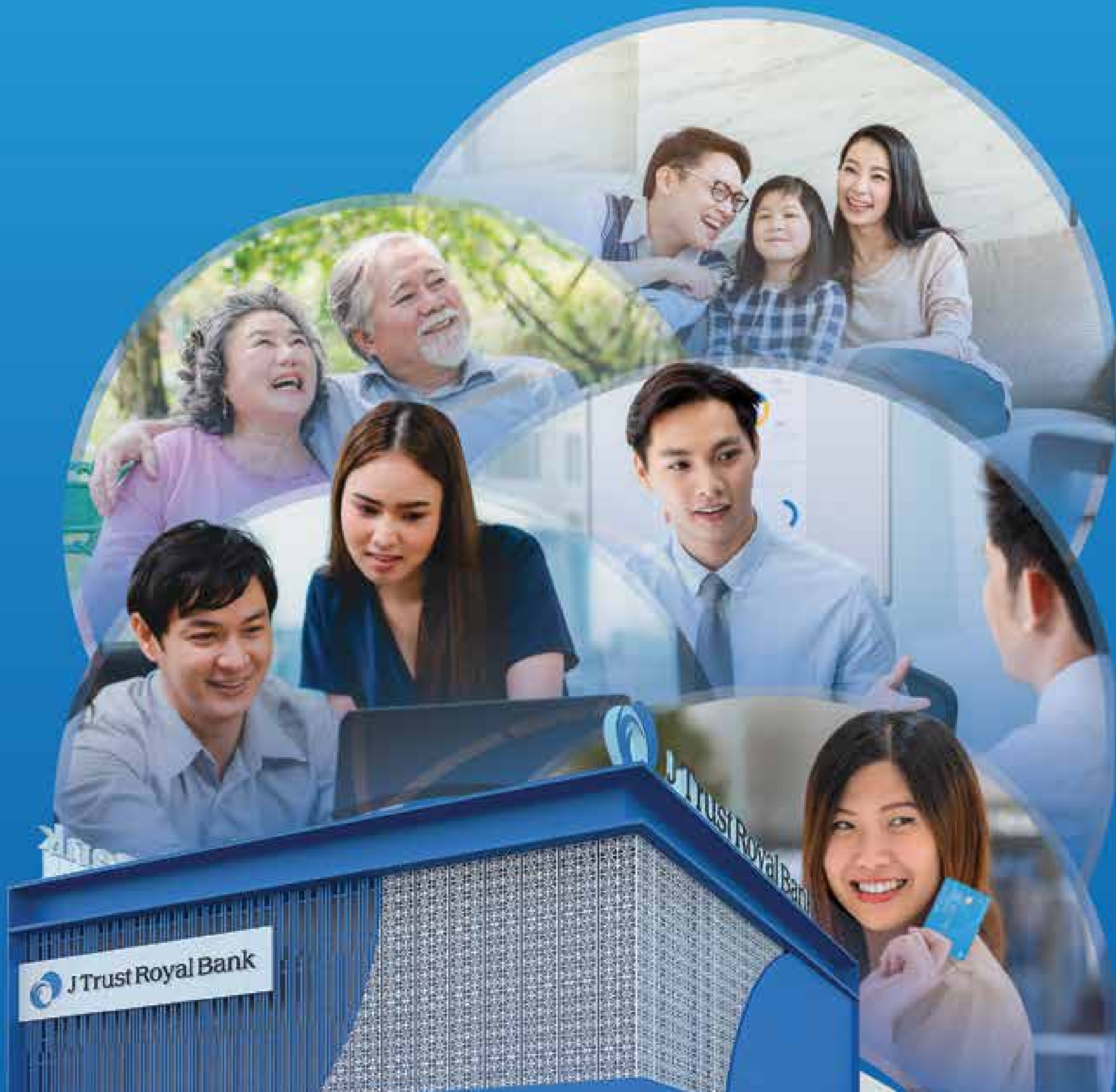
J Trust Royal Bank

ANNUAL REPORT 2022



17 Years
in Building Trust
in Banking Sector

Your Financial Future Built on Japanese Quality and Trust

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J TRUST ROYAL AT A GLANCE

Profit Before Tax
USD17.7
Million
+47.2%

Total Assets
USD1,355
Million
+2.0%

Customer Deposits
USD904
Million
+3.9%

Gross Loans & Advances
USD991
Million
+8.7%

Return on Assets
1.0%

Return on Equity
5.7%

Total Employee
634
+8.2%

ATM Network
80+

Employee Engagement
89%

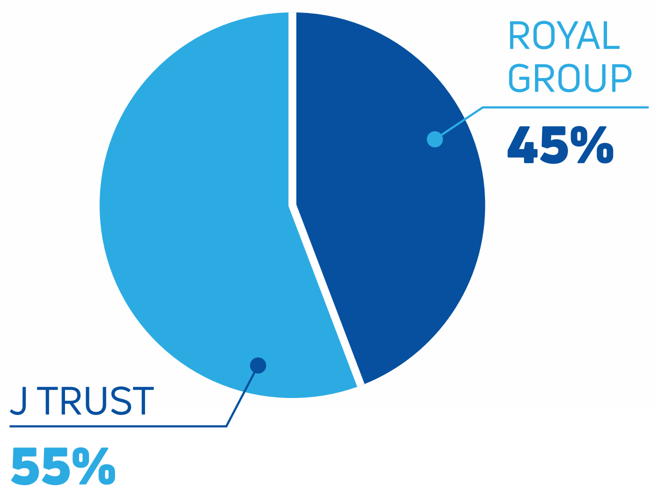
J TRUST ROYAL BANK'S BACKGROUND

J TRUST ROYAL BANK

Commencing our operations in August 2019 under our new name, J Trust Royal Bank, we are formerly known as ANZ Royal Bank – one of the country's largest foreign bank, deeply rooted in the Kingdom and has been serving Cambodians for more than 17 years.

J Trust Royal is a joint venture between J Trust Co., Ltd, a Japanese diversified financial holding company listed on the Tokyo Stock Exchange, and the Royal Group of Companies, one of Cambodia's largest conglomerates.

J Trust Royal is one of the Cambodia's largest foreign banks with an ever-growing commitment to provide world-class financial services to Cambodian people and expatriates living in and working across the Kingdom.



ABOUT J TRUST

Headquartered in Tokyo, listed in Tokyo Stock Exchange, J Trust is a financial services group operating banking and financial businesses in Asia such as Japan, South Korea, Indonesia, Cambodia and Mongolia.

J Trust has expanded rapidly in financial services through acquisitions of Japan domestic finance and credit card companies. In 2012 it launched a South Korean Savings bank business, leveraging the expertise it had developed in Japan. In 2014, it acquired a finance company and a commercial bank in Indonesia. In August 2019, it bought a commercial bank in Cambodia.

ABOUT ROYAL GROUP

The Royal Group is the premier investment and development company in Cambodia and holds a 45% share in J Trust Royal. The company is focused on bringing quality investment to Cambodia and providing investors with the platform to run successful and profitable operations. The Royal Group has been at the heart of Cambodia's economic development for more than two decades, attracting international investors and building market leaders in a cross-section of industries.

The company is recognized as the country's most dynamic and diversified business conglomerate. Established as a strategic investment holding company, it maintains interests in a wide range of industries including telecommunication, media, banking, insurance, resorts, education, property, trading and agriculture.

OUR VALUES

Our purpose is to help customers prosper. We live our purpose everyday through our values and behaviors, which are reflected on how we serve our customers, how we treat each other, and the results we achieve together as an organization.

AWARDS & RECOGNITION

Convenience and flexibility in payment solutions is always our priority for all Credit Card users. At J Trust Royal Bank, we strive to offer the best payment solution for all customers.

With all of our customers' continuous support and trust, we are awarded by VISA Cambodia. We are pleased to extend this recognition to all of you! Thank you!

J Trust Royal Bank
is very honored to be awarded as the

"Leadership in Credit Card Activation 2022"

by
VISA Cambodia

J Trust Royal Bank
is very honored to be awarded as the

"BEST CUSTOMER SERVICE BANK – CAMBODIA 2022"

and

"BEST WORKING PLACE – BANKING CAMBODIA 2022"

by
International Finance Awards 2022

The Best Customer Service Bank – Cambodia 2022 Award is a testament to our continuous effort and persistence in delivering Simply Better Service to our customers, coherent with our operating motto of "Customer First". Taking this opportunity, we would like to extend our profound thanks to all customers who have been sharing compliments and feedback. We are committed to continuing to deliver a promising banking experience to all customers with our competent and professional staff.

The Best Working Place – Banking Cambodia 2022 Award is an evidence of the promise to our people in accordance with the three elements of our core employee value proposition (EVP) - Enabling Culture and Working Environment, Promising Development and Growth, and Competitive Remuneration and Benefits.

CHAIRMAN'S MESSAGE

2022 was a year of recovery as the Kingdom's Covid-19 health policy and management has been proven success. Following the Royal Government's exemplary handling of the pandemic, the country's economy rebounded by 5.1% and corporate performance strengthened. Accordingly, the bank's performance improved significantly.

During 2022, the Bank delivered notable growth in several areas. Liquidity tightening in the market constrained deposit growth as competition for deposits increased greatly with all financial institutions increasing deposit rates. Our deposit base increased by only 4% to $904m, which in turn led to lower growth in lending which grew 9% to $991m. Margin compression continued throughout the year as deposit rate increases were not matched by loan rate increases.

Provisions have increased significantly due to being prudent in the current operating environment.

The Bank achieved a Net Profit After Tax of $14.2m, an increase of 71% compared to 2021, as all revenue streams showed strong growth. Revenue grew by 29% to $58.4m. Operating costs are in line with 2021 as management implemented strong controls.

The next year will continue with the challenges that we faced in 2022 particularly around liquidity. We will continue to explore financing options in order to provide funds for loan growth. Despite continued margin compression pressure, the bank has strong revenue streams and we are forecasting slight growth over 2022.

We shall introduce new innovative products and services, leveraging the technology we have in place. We will continue to develop our staff so that we can serve the needs of our clients in the best possible way.

NEAK OKNHA
KITH MENG
Chairman

CEO'S MESSAGE

In the face of tighten liquidity and spiking interest rate globally, J Trust Royal Bank remained resilient and delivered remarkable financial results in 2022.

2022 presented a different set of challenges to the economy worldwide. Likewise, Cambodia's recovering economy was continuously impacted by the adverse global events including the tighten global financial conditions, the ongoing Russia-Ukraine war, the supply chain and energy shocks, the persistent inflation.

Regardless of the uncertainties and market volatilities with increasing competitions for funding and intense interest margin compression, J Trust Royal Bank continued to make significant progress in delivering our growth agenda while building a stronger foundation for greater heights in the years to come.

Driving Better Performance with Prudent Growth

The bank sustained a double-digit Net Profit growth of 71% year on year in such a volatile business environment. Our Fee and Commission Income recorded favorable growth of 45% while Net Interest Income growth was at 27% on the back of better balance sheet optimization with strengthened loan portfolio and robust liquidity management. We have maintained a healthy Liquidity Coverage Ratio at 130%, well-above the regulatory requirements.

We kept on improving our Returns on Equity from 3.6% in 2021 to 5.7% in 2022. On top of the better topline growth, this was achieved by our prudent approach to investments, with strategic decisions guided by our vision to offer convenient financial solutions with "Simply Better Service".

MR.
TORU MYOCHIN
CEO

We uphold our purpose to "Help Our Customers Prosper", and we continued to deliver financial solutions with "Simply Better Service", enabling our customers to thrive and grow together, side by side.

Ongoing Investments for Long-Term & Sustainable Growth

Spearheaded by our commitment to provide "Simply Better Service", we continued to make investments on enhancing our products and services, building the technology infrastructure and digital capabilities, expanding and renovating our footprints, as well as upskilling our people to better serve our customers.

In 2022, we have unveiled a new Chraoy Chongvar Branch to widen our banking relationship with the population residing or operating businesses along the National Road No. 6A area. We have also renovated our branches at Tuek Thla, Siem Reap and Preah Sihanouk provinces while upgraded our ATM fleets with the new look and feel in line with our new branch concept for a more consistent and convenient banking experience across our networks.

In Personal Banking, we have expanded our alliance partnerships with more developers to offer more favorable home financing access. We have also upgraded our digital and card features with the instant SMS notifications for card transactions and card activation function on mobile app. Coupled with attractive card offers and promotions throughout the year, we have achieved record high activation rate for our credit card portfolio and was awarded **"Leadership in Credit Card Activation 2022"** by Visa.

In Corporate Banking, we continued to rebuild our trade capabilities and regain our key regional partnerships, with our Letter of Credit (LC) product covering to more countries to support the growing trade flows from our clients. On the digital front, we are also in progress to enhance our JTR Connect and Corporate Connect Solution (host-to-host) to deliver fast and secured international cash management capabilities with a more efficient payables management to meet the need of our corporate clients especially multinational companies (MNCs).

Building the Bank of Choice for Our Customers and Our Employees

Customer First with "Simply Better Service" in embedded with everything we do, and the strength of our people is the key to deliver this promise and long-term commitment. With this, we relentlessly invest in building a highly engaged workplace, upskilling our talents through ongoing training and developments, as well as maintaining a holistic approach to caring for the overall well-being of our staff.

As such, we maintained our record high staff engagement of 89% and was awarded as **"Best Customer Service Bank – Cambodia 2022"** and **"Best Working Place – Banking Cambodia 2022"** by International Finance Awards 2022. These awards are the testaments to our ongoing efforts and persistence in delivery simply better financial service to our customers while upholding our brand promise to our people in accordance with the three elements of our core employee value proposition (EVP) - Enabling Culture and Working Environment, Promising Development and Growth, and Competitive Remuneration and Benefits.

Forward Looking to 2023

2023 marks the fifth year of our operations after transition from ANZ Royal, and we are committed to continue to evolve and innovate our products and services to better serve our target customers and deliver a superior experience, using our digital platform, product capabilities and the strength of our people.

We have relocated our Kramoun Sar Branch to a temporary location at Royal Railway with the new design for a more consistent customer experience across our branch network. We have also introduced new products including the Term Deposit Account with Insurance Protection as well as Foreign Currency Account for individual customers.

Our key priorities for the rest of 2023 will be on upgrading our digital offers, to introduce new features especially on simplified payment capabilities that will make banking experience with J Trust Royal Bank more convenient yet secured. I have every confidence that our team will continue to unleash more innovative financial solutions and deliver superior customer experience, living up to our motto "Simply Better Service" and our purpose to "Help Our Customers Prosper".

Note of Appreciations

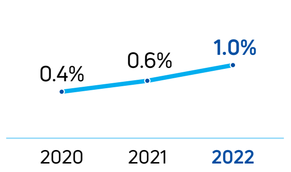
Finally, I wish to convey my profound thanks all the J Trust Royal team members for carrying the torch of J Trust Royal Brand and their unbeatable commitments and tireless contributions to the commendable Bank's performance in 2022. I would also extend my deepest appreciations to our customers, partners and stakeholders for their unwavering trust and supports to the bank, enabling us to pursue our purpose in serving and prospering together.

Last but not least, I am also extremely grateful to our Board of Directors, Shareholders, and National Bank of Cambodia (NBC) for supports and guidance rendered to us throughout the year.

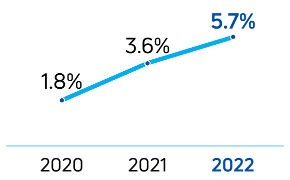
FINANCIAL PERFORMANCE HIGHLIGHT

2022 Key Performance Metrics

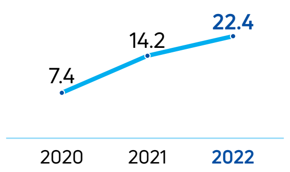
↑0.4%* Return on Assets



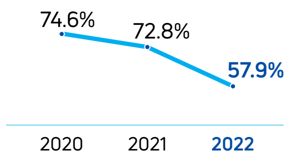
↑2.1%* Return on Equity



↑50.8%* Productivity per Employee ($K)**



↓14.9%* Cost to Income Ratio***

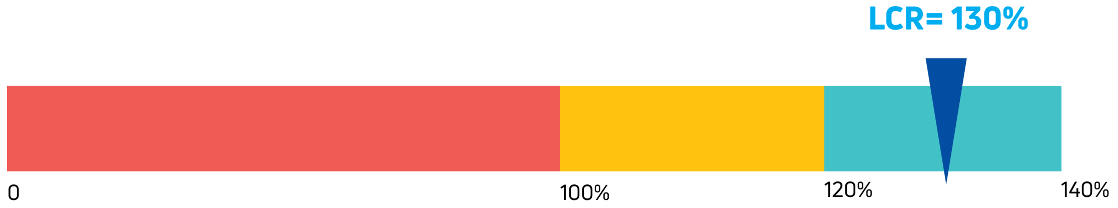


* *Growth rate of 2022 vs 2021*

** *Productivity = Net Profit / Number of Employees*

*** *Cost to Income Ratio = Total Operating Expenses / Total Revenues*

Liquidity Coverage Ratio (LCR)

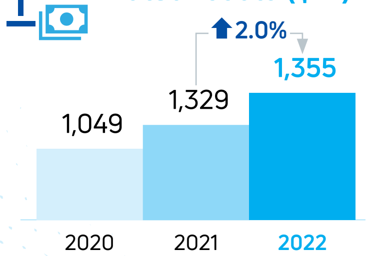


Regulatory Requirement = 100%, Internal Bank Threshold = 120%

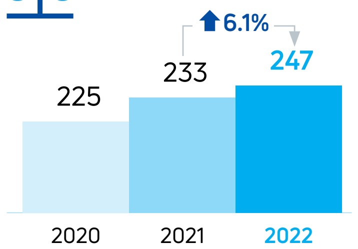
> *" Despite the tightened liquidity and spiking interest rates globally, our bank managed to maintain healthy liquidity ratio, well-above the regulatory requirement, allowing rooms for further balance sheet optimization resulted in better profitability and productivity. "*

Selected Financial Data of 2022

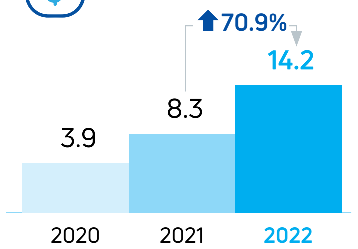
Total Assets ($M)



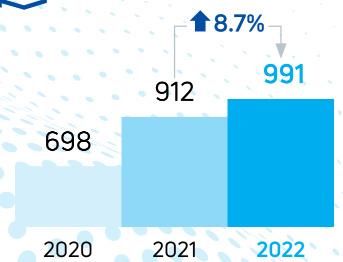
Total Equity ($M)



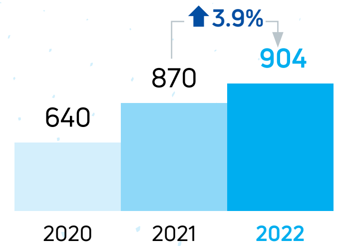
Net Profit ($M)



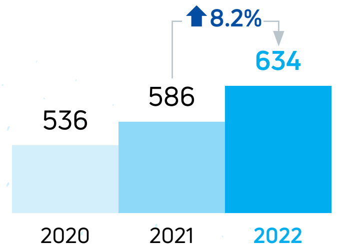
Gross Loans ($M)



Customer Deposits ($M)



Number of Employees



Income Statement at Glance

Figures Presented in $M	2022	2021	Movement %
Net interest income	50.5	39.8	26.6%
Other operating income	8.0	5.5	44.7%
Operating income	58.4	45.3	28.8%
Operating expenses	(33.8)	(33.0)	2.5%
Operating profit before impairment	24.6	12.3	99.5%
Impairment losses on financial instruments	(6.9)	(0.3)	>100%
Profit before income tax	17.7	12.0	47.2%
Income tax expense	(3.5)	(3.7)	-5.9%
Net profit for the year	**14.2**	**8.3**	**70.9%**

$10.6 million (+26.6%)

Net Interest Income increased by $10.6 million (+26.6%) driven by strengthen loan portfolio with prudent management on margin compression despite the challenges of tougher liquidity and tighter competition for funding across the market.

$2.5 million (+44.7%)

Other Operating Income rose by $2.5 million (+44.7%) mainly attributed by favorable foreign exchange income growth and increase in payment fee including credit card and trade finance.

$0.8 million (+2.5%)

Operating Expenses is well-managed with only $0.8 million growth year on year (+2.5%) as a result of prudent cost management, with major expenses being Depreciation cost grew by $2.8 million and Personnel cost grew by $2.1 million; offset with lower other operating expenses by $4.1 million.

$14.2 million (+70.9%)

Net Profit After Tax improved to $14.2 million, recorded double-digit growth of 70.9% year-on-year despite the ongoing adverse global events and the record-high spiking interest rates impacting on the financial industry worldwide.

OUR PEOPLE

It is our commitment to providing our employees a caring and safe working environment, the opportunities to learn and grow, the pride of their achievement and belonging to J Trust Royal community – simply a great place to work.

Building Capabilities for Growth

With a commitment to providing our people with the right platforms for growth, we constantly offer the learning and development programs that aim to equip our people with the right knowledge and skills.

- The spread of Covid-19 has subsided in 2022. Classroom trainings were gradually brought back following our annual Training Catalogue but exercised with precaution. Meanwhile, our internal Learning Management System which houses thousands of online courses makes learning accessible and convenient for our employees anywhere and anytime. Each of our employees has received an average of **9 hours of classroom learning** and completed an average of **16 online courses.**
- With the support of today's technology and resources, we launched the weekly **Wednesday Brunch for the Brain,** which takes the forms of inhouse podcasts, online course recommendation or articles on various topics ranging from Growth and Agile Mindset, Emotional Intelligence, Goal Setting, Problem Solving and more. Simply learn and grow.
- We strengthened **Coaching Culture** through the ongoing offering of Coaching Programs for our leaders and rolled out **Coaching Forum** to help build their confidence and share experience in coaching.

Creating Positive Employee Engagement and Experience

Our **Employee Engagement and Experience** matters to us. We created platforms for our employees to speak up and share their honest feedback on how we can make J Trust Royal Bank a greater workplace.

- At J Trust Royal Bank, we strive to create a balanced and sustainable community through providing a safe and healthy workplace for our people. Back in 2021, we implemented the Flexible Medical and Insurance plans for our staff which allows them to choose the medical coverage that are more beneficial and relevant to them and their family members. In 2022, we extend from physical care to mental care by introducing **Employee Assistance Program,** in partnership with an NGO that specializes in the field of mental health care and psychosocial services, to provide comprehensive range of mental health support to our staff on psychosocial and psychological problems and psychiatric disorders caused by stress, anxiety, or depression.
- We refined our HR system, **PeopleConnect,** an innovative and technology-based HR platform with richer and more user-friendly functionalities. PeopleConnect is a one-stop shop for most of the HR core functions naming Core HR, Recruitment, Compensation, Performance and Appraisal. The employees can also perform HR self-services anytime and anywhere.
- Different dialogue sessions were also introduced in 2022 such as **Strategy Cascade Week, About You, Management Townhall, and Senior Leadership Team Offsite** with the aim to better communicate, provide clearer updates on business direction and performance while fostering relationships among employees across the bank.
- We reinstated the **"Speak Up Culture"** by introducing **Speak Up Day** and ongoing activities to encourage our people to express their views, ask questions, raise concerns as well as provide feedback and suggestions without fear of retaliation if they see the need for change.
- We continued implementing **flexible working arrangements** for our employees impacted by Covid-19 or prone to the risk of infection. With our digital capabilities and resources, our employees could perform the job effectively if needed to be away from the office.
- With all the implementations and offers made to our people, our **Employee Engagement FY2022** remained high at **89%,** a true reflection of J Trust Royal Bank as a great workplace.

CORPORATE BANKING

Our Corporate Banking is focused on the delivery of world-class banking solutions to business throughout Cambodia.

PRODUCTS AND SERVICES

Corporate/Business Banking Accounts	Trade	Markets	Corporate/Business Banking Loans	Payments & Cash Management
Business Cheque Account, Cash Management Account, Term Deposit Account, Escrow Account	Document Collection, Letter of Credit, Trade Finance Loan, Bank Guarantees, Standby Letter of Credit	Foreign Exchange (Value Same Day/ Tom/ Spot), Corporate Tax Payment, Forward Exchange Contract (USD/KHR)	Overdraft, Term Loan, Resolving Short Term Loan, Solutions to Distributors	Telegraphic Transfers, Payroll Services, JTR Connect (Corporate Internet Banking Platform), Corporate Connect Solution [sFTP, Swift FileAct and Swift FIN (MT101)], J Trust Royal Bank File Upload

J Trust Royal Bank offers comprehensive product solutions, including Trade Finance, Foreign Exchange, Loan Products and Cash Management. We support a wide range of SME and local corporates across manufacturing, agricultureand wholesale trade, as well as multinational companies who bring their international expertise to the Cambodian market. By helping these businesses succeed, we are promoting trade and capital flows within the region and across the globe, and supporting a dynamic, sustainable, and growing economy.

J Trust Royal Bank believes in fostering lasting partnerships with our customers. This approach requires an in-depth knowledge of the companies we serve and the industries in which they operate, so we are able to structure an appropriate solution for their business. Our best-in-class sector and industry-specific knowledge helps our customers understand global and local trends in supply and demand, shaping their strategy for future success.

Our SME and Corporate customers have dedicated relationship managers, and are supported by a team of product specialists with unrivaled expertise. All of our bankers believe in going above and beyond to satisfy client expectations, with this service ethic being embedded in the DNA of Japanese culture.

PERSONAL BANKING

Our Personal Banking business is at the heart of J Trust Royal Bank's strategy to become a simpler and better balanced and customer first oriented organization, helping our customers and our people respond to a challenging world.

As we move into 2022 and leave behind the Covid years, we see our Personal Banking business return to normalcy. Despite the challenges we faced, we have achieved some key milestones such as doubling our customer and deposit bases since transitioning to J Trust Royal Bank. We continue to invest in our branch footprint with 3 new branches in Saensokh, Chraoy Chongvar, and Chbar Ampov and renovated some of our existing branches.

Customer First

J Trust Royal Bank knows that our customers are the reason we are here, and we strive to ensure that the needs of our customers drive our strategy and define the way we operate. Customer First is not just a strategy but the way we live within the organization.

J Trust Royal Bank operates in a highly competitive market and customers have many choices between different financial institutions with similar product offerings. Our teams thought long and hard about what our customers' needs and how to differentiate ourselves from other banks. Our goal was to instill a Customer First mindset across the bank. We would ensure that from the moment our customers interact with us, they would be greeted by friendly bank staff and served in a professional and efficient manner. We would be a solution-oriented organization with a can-do attitude.

We continue our momentum to 2022 and have logged record amounts of customer's satisfaction and compliment letters. Our customers are saying that we have the best service in the market and Customer First is now part of our DNA within Personal Banking.

Despite continued investments in a traditional branch footprint which is popular in our local market, J Trust Royal Bank continues to invest in our digital capabilities. This has become even more important during Covid-19 as our customers are staying away from the branches and are looking for ways to transact with their banks from home. Our digital penetration is the highest it has ever been. We will continue to invest heavily in this area to allow our customers to transact with us anyway they see fit.

Business Growth

Financial year 2022 turned out to be just as challenging as the previous Covid years. Despite these challenges, we continued to focus on growth and achieved our 3-year plan to double our customers and deposits.

Our Customer First mindset was a key component to the growth of the business. However, we needed to go beyond a great customer experience to convince customers to bank with us once again. We have continued to revise our products, this time in the affluent segment, with new premier and premier saving products that are attractive and competitive in the market. We are also looking at our processes that are complicated and painful to our customers and simplifying them to better meet our customers' needs.

For our loan customers, we continued to introduce new partners for our popular Alliance programs. Also, with our customers financially impacted by Covid-19, we have worked to restructure loan facilities that will be serviceable to provide peace of mind.

Most Trusted Personal Bank in Cambodia

Our journey continues in our quest to become the most trusted personal bank in Cambodia. We need to get our products and services fit for our customers. We need to provide the best possible experience to our customers. We need to change our mindset to focus on what is important. We need to keep our promises to build trust. We hope that you will join us on our journey in 2023 and beyond.

J TRUST ROYAL BANK IN THE COMMUNITY

At J Trust Royal Bank, we recognize that we have a responsibility to actively support the communities in which we operate. We achieve this through our activities as a bank, helping customers to realize their ambitions. However, we also believe in active participation in other activities for the betterment of our community, and our country.

This has been true since the Bank was founded in 2005, and our staff have contributed tens of thousands of volunteer hours, and raised significant funds, all to enhance education and employment opportunities for marginalized and disadvantaged individuals.

J Trust Royal Bank commits to continue the corporate social responsibility legacy of **"Uplifting Literacy for the Growth of Cambodia"**, which has always been our mission as it is close to the hearts of our people and our customers. Different area of literacy uplifting includes Professional Literacy, Financial Literacy, and Reading Literacy. Moreover, we also support our community in which we are operating in different forms related to community development, livelihood improvement as well as disaster relief.

Corporate Social Responsibility Mission:
UPLIFTING LITERACY FOR THE GROWTH OF CAMBODIA

EDUCATION	Professional Literacy	Financial Literacy	Reading Literacy
OTHER	Other forms of contribution/donation/sponsorship which related to community development		

HIGHLIGHT OF 2022 COMMUNITY ACTIVITIES

A Donation of 50 Reusable Laptops For "Computer of Change" Campaign, Tech For Kids Academy

08 February 2022 - J Trust Royal Bank has donated 50 reusable laptops to Tech for Kids Academy for Computer of Change campaign, which is endorsed and tremendously supported by the Ministry of Education, Youth and Sports (MoEYS). With its slogan "Old to You, New to Me", this campaign aims at collecting second-hand laptops/ desktops from both individuals and company(ies) and donating to underprivileged students in 5 cities/provinces such as Phnom Penh, Battambang, Kampong Cham, Preah Vihear, and Pursat provinces, in an effort to access online learning remotely.

Cycling for Environment and Children's Health - Raising Fund for Angkor Hospital for Children

14 August 2022 - J Trust Royal Bank participated in the Cycling for Environment and Children's Health as a Gold Sponsor of the event with approximately 750 participants in Siem Reap Province. The cycling event is organized annually with the purpose of raising funds for Angkor Hospital for Children. This participation demonstrates the Bank's affirmation to support cycling for environment and Children's Health in Cambodia, as well as the growth of local tourism and economy through recreational events.

J Trust Royal Bank alleviated the hardship of the people in Cambodia

30 October 2022 - In response to the devastation by floods in September and October, J Trust Royal Bank has made a donation in the amount of KHR 10,000,000 through the Association of Banks in Cambodia (ABC) to support the National Bank in Cambodia's initiatives to help families affected by the flood.

The donation, made to about 1,000 households who are residing in Tbounq Krapeu commune in Kampong Thom and Kralanh commune of Siem Reap provinces, is part of a broader initiative of the Bank in support of efforts to address the impact of the flood situation in the country. This donation contributed to the preparation of flood relief packs including rice, canned goods, noodle, and other necessities for affected families.

J Trust Royal Bank painted the Terrace of the Elephants with the Blue Shirt

30 October 2022 - J Trust Royal Bank demonstrated the Bank's support to the Association of Banks in Cambodia (ABC) by participating in the 2022 Banker's Cycling. Took place at the Terrace of the Elephants in Siem Reap province, the event aimed at promoting Sustainable Finance and Khmer Riel in the country for that sustainable finance is key to protecting a sustainable environment as well as the people and the cultural heritage.

In 2022, J Trust Royal Bank participated in the event as a Gold Sponsor of the event with more than 100 employees for the cycling event. This participation demonstrates the Bank's affirmation to support ABC's initiative for the benefit of the community, the people of Cambodia, and the country's economy.

Supported by The Ministry of Environment and The National Bank of Cambodia (NBC) the event attracted about 550 participants according to registration figures from the event organizers.

J Trust Royal Bank Participated in the 9th Cambodia Book Fair

9 – 11 December 2022 - J Trust Royal Bank participated in a three-day event of 9th Cambodia Book Fair under the theme "A Day Reading, A Day More of Understanding" hosted by the Ministry of Culture and Fine Arts; Ministry of Education, Youth and Sport; and Ministry of Information, took place National Library in Cambodia.

The full 3-days of the 9th Cambodia Book Fair was successfully organized and attracted the majority of the crowd – including the parents, students of all ages and many other community members who came together and engaged with all activities until the very last day. Activities at Read Play Learn corner of J Trust Royal Bank include Sudoku game, reading, painting and financial literacy quiz for teen and kids.

Align with the Bank's Corporate Responsibility Mission of Uplifting Literacy for the Growth of Cambodia, J Trust Royal Bank was one of Gold sponsors of this event with the objectives of uplifting the reading habit, nurturing and loving books across all ages. The event attracted about 109,500 participants.

RISK MANAGEMENT

The success of J Trust Royal Bank's strategy is underpinned by the sound management of its risks. As J Trust Royal Bank progresses on its strategic path to becoming the customer's trusted financial partner in Cambodia, the risks faced by J Trust Royal Bank will evolve. The success of J Trust Royal Bank's strategy is dependent on its ability to manage the broad range of interrelated risks it is exposed to across our expanding business.

Risk Appetite Statement

J Trust Royal Bank's Risk Appetite Statement (RAS) is set out by the J Trust Royal Bank Board to define risk appetite for J Trust Royal Bank's strategic objectives and priorities. The RAS takes a holistic view of risks and seeks to understand the costs and benefits of particular risk choices.

Risk Management is integral to all aspects of the Bank's activities and is the responsibility of all staff. Managers have a particular responsibility to evaluate their risk environment, to put in place appropriate controls and to monitor the effectiveness of those controls. The risk management culture emphasizes careful analysis and management of risks in all business processes.

The RAS framework provides an enforceable risk statement on the amount of risk J Trust Royal Bank is willing to accept and it supports strategic and core business activities and customer relationships with the objective of ensuring that:

- J Trust Royal Bank only engages in permitted activities
- The scale of permitted activities, and subsequent risk profile, does not lead to potential losses or earnings volatility that exceeds J Trust Royal Bank approved risk appetite
- Risk is expressed quantitatively via limits and tolerances
- Management focus is required to discuss key and emerging risk issues and their mitigation actions; and
- Risk is linked to the business by informing, guiding, and empowering the business in executing strategy.

J Trust Royal Bank's risk management is viewed as a core competency and to ensure that risks are identified, assessed, and managed in an accurate and timely manner, J Trust Royal Bank has:

- An independent risk management function together with embedded risk managers within the businesses
- Developed frameworks to provide structured and disciplined processes for managing key risks.These frameworks include articulation of the appetite for these risks, portfolio direction, policies, structures, limits and discretions.

Key Material Risks

All J Trust Royal Bank activities involve, to varying degrees, the analysis, evaluation, acceptance and management of risks or combinations of risks. The material risks facing J Trust Royal Bank and its approach to the management of those risks are described as follows:

Strategic Risk

Strategic Risks are risks that affect or are created by the Bank's business strategy and strategic objectives. J Trust Royal Bank aspires to be among Cambodia's leading banks, measured by customer outcomes, operational effectiveness, and returns to shareholders. This requires ongoing development and innovation in its operations through strategic initiatives which lead to an increase in Key Material Risks (e.g., Credit Risk, Market Risk, Operational Risk). J Trust Royal Bank has a low appetite for threats to the effective and efficient delivery of these initiatives. It recognizes that the actual or perceived inability to deliver strategic initiatives could have a significant impact on its ability to achieve its objectives as well as its reputation. However, risk management strategies associated with these risks form the primary controls.

- J Trust Royal Bank Board meeting is regularly to discuss the major initiatives and identify and assess potential strategic risks
- In assessment of strategic risks, a framework is in place to ensure that these initiatives are prioritized appropriately, and that the associated risks are well managed and reported on a consistent basis.
- The Board will consider impacts, such as pricing and products; the systems and processes we need to deliver on the proposed strategy; and capital implications.

Credit Risk

Credit risk is the risk of default associated with a financial transaction resulting from a counterparty failing to fulfil its debt payments. J Trust Royal Bank has a robust risk management framework to manage credit risk based on:

- J Trust Royal Bank's defined credit principles that direct our behavior when managing credit risk to ethically achieve the best outcomes for our customers and shareholders.
- Risk Management Manual that monitors our credit activities in line with agreed business strategy, RAS and the NBC regulations

Market Risk

Market Risk stems from J Trust Royal Bank's trading and balance sheet activities and is the risk to J Trust Royal Bank's earnings arising from changes in interest rates, foreign exchange rates, credit spreads and volatility in other markets.

- The Bank has a low risk appetite for Interest Rate Risk. J Trust Royal Bank's objective is to match its assets and liabilities within an acceptable tolerance.
- The Bank has a medium risk appetite for FX Risk. The Bank is willing to accept moderate open positions especially in local currency KHR, with limits determined by ALCO for each currency (relative to USD).
- The Bank has a low risk appetite for liquidity risk. J Trust Royal Bank's objective is to ensure that an adequate liquidity position is maintained to satisfy bank's obligations at all times.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. This definition includes legal risk and the risk of reputation loss, or damage arising from inadequate or failed internal processes, people and systems, but excludes strategic risk. The objective of operational risk management is to ensure that risks are identified, assessed, measured, evaluated, treated, monitored and reported in a structured environment with appropriate governance oversight. J Trust Royal Bank does not expect to eliminate all operational risks, but to ensure that the residual risk exposure is managed as low as reasonably practical – the benefit of the risk control measures exceeds the cost of these measures.

- **Information Technology:** J Trust Royal Bank has a low appetite for IT system-related incidents which are generated by poor change management practices.
- **Internal Fraud:** J Trust Royal Bank has no appetite for any fraud or corruption perpetrated by its staff. J Trust Royal Bank takes all allegations of suspected fraud or corruption very seriously and responds fully and fairly as set out in the Code of Conduct.
- **External Fraud:** J Trust Royal Bank has a very low appetite for External Fraud. This includes lending, card, internet, or any other forms of external-based fraud. The Bank implements current industry base technologies and controls to mitigate fraud attempts.
- **Information Management:** J Trust Royal Bank is committed to ensuring that its information is relevant, accurate, timely, and properly conserved and managed in accordance with legislative and business requirements. It has a very low appetite for the compromise of processes governing the use of information, its management and publication. J Trust Royal Bank has no appetite for the deliberate misuse of its information.

Compliance Risk

Compliance risk is the probability and impact of an event that results in a failure to act in accordance with laws, regulations, industry standards and codes, internal policies and procedures and principles of good governance as applicable to J Trust Royal Bank's businesses.

- **Regulatory Risk:** J Trust Royal Bank recognizes that failure to maintain no appetite position for Regulatory Risk may result in outcomes which may create systemic risk and catastrophic outcomes. The Bank is committed to a high level of compliance with relevant legislation, regulation, industry codes and standards as well as internal policies and sound corporate governance principles. Identified breaches of compliance will be remedied as soon as practicable. The Bank has no appetite for deliberate or purposeful violations of legislative or regulatory requirements.
- **Governance Risk:** J Trust Royal Bank recognizes that failure to maintain a no appetite position for Governance Risk may result in behaviors which risk the J Trust Royal Bank reputation and stability, along with regulatory action.
- J Trust Royal Bank has a strong governance framework, policies, procedures, systems and effective audit to mitigate risk in relation to the oversight and management of prudential standards and laws affecting J Trust Royal Bank.
- J Trust Royal Bank has an appropriately qualified Board with key committees supporting their oversight. J Trust Royal Bank has a code of conduct, a fit and proper process, disclosure process, charters, and organizational values with compliance assurance.

People Risk

People Risk refers to the costs that may arise as a consequence of events associated with J Trust Royal Bank staff. J Trust Royal Bank's significant people and culture-related risks include:

- **Caliber of People:** J Trust Royal Bank relies on motivated, diverse and high- quality staff to perform its functions. It aims to create an environment where staff are empowered to the full extent of their abilities.
- **Conduct of People:** J Trust Royal Bank expects staff to conduct themselves with a high degree of integrity, to respectfully strive for excellence in the work they perform and the outcomes they achieve, and to promote the public interest. The appetite for behaviors which do not meet these standards is very low. J Trust Royal Bank takes any breach of its Code of Conduct very seriously.
- **Work Health & Safety (WHS):** J Trust Royal Bank commits to create a safe working environment for all staff, where people are protected from physical or psychological harm. It has a very low appetite for practices or behaviors that could be expected to lead to staff being harmed while at work.

J Trust Royal Bank Annual Report 2022

MEMBERS OF THE BOARD OF DIRECTORS

CHAIRMAN

NEAK OKNHA KITH MENG

Neak Oknha Kith Meng is the Chairman and Chief Executive Officer of the Royal Group of Companies. Neak Oknha has been the driving force behind bringing international business and investors into Cambodia. Through alliances with leading global players, he has brought international quality service to the telecoms, media, education, finance, banking, insurance, logistics, power generation and hospitality industries. He is a passionate entrepreneur who is committed to the development of Cambodian economy through foreign direct investment.

Neak Oknha Kith Meng holds numerous significant roles in Cambodia, including President of the Cambodian Chamber of Commerce, the Phnom Penh Chamber of Commerce and holds the Cambodian seat at the ASEAN Business Advisory Council.

DIRECTOR

MR. WILLIAM MARK HANNA

Mr. Mark Hanna is an experienced international senior finance and operations executive. Mr. Hanna joined the Royal Group in July 2007 and is responsible for the financial management and performance of the Group's diverse business interests. Prior to joining the Royal Group, Mr. Hanna held several CEO & CFO roles throughout Asia in the telecoms and manufacturing industries.

Mr. Hanna has a bachelor's degree in Accounting and is a member of the Chartered Institute of Management Accountants.

DIRECTOR

MR. SIMON JOHN PERKINS

Mr. Simon Perkins served as an Independent Director of the Bank since 2015 and was approved to be a shareholder appointed Director in early 2022 after he took on his current position as the Chief Executive Officer (CEO) of Cellcard.

Mr. Perkins has a long history with Cambodia, firstly as Head of Indochina Region for Millicom International Cellular and later as the CEO of Hello Axiata Company Limited at Axiata Group Berhad.

He has worked in Asia for over 25 years, with several stints as the CEO for major telecommunication network operators in the region including three years in Australia with Silk Telekom before returning to Indochina.

Mr. Perkins holds a Master of Business Administration (MBA) from Warwick University in the UK and a Bachelor of Science (BSc) First Class Honours from Loughborough University of Technology, UK. He is a Chartered Engineer of the UK Engineering Council and the Chartered Professional Engineers Australia. He is a Fellow Member of the Australian Institute of Company Directors.

DIRECTOR

MR. TORU MYOCHIN

Mr. Toru Myochin joined J Trust in June 2015 as Managing Director in charge of domestic finance businesses, holding companies, and Group management operations. Concurrently, he was appointed as the President and Representative Director of the entertainment company and systems company within the Group.

In addition, he has had more than 15 years of experience in wholesale banking at Mizuho Bank, while at Shinsei Bank he had been in charge of the following departments as the Managing Executive Officer: domestic sales, real estate sales, healthcare finance, corporate reconstruction and structured finance.

Mr. Myochin has more than 20 years of banking experience and a wide range of knowledge in the business world. He holds a bachelor's degree in Mechanical Engineering from Sophia University in Tokyo, Japan.

DIRECTOR

MR. MAKOTO KUROKAWA

Mr. Makoto Kurokawa has over 40 years of experience in banking and corporate governance. After joining J Trust Co., Ltd. in 2011, he served the firm as Director, Executive Officer, Corporate Planning Department General Manager and Treasury Department General Manager.

Previously, he held leadership positions internationally at Salomon Brothers Asia, UBS, RBC and Japan's largest bank MUFJ.

He holds a bachelor's degree from the University of Tokyo.

Mr. Kurokawa visited Cambodia for the first time in 2005 as part of the Support for Children program. He has since visited the Kingdom more than 30 times.

The dynamic transformation taking place in Cambodia continues to dazzle him and makes him yarn to be of assistance to the Kingdom's further growth and development.

DIRECTOR

MR. RYUICHI ATSUTA

Mr. Ryuichi Atsuta is an experienced senior finance executive. He has experience of working in banking industry for over 30 years and held various important management positions at global financial institutions. His leadership quality and management expertise can bring exceptional value to board of directors of J Trust Royal Bank and guide further development of our organization.

Mr. Atsuta currently holds numerous significant roles in J Trust Group, including Managing Director, Executive Officer, General Manager of Finance Department of J Trust Co., Ltd., and President & CEO, NIHON HOSHOU Co., Ltd.

DIRECTOR

MR. TORU HOTOMOTO

Mr. Toru Hatomoto has held leadership roles of the global business development through a series of M&A transactions, the post-merger integrations and the business transformation in financial industry over 20 years. After he joined J Trust Co., Ltd. in 2017, he has served as General Manager of Corporate Planning Department and has lead several projects of global business development, particularly in Southeast Asia.

Mr. Hatomoto holds a Master of Business Administration (MBA) from INSEAD, a Master of Frontier Sciences in the University of Tokyo and a Bachelor of Engineering in the University of Tokyo.

INDEPENDENT DIRECTOR

MS. SEKA HEP

With 13 years of experiences as lawyer, Ms. Seka is a partner, deputy managing director of DFDL Cambodia Office, lawyer licensed by BACK, member of NCAC and accredited mediator from CEDR.

She has extensive experience in the corporate and commercial matters, EIM and project finance. Her expertise specializes in major property projects and has acted on numerous significant commercial, industrial and residential developments in Cambodia.

Ms. Seka holds a Master 2 of Business Comparative Law (LL.M.) from the University Lumière Lyon 2, France which included participation in an exchange program with the University of Montreal, Canada. She speaks French and English and Khmer as mother tongue language.

She is also recognized as a Distinguished Practitioner in Infrastructure in Cambodia and as a notable Practitioner by Asialaw in 2022.

INDEPENDENT DIRECTOR

MR. PAUL CAREY CLEMENTS

Mr. Paul Clements is an Australian and has lived in Asia since 2008 covering Cambodia, China, and Indonesia. He has over 30 years of banking experiences involving Relationship Banking, Investment Banking, Risk, Operations, and Transformation and Executive Management.

Most of his career was in Australia with Westpac Banking Corporation, ANZ Bank, and JP Morgan. In Cambodia he has been previously involved with ANZ Royal Bank, Cambodia Mekong Bank Public Limited, WorldBridge Outsourcing Solutions Co., Ltd and HCC Group Co., Ltd (EnviroCam).

Currently Mr. Clements is Chairperson of the International Business Chamber of Cambodia (IBC), and is involving in consulting across a number of sectors.

Mr. Clements has a Bachelor of Business (Majoring in Banking and Finance) and a Postgraduate Degree (Majoring in Accounting).

J Trust Royal Bank Annual Report 2022

EXECUTIVE COMMITTEE

Standing from left to right:

1 MR. SIV HORNPISETH
2 MS. NARITA HANG CHUON
3 MR. VIC SISOWATH
4 MR. PHYRUN HENG
5 MS. BOREN KORK
6 MR. MAKOTO KUROKAWA
7 MR. TORU MYOCHIN
8 MS. YUKO MIYAZAKI
9 MS. PHEAKDEY POK
10 MR. SOPHINA KHIEV
11 MR. SALY LOR
12 MR. SOPHY KEO
13 MR. GLENN MILLER

MR. TORU MYOCHIN
CEO

Toru Myochin joined J Trust in June 2015 as Managing Director in charge of domestic finance businesses, holding companies, and Group management operations. Concurrently, he was appointed as the President and Representative Director of the entertainment company and systems company within the Group.

In addition, he has had more than 15 years of experience in wholesale banking at Mizuho Bank, while at Shinsei Bank he had been in charge of the following departments as the Managing Executive Officer: domestic sales, real estate sales, healthcare finance, corporate reconstruction and structured finance.

Myochin has more than 20 years of banking experience and a wide range of knowledge in the business world. He holds a Bachelor's Degree in Mechanical Engineering from Sophia University in Tokyo, Japan.

MR. MAKOTO KUROKAWA
DEPUTY CEO

Makoto Kurokawa has over 40 years of experience in banking and corporate governance. After joining J Trust Co., Ltd. in 2011, he served the firm as Director, Executive Officer, Corporate Planning Department General Manager and Treasury Department General Manager.

Previously, he held leadership positions internationally at Salomon Brothers Asia, UBS, RBC and Japan's largest bank MUFJ.

He holds a Bachelor's Degree from the University of Tokyo.

Makoto visited Cambodia for the first time in 2005 as part of the Support for Children program. He has since visited the Kingdom more than 30 times. The dynamic transformation taking place in Cambodia continues to dazzle him and makes him yarn to be of assistance to the Kingdom's further growth and development.

MS. YUKO MIYAZAKI
CHIEF RISK OFFICER

Yuko Miyazaki joined J Trust Royal Bank as Chief Risk Officer in September 2019 bringing in over 25 years of extensive international banking experiences from Japan and the United States, primarily in Credit and Risk Management roles and in Business Development. Currently, she is leading a team of Risk professionals specializing in Credit Risk including approving credit proposals and managing portfolio and Lending Services functions as well as Operational Risk. In her capacity as the Chairwoman of Risk Management Committee (RMC), she has a leading role in the supervision and oversight of the credit, market, and operational risks to ensure the alignment of business strategy with risk appetite statements. Yuko is also a member of the company's executive management team.

Yuko holds a Master of Science in Finance from George Washington University, a Bachelor of Arts in Economics from Michigan State University, USA. She has held a number of senior roles in Tokyo Star Bank, Moody's Analytics, Aozara Bank, Bear Stearns, and Freddie Mac.

MS. BOREN KORK
CHIEF LEGAL & COMPLIANCE OFFICER

Boren leads Legal and Compliance team to manage legal risks and to ensure compliance with regulatory requirements, anti-money laundering (AML), counter-terrorist finance (CTF), and economic/trade sanctions frameworks, and also acts as the Company Secretary, coordinating corporate affairs in interaction with the Board of Directors of the Bank.

Boren was listed in the Legal 500's GC Powerlist 2019 as one of the most influential and innovative in-house lawyers in Southeast Asia.

Boren's career flourished in the bank. First joining in June 2012 as a Manager of Commercial and Institutional Client Administration, Boren took on the other key management roles before being appointed to lead the Legal and Compliance Department in November 2018. Before joining J Trust Royal Bank, Boren gained extensive experience in the fields of law and education.

Boren holds Doctor of Law and Master of Law degrees from Nagoya University (Japan), and Bachelor of Law degrees from the Royal University of Law and Economics (Cambodia), and Lumière Lyon II University (France).

MS. PHEAKDEY POK
CHIEF FINANCIAL OFFICER

Pheakdey has joined J Trust Royal Bank in 2008 and was appointed as Chief Financial Officer in 2010. Prior to her current employment, she also worked for KPMG Cambodia as an External Auditor and British Tobacco (Cambodia) as Management Accounting Manager. She has almost two-decade experiences in various industries which include about more than 14 years in banking industry.

With her current role, she oversees bank's overall performance, aligns financial and business metrics to support business strategy and growth agenda, manages Financial control and governance of the bank to ensure compliance with local regulatory, Group and Cambodia accounting Standards. Under her extended role in Business Strategy, she works closely with JTRB's Board of Directors as well as Head of Business Units to develop and execute the key strategic priorities across the bank.

She has quite unique experiences in Mergers and Acquisitions (M&A) through managing transition for Finance project from ANZ Royal to J Trust Royal Bank and went live without significant issue and any staff attrition. In addition, she is also a non-executive board of director of Phnom Penh Autonomous Port since June 2022.

She holds a bachelor's Degree in Accounting and Finance from the National University of Management and is an associate member of CPA Australia and Institute of Public Accountant Australia (IPA).

MR. PHYRUN HENG
HEAD OF TRANSACTION BANKING

Joining the Bank since 2012, Phyrun has cultivated wide-ranging experiences in credit & capital management, relationship management & transaction banking, looking after Corporation & Institutional Banking, and later expanding to emerging corporates.

He has provided advisory services/workshops to clients and community on financial literacy, trade, cash management products and driven bank digitization agenda for local corporates & multinational corporations.

After his appointment as Head of Transaction Banking "TB", Phyrun is leading and expanding bank's capabilities both in Trade & Supply Chain "TSC" and Payment & Cash Management "PCM" Phyrun holds two degrees, Bachelor of Economy Development and Bachelor of Education in English and won a scholarship for Associate Association of Chartered Certified Accountants "ACCA".

He completed 2 specializing courses in Hong Kong, "Advanced Working Capital Management" and "Certificate in International Cash Management" by Association of Corporate Treasurers (ACT), UK-chartered body for treasury management He was also on a short assignment with TB Products Management and Wholesales Digital Team in Australia for knowledge transfer and digitization pioneer.

MR. SOPHINA KHIEV
HEAD OF MARKETS

Sophina joined the bank since 2005 when it commenced its operation under the name of ANZ Royal Bank and currently leads Markets & FI to support bank's FI relationship & treasury function as well as FX services providing to Retail, Business and Corporate Banking clients.

With his 15 years of career with the bank that started with few roles within Retail Banking as priority banking manager, Branch Manager, Senior Manager of Mortgage and then moved to Corporate Banking and Markets &FI, Sophina brings with him a wealth of knowledge and experience of banking and financial market. He joined our executive management team of J Trust Royal Bank on day 1 after the transition in Aug 2019.

Fluent in English, Mandarin Chinese and Khmer, Sophina studied economics and finance at Guangxi University in China under Chinese Government Scholarship Program.

J Trust Royal Bank Annual Report 2022

MR. VIC SISOWATH
HEAD OF PERSONAL BANKING

Vic Sisowath joined ANZ Royal Bank in 2007 and stayed with the bank when it transitioned to J Trust Royal Bank in 2019. He currently leads Personal Banking covering 17 branches, our Premier banking segment, secured and unsecured lending businesses, Bancassurance, Analytic and Branch Assurance and our 24/7 Customer Care Centre.

With 15 years of Personal Banking experience including roles as Premier Banking Manager, Branch Manager, Regional Manager, Head of Affluent Banking, and a secondment in Singapore Personal Banking, Vic joined the executive management team in February 2017 as the Head of Personal Banking. After more than 15 years in the Cambodian retail space, Vic has intimate knowledge of sales and services, and an understanding of our customers' financial needs.

Fluent in French, English and Khmer, Vic studied economics at the University of California Berkeley and has been overseas for many years. Through the bank training programs, he has become an accredited facilitator for sales and sales management.

MR. SALY LOR
CHIEF OPERATING OFFICER

Saly joined the bank since May 2005 and has held several senior management roles including Senior Business Development, Branch Manager, Regional Manager, Head of Mortgages, Head of Retail Operations, Acting Chief Operating Officer and Chief Operating Officer.

In August 2019, he was appointed as Chief Operating Officer. As Chief Operating Officer, Saly oversees the Bank's operations, which encompasses a diverse range of functions inclusive of Retail Operations, Institutional & Commercial Operations, Projects & Transformation, Property, Administration and Procurement.

Prior to joining the bank, Saly held a management role in the hospitality field and was a lecturer of a private university.

Saly was an AusAID scholarship winner and holds a Master of Education and Training from Victoria University, Australia

MS. NARITA HANG CHUON
HEAD OF CORPORATE BANKING

Narita Hang Chuon, Head of Corporate Banking, she responsible for the growth and profitability, as well as the good credit quality of the Corporate Banking Segment, which combine of Small and MediumEnterprise Portfolio, Local Corporate Portfolio, and Multinational Companies Portfolio.

Narita joined the Bank in September 2005, throughout more than 17 years of services with the Bank, she has well rounded experiences from Operations to Middle Office, and to Frontline Department. Prior that, Narita worked with World Vision International Organization, Credit Agricole Indosuez Bank, and Nestle Dairy Cambodia Co., Ltd.

Narita holds a Master of Business Administration, major in Finance from Charles Sturt University back in 2006. And in 2022 she just been awarded a Master of Global Trade from RMIT. She has a Bachelordegree, Major in Finance & Banking from the National Institute of Management.

On top of her role with J Trust Royal Bank, Narita actively involves in various business associations and associations, to support Girls and Women, and Women in Business.

MR. SOPHY KEO
HEAD OF BUSINESS BANKING

Sophy joined the bank since 2006 and was appointed as Head of Business Banking in 2019. This is a specialized lending unit within J Trust Royal Bank; with a key objective to work more closely with our selected lending clients. Sophy leads the Business Banking Relationship Teams who actively work with our clients to meet their needs on banking solutions of both loans and deposits.

Since joining the bank in 2006, Sophy is one of our experienced bankers in the area of Lending & Payments Operations; Workflow & Automation; as well as major Project Management & Execution. He has also worked and trained in countries such as Singapore, India, Myanmar, and Laos; as part of the bank's international assignment. And prior to joining the bank, Sophy was leading the Training & Testing Department (including Special Projects) at the Australian Centre for Education (ACE).

Sophy holds a Master of Business Administration (MBA), a Bachelor of Accounting; and Bachelor of Education (TEFL).

MR. GLENN MILLER
CHIEF INFORMATION OFFICER

Glenn, originally from Melbourne Australia, joined J Trust Royal Bank in August 2019 as the Chief Information Officer. Glenn leads an enthusiastic and customer focused team of technologists and is responsible for managing all Information technology aspects for J Trust Royal.

Glenn has been working as a technologist in Banking, Payments and Telecommunications for 30 years. Glenn has been based in Cambodia for over 15 years and has worked for 5 different companies in Cambodia in the fields of Banking, Payments processing and Telecoms.

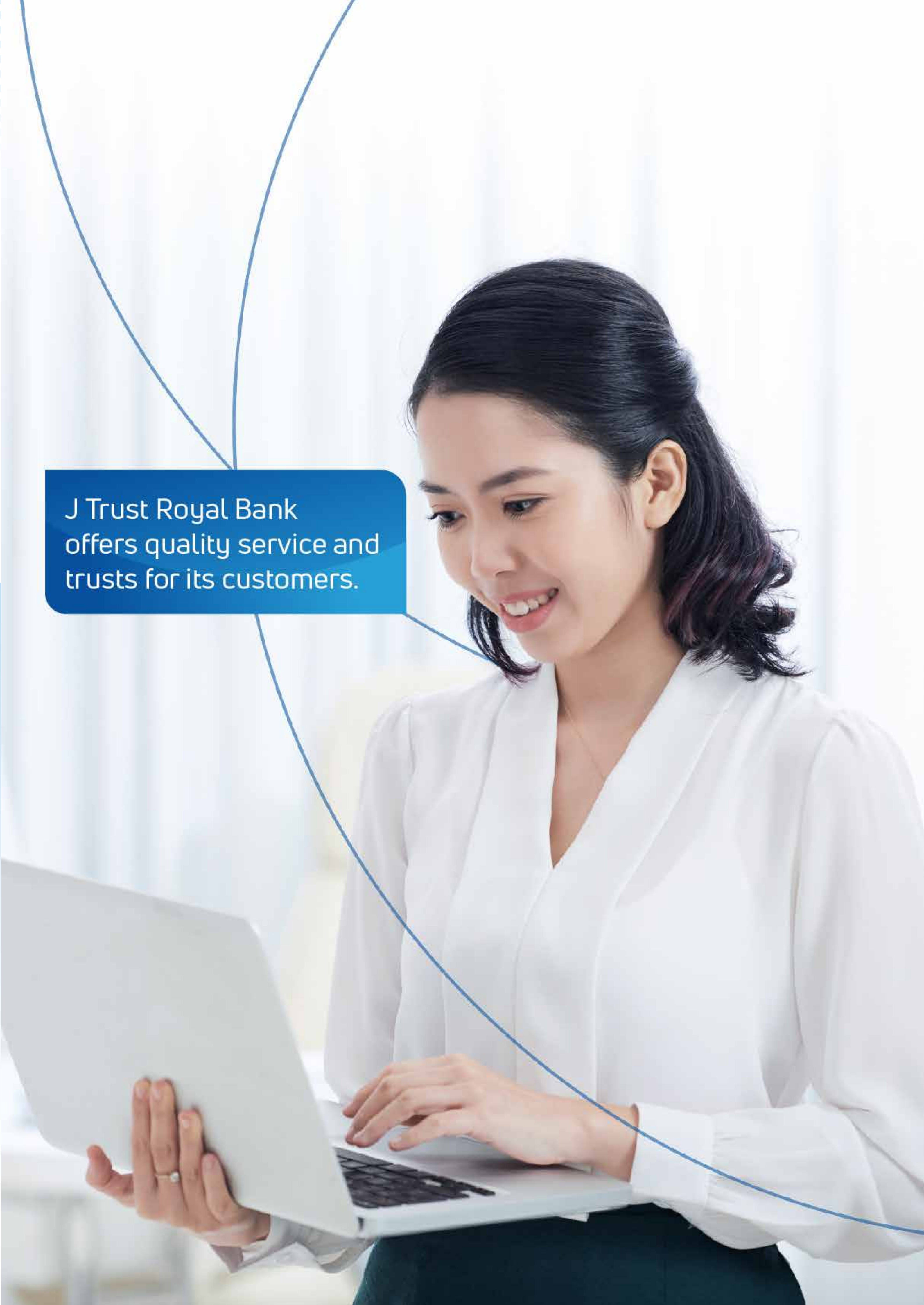
Prior to relocating to Cambodia Glenn, worked in a variety of roles across 20 years at ANZ Bank Australia and the Asia Pacific regions.

MR. HORNPISETH SIV
CHIEF HUMAN RESOURCES OFFICER

Piseth has been appointed as Chief Human Resources Officer at J Trust Royal Bank since April 2022. He is currently being in charge of the overall People agenda including but not limited to HR strategic change and communication, HR business partnering, talent acquisition and development, performance and rewards, employer branding, workforce planning, people analytics and governance.

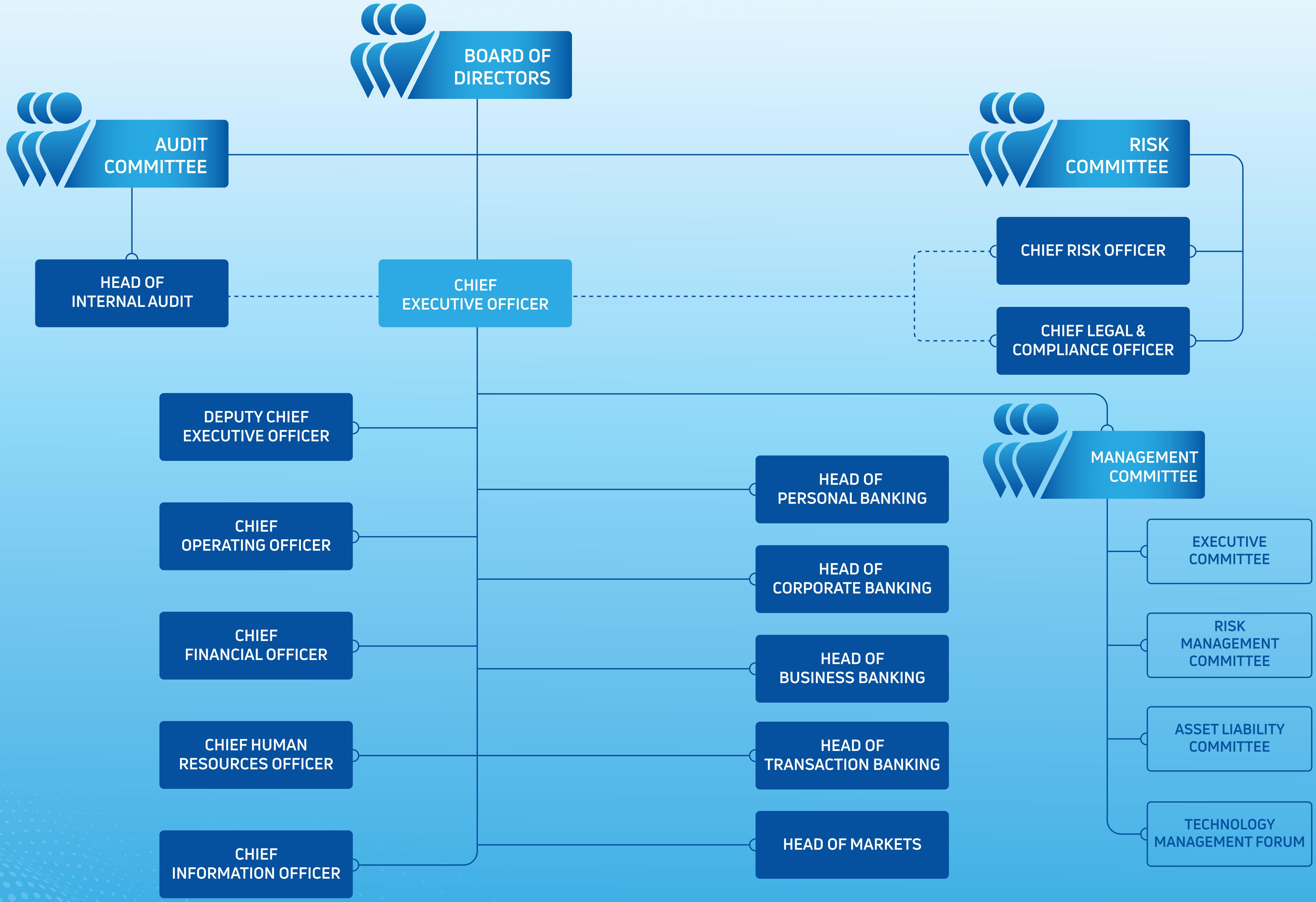
Piseth started his journey as Business Development Officer at ANZ Royal bank in 2006 and continued progressing his careers in the HR department within the banking and insurance sector. With his vast experience in Human Resources Management for the start-up, acquisition, and multinational organization for over the last 15 years, Piseth has proven solid record of building and leading a very influential and highly engaged HR function.

Piseth holds Master of Business Administration from the Norton University, and Master of Human Resources Management from the Monash University (Australia) under the Australia Awards scholarship program.



J Trust Royal Bank Annual Report 2022

ORGANIZATION CHART



FINANCIAL STATEMENTS

FOR THE YEAR ENDED **31 DECEMBER 2022**
AND REPORT OF THE INDEPENDENT AUDITORS

CORPORATE INFORMATION

Bank	J Trust Royal Bank Plc.	
Registration No.	00015704	
Registered office	20 EF-E0 Corner Kramoun Sar and Street 67 Sangkat Phsar Thmey I, Khan Daun Penh Phnom Penh, Kingdom of Cambodia	
Shareholders	J Trust Co., Ltd. Royal Group Finance Co., Ltd.	
Board of Directors	Neak Oknha Kith Meng	Chairman
	Mr. William Mark Hanna	Director
	Mr. Toru Myochin	Director
	Mr. Makoto Kurokawa	Director
	Mr. Ryuichi Atsuta	Director
	Mr. Simon John Perkins	Director
	Mr. Toru Hatomoto	Director
	Ms. Seka Hep	Independent Director
	Mr. Paul Carey Clements	Independent Director
Management team	Mr. Toru Myochin	Chief Executive Officer
	Ms. Pok Pheakdey	Chief Financial Officer
	Ms. Kork Boren	Chief Legal & Compliance Officer
	Mr. Sisowath Veakchiravuddh	Head of Personal Banking
	Ms. Hang Chuon Narita	Head of Corporate Banking
	Mr. Math Sadat	Chief Human Resources Officer & Chief of Staff (Resigned on 9 March 2022)
	Mr. Siv Hornpiseth	Chief Human Resources Officer (Appointed on 1 April 2022)
	Mr. Khiev Sophina	Head of Markets
	Mr. Keo Sophy	Head of Business Banking
	Mr. Lor Saly	Chief Operating Officer
	Mr. Glenn Miller	Chief Information Officer
	Mr. Heng Phyrun	Head of Transaction Banking
	Ms. Yuko Miyazaki	Chief Risk Officer
Auditors	Grant Thornton (Cambodia) Limited	

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors ("the Board" or "the Directors") hereby submit their report together with the audited financial statements of J Trust Royal Bank Plc. ("the Bank") for the year ended 31 December 2022.

Principal Activities

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

There were no significant changes to these principal activities during the financial year.

Financial Results

The financial results of the Bank for the year were as follows:

	2022	2021	2022	2021
	US$	US$	KHR'000 (Note 6)	KHR'000 (Note 6)
Profit before income tax	17,671,478	12,003,302	72,223,330	48,829,433
Income tax expense	(3,482,503)	(3,700,297)	(14,232,990)	(15,052,808)
Net profit for the year	14,188,975	8,303,005	57,990,340	33,776,625

Dividends

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

Share Capital

There was no change in the registered and issued share capital during the year under audit.

Reserves and Provisions

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

Losses on Loans and Advances

Before the financial statements of the Bank were prepared, the Directors took reasonable steps to ascertain that actions had been taken in relation to the writing off of any bad loans and advances and the making of allowance for doubtful loans and advances, and satisfied themselves that all known bad loans and advances had been written off and adequate allowance for losses had been made on loans and advances.

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

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

Assets

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

At the date of this report, the management is not aware of any circumstances, which would render the values attributed 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, there does not exist:

(a) any charge on the assets of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person, or

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

No 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 financial 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 Material and Unusual Nature

The results of the operations of the Bank for the financial year were not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature, except for:

COVID –19 outbreak and its impact on ECL

The ECL was estimated based on a range of forecasted economic conditions as at reporting date. The Novel Coronavirus (COVID –19) outbreak has spread across mainland China, Kingdom of Cambodia and beyond, causing disruption to business and economic activity for the last few years. Even though the situation has improved in 2022, the impact on GDP and other key indicators has been considered when determining the severity and likelihood of downside economic scenarios that are used to estimate ECL in which the calculation of the ECL in this current environment is subject to significant uncertainty. Management provides its best estimate on the possible outcomes of COVID-19 on the Bank; however, this estimate may move materially as events unfold.

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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

Events since the Reporting Date

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

The Board of Directors

The Directors who served during the year and at the date of this report are:

Neak Oknha Kith Meng	Chairman
Mr. William Mark Hanna	Director
Mr. Toru Myochin	Director
Mr. Makoto Kurokawa	Director
Mr. Ryuichi Atsuta	Director
Mr. Simon John Perkins	Director
Mr. Toru Hatomoto	Director
Ms. Seka Hep	Independent Director
Mr. Paul Carey Clements	Independent Director

Directors' Interests

None of the Directors held or dealt directly in the shares of the Bank during the financial year.

Directors' Benefits

During and at the end of the financial year, no arrangements existed to which the Bank is a party with the object of enabling Directors of the Bank to acquire benefits by means of the acquisition of shares in or debentures of the Bank or any other corporate body.

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

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

Directors' Responsibility in Respect of the Financial Statements

The Board of Directors is responsible for ascertaining that the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with the financial reporting framework indicated therein. In preparing these financial statements, the Board of Directors is required to:

(i) adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;

(ii) comply with Cambodian International Financial Reporting Standards ("CIFRSs") or, if there have been any departures in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the financial statements;

(iii) oversee the Bank's financial reporting process and maintain adequate accounting records and an effective system of internal controls;

(iv) assess 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; and

(v) control and direct effectively the Bank in all material decisions affecting the operations and performance and ascertain that such have been properly reflected in the financial statements.

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

Approval of the Financial Statements

We hereby approve the accompanying financial statements together with the notes thereto as set out on pages 56 to 132 which, in our opinion, present fairly, in all material respects, the financial position of the Bank as at 31 December 2022, and its financial performance and its cash flows for the year then ended, in accordance with CIFRSs.

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

William Mark Hanna
Director

Toru Myochin
Director and Chief Executive Officer

Phnom Penh, Kingdom of Cambodia
Date: 29 March 2023

REPORT OF THE INDEPENDENT AUDITORS

TO THE SHAREHOLDERS OF J TRUST ROYAL BANK PLC.

Grant Thornton (Cambodia) Limited
20th Floor Canada Tower
315 Preah Ang Duong Street corner Monivong Boulevard
Sangkat Wat Phnom Khan Daun Penh
Phnom Penh Kingdom of Cambodia

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Opinion

We have audited the financial statements of J Trust Royal Bank Plc. ("the Bank"), which comprise the statement of financial position as at 31 December 2022, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2022, and its financial performance and cash flows for the year then ended, in accordance with Cambodian International Financial Reporting Standards ("CIFRSs") and the guidelines of the National Bank of Cambodia.

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 International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), together with the ethical requirements that are relevant to our audit of the financial statements in the Kingdom of Cambodia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The Bank's financial statements as at 31 December 2021 were audited by another auditor who expressed an unmodified opinion on those financial statements on 29 March 2022.

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

The Board of Directors is responsible for the other information. The other information comprises the Report of the Board of Directors, but does not include the financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the annual report, which is expected to be made available to us after that date.

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.

REPORT OF THE INDEPENDENT AUDITORS (CONTINUED)

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.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Board of Directors and respond to that matter in accordance with the requirements of CISA 720 (revised).

Responsibilities of the 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, the 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 and the review and approval of the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

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

REPORT OF THE INDEPENDENT AUDITORS (CONTINUED)

- Evaluate the overall presentation, structure and content of the financial statements, including 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.

Grant Thornton

GRANT THORNTON (CAMBODIA) LIMITED
Certified Public Accountants
Registered Auditors

Ronald C. Almera
Partner – Audit and assurance

Phnom Penh, Kingdom of Cambodia
29 March 2023

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Note	31 December 2022 US$	2021 US$	31 December 2022 KHR'000 (Note 6)	2021 KHR'000 (Note 6)
ASSETS					
Cash and cash equivalents	7	235,462,544	305,662,603	969,399,294	1,245,269,445
Placements with other banks	8	28,602,859	8,372,728	117,757,971	34,110,494
Statutory deposits	9	73,654,932	71,188,940	303,237,355	290,023,742
Loans and advances to customers – net	10	976,947,089	904,243,203	4,022,091,165	3,683,886,809
Other assets	11	12,904,194	10,934,458	53,126,567	44,546,982
Intangible assets	12	11,864,447	13,438,152	48,845,928	54,747,031
Property and equipment	13	6,790,666	6,035,873	27,957,172	24,590,147
Right-of-use assets	14	8,337,793	6,821,459	34,326,694	27,790,624
Deferred tax asset – net	20A	809,270	1,859,594	3,331,765	7,575,986
Total assets		1,355,373,794	1,328,557,010	5,580,073,911	5,412,541,260
LIABILITIES AND SHAREHOLDERS' EQUITY					
Liabilities					
Deposits from customers	15	904,104,033	869,822,669	3,722,196,304	3,543,657,554
Deposits from other banks and financial institutions	16	188,011,437	209,912,913	774,043,086	855,185,208
Lease liabilities	17	8,797,807	7,151,049	36,220,571	29,133,374
Other liabilities	18	4,055,919	4,800,860	16,698,220	19,558,703
Provision for employee benefits	19	335,041	388,034	1,379,364	1,580,851
Current income tax liability	20B	2,472,494	2,874,254	10,179,258	11,709,711
Provision for off-balance sheet commitments	31	376,240	575,383	1,548,980	2,344,110
Total liabilities		1,108,152,971	1,095,525,162	4,562,265,783	4,463,169,511
Shareholders' equity					
Share capital	21	75,000,000	75,000,000	300,000,000	300,000,000
General reserves	22	101,000,000	101,000,000	407,546,000	407,546,000
Regulatory reserves	23	12,087,070	4,674,518	49,169,396	18,874,296
Retained earnings		59,133,753	52,357,330	238,331,903	210,636,663
Currency translation reserves		-	-	22,760,829	12,314,790
Total shareholders' equity		247,220,823	233,031,848	1,017,808,128	949,371,749
Total liabilities and shareholders' equity		1,355,373,794	1,328,557,010	5,580,073,911	5,412,541,260

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 US$	2021 US$	2022 KHR'000 (Note 6)	2021 KHR'000 (Note 6)
Operating income					
Interest income	24	80,888,514	63,046,237	330,591,357	256,472,092
Interest expense	25	(30,430,969)	(23,199,824)	(124,371,370)	(94,376,884)
Net interest income		50,457,545	39,846,413	206,219,987	162,095,208
Net fee, commission and other income	26	7,953,836	5,496,906	32,507,328	22,361,414
Total operating profit		58,411,381	45,343,319	238,727,315	184,456,622
Personnel expenses	27	(18,241,054)	(16,120,207)	(74,551,188)	(65,577,002)
Depreciation and amortisation	28	(5,458,628)	(2,639,042)	(22,309,413)	(10,735,623)
General and administrative expenses	29	(10,145,754)	(14,270,633)	(41,465,697)	(58,052,935)
Total operating expenses		(33,845,436)	(33,029,882)	(138,326,298)	(134,365,560)
Operating profit before impairment		24,565,945	12,313,437	100,401,017	50,091,062
Impairment losses on financial instruments	30	(6,894,467)	(310,135)	(28,177,687)	(1,261,629)
Profit before income tax		17,671,478	12,003,302	72,223,330	48,829,433
Income tax expense	20C	(3,482,503)	(3,700,297)	(14,232,990)	(15,052,808)
Net profit for the year		14,188,975	8,303,005	57,990,340	33,776,625
Other comprehensive income					
Currency translation difference		-	-	10,446,039	6,566,954
Total comprehensive income for the year		14,188,975	8,303,005	68,436,379	40,343,579

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Share Capital		General Reserves		Regulatory Reserves		Retained Earnings		Currency Translation Reserves		Total	
2021	US$	KHR'000 (Note 6)	US$	KHR'000 (Note 6)	US$	KHR'000 (Note 6)	US$	KHR'000 (Note 6)	US$	KHR'000 (Note 6)	US$	KHR'000 (Note 6)
At 1 January 2021	75,000,000	300,000,000	88,000,000	354,662,000	3,618,950	14,580,245	58,109,893	234,038,089	-	5,747,836	224,728,843	909,028,170
Transactions recognised directly in equity												
Transfers to regulatory reserves	-	-	-	-	1,055,568	4,294,051	(1,055,568)	(4,294,051)	-	-	-	-
Transfers to general reserves	-	-	13,000,000	52,884,000	-	-	(13,000,000)	(52,884,000)	-	-	-	-
Comprehensive income												
Net profit for the year	-	-	-	-	-	-	8,303,005	33,776,625	-	-	8,303,005	33,776,625
Currency translation difference	-	-	-	-	-	-	-	-	-	6,566,954	-	6,566,954
Total comprehensive income	-	-	-	-	-	-	8,303,005	33,776,625	-	6,566,954	8,303,005	40,343,579
At 31 December 2021	75,000,000	300,000,000	101,000,000	407,546,000	4,674,518	18,874,296	52,357,330	210,636,663	-	12,314,790	233,031,848	949,371,749
2022												
At 1 January 2022	75,000,000	300,000,000	101,000,000	407,546,000	4,674,518	18,874,296	52,357,330	210,636,663	-	12,314,790	233,031,848	949,371,749
Transactions recognised directly in equity												
Transfers to regulatory reserves	-	-	-	-	7,412,552	30,295,100	(7,412,552)	(30,295,100)	-	-	-	-
Transfers to general reserves	-	-	-	-	-	-	-	-	-	-	-	-
Comprehensive income												
Net profit for the year	-	-	-	-	-	-	14,188,975	57,990,340	-	-	14,188,975	57,990,340
Currency translation difference	-	-	-	-	-	-	-	-	-	10,446,039	-	10,446,039
Total comprehensive income	-	-	-	-	-	-	14,188,975	57,990,340		10,446,039	14,188,975	68,436,379
At 31 December 2022	75,000,000	300,000,000	101,000,000	407,546,000	12,087,070	49,169,396	59,133,753	238,331,903	-	22,760,829	247,220,823	1,017,808,128

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 US$	2021 US$	2022 KHR'000 (Note 6)	2021 KHR'000 (Note 6)
Cash flows from operating activities					
Net profit for the year		14,188,975	8,303,005	57,990,340	33,776,625
Adjustments for:					
Depreciation and amortisation	28	5,458,628	2,639,042	22,309,413	10,735,623
Interest income	24	(80,888,514)	(63,046,237)	(330,591,357)	(256,472,092)
Interest expense	25	30,430,969	23,199,824	124,371,370	94,376,884
Income tax expense	20C	3,482,503	3,700,297	14,232,990	15,052,808
Loss on intangible assets written off		-	449,840	-	1,829,949
Loss on property and equipment written off and disposal		107,621	65,927	439,847	268,191
Provision for employee benefits		-	235,407	-	957,636
Impairment loss on financial instruments	30	6,894,467	310,135	28,177,687	1,261,629
Operating losses before changes in working capital		(20,325,351)	(24,142,760)	(83,069,710)	(98,212,747)
Net changes in working capital					
Changes in:					
Loans and advances to customers		(79,542,189)	(213,743,318)	(325,088,926)	(869,507,818)
Statutory deposits		(2,465,992)	(6,681,338)	(10,078,509)	(27,179,683)
Other assets		(1,969,736)	(1,109,881)	(8,050,311)	(4,514,996)
Deposits from customers, other banks and financial institutions		12,379,888	262,789,754	50,596,602	1,069,028,719
Other liabilities		(797,940)	2,854,694	(3,261,181)	11,612,895
Cash (used in) generated from operations		(92,721,320)	19,967,151	(378,952,035)	81,226,370
Interest received		81,107,398	62,700,450	331,485,936	255,065,431
Interest paid		(30,430,969)	(23,199,824)	(124,371,370)	(94,376,884)
Income taxes paid	20B	(2,833,939)	(2,138,063)	(11,582,309)	(8,697,640)
Net cash (used in) from operating activities		(44,878,830)	57,329,714	(183,419,778)	233,217,277

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

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 US$	2021 US$	2022 KHR'000 (Note 6)	2021 KHR'000 (Note 6)
Cash flows from investing activities					
Placements with other banks		(20,587,636)	23,753,985	(84,141,668)	96,631,211
Purchases of intangible assets	12	(448,759)	(13,787,808)	(1,834,078)	(56,088,803)
Purchases of property and equipment	13	(2,862,041)	(3,770,524)	(11,697,162)	(15,338,492)
Proceeds from disposal of property and equipment		272	1,430	1,112	5,817
Net cash (used in) from investing activities		(23,898,164)	6,197,083	(97,671,796)	25,209,733
Cash flows from financing activity					
Payment of lease liabilities	17	(1,306,109)	(1,258,882)	(5,338,067)	(5,121,132)
Net change in cash and cash equivalents		(70,083,375)	62,267,915	(286,430,753)	253,305,878
Cash and cash equivalents at beginning of the year		305,823,615	243,555,700	1,245,925,408	985,182,806
Currency translation difference		-	-	11,047,913	7,436,724
Cash and cash equivalents at end of the year	7	235,740,240	305,823,615	970,542,568	1,245,925,408

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

1. REPORTING ENTITY

J Trust Royal Bank Plc. ("the Bank") is domiciled in the Kingdom of Cambodia. The Bank was originally a joint venture between Australia and New Zealand Banking Group Limited ("ANZ"), a public company incorporated in Australia, through its wholly owned subsidiary ANZ Funds Pty Ltd., with a 55% interest in the joint venture, and Royal Group Finance Co., Ltd., which has been ultimately and solely owned by a private individual in Cambodia who is also the Director of the Bank with a 45% interest in the joint venture.

In August 2019, the sale and purchase of the Bank's shares transaction including the control transfer between ANZ Funds Pty Ltd and J Trust Co., Ltd. ("JT") was completed and JT became the parent company of the Bank from 19 August 2019. The Bank also changed its official name from ANZ Royal Bank (Cambodia) Ltd. to JTrust Royal Bank Ltd. from 19 August 2019. In December 2019, the Bank amended its Memorandum and Articles of Association again and reflected the change in its name from "JTrust Royal Bank Ltd." to "J Trust Royal Bank Plc.", with approval by the National Bank of Cambodia on 10 March 2020 and endorsement by the Ministry of Commerce on 29 April 2020.

The principal activity of the Bank is the provision of comprehensive banking and related financial services in the Kingdom of Cambodia.

The registered office of the Bank is currently located at 20 EF-E0 Corner Kramoun Sar and Street 67, Sangkat Phsar Thmey I, Khan Daun Penh, Phnom Penh, the Kingdom of Cambodia. This registered office is being changed temporarily to Royal Railway Building No. 10, Russian Blvd, Sangkat Srah Chak, Khan Doun Penh, Phnom Penh, Kingdom of Cambodia with approval from NBC on 3 March 2023.

The Bank operates its business in the central city of Phnom Penh and 4 provinces with a network of 17 branches.

As at 31 December 2022, the Bank has 634 employees (2021: 586 employees).

2. BASIS OF ACCOUNTING

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

The accounting policies and methods of computation have been applied consistently to all periods presented in these financial statements.

Details of the Bank's significant accounting policies are included in Note 35.

The financial statements of the Bank were authorised for issue by the Board of Directors on 29 March 2023.

3. FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in US$, which is the Bank's functional currency. All amounts have been rounded to the nearest dollar or thousand Riels, except when otherwise indicated.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

4. PRESENTATION OF FINANCIAL STATEMENTS

Management presents the financial statements based on liquidity. Information about short-term and long-term of assets and liabilities are disclosed in the financial risk management section. Assets and liabilities over 12 months are considered non-current assets and non-current liabilities, respectively, in the notes to the financial statements.

5. USE OF JUDGMENTS AND ESTIMATES

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Bank's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

A. Judgements

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

- Note 35C(ii): classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are 'solely payment for principal and interest' ("SPPI") on the principal amount outstanding.

- Note 35C(vii): establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of 'expected credit loss' ("ECL") and selection and approval of models used to measure ECL.

B. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are included in the following notes:

- Note 35C(vi): measurement of the fair value of financial instruments with significant unobservable inputs.

- Note 35C(vii): impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information.

- Note 35C(vii): impairment of financial instruments: key assumptions used in estimating recoverable cash flows.

J Trust Royal Bank Annual Report 2022

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

6. TRANSLATION OF UNITED STATES DOLLARS INTO KHMER RIEL

The financial statements are expressed in United States Dollar which is the Bank's functional currency. The translations of United States Dollars amount into Khmer Riel ("KHR") meets the presentation requirements pursuant to the Law on Accounting and Auditing and has been done in compliance with CIAS 21-The Effects of Changes in Foreign Exchange Rates.

Assets and liabilities are translated at the closing rate as at the reporting date. Share capital and other equity accounts are translated at the historical rate. The statements of profit or loss and other comprehensive income and cash flows are translated into KHR using the average rate for the year, which has been deemed to approximate the exchange rate at the date of transaction as exchange rates have not fluctuated significantly during the period. Exchange differences arising from the translation are recognised as "Currency translation difference" in the other comprehensive income.

The translations of USD amounts into KHR as presented in the financial statements are included solely to comply with the Law on Accounting and Auditing dated 11 April 2016 and have been made using the prescribed official exchange rate base on the following applicable exchange rate per USD as announced by the National Bank of Cambodia ("NBC"):

		Closing Rate	Average Rate*
31 December 2022	US$1 =	KHR4,117	KHR4,087
31 December 2021	US$1 =	KHR4,074	KHR4,068

*The average amounts were determined using the NBC's daily rates.

These translations should not be construed as representations that the US$ amounts have been, could have been, or could in the future be, converted into KHR at this or any other rate of exchange.

7. CASH AND CASH EQUIVALENTS

	31 December		31 December	
	2022	2021	2022	2021
	US$	US$	KHR'000 (Note 6)	KHR'000 (Note 6)
Cash on hand	36,229,431	34,297,265	149,156,567	139,727,058
Bank balances with original maturity of less than 3 months:				
Bank balances with National Bank of Cambodia	142,333,695	240,103,823	585,987,822	978,182,975
Bank balances with other banks	57,177,114	31,422,527	235,398,179	128,015,375
	235,740,240	305,823,615	970,542,568	1,245,925,408
Less: allowance for impairment loss	(277,696)	(161,012)	(1,143,274)	(655,963)
	235,462,544	305,662,603	969,399,294	1,245,269,445

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

7. CASH AND CASH EQUIVALENTS (CONTINUED)

The movements of allowance for impairment loss on cash and cash equivalents during the year were as follows:

	2022	2021	2022	2021
	US$	US$	KHR'000 (Note 6)	KHR'000 (Note 6)
At 1 January	161,012	352,715	655,963	1,426,732
Recognised in profit or loss (Note 30)	116,684	(191,703)	476,888	(779,848)
Currency translation difference	-	-	10,423	9,079
At 31 December	277,696	161,012	1,143,274	655,963

Gross amounts of cash and cash equivalents were analysed as follows:

	31 December		31 December	
	2022	2021	2022	2021
	US$	US$	KHR'000 (Note 6)	KHR'000 (Note 6)
By relationship:				
Non-related parties	235,740,240	305,823,615	970,542,568	1,245,925,408
Related parties	-	-	-	-
	235,740,240	305,823,615	970,542,568	1,245,925,408

8. PLACEMENTS WITH OTHER BANKS

	31 December		31 December	
	2022	2021	2022	2021
	US$	US$	KHR'000 (Note 6)	KHR'000 (Note 6)
National Bank of Cambodia	3,517,595	6,300,500	14,481,939	25,668,237
Other banks	25,453,601	2,083,060	104,792,475	8,486,387
	28,971,196	8,383,560	119,274,414	34,154,624
Less: allowance for impairment loss	(368,337)	(10,832)	(1,516,443)	(44,130)
	28,602,859	8,372,728	117,757,971	34,110,494

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

8. PLACEMENTS WITH OTHER BANKS (CONTINUED)

The movements of allowance for impairment loss on placements with other banks during the year were as follows:

	2022	2021	2022	2021
	US$	US$	KHR'000 (Note 6)	KHR'000 (Note 6)
At 1 January	10,832	95,734	44,130	387,244
Recognised in profit or loss (Note 30)	357,505	(84,902)	1,461,123	(345,381)
Currency translation difference	-	-	11,190	2,267
At 31 December	368,337	10,832	1,516,443	44,130

Gross amounts of placements with other banks were analysed as follows:

	31 December		31 December	
	2022	2021	2022	2021
	US$	US$	KHR'000 (Note 6)	KHR'000 (Note 6)
A. By maturity:				
Within 1 month	5,442,903	2,083,060	22,408,432	8,486,386
> 1 to 3 months	13,524,855	6,300,500	55,681,828	25,668,238
> 3 to 6 months	10,003,438	-	41,184,154	-
	28,971,196	8,383,560	119,274,414	34,154,624
B. By currency:				
US Dollars	23,965,896	8,383,560	98,667,594	34,154,624
Khmer Riel	5,005,300	-	20,606,820	-
Others	-	-	-	-
	28,971,196	8,383,560	119,274,414	34,154,624

	2022	2021
C. By interest rate (per annum):		
National Bank of Cambodia	0.16% - 3.11%	0.04% - 0.24%
Other local banks	0.05% - 3.45%	1.20% - 3.25%

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

9. STATUTORY DEPOSITS

		31 December		31 December	
		2022	2021	2022	2021
	Note	US$	US$	KHR'000 (Note 6)	KHR'000 (Note 6)
Statutory capital deposit	A	7,500,000	7,500,000	30,877,500	30,555,000
Reserve requirements on deposits from customers, banks and financial institutions	B	66,154,932	63,688,940	272,359,855	259,468,742
		73,654,932	71,188,940	303,237,355	290,023,742

A. Statutory capital deposit

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 capital. This deposit is not available for use in the Bank's day-to-day operations and is refundable should the Bank voluntarily ceases its operations in the Kingdom of Cambodia. During the year, the statutory capital deposit earned interest at the rate of 0.37% per annum (2021: 0.04% per annum).

B. Reserve requirements on deposits from customers, banks and financial institutions and non-resident borrowings

The reserve requirement rate ("RRR") represents the minimum reserve which is calculated at 8% for KHR and 12.50% for other currencies of the total amount of deposits from customers, non-residential banks and financial institution deposits, and non-residential borrowings. Pursuant to the NBC's Prakas No. B7-018-282, the maintenance of reserve requirement both in KHR and in other currencies bear no interest effective from 20 August 2018.

On 18 March 2020, NBC issued a press release announcing the reduction of the RRR on KHR from 8% to 7%. For foreign currencies, the RRR is reduced from 12.50% to 7%, in order to mitigate the impact of the COVID -19 pandemic on Cambodia's economy. On 9 January 2023, NBC issued Prakas No. B7-023-005 announcing the increment of the RRR on foreign currencies to 9% starting from 1 January 2023 and to 12.5% starting from 1 January 2024 onwards.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

10. LOANS AND ADVANCES TO CUSTOMERS – NET

	31 December		31 December	
	2022	2021	2022	2021
	US$	US$	KHR'000 (Note 6)	KHR'000 (Note 6)
Term loans	521,564,813	477,799,345	2,147,282,335	1,946,554,532
Overdrafts	60,452,196	45,044,513	248,881,690	183,511,346
Housing loans	209,700,992	198,721,590	863,338,984	809,591,758
Trade finance loans	196,488,631	189,005,796	808,943,694	770,009,613
Credit cards	2,654,211	1,091,308	10,927,387	4,445,989
Loans and advances – gross	990,860,843	911,662,552	4,079,374,090	3,714,113,238
Less: allowance for Impairment loss	(13,913,754)	(7,419,349)	(57,282,925)	(30,226,429)
Loans and advances – net	976,947,089	904,243,203	4,022,091,165	3,683,886,809

(i) The movements of impairment loss allowance on loans and advances to customers were as follows:

	2022	2021	2022	2021
	US$	US$	KHR'000 (Note 6)	KHR'000 (Note 6)
At 1 January	7,419,349	6,815,999	30,226,429	27,570,716
Allowance for impairment loss during the year (Note 30)	6,619,419	663,785	27,053,565	2,700,277
Write off for the year	(125,014)	(60,435)	(510,932)	(245,850)
Currency translation difference	-	-	513,863	201,286
At 31 December	13,913,754	7,419,349	57,282,925	30,226,429

(ii) Gross amounts of loans and advances to customers were analysed as follows:

	31 December		31 December	
	2022	2021	2022	2021
	US$	US$	KHR'000 (Note 6)	KHR'000 (Note 6)
By maturity:				
Within 1 month	51,882,777	50,974,941	213,601,393	207,671,910
> 1 to 3 months	134,553,727	133,699,842	553,957,694	544,693,156
> 3 to 6 months	155,529,450	165,783,693	640,314,746	675,402,765
> 6 to 12 months	126,722,244	98,450,874	521,715,479	401,088,861
> 1 to 3 years	117,496,124	115,687,297	483,731,543	471,310,048
> 3 to 5 years	99,855,405	70,417,994	411,104,700	286,882,908
Over 5 years	304,821,116	276,647,911	1,254,948,535	1,127,063,590
	990,860,843	911,662,552	4,079,374,090	3,714,113,238

For additional analysis on the gross amount of loans and advances to customers, refer to Note 33B.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

11. OTHER ASSETS

		31 December		31 December	
		2022	2021	2022	2021
		US$	US$	KHR'000 (Note 6)	KHR'000 (Note 6)
Prepayment for staff benefits	(i)	7,833,578	7,225,100	32,250,841	29,435,057
Deposits and prepayments		3,734,818	3,597,315	15,376,246	14,655,462
Derivative financial instruments	(ii)	1,307,816	85,567	5,384,278	348,600
Others		27,982	26,476	115,202	107,863
		12,904,194	10,934,458	53,126,567	44,546,982

(i) This represents the difference between the fair value of staff loans at the lower market rate of interest and that of same type of loans to third parties. The Bank has recorded the difference as prepayment of staff benefit and amortised them on straight-line basis over contractual term of the staff loans.

(ii) This represents currency swap agreements which the Bank entered into with other financial institutions. The Bank uses this derivative to manage its exposure to foreign currency.

12. INTANGIBLE ASSETS

	2022	2021	2022	2021
	US$	US$	KHR'000 (Note 6)	KHR'000 (Note 6)
Computer software				
Cost				
At 1 January	13,530,842	196,184	55,124,650	793,564
Addition	448,759	13,787,808	1,834,078	56,088,803
Written off	-	(453,150)	-	(1,843,414)
Currency translation difference	-	-	595,289	85,697
At 31 December	13,979,601	13,530,842	57,554,017	55,124,650
Less: **accumulated amortisation**				
At 1 January	92,690	6,650	377,619	26,899
Amortisation	2,022,464	89,350	8,265,815	363,476
Written off	-	(3,310)	-	(13,465)
Currency translation difference	-	-	64,655	709
At 31 December	2,115,154	92,690	8,708,089	377,619
Carrying amounts				
At 31 December	11,864,447	13,438,152	48,845,928	54,747,031

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

13. PROPERTY AND EQUIPMENT

2022	Computers	Furniture and equipment	Motor vehicles	Leasehold improve-ments	Work in progress	Total	
	US$	US$	US$	US$	US$	US$	KHR'000 (Note 6)
Cost							
At 1 January 2022	5,043,064	2,832,195	778,340	8,610,996	104,556	17,369,151	70,761,929
Additions	387,834	302,250	-	501,297	2,862,042	4,053,423	16,566,340
Transfers	-	-	-	-	(1,191,382)	(1,191,382)	(4,869,178)
Reclassification	-	(7,517)	-	7,517	-	-	-
Written off	(23,516)	-	-	(351,787)	-	(375,303)	(1,533,863)
Disposals	(21,224)	(11,406)	-	(609,329)	-	(641,959)	(2,623,686)
Currency translation difference	-	-	-	-	-	-	802,208
At 31 December 2022	5,386,158	3,115,522	778,340	8,158,694	1,775,216	19,213,930	79,103,750
Less: **accumulated depreciation**							
At 1 January 2022	2,522,939	1,502,388	338,904	6,969,048	-	11,333,280	42,285,778
Depreciation	893,484	423,837	155,120	527,189	-	1,999,630	8,172,488
Reclassification	-	(809)	-	809	-	-	-
Written off	(17,236)	-	-	(250,722)	-	(267,958)	(1,095,144)
Disposals	(21,224)	(11,134)	-	(609,329)	-	(641,687)	(2,622,575)
Currency translation difference	-	-	-	-	-	-	4,406,035
At 31 December 2022	3,377,963	1,914,282	494,024	6,636,995	-	12,423,265	51,146,582
Carrying amounts							
At 31 December 2022	2,008,195	1,201,240	284,316	1,521,699	1,775,216	6,790,666	27,957,172

As at 31 December 2022, fully depreciated property and equipment with an original cost of US$8,262,812 (2021: US$7,696,276) are still in active use. The written off amounts included the fully depreciated property and equipment with costs amounting to US$1,017,262 (2021: US$365,862).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

13. PROPERTY AND EQUIPMENT (CONTINUED)

2021	Computers	Furniture and equipment	Motor vehicles	Leasehold improve-ments	Work in progress	Total	
	US$	US$	US$	US$	US$	US$	KHR'000 (Note 6)
Cost							
At 1 January 2021	3,434,595	2,107,474	778,342	7,632,202	114,617	14,067,230	56,901,945
Additions	-	-	-	1,264,844	3,770,523	5,035,367	20,483,873
Transfers	1,700,209	815,532	-	-	(3,780,584)	(1,264,843)	(5,145,381)
Written off	(48,497)	(24,288)	-	(22,056)	-	(94,841)	(385,813)
Disposals	(43,243)	(66,523)	-	(263,994)	-	(373,760)	(1,520,456)
Currency translation difference	-	-	-	-	-	-	427,761
At 31 December 2021	5,043,064	2,832,195	778,342	8,610,996	104,556	17,369,153	70,761,929
Less: **accumulated depreciation**							
At 1 January 2021	2,117,444	1,295,671	183,784	6,856,939	-	10,453,839	42,285,778
Depreciation	448,447	285,115	155,120	392,003	-	1,280,685	5,209,827
Written off	(568)	(12,446)	-	(15,900)	-	(28,914)	(117,622)
Disposals	(42,384)	(65,952)	-	(263,994)	-	(372,330)	(1,514,638)
Currency translation difference	-	-	-	-	-	-	308,437
At 31 December 2021	2,522,939	1,502,388	338,904	6,969,048	-	11,333,280	46,171,782
Carrying amounts							
At 31 December 2021	2,520,125	1,329,807	439,438	1,641,948	104,556	6,035,873	24,590,147

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

14. RIGHT-OF-USE ASSETS

Information about the Bank's leases is disclosed within this note and Note 17.

	31 December		31 December	
	2022	2021	2022	2021
	US$	US$	KHR'000 (Note 6)	KHR'000 (Note 6)
Right-of-use assets	8,337,793	6,821,459	34,326,694	27,790,624

The Bank leases the building and branch offices it uses for its operations. Information about leases for which the Bank is a lessee is disclosed below.

	2022	2021	2022	2021
	US$	US$	KHR'000 (Note 6)	KHR'000 (Note 6)
Right-of-use assets				
At 1 January	6,821,459	2,802,257	27,790,624	11,335,130
Additions	2,952,867	5,288,209	12,068,367	21,512,434
Amortisation for the year	(1,436,533)	(1,269,007)	(5,871,110)	(5,162,320)
Currency translation difference	-	-	338,813	105,380
At 31 December	8,337,793	6,821,459	34,326,694	27,790,624

15. DEPOSITS FROM CUSTOMERS

	31 December		31 December	
	2022	2021	2022	2021
	US$	US$	KHR'000 (Note 6)	KHR'000 (Note 6)
Current accounts (*)	311,788,255	378,363,006	1,283,632,246	1,541,450,886
Saving deposits	126,617,019	160,680,564	521,282,267	654,612,618
Fixed deposits	465,698,759	330,779,099	1,917,281,791	1,347,594,050
	904,104,033	869,822,669	3,722,196,304	3,543,657,554

(*) Include margin deposits which are interest free and are encumbered for trade line and guarantee granted to customers.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

15. DEPOSITS FROM CUSTOMERS (CONTINUED)

Deposits from customers were analysed as follows:

	31 December		31 December	
	2022	2021	2022	2021
	US$	US$	KHR'000 (Note 6)	KHR'000 (Note 6)
A. By maturity:				
Within 1 month	473,262,546	579,622,004	1,948,421,903	2,361,380,044
> 1 to 3 months	115,351,318	115,113,335	474,901,376	468,971,727
> 3 to 6 months	150,953,031	77,543,731	621,473,629	315,913,160
> 6 to 12 months	142,337,576	51,892,489	586,003,800	211,410,000
1 to 3 years	12,902,678	25,755,498	53,120,325	104,927,899
3 to 5 years	9,296,884	19,895,612	38,275,271	81,054,724
	904,104,033	869,822,669	3,722,196,304	3,543,657,554
B. By customer type:				
Corporations	324,220,527	386,076,478	1,334,815,910	1,572,875,571
Individuals	553,874,467	454,481,631	2,280,301,180	1,851,558,165
Others	26,009,039	29,264,560	107,079,214	119,223,818
	904,104,033	869,822,669	3,722,196,304	3,543,657,554
C. By residency status:				
Residents	903,870,573	869,139,830	3,721,235,149	3,540,875,667
Non-residents	233,460	682,839	961,155	2,781,887
	904,104,033	869,822,669	3,722,196,304	3,543,657,554
D. By relationship:				
Non-related parties	832,248,140	779,625,645	3,426,365,593	3,176,194,878
Related parties	71,855,893	90,197,024	295,830,711	367,462,676
	904,104,033	869,822,669	3,722,196,304	3,543,657,554

	2022	2021
E. By interest rate (per annum):		
Current accounts	0.00% - 2.00%	0.00% - 2.00%
Saving accounts	0.00% - 5.00%	0.00% - 2.50%
Fixed deposits	0.00% - 8.00%	0.00% - 8.00%

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

16. DEPOSITS FROM OTHER BANKS AND FINANCIAL INSTITUTIONS

	31 December		31 December	
	2022	2021	2022	2021
	US$	US$	KHR'000 (Note 6)	KHR'000 (Note 6)
Through customers' accounts:				
Current accounts	19,622,538	36,649,776	80,785,989	149,311,187
Saving accounts	2,776	12,303	11,429	50,122
Fixed deposits	97,471,514	106,562,157	401,290,223	434,134,229
	117,096,828	143,224,236	482,087,641	583,495,538
Through NBCs' accounts:				
Fixed deposits	70,914,609	66,688,677	291,955,445	271,689,670
	188,011,437	209,912,913	774,043,086	855,185,208

Deposits from other banks and financial institutions were analysed as follows:

	31 December		31 December	
	2022	2021	2022	2021
	US$	US$	KHR'000 (Note 6)	KHR'000 (Note 6)
A. By maturity:				
Within 1 month	46,054,197	73,574,916	189,605,129	299,744,208
2 to 3 months	40,893,104	31,428,605	168,356,909	128,040,137
4 to 6 months	28,521,930	60,503,148	117,424,786	246,489,825
7 to 12 months	35,119,469	18,110,058	144,586,854	73,780,376
1 to 3 years	37,422,737	26,296,186	154,069,408	107,130,662
	188,011,437	209,912,913	774,043,086	855,185,208
B. By residency status:				
Residents	188,011,437	209,912,913	774,043,086	855,185,208
C. By relationship:				
Non-related parties	114,075,416	95,561,900	469,648,488	389,319,181
Related parties	73,936,021	114,351,013	304,394,598	465,866,027
	188,011,437	209,912,913	774,043,086	855,185,208

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

16. DEPOSITS FROM OTHER BANKS AND FINANCIAL INSTITUTIONS (CONTINUED)

	2022	2021
D. By interest rate (per annum):		
Current accounts	0.00% - 0.75%	0.00% - 1.25%
Saving accounts	0.25%	0.00% - 0.25%
Fixed deposits	0.00% - 6.50%	0.00% - 6.00%

17. LEASE LIABILITIES

	31 December		31 December	
	2022	2021	2022	2021
	US$	US$	KHR'000 (Note 6)	KHR'000 (Note 6)
Present value of lease liabilities				
Current	1,394,315	1,398,463	5,740,395	5,697,338
Non-current	7,403,492	5,752,586	30,480,176	23,436,036
	8,797,807	7,151,049	36,220,571	29,133,374
Maturity analysis – contractual undiscounted cash flows				
Less than one year	383,333	137,111	1,578,182	558,590
One to five years	1,616,258	2,143,921	6,654,134	8,734,334
More than five years	9,471,009	7,575,149	38,992,144	30,861,157
Total undiscounted lease liabilities	11,470,600	9,856,181	47,224,460	40,154,081

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

	2022	2021	2022	2021
	US$	US$	KHR'000 (Note 6)	KHR'000 (Note 6)
At 1 January	7,151,049	3,121,721	29,133,374	12,627,361
Additions	2,952,867	5,288,210	12,068,367	21,512,438
Interest expense	460,857	263,640	1,883,523	1,072,488
Payments	(1,766,966)	(1,522,522)	(7,221,590)	(6,193,619)
Currency translation difference	-	-	356,897	114,706
At 31 December	8,797,807	7,151,049	36,220,571	29,133,374

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

17. LEASE LIABILITIES (CONTINUED)

Amounts recognised in profit or loss:

	2022	2021	2022	2021
	US$	US$	KHR'000 (Note 6)	KHR'000 (Note 6)
Interest expense on lease liabilities	460,857	263,640	1,883,523	1,072,488
Expenses relating to leases of short-term and low-value assets	432,495	359,224	1,767,607	1,461,323
	893,352	622,864	3,651,130	2,533,811

Amounts recognised in the statement of cash flows:

	2022	2021	2022	2021
	US$	US$	KHR'000 (Note 6)	KHR'000 (Note 6)
Total cash outflow for leases	1,306,109	1,258,882	5,338,067	5,121,132

18. OTHER LIABILITIES

	31 December		31 December	
	2022	2021	2022	2021
	US$	US$	KHR'000 (Note 6)	KHR'000 (Note 6)
Employee entitlements	1,727,082	1,307,719	7,110,397	5,327,647
Accrued expenses	1,337,088	846,734	5,504,791	3,449,594
Banker's cheques	189,318	30,429	779,424	123,968
Other tax payable	697,162	2,378,056	2,870,216	9,688,200
Others	105,269	237,922	433,392	969,294
	4,055,919	4,800,860	16,698,220	19,558,703

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

19. PROVISION FOR EMPLOYEE BENEFIT

This represents the provision of the backpay seniority indemnity payment, which is calculated at a maximum amount of six-month wages (depending on the length of service the employee has served) to the employee who has seniority before 2019, and the current seniority indemnity payment for 2022 as required by Prakas No. 443 issued by the Ministry of Labour and Vocational Training on 21 September 2018, and subsequently amended by Instruction No. 042/19 dated 22 March 2019.

On 23 December 2020, the Royal Government of Cambodia ("RGC") offered an option to factories, enterprises and business in all sectors to defer payments of the backpay seniority indemnity before 2019 and the current seniority indemnity for 2021 until 2022. The Bank chose to comply with the regulations. The Bank has paid the current seniority indemnity for 2022, and has started paying the backpay seniority indemnity from June 2022.

20. INCOME TAX

A. Deferred tax assets – net

	31 December		31 December	
	2022	2021	2022	2021
	US$	US$	KHR'000 (Note 6)	KHR'000 (Note 6)
Deferred tax assets	2,735,099	3,240,999	11,260,403	13,203,830
Deferred tax liabilities	(1,925,829)	(1,381,405)	(7,928,638)	(5,627,844)
Deferred tax assets – net	809,270	1,859,594	3,331,765	7,575,986

Deferred tax assets/(liabilities) were attributable to the following:

	31 December		31 December	
	2022	2021	2022	2021
	US$	US$	KHR'000 (Note 6)	KHR'000 (Note 6)
Depreciation and amortisation	238,823	121,941	983,234	496,788
Right-of-use assets	(1,667,559)	(1,364,292)	(6,865,340)	(5,558,126)
Lease liabilities	1,759,561	1,255,003	7,244,113	5,112,882
Impairment loss allowance on financial instruments and off-balance sheet commitment	309,533	1,430,210	1,274,347	5,826,676
Others	168,912	416,732	695,411	1,697,766
	809,270	1,859,594	3,331,765	7,575,986

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

20. INCOME TAX (CONTINUED)

A. Deferred tax assets – net (continued)

The movements of deferred tax during the year were as follows:

	2022	2021	2022	2021
	US$	US$	KHR'000 (Note 6)	KHR'000 (Note 6)
At 1 January	1,859,594	2,008,625	7,575,986	8,124,888
Recognised in profit or loss	(1,050,324)	(149,031)	(4,292,674)	(606,258)
Currency translation difference	-	-	48,453	57,356
At 31 December	809,270	1,859,594	3,331,765	7,575,986

B. Current income tax liability

	2022	2021	2022	2021
	US$	US$	KHR'000 (Note 6)	KHR'000 (Note 6)
At 1 January	2,874,254	1,461,051	11,709,711	5,909,951
Income tax expense	2,499,281	3,338,868	10,214,561	13,582,515
Over/ Under provision in prior year	(578,228)	212,398	(2,363,218)	864,035
Others	511,126	-	2,088,972	-
Income tax paid	(2,833,939)	(2,138,063)	(11,582,309)	(8,697,640)
Currency translation difference	-	-	111,541	50,850
At 31 December	2,472,494	2,874,254	10,179,258	11,709,711

C. Income tax expense

	2022	2021	2022	2021
	US$	US$	KHR'000 (Note 6)	KHR'000 (Note 6)
Current tax	2,432,179	3,551,266	9,940,316	14,446,550
Deferred tax	1,050,324	149,031	4,292,674	606,258
	3,482,503	3,700,297	14,232,990	15,052,808

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

20. INCOME TAX (CONTINUED)

C. Income tax expense (continued)

The reconciliation of income tax computed at the statutory tax rate of 20% of taxable income shown in profit or loss follows:

	2022			2021		
	US$	KHR'000 (Note 6)	%	US$	KHR'000 (Note 6)	%
Profit before income tax	17,671,478	72,223,330		12,003,302	48,829,433	
Income tax using statutory rate at 20%	3,534,296	14,444,668	20	2,400,660	9,765,885	20
Non-deductible expenses	15,309	62,568	0	1,087,239	4,422,888	9
Under/(over) provision in prior year	(578,228)	(2,363,218)	3	212,398	864,035	2
Others	511,126	2,088,972	3	-	-	0
Income tax expense	3,482,503	14,232,990	20	3,700,297	15,052,808	31

The calculation of taxable income is subject to the final review and approval of the tax authorities.

21. SHARE CAPITAL

	31 December		31 December	
	2022	2021	2022	2021
	US$	US$	KHR'000 (Note 6)	KHR'000 (Note 6)
Shares with par value of US$100 per share:				
Issued and fully paid - 750,000 shares	75,000,000	75,000,000	300,000,000	300,000,000

There were no changes in shareholders and shareholding structure during the year. As at reporting date, the shareholding structure is as follows:

	Registered, issued and fully paid					
	As at 31 December 2022			As at 31 December 2021		
	Number of shares	Amount US$	%	Number of shares	Amount US$	%
Royal Group Finance Co., Ltd	337,500	33,750,000	45	337,500	33,750,000	45
J Trust Co. Ltd.	412,500	41,250,000	55	412,500	41,250,000	55
	750,000	75,000,000	100	750,000	75,000,000	100

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

22. GENERAL RESERVES

There was no amount transferred between retained earnings to general reserves during the year. (2021: US$13,000,000).

23. REGULATORY RESERVES

Regulatory reserves represent the variance of impairment loss allowance in accordance with CIFRSs and the regulatory provision in accordance with the NBC as per Article 73 of NBC's Prakas No. B7-017-344 dated 1 December 2017.

During the year, the Bank transferred from retained earnings to regulatory reserves an amount of US$7,412,552 (2021: from the retained earnings to regulatory reserves amount to US$1,055,568).

24. INTEREST INCOME

	2022	2021	2022	2021
	US$	US$	KHR'000 (Note 6)	KHR'000 (Note 6)
Loans and advances to customers	79,194,677	62,972,383	323,668,645	256,171,654
Placements with other banks	614,789	12,782	2,512,643	51,997
Placements with NBC	1,079,048	61,072	4,410,069	248,441
	80,888,514	63,046,237	330,591,357	256,472,092

25. INTEREST EXPENSE

	2022	2021	2022	2021
	US$	US$	KHR'000 (Note 6)	KHR'000 (Note 6)
Fixed deposits	23,738,725	18,829,714	97,020,169	76,599,277
Savings deposits	2,418,838	966,775	9,885,790	3,932,841
Current deposits	1,468,192	1,466,855	6,000,501	5,967,166
Deposits from banks and financial institutions	2,344,357	1,595,251	9,581,387	6,489,481
Borrowings	-	77,589	-	315,631
Lease liabilities	460,857	263,640	1,883,523	1,072,488
	30,430,969	23,199,824	124,371,370	94,376,884

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

26. NET FEE, COMMISSION AND OTHER INCOME

	2022 US$	2021 US$	2022 KHR'000 (Note 6)	2021 KHR'000 (Note 6)
Trade and payment income	4,789,612	4,214,843	19,575,144	17,145,981
Lending fees	1,164,039	797,997	4,757,427	3,246,252
Other fees	652,302	390,906	2,665,958	1,590,206
	6,605,953	5,403,746	26,998,529	21,982,439
Fee and commission expense	(124,628)	(134,251)	(509,355)	(546,133)
Bank charges	(1,915,155)	(1,230,128)	(7,827,238)	(5,004,161)
	(2,039,783)	(1,364,379)	(8,336,593)	(5,550,294)
Net fee and commission income	4,566,170	4,039,367	18,661,936	16,432,145
Foreign exchange earnings	3,387,666	1,457,539	13,845,392	5,929,269
	7,953,836	5,496,906	32,507,328	22,361,414

27. PERSONNEL EXPENSES

	2022 US$	2021 US$	2022 KHR'000 (Note 6)	2021 KHR'000 (Note 6)
Salaries and wages	13,510,590	11,981,661	55,217,781	48,741,397
Performance reward scheme	1,724,153	1,298,269	7,046,613	5,281,358
Seniority expense	798,578	921,722	3,263,788	3,749,565
Pension fund	492,408	424,258	2,012,471	1,725,882
Others	1,715,325	1,494,297	7,010,535	6,078,800
	18,241,054	16,120,207	74,551,188	65,577,002

28. DEPRECIATION AND AMORTISATION

	2022 US$	2021 US$	2022 KHR'000 (Note 6)	2021 KHR'000 (Note 6)
Amortisation of intangible assets (Note 12)	2,022,465	89,350	8,265,815	363,476
Depreciation on property and equipment (Note 13)	1,999,630	1,280,685	8,172,488	5,209,827
Depreciation on right-of-use assets (Note14)	1,436,533	1,269,007	5,871,110	5,162,320
	5,458,628	2,639,042	22,309,413	10,735,623

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

29. GENERAL AND ADMINISTRATIVE EXPENSES

	2022 US$	2021 US$	2022 KHR'000 (Note 6)	2021 KHR'000 (Note 6)
Lease expense of low-value asses and short-term lease	432,495	359,224	1,767,607	1,461,323
Utilities and other outgoings	541,427	488,191	2,212,812	1,985,961
Data communication	519,055	98,268	2,121,378	399,754
Computer related expenses	3,835,609	6,331,504	15,676,134	25,756,558
Advertising	313,809	258,324	1,282,537	1,050,862
Withholding tax and VAT	826,474	521,606	3,377,799	2,121,893
Travel expense	98,355	69,486	401,977	282,669
Postage and stationeries	145,651	162,238	595,276	659,984
Professional fees	609,315	2,634,771	2,490,270	10,718,248
Telephone	63,825	77,438	260,853	315,018
Freight and cartage	72,455	73,996	296,124	301,016
Non-lending losses, frauds and forgeries	367	2,203	1,500	8,962
License and memberships fees	508,613	484,398	2,078,701	1,970,531
Security expenses	456,455	422,571	1,865,532	1,719,019
Loss on property and equipment	107,621	516,951	439,847	2,102,957
Others	1,614,228	1,769,464	6,597,350	7,198,180
Total	10,145,754	14,270,633	41,465,697	58,052,935

30. IMPAIRMENT LOSSES ON FINANCIAL INSTRUMENTS

	2022 US$	2021 US$	2022 KHR'000 (Note 6)	2021 KHR'000 (Note 6)
Loans and advances to customers (Note 10)	6,619,419	663,785	27,053,565	2,700,277
Cash and cash equivalents (Note 7)	116,684	(191,703)	476,888	(779,848)
Placements with other banks (Note 8)	357,506	(84,902)	1,461,127	(345,381)
Off-balance sheet commitments (Note 31)	(199,142)	(77,045)	(813,893)	(313,419)
	6,894,467	310,135	28,177,687	1,261,629

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

31. COMMITMENTS AND CONTINGENCIES

A. Operations

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

	31 December		31 December	
	2022	2021	2022	2021
	US$	US$	KHR'000 (Note 6)	KHR'000 (Note 6)
Bank guarantees	12,589,145	21,081,109	51,829,510	85,884,438
Letters of credit	53,560,491	47,010,653	220,508,541	191,521,400
Unused portion of loans and advances	97,264,741	78,350,394	400,438,939	319,199,505
Foreign exchange commitments	126,970,335	42,045,777	522,736,869	171,294,495
	290,384,712	188,487,933	1,195,513,859	767,899,838

The impairment loss allowance for off balance sheet commitments following the National Bank of Cambodia's Prakas No. B7-017-344 and Circular No. B7-018-001 Sor Ror Chor Nor on credit risk classification and provision on impairment for banks as stated in Note 32B(iv) and its movements are analysed as follows:

	2022	2021	2022	2021
	US$	US$	KHR'000 (Note 6)	KHR'000 (Note 6)
At 1 January	575,383	652,428	2,344,110	2,639,071
Reversal allowance for impairment loss	(199,143)	(77,045)	(813,897)	(313,419)
Currency translation difference	-	-	18,767	18,458
At 31 December	376,240	575,383	1,548,980	2,344,110

B. Lease commitments

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

	31 December		31 December	
	2022	2021	2022	2021
	US$	US$	KHR'000 (Note 6)	KHR'000 (Note 6)
Within 1 year	777,715	833,508	3,201,853	3,395,712
2 to 3 years	352,118	826,225	1,449,670	3,366,041
4 to 5 years	594	8,912	2,445	36,307
Over 5 years	-	1,582	-	6,445
	1,130,427	1,670,227	4,653,968	6,804,505

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

31. COMMITMENTS AND CONTINGENCIES (CONTINUED)

C. Other commitments

The Bank contracted vendors to build a temporary Head Office located at building No.10 in Royal Railway, Phnom Penh with a total project cost of US$ 2,800,340, of which US$1,301,620 has been paid to vendors by 31 December 2022. The remaining amount of US$1,498,720 will be paid in 2023 following the term of payments stated in the contract.

D. Tax contingencies

Taxes are subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges. The application of tax laws and regulations to many types of transactions are susceptible to varying interpretations.

These facts may create tax risks in Cambodia substantially more significant than in other countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have differing interpretations and the effects could be significant.

On 30 November 2021, the General Department of Taxation ("GDT") issued a notice of tax reassessment to the Bank to pay reassessed taxes of KHR19,327,498,202 (approximately US$4,831,875) for the fiscal year 2019.

The Bank has engaged a tax advisor to help on this matter and filed a protest letter to GDT on 20 December 2021. Up to the date of these financial statements, there has been no response from GDT on this protest. The management believes that the protest justification is solid and that the likelihood for payments of reassessed tax is remote. The Bank's management has made provisions amounting to US$384,152 for 2019 and another provision of US$250,635 from self-assessment for 2020 in the Bank's 2021 financial statements. The Bank's management has performed self-assessment for the year 2021, and made provisions of US$511,125 in the Bank's 2022 financial statements.

32. RELATED PARTIES

A. Identity of related parties

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

32. RELATED PARTIES (CONTINUED)

A. Identity of related parties (continued)

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

B. Transactions with related parties

	2022	2021	2022	2021
	US$	US$	KHR'000 (Note 6)	KHR'000 (Note 6)
Interest income:				
Related entities	989,150	2,506,508	4,042,656	10,196,475
Key management personnel	119,688	91,696	489,165	373,019
	1,108,838	2,598,204	4,531,821	10,569,494
Interest expense:				
Shareholders	9,156	185	37,421	753
Related entities	4,376,554	4,801,559	17,886,976	19,532,742
Key management personnel	36,975	1,571,971	151,117	6,394,778
	4,422,685	6,373,715	18,075,514	25,928,273
Rental expense:				
Shareholders	333,333	211,111	1,362,332	858,800
Related entities	211,203	244,604	863,187	995,049
	544,536	455,715	2,225,519	1,853,849
IT support cost from JT Group Limited	663,343	7,229,722	2,711,083	29,410,509

C. Compensation of directors and key management

	2022	2021	2022	2021
	US$	US$	KHR'000 (Note 6)	KHR'000 (Note 6)
Salary and short-term benefits	2,260,000	2,273,118	9,236,620	9,247,044
Board of Directors' fees	24,000	178,708	98,088	726,984
	2,284,000	2,451,826	9,334,708	9,974,028

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

32. RELATED PARTIES (CONTINUED)

D. Balances with related parties

	31 December		31 December	
	2022	2021	2022	2021
	US$	US$	KHR'000 (Note 6)	KHR'000 (Note 6)
Deposit from related parties:				
Shareholders (*)	234,289	68,729	964,568	280,002
Related parties (**)	114,615,710	169,562,298	471,872,878	690,796,802
Key management personnel (**)	30,941,914	34,917,010	127,387,860	142,251,899
	145,791,913	204,548,037	600,225,306	833,328,703

(*) This presents deposits from shareholders bear interest rates ranging from 0.00% to 0.25% per annum (2021: 0.00% to 0.25% per annum) depending on the terms and currency of the deposits.

(**) Deposits from related entities and key management of the Bank bear interest rates ranging from 0.00% to 7.00% per annum (2021: 0.00% to 7.00% per annum) depending on the terms and currency of the deposits.

	31 December		31 December	
	2022	2021	2022	2021
	US$	US$	KHR'000 (Note 6)	KHR'000 (Note 6)
Loans and advances to related parties:				
Related entities	15,019,007	19,000,000	61,833,252	77,406,000
Key management personnel	3,643,839	2,521,301	15,001,685	10,271,780
	18,662,846	21,521,301	76,834,937	87,677,780

Loans and advances are provided to related entities and key management of the Bank with contractual interest rate ranging from 3.25% to 14.94% per annum (2021: 3.25% to 14.94% per annum).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

33. FINANCIAL RISK MANAGEMENT

A. Introduction and overview

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

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

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

For the purpose of preserving the financial stability and reduce the burden of the borrowers who are losing their primary incomes and facing difficulties in repayment during the impact of the COVID-19 pandemic, the Bank works constructively with affected borrowers and allows for loan restructuring. Loan restructuring is carried out by the Bank's special unit that is independent from the lending department. This special unit shall regularly conduct a portfolio review of affected borrowers to measure the impact on their financial conditions during the pandemic.

Risk management functional and governance structure

The Bank's Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board of Directors has established the Bank Asset and Liability Management Committee ("ALCO"), which is responsible for the oversight and strategic management of Bank's balance sheet, activities including balance sheet structure, liquidity, funding, capital management, non-traded interest rate risk and non-traded foreign exchange risks.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Bank's activities. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Bank's Audit Committee is established by the Board of Directors to provide independent oversight of the Bank's internal and external audit functions, internal control system, financial reporting and to ensure checks and balances within the Bank. The purpose of the Committee is to assist the Board in its review of:

a) the work of Bank's internal audit and oversight of external audit activity;
b) Bank's financial reporting principles and policies, controls and procedures; and
c) the integrity of Bank's financial statements and the independent audit thereof.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

B. Credit risk

'Credit risk' is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers and placements with other banks, and other assets.

For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure – e.g. individual obligor default risk, and sector risk.

Credit risk is the potential loss of revenue and principal losses arising mainly from loans and advances and loan commitments as a result of default by the borrowers or counterparties through its lending activities.

(i). Management of credit risk

The Board of Directors created the Risk Management Committee ("RMC") for oversight and presides over Credit, Operational & Compliance and Market Risk and will be appraised of key risk related issues affecting the businesses., including but not limited to the following.

- Endorsing credit and market risk appetite, risk metrics and tolerances for relevant metrics. Monitoring credit and markets risk metrics within the approved risk tolerances regularly in line with reporting frequency: Delegation of Credit Approval Discretions ("CAD") to individuals and approving lending facilities in excess of the delegated CADs; Reviewing Risk Models and their performance and stress testing results; Approving remediation/ action plans in relation to breaches of risk tolerances and reporting significant risk issues to the Board; Identifying and providing early warnings on potential threats/risks to the stability of the Bank's performance and instigating necessary actions to protect the Bank from these threats/risks in both short term and long term;

- Providing a robust risk framework covering all operational risks, governance and compliance issues, policies and processes within the Bank, so that it is able to support the Bank's strategy. Investigating and reviewing policy breaches Credit, Operational and Compliance and Market Risk and approving remediation actions;

- Reviewing internal audits and regulator review issues, and monitoring the remediation actions to ensure prompt closure.

- Developing and maintaining the Bank's processes for measuring ECL. This includes processes for:

  - initial approval and validation and recalibration of the models used;
  - determining and monitoring significant increase in credit risk; and
  - incorporation of forward-looking information.

- Reviewing compliance of business units with agreed limits, including those for selected industries, country risk and product types. Regular reports on the credit quality of local portfolios are provided to Risk Management, which may require appropriate corrective action to be taken. These include reports containing estimates of ECL allowances.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

B. Credit risk (continued)

(i). Management of credit risk (continued)

- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Bank in the management of credit risk.

- The authority to make credit decisions is delegated by the Board of Directors to Risk Management Committee ("RMC"). RMC shall perform the delegated power and shall have the right to further delegate or sub-delegate CADs to other executives and/or staff of the Bank to effectively decide on credit related matters. Individuals must be suitably skilled and accredited in order to be granted and retain a credit discretion. The credit approval authority of authorised individuals (CAD holder) is set in the delegation letters signed by the Chairwoman (or Chair) of the RMC or his/her delegates. CAD holders must be responsible in exercising the assigned CAD and only be allowed to exercise such CAD within the Bank's risk appetite. Credit discretions are reviewed on an annual basis and may be varied based on the CAD holder's performance.

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

(ii). Concentration of risk

The Bank operates and provides loans and advances to individuals or enterprises within the Kingdom of Cambodia. The Bank manages limits and controls concentration of credit risk whenever they are identified.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Type of credit exposure

	Maximum credit exposure	Maximum credit exposure	Fully subject to collateral/credit enhancement	Partially subject to collateral/ credit enhancement	Unsecured and not subject to collateral/ credit enhancement
	US$	KHR'000 (Note 6)	%	%	%
31 December 2022					
On balance sheet items					
Cash and cash equivalents – gross	235,740,240	970,542,568	-	-	100%
Placement with other banks – gross	28,971,196	119,274,414	-	-	100%
Loans and advances to customers - gross	990,860,843	4,079,374,090	95%	-	5%
Other assets	1,335,798	5,499,480	-	-	100%
Total	1,256,908,077	5,174,690,552			
Off-balance sheet items					
Contingent liabilities	66,149,636	272,338,051	100%	-	
Commitments	1,130,427	4,653,968	-	-	100%
Total	67,280,063	276,992,019			
31 December 2021					
On balance sheet items					
Cash and cash equivalents – gross	305,823,615	1,245,925,408	-	-	100%
Placement with other banks – gross	8,383,560	34,154,624	-	-	100%
Loans and advances to customers - gross	911,662,552	3,714,113,238	94%	-	6%
Other assets	112,043	456,463	-	-	100%
Total	1,225,981,770	4,994,649,733			
Off-balance sheet items					
Contingent liabilities	68,091,762	277,405,838	100%	-	-
Commitments	1,670,227	6,804,505	-	-	100%
Total	69,761,989	284,210,343			

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

B. Credit risk (continued)

(ii). Concentration of risk (continued)

Concentration risk by industrial sectors

31 December 2022	Cash equivalents in banks – gross	Placements with other banks – gross	Loans and advances to customers - gross	Other assets	Total
	US$	US$	US$	US$	US$
Financial institutions	235,740,240	28,971,196	82,584,402	-	347,295,838
Corporate business loans	-	-	692,725,854	-	692,725,854
Retail business loans	-	-	212,896,376	-	212,896,376
Credit cards	-	-	2,654,211	-	2,654,211
Others	-	-	-	1,335,798	1,335,798
Total	235,740,240	28,971,196	990,860,843	1,335,798	1,256,908,077
Total (KHR'000 – Note 6)	970,542,568	119,274,414	4,079,374,091	5,499,480	5,174,690,553

31 December 2021	Cash equivalents in banks – gross	Placements with other banks – gross	Loans and advances to customers - gross	Other assets	Total
	US$	US$	US$	US$	US$
Financial institutions	305,823,615	8,383,560	74,136,457	-	388,343,632
Corporate business loans	-	-	634,524,455	-	634,524,455
Retail business loans	-	-	201,910,332	-	201,910,332
Credit cards	-	-	1,091,308	-	1,091,308
Others	-	-	-	112,043	112,043
Total	305,823,615	8,383,560	911,662,552	112,043	1,225,981,770
Total (KHR'000 – Note 6)	1,245,925,408	34,154,624	3,714,113,238	456,463	4,994,649,733

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

B. Credit risk (continued)

(ii). Concentration of risk (continued)

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

	31 December		31 December	
	2022	2021	2022	2021
	US$	US$	KHR'000 (Note 6)	KHR'000 (Note 6)
By residency status:				
Residents	990,860,843	911,662,552	4,079,374,090	3,714,113,238
By relationship:				
Related parties	18,662,846	21,521,301	76,834,937	87,677,781
Non-related parties	972,197,997	890,141,251	4,002,539,153	3,626,435,457
	990,860,843	911,662,552	4,079,374,090	3,714,113,238
By exposure:				
Large exposures (*)	248,143,503	256,751,364	1,021,606,802	1,046,005,057
Non-large exposures	742,717,340	654,911,188	3,057,767,288	2,668,108,181
	990,860,843	911,662,552	4,079,374,090	3,714,113,238
By concession:				
Restructured (**)	15,716,740	46,135,195	64,705,819	187,954,784
Non-restructured	975,144,103	865,527,357	4,014,668,271	3,526,158,454
	990,860,843	911,662,552	4,079,374,090	3,714,113,238

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

(**) A "restructured loan" is a loan that original contractual terms have been modified to provide for concessions for the borrowers for reasons related to real temporary financial difficulties.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

B. Credit risk (continued)

(iii). Collateral

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

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

Cash and cash equivalents, balances with NBC, placement with banks, and other assets

Collateral is generally not sought for these assets.

Loans and advances to customers, contingent liabilities and commitments

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

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

	Collateral/credit enhancement				Unsecured credit exposure	Total	
	Properties	Floating assets	Fixed deposits	Others			
	US$	US$	US$	US$	US$	US$	KHR'000 (Note 6)
31 December 2022							
Loans and advances to customers - gross	906,966,174	-	34,289,531	-	49,605,138	990,860,843	4,079,374,091
Contingent liabilities	55,389,857	-	10,759,779	-	-	66,149,636	272,338,051
Commitments	-	-	-	-	1,130,427	1,130,427	4,653,968
Others	-	-	-	-	1,335,798	1,335,798	5,499,480
	962,356,031	-	45,049,310	-	52,071,363	1,059,476,704	4,361,865,590
31 December 2021							
Loans and advances to customers - gross	833,311,597	-	24,645,471	-	53,705,484	911,662,552	3,714,113,238
Contingent liabilities	63,997,919	-	4,093,843	-	-	68,091,762	277,405,838
Commitments	-	-	-	-	1,670,227	1,670,227	6,804,505
Others	-	-	-	-	112,043	112,043	456,463
	897,309,516	-	28,739,314	-	55,487,754	981,536,584	3,998,780,044

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

B. Credit risk (continued)

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

On 28 December 2021, the NBC issued a new Circular, No. B7-021-2314 CL on Classification and Provisioning Requirement on Restructure Loans, which aims at phasing out the forbearance period for the existing restructured loans and phasing the classification and provisioning arrangements complying with the current regulation, Prakas No. B7-017-344 dated 01 December 2017 on Credit Risk Grading and Impairment Provisioning. In this regard, all restructured loans by 31 December 2021 shall be classified and provisioned based on the requirements under this circular. For loans that were still in the assessment period, they shall be kept at the same classification as before the restructured terms of contract.

Following the NBC's workshop on "the Circular on Classification and Provisioning Requirement for Restructured Loans" held on 18 January 2022, the NBC issued a communication on 4 February 2022 allowing banking and financial institutions ("BFIs") to defer the implementation of the new Circular until January 2022 onward though early adoption is encouraged.

Pursuant to the NBC guideline Prakas B7.017.344, it has defined each credit grading according to its credit quality as follows:

Normal

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

Special mention

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

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

Substandard

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

B. Credit risk (continued)

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

Substandard (continued)

Factors leading to a substandard classification include:

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

Doubtful

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

Loss

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

Recognition of ECL

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

B. Credit risk (continued)

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

Recognition of ECL (continued)

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

Long-term facilities (more than one year)

Stage	Credit Risk Status	Grades	DPD	Default Indicator
1	No significant increase in credit risk	Normal	0 ≤ DPD < 30	Performing
2	Credit risk increased significantly	Special Mention	30 ≤ DPD < 90	Underperforming
3	Credit impaired assets	Substandard	90 ≤ DPD < 180	Nonperforming
		Doubtful	180 ≤ DPD <360	
		Loss	DPD ≥ 360	

Short-term facilities (one year or less)

Stage	Credit Risk Status	Grades	DPD	Default Indicator
1	No significant increase in credit risk	Normal	0 ≤ DPD ≤ 14	Performing
2	Credit risk increased significantly	Special Mention	15 ≤ DPD ≤ 30	Underperforming
3	Credit impaired assets	Substandard	31 ≤ DPD ≤ 60	Nonperforming
		Doubtful	61 ≤ DPD ≤ 90	
		Loss	DPD ≥ 91	

The Bank uses the days past due ("DPD") information, Customer Credit Rating (CCR) and NBC's classification for staging criteria. Also, the Bank incorporates a forward-looking approach in applying MEVs (Macro-Economic Variables) to ECL calculation to reflect economic adjustments.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

B. Credit risk (continued)

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

Recognition of ECL (continued)

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

				31 December 2022
	Stage 1	Stage 2	Stage 3	Total
	US$	US$	US$	US$
Loans and advances to customers at amortised cost				
Normal	891,597,031	-	-	891,597,031
Special Mention	-	76,973,503	-	76,973,503
Substandard	-	-	3,358,299	3,358,299
Doubtful	-	-	10,146,257	10,146,257
Loss	-	-	8,785,753	8,785,753
	891,597,031	76,973,503	22,290,309	990,860,843
Less: impairment loss allowance	(1,930,309)	(3,863,914)	(8,119,531)	(13,913,754)
Carrying amount (US$)	889,666,722	73,109,589	14,170,778	976,947,089
Carrying amount (KHR'000 – Note 6)	3,662,757,894	300,992,178	58,341,093	4,022,091,165

				31 December 2021
	Stage 1	Stage 2	Stage 3	Total
	US$	US$	US$	US$
Loans and advances to customers at amortised cost				
Normal	904,445,306	-	-	904,445,306
Special Mention	-	3,098,431	-	3,098,431
Substandard	-	-	2,509,299	2,509,299
Doubtful	-	-	55,018	55,018
Loss	-	-	1,554,498	1,554,498
	904,445,306	3,098,431	4,118,815	911,662,552
Less: impairment loss allowance	(3,599,263)	(1,224,057)	(2,596,029)	(7,419,349)
Carrying amount (US$)	900,846,043	1,874,374	1,522,786	904,243,203
Carrying amount (KHR'000 – Note 6)	3,670,046,779	7,636,200	6,203,830	3,683,886,809

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

B. Credit risk (continued)

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

Significant increase in credit risk

The Bank has supported and complied with the NBC regulations by offering loan restructuring facilities via either providing grace period or providing full moratorium to its impacted customers including revised terms of the facility, extending the maturity, deferring interest and/or principal repayments.

From perspective of the Bank's Management, the first restructure is an initial indicator of a significant increase in credit risk, and it may constitute the evidence of credit impair in the future if the modification term and conditions has not improved or restored the Bank's ability to collect the repayment. Those exposures shall be measured at an amount equal to Stage 2.

Even though a portion of the Bank's loan portfolio has been restructured, most of these restructured customers still indicate positive business prospects for the Bank and are still able to service their regular interest payments. Those customers demonstrate consistently good payment behaviour over a certain period of time before the exposure is no longer considered to be in Stage 2, and such an allowance reverts to Stage 1.

For treatment of staging transfer criteria for loan restructuring more than one time or high-risk account, the Bank determines that accounts shall remain in Stage 3.

Incorporation of forward-looking information

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

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

The Bank used the macroeconomic historical data in order to forecast the probability of default. The known quarterly Observed Default Rates ("ODRs") are regressed against the quarterly macro-economic variables ("MEV") values. The Bank has used a time weighted average methodology in order to forecast future MEVs. A forward-looking scalar is computed as the ratio of the ODR based on the most recently known MEV and the forecasted MEV.

The MEVs are shocked in order to generate base, best- and worst-case scenarios. This has been done by computing the standard deviation of the known historical values of the MEV and adjusting the base value by +/- 2 standard deviation to generate best- and worst-case scenarios.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

B. Credit risk (continued)

(v). Amounts arising from ECL

Impairment loss allowance

The following tables show reconciliation from the opening to the closing balance of the impairment loss allowance by class of financial instrument.

				2022
	Stage 1	Stage 2	Stage 3	Total
	US$	US$	US$	US$
Loans and advances to customers at amortised cost				
Balance at 1 January	3,599,263	1,224,057	2,596,029	7,419,349
- Transfer to Stage 1	136,825	(95,768)	(41,057)	-
- Transfer to Stage 2	(236,936)	236,936	-	-
- Transfer to Stage 3	(191,453)	(244,952)	436,405	-
Net remeasurement of loss allowance	(1,382,073)	1,400,945	3,166,548	3,185,420
New financial assets originated	989,311	1,407,959	2,435,777	4,833,047
Financial assets that been derecognised	(984,628)	(65,263)	(474,171)	(1,524,062)
Balance at 31 December (US$)	1,930,309	3,863,914	8,119,531	13,913,754
Balance at 31 December (KHR'000 – Note 6)	7,947,082	15,907,734	33,428,109	57,282,925

				2021
	Stage 1	Stage 2	Stage 3	Total
	US$	US$	US$	US$
Loans and advances to customers at amortised cost				
Balance at 1 January	4,151,645	96,725	2,567,629	6,815,999
- Transfer to Stage 1	-	-	-	-
- Transfer to Stage 2	(33,266)	33,266	-	-
- Transfer to Stage 3	(51,865)	(84,466)	136,331	-
Net remeasurement of loss allowance	(1,472,474)	1,188,942	1,112,200	828,668
New financial assets originated	2,075,986	1,849	9,483	2,087,318
Financial assets that been derecognised	(1,070,763)	(12,259)	(1,229,614)	(2,312,636)
Balance at 31 December (US$)	3,599,263	1,224,057	2,596,029	7,419,349
Balance at 31 December (KHR'000 – Note 6)	14,663,397	4,986,808	10,576,222	30,226,428

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

B. Credit risk (continued)

(v). Amounts arising from ECL (continued)

Significant Changes in Gross Carrying Amount Affecting Allowance for ECL

The table below provides information how the significant changes in the gross carrying amount of financial instruments in 2022 and 2021 contributed to the changes in the allowance for ECL.

				2022
	Stage 1	Stage 2	Stage 3	Total
	US$	US$	US$	US$
Loans and advances to customers at amortised cost				
Balance at 1 January	904,547,447	3,216,565	3,898,540	911,662,552
- Transfer to Stage 1	235,901	(235,901)	-	-
- Transfer to Stage 2	(33,883,387)	33,883,387	-	-
- Transfer to Stage 3	(11,848,051)	(675,587)	12,523,638	-
New financial assets originated	507,037,430	24,047,725	5,278,774	536,363,929
Derecognition of financial assets	(455,749,753)	(372,996)	(1,042,889)	(457,165,638)
Balance at 31 December (US$)	910,339,587	59,863,193	20,658,063	990,860,843
Balance at 31 December (KHR'000 – Note 6)	3,747,868,080	246,456,766	85,049,245	4,079,374,091

				2021
	Stage 1	Stage 2	Stage 3	Total
	US$	US$	US$	US$
Loans and advances to customers at amortised cost				
Balance at 1 January	694,230,760	482,769	2,920,354	697,633,883
- Transfer to Stage 1	2,262,586	(370,835)	(1,891,751)	-
- Transfer to Stage 2	(2,867,617)	2,867,617	-	-
- Transfer to Stage 3	(4,419,949)	-	4,419,949	-
New financial assets originated	471,482,508	60,379,601	3,778,603	535,640,712
Derecognition of financial assets	(319,951,663)	(192,936)	(1,467,443)	(321,612,042)
Balance at 31 December (US$)	840,736,625	63,166,216	7,759,712	911,662,553
Balance at 31 December (KHR'000 – Note 6)	3,425,161,010	257,339,164	31,613,067	3,714,113,241

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

C. Market risk

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

(i). Interest rate risk

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

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

As at 31 December 2022	Up to 1 month	> 1-3 months	> 3-6 months	> 6-12 months	> 1 to 5 years	Over 5 years	Non-interest bearing	Total	Interest rate
	US$	US$	US$	US$	US$	US$	US$	US$	%
Financial assets									
Cash and cash equivalents – gross	57,177,114	-	-	-	-	-	178,563,126	235,740,240	3.50%
Placements with other banks – gross	5,442,903	13,524,855	10,003,438	-	-	-	-	28,971,196	1.69%
Loans and advances to customers – gross	51,882,777	134,553,727	155,529,450	126,722,244	217,351,529	304,821,116	-	990,860,843	11.01%
Other assets	-	-	-	-	-	-	1,335,798	1,335,798	-
	114,502,794	148,078,582	165,532,888	126,722,244	217,351,529	304,821,116	179,898,924	1,256,908,077	
Financial liabilities									
Deposits from customers	473,262,546	115,351,318	150,953,031	142,337,576	22,199,562	-	-	904,104,033	2.50%
Deposits from banks and financial institutions	46,054,197	40,893,104	28,521,930	35,119,469	37,422,737	-	-	188,011,437	1.25%
Lease liabilities	117,332	217,717	340,406	718,860	3,302,779	4,100,713	-	8,797,807	5.50%
Other liabilities	-	-	-	-	-	-	4,390,960	4,390,960	-
	519,434,075	156,462,139	179,815,367	178,175,905	62,925,078	4,100,713	4,390,960	1,105,304,237	
Interest sensitivity gap	(404,931,281)	(8,383,557)	(14,282,479)	(51,453,661)	154,426,451	300,720,403	175,507,964	151,603,840	
KHR'000 equivalents - Note 6	(1,667,102,084)	(34,515,104)	(58,800,966)	(211,834,722)	635,773,699	1,238,065,899	722,566,288	624,153,009	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

(i). Interest rate risk (continued)

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

As at 31 December 2021	Up to 1 month	> 1-3 months	> 3-6 months	> 6-12 months	> 1 to 5 years	Over 5 years	Non-interest bearing	Total	Interest rate
	US$	US$	US$	US$	US$	US$	US$	US$	%
Financial assets									
Cash and cash equivalents – gross	27,740,919	-	-	-	-	-	278,082,696	305,823,615	1.50%
Placements with other banks – gross	2,083,060	6,300,500	-	-	-	-	-	8,383,560	1.18%
Loans and advances to customers – gross	50,974,941	133,699,842	165,783,693	98,450,874	186,105,291	276,647,911	-	911,662,552	11.08%
Other assets	-	-	-	-	-	-	112,043	112,043	-
	80,798,920	140,000,342	165,783,693	98,450,874	186,105,291	276,647,911	278,194,739	1,225,981,770	
Financial liabilities									
Deposits from customers	579,622,004	115,113,335	77,543,731	51,892,489	45,651,110	-	-	869,822,669	2.08%
Deposits from banks and financial institutions	73,574,916	31,428,605	60,503,148	18,110,058	26,296,186	-	-	209,912,913	1.33%
Lease liabilities	116,258	204,889	326,267	751,049	2,303,980	3,448,606	-	7,151,049	5.50%
Other liabilities	-	-	-	-	-	-	5,188,894	5,188,894	-
	653,313,178	146,746,829	138,373,146	70,753,596	74,251,276	3,448,606	5,188,894	1,092,075,525	
Interest sensitivity gap	(572,514,258)	(6,746,487)	27,410,547	27,697,278	111,854,015	273,199,305	273,005,845	133,906,245	
KHR'000 equivalents - Note 6	(2,332,423,087)	(27,485,188)	111,670,568	112,838,711	455,693,257	1,113,013,969	1,112,225,813	545,534,043	

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

	Profit or loss		Equity	
	100 bp Increase	100 bp Decrease	100 bp Increase	100 bp Decrease
	US$	US$	US$	US$
31 December 2022				
Variable rate instruments	3,607,118	(3,607,118)	3,607,118	(3,607,118)
KHR'000 – Note 6	14,850,505	(14,850,505)	14,850,505	(14,850,505)
31 December 2021				
Variable rate instruments	3,770,597	(3,770,597)	3,770,597	(3,770,597)
KHR'000 – Note 6	15,361,412	(15,361,412)	15,361,412	(15,361,412)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

C. Market risk (continued)

(ii). Foreign currency exchange risk

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

The Bank has no material exposures to foreign currency exchange risk as it transacts essentially in US Dollars.

Concentration of currency risk

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

31 December 2022	Denomination US$ equivalents			
	US$	KHR	Others	Total
Financial assets				
Cash equivalents in banks – gross	203,339,438	29,817,430	2,583,372	235,740,240
Placement with other banks – gross	23,965,896	5,005,300	-	28,971,196
Loans and advances to customers - gross	881,817,428	109,043,415	-	990,860,843
Other assets	1,335,798	-	-	1,335,798
	1,110,458,560	143,866,145	2,583,372	1,256,908,077
Financial liabilities				
Deposits from customers	853,431,226	50,329,574	343,233	904,104,033
Deposits from banks and financial institutions	145,286,483	42,422,530	302,424	188,011,437
Lease liability	8,797,807	-	-	8,797,807
Other liabilities	4,390,960	-	-	4,390,960
	1,011,906,476	92,752,104	645,657	1,105,304,237
Net asset position	98,552,084	51,114,041	1,937,715	151,603,840
KHR'000 – Note 6	405,738,930	210,436,507	7,977,573	624,153,009

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

C. Market risk (continued)

(ii). Foreign currency exchange risk (continued)

Concentration of currency risk (continued)

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

31 December 2021	Denomination US$ equivalents			
	US$	KHR	Others	Total
Financial assets				
Cash equivalents in banks – gross	272,681,869	32,335,985	805,761	305,823,615
Placement with other banks – gross	8,383,560	-	-	8,383,560
Loans and advances to customers - gross	814,549,681	97,112,871	-	911,662,552
Other assets	112,043	-	-	112,043
	1,095,727,153	129,448,856	805,761	1,225,981,770
Financial liabilities				
Deposits from customers	813,246,960	56,317,851	257,858	869,822,669
Deposits from banks and financial institutions	162,340,159	47,572,509	245	209,912,913
Lease liability	7,151,049	-	-	7,151,049
Other liabilities	5,188,894	-	-	5,188,894
	987,927,062	103,890,360	258,103	1,092,075,525
Net asset position	107,800,091	25,558,496	547,658	133,906,245
KHR'000 – Note 6	439,177,571	104,125,313	2,231,159	545,534,043

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

D. Liquidity risk

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

Management of liquidity risk

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

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

As at 31 December 2022	Up to 1 month	> 1-3 months	> 3-6 months	> 6-12 months	> 1 to 5 years	Over 5 years	Non-interest bearing	Total
	US$	US$	US$	US$	US$	US$	US$	US$
Financial liabilities								
Deposits from customers	473,262,546	115,351,318	150,953,031	142,337,576	22,199,562	-	-	904,104,033
Deposits from banks and financial institutions	46,054,197	40,893,104	28,521,930	35,119,469	37,422,737	-	-	188,011,437
Lease liabilities	117,332	217,717	340,406	718,860	3,302,779	4,100,713	-	8,797,807
Other liabilities	-	-	-	-	-	-	4,390,960	4,390,960
	519,434,075	156,462,139	179,815,367	178,175,905	62,925,078	4,100,713	4,390,960	1,105,304,237
(KHR'000 equivalents – Note 6)	2,138,510,087	644,154,626	740,299,866	733,550,201	259,062,546	16,882,635	18,077,582	4,550,537,544

As at 31 December 2021	Up to 1 month	> 1-3 months	> 3-6 months	> 6-12 months	> 1 to 5 years	Over 5 years	Non-interest bearing	Total
	US$	US$	US$	US$	US$	US$	US$	US$
Financial liabilities								
Deposits from customers	579,622,004	115,113,335	77,543,731	51,892,489	45,651,110	-	-	869,822,669
Deposits from banks and financial institutions	73,574,916	31,428,605	60,503,148	18,110,058	26,296,186	-	-	209,912,913
Lease liabilities	116,258	204,889	326,267	751,049	2,303,980	3,448,606	-	7,151,049
Other liabilities	-	-	-	-	-	-	5,188,894	5,188,894
	653,313,178	146,746,829	138,373,146	70,753,596	74,251,276	3,448,606	5,188,894	1,092,075,525
(KHR'000 equivalents – Note 6)	2,661,597,887	597,846,581	563,732,197	288,250,150	302,499,698	14,049,621	21,139,554	4,449,115,689

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

E. Operational risk

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

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

F. Capital management

(i). Regulatory capital

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

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

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

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

(ii). Capital allocation

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

34. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

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

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

The fair value of the Bank's financial instruments such as cash and short-term funds, placements with banks and other financial institutions, deposits from customers and banks, other assets, other liabilities and short-term borrowings are not materially sensitive to shifts in market profit rate because of the limited term to maturity of these instruments. As such, the carrying value of these financial assets and liabilities at financial position date approximate their fair values.

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

Balances with other banks

Balance with other banks include non-interest bearing current accounts and savings deposits. The fair value of placements with other financial institutions approximates the carrying amount.

Financing, loans and advances and others

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

Deposits from banks, other financial institutions and customers

The fair values of deposits payable on demand (current and savings accounts), or deposits with remaining maturity of less than one year are estimated to approximate their carrying amounts. The fair values of deposits with remaining maturity of more than one year are estimated based on discounted cash flows using prevailing market rates for similar deposits from banks and customers.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

34. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Fair value hierarchy

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

- Level 1 – Quoted price (unadjusted) in active markets for the identical assets or liabilities. This level includes listed equity securities and debt instruments.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 – Inputs for asset or liability that are not based on observable market data (unobservable inputs). This level includes equity instruments and debt instruments with significant unobservable components.

The Bank's financial assets and liability are not measured at fair value. As verifiable market prices are not available, market prices are not available for a significant proportion of the Bank's financial assets and liabilities, the fair values, therefore, have been based on management assumptions according to the profile of the asset and liability base. In the opinion of the management, the carrying amounts of the financial assets and liabilities included in the statement of financial position are a reasonable estimation of their fair values.

35. SIGNIFICANT ACCOUNTING POLICIES

The Bank has consistently applied the following accounting policies to all periods presented in these financial statements, unless otherwise indicated.

A. Basis of measurement

The financial statements have been prepared on a historical cost basis.

B. Foreign currency

Transactions in foreign currencies are translated into the functional currency at the spot exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the spot exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

35. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Financial assets and financial liabilities

(i). Recognition and initial measurement

The Bank initially recognises loans and advances, borrowings and subordinated liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Bank becomes a party to the contractual provisions of the instrument.

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

(ii). Classification

Financial assets

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

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

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

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

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

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

All other financial assets are classified as measured at FVTPL

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

35. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Financial assets and financial liabilities (continued)

(ii). Classification (continued)

Financial assets (continued)

Business model assessment

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

35. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Financial assets and financial liabilities (continued)

(ii). Classification (continued)

Financial assets (continued)

Assessment of whether contractual cash flows are solely payments of principal and interest ("SPPI") (continued)

In making the assessment, the Bank considers:

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

Non-recourse loans

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

- whether the contractual arrangement specifically defines the amounts and dates of the cash payments of the loan;
- the fair value of the collateral relative to the amount of the secured financial asset;
- the ability and willingness of the borrower to make contractual payments, notwithstanding a decline in the value of collateral;

The Bank typically considers the following when making this judgement:

- whether the borrower is an individual or a substantive operating entity or is a special-purpose entity;
- the Bank's risk of loss on the asset relative to a full-recourse loan;
- the extent to which the collateral represents all or a substantial portion of the borrower's assets; and
- whether the Bank will benefit from any upside from the underlying assets.

Reclassifications

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

35. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Financial assets and financial liabilities (continued)

(ii). Classification (continued)

Financial liabilities

Financial liabilities are generally classified as other financial liabilities and measured at amortised cost unless they meet the criteria for 'fair value through profit or loss'.

(iii). Derecognition

Financial assets

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

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

Financial liabilities

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

(iv). Modifications of financial assets and financial liabilities

Financial assets

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

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

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit and loss as part of the gain or loss on derecognition.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

35. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Financial assets and financial liabilities (continued)

(iv). Modifications of financial assets and financial liabilities (continued)

Financial assets (continued)

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit and loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

Financial liabilities

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

35. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Financial assets and financial liabilities (continued)

(iv). Modifications of financial assets and financial liabilities (continued)

Interest rate benchmark reform

If the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changes as a result of interest rate benchmark reform, then the Bank updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

If changes are made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, then the Bank first updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. After that, the Bank applies the policies on accounting for modifications set out above to the additional changes.

(v). Offsetting

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

35. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Financial assets and financial liabilities (continued)

(vi). Fair value measurement

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

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

If there is no quoted price in an active market, then the Bank uses valuation techniques that 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.

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

35. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Financial assets and financial liabilities (continued)

(vii). Impairment

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

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

No impairment loss is recognised on equity investments.

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

35. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Financial assets and financial liabilities (continued)

(vii). Impairment (continued)

Determining whether credit risk has increased significantly

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

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

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

Definition of default

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

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held); or
- the borrower is more than or equal to 30 days past due for long-term facilities or more than or equal to 14 days past due for short-term facilities on any material 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

35. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Financial assets and financial liabilities (continued)

(vii). Impairment (continued)

Measurement of ECL

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

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

When discounting future cash flows, the following discount rates are used:

- financial assets other than purchased or originated credit-impaired ("POCI") financial assets and lease receivables: the original effective interest rate or an approximation thereof;
- undrawn loan commitments: the effective interest rate, or an approximation thereof, that will be applied to the financial asset resulting from the loan commitment; and
- financial guarantee contracts issued: the rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows.

Inputs, assumptions and techniques used for estimating impairment

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

35. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Financial assets and financial liabilities (continued)

(vii). Impairment (continued)

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

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

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

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

Restructured financial assets

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

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

35. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Financial assets and financial liabilities (continued)

(vii). Impairment (continued)

Credit-impaired financial assets

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

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

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

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is overdue for 90 days or more is considered credit-impaired even when the regulatory definition of default is different.

Presentation of allowance for ECL in the statement of financial position

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

Write-off

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

Recoveries of amounts previously written off are included in 'Impairment losses on financial instruments' in the statement of profit or loss and OCI.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

35. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Cash and cash equivalents

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

Cash equivalents with other banks are receivable on demand or on short notice and are classified as amortised cost in the statement of financial position. The cash and cash equivalents are held with bank and financial institution counterparties rated based on Standard & Poor's, MOODY and Bloomberg credit ratings.

E. Share capital

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

F. General reserves and regulatory reserves

The general reserves are set up for any overall financial risk. The Board of Directors exercises its discretion for the use and maintenance of the general reserves. The transfer from retained earnings to general reserves is subject to the approval of the Board of Directors of the Bank.

Regulatory reserves are set up for the variance of provision between loan impairment in accordance with CIFRSs and regulatory provision in accordance with National Bank of Cambodia's Prakas No. B7-017-344 dated 1 December 2017 and Circular No. B7-018-001 Sor Ror Chor Nor dated 16 February 2018 on credit risk classification and provision on impairment for banks and financial institutions. In accordance with Article 73, the entity shall compare the provision calculated in accordance with Article 49 to 71 and the provision calculated in accordance with Article 72, and record:

(i) In case that the regulatory provision calculated in accordance with Article 72 is lower than the provision calculated in accordance with Articles 49 to 71, the entity records the provision calculated in accordance with CIFRSs; and

(ii) In case that the regulatory provision calculated in accordance with Article 72 is higher than provision calculated in accordance with Articles 49 to 71, the entity records the provision calculated in accordance with CIFRSs and transfers the difference from retained earnings or accumulated loss account into regulatory reserve in shareholders' equity of the statement of the financial position.

The regulatory reserves are not an item to be included in the calculation of the Bank's net worth.

G. Placements with other banks

Placements with other banks are carried at amortised cost using the effective interest rate method in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

35. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Statutory deposits

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

I. Loans and advances

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

J. Other assets

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

K. Property and equipment

(i) Recognition and measurement

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

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Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

35. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Property and equipment (continued)

(ii). Subsequent costs

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of property and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.

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

(iii). Depreciation

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

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

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

The estimated useful lives for the current period are as follows:

	Years
Computers	3 – 5
Furniture and equipment	3 – 8
Motor vehicles	5
Leasehold improvements*	5 – 8

(*) Leasehold improvements are depreciated over the improvements' useful life of 5 to 8 years or the term of the relevant lease, whichever is shorter.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

35. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Intangible assets

Intangible assets comprise of software including costs incurred in acquiring and building software, which is not integral to the operation of hardware, and is carried at cost less accumulated amortisation and accumulated impairment losses, if any. Software costs are amortised on a straight-line basis over the expected useful lives from 5 to 7 years.

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

M. Leases

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

35. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Leases (continued)

Leases in which the Bank is a lessee

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

- the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
- the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
- facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

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

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

The estimated useful lives for the current period are as follows:

- Building and office branches 3 – 15 years

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

35. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Leases (continued)

Leases in which the Bank is a lessee (continued)

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

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

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

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

Short-term leases and leases of low-value assets

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

35. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Employee benefits

(i). Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. 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 employee and the obligation can be estimated reliably.

(ii). Employee saving plan

An employee saving plan is an employment benefit plan under which an entity pays fixed contributions into a separate bank account. Obligations for contributions to saving plan are recognised as an expense in profit or loss in the periods during which services are rendered by employees.

The fund will be fully paid to the employee upon every 3 year of employment with the Bank.

(iii). Other long-term employee benefits

The Bank's net obligation in respect of long-term employee benefits is the amount of the benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit and loss in the period in which they arise.

(iv). Social Security Pension Fund

To comply with Prakas from Ministry of Labor and Vocational Training, the Bank started to implement the Social Security Pension Fund from 1st October 2022 onwards. Payment to pension fund is an obligation of the Bank and employees. For the first five years, the contribution to the fund is 4% of each employee's salary capped at KHR 1,200,000 (equivalent to US$291), of which 2% is from employee and the other 2% is from the Bank. The monthly contributions paid by the Bank is being recorded as monthly expense.

O. Provisions

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

35. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Interest

Effective interest rate (EIR)

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

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

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

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

Amortised cost and gross carrying amount

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

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

Calculation of interest income and expense

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

35. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Interest (continued)

Presentation

Interest income calculated using the effective interest rate method presented in the statement of profit or loss and OCI includes interest on financial assets measured at amortised cost.

Interest expense presented in the statement of profit or loss and OCI includes interest on financial liabilities measured at amortised cost.

Q. Fee and commission

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

Other fee and commission income are recognised as the related services are performed.

A contract with a customer that results in a recognised financial instrument in the Bank's financial statements may be partially in the scope of CIFRS 9 and partially in the scope of CIFRS 15. If this is the case, then the Bank first applies CIFRS 9 to separate and measure the part of the contract that is in the scope of CIFRS 9 and then applies CIFRS 15 to the residual.

R. Impairment of non-financial assets

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

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

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

35. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Impairment of non-financial assets (continued)

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

S. Income tax

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

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

(i). Current tax

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

(ii). 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.

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

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

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

Deferred tax assets and liabilities are offset only if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

35. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. Contingent liabilities

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

U. Contingent assets

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

36. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

A. New standard and amendments adopted as at 1 January 2022

The Bank adopted the following accounting standards and interpretations as at 31 December 2022 which are mandatorily effective beginning on or after 1 January 2022:

- Property, Plant and Equipment – Proceeds before Intended Use (Amendments to CIAS 16)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to CIAS 37)
- Reference to Conceptual Framework (Amendments to CIFRS 3)
- Annual Improvements to CIFRS Standard 2018 – 2020
- CIFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

These new and revised accounting standards and interpretations that have been published by the IASB and adapted by the NAC were assessed to have no material impact on the Bank's financial statements.

B. New standard and amendments effective in 2022 that are not relevant to the Bank

- CIFRS 1 First time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
- CIAS 41 Agriculture – Taxation in fair value measurements

C. Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Bank

The standards and interpretations that are issued, but not yet effective, are disclosed below. The Bank intends to adopt these standards, if applicable, when they become effective.

- CIFRS 17 Insurance Contracts (effective 01 January 2023)
- Classification of Liabilities as Current or Non-current (Amendments to CIAS 1) (effective 01 January 2023)
- Definition of Accounting Estimates – Amendments to CIAS 8 (effective 01 January 2023)
- Disclosure of Accounting Policies - Amendments to CIAS 1 and CIFRS Practice Statement 2 (effective 01 January 2023)

These amendments are not expected to have a significant impact on the financial statements in the period of initial application.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

37. EVENTS SINCE THE REPORTING PERIOD

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

BRANCH DIRECTORY

PHNOM PENH BRANCHES

Kramoun Sar Branch
Premier branch

Royal Railway
Building No. 10,
Russian Federation
Blvd, Sangkat Srah Chak,
Khan Doun Penh, Phnom Penh,
Cambodia

Independence Monument Branch
Premier branch

No.100, Preah Sihanouk Blvd,
Sangkat Chakto Mukh,
Khan Doun Penh,
Phnom Penh

Olympic Market Branch
Premier branch

No. 359 361 & 363,
Preah Sihanouk Blvd, Sangkat Veal
Vong, Khan Prampir Meakkakra,
Phnom Penh

Riverside Branch

No. 265&267 E0, Sisowath Quay,
Sangkat Phsar Kandal Ti Muoy,
Khan Doun Penh,
Phnom Penh

Phsar Doeum Thkov Branch

No. 616A+B E0 E1 E2, Street 271,
Sangkat Phsar Daeum Thkov,
Khan Chamkar Mon,
Phnom Penh

Pet Lok Sang Branch

No.1A+1B E0 E1 E2, Street 271,
Sangkat Tuek Thla, Khan Saensokh,
Phnom Penh

Tuek Thla Branch

No.1E0 E1, Street 110A,
Sangkat Tuek Thla,
Khan Saensokh, Phnom Penh

Stueng Mean Chey Branch

No.23-25 E0 E1 E2, Street 217,
Phum Damnak Thum Muoy,
Sangkat Stueng Mean Chey 2,
Khan Meanchey, Phnom Penh

Chaom Chau Branch

No.1B 2B 3B, National Road No.4,
Phum Thnal Bambaek,
Sangkat Chaom Chau 3,
Khan Pur SenChey,
Phnom Penh

Tuol Kouk Branch
Premier branch

No.95C, Street Kim IL Song (289),
Sangkat Boeng Kak Ti Pir,
Khan Tuol Kouk, Phnom Penh

Saensokh Branch
Premier branch

Building No.C4#01, B#02,
B#03, D#04, Street No.1003,
Phum Bayab, Sangkat
Phnom Penh Thmey,
Khan Saensokh, Phnom Penh

Chbar Ampov Branch
Premier branch

No. 72 A B C D,
National Road No 1, Phum Kaoh
Norea, Sangkat Nirouth,
Khan Chbar Ampov,
Phnom Penh

Chraoy Chongvar Branch

No. F05,
National Road No 6A,
Phum Khtor,
Sangkat Phraek Lieb,
Khan Chroay Chongvar,
Phnom Penh

PROVINCIAL BRANCHES

Siemreap Provincial Branch
Premier branch

No.566 568 570,
Street Tep Vong,
Phum Mondol 1,
Sangkat Svay Dankum,
Krong Siemreap,
Siemreap Province

Preah Sihanouk Provincial Branch

No.219, Street Ekareach,
Phum Pir, Sangkat Pir,
Krong Preah Sihanouk,
Preah Sihanouk Province

Kampong Cham Provincial Branch

Phum Ti Dabpir,
Sangkat Kampong Cham,
Krong Kampong Cham,
Kampong Cham Province

Battambang Provincial Branch

No.02 04 & 06, Street
113, Phum Maphey
Osakphea, Sangkat Svay
Por, Krong Battambang,
Battambang Province

J Trust Royal Bank

Royal Railway Building No. 10, Russian Federation Blvd,
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