and promoting the growth of the country's digital economy.



Reverse Innovation (RI) Program

ABA Bank provided sponsorship to the RI program to foster innovation in the fintech landscape. This innovative program aimed to identify and implement existing technological solutions from developed countries that could be adapted to address Cambodia's specific financial sector challenges.

OTHER PROJECTS AND INITIATIVES



ABA Bank supported the Cambodia Banking Conference 2023. This event brought together industry leaders and stakeholders to discuss key issues impacting Cambodia's banking sector and chart the course for future growth and development.



ABA Bank went the extra mile to support the Angkor Hospital for Children by contributing to their bicycle fundraising event.



The 10th Sea Festival in Kep, showcasing Cambodia's culture and tourism, received Gold Sponsorship from ABA Bank.



Sponsoring the Bankers' Cycling 2023 to promote a healthy lifestyle within the banking community while fostering camaraderie and team spirit among industry professionals.



Diamond sponsorship by ABA Bank served as a major boost for ASEAN Savings Day 2023, promoting financial literacy and a regional savings culture across the member nations.



ABA supported the country's first Start-up and Innovation Festival 2023 to showcase the transformation of Cambodia's start-up ecosystem.



To equip journalists with financial knowledge, ABA Bank co-sponsored a media campaign with the Association of Banks in Cambodia.



The EHT Paul Dubrulle program, supported by ABA Bank, prepares the next generation of hospitality professionals.



The Bank's sponsorship of the Little Hearts Organization highlights its commitment to the well-being of underprivileged children.



ABA Bank fueled Cambodian tennis's rise on the international stage by sponsoring the national team's participation in the prestigious Davis Cup.

5

Audited Financial Statements

CORPORATE INFORMATION

Bank	Advanced Bank of Asia Limited	
Registration No.	00010593	
Registered office	No. 141 146 148 148 ABCD & 162A Preah Sihanouk Blvd., No. 15 & 153 ABC Street No. 278, No. 171, Street Preah Trasak Paem, Phum 4, Sangkat Boeng Keng Kang Ti Muoy, Khan Boeng Keng Kang, Phnom Penh, Kingdom of Cambodia	
Shareholders	National Bank of Canada Natcan Trust Company	
Board of Directors	Mr. Yves Jacquot	Chairman
	Mr. Dominic Jacques	Director
	Mr. Madi Akmambet	Executive Director
	Mr. Martin Ouellet	Director
	Mr. Christian St-Arnaud	Director
	Mr. Paolo Pizzuto	Director
	Mr. Etienne Chenevier	Independent Director
	Mr. Henri Calvet	Independent Director
	Mr. Guy Quaden	Independent Director
Key management team	Mr. Askhat Azhikhanov	Chief Executive Officer
	Mr. Zhiger Atchabarov	Chief Operating Officer
	Mr. Babu Ram Gyawali	Chief Financial Officer
	Mr. Galymzhan Temirov	Chief Information Officer
	Mr. Bibhu Pandey	Chief Credit Officer
	Mr. Sanzhar Abdullayev	Chief Card and E-Payments Officer
	Mr. Zokhir Rasulov	Chief Digital Officer
	Mr. Igor Zimarev	Chief Marketing and CSR Officer, Corporate Secretary
	Mr. Torsten Kleine Buening	Chief Risk Officer and Compliance Advisor to the CEO
	Ms. Romny Theam	Chief External Affairs Officer
	Ms. Ninlida Long	Chief Cash Management Officer
	Ms. Vithiea Ly	Chief Human Resources Officer
	Mr. Vichet Chhun	Chief Retail Banking Officer
	Mr. Chanrith Sar	Chief Micro Business Loan Officer
	Mr. Sinak Noy	Chief Loan Recovery and Monitoring Officer
	Mr. Lida Sem	Chief Medium and Large Business Lending Officer
	Mr. Sosen Eang	Chief Legal Officer
	Mr. Dalen Ath	Chief Administrative Officer
	Ms. Polinda Hean	Chief International Business Officer
	Mr. Kimkhun Pech	Chief Security Officer
	Mr. Tayzar Zaw	Chief Information Security Officer
Auditors	Deloitte (Cambodia) Co., Ltd	

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors (“BOD” or “Directors”) has pleasure in submitting its report together with the audited financial statements of Advanced Bank of Asia Limited (the “Bank”) for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The Bank is principally engaged in all aspects of banking business and the provision of related financial services in the Kingdom of Cambodia. There were no significant changes to these principal activities during the year.

FINANCIAL RESULTS

The financial results of the Bank for the year ended 31 December 2023 were as follows:

	Year ended 31 December 2023		Year ended 31 December 2022	
	US\$	KHR Million	US\$	KHR Million
Profit before tax	346,767,977	1,425,217	338,316,382	1,382,698
Income tax expense	(70,286,309)	(288,877)	(76,038,145)	(310,768)
Profit for the year	276,481,668	1,136,340	262,278,237	1,071,930

RESERVES AND PROVISIONS

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

DIVIDENDS

No dividends were declared or paid during the year (2022: nil).

SHARE CAPITAL

The Bank issued additional shares during the year as follows:

	31 December 2023		31 December 2022	
	US\$	KHR Million	US\$	KHR Million
Balance at the beginning of the year	660,000,000	2,717,220	520,000,000	2,118,480
Conversion of retained earnings (*)	250,000,000	1,027,500	140,000,000	572,180
Issued share capital	190,000,000	780,900	-	-
Currency translation differences	-	(32,120)	-	26,560
	1,100,000,000	4,493,500	660,000,000	2,717,220

(*) On 16 June 2023, the National Bank of Cambodia approved the conversion of US\$250 million of the Bank’s retained earnings to share capital and allowing the Bank to inject US\$190 million in share capital, bringing the total share capital to US\$1,100 million, which is equivalent to 1,100,000 shares with par value of US\$1,000 per share.

The details of shareholdings were as follows:

	31 December 2023			31 December 2022		
	% of Ownership	Number of shares	US\$	% of Ownership	Number of shares	US\$
National Bank of Canada	99.9999%	1,099,999	1,099,999,000	99.9998%	659,999	659,999,000
Natcan Trust Company	0.0001%	1	1,000	0.0002%	1	1,000
	100%	1,100,000	1,100,000,000	100%	660,000	660,000,000

WRITE OFF OF AND ALLOWANCE FOR FINANCIAL ASSETS

Before the financial statements were prepared, the Directors took reasonable steps to ascertain that action had been taken in relation to write off of financial assets that have no reasonable expectations of recovering the contractual cash flows in their entirety or a portion thereof and making of allowance for expected credit losses on financial assets, and satisfied themselves that all known financial assets that have no reasonable expectations of recovering the contractual cash flows were written off and that adequate allowance for expected credit losses on financial assets have been made. At the date of this report and on the best knowledge, the Directors are not aware of any circumstances which would render the amount of the allowance for expected credit losses on financial assets in the financial statements of the Bank inadequate to any material extent.

ASSETS

Before the financial statements of the Bank were prepared, the Directors took reasonable steps to ascertain that management took appropriate actions so that any assets, which were unlikely to be realised in the ordinary course of business at their values as shown in the accounting records of the Bank, had been written down to amounts which they might be expected to realise.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributable to the assets in the financial statements of the Bank misleading.

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

At the date of this report, the Directors are not aware of:

- (a) any charge on the assets of the Bank which has arisen since the end of the year which secures the liabilities of any other person except as disclosed in the financial statements; and
- (b) any contingent liability in respect of the Bank that has arisen since the end of the year other than in the ordinary course of its business operations.

At the date of this report, the Directors are not aware that any contingent or other liability of the Bank has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the year which, in the opinion of the Directors, will or may substantially affect the ability of the Bank to meet its obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

To the best knowledge of the Directors:

- The results of the operations of the Bank for the year were not substantially affected by any item, transaction or event of a material nature.
- There has not arisen in the interval between the end of the year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Bank for the current year in which this report is made.

EVENTS AFTER THE REPORTING PERIOD

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

THE BOARD OF DIRECTORS

The members of the Board of Directors at the date of this report are:

- | | |
|---------------------------|----------------------|
| ▪ Mr. Yves Jacquot | Chairman |
| ▪ Mr. Dominic Jacques | Director |
| ▪ Mr. Madi Akmambet | Executive Director |
| ▪ Mr. Martin Ouellet | Director |
| ▪ Mr. Christian St-Arnaud | Director |
| ▪ Mr. Paolo Pizzuto | Director |
| ▪ Mr. Etienne Chenevier | Independent Director |
| ▪ Mr. Henri Calvet | Independent Director |
| ▪ Mr. Guy Quaden | Independent Director |

DIRECTORS' INTERESTS

There were no Directors who held office at the end of the year who had any interests in the shares of the Bank.

DIRECTORS' BENEFITS

During and at the end of the year, no arrangement existed to which the Bank is a party with the objective of enabling Directors of the Bank to acquire benefits by means of the share purchase option.

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive any benefit by reason of a contract made by the Bank other than as disclosed in the financial statements.

THE BOARD OF DIRECTOR'S RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for ascertaining that the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with Cambodian International Financial Reporting Standards ("CIFRSs"). The Board of Directors oversees the preparation of these financial statements by management who are required to:

- adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- comply with the disclosure requirements of CIFRSs, or if there have been any departures in the interests of fair presentation, these have been appropriately disclosed, explained and quantified in the financial statements;
- maintain adequate accounting records and an effective system of internal controls;
- 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
- effectively control and direct the Bank and is involved in all material decisions affecting the operations and performance and ascertain that such have been properly reflected in the financial statements.

Management is responsible for ensuring that the above requirements have been fulfilled and 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 Directors confirm that the Bank has complied with the above requirements in preparing the financial statements.

STATEMENT OF THE BOARD OF DIRECTORS

The accompanying financial statements, together with the notes thereto, present fairly, in all material respects, the financial position of the Advanced Bank of Asia Limited as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with CIFRSs, and at the date of this statement, there are reasonable grounds to believe that the Bank will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors

<SIGNED>

Askhat Azhikhanov
Chief Executive Officer

Phnom Penh, Kingdom of Cambodia
Date: 22 March 2024

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ADVANCED BANK OF ASIA LIMITED



OPINION

We have audited the financial statements of Advanced Bank of Asia Limited (the "Bank"), which comprise the statement of financial position as at 31 December 2023, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information as set out on pages 40 to 102.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2023, and 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 ethical requirements that are relevant to our audit of the financial statements in Cambodia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

Management is responsible for the other information. The other information comprises the Corporate Information and the Report of the Board of Directors as set out on page 33 and pages 34 to 36, respectively but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information 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 THE BOARD OF DIRECTORS FOR THE FINANCIAL STATEMENTS

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

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

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

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 judgement 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.

For Deloitte (Cambodia) Co., Ltd.

<SIGNED>

Kimleng Khoy

Partner

Phnom Penh, Kingdom of Cambodia

Date: 22 March 2024

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	Note	31 December 2023		31 December 2022	
		US\$	KHR Million	US\$	KHR Million
ASSETS					
Cash on hand	4	474,857,773	1,939,794	461,874,069	1,901,536
Balances with the NBC	5	1,144,610,187	4,675,733	1,384,213,047	5,698,805
Balances with other banks	6	1,476,824,428	6,032,828	483,070,473	1,988,801
Loans to customers	7	7,772,341,514	31,750,015	6,448,799,797	26,549,709
Investment securities	8	338,015,805	1,380,795	34,942,747	143,859
Property and equipment	9	84,871,929	346,702	66,067,387	271,999
Right-of-use assets	10	64,432,584	263,207	57,064,305	234,934
Intangible assets	11	16,555,112	67,628	16,296,439	67,092
Other assets	12	110,703,383	452,223	79,488,417	327,254
TOTAL ASSETS		11,483,212,715	46,908,925	9,031,816,681	37,183,989
LIABILITIES					
Deposits from banks and other financial institutions	13	206,402,009	843,153	142,662,081	587,340
Deposits from customers	14	9,026,304,769	36,872,456	7,210,953,614	29,687,496
Borrowings	15	146,416,963	598,113	68,358,368	281,431
Subordinated debts	16	96,053,372	392,378	121,045,397	498,344
Current tax liabilities	17(a)	47,217,164	192,882	47,388,978	195,100
Lease liabilities	18	69,053,434	282,083	60,411,883	248,716
Deferred tax liabilities	17(b)	21,989,620	89,828	7,030,085	28,943
Other liabilities	19	91,202,990	372,564	61,875,549	254,742
TOTAL LIABILITIES		9,704,640,321	39,643,457	7,719,725,955	31,782,112
EQUITY					
Share capital	20	1,100,000,000	4,493,500	660,000,000	2,717,220
Regulatory reserves	21	221,657,298	905,470	117,119,294	482,180
Retained earnings		456,915,096	1,847,347	534,971,432	2,168,158
Currency translation differences		-	19,151	-	34,319
TOTAL EQUITY		1,778,572,394	7,265,468	1,312,090,726	5,401,877
TOTAL LIABILITIES AND EQUITY		11,483,212,715	46,908,925	9,031,816,681	37,183,989

The accompanying notes from pages 45 to 102 form an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	Year ended 31 December 2023		Year ended 31 December 2022	
		US\$	KHR Million	US\$	KHR Million
Interest income	22	705,357,695	2,899,020	570,837,305	2,333,012
Interest expense	22	(198,826,322)	(817,176)	(91,580,099)	(374,288)
Net interest income		506,531,373	2,081,844	479,257,206	1,958,724
Fee and commission income	23	80,751,090	331,887	71,617,717	292,702
Fee and commission expense	23	(38,491,191)	(158,199)	(27,659,831)	(113,046)
Net fee and commission income		42,259,899	173,688	43,957,886	179,656
Other operating income		11,404,051	46,871	5,926,210	24,220
Personnel expenses	24	(111,619,676)	(458,757)	(98,756,492)	(403,618)
Depreciation and amortisation	25	(27,312,492)	(112,254)	(23,503,694)	(96,060)
Operating expenses	26	(51,090,387)	(209,981)	(41,565,653)	(169,879)
Net impairment losses on financial assets	27	(23,404,791)	(96,194)	(26,999,081)	(110,345)
Profit before tax		346,767,977	1,425,217	338,316,382	1,382,698
Income tax expense	17(c)	(70,286,309)	(288,877)	(76,038,145)	(310,768)
Profit for the year		276,481,668	1,136,340	262,278,237	1,071,930
Other comprehensive income		-	(15,168)	-	24,575
Total comprehensive income for the year		276,481,668	1,121,172	262,278,237	1,096,505

The accompanying notes from pages 45 to 102 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

	Share capital		Regulatory reserves		Retained earnings		Currency translation differences	Total	
	US\$	KHR Million	US\$	KHR Million	US\$	KHR Million	KHR Million	US\$	KHR Million
Year ended 31 December 2022									
At 1 January 2022	520,000,000	2,118,480	43,637,909	177,781	486,174,580	1,970,931	9,744	1,049,812,489	4,276,936
Profit for the year	-	-	-	-	262,278,237	1,071,930	-	262,278,237	1,071,930
Other comprehensive income – currency translation differences	-	-	-	-	-	-	24,575	-	24,575
	-	-	-	-	262,278,237	1,071,930	24,575	262,278,237	1,096,505
Conversion of retained earnings	140,000,000	572,180	-	-	(140,000,000)	(572,180)	-	-	-
Transfers from retained earnings to regulatory reserves	-	-	73,481,385	302,523	(73,481,385)	(302,523)	-	-	-
Currency translation differences	-	26,560	-	1,876	-	-	-	-	28,436
At 31 December 2022	660,000,000	2,717,220	117,119,294	482,180	534,971,432	2,168,158	34,319	1,312,090,726	5,401,877
Year ended 31 December 2023									
At 1 January 2023	660,000,000	2,717,220	117,119,294	482,180	534,971,432	2,168,158	34,319	1,312,090,726	5,401,877
Profit for the year	-	-	-	-	276,481,668	1,136,340	-	276,481,668	1,136,340
Other comprehensive income – currency translation differences	-	-	-	-	-	-	(15,168)	-	(15,168)
	-	-	-	-	276,481,668	1,136,340	(15,168)	276,481,668	1,121,172
Conversion of retained earnings	250,000,000	1,027,500	-	-	(250,000,000)	(1,027,500)	-	-	-
Issued share capital	190,000,000	780,900	-	-	-	-	-	190,000,000	780,900
Transfers from retained earnings to regulatory reserves	-	-	104,538,004	429,651	(104,538,004)	(429,651)	-	-	-
Currency translation differences	-	(32,120)	-	(6,361)	-	-	-	-	(38,481)
At 31 December 2023	1,100,000,000	4,493,500	221,657,298	905,470	456,915,096	1,847,347	19,151	1,778,572,394	7,265,468

The accompanying notes from pages 45 to 102 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	Year ended 31 December 2023		Year ended 31 December 2022	
		US\$	KHR Million	US\$	KHR Million
Cash flows from operating activities					
Profit before tax		346,767,977	1,425,217	338,316,382	1,382,698
Adjustments for:					
Depreciation and amortisation	25	27,312,492	112,254	23,503,694	96,060
Net impairment losses on financial assets	27	23,404,791	96,194	26,999,081	110,345
(Gains)/losses on disposals of property and equipment and intangible assets		(12,180)	(50)	203,260	831
Gains on lease modification		(1,048)	(4)	(98,080)	(401)
Net interest income	22	(506,531,373)	(2,081,844)	(479,257,206)	(1,958,724)
		(109,059,341)	(448,233)	(90,332,869)	(369,191)
Changes in:					
Balances with the NBC		240,383,852	987,978	(42,757,356)	(174,749)
Balances with other banks		(336,110,008)	(1,381,412)	(169,026,498)	(690,811)
Loans to customers		(1,327,638,186)	(5,456,593)	(1,187,267,626)	(4,852,363)
Other assets		(32,921,689)	(135,308)	(39,463,805)	(161,289)
Deposits from banks and other financial institutions		63,674,399	261,702	45,656,685	186,599
Deposits from customers		1,769,117,960	7,271,075	984,919,321	4,025,365
Other liabilities		29,048,034	119,387	10,433,330	42,641
Net generated from/(cash used in) operations		296,495,021	1,218,596	(487,838,818)	(1,993,798)
Interest received		674,728,847	2,773,136	552,015,044	2,256,085
Interest paid		(149,131,324)	(612,930)	(73,759,304)	(301,454)
Income tax paid		(55,498,588)	(228,099)	(57,700,763)	(235,823)
Cash generated from/(used in) operating activities		766,593,956	3,150,703	(67,283,841)	(274,990)

	Note	Year ended 31 December 2023		Year ended 31 December 2022	
		US\$	KHR Million	US\$	KHR Million
Cash flows from investing activities					
Purchase of investment securities		(638,310,929)	(2,623,458)	(1,212,831)	(4,957)
Proceeds on sales of investment securities		338,892,505	1,392,848	3,086,425	12,614
Purchases of property and equipment		(32,105,839)	(131,955)	(29,874,607)	(122,098)
Purchases of intangible assets		(3,226,100)	(13,259)	(3,158,843)	(12,910)
Proceeds on disposals of property and equipment		12,180	50	152,743	624
Net cash used in investing activities		(334,738,183)	(1,375,774)	(31,007,113)	(126,727)
Cash flows from financing activities					
Issuance of share capital		190,000,000	780,900	-	-
Repayments of debt securities in issue		-	-	(20,698,045)	(84,593)
Proceeds from borrowings		404,503,236	1,662,508	195,581,512	799,342
Repayments of borrowings		(326,576,042)	(1,342,228)	(320,902,324)	(1,311,528)
Repayments of subordinated debts		(25,000,000)	(102,750)	(27,000,000)	(110,349)
Principal elements of lease payments		(12,713,957)	(52,254)	(10,948,907)	(44,748)
Net cash generated from /(used in) financing activities		230,213,237	946,176	(183,967,764)	(751,876)
Net Increase/(decrease) in cash and cash equivalents		662,069,010	2,721,105	(282,258,718)	(1,153,593)
Cash and cash equivalents at the beginning of the year		673,065,533	2,771,010	955,324,251	3,891,991
Currency translation differences		-	(38,090)	-	32,612
Cash and cash equivalents at the end of the year	28	1,335,134,543	5,454,025	673,065,533	2,771,010

Significant non-cash transactions

In 2023, there was a conversion of US\$250 million of the Bank's retained earnings to share capital (2022: US\$140 million).

The accompanying notes from pages 45 to 102 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

1. REPORTING ENTITY

Advanced Bank of Asia Limited (“the Bank”) was incorporated in Cambodia on 25 October 1996 under the Registration No. Co. 322/97E (renewed to No. 00010593) dated 25 October 1996, granted by the Ministry of Commerce. On 28 November 2006, the Bank was granted a permanent banking license No. 14 from the National Bank of Cambodia (“NBC”). The parent and ultimate parent of the Bank is National Bank of Canada, a bank incorporated in Canada.

The Bank is principally engaged in all aspects of banking business and the provision of related financial services in the Kingdom of Cambodia. There have been no significant changes in the nature of these principal activities during the year.

The registered office of the Bank is located at No. 141 146 148 148 ABCD & 162 A Preah Sihanouk Blvd., No. 15 and 153 ABC Street No. 278, No. 171 Street Preah Trasak Paem, Phum 4, Sangkat Boeng Keng Kang Ti Muoy, Khan Boeng Keng Kang, Phnom Penh, Kingdom of Cambodia.

The financial statements of the Bank were authorised for issue by the Board of Directors on 20 March 2024.

2. MATERIAL ACCOUNTING POLICIES INFORMATION

2.1 Basis of accounting

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

The financial statements have been prepared on a historical cost basis, except as disclosed in the accounting policies below. Historical cost is generally based on fair value of the consideration given in exchange for goods and services.

“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 maximise the use of relevant observable inputs and minimise 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.

2.2 New and amended CIFRSs that are effective for the current period

The Bank adopted all the new and revised standards that are relevant to its operations. The adoption of these new/revised standards does not result in changes to the Bank’s accounting policies and has no material effect on the disclosures or on the amounts reported for the current or prior years except for certain immaterial policy information and disclosure notes which have been removed in the current year following the amendments to CIAS 1.

CIFRS 17	Insurance Contracts (including the June 2020 and December 2021 Amendments to IFRS 17)
Amendments to CIAS 1	Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies
Amendments to CIAS 12	Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to CIAS 12	Income Taxes—International Tax Reform—Pillar Two Model Rules
Amendments to CIAS 8	Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates

2.3 New and revised CIFRS in issue but not yet effective

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

2.4 Functional and presentation currency

The Bank transacts its business and maintains its accounting records in two main currencies, Khmer Riel ("KHR") and United States Dollars ("US\$"). Management has determined the US\$ to be the Bank's functional and presentation currency as it reflects the economic substance of the underlying events and circumstances of the Bank.

Transactions in currencies other than US\$ are translated into US\$ at the exchange rate ruling at the dates of the transactions. Monetary assets and liabilities denominated in currencies other than US\$ at the reporting date are translated into US\$ at the rates of exchange ruling at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on translation are recognised in profit or loss.

Presentation in Khmer Riel

The translation of the US\$ amounts into Khmer Riel ("KHR") is presented in the financial statements to comply with the Law on Accounting and Auditing dated 11 April 2016 using the closing and average rates for the year, as announced by the National Bank of Cambodia.

Assets and liabilities for each statement of financial position presented are translated at the closing rate ruling at each reporting date whereas income and expense items for each statement of profit or loss and other comprehensive income and cash flow items presented are translated at the average rate for the year then ended. All resulting exchange differences are recognised in other comprehensive income ("OCI").

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

	Closing rate	Average rate
31 December 2023	4,085	4,110
31 December 2022	4,117	4,087

Rounding of amounts

Amounts in the financial statements have been rounded off to the nearest dollar and million Khmer Riel ("KHR Million") for US\$ and KHR amounts, respectively.

2.5 Financial instruments

Financial assets and financial liabilities are recognised in the Bank's statement of financial position when the Bank becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs. For all financial assets the amount presented on the statement of financial position represent all amounts receivable including interest accruals.

Classification and subsequent measurement

A financial asset is measured at amortised cost if it meets both of the following conditions:

- 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 of principal and interest on the principal amount outstanding ("SPPI").

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income ("FVTOCI"):

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

By default, all other financial assets are measured subsequently at fair value through profit or loss ("FVTPL").

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Impairment of financial assets

The Bank recognises loss allowances for expected credit losses ("ECL") on the following financial instruments:

- Balances with other banks;
- Loans to customers;
- Debt investment securities;
- Deposits and other receivables;
- Loan commitments issued; and
- Financial guarantee contracts issued.

No impairment loss is recognised on equity investments.

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL. More details on the determination of a significant increase in credit risk are provided in Note 32.1.

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

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

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

More information on measurement of ECL is provided in Note 32.1, including details on how instruments are grouped when they are assessed on a collective basis.

Credit impaired financial assets

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

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

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

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

Definition of default

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

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

- the borrower has an internal credit rating of E or 10 or is past due more than 89 days for long term loans and 30 days (2022: 59 days) for short term loans; or
- the borrower is unlikely to pay its credit obligations to the Bank in full.

This definition of default is used by the Bank for accounting purposes as well as for internal credit risk management purposes and is broadly aligned to the regulatory definition of default.

When assessing if the borrower is unlikely to pay its credit obligation, the Bank takes into account both qualitative and quantitative indicators. The information assessed depends on the type of the asset, for example in corporate lending a qualitative indicator used is the breach of covenants, which is not relevant for retail lending. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis. The Bank uses a variety of sources of information to assess default which are either developed internally or obtained from external sources. More details are provided in Note 32.1. As noted in the definition of credit impaired financial assets above, default is evidence that an asset is credit impaired. Therefore, credit impaired assets will include defaulted assets, but will also include other non-defaulted given the definition of credit impaired is broader than the definition of default.

Significant increase in credit risk

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

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

Forward-looking information includes the future prospects of the industries in which the Bank’s counterparties operate, obtained from International Monetary Funds, the World Bank and other similar organisations, as well as consideration of various internal and external sources of actual and forecast economic information. The Bank allocates its counterparties to a relevant internal credit risk grade depending on their credit quality. The quantitative

information is a primary indicator of significant increase in credit risk and is based on the change in lifetime PD by comparing:

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

The PDs used are forward-looking and the Bank uses the same methodologies and data used to measure the loss allowance for ECL (please refer to Note 32.1).

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

More information about significant increase in credit risk is provided in Note 32.1.

Modification and derecognition of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing terms of contract of an existing loan would constitute a modification even if these new or adjusted terms of contract do not yet affect the cash flows immediately but may affect the cash flows depending on whether the term of contracts is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

The Bank renegotiates loans to customers in financial difficulty to maximise collection and minimise the risk of default. A loan forbearance is granted in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the borrower is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness) and amendments to terms of contracts.

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Bank determines if the financial asset's credit risk has increased significantly since initial recognition by comparing:

- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms; with
- the remaining lifetime PD at the reporting date based on the modified terms.

For financial assets modified as part of the Bank's forbearance policy, where modification did not result in derecognition, the estimate of PD reflects the Bank's ability to collect the modified cash flows taking into account the Bank's previous experience of similar forbearance action, as well as various behavioural indicators, including the borrower's payment performance against the modified contractual terms. If the credit risk remains significantly higher than what was expected at initial recognition the loss allowance will continue to be measured at an amount equal to lifetime ECL. If a forbore loan is credit impaired due to the existence of evidence of credit impairment (see above), the Bank performs an ongoing assessment to ascertain if the problems of the exposure are cured, to determine if the loan is no longer credit-impaired. The loss allowance on forbore loans will generally only be measured based on 12-month ECL when there is evidence of the borrower's improved repayment behaviour following modification leading to a reversal of the previous significant increase in credit risk.

The Bank derecognises a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Write-off

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

Presentation of allowance for ECL in the statement of financial position:

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

- for financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets; and
- for loan commitments and financial guarantee contracts: as a provision in other liabilities.

Financial liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the bank.

Financial liabilities, including deposits from banks and other financial institutions and deposits from customers, borrowings, subordinated debts, and lease liabilities, are initially measured at fair value, net of transaction costs. These financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The EIR is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Modification and derecognition financial liabilities

The Bank derecognises financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss that incurs because specified debtor fails to make payments when due in accordance with the term of the debt instrument.

Financial guarantee contracts issued by the Bank are initially measured at their fair values and, if not designated at fair value through profit or loss, are subsequently measured at the higher of:

- amount of loss allowance determined with CIFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the Bank's revenue recognition policies.

The Bank has not designated any financial guarantee contracts at fair value through profit or loss.

Offsetting arrangements

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Bank has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

2.6 Leases

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

Lease liability

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

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

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

The lease liability is presented as a separate line in the statement of financial position.

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

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

- the lease term has changed, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Right-of-use assets

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

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

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

2.7 Property and equipment

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of a property and equipment item comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Where an item of property and equipment comprises major components having different useful lives, the components are accounted for as separate items of property and equipment.

Subsequent expenditure is capitalised only when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Bank. Ongoing repairs and maintenance are expensed as incurred.

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is recognised in profit or loss.

The estimated useful lives of significant items of property and equipment are as follows:

	Useful lives
Leasehold improvement	1-15 years
Office equipment, furniture and fixture	5 years
Motor vehicles	5 years
Computer and IT equipment	5-10 years

Work in progress is not depreciated until such time as the relevant assets are completed and put into operational use.

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

Fully depreciated items of property and equipment are retained in the statements of financial position until disposed of or written off.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

2.8 Intangible assets

Intangible assets consist of software and licenses and are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Software can be either purchased from vendors or internally generated.

Subsequent expenditure on software and licenses is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Software and licenses are amortised on a straight-line basis in profit or loss over its estimated useful life, from the date on which it is available for use. Software cost is amortised over the expected useful lives of 3 to 20 years, and 5 years maximum for internally generated software.

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

2.9 Provisions

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event, it is probable that the Bank will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2.10 Regulatory provisions and regulatory reserves

On 1 December 2017, the NBC issued a Prakas No. B7-017-344 on Credit Risk Grading and Impairment Provisioning for ensuring appropriate recognition, measurement, provisioning and reporting of impaired facilities of the institutions.

Facilities under this Prakas is defined as all loans and other financial products, whether reported on balance sheet or off-balance sheet, provided by an Institution to a counterparty, which give rise to credit risk exposure on the Institution.

According to the Prakas, the Bank is required to calculate the allowance for impaired facilities in accordance with the regulatory provision simultaneously with the calculation in accordance with CIFRSs. The allowance for impairment losses calculated in accordance with CIFRSs is to be recognised and recorded. Excess amount of allowance calculated in accordance with regulatory provision compared to the allowance calculated under CIFRSs shall be transferred from retained earnings to regulatory reserves of the equity as disclosed in Note 21.

On 16 February 2018, the NBC issued Circular No. B7-018-001 clarifying on Implementation of Prakas on Credit Risk Grading and Impairment Provisioning. According to the Circular, the Bank is required to calculate the allowance for impaired facilities in accordance with regulatory provision of which facilities are classified into five classes with allowance rates as follows:

Classifications	Number of days past due	Allowance
General allowance		
Short-term facilities (one year or less):		
Normal	0-14 days	1%
Long-term facilities (more than one year):		
Normal	0-29 days	1%
Specific allowance		
Short-term facilities (one year or less):		
Special mention	15-30 days	3%
Sub-standard	31-60 days	20%
Doubtful	61-90 days	50%
Loss	91 days or more	100%
Long-term facilities (more than one year):		
Special mention	30-89 days	3%
Sub-standard	90-179 days	20%
Doubtful	180-359 days	50%
Loss	360 days or more	100%

The allowance is calculated as a percentage of the facility amount outstanding as at each reporting period.

Reversal of regulatory reserves

When the impairment loss allowance calculated in accordance with regulatory provision is subsequently less than that calculated under the CIFRSs, the regulatory reserve is reversed at the amount that does not exceed the amount that would have been determined had no regulatory reserve been recognised in prior years.

2.11 Net interest income

Interest income and expense for financial instruments are recognised in "Net interest income" as "Interest income" and "Interest expense" in the profit or loss account using effective interest method.

The EIR is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated taking into account all the contractual terms of the instrument.

The calculation of EIR include all fees paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premium or discounts.

The interest income/interest expense is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortised cost of the financial asset before adjusting for any expected credit loss allowance), or to the amortised cost of financial liabilities. For the credit-impaired financial assets, the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for ECLs).

2.12 Net fee and commission income

Fee and commission income and expense include fees other than those that are an integral part of EIR (please refer to Note 2.11).

Fee and commission income, including referral fees, renewal fees, commitment fees, remittance fees, service charges, other fees and commissions on loans, and other fee income are recognised as the related services are performed.

Fee and commission expense relate mainly to transaction and service fees, and are accounted as the services received.

2.13 Short-term and other long-term employee benefits

Short-term employee benefits are recognised in respect of wages and salaries in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service. A liability is recognised 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 employees and the obligation can be estimated reliably.

Long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Bank in respect of the service provided by the employee up to the reporting date.

2.14 Income tax

Income tax expense comprises current and deferred tax.

Current tax

Current tax is the expected tax payable 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 periods. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Bank supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

Deferred tax 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 when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority and the banks intends to settle its current tax assets and current tax liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

2.15 Cash and cash equivalents

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

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of material accounting policies and the reported amounts of assets, liabilities, and income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

3.1 Critical judgments in applying material accounting policies

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements included the following:

Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test (please see Note 2.5). The Bank determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Bank monitors financial assets measured at amortised cost that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Bank's continuous assessment of whether the business model, for which the remaining financial assets are held, continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Significant increase in credit risk

As explained in Note 32.1, ECLs are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased the Bank takes into account qualitative and quantitative reasonable and supportable forward-looking information.

Establishing groups of assets with similar credit risk characteristics

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The Bank monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

Models and assumptions used

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

Determination of life of revolving credit facilities

The Bank measures ECL considering the risk of default over the maximum contractual period. However, for financial instruments such as credit cards and overdraft facilities that include both a loan and an undrawn commitment component, the Bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Bank's exposure to credit losses to the contractual notice period. For such financial instruments the Bank measures ECL over the period that it is exposed to credit risk and ECL would be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period.

3.2 Key sources of estimation uncertainty

Information about key assumptions and estimation uncertainties that have the most significant effect on the amounts recognised in financial statements includes the following:

Forward-looking information

The Bank establishes the number and relative weightings of forward-looking scenarios for each type of product and determines the forward-looking information relevant to each scenario. When measuring ECL the Bank uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Further information on the credit quality analysis of the Bank is provided in Note 32.1.

Management overlay

The Bank provides management overlay as an additional ECL under stressed scenarios due to uncertainties of future economic outlook. Further information on the credit quality analysis of the Bank is provided in Note 32.1.3.

Probability of Default (PD)

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. Further information on the credit quality analysis of the Bank is provided in Note 32.1.

Loss Given Default (LGD)

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. Further information on the credit quality analysis of the Bank is provided in Note 32.1.

Taxes

The taxation system in Cambodia is characterised by numerous taxes and frequently changing legislation, which is often unclear, contradictory and subject to interpretation. Often, different interpretations exist among the numerous taxation authorities and jurisdictions. Taxes are subject to review and investigation by a number of authorities, which are empowered by law to impose fines, penalties and interest charges.

These factors may create potential tax exposures for the Bank. Management believes that they have understood relevant tax regulations and adequately provided for tax liabilities based on their interpretation of the current tax legislation. However, the relevant authorities may have different interpretations and the effects could be significant. Further information on the tax contingencies is provided in Note 33.

4. CASH ON HAND

	31 December 2023		31 December 2022	
	US\$	KHR Million	US\$	KHR Million
Cash on hand	451,286,206	1,843,504	424,308,563	1,746,878
Cash items in process of collection	23,571,567	96,290	37,565,506	154,658
	474,857,773	1,939,794	461,874,069	1,901,536

5. BALANCES WITH THE NBC

	31 December 2023		31 December 2022	
	US\$	KHR Million	US\$	KHR Million
Current				
Current accounts	181,444,988	741,203	158,545,814	652,733
Negotiable Certificate of Deposit ("NCD") (i)	234,681,942	958,676	665,851,128	2,741,309
Reserve requirement (ii)	617,749,388	2,523,506	493,599,842	2,032,151
Non-current				
Capital guarantee deposit (iii)	110,733,869	452,348	66,216,263	272,612
	1,144,610,187	4,675,733	1,384,213,047	5,698,805

No impairment loss allowance is created against the balance with the NBC as management determines that the credit risk on these facilities are minimal.

(i) Negotiable Certificate of Deposit

The Bank has pledged negotiable certificate of deposits amounting US\$ 143,399,000 as collateral for Liquidity-Providing Collateralised Operations (2022: US\$ 63,799,000).

(ii) Reserve requirement

This is a reserve requirement which fluctuates depending on the level of the Bank's customers' deposits and non-residential borrowings. It is maintained in compliance with the NBC's Prakas No. B7-020-230 dated 18 March 2020 at the rate of 7% of customers' deposits in KHR and currencies other than KHR. On 9 January 2023, the NBC issued a notification letter no. B7-023-005 increased rate to 9% for other currencies while maintain KHR currency at 7% from 1 January 2023 to 31 December 2023. On 23 November 2023, the NBC issued another notification letter no. B7-023-2621 reduced the rate on other currencies to 7% and to maintain the same rate on KHR currency from 23 November 2023 till 31 December 2024.

(iii) Capital guarantee deposits

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

6. BALANCES WITH OTHER BANKS

	31 December 2023		31 December 2022	
	US\$	KHR Million	US\$	KHR Million
Balances with other banks at amortised cost	1,477,673,213	6,036,295	483,717,992	1,991,467
Impairment loss allowance	(848,785)	(3,467)	(647,519)	(2,666)
	1,476,824,428	6,032,828	483,070,473	1,988,801

The gross carrying amounts are analysed as follows:

	31 December 2023		31 December 2022	
	US\$	KHR Million	US\$	KHR Million
(a) By type				
Current accounts	24,984,211	102,061	5,200,336	21,410
Savings deposits	793,876	3,243	287,976	1,186
Overnight deposits	308,457,352	1,260,048	22,096,749	90,972
Term deposits	1,143,437,774	4,670,943	456,132,931	1,877,899
	1,477,673,213	6,036,295	483,717,992	1,991,467

	31 December 2023		31 December 2022	
	US\$	KHR Million	US\$	KHR Million
(b) By currency				
US Dollars	1,473,907,053	6,020,911	482,911,049	1,988,146
Khmer Riel	3,534,643	14,439	370,258	1,524
Others	231,517	945	436,685	1,797
	1,477,673,213	6,036,295	483,717,992	1,991,467

	31 December 2023		31 December 2022	
	US\$	KHR Million	US\$	KHR Million
(c) By maturity				
Within 1 month	698,750,902	2,854,397	101,728,839	418,818
>1 to 3 months	263,726,035	1,077,321	45,216,656	186,157
>3 to 12 months	515,196,276	2,104,577	336,772,497	1,386,492
	1,477,673,213	6,036,295	483,717,992	1,991,467

	31 December 2023		31 December 2022	
	US\$	KHR Million	US\$	KHR Million
(d) By interest rate (per annum)				
Current accounts		0.14% - 2.00%		0% - 0.14%
Savings deposits		0% - 0.25%		0% - 0.25%
Overnight deposits		2.00% - 5.29%		3.77% - 4.38%
Term deposits		4.50% - 7.50%		2.00% - 6.50%

7. LOANS TO CUSTOMERS

	31 December 2023		31 December 2022	
	US\$	KHR Million	US\$	KHR Million
At amortised cost				
Commercial loans	6,564,013,658	26,813,996	5,480,080,316	22,561,491
Overdrafts	1,086,806,276	4,439,604	883,045,000	3,635,496
Consumer loans:				
Housing loans	149,990,583	612,712	119,767,394	493,082
Staff loans	38,929,770	159,028	22,183,298	91,329
Vehicle loans	15,126,159	61,790	11,136,925	45,851
Personal loans	8,214,616	33,557	2,148,108	8,844
Credit cards	3,268,426	13,352	3,613,059	14,875
Total gross carrying amount	7,866,349,488	32,134,039	6,521,974,100	26,850,968
Impairment loss allowance	(94,007,974)	(384,024)	(73,174,303)	(301,259)
Net carrying amount	7,772,341,514	31,750,015	6,448,799,797	26,549,709

8. INVESTMENT SECURITIES

	31 December 2023		31 December 2022	
	US\$	KHR Million	US\$	KHR Million
Treasury bills at amortised cost (*)	308,395,322	1,259,795	-	-
Other investment securities at amortised cost (**)	30,050,417	122,756	35,534,966	146,297
Total	338,445,739	1,382,551	35,534,966	146,297
Impairment loss allowance	(429,934)	(1,756)	(592,219)	(2,438)
	338,015,805	1,380,795	34,942,747	143,859

(*) This represents investments in foreign treasury bills with terms ranging from 5 to 12 months and fixed interest rates ranging from 5.28% to 5.40%.

(**) Included in the investment securities is an investment of US\$30 million or about KHR 122,550 million on 20 December 2021 in Corporate Bond issued by Cambodia Airport Investment Co., Ltd. for construction and development of Techo International Airport of the Cambodian Government with the term 3 years and interest rate 5.50% per annum.

9. PROPERTY AND EQUIPMENT

31 December 2023	Leasehold improvement	Office equipment, furniture and fixture	Motor vehicles	Computers and IT equipment	Work in progress	Total	
	US\$	US\$	US\$	US\$	US\$	US\$	KHR Million
Cost							
At 1 January 2023	34,145,655	17,830,307	1,998,231	57,630,862	3,469,816	115,074,871	473,763
Additions	927,919	1,366,032	633,358	22,344,249	6,834,281	32,105,839	131,955
Transfers	9,057,387	405,117	-	97,649	(9,560,153)	-	-
Reclassification	2,200	(4,422,967)	-	4,420,767	-	-	-
Disposals	(88,721)	(230,313)	(45,236)	(872,575)	-	(1,236,845)	(5,084)
Currency translation differences	-	-	-	-	-	-	(4,453)
At 31 December 2023	44,044,440	14,948,176	2,586,353	83,620,952	743,944	145,943,865	596,181
Accumulated depreciation							
At 1 January 2023	14,732,956	12,115,566	1,165,973	20,992,989	-	49,007,484	201,764
Depreciation	3,513,622	1,931,700	334,609	7,521,366	-	13,301,297	54,668
Reclassification	2,160	(3,067,708)	-	3,065,548	-	-	-
Disposals	(88,721)	(230,313)	(45,236)	(872,575)	-	(1,236,845)	(5,083)
Currency translation differences	-	-	-	-	-	-	(1,870)
At 31 December 2023	18,160,017	10,749,245	1,455,346	30,707,328	-	61,071,936	249,479
Carrying amounts							
At 31 December 2023	25,884,423	4,198,931	1,131,007	52,913,624	743,944	84,871,929	346,702
31 December 2022							
	US\$	US\$	US\$	US\$	US\$	US\$	KHR Million
Cost							
At 1 January 2022	28,453,942	15,801,453	1,796,171	41,274,900	360,947	87,687,413	357,239
Additions	335,804	1,712,995	536,640	16,681,745	10,607,423	29,874,607	122,098
Transfers	7,005,147	490,767	-	2,640	(7,498,554)	-	-
Disposals	-	-	(334,580)	(72,325)	-	(406,905)	(1,663)
Write off	(1,649,238)	(174,908)	-	(256,098)	-	(2,080,244)	(8,502)
Currency translation differences	-	-	-	-	-	-	4,591
At 31 December 2022	34,145,655	17,830,307	1,998,231	57,630,862	3,469,816	115,074,871	473,763

31 December 2022	Leasehold improvement	Office equipment, furniture and fixture	Motor vehicles	Computers and IT equipment	Work in progress	Total	
Accumulated depreciation							
At 1 January 2022	12,453,780	9,694,061	1,214,695	16,681,094	-	40,043,630	163,138
Depreciation	3,677,896	2,581,909	246,830	4,637,942	-	11,144,577	45,548
Disposals	-	-	(295,552)	(72,326)	-	(367,878)	(1,504)
Write off	(1,398,720)	(160,404)	-	(253,721)	-	(1,812,845)	(7,409)
Currency translation differences	-	-	-	-	-	-	1,991
At 31 December 2022	14,732,956	12,115,566	1,165,973	20,992,989	-	49,007,484	201,764
Carrying amounts							
At 31 December 2022	19,412,699	5,714,741	832,258	36,637,873	3,469,816	66,067,387	271,999

10. RIGHT-OF-USE ASSETS

The Bank leases assets including office buildings and motor vehicles. Information about leases for which the Bank is a lessee is presented below.

31 December 2023	Buildings	Motor vehicles	Total	
	US\$	US\$	US\$	KHR Million
Cost				
At 1 January 2023	85,143,103	3,967,530	89,110,633	366,868
Additions	17,329,426	1,082,621	18,412,047	75,674
Disposals	(1,427,876)	(156,080)	(1,583,956)	(6,510)
Currency translation differences	-	-	-	(3,272)
At 31 December 2023	101,044,653	4,894,071	105,938,724	432,760
Accumulated depreciation				
At 1 January 2023	28,954,289	3,092,039	32,046,328	131,934
Depreciation	10,092,795	950,973	11,043,768	45,390
Disposals	(1,427,876)	(156,080)	(1,583,956)	(6,510)
Currency translation differences	-	-	-	(1,261)
At 31 December 2023	37,619,208	3,886,932	41,506,140	169,553
Carrying amounts				
At 31 December 2023	63,425,445	1,007,139	64,432,584	263,207

31 December 2022	Buildings	Motor vehicles		Total
	US\$	US\$	US\$	KHR Million
Cost				
At 1 January 2022	60,512,705	3,147,646	63,660,351	259,352
Additions	25,802,714	948,171	26,750,885	109,331
Lease modification	(1,172,316)	(128,287)	(1,300,603)	(5,316)
Currency translation differences	-	-	-	3,501
At 31 December 2022	85,143,103	3,967,530	89,110,633	366,868
Accumulated depreciation				
At 1 January 2022	21,474,846	2,292,267	23,767,113	96,827
Depreciation	8,809,606	849,336	9,658,942	39,476
Lease modification	(1,330,163)	(49,564)	(1,379,727)	(5,639)
Currency translation differences	-	-	-	1,270
At 31 December 2022	28,954,289	3,092,039	32,046,328	131,934
Carrying amounts				
At 31 December 2022	56,188,814	875,491	57,064,305	234,934

The average lease term is 8 years (2022: 8 years) for office buildings and 2 years for motor vehicles (2022: 2 years).

Approximately 4% (2022: 17%) of the leases expired in the current financial year. The expired contracts were replaced by new leases for identical underlying assets. This resulted in additions to right-of-use asset of US\$15.6 million in 2023 (2022: US\$10.9 million). The maturity analysis of lease liabilities is presented in Note 18.

Amount recognised in profit or loss

	Year ended 31 December 2023		Year ended 31 December 2022	
	US\$	KHR Million	US\$	KHR Million
Depreciation expense on right-of-use assets (Note 25)	11,043,768	45,390	9,658,942	39,476
Interest expense on lease liabilities (Note 22)	3,256,898	13,386	2,827,147	11,555
Expenses relating to leases of low-value assets and short-term lease	4,666,586	19,180	3,599,936	14,713
	18,967,252	77,956	16,086,025	65,744

As at 31 December 2023, the Bank entered into 8 lease agreements with lease term ranging from 2 to 10 years to rent properties, which had not commenced by the year-end and as a result, lease liabilities and right-of-use assets have not been recognised at 31 December 2023 (2022: 4 agreements with lease term ranging from 5 to 10 years). The aggregate future cash outflows to which the Bank is exposed in respect of these contracts are as followed:

	31 December 2023		31 December 2022	
	US\$	KHR Million	US\$	KHR Million
Within 1 year	772,222	3,155	367,778	1,514
From 1 to 5 years	4,126,389	16,856	1,609,999	6,628
More than 5 years	6,816,055	27,844	4,354,221	17,926
	11,714,666	47,855	6,331,998	26,068

11. INTANGIBLE ASSETS

31 December 2023	Software	Work in Progress	Total	
	US\$	US\$	US\$	KHR Million
Cost				
At 1 January	24,710,963	-	24,710,963	101,735
Additions	1,096,100	2,130,000	3,226,100	13,259
Write off	(29,032)	-	(29,032)	(119)
Currency translation differences	-	-	-	(871)
At 31 December	25,778,031	2,130,000	27,908,031	114,004
Accumulated amortisation				
At 1 January	8,414,524	-	8,414,524	34,643
Amortisation	2,967,427	-	2,967,427	12,196
Write off	(29,032)	-	(29,032)	(119)
Currency translation differences	-	-	-	(344)
At 31 December	11,352,919	-	11,352,919	46,376
Carrying amounts				
At 31 December	14,425,112	2,130,000	16,555,112	67,628
31 December 2022	Software	Work in Progress	Total	
	US\$	US\$	US\$	KHR Million
Cost				
At 1 January	21,840,695	-	21,840,695	88,979
Additions	3,158,843	-	3,158,843	12,910
Write off	(288,575)	-	(288,575)	(1,179)
Currency translation differences	-	-	-	1,025
At 31 December	24,710,963	-	24,710,963	101,735

31 December 2022	Software	Work in Progress	Total	
Accumulated amortisation				
At 1 January	5,953,347	-	5,953,347	24,254
Amortisation	2,700,175	-	2,700,175	11,036
Write off	(238,998)	-	(238,998)	(977)
Currency translation differences	-	-	-	330
At 31 December	8,414,524	-	8,414,524	34,643
Carrying amounts				
At 31 December	16,296,439	-	16,296,439	67,092

12. OTHER ASSETS

	31 December 2023		31 December 2022	
	US\$	KHR Million	US\$	KHR Million
Deposits and advance payments	54,545,040	222,816	32,226,414	132,676
Bakong receivables	24,410,711	99,718	25,218,004	103,823
Prepayment	13,032,319	53,237	8,858,207	36,469
Lawyer fee receivables	6,505,571	26,575	3,555,619	14,638
Mastercard/Visa Card/UPI and MoneyGram receivables	6,449,946	26,348	5,423,901	22,330
Card supplies	4,100,511	16,751	2,686,067	11,059
Other receivables	4,034,789	16,482	2,501,375	10,298
Other investments	76,185	311	76,185	314
Impairment allowance of deposits and other receivables	(2,451,689)	(10,015)	(1,057,355)	(4,353)
	110,703,383	452,223	79,488,417	327,254

13. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2023		31 December 2022	
	US\$	KHR Million	US\$	KHR Million
Demand deposits	95,955,940	391,980	34,877,849	143,592
Savings deposits	23,413,419	95,644	9,343,969	38,469
Fixed deposits	87,032,650	355,529	98,440,263	405,279
	206,402,009	843,153	142,662,081	587,340

The above amounts are analysed as follows:

	31 December 2023		31 December 2022	
	US\$	KHR Million	US\$	KHR Million
(a) By currency				
US Dollars	175,925,490	718,656	123,371,407	507,920
Khmer Riel	30,476,519	124,497	19,290,674	79,420
	206,402,009	843,153	142,662,081	587,340

	31 December 2023		31 December 2022	
	US\$	KHR Million	US\$	KHR Million
(b) By maturity				
Within 1 month	140,583,114	574,282	44,735,714	184,177
>1 to 3 months	5,254,055	21,463	5,163,968	21,260
>3 to 12 months	45,052,205	184,038	78,723,216	324,103
More than 12 months	15,512,635	63,370	11,983,621	49,337
Over 5 years	-	-	2,055,562	8,463
	206,402,009	843,153	142,662,081	587,340

	31 December 2023		31 December 2022	
	US\$	KHR Million	US\$	KHR Million
(c) By relationship				
Non-related parties	206,402,009	843,153	142,662,081	587,340

	31 December 2023		31 December 2022	
	US\$	KHR Million	US\$	KHR Million
(d) By interest rate (per annum)				
Demand deposits		0.00% - 4.00%		0.00% - 2.00%
Savings deposits		0.00% - 1.00%		0.00% - 2.50%
Fixed deposits		1.50% - 8.00%		2.25% - 7.75%

14. DEPOSITS FROM CUSTOMERS

	31 December 2023		31 December 2022	
	US\$	KHR Million	US\$	KHR Million
Demand deposits	1,353,335,276	5,528,375	1,124,098,661	4,627,914
Savings deposits	4,767,874,307	19,476,767	4,219,743,401	17,372,684
Fixed deposits	2,902,795,067	11,857,918	1,861,307,503	7,663,003
Margin deposits	2,300,119	9,396	5,804,049	23,895
	9,026,304,769	36,872,456	7,210,953,614	29,687,496

The above amounts are analysed as follows:

	31 December 2023		31 December 2022	
	US\$	KHR Million	US\$	KHR Million
(a) By currency				
US Dollars	8,250,654,971	33,703,927	6,674,255,090	27,477,908
Khmer Riel	775,648,950	3,168,526	536,697,703	2,209,585
Euro	848	3	821	3
	9,026,304,769	36,872,456	7,210,953,614	29,687,496

	31 December 2023		31 December 2022	
	US\$	KHR Million	US\$	KHR Million
(b) By maturity				
Within 1 month	6,444,810,306	26,327,051	5,533,130,949	22,779,900
>1 to 3 months	533,849,685	2,180,776	276,835,941	1,139,734
>3 to 12 months	1,825,305,692	7,456,374	1,283,620,259	5,284,665
More than 12 months	222,339,086	908,255	117,366,465	483,197
	9,026,304,769	36,872,456	7,210,953,614	29,687,496

	31 December 2023		31 December 2022	
	US\$	KHR Million	US\$	KHR Million
(c) By relationship				
Non-related parties	9,023,751,398	36,862,025	7,206,651,357	29,669,784
Related parties	2,553,371	10,431	4,302,257	17,712
	9,026,304,769	36,872,456	7,210,953,614	29,687,496

	31 December 2023		31 December 2022	
	US\$	KHR Million	US\$	KHR Million
(d) By interest rate (per annum)				
Demand deposits		0.00% - 5.00%		0.00% - 5.00%
Savings deposits		0.00% - 5.00%		0.00% - 4.00%
Fixed deposits		1.00% - 10.00%		1.00% - 9.50%

15. BORROWINGS

	31 December 2023		31 December 2022	
	US\$	KHR Million	US\$	KHR Million
Borrowing at amortised cost				
MLF (i)	24,491,877	100,049	-	-
LPCO (ii)	115,808,959	473,080	62,723,879	258,234
Bank loan (iii)	6,116,127	24,984	5,634,489	23,197
	146,416,963	598,113	68,358,368	281,431

- (i) This represents 1 Marginal Lending Facility (MLF) provided by the NBC. The principal and interest are payable on maturities with terms ranging from 1 to 7 days (2022: nil).
- (ii) This represents 27 Liquidity-Providing Collateralised Operations (LPCOs) provided by the NBC. The principal and interest are payable on maturities with terms ranging from 1 to 12 months (2022: 34 LPCOs with terms ranging from 3 to 12 months).
- (iii) This represents bank loans obtained from Small and Medium Enterprise Bank of Cambodia Plc. with terms ranging from 5 to 8 years (2022: 5 to 8 years).

The NCD in US dollars fully collateralise the LPCOs and MLF acquired from the NBC. Other borrowings are unsecured. All the borrowings bear fixed interest rates ranging from 2.20% to 6.80% per annum (2022: 2.00% to 6.76%).

16. SUBORDINATED DEBTS

	31 December 2023		31 December 2022	
	US\$	KHR Million	US\$	KHR Million
National Bank of Canada	96,053,372	392,378	121,045,397	498,344

The principal amounting to US\$25,000,000 were repaid to the National Bank of Canada during the year (2022: US\$27,000,000) and there was no new drawn down during the year (2022: nil).

The above subordinated debts are unsecured and bear interest rates ranging from 7.37% to 9.40% per annum (2022: 7.04% to 9.40% per annum), which have 7-year term.

17. INCOME TAX

(a) Current tax liabilities

	31 December 2023		31 December 2022	
	US\$	KHR Million	US\$	KHR Million
At the beginning of the year	47,388,978	195,100	46,957,236	191,304
Current income tax expense	55,326,774	227,393	58,132,505	237,588
Current income tax paid	(55,498,588)	(228,099)	(57,700,763)	(235,823)
Currency translation differences	-	(1,512)	-	2,031
At the end of the year	47,217,164	192,882	47,388,978	195,100

(b) Deferred tax

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when deferred taxes relate to the same fiscal authority.

	31 December 2023		31 December 2022	
	US\$	KHR Million	US\$	KHR Million
Deferred tax assets	21,474,137	87,722	7,799,760	32,112
Deferred tax liabilities	(43,463,757)	(177,550)	(14,829,845)	(61,055)
Net deferred tax (liabilities)/assets	(21,989,620)	(89,828)	(7,030,085)	(28,943)

	1 January 2022	Recognised in profit or loss during the year	31 December 2022	Recognised in profit or loss during the year	31 December 2023
	US\$	US\$	US\$	US\$	US\$
Deferred tax assets/(liabilities)					
Lease Liabilities	-	-	-	13,810,687	13,810,687
Deferred revenue from processing fees recognised	4,608,322	555,683	5,164,005	610,343	5,774,348
Deferred card fees	724,384	86,159	810,543	31,810	842,353
Management bonuses	4,248,345	(3,061,060)	1,187,285	(445,502)	741,783
Back pay seniority	-	-	-	260,738	260,738
Unearned pinless top-up	19,600	5,201	24,801	19,427	44,228
Unrealised exchange gain or loss	16,354	596,771	613,125	(623,094)	(9,969)
Depreciable assets	(2,047,683)	(2,120,016)	(4,167,699)	(1,127,791)	(5,295,490)
Interest in suspense	(584,981)	(2,374,226)	(2,959,207)	(3,176,243)	(6,135,450)
Right-of-use assets	-	-	-	(12,905,998)	(12,905,998)
Impairment loss allowance	3,891,214	(11,594,152)	(7,702,938)	(11,413,912)	(19,116,850)
	10,875,555	(17,905,640)	(7,030,085)	(14,959,535)	(21,989,620)
In KHR Million equivalent	44,307	(73,180)	(28,943)	(61,484)	(89,828)

(c) Income tax expense

	Year ended 31 December 2023		Year ended 31 December 2022	
	US\$	KHR Million	US\$	KHR Million
Current income tax	55,326,774	227,393	58,132,505	237,588
Deferred tax expense/(benefit)	14,959,535	61,484	17,905,640	73,180
Income tax expense	70,286,309	288,877	76,038,145	310,768

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

	Year ended 31 December 2023		Year ended 31 December 2022	
	US\$	KHR Million	US\$	KHR Million
Profit before tax	346,767,977	1,425,217	338,316,382	1,382,698
Income tax at the rate of 20%	69,353,595	285,043	67,663,276	276,540
Tax effect of non-deductible expenses	1,052,963	4,328	6,143,239	25,107
Unrecognised temporary differences	370,751	1,524	1,492,510	6,100
(Over)/under provision in prior year	(491,000)	(2,018)	739,120	3,021
Income tax expense	70,286,309	288,877	76,038,145	310,768

18. LEASE LIABILITIES

	31 December 2023		31 December 2022	
	US\$	KHR Million	US\$	KHR Million
Maturity Analysis				
Year 1	13,953,961	57,002	11,718,431	48,245
Year 2	12,962,976	52,954	10,335,250	42,550
Year 3	10,908,492	44,561	9,870,302	40,636
Year 4	10,015,142	40,912	9,015,221	37,116
Year 5	7,912,810	32,324	8,171,294	33,641
Onwards	28,780,356	117,567	24,257,108	99,867
	84,533,737	345,320	73,367,606	302,055
Less: Unearned interest	(15,480,303)	(63,237)	(12,955,723)	(53,339)
	69,053,434	282,083	60,411,883	248,716

19. OTHER LIABILITIES

	31 December 2023		31 December 2022	
	US\$	KHR Million	US\$	KHR Million
Accrued expenses	38,550,961	157,481	40,389,187	166,282
Outward cheques payable	23,571,567	96,290	-	-
Remittance in process	14,441,382	58,993	8,955,550	36,870
Other payables	8,067,938	32,957	5,310,104	21,862
Unearned income	4,432,904	18,108	4,176,721	17,196
Other tax payable	1,502,542	6,138	2,687,699	11,065
Provision for off-balance sheets	635,696	2,597	356,288	1,467
	91,202,990	372,564	61,875,549	254,742

20. SHARE CAPITAL

	31 December 2023		31 December 2022	
	US\$	KHR Million	US\$	KHR Million
Shares of US\$1,000 each Issued and fully paid	1,100,000,000	4,493,500	660,000,000	2,717,220

The details of shareholding were as follows:

	31 December 2023			31 December 2022		
	% of Ownership	Number of shares	US\$	% of Ownership	Number of shares	US\$
National Bank of Canada	99.9999%	1,099,999	1,099,999,000	99.9998%	659,999	659,999,000
Natcan Trust Company	0.0001%	1	1,000	0.0002%	1	1,000
	100%	1,100,000	1,100,000,000	100%	660,000	660,000,000

	31 December 2023		31 December 2022	
	US\$	KHR Million	US\$	KHR Million
Balance at beginning of the year	660,000,000	2,717,220	520,000,000	2,118,480
Conversion of retained earnings (*)	250,000,000	1,027,500	140,000,000	572,180
Issuance of share capital	190,000,000	780,900	-	-
Currency translation differences	-	(32,120)	-	26,560
	1,100,000,000	4,493,500	660,000,000	2,717,220

(*) On 16 June 2023, the National Bank of Cambodia approved the conversion of US\$250 million of the Bank's retained earnings and allowed the bank to inject registered share capital by US\$190 million, bringing the total share capital to US\$1,100 million, which is equivalent to 1,100,000 shares with par value of US\$1,000 per share. On 01 August 2023, Ministry of Commerce certified with the approval letter from National Bank of Cambodia (2022: conversion of US\$140 million of the Bank's retained earnings).

21. REGULATORY RESERVES

	31 December 2023		31 December 2022	
	US\$	KHR Million	US\$	KHR Million
Balance at beginning of the year	117,119,294	482,180	43,637,909	177,781
Transfer from retained earnings	104,538,004	429,651	73,481,385	302,523
Currency translation differences	-	(6,361)	-	1,876
	221,657,298	905,470	117,119,294	482,180

22. NET INTEREST INCOME

	Year ended 31 December 2023		Year ended 31 December 2022	
	US\$	KHR Million	US\$	KHR Million
Interest income from:				
Loans to customers	634,297,769	2,606,964	548,076,029	2,239,987
Balances with the NBC and other banks	58,997,318	242,479	20,457,410	83,609
Investment securities	11,914,428	48,968	2,097,105	8,571
Others	148,180	609	206,761	845
	705,357,695	2,899,020	570,837,305	2,333,012
Interest expense on:				
Deposits from banks and other financial institutions	5,721,846	23,517	3,429,552	14,017
Deposits from customers	173,022,227	711,121	68,907,945	281,627
Borrowings	7,770,401	31,936	4,292,511	17,543
Subordinated debts	9,054,950	37,216	11,123,047	45,460
Lease liabilities	3,256,898	13,386	2,827,147	11,555
Debt securities	-	-	999,897	4,086
	198,826,322	817,176	91,580,099	374,288
Net interest income	506,531,373	2,081,844	479,257,206	1,958,724

23. NET FEE AND COMMISSION INCOME

	Year ended 31 December 2023		Year ended 31 December 2022	
	US\$	KHR Million	US\$	KHR Million
Fee and commission income				
Mastercard, Visa and UPI cards	38,454,372	158,047	29,162,112	119,186
Inward and outward remittances	12,773,671	52,500	12,675,949	51,807
Pin-less top up	7,093,434	29,154	6,242,996	25,515
Loan commissions and early settlement fees	6,574,193	27,020	8,049,796	32,900
Dormant fees	2,438,232	10,022	1,649,931	6,743
Special account number fees	2,105,302	8,653	2,842,247	11,616
Cable charges	2,062,874	8,478	896,085	3,662
Commission fee from insurance	1,932,385	7,942	2,549,593	10,420
E-wallet	1,758,506	7,227	3,103,182	12,683
Bakong transfers	1,551,140	6,376	1,604,909	6,559
Other fees (*)	4,006,981	16,468	2,840,917	11,611
	80,751,090	331,887	71,617,717	292,702

	Year ended 31 December 2023		Year ended 31 December 2022	
	US\$	KHR Million	US\$	KHR Million
Fee and commission expense				
Mastercard, Visa and UPI cards	33,779,558	138,834	24,338,957	99,473
Fees and commission paid to other banks and financial institutes ("FIs")	4,541,807	18,667	3,073,031	12,559
Other fees	169,826	698	247,843	1,014
	38,491,191	158,199	27,659,831	113,046
Net fee and commission income	42,259,899	173,688	43,957,886	179,656

(*) Maintenance fee income amounting to US\$78,911 or KHR322 million for the operations of cash settlement agents was recognised during the year (2022: US\$41,232 or KHR169 million).

24. PERSONNEL EXPENSES

	Year ended 31 December 2023		Year ended 31 December 2022	
	US\$	KHR Million	US\$	KHR Million
Salaries and bonuses	99,117,048	407,371	90,021,467	367,918
Seniority payments	6,174,883	25,379	4,975,166	20,334
Other personnel expenses	6,327,745	26,007	3,759,859	15,366
	111,619,676	458,757	98,756,492	403,618

For the year ended 31 December 2023, personnel expense of the Bank's staff, who are responsible for the operations of cash settlement agents, amounting to US\$39,919 or KHR164 million (2022: US\$31,974 or KHR131 million).

25. DEPRECIATION AND AMORTISATION

	Year ended 31 December 2023		Year ended 31 December 2022	
	US\$	KHR Million	US\$	KHR Million
Property and equipment	13,301,297	54,668	11,144,577	45,548
Right-of-use assets	11,043,768	45,390	9,658,942	39,476
Intangible assets	2,967,427	12,196	2,700,175	11,036
	27,312,492	112,254	23,503,694	96,060

26. OPERATING EXPENSES

	Year ended 31 December 2023		Year ended 31 December 2022	
	US\$	KHR Million	US\$	KHR Million
Repairs and maintenance	15,510,775	63,749	11,711,767	47,866
Marketing and advertising	6,926,502	28,468	3,900,805	15,943
Office supplies	5,604,195	23,033	5,954,672	24,337
Rental expenses	4,666,586	19,180	3,599,936	14,713
Security expenses	3,881,344	15,952	3,424,460	13,996
Utilities expenses	3,328,075	13,678	2,620,954	10,712
Communication	2,498,700	10,270	2,103,444	8,597
Insurance expenses	1,618,927	6,654	1,328,033	5,428
Motor vehicle operation expenses	1,380,365	5,673	1,170,253	4,783
Travelling	1,089,561	4,478	566,917	2,317
Professional fees	908,420	3,734	1,197,585	4,895
License fees	791,837	3,254	749,828	3,065
Donation	642,524	2,641	747,447	3,055
Business meal and entertainment	623,195	2,561	348,439	1,424
Credit report (CBC) expenses	403,721	1,659	385,494	1,576
Board of Director fees	402,816	1,656	356,512	1,457
Membership fees (*)	200,663	825	110,185	450
Publication expenses	169,930	698	249,883	1,021
Other expenses	442,251	1,818	1,039,039	4,244
	51,090,387	209,981	41,565,653	169,879

(*) For the year ended 31 December 2023, membership fee incurred for the operations of cash settlement agents amounting to US\$9,792 or KHR40 million (2022: US\$9,676 or KHR40 million)

27. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	Year ended 31 December 2023		Year ended 31 December 2022	
	US\$	KHR Million	US\$	KHR Million
Balances with other banks	201,267	827	(336,370)	(1,375)
Loans to customers	21,692,068	89,154	27,265,066	111,432
Investment securities	(162,285)	(667)	(18,416)	(75)
Deposits and other receivables	1,394,334	5,731	5,227	21
Loan commitments and financial guarantee contracts	279,407	1,149	83,574	342
	23,404,791	96,194	26,999,081	110,345

28. NOTES TO THE STATEMENT OF CASH FLOWS

Cash and cash equivalents

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

	31 December 2023		31 December 2022	
	US\$	KHR Million	US\$	KHR Million
Cash on hand	474,857,773	1,939,794	461,874,069	1,901,536
Balances with the NBC	181,444,988	741,203	178,563,458	735,146
Balances with other banks	678,831,782	2,773,028	32,628,006	134,328
	1,335,134,543	5,454,025	673,065,533	2,771,010

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the reporting position as shown above.

Changes in liabilities arising from financing activities

The table below details change in the Bank's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Bank's statement of cash flows as cash flow from financing activities.

	1 January 2023	Financing cash flows (i)	New leases	Other changes (ii)	31 December 2023	
	US\$	US\$	US\$	US\$	US\$	KHR Million
Borrowings	68,358,368	77,927,194	-	131,401	146,416,963	598,113
Subordinated debts	121,045,397	(25,000,000)	-	7,975	96,053,372	392,378
Lease liabilities	60,411,883	(12,713,957)	18,412,047	2,943,461	69,053,434	282,083
	249,815,648	40,213,237	18,412,047	3,082,837	311,523,769	1,272,574

	1 January 2022	Financing cash flows (i)	New leases	Other changes (ii)	31 December 2022	
	US\$	US\$	US\$	US\$	US\$	KHR Million
Debt securities in issue	21,310,996	(20,698,045)	-	(612,951)	-	-
Borrowings	197,399,626	(125,320,812)	-	(3,720,446)	68,358,368	281,431
Subordinated debts	148,027,962	(27,000,000)	-	17,435	121,045,397	498,344
Lease liabilities	42,463,355	(10,948,907)	26,750,885	2,146,550	60,411,883	248,716
	409,201,939	(183,967,764)	26,750,885	(2,169,412)	249,815,648	1,028,491

(i) The cash flows from financing activities makes up the net amount of proceeds from and repayment of debt securities, borrowings, subordinated debts and lease liabilities in the statement of cash flows.

(ii) Other changes include interest accrual and repayment of interest.

29. RELATED PARTIES

(a) Related parties and relationships

The related parties of and their relationships with the Bank are as follows:

Related parties	Relationships
National Bank of Canada	Parent and global ultimate parent shareholder
Key management personnel	Executive management team of the Bank who make critical decisions in relation to the strategic direction of the Bank
ATA IT Limited	Affiliate

(b) Related party balances

	31 December 2023		31 December 2022	
	US\$	KHR Million	US\$	KHR Million
Loans to management	4,256,295	17,387	8,177,466	33,667
Deposits by directors and management	2,519,576	10,292	4,260,699	17,541
Subordinated debts from National Bank of Canada	96,053,372	392,378	121,045,397	498,344
Deposits and placements with National Bank of Canada	128,467,052	524,788	239,778,019	987,166

(c) Related party transactions

	Year ended 31 December 2023		Year ended 31 December 2022	
	US\$	KHR Million	US\$	KHR Million
Interest income on loans to management	350,546	1,441	358,583	1,466
Interest expense on deposits to directors and management	56,305	231	44,857	183
Interest expense to National Bank of Canada	9,054,950	37,216	11,123,047	45,460
Interest income from National Bank of Canada	11,067,496	45,487	4,549,633	18,594
Purchases of property and equipment from affiliate	861,709	3,520	677,822	2,770
Service charged from affiliate	1,935,246	7,905	1,238,032	5,060

(d) Directors and key management personnel remuneration

	Year ended 31 December 2023		Year ended 31 December 2022	
	US\$	KHR Million	US\$	KHR Million
Short-term benefits	6,272,912	25,782	5,137,304	20,996
Long-term benefits	13,670,459	56,186	20,728,308	84,717
Total	19,943,371	81,968	25,865,612	105,713

30. LOAN COMMITMENTS AND FINANCIAL GUARANTEE CONTRACTS

	31 December 2023		31 December 2022	
	US\$	KHR Million	US\$	KHR Million
Unused portion of overdrafts	393,762,383	1,608,519	314,700,236	1,295,621
Unused portion of credit cards	24,709,603	100,939	12,527,776	51,577
Performance bonds	23,486,376	95,942	13,674,091	56,296
Payment guarantees	14,318,822	58,492	13,928,856	57,345
Letter of credits	9,198,805	37,577	13,298,274	54,749
Warranty bonds	718,290	2,934	346,241	1,425
Bid bonds	697,182	2,848	187,688	773
Securities	-	-	4,400,000	18,115
Other guarantees	2,131,489	8,707	237,000	976
	469,022,950	1,915,958	373,300,162	1,536,877

As at 31 December 2023, the Bank has provided ECL for loan commitments and financial guarantee contracts amounting to US\$ 635,696 or KHR 2,597 million (2022: US\$ 356,289 or KHR 1,467 million).

31. CURRENT AND NON-CURRENT

Management presents the financial statements based on liquidity. Information about short-term and long-term of financial assets and financial liabilities are disclosed in the financial risk management section. Property and equipment, right-of-use assets and intangible assets are non-current assets. Deferred tax liabilities are non-current liability.

32. FINANCIAL RISK MANAGEMENT

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 Credit, Governance, Compliance, Audit and Risk Committees, which are responsible for developing and monitoring the Bank's risk management policies in their specific areas. All committees have non-executive members and report regularly to the Board of Directors on their activities.

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 Audit, Compliance and Risk Committees are responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank.

Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee for Board of Directors' meeting.

The policies and procedures adopted by the Bank to manage the risks that arise in the conduct of their business activities are as follows:

32.1 Credit risk management

Credit risk refers to risk of financial loss to the Bank if a counterparty to a financial instrument fail to meet its obligations in accordance with the agreed terms and arises from balances with other banks, investment securities, deposits and other receivables, loans to customers, loan commitments, and financial guarantee contracts. The Bank considers all elements of credit risk exposure such as counterparty default risk, geographical risk and sector risk, product risk and business type risk for risk management purposes.

Credit Division is responsible for managing the Bank's credit risk by:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, in accordance with CIFRSs and relevant NBC's guidelines.
- Establishing the authorisation structure for the approval and renewal of credit facilities. The holders of credit approval discretion, i.e. Board Credit Committee, Management Credit Committee, Credit Committees in Head Office, and Branch Credit Committees are responsible for approving loans to customers.

- Reviewing and assessing credit risk by setting the limit and monitoring all credit exposures in excess of designated.
- Limiting concentrations of exposure to counterparties, geographies, industries, purposes, sectors (for loans to customers and similar exposures).
- Developing and maintaining the Bank's processes for measuring ECL that includes the processes for:
 - Initial approval, regular refresh and back-testing of the models used;
 - Determining and monitoring significant increase in credit risk; and
 - Incorporation of forward-looking information.
- Reviewing compliance of branches with agreed exposure limits, including those for selected industries and product types. Regular reports on the credit quality of portfolios may require appropriate corrective action to be taken. These include reports containing estimates of ECL allowances.
- Providing advice, guidance and specialist skills to branches to promote best practice throughout the Bank in the management of credit risk.

Each branch is required to implement credit policies and procedures, with credit approval authorities delegated from the Management Credit Committee. Branch Managers and Lending Managers in branches report all risk-related matters to Head Office. Each branch 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 Head Office's approval.

The internal audit function performs regular audits making sure that the established controls and procedures are adequately designed and implemented.

32.1.1 Collateral held

The Bank holds collateral against loans to customers. The main type of collateral obtained by the bank are:

- Residential properties such as lands and houses for hard and soft titles;
- Cash deposits;
- Other movable assets;
- Financial guarantees.

The Bank set Loan to Collateral Value (LTV) up to 80% as an eligible ratio for loan disbursement to customers.

All financial instruments in the Banks subjected to the impairment requirements and recognition of loss allowance have been covered under the Bank's expected credit loss model regardless of the types of collateral held.

32.1.2 Amounts arising from ECL

(a) Inputs, assumptions and techniques used for estimating impairment

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

- balances with other banks;
- loans to customers;
- Investment securities;
- deposits and other receivables;
- loan commitments; and;
- financial guarantee contracts.

The Bank measures loss allowances at an amount equal to lifetime ECL, except other financial instruments on which credit risk has not increased significantly since initial recognition, for which they are measured as 12-month ECL.

The Bank applies the low credit risk exemption to balances with NBC as guided by the NBC.

12-month ECL is the portion of the lifetime ECL that represent the expected credit losses that result from default events on a financial instrument that are possible within 12 months after the reporting date.

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

Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost are creditimpaired (referred to as 'Stage 3 financial assets'). A financial asset is 'creditimpaired' 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:

- credit facility with internal credit risk rating of “E” or “10” or contractual payment is more than 89 days for long term loans and more than 30 days (2022: 59 days) for short term ones;
- where the borrower is declared disappeared, dead or suffering from a loss of capacity for civil conduct;
- significant financial difficulty of the borrower or issuer;
- the restructuring of a loan by the Bank on terms that the Bank would not consider otherwise; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

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 loan that is overdue more than 89 days (long-term) and more than 30 days (2022: 59 days) (short-term) per CIFRS rebuttable assumption is considered credit-impaired even when the regulatory definition of default is different.

Credit-impaired loans to customers are graded as rate 10 (2022: E) in the Bank’s internal credit risk grading.

Credit risk grades

The Bank allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors. These factors vary depending on the nature of the exposure and the type of borrower.

The Bank’s credit risk grades are defined based on a comprehensive evaluation of key risk metrics such as Debt Service Ratio (DSR), Liability to Total Asset Ratio (L/A), Loan to Collateral Value (LTV), Past Credit History, and an analysis of the customer’s business as well as the number of years that they operate. These metrics are aggregated and analysed to calculate a scoring system for each borrower. Based on this scoring, each borrower is assigned a risk rating i.e. from 1 to 10 that reflects their overall credit risk.

The Bank use both the Days Past Due (DPD) and Internal Credit Risk Rating (CRR) as criterion for staging purpose as follows:

Staging	Type of loans	Internal credit risk rating		Days past due	
		2023	2022	2023	2022
Stage 1	Long term	1 – 8	A, B, C	0 – 29	0 – 29
	Short term			0 – 14	
Stage 2	Long term	9	D	30 – 89	30 – 89
	Short term			15 – 30	30 – 59
Stage 3	Long term	10	E	> 89	> 89
	Short term			> 30	> 59

The downgrade of internal credit risk would be dependent on the DPD information and others red flags such as restructuring loans or evidence of bankruptcy. Loans would only be upgraded after observation of at least 3 consecutive installments (2022: 6 months for long term loans and 3 months for short term loans).

Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves the use of following data.

- Past repayment history;
- Financial conditions of counterparty;
- Business prospective and cash projection;
- Ability and willingness to pay;
- Economic environment; and
- Quality of documentation.

Probability of Default (“PD”)

During 2022, PD is calculated using monthly migration matrices over past seven years data consisting of 72 matrices. More granular approach is adopted by breaking Stage-1 in to “Bucket 0” with 0 days past due and “Bucket-1” with 1-29 days past due loans.

In 2023, PD is calculated using the Cohort Analysis (Gamma) which is used to estimate the probability of default for a portfolio of loans over time. It is based on the concept of a cohort, which is a group of loans originated at the same time and assumes that the PD of each cohort evolves over time in a similar way.

The approach uses the gamma function to model the evolution of PD over time and estimates the parameters of the gamma function for each cohort using maximum likelihood estimation. This approach provides flexibility in analysing different loan portfolios and time periods and allows for the analysis of different loan characteristics, such as loan size or loan type, to gain insights into the behaviour of different borrower segments over time.

The approach involves in collecting historical data, and then for each segmentation base on the INDUS CODE creates cohort by capturing default trend at snapshot date taking into account the portfolio average life cycle (seasoning), i.e. average of many historical cohorts, analyses multiple cohort ODR curves at snapshot date and analyses the average marginal PD curve from multiple cohort curves.

Loss Given Default (“LGD”)

Active accounts for which the recovery is still ongoing have been included in LGD calculation based on the LGD period workout analysis. Exposure for LGD calculation has been taken as on the default period as revised from Exposure at Default (“EAD”) which used to increase over the period adopted in the previous model. Industry level LGD is calculated which aligns to the segmentation used for PD calculation.

(i) Significant increase in credit risk

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 realising security (if any is held);
- the borrower is > 89 days past due days for long term loans and more than 30 days (2022: >59 days) for short term loans on any material credit obligation to the Bank; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower’s inability to pay its credit obligations.

The Bank has adopted the practice of utilising and monitoring Credit Risk Rating (CRR) commencing from the year 2022 onwards. Consequently, the definition of default for model development is split into two distinct periods: one prior to 2022 and another from 2022 onwards. These periods are further categorised based on the inclusion or exclusion of CRR within the default definition:

- Before 2022 (Prior to January 1, 2022): Default criteria consist of Day Past Due (DPD) and Loan Classification
- From 2022 (From January 1, 2022 onwards): Default criteria encompass Day Past Due (DPD), Loan Classification, and CRR.

(ii) Incorporation of forward-looking information

The Bank analysed forward-looking information by using the statistical regression model for assessment to see whether the credit risk of an instrument has increased significantly to the measurement of ECL.

The scenario probability weightings applied in measuring ECL are as follows:

At 31 December	2023			2022		
	Base	Upsides	Downsides	Base	Upsides	Downsides
Scenario probability weighting	50%	20%	30%	60%	20%	20%

The changes of scenario probability weightings were derived from judgmental approach. The Bank adopted a conservative approach, which reflects volatile economic conditions amid inflation, rising interest rate upon borrowers and lenders in the financial market, post-recovery period of financial institutions from the recent Covid-19 pandemic, etc. This change is to assure that the Bank take a more realistic and cautious view of the potential impact of credit risk on its financial position, thus maintaining prudence.

Forward-looking information is used for both PD and LGD. See the following for more details on the macroeconomic factors used for forward-looking PD and LGD.

Financial year 2023:

Segment	Macroeconomic Factor(1)
Probability of Default (PD)	
Agriculture Loan	CSX Index
	Cambodia GDP growth rate (%)
Construction Loan	CSX Index
	Crude Oil Brent (USD)
	Cambodia GDP growth rate (%)
Manufacturing Loan	USDKHR Currency (End month exchange rate)
	Interest Rate on Term Loans in USD (%)
	Cambodia GDP growth rate (%)
Personal Loan	Cambodia GDP growth rate (%)
	Crude Oil Brent (USD)
Real Estate Loan	Crude Oil Brent (USD)
	Cambodia GDP growth rate (%)
Service Loan	Cambodia GDP growth rate (%)
	Crude Oil Brent (USD)
Wholesale and Retail Loan	Cambodia GDP growth rate (%)
	Crude Oil Brent (USD)
Loss Give Default (LGD)	
Portfolio level	Current account balance in USD
	Cambodia GDP growth rate (%)

(1) All macroeconomic factors are based in the Cambodia context unless otherwise indicated.

Financial year 2022:

PD segment	Macroeconomic Factor(1)
Agriculture	Cambodia CPI - (cpi_2010_100)
Construction and Real Estate	GDP at Current Price, Industry (YOY,%) - (gdp_industry)
Real Estate Rentals	Cambodia GDP at Constant 2000 Price - (gdp_constant2000)
Manufacturing	FDI Net Inflow - (fdi)
Wholesale and Retail	Cambodia CPI - (cpi_2010_100)
Services	GDP at Current Price, Industry (YOY,%) - (gdp_industry)
Personal Loan	GDP at Current Price, Industry (YOY,%) - (gdp_industry)

(iii) Modified financial assets

The Bank renegotiates loans to customers in financial difficulties (referred to as restructure activities) to maximise collection opportunities and minimise the risk of default. Under the Bank's restructure policy, loan is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms. The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants.

For financial assets modified as part of the Bank's restructure policy, the estimate of PD reflects whether the modification has improved or restored the Bank's ability to collect interest and principal and the Bank's previous experience. As part of this process, the Bank evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.

Generally, restructure is a qualitative indicator of a significant increase in credit risk and an expectation of restructure may constitute evidence that an exposure is credit-impaired. A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to Stage 1.

(iv) Measurement of ECL

ECL is a probability-weighted estimate of credit losses. It is 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 Bank 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;
- Undrawn loan commitments a credit loss is the present value of the difference between the contractual cash flows that are due to the Bank if the holder of the loan commitment draws down the loan and the cash flows that the entity expects to receive if the loan is drawn down; and
- For financial guarantee contracts payment only arise in the event of default of the debtor in accordance with the terms of the debt instrument that is guaranteed. Accordingly, cash shortfalls are the expected payments to reimburse the holder of the debt instruments for a credit loss that incurs less any amount that the Bank expects to receive from the holder, the debtor or any party

The Bank calculates the ECL by taking the gross carrying amount of financial assets multiplying by the consolidated PD ratio and the LGD.

- ECL is the present value of all cash shortfalls over the remaining life, discounted at the EIR. For each year throughout the financial instrument's life, a forward-looking PD, LGD and EAD are estimated. The estimates are multiplied with each other to estimate the losses for each of the years. Then the estimates are discounted back to the reporting date using the EIR as the discount rate. Without having material effect, the Bank considered contractual rate as EIR.
- To obtain 12-month ECL for Stage 1 Loans, the sum of ECL of each month, for next 12 months is obtained.
- To obtain Lifetime ECL for Stage 2 and 3 Loans, the sum of ECL for each month, from the next month to the last month of the loan's lifetime is obtained.

(b) Loss allowance

The following table summarises the loss allowance as of the year-end by class of exposure/assets.

	31 December 2023		31 December 2022	
	US\$	KHR Million	US\$	KHR Million
Loss allowance by classes:				
Balances with other banks	848,785	3,467	647,519	2,666
Loans to customers	94,007,974	384,024	73,174,303	301,259
Investment securities	429,934	1,756	592,219	2,438
Deposits and other receivables	2,451,689	10,015	1,057,355	4,353
Loan commitments and financial guarantee contracts	635,696	2,597	356,288	1,467
	98,374,078	401,859	75,827,684	312,183

The table below provides an analysis of the gross carrying amount of loans to customers by past due status.

	31 December 2023		31 December 2022	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
	US\$	US\$	US\$	US\$
Loans to customers:				
0-29 days	7,521,235,975	21,959,011	6,350,090,184	41,884,666
30-59 days	27,681,706	4,490,260	28,883,226	4,786,806
60-89 days	34,947,538	5,680,277	19,124,919	3,203,662
90-179 days	61,340,069	13,278,469	32,582,724	5,782,128
More than 180 days	221,144,200	48,599,957	91,293,047	17,517,041
Total	7,866,349,488	94,007,974	6,521,974,100	73,174,303
In KHR Million equivalent	32,134,039	384,024	26,850,968	301,259

32.1.3 Credit quality analysis

The following table sets out information about the credit quality of financial assets measured at amortised cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments, the amounts in the table represent the amounts committed.

31 December 2023	Stage 1	Stage 2	Stage 3	Total	
	US\$	US\$	US\$	US\$	KHR Million
Balances with other banks:					
1: Very Remote	1,477,673,213	-	-	1,477,673,213	6,036,295
Loss allowance	(848,785)	-	-	(848,785)	(3,467)
Carrying amount	1,476,824,428	-	-	1,476,824,428	6,032,828
Loans to customers:					
1: Very Remote	5,997,372,778	-	-	5,997,372,778	24,499,269
2: Remote	278,430,364	-	-	278,430,364	1,137,388
3: Moderately Remote	260,967,900	-	-	260,967,900	1,066,054
4: Very Low	518,785,064	-	-	518,785,064	2,119,237
5: Low	179,910,460	-	-	179,910,460	734,934
6: Moderately Low	89,631,629	-	-	89,631,629	366,145
7: Moderate	53,187,497	-	-	53,187,497	217,271
8: Moderately High	81,535,051	-	-	81,535,051	333,071
9: High (Watch List)	-	102,475,439	-	102,475,439	418,612
10: Very High (Default)	-	-	304,053,306	304,053,306	1,242,058
	7,459,820,743	102,475,439	304,053,306	7,866,349,488	32,134,039
Loss allowance	(27,238,590)	(401,702)	(66,367,682)	(94,007,974)	(384,024)
Carrying amount	7,432,582,153	102,073,737	237,685,624	7,772,341,514	31,750,015

31 December 2023	Stage 1	Stage 2	Stage 3		Total
	US\$	US\$	US\$	US\$	KHR Million
Investment securities:					
1: Very Remote	338,445,739	-	-	338,445,739	1,382,551
Loss allowance	(429,934)	-	-	(429,934)	(1,756)
Carrying amount	338,015,805	-	-	338,015,805	1,380,795
Deposits and other receivables:					
1: Very Remote	41,884,050	-	-	41,884,050	171,096
Loss allowance	(2,451,689)	-	-	(2,451,689)	(10,015)
Carrying amount	39,432,361	-	-	39,432,361	161,081
Loan commitments and financial guarantee contracts:					
1: Very Remote	402,882,819	-	-	402,882,819	1,645,775
2: Remote	22,702,966	-	-	22,702,966	92,742
3: Moderately Remote	17,345,307	-	-	17,345,307	70,856
4: Very Low	9,952,373	-	-	9,952,373	40,655
5: Low	12,258,680	-	-	12,258,680	50,077
6: Moderately Low	2,653,301	-	-	2,653,301	10,839
7: Moderate	997,606	-	-	997,606	4,075
8: Moderately High	1,506	-	-	1,506	6
9: High (Watch List)	-	300	-	300	1
10: Very High (Default)	-	-	228,092	228,092	932
	468,794,558	300	228,092	469,022,950	1,915,958
Loss allowance	(590,259)	-	(45,437)	(635,696)	(2,597)
Total amount	468,204,299	300	182,655	468,387,254	1,913,361

31 December 2022		Stage 1	Stage 2	Stage 3	Total	
		US\$	US\$	US\$	US\$	KHR Million
2023 Equivalent grading	2022 Grading					
Balances with other banks:						
1: Very Remote	Grade A: Very good	483,717,992	-	-	483,717,992	1,991,467
Loss allowance		(647,519)	-	-	(647,519)	(2,666)
Carrying amount		483,070,473	-	-	483,070,473	1,988,801
Loans to customers:						
1: Very Remote	Grade A: Very good	5,808,978,896	-	-	5,808,978,896	23,915,566
2: Remote	Grade A: Very good	10,352,586	-	-	10,352,586	42,622
3: Moderately Remote	Grade A: Very good	6,237,103	-	-	6,237,103	25,678
4: Very Low	Grade B: Good	204,162,137	-	-	204,162,137	840,536
5: Low	Grade B: Good	1,658,018	-	-	1,658,018	6,826
6: Moderately Low	Grade C: Satisfactory	37,455,910	-	-	37,455,910	154,206
7: Moderate	Grade C: Satisfactory	125,068,237	-	-	125,068,237	514,906
8: Moderately High	Grade C: Satisfactory	80,978,756	-	-	80,978,756	333,390
9: High (Watch List)	Grade D: Watch list	-	58,024,551	-	58,024,551	238,887
10: Very High (Default)	Grade E: Default	-	-	189,057,906	189,057,906	778,351
		6,274,891,643	58,024,551	189,057,906	6,521,974,100	26,850,968
Loss allowance		(28,774,200)	(8,596,536)	(35,803,567)	(73,174,303)	(301,259)
Carrying amount		6,246,117,443	49,428,015	153,254,339	6,448,799,797	26,549,709
Investment securities:						
1: Very Remote	Grade A: Very good	35,534,966	-	-	35,534,966	146,297
Loss allowance		(592,219)	-	-	(592,219)	(2,438)
Carrying amount		34,942,747	-	-	34,942,747	143,859
Deposits and other receivables:						
1: Very Remote	Grade A: Very good	19,152,372	-	-	19,152,372	78,850
Loss allowance		(1,057,355)	-	-	(1,057,355)	(4,353)
Carrying amount		18,095,017	-	-	18,095,017	74,497
Loan commitments and financial guarantee contracts:						
1: Very Remote	Grade A: Very good	360,991,276	-	-	360,991,276	1,486,203
2: Remote	Grade A: Very good	-	-	-	-	-
3: Moderately Remote	Grade A: Very good	-	-	-	-	-
4: Very Low	Grade B: Good	2,279,996	-	-	2,279,996	9,387

31 December 2022		Stage 1	Stage 2	Stage 3	Total	
		US\$	US\$	US\$	US\$	KHR Million
2023 Equivalent grading	2022 Grading					
5: Low	Grade B: Good	-	-	-	-	-
6: Moderately Low	Grade C: Satisfactory	-	-	-	-	-
7: Moderate	Grade C: Satisfactory	5,600,256	-	-	5,600,256	23,056
8: Moderately High	Grade C: Satisfactory	-	-	-	-	-
9: High (Watch List)	Grade D: Watch list	-	19,541	-	19,541	80
10: Very High (Default)	Grade E: Default	-	-	9,092	9,092	37
		368,871,528	19,541	9,092	368,900,161	1,518,763
Loss allowance		(352,193)	(2,417)	(1,678)	(356,288)	(1,467)
Total amount		368,519,335	17,124	7,414	368,543,873	1,517,296

The below table sets out information about the overdue status of loans to customers in Stage 1, 2 and 3.

31 December 2023		Stage 1	Stage 2	Stage 3	Total	
		US\$	US\$	US\$	US\$	KHR Million
Loans to customers:						
Not overdue		7,406,980,640	37,639,236	15,823,176	7,460,443,052	30,475,911
Overdue ≤ 29 days		52,840,103	6,692,917	1,259,902	60,792,922	248,339
Overdue > 29 days		-	58,143,286	286,970,228	345,113,514	1,409,789
Total		7,459,820,743	102,475,439	304,053,306	7,866,349,488	32,134,039

31 December 2022		Stage 1	Stage 2	Stage 3	Total	
		US\$	US\$	US\$	US\$	KHR Million
Loans to customers:						
Not overdue		6,209,281,667	14,872,829	47,308,288	6,271,462,784	25,819,613
Overdue ≤ 29 days		65,609,974	6,446,573	6,570,853	78,627,400	323,709
Overdue > 29 days		-	36,705,149	135,178,767	171,883,916	707,646
Total		6,274,891,641	58,024,551	189,057,908	6,521,974,100	26,850,968

The table below shows the changes in the gross carrying amount of financial assets during the period that contributed to changes in the loss allowance.

Balance with other banks at amortised cost

31 December 2023	Stage 1	Stage 2	Stage 3	Total	
	12-month ECL	Lifetime ECL	Lifetime ECL	US\$	KHR Million
	US\$	US\$	US\$	US\$	KHR Million
Gross carrying amounts as at 1 January 2023	483,717,992	-	-	483,717,992	1,991,467
New financial assets originated	19,400,186,501	-	-	19,400,186,501	79,734,767
Financial assets that have been derecognised	(18,406,240,465)	-	-	(18,406,240,465)	(75,649,648)
Currency translation differences	9,185	-	-	9,185	(40,291)
Gross carrying amount as at 31 December 2023	1,477,673,213	-	-	1,477,673,213	6,036,295
Loss allowance as at 31 December 2023	(848,785)	-	-	(848,785)	(3,467)

31 December 2022	Stage 1	Stage 2	Stage 3	Total	
	12-month ECL	Lifetime ECL	Lifetime ECL	US\$	KHR Million
	US\$	US\$	US\$	US\$	KHR Million
Gross carrying amounts as at 1 January 2022	558,440,003	-	-	558,440,003	2,275,084
New financial assets originated	478,463,827	-	-	478,463,827	1,955,482
Financial assets that have been derecognised	(553,120,464)	-	-	(553,120,464)	(2,260,603)
Currency translation differences	(65,374)	-	-	(65,374)	21,504
Gross carrying amount as at 31 December 2022	483,717,992	-	-	483,717,992	1,991,467
Loss allowance as at 31 December 2022	(647,519)	-	-	(647,519)	(2,666)

Loans to customers at amortised cost

31 December 2023	Stage 1	Stage 2	Stage 3	Total	
	12-month ECL	Lifetime ECL	Lifetime ECL	US\$	KHR Million
	US\$	US\$	US\$	US\$	KHR Million
Gross carrying amount as at 1 January 2023	6,274,891,643	58,024,551	189,057,906	6,521,974,100	26,850,968
Changes in gross carrying amount					
Transfer to stage 1	39,934,638	(9,708,910)	(30,225,728)	-	-
Transfer to stage 2	(61,130,449)	66,341,712	(5,211,263)	-	-
Transfer to stage 3	(130,142,937)	(29,296,602)	159,439,539	-	-
New financial assets originated	3,038,894,033	36,863,803	18,868,345	3,094,626,181	12,718,914
Financial assets that have been derecognised	(1,702,491,308)	(19,725,455)	(27,175,669)	(1,749,392,432)	(7,190,003)
Write off	(134,877)	(23,660)	(699,824)	(858,361)	(3,528)
Currency translation differences	-	-	-	-	(242,312)
Gross carrying amount as at 31 December 2023	7,459,820,743	102,475,439	304,053,306	7,866,349,488	32,134,039
Loss allowance as at 31 December 2023	(27,238,590)	(401,702)	(66,367,682)	(94,007,974)	(384,024)

31 December 2022	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL		Total
	US\$	US\$	US\$	US\$	KHR Million
Gross carrying amount as at 1 January 2022	5,245,148,895	26,302,624	53,953,888	5,325,405,407	21,695,702
Changes in gross carrying amount					
Transfer to stage 1	7,538,744	(5,877,878)	(1,660,866)	-	-
Transfer to stage 2	(44,800,600)	45,260,776	(460,176)	-	-
Transfer to stage 3	(114,512,644)	(12,763,990)	127,276,634	-	-
New financial assets originated	2,682,329,092	13,536,337	19,396,063	2,715,261,492	11,097,274
Financial assets that have been derecognised	(1,500,572,585)	(8,374,819)	(9,238,821)	(1,518,186,225)	(6,204,827)
Write off	(239,259)	(58,499)	(208,816)	(506,574)	(2,070)
Currency translation differences	-	-	-	-	264,889
Gross carrying amount as at 31 December 2022	6,274,891,643	58,024,551	189,057,906	6,521,974,100	26,850,968
Loss allowance as at 31 December 2022	(28,774,200)	(8,596,536)	(35,803,567)	(73,174,303)	(301,259)

Investment securities at amortised cost

31 December 2023	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL		Total
	US\$	US\$	US\$	US\$	KHR Million
Gross carrying amount as at 1 January 2023	35,534,966	-	-	35,534,966	146,297
New financial assets originated	648,412,186	-	-	648,412,186	2,664,974
Financial assets that have been derecognised	(345,496,107)	-	-	(345,496,107)	(1,419,989)
Other changes	(5,306)	-	-	(5,306)	(22)
Currency translation difference	-	-	-	-	(8,709)
Gross carrying amount as at 31 December 2023	338,445,739	-	-	338,445,739	1,382,551
Loss allowance as at 31 December 2023	(429,934)	-	-	(429,934)	(1,756)

31 December 2022	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL		Total
	US\$	US\$	US\$	US\$	KHR Million
Gross carrying amount as at 1 January 2022	37,450,310	-	-	37,450,310	152,573
New financial assets originated	1,220,388	-	-	1,220,388	4,988
Financial assets that have been derecognised	(3,086,425)	-	-	(3,086,425)	(12,614)
Other changes	(49,307)	-	-	(49,307)	(203)
Currency translation difference	-	-	-	-	1,553
Gross carrying amount as at 31 December 2022	35,534,966	-	-	35,534,966	146,297
Loss allowance as at 31 December 2022	(592,219)	-	-	(592,219)	(2,438)

Deposits and other receivables at amortised cost

31 December 2023	Stage 1	Stage 2	Stage 3	Total	
	12-month ECL	Lifetime ECL	Lifetime ECL	US\$	KHR Million
	US\$	US\$	US\$	US\$	KHR Million
Gross carrying amount as at 1 January 2023	19,152,372	-	-	19,152,372	78,850
New financial assets originated	2,562,710,074	-	-	2,562,710,074	10,532,738
Financial assets that have been derecognised	(2,539,428,817)	-	-	(2,539,428,817)	(10,437,052)
Other changes	(551,898)	-	-	(551,898)	(2,268)
Currency translation differences	2,319	-	-	2,319	(1,172)
Gross carrying amount as at 31 December 2023	41,884,050	-	-	41,884,050	171,096
Loss allowance as at 31 December 2023	(2,451,689)	-	-	(2,451,689)	(10,015)

31 December 2022	Stage 1	Stage 2	Stage 3	Total	
	12-month ECL	Lifetime ECL	Lifetime ECL	US\$	KHR Million
	US\$	US\$	US\$	US\$	KHR Million
Gross carrying amount as at 1 January 2022	13,083,598	-	-	13,083,598	53,303
New financial assets originated	6,362,231	-	-	6,362,231	26,002
Financial assets that have been derecognised	(163,177)	-	-	(163,177)	(667)
Other changes	(130,280)	-	-	(130,280)	(532)
Currency translation differences	-	-	-	-	744
Gross carrying amount as at 31 December 2022	19,152,372	-	-	19,152,372	78,850
Loss allowance as at 31 December 2022	(1,057,355)	-	-	(1,057,355)	(4,353)

Loan commitments and financial guarantee contracts

31 December 2023	Stage 1	Stage 2	Stage 3	Total	
	12-month ECL	Lifetime ECL	Lifetime ECL	US\$	KHR Million
	US\$	US\$	US\$	US\$	KHR Million
Total amounts committed and guaranteed as at 1 January 2023	368,871,528	19,541	9,092	368,900,161	1,518,763
Changes in gross carrying amount					
Transfer to stage 1	27,223	(19,520)	(7,703)	-	-
Transfer to stage 2	(315)	315	-	-	-
Transfer to stage 3	(155,442)	-	155,442	-	-
New loan commitments and new financial guarantees originated	128,162,317	-	-	128,162,317	526,747
Loan commitments and financial guarantees that have been derecognised	(28,110,753)	(36)	71,261	(28,039,528)	(115,242)

31 December 2023	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL		Total
Currency translation differences	-	-	-	-	(14,310)
Total amounts committed and guaranteed amount as at 31 December 2023	468,794,558	300	228,092	469,022,950	1,915,958
Loss allowance as at 31 December 2023	(590,259)	-	(45,437)	(635,696)	(2,597)

31 December 2022	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL		Total
	US\$	US\$	US\$	US\$	KHR Million
Total amounts committed and guaranteed amount as at 1 January 2022	282,416,247	131	-	282,416,378	1,150,564
Changes in gross carrying amount					
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	(73,373)	73,373	-	-	-
Transfer to stage 3	(37,392)	(30)	37,422	-	-
New loan commitments and new financial guarantees originated	135,318,194	-	-	135,318,194	553,045
Loan commitments and financial guarantees that have been derecognised	(48,752,148)	(53,933)	(28,330)	(48,834,411)	(199,586)
Currency translation differences	-	-	-	-	14,740
Total amounts committed and guaranteed amount as at 31 December 2022	368,871,528	19,541	9,092	368,900,161	1,518,763
Loss allowance as at 31 December 2022	(352,193)	(2,417)	(1,678)	(356,289)	(1,467)

The tables below analyse the movement of the loss allowance of loans to customers during the year on loans to customers.

Loss allowance – loans to customers at amortised cost

31 December 2023	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL		Total
	US\$	US\$	US\$	US\$	KHR Million
Loss allowance as at 1 January 2023	28,774,200	8,596,536	35,803,567	73,174,303	301,259
Changes in loss allowance					
Transfer to stage 1	7,002,415	(1,219,285)	(5,783,130)	-	-
Transfer to stage 2	(326,643)	1,441,249	(1,114,606)	-	-
Transfer to stage 3	(1,316,574)	(4,531,615)	5,848,189	-	-
Net remeasurement of loss allowance (1)	(5,576,365)	(1,885,022)	33,168,527	25,707,140	105,657
New financial assets originated	4,489,264	152,056	4,150,279	8,791,599	36,133
Financial assets that have been derecognised	(1,773,500)	(2,130,088)	(5,277,688)	(9,181,276)	(37,735)

Write off	(34,207)	(22,129)	(427,456)	(483,792)	(1,988)
Other changes (2)	(4,000,000)	-	-	(4,000,000)	(16,440)
Currency translation differences	-	-	-	-	(2,862)
Loss allowance as at 31 December 2023	27,238,590	401,702	66,367,682	94,007,974	384,024

(1) Includes the net remeasurement of loss allowances (after transfers) attributable mainly to changes in volume and in the credit quality of existing loans.

(2) This represents reversal of management overlay for the year ended 31 December 2023.

31 December 2022	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL		Total
	US\$	US\$	US\$	US\$	KHR Million
Loss allowance as at 1 January 2022	32,027,418	4,118,882	10,269,511	46,415,811	189,098
Changes in loss allowance					
Transfer to stage 1	1,168,671	(841,424)	(327,247)	-	-
Transfer to stage 2	(189,017)	286,721	(97,704)	-	-
Transfer to stage 3	(803,191)	(2,059,859)	2,863,050	-	-
Net remeasurement of loss allowance (1)	647,001	6,047,106	21,163,426	27,857,533	113,854
New financial assets originated	2,951,766	1,815,073	3,798,978	8,565,817	35,008
Financial assets that have been derecognised	(1,300,965)	(715,320)	(1,708,183)	(3,724,468)	(15,222)
Write off	(127,483)	(54,643)	(158,264)	(340,390)	(1,391)
Other changes (2)	(5,600,000)	-	-	(5,600,000)	(22,887)
Currency translation differences	-	-	-	-	2,799
Loss allowance as at 31 December 2022	28,774,200	8,596,536	35,803,567	73,174,303	301,259

(1) Includes the net remeasurement of loss allowance (after transfers) attributable mainly to changes in volume and in the credit quality of existing loans.

(2) This represents reversal of management overlay for the year ended 31 December 2022.

32.1.4 Concentration of credit risk

The Bank monitors concentrations of credit risk by sector. An analysis of concentrations of credit risk from balances with other banks, loans to customers, investment securities, deposits and other receivables and loan commitments and financial guarantee contracts are shown below.

31 December 2023	Balances with other banks	Loans to customers	Investment securities	Deposits and other receivables	Loan commitments and financial guarantee contracts		Total
	US\$	US\$	US\$	US\$	US\$	US\$	KHR Million
Carrying amount	1,476,824,428	7,772,341,514	338,015,805	39,432,361	(635,696)	9,625,978,412	39,322,122
Amount committed	-	-	-	-	469,022,950	469,022,950	1,915,959
Concentration by sector:							
Wholesale and retail trade	-	3,727,694,971	-	-	264,452,341	3,992,147,312	16,307,922
Financial institution	1,476,824,428	171,015,956	287,541,027	26,069,202	1,312,449	1,962,763,062	8,017,888
Services	-	1,130,114,321	-	-	46,378,438	1,176,492,759	4,805,973
Real estate rental	-	887,365,836	-	6,617,456	10,271,153	904,254,445	3,693,879
Construction and real estate operation	-	718,792,570	11,024,156	-	73,009,263	802,825,989	3,279,544
Manufacturing	-	491,961,200	-	-	44,592,407	536,553,607	2,191,821
Agriculture	-	424,767,433	-	-	2,775,433	427,542,866	1,746,513
Individual	-	220,629,227	-	6,745,703	25,595,770	252,970,700	1,033,385
Other	-	-	39,450,622	-	-	39,450,622	161,156
	1,476,824,428	7,772,341,514	338,015,805	39,432,361	468,387,254	10,095,001,362	41,238,081

31 December 2022	Balances with other banks	Loans to customers	Investment securities	Deposits and other receivables	Loan commitments and financial guarantee contracts		Total
	US\$	US\$	US\$	US\$	US\$	US\$	KHR Million
Carrying amount	483,070,473	6,448,799,797	34,942,747	18,095,017	(356,288)	6,984,551,744	28,755,400
Amount committed	-	-	-	-	368,900,161	368,900,161	1,518,762
Concentration by sector:							
Wholesale and retail trade	-	3,112,814,132	-	-	197,278,752	3,310,092,884	13,627,652
Services	-	974,775,067	-	-	47,170,063	1,021,945,130	4,207,348
Real estate rental	-	781,456,224	-	5,486,937	5,995,549	792,938,710	3,264,529
Construction and real estate operation	-	634,383,130	29,495,080	-	65,887,743	729,765,953	3,004,446
Financial institution	483,070,473	48,935,340	4,250,710	11,470,171	614,689	548,341,383	2,257,521

Manufacturing	-	368,742,271	-	-	34,425,665	403,167,936	1,659,842
Agriculture	-	346,872,212	-	-	3,649,470	350,521,682	1,443,098
Individual	-	180,821,421	-	1,137,909	13,521,942	195,481,272	804,796
Other	-	-	1,196,957	-	-	1,196,957	4,928
	483,070,473	6,448,799,797	34,942,747	18,095,017	368,543,873	7,353,451,907	30,274,160

32.2 Liquidity risk

Liquidity risk is the risk that the Bank does not have sufficient financial resources to meet its obligations as they fall due, or will have to do so at an excessive cost. This risk arises from mismatches in the timing of cash flows which is inherent in all banking operations and can be affected by a range of Bank-specific and market-wide events.

32.2.1 Liquidity risk management

The Bank's Board of Directors sets the Bank's strategy for managing liquidity risk and oversight of the implementation is administered by Board Risk Management Committee (BRMC). BRMC approves the Bank's liquidity policies created by the Risk division and acknowledged by Asset-Liability Committee (ALCO). Treasury department manages the Bank's liquidity position on a day-to-day basis and reviews daily reports covering the liquidity position of Head office and branches. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation. The key elements of the Bank's liquidity strategy are as follows:

- Maintaining a diversified funding base consisting of customer deposits (both individual and corporate) and maintaining contingency facilities.
- Carrying a portfolio of highly liquid assets, diversified by currency and maturity.
- Monitoring maturity mismatches, behavioral characteristics of the Bank's financial assets and financial liabilities, and the extent to which the Bank's assets are encumbered and so not available as potential collateral for obtaining funding.
- Stress testing of the Bank's liquidity position against various exposures and country-specific events.
- Minimise cost of foregone earnings on idle liquidity.

Treasury department receives information from other business units regarding the liquidity profile of their financial assets and financial liabilities and details of other projected cash flows arising from projected future business. Treasury department then maintains a portfolio of short-term liquid assets, largely made up of inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank as a whole. The liquidity requirements of branches are met through funds from Treasury department to cover any short-term fluctuations and longer-term funding to address any structural liquidity requirements.

Finance department monitors compliance with local regulatory limits on a monthly basis.

Regular liquidity stress testing is conducted by Risk Management Department under a variety of scenarios covering historical depositors' runoff to test compliance with regulatory and risk appetite metrics under stressed conditions. Risk Management Department presented results of stress testing and relevant recommendations to BRMC on quarterly basis or an ad hoc basis.

32.2.2 Exposure to liquidity risk

The key metric measure used by the Bank for managing liquidity risk is Liquidity Risk Coverage Ratio. This ratio reflects the available cash inflows (including loans to be collected and balances with other banks); cash outflows matured within 30 days (including amount to be paid to lenders, deposits from financial institutions and corporates); and adjusted retail savings deposit as well as stock of eligible liquid assets (cash on hand, all current accounts and reserve requirements with the NBC).

	31 December 2023	31 December 2022
At end of year	133.05%	127.79%
Average for the year	127.71%	132.40%
Maximum for the year	134.98%	149.89%
Minimum for the year	111.41%	117.22%

32.2.3 Maturity analysis for financial assets and financial liabilities

The following tables set out the remaining contractual maturities of the Bank's financial assets and financial liabilities. The sum of the balances depicted in the maturity analysis do not reconcile with the carrying amount of the assets/liabilities as disclosed in the statement of financial position. This is because maturity analysis incorporates, on an undiscounted basis, all cash flows relating to principal. The amount for issued loan commitments and financial guarantees contract is the maximum amount that may be drawn down under the loan commitment, or called under the financial guarantees contract, both included in the earliest possible period under these could be paid. The undiscounted cash flows potentially payable under financial guarantees and similar contracts are classified on the basis of the earliest date they can be called.

31 December 2023	Carrying amount	Gross nominal inflow/ (outflow)	Up to 1 month	> 1 – 3 months	> 3 – 12 months	> 1 – 5 years	Over 5 years	No specific maturity
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Financial assets by type								
Non-derivative assets								
Cash on hand	474,857,773	474,857,773	474,857,773	-	-	-	-	-
Balances with the NBC	1,144,610,187	1,145,660,165	247,141,494	25,131,638	145,637,645	-	-	727,749,388
Balances with other banks	1,476,824,428	1,499,143,137	699,012,048	266,341,918	533,789,171	-	-	-
Loans to customers	7,772,341,514	10,283,128,789	254,114,244	469,985,512	1,829,031,788	4,805,304,044	2,924,693,201	-
Investment securities	338,015,805	346,510,480	-	139,955,709	206,554,771	-	-	-
Other assets	63,843,072	63,843,072	39,031,993	78,540	176,476	2,994,246	3,428,542	18,133,275
In US\$ equivalent	11,270,492,779	13,813,143,416	1,714,157,552	901,493,317	2,715,189,851	4,808,298,290	2,928,121,743	745,882,663
In KHR Million equivalent	46,039,963	56,426,693	7,002,335	3,682,600	11,091,551	19,641,899	11,961,377	3,046,931
Financial liabilities by type								
Non-derivative liabilities								
Deposits from banks and other financial institutions	(206,402,009)	(213,587,895)	(140,873,718)	(5,598,517)	(47,927,046)	(19,188,614)	-	-
Deposits from customers	(9,026,304,769)	(9,214,752,791)	(6,458,546,284)	(560,451,458)	(1,936,017,885)	(259,737,164)	-	-
Borrowings	(146,416,963)	(149,599,663)	(52,128,993)	(39,045,703)	(51,494,375)	(3,644,118)	(3,286,474)	-
Subordinated debts	(96,053,372)	(119,502,629)	-	-	(6,246,214)	(113,256,415)	-	-
Lease liabilities	(69,053,434)	(84,533,728)	(1,187,927)	(2,361,725)	(10,404,309)	(41,799,419)	(28,780,348)	-
Other liabilities	(84,631,848)	(84,631,848)	-	(37,463,752)	(46,316,845)	(410,285)	(440,966)	-
	(9,628,862,395)	(9,866,608,554)	(6,652,736,922)	(644,921,155)	(2,098,406,674)	(438,036,015)	(32,507,788)	-

31 December 2023	Carrying amount	Gross nominal inflow/ (outflow)	Up to 1 month	> 1 – 3 months	> 3 – 12 months	> 1 – 5 years	Over 5 years	No specific maturity
Loan commitments and financial guarantee contracts	-	(469,022,950)	(40,501,759)	(71,110,051)	(324,495,210)	(32,915,930)	-	-
In US\$ equivalent	(9,628,862,395)	(10,335,631,504)	(6,693,238,681)	(716,031,206)	(2,422,901,884)	(470,951,945)	(32,507,788)	-
In KHR Million equivalent	(39,333,903)	(42,221,054)	(27,341,880)	(2,924,987)	(9,897,554)	(1,923,839)	(132,794)	-

31 December 2022	Carrying amount	Gross nominal inflow/ (outflow)	Up to 1 month	> 1 – 3 months	> 3 – 12 months	> 1 – 5 years	Over 5 years	No specific maturity
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$

Financial assets by type

Non-derivative assets

Cash on hand	461,874,069	461,874,069	461,874,069	-	-	-	-	-
Balances with the NBC	1,384,213,047	1,393,175,414	202,511,766	160,805,846	470,257,960	-	-	559,599,842
Balances with other banks	483,070,473	495,312,989	101,385,968	45,596,629	348,330,392	-	-	-
Loans to customers	6,448,799,797	9,479,197,071	263,122,942	534,372,526	2,225,511,884	4,095,945,821	2,360,243,898	-
Investment securities	34,942,747	37,172,522	-	-	990,491	36,182,031	-	-
Other assets	50,319,842	50,319,842	32,249,653	18,960	149,953	2,182,424	4,246,750	11,472,102
In US\$ equivalent	8,863,219,975	11,917,051,907	1,061,144,398	740,793,961	3,045,240,680	4,134,310,276	2,364,490,648	571,071,944
In KHR Million equivalent	36,489,877	49,062,503	4,368,732	3,049,849	12,537,256	17,020,955	9,734,608	2,351,103

Financial liabilities by type

Non-derivative liabilities

Deposits from banks and other financial institutions	(142,662,081)	(149,659,029)	(44,786,596)	(5,364,775)	(82,289,611)	(14,978,319)	(2,239,728)	-
Deposits from customers	(7,210,953,614)	(7,305,434,464)	(5,537,379,254)	(284,103,615)	(1,349,948,517)	(134,003,078)	-	-
Borrowings	(68,358,368)	(71,842,018)	(8,903,020)	(19,142,400)	(37,323,114)	(1,232,652)	(5,240,832)	-
Subordinated debts	(121,045,397)	(155,741,600)	-	-	(3,102,721)	(83,238,230)	(69,400,649)	-
Lease liabilities	(60,411,883)	(73,367,606)	(994,996)	(1,946,871)	(8,776,564)	(37,392,066)	(24,257,108)	-
Other liabilities	(54,654,841)	(54,654,841)	-	(29,670,768)	(14,377,717)	(10,208,119)	(398,237)	-
	(7,658,086,184)	(7,810,699,558)	(5,592,063,866)	(340,228,429)	(1,495,818,244)	(281,052,464)	(101,536,554)	-
Loan commitments and financial guarantee contracts	-	(368,900,161)	(30,321,827)	(58,447,747)	(257,397,829)	(22,720,258)	(12,500)	-
In US\$ equivalent	(7,658,086,184)	(8,179,599,719)	(5,622,385,693)	(398,676,176)	(1,753,216,073)	(303,772,722)	(101,549,054)	-
In KHR Million equivalent	(31,528,341)	(33,675,413)	(23,147,362)	(1,641,350)	(7,217,991)	(1,250,632)	(418,077)	-

The amounts in the table above have been compiled as follows:

Type of financial instrument	Basis on which amounts are compiled
Financial assets	Undiscounted cash flows, which include estimated interest collections
Financial liabilities	Undiscounted cash flows, which include estimated interest payments
Loan commitments and financial guarantee contracts	Earliest possible contractual maturity

The significant mismatch in the timing and amount of cash flows in the one-month bucket highly made up of large deposits from customers under current and savings accounts. With the strong position of the Bank, the deposits could be retained and increased continuously to maintain the liquidity position.

As part of the management of liquidity risk arising from financial liabilities, the Bank holds liquid assets comprising cash and cash equivalents, which can meet liquidity requirements. In addition, the Bank maintains agreed lines of credit with other banks and could obtain additional financial support from the parent bank, National Bank of Canada.

The following table sets out the carrying amounts of non-derivative financial assets and financial liabilities expected to be recovered or settled less than 12 months after the reporting date.

	31 December 2023		31 December 2022	
	US\$	KHR Million	US\$	KHR Million
Financial assets				
Cash on hand	474,857,773	1,939,794	461,874,069	1,901,536
Balances with the NBC	1,034,610,187	4,226,383	1,318,213,047	5,427,083
Balances with other banks	1,476,824,428	6,032,828	483,070,473	1,988,801
Loans to customers	2,044,819,582	8,353,088	1,684,857,644	6,936,559
Investment securities	338,015,805	1,380,795	1,004,875	4,137
Other assets	57,420,284	234,561	43,890,668	180,698
	5,426,548,059	22,167,449	3,992,910,776	16,438,814
Financial liabilities				
Deposits from banks and other financial institutions	191,694,459	783,072	137,523,585	566,185
Deposits from customers	8,866,211,427	36,218,474	7,109,097,585	29,268,155
Borrowings	140,300,835	573,129	62,723,879	258,234
Subordinated debts	6,003,445	24,524	3,001,069	12,355
Lease liabilities	10,216,435	41,734	8,358,718	34,413
Other liabilities	83,780,597	342,244	44,048,486	181,348
	9,298,207,198	37,983,177	7,364,753,322	30,320,690
Loan commitments	436,107,020	1,781,497	346,167,403	1,425,171
	9,734,314,218	39,764,674	7,710,920,725	31,745,861

The following table sets out the carrying amounts of non-derivative financial assets and financial liabilities expected to be recovered or settled more than 12 months after the reporting date.

	31 December 2023		31 December 2022	
	US\$	KHR Million	US\$	KHR Million
Financial assets				
Balances with the NBC	110,000,000	449,350	66,000,000	271,722
Loans to customers	5,727,521,932	23,396,927	4,763,942,153	19,613,150
Investment securities	-	-	33,937,872	139,722
Other assets	6,422,788	26,237	6,429,174	26,469
	5,843,944,720	23,872,514	4,870,309,199	20,051,063
Financial liabilities				
Deposits from banks and other financial institutions	14,707,550	60,080	5,138,496	21,155
Deposits from customers	160,093,342	653,981	101,856,029	419,341
Borrowings	6,116,128	24,984	5,634,489	23,197
Subordinated debts	90,049,927	367,854	118,044,328	485,988
Lease liabilities	58,836,999	240,349	52,053,165	214,303
Other liabilities	851,251	3,478	10,606,355	43,666
	330,655,197	1,350,726	293,332,862	1,207,650
Loan commitments	32,915,930	134,462	22,732,758	93,591
	363,571,127	1,485,188	316,065,620	1,301,241

32.2.4 Liquidity reserves

The Bank maintains a pool of liquid assets which represents the primary source of liquidity in stress scenarios. Its composition is subject to limits designed to reduce concentration risks which are monitored on an ongoing basis. The Bank's liquidity reserves are analysed below.

	31 December 2023		31 December 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
	US\$	US\$	US\$	US\$
Cash on hand	474,857,773	474,857,773	461,874,069	461,874,069
Balances with the NBC	799,194,376	799,194,376	652,145,656	652,145,656
Balances with other banks	1,476,824,428	1,476,824,428	483,070,473	483,070,473
Investment securities	307,535,454	307,535,454	5,447,668	5,447,668
Total liquidity reserves	3,058,412,031	3,058,412,031	1,602,537,866	1,602,537,866
In KHR Million equivalent	12,493,613	12,493,613	6,597,648	6,597,648

32.2.5 Financial assets available to support future funding

The following table sets out the availability of the Bank's financial assets to support future funding.

	Encumbered		Unencumbered		US\$	KHR Million
	Pledged as collateral	Other*	Available as collateral	Other**		
	US\$	US\$	US\$	US\$		
31 December 2023						
Cash on hand	-	-	-	474,857,773	474,857,773	1,939,794
Balances with the NBC	231,879,000	727,749,388	179,595,023	5,386,776	1,144,610,187	4,675,733
Balances with other banks	-	-	-	1,476,824,428	1,476,824,428	6,032,828
Loans to customers	-	-	-	7,772,341,514	7,772,341,514	31,750,015
Investment securities	-	-	-	338,015,805	338,015,805	1,380,795
Other assets	-	-	-	63,843,072	63,843,072	260,799
	231,879,000	727,749,388	179,595,023	10,131,269,368	11,270,492,779	46,039,964
31 December 2022						
Cash on hand	-	-	-	461,874,069	461,874,069	1,901,536
Balances with the NBC	63,799,000	559,599,842	755,176,856	5,637,349	1,384,213,047	5,698,805
Balances with other banks	-	-	-	483,070,473	483,070,473	1,988,801
Loans to customers	-	-	-	6,448,799,797	6,448,799,797	26,549,709
Investment securities	-	-	-	34,942,747	34,942,747	143,859
Other assets	-	-	-	50,319,842	50,319,842	207,166
	63,799,000	559,599,842	755,176,856	7,484,644,277	8,863,219,975	36,489,876

* Represents assets that are not pledged but that the Bank believes it is restricted from using to secure funding, for legal or other reasons. This includes capital guarantee deposit and reserve requirement.

** Represents assets that are not restricted for use as collateral, but that the Bank would not consider readily available to secure funding in the normal course of business.

32.3 Market risk

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

32.3.1 Market risk management

Overall authority for market risk is vested in BRMC at Board level and ALCO at management level. BRMC sets up limits for each type of risk in aggregate and for portfolios (all portfolios are non-trading). The Risk Management Department is responsible for the development of detailed risk management policies (subject to review by BRMC and approval by Board of Directors). Treasury function implement and manage the day-to-day market risk in the daily operation.

The Bank employs a range of tools to monitor and limit market risk exposures.

The following table sets out the allocation of assets and liabilities subject to market risk.

	31 December 2023		31 December 2022	
	US\$	KHR Million	US\$	KHR Million
Assets subject to market risk:				
Cash on hand	474,857,773	1,939,794	461,874,069	1,901,536
Balances with the NBC	1,144,610,187	4,675,733	1,384,213,047	5,698,805
Balances with other banks	1,476,824,428	6,032,828	483,070,473	1,988,801
Loans to customers	7,772,341,514	31,750,015	6,448,799,797	26,549,709
Investment securities	338,015,805	1,380,795	34,942,747	143,859
Other assets	63,843,072	260,798	50,319,842	207,167
	11,270,492,779	46,039,963	8,863,219,975	36,489,877
Liabilities subject to market risk:				
Deposits from banks and other financial institutions	206,402,009	843,153	142,662,081	587,340
Deposits from customers	9,026,304,769	36,872,456	7,210,953,614	29,687,496
Borrowings	146,416,963	598,113	68,358,368	281,431
Subordinated debts	96,053,372	392,378	121,045,397	498,344
Lease liabilities	69,053,434	282,083	60,411,883	248,716
Other liabilities	84,631,848	345,721	54,654,841	225,014
	9,628,862,395	39,333,904	7,658,086,184	31,528,341

32.3.2 Exposure to market risk

(i) Interest rate risk

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments or economic value of equity of the Bank because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands.

Risk Management Department conducts stress testing of interest rate risk and present its results and relevant recommendations to BRMC on quarterly basis or an ad hoc basis.

Interest rate sensitivity measured by the longer effective rate of duration, the more sensitive the fund is to shifts in the interest rate. Duration is an indicator of Net Asset Value will change as the interest rate change. The Bank has no significant financial assets and liabilities with floating interest rates. Balances with the NBC and with banks earn fixed interest for the period of the deposit and placement, and loans to customers earn fixed interest based on outstanding balance over the agreed term. Therefore, no sensitivity analysis for interest rate risk was presented.

The following is a summary of the Bank's interest rate gap position. The interest rate repricing gap table analyses the full-term structure of interest rate mismatches within the Bank's balance sheet based on the maturity date.

31 December 2023	Carrying amount	Up to 1 month	> 1 – 3 months	> 3 – 12 months	> 1 – 5 years	Over 5 years	Non-interest sensitive
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Financial assets							
Cash on hand	474,857,773	-	-	-	-	-	474,857,773
Balances with the NBC	1,144,610,187	175,576,590	25,098,112	144,741,108	-	-	799,194,377
Balances with other banks	1,476,824,428	686,040,727	263,726,035	515,196,276	-	-	11,861,390
Loans to customers	7,772,341,514	105,787,616	229,903,323	799,939,665	1,184,174,354	5,452,536,556	-
Investment securities	338,015,805	-	138,244,611	199,771,194	-	-	-
Other assets	63,843,072	-	-	-	-	-	63,843,072
	11,270,492,779	967,404,933	656,972,081	1,659,648,243	1,184,174,354	5,452,536,556	1,349,756,612
Financial liabilities							
Deposits from banks and other financial institutions	206,402,009	140,583,114	5,254,055	45,052,205	15,512,635	-	-
Deposits from customers	9,026,304,769	6,106,017,449	533,849,685	1,825,376,634	222,339,086	-	338,721,915
Borrowings	146,416,963	51,624,085	38,217,347	50,459,403	3,287,575	2,828,553	-
Subordinated debts	96,053,372	-	-	6,003,445	90,049,927	-	-
Lease liabilities	69,053,434	-	-	-	-	-	69,053,434
Other liabilities	84,631,848	-	-	-	-	-	84,631,848
	9,628,862,395	6,298,224,648	577,321,087	1,926,891,687	331,189,223	2,828,553	492,407,197
Interest rate repricing gap	1,641,630,384	(5,330,819,715)	79,650,994	(267,243,444)	852,985,131	5,449,708,003	857,349,415
In KHR Million equivalent	6,706,060	(21,776,399)	325,374	(1,091,689)	3,484,444	22,262,057	3,502,272
31 December 2022	Carrying amount	Up to 1 month	> 1 – 3 months	> 3 – 12 months	> 1 – 5 years	Over 5 years	Non-interest sensitive
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Financial assets							
Cash on hand	461,874,069	-	-	-	-	-	461,874,069
Balances with the NBC	1,384,213,047	43,940,686	160,446,303	461,464,139	-	-	718,361,919
Balances with other banks	483,070,473	96,214,182	45,216,656	336,772,497	-	-	4,867,138
Loans to customers	6,448,799,797	68,866,547	169,493,238	690,433,826	1,000,847,418	4,519,158,768	-
Investment securities	34,942,747	-	-	1,004,875	33,937,872	-	-
Other assets	50,319,842	-	-	-	-	-	50,319,842
	8,863,219,975	209,021,415	375,156,197	1,489,675,337	1,034,785,290	4,519,158,768	1,235,422,968

31 December 2022	Carrying amount	Up to 1 month	> 1 – 3 months	> 3 – 12 months	> 1 – 5 years	Over 5 years	Non-interest sensitive
Financial liabilities							
Deposits from banks and other financial institutions	142,662,081	44,735,714	5,163,968	78,723,216	11,983,621	2,055,562	–
Deposits from customers	7,210,953,614	5,177,549,348	276,835,941	1,283,620,259	117,366,465	–	355,581,601
Borrowings	68,358,368	8,686,277	18,645,300	35,392,302	1,131,339	4,503,150	–
Subordinated debts	121,045,397	–	–	3,001,068	68,026,878	50,017,451	–
Lease liabilities	60,411,883	–	–	–	–	–	60,411,883
Other liabilities	54,654,841	–	–	–	–	–	54,654,841
	7,658,086,184	5,230,971,339	300,645,209	1,400,736,845	198,508,303	56,576,163	470,648,325
Interest rate repricing gap	1,205,133,791	(5,021,949,924)	74,510,988	88,938,492	836,276,987	4,462,582,605	764,774,643
In KHR Million equivalent	4,961,536	(20,675,368)	306,762	366,160	3,442,952	18,372,453	3,148,577

(ii) Foreign exchange risk

The Bank transacts business in various foreign currencies and therefore is exposed to foreign exchange risk.

As at each reporting date, the carrying amounts of financial assets and financial liabilities denominated in currencies other than the Bank's functional currency are as follows:

31 December 2023	US\$ equivalent			Total
	KHR	Others	US\$	KHR Million
Financial assets				
Cash on hand	81,081,403	88,676	81,170,079	331,580
Balances with the NBC	70,387,388	–	70,387,388	287,532
Balances with other banks*	3,534,643	231,518	3,766,161	15,385
Loans to customers*	803,401,735	–	803,401,735	3,281,896
Other assets*	32,907,593	922	32,908,515	134,431
	991,312,762	321,116	991,633,878	4,050,824
Financial liabilities				
Deposits from banks and other financial institutions	30,476,519	–	30,476,519	124,497
Deposits from customers	775,648,950	848	775,649,798	3,168,529
Borrowings	140,569,223	–	140,569,223	574,225
Other liabilities	32,338,272	666,231	33,004,503	134,823
	979,032,964	667,079	979,700,043	4,002,074
Net foreign exchange gap	12,279,798	(345,963)	11,933,835	48,750

* Excluding impairment loss allowance.

31 December 2022	US\$ equivalent		Total	
	KHR	Others	US\$	KHR Million
Financial assets				
Cash on hand	68,363,383	60,096	68,423,479	281,699
Balances with the NBC	52,127,674	–	52,127,674	214,610
Balances with other banks*	370,258	436,684	806,942	3,322
Loans to customers*	545,099,211	–	545,099,211	2,244,173
Investment Securities*	1,220,387	–	1,220,387	5,024
Other assets*	8,983,644	344	8,983,988	36,987
	676,164,557	497,124	676,661,681	2,785,815
Financial liabilities				
Deposits from banks and other financial institutions	19,290,674	–	19,290,674	79,420
Deposits from customers	536,697,703	822	536,698,525	2,209,588
Borrowings	63,044,550	–	63,044,550	259,554
Other liabilities	5,516,186	245,231	5,761,417	23,720
	624,549,113	246,053	624,795,166	2,572,282
Net foreign exchange gap	51,615,444	251,071	51,866,515	213,533

* Excluding impairment loss allowance.

As shown in the table above, the Bank is primarily exposed to changes in US\$/KHR exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from financial instruments denominated in KHR. However, management considers that impact from foreign currency rate fluctuation is deemed minimal and thus, no sensitivity analysis for foreign currency exchange risk is presented.

32.4 Operational risk

32.4.1 Operational risk management

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks – e.g. those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank's operations.

The Bank's objective is to manage operational risk to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and innovation. In all cases, Bank's policy requires compliance with all applicable legal and regulatory requirements.

The Bank's Operational Risk Framework includes process, product and fraud reviews to identify potential failure points where possible.

32.5 Capital risk

Capital risk is the risk that the Bank has insufficient capital resources to meet the minimum regulatory requirements to support its credit rating and to support its growth and strategic options.

The Bank's strategy 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 shareholder's 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 Bank's lead regulator, the NBC, sets and monitors capital requirements for the Bank as a whole.

32.5.1 Capital risk management

As with liquidity and market risks, BRMC and ALCO is responsible for ensuring the effective management of capital risk throughout the Bank.

Capital risk is measured and monitored using limits set calculated in accordance with NBC's requirements.

On 22 February 2018, the NBC issued a Prakas on Capital Conservation Buffer in Banking and Financial Institutions. According to Article 22 of this Prakas, the institution shall comply with the provisions related to the capital conservation buffer at least 50% of the conservation buffer requirement by 1 January 2019 and fully comply by 1 January 2020.

On 7 March 2018, the NBC issued a circular on the implementation of Prakas on Capital Buffer in Banking and Financial Institutions, which determines the countercyclical capital buffer at a level of 0% until a new announcement is released.

On 17 March 2020, the NBC issued an announcement No. B13-020-002 allowing Banks and Financial Institutions to delay and maintain capital conservation buffer at 50% of total requirement to reduce the impact from COVID-19 on Cambodian economic in accordance to Government policy.

On 7 December 2022, the NBC issued a letter No. B7-022-2378 requiring the Bank to always maintain its solvency ratio at minimum 16% until further notice as the NBC considers the Bank as a large institution that requires to maintain the solvency ratio at an appropriate level.

On 23 November 2023, the NBC issued a letter No. B7-023-2621 allowing banking and financial institutions to continue to implement the capital conservation buffer at 1.25% (50% of total requirement) until 31 December 2024 as jointly requested by the Association of Banks in Cambodia and Cambodia Microfinance Association.

The Bank has complied with all externally imposed capital requirements throughout the year.

The table below summarise the composition of the Bank's Regulatory Net Worth required by the NBC.

	31 December 2023		31 December 2022	
	US\$	KHR Million	US\$	KHR Million
Tier 1 capital				
Share capital	1,100,000,000	4,493,500	660,000,000	2,717,220
Retained earnings	180,433,428	737,071	230,569,559	949,255
Audited net profit for the last financial year	276,481,668	1,129,428	262,278,237	1,079,800
Less: Intangible assets	(16,555,112)	(67,628)	(16,296,439)	(67,092)
Less: Loans to related parties (*)	(4,250,739)	(17,364)	(8,167,556)	(33,626)
	1,536,109,245	6,275,007	1,128,383,801	4,645,557
Tier 2 capital				
General provision based on NBC Prakas	96,760,610	395,267	69,304,399	285,326
Subordinated debts (*)	96,000,000	392,160	121,000,000	498,157
Less: Equity participations in banking and financial institutions	(76,185)	(311)	(76,185)	(314)
	192,684,425	787,116	190,228,214	783,169
Regulatory net worth	1,728,793,670	7,062,123	1,318,612,015	5,428,726

(*) This only represent the outstanding principal amount.

32.6 Fair value of financial assets and liabilities

The Bank does not hold any financial assets or liabilities which are measured at fair value through profit or loss or at fair value through other comprehensive income. Fair value represents 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. As verifiable market prices are not available for a significant proportion of the Bank's financial assets and liabilities. Fair values, therefore, have been based on management assumptions according to the profile of the asset and liability base. Management believes that the carrying amounts of the financial assets and liabilities included in the statement of financial position are a reasonable estimation of their fair values.

33. TAX CONTINGENCIES

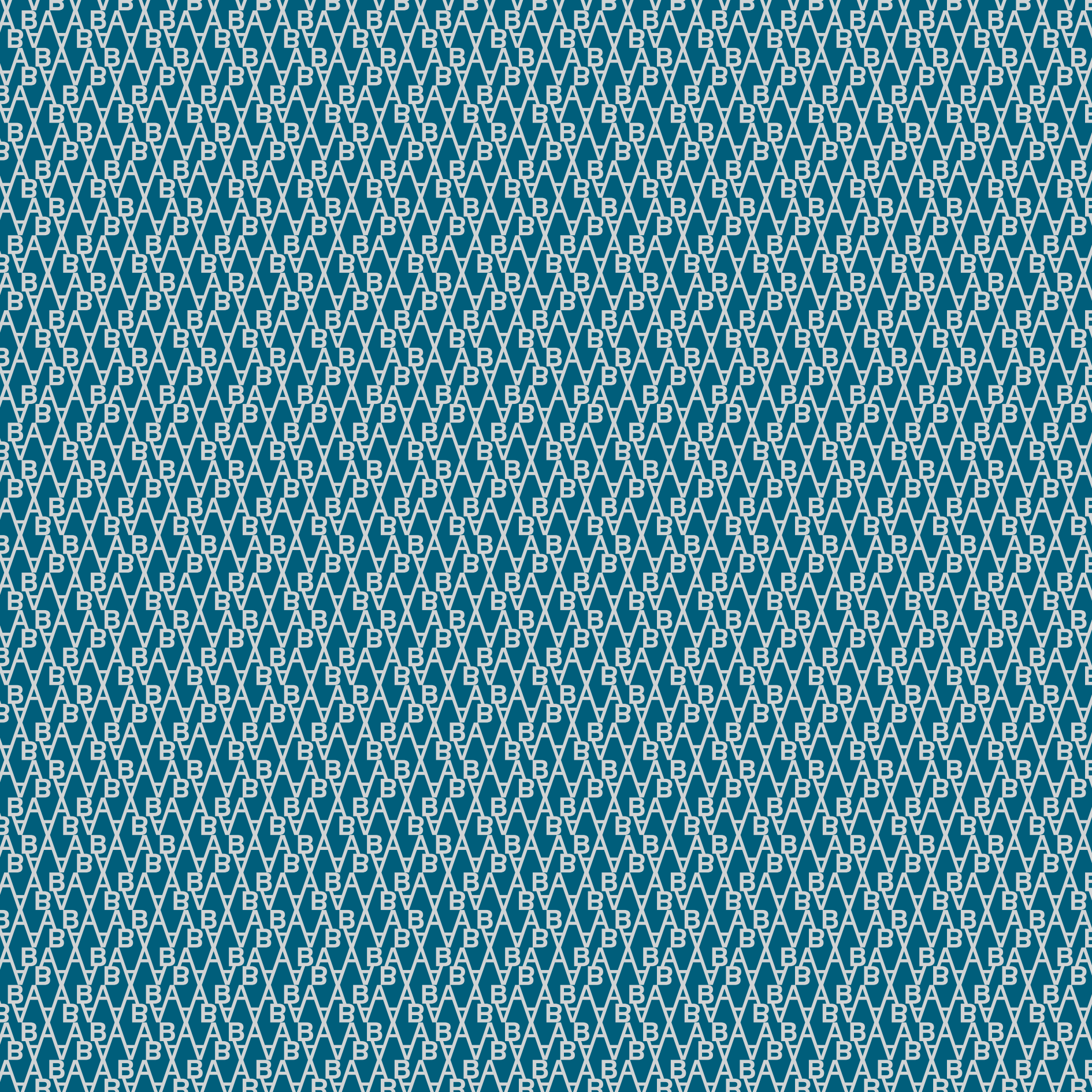
Tax audit for the year 2016:

On 1 April 2022, the General Department of Taxation ("GDT") issued a notice of tax reassessment to the Bank as a result of the comprehensive tax audit for the period 1 January to 31 December 2016 on various items. The Bank has consulted and obtained a legal opinion of a professional law firm supporting the management decision to object the tax reassessment report in terms of capital gain of shareholders. Accordingly, the Bank submitted the objection letter dated 26 April 2022 to reject one of the items which management believes that the Bank should not pay any additional tax as reassessed by the tax auditor and requested to pay for the rest agreed items. On 5 August 2022, the GDT issued a revised tax reassessment which allowed the Bank to make a payment on the agreed items and the transaction was completed on 12 August 2022. As of date of this report, the GDT has yet to issue an official response on the objected item as stated in the protest letter.

Tax Audit for the year 2017 and onward:

The tax audits for the period 1 January to 31 December of the year 2017 to 2020 are in progress and there is no notice of tax reassessment as at the date of this report. The fiscal years from 1 January 2021 to the date of this report have not been audited by the GDT.

Management believes that it has adequately provided for tax liabilities based on its interpretation of tax regulations.





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