ធនាគារពាណិជ្ជ ឈីហ្វ (ខេមបូឌា) ម.ក
CHIEF BANK

របាយការណ៍ប្រចាំឆ្នាំ

Annual Report 2021

២០២១

PAYROLL SERVICES

CHILD ACCOUNT

LOAN

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CHIEF EASY

DEPOSIT ACCOUNT

ATM SERVICE

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CHAIRMAN'S MESSAGE

Mr. CHAU Chung Kai Peter
Founder & Chairman

"'The Chief Way', our unique corporate philosophy, is a way to build the mutual trust and partnership with our customers, a way to the prosperity and a way that our business is conducted ethically and sincerely."

Chairman's Report

2021 has been a challenging year, from the beginning till the end we still cannot walk out of the shadow of the pandemic. The economy has been inversely impacted globally leaving no place in the world being able to stand away from it.

Chief bank still stands with the people of Cambodia strongly by offering various solution of loan restructure to the hard-working people of Cambodia, assisting their business when the cash flow is very stressed. In the mean time we keep our working environment clean and healthy by conducting various safety methods.

Thanks to the trust of our loyalty customers and the contribution of our staff, we have achieved strong growth on the business. We also launched the first micro loan apps in Cambodia, and put Bakong service online, which shows Chief's determinant in walking on a digital way, integrating and evolving our customer-centric business model with modern information technology in order to provide a wide range of financial solution as well as processing a transaction in a most efficient manner. In addition we provide sufficient professional and up-to-date training course for our staff to take the lead of the industry at anytime.

Currently our team comprises the local elite employee and assistance from the parent company in Hong Kong. The Chief Cambodia Bank is a part of a corporate culture based on the principles of integrity, prudence and transparency.

I suggest you to visit our website, download our apps and come to our branch, you will find a tailor-made exclusive service for you.

Welcome to Chief Cambodia Bank!

Mr. CHAU Chung Kai Peter
Founder & Chairman
Chief Group

MESSAGE FROM CHIEF EXECUTIVE OFFICER

"Chief (Cambodia) Commercial Bank Plc is young but dynamic, utilizing a business model which is customized and best suited to needs of clients in Cambodia."

Dr. Soeung Morarith
Chief Executive Officer

Message from the Chief Executive Officer (CEO)

A warm welcome to Chief (Cambodia) Commercial Bank Plc!

COVID-19 caused the quick and sharp economic collapse any of us has ever seen, recovery expectations have also surpassed prior recessions in both speed and magnitude. We remain strong and profitable while preserving strong liquidity coverage ratio and capital positions, although clearly impacted by credit challenges and low interest rates in the market. Our strategic transformation continues to progress well, and our outlook is bright. Our strength derives from strategic actions we have taken over the years to secure our solid foundations. Our efforts during that time were obvious; the benefits became clear last year when we came through an extraordinary real-life stress test with financial and operational resilience. We opened for business for our customers and communities throughout the pandemics. Since 2013, we have been executing the strategic action plans, building on those stronger foundations. We have delivered our differentiated network, affluent businesses, kept optimizing returns– profits in the current competitive market and kept investing in what we expect to be transformational digital initiatives that are now live such as our first digital micro-lending app in Cambodia, comprehensive mobile banking app, putting Bakong service online so on and are on the right track to win business across our footprint. We are ready now to start the next phase. Our refreshed strategic priorities are to be a purpose-led organization, and how that will guide us in the years ahead. The refreshed strategic priorities which we share link directly to our purpose to drive commerce and prosperity with our unique diversity and we have geared up to develop the skills, mindset and capabilities to deliver both. They will take us beyond what we are currently doing, how we currently think and extend our existing scale and impact. We will continue to unlock the power of our unique physical footprint by digitally delivering to our clients best-in-class emerging and developed market capabilities, insights and solutions. We will reinforce our strong credentials in the market segments by building high loyalty and trust through offering our clients personalized wealth advice based on superior insights. We now have a range of proven digital capabilities as highlighted above and our remodeled risk framework has been thoroughly stress-tested, which means we can substantially and economically scale up our mass market retail presence. We will do this with enhanced data analytics and a superior end-to-end digital experience, developing opportunities on our own and with reliable partners. We will lead with a differentiated sustainability offering, including reflecting good corporate governance and compliance in everything we perform. These strategic priorities will be supported by our key critical enablers. We are investing heavily in our people, giving colleagues the skills they need to succeed, bringing in expertise in critical areas and evolving to a more innovative and agile operating business model. We are fundamentally changing the way we work, accelerating our time-to-market and increasing productivity with cross-functional teams driving agreed clients and productivity outcomes. We are driving innovation to improve our clients' experience, increase our operational efficiency and tap new sources of income, creating opportunities that we can foresee over time representing the majority of our income; re-committing to delivering return on our equity. Our strategic progress continues apace despite the challenges related to COVID-19, however, in every key financial and

Message from Chief Executive Officer (continued)

strategic metric, gives us confidence that we can return to that trajectory as economies recover over the coming year. Our refreshed strategic priorities, together with the financial framework that is laid out, would allow us to improve our return on equity in 2022 as we progressively advance to our target settings. We are driving a culture of innovation; that we believe will create sustainable opportunities in Cambodia's fast growing market.

Last but certainly not least, on behalf of top management of Chief (Cambodia) Commercial Bank Plc, I would like to sincerely express my sincere thanks to all of our clients for selecting Chief (Cambodia) Commercial Bank Plc to be their long-term business partners. With this, I would also like to thank our dedicated colleagues for their tremendous efforts to maintain our operational resilience, our respectful Chairman Mr Chau, Board members, INED, the leadership teams, all officials of the National Bank of Cambodia (NBC) and relevant local authorities, for their respective on-going unwavering support given to me in fulfilling my position as CEO. I am really proud of the significant progress we have made so far. Together, we are confident that we are delivering a better, innovative bank, a bank of first choice, a bank that our employees, customers and stakeholders can genuinely trust.

We look forward to welcoming and best serving you.

Sincerely yours,

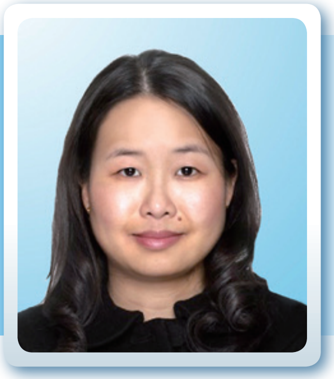
Dr. Morarith SOEUNG
Chief Executive Officer
Chief (Cambodia) Commercial Bank Plc.

BOARD OF DIRECTORS

Mr. CHAU Chung Kai Peter

Founder & Chairman, Chief Group

Mr. Chau Chung Kai Peter, the founder and chairman of Chief Group, is a successful entrepreneur in Hong Kong who built his enterprise from scratch. Born in Chaozhou, China, Mr. Chau entered the Hong Kong banking industry in 1958, Mr. Chau was a senior banking executive in Chong Hing Bank (1959-1962) and Bangkok Bank (1962-1970). He has strong commercial banking experience, leading innovative product development and sound banking operations during the development of Hong Kong's banking industry. Mr. Chau founded his own company Chief Investment Co. in 1979. He gained valuable experiences, being exposed to the global capital markets and financial industry, in the past half century. The faith of integrity and sincerity is the vital spirit that Mr. Chau has pursued for over 30 years when he operates the company. Till present Chief Group is one of the largest securities broker in Hong Kong in terms of the number of branches and one of the leading companies in the industry for the diversified financial products and service. Mr. Chau also engages actively in charitable activities where he believes that education is the foundation of nation-building. Commencing from 2006, Mr. Chau has continuously donated as individual and founder of the company, school buildings in various deprived areas of Mainland China, including over 50 primary schools and 2 secondary schools.



Ms. NG Siu Mui, Fion

Director

Member of the Risk Management Committee
Member of the Internal Audit Committee
Member of the Human Resource Nomination and Remuneration Committee
Member of the Board of Director

Education

- Master of Business Administration, The University of Hong Kong, Hong Kong.
- Professional Diploma in Corporate Governance and Directorship, Hong Kong.

Working Experience

- General Manager, Chief Group Ltd. Hong Kong (current).
- Director and Responsible Officer, Chief Securities Ltd. Hong Kong (current).
- Director and Responsible Officer, Chief Commodities Ltd. Hong Kong (current).
- Director, Chief Great China Assets Management Ltd. Hong Kong (current).
- Director, Chief Financial Services Ltd. Hong Kong (current).

BOARD OF DIRECTORS

Mr. LAM Wai Chuen, Patrick

Director

Member of the Risk Management Committee
Member of the Internal Audit Committee
Member of the Human Resource Nomination and Remuneration Committee
Member of the Board of Director

Education

- Certified Public Accountant, HKICPA, Hong Kong.
- Fellow Member, ACCA.

Working Experience

- Financial Controller, Chief Group Ltd (current).
- Audit Manager, Chan And Chan Certified Public Accountants.

Mr. YE Haiya, Michael

Director

Member of the Risk Management Committee
Member of the Internal Audit Committee
Member of the Human Resource Nomination and Remuneration Committee
Member of the Board of Director

Education

- Bachelor of Science, The University of Hong Kong, Hong Kong.

Working Experience

- Director, Investment Sales Division, Chief Group Ltd (current).
- Director and Responsible Officer, Chief Securities Limited (current).
- Director, Chief Financial Services Limited (current).
- Director and Responsible Officer, Chief Great China Assets Management Limited (current).

Mr. CHAN Kwok Cheung

Independent Non-Executive Director
Chairman, Internal Audit Committee
Member of the Board of Director

Education

- Fellow Member, HKICPA, Hong Kong.
- Fellow Member, ACCA.

Working Experience

- Director, Kreston CAC CPA Limited *(current).*

Mr. CHEUNG Ka Wai

Independent Non-Executive Director
Chairman of the Risk Management Committee
Chairman of the Human Resource Nomination and Remuneration Committee
Member of the Board of Director

Education

- LL.B (Hons) (HKU) 1991
- P.C.LL. (HKU) 1992
- LL.M. (HKU) 1994

Working Experience

- Senior Partner of Messrs. Kelvin Cheung & Co.

CHIEF EXECUTIVE OFFICER

Dr. Soeung Morarith

Chief Executive Officer (CEO)

Education

- DBA (Finance), National University of Management, Phnom Penh

  Soeung, M. (2019), E-commerce Development and Internet Banking Adoption in Cambodia (with Soeng, R. and Cuyvers, L.), in Chen, L. and Kimura, F. (eds.): Developing the Digital Economy in ASEAN, Routledge, England, UK

  Soeung, M (2012), "An Assessment of SERVQUAL's Applicability in Cambodia's Banking Sector," Centre for ASEAN Studies, University of Antwerp, Belgium
- MBA (Management), National University of Management, Phnom Penh
- BBA (Accounting), National Institute of Management, Phnom Penh
- Certificate of Achievement: Innovating in the Digital World, London Business School, London, UK, 2021
- Certificate of Management Excellence (CME), Harvard Business School, Boston, USA, 2019.
- Professional Certificate in Strategy: Building and Sustaining Competitive Advantage, Harvard Business School, Boston, USA, 2019
- Professional Certificate in Disruptive Innovation, Harvard Business School, Boston, USA, 2018
- Professional Certificate in Authentic Leader Development, Harvard Business School, Boston, USA, 2017

Working Experience

- Chief Executive Officer (CEO), Chief (Cambodia) Commercial Bank Plc
- General Manager, Chief (Cambodia) Specialized Bank Plc.
- Representative of Specialized Banks, serving on the Executive Council of the Association of Banks in Cambodia (ABC), March 2017 – March 2018
- Senior Manager, Kookmin (Cambodia) Bank Plc
- Head of Credit, Kookmin (Cambodia) Bank Plc
- Credit Manager (Head Office), Angkor Capital Bank Plc
- Credit Officer (Senior), Cambodian Public Bank
- Loan Officer, Canadia Bank Plc
- Junior Credit Officer, Acleda Bank Plc
- Lecturer in Accounting, Finance and Management, Universities (current)

ORGANIZATIONAL CHART

Board of Directors

Mr. CHAU Chung Kai Peter

Chairman of the Board of Director

Ms. NG Siu Mui

Director

Member of the Risk Management Committee
Member of the Internal Audit Committee
Member of the Human Resource Nomination and Remuneration Committee
Member of the Board of Director

Mr. LAM Wai Chuen

Director

Member of the Risk Management Committee
Member of the Internal Audit Committee
Member of the Human Resource Nomination and Remuneration Committee
Member of the Board of Director

Mr. YE Haiya

Director

Member of the Risk Management Committee
Member of the Internal Audit Committee
Member of the Human Resource Nomination and Remuneration Committee
Member of the Board of Director

Mr. CHAN Kwok Cheung

Independent Non-Executive Director

Chairman, Internal Audit Committee
Member of the Board of Director

Mr. CHEUNG Ka Wai

Independent Non-Executive Director

Chairman of the Risk Management Committee
Chairman of the Human Resource Nomination and Remuneration Committee
Member of the Board of Director

ORGANIZATIONAL CHART

Executive Management

Oknha Dr. Soeung Morarith
Chief Executive Officer

Mr. Shum Kwong Po
Deputy General Manager

Mr. Tann Sim
Deputy General Manager

Mr. Mam Chandara
Senior Manager

Mr. Vann Tola
Head of HR

Mr. Ty Sochetra
Head of Credit

Mis. Sim Sarem
Head of Relationship

Mis. Sim Ratanak Sophea
Risk and Compliance Manager

Mr. Van Seiha
Head of Credit Review

Mr. Sok Raksmey
Accounting Manager

Mr. Muniswamy Kishore Kuma
Head Of IT

Mr. Phan Phoab Kosal
Senior Admin and Digital Marketing Manager

Ms. Tauch Soksofia
Internal Audit Manager

Mr. Ngov Bunthan
Branch Manager

Mr. Sok Samnang
Senior Branch Manager

Mr. Chhit Vannrachanaroth
Senior Branch Manager

CORPORATE INFORMATION

Bank Name	Chief (Cambodia) Commercial Bank Plc.
Date of Establishment	5th December 2013
Registration No	00005793
Head Office	Phnom Penh City Center, No. C-01, St. R11 Corner St.70, Phum 1, Sangkat Sras Chork Khan Daun Penh, Phnom Penh, Kingdom of Cambodia

As of December 31, 2018	
Paid-Up Capital	US$75 Million
Number of Employees	170

	Name	No of Shares Held (Shares)	Percentage of Total OutStanding Shares (%)
Principal Shareholders	Chief Financial Group (Cambodia) Limited		100%

Auditor	KPMG Cambodia Ltd

PRODUCTS AND SERVICES

To satisfy clients' growing needs, Chief (Cambodia) Commercial Bank Plc has actively been working on further refinements of our existing products and delivering the comprehensive Commercial banking products, with attractive and innovative features which are best suited for the personal banking, farming, small businesses and corporate banking customers and deposits various with beautiful interest rate and so on. We have delivered our differentiated network, affluent businesses, kept optimizing returns– profits in the current competitive market and kept investing in what we expect to be transformational digital initiatives that are now live such as our first digital micro-lending app in Cambodia, comprehensive mobile banking app, putting Bakong service online so on and are on the right track to win business across our footprint.

DEPOSITS ACCOUNT

Fixed Deposit Account

Child Account

Installment Account

Saving Account

Current Account

Saving Prestige

Current Prestige

PERSONAL LOANS AND ADVANCES

Housing Loan

Car Loan

Motorbike Loan

Unsecured Loan

BUSINESS LOANS

Micro and Small Business Loan

Medium Business Loan

Large Business Loan

CASH MANAGEMENT

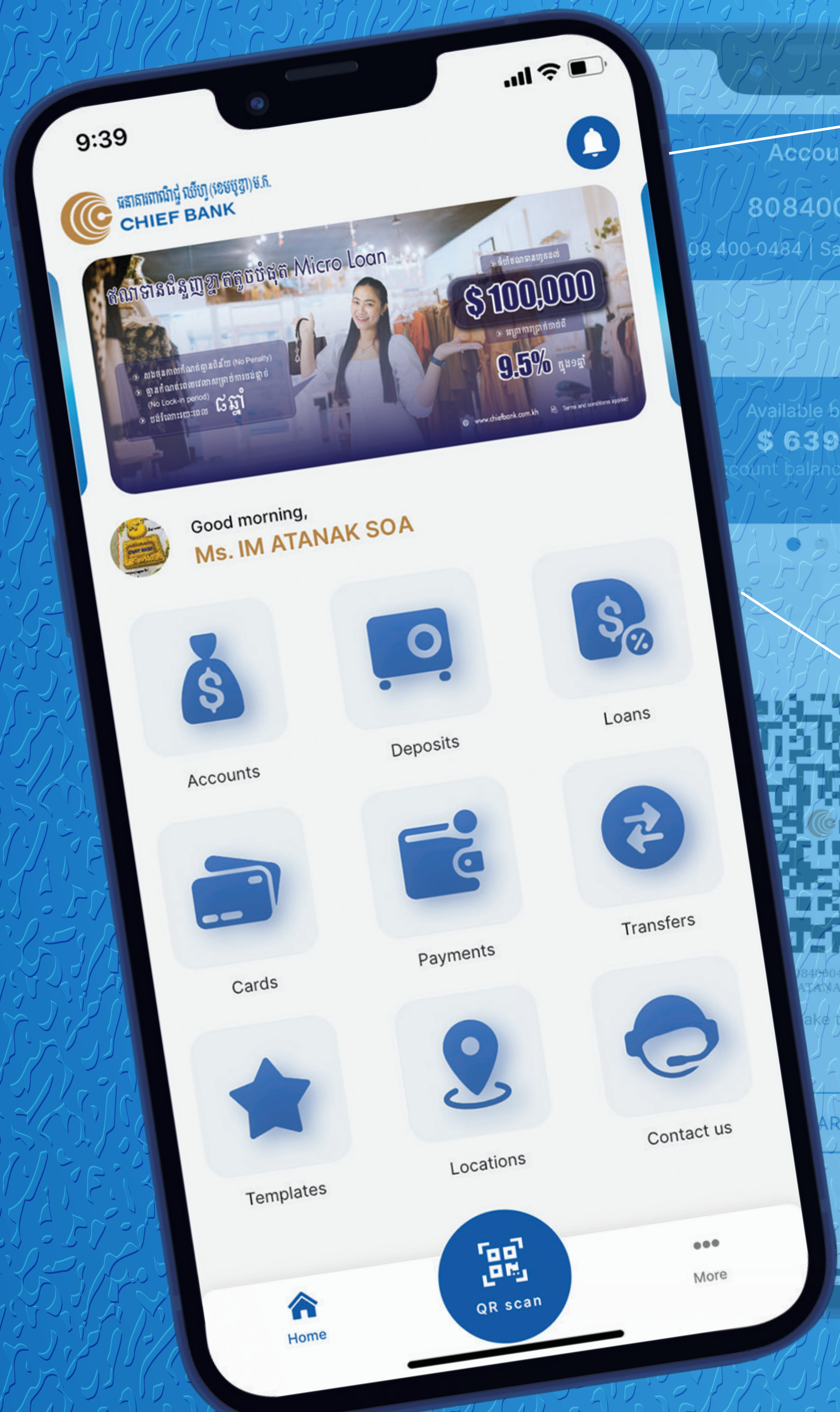
Payroll Services

TRADE SERVICES AND REMITTANCES

- Shipping Guarantee
- Bank Guarantee
- Import Documentary Collections
- Export Services
- Negotiation of Letters of Credit
- Export Documentary Collections
- Products and Pricing
- Remittances

ATM SERVICES

E- BANKING



Transfer to Bakong Wallet

Transfer to Local Bank

KHQR

លេខកូដទូទាត់ប្រាក់

Chief Bank KHR
9933

Chief Bank USD
9934

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CHIEF BANK

សូមធ្វើការស្នើសុំប្រាក់
កម្ចីឥឡូវនេះតាមរយៈ
ទូរស័ព្ទដៃរបស់អ្នក

INTRODUCTION OF CHIEF GROUP

Mr. Chau Chung Kai Peter is the Chairman of Chief Group, which was established in 1979 in Hong Kong. Over the decades, Chief Group has evolved into a comprehensive financial institution with diversified products and services. We are one of the leaders in Hong Kong's brokerage industry, proudly holding the biggest branch service network.

Our Mission

We are committed to serving our customers with integrity and quality performance. This is embodied in the corporate philosophy, "The Chief Way", a unique wealth enriching management approach."The Chief Way" guides our business ideology of trust and client and partnership sincerity. We seek to prosper together with our clients and partners.

Our Philosophy

Having rooted firm foundation in Hong Kong, we expand our horizons in Asia-Pacific region. Located at the heart of Indo-China, fast-developing Cambodia is the first hub of our service network in Southeast Asia. We offer expertise to our clients and share achievements with our local staff of Cambodia.

As service excellence always our primary quest, we have given top priority to keep enhancing service through staff training, technology integration and product diversification. We aspire to be the paragon in finance industry.

INTRODUCTION OF CHIEF (CAMBODIA) COMMERCIAL BANK PLC.

Chief Bank received its license from the National Bank of Cambodia on 05 December 2013, permitting the Bank to carry out specialized bank businesses in Cambodia. Thanks to the continued success of Chief (Cambodia) Specialized Bank operations over the past years, on 05 June 2018 it has successfully been upgraded under License To Carry Out Banking Operation N°: B43 to Chief (Cambodia) Commercial Bank Plc. with registered capital until USD75 million.

Chief (Cambodia) Commercial Bank Plc has been committed to being the most innovative, conservative and efficient foreign bank which renders full support to Cambodia's four pillars of economic growth drivers: garment exports, tourism, agriculture and real estates. Chief Bank provides first-class loan products and services such as various Deposit account, Individual Loan, Commercial Loan and Trade Services and so on with attractive and innovative features which are best suited to its clients in Cambodia – a small Southeast Asian country that has enjoyed high economic growth rates over the longest period in the recorded history without overheating, thanks largely to both political and macroeconomic stability.

Chief (Cambodia) Commercial Bank Plc is young but dynamic, utilizing a business model which is customized and best suited to needs of clients in Cambodia and the region who seek investment opportunities in the Kingdom.

Our Vision

We are committed to fulfilling customers' needs and help them succeed financially.

Our Mission

- Become a full-fledged and most respected bank, having the largest branch networks.
- Be the "Bank of First Choice" by offering enjoyable experiences.
- Be the most innovative and efficient foreign bank with a view to guaranteeing and enhancing service excellence.
- Ensure good corporate governance and compliance in everything we perform.

Our Goal

Our goal is to build broader, deeper and more enduring relationships with our customers, assisting customers at every step on their journeys to wealth, and to deliver long-term value for our shareholders.

Our Philosophy

- Maintain highest degree of corporate integrity and professionalism
- Be one step ahead of others via product innovation and creativity
- Engage and serve customers pro-actively and whole-heartedly
- Assume proactive corporate social responsibilities

CORPORATE CULTURE

By building good team spirit among our staff, we encourage staff cultivating passion and vision towards their work. They are the key factors to their success in goal achievement and development of strong bonds to their jobs. On the other hand, we also emphasize on high level of professional ethics. Integrity, prudence and transparency are the core principles of our corporate cultures.

Technical sharing and training sessions are organized for all staff members of Chief (Cambodia) Commercial Bank Plc on a regular basis. They are conducted to enhance the quality and efficiency of our service. Our staff team are keen to keep stepping forward with times.

CUSTOMER SATISFACTION

> "We aim to provide superior service quality and enhance customer satisfaction."

Customer Satisfaction

We aim to provide superior service quality and enhance customer satisfaction. Superior service quality can further build up customer loyalty, bringing opportunities for cross-selling and words-of-mouth recommendations as well. Goodwill of an enterprise is originated from sustaining high-level satisfaction from customers.

Chief (Cambodia) Commercial Bank Plc emphasizes on business integrity and we work hard with our clients , our employees and our society for a better future ahead. Through professional and ethical service, we build mutual trust and long-term partnership with our customers.

We have dedicated professionals allotted for each and every customers to handle the commercial banking transactions at Chief. Whatever information provided by the Chief (Cambodia) Commercial Bank Plc was up to the mark and all customers' doubts were clarified. Another best part about Chief (Cambodia) Commercial Bank Plc is our constant follow up to our customers' requests for their needs and wants. Also, we regularly seek customer feedback to understand product and service development opportunities and to alert us to potential improvements. We have various approaches to gather information from customers by phone calls, customer satisfaction surveys and clients' written comments. We look into comments one by one and take appropriate action needed to resolve different situations.

STRATEGY GOALS

Chief (Cambodia) Commercial Bank Plc is committed to fulfilling customers' needs, helping them succeed financially and being the most innovative, conservative and efficient foreign bank which is locally incorporated in Cambodia. The Bank renders full supports for Cambodia's four pillars of economic growth, including: (1) garment exports; (2) tourism; (3) agriculture; and (4) real estates.

A- Marketing Strategy

The first priority of Chief (Cambodia) Commercial Bank Plc's strategy is to satisfy its existing borrowers by providing the refined products with competitive pricing, adapted to the evolution of their needs, witnessed by growing customer bases and the daily increase of our quality loan portfolio (zero NPL up to now).

The second priority is to promote new clients throughout popular media in order to increase more new clients into existing current cycles by expanding more branches to potential locations within Phnom Penh, while being committed to providing reliable, innovative, customer-friendly financial services, using cutting-edge technology and focusing continuously improvement whilst developing our staff and acquiring necessary expertise to take comparative advantages from our competitors.

Subsequently, we are planning to expand into new expected potential provinces of Sihanouk ville, Siem Reap, Kampong Cham, Kampong Speu and Battambang. Within ten years, we hope to expand further, with branch operations in Kandal, Pursat, Prey Veng and Takeo. It is also our intention to set up a representative office (and subsequently a branch) in Hong Kong when appropriate to better support the Bank's international business.

B- Target Market Identified

Chief (Cambodia) Commercial Bank Plc foresees a positive economic and social environment to expand its activities in the next three years. The bank has developed a formal capital management framework with a clearly defined objectives for maintaining an appropriate level of capital adequacy. This ensures sufficient leeway for future business expansion.

The Bank has identified locations as the most potential to be expanded from 2017 where the financial supply is lower and demand is higher.

C- Market Size and Trends

Growth of market demand of Chief (Cambodia) Commercial Bank Plc keeps increasing, evidenced by the daily increases in quality loan portfolio of the bank since establishment up to now. Growth in market and developing economies was projected to increase, supported by stronger domestic demand, as well as a recovery in external demand fuelled by faster growth in economies.

Cambodia's banking sector in light of high domestic investment demand, the sector and other financial institutions such as microfinance have been handsomely profitable, attracting new entry and leading to a rapid expansion of the sector. This is reflected in the substantial increase in assets, credits, deposits, demands for bank loans and other bank services. This success in the sector is undoubtedly attributed to the significant improvements in the Kingdom's financial and banking system that has continued to develop and improve steadily over time. This helps build stronger investors' trust and public confidence in the banking and related sectors, resulting in the higher demands for financial and other banking services and related services. Given the trend now evident in those cycles such as credit, deposit etc, growth of market demand of the Bank services remains sound.

The Bank has planned to build up good relationship with many companies, ranging from self-employed business to medium business in order to entrust them on the Bank services. By planning so, the Bank expects a number of businesses would have approached to access for banking services in the expansion of their business. This means that the market size and trend of the bank will be enlarged from time to time.

D- Competitive Analysis

Chief (Cambodia) Commercial Bank Plc has a professional team consisting of various local expertise in the fields of banking, accounting, credit management, operation, marketing and human resources, plus top management with regional background of Asia-Pacific, such as Hong Kong, Mainland China, Cambodia etc. This empowers us to provide quality service to meet the most localized needs of people in Cambodia yet with broader horizons in the Bank's future development.

Chief (Cambodia) Commercial Bank Plc. intends to develop a full-service commercial bank with the following business areas:

- Farming and Small Business
- Corporate Banking
- Personal Banking
- Treasury

Chief (Cambodia) Commercial Bank Plc. will work closely with the National Bank of Cambodia and both the locally incorporated commercial banks and the foreign bank branches to maintain a significant role in Cambodia banking sector. We will also work closely to support the legally existing organizations/companies which are involved in rural credit activities.

The Board of Directors and Management team of Chief (Cambodia) Commercial Bank Plc. are sophisticated professional with passions. The management team is extremely familiar with Commercial Banks, Specialized Banks, Rural Specialized Banks, Credit Cooperatives, micro-finance companies and has affirmed understanding of the unique characteristics of each financial services business model as well as the demands and requirements of the respective customer groups.

Chief (Cambodia) Commercial Bank Plc. operates within a robust credit approval, monitoring system and risk management system to ensure the financial strength and stability of the Bank's operations. The Bank adopts a five category loan monitoring system, with risk-based interest rate pricing to ensure proper risk management.

BUSINESS EXPANSION

In view of great favorable business climate, such as the favorable business, fast economic growth, stable political environment and great potential and so on, Chief Bank will open branches in the following years in Phnom Penh, in order to strengthen the local business of Chief (Cambodia) Commercial Bank Plc and to reap the benefits from the expansion of Cambodian economy and growing demand for banking services.

BRANCH NETWORK

There are tremendous business potentials for opening branches in Phnom Penh, expected to enlarge market shares and reap the banking business potentials from our new expansion plan. Those locations would be well located at Toul Tom Pong/Olympic, Norodom Blvd, Steung Meanchey and so on, where demands would be undoubtedly high. To this end, we need to build Chief's brand name awareness, and to gain network establishment in order to substantiate the Chief (Cambodia) Commercial Bank Plc development and differentiate Chief (Cambodia) Commercial Bank Plc from its competitors.

Head Office

No.C-01, St.R11 Corner St.70, Phum 1, Sangkat Srah Chak, Khan Daun Penh, Phnom Penh.

Tel : 855-23-900 878
Fax : 855-23-900 858

Email : info@chiefbank.com.kh
Website : www.chiefbank.com.kh

Chbar Ampov Branch

Building NH II 0046, National Road No.1, Deum Slaeng Village, Sangkat Chbar Ampov Ti Pir, Khan Chbar Ampov, Phnom Penh.

Tel : 855-23-230 488
Fax : 855-23-230 477

Phsar Olympic Branch

N°20, 21 &21C, Street 274, Sangkat Veal Vong, Khan Prampir Meakakra, Phnom Penh.

Tel : 855-23-212 878
Fax : 855-23-212 879

Preah Norodom Branch

N° 32, Preah Norodom Blvd (Street N° 41) corner Street N° 136, Phum 10, Sangkat Phsar Kandal Ti Pir, Khan Doun Penh, Phnom Penh.

Tel : 855-23-900 879
Fax : 855-23-900 859

Headquarter (HQ) of Chief Balnk will be soon re-located to Chief Tower, where is well-situated along Preah Monivong Blvd (93) corner St. , Sangkat Boeung Kang I, Khan Chamkar Mon, Phnom Penh, Cambodia.
Our new HO will be one of the commercial, busy and strategic areas.

REPORT OF THE BOARD OF DIRECTORS AND AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2021 AND 31 DECEMBER 2020

CORPORATE INFORMATION

Bank	**Chief (Cambodia) Commercial Bank Plc.**	
Registration No	00005793	
Registered Office	Phnom Penh City Center, No. C-01, St. R11 Corner St.70 Phum 1, Sangkat Sras Chork Khan Daun Penh, Phnom Penh Kingdom of Cambodia	
Shareholder	Chief Financial Group (Cambodia) Limited	
Board of Directors	Mr. Chau Chung Kai Peter	Chairman
	Mr. Lam Wai Chuen	Director
	Ms. Ng Siu Mui	Director
	Mr. Ye Haiya	Director
	Mr. Chan Kwok Cheung	Independent Director
	Mr. Cheung Ka Wai	Independent Director
Management team	Oknha Dr. Soeung Morarith	Chief Executive Officer
	Mr. Shum Kwong Po	Deputy General Manager
Auditor	KPMG Cambodia Ltd	

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors has pleasure in submitting their report together with the audited financial statements of Chief (Cambodia) Commercial Bank Plc. ("the Bank") for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The principal activities of the Bank are the provision of commercial banking and related financial services in the Kingdom of Cambodia.

FINANCIAL RESULTS

The financial results of the Bank for the year ended 31 December 2021 were as follows:

	2021		2020	
	US$	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
Profit before income tax	1,368,125	5,565,534	1,090,441	4,445,728
Income tax expense	(361,434)	(1,470,315)	(302,049)	(1,231,454)
Net profit for the year	1,006,691	4,095,219	788,392	3,214,274

DIVIDENDS

There were no dividends 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 share capital or shareholding structure 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.

LOANS AND ADVANCES

Before the financial statements of the Bank were prepared, the Board of 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 had been made for doubtful loans and advances.

At the date of this report, the Board of 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 doubtful on loans and advances in the financial statements of the Bank, inadequate to any material extent.

ASSETS

Before the financial statements of the Bank were prepared, the Board of Directors took reasonable steps to ensure that any assets, other than loans and advances, 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 might be expected to realise.

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 Board of Directors is not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets and liabilities in the financial statements of the Bank 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 Board of 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 Board of Directors is not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Bank, which would render any amount stated in the financial statements misleading.

ITEMS OF UNUSUAL NATURE

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

CORONAVIRUS AND ITS IMPACT ON ECL

The ECL was estimated based on a range of forecast economic conditions as at reporting date. The Novel Coronavirus ("COVID-19") outbreak has spread across the globe (including Cambodia and beyond), causing disruption to business and economic activity. The impact on GDP and other key indicators will be considered when determining the severity and likelihood of downside economic scenarios that are used to estimate ECL. Management estimates have been determined based on possible forward-looking scenarios, considering the facts, circumstances and forecast of the future economic conditions and supportable information that is available as at the reporting date.

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. Consequently, this number should not be seen as firm guidance or a forecast as to the final financial impacts expected. In the event the impacts are more severe or prolonged than anticipated in the scenarios, this will have a corresponding impact on the ECL, the financial position and performance of the Bank.

EVENTS SINCE THE REPORTING DATE

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

THE BOARD OF DIRECTORS

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

Mr. Chau Chung Kai Peter	Chairman
Mr. Lam Wai Chuen	Director
Ms. Ng Siu Mui	Director
Mr. Ye Haiya	Director
Mr. Chan Kwok Cheung	Independent Director
Mr. Cheung Ka Wai	Independent Director

BOARD OF DIRECTORS' INTERESTS

Mr. Chau Chung Kai Peter is shareholder of the Chief Cambodia Holding Ltd., a company incorporated in British Virgin Islands which is the ultimate holding company of the Bank. None of the other Directors held or dealt directly in the shares of the Bank during the financial year.

BOARD OF 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 body corporate.

During the financial year, no Director of the Bank has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments 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.

RESPONSIBILITIES OF THE DIRECTORS 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 2021, and its financial performance and its cash flows for the year then ended. 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 41 to 102 which, in our opinion, present fairly, in all material respects, the financial position of the Bank as at 31 December 2021, and its financial performance and its cash flows for the year then ended, in accordance with Cambodian International Financial Reporting Standards ("CIFRSs").

Signed on behalf of the Board of Directors,

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Mr. Chau Chung Kai Peter
Chairman

Phnom Penh, Kingdom of Cambodia
31 March 2022

REPORT OF THE INDEPENDENT AUDITORS

TO THE SHAREHOLDER OF
CHIEF (CAMBODIA) COMMERCIAL BANK PLC.

OPINION

We have audited the financial statements of Chief (Cambodia) Commercial Bank Plc.("the Bank"), which comprise the statement of financial position as at 31 December 2021, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information as set out on pages 41 to 102 (hereafter referred to as "the financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with Cambodian International Financial Reporting Standards ("CIFRSs").

BASIS FOR OPINION

We conducted our audit in accordance with Cambodian International Standards on Auditing ("CISAs"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the ethical requirements that are relevant to our audit of the financial statements in Cambodia, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OTHER INFORMATION

Management is responsible for the other information. The other information comprises the information included in the Report of the Board of Directors on pages 35 to 38, 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.

If, based on the work we have performed on the other information obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

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

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

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

AUDITORS' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

For **KPMG** Cambodia Ltd

KPMG CAMBODIA LTD.

....

Lim Chew Teng
Partner
Phnom Penh, Kingdom of Cambodia
31 March 2022

STATEMENT OF FINANCIAL POSITION

as at 31 December 2021

	Note	31 December 2021 US$	31 December 2021 KHR'000 (Note 5)	31 December 2020 US$	31 December 2020 KHR'000 (Note 5)
ASSETS					
Cash on hand	6	3,040,031	12,385,086	3,087,371	12,488,416
Balances with the NBC	7	38,146,231	155,407,745	39,075,535	158,060,539
Balances with other banks – net	8	67,732	275,940	1,514,346	6,125,530
Loans and advances – net	9	147,774,078	602,031,594	93,813,280	379,474,718
Other assets	10	1,573,575	6,410,745	1,477,226	5,975,379
Property and equipment	11	5,327,847	21,705,649	2,699,703	10,920,299
Right-of-use assets	12	1,495,962	6,094,549	1,925,694	7,789,432
Intangible assets	13	979,224	3,989,359	585,970	2,370,249
Deferred tax assets – net	14B	181,731	740,372	160,818	650,509
TOTAL ASSETS		198,586,411	809,041,039	144,339,943	583,855,071
LIABILITIES AND EQUITY					
LIABILITIES					
Deposits from customers	15	115,889,619	472,134,308	61,950,059	250,587,989
Subordinated debt	16	1,603,156	6,531,258	2,001,817	8,097,350
Lease liabilities	17	1,605,981	6,542,767	2,014,503	8,148,665
Current income tax liability	14A	265,663	1,082,311	214,169	866,314
Other liabilities	18	191,154	778,761	135,248	547,078
TOTAL LIABILITIES		119,555,573	487,069,405	66,315,796	268,247,396
EQUITY					
Share capital	19	75,000,000	300,000,000	75,000,000	300,000,000
Regulatory reserves		1,490,227	6,039,304	888,756	3,588,911
Retained earnings		2,540,611	10,301,501	2,135,391	8,656,675
Currency translation reserves		-	5,630,829	-	3,362,089
TOTAL EQUITY		79,030,838	321,971,634	78,024,147	315,607,675
TOTAL LIABILITIES AND EQUITY		198,586,411	809,041,039	144,339,943	583,855,071

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 2021

	Note	2021 US$	2021 KHR'000 (Note 5)	2020 US$	2020 KHR'000 (Note 5)
Interest income		12,071,025	49,104,930	8,113,339	33,078,083
Interest expense		(5,122,731)	(20,839,270)	(2,189,665)	(8,927,264)
Net interest income	21	6,948,294	28,265,660	5,923,674	24,150,819
Fee and commission income		4,965	20,198	1,428	5,822
Fee and commission expense		(5,883)	(23,932)	(4,435)	(18,081)
Net fee and commission expense	22	(918)	(3,734)	(3,007)	(12,259)
Other (loss)/income	23	(95,483)	(388,425)	51,614	210,430
Net impairment losses on financial instruments	24	59,273	241,123	(65,611)	(267,496)
Personnel expenses	25	(2,336,388)	(9,504,426)	(2,027,270)	(8,265,180)
Depreciation and amortisation	26	(1,314,678)	(5,348,110)	(1,104,542)	(4,503,218)
Other operating expenses	27	(1,891,975)	(7,696,554)	(1,684,417)	(6,867,368)
Profit before income tax		1,368,125	5,565,534	1,090,441	4,445,728
Income tax expense	14C	(361,434)	(1,470,315)	(302,049)	(1,231,454)
Net profit for the year		1,006,691	4,095,219	788,392	3,214,274
Other comprehensive income/(loss)					
Currency translation difference		-	2,268,740	-	(2,342,301)
Total comprehensive income for the year		1,006,691	6,363,959	788,392	871,973

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

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2021

	Share capital		Regulatory reserves		Retained earnings		Currency translation reserves		Total	
	US$	KHR'000	US$	KHR'000	US$	KHR'000	US$	KHR'000	US$	KHR'000
At 1 January 2020	75,000,000	300,000,000	780,513	3,147,603	1,455,242	5,883,709	-	5,704,390	77,235,755	314,735,702
Transactions recognised directly in equity										
Transfers from retained earnings to regulatory reserves (Note 31M)	-	-	108,243	441,308	(108,243)	(441,308)	-	-	-	-
Total comprehensive income										
Net profit for the year	-	-	-	-	788,392	3,214,274	-	-	788,392	3,214,274
Currency translation difference	-	-	-	-	-	-	-	(2,342,301)	-	(2,342,301)
	-	-	-	-	788,392	3,214,274	-	(2,342,301)	788,392	871,973
At 31 December 2020	75,000,000	300,000,000	888,756	3,588,911	2,135,391	8,656,675	-	3,362,089	78,024,147	315,607,675
At 1 January 2021	75,000,000	300,000,000	888,756	3,588,911	2,135,391	8,656,675	-	3,362,089	78,024,147	315,607,675
Transactions recognised directly in equity										
Transfers from retained earnings to regulatory reserves (Note 31M)	-	-	601,471	2,450,393	(601,471)	(2,450,393)	-	-	-	-
Total comprehensive income										
Net profit for the year	-	-	-	-	1,006,691	4,095,219	-	-	1,006,691	4,095,219
Currency translation difference	-	-	-	-	-	-	-	2,268,740	-	2,268,740
	-	-	-	-	1,006,691	4,095,219	-	2,268,740	1,006,691	6,363,959
At 31 December 2021	75,000,000	300,000,000	1,490,227	6,039,304	2,540,611	10,301,501	-	5,630,829	79,030,838	321,971,634

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

STATEMENT OF CASH FLOWS

for the year ended 31 December 2021

	Note	2021 US$	2021 KHR'000 (Note 5)	2020 US$	2020 KHR'000 (Note 5)
Cash flows from operating activities					
Net profit for the year		1,006,691	4,095,219	788,392	3,214,274
Adjustments for:					
Net interest income	21	(6,948,294)	(28,265,660)	(5,923,674)	(24,150,819)
Depreciation and amortisation	26	1,314,678	5,348,110	1,104,542	4,503,218
Income tax expense	14	361,434	1,470,315	302,049	1,231,454
Unrealised exchange (loss)/gain		(118,700)	(482,872)	39,055	159,227
Net impairment losses on financial instruments	24	(59,273)	(241,123)	65,611	267,496
		(4,443,464)	(18,076,011)	(3,624,025)	(14,775,150)
Changes in:					
Loans and advances	9	(53,714,946)	(218,512,400)	(16,053,637)	(65,450,678)
Statutory deposit and placement with other banks		(2,079,182)	(8,458,112)	(1,578,068)	(6,433,783)
Other assets	10	(96,349)	(391,948)	(1,060,697)	(4,324,462)
Deposits from customers	15	53,314,208	216,882,198	35,511,807	144,781,637
Other liabilities	18	55,906	227,426	(24,418)	(99,552)
Cash (used in)/generated from operations		(6,963,827)	(28,328,847)	13,170,962	53,698,012
Interest received		11,854,018	48,222,145	8,052,178	32,828,730
Interest paid		(4,377,341)	(17,807,023)	(2,008,746)	(8,189,657)
Income tax paid	14A	(330,853)	(1,345,910)	(381,586)	(1,555,726)
Net cash generated from operating activities		181,997	740,365	18,832,808	76,781,359
Cash flows from investing activities					
Acquisition of property and equipment	11	(3,335,556)	(13,569,042)	(789,475)	(3,218,690)
Acquisition of intangible assets	13	(570,788)	(2,321,966)	(65,589)	(267,406)
Net cash used in investing activities		(3,906,344)	(15,891,008)	(855,064)	(3,486,096)
Cash flows from financing activities					
Payment for subordinated debt		(400,000)	(1,627,200)	-	-
Proceed from subordinated debt		-	-	2,000,000	8,154,000
Principal repayments of lease liabilities	17	(408,522)	(1,661,867)	(357,489)	(1,457,483)
Net cash (used in)/generated from financing activities		(808,522)	(3,289,067)	1,642,511	6,696,517
Net (decrease)/increase in cash and cash equivalents		(4,532,869)	(18,439,710)	19,620,255	79,991,780
Cash and cash equivalents at beginning of the year		31,609,741	127,861,402	11,989,486	48,857,156
Currency translation difference	20	-	889,485	-	(987,534)
Cash and cash equivalents at end of the year		27,076,872	110,311,177	31,609,741	127,861,402

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2021

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. REPORTING ENTITY

Chief (Cambodia) Commercial Bank Plc. (the "Bank") is incorporated and registered in the Kingdom of Cambodia. The Bank registered with the Ministry of Commerce as a Public Limited Company under the Registration No. 00005793 (former Co. 2255 E/2013), dated 12 May 2017. On 5 December 2013, the Bank received its specialised bank license from the National Bank of Cambodia ("NBC").

On 7 June 2018, the Bank obtained its commercial bank license from the NBC to operate as a commercial bank. On 27 June 2018, the Bank obtained the approval from the Ministry of Commerce ("MoC") on the changes in the Bank's name from Chief (Cambodia) Specialised Bank Plc. to Chief (Cambodia) Commercial Bank Plc. The Bank is wholly owned by Chief Financial Group (Cambodia) Limited, a company incorporated in British Virgin Islands. The ultimate holding company of the Bank is Chief Cambodia Holdings Ltd., a company incorporated in British Virgin Islands.

The Bank's principal activities are provision of commercial banking and related financial services in the Kingdom of Cambodia.

The Bank's registered office is located at Phnom Penh City Centre No. C-01, St. R11 Corner St. 70, Phum 1, Sangkat Sras Chork, Khan Daun Penh, Phnom Penh, Kingdom of Cambodia.

As at 31 December 2021, the Bank had 167 employees (31 December 2020: 143 employees).

2. BASIS OF ACCOUNTING

A. STATEMENT OF COMPLIANCE

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

Details of the Bank's accounting policies are included in Note 31.

These financial statements were authorised for issue by the Board of Directors on 31 March 2022.

B. BASIS OF AGGREGATION

The Bank's financial statements comprise the financial statements of the head office and its branches. All inter-branch balances and transactions have been eliminated.

3. FUNCTIONAL AND PRESENTATION CURRENCY

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

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

4. USE OF JUDGMENTS AND ESTIMATES

In preparing these interim 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.

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

4. USE OF JUDGMENTS AND ESTIMATES (continued)

- Note 31C(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 SPPI on the principal amount outstanding.
- Note 31C(vii): establishing the criteria for determining whether credit risk on the financial assets have increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of models used to measure ECL.
- Information about assumptions and estimation uncertainties at the reporting date 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 31C(vii): impairment of financial instruments: determination of inputs into the ECL measurement model, including key assumptions used in estimating recoverable cash flows and incorporation of forward-looking information.
- Note 31C(vi): determination of the fair value of financial instruments with significant unobservable inputs.

5. 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 amounts into Khmer Riel ("KHR") meets the presentation requirements pursuant to 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 reserves" in the other comprehensive income.

The Bank uses the following exchange rates:

			Closing rate	Average rate
31 December 2021	US$1	=	KHR 4,074	KHR 4,068
31 December 2020	US$1	=	KHR 4,045	KHR 4,077

These convenience translations should not be construed as representations that the United States Dollars amounts have been, could have been, or could in the future be, converted into Khmer Riels at this or any other rate of exchange.

6. CASH ON HAND

	31 December 2021		31 December 2020	
	US$	KHR'000	US$	KHR'000
		(Note 5)		(Note 5)
Cash on hand	2,300,613	9,372,697	2,630,830	10,641,708
Cash in ATM	739,418	3,012,389	456,541	1,846,708
	3,040,031	12,385,086	3,087,371	12,488,416

7. BALANCES WITH THE NBC

		31 December 2021		31 December 2020	
		US$	KHR'000	US$	KHR'000
			(Note 5)		(Note 5)
Statutory deposits					
Reserve requirements	A	6,578,463	26,800,658	3,287,701	13,298,751
Capital guarantee deposits	B	7,500,083	30,555,338	7,503,650	30,352,264
		14,078,546	57,355,996	10,791,351	43,651,015
Current accounts		23,967,685	97,644,349	28,134,184	113,802,774
Negotiable Certificate of Deposit (NCD)		100,000	407,400	150,000	606,750
		38,146,231	155,407,745	39,075,535	158,060,539

A. RESERVE REQUIREMENTS

The reserve requirements represent 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 National Bank of Cambodia's Prakas No. B7-018-282 on the maintenance of reserve requirements against commercial banks' deposits and borrowings, reserve requirements both in KHR and in other currencies bear no interest effective from 29 August 2018.

On 17 March 2020, in order to help mitigate the impact of the COVID-19 pandemic on Cambodia's economy, the NBC issued a Prakas No. B7-020-230, which require bank and financial institution to maintain the reserve requirements, which is calculated at 7% for both KHR and other currencies of the total daily average amount of deposits from customers, and borrowings from banks and financial institution, at the NBC.

B. CAPITAL GUARANTEE DEPOSITS

Under the NBC's Prakas No. B7-01-136 dated 15 October 2001, the Bank is required to maintain a statutory deposit 10% of its capital. This deposit is not available for use in the Bank's day-to-day operations but is refundable should the Bank voluntarily cease its operations in Cambodia.The capital guarantee deposits earn annual interest rate at 0.06% (2020: 0.09%) during the year.

8. BALANCES WITH OTHER BANKS – NET

Balances with other banks are measured at amortised cost because these instruments meet the SPPI criterion and are held to collect the contractual cash flows.

	31 December 2021		31 December 2020	
	US$	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
Balances with other banks at amortised cost				
Less than 3 months	69,156	281,742	388,186	1,570,212
More than 3 months	-	-	1,158,014	4,684,167
	69,156	281,742	1,546,200	6,254,379
Less: Impairment loss allowance	(1,424)	(5,802)	(31,854)	(128,849)
	67,732	275,940	1,514,346	6,125,530

Movements in impairment loss allowance on balances with other banks was as follows:

	31 December 2021		31 December 2020	
	US$	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
At 1 January	31,854	128,849	12,801	52,164
Recognised in profit or loss	(30,427)	(123,777)	19,053	77,679
Currency translation difference	-	730	-	(994)
At 31 December	1,427	5,802	31,854	128,849

The balances with other banks at amoritsed cost are analysed as follows:

	Gross carrying amount	Impairment loss allowance	Carrying amounts	
	US$	US $	US$	KHR'000 (Note 5)
31 December 2021				
Current accounts	62,359	(1,285)	61,074	248,815
Savings accounts	6,797	(139)	6,658	27,125
	69,156	(1,424)	67,732	275,940
31 December 2020				
Current accounts	387,307	(7,979)	379,328	1,534,382
Savings accounts	879	(18)	861	3,483
Term deposits (more than 3 months)	1,158,014	(23,857)	1,134,157	4,587,665
	1,546,200	(31,854)	1,514,346	6,125,530

8. BALANCES WITH OTHER BANKS – NET (continued)

The balances with other banks at amortised cost are analysed as follows: (continued)

	2021	2020
By interest rate (per annum)	0.5% - 7.1%	0.5% - 7.5%

9. LOANS AND ADVANCES – NET

	31 December 2021		31 December 2020	
	US$	KHR'000	US$	KHR'000
		(Note 5)		(Note 5)
Loans and advances at amortised cost	147,792,680	602,107,378	93,860,728	379,666,645
Less: Impairment loss allowance	(18,602)	(75,784)	(47,448)	(191,927)
	147,774,078	602,031,594	93,813,280	379,474,718

Movements in impairment loss allowance on loans and advances was as follows:

	2021		2020	
	US$	KHR'000	US$	KHR'000
		(Note 5)		(Note 5)
At 1 January	47,448	191,927	890	3,627
Recognised in profit or loss	(28,846)	(117,346)	46,558	189,817
Currency translation difference	-	1,203	-	(1,517)
At 31 December	18,602	75,784	47,448	191,927

Loans and advances to customers are analysed as follows:

	Gross carrying amounts	Impairment loss allowance	Carrying amounts	
	US$	US $	US$	KHR'000
				(Note 5)
31 December 2021				
Individual	145,051,577	(10,115)	145,041,462	590,898,916
Corporate	2,741,103	(8,487)	2,732,616	11,132,678
	147,792,680	(18,602)	147,774,078	602,031,594
31 December 2020				
Individual	93,015,028	(47,448)	92,967,580	376,053,861
Corporate	845,700	-	845,700	3,420,857
	93,860,728	(47,448)	93,813,280	379,474,718

For additional analysis of gross amount of Loans and advances, refer to Note 29A.

10. OTHER ASSETS

	31 December 2021 US$	31 December 2021 KHR'000 (Note 5)	31 December 2020 US$	31 December 2020 KHR'000 (Note 5)
Office supplies	80,236	326,881	76,460	309,281
Deposits and advances	566,043	2,306,059	551,037	2,228,945
Deposit with Chief Tower	600,000	2,444,400	600,000	2,427,000
Other receivables	29,290	119,327	6,897	27,898
Prepayments	298,006	1,214,078	242,832	982,255
	1,573,575	6,410,745	1,477,226	5,975,379

11. PROPERTY AND EQUIPMENT

2021	Buildings US$	Leasehold improvement US$	Motor Vehicles US$	Computer equipment US$	Equipment US$	Furniture and fixtures US$	Construction in progress US$	Total US$	Total KHR'000 (Note 5)
Cost									
At 1 January	880,000	1,610,126	324,745	902,852	474,268	74,481	-	4,266,472	17,257,880
Additions	-	39,388	8,440	747,068	134,204	6,456	2,400,000	3,335,556	13,569,042
Write-off	-	-	-	-	-	(2,991)	-	(2,991)	(12,167)
Currency translation differences	-	-	-	-	-	-	-	-	143,722
At 31 December	880,000	1,649,514	333,185	1,649,920	608,472	77,946	2,400,000	7,599,037	30,958,477
Less: Accumulated depreciation									
At 1 January	69,873	716,659	194,156	443,912	125,608	16,561	-	1,566,769	6,337,581
Depreciation for the year	43,970	324,180	55,961	170,798	96,680	15,823	-	707,412	2,877,752
Write-off	-	-	-	-	-	(2,991)	-	(2,991)	(12,167)
Currency translation differences	-	-	-	-	-	-	-	-	49,662
At 31 December	113,843	1,040,839	250,117	614,710	222,288	29,393	-	2,271,190	9,252,828
Carrying amounts									
At 31 December	766,157	608,675	83,068	1,035,210	386,184	48,553	2,400,000	5,327,847	21,705,649

11. PROPERTY AND EQUIPMENT (continued)

2020	Buildings US$	Leasehold improvement US$	Motor Vehicles US$	Computer equipment US$	Equipment US$	Furniture and fixtures US$	Total US$	Total KHR'000
Cost								
At 1 January	880,000	1,263,040	316,425	606,769	362,512	48,251	3,476,997	14,168,763
Additions	-	347,086	8,320	296,083	111,756	26,230	789,475	3,218,690
Currency translation differences	-	-	-	-	-	-	-	(129,573)
At 31 December	880,000	1,610,126	324,745	902,852	474,268	74,481	4,266,472	17,257,880
Less: Accumulated depreciation								
At 1 January	25,781	441,481	132,857	307,460	48,824	5,477	961,880	3,919,661
Depreciation for the year	44,092	275,178	61,299	136,452	76,784	11,084	604,889	2,466,132
Currency translation differences	-	-	-	-	-	-	-	(48,212)
At 31 December	69,873	716,659	194,156	443,912	125,608	16,561	1,566,769	6,337,581
Carrying amounts								
At 31 December	810,127	893,467	130,589	458,940	348,660	57,920	2,699,703	10,920,299

12. RIGHT-OF-USE ASSETS

	2021		2020	
	US$	KHR'000	US$	KHR'000
Buildings		(Note 5)		(Note 5)
Cost				
At 1 January	2,681,335	10,846,000	1,954,131	7,963,084
Additions	-	-	727,204	2,941,540
Currency translation difference	-	77,759	-	(58,624)
At 31 December	2,681,335	10,923,759	2,681,335	10,846,000
Less: Accumulated amortisation				
At 1 January	755,641	3,056,568	350,351	1,427,680
Amortisation for the year	429,732	1,748,150	405,290	1,652,367
Currency translation difference	-	24,492	-	(23,479)
At 31 December	1,185,373	4,829,210	755,641	3,056,568
Carrying amounts				
At 31 December	1,495,962	6,094,549	1,925,694	7,789,432

13. INTANGIBLE ASSETS

2021	Software and licenses US$	Software and licenses KHR'000 (Note 5)
Cost		
At 1 January	763,753	3,089,381
Additions	570,788	2,321,966
Currency translation difference	-	25,573
At 31 December	1,334,541	5,436,920
Less: Accumulated depreciation		
At 1 January	177,783	719,132
Depreciation for the year	177,534	722,208
Currency translation difference	-	6,221
At 31 December	355,317	1,447,561
Carrying amounts		
At 31 December	979,224	3,989,359

2020	Software and licenses US$	Construction in progress US$	Total US$	Total KHR'000 (Note 5)
Cost				
At 1 January	164,358	533,806	698,164	2,845,018
Additions	65,589	-	65,589	267,406
Transfer	533,806	(533,806)	-	-
Currency translation difference	-	-	-	(23,043)
At 31 December	763,753	-	763,753	3,089,381
Less: Accumulated amortisation				
At 1 January	83,420	-	83,420	339,936
Amortisation for the year	94,363	-	94,363	384,719
Currency translation difference	-	-	-	(5,523)
At 31 December	177,783	-	177,783	719,132
Carrying amounts				
At 31 December	585,970	-	585,970	2,370,249

14. INCOME TAX

A. Current income tax liability

	2021		2020	
	US$	KHR'000	US$	KHR'000
		(Note 5)		(Note 5)
At 1 January	214,169	866,314	307,329	1,252,366
Recognised in profit or loss	382,347	1,555,388	288,426	1,175,913
Income tax paid	(330,853)	(1,345,910)	(381,586)	(1,555,726)
Currency translation difference	-	6,519	-	(6,239)
At 31 December	265,663	1,082,311	214,169	866,314

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

B. Deferred tax assets – net

The movements of deferred tax assets/(liabilities) during the years were as follows:

	Impairment loss allowance	Property and equipment	Right-of-use assets	Lease liabilities	Unrealised exchange loss/(gain)	Unamortised processing fee	Total	
	US$	US$	US$	US$	US$	US$	US$	KHR'000
								(Note 5)
At 1 January 2021	7,247	(20,703)	(385,139)	402,900	(7,811)	164,324	160,818	650,509
Recognised in profit or loss	(3,254)	(81,039)	85,947	(81,704)	23,740	77,223	20,913	85,073
Currency translation difference	-	-	-	-	-	-	-	4,790
At 31 December 2021	3,993	(101,742)	(299,192)	321,196	15,929	241,547	181,731	740,372
							-	-
At 1 January 2020	2,738	(1,523)	(320,756)	328,958	13,706	151,318	174,441	710,847
Recognised in profit or loss	4,509	(19,180)	(64,383)	73,942	(21,517)	13,006	(13,623)	(55,541)
Currency translation difference	-	-	-	-	-	-	-	(4,797)
At 31 December 2020	7,247	(20,703)	(385,139)	402,900	(7,811)	164,324	160,818	650,509

14. INCOME TAX (continued)

C. Income tax expense

	2021 US$	2021 KHR'000 (Note 5)	2020 US$	2020 KHR'000 (Note 5)
Current income tax expense	382,347	1,555,388	288,426	1,175,913
Deferred tax (income)/expense	(20,913)	(85,073)	13,623	55,541
Income tax expense	361,434	1,470,315	302,049	1,231,454

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

	2021 US$	2021 KHR'000 (Note 5)	2021 %	2020 US$	2020 KHR'000 (Note 5)	2020 %
Profit before income tax	1,368,125	5,565,534		1,090,441	4,445,728	
Income tax using statutory tax rate at 20%	273,625	1,113,107	20	218,088	889,146	20
Expenses not deductible for tax purpose	87,809	357,208	6	83,961	342,308	8
Income tax expense	361,434	1,470,315	26	302,049	1,231,454	28

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

15. DEPOSITS FROM CUSTOMERS

	31 December 2021 US$	31 December 2021 KHR'000 (Note 5)	31 December 2020 US$	31 December 2020 KHR'000 (Note 5)
At amortised cost:				
Current accounts	2,996,174	12,206,413	1,378,924	5,577,748
Savings accounts	5,998,875	24,439,417	2,600,106	10,517,429
Installment deposits	161,653	658,574	68,808	278,328
Term deposits	106,732,917	434,829,904	57,902,221	234,214,484
	115,889,619	472,134,308	61,950,059	250,587,989

Deposits from customers are analysed as follows:

15. DEPOSITS FROM CUSTOMERS (continued)

A. By maturity:

	31 December 2021		31 December 2020	
	US$	KHR'000	US$	KHR'000
		(Note 5)		(Note 5)
Within 1 month	11,145,708	45,407,614	8,803,355	35,609,571
> 1 to 3 months	14,947,223	60,894,987	8,789,847	35,554,931
> 3 to 12 months	78,664,039	320,477,295	42,105,693	170,317,528
> 1 to 5 years	5,811,819	23,677,351	1,007,983	4,077,291
Over 5 years	5,320,830	21,677,061	1,243,181	5,028,668
	115,889,619	472,134,308	61,950,059	250,587,989

B. By relationship:

	31 December 2021		31 December 2020	
	US$	KHR'000	US$	KHR'000
		(Note 5)		(Note 5)
Related parties	27,260	111,057	126,742	512,671
Others	115,862,359	472,023,251	61,823,317	250,075,318
	115,889,619	472,134,308	61,950,059	250,587,989

16. SUBORDINATED DEBT

	31 December 2021		31 December 2020	
	US$	KHR'000	US$	KHR'000
		(Note 5)		(Note 5)
Principal	1,600,000	6,518,400	2,000,000	8,090,000
Accrual interest	3,156	12,858	1,817	7,350
	1,603,156	6,531,258	2,001,817	8,097,350

This represents a long-term and unsecured borrowing from the shareholder with the principal outstanding as at 31 December 2021 of US$1,600,000 (31 December 2020: US$2,000,000). The subordinated debt has the following terms:

Lender	Annual Interest rate	Start date	Maturity	Collateral
Shareholder				
Chief Financial (Group) Cambodia Limited	5%	22 December 2020	21 December 2025	Unsecured

On 24 December 2020, the Bank obtained an approval from the NBC allowing to include the above subordinated debt in Tier II capital for the purpose of Net Worth calculation.

17. LEASE LIABILITIES

	31 December 2021		31 December 2020	
	US$	KHR'000	US$	KHR'000
		(Note 5)		(Note 5)
Maturity analysis:				
No later than 1 year	506,684	2,064,231	506,682	2,049,529
Later than 1 year and no later than 5 years	1,108,353	4,515,430	1,495,029	6,047,392
Later than 5 years	190,000	774,060	310,000	1,253,950
	1,805,037	7,353,721	2,311,711	9,350,871
Less: Unwinding interest	(199,056)	(810,954)	(297,208)	(1,202,206)
Total present value of lease liabilities	1,605,981	6,542,767	2,014,503	8,148,665
Analysed as:				
Current	431,003	1,755,907	408,530	1,652,504
Non-current	1,174,978	4,786,860	1,605,973	6,496,161
	1,605,981	6,542,767	2,014,503	8,148,665

A. Amounts recognised in profit or loss:

	2021		2020	
	US$	KHR'000	US$	KHR'000
		(Note 5)		(Note 5)
Interest on lease liabilities	98,154	399,291	99,183	404,369
Expenses relating to short-term leases and leases of low-value assets	137,091	557,686	114,743	467,807
	235,245	956,977	213,926	872,176

B. Amounts recognised in statement of cash flows:

	2021		2020	
	US$	KHR'000	US$	KHR'000
		(Note 5)		(Note 5)
Cash flows from operating activities				
Interest on lease liabilities	98,154	399,291	99,183	404,369
Expenses relating to short-term leases and leases of low-value assets	137,091	557,686	114,743	467,807
	235,245	956,977	213,926	872,176
Cash flows from financing activities				
Principal repayments of lease liabilities	408,522	1,661,867	357,489	1,457,483
Total cash outflow for leases	643,767	2,618,844	571,415	2,329,659

18. OTHER LIABILITIES

	31 December 2021		31 December 2020	
	US$	KHR'000	US$	KHR'000
		(Note 5)		(Note 5)
Accrued bonuses and salaries	40,320	164,264	20,160	81,547
Other tax payables	58,383	237,852	54,525	220,554
Others	92,451	376,645	60,563	244,977
	191,154	778,761	135,248	547,078

19. SHARE CAPITAL

The Bank is a wholly owned subsidiary of Chief Financial Group (Cambodia) Limited, a company incorporated under the law of British Virgin Islands under the Registration No. 1771142 and registered address at Vickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.

The Bank's registered, authorised and issued share capital is US$75,000,000 (equivalent to KHR300 billion).

	31 December 2021			31 December 2020		
Shareholder	Number of shares	%	Amount US$	Number of shares	%	Amount US$
Chief Financial Group (Cambodia) Limited	75,000,000	100	75,000,000	75,000,000	100	75,000,000

20. NOTES TO STATEMENT OF CASH FLOWS

Cash and cash equivalents

	31 December 2021		31 December 2020	
	US$	KHR'000	US$	KHR'000
		(Note 5)		(Note 5)
Cash on hand	3,040,031	12,385,086	3,087,371	12,488,416
Balances with the NBC	23,967,685	97,644,349	28,134,184	113,802,774
Balances with other banks – gross	69,156	281,742	388,186	1,570,212
	27,076,872	110,311,177	31,609,741	127,861,402

Cash and cash equivalents comprise cash on hand and balances with the NBC (current account only) and other banks with an original maturity of three months or less. The carrying amount of these assets is approximately equal to their fair value. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items shown above.

21. NET INTEREST INCOME

	2021 US$	2021 KHR'000 (Note 5)	2020 US$	2020 KHR'000 (Note 5)
Interest income				
Loans and advances	11,218,837	45,638,229	7,638,047	31,140,318
Balances with the NBC	3,989	16,227	21,552	87,868
Balances with other banks	848,199	3,450,474	453,740	1,849,897
	12,071,025	49,104,930	8,113,339	33,078,083
Interest expense				
Deposits from customers	4,925,454	20,036,747	2,088,665	8,515,487
Subordinated debt	99,123	403,232	1,817	7,408
Lease liabilities	98,154	399,291	99,183	404,369
	5,122,731	20,839,270	2,189,665	8,927,264
Net interest income	6,948,294	28,265,660	5,923,674	24,150,819

22. NET FEE AND COMMISSION EXPENSE

	2021 US$	2021 KHR'000 (Note 5)	2020 US$	2020 KHR'000 (Note 5)
Fee and commission income				
Service charges and fees	4,965	20,198	1,428	5,822
Fee and commission expense				
Bank charges	5,883	23,932	4,435	18,081
Net fee and commission expense	(918)	(3,734)	(3,007)	(12,259)

23. OTHER (LOSS)/INCOME

	2021 US$	2021 KHR'000 (Note 5)	2020 US$	2020 KHR'000 (Note 5)
Foreign exchange (loss)/gains	(100,509)	(408,871)	47,709	194,510
Other income	5,026	20,446	3,905	15,920
	(95,483)	(388,425)	51,614	210,430

24. NET IMPAIRMENT LOSSES ON FINANCIAL INSTRUMENTS

	2021		2020	
	US$	KHR'000	US$	KHR'000
		(Note 5)		(Note 5)
Balances with other banks	30,427	123,777	(19,053)	(77,679)
Loans and advances	28,846	117,346	(46,558)	(189,817)
	59,273	241,123	(65,611)	(267,496)

25. PERSONNEL EXPENSES

	2021		2020	
	US$	KHR'000	US$	KHR'000
		(Note 5)		(Note 5)
Salaries and bonuses	2,145,560	8,728,138	1,873,919	7,639,968
Seniority payments	92,767	377,376	79,540	324,285
Other personnel expenses	98,061	398,912	73,811	300,927
	2,336,388	9,504,426	2,027,270	8,265,180

26. DEPRECIATION AND AMORTISATION

	2021		2020	
	US$	KHR'000	US$	KHR'000
		(Note 5)		(Note 5)
Property and equipment	707,412	2,877,752	604,889	2,466,132
Right-of-use assets	429,732	1,748,150	405,290	1,652,367
Intangible assets	177,534	722,208	94,363	384,719
	1,314,678	5,348,110	1,104,542	4,503,218

27. OTHER OPERATING EXPENSES

	2021		2020	
	US$	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
License fee, patent and other taxes	575,575	2,341,439	469,283	1,913,267
Professional services	545,697	2,219,895	512,937	2,091,244
Marketing and advertising	140,180	570,252	170,836	696,498
Leases and rental	137,091	557,686	114,743	467,807
Communication	129,608	527,245	79,532	324,252
Utilities	115,166	468,495	113,512	462,788
Office supplies and non-capitalised purchases	51,563	209,758	46,337	188,916
Repairs and maintenance	16,231	66,028	11,334	46,209
Security	9,655	39,277	5,339	21,767
Others	171,209	696,479	160,564	654,620
	1,891,975	7,696,554	1,684,417	6,867,368

28. RELATED PARTIES

The Bank is a wholly owned subsidiary of Chief Financial Group (Cambodia) Limited, the holding company, incorporated under the law of British Virgin Islands.

Significant transactions and balances with related parties are as follows:

Relationship	Related party
Holding company	Entity that has significant ownership and control over the Bank.
Fellow subsidiary/related company	Entities that are members of the same group or controlled by the ultimate shareholder of the Bank.
Key management personnel	Persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly, including any director (whether executive or otherwise) of the Bank.

A. Key management compensations

	2021		2020	
	US$	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
Key management compensations	148,056	603,180	135,750	549,109

28. RELATED PARTIES (continued)

B. Balances with related parties

	31 December 2021		31 December 2020	
	US$	KHR'000	US$	KHR'000
		(Note 5)		(Note 5)
Loans to related parties:				
Key management	185,425	755,421	430,851	1,742,792
Interest receivables:				
Key management	173	705	566	2,289
Subordinated debt:				
Holding company	1,603,156	6,531,258	2,001,817	8,097,350
Amounts payable:				
Deposits from related parties	27,260	111,057	126,742	512,671
Amounts receivable:				
Refundable deposit to a related party	600,000	2,444,400	600,000	2,427,000

C. Transactions with related parties

	2021		2020	
	US$	KHR'000	US$	KHR'000
		(Note 5)		(Note 5)
Expense reimbursements from holding company	314,174	1,278,060	236,672	964,912
Lease payments to related company and director	300,000	1,220,400	300,000	1,223,100
Payment for acquisition of property to Chief Tower	2,400,000	9,763,200	600,000	2,446,200
License fee to holding company	72,000	292,896	72,000	293,544
Management fees to Chief Securities Ltd.	264,000	1,073,952	180,000	733,860
Interest income from loan to key management	24,683	100,412	31,143	126,970
Interest income from loan to related company	-	-	16,039	65,391
Interest expense on subordinated debt from holding company	99,123	403,232	1,817	7,408

29. FINANCIAL RISK MANAGEMENT

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

- credit risk;
- market risk;
- liquidity risk;
- capital management

Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Bank does not use derivative financial instruments such as foreign exchange contract and interest rate swaps to manage its risk exposures.

Categories of financial instruments

The Bank holds the following financial assets and liabilities at the end of the reporting periods:

	31 December 2021		31 December 2020	
	US$	KHR'000	US$	KHR'000
		(Note 5)		(Note 5)
Financial assets				
Cash on hand	3,040,031	12,385,086	3,087,371	12,488,416
Balances with the NBC	38,146,231	155,407,745	39,075,535	158,060,539
Balances with other banks - net	67,732	275,940	1,514,346	6,125,530
Loans and advances - net	147,774,078	602,031,594	93,813,280	379,474,718
Other assets	1,195,333	4,869,786	685,500	2,772,848
Total financial assets	190,223,405	774,970,151	138,176,032	558,922,051
Financial liabilities				
Deposits from customers	115,889,619	472,134,308	61,950,059	250,587,989
Subordinated debt	1,603,156	6,531,258	2,001,817	8,097,350
Lease liabilities	1,605,981	6,542,767	2,014,503	8,148,665
Other liabilities	132,771	540,909	80,723	326,524
Total financial liabilities	119,231,527	485,749,242	66,047,102	267,160,528
Net financial assets	70,991,878	289,220,909	72,128,930	291,761,523

A. Credit risk

Credit risk refers to risk of financial loss to the Bank if a customer or counterparty to a financial instrument fail to meet its contractual obligations in accordance with the agreed terms and arises from deposits with other banks and Loans and advances (including commitment to lend such loans). The Bank considers all elements of credit risk exposure such as counterparty default risk, geographical risk and sector risk, product risk and business type risk for risk management purposes.

29. FINANCIAL RISK MANAGEMENT (continued)

A. Credit risk (continued)

(i) Credit risk management

The Bank's credit committee is responsible for managing the Bank's credit risk by:

- Ensuring that the Bank has appropriate credit risk practices, including an effective system of internal control, to consistently determine adequate allowances in accordance with the Bank's stated policies and procedures, CIFRSs and relevant supervisory guidance.
- Identifying, assessing and measuring credit risk across the Bank, from an individual instrument to a portfolio level.
- Creating credit policies to protect the Bank against the identified risks including the requirements to obtain collateral from borrowers, to perform robust ongoing credit assessment of borrowers and to continually monitor exposures against internal risk limits.
- Limiting concentrations of exposure by type of asset, counterparties, industry, credit rating, geographic location etc.
- Establishing a robust control framework regarding the authorisation structure for the approval and renewal of credit facilities.
- Developing and maintaining the Bank's risk grading to categorise exposures according to the degree of risk of default. Risk grades are subject to regular reviews.
- Developing and maintaining the Bank's processes for measuring ECL including monitoring of credit risk, incorporation of forward-looking information and the method used to measure ECL.
- Ensuring that the Bank has policies and procedures in place to appropriately maintain and validate models used to assess and measure ECL.
- Establishing a sound credit risk accounting assessment and measurement process that provides it with a strong basis for common systems, tools and data to assess credit risk and to account for ECL. Providing advice, guidance and specialist skills to business units to promote best practice throughout the Bank in the management of credit risk.
- The internal audit function performs regular audits making sure that the established controls and procedures are adequately designed and implemented.

(ii) Credit quality analysis

The following table sets out information about the credit quality of financial assets measured at amortised cost. It also set out information about the overdue status of Loans and advances in Stage 1, 2 and 3. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

31 December 2021	Stage 1	Stage 2	Stage 3	Total	
	US$	US$	US$	US$	KHR'000 (Note 5)
Balances with other banks:					
Normal	69,156	-	-	69,156	281,742
Loss allowance	(1,424)	-	-	(1,424)	(5,802)
Carrying amounts	67,732	-	-	67,732	275,940
Loans and advances:					
Normal	147,339,117	-	-	147,339,117	600,259,563
Special mention	-	453,251	-	453,251	1,846,545
Sub-standard	-	-	312	312	1,270
	147,339,117	453,251	312	147,792,680	602,107,378
Loss allowance	(18,154)	(136)	(312)	(18,602)	(75,784)
Carrying amounts	147,320,963	453,115	-	147,774,078	602,031,594

29. FINANCIAL RISK MANAGEMENT (continued)

A. Credit risk (continued)

(ii) Credit quality analysis (continued)

31 December 2020

	Stage 1	Stage 2	Stage 3	Total	
	US$	US$	US$	US$	KHR'000 (Note 5)
Balances with other banks:					
Normal	1,546,200	-	-	1,546,200	6,254,379
Loss allowance	(31,854)	-	-	(31,854)	(128,849)
Carrying amounts	1,514,346	-	-	1,514,346	6,125,530
Loans and advances:					
Normal	93,860,728	-	-	93,860,728	379,666,645
Loss allowance	(47,448)	-	-	(47,448)	(191,927)
Carrying amounts	93,813,280	-	-	93,813,280	379,474,718

The tables below analyse the movement of the loss allowance during the year for Loans and advances carried at amortised cost:

31 December 2021

	Stage 1	Stage 2	Stage 3	Total	
	12-month ECL US$	Lifetime ECL US$	Lifetime ECL US$	US$	KHR'000 (Note 5)
Expected credit loss as at 1 January 2021	47,448	-	-	47,448	191,927
Change in the expected credit loss					
- Transfer to stage 1	-	-	-	-	-
- Transfer to stage 2	-	-	-	-	-
- Transfer to stage 3	-	-	-	-	-
New financial assets originated	8,487	136	312	8,935	36,401
Net remeasurement of loss allowance and other movements	(37,781)	-	-	(37,781)	(153,920)
Currency translation difference	-	-	-	-	1,376
Expected credit loss as at 31 December 2021	18,154	136	312	18,602	75,784

29. FINANCIAL RISK MANAGEMENT (continued)

A. Credit risk (continued)

(ii) Credit quality analysis (continued)

The tables below analyse the movement of the loss allowance during the year for Loans and advances carried at amortised cost: (continued)

31 December 2020

	Stage 1	Stage 2	Stage 3	Total	
	12-month ECL US$	Lifetime ECL US$	Lifetime ECL US$	US$	KHR'000 (Note 5)
Expected credit loss as at 1 January 2020	890	-	-	890	3,627
Change in the expected credit loss					
- Transfer to stage 1	-	-	-	-	-
- Transfer to stage 2	-	-	-	-	-
- Transfer to stage 3	-	-	-	-	-
New financial assets originated	3,547	-	-	3,547	14,348
Net remeasurement of loss allowance and other movements	43,011	-	-	43,011	173,979
Currency translation difference	-	-	-	-	(27)
Expected credit loss as at 31 December 2020	47,448	-	-	47,448	191,927

The tables below analyse the movement of Loans and advances carried at amortised cost:

31 December 2021

	Stage 1	Stage 2	Stage 3	Total	
	12-month ECL US$	Lifetime ECL US$	Lifetime ECL US$	US$	KHR'000 (Note 5)
Gross carrying amounts as at 1 January 2021	93,860,728	-	-	93,860,728	379,666,645
Change in gross carrying amount					
- Transfer to stage 1	-	-	-	-	-
- Transfer to stage 2	-	-	-	-	-
- Transfer to stage 3	-	-	-	-	-
New financial assets originated	38,070,193	453,251	312	38,523,756	156,945,782
Net movements	15,408,196	-	-	15,408,196	62,772,991
Currency translation difference	-	-	-	-	2,721,960
Gross carrying amounts as at 31 December 2021	147,339,117	453,251	312	147,792,680	602,107,378

29. FINANCIAL RISK MANAGEMENT (continued)

A. Credit risk (continued)

(ii) Credit quality analysis (continued)

The tables below analyse the movement of Loans and advances carried at amortised cost: (continued)

	31 December 2020				
	Stage 1	Stage 2	Stage 3	Total	
	12-month ECL US$	Lifetime ECL US$	Lifetime ECL US$	US$	KHR'000 (Note 5)
Gross carrying amounts as at 1 January 2020	77,745,930	-	-	77,745,930	316,814,665
Change in gross carrying amount					
- Transfer to stage 1	-	-	-	-	-
- Transfer to stage 2	-	-	-	-	-
- Transfer to stage 3	-	-	-	-	-
New financial assets originated	28,894,446	-	-	28,894,446	116,878,034
Net movements	(12,779,648)	-	-	(12,779,648)	(51,693,676)
Currency translation difference	-	-	-	-	(2,332,378)
Gross carrying amounts as at 31 December 2020	93,860,728	-	-	93,860,728	379,666,645

29. FINANCIAL RISK MANAGEMENT (continued)

A. Credit risk (continued)

(iii). Amounts arising from ECL

Coronavirus and impact on ECL

The ECL was estimated based on a range of forecast economic conditions as at reporting date. The Novel Coronavirus ("COVID-19") outbreak has spread across the globe (including Cambodia and beyond), causing disruption to business and economic activity. The impact on GDP and other key indicators will be considered when determining the severity and likelihood of downside economic scenarios that are used to estimate ECL. Management estimates have been determined based on possible forward-looking scenarios, considering the facts, circumstances and forecast of the future economic conditions and supportable information that is available as at the reporting date.

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. Consequently, this number should not be seen as firm guidance or a forecast as to the final financial impacts expected. In the event the impacts are more severe or prolonged than anticipated in the scenarios, this will have a corresponding impact on the ECL, the financial position and performance of the Bank.

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

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

- balances with other banks; and
- financial assets that are debt instruments.

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 on which credit risk has not increased significantly since their initial recognition.

The Bank does not apply the low credit risk exemption to any other financial instruments.

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

Credit-impaired financial assets

At each reporting date, the Bank assess whether financial assets carried at amortised cost 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 by the Bank on terms that the Bank would not consider otherwise; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; 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 more than 90 days per CIFRs rebuttable assumption is considered credit-impaired even when the regulatory definition of default is different.

29. FINANCIAL RISK MANAGEMENT (continued)

A. Credit risk (continued)

(iii) Amounts arising from ECL (continued)

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

Credit-impaired financial assets (continued)

Credit-impaired Loans and advances are graded as substandard, doubtful and loss in the Bank's internal credit risk grading system.

Credit risk grades

From 27 March 2020, the Bank has applied Circular No. B7-020-001 issued by the NBC on loan restructuring to support customers affected by COVID-19 by:

- reducing the amount of loan principal or amount to be repaid at the maturity;
- lowering interest rate than original contractual terms;
- deferring the repayment of principal or interest or capitalised interest;
- extending the maturity date; adding and/modifying co-borrower and/or guarantor, when applicable;
- changing an instalment loan to an interest payment only where the principal is repaid at the maturity (bullet loan);
- releasing collaterals or accepting lower level of collateralisation; and
- easing of covenants or/and providing grace period for repayment up to 6 months from the effective signing date of the new contract.

Accordingly, for customers who paid principle payment or interest, or both payments not past due more than 90 days (performing loan) and are expected to be experiencing only temporary financial and repayment difficulties. NBC allows loan restructuring to all sectors impacted by COVID-19 pandemic and floods based on the Bank's own valuation.

The Bank allocates each exposure to a credit risk grade based on the prudential definition of NBC which applies the number of days past due as the grading criteria. The grades are:

1. Normal
2. Special mention
3. Sub-standard
4. Doubtful
5. Loss

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

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

i) Significant increase in credit risk

The Bank considers the significant increase in credit risk into two stages as below:

Significant increases in credit risk in Stage 2

The change in levels of credit risk over the expected life of a financial instrument is assessed by comparing credit risk at each reporting date with the associated instrument's credit risk at initial recognition. The Bank use 30 DPD as a backstop and applies the rebuttable assumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 DPD.

29. FINANCIAL RISK MANAGEMENT (continued)

A. Credit risk (continued)

(iii). Amounts arising from ECL (continued)

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

i). Significant increase in credit risk (continued)

Moreover, The Bank have also considered qualitative factors including:

- 30 DPD as backstop for long-term loans and 15 DPD for short-term loans (counting from 30 DPD upward for long-term and from 15 DPD for short-term loans);
- Use of quantitative indicators (change in PD at reporting date from the origination date);
- Change in cumulative residual unbiased PD;
- Change in unbiased 12-month PD comparing origination unbiased 12-month PD expected at the reporting date with the current 12-month PD at reporting use of qualitative indicators defined; or
- Restructured loans with special mentioned classification (loans which are restructured and classified as special mention will be changed from Stage 1 to Stage 2).

Significant increases in credit risk in Stage 3

A financial instrument that has been credit-impaired since origination or purchase is automatically classified as a Stage 3 financial instrument. Evidence that a financial asset is credit-impaired includes observable data related to the following events:

- Significant financial difficulty of the issuer or the borrower;
- A breach of contract, such as a default or past due event;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for the financial asset because of financial difficulties for example debtor's business status, debtor during litigation process, frequency of entering debt restructuring etc.;
- Fraudulent debtors;
- Partially NPL sales or partially write off;
- Deceased; and
- Trouble debt restructuring (DTR) unsuccessful.

The Bank also applies 90 DPD as a backstop in moving a facility from Stage 2 to Stage 3 and consider a facility as credit-impaired. Moreover, loans which are restructured and classified as substandard, doubtful or loss will be changed from Stage 2 to Stage 3.

ii). Definition of default

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

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held);
- the borrower is more than 90 days past due on any material credit obligation to the Bank; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations

iii).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 National Bank of Cambodia and selected private-sector and academic forecasters.

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

29. FINANCIAL RISK MANAGEMENT (continued)

A. Credit risk (continued)

(iii). Amounts arising from ECL (continued)

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

iv). Modified financial assets

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

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

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

v). Measurement of ECL

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

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Bank in accordance with the contract and the cash flows that the Bank expect 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.

The Bank calculate the ECL by taking the gross carrying amount of financial assets multiplying by the consolidated probability of default (PD) ratio of each stage with risk adjustment factors.

- Expected credit loss, ECL is the present value of all cash shortfalls over the remaining life, discounted at the EIR. For each year throughout the financial instrument's life, a forward- looking PD, LGD and EAD are estimated. The estimates are multiplied with each other to estimate the losses for each of the years. Then the estimates are discounted back to the reporting date using the EIR as the discount rate.
- The Bank used the SME retail and mortgage loan as modelled portfolio to leverage on because they shared several characteristics in common. They all are term loans with predetermined maturity date and stipulated repayment schedule of both principal and interest.

29. FINANCIAL RISK MANAGEMENT (continued)

A. Credit risk (continued)

(iii). Amounts arising from ECL (continued)

(b). Loss allowance

This table summarises the loss allowance as of the end of the year by class of exposure/assets.

	31 December 2021		31 December 2020	
	US$	KHR'000 (Note 5)	US$	KHR'000 (Note 5)
Impairment loss allowance				
Balance with other banks	1,424	5,802	31,854	128,849
Loans and advances	18,602	75,784	47,448	191,927
	20,026	81,586	79,302	320,776

Under the Bank's monitoring procedures, a significant increase in credit risk is identified before the exposure has defaulted, and at the latest when the exposure becomes 30 days past due. This is the case mainly for Loans and advances. The table below provides an analysis of the gross carrying amount of Loans and advances by past due status.

	31 December 2021		31 December 2020	
	Gross carrying amount US$	Loss allowance US$	Gross carrying amount US$	Loss allowance US$
Loans and advances				
0 – 29 days	147,339,117	(18,496)	93,860,728	(47,448)
30-59 days	453,563	(106)	-	-
60-89 days	-	-	-	-
	147,792,680	(18,602)	93,860,728	(47,448)
In KHR'000 equivalents (Note 5)	602,107,378	(75,784)	379,666,645	(191,927)

29. FINANCIAL RISK MANAGEMENT (continued)

A. Credit risk (continued)

(iv) Concentration of credit risk

The Bank monitors concentrations of credit risk by sectors as follows:

	Cash, balances with other banks and NBC – net	Loans and advances – net	Other assets	Total
31 December 2021	US$	US$	US$	US$
Personal lending	-	19,236,333	-	19,236,333
Construction	-	856,276	-	856,276
Real estates	-	65,336,913	-	65,336,913
Retail trade	-	13,912,136	-	13,912,136
Hotels and restaurants	-	1,332,175	-	1,332,175
Wholesale trade	-	2,481,844	-	2,481,844
Transport and storage	-	342,158	-	342,158
Agriculture	-	1,957,996	-	1,957,996
Rental and operational l easing activities	-	877,698	-	877,698
Utilities	-	19,308	-	19,308
Others	41,253,994	41,421,241	1,195,333	83,870,568
Total	41,253,994	147,774,078	1,195,333	190,223,405
In KHR'000 equivalents (Note 5)	168,068,771	602,031,594	4,869,786	774,970,151
31 December 2020				
Personal lending	-	14,020,052	-	14,020,052
Construction	-	810,676	-	810,676
Real estates	-	36,455,990	-	36,455,990
Retail trade	-	9,584,647	-	9,584,647
Hotels and restaurants	-	1,281,024	-	1,281,024
Wholesale trade	-	941,738	-	941,738
Transport and storage	-	798,652	-	798,652
Agriculture	-	1,409,912	-	1,409,912
Rental and operational leasing activities	-	1,013,406	-	1,013,406
Utilities	-	37,250	-	37,250
Others	43,677,252	27,459,933	685,500	71,822,685
Total	43,677,252	93,813,280	685,500	138,176,032
In KHR'000 equivalents (Note 5)	176,674,485	379,474,718	2,772,848	558,922,051

29. FINANCIAL RISK MANAGEMENT (continued)

A. Credit risk (continued)

(iv) Concentration of credit risk (continued)

Concentration risk by residency and relationship and large-exposures and restructuring status for Loans and advances:

	31 December 2021		31 December 2020	
	US$	KHR'000	US$	KHR'000
		(Note 5)		(Note 5)
By residency status:				
Residents	147,774,078	602,031,594	93,813,280	379,474,718
By relationship:				
External customers	142,189,058	579,278,222	89,273,478	361,111,219
Loans to staffs	5,585,020	22,753,372	4,539,802	18,363,499
	147,774,078	602,031,594	93,813,280	379,474,718
By exposure:				
Large exposures (*)	-	-	-	-
Non-large exposures	147,774,078	602,031,594	93,813,280	379,474,718
	147,774,078	602,031,594	93,813,280	379,474,718
By restructuring status:				
Restructured loan (**)	23,934,149	97,507,723	17,053,109	68,979,826
Normal	123,839,929	504,523,871	76,760,171	310,494,892
	147,774,078	602,031,594	93,813,280	379,474,718

(*) 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. For the regulatory provision on restructured loan refer to Note 31M.

29. FINANCIAL RISK MANAGEMENT (continued)

A. Credit risk (continued)

(v) Credit risk measurement

The Bank has established the Core Credit Risk Policy which is designed to govern the Bank's risk undertaking activities. Extension of credit is governed by credit programs which set out the plan for a particular product or portfolio, including the target market, terms and conditions, documentation and procedures under which a credit product will be offered and measured.

Risk ratings are reviewed and updated on an annual basis, and in event of (i) change of loan terms and conditions including extension; (ii) repayment irregularities or delinquencies and (iii) adverse information relating to the borrower or transaction.

(vi) Risk limit control and mitigation policies

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

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

The Bank employs a range of policies and practices to mitigate credit risk. The most tradition of these is the taking of security in the form of collateral for Loans and advances, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types to secure for Loans and advances is mortgage over residential properties (land, buildings and other properties).

(vii) Impairment and provisioning policies

The Bank's impairment methodology for assets carried at amortised costs comprises:

- Specific impairment losses for individually significant or specifically identified exposures
- Collective impairment of individually not significant exposures

Specific impairment losses for individually significant or specifically identified exposures

For financial assets carried at amortised cost (such as amounts due from banks and Loans and advances), the Bank first assesses whether objective evidence of impairment exists for financial assets that are individually significant or are already under specific work out by management.

It is the Bank's policy to regularly monitor its loan portfolio. Impairment indicators include: internal rating of the borrower indicating default or near-default, the borrower requesting emergency funding from the Bank; the borrower having past due liabilities to public creditors or employees; a material decrease in the underlying collateral value where the sale of the financed asset is required to repay the loan; a material decrease in the borrower's turnover or the loss of a major customer; a material decrease in estimated future cash flows; any material facility at the debtor level falling beyond 90 past due; a covenant breach not waived by the Bank; the debtor (or any legal entity within the debtor's group) filing for bankruptcy application/protection and/or debtor's listed debt or equity suspended at the primary exchange because of rumours or facts about financial difficulties. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in credit loss expense in the statement of profit or loss and other comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

29. FINANCIAL RISK MANAGEMENT (continued)

A. Credit risk (continued)

(vii) Impairment and provisioning policies (continued)

Specific impairment losses for individually significant or specifically identified exposures (continued)
The interest income is recorded as part of interest and similar income.
Loans together with the associated allowances are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Bank. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced (but only up to the extent of the carrying amount had the impairment not been recognised) by adjusting the allowance account. If a future write–off is later recovered, the recovery is credited to the "credit loss expense".

The present value of the estimated future cash flows is discounted by the financial asset's original EIR. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure, less costs for obtaining and selling the collateral, whether or not foreclosure is probable.
Collective impairment model – Individually not significant exposures

These portfolios are reclassified into different segmentations with similar credit risk characteristics, using the source of income as key criteria and using the simple average of Probability of Default (PD) and Loss Given Default (LGD) for the latest period since October 2013 (date of incorporation). Generally, the impairment trigger used within these portfolios is when they reach a pre-defined delinquency level (e.g., the borrower falls 90 days past due with its contractual payments (capital or interest)).

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows reflect and are directionally consistent with changes in related observable data from period to period (such as changes in unemployment rates, personal indebtedness, collateral values including property prices for mortgages, commodity prices, payment status or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

29. FINANCIAL RISK MANAGEMENT (continued)

A. Credit risk (continued)

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

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

	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 5)	%	%	%
31 December 2021					
On balance sheet items					
Cash, balances with other banks and NBC – net	41,253,994	168,068,771	0%	0%	100%
Loans and advances – net	147,774,078	602,031,594	98.92%	0%	1.08%
Other assets	1,195,333	4,869,786	0%	0%	100%
Total	190,223,405	774,970,151			
Off-Balance sheet items					
Commitments	1,723,565	7,021,804	100%	0%	0%

	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 5)	%	%	%
31 December 2020					
On balance sheet items					
Cash, balances with other banks and NBC – net	43,677,252	176,674,485	0%	0%	100%
Loans and advances – net	93,813,280	379,474,718	99.9%	0%	0.1%
Other assets	685,500	2,772,848	0%	0%	100%
Total	138,176,032	558,922,051			
Off-Balance sheet items					
Commitments	713,430	176	100%	0%	0%

29. FINANCIAL RISK MANAGEMENT (continued)

A. Credit risk (continued)

(ix). Repossessed collateral

During the year, the Bank did not obtain assets by taking possession of collateral held as security.
Repossessed properties have to be sold within one year as required by the NBC. Repossessed property is classified in the statement of financial position as foreclosed properties, if any.

B. Liquidity risk

Liquidity risk refer to risk which the institution cannot meet the obligation or cannot settle debt obligation or settle position in the specific economic and financial situation and market situation. Liquidity risk arises from mismatches in the timing and amounts of cash flows, which is inherent to the Bank's operations and investments.

(i). Liquidity risk management

The Bank established a comprehensive policy and control framework for managing liquidity risk. The Bank's Asset and Liability Management Committee (ALCO) is responsible for managing the Bank's liquidity risk via a combination of policy formation, review and governance, analysis, stress testing, limit setting and monitoring. In order to effectively manage liquidity risk the Bank:

- maintains a portfolio of highly liquid assets, diversified by currency and maturity;
- ensures that there is diversity in its funding base consisting of customer deposits (both retail and corporate) and wholesale market deposits and maintaining contingency facilities;
- monitors the behavioural characteristics of financial assets and liabilities;
- monitors liquidity reports analysing the expected maturity profile of assets and liabilities;
- establishes early warning indicators of potential liquidity stress events and ensures that there are assets available to be used as collateral if needed;
- performs regular stress tests of the Bank's liquidity position against various exposures and global, country-specific and Bank-specific events; and
- maintains a contingency funding plan designed to provide a framework where a liquidity stress could be effectively managed.

The Bank Treasury function executes the Bank's liquidity and funding strategy in co-operation with other business units of the Bank. The Bank's liquidity and funding strategy is determined in accordance with relevant local regulatory requirements. The Bank's foreign operations determine a local liquidity strategy which needs to be in line with both local regulatory framework and the Bank's central policy.

There are daily controls in place to define and monitor compliance with the Bank's liquidity risk appetite. The principal metric used is the result of the Bank's liquidity stress testing, supplemented by the results of key regulatory ratios including the Liquidity Coverage Ratio (which measures the ratio of high quality liquid assets to outflows in an extreme 30 days stress scenario) and the Net Stable Funding Ratio (which seeks to promote a sustainable maturity structure of funding balances).

29. FINANCIAL RISK MANAGEMENT (continued)

B. Liquidity risk (continued)

(i). Liquidity risk management (continued)

Regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. The scenarios are developed taking into account both Bank-specific events (e.g. a rating downgrade) and market-related events (e.g. prolonged market illiquidity, reduced fungibility of currencies, natural disasters or other catastrophes). Moreover, stress scenarios may be based on past events (historical scenario) observed within the own institution, or more commonly, on crisis situations witnessed by other institutions of similar size, business model and regional footprint. Often, the Bank also combines crisis elements from various historical situations to develop a hypothetical but plausible crisis scenario that might be more relevant to their current business model and exposure profile.

(ii). Maturity analysis for financial liabilities and financial assets

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

	Carrying amount	Up to 1 month	> 1 – 3 months	> 3 – 12 months	> 1 – 5 years	Over 5 years	No maturity
31 December 2021	US$	US$	US$	US$	US$	US$	US$
Financial assets							
Cash on hand	3,040,031	-	-	-	-	-	3,040,031
Balances with the NBC	38,146,231	23,967,685	-	100,000	6,578,463	7,500,083	-
Balances with other banks – net	67,732	67,732	-	-	-	-	-
Loans and advances – net	147,774,078	658,783	902,497	17,947,305	5,984,054	122,281,439	-
Other assets	1,195,333	-	-	-	-	-	1,195,333
Total financial assets	190,223,405	24,694,200	902,497	18,047,305	12,562,517	129,781,522	4,235,364
Financial liabilities							
Deposits from customers	115,889,619	2,150,659	14,947,223	78,664,039	5,811,819	5,320,830	8,995,049
Subordinated debt	1,603,156	-	-	400,000	1,203,156	-	-
Lease liabilities	1,605,981	35,051	70,553	325,399	993,225	181,753	-
Other liabilities	132,771	-	-	-	-	-	132,771
Total financial liabilities	119,231,527	2,185,710	15,017,776	79,389,438	8,008,200	5,502,593	9,127,820
Total maturity gap	70,991,878	22,508,490	(14,115,279)	(61,342,133)	4,554,317	124,278,929	(4,892,456)
In KHR'000 equivalents (Note 5)	289,220,909	91,699,588	(57,505,647)	(249,907,850)	18,554,286	506,312,358	(19,931,866)

29. FINANCIAL RISK MANAGEMENT (continued)

B. Liquidity risk (continued)

(ii). Maturity analysis for financial liabilities and financial assets (continued)

31 December 2020	Carrying amount US$	Up to 1 month US$	> 1 – 3 months US$	> 3 – 12 months US$	> 1 – 5 years US$	Over 5 years US$	No maturity US$
Financial assets							
Cash on hand	3,087,371	-	-	-	-	-	3,087,371
Balances with the NBC	39,075,535	28,134,184	-	150,000	3,287,701	7,503,650	-
Balances with other banks – net	1,514,346	1,127,039	-	-	-	-	387,307
Loans and advances – net	93,813,280	646,762	941,356	3,219,591	3,992,546	85,013,025	-
Other assets	685,500	-	-	-	-	-	685,500
Total financial assets	138,176,032	29,907,985	941,356	3,369,591	7,280,247	92,516,675	4,160,178
Financial liabilities							
Deposits from customers	61,950,059	4,824,325	8,789,847	42,105,693	1,007,983	1,243,181	3,979,030
Subordinated debt	2,001,817	-	-	-	2,001,817	-	-
Lease liabilities	2,014,503	33,220	66,875	308,435	1,317,101	288,872	-
Other liabilities	80,723	-	-	-	-	-	80,723
Total financial liabilities	66,047,102	4,857,545	8,856,722	42,414,128	4,326,901	1,532,053	4,059,753
Total maturity gap	72,128,930	25,050,440	(7,915,366)	(39,044,537)	2,953,346	90,984,622	100,425
In KHR'000 equivalents (Note 5)	291,761,523	101,329,030	(32,017,655)	(157,935,152)	11,946,285	368,032,796	406,219

(iii). Liquidity reserves

The following table sets out the components of the Bank's liquidity reserves.

31 December 2021	31 December 2021 US$	31 December 2020 US$
		(Note 5)
Cash on hand	3,040,031	3,087,371
Balances with the NBC	24,067,685	28,284,184
Balances with other banks – net	67,732	1,514,346
Total liquidity reserves	27,175,448	32,885,901
In KHR'000 equivalents (Note 5)	110,712,775	133,023,470

29. FINANCIAL RISK MANAGEMENT (continued)

C. Market risk

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

(i). Market risk management

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

a) Interest rate risk

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments or economic value of equity of the Bank because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. ALCO is the monitoring body for compliance with these limits and is assisted by Treasury Department in its day- to-day monitoring activities. These day-to-day activities include monitoring changes in the Bank's interest rate exposures, which include the impact of the Bank's outstanding or forecast debt obligations.

RMC and ALCO is responsible for setting the overall hedging strategy of the Bank. Treasury is responsible for implementing that strategy by putting in place the individual hedge arrangements.

The following is a summary of the Bank's interest rate gap position. The interest rate repricing gap table analyses the full-term structure of interest rate mismatches within the Bank's statement of financial position based on either (i) the next repricing date or the maturity date if floating rate.

29. FINANCIAL RISK MANAGEMENT (continued)

C. Market risk(continued)

(i). Market risk management (continued)

a) Interest rate risk (continued)

31 December 2021	Up to 1 month US$	> 1 - 3 months US$	> 3 - 12 months US$	> 1 - 5 years US$	Over 5 years US$	Non-interest bearing US$	Total US$
Financial assets							
Cash on hand	-	-	-	-	-	3,040,031	3,040,031
Balances with the NBC	-	-	100,000	6,578,463	7,500,083	23,967,685	38,146,231
Balances with other banks – net	6,797	-	-	-	-	60,935	67,732
Loans and advances – net	658,783	902,497	17,947,305	5,984,054	122,281,439	-	147,774,078
Other assets	-	-	-	-	-	1,195,333	1,195,333
Total financial assets	665,580	902,497	18,047,305	12,562,517	129,781,522	28,263,984	190,223,405
Financial liabilities							
Deposits from customers	2,150,659	14,947,223	78,664,039	5,811,819	5,320,830	8,995,049	115,889,619
Subordinated debt	-	-	400,000	1,203,156	-	-	1,603,156
Lease liabilities	35,051	70,553	325,399	993,225	181,753	-	1,605,981
Other liabilities	-	-	-	-	-	132,771	132,771
Total financial liabilities	2,185,710	15,017,776	79,389,438	8,008,200	5,502,583	9,127,820	119,231,527
Total interest rate repricing gap	(1,520,130)	(14,115,279)	(61,342,133)	4,554,317	124,278,939	19,075,229	70,991,878
In KHR'000 equivalents (Note 5)	(6,193,010)	(57,505,647)	(249,907,850)	18,554,286	506,312,397	77,712,483	289,220,909

31 December 2020	Up to 1 month US$	> 1 - 3 months US$	> 3 - 12 months US$	> 1 - 5 years US$	Over 5 years US$	Non-interest bearing US$	Total US$
Financial assets							
Cash on hand	-	-	-	-	-	3,087,371	3,087,371
Balances with the NBC	-	-	150,000	3,287,701	7,503,650	28,134,184	39,075,535
Balances with other banks – net	1,127,039	-	-	-	-	387,307	1,514,346
Loans and advances – net	646,762	941,356	3,219,591	3,992,546	85,013,025	-	93,813,280
Other assets	-	-	-	-	-	685,500	685,500
Total financial assets	1,773,801	941,356	3,369,591	7,280,247	92,516,675	32,294,362	138,176,032
Financial liabilities							
Deposits from customers	4,824,325	8,789,847	42,105,693	1,007,983	1,243,181	3,979,030	61,950,059
Subordinated debt	-	-	-	2,001,817	-	-	2,001,817
Lease liabilities	33,220	66,875	308,435	1,317,101	288,872	-	2,014,503
Other liabilities	-	-	-	-	-	80,723	80,723
Total financial liabilities	4,857,545	8,856,722	42,414,128	4,326,901	1,532,053	4,059,753	66,047,102
Total interest rate repricing gap	(3,083,744)	(7,915,366)	(39,044,537)	2,953,346	90,984,622	28,234,609	72,128,930
In KHR'000 equivalents (Note 5)	(12,473,744)	(32,017,655)	(157,935,152)	11,946,285	368,032,796	114,208,993	291,761,523

29. FINANCIAL RISK MANAGEMENT (continued)

C. Market risk(continued)

(i). Market risk management (continued)

b) Foreign exchange risk

The Bank operates in the Kingdom of Cambodia and transacts in many currencies, and is exposed to various currency risks, primarily with respect to Khmer Riel, United Stated Dollar and Hong Kong Dollar.

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

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

	Denomination US$ equivalents		
	KHR	US$	Total
31 December 2021			
Financial assets			
Cash on hand	485,980	2,554,051	3,040,031
Balances with the NBC	806,571	37,339,660	38,146,231
Balances with other banks – net	1,258	66,474	67,732
Loans and advances – net	14,952,388	132,821,690	147,774,078
Other assets	1,208	1,194,125	1,195,333
	16,247,405	173,976,000	190,223,405
Financial liabilities			
Deposits from customers	2,512,135	113,377,484	115,889,619
Subordinated debt	-	1,603,156	1,603,156
Lease liabilities	-	1,605,981	1,605,981
Other liabilities	-	132,771	132,771
	2,512,135	116,719,392	119,231,527
Net asset position	13,735,270	57,256,608	70,991,878
(KHR'000 – Note 5)	55,957,490	233,263,419	289,220,909

29. FINANCIAL RISK MANAGEMENT (continued)
C. Market risk(continued)

(i). Market risk management (continued)
b) Foreign exchange risk (continued)

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

	Denomination US$ equivalents		
31 December 2020	KHR	US$	Total
Financial assets			
Cash on hand	485,066	2,602,305	3,087,371
Balances with the NBC	543,934	38,531,601	39,075,535
Balances with other banks – net	41,821	1,472,525	1,514,346
Loans and advances – net	9,854,730	83,958,550	93,813,280
Other assets	2,335	683,165	685,500
	10,927,886	127,248,146	138,176,032
Financial liabilities			
Deposits from customers	1,539,086	60,410,973	61,950,059
Subordinated debt	-	2,001,817	2,001,817
Lease liabilities	-	2,014,503	2,014,503
Other liabilities	-	80,723	80,723
	1,539,086	64,508,016	66,047,102
Net asset position	9,388,800	62,740,130	72,128,930
(KHR'000 – Note 5)	37,977,696	253,783,827	291,761,523

Sensitivity analysis

Considering that other risk variables remain constant, the foreign currency revaluation sensitivity for the Bank as at reporting date is summarised as follows:

	2021		2020	
	- 1% Depreciation	+ 1% Appreciation	- 1% Depreciation	+ 1% Appreciation
	US$	US$	US$	US$
Khmer Riel	(109,882)	109,882	(75,110)	75,110
In (KHR'000 – Note 5)	(447,659)	447,659	(305,547)	305,547

29. FINANCIAL RISK MANAGEMENT (continued)

D. Operational risk management

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

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

Risk and Compliance Department is responsible for the development and implementation of controls to address operational risk. This responsibility is supported by the development of overall Bank standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- information technology and cyber risks; and
- risk mitigation, including insurance where this is cost-effective.

E. Capital risk

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

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

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

Capital risk management

Capital risk is measured and monitored using limits set calculated in accordance with NBC's requirements.
On 22 February 2018, the NBC issued a Prakas on Capital Buffer in Banking and Financial Institutions. According to Article 22 of this Prakas, the institution shall comply with the provisions related to the capital conservation buffer at least 50% of the conservation buffer by 1 January 2019 and fully comply by 1 January 2020.

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

On 25 June 2020, the NBC further issued an additional circular on the implementation of Prakas on Capital Buffer in Banking and Financial Institutions to introduce the additional implementation information of the Prakas. There are no updates to revoke the determination of the countercyclical capital buffer at level of 0% up to date of this report.

29. FINANCIAL RISK MANAGEMENT (continued)

E. Capital risk (continued)

Capital risk management (continued)

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

30. 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. This include property and equipment.

The fair value of the Bank's financial instruments such as cash, balance with the NBC, balance with other banks, other assets, and other liabilities 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.

I). 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.

(ii) Loans and advances

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

(iii) 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.

vi) Subordinated debt

The fair value of subordinated debt is estimated by discounting the expected future cash flows using the applicable prevailing market interest rates for borrowings with similar risk profiles. However, only the contractual interest rates which are confirmed and provided by all lenders are available at the reporting date instead of the applicable prevailing market interest rates. The Bank believed that the contractual interest rates were not significantly different to the prevailing market interest rates on the ground that there was no change to interest rates following the lenders' consideration on the Bank's credit risk profile as at reporting date. On this basis, the fair value of subordinated debt approximates their carrying values at the reporting date.

30. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (continued)

vi) Subordinated debt (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 balance sheet are a reasonable estimation of their fair values.

31. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, unless otherwise stated (Note 31T).

A. Basis of measurement

The financial statements have been prepared on a historical cost.

B. Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency of 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 period.

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.

31. SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Financial assets and financial liabilities

i). Recognition and initial measurement

The Bank initially recognises Loans and advances, deposits with other banks, debt securities issued and subordinated debt 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 FVTPL, transaction costs that are directly attributable to its acquisition or issue. The fair value of a financial instrument at initial recognition is generally its transaction price.

ii). Classification

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or 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 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.

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

31. SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Financial assets and financial liabilities (continued)

ii). Classification (contnued)

Financial assets (continued)

Business model assessment (continued)

- 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.

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;
- 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.

31. SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Financial assets and financial liabilities (continued)

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 and 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 or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to 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 or 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.

31. SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Financial assets and financial liabilities (continued)

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

Financial assets (continued)

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 and loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the 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 and loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are 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.

Interest rate benchmark reform

If the basis of 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 of 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 charges.

(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.

(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.

31. SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Financial assets and financial liabilities (continued)

(vi) Fair value measurement (continued)

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

If an asset or a liability measured at fair value has a bid price and an 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.

(vii). Impairment

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.

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

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets; and
- loan commitments: generally, as a provision.

For more details of impairment, refer to Note 29A(iii) and 29A(vii).

31. SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Financial assets and financial liabilities (continued)

(vii). Impairment (continued)

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 theborrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows.

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

Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at 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.

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.

31. SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Financial assets and financial liabilities (continued)

(vii). Impairment (continued)

Write-off (continued)

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit and 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.

D. Cash and cash equivalents

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

E. Loans and advances

Loans and advances captions in the statement of financial position represent loans 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 method.

F. Other assets

Other assets are carried at amortised cost less impairment, if any. Property and equipment

G. Property and equipment

(i) Recognition and measurement

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

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

(ii) Subsequent expenditure

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

31. SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Property and equipment (continued)

(iii) Depreciation

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

The depreciation rate based on estimated useful lives of significant items of property and equipment are as follows:

	Rate per annum
Buildings	5%
Leasehold improvement	20%
Motor vehicles	20%
Computer equipment	20%
Equipment	20%
Furniture and fixtures	20%

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

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

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

H. Intangible assets

Intangible assets consist of software and licenses and are stated at cost less accumulated amortisation and accumulated impairment losses, if any.

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

Software and licenses are amortised on a straight-line basis in profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life of software and licenses for the current and comparative periods is five years.

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

I. 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:

31. SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Leases (continued)

- 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.

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

Leases in which the Bank is a lessee

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

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

The Bank 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 of the head office and branches buildings are from 5 to 10 years.
The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, to the lessee's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

31. SIGNIFICANT ACCOUNTING POLICIES (continued)

I. 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 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 Group'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 machinery that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

J. 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 and 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.

31. SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Impairment of non-financial assets (continued)

Impairment losses recognised in prior periods are assessed at each reporting date for any indications sssthat 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.

K. Deposits from customers

Deposits from customers are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

L. Provisions

Provisions are recognised if, as a result of a past event, the Bank has a legal or constructive obligation that can be estimated reliably, 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.

M. Regulatory reserves

On 1 December 2017, NBC issued a Prakas No. B7-017-344 on Credit Risk Grading and Impairment Provisioning for ensuring appropriate recognition, measurement, provisioning and reporting of impaired facilities of the institutions.
Facilities under this Prakas is defined as all loans and other financial products, whether reported on statement of financial position or off-statement of financial position, provided by an Institution to a counterparty, which give rise to credit risk exposure on the Institution.

According to the Prakas, the Bank is required to calculate the allowance for impaired facilities in accordance with the regulatory provision simultaneously with the calculation in accordance with CIFRSs. The provision calculated in accordance with CIFRSs is to be recognised and recorded. Excess amount of provision calculated in accordance with regulatory provision compared to the provision calculated under CIFRSs has to be transferred from retained earnings to regulatory reserves of shareholder's equity.

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

Classifications	Number of days past due	Provision
General allowance		
Short-term facilities (one year or less):		
Normal	0-14 days	1%
Long-term facilities (more than one year):		
Normal	0-29 days	1%

31. SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Regulatory reserves (continued)

Specific allowance		
Short-term facilities (one year or less):		
Special mention	15-30 days	3%
Sub-standard	31-60 days	20%
Doubtful	61-90 days	50%
Loss	91 days & above	100%
Long-term facilities (more than one year):		
Special mention	30-89 days	3%
Sub-standard	90-179 days	20%
Doubtful	180-359 days	50%
Loss	360 days & above	100%

For facility with repayment as quarterly, semi-annually or longer, such facility shall be classified as substandard if their repayments are past due from five working days.

Regulatory provision on restructure loan

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. The Bank chose to defer the implementation of the new Circular in preparing these financial statements for the year ended 31 December 2021.

N. Interest

Effective interest rate (EIR)

Interest income and expense are recognised in profit or loss using the effective interest method. The "effective interest rate or EIR" 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, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not the expected credit losses (ECL).

The calculation of the EIR includes all fees paid or received between parties to the contract that are an integral part of the EIR, and transactions costs. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

31. SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Interest (continued)

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 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 before adjusting for any expected credit loss allowance 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.

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 credit-impaired 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.

Presentation

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

Interest expense calculated using effective interest method presented in profit or loss includes interest on financial liabilities measured at amortised cost.

O. Fee and commission

Fee and commission income and expense include fees other than those that are an integral to the EIR on a financial asset or financial liability.

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

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

P. Employee benefits

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.

31. SIGNIFICANT ACCOUNTING POLICIES (continued)

Q. Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in OCI.

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 CIAS 37 Provisions, Contingent Liabilities and Contingent Assets and has recognised the related expenses in “other expenses”.

(i) 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.

Temporary differences in relation to a right-of-use assets and lease liabilities for specific lease are regarded as a net package (the lease) for the purpose of recognising deferred tax.

Deferred tax assets are recognised for unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Bank expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.
Deferred tax assets and liabilities are offset only if certain criteria are met.

R. 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.

S. 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.

T. Changes in significant accounting policies

The Bank has initially adopted Interest Rate Benchmark Reform – Phase 2 (Amendments to CIFRS 9, CIAS 39, CIFRS 7, CIFRS 4 and CIFRS 16) from 1 January 2021.

31. SIGNIFICANT ACCOUNTING POLICIES (continued)

T. Changes in significant accounting policies (continued)

The Bank applied the Phase 2 amendments retrospectively. The Bank elected to apply the practical expedient provided in the amendment to deal with the changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities resulting from the interest rate benchmark reform. The changes are accounted for by updating the effective interest rate at the time the basis is changed, provided the changes are necessary as a direct consequence of the reform and the new basis is economically equivalent to the previous basis. There is no impact on opening equity balances as a result of retrospective application.

The details of the accounting policies are disclosed in Notes 31C and 31I.

U. New standards, amendments and other interpretation issued but not yet effective

A number of new standards, amendments to standards and interpretations that are effective for annual periods beginning after 1 January 2021 and earlier application is permitted; however, the Bank has not early adopted the new or amended standards in preparing these financial statements.

(i) Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to CIAS 12)

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences - e.g. leases. The amendments apply for annual reporting years beginning on or after 1 January 2023. For leases, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative year presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest year presented.

(ii) Other standards

The following new and amended standards are not expected to have a significant impact on the Bank's financial statements:

- COVID-19-Related Rent Concessions – Amendment to CIFRS 16;
- Annual Improvements to CIFRS Standards 2018–2020;
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to CIAS 16;
- Reference to Conceptual Framework – Amendments to CIFRS 3;
- Classification of Liabilities as Current or Non-current – Amendments to CIAS 1;
- Disclosure of Accounting Policies – Amendments to CIAS 1 and CIFRS Practice Statement 2;
- Definition of Accounting Estimate – Amendments to CIAS 8; and
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to CIAS 37).

32. 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 as management believe the below instruments on which credit risk has not increase significantly, which consist of:

	31 December 2021		31 December 2020	
	US$	KHR'000	US$	KHR'000
		(Note 5)		(Note 5)
Unused overdraft	1,508,165	6,144,264	508,430	2,056,599
Guarantees	215,400	877,540	-	-
Performance bond	-	-	205,000	829,225
	1,723,565	7,021,804	713,430	2,885,824

B. 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 different interpretations and the effects could be significant.

Limited tax reassessment for the period from 1 January 2018 to 31 May 2019

On 9 March 2020, the Bank received from the General Department of Taxation ("GDT") a tax reassessment letter for limited tax audit imposing underpayment of fringe benefit tax and withholding tax totalling to KHR189,466,885 (approximate to US$47,367). The Bank has submitted objection letter to the GDT two times dated 25 March 2020 and 25 June 2020, respectively. The GDT, on 25 May 2020, responded to the Bank's 1st protest letter stating their position and stand firm to their originally imposed underpaid tax (including penalty and interest). As of the date of these financial statements, the Bank has yet to receive response from the GDT on the 2nd protest letter.

Comprehensive tax reassessment for the period from 1 January 2017 to 31 December 2019

On 19 May 2020, the Bank received a tax reassessment notification for comprehensive tax audit for the period from 1 January 2017 to 31 December 2019. As of the date of these financial statements, the comprehensive tax audit is still on going and has not finalise yet.

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